

# DOLLARS *AND* \$ENSE PERSPECTIVE

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## MESSAGE FROM OUR PRESIDENT

It is this usually this time of year that I sit back and reflect on the past year; accomplishments, challenges, the good times and the not so good times. The auditors certainly help that process as they show up for their interim work and ask probing questions about what has happened and what has changed. Every year I tell myself I should have made a list rather than stare at them blankly and tell them we had a bit of flooding and there were a few fires . . .

In 2016, our Council considered and approved a new reserve policy for the District of Lake Country. Given the situation in 2017, the District was fortunate that such a policy had been considered. While all the reserves don't yet meet the required minimums as laid out in the policy, there was a good start and consequently Lake Country was in a good position to fund their portions of the response to the emergencies. Equally importantly, Lake Country was able to fund their portion of the recovery from the emergencies. Many local governments had millions of dollars of damage that will not be fully recoverable through government channels. Our reserve policy also lays out plans for contributions back to those reserves, so setting up repayment in our Financial Plan was critical. If you haven't looked at your reserve policy in a while or you don't have one, I would suggest getting started, you never know when your organization might need it!

By the time you are reading this, your organization will have received a renewal request for the 2018 GFOABC membership. With membership come many benefits including preferred rates on training and conference attendance, access to the forum to connect with finance professionals across the province and the ability to leverage support from our partner "GFOA" organizations across Canada and the US. GFOABC shares course offerings with the other provincial organizations across the country – GFOA Alberta and the Municipal Finance Officers Association in Ontario. The newly renamed Canadian Government Financial Officers Association provides a conference. We especially appreciate the overarching organization, GFOA US & Canada for their support and access to resources. You can be a member in more than one of these organizations and have access to a large variety of resources.

On behalf of the Board, I want to say thanks to our staff, Ed, Kala and Erica for their tireless work with the GFOABC. I personally would like to thank the Board for their dedication and commitment to excellence of GFOABC. And thanks to all of you who turn to GFOABC for support, training, education and conferences, your commitment drives this organization to provide the best service possible. Best wishes for this holiday season to each of you and your families!

TANYA GAROST, *President*

## MESSAGE FROM OUR EXECUTIVE DIRECTOR

It's hard to believe that the Holiday season is already here! It seems that time is flying by. I am so grateful for the support of the members, Board, Committees, faculty and wonderful staff at GFOABC. It has been a pleasure to meet and work with so many talented and dedicated people. Thank you all for making my first four months as your Executive Director a great experience!

As the year draws to a close, our attention turns to preparing for yearend financial statements, audit and finalizing budgets. It is also a time for both reflection and to look forward to the new year. The past year has been one of transition and stabilization. Our successes include strengthening our internal processes and rebooting the online members forum in addition to delivering PD programs and another successful conference. We also conducted our first ever membership survey resulting in the creation of four new workshops: Ethics and Leadership, Stakeholder Relations, Financial Indicators and Performance Management.

I am excited about continuing to respond to your needs in the new year including considering alternative training delivery methods to provide more accessible and interactive learning opportunities. We will continue updating our educational offerings, focusing on best practices while building on past program and conference successes. Work on an education development plan for local government finance practitioners is progressing and we will be exploring new partnerships and sponsorships to become more sustainable. The most exciting initiative for next year will be working on a new strategic plan.

For the first time ever, Strategic Financial Leadership (previously Advanced Financial Leadership) will be held at UBC Okanagan July 14-18, 2018. It is a graduate level certificate program designed to develop leadership and communication competencies for middle and senior local government finance officers. Our highly successful Boot Camp will continue to be held in Victoria in August. Registration opens in January. Please book early because these events fill up quickly.

Conference planning is ahead of schedule. The conference theme is Leadership and Resilience and we have some outstanding speakers and PD sessions planned so I hope to see you in Kelowna May 30th – June 1st.

