



Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

Wednesday, March 9, 2022

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. [22-101](#) Minutes of the January 12, 2022 Capital Region Housing Corporation Board Meeting

Recommendation: That the minutes of the Capital Region Housing Corporation Board meeting of January 12, 2022 be adopted as circulated.

Attachments: [Minutes - January 12, 2022](#)

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 for "Addressing the Board" on our website 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.

5.1. Presentations

5.2. Delegations

6. CONSENT AGENDA

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

8.1. [22-087](#) Capital Region Housing Corporation Investment Portfolio Holdings and Annual Performance 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 Annual Performance Update report be received for information.

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

9. BYLAWS

10. NOTICE(S) OF MOTION

11. NEW BUSINESS

12. MOTION TO CLOSE THE MEETING

14. ADJOURNMENT

Meeting Minutes

Capital Region Housing Corporation Board

Wednesday, January 12, 2022

1:00 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT:

J. Loveday (Chair), D. Screech (Vice Chair), D. Blackwell, P. Brent (for D. Howe) (EP), S. Brice (EP), B. Desjardins (EP), L. Helps (EP), F. Haynes (1:01 pm) (EP), M. Hicks (1:01 pm) (EP), G. Holman (EP), B. Isitt (EP), R. Martin (EP), C. McNeil-Smith (EP), R. Mersereau (EP), K. Murdoch (1:02 pm) (EP), G. Orr (1:04 pm) (EP), C. Plant, J. Ranns (EP), L. Seaton (EP), M. Tait (EP), N. Taylor (EP), K. Williams (EP), R. Windsor (1:04 pm) (EP), G. Young (EP)

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

Guests: S. Burden & L. Lee, Lead Audit Engagement Partners, KPMG

EP - Electronic Participation

Regrets: D. Howe

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

1. TERRITORIAL ACKNOWLEDGEMENT

Vice Chair Screech provided the Territorial Acknowledgement.

2. APPROVAL OF THE AGENDA

MOVED by Director Plant, **SECONDED** by Director Blackwell,
That the agenda for the January 12, 2022 Session of the Capital Region Housing Corporation Board be approved.
CARRIED

3. ADOPTION OF MINUTES

3.1. [21-905](#) Minutes of the December 8, 2021 Capital Region Housing Corporation Board

MOVED by Director Screech, **SECONDED** by Director Plant,
That the minutes of the Capital Region Housing Corporation Board meeting of December 8, 2021 be adopted as circulated.
CARRIED

4. REPORT OF THE CHAIR

The Chair stated that he looks forward to the very important work that Capital Regional Housing Corporation Board will undertake in 2022. He noted that the Tenant Advisory Committee met in December 2021 and discussed presenting to the Capital Regional Housing Corporation Board or Hospitals and Housing Committee.

5. PRESENTATIONS/DELEGATIONS

5.1. Presentations

- 5.1.1. [22-005](#) Presentation: CRHC 2021 Audit Planning, Lenora Lee, Lead Audit Engagement Partner, KPMG (Verbal)

Director Young stated that he has a family member who works for KPMG and therefore would recuse himself from any discussion regarding selection of the auditor.

L. Lee provided a presentation regarding the 2021 financial audit.

Discussion took place regarding materiality.

**MOVED by Director Blackwell, SECONDED by Director Screech,
That the Capital Region Housing Corporation 2021 Audit Planning verbal
presentation be received for information.
CARRIED**

5.2. Delegations

There were no delegations.

6. CONSENT AGENDA

There were no Consent Agenda items.

7. ADMINISTRATION REPORTS

- 7.1. [22-014](#) Capital Region Housing Corporation 2021 Audit Planning Discussion

**MOVED by Director Screech, SECONDED by Director Blackwell,
That the Capital Region Housing Corporation 2021 Audit Plan developed by
KPMG be approved.
CARRIED**

7.2. [22-026](#) Cairns Park Mortgage Renewal - Revised Resolution

K. Lorette spoke to Item 7.2.

Discussion ensued regarding balance owing.

**MOVED by Director Screech, SECONDED by Director Plant,
The Capital Region Housing Corporation Board approve the revised Resolution of
Directors to renew the mortgage for Cairns Park.
CARRIED**

8. REPORTS OF COMMITTEES

There were no Reports of Committees.

