

To: ONE Joint Investment Board
 From: Keith Taylor, Chief Investment Officer, ONE Investment
 Date: June 1, 2023
 Re: Town of Innisfil's Annual Investment Plan Review
 Report: ONE JIB 2023-018

1. RECOMMENDATIONS

It is recommended that the Board:

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

2. SUMMARY

Innisfil has updated its Municipal Client Questionnaire (MCQ) to provide information on its MNRI and the investment horizons associated with its reserve balances. The Town will be contributing an additional \$5 million to MNRI as part of the annual review. This contribution of MNRI will be allocated to the Target Date 3-5 Year Outcome to help provide for an anticipated drawdown of MNRI within the next 5 years. This will partially provide for the anticipated drawdowns at this time. The time horizon associated with MNRI balances remains long, but there remains considerable uncertainty about the investment horizon associated with MNRI. The Treasurer is reluctant to make more significant changes to the allocation of MNRI in the investment outcomes until there is more clarity on certain issues. The overall allocation to equities in this Investment Plan is 49.5%, declining 4.5% due to the new allocation to the Target Date 3-5 Year Outcome.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment Outcomes with the MNRI the contribution of \$5 million, are presented below:

ONE Investment Funds & HISA	Total Invested (\$ millions)	Portfolio Weight (%)
ONE HISA	\$ 1.0	2.1
ONE Canadian Equity Fund	7.2	14.8
ONE Global Equity Fund	16.8	34.6
ONE Canadian Government Bond Fund	3.5	7.3
ONE Canadian Corporate Bond Fund	3.5	7.3
ONE Global Bond Fund	16.5	33.9
Total	\$ 48.5	100.0

3. BACKGROUND

Innisfil's annual Investment Policy Statement (IPS) review resulted in minor housekeeping changes that will have no material impact on the Investment Plan

The Town completed its annual IPS review on May 10, 2023. Council approved modifications to the IPS. The modifications were housekeeping items consistent with the ONE JIB IPS template. The modifications clarify language and give ONE JIB more flexibility to modify the product offerings used in the Prudent Investment Program.

The Town will be contributing \$5 million to MNRI this year, increasing the Town's total MNRI to \$48.5 million

The largest portion of Innisfil's MNRI relates to growth-related reserves, the majority of which have a very long investment horizon. The investment horizons provided by the Town in the MCQ indicate an investment horizon of more than 10 years for a large portion of reserves, but the Treasurer noted considerable uncertainty related to the timeline in which the funds may be required. The Investment Plan includes an allocation to the Target date 5-10 Year Outcome, to reflect the uncertainty related to the timing of the drawdowns. The \$5 million contribution to MNRI will be allocated to the Target Date 3-5 Year Outcome to provide for some of the expected drawdowns within the next five years. Table 1 below summarizes the type and investment horizon of reserves as disclosed in Innisfil's MCQ.

Table 1: MNRI by Type, Category and Time Horizon, adapted from MCQ section 4.1 (\$ thousands)

Reserve Type	Description	MNRI Amount	Investment Horizon of MNRI		
			2026-2027	2028-2031	10+ years
Asset Renewal	Asset renewal reserve funds. Largest RF is the Capital Reserve Fund, which is where the Town's 1% capital levy is directed.	-	-	-	-
Growth	DCs & other externally restricted funds, such as Cash-in-lieu of Parkland. It also includes our ARS (Alternative Revenue Source) reserve fund, which is where our OLG gaming revenues are directed. The largest component of the ARS funds is to be used to fund the non-growth (BTE) share of growth projects.	38,888	15,030	6,517	17,341
Operating Reserves	Tax rate stabilization reserve and inspection stabilization reserve	8,649	56	61	8,533
Total		47,537	15,085	6,578	25,874

Innisfil forecasts withdrawals of \$25 million within the next 5 years, which are partially provided for in this Investment Plan

Innisfil's updated reserve forecasts identify about \$25 million in MNRI to be drawn down over the next 5 years, but the Treasurer noted there is considerable uncertainty about the ultimate timeline involved. The \$5 million contribution of new MNRI will be allocated to the Target Date 3-5 Year Outcome to provide for these potential drawdowns. Larger allocations to the Target Date 3-5 Year Outcome may be required in the future, when there is greater visibility about the potential drawdowns of MNRI. Table 2 below summarizes the Town's anticipated contributions and withdrawals of MNRI.

