



Notice of Meeting and Meeting Agenda Finance Committee

Wednesday, March 2, 2022

9:30 AM

6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7

S. Brice (Chair), K. Williams (Vice Chair), D. Blackwell, D. Howe, J. Loveday, G. Orr,
D. Screech, N. Taylor, R. Windsor, G. Young, C. Plant (Board Chair, ex officio)

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 Agenda

3. Adoption of Minutes

3.1. [22-064](#) Minutes of the January 5, 2022 Finance Committee Meeting

Recommendation: That the minutes of the Finance Committee meeting of January 5, 2022 be adopted as circulated.

Attachments: [Minutes - January 5, 2022](#)

4. Chair's Remarks

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. [22-162](#) Delegation - Gord Horth; Representing CREST: Re: Agenda Item 6.1.: Capital Region Emergency Service Telecommunications Inc. (CREST) Service Agreement Renewal

6. Committee Business

- 6.1.** [22-106](#) Capital Region Emergency Service Telecommunications Inc. (CREST)
Service Agreement Renewal
- Recommendation:** The Finance Committee recommends to the Capital Regional District Board:
That the Chief Administrative Officer be authorized to enter into a service agreement as
attached to provide general emergency radio communications services.
- Attachments:** [Staff Report: CREST Agreement Renewal](#)
[Appendix A: Staff Report 21-685 CREST Agreement Renewal](#)
[Appendix B: Revised 2022 Service Agreement, w/ tracked changes](#)
- 6.2.** [22-066](#) Capital Regional District External Grants Update
- Recommendation:** The Finance Committee recommends to the Capital Regional District Board:
That the Capital Regional District External Grants Update be received for information
- Attachments:** [Staff Report: CRD External Grants Update](#)
[Appendix A: CRD Grants Dashboard](#)
- 6.3.** [22-067](#) Capital Regional District Investment Portfolio Holdings and Annual
Performance Update
- Recommendation:** The Finance Committee recommends to the Capital Regional District Board:
That the Capital Regional District Investment Portfolio Holdings and Annual
Performance Update be received for information.
- Attachments:** [Staff Report: CRD Investment Portfolio Update 2022](#)
[Appendix A: Market Analysis](#)
- 6.4.** [22-069](#) Socially and Environmentally Responsible Investing
- Recommendation:** The Finance Committee recommends to the Capital Regional District Board:
1. That the amended CRD Investment Policy be adopted; and
2. That this staff report and the adopted CRD Investment Policy be forwarded to
member municipalities for consideration.
- Attachments:** [Staff Report: Socially & Environmentally Responsible Investing](#)
[Appendix A: Staff Report 19-785, Oct 2019, Investment Options](#)
[Appendix B: CRD Investment Policy 2021](#)
[Appendix C: MFA ESG Framework](#)
[Appendix D: Excerpt MFA Presentation Jan 2022](#)
[Appendix E: MFA ESG & MFA Pooled Investment Funds](#)
[Appendix F: Amended CRD Investment Policy 2022 \(Redlined\)](#)

7. Notice(s) of Motion**8. New Business****9. Adjournment**

The next meeting is May 4, 2022.

To ensure quorum, please advise Jessica Dorman (jdorman@crd.bc.ca) if you or your alternate cannot attend.

Meeting Minutes
Finance Committee

Wednesday, January 5, 2022

9:30 AM

**6th Floor Boardroom
625 Fisgard St.
Victoria, BC V8W 1R7**

PRESENT

Directors: S. Brice (Chair), K. Williams (Vice Chair) (EP), D. Blackwell (EP), P. Brent (for D. Howe) (EP), J. Loveday (EP), G. Orr (EP), D. Screech (EP), N. Taylor (EP), R. Windsor (EP), G. Young (9:51 am EP), C. Plant (Board Chair, ex officio) (10:41 am EP)

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; R. Lachance, Senior Manager, Financial Services; M. Lagoa, Deputy Corporate Officer; T. Pillipow, Committee Clerk (Recorder)

EP – Electronic Participation

Guests: L. Lee, Lead Audit Engagement Partner, KPMG; S. Burden, Auditor, KPMG; P. Urbanc, CEO, Municipal Finance Authority

Regrets: Director D. Howe

The meeting was called to order at 9:30 am.

1. Territorial Acknowledgement

Chair Brice provided a Territorial Acknowledgement.

2. Approval of Agenda

**MOVED by Director Williams, SECONDED by Director Loveday,
That the agenda be amended to move Item 6.4. ahead of Item 6.1.
CARRIED**

**MOVED by Director Williams, SECONDED by Director Loveday,
That the agenda for the January 5, 2022 Finance Committee meeting be
approved as amended.
CARRIED**

3. Adoption of Minutes

3.1. [22-027](#) Minutes of the November 3, 2021 Finance Committee

**MOVED by Director Williams, SECONDED by Director Loveday,
That the minutes of the Finance Committee meeting of November 3, 2021 be
adopted as circulated.
CARRIED**

4. Chair's Remarks

Chair Brice wished everyone a Happy New Year, and stated that she looked forward to working with the committee members and staff.

5. Presentations/Delegations

There were no delegations.

- 5.1. [22-009](#) Presentation: 2021 Audit Planning, Lenora Lee, Lead Audit Engagement Partner, KPMG (Verbal)

L. Lee presented the 2021 Audit Planning Report.

**MOVED by Director Williams, SECONDED by Director Loveday,
That the 2021 Audit Planning presentation be received for information.
CARRIED**

- 5.2. [22-013](#) Presentation: Debt Management & Other Topics, Peter Urbanc, CEO, Municipal Finance Authority of BC

P. Urbanc presented the Debt Management Report.

Discussion ensued on the following:

- the risk of short term borrowing in the face of rising interest rates
- thanks to staff for the work they've done

**MOVED by Director Williams, SECONDED by Director Blackwell,
That the Debt Strategy & Other Topics presentation be received for information.
CARRIED**

6. Committee Business

- 6.4. [21-676](#) Municipal Finance Authority - Debt Issuance Terms

Director Young spoke to Item 6.4.

Discussion ensued on the following:

- whether specific borrowing conditions be laid out in future referendums
- tracking investment strategies for individual projects

**MOVED by Director Young, SECONDED by Director Windsor,
That the Finance Committee recommends to the Capital Regional District Board:
That this item be referred back to staff to bring an information report back
through the Finance Committee.
CARRIED**

- 6.1. [22-002](#) Finance Committee 2022 Terms of Reference

**MOVED by Director Loveday, SECONDED by Alternate Director Brent,
That the Finance Committee 2022 Terms of Reference be received for
information.
CARRIED**

6.2. [22-004](#) Royal and McPherson Theatres Services Advisory Committee 2022 Terms of Reference

N. Chan spoke to Item 6.3.

**MOVED by Director Williams, SECONDED by Director Loveday,
The Finance Committee recommends to the Capital Regional District Board:
That the 2022 Royal and McPherson Theatres Services Advisory Committee
Terms of Reference attached at Appendix A be approved.
CARRIED**

6.3. [22-003](#) Capital Regional District 2021 Audit Planning Discussion

N. Chan spoke to Item 6.3.

Discussion ensued on the opportunity for the Board to conduct an in-camera audit discussion.

**MOVED by Director Williams, SECONDED by Alternate Director Brent,
The Finance Committee recommends to the Capital Regional District Board:
That the Capital Regional District 2021 Audit Plan developed by KPMG be
approved.
CARRIED**

6.5. [22-007](#) Update on the Municipal Finance Authority Product Offerings

N. Chan spoke to Item 6.5.

**MOVED by Director Williams, SECONDED by Director Young,
The Finance Committee recommends to the Capital Regional District Board:
That the Update on the Municipal Finance Authority Product Offerings report be
received for information.
CARRIED**

6.6. [22-006](#) Capital Regional District External Grants Update

N. Chan spoke to Item 6.6.

**MOVED by Director Williams, SECONDED by Alternate Director Brent,
The Finance Committee recommends to the Capital Regional District Board:
That the Capital Regional District External Grants Update be received for
information.
CARRIED**

6.7. [22-008](#) Bylaw No. 4476: Security Issuing Bylaw, Spring 2022

N. Chan spoke to Item 6.7.

**MOVED by Director Williams, SECONDED by Alternate Director Brent,
The Finance Committee recommends to the Capital Regional District Board:
1. That Bylaw No. 4476, "Security Issuing Bylaw No. 1, 2022", be introduced and
read a first, second, and third time; and
2. That Bylaw No. 4476 be adopted.
CARRIED**

7. Notice(s) of Motion

7.1. [22-010](#) Motion with Notice: Socially and Environmentally Responsible Investing (Directors Taylor and Loveday)

Director Loveday spoke to Item 7.1.

Discussion ensued on the following:

- that the Municipal Finance Authority has developed many funds that align with CRD values
- the complexities of ensuring funds are socially and environmentally responsible
- whether investment decisions are made in conjunction with member municipalities
- the policies for reserve fund investments vs. borrowed funds

Director Windsor left the meeting at 10:52 am.

Director Plant left the meeting at 11:11 am.

MOVED by Director Loveday, SECONDED by Director Taylor,

The Finance Committee recommends to the Capital Regional District Board:

- 1. That staff be directed to report back with options to move investments further into alignment with the CRD’s stated social and environmental values, including the declaration of a climate emergency;**
- 2. And that staff be directed to develop a draft policy regarding socially and environmentally responsible investing that could be considered by member local governments.**

CARRIED

OPPOSED: Blackwell, Brent, Screech, Young

8. New Business

There was no new business.

9. Adjournment

MOVED by Director Williams, SECONDED by Director Loveday,

That the January 5, 2022 Finance Committee meeting be adjourned at 11:15 am.

CARRIED

CHAIR

RECORDER



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REPORT TO FINANCE COMMITTEE MEETING OF WEDNESDAY, MARCH 02, 2022

SUBJECT Capital Region Emergency Service Telecommunications Inc. (CREST) Service Agreement Renewal

ISSUE SUMMARY

The service agreement between the Capital Regional District (CRD) and Capital Region Emergency Service Telecommunications Inc. (CREST) expired on Dec 31, 2021, and requires renewal.

BACKGROUND

At the December 8, 2021, CRD Board meeting, the Board approved a recommendation from the Planning and Protective Services Committee:

That the Chief Administrative Officer be authorized to enter into a new regional service agreement with CREST to provide general emergency radio communications services, with annual contributions limited to inflationary adjustments.

Subsequent to Board approval, staff have continued to negotiate with CREST on finalizing an agreement. Changes from the previous draft agreement are highlighted in the staff report below and appendix B. These changes include an upper limit on inflation impacts (3%), reporting on financial accountability, and an annual presentation or update to the CRD Board.

For additional reference, staff have included in appendix A the previous staff report detailing the history and formation of CREST in the member agreement bylaw, where the commitment to fund was capped to the Call Answer Levy (CAL) revenue received. The agreement in appendix B would fund CREST beyond the (CAL) and increase annual contributions by CPI with an upper limit of 3%.

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:
That the Chief Administrative Officer be authorized to enter into a service agreement as attached to provide general emergency radio communications services.

Alternative 2

The Finance Committee recommends to the Capital Regional District Board:
That this report be referred back to staff for additional information.

IMPLICATIONS

The revised 2022 agreement with tracked changes is included in Appendix B. The following concordance table summarizes revisions since December.

Section	Draft (December 2021)	Final (March 2022)
3. Services	No change from the 2017-2021 agreement	Keeps 3.1, but adds new 3.2 and 3.3; old 3.2 becomes 3.4
<ul style="list-style-type: none"> • consistent with existing CRD governance requirements of other like services; annual reporting to the Board is now included • now includes the option for CRD to request financial information in alignment with the provisions of the <i>Financial Information Act</i> as if it applied to CREST; information to be provided upon request 		
4. Payment Matters	Adds sub-sections 4.1.(i), (ii), and (iii)	Adds text to 4.1.(ii) and revises a phrase in 4.1.(iii).
<p>Incorporates additional terminology to:</p> <ul style="list-style-type: none"> • actual increases of the annual contribution will be the actual measure of CPI from BC Stats versus an estimate • in the case of negative CPI, guarantees the base prior year fee, and in the case of excess inflation, the index used to calculate the increase is capped at 3%, in alignment with CREST’s targeted operational cost increase of 2.9% 		

Service Delivery Implications

The CRD has the authority within Bylaw No. 2891, “Capital Regional District Service of Emergency Communications Service Establishment Bylaw No. 1, 2001”, to provide an emergency communication service or to make a financial contribution towards the cost of an emergency communication service operated by another person or organization. CREST, under agreement with the CRD, and as a Not for Profit and primarily publically funded Corporation, is delivering this service to users within the regional district. However, the agreement expired on December 31, 2021.

Renewal of the service agreement (Appendix B) will result in continuance of CRD contributions to CREST and in turn, the required operations of an emergency communications service on behalf of the CRD. Service levels and operational oversight are provided by and approved by the CREST Board annually through their planning approval processes.

All other implications have already been included in the initial report to Board in December 2021.

CONCLUSION

The service agreement between the Capital Regional District (CRD) and Capital Region Emergency Service Telecommunications Inc. (CREST) was set to expire on Dec 31, 2021, and requires renewal. The CRD has the authority within Bylaw No. 2891, “Capital Regional District

Service of Emergency Communications Service Establishment Bylaw No. 1, 2001”, to provide an emergency communication service or to make a financial contribution towards the cost of an emergency communication service operated by another person or organization. CREST, under agreement with the CRD, is delivering this service to users within the regional district. Renewal of the service agreement will result in continuance of CRD contributions to CREST and in turn, the required operations of an emergency communications service on behalf of the CRD.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:
That the Chief Administrative Officer be authorized to enter into a service agreement as attached to provide general emergency radio communications services.

Submitted by:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: November 2021 Staff Report 21-685
- Appendix B: Revised 2022 Service Agreement, with tracked changes



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**REPORT TO PLANNING AND PROTECTIVE SERVICES COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 17, 2021**

SUBJECT Capital Region Emergency Service Telecommunications Inc. (CREST) Service Agreement Renewal

ISSUE SUMMARY

The service agreement between the Capital Regional District (CRD) and Capital Region Emergency Service Telecommunications Inc. (CREST) is set to expire on Dec 31, 2021, and requires renewal.

BACKGROUND

The CRD has the authority within Bylaw No. 2891, "Capital Regional District Service of Emergency Communications Service Establishment Bylaw No. 1, 2001", to provide an emergency communication service or to make a financial contribution towards the cost of an emergency communication service operated by another person or organization. CREST, under agreement with the CRD, is delivering this service to users within the regional district.

The CRD under Bylaw No. 2893, "CREST Members' Agreement Bylaw No. 1, 2001", entered into a membership agreement with CREST, together with the other partners. Each member, including municipalities, the Provincial Government, and other public agencies hold a single share except the CRD, where the regional district holds three, one for each Electoral Area (EA). The list of members is included in Appendix D.

Each member appoints a representative to the CREST Board of Directors equal to the number of shares held. For the CRD, the appointees represent each EA and are not required to be the elected official. The CREST Board approves the annual operating and capital budgets, appoints the CREST General Manager and approves all other permanent positions.

