

# CANADIAN

WINTER 2015/16 | VOLUME 16, ISSUE 2



# FINANCE MATTERS

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## Committee on Canadian Issues (CCI) Highlights

Philadelphia, PA | Saturday, May 30, 2015

Co-chairs John Martin and Suzanne Fillion welcomed the committee to Philadelphia for the thirty-fourth meeting since the committee's inception in San Francisco in 1998.

### Special Thanks to Bob Bishop



The Committee on Canadian Issues would like to thank Bob Bishop for his outstanding work on the committee. Bob recently retired as the Deputy City Manager, Financial Management, from the City of St.

John's. Bob joined the committee in 2002. He hosted the committee's winter meetings in 2005 and 2015. Bob provided outstanding insight on government finance at the committee meetings. He was also a member of the GFOA Executive Board and Co-chair of the CCI. The committee wishes him the very best.

### New Committee Members

We would like to welcome the following new members to the committee: Jeffrey Dalley, Josie La Vita, Paul Olafson, and Yves Prosper Tedom. Jeffrey Dalley is the Director of Corporate Services for the City of Yellowknife. Josie La Vita is the Executive Director for the City of Toronto's Financial Planning Division. Paul Olafson is the Corporate Controller for the City of Winnipeg. Yves Prosper Tedom is the Comptroller Finance for the Town of Hampstead.

### Updates to the committee

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## COMMITTEE ON CANADIAN ISSUES (CCI)

### Members

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

Kevin Bertles, City of Vernon, BC

Catherine Brubacher, City of Brantford, ON

Jeffrey Dalley, City of Yellowknife, NT

John Martin and Suzanne Fillion provided an update from the GFOA Executive Board. They noted some of the following key items:

- Over 5000 individuals attended the GFOA annual conference in Philadelphia. There were 363 first-time conference attendee scholarships recipients that attended the annual conference.
- There has been growth in the number of Canadian entities participating in the GFOA Canadian Award for Financial Reporting Program and the Budget Awards Program.
- Suzanne Fillion commented that the City of Surrey has received positive feedback from the community for producing a popular report. She suggested that the other entities in Canada consider participating in the GFOA's Popular Annual Financial Reporting Program.

#### **Professional Development Task Force Canadian Day at the GFOA Annual Conference in Toronto in May 2016**

The Professional Development Task Force is responsible for coordinating the Canadian sessions and Canadian speakers at the GFOA annual conference. The committee decided that there will be a Canadian Day on Sunday, May 22, 2016, at the GFOA annual conference. The Canadian Day will be a full day of conference sessions dedicated to topics that are specific to Canadian finance officers. The Professional Development Task Force, led by co-chairs Greg Kliparchuk and Tina Tapley, will coordinate the topics and speakers with the entire committee for the Canadian Day.

#### **Professional Development Task Force Most recent Annual Conference in Philadelphia**

Tina Tapley, reviewed the Canadian session and the Canadian Update session with the committee members. The Canadian Update on Monday, June 1, 2015, covered Public-Private Partnerships, accounting changes impacting municipalities in Canada, and the new CPA designation. The topic for the Canadian session on Tuesday, June 2, 2015, was "How smart is growth and how can we pay for it?" The Canadian session included an overview of a growth costing model developed in Ontario and some of the results from initial pilot municipalities. The Canadian session also included a presentation by CCI co-chair Suzanne Fillion on the City of Surrey's experience in implementing fees for secondary suites to reduce reliance on property taxes.

#### **Standards Task Force Approval of best practices, advisory and additional activities**

Jackie Dueck, City of Kelowna, BC

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

Josie La Vita, City of Toronto, ON

John Martin, City of Moncton, NB

Rick Masters, City of Calgary, AB

Paul Olafson, City of Winnipeg, MB

Tina Tapley, City of Fredericton, NB

Yves Prosper Tedom, Town of Hampstead,  
QC

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 Standards Task Force is responsible for leading the review process with the CCI in determining which GFOA best practices and advisories are applicable in Canada. The current list of best practices and advisories that have been approved by the committee are in the [Canadian section of the GFOA website](#) and can be found by clicking on the Canadian flag. The following best practices and advisory were approved by the committee and will be posted on the GFOA website when additional revisions are finalized at a later date:

- Additional Supplementary Information for Departmental Reports (*best practice*)
- Using Mutual Funds for Cash Management Purposes (*best practice*)
- Establishing a Grants Administration Oversight Committee (*best practice*)
- Using Benchmarks to Assess Portfolio Risk and Return (*best practice*)
- The Finance Officer's Role in Collective Bargaining (*best practice*)
- Communicating Capital Improvement Strategies (*best practice*)
- Public-Private Partnerships (P3) (*advisory*)

The committee also approved a draft of a best practice on the Role of Finance Operations in an Emergency developed by Clae Hack and Rick Masters. The draft of this best practice was submitted to GFOA for further consideration.

