

Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

Wednesday, March 10, 2021

1:05 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

1. TERRITORIAL ACKNOWLEDGEMENT

2. APPROVAL OF THE AGENDA

3. ADOPTION OF MINUTES

3.1. [21-215](#) Minutes of the February 10, 2021 Capital Regional Hospital District Board Meeting

Recommendation: That the minutes of the Capital Regional Hospital District Board meeting of February 10, 2021 be adopted as circulated.

Attachments: [Minutes - February 10, 2021](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

In keeping with directives from the Province of BC, this meeting will be held by Live Webcast without the public present.

To participate electronically, complete the online application for "Addressing the Board" on our website. Alternatively, you may email the CRD Board at crdboard@crd.bc.ca.

5.1. Presentations

5.2. Delegations

6. CONSENT AGENDA

6.1. [21-142](#) Capital Regional Hospital District Investment Portfolio Holdings and Annual Performance Update

Recommendation: The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Investment Portfolio Holdings and Annual Performance Update be received for information.
(NWA)

Attachments: [Staff Report: CRHD Investment Portfolio Update](#)
[Appendix A: Market Analysis](#)

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

9. BYLAWS

10. NOTICE(S) OF MOTION

11. NEW BUSINESS

12. ADJOURNMENT

Voting Key:

NWA - Non-weighted vote of all Directors

NWP - Non-weighted vote of participants (as listed)

WA - Weighted vote of all Directors

WP - Weighted vote of participants (as listed)

Meeting Minutes

Capital Regional Hospital District Board

Wednesday, February 10, 2021

1:00 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

DIRECTORS: D. Blackwell (Chair), C. Plant (Acting Chair), S. Brice, B. Desjardins, F. Haynes, L. Helps, G. Holman, P. Brent (for D. Howe), B. Isitt (EP), J. Loveday (EP), C. McNeil-Smith (EP), R. Martin (EP), R. Mersereau, K. Murdoch (EP), G. Orr, J. Ranns (EP), D. Screech, L. Seaton, M. Tait (EP), N. Taylor, K. Williams (EP), R. Windsor (EP), G. Young

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; M. Barnes, Senior Manager, Health and Capital Planning Strategies; D. Elliott, Senior Manager, Regional Housing; M. Lagoa, Deputy Corporate Officer; S. Closson, Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors M. Hicks, D. Howe

The meeting was called to order at 1:00 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

Board Chair Plant provided a Territorial Acknowledgement in the preceding Capital Region Housing Corporation Board meeting.

2. APPROVAL OF THE AGENDA

MOVED by Director Helps, **SECONDED** by Director Mersereau,
That the agenda for the February 10, 2021 Session of the Capital Regional Hospital District Board be approved.
CARRIED

3. ADOPTION OF MINUTES

3.1. [21-121](#) Minutes of the January 13, 2021 Capital Regional Hospital District Board Meeting

MOVED by Director Plant, **SECONDED** by Director Helps,
That the minutes of the Capital Regional Hospital District Board meeting of January 13, 2021 be adopted as circulated.
CARRIED

4. REPORT OF THE CHAIR

There were no Chair's remarks.

5. PRESENTATIONS/DELEGATIONS

5.1. Presentations

There were no presentations.

5.2. Delegations

There were no delegations.

6. CONSENT AGENDA

There were no Consent Agenda items.

7. ADMINISTRATION REPORTS

There were no Administration Reports.

8. REPORTS OF COMMITTEES

8.1. [21-090](#) Award of Contract RFP No. CRHD.2020-03 - Construction Management Services for the Demolition of Oak Bay Lodge

K. Lorette provided a summary on the Award of Contract for the construction management services for the demolition of Oak Bay Lodge.

Discussion ensued on the following:

- future project consultation with Island Health
- residential treatment and recovery beds
- demolition timeline
- reclamation options

**MOVED by Director Plant, SECONDED by Director Seaton,
That Contract RFP No. CRHD.2020-03 for Oak Bay Lodge Construction
Management Services for Demolition be awarded to Unitech Construction
Management for \$43,000 plus a contingency of \$3,000 for additional services if
warranted.**

CARRIED

OPPOSED: Isitt, Loveday, Taylor

9. BYLAWS

There were no bylaws for consideration.

10. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

11. NEW BUSINESS

There was no new business.

12. ADJOURNMENT

MOVED by Director Plant, **SECONDED** by Director Mersereau,
That the February 10, 2021 Capital Regional Hospital District Board meeting be
adjourned at 1:11 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER



Capital Regional Hospital District

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 03, 2021**

SUBJECT **Capital Regional Hospital District Investment Portfolio Holdings and Annual Performance Update**

ISSUE SUMMARY

Provide an update on Capital Regional Hospital District (CRHD) investment holdings and performance for the period ended December 31, 2020.

BACKGROUND

The CRHD invests operating, capital, and reserve funds in accordance to the *Local Government Act*, *Community Charter*, and Board approved Investment Policy. The *Hospital District Act* does not contain specific reference to investing guidelines. The Investment Policy applies to the investment activities for all funds maintained by the Capital Regional District and the CRHD. The types and terms of investments purchased are evaluated conservatively on four fundamental objectives: safety of principal, liquidity, responsible investing, and return on investment.

