



## Notice of Meeting and Meeting Agenda Capital Regional Hospital District Board

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Wednesday, March 8, 2023

1:05 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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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. [23-183](#) Minutes of the January 11, 2023 Capital Regional Hospital District Board

**Recommendation:** That the minutes of the Capital Regional Hospital District Board meeting of January 11, 2023 be adopted as circulated.

**Attachments:** [Minutes - January 11, 2023](#)

### 4. REPORT OF THE CHAIR

### 5. PRESENTATIONS/DELEGATIONS

*The public are welcome to attend CRD Board meetings in-person.*

*Delegations will have the option to participate electronically. Please complete the online application at [www.crd.bc.ca/address](http://www.crd.bc.ca/address) no later than 4:30 pm two days before the meeting and staff will respond with details.*

*Alternatively, you may email your comments on an agenda item to the CRD Board at [crdboard@crd.bc.ca](mailto:crdboard@crd.bc.ca).*

### 6. CONSENT AGENDA

### 7. ADMINISTRATION REPORTS

### 8. REPORTS OF COMMITTEES

8.1. [23-080](#) Capital Regional Hospital District Investment Portfolio Holdings and Annual Performance Update

**Recommendation:** There is no recommendation. This report is for information only.

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

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

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Wednesday, January 11, 2023

1:05 PM

6th Floor Boardroom  
625 Fisgard Street  
Victoria, BC

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#### PRESENT

DIRECTORS: K. Murdoch (Chair), C. McNeil-Smith (Acting Chair) (EP), M. Alto, J. Bateman (for M. Tait), P. Brent, S. Brice, J. Brownoff, J. Caradonna, C. Coleman, Z. de Vries, B. Desjardins, S. Goodmanson, G. Holman, P. Jones, D. Kobayashi, M. Little, D. Murdock, C. Plant, S. Riddell (for R. Windsor), L. Szpak, D. Thompson, S. Tobias, A. Wickheim, K. Williams

STAFF: T. Robbins, 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; I. Jesney, Acting General Manager, Integrated Water Services; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

Guests: S. Burden, L. Lee and C. Rice-Gural, Lead Audit Engagement Partners, KPMG

EP - Electronic Participation

Regrets: Director(s) M. Tait, R. Windsor

The meeting was called to order at 1:25 pm.

#### 1. TERRITORIAL ACKNOWLEDGEMENT

A Territorial Acknowledgement was provided in a preceding meeting.

#### 2. APPROVAL OF THE AGENDA

**MOVED** by Director Plant, **SECONDED** by Director Holman,  
That the agenda for the January 11, 2023 Session of the Capital Regional Hospital District Board be approved.  
**CARRIED**

#### 3. ADOPTION OF MINUTES

- 3.1. [23-037](#) Minutes of the October 12, 2022 and November 16, 2022 Capital Regional Hospital District Board

**MOVED by Director Plant, SECONDED by Director Desjardins,**

**1. That the minutes of the Capital Regional Hospital District Board meeting of October 12, 2022 be adopted as circulated.**

**CARRIED**

**MOVED by Director Plant, SECONDED by Director Desjardins,**

**2. That the minutes of the Capital Regional Hospital District Board meeting of November 16, 2022 be amended to note that Director McNeil-Smith was declared Acting Chair of the Capital Regional Hospital District Board, and that the minutes be adopted as amended.**

**CARRIED**

#### 4. REPORT OF THE CHAIR

As Chair of this Board I have been working more closely with staff and health partners and I want to express my appreciation to staff for their hard work as the mandate of the Capital Regional Hospital District Board is to find innovative options for our services. Staff are doing a fantastic job of working with our partners. We have multiple land holdings that are being worked on right now. We appreciate the work of our partners, primarily Island Health, for being open to these innovative partnerships and approaches that Capital Regional Hospital District Board is taking. I want to acknowledge that there is work going on, and we will see many projects coming forward through the course of this year.

