



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: September 4, 2024
Re: Town of Huntsville's Investment Plan
Report: ONE JIB 2024-043

1. RECOMMENDATIONS

It is recommended that the Board:

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

2. SUMMARY

The Town of Huntsville has updated its Municipal Client Questionnaire (MCQ), which provides information on its MNRI and the investment horizons associated with its reserve balances. The MCQ indicates the Town will not be making contributions or withdrawals of MNRI as part of the annual Investment Plan update this year. The Town has also reviewed its Investment Policy Statement (IPS), which resulted in no changes to the IPS.

The Town has made a significant reallocation of reserves since last year, with incremental balances allocated to its share in a hospital to be built in 15 years. Contributions to these long-term reserves over time should increase the Town's investment horizon, which may lead to revisions in allocations in subsequent years. At this time, no changes to Huntsville's Investment Plan are being recommended, and consolidated equity allocations will remain at 42.3%. The proposed investment allocations, which reflect consolidated holdings across ONE Investment Outcomes, are presented below:

ONE Investment Funds	Total Invested (\$ millions)	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 1.3	12.7
ONE Global Equity Fund	3.1	29.6
ONE Canadian Government Bond Fund	1.6	15.0
ONE Canadian Corporate Bond Fund	0.8	7.5
ONE Global Bond Fund	3.7	35.1
Total	\$ 10.6	100.0

3. BACKGROUND

Huntsville’s annual Investment Policy Statement (IPS) review resulted in no changes to the IPS

Huntsville completed its annual IPS review on July 22, 2024, making no updates to the wording or content of the IPS. There have been no changes to the ONE JIB IPS template since the Town last updated the plan in 2023, so the recently approved IPS remains consistent with the ONE JIB approved template.

Huntsville has provided updated details on the investment horizon associated with MNRI

Huntsville’s investment horizon, risk tolerances, and investment objectives were updated as part of the annual Investment Plan review. Based on the information provided in the MCQ, the Town’s investment horizon appears to be getting longer compared to last year’s Investment Plan. The information provided in Table 1 below does not consider the possibility of debt financing for longer-term projects, and the Treasurer noted that there is uncertainty involved in reserve planning that is not fully reflected in Table 1.

Table 1: MNRI by reserve and time horizon forecast, adapted from Table 7 of the MCQ.

Investment Horizon of MNRI						
Reserve Name or Category	Brief Description or Purpose	Total MNRI Amount	Less than 3 years	3-to-5 years	5-to-10 years	10+ years
Capital projects and special reserves	Target date - planned projects	4,112,748	1,000,000	2,000,000		1,112,748
Development charges reserve funds	Target Date - growth related projects	1,354,206	750,000	604,206		
Other funds	Target Date – Federal Gas Tax, Parking, Parkland Cash-in-Lieu, Development Contributions, contingency	404,768			404,768	
Hospital Local Share reserve	Target Date	4,194,368				4,194,368
	Total MNRI	10,066,090	1,750,000	2,604,206	404,768	5,307,116

Huntsville will not be making contributions or withdrawals of MNRI this year but may make incremental contributions to MNRI in future years.

Huntsville will not be contributing or drawing down MNRI this year but expects to be making incremental contributions to MNRI in the coming years to fund longer term capital projects, including the building of reserves for the Town’s share in a hospital that will be built in 2038. Section 8 of the Town’s MCQ provides details of the anticipated contributions and withdrawals of MNRI over the next 10 years, which are shown in Table 2 below.

Table 2: Anticipated Cash Flow Projections MNRI by year from table 8 of the MCQ.

	Next Year	2 years	3 to 5 years	5 to 10 years	Greater than 10 years
Anticipated MNRI Drawdowns					(10,000,000)
Anticipated MNRI Contributions	-	1,000,000	2,000,000	2,000,000	
Net change in MNRI	-	1,000,000	2,000,000	2,000,000	(10,000,000)

4. ANALYSIS

Huntsville’s investment allocations in its updated Investment Plan remain unchanged

A review of Huntsville’s expected cashflows and expected future reserve balances was conducted as part of the annual review process. This indicated that no changes in the mapping of MNRI to reserves are appropriate at this time. It is anticipated that the Town may make additional contributions of MNRI in the coming years, which may also extend Town’s investment horizon. These anticipated changes are a result of the Town building reserves to fund its share of a hospital to be built. Currently, about \$4 million in reserves have been allocated, but over time, this reserve will grow to \$10 million.

