

# CANADIAN

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# FINANCE MATTERS

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## Committee on Canadian Issues (CCI) Highlights

City of St. John's, Newfoundland | January 30-31,  
2015

Co-chairs John Martin and Suzanne Fillion welcomed the committee to the City of St. John's for the thirty-third CCI meeting since the committee's inception in San Francisco in 1998 (the sixteenth held in Canada). The committee met for two days. The meeting included a complete day of informative and useful presentations on local government coordinated by committee member Bob Bishop, the Deputy City Manager for the City of St. John's. A variety of topics were covered including presentations on the City of St. John's switching from a defined benefit pension plan to a defined contribution plan and the City of St. John's experience in adopting a three-year budget. Also, there was a presentation on the impact of declining energy prices on local and provincial governments. In addition, each committee member discussed the major challenges that his or her government is facing. Those challenges include the following items: managing growth, structural deficit due to many years with a zero percent increase in property taxes, infrastructure deficit, water issues, lack of developable land, coordinating services for homelessness, and financing for a new sports and entertainment facility.

### Professional Development Task Force

The Professional Development Task Force, led by Greg Kliparchuk and Tina Tapley, develops and coordinates the Canadian-specific session and the Canadian Update session at each GFOA annual conference. The

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committee was updated on the results of a survey that was distributed to the GFOA Canadian members to get feedback on sessions and gather ideas on topics for the annual conference in Philadelphia. From the results of the survey, there seems to be a strong continued interest in infrastructure topics from a variety of perspectives (planning, reporting, funding). The committee decided that topic of the Canadian-specific session at the GFOA annual conference in Philadelphia would be "How smart is growth and how can we pay for it?" The session will include an overview of a growth costing model developed in Ontario and some of the results from initial pilot municipalities. The session will also explore how the City of Surrey has implemented fees from secondary suites to reduce the reliance on property taxes. The Canadian Update session will discuss Public-Private Partnerships, accounting standards that will be impacting municipalities in Canada, and the new CPA designation.

The committee discussed the GFOA Canadian Awards for Financial Reporting Program. The committee has been active in recruiting reviewers for this awards program.

### **Standards Task Force**

A major activity of this Standards Task force task force has been to analyze GFOA's best practices and advisories that would be applicable for Canadian governmental entities. The co-chairs of the task force are Bruce Fisher and Patrice Impey. The committee has also recently begun the process of potentially developing a Canadian-specific best practice on finance operations role in an emergency. 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 committee has recently translated some of the more significant best practices to French, which can be found on the [Canadian section of the website](#).

### **Advocacy & Communications Task Force**

The Advocacy & Communications Task Force, co-chaired by Carl Bird and Cindy Fernandes, coordinate the Canadian newsletter, the *Canadian Finance Matters*. The committee discussed the topics covered in

## [Scholarships](#)

### **COMMITTEE ON CANADIAN ISSUES (CCI)**

#### *Members*

Suzanne Fillion, Co-Chair, City of Surrey, BC

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

Kevin Bertles, City of Vernon, BC

Carl Bird, City of Yellowknife, NT

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

Catherine Brubacher, City of Brantford, ON

Jackie Dueck, City of Kelowna, BC

Cindy Fernandes, City of Winnipeg, MB

Bruce Fisher, Halifax Regional Municipality, NS

Clae Hack, City of Saskatoon, SK

Donna Herridge, City of Mississauga, ON

Patrice Impey, City of Vancouver, BC

Glen Jarbeau, City of Spruce Grove, AB

Greg Kliparchuk, Province of Alberta, AB

Rick Masters, City of Calgary, AB

Tina Tapley, City of Fredericton, NB

Valentina Todoran, Montreal-West, QC

Fuwing Wong, Town of Caledon, ON

#### *Committee Advisor*

Mark Gilbert, Dalhousie University, Halifax, NS

#### *GFOA Staff Members*

Stephen Gauthier, Jim Phillips

the most recent newsletter. The committee suggested that the next newsletter that is distributed in spring include an article by Shayne Kavanagh, a Senior Manager in Research at the GFOA. Kavanagh has authored GFOA publications on government finance that are relevant in Canada and the United States.

The committee also received updates on the major provincial associations in Canada, since many members of the committee are active in the provincial associations.

### **Date of the next meeting**

The date of next CCI meeting will be at the GFOA annual conference in Philadelphia on Saturday, May 30th.

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## **Top Ten Issues Facing Municipal Finance Officers**

The CCI decided to produce a new list of the top ten issues facing municipal finance officers. The updated list is as follows:

1. Generating non-taxation revenue
2. Funding infrastructure
3. Meeting community expectations
4. Senior government downloading services/senior government cutbacks in funding/downloading regulation
5. Managing technology
6. Having sustained tax rates
7. Partnerships
8. Retirement wave/pensions
9. Funding major transit issues
10. Driving innovation

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## **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 [Presenting the Capital Budget in the Operating Budget Document](#). This best practice recommends that governments consider the following guidelines when incorporating information on the capital budget within the operating budget document. Presentation of the capital section should include a summary of the multi-year capital plan as well as detailed information related to the budget. Each government will need to establish the appropriate balance between summary-level and detailed information.

