CANADIAN FINANCE MATTERS

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Committee on Canadian Issues (CCI) Highlights

Calgary, Alberta | January 31 - February 1, 2014

Co-chairs of the committee Eric Sawyer and John Martin welcomed the committee to Calgary for the thirty-first meeting since the committee's inception in San Francisco in 1998 (the fifteenth held in Canada). The committee met for two complete days of business which included a full day of very informative and interesting presentations coordinated by Eric Sawyer on the recent Calgary flood. The mayor of Calgary, Naheed Nenshi, also visited with the committee and provided a detailed background on the flood and the city's response.

Professional Development Task Force

This task force, which is led by Ron Kaufman and Greg Kliparchuk, develops and coordinates both the Canadian-specific session and the Canadian Update session at each GFOA annual conference. The Canadian-specific session at the annual conference in Minneapolis will cover the major flood in the City of Calgary and the ice storms in Ontario and examine how finance operations played an integral role in the response and recovery. The Canadian Update session will focus on two topics of direct interest to Canadians: 1) identifying the competencies required in the finance function of the future, and 2) practical information on how to prepare a high quality budget document in conformity with the guidelines set by the GFOA for its Distinguished Budget Presentation Award Program. In addition, the session will offer participants a unique opportunity to share ideas, concerns, and information with members of the GFOA's Committee on Canadian Issues.

The committee has been active in assisting GFOA staff in recruiting reviewers and enhancing participation in the GFOA awards programs. Over fifty governments

INSIDE THIS ISSUE

Committee Highlights

Highlighted Best Practice

ARTICLES

Asset Management Planning Survey TREVOR BINGLER

Winnipeg's Asset Management Program — Implementation of the Investment Planning Process: Robust and Transparent Decision Making RON AMANN

The City of Fredericton — Water & Sewer Long Term Financial Plan ALICIA KEATING

Contaminated Sites BAILEY CHURCH

GFOA AWARD PROGRAMS

Canadian Award for Financial Reporting (CAnFR)

Volunteer to Serve as a Reviewer

Most Recent CAnFR Winners

CAnFR Program Reviewers

Most Recent Canadian Popular Financial Report (PAFR) Winners

PAFR Program Reviewers

Most Recent Canadian Budget Winners

Budget Program Reviewers

EVENTS & OPPORTUNITIES

2014 GFOA Annual Conference

Canadian-specific Sessions

Other Canadian Speakers

GFOA of Western Canada 2014 Conference

Join GFOA

Scholarships

submit reviews to the Canadian Award for Financial Reporting Program.

Standards Task Force

The Standards Task Force coordinates the committee's review of the GFOA's best practices and advisories to determine if they are applicable for Canadian governmental entities. The co-chairs of the task force are Trevor Bingler and Bruce Fisher. The committee is also currently examining two potential Canadian-specific best practices. The committee will begin translating some of the more significant best practices into French to post on the Canadian section of the GFOA website for the GFOA members from the Province of Quebec. The Canadian applicable best practices and advisories that have been adopted by the committee can be accessed in the Canadian section of GFOA's website.

The results of the asset management survey that was distributed to all of the GFOA's Canadian members are included within this newsletter.

Advocacy & Communications Task Force

A major focus of this task force, which is led by co-chairs Carl Bird and Teresa Florizone, continues to be the GFOA Canadian newsletter, *Canadian Finance Matters*, which is circulated biannually to all of the GFOA's 400 Canadian members electronically and is also available in the Canadian members section of the GFOA's website. The committee discussed the specific topics for the next newsletter.

An important focus of the task force is to enhance the links with key provincial associations in Canada, the Alberta GFOA, the GFOA BC, the MFOA, and the GFOA of Western Canada. A significant number of the committee members are actively involved in the provincial organizations. The committee receives updates on the provincial associations at each of its meetings.

Other Business

Prior to the meeting, the co-chairs of the committee, Eric Sawyer and John Martin, along with fellow committee member Ron Kaufman, met with Tim Beauchamp, the Director for the Public Sector Accounting Board, to provide input on behalf of the committee.

Next meeting

COMMITTEE ON CANADIAN ISSUES (CCI)

Members

Eric Sawyer, Co-Chair, City of Calgary, AB

John Martin, Co-Chair, City of Moncton, NB

Trevor Bingler, Province of Ontario, Ministry of Municipal Affairs and Housing, ON

Carl Bird, City of Yellowknife, NT

Robert Bishop, City of St. John's, NL

Marion Brass-Yellowfly, Siksika Nation, AB

Catherine Brubacher, City of Brantford, ON

Cindy Fernandes, City of Winnipeg, MB

Suzanne Fillion, City of Surrey, BC

Teresa Florizone, SaskBuilds Corporation, SK

Bruce Fisher, Halifax Regional Municipality, NS

Donna Herridge, City of Mississauga, ON

Patrice Impey, City of Vancouver, BC

Glen Jarbeau, City of Spruce Grove, AB

Ronald Kaufman, Town of Caledon, ON

Greg Kliparchuk, Province of Alberta, AB

Lorna Rosen, City of Edmonton, AB

Tina Tapley, City of Fredericton, NB

Valentina Todoran, Town of Hampstead, QC

Committee Advisor

Mark Gilbert, Dalhousie University, Halifax, NS

GFOA Staff Members

Stephen Gauthier, Jim Phillips

The next committee meeting will be at the GFOA Annual Conference in Minneapolis, Minnesota, on Saturday, May 17.

top

Highlighted Best Practice

A section of the GFOA website is dedicated to the GFOA's best practices that are applicable in Canada. One of the best practices that the Committee on Canadian Issues would like to highlight is Business Preparedness and Continuity Guidelines. This best practice recommends that governments develop, test, and maintain a plan to continue their basic business operations during and immediately after disruptive events. Governments must be able to anticipate problems, detect threats, and determine effective protective actions to enable them to continue to function.

top

Asset Management Planning Survey

Trevor Bingler, Director, Municipal Finance Policy Branch, Ontario Ministry of Municipal Affairs and Housing; trevor.bingler@ontario.ca

Introduction

The Committee on Canadian Issues (CCI) Standards Task Force develops recommendations and promotes guidelines of professional practice that are specifically relevant to Canadian governments. Members review and customize GFOA best practices to fit specific Canadian requirements and promote the sharing of knowledge of municipal finance matters between the US and Canada.