Table 2: Forecast contributions and withdrawals - adapted from MCQ 4.2 (\$ thousands)

Type	2025	2026	2027	2028	2029	2030	2031
Opening MNRI	47,537	47,537	46,043	32,452	22,613	23,453	44,876
Anticipated Contributions & Drawdowns		(1,494)	(13,591)	(9,839)	840	21,422	(19,001)
MNRI Balance		46,043	32,452	22,613	23,453	44,876	25,874

4. ANALYSIS

The proposed mapping to Outcomes and resulting asset allocation is consistent with Innisfil's time horizon, risk tolerances and objectives

The Town expects significant growth over the next 10 years, which will affect its reserve balances and expenditures, but faces considerable uncertainty about the timing of its cashflows. As a growing community with new development planned, it will be affected by the changes resulting from Bill 23. The Treasurer and staff continue to evaluate how this legislation will affect development charge reserves, which has created uncertainty for Innisfil's reserve balance forecasts.

An additional source of uncertainty for the Town involves the Orbit project, a large high-rise residential community and transportation hub. This project will involve significant expenditures by the Town, but it is still in the planning stages, with financing for the project yet to be finalized. As planning for the Orbit project progresses, visibility regarding the Town's anticipated future reserve balances will improve. The Investment Plan has addressed this uncertainty by allocating 35.9% of MNRI to the Contingency Outcome and 53.8% to the Target Date 5-10 Year Outcome.

While the likely horizon of some capital reserves extends beyond ten years, allocating reserve balances to the 5-10 year target date outcome is appropriate considering the timing uncertainty involved. The \$5 million contribution to MNRI will be allocated to the Target Date 3-5 Year Outcome to provide for drawdowns anticipated within the next five years, with the remainder of MNRI allocated to Outcomes with higher risk profiles. Mapping the MNRI to Outcomes relied on the MCQ and discussions with the Treasurer to ensure a common understanding of the uses and purpose of the MNRI. Asset allocations (Table 3 below) and fund allocations (Tables 4 and 5 below) were determined using the ONE JIB's Outcomes Framework.

Table 3: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$ millions)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Contingency	\$ 17.4	35.9	-	40	60	100
Target Date 3-5 Years	5.0	10.3	20	70	10	100
Target Date 5-10 Years	26.1	53.8	-	50	50	100
Total	\$ 48.5	100.0				

Table 4: Proposed Pooled Fund-Level Allocation

ONE Investment Funds & HISA	Total Invested (\$ millions)	Portfolio Weight (%)
ONE HISA	\$ 1.0	2.1
ONE Canadian Equity Fund	7.2	14.8
ONE Global Equity Fund	16.8	34.6
ONE Canadian Government Bond Fund	3.5	7.3
ONE Canadian Corporate Bond Fund	3.5	7.3
ONE Global Bond Fund	16.5	33.9
Total \$	\$ 48.5	100.0

Table 25: Proposed Pooled Fund Allocations by Outcome (values in \$ millions)

Outcome	ONE HISA	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Contingency	-	\$ 3.13	\$ 7.31	\$ 1.04	\$ 1.04	\$ 4.9	\$ 17.4
Target Date 3-5 Years	1.00	0.15	0.35	0.53	0.53	2.5	5.0
Target Date 5-10 Years	-	3.92	9.15	1.96	1.96	9.1	26.1
Total \$	\$ 1.0	\$ 7.2	\$ 16.8	\$ 3.5	\$ 3.5	\$ 16.5	\$ 48.5

5. CONCLUSION

The proposed Investment Plan is consistent with the Town's IPS. The proposed asset mix and

fund allocations reflect the investment objectives and risk preferences expressed in its IPS and MCQ. As a result, the Investment Plan is appropriate for the Town's objectives, risk tolerance, time horizons, and available MNRI.

Drafted by: Jennifer Hess, Manager – Investment Services, Keith Taylor, Chief Investment Officer
Approved by: Judy Dezell and Donna Herridge, Co-presidents/CEOs, ONE Investment