

To: ONE Joint Investment Board
 From: Keith Taylor, Chief Investment Officer, ONE Investment
 Date: June 1, 2023
 Re: Town of Huntsville's Annual Investment Plan Review
 Report: ONE JIB 2023-019

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the Town of Huntsville's Investment Policy Statement (Attachment 1).
2. Receive the Town of Huntsville's Municipal Client Questionnaire (Attachment 2).
3. Approve the Town of Huntsville's proposed Investment Plan (Attachment 3).
4. Provide approval for an anticipated mid-year MNRI contribution of \$1 million to be allocated to the Target Date 10+ Year Outcome.

2. SUMMARY

Huntsville has updated its Municipal Client Questionnaire (MCQ) to provide information on its MNRI and the investment horizons associated with its reserve balances. The time horizon associated with MNRI balances is largely unchanged, and the Town will not be contributing additional MNRI at this time. The updated Investment Plan does not currently require changes to investment allocations.

Huntsville is expected to make a mid-year contribution of \$1 million that reflects the local share in a hospital to be built. Council is currently evaluating financing options related to this long-term capital commitment. The contribution to MNRI is anticipated later this year when council has greater clarity on the financing options. With approval in principle from ONE JIB, the incremental MNRI could be invested in the Target Date 10+ Year Outcome, which has an investment horizon that is appropriate for these reserves. The overall allocation to equities in this Investment Plan is 41.7%, which will increase to 44.8% with the mid-year contribution.

ONE Investment Funds & HISA	Total Invested (\$ millions)	Portfolio Weight (%)
ONE HISA	\$ 0.7	7.7
ONE Canadian Equity Fund	1.2	12.5
ONE Global Equity Fund	2.8	29.2
ONE Canadian Government Bond Fund	0.7	7.6
ONE Canadian Corporate Bond Fund	0.7	7.6
ONE Global Bond Fund	3.4	35.4
Total	\$ 9.7	100.0

3. BACKGROUND

Huntsville'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 March 29, 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.

There are no changes being proposed to the Investment allocations at this time

The overall time horizon of reserves is largely unchanged, and investment allocations remain appropriate as a result. The Treasurer noted that Council is discussing several capital projects that may require near-term funding, but nothing has yet been approved. Huntsville currently has an allocation of \$3.7 million in the Target Date 3-5 Year Outcome that provides some flexibility to address any near-term spending needs that arise from these discussions. Table 1 below, which was informed by Section 4.1 of the MCQ, provides a summary of the time horizons associated with MNRI.

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

Reserve Type	Brief Description	MNRI	Less than 3 years	3 to 5 years	5-10 years	10+ years
Capital Reserves & Special Projects	Target Date – Planned Projects	\$4,047		\$2,850		\$1,213
Development Charge Reserve Funds	Target Date – Growth Related Projects	\$851		\$851		
Other Obligatory Reserve Funds	Target Date – Federal Gas Tax, Parking, Parkland CIL, Development Contributions	\$978			\$978	
Contingency	Contingency Reserves – Modest Growth Expected	\$3,768			\$2,863	\$904
Total		\$9,660	\$0	\$3,701	\$3,842	\$2,117

Huntsville will not be making any contribution or withdrawal from MNRI at this time, but is anticipating a \$1 million contribution later in the year

Council is currently evaluating financing options related to the local share in a hospital to be built. The Treasurer noted that they do not yet have sufficient clarity to commit the incremental MNRI at this time, but it is anticipated that this will lead to a contribution of \$1 million in MNRI later in the year. The time horizon associated with this capital project is very long, and allocations to the Target Date 10+ Year Outcome would be appropriate. Huntsville's MCQ summarizes the anticipated contributions and drawdowns of MNRI over the next ten years, as shown in Table 2 below.

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

Type	Next year	2 years	3 to 5 years	5 to 10 years	Greater than 10 years
Anticipated MNRI Drawdowns			(\$1,700)	(\$2,000)	(\$1,000)
Anticipated MNRI Contributions	\$1,000				
Net change in MNRI	\$1,000	\$0	(\$1,700)	(\$2,000)	(\$1,000)

4. ANALYSIS

The mapping to Outcomes and resulting asset allocation is consistent with Huntsville's cashflow forecasts, risk tolerances and objectives

The Investment Plan has allocated \$3.7 million to the Target Date 3-5 Years Outcome that may be used to fund capital projects, several of which are under consideration by Council. While there is some uncertainty about the total spending on these capital projects, the Treasurer believes this allocation remains appropriate. Additionally, it was noted that MNRI previously allocated in the 2022 Investment Plan to the Target Date 3-5 Year Outcome to refurbish the municipal pool will no longer be required, providing additional flexibility to fund near-term capital projects under consideration by Council. Monies invested in the Target Date 3-5 Year Outcome are invested with an emphasis primarily on capital preservation due to the relatively short investment horizon.

Huntsville has identified additional capital spending needs beyond the next five years, resulting in a \$2.2 million allocation to longer-term target date outcomes. These reserves can be invested with a higher risk profile, which may potentially allow the investments to generate higher investment returns. An additional \$3.7 million allocation to the Contingency Outcome provides flexibility for the Town to address future unplanned spending needs.

Mapping the MNRI to outcomes relied on the MCQ and discussions with the Treasurer to ensure a common understanding of the uses and purposes 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. As noted in the background section, additional MNRI contributions are expected later in the year, totaling \$1 million, related to the local share in a hospital to be built. As this contribution has not been confirmed, it has not been reflected in the tables in this report.

Table 3: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$ millions)	Portfolio Weight (%)	HISA (%)	Fixed Income (%)	Equities (%)	Total (%)
Contingency	\$ 3.8	39.0	-	40	60	100
Target Date 3-5 Years	3.7	38.3	20	70	10	100
Target Date 5-10 Years	1.0	10.1	-	50	50	100
Target Date 10+ Years	1.2	12.6	-	25	75	100
Total	\$ 9.7	100.0				

Table 4: Proposed Pooled Fund-Level Allocation

ONE Investment Funds & HISA	Total Invested (\$ millions)	Portfolio Weight (%)
ONE HISA	\$ 0.7	7.66
ONE Canadian Equity Fund	1.2	12.5
ONE Global Equity Fund	2.8	29.2
ONE Canadian Government Bond Fund	0.7	7.6
ONE Canadian Corporate Bond Fund	0.7	7.6
ONE Global Bond Fund	3.4	35.4
Total \$	\$ 9.7	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	-	\$ 0.7	\$ 1.6	\$ 0.2	\$ 0.2	\$ 1.1	\$ 3.8
Target Date 3-5 Years	0.7	0.1	0.3	0.4	0.4	1.8	3.7
Target Date 5-10 Years	-	0.1	0.3	0.1	0.1	0.3	1.0
Target Date 10+ Years	-	0.3	0.6	0.0	0.0	0.2	1.2
Total \$	\$ 0.7	\$ 1.2	\$ 2.8	\$ 0.7	\$ 0.7	\$ 3.4	\$ 9.7

5. CONCLUSION

The proposed Investment Plan is consistent with Huntsville'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 time horizons, and available MNRI.

Drafted by: Jennifer Hess, Manager of Investment Services and Keith Taylor Chief Investment Officer
 Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEO