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## **Investment Dollar Earned, Tax Dollar Saved**

2025 ROMA Conference

# ONE INVESTMENT

A not-for-profit organization dedicated to serving the investment needs of the Ontario municipal sector.

Established in 1993, operated by:



Governance oversight provided by municipalities and industry experts

ONE Investment manages over **\$4.3 Billion** on behalf of  
**176 Ontario municipalities** (and 20 public sector entities)

# DO MUNICIPALITIES NEED TO INVEST?



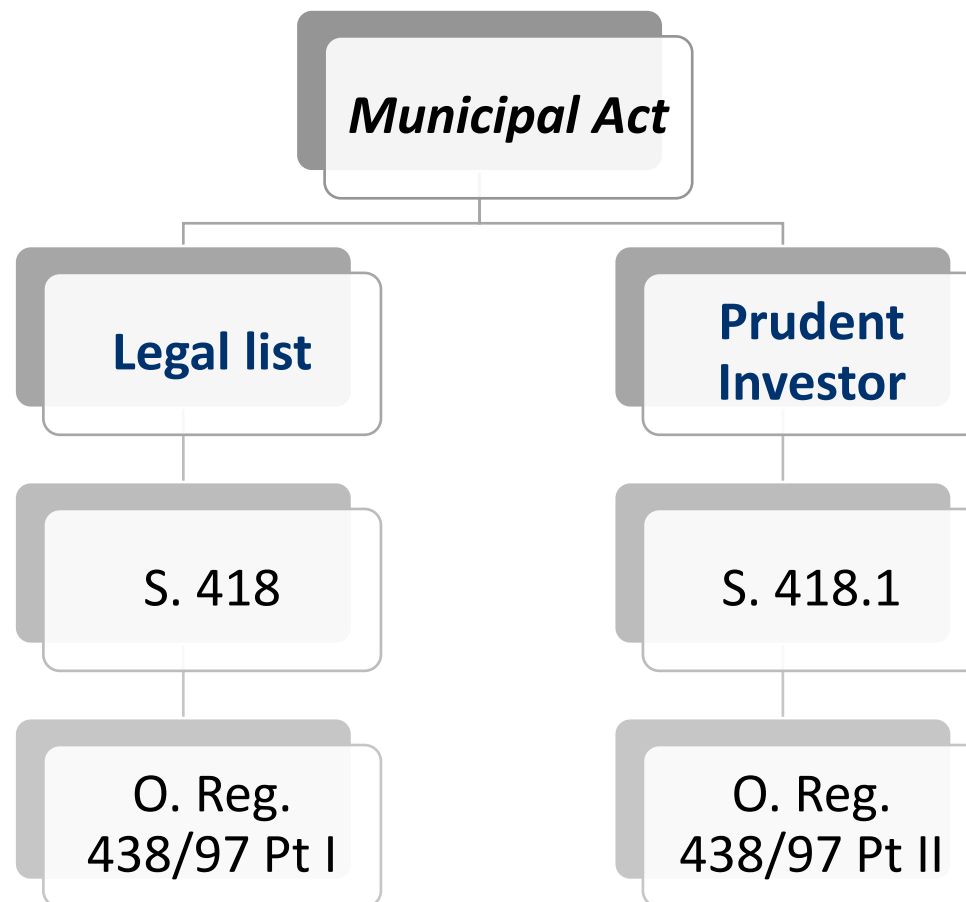
All municipalities collect property taxes and user fees

These revenues are not enough to fully fund most municipal needs

Municipalities need to invest:

- To provide the services that the public expects
- To avoid “excessive” rate increases
- To supplement revenues

# TWO INVESTMENT STREAMS UNDER THE MUNICIPAL INVESTMENT LEGISLATION



# LEGAL LIST – ONE INVESTMENT PORTFOLIO OPTIONS

Portfolio	Intended Investment Duration	Holdings
<b>HISA (High Interest Savings Account)</b>	1+ months	<ul style="list-style-type: none"> <li>• Bank deposits</li> </ul>
<b>Canadian Government Bond</b>	18 months to 3+ years	<ul style="list-style-type: none"> <li>• Federal, provincial and municipal bonds</li> <li>• High quality bank paper</li> <li>• Bank guaranteed debt</li> </ul>
<b>Canadian Corporate Bond*</b>	4+ years	<ul style="list-style-type: none"> <li>• Canadian corporate bonds</li> <li>• Federal, provincial and municipal bonds</li> </ul>
<b>Canadian Equity*</b>	5+ years	<ul style="list-style-type: none"> <li>• Canadian equity securities</li> </ul>

\*NOTE: Canadian equities and corporate bonds with maturities > 5 years are available only through ONE Investment as per the *Municipal Act* regulation.

# LEGAL LIST vs PRUDENT INVESTMENT



## LEGAL LIST

Prescribed list of  
**Canadian securities and issuers.**



## PRUDENT INVESTMENT

**Any security**, provided that in making the investment the municipality exercises the care, skill, diligence and judgment that a prudent investor would exercise in making the investment.

