

**SAMA Annual Meeting – June 17, 2009
Regina, Saskatchewan**

**Craig Melvin, Chair
Annual Report from the Board of Directors
Review of SAMA's 2008 Audited Financial Statements
What's Ahead – 2010 and Beyond
AS READ**

Introduction

Ladies and Gentlemen. It is my pleasure to report to you on behalf of the Board of Directors of the Saskatchewan Assessment Management Agency.

My remarks will include a brief overview of the 2008 Annual Report, which was mailed to all municipalities and school divisions in early May. You will find copies of the report on your table and at our SAMA display booth.

Further, I will discuss with you What's Ahead for SAMA – From 2010 and Beyond.

The Board's Role

A large part of the Board's role is to provide strategic leadership and since our last annual meeting this role has taken special prominence. That leadership is evidenced in development and implementation of assessment policy and in setting the future direction of the Agency. The SAMA Board of Directors is responsible for the regulation of assessment policies and governance of the property assessment system used by all urban, northern and rural municipalities in the province. The Agency has governance responsibility for more than \$60 billion in property assessment that municipalities and school divisions relied upon for an estimated \$1.3 billion in property taxes....split fairly

evenly between municipalities and the education sector.

The implementation of a refined productivity based agriculture land valuation model and of market value assessment of commercial and residential properties in 2009 is the most significant assessment policy change ever made in Saskatchewan. To fulfill our policy responsibilities we consult extensively to ensure development and implementation of equitable and understandable assessment policies for property owners. Municipalities, school divisions and the province play an important role in the assessment system and your guidance has been an invaluable support as this policy change was made. Our success is shared, the 2009 revaluation was very much a group achievement providing a secure property assessment base to build on as we prepare for the future.

SAMA Financial Structure

A large part of SAMA's future security lies in the fiscal structure that has been established to provide the necessary financial resources for our work. *The Assessment Management Agency Act* provides a funding structure that reflects the interests of municipal, school and provincial government stakeholders. SAMA's current funding formula has the following breakdown of percentages:

- (a) the Government of Saskatchewan, 40%
- (b) municipalities, 30%
- (c) school divisions, 30%

The Province's share of funding reflects its interest in assessment research and policy development, maintaining a central database of assessment information, providing assessment data to the municipalities, and assuring the quality of assessments. With the change in education funding in 2009, the province now has a direct stake in the amount of tax generated from the assessment base.

Additional SAMA funding needs are being shared equally in 2009 by the Government and Education sectors while municipal funding levels remain capped at 2006 levels until the proportion of Government and Education sector funding rises to their allotted 40 and 30% proportions of SAMA's total budget.

Any approved budget changes after that transition period will be shared by the three funding stakeholder groups in accordance with the 40:30:30 funding formula.

Client municipalities pay a requisition fee for SAMA's assessment services. The municipal requisition formula was updated in 2008 and was adjusted again in 2009 to reflect changes in the numbers of properties in each municipality, while maintaining the overall requisition amount at 2006 levels. This means that changes in the number of urban properties impact only on urban municipalities, and changes in the number of rural properties impact only on rural municipalities.

The rural and urban portions of the requisition are kept separate. The rural portion is \$3.2M and the urban portion is \$2.6M. A typical urban requisition is \$5,443 and a typical rural municipal requisition is \$10,781 although rural requisitions range from \$2,523 to \$73,058.

It is the intention of the Board of Directors to further refine the requisition fee in 2011 to better reflect the actual costs of assessment service delivery in different types of municipalities. Actively growing municipalities with an increasing number of improvements and those with more complex assessment issues will see increases because the cost of their service delivery is higher, while those that are relatively stable with less complex properties will see reductions.

Municipal Affairs funding increased from \$6.2M in 2008 to \$6.6M in 2009. Education sector funding for SAMA has increased from \$3.8 million in 2008 to \$4.3 million in 2009. Total SAMA revenue in 2008 was \$16.8M and expenditures including capital asset purchases were \$16.5M. The Agency is firmly committed to a balanced budget.

