

**LAC LA BICHE COUNTY
COUNTY ASSESSORS – STRATEGIC SESSION**

DATE: November 27, 2014
TIME: 1:30 p.m.
PLACE: Council Chambers
County Centre

AGENDA

1. CALL TO ORDER
2. ADOPTION OF AGENDA
3. DELEGATIONS
 - 3.1 1:30 p.m. Ian Ferguson, Municipal Assessment Services Group, Inc. (residential, farm, and commercial property assessors);
 - 3.2 2:30 p.m. Larry and Kory Horne, Independent Municipal Assessment Corporation (heavy industrial assessors);
 - ~~3.3 3:30 p.m. David Imrie & Michael Tautchin, Alberta Municipal Affairs (Linear property assessors) – deleted from the agenda.~~
4. DISPOSITION OF DELEGATIONS
 - 4.1 Ian Ferguson, Municipal Assessment Services Group, Inc. (residential, farm, and commercial property assessors);
 - 4.2 Larry and Kory Horne, Independent Municipal Assessment Corporation (heavy industrial assessors).
5. ADJOURNMENT

**LAC LA BICHE COUNTY
COUNTY ASSESSORS
STRATEGIC SESSION**

COUNTY CENTRE, LAC LA BICHE

NOVEMBER 27, 2014 – 1:30 p.m.

Minutes of the Lac La Biche County Strategic Session held on November 27, 2014 at 1:30 p.m.

CALL TO ORDER Mayor Moghrabi called the meeting to order at 1:31 p.m.

PRESENT	Omer Moghrabi	Mayor
	Robert Richard	Councillor
	Richard Olson	Councillor
	David Phillips	Councillor
	MJ Siebold	Councillor
	Tim Thompson	Councillor
	Hajar (Jerry) Haymour	Councillor (entered at 1:37 p.m.)
	John Nowak	Councillor / Deputy Mayor (entered at 1:38 p.m.)

STAFF IN ATTENDANCE	Shadia Amblie	Interim Chief Administrative Officer/ Manager, Communications
	Karen Gingras	Interim Senior Manager, Planning & Economic Development
	Dan Small	Senior Manager, Finance & Community Services
	Julie MacIsaac	Communications Coordinator
	Joanne Onciul	Legislative Services Coordinator

REGRETS	Wanda Austin	Councillor
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ADOPTION OF AGENDA

Councillor Haymour entered Council Chambers at 1:37 p.m.

SS.14.027 Motion by Councillor Phillips to approve the November 27, 2014 Strategic Session agenda as amended:

- Deletion of Item 3.3 David Imrie & Michael Tautchin, Alberta Municipal Affairs (Linear property assessors).

CARRIED UNANIMOUSLY

DELEGATIONS

- 3.1 Ian Ferguson, Municipal Assessment Services Group, Inc. (residential, farm, and commercial property assessors);

Council introduced themselves to the delegation. Mr. Ian Ferguson, Assessor with Municipal Assessment Services Group, Inc. introduced himself to all those present.

Councillor Nowak entered Council Chambers at 1:38 p.m.

Administration provided Council with an Urban and Rural Services Assessment Summary, as attached to and forming part of these minutes.

Mr. Ferguson presented a PowerPoint Presentation, as attached to and forming part of these minutes, which provided an overview of how residential, farm, and commercial property is assessed in Alberta. Discussion ensued regarding the same.

Councillor Phillips left Council Chambers at 2:08 p.m.

Councillor Phillips returned to Council Chambers at 2:09 p.m.

Discussion ensued regarding assessment practices in Lac La Biche County.

RECESS

Mayor Moghrabi called a recess at 3:02 p.m.

RECONVENE

Mayor Moghrabi reconvened the meeting at 3:13 p.m. with all those Members of Council previously listed in attendance, with the exception of Councillor Thompson. Councillor Thompson did not return to the meeting.

Dan Small, Senior Manager, Finance and Community Services, thanked Mr. Ferguson for his presentation and introduced the next delegation.

