

2024 Business and Financial Plan

*Supporting Saskatchewan's
Growth*



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May 2023

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Saskatchewan’s Vision and Growth Plan Goals

“...to build a better quality of life for Saskatchewan people – to build strong communities and strong families – and grow a stronger Saskatchewan now, and for the next decade”.

SAMA Supports Saskatchewan’s Growth Plan

Through both property maintenance and the enhanced reinspection program, municipalities, schools, and libraries all benefit from an increased tax base that generates new tax revenues. Over \$10B in taxable assessment and \$157M in annually recurring property tax revenues have been captured by SAMA’s work since 2014 and is projected to continue.

This helps build strong communities and grow a stronger Saskatchewan now and in the future.



EXECUTIVE SUMMARY

The Saskatchewan Assessment Management Agency is responsible for Saskatchewan's property assessment base with a value of over \$270 billion. This property assessment base is the foundation for fairly distributing just under \$2.32 billion of property taxes levied annually by municipalities and the province. This funding makes up a large majority of revenue for municipalities and a significant portion of the funding for both primary and secondary education.

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 751 client municipalities and to the province for the education sector.

The agency maintains the assessment valuations for client municipalities on over 873,000 properties. Assessment valuation services include annual maintenance reviews, periodic property reinspections, complete revaluations every four years and support of value services.

2024 BUDGET OVERVIEW

SAMA'S 2024 budget request is needed to maintain the current workforce and a balanced budget to continue providing core services to stakeholders and client municipalities.

The agency's budget for 2024 is being established in accordance with SAMA's 2022-25 Four-Year Plan, while adapting for current economic conditions. Fiscal responsibility is essential to the Government's commitment to a plan of balanced growth and effective use of resources and SAMA's intent is to move in-step with the province. This means that the agency's spending needs to be affordable for the funding parties (municipalities and the province) and sustainable over the long term. Additionally, SAMA must have the capacity to conduct enough property reviews to maintain the integrity and reliability of the assessment system, be able to support values on behalf of clients throughout the appeals process and provide an effective property assessment governance function for the entire province. Due to unpredicted inflationary pressure, SAMA is bringing forward a budget with a planned revenue increase of just over 4% for 2024. The increase is necessary to maintain SAMA's current workforce as well as to create a balanced budget that no longer depends on the use of SAMA's restricted reserves. SAMA's annual budget of \$23M continues to represent less than 1% of the tax revenues raised via property taxes in Saskatchewan (\$2.3B).

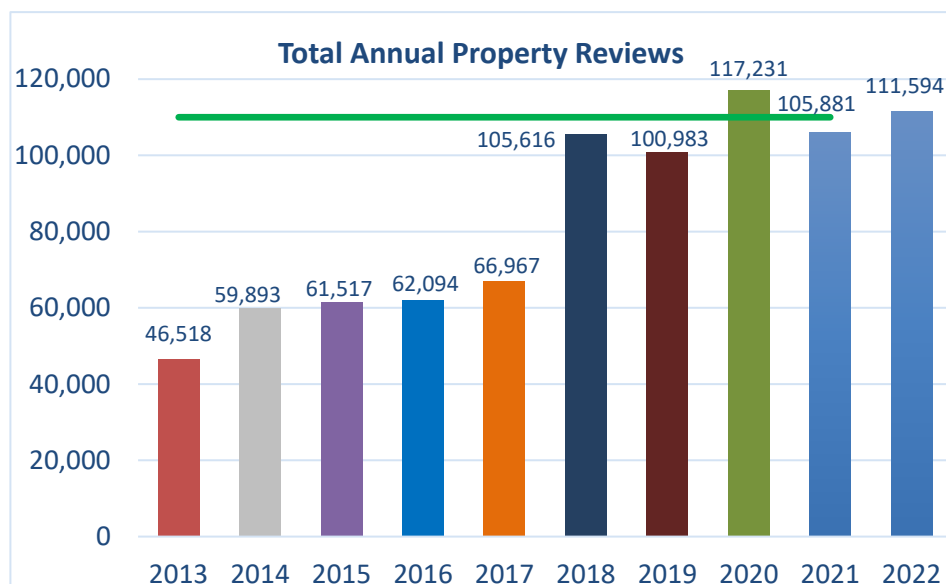
The Agency's Four-Year plan for 2022 to 2025 had called for 1.5% increases annually, based on the Bank of Canada's targeted inflation rate of 2% and economic uncertainty because of the COVID-19 pandemic. Since establishment of the 4-year plan, inflation has accelerated worldwide and peaked at over 6% on an annual basis in Canada. The challenge of rapidly escalating costs of business has resulted in SAMA preparing a 2024 budget with revenue increase requests more than the originally planned 1.5%. This increase will be required to keep SAMA on track for a complete provincial property reinspection within 12 years and to provide the expected level of service to stakeholders.

