

2021 Business and Financial Plan

*Delivering the 2021
Revaluation*



sama

SASKATCHEWAN ASSESSMENT
MANAGEMENT AGENCY

Mission Statement

The Saskatchewan Assessment Management Agency develops, regulates and delivers a stable, cost-effective assessment system that is accurate, up-to-date, universal, equitable and understandable.

The Saskatchewan Assessment Management Agency is responsible for Saskatchewan's property assessment base with a value of over \$250 billion. This property assessment base is the foundation for fairly distributing just under \$2.2 billion of property taxes levied annually by municipalities and the Province to Saskatchewan property owners.

The agency has a two-fold responsibility to the Province and municipalities. Its governance responsibilities for the property assessment system include property assessment research and policy development, maintaining a central database of property assessments, providing assessment information to the Province and assuring the quality of assessments. In addition, the agency provides assessment valuation services to 763 client municipalities and to the Province for the education sector.

The agency maintains the assessment valuations for client municipalities on over 868,000 properties. Assessment valuation services include annual maintenance reviews, periodic property reinspections, complete revaluations every four years and support of value services.

2021 Overview

The agency's four-year plan for 2018-21 has been established in consultation with its funding partners. Fiscal responsibility is essential to the Government's commitment to a plan of balanced growth and effective use of resources. This means that the agency's spending has to be affordable for the funding parties and sustainable over the long term. The agency has committed to limiting operational spending increases to a maximum level of 2% annually. SAMA's 2021 budget request is an overall increase of 1.67% to revenues.

During this current four-year cycle SAMA will continue on the path set in the last four years and ensuring delivery on our commitments. These include:

- a substantial increase in property inspections
- timely delivery of maintenance and other valuation services
- sustaining current levels of service for our governance responsibilities, including preparation for the 2021 revaluation
- providing accurate assessments
- meeting the demand for support of value services and performing these duties effectively
- maintaining a culture of transparency and open communication with all stakeholders

For 2021, SAMA will meet the demands of the province-wide revaluation, continue to enhance and optimize the agency's use of technology, and look for opportunities to continue making improvements.

The revaluation may present challenges due to the state of the Saskatchewan economy, declining property values in some areas since the January 1, 2019 base date and the COVID-19 crisis. Our 2021 plan accommodates this risk by allowing for a similar number of appeals to the near record number received during the last cycle when SAMA faced a similar situation of declining market values after the valuation base date.

The operational priorities in 2021 will be to conduct 110,000 property reviews (combined property maintenance and reinspection reviews) and to continue serving our clients with support of value services. Being a revaluation year also means that SAMA will need to be available to answer any questions from stakeholders or property owners. SAMA has been able to increase its output of property inspections following a major capital investment over the past several years and must also continue to meet its commitment of delivering up-to-date values to municipalities and the Province. SAMA intends to accomplish this with the same level of staffing in 2021 as 2020.

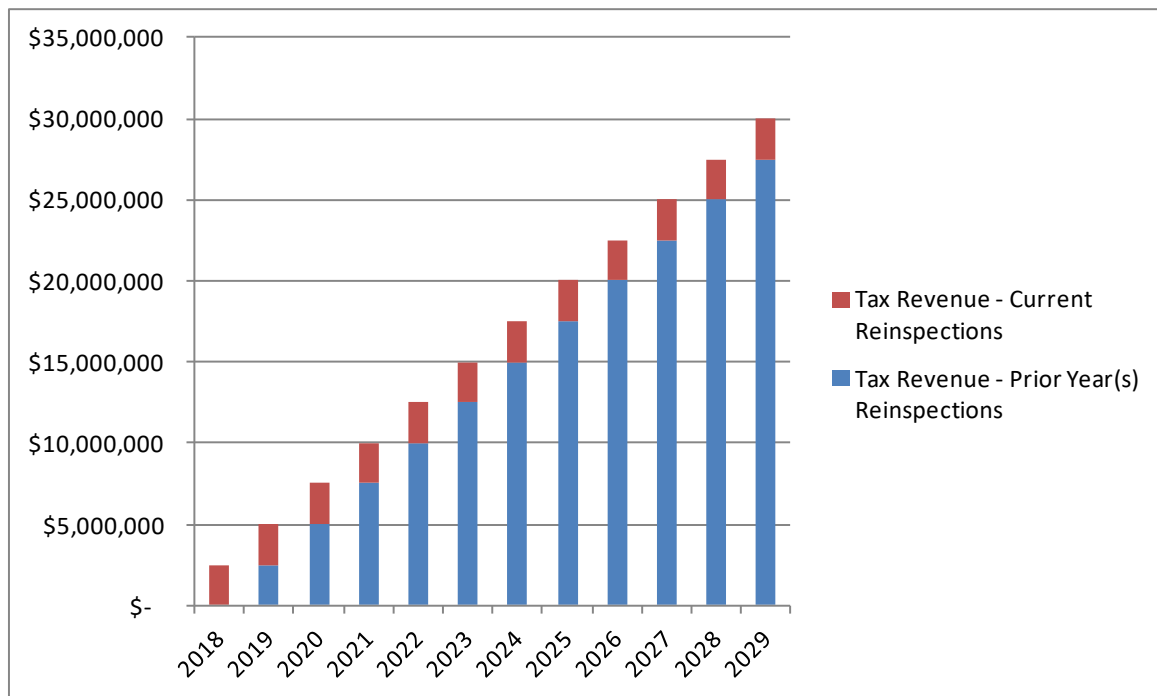
The agency’s work translates into tangible benefits for the Province and client municipalities in the form of additional property tax revenues to fund education and municipal services, as well as providing a fair basis for taxation.

The property assessment base is estimated to continue growing at under 1.0% annually. The annual maintenance program will continue to capture this growth, providing over \$20 million annually in estimated additional property tax revenues for education and municipalities.

Without periodic physical reinspections, assessments become outdated and there is an ongoing cumulative loss of potential property taxes, as well as a decreased level of fairness. SAMA has made very large gains in reinspections recently and SAMA has already added an estimated \$140M from 2014-2019 reinspections and maintenance (see Graph 2). With the number of annual inspections still rising, these growth numbers should be sustained over the next few years, although the value of new taxable assessment from maintenance activity may decrease if there is less overall economic activity in Saskatchewan.

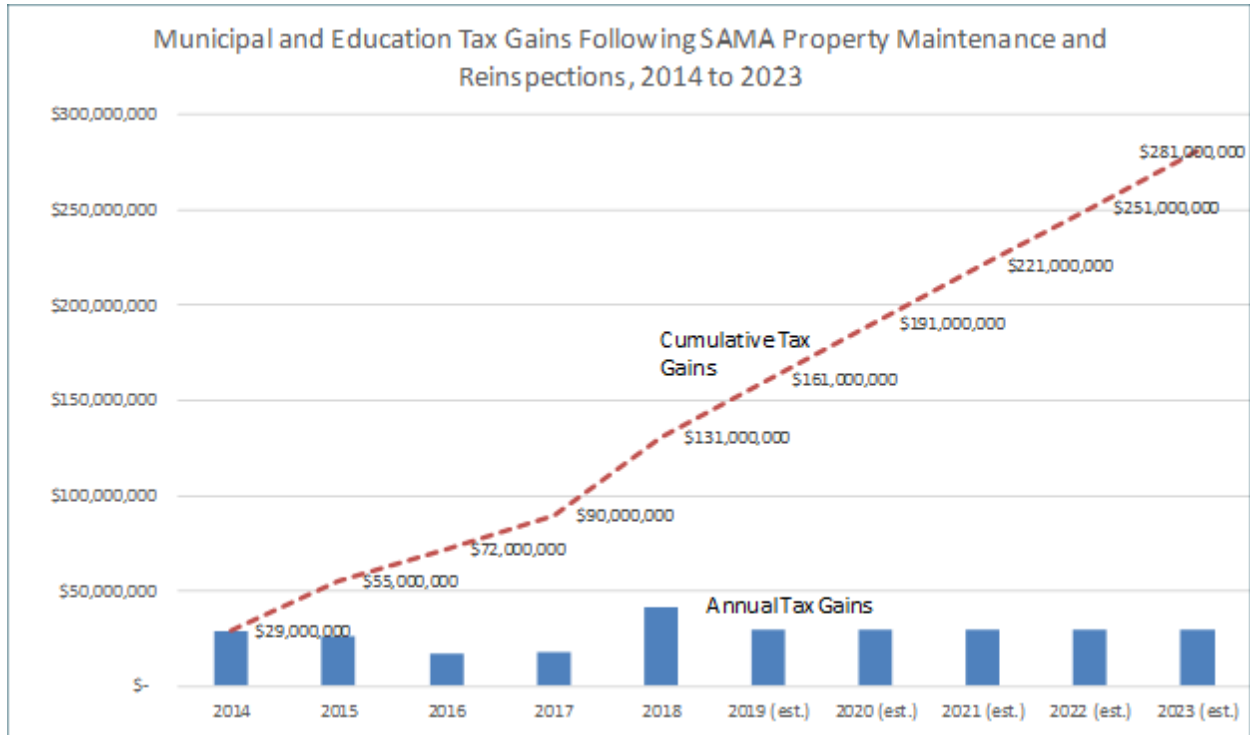
Graph 1 - Estimated Compounding Benefit of Property Reinspections

