

# Assessment Bulletin

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## EAP Technical Committee Recommendation

**Item:** 3B

**Title:** Ratio Study Methodology Principles

**EAP Recommendation:** 4Ai, 4Aii

**Question:** A compressed assessment audit schedule will be introduced January 1, 2004. ASB is implementing various changes to its standardized quality ratio study methodology to ensure that the annual data audit can be completed in the much shorter allotted timeframes. What are the guiding principles for ratio study methodologies for this new environment?

**Background:**

The EAP 4A Recommendations refer to moving to current equalized for the education requisition. To support these recommendations, the annual audit functions must be completed by February 28 of every year. As such, the fully pre-qualified detailed assessment roll must be submitted by January 31 to allow ASB 20 business days to deal with any outstanding audit issues. No extensions will be permitted.


**Recommendation:**

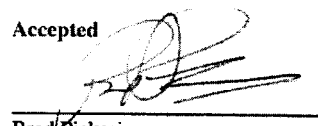
1. Sales are the best indicators of market value for assessment property. If 15 or more valid sales can be obtained for an audit sub-municipality (irrespective of assessment property population or assessment class), then the ASR (assessment sales ratio) is to be used.
2. Income revenue is the next best indicator of market value for income producing property.
3. Construction cost is the next best indicator of market value for income producing property constructed within the last two years.
4. After exhausting other valuation techniques, benchmark comparison is an acceptable methodology for measuring the reasonableness of an assessment level for properties that never sell, rarely sell or typically don't have adequate valid sales over the last three sales years.
5. For Assessment Audit purposes, the ratio study methodology must always produce a result and be derived without manual intervention.
6. Confidential information details about income producing properties are not an acceptable input for income ratios. Typical rates must be used instead.
7. Sales/cost/income information from other municipalities, provinces and countries may be appropriate for specific types of properties.

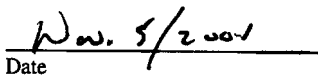
**Recommendation Background:**

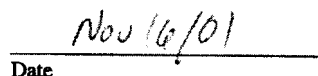
**Recommended**

**Accepted**

  
Steve White  
EAP Technical Committee Chair

  
Brad Pickering  
ASSET Steering Committee Chair

  
Date

  
Date