The success of GFOABC and our ability to provide members relevant training and networking opportunities for good value relies on your participation. Feedback is a gift and we depend on you to help us understand what we need to do to improve our products and services to better meet your needs. Our second annual membership survey will be going out soon so please take the time to provide your advice and ideas on where we should be focusing our efforts over the next three years.

In closing, and on behalf of Erica and Kala and the GFOABC team, I wish you all the Best for the holidays and for a happy and successful 2018.

ED SYKORA, *Executive Director*

# Happy Holidays

from



**GFOABC**  
*Better Together.*

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**GFOABC**

Better Together.

*Membership*  
**RENEWAL**

**RENEW & PAY  
ONLINE**

To Do:

- Renew membership  
December 1st
- Pay by December 31st

**IT'S THAT  
TIME AGAIN.  
HAS YOUR  
ORGANIZATION  
RENEWED?**

**OFFICE@GFOABC.CA**

**250.382.6871**



## WHAT ARE THE BENEFITS OF BEING A GFOABC MEMBER?

- Member discounts on training, the annual conference, job postings and advertisements
- Access to the secure online FORUM
- Members only website access to MemberLINK
- Monthly updates & quarterly newsletters
- Earn continuing professional development hours by participating in GFOABC activities, such as committees, working groups, facilitating a workshop and much more

## WHAT ARE THE TYPES OF MEMBERSHIP AVAILABLE?

**Organizational Membership** *Municipal, Regional District and Improvement or other District*

GFOABC members are employed in a financial capacity in municipal, regional district or related government organizations. From accounting clerks to Chief Financial Officers, their roles include a combination of administration and financial management.

Organizational memberships are purchased by a local government and the fee is based on the size of the municipality's population or the amount of the annual budget for regional district and improvement or other district. These memberships allow for an unlimited number of members to participate from your finance team. These members are divided into two categories: voting and non-voting members. Each organization can designate up to a certain number of voting members while having an unlimited number of non-voting members

### **Affiliate**

GFOABC also has an affiliate classification that is comprised from sectors closely involved with local government finance, including auditors, bankers, lawyers, consultants, software suppliers and related sectors.

Affiliate memberships can be purchased on an individual basis or by an organization. The member fees for an organization are determined by the number of individuals entitled to benefits.

## WHAT IS A VOTING MEMBER?

A voting member is an employee of a member local government entitled to vote on member related issues such as the annual election for the Board of Directors, approval of financial statements, bylaws, etc.

## WHAT IS A NON-VOTING MEMBER?

A non-voting member is an employee of a member local government who is entitled to all membership privileges except for electing the Board of Directors and voting at the Annual Meeting. Membership privileges include access to the members' only portion of the website, including the forum and resource section, member pricing for events, complimentary webinars and regular updates.

## HOW DO I FIND OUT IF I AM A VOTING MEMBER?

Consult the primary contact in your organization or contact us at [office@gfoabc.ca](mailto:office@gfoabc.ca).

## WHO IS A PRIMARY CONTACT AND WHAT IS THEIR ROLE?

The primary contact is often the most senior finance officer at a member local government. It is the primary contact's duty to renew the membership, designate voting members and to keep GFOABC up to date regarding current voting and non-voting members.

## IS MY MEMBERSHIP UP TO DATE?

This can be verified by logging into your MyAccount or contacting the office

## THE PRIMARY CONTACT NO LONGER WORKS HERE?

If the primary contact has changed, please contact the office at [office@gfoabc.ca](mailto:office@gfoabc.ca) or 250.382.6871.

## WHAT IS MYACCOUNT?

MyAccount is a personal profile that must be created by both members and non-members to register for events. A member must log in to their MyAccount to access member privileges such as the Forum and MemberLINK.

Please contact GFOABC with all your membership inquiries at [office@gfoabc.ca](mailto:office@gfoabc.ca) or 250.382.6871.

