

Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

Wednesday, March 10, 2021

1:00 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. [21-214](#) Minutes of the February 10, 2021 Capital Region Housing Corporation Board Meeting

Recommendation: That the minutes of the Capital Region Housing Corporation 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. [21-171](#) Capital Region Housing Corporation Operational Update No. 1, 2021

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be received for information.

Attachments: [Staff Report: CRHC Operational Update No. 1, 2021](#)
[Appendix A: Rent-up Snapshot Oct. 5, 2020 - Feb. 12, 2021](#)

6.2. [21-143](#) Capital Region Housing Corporation Investment Portfolio Holdings and Performance Annual Update

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Investment Portfolio Holdings and Performance Annual Update be received for information.

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

6.3. [21-195](#) Capital Regional District and Capital Region Housing Corporation Investment Policy Updates

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Investment Policy be rescinded and superseded by the Capital Regional District Investment Policy.

Attachments: [Staff Report: CRD & CRHC Investment Portfolio Updates](#)
[Appendix A: Updated CRD Investment Policy](#)
[Appendix B: Policy Revision Concordance Table](#)
[Appendix C: 2017 CRD Investment Policy](#)
[Appendix D: 2013 CRHC Investment Policy](#)
[Appendix E: Example - Sensitivity Analysis](#)

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

9. NOTICE(S) OF MOTION

10. NEW BUSINESS

11. ADJOURNMENT

Meeting Minutes

Capital Region Housing Corporation Board

Wednesday, February 10, 2021

12:45 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

DIRECTORS: L. Helps (Chair), D. Screech (Vice Chair), D. Blackwell, S. Brice, B. Desjardins, F. Haynes, M. Hicks, 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, C. Plant, 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; D. Elliott, Senior Manager, Regional Housing; M. Lagoa, Deputy Corporate Officer; S. Closson, Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors D. Howe, J. Ranns

The meeting was called to order at 12:47 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

Board Chair Plant provided a Territorial Acknowledgment.

2. APPROVAL OF THE AGENDA

MOVED by Director Plant, **SECONDED** by Director Seaton,
That the agenda for the February 10, 2021 Session of the Capital Region Housing Corporation Board be approved.

CARRIED

3. ADOPTION OF MINUTES

3.1. [21-120](#) Minutes of the January 13, 2021 Capital Region Housing Corporation Board Meeting

MOVED by Director Plant, **SECONDED** by Director Blackwell,
That the minutes of the Capital Region Housing Corporation 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. [21-091](#) Hockley House Development Mortgage Registration: 830 Hockley Avenue

MOVED by Director Blackwell, **SECONDED** by Director Orr,
a) That the resolution attached as Appendix A and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 830 Hockley Avenue be approved; and
b) That staff be authorized to sign any documents related to the Loan and Mortgage and Section 219 Covenant registration and to take steps necessary to conclude the purchase of 830 Hockley Avenue, Langford, BC.
CARRIED

8.2. [21-093](#) Royal Oak Square Refinancing

K. Lorette provided an overview on Royal Oak Square Refinancing.

MOVED by Director Screech, **SECONDED** by Director Plant,
That staff be authorized to apply for, accept and execute all documents related to a \$4,500,000 Canada Mortgage and Housing Corporation insured mortgage with the Toronto-Dominion Bank.
CARRIED

9. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

10. NEW BUSINESS

There was no new business.

11. ADJOURNMENT

MOVED by Director Plant, **SECONDED** by Director Mersereau,
That the February 10, 2021 Capital Region Housing Corporation Board meeting
be adjourned at 12:54 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER



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

SUBJECT **Capital Region Housing Corporation Operational Update No. 1, 2021**

ISSUE SUMMARY

To provide the Capital Region Housing Corporation (CRHC) Board with a quarterly update on the operations of the CRHC with a focus on the Operations Budget, Routine Capital and Major Capital plans. This update also includes information on the rent-up of Regional Housing First Program (RHFP) units up to February 12, 2021.

BACKGROUND

The CRHC is a wholly owned subsidiary of the Capital Regional District (CRD) with the mandate to develop and manage affordable housing to meeting the needs of individuals and families residing within the capital region. In working to fulfill its mandate, the CRHC owns and operates 1,773 units of housing providing homes to more than 3,500 residents of the capital region with low to moderate incomes. For 2021, the CRHC budgeted a total of \$23.2 million (M) across five separate operating budgets that were approved by the CRHC Board in December 2020.

The CRHC has a five year (2020-2025) \$11M Routine Capital Plan that is updated annually and was last updated by the CRHC Board in December 2020. In addition to the Routine Capital Plan, the CRHC also has a \$222.9M Major Capital Plan (2021-2025) that was approved by the CRHC Board in December 2020. Currently there are 120 new units under construction and 313 units in development tied to this Plan.

Staff committed to reporting back to the CRHC Board on the rent-up progress for RHFP buildings if the actuals appeared to vary significantly from projections. It is for this reason that this first quarter (Q1) 2021 report is being advanced early to include information related to the rent-up of RHFP units being operated by CRHC.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be received for information.

Alternative 2

That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be referred back to staff for additional information based on Hospitals and Housing Committee direction.

DISCUSSION

Activities and Initiatives

Staff continue to work in support of increasing sense of community within CRHC properties, engaging tenants, improving system operations, working toward targets on unit turnovers, and improving customer service. Ongoing tenant engagement work and the continued support to the

Tenant Advisory Committee (TAC) have been important tools in bridging between CRHC operational policies and procedures and the day-to-day realities of tenants. An overview of the activities of the TAC from 2020 is being advanced in a separate report.

The CRHC continues to experience increased pressures from a highly competitive labour market that is impacting staff's ability to fill vacancies as quickly as planned.

Routine Capital Plan

The updated Five-Year Routine Capital Plan budgeted for \$3.9M in 2021 and staff are actively working to advance needed works. As this staff report is being advanced early, actuals from Q1 are not yet available but the Q2 report will contain greater detail on progress made in moving these projects forward.

Major Capital Plan

The Five-Year Major Capital Plan budgeted for \$54.8M in 2021 across a number of significant capital projects.

Project	2021 Budget	Notes
Caledonia	\$13.8M	Project continues to advance with minor delays in the planning process. Rezoning still expected in the spring of 2021.
Michigan	\$2.3M	Project continues to advance on schedule.
Hockley	\$25.6M	Occupancy permit expected to be issued March 1, 2021. CRHC anticipates taking possession on March 19, 2021 with tenants beginning to move in on March 31/April 1, 2021.
Triway	\$12M	Project continues to advance on schedule.
New CRHC Projects	\$0.6M	Feasibility work currently underway.
CRHC Redevelopment	\$0.5M	Feasibility work expected to be underway in early Q2.

RHFP Unit Turnover and Rent-up

Turnover continues to be a challenge at Millstream Ridge, a 132 unit property in Langford. In 2020, this building had a 48% unit turnover and staff's effort to slow this by introducing a one year term lease versus month to month tenancies has not achieved the anticipated stability. Many have been impacted by unemployment, family composition changes or have been negatively affected by the large scale construction projects on either side of the building. Staff have increased the focus on this building to encourage greater tenant retention as well as working to allocate resources to attenuate the impacts of sound within and outside of the building to increase the quiet enjoyment of residents.

Rent-up at Spencer Close and West Park has been slower than anticipated. Appendix A - Rent-up Snapshot October 5, 2020 – February 12, 2021 contains an overview of these two properties and the vacancies as of February 12, 2021.

Initial budget projections for Spencer Close assumed full rent-up of the property in early March 2021 for both the shelter-rate (CAA) units and the affordable rental units. The CAA units are ahead of schedule with only one unit identified as vacant. Observations of rent-up rates up to February 12, 2021 suggest a full rent-up in early April 2021. This is approximately four weeks behind initial projections.

Initial budget assumptions for West Park assumed full rent-up of the property in early March 2021 for both CAA units and the affordable rental units. The CAA units are ahead of schedule with only three units identified as vacant. In looking at the affordable units in West Park, observations of rent-up rates up to February 12, 2021 suggest a full rent-up later than anticipated. It should be noted that the 1-bed, 1-bath units are only three to four weeks behind initial projections, but the 2-bed, 1-bathroom units and the units identified as accessible are trending slower than budget assumptions.

In response to the rent-up of both Spencer Close and West Park being slower than anticipated, staff are responding with the following actions:

- Increase capacity of the rent-up assist staff from three full time employees (FTE) (auxiliary) to five FTE (auxiliary) to better respond to the high number of inquiries and support sign up;
- Shift focus from Spencer Close to West Park;
- Engage additional marketing support to increase number of contacts and strategic targeting with potential tenants;
- Conduct a rent-level review across the RHFP portfolio to limit the competitiveness across RHFP buildings; and
- Engage additional potential community partners for accessible and two-bedroom units.

It should be noted that Hockley House, a 120 unit apartment building located in the heart of Langford is expected to be ready for tenancies on March 31/April 1, 2021. Staff are currently contacting interested parties from the waitlist and are receiving applications for the CAA units. Hockley House currently has nine pending applications for the CAA units and 16 for the affordable units.

Financial Implications

If the observed trends continue the projected impact on budget will be a deficit as follows:

	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>
Millstream	(\$145,740)	(\$165,740)	(\$20,000)
Spencer Close	\$52,866	\$55,009	\$2,143
West Park	\$47,448	(\$266,319)	(\$313,767)
Hockley House	\$61,252	\$61,252	\$0
Total Forecast	\$15,826	(\$315,798)	(\$331,624)

At this time, the staff countermeasures are expected to mitigate this estimate. However, if the current trend continues a budget amendment will be required.

Staff have estimated approximately \$416,408 in capital surplus from both West Park and Spencer Close once the 2020 operating results and small-scale capital costs associated with finalizing occupancy and possession are realized due primarily to lower than anticipated interim and take out financing rates. This capital surplus will be applied to address the potential variance from budget within the RHFP portfolio due to the slower than anticipated rent-up.

CONCLUSION

As part of staff's commitment to providing quarterly operational updates to the CRHC Board, the CRHC Operational Update No. 1, 2021 provides a snapshot of issues and items that have a potential to impact the Operations Budget, Routine Capital Plan and the Major Capital Plan. In addition, staff have identified a trend in rent-up of RHFP properties that has the potential to impact the performance of the RHFP portfolio against budget. As this quarterly report was advanced slightly ahead of schedule to include information related to tenant turnover and rent-up, a more fulsome financial picture of 2021 progress will be contained in the Operational Update No. 2 expected in July 2021.

Though the ongoing challenges related to turnover and rent-up rates have the potential to impact the overall 2021 financial performance of the RHFP portfolio, staff have developed and are in the process of implementing a number of activities that have shown a positive impact on the rent-up rates January 1 – February 12, 2021 when compared to October 5 – December 31, 2020. Additionally, staff are actively working to address the high-levels of turnover at Millstream, including working to address sound challenges within the building.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be received for information.