# MUNICIPALITY MUST “OPT INTO” PRUDENT INVESTMENT (PI)

- A municipality (through council) must pass a by-law to opt into Prudent Investment, the by-law becomes effective as of a ‘Prudent Effective Date’
- The by-law cannot be easily revoked as per the *Municipal Act*

**ONE has all the supports to help your municipality:**  
Subject matter expertise, educational materials, council reports, etc.

# PI - REQUIRES A MUNICIPALITY TO...

Exercise the care, skill, diligence, judgment that a prudent investor would use

Obtain advice

Diversify to an extent that is appropriate to general economic and investment market conditions

Consider investment planning criteria (i.e. economic conditions, inflation, role of each investment, liquidity, etc.)

Invest long-term money via an Investment Board or 'Joint' Investment Board



# PI - WHO DOES WHAT?

## Municipality

- Adopts, maintains **investment policy**
- Reviews policy at least **annually**
- Monitors performance and compliance by the IB/JIB

## Investment Board (IB) or Joint Investment Board (JIB)

- Adopts, maintains **investment plan**
- Monitors and reports performance **ongoing**
- Updates plan to comply with the investment policy
- May engage agents to manage investment funds

- ONE Investment offers a Joint Investment Board (ONE JIB) – a municipal services board for all 15 of our investor municipalities

# BROADER OPPORTUNITY - ONE JIB AND INVESTMENT PARTNER (PH&N)



Global Asset Management  
PH&N Institutional



## Domestic fixed income

- Government bonds
- Provincial bonds
- Investment grade corporate bonds
- Private placement debt
- Derivative overlays



## Global fixed income

- Investment grade sovereign and corporate bonds
- High yield
- Emerging markets
- Unconstrained
- Private markets



## Equities

- Canadian
- Global
- Emerging markets
- Low volatility
- Quantitative
- Small cap



## Alternatives

- Real estate
- Infrastructure
- Commercial mortgages
- Multi-strategy
- Hedge funds

# DISPELLING SOME PI MYTHS

## MYTH #1

### My municipality is too small

- The current smallest “Prudent Investment” municipality has a population of 2,000 and the largest is 2.9 million
- Although the pathway to Prudent Investment may differ, it is an option for all Ontario Municipalities

## MYTH #2

### We don't have enough money

- Even a modest investment is better than none
- On a per capita basis, \$1 of investment revenue is worth more in smaller municipalities than in larger ones
- *“An investment dollar earned is one less tax dollar that needs to be raised”*

# A MUNICIPAL STORY...



- Rural Township with a population of 4,000
- Households = 4,250
- Residents = 50% seasonal and 50% permanent
- Assessment Base = 94% residential, approx. 2% Farm, 2% Commercial & 2% Managed Forest
- Size = 1,025 square kilometers
- Features = over 100 lakes
- 75 km from closest urban centre (and no Tim Hortons in town!)
- **One main highway connecting the municipality north-south**

# A MUNICIPAL STORY (CONT'D)

- 26 full time staff and a very small finance team
- Budget levy of \$10.2M
- 1% tax increase = \$125,000
- 57% of budget is spent on roads
- Annual Capital Requirement of \$5 million (from Asset Management Plan)

**Focus for moving to PI is to have enough money to pay for Main Highway replacement in not-too-distant future,**

**BUT... timing and ultimate \$ value are unknown**

# HISTORIC RATES OF RETURN

Year	Legal List Annual	Prudent Investor Annual
2023	9.4%	9.5%
2022	-5.6%	-5.0%
2021	4.1%	4.2%
2020	9.2%	8.0%
2019	9.4%	9.0%
2018	0.7%	2.2%
2017	8.8%	6.5%
2016	4.3%	6.4%
2015	3.3%	6.0%
<i>Annualized Returns =</i>	<b>4.7%</b>	<b>5.2%</b>

Bank Returns	
ONE HISA Annual High	ONE HISA Annual Low
5.5%	4.7%
4.7%	0.7%
0.7%	0.2%
2.4%	0.9%
2.4%	2.4%
2.4%	1.7%
1.7%	1.2%
1.2%	1.2%
1.5%	1.2%
<b>2.5%</b>	<b>1.6%</b>

Compare:

- Bank Rates
- ONE Legal List Investments (a diversified portfolio)
- ONE Prudent Investment (a broader diversified portfolio)

*Hypothetical returns based on allocations with similar levels of volatility (40% allocation to equity for Legal List and 30% for Prudent Investor)*

# THE PLAN

- Assume a \$2.5M initial contribution and \$250k ongoing annual investment

Initial Contribution	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
\$2,500,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$4,750,000

- At the end of 10 years, you have invested \$4.75 million

# THE RESULTS ARE IN!

## Prudent Investment

Assuming 5.2% rate of return.

Your investment is now worth  
\$7.28 million

= **\$2.53 million** of non-tax  
revenue

## Legal List

Assuming 4.7% rate of return.