#### 5. PRESENTATIONS/DELEGATIONS

There were no delegations.

##### 5.1. Presentations

- 5.1.1. [23-045](#) Presentation: CRHD 2022 Audit Planning, Lenora Lee, Lead Audit Engagement Partner, KPMG (Verbal)

L. Lee provided a presentation regarding the 2022 financial audit.

#### 6. ADMINISTRATION REPORTS

- 6.1. [23-011](#) Capital Regional Hospital District 2022 Audit Planning Discussion

**MOVED by Director Kobayashi, SECONDED by Director Little,**

**That the Capital Regional Hospital District 2022 Audit Plan developed by KPMG be approved.**

**CARRIED**

**7. REPORTS OF COMMITTEES**

There were no Reports of Committees.

**8. NOTICE(S) OF MOTION**

There were no Notice(s) of Motion.

**9. NEW BUSINESS**

There was no new business.

**10. ADJOURNMENT**

**MOVED** by Director Plant, **SECONDED** by Director Little,  
That the January 11, 2023 Capital Regional Hospital District Board meeting be  
adjourned at 1:30 pm.  
**CARRIED**

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**CHAIR**

**CERTIFIED CORRECT:**

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**CORPORATE OFFICER**



Capital Regional Hospital District

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, MARCH 01, 2023**

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

**ISSUE SUMMARY**

Provide an annual update on Capital Regional Hospital District (CRHD) investment holdings and performance for the period that ended December 31, 2022.

**BACKGROUND**

The Capital Regional District (CRD) invests operating, capital and reserve funds in accordance with the *Local Government Act*, *Community Charter* and Board approved Investment Policy. The Investment Policy applies to the investment activities for all funds maintained by the CRD, the Capital Region Housing Corporation (CRHC) and the CRHD. The types and terms of investments purchased are evaluated on four fundamental objectives: safety of principal, liquidity, responsible investing and return on investment in alignment with the policy.

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 as published by major credit rating agencies. Both ratings indicate a superior credit rating on all investments.

Investments are continuously monitored to ensure the appropriate strategy through current and forecasted economic conditions. The CRHD invests net working capital and reserves in a mix of products including High-Interest Savings Accounts (HISA), fixed term Guaranteed Investment Certificates (GICs) and Municipal Finance Authority (MFA) pooled funds. The placement or divestiture of investments are timed with forecasted cash requirements.

Investments through 2022 have been made in alignment with the Board approved Investment Policy (Appendix A) which was last amended in March to incorporate the published MFA Environmental, Social and Governance Framework. Although economic and market conditions drove fluctuations and uncertainty in the portfolio, performance exceeded the benchmark rate (as detailed in the report).

**IMPLICATIONS**

*Financial Implications*

**Portfolio Holdings**

As of December 31, 2022, the CRHD investment portfolio totaled \$24.4 million invested in short-term investments, as outlined in Table 1. This increased from the \$18.6 million held in 2021 as reserve funds have risen in anticipation of future investment.

**Table 1: CRHD Investment Holdings – as of Dec 31, 2022**

Investments	Balance (\$millions)	% Share
<b>Investments Short-Term (less than 2 years)</b>		
High Interest Savings Accounts (Cash)	15.4	63.1%
Guaranteed Investment Certificates (<2 year)	9.0	36.9%
<b>Total Short-term:</b>	<b>24.4</b>	<b>100.0%</b>
<b>Total Investments:</b>	<b>\$24.4</b>	<b>100.0%</b>

As noted in Table 1 above, the CRHD investment portfolio at December 31, 2022 was distributed 100% to short-term investments. Investments with maturities less than two years are classified as short-term.

Table 2 below shows the three-year trend on investment income.