# 2017 IN THE RDCO EMERGENCY OPERATIONS CENTRE

## PART 2: FINANCIAL ISSUES ENCOUNTERED

The RDCO Emergency Operations Centre had over 17 Fire and Flood incidents – with one incident alone having estimated claim costs of over \$20 million for damages, and mobilization and demobilization of 2 million sandbags. There were over 500 Expenditure Authorization Forms for 6 local governments.



### OUT ON A LIMB - APPROVED OR NOT APPROVED?

In past years, normally Finance would take the Expenditure Authorization Form (EOC Form 530) or Resource Request (EOC Form 514), scan it and send it over to PREOC for approval PRIOR to Logistics filling the resource request. Timing-wise, this part has always been a bit challenging, as often, PREOC would take some time before sending approvals back, yet meanwhile, the field is clamoring for resources. In retrospect -- it seems past turn around times of ½ hour to an hour for approvals were lightning fast...

This year approvals took DAYS, sometimes weeks, especially during the Flooding. The reality is most times we had to proceed without approvals, which transfers unnecessary extra risk and responsibility to the EOC Director and Finance Section Chief. This year was certainly very different for us.

### NOT HAVING APPROVALS IN ADVANCE WAS A BIT DAUNTING:

- Costs reached several million dollars. At times we had 30 to 40 outstanding unapproved Expenditure Authorization Forms and Resource Requests. What would you do?

- We advised the EOC Director, who met with the CAO's/ City Managers.
- The reality was the emergency was happening and we had to respond as the water was rising. Additional damage would occur. Calculated risks were taken, as, based on our experience with past claims reimbursements we felt that we could proceed with certain work. If there was something questionable, or that would "break the bank", etc. we would hold back and do a hard urgent press with PREOC for at least an interim verbal response.

- PREOC had told us that if it was in the guide, they would pay. We needed to trust them. (For the most part, our experiences have been positive with PREOC. However, due to years of past history, especially with OFC fire apparatus claims, we were proceeding with a heavy dose of caution and skepticism... Even with approvals seemingly in place in the past, once the claims went in, our region's members have been left on the hook a few times when claims have been denied or we have had to fight tooth and nail to get reimbursement.)

### IN THE EOC, TRACKING SYSTEMS ARE PUT IN PLACE IN ORDER TO:

- assist with compiling information easily to communicate with PREOC and follow up to make sure we had all our approvals and could follow up where more information was required.
- keep all the municipal partner information straight and multiple events separated.
- enable quick sorting so each local government group will be able to find their own information and make their claims later.
- ensure controls were in place so that duplicate payments were avoided with multiple jurisdictions.
- track event costs and pull information fast.
- share that information with the Operations and Logistics Sections.
- make sure we collected all the required documentation for everyone to make their claims.
- communicate all this information with the appropriate parties.

*“BE FLEXIBLE. WHAT GOES FOR ONE EVENT MAY NOT BE THE SAME FOR THE NEXT. FIRE IS DIFFERENT THAN FLOOD, AND EVEN FROM FIRE TO FIRE, THINGS CAN VARY....”*

#### TIPS FOR WORKING WITH PREOC/EMBC & OFFICE OF THE FIRE COMMISSIONER (OFC) DURING THE EVENT TO GET APPROVALS:

- Our EOC deals with the Kamloops PREOC.
- Finance sends in Expenditure Authorizations (EAF's) and Resource Requests (RR's) for approvals, and keep in mind your event is likely not the only event PREOC is dealing with. Be patient and don't be demanding unless your request is urgent and critical. They need to prioritize too.
- Reality: PREOC/EMBC & OFC claim paperwork requirements will change from event to event (or even person to person depending who you talk to!) Be flexible. What goes for one event may not be the same for the next. Fire is different than flood, and even from fire to fire, things can vary.... Frustrating? Perhaps, but just keep asking questions, and:
- Get EVERY approval for every expenditure or resource request in writing and get it within a few days. Do not ever accept – “We will sort the paperwork out later, after the event.”
- At the end of the day, just make sure you get your approvals from PREOC and/or OFC. If a request is denied, see if more information is required. An initial denial doesn't always mean no... Use judgement as to when it is more effective for Finance to have the discussion and when to let Ops, Fire or Liaison have the discussions....
- The Planning Section typically exchanges daily org charts with PREOC so you know who to communicate with. In our EOC everyone has a laminated phone and email list for other sections in our EOC and PREOC by position rather than individual.
- Our experience has been that we need to have an accurate tracking system in place for Expenditure Authorization Forms and Resource Requests, and follow up regularly with PREOC with a list of outstanding approvals that you need. With many shift changes, paperwork can get missed both at the EOC and PREOC.
- Try to establish what processes PREOC wants to follow at the beginning of the event.
- Do not always assume the person at PREOC that you are asking questions of has a lot of experience. If it is a busy year, the

