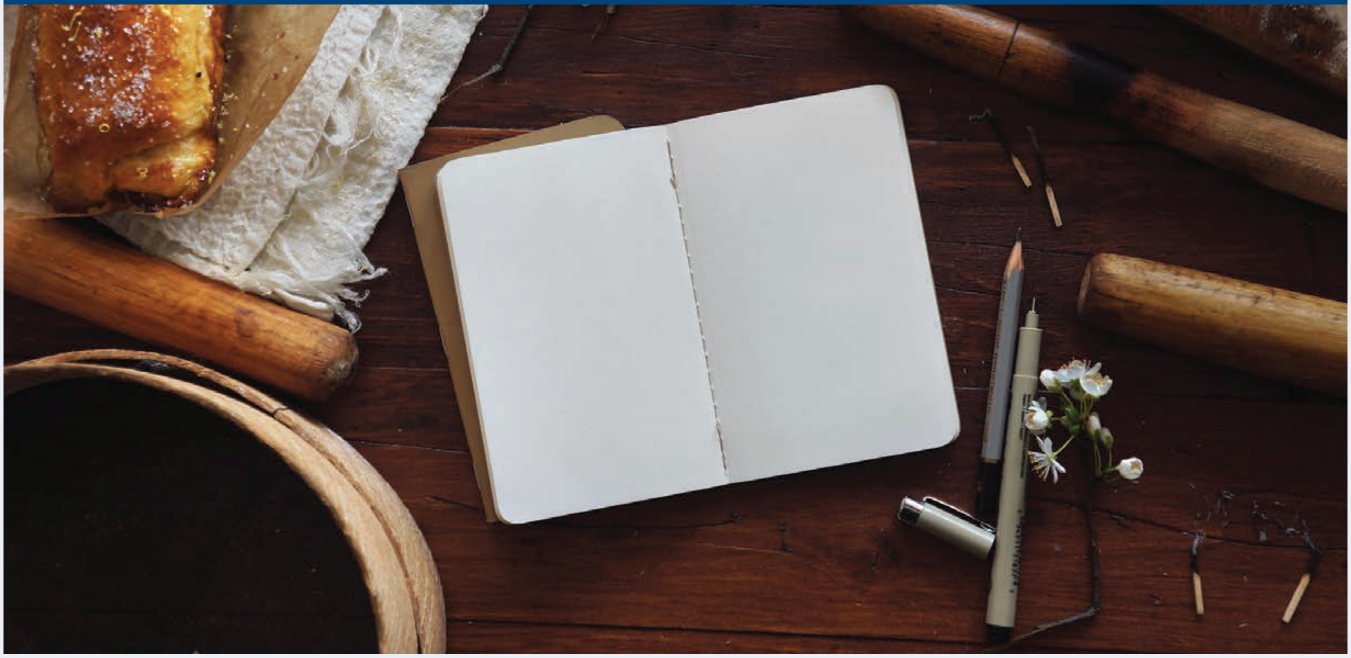
FIELD NOTES FROM A CORP TREASURER



In the past year I set up a GIC-ladder in our condo corporation's (CC's) reserve fund to counteract the meager interest rates payable in most savings accounts. First, I determined the surplus in the account in relation to our needs over the next five years, taking into account our projections for reserve fund contributions (RFCs) and the projected spending based on our current reserve fund study (RFS). Given that interest rates are likely going up over the next few years, I then split the surplus amount into five lumps and invested each lump in a GIC, with terms of one, two, three, four and five years. The plan is to follow a similar thought process to rollover principal and interest into five year GICs along with any additional surplus each year onward.

Since initiating the plan, I've encountered a few points that I hadn't considered previously, for which, I will be cognizant of prior to selecting the term for future GICs. The first point came to me in an industry report reviewing and analyzing reserve funds and related legislation across the country.[1] Since the reserve fund can be used for repair and replacement, the report recommended having sufficient cash available in the reserve to cover the deductible on the CC's insurance policy (i.e. keep that amount in the savings account rather than locked up in a GIC). This point didn't impact my plan too much in that our annual RFC is more than our insurance deductible so it is relatively easy to meet the objective. The second and more significant point came to me via an inquiry to CCI from a member CC. Their situation was as follows:

- They had some of their reserve fund locked up in long term investments.
- They transitioned to a new property management firm rather than renew.
- Since the reserve fund was in a trust account with the former property manager, the long term investments were terminated and the cash proceeds transferred to the new property manager. In the process there were penalties and loss of interest due to early termination of the investments, much to the displeasure of the CC.

There are a few lessons to be learned from this second point, notably

1. Consider setting the longest GIC term to the end of your current management agreement, assuming there is a chance you may not be renewing.
2. If you are currently happy with your property manager and plan to renew, take into account the notice requirements, duration of the current term and potential renewal term of your management agreement when setting up your GICs.
3. Ask your current and future property managers the hypothetical question and factor it into your plans. I posed the question to our property manager, (Schinkel Properties, who we are very happy with) and got the following response - *"...it is possible for a new property manager to take over the existing GICs without redeeming them. We have done this in the past when we took over management of a condo. We added Schinkel Properties to the account set up by the previous property manager at a different bank, and only moved the funds over when the GICs matured. Although property management companies typically prefer to work with only their choice of bank, exceptions can be made in these circumstances."*
4. Consider the case if you were self-managed - you'd have your own accounts at a financial institution. Even if working with a property manager and their in-trust accounts, you could set up your own account specifically for long term investments. However, this slightly complicates the financial reporting being done by the property manager, and requires that the CC has sufficient controls and authorization limits on the investment account.

Overall, I am content with our GIC-ladder investment plan and will continue to use, but of course taking into account the above lessons learned.

If you are your CC's Treasurer and wish to share some of your own *"field notes"*, feel free to send them to my attention via cci.mb.news@gmail.com.

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[1] *Longevity of Infrastructure – Reserving and Risk Management in Condominium Maintenance in Canada, 2022 Canadian Institute of Actuaries* *https://www.cia-ica.ca/docs/default-source/research/2022/rp222024e.pdf*