

2018 Business and Financial Plan

Delivering on Our Commitments



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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 \$242 billion. This property assessment base is the foundation for fairly distributing over \$1.9 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 764 client municipalities and to the Province for the education sector.

The agency maintains the assessment valuations for client municipalities on over 857,000 properties. Assessment valuation services include annual maintenance reviews, periodic property reinspections, complete revaluations every four years and support of value services.

2018 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.

During the next four years 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

The previous four-year plan (2014-17) concentrated on expanding SAMA's ability to inspect properties by improving business processes, changing valuation policies and developing new technology. 2018 marks the first full-year of implementation for SAMA's Technology Infrastructure (TI) Program that began back in 2014.

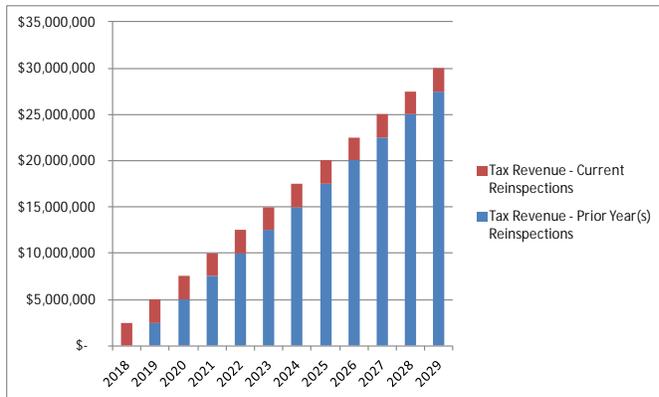
The priority in 2018 will be to leverage the capacity built up over the last four years to achieve the agency's goal of 100,000 property reviews annually (combined property maintenance and reinspection reviews). By doing so, all of SAMA's client municipalities will be reviewed within 12 years.

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.

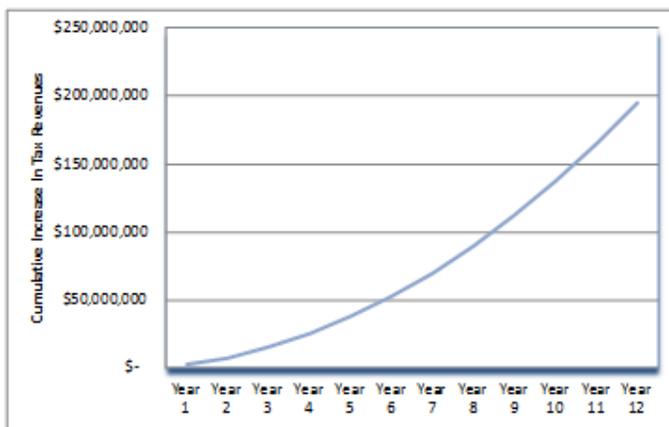
The property assessment base is estimated to continue growing at just under 1.5% annually. The annual maintenance program will continue to capture this growth, providing approximately \$20 million annually in additional property tax revenues for education and municipalities.

Without periodic physical reinspections, assessments become outdated and there is an ongoing cumulative loss of potential property taxes. With a 12-year reinspection program, SAMA can add approximately \$183M in tax revenues to its client municipalities and the education sector. To accomplish this, the agency will have to add \$145M in taxable assessment each year. As an example, SAMA estimated that targeted commercial and residential reinspections over the past three years have resulted in between 5.1% and 6.2% increases in taxable assessments for those communities reinspected (excluding agricultural land).

Graph 1 - Estimated Compounding Benefit of Property Reinspections



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



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 will be able to achieve 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

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 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

- Ø Provide annual maintenance reviews of between 36,000 and 40,000 residential, commercial and agricultural properties and 91,000 industrial properties.
- Ø Range of properties is dependent upon the amount of time required for support of value work (primarily arising from the 2017 revaluation).
- Ø Increase on-time service delivery levels. Efficiencies gained with new computer system will be used to deliver maintenance to client municipalities when they want it.

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.

- Ø Verify property sales transactions for 50,000 property transfers registered with Land Titles in 2018.
- Ø Maintain current continuous sales verification service levels.
- Ø When requested, attend client and ratepayer meetings explaining new base date values.

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.

- Ø Reinspect 34,000 agricultural land properties in 25 rural municipalities.
- Ø Reinspect 10,500 residential and 18,000 commercial properties (includes 16,000 industrial properties).