Operational priorities in 2024:

- to conduct **110,000 property reviews** (combined property maintenance and reinspection reviews). The reviews provide new tax revenues to municipalities and the education sector, as well as providing fairness within the overall property taxation system.
- to represent SAMA's clients in approximately 1,700 property appeals throughout the **support of value** process at the Board of Revision, Saskatchewan Municipal Board and Saskatchewan Court of Appeal levels. SAMA aims to keep assessment changes due to appeals to under 1% of total taxable assessment, therefore providing a fair and reliable basis for property taxation.
- to continue research / analysis towards the **2025 revaluation** and fulfill the governance function. SAMA will continue to provide **quality assurance service** for the entirety of Saskatchewan, work to update assessment policy to ensure Saskatchewan continues to use the most current and efficient methods of property assessment available and keep lines of communication open with the province, municipalities, rate payers and the public at large.

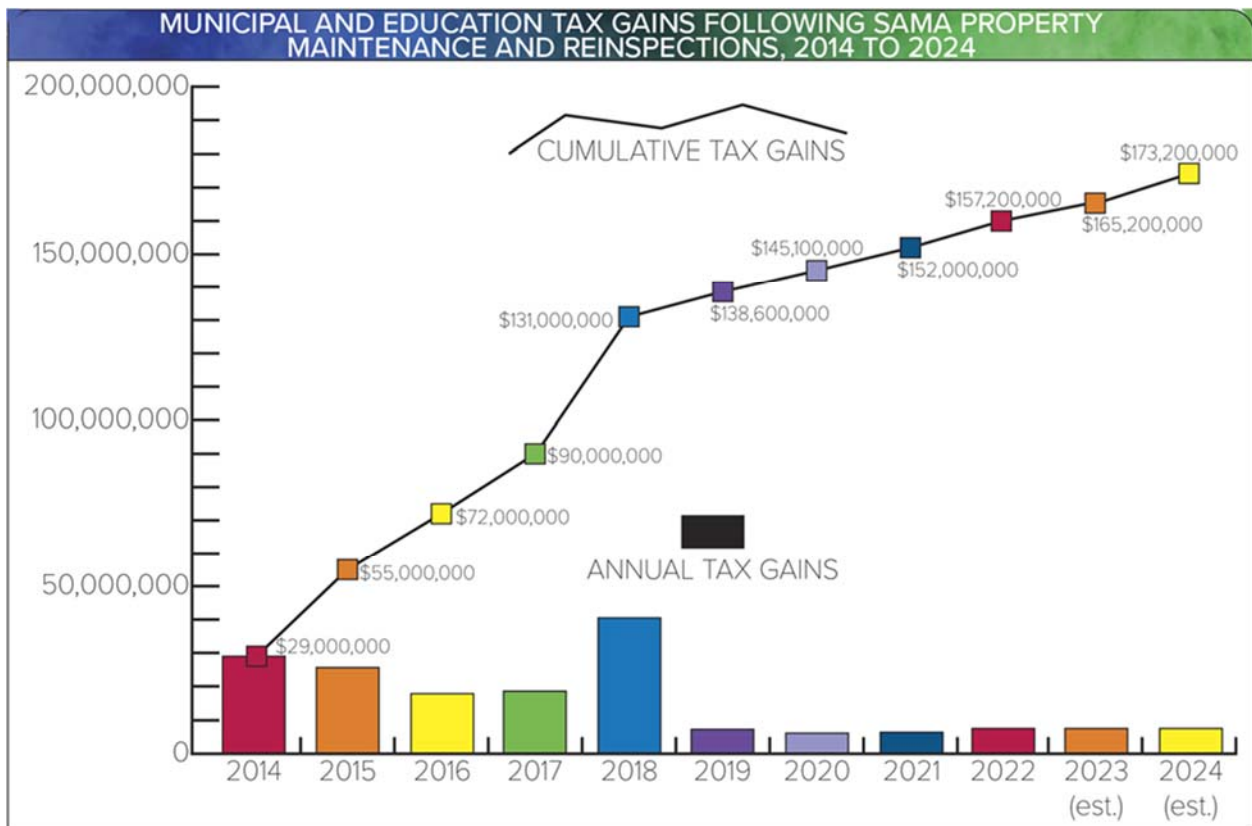
AGENCY PERFORMANCE AND OUTCOMES

Since 2018, SAMA has been on track to fulfill an objective of reinspecting all properties in Saskatchewan on a 12-year reinspection cycle. A doubling of SAMA's output has been accomplished via investment in technology, business process improvement and policy / procedure simplification:



SAMA’s goal of completing a provincial reinspection by 2029 is now nearly 50% complete. The agency has completed over 541,000 property reviews in the previous 5 years (a mix of both property maintenance reviews and property reinspection reviews). These reviews provide a strong return on investment for both municipalities and the province in terms of new taxable assessment but are also vital to maintaining public confidence in SAMA’s assessment system.

Through both property maintenance and the enhanced reinspection program, municipalities, schools, and libraries all benefit from an increased tax base that generates new tax revenues. SAMA began tracking this in 2014 and estimates that in addition to enhanced fairness and system integrity, over **\$10B in taxable assessment and \$157M in annually recurring property tax revenues** have been captured by SAMA’s work during those years and is projected to continue as shown below provided SAMA can maintain the targeted number of property inspections:



STRATEGIC ACTIVITIES

MISSION, STRATEGIES AND ACTIONS

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.

Agency Strategy

SAMA plans its objectives and actions based upon five key perspectives: customer/stakeholder, business process, people/learning, strategic and financial.

CUSTOMER/STAKEHOLDER KEY ACTIONS AND PERFORMANCE MEASURES

- Conduct maintenance and reinspection reviews of at least 440,000 properties during the 2022 to 2025 period.
 - During 2024, the agency's plan is to conduct 110,000 property reviews and to provide the taxable assessment basis for approximately \$8M in new revenues for municipalities and schools, continuing the trend of taxable assessment growing faster than the costs of Saskatchewan's assessment system.
 - Deliver assessment maintenance data to municipalities by the specified date to 85% of municipalities and to 95% of municipalities within three weeks of the specified date (date requested by the municipality).
 - Update approximately 95,000 oil and gas well assessments annually via standardization in addition to the overall 110,000 property inspections target and collect current data on all commercial and industrial properties in the province.

- Continue towards a 12-year provincial reinspection cycle, passing the halfway point in late 2023, and targeting municipalities that are furthest out-of-date and adding assessment / tax revenue sources to municipalities and the education sector (stay on target for a full provincial reinspection by the end of 2029).

- Provide support of value services to client municipalities for an estimated 1,700 appeals in 2024 (11,000 appeals in the 2022-25 period) with appropriate levels of legal support as required:
 - Provide trusted professional management of property assessment appeals, one-on-one assessment reviews with property owners, and attendance to appeals filed with local boards of revision, the Saskatchewan Municipal Board, and the Saskatchewan Court of Appeal.

- Provide quality assessed values that can be depended on by municipalities and the province. Following all levels of appeal, the agency aims for total taxable assessment decreases of less than 1% when compared to the values originally delivered by SAMA.
- Maintain positive relationships with client municipalities, the Ministry of Government Relations, SARM, SUMA, RMAA, UMAAS, stakeholders, industry/business organizations and property owners. SAMA will provide all parties with reliable and timely access to property assessment records, confirmed municipal assessment totals, information on property value trends in Saskatchewan and will provide further information and or training upon request.
- Continue to stay on target for 2025 delivery of a review of the pipeline assessment model and a new solar farm mass appraisal model.
- Confirm municipal assessment rolls that are accurate and have been completed in 100% accordance with the municipal acts.
- Building relationships and providing assessment services / consultation to First Nations communities upon request.

BUSINESS PROCESS KEY ACTIONS AND PERFORMANCE MEASURES

- Implement changes that arise from SAMA's enterprise architecture project and develop an enterprise data model to maximize the agency's efficiency in the use of technology.
- Maintain and further enhance the current web portal and enterprise service bus to improve the flow of data and the reporting function between SAMA and client municipalities.
- Maintain the current fleet of remote data collection devices (handheld computers) that appraisers use in the field.
- Develop and maintain computer-assisted technologies that optimize the Agency's business operations. SAMA will further leverage GIS mapping to increase the accuracy and efficiency of agricultural assessments.
- Review SAMA's leased office space and the format, frequency, and cost of all internal and external agency meetings.

