



REPORT

To: ONE Joint Investment Board
From: Heather Douglas, WeirFoulds LLP, Counsel
Date: May 19, 2020
Re: Initial Formation Agreement
Report: 20-001

1. RECOMMENDATIONS

This report on the Initial Formation Agreement has been prepared for information purposes only and is provided to ONE JIB in order that its members may have a more complete understanding of the process by which ONE JIB was established. No action is required on the part of ONE JIB in connection with the Initial Formation Agreement as the only parties to the agreement are the Founding Municipalities.

A copy of the Agreement is attached.

2. SUMMARY

Through the Initial Formation Agreement the Founding Municipalities established, and agreed to invest through, a Joint Investment Board in accordance with the applicable provisions of the *Municipal Act, 2001* and the regulations made thereunder (collectively, the Municipal Legislation).

Under the Municipal Legislation introducing the prudent investor regime municipalities wishing to establish and invest through a Joint Investment Board must have, in the opinion of their respective treasurers, a combined total of \$100 million in money and investments that such municipalities do not require immediately.

The Founding Municipalities are: The Corporation of the Town of Bracebridge, The Corporation of the Town of Huntsville, The Corporation of the Town of Innisfil, The Corporation of the City of Kenora, The District Municipality of Muskoka, and The Corporation of the Town of Whitby.

3. BACKGROUND

ONE Investment engaged in an extensive, open and accessible consultation process to identify municipalities with interest in being included in the ONE JIB founding group. ONE Investment also encouraged interested municipal representatives to participate in these consultations for the establishment of ONE JIB in case their municipalities may be considering joining at some later date. We believe this process has resulted in a governance and operating structure for ONE JIB and ONE Investment which will serve all members of the municipal sector well and be sustainable over the long term.

In recognition of their role in undertaking the time-consuming effort of forming a thorough understanding of the legislative regime, providing direction as to their needs, reviewing draft agreements, and giving ONE Investment staff the benefit of their comments and observations, the Founding Municipalities are entitled to a small fee rebate. This is set out in the Fee Schedule attached to the ONE JIB Agreement which is the subject of a separate report.

The Municipal Legislation also requires that the Founding Municipalities jointly and at the same time establish ONE JIB. This required that staff of the Founding Municipalities work together in a cooperative and coordinated fashion, with staff of ONE Investment and with one another. The Founding Municipalities were required to review and analyze their investment portfolios, and prepare, with assistance from ONE Investment, an investment policy statement. Founding Municipalities and their staff then needed to bring the policies, reports, by-laws and agreements before their respective councils in order that all Founding Municipalities completed the required steps at more or less the same time.

4. ANALYSIS

The following are highlights of the Initial Formation Agreement. (References to sections and schedules are to the Initial Formation Agreement.)

(a) **Sequence of Events** (Recitals)

- The Founding Municipalities were required to enter into the Initial Formation Agreement before passing the by-law to “opt in” to the prudent investor regime (referred to as the “Prudent Investor Enabling By-law”)

(b) **Meeting the Financial Test** (Section 3 and Schedule A)

- The Founding Municipalities represent that they have met the \$100 million combined asset test, confirmed by a certificate from the treasurer of each Founding Municipality attesting to the amount of money and investments not required immediately by their municipalities

(c) **Establishment of ONE JIB and Appointment of Initial Members** (Sections 1 and 5)

- The Founding Municipalities establish, and agree to invest through, ONE JIB (Section 1)
- The Founding Municipalities appoint the initial members of ONE JIB whose names are listed on Schedule B to the agreement (Section 5)

14620297.3