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 Screech, SECONDED by Director Plant,
That the January 12, 2022 Capital Region Housing Corporation Board meeting be
adjourned at 1:21 pm.
CARRIED**

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER



REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MARCH 02, 2022

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

ISSUE SUMMARY

Provide an annual update on Capital Region Housing Corporation (CRHC) investments held and performance for the period ended December 31, 2021.

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 Capital Regional Hospital District (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 have a risk rating of R-1 (low) or higher for short-term and a rating of A- for long-term as published by major credit rating agencies. Both ratings achieve a superior credit rating on all investments.

Investments are continuously monitored to ensure the appropriate strategy through current and forecasted economic conditions. The CRHC invests net working capital and replacement 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 2021 have been made in alignment with the Board approved Investment Policy. Although economic and market conditions resulted in a low rate environment and drove uncertainty in the portfolio, performance exceeded expectations for the year ended December 31, 2021, as detailed in the report.

IMPLICATIONS

Financial Implications

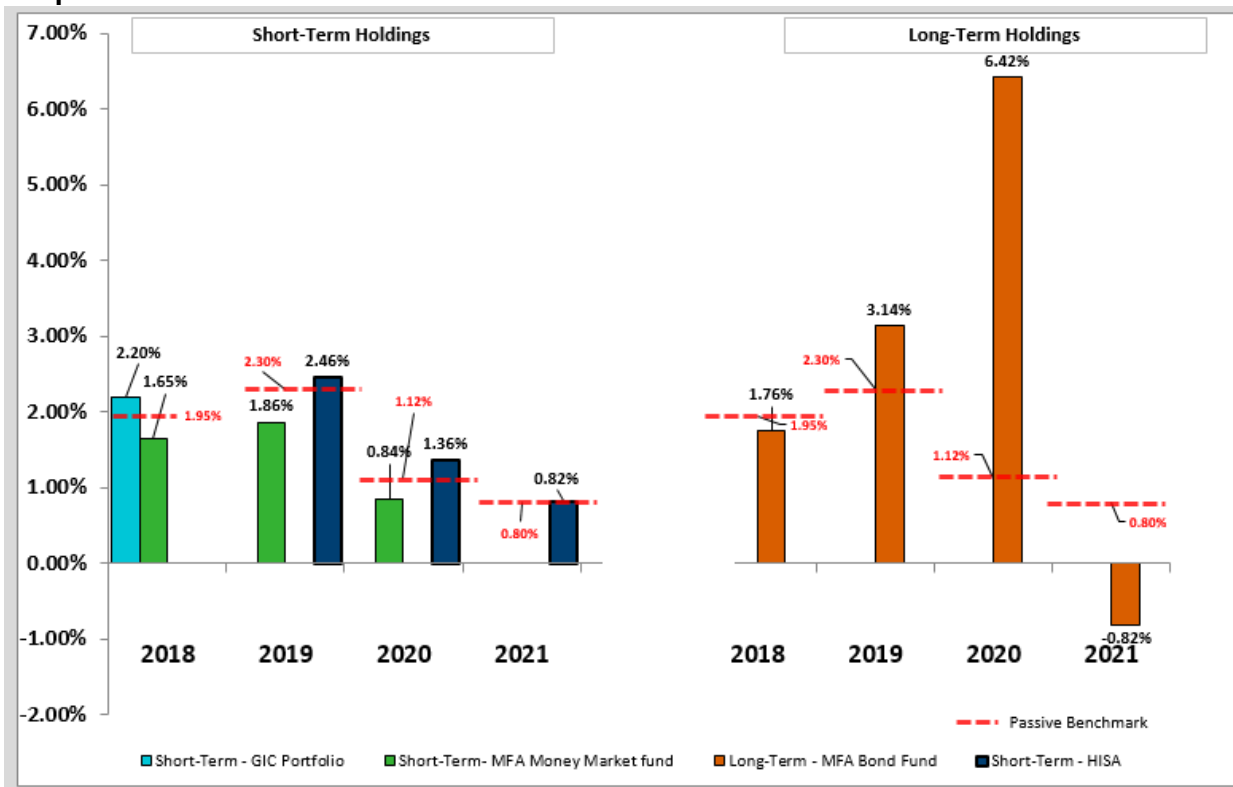
Performance

In comparison to 2020, 2021 returns were lower, driven by historically low rates attributed to Bank of Canada policies and the fixed income market. Returns in excess of benchmark were a result of active portfolio management and improvements in cashflow forecasting throughout the year.