**Table 2: CRHD Investment Income Three-Year Trend (\$ Millions)**

	2020		2021		2022	
Passive Income	1.1%	\$0.2M	0.8%	\$0.2M	1.6%	\$0.3M
Value-Add	0.3%	\$0.1M	0.1%	\$0.1M	1.3%	\$0.3M
<b>Total</b>	<b>1.4%</b>	<b>\$0.3M</b>	<b>0.9%</b>	<b>\$0.2M</b>	<b>2.9%</b>	<b>\$0.6M</b>

The total effective return on investments during 2022 was \$0.6 Million or 2.9%, driven by higher interest rates impacting returns on HISAs and GICs.

## Performance

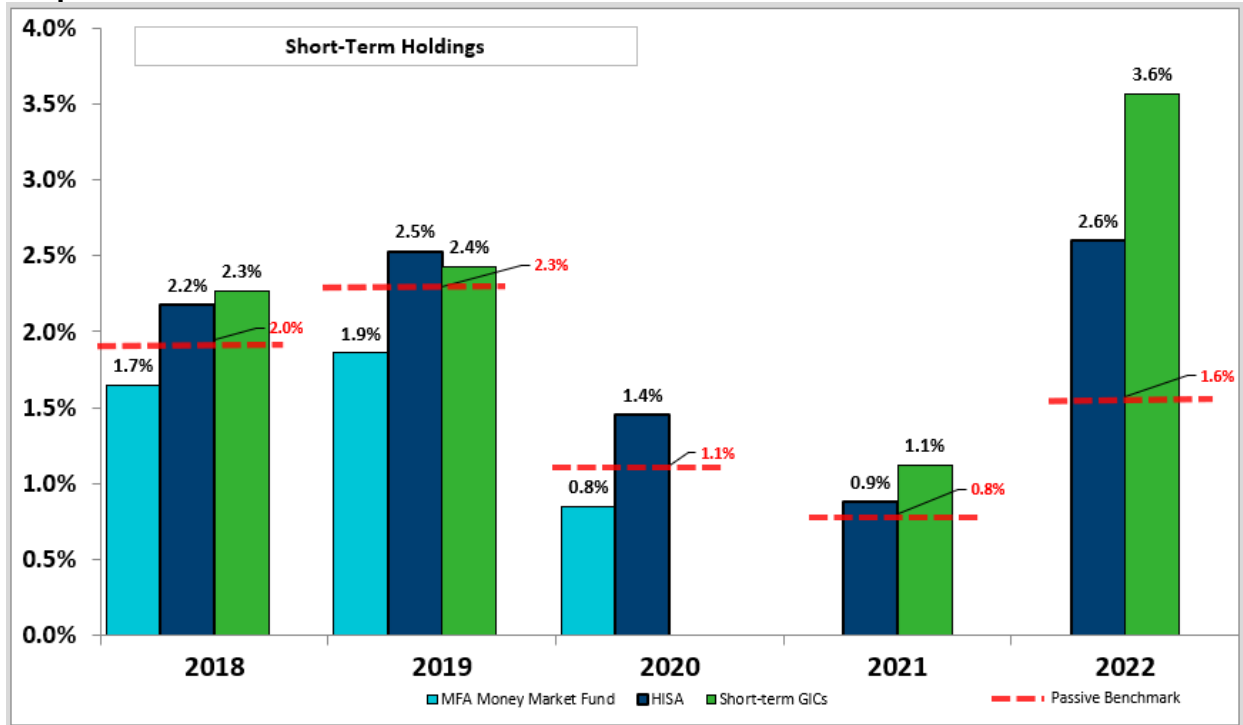
Returns in excess of benchmark were a result of active portfolio management and improvements in cashflow forecasting throughout the year. During 2022, the Bank of Canada raised the overnight interest rate eight times, this doubled of the passive benchmark rate of return from 0.8% to 1.6%. Active portfolio management leveraged rate increases into an opportunity as fixed-term interest rates also increased.

