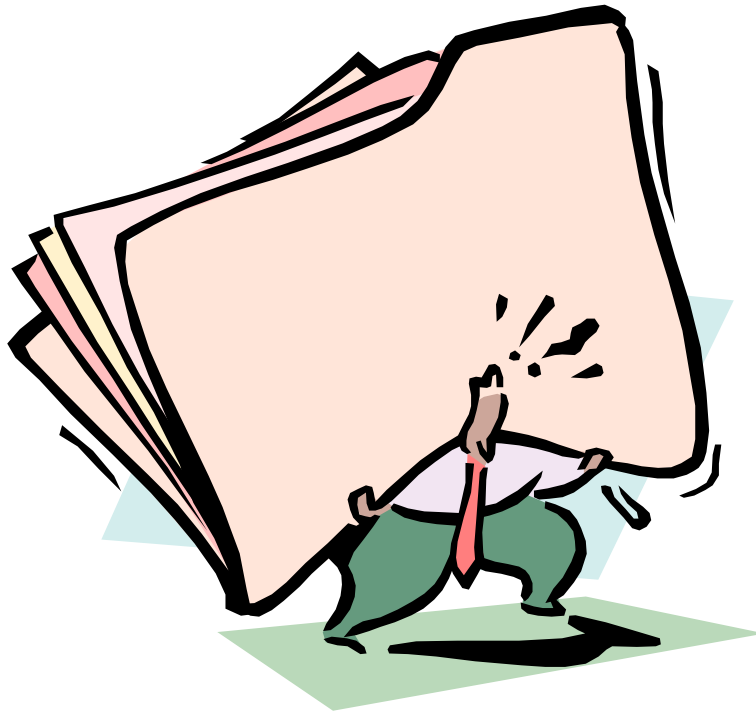


# Provincial Property Assessment and Tax System



## 2007 Information Session Report

Prepared by

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## **Introduction**

In 2007, the Assessment Services Branch (ASB) of Alberta Municipal Affairs and Housing and the Corporate Budgets and Taxation Branch of Alberta Education hosted six information sessions about the property assessment and tax system and the education property tax and funding framework. The purpose of the sessions was to provide information and receive feedback from chief administrative officers (CAOs) and assessors on a variety of assessment related topics.

A total of 124 CAOs and assessors took part in the sessions held during June and July 2007 in Edmonton, Red Deer, Calgary, Lethbridge, and Grande Prairie. ASB's Jerry Husar, Director of Special Projects, Assessment Audit; Lynda Downey, Director of Education Tax and Assessment Advisory; and Brian Ferguson, Director of Assessment Audit, were the session presenters from ASB. John Koehn, Manager of Corporate Budgets and Taxation, was the presenter from Alberta Education.

This report is being sent as information to all of the CAOs and assessors who were invited to attend the sessions. For the benefit of those who could not attend, the report provides a summary of each topic that was presented at the sessions and the comments and feedback that was received from the attendees. As well, the report will be forwarded to the ministry's senior and executive management.

## Education Property Taxes and the Funding Framework

### *Topic Summary*

Alberta Education provided information on the education funding framework and the factors that are used to determine the funding allocated to school jurisdictions across Alberta.

Information was also presented about the special school tax levy and the processes that school jurisdictions need to follow to gain support for such a levy.

### *Session Feedback*

Session attendees were asked to complete a questionnaire that dealt with some of the issues Alberta Education is facing. The following is a synopsis of the feedback from the questionnaire.

- 72% of the chief administrative officers (CAOs) responded that their municipalities would not support local school boards being provided with the authority to set local residential mill rates and to requisition the education property tax directly. 15% were unsure of council opinion.
- 72% of the CAOs responded that their municipalities would not support local school boards being provided with the authority to set local non-residential mill rates and to requisition the education property tax directly. 15% were unsure of council opinion.
- 79% of the CAOs responded that their municipalities would not support local school boards being provided with the authority to collect the special school tax levy (*School Act* s. 190.1) without a plebiscite. 13% were unsure of council opinion.
- 64% of the CAOs responded that their municipalities would recommend that education be fully funded from general revenues. 20% believed the current ratio of 70:30 was acceptable. 10% were unsure of council opinion.
- Most CAOs expressed the opinion that the province should reduce residential property taxation in favour of increased corporate taxation. Specifically, the province should tax the machinery and equipment assessment base. A one mill rate increase would provide approximately \$30 million.
- Most CAOs expressed the opinion that capping the year-to-year requisition increase should be eliminated. The notable exception to this opinion occurred in municipalities experiencing growth rates in excess of 15%.

- Most CAOs expressed the opinion that supplementary requisition revenues should be disclosed by municipalities within the Alberta School Foundation Fund financial statements.

The following website links offer additional information related to this topic:

Alberta School Foundation Fund details available online at:

[www.education.gov.ab.ca/annualreport](http://www.education.gov.ab.ca/annualreport)

Education funding information available online at:

[www.education.gov.ab.ca/funding](http://www.education.gov.ab.ca/funding)

Education budget information available online at:

[www.education.gov.ab.ca/department/budget/2007](http://www.education.gov.ab.ca/department/budget/2007)

## Current Year Equalized Assessment

### **Background**

This topic continues to be at the forefront of issues of importance to assessment stakeholders. The 2007 information sessions afforded Municipal Affairs and Housing staff the opportunity to ask the stakeholders whether pending legislation should be proclaimed that would enable the province to move to current year equalized assessments.

In the mid-1990s there were a few significant government policy changes that had a profound affect on all Albertans. Some of these policy changes affected the property assessment and tax system in the province, and in one way or another, contributed to the establishment of the current year equalized assessment initiative. Some of the more noteworthy policy changes were:

- The Government of Alberta took over responsibility for school funding from the schools boards. Before the change, the school boards requisitioned municipalities within their jurisdictions for the revenue to operate the schools. With the policy change, the province began to requisition municipalities directly, and the collected property tax revenue was pooled and distributed to school boards across the province on an equal per-student basis. This resulted in the sharing of property tax revenue among all municipalities in the province.
- The government decided to eliminate its annual budget deficits and the provincial debt through sweeping spending reductions and downsizing. This led to the privatization of the province's assessment delivery service. Assessments that were once prepared by provincial assessors for about 90% of the municipalities in Alberta became the responsibility of those municipalities. As well, some provincial boards that dealt with assessment matters (for example, the Alberta Assessment Appeal Board and the Equalized Assessment Board) were either consolidated with other boards or abolished all together.
- The new *Municipal Government Act (MGA)* came into force, which included the consolidation of former legislation, the introduction of market value as the valuation standard for residential and most non-residential properties, and the re-assessment of properties annually. The new *MGA* also incorporated changes to the assessment and appeal processes caused by government policy changes, including the aforementioned.

As the notion of sharing education property tax funding with all other municipalities in the province settled in, the cities of Calgary and Edmonton, which are the largest contributors to the education property tax fund, expressed concerns about the equalized assessment process, and they questioned whether their equalized assessments were fair in relation to that of the other municipalities. Consequently, the City of Calgary filed appeals of the 1997, 1998, and 1999 equalized assessments with the Municipal Government Board.

Provincial officials met with the cities of Calgary and Edmonton to hear their concerns and to see if the issues could be resolved. To this end, the former Municipal Affairs agreed to the following processes and the cities agreed to withdraw their equalized assessment appeals for 1997 to 1999.