Submitted by:	Don Elliott, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT

Appendix A - Rent-up Snapshot October 5, 2020 – February 12, 2021

Appendix A: Rent-up Snapshot October 5, 2020 – February 12, 2021

Spencer Close

Unit Summary as of February 12, 2021

Affordable Units	Rent Charged	Total # of Units	# of Rented Units	# of Units Remaining	Pending Applications
1-Bed, 1-Bath & Den	\$1,275	12	12	0	0
2-Bed, 1 or 2 Bath	\$1,600	15	14	1	1
2-Bed, 1-Bath*	\$1,600	12	2	10	0
2.5-Bed, 1-Bath	\$1,675	65	46	19	4
Total Affordable		104			
Total Rented			74		
Total Remaining				30	5
CAA Units					
1-Bed, 1-Bath	\$375	24	23	1	0
2-Bed, 1-Bath	\$570	1	1	0	0
2-Bed, 1-Bath*	\$570	1	1	0	0
Total Barrier-Free		26			
Total Rented			25		
Total Remaining				1**	0
Building Total		130	99	31	5

* Accessible

** One unit not rented during building modifications

West Park

Unit Summary as of February 12, 2021

Affordable Units	Rent Charged	Total # of Units	# of Rented Units	# of Units Remaining	Pending Applications
1-Bed, 1-Bath	\$1,395	56	31	25	1
1-Bed, 1-Bath*	\$1,395	18	1	17	1
2-Bed, 1-Bath	\$1,735	44	10	34	1
Total Affordable		118			
Total Rented			42		
Total Remaining				76	3
CAA Units					
Studio	\$375	32	31	1	1
1-Bed, 1-Bath*	\$570	2	2	0	0
Total Barrier-Free		34			
Total Rented			33		
Total Remaining				1	1
Building Total		152	75	77	4

* Accessible

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

SUBJECT **Capital Region Housing Corporation Investment Portfolio Holdings and Performance Annual Update**

ISSUE SUMMARY

Provide an update on Capital Region Housing Corporation (CRHC) investments held and performance for the period ended December 31, 2020.

BACKGROUND

The CRHC invests operating, capital and reserve funds in accordance with the *Local Government Act, Community Charter* and the Investment Policy. The types and terms of investments purchased are evaluated conservatively on three fundamental objectives: safety of principal, liquidity, 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 have a risk rating of R-1 (mid) or higher for short-term and a rating of AA for long-term. Both ratings achieve a superior credit rating on all investments.

Investments are continuously monitored to ensure the appropriate strategy through known economic and financial conditions. The CRHC invests net working capital and replacement 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 Investment Policy. Although economic and market conditions were challenging, performance exceeded expectations for the year ended December 31, 2020, as described in the report.

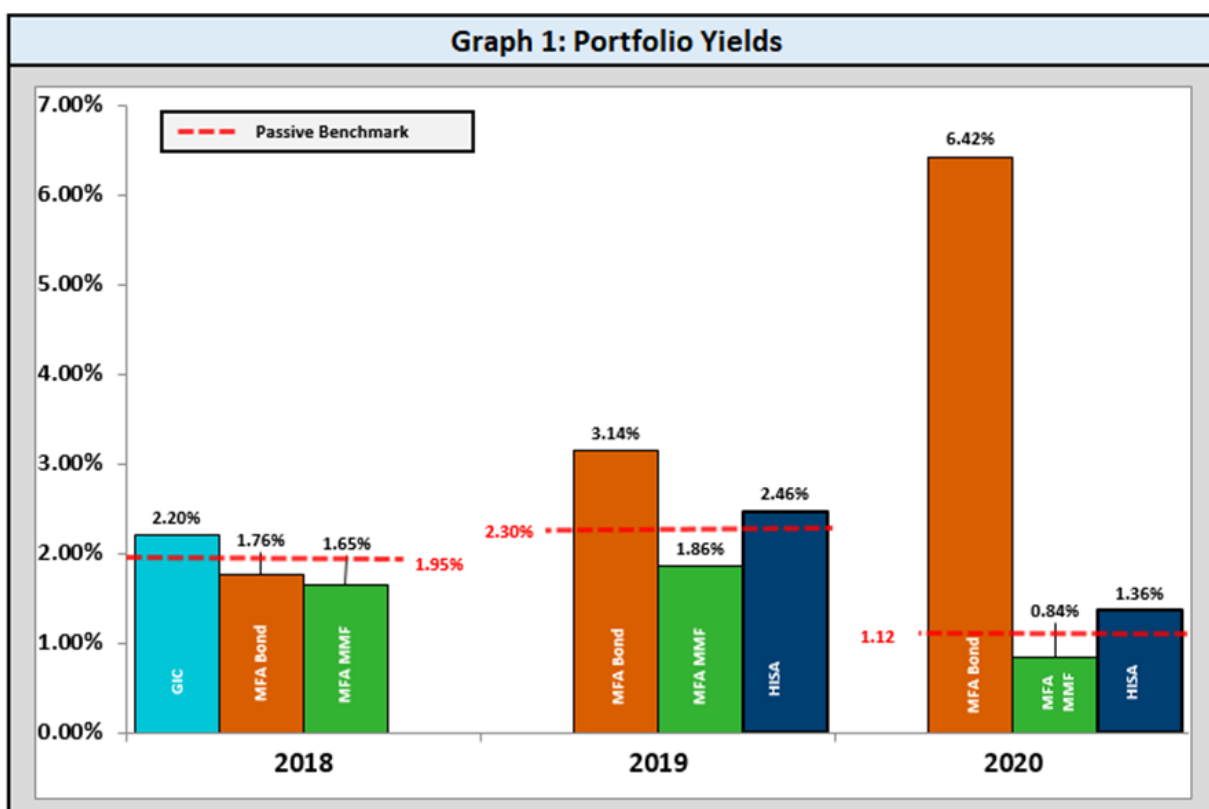
IMPLICATIONS

Financial Implications

Performance

While the Bank of Canada interest rates declined in 2020, most of the investment portfolio is long term in nature and remains invested in the MFA Bond Fund, mitigating short term market fluctuations. For short term investments, surplus net working capital is actively managed and placed in high yield products. 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.

Graph 1 below provides a detailed report on portfolio yields for 2020:



During 2020, the High Interest Savings Accounts earned 1.36% and the MFA Money Market returned 0.84%. The MFA Bond Fund posted a strong gain of 6.42% in 2020 due to the inverse relationship with falling prime interest rates. 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.

