



City of  
**Peterborough**

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**To:** Members of the General Committee

**From:** Richard Freymond  
Commissioner of Corporate and Legislative Services

**Meeting Date:** February 10, 2020

**Subject:** Report CLSFS20-013  
ONE Investment Presentation Regarding Investing Proceeds  
from Sale of Peterborough Distribution Inc.

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## **Purpose**

A report to inform Council that ONE Investments representatives will attend the February 10, 2020 General Committee meeting to provide information about options to invest the proceeds from the sale of Peterborough Distribution Inc. to Hydro One.

## **Recommendation**

That Council approve the recommendation outlined in Report CLSFS20-013 dated February 10, 2020, of the Commissioner of Corporate and Legislative Services, as follows:

That Council receive the presentation from ONE Investment regarding investing the proceeds from the sale of Peterborough Distribution Inc. to Hydro One.

## **Budget and Financial Implications**

There are no budget and financial implications at this time.

The negotiated sale price of Peterborough Distribution Inc. to Hydro One is \$105 million. After fees and retirement of debt obligations, the net sale proceeds are expected to be in the range of \$50 to \$55 million.

## Background

At its meeting of November 25, 2019, Council approved the recommendations in Report CLSFS19-051, Investing Proceeds from Sale of Peterborough Distribution Inc.:

- a) That with respect to use of the proceeds as a result of the sale of Peterborough Distribution Inc., Council give preliminary endorsement to the establishment of a City of Peterborough Legacy Fund as described in Report CLSFS19-051 for purposes of information gathering and public consultation;
- b) That with respect to use of the proceeds as a result of the sale of Peterborough Distribution Inc., Council give preliminary endorsement to investing in renewable energy through the City of Peterborough Holdings Inc., and as described in Report CLSFS19-051 for purposes of information gathering and public consultation;
- c) That upon approval of recommendations a) and b), staff be directed to arrange presentations by representatives of both the ONE Investment group and CoPHI, at a future date; and,
- d) That staff be directed to provide a further report on the results of all information gathered, the public consultation process and final recommendations as to how the funds should be invested, and that the report be provided no later than June 2020.

In accordance with this direction, and for purposes of discussion and public consultation, representatives from ONE Investment will be making a presentation to the General Committee on February 10, 2020 to provide information and options for investing the proceeds from the sale of PDI.

One Investment is a not-for-profit organization dedicated to serving the investment needs of the Ontario municipal sector. They actively manage over \$2.2 Billion in portfolio holdings. Approximately 173 Ontario municipalities and Boards invest with ONE.

### Sale of PDI - Current Status

The Agreements between Hydro One, the City and PDI were signed on July 31, 2018. The sale transaction is subject to approval by the Ontario Energy Board (OEB). Hydro One submitted the application for approval to the OEB in October 2018 and the OEB issued a notice to the public regarding the sale on December 18, 2018. Approval has been delayed and is expected to occur in 2020. The closing of the sale transaction will occur within approximately 90 days of receipt of OEB approval.

In compliance with the Asset Purchase Agreement and the Transition Services Agreement, Peterborough Utilities Services Inc. has been reorganized and a new company has been created (Peterborough Services Corp) to separate out the electrical

utilities operations (staff and assets) from the water and other operations in preparation for finalization of the sale transaction. There will be a transition period immediately after the financial close where the electrical business will be operated very much like it is now for Hydro One until a successful integration of the business into Hydro One's business. To prepare for that, information systems, reporting and business proactive changes have been made or are occurring to meet the expected requirements from Hydro One.

### **Investing proceeds from the sale**

Investing the money from Hydro One's purchase of PDI would provide an ongoing source of non-tax revenue for the long-term benefit of the community. To start the discussion on how to invest the proceeds of the sale of PDI, the City has asked for two potential investment options to present to Council and it is asking the community for other ideas. A Legacy Fund is one of the ideas being considered.

### **Legacy Fund**

The basic tenet of a legacy fund is the preservation of the capital in perpetuity. This means that only the investment income would be available to be spent on an annual basis.

Key features of a framework in support of a legacy fund idea could be:

- Investing the funds to maximize returns with a minimum of risk to maintain and potentially grow the original proceeds. This strategy requires a portfolio composed of a mix of financial instruments with guaranteed returns which could be augmented by some higher risk instruments.
- Use of the income to be directed towards financing future capital works.
- Set a requirement for a 2/3 majority vote of Council to approve the spending of any of the capital, which can be redeemed at any time, given the flexibility/liquidity that is available with no minimum investment term.

In the normal course of City operations, staff are continuously managing a portfolio of short-term investments, as per the existing Investment Policy established by Council on October 24, 2016 through Report CPFS16-031. Depending on Council's direction with respect to establishing a Legacy Fund, amendments to the existing policy may be required, or a new policy created, to capture the intended purposes of the Legacy Fund.

The Legacy Fund would be actively managed by external investment managers in portfolios that are diversified to allow costs to be spread over a large asset base. Municipal compliance with various legislation would be guaranteed. The City would receive regular updates on the financial performance of the investments.

## Next Steps

### Community Consultation

Meaningful engagement with the community is central in considering how to invest the sale proceeds. Staff will use information from the presentations from ONE Investment and CoPHI to create a survey, available online and in hard copy, and to engage with advisory and stakeholder groups, including, but not limited to, the following:

- Housing Action Task Force
- Peterborough Environmental Advisory Committee
- Arts, Culture and Heritage Advisory Committee
- Arenas, Parks and Recreation Advisory Committee

Advisory and stakeholder groups beyond those listed above may be approached to seek their submissions.

The broader community consultation will be done using a variety of methods to try to reach the greatest number of residents possible, including:

- In-person meetings during the Budget Roadshow, which is a series of drop-in-style sessions in each of the five wards;
- A survey that will be available both online and in hard copy; and
- The use of various tools on the City's online community engagement platform, Connect Peterborough, at [connectptbo.ca](http://connectptbo.ca).

Besides these more structured ways for residents to share ideas and comments, residents provide input through in-person conversations, phone calls and emails with Council members and City staff.

Results from the consultation will be reported back to Council for its consideration when deciding how to proceed.

Submitted by,

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Commissioner of Corporate and Legislative Services

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