The funding framework provides the Agency with financial security and ensures stakeholders have a long-term fiscal forecast, makes the organizational plan and goals transparent, and ensures accountability.

The 2010-13 Planning Period

The most interesting and challenging aspect of the Board's leadership role is developing the Agency's strategic plan, the results that are expected, and the cost of delivering on the plan. SAMA cannot plan from year to year but must plan one and two revaluation cycles into the future. What we do in 2010 impacts on what we are able to do in 2013.

As we headed toward the 2009 revaluation and the move to market, as a part of our planning for 2010-13, the Board recognized that it was time to undertake a thorough review of the Agency mission and vision. With implementation of the market value standard the Saskatchewan assessment system reached full maturity. And, as we reported last year, it was time to conduct a thorough view of the Agency's purpose and goals.

Vision, Mission and Value Statements

Our rethinking about the Agency began with the vision and mission statements that are meant to convey the desired future state of an organization, and put into words why an organization exists. The SAMA Board of Directors formally approved revised Vision and Mission statements for the Agency in December 2008. These statements can be found on the inside front cover of this year's annual report at your table.

Our **Vision** is to be “ the recognized leader and authority on property assessment, and Saskatchewan’s service provider of choice.”

And, our **Mission** is to “develop, regulate and deliver a stable, cost-effective assessment system that is accurate, up-to-date, universal, equitable and understandable.”

To do this we focus on six key responsibilities:

Governance: We provide leadership in methods of valuation and rules of assessment.

Assessment Services: We provide property assessment valuation services.

Information Management: We manage a comprehensive source of property assessment information for local governments, the Province, and other clients.

Quality Control and Assurance: We promote and practice quality control and conduct quality assurance audits.

Communications with the Public, Local Government and Stakeholders: We consult with and inform local governments and the public about property assessment.

And, Innovation: We incorporate best practices and utilize appropriate new technologies.

The Board was also anxious to make explicit the values that guide the Agency, its Board and staff. Value statements describe how we intend to go about our business. Once defined, the values that are important to an organization are reflected in customer service and client relations, in the workplace and how we seek to work with stakeholders. The values apply to everyone in the Agency including the Board. The SAMA values were identified by asking our staff what were the characteristics they most admired in their

colleagues. Our values reflect the best of what we see in each other and provide a goal that we all seek to reach in our work with the Agency.

SAMA Core Values

Integrity

We practice ethical and high professional standards. We conduct our business with honesty and respect for others, by honouring our commitments, and being accountable for our actions.

Integrity means that we value client and stakeholder confidence in SAMA. How we conduct ourselves, communicate with others and provide our services must enhance our credibility with you. We must be open, transparent and accountable. In a practical sense, it means that in dealing with property owners and clients we must listen carefully to concerns and complaints, take them seriously and respond respectfully.

Integrity applies top to bottom in SAMA and, in maintaining organizational integrity, we must also be open to internal complaint and criticism as well. The sole purpose of the Canadian public sector Integrity Commissioner is to ensure “public servants and all citizens can, in good faith and in confidence, raise their concerns about wrongdoing.” While we don’t have the same elaborate mechanism as the Government of Canada we do share the same goal and that is to ensure our staff and the public have sufficient trust that they will be treated fairly and respectfully to bring forward their concerns. “Integrity” is more than a word...it implies a way of doing business that is ethical, fair, transparent and open to change and improvement.

Professionalism

We are experts in our field, and value continuous learning and training to ensure we deliver quality products and services.

To be “professional” means to have mastered a body of knowledge. Our Vision is to be recognized as the assessment expert and leader...our staff are our experts and a significant component of our balanced approach to planning is to ensure we lead through staff development. Expertise doesn’t occur by chance, it must be expected, encouraged and supported. But professionalism also means upholding professional standards...behaving professionally and means fulfilling your fiduciary obligation to those you serve. This means we rely on good evidence and employ best practices which, in a market value assessment system with three approaches to value, are essential where knowledge and judgement are critical. Our fiduciary obligation requires that we act honestly, in good faith, and in the best interests of the public and our clients. So...professionalism means we know what we are doing, we say what we do and do what we say.