Table 1: CRHC Investment Income 3-Year Trend (\$ Thousands)

	2018		2019		2020	
Passive Income	1.6%	\$193.1K	2.3%	\$226.6K	1.1%	\$115.4K
Unrealized gain (loss)	(0.9%)	(\$56.8K)	0.5%	\$45.6K	3.5%	\$351.6K
Value-Add	0.8%	\$49.2K	0.2%	\$22.9K	1.0%	\$95.7K
Total	1.8%	\$183.4K	3.0%	\$295.0K	5.6%	\$562.7K

The total effective rate of return on investments during 2020 was 5.6%. Total investment income for 2020 was \$562.7 thousand, including unrealized gains on the MFA Bond Fund of \$351.6 thousand. The overall increase in investment income is driven by favourable returns on the MFA Bond fund and an active investment management strategy mitigating increased liquidity risk and uncertainty in 2020.

Portfolio Holdings

At December 31, 2020, the CRHC held \$10.6 million invested in short-term and long-term investments, as outlined in Table 2 below.

Table 2: Investments Holdings – as at Dec 31, 2020

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)		
CIBC/MFABC High Interest Savings Account	1.6	15%
MFA Money Market Fund	0.1	1%
Total Short-Term:	1.7	16%
Investments Long-Term (more than 2 years)		
MFA Bond Fund	8.9	84%
Total Long-Term:	8.9	84%
Total Investments:	\$10.6	100%

As noted in Table 2 above, the portfolio was distributed between short-term and long-term investments by 16% and 84%, respectively. Investments with maturities less than two years are classified as short-term. While the MFA Bond Fund is a liquid investment, investments placed in the Bond Fund are recommended for longer term holdings only.

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

Investments	Balance (\$millions)	% Share
Capital Reserves	5.2	49%
Operating Reserves	2.6	25%
Working Capital	2.8	26%
Total Investments:	\$10.6	100%

Capital reserves are primarily held for long-term capital replacement of building components resulting in a high proportion of long-term investments. Operating reserves hold surpluses to fund changes in operating results or unanticipated variances in expenditures. Working capital funds day-to-day obligations such as payroll, trade invoices and other related expenditures. As the CRHC builds reserves in anticipation asset replacement, capital reserves requiring investment in long-term investment holdings will also increase.

CONCLUSION

Overall, the Capital Region Housing Corporation portfolio of investments reflects the three fundamental objectives of safety of principal, liquidity, and return on investment. Investments have been made in keeping with requirements under the Investment Policy Statement and investment performance exceeded expectations for the year ended December 31, 2020.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Investment Portfolio Holdings and Performance Annual 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.



Making a difference...together

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

SUBJECT Capital Regional District and Capital Region Housing Corporation Investment Policy Updates

ISSUE SUMMARY

Recommended updates to the Capital Regional District (CRD) and Capital Region Housing Corporation (CRHC) investment policies.

BACKGROUND

The investment activity for both the CRD and the Capital Regional Hospital District (CRHD) is governed through the CRD Investment Policy, while the activity for the CRHC is governed through the CRHC Investment Policy. The CRD Investment Policy was originally approved by the CRD Board in September 2013 and amended in May 2017. The Capital Region Housing Corporation (CRHC) policy was approved by the CRHC Board in 1991 and amended in October 2013.

As a result of an evolving marketplace and continuous alignment to the corporate plan and corporate governance structures, a review to both investment policies was triggered and has resulted in a number of recommended updates, summarized as follows:

1. Alignment of corporate practice consistent with corporate structure (CRHC)
2. Alignment with Corporate Plan, Board Strategic Objectives and external markets
3. Refinement of diversification constraints and risk assessment practices

In order to align activities and practices across all three entities, a single policy is proposed to apply to the CRD, CRHD and CRHC. This results in the existing CRHC Investment Policy being superseded and all recommendations reflected as amendments to the existing CRD Investment Policy.

CRD investment activity is governed by Section 377 of the *Local Government Act*, which legislates that Section 183 of the *Community Charter* apply to regional districts and defines allowable investment options. Although the CRHC is not governed through these Acts, as a wholly owned subsidiary of the CRD, it is subject to the same governance standards; thus, application of similar investment policies is appropriate and has been the historical practice.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Investment Policy be rescinded and superseded by the Capital Regional District Investment Policy.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

In 2020, a review of the investment policies was conducted to assess alignment and effectiveness of delivery. The review identified opportunities to address:

1. policy alignment across all three entities of CRD, CRHD and CRHC
2. Corporate Plan (including Board Strategic Plan Objectives) consideration
3. revisions to portfolio diversification limits

1. Alignment of All Three Entities

Upon review, the principles and parameters contained in both policies were identified to be the same except for the minimum rating criteria. Combining to one policy will move the minimum rating criteria on investments from AA and R-1 (mid) to A (low) and R-1 (low). A rating of A (low) and R-1 (low) is considered satisfactory on a credit quality scale as measured by Dominion Bond Rating Service (DBRS) and is the current minimum within the existing CRD policy. Expanding the policy to all three legal entities is recommended to provide administrative consistency across all three entities and reflects a moderate to high level of investor prudence and risk mitigation.

2. Corporate Plan Direction

The review of the policy identified an opportunity to better align corporate practice with the Corporate Plan and Board Strategic Objectives with respect to responsible investing options. Revisions to the policy would provide greater flexibility and access to new suitable products.

The recommendation is to extend the responsible investing parameters to allocate a percentage of the total portfolio investments that meet responsible investing criteria, either for social or green outcomes, and include reference that internal project investments also meet responsible investing objectives. Currently, if a responsible investing option offers the same liquidity, principal protection and return, the investment will continue to be considered an authorized and suitable investment. In practice, since 2017, the experience has been of limited product offerings and lower than acceptable rates, eliminating the responsible investments as suitable options.

