

SAMA Annual Meeting – June 7, 2006

Saskatoon, Saskatchewan

Craig Melvin, Chair

Annual Report from the Board of Directors

Introduction

Good afternoon, Ladies and Gentlemen. It is my pleasure this afternoon to present the 2005 Annual Report on behalf of the Board of Directors of the Saskatchewan Assessment Management Agency. The 2005 Annual Report was mailed to all municipalities and school divisions last month. You will find copies of the report on your table and at the back -- at our SAMA display booth.

You have heard several reports today on the main developments that engaged the Agency in 2005 and you have discussed issues such as technology and agriculture land valuation improvements that will influence our future. Many of you over the past several months have received Agency reports from your Board Members at the School Board Association, SUMA and SARM conventions.

I recognize municipal and school board officials who attend these annual meetings are likely among those who are the most knowledgeable about and interested in property assessment and taxation. So, I shall be brief and will focus my remarks on two core issues that have received somewhat less attention to this point: the role and responsibilities of the Board of Directors and our fiscal situation and implications going forward.

Revaluation 2005

However, I want to begin by thanking all our partners, primarily municipalities and school divisions, for their hard work and co-operation during the property revaluation year of 2005. I recognize too that the province is an important part of the revaluation equation and the government deserves our appreciation for their support of the assessment function and for effectively managing their taxation-related responsibilities such as setting percentages of value. Our successes are very much a collective achievement, providing a base to build on as we prepare for the future.

Public meetings across the province last fall identified several general valuation concerns especially related to commercial and agricultural properties, a number of property specific revaluation issues, and a few issues related to SAMA business practices. Our report on the meetings is included in your meeting materials and is available on the SAMA website. The Board and Administration are now responding to the issues and will complete our review by October this year. I will come back to one of these issues later in my remarks.

The Role and Responsibilities of the Board of Directors

As a recipient of public funds and executor of the public trust, SAMA is held to high standards of scrutiny and disclosure. Our operations and decisions must be open to public review and we must make information available to ensure we meet the various standards expected by individuals and organizations. The scrutiny of public sector organizations such as SAMA may extend to board members. Therefore, the Members of the Board are potentially subject to the same level of interest and inquiry as other members of the public sector, such as public servants and politicians.

For these and other reasons, SAMA must have systems in place to ensure that our operations and decision-making processes are consistent with public sector standards. A critical component of these standards is reporting appropriately to all interested parties through accessible avenues of disclosure. The regional forums, this annual meeting, our advisory committees, the reports of Board members to their respective organizations and the SAMA website are our primary avenues of reporting.

The Board of Directors occupies a central position in the governance of the Agency. The Board's general role is to foster the organization's short and long-term success consistent with its mandated objectives and accountability to stakeholders. In the discharge of its mandate, the board oversees the affairs of the organization, supervises management, which is responsible for day-to-day operations through the CEO, and sets the standards for organizational conduct.

I would like to discuss now in more detail several key Board initiatives taken to fulfil our leadership responsibilities. As a framework for my remarks, I am relying upon disclosure guidelines developed by the Government of British Columbia for Crown Corporations and the related statement on the role and responsibilities of Boards of Directors.

First Core Responsibility: Select, assess, compensate and plan for CEO succession.

In 2005 the Board set out its plan to recruit and select a successor to our CEO: Murray Cooney. As you heard earlier, we have completed the process and Irwin Blank has accepted the Board's request to assume the CEO's responsibilities as of January 1, 2007. The Board's recruitment plan was formed in two parts. The first part was an internal search; the second part an external search. The internal search proved successful. To ensure transparency the Board advised each local government organization and the province and all Agency staff of the plan. No negative comments were received and the Board managed the process itself without external consultative assistance.

Second Core Responsibility: Oversee development of and approve a strategic plan that takes into account the opportunities and risks facing the organization.

