

To: ONE Joint Investment Board  
From: Keith Taylor, Chief Investment Officer, ONE Investment  
Date: May 29, 2025  
Re: Town of Whitby's Investment Plan  
Report: ONE JIB 2025-020

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## 1. **RECOMMENDATIONS**

It is recommended that the Board:

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

## 2. **SUMMARY**

The Town of Whitby has updated its Municipal Client Questionnaire (MCQ) to provide information on its MNRI and the investment horizons associated with its reserve balances. The Town has also reviewed and revised its Investment Policy Statement (IPS) to reflect changes related to model portfolios under the Prudent Investment Offering. Additionally, the Town has approved the inclusion of long-term alternative investments as part of its annual IPS update. While the Town has allowed the use of long-term alternative investments in its IPS, the CIO and Sub-Investment Manager are recommending that they not be considered for inclusion in Whitby's allocation at this time. Whitby estimates that up to 40% of MNRI may be drawn down within the next five years, and there is the potential for other significant, unexpected drawdowns. As alternative investments offer limited liquidity, they may not be suitable given Whitby's potential liquidity requirements.

The Town shall neither contribute nor withdraw from MNRI at this juncture. However, the Town's cash flow projections suggest the potential for approximately \$78 million in MNRI drawdowns within the forthcoming five years, whereas the remaining MNRI is associated with a substantially longer investment horizon.

Based on the circumstances, needs and investment horizon associated with Whitby's reserve balances, it is recommended that Model D be used for the Town. This model features a 40% allocation to equities. A summary is shown below:

MODEL D (40% Equity)		
Asset Classes	Target Weight	Total Invested (\$)
Cash & Equivalent	0%	\$0
Canadian Fixed Income	45%	\$88,875,000
Global Fixed Income and Credit	15%	\$29,625,000
Canadian Equities	20%	\$39,500,000
Global Equities	20%	\$39,500,000
Alternatives	0	\$0
Total	100%	\$197,500,000

### 3. BACKGROUND

#### **Whitby's annual review of its IPS resulted in changes to reflect the new IPS template that will be used under the OCIO Offering**

Whitby completed its annual IPS review on March 24, 2025, updating the IPS with changes suggested in the most recently approved ONE JIB IPS template. The amendments to the IPS included necessary and relevant changes as ONE JIB transitions Participating Municipalities to the approved model portfolios. In the IPS update, Whitby elected to permit the use of long-term alternative investments (real estate and infrastructure) as part of its MNRI investments.

Whitby estimates that up to 40% of MNRI might be withdrawn in the next five years, with potential for further unexpected drawdowns. Alternative investments offer limited liquidity and may not meet Whitby's current liquidity needs. Although the Town has permitted the use of long-term Alternative Investments in its IPS, the CIO and Sub-Investment Manager recommend that they be considered for inclusion in Whitby's allocation at a later date.

#### **Investment income may help provide Whitby with an additional source of revenue**

Ontario municipalities are facing significant pressure to provide new and improved infrastructure to residents (e.g., recreation facilities, fire halls, roads, libraries) while avoiding excessive increases in property tax rates. In Whitby's case, in November 2024, they approved a 3-year (2025-2027) multi-year budget with capital projects totaling \$327.1 million and identified a 10-year capital forecast of \$1.55 billion. In the 10-year capital forecast, 47% of the funding is to come from the Development Charge Reserve Funds; however, the Province's Bill 17, *Protect Ontario by Building Faster and Smarter Act, 2005*, will impact future development charge collections. Municipalities that are unable to fund growth-related capital projects through other sources (i.e. grants or the tax base) will need to postpone their capital infrastructure plans. Municipalities cannot incur a deficit under the Municipal Act.

For the Town of Whitby, a 1% increase in property taxes would generate an additional \$1,295,982 in annual tax revenue, restricting its capacity to fund the rising costs of anticipated capital needs through tax increases alone. The Town of Whitby's tax-based

reserves are expected to fund 40% of their capital needs in the next 10 years. Investment returns can assist the municipality in fulfilling its capital spending requirements.

**Whitby's holdings will migrate from the Outcomes Framework, with all MNRI to be invested in one of the model portfolios approved by ONE JIB**

Whitby's MNRI, currently held in funds ONE JIB approved for the transition to the Sub-Investment Manager, are organized according to the Outcomes Framework. The investments will be reallocated into one of the model portfolios approved at the ONE JIB meeting in November 2024.