In efforts to better understand asset management planning in Canadian municipalities, a detailed asset management survey was completed by 49 municipalities across Canada in the winter of 2013. About 69% came from urban municipalities and 31% from rural municipalities with the majority having a population of over 200,000. Most respondents were from British Columbia, Ontario and Alberta.

Out of all surveys received, 82% of municipalities reported having made a commitment to developing and implementing a detailed asset management plan. The pie graph below shows that the asset management plan for most respondents is currently in progress.

Completed Asset Management Plans

Out of the nine municipalities that reported completed asset management plans, five are located in Ontario. Most of the completed plans cover a time period of greater than 10 years. Bridges, Roads, Water and Wastewater were the main assets covered under the completed asset management plans. Other assets covered include Transit, Traffic Control, Waste Management, Fleet, Technology Equipment, Airports, Community Facilities, Park Equipment and Environmental Assets. Most municipalities intend to review/update their plan between every one and five years.

Asset Management Plan Financing

The top three most popular sources of financing asset management plans include federal/provincial grants, reserves and reserve funds and property taxes. Other sources of financing include long term liabilities incurred, user fees and service charges, development charges, utility operations, local improvements, transfers from operating budget, dedicated tax levies and pay-as-you-go financing.

No Asset Management Plan

Out of all the municipalities surveyed, four reported having no asset management plan in place. The most common barriers to asset management planning include lack of financial resources, staff resources, appropriate software and corporate guidance.

Conclusion

The insight gained through the asset management survey results presents an opportunity for the CCI to further focus their work in achieving a more broad adoption and utilization of asset management planning. The barriers to asset management planning as well as the success stories in overcoming the identified impediments can be addressed in future GFOA meetings, presentations, articles and workshops. Furthermore, the results will be helpful for senior levels of government to enable support for better asset management planning.

top

Winnipeg's Asset Management Program — Implementation of the Investment Planning Process: Robust and Transparent Decision Making

Ron Amann, Manager of City Asset Management Program, Corporate Finance Department, City of Winnipeg; ramann@winnipeg.ca

Why Asset Management

The City of Winnipeg is similar to other large Canadian cities (2013 capital program of $375M) where there is a need to ensure infrastructure is safe and sustainable. The City of Winnipeg's infrastructure deficit was estimated in 2009 at 3.9B and growing. Given the combination of the infrastructure deficit with funding challenges, the City needed to ensure that assets were well managed and best practices employed.

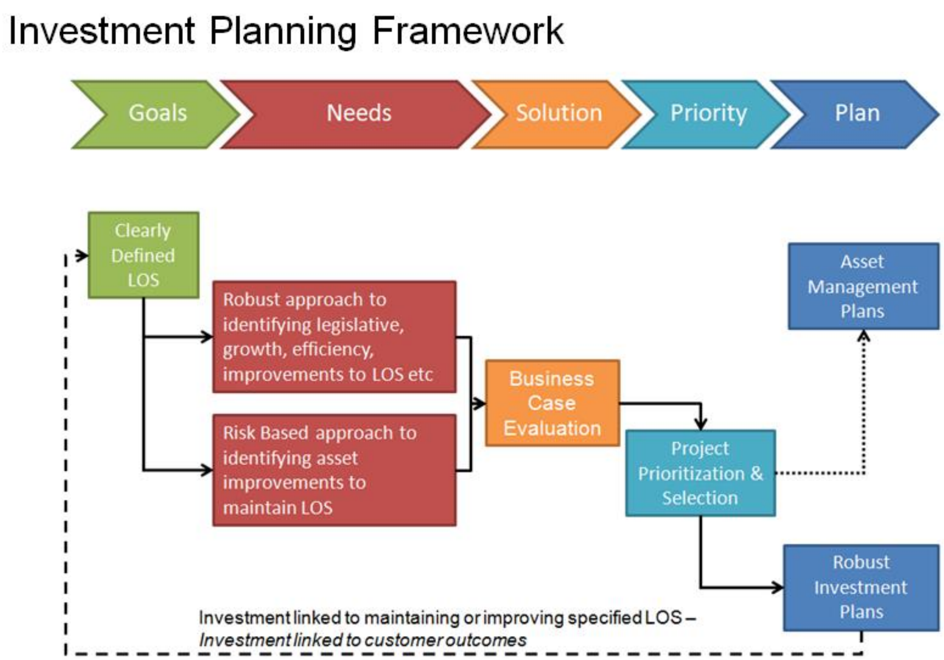
Our Solution

The City posted a request for proposal which resulted in retaining CH2M Hill to lead the development of industry-leading Asset Management (AM) practices.

CH2M Hill's first step was to conduct a City-wide AM self-assessment exercise, called a Comprehensive Asset Management Review and Assessment. This assessment involved a series of sessions which identified that Investment Planning (IP) was an area for improvement across the City. This review also identified the need to create a corporate position, "Manager of City Asset Management Program," for the long term. This Manager also became the project manager for CH2M Hill's second phase.

The second phase was the implementation of an IP Framework (see graphic 1.1) across the City. This second phase was broken down into two stages, with specific Departments slotted into each stage based on the size of their asset portfolios. The implementation approach had CH2M provide the knowledge for each step in the Framework and develop a practical application of the concept for a specific asset group. The City will take this practical knowledge and work to embed into their work practices.

The following is a brief description of each step of the IP process and the City's current implementation status:



GRAPHIC 1.1 — INVESTMENT PLANNING FRAMEWORK

Goals — Level of Service (LOS): this step involved defining what good service is. Most Public Departments consider good customer service to be a given, but at what cost and with what effectiveness? Once each measure has been defined, the cost to deliver the service is determined and linked to key performance measures to ensure effectiveness and efficiency.

