



REPORT

To: Chair and Directors

Report Number: FN-BRD-214

From: Roxanne Shepherd, Chief Financial Officer

Date: April 20, 2023

Subject: 2022 Investment Update

RECOMMENDATION: [Corporate Unweighted]

That the Regional Board receive the report titled “2022 Investment Update – FN-BRD-214”, that provides an update on the Peace River Regional District and the Peace River Regional Hospital District investments as at December 31, 2022, for information.

BACKGROUND/RATIONALE:

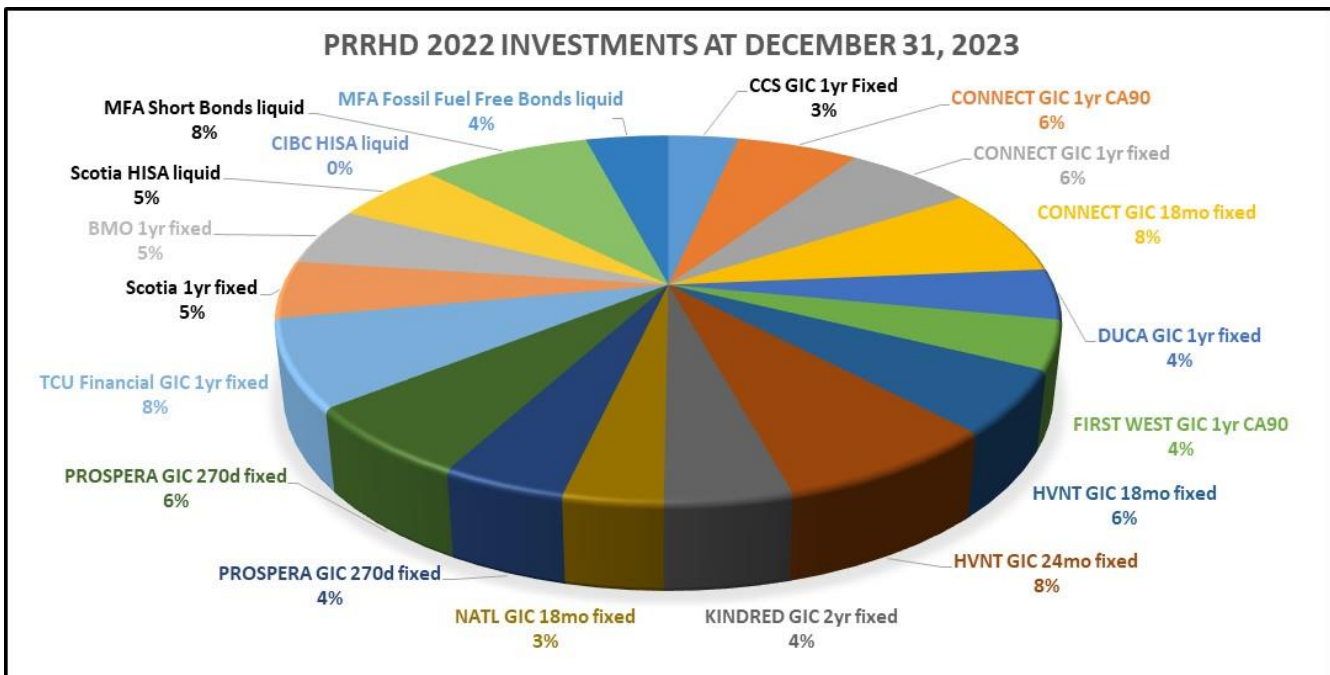
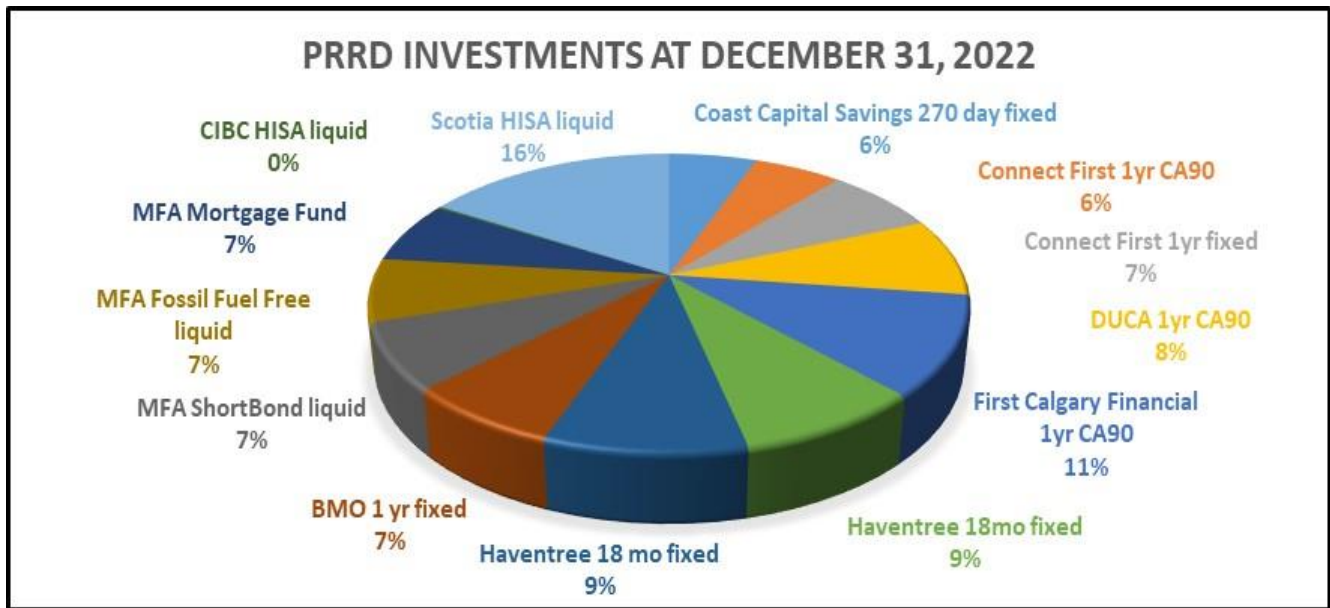
Local governments in BC are limited in the types of investments as per the *Local Government Act* S. 377(1)(c) and the *Community Charter* S.183. The legislation is intended to limit the risk that local governments are able to take in their investments. The Peace River Regional District (PRRD) risk is further limited by the Investment Policy adopted in 2018. However, the trade-off for low risk is lower expected returns.