Within the Member agreement, the "CRD Charge" is capped at the net fees collected under Bylaw No. 2911, Emergency Communications Charge Bylaw No. 1, 2001". The bylaw establishes a fee charged to consumers with active phone lines each month in the region. Currently the rate is set at 66 cents per land phone line per month, commonly referred to as the Call Answer Levy (CAL). Revenue requirements over and above the "CRD Charge" are recovered from members by way of cost sharing. A graphical summary of agreements and the cost sharing methodology is included in Appendix A.

The CRD is billed for the member share of costs for the Electoral Areas and recovers the costs by raising requisition directly from each EA under Bylaw No. 2891.

CAL Revenues vary by year and have been trending down since 2013. The decline in land phone line revenue creates a difference in CREST's revenue requirements. To balance, the CRD has been requisitioning costs over and above the CAL. Historical contributions are included in Appendix B.

Up until 2014, the CRD contribution to CREST equaled net fees collected from the CAL. In 2015 the contribution to CREST exceeded net fees collected and has since been funded regionally, cost apportioned by population.

The expected value of a 5 year renewal agreement exceeds the delegated authority limit to the Chief Administrative Officer.

ALTERNATIVES

Alternative 1

The Planning and Protective Services Committee recommends to the Capital Regional District Board:

That the Chief Administrative Officer be authorized to enter into a new regional service agreement with CREST to provide general emergency radio communications services, with annual contributions limited to inflationary adjustments.

Alternative 2

The Planning and Protective Services Committee recommends to the Capital Regional District Board:

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

IMPLICATIONS

Service Delivery Implications

Renewal of the service agreement (Appendix C) will result in continuance of CRD contributions to CREST and in turn, the required operations of an emergency communications service on behalf of the CRD. Service levels and operational oversight are provided by and approved by the CREST Board annually through their planning approval processes.

Legislative Implications

The review by staff identified the fees and charges collected under Bylaw No. 2911 have been lower than the revenue requested by CREST for a number of years and is now trending significantly lower. A review of the service establishment bylaw, fees and charges bylaw and accompanying membership agreement is recommended and will be included in service planning in future years.

Financial Implications

In 2020, CRD contributions equalled 21.6% or \$1,681,602 of total CREST revenue, compared to \$1,262,187 of CAL revenue collected from telephone land lines, resulting in a regional contribution of \$419,415. The 2021 planned contributions under the expiring agreement are \$1,715,234 (a growth of 2% from prior year). With renewal of the service agreement, beginning in 2022, the annual contribution will be adjusted to actual CPI measured within the calendar year by BC Stats.

As included in the 2022 Provisional Plan, CAL revenues are anticipated to be \$1,191,596. Based on renewal of the current agreement with inflation adjustments, the CREST contribution would be

\$1,749,539. The resulting difference is \$557,943. While the annual CRD contribution grows by CPI, the funding difference between CAL and the total CREST contribution grows at a higher rate due to reductions in telephone land line levies. The resulting difference grew by 19.8% in 2021 and 11.0% in 2022.

CONCLUSION

The service agreement between the Capital Regional District (CRD) and Capital Region Emergency Service Telecommunications Inc. (CREST) is set to expire on Dec 31, 2021, and requires renewal. The CRD has the authority within Bylaw No. 2891, “Capital Regional District Service of Emergency Communications Service Establishment Bylaw No. 1, 2001”, to provide an emergency communication service or to make a financial contribution towards the cost of an emergency communication service operated by another person or organization. CREST, under agreement with the CRD, is delivering this service to users within the regional district. Renewal of the service agreement will result in continuance of CRD contributions to CREST and in turn, the required operations of an emergency communications service on behalf of the CRD.

RECOMMENDATION

The Planning and Protective Services Committee recommends to the Capital Regional District Board:

That the Chief Administrative Officer be authorized to enter into a new regional service agreement with CREST to provide general emergency radio communications services, with annual contributions limited to inflationary adjustments.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: CREST Relationship Diagram
- Appendix B: Historical Payments to CREST
- Appendix C: Service Agreement between CRD and CREST
- Appendix D: Membership Agreement

EMERGENCY COMMUNICATIONS SERVICE AGREEMENT

(the "Agreement")

THIS AGREEMENT dated for reference the _____ day of _____ 20__

BETWEEN:

CAPITAL REGIONAL EMERGENCY SERVICE TELECOMMUNICATIONS INC.
110 2944 W Shore Pkwy
Victoria, BC
V9B 0B2
("CREST")

OF THE FIRST PART

AND:

CAPITAL REGIONAL DISTRICT
625 Fisgard Street,
Victoria, BC
V8W 2S6
("CRD")

OF THE SECOND PART

WHEREAS the CRD Board has adopted Bylaw No. 2891, the Capital Regional District Emergency Communications Service Establishment Bylaw No. 01, 2001 to establish a service of emergency communications in the service area, including contributing to the cost of an emergency communications service operated by a third party;

AND WHEREAS CREST is a non-profit corporation established under the *Emergency Communications Corporations Act*, to provide a unified system of inter-municipal radio and electronic communication services;

AND WHEREAS the CRD Board has also adopted Bylaw No. 2893, the CREST Members' Agreement Bylaw No. 1, 2001 authorizing the CRD to hold three shares in CREST and appoint three Directors annually to the CREST Board;

NOW THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the CRD has requested CREST provide the Services defined herein and the CREST has agreed to provide those Services in accordance with the Agreement, as follows:

1. INTERPRETATION

In this Agreement, the following terms have the following meanings:

- (a) **"Service Payment"** means the net monies raised and collected as user fees by the CRD pursuant to Emergency Communications Charge Bylaw No. 01, 2001 (as

amended, re-enacted or replaced) available for disbursement to CREST, and additional payments as determined by the CRD Board.

- (b) **“Service Area”** means the Service Area established under Bylaw No. 2891 “Capital Regional District Emergency Communications Service Establishment Bylaw No. 01, 2001”.

2. TERM

- 2.1 The Term of this Agreement will be for a period of five (5) years commencing on January 1, 2022, and continuing until December 31, 2026, unless sooner terminated pursuant to section 5.

3. SERVICES

- 3.1 In consideration of the CRD making the payments required under this Agreement and performing its other obligations under this Agreement, CREST will provide and maintain a radio communications system to provide emergency communications and related services for municipalities and the CRD as members of CREST (the **“Services”**).

3.2 Each year, at least once annually on a date determined by the CRD, CREST will present to the CRD Board on CREST’s annual operational and financial plans, including on performance against strategic plan, project plans, and other organizational and financial matters requested by the CRD.

3.3 Upon request from the CRD, CREST will provide financial information in alignment with the provisions of the *Financial Information Act* as if the Act applied to CREST as a regional district service (e.g. schedules of remuneration for board directors and staff >\$75,000) in relation to the regional district service.

3-23.4 Inability to Provide Service

Despite any other provision of the Agreement, the CRD acknowledges that CREST is not obliged to provide these Services where its systems are not operational by reason of acts of God, strike, lockout, or other labour dispute, acts of war, terrorism, sabotage or any other causes beyond the reasonable control and not the result of the fault or neglect of CREST.

4. PAYMENT MATTERS

4.1 Payment Amounts

- (i) The CRD will make an annual contribution to CREST (the “Annual Contribution”) in monthly installments. In 2022 the annual contribution amount will be \$1,715,234 based on the 2021 Board approved contribution (One million, seven

hundred and fifteen thousand, two hundred and thirty-four dollars) (the "Base Year Fee") representing the service payment and an additional contribution.

- (ii) Commencing in 2022, and for each year of the Term thereafter, the Annual Contribution will be adjusted in accordance with the percentage change in the All Items Consumer Price Index for Victoria, British Columbia, published by Statistics Canada (the "CPI") in January each year and as calculated in accordance with this section. The Base Year Fee will be multiplied by the yearly percentage change in the CPI since 2021 (the "CPI Adjustment") and will be added to the Base Year Fee to determine the Annual Contribution for that year; however, if the CPI is more than 3%, the CPI will be capped at 3% for the purposes of the annual calculation. If the All Items Consumer Price Index for Victoria is discontinued, a comparable index will be selected by the CRD, acting reasonably.
- (iii) If the CPI Adjustment is a negative change for any year in the Term, the Annual Contribution for that year will be the Base Year Fee previous year's fee.
- (iv) Any monthly contribution due in the calendar year prior to the annual release of the CPI will be made in the amount of the previous year's monthly installment, and will be reconciled in the monthly payments due for the remainder of that year.

4.2 Taxes

Any sales, use or goods and services taxes arising with respect to the Services will be paid by the CRD.

4.3 Services as Exempt Supply

The parties have determined, acting in good faith, that the Services are an exempt supply under the Excise Tax Act (Canada).

5. TERMINATION

5.1 Termination Rights

- (i) This Agreement will terminate at the end of the term set out in section 2.1
- (ii) CREST will have the right to terminate this Agreement for cause if:
 - a. The CRD fails to pay any amount under the Agreement when due, or
 - b. The CRD commits any material breach of its obligations under this Agreement (other than pursuant to subsection 5.1(ii)(a) above) that is not cured to the satisfaction of CREST, acting reasonably, within 120 (one hundred twenty) days after written notice to the CRD describing the material breach in reasonable detail.

- (iii) The CRD will have the right to terminate this Agreement immediately for cause if CREST commits any material breach of its obligations under this Agreement that is not cured to the satisfaction of the CRD, acting reasonably, within 120 (one hundred twenty) days after written notice to CREST describing the breach in reasonable detail.

5.2 Obligation Upon Termination

Unless the parties enter into a new Agreement, the parties will cooperate fully with each other to provide for an orderly transition of the Services to a successor service provider. CREST will continue to provide Services and to be paid for such Services during the period of transition to a successor provider to a maximum of 120 (one hundred twenty) days after the effective date of termination.

6. PROTECTION OF PRIVACY

- 6.1 Each party will abide by applicable laws relating to the collection, use and disclosure of personal information or information to which the *Freedom of Information and Protection of Privacy Act* (British Columbia) applies.

7. DISPUTE RESOLUTION

7.1 Process

If there is any dispute arising out of or relating to this Agreement, then the parties will use reasonable good faith efforts to resolve such dispute, first by direct negotiation and then, if that is not successful, by mediation with a neutral third party mediator acceptable to both parties. Each party will bear its own costs and expenses in connection with any mediation and all costs and expenses of the mediator will be shared equally by the parties. Any dispute arising out of or relating to this Agreement that is not settled by agreement between the parties within a reasonable time will, on agreement of both parties, be settled by binding arbitration by a single arbitrator. The location of any arbitration proceeding will be in Victoria, British Columbia. The arbitration will be governed by the *Arbitration Act* (British Columbia). The arbitrator will be selected and the arbitration conducted in accordance with the British Columbia Domestic Arbitration Rules ("Rules"), except that the provisions of this Agreement will prevail over the Rules. The parties will share equally in the fees and expenses of the arbitrator and the cost of the facilities used for the arbitration hearing, but will otherwise each bear their respective costs incurred in connection with the arbitration including each parties own legal fees. The parties will use their best efforts to ensure that an arbitrator is selected promptly and that the arbitration hearing is conducted no later than two (2) months after the arbitrator is selected.

7.2 Award Final

The award of the arbitrator will be final and binding on each party. Judgment upon the award may be entered in any court of competent jurisdiction.

8. GENERAL PROVISIONS

8.1 No Third Party Beneficiaries

Nothing contained in this Agreement will create a duty or liability on the part of CREST, the CRD or their respective directors, officers, members, public officials, employees or agents to any member of the public. There are no third party beneficiaries to this Agreement.

8.2 Notices

Any notice required under the terms of this Agreement must be in writing. Any such notice will be deemed delivered:

- (a) on the day of delivery in person;
- (b) ten (10) days after date of deposit by prepaid registered mail, or upon confirmation receipt;
- (c) on confirmation of delivery by courier;
- (d) on the date sent by electronic mail if receipt is confirmed in writing by other party to whom it is directed, set forth below:

Capital Regional District
625 Fisgard Street
Victoria, BC V8W 2S6
Email:_____

-And-

CREST
110 2944 W Shore Parkway
Victoria, BC V9B 0B2
Email:_____

-Or- to such other address or contact person as that party may notify the other in accordance with this section.

8.3 Assignment

The CRD will not have the right to assign, transfer (whether directly or indirectly) or otherwise dispose of any of its interest in all or any part of this Agreement, whether gratuitously or for consideration, without the prior written consent of CREST and any attempt to do so will be void. CREST will have the right at any time to assign, transfer

or otherwise dispose of the whole of this Agreement to any subsidiary or affiliate company, provided that the CRD approves the assignment in writing, not to be unreasonably withheld, and the subsidiary or affiliate company assumes all of the obligations of CREST under this Agreement.

8.4 Benefit

This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and assigns.

8.5 Entire Agreement

This Agreement constitutes the entire agreement of the parties relating to the Services and supersedes any previous agreement with respect to the Services whether written or verbal.

8.6 Severability

If any provision of this Agreement is held to be unenforceable then such provision will be severed from this Agreement and the remaining provisions will remain in full force and effect. The parties will in good faith negotiate a mutually acceptable and enforceable substitute for the unenforceable provision, which substitute will be as consistent as possible with the original intent of the parties.

8.7 Waiver

The failure of either party to require the performance of any obligation hereunder, or the waiver of any obligation in a specific instance, will not be interpreted as a general waiver of any of the obligations hereunder, which will remain in full force and effect.

8.8 Relationship of Parties

This Agreement will not create nor will it be interpreted as creating any association, partnership or any agency relationship between the parties.

8.9 Governing Law

This Agreement is governed by, and if interpreted and construed in accordance with the laws applicable in British Columbia.

8.10 Counterpart

This Agreement may be executed in any number of counterparts. Each executed counterpart shall be deemed to be an original. All executed counterparts taken together shall constitute one agreement.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement as of the date first written above.

CAPITAL REGIONAL DISTRICT by its)
authorized signatories:)

_____)
Name)

_____)
Name)

**CAPITAL REGION EMERGENCY)
SERVICE TELECOMMUNICATIONS INC.)**
by its authorized signatories:)

_____)
Name)

_____)
Name)



Making a difference...together

REPORT TO FINANCE COMMITTEE MEETING OF WEDNESDAY, MARCH 02, 2022

SUBJECT **Capital Regional District External Grants Update**

ISSUE SUMMARY

A bi-monthly update on external grants activity for the period of December 14, 2021 through February 7, 2022.

BACKGROUND

This report summarizes activities and outcomes since the CRD External Grants Update was last presented at the January 2022 Board meeting. Additionally, the CRD External Grants Dashboard (Appendix A) details grant applications, awards, and status of projects in progress.

IMPLICATIONS

Financial Implications

Grants / Contributions Awarded

Five grants are under news embargo.

1. \$148,400 through Federation of Canadian Municipalities – Green Municipal Fund – Community Buildings Greenhouse Gas Reduction Pathway Feasibility Study Grant to support the Reducing Emissions at Capital Regional District Recreation Centres Project.

Applications Submitted

Two applications were submitted:

1. \$2,500 through Scotts' Gro for Good Grant to support the Greenglade Community Garden Enhancement Project.
2. \$22,502.40 through UBCM's Community Emergency Preparedness Fund – Emergency Support Services 2022 intake to support the ESS Modernization Project.