- The establishment of the Equalized Assessment Panel (EAP) to review the assessment audit and equalized assessment processes, and to make recommendations that would improve the processes, particularly regarding transparency and understanding.
- The hiring of an independent third party to determine whether the ministry prepared the cities' 1996 and 1997 equalized assessments fairly and correctly. The review concluded that the cities' equalized assessments were fair and were prepared following the applicable procedures.

The EAP provided its report to the Minister of Municipal Affairs in June 2000. In 2001, the province accepted the EAP's recommendations, including the following:

- Current year equalized assessment,
- Direct equalization,
- Provincial database of assessment and property information<sup>1</sup>,
- Use of assessment growth information to forecast requisitions, and
- Tighter assessment quality standards<sup>2</sup>.

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<sup>1</sup> The ministry developed the Assessment Shared Services Environment system (ASSET), which was implemented in 2005.

<sup>2</sup> The regulated quality standard to the median assessment-to-sales ratio changed in 2004 from a range of 0.900 – 1.100 to a range of 0.950 – 1.050.

## **Legislation Awaiting Proclamation**

### ***Topic Summary***

The province initially intended to implement current year equalized assessments in time for the 2004 tax year and direct equalization for the 2007 tax year. The *Municipal Government Amendment Act, 2002*, contained the key legislative provisions for current year equalized assessments and direct equalization. However, in mid-2003 it was determined that the key parties in the initiative (the assessors, the assessment system and tax roll system providers, and the ministry) were not yet ready to move to current year equalized assessments for 2004.

Subsequently, the *Municipal Government Amendment Act, 2003*, was passed to postpone the coming into force of six sections pertaining to current year equalized assessment. These sections were set to come into force on January 1, 2004, but now they are set to come into force at such time that the sections are proclaimed. The amendment acts and the relevant sections are on the ministry's website at [www.municipalaffairs.gov.ab.ca/am\\_acts\\_&\\_regulations.cfm](http://www.municipalaffairs.gov.ab.ca/am_acts_&_regulations.cfm).

Of the sections awaiting proclamation, the following are deemed to be the most pertinent for the move to current year equalized assessments:

- Section 317 would eliminate the one-year time lag between the assessment roll and the equalized assessments by removing the words "from the year preceding the year in which the equalized assessment is effective."
- Sections 318 to 320 would contain the dates that would enable the equalized assessments to be prepared by the same date that the municipalities are required to prepare their assessment rolls. The sections were also re-numbered to better reflect the sequence of the process. The proposed dates and the existing legislated dates are:

	Proposed Date in <i>Amendment Act</i>	Existing Date in <i>MGA</i>
Reporting of information & assessor's declaration	January 31	April 1* (s. 319)
Prepare equalized assessment	February 28	No date is prescribed
Send report of equalized assessments	March 1	November 1 (s. 320)

\* To enable a transition to current year equalized assessments, January 31 was prescribed in the Assessment Quality Minister's Guidelines as the date for reporting information and for submitting the assessor's declaration. Assessors have worked to meet the January 31 date since 2006.

Implementation of other sections was also postponed because they contain a reference to the re-numbered sections 318 to 320.

The decision of whether to complete the move to current year equalized assessments should consider all the factors in play. Indeed, there are some conditions that exist today that did not exist when the Equalized Assessment Panel (EAP) formed its recommendations in 2000. Each of these conditions have, to some extent, influenced the implementation of the current year equalized assessment and direct equalization initiatives. For example:

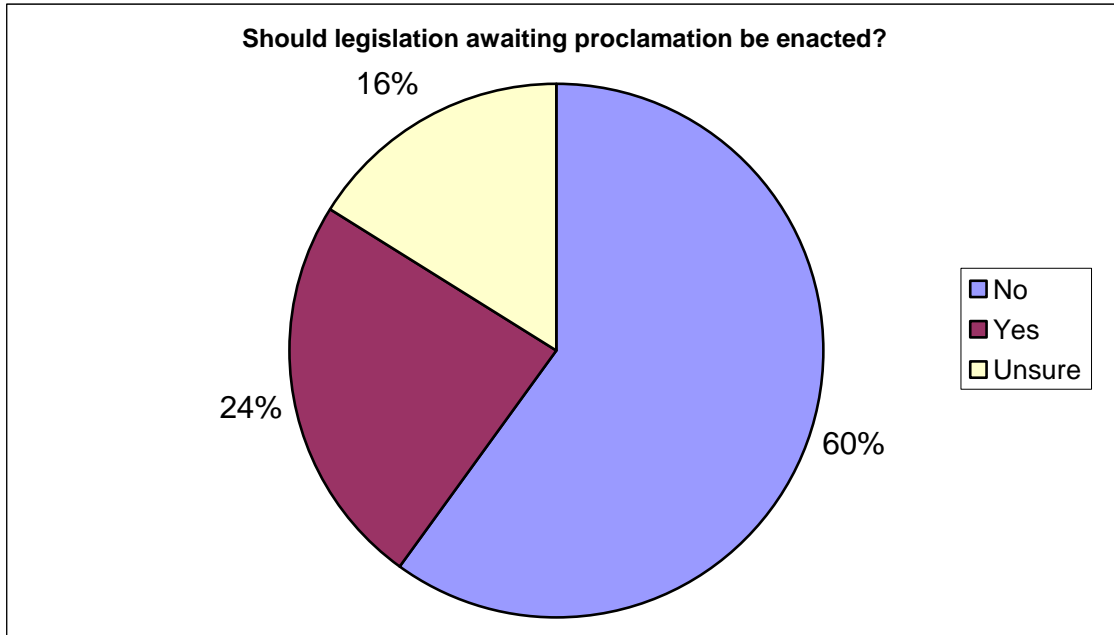
- **Equalized Assessment Variance Regulation.** The EAP's recommendation was developed prior to the introduction of the variance formula, which limits increases in a municipality's equalized assessment through a requisition capping process or by averaging multiple years of equalized assessments. Therefore, implementing the EAP's recommendation while a mitigation formula remains in place would not achieve the EAP's goal of applying the provincial education tax rate directly to the property tax notices.
- **Unprecedented economic growth across the province.** The workload for assessors has increased significantly in many municipalities due to the high volume of construction and economic activity. As such, stakeholders have raised concerns that assessors do not have enough time or sufficient resources to complete their year-end assessment work (given the physical condition date of December 31), provide a complete and accurate report of the property and assessment data, and then pass the annual audit tests and submit the assessor's declaration – all by January 31.
- **Proposed fixed budget date.** In April 2007, the legislature passed an order paper whereby it is proposed that the annual provincial budget and estimates for the ensuing fiscal year be announced on the 2<sup>nd</sup> Thursday in February. If this happens, current year equalized assessments could not be prepared early enough to be used in conjunction with the preparation of the provincial budget.

### ***Session Feedback***

After the above information was presented, the session attendees discussed as a group whether they felt the government ought to proclaim, at this time, the legislation in the *Municipal Government Amendment Acts, 2002* and *2003*, which would set into place current year equalized assessments and, eventually, direct equalization.

Following the discussions, the attendees were asked to fill out a questionnaire. 60% of the respondents said that it is not practical to proclaim the applicable

legislation at this time. 24% of the respondents indicated that the province should move forward and proclaim the legislation while 16% of the respondents were unsure.