- Departments developed service measurers for a specific asset group.
- Departments will be working over the next 2 years to develop fully costed LOS models for all asset groups.

Need — There are two elements to this step: 1) Robust approach to identify improvements to LOS and 2) Risk-based approach to identify asset improvement to maintain LOS.

- Over the next few years, departments will be developing departmental long-term asset strategic plans.
- Departments developed risk models for a specific asset group and will be developing formal risk assessment models for their remaining asset groups.

Solution — Business Case Evaluations: business cases were developed to ensure that needs were identified and different options were assessed based on net present value of whole life-cost to ensure the best value for money.

- Business cases for projects in the 2014 budget year greater than $500,000 were completed.
- For the 2015 budget, business cases will be prepared for projects greater than $100,000 in the budget year plus two forecast years.

Priority — Project Prioritization and Selection: Projects with completed business cases were rated against triple bottom line criteria (social — economic/financial — environmental). If the primary focus was only on refurbishment/renewal, we could use risk to prioritize projects. However, our projects need to compete against projects related to growth, enhanced service levels, legislation and efficiency. Thus we utilize a benefits-based approach. Each need is assessed to the weighted goals (benefit criteria) of the City to determine a score. The project cost is then divided by the benefit score to determine the cost/benefit ratio for the project.

- Projects in the 2014 budget year greater than $500,000 were rated and benefit ratings determined.
- The benefit model used to determine the benefit rating is being assessed based on the first year of data. For the 2015 budget, projects in the current budget year plus 2 forecast years will be prioritized based on the triple bottom line benefit approach.

Plan — Robust Investment Plans: investment plans are developed based on selected projects with the lowest cost-benefit ratio and lowest residual risk.

- For 2014, the number of project business cases was not sufficient to develop investment plans beyond the current year.
- For 2015, investment plans will incorporate projects in the current budget year plus 2 forecast years.

Asset Management Plans — Asset Management Plans: set out the generic optimized approach to whole-life-cycle asset management of a particular service area and will focus on the delivery of service to the customer, and the assets and resources required to efficiently and effectively deliver that service.

- Departments will start to develop formal Asset Management Plans over the next year for each asset portfolio.

Project Delivery and Organizational Change

The City set up a project delivery team comprised of: The City's CFO as the Project Sponsor, Directors from key Departments responsible for significant asset portfolios on the Advisory committee, and a project delivery team. The delivery team was composed of Departmental leads, which coordinated Departmental resources and ensured communication flowed between the project and stakeholders within their Department. An Asset Management Network Committee was created, comprised of various AM stakeholders across the City (Corporate and Departmental), including the Departmental leads.

The project organization structure served as the communication conduit for the Change Management activities. A number of activities were implemented to ensure that the change was managed and ultimately adopted by the organization:

- Departmental presentations to all Departmental Management Teams;
- Monthly Advisory team meetings (top-down communication);
- Monthly Network committee meetings (bottom-up and lateral communication);
- Regular project meetings with Departmental leads and their teams to implement the various project deliverables;
- Yearly organizational preparedness sessions to assess and gauge how the Organization was adopting;
- Training sessions for specific IP modules;
- Lesson Learned sessions — resulted in adjustment to the project delivery and the IP process at specific project milestones.

Our Accomplishments and Next Steps

Our journey since the initial RFQ has been successful thanks in large measure to the leadership of the Directors and for efforts of the Departmental leads and their teams. As a City, we have built a solid AM foundation of knowledge and best practices which will help our organization to grow and mature. The following are a few of our accomplishments:

- AM Governance established: Administrative Standard, IP manual including processes, templates, tools and training;
- AM Business Model/Framework established: defines how specific elements of AM integrate, such as: Investment Planning — Project Delivery — Operations/Maintenance — Disposal and Decommissioning;
- Formulated a 5-year plan (Roadmap) which includes developing Asset Management Plans including a State of Infrastructure report;
- Within Departments: initial LOS and Risk models developed;
- City-wide: completed business cases for projects > $500K;
- Started to utilize the Investment Planning process to develop our Capital Budget.

Learning Points and Successes

The IP process represents a new, valuable way of thinking about projects. The implementation involves a resource commitment which reduces with experience. The process provides a means for objective discussion on projects which has previously not been available. We have realized benefits from the BCE step, by either delaying or canceling projects if the need was not clear or value to LOS not identified.

The process provides a robust and transparent decision-making process for Asset Managers and Investment Planners.

top

The City of Fredericton — Water & Sewer Long Term Financial Plan

Alicia Keating, Assistant Director of Finance, City of Fredericton; Alicia.Keating@Fredericton.ca

New accounting rules under Public Sector Account Board ("PSAB") Standards were introduced for municipalities for years ended after January 1, 2009 that completely changed the landscape of municipal accounting. By far, the largest change was within PS 3150, *Tangible Capital Assets*. The accounting standards now require that municipalities report for their assets similarly to private enterprises in that they are required to capitalize and depreciate assets over time. Prior to the implementation of PS 3150, municipalities in New Brunswick were not permitted to depreciate assets and show the annual cost of infrastructure to the municipality.

Starting in early 2008, the City went through the exercise of compiling a list of all capital assets owned by the City including buildings, playgrounds, vehicles/equipment, and all linear assets including roads, sidewalks, curbs and underground pipes. Due to asset management techniques used by the Public Works Department, there was a lot of information contained in the geographical information system for the infrastructure above the ground; however, there were gaps with the underground infrastructure. There was also not a complete database of the non-linear assets.

By the end of 2008, the City had a complete listing of infrastructure and the City of Fredericton was fully compliant with all PSAB standards for the fiscal year ended December 31, 2009. The City was the first and only municipality in New Brunswick to be compliant within the deadlines set out by PSAB.

