

To: ONE Joint Investment Board
From: Colin MacDonald, Manager of Investments, ONE Investment
Date: September 14, 2021
Re: Update on Recruitment of New Participating Municipalities
Report: ONE JIB-018-21

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

ONE Staff continues to work with four municipalities to join ONE JIB with potentially two new municipal Investment Plans coming forward to ONE JIB in November 2021

ONE Staff continues to work with four municipalities to explore the option of joining ONE JIB:

- The Municipality of Neebing has received Council's approval to move forward and is intending to present a draft Investment Policy Statement (IPS) and an authorizing by-law to Council after it approves its ten-year capital plan, which is being presented in September. If approved, the Investment Plan may come forward to ONE JIB in November.
- The City of Quinte West had a report recommending the adoption of a new IPS and an authorizing by-law approved by a Committee of Council on September 1, 2021. If approved by Council in October, the Investment Plan may come forward to ONE JIB in November.
- The City of Thunder Bay received Council's approval on July 26, 2021, to move forward with joining ONE JIB. The municipal staff are working with ONE staff on a draft IPS, and draft Investment Plan targeted for a December 2021 Council meeting.
- The Town of Aurora developed a fiscal strategy, which included working with ONE Investment to join ONE JIB. It is likely to proceed in early 2022.

3. BACKGROUND

Maximizing the revenue potential of investments could help Ontario's municipalities fund and finance their asset management plans

In August 2021, Ontario's Financial Accountability Office released a report on municipal

infrastructure that estimates that 45.3% of municipal assets for which condition data is available are not in a state of good repair. Its estimates indicate that the infrastructure backlog – the amount of money required to bring those assets back into a state of good repair – is \$52.1 billion. When compared to estimates from the Provincial-Municipal Fiscal Service Delivery Review in 2008 – \$22.4 billion – the backlog has grown by 132.6% during that period, although there are some differences in methodology between the two estimates. Municipalities need to leverage and maximize the limited revenue tools available to them to help address the challenge of providing reliable and dependable infrastructure for current and future generations. Investment income is an often overlooked or underleveraged source of municipal revenue.

ONE Investment’s objective is to recruit as many municipalities as possible to ONE JIB to help them maximize their investment revenue potential

In working with the Founding Municipalities to establish ONE JIB, ONE Investment’s goal was to make the prudent investor standard available to all municipalities in Ontario. The prudent investor regime allows for the opportunity of greater risk-adjusted returns, which could help municipalities increase their revenue from investments. Adding other participating municipalities to ONE JIB can also grow the assets under management in the Prudent Investment Program, which could lead to greater economies of scale – the benefits of which could be reduced costs and potentially a wider variety of product offerings.

4. ANALYSIS

Staff at the Municipality of Neebing, the City of Quinte West, and the City of Thunder Bay all received direction from their respective Councils to work with ONE Investment to join ONE JIB

Staff at the Municipality of Neebing, the City of Quinte West, and the City of Thunder Bay have received direction from their Council to work with ONE Investment to join ONE JIB. Table 1 below details the date municipal staff received their direction from Council and the estimated date they will return to Council with an Investment Policy Statement and a by-law permitting them to enter into the ONE JIB Agreement.

Table 1 - Timelines for Onboarding New Participating Municipalities

Municipality	Population (2016 Census)	Geographic region in Ontario	Council direction received	Expected authorizing by-law date
Municipality of Neebing	2,055	Northwest	May 12, 2021	September 15, 2021
City of Quinte West	43,577	East	June 7, 2021	Fall 2021
City of Thunder Bay	107,909	Northwest	July 26, 2021	December 2021

The Finance and Corporate Services Committee at the City of Quinte West has approved IPS and other necessary documentation to join ONE JIB, which will go to Council for final approval in October

The City of Quinte West staff will be presented a draft IPS and the ONE JIB Agreement to their Finance and Corporate Services Committee on September 1, 2021. Staff at ONE Investment has worked with City staff on initial cashflow forecasts and, at Council's request, a draft asset allocation. ONE Investment also presented to the Committee on the ONE JIB framework, the benefits of diversification, and the manner with which the global equity manager selects securities. The Committee approved recommendations in the staff report, which will go to Council for final approval in early October. If approved, it is likely that ONE JIB will be reviewing a draft Investment Plan for the City at the Board's November meeting.

ONE Staff began working with Municipality of Neebing and City of Thunder Bay staff on the necessary documentation to join ONE JIB in late August 2021

ONE Investment started working with Thunder Bay and Neebing staff in late August to assist in preparation of the necessary documentation, including an IPS and a Municipal Client Questionnaire. It is possible that the Municipality of Neebing's Investment Plan will be on ONE JIB's November agenda, while the City of Thunder Bay Investment Plan would likely be on the agenda in early 2022.

On June 22, 2021, the Council of the Town of Aurora approved a fiscal strategy that included direction to resume working with ONE Investment on joining ONE JIB

Staff at the Town of Aurora had been working with ONE Investment toward becoming a Founding Municipality in early 2020. The pandemic shifted the Town's priorities and the decision to move to the prudent investor standard through ONE JIB was deferred. Over the past year municipal staff have been working on a longer-term fiscal strategy for the Town, which Council approved in June. Included in the fiscal strategy was a plan to continue working with ONE Investment to join ONE JIB to maximize its investment opportunities. The precise timing for Aurora is uncertain.

5. CONCLUSION

ONE Investment continues its recruitment efforts to help the prudent investment program grow so that Participating Municipalities can begin realizing the benefits of greater economies of scale and so that all municipalities in Ontario can better leverage their investment revenue opportunities.

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