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To: "[Direct to Mayor and Council - DL](#)"

Date: 3/3/2026 11:51:45 AM

Subject: FSC - Memo to Mayor and Council - Update on Investment Portfolio Optimization

Attachments: FSC - Memo to Mayor and Council - Update on Investment Portfolio Optimization.pdf

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Dear Mayor and Council,

The attached memo is for information and provides update to Council on the progress of the City's Treasury investment portfolio optimization and planned actions in 2026.

Should you have any questions please contact Colin Knight at 604.873.7610 or [Colin.Knight@vancouver.ca](mailto:Colin.Knight@vancouver.ca).

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I am grateful to live and work on the territories of the x m k y m ([Musqueam](#)), S wx\u03b1817\_w\u03b17mesh ([Squamish](#)), and s lilw ta ([Tsleil-Waututh](#)) Peoples.



## MEMORANDUM

March 3, 2026

TO: Mayor and Council

CC: Donny van Dyk, City Manager  
Armin Amrolia, Deputy City Manager  
Karen Levitt, Deputy City Manager  
Sandra Singh, Deputy City Manager  
Chris Freek, Director of Civic Engagement & Communications  
Katrina Leckovic, City Clerk  
Teresa Jong, Administration Services Manager, City Manager's Office  
Mellisa Morphy, Director of Policy, Mayor's Office  
Trevor Ford, Chief of Staff, Mayor's Office  
Ileen Peng, Senior Treasury Manager

FROM: Colin Knight, General Manager, Finance and Supply Chain Management

SUBJECT: Update on Treasury Investment Portfolio Optimization

RTS #: N/A

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This memo is for information and provides an update to Council on the progress of the City's Treasury investment portfolio optimization and planned actions.

The City holds an investment portfolio of approximately \$4 billion (2025) and manages its cash and investments responsibly, in accordance with the Vancouver Charter. The portfolio is structured to generate stable returns for the City while meeting operational and statutory requirements. Over the past three years, the City's investment portfolio has generated \$170-\$200 million annually in returns, of which a large portion supports the operating budget to fund City services.

Prudent investment management requires periodic review of investment objectives and policy, and to ensure that the City's investment portfolio is optimally structured to deliver on those investment objectives. Through this work, the City has identified opportunities to continue to diversify the City's investments to generate higher returns, protect against inflation, and manage investment risk. The City will invest an additional \$50 million through the Municipal Finance Authority (MFA) in a diversified pooled fund (the Fossil Fuel Free Diversified Multi-Asset Class Fund), which is expected to generate improved returns for the City's portfolio while managing risk. Municipal Finance Authority investments

are authorized under the Vancouver Charter, and many other BC municipalities in addition to the City have also invested in this fund.

This memo provides additional detail on the City's investment portfolio composition, objectives, and planned optimization actions.

### **The City's Investment Portfolio**

The City manages an investment portfolio of approximately \$4 billion (2025). The portfolio serves a number of investment objectives with varied time horizons and risk objectives, including preserving capital to mitigate financial risk, managing liquidity to meet operational requirements such as payroll and operational payments, and generating stable returns. Key uses supported by the portfolio liquidity include:

- Holding tax payments temporarily on behalf of other taxing authorities, such as the Province, Metro Vancouver and Translink.
- Managing sinking fund investments required for the City's future debt repayment, as required by the Vancouver Charter.
- Holding development contributions received from developers until they can be deployed to fund capital projects.
- Maintaining reserve funds designated for planned future expenses.
- Protecting the City from unexpected or emergency expenses.

In addition to the City's Treasury investment portfolio, the City maintains a portfolio of assets in the Capital Fund (a \$20.8 billion capital fund of City infrastructure such as roads, bridges, water, sewer, and civic facilities); the Property Endowment Fund (a \$5.7 billion strategic land holding endowment fund), and the Vancouver Affordable Housing Endowment Fund (a \$1.7 billion endowment fund of non-market property holdings). These funds are managed under separate objectives and optimization strategies that are not discussed in this memo. The City's investment portfolio does not include investments related to employee pensions. Under provincial legislation, municipal public sector pensions in BC are separately managed by the Municipal Pension Plan.

Historically, the City has invested with a focus on preserving principal and generating stable and predictable returns through investments such as GICs, money market securities, and government bonds. While these investments have been historically well suited to many of the City's portfolio objectives, the value of the City's reserve funds have grown over time, as has the portion of the City's investment portfolio with longer term investment objectives. Major institutional and public sector organizations have increasingly deployed investment in diversified assets with longer term objectives, including fixed income, equity, and alternative investments. As the City's investment objectives have evolved over time, and consistent with leading public sector investment management practice, City partnered with the BC Municipal Finance Authority (MFA) and other BC municipalities in 2023 to establish and invest in a diversified pooled fund.

## **Municipal Finance Authority Investment Allocations**

The Municipal Finance Authority (MFA) is a provincial statutory authority established under the *Municipal Finance Authority Act* that provides borrowing and investment services to municipalities, regional districts, and other local government entities in B.C. A framework between the MFA and the Province sets out guidelines and controls for the monitoring, participation and parameters for which a municipality or local government may invest in MFA pooled funds.

Municipal Finance Authority investments are authorized investments under the Vancouver Charter.

Since 2023, the City has invested in a diversified pooled fund administered by the BC Municipal Finance Authority (MFA). This Fossil Fuel Free Diversified Multi-Asset Class (FFF DMAC) Fund has generated strong returns of 18% since its inception in 2023. The MFA has contracted with Phillips, Hager, & North (PH&N), a wholly owned subsidiary of RBC Global Asset Management Inc., to manage the FFF DMAC Fund. Over the long term, the Fund's broad diversification and active management are expected to outperform its benchmark without exposing investors to excessive risk.

The City will be allocating an additional \$50 million to this fund, as part of the continued optimization strategy.

## **Impact of inflation on investment objectives**

The City's investment portfolio has generated an average yield of 4.1% over the past three years. Recent investment optimization has improved returns and generated over \$181 million in average annual revenues to support the operating budget and the delivery of services. These returns have exceeded the CPI inflation (Vancouver) of 3.0% over the same period. However, when considering investment objectives with a longer-term time horizon, a focus on shorter-term investment objectives can result in erosion of future portfolio value to cover planned future expenses.

For example, construction inflation associated with the Vancouver development cost levy rate adjustments has averaged 5.7% annually over the past three years and remains a major cost driver for the City's capital projects. The City's operational expenditures have increased on average by 4-6% annually over this period. The City's average cost of borrowing is currently 3.3%. For funds that are set aside with a long-term objective, these rising cost pressures mean that short-term investment focus will not generate sufficient returns to preserve future purchasing power.

## **Public Sector and Institutional Investment Portfolio Benchmarking**

The City continues to evaluate its portfolio allocations and returns in comparison to benchmarks, and follows leading practices of other major municipalities, as well as large public sector and institutional investors. It is important to note that each organization has different investment objectives based on the organization's objectives, and asset allocation will vary significantly between organizations. In general, leading public sector investors maintain well-diversified portfolios matched to investment objectives.

## Next steps

The City will continue to review its investment objectives, informed by cash flow forecasts and capital planning, and will assess investment options permitted under the Vancouver Charter. Future updates on Treasury investment portfolio allocations and investment returns will be provided to Council.

Regards,

*Colin Knight*

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