Your investment is now worth  
\$7.06 million

= **\$2.3 million** of non-tax  
revenue

## Bank Account

Assuming 1.6 – 2.5% rate of  
return.

Your investment is now worth  
\$5.6 – \$6 million

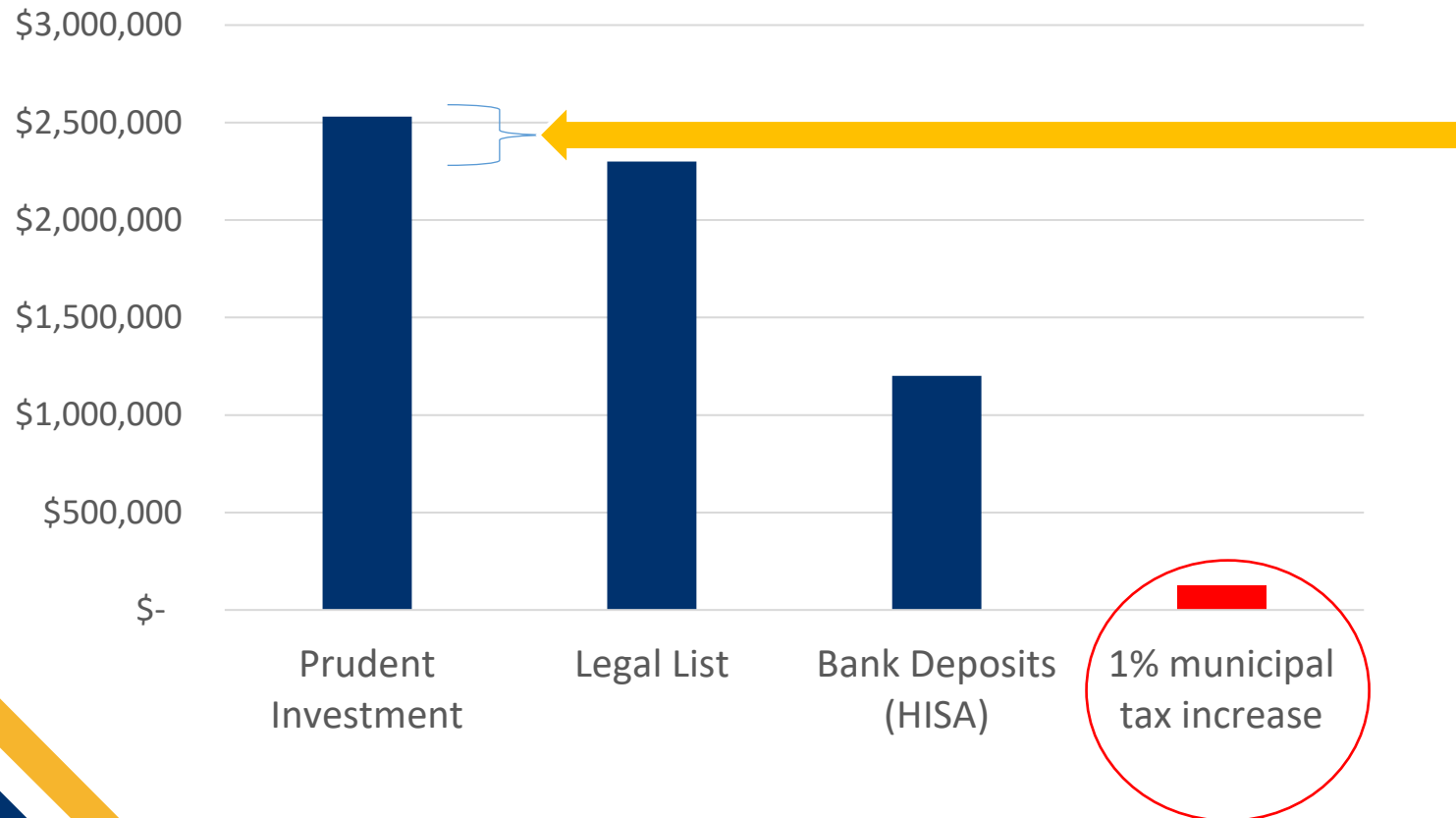
= **\$867k - \$1.25 million** of non-  
tax revenue

*These are historical returns and not guarantees of future performance*



# RESULTS – AS A VISUAL

Investment Returns (over 10 years)  
Compared to a 1% Tax Increase



The value of Prudent Investor in this example is \$230,000 more revenue opportunity, with a more diversified (less risky) investment portfolio.

Overall investment growth over the period for the PI example was 53%

# LOOKING AHEAD - PI

- The opportunity with Prudent Investment could be even better, given declining bank rates
- Capital market assumptions from our Investment Partner, PH&N, suggest that a similarly constructed portfolio as the one in this example could earn 5.5 - 6%, annualized over the longer term under Prudent Investment

*This is market observation and not a guarantee of future performance.*

TO LEARN MORE:

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