With the completed infrastructure listing, the City now knows what infrastructure exists, where it is, how old it is and its financial value. By leveraging this information, the City was able to create a long term financial plan that included debt limits on infrastructure funding, enhanced annual funding for infrastructure renewal over time and a focus on sustainability for the General Fund. This long term financial plan was approved and adopted by City Council in 2010.

In 2013, City Council approved and adopted a Water and Sewer Long Term Financial Plan as a continuation of the General Fund Long Term Financial Plan. The plan provides for continual improvement in the Water and Sewer Utility and also assures long term sustainability for the services and infrastructure. The revenue generated to operate the utility is through user pay of the 17,000 connected customers. The vast majority (over 90%) of the City's utility customers are residential, with the remaining 10% spread out over commercial, three levels of government, universities and industrial.

The plan was structured upon Council's approved guiding principles. These principles include maintaining the high quality drinking water and environmentally sound wastewater treatment the City provides today, encouraging conservation and awareness of the environmental impact of water consumption and wastewater treatment for users, and sustainable funding for infrastructure reinvestment. Additional recommendations are to achieve efficiencies in service delivery to keep user rates affordable.

Another financial consideration included alignment of the fixed and variable costs with the fixed and variable revenues for the utility. This decision was made to plan ahead so that as conservation measures are adopted by customers, the revenue generated will be sufficient to operate effectively. Certain fixed costs will remain stable with less water usage and revenue generated must be adequate to cover the base costs of water provision and wastewater treatment.

From a customer perspective, the City also felt it was important to have equity between user groups so no one user subsidizes another and that user rates remain affordable and competitive with surrounding communities while remaining predictable into the future. The City of Fredericton has the lowest water and sewer rates of the three largest cities in New Brunswick, as well as many smaller surrounding communities. The intention is that this will continue into the future.

Based on PS 3150, Fredericton's Water and Sewer Utility has a replacement value of $507 million for all infrastructure within its control. Based on the life cycle assessment, over 25%, or $130 million dollars worth of infrastructure, is in a deficit position. While this by no means indicates that the systems are unsafe, it does mean that the City needs to be aware of and plan for the replacement of this aging infrastructure.

An important part of the plan is to increase infrastructure funding for the utility. Based on the long term nature of the infrastructure, staff felt that the City should be investing approximately 2% of the value of the infrastructure for replacement. Currently, the City is not meeting that target. While including Federal Gas Tax Funding into the equation has helped significantly to increase the reinvestment, the City is still falling short by allocating $8.7 million for renewal in 2013, which is below the threshold of over $10 million.

By continuing with committed infrastructure renewal while working towards efficiencies to reduce the impact on the customer, the City is building and rebuilding a better system not only for the customers of today, but for the next generation. In doing so, rates will remain affordable and predictable now and in the future. The plan shows that the infrastructure deficit will be significantly reduced over the initial 20-year period from $130 million to under $22 million in 2033.

The City is fortunate to have a stable development community that allows the City to have continued growth. In order to promote and encourage this growth, the City is aware of the need to expand the systems while maintaining continued focus on renewal. As such, the City plans to budget up to 10 percent for new infrastructure that promotes and aids in continued development. However, budgeting a minimum of 90% of the capital budget for renewal will aid in sustainability of the infrastructure already in place.

While it is a difficult for any Council to decide to increase rates, with solid information, rationale and guiding principles, fact-based decisions were made by the elected officials. Through the presentation and communication of the plan, Council supported the recommendations and are committed to adhering to the plan. Feedback from the media was also positive due to the focus on the facts surrounding the basis of the plan. While rate increases are not typically well received, the requirement for high quality drinking water and safe, consistent wastewater treatment justified the need for the increases.

The City is also developing an improvement and innovation initiative to find ways to improve service delivery by maintaining or enhancing service offerings while maintaining or reducing budgets. All savings achieved through this initiative are being reallocated to infrastructure renewal and replacement. Some projects have included looking at the number of phone lines required, a major reorganization and standards set for maintaining a clean, safe and organized shop area and a study into installation and billing of water meters in new constructions.

As with any long term decision, the City felt it was important to have key performance indicators to monitor and ensure the plan is successful. The main indicator will be maintaining the high quality service that is currently provided to customers through the quality drinking water to the treatment of wastewater within the standards and recommended practices of the industry. This will be measured through routine testing of systems to ensure compliance with standards surrounding treatment of both water and wastewater. In addition, a target will be 100% customer confidence with the City's water quality.

Another key measure is the state of the infrastructure through the dollars invested, the impact on the infrastructure deficit and the overall condition of the systems. A key goal of the infrastructure reinvestment will be the reduction in the number of breaks and fixes the City addresses each year. A direct result of this will be the amount of operating dollars that can be reallocated from these repairs to capital reinvestment. The state of the infrastructure report card and infrastructure deficit will be tracked annually to assess progress made. A direct measure will be the changes to the state of the infrastructure categorized between good, fair and poor condition over the life of the plan.

Avoidance of rate shock is imperative to customers. Rates will remain competitive with surrounding areas and within the Province and will be reassessed on an annual basis to look at affordability to the customer.

While this plan is focused on the needs and situation for the City of Fredericton, the principles and methodology for creating the plan can be applied to any organization that owns and/or maintains infrastructure. The plan was written using City resources and received full support from City Council. The creation of this plan and adhering to the plan will allow Council and staff to make the best decisions in order to protect the investment for the next generation.

A copy of the plan can be found at www.fredericton.ca/en/environment/resources/WS_LTFP_Final2_Aug-19-13.pdf.

top

Contaminated Sites

Bailey Church, Co-Leader, Public Sector Accounting Advisory Service, KPMG, Ottawa; bchurch@kpmg.ca

The Public Sector Accounting Board's accounting standard on Liability for Contaminated Sites (Section PS 3260) will be a reality very shortly for all entities reporting under the Public Sector Accounting (PSA) standards. This accounting standard will impact federal, provincial and municipal governments, as well as Crown corporations, universities, school boards, and hospitals reporting under the PSA standards. Issued in 2010, PS 3260 has an effective date of year's beginning on or after April 1, 2014.

