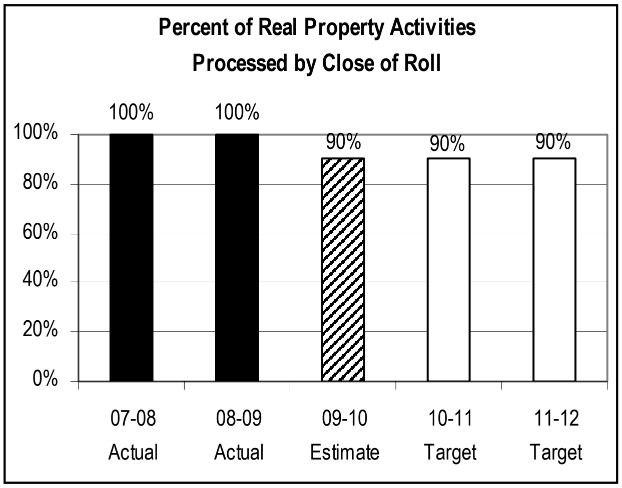
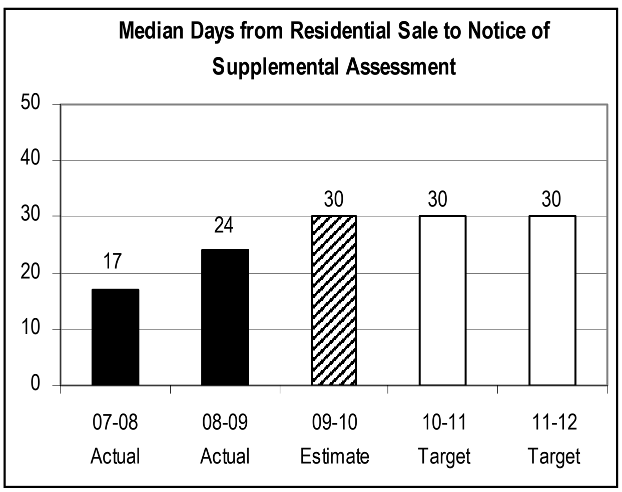
Appraisal Services (1310P)

Program Locator

County
- Collaborative Community
  - Assessor-County-Clerk-Recorder
    - ▷ **Appraisal Services**
    - Administration and Support
    - Elections
    - County Clerk-Recorder

Headline Measures





Program Outcome Statement

The Appraisal Services Program produces equitable, timely and accurate tax roll assessments of real and personal property, and provides related services to the public that generate property tax revenues which fund the delivery of essential community services.

Services and Accomplishments

The Appraisal Services Program is responsible for setting values, assessing property and producing San Mateo County's local assessment roll, used for computing property taxes.

The Appraisal Services Program is comprised of four work groups, all of whom play an integral and contributory part to the development and production of secured and unsecured property tax assessments. These functions primarily contribute to the Shared Vision of a Collaborative Community by 2025. The Change in Ownership (CIO) and Real Property Groups contribute to the production of the secured assessment roll; the Business Property Group is responsible for the production of the unsecured assessment roll. The Appraisal Support Group assists in the production of both the secured and unsecured property tax assessments. Annual property tax revenues in excess of $1.4 billion is distributed to more than 150 local governmental agencies (cities, special districts, schools and the County) assuring a stable funding stream and the continuation of vital services.

The following are major accomplishments in the current year:

- Completed more than 84,000 assessments and appraisals of land and buildings when a change in ownership or new construction occurred, including more than 52,000 residential Decline in Value reviews
- For the FY 2008-09 the Assessor managed 1,080 assessment appeals. Of those, 41% were withdrawn and the assessed value was preserved. 43% resulted in a stipulated value and the remaining 172 were scheduled for hearing. There were 53 no-shows and the Assessor staff defended 119 appeals. Only 11% of all appeals filed required a decision by the AAB
- Defended assessment value opinions of $1.4 billion in real property (of which $401 million was Genentech) and $2 billion in personal property through the resolution of assessment appeals. This is due to the quality of accurate appraisals, through the successful education of property owners (residential and commercial), and the diligent preparation and presentation of assessor valuations before the Assessment Appeals Board
- According to an Operations Review conducted by The Macias Group, the San Mateo County Real Property Division was noted for its effective assessment appeals program, especially as compared with comparably sized jurisdictions that have much higher staffing ratios. They recommended adding five appraiser positions
- Upgraded the EDMS imaging and workflow component to expedite the processing of business property statements with enhancements noted from use in last season's roll close activities
- Implemented new EDMS imaging solutions and workflow to better support access to documents via image for the valuations and appeals work performed by appraisers

