



Date Nov. 9/11

City Council Committee Report

To: Mayor Canfield & Members of Council

Fr: Charlotte Edie

Re: Kenora Citizens' Prosperity Trust Fund

Recommendation: THAT Council hereby accept the report on the Kenora Citizens' Prosperity Trust Fund.

Background: In 2008, City Council approved the establishment of the Kenora Citizens' Prosperity Trust Fund. The proceeds of disposition from the sale of the KMTS entities of \$40,787,328 were transferred to this Fund.

In order to offset lost net revenues as a result of the sale of the KMTS entities, the City requires an annual return of \$1,100,000 in income from the Trust, in addition to the elimination of long term debt payments which occurred in 2007. Any erosion of the balance of the Trust will result in an additional burden on City taxpayers.

The Trust Fund assets are held in two portfolios and one loan receivable. The ONE Public Sector Group of Funds accounts for almost one third of the Trust Fund. The market value of this investment is at September 30, 2011 is \$10,057,390. All ONE Fund investments are held in a bond fund. The return on ONE fund investments for 2011 to date is 4.98%.

The largest portion of the funds are managed by Manulife Asset Management with RBC Dexia Investor Services as custodians. The City receives quarterly reports and information from the September 30, 2011 report is attached. The market value of all investments is \$31,355,748. Securities held in this portfolio are largely bank and federal and provincial government issues. The projected return on these funds to the end of the year is 6.2% if the last quarter is reflective of the first three quarters. The rate of return information since inception is attached.

With the global economic uncertainty the asset manager was asked to prepare a commentary on the outlook of the City's investments for Council's information. The commentary is also attached.

In addition, the Citizens' Trust Fund holds \$2,300,000 of the investment in the Health Care Centre. This investment earns 3% interest per year.

The combined market value of the investments is \$43,713,138 at the end of September. In addition, according to the Trust agreement the Fund 'owes' the City 9/12 months x \$1,100,000 or \$825,000 to the end of September.

Budget: There is no expected budget impact as a result of this report.

Communication Plan/Notice By-law Requirements: For information purposes to Council.