
Meeting Minutes

Board of Directors

June 26, 2019

Time: 9:00 am – 12:00 pm

Attendees

Jimmy MacAlpine, Greg Keefe, Clifford Hood, Chuck Faulkner, Bobby McNeil, Joe Feeney, Doug Boyd, Mike Dolter, Darren Bruckschwaiger

Regrets

Connie Nolan, Jane Fraser, Juanita Spencer

Staff Attendees

Kathy Gillis, Meredith Buchanan, Russ Adams, Chris Doucette, Kim Ashizawa, Tracy Williams

1. Review of Agenda

The draft agenda was reviewed.

**Moved by Bobby McNeil, seconded by Greg Keefe the agenda be accepted.
Motion carried.**

2. Review of Minutes

The draft minutes of March 29, 2019 were reviewed.

Moved by Clifford Hood, seconded by Darren Bruckschwaiger the draft minutes of March 29, 2019 be accepted. Motion carried.

3. Committee Meetings Update

Audit, Risk and Finance Committee

Mike Dolter, Audit, Risk and Finance Chair, provided the Board with an update from the June 18, 2019 meeting.

External Auditor's Audit Report

- The External Auditors from Grant Thornton provided the Committee with their audit report for the annual financial audit for the year ended March 31, 2019. They reported that all aspects of the Audit Plan communicated to the Committee in January were successfully completed.
- The auditors discussed the areas of focus and a summary of findings. The key areas raised through the audit were:
 - segregation of duties in relation to processing journal entries – the audit tested journal entries posted during the financial year and no issues were found.
 - accounts payable and expenses - the audit search for unrecorded liabilities and expense details revealed no issues.
 - Employee Future Benefit Obligations - the audit reviewed the inputs and assumptions used by the actuary and PVSC's accounting for the obligations and no issues were found.
 - The audit of vacation balances noted immaterial adjustments for vacation allotments at year-end.
- The Auditors discussed the level of reserves the Organization has considering the positive balance on the Operating Fund. They pointed out that as a Not for Profit, carrying high reserve balances might place the Organization at risk for a CRA (Canada Revenue Agency) review. They recommended drafting and/or reviewing current policies, rationale and recommendations on reserves.

The ARF Committee recommended approval of the Audit Report to the Board.

Moved by Mike Dolter, seconded by Clifford Hood the Audit Report for the year ended March 31, 2019 be accepted. Motion carried.

Year-end Financials and Actuary Report

At the May 23, 2019 ARF meeting, the Committee asked staff to follow up with the actuary to gain more clarity on the reduction in actuary liability.

- The change in the Defined Benefit Obligation for the Health Benefits plan was driven primarily by actual experience (experience gains) over the last three years, not a change to actuarial assumptions. This was a result of actual monthly health premiums being lower than expected over this three-year period.

- For the Service Award, there was a reduction in the salary increase assumption to align with assumptions used by the Public Sector Superannuation Plan.

The ARF Committee reviewed the recommended allocation of the balance on the Operating Fund.

- It was proposed that the Technology Advancement Fund be brought up to \$2 million. This would restore the Technology Fund above the minimum funding requirement and replenish this capital fund for the Corporation's short and long-term technology needs.
 - It was recommended that the remaining balance of \$992,963 be transferred to the Special Operating reserve. This would be available for future budget offsets or to fund other operational needs, as required.
- Staff have started to update budget assumptions in preparation for 2020/21 budget planning. A few key assumptions were identified that may require adjustments:
 - UARB Costs - Recently, the UARB (Utility and Review Board) communicated that PVSC's annual estimates have increased by approx. \$131K.
 - Telecommunication Costs - Prior year budget cuts on telecommunications may have to be adjusted by \$50K.
 - Employee Future Benefits - Given the results of the most recent actuarial valuations the total allowance for actuarial changes has been adjusted by \$100K.

The ARF Committee recommended approval of the Financial Statements to the Board.

Moved by Mike Dolter, seconded by Clifford Hood the Consolidated Financial Statements for the year ended March 31, 2019 be accepted. Motion carried.

Enterprise Risk Management Update

The Committee discussed the organization's updated risk register, for the first quarter of 2019, which outlines principal risks, mitigations, and risk ownership. Two key risks to the organization's achievement of its strategic objectives were highlighted:

- **Business Structure**: Inability to properly pursue business opportunities due to PVSC's current business structure.

- **Competition:** PVSC does not seize the Machine Learning opportunity in a timely manner and a competitor takes control of the market, impacting external opportunities and/or potentially the Nova Scotia mandate.

Management will continue to engage the Board of Directors with respect to its Enterprise Risk Management program providing status updates and seeking guidance in the management of its strategic risks.