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## **Integrating Forecasts into Decision-Making**

*Shayne Kavanagh, Senior Manager, Research, GFOA; [skavanagh@gfoa.org](mailto:skavanagh@gfoa.org)*



The purpose of a forecast is to inform financial decision-making. However, a survey conducted by GFOA has found that one of the biggest challenges faced by local government financial forecasters is that forecasts are ineffective in influencing decision-making.<sup>1</sup> While public officials will never base their financial planning decisions entirely on a technical forecast, what steps can public finance managers take to make it more likely that the forecast will have a meaningful influence?



Answers like better educating public officials or producing more visually appealing presentations of the forecast are common, but miss a fundamental point: the power of the environment to shape the decisions that we make. To illustrate the power of the environment in shaping decisions, best-selling authors and researchers of organizational dynamics, Chip Heath and Dan Heath describe a university experiment conducted at a movie theatre in suburban Chicago in the year 2000.<sup>2</sup> Unsuspecting moviegoers were given a free bucket of popcorn, some getting a large bucket and some getting a medium-sized bucket. Unfortunately for the moviegoers the popcorn was stale—so stale that it squeaked and one recipient compared it to Styrofoam packing peanuts. However, this is just what the experimenters wanted. They wanted to see if the size of the bucket influenced the amount of popcorn people ate and wanted to be sure that deliciousness of the popcorn was not the cause (which it clearly wasn't). They found, by weighing the buckets before and after, that people who were given large buckets ate 53% more popcorn! The experiment was repeated to control for other variables and the results stood: the environment (a larger bucket) clearly influenced how much people ate.

The effect of the environment on individuals' decisions is not limited to gastronomy, but extends to people's work life as well. For example, W. Edwards Deming was an engineer, author, lecturer, and management consultant whose ideas helped found total quality management, six sigma, lean, and who is known as "the father of quality."<sup>3</sup> Deming firmly believed that the environment (e.g., organizational culture, work processes) that managers create in an organization is the most important determinant to the quality of work that the organization produces. Deming was also well known for his aphorisms, including: "A bad system will beat a good person every time."

Unfortunately, there are no equivalents to the popcorn experiment in public financial management to prove the power of the environment in shaping financial choices in local governments. However, a simple thought experiment should suffice. Exhibit 1 invites you to consider two hypothetical cities, imaginatively named "A" and "B". Assuming both cities face similar socio-economic conditions and have public officials of similar abilities, which one do you think will make better use of forecast information and make consistently better choices?

### Exhibit 1—A Tale of Two Cities

City "A"	City "B"
Has adopted a written set of financial policies so that everyone knows the standards of good financial management and guidelines for decision-making.	No written financial policies exist. Responses to issues have to be regularly re-invented.

Officials are regularly provided with survey data and other objective indicators of citizen views.	Officials only form of citizen input is hearing from those that come to public meetings and talk the most and/or loudest.
Staff systematically helps officials recall good decisions. For example, by embedding them in stories that become part of the culture.	Good decisions are not memorialized or used as learning devices.
Have taken steps to gain broad, explicit agreement a set of formal goals for the city.	No formal goals exist. Everyone has their own idea about what the goals are.
The budget process asks officials to consider how all available revenues can be used to best achieve the community's goals and priorities.	The budget process starts with last year's expenditures and officials focus on making changes at the margins according to incremental differences in revenues from last year.
A strategic long-term financial planning process asks officials to think about how their service priorities can be pursued over a multi-year period in a way that will result in a legacy of financial sustainability.	Budgeting is done year-to-year. The process does not ask officials to consider the long-term service or financial implications of their decisions.

How then, can public managers create an environment that is supportive of using financial forecasts to make decisions? A good place to start is financial policies. Financial policies establish local standards for acceptable and unacceptable courses of financial action, guidelines in which the government can operate, and a standard against which the government's fiscal performance can be judged. Financial policies provide details to back up the principles, without crossing the line into administrative procedure. Here are a few types of financial policies that are especially important for creating a good environment for using forecasts in decision-making:

- **Reserves.** A reserve is the portion of fund balance (or working capital, in an enterprise fund) that is put aside as a hedge against risk. A reserve policy establishes the desired level of fund balance to maintain as a hedge: for example, the policy might require the government to maintain reserves equal to at least 17% of its regular operating revenue. A reserve policy implies the need for good forecasting to see if reserves levels will remain at desired levels given future revenues and spending.
- **Structurally balanced budget.** Many local governments are subject to state laws that require a "balanced budget," where sources of funds equal uses of funds. However, if non-recurring sources, such as asset sales or use of fund balance, are used to pay for recurring uses of funds, such as employee salaries, then the budget is not truly balanced because the government will eventually run out of non-recurring sources and be left with a deficit. A policy on maintaining true structural balance requires that recurring expenditures are covered by recurring revenues. A forecast is required to tell if true structural balance will occur into the future.