Dedication

We are committed to improving every aspect of our property assessment system. We see every challenge as an opportunity to succeed.

Dedication is the passion in what we do. Arguably, it is hard for some to be passionate about assessment but they don’t need to apply for work with SAMA. We want people who are committed to making improvements. We want altruists...people who are absolutely dedicated to the public interest, who are enthusiastic about being accountable, and who do see every challenge as an opportunity to succeed.

Solution-Focused

We work collaboratively with others to understand needs and provide the best possible solutions.

Being solution-focused means that we rely on cooperation and focus on strengths,

resources and capabilities of the Agency and its staff to address issues. It is a positive orientation to problem-solving that seeks to build and improve. The LEAN initiative is our best example of being solution-focused. Wikipedia will tell you that LEAN “is a production practice that considers the expenditure of resources for any goal, other than the creation of value for the end customer, to be wasteful, and thus a target for elimination” and “value is defined as any action or process that a customer would be willing to pay for.”

In less elegant terms, LEAN is about doing only what clients want as efficiently as is possible. SAMA learned this from Brandt industries and we have been at it for 18 months. For SAMA, the “best possible solutions” are those that clients and the public want delivered efficiently. Our challenge is that not all clients want the same solutions...urban municipalities have little use for improved agriculture valuation methods and rural municipalities are not enthusiastic about paying for the “rental income approach to value”. But here is where efficiency matters...when different clients want different services we can only provide value for everyone if we do only what is wanted as efficiently as is possible.

Sticking to our vision, mission and value statements will ensure our operations are consistent. We are pleased with the support for these directional statements received from our Advisory Committees and stakeholders. They have served us well over the past six months as we developed our strategic directions and performance measures for the 2010-13 four-year cycle.

2010-2013 Strategic Directions – The Balanced Scorecard Approach

Last year I reported that the Board had begun developing new strategic directions for 2010 to 2013. Working closely with SAMA staff, the SAMA Board applied a strategic planning and management system called “the balanced scorecard approach.”

In October 2008, the SAMA Board and senior administration reviewed the Agency’s

2010-2013 strategic directions, as well as stakeholder feedback regarding these directions. The Board shared the proposed strategic directions with its advisory committees. It then evaluated and selected the five highest priority items as the focus for SAMA's 2010-2013 operational funding plan.

Strategic Direction One

Maintain stable, long-term funding

Fulfill SAMA's mandated responsibilities and goals within the parameters of the operating and capital funding plans established with the Agency's funding partners.

Our present initiatives are focused on working with our stakeholders to develop and approve the 2010-13 operating and capital funding plan. Discussions are ongoing with SUMA, SARM, SSBA, and the Ministries of Municipal Affairs, Education and Finance. We seek to maintain the present funding framework and to secure the necessary resources to fulfill our mandate.

The Agency is now the most efficient of all Canadian assessment governance, service and audit providers. In 2008 our cost was \$21 per parcel. We compare very favourably with every other province and are more than 20 percent more efficient than Manitoba which is the best provincial comparator. Our cost comparisons exclude Regina and Saskatoon as do Manitoba's exclude Winnipeg which have more complex assessment issues and significantly greater costs. Overall, the comparisons show that with the budget increase we are estimating, SAMA will remain in 2010 the lowest cost assessment service provider in Canada.

Our 2010-13 Strategic Plan will maintain SAMA's focus on integrated business planning, funding security and accountability to clients and stakeholders.

Strategic Direction Two

Improve quality of assessment valuations

Take steps to ensure high quality and accurate assessment valuations by following property assessment best practices, meeting improved quality control standards, and conducting compliance audits on municipal assessment rolls.

High quality and accurate assessments are vital to achieving a secure property tax base for municipalities, school divisions and the Province, and fair property taxes for individual property owners.