Of the respondents who were not in favour of proclamation, most commented that the proposed timelines can not be achieved due to the current heavy workloads and the apparent shortage of assessment staff at the municipal and the provincial levels. Many respondents said that having a current year equalized assessment process is not practical until the variance regulation is no longer in place. Many others felt that the existing process (other than the reporting timelines) is fine. Some respondents questioned whether the initiative was even practical anymore since the province would have to rely on forecasted data in support of its proposed fixed budget date. Others stated that the initiative has become a burden for the municipalities, and has created more problems than benefits for all.

Although some of the respondents who indicated the initiative should continue forward, they also expressed concerns about the quality of the assessments that may be sacrificed as assessors strive to meet the early reporting deadlines, and about the ability of the ministry to effectively audit within the short timelines.

The attendees were also asked what needs to happen before current year equalized assessments can be successfully achieved. The following are examples of comments that appeared in the questionnaire:

- Before proclaiming the legislation, the province should ensure that all of the affected parties have sufficient information and understand the implications of the changes.

- Remove the Equalized Assessment Variance Regulation.
- More qualified assessors are needed.
- Provide funding to municipalities to assist them in paying for additional assessment resources.
- Wait until the economy stabilizes.
- Ensure that the time frames within the process are realistic.
- Have later dates for reporting information (for example, February 15 or February 28); move the physical condition date to October 31.
- Set standards for reporting into ASSET.
- Establish a more rigid audit process.
- The EAP's original recommendations should be reviewed and updated, as required.
- Make sure all parties can successfully achieve their responsibilities in the process before implementing the initiative.
- Review the assessment structure in Alberta.

### **Pre-Assessment Roll Audits**

#### ***Topic Summary***

The ministry currently conducts an automated annual audit using the Assessment Shared Services Environment (ASSET) system. The existing audit tests and the ratio studies primarily support the equalized assessment process. As such, a municipality is allowed to prepare its assessment roll by the prescribed date (February 28) even when the results of the annual audit show that the municipality's assessments do not meet the regulated quality standards. A more comprehensive audit is conducted during a detailed assessment audit.

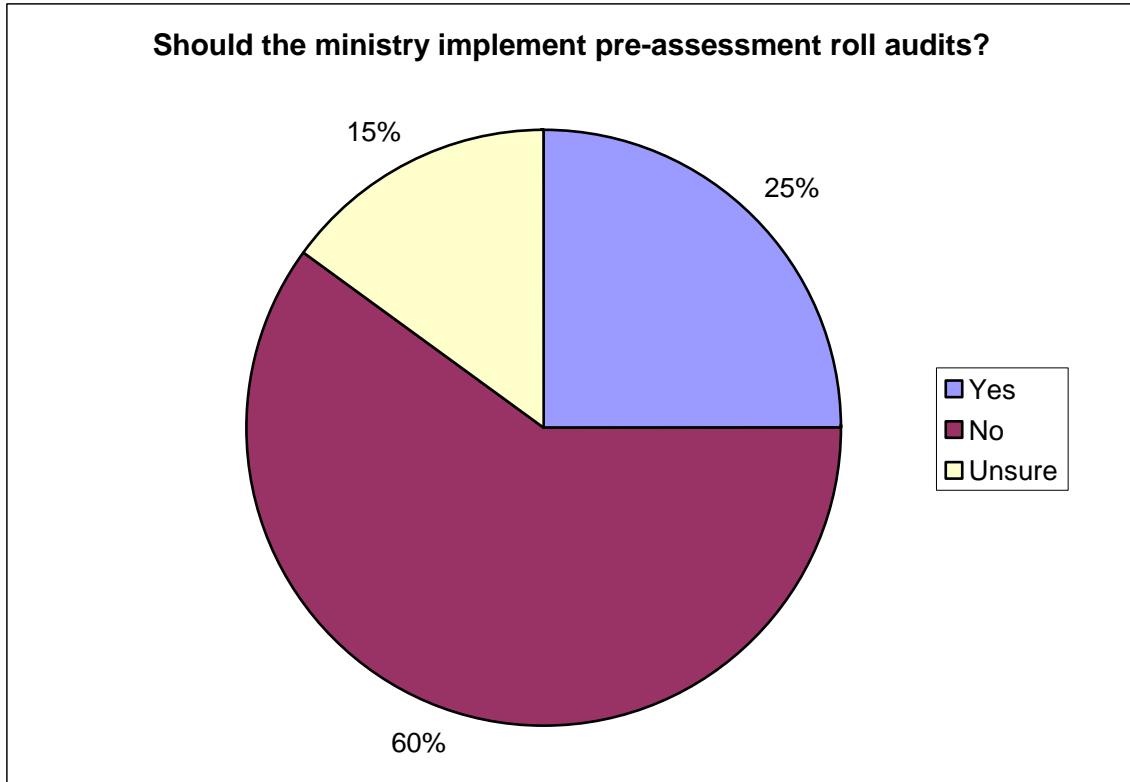
However, the Equalized Assessment Panel (EAP) envisioned a system whereby equalized assessments would not be needed to fund education from property taxes. Instead, every municipality's actual assessment would be used to calculate the provincial education tax rate and, in turn, the amount of requisition for each municipality. The education tax rate set by the province could then be shown directly on the property tax notice in every municipality so that every property owner could see his or her contribution to education funding. However, for this system to be in place, the EAP foresaw that other events had to happen first, including the following:

- Assessments on the assessment roll for market value properties must be at an assessment level of 1.000 (note: this provision was set to come into force on January 1, 2007, but the applicable section in the Matters Relating to Assessment and Taxation Regulation was rescinded in 2006);

- Assessments for market value properties must meet the regulated quality standards for median assessment ratio and the coefficient of dispersion for any group of properties;
- Municipal assessors are able to report complete and accurate property data, sales data, and assessment data to the ministry; pass the annual audit tests; and submit the assessor's declaration by the prescribed date (January 31);
- The ministry is able to audit every municipality's reported information prior to the assessment roll being prepared (for example, by February 21). In a pre-assessment roll audit, the ministry would either approve the municipality's entire assessment base or it could require the assessor to change the assessed values for some or all of the properties in the municipality until the assessment level and other legislated requirements were met;
- A municipality would not be permitted to prepare its assessment roll or pass a tax rate bylaw until the assessment level and other legislated requirements were met;
- The ministry is able to prepare the equalized assessment by the prescribed date (for example, February 28), and the province is able to set the education tax rate in a timely manner (prior to the tax notices being sent);
- There would be minimal changes or revisions (section 305 changes and appeal decisions) to the assessments after the assessment roll has been prepared; and
- Stakeholders have confidence in the system.

### Session Feedback

The session attendees were asked whether they would be in favour of the move to a pre-assessment roll audit, and to identify any advantages or disadvantages to their respective municipality, if pre-assessment roll audits were to become a reality.



More than half of the respondents (60%) indicated that they would not be in favour of pre-assessment roll audits as it was explained at the session. These respondents suggest that there are already enough checks in the system or that a pre-assessment roll audit would not work within the present timelines or the proposed timelines (for example, there would not be enough time to perform adjustments to the assessments). Furthermore, they felt that pre-assessment roll audits were not necessary unless current year equalized assessments become a reality.

