

To: ONE Joint Investment Board  
 From: Keith Taylor, Chief Investment Officer, ONE Investment  
 Date: June 1, 2023  
 Re: Town of Whitby Annual Investment Plan Review  
 Report: ONE JIB 2023-O2O

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## 1. RECOMMENDATIONS

It is recommended that the Board:

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

## 2. SUMMARY

The Town of Whitby has updated its Municipal Client Questionnaire (MCQ) to provide information on its MNRI, and the investment horizons associated with its reserve balances. As part of its annual review process, Town staff identified that the overall MNRI has remained largely unchanged, and the Town will not be making a cash contribution to MNRI. Allocations to the Investment Outcomes are shifting from the Target 5-10 and Target 10+ timing horizon to the Target 3-5 timing horizon to better align with the large growth-related capital projects proposed within the next five years. The proposed changes in the Investment Plan will decrease the overall allocation to equities. Equity allocations in this Investment Plan will be 39.3% of invested MNRI, down from 45.7% previously.

The proposed investment allocations, which reflect consolidated holdings across ONE Investment Outcomes, are presented below:

ONE Investment Funds & HISA	Total Invested (\$ millions)	Portfolio Weight (%)
ONE HISA	\$23.6	13.8
ONE Canadian Equity Fund	20.2	11.8
ONE Global Equity Fund	47.1	27.5
ONE Canadian Government Bond Fund	12.0	7.0
ONE Canadian Corporate Bond Fund	12.0	7.0
ONE Global Bond Fund	56.2	32.8
Total	\$171.1	100.0

## 3. BACKGROUND

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

The Town completed its annual IPS review on April 24, 2023. Council approved minor housekeeping modifications to the IPS consistent with ONE JIB's 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 not be making any cash contributions to MNRI this year and will also not be withdrawing funds this year

The Town expects strong population growth over the next 10 years, which will require significant spending on infrastructure. The timeline in which funds will be needed to fund the Town's growth-related capital projects is uncertain, creating uncertainty for the Town's investment horizons. The Town is currently in the process of constructing a new sports complex and a new arterial roadway along with other large capital projects in the 3-5-year horizon.

Approximately \$71 million will be required in the next 5 years, the majority of which is growth-related. For example, 53% of the current MNRI related to development charge reserves is expected to be required in the next 5 years. The Town's share of its capital growth program will primarily be funded from the Growth Reserve Fund (included in the Capital Reserves) and the Canada Community Benefits Reserve Fund (included in Other Obligatory Reserve Funds). Staff have indicated uncertainty related to exact timing and cost of the relevant projects, which may end up extending the planning horizon.

Further detail on the Town's MNRI can be found in section 4.1 of the MCQ, which is shown in Table 1 below.

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

Reserve Type	Description	MNRI Amount	Less than 3 years	3 to 5 years	5 to 10 years	10+ years
Asset Management Reserve	Long Term Reserve to support the Asset Management Plan	\$28,533			\$14,533	\$14,000
Capital Reserves	Growth Reserve Fund to support the Town's share of the Capital Growth Program, Various Program Reserves & mid-term requirements from the Asset Management Reserve	\$33,230	\$5,000	\$17,470	\$10,000	\$766
Development Charges Reserve Funds	Development Charges	\$44,548	\$10,162	\$13,261	\$17,192	\$3,932

<b>Reserve Type</b>	<b>Description</b>	<b>MNRI Amount</b>	<b>Less than 3 years</b>	<b>3 to 5 years</b>	<b>5 to 10 years</b>	<b>10+ years</b>
Other Obligatory Reserve Funds	Canada Community Building RF, Building Permit Revenue RF, Parking CIL RF, Parks CIL RF, Gravel Pit Reserve, Development Future Specified Contributions	\$46,995	\$13,817	\$11,390		\$21,788
Contingency	Engineering Development Fee Reserve, Planning Development Fee Reserve, Bad Debt Allowance Reserve, Contingencies Reserve, Winter Control Reserve, Engineering Fees and Planning Fees	\$11,301				\$11,301
<b>Total</b>		<b>\$164,608</b>	<b>\$28,979</b>	<b>\$42,121</b>	<b>\$41,726</b>	<b>\$51,782</b>

*Numbers may not sum due to rounding.*

The majority of the Town's MNRI has an investment horizon that exceeds five years

Although the Town's growth plan is advancing, 57% of its MNRI will not be required within the next five years. While Table 1 shows over \$51 million with a time horizon of 10 years or longer, cash flow forecasts become more uncertain as the time horizon becomes longer. Table 2 shows the expected contributions and withdrawals of MNRI over the next 10 years. Furthermore, it indicates the Town may need to withdraw funds before 2026; however, there is some uncertainty about the timing and amounts of these drawdowns.

