

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

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

ISSUE SUMMARY

Provide an update on Capital Regional Hospital District (CRHD) investment holdings and performance for the period ended December 31, 2020.

BACKGROUND

The CRHD invests operating, capital, and reserve funds in accordance to the *Local Government Act*, *Community Charter*, and Board approved Investment Policy. The *Hospital District Act* does not contain specific reference to investing guidelines. The Investment Policy applies to the investment activities for all funds maintained by the Capital Regional District and the CRHD. The types and terms of investments purchased are evaluated conservatively on four fundamental objectives: safety of principal, liquidity, responsible investing, 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 be rated R-1 (low) or higher for short-term investment and A- for long-term. Both ratings indicate a superior credit rating on all investments.

The Investment Policy provides criteria to ensure the capital is preserved and rate of return maximized while maintaining sufficient liquidity. The CRHD invests net working capital and 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 the 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

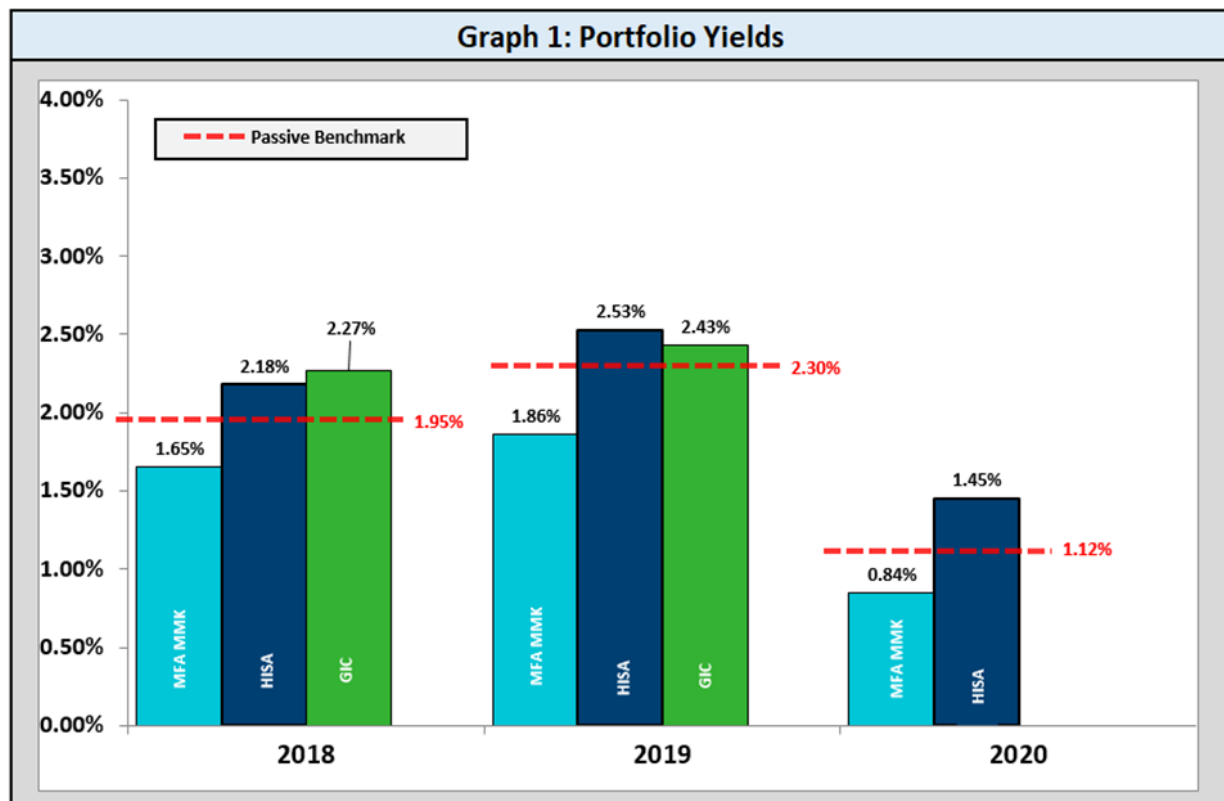
Financial Implications

Performance

Returns in 2020 decreased as a result of reduced Bank of Canada rates and lower cash reserves with the completion of the the Summit Project. Reserve cash flow estimates resulted in all investments remaining short-term facilities.

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.

To take advantage of rate premiums on short-term investments, cash was placed in facilities yielding optimum return while still meeting liquidity targets. Graph 1 below provides a detailed report on portfolio yields for 2020:



During 2020, the HISA deposits yielded 1.45% while the MFA Money Market Fund returned 0.84%, indicative of short-term rates declining on marketable securities. 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. Realized income is distributed annually on a pro-rata basis to reserves.

Table 1: CRHD Investment Income 3-Year Trend (\$ Millions)	2018		2019		2020	
Passive Income	1.9%	\$0.8M	2.3%	\$0.9M	1.1%	\$0.2M
Value-Add	0.3%	\$0.4M	0.2%	\$0.1M	0.3%	\$0.1M
Total	2.2%	\$1.2M	2.5%	\$1.0M	1.4%	\$0.3M

The total effective rate of return on investments, during 2020, was 1.4%. Total investment income for 2020 was \$0.3 million.

Portfolio Holdings

At December 31, 2020, the CRHD held \$19.6 million invested in short-term investments, as outlined in Table 2 below.

Table 2: Investment – as at Dec 31, 2020

Investments	Balance (\$millions)	% Share
Investments Short-Term (less than 2 years)		
BMO High Interest Savings Account	\$13.0	66.6%
Scotiabank High Interest Savings Account	3.6	18.4%
Scotiabank Notice Plan	2.7	13.9%
MFABC CIBC High Interest Savings Account	0.0	0.2%
MFABC National Bank High Interest Savings Account	0.1	0.4%
MFABC Money Market Fund	0.1	0.5%
Total Investments:	\$19.6	100%

As noted in Table 2 above, the CRHD investment portfolio at December 31, 2020, was distributed 100% to short-term investments. Investments with maturities less than two years are classified as short-term.

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

Investments	Balance (\$millions)	% Share
Land Development Reserve Fund	\$6.2	31.6%
Housing First Health Projects Reserve Fund	5.8	29.5%
Summit Management Reserve	0.3	1.4%
Capital and Loan Fund	3.4	17.5%
Hospital District Act Section 20(3) Reserve	3.9	20.0%
Total Investments:	\$19.6	100%

The Summit at Quadra Village construction project necessitated maintaining high levels of liquidity, driving a higher ratio of short-term investments. With the project concluding, short-term liquidity requirements will decrease in 2021. As the CRHD builds reserves in anticipation of future construction and major capital asset replacement, capital reserves requiring investment in long-term investment holdings will increase.

CONCLUSION

Overall, the Capital Regional Hospital District portfolio of investments reflects the four fundamental objectives of safety of principal, liquidity, responsible investing and return on investment. Investments have been made in keeping with requirements under the Investment

Policy and investment performance was in line with expectations for the year ended December 31, 2020.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional Hospital District Board:

That the Capital Regional Hospital District Investment Portfolio Holdings and Annual Performance Update be received for information.

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ATTACHMENT(S)

Appendix A: Market Analysis