



REPORT

To: ONE Joint Investment Board
From: Jennifer Hess, Manager of Investment Services, MFOA
Date: September 6, 2023
Re: Town of Aurora - Investment Policy Statement
Report: ONE JIB 2023-048

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the report.

2. SUMMARY

The Town of Aurora adopted an Investment Policy Statement (**Attachment 1**) for the purpose of entering the prudent investor regime on March 7, 2023. The policy is compliant with municipal legislation. The objectives, risk tolerances and investment horizons in the Investment Policy Statement are aligned with the ONE JIB framework. The Town has also completed the Municipal Client Questionnaire (MCQ), which provides further detail on its return expectations and risk tolerances. The information provided in the Investment Policy Statement and the MCQ were considered when developing the proposed Investment Plan (see report 2023-047).

3. BACKGROUND

Municipal legislation requires that municipalities investing in the prudent investor regime develop an Investment Policy Statement

Municipalities are required under paragraph 18 of Part II of O Reg. 438/97 (the Regulation) to adopt and maintain an investment policy statement to participate in the prudent investor regime. This policy must include the municipality's:

1. objectives for return and risk tolerance
2. need for liquidity, particularly for planned projects and unanticipated contingencies.

The Investment Policy Statement may also include other requirements or matters that council considers in the municipality's best interest. The Investment Policy Statement must be reviewed at least annually.

ONE Investment and ONE JIB have an Investment Policy Statement template

ONE Investment and ONE JIB have developed a recommended Investment Policy Statement template for municipalities. It is designed to meet municipal legislative requirements. The

template contains suggestions for appropriate objectives, risk tolerances, and time horizons for different types of municipal reserves. ONE JIB uses an outcome-based approach to translate municipal reserves into investment allocations. Table 1 below shows details of the ONE JIB approved Outcomes Framework, which classifies investments into four Outcome categories: Cash, Stable Return, Contingency and Target Date outcomes.

Table 1: ONE JIB Outcomes Framework

Outcome Category	Outcome Strategy	Objective	Risk Tolerance, Liquidity	Investment Horizon
Cash	Cash	Preservation of Capital	Low risk; high liquidity	< 3 years
Stable Return	Stable Return	Income Generation; To generate returns to fund recurring needs	Moderate risk with emphasis on growth and stable returns, regular liquidity	> 5 years (Perpetual)
Contingency	Contingency	Contributions for unexpected and infrequent events	Higher risk; emphasis on longer-term capital growth with some liquidity	> 5 years (Perpetual)
	Asset Mgt Reserves	Contributions to generate returns to fund asset management reserves	Higher risk; emphasis on longer-term capital growth; low liquidity	> 10 years (Perpetual)
Target Date	Target Date 3-5 yrs	Preservation of capital	Low risk; high liquidity	3 – 5 years
	Target Date 5-10 yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Moderate risk, liquid	5 – 10 years
	Target Date 10+ yrs	Contributions toward capital projects, mitigate inflation impacts and meet target funding requirements	Higher risk, emphasis on long-term inflation-adjusted growth	> 10 years

ONE JIB uses a Municipal Client Questionnaire (MCQ) to further understand the information provided in the Investment Policy Statement

The ONE JIB has approved a MCQ that is designed to probe municipalities on their return expectations, risk tolerance, and investment experience. As the ONE JIB Framework is designed to connect municipal reserves with appropriate investment strategies, the MCQ also poses questions with respect to municipal cashflows and capital planning to ensure that the funds are being invested in a manner that is consistent with the unique circumstances of the municipality.

4. ANALYSIS

The Town of Aurora’s Council has adopted an Investment Policy Statement with objectives, risk tolerances and investment horizons that are aligned with the ONE JIB Outcomes Framework

On March 7, 2023, the Town of Aurora’s Council adopted an Investment Policy Statement that is

based on the recommended IPS template. Municipal staff have customized the Investment Policy Statement to reflect the municipality's circumstances, including removing sections that do not apply. The Investment Policy Statement, combined with the completed MCQ, reflect Aurora's investment needs, objectives, risk tolerances and constraints.

The Town of Aurora's Investment Policy Statement demonstrates that it has considered all matters required by legislation in setting its investment objectives

The subsection 418.1(10) of the *Municipal Act* requires municipalities to consider the following matters under the prudent investor regime:

- General economic conditions.
- The possible effect of inflation or deflation.
- The role that each investment or course of action plays within the municipality's portfolio of investments.
- The expected total return from income and the appreciation of capital.
- Needs for liquidity, regularity of income and preservation or appreciation of capital.

Aurora's Investment Policy Statement verifies that the Town has taken these considerations into account in setting its investment objectives.

The Town of Aurora uses a 24-month time frame to define MNRI

Under the *Municipal Act*, municipalities can only invest MNRI in the Legal List or under the Prudent Investor Standard. For the Prudent Investor Standard, it is necessary to define MNRI in the Investment Policy Statement before control of MNRI is delegated to an investment board. ONE Investment provided guidance on best practices in determining the definition of MNRI, and Aurora determined that money not needed within 24 months was appropriate.

The Town of Aurora's overall investment objective is moderate growth at moderate levels of risk, resulting in above-inflation returns

In its MCQ (reference report ONE JIB 2023-O47), Aurora defined its risk / return objectives as follows (questions 3.1, and 3.2 in the MCQ):

- Objective is to: "Achieve moderate growth without excessive risk to capital"
- Able to accept: "Moderate chance of loss of capital over a 5-year period"
- A tolerance for short-term (3 year) losses is: "5-15% decline"

These responses provide guidance on how ONE JIB should be investing Aurora's MNRI.

5. CONCLUSION

Aurora's Investment Policy Statement is based on the ONE JIB Investment Policy Statement template and is therefore aligned with the ONE JIB Framework with respect to investment

objectives, risk tolerances, and investment horizons. The Investment Policy Statement demonstrates that the Town has considered all the elements required in the Regulation.

ATTACHMENT

Attachment 1: Town of Aurora Investment Policy Statement

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