By conducting property reviews, SAMA adds taxable assessment that increases tax revenues for municipalities and the education sector. Since property taxes are levied annually, the increased revenue occurs over-and-over, resulting in the compounding effect shown in this chart:



Graph 2 – Estimated Tax Revenues Generated Over a 12-Year Reinspection

The following chart shows estimated tax gains from actual results from 2014-2018 and estimated gains for 2019-2023:



A doubling of property reviews under the old methods of conducting assessments and with old technology would have required approximately 40 additional field appraisal staff. SAMA has achieved a doubling of property inspections with the current appraisal staff complement because of the following:

- increasing the efficiency of operations and pursuing smarter delivery of programs
- continuing to build on process improvements and innovative new business processes
- investing in new technologies to build its capacity to continue providing up-to-date assessment valuations
- receiving continued financial support from the province and municipalities, including a large funding increase from the province that allowed for the annual inspection objective to increase to 110,000 from 100,000

The agency also intends to stay focused on the following three objectives:

- sustaining and enhancing current levels of service for our governance responsibilities
- continuing to improve the delivery of maintenance assessment valuation services to our clients
- maintaining the capacity to reinspect all properties on a continuous and regular basis

Strategies and Actions

Strategy

Provide up-to-date, quality property assessment valuations to the Provincial government and client municipalities.

Key Actions

Annual maintenance program

- Provide annual maintenance reviews of 25,200 residential, commercial and agricultural properties and 98,000 industrial properties (these industrial properties are in addition to SAMA's goal of 110,000 regular property reviews).
- The range of properties completed as maintenance in 2021 is dependent upon the amount of time required for support of value work.
- Increase on-time service delivery levels. Efficiencies gained with new computer system are being used to deliver maintenance to client municipalities when they want it. The goal for delivery of completed maintenance lists in 2021 is a minimum of 85% on-time and 95% of lists within 3 weeks of the date requested by municipalities.

Revaluation program

Once every four years the agency revalues all properties in each of its client municipalities to reflect a more current valuation base date.

- Submit final values for the 2021 revaluation to stakeholders by required deadlines.
- Training staff on changes to models and methods due to the 2021 Revaluation.

- Keep up ongoing communication with stakeholders and inform them of changes coming out of the revaluation.
- Verify property sales transactions for 50,000 property transfers registered with Land Titles.
- Maintain current continuous sales verification service levels and verification of income and expense data.
- When requested, attend client and ratepayer meetings explaining new base date values. Place special emphasis on municipalities with substantial changes to their local council following the municipal elections in 2020.

Reinspection program

Inspection plans have been developed based on a targeted strategy of focusing on municipalities that are estimated to be the least up-to-date and accounting for time required to handle potentially increased property appeals. SAMA plans to conduct 84,800 reinspections in 2021.

- Reinspect 44,300 agricultural land properties in 27 rural municipalities.
- Reinspect 18,000 residential and 22,500 commercial properties (including 21,750 industrial properties).

Support of value

- Since 2021 is a revaluation year, rolls are required to be open for 60 days.
- Plans are based on appeal levels being similar to 2017 – the last revaluation year. SAMA is anticipating around 7,200 property appeals, just over 0.8% of the

properties in the province. There is a risk of appeal rates being higher due to decreasing property values after the base date of January 1, 2019.

- Provide support of value services to client municipalities including professional management of property assessment appeals, one-on-one assessment reviews with property owners, and attending to appeals filed with local board of revisions, the Saskatchewan Municipal Board and the Saskatchewan Court of Appeal.
- Maintain current support of value service levels while planning for increased inquiries and appeals.
- Train staff to ensure SAMA conducts all appeal steps professionally, thoroughly and with technical expertise.
- Work with appellants to move quickly and cost effectively through the appeal process by reaching mutual agreements to adjust when appropriate.
- Provide clients with cost-effective service, by engaging external legal counsel only when necessary.