Yet many of the respondents thought that there should be more stringent monitoring and more comprehensive analysis of assessment information. These respondents stated that it is important to do as much pre-assessment roll auditing as possible and that pre-roll audits can only improve the quality of the product and make assessments more equitable.

A few respondents suggested that more information was needed to fully understand the process and the implications of a pre-assessment roll audit;

perhaps the concept could be tested in a pilot project. And, there were some respondents who wondered whether the province should re-assume the delivery of the assessment services.

Some respondents felt that if the concept of pre-assessment roll audits were in place, there would be no advantages at all to their municipalities; however, several of the session respondents believed that there would be benefits to their municipality. The following were the most common advantages cited by the respondents:

- Would provide more confidence in the final assessments,
- Would reduce or eliminate errors and corrections before assessments appear on the roll,
- Would ensure higher quality assessments and assurance of a more accurate assessment roll,
- Problems in the assessment base would not be carried over to future years,
- Would promote standardization on a provincial basis, and
- Assessors would know that they met all of the legislated requirements and the regulated standards

The following are the most common disadvantages of a pre-assessment roll audit cited by the respondents:

- Would increase the workload for assessors and, in turn, the assessment service costs for municipalities,
- Impractical because the timelines are too tight and there is a shortage of assessors to do the work,
- May create a bottleneck in the process because there would not be enough time to complete the audits,
- Would add complexity to the process,
- Could delay the completion of the assessment roll and the mailing of the assessment notices,
- May result in more appeals (including appeals against the equalized assessment), and
- Local assessors know the municipality better than auditors in Edmonton.

**Equalized Assessment Process Timelines**

***Topic Summary***

Now that stakeholders have had some time to experience the changes to the assessment process that have occurred in the past few years, the session attendees were asked to identify the dates that they believe would be most practical to complete the annual assessment activities that are related to the assessment audit and equalized assessment processes.

***Session Feedback***

The dates that the respondents most prefer are shown in the following table:

Complete and accurate information reported to the ministry by	Information passes the annual audit and assessor submits the annual declaration by	Assessment roll is prepared by	Equalized assessment report is sent by
February 15 (36%)	February 15 (29%)	February 28* (43%)	November 1* (30%)
February 28 (29%)	February 28 (27%)	March 31 (17%)	March 1 (22%)
January 31* (17%)	January 31* (22%)	March 15 (6%)	March 15 (7%)
Other dates (1%)	Other dates (7%)	Other dates (4%)	April 1 (7%)
Unsure/no resp. (17%)	Unsure/no resp. (15%)	Unsure/no resp. (30%)	Other dates (8%)
			Unsure/no resp. (26%)

\* Denotes the current completion date for the activity.

Almost two-thirds of the respondents (65%) indicated that the date for reporting property, assessment, and sales data to the ministry should be pushed back from January 31 to a date in February (February 15 or February 28). Fewer respondents (56%) selected the same February dates for the assessor to submit the annual declaration, which is interesting since the declaration submission occurs after the reporting has passed the annual audit tests. However, a few respondents suggested that the declaration date be in March.

February 28 remained the most preferred date for preparing the assessment roll, although less than half of the respondents (43%) selected the date. There seemed to be a cautious willingness to move the assessment roll date, if doing so would give more time for the earlier steps in the assessment process.

About one-third (30%) of the respondents saw no need to change the date for sending the equalized assessment report (on November 1); however, less than one-quarter (22%) of the respondents favoured the proposed March 1 date for sending the report.

Some comments were received about moving the legislated physical condition date from December 31 to October 31 (the same date as linear property) or to July 1 (the valuation date).

## **Detailed Assessment Audits**

### ***Background***

The ministry's business plan includes a strategy for conducting a detailed assessment audit for every municipality in the province within a five-year period. 2006 was the fifth year of the initial five-year detailed audit cycle.

Now that the first five-year cycle is complete, the Assessment Services Branch of the ministry believes that this would be a good time to review the program, and to identify areas for improvement. After all, there have been a number of significant changes since 2000 to the assessment process and timelines, and to the assessment audit and the equalized assessment processes and timelines. The two most notable changes are the implementation of the Assessment Shared Services Environment (ASSET) system and the earlier dates for reporting information to the ministry.

The branch initiated the review to see if it would be effective to repeat detailed audits for every municipality in the exact form and manner as was conducted only a few years before. Would the findings of such audits be any different?

To this end, the branch contracted a consultant to review the overall detailed assessment audit program to identify opportunities to make the program more effective for the ministry and for the municipalities. These sessions provided an opportunity to discuss and to gather feedback from stakeholders on some of the consultant's recommendations.

### **Method for Scheduling Detailed Audits**

#### ***Topic Summary***

In reviewing the assessment audit program, the consultant concluded that the ministry should leverage the data in ASSET and intensify its annual audit program. Some of the statistical tests that were once performed in a detailed audit can now be performed annually using ASSET.

One of the consultant's recommendations was to adopt a "bang-for-the-buck" approach to scheduling detailed audits each year. The consultant recommended that the ministry use set criteria in a decision-making model to identify which municipalities "needed" an audit in any particular year and to ascertain the scope of an audit, rather than to continue with the method of simply conducting a routine detailed audit for every municipality over a five-year period. This would mean that some municipalities might be audited in back-to-back years while other municipalities might not be audited for several years.

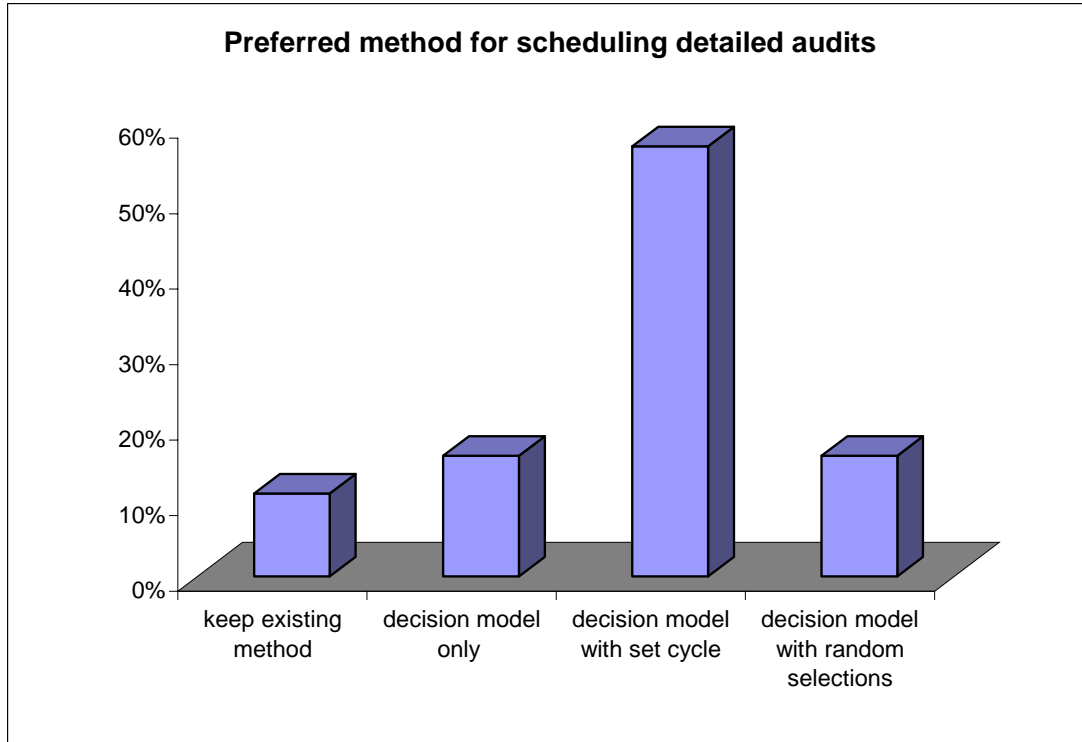
In response to the recommendation, the Assessment Services Branch developed a decision-making model that includes the following criteria:

- annual audit program findings,
- property taxpayer confidence in the assessments (for example, number of appeals),
- existence of higher-valued or unique property types,
- total assessment,
- changes to legislation or to the assessment process,
- the scope of the audit,
- the last scheduled detailed audit,
- sufficient information for reliable statistical conclusions,
- property growth, and
- ministry resources to complete the scheduled work.

