

THE CORPORATION OF THE
CITY OF WHITE ROCK
CORPORATE REPORT



DATE: July 21, 2025

TO: Mayor and Council

FROM: Candice Gartry, Director, Financial Services

SUBJECT: Options for Investment Management

RECOMMENDATION

THAT Council receive the July 21, 2025, corporate report from the Director of Financial Services, titled "Options for Investment Management:" and

1. Direct staff to issue a Request of Interest (ROI) to gather information from qualified investment management service providers.
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EXECUTIVE SUMMARY

As of June 26, 2025, the City is managing approximately \$185M in public funds across interest-bearing accounts, MFA investments, and GICs, the majority of which are committed or restricted for reserves, deposits, and liabilities. Investment activities are currently overseen by Financial Services staff without dedicated resources, limiting the City's ability to proactively optimize returns or manage cash flow. Given the size and complexity of the portfolio, and the growing operational pressures on Finance staff, this report presents two options for enhancing investment oversight: (1) engaging a qualified third-party investment management firm or (2) creating a full-time internal position dedicated to investment management and broader financial support. Both options are compliant with the Community Charter and Investment Policy No. 310 and can be funded through existing or improved investment income.

PREVIOUS COUNCIL DIRECTION

Motion # & Meeting Date	Motion Details
2025-061 February 24, 2025	THAT Council direct a report to be brought forward with information in regard to potentially hiring a Financial Services Planner to review potential investment opportunities. <div>CARRIED</div>

INTRODUCTION/BACKGROUND

The purpose of this report is to provide Council with background and options for enhancing the City's approach to investment management.

As of December 31, 2024, the City was managing over \$185M in cash, cash equivalents, refundable performance deposits, and investments. As of June 26, 2025, approximately 68% was held in interest-bearing accounts at the City's financial institution, 2% in the Municipal Finance Authority (MFA) Money Market Fund, and 29% invested in Guaranteed Investment Certificates (GICs).

These funds are primarily committed or restricted, and as of December 31, 2024, were allocated approximately as follows:

- Restricted Reserves: 80%
- Refundable Performance Deposits: 8%
- Accounts Payable and Accrued Liabilities: 6%
- Unrestricted Reserves: 3%
- Other: 3%

At present, investment management responsibilities are handled by staff within the Financial Services department. However, with the Finance team operating at full capacity, particularly at the senior level, there is limited time available to proactively monitor market conditions, optimize investment returns, or strategically manage cash flow timing. The department's senior staff are currently stretched by:

- Manual and complex workflows.
- Limited exempt-level staffing.
- Ongoing ERP implementation.
- Detailed financial reporting and legislative compliance.
- Increasing corporate demand for financial planning and analysis.

Recent years have seen positive investment variances, largely due to high interest rates. However, rates began to decline in late 2024 and are not expected to return to previous highs in the near future. Accordingly, investment income is budgeted conservatively in alignment with the Community Charter, which prohibits municipalities from running operating deficits.

The City's investment practices are governed by Council Policy No. 310, which emphasizes capital preservation, liquidity, and risk-adjusted returns. The policy is intentionally conservative, reflecting legislative constraints and the principle that public funds must be managed prudently and in the best interest of taxpayers. Investments are restricted to those permitted under Section 183 of the Community Charter, such as securities of senior governments, MFA products, and chartered financial institutions.

Given the size of the portfolio and the importance of effective stewardship, staff recommend a more structured and dedicated approach to investment management.

OPTIONS/RISKS/ALTERNATIVES

Option 1

The City could engage a qualified investment management firm to oversee the portfolio in compliance with Policy No. 310 and relevant legislation. This would begin with a Request for Interest (ROI) to assess market capacity and inform a potential Request for Proposals (RFP) process.

For Reference, an ROI is used to collect information from potential vendors, understand service availability, and help shape future procurement. It does not result in a contract award. In contrast, RFP is a formal bidding process issued when the City is ready to award a contract based on detailed proposals.

If the City were to contract out these services, there are several different fee structure options, depending on the investment management firm, and could include the following:

1. Tiered Based on Assets Under Management (AUM): Percentage fees, that decrease as the portfolio grows.
2. Flat Fees.
3. Performance-Based Models: Combine a base fee with bonuses if returns exceed benchmarks.