Assessment valuation policies will be stabilized for the 2013 Revaluation. The Agency will focus on following best practices to improve the quality and accuracy of assessment valuations. Improved quality control processes to meet quality standards appropriate for Saskatchewan's market value and regulated property assessment systems will be implemented. It is our plan to enhance our processes of gathering, analyzing and entering data to the CAMA system...mistake proofing...and to build our capacity to coordinate among our regional offices to ensure our valuation processes are consistent province wide. Quality control occurs as assessment information is gathered, analyzed and entered into the CAMA system. We have also embarked on a program to improve confirmation, primary and secondary audit processes to ensure municipal assessment rolls are accurate and completed in accordance with the municipal Acts.

We have seen situations arise elsewhere over the past few years, in banking and the health system, where quality controls were absent or under-performed. The result has been massive investment losses and medical misdiagnosis. Our analysis of risk clearly indicates that under investment in quality control will lead to error, increased appeal costs and tax losses, and to decreased public confidence. Our legislative mandate is to assure the public that assessment values are accurate and appropriately entered on the roll. There is a cost to accuracy, but it is much less than the cost of inaccuracy.

Strategic Direction Three

Deliver services within agreed timelines

Apply the necessary resources to meet or exceed the regulated reinspection requirements by 2013, and to meet client, stakeholder and public expectations for timely annual maintenance services and ready access to property assessment information.

Property inspection is the core of SAMA's business. Nothing else works efficiently or fairly if our basic information about properties is incorrect. And, over time as maintenance misses new development and other improvements the data becomes increasingly suspect. Bringing our inspections up to date is the most significant issue that the Agency must address within its strategic plan. From the early 1990's through to 2002 SAMA drew from its reinspection efforts to address shortfalls elsewhere in the organization. The result was that reinspections fell behind. And even today, as the provincial economy has boomed our inspection resources continue to be drawn from reinspection to maintenance.

In 2002 the problem was recognized by the province and regulations were put in place that require residential, commercial, seasonal and industrial properties to be reinspected at least once every 12 years, and agricultural lands to be reinspected at least once every 16 years. The clock began ticking in 2002 and by 2013 urban properties are to meet the standard and by 2017 so must rural properties. If we kept on doing things they way we have, and with the present resource levels, we would not meet the urban target until 2036 and the rural by 2064. That result is not acceptable.

Our 2010-13 plan is to make a significant improvement in property inspections. By 2010 we will be providing maintenance in a timely manner that meets municipal expectations. The reinspection program is more challenging but, by continuing with LEAN we can reduce these numbers by 40 percent...from 34 years to 18 years for urban properties and from 62 years to 29 years for rural properties. By taking full advantage of the CAMA

system technological platform and implementing our capital program for enterprise GIS and remote data entry we can cut the time by a further 40 percent bringing us very close to the legislated mandate. Our problem is that we are starting seven years into the 12 and 16 year cycles, so must catch up, which will require some additional staff. By these three methods, making our business processes more efficient, implementing our proposed capital plan to expedite data gathering and input, and by adding a few additional staff we can come within four years of the regulations. This will require government to provide us with a small window for extension of the time line. But, once completed, we believe we can implement a slightly shorter reinspection cycle which would be more in line with national and international standards.

Our goals over the 2010-13 planning period are to focus on re-establishing an effective general reinspection program to ensure that all properties are reinspected within regulated time requirements. To improve processes to meet client expectations for timely annual maintenance services. And, to provide improved and expanded access to property assessment information for clients, stakeholders and property owners.

Strategic Direction Four

Improve work processes and technological systems

Reorganize and streamline work processes, and develop relevant technologies to optimize divisional and program capacity.

Effective work processes supported by modern technological systems are vital to providing cost-efficient assessment valuation services to municipalities, school divisions and the Province. I have discussed our LEAN initiative which is central to improved business processes. LEAN is how we go about making the improvements. The only two things I would add to my comments are, first, that in my view the work that SAMA does makes us a perfect candidate for LEAN. While every business operation would benefit from LEAN not all would make the same significant gains, in the 25% range, as has

SAMA nor, perhaps, in some cases would LEAN be appropriate. The second comment I would make is that you have heard me and others say that LEAN has been applied top to bottom in the organization...that is not quite accurate. The Board has joked about applying the LEAN philosophy to its work, and there are times after very long meetings, I and some others believe the idea may have some merit. This is not to say the Board has not worked to improve how it adds value to the organization. The Board does have a governance committee that regularly reviews Board operations and recommends improvements. But, otherwise, LEAN applies at every level in the organization and will continue to generate efficiencies.