### ***Session Feedback***

With this information in mind, the session attendees were asked to rank the method that the ministry should use to determine which municipalities to schedule for a detailed audit in any given year.

- (a) Follow the existing method (every municipality on a five-year cycle).
- (b) Use a decision-making model every year, meaning that some municipalities may never be audited or would be rarely audited.
- (c) Use a decision-making model with a requirement that every municipality be audited within a prescribed cycle (for example, eight-year cycle, or 10-year cycle).
- (d) Use a decision-making model coupled with an annual random, discretionary selection of municipalities.



57% of the respondents rated the decision-making model with a longer, prescribed schedule as the most effective method. An equal number of respondents (16%) selected either the decision model only or the decision model with random selections as the preferred method; while only 11% said they wanted to keep the existing method of scheduling a detailed audit for every municipality on a five-year cycle.

Overall, respondents felt that a decision-making “bang-for-the-buck” model would be more effective than the existing five-year schedule, as more focus would be paid to municipalities that may have problems with their assessments. However, it appears that most respondents favoured a method whereby every municipality would be audited within a prescribed term, but doing so within the existing five-year cycle was not seen as being essential for an effective detailed audit program.

There were suggestions that high risk areas need to be audited more often, but not on a scheduled basis (known schedules might enable some assessors to work to meet the audit’s requirements) while some respondents felt that the yearly schedule should not be made public until the year of the audit.

Respondents indicated that the audit program needed to be flexible in terms of the scope of the audit and had to be capable of responding to stakeholder or public concerns. The suggestion was made to add changes to a municipality’s designated officers or management (for example, the assessor or the chief administrative officer) as a criterion in the decision-making model. Several

respondents suggested that the larger municipalities (particularly Edmonton and Calgary) and municipalities experiencing high growth ought to have a detailed audit every year.

### **Detailed Audit Time Frame**

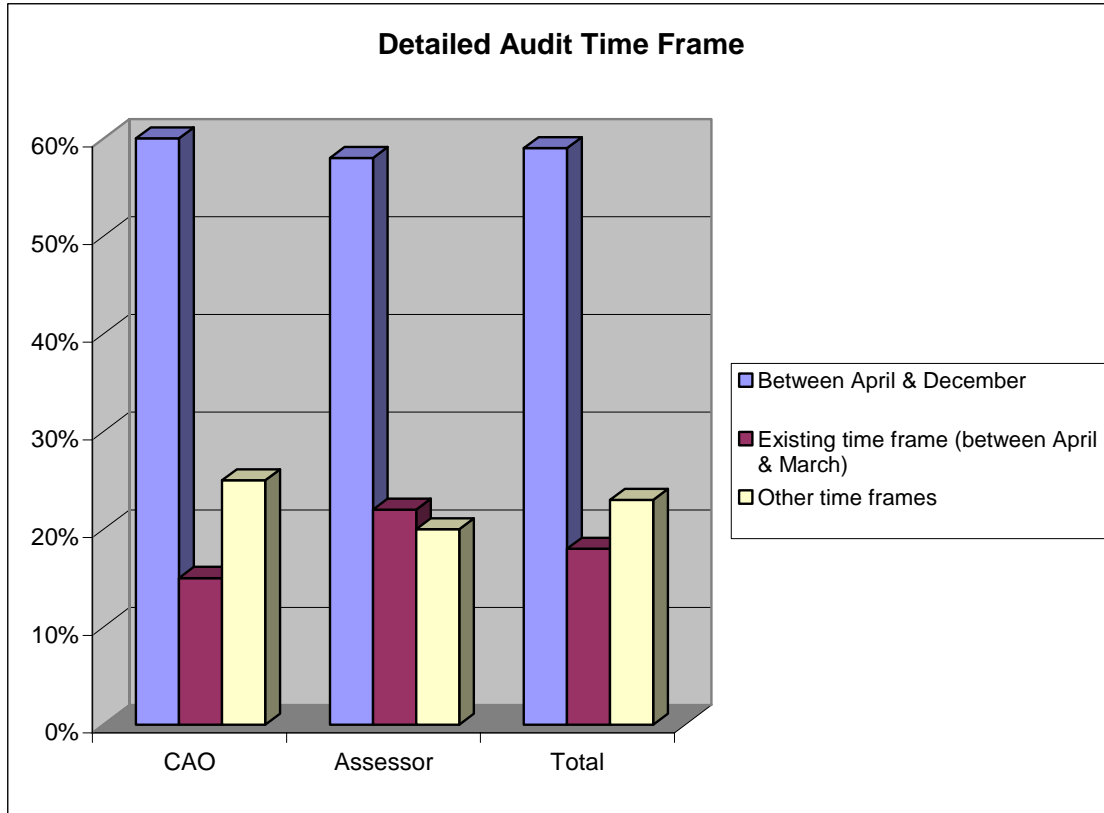
#### ***Topic Summary***

In the first five-year detailed audit cycle, the most practical time frame for conducting detailed audits was deemed to be between April and March in the following year. This time frame was deemed to be practical because the date by which assessors were required to provide information to the ministry was not until April 1. Although the time frame gave the ministry a full 12 months to complete the scheduled audits in the first year of the cycle, several of the audit reports were somewhat outdated (in relation to the previous year's assessment roll) by the time the report was delivered to the chief administrative officer.

However, since the implementation of ASSET in 2005, the date for reporting information has been January 31. Although the annual audits are usually performed between the months of January to March, the ministry can conceivably start the detailed audits earlier in the year and thus, the audits could conceivably be targeted for completion within the same tax year rather than in the following tax year.

#### ***Session Feedback***

With this information in mind, the session attendees were asked to indicate which time frame they would prefer for detailed audits to be conducted.



Less than one-fifth of the respondents (18%) want the ministry to continue audits within the existing time frame. Over half (59%) prefer a time frame between April and December. Of the other time frames proposed, most indicated that March or April is an appropriate time to start the detailed audits, but the audits should be completed no later than September, October, or November. Many respondents commented that the ministry should avoid doing detailed audits altogether in December and January.