Support of value

- Ø Since 2018 is a non-revaluation year, rolls are required to be open for 30 days.
- Ø Plans are based on appeal levels being around 1.5 times greater (around 2,000 property appeals) than the 2014 assessment year (2014 was year 2 of the 2013-2016 cycle and 2018 is year 2 of the 2017-2020 cycle). This is being planned for to account for the leveling off of property values since the base date of January 2015.
- Ø 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 Court of Appeal.
- Ø Maintain current support of value service levels while planning for increased inquiries and appeals.

Public services

- Ø 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.
- Ø 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

- Ø Maintain the currently active 2015 base date manual and non-regulated cost guide (used for years 2017-2020).
- Ø 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.
- Ø Policy development with respect to the proposed 2021 revaluation including initial preparation of board orders, the 2019 base date manual and SAMA's cost guide.
- Ø 2019 base date manual policy developments include updating the two agricultural land productivity models as well as reviewing and updating the railway roadway model, transmission pipeline model, oil and gas resource production equipment (RPE) models and mine RPE models.

- Ø Establish policies and processes for the 2021 Revaluation quality coordination program.
- Ø Coordination, training and technical support for appeals, maintenance and reinspection projects.
- Ø Facilitate and support initiatives regarding SAMA's statutory advisory committees and the City Assessor/SAMA Committee.

Technology

The agency's Technology Infrastructure (TI) Program began work in 2014 to update our internal computer systems (Govern) and develop future capabilities such as a web portal, GIS and handheld tablet computers .

- Ø Open Forms Phase I of the Govern update project is a more efficient data entry system which significantly decreases data entry time of assessment information on to the system.
- Ø Phase 1 was rolled out in to end users in July 2015 and metrics indicate an upward trend in the number of property inspections completed per day.
- Ø In Phase 2, the Govern software was updated from a visual basic platform to a .Net platform. Modifications and enhancements to improve the reliability and speed of the system and some end user enhancements have been completed.
- Ø SAMA delivered 2017 values to client municipalities from the new Govern system.
- Ø Completion of both phases of Open Forms have established the foundation that the remaining TI program phases will rely on which includes a web portal, GIS and remote data collection (RDC) capabilities.
- Ø Phase III RDC application development and rollout will be completed by the end of Q1 2018.
- Ø Web portal will be operational in Q2 2018.
- Ø Substantial development will also occur in GIS with the implementation of the new

Matix GIS system by the end of Q3 2017. Enhancements of the system will be ongoing in 2018.

- Ø Continue to operate and maintain the existing Govern system, the computer assisted mass appraisal system used to derive and store property assessments.
- Ø Support the continued development of SAMA's technology utilization by keeping software up-to-date and adding two support staff for the web portal, GIS and remote data collection devices.

Assessment roll confirmations

- Ø Ensure compliance with property assessment statutory requirements.
- Ø 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

- Ø Continue utilizing business process improvement events and other tools to increase the efficiency and effectiveness of work processes.

- Ø Develop and maintain computer-assisted technologies that optimize the Agency's business operations.
- Ø Ensure leadership, relationship, learning and workforce systems are aligned to deliver quality services effectively.
- Ø Strengthen management, administrative and accountability practices.
- Ø Provide professional services, technical services and assessment information services to business clients.
- Ø Continue expanding and strengthening change management capabilities and support to the agency's TI program. The agency has developed 2 in-house facilitators qualified to deliver training on current change management methodologies.
- Ø Provide assessment services to four additional municipalities beginning in 2018 (2 cities and 2 towns) that previously had assessment services provided by a private contractor. The new clients are North Battleford, Meadow Lake, Battleford and Nipawin. The increase in workload will require 3.5 staff that are to be funded by additional municipal requisition revenue from the four communities.

Property Reinspection Program Initiative

The agency's commitment to reinspect all properties at least once every 12 years, beginning in 2018, will be attained by increasing the agency's capacity to do reinspections with an operational workforce of 150.25 FTEs. This is being accomplished by:

- Ø Allocating additional appraiser resources to the reinspection program, attained through business process improvements in the annual maintenance and revaluation programs.
- Ø Simplifying property inspection processes.
- Ø Acquiring new technologies.

Allocation of appraiser resources

Annual maintenance processes that improve efficiency and productivity will result in the reallocation of staff to the property reinspection program in 2018. Open forms and cost model simplification have

reduced the amount of appraiser time needed to review a property. The web business-to-business portal and remote data collection tablets will also help reduce the amount of appraiser time by eliminating manual processes and transcription tasks.

Simplified **revaluation processes** for urban properties will result 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 contribute to reducing the amount of appraiser time needed, shifting additional resources to property reinspections.