- **Non-recurring and volatile revenue policies.** This policy commits the government to using non-recurring revenues for non-recurring expenditures in order to avoid creating structural imbalance. This policy can be extended to include volatile revenues. A volatile revenue is a recurring revenue, the yield of which varies significantly from year to year. If a government were to budget recurring expenditures equal to the income from a volatile revenue during a peak in the revenue's performance, the government could find itself in a structural deficit when the revenue comes down from its peak. A policy commits the government to treating extraordinary income from a volatile revenue similar to how it would treat non-recurring revenues. Revenue forecasting and analysis is needed to identify which revenue sources qualify as "volatile" and when revenue yields are within normal ranges and when they are extraordinary.
- **Long-term financial planning.** This policy commits officials to considering the long-term implications of decisions made today in order to ensure that the short-term benefits of a decision are not outweighed by long-term disadvantages. Naturally, long-term forecasting is required to gain insight into the implications of these decisions.

Though policies help to create the mindset to use forecasts in decision-making, the most important financial decisions are actually made during the budget process. Hence, the budget process must be designed to encourage the use of forecasting information. The foremost design principle is that less traditional budgeting formats tend to encourage better use of forecasting.<sup>4</sup> Traditional budgeting formats are characterized by an emphasis on: control of spending through detailed line items; the inputs into public services (i.e., staffing, materials, etc.) rather than the outcomes; and incremental decision-making wherein the government starts the budget with last year's expenditures and adjusts them up or down at the margins as may be required, given assumed revenue growth or contraction. Conversely, governments whose budgets incorporate a planning orientation, take program performance into account when allocating resources, and take an explicit, structured approach to weighing competing potential uses of resources against each other are more likely to get value out of revenue forecasts.<sup>5</sup>

The traditional, incremental budget process tends to emphasize expenditures, as that is where the budget discussion begins: what did we spend last year? An alternative approach to budgeting starts by asking what resources are available and may even engage public officials in a discussion on whether tax and fee levels are appropriate given the service demands of the public. This difference in approach, although subtle, emphasizes revenue forecasts as a tool to reveal the level of resources available as the starting point for budget discussions. Budgeting methods like target-based budgeting, priority-based budgeting, and budgeting for outcomes ask decision-makers to "go shopping" for programs or services that will do the most to further the organization's objectives. The forecast defines how much is available to go shopping with.

Beyond annual budgeting is long-term, strategic planning and visioning. A strategic plan and vision for the community are a powerful opportunity to create an environment that is supportive of forecasting. To understand how to take full advantage of this opportunity, we need to understand a little about how the human mind works. Cognitive scientists have determined that we each have two mental processes for making decisions, called System 1 and System 2.<sup>6</sup> System 1 works intuitively, reflexively, and quickly. System 2 works rationally, deliberately, and more slowly. Humans inherently use System 1 far more often than System 2 to make decisions because System 1 requires less biological energy to use. So, what are the implications of System 1 and System 2 for forecasting?

First, we will consider the rational, System 2 argument for connecting forecasting with long-term,

strategic plans and visions. The argument is that long-term forecast can inject reality into long-term planning by highlighting resource constraints. This encourages decision-makers to weigh the relative importance of long-term goals and identify those which are most important and to see the forecast as essential information for achieving their strategy and vision.

In fact, GFOA has long advocated for local governments to undertake strategic, long-term financial planning.<sup>7</sup> Long-term financial planning combines financial forecasting with financial strategizing to identify future challenges and opportunities, causes of financial imbalances, and strategies to secure financial sustainability. Long-term financial planning has become increasingly common among leading local government budget practitioners: a GFOA survey of leading budget practitioners found that 59% of survey respondents have implemented a comprehensive planning process, with many of those starting the practice since 2008.<sup>8</sup> Critically, the vast majority of these (90%) believe that multi-year financial planning and projections have improved fiscal discipline and long-term financial sustainability in their governments and two-thirds of those described the improvement as “significant”.

As we just saw, there is a rational case for decision-makers to use forecasts in support of strategic long-term planning and visioning, and our survey has shown that this practice has made a positive contribution to decision-making. However, this same survey also showed that practitioners are still experiencing important challenges, overall, with integrating forecasts fully into decision-making, especially long-term decision-making. What is the reason for this apparent contradiction? For the answer we turn back to System 1 and System 2. Though the rational reasons for inducting forecasting into decision-making are very appealing to the rational System 2, the problem is that people do not rely on System 2 most of the time, they rely on the intuitive System 1 to do their thinking.