### **Advocacy & Communications Task Force Canadian Newsletter and Provincial Associations Updates**

The Advocacy & Communications Task Force is responsible for the coordination of the GFOA Canadian Newsletter, *Canadian Finance Matters*. Co-chair of this task force Cindy Fernandes provided an update on the items included in the most recent GFOA Canadian newsletter. Fuwing Wong is the coordinator for the newsletter. The task force will look at options to increase the distribution levels of the newsletter.

The committee was also provided with updates for each of the following provincial associations:

- GFOA of BC
- MFOA
- GFOA of Alberta
- Western Canadian GFOA
- Saskatchewan GFOA

### **Roundtable Discussion on challenging issues**

The committee members discussed some of the following major challenges that they were facing:

- Transit funding deficit
- Huge urban sprawl
- Infrastructure funding
- Land issues/annexation issues
- Finding revenue to replace the Quebec sales tax
- Communications gridlock
- Succession planning
- Providing high-speed internet for students in the rural area
- No money for growth; would have to put forward an additional tax
- Facing a structural deficit

- Trying to maintain high quality services and maintain infrastructure when taxes cannot go above inflation

### **New Task Force membership**

Cathy Brubacher and Jackie Dueck will be the new co-chairs for the Advocacy & Communications Task Force.

### **Other Business**

The committee members presented a letter to GFOA President Heather Johnston, thanking her for participating in the Western Canada GFOA conference last year.

### **Recognition of committee members whose final term is ended**

A letter was presented by the CCI to Cindy Fernandes thanking her for her outstanding work on the committee.

### **Next meeting**

The next meeting will be on Friday, January 15th, and Saturday, January 16th, 2016, in the City of Kelowna.

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## **Highlighted Best Practice**

A section of the GFOA website is dedicated to [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 [Inflationary Indices in Budgeting](#). This best practice encourages every government to consider using the inflation indices that work best as predictors. This may mean use of different indices depending on the expenditure categories.

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## **GFOA's 110th Annual Conference in Toronto**

GFOA is excited to be hosting our annual conference once again in Canada. The 110th Annual Conference will take place May 22-25, 2016, at the Metro Toronto Convention Centre in Toronto, Ontario. The theme of the conference is *Sharing Solutions and Strategies*.

We would like to invite you to join us Sunday, May 22, at the convention center for a program of special interest to Canada: a full day of sessions dedicated to topics that are specifically relevant to Canadian finance. The program, known as "Canada Day," will begin at 9:00 a.m. and conclude at 4:40 p.m. In addition, there will be a cocktail reception for the GFOA Canadian Chapter one evening during the conference. More information about these programs will be made available as we get closer to the conference.

People can register for the conference at [www.gfoa.org](http://www.gfoa.org). Members of the GFOA receive a discount, and a

special discounted registration fee of US\$380 is available to Canadian government members of the GFOA. Group discounts are also available.

We encourage GFOA government members who have never attended a conference to apply for a [first-time scholarship](#), which will cover the conference registration fee.

We hope to see you in Toronto. If you have any questions about the conference, please e-mail [conference@gfoa.org](mailto:conference@gfoa.org).

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## Check Out the Toronto Greeters Program at the Next GFOA Conference

*Jamie Maxwell, Program Development Officer at the City of Toronto. Jamie has been working with the city since 1984 and started the Toronto Greeter program in 2005.*

When travelling, people will often say, "Show me the things that only a local knows about. I don't want to see the touristy things, I want to see the 'real' city." A great idea, but unless you have friends or family in that city, it is often difficult to do. In Toronto, we help you to discover the 'real' city by showing it to you with a Toronto Greeter.

[Toronto Greeters](#) is a service operated by the City of Toronto to offer free neighbourhood walks to people visiting the city.

