

**Report to the
Saskatchewan Urban Municipalities Association
Annual Convention
January 30 – 31, 2012
Regina, Saskatchewan**

The following report from the Saskatchewan Assessment Management Agency (SAMA) is pursuant to section 7(2) of *The Assessment Management Agency Act (AMA Act)*.

Under the AMA Act, nominees to the SAMA Board who are appointed by the Saskatchewan Urban Municipalities Association (SUMA) and the Saskatchewan Association of Rural Municipalities (SARM) must prepare and submit, at each association's annual meeting, a written report on SAMA's activities for the preceding year.

SAMA and the Urban Sector Under 30,000

Sharon Armstrong has been a SAMA Board member since 1999 and represents Saskatchewan's urban and northern municipalities with a population of fewer than 30,000. Sharon is the Chair of SAMA's Urban Advisory Committee, whose members include city and village mayors and councillors, school board representatives and SUMA's President.

There are eleven cities, 144 towns, 302 villages, 43 resort villages, and 16 northern municipalities represented in the urban and northern sector, with less than 30,000 population.

SAMA and the Four Major Cities

Fred Clipsham has been a SAMA Board member since 1998 and represents Saskatchewan's urban centres with a population over 30,000. There are four cities: Saskatoon, Regina, Prince Albert and Moose Jaw with a population of over 30,000.

The City of Moose Jaw became a SAMA assessment service client in April 2006, under a fee-for-service contract. Saskatchewan's other three major cities operate independently of SAMA, but work with SAMA on assessment policy issues to the benefit of property taxpayers across the province. SAMA benefits from the skills and abilities of city staff, and appreciates the cities' expertise and their contribution to the property assessment system in Saskatchewan.

Fred Clipsham chairs SAMA's City Advisory Committee, which includes city mayors, city managers, councillors and senior administration. Legal staff from the cities sit on SAMA's Legal and Legislative Review Committee, which focuses on legal aspects of proposed amendments to the Saskatchewan Assessment Manual and assessment provisions in the Municipal Acts. Fred also sits as an observer on the SAMA – City Assessor Committee, which represents assessment service providers from across Saskatchewan.

Urban Municipalities

SAMA provides annual maintenance, reinspection programs and revaluation services to all its client municipalities. The annual maintenance program ensures that individual properties with changes identified by municipal assessors are inspected, and new assessment values are calculated. The reinspection program involves co-operating with local urban municipalities to periodically review properties and ensure property assessment information in the municipality is accurate and up-to-date. The revaluation program is based on a four-year cycle. 2009 was the year of the last revaluation, and the 2013 Revaluation will see assessed values updated to reflect a new base date of January 1, 2011. The base date is the date to which all assessments are related.

SAMA Jurisdictions/Independent Jurisdictions

SAMA provides assessment valuation services to 754 urban, northern and rural municipalities. It is responsible for the assessed values of approximately 1,036,300 accounts, in the province. SAMA's central office is located in Regina. The Agency provides assessment services to municipalities from six regional offices – Melfort, Regina, Saskatoon, Swift Current, Weyburn and Yorkton – and one rural office in North Battleford. The Agency maintains a local office in Moose Jaw as a result of our contract with the City of Moose Jaw to provide assessment services.

Since 1995, a provision in *The Assessment Management Agency Act* has been available that allows municipalities to use alternative assessment services. Municipalities wishing to undertake their own valuation services need the prior written consent from all affected Boards of Education and the written consent of SAMA. The Minister of Education's consent will also be needed for a municipality to opt out, or opt back into, SAMA's valuation services. Any municipality that carries out its own valuations and revaluations is not required to make payment to the Agency.

As of January 1, 2012, SAMA provided assessment services to all municipalities in the province, except for 18 urban municipalities that used alternate valuation services. In 2011, there were no changes to the number of municipalities for which SAMA provides assessment services. Jurisdictions that employ their own appraisal personnel must still follow SAMA's assessment policies set out in the *Saskatchewan Assessment Manual* and by Board Order.

2011 Budget and Funding Formula

For 2011, SAMA made a budget request to government that would have seen a \$287,000 or 1.8% increase over the Agency's 2010 budget of \$15.78 million. In March of 2011, SAMA received word from government that the Agency would not receive any additional funding revenue for 2011. SAMA's 2011 operating budget, excluding the City of Moose Jaw contract, remained at the 2010 level of \$15.78 million.