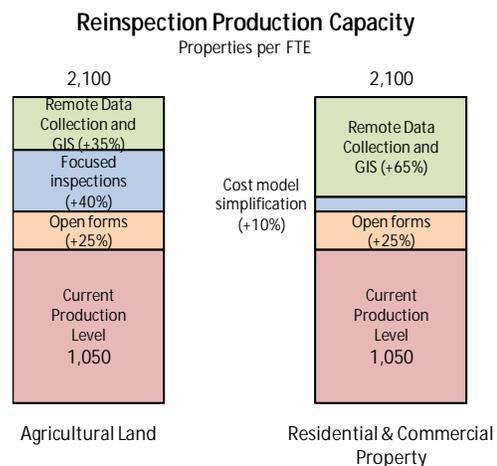
Simplified property reinspection processes

The agricultural land reinspection program has been redesigned from a detail-based inspections process to a focused inspections process. Focused agricultural land inspections identify and correct those properties where the land use and/or features such as flooding and salinity are not correctly accounted for.

The development of the focused inspection process for agricultural land is in alignment with the Agency goal of completing the agricultural land inspection program within a 12-year cycle.

It is estimated that focused agricultural land inspections will eliminate the effort required for detailed inspections of approximately 75% of agricultural land properties. Used in conjunction with open forms, remote data collection and GIS technologies, productivity is expected to double to 2,100 property inspections per FTE for 2018.

Cost model simplification introduced in 2017 reduced and reorganized the amount of property information that is currently collected to assess a typical residential building from over 160 to 60 elements of information. The commercial building cost model has been simplified regarding exterior wall cost components. Simplifying the costs models will improve the efficiency of annual maintenance and reinspection programs. Significant benefits will be realized by using simplified cost models and remote data collection tablets being developed for use starting in late 2017.



Improved business systems

Open Forms technology has simplified and reorganized user-friendly property data collection forms for appraisers while also providing a more efficient interface for entering property data into the Govern system. Open Forms interfaces for inspections have been developed for residential/commercial/industrial property as well as agricultural land. Open Forms has improved the efficiency of annual maintenance and reinspection programs and services.

New technologies

The four-year capital technologies infrastructure (TI) program has acquired new technological systems already being used by the mass appraisal industry. These electronic systems will replace the current paper-based manual systems.

The **web business-to-business portal** will allow work processes such as annual maintenance lists and sales verification questionnaires to be submitted electronically to the agency, thereby reducing the amount of preparation and finalization time required by the current paper-based systems. The web business-to-business and business-to-public portal will be developed and implemented by the end of the first quarter of 2018.

Geographic information system (GIS) and digital imagery technologies will eliminate the current paper-based mapping and image display systems. Currently assessment records are stored in three separate formats – property data is in the Govern system, agricultural land use maps and building diagrams are in paper-based files, and aerial and property photographs are in separate electronic files that must be printed. GIS technology will link these systems electronically, add mapping technology for area calculations, and display functionality on remote data collection tablet computers.

Remote data collection (RDC) tablets will eliminate the current paper-based data collection and manual data entry methods. Current processes require the manual preparation of work lists, the printing of forms, maps and photos, and the manual recording of data on worksheets and re-entry of the data into the Govern system. RDCs will allow electronic assessment records to be downloaded, updated and uploaded to the Govern system, eliminating a lot of manual effort and reducing the problem of transposition errors.

The use of GIS and remote data collection technologies will improve the inspection efficiency of urban property and agricultural land when they are completed and implemented. The improvements will be developed in 2017 and fully implemented in 2018.

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.

The agency has doubled the capacity of the industrial program over a four year period. In addition to ongoing business process improvements additional Industrial staff have been reallocated from the agency's current staffing complement, bringing the total number of industrial staff from 4 to 7.

FINANCIAL ESTIMATES - 2018 Budget

Operating Budget (in thousands)

	Adjusted		Variance From 2017	
	<u>2017</u>	<u>2018</u>	<u>Amount</u>	<u>%</u>
<u>REVENUES</u>				
Provincial - Operating	\$10,238	\$10,442	\$204	2.0%
SAMA municipal invoice	7,320	7,320		
Inflationary increase		146	146	2.0%
Growth in municipalities		100	100	1.4%
Municipal service fee	448	457	9	2.0%
Other revenue	414	408	-6	-1.4%
Total operating revenues	18,420	18,873	\$453	2.5%
<u>EXPENDITURES</u>				
Salaries & benefits	13,269	13,535	266	2.0%
Other expenses	5,254	5,338	84	1.6%
Total operating expenditures	18,523	18,873	350	1.9%
Surplus,(deficit)	-103	0	103	
Managed expenses	103	0	-103	
Transfers from (to) reserve	0	0	0	
Beg. surplus(deficit)	0	0	0	
End. surplus,(deficit)	\$0	\$0	\$0	
Number of permanent employees	<u>144.75</u>	<u>146.75</u>	<u>2.00</u>	<u>1.4%</u>
Number of permanent employees - Moose Jaw	<u>6.00</u>	<u>6.00</u>	<u>0.00</u>	<u>0.0%</u>
Number of permanent employees - new municipal clients	<u>0</u>	<u>3.50</u>	<u>3.50</u>	<u>***</u>

Note 1: 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.

