

Saskatchewan Assessment Management Agency
Rural/Urban Advisory Committee
Meeting Minutes for March 22, 2022
DoubleTree Hotel – Swift Current Room 1975 Broad Street, Regina; or
Virtual Meeting Microsoft Teams

Urban Advisory Committee

Members Present:

Myron Knafelc (ex officio), SAMA Board Chair
Kevin Tooley, City of Warman
April Phillips, City of Melfort
Bryan Matheson, Town of Lumsden
Bruce Fidler, Town of Buffalo Narrows
Brian Hicke, Saskatchewan School Boards Association

Members Absent

Randy Goulden, Committee Chair, SAMA Board Member, Urban Sector
Dawn Luhnig, SAMA Board Member, City Sector
Audrey Trombley, SAMA Board Member
Walter Streeelasky, City of Melville
Mike Strachan, Village of Torquay
Jamie Brandrick, Town of Borden
Doug Allan, Provincial Association of Resort Communities of Saskatchewan
Norma Hewitt-Lendrum, Saskatchewan Assessment Appraisers' Association

Rural Advisory Committee

Members Present:

John Wagner, Committee Chair, SAMA Board Member, Rural Sector
Myron Knafelc (ex officio), SAMA Board Chair
Richard Marleau, SAMA Board Member, Rural Sector
Jim Angus, SAMA Board Member
Norm Hall, Division 4, R.M. of Elfros No. 307
Maurice Werezak, Division 5, R.M. of Fish Creek No. 402
Kim Herbst, Division 6, R.M. of Progress No. 351
Judy Harwood, Saskatchewan Association of Rural Municipalities
Shawn Kramer, Division 3
Janet Kotylak, Saskatchewan School Boards Association
Jeff Sedor, Saskatchewan Assessment Appraisers' Association

Members Absent:

Sacha Martens, Division 2, R.M. of Lake Johnston No.102
Robin Thompson, Division 1, R.M. of Maryfield No. 91
Garry Dixon, Provincial Association of Resort Communities of Saskatchewan

Observers Present:

Kelly Munce, Ministry of Government Relations
Christa-Ann Willems, Saskatchewan School Boards Association
Betty Rogers, SAMA CEO

Observers Absent:

Jean-Marc Nadeau, Saskatchewan Urban Municipalities Association
Kelly Hoare, Urban Municipal Administrators Association of Saskatchewan

SAMA Administration Present:

Kevin Groat, Committee Secretary, SAMA
Gord Senz, SAMA QAD
Shaun Cooney, SAMA TS&P

Observers Present:

Veiniesha Thompson, Ministry of Government Relations
Abayomi Akintola, Ministry of Government Relations
Douglas Armbruster, Saskatchewan School Boards Association
Barry Hvidston, Division 4, Rural Municipal Administrators Association of Saskatchewan.
Betty Rogers, SAMA CEO

Observers Absent:

Jay Meyer, Saskatchewan Association of Rural Municipalities

Guests Present:

Jason Penner, Ministry of Sask Ag and Food
Casey Ziegler, Welltraxx

SAMA Administration:

Kim Hardy, Committee Secretary, SAMA
Todd Treslan, SAMA ASD
Andrew Workman, SAMA TS&P
Gord Senz, SAMA QAD

Agenda Item	Decision/Resolution:
1. Call to order	John Wagner, Chair of the Rural Advisory Committee, called the meeting to order at 10:00 a.m.
2. Opening remarks	<p>John welcomed everyone to the meeting and invited SAMA's Board Chair, Myron Knafelc, to make a few opening remarks.</p> <p>John welcomed SAMA's new CEO, Betty Rogers and she offered some welcoming words.</p> <p>John indicated that this was the first time holding the Advisory Meetings using a hybrid format with attendees both in-person and virtually. There potentially will be some things to smooth out as we trial this format.</p>
3. Introductions	In person and virtual attendees introduced themselves.
4. Approval of meeting agenda	MOTION by Norm Hall that the agenda be approved. Carried
5. Minutes from the previous meeting held November 16, 2021	MOTION by Bruce Fiddler that the minutes of the November 16, 2021 joint Rural and Urban Advisory committee's business meeting be adopted as circulated. Carried
6. Business arising from the Joint Minutes	No business arising.
7. <u>SAMA Update</u>	
Item 7a: CEO Report	<p>PowerPoint presentation by Betty Rogers, SAMA's CEO.</p> <p><u>Committee Comments</u> No comments by the Committees.</p> <p>MOTION by Kevin Tooley that the Committees receive the CEO report. Carried</p>
Item 7b: Assessment Services Division Report	<p>PowerPoint presentation by Todd Treslan, ASD.</p> <p><u>Committee Comments</u> Rural Member: Can you remind me what maintenance is? Is it when a municipality asks you to complete work in an RM and assess a property?</p> <p>SAMA Administration: Exactly. SAMA receives a list from municipalities every year of properties they want us to inspect. It can be a new build, renovations on an existing property, or land that has been broke. SAMA can also flag properties for callbacks in cases where they may have been started but were not complete at the time of the last visit. We give updated values to</p>

municipalities for those properties to place on their roll. Reinspection is different as it involves a visit to generally all properties in the municipality.

Board Member: Maintenance is a way of keeping assessments current between revaluations. I just wanted to add a note on appeals. Once the roll is open, you can submit an appeal on the property if you think the data is incorrect. The appeal can end in an agreement-to-adjust and, subsequently, it does not go to the Saskatchewan Municipal Board (SMB) for a hearing. All agreement-to-adjusts are reviewed by Quality Assurance. This is the same for all assessment providers. If an agreement-to-adjust is not agreed upon, the appeal then goes to the Board of Revision (BoR). If there is no agreement there, then it moves onto the Saskatchewan Municipal Board (SMB). If there is no agreement there, then it moves onto the Court of Appeal. That is where it starts to cost more money as lawyers are involved.

MOTION by Maurice Werezak that the Committees receive SAMA ASD report.

Carried

8. Current Developments

Item 8a: Assessment Governance Report PowerPoint presentation by Shaun Cooney, TS&P.

Committee Comments

Board Member: Going back to Shaun's comments, the Advisory Meetings are very important because it is a way that SAMA gets feedback from stakeholders. Often at Board meetings, we go back to comments made at these meetings. It is important that SAMA work with stakeholders and that stakeholders know their feedback is being heard.

Rural Member: For solar farms that are being assessed, what is the minimum production?

SAMA Administration: The breakpoint is still being determined, but essentially we are looking at commercial operations used for power generation, and this will not apply to small solar panels being used for residential purposes. SAMA needs a mass appraisal model because solar farms are becoming more common so trended costs are no longer practical for mass appraisal purposes.

MOTION by Bryan Matheson that the Committees receive the Assessment Governance report.

Carried

Item 8b: Provincial Assessment System Review by International Property Tax Institute (IPTI) PowerPoint presentation by Shaun Cooney, TS&P.

Committee Comments

Board Member: Just a comment on the revaluation cycle. I have advocated for the 4-year cycle for a long time. In Ontario, they moved to a shorter cycle and eventually moved back to 4 years. I see what SAMA staff do to complete a revaluation cycle and it is already 1.5 to 2 years of work.

SAMA Administration: There is a process where you could have urban and rural municipalities on different cycles. If this was the case, you would have to have to incorporate the process of equalization to bring assessed values into line for education tax purposes.

Urban Member: You said it would cost \$3 million to move to a 2-year cycle, what is that going to cost me? I think municipalities would want to know what it will cost them.

SAMA Administration: That is part of the process. We need to be able to understand the cost and be able to inform stakeholders of the cost to them. The cost may vary by different factors such as jurisdiction type. SAMA needs to maintain the other services it provides so the scope of revaluation work may change, or existing services will be impacted. As an example, revaluation work may involve more trending if the revaluation cycle was shortened.

Board Member: The City of Saskatoon looked at a shortened cycle and decided that there was no way they could implement it as it was too expensive.

Urban Member: What type of staff increases would be required for a shortened cycle?

SAMA Administration: A study completed a few years ago indicated 26 additional staff. This would include more people in the policy and market analysis areas. One consideration in this is the more often you have a revaluation, there tends to be more appeals. In a 4-year cycle, you have the first year with an increase in appeals and then things slow down. In a 2-year cycle, you could probably see more appeals because assessed values are being updated every 2 years.

Board Member: Railway representatives have said to me that they prefer a 4-year cycle as it allows them to plan for the 4 years of that cycle.

Jason Penner: Why was this report initiated?

SAMA Administration: It was initiated by the City Mayors. They were thinking more current values would lessen the magnitude of value increases as the assessments are being updated more frequently. One thing we are considering is getting values out to municipalities sooner so municipalities can review the new assessments and provide feedback, especially on outlying trends that may need a review by SAMA. This could go a long way to

mitigate problems that are occurring because of assessed value shifts.

A shorter cycle is just one of several items being looked at in the review of the province's assessment system. SAMA looks forward to the final report and recommendations. We simply need to be mindful that making potentially significant policy and computer changes will take time to plan for, properly resource, consult on, and implement.