This section addresses liabilities for remediation related to sites, or parts of a site no longer in active or productive use. This section does not apply to liabilities for closure and post-closure care of a solid waste landfill site when the site or a phase stops accepting waste. This is addressed under a separate section, PS 3270, and not considered in this article.

Why Are Contaminated Sites An Issue?

What makes the implementation of PS 3260 especially difficult is the existing lack of information which restricts many governments from fully determining the impact on their financial reporting, and from reporting back on how effectively funds are being spent on remediation.

In addition to the lack of information many governments have related to their contaminated sites, the measurement of environmental liabilities requires substantial professional judgment and can vary widely year to year. How a government accounts for long term monitoring costs, for example, and the assumptions applied to index and discount future remediation expenditures can materially impact the amount of the liability reported.

Technical Overview

While PS 3260 does not change the fundamental definition of liability, it does provide guidance on applying the existing definition of a liability in the Public Sector Accounting Handbook to the specific context of contaminated sites.

PS 3260 specifies that a liability for a contaminated site must be recognized when, as at the financial reporting date, ***all of the following criteria are met for a site or a portion of a site which is not in active use*** (text in italics added for interpretation and analysis):

a. An environmental standard exists *(most commonly through enacted federal, provincial or local legislation, applicable bylaws, permits, or conditions specified in contracts and agreements)*;

b. Contamination exceeds the environmental standard *(as established in an environmental site assessment by a professionally qualified environmental engineer)*;

c. The government:
   i. Is directly responsible *(based on a legal obligation to perform the remediation from agreements or contracts, legislation of another government, or the government's own legislation); or*
   ii. Accepts responsibility *(typically based upon a voluntary assumption of responsibility based on the government's own actions or communications, provided these create an obligation meeting the definition of a liability)*;

d. It is expected that future economic benefits will be given up *(in other words, the government or government organization expects to expend their own resources to clean up the contaminated site)*; and

e. A reasonable estimate of the amount can be made.

As you can see from the criteria above, the existence of an environmental standard in and of itself is not the obligating event that creates a liability. The existence of contamination that exceeds an environmental standard at the financial reporting date is a necessary condition for recognition of a liability.

The expectation that future economic benefits be given up is also critical. A government would typically not be required to recognize a liability for a contaminated site to be remediated solely through natural attenuation (where contaminants are cleaned up or attenuated naturally through soil or groundwater, with no disbursements for remediation costs for the government). Since the government is not sacrificing any future economic benefits to perform the remediation, a liability would not be required under PS 3260. Similarly, with contamination caused by asbestos, a government is generally not required to immediately clean up the contamination, though it must disclose the presence of the contamination to potential purchasers. The government would be giving up future economic benefits when the fair market value of the building with the asbestos is less than its cost.

Initial application of this standard may be accounted for retroactively or prospectively.

For sites which remain in active use, this section doesn't apply and entities would continue to assess potential obligations for remediation against the definition of a liability in PS 3200.

Liability Measurement — The Devil Is In the Details

The estimate of a liability should include those costs directly attributable to remediation activities, based on information available at the financial statement date. The estimated costs would include post-remediation operations, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. Costs of assets acquired as part of remediation activities, to the extent those assets have no alternative use, should also be factored into the costs.

Directly attributable costs would include, but are not limited to, payroll and benefits, equipment and facilities, materials, and legal and other professional services related to the remediation of the contaminated site. Estimated costs would be those required to bring a site up to the current minimum acceptable standard for its use prior to contamination — which is not necessarily to a perfect state.

Costs such as re-vegetation of the affected land, consultations with stakeholders, project management and training are only included in measurement of the liability to the extent that they directly relate to the actual remediation of the site. Substantial judgment needs to be applied in determining whether an expenditure truly relates to the remediation. Those in charge of financial reporting should not act in isolation but should consult with remediation project teams and professional engineers to determine the objective and desired outcome of each expenditure.

Remediation projects often involve incurring expenditures over many years. When remediation costs are planned to be incurred over many years, the costs should be escalated to cover expected increases in costs over the duration of the project. Escalation should cover anticipated increases in the cost of equipment, material, labour, fuel, and freight amongst others. Professional judgement needs to be applied to determine the most appropriate escalation factor to apply, based on the anticipated rate of inflation for these items. Similarly, where project cost estimates are prepared based on assessments from prior years which have not have been updated to current year dollars, the prior-year estimate should be redeveloped or indexed for an inflationary factor to calculate impact in current year dollars.

The estimate of the liability should also be discounted when the estimated costs to settle the liability are based on future cash requirements which are expected to be incurred beyond the end of the next fiscal year. Professional judgment is again required to determine the most appropriate discount rate that should be applied. Estimated future cash flows could be discounted using the Government of Canada or Provincial lending rates to approximate its current value, or using actuarial discount rate assumptions as applied to other public sector entities.

Given the uncertainty and complexity of many remediation projects, total estimated project costs can often include two forms of contingencies — a contingency for design allowance, and a general risk contingency. A design allowance is often included to represent a contingency for the accuracy of cost estimates, expressed as a percentage of project costs. The design allowance reflects known uncertainties in future operating and capital expenditures, based on best practices. Based upon the likelihood of the design allowance being incurred, it is often included in the liability measurement. Total project costs may also include a further risk contingency to reflect worst case class estimate uncertainties. The extent of uncertainties related to the likelihood of incurring these additional costs would impact, if included, the liability estimate.

The treatment of long term monitoring costs also requires professional judgment. PS 3260 indicates that such costs should be included in the liability estimate in certain instances. An assessment needs to be performed as to whether the long-term monitoring costs are integral to the remediation strategy of a site.

