

Type of Decision									
Meeting Date	Friday, May 8, 2015				Report Date	Wednesday, May-06-15			
Decision Required	X	Yes		No	Priority	X	High		Low
Direction	X	Information Only			Type of Meeting	X	Open		Closed

One Investment Program By-Law - Report #08/05/15/1002

Subject:

Staff recommendation for investment of surplus/reserve funds and authorization to create an account with the AMO/LAS One Investment Program.

RECOMMENDATION:

That the following resolution be adopted by Council authorizing staff to invest surplus funds to increase interest/earnings specifically in the AMO/LAS One Investment Fund Program.

WHEREAS By-Law 2015-13 is a by-law authorizing HCM staff to enter into the Agency Agreement, as defined herein, between CHUMS Financing Corporation and Local Authority Services Limited, as Agent, and Eligible Investors with respect to “The One Investment Program” and to authorize the Treasurer to execute the necessary documents from time to time for that Purpose;

THEREFORE BE IT RESOLVED THAT By-Law 2015-13 be read a 1st and 2nd time this 8th day of May, 2015.

**** Note – third and final reading to occur at June 12th meeting.

BACKGROUND/EXECUTIVE SUMMARY:

Amendments made to the Municipal Act in 1992 allow 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. Local Authority Services Limited (a subsidiary of the Association of Municipalities of Ontario) and the CHUMS Financing Corporation (a subsidiary of the Municipal Finance Officers’ Association of Ontario) both established investment pools in response to the 1992 amendments.

In 1995, LAS and CHUMS combined their efforts to create a single professionally-managed investment program known as ONE - The Public Sector Group of Funds (commonly referred to as the “One Funds”). One historically offered a Money Market Portfolio and a Bond Portfolio, but an Equity Portfolio was added in 2007 and a Corporate Bond Portfolio in 2008. The addition of 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 The One Investment Program. 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. In February 2010 the Program was renamed "The One Investment Program". The program has continued to grow in recent years and now also welcomes investment from organizations within the broader Ontario public sector. Investors from the broader public sector include conservation authorities and municipal services boards, but the program is also available to hospitals and other segments of the MUSH sector.

Local government investment pools are not a new idea, with many having been established in jurisdictions across Canada and the United States. They 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 1995, The One Investment Program has successfully met the needs of Ontario municipalities by providing safe and high-quality investment opportunities. Asset levels in One have ranged between \$300M and \$600M since inception, with recent investment balances (2009 and 2010) in the \$525-\$550M range. The Program provides professional investment services to almost 100 organizations, and throughout history performance has been competitive with the 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 Program website: www.oneinvestmentprogram.ca.

One currently utilizes the professional investment services of McLean Budden for our Money Market, Bond, and Corporate Bond Portfolios, and Guardian Capital for our Equity Portfolio. Both organizations have tens of 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, an independent third-party investment consultant, as well as the One Advisory Committee, which is comprised primarily of senior public sector officials appointed by LAS and CHUMS. In addition, the program also receives periodic oversight from the MFOA/CHUMS and LAS Board of Directors, comprised of municipal finance professionals and municipal administrators and elected officials, respectively. There is no requirement for municipalities to invest for a specified period of time in The One Investment Program; 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.

If investment/redemption instructions are provided by 4:00 p.m. on any banking day, the funds are deposited or withdrawn, as the case may be on, the next banking day. 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 password protected 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. Current One Investment Program annual fees are lower than any other available public sector investment pool, as follows:

- Money Market - 19 Basis Points
- Bond - 40 Basis Points
- Universe Corporate Bond - 45 Basis Points
- Equity Fund - 60 Basis Points

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

- Professional money management

- Reduced risk through diversification and regular investment oversight
- Flexibility & liquidity of investments
- Accounting & performance reporting
- Legal costs for program related issues
- Regulatory compliance guarantee
- Lower brokerage costs

To allow for the investment of municipal funds through a joint public sector investment fund in order to leverage enhanced returns and reduced administration costs, it is recommended that The One Investment Program be added to the municipality's list of eligible investments.

IT IS THEREFORE RECOMMENDED 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.

Financial Considerations/Budget Impact:

Others Consulted:

AMO sample reports, by-laws and recommendations as prepared for municipal use.
<https://www.las.on.ca/PDFs/Services/Investments/Sample-Staff-Report.aspx>

Approved and Recommended by the Clerk

Melinda Reith,
 Municipal Clerk

M Reith

BY-LAW NUMBER 2015-12

BEING a by-law authorizing The Corporation of the United Townships of Head, Clara & Maria (the "Corporation") to enter into the Agency Agreement, as defined herein, between CHUMS Financing Corporation and Local Authority Services Limited, as Agent, and Eligible Investors with respect to "The One Investment Program" and to authorize the Treasurer to execute the necessary documents from time to time for that Purpose.

WHEREAS the Municipal Act provides that the power of a municipality to invest money includes the power to enter into an agreement with any other municipality, school board, college, university, hospital or such other person or classes of them as may be prescribed by regulation for the joint investment of money by those parties or their agents;

AND WHEREAS the Corporation proposes to enter into a restated Agency Agreement dated as of March 1, 2010 (the "Agency Agreement") between CHUMS Financing Corporation, a duly incorporated wholly-owned subsidiary of the Municipal Finance Officers' Association of Ontario, and Local Authority Services Limited, a duly incorporated wholly owned subsidiary of the Association of Municipalities of Ontario, as Agent, and Eligible Investors, and defined therein, to permit the Corporation to be an investor through "The One Investment Program" for joint investments as set out in the various schedules to the Agency Agreement (the "Portfolios");

AND WHEREAS the Council of the Corporation deems it to be in the interest of the Corporation to enter into the Agency Agreement and to enroll in one or more of the One Investment Program Portfolios;

AND WHEREAS the Treasurer has stated, pursuant to the statement appended hereto, that the investment guidelines of the Agent comply with the Corporation's investment policies and goals;

NOW, THEREFORE, BE IT RESOLVED THAT The Council of the Corporation of the United Townships of Head, Clara & Maria do hereby enact that:

1. The Agency Agreement is hereby authorized substantially in the form made available to the Council at its meeting held on the 8th day of May, 2015;
2. The Treasurer is hereby authorized and directed to enter into and execute the Agency Agreement and any other necessary documents, including without limitation, enrolment documents and documents in connection with payment services for the Portfolios, and to do anything necessary or desirable, initially and on an ongoing basis, on behalf of the Corporation, to give effect to the purpose, and the Treasurer is hereby authorized to affix the corporate seal of the Corporation to the Agency Agreement and any other documents which are necessary or desirable to give effect to the Agency Agreement or to the purpose.

READ a 1st and 2nd time this 8th day of May, 2015.

READ a 3rd time short and passed this 12th day of June, 2015.