



THE CORPORATION OF THE CITY OF VERNON

MEMORANDUM

TO: Will Pearce, Chief Administrative Officer **FILE:** 1700-02 (2023)
PC: Debra Law, Director, Financial Services **DATE:** July 28, 2022
FROM: Rena Crosson, Manager, Financial Operations
SUBJECT: FINANCIAL OPERATIONS STAFFING REQUEST

The demand for City of Vernon's financial activities have been steadily increasing with the growth of the City itself. The City's population has grown 11% from 2016 to 2021, resulting in 4,400 new residents and 2,117 dwellings to support. This has resulted in an increased volume of work for Utilities, Taxation and Cash Receipting. The volume of construction and capital projects has expanded resulting in increased vendor management and accounts payable invoicing. Over time, there has been an increase in various revenue contracts resulting in increased cash management, collection and accounts receivable activities.

Below is a table identifying some of the areas of increase:

	2021	2017	\$ increase	% increase
Property Tax folios	19,727	18,913	814	4.3%
Utility accounts	19,584	16,614	2,970	17.9%
Garbage units	14,871	13,595	1,276	9.4%
Accounts Payable invoices	13,271	12,743	528	4.1%
Cemetery transactions	892	660	232	35.2%
Auto debit bank accounts	5,245	4,724	521	11.0%

Financial Operations has focused on supporting its resident and vendor facing activities, resulting in treasury management activities being completed on the side of multiple desks.

Legislative requirements have changed in the banking and payment card (credit and debit cards) industries due to additional fraud and cyber-crime mitigation strategies. This has resulted in the need for robust internal controls and additional time to set up and manage banking related needs for residents and vendors. Payment Card Industry Data Security Standards (PCI DSS) compliance is regulated by the PCI Security Standards Council (PCI SSC) and covers global standards for all entities that store, process or transmit cardholder data. The standards cover technical and operational requirements which must be in place to achieve PCI compliance. Annual self-

assessments are required to be completed and filed with the PCI DSS organization. In March 2022 PCI SSC released version 4.0 for PCI DSS (the latest update was in May of 2018). As a result, increased effort is required to ensure all the newest controls are in place to ensure PCI DSS compliance for the City of Vernon.

Methods of payment collection as set out by Payments Canada have grown substantially, and residents are looking to leverage some of these newer technologies. Neighbouring municipalities are accepting payment online and allowing payments via credit cards by enabling a surcharge feature to cover the commission fee on credit card payments.

Investment yields are on the rise again, resulting in the need for focused review on investment opportunities to ensure the City's funds are invested in areas we can achieve maximum yields while maintaining compliance with Section 183 of the Community Charter. Bank of Canada prime rates have not been this high since April 2008 when the rate was 4.75%.

Below is a table reflecting the history of Bank of Canada Prime Rates

July 14, 2022	4.70%
June 02, 2022	3.70%
April 14, 2022	3.20%
March 3, 2022	2.70%
March 31, 2020	2.45%
March 18, 2020	2.95%
March 6, 2020	3.45%
October 25, 2018	3.95%
July 12, 2018	3.70%
January 18, 2018	3.45%

Financial Operations has not had the capacity to provide appropriate treasury management given the population growth and increase in public facing requirements. In addition, there is no capacity to implement new payment processing methods or maintain the rigorous legislative requirements of PCI DSS. A dedicated focus on treasury management would be able to generate additional investment income by allowing focused oversight on cash management activity including the following:

Cash flow forecasting: Ability to provide daily forecasting for a rolling twelve-month period and to maintain and improve forecast spending requirements. This would enable the City to invest funds aligned with spending requirement, and better maximize the yields related to interest income earnings.

Investment management: Requires a dedicated review of City funds to ensure maximum investment income returns are achieved on cash balances, and maturities are aligned with the timing of City spending requirements.

Bank reconciliations: Required to be performed in a timely manner for all bank accounts held with the City to reduce the risk of fraud and ensure that proper

controls are in place for cash receipting and payment processing. Currently, the bank reconciliations continue to be several months behind.

Long Term Financial Sustainability: Should be maintained to provide long-term forecasting for capital requirements and the funding of future capital projects. This would assist with the investment management for maturities of investments.

Payment Card Industry (PCI DSS): Compliance training programs, PCI DSS gap resolution, annual self-assessment and reporting requirements need a dedicated role for oversight and completion.

The Financial Operations department requests one additional full-time equivalent position to provide focused treasury management for items that are currently being performed on the side of multiple desks. The additional position would enable restructuring of current responsibilities to ensure dedicated focus was spent on treasury management activity to assist with maximizing investment income for the City. This restructuring of responsibilities would also assist in minimizing potential fraud risk. The increased investment income as a result of this focused position would fund the cost of the additional position.

RECOMMENDATION:

THAT Council receive the memorandum titled "Financial Operations Staffing Request", dated July 28, 2022 and respectfully submitted by the Manager, Financial Operations

AND FURTHER, that Council authorize \$39,173 for the addition of one full-time equivalent in 2022 in the Financial Operations department to be funded from increased Investment Income.

AND FURTHER, that Council authorize \$117,518 in the 2023 budget for the addition of one full-time equivalent in the Financial Operations department to be funded from increased Investment Income with annual cost of living adjustments for future years.

Respectfully submitted:



Rena Crosson
Manager, Financial Operations