*Table 2: Forecasted Contributions and Withdrawals, adapted from MCQ 4.2 (\$ thousands)*

<b>Type</b>	<b>Next Year</b>	<b>2 years</b>	<b>3 to 5 years</b>	<b>5 to 10 years</b>	<b>Greater than 10 years</b>
Anticipated MNRI Drawdowns	-	(\$28,979)	(\$42,121)	(\$41,726)	(\$51,782)
Anticipated MNRI Contributions	-	-	-	-	-
Net Change in MNRI	-	(\$28,979)	(\$42,121)	(\$41,726)	(\$51,782)

*Numbers contained within may not sum due to rounding.*

The Town's remaining Principal Protected Notes are set to mature in 2024

The 2022 Investment Plan included \$1 million of Principal Protected Notes as pledged securities. These notes mature in 2024, and for the purposes of the 2023 Investment Plan have been reclassified as MRI since maturity is less than 2 years.

## 4. ANALYSIS

There are no proposed new contributions, however the overall portfolio is to be realigned to reflect changes in the Town's cashflow forecast

Although the Town's MNRI invested in the Outcomes Framework totals \$171 million up to March 31, 2023, Table 4.1 in the MCQ shows the Town's MNRI at \$164.6. This lower MNRI number used by Town staff for internal planning purposes reflects a valuation date of December 31, 2022 and the Town does not plan on changing the total amount invested in MNRI at this time. No contributions or withdrawals are proposed for this year.

The Investment Plan includes proposed transactions to shift money from longer term investments to shorter term investments. The Investment Plan includes an increase of \$17.9 million to Target 3-5 Date Year Outcome, an increase of \$0.85 million to the Contingency Outcome and decreases of \$6.3 million from Asset Management Reserve Outcome, \$6.9 million from Target Date 5-10 Year Outcome and \$5.6 million from Target Date 10+ Outcome. These shifts align with the Town's current Capital Forecast and the proposed forecasted growth of the municipality.

The proposed mapping to Outcomes and resulting asset allocation are consistent with the time horizon in the Town's cash flow forecasts.

The Town has a significant number of planned capital projects over the next 10 years, mostly growth-related projects. Portions of the asset management reserves, capital reserves and obligatory reserves with a time horizon greater than 10 years allow the Town to assume a higher risk profile on those funds. The reserves with a 5-10-year horizon provide enough time to assume a moderate level of risk, and the reserves with a shorter time horizon can be invested for lower volatility and a lower risk profile.

Mapping the MNRI to Outcomes relied on the MCQ and discussions with the Commissioner of Financial Services & Treasurer to ensure a common understanding of the uses and purposes of the MNRI. Asset allocations (Table 3 below) and fund allocations (Table 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 (%)
Cash	\$10.3	6.0	100	-	-	100
Contingency	11.4	6.7	-	40	60	100
Asset Mgmt Reserves	14.1	8.2	-	10	90	100
Target Date 3-5 Years	66.6	38.9	20	70	10	100
Target Date 5-10 Years	42.0	24.6	-	50	50	100
Target Date 10+ Years	26.7	15.6	-	25	75	100
Total	\$171.1	100.0				

*Table 4: Proposed Pooled Fund-Level Allocation*

<b>ONE Investment Funds &amp; HISA</b>	<b>Total Invested (\$ millions)</b>	<b>Portfolio Weight (%)</b>
<b>ONE HISA</b>	\$23.6	13.8
<b>ONE Canadian Equity Fund</b>	20.2	11.8
<b>ONE Global Equity Fund</b>	47.1	27.5
<b>ONE Canadian Government Bond Fund</b>	12.0	7.0
<b>ONE Canadian Corporate Bond Fund</b>	12.0	7.0
<b>ONE Global Bond Fund</b>	56.2	32.8
<b>Total \$</b>	<b>\$171.1</b>	<b>100.0</b>

*Table 5: Proposed Pooled Fund Allocations by Outcome (values in \$ millions)*

<b>Outcome</b>	<b>ONE HISA</b>	<b>ONE Canadian Equity Fund</b>	<b>ONE Global Equity Fund</b>	<b>ONE Canada Govt Bond Fund</b>	<b>ONE Canadian Corporate Bond Fund</b>	<b>ONE Global Bond Fund</b>	<b>Total</b>
<b>Cash</b>	\$10.3	-	-	-	-	-	\$10.3
<b>Stable Return</b>	-	-	-	-	-	-	-
<b>Contingency</b>	-	2.05	4.79	0.68	0.68	3.2	11.4
<b>Asset Mgmt Reserves</b>	-	3.81	8.88	0.21	0.21	1.0	14.1
<b>Target Date 3-5 Years</b>	13.32	2.00	4.66	6.99	6.99	32.6	66.6
<b>Target Date 5-10 Years</b>	-	6.30	14.70	3.15	3.15	14.7	42.0
<b>Target Date 10+ Years</b>	-	6.01	14.02	1.00	1.00	4.7	26.7
<b>Total \$</b>	<b>\$23.6</b>	<b>\$20.2</b>	<b>\$47.1</b>	<b>\$12.0</b>	<b>\$12.0</b>	<b>\$56.2</b>	<b>\$171.1</b>

## 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/CEO, ONE Investment