So, how can System 1 be enlisted in support of using forecasts to support decision-making? Political science research has found an answer in the identity model of decision-making.<sup>9</sup> The identify model posits that as an alternative to time-and-resource-consuming rational decision-making, people take a short-cut: based on who they perceive themselves to be (their identity), they make a decision consistent with what they believe someone like themselves would do in a similar situation. This explains why voters sometimes vote against their rational self-interest: for example, a millionaire who sees themselves as a progressive person votes for a candidate who might raise their taxes to pay for social services.<sup>10</sup>

A decision-maker's identity can impact their inclination to use and support forecasts in decision-making. For example, in the City of Boulder, Colorado, the community has a strong interest in the sustainability of the natural environment. As such, the City government has a vision for making Boulder more environmentally sustainable and develops strategies and plans accordingly. Decisions are made through the lens of sustainability and the City's leaders have expanded this “sustainability” identity to include “financial sustainability”. Hence, decision-makers in Boulder more reflexively and intuitively inquire about what forecasts say about the long-term sustainability of the City's decisions. While Boulder is fortunate to have a distinctive organizational history that readily lends itself to an identity that supports forecasting, such a history is not necessary. Any clear and compelling strategic vision and plan to provide better services to the community, along with realization that money is needed to achieve that vision, can form the basis for an identity that supports forecasting.

## Conclusion

Financial forecasts have an important potential to improve decision-making, however, the decision-

making environment must be designed to unlock this potential. Hence, finance officers should design financial policies, the budget, and long-term financial plans that encourage decision-makers to induct forecasts into their deliberations.

#### NOTES:

- ↵1. According to a survey conducted by GFOA and Holly Sun, a PhD candidate in Public Policy and Public Administration at George Washington University. A summary of the survey results were published in: Holly Sun. "Improving the Effectiveness of Multi-Year Fiscal Planning." *Government Finance Review*. February 2014.
- ↵2. In their book *Switch*, Chip and Dan Heath describe an experiment originally described in: Brian Wansink. *Mindless Eating*. (New York, New York: Bantam Dell). 2006.
- ↵3. Deming is also considered the most influential outsider in Japan's economic resurgence in the 1950s and '60s. In fact "The Deming Prize" has been Japan's national quality award for industry since 1951.
- ↵4. John P. Forester. "Budgetary Constraints and Municipal Revenue Forecasting." *Policy Sciences*. 24: 333-356. 1991.
- ↵5. Wording is paraphrased from: Forester. "Budgetary Constraints and Municipal Revenue Forecasting." 1991.
- ↵6. Daniel Kahneman. *Thinking Fast and Slow*. Farrar, Straus, and Giroux. New York. 2001.
- ↵7. See the GFOA publication *Financing the Future: Long-Term Financial Planning for Local Governments*
- ↵8. The survey, was developed and performed by Holly Sun in collaboration with one of the authors. It was sent to 1,341 governments in March 2013. Survey questions were primarily focused on multi-year planning practices in the general fund. The response rate was 41.5 percent, with 559 responses. GFOA Distinguished Budget Presentation Award winners made up the sampling groups. Survey responses came from 44 U.S. states and several Canadian provinces, representing a variety of local governments including municipalities, counties, special taxing districts, and two state governments. Most survey respondents were directors or senior managers who oversee budget or finance. Because these findings are not from a random sample of all local governments, readers should not make generalizations of all local governments based on the results. The survey results that are presented in this chapter are taken from: Holly Sun. "Improving the Effectiveness of Multi-Year Financial Planning." *Government Finance Review*. February 2014.
- ↵9. James March. *A Primer on Decision-Making: How Decisions Happen*. New York: Free Press. 1994.
- ↵10. Example adapted from: Chip Heath and Dan Heath. *Switch: How to Change Things When Change is Hard*. New York: Broadway Books. 2010.

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## Learning from the Past to Shape the Future: Advancing Asset Management in Canadian Municipalities



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A variation of this article originally appeared in the January 2015 issue of the Public Sector Digest ([www.publicsectordigest.com/articles/view/1425](http://www.publicsectordigest.com/articles/view/1425)).

Public infrastructure is a growing concern. News of aging assets, growing demands for service and the changing environment are regular points of discussion. Faced with these new realities, Canadian municipalities are being challenged to balance current and future requirements while living within their means. Many are reexamining their approach to asset management as a means of prioritizing needed investment, and strengthening their approach to planning and decision making, as well as formalizing their requirements through the development of Asset Management Plans.

When effectively developed, an Asset Management Plan (AMP) documents an organization's strategy for meeting defined service objectives through ongoing investments in infrastructure and business change. A 'living' document, it provides an ongoing platform for examining and reporting the relationships between service delivery, the existing asset base, management practices, levels of



investment and a roadmap for ongoing business improvement.

To be effective, AMPs must ultimately integrate with and guide the investment planning process. In addition to identifying needed changes to assets, people and processes, the document's long-range outlook provides insight into trade-offs between investment, service and risk, and the affordability of delivering desired levels of service.

The current push toward municipal AMP development is being supported by the federal and provincial governments. The new Building Canada program promotes the need for improved asset management across Canada, which is being reinforced through the development of Federal-Provincial Gas Tax agreements. While the nature and structure of support for asset management development and capacity building varies from province to province, there is broad commitment to promote asset management strengthening at the municipal level and to demonstrate significant progress over the term of the current funding program.

