



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: February 26, 2026
Re: City of Quinte West's 2026 Investment Plan
Report: ONE JIB 2026-003

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the City of Quinte West's Investment Policy Statement (Attachment 1)
2. Receive the City of Quinte West's Municipal Client Questionnaire (Attachment 2)
3. Approve the City of Quinte West's proposed Investment Plan (Attachment 3)

2. SUMMARY

The City of Quinte West has updated its Municipal Client Questionnaire (MCQ), providing information on its MNRI and the investment horizons associated with its reserve balances. Quinte West's council has also reviewed its Investment Policy Statement (IPS) as part of the annual review process, making no changes. Quinte West's IPS does not permit the use of long-term alternative investments.

The City's financial circumstances have changed notably since the 2025 Investment Plan was approved by ONE JIB. At that time, financial planning indicated the municipality had much less financial flexibility, which would have led to a series of MNRI drawdowns. Since then, spending related to several capital projects has been deferred, including the planned spending on the wastewater plant. Additionally, the City received several unexpected government grants, significantly boosting financial flexibility. No MNRI contributions or withdrawals are anticipated within the next five years.

Quinte West's proposed Investment Plan recommends that Model F be assigned, which would increase the allocation to equities from the 40% level to 60%. This change is appropriate in light of the recently updated financial circumstances, which no longer anticipate significant near-term drawdowns. A summary of the proposed investment allocation is shown below:

60% EQUITY MODEL (F)		
Asset Classes	Target Weight	Total Invested
Cash & Equivalent	0%	\$0
Canadian Fixed Income	30%	\$10,781,549
Global Fixed Income and Credit	10%	\$3,593,850
Canadian Equities	30%	\$10,781,549
Global Equities	30%	\$10,781,549
Alternatives	0%	\$0
Total	100%	\$35,938,498

3. BACKGROUND

Quinte West’s annual review of its IPS resulted in no changes

Quinte West Council completed its annual review of the IPS on January 21, 2026, and did not make any changes. The IPS includes the option of long-term alternative investments, such as real estate and infrastructure, but Quinte West has chosen not to permit their use in its allocation at this time.

Investment income can help provide Participating Municipalities with an additional source of revenue

Ontario municipalities are under growing pressure to deliver the infrastructure residents expect — recreation facilities, fire halls, roads, and libraries — while keeping property tax rate increases at a reasonable level. Balancing these expectations with available revenue sources is becoming increasingly difficult as costs rise and demand grows.

When funding for capital projects cannot be secured through other channels, such as government grants or the existing tax or rate base, municipalities often have no choice but to delay or scale back their plans or resort to debt financing. Under the *Municipal Act*, municipalities are prohibited from running an operating deficit, which further limits their ability to respond to these demands.

Earnings from municipal investments can make a meaningful difference. By applying these returns to capital costs, municipalities can reduce pressure on the tax base, maintain service levels, and advance key projects in a manner that is both financially sustainable and responsible.

For Quinte West, each one percent increase in property tax rates yields approximately \$835,000 in additional annual revenue. However, there are limits to how much municipalities can rely on tax increases to fund capital projects, which underscores the importance of investment income as a complementary source of funding.

Quinte West’s MCQ indicates that MNRI balances will be stable for at least five years

Quinte West’s updated MCQ provides details of the time horizon associated with MNRI reserves, which have informed the allocation recommendations in the Investment Plan.

Table 1 below summarizes current MNRI estimates and expected spending timelines. The City does not expect to make drawdowns or contributions to MNRI within the next 5 years.

Table 1: Summary of the investment horizon of MNRI, from Table 3.1 of MCQ

Description (i.e., Funding Objective, Investment Purpose, or Municipal Reserve)	Total MNRI (\$ million)	Investment Horizon < 5 Years (\$ million)	Investment Horizon 5-10 Years (\$ million)	Investment Horizon >10 Years (\$ million)
Reserves/Reserve Funds	\$35,938,498	-	\$10,000,000	\$25,938,498
Total MNRI	\$35,938,498	-	\$10,000,000	\$25,938,498

This represents a significant change from the reserve details provided in the MCQ last year. In last year’s MCQ, the Treasurer had indicated that \$13 million in drawdowns would occur within 5 years.

Quinte West no longer anticipates meaningful near-term MNRI drawdowns

The City has provided estimates of future MNRI contributions and withdrawals that help inform the investment allocation choices. These updated forecasts suggest that the City will not need to make MNRI drawdowns within five years, which provides much more financial flexibility than anticipated a year ago.