The Pros of Option 1 may include:

- Access to specialized expertise and continuous market monitoring.
- Relatively quick implementation after procurement.
- Reduces internal workload pressure.

The Cons of Option 1 may include:

- Requires active contract oversight and performance evaluation.
- Limited integration with internal forecasting, reserves, and cash flow management.
- Long-term costs may exceed internal staffing costs.

Option 2

The City could create a full-time exempt position (e.g., Treasury Officer) responsible for overseeing investments and providing broader support to the Financial Services department. The cost of this position is estimated at \$125,000 per year, inclusive of benefits. While investment oversight would be a primary focus, the role would also support departmental priorities such as:

- Budget development and variance analysis.
- Financial and reserve reporting.
- Long-range financial and infrastructure planning.
- Asset management tracking.
- Internal policy development and review.
- Process automation and digitalization.

The Pros of Option 2 may include:

- Fully integrated with internal financial operations and strategic planning.
- Increases exempt-level capacity in an overstretched department.
- Improves service delivery, risk management, and compliance.
- Builds in-house knowledge and reduces dependence on external vendors.

The Cons of Option 2 may include:

- Longer implementation timeframe due to recruitment and onboarding.
- Requires ongoing investment in training and market awareness.
- May not provide the same depth of investment specialization as a firm focused solely on investment management.

FINANCIAL IMPLICATIONS

Both options presented in this report can be funded through existing or increased investment revenues.

- Contracting third-party services is estimated to cost \$50,000 to \$150,000 annually, depending on the chosen fee structure and portfolio size.
- Hiring a full-time exempt staff member would cost approximately \$125,000 per year, including benefits.

Improved investment oversight is expected to result in greater returns, which can offset or exceed the cost of implementation. Additionally, an internal position would provide broader support to the department in areas that are currently under-resourced.

LEGAL IMPLICATIONS

All investment activities must comply with Section 183 of the Community Charter, which limits eligible investment instruments to those deemed secure and appropriate for public funds. The City's Investment Policy No. 310, adopted on September 11, 2023, has been developed in accordance with this legislation. Regardless of which option is selected, any investment activities must remain in strict compliance with this policy. If a third-party provider is engaged, contract language and oversight mechanisms will be developed to ensure adherence to all statutory and policy requirements.

ALIGNMENT WITH STRATEGIC PRIORITIES

This initiative aligns with the 'Governance' priority area outlined in the 2023–2026 Council Strategic Priorities. In particular, it supports the objective of ensuring responsible fiscal management and long-term financial sustainability. Improving investment oversight will strengthen risk management, optimize returns on public funds, and build internal capacity to support evolving legislative and service delivery demands. This work also supports the 'Infrastructure and Asset Management' priority by improving stewardship of reserves earmarked for capital reinvestment and infrastructure renewal.

OPTIONS

1. Direct staff to issue a Request for Interest (ROI) to assess the availability, capacity, and service models of third-party investment management providers. The results of the ROI will help inform Council's decision on whether to proceed with a formal procurement process or consider an internal staffing solution.
2. Direct staff to prepare a staffing plan and budget amendment for the creation of a new full-time exempt position responsible for investment portfolio management and supporting key financial functions within the department.
3. Not dedicate a position and/or contract a qualified investment management firm to oversee the city's investment portfolio which would result in missed opportunities to boost or increase the city's investment returns and revenue.

CONCLUSION

With over \$185M in funds under management and increasing demand on Financial Services, a more dedicated and strategic approach to investment management is recommended. Both contracting a third-party provider and hiring an internal staff member are viable and cost-effective options.

Contracting offers immediate access to specialized expertise, while an internal position provides long-term organizational capacity and integration with financial operations.

Staff recommend issuing a Request for Interest (ROI) to assess the availability, cost, and benefits of third-party investment services. This will inform Council's decision-making and support a fiscally responsible path forward, aligned with the City's strategic goals.

Respectfully submitted,



Candice Gartry, CPA, CGA
Director, Financial Services

Comments from the Chief Administrative Officer

I concur with the recommendations of this corporate report.



Guillermo Ferrero
Chief Administrative Officer

Appendix A: Investment Policy No 310