- Continued to meet with the Controller and Tax Collector on a regular basis to refine the tax process and ensure the accuracy of shared property information
- Awarded an Honorable Mention in the countywide STARS Program for the development of the Assessment Roll Tracker (ART), an online, real-time application that makes the secured roll information and the status and financial risk associated with outstanding appeals available in downloadable formats to fiscal managers who prepare the budgets for consideration and adoption by the governing bodies of all local agencies. The immediate delivery of high quality financial data is especially valuable in this difficult economic climate.
- Conducted a training seminar for new and small business owners required to file the 571-L Business Property Statement.
- Utilized the leasing review program to discover new businesses, an important but time-consuming function of an assessor's office in that it maintains fair and equitable assessments of all property and increases shared property tax revenues benefiting all local agencies

Story Behind Performance

The assessed values of real property in California are adjusted annually by the State Board of Equalization; these adjustment factors are based on the California Consumer Price Index (CCPI) and required as a condition of Proposition 13. In all but five of the past 33 years, the 2% maximum annual increase to the prior year's value has been applied. However, this year was the first and only year since the passage of Proposition 13 in 1978 that the CCPI produced a negative value, -0.237%, and lowered the base year value of all properties in California which will affect property taxes collected in FY 2010-2011. In San Mateo County, the estimated *reduction* in base year value will be $2.46 billion dollars.

Economic conditions during FY2008-2009 and FY2009-2010 have significantly impacted local housing and job markets, made consumer loans difficult to obtain and caused property values drop dramatically. Residential properties are staying on the market for longer periods of time and foreclosures have risen as the sub-prime market bottomed out and unemployment climbed. While San Mateo County is in a fiscally stronger position than many other California counties, the recession has changed the composition of workload.

The emphasis of operations has been redirected to handle the increase in both the volume and complexity of the workload. Instead of a robust residential sales market with few *Declines in Value Reviews* and assessment appeals, the reverse is true. In a healthy economic climate, staff time was largely devoted to Regular Market Sales that have short processing times. This has been replaced with Short Sales and Foreclosure Sales that require more complex valuations and are significantly longer to process.

Last year, the Real Property Division reviewed 52,000 residential parcels for the FY 2009-10 assessment roll to determine their possible eligibility in the Decline in Value Program. The assessments of over 28,000 of these residential parcels were reduced. Once properties are in the Decline Program, the Division is required to review them annually to determine their continued participation. Further compounding this situation is that the commercial property market is experiencing an increase in the number of decline requests this year much like the residential market did last year. As long as this current economic trend continues, the Decline in Value work load will increase. In fact, it will be substantial until the market is fully restored.

One key headline performance measure, Percent of Real Property Activities Processed by Close of Roll, is calculated by the total percentage of activities that may be appraised completed by the end of the fiscal year. Historically, the percent of appraisal activities completed by the close of the assessment roll has improved from 91.9% for FY 2000-01 to 99.5%-100% for FY 2002-03 through FY 2008-09. Achieving this goal of completing all appraisal activities by the close to the roll results in timely assessment notices and the reduction and or elimination of roll corrections that would otherwise be required. This helps all local agencies as it maximizes the potential collection of property tax revenue. This is a challenge with the recent vacancies and retirements and the increased workload from decline in value review requests and appeals for both residential and commercial properties. For the FY 2009-10 and FY 2010-2011, this key headline performance has been adjusted to 90% of appraisal activities that are completed at the end of the fiscal year.

Improving on the past performance of the efficiency measure that tracks the median number of days from a residential sale to the notice of supplemental assessment is a formidable task. The number of days decreased from 76 days in FY 2001-02 to 17 days in FY 2007-08, but increased to 24 days in FY 2008-09. The performance measure for FY 2009-10 was adjusted this fiscal year to 30 days in recognition of the reduced staff and increased workload. The new target for FY 2010-11 and FY 2011-12 is 30 days. Realistically, this time frame cannot be improved until the real estate market recovