



**July 29, 2013**

## **City Council Committee Report**

**TO: Mayor and Council**

**FR: Lauren D'Argis**

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

### **Recommendation:**

That Council hereby accepts 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 \$40,896,446 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. This transfer has not been deducted from the investment values below. 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 City of Kenora debentures.

The first portfolio is with the ONE Public Sector Group of Funds and accounts for almost one quarter of the Trust Fund. The market value of this investment at June 30, 2013 is \$8,766,665. This balance is net of the \$1,100,000 annual transfer to the City of Kenora. All ONE Fund investments are held in a bond fund. The return on ONE fund investments for the first 6 months of 2013 is 0.01%. This rate reflects the total return including market impact. The return on book value for the first half of 2013 is 3.05%.

The second and largest portfolio is managed by Manulife Asset Management with RBC Dexia Investor Services as custodians. The City receives quarterly reports and information from the June 30, 2013 report is attached. The market value of all investments is \$23,421,037 (\$44,062 lower than the value at the end of March 2013). Securities held in this portfolio are largely bank and federal and provincial government issues. The return on these funds for the full year of 2013 is forecasted at 1.36%. The rate of return since inception is 3.38%. These returns also take the market impact into account.

In addition, the Citizens' Trust Fund now holds \$8,327,044 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.