



February 5, 2013

City Council Committee Report

TO: Mayor and Council

FR: Charlotte Edie

RE: Kenora Citizens' Prosperity Trust Fund

Recommendation:

That Council of the City of Kenora hereby accepts the report on the Kenora Citizens' Prosperity Trust Fund as of December 31, 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. 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. The ONE Public Sector Group of Funds accounts for almost one quarter of the Trust Fund. The market value of this investment at December 31, 2012 is \$9,142,010, an increase of \$19,595 over the market value at the end of September. All ONE Fund investments are held in a bond fund. The return on ONE fund investments for 2012 to date is 1.54%. This rate reflects the total return including market impact. Attached to this report is the performance report of the ONE Fund Bond Portfolio for 2012. This report breaks out the return based on the income earned and the market impact. The return on book value at the end of the fourth quarter of 2012 is 3.05%.

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 December 31, 2012 report is attached. The market value of all investments is \$23,321,016 (\$79,933 higher than the value at the end of September). Securities held in this portfolio are largely bank and federal and provincial government issues. The return on these funds for 2012 is 1.77% annualized. The rate of return information since inception is 3.72%. 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 and \$724,517 in 'cash' resulting from the debenture payments at December 31, 2012. 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.