Core Area Wastewater Treatment Plant Project Update

The Core Area Wastewater Treatment Plant project is partially funded by the Federal Government, the Province of BC, and the Federation of Canadian Municipalities Green Municipal Fund grant/loan program. As of the deadline of this report, the CRD has received the P3 Funding from Infrastructure Canada in the amount of \$35.8M. Cumulatively, the CRD has received \$456.5M of the estimated total of \$462M in grant revenues.

Service Delivery Implications

New Grant Opportunities

Twenty-seven new grant calls were issued during the reporting period and two grant programs extended their deadlines. Grant Calls in Progress for which the CRD is eligible to apply are featured in Appendix A (see pages 6-7), and in the table below:

Grant	Deadline	Information
150 Time Immemorial Grant Program – Heritage BC	24-Dec-21	Three streams to support projects that advance reconciliation, learning, diversity and inclusion: 1. Cultural Heritage Infrastructure 2. Cultural Heritage Awareness 3. Community and Heritage Planning
CleanBC Building Innovation Fund	10-Jan-22	Provides funding through five streams to support building sector innovation projects: 1. Material, Component and System Manufacturing 2. Digital Technology Solutions 3. Demonstration Projects 4. Open Call for Innovations 5. Information Sharing and Market Transformation
Young Canada Works	1. 21-Jan-22 2. 03-Feb-22	Provides wage subsidies for summer student funding: 1. Young Canada Works in Heritage Organizations 2. Young Canada Works in Both Official Languages
Habitat Stewardship Program for Species at Risk	25-Jan-22	Provides funding for habitat projects for species at risk.
Canada Summer Jobs – Employment and Social Development Canada	25-Jan-22	Provides grant funding to organizations who employ youth (ages 15-30) for summer work.
Celebration and Commemoration Program — Reopening Fund	31-Jan-22	Provides funding for commemorative / celebratory events and educational/awareness materials to support local economics impacted by COVID-19.
Funding for Great Lakes Protection	31-Jan-22	Provides funding to support projects that address environmental challenges affecting Great Lakes water quality and ecosystem.

Grant	Deadline	Information
Wildfire Community Preparedness Day 2022	31-Jan-22	Provides funding to support an annual event to prepare for Wildfires.
Early Learning and Child Care small projects component – Enabling Accessibility Fund	Extended to 14-Feb-22	Provides funding to improve accessibility and safety in regulated/licensed ELCC centres.
Environmental Quality Program Stream – Green Infrastructure – Investing in Canada Infrastructure Program	Extended to 23-Feb-22	Third intake to provide infrastructure funding to support stormwater, wastewater, potable water, solid waste, and remediation projects.
Emergency Operations Centres & Training – Community Emergency Preparedness Fund – UBCM	25-Feb-22	Provides funding for supplies, equipment, and capacity for Emergency Operations Centres.
Scotts' Gro for Good	28-Feb-22	Provides funding to projects that create or maintain a garden with a beneficial purpose.
Low Carbon Economy Challenge – Expressions of Interest	25-Mar-22	Supports projects that reduce Greenhouse Gas Emissions towards Canada's 2030 target.
Active Transportation Fund	31-Mar-22	Two streams to support active transportation planning and stakeholder engagement projects as well as new or enhancing active transportation infrastructure: 1. Planning and Design Projects 2. Capital Projects
Canada Arts Presentation Fund – Professional Arts Festivals and Performing Arts Series Presenters	01-April-22	Provides funding to support existing professional arts festivals and performing art series presenters.
Capital Projects Stream – Rural Transit Solutions Fund	07-Apr-22	Provides funding to support delivery of rural transit solutions.
2022 Strengthening Communities' Services – UBCM	22-Apr-22	Part of Safe Restart Funding to provide support to unsheltered homeless populations and address community impacts.

Grant	Deadline	Information
Community Anniversaries – Building Communities Through Arts and Heritage	30-Apr-22	Provides funding for one-time events/capital projects that celebrate the 100th (or 125th/150th /175th, etc.) anniversary of a significant historical event/personality.
CleanBC Communities Fund – Green Infrastructure – Investing in Canada Infrastructure Program	25-May-22	Third intake to fund renewable energy, clean energy transportation, energy efficiency, and clean energy infrastructure projects.
Zero Emission Transit Fund	Continuous	Two components to support public transit and school bus operators to electrify their fleets: 1. Planning projects 2. Capital projects.

Forthcoming Grants

1. CleanBC Go Electric Public Charger Program Spring 2022 intake (TBA).
2. UBCM Asset Management Planning Program 2022 intake (TBA).

CONCLUSION

The CRD recognizes grants are a supplementary funding source to address the needs of services provided to the region. The External Grants Update outlines how the CRD continues to integrate and consider these grant opportunities relative to service needs, as well as informing local partners of these opportunities through the grants dashboard. The CRD will continue to provide a summary of activities and outcomes in the External Grants Update on a bi-monthly basis.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:
 That the Capital Regional District External Grants Update be received for information.

Submitted by:	Lia Xu, MSc., CPA, CGA, Finance Manager, Local Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

Appendix A: External Grants Dashboard

Grants Administration Dashboard

Externally Sourced Grant Funding

STATUS LEGEND: Intent to apply Work in Progress (=delay) Application Done - Outcome pending Project Done (=payment pending) Application Declined Links to information								
Grant Program Links	Application Deadline	Project	Status	Board Resolution	Comments	Grant Ask	% of Total Project (Eligible & Ineligible Costs)	
CleanBC - BC Hydro Commercial Custom Program	N/A	Panorama Energy Recovery Project		N/A	PES - Panorama is the lead	\$ 200,000	7%	
Jumpstart Community Development Program	01-Feb-20	Swim Program for Indigenous Children and Youth		N/A	PES - Panorama is the lead. Postponed due to COVID-19	\$ 2,692	TBC	
Island Health Community Wellness Grant	26-Feb-20	Lifeguard Academy for Indigenous Youth		N/A	PES - Panorama is the lead. Postponed due to COVID-19	\$ 13,264	TBC	
Investing in Canada Infrastructure Program-Rural and Northern Communities Stream	22-Oct-20	Maliview Wastewater Treatment Plant Upgrade		9-Sep-20	SSI Administration is the lead	\$ 1,989,000.00	88.47%	
New Horizons for Seniors Program	20-Oct-20	Community Garden Improvements at Greenglade Community Centre		N/A	PES - Panorama is the lead	\$ 25,000.00	100%	
CleanBC Organic Infrastructure and Collection Program – Organic Processing Infrastructure	04-Feb-21	Salt Spring Island Composting Project		10-Feb-21	Environmental Resource Management - Partnership project TBC	\$ 168,462.00	44.44%	
Natural Resources Canada – Zero Emission Vehicle Infrastructure Program, MURBS, Workplaces and LDV Fleets	04-Jun-20	Eight Level Two Electric Vehicle Chargers, applied for up to \$40,000 for corporate fleet chargers.		N/A	Climate Action is the lead	TBC	TBC	
Zero Emissions Vehicle Incentive Program-Natural Resources Canada	22-Jun-21	Capital Region Electric Vehicle Charging Initiative		N/A	Climate Action coordinated a joint partnership application with City of Victoria, Township of Esquimalt, and Town of View Royal. Total grant request, \$457,500. The CRD’s individual grant request is \$315,000.	\$ 315,000.00	34.43%	
Canada Community Revitalization Fund	23-Jul-21	Revitalization of Centennial Park		8-Sep-21	SSI Parks and Recreation is the lead	\$ 600,000.00	75.01%	
Natural Resources Canada Zero Emission Vehicle Awareness Initiative	16-Aug-21	Capital Region E-Mobility Awareness Initiative		N/A	Climate Action is the lead	\$ 224,000.00	73.00%	
Federation of Canadian Municipalities – Green Municipal Fund-Community Buildings Greenhouse Gas Reduction Pathway Feasibility Study Grant	Continuous	Developing a GHG Reduction Pathway for Capital Regional District Recreation Centres		N/A	Climate Action is the lead. Approved for \$148,400.	\$ 148,400.00	TBC	
CleanBC Go Electric Fleets Infrastructure Assessment rebate	31-Mar-23	Go Electric Fleets IWS Facility Assessment		N/A	Climate Action is the lead. Pre-approved for Rebate.	\$ 4,500.00	50.00%	
Community Resiliency Investment Program - 2022 FireSmart Community Funding & Supports	08-Oct-21	Capital Region FireSmart Program Establishment Project		8-Dec-21	Protective Services is the lead	\$ 283,719.00	100.00%	
Disaster Mitigation and Adaptation Fund - Large-Scale Project Stream	15-Oct-21	Capital Regional District - Regional Water System Upgrades - Disaster Mitigation and Adaptation Improvement Project		Required	IWS is the lead	\$ 36,900,000.00	42.41%	
UBC Sustainability Scholars Program - BC Hydro	Nov-21	Understanding Pathways to Equitable Energy Retrofits of Purpose-Built Rental Multi-Unit Residential Buildings in the CRD		N/A	Climate Action is the lead. Withdrawn.	\$ 6,900.00	100.00%	
Community Emergency Preparedness Fund - 2022 Evacuation Route Planning Stream	19-Nov-21	Capital Regional District Evacuation Route Planning Project		12-Jan-22	Protective Services is the lead	\$ 25,000.00	83.33%	
Civil Forfeiture Office Grant Program for Specialized Equipment and Training for Police and Related Agencies	24-Nov-21	CRD Regional Parks Compliance and Enforcement Program		N/A	Regional Parks is the lead	\$ 8,079.75	100.00%	
Community Emergency Preparedness Fund - 2022 Emergency Support Services	28-Jan-22	ESS Modernization Project		Required	Protective Services is the lead	\$ 22,502.40	100.00%	
Scotts’ Gro for Good Grant	28-Feb-22	Greenglade Community Garden Enhancement Project		N/A	Panorama Recreation is the lead	\$ 2,500.00	100.00%	
TOTAL GRANT ASKS IN PROGRESS (EXCLUDING CORE AREA LIQUID WASTE MANAGEMENT)						\$ 192,953,827		

GRANT APPLICATIONS IN PROGRESS

Grants Administration Dashboard

Externally Sourced Grant Funding

STATUS LEGEND: Intent to apply Work in Progress (=delay) Application Done - Outcome pending Project Done (=payment pending) Application Declined Links to information

CORE AREA LIQUID WASTE MANAGEMENT - GRANT FUNDING STATUS

Grant Program Links	Contribution Terms and Purpose	Status	Board Resolution	Comments	Grant Award Maximum	Redeemed to Date
Infrastructure Canada - 3P Funding Agreement (Federal funding)	Lesser of 25% of eligible costs or \$83.4M for a bio-solids energy centre treatment facility for wastewater sludge.				\$ 41,000,000	\$ 35,750,000
Infrastructure Canada - Building Canada Fund (Federal funding)	Up to 50% of eligible costs to a maximum of \$120M for construction of the McLoughlin Point Wastewater Treatment Plant, marine outfall pipe, and completion of the Victoria Harbour crossing.			Funding agreements executed. Construction to start in April 2017 as per March 16, 2017 joint media release (Canada, BC, CRD)	\$ 120,000,000	\$ 120,000,001
Infrastructure Canada - Green Infrastructure Fund (Federal funding)	Up to 50% of eligible costs to a maximum of \$50 M to upgrade Clover Point and Macaulay Point pump stations, implement attenuation tanks, and upgrade existing pump stations and piping systems.				\$ 50,000,000	\$ 50,000,001
Provincial Funding	The lesser of 1/3 total cost (excluding land acquisition cost) or \$248M for construction of the wastewater treatment plant, the energy centre for sludge treatment, and conveyance system upgrades - all serving the Core Area.		08-Mar-17	CRD Board approved execution of the Provincial Agreement	\$ 248,000,000	\$ 248,000,000
FCM - Green Municipal Fund - Water Capital Projects	\$3M grant in combination with a \$20M loan.				\$ 3,000,000	\$ 2,750,000
TOTALS					\$ 462,000,000	\$ 456,500,002

CORE AREA GRANTS

Grants Administration Dashboard

Externally Sourced Grant Funding





























STATUS LEGEND: Intent to apply Work in Progress (=delay) Application Done - Outcome pending Project Done (=payment pending) Application Declined Links to information

Grant Program Links	Dept.	Project Deadline	Project	Status	Lead	Project Cost (Estimate)	Grant Award
Bike BC Cycling Infrastructure Program	PES	30-Jun-21	E&N Rail Trail Phase 3: Atkins Ave. to Savory School		PES: Infrastructure Engineering and Facility Management	\$ 4,157,536	\$ 1,000,000
Building BC - Community Housing Fund	PPS	2023	Caledonia Housing Project		CRD Housing is the lead. Application is also seeking mortgage subsidy of \$666,500 per year. Supported by CRHC resolution 24-Jul-2018.	\$ 50,225,725	\$ 15,500,000
FCM Green Municipal Fund - Pilot Project	F&T	31-Oct-21	Zero Emissions Fleet Initiative		Risk Management - Climate Action	\$ 1,087,000	\$ 350,000
BC Rural Dividend	PES	22-Mar-21	Engineering Design for SGI Regional Trails		Regional Parks	\$ 200,000	\$ 100,000
BC Rural Dividend	SSI	22-Mar-21	Shared Service Business Model		SSI Administration	\$ 100,000	\$ 90,750
Child Care Space Creation Program	SSI	15-Apr-21	SSI PARC Licensed Preschool Child Care Space		SSI Administration	\$ 296,460	\$ 214,600
Affordable Rental Innovation - CMHC	PPS	31-Dec-21	Regional Housing First Program		Regional Housing: Partners include CRD, BC Housing, CMHC at \$40M each.	\$ 120,000,000	\$ 120,000,000
Reaching Home-Designated Communities	PPS	31-Mar-24	For community homelessness service projects		PPS: Regional Housing	\$ 4,772,699	\$ 4,772,699
Reaching Home-Indigenous Homelessness	PPS	31-Mar-22	For community homelessness service projects		PPS: Regional Housing	TBC	\$ 1,011,768
Reaching Home-COVID-19 Response	PPS	30-Jun-21	For community homelessness service projects		PPS: Regional Housing	TBC	\$ 3,231,049
City of Victoria Housing Reserve Fund	PPS	2023	Michigan Housing Project		PPS-Regional Housing-CRHC	\$ 1,395,000	\$ 1,020,000
UBCM-Community Emergency Preparedness Fund-Volunteer & Composite Fire Departments Equipment & Training	PPS	TBD	Joint CRD Volunteer Fire Department Equipment and Training Project		PPS	\$ 128,372	\$ 114,191
UBCM Housing Needs Reports Program Grant	PPS	2021	Regional Housing Needs Report-Capital Region		CRD Development and Planning Advisory Committee	\$ 150,000	\$ 150,000
Community Child Care Space Creation Program	SSI	TBD	Multipurpose room for licensed child care and recreation programs		SSI Administration	TBC	\$ 832,725
Community Emergency Preparedness Fund - Emergency Support Services	PPS	2021	Electoral Area Equipment and Training for Emergency Support Services Modernization		Protective Services	TBC	\$ 24,983
BC Rural Dividend - Rural Community Development Grants	SGI	TBD	SGI Broadband Connectivity - Planning Project		SGI Administration	TBC	\$ 50,000
BC Active Transportation Infrastructure Grants Program: Active Transportation Network Planning Grant and Active Transportation Infrastructure Grant	SSI	Mar-21	Lower Ganges Road Pathways Phase 2: Booth Canal to Baker Road		SSI Administration	\$ 700,000	\$ 490,000
Investing in Canada - Community, Culture, Recreation	PES	TBD	Mayne Island Regional Trail - Phase One Development		PES - Regional Parks	TBC	\$ 2,778,393
2020 Emergency Operations Centres and Training Program-Community Emergency Preparedness Fund	PPS	2021	Electoral Areas (JDF, SSI, SGI) EOC Supplies Procurement Project		Protective Services	\$ 25,000	\$ 25,000