The policy also provides the minimum ratings of investment vehicles that can be purchased. Currently, investments in chartered banks or savings institutions must be rated R-1 (low) or higher for short-term investment and A- for long-term. Both ratings indicate a superior credit rating on all investments.

The Investment Policy provides criteria to ensure the capital is preserved and rate of return maximized while maintaining sufficient liquidity. The CRHD invests net working capital and reserves in a mix of vehicles including high-interest savings accounts (HISA), fixed term guaranteed investment certificates (GICs) and Municipal Finance Authority (MFA) investment funds. The placement or divestiture of investments are timed with the forecasted need.

Investments through 2020 have been made in alignment with the Investment Policy. Although economic and market conditions were challenging, performance exceeded expectations for the year ended December 31, 2020, as described in the report.

IMPLICATIONS

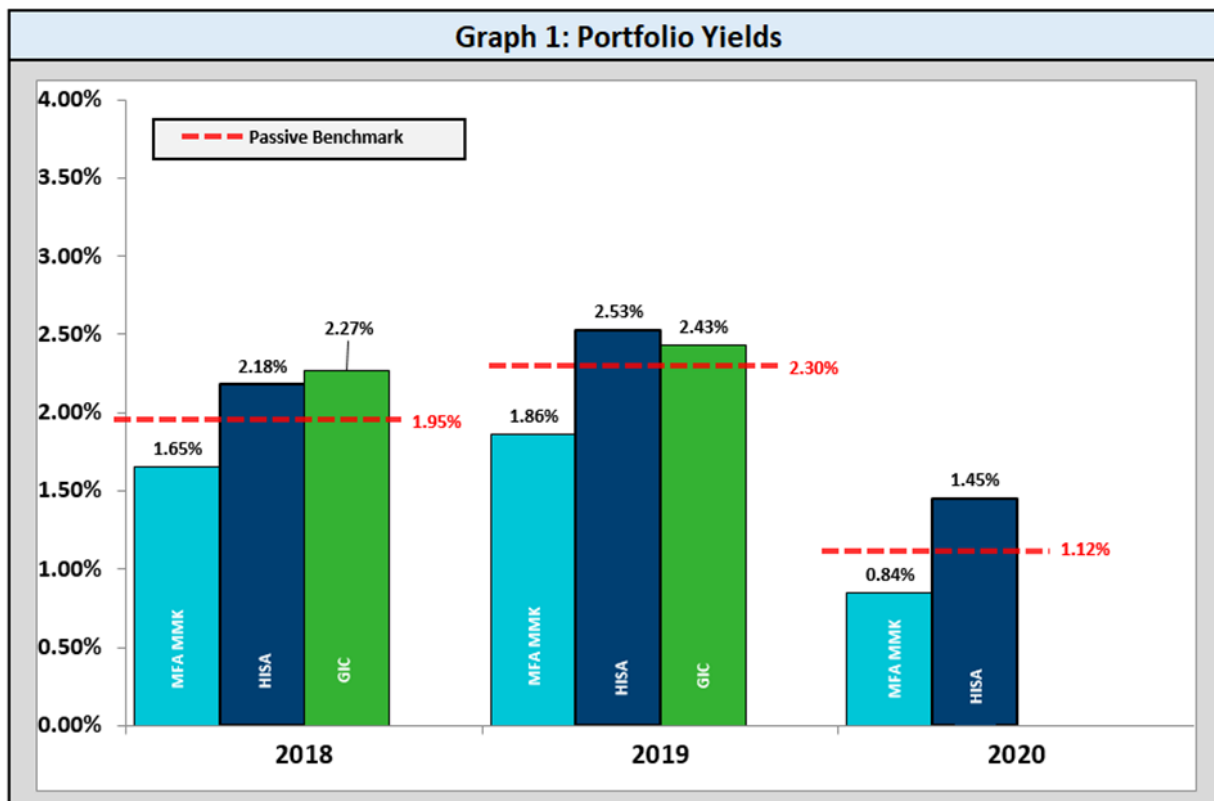
Financial Implications

Performance

Returns in 2020 decreased as a result of reduced Bank of Canada rates and lower cash reserves with the completion of the the Summit Project. Reserve cash flow estimates resulted in all investments remaining short-term facilities.

An active investment strategy became increasingly important, driven by rate environment fluctuations and maturing cash flow management. This approach increases investment activity but helps to manage liquidity and interest rate risk.

To take advantage of rate premiums on short-term investments, cash was placed in facilities yielding optimum return while still meeting liquidity targets. Graph 1 below provides a detailed report on portfolio yields for 2020:



During 2020, the HISA deposits yielded 1.45% while the MFA Money Market Fund returned 0.84%, indicative of short-term rates declining on marketable securities. The passive benchmark represents a theoretical return experienced from a liquid hold strategy with no active management. Passive rates over the past 3 years were 1.95%, 2.30% and 1.12% respectively.