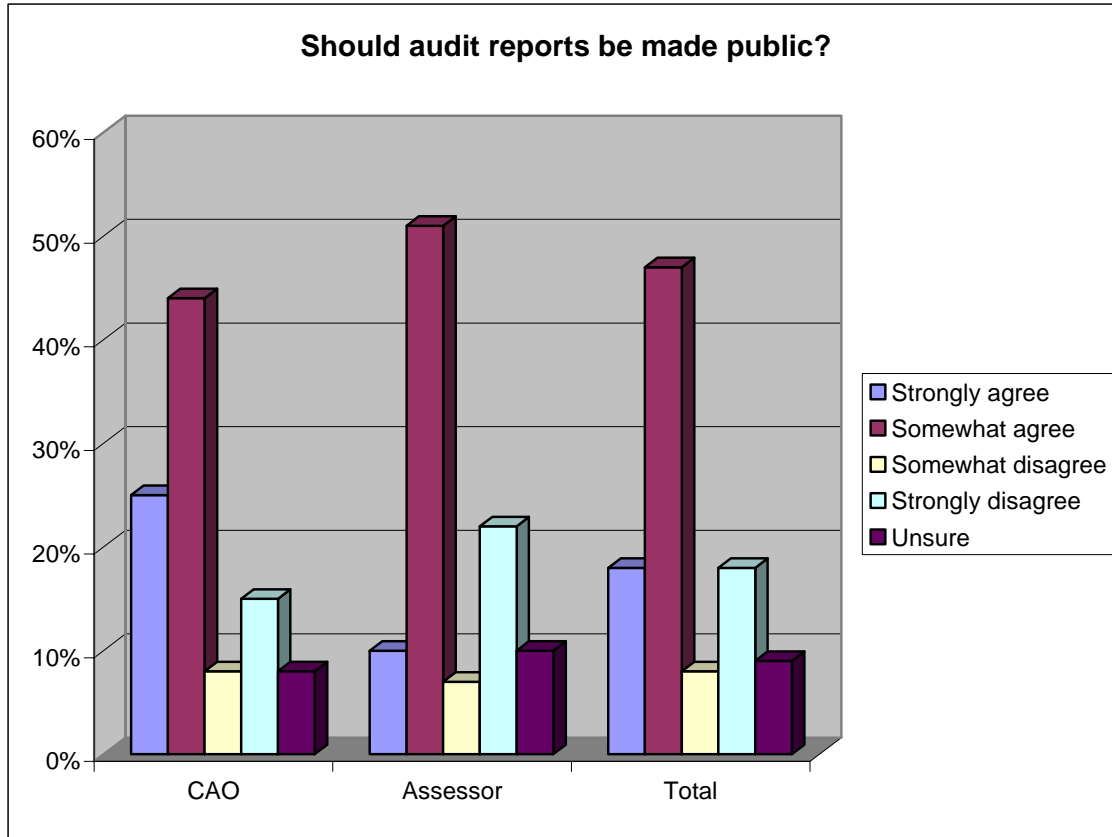
### **Public Access to Detailed Audit Reports**

#### ***Topic Summary***

The consultant recommended that the final detailed audit report should be made public after the assessor has seen the report. Having the results of a detailed audit open to the public would promote transparency and the use of best practices, as any assessor could review the practices and procedures used by other assessors across the province.

#### ***Session Feedback***

Overall, the respondents were very supportive of the idea with 65% strongly agreeing or somewhat agreeing. However, most chief administrative officers support (69%) for making the report public was a bit greater than that of the assessors (61%).



Just under one-third of the assessors (29%) and about one-quarter of the chief administrative officers (CAOs) (26%) were opposed to making the report public. Of the respondents that were in favour of making the report public, several said that before doing so the municipality’s assessor, CAO and council must see the report first and have a chance to respond. Several respondents also suggested that only a summary report be made public rather than the entire detailed report – the detailed report may be too technical for most taxpayers or may be misinterpreted, which could lead to assessment appeals.

**Audit of Special Purpose Properties**

***Topic Summary***

The consultant recommended that the ministry annually select one or two unique or special purpose property types to audit on a province-wide basis. Such audits would ensure that these specific properties are assessed consistently and according to best practices throughout the province. The session attendees were asked which special purpose properties they feel should be audited first.

### **Session Feedback**

The top six unique or special purpose properties that the respondents felt should be audited on a province-wide basis are:

- Manufacturing plants,
- Hotels and motels,
- Shopping centers,
- Golf courses,
- Warehouses/light industrial properties, and
- Box retail/grocery stores.

About 15% of the respondents suggested that an audit be conducted for linear property. Other properties receiving mention for a province-wide audit include the following:

- Heavy industrial properties,
- Grain elevators,
- Non-profit properties,
- Seniors housing,
- Apartments,
- Car washes,
- Gas stations, and
- Automotive dealerships.

## Annual Provincial Report on Assessment

### Topic Summary

Session attendees were informed of a proposal to produce an annual report on assessment. The primary purpose of the report would be to cover the results of the annual audit ratio studies conducted on all municipalities, and any equalized assessment adjustments made as a result of those studies.

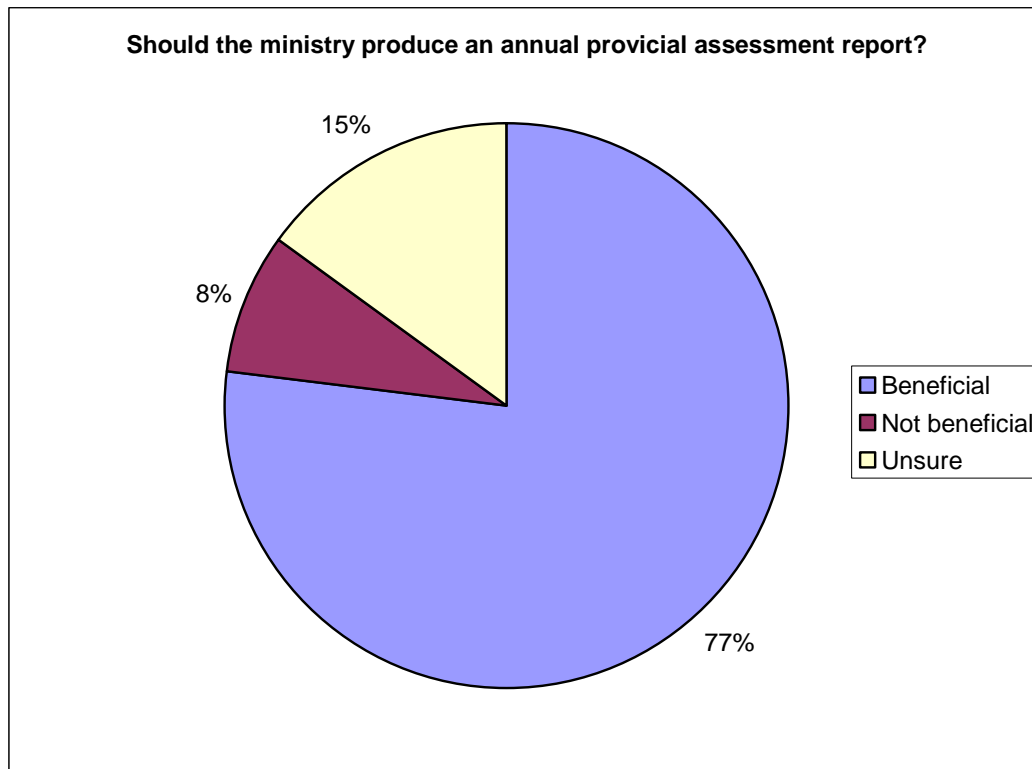
Such a report could also provide comments on emerging assessment and taxation issues, as well as information on a municipality-by-municipality basis, on a regional basis, or by type of municipality basis, including:

- market trends and growth projections, and
- statistical information on different property types.