PROJECTS IN PROGRESS

Grants Administration Dashboard

Externally Sourced Grant Funding

STATUS LEGEND:  Intent to apply  Work in Progress ( =delay)  Application Done - Outcome pending  Project Done ( =payment pending)  Application Declined  Links to information										
PROJECTS IN PROGRESS	BC Hydro Sustainable Communities Implementation Fund	PES	2021	Capital Region Electric Vehicle Infrastructure Road		PES - Environmental Protection - Climate Action	\$	71,500	\$	36,000
	Active Transportation Planning Program	SGI	2022	Active Transportation Plan for the Southern Gulf Islands		SGI Administration	\$	28,240	\$	20,000
	Rapid Housing Initiative-Major Cities Stream Immediate Support-Canada Mortgage and Housing Corporation	PPS	TBD	Permanent Affordable Housing under Rapid Housing Initiative		Regional Housing. Allocation of \$13,056,502	N/A	\$		13,056,502
	COVID-19 Safe Restart Grants for Local Governments	FT	2022	Funding for local operations impacted by COVID-19		Finance	N/A	\$		1,996,000
	2021-21 Salt Spring Island Transit Annual Operating Agreement	SSI	2021	Salt Spring Island Paratransit System funding through Safe Restart.		SSI Administration	N/A	\$		224,354
	Provincial Urban Deer Cost-Share Program	SGI	2021	Enhanced Eco-Cultural Restoration Partnership Proposal – Fallow Deer Management on Mayne Island		SGI Administration	\$	43,000	\$	18,000
	Community Economic Recovery Infrastructure Program-Unique Heritage Infrastructure Stream	IWS	2022	Goldstream Powerhouse Roof		Regional Water Supply Service	\$	77,160	\$	76,000
	Municipal Asset Management Program-FCM	AM	2022	Asset Life-Cycle Assessment Policy and Procedures		Asset Management	\$	62,500	\$	50,000
	Community Energy Financing - FCM	PES	TBD	Capital Regional Residential Energy Retrofit Program		PES - Environmental Protection - Climate Action	\$	320,000	\$	175,000
	ParticipACTION Community Better Challenge	SSI	2021	Swim the Southern Gulf Islands		SSI Parks and Recreation	\$	1,000	\$	400
	Province of BC-Ministry of Forests, Lands, Natural Resource Operations and Rural Development	PES	2022	Elk/Beaver Lake Oxygenation System project		PES - Regional Parks	\$	1,667,000	\$	750,000
	Salt Spring Island Foundation-Foundations of Youth Grant	SSI	2021	Salt Spring Lifeguard School program		SSI Parks and Recreation	\$	2,875	\$	500
	Building BC - Community Housing Fund	PPS	TBD	2780 Spencer Rd project in partnership with CRHC		Regional Housing	\$	19,900,000	\$	5,900,000
	Community Emergency Support Services – Emergency Support Services	PPS	2021	CRD ESS Drills and Equipment Funds		Protective Services	\$	25,000	\$	25,000
	2021 FireSmart Economic Recovery Fund-Community Resiliency Investment Program-UBCM	PPS	2021	Capital Regional FireSmart Economic Recovery		Protective Services	\$	137,907	\$	137,907
	2021 Emergency Operations Centres & Training-Community Emergency Preparedness Fund	PPS	2021	CRD Electoral Area EOC Functional Exercises		Protective Services	\$	25,000	\$	25,000
	Investing in Canada Infrastructure Program – Green Infrastructure – Environmental Quality Program	IWS	31-Mar-26	Magic Lake Estates Wastewater System Renewal		IWS - Infrastructure Engineering	\$	12,150,000	\$	5,653,266
	Investing in Canada Infrastructure Program-COVID-19 Resilience Infrastructure Stream	SSI	2023	SSI Drake Road Trail Upgrade Project		SSI Parks and Recreation	\$	176,401	\$	90,127
Strengthening Communities' Services-UBCM	SSI/PPS	31-Jul-22	Salt Spring Island Homelessness COVID Response project		SSI and Regional Housing	\$	325,570	\$	308,520	
BC Active Transportation Network Planning Grant Program	SSI	31-Mar-23	Pedestrian and Cycling Master Plan Update - Salt Spring Island edition 2021		SSI Administration	\$	60,000	\$	30,000	

Grants Administration Dashboard

Externally Sourced Grant Funding

STATUS LEGEND: Intent to apply Work in Progress (=delay) Application Done - Outcome pending Project Done (=payment pending) Application Declined Links to information										
PROJECTS IN PROGRESS	TD Friends of the Environment Foundation Program	SGI	05-Oct-22	Galiano Island Parks and Recreation Commission Zuker Native Plant Restoration		SGI Administration and Galiano Island Parks and Recreation Commission	\$	42,964	\$	6,500
	2021-22 Reaching Home-Government of Canada	PPS	2022	Designated Communities (\$2,401,331) and Indigenous Homelessness (\$1,315,537).		Regional Housing	\$	3,716,868	\$	3,716,868
	Climate Action Revenue Incentive Program	Finance	2021	2020 CARIP Grant Report		Finance and Climate Action	\$	87,073	\$	87,073
	Canada Summer Jobs	HR	2022	SEAPARC; Regional Parks; IWS; Panorama – Tennis; Panorama – Aquatics; Panorama – Summer camp; Panorama – Greenglade; and SSI – Parks & Rec.		Human Resources	\$	118,474	\$	89,912
	CRD Traffic Safety Commission	PES	2022	CRD Walk and Wheel to School 2021 project		Climate Action	\$	5,000	\$	3,000
	Salt Spring Island Foundation	SSI	2022	Child Care Space Creation - Equipment for New Day Care		SSI Parks and Recreation	\$	15,000	\$	3,000
	Enabling Accessibility Fund-Small Projects	PES	2022	Improving Accessibility - Panorama Recreation & SEAPARC		Panorama and SEAPARC	\$	115,000	\$	100,000
	Canada Nature Fund's Species at Risk Priority Places – Environment and Climate Change Canada Program	PPS	2023	Species at Risk Assessment, Planning and Habitat Restoration at Mill Hill Regional Park (2021-2023)		Regional Parks	\$	155,750	\$	65,000
	BC Hydro Community Energy Manager Program	PES	2023	Community Energy Specialist from Sept. 2021–Sept. 2023		Climate Action		TBC	\$	100,000
	National Housing Strategy's – Canada Mortgage and Housing Corporation – Rapid Housing Initiative – Major Cities Stream	PPS	TBC	865 Catherine Street Supportive Housing Project, 45 units		Regional Housing	\$	16,989,848	\$	11,290,921
GRANTS AWARDED as of February 7, 2022							\$	274,938,625	\$	215,223,044

Grants Administration Dashboard

Externally Sourced Grant Funding









STATUS LEGEND: Intent to apply Work in Progress (=delay) Application Done - Outcome pending Project Done (=payment pending) Application Declined Links to information

Grant Program Links	Launch Date	Application Deadline	Resolution Needed	Departments Alerted	Status
Community Gaming Grant	Ongoing				
Human and Social Programs		30-Nov-21	Not applicable; CRD's role can be to support a not-for-profit in pursuing these grants.	All	Grant alert sent
Green Municipal Fund - Plans, Feasibility Studies, Pilot Projects Capital Projects	Ongoing	Ongoing	Depends on \$ value	Standing Item	
Address Improvement Grant	Ongoing	Ongoing	Not Specified	IT	Grant alert sent
BC Hydro Sustainable Communities Program	Ongoing	Ongoing	N/A	Standing Item	
Efficiency BC - Online hub of energy efficiency initiatives	Ongoing	Ongoing	N/A	Standing Item	
Ship-source Oil Pollution Fund	Ongoing	Ongoing	TBD	Standing Item	Grant alert sent
Ecological Gifts Program	N/A	Ongoing	Not Specified	All	Grant alert sent
Family Violence Initiative	N/A	Ongoing	Not Specified	All	Grant alert sent
Federal Lands Initiative	N/A	Ongoing	Not Specified	All	Grant alert sent
National Housing Co-Investment Fund (New Construction, Housing Repair and Renewal, and Rental Construction Financing)	N/A	Ongoing	Not Specified	All	Grant alert sent
Recovery Funding for Professional Arts Presentation Organizations – Canada Arts Presentation Fund	N/A	13-Dec-21	Not Specified	All	Grant alert sent
2022 Platinum Jubilee of Her Majesty Queen Elizabeth II – Community Projects	N/A	20-Dec-21	Required	All	Grant alert sent
150 Time Immemorial Grant Program – Heritage BC	N/A	24-Dec-21	Not Specified	All	Grant alert sent
CleanBC Building Innovation Fund	17-Nov-21	10-Jan-22	Not Specified	All	Grant alert sent
Habitat Stewardship Program for Species at Risk	N/A	10-Jan-22	Not Specified	All	Grant alert sent
Young Canada Works in Heritage Organizations	N/A	21-Jan-22	Not Specified	All	Grant alert sent
Habitat Stewardship Program for Species at Risk	N/A	25-Jan-22	Not Specified	All	Grant alert sent
Nature Smart Climate Solutions Fund	N/A	25-Jan-22	Not Specified	All	Grant alert sent
Canada Summer Jobs	N/A	25-Jan-22	Not Specified	All	Grant alert sent
Emergency Support Services – Community Emergency Support Service-UBCM	N/A	28-Jan-21	Required	All	Grant alert sent
Celebration and Commemoration Program – Reopening Fund	N/A	31-Jan-22	Not Specified	All	Grant alert sent
Funding for Great Lakes Protection	N/A	31-Jan-22	Not Specified	All	Grant alert sent

GRANT CALLS IN PROGRESS









Grants Administration Dashboard

Externally Sourced Grant Funding

STATUS LEGEND:  Intent to apply  Work in Progress ( =delay)  Application Done - Outcome pending  Project Done ( =payment pending)  Application Declined  Links to information						
GRANT CALLS IN PROGRESS	Wildfire Community Preparedness Day 2022	N/A	31-Jan-22	Not Specified	All	Grant alert sent
	Young Canada Works in Both Official Languages	N/A	03-Feb-22	Not Specified	All	Grant alert sent
	Poverty Reduction Planning and Action Program – UBCM	N/A	11-Feb-22	Required	All	Grant alert sent
	Early Learning and Child Care small projects component – Enabling Accessibility Fund	03-Dec-21	14-Feb-22	Not Specified	All	Grant alert sent
	Investing in Canada Infrastructure Program – Green Infrastructure – Environmental Quality Program Stream	08-Oct-21	23-Feb-22	Required	All	Grant alert sent
	Emergency Operations Centre and Training-Community Emergency Preparedness Fund-UBCM	N/A	25-Feb-22	Required	All	Grant alert sent
	Scotts’ Gro for Good Grant	N/A	28-Feb-22	Required	All	Grant alert sent
	Low Carbon Economy Challenge – Expressions of Interest	27-Jan-22	25-Mar-22	Not Specified	All	Grant alert sent
	Active Transportation Fund	N/A	31-Mar-22	Not Specified	All	Grant alert sent
	Canada Arts Presentation Fund – Professional Arts Festivals and Performing Arts Series Presenters	N/A	01-Apr-22	Not Specified	All	Grant alert sent
	Rural Transit Solutions Fund – Capital Projects Stream	N/A	07-Apr-22	Not Specified	All	Grant alert sent
	2022 Strengthening Communities’ Services – UBCM	N/A	22-Apr-22	Required	All	Grant alert sent
	Community Anniversaries – Building Communities Through Arts and Heritage	N/A	30-Apr-22	Not Specified	All	Grant alert sent
	CleanBC Communities Fund – Green Infrastructure – Investing in Canada Infrastructure Program	26-Jan-22	25-May-22	Required	All	Grant alert sent
	CleanBC Go Electric Fleets Program	N/A	31-Mar-23	Not Specified	All	Grant alert sent
	Zero Emission Transit Fund – Infrastructure Canada	N/A	Continuous	Not Specified	All	Grant alert sent
	Cultural Spaces Fund – Making Cultural Spaces Safe During COVID-19 Initiative	N/A	Continuous	Not Specified	All	Grant alert sent
	MITACS – Municipal Support Grants	N/A	Continuous	Not Specified	All	Grant alert sent
	Community Buildings Retrofit Initiative- FCM	N/A	Continuous	Required	All	Grant alert sent
	Canada Arts Presentation Fund-Development	N/A	Continuous	Not Specified	All	Grant alert sent
	Green Municipal Fund: Local Home-Energy Upgrade Financing Program-FCM	N/A	Continuous	Required	All	Grant alert sent
	Economic Development Readiness Program-ICET	N/A	Continuous	Not Specified	All	Grant alert sent
	Municipal Asset Management Program - FCM	N/A	Continuous	Required	All	Grant alert sent
	Sustainable Affordable Housing-Green Municipal Fund-FCM	N/A	Continuous	Required	All	Grant alert sent
	Smart Renewables and Electrification Pathways Program	N/A	Continuous	Not Specified	All	Grant alert sent
	Municipal Natural Assets Initiative-Expressions of Interest	08-Oct-19	TBD	Not Specified	All	Grant alert sent

Grants Administration Dashboard

Externally Sourced Grant Funding

STATUS LEGEND:  Intent to apply  Work in Progress ( =delay)  Application Done - Outcome pending  Project Done ( =payment pending)  Application Declined  Links to information

Funding Sources / Plans	Description	Possible Timing	Links
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<p>UBCM Local Government Program Services 2022</p>	<p>List of Local Government Programs and Services</p>	<p>CleanBC Go Electric Public Charger Program, Spring 2022, TBD UBCM Grants: Age-Friendly Communities, TBD Celebrate Canada-Canadian Heritage Grants Island Health Community Wellness Granting Program 2022 intake, TBD UBCM GRANTS: Asset Management, TBD</p>	<p>GRANTS FORECAST</p>
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FUNDING INITIATIVES: ONGOING SCAN



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**REPORT TO THE FINANCE COMMITTEE
MEETING OF WEDNESDAY, MARCH 02, 2022**

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

ISSUE SUMMARY

Provide an annual update on Capital Regional District (CRD) investment holdings and performance for the period ended December 31, 2021.

