Minutes – Executive Policy Committee – March 9, 2005

REPORTS

Minute No. 200 A Single Assessment Authority for the Delivery of Assessment Services in Manitoba
File AA

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the administrative recommendation and recommends to Council:

1. That the City of Winnipeg approach the Province of Manitoba with a formal request that it approve a single province-wide assessment authority and establish a joint provincial/municipal committee to prepare an implementation plan.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

Moved by Councillor Thomas,

That the administrative recommendation be concurred in and forwarded to Council.

Carried

ADMINISTRATIVE REPORT

RE: A Single Assessment Authority for the Delivery of Assessment Services in Manitoba

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: R.P. Gannon, Chief Financial Officer

REPORT DATE: June 30, 2004

RECOMMENDATION: That the City of Winnipeg approach the Province of Manitoba with a formal request that it approve a single province-wide assessment authority and establish a joint provincial/municipal committee to prepare an implementation plan.

REPORT SUMMARY:

Key Issues:

- Successive studies commencing in 1982 have advanced the idea of a single assessment authority.

- Several organizational structures are currently in use across Canada for the delivery of assessment services. There is a broad range of models, however, the single assessment authority, in the form of a crown corporation or independent agency, is a model currently favoured in Canada.

- A single assessment authority provides numerous benefits for the City of Winnipeg, the Province of Manitoba, and for all ratepayers and other stakeholders in the assessment system. These benefits can be summarized into three broad categories:
  - Benefits related to the overall assessment system - consistency, equity, fairness, and transparency of the assessment system; roll quality and accuracy in valuations.
  - Operational benefits related primarily to the more efficient use of resources and professional skills.
  - Financial benefits derived from a more efficient province-wide property assessment function.

- A significant change in the way in which the assessment function operates in Manitoba is also accompanied by challenges. The arms-length relationship that the new authority would have with the City of Winnipeg would result in some loss of administrative control by the City of Winnipeg. Valuation decisions would continue to be governed by professional and

legislative guidelines, but there would be a reduction in the civic administrative control exercised over other operational facets of an arms-length agency.

- This report recommends that the City of Winnipeg approach the Province of Manitoba and officially request that it approve a single province-wide assessment authority and establish a joint provincial/municipal committee to prepare an implementation plan.

- As the two organizations are combined, there are many opportunities to implement the most effective business processes, or to adopt other industry-wide best practices. An external review would be very helpful in examining the available organizational options, and would allow the merged organization to benefit from the best available information and practices.

Implications of the Recommendation(s):

General implications:

☐ None
√ For the organization overall and/or for other departments
√ For the community and/or organizations external to the City of Winnipeg

☐ Involves a multi-year contract

Comment: While the recommendation of this report does not, by itself, have general implications, should there be direction provided to move ahead with the implementation of a single assessment authority, the implementation of the single agency will have general implications. The details and strategies around these implications will be contained in further detailed implementation plans developed by the joint implementation committee.

Policy implications:

☐ No
√ Yes

Comment: While the recommendation of this report does not, by itself, have policy implications, should there be direction provided to move ahead with the implementation of a single assessment authority, the implementation of the single agency will have broad policy implications.

Environmental implications:

√ No

☐ Yes
Comment:

Human Resources implications:

☐ No

√ Yes

Comment: While the recommendation of this report does not, by itself, have human resource implications, should there be direction provided to move ahead with the implementation of a single assessment authority, the implementation of the single agency will have broad human resource implications. The details and strategies around such human resource implications will be contained in further detailed implementation plans.

Financial implications:

☐ Within approved current and/or capital budget

√ Current and/or capital budget adjustment required

Comment: While the recommendation of this report does not, by itself, have financial implications, should there be direction provided to move ahead with the implementation of a single assessment authority, the implementation of the single agency will have financial implications. The specifics of the financial implications will be contained in further detailed implementation plans. These plans will be part of the output from a joint provincial/ municipal implementation planning committee.

REASON FOR THE REPORT:

The Assessment Task Force, Chaired by Councillor O'Shaughnessy, again raised the concept of a single province wide assessment authority. This report provides an analysis of the issues involved in moving to a single assessment authority, and recommends initial steps to realize that vision.

HISTORY:

- In December 2001, Executive Policy Committee established the Assessment Task Force, chaired by Councillor O'Shaughnessy.

- In September 2002, the Assessment Task Force submitted its final report to Executive Policy Committee. The report made many recommendations with respect to the overall functioning of the assessment and appeals systems. Specifically, the report recommended investigating "the establishment of an independent province-wide assessment authority for Manitoba".

- On September 24, 2002, Executive Policy Committee referred the report to the Administration for review.

DISCUSSION:

a) Background

The notion of some form of single assessment authority within the province of Manitoba has been suggested a number of times over the past twenty years. It first surfaced in 1982 in the report from the Manitoba Assessment Review Committee (the "Weir Report"). The Manitoba Assessment Review Committee said, "It is essential to ensure that the assessors have the ability, capacity and necessary support to properly fulfill their responsibilities of providing and maintaining an accurate valuation of all property in the province. This can, in the committee's opinion, be most economically provided through the establishment of a single assessment authority".

The report of the City of Winnipeg Property Tax Assessment Inquiry in 1996 did not recommend moving to a single authority at that time, but the report's author, and inquiry officer John Scurfield, noted that a single authority might be the best option for the long term. He also wrote that the move to a single authority would require legislative changes.

The City of Winnipeg Audit Department completed an *Audit of the Property Assessment Function* in November 2001. The audit report suggested there are benefits from the economies of scale that could be realized in a move towards a single assessing authority.
In December 2001 the Executive Policy Committee formed the Assessment Task Force to examine possible improvements in the assessment system. In September 2002, the Assessment Task Force submitted a report containing thirty-seven recommendations, including a

recommendation that calls for the establishment of a single assessment authority for the province:

> "Property Assessment is highly technical and complex as one would expect from the largest generator of taxes in the Province. If the Assessment function is going to operate properly a highly trained professional staff following modern processes, using appropriate technology and managed consistently is essential. The Committee questions if this is possible under the dual administrative process.
>
> Two Assessment Authorities in the Province means duplication in administration, technology, legal support, etc. The Committee questions if this duplication of costs is warranted in a Province like Manitoba when much larger jurisdictions like British Columbia and Ontario operate successfully with one.
>
> The Task Force has reviewed various Assessment administrative alternatives and has concluded that a province-wide organization with an arms-length relationship with government is the preferred model to establish equity for all taxpayers in the Province.
>
> The Task Force recommends that an outside consultant consider the establishment of an independent province-wide assessment authority for Manitoba, ending unnecessary duplication in a province with such a small population." (30-31).

While the Assessment Task Force recommended that a consultant be engaged to consider the establishment of a single agency, as the merits of a single agency are well established, it is therefore recommended that the single province-wide agency be created, and that the external consultant be utilized as an integral component and change management agent within the amalgamation process. Further detail on the expected role of the consultant can be found in the Next Steps section of this report.

Since the Assessment Task Force released its report, the Property Assessment department has been reviewing the report, and examining implementation issues and options. On March 23, 2004 City Council adopted a budget proposal for 2005 that calls for the establishment of a self-sustaining single assessment authority.

Further detailed information on the history of the consideration of a single assessment authority can be found in Appendix 1.

b) Current Environment - Cross Canada Scan

An environmental scan across Canada indicates that several organizational structures are currently in use for the delivery of assessment services. The previous reports mentioned above indicate Manitoba's current dual-agency structure contributes significantly to some of the structural issues related to the delivery of assessment services in Manitoba.

The various organizational structures in use in Canada are summarized below. The single assessment authority, in the form of a crown corporation or independent agency, is the model currently favoured by most jurisdictions throughout Canada. Additional information is found in Appendix 2.

JURISDICTION	**ORGANIZATIONAL STRUCTURE**
British Columbia	Crown Corporation
Ontario	Crown Corporation
New Brunswick	Crown Corporation
Prince Edward Island	Provincial Department
Nova Scotia	Provincial Department
Newfoundland	Crown Corporation
	City of St. John's
Quebec	Province of Quebec
	Municipality basis
Alberta	Province of Alberta
	Municipality basis
Saskatchewan	Non-Profit Agency – SAMA
	Cities/Municipalities
Manitoba	Province of Manitoba
	City of Winnipeg

c) Benefits of a Single Assessment Authority

A single assessment authority provides numerous benefits for the City of Winnipeg, the Province of Manitoba, and for all ratepayers and other stakeholders in the assessment system. These benefits can be summarized into three broad categories:

- Benefits related to the overall assessment system - consistency, equity, fairness, and transparency of the assessment system; roll quality and accuracy in valuations.
- Operational benefits related primarily to the more efficient use of resources and professional skills.
- Financial benefits derived from a more efficient, province-wide property assessment function.

i. Consistency, Equity, Fairness, and Transparency / Roll Quality

From a public policy standpoint, an assessment system should be consistent (similar properties in similar circumstances being treated in a similar fashion). Equity and fairness are also hallmarks of a solid and well running assessment system. Together these elements bring trust and confidence to the system. The system should also be transparent. Clarity of purpose and open communication should remove confusion and uncertainty. Stakeholders should know exactly what to expect from their assessment system.

A single province-wide assessment authority would, through its enabling legislation and regulations, have a mandate with clearly defined roles and responsibilities. An assessment authority with an understandable mandate and clearly defined authority is a benefit to all Manitobans. The *Municipal Assessment Act* currently provides the main legislative framework to be used throughout the province of Manitoba, and both the City Assessor of the City of Winnipeg, and the Provincial Municipal Assessor follow the same provincial legislation. However, as this legislation is not prescriptive in all matters relating to the assessment of real property, the *Act* must be interpreted and business rules, policies, procedures, and even the treatment of individual properties must be derived from the direction provided by the *Act*. When legislation must be interpreted, there is always room for variation and the application of circumstance. While these variations in interpretation are a normal course of events - they can, however, lead to undesired and inconsistent effects. A single province-wide agency, with a view of the legislation across the entire province, would eliminate the inconsistency that arises due to the dual-agency configuration now in place.

While both the City of Winnipeg Property Assessment department and the office of the Provincial Municipal Assessor have worked together to harmonize operations and have worked toward improving consistency in matters of assessment policy and legislative interpretation, nevertheless, a single agency with singular mandate is preferred. This model ensures the consistency of treatment of all stakeholders, the application of the same legislative interpretation, and the application of the same valuation methodology no matter where property is located in the province of Manitoba.

Through the consistent application of legislative interpretation and assessment policies and procedures stakeholders, in the assessment system will be served by a more solid base. The real property assessment system in Manitoba provides a distribution mechanism for more than just municipal taxes. Consistent levels of accurate assessment values are essential for calculations which rely on assessment data. The education funding system in Manitoba is also apportioned through the assessment system. The provincial Education Support Levy is one such calculation. A single province-wide assessment agency helps to ensure not only the equitable treatment of properties within a taxing jurisdiction, but it helps to ensure equity across all of the taxing jurisdictions as well.

With a single province-wide assessment organization comes clarity and transparency with respect to the application of assessment / appraisal theory. The two separate agencies have worked at harmonizing the application of appraisal methods and procedures, but a single province-wide agency is a much better vehicle to ensure, in an open and transparent way, that similar properties are treated with the appropriate appraisal methodologies throughout the province. In addition, access to province-wide real estate data will allow a single authority to value property based on overall market parameters, rather than being limited by current artificial jurisdictional boundaries, thereby better reflecting how the entire market works. This helps to improves roll quality, using the widest possible set of province-wide data to analyse. The consistent policies and procedures, held open for the benefit of stakeholders, builds a sense of confidence.

Clarity, through the formation of a single assessment authority, can also be seen in the manner stakeholders interact with assessing and taxing authorities. As a new organizational model for Manitoba, a single assessment authority would provide an opportunity to build a new image for the property assessment function - an image focused on efficiency, effectiveness and customer service.

ii. Operations

Operational benefits would also flow from the creation of a single province wide-assessment authority for Manitoba.

The existence of two assessment authorities in Manitoba means there is an inevitable duplication of administration, technology, and legal support services to name just three areas. The Assessment Task Force noted that a dual jurisdiction system is hard to justify when larger jurisdictions like British Columbia and Ontario are able to operate with just one assessment authority.

The business of property assessment, not unlike many other businesses, can gain benefit from the application of economies of scale in many parts of the organization. The area of staffing assignments is one prime area. As the City of Winnipeg contains a considerable array of commercial enterprises, from small corner stores, to 30 floor office buildings, staff of the Property Assessment Department had to accumulate considerable knowledge of these types of properties and their associated valuation methodologies. Conversely, areas outside the perimeter highway tend to have higher concentrations of agricultural lands and other associated enterprises typically not found within a highly urban setting. Staff in the office of the Provincial Municipal Assessor have developed considerable expertise in the valuation of agricultural land and other property types. There is a clear advantage to sharing this knowledge, and thus a single agency would benefit from the ability to allocate staff internally, and to more easily deploy the right staff, with the right training and experience, for the right valuation work.

There is an internal benefit in staff development and training. Assessment and appraisal are highly technical areas. The appraisal field is becoming more technical as procedures and methods borrowed from other disciplines such as statistics, mathematics, econometrics, and others are helping to improve both the effectiveness (better values) and the efficiency (cost reduction) of today's modern assessment office. This requires a tremendous commitment to ongoing staff training and development. In many cases, the cost per student to conduct education declines with the number of students. External experts can be brought in for intense in-house training in a larger organization, whereas access to such industry leading experts may be cost prohibitive to smaller organizations.

There are opportunities for rationalizing common support functions of human resource management, accounting and finance. By no means does this indicate that these functions are not critically valuable to the modern assessment office. These areas are very important, but collapsing these areas does provide opportunities to improve efficiencies, and indeed, to actually improve the support services provided to the single agency.

Both the City of Winnipeg and the Province of Manitoba have invested in improving the technological base of the assessment function in their respective jurisdictions. However, as one unified organization, the opportunities for gaining increased leverage from the various systems are magnified. Data is the lifeblood of an assessment organization and data gathering, storage, analysis, and reporting systems are vital to the work of today's

assessor. A single province-wide agency holds the potential to implement the best of all worlds. Combining the best systems from the provincial agency, with the best systems from the Property Assessment Department will yield an improved technological platform. The development of new systems also benefits from the larger mass and economies of scale of a larger organization. Any new developments would be shared in the new larger organization, and the total costs of development would be allocated across a larger organization.

It would be possible to present a consistent customer interface with the creation of a single assessment authority. Currently, owners of real property in the province of Manitoba have two entirely different organizations to interact with. A larger, combined single assessment authority would be able to present information to all property owners and deal with questions and concerns in a unified manner – bringing the service level for all customers and stakeholders to a consistently high level.

iii. Financial – Operational efficiencies

Financial benefits should accrue from the creation of a single province-wide assessment authority due to operational efficiencies. Many of these benefits would flow from the improvements made to the operational areas as noted in the previous section of this report.

Economies of scale could be achieved from the creation of a single assessment organization to serve the province. In fact, the 1967 Smith Report on Taxation in Ontario concluded that a larger assessment organization is more efficient than a smaller assessment authority. A single agency responsible for the valuation and classification of all the property parcels in Manitoba would be able to create efficiencies that are simply not possible in the current dual jurisdiction environment. Functional duplication could be reduced through the creation of a single administrative function. Efficiencies could also be created through reduced duplication, and eventually, the elimination of duplications in technology.

A single assessment authority would also have the flexibility to capitalize on revenue generating opportunities. For example, in other jurisdictions assessment authorities operate with a base service level agreement with the governments they serve. Additional services provided to the client government, like assessment projection reports, or data sharing would be subject to additional charges.

This report notes the areas where efficiencies are typically found in bringing together two similar operations. Should direction be provided to move forward with amalgamation, a further, more detailed, investigation will be carried out under the direction of the implementation team to identify specific cost advantages.

d) Challenges to forming a Single Assessment Authority

A significant change in the way in which the assessment function operates in Manitoba is also accompanied by challenges. Inevitably, there will be costs and complexities associated with the implementation of a single assessment authority, as well as the disentanglement of the assessment and taxation functions. Structures, processes and technologies may need to be re-invented.

The arms-length relationship that the new authority would have with the City of Winnipeg would result in some loss of control by the City of Winnipeg. The valuation process is governed by accepted appraisal theory and practice, specific provincial legislation, court and tribunal direction and precedence, and other industry practices, and is not subject to the direct control of civic administrational functions. In short, the assessment values placed on individual properties are a function of the direct action of professional valuation staff operating under that umbrella of legislative and industry direction. However, as a part of the civic administration, the Property Assessment Department is subject to the direction and guidance of senior civic administration and City Council in many other operational matters. Budget allocation, staffing resources, purchasing and other financial policies all greatly influence the Property Assessment Department in the way that business is conducted, resources are allocated, or the priority in which projects are undertaken. While senior civic administration and elected officials cannot play a role in the direct valuation of properties, there still remains a great deal of influence that can be exercised over priorities within the department. An arms-length assessment authority, outside of the direct civic structure, would not be so directly influenced in these operational matters.

There may be additional costs during the transition from two assessment authorities to one. Data sharing with City of Winnipeg departments could be problematic as the departments and the assessment authority would no longer be part of the same organization. There may be additional, short-term confusion by the public over who is responsible for the appeals process, the corporation or elected officials. The transition to a single assessment authority may also require changes in non-legislative support services to align with a single set of service standards.

None of these challenges are insurmountable, but it must be recognized that creating a single arms-length assessment authority from the resources of two agencies, each associated with its own level of government, is a complex task.

e) Moving Forward—Next Steps

The organizational option recommended so often over the years is not something that the City of Winnipeg can accomplish on its own. Formation of a single assessment authority, as John Scurfield noted in his 1996 report, is a move requiring significant legislative change. It requires the active cooperation and support of the provincial government. The City of Winnipeg should, therefore, take the first steps to realize this option by making a formal request to the provincial government to approve a single, province-wide assessment authority and establish a joint provincial/municipal committee to prepare an implementation plan.

The Assessment Task Force recommended "that an outside consultant consider the establishment of an independent province-wide assessment authority for Manitoba…" Council, through the budget process, has already moved toward that goal but there is still an important role for an outside consultant, including recommending the form that the assessment agency might take, and examining initial steps toward forming that organization. Several provinces, as noted earlier, have independent assessment authorities but that is where the similarity ends. A single assessment authority could take several forms, perhaps like a model that already exists in Canada or a structure unique to this province. There are a range of options already in existence.

In British Columbia, BC Assessment operates as an independent, Crown corporation, governed by a Board of Directors. The Chief Executive Officer of BC Assessment is the Assessment Commissioner. Both the Board and the Commissioner are appointed by the Lieutenant-Governor in Council.

The Saskatchewan Assessment Management Agency (SAMA) is a non-profit agency that has a nine-member Board of Directors. SAMA provides two basic functions; a provincial regulatory function (setting assessment standards and performing audits); and a direct assessment service function (municipalities are directly charged for this service). Individual municipalities can choose to utilize the direct assessment services of SAMA, or they can choose to perform those assessment functions themselves (adhering to the SAMA set standards).

In Ontario, the Municipal Property Assessment Corporation (MPAC) is a crown corporation that started operating on December 31, 1998, when the Government of Ontario transferred responsibility for property assessment to the Corporation. MPAC has a Board of Directors consisting of six municipal representatives, five taxpayer representatives, and one representative from the Government of Ontario.

In New Brunswick, the crown corporation with responsibility for property assessment, Service New Brunswick, is also responsible for other land related information services including the province's real and personal property registries and the province's motor vehicles branch. The *Service New Brunswick Act* provides the context for the activities of the corporation. The *Act* specifies that SNB is the principal provider, on behalf of government, of customer services, through physical offices, telephone and electronic channels. SNB also administers a number of acts on behalf of the province. A Board of Directors guides the business of the corporation.

These few examples illustrate that even after deciding to move ahead with a single assessment authority there are still many decisions to be made about the role, structure, and governance of the authority. It must be highlighted that there exists a considerable range of models to choose from. Each model has strengths and weaknesses and a careful examination of all options must be undertaken in order to determine the model that best serves the citizens of Manitoba.

Once an implementation committee is formed, an outside consultant can also perform a detailed examination of the technological, administrative, human resource, and union and contractual issues that must be dealt with in forming a single assessment authority.

Therefore, it is recommend that the City approach the Province of Manitoba with a formal request that it approve a single province-wide assessment authority and establish a joint provincial/municipal committee to prepare an implementation plan.
The administration believes that a complete review by an external consultant of the procedures and methodologies should be undertaken following the merging of the two assessment authorities into a single province-wide assessment authority.

It would be anticipated that this review would be undertaken with the assistance of a set of guiding principles. Two of the guiding principles may be the realization of operational benefits, and consistency in assessment treatment across the entire province. Other appropriate guiding principles could be developed by the implementation committee.

As the two organizations are combined, there are many opportunities to implement the best business processes (adopting the process of one organization or the other), or to adopt other industry-wide best practices. An external review would be very helpful in examining the available options, and would allow the merged organization to benefit from the best available information and practices in building the new organization.

The success of this amalgamation process would be greatly enhanced with the use of an external consultant who has a broad range, and good depth, of experience in the assessment field in North America. In this way, the new single organization would gain the benefit of assistance with the amalgamation process, but would also have first hand access to industry best practice experience.

In summary, the framework for moving ahead is as follows:

- Receive political direction to move forward with the implementation of a single province–wide assessment authority.
- Strike a joint provincial / municipal committee.
- Engage an external expert with broad assessment knowledge to provide organizational advice.
- Examine the various options for the type of organization required. Select the preferred option.
- Prepare overarching implementation plan.
- Prepare a risk assessment and a risk management strategy.
- Engage external expert resources to aid with the details of the implementation.
- Move ahead with amalgamation.

- Select the new management team.
- Strike required operational and change management teams comprised of functional leaders from both organizations reporting to the overall management team.
- Develop detailed amalgamation and change management plans and timetables for all areas.

Financial Impact Statement:

No financial impact statement has been prepared for this report.

While the recommendation of this report does not, by itself, have financial implications, should there be direction provided to move ahead and implement a single province-wide assessment authority, the establishment of the single agency will have financial implications. The specific financial implications will be described, and a financial impact statement will be contained in further detailed implementation plans.

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

- Corporate Finance – Taxation & Revenue
- Corporate Services – Legal Services
- City Clerks – Board of Revision

THIS REPORT SUBMITTED BY:

Department: Property Assessment Department
Division: Administration
Prepared by: M. Brian Moore, M.I.M.A.
City Assessor / Director

Appendix 1

History of the Potential Implementation of a Single Assessment Authority

The Weir Report

The notion of a single assessment authority for the province has been suggested several times over a period of 20 years. It first surfaced in 1982 as part of the Report of the Manitoba Assessment Review Committee, commonly known as the Weir Report.

The Manitoba Assessment Review Committee consisted of Walter Weir, Alan Beachell, Robert McDonald, and John Willis. The Committee was appointed by order-in-council on July 25, 1979. In March 1982 they produced their report titled "A Fair Way to Share".

The order-in-council recommended that the Committee prepare a report on all aspects of real property assessment in Manitoba including:

- The level at which real property should be assessed in Manitoba
- The question of exemptions from real property assessment;
- The administrative organization for carrying out real property assessment;
- Such other matters related to the problems of real property assessment, and in particular any matter not inconsistent with the subject of the inquiry, which may be referred to the commissioners by the lieutenant governor-in-council.

The committee recommended the establishment of a single assessing authority charged with the responsibility of maintaining accurate valuations on all real property in the Province of Manitoba. The Provincial Municipal Assessor and the City of Winnipeg Assessor also expressed to the committee the desirability of amalgamating their organizations in a single assessing authority.

The report reads:

> "It is essential to ensure that the assessors have the ability, capacity and necessary support to properly fulfill their responsibilities of providing and maintaining an accurate valuation of all property in the province. This can, in the committee's opinion, be most economically provided through the establishment of a single assessing authority.
>
> The establishment of a single assessing authority would provide the following benefits:
>
> - The ability to develop, within a single resource center, the necessary data processing systems and equipment to provide and maintain assessments on an up-to-date basis.

- The ability to develop uniform policies, procedures, manuals, and parameters for the equitable valuation of all property in the province.
- More efficient use of staff members, their expertise and necessary data processing equipment.
- Confidence that the ratepayers in the City of Winnipeg and the balance of the Province of Manitoba, are receiving consistent treatment in valuation of their property" (19).

City Of Winnipeg Property Tax Assessment Inquiry

In February 1996 City Council, through the offices of the City Auditor, commissioned an independent inquiry into the causes of the "Assessment appeal refund problem" and to make recommendations designed to avoid similar problems in the future.

In July 1996 John M. Scurfield delivered his findings and recommendations in a document called City of Winnipeg Property Tax Assessment Inquiry.

Although the inquiry report makes reference to the Weir Report recommendations, it looks at the single assessment authority as a long-term goal. The report noted in its recommendations:

> "While many individuals might expect recommendations which, in effect, dismantle the Assessment Department, it is my view that it would be irresponsible to do so in the present circumstances. It is preferable to repair the problem within the existing structure rather than to ignore the value of recent experience. The City of Winnipeg has learned a number of extremely expensive lessons over the past several years during its attempts to convert to a market value assessment system. There has been a substantial investment of time and money. The recommendations that are contained herein were designed to build on the measures implemented to date and the lessons learned, and to allow the City to profit in some way from the past.
>
> For this reason, the establishment of a single, independent provincial assessment authority has not been recommended as the first and best option for the City at this time. While this may be the best alternative in the long run, it would require significant legislative changes which have not been forthcoming to date, despite numerous requests made to the Province of Manitoba by the City. Thus, the attention of the Assessment Department should not be diverted at this time. Rather, our focus, and that of the City of Winnipeg as a whole, should be directed to what is necessary to produce an accurate and reliable assessment roll. If, however, the changes outlined hereafter can not be implemented and the goal achieved within the suggested time restrictions, there are only two alternatives:
>
> - Establish a single, independent assessment authority under provincial jurisdiction; or
>
> - Contract out the assessment function" (130).

Audit of the Property Assessment Function

In November 2001 the City of Winnipeg Audit Department completed a comprehensive audit of the property assessment function. The Audit Department report noted,

> "The Department is looking to make a dramatic shift over time to becoming a self-supporting public service with marketable products that can be made available to other levels of government and business interests beyond the boundaries of the City of Winnipeg. With the pending retirement of the Provincial Assessor, opportunities may exist to explore the sharing of resources or the feasibility of a move towards a single assessing authority for the province, as is the case in other jurisdictions. The performance statistics provided in this section clearly point to the cost benefits associated with economies of scale" (41).

Assessment Task Force Report

The City of Winnipeg Executive Policy Committee adopted the following motion on December 5, 2001:

> "WHEREAS the Executive Policy Committee is desirous of examining current assessment processes in the City of Winnipeg with a view of bringing forth recommendations for improvement;
>
> AND WHEREAS the Executive Policy Committee would like to strike and Assessment Task Force to examine the following:
> - Current year assessments – change in the re-assessment cycle and more current reference years
> - Recruitment and education of Board of Revision members
> - One stop process – assessment adjustment process
> - Simplified criteria which is publishable and understandable communications vehicles
> - The income sensitive approach to assessment
> - Information technology applications"

The committee members were Councillor Mike O'Shaughnessy, Chairperson; Mr. Martin Hak, Mr. Sandy Shindleman, and Mr. Lorne Weiss. The Assessment Task Force submitted its report on September 16, 2002. The relevant sections of the report are shown below.

> "Property Assessment is highly technical and complex as one would expect from the largest generator of taxes in the Province. If the Assessment function is going to operate properly a highly trained professional staff following modern

processes, using appropriate technology and managed consistently is essential. The Committee questions if this is possible under the dual administrative process.

Two Assessment Authorities in the Province means duplication in administration, technology, legal support, etc. The Committee questions if this duplication of costs is warranted in a Province like Manitoba when much larger jurisdictions like British Columbia and Ontario operate successfully with one.

The Task Force has reviewed various Assessment administrative alternatives and has concluded that a province-wide organization with an arms-length relationship with government is the preferred model to establish equity for all taxpayers in the Province.

The Task Force recommends that an outside consultant consider the establishment of an independent province-wide assessment authority for Manitoba, ending unnecessary duplication in a province with such a small population." (30-31).

Conclusions

Assessment Bodies

a) Single Independent Assessment Authority

"For the sake of efficiency and effectiveness, the outside consultant should consider the establishment of an independent province-wide assessment authority for Manitoba, ending unnecessary duplication in a province with such a small population. By establishing one independent authority, the Province would help to minimize the financial risk to the City related to successful assessment appeals that result in refunds" (42).

Appendix 2 Current Environment—Summary

Jurisdiction	**Structure**	**Funding**

British Columbia	Crown Corporation	• Mill rate is struck by BCA; they then have to go through the following approval process.
		  o First to their Board of Directors
		  o BC Government, order in council created
		• They have nine classes of properties and each has a separate mill rate.
		• They charge the municipalities based on the value of the various classes times the mill rate.
		• They also cover the cost of appeal tax losses within their annual budgets.

Ontario	Crown Corporation	• Crown provides assessment for all municipalities.
		• Crown charges Municipalities for service.
		• Two sources of funding from each municipality:
		  o Based on 50% uniformed assessment of property in each municipality expresses as a percentage of the total divisional budget.
		  o Based on 50% of the total number of properties in each municipality expresses as a percentage of the total divisional budget.

New Brunswick	Crown Corporation	• Crown provides assessment for all municipalities.
		• Crown charges municipalities for service.
		• Two sources of funding from each municipality:
		  o Province mails tax bill which includes a charge of .02¢/100 of assessed value.
		  o Each municipality's mill rate includes a charge of .02¢/100 of assessed value for residential (any property that is not used for commercial property) and .03¢/100 assessed value for other property.

Prince Edward Island	Provincial Department	• Single provincial department administers the assessment function through out the province; organizationally it is under the Treasury Department. • Funding for the assessment function is provided by a tax rate ($1.5 per $100). • Municipalities determine their operating budgets and tax rate. Both rates are applied against the assessment. • The provincial assessment department administers the assessment roll, tax billing and collection. Operating funds are distributed back to the municipalities.

Nova Scotia	Provincial Department	• Single provincial assessment department administers the assessment function through out the province.
		• Province charges municipalities for service.
		• Two sources of funding from each municipality:
		  o Based on 50% uniformed assessment of property in each municipality expresses as a percentage of the total divisional budget.
		  o Based on 50% of the total number of properties in each municipality expresses as a percentage of the total divisional budget.

Saskatchewan	Non-Profit Agency – SAMA Cities/Municipalities	Saskatchewan Assessment Management Agency (SAMA) provides assessment services to the majority of the municipalities within the Province. They provide two distinct functions that are funded separately: 1. **Province Regulatory Function,** which provides province wide audits and standards of the assessment process. The Provincial Government through General Revenues funds this function. 2. **Field Services Function,** which determines assessments for municipalities that use this service. Municipalities are charged base on parcels. The formula parcel count is antiquated (fixed at 1990 parcel counts) and if there is a shortfall, they would have to request addition funding from the Province. • SAMA reports to a 9-member Board of Directors. • SAMA provides Field Services to 800 of the 820 municipalities. • Four cities provide their own assessment services and mill rates are used to fund this service. • Municipalities have the option to opt out of SAMA and there are 14 cities/towns/ municipalities that have given notice.
Alberta	Province of Alberta City/Municipality Basis	• Province provides the assessment services for; o Linear property, pipeline, oil and gas wells, telecommunications, electrical power transmissions and distributions. o Establishing and reviewing rules and standards of assessment practice. o Retaining oversight of the assessment function through annual audit programs. o Legislative changes. • Province of Alberta provides the legislative framework under the Municipal Government Act. All municipalities use the same legislation for the assessment process. • Province charges back the cost of recovery for linear property valuation only. Costs for all other services are not charged back to the municipalities directly; these costs are recovered through provincial general revenues. • Each Municipality operates separately. • A CAO is hired to manage the assessment function within the municipality. • Each municipality determines their own mill rate.

Quebec	Province of Quebec Municipalities	• Decentralized assessment services. Each municipality administers the assessment function. • Quebec has implemented province wide policies and regulations that all assessing jurisdictions adhere too. The province monitors the assessment process province wide to ensure compliance by the jurisdictions. • There are 1400 municipalities that are grouped into 85 assessing jurisdictions. o Each jurisdiction sets their mill rate for funding. o Each jurisdiction has the option of using internal resources, contracting out the service and or a combination of both. The choice of service is left to the jurisdiction.
Newfoundland	Crown Corporation City of St. John's	• Crown provides assessment for all Municipalities except St. John's and about 50 Municipalities that do not use a property based tax system. These Municipalities use a variety of methods to generate revenue (poll tax). • The Crown charges Municipalities $22.50 per parcel to provide the assessment function. (Section 9. The director may establish fees to be charged by the assessment agency for the purpose of providing sufficient revenues to carry out its duties under this Act.) • Operating and capital budgets are presented to the Board of Directors for increases. • The City of St. John's administers their assessment structure within the city framework.
Manitoba	Province of Manitoba City of Winnipeg	Provincial department administers the assessment function through out the province except for the City of Winnipeg. Provincial budget is recovered using the following formula: • 75% is charged to each municipality based on it potion of the Total Municipal Assessment (TMA). For example, if Brandon is 15% of the TMA then it would be charged 15% of 75% of their budget. Each Municipality would then include these costs in their budgets to when striking their mill rates. • 25% is recovered from the Department of Education. The City of Winnipeg administers their assessment structure within the city framework.