- 3.2 Larry and Kory Horne, Independent Municipal Assessment Corporation (heavy industrial assessors);

Mr. Larry Horne and Mr. Kory Horne of Independent Municipal Assessment Corporation presented a PowerPoint Presentation, as attached to and forming part of these minutes, which provided an overview of how industrial assessments are carried out in Alberta. Discussion ensued regarding the same.

Councillor Nowak left Council Chambers at 4:43 p.m. and did not return to the meeting.

RECESS Mayor Moghrabi called a recess at 4:43 p.m.

RECONVENE Mayor Moghrabi reconvened the meeting at 4:50 p.m. with all those Members of Council previously listed in attendance.

DISPOSITION OF DELEGATIONS

4.1 Ian Ferguson, Municipal Assessment Services Group, Inc. (residential, farm, and commercial property assessors);

4.2 Larry and Kory Horne, Independent Municipal Assessment Corporation (heavy industrial assessors).

SS.14.028 Motion by Councillor Olson to accept the Assessment presentations as information.

CARRIED UNANIMOUSLY

ADJOURNMENT

SS.14.029 Motion by Councillor Phillips to adjourn the Strategic Session of November 27, 2014 at 4:58 p.m.

CARRIED UNANIMOUSLY

Omer Moghrabi, Mayor

**Shadia Amblie
Interim Chief Administrative Officer**

LAC LA BICHE COUNTY
ASSESSMENT SUMMARY
RURAL SERVICES

Code	Description	Total	FARMLAND	RESIDENTIAL	NON RESIDENTIAL	ELECTRIC POWER GENERATION	MACHINERY & EQUIPMENT	LINEAR	SENIORS' CONTAINED HOUSING	TOTAL	
101	RESIDENTIAL/FARM PROPERTY	577,251,860		577,251,860						577,251,860	
103	VACANT RESIDENTIAL	79,147,920		79,147,920						79,147,920	
107	MUNICIPAL LEASE - RESIDENTIAL	1,027,690		1,027,690						1,027,690	
141	GRAZING LEASE - Farmland	4,353,840	4,353,840							4,353,840	
151	AGRICULTURAL - Farmland	17,120,870	17,120,870							17,120,870	
157	MUNICIPAL LEASE - Farmland	36,650	36,650							36,650	
202	COMMERCIAL - Improved	6,728,940			6,728,940					6,728,940	
203	INDUSTRIAL - Improved	1,035,620			1,035,620					1,035,620	
252	VACANT COMMERCIAL	365,270			365,270					365,270	
253	VACANT INDUSTRIAL	4,947,730			4,947,730					4,947,730	
401	INDUSTRIAL B & S - ManufacBldg	209,660,660			209,660,660					209,660,660	
402	INDUSTRIAL - M & E	913,247,500					913,247,500			913,247,500	
403	RAILWAY RIGHT-OF-WAY	2,511,070			2,511,070					2,511,070	
500	WELL - Linear	143,738,530						143,738,530		143,738,530	
501	PIPELINE - linear	751,326,500						751,326,500		751,326,500	
502	POWER LINE TRANSMISSION linear	154,685,870						154,685,870		154,685,870	
503	TELECOMM CARRIER - linear	8,186,970						8,186,970		8,186,970	
504	ELECTRIC POWER GEN - linear	168,510				168,510				168,510	
505	CABLE DISTRIBUTION - Linear	407,720						407,720		407,720	
603	PROV MV/IMP GIL	451,490		451,490						451,490	
703	PROV MV/IMP INSTITUTIONAL GIL	242,430			242,430					242,430	
707	CBC MV/IMP GIL	99,350			99,350					99,350	
	FORECAST INCREASE									0	
		2,876,742,990	0	21,511,360	657,878,960	225,591,070	168,510	913,247,500	1,058,345,590	0	2,876,742,990
	RESIDENTIAL										679,390,320
	NON RESIDENTIAL										2,197,352,670
	TOTAL										2,876,742,990
	GENERAL MUNICIPAL										
	GENERAL MUNICIPAL MILL RATE		2.5259	2.5259	18.5585	18.5585	18.5585	18.5585	2.5259		
	GENERAL MUNICIPAL LEVY		54,336	1,661,736	4,186,632	3,127	16,948,504	19,641,307	0	42,495,642	
	FIRE PROTECTION										
	FIRE PROTECTION MILL RATE			0	0	0	0	0	0		
	FIRE PROTECTION LEVY		0	0	0	0	0	0	0	0	
	SCHOOL FOUNDATION										
	SCHOOL FOUNDATION MILL RATE		2.4918	2.4918	3.3509			3.3509			
	SCHOOL FOUNDATION LEVY		53,602	1,639,303	755,933	0	0	3,546,410	0	5,995,248	
	SENIORS' FOUNDATION										
	SENIORS' FOUNDATION MILL RATE		0.1945	0.1945	0.1945	0.1945	0.1945	0.1945			
	NON RESIDENTIAL										
	SENIORS' FOUNDATION LEVY		4,184	127,957	43,877	33	177,627	205,848	0	559,526	
	TOTAL RURAL SERVICES TAX LEVY		112,122	3,428,996	4,986,442	3,160	17,126,131	23,393,565	0	49,050,416	

