

To: ONE Joint Investment Board
 From: Keith Taylor, Chief Investment Officer, ONE Investment
 Date: November 29, 2023
 Re: Kenora's Investment Plan 2023
 Report: ONE JIB 2023-071

1. RECOMMENDATIONS

It is recommended that the Board:

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

2. SUMMARY

The City of Kenora has updated its Municipal Client Questionnaire (MCQ) to provide information on its MNRI and the investment horizons associated with its reserve balances. The MCQ indicates that the investment horizon associated with municipal reserves is largely unchanged compared to the previous year.

On an annual basis the city intends to use \$1.1 million in income from the Citizens Prosperity Trust Fund to fund city operations. In 2024, this income target will be satisfied by drawing down \$700,000 from proceeds of maturing bonds held in the in-kind bond portfolio and \$500,000 in income received from holdings in Synergy North Corporation, a local distribution company .

The proposed investment allocations across the ONE Investment Outcomes are unchanged in this updated Investment Plan. The consolidated allocations to each of the ONE Investment Pooled funds are presented below:

ONE Investment Funds	Total Invested	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 6.3	11.1
ONE Global Equity Fund	14.7	25.9
ONE Canadian Government Bond Fund	9.2	16.1
ONE Canadian Corporate Bond Fund	4.7	8.3
ONE Global Bond Fund	22.0	38.6
Total \$	\$ 56.9	100.0

3. BACKGROUND

Kenora's annual review of its Investment Policy Statement resulted in no changes

Kenora's Investment Policy Statement was previously updated in 2022 to reflect changes in the ONE JIB IPS template. As there have been no revisions to the ONE JIB IPS template since then, Kenora's IPS already reflects the most recent version. This IPS was approved by council on November 15, 2023.

The City's MNRI is divided into two separate accounts, the Citizen's Prosperity Trust Fund and the General Account

The City's MNRI is segregated into two distinct portions. The Citizen's Prosperity Trust Fund (CPTF) is intended to be a source of recurring income for the City in perpetuity. This trust was formed in 2008 when Kenora sold its holdings in a telecommunications firm. The key objectives of the CPTF are preservation of capital and the generation of recurring income. The City does not plan to spend the initial capital but intends to use the income generated to fund the municipal budget. Kenora targets annual distributions from the CPTF to the General Account of \$1.1 million annually. The MNRI of the CPTF is invested in the Stable Return Outcome.

The MNRI of the General Account reflects the City's reserve balances that could be used for operational purposes or for capital spending needs. The MNRI of the General Account is invested in the Contingency and Target Date 3-5 Year Outcomes. The MNRI of these two accounts invested in ONE's outcomes are detailed below in table 1:

Table 1: CPTF and General Account Outcome Allocations

Outcome	Account	Investments
Stable Return	CPTF	\$ 37,581,528
Contingency	General	\$ 15,705,736
Target Date 3-5 Years	General	\$ 3,644,936

There was no significant change in the overall investment horizon associated with MNRI this year.

The investment horizon associated with MNRI has only minor differences compared to last year. While there was no explicit drawdown of reserves associated with updated reserve balances, Kenora will have a small drawdown of MNRI to satisfy the expected \$1.1 million annual income transfer from the CPTF to fund Kenora's operational budget. Aside from this income transfer Kenora will not be making further contributions or withdrawals of MNRI this year. Kenora's MNRI and time horizons for reserve balances are shown in Table 2:

Table 2: MNRI by reserve and time horizon forecast, adapted from table 4.1 of MCQ

Reserve Type	Brief Description	MNRI Amount	Less than 3 years	3 to 5 years	5 to 10 years	10+ years
Rate Stabilization	Rate Stabilization Reserve Fund	5,000,000			2,500,000	2,500,000
Contingency	Used to offset any unforeseen expenditure increases or revenue shortfalls.	4,000,000	1,000,000		3,000,000	
Various	Various Other Municipal Reserves	8,000,000		1,749,365	6,500,000	500,000
	Total General Account	17,000,000	1,000,000	1,749,365	12,000,000	3,000,000
Perpetual Fund	Citizen Prosperity Trust Fund	37,581,528				37,581,528
Total						

4. ANALYSIS

A total of \$1.1 million will be transferred to MRI to satisfy the City's expected income target from investments

On an annual basis the City intends to use \$1.1 million in income from investments to fund city operations. This income target will be satisfied by drawing down \$700,000 from proceeds of maturing bonds held in the in-kind bond portfolio and from \$500,000 in income received from holdings in Synergy North Corporation, a Local Distribution Company.