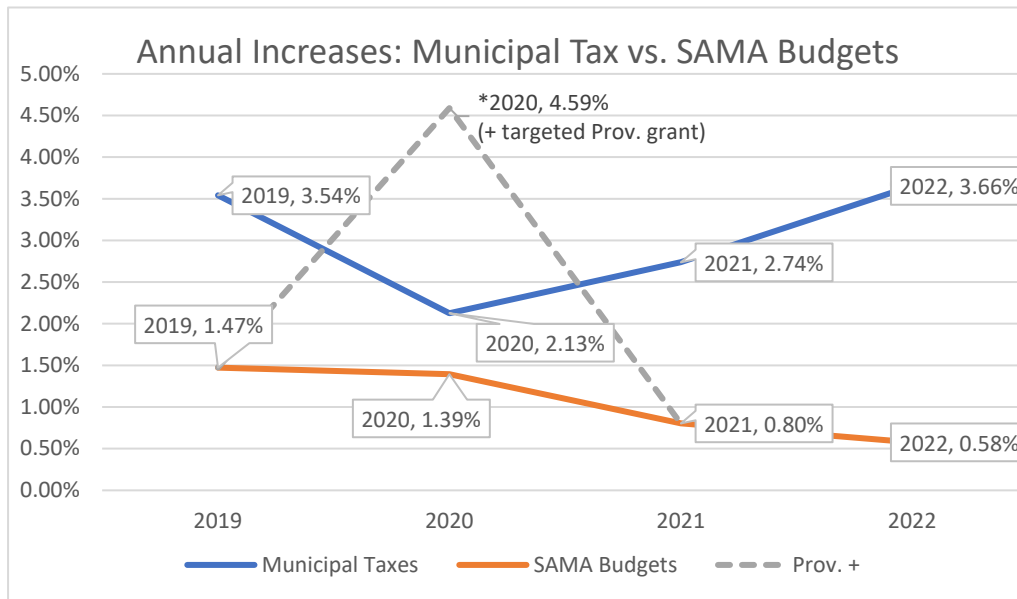
PEOPLE AND LEARNING ACTIONS AND PERFORMANCE MEASURES

- Maintain an organizational culture that supports a voluntary turnover rate that is under 5% for 2024.
- Invest approximately 2% of annual budget into staff training and development.

- Ensure all SAMA appraisers are maintaining or enhancing their skill sets and for SAMA to continue to be an industry leader in terms of percent of employees professionally designated by the International Association of Assessing Officers (IAAO).
- Continue to enable every SAMA appraiser to have functional expertise on all three approaches to value (cost, sales, and income).
- Maintain a positive relationship between SAMA management and staff, while continually reviewing employee engagement levels.
- Implement the necessary succession plans and training programs to ensure key positions are staffed appropriately currently and in future.

STRATEGIC ACTIONS AND PERFORMANCE MEASURES

- Obtain gold certification with Excellence Canada.
- Ensure that the maximum number of property inspections are completed with available resources.
- Communicate to stakeholders the value of service provided by SAMA and its return on investment to the communities it serves.
- Saskatchewan municipal tax revenues have increased over 12% from 2019-2022, while SAMA’s budgets have increased by 7.4%:



*In 2019, SAMA received \$646,000 over its requested grant amount from the province that was targeted for increasing the staffing level and property reviews on an ongoing basis. This resulted in an irregular bump in SAMA’s revenue budget for 2020 (shown by the dotted gray line in the chart above)

FINANCIAL ACTIONS AND PERFORMANCE MEASURES

- Enhance the current funding model and ensure that funding shares are up-to-date, and match actual costs and benefits received by adjusting fees for service and matching component charges per property to SAMA costs. SAMA will further revise the requisition formula by shifting costs to property types which have been identified as not representing an appropriate portion of the current model (commercial and industrial properties).
- Receive a clean financial audit report and effectively manage the Agency's financial resources in accordance with plans approved by stakeholders.
- Managing SAMA's costs to align with the province and economic conditions of stakeholders while also tracking inflation and responding to any economic disruption.
- Optimizing revenues for SAMAView and assessment data licensed to other parties while also effectively managing third party assessment contracts.
- Continue to track and communicate to stakeholders the increases in taxable assessment and tax revenues due to SAMA property reviews.
- Monitor costs of other assessment jurisdictions via the Canadian Property Assessment Network (CPAN) and ensure SAMA is at the top in terms of value provided relative to its cost of service.
- Conduct competitive public tenders for all major purchases.