regulars may need relief! The majority of the PREOC staff really know their stuff, but just like the EOC, new people come in for training, and you may get some not so perfect answers.

- Every day you also need to submit a Daily Expenditure Report for each incident for the prior day. Report expenditures based on the EAF's you are submitting, the overtime that has been worked in the EOC and field and any other expenditures in the EOC.

Next time, in Part 3 we will talk about specific tips and tricks that have worked for us. Preparing a “tool kit to go” – forms, processes, & tracking.



**Marilyn Rilko**ff is the Director of Finance and Administrative Service, Deputy CAO, at the Regional District of Central Okanagan where she worked for 15 years. Marilyn's background also includes having worked for an electric utility, an internet news service, CRA, manufacturing and commodity futures trading companies.

*This is the second article of a three part series on the experiences at the Regional District Central Okanagan EOC. If you would like to share your experiences with emergency management please contact GFOABC at [office@gfoabc.ca](mailto:office@gfoabc.ca)*

# WHAT'S HAPPENING AT GFOABC



**JANUARY 24th • 9:00 AM**

NEW! [Register](#) once for all 2018 Quarterly Collectors' Forum webinars.

Please submit your round table questions to [doug.stein@shaw.ca](mailto:doug.stein@shaw.ca)

**FEBRUARY 21st • 10:00 AM**

Are you responsible for the property taxation function in your municipality?

Semi annual [registration](#) is now open.

Occurs every third Wednesday of the month for 12 months.



**CONFERENCE EARLY BIRD PRICING**

Registration opens January 1, 2018

Last chance to submit a session topic. [Read more](#)

Hotel room block now open. [Reserve today](#)

GFOABC is looking for volunteers. [Read more](#)



**COMING SOON... ONLINE FORUM CONTEST**

The online forum is back in business just in time for 2018!

For the month of January when you use the GFOABC online forum you have a chance to win great prizes.

[Read more](#)



**PROFESSIONAL DEVELOPMENT INCENTIVE PLAN (PD POINTS) PHASE-OUT**

In May 2016 the GFOABC Board announced that the Professional Development Incentive points (PD Points) would be phased out by May 30, 2018. For full details on how to use your points please [click here](#).



# CLOUD ACCOUNTING

## A GREAT INVESTMENT? – OR A DISGUISED DEFICIT?

Organizations are spending more on technology that is often not stored on their hardware or on their premises. It is housed in the “Cloud”.

The fact that the code and the hardware is offsite has caused some angst when considering the appropriate accounting for these costs.

Using the guidance of Section 3150 of the Public Sector Accounting Standards, there are conflicting opinions. Do all investments in computer software get capitalized? Even if the software is based in the Cloud?

When early PSAB standards were written, intangible rights were too broad and too difficult, therefore all intangibles were scoped out.

Inherited rights are difficult to value and it makes sense to exclude them as assets. But when it comes to internally developed, constructed or purchased intangibles these could be easily valued, similar to the private sector and IFRS accounting standards. Some argue it is difficult to assess whether technology changes impact the future benefit, but there is sufficient guidance in the existing standards regarding impairments to make such adjustments in future periods.

