

**Subject: 2023 Investments, Endowment, and Other Treasury Activities**

**File Number: ACS2024-FCS-FIN-0005**

**Report to Finance and Corporate Services Committee on 4 June 2024**

**and Council 12 June 2024**

**Submitted on May 24, 2024 by Isabelle Jasmin, Deputy City Treasurer, Corporate Finance, Finance and Corporate Services Department**

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**Ward: Citywide**

**Objet : Placements de 2023, fonds de dotation et autres activités de la trésorerie**

**Numéro de dossier : ACS2024-FCS-FIN-0005**

**Rapport au Comité des finances et des services organisationnels le 4 juin 2024**

**et au Conseil le 12 juin 2024**

**Soumis le 24 mai 2024 par Isabelle Jasmin, Trésorière municipale adjointe, Service des finances municipales, Direction générale des finances et des services organisationnels**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATIONS**

**That the Finance and Corporate Services Committee recommend that Council:**

- 1. Receive the results of the City's investments for 2023, as required by Ontario Regulation 438/97 as amended, Section 8(1), and the City of Ottawa Investment Policy;**

2. Approve the recommended annual Sinking Fund Levy reduction of \$300 thousand;
3. Receive the 2023 Long-Term and Short-Term debt summary;
4. Receive the staff update on the migration to the Prudent Investment Regime for funds not immediately required.
5. Receive the Treasury Services Contracts report as required by Delegation of Authority By law 2023-067 Schedule B, section 15(2)

## RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande ce qui suit au Conseil municipal :

1. de prendre acte des résultats des placements de la Ville pour 2023, conformément au paragraphe 8(1) du *Règlement de l'Ontario 438/97*, dans sa dernière version, et à la Politique en matière de placements de la Ville d'Ottawa;
2. d'approuver la réduction recommandée de prélèvement annuel de 300 000 \$ au titre du fonds d'amortissement;
3. de prendre acte du sommaire de la dette à court et à long terme pour 2023;
4. de prendre acte de la mise à jour du personnel concernant la migration au régime de placement prudent pour des fonds qui ne sont pas immédiatement nécessaires;
5. de prendre acte du rapport concernant les contrats de services de trésorerie conformément à l'annexe B, paragraphe 15(2) du *Règlement municipal sur la délégation de pouvoirs 2023-067*.

## EXECUTIVE SUMMARY

### Investment Reporting

In 2023, the City had investment fund returns of 3.01 per cent in the Reserve Fund (1.65 per cent in 2022), 3.36 per cent in the Sinking Fund (3.1 per cent in 2022), and 10.0 per cent in the Endowment Fund (negative 2.9 per cent in 2022). The City held less than half of one per cent in City of Ottawa issued bonds and no new maturities or

purchases of City of Ottawa bonds occurred in 2023. All investments were consistent with the investment policies and goals adopted by Council.

### Sinking Fund Levy Reduction

The City of Ottawa is authorized, under section 409(9) of the Municipal Act, 2001, to amend a debenture by-law to reduce the amount of the annual levy to be raised with respect to a sinking fund to the extent that the balance of the fund, including any estimated revenue, will be sufficient to repay the principal of the debt for which the fund was established on the date the principal comes due. Staff seek Council approval to reduce the annual sinking fund levies of by-laws 2019-272, 2019-418, and 2022-02 by \$300 thousand.

### Debt Reporting

The City can issue long-term debt to fund Council approved capital projects. The Chief Financial Officer/Treasurer, under the City of Ottawa Delegation of Authority By-law, has authority to issue debt for capital projects up to a maximum amount approved by Council as part of the annual budget process and in accordance with the legislative criteria set out in the Municipal Act, 2001. The total net long-term debt outstanding as of December 31, 2023, was \$3.265 billion, which was an increase from \$3.21 billion the previous year. All debt was issued in accordance with the Delegation of Authority By-law.