An Action Plan for PS 3260

Based upon the complexity and challenges of implementing PS 3260, management of government entities with contaminated sites should be working now on their action plan. However, PS 3260 should not become an unnecessarily labour intensive project if the focus is placed on the right areas. For government entities with no inactive sites (and no active sites with inactive components, such as wings or floors of a building not being used), or those with inactive sites but no suspected contamination, PS 3260 will not have much impact. For all others, work should be underway now to ensure March 31, 2015 year end reporting timelines can be met.

First and most importantly, senior management and audit committees should be educated to the potential impact of PS 3260 on reported financial results. Depending upon the number of contaminated sites, the extent of contamination present, and the location of the site, the financial impact could be very significant. Even though some government entities' financial statements previously included certain environmental liabilities, they may not have included all sites, or measured the liabilities consistently as required by PS 3260.

Secondly, all relevant functions should be engaged in overseeing the implementation of PS 3260 — not only Finance, but also Property Management, Operations, Procurement, and Legal. Many of the inputs required to identify and measure potential liabilities for contaminated sites will come from the teams overseeing remediation efforts. The ability to validate key assumptions is essential to supporting the integrity of financial information reported for contaminated sites.

Government entities should be working now to prepare an inventory of all their active and inactive sites — not just those which are potentially contaminated. As sites are inventoried for government entities, consideration should be given to developing a framework to classify and account for risk which may drive the estimates for remediation. Where entities are dealing with a large number of sites, a framework will better support efficient groupings of sites with similar risk profiles, and the benchmarking of sites.

Once any probable contaminated sites have been identified, professional engineers should be engaged to perform an environmental site assessment to confirm whether contamination exists which exceeds an established standard. An environmental site assessment by a qualified professional engineer is essential to support the measurement of the liability for a contaminated site. Where site assessments have been performed in previous fiscal periods, consideration should be given to whether technology or the understanding of extent of contamination for the site has changed which would warrant a re-assessment.

Conclusion

The Public Sector Accounting Board's PS 3260, *Liability for Contaminated Sites*, will become effective in less than a year, on April 1, 2014. Government entities have significant work remaining to fully assess the impact this standard may have on their financial reporting. Though many government entities recorded environmental liabilities previously on their financial statements, PS 3260 requires an added rigour of assessment regarding which sites are contaminated, as well as improved consistency of liability measurement. Given the extent of coordination required with operational areas outside of finance, and the potential need to engage environmental engineers to perform site assessments, PS 3260 may require a longer lead time for implementation than other sections for certain entities. Communication with senior management and audit committees is also essential to ensure they understand financial reporting changes that may be coming next year. Now is the time to start. Wishing you all a good implementation!

top

Canadian Award for Financial Reporting Program

What is the Canadian Award for Financial Reporting Program? The Government Finance Officers Association's Canadian Award for Financial Reporting Program (CAnFR Program) has been promoting the preparation of high quality financial reports since 1986. More than 50 governments participate in the program each year. All participants are Canadian municipal governments that follow the standards promulgated by the Public Sector Accounting Board.

What are the benefits of the program? Users of the financial statements will have access to a high quality report promoting better transparency to citizens and other stakeholders. Credit rating agencies and other interested parties may view the award as a positive factor in decision-making. Also, as accounting and financial reporting standards evolve, participation helps to ensure that your financial report fully implements those standards.

It's easy to participate! Once the annual financial report is prepared, submit it along with a completed application. The normal submission deadline is six months following the government's fiscal year end. Requests for a one-month extension beyond the deadline may be made as a result of various factors (e.g., employee turnover, implementation of major pronouncements, audit issues, etc.) by emailing canfr@gfoa.org.

How does the program work? Governments that participate in the CAnFR program will have a grade assigned to each section of their report and receive a list of specific comments and suggestions for improvement. Reviews are conducted by experts and experienced reviewers who are professionals in the field of accounting, auditing, and financial reporting and GFOA professional staff. All reviews are combined and a final vote is determined. If a government's report wins the award, it will receive public recognition of its achievement, along with a plaque and a press release. Public recognition includes having the name of the government appear on a list of award-winning reports maintained on the GFOA's website.

Which governments qualify to participate in the program? Any type of Canadian local government (general purpose and special purpose) may participate in the CAnFR Program. The report must have an unqualified audit opinion (a "clean opinion") from an independent auditor. Ordinarily, the annual financial report should be published within six months after the government's fiscal year end.

Volunteer to Serve as a Reviewer

If you are an accountant, auditor, or academic with experience in governmental accounting and financial reporting, you are invited to become a volunteer reviewer for the CAnFR Program.

What are the benefits of serving as a volunteer reviewer?
Volunteer reviewers can:

- Be at the forefront of the most recent changes in accounting and financial reporting for local governments,
- Get exposure to a variety of reports from around the country,
- Access a practical way of providing training and development for junior staff without an incremental cost,
- Gain insight into how to improve their own annual financial reports, and
- Achieve professional recognition.

How much time does it take to serve as a reviewer? Reviewers enjoy considerable flexibility regarding the number and type of reports they wish to review. The GFOA has developed a checklist to streamline reviews and save valuable time. The reviewer's checklist is available at the GFOA's website in the CAnFR Program section. GFOA staff is available during normal business hours to answer questions you may have during the review process.

What are the requirements for serving as a reviewer? An individual does not have to be upper management or have significant experience with external financial reporting to serve as a reviewer. The GFOA encourages those with any experience in local government accounting and financial reporting to join in the review process. You are encouraged to use your time as a reviewer as a tool for professional development and educational purposes. In order to become a reviewer, one should possess a solid understanding of GAAP as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Jurisdictions that are interested in receiving the more information about the award or individuals who are interested in serving as reviewers for the program should contact Jim Phillips in GFOA's Chicago office (312-977-9700; JPhillips@gfoa.org).

top

Most Recent Canadian Award for Financial Reporting (CAnFR) Winners

Congratulations to the following fifty-three jurisdictions for receiving the CAnFR for the fiscal year ended in 2012:

Alberta

City of Airdrie
City of Brooks
City of Calgary
City of Edmonton
City of Lethbridge
City of Medicine Hat
City of St. Albert
County of Lethbridge
County of Newell
Parkland County
Sturgeon County
Town of Stony Plain