To address the limitations, the review work included a sensitivity analysis to determine how much of the total portfolio could be invested in lower return products before the overall return target on the total portfolio would be negatively impacted. The results of the sensitivity analysis have been included in Appendix E. The overall return target for the total portfolio is set to preserve reserves and cash against inflation.

The result of the analysis was that up to 10% of the total portfolio could be invested at rates up to 1% lower than market before negatively impacting the target return. The recommendation is to include a 10% limit on lower return investments within the responsible investing parameter.

Differently, the CRHC will be excluded from holding lower return responsible investing products, due to the 'not-for-profit' nature of its business activities. As a provider of affordable

housing, the CRHC already operates and invests within the social services sector. Furthermore, the not-for-profit corporate structure and financial operation preclude the CRHC from accepting lower than market returns, ensuring mandate delivery.

Additionally, the CRD can increase investment in responsible options through internal projects. Many CRD services directly align with Socially Responsible Investment (SRI) outcomes as defined by the United Nations Principal of Responsible Investment Social Development Goals. Making internal projects an authorized and suitable investment is recommended.

3. Portfolio Diversification Constraints

Portfolio diversification refers to the amount of money an investor has in a particular asset or institution. Diversification is an important strategy to mitigate return risk and principal. As an example, a GIC of an unrated institution has a higher risk of loss to principal than those in a rated chartered bank.

The investment policy, approved in 2017, contained a uniform 20% exposure limit to all financial institutions and a 10% limit per investment issue. The attached investment policy contains edits to remove the uniform 20% and 10% limits, in favour of limits tailored on the risk assessment by institution and by investment type. The updated investment policy contains a portfolio diversification constraint table as an Appendix, which will permit a more detailed approach to portfolio allocation and risk management.

Along with the above revisions, various other administrative updates and edits are covered in Appendix B in the Policy Amendment Concordance Table.

Once approved, investment transactions will be administered against the amended policy. The introduction of a revised portfolio diversification table will not require any immediate divestiture to ensure compliance, rather will guide activities in the future.

CONCLUSION

In 2020, a review was undertaken of the current investment policies related to the Capital Regional District, the Capital Regional Hospital District, and the Capital Region Housing Corporation to assess for alignment and effectiveness. The updated policy seeks to align activities and practices across all three entities, update principles and parameters to improve investment options aligned with market and corporate and board objectives, and ensure legislative compliance. Once approved, investment transactions after the date of approval will be administered against the amended policy.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Investment Policy be rescinded and superseded by the Capital Regional District Investment Policy.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: Updated CRD Investment Policy
- Appendix B: Policy Revision Concordance Table
- Appendix C: 2017 CRD Investment Policy
- Appendix D: 2013 CRHC Investment Policy
- Appendix E: Example – Responsible Investment Rate Sensitivity Analysis



CAPITAL REGIONAL DISTRICT

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INVESTMENT POLICY

Policy Type	Board [Corporate]		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD#
Amendment #1	May 10, 2017		
Amendment #2	March 10, 2021 (Proposed)		
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 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. When responsible investing options provide lower return but comparable liquidity and risk, the investment will be limited to 10% of the total portfolio. Limiting lower rates to a maximum of 10% of the portfolio limits exposure of capital against performance and inflation.

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

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

7. RELATED POLICY, PROCEDURE AND GUIDELINES

- Conflict of Interest Policy

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

Commercial Paper & Short-Term Debt	Bond & Long-term Debt	Bond & Long-term Debt	Description	CRD/CRHD/CRHC Investment Policy
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)			
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)			
R-4	BB			
R-4	BB (low)			
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			
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
<u>Short-Term (< 2 year holding period)</u>		
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%
<u>Long-Term (> 2 year holding period)</u>		
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%



Policy Revision Concordance Table

2021 CRD Investment Policy (Amendment #2) compared to 2017 CRD Investment Policy

Revision / Addition	Description	2021 draft CRD IP	2017 current CRD IP
Revision	Policy descriptive table updated to current policy format standard.	Policy descriptive table	Policy descriptive table
Addition	<p>Adds that the IP covers all 3 legal entities: CRD, CRHD & CRHC.</p> <p>Adds to the purpose of the policy by explicitly acknowledging that corporate plan priorities are key considerations in CRD investment management.</p>	Section 1	Section 1
Addition	Added to the scope of the policy by explicitly acknowledging that this policy does not apply to trust funds and similar objective- and statute-specific investment activity.	Section 2	Section 2
Revision	Sub-sections under section 3 “PRINCIPLES” were edited for minor language improvements.	Section 3.1 & 3.2	Section 3.1 & 3.2
Revision	Removed: “Where SRI and green investments are within 5% of maximum available yields, SRI or green facilities will be exercised.”	Section 3.3	Section 3.3
Revision	Adds “and responsible investing objectives.” to the Return on Objectives section.	Section 3.4	Section 3.4
Revision	Renames section 4 from “Standard of Care” to “INVESTMENT PARAMETERS”	Section 4	Section 4
Revision	Former sections ‘Prudence’, ‘Ethics and Conflict of Interest’ and ‘Delegation of Authority’ moved from section 4 of 2017 policy to section 5 in 2021 Investment Policy.	Section 5	Section 4
Addition	<p>Section 4.1 of the 2021 Investment Policy “Safety of Principal” and 4.2 “Liquidity” were added.</p> <p>These sections describe the considerations involved to administer these investment parameters.</p>	Section 4.1 & 4.2	N/A (New)