In 2022, capital project cash outflows were relatively consistent where average monthly distributions were ~\$3.0 million. Major expenditures included Oak Bay Lodge, the High Acuity Unit at Victoria General Hospital and the Lady Minto Emergency Department expansion. As projects wind down, short-term liquidity requirements will decrease. As the CRHD grows reserves in alignment with Island Health capital planning and capital asset replacement, portfolio holdings in long-term products will increase.

An active investment strategy, continued improvements in tools and maturing cash flow management remain critical to performance. Targeting specific reserve spending allows a more active investment approach where cash can be invested in potentially higher rate products when liquidity is known. This approach increases investment activity but helps achieve better performance against benchmark. 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 provides a detailed report on portfolio yields for 2022.

**Graph 1: CRHD Investment Results – Short-Term Investments:**



The passive benchmark represents the expected return from a liquid investment strategy with limited management. Passive rates over the past five years were 2.0%, 2.3%, 1.1%, 0.8% and 1.6% respectively.

The short-term GIC portfolio returned 3.6% while the HISA accounts returned 2.6%.

GIC rates rose significantly throughout 2022 and ended the year down slightly after rates hit five-year-highs. As a result of rate changes, treasury activities rebalanced the portfolio to increase return offered by the fixed-term investment market while still meeting liquidity balances on cash deposits.

**CONCLUSION**

Overall, the CRHD portfolio of investments reflects the four fundamental objectives of safety of principal, liquidity, responsible investing and return on investment. Investments have been made in alignment with the Board approved Investment Policy and investment performance was in line with expectations for the year ended December 31, 2022.



**RECOMMENDATION**

There is no recommendation. This report is for information only.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENTS**

Appendix A: Investment Policy

Appendix B: Market Analysis



## CAPITAL REGIONAL DISTRICT

Making a difference...together

## INVESTMENT POLICY

Policy Type	Board [Corporate]		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD07
Amendment #1	May 10, 2017		
Amendment #2	March 10, 2021 (Approved)		
Amendment #3	March 9, 2022 (Approved)		
Policy Owner	Financial Services		

## 1. PURPOSE

This investment policy provides the framework for investment portfolio management for the Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC).

It is the policy of the CRD, CRHD and CRHC to invest funds in a manner that provides the optimal blend of investment security and return while meeting the short and long term cash flow requirements in support of the corporate plan priorities while maintaining compliance with statutory requirements.

## 2. SCOPE

The investment policy applies to all cash operating funds, capital funds and reserve funds. It does not apply to funds held in trust or which have a specific legal or statutory requirement for cash management, disbursement, or investment.

## 3. PRINCIPLES

The investment of funds must reflect a management philosophy based on the fundamental objectives of

### 3.1 Safety of Principal

Investments shall be made to ensure preservation of principal within the portfolio. Preservation of principal is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on financial products.

### 3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow requirements.

### 3.3 Responsible Investing

The investment program will consider socially responsible investment products that adhere to statutory requirements and meet the objectives laid out in this policy.

Organizations that adopt a socially responsible investment platform in alignment with the published MFA ESG framework are preferred

### **3.4 Return on Investment**

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints, liquidity requirements and responsible investing objectives.

## **4. INVESTMENT PARAMETERS**

### **4.1 Safety of Principal**

The program will diversify cash reserve investments by security type and institution, taking into consideration the impact on return on investment. Section 5.4 outlines the authorized and suitable investments permissible to ensure optimal portfolio diversification.

### **4.2 Liquidity**

To the extent possible, portfolio management will align investments with anticipated cash flow requirements. However, a portion of the portfolio shall be continuously invested in fully-liquid investments to meet ongoing obligations.

A long-term financial plan will be established for major capital reserves. The long-term financial plan will inform the term decision when placing timed investments in order to meet liquidity requirements.

### **4.3 Responsible Investing**

Where responsible investment options provide comparable risk, return and liquidity, these facilities will be a priority. Investments are considered in alignment with responsible investing objectives when identified as meeting criteria as defined by MFA within the published MFA ESG Framework.