### Short-Term Debt

The Chief Financial Officer/Treasurer, under the City of Ottawa *Short-Term Borrowing By-law 2023-355* and *Delegation of Authority By-law 2023-067*, is delegated authority to issue short-term debt for operations. The By-law sets a borrowing limit based on the Municipal Act as stated below:

“The amount that may be borrowed at any one time, together with the total of any similar borrowings that have not been repaid, shall not exceed, during the period from January 1 to September 30, fifty per cent (50%) of the total, or during the period from October 1 to December 31, twenty-five per cent (25%) of the total of the estimated revenues of the City as set forth in the budget adopted for the year.”

On December 31, 2023, the City had \$320 million of outstanding Promissory Notes all of which matured and were paid back in January of 2024.

## **Treasury Service Contracts Report**

The Chief Financial Officer/Treasurer under By-Law 2023-67, Schedule B, Section 15, is delegated the authority to purchase service contracts to conduct treasury operations. In 2023, no new contracts were entered into and five multiyear contracts totaling \$1.2 million were renewed.

## **Prudent Investor Standard**

On June 7, 2022, Council received the Prudent Investor Update report ([ACS2022-FSD-FIN-0005](#)) adopting the Prudent Investor Regime for funds not immediately required. On December 7, 2022, as part of the Council Governance review ([ACS2022-OCC-GEN-0030](#)), the Ottawa Investment Board (OIB) and accompanying Terms of Reference and Governance Plan was established. The OIB members were selected in 2023 including four external members and the City Treasurer. Next steps in the process will be to establish a Statement of Policies and Procedure to be approved by Council, select an external firm for Outsourced Chief Investment Officer (OCIO) services, receive and approve the OCIO's investment plan, and implement the Investment Plan as approved.

## **RÉSUMÉ**

### **Rapport sur les placements**

En 2023, le rendement des fonds de placement de la Ville a été de 3,01 % pour le fonds de réserve (1,65 % en 2022), de 3,36 % pour le fonds d'amortissement (3,1 % en 2022), et de 10,0 % pour le fonds de dotation (2,9 % négatifs en 2022). La Ville détenait moins d'un demi pour cent d'obligations émises par la Ville d'Ottawa et aucun nouvel achat ou aucune nouvelle échéance des obligations n'a eu lieu en 2023. Tous les placements ont été conformes aux politiques et aux objectifs d'investissement adoptés par le Conseil.

### **Réduction du prélèvement au titre du fonds d'amortissement**

La Ville d'Ottawa a la permission, aux termes du paragraphe 409(9) de la *Loi de 2001 sur les municipalités*, de modifier un règlement autorisant l'émission de débentures afin de réduire le montant du prélèvement annuel au titre d'un fonds d'amortissement de sorte que le solde du fonds, y compris les recettes estimées, soit ou sera suffisant pour rembourser le principal de la dette pour laquelle le fonds a été établi à la date d'échéance du capital. Le personnel demande au Conseil l'autorisation de réduire de 300 000 \$ les prélèvements annuels au titre du fonds d'amortissement prévus par les règlements 2019-272, 2019-418 et 2022-02.

## **Rapport sur la dette**

La Ville peut émettre une dette à long terme pour financer les projets d'immobilisations approuvés par le Conseil. Le chef des finances/trésorier, en vertu du *Règlement sur la délégation de pouvoirs* de la Ville d'Ottawa, est autorisée à émettre des titres de créances à l'égard de projets d'immobilisations jusqu'à concurrence du montant approuvé par le Conseil dans le cadre du processus budgétaire annuel et conformément aux critères législatifs énoncés dans la *Loi de 2001 sur les municipalités*. Le total de la dette à long terme nette au 31 décembre 2023 était de 3,265 milliards de dollars, soit une augmentation par rapport aux 3,21 milliards de dollars de l'année précédente. Tous les titres de créance ont été émis conformément au *Règlement sur la délégation de pouvoirs*.