Most of the investment portfolio is long term in nature and remains invested in the MFA Bond Fund, mitigating short term market fluctuations. Short term investments are actively managed and placed in high yield liquid products.

Graph 1 below provides a detailed report on portfolio yields for 2021.

Graph 1: Portfolio Yields 2021



The passive benchmark represents the expected return from a liquid investment strategy with limited active management. Passive rates over the past 4 years were 1.95%, 2.30%, 1.12% and 0.80% respectively.

During 2021, the High Interest Savings Accounts earned 0.82%. The MFA Bond Fund posted a loss of -0.82% in 2021 due to the inverse relationship between interest rates and the long term bond yield. This is in contrast to the annual return in 2020 of 6.42% when interest rates dropped sharply due to coordinated monetary policy responses to the global pandemic. When evaluating performance of long term holdings, it is preferable to set a longer time horizon. Since 2014, the compounded annual return is 2.2%, resulting in approximately \$1.4 million in investment growth over this period.

Table 1 below shows the three-year trend on investment income.

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

	2019		2020		2021	
Passive Income	2.3%	\$226.6K	1.1%	\$115.4K	0.8%	\$80.0K
Unrealized gain (loss)	0.5%	\$45.6K	3.5%	\$351.6K	-2.5%	-\$253.5K
Value-Add	0.2%	\$22.9K	1.0%	\$95.7K	1.1%	\$112.8K
Total	3.0%	\$295.0K	5.6%	\$562.7K	-0.6%	-\$60.7K

The total effective rate of return on investments during 2021 was -0.6% with an investment loss of \$60.7 thousand including unrealized losses on the MFA Bond Fund of (\$253.5) thousand. The overall decrease in annual investment income over prior year was due to historic low rates and unrealized losses in the MFA pooled funds. An active investment management strategy helped mitigate low yields and economic uncertainty through 2021.

Portfolio Holdings

At December 31, 2021, the CRHC held \$10.5 million invested in short-term and long-term investments, as detailed in Table 2 below.

Table 2: Investment Holdings – as at Dec 31, 2021

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)		
CIBC High Interest Savings Account (Cash)	1.5	15%
Total Short-term:	1.5	15%
Investments Long-Term (more than 2 years)		
MFA Bond Fund	8.9	85%
Total Long-term:	8.9	85%
Total Investments:	\$10.5	100%

The portfolio was distributed between short-term and long-term investments in a 15/85 split. Investments with maturities or approaching maturities less than two years are classified as short-term. While the MFA Bond Fund is a liquid investment, investments placed in the fund are recommended for long term holdings only.

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, 2021.

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 2021, the Bank of Canada held its key overnight constant at 0.25%. For most of 2021, 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 2021:

Table A1: Indicative Market Rates 2018 to 2020

Rate	2018	2019	2020	2021
Bank Of Canada – Overnight Rate	1.25% - 1.75%	1.75%	0.25% - 1.75%	0.25%
HISA	1.96% - 2.46%	2.46%	0.80% - 1.06%	0.80 – 0.95%
RBC – Bank Rate	1.70% - 2.30%	2.30%	0.80% - 2.30%	0.80%
Fixed GIC – 180 day /1 Year (sample)	1.57% / 2.68%	1.68% / 2.30%	0.92% / 1.24%	0.40 – 0.70%

Investment Marketplace

Throughout 2021, HISA rates fell making them less competitive compared to fixed term GIC products. HISA allocations were driven by liquidity needs.

The CRD remains in the queue to invest in the MFA Mortgage Fund, which invests in existing PH&N pooled fund products, providing investment exposure to commercial investment grade mortgages.

The CRD placed \$30 million in 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.

Over the full calendar 2021 year, the MFA Fossil-Fuel-Free Bond Fund (FFF Fund) underperformed the MFA Bond Fund on an annual basis by approximately 0.10% (-0.92% versus -0.82% respectively). This discrepancy was almost entirely due to the difference in corporate exposure between the two portfolios. The FFF Fund held a higher weight to the communications sector, which experienced the most significant widening over the year. Additionally, the FFF Fund had a lower weight in the energy sector, which experienced spread tightening on the back of recovering oil prices. Finally, the FFF Fund held a higher weight to the financial sector, which also experienced spread widening over the year. Cumulatively, these positioning changes resulted in the MFA Bond Fund outperforming the FFF Fund by approximately 0.10% over the full year 2021.

At the end of 2021, the MFA had plans to introduce 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.

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