British Columbia

City of Abbotsford
City of Coquitlam
City of Duncan
City of Kamloops
City of Kelowna
City of North Vancouver
City of Port Alberni
City of Port Moody
City of Richmond
City of Salmon Arm
City of Surrey
City of Vernon
City of Victoria
Corporation of the City of Port Coquitlam
Corporation of the District of the North Cowichan
Corporation of the District of Saanich
District of Coldstream
Disrict of Kent
District of Maple Ridge
District of Mission
District of West Vancouver
Sunshine Coast Regional District
Town of Oliver

New Brunswick

City of Moncton

Northwest Territories

City of Yellowknife

Ontario

City of Greater Sudbury
City of Mississauga
City of Toronto
Corporation of the City of Brampton
Corporation of the Town of Markham
Corporation of the Town of Oakville
Regioal Municipality of Durham
Regional Municipality of Halton
Regional Municipality of Niagara
Regional Municipality of Peel
Regional Municipality of York
Town of Caledon
Town of Milton
Town of Niagara-on-the-Lake

Saskatchewan

City of Regina

Yukon

City of Whitehorse

Canadian Award for Financial Reporting Program Reviewers

The GFOA would like to recognize those reviewers who dedicate their time to the CAnFR program:

RUBY AGARWAL Manager, Financial Accounting & Standards, Government of Alberta
CATHY AN Financial Reporting Lead, The City of Calgary, Alberta
MARK BEAUPARLANT Manager Financial Services, City of Mississauga, Ontario
ADAM BELL Financial Reporting and Accounting Manager, City of Fredericton, New Brunswick
KRIS BOLAND Manager of Finance, District of Mission, British Columbia

ROBERT CORRELL Consultant, Public Sector Accounting Board, Fort Macleod, Alberta

ANDREA FLANDERS Deputy Treasurer, Corporate and Management Accounting, City of Moncton, New Brunswick

ARCHIE G. JOHNSTON Audit Partner, KPMG, Burnaby, British Columbia

ALEKS NELSON Senior Financial Advisor, Alberta Municipal Affairs

CHRIS PARKINS Manager, Financial Advisory, Alberta Municipal Affairs

MICHAEL PERKINS Corporate Finance Leader, The City of Calgary, Alberta

SCOTT ROSS Accounting Supervisor, District of Mission, British Columbia

CURTIS SMITH Manager, Finance, Policy & Risk Management, Regina, Saskatchewan

PEGGY TOLLETT Deputy Treasurer, Town of Caledon, Ontario

KEVIN TRAVERS Audit Partner, KPMG, Toronto, Ontario

top

Most Recent Canadian Popular Annual Financial Report (PAFR) Winners

Congratulations to the following seven jurisdictions for receiving the PAFR Award for the fiscal year ended 2012:

Alberta

City of Medicine Hat

British Columbia

City Coquitlam

City of Richmond

City of Surrey

District of Maple Ridge

Northwest Territories

City of Yellowknife

Ontario

Town of Caledon

Popular Annual Financial Reporting Program Reviewers

The GFOA would like to recognize the following reviewer for dedicating her time to the PAFR program:

MELANIE THERIAULT Management Accounting Analyst, City of Moncton, New Brunswick

top

Most Recent Canadian Budget Winners

Congratulations to the following thirty-five jurisdictions for receiving the Budget Award for the fiscal year beginning 2012:

Alberta

Airdrie

Calgary

Lethbridge

Lethbridge County

Mountain View County

St. Albert

Wood Buffalo

British Columbia

Coquitlam

District of Maple Ridge

Kelowna

Mission

North Vancouver

Port Coquitlam

Saanich

Surrey

West Vancouver

Northwest Territories

Yellowknife

Ontario

Barrie

Caledon

King Township

Markham

Milton

Mississauga

Orangeville

Regional Municipality of Durham

Regional Municipality of Halton

Regional Municipality of York

Tecumseh

Toronto

Vaughan

Quebec

CIRANO

McGill University

Office municipal d'habitation de Montréal

Quebec

Société de transport de Montréal

Budget Program Reviewers

The GFOA would like to recognize those reviewers who dedicate their time to the Budget program:

TRACY ANDERSON Controller, County of Lethbridge, Alberta
HELEN ANSTED Principal Financial Analyst, City of Mountain View, Alberta
JOHN DUNFIELD Senior Corporate Planner (Retired), City of Calgary, Alberta
STEVEN FAIRWEATHER Commissioner/Treasurer, City of Cambridge, Ontario
ROGER GALIPEAU Directeur — Groupe d'Excellence en budgetisation, Center for Interuniversity Research and Analysis of Organizations (CIRANO), Quebec
KEITH GRAYSTON Director, Financial Services, City of Kelowna, British Columbia
CHRIS JACYK Senior Corporate Financial Planner, City of Calgary, Alberta
JOEL LUSTIG Treasurer, Town of Markham, Ontario
VICTOR MEMA Chief Financial Officer, District of Sechelt, British Columbia
NEETU SHARMA Accountant, City of Edmonton — Financial Services, Alberta
TREVOR THOMPSON Manager of Financial Planning, District of Maple Ridge, British Columbia

top

2014 GFOA Annual Conference

Thanks to all who have registered to attend GFOA's 108th Annual Conference, May 18-21, 2014, in Minneapolis, MN. If you have not yet signed up, there's still time to register and find information about hotel availability.

The GFOA strives to provide leadership to the government finance profession through education, research, and best practices. Nowhere are these efforts more apparent than at the GFOA annual conference. To keep with our commitment, the GFOA Executive Board is pleased to announce 50 scholarships will be awarded per state or province in the amount of the full-conference registration fee to first-time conference attendees who are GFOA active government members.

We encourage you to take advantage of this opportunity. If you are interested in applying for the scholarship, please e-mail firstannualconference@gfoa.org. To date, seventeen people from Canada have received a scholarship for the coming conference.