Investment Review

- PVSC's Combined Investment Policy requires an annual review of funds & a five-year review of the policy and investment manager. Although the policy was up for review in 2018, the Committee recommended a delay of one year given the acquisition of JFL (Jarislowsky Fraser, Global Investment Management) by Scotia Bank.
 - To facilitate this review, staff were requested at the May 23rd ARF meeting to bring back a five-year review on investment performance (compared to market) and information on the full fee structure. Total investment fees paid during the year are approximately half a percentage point of the value of assets invested (i.e. approx. \$40K). The key investment strategies and investment performance include:
 - Bond performance has been largely in line with the index over the last 5 years.
 - On Canadian Equities over the last 5 years, our investments have beaten the TSX index by 1.9%/year on average
 - Over the last 5 years, JF Global Equities performance was in line with the strong MSCI World index
- Given this performance, the Committee agrees that the investment manager has met the objectives of the existing investment policy and has invested in stable companies that have yielded positive returns matching or exceeding market benchmarks. There was general consensus of the Committee that unless the investment policy changes to a more aggressive policy there was no need to change the current investment manager.

The ARF Committee recommended seeking the Board's interest and appetite for a meeting with the Investment Manager, in the October timeframe.

Board members indicated there is no need to change the Investment Manager as they are doing well and are comfortable with the company at this point in time and agreed to retain them (Jarislowsky Fraser). The Board felt it may still be worthwhile for the Investment Manager to meet with the Board and discuss the Investment Policy.

Action: Staff to arrange to have the Investment Manager attend a Board meeting (i.e. October 2019 timeframe).

Moved by Mike Dolter, seconded by Clifford Hood the Investment Report and the Risk Report be accepted. Motion carried.

4. Business Development

- Meredith Buchanan reviewed the contacts made at the Mass Appraisal Valuation Symposium (MAVS); she noted it was a good networking opportunity and thanked the Board for authorizing PVSC representatives to attend. The Board received an update on possible leads on those seeking assessment services, organizations seeking consultative services, and other prospects. In terms of next steps, will be following up with contacts and conducting a diagnostic process.
- Current promotional activities include:
 - A Case Study underway with the University of Toronto Rotman School of Business (using PVSC and its AI (artificial intelligence) work.
 - PVSC will be hosting an invite only AI/Machine Learning and Networking event at the IAAO (International Association of Assessing Officers) conference in September being held in Niagara Falls, ON.
 - PVSC presenting (Ashley Wu & Bob Gloudemans) at IAAO conference.
 - Potential meeting with international industry representatives to review, provide input and validate machine learning international standard.

Board members noted that some sort of diagnostic/ranking system should be used for qualifying and ranking the leads regarding what services we offer to determine focus, resourcing, etc. Also, further discussion on the product (IP, etc.), marketing, resourcing, potential revenues, etc. needs to also happen. Staff indicated this will form the discussion at the next Strategy & Stakeholders Com. meeting on July 30th.

Action: Staff to review insurance coverage for staff travelling internationally.

Update on Subsidiary

Kathy Gillis advised a meeting was held on May 29th with the Minister of Department of Municipal Affairs. Following that, provided a summary document outlining the request for legislation change to create the subsidiary and the business model framework. Kathy met (June 21st) with the Deputy Minister Nancy MacLellan following sending the documents. The Deputy suggested possibly arranging a meeting involving other parties to help facilitate the process. Kathy will follow-up with the Deputy on behalf of the Board expressing their desire to have this meeting, and to seek the Deputy's direction on who should attend and how this will be managed.

Note: A possible outlook is that the September sitting of the Legislature will be short with limited legislation put forward (we may not make priority list), may have to wait until Spring session but that will likely be budget focused.

5. CEO Report

Machine Learning Implementation – Focusing on an integrated reassessment approach, leveraging both the traditional and new methods to determine the most efficient, accurate, and consistent results. It was also indicated that it's absolutely key to maintain our core business service – machine learning is being developed first and foremost for our use and benefit for the NS Municipalities (quality of roll, financial cost).

Canadian Assessment Centre of Excellence (CACE) – Next steps for this national collaboration initiative include moving from a pilot to operational and developing a framework for CACE as a program to facilitate future collaboration opportunities with training through the IMA (Institute of Municipal Assessors).

Municipal Stakeholder Relations – PVSC is currently undertaking a review of the current state of our client service delivery and is developing a new Municipal Client Service Framework establishing roles, responsibilities, processes, procedures and appropriate technology to meet the needs of clients now and going forward.

Association of Municipal Administrators - Will be meeting with the AMA (waiting to receive a letter from them).

Website Review - Being careful with website review in terms of timing in consideration of the technology strategy.

Property Owner Study – An online study was conducted in April (targeted residential property owners in NS) using a third-party research firm. The study was divided in four sections – Brand, Assessment Notice, Website and My Property Report and Assessments to help understand the perceptions and expectations that property owners have of PVSC. Will be looking at the results in conjunction with other annual surveys conducted with appellants and feedback from non-appellants.

Intellectual Property - Have reached out for external legal advice regarding intellectual property protection and will conduct an analysis to determine if we have “freedom to operate” in the assessment industry utilizing the machine learning techniques developed.

**Moved by Clifford Hood, seconded by Greg Keefe the CEO Report be accepted.
Motion carried.**

6. In Camera

There were no matters identified for recording purposes following the *in camera*.

Meeting Adjourned