Public services

- Provide client municipalities, the Provincial government, stakeholders and property owners with reliable and timely access to property assessment records, confirmed municipal assessment totals and information on property value trends in Saskatchewan.
- Through informational materials, training workshops and other initiatives, continue to work with client municipalities, stakeholders and property owners to educate and raise awareness of the property assessment system, and assessment policies and practices.

Strategy

Support Saskatchewan's growing economy with a fair and equitable property assessment system.

Key Actions

Policy

- Maintain the active 2019 base date manual and non-regulated cost guide (used for years 2021-2024).
- Maintain the Market Value Assessment in Saskatchewan handbook which provides guidance for the assessment of all properties valued using the market valuation standard, with particular focus on the income approach.
- Ensure that all the rates on the CAMA system remain updated and in alignment with the most current rates in the manual and cost guides.
- Coordinate/provide oversight of the 2021 revaluation program through the internal SAMA revaluation steering committee, the external SAMA city assessor committee and the external revaluation committee.
- Monitor policies, processes and assessment outcomes as part of the 2021 Revaluation quality coordination program.
- Conduct CAMA system quality control testing.
- Provide coordination, training and technical support for appeals, maintenance and reinspection projects.
- Investigate and implement alternative valuation models with the objective of providing more stable and acceptable commercial property assessments for the 2021 revaluation.
- Complete a comprehensive review of the regulated oil and gas assessment models with special emphasis placed on ensuring the industry, municipal and provincial stakeholders are active participants throughout the process.

- Work collaboratively with the University of Saskatchewan to complete a detailed review of our current arable agricultural land productivity model for implementation with the 2025 revaluation.
- Facilitate and support initiatives regarding SAMA's statutory advisory committees and the City Assessor/SAMA Committee.
- Following the conclusion of our oil and gas review project and subject to approval by our advisory committee stakeholders and the Board, begin work on programming a new oil & gas valuation model in Q2 2021.
- Monitor trends and policies of neighboring assessment jurisdictions through the Canadian Property Assessment Network (CPAN) and the Canadian Directors of Assessment.

Technology

Although many developments from the past few years such as updates to the internal computer systems (Govern), a web portal, GIS capabilities and handheld tablet computers have entered a maintenance phase, the agency continues to seek opportunities to enhance and evolve our technology through:

- Continued GIS enhancement.
- Continuing to operate, maintain and enhance the existing Govern system, the computer assisted mass appraisal system used to derive and store property assessments.
- Supporting the continued development of SAMA's technology utilization by keeping software up to date, strengthening the knowledge and skills of employees and drawing in external resources and their expertise when necessary.
- Identifying repetitive internal business functions that can be automated and utilizing our new enterprise service bus to automate those processes

- Drawing in external resources and their expertise when necessary

Assessment roll confirmations

- Ensure compliance with property assessment statutory requirements.
- Confirm municipal assessment rolls that are accurate and have been completed in accordance with the Municipal Acts.

Strategy

Manage our business effectively and efficiently.

Key Actions

- Continue utilizing business process improvement events and other tools to increase the efficiency and effectiveness of work processes.
- Develop and maintain computer-assisted technologies that optimize the Agency's business operations to gain maximum value from our existing technologies.
- Continue to operate our leadership development program and implement a new emerging leaders development program.
- Strengthen management, administrative and accountability practices including a succession planning policy.
- Work with our funding stakeholders to develop, finalize and approve SAMA's four-year business and financial plan for the 2022 to 2025 period.
- Complete a comprehensive review of the municipal requisition model to ensure municipal charges are related to SAMA expenses.
- Maintenance and support of the MySAMA and SAMAView applications and the external SAMA website.