BACKGROUND

The 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 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 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

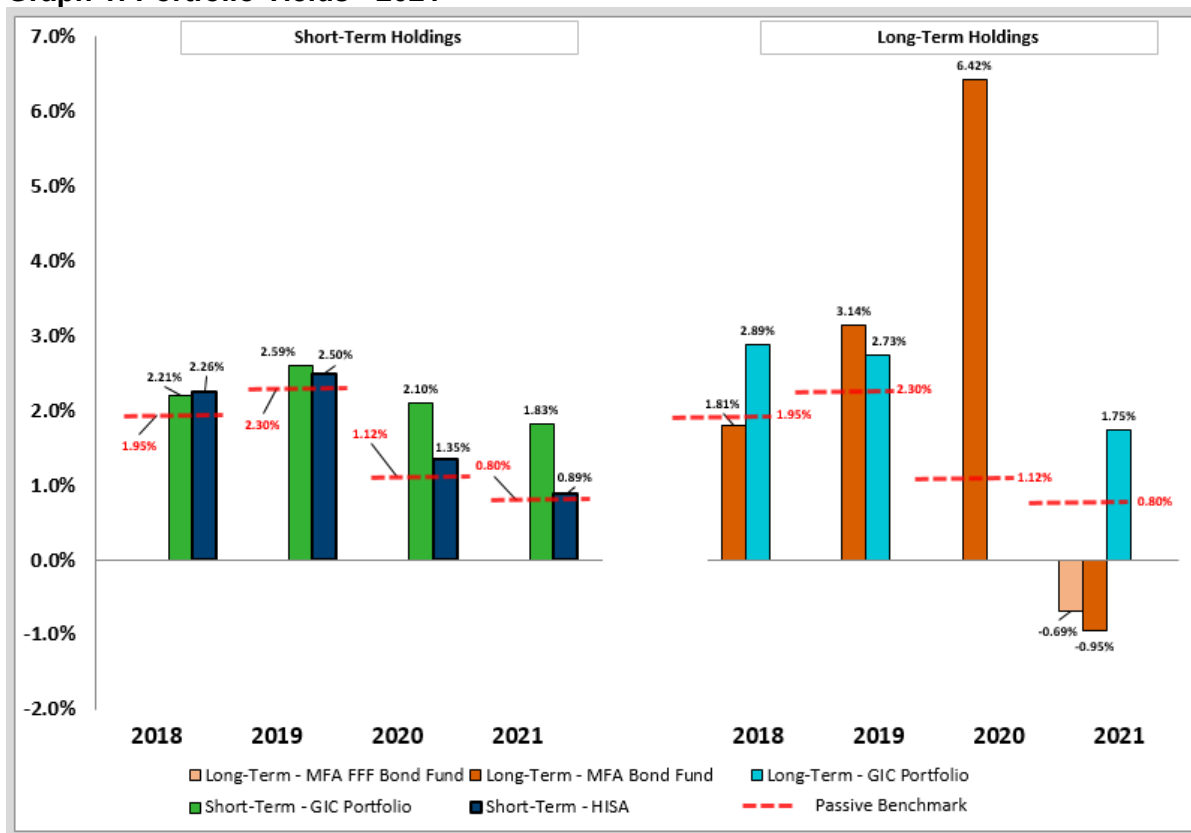
In comparison to 2020, 2021 returns were lower, driven by historically low rates attributed to Bank of Canada policies and the fixed income market. Returns in excess of benchmark were a result of active portfolio management and improvements in cashflow forecasting throughout the year.

With the completion of the Core Area Wastewater Treatment Project in 2021, total monthly CRD cashflow stabilized and became increasingly predictable. Additionally, continued improvements in reserve forecasting and long term financial planning enabled portfolio balancing into longer

Finance Committee – March 2, 2022
Capital Regional District Investment Portfolio Holdings and Annual Performance Update 2

term, higher potential return investments such as the Fossil Fuel Free Bond Fund (FFF), and the Mortgage Fund. Graph 1 below provides a summary on portfolio yields split by short and long term holdings.

Graph 1: Portfolio Yields - 2021



The passive benchmark represents the expected return from a liquid investment strategy without active management. Passive rates over the past 4 years were 1.95%, 2.30%, 1.12% and 0.80% respectively.

During 2021, short-term and long-term GIC investments returned 1.83% and 1.75%, respectively, and short-term HISA’s returned a low of 0.89%. The MFA Bond Fund and the MFA Fossil-Fuel Free (FFF) Bond Fund returned (0.95%) and (0.69%) respectively 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 2.3%, resulting in approximately \$7 million in investment growth over this period.

Table 1 below summarizes the three-year trend on investment income. Realized income is distributed annually on a pro-rata basis to CRD services based on reserve balances and monies held in trust where applicable.

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

	2019		2020		2021	
Passive Income	2.3%	\$4.1M	1.1%	\$2.7M	0.8%	\$2.1M
Unrealized gain (loss)	0.1%	\$0.2M	0.5%	\$1.7M	-0.4%	-\$1.6M
Active Management	0.3%	\$1.3M	0.8%	\$2.5M	0.6%	\$2.5M
Total	2.7%	\$5.6M	2.4%	\$6.9M	1.0%	\$3.0M

The total effective rate of return on investments during 2021 was 1.0% or 1.4% if unrealized losses in MFA pooled funds are excluded. Total investment income for 2021 was \$3.0 million including MFA pooled fund unrealized losses of -\$1.6 million. The overall decrease in annual investment income was due to historically low rates and 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 CRD held \$316.3 million 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)		
Scotia Bank High Interest Savings Account (Cash)	29.3	9.2%
Scotia Bank Notice Plan	41.0	13.0%
Various GICs (< 2 year)	55.9	17.7%
Total Short-term:	126.2	39.9%
Investments Long-Term (more than 2 years)		
MFA Short-Term Bond Fund	33.7	10.7%
MFA FFF Bond Fund (NEW)	29.9	9.4%
MFA Mortgage Fund (NEW) *	30.0	9.5%
Various GICs (> 2 year)	96.5	30.5%
Total Long-term:	190.1	60.1%
Total Investments:	\$316.3	100%

*\$30 million committed for next mortgage fund intake, order placed but not yet called into the fund; \$30 million remains on deposit in Scotia Notice Plan until optioned by the MFA.

The portfolio was distributed between short-term and long-term investments in a 40/60 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.

Construction of the Core Area Wastewater Treatment Plant historically required high levels of liquidity driving a higher short-term investment ratio. With the project complete in 2021, liquidity requirements decreased resulting in a portfolio aligned with cashflow requirements.

CONCLUSION

Overall, the Capital Regional 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 exceeded expectations for the year ended December 31, 2021.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:
That the Capital Regional District Investment Portfolio Holdings and Annual Performance 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.



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**REPORT TO FINANCE COMMITTEE
MEETING OF WEDNESDAY, MARCH 02, 2022**

SUBJECT **Socially and Environmentally Responsible Investing**

ISSUE SUMMARY

To amend Capital Regional District (CRD) Investment Policy (IP) and report on alignment of investments to socially and environmentally responsible investment objectives.

BACKGROUND

At the January 5, 2022, Finance Committee meeting, the Committee directed staff to “report back with options to move investments further into alignment with the CRD’s stated social and environmental values, including the declaration of a climate emergency, and that staff be directed to develop a draft policy regarding socially and environmentally responsible investing that could be considered by member local governments”.

The current CRD IP includes socially responsible investing (SRI) as one of the four principles guiding investment decisions which were driven by amendments in 2017 and 2021. The introduction of SRI as a priority added to the existing pillars of principle protection, liquidity and rate of return. The 2017 policy permitted SRI and green branded investment products as alternatives only where returns were within 5% of maximum available yields. This amendment recognized the balance between competitive market yields and social responsibility. Although designed to encourage these types of placements, no investments met the criteria.

In May 2019, staff were directed to report back on SRI options available to the CRD. Subsequently, impact guaranteed investment certificates (GICs), green bonds, principle protected notes, etc. were evaluated and reported to the Finance and Governance Committee in October 2019 (Appendix A). Additionally, the Municipal Finance Authority (MFA) was actively pursuing an SRI pooled fund, which was deemed the most viable option. However, due to low demand from local governments, the product was cancelled.

In early 2021, the CRD Board approved an update to the IP to replace existing constraints on SRI products (maximum yield) with a limit of SRI investments to 10% of the total portfolio (Appendix B). Following approval, staff placed \$20 million and later an additional \$10 million in the MFA Fossil Fuel Free (FFF) bond fund.

In late 2021, the MFA released an Environmental, Social and Governance (ESG) framework (Appendix C), and made a presentation to the Finance Committee on January 5, 2022 (Appendix D). The MFA reported on alignment of products with the ESG framework developed for local governments. Based on the MFA framework, all pooled funds qualify as SRI & ESG integrated funds managed by signatories to the United Nations Principles of Responsible Investment (Appendix E).

As a result, an amendment should be made to the IP to remove total portfolio limits in favor of the MFA ESG framework definitions (Appendix F). A copy of the amended CRD IP could then be forwarded to all member municipalities to complete the January 5 Finance Committee direction.

ALTERNATIVES

Alternative 1

The Finance Committee recommends to the Capital Regional District Board:

1. That the amended CRD Investment Policy be adopted; and
2. That this staff report and the adopted CRD Investment Policy be forwarded to member municipalities for consideration.

Alternative 2

That this report and draft revised CRD Investment Policy be referred back to staff for additional information.

IMPLICATIONS

The MFA ESG framework defines SRI as investments in institutions not directly involved in oil & gas production, extraction or transportation. As such, the framework classifies investments in bank-sponsored GICs and investment deposit products, such as high interest savings accounts, be qualified as SRI options.

Additionally, the MFA continues to add product options including a pooled mortgage fund (January 2020) and the aforementioned Fossil Fuel Free (FFF) Bond Fund (May 2020). The CRD placed \$20 million in the FFF pooled fund in March 2021 and an additional \$10 million in August 2021.

Current CRD holdings that are non-ESG compliant include the MFA Bond fund which has been in the portfolio since 1999. This long-term fund has provided compounded annual returns of approximately 3% since inception and is in line with expectations for this asset class. Divestiture of the MFA Bond Fund will be considered at future re-balancing opportunities.

A review of the CRD alignment with the MFA ESG framework is summarized in Table 1 below:

Table 1: CRD alignment with SRI (MFA Framework)

	2018	2019	2020	2021
ESG Aligned	70%	83%	86%	89%
Non ESG	30%	17%	14%	11%
Total	100%	100%	100%	100%

The proposed CRD Investment Policy amendment includes reference to the MFA ESG framework to provide clarity on definition and qualified SRI products in the portfolio. Current CRD investment holdings are nearly 90% aligned with the MFA ESG framework. As a result, there is limited opportunity to further align the CRD investment activities with ESG objectives beyond divesting further from the MFA Bond Fund.

CONCLUSION

Staff were requested to provide options to move investments further into alignment with the CRD's stated social and environmental values and to develop a draft policy regarding socially and environmentally responsible investing (SRI) that could be considered by member local governments. The CRD has actively pursued options to align investments in treasury activities

since 2017. Since the last policy update in 2021, the MFA has introduced an Environmental, Social and Governance (ESG) framework for responsible investing and reported on alignment of MFA products. Based on the MFA framework, all pooled funds qualify as SRI & ESG integrated funds managed by signatories to the United Nations Principles of Responsible Investment resulting in nearly 90% of the CRD portfolio aligned with the MFA ESG framework. The CRD Investment Policy should be amended to remove total portfolio limits in favor of the MFA ESG framework definitions. The Investment Policy could then be forwarded to member municipalities for consideration.

RECOMMENDATION

The Finance Committee recommends to the Capital Regional District Board:

1. That the amended CRD Investment Policy be adopted; and
2. That this staff report and the adopted CRD Investment Policy be forwarded to member municipalities for consideration.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, J.D., General Manager, Corporate Services & Corporate Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S)

- Appendix A: Staff Report 19-785, October 2, 2019 – Socially Responsible Investment Options
- Appendix B: CRD Investment Policy (2021)
- Appendix C: MFA ESG Framework
- Appendix D: Excerpt MFA Presentation January 5, 2022 – Debt Management & Other Topics
- Appendix E: MFA ESG and MFA Pooled Investment Funds
- Appendix F: Amended CRD Investment Policy (2022)



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19-785

**REPORT TO THE GOVERNANCE AND FINANCE COMMITTEE
MEETING OF WEDNESDAY OCTOBER 02, 2019**

SUBJECT **Socially Responsible Investment Options**

ISSUE

To provide a summary of socially responsible investment (SRI) options available to the Capital Regional District (CRD).

BACKGROUND

At the May 8, 2019, Board meeting, staff were directed to report back on socially responsible investment options available to the CRD. During this meeting the Municipal Finance Authority (MFA) reported that, in the near term, it would not pursue a pooled SRI fund due to low subscribership commitments.

Per Section 183 of the *Community Charter*, beyond MFA as an option, the CRD can invest in securities where principal and interest are guaranteed by Canada or by a Province, securities of a municipality, regional district or greater board, investments guaranteed by a chartered bank and deposits in savings in a credit union. The CRD is not able to invest in securities issued by the private sector directly. This means the CRD is unable to hold shares or debt of for-profit organizations.

Investment decisions are guided through the CRD Investment Policy (IP) on the basis of key objectives. Listed in order of priority, the objectives are safety of principal, liquidity, responsible investing and return on investment.

Also guided by the CRD IP, cash reserve investments are diversified by security type and institution, taking into consideration the impact on return on investment. The diversification mechanism restricts the maximum investment in any one institution to 20% of the annual portfolio and 10% invested in any individual security issue.

In 2017 the Board approved amendments to the IP to include socially responsible investing (SRI). The revised policy prioritized SRI ahead of other investments if returns were within 5% of maximum available yields. To date, this has not resulted in any specific investment externally. This is due to limited offerings in the market that meet legislative restrictions and meet the CRD IP diversification criteria. Although this is changing as SRI options develop, there continue to be only a small range of investment options externally that achieve SRI investment objectives.

ALTERNATIVES

Alternative 1

That the Governance and Finance Committee recommend to the Capital Regional District Board:
That the Socially Responsible Investment Options report be received for information.

Alternative 2

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

DISCUSSION

According to RBC Global Asset Management, SRI is an investment strategy that “incorporates screening based on environmental, social, and governance (ESG) criteria into overall investment processes.”¹ Investments into green initiatives fall under the environmental category of SRI, incorporating “the impact of a company’s activities on the climate and the environment, including greenhouse gas emissions and the risks and opportunities presented by climate change, energy efficiency, pollution, water and waste management, site rehabilitation, biodiversity and habitat protection.”¹

A survey of existing SRI investment options available for the CRD is summarized in Table 1. The survey considered available SRI investments as well as internal opportunities to impact social and environmental outcomes through investment. The survey of our investment advisor group included a canvass of the investment market within legislative constraints.

Table 1: SRI Investment Options

Option	Category	Description	Suitability
1	Funding internal CRD SRI projects (3+ Years)	Internal CRD projects can be tailored to meet specific climate action outcomes and social objectives. The return on investment can be controlled and does not incur additional transaction fees.	The CRD currently engages in a variety of internal projects with a proactive social and environmental lens. (Internally funded vs debt funded)
2	Impact GICs with Credit Unions (2–5 year terms)	Credit Unions offering socially responsible GICs (restricted use of GIC funds) This program is currently under development, and expected to launch in the coming years.	This investment horizon matches liquidity requirements and meets objectives. This option would require development of an administrative framework to assess and monitor outcomes.
3	Green Bonds (3+ Years)	Fixed income securities issued by a corporation, financial institution or government. Proceeds earmarked for use in environmentally sustainable projects.	Green bonds are fixed, long term investments, only funds from certain reserves where the future date the funds will be needed can be predicted could be invested (Per IP). Examples of these reserves are the Landfill Asset Retirement Obligation Reserve, some capital reserves. Additionally, the amount placed in green bonds will be limited to mitigate erosion of the overall portfolio returns. This product can yield up to 1% lower than comparable long term GIC’s in some cases.