Note 2: The agency provides assessment services to the City of Moose Jaw under a five-year agreement that expires at the end of 2020. The 2018 budget of \$561,000 reflects a 3% increase over 2017 and provides the full cost of recovery of operating the Moose Jaw office. The contract revenue is not included in the above statements.

Note 3: SAMA will be providing assessment services to four additional municipalities in 2018 that previously had services provided by a private contractor. The new requisition revenue of \$263,000 will be used to fund 3.5 new appraiser positions and associated other expenses. The new client revenue is not included in the above statements.

Note 4: Two additional staff are required to support the new updated Govern.net application and will be funded by technology premium fees in 2018.

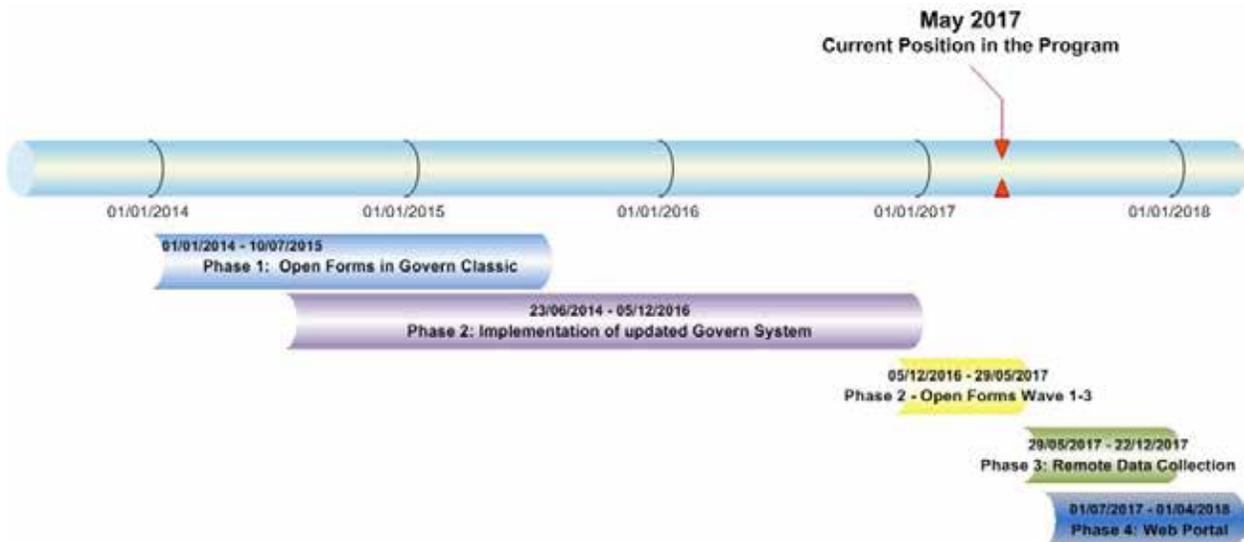
Restricted Funding for New Technology Support and Maintenance (000's) (Note 1)

	<u>2017</u>	<u>2018</u>	Variance From 2017	
			<u>Amount</u>	<u>%</u>
<u>REVENUES</u>				
Provincial - Technology Development	\$612	\$0	-\$612	-100.0%
Provincial - Technology Support/Maintenance	0	300	300	-
Municipal - Technology Premium	624	300	-324	-51.9%
Total technology funds available	1,236	600	-\$636	-51.5%
<u>EXPENDITURES</u>				
Phase III - web portal, handhelds & GIS	836	400	-436	-52.2%
Technical support staff	0	210	210	-
Software licensing	0	200	200	-
Other expenses-GIS, web portal & tablets	0	190	190	-
Total technology expenditures	836	1,000	164	19.6%
Beginning fund balance	0	400	400	
Ending fund balance	\$400	\$0	(\$400)	

Note 1: 2017 was the final year of a 4-year capital program to fund the development of new technology. Going forward SAMA is earmarking restricted funding of \$600,000, cost-shared evenly by the province and municipalities, to emphasize that the dollars will be dedicated directly to support and maintenance of new technology.

