

ISSUE 100
October 2017

DOLLARS *AND* \$ENSE PERSPECTIVE



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MESSAGE FROM OUR EXECUTIVE DIRECTOR

I last wrote an article for the GFOABC newsletter in 2006 as outgoing president, oh how things come full circle. Over the years the association has delivered significant local government finance training and with the recent rebranding GFOABC is well positioned for the future. I am thrilled to succeed Paul Macklem as executive director and to join Erica, Kala and the Board as a member of the GFOABC team.

The last two months have been a whirlwind coming up to speed. I observed Boot Camp during my first week as thirty-four new and experienced local government finance people immersed themselves in the intensive five-day (and night) program. The participants developed lasting new relationships, knowledge, tools, and practical ideas to better serve their stakeholders including taxpayers, staff, senior management and councils that will help them throughout their careers. I also had the privilege of participating in the final session of our three-day intensive Advanced Financial Leadership program, where a small cohort of nine participants were introduced to and developed comprehensive leadership competencies that will help them navigate the changing role of a local government finance leader, while addressing the current challenges facing local government in BC today. It was a great way to be reminded of why GFOABC is so special and I strongly encourage attending these programs if you can. Paul kindly spent the following two days showing me the ropes before retiring to the shores of Lake Erie, leaving me in the capable hands of Erica and Kala, who are amazing.

We are excited to continue working with our Board to achieve the goals outlined in our Strategic Plan:

- ⇒ To be the preferred resource for educational and professional development opportunities for local government finance professionals;
- ⇒ To be the preeminent source of information for local government finance professionals; and
- ⇒ To increase the effectiveness of GFOABC as the prominent advisory organization for local government finance issues.

Look for exciting things in the future as we continue to build our brand and focus on responding to the membership survey. Some of the work we are doing includes developing an educational framework for local government finance staff and updating existing programs to better support your professional development needs as local government finance professionals. The fall PD program is excellent providing learning opportunities developing tax policy, year end best practices, local government financial ratio analysis, and linking performance to strategic plans. There is still time to register.

The 2018 conference in Kelowna is going to be fabulous! The conference theme will be announced soon and you will be receiving a short survey asking you to provide input for conference topics and presenters. Please block off your calendars for May 30th – June 1st because you won't want to miss it.

I look forward to reacquainting myself with old friends and meeting the members who have joined GFOABC while I was away.

Ed Sykora, Executive Director

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Fall
**PD
PROGRAM**

**NOVEMBER
14 & 15**

EACH COURSE RUNS FROM 8:30AM–4:30PM

CONTINENTAL BREAKFAST AND LUNCH ARE INCLUDED

Every November GFOABC is pleased to bring you two full days of professional development. You have the options of selecting one of two concurrent workshops held each day.



*Local
Government*
**ACCOUNTING
& AUDITING
WORKSHOP**

**NOVEMBER
16 & 17**

Practices within the Local Government sector are ever-evolving. This two day workshop will provide an opportunity for practitioners and auditors to get up to date on accounting and auditing practices, discuss the issues and exchange ideas.

WORKSHOPS RUN FROM 8:30AM–4:30PM

GFOABC IS PARTNERING WITH CPABC FOR THE BIENNIAL WORKSHOP



2017 IN THE RDCO EMERGENCY OPERATIONS CENTRE

PART 1: FLOODS & FIRES

FLOODS AND FIRES, THE PLAGUE BETTER NOT BE NEXT

This year, with over 17 separate emergency incident numbers, multiple events at the same time, and an estimated \$20 plus million in claims, keeping track of everything in the RDCO EOC got interesting.

After a few small events, the EOC opened on May 5th for 135 consecutive days, to prepare for the threat of a once in 200 year flood event that was predicted to hit. We went from flooding to fires and at times, both, and did not ramp down until September. In fact, we are still going in at least once a week to complete follow up work as claims are processed.

The RDCO EOC is an amazing place in action. It is activated often each year, and is recognized by the province, and other local governments, as one of the best practice leaders in providing EOC Services. International local governments have come to tour the EOC in action as well.

Located in the Kelowna Fire Department Main Hall, it is truly a regional effort, with an initial call out group with high expertise made up of staff from all of the regional partners. Kelowna Fire Department provides some key staff on contract to coordinate the EOC. As the incident progresses, staffing is broadened according to incident needs and jurisdiction. This is absolutely a team effort, and fit of all the players is important.

Everyone has to put on a regional hat when they walk through the door – you have to track information and look out for each others' interests, not just your own local government!

Egos and municipal differences are checked at the door. Everyone has a job to do and pitches in and assists where needed.

