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**REPORT TO THE FINANCE COMMITTEE  
MEETING OF WEDNESDAY, MARCH 05, 2025**

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

**ISSUE SUMMARY**

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

**BACKGROUND**

The 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 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 minimum ratings of investment vehicles which 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 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 CRD invests funds 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 CRD investment portfolio totaled \$371.3 million. A detailed listing by investment type is included in Appendix C. Table 1 summarizes the distribution of the portfolio in short and long-term investments.

**Table 1: CRD Investment Results – Summary as at December 31, 2024**

<b>Investments</b>	<b>Balance (\$millions)</b>	<b>% Share</b>
<b>Investments Short-Term (less than 2 years)</b>	204.2	55.0%
<b>Investments Long-Term (more than 2 years)</b>	167.1	45.0%
<b>Total Investments:</b>	<b>\$371.3</b>	<b>100%</b>

As detailed in the Board approved Investment Policy, products with maturities less than two years are classified as short-term while those greater than two years are classified as long-term.

**Performance**

The total effective return on investments during 2024 was \$19.6 million or 5.3%, driven by higher interest rates in the first half of 2024 impacting returns on HISAs and GICs.

Table 2 summarizes investment income by driver for the last three years.

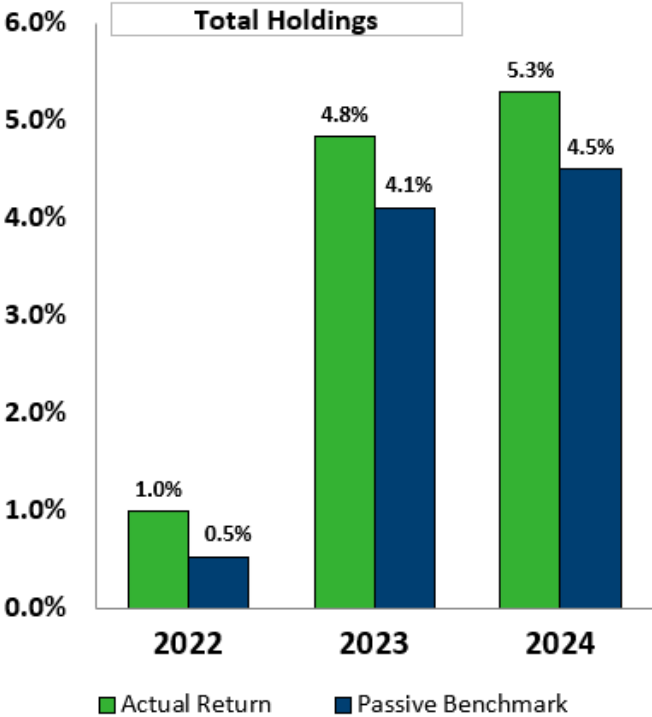
**Table 2: Investment Income Three-Year Trend (\$ Millions)**

	2022		2023		2024	
Passive Benchmark	0.5%	\$2.0	4.1%	\$14.9	4.5%	\$16.6
Active Management	0.5%	\$1.6	0.7%	\$2.7	0.8%	\$3.0
<b>Total</b>	<b>1.0%</b>	<b>\$3.6</b>	<b>4.8%</b>	<b>\$17.6</b>	<b>5.3%</b>	<b>\$19.6</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: CRD 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 CRD recorded average monthly cash outflows of \$30.3 million across operating, capital and financing activities. Significant investments were made in large-scale projects across several service areas. For example, within the Environmental Resource Management service, the Hartland Renewable Natural Gas Initiative incurred \$16 million in actual and accrued construction expenses. The Land Banking and Housing service advanced \$9.9 million to a rapid housing project, while the Juan de Fuca Water Distribution incurred \$8 million in actual and accrued expenses toward replacement of the UV system.

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.

Socially Responsible Investing Alignment

Investments are considered in alignment with responsible investing objectives when identified as meeting the criteria defined by MFA in their ESG Framework (Appendix D). As of December 31, 2024, 28% of the long-term portfolio was invested in socially responsible investment products versus 26% in the prior year.

**CONCLUSION**

Overall, the CRD 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 generally exceeded expectations for the year ended December 31, 2024.

**RECOMMENDATION**

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

Submitted by:	Andrew Hoge, CFA, CPA, CGA, Mgr., Corporate Finance & Treasury
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer, GM Finance & IT
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

**ATTACHMENTS**

- Appendix A: Investment Policy
- Appendix B: Market Analysis
- Appendix C: Investment Holdings and Performance
- Appendix D: Municipal Finance Authority’s Suite of Pooled Investment Products