## **Dette à court terme**

Le chef des finances/trésorier, en vertu du *Règlement d'emprunt à court terme 2023-355* et du *Règlement sur la délégation de pouvoirs 2023-067* de la Ville d'Ottawa, peut émettre une dette à court terme pour des besoins opérationnels. Le règlement établit une limite d'emprunt basée sur la *Loi des municipalités*, comme indiqué ci-dessous :

« Le total combiné des emprunts contractés à un moment donné et des emprunts de nature similaire non remboursés ne dépassera pas un certain pourcentage des recettes estimatives de la Ville, telles qu'elles sont indiquées dans le budget adopté pour l'exercice, soit 50 % pour la période du 1<sup>er</sup> janvier au 30 septembre et 25 % pour la période du 1<sup>er</sup> octobre au 31 décembre. »

La Ville avait 320 millions de dollars de billets à ordre en circulation au 31 décembre 2023, qui sont tous arrivés à échéance et ont été remboursés en janvier 2024.

## **Rapport concernant les contrats de services de trésorerie**

Le chef des finances/trésorier, en vertu de l'annexe B, article 15 du *Règlement 2023-67*, est autorisée à acheter des contrats de services en vue de mener des opérations de trésorerie. En 2023, aucun nouveau contrat n'a été conclu et cinq contrats s'échelonnant sur plusieurs années totalisant 1,2 million de dollars ont été renouvelés.

## **Règle de l'investisseur prudent**

Le 7 juin 2022, le Conseil a reçu le rapport de mise à jour sur l'investisseur prudent ([ACS2022-FSD-FIN-0005](#)) adoptant le régime de l'investisseur prudent pour les fonds qui ne sont pas immédiatement nécessaires. Le 7 décembre 2022, dans le cadre de

l'Examen de la structure de gestion publique du Conseil ([ACS2022-OCC-GEN-0030](#)), le Conseil d'investissement d'Ottawa (CIO) ainsi que le mandat et le Plan de gouvernance qui l'accompagnent ont été établis. Les membres du CIO ont été choisis en 2023, comprenant quatre membres externes et la trésorière municipale. Les prochaines étapes du processus consisteront à établir un énoncé des politiques et des procédures, à sélectionner un agent en chef des placements externe (ACPE), à recevoir et approuver le Plan d'investissement de l'ACPE et à mettre en œuvre le Plan d'investissement tel qu'il a été approuvé.

## **BACKGROUND**

### **Investments Authority and Reporting**

The City of Ottawa is authorized, under section 418 of the *Municipal Act, 2001*, to invest funds not immediately required. On June 7, 2022, Council approved the adoption of the Prudent Investor regime, report ([ACS2022-FSD-FIN-0005](#)). The migration to this regime is progressing but until it is complete, staff must adhere to Ontario Regulation 438/97, as amended, that establishes a set of conservative criteria for eligible investments and portfolio strategies considered suitable for Ontario municipalities who are not adopting the Prudent Investor Standard pursuant to section 418.1. The current regulation also provides a wider range of eligible investments in Canadian corporate bonds and equities for the City's Endowment Fund. The regulation and the City's adopted Statement of Investment Policies and Procedures require reporting on the performance of the Endowment Fund, which is included in this report.

The City's Investment Policy, as approved by Council on November 12, 2015 ([ACS2015-CMR-FIN-0044](#)), sets sector, issuer, credit, term limits, and acts as the governing guideline for the management of the City's investment portfolios. The reporting requirements in the City's Investment Policy is reviewed annually and section 8(1) of Ontario Regulation 438/97 requires that a report be submitted to Council each year.