BASED ON OUR EXPERIENCES AT THE RDCO EOC

We have been making pretty regular claims, basically every year since 2003. Fires hit our valley every summer, especially in our Electoral Areas, so we have gone back and forth with Emergency Management BC a lot, and made many claims, and staff has it down to a refined process. Those past experiences, along with many improvements, got put to good use this year with one of the largest ongoing events we have ever had. Our Finance team was quite honored when, after completing a couple of our interim claims, EMBC staff asked if they could use our claims as teaching examples!

FINANCE SECTION KEY GOALS

Facilitating the tracking, reporting and payment of resource costs, for all jurisdictions.

Obtaining the necessary documentation to enable all jurisdictions to make claims for reimbursement. (Obtaining Expenditure Authorization Forms, Resource Requests and Approvals are imperative.)

Sounds simple right? This year, as I said, we had over 17 incidents, flooding (complete with over 2 million sandbags – If you think putting them in place is hard, do you have any idea how difficult it is to get rid of those sandbags afterward???), fires, (and at times both), and all of our regional jurisdictions (four municipalities and two electoral areas) were involved and estimated claim costs were over \$20 million.



CHALLENGES

For one event alone – the flooding, we ended up with over 500 Expenditure Authorization Forms for 6 local governments and we weren't the only EOC in the province by any means! Then fire season started at the same time. One of the worst in BC's history. We had to devise new tracking systems to enable us to easily report out, share information, follow up, keep the events separated, and costs and paperwork tracked by local government jurisdiction for claim purposes,

Because of the extended duration of operating the EOC, it was critical to have Finance staff from all of our local governments participating and supporting each other, and ensuring we understood each others' priorities. At any one time, we have a Finance Section Chief and a

“SEVERAL MILLION DOLLARS OF APPROVALS OUTSTANDING, AND WATER QUICKLY RISING”

Time/Costing person staffing the EOC. This model seems to work well for us. In talking to my local Finance colleagues, we are all very grateful that we can seamlessly and interchangeably rely on each other to take over in the EOC, and we can leave there having faith that our local government's interests are well looked after and defended.

One of the most serious issues we encountered this year was the length of time it took to get approvals for our Expenditure Authorization Requests. In past years, we had come to expect responses in ½ an hour to a couple of hours. This year the responses took days and in some cases, weeks. With such unexpectedly large early season events, and an unprecedented fire season, no doubt, EMBC, like us, were training new staff in some key positions, and had challenges resourcing staff for such an extended period of time. With 40 – 50 outstanding requests, several million dollars of approvals outstanding, and water quickly rising, what do you do?

All of the processes and systems we used for the above will be discussed more in depth in the upcoming two articles that will follow.

CLAIMS

Payment Turnaround Time - In the past, OFC and EMBC claims have taken a long time to process – sometimes as long as 6 months or a year. This year EMBC has been super fast at getting payments to us. With several millions of dollars in claims, we had anticipated that we



would be forced to borrow funds in the interim (a reimbursable expense by the way), but that has not been necessary! Claims staff have come to our office and done reviews on site due to the mountains of

supporting documentation. We have been making monthly claims and received our EMBC payments already.

However, we do still seem to struggle with our OFC claims. Over the years the involved parties have had many discussions outside of fire season, trying to clarify parameters and scenarios on what is necessary to expedite these claims and every year we still struggle. It is a source of great frustration for our EOC staff in the Fire, Liaison, Logistics and Finance sections, and typically one of the areas where we end up spending much of our time and energy.

IN CONCLUSION

The provincial Emergency Management program is truly amazing, and local governments are extremely fortunate to have this type of assistance available to them, and to help defray the costs that would especially hit smaller communities very hard.

If there is one suggestion for improvement in our area, it seems a lot of angst and cost is incurred in chasing down the approvals and this process and communication with the Province needs to be streamlined. The guidelines have not changed in years, the basics have stayed the same, but there always seems to be internal process changes in requirements for claims. A colossal effort is required to sort out the approvals each year. We do have debriefs after large events, and hopefully changes will result.

In Finance and local governments, it always comes down to fiscal priorities. But in your EOC, know when to stay out of the way of your Ops and Fire colleagues during an emergency. Remember, while Finance is how things get paid for, the immediate reality is safety of the responders and public comes first. There may be bigger issues out there that take precedence and the paperwork sometimes has to get sorted in its own good time, but just make sure it does get sorted!

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

This is the first article of a three part series on the experiences at the Regional District Central Okanagan EOC. If you would like to share your experiences with emergency management please contact GFOABC at office@gfoabc.ca



WE ARE NINE

MY EXPERIENCE AT ADVANCED FINANCIAL LEADERSHIP

My name is Jodi Pierce and I have been the Manager, Financial Services (CFO) for the Columbia Shuswap Regional District for the past three years. I started with the CSRD as the Deputy Treasurer in 2010 and went through Boot Camp way back then. With that history, I felt trepidation and nerves beginning to build as **Advanced Financial Leadership** got closer. I was concerned that this program was going to be focused primarily towards municipalities and that I wasn't going to get much out of it. After all, there are over 160 municipalities and only 29 Regional Districts - but boy, was I wrong!!