Property Reinspection Program Initiative

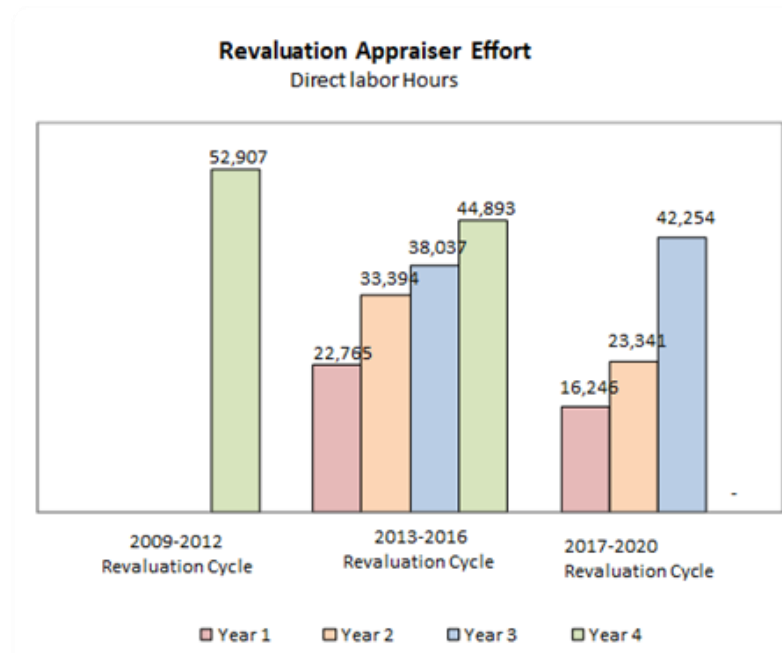
The agency's commitment to reinspect all properties at least once every 12 years will be attained by increasing the agency's capacity to do reinspections with an operational workforce of 163.25 FTEs. This is being accomplished by:

- Allocating additional appraiser resources to the reinspection program, attained through business process improvements in the annual maintenance and revaluation programs and increased provincial funding.
- Simplifying property inspection and creating standard work practices.
- Acquiring new technologies, training staff and continuing to enhance existing technologies when possible.

Although the plans for the reinspection initiative began several years ago, 2021 will be the fourth year that a full 1/12 of SAMA's clients began to see reinspection results on their assessment rolls (SAMA plans to achieve its third year of over 100,000 reviews in 2020, with those numbers being reflected on 2021 assessment rolls).

Allocation of appraiser resources

SAMA must continue to allocate its appraiser resources across its four main activities involved in delivering assessment services: property maintenance, property reinspection, support of value and revaluation. SAMA will continue to work on moving resources to the reinspection category by continuing to explore and implement new ways of conducting revaluation and support of value work more efficiently.



Simplified **revaluation processes** for urban properties has resulted in the reallocation of staff annually to the property reinspection program and to the support of value program. The use of improved sales verification processes, less complex valuation models, market value trending and GIS technologies have improved revaluation efficiency and contributed to reducing the amount of appraiser time needed, shifting additional resources to property reinspections.

New technologies

SAMA will continue using handheld computers for fieldwork and replace hardware on an as-needed basis. The agency will be exploring options available for virtual meetings and taking opportunities to save on travel expenses when it is appropriate.

Industrial Properties

With continued growth expected in Saskatchewan's energy and minerals sectors, the capacity of the industrial property assessment program will need to be maintained to meet demand for additional property assessments. Additionally, energy companies require a stable and fair assessment system. The agency is currently conducting a review of its current oil & gas valuation model and plans to introduce a new model at the end of the second quarter of 2021. In order to make sure the review is successful, SAMA will be collecting cost and market data, as well as comparing Saskatchewan policies with those in comparable tax jurisdictions – most notably Alberta and Manitoba.

FINANCIAL ESTIMATES - 2021 Budget

(in thousands)

SAMA 2021 Financial Projection
(in thousands of dollars)

	Approved 2020 Budget	Adjusted 2020 Budget	2021 Budget	Adjusted \$ Var	Adjusted % Var
<u>REVENUES</u>					
Provincial	\$11,616	\$11,388	\$11,616	\$228	2.00%
Municipal:					
Base and technology fee	8,485	8,498	8,670	\$172	2.02%
Service fees	442	470	400	-\$70	-14.89%
Moose Jaw contract	579	579	579	\$0	0.00%
Other revenue	<u>420</u>	<u>420</u>	<u>450</u>	<u>\$30</u>	<u>7.14%</u>
	21,542	21,355	21,715	\$360	1.67%
<u>EXPENDITURES</u>					
Salaries and benefits	15,019	15,019	15,334	\$315	2.10%
Other expenses	5,944	5,944	6,063	\$119	2.00%
Moose Jaw contract	<u>579</u>	<u>579</u>	<u>579</u>	<u>\$0</u>	<u>0.00%</u>
	21,542	21,542	21,976	\$434	2.02%
Transfer from (to) reserves	<u>0</u>	<u>228</u>	<u>262</u>	<u>0</u>	=
Surplus (Deficit)	0	0	0 \$	-	0.00%
No. of permanent employees	163.25	163.25	163.25	0	0.00%

Note: municipal service fees and property counts have been adjusted to 2020 actual results in the Adjusted 2020 Budget column.