The Board of Directors established the general framework for its present strategic plan in 2004 and updated the plan in 2005 and in 2006. Our plan consists of five major directions:

Strategic Direction 1.0: Successfully implement the 2009 revaluation

The direction includes developing a long-term plan to ensure that SAMA is served by modern and efficient technology, securing stable funding, enhancing communications and relationships with stakeholders, implementing a staff recruitment, retention and succession plan, and achieving desired legislative change. We have made progress in each of these directions. In the case of “achieving desired legislative change” I am pleased to report that necessary amendments were introduced by the government and passed by the legislative assembly this spring.

The Municipalities Act came into force on January 1, 2006. This Act is a consolidation of *The Rural Municipality Act, 1989* and *The Urban Municipality Act, 1984* and will provide the legislative framework through which all municipalities exercise their powers and provide services, except those governed by *The Northern Municipalities Act* and *The Cities Act*.

The Municipalities Act is intended to grant municipalities broader powers and more flexibility to deal with matters that are of a local nature.

The following bills were also passed in the Spring 2006 session of the legislature.

- *The Assessment Management Agency Amendment Act, 2005;*
- *The Cities Amendment Act, 2005;* and
- *The Municipalities Amendment Act, 2005.*

Amendments to these Acts complete the legislative framework required to facilitate the move to a market value assessment system and enable the use of valuation methods such as the rental income approach.

Strategic Direction 2.0: Successfully implement the Quality Assurance Audit Function

Our plan for Quality Assurance was outlined in 2004 with release of the Assessment Role Confirmation Review. A number of initiatives have been taken to ensure independence of the QAD and to enhance services. A major report on improving secondary audits is coming to the Board this October.

Strategic Direction 3.0: Respond to 2005 revaluation implementation hearings

We have outlined the issues raised by local governments and property owners (a copy of *Current Issues in Saskatchewan Property Assessment* is available at the display booth) and will publish a more detailed report on how we responded.

Strategic Direction 4.0: Develop SAMA's competitive strategy

Although SAMA is a public non-profit entity we work within a competitive market due to a legislative option for municipalities to select another assessment service provider. For this reason, the Board must have a plan to compete with other providers. Level and quality of service, positive communications, effective relationships, and cost are key components of any competitive strategy. These and other considerations are currently under the Board's review.

Strategic Direction 5.0: Exploit SAMA's entrepreneurial potential

The Board believes that the staff, information and technical capacity of the Agency can be exploited to establish an entrepreneurial revenue stream. The creative marketing of the Agency's GIS capacity, delivery of value-added services to municipalities and provision of property valuation information to other users are examples of the potential. We now enjoy a small revenue stream from information sharing and from service contracts with First Nations and provincial departments and agencies. Our intention is to take advantage of opportunities that arise but also to be cautious about diversion of scarce resources away from our central responsibilities to municipalities and the Province.

Third Core Responsibility: Set the standards for organizational conduct.

It is not only the Board's duty to set direction and monitor achievement but the Board must also take responsibility for organizational conduct ... our business practices. Our 2005 revaluation review revealed several concerns about how we do our business.

I am not referring to technical issues. Rather, these concerns were about how we communicate and relate to our clients. This is all about attitude, openness, respect and willingness to admit error. These are matters we cannot leave to chance and it doesn't cost much to be pleasant. I note that WestJet and Air Canada charge exactly the same price for many of their flights but I tend to enjoy the WestJet experience much more.

Murray Cooney and our senior managers have worked hard to improve our business practices. So have our field staff who come in direct contact with property owners and client municipalities and school divisions. We hear many positive comments about our staff but during the hearings we also heard complaints.

The complaints weren't about individual staff but more about process. The Board can and must address process issues ... particularly as we head toward 2009 and a very different system where the market is the standard, and not rules set out in a manual. We must ensure that our processes are transparent, helpful, respectful and understood. We also need to understand that we might even make a mistake or two and that making a correction, getting it right, is a good thing. The Board also recognizes that organizational conduct begins at the top. How the Board conducts itself sends a powerful signal to our staff, stakeholders, clients and the public.

Fourth Core Responsibility: Approve the organization's capital and operating budgets and ensure the integrity of financial statements, internal controls, financial information systems, projections, forecasts and audited statements.