### **Sinking Fund Levy**

The City of Ottawa is authorized, under section 409(9) of the *Municipal Act, 2001*, to amend a debenture by-law to reduce the amount of the annual levy to be raised with respect to a sinking fund to the extent that the balance of the fund, including any estimated revenue, is or will be sufficient to repay the principal of the debt for which the fund was established on the date the principal comes due. Premiums received on past debenture issues have been deposited in the associated sinking funds combined with

proper investments to lock in rates of return on these premiums that will result in a projected principal balance that will be in excess of the principal required to pay off the debenture at maturity and room to reduce the annual levy contributions.

### **Long-Term Debt Authority and Reporting**

The City of Ottawa is authorized, under section 401 of the *Municipal Act, 2001*, to issue long-term debt for capital projects. Ontario Regulation 403/02, as amended, establishes a set of conservative debt issuance measures and standards considered suitable for Ontario municipalities. The Chief Financial Officer/Treasurer, in accordance with the criteria set under the *Delegation of Authority By-law 2023-067* and provincial regulations, is authorized to proceed with one or more debt issues or bank loan arrangements at any time during the year throughout the term of Council. The City's Administration of Capital Financing and Debt Policy ([ACS2007-CRS-FIN-0007](#)), approved by Council on April 11, 2007, establishes objectives, authorized financing instruments, reporting requirements and responsibilities, and governs the administration and management of capital financing and debt issuance activities. The reporting requirements of the policy state that Council receives information considered appropriate by the Chief Financial Officer/Treasurer in addition to any information requested by Council.

### **Short-Term Debt Authority and Reporting**

The City of Ottawa is authorized, under section 407 of the *Municipal Act, 2001*, to issue short-term debt to meet current expenditures of the City until taxes are collected. In accordance with the *Short-Term Borrowing By-law 2023-355*, the Mayor and the Chief Financial Officer/Treasurer are authorized to borrow for the purpose of meeting the current expenditures of the City. This borrowing includes: amounts required for sinking and retirement funds, principal and interest due on any debt of the City, school purposes, other purposes the municipality is required by law to provide for and the amount of principal and interest payable by a person or municipality primarily liable for a debt, and if the City has guaranteed the debt and the debt is in default until the taxes are collected and other revenues are received.

The City's Administration of Capital Financing and Debt Policy ([ACS2007-CRS-FIN-0007](#)), approved by Council on April 11, 2007, establishes objectives, authorized financing instruments, reporting requirements and responsibilities, and governs the administration and management of capital financing and debt issuance activities. The reporting requirements of the policy state that Council receives information considered

appropriate by the Chief Financial Officer/Treasurer in addition to any information requested by Council.

The City maintains a \$100 million line of credit facility and approximately \$1.0 Billion Promissory Note facility (the “Facilities”) in accordance with Short-Term Borrowing *By-Law 2023-355*.

The program limit aligns with the prescribed legislation requirements pursuant to Section 407 of the *Municipal Act, 2001, S.O. 2001, c. 25*, as amended, as stated below:

“The amount that may be borrowed at any one time together with the total of any similar borrowings that have not been repaid, shall not exceed, during the period from January 1 to September 30, fifty per cent (50%) of the total, or during the period from October 1 to December 31, twenty-five per cent (25%) of the total of the estimated revenues of the City as set forth in the budget adopted for the year.”

Based on budgeted revenues for 2024, this limit would be estimated at \$1 billion in temporary cashflow borrowing at any one time.

### **Treasury Services Contracts Report**

According to By-Law 2023-67, Schedule B, Section 15, The Chief Financial Officer / Treasurer is delegated the authority to purchase: fiscal agency or depository services; services for regulated financial institutions; or services related to the sale, redemption, and distribution of public debt, including loans and government bonds, notes, and other securities; financial services respecting the management of government financial assets and liabilities (i.e. treasury operations), including ancillary advisory and information services, whether or not delivered by a financial institution, provided that: the form and content of the contract has received approval from the City Solicitor; and; the purchase is within approved budget projections for the term of the contract.