Since the last update on July 14, 2022, high inflation and rising interest rates continue to significantly impact the investment landscape. In January 2022, the Bank of Canada overnight rate was at 0.25%. After eight increases, the overnight rate has been at 4.5% since the last increase on January 25, 2023. Although the higher interest rate had a negative effect on bonds, this was offset by an increase in rates for Guaranteed Income Certificate Rates (GICs).

The PRRD Investment Policy states the objectives, in order of importance, as Principle Protection, Liquidity, Return on Investment, and Socially Responsible Investing. Principle Protection is the top investment priority and is achieved through mitigation of credit risk, which is accomplished through diversification and limiting investments to securities of high credit worthiness.

The PRRD held investments with a market value of \$71,649,022 and the PRRHD held investments with a market value of \$118,666,793 at December 31, 2022. Investments include GICs, high interest savings accounts (HISAs), Municipal Finance Authority (MFA) money market fund, MFA short-term bond fund, and MFA mortgage fund.

The following charts detail the investments and proportion of total portfolios held by the PRRD and the PRRHD at December 31, 2022.



ALTERNATIVE OPTIONS:

1. That the Regional Board provide further direction.

STRATEGIC PLAN RELEVANCE:

Not Applicable to Strategic Plan

FINANCIAL CONSIDERATION(S):

From January 1 to December 31, 2022, the PRRD earned \$746,767 (2021 -\$569,477) in interest income and the PRRHD earned \$1,570,833 (2021 -\$942,153) for a total of \$2,317,600 (2021 -\$1,511,630) for the entire year.

The following charts show the breakdown of interest earned by investment type for the PRRD and PRRHD.



Investment income increased compared to 2021 for both the PRRD and PRRHD. Although there was a decrease in the MFA market value of the short bonds, fossil fuel free bonds and mortgage funds for both the PRRD and PRRHD, the higher interest rate resulted in GIC earning that more than offset the MFA loss. It's important to note that the loss on the MFA bonds (including the mortgage fund) is a paper loss, not a realized loss. The bonds have been held and are marked to market value at year end. At the end of March 2023 the total value of the MFA bonds for both the PRRD and PRRHD were above the original purchase cost in 2020. The losses in the last part of 2021 and 2022 offset the paper gains for 2020 and the first part of 2021.

Due to large capital projects planned in 2023 and the need for flexibility, liquidity will be important.

COMMUNICATIONS CONSIDERATION(S):

None.

OTHER CONSIDERATION(S):

None.

External Links:

1. [Investment Policy 0340 70 31](#)