The SAMA Board, similar to others, is a fiscal Board. Our primary responsibilities centre on ensuring the fiscal integrity of the Agency. The greatest challenge is to ensure that the necessary resources are available to fulfil the Agency's mandate.

As we all know, in 2004 the SAMA Board adopted a Vision for 2009 that will move the provincial assessment system from a highly regulated system to a market value assessment (MVA) standard for residential and commercial properties by 2009. Our financial projections are based on a detailed "move to market" project management plan.

The Agency has worked closely with an external consultant to develop a five-year financial projection to provide the required resources to meet objectives and deliverables set out in the move to market value assessment plan.

The five-year plan calls for progressive budget increases over the 2006 to 2009 period to match necessary resource requirements for a market value assessment system and to maintain those components that will continue to be regulated. Even with the proposed increases to the budget over the next four years, SAMA's per parcel operational costs will still remain among the lowest in the country. However, to meet our mandate we must continue to achieve efficiencies in service delivery.

Having the plan is one thing...having the necessary resources is another.

SAMA's ongoing operating budget shortfall was addressed in 2004 when the Agency funding formula was modified and the local requisition was expanded to include school divisions. The Department of Learning agreed to provide SAMA with \$2.5 million annual funding on behalf of school divisions by the 2006-07 provincial fiscal year.

This enhanced funding enabled the Agency in 2005 to fill a number of long-term vacancies and plan on a balanced operating budget for the first time in over five years. The 2005 balanced budget required an additional \$345 thousand (over the 1.625 million from Learning) from GR, which we certainly appreciated to fund the new CAMA system software licenses. The Agency ended 2005 with a small uncommitted surplus (\$375 thousand).

The 2006 Budget expenditure plan included additional appraisal positions to build assessment services capacity. Several other positions were also to be filled and this with general inflationary pressures required a substantial resource increase.

The final portion of the Learning commitment, \$875 thousand, was provided in 2006 and the municipal requisition was not changed. Government Relations maintained their base operating and capital funding commitments and provided additional one-time funding in the amount of \$200 thousand directed to specific initiatives.

The decision to provide this additional funding recognized in part the longer-term future funding requirements of the Agency.

Although our expenditure plan was not fully funded this year we intend to meet our 2006 targets for the move to market, to maintain services at 2005 levels and to balance the budget.

Further, and in a very positive development, we are now engaged with the province (Government Relations, Learning and Finance) to produce a report for Treasury Board to address our future funding requirements. Once the initial work is complete, together, we will engage SARM, SUMA and the School Boards Association in discussions about how to achieve our future funding requirements. We see this initiative as a positive sign that we can obtain the fiscal resources to fulfil our mandate.

There are two key questions before us. The first centres on the costs of operating the Agency that are appropriately borne by the Province on one hand and municipalities and school divisions on the other. The second question centres on how the municipal-school division portion should be shared. A related question asks what formula should be used to distribute the local portion among individual municipalities and school divisions. The requisition formula is presently under review; however, it would be premature to settle on the details of an updated requisition formula before the questions about proportion are answered.

As we look back, the 2005 Annual Report provides the financial statements for that year. As we look forward, we see tough challenges as we review our funding requirements. But we also see good understanding of the value and importance of a modern, equitable and stable provincial assessment function and we see strong commitment to our future fiscal health.

Conclusion

In closing today, I would like to say that the SAMA Board's achievements over this past year could not have been attained without the support of people like you: representatives from municipalities, school divisions, the Province, and local government organizations.

I would also like to express my appreciation to the other members of the Board of Directors for their commitment to improvement and positive relationships.

I hope my report to you provides a helpful perspective of this agency's performance as it relates to our vision, mission and strategic directions.

We are committed to taking strong leadership in achieving our vision for an accurate, current, universal, equitable and understandable assessment system.

Achievement of our strategic plan and improvements in our accountability and means of disclosure take us further along a positive, developmental path. We have many challenges awaiting us in the future ... which I know we will meet with dedicated energy and a desire for accomplishment.

Thank you for your attendance today and for your attention. If you have any questions, we will do our best to provide the answers.