¹ <https://www.rbcwealthmanagement.com/ca/en/research-insights/a-holistic-approach-to-responsible-investment/detail/>

Table 1 continued

Option	Category	Description	Suitability
4	Indigenous Financial Institutions (1-5 Years)	Deposit products with indigenous-led banks and trusts.	Currently there are two Indigenous-led financial institutions available to place deposits with. Neither institution carries the required credit rating under section 6.1 of the IP. In addition, neither institution is covered by CDIC. Section 6.7 of the IP does allow for an exception to these policy constraints with a recommendation from the CFO to the Committee. (note: still subject to diversification principle of 20%)
5	Principal Protected Notes (3-5 Years)	A product issued by a bank that guarantees the return of principal, at a minimum assuming held to maturity, and provides exposure to an underlying ESG equity index.	The return from PPNs is split into a guaranteed return component and a performance-based return component. The guaranteed component is often minimal (up to 1% per annum) interest and principal only. The variable component is a variable return which depends on the return of the underlying index being tracked. If the index performance is not positive, the 0–1% guaranteed annual return can be lower than inflation, resulting in an erosion of capital over time.

Staff will continue to pursue options 1 to 3 as current placements mature and based on alignment with the IP.

CONCLUSION

The current investment product development trend in the market is to deliver more SRI options for consideration. The current IP aligns with those SRI options currently available. Staff will continue to pursue and incorporate SRI's into the portfolio wherever suitable.

RECOMMENDATION

That the Governance and Finance Committee recommend to the Capital Regional District Board:
 That the Socially Responsible Investment Options report be received for information.

Submitted by:	Rianna Lachance, BCom, CPA, CA, Senior Manager, Financial Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

AH:nm

Appendix A: Capital Regional District Investment Policy, May 10, 2017



CAPITAL REGIONAL DISTRICT

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INVESTMENT POLICY

Policy Type	Board [Corporate]		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD07
Amendment #1	May 10, 2017		
Amendment #2	March 10, 2021 (Approved)		
Policy Owner	Financial Services		

1. PURPOSE

This investment policy provides the framework for investment portfolio management for the Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC).

It is the policy of the CRD, CRHD and CRHC to invest funds in a manner that provides the optimal blend of investment security and return while meeting the short and long term cash flow requirements in support of the corporate plan priorities while maintaining compliance with statutory requirements.

2. SCOPE

The investment policy applies to all cash operating funds, capital funds and reserve funds. It does not apply to funds held in trust or which have a specific legal or statutory requirement for cash management, disbursement, or investment.

3. PRINCIPLES

The investment of funds must reflect a management philosophy based on the fundamental objectives of

3.1 Safety of Principal

Investments shall be made to ensure preservation of principal within the portfolio. Preservation of principal is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on financial products.

3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow requirements.

3.3 Responsible Investing

The investment program will consider socially responsible investment products that adhere to statutory requirements and meet the objectives laid out in this policy. Organizations that adopt a socially responsible investment platform are preferred.

3.4 Return on Investment

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints, liquidity requirements and responsible investing objectives.

4. INVESTMENT PARAMETERS

4.1 Safety of Principal

The program will diversify cash reserve investments by security type and institution, taking into consideration the impact on return on investment. Section 5.4 outlines the authorized and suitable investments permissible to ensure optimal portfolio diversification.

4.2 Liquidity

To the extent possible, portfolio management will align investments with anticipated cash flow requirements. However, a portion of the portfolio shall be continuously invested in fully-liquid investments to meet ongoing obligations.

A long-term financial plan will be established for major capital reserves. The long-term financial plan will inform the term decision when placing timed investments in order to meet liquidity requirements.

4.3 Responsible Investing

Where responsible investment options provide comparable risk, return and liquidity, these facilities will be a priority. When responsible investing options provide lower return but comparable liquidity and risk, the investment will be limited to 10% of the total portfolio. Limiting lower rates to a maximum of 10% of the portfolio limits exposure of capital against performance and inflation.

4.4 Return on Investment

The investment program will seek to maximize the total return on all funds under management after considering protection of principal, liquidity and responsible investing. Return will be monitored through performance benchmarks to ensure program activities are providing benefits in excess of costs and with the goal to preserve capital against inflation over time. Due to the nature of the CRHC business activities, delivering affordable housing within the social service sector, CRHC will be excluded from holding lower return products.

4.5 Authorized and Suitable Investments

Money held may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

1. Investments in marketable securities of a chartered bank or savings institution or any province must have a DBRS risk rating of R-1 (low) or higher for short-term debt and a rating of A (low) for long-term debt or comparable ratings of another rating organization, indicating equal or superior credit quality (see Appendix A of this policy).
2. Investment placements will conform to the portfolio diversification constraints listed in Appendix B. Exceptions to constraints listed in Appendix A require

Chief Financial Officer approval and shall be reported to the Board through Standing Committee at the next available meeting.

3. Internal projects under CRD service authority are considered allowable investment options when capital reserves are not immediately required and can be accessed through inter-service borrowing. Inter-service borrowing will be in compliance with legislation and the CRD Inter-Service Borrowing Guidelines.

5. STANDARD OF CARE

5.1 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

5.2 Ethics and Conflict of Interest

Staff responsible for investing activities shall comply with the CRD Conflict of Interest Policy and shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

5.3 Delegation of Authority

Authority to manage the investment program ("the Program") is granted to the Chief Financial Officer and is derived from section 237 of the *Local Government Act*.

5.4 Credit Risk Monitoring

To meet the objectives of this policy and ensure suitability of offerings, credit risk monitoring must be conducted by CRD Staff independent of vendor representations. The following due-diligence shall be performed:

1. In-house credit analysis shall be conducted on all financial institutions and investment counter-parties.
2. Credit reports and analysis, published by DBRS, S&P, Fitch or Moody's, will be obtained from financial institutions, investment dealers and rating institutions and reviewed.
3. Credit reports and analysis are recognized as opinions and not a guarantee for safety of principal.
4. When placing investments in individual marketable securities and more than one credit rating is available, the average of two or more available credit ratings shall be used.

5.5 Consolidated Basis

All funds covered by this policy will be managed on a consolidated basis to ensure the best possible return by providing economies of scale.

5.6 Program Requirements

The Program shall abide by the following reporting requirements:

1. The Chief Financial Officer must report to the Finance Committee annually. The report must identify investment holdings and any deviations from this policy; and
2. An appropriate portfolio performance benchmark will be set and reported in the annual investment performance report.

6. POLICY REVIEW

Review Date	Description:
March 2026, unless legislative change or new MFA finance product	<p>To ensure ongoing relevance, this policy shall be reviewed the earlier of:</p> <ol style="list-style-type: none"> 1. If a change in the relevant legislation governing the investment activities of local governments occurs; 2. If the Municipal Finance Authority of British Columbia establishes a new pooled fund investment product; or 3. Every five calendar years.

7. RELATED POLICY, PROCEDURE AND GUIDELINES

- Conflict of Interest Policy

Appendix A
Dominion Bond Rating Service (DBRS) Credit Quality Ratings

Commercial Paper & Short-Term Debt	Bond & Long-term Debt	Bond & Long-term Debt	Description	CRD/CRHD/CRHC Investment Policy
R-1 (high)	AAA	Investment Grade ↑	Superior	Permissible
R-1 (high)	AA (high)			
R-1 (middle)	AA			
R-1 (middle)	AA (low)			
R-1 (low)	A (high)		Good	
R-1 (low)	A			
R-1 (low)	A (low)			
R-2 (high)	BBB (high)	Speculative Grade	Adequate	Not Permissible
R-2 (middle)	BBB			
R-2 (low) / R-3	BBB (low)			
R-4	BB (high)		Speculative	
R-4	BB			
R-4	BB (low)			
R-4	B (high)			
R-5	B		Highly Speculative	
R-5	B (low)			
R-5	CCC			
R-5	CCC			
R-5	CCC			
R-5	CC			
R-5	C			
D	D		Default	

Appendix B Portfolio Diversification Constraints

Exposure constraints target protection of principal and return and set a maximum allowable share of the total portfolio that can be invested.

Due to market fluctuations and / or the timing of investment deposit transfers, maximum percentages in Appendix C may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

The portfolio diversification constraints are found in Table 1 below:

Table 1: **Portfolio Diversification Constraints**

Investment Type	MAXIMUM of Total Reserves	MAXIMUM by Institution/product/ pooled fund
<u>Short-Term (< 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	50%	50%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
<u>Long-Term (> 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	60%	30%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
Internal Projects (5+ years)	30%	-
Federal Bonds	20%	10%
Municipal Finance Authority of BC Bonds	20%	20%
Provincial Bonds	15%	15%
Municipal, Regional District or Greater Board Bonds	15%	15%



**Municipal Finance
Authority of BC**

ESG Framework

DISCLAIMER



This presentation, including the accompanying slides and subsequent discussion, contains certain forward-looking information, forecasts, projections, goals and strategies (the “forward-looking information”) with respect to revenues, funding, expenses, the financial condition, and results of operations. This forward-looking information represents the Municipal Finance Authority of British Columbia’s expectations or beliefs concerning future events and involves known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. This material is for information purposes only.

MFA'S ESG APPROACH



- Since inception in 1970, MFA's main mandate of providing low-cost lending for local government capital projects has provided tremendous benefits to communities and citizens all across British Columbia
 - MFA has recently committed to increasing its efforts on collecting, standardizing and disseminating more granular data on its lending activities to assist the investment community
- MFA will now provide "Use of Proceeds" disclosure in conjunction with all future bond issues and in our annual report every year
 - MFA's initial approach will be to map its use of proceeds to UN SDG's, Green Bond Principles and Social Bond Principles
 - Management is committed to helping improve both local government and MFA's disclosures over time - in conjunction with expected improvements of global ESG reporting standards
- MFA has no intention of issuing certified labeled bonds. Given our unique model, and until ESG reporting methodologies and standards improve, our efforts will be focused on being a thought leader and promoter of the adoption of common and comparable ESG reporting data by our Members

ESG FRAMEWORK



The MFA has developed an ESG mapping approach which endeavours to provide Environmental, Social, and Governance disclosure by which investors, bond market participants, and other interested stakeholders can better understand how proceeds from our funding program are used. While our bond issues are not certified as such, we view all of our bond issues as being 'sustainable bonds', used to support and advance various ESG initiatives throughout the province.



Using our new ESG mapping approach, the MFA aims to provide stakeholders with insight into how the capital projects we fund align to not only specific UN Sustainable Development Goals but also recognized Green Bond Principles and Social Bond Principles. These principles have been used to help guide our project mapping approach but should not be construed as a formal framework where explicit impacts are measured at this time. We encourage stakeholders to reach out and dialogue with us as we take initial steps to improve our ESG approach in an effort to provide stakeholders with clearer information regarding our use of proceeds.

MFA MAPPING TOOL FOR ESG CRITERIA

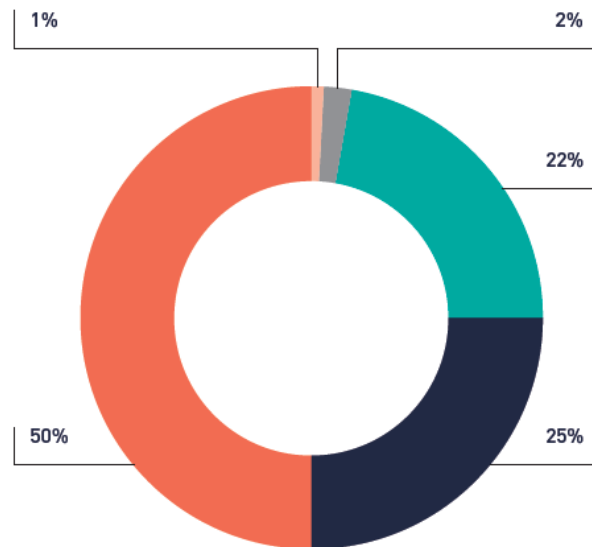


UN SDG Alignment	Green Bond Principles	Social Bond Principles	MFA Purpose of Borrowing	Project Examples In This Category
3 GOOD HEALTH & WELLBEING	–	Access to Essential Services	Health/Social Services	Hospitals, hospital equipment, day cares
6 CLEAN WATER & SANITATION	Sustainable Water & Wastewater Management	Affordable Basic Infrastructure	Water	Water treatment, distribution, storage, water metering
	Sustainable Water & Wastewater Management	Affordable Basic Infrastructure	Sewer/Drainage	Sewage treatment, distribution, storage, storm drainage systems, dikes, flood protection
7 AFFORDABLE & CLEAN ENERGY	Energy Efficiency	Affordable Basic Infrastructure	Renewable Energy Systems	Solar, hydro electric, heat recapture, energy efficiency retrofits
	Renewable Energy	Affordable Basic Infrastructure	Renewable Energy Systems	Solar, hydro electric, heat recapture, energy efficiency retrofits
11 SUSTAINABLE CITIES & COMMUNITIES	Clean Transportation	Affordable Basic Infrastructure	Transportation/Transit	Airports, public transit, cycling and walking infrastructure
	–	Affordable Basic Infrastructure	Roads	Paving, new roads, road safety improvements, bridges, interchanges, street lighting
	Green Buildings	Affordable Basic Infrastructure	Public Safety	Public safety buildings, fire halls, fire trucks
	Green Buildings	Affordable Basic Infrastructure	Local Government Land & Buildings	Land acquisition, City hall, public works buildings, animal shelters, other Local Government owned facilities
	–	Affordable Basic Infrastructure	Communications Utilities	Fibre optic network, TV rebroadcasting, phone network
	Green Buildings	Affordable Basic Infrastructure	Parks/Recreation/Culture	Parkland, park improvements, recreational facilities, libraries, community halls, theaters, museums
	Environmentally sustainable management of natural resources and land use	Affordable Basic Infrastructure	Parks/Recreation/Culture	Parkland, park improvements, recreational facilities, libraries, community halls, theaters, museums
	–	Affordable Basic Infrastructure	Other	Cemetery improvements, cruise ship dock
12 RESPONSIBLE CONSUMPTION & PRODUCTION	Green Buildings	Affordable Housing	Affordable Housing	Social/supportive housing
	Pollution Prevention & Control	–	Solid Waste Management/Recycling	Landfills, landfill closure, recycling facilities, composting facilities, vehicles for these purposes
13 CLIMATE ACTION	Climate Change Adaptation	–	Environmental Conservation/Remediation	Brownfield remediation, habitat restoration
14 LIFE BELOW WATER	Terrestrial & Aquatic Biodiversity Conservation	–	Environmental Conservation/Remediation	Brownfield remediation, habitat restoration
15 LIFE ON LAND	Terrestrial & Aquatic Biodiversity Conservation	–	Environmental Conservation/Remediation	Brownfield remediation, habitat restoration