LAC LA BICHE COUNTY
ASSESSMENT SUMMARY
URBAN SERVICES

Code	Description	Total	FARMLAND	RESIDENTIAL	NON RESIDENTIAL	ELECTRIC POWER GENERATION	MACHINERY & EQUIPMENT	LINEAR	SENIORS' CONTAINED HOUSING	TOTAL	
101	RESIDENTIAL/FARM PROPERTY	399,426,740		399,426,740						399,426,740	
103	VACANT RESIDENTIAL	32,397,690		32,397,690						32,397,690	
107	MUNICIPAL LEASE - Residential	268,800		268,800						268,800	
141	GRAZING LEASE - Farmland	32,470	32,470							32,470	
151	AGRICULTURAL - Farmland	505,420	505,420							505,420	
157	MUNICIPAL LEASE - Farmland	0	0							0	
202	COMMERCIAL - Improved	120,746,800			120,746,800					120,746,800	
203	INDUSTRIAL - Improved	36,806,760			36,806,760					36,806,760	
252	VACANT COMMERCIAL	8,117,910			8,117,910					8,117,910	
253	VACANT INDUSTRIAL	2,067,020			2,067,020					2,067,020	
401	INDUSTRIAL B & S - ManufacBlog	682,070			682,070					682,070	
402	INDUSTRIAL - M & E	5,499,330					5,499,330			5,499,330	
403	RAILWAY RIGHT-OF-WAY	102,830			102,830					102,830	
500	WELL - Linear	473,180						473,180		473,180	
501	PIPELINE - linear	12,485,590						12,485,590		12,485,590	
502	POWER LINE TRANSMISSION linear	980,770						980,770		980,770	
503	TELECOMM CARRIER - linear	2,082,820						2,082,820		2,082,820	
505	CABLE DISTRIBUTION - Linear	337,630						337,630		337,630	
601	FEDERAL DND MV/IMP GIL	492,940		492,940						492,940	
603	PROV MV/IMP GIL	7,027,490		7,027,490						7,027,490	
606	SENIORS - (Mun levy only)	3,788,880							3,788,880	3,788,880	
701	FEDERAL MV/IMP GIL	1,474,490			1,474,490					1,474,490	
703	PROV MV/IMP INSTITUTIONAL GIL	11,166,840			11,166,840					11,166,840	
	FORECAST INCREASE	0								0	
TOTAL		646,964,470	0	537,890	439,613,660	181,164,720	0	5,499,330	16,359,990	3,788,880	646,964,470
	RESIDENTIAL										443,940,430
	NON RESIDENTIAL										203,024,040
TOTAL											646,964,470
GENERAL MUNICIPAL											
	GENERAL MUNICIPAL MILL RATE		2.5259	2.5259	12.1688	12.1688	12.1688	12.1688	2.5259		
GENERAL MUNICIPAL LEVY			1,359	1,110,420	2,204,557	0	66,920	199,081	9,570	3,591,907	
FIRE PROTECTION											
	FIRE PROTECTION MILL RATE			0	0	0	0	0	0	0	
FIRE PROTECTION LEVY			0	0	0	0	0	0	0	0	
SCHOOL FOUNDATION											
	SCHOOL FOUNDATION MILL RATE		2.4918	2.4918	3.3509			3.3509			
SCHOOL FOUNDATION LEVY			1,340	1,095,429	607,065	0	0	54,821	0	1,758,655	
SENIORS' FOUNDATION											
	SENIORS' FOUNDATION MILL RATE		0.1945	0.1945	0.1945	0.1945	0.1945	0.1945			
SENIORS' FOUNDATION LEVY			105	85,505	35,237	0	1,070	3,182	0	125,099	
TOTAL URBAN SERVICES TAX LEVY			2,804	2,291,354	2,846,859	0	67,990	257,084	9,570	5,475,661	