### **DISCUSSION**

In 2023, the Canadian economy expanded by 2.3 per cent for the year as measured by Gross Domestic Product (GDP). Consumer Price Index (CPI) inflation increased by 6.3 per cent, year over year. The lifting of pandemic era restrictions across provinces and the opening of borders over the course of the year continued to expand economic activity across the country.

The Bank of Canada along with most central banks continued to increase the overnight target rate during 2023. Rates increased from 4.25 per cent to five per cent and the



bank continued its quantitative tightening program reducing holdings by 25 per cent in 2023 in order to combat rising inflation in the economy. With the success of these monetary and fiscal actions the economy has tapered, and inflation is showing signs of moderating. The bank of Canada is expected to lower the bank rate in 2024 as inflation abates.

Canadian equity markets ended the year in marginally positive territory rising less than one per cent due to fears about continued inflation as well as geo-political concerns. The annual performance in the S&P/TSX Composite was driven by decreases in sectors impacted by inflationary concerns and strong performances from the tech sector as AI technology gained attention from investors.

### City of Ottawa Investment Returns

The City's investments are subject to the legislative guidelines prescribed by Ontario regulation. Due to increased net positive cash flows in 2023, the City was able to invest an additional \$260.4 million. This increase was re-invested in long-term and short-term fixed income investments. The City held less than half of one per cent in City of Ottawa issued bonds and there were no new maturities or purchases of City of Ottawa bonds in 2023.

Table 1 below shows the average portfolio balance during 2023 and the income earned for the year. Document 1 outlines the investment portfolio by asset class, term, and credit exposure.

**Table 1: Average Portfolio Balance and Income in 2023**

Portfolio	Average Portfolio Value (\$ million)	Earned Income (\$ millions)	Investment Return <sup>1</sup> (%)
Short-Term Investments	1,066.5	56.3	5.28
Long-Term Funds	1,596.4	23.9	1.50
<b>Total General Funds</b>	<b>2,662.9</b>	<b>80.2</b>	<b>3.01</b>
<b>Sinking Fund</b>	<b>339.7</b>	<b>11.4</b>	<b>3.36</b>

### Endowment Fund Performance

The Endowment Fund (the Fund) was established from the proceeds received from Hydro Ottawa in 2005. The province broadened the scope of eligible investments for the

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<sup>1</sup> Represents the return on the monthly average holdings in 2023 versus Note 4 in the draft Consolidated Financial Statements, which provides the weighted average yield on investments, held as of December 31, 2023.

Fund to include Canadian equities and corporate bonds. Two external investment managers manage the investments for the Fund.

On June 14, 2006, Council adopted the Investment Policy and Procedures for the Fund, which set the target return at 6.5 per cent and established the Endowment Fund Investment Committee to oversee the operation of the Fund. The Fund's year-end was set at September 30 to provide the Committee with enough time to declare a payout to the City for the following budget year. Each year, the Investment Committee reviews the returns for the Fund and calculates the amount to be distributed to the City. On October 10, 2012, Council approved the Long Range Financial Plan – Tax Supported Capital IV report ([ACS2012-CMR-FIN-0039](#)), which endorsed the following recommendation: "That the City of Ottawa Endowment Fund be maintained at \$200 million, and any excess continue to be directed to fund the capital program".

The market value of the Fund as of December 31, 2023 was \$204.3 million. Payouts were made to the City from the Fund in 2023 when the market value exceeded \$200 million. Payouts from the fund in 2023 added up to \$5 million, which was below the target of 6.5 per cent annual return.

Table 2 below shows the details of the payments from the Fund compared to expected returns over the past four years and since inception:

**Table 2: Payment Details and Expected Returns**

Year	Expected Return	Actual Payments
2008-2019	156,000,000	148,000,000
2020	13,000,000	13,000,000
2021	13,000,000	13,000,000
2022	13,000,000	21,000,000
2023	13,000,000	5,000,000
Since Inception	208,000,000	200,000,000

### **Approve Sinking Fund Levy Reduction**

The City of Ottawa is authorized, under section 409(9) of the *Municipal Act, 2001*, to amend a debenture by-law to reduce the amount of the annual levy to be raised with respect to a sinking fund to the extent that the balance of the fund, including any estimated revenue, is or will be sufficient to repay the principal of the debt for which the fund was established on the date the principal comes due.