ONE JIB approved ten model portfolios. Each features investment allocations that provide a range of risk and return attributes suitable for most Participating Municipalities. One of the model portfolios will be assigned based on the client's needs, circumstances, and risk tolerances.

The approved model portfolios are designed specifically to meet the diverse needs of Participating Municipalities. For more information about the decisions that led to this report, please see the New Products Committee Report ([2024-01](#)), dated October 1, 2024.

**Whitby's updated MCQ provides details on the investment horizons associated with municipal reserves**

The Treasurer has provided details about the time horizon associated with reserve balances, which have informed allocations in the Investment Plan. This offers context regarding the purpose and time horizon involved. Table 1 below presents a summary of the key reserves, and the expected horizons associated with them.

*Table 1: MNRI by reserve and time horizon forecast, adapted from Table 3.1 of MCQ*

Investment Horizon of MNRI				
Description (i.e. Funding Objective, Investment Purpose, or Municipal Reserve)	Total MNRI (\$)	Investment Horizon < 5 Years (\$)	Investment Horizon 5-10 Years (\$)	Investment Horizon >10 Years (\$)
Asset Management	12,629,938	12,629,938	-	-
Growth Capital	21,647,377	19,010,170	-	2,637,207
Development	89,855,505	44,160,712	1,925,837	43,768,955
Other Obligatory	58,270,594	2,255,210	2,472,765	53,542,619
Contingency	15,096,586	-	-	15,096,587
Asset Management	12,629,938	12,629,938	-	-
Total MNRI	197,500,000	78,056,030	4,398,602	115,045,368

As shown in Table 1, about \$78 million in reserves has a horizon of less than 5 years, but the majority of its MNRI has an investment horizon exceeding ten years. These time

horizons reflect projects currently approved by council and included in the Town's financial planning.

**Whitby will neither contribute nor withdraw MNRI as part of the annual review, but anticipates MNRI drawdowns of \$78 million within the next 5 years**

Analysis provided by the Treasurer suggests that Whitby anticipates significant MNRI drawdowns within the next five years, primarily to fund growth-related development projects. Table 2 below provides details of the anticipated contributions and withdrawals of MNRI in future years. Table 2 is based on Table 3.3 of the MCQ and feedback from the Treasurer.

*Table 2: Anticipated Cash Flow Projections, MNRI by year, adapted from Table 3.3 of MCQ.*

	next year	2 years	3 years	4 years	5+ years
Anticipated MNRI Drawdowns	-	(26,000,000)	(26,000,000)	(26,000,000)	(119,000,000)
Anticipated MNRI Contributions	-	-	-		-
Net change in MNRI	-	(26,000,000)	(26,000,000)	(26,000,000)	(119,000,000)

#### 4. ANALYSIS

**Whitby's Investment Plan reflects the investment horizons associated with MNRI, providing flexibility to address MNRI drawdowns as needed**

A review of Whitby's expected cash flows and future reserve balances was conducted as part of the annual review process. The majority of MNRI, about \$115 million, has an investment horizon exceeding ten years.

A significant portion of MNRI is expected to be withdrawn over the next few years. Whitby's cash flow projections estimate \$78 million in drawdowns within five years, representing nearly 40% of the total MNRI. To accommodate these drawdowns, Whitby's investments must provide sufficient liquidity, which has been considered when drafting the Investment Plan. No longer-term alternative investments, which are typically less liquid, have been recommended for Whitby's allocations at this time.

Currently, the Town has several projects underway, including the Whitby Sports Complex, a new fire station, and various road projects to accommodate growth. These significant projects may require debt financing and could potentially impact MNRI balances. A large portion of the overall MNRI relates to projects and development-related reserves that support growth within Whitby. The financial planning reflects the Town's current growth estimates. If economic conditions result in slower growth, the Town's cash flow planning may be impacted, indicating a certain degree of uncertainty in the reserve forecasts presented in Table 1. The Investment Plan has considered these factors when

recommending a Model Portfolio.

