



Staff Report

Report To: Council Meeting
From: Magda Badura, CAO/Treasurer
Date: 2024-09-12
Subject: Investment Proposal

Recommendation:

That West Elgin Council hereby receives the report from M. Badura, CAO/Treasurer re: ONE Investment proposal;

And That, West Elgin Council give the Treasurer full authority to invest through ONE Investment and add all ONE Investment Portfolios (HISA, Bond, Corporate Bond, and Equity) as eligible investments for the municipality.

And that; West Elgin council approves a transfer in the amount of \$1,000,000.00 to ONE Investment account for the purpose of establishing an investment portfolio consisting of bonds, equity and high interest savings account;

Purpose:

The Municipal Act allows Ontario municipalities to participate in joint municipal investment strategies. These amendments permitted municipalities to pool their investments in order to gain the opportunity to earn higher returns through access to larger, diversified, high-quality investment portfolios.

ONE Investment is any option available to all municipalities for pooled investment options. ONE is operated by Local Authority Services (LAS), the business services arm of the Association of Municipalities of Ontario (AMO), and CHUMS Financing Corp., a subsidiary of the Municipal Finance Officers' Association of Ontario (MFOA). ONE Investment is an incorporated not-for-profit organization focused on one thing: providing investment options that support the needs of Ontario's municipalities.

ONE Investment brings Ontario's municipal sector together to benefit from the greater options and lower fees made possible by combining their investment power.

ONE historically offered a Canadian Government Bond Portfolio, with a Canadian Equity Portfolio added in 2007 and a Corporate Bond Portfolio in 2008. The Corporate Bond and Equity portfolios were launched as a result of 2005 amendments to the Municipal Act Eligible Investment Regulation (O. Reg. 438/97) allowing municipalities to invest in Canadian equities and longer term Canadian corporate bonds. The regulation, however, offered access to these investment types only through ONE Investment. Throughout 2006, One worked with a diverse committee of municipal investment practitioners to develop investment policies and operating guidelines for both the Equity and Corporate Bond Portfolios, and to select professional managers for the two new portfolios.

The program has continued to grow in recent years and now also welcomes investment from organizations within the broader Ontario public sector, including conservation authorities and municipal services boards. In 2015, ONE Investment also launched a High Interest Savings Account (HISA) option with a Schedule 1 Canadian bank, that is fully liquid, and where all municipal investments are CDIC insured. The HISA provides a tiered competitive rate of return for municipal deposits premised on the collective investment power of the municipal sector. HISA options are now offered through 2 Canadian banks via ONE Investment.

In 2018, LAS and CHUMS sought an Ontario Securities Commission exemption that would to permit them to provide investment advice to clients. To facilitate the exemption application, ONE Investment was incorporated as a non-profit. In November 2018, ONE Investment was granted the exemption and now offers investment management services, including professional investment advice.

Local co-mingled (pooled) government investments have proven to be highly successful and popular investment and cash management tools for municipalities. Participation in such pools is, in fact, recognized as a recommended practice for achieving portfolio diversification and liquidity by the Government Finance Officers Association of the United States and Canada.

Since 1993, ONE Investment has successfully met the needs of Ontario municipalities by providing safe and high-quality investment opportunities. Asset levels in ONE at the end of 2023 investment are approximately \$3.1 billion. ONE provides professional investment services to more than 180 organizations, and performance has been competitive against other permitted alternative investments for Ontario municipalities.

All ONE portfolios are governed by formal investment guidelines requiring that monies be invested only in instruments allowed under the Municipal Act, with additional restrictions being established by the guidelines. All Portfolio Guidelines are available for review on the ONE Investment website: www.oneinvestment.ca.

ONE currently uses the professional investment services of MFS Investment Services for its Government Bond, and Corporate Bond Portfolios, and Guardian Capital LP for its Canadian Equity Portfolio. Both organizations have billions in assets under management and have a long track record of managing large multi-customer investment pools.

The investment guidelines and manager activities for each investment portfolio are monitored by ONE staff (including a Chief Investment Officer), as well as the Investment Advisory Committee and Peer Advisory Committee, comprised of experienced investment professionals and senior public sector officials, respectively. In addition, the program also receives oversight from the ONE Investment Board of Directors, comprised of municipal finance professionals, municipal administrators, and elected officials, as well as a periodic industry review.

There is no requirement for municipalities to invest for a specified period in ONE Investment's portfolio; money can be invested, withdrawn or transferred at any time, although each of the portfolios has been established with a certain investment duration in mind. The minimum transaction amount is \$5,000 for any Portfolio. There are no penalties or fees for deposit or withdrawal at any time.

As an added value, investors also have access to their account balances through a secure portion of the ONE website. Portfolio balances and unit pricing are updated daily for each investor and account.

Investment fees for all invested monies are calculated on a daily basis based on the total balance held in the account, and all performance figures provided by ONE are always posted net of fees. One Investment annual fee schedule is provided below:

- ONE Canadian Government Bond Portfolio - 40 Basis Points
- ONE Canadian Corporate Bond Portfolio - 45 Basis Points
- ONE Canadian Equity Portfolio - 50 Basis Points
- ONE High Interest Savings Account – No Fees

For the fees paid, each investor receives numerous benefits, including but not limited to:

- Professional money management
- Professional investment advice
- Reduced risk through diversification and regular investment oversight
- Flexibility & liquidity of investments
- Accounting & performance reporting
- Regulatory compliance guarantee

To allow for the investment of municipal funds through a co-mingled public sector investment program in order to leverage enhanced returns and reduced administration costs, it is recommended that ONE Investment's portfolios be added to the municipality's list of eligible investments.

Financial Implications:

Higher returns usually come with higher risk. Equities offer high returns but are volatile. Bonds offer stability with lower returns. Savings accounts offer safety but minimal growth.

A mix of these assets can reduce overall risk, balancing growth potential with capital preservation. Allocating funds strategically across these assets can help meet both short-term and long-term financial goals while managing risk according to our risk tolerance and financial situation.

Policies/Legislation:

Municipal Investment Policy – AD-3.5

Alignment with Strategic Priorities:

Infrastructure Improvement	Recreation	Economic Development	Community Engagement
<input checked="" type="checkbox"/> To improve West Elgin's infrastructure to support long-term growth.	<input type="checkbox"/> To provide recreation and leisure activities to attract and retain residents.	<input checked="" type="checkbox"/> To ensure a strong economy that supports growth and maintains a lower cost of living.	<input type="checkbox"/> To enhance communication with residents.

Report Approval Details

Document Title:	Addition of co-mingled public sector investments to the Investment Policy - 2024-38-Administration Finance.docx
Attachments:	
Final Approval Date:	Sep 10, 2024

This report and all of its attachments were approved and signed as outlined below:

Terri Towstiac