MOTION by Brian Matheson that the Committees receive the IPTI Review report.

Carried

Item 8c: Precedent Setting Assessment Appeals Update

PowerPoint presentation by Darwin Kanius, TS&P. Presented after Item 9a.

The Court of Appeal and Court of Queen's Bench appeal decisions in the presentation can be reviewed at www.canlii.org/en/sk/.

Committee Comments

SAMA Administration: With the current revaluation cycle, we have no leave applications so far. The cycle is still in its early stages so they could still occur. We have done a lot of work at the SMB level so maybe that will pay off in terms of reduced Court of Appeal work.

Board Member: Darwin has been assigned by SAMA to support and help with appeals. Unfortunately, regardless of SAMA's efforts, if the opposite side shows up with a lawyer, then SAMA needs to bring a lawyer to the table to conduct the appeal. This is a new reality for assessment appeals.

MOTION by Bruce Fidler that the Committees receive the Assessment Appeals Update Report.

Carried.

9. Current Developments

Item 9a: 2025 Revaluation Preparations – Publications and Policy Considerations

2025 Revaluation Preparations presentation by Andrew Workman, TS&P

Committee Comments

No comments by the Committees.

i. Arable Land Model Review Update

PowerPoint presentation by Andrew Workman, TS&P.

Committee Comments

Board Member: SAMA's arable agricultural land model is regulated and is based on productivity. All the variables you see in the

presentation are part of the model. All parcels of land are assessed on productivity regardless of the location in the province. At a SARM meeting, there was a question about agricultural land where a developer bought several quarters in a municipality. The assessment does not change. It is assessed as agricultural land and that does not change. There is a provincial market index that uses sales across the province to update the provincial factor. Alberta has a factor as well but they capped in at \$350/acre so it cannot be changed and is now outdated. SAMA reviews the market index every four years to reflect market prices. Related to the arable agricultural model, TS&P also worked with the University of Regina who did a climate study that went back 30 years to look at climate. The study found that SAMA's current climate rates (established in 1990) did not need to be updated.

Urban Member: How does miles to market work?

SAMA Administration: It is the distance to the closest terminal that has a 50 car spots or more. A deduction to properties is applied based on that distance.

SAMA Administration: Just a note, we did present the arable agricultural land model changes at the advisory meeting in November. If anyone has questions or would like more information, please let us know.

Rural Member: In Corman Park, there is frustration as land has been bought for development and it is not being cultivated but it is still being assessed as agricultural land.

Board Member: Yes, the assessment is set like that to protect equity in assessments. We can discuss more offline.

Urban Member: I have seen RMs use tax tools and increase the base tax in those locations to help with the issue of the land sitting there.

Kelly Munce: In terms of a base tax on agricultural land, you would have to apply it to all land not just select properties. It has to be applied to all agricultural land so certain properties cannot be separated with the base tax applied only to them. A base tax is a tax tool and could be used on any tax class.

Board Member: What if it is in a special planning district?

Kelly Munce: Yes, you could. It could be a hamlet that has been dissolved that does not have enough residents for a council. Then a base tax could be applied just to that special service area.

Break for lunch 12:05 to 12:50 p.m.

ii. Oil and Gas Model Review
Update / Land Valuation Issue

PowerPoint presentation by Andrew Workman, TS&P.

Committee Comments (Non-Well Land Valuation Issue)

Board Member: Going back to the question on oil and gas, regarding how land located at an oil or gas well should be assessed?

SAMA Administration: This issue is for land located at owned versus leased oil and gas non-well facilities. The industry representatives on the oil and gas consultation committee are recommending that this land be assessed as agricultural land even when it is owned by the oil and gas company. Currently, the Manual indicates that this should be the primary industrial land rate. This ensures we value the land the same as all other resource producing properties. The appeal related to this has been heard at the SMB and we are awaiting the decision. In terms of feedback, we wanted to be proactive and inform and get feedback from stakeholders on this issue.

SAMA Administration: Currently if land is leased by the oil and gas company, it is assessed as agricultural land and the assessment is assigned to the farmer versus the oil and gas company. If the land is owned by the company, it is assessed at heavy industrial rates and the assessment is assigned to the company. We are therefore reviewing this issue in terms of potential inequity.

Rural Member: Our agricultural land assessment is based on productivity. Every oil and gas site, be it a compressor station or battery, has a designed capacity. This in turn gives that property a capacity to produce, compress or process a certain amount of the product on their site. If industry wants non-well land valued based on agricultural land, it is not fair to other industries who are assessed at a higher industrial rate.

