



# REPORT

To: ONE Joint Investment Board  
From: Keith Taylor, Chief Investment Officer, ONE Investment  
Date: November 27, 2024  
Re: City of Kenora's Investment Plan 2024  
Report: ONE JIB 2024-075

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## 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).
4. Approve the expected mid-year contribution of \$500,000 to the General Account.

## 2. SUMMARY

The City of Kenora updated its Municipal Client Questionnaire (MCQ) and provided an updated IPS which has informed of Kenora's updated Investment Plan. The City expects to contribute \$500,000 to MNRI in mid-2025. This incremental MNRI will be contributed to the General Account with investment allocations to be determined based on guidance provided by the treasurer when a mid-year MCQ update is submitted. This anticipated contribution has not been reflected in any tables in this report or the Investment Plan.

The investment horizon associated with municipal reserves is unchanged compared to the previous year so the proposed investment allocations across the ONE Investment Outcomes remain consistent with Kenora's needs and circumstances in this 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	\$7.3	11.1
ONE Global Equity Fund	17.1	26.0
ONE Canadian Government Bond Fund	10.6	16.1
ONE Canadian Corporate Bond Fund	5.4	8.3
ONE Global Bond Fund	25.4	38.5
Total	\$65.9	100.0

### 3. BACKGROUND

#### **Kenora’s annual review and update of its Investment Policy Statement (IPS) resulted in no changes to the IPS**

Kenora completed its annual IPS review on November 19, 2024, making no updates to the content of the IPS. The ONE JIB IPS template has not changed since Kenora updated the plan in 2023, so the recently approved IPS remains consistent with the ONE JIB-approved template.

#### **The City’s MNRI is divided into two separate accounts, the Citizens’ Prosperity Trust Fund and the General Account**

The City’s MNRI is segregated into two distinct portions. The Citizens’ 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 the 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. The MNRI of the CPTF is invested in the Stable Return Outcome.

Kenora targets annual distributions from the CPTF to the General Account of \$1.1 million annually. The municipality holds approximately \$3 million of the CPTF balance as MRI with the remaining \$43.5 million invested with ONE JIB as MNRI. The treasurer intends to fulfill the \$1.1 million annual income transfer from the CPTF to the General Account utilizing CPTF’s MRI balances. This means that the MRI portion of the CPTF will be depleted over the next few years and the annual income transfer should not affect the MNRI balances of the CPTF

The MNRI of the General Account reflects the City’s reserve balances that could be used for operational purposes or capital spending needs. The MNRI of the General Account is invested in the Contingency and Target Date 3-5 Year Outcomes, as shown in Table 1 below as well as the MNRI of the City’s two accounts.

*Table 1: CPTF and General Account Outcome Allocations*

<b>Outcome</b>	<b>Account</b>	<b>Investments</b>
Stable Return	CPTF	\$43,545,521
Contingency	General	\$18,272,290
Target Date 3-5 Years	General	\$4,047,647

#### **There was no change in the overall investment horizon associated with MNRI this year**

Kenora’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 City’s Investment Plan at this time. Table 2 below provides more details on the investment horizon of MNRI, categorized by reserve type.

*Table 2: MNRI by reserve and time horizon forecast, adapted from table 3.1 of MCQ*

<b>Investment Horizon of MNRI</b>				
<b>Description (i.e. Funding Objective, Investment Purpose, or Municipal Reserve)</b>	<b>Total MNRI (\$)</b>	<b>Investment Horizon &lt; 5 Years (\$)</b>	<b>Investment Horizon 5-10 Years (\$)</b>	<b>Investment Horizon &gt;10 Years (\$)</b>
Lower risk	\$22,319,938	\$5,000,000		\$17,368,798
Obligatory Reserves	43,545,521			43,545,521
Total MNRI	\$65,865,459	0	0	\$65,865,459

**Kenora intends to make a mid-year contribution of MNRI to the General account**

Kenora will not make contributions or withdrawals of MNRI as part of the annual Investment Plan update but expects to make a mid-year contribution of \$500,000. The City will receive a \$500,000 interest payment from Synergy North notes in mid-2025, which will be contributed to the General account. While it is likely that this contribution will be allocated to the Contingency Outcome, the context provided by the treasurer in a Mid-Year MCQ Updates Form will inform the allocation at the time of the contribution.