Revision / Addition	Description	2021 draft CRD IP	2017 current CRD IP
Addition	<p>Section 4.4 of the 2021 Investment Policy “Return on Investment” is added describing the considerations involved in this investment parameter, including investment monitoring through performance benchmarks.</p> <p>This section notes that CRHC is excluded from holding lower return products.</p>	Section 4.4	N/A (New)
Revision	<p>Updated the short- and long-term debt and bond rating grades to align with the Dominion Bond Rating Service (DBRS) ratings nomenclature for consistency.</p> <p>Appendix A provides the DBRS ratings scale.</p>	Section 4.5(1)	Sections 6.1
Revision	<p>The 2021 Investment Policy adds Appendix B, which provides a table describing the portfolio diversification constraints.</p> <p>The 2017 Investment Policy limited portfolio diversification constraints to 20% per financial institution and 10% in any one security issue.</p> <p>The new table is intended to provide improved risk management and compliance administration.</p> <p>Also, updated the short- and long-term debt and bond rating grades to align with the DBRS ratings nomenclature for consistency.</p>	Section 4.5(2)	Sections 6.4 & 6.5
Addition	Adds that internal CRD projects (5+ years in investment term) may be an investment opportunity via inter-service borrowing; and these opportunities may be socially responsible initiatives.	Section 4.5 (3)	N/A (New)
Revision	The “Standard of Care” section 4 from the 2017 Investment Policy is relocated to section 5 of the 2021 Investment Policy.	Section 5	Section 4
Revision	<p>Section 5.2 of the 2021 Investment Policy adds the reference to the CRD “Conflict of Interest Policy”, in order to elevate the visibility of this policy in administering the investment portfolio.</p> <p>Section 5.3 of the 2021 Investment Policy is edited for minor language improvements.</p> <p>Section 5.4 of the 2021 Investment Policy re-locates and expands upon the credit risk monitoring section to facilitate administration of this activity. Formerly this</p>	<p>Section 5.2 (Conflict of Interest)</p> <p>&</p> <p>5.3 (Delegation of Authority)</p> <p>&</p> <p>5.4 (Credit Risk Monitoring)</p>	<p>Section 4.2 (Conflict of Interest)</p> <p>&</p> <p>4.3 (Delegation of Authority)</p> <p>&</p> <p>5 (Credit Risk Monitoring)</p>

Revision / Addition	Description	2021 draft CRD IP	2017 current CRD IP
	material was located in sections 5 & 6.1 of the 2017 Investment Policy.		& 6.1 (Authorized and Suitable Investments)
Addition	Adds an explicit reference to the fact that CRD investments are administered on a consolidated (i.e. pooled) basis, rather than segregated investment activity by service area. (section 6 – draft 2021 IP; new to 2017 IP)	Section 5.5	N/A (New)
Addition	Adds an explicit reference to the fact an appropriate benchmark will be set and reported in the annual investment report.	Section 5.6(b)	N/A (New)
Revision	<p>The 2021 Investment Policy section 6 removes the requirement to update the investment policy whenever the CRD business banking is tendered.</p> <p>Instead, the 2021 Investment Policy stipulates a policy review will be conducted when legislation changes, the Municipal Finance Authority of BC establishes a new pooled investment product or every five (5) calendar years.</p>	Section 6 (POLICY REVIEW)	Section 11 (Policy Review)
Addition	Section 7 of the 2021 Investment Policy lists “Related Policy, Procedure and Guidelines”.	Section 7	N/A (New)
Revision	<p>Appendix A presents an updated version of the Dominion Bond Rating Service Credit Quality Ratings.</p> <p>This view adds the Investment Policy ‘permissible investment’ constraint in the table.</p>	Appendix A	Appendix 1
Addition	Appendix B presents the Investment Policy “Portfolio Diversification Constraints” table. This table will permit a more detailed approach to portfolio allocation and risk management.	Appendix B	N/A (New)



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CAPITAL REGIONAL DISTRICT

LEGISLATIVE POLICY

Section	Finance	
Subsection	Policies	
Title	INVESTMENT POLICY	

1. Purpose

The purpose of the investment policy of the Capital Regional District (CRD) is to provide the framework for investment portfolio management. It is the policy of the CRD to invest CRD funds in a manner that will provide the optimal blend of investment security and return while meeting the short and long term cash flow demands and comply with the statutory requirement of the *Local Government Act*.

2. Scope

The investment policy applies to all cash operating funds, capital funds and reserve funds.

3. Objectives

The investment of funds must reflect a conservative management philosophy based on four fundamental objectives, in the following order of priority:

3.1 Safety of Principal

Investments shall be made to ensure preservation of capital within the portfolio. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

3.2 Liquidity

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

3.3 Responsible Investing

Where possible, socially responsible investing (SRI) and green investing criteria will be applied to the selection of investments. The CRD investment program will consider SRI products that adhere to statutory requirements and meet the objectives laid out in this policy. Organizations that adopt a socially responsible investment platform are preferred. Where SRI and green investments are within 5% of maximum available yields, SRI or green facilities will be exercised.

3.4 Return on Investment

The investment portfolio shall be designed with the objective of maximizing returns subject to the risk constraints and liquidity requirements of the CRD.

4. Standard of Care

4.1 Prudence

Investments shall be made with judgement 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.

4.2 Ethics and Conflict of Interest

Staff responsible for investing 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.

4.3 Delegation of Authority

Authority to manage the CRD investment program is granted to the Chief Financial Officer and is derived from Section 237 of the *Local Government Act* as follows:

Section 237: One of the officer positions established under section 234 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions investing funds, until required, in investments referred to in section 183 of the *Community Charter* (investment of municipal funds).

5. Credit Risk Monitoring

In addition to in-house monitoring, the CRD make use of the credit analysis available through its financial institutions, brokers, and credit rating institutions. This includes, but is not limited to the Dominion Bond Rating Service (DBRS), Standard & Poor's (S&P), and Moody's. It must be recognized that the use of any credit analysis is an assessment and not a guarantee for safety of principal.