LAC LA BICHE COUNTY ASSESSMENT



Lac La Biche County
welcoming by nature.

ASSESSMENT IN ALBERTA

- MARKET VALUE STANDARD MOST PROPERTY
- EXCEPTIONS:
 - FARMLAND
 - RAILWAY
 - MACHINERY AND EQUIPMENT
 - LINEAR

ALBERTA LEGISLATION

□ MUNICIPAL GOVERNMENT ACT



□ MATTERS RELATING TO ASSESSMENT REG.



□ MINISTER'S GUIDELINES



□ ASSESSMENT MANUAL

ALBERTA LEGISLATION

- Annual Revaluation of all property
- July 1 previous year valuation date
- December 31 physical condition date
- Assessment of market value property tested to be between 95% and 105% of median values by value range and property type
- Practice of assessment is a regulated profession in Alberta

LAC LA BICHE COUNTY ASSESSMENT

- In Lac La Biche County a market modified cost approach is used for market valued properties
- 2001 Residential Manual and Marshall and Swift Commercial Estimator used
- Depreciated cost is compared with sales data and adjusted to match sales on a mass approach, by type and location. Sales are time adjusted to the July 1 Valuation date
- Income approach currently used as a back up or confirmation of value

MASS APPRAISAL

- An assessment of property based on market value
- Must be prepared using mass appraisal
- Must be an estimate of the value of the fee simple estate in the property
- And must reflect typical market conditions for properties similar to that property
- Mass appraisal means the process of preparing assessments for a group of properties using standard methods and common data and allowing for statistical testing

INSPECTIONS

- Permitted development
- Progressive buildings
- New subdivisions
- County or property owner requests
- Sales verification or follow up
- Re-inspection cycle

SALES INFORMATION

- All sale transfers received and verified
- “Arm’s length Sales” used in analysis
- Sale transactions total close to 400 yearly
- Most sales are residential
- Limited Commercial/Industrial sales, Recently under 25 per year

GROWTH

- Lac La Biche growing faster than most Alberta municipalities
- Residential growth for new development averaged over 28 million per year during the past three years or about 3% per year
- Non-Residential not including Industrial development averaged 8.4 million over the last three years, last year highest increase
- 2014 growth looks to be similar to 2013

INFLATION

- Inflation represents the market value changes
- Residential increases averaged 23 million per year over the past three years or about 2.5% per year
- Non-Residential inflation averaged approximately 1.5 million per year or about 1% per year
- 2014 market increases are looking significantly higher for both Residential and Non-Residential