Note 2: Ongoing support costs for the new Govern.net application are required to maintain a complex computer system consisting of multi-layered components that require special technical expertise and training.

The following timeline schedule illustrates a number of the agency's major initiatives over the years, 2014-17, including the TI Program. As highlighted, 2017 will see the substantial completion of all phases of the TI Program for full implementation beginning in 2018.



How Resources Will be Used

Operational expenditures have an estimated increase of 1.9% in 2018.

- Ø The number of permanent positions is budgeted to increase by 5.5 positions. 3.5 positions are to service SAMA's four new urban clients (2 cities and 2 towns). These positions are funded by the revenues received from the new clients. The remaining two added positions are the result of converting 2 existing temporary TI support and development staff to permanent status. These positions will work with the Govern.net application, which consists of multi-layered components that require technical expertise and training.
- Ø Employee salaries and benefits are estimated to increase 2.0%. Budget estimates include earned annual increments, reclassifications and a contingency for a union contract settlement in 2017.
- Ø Other expenses have a budgeted increase of 1.8%. Legal expenses are estimated to increase 17.2% to provide for external legal counsel for property appeals. Building rent is slated to rise 2.2%, over 2017 to, provide for increased office lease costs. All other expenses (office costs, land titles, professional services, staff training, computer services and aerial imagery) are budgeted to increase 1.1%.
- Ø 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 \$6.120 million.
- Ø Assessment valuation services costs (annual maintenance, revaluation, property reinspection and support of value programs) are budgeted at \$12.345 million – \$8.023 million for municipalities and \$4.322 million for education.

Technology Infrastructure (TI) Program.

- ✓ Total estimated project cost will be \$4.896 million – \$2.442 million was spent to complete Open Forms and conversion to a .net environment. The other \$2.454 will be expended in 2017 and Q1 2018 for a web portal, remote data collection tablets, GIS and associated project management support costs and licensing.

Technology support and maintenance.

- ✓ Ongoing annual support costs for the new Govern.net system are estimated at \$600,000. The costs will be allocated to the funding parties on an equal basis and consist of the following:
 - Ø \$200,000 for software licensing costs
 - Ø \$210,000 for additional technical IT support staff
 - Ø \$190,000 for associated costs related to the following applications: GIS, web portal and remote data collection devices (tablet computers)

SAMA Municipal Invoice

- Ø In 2018 a 2% cost of living increase applied evenly to all municipalities would result in additional requisition revenue of \$146,000.
- Ø In 2018 property counts will be adjusted for municipal growth (increasing property count numbers) resulting in additional revenue of \$100,000 (estimated growth of 1.4%).

- Ø Updating property counts continues to strengthen the link of tying the cost of assessment services to growing communities.
- Ø 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

<u>Provincial and Municipal Funding (000's)</u>	<u>2017</u>	<u>2018</u>	<u>Funding Share</u>	<u>Variance Amount</u>	<u>%</u>
<u>Provincial Funding</u>					
Governance	\$ 6,000	\$ 6,120	100.0%	\$ 120	2.0%
Assessment Valuation Services	4,238	4,322	35.0%	84	2.0%
Technology Development	612	-	50.0%	- 612	-100.0%
Technology Maintenance & Support	-	300	50.0%	300	-
Total provincial funding	10,850	10,742		- 108	-1.0%
<u>Municipal Funding</u>					
Assessment Valuation Services	7,768	8,023	65.0%	255	3.3%
Tech. Development & Support	624	300	50.0%	- 324	-51.9%
Total municipal funding	\$ 8,392	\$ 8,323		-\$ 69	-0.8%

How Funding will be Shared

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

- Ø 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.
- Ø 35% of assessment valuation services to the Province and 65% to client municipalities. Current 2016 property tax levies for education and municipalities were also split 35/65.

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

2018 Funding Shares

Total provincial funding will decrease \$108,000 (1.0%).

- Ø Governance funding will increase \$120,000 to \$6.120 million.
- Ø Assessment valuation services funding will increase \$84,000 to \$4.322 million.
- Ø New technology development funding will decrease \$612,000 to \$0.
- Ø Restricted funding for support and maintenance of the new technology will increase to \$300,000.

Excluding four new municipal clients in 2018, total municipal funding will decrease \$69,000 (0.9%).

- Ø Assessment valuation services funding will increase \$255,000 (3.3%) in 2017 to \$8.023 million.
- Ø New technology development funding will decrease \$324,000 to \$300,000 (\$624,000 in 2017) to provide for ongoing support and maintenance costs.

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