



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: September 4, 2024
Re: Town of Innisfil's 2024 Investment Plan
Report: ONE JIB 2024-046

1. RECOMMENDATIONS

It is recommended that the Board:

1. Receive the Town of Innisfil's Investment Policy Statement (Attachment 1).
2. Receive the Town of Innisfil's Municipal Client Questionnaire (Attachment 2).
3. Approve the Town of Innisfil's proposed Investment Plan (Attachment 3) that includes a \$5 million MNRI contribution that will be invested in the Target Date 3-5 Year Outcome.

2. SUMMARY

The Town of Innisfil 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 be contributing \$5,000,000 to MNRI this year as part of its annual Investment Plan update. The Town has also updated its Investment Policy Statement (IPS), which resulted in no changes to the IPS.

The Town's investment horizon is becoming shorter as large capital projects will start to require funding in the coming years. While no trading will be required to reposition the existing portfolio allocations, the proposed deployment of the \$5 million MNRI contribution in the Target Date 3-5 Year Outcome will result in a shorter average investment horizon for MNRI. As a result, Innisfil's consolidated equity allocations will decline from 49.7% to 46.3%. 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	\$ 8.2	13.9
ONE Global Equity Fund	19.1	32.4
ONE Canadian Government Bond Fund	6.5	11.0
ONE Canadian Corporate Bond Fund	4.4	7.5
ONE Global Bond Fund	20.6	35.1
Total	\$ 58.8	100.0

3. BACKGROUND

Innisfil’s annual IPS review resulted in no changes to the IPS

Innisfil completed its annual IPS review on June 26, 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.

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

Innisfil’s investment horizon, risk tolerances, and investment objectives are unchanged from last year’s Investment Plan. The projected cashflows projections associated with MNRI have been updated, indicating a shorter investment horizon. This will be taken into consideration when the MNRI contribution of \$5 million is allocated to Investment Outcomes. Table 1 below provides more details on the investment horizon of MNRI, categorized by reserve type.

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	Less than 3 years	3 to 5 years	5 to 10 years	10+ years
Asset Renewal	Asset renewal reserve funds. Largest RF is the Capital Reserve Fund, which is where our 1% capital levy is directed to.	35,909,204	3,721,933		
Growth	DCs & other externally restricted funds, such as Cash-in-lieu of Parkland. It also includes our ARS(Alternative Revenue Source) reserve fund, which is where our OLG gaming revenues are directed towards. The largest component of the ARS funds is to be used to fund the non-growth(BTE) share of growth projects.	30,690,470	53,417,010		
Operating Reserves	Tax rate stabilization reserve and inspection stabilization reserve.	469,190		468,737	8,793,157
	Total MNRI	67,068,864	57,138,943	468,737	8,793,157

Innisfil will be contributing \$5 million to MNRI this year as part of its Investment Plan update, but has also signaled that it may require MNRI drawdowns within 5 years

Innisfil will be contributing \$5 million to MNRI this year but anticipates that drawdowns of MNRI may be required within five years as spending on major capital projects will commence. The potential for the deferral of growth-related projects and decisions related to external funding reduces the visibility of the cashflow projections provided. 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.

Reserve Name or Category	Next Year	2 years	3 to 5 years	5 to 10 years	Greater than 10 years
Anticipated MNRI Drawdowns			(19,615,559)	(503,602)	
Anticipated MNRI Contributions					
Net change in MNRI	-	-	(19,615,559)	(503,602)	-

4. ANALYSIS

Innisfil’s updated Investment Plan will increase allocations to the Target Date 3-5 Year Outcome as the incremental MNRI contribution is deployed

A review of Innisfil’s expected cashflows and expected future reserve balances was conducted as part of the annual review process. Staff are in the process of revisiting cashflow projections. This is expected to shorten the overall investment horizon of MNRI, but there remains some uncertainty about the ultimate size and timing of future drawdowns. The \$5 million contribution of MNRI identified in Innisfil’s MCQ will be allocated to the Target Date 3-5 Year Outcome, which aligns with the expected timing of MNRI drawdowns. Beyond this, no changes in the mapping of MNRI to reserves are required currently.

Investment Plan updates in future years may have a shortened investment horizon for Innisfil’s MNRI as the Town’s financial circumstances change

Innisfil is planning a large capital project that will require MNRI, which is currently invested with ONE JIB. While no drawdowns are contemplated within the next two years, it is likely that meaningful drawdowns will be required within five years. This primarily represents spending related to the Orbit project, a project that includes a GO-transit transportation hub and the development of residential, retail, and commercial real estate projects. Some of the details about financing options for this project have yet to be finalized. This, combined with some uncertainty about the timing of the construction, suggests that reserve cashflow forecasts beyond five years are imprecise. Due to the uncertainty involved, no adjustments in the current allocation of MNRI are recommended at this time.

The mapping of MNRI to Outcomes in the Investment Plan and the resulting asset allocation is consistent with the Innisfil’s circumstances, risk tolerances and objectives

Innisfil does not anticipate any drawdowns in MNRI over the next two years but has identified longer-term projects that may lead to declines in MNRI in later years.

Adjustments to the investment allocations for these future potential drawdowns will be contemplated in future Investment Plan updates. For the 2024 annual investment Plan update, the \$5 million contribution to MNRI will be deployed into the Target Date 3-5 Year Outcome. Innisfil's consolidated equity allocations will decline from 49.7% to 46.3% as a result.

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	\$ 19.5	33.3	40	60	100
Target Date 3-5 Years	10.3	17.5	90	10	100
Target Date 5-10 Years	28.9	49.2	50	50	100
Total	\$ 58.8	100.0			

Table 4: Proposed Pooled Fund-Level Allocation

ONE Investment Funds	Total Invested (\$ millions)	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 8.2	13.9
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Total	\$ 58.8	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	\$ 3.5	\$ 8.2	\$ 1.2	\$ 1.2	\$ 5.5	\$ 19.5
Target Date 3-5 Years	0.3	0.7	3.1	1.1	5.0	10.3
Target Date 5-10 Years	4.3	10.1	2.2	2.2	10.1	28.9
Total	\$ 8.2	\$ 19.1	\$ 6.5	\$ 4.4	\$ 20.6	\$ 58.8

5. CONCLUSION

The proposed Investment Plan is consistent with Innisfil's IPS, and the proposed asset mix and fund allocations reflect the investment objectives and risk preferences expressed in its IPS and MCQ. Innisfil will contribute \$5 million to MNRI that will be deployed into the Target Date 3-5 Year Outcome. Innisfil also noted that it may need to start drawing down MNRI within five years to fund large capital projects. Investment allocations will be adjusted in subsequent years when there is greater certainty about the timing and magnitude of future drawdowns. It is anticipated that equity allocations of the Town will need to decrease during subsequent investment Plan updates.

ATTACHMENTS

Attachment 1: Town of Innisfil's Investment Policy Statement

Attachment 2: Town of Innisfil's Municipal Client Questionnaire

Attachment 3: Town of Innisfil'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