

CASH MANAGEMENT POLICY

Issue:

Revision to TAC's cash management policy.

Background:

TAC's investments are managed in accordance with a Board-approved cash management policy which stipulates that investment vehicles will be liquid, secure, interest-bearing securities, limited to federal and provincial government treasury bills and commercial paper of Canadian corporations with credit ratings of A minus (A-) or better, with terms generally not exceeding two years, unless a significantly higher rate of return can justify a longer term.

For some time, TAC has been able to invest in bonds typically yielding returns under 2%. Higher rates of return could be achieved by investing in guaranteed investment certificates, currently typically offering returns over 2%. However, the requirement in TAC's policy that investment vehicles be liquid precludes the use of GIC.

Recommendation:

TAC's Executive Committee recommends that TAC's cash management policy be revised, as attached, to allow investment vehicles to include GIC but maintaining the stipulation that investments be staggered so that cash flow is optimized and cash is accessible as needed.

Transportation Association of Canada Cash Management Policy

TAC will invest funds surplus to current and forecast needs in accordance with the following principles:

- Investment vehicles will be liquid, secure, interest-bearing securities, limited to federal and provincial government treasury bills and commercial paper of Canadian corporations with credit ratings of A minus (A-) or better and guaranteed investment certificates, with terms generally not exceeding two years, unless a significantly higher rate of return can justify a longer-term;
- Terms will be staggered, within the maturity window, to optimize required cash flow and yield; and
- All investments will be approved by the Executive Director, prior to purchase.

An exception to the above policy allows the purchase of similar US investment vehicles, for situations when TAC has outstanding liabilities to be paid in US funds.

The amount “surplus to needs” shall be determined at least monthly by the Director, Finance and Administration, and reported to the Executive Director. The latter will approve the amount of cash, if any, to be invested at that time, giving due consideration to the following principles:

- Investments will not reduce TAC’s Canadian dollar cash balance below \$100,000; and
- TAC will not hold over \$250,000 in its cash account, without a known short-term need for the funds or a return on those funds which is greater than that which could be obtained in a fixed investment instrument.