The City has issued four bonds at a premium price meaning the City received proceeds in excess of the maturity amount. For example, with debenture by-law 2019-272, the City issued a \$200 million debenture and received \$219,276,000 in proceeds for a premium paid by the investors of \$19,276,000. The premium is not new or additional money to the City. It represents a future payment obligation to investors to make up for the difference between the debenture coupon the City pays annually (3.25 per cent) and the prevailing yield on the debentures when issued (2.575 per cent). The premium is then invested by the issuer so that the principal received, plus accumulated interest from investing this principal, accumulates to offset the difference in coupon and yield. If invested at a higher rate than the yield on the debenture issued, the City generates a cost reduction. If invested at a lower rate, the City bears an additional cost. The premium received on these debentures over the past few years has been invested short term, in anticipation of the forecasted rate increase. With the rising long term interest rates in 2023, Staff have been able to lock in the higher rate, locking in long term cost savings that will be used to reduce the annual sinking fund levies for the associated debenture by-laws.

As a result, staff are recommending the following Levy reductions totaling \$300 thousand annually:

<b>Levy</b>	<b>Current Levy</b>	<b>New Levy</b>	<b>Levy Reduction</b>
2019-272	\$4,781,081.36	\$4,681,081.36	\$100,000.00
2022-02'	\$1,283,796.20	\$1,083,796.20	\$200,000.00
<b>Total</b>			<b>\$300,000.00</b>

**Long-Term Debt**

The City issued \$200 million in new long-term debt in 2023. The proceeds from the debt issued were used to finance the following types of projects:

	<b>(\$M)</b>
Roads and Bridges	94.1
Sanitary and Storm Sewer	76.5
Transportation Services - Roads Paved	25.7
Water Distribution Transmission	3.4
Environmental Services	0.3
	<b>200.0</b>

Total net long-term debt as of December 31, 2023 was \$3.265 billion, an increase from \$3.211 billion the previous year. In the same year, the City added \$1.63 billion in new tangible capital assets to its inventory, increasing the total net book value of the City's tangible capital assets to \$22.25 billion. The outstanding net long-term debt of \$3.265 billion represents 14.7 per cent of the value of the City's tangible capital assets. From a taxpayer's perspective, that is equivalent to a \$73.4 thousand mortgage on a \$500 thousand home.

Debt levels are continuously monitored to ensure the ongoing financial stability and sustainability of the City, in accordance with the City's fiscal framework principles. Council established conservative debt servicing targets where principal and interest for tax supported debt are not to exceed 7.5 per cent of the City's own source revenue, and principal and interest for water and sewer rate supported debt will be limited to no more than 15 per cent of rate revenues; for a combined target of 8.5 per cent of total own source revenues. The total debt interest and principal payments for tax and rate supported long-term debt in 2023 was \$164 million, which represents 4.72 per cent of the City's total own-source revenues, well below the 8.5 per cent target established by Council.

### **Short-Term Debt**

The Treasury Branch uses short-term borrowing strategies to manage cash flow volatility and meet debt servicing obligations while maintaining a prudent investment approach. Short-term borrowing strategies are critical to ensuring there are sufficient funds to cover operating and capital spending, as and when required.

During 2023, proceeds from Promissory Note issuance provided advantageous short-term liquidity that enable staff to maintain value added short-term investment holdings. To keep a market presence, staff issue Promissory Notes on a weekly basis with maturities ranging from one to three months and offset the cost by investing the proceeds in short-term conservative investments. There was \$320 million of outstanding Promissory Notes at the end of the year, all of which matured and were paid back in January 2024.