RURAL ASSESSMENT POLICY

- Exemptions for Farm Residences and Farm buildings
- Exemption for one Farm Residence based on assessment of farmland held in owner's farm unit to a maximum of \$61,540 of assessment
- Exemption for each additional residence in the farm unit to a maximum of \$30,770 of assessment, when residence used chiefly in connection with farming operations
- Farm unit means farmland owned, or leased from the Crown, by the owner or spouse
- Farm buildings are exempt to the extent they are used for farming operations

ASSESSMENT QUALITY STANDARDS

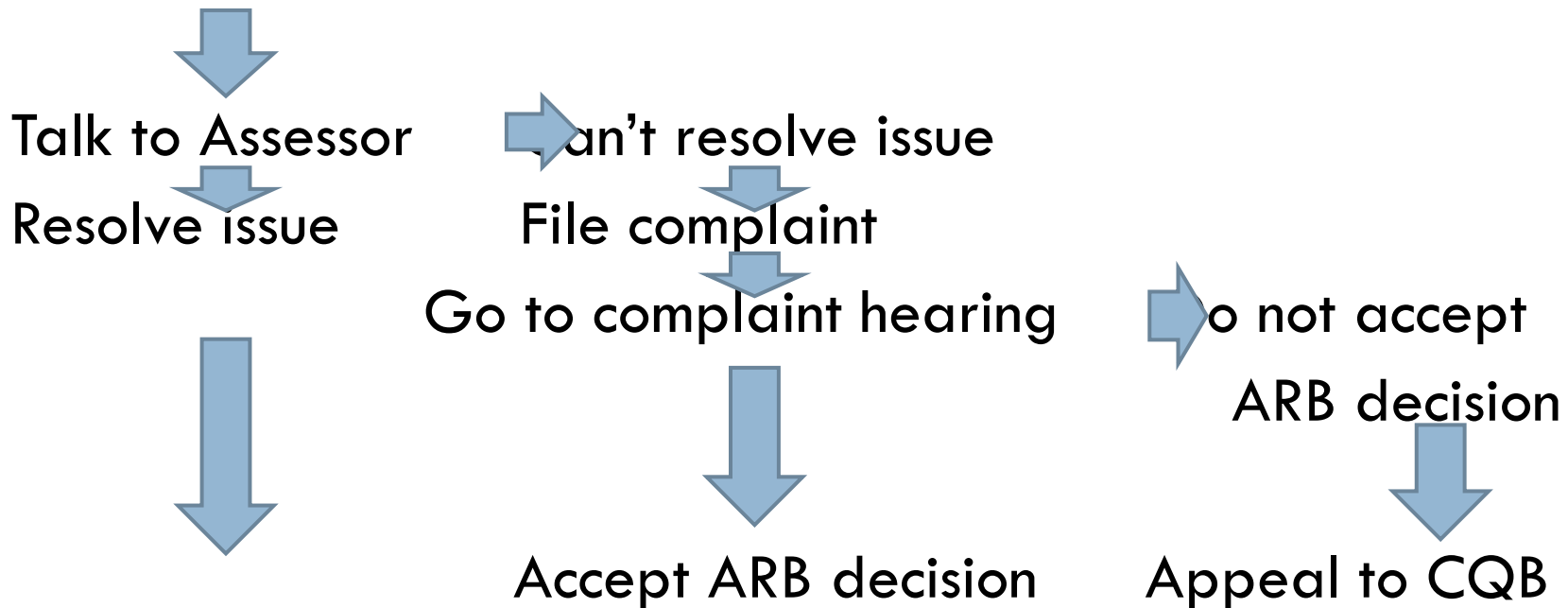
- Only for Non-Regulated property
- Residential property up to 3 dwelling units the median assessment/sales ratio to be between 95% and 105%, with a Coefficient of Dispersion 0 - 15
- All other property the same median assessment/sales ratio and a Coefficient of Dispersion 0 – 20
- This is reported in accordance with procedures set out in the Alberta Assessment Quality Minister's guidelines

REPORTING

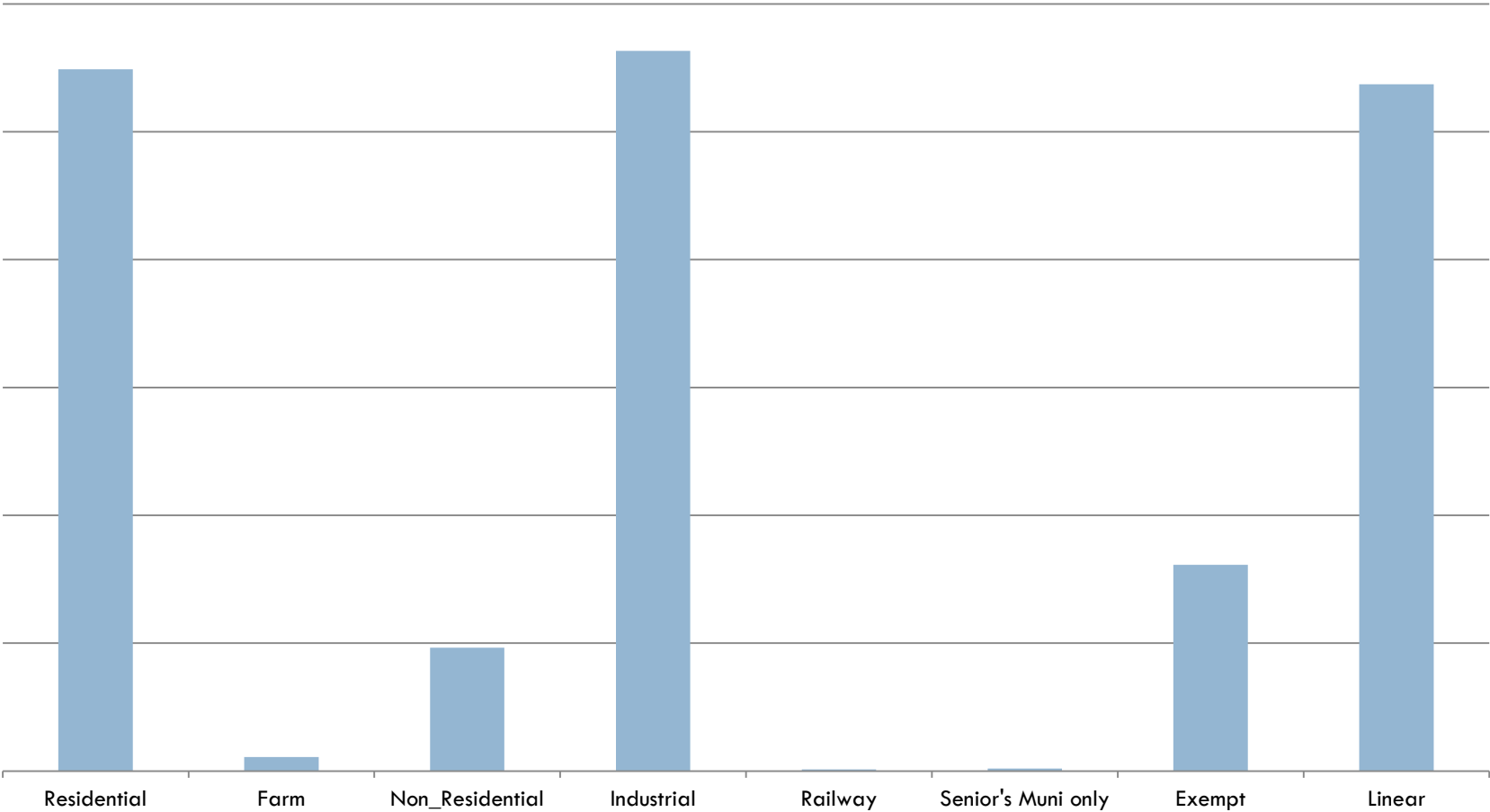
- ❑ Must maintain a record of information on each property in accordance with the Alberta Assessment Quality Minister's Guidelines
- ❑ Must provide information on all property in accordance with the procedures set out in the Quality guidelines, into ASSET (Assessment Shared Services Environment)
- ❑ Pass the stage 1 audit test prior to loading to the Municipality and declaring on ASSET
- ❑ Declaration of annual assessment on ASSET prior to February 28

COMPLAINTS

- Complaint process formalized in the Matters relating to Assessment Complaints Regulation
- Outlined as follows:
- Disagree with information on assessment notice



CURRENT ASSESSMENT BREAKDOWN



PROVINCIAL EQUALIZED ASSESSMENT

- TOTAL ASSESSMENT 850 BILLION
- RESIDENTIAL 526 BILLION
- NON-RESIDENTIAL 175 BILLION
- LINEAR 75 BILLION
- MACHINERY AND EQUIPMENT 64 BILLION
- FARMLAND 6 BILLION
- LAC LA BICHE COUNTY 3.5 BILLION

2015

LAC LA BICHE COUNTY EQUALIZED ASSESSMENT

- TOTAL 3.5 BILLION
- RESIDENTIAL 1.1 BILLION
- NON-RESIDENTIAL 410 MILLION
 - LINEAR 1.1 BILLION
- MACHINERY AND EQUIPMENT 920 MILLION
- FARMLAND 22 MILLION

Industrial Presentation

Prepared by Larry Horne A.M.A.A.

Three types of Industrial Facilities/Installations

- Major Facilities - includes oil & gas, manufacturing pulp mills and power plants - will be the basis of this presentation and will be covered in more detail.
- Linear - includes wells, pipelines and transmission lines. These are the assessments that are completed by the province and supplied to the municipalities.
- Co-Gen - includes equipment that may or may not provide power to the grid. If power is supplied to the grid then the Power Generator and Turbine is assessed by the provincial Linear assessors, however if all the power generated by the facility is used by the plant, then all the machinery and equipment is assessed by the local assessor.

Assessing Authority

- *Municipal Government Act*
- *2001 Provincial Metal Building Cost Manual*
- *2001 Provincial Residential Cost Manual*
- *2005 Provincial Industrial Assessment Manual*
- *Marshall and Swift Cost Manual (updated monthly and quarterly)*
- *2005 Alberta Construction Cost Reporting Guideline*
- *2005 Alberta Construction Cost Reporting Guideline Interpretive Guide*
- *2013 Alberta Linear Property Assessment Ministers Guidelines (annually updated)*

Assessing Authority Cont.

- *2013 Alberta Machinery and Equipment Property Assessment Ministers Guidelines (annually updated)*
- *2013 Alberta Railway Assessment Ministers Guidelines (annually updated)*
- *2013 Assessment Year Bulletin (annually updated)*
- *MRAT Regulation 220/2004 - (Matters Relating to Assessment and Taxation)*

Building and Structure (B&S)

- Two Options to assess B&S other than urban valuations.
 - ❑ Application of one of the assessment manuals such as the 2001 Provincial Metal Building Cost Manual, Marshall and Swift Cost Manual; and
 - ❑ Use the actual installation costs.

Marshall & Swift Cost Manual

- Requires the Assessor to calculate the replacement cost new of a structure by applying one of the assessment manuals, using the correct classification, structure type, quality and adjusting for any additional or missing components.
- Result is entered into CAMA which applies Cost Indices and BYM follow by the depreciation.
- Level of assessment for B&S is 100%
- Additional adjustments may be required due to atypical circumstances.

Machinery and Equipment (M&E)

The following options have *similarities* to B&S

- Application of one of the assessment manuals such as the 2001 Provincial Metal Building Cost Manual, Marshall and Swift Cost Manual;
- Application of the actual installation costs and applying the CCRG; and
- Unlike B&S some regulated rules apply.
- All M&E becomes assessable only after it is operational or capable of being operational.
- All M&E changes are up to December 31 of each year

Machinery and Equipment (M&E) Cont.

Two examples of regulated rules that apply to M&E but *not* B&S are:

- 25% fixed and immediate depreciation to any new project;
and
- 77% assessment level.

M&E – Assessment Manuals

One of the more commonly used manuals is the Provincial Industrial Assessment Manual.

- Mainly used for smaller facilities;
- Identifies each M&E component;
- The Manual when referenced provides a rate for each M&E component; and
- The sum of the M&E components equals the assessment.

M&E – Assessment Manuals Cont.

Drawbacks

- This Manual has not kept pace with the industry;
 - Manual does not contain rates for many new pieces of assessable M&E; and
 - Additional work is required to obtain original costs and apply appropriate adjustments.

M&E – Reported Cost

The second method of assessing M&E is reported cost. This method requires more detailed analysis and research.

- Commonly used for large facilities such as:
 - Major Oil and Gas Facilities;
 - Upgraders;
 - Pulp Mills; and
 - Fertilizer Plants and
 - Others

M&E – Reported Cost Cont.

M&E assessment using Report Cost Walkthrough:

- Assessor sends RFI to each company;
- RFI requests costs projects that have been started or completed;
- Company provides all costs and their adjustments for a suggested assessment;
- Assessor uses CCRG to review the reported costs and to scrutinize their adjustments.

CCRG

The CCRG outlines what are *assessable* costs and *excluded* costs.

The starting point is to identify all the costs which includes:

- Direct Costs; and
- In-Direct Costs;

CCRG – Direct Costs

- Staff, including labour, supervision, inspection, janitorial & security
- Materials used for construction
- Engineering, Design, and surveys
- Construction equipment such scaffolding and consumables
- Handling and storage of materials and equipment
- Equipment maintenance and repairs and winterization
- Clean- up and removal of rubbish

CCRG – In-Direct Costs

- General contractor and subcontractor profit;
- Contractors overhead including administration and head office costs;
- Staff recruitment;
- Permits: building, electrical etc.; and
- Insurance: fire, liability, property etc.

CCRG – Excluded Costs

- Interest during construction (not often reported);
- Pre-construction costs;
- Post construction activities;
- Travel costs to and from the site;
- Lodgings ie Camp costs, but not the original cost of the camp;
- Property that cannot be assessed such spare equipment;
- Property that is exempt from assessment in the MGA such as domestic water supply, delivery system and service; and
- Abnormal Costs (the major source of conflict and disagreement).

CCRG – Excluded Costs Contd.

Typically companies or their agents (either internal or external) include one or more of the *excluded* costs to reduce the total assessable cost.

The CCRG however clearly states that the company is responsible for providing supporting documentation and calculations for any non-assessable claims.

These documents are typically not made available and are not easily deciphered.

CCRG – Final Steps

Once all the reported costs have been reconciled the Assessor must:

- Apply the Cost Indices;
- Apply the Base Year Modifier;
- Apply regulated factors for Depreciation;
- Apply any additional or unique adjustments; and
- Apply the Assessment Level

What does all this mean?

The assessor often receives requests to estimate what the assessment might be for a new project that has been approved in a municipality. Once all the steps are applied that were described previously, will result in a final estimate which is often somewhat lower than what might be anticipated.

Example

Perhaps there is a new approved project that has an estimated construction cost of \$10 million and an assessment estimate has been requested.

This 10 Million facility would have a starting assessment of 5.7 Million

Based on the forgoing steps described in the previous slides, a reduction of 43% would apply initially.

This is due to the application of the fixed and immediate depreciation of 25% and the regulated assessment level of 77%.

Example Cont.

There could also be additional reductions resulting from the application of the CCRG of perhaps 30%.

This adjustment would further reduce the assessed value to \$4 Million.

This example shows how a project with an initial cost of \$10 million could result in a much lower final assessment of \$4 million.

Questions?

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Larry Horne

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Email: imacassessment@gmail.com