SAMA operates under a 65:35 funding formula, with government (Ministry of Finance) paying up to 65% of SAMA's budget, and the municipal sector paying 35% of SAMA's budget through municipal requisitions. This funding formula includes a cap on total municipal requisitions, which remains in effect until government reaches their 65% portion of total SAMA funding.

Total municipal requisitions have remained unchanged at \$5,788,000 since 2004. Recent legislative changes also allow SAMA to enter into special agreements with municipalities who may want additional services over and above that provided within basic requisition formula services.

Hotel and Motel Assessment Changes for 2011

SAMA revised the hotel and motel income approach valuation models in 2011 to ensure that they are more understandable to property owners, with particular regard for adjustments to non-realty components. Non-realty value includes, but is not limited to, personal property, such as furniture, fixtures and equipment (FF&E) and management costs. SAMA also set aside video lottery terminal (VLT) revenue for assessment purposes.

SAMA's goal is for non-realty components to be appropriately identified and removed to ensure that assessments reflect land and building value only.

Hotel properties that have limited room rental are now valued using the cost approach to value with one exception: in municipalities where the income approach is applied to commercial property in general, SAMA applies comparable market rents for hotels with limited room rental. These adjustments improve the equity between hotels with limited room rental and comparable properties such as taverns and lounges located in the same community.

There also exist differences between the way hotel owners account for and report income and expenses, and the way that income and associated expenses should be applied in the assessment industry to calculate an assessed value on a property, exclusive of any going concern value. A going concern value is a value that contains both realty – assessable – and non-realty – non-assessable – components. SAMA uses a series of adjustments to account for this difference.

To implement these improvements, SAMA revised and updated all hotel and motel assessments as part of the Agency's 2011 annual maintenance program. The revised assessments included results from updated physical data collected as part of a general reinspection of all hotel and motel properties in 2010.

Revaluation 2013

SAMA conducts revaluations based on a four-year cycle. 2009 was the year of the last revaluation, and the 2013 Revaluation will see assessed values updated to reflect a new base date of January 1, 2011. The base date is the date to which all assessed values are related. Based on the strength of the real estate market between the last base date of June 30, 2006 and the new base date of January 1, 2011, assessment shifts are expected to be higher than any revaluation since 1997.

Although local governments and the provincial government already have the authority to mitigate overall/average assessment changes through their annual budget and mill rate processes, all parties will need as much time as possible to examine the assessment shifts and make tax policy decisions prior to 2013.

To mitigate this risk SAMA plans to ensure that assessment trends and associated impacts are communicated to government and our municipal clients as soon as possible in the market analysis process. SAMA will be submitting preliminary assessment values to the province on or before April 1, 2012. The preliminary 2013 property values will be distributed to municipalities in June 2012 after all the 2012 maintenance work has been completed and incorporated into the 2013 preliminary assessments.

Preliminary Assessed Values for 2013

The result of the active and strong real estate market in Saskatchewan since the 2009 Revaluation will bring with it significant increases to property assessments that will be reported with the 2013 Revaluation.

Based on the provincial averages, preliminary numbers also indicate that residential and resort residential properties will, on average, be increasing approximately double over their assessed values from the 2009 Revaluation. It is important to note that this is the anticipated increase to the provincial average for residential and resort property. Specific local increases in residential property values between 2009 and 2013 may vary substantially from this figure depending on the overall trend in market values between June 30, 2006 (the base date for the 2009 revaluation) and January 1, 2011 (the base date for the 2013 revaluation).

Agricultural land will see an increase of approximately 48% to assessed values, which reflects the 2006 to 2011 change in the provincial average selling price of agricultural land.

Commercial and Industrial property is set to increase an average of 60%. This average accounts for all types of commercial property. Certain categories of commercial property may increase substantially more or less than the provincial average depending on the type of property.

All preliminary value trends are estimations, and are subject to change prior to 2013.

Revenue Neutrality

While a revaluation updates property assessments, it is designed to be revenue neutral on an overall municipal budget basis.

Provided that a municipality's budget requirements remain the same in a revaluation year as in the previous year, changes in taxable assessments will only result in changes to tax levels if a property's assessment increases or decreases substantially, relative to the average for that jurisdiction.

