



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: September 4, 2024
Re: Town of Aurora's Investment Plan
Report: ONE JIB 2024-042

1. RECOMMENDATIONS

It is recommended that the Board:

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

2. SUMMARY

The Town of Aurora 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 and expects none through 2026. The Town has also reviewed its Investment Policy Statement (IPS), which resulted in no changes to the IPS.

While there have been some changes in the cashflow forecasts related to reserve balances over the last year, the changes do not merit adjustments in Aurora's investment allocations as the overall investment horizon of the Town is largely unchanged. On a consolidated basis, the Town's equity allocations will remain at 45.4% in the updated Investment Plan. 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	\$ 6.6	13.6
ONE Global Equity Fund	15.3	31.8
ONE Canadian Government Bond Fund	6.0	12.4
ONE Canadian Corporate Bond Fund	3.6	7.4
ONE Global Bond Fund	16.8	34.8
Total	\$ 48.2	100.0

3. BACKGROUND

Aurora’s annual IPS review resulted in no changes

Aurora completed its annual IPS review on June 4, 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

Aurora’s investment horizon, risk tolerances, and investment objectives are unchanged from last year’s Investment Plan. The mapping of reserves is also largely unchanged. As a result, there will be no changes to the Town’s Investment Plan at this time. 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	Total MNRI Amount	Less than 3 years	3-to-5 years	5-to-10 years	10+ years
Capital Reserves	Roads & Related, Fleet, Facilities, Parks & Rec, Growth & New Capital, Gas Tax, Parks, CIL, etc.	16,123,505	-	4,338,332	4,452,753	7,332,420
Obligatory Reserves	DC Roads, DC parks & Rec, DC water, etc.	5,808,915	-	2,904,458	1,742,675	1,161,783
Stabilization & Contingency	Tax Rate Stabilization, WSIB, Winter Control, Building, etc.	26,137,880	-	6,496,435	5,048,104	14,593,342
	Total MNRI	48,070,300	-	13,739,225	11,243,532	23,087,545

Aurora will not be making contributions or withdrawals of MNRI this year, with MNRI being stable through 2026, but anticipates MNRI drawdowns thereafter

Aurora will not be contributing to or drawing down MNRI this year. MNRI is expected to be stable through 2026, but the Treasurer expects that the Town may need to make contributions to MNRI in the 2026–2031 period to fund capital projects. 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			(11,000,000)	(28,200,000)	(3,600,000)
Anticipated MNRI Contributions			15,000,000	31,000,000	7,750,000
Net change in MNRI	0	0	4,000,000	2,800,000	4,150,000

4. ANALYSIS

Investment allocations in the Town’s updated Investment Plan remain unchanged

A review of the Town’s expected cashflows and expected future reserve balances was conducted as part of the annual review process. While some changes were identified versus the analysis conducted in 2023, these changes did not constitute a material change in the overall time horizon associated with municipal reserves. As a result, the allocations of MNRI across Outcomes remain appropriate.

The Investment Plan updates in future years may require adjustments to the allocations to better accommodate the Town’s in-kind holdings

It is anticipated that an in-kind policy will be considered by ONE JIB, which may affect the treatment of the Town’s holdings of in-kind securities. This policy may allow in-kind securities to be reclassified by the Town, and they potentially may no longer be classified as MNRI. A more thorough review of the Investment Plan will be conducted in conjunction with Aurora’s transition to the ONE JIB OCIO Offering, and adjustments may be required if the in-kind bond holdings are reclassified.

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

The Town continues to have a relatively long investment horizon, with no drawdowns expected within five years, and about 70% of reserves identified as having an investment horizon greater than five years. As there will be no changes in the mapping of MNRI to investment Outcomes, the overall risk level is unchanged, and the overall allocation to equities at a consolidated level remains at 45.4%.

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 Outcomes Framework.

Table 3: Proposed Outcome Mapping and Asset Allocation

Outcome	Total Invested (\$ millions)	Portfolio Weight (%)	Fixed Income (%)	Equities (%)	Total (%)
Contingency	\$ 15.1	31.3	40	60	100
Target Date 3-5 Years	11.9	24.8	90	10	100
Target Date 5-10 Years	17.0	35.2	50	50	100
Target Date 10+ Years	4.2	8.7	25	75	100
Total	\$ 48.2	100.0			

Table 4: Proposed Pooled Fund-Level Allocation

ONE Investment Funds	Total Invested (\$ millions)	Portfolio Weight (%)
ONE Canadian Equity Fund	\$ 6.6	13.6
ONE Global Equity Fund	15.3	31.8
ONE Canadian Government Bond Fund	6.0	12.4
ONE Canadian Corporate Bond Fund	3.6	7.4
ONE Global Bond Fund	16.8	34.8
Total	\$ 48.2	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	\$ 2.7	\$ 6.3	\$ 0.9	\$ 0.9	\$ 4.2	\$ 15.1
Target Date 3-5 Years	0.4	0.8	3.6	1.3	5.9	11.9
Target Date 5-10 Years	2.6	6.0	1.3	1.3	6.0	17.0
Target Date 10+ Years	0.9	2.2	0.2	0.2	0.7	4.2
Total	\$ 6.6	\$ 15.3	\$ 6.0	\$ 3.6	\$ 16.8	\$ 48.2

5. CONCLUSION

The proposed Investment Plan is consistent with Aurora'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. An adjustment to the Investment Plan may be required when Aurora transitions to the OCIO Offering. This may involve a revisiting of the treatment of in-kind bonds.

ATTACHMENTS

Attachment 1: Town of Aurora's Investment Policy Statement

Attachment 2: Town of Aurora's Municipal Client Questionnaire

Attachment 3: Town of Aurora'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