Our goals then are to apply program management best practices to improve productivity in order for SAMA to meet its legislative mandate. Reorganized and streamlined work processes will be applied to make the Agency's reinspection, annual maintenance and revaluation projects more efficient, and to make quality control, auditing and roll confirmation activities more relevant and timely. In addition, proven technologies will be used to speed up and mistake proof operational processes.

Strategic Direction Five

Strengthen the capabilities of all employees

Retain a skilled and experienced workforce focused on business improvement and value creation for our clients and stakeholders.

SAMA staff are the core strength of the Agency. We are proud of their integrity, professionalism, dedication and solution-focus. And we recognize that SAMA can only improve as they improve. That is why we invest heavily in their training and development, why we listen carefully to their ideas and provide a work environment that both challenges them to be the best they can be but also recognizes their success and contribution.

Our 2010-13 plan sets out how we will more tightly link our staff to creating business value through initiatives that address the Agency's most pressing business challenges. Anticipating critical workforce trends, shaping and executing business strategy, identifying and addressing workforce-related risks, and enhancing workforce performance and productivity are vital to helping the Agency improve and grow.

A qualified and skilled appraisal team, management team and administrative support team with appropriate professional certifications will ensure the Agency has the capacity to provide accurate and reliable assessment valuations. The Agency will provide the leadership necessary to ensure workforce goals are aligned with the Agency's business objectives.

SAMA appreciates the input its stakeholders have provided to its planning process for 2010 to 2013. The Agency will continue consulting closely with stakeholders and listening carefully to what is needed to improve the Saskatchewan assessment system and the services the Agency provides for municipalities, school divisions and the Province.

A Modern Assessment System

From a strategic perspective, SAMA has implemented the basic elements of a modern assessment system, market value and a state of the art CAMA (Computer Assisted Mass Appraisal) system that provides the technological platform to improve efficiency, accuracy and timeliness. With the establishment of a renewed long-term fiscal plan, SAMA can turn its attention to improving and adding value to the services the Agency provides.

As we move ahead with implementation of our strategic plan, SAMA will continue to consult closely with stakeholders and will listen carefully to what is needed to improve Saskatchewan's assessment system. The SAMA Board of Directors is most appreciative of the constructive advice received from its advisory committees, representative municipalities, school divisions, the Province, and local government organizations.

The SAMA Board is committed to improving and positively contributing to the Agency's success. The Board takes no decision lightly. Every member is committed to executing strong leadership to achieve the Agency's vision for a "stable, cost-effective assessment system that is accurate, up-to-date, universal, equitable and understandable".

Conclusion

To conclude, I want to thank you all very much for your attendance and participation today. SAMA has moved ahead significantly over the past several years and we could not have done so without your cooperation and support. We have further improvements to make to fully meet our legislated mandate and public and client expectations and we will continue to need your support and cooperation.

I want to thank the SAMA employees for their work in bringing the Agency to a new plateau and especially Irwin and his Executive and Management Team for their leadership and commitment to find efficiencies and improve service. Saskatchewan has reached a "new normal" of economic activity and growth and SAMA must also be at Saskatchewan's "new normal".

I want to conclude by expressing my appreciation to the other members of the Board of Directors for their commitment to improving SAMA and fostering positive relationships. Both experienced and new Board members brought individual strengths to our planning for and monitoring of the Agency. It has been the Board's main focus this year to set our new direction and I believe they have done a good job of charting the course for the next four years and beyond.

I hope my report to you provides a helpful perspective on the Agency's performance and plans for the future. Thank you again for your attendance today and for your attention. If you have any questions, we will do our best to provide the answers.