The City's cash flow requirements and debt obligations continue to grow in line with the growth of infrastructure spending throughout the province and in line with other Canadian and North American municipalities. Treasury staff must continuously balance the short-term volatility of cash flows with long-term debt servicing obligations and investment return objectives. Council approved the Temporary Borrowing By-law 2023-355 authorizing short-term borrowing which enables staff to better manage the volatility

of these cashflow requirements. Short-term borrowing needs are addressed with two key financing vehicles: a line of credit facility and promissory note program.

At any given time, Short-term borrowing, the combination of draws against the Line of Credit and outstanding promissory notes, is limited by the Municipal Act as prescribed below:

“The amount that may be borrowed at any one time, together with the total of any similar borrowings that have not been repaid, shall not exceed, during the period from January 1 to September 30, fifty per cent (50%) of the total, or during the period from October 1 to December 31, twenty-five per cent (25%) of the total of the estimated revenues of the City as set forth in the budget adopted for the year.”

Based on what is prescribed above and the 2024 budget estimates, short-term borrowing outstanding at any given time should not exceed \$1.0 billion,

The City holds a \$100 million line of credit with the Royal Bank of Canada which was not drawn against in 2023. During 2023, proceeds from Promissory Note issuance provided short-term liquidity and replaced the requirement to maintain costly short-term investment holdings. To keep a market presence, staff issue promissory notes on a weekly basis with maturities ranging from one to three months and offset the cost by investing the proceeds in short-term conservative investments. There was \$320 million of outstanding Promissory Notes at the end of the year, all of which matured and were paid back in January 2024.

### **Treasury Services Contracts Report**

The Chief Financial Officer / Treasurer is delegated the authority to enter into or renewed financial services contracts with various providers, in accordance with by-law 2023-67, Schedule B, Section 15. The following table lists the providers that the Treasury department renewed purchasing contracts with in 2023.

<b>Vendor</b>	<b>Vendor Number</b>	<b>Purchase Order</b>	<b>New or Renewal or Increase</b>	<b>Term</b>	<b>Amount (pre-tax)</b>
Leith Wheeler	357951	0045105556	Renew	January 2023 to December 2023	300,000
				January 2024 to June 2024	150,000
	358619	0045105555	Renew	January 2023 to December 2023	280,000

Vendor	Vendor Number	Purchase Order	New or Renewal or Increase	Term	Amount (pre-tax)
Phillips, Hager & North				January 2024 to June 2024	140,000
AON Hewitt	334600	0045102190	Increase	April 2023 to June 2023	5,000
		0045106035	Renew	July 2023 to June 2024	100,000
S & P Global Ratings	351249	0045106933	Renew	June 2024 to May 2025	41,850
				June 2025 to May 2026	43,100
				June 2026 to May 2027	44,400
Moody's Canada	332144	0045107565	Renew	January 2024 to December 2024	41,000
				January 2025 to December 2025	51,000
				January 2026 to December 2026	53,000

### Prudent Investor Standard

On June 7, 2022, Council received the Prudent Investor Update report ([ACS2022-FSD-FIN-0005](#)). Council adopted the Prudent Investor Regime for funds not immediately required and directed the Chief Financial Officer/Treasurer to develop the Investment Governance Plan under an Outsource Chief Investment Officer (OCIO) model, establish the Ottawa Investment Board (the "OIB"), recruit Investment Board Members, and to develop a Statement of Policies and Procedures.

Major components for implementing the Prudent Investor Regime have been completed. The Governance Plan for Prudent Investor has been reviewed and approved by Council. The OIB Terms of Reference has also been reviewed and approved by Council. The recruitment and appointment of members to the Ottawa Investment Board has also been completed with orientation sessions scheduled in the first half of 2024.

