

## ALLOCATION OF TAC'S RESERVES

### Issue:

Review of the status of TAC's reserves and consideration of possible allocations from TAC's unrestricted funds.

### Reserve Funds:

TAC maintains a number of reserves, described below.

The Emergency Reserve Fund was created in 2005 to cover costs that would be incurred in the event that the Association shut down its operations or to provide bridge funding should a temporary crisis arise. Subject to periodic review, in April 2017 the Board of Directors agreed the fund balance should be \$1.5M; a transfer from TAC's unrestricted fund was made to achieve that balance.

The Foundational Guidelines Reserve Fund was approved in September 2016 to provide long term support for maintaining TAC's foundational documents, including the *Geometric Design Guide for Canadian Roads* and the *Manual of Uniform Traffic Control Devices for Canada*. The fund is built through an annual contribution of 2% of membership revenue, and the Board annually reviews TAC's unrestricted funds and considers making an allocation to improve the Foundational Guidelines Reserve Fund.

Reserve funds exist specifically for the *Geometric Design Guide for Canadian Roads* and the *Guide for the Design of Roadway Lighting*. Both those funds are built through user fees incorporated in the document sale price.

A reserve fund exists to cover costs to professionally edit TAC's major documents when that is needed to ensure the quality of the final product. In 2008, an allocation of \$60k was made by the Board from TAC's unrestricted funds. In the years since, staff have drawn down on the fund in accordance with a guiding Board-approved policy.

The Board established two new short-term reserve funds in October 2018. One is intended to provide support for the CAV Task Force for three years and the other is dedicated to a project to consider opportunities to enhance and develop TAC's library.

Table 1 shows the reserve fund balances at March 31, 2019, as reported in the 2018/19 audited financial statements.

**Table 1: Reserve Fund Balances as of March 31, 2019**

| Reserve Fund                              | Balance as of<br>March 31, 2019 |
|---|---------------------------------|
| Provision for Emergency                   | \$1,500,000                     |
| Foundational Guidelines                   | \$51,803                        |
| Geometric Design Guide for Canadian Roads | \$489,118                       |
| Guide for the Design of Roadway Lighting  | \$41,700                        |
| Professional Editing of Publications      | \$42,588                        |
| CAV Task Force                            | \$88,249                        |
| Library Development Project               | \$20,055                        |

**Unrestricted Funds:**

Unrestricted funds accumulate when there is an operational surplus at the end of a fiscal year. Those funds are available to the Board of Directors and can be saved for future use or invested in new or special initiatives that are beyond the scope of annual operating budgets.

The audited financial statements for 2018/19 show that TAC's unrestricted funds total \$1.6M. It is a Board policy that unrestricted funds should not be reduced to less than \$100k. Therefore, funds currently at the disposal of the Board of Directors total \$1.5M.

**Considerations:**

As work progresses in accordance with TAC's current operational plan, TAC staff have identified some projects that could benefit from financial support beyond what is available in annual budgets. These are being scoped and more detail about the potential initiatives and related costs will be presented to the Board as appropriate at future meetings. They include:

- Purchase, development and support for implementation of a new customer relationship management system,
- Comprehensive review and renewal of TAC's website,
- Support for a refresh of TAC's strategic plan and the development of strategic frameworks for each of TAC's new councils, and
- Development of a fund and protocol to scope emerging issues.

In the absence of a pressing need for a special initiative or project, caution is recommended with respect to allocation of unrestricted funds. A number of issues are at play that could potentially affect TAC's future finances. These include:

- Uncertainties around future conference revenue, given increasing venue and hotel costs as well as travel restrictions within member organizations.
- Revenue for client services because the agreement through which TAC provides services to the Canadian Council of Motor Transport Administrators is subject to renewal in 2020.
- Ongoing discussions regarding arrangements for secretariat services for the Council of Deputy Ministers responsible for Transportation and Highway Safety. Currently provided by TAC for a fee, the financial impact on TAC could be as much as \$150k per year if different arrangements are made.
- The final outcome of the HST audit remains to be determined.
- Upcoming review of the appropriate balance for TAC's Emergency Reserve Fund in 2020 could find the balance needs to be increased above \$1.5M.
- Future publication revenue if there are delays in the project to release a new edition of the *Manual of Uniform Traffic Control Devices for Canada*, currently anticipated in 2021/22 and critical to the preliminary break-even budget that year.

**Recommendation:**

It is recommended that the Board of Directors make no new restrictions at this time and retain TAC's unrestricted funds for future use.