FINANCIAL ESTIMATES - 2024 BUDGET (IN THOUSANDS)

SAMA 2024 Financial Projection (in thousands of dollars)

	Approved 2023 Budget	Adjusted 2023 Budget*	2024 Budget	Budget Variance	Budget % Var	Adjusted Budget % Var
<u>REVENUES</u>						
Provincial	\$ 11,787	\$ 11,388	\$ 12,242	\$ 455	3.86%	7.50%
Provincial: First Nations	\$ -	\$ -	\$ 85	85	-	-
Municipal:						
Base and technology fee	9,113	9,113	9,450	337	3.70%	3.70%
Service fees	450	450	520	70	15.56%	15.56%
Moose Jaw contract	662	662	700	38	5.74%	5.74%
Other revenue	<u>450</u>	<u>450</u>	<u>450</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>
	<u>\$ 22,462</u>	<u>\$ 22,063</u>	<u>\$ 23,447</u>	<u>\$ 985</u>	<u>4.39%</u>	<u>6.27%</u>
<u>EXPENDITURES</u>						
Salaries and benefits	\$ 16,462	\$ 16,462	\$ 17,125	\$ 663	4.03%	4.03%
Other expenses	<u>6,276</u>	<u>6,276</u>	<u>6,322</u>	<u>46</u>	<u>0.73%</u>	<u>0.73%</u>
	<u>\$ 22,738</u>	<u>\$ 22,738</u>	<u>\$ 23,447</u>	<u>\$ 709</u>	<u>3.12%</u>	<u>3.12%</u>
Transfer from (to) reserves	<u>\$ 276</u>	<u>\$ 675</u>	<u>\$ -</u>	<u>(276)</u>	<u>(100.00%)</u>	<u>(100.00%)</u>
Surplus (Deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>	<u>0.00%</u>
No. of permanent employees	163.25	163.25	164		0.46%	0.46%

* 2023 adjusted budget included to show actual 2023 provincial funding of \$11.388M

2024 FUNDING REQUEST

Province of Saskatchewan: \$12.327 million.

Municipal clients of SAMA: \$9.970 million.

Due to changing economic conditions, SAMA is increasing its funding request from the 2022-25 4-year plan that was submitted in spring 2021. That plan initially called for estimates annual increases of 1.5% annually. This budget calls for a 3.86% increase from the province (7.5% more than the 2023 actual) plus an additional \$85,000 for an FTE targeted to conduct First Nations assessments. The municipal requisition charges are budgeted for a 3.5% base charge change and a 0.2% increase due to growth in the number of properties.

HOW RESOURCES WILL BE USED:

Operational expenditures have a budgeted increase of 3.12% in 2024 (over the 2023 budget).

- The number of permanent positions will move upward 0.75 positions to 164 full-time equivalents (FTEs). The additional position will be assigned to doing First Nations contracted assessment services on an ongoing basis and funded by the province.

SAMA PERMANENT STAFF POSITIONS (BUDGETED)

DIVISION	2023 Staff Positions	2024 Staff Positions
Assessment Services	118.25	118
Appraiser - First Nations Contracts	0	1
Information Services	14	14
Technical Standards & Policy	13	13
Quality Assurance	6	6
Finance	5	5
Human Resources	4	4
Executive	3	3
Total	163.25	164

- Employee salaries and benefits are estimated to increase 4.03%.
- Other expenses have a budgeted increase of 0.73%.

SAMA MUNICIPAL REQUISITION

- In 2024, no increase to the per property fee for service charged to municipalities of \$25 is budgeted. However, the total budgeted amount for these fees is budgeted to increase by \$70,000 based upon the prior two years experience (demand for property reviews by municipalities has been higher than anticipated in 2022-23).
- The \$337,000 (3.7%) increase to the requisition base charges will be generated by increases to the per property charge portion of the formula (3.5%) and anticipated growth in property counts (0.2%). SAMA's goal will continue to be matching the requisition formula and charges to SAMA's costs of providing service.

HOW FUNDING WILL BE SHARED

- 100% of governance (assessment research and policy development, maintaining a central database, providing assessment information to the government, and assuring the quality of assessments/provincial consistency) to the province.
- 35.0% of assessment valuation services to the province and 65.0% to client municipalities. 2022 property tax levies for education/libraries and municipalities were split approximately 35%/65% respectively.