Table 1 below shows the three year trend on investment income. Realized income is distributed annually on a pro-rata basis to reserves.

Table 1: CRHD Investment Income 3-Year Trend (\$ Millions)	2018		2019		2020	
	Yield	Income	Yield	Income	Yield	Income
Passive Income	1.9%	\$0.8M	2.3%	\$0.9M	1.1%	\$0.2M
Value-Add	0.3%	\$0.4M	0.2%	\$0.1M	0.3%	\$0.1M
Total	2.2%	\$1.2M	2.5%	\$1.0M	1.4%	\$0.3M

The total effective rate of return on investments, during 2020, was 1.4%. Total investment income for 2020 was \$0.3 million.

Portfolio Holdings

At December 31, 2020, the CRHD held \$19.6 million invested in short-term investments, as outlined in Table 2 below.

Table 2: Investment – as at Dec 31, 2020

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)		
BMO High Interest Savings Account	\$13.0	66.6%
Scotiabank High Interest Savings Account	3.6	18.4%
Scotiabank Notice Plan	2.7	13.9%
MFABC CIBC High Interest Savings Account	0.0	0.2%
MFABC National Bank High Interest Savings Account	0.1	0.4%
MFABC Money Market Fund	0.1	0.5%
Total Investments:	\$19.6	100%

As noted in Table 2 above, the CRHD investment portfolio at December 31, 2020, was distributed 100% to short-term investments. Investments with maturities less than two years are classified as short-term.

Table 3: Cash and Reserves Invested – as at Dec 31, 2020 (unaudited)

Investments	Balance (\$millions)	% Share
Land Development Reserve Fund	\$6.2	31.6%
Housing First Health Projects Reserve Fund	5.8	29.5%
Summit Management Reserve	0.3	1.4%
Capital and Loan Fund	3.4	17.5%
Hospital District Act Section 20(3) Reserve	3.9	20.0%
Total Investments:	\$19.6	100%

The Summit at Quadra Village construction project necessitated maintaining high levels of liquidity, driving a higher ratio of short-term investments. With the project concluding, short-term liquidity requirements will decrease in 2021. As the CRHD builds reserves in anticipation of future construction and major capital asset replacement, capital reserves requiring investment in long-term investment holdings will increase.

CONCLUSION

Overall, the Capital Regional Hospital District portfolio of investments reflects the four fundamental objectives of safety of principal, liquidity, responsible investing and return on investment. Investments have been made in keeping with requirements under the Investment

Policy and investment performance was in line with expectations for the year ended December 31, 2020.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Investment Portfolio Holdings and Annual Performance Update be received for information.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: Market Analysis

Market Analysis

Applies to the Capital Regional District (CRD), the Capital Regional Hospital District (CRHD), and the Capital Region Housing Corporation (CRHC)

As part of overall portfolio management, staff regularly monitor market trends and key metrics such as the Bank of Canada overnight interest rate, the Government of Canada bond rates and other market commentary issued by banks and investment brokers. Additionally, the Municipal Finance Authority (MFA) provides regular market commentary on new product developments and based on outlook reports provided by Phillips, Hager & North Investment Management (PH&N).

In 2020, the Bank of Canada reacted to the COVID-19 global pandemic by dropping its key overnight rate three times in March 2020, from 1.75% to 0.25%. These moves decreased the prime rate as well as the rate offered on cash deposits with the CRD's primary bank, the Royal Bank of Canada (RBC). For most of 2020, both the short term high-interest savings accounts and short term GICs were offering competitive returns when compared to long-term GICs. The table below presents key indicator rates at December 31 for the period 2018 to 2020:

Table A1: Indicative Market Rates 2018 to 2020

Rate	2018	2019	2020
Bank Of Canada – Overnight Rate	1.25% - 1.75%	1.75%	0.25% - 1.75%
HISA	1.96% - 2.46%	2.46%	0.80% - 1.06%
RBC – Bank Rate	1.70% - 2.30%	2.30%	0.80% - 2.30%
Fixed GIC – 180 day /1 Year (sample)	1.57% / 2.68%	1.68% / 2.30%	0.92% / 1.24%

Investment Marketplace

Throughout 2020, HISA rates were highly competitive compared to fixed term GIC products. In many cases, HISA returns were higher than maturities up to terms as long as four (4) years.

On January 28, 2020, the MFA introduced a new pooled investment fund, called the MFA Mortgage Fund, which invests in existing PH&N pooled fund products, providing investment exposure to commercial investment grade mortgages.

On May 4, 2020, the MFA introduced a Fossil Fuel-Free Bond Fund (FFF). The FFF Bond Fund invests in securities similar to the existing bond fund except that the FFF option excludes those holdings directly related to non-renewable energy extraction, processing, and transportation. This additional screening is estimated to exclude approximately 4% of the population of investible securities compared to the existing bond fund. Both offerings are responses to demand from local government and both offer the same liquidity and pooled structure as the existing MFA investment offerings.

Staff will assess investment placements in these two new MFA pooled funds in the future, for the CRD, the CRHD, and the CRHC, as the need to place long-term funds arises.