

Appendix A

Assessment Roll Quality and Data Source Reliability and Limitations for Performance Measures in 2007-2009 Service Plan

The 2007-2009 Service Plan included ten performance measures. The Detailed Report on Current Performance Measures Section of the 2007 Annual Report reports on six of these measures including performance measures 1 and 2 which were consolidated into one measure. The remaining four performance measures (PM.6, PM.7, PM.9, and PM.10) were discontinued.¹ BC Assessment will continue to track these measures internally. For this year, detailed explanation regarding data source reliability and limitations is provided below for all ten of the performance measures included in the 2007-2009 Service Plan.

Assessment Roll Quality

The most important and widely accepted statistical measures of the quality of the Assessment Roll are the median Assessment-to-Sales Ratio (ASR), the Coefficient of Dispersion (COD), and the Price-Related Differential (PRD). The International Association of Assessing Officers (IAAO) has set standards for each of these statistical measures, and these measures form the basis of the critical Assessment Roll quality performance targets. Data used for the ASRs, CODs and PRDs are generated by the Corporation's Quality Assurance Department, and reported annually in an Assessment Roll Quality Report. The Assessment Roll Quality Report is a detailed statistical analysis demonstrating the accuracy and uniformity of the Assessment Roll. In 2008, BC Assessment's Internal Audit department will be undertaking a review of the 2008 Roll Quality Report to evaluate the completeness, accuracy, and relevance of the information reported.

Data Source Reliability and Limitations

The reliability of these roll quality performance measures is founded on the records as provided by the Land Title and Survey Authority of British Columbia, the agency responsible for managing, operating and maintaining the province's land title and land survey systems. It was established in January 2005 under the *Land Title and Survey Authority Act* as an independent organization and must meet obligations and targets that the provincial government has established for it in legislation and in an Operating Agreement between the Corporation and the province.

The Land Title and Survey Authority of British Columbia ensures the continued integrity of the province's modified Torrens system for registering land titles. This involves examining and registering applications for land transfers and establishing and releasing charges on titles. The land title

¹ In the process of streamlining performance measures for the 2008-2010 Service Plan, those six measures have been consolidated into five, and re-numbered. PM.1 and PM.2 have been consolidated into one measure (PM.4); PM.3 has become PM.1; PM.4 has become PM.2; PM.5 becomes PM.3; and PM.8 becomes PM.5. The *Annual Service Plan Report for the Year 2007* and a *Report on the Creation of the 2008 Assessment Roll* reports on these five critical performance measures.

registration system provides conclusive evidence of title, and is backed by an assurance fund in the unlikely event of any registration error. The results in this report compare the market value transactions as registered against the actual value as determined by the Corporation's appraisal staff.

Performance Measures 1 and 2 – Complaints

Staff receive formal complaints from property owners in January each year and enter the information into the valueBC information system. Notices of Hearing are distributed and hearings are held in communities throughout British Columbia. Following the hearings, property owners are sent Notices of Decision indicating whether or not the complaint was successful. This provides an external control and verification of the complaint process. In addition, the Corporation has confidence in the data due to internal controls that include a review and audit of the complaint data and comparison to historical trends and current market movement to ensure its accuracy.

Performance Measures 3 and 4 – Customer Satisfaction Survey Results

BC Assessment conducts annual customer surveys with five key client groups using an independent market research firm to conduct the surveys and compile the results. The qualifications and experience of the selected firm were evaluated through a Request for Proposal and the Corporation is confident that the services received are reliable. The survey results were found to be reasonable when compared to historical trends and current market movement.

Five surveys were conducted in April and May 2007 and a random sample of respondents were asked a number of questions to gauge their satisfaction with the products and services associated with the 2007 Assessment Roll and other products and services that BC Assessment provides. In the Performance Measures used in the 2007 Annual Report, 'direct contact' means the respondent had personal communication with the organization in writing, on the telephone, or in person.

In the survey of residential property owners, a random sample of 983 property owners were interviewed producing a margin of error of ± 3.1 percent, 19 times out of 20. The sample of 983 completed interviews included 100 people who had requested a formal independent review of their assessment by a Property Assessment Review Panel within the past two years; 80 people who had received a physical inspection of their property within the past two years, and 803 for whom there was no record of contact, other than to receive their annual Assessment Notice.

In the survey of non-residential property owners, a random sample of 888 property owners were interviewed producing a margin of error of ± 3.3 percent, 19 times out of 20. The respondent contact list was generated from existing data in the spring of 2007, and included a sample of owners who had either requested a formal independent review of their assessment by a Property Assessment Review Panel, or who had proceeded to the next level of appeal with the Property Assessment Appeal Board.

In the survey of First Nations customers, a sample of 32 representatives responsible for tax administration (from a population of 55) were interviewed producing a margin of error of ± 4.3 percent, 19 times out of 20.

In the survey of local government, a sample of 201 representatives responsible for tax administration (from a population of 289) were interviewed

producing a margin of error of ± 3.8 percent, 19 times out of 20.

In the survey of Provincial Government clients, a sample of 39 representatives were interviewed producing a margin of error of ± 8.9 percent, 19 times out of 20.