TOTAL 2020 DEBT ISSUANCE BY UNSDG



Total 2020 Debt Issuance by UN Sustainable Development Goal



- 3 Good Health & Wellbeing
- 6 Clean Water & Sanitation
- 11 Sustainable Cities & Communities
- 12 Responsible Consumption & Production
- 14 Life Below Water

2020 New Financing by UN SDG

3 - Good Health & Wellbeing	\$ 79,741,155
6 - Clean Water & Sanitation	317,663,574
11 - Sustainable Cities & Communities	117,247,525
12 - Responsible Consumption & Production	15,921,809
14 - Life Below Water	4,425,937
	\$ 535,000,000

2020 Refinancings by UN SDG

3 - Good Health & Wellbeing	\$ 179,081,036
6 - Clean Water & Sanitation	194,361,618
11 - Sustainable Cities & Communities	107,797,032
12 - Responsible Consumption & Production	3,760,314
	\$ 485,000,000

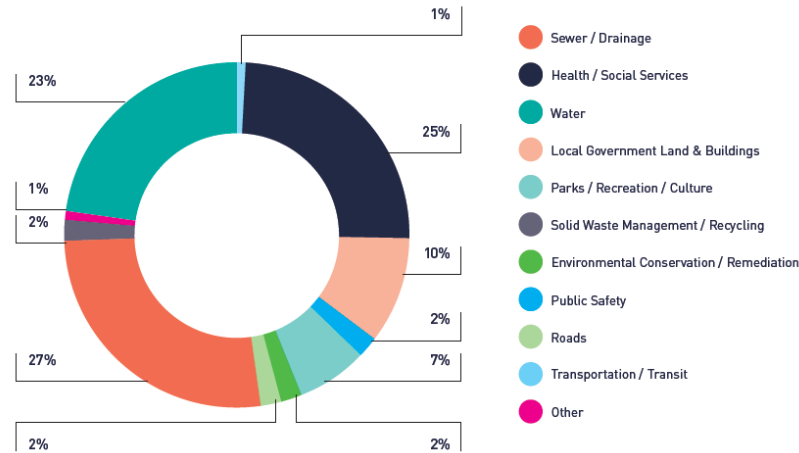
Total 2020 Financings By UN SDG

3 - Good Health & Wellbeing	\$ 258,822,191
6 - Clean Water & Sanitation	512,025,192
11 - Sustainable Cities & Communities	225,044,557
12 - Responsible Consumption & Production	19,682,123
14 - Life Below Water	4,425,937
	\$ 1,020,000,000

TOTAL 2020 DEBT ISSUANCE BY PURPOSE



Total 2020 Debt Issuance by Borrowing Purpose



	2020 New Financings by Borrowing Purpose	2020 Refinancings by Borrowing Purpose	Total 2020 Debt Issuance by Borrowing Purpose
Environmental Conservation/Remediation	\$ 4,425,936	\$ -	\$ 4,425,936
Health/Social Services	79,741,154	179,081,036	258,822,190
Local Government Land & Buildings	95,736,179	8,768,313	104,504,492
Other	-	5,000,000	5,000,000
Parks/Recreation/Culture	4,854,198	60,909,801	65,763,999
Public Safety	7,974,058	12,157,621	20,131,679
Roads	7,842,660	11,523,888	19,366,548
Sewer/Drainage	228,043,923	45,675,687	273,719,610
Solid Waste Management/Recycling	15,921,809	3,760,314	19,682,123
Transportation/Transit	840,431	9,437,409	10,277,840
Water	89,619,652	148,685,931	238,305,583
	\$ 535,000,000	\$ 485,000,000	\$ 1,020,000,000

CREDIT RATINGS



Long-Term Ratings

Agency	Rating	Outlook	Date
S&P	AAA	Stable	May 15, 2020
Moody's	Aaa	Stable	Feb 2, 2021
Fitch	AAA	Stable	April 26, 2021

Short-Term Ratings

Agency	Rating	Outlook	Date
S&P	A-1+	Stable	May 15, 2020
Moody's	P-1	Stable	Feb 2, 2021



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	(3) Pooled High Interest Savings Accounts FFF ESG 	Money Market Fund ESG 	Government Focused Ultra-short Bond Fund FFF
Key Features	<p> </p> <p></p> <p>Best for soon needed funds.</p> <p>Balances favourable interest rates and liquidity.</p> <p>Monies held with Domestic Systemically Important Banks</p> <p>✓ <i>Favourable deposit rates negotiated by MFA</i></p> <p>✓ <i>Monthly Interest</i></p>	<p>This Fund is suited for Investors who must maintain adequate liquidity, while benefitting from asset diversification.</p> <p>This Fund holds a portfolio of very short-term securities, focused on high-quality corporates.</p> <p>The Fund seeks a yield advantage through active market and credit analysis.</p> <p>✓ <i>Monthly distributions</i></p>	<p>The main objective of this Fund is to provide safety and liquidity.</p> <p>This Fund maintains a bias towards safe and favourable Federal and Provincial Securities, holdings may include up to 25% Big 6 Banks debt securities.</p> <p>Securities acquired for the Fund may have a maximum maturity of 2 years.</p> <p>This Fund does not invest in non-bank corporates.</p> <p>✓ <i>Monthly distributions</i></p>
<i>Suggested Investment Time Horizon</i>	0 – 12 months	0 – 24 months	0 – 24 months
<i>Trailing 12-month Total Return * †</i>	N/A	0.285%	0.095%
<i>YTM †</i>	0.72 – 0.80% ‡	0.30%	0.68%
<i>Total Annual Fees</i>	3 bps	12.5 bps	12.5 bps

Management and composition of Funds subject to MFA's Pooled Investment Funds Investment Policies, Objectives, and Guidelines Agreement with Fund Manager(s). || Call MFA for details.
 * Trailing 12-month Total Return equal to change in NAV value plus distributions over the past 365 days to Nov.30, 2021; past performance does not guarantee future performance. † Gross Return before fees. ‡ Net of Fees.
 FFF refers to *Fossil Fuel Free* defined here as (1) Funds which exclude investments issued by companies directly involved in extracting, processing, or transporting coal, oil or natural gas; and (2) Savings Accounts offered by financial institutions.
 ESG integrated refers to Funds which are managed by signatories to the UN's Principles of Responsible Investment.

MFA's Suite of Pooled Investment Products



	 Short-term Bond Fund	  Fossil Fuel Free Short-term Bond Fund	 Pooled Mortgage Fund	  Diversified Multi-asset Class Fund
Key Features	<p>Designed for Investors with a 2 to 5 year investment horizon as the Fund maintains a longer duration versus the MM and Ultra-short Funds.</p> <p>This Fund provides instant diversification through a broad asset mix of high-quality government and corporate securities.</p> <p>The Fund seeks a yield advantage through active market and credit analysis.</p> <p>✓ <i>Monthly distributions</i></p>	<p>This Fund is benchmarked against the same index as the ST Bond Fund, however screens-out companies involved in the extraction, processing and transportation of coal, oil, and natural gas.</p> <p>Designed for Investors with a 2 to 5 year investment horizon.</p> <p>This Fund provides instant diversification through a broad asset mix of high-quality government and corporate securities.</p> <p>The Fund seeks a yield advantage through active market and credit analysis.</p>	<p>This Fund is designed to provide asset class diversification for local government investment portfolios. Best suited for cash not needed for 3+ years.</p> <p>The Fund invests in high-quality 1st mortgages on Canadian income producing commercial properties – such as retail, multi-residential, office and industrial.</p> <p>✓ <i>Minimum 1.25x CF coverage</i></p> <p>✓ <i>Maximum 75% Loan-to-value</i></p>	<p>Designed to invest capital over the long-term and grow at a rate that exceeds inflation by 3.5%, while minimizing risk through asset class selection and diversification.</p> <p>The Fund will be broadly invested in Fixed Income, Equities, and Alternative investments.</p> <p>✓ <i>Preserve long-term purchasing power</i></p> <p>✓ <i>Alternative Investments at very attractive pricing.</i></p> <p>✓ <i>Gain exposure to professionally managed growth assets.</i></p>
Suggested Investment Time Horizon	2 – 5 years	2 – 5 years	3 years + (redemption restrictions may apply)	10 years + (redemption restrictions may apply)
Trailing 12-month Total Return * †	-0.68%	-0.77%	1.35%	N/A
YTM †	1.44%	1.42%	2.31%	5.90% §
Total Annual Fees	20 bps	20 bps	25 bps	33 bps

Management and composition of Funds subject to MFA's Pooled Investment Funds Investment Policies, Objectives, and Guidelines Agreement with Fund Manager(s). § estimated.

* Trailing 12-month Total Return equal to change in NAV value plus distributions over the past 365 days to Nov.30, 2021; past performance does not guarantee future performance. † Gross Return before fees.

FFF refers to **Fossil Fuel Free** defined here as (1) Funds which exclude investments issued by companies directly involved in extracting, processing, or transporting coal, oil or natural gas; and (2) Savings Accounts offered by financial institutions.

ESG integrated refers to Funds which are managed by signatories to the UN's Principles of Responsible Investment. "Carbon Light" refers to strategies which minimize a portfolio's carbon impact including up to ~40% FFF.

ESG and MFA Pooled Investment Funds

About the Municipal Finance Authority of BC

The Municipal Finance Authority of British Columbia (MFA) believes that investment processes that incorporate ESG factors and other broad systemic issues can lead to better investment outcomes. We are committed to creating and offering best-in-class investment products to local governments and have been actively engaged in the Sustainable Investing landscape with the view of offering workable investment solutions for local governments. As such, MFA will only partner with UN PRI signatories in our pooled fund product line. Away from our Pooled High Interest Savings Accounts (PHISAs) which are managed internally by MFA, all the MFA Pooled Investment Funds are currently managed by Philips, Hager and North Investment Management Ltd. (PH & N). PH & N is a signatory to the United Nations Principles for Responsible Investment (UN PRI). As indicated in their most recent 2020 Assessment Report's Summary Scorecard, the UN PRI rated PH&N an A+ across all categories:



What is ESG?

ESG investing focuses on using three non-financial factors as a part of a framework in the evaluation of companies for investment decision-making. **Environmental criteria** focus on stewardship of the natural environment and its resources. **Social criteria** look at the company's treatment of people and impact on societal issues. **Governance criteria** focuses on how an organization is presided over and its corporate policies.

Although not an exhaustive list, potential issues are listed below:



Environmental Issues

- Waste and Pollution
- Green house gas emissions
- Water management
- Land use
- Climate change risks and opportunities
- Natural Capital



Social Issues

- Health and Safety
- Customer engagement
- Employee relations
- Workforce and diversity
- Community relations
- Data protection and privacy



Governance Issues

- Bribery and Corruption
- Compliance and reporting
- Board composition
- Executive compensation structure
- Donation and lobbying
- Corporate risk management

What is Socially Responsible Investing?

Socially Responsible Investing also known as sustainable, responsible, "green" or ethical investing, is any investment strategy which seeks to consider both financial return and social/environmental good to bring about social change.

United Nations Principles for Responsible Investment

The United Nations-supported Principles for Responsible Investment (UN PRI) is an international network of investors working together to put six principles into practice. Its goal is to understand the implications of sustainability for investors and support signatories incorporating these issues into their investment decision-making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles offer a menu of possible actions for incorporating environmental, social, and corporate governance issues into investment practices across asset classes. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The 6 principles that guide the UN PRI are as follows:

1. We will **incorporate ESG issues** into investment analysis and decision-making processes.
2. We will be **active owners** and incorporate ESG issues into our ownership policies and practices.
3. We will **seek appropriate disclosure** on ESG issues by the entities in which we invest.
4. We will **promote acceptance and implementation** of the Principles within the investment industry.
5. We will **work together** to enhance our effectiveness in implementing the Principles.
6. We will each **report on our activities and progress** towards implementing the Principles.

PH&N and Responsible Investing

PH & N believes that being an active, engaged, and responsible owner is empowering in enhancing the long-term, risk-adjusted performance of portfolios and is part of their fiduciary duty. Their approach to Responsible Investing is comprised of three pillars and specific actions are taken under each of these pillars to deliver on its duty of maximizing clients' investment returns without undue risk of loss.

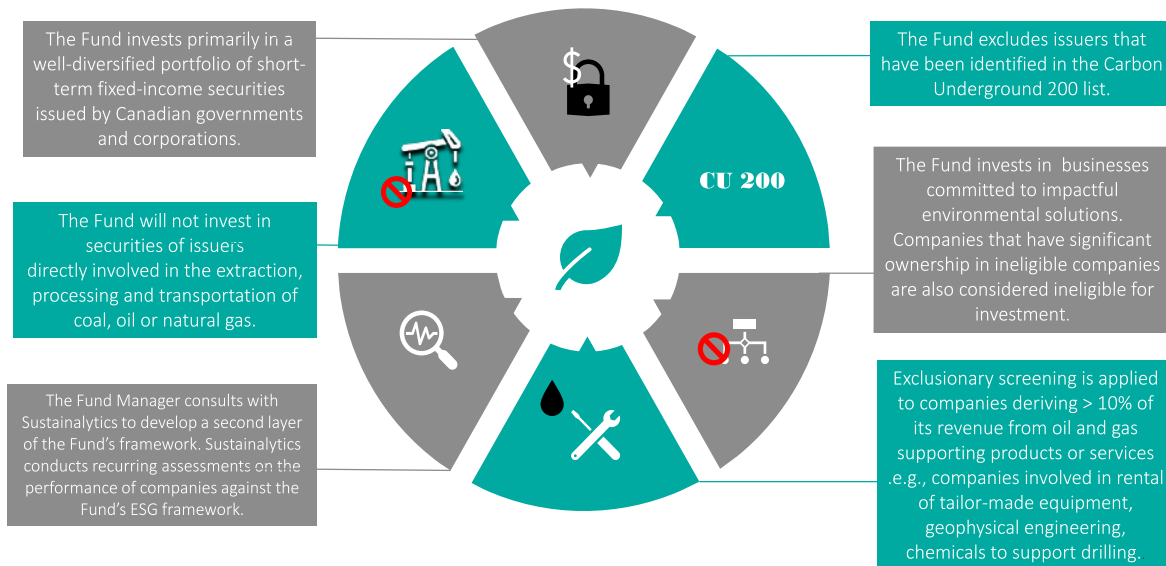
Integrating relevant ESG factors. First, by tailoring ESG integration tools and processes to their investment strategies. Second, by focusing on materiality, the attention is put towards those ESG factors that have the potential to impact the value of the investment. Third, transparency and accountability are key, by properly disclosing ESG risks and opportunities by the companies and countries in which we are invested in, it shows that these issuers are accountable in managing their material ESG risks and opportunities, leading to long-term sustainable performance. Fourth, through improvement and innovation, PH & N is always exploring new and better ways to integrate material ESG factors into the investment process.

Active Stewardship. PH & N conveys its views through thoughtful proxy voting, engagement with issuers and regulatory bodies, and collaboration with other like-minded investors. As stewards of their clients’ assets, they are committed to ensuring that the issuers in which they invest act in alignment with the long-term interests of their clients. This means conveying to issuers and regulatory bodies their views on topics such as board structure, executive compensation, gender diversity, and climate change. This is done by employing the following three methods. First, voting responsibly at the general meetings of their public equity holdings is an important way to act in the best interest of their clients. Second, their investment teams meet with the issuers in which they invest on an ongoing basis. Third, they participate in initiatives that will increase transparency, protect investors, and foster fair and efficient capital markets.