Due to the exclusions of intangibles under current PSAB, standard setters may have unintentionally restricted the ability of organizations to capitalize investments in Cloud-based solutions when such investments can have multi-year benefits.

Some argue that to be “tangible”, the Cloud services must be “a physical substance” and “capable of being assigned a value”. I would argue that software is a “tangible” capital asset. In many cases the benefit to be realized carries over a future period of time, which is defined by a contract or service agreement. Under this scenario, the cost to acquire/utilize the software is similar to a prepaid expense or a long-term lease.

Cloud accounting investments should be capitalized and PSAB should clarify this.

I believe that when the original Section 3150 was written, the task of accounting for identifiable tangible capital assets was a sufficient hurdle to overcome in itself. At the time, many potential intangible asset variations in government organizations seemed ominous and overwhelming. This has resulted in an accounting framework that seems to be lagging behind the private sector. By excluding all intangible assets, PSAB may have scoped out projects that could be significant investments to an organization and result in multi-year benefits. The accounting result is inconsistent with the investment decisions and benefit realization.

I would suggest that the PSAB Board tackle this in a multi-phased approach whereby the broad intangible exclusion be eliminated from the PSAB Handbook and replaced with exclusions specific to inherited intangibles and those that cannot be easily valued. This would allow organizations the flexibility to capitalize costs where the definition of an asset are met. This could be introduced with further guidance that provides organizations with assistance in determining the appropriate scenarios for capitalizing Cloud-based investments. Such changes should also deal with recording impairments, if the value fails to materialize in the future as a result of technological or other changes.

The PSAB board should then examine the remaining exclusions to determine whether further guidance is necessary.



**Kristine Simpson, CPA, CA Partner**

Kristine is BDO's industry leader for the NPO and education sector in the Canadian Western Region. She has over 20 years of experience in general accounting, audit, and tax. She works extensively with NPOs, school districts, private training institutions, universities, colleges, and local governments.

# THE MFA'S CREDIT CORNER



## DIFFERENT PERSPECTIVES

### GFOABC FINANCIAL INDICATORS COURSE FOR LOCAL GOVERNMENT

The GFOABC's inaugural Financial Indicators course was held on November 15th with a group of sixteen local government finance officers in attendance. This course was part of the joint GFOABC/CPA Professional Development week. It was developed and presented by Shelley Hahn (MFABC), Lenora Lee (KPMG) and Andrew Hoge (MFABC). The purpose of this course was to provide an introductory overview of financial statement ratio analysis from a variety of perspectives.

It started with the simple question - Why is this topic becoming more relevant today? More than just for internal use, external stakeholder's perspectives on fiscal health are increasing. Financial condition is monitored and reviewed by council, the tax paying public, external auditors, Municipal Finance and credit rating agencies among others. The Public Standards Accounting Board's Statement of Recommended Practices – SORP #4 – was introduced and discussed in detail. Participants had an opportunity to calculate a variety of SORP #4 financial ratios, interpret and grade the results using a realistic case study.

Once the participants were given a refresher on applying the SORP #4 financial indicator ratios they were given the opportunity to apply these indicators to their own local government financial statements. A discussion on challenges and opportunities allowed the participants to exchange ideas and tips for the benefit of all. In addition to the hands-on exercises, a variety of perspectives were explored in greater detail: the public accounting audit, MFA's use, credit rating agencies and best practices with respect to developing their own statement of financial conditions reporting.

The credit rating discussion was of particular interest. The discussion commenced with a solid overview of what factors credit rating agencies would look at if a BC local government had to obtain their own rating rather than be part of the collective MFA structure. Using this knowledge, participants were asked to complete a case study using their own local government financial statements and an exercise based on the Moody's rating criteria. This exercise resulted in a lively group discussion as participants came to discover how

their individual local government financial metrics would be viewed by a credit ratings agency.