Table 2 below provides details of the anticipated contributions and withdrawals of MNRI in future years. These details are based on Table 3.3 of the MCQ and feedback from the Treasurer.

Table 2: Anticipated Cash Flow Projections, MNRI by year, adapted from Table 3.3 of MCQ.

	Next Year	2 Years	3 Years	4 Years	5+ Years
Anticipated MNRI Drawdowns					
Anticipated MNRI Contributions					
Net change in MNRI	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

4. ANALYSIS

Quinte West’s circumstances have changed significantly since its last annual update, and its investment allocation will need to reflect this

The updated Quinte West MCQ indicates that the City has significantly more financial flexibility than it had a year ago. Its 2026 MCQ indicates that no drawdowns will be required for five or more years, leading to a much longer average investment horizon

associated with MNRI. This change in outlook is a result of spending being deferred on several large capital projects, including spending on its wastewater plant. Additionally, the City unexpectedly received several large government grants, which help towards funding planned capital infrastructure projects. In combination, the grant funding and the deferral of other capital projects have significantly improved its financial flexibility – the Treasurer believes that better financial information is known in 2026 (vs 2025).

Last year, the Investment Plan contemplated a 2025 in-year MNRI drawdown of \$5 million, followed by an additional \$8 million in drawdowns within the next five years. These anticipated drawdowns reduced the average investment horizon of MNRI and were reflected in the allocation to Model Portfolio D in last year’s Investment Plan. With the revised outlook for stable MNRI balances in this year’s plan, a revised investment allocation is recommended that reflects a longer investment horizon. An allocation with a 60% equity allocation is recommended, versus the 40% equity allocation targeted by the 2025 Investment Plan. The Treasurer also noted a higher level of confidence in the MNRI cashflow forecasts this year, which also supports the recommendation.

The Investment Plan recommends Model F, which has a 60% allocation to equity within a well-diversified portfolio

The investment allocations proposed in the Investment Plan reflect that Quinte West’s MNRI has a relatively long investment horizon, with no near-term drawdowns anticipated. This proposed allocation has 60% exposure to equities, which is appropriate considering the City’s circumstances. Table 3 below provides some summary statistics of Model F and Table 4 further details the investment allocations. To better demonstrate how this change in recommendation would affect Quinte West’s investment allocations, a table with the allocation details of all model portfolios has been included as attachment 4 to this report.

Table 3: Summary statistics for Model F

Summary Statistics	Model F	Notes:
Long-Term Return	6.65%	¹ Annual Downside Risk (CVaR95) represents the expected loss during the worst 5% of return outcomes. Hypothetical performance analyses are for illustrative purposes only and there is no guarantee that hypothetical returns or projections will be realized.
Annual Downside Risk ¹	-14.8%	
Annual Volatility	8.8%	
Sharpe Ratio	0.41	

Table 4: 60% Equity Model (F)

60% EQUITY MODEL (F)			
Asset Classes	Minimum (%)	Target Weight	Maximum (%)
Cash & Equivalent	0	0%	10
Canadian Fixed Income	20	30%	40
Global Fixed Income and Credit	0	10%	20
Canadian Equities	20	30%	40
Global Equities	20	30%	40
Alternatives	0	0%	0
Total		100%	

5. CONCLUSION

Quinte West's Investment Plan has been updated to reflect notable changes in circumstances. The annual update confirmed that previously anticipated MNRI drawdowns will not materialize. The updated circumstances and reserve forecasts provided by the Treasurer suggest greater stability in MNRI balances and a longer overall investment horizon associated with MNRI. This supports the recommendation to assign Model F, thereby increasing the equity allocation from 40% to 60% for Quinte West's MNRI. This proposed asset mix aligns with the investment objectives and risk tolerances outlined in the IPS and MCQ.

ATTACHMENTS

Attachment 1: City of Quinte West's Investment Policy Statement 2026

Attachment 2: City of Quinte West's Municipal Client Questionnaire 2026

Attachment 3: City of Quinte West's proposed Investment Plan 2026

Attachment 4: Summary of Approved Model Portfolio Allocations

Drafted by: Keith Taylor, Chief Investment Officer; Jennifer Hess, Manager Investment Services

Approved by: Donna Herridge and Afshin Majidi (interim), Co-Presidents/CEOs