This support could take on a variety of forms, recent progress in Ontario through the establishing of AMPs as a prerequisite for provincial grant funding have caused many to take notice. It is now speculated that it is only a matter of time before other provinces follow suit. With the introduction of its Building Together Municipal Infrastructure Strategy in 2012, Ontario's Ministry of Infrastructure moved to require municipalities to justify their need for infrastructure funding support. This was accomplished by linking grant program requests to front line service requirements through a comprehensive AMP.

### **Learning from the past**

Historically, 'top-down' efforts to drive municipal asset management have seen mixed results. The federally funded InfraGuide movement operated from 2001 to 2007 and successfully produced a collection of best practices and case studies supporting municipal infrastructure sustainability. While this process-driven initiative helped form a foundation for municipal asset management in Canada, the heavy technical focus, coupled with the lack of an imposed business driver, meant that uptake and adoption was slow and difficult. Ultimately the program wound down before widespread benefit was realized by adopting organizations and the industry as a whole.

Technology-driven initiatives such as Alberta MIMS (2000's), and to some extent Ontario's Municipal Data Works (2000's to present), were relatively successful in promoting inventory and data collection. However, these initiatives failed to educate stakeholders on how to effectively leverage and use this information to inform the capital, operational planning and budgeting processes. As a result, uptake and usage have dwindled once subsidies or funding for implementation and data collection ceased, while initiatives never achieved their desired benefit or in some cases failed to even get off of the ground.

The municipal introduction of tangible capital asset (TCA) accounting standards in the late 2000's was also viewed as a municipal asset management driver. While PS3150 did a good job of bringing infrastructure inventory and valuation into the spotlight, its focus on financial accounting resulted in a disconnect between 'financial' and 'physical' assets and its ultimate treatment as more of a compliance exercise than an opportunity to meet broader asset management objectives. This represents another lost opportunity for broad transformation.

The last decade has seen the emergence of several grass-roots movements aimed at supporting the

development of municipal asset management from within. The Canadian Network of Asset Managers (CNAM) is approaching its ninth anniversary and has helped to network municipally-focused practitioners from across Canada in sharing asset management knowledge and lessons learned.

Regional initiatives, led by Asset Management BC, have also done a good job of building awareness and support at the municipal level and have helped develop targeted capacity within local government organizations. While these have created local and national practitioner networks and resulted in the adoption of some common tools and practices, the largely educational focus and absence of a common regulatory driver or higher level financial incentive have limited coverage and demands for standardization. In doing so, uptake and adoption have been delayed as has the associated widespread realization of front-line outcomes.

In Ontario, the Building Together plan has presented an effective driver, spurring municipalities across the province to AMP development. A guide for municipal AMPs was produced to support this process and while some basic information is presented on the role of AMPs and their integration into the broader municipal business function, a lack of training or detailed examples have made these benefits difficult to realize. As a result, emphasis has been placed on content and has culminated in a view of development being a data collection and information gathering exercise. While many plans have been produced, most have focused on confirming inventory and documenting major investment requirements, as opposed to improving sustainable service delivery. Continued pressure, combined with education and support for broader AMP objectives will be needed to create broader value through this exercise, both at the local and provincial level.

### **Looking to the future**

As we continue to move towards improving asset management planning within Canadian municipalities, it is important that we learn from the accomplishments and shortcomings of past programs and initiatives. Based on this experience, it is clear that broad industry-level change will require a coordinated effort involving both a common external driver, such as provincial or federal regulation or funding and broader education, change management and procedural supports.

While regulatory or incentive-based drivers will generate an effective catalyst for municipal AMP development in any jurisdiction, the full benefit of this practice will only be realized if asset management is fully integrated as a core business function within these organizations. Successful integration will also require effective stakeholder education and change management. While support and guidance surrounding this work can be introduced as part of the broader initiative, every organization is different. The actual development and delivery of targeted action is something that must be undertaken at the municipal level.

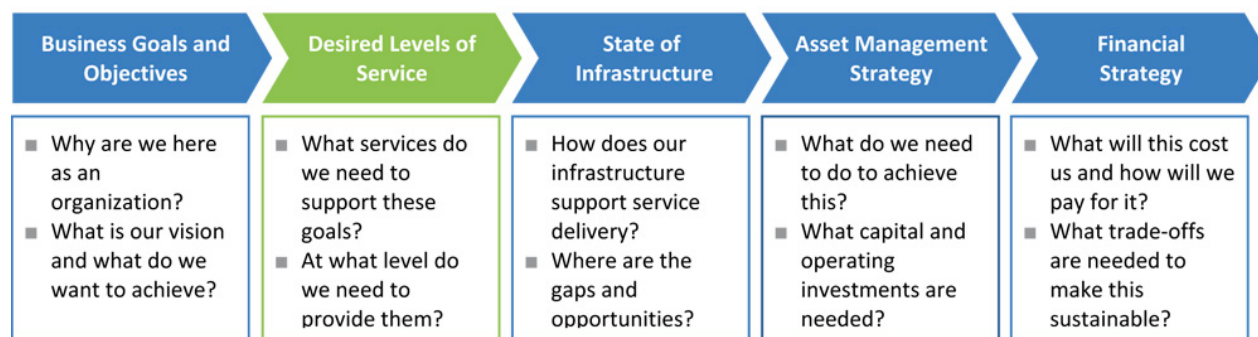
Stakeholder education will largely involve 'building the case' for improved asset management planning within the community. While there is a clear benefit to 'better planning and decision making' it is important that the benefits (and costs) to the organization are well communicated and understood. Once established, the AMP will form a central part of an organization's business planning process and will guide collection management and the use of new and more types of information in the investment planning process. Ultimately, this will impact and require support from Council, the leadership team, and management and staff from across the organization. Targeted communications, focused on each of these stakeholder groups, will be important for building the necessary buy-in and support.