How Resources Will Be Used

Operational expenditures have a budgeted increase of 2.02% in 2021.

- The number of permanent positions will remain the same from 2020 (163.25) and the allocation of positions between assessment services, governance and support services will all be unchanged.
- Employee salaries and benefits are estimated to increase 2.1%. Budget estimates include a 2.0% allowance for direct 2021 salary and benefit increases in accordance with the 2017-21 collective bargaining agreement.
- Other expenses have a budgeted increase of 2.0%. Building rent, computer costs (primarily software and hosting services) and staff training are expected to rise by over 2.0%. All other are budgeted to increase at levels of less than 2.0%.
- Governance costs (assessment research and policy development, maintaining a central database, providing assessment information to the Province and assuring the quality of assessments) are budgeted at \$6.375 million.
- Assessment valuation services costs (annual maintenance, revaluation, property reinspection and support of value programs) are budgeted at \$13.506 million – \$8.668 million for municipalities and \$4.838 million for education.

SAMA Municipal Invoice

- In 2021 a 2% cost of living increase applied evenly to all municipalities would result in additional requisition revenue of \$170,000.
- In 2021 property counts will be adjusted for municipal growth (increasing property count numbers) resulting in additional revenue of \$15,000
- 2021 maintenance service fees are expected to drop to \$400,000 from the 2020 actual revenue of \$470,000.
- As in prior years, any service fee revenue in excess of budget is to be transferred at year-end to an operational reserve to defray future expenditures and/or inflationary increases in the municipal levy.

Funding Request

Provincial and Municipal Funding (000's)

	<u>2020 Budget</u>	<u>2020 Adjusted</u>	<u>2021 Budget</u>	<u>Funding Share</u>	<u>Variance Amount f/ Adjusted</u>	<u>%</u>
Provincial Funding						
Governance	\$ 6,250	\$ 6,250	\$ 6,375	100.0%	\$ 125	2.0%
Assessment Valuation Services	5,066	4,838	4,941	36.0%	103	2.1%
Tech. Development & Support	<u>300</u>	<u>300</u>	<u>300</u>	50.0%	-	<u>0.0%</u>
Total provincial funding	11,616	11,388	11,616		228	2.0%
Municipal Funding						
Assessment Valuation Services	8,627	8,668	8,770	64.0%	102	1.2%
Tech. Development & Support	<u>300</u>	<u>300</u>	<u>300</u>	50.0%	-	<u>0.0%</u>
Total municipal funding	\$ 8,927	\$ 8,968	\$ 9,070		\$ 102	1.1%

How Funding Will Be Shared

Operational funding will be allocated to the funding parties in proportion to benefits.

- 100% of governance (assessment research and policy development, maintaining a central database, providing assessment information to the Province and assuring the quality of assessments) to the Province.
- 36.0% of assessment valuation services to the Province and 64.0% to client municipalities. 2019 property tax levies for education and municipalities were split approximately 34/66.

Ongoing support costs for technology will be allocated to the funding parties on an equal basis.

2021 Funding Shares

Total **provincial funding** will increase \$228,000 (2.0%).

- Governance and assessment valuation services costs have been reset to more accurately reflect current SAMA operations.
- Funding for support and maintenance of technology expenditures will remain at \$300,000.
- These increases are over the adjusted 2020 budget, which included no changes over the 2019 funding provided by the Province.

Total **municipal funding** will increase \$102,000 (1.1%).

- Assessment valuation services funding will increase \$102,000 (1.2%) in 2021 to \$8.770 million.
- Technology maintenance funding will remain unchanged at \$300,000 to provide for ongoing support and maintenance costs.
- Although there is a 2.0% planned increase to municipal base fees, there is an expected decrease in fees generated from SAMA's maintenance fee due to a reduced volume of maintenance activity in 2020 and 2021.

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