



REPORT

To: ONE Joint Investment Board
From: Jennifer Hess, Manger of Investment Services, MFOA
Date: September 6, 2023
Re: Town of Aurora - ONE JIB Agreement
Report: ONE JIB 2023-O53

1. RECOMMENDATIONS

It is recommended that the Board:

1. Authorize the Chair and Board Secretary to execute a ONE JIB Agreement on behalf of ONE JIB with the Town of Aurora and ONE Investment.

2. SUMMARY

The Town of Aurora's Council has authorized the execution of the ONE JIB Agreement once ONE JIB has accepted it as a Participating Municipality under the Agreement. The Town has completed the necessary steps to enter into the ONE JIB Agreement. The ONE JIB Agreement is the primary operating document for municipalities that have decided to invest their money that they do not require immediately under the prudent investor regime through ONE JIB. ONE Investment is also a party to the Agreement. ONE Investment provides support and administrative services to the other parties.

3. BACKGROUND

ONE JIB is the only joint investment board currently constituted under the *Municipal Act*

Historically, Provincial legislation has restricted municipal investments of money not required immediately (MNRI) to a limited number of securities prescribed by regulation, often referred to as the Legal List. With amendments to municipal legislation and the formation of ONE JIB, municipalities that join ONE JIB can invest in any type of security under the prudent investor regime. Before formally opting into the prudent investor regime by passing an enabling by-law, a Participating Municipality must execute the ONE JIB Agreement.

Municipal legislation permits ONE JIB to accept any municipality in Ontario into the Prudent Investment Program

Under the *Municipal Act* (the *Act*) and Ontario Regulation 438/97 (the Regulation), a municipality must delegate its investment powers and duties in respect of its MNRI to an Investment Board or a Joint Investment Board before its MNRI can be invested under the prudent investor regime. There are three ways for a municipality to invest through an Investment

Board:

1. It can establish its own Investment Board if it has either \$50 million in net financial assets or \$100 million in money and investments that it does not require immediately, in the opinion of its treasurer.
2. It can partner with other municipalities that collectively meet the \$100 million in money and investments that they do not require immediately to establish a Joint Investment Board. This is how ONE JIB was established by the six founding municipalities.
3. It can enter into an agreement with an already existing Investment Board or Joint Investment Board. The third alternative is the one that enables ONE JIB to accept additional municipalities into the ONE Prudent Investment Program.

The ONE JIB Agreement is the formal document that establishes the terms and conditions under which ONE JIB agrees to invest on behalf of a new municipality

The ONE JIB Agreement is the primary operating document for municipalities that have decided to invest their MNRI under the prudent investor regime through ONE JIB. It governs the relationship between ONE JIB and any municipality that decides to invest under the prudent investor regime and executes the Agreement. The initial municipal signatories to the agreement constitute the six municipalities that established ONE JIB. They are sometimes referred to as the Founding Municipalities. The municipalities that subsequently enter into the ONE JIB Agreement, together with the Founding Municipalities, are all referred to as Participating Municipalities. ONE Investment is also a party to the agreement. The ONE JIB Agreement was developed with input from the municipal and investment communities, including ONE Investment's members (LAS and CHUMS), its Directors (all municipal representatives) and the Founding Municipalities. The Agreement attached to this report was executed by the Founding Municipalities effective July 2, 2020.

The ONE JIB Agreement is a foundational legal agreement and can only be amended in accordance with the procedures set out in the Agreement.

ONE Investment provides full turn-key service to municipalities looking to participate in ONE JIB

ONE Investment has developed a process for municipalities to participate in the ONE Prudent Investment Program through ONE JIB. In a report to Council, municipalities pass an authorizing by-law ensuring they meet the legislative requirements to enter into an agreement with ONE JIB prior to ONE JIB accepting them as Participating Municipalities. The by-law is pursuant to which:

- They adopt an Investment Policy Statement that sets out their objectives and needs in respect of their MNRI under the prudent investor regime, approve a Municipal Client Questionnaire, authorize municipal staff to execute the ONE JIB Agreement; and
- They officially opt into the prudent investor regime as per the *Act*.

4. ANALYSIS

The Town of Aurora has completed all the steps necessary to join ONE JIB as a Participating Municipality

The Town of Aurora's Council passed a single by-law #65O2-23 on May 23, 2023 authorizing the approval of the completed MCO, the adoption of the Investment Policy Statement, the entering into a Joint Investment Board Agreement through which Participating Municipalities invest under the Prudent Investor Regime, the establishment of a Code of Conduct and the delegation to the Joint Investment Board of the authority to appoint its Integrity Commissioner and its Closed Meeting Investigator.

Through this by-law the municipality has approved its Investment Policy Statement that permits investing under the prudent investor regime. The Investment Policy Statement was developed using ONE JIB's Investment Policy Statement template. Further detail on The Town of Aurora's Investment Policy Statement is provided in Report 2023-048.

Subject to acceptance into ONE JIB as a Participating Municipality, ONE JIB and the Town of Aurora will agree upon an effective date for the ONE JIB Agreement

Municipalities must pass an irrevocable Prudent Investor Enabling By-law prior to having their MNRI invested under the prudent investor regime. The Town of Aurora combined both the Authorization and Prudent Investor Enabling requirements into a single by-law #65O2-23, which was passed by Council on May 23, 2023.