6. Authorized and Suitable Investments

Money held by the Capital Regional District may be invested or reinvested according to section 183 of the Community Charter subject to the following conditions:

6.1 Investments in securities of a chartered bank or savings institution or any province must:

- i) Have a DBRS rating of R-1 (low) or higher for Short term debt and a rating of A- for Long term debt or Bonds or comparable ratings of another rating organization, indicating equal or superior credit quality (see Appendix 1 of the policy).

6.2 Investments in credit union deposits must carry adequate insurance protection through that credit union's respective insurance corporation.

6.3 Investments shall be held in the name of the CRD by approved institutions.

6.4 Investments in any one security issue shall not exceed 10% of that security issue.

6.5 Investments with any one financial institution shall not exceed 20% of the District's maximum annual investment portfolio. Due to market fluctuations, maximum percentages 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.

6.6 The percentage limits specified in items 6.4 and 6.5 do not apply to investments made in securities of Canada or provincially backed deposits.

6.7 All investments are to follow the constraints laid out per this Investment Policy. If an investment opportunity exists that lies outside of the constraints governing this policy, the Chief Financial Officer can make a recommendation to the Finance Committee to act on the opportunity. Any such investments must comply as an eligible investment defined in the Local Government Act. A maximum investment allocation not exceeding 20% of the total portfolio will be permitted.

7. Investment Parameters

7.1 Diversification

The CRD will diversify its cash reserve investments by security type and institution, taking into consideration the impact on return on investment.

7.2 Maturity

To the extent possible the CRD shall attempt to match its investments with anticipated cash flow requirements. However, because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds to meet ongoing obligations. Long term investments may be acquired if the maturity is related to a specific program, and is made to coincide as nearly as practicable with the expected use of the funds attached to that program.

8. Competitive Bids

The CRD shall solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data information services.

9. Authorized Investment Dealers and Financial Institutions

A list of approved investment dealers and financial institutions authorized to provide investment services will be maintained by the CRD. All qualified bidders for investment transactions will be members in good standing of the Investment Industry Regulatory Organization of Canada (IIROC), Mutual Fund Dealers Association (MFDA) or the B.C. Securities Commission.

10. Safekeeping and Custody

All security transactions entered into by the CRD shall be conducted on a delivery versus payment basis. The Chief Financial Officer must be satisfied that physical possession of the security is in possession or held by a custodial service.

11. Policy Review

This policy shall be reviewed periodically by the Chief Financial Officer to ensure congruence with changing activities of the CRD, market conditions, technology, evolving regulatory standards and private industry best practices. In addition, to insure periodic Finance Committee review, this policy will be reconsidered each time the CRD tenders its banking services.

12. Reporting

The Chief Financial Officer must report to the Finance Committee annually. The report must identify investment holdings and any deviations from policy.

Approval Date:	September 22, 2013	Approved By:	Board
1. Amendment Date:	May 10, 2017	Approved By:	Board
2. Amendment Date:		Approved By:	
3. Amendment Date:		Approved By:	
Next Review Date:		Reviewed By:	
Supersedes:	Investment Policy approved by Finance & Administration Committee, Nov 28, 2001		

Appendix 1
Credit Quality Ratings

	<i>Moody's</i>		<i>Standard & Poor's</i>		<i>DBRS</i>		<i>Grade</i>
Highest Quality	Aaa	P-1	AAA	A-1+	AAA	R-1 (high)	Investment Grade
	Aa1	P-1	AA	A-1	AA (high)	R-1 (high)	
High Quality	Aa2	P-1	AA	A-1	AA	R-1 (middle)	
	Aa3	P-1	AA	A-1	AA (low)	R-1 (middle)	
Upper Medium Grade	A1	P-1	A	A-2	A (high)	R-1 (low)	
	A2	P-1	A	A-2	A	R-1 (low)	
	A3	P-1	A	A-2	A (low)	R-1 (low)	
Medium Grade	Baa1	P-2	BBB	A-3	BBB (high)	R-2 (high)	
	Baa2	P-2	BBB	A-3	BBB	R-2 (middle)	
	Baa3	P-3	BBB	A-3	BBB (low)	R-2 (low)	
Speculative	Ba1	NP	BB	B	BB (high)	R-3	Speculative Grade
	Ba2	NP	BB	B	BB	R-4	
	Ba3	NP	BB	B	BB (low)	R-4	
Highly Speculative	B1	NP	B	B	B (high)	R-4	
	B2	NP	B	B	B	R-5	
	B3	NP	B	B	B (low)	R-5	
Substantial Risk	Caa1	NP	CCC	C	CCC	R-5	
	Caa2	NP	CCC	C	CCC	R-5	
	Caa3	NP	CCC	C	CCC	R-5	
Extremely Speculative	Ca	NP	CC	C	CC	R-5	
Possibly in Default	C	NP	R	R	C	R-5	
Default			D	D	D	D	

POLICY AND PROCEDURES MANUAL	SUBJECT Investment Policy		
	POLICY NO. 1.10	EFFECTIVE July 25, 1991	Amendment #2 October 22, 2013

1. Purpose

The purpose of the investment policy of the Capital Region Housing Corporation (CRHC) is to provide the framework for investment portfolio management. It is the policy of the CRHC to invest CRHC Surplus operating and replacement reserve funds in a manner that will provide the optimal blend of investment security and return while meeting the short and long term cash flow demands and comply with the statutory requirements of the *Local Government Act*.

2. Scope

The investment policy applies to all cash operating funds, capital funds and reserve funds.

3. Objectives

The investment of funds must reflect a conservative management philosophy based on three fundamental objectives, in the following order of priority:

3.1 Safety of Principal

Investments shall be made to ensure preservation of capital within the portfolio. Preservation of capital is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on individual securities and to maximize the yield from a blend of financial products.

3.2 Liquidity

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

3.3 Return on Investment

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

4. Standard of Care

4.1 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.

4.2 Ethics and Conflict of Interest

Staff responsible for investing 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.

