

October 30, 2012



## City Council Committee Report

**To: Mayor Canfield & Members of Council**

**Fr: Charlotte Edie**

**Re: Kenora Citizens' Prosperity Trust Fund**

### **Recommendation:**

That Council hereby accepts the report on the Kenora Citizens' Prosperity Trust Fund included in the Committee Report of the Municipal Treasurer dated October 30, 2012.

### **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. 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, 2012 is \$9,122,415, an increase of \$52,522 over the market value at the end of June. All ONE Fund investments are held in a bond fund. The return on ONE fund investments for 2012 to date is 1.78%. This rate reflects the total return including market impact. The market value of the bonds held in the ONE Fund has been recovering over the third three months of 2012. The return on book value at the end of the third quarter of 2012 is 3.20%.

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, 2012 report is attached. The market value of all investments is \$32,029,006 (\$200,631 higher than the value at the end of June) less the \$8,787,923 transferred to the City of Kenora for the debenture issues. This transfer is progressing slowly so as to not jeopardize the Fund's return. Securities held in this portfolio are largely bank and federal and provincial government issues. The return on these funds for the first nine months of 2012 is 2.19% annualized. The rate of return information since inception is attached 3.92%. These returns also take the market impact into account.

In addition, the Citizens' Trust Fund now holds \$8,787,923 in debentures from the City of Kenora. The rate of return on these debentures is 3%.

### **Budget:**

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

### **Communication Plan/Notice By-law Requirements:**

For information purposes to Council.