Beyond this contribution, Kenora has not identified any other known need for contributions or drawdowns of MNRI in the next five years. Section 3.3 of the City’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 3: Anticipated Cash Flow Projections MNRI by year from table 3.3 of the MCQ.*

	<b>Next Year</b>	<b>2 years</b>	<b>3 years</b>	<b>4 years</b>	<b>5+ years</b>
Anticipated MNRI Drawdowns					
Anticipated MNRI Contributions					
Net change in MNRI	0	0	0	0	0

#### 4. ANALYSIS

##### Over the next year, Kenora’s remaining in-kind bond portfolio will mature

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 in the Stable Return Outcome. As of September 30, 2024, the remaining balance of in-kind bonds was approximately \$400,000, all of which will mature within the next 12 months. Interest and bond maturity proceeds for the in-kind bond portfolio will be reinvested in the Stable Return Outcome.

##### 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 \$4 million will address the known near-term funding needs, while the remaining MNRI of the General account has been allocated to the Contingency Outcome. MNRI associated with the CPTF has been allocated to the Stable Return Outcome, which is appropriate considering its objectives.

As the CPTF balances have grown since joining the ONE JIB the current total CPTF Balance is nearly \$46 million (this is inclusive of MRI and MNRI portions) which is well above the initial capital contribution to the CPTF of approximately \$40.8 million. This provides the CPTF with a ‘cushion’ to absorb losses without limiting its ability to make annual distributions. Considering this, a higher allocation to equities may be appropriate, which may be discussed as part of the 2025 review.

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	\$ 43.5	66.1	70	30	100
Contingency	18.3	27.7	40	60	100
Target Date 3-5 Years	4.0	6.1	90	10	100
Target Date 5-10 Years	-	-	-	-	-
Target Date 10+ Years	-	-	-	-	-
Total	\$ 65.9	100.0			

*Table 5: Proposed Pooled Fund-Level Allocation*

<b>ONE Investment Funds</b>	<b>Total Invested (\$ millions)</b>	<b>Portfolio Weight (%)</b>
ONE Canadian Equity Fund	\$ 7.3	11.1
ONE Global Equity Fund	17.1	26.0
ONE Canadian Government Bond Fund	10.6	16.1
ONE Canadian Corporate Bond Fund	5.4	8.3
ONE Global Bond Fund	25.4	38.5
<b>Total</b>	<b>\$ 65.9</b>	<b>100.0</b>

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

<b>Outcome</b>	<b>ONE Canadian Equity Fund</b>	<b>ONE Global Equity Fund</b>	<b>ONE Canadian Govt Bond Fund</b>	<b>ONE Canadian Corp Bond Fund</b>	<b>ONE Global Bond Fund</b>	<b>Total</b>
Cash	-	-	-	-	-	-
Stable Return	\$ 3.9	\$ 9.1	\$ 8.3	\$ 3.9	\$ 18.3	\$ 43.5
Contingency	3.3	7.7	1.1	1.1	5.1	18.3
Target Date 3-5 Years	0.1	0.3	1.2	0.4	2.0	4.0
Target Date 5-10 Years	-	-	-	-	-	-
Target Date 10+ Years	-	-	-	-	-	-
<b>Total</b>	<b>\$ 7.3</b>	<b>\$ 17.1</b>	<b>\$ 10.6</b>	<b>\$ 5.4</b>	<b>\$ 25.4</b>	<b>\$65.9</b>

## 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 but an anticipated mid-year contribution of \$500,000 if received will be deployed into the General account.

## 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