Implementation of a comprehensive asset management planning process will result in changed work practices and possibly impact roles and responsibilities within the organization. People react to change differently based on their position in the change continuum. Concerns and issues must be effectively understood and managed in order to mitigate risk and achieve the required results. A tailored, well developed change management plan, prepared by an experienced change professional, will play a key role in this process and should not be overlooked.

*Implementation of a comprehensive asset management planning process will improve the consistency, transparency and defensibility of operations by allowing the organization to demonstrate that:*

- *Service is being delivered efficiently and effectively.*
- *Assets are being managed responsibly.*
- *Attention is being paid to sustainability, affordability and future needs.*
- *Funding requirements are realistic and justified.*
- *Regulatory, growth and other objectives will be accommodated without compromising current assets.*

From a procedural perspective, the introduction of clear and measureable public-facing Levels of Service (LOS) will be key to successful integration. As highlighted in below, in an asset management planning context, LOS serve as the primary linkage between physical infrastructure and a community's greater goals and objectives. Emphasizing service, as opposed to physical infrastructure (which is really a means of supporting service delivery), will establish clear 'line-of-sight' between corporate priorities, public-facing service outcomes, and physical infrastructure inventory and characteristics. It will also allow the benefits as well as costs of investments to be measured and weighed in evaluating trade-offs and making decisions. In addition to improving the consistency, transparency and defensibility of plans and decisions, this will allow for the clear justification of spending based on community benefits and front-line outcomes.



As with education and change management, to be meaningful and effective, LOS are something that should be tailored and tied to the needs of each municipality. While broader support in the form of knowledge sharing and recommended practices can be valuable in guiding the development process, it is important that service metrics and LOS targets be developed locally with the input and support of senior municipal leadership and Council.

**Conclusion**

Good business coupled with federal and provincially driven programs has made AMP development a growing trend among Canadian Municipalities. When done effectively, asset management planning can identify and guide the actions needed to achieve and support sustainable service delivery within these organizations. While many plans have been produced, efforts to date have largely focused on the consolidation and reporting of current information with significant improvements to investment

planning and decision making yet to be realized. More attention to stakeholder education, change management and procedural support is needed in order to achieve these higher-order transformative outcomes. Barring federal or provincial funding for the development and delivery of key supports, municipalities must take it upon themselves to better educate stakeholders and ensure the necessary change management and procedural supports in their AMP planning and development activities.

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## 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](mailto: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](mailto:JPhillips@gfoa.org)).

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## **Most Recent Canadian Award for Financial Reporting (CAnFR) Winners**

Congratulations to the following sixty jurisdictions for receiving the CAnFR for the fiscal year ended in 2013:

**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  
 Regional Municipality of  
 Wood Buffalo  
 Sturgeon County  
 Town of Stony Plain  
 Town of Taber

**British Columbia**

City of Abbotsford  
 City of Burnaby  
 City of Coquitlam  
 City of Duncan  
 City of Kamloops  
 City of Kelowna  
 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  
 Central Saanich  
 Corporation of the District of  
 Saanich  
 District of Coldstream  
 District of Kent  
 District of Maple Ridge  
 District of Mission  
 District of West Vancouver  
 Sunshine Coast Regional District  
 Town of Oliver  
 Town of Sidney

**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 City of  
 Markham  
 Corporation of the City of  
 Waterloo  
 Corporation of the Town of  
 Oakville  
 County of Wellington  
 Regional 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 Prince Albert  
 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, Corporate 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, Fort Macleod, Alberta

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

ARCHIE G. JOHNSTON Partner, KPMG Government Services, 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

ANTONELLA RISI Principal, Public Sector Accounting, CPA Canada

SCOTT ROSS Manager of Accounting Services—Finance Department, District of Mission, British Columbia

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

PEGGY TOLLETT Treasurer, Town of Caledon, Ontario

THERESA TROTT Finance & Payroll Analyst, Town of Gravenhurst, Ontario

KEVIN TRAVERS Audit Partner, KPMG, Toronto, Ontario

MICHAEL VEENBAAS Manager of Financial Services/CFO, Fraser Valley Regional District, British Columbia

MABEL WANG Manager, Corporate Consolidations and Reporting, Alberta Treasury Board and Finance

