

Type of Decision									
Meeting Date	Friday, May 8, 2015				Report Date	Tuesday, May-05-15			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed
<p>One Investment Program - Report #08/05/15/1201</p>									

Subject:

Staff recommendation for investment of surplus/reserve funds.

RECOMMENDATION:

That the following resolution be adopted by Council authorizing staff to invest surplus funds to increase interest/earnings.

WHEREAS staff and Council have determined that surplus funds as a result of municipal reserves are available for investment purposes in vehicles with higher rates of return than the municipal bank accounts;

AND WHEREAS the Association of Municipalities of Ontario through the Local Authority Service provides investments through the One Investment Program which is a qualified program under provincial legislation for investment of municipal surplus funds;

AND WHEREAS staff have drafted a policy which outlines Council authorities and staff obligations concerning the prudent investment of surplus funds;

THEREFORE BE IT RESOLVED THAT the Council of the United Townships of Head, Clara & Maria does hereby adopt policy P902/TREASURY/Policy on Investment of Surplus Cash/2015-May;

AND FURTHER THAT The One Investment Program be added to the municipality's investment policy as an allowable investment option, as the securities held in the One Portfolios consist exclusively of highly rated, diversified investment instruments that are guaranteed to be eligible investments as defined in O. Reg. 438/97 under the Municipal Act.

BACKGROUND/EXECUTIVE SUMMARY:

Council and staff have previously discussed investigating sources other than simply bank account or GIC investment to increase earnings from surplus/reserve funds. The following information has been compiled through AMO's site to assist with creating policy and direction for staff to implement Council decision while preserving capital and increasing investment opportunities.

"About the One Investment Program

What is The One Investment Program?

The One Investment Program (One) is a co-mingled investment program available to Ontario municipalities and the broader Ontario public sector. One is operated by LAS and CHUMS, wholly owned subsidiaries of the Association of Municipalities of Ontario (AMO) and The Municipal Finance Officers' Association (MFOA), respectively.

What is a 'co-mingled' investment?

A co-mingled program involves the grouping of investments from many organizations that share the same investment goals.

All monies are managed by professional registered investment firms in a well-diversified portfolio of securities according to specific goals and investment parameters (set by LAS and CHUMS in the case of the One Program). Each investor owns a share of the total portfolio assets (represented by units) and investment earnings are generated when the securities held in the portfolio pay dividends or interest income.

Does the program guarantee regulatory compliance?

Yes. The One Investment Program guarantees compliance with the Municipal Act and its Eligible Investment regulation.

Are there program fees? If so, what are they?

Annual program fees are 19 basis points (i.e. 0.19%) for a Money Market investment with the One Investment Program and 40 basis points (.40%) for a Bond Portfolio investment. The fees are paid out of earned income on the respective portfolios. One Investment Program (Gas Tax Investment) performance reporting is always presented net of these fees. Fees are used to cover the cost of LAS, the portfolio manager services, and program partners to deliver this service to municipalities

Who are the One Program portfolio managers?

The Money Market, Short-term Bond, and Universe Corporate Bond are all managed by MFS. Equity is managed by Guardian Capital.

All Gas Tax investments under this new initiative will be in either fixed income (money market) or fixed income/bonds, depending on the investment period chosen by each recipient (i.e. 12, 24, 36, 48 or 60 months).

For more information about the portfolio managers or the One Investment Program portfolio options, please visit www.oneinvestmentprogram.ca.

Is an investment in the One Investment Program safe?

Although security of principal is not guaranteed, it is of paramount concern. All portfolios are operated based on an intended investment duration, which is developed along with the portfolio managers. If followed, the investments are very low-risk. The Gas Tax program investment options will follow the suggested investment terms developed by One and the professional portfolio managers.

Since inception of the Money Market portfolio in 1993, there have only been two negative monthly returns. All of the annual returns since inception have been positive.

What is the performance of the One Investment Program? Can I download reports?

Monthly, quarterly and annual One Investment Program performance reports are available to download. These reports are intended to serve as information only, providing average returns over the periods stated. Individual investor returns may vary according to investment time horizon. All returns are net of fees.

Who currently invests in The One Investment Program?

- 90+ Ontario municipalities (approx. 20% of all Ontario municipalities)
- Organizations from the broader Ontario public sector
 - Conservation Authorities
 - Local Boards of Ontario municipalities (e.g. port authorities and local telephone companies)
- In total, more than 125 municipalities have existing investment agreements with the One Program. “

Policy Impact:

Creates a new policy authorizing staff to invest municipal funds for increased revenues.

Financial Considerations/Budget Impact:

Others Consulted:

AMO reports and recommendations.

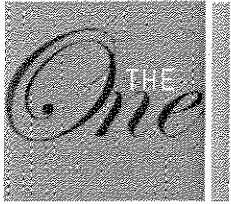
Draft policy attached.

Approved and Recommended by the Clerk

Melinda Reith,

Municipal Clerk

M. Reith



HISTORIC PROGRAM RETURNS

ANNUALIZED RETURNS - ONE INVESTMENT PROGRAM AND COMPARATORS (AT DECEMBER 31, 2014)					
	6 month	1 year	2 year	3 year	5 year
Money Market Portfolio* (1-18 month investments)	0.87%	0.86%	-	-	-
Short-Term Bond Portfolio* (18 month - 3 year investments)	-	2.91%	2.02%	1.86%	2.55%
Longer-Term Corporate Bond Portfolio* (4+ Year investments)	-	9.02%	3.64%	3.61%	5.10%
Canadian Equity Portfolio ** (5+ Year Investments)	-	19.34%	21.23%	18.94%	11.78%
COMPARATOR INVESTMENT RETURNS***					
Bank Prime less 1.75% (Source: Bank of Canada)	1.25%	1.25%	-	-	-
Guaranteed Investment Certificate (GIC) (Source: Bank of Canada)	-	0.78%	-	1.15%	1.88%
Canada Bond (Source: Bank of Canada)	-	-	1.16%	1.00%	2.69%
TSX Composite Index (unmanaged without fees)	-	10.6%	11.8%	10.2%	7.5%
<p>* All One Investment Program returns shown are net of fees.</p> <p>** 8-year return (since Jan 2007) is 7.21%</p> <p>*** Comparator Returns have no adjustment included should any fees apply</p>					

DID YOU KNOW?

The One Program is an eligible investment option for the local boards and commissions (i.e. Conservations Authorities, etc.) of any Ontario municipality.