Over the next year it is anticipated that coupons and maturities in the in-kind bond portfolio will exceed \$1.7 million.

The in-kind bond portfolio, which represents a portfolio of individual bonds that were received from Kenora when it joined ONE JIB, is part of the CPTF. As coupons have been received and bonds matured, the proceeds have been invested into the Stable Return Outcome. As of September 30, 2023, the remaining balance of in-kind bonds was approximately \$2.0 million, most of which will mature within the next 12 months. It is anticipated that this portfolio will generate \$1.7 million in coupons received and bond maturity proceeds. As noted above, \$700,000 of these proceeds will be remitted back to Kenora's account. As a result, about \$1 million of interest and bond maturity proceeds for the in-kind bond portfolio will be reinvested in the Stable Return Outcome in 2024

The mapping to Outcomes and the resulting asset allocation are appropriate for the City's circumstances

The investment horizon associated with City reserves is largely unchanged over the last year and as a result the investment allocations remain appropriate. Allocations to the Target Date 3-5 Year of approximately \$3.6 million will address the known near-term funding needs, while the remaining MNRI of the General account has been allocated to the Contingency Outcome. The ability of the CPTF to make a recurring distribution to the City requires a relatively stable source of returns that can be distributed. MNRI associated with the CPTF has been allocated to the Stable Return Outcome, which is appropriate considering its objectives.

Mapping the MNRI to Outcomes relied on the MCQ and discussions with the Treasurer to ensure a common understanding of the uses and purpose of the MNRI. Asset allocations (Table 4 below) and fund allocations (Tables 5 and 6 below) were determined using the ONE JIB's Outcomes Framework.

Table 4: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$ millions)	Portfolio Weight (%)	Fixed Income (%)	Equities (%)	Total (%)
Stable Return	\$ 37.6	66.0	70	30	100
Contingency	15.7	27.6	40	60	100
Target Date 3-5 Years	3.6	6.4	90	10	100
Total	\$ 56.9	100.0			

Table 5 Proposed Pooled Fund-Level Allocation (values in \$ millions)

ONE Investment Funds	Total Invested	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 6.3	11.1
ONE Global Equity Fund	14.7	25.9
ONE Canadian Government Bond Fund	9.2	16.1
ONE Canadian Corporate Bond Fund	4.7	8.3
ONE Global Bond Fund	22.0	38.6
Total \$	\$ 56.9	100.0

Table 6: Proposed Pooled Fund Allocations by Outcome (values in \$ millions)

Outcome	ONE Canadian Equity Fund	ONE Global Equity Fund	ONE Canadian Govt Bond Fund	ONE Canadian Corporate Bond Fund	ONE Global Bond Fund	Total
Stable Return	\$ 3.4	\$ 7.9	\$ 7.1	\$ 3.4	\$ 15.8	\$ 37.6
Contingency	2.8	6.6	0.9	0.9	4.4	15.7
Target Date 3-5 Years	0.1	0.3	1.1	0.4	1.8	3.6
Total \$	\$ 6.3	\$ 14.7	\$ 9.2	\$ 4.7	\$ 22.0	\$ 56.9

5. CONCLUSION

Kenora's proposed Investment Plan is consistent with the City'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 Kenora's objectives, risk tolerance, time horizons, and available MNRI. The updating of this Investment Plan will not result in any trading and the drawdown of MNRI to fund the expected income requirements of the City will be satisfied from cashflow generated from the in-kind bond portfolio held at ONE's custodian.

ATTACHMENTS

Attachment 1: City of Kenora's Investment Policy Statement

Attachment 2: City of Kenora's Municipal Client Questionnaire

Attachment 3: City of Kenora's proposed Investment Plan

Drafted by: Keith Taylor, Chief Investment Officer; Jennifer Hess, Manager Investment Services

Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs, ONE Investment