KALEIGH WILLS Manager of Financial Reporting and Accounting Services, City of Winnipeg, Manitoba

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## Most Recent Canadian Popular Annual Financial Report (PAFR) Winners

Congratulations to the following eight jurisdictions for receiving the PAFR Award for the fiscal year ended 2013:

**Alberta**

City of Edmonton

City of Medicine Hat

**British Columbia**

City of 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

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**Most Recent Canadian Budget Winners**

Congratulations to the following thirty-nine jurisdictions for receiving the Budget Award for the fiscal year beginning 2013:



<b>Alberta</b>	<b>Nova Scotia</b>	<b>Quebec</b>
Airdrie	Municipality of the County of Kings	McGill University
Calgary		Office municipal d'habitation de Montréal
Edmonton	<b>Northwest Territories</b>	Quebec
Lethbridge	Yellowknife	Société de transport de Montréal
Lethbridge County	<b>Ontario</b>	Université Laval
Mountain View County	Barrie	
St. Albert	Caledon	
Wood Buffalo	Clearview Township	
<b>British Columbia</b>	Greater Sudbury	
Coquitlam	Markham	
District of Maple Ridge	Milton	
Kelowna	Mississauga	
Nanaimo	Orangeville	
Port Coquitlam	Regional Municipality of Durham	
Saanich	Regional Municipality of Halton	
Vernon	Regional Municipality of Niagara	
West Vancouver	Regional Municipality of York	
<b>New Brunswick</b>	Tecumseh	
Moncton	Toronto	
	Vaughan	

### 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

MELISSA CAUGHMAN Budget Director, City of Columbia, Alberta

JOHN DUNFIELD Senior Corporate Planner (Retired), City of Calgary, Alberta

STEVEN FAIRWEATHER Commissioner/Treasurer, City of Cambridge, Ontario

BRUCE FISHER Manager, Financial Policy & Planning, Halifax Regional Municipality, Nova Scotia

ROGER GALIPEAU Directeur – Groupe d'Excellence en budgetisation, Center for Interuniversity Research and Analysis of Organizations (CIRANO), Quebec

CHRIS JACYK Senior Corporate Financial Planner, City of Calgary, Alberta

NOREEN KASSAM Assistant Director, Financial Planning & Capital Equity, City of Burnaby, British Columbia

JOEL LUSTIG Treasurer, Town of Markham, Ontario

ANDRE MACNEIL Senior Financial Consultant, Halifax Regional Municipality, Nova Scotia

VICTOR MEMA Chief Financial Officer, District of Sechelt, British Columbia

KOLA OLADIMEJI Director of Finance, Regional Municipality of Wood Buffalo, Alberta

TREVOR THOMPSON Manager of Financial Planning, City of Maple Ridge, British Columbia

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## 2015 GFOA Annual Conference

Thanks to all who have registered to attend GFOA's 109th Annual Conference, May 31 – June 3, 2015, in Philadelphia, PA. If you have not yet signed up, there's still time [to register](#).

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](mailto:firstannualconference@gfoa.org). To date, seventeen people from Canada have received a scholarship for the coming conference.

On behalf of the Committee on Canadian Issues, we would like to welcome you to the 109th GFOA Annual Conference in Philadelphia. The Committee on Canadian Issues has arranged for this year's Canadian session on Tuesday, June 2, to cover the topic "How smart is growth and how can we pay for it?" The session will include an overview of a growth costing model developed in Ontario, some results from initial pilot municipalities, and how the City of Surrey has implemented fees from secondary suites to reduce the reliance on property taxes. The Canadian Update session on Monday, June 1, will focus on Public-Private Partnerships, accounting changes impacting Canadian municipalities, and the new CPA designation. Also noted below are 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](mailto:conference@gfoa.org).

In addition to the Canadian session and Canadian Update, the GFOA Canadian Chapter has organized a cocktail reception to be held at Davio's Northern Italian Steakhouse on Monday, June 1, from 5:00 to 7:00 p.m. More information about the reception can be found [here](#).

### Canadian-specific Sessions at the GFOA's 109th Annual Conference

#### **How "Smart" is Growth and How Can We for It?**

*Tuesday, June 2, 3:35 p.m.-4:50 p.m. | 1.5 CPE credits, Finance*

"Smart growth" advocates argue that low density development is more expensive to service than high density. However, relatively few studies have quantified the cost differences associated with different patterns of development. Once development is in place, the struggle begins for municipalities to service development and pay for it. With increased development comes the need for more affordable housing that is often addressed through secondary suites (e.g., basement

apartments). Participants will be provided with an overview of a growth costing model developed in Ontario and some of the results from initial pilot municipalities. The session will also explore a Canadian municipality that has implemented fees for secondary suites to reduce the reliance on property taxes.