The immediate next steps to implement the Prudent Investor regime are as follows:

1. **Develop the Statement of Investment Policies and Procedures** - Regulation 438/97 18. (1) states "The Council of a municipality shall adopt and maintain an investment policy in relation to prudent investing under section 418.1 of the Act. O. Reg. 43/18, s. 10". In accordance with the Act, the policy shall include

requirements with respect to the municipality's objectives for return on investment, risk tolerance and liquidity needs. Section 18 (3) further states that the investment policy may include other requirements with respect to investment matters that council considers to be in the interests of the municipality.

2. **Recruit an OCIO Provider** -With the assistance of Treasury Staff and an external Consultant, the OIB will procure an OCIO provider, as an agent of the board, to exercise the care, skill, diligence, and judgment that a prudent investor would exercise in making investment decisions for the City within the confines of the investment policy. Staff also recommend including an environmental, social and governance (ESG) statement in the investment policy that is aligned with Council's objectives and meets the prudent investor standard as stated above. At least annually, the board shall review the investment policy and update it, as necessary
3. **Develop an Investment Plan** – Regulation 438/97 18. (1) states “The Council of a municipality shall adopt and maintain an investment policy in relation to prudent investing under section 418.1 of the Act. O. Reg. 43/18, s. 10”. The OIB shall ensure an investment plan submitted by the OCIO provider adheres to this regulation.
4. **Implement the Investment Plan.** With the Council approved Governance Plan and SIP&P in place and in accordance with the OIB Terms of Reference, the OIB will develop a plan to on load the services of the OCIO provider to execute the Investment Plan.

## **FINANCIAL IMPLICATIONS**

Investment strategies have the goal of maximizing the City's investment holding risk adjusted returns that are aligned with Council objectives and risk tolerances.

Long-Term Debt is implemented to fund capital projects and equitably spread project cost amongst the ultimate users over time.

Short-Term debt is implemented to manage the City's cash flows and investment strategies with the goal of reducing interest cost and maximizing investment revenue in line with council priorities and objective.

## **LEGAL IMPLICATIONS**

There are no legal impediments to approving the recommendations in this report. Pursuant to subsection 418.1 (2) of the *Municipal Act, 2001*, a municipality may enact a by-law, to have section 418.1 of the *Municipal Act, 2001* apply in order to adopt the Prudent Investor regime in respect of investments made by a municipality. As further described in this report, the investments made pursuant to the Prudent Investor Enabling By-law 2022-317 will be carried out through an Investment Board in accordance with the requirements of section 418.1 of the Act and Regulation 438/97.

## **ACCESSIBILITY IMPACTS**

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts

## **ENVIRONMENTAL IMPLICATIONS**

Adopting the Prudent Investor regime expands the opportunity to evaluate Environmental, Social and Governance strategies to investing the City investment funds.

## **RISK MANAGEMENT IMPLICATIONS**

There are financial risk implications to investing. The City's investment portfolio under Prudent Investor is expected to increase diversification in comparison to the current investment portfolios. Under Prudent Investor it is anticipated that the City will increase its risk-adjusted investment returns, which means the City will be better compensated for taking the same level of risk. By outsourcing to an OCIO through the Investment Board the City can benefit from the OCIO's sophisticated risk management capabilities. The Statement of Investment Policies and Procedures approved by Council will consider Council's risk tolerances and will identify eligible investment asset classes and various limitations. The Chief Financial Officer/Treasurer has the duty to report to Council any investment that is not consistent with the Investment Policy. Compliance will also be monitored by the OCIO and the Investment Board through a third-party investment custodian.

## **RURAL IMPLICATIONS**

There are no rural implications associated with this report



**TERM OF COUNCIL PRIORITIES**

This report supports the City's on-going commitment to financial sustainability and transparency

**SUPPORTING DOCUMENTATION**

Document 1 - City of Ottawa Holdings

**DISPOSITION**

Staff will work with the Ottawa Investment Board to develop a Statement of Investment Policies and Procedures and recruit an Outsourced Chief Investment Officer to manage City funds not immediately required.