Client Driven Solutions and Reporting. Transparency and accountability are key to maintaining meaningful relationships with their clients and delivering on their fiduciary duty. Examples of such reporting: responsible investment reports, climate-related disclosures, proxy voting disclosures, reporting on their Responsible Investment commitments, RBC GAM responsible investment survey, and ESG insights.

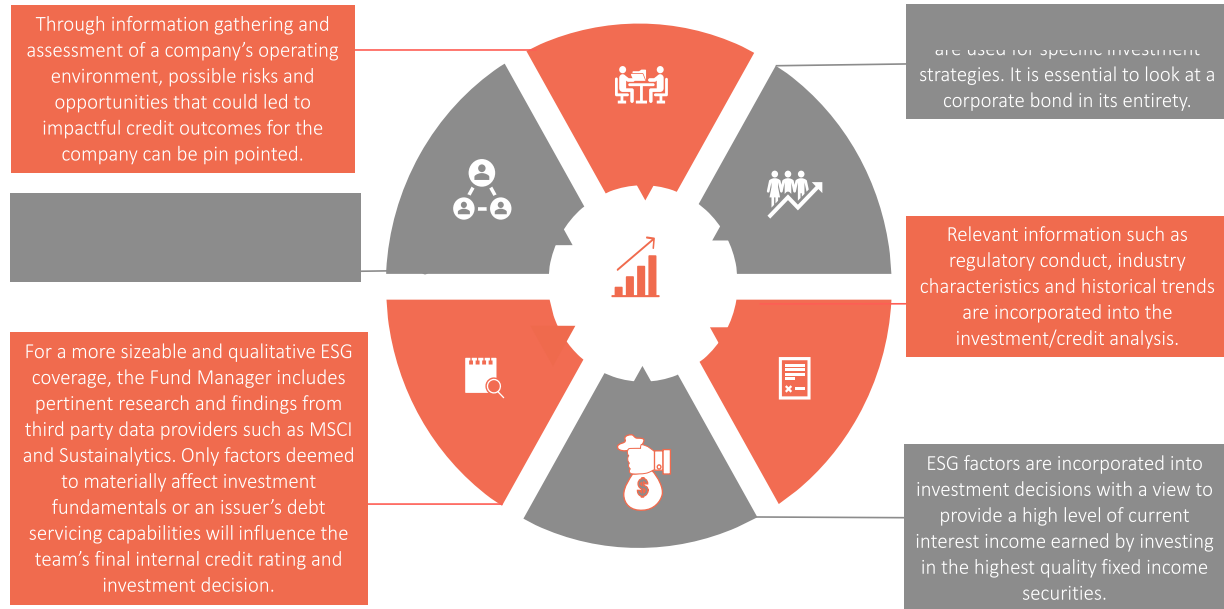
Fossil Fuel Free Short-term Bond Fund and ESG Integration

In addition to employing ESG integration, the Fossil Fuel Free Short-term Bond Fund does not invest in any corporate securities of entities directly involved in the “extraction, processing and transportation of coal, oil or natural gas”. The Fund employs a commonly used screen that excludes fossil fuel-related companies. Sustainalytics, an independent market leading ESG ratings firm, manages and provides the definition and screening methodology.



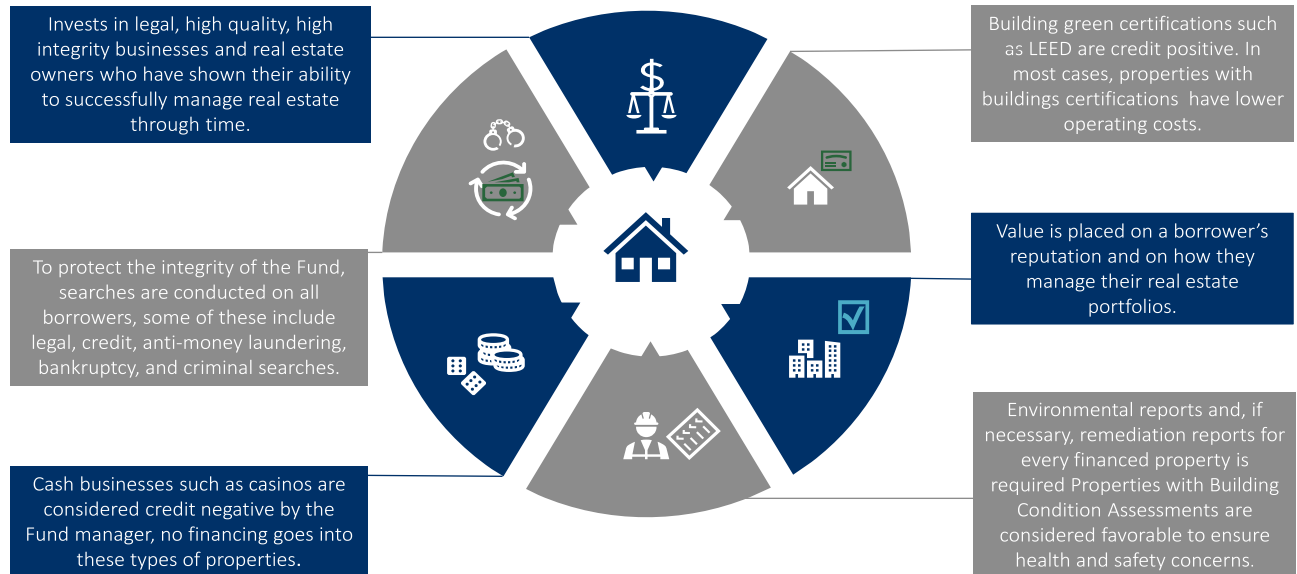
Money Market Fund, Government Focused Ultra-short Bond Fund, Short-term Bond Fund and ESG Integration.

All of MFA's pooled funds managed by PH&N employ ESG integration. In addition, like the Fossil Fuel Free Bond Fund, the Government Focused Ultra-short Bond Fund (GFUS BF) does not invest in fossil fuel related companies. The composition of allowable investments in the GFUS BF are primarily government and government related securities and have a maximum 25% exposure to Big 6 Canadian Banks.





Mortgage Fund and ESG Integration



Pooled High Interest Savings Accounts

MFA provides access to three Pooled High Interest Savings Accounts at extremely favorable rates for our Members. The current offerings are three of Canada's leading Big 6 banks, National Bank, CIBC, and Scotiabank. Most Members consider these funds to be fossil fuel free given that they are direct deposits into entities not "directly involved in the extraction, processing and transportation of coal, oil or natural gas". In addition, the Canadian Big 6 banks have significant commitments to helping create sustainable futures for all Canadians.

Please find the ESG disclosures provided by each of these institutions below:

National Bank of Canada

<https://www.nbinvestments.ca/content/dam/bni/publication/publication-report-esg-advances-2019.pdf>

Scotiabank:

<https://www.scotiabank.com/ca/en/about/responsibility-impact/esg-publications-policies.html>

CIBC:

<https://www.cibc.com/en/about-cibc/corporate-responsibility.html>



CAPITAL REGIONAL DISTRICT

Making a difference...together

INVESTMENT POLICY

Policy Type	Board [Corporate]		
Title	INVESTMENT POLICY		
Adopted Date	September 22, 2013	Policy Number	BRD07
Amendment #1	May 10, 2017		
Amendment #2	March 10, 2021 (Approved)		
Amendment #3	March 2, 2022 (Proposed)		
Policy Owner	Financial Services		

1. PURPOSE

This investment policy provides the framework for investment portfolio management for the Capital Regional District (CRD), Capital Regional Hospital District (CRHD) and Capital Region Housing Corporation (CRHC).

It is the policy of the CRD, CRHD and CRHC to invest funds in a manner that provides the optimal blend of investment security and return while meeting the short and long term cash flow requirements in support of the corporate plan priorities while maintaining compliance with statutory requirements.

2. SCOPE

The investment policy applies to all cash operating funds, capital funds and reserve funds. It does not apply to funds held in trust or which have a specific legal or statutory requirement for cash management, disbursement, or investment.

3. PRINCIPLES

The investment of funds must reflect a management philosophy based on the fundamental objectives of

3.1 Safety of Principal

Investments shall be made to ensure preservation of principal within the portfolio. Preservation of principal is accomplished through placement of funds with creditworthy institutions and through portfolio diversification. Diversification is required to minimize potential losses on financial products.

3.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow requirements.

3.3 Responsible Investing

The investment program will consider socially responsible investment products that adhere to statutory requirements and meet the objectives laid out in this policy.

Organizations that adopt a socially responsible investment platform **in alignment with the published MFA ESG framework** are preferred

3.4 Return on Investment

The investment portfolio shall be designed with the objective of maximizing market rate of return subject to the investment risk constraints, liquidity requirements and responsible investing objectives.

4. INVESTMENT PARAMETERS

4.1 Safety of Principal

The program will diversify cash reserve investments by security type and institution, taking into consideration the impact on return on investment. Section 5.4 outlines the authorized and suitable investments permissible to ensure optimal portfolio diversification.

4.2 Liquidity

To the extent possible, portfolio management will align investments with anticipated cash flow requirements. However, a portion of the portfolio shall be continuously invested in fully-liquid investments to meet ongoing obligations.

A long-term financial plan will be established for major capital reserves. The long-term financial plan will inform the term decision when placing timed investments in order to meet liquidity requirements.

4.3 Responsible Investing

Where responsible investment options provide comparable risk, return and liquidity, these facilities will be a priority. ~~When responsible investing options provide lower return but comparable liquidity and risk, the investment will be limited to 10% of the total portfolio. Limiting lower rates to a maximum of 10% of the portfolio limits exposure of capital against performance and inflation.~~ Investments are considered in alignment with responsible investing objectives when identified as meeting criteria as defined by MFA within the published MFA ESG Framework.

4.4 Return on Investment

The investment program will seek to maximize the total return on all funds under management after considering protection of principal, liquidity and responsible investing. Return will be monitored through performance benchmarks to ensure program activities are providing benefits in excess of costs and with the goal to preserve capital against inflation over time. Due to the nature of the CRHC business activities, delivering affordable housing within the social service sector, CRHC will be excluded from holding lower return products.

4.5 Authorized and Suitable Investments

Money held may be invested or reinvested according to section 183 of the *Community Charter* subject to the following conditions:

1. Investments in marketable securities of a chartered bank or savings institution or any province must have a DBRS risk rating of R-1 (low) or higher for short-term debt and a rating of A (low) for long-term debt or comparable ratings of

another rating organization, indicating equal or superior credit quality (see Appendix A of this policy).

2. Investment placements will conform to the portfolio diversification constraints listed in Appendix B. Exceptions to constraints listed in Appendix A require Chief Financial Officer approval and shall be reported to the Board through Standing Committee at the next available meeting.
3. Internal projects under CRD service authority are considered allowable investment options when capital reserves are not immediately required and can be accessed through inter-service borrowing. Inter-service borrowing will be in compliance with legislation and the CRD Inter-Service Borrowing Guidelines.

5. STANDARD OF CARE

5.1 Prudence

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs. Investments will not be made for speculation. Foremost will be consideration for the safety of capital. Staff must be aware of reasonably foreseeable risks, trends and fluctuations in the market, and be able to recognize unreasonable risks whilst ensuring the liquidity of the investment portfolio.

5.2 Ethics and Conflict of Interest

Staff responsible for investing activities shall comply with the CRD Conflict of Interest Policy and shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions.

5.3 Delegation of Authority

Authority to manage the investment program (“the Program”) is granted to the Chief Financial Officer and is derived from section 237 of the *Local Government Act*.

5.4 Credit Risk Monitoring

To meet the objectives of this policy and ensure suitability of offerings, credit risk monitoring must be conducted by CRD Staff independent of vendor representations. The following due-diligence shall be performed:

1. In-house credit analysis shall be conducted on all financial institutions and investment counter-parties.
2. Credit reports and analysis, published by DBRS, S&P, Fitch or Moody’s, will be obtained from financial institutions, investment dealers and rating institutions and reviewed.
3. Credit reports and analysis are recognized as opinions and not a guarantee for safety of principal.

4. When placing investments in individual marketable securities and more than one credit rating is available, the average of two or more available credit ratings shall be used.

5.5 Consolidated Basis

All funds covered by this policy will be managed on a consolidated basis to ensure the best possible return by providing economies of scale.

5.6 Program Requirements

The Program shall abide by the following reporting requirements:

1. The Chief Financial Officer must report to the Finance Committee annually. The report must identify investment holdings and any deviations from this policy; and
2. An appropriate portfolio performance benchmark will be set and reported in the annual investment performance report.

6. POLICY REVIEW

Review Date	Description:
March 2026, unless legislative change or new MFA finance product	To ensure ongoing relevance, this policy shall be reviewed the earlier of: <ol style="list-style-type: none"> 1. If a change in the relevant legislation governing the investment activities of local governments occurs; 2. If the Municipal Finance Authority of British Columbia establishes a new pooled fund investment product; or 3. Every five calendar years.

7. RELATED POLICY, PROCEDURE AND GUIDELINES

- Conflict of Interest Policy

Appendix A
Dominion Bond Rating Service (DBRS) Credit Quality Ratings

Commercial Paper & Short-Term Debt	Bond & Long-term Debt	Bond & Long-term Debt	Description	CRD/CRHD/CRHC Investment Policy
R-1 (high)	AAA	Investment Grade ↑	Superior	Permissible
R-1 (high)	AA (high)			
R-1 (middle)	AA			
R-1 (middle)	AA (low)			
R-1 (low)	A (high)		Good	
R-1 (low)	A			
R-1 (low)	A (low)			
R-2 (high)	BBB (high)	Speculative Grade	Adequate	Not Permissible
R-2 (middle)	BBB			
R-2 (low) / R-3	BBB (low)			
R-4	BB (high)		Speculative	
R-4	BB			
R-4	BB (low)			
R-4	B (high)			
R-5	B		Highly Speculative	
R-5	B (low)			
R-5	CCC			
R-5	CCC			
R-5	CCC			
R-5	CC			
R-5	C			
D	D		Default	

Appendix B Portfolio Diversification Constraints

Exposure constraints target protection of principal and return and set a maximum allowable share of the total portfolio that can be invested.

Due to market fluctuations and / or the timing of investment deposit transfers, maximum percentages in Appendix C may be exceeded at a point in time. Securities need not be liquidated to rebalance the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.

The portfolio diversification constraints are found in Table 1 below:

Table 1: **Portfolio Diversification Constraints**

Investment Type	MAXIMUM of Total Reserves	MAXIMUM by Institution/product/ pooled fund
<u>Short-Term (< 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	50%	50%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
<u>Long-Term (> 2 year holding period)</u>		
Canadian Banks (Schedule 1) Deposits and/or GIC's	65%	35%
MFA Pooled Fund Products	60%	30%
Credit Unions (Rated/Insured) Deposits and/or GIC's	35%	20%
Internal Projects (5+ years)	30%	-
Federal Bonds	20%	10%
Municipal Finance Authority of BC Bonds	20%	20%
Provincial Bonds	15%	15%
Municipal, Regional District or Greater Board Bonds	15%	15%