



REPORT

To: ONE Joint Investment Board
From: Keith Taylor, Chief Investment Officer, ONE Investment
Date: May 29, 2025
Re: Town of Huntsville's Investment Plan
Report: ONE JIB 2025-016

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), providing information on its MNRI and the investment horizons associated with its reserve balances. It has also reviewed its Investment Policy Statement (IPS) and revised it to reflect changes related to the ONE JIB approved model portfolios. The Town did not approve of the use of long-term alternative investments as part of its annual IPS update. As a result, long-term alternative investments will not be included in Huntsville's investment allocations at this time.

The Town will not contribute additional MNRI at this time but anticipates providing an incremental \$1 million to MNRI later in the year. Several municipal projects are currently under discussion by the council that may affect the municipal budget and financial planning. This in-year contribution may be considered when the Treasurer has greater clarity on these items.

The Town has a relatively long investment horizon associated with MNRI, with good visibility on expected cash flows, especially over the next five years, during which no withdrawals of MNRI are anticipated. Given the circumstances, needs, and investment horizon associated with Huntsville's reserve balances, it is recommended that Model D be utilized for Huntsville. This model includes a 40% allocation to equities. A summary of the allocation details is provided below, which does not reflect the anticipated in-year contribution:

MODEL D (40% Equity)		
Asset Classes	Target Weight	Total Invested (\$)
Cash & Equivalent	0%	\$0
Canadian Fixed Income	45%	\$5,024,631
Global Fixed Income and Credit	15%	\$1,674,877
Canadian Equities	20%	\$2,233,170
Global Equities	20%	\$2,233,170
Alternatives	0	\$0
Total	100%	\$11,165,848

3. BACKGROUND

Huntsville’s annual review of its IPS resulted in changes to reflect the new IPS template now being used

Huntsville completed its annual IPS review on April 28, 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 to the model portfolios. In the IPS update, Huntsville has chosen not to allow alternative investments (real estate and infrastructure) as part of its MNRI investments. Huntsville’s council could reevaluate this decision during next year’s IPS review.

The investment income may help provide Huntsville with an additional source of revenue

Ontario municipalities face significant pressure to deliver new and improved infrastructure for residents (e.g., recreation facilities, fire halls, roads, libraries) while avoiding excessive increases in property tax rates. For example, Huntsville’s share of a hospital to be built in the future is anticipated to be about \$10 million, and the Town has so far set aside approximately \$4.6 million for this project. The Treasurer intends to contribute \$230,000 per year to this reserve and hopes that investment returns on the Prudent Investment holdings will help close this funding gap over time. The Province’s has not determined when Huntsville will need to contribute, but the treasurer estimates this will be in about 10 years. The municipality realizes that, based on other municipal pressures in its ongoing operating and capital budgets, it may not be able to fully fund its share of the Hospital when it comes due; however, investment returns may help to mitigate the need for the contribution to be funded from the tax base.

For the Town of Huntsville, a 1% increase in property taxes would generate an additional \$225,000 in annual tax revenue, limiting its ability to address the rising costs of anticipated capital needs solely through tax increases. Investment returns can help the municipality meet its capital spending requirements.

Huntsville’s holdings will migrate from the Outcomes Framework to ONE JIB’s approved model portfolios

Huntsville’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 featuring 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. This differs from Huntsville’s allocations invested in the Outcomes Framework, where six outcome accounts, each with distinct investment allocations, have been used.

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.

Huntsville’s updated MCQ provides details on the investment horizons associated with municipal reserves

The Treasurer has provided details about the time horizons associated with reserve balances, which have informed the allocation decisions in the Investment Plan. This offers context regarding the purpose and time horizons 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				
Reserves and Reserve Funds	Total MNRI (\$)	Investment Horizon < 5 Years (\$)	Investment Horizon 5-10 Years (\$)	Investment Horizon >10 Years (\$)
Capital replacement reserve	\$ 1,077,165	\$ 382,359	\$ 694,806	
Development charges	\$ 2,065,304	\$ 1,854,972	\$ 210,332	
Planning Act	\$ 28,699	\$ 28,699		
Securities	\$ 412,642	\$ 412,642		
Special projects	\$ 4,474,926	\$ 233,705	\$ 231,811	\$ 4,009,410
Stabilization Reserves	\$ 3,107,112	\$ 1,977,877	\$ 1,129,235	
Total MNRI	\$ 11,165,848	\$ 4,890,254	\$ 2,266,184	\$ 4,009,410

As shown in Table 1, a significant portion of its MNRI has an investment horizon that exceeds ten years, primarily related to the Town’s share in a hospital to be constructed in the future.

Although a substantial portion of the MNRI has a horizon of less than five years, the Treasurer does not believe that the Town will need to draw down these MNRI balances. The Town is expected to make an additional mid-year contribution of \$1 million to MNRI.