Observer: For clarification, in this instance, if the energy industry purchased a section of land, they would put up a facility on say 20 acres of the section. They would be utilizing the 20 acres and that would be assessed at the industrial rate. Am I understanding that correctly?

SAMA Administration: That is correct. If a company is leasing the land, the farmer still owns the land, so it remains assessed as agricultural land and the assessment goes to the farmer. In the alternative, if that 20-acre parcel is subdivided and is owned by the oil and gas company, those 20 acres get valued at the primary industrial rate and are assessed to the company.

SAMA Administration: The one thing we would like to do is get feedback from stakeholders on whether there is a perceived inequity on how this is being treated currently. Do we want to retain our current procedures for assessing this land as agricultural land if it is being leased, and as heavy industrial land when it is subdivided and owned, or look at an alternate approach?

Changing this would require amendments to the Manual and possibly legislation.

Committee Comments (Well Abandonment Issue)

Board Member: Casey Ziegler from Welltraxx is here as a guest today to talk about abandoned wells in the province. Companies are abandoning oil and gas wells, and municipalities get minimal payment in the last year these properties are on the assessment roll and then they are removed and there are no taxes paid.

Casey Ziegler: Welltraxx is a service provider that helps companies deal with oil and gas assets. I want to talk about the scope of the oil and gas well abandonment that is happening in the province. I want to create an awareness about what is happening because this is a taxation issue.

Two years ago, the Federal government released a program to clean-up abandoned wells. 'Abandoned' is a bit of a misnomer as they are not cleaning up abandoned wells. They are however abandoning active and suspended wells which could have significant value on municipal tax rolls. There are an unprecedented number of wells being abandoned right now and that has expedited the elimination of a significant tax base for municipalities.

One of the issues here is the lack of consultation with municipalities as this happens. An example of this is an RM that lost 687 wells in 2020 and another 137 in 2021. There are probably a lot more coming in 2022. The RM lost \$25 million in assessment in 2020 and are forecasted to lose \$15 million in assessment in this coming year. If an RM is losing 687 taxable entities and they do not know about it in advance, there is a problem. There is no opportunity for municipalities to plan for the elimination of tax dollars because there is no requirement that they be notified. When municipalities lose this tax base, there is only one other place to get it from so generally the lost taxes are made up by agricultural ratepayers. This puts municipalities in a tough position.

Another issue is that companies are not actually cleaning up abandoned wells. As I understand, the Ministry assigns an abandonment date to the wells and within one year of that date, they can be removed off the tax roll. There seems to be this expedited process to remove these wells from the roll that does not appear to follow industry standards. According to industry standards an abandoned well can no longer produce. It might need to be cleaned up, but it cannot produce. When a company abandons a well, they have not given up their interest in the property. They still pay the landowner until they get a reclamation certificate from the province saying that the land can produce at 85% of its original capacity. They pay the landowner because they need to continue to access that well site.

By eliminating these abandoned wells from the tax roll, the companies have not surrendered their interests. They are just trying to get them cleaned up enough to remove them off the tax roll. I would like to potentially see a well not be removed until it gets a reclamation certificate. Reclaimed is a different term than abandoned.

SAMA Administration: Previously, abandonment meant that the site was put back to pre-disturbance conditions. The Ministry would then record that site abandoned. Over time there is more sensitivity to these sites. There are more stringent requirements now to receive full abandonment status including soil tests and cementing down the casing, etc. Currently abandoned status is set by the Ministry typically when the well is cemented. There is this newer abandonment initiative between federal and provincial governments, but we are unaware of the full requirements.

In terms of current assessments, if a well produces for greater than 30 days then it gets fully producing status. If it drops to less than 30 days in a reporting period, it goes to shut-in status, whether or not the equipment is removed from site. For one year after well goes shut-in or abandoned, the municipality can collect taxes. Abandonment date as recorded by the Ministry is what the assessment is based on. If a well is marginal, it can go from active to abandoned in a one-year timeframe. The industrial unit runs standardization yearly so it is efficient at catching those removals.

SAMA Administration: I am not sure if this is an assessment issue per se, but this may be an issue the Ministry of Government Relations can review. In terms of the Federal program, what is the rationale for giving money for abandoned, but not out of production wells?

Casey Ziegler: The intent of the program was to provide an economic stimulus. The issue is the definition of abandoned well. It could be cemented in, and the farmer could go out and farm, or you could have an abandoned well with weeds and contamination. Abandoned does not mean reclaimed. In this context, abandoned could still have a lot of work left to do to clean up the site. It would be positive if consideration was given for a protocol that phased out those assessments and allowed for planning and budgeting in that municipality. There are significant challenges ahead.