In today's environment of increased scrutiny of fiscal health, having a defensible statement of financial condition report is crucial for addressing both council and the taxpayers' concerns. A detailed review of the important elements of a report were covered. We had an in-depth discussion on benchmarking, as more and more councils and boards are asking - how do we compare to our neighbouring municipalities? Caution was relayed that each local government has unique cost and environmental considerations which make it difficult to arrive at a valid comparison between local government entities. The broader point being - ratios need to be interpreted carefully and when using other jurisdictions results you need to understand the story behind those results.

The course feedback was very positive from the participants, the GFOABC organizers and the presenters. We look forward to seeing you at our next offering of this course as a pre-conference session in Kelowna 2018.



**ANDREW HOGE, CFA, CPA, CGA**

Andrew is a Credit & Economic Analyst at the Municipal Finance Authority of BC, where he is responsible for a variety of functions such as raising capital weekly, fixed-income investments, analyzing client and investment issuer credit, conducting research related to rating agency materials, BC economic conditions, client presentations and also participates in educational course development related to financial literacy. Prior to this, Andrew worked for bclMC as a Performance Measurement Analyst. Andrew graduated from Carleton University with Bachelor of Art degrees in both history and economics, is a CFA Charterholder, a designated accountant (CPA, CGA) and has completed all three years of the CICA In-Depth Tax Course.



# COLLECTORS' CORNER

## PARCEL TAX VERSUS LOCAL SERVICE TAX – WHAT'S THE DIFFERENCE?

*Author's Disclaimer – I'm not a lawyer, just a humble tax collector.*

The Community Charter S192 provides local governments with the authority to have the certain revenue sources including parcel taxes and local service taxes. What's the difference?

Local Area Service – Previously known as a Local Improvement Project (LIP) or Specified Area Service, per the Community Charter S210-219 (Division 5) a municipality may provide a service within a part of the municipality such as: sewer service; water service; sidewalks for a single block; downtown revitalization (Business Improvement Area); or recreation facilities to serve a part of a large municipality. Such a service is known as a "Local Area Service" (LAS), and the properties that benefit from the service is known as the "Local Service Area." Municipalities may recover all or part of the cost of a LAS by levying a local service tax against the properties located within the boundaries of the LAS. A local service tax may be a property value tax, a parcel tax or both.

Parcel Tax – Per the Community Charter S200-209 (Division 4), a parcel tax can be imposed on the basis of a single amount for each parcel, the taxable area of a parcel, or the taxable frontage of the parcel. The bylaws required to establish a parcel tax scheme must identify the service; state the basis and specify the years for which the tax is imposed. In addition, they must establish how the taxable area or the taxable frontage of a given property is determined. A municipality must make available to the public, on request, a report respecting how the amounts or rates were determined.

So what's the difference between a Division 4 parcel tax and a Division 5 local service tax? There are two methods of initiating a LAS: 1. S212 – petition from residents, and 2. S213-214 - council initiative (pursuant to resident's counter petition). However, S200 states that Council may by bylaw impose a parcel tax. This means that a municipality can impose a parcel tax without the requirement of a petition from the residents. However, a

parcel tax roll review panel is required (including if a parcel tax is used to recover the costs of the LAS per S216(1)(b)). Also, S210 states that a LAS is a service that provides a particular benefit to part of a municipality, whereas a parcel tax may be applied to the entire municipality and therefore is not considered a LAS. Additionally, a property value tax (S216(1)(a)) cannot be commuted but can be permissively exempted (Division 7) whereas a parcel tax can be commuted (S201(3)(b)) but can't be permissively exempted.

### Collectors' Forum Webinar

Jan. 24th 9:00am PT

[REGISTER NOW](#)

OPEN TO ALL MEMBERS—NO CHARGE



**Doug Stein** has worked in municipal finance for over 30 years. In 2011 he retired from his position as Manager of Revenue Services for the District of Saanich. Doug has been very involved with the Collectors' Forum, is a GFOABC Life Member and a CPA, CMA. **JOIN** Doug this Spring for a Property Taxation 101 workshop near you [QR](#) register today for the [12-Month Taxation and Assessment webinar](#) starting in February.

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