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REPORT TO FINANCE COMMITTEE MEETING OF WEDNESDAY, MAY 6, 2026

SUBJECT Updates to the Capital Regional District Investment Policy

ISSUE SUMMARY

The Investment Policy establishes the framework for investment portfolio management of the Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC). The Finance Committee's recommendation is requested to advance the revised Investment Policy (BRD07) for Board approval.

BACKGROUND

The Investment Policy was first adopted on September 22, 2013, with amendments made on May 10, 2017, March 10, 2021 and March 9, 2022 (Appendix A). In accordance with the established review cycle, the scheduled March 2026 policy review has been completed. The resulting revision has been prepared and is attached as Appendix C.

The CRD's Financial Services and Legal and Risk Management Divisions collaborated to strengthen the policy's governance and risk management controls. The proposed revisions are intended to provide clarity and enhance documentation and reporting protocols within applicable statutory investment authorities. A red-lined version showing these specific changes is provided in Appendix B.

Updates to the policy include:

- Clarified governance roles and definitions, including delegation and accountability.
- Enhanced disclosure: The Chief Financial Officer's annual report to the Finance Committee (and the Board, where applicable) will now include detailed portfolio composition, explicit confirmation of compliance with diversification limits and disclosure of any material exceptions with supporting rationale. It will also highlight material credit events or emerging risks.
- Strengthened performance objectives and benchmarks: The establishment of a defined market-based performance objective (net of investment costs) and a benchmark framework aligned to the portfolio's composition. This includes requirements for periodic review and annual reporting against benchmark(s), with explanations of material variances.
- Updated credit quality standards: A revision to Schedule A (Dominion Bond Rating Service Credit Quality Ratings) to enhance credit-risk monitoring practices, including using the lowest available credit rating where multiple ratings exist.
- Revised diversification framework: The restructuring of Schedule B (Portfolio Diversification Constraints) into a consolidated table to improve exception management and reporting. This also includes updated concentration limits for banks and Municipal Finance Authority (MFA) pooled funds as detailed in Appendix D.

- Structured products requirements: The introduction of minimum requirements and limits for structured deposits and principal-protected notes, including a cap aggregate exposure at 25% of total portfolio principal (subject to Schedule B limits). Use of these products is restricted to investments permissible under applicable legislation and must comply with the policy's credit quality and diversification requirements.
- Maintaining a responsible investing approach consistent with safety, liquidity and return objectives. The policy confirms that for CRHC the priority is maximizing risk-adjusted returns to support affordable housing delivery.

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board: That the revised Investment Policy (BRD07) be approved.

Alternative 2

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

IMPLICATIONS

Financial Implications

The policy provides the governance framework for investing operating, capital and reserve funds including permitted investment types, diversification limits and reporting requirements. The proposed revisions are not expected to create a budget impact. They primarily focus on clarifying governance, strengthening risk controls and updating investment and reporting parameters.

Service Delivery Implications

The revised policy is intended to support the consistent administration of the consolidated investment program across the CRD, CRHD and CRHC. Implementation may require one-time updates to Corporate Finance and Treasury templates, checklists and reporting formats (e.g., benchmark and performance reporting language and exception tracking). No material impacts are expected for financial reporting, budget and financial performance, or operational departments. Coordination will continue through existing processes including cash-flow forecasting, year-end disclosures and supporting schedules as well as annual investment reporting.

Alignment with Board & Corporate Priorities

The policy continues to recognize responsible investing considerations, including alignment with the MFA environmental, social and governance framework where consistent with core objectives (safety, liquidity and return objectives).

The revisions strengthen governance, documentation and transparency. This supports prudent stewardship of public funds and consistent decision-making while reinforcing guardrails and monitoring performance and risk to balance return objectives with liquidity needs and capital preservation.

CONCLUSION

Financial Services have completed the scheduled March 2026 review of the Investment Policy (BRD07). The prepared revisions strengthen clarity, governance and reporting expectations while maintaining the policy’s core objectives. The Finance Committee’s approval is requested to advance the revised policy (Appendix C) for Board approval.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:
That the revised Investment Policy (BRD07) be approved.

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Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS

- Appendix A: Investment Policy (BRD07) – current version (approved, March 9, 2022)
- Appendix B: Investment Policy (BRD07) – redlined version
- Appendix C: Investment Policy (BRD07) – revised version (March 2026)
- Appendix D: Summary of Investment Policy Changes