Urban Member: This is an issue for both urban and rural municipalities. There are small towns and cities with these properties, and they would not be getting any taxes either.

SAMA Administration: The definition of abandonment comes from the Saskatchewan Ministry of Energy and Resources and other groups. SAMA only values the equipment and if the equipment is not there, then there is nothing to base the assessment on. In

terms of what you are bringing forward, I don't know if the assessment system is built to handle this issue.

Rural Member: Collecting on tax arrears in oil industry is difficult. The Surface Rights Acquisition and Compensation Act is 50 years old and needs to be updated. What are the municipal tax implications as oil prices rise? Maybe some of these wells that have started the abandonment process are brought back into production.

Board Member: This topic has been brought forward because an oil or gas well assessment goes down to a nominal tax amount in the last year it is on the roll. If the well is not reclaimed, then maybe it should stay on the roll until such a time that it is reclaimed, and a certificate is issued. Is this issue related to Government Relations and can we make a recommendation to them?

Rural Member: Abandonments are a three-stage process. They are recognizing the first stage as abandonment. The tax card should be kept on that location until it is totally abandoned. Many wells hold reserves in place which adds value to the company. They can have the zone cemented off and they are not producing any product, but it can still hold barrels in place that adds value. A certificate of reclamation should be required before it is taken off the tax roll.

iii. Pipeline Model Review

PowerPoint presentation by Andrew Workman, TS&P.

Committee Comments

SAMA Administration: There have been several consultation meetings held with pipeline companies to date. Research, gathering of costs, and future consultations will occur.

iv. Solar Farm Model Consultations

PowerPoint presentation by Andrew Workman, TS&P.

Committee Comments

Rural Member: How long is the consultation period on windmills and the model?

SAMA Administration: We have met with the wind farm representatives. They brought a lot of debate and speaking notes to the meetings. There already is a megawatt (MW) rate in place in the Manual of \$500,000/MW. The power generation equipment is not assessable, only the foundation, tower, and nacelle cover. At a very high level, what we are discussing now is the change in the rates since the last revaluation. We will see how that plays out in the next month or two. We are seeking updated costs from the companies now.

Rural Member: There is the Saskatchewan Growth Coalition that is pushing to get the tax onus off the oil and gas industry and onto other tax classes like commercial and agriculture. Has there been much traction?

Board Member: SAMA is more on the sidelines of this as it is a tax policy and is not related to assessment.

Jason Penner: What are the next steps for the solar review? Are there any implications for agricultural land? Will there be an update at the next advisory meeting?

SAMA Administration: In terms of impacts to agricultural land, if the land is subdivided out then the land rates would go to commercial rates. We are looking to finalize rates and write the model into the Manual for November.

MOTION by Norm Hall that the Committees receive the 2025 Revaluation Preparations report.

Carried.

10. Government Relations Update

PowerPoint presentation by Akintola Abayomi, Government Relations.

The Ministry of Government Relations has been working on the Board of Revision (BOR) initiative for the last couple of years. The program has been developed through collaboration with stakeholders such as SUMA, SARM, Government Relations, etc.

There are four major components to the training initiative:

1. To have a provincial registrar office to ensure that BORs across the province have the required training and knowledge,
2. To establish standard training for all BOR members, secretaries, and chairs in Saskatchewan,
3. To establish a centralized BOR that municipalities can utilize if they cannot establish their own BOR, and
4. To establish an oversight body that will monitor the system regarding performance, efficiency, effectiveness and to make recommendations to the Ministry of Government Relations.

The first two components have been implemented with the final two components to likely be implemented in 2023.

Committee Comments

Rural Member: Is this training being offered to all municipalities and secretaries?

Abayomi Akintola: It is being offered to anybody that wants to sit on the BoR in the future. It is an open program for others as well. Current BoR members must take the training. It is the Board of Revision that will be certified. We sent information on the training to SAMA, SUMA, and Boards of Revision.

MOTION by Shawn Kramer that the Committees receive the Government Relations Update report.

Carried

11. Other Business.

Item 11a. SAMA 2022 Annual Meeting and Resolutions

The SAMA Annual Meeting this year is scheduled for April 21 and will be held in Saskatoon. All Advisory Committee members are invited to the Annual meeting if they would like to attend. Registration forms are available on SAMA's website.

No resolutions were identified by Advisory Committee members.

Item 11b. Next Urban and Rural Advisory Committees meeting

The next Rural and Urban Advisory Committee meeting is scheduled for November 29, 2022.

MOTION by Janet Kotylak to adjourn the meeting at 2:25 p.m.

Carried.