As financial leaders in our organizations, we already have the technical skills required to do our jobs; we can build budgets, prepare financial statements, talk tax rates, etc. Fortunately for the participants, this program is more conceptual and abstract. It goes beyond technical skills, and focuses on the soft skills that can really help us, as financial officers, to become strategic leaders and partners within our organizations.

I could tell you how we started with Behavioral Pattern Inventory Characteristics to help us better understand our own characteristics and how those characteristics play into the decisions we make and how we relate with others, especially in a collaborative or team environment.

I could tell you about how we learned about facilitation (roles, tips and techniques, convergent and divergent thinking); strategic problem solving and analysis (the 4 P's); issues and opportunities (managing expectations, effective decision making and crisis prevention); presentation skills (body language, tone of voice, active listening, feedback, etc); business case analysis; and, total impact analysis.

I could tell you, how at the outset of the session, we were divided into teams and we had numerous breakout sessions with our teams as we moved through the materials. We had a case study to work through and while it involved a municipality, the focus was on determining the strategic role of a CFO and what skills can that CFO bring to the table when issues are happening within an organization.

Or I could even tell you the program culminated in a presentation to "Council", "Board", or a management team on one of the issues each team decided to address, and that we were provided feedback from the facilitators and the rest of the participants.

I could even tell you about the new words we learned... "ruppies", "chuntering", and probortunities"...and the new concepts we learned... "taming our reptilian brain", "solicit, focus, solicit, focus", "how to catch the green lights to not get broadsided", or "be brief, be brilliant and be gone".

And I could tell you that there is lots of value for money in this program, much more than a quick article for a newsletter can impart.

But most of all, I want to tell you that if **Advanced Financial Leadership** is not on your radar, it should be!! There were "only" nine participants and three facilitators so we really got to know each other well by the end of the program. I don't think I am talking out of turn when I say we were fortunate to be in a small group but we aren't just nine...We ARE Nine!

Jodi Pierce, Columbia Shuswap Regional District

BOOTCAMP

GRUELING BUT OH SO WORTH IT

When I signed up for GFOABC's 2017 Boot Camp, I thought the title was endearing; perhaps a cute attempt to portray a rigorous schedule of events. It was only after I arrived that I realized that the program was in fact quite aptly named and not at all like conferences I attended in the past.

Our Sunday session was an introduction to the teams that we would work with over the next five days (Go Team Green!), followed by an overview of the role of the Finance Officer and preparatory work for the following day's session. Monday saw an early 7 a.m. start with some relevant seminars on budgeting and financial planning that kept us all engaged and collaborating right until 9 p.m. The following day's focus was on property taxation, along with my personal favourite, an evening session on working with the Municipal Finance Authority. Wednesday brought us seminars on financial accounting and reporting, while Thursday's focus was on sources and uses of funds.

It was obvious the program was put together with a great deal of care and consideration. Despite being sleep deprived (who doesn't want to have a group discussion about the Community Charter at one in the morning?), I found myself totally engaged in the program from start to finish. It provided an excellent opportunity to network with people in finance roles from other municipalities, collaborate and share different approaches to the unique situations that we all face in local government. Now that Bootcamp has ended, and we've all travelled back to our respective cities, districts, towns and villages, our networking has continued through email, and the class of 2017 continues to collaborate and share local experiences with each other.

Bootcamp truly did live up to its name; on the surface the experience looks exhausting, but like any boot camp, you usually feel pretty great afterwards. The five days of knowledge-sharing was expertly put together, relevant to the work we all do, and a great opportunity to meet others who share the same issues probably sitting on your desk right now. Different techniques were used to deliver the content and fun interludes kept us all laughing and entertained. The experience was fantastic, and I highly recommend this program to anyone in a local government finance role.

Karen Kennedy, Financial Analyst, City of Kelowna



THE MFA'S CREDIT CORNER



SOCIALLY RESPONSIBLE INVESTING: MFABC SURVEY RESULTS

Global interest in Responsible Investing strategies has grown in recent years. The definition of the Responsible Investing is very broad given the complexities involved with investor preference and tactical implementation. The narrowly focused 'fossil fuel free' strategies, which rely on negative investment selection screens to eliminate entire industry sectors and sub-sectors. More broadly defined Environmental, Social and Governance (ESG) strategies use a multi-factor approach to integrating investment screening analysis seeking to maximize risk-adjusted returns in a responsible manner. Socially Responsible Investing (SRI) is typically defined as a middle ground between ESG and 'fossil fuel free' strategies. SRI can use both negative and positive screening of SRI risks to align a portfolio to specific socially responsible values.