There is considerable uncertainty related to the cashflow forecasts provided by the Treasurer. Certain financing decisions related to longer-term capital projects have not yet been completed and the Treasurer noted potential spending in the 2028 to 2030 period that may affect MNRI, but which has not yet been approved by council. A revision in investment allocation may be required in future years when greater visibility is available. The mapping of reserves to investment outcomes will remain unchanged in the Investment Plan as a result. Table 1 below provides more details on the investment horizon of MNRI, categorized by reserve type.

Investment Plan updates in future years may extend the investment horizon of MNRI as the Town’s financial circumstances change

The Town will continue to build reserves for its share in a hospital to be built in 15 years. The reserves for this capital project will be increased in subsequent years, which will extend the horizon associated with MNRI reserves. Debt financing may be considered as part of this initiative, with much of the planning yet to be approved. It is not yet appropriate to start making changes to Huntsville’s Investment Plan. It may be appropriate to increase the Town’s allocation to equity at its next Investment Plan update, which may occur when Huntsville’s MNRI is transitioned into the OCIO Offering.

The Investment Plan's mapping of MNRI to Outcomes, and resulting asset allocation, is consistent with Huntsville's cashflow forecasts, risk tolerances, and objectives.

The Town does not anticipate any drawdowns in reserves over the next few years but has identified longer-term projects that may lead to increases in MNRI. Debenture issuance may also help fund some of the longer-term capital projects, limiting the potential for MNRI drawdowns for these projects. For the 2024 annual Investment Plan update, no changes in the mapping of municipal reserves to investment outcomes are recommended, with the overall risk level unchanged and the overall allocation to equities at a consolidated level remaining at 42.3%.

Mapping the MNRI to Outcomes was based on the information provided in the MCQ and discussions with the Treasurer. Asset allocations (Table 3) and fund allocations (Tables 4 and 5) were determined using the ONE JIB's Outcome Framework.

Table 3: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$ millions)	Portfolio Weight (%)	Fixed Income (%)	Equities (%)	Total (%)
Contingency	\$ 4.2	39.5	40	60	100
Target Date 3-5 Years	3.9	37.2	90	10	100
Target Date 5-10 Years	1.1	10.2	50	50	100
Target Date 10+ Years	1.4	13.1	25	75	100
Total	\$ 10.6	100.0			

Table 4: Proposed Pooled Fund-Level Allocation

ONE Investment Funds	Total Invested (\$ millions)	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 1.3	12.7
ONE Global Equity Fund	3.1	29.6
ONE Canadian Government Bond Fund	1.6	15.0
ONE Canadian Corporate Bond Fund	0.8	7.5
ONE Global Bond Fund	3.7	35.1
Total	\$ 10.6	100.0

Table 5: 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 Corp Bond Fund	ONE Global Bond Fund	Total
Contingency	\$ 0.8	\$ 1.8	\$ 0.3	\$ 0.3	\$ 1.2	\$ 4.2
Target Date 3-5 Years	0.1	0.3	1.2	0.4	1.9	3.9
Target Date 5-10 Years	0.2	0.4	0.1	0.1	0.4	1.1
Target Date 10+ Years	0.3	0.7	0.1	0.1	0.2	1.4
Total	\$ 1.3	\$ 3.1	\$ 1.6	\$ 0.8	\$ 3.7	\$ 10.6

5. CONCLUSION

The proposed Investment Plan is consistent with Huntsville’s IPS, and the proposed asset mix and fund allocations reflect the investment objectives and risk preferences expressed in its IPS and MCQ. There are no contributions or withdrawals of MNRI associated with the investment plan updates, and no changes to the investment allocations are proposed at this time. It is anticipated that MNRI will start to increase in subsequent years, and the investment horizon will become longer as it builds reserves for its share in a hospital to be built in 15 years. The allocations in the Investment Plan will need to be revisited during future Investment Plan updates to reflect changes in circumstances that have not yet been finalized or approved by council. This may lead to revisions in investment allocations over the next few years.

ATTACHMENTS

Attachment 1: Town of Huntsville’s Investment Policy Statement

Attachment 2: Town of Huntsville’s Municipal Client Questionnaire

Attachment 3: Town of Huntsville’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