2024 RISKS AND IMPACTS OF FUNDING FREEZE

Since 2020, SAMA has experienced a dramatic increase in legal costs incurred during the support of value process. These appeals are typically of a complex nature and the appellant is usually represented by a lawyer or agent. Due to the large amount of taxable assessment being appealed in these cases and their precedent-setting nature, costs can accumulate quickly and the risks of not successfully supporting these values are very high. For the year 2024, SAMA continues to budget for legal costs at a higher rate than was required in the past, but the agency has taken steps to only utilize external lawyers when necessary and cost-effective.

As a professional service provider, a large majority of all SAMA's costs can be attributed to salaries, benefits, and staff training. The remaining costs are largely fixed and in the categories of leased office space, technology costs such as computer system hosting and software charges, and travel charges. To recruit and retain assessment professionals, SAMA will need to maintain a competitive compensation package in a time of uncertain inflationary pressures, a tight labor market and rising labor costs.

Out of necessity, SAMA's strategy in the event of a future revenue shortfall or cost overruns will be to continue fulfilling its legislated responsibilities to the extent possible, however, it will come at the cost of reducing staff levels and reinspection activities. The decreased reinspections would result in an immediate deceleration in the growth of taxable assessment for Saskatchewan.

SAMA would continue to conduct property maintenance inspections and support of value activities, but the agency would no longer be able to maintain its current reinspection program or devote as many resources as possible toward 2025 revaluation preparation.



BEYOND 2024

Although SAMA has doubled its inspection capacity in the last few years and is on-track to complete a 12-year reinspection of the province, there are challenges ahead. Inflation, in terms of both its level and unpredictability, make forecasting future costs more difficult. The agency, as a professional service provider, spends approximately three-quarters of its budget on salaries and benefits, an area which has seen the effects of inflation even more so than general goods and services. As an entity without other significant alternative sources of revenue or remaining reserves, SAMA needs to match its reinspection targets with its funding. Enhanced or decreased funding would therefore result in an immediate acceleration or deceleration of the 12-year reinspection program, affecting the tax base for communities and education.

With the requested staff complement and funding, SAMA can continue to meet the demands of a province growing in both population and economy and fulfill its duty as steward of Saskatchewan’s assessment system.

APPENDIX A

2024 Budget by Major Category (000's)

	2024 <u>Budget</u>	% of <u>Budget</u>	2023 <u>Budget</u>	% of <u>Change</u>
<u>REVENUES</u>				
Provincial grant	\$12,327	52.6%	\$11,787	4.6%
Municipal requisiton	9,450	40.3%	9,113	3.7%
Municipal service fee	520	2.2%	450	15.6%
Moose Jaw municipal revenue	700	3.0%	662	5.7%
Other revenue	450	1.9%	450	0.0%
Total operating revenues	<u>23,447</u>	<u>100%</u>	<u>22,462</u>	<u>4.4%</u>
<u>EXPENDITURES</u>				
<u>Salaries and benefits:</u>				
Salaries and benefits:	17,125	73.0%	16,462	4.0%
Technology, software and computer-related expenses	1,745	7.4%	1,702	2.5%
Office rent	1,324	5.6%	1,303	1.6%
Travel expenses	909	3.9%	900	1.0%
Legal services	550	2.3%	550	0.0%
Capital expenditures	200	0.9%	275	-27.3%
Staff training and development	345	1.5%	320	7.8%
Land titles information	205	0.9%	200	2.5%
Data licensing and printing	150	0.6%	155	-3.2%
Board expenses	150	0.6%	144	4.2%
Telephone and communications	135	0.6%	132	2.3%
Professional services and consultants	92	0.4%	95	-3.2%
Aerial photography/geospatial imagery	60	0.3%	60	0.0%
Postage	85	0.4%	80	6.3%
Office and other	372	1.6%	360	3.3%
Total operating expenditures	<u>23,447</u>	<u>100%</u>	<u>22,738</u>	<u>3.1%</u>
Surplus,(deficit)	0		-276	
Managed expenses / reserve transfers	0		276	
Beg. surplus(deficit)	0		0	
End. Surplus (deficit)	<u>\$0</u>		<u>\$0</u>	0.0%
Number of permanent employees	<u>164</u>		<u>163.25</u>	0.5%

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