This means if ONE JIB confirms its acceptance of the Town of Aurora as a Participating Municipality under the ONE JIB Agreement, the "Prudent Effective Date", or the date after which section 418.1 will apply to the Town of Aurora as per the by-law, will be the agreed upon effective date for the ONE JIB Agreement. The Investment Plan can be implemented on or after that date.

The municipality is expected to invest \$42.8 million

The Town of Aurora has submitted a Municipal Client Questionnaire. The Town indicates that it will invest \$42.8 million in MNRI. Further details on the Municipal Client Questionnaire are provided in Reports 2023-47, and 2023-48.

There are no restrictions or clauses in the Town of Aurora's Investment Policy Statement that would limit ONE JIB's ability to manage its MNRI prudently and effectively

A key consideration for ONE JIB in deciding whether to accept a new Participating Municipality is its ability to manage investments in a prudent and effective manner. If, in the opinion of ONE JIB, a municipality has added clauses or restrictions to its Investment Policy Statement that would prevent the prudent investment of MNRI or would make such investment administratively impossible to implement given the structure of the ONE Prudent Investment Program, ONE JIB should not accept the municipality as a Participating Municipality. In the opinion of the Chief

Investment Officer, the Investment Policy Statement of the applicant municipality includes no restrictions or clauses that conflict with the mandates of the Prudent Investment Program Offerings or would limit ONE JIB's ability to manage its MNRI prudently and effectively.

The ONE JIB Agreement contains several key provisions relevant to the investment of the Town's MNRI

The following are highlights of the ONE JIB Agreement. (References to sections and schedules relate to the ONE JIB Agreement.)

(a) Investment Decisions

ONE JIB assumes exclusive control and management of money and investments that Participating Municipalities do not require immediately (Sections 2.01 and 2.04).

All investments are to be made by ONE JIB exercising the care, skill, diligence, and judgment that a prudent investor would exercise in making such investments (Section 10.01).

ONE JIB can notify a Participating Municipality that its investment policy is not prudent and decline to invest in accordance with such policy (Sections 5.01 (d) and 10.05).

(b) Money to be invested

Municipalities have the sole right and obligation to determine the amount of their money and investments that are not required immediately from time to time to be given to ONE JIB for investment (Section 5.04(b)).

(c) Investment Plans

ONE JIB prepares and adopts an investment plan to implement the investment policy of each Participating Municipality. ONE JIB advises on investment policies and changes thereto (Sections 5.02 and 5.03(a)).

ONE JIB updates investment plans when necessary and at least annually (Section 5.03 (b)).

(d) Withdrawal of Money

Money can be withdrawn by a Participating Municipality on 30 days' notice if it determines that money that was formerly not required immediately is then required immediately (Section 5.04 (b)).

ONE JIB can extend the time to return large amounts of money to avoid prejudice to other Participating Municipalities and can delay the return of money in extraordinary circumstances (Sections 5.04 (e) and 5.04 (f)).

(e) Agents

ONE JIB appoints agents including external portfolio managers and custodians to implement transactions (Section 3.02). ONE JIB monitors and reports on agents' performance (Section 3.04).

(f) Reports on Investments

ONE JIB reports on the performance of investments at least annually or more frequently if required and may, if requested by the Municipality, prepare and deliver reports on compliance of

the investments with the Investment Policy Statement and Investment Plan (Section 8).

(g) Members

Membership of ONE JIB cannot include members of municipal council or municipal staff except for municipal treasurers who can constitute up to 25% of the members (Section 7.03).

Members' standards of conduct are set out in a Code of Conduct that is attached as an exhibit to the Terms of Reference; the Terms of Reference are attached as a schedule to the agreement (Schedule "D").

The adherence of members to the Code of Conduct is subject to oversight by an Integrity Commissioner.

(h) Exclusivity

So long as they are parties to the agreement, Participating Municipalities cannot invest under the prudent investor regime through any investment board other than ONE JIB (Section 2.02).

(i) Fees

Investment pools are subject to management fees and other expenses set by ONE Investment; fees are determined on a cost-recovery basis and are reviewed at least annually (Section 9, Schedule "D").

Management fee discounts are to be determined by ONE Investment and paid directly by ONE Investment to Participating Municipalities (Schedule "D").

(j) Complaints

A complaint protocol establishes a process for dealing with complaints by a Participating Municipality with respect to the management of its investments (Section 11).

(k) Indemnities

Participating Municipalities indemnify ONE JIB for liabilities incurred in fulfilling its obligations under the agreement with a standard carve-out for ONE JIB's own misconduct (Section 10.03).

(l) Withdrawals from Agreement

Any Participating Municipality may withdraw from the agreement, subject to certain conditions, so long as it continues to invest through another authorized vehicle (Sections 13.02 and 13.03).

(m) Termination of Agreement

The agreement can only be terminated by no fewer than two Founding Municipalities if certain conditions are met (Section 15.01).

5. CONCLUSION

ONE Investment recommends that ONE JIB agree to accept the Town of Aurora as a Participating Municipality and authorize ONE Investment to work with the Chair and Secretary

of ONE JIB and the municipality to execute the ONE JIB Agreement and complete any other necessary documentation.

ATTACHMENT

Attachment 1: ONE JIB Agreement

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