Huntsville does not anticipate a need to withdraw MNRI within the next five years and expects to make a mid-year contribution of \$1 million

Analysis provided by the Treasurer suggests that Huntsville does not anticipate MNRI drawdowns within the next five years. While there is confidence that drawdowns are not needed during this period, the Treasurer noted that there may be MNRI drawdowns within a five-to-ten-year timeframe. However, confidence in the cash flow forecasts diminishes beyond five years. No specific amount was identified for these drawdowns. Table 2 below provides details of the anticipated contributions and withdrawals of MNRI in future years. These details are 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.

	Later in 2025	next year	2 years	3 years	4 years	5+ years
Anticipated MNRI Drawdowns	-	-	-	-	-	-
Anticipated MNRI Contributions	\$1,000,000	-	-	-	-	-
Net change in MNRI	\$1,000,000	-	-	-	-	-

4. ANALYSIS

Huntsville’s Investment Plan reflects the Town’s circumstances, and the investment horizons associated with MNRI

A review of Huntsville’s expected cash flows and future reserve balances was conducted as part of the annual review process. Approximately 40% of MNRI reflects a local share in a hospital to be built in the future. The hospital is not expected to be constructed for at least 10 years, and over time, the Town will make annual contributions to this long-term reserve. As noted above, the Treasurer expects annual contributions to this reserve of \$230,000 and anticipates that \$10 million will ultimately be set aside for this project.

While there is confidence that drawdowns will not be needed within five years, the Treasurer indicated that there may be a need for drawdowns within the five-to-ten-year time frame, which are difficult to quantify with certainty at this time.

Currently, the Town also has three significant projects under consideration by the council, including a roads operations centre, a new fire hall, and a new library. The council has not yet approved these projects, which are currently excluded from the cashflow details provided in Huntsville’s MCQ. The Town has sufficient liquidity to address near-term funding needs from MRI, and any adjustments to financial planning for projects under consideration by the council could involve debt financing. The Treasurer intends to contribute an additional \$1 million to MNRI later in the year when there is greater visibility

on these projects and the associated financial planning.

The Investment Plan recommends Huntsville’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 Huntsville’s MNRI has a relatively long investment horizon, with no known liquidity needs within five years, some uncertainty regarding drawdowns beyond five years, and approximately 40% of the overall MNRI has an investment horizon that exceeds ten years.

The CIO and the Sub-Investment Manager have discussed the allocation and agreed on a suitable allocation for Huntsville. The proposed allocation, Model D, which has 40% exposure to equities, is appropriate considering the municipality’s investment horizon and circumstances. All MNRI will be invested in a single allocation, and the anticipated mid-year contribution will also be deployed into Model D when received. Table 3 below provides summary statistics for Model D, and Table 4 further details Huntsville’s investment allocations.

Table 3: Summary statistics for Model D

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

Table 4: Proposed Pooled Fund-Level Allocation

MODEL D (40% EQUITY)				
Asset Classes	Minimum (%)	Target Weight (\$)	Maximum (%)	Total Invested (\$)
Cash & Equivalent	0	0	10	\$0
Canadian Fixed Income	35	45	55	\$5,024,631
Short-Term bonds		25		2,791,461
Universe Bonds		0		-
Corporate Bonds		0		-
Private Placement Corporate Debt		10		1,116,585
Commercial Mortgage		10		1,116,585
Global Fixed Income and Credit	0	15	25	\$1,674,877
High Yield Bonds		0		-
Global Multi-Asset Credit		15		1,674,877
Global Bonds		0		-
Emerging Markets Bonds		0		-
Canadian Equities	10	20	30	\$2,233,170
Canadian Equities		10		1,116,585
Canadian Low Volatility Equities		10		1,116,585
Global Equities	10	20	30	\$2,233,170
U.S. Equities		5		558,292
U.S. Low Volatility Equities		5		558,292
International Equities		10		1,116,585
Global Equities		0		-
Global Low Volatility Equities		0		-
Alternatives	0	0	0	\$0
Real Estate		0		-
Infrastructure		0		-
Total		100		\$11,165,848

5. CONCLUSION

Huntsville’s overall investment horizon is relatively long, as the largest portion of MNRI is associated with the local share of a hospital to be constructed. This indicates that a significant portion of MNRI will not be needed for at least 10 years. The Treasurer does not anticipate that reserves with a shorter investment horizon will require drawdowns from MNRI. Despite some uncertainty regarding three projects under consideration by the council that have not yet been approved, there is confidence that no MNRI drawdowns will be necessary within five years.

The Investment Plan considers a mid-year contribution of \$1 million, which will be invested in the same allocation as the rest of Huntsville’s MNRI. The CIO and OCIO have agreed on an allocation for Huntsville and recommended 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 Huntsville's circumstances and needs, reflecting the time horizons of its MNRI.

ATTACHMENTS

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

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

Attachment 3: Town of Huntsville'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