### **4.4 Return on Investment**

The investment program will seek to maximize the total return on all funds under management after considering protection of principal, liquidity and responsible investing. Return will be monitored through performance benchmarks to ensure program activities are providing benefits in excess of costs and with the goal to preserve capital against inflation over time. Due to the nature of the CRHC business activities, delivering affordable housing within the social service sector, CRHC will be excluded from holding lower return products.

### **4.5 Authorized and Suitable Investments**

Money held may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

1. Investments in marketable securities of a chartered bank or savings institution or any province must have a DBRS risk rating of R-1 (low) or higher for short-term debt and a rating of A (low) for long-term debt or comparable ratings of another rating organization, indicating equal or superior credit quality (see Appendix A of this policy).

2. Investment placements will conform to the portfolio diversification constraints listed in Appendix B. Exceptions to constraints listed in Appendix A require Chief Financial Officer approval and shall be reported to the Board through Standing Committee at the next available meeting.
3. Internal projects under CRD service authority are considered allowable investment options when capital reserves are not immediately required and can be accessed through inter-service borrowing. Inter-service borrowing will be in compliance with legislation and the CRD Inter-Service Borrowing Guidelines.

## 5. STANDARD OF CARE

### 5.1 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

### 5.2 Ethics and Conflict of Interest

Staff responsible for investing activities shall comply with the CRD Conflict of Interest Policy and shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

### 5.3 Delegation of Authority

Authority to manage the investment program (“the Program”) is granted to the Chief Financial Officer and is derived from section 237 of the *Local Government Act*.

### 5.4 Credit Risk Monitoring

To meet the objectives of this policy and ensure suitability of offerings, credit risk monitoring must be conducted by CRD Staff independent of vendor representations. The following due-diligence shall be performed:

1. In-house credit analysis shall be conducted on all financial institutions and investment counter-parties.
2. Credit reports and analysis, published by DBRS, S&P, Fitch or Moody’s, will be obtained from financial institutions, investment dealers and rating institutions and reviewed.
3. Credit reports and analysis are recognized as opinions and not a guarantee for safety of principal.
4. When placing investments in individual marketable securities and more than one credit rating is available, the average of two or more available credit ratings shall be used.

**5.5 Consolidated Basis**

All funds covered by this policy will be managed on a consolidated basis to ensure the best possible return by providing economies of scale.

**5.6 Program Requirements**

The Program shall abide by the following reporting requirements:

1. The Chief Financial Officer must report to the Finance Committee annually. The report must identify investment holdings and any deviations from this policy; and
2. An appropriate portfolio performance benchmark will be set and reported in the annual investment performance report.

**6. POLICY REVIEW**

<b>Review Date</b>	<b>Description:</b>
March 2026, unless legislative change or new MFA finance product	To ensure ongoing relevance, this policy shall be reviewed the earlier of: <ol style="list-style-type: none"> <li>1. If a change in the relevant legislation governing the investment activities of local governments occurs;</li> <li>2. If the Municipal Finance Authority of British Columbia establishes a new pooled fund investment product; or</li> <li>3. Every five calendar years.</li> </ol>

**7. RELATED POLICY, PROCEDURE AND GUIDELINES**

- Conflict of Interest Policy

**Appendix A**  
**Dominion Bond Rating Service (DBRS) Credit Quality Ratings**

<b>Commercial Paper &amp; Short-Term Debt</b>	<b>Bond &amp; Long-term Debt</b>	<b>Bond &amp; Long-term Debt</b>	<b>Description</b>	<b>CRD/CRHD/CRHC Investment Policy</b>
R-1 (high)	AAA	Investment Grade ↑	Superior	Permissible
R-1 (high)	AA (high)			
R-1 (middle)	AA			
R-1 (middle)	AA (low)			
R-1 (low)	A (high)		Good	
R-1 (low)	A			
R-1 (low)	A (low)			
R-2 (high)	BBB (high)	Speculative Grade	Adequate	Not Permissible
R-2 (middle)	BBB			
R-2 (low) / R-3	BBB (low)			
R-4	BB (high)		Speculative	
R-4	BB			
R-4	BB (low)		Highly Speculative	
R-4	B (high)			
R-5	B			
R-5	B (low)			
R-5	CCC			
R-5	CCC			
R-5	CCC			
R-5	CC			
R-5	C		Default	
D	D			

