



March 27, 2025

City Council Committee Report

To: Kyle Attanasio, CAO

Fr: Ryan Marsh, Director of Finance/Treasurer

**Re: Kenora Citizens' Prosperity Trust Fund and Other Investments –
2024 Quarter 4**

Recommendation:

That Council of the City of Kenora hereby accepts the 2024 fourth quarter investment report that includes details of the Kenora Citizens' Prosperity Trust Fund and other City of Kenora investments.

Background/History

Citizens' Prosperity Fund:

In 2008, City Council approved the establishment of the Kenora Citizens' Prosperity Trust Fund (KCPTF). The proceeds from the sale of Kenora Municipal Telephone System, KMTS Mobility and KMTS entities of \$40,896,446 were transferred to this fund. The purpose of the Fund is to safeguard the principal while using the related investment income to eliminate the negative impacts resulting from the loss of the annual dividends from the telephone operations.

In 2020 Council, on administration's recommendation moved the City's investments to the Prudent Investor regime. Municipalities delegate their investing powers to a Joint investment Board. The City transferred a total investment of \$41,411,501 and consisted of a number of portfolios.

Citizen Prosperity Trust Fund Investments	
2020	
Description	Amount (\$)
Citizens' Trust Fund - RBC dexia	4,580,311
Debentures	11,749,037
CIBC Melion in Trust	4,937,008
One Bond Fund - Citizens' Trust	20,145,145
	41,411,501

Table 1- Schedule of transferred investment portfolio in 2020.

The first KCPTF portfolio is with ONE Public Sector Group of Funds. The book value then was \$20,145,145 and this accounted for 48% of the Trust Fund Investment Portfolio. This portfolio is held in bonds, universal corporate bond, and equity funds. The second portfolio of \$4,937,008 in securities from RBC Dexia was transferred to CIBC Mellion in trust to be monitored by the ONE JIB. The movement to trust status was to allow the

securities to be moved over on a more gradual basis as opposed to liquidating all the securities at once. As the securities mature, they will be moved to ONE Investment. The third portfolio of \$4,580,311 remained with Manulife Asset Management, with RBC Dexia as custodians. Securities held in this portfolio are banks, provincial and federal government issues. In addition, KCPTF held \$11,749,037 in debentures as at December 31, 2019.

Background Other Investments:

The City of Kenora maintains general investment portfolios separate from the Kenora Citizen’s Prosperity Trust Fund. These investments were entirely held in the ONE Public Sector Group of Funds, and most were transferred to the Prudent Investors regime as well. The market value of these investments as at December 31,2020 was \$19,048,063. This portfolio is held in bonds, universal corporate bonds, and equity funds. The City also held at that time \$5,755,356 in a high interest savings account outside the Prudent Investor regime in the ONE Public Sector Group of Funds.

Current Position (as at December 31, 2024)

Kenora Citizen Prosperity Trust Fund:

As at December 31,2024, the total market value of KCPTF portfolio was \$46,842,727 as compared to \$45,682,123.07 on December 31, 2023. The consolidated portfolio annual return was 7.2% and the return since inception is 4.4%. The 2024 market saw strong equity gains, led by resilient economic growth, easing inflation, and falling interest rates. The ending balance includes the redemptions for the annual dividend transfer.

The KCPTF portfolio consists of Canadian Bonds and Canadian Equities as well as Global Bonds and Equities. The portfolio, with Manulife Asset management and RBC Dexia as custodians, is held in banks, provincial and federal government issues/financial instruments. The CIBC Mellon in trust pledged to the ONE JIB is composed of government bonds.

Kenora Citizen Prosperity Trust Fund Investment		
Description	2024	2023
The Kenora Citizen Prosperity Trust Fund - RBC Dexia	2,758,838	3,876,906
One Bond Fund - Citizens' Trust	43,855,994	39,752,073
Pledged to ONE JIB - CIBC Mellon in Trust	226,941	2,032,830
Cash Account Balance	954	20,314
Portfolio Total	46,842,727	45,682,123

*includes annual dividend transfers

Table 2 - The KCPTF portfolio at market value

Other investments:

The City High Interest Savings Account has a balance of \$8,632,572.87 at the end of 2024 as compared to \$7,511,807.37 for 2023. The interest rate was 4.275% as of December 31, 2024. The portfolio is outside the Prudent Investor regime in the ONE Public Sector Group of Funds.

The City of Kenora maintains investment portfolios separate from the Kenora Citizen's Prosperity Trust Fund. These investments are entirely held in the ONE Public Sector Group of funds. The portfolio has a book value of \$20,328,211.20. The market value was \$22,505,222.20 as of December 31, 2024, compared to \$20,581,017.90 as of December 31, 2023. The consolidated portfolio annual rate of return was 9.2% and since inception is 6.4%. This portfolio is held in bond, universal corporate bond, and equity funds.

Market Outlook:

Inflation, indications of future economic growth, and political changes – both in the US and Canada – will drive interest rates and related central bank policy decisions into 2025.

The current geopolitical uncertainties and threats/use of tariffs will inject volatility into the financial markets. Large scale tariffs coupled with retaliation will result in higher prices, reduced economic activity and higher unemployment. The size, scope and duration of the tariffs will dictate the ultimate impact on the economy, although the longer and more persistent the greater the chances are of a recession.

Key takeaways:

- Tariffs are taxes that a government places on goods and services imported from other countries.
- The importing company or entity is responsible for paying the tariff to the government, and the increased cost may be passed on to consumers in the form of higher prices.
- The introduction of new tariffs on Canadian imports by the U.S. government could have a negative impact on both economies.
- Tariffs introduce a layer of uncertainty as they can affect spending, trade flows, supply chains, exchange rates, employment, economic growth and inflation.

Transition to OCIO

The ONE investment Joint Investment Board has approved an OCIO offering; outsourced Chief Investment Officer, or, more broadly, outsourced investment management. Philips, Hager and North, Institutional (PH&N) was selected through a competitive tendering process and will provide continued improvement of ONE's Prudent Investment Offerings. The transition began on March 1, 2025.

The offering will increase the number of eligible investments funds to 34 versus the 5 currently available. Increase flexibility is provided to meet each municipality's unique circumstances. ONE Investment will continue as our key contact. As part of the transition the investments in the five ONE Investments Funds will be sold and units of PH&N funds will be purchased with investment gains being recognized. The quarterly statements will have a different look and feel but should provide the required reporting information. Fees will be at or below current levels with our Founder discount being in place until 2030.

Budget:

There is no expected budget impact because of this report.

Risk Analysis:

The risk associated with this report is moderate. The Funds are exposed to market volatility and returns vary based on market conditions and general economic outlook.

Communication Plan/Notice By-law Requirements:

For information only, no further communication is required.

Strategic Plan or other Guiding Document:

Report is required per policy AF 4-2.

Appendix 1 – Kenora CPTF ONE Investment Report December 31, 2024

Appendix 2 – Kenora CPTF Manulife Report December 31, 2024

Appendix 3 – Kenora General Account ONE Investment Report December 31, 2024

Appendix 4 – Kenora General Account ONE Investment – High Interest Savings Account (HISA) December 31, 2024