4.3 Delegation of Authority

Authority to manage the CRHC investment program is granted to the Financial Officer and is derived from Section 199 of the *Local Government Act* as follows:

Section 199: One of the officer positions established under section 196 must be assigned the responsibility of financial administration, which includes the following powers, duties and functions investing funds, until required, in investments referred to in section 183 of the *Community Charter* (investment of municipal funds).

5. Credit Risk Monitoring

In addition to in-house monitoring, the CRHC make use of the credit analysis of the Dominion Bond Rating Service. It must be recognized that the use of any credit analysis is an assessment and not a guarantee for safety of principal.

6. Authorized and Suitable Investments

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

6.1 Investments in securities of a chartered bank or savings institution or any province must:

- i) Have a Dominion Bond Rating Service (DBRS) rating of R-1 mid or higher for Short term debt and a rating of AA for Long-term debt or Bonds or comparable ratings of another rating organization, indicating superior credit quality (See Appendix 1 of the policy).
- ii) Be purchased directly from the chartered bank, savings institution or province or from an investment dealer who is a member of the Investment Dealers Association who will act as an agent for the institutions with the approved DBRS rating.

- 6.2 Investments in credit union deposits must be covered by the *Financial Institution Act* of the Province of British Columbia which provides unlimited deposit insurance protection on all deposits in British Columbia credit unions.
- 6.3 Investments shall be held in the name of the CRHC by approved institutions.
- 6.4 Investments in any one security issue shall not exceed 10% of that security issue.
- 6.5 Investments with any one financial institution shall not exceed 20% of the District's maximum annual investment portfolio.
- 6.6 The percentage limits specified in items 6.4 and 6.5 do not apply to investments made in securities of Canada, the Province, the Municipal Finance Authority of British Columbia (MFA) or pooled investments funds under section 16 of the *Municipal Finance Authority Act*.

7. Investment Parameters

7.1 Diversification

The CRHC will diversify its cash reserve investments by security type and institution, taking into consideration the impact on return on investment.

7.2 Maturity

To the extent possible the CRHC shall attempt to match its investments with anticipated cash flow requirements. However, because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio shall be continuously invested in readily available funds to meet ongoing obligations. Long term investments may be acquired if the maturity is related to a specific program, and is made to coincide as nearly as practicable with the expected use of the funds attached to that program.

8. Competitive Bids

The CRHC shall solicit competitive verbal quotations for the purchase and sale of securities when it is prudent to do so. This policy recognizes that, from time to time, offerings of value may require immediate action. Under such circumstances competitive bids may not be sought provided that value can be substantiated by market data information services.

9. Safekeeping and Custody

All security transactions entered into by the CRHC shall be conducted on a delivery versus payment basis. The Treasurer must be satisfied that physical possession of the security is in possession or held by a custodial service.

10. Policy Review

This policy shall be reviewed periodically by the Financial Officer to ensure congruence with changing activities of the CRHC, market conditions, technology, evolving regulatory standards and private industry best practices. In addition, to insure periodic Finance and Corporate

Services Committee review, this policy will be reconsidered each time the CRD tenders its banking services.

11. Reporting & Monitoring

Interest income credited to the Administration Revenue shall be reported to the Board on the Quarterly Report. Housing Corporation staff, accountant and CRD Manager – Treasury will meet at least quarterly to review CRHC investments and earned interest. Interest income shall be allocated to the reserve accounts which will be reviewed annually for fairness.

Appendix 1

Dominion Bond Rating Service (DBRS) ratings on credit quality

Commercial Paper and Short Term Debt	Commercial Paper and Short Term Debt	Bond and Long Term Debt	Bond and Long Term Debt
DBRS Symbol	Credit Quality	DBRS Symbol	Credit Quality
R-1 (high)	Highest	AAA	Highest
R-1 (mid)	Superior	AA	Superior
R-1 (low)	Satisfactory	A	Satisfactory
R-2 (high)	Adequate	BBB	Adequate
R-2 (mid)	Adequate	BB	Speculative
R-2 (low)	Adequate	B	Highly Speculative
R-3 (high)	Speculative	CCC	Very Highly Speculative
R-3 (mid)	Speculative	CC	Very Highly Speculative
R-3 (low)	Speculative	C	Very Highly Speculative
D	In Arrears	D	In Arrears
NR	Not Rated		

Appendix E: Example – Responsible Investment Rate Sensitivity Analysis

Purpose: to illustrate impact on returns with a portfolio limit of 10% for responsible investment products with lower than market returns.

EXAMPLE: Sensitivity on return of lowest expected return (1%) on responsible investment products with limit of 10% of total investments. Assumptions: Market Rate 2%; Lower Rate 1%; Principal \$10M.

Table 1: Earnings impact of 10% @ lower rate (1%) on \$10M

Scenario	Portfolio %	Earnings	Eff Rate
100% Market Rate	100% @ 2.0%	\$200K	2.0%
90% Market Rate 10% Lower Rate	90% @ 2.0% 10% @ 1.0%	\$190k	1.9%

CRD PORTFOLIO SENSITIVITY:

Applying the effective rate to the average CRD portfolio holdings (Average \$250M), yields (\$250K) lower interest income. Table 2 identifies the relative sensitivity of higher % invested at lower rates.

% PORTFOLIO @ LOWER RATE		
ALLOCATION	CHANGE IN RETURN (\$)	CHANGE IN RETURN (%)
0%	0	0.00%
10%	(250,000)	-0.10%
20%	(500,000)	-0.20%
30%	(750,000)	-0.30%
40%	(1,000,000)	-0.40%
50%	(1,250,000)	-0.50%
60%	(1,500,000)	-0.60%
70%	(1,750,000)	-0.70%
80%	(2,000,000)	-0.80%
90%	(2,250,000)	-0.90%
100%	(2,500,000)	-1.00%