Before you arrive in town, go to our website, [www.torontogreeters.com](http://www.torontogreeters.com), to sign up. Tell us some of your interests and when you will be available to meet with your greeter. As soon as we hear from you, we can start working on your request.

Proud, engaged, entertaining greeters are waiting to meet you and lead you on a walk of their favourite neighbourhoods, and rather than being in a group with a lot of strangers, your greeter will be showing only you and your friends and family around, making sure that we focus on your interests.

Beginning in May of 2005, Toronto Greeters was the first program of its kind in Canada and the 5th in the world. Since that time our 67 volunteer greeters have been real "champions of Toronto" sharing their local knowledge with 1000's of visitors. They really love their city and love to show it off (and can do so in 18 languages!).

Visitors who join a Toronto Greeter on a walk always comment on what a terrific program it is (and we could not agree with them more), so we always like to mention that similar programs are available in over 100 other cities world-wide. Find out more by visiting the [Global Greeter Network](#).

While you are making your arrangements to come to Toronto for your upcoming convention, be sure to go to [www.torontogreeters.com](http://www.torontogreeters.com) to book your own greeter and let us show you the 'real' Toronto.

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## Are Your Municipal Assets Insured to Value?

*Vic Persaud, Manager of Business Development at Suncorp Valuations; [Vic.Persaud@suncorpvaluations.com](mailto:Vic.Persaud@suncorpvaluations.com). Suncorp Valuations is a national company that specializes in appraisals and valuations of land, buildings, contents and machinery and equipment for municipalities. Suncorp Valuations' services are provided for purposes including insurance placement, financial reporting, development charge studies and purchase or sale of assets.*

The guidelines encapsulated within PSAB 3150 stipulate that municipalities must assume effective management and control of their diverse tangible capital assets. The main intent of the guidelines is to ensure tangible capital assets are accurately reported and amortized in the financial statements. The overall focus of PSAB 3150, however, is more than improved financial reporting. Rather, it is meant to promote better tangible capital asset management and optimize utilization and productivity during the life cycle of municipal assets.

One important aspect of tangible capital asset management is to ensure the assets are protected from various risks, including fire, flooding, theft, accidents and various other perils. The best manner to accomplish this is for the municipality to adopt a prudent risk management policy. The policy should promote continuous monitoring of the insurable values which includes a professional appraisal of the assets.

### **Assessing the Accuracy of the Insurable Values**

If in fact your municipality has not completed an insurance appraisal in recent years, the first suggestion is to assess the accuracy of the current statement of values. This analysis would typically be completed by the risk management personnel or other individuals that have assumed this responsibility. The key items to assess include:

#### **1. Has all the Insurable Property been included in the Statement of Values?**

Municipalities must insure all physical assets such as buildings, site improvements, machinery and equipment, furnishings, computer hardware and mobile equipment. Fine arts, library collections, inventories, stocks and supplies should also be insured. Typically, infrastructure assets such as roads, sewer systems and water mains are not insured. As a first step, therefore, a thorough review should be performed to ensure the pertinent insurable assets are covered under the property insurance policy.

#### **2. Were the Values Developed from Reliable Sources?**

Often times adequate consideration is not given to how the insurable values were developed, which can commonly include any or all of the following less-than-reliable sources:

##### **1. Extended Indexing of Insurable Value**

It is often the case that annual index factors are utilized to update the insurable value of the property for an extended period of time. Although convenient, indexes can vary substantially from one source to another. In addition, if the original construction cost that is being indexed is incorrect, indexing can compound the error significantly over the years. Lastly, even with a correct original construction cost and accurate inflation index factors, an insurable value should not be indexed up for more than three consecutive years, since building codes are constantly changing, hence the property would not be replaced as originally constructed.

##### **2. Developer's Construction Costs**

In some instances, the insurable value may have been based on the developer's construction cost. This amount may not include "soft costs" such as architect fees, development fees and general contractor fees. These are significant costs that should be included in the insurable values of a property. In addition, developers who are building multiple construction projects can achieve efficiencies relative to material and labour costs. The reduction in these costs may result in a lower construction costs for their properties which may not be achieved in the

event of a loss and reconstruction of a single property. In most instances, the developer's construction cost may be approximately 20 to 40% less than the replacement cost of the property.