**The Investment Plan recommends Whitby's MNRI be invested in Model D, which has a 40% allocation to equity within a well-diversified portfolio**

The investment allocations proposed in the Investment Plan indicate that Whitby's MNRI has a relatively long investment horizon, with nearly 60% of MNRI expected to exceed 10 years. However, the plan must also accommodate substantial potential drawdowns within the next five years. Potential revisions in financial planning related to several large municipal projects may affect the MNRI balances, leading to uncertainty about future MNRI balances. These considerations suggest that a relatively conservative allocation is appropriate. Based on the expected investment horizon of reserves and circumstances, an allocation to Model D, which has a 40% exposure to equities, is recommended. Table 3 below provides summary statistics for Model D, and Table 4 further details Whitby's investment allocations.

*Table 3: Summary statistics for Model D*

Summary Statistics	Model D	Notes:  <sup>1</sup> Annual Downside Risk (CVaR95) represents the expected loss during the worst 5% of return outcomes.  Hypothetical performance analyses are for illustrative purposes only and there is no guarantee that hypothetical returns or projections will be realized.
Long-Term Return	6.4%	
Annual Downside Risk <sup>1</sup>	-9.6%	
Annual Volatility	6.3%	
Sharpe Ratio	0.48	

Table 4: Proposed Pooled Fund-Level Allocation

<b>MODEL D (40% EQUITY)</b>				
<b>Asset Classes</b>	<b>Minimum (%)</b>	<b>Target Weight (\$)</b>	<b>Maximum (%)</b>	<b>Total Invested (\$)</b>
<b>Cash &amp; Equivalent</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>\$0</b>
<b>Canadian Fixed Income</b>	<b>35</b>	<b>45</b>	<b>55</b>	<b>\$88,875,000</b>
Short-Term bonds		25		49,375,000
Universe Bonds		0		-
Corporate Bonds		0		-
Private Placement Corporate Debt		10		19,750,000
Commercial Mortgage		10		19,750,000
<b>Global Fixed Income and Credit</b>	<b>0</b>	<b>15</b>	<b>25</b>	<b>\$29,625,000</b>
High Yield Bonds		0		-
Global Multi-Asset Credit		15		29,625,000
Global Bonds		0		-
Emerging Markets Bonds		0		-
<b>Canadian Equities</b>	<b>10</b>	<b>20</b>	<b>30</b>	<b>\$39,500,000</b>
Canadian Equities		10		19,750,000
Canadian Low Volatility Equities		10		19,750,000
<b>Global Equities</b>	<b>10</b>	<b>20</b>	<b>30</b>	<b>\$39,500,000</b>
U.S. Equities		5		9,875,000
U.S. Low Volatility Equities		5		9,875,000
International Equities		10		19,750,000
Global Equities		0		-
Global Low Volatility Equities		0		-
<b>Alternatives</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>
Real Estate		0		-
Infrastructure		0		-
<b>Total</b>		<b>100</b>		<b>\$197,500,000</b>

## 5. CONCLUSION

Overall, Whitby's MNRI has a long investment horizon with the potential for significant drawdowns in the next few years. However, no contributions or withdrawals will occur with the 2025 Investment Plan update. The Treasurer estimates that \$78 million of MNRI may be drawn down within five years. Additionally, financial planning for several large projects could also impact MNRI over the coming years, potentially leading to further changes in the Town's MNRI projections. These anticipated drawdowns and the uncertainties surrounding financial planning suggest that investment liquidity is highly relevant for Whitby's MNRI, which was considered when drafting Whitby's Investment Plan.

The CIO and Sub-Investment Manager are recommending that the MNRI be deployed into

Model D, which has a 40% allocation to equities. Currently, the Town's allocation will not include exposure to long-term alternative investments. This proposed asset mix and fund allocation align with its IPS and MCQ's investment objectives and risk preferences. Consequently, the Investment Plan is suitable for Whitby's circumstances and needs, reflecting the time horizons of its MNRI.

## **ATTACHMENTS**

Attachment 1: Town of Whitby's Investment Policy Statement 2025

Attachment 2: Town of Whitby's Municipal Client Questionnaire 2025

Attachment 3: Town of Whitby's proposed Investment Plan 2025

Drafted by: Keith Taylor, Chief Investment Officer; Jennifer Hess, Manager Investment Services  
Approved by: Judy Dezell and Donna Herridge, Co-Presidents/CEOs, ONE Investment