Based on the current provincial government practice of establishing common provincial education mill rates, education revenue neutrality and potential education tax shifts will be based on how a specific assessment change relates to the overall provincial average increase in assessments for that same category of properties.

Looking Forward to 2013 – What’s Next?

SAMA’s goal to communicate value changes well ahead of the 2013 Revaluation allows municipalities and government time to review and provide feedback on the preliminary values and generate policies and budgets with as much information as possible.

SAMA expects government to announce the 2013 percentages of value for each property tax class in early fall 2012, communicating them with SAMA and other independent assessment service providers so that we can prepare final assessed values for 2013.

The Agency will complete the final assessments and prepare to send out updated values by the end of 2012. We will work closely with our client municipalities to meet their needs regarding these new values. SAMA will be completing maintenance in the last part of 2012 to be ready to implement the revaluation in 2013.

The Agency will be making full use of SAMAView, our website application that allows the general public access to individual property assessments for all SAMA client jurisdictions, to communicate assessed values for the 2013 Revaluation. However, SAMA will not post any final 2013 revaluation property assessments on SAMAView before they have been seen by government and municipalities.

2010-2013 Strategic Directions

In March 2009, the SAMA Board established, in consultation with the Agency’s funding stakeholders, five strategic directions to position and guide the Agency from 2010 through to 2013. These strategic directions focus on four generic perspectives – financial expectations, client and stakeholder expectations, internal business process expectations and learning and growth expectations.

SAMA prepares a performance plan each year to support its annual budget. The plan specifies the Agency’s goals, objectives, key actions and performance measures for the budget year, with the additional element of planned expenditures for program objectives based on staff resources (FTEs). The performance plan is a key element of budget consultations with stakeholders that must take place prior to budget approval.

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 service the Agency provides for municipalities and the Province.

Lean Philosophy

In 2008, SAMA embarked on a strategy called the Lean philosophy. Lean is a process improvement philosophy that focuses on reducing waste, variation and imbalance. It is a common sense approach to working with complex processes ensuring that clients’ and stakeholders’ needs are successfully met.

The Goals of Lean at SAMA:

- A 25% increase in efficiency and productivity between 2009 and 2013;
- Highly engaged staff, that take ownership of the business processes; and
- An Agency in a much better position to meet the increasing demands from clients.

One of Lean's strengths is its focus: the people most familiar with the actual work determine the necessary process improvements and plan the necessary changes. Significant progress has been achieved to date. Lean process improvement initiatives will continue to be a major focus for SAMA in 2012 and beyond.

Governance

SAMA's 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, such as the Saskatchewan Urban Municipalities Association. Maintaining a positive relationship with urban municipalities is essential to a stable funding base for Saskatchewan communities, and to our joint success.

With regards to overarching assessment policy, The Board oversees the Technical Standards and Policy Division (TS&P), whose responsibilities include researching and studying assessment valuation policy, and best practices in assessment valuation standards and policy. The TS&P division advises the Board with respect to property assessment legislation, prepares the Assessment Manual and assessment related Board Orders as well as non-regulated valuation publications including the SAMA's Cost Guide and Market Valuation in Saskatchewan Handbook. TS&P also plays a role in liaising with stakeholders which includes facilitating SAMA's four statutory advisory committees (city, urban, rural and commercial) that met twice in 2011.

The Board also oversees SAMA's independent Quality Assurance Division, which is responsible for the Roll confirmation process, undertaking assessment audits (Confirmation and Primary audits) to ensure that municipalities' assessments are prepared and administered in accordance with the requirements set out in applicable legislation. Additionally, the Quality Assurance Division is also responsible for undertaking Secondary Audits (detailed or comprehensive audits concerning matters of property assessment statutory compliance), and undertaking any review assigned by the SAMA Board.

Acknowledgements

The SAMA representatives on the SAMA Board would like to thank the representatives who sit on SAMA's Urban and City Advisory Committees. The guidance provided by these committees is appreciated, and serves to better ensure the Agency is serving the needs of municipalities by providing direction on all SAMA Bylaw, policy and legislative proposals.

Respectfully submitted,

Mayor Sharon Armstrong
Representing Urban Municipalities
under 30,000

Councillor Fred Clipsham
Representing Urban Municipalities
over 30,000