

**REPORT TO THE HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, MARCH 05, 2025**

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

**ISSUE SUMMARY**

To provide an annual update on Capital Regional Hospital District (CRHD) investment holdings and performance for the period ended December 31, 2024.

**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 (Appendix A). 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 2024 have been made in alignment with the Board approved Investment Policy. 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, 2024, the CRHD investment portfolio totaled \$28.3 million invested in short-term investments, as outlined in Table 1.

**Table 1: CRHD Investment Holdings – as of December 31, 2024**

<b>Investments</b>	<b>Balance (\$millions)</b>	<b>% Share</b>
<b>Investments Short-Term (less than 2 years)</b>	28.3	100.0%
<b>Investments Long-Term (more than 2 years)</b>	0.0	0.0%
<b>Total Investments:</b>	<b>\$28.3</b>	<b>100.0%</b>

As noted in Table 1, the CRHD investment portfolio on December 31, 2024 was distributed 100% to short-term investments. Investments with maturities less than two years are classified as short-term.

**Performance**

The total effective return on investments during 2024 was \$1.8 Million or 5.6%, driven by higher interest rates in 2024 impacting returns on HISAs and GICs.

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

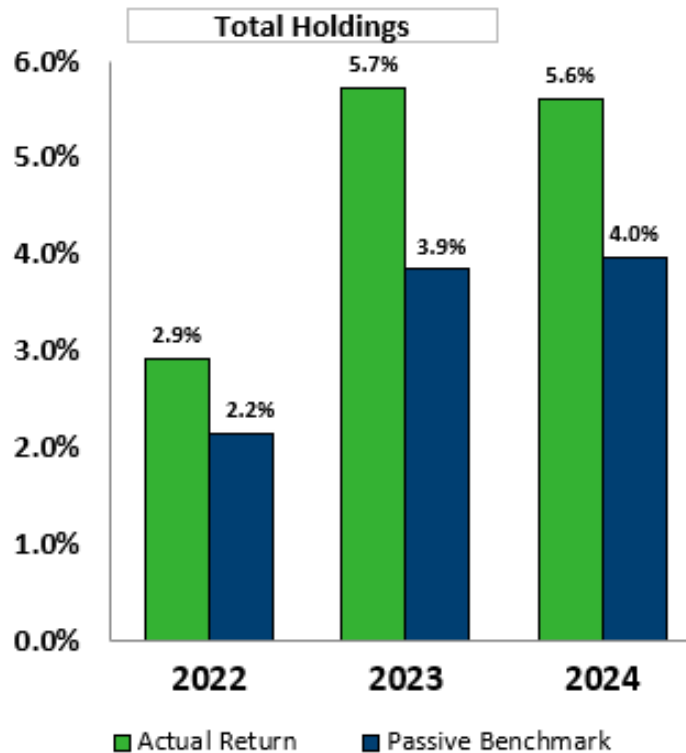
**Table 2: CRHD Investment Income Three-Year Trend (\$ Millions)**

	2022		2023		2024	
Passive Income	2.2%	\$0.5	3.9%	\$1.0	4.0%	\$1.3
Active Management	0.7%	\$0.1	1.8%	\$0.4	1.6%	\$0.5
<b>Total</b>	<b>2.9%</b>	<b>\$0.6</b>	<b>5.7%</b>	<b>\$1.4</b>	<b>5.6%</b>	<b>\$1.8</b>

The passive benchmark approach, which reflects investment returns without active management, underwent a methodology update effective 2024. Previously, the passive income benchmark was calculated using an average of bank deposit rates through the year, weighted by cash flow timing. The new approach calculates the benchmark using weighted average holdings across investment categories (GICs, HISAs, and MFA pooled funds). This adjustment ensures a more accurate representation of portfolio holdings, accounting for differences in passive investment returns based on their respective category. Table 2 above reflects this updated approach.

Graph 1 provides a summary report on investment returns in 2024.

**Graph 1: CRHD Investment Results - 2024:**



In 2024, the Bank of Canada lowered the overnight interest rate five times from elevated historic levels. Additional information can be found in Appendix B.

In 2024, the CRHD recorded average monthly cash outflows of \$3.4 million for operating, capital, and financing activities. Significant investments included acquiring Mt. Tolmie Hospital, expanding the Lady Minto Emergency Department, remediating the Fire Suppression System at the Summit, and funding minor equipment purchases and capital grants.

Strong cash flow forecasting and an active investment management strategy led to the rebalancing of the portfolio throughout the year to manage performance. Further details regarding investment holdings and performance can be found in Appendix C.

**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, 2024.

**RECOMMENDATION**

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

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**ATTACHMENTS**

- Appendix A: Investment Policy
- Appendix B: Market Analysis
- Appendix C: Investment Holdings and Performance