The Committee on Canadian Issues has arranged for this year's Canadian session on Tuesday, May 20, to cover the recent major disasters in Canada and the important role of finance operations in the response and recovery. Also, the Canadian Update on Monday, May 19, will focus on identifying the competencies required in the finance function of the future, along with practical information on how to prepare a high quality budget. Below, we have also included descriptions of sessions in which there will be Canadian presenters. For a full listing of sessions and preconference seminars, click here. If you have any questions about the conference, please email conference@gfoa.org.

Canadian-specific Sessions at the GFOA's 108th Annual Conference

Floods and Ice Storms: A Canadian Perspective
Tuesday, May 20, 2:00–3:40 p.m. | 2 CPE credits, Management Advisory Services

This session offers participants the opportunity to hear from government staff who have recently been through some of the most devastating natural disasters in Canada and see how finance operations played an integral role in the response and recovery process. Learn some lessons about what finance operations should do to prepare for and respond effectively to disasters or emergency situations. Also hear from a Canadian municipality about how tangible asset accounting is helping recovery efforts and supporting capital planning to mitigate future emergency situations.

MODERATOR
Robert G. Bishop, CA, *Deputy City Manager, Financial Management, City of St. John's, NF*

SPEAKERS
Helen Collins, *Manager, Municipal Programs and Outreach, Ministry of Municipal Affairs and Housing, Toronto, ON*
Gavin Longmuir, *ISA Certified Aborist / Utility Arborist, Forestry Manager, City of Mississauga, ON*
Rick Masters, *Manager, Corporate Financial Planning, Budgeting & Reporting, City of Calgary, AB*

Canadian Update
Monday, May 19, 10:30 a.m.–12:10 p.m. | 2 CPE credits, Management Advisory Services

This year's session focuses on two topics of direct interest to Canadians: 1) identifying the competencies required in the finance function of the future, and 2) practical information on how to prepare a high quality budget document in conformity with the guidelines set by the GFOA for its Distinguished Budget Presentation Award Program. In addition, the session offers participants a unique opportunity to share ideas, concerns, and information with members of the GFOA's Committee on Canadian Issues.

MODERATOR
Tina Tapley, *City Treasurer / Director of Finance, City of Fredericton, NB*

SPEAKERS
John Martin, *City Treasurer and Chief Financial Officer, City of Moncton, NB*
Eric Sawyer, *Chief Financial Officer, City of Calgary, AB*
Grant Abrams, *Finance and Performance Management Services, Canadian Public Sector Leader, Deloitte, Inc., Ottawa, ON*
John D. Fishbein, *Senior Manager, Technical Services Center, Government Finance Officers Association, Chicago, IL*

Other Canadian Speakers

The Evolution of Performance Management
Monday, May 19, 1:30–3:10 p.m. | 2 CPE credits, Management Advisory Services

Performance measurement has been an emphasis of progressive public management for many years. This session will highlight the most recent lessons learned from leaders in performance measurement, such as how to best incorporate performance measurement information into decision making, making performance measurement a tool for organizational improvement, and the role of performance measurement in the budget process.

SPEAKERS
Patrice Impey, *General Manager, City of Vancouver, BC*
Melinda Munro, *Owner and Lead Consultant, Munro Strategic Perspective, Windsor, ON*

Spreading the Word: Preparing an Effective Popular Annual Financial Report
Wednesday, May 21, 8:30–10:10 a.m. | 2 CPE credits, Accounting & Auditing (Governmental)

The level of detail in a comprehensive annual financial report is invaluable for many users local government financial information. However, that same level of detail is often an insurmountable barrier for less sophisticated readers. A popular annual financial report helps bridge the gap between these two user groups. This session explores effective and practical ways to provide vital information on government finances to a general audience.

SPEAKER
Paul Gill, BBA, CGA, FRM, *General Manager, Corporate & Financial Services, District of Maple Ridge, BC*

top

GFOA of Western Canada's 2014 Conference

The 2014 conference will be held At the Fairmont Palliser Hotel in Calgary from October 8th to 10th, 2014. The cost will be $600 per delegate if registering before July 15, and $650 thereafter. If you are ready to register, you can do so at www.civicinfo.bc.ca/event/GFOAWCDelegates.asp.

top

Join GFOA

Stay current with developments and trends in the government finance profession all year round by uniting with nearly 18,000 GFOA members in the United States and Canada whose careers, studies, or interests involve government financial management.

For more details, membership fees, and to download an application, visit www.gfoa.org and click on "Join GFOA."

- **Learn Best Practices.** GFOA's Past President, Len Brittain, who retired from his position as Director of Corporate Finance for the City of Toronto, Ontario, is among the more than 400 public-sector Canadian finance professionals who turn to the GFOA to obtain guidance on the latest best practices for Canadian governments.
- **Committee on Canadian Issues.** A special standing committee exists exclusively to serve the special needs of Canadian finance officers. Visit the Canadian section of GFOA's website to view past meeting agendas and minutes.
- **Canadian Award for Excellence in Financial Reporting Program.** The Canadian Award for Excellence in Financial Reporting Program (CAnFR Program) encourages and assists Canadian local governments to go beyond the minimum requirements of generally accepted accounting principles, as set by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, to prepare comprehensive annual financial reports that evidence the spirit of transparency and full disclosure. For information on how to participate or on how to become a program reviewer, visit the "CAnFR Program" section of GFOA's website. Questions? E-mail canfr@gfoa.org.

Please give us a call at 312.977.9700 if you have any questions or need any additional information. You can also reach us by e-mail at membership@gfoa.org.

top

GFOA Scholarships

Each year, GFOA provides academic scholarships to students interested in a career in government finance. Congratulations to the recent Canadian winner of the $6,000 Minorities in Government Finance Scholarship: Daniella Dávila Aquije of Mississauga, Ontario.

Applications for GFOA scholarships are usually available in November and due sometime in February. For more information, visit GFOA's scholarship page.

top