The MFABC was contacted by a number of local government entities in 2015 to 2016 requesting the creation of a fossil-fuel free related pooled fund investment options. This culminated in a UBCM Resolution, calling for the creation of a 'fossil fuel free' pooled fund option from the MFABC. The result of this dialogue led to the MFABC announcing it would conduct a formal study of local government interest in a SRI pooled fund. The survey was announced in March 2017 and conducted shortly after.

The survey was received by 191 entities, of which 106 responded (55% response rate). Of the responses, 43 indicated they were interested and 63 indicated they were not interested. In aggregate, the survey respondents indicated approximately \$65 million in gross investment interest in the SRI Fund. We felt most confident with those respondents who expressed a clear understanding of the additional costs involved in a SRI pooled fund and had provided some evidence of council support for the idea.

We feel an accurate assessment of current aggregate interest in a SRI pooled fund has been conveyed. While the current \$65 million of relatively firm interest is not inconsequential, it is low in the context of over \$2 billion in existing pooled fund assets and total estimated local government reserves of between \$8 to \$10 billion. To make a

fund of this nature financially viable, the MFABC would require a minimum \$100 million in committed capital. The rationale for this committed capital hurdle is to defray various incremental fixed costs associated with launching and operating a SRI pooled fund. Examples of such costs are SRI screening consultant fees, legal and other administrative fees and SRI asset manager fees. Until the total assets under management reach the \$100 million threshold, these incremental fees greatly reduce the potential yield of a SRI pooled fund making it an unviable proposition.

The MFABC plans to continue to actively monitor local governments' interest in an SRI fund over the coming months. Until the \$100 million threshold is met, the MFABC is unable to provide a firm timeline or launch date.

ANDREW HOGE, CFA, CPA, CGA

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





COLLECTORS' CORNER

NON-MARKET CHANGE – WHAT YOU NEED TO KNOW

The major product that municipalities receive from BC Assessment is the assessment roll. However, a report that is often overlooked but is an extremely important source of information is the Non-Market Change Report. What is non-market change? What triggers a non-market change? How do municipalities use the non-market change information? Non-market change (NMC) is a change in the value of a property on the assessment roll that is not related to the market movement of property values. NMC is important because it is a potential source of new revenue without having to increase the property tax rate.

The NMC Report (sometimes inaccurately referred to as the New Construction Report) lists all properties that have a change in value for any reason other than a market change. While the most important reason for a NMC is new construction (or inventory change), other reasons are: folio additions or deletions, boundary change, exemption status change, property class change, and zoning change. But the change that produces additional tax revenue is new construction which is a modification of physical property characteristics that causes a change to the value of a property, i.e. new construction,

renovations/alternations, or demolitions. The NMC Report is accessed via AssessmentLinkBC and is available as a data file after the Completed and Revised Rolls are produced (December and March).

One of the first things to look for in the summary report is anomalies, that is does the report look reasonable. For example, a negative number in a property class should be investigated by drilling down in the data to determine the reason. Another example of an error is when a property is subdivided the new properties are added but the parent property has not been deleted. Also, beware of changes to Class 9 Farm. Under current rules, farms may lose their farm status if they don't submit their documentation on time. BCA will transfer the property to residential status. However, the owner can submit the documentation late. According to BCA typically 30-40% of properties removed from farm class for the completed roll are put back into farm class for the revised roll or through supplementary assessment.

The "Inventory" (new construction) category can be isolated to determine the impact of new revenue. The NMC Report based on the Completed Roll provides an indication of how

much additional tax revenue the municipality can expect in the current year. The NMC Report based on the Revised Roll provides several options in calculating tax rates: 1. include NMC while calculating rates – this will have the effect of reducing the current year tax rates, or 2. break out the NMC when calculating rates - this allows Council to determine how to use the new revenue eg a major expenditure. NMC can have a significant impact on tax rates, tax multipliers and the tax burden per class. A point to keep in mind is that new construction is a one year windfall and does not accumulate from year to year. However, new construction is a potential source of new revenue without having to increase the property tax rates.

Collectors' Forum Webinar

Oct 25th 9:00am PT

[REGISTER NOW](#)

OPEN TO ALL MEMBERS—NO CHARGE



Doug Stein has worked in municipal finance for over 30 years. In 2011 he retired from his position as Manager of Revenue Services for the District of Saanich. Doug has been very involved with the Collectors' Forum, is a GFOABC Life Member and a CPA, CMA. **JOIN** Doug in Vancouver this November during the Fall PD Program where he will be facilitating *Tax Policy and Setting Tax Rates (Tax 302)*. There are a few spots left. Please see page 3 for details or visit our website for more information.

THANK YOU TO OUR SPONSORS



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