The ministry believes that, first and foremost, a provincial report must be of value and interest to the various assessment stakeholders, including municipal officials, provincial officials, assessors, and property owners.

### Session Feedback

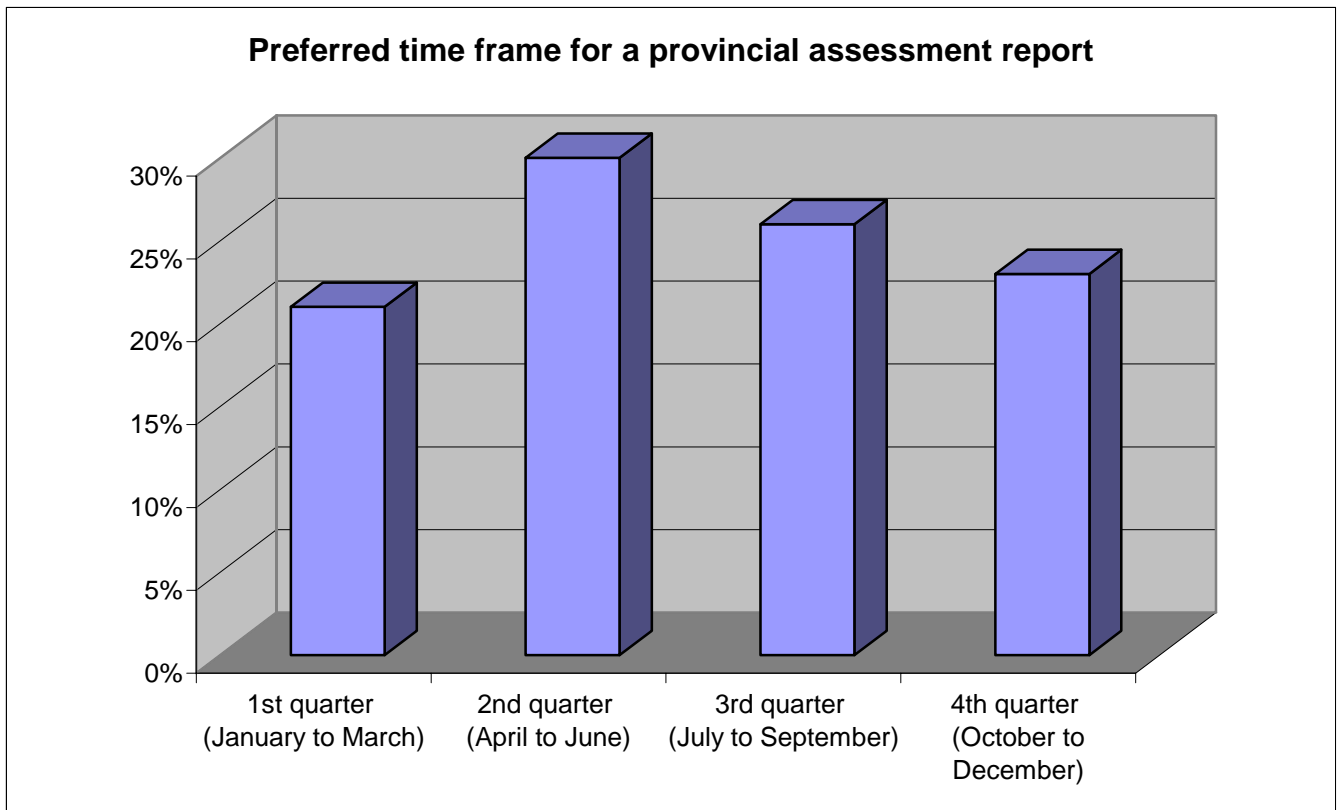
77% of the respondents agreed that a provincial assessment report would be beneficial to them, while 8% said that the report would not be of benefit to them, and 15% were unsure.



The respondents said they would like to have property, assessment, and market data that they could use to analyze trends or to project growth in their municipalities, as well as to compare with other municipalities at the regional and provincial level. They suggested that the data could include the following:

- Real (new construction) and inflationary growth information,
- The assessment for a “standard” residential property,
- Market trends for typical residential and non-residential property,
- Year-over-year assessment changes for all types of regulated and non-regulated property, and

When asked in which quarter of the year would receiving the report be of most benefit to them, the responses were somewhat evenly divided. 21% said they would prefer to receive the report in the 1<sup>st</sup> quarter of the year (January to March), 30% preferred the 2<sup>nd</sup> quarter (April to June), 26% preferred the 3<sup>rd</sup> quarter (July to September) and 23% preferred the last quarter (October to December). A number of chief administrative officers suggested that the assessment report be coordinated and included with the ministry’s annual municipality financial audit report.



## Assessor Internship

### Topic Summary

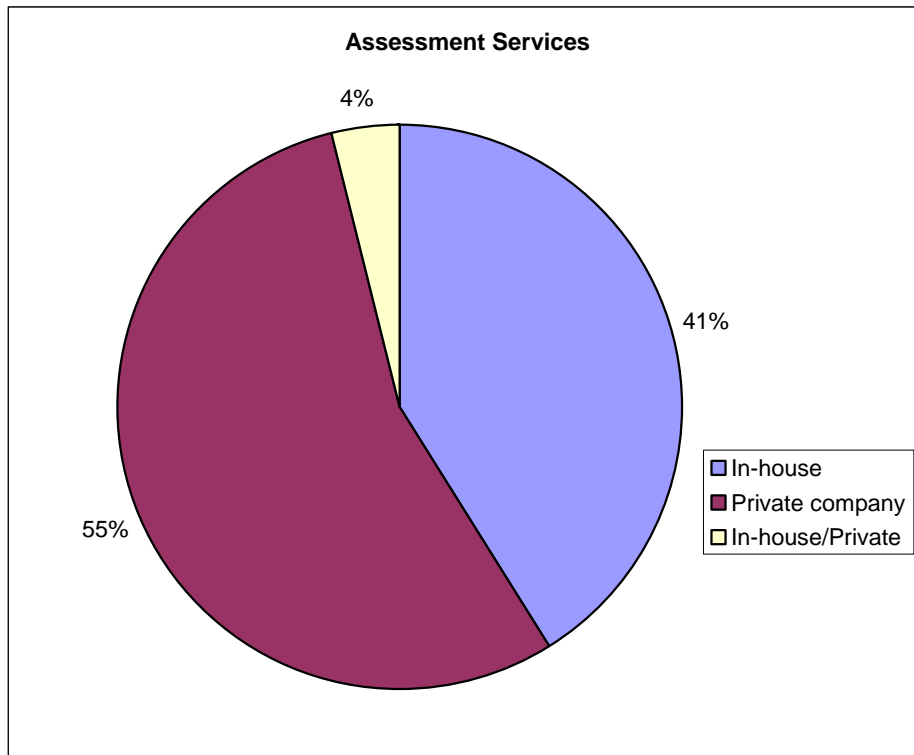
In 2005, the ministry partnered with Saddle Hills County to establish an assessor internship pilot project. The aim of the project was to develop a program that would help persons entering the assessment profession to graduate as fully qualified assessors after four years.