### 3. Estimates based on "Per Square Foot" Costs

Often benchmark "per square foot" costs are utilized for insurance placement. This methodology is not reliable since it may not consider location, construction quality and many of the important specialty features of the property's construction and services. Many of the construction details of a property can only be verified by a physical inspection and comprehensive review of the architectural and site plans. This should be completed by an appraisal firm that has specific architectural costing experience versus market value appraisal experience. Market value appraisals consider many other factors that are not relevant to the insurable value.

## **Insurance Appraisals By Qualified Professionals—The Most Accurate Source for Determining Insurable Values**

An insurance appraisal is a formal estimate or opinion of value on a property as of a specified date. The premise of value developed is most often the Replacement Cost New (RCN) of the property but in some instances can be the Cost of Reproduction New (CRN) for architecturally unique or historic properties. The RCN and CRN are based on a physical inspection, review of the building plans (architectural and site) and the development of current construction costs. Appraisal firms use various construction costs from published sources including Marshall & Swift/Boeck, R.S. Means Construction Cost Data and Engineering News Record (ENR). A reputable appraisal firm will also cross reference this data with actual construction costs (including soft costs) reported by contractors and developers in that region. Finally, construction costs of similar properties appraised should be used as a benchmark test to ensure the insurable value is correct. It is important that the insurance appraisal firm you engage use as many of the above resources to develop an accurate insurable value.

## **Qualifications of Reputable Appraisal Firms**

To select a reputable appraisal firm, it is recommended that they meet the following qualifications:

- The firm carries an adequate amount of errors and omissions insurance;
- The appraiser(s) are accredited by the American Society of Appraisers or Appraisal Institute of Canada;
- The appraiser(s) have an educational background in architectural costing or engineering;
- The appraiser(s) are experienced at completing insurance appraisals of municipal properties;
- The appraisal service includes both above grade and below grade assets;
- The appraisal service is performed in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP); and
- The appraiser(s) reviews architectural plans and site plans.

In conclusion, the tangible capital assets of a municipality represent significant value that should be properly insured from various perils. The most accurate method of determining the insurable value is to engage a professional appraisal firm to complete an insurance appraisal of the property. This will provide the municipality, its insurer(s) and its insurance broker(s) with the confidence that, in the event of a loss, there will be adequate insurance coverage.

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## Call for Articles

Please share an interesting project or learning experience with your peers in an upcoming CCI newsletter. Send drafts of articles along with a two- or three-line bio to [fuwing.wong@caledon.ca](mailto:fuwing.wong@caledon.ca).

### Next Issue of CCI Newsletter: High Speed Internet Investment

Many rural municipalities are challenged with lack of high speed internet access for residents and businesses. In the next issue of the CCI newsletter, we are planning to include articles on high speed internet and the different approaches some municipalities have taken to address the issue / fund the project.

If you have an experience you would like to share or question you would like addressed related to this topic, please send an email to [fuwing.wong@caledon.ca](mailto:fuwing.wong@caledon.ca). A full article submission would be nice, but if you do not have the time to write an article, a short email with your advice, experience, question, or comment is welcome.

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## Become a Reviewer for the Canadian Award for Financial Reporting

*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 65 governments participate in the program each year. All participants are Canadian municipal governments that follow the standards promulgated by the Public Sector Accounting Board.

### 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 Canadian Award for Financial Reporting 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.

For more information on the CAnFR Program, visit the [CAnFR Program page](#) on GFOA's website. To become a CAnFR Reviewer, complete the [Reviewer's Application Form](#) and forward it to Jim Phillips at [CAnFR@gfoa.org](mailto:CAnFR@gfoa.org). Any questions about the program or becoming a reviewer can also be addressed to Jim Phillips.

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## 2016 GFOAWC Annual Conference

The Government Finance Officers Association of Western Canada's annual conference will be held at the Okanagan Grand Resort hotel in Kelowna from September 21st to 23rd. Delegates will be able to register soon. For more information, visit the [GFOAWC's website](#).

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## Scholarships

The GFOA currently offers three annual scholarship programs to students enrolled in full-time courses of study preparing for careers in state, provincial, and local governments, and one annual scholarship program to employees of a state, provincial, or local government enrolled in part-time graduate study preparing for a career in state, provincial, or local government finance. For more information about these scholarships, please visit [GFOA's Scholarship Page](#). Please note, applications must be postmarked by **February 19, 2016**, to be considered, and recipients of the scholarships will be announced by April 29.

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