## Appendix B Portfolio Diversification Constraints

**Exposure constraints target protection of principal and return and set a maximum allowable share of the total portfolio that can be invested.**

Due to market fluctuations and / or the timing of investment deposit transfers, maximum percentages in Appendix C may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

The portfolio diversification constraints are found in Table 1 below:

Table 1: **Portfolio Diversification Constraints**

Investment Type	MAXIMUM of Total Reserves	MAXIMUM by Institution/product/ pooled fund
<b><u>Short-Term (&lt; 2 year holding period)</u></b>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	50%	50%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
<b><u>Long-Term (&gt; 2 year holding period)</u></b>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	60%	30%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
Internal Projects (5+ years)	30%	-
Federal Bonds	20%	10%
Municipal Finance Authority of BC Bonds	20%	20%
Provincial Bonds	15%	15%
Municipal, Regional District or Greater Board Bonds	15%	15%

## 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).

The economic theme for 2022 was one of market turbulence. Geopolitical conflict, rising interest rates and record inflation heightened recessionary risks for many economies as financial conditions came under pressure. Consequently, significant repricing in fixed income and equity markets were the result.

While 2022 market fixed income results were poor, yields across terms now offer attractive potential returns comprised of capital gains and income. Deposit rates (GICs and HISAs) began the 2022 at historically low levels but ended the year much higher, due to the impact of eight Bank of Canada interest rate hikes throughout the year.

Table 1 below presents key indicator rates at December 31 for the period 2020 to 2022:

**Table 1: Indicative Market Rates 2020 to 2022**

Rate	2020	2021	2022
Bank Of Canada – Overnight Rate	0.25% - 1.75%	0.25%	0.25% - 4.50%
HISA	0.80% - 1.06%	0.80 – 0.95%	0.72% - 4.80%
RBC – Bank Rate	0.80% - 2.30%	0.80%	0.70% - 4.70%
Fixed GIC – 180 day /1 Year (sample)	0.92% / 1.24%	0.40 – 0.70%	2.22% / 3.06%