Since then, the Local Government Administrators Association of Alberta (LGAA) and a number of municipalities throughout the province have expressed concerns to the ministry about the future availability of qualified assessors in the province and the difficulty of attracting assessors to their areas.

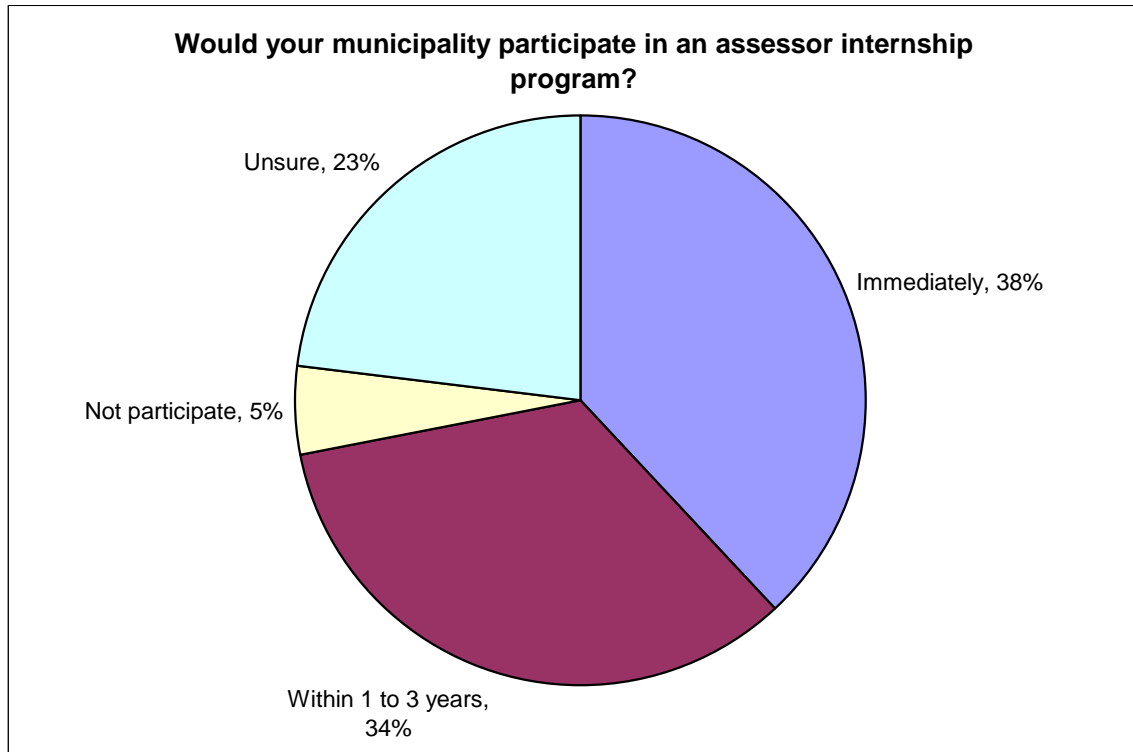
### Session Feedback

Session attendees were asked about the view that there is or will be an overall shortage of assessors in the province.

Of the municipal officials who filled out the questionnaire, 41% stated that their assessment services are provided by assessors who are employees of the municipality, 55% stated that their assessment services are provide by private assessment contractors, and 4% had their assessment services provided by both in-house assessors and private assessment contractors.



The municipal officials were also asked if they would be interested in participating in an assessor internship program if the ministry were to support an expanded internship initiative. Keeping in mind that it may take an assessor intern four years to become a fully qualified assessor, 38% of the municipal officials said that their municipality would be interested in participating in an internship program immediately, 34% said that they would likely participate within one to three years, 5% said their municipality would not likely participate at all, and 23% were unsure whether they would participate now or in the future.



## Other Assessment Related Topics

(presented as information only)

### **Municipal Government Amendment Act, 2007**

Bill 26, the *Municipal Government Amendment Act, 2007*, was introduced into the legislature on April 4, 2007, and was given Royal Assent on June 14, 2007. The assessment-related amendments occurred in Part 9, Division 6 of the *MGA* (General Powers of the Minister Relating to Assessments and Equalized Assessments). In particular, new subsections under section 322 and a new section 322.1 contain amendments relating to the Minister's Guidelines.

The amendments confirm and clarify that the Minister has the authority to establish guidelines relating to assessments and equalized assessments.

The amendments further clarify that the Minister may establish guidelines on any matter for which a regulation can be made under section 322(1); however, while the guidelines established by the Minister have the same affect as regulations, the guidelines are exempt from the *Regulations Act*. For example,

- the guidelines do not have to be filed as regulations, and
- the guidelines do not have to follow the prescribed language and format of regulations because for the most part, the guidelines are highly technical documents.

Once the Minister establishes a guideline, a notice to this effect must be published in the Gazette along with information where copies of the guidelines can be found. The Minister must ensure that the guidelines are published in a form and manner that he or she considers appropriate.

The amendments confirm that all Minister's Guidelines established since the coming into force of the *MGA* are valid, and that there can be no challenge under the *MGA* or before the courts on the basis of the validity of the Minister's Guidelines.

It is important to note that these amendments do not affect the right of a person to appeal an assessment on the basis of whether the assessment is correct, or whether the legislation, the regulations, or the guidelines were interpreted or applied consistently in the preparation of an assessment.

### **Equalized Assessment Variance Regulation**

The equalized assessment variance regulation has been in place since 2001. The regulation provides the Minister with the authority to cap or average education requisitions so that high-growth municipalities would be sheltered from significant year-over-year education property tax increases.

The regulation was established under section 603 of the *MGA* and is subject to the repeal provisions contained in the section. Accordingly, every two years the need for the regulation is reviewed by the Minister for potential re-enactment. The regulation has been re-enacted with an expiry date of December 31, 2009.

Since the province continues to experience significant economic growth, there could be severe shifts in the distribution of the education property tax across the province and, as such, property owners in some municipalities could experience considerable increases in their school property tax if the regulation is not re-enacted without a transition period.

### **Community Revitalization Levy**

Prior to the last provincial election, the Mayor of Calgary asked the province to provide the authority to use tax increment financing and a community revitalization tax to spur redevelopment in the areas east and southeast of downtown Calgary.

Subsequently, the government amended the *Municipal Government Act* (sections 381.1 to 381.5) to allow any municipality to establish a Community Revitalization Levy (CRL) area upon approval by the Lieutenant Governor in Council. A CRL is a specially designated area that is established with the overall intent of hastening the redevelopment of property within the area.

A council may pass a bylaw that authorizes the council to impose a levy in respect of the incremental assessed value of property in a CRL area to raise revenue to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the CRL area. The incremental assessed value is the increase in the assessed value of property in a CRL area after the date the bylaw is approved by the Lieutenant Governor in Council. The levy (tax rate) must be at least equal to the total of the municipal and education tax rates applied by the municipality.

There are several steps and conditions that a municipality must complete before a CRL area and the applicable levy can take effect. For more information about the CRL and its requirements, please contact Lynda Downey, toll-free at 310 0000, then (780) 422 8313.