#### MODERATOR

Clae Hack, *Director of Finance and Supply, City of Saskatoon, SK*

#### SPEAKERS

Suzanne Fillion, *Manager, Financial Services, City of Surrey, BC*

Michael Ptolemy, *Manager, Tax and Revenue, Ontario Ministry of Municipal Affairs and Housing, ON*

Gary Scandlan, *Director, C.N. Watson & Associates, Mississauga, ON*

### **Canadian Update—Public-Private Partnerships, Accounting Changes, and the New CPA Designation**

*Monday, June 1, 10:30 a.m.–12:10 p.m. | 2 CPE credits, Accounting—Governmental*

This year's session focuses on three topics of direct interest to Canadians: (1) Throughout Canada, Public-Private Partnerships (P3s) have been embraced as a financing option to address large infrastructure projects. This session will discuss the history of P3s, their advantages and disadvantages, and detailed insight in terms of how P3s work and can be effectively applied by government. (2) New accounting standards that will be impacting the reporting in annual financial reports. (3) The benefits of the new CPA designation in Canada, how to become a new CPA, and how employers can be involved in the training.

In addition, participants will have the unique opportunity to share ideas, concerns, and information with members of GFOA's Committee on Canadian Issues.

#### MODERATOR

Kevin Bertles, *Director, Financial Services, City of Vernon, BC*

#### SPEAKERS

Suzanne Fillion, *Manager, Financial Services, City of Surrey, BC*

John Martin, *City Treasurer and Chief Financial Officer, City of Moncton, NB*

Michael Ruta, *Chief Financial Officer, City of Winnipeg, MB*

Kevin Travers, *Partner, KPMG LLP, Toronto, ON*

### **Other Canadian Speakers**

#### **Best in Budgeting: Implementing the GFOA's Budgetary Best Practices**

*Monday, June 1, 4:15 p.m.–5:30 p.m. | 1.5 CPE credits, Finance*

The GFOA has developed a broad range of best practices for budgeting. This session will examine a number of these best practices and offer case studies on their practical application. Speakers will focus on how governments of different sizes and types can implement the best practices and improve budget decision making and communication.

#### SPEAKER

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

## How Much Is Enough? Determining Appropriate Levels of Capital Investment

Monday, June 1, 4:15 p.m.–5:30 p.m. | 1.5 CPE credits, Finance

Upkeep and investment in infrastructure and other capital assets by many public sector organizations continues to be a challenge. This session will explore how to determine the appropriate level of capital investment and how to analyze reserve levels given the risks facing the organization. Speakers will focus on how to evaluate infrastructure liability and implement a strategy to adequately address needs.

SPEAKER

Tom Dawe, *President, Public Sector Digest, London, ON*

## Here to Stay: How To Effective Manage Capital Assets

Wednesday, June 3, 10:30 a.m.–12:10 p.m. | 2 CPE credits, Management Advisory

Almost all governments, regardless of size or type, need to deal with the issue of effectively managing capital assets. This session explores how to effectively track assets, maintenance programs, renewal and replacement strategies, and compliance with generally accepted accounting principles (GAAP), including technology solutions available to capital assets managers.

SPEAKER

Patrice Hilderley, CPA, CGA, *Director of Administrative Services, City of Woodstock, ON*

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## GFOA of Western Canada's 2015 Conference

The 2015 conference will be held at the Westmark in Whitehorse from September 14th to 16th, 2015. Please see the links below for more information:

[Register here.](#) Register early as the first 100 registrants will have their names in a draw for a \$100 credit at the bar in the Westmark.

[Book a reservation at the Westmark.](#) Rooms are still available in the Western Canada GFOA room block for September 13th to 19th. However, rooms are not available for September 11th and 12th. If arriving early, rooms are available at the Goldrush (call 867-322-1259).

Air North is offering discounts on flights for conference attendees—30% off if you book by June 30th and 15% off after that. Go to [www.flyairnorth.com](http://www.flyairnorth.com) and enter promo code: GFOA2015.

The conference program is on the [website](#); the conference brochure can be found [here](#).

Please feel free to call Sam Weller or Susan Broadfoot at the GFOA of Western Canada (250-598-67871) or send an email to [westcan.gfoa@shaw.ca](mailto:westcan.gfoa@shaw.ca) if you have any questions. We are looking forward to having you join us.

## Save the Date for GFOA's 110th Annual Conference!



The GFOA's 110th Annual Conference will take place, May 22-25, 2016, at the Metro Toronto Convention Centre in Ontario. Registration will open in late fall on GFOA's website. We ask that you please share this information in your government now. The call for session topics and speakers will be posted to the GFOA website ([www.gfoa.org](http://www.gfoa.org)) in the



coming weeks.



We are currently looking for exhibitors and sponsors for the 2016 conference. If you know a vendor who has made a difference in your community, please e-mail [conference@gfoa.org](mailto:conference@gfoa.org) with the company name and contact information. For reference, a list of the [2015 exhibitors](#) and a list of [2015 sponsors](#) is available on GFOA's website.

We look forward to hearing from you.

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## 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 \$12,000 Daniel B. Goldberg Scholarship: Julia Carter. She will graduate with a Master's degree from the University of Guelph, Ontario. The Daniel B. Goldberg Scholarship is funded by the Girard Miller Foundation.

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

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