### Investment Marketplace

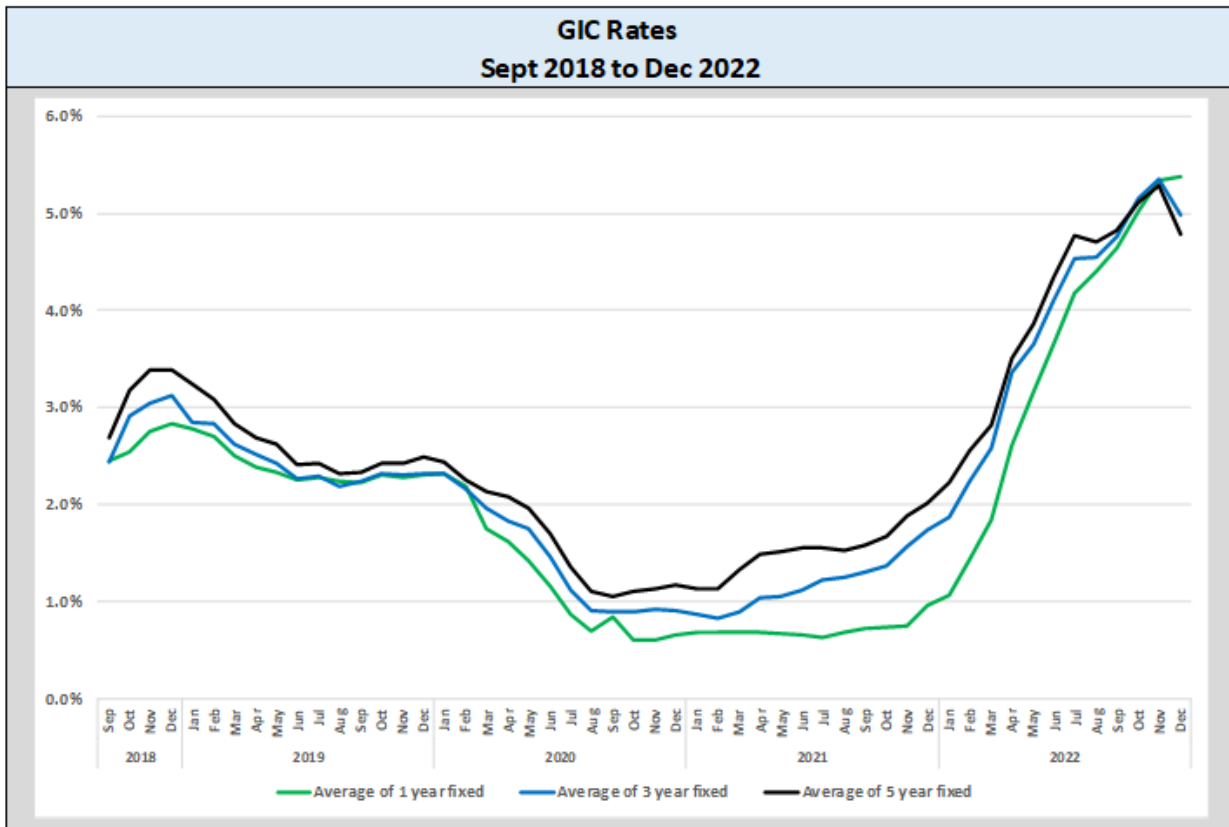
Throughout 2022, HISA rates rose but not as high as GIC rates, making them less competitive compared to fixed term GIC products. HISA allocations were driven by maintaining liquidity for unforeseen circumstances.

GIC rates increased significantly throughout 2022, exceeding the rate of increase on deposits. As shown in Graph 1, GIC rates were at their highest late in 2022, ending the year down slightly off the five-year high of 5.2%<sup>1</sup>.

<sup>1</sup> CRD treasury files



Graph 1: GIC Historical Rates (Short-Term)



In January 2022, the MFA introduced a Diversified Multi-Asset Class (DMAC) Fund. This DMAC Fund will invest in a diverse universe of securities such as corporate fixed income, common stocks and alternative asset classes such as infrastructure and real estate. The first \$15 million CRD investment was placed in the DMAC fund upon its opening by the MFA on January 17, 2022

The CRD also made a placement to the MFA Mortgage Fund, which invests in existing PH&N pooled fund products providing investment exposure to commercial investment grade mortgages.

The CRD continues to hold units in the MFA Fossil Fuel-Free Bond Fund (FFF) and the MFA Bond Fund. 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.

Over the full calendar 2022 year, the Fossil-Fuel-Free Bond Fund (FFF Fund) underperformed the MFA Bond Fund on an annual basis by 0.16% (-3.59% versus -3.43% respectively). This discrepancy was primarily due to the difference in corporate exposure between the two portfolios, specifically energy exposure. The FFF Fund had a significantly lower weight in the energy sector compared to the bond fund, which was one of the top performing corporate sectors over the year. Additionally, the FFF Fund held a higher weight to the Real Estate and Financial sectors, which experienced substantial spread widening over the year. Cumulatively, these positioning changes resulted in the MFA Bond Fund outperforming the FFF Fund by approximately 0.16% over the full year 2022.

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