Performance Measure 5 – Assessment-to-Sales Ratio (ASR)

BC Assessment measures the ASR for properties according to internationally-recognized standards. The ASR is calculated by dividing the actual value (as determined by the Corporation) of a property that has sold, by its selling price, and expressing the result as a percentage. For example, if a property is assessed with a value of \$243,000, and it sold for \$250,000, the ASR would be 97.2 percent. In short, the ASR measures how accurately BC Assessment appraises property at market value. The IAAO has set a standard for a median ASR of 90 percent to 110 percent for an acceptable level of assessment achievement. The Corporation's target of 97 to 100 percent for residential properties and 95 to 100 percent for non-residential properties exceeds this standard.

While the term 'residential properties' can refer to condominiums and townhouses as well as single-family dwellings, this target is measuring only single-family dwellings because there are significantly more single-family dwellings in British Columbia than condominiums and townhouses.

BC Assessment's statistics for Assessment-to-Sales ratio are based on all available single-family residential arms-length sales for the two quarters surrounding the Corporation's valuation date of July 1 (i.e., April 1, 2007 to September 30, 2007). Sales are not time-adjusted. In regions with significant market movement over the six-month period, the dispersion will be overstated. For non-residential sales, data is based on sales occurring throughout the year.

Performance Measure 6 – Coefficient of Dispersion (COD) – *Discontinued from 2008-2010 Service Plan*

BC Assessment also measures the COD for properties located in both urban and rural areas, according to internationally-recognized standards. The COD measures the quality of the Corporation's data by virtue of the spread of all the ASRs around its median, or middle number. The lower the COD, the better quality the product. This is a measure of appraisal uniformity.

The COD standard set by the IAAO for single-family residential properties is under 15 percent for homogeneous (urban) regions and under 20 percent for heterogeneous (rural) regions. BC Assessment has set targets of under 10 percent and under 15 percent respectively. The COD standard set by the IAAO for non-residential properties is under 20 percent and is used by BC Assessment.

BC Assessment's statistics for the Coefficient of Dispersion are based on all available single-family residential arms-length sales for the two quarters surrounding the Corporation's valuation date of July 1 (i.e., April 1, 2007 to September 30, 2007). Sales are not time-adjusted. In regions with significant market movement over the six-month period, the dispersion will be overstated. For non-residential sales, data is based on sales occurring throughout the year.

Performance Measure 7 – Price-Related Differential (PRD) – *Discontinued from 2008-2010 Service Plan*

BC Assessment also measures the PRD for residential properties, according to internationally-recognized standards, to determine if assessments are 'progressive' or 'regressive'. Assessments are considered regressive if high-value properties are under-appraised relative to low-value properties; they are considered progressive if high-value properties are over-appraised relative to low-value properties. Significant progressivity or regressivity results in the inequitable distribution of the tax burden, and a good quality assessment should show no sign of either. In short, the PRD measures both the fairness and equity of the Assessment Rolls by comparing the level of assessment of high-valued property against low-valued property.

The IAAO standard for the PRD is between 0.98 and 1.03. A PRD under 0.98 indicates progressivity; over 1.03 indicates regressivity. BC Assessment has adopted the IAAO standard for the PRD.

BC Assessment's statistics for the Price-Related Differential is based on all available single-family residential arms-length sales for the two quarters surrounding the Corporation's valuation date of July 1 (i.e., April 1, 2007 to September 30, 2007). Sales are not time-adjusted. For non-residential sales, data is based on sales occurring throughout the year.

Performance Measure 8 – Cost Per Property

The cost per property for assessment services funded from tax levies has been calculated by taking total expenditures for 2007 less revenues that are not categorized as 'tax levies', 'payments in lieu of taxes' and 'First Nations revenue', divided by the number of properties for the revised roll produced for the following year. The Corporation maintains appropriate internal controls and will continue reporting regularly to the Audit and Finance Committee and Board of Directors and quarterly to the Office of the Comptroller General. BC Assessment is subject to an annual external audit of its financial statements, currently performed by the Office of the Auditor General.

Performance Measure 9 – Percentage of Appraisal Staff with Professional Accreditation – *Discontinued from 2008-2010 Service Plan*

The knowledge and skills of professionally accredited appraisal staff enable BC Assessment to meet industry standards of accurate and professional appraisals. When an appraisal staff member becomes accredited, written confirmation from the accrediting body is submitted to the Human Resources Department and kept on file. This information can be verified through external records by the accrediting organizations, the Appraisal Institute of Canada and the Real Estate Institute of British Columbia. The percentage of appraisal staff with professional accreditation figures reported in **Appendix B** is based on the twelve-month period ending December 31, 2007.

Performance Measure 10 – Minimize Staff Turnover – *Discontinued from 2008-2010 Service Plan*

Management tracks staff turnover through a variety of methods including payroll records and exit interviews. The Corporation maintains appropriate internal controls and will continue reporting regularly to the Human Resources and Audit and Finance Committees and the Board of Directors. The staff turnover figures reported in **Appendix B** are based on the twelve-month period ending December 31, 2007.