

Chief Financial Officer's Report to  
Audit Committee  
2024 April 18

ISC: UNRESTRICTED  
AC2024-0460

## **The City of Calgary 2023 Annual Investment Report**

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### **PURPOSE**

The Annual Investment Report is an integral component of The City's investment governance structure and risk oversight to ensure investments are optimally managed. This report provides a summary of 2023 investment activity, asset mix, asset class and investment manager performance, as well as compliance information for Audit Committee.

The City of Calgary has allocated money to provide benefits for a variety of different purposes. While the monies are waiting to be disbursed the assets are invested to provide a rate of return to protect the funds from variety of different risks including but not limited to liability growth, cost inflation and preservation of principle. The City of Calgary Investment and Governance Policy CP2020-02 governs the investments of The City. City funds are invested in a diversified portfolio of financial assets consisting of money market securities, short- and long-term government and corporate bonds, global and Canadian equity investments, and real asset investments, to meet the investment objectives of City funds. This includes return and liquidity requirements as well, to match funds with longer-term time horizons.

### **PREVIOUS COUNCIL DIRECTION**

Pursuant to The City of Calgary Investment and Governance Policy CP2020-02, Administration reports to Council annually, through the Audit Committee, regarding the investments of The City during the year.

### **RECOMMENDATION(S):**

That the Audit Committee:

1. Recommends Council approval of The City of Calgary 2023 Annual Investment Report

### **CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS**

The investments in financial markets provide an important source of revenue for The City of Calgary. The results presented in the Annual Investment Report highlight The City's commitment to a well diversified and risk conscious approach to its investment portfolio. The governance and oversight provided by the Investment Advisory Committee ensures the preservation of capital, the income generation, and capital growth of the portfolio are done in a prudent manner. The income and capital growth provide necessary contributions to the overall goal of a Well-Run City.

### **HIGHLIGHTS**

- As part of a sound governance practice, the Annual Investment Report provides the Audit Committee and Council with the reporting of The City's investment activity, asset class holdings, and performance during 2023 to meet investment objectives.

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- In 2023, The City of Calgary's total investment portfolio (including internally and externally managed portfolios), returned 7.61 per cent after fees on a market value basis.
- The 2023 net portfolio return outperformed the benchmark return of 7.51 percent by 35 basis points, as well as inflation in 2023, which was 3.9 per cent in Canada.
- On a three-year annualized basis, the total portfolio returns of 1.02 per cent exceeded the benchmark return of 0.46 per cent.
- Gross income generated by the investment program was \$255.8 million, with a net income to the operating budget of \$98.4 million after distributions to reserves, capital deposits, self-supported business units, and investment expenses.
- Investment related expenses were \$21.7 million.
- Background and Previous Council Direction is included as Attachment 1.

### **DISCUSSION**

- The City of Calgary Investment and Governance Policy CP2020-02 directs the investment of The City's assets, which at 2023 December 31, the market value of The City's total investment portfolio was \$6.82 billion.
- The funds are managed in a series of asset classes which include short-term liquidity, short-term fixed income, long-term fixed income, equities, and real assets (infrastructure).
- The funds are managed to meet the investment objectives of City funds. This includes return, liquidity, and capital preservation requirements, as well as longer term growth to match funds with longer-term time horizons.
- The management of The City's investment portfolios follows industry best practice and aligns with prudent stewardship of financial resources and sustainability of The City.

### **EXTERNAL ENGAGEMENT AND COMMUNICATION**

- |  |   |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken        | <input type="checkbox"/> Dialogue with interested parties was undertaken                |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

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### **IMPLICATIONS**

#### **Social**

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

#### **Environmental**

Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

#### **Economic**

Financial and economic market conditions impact both investment income earned, as well as the market valuation of The City's investment portfolios.

#### **Service and Financial Implications**

#### **Other: Multiple**

Investment Income earned is part of the budgeted amounts for General Revenues as well the projected balances for reserves and business units that have funds being invested. Investment income can help offset cost escalations for projects and other developments thus reducing possibility of project funding shortfalls. A shortfall of investment income could increase the burden on taxpayers, while a surplus could reduce that burden.

### **RISK**

The City of Calgary mitigates risk within its investment portfolios through a sound governance structure, adherence to government regulations, and The City's Investment Policy. Investment managers retained by The City, manage risk by investing in quality investments and ensuring sufficient diversification among holdings in their portfolios. The Investment Advisory Committee oversees investment strategy and regularly reviews the investment activity, compliance, and risk mitigation practices of both internal and external managers to meet City's investment objectives. Prudent investment in companies and governments that follow environmental and social principles supports sustainable risk/return performance of City investments to meet City goals and objectives.

### **ATTACHMENT(S)**

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 – The City of Calgary 2023 Annual Investment Report
3. Attachment 3 – Presentation – 2023 Annual Investment Report

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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corporate Planning and Financial Services	Approve

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