



REPORT

To: ONE Joint Investment Board
From: Eleonore Schneider, Program Manager
Date: October 20, 2020
Re: Update on Participating Municipality Recruitment
Report: 20-O26

1. RECOMMENDATIONS

It is recommended that:

- 1) The Board receive the report Update on Participating Municipality Recruitment for information.

2. SUMMARY

- ONE Investment used a cohort based shared learning model for establishing the ONE JIB, which proved to be successful.
- Similar to the Legal List Program, ONE developed templates for required documents and reports to council.
- The original intake process required strict coordinated timelines to establish ONE JIB which no longer apply to participating municipalities.
- Due to the success of the original intake, and to manage ONE staff capacity, a cohort model is being used to onboard new municipalities.
- ONE staff contacted 14 municipalities to invite them to participate in an information session.
- ONE staff hosted an information session for eight interested municipalities providing a general overview of the ONE Investment Prudent Investor (PI) governance model and offering
- The purpose of the meeting was to gauge their interest in becoming a Participating Municipality (PM) and how we would support them through the process.
- ONE staff is working on revising previously drafted council reports to reflect updated information and the needs of PMs versus Founding Municipalities.

3. BACKGROUND

ONE Investment used a cohort-based intake model for the founding municipalities

In early 2019, ONE Investment identified 10 highly motivated municipalities interested in working through the process and various legal issues of founding a joint investment board. ONE established regular monthly meetings with the respective municipalities to discuss progress and ongoing questions or issues. The cohort-based approach, while a necessity to coordinate such a large group through a collaborative process, proved to be beneficial in other ways, municipalities often encountered similar issues and learned from their collective experience.

ONE Staff developed Council report templates for municipalities

Similar to its Legal List turnkey investment solution, ONE Investment invested significant legal resources and staff time to develop templates for many of the required documents in the legislation and also developed Council report templates in consultation with municipal staff. ONE staff created five template Council reports:

1. Introduction of the PI regime (Report 1)
2. Options analysis for transitioning to PI (Report 2a)
3. Investment Policy Statement (IPS) and Draft Investment Plan Overview (Report 2b)
4. Authorizing By-law (Report 2c)
5. PI Enabling By-law (Report 3)

The reports were designed to be customized by the municipalities. Five reports were developed to permit a slower pace if necessary; however, some municipalities combined the reports minimize presentations to Council. The customized reports used by a Founding Municipality were shared with the Founding Municipalities.

The intake process for PM is significantly more flexible than for Founding Municipalities

In order to meet the legislative requirements to establish ONE JIB, it was necessary that ONE Investment staff coordinate the timing of the Founding Municipalities council approval process. The coordinated timing concerns were all related to the establishment of ONE JIB and meeting the legislative requirements of \$100 million in money and investments not required immediately in order to establish ONE JIB. The creation of ONE JIB enables municipalities of any size to join, eliminating the need to meet the financial criteria. PMs can move through the process at their own pace.

4. ANALYSIS

ONE will use a flexible cohort-based approach to transition municipalities to the prudent investor standard to balance ONE staff capacity

The transition to the prudent investment regime through ONE JIB is a resource-intensive process for both the municipalities and ONE staff. It requires that ONE staff ensure municipal staff are equipped with the appropriate level of knowledge regarding legislation, cost considerations, and benefits and risks of the PI regime; this is a necessary step in earning the trust and confidence of Council.

ONE staff must often attend municipal Council and committee meetings. ONE staff also must work in conjunction with municipal staff to support their efforts in drafting a new Investment Policy Statement (IPS) and completing a Municipal Client Questionnaire (MCQ), including offering advice and feedback. The results of these conversations and the completed IPS and MCQ help the Chief Investment Officer than advise ONE JIB on how to translate monies not required immediately into an Investment Plan. To manage staff time and resources, ONE will use a flexible cohort-based approach for onboarding PMs that recognizes some municipalities have previously engaged with ONE on moving to the prudent investment regime while others are just starting down the path in discussions with Council.

ONE Investment reached out to fourteen municipalities; including four of whom were

involved in the original founding municipality cohort process

To ensure a manageable workload ONE reached out to a limited number of municipalities. In deciding which municipalities to contact ONE considered who had been involved in the original process or had previously expressed interest or had established relationships with ONE Investment and experience with investing in equities. Additionally, ONE prioritized diversity in municipal size (e.g., large and small urban along with rural) and geographic (e.g., northern and southern) representation in its selection process.

ONE staff contacted the municipalities selected throughout the month of August and invited them to an hour-long information session in early September. At this time, the municipalities are not being publicly identified as the discussions have occurred at a staff level with no Council direction. ONE staff will continue to look to broaden the base of new investors for ONE as well through a broad call for potential municipal investors.

ONE hosted an information session for eight municipalities to describe the process of moving to the prudent investor standard with ONE

On September 14, 2020 ONE Investment hosted an hour long information session on the cohort model for the eight potential PMs, including an overview of ONE JIB and the PI governance structure and a high level overview of the hands on support ONE provides through the process to join ONE JIB.

ONE staff are following up individually with the municipalities that participated in the information session to gauge their interest in moving forward. Once the cohort is finalized a monthly meeting schedule will be established with plans to include guests for select meetings, such as staff from the Founding Municipalities, and possibly members of ONE JIB.

ONE Staff is working on revisions to templates reflecting lessons learned and feedback from the Founding Municipalities

The Council reports, IPS, MCQ and Investment Plan templates that were developed for the Founding Municipalities will require review, streamlining and updates for the PMs. ONE staff solicited feedback from the Founding Municipalities at a debrief sessions in August and September 2020. ONE JIB will be given a full update on revisions and be given an opportunity to provide input at its November meeting as ONE staff work to revise the reports to meet the needs of the PMs.

5. CONCLUSION

ONE staff is making progress engaging potential PMs into the prudent investment regime through ONE JIB. ONE staff understand this is a large commitment for a municipality based on the work involved to move to Prudent Investor and the education of both staff and Council are key.

Careful consideration is given to the resource commitments of ONE staff, while also accommodating the timeline expectations of the potential PMs.

ONE staff will also work with municipal staff and ONE JIB on the exact timing of a transition to ensure that annual IPS updates and investment plan reviews are staggered throughout the year to proactively manage and smooth out potential ONE staff and ONE JIB capacity pressures.

Initial discussions indicate that some municipalities are targeting an early 2021 timeline. In addition to these focused efforts ONE continues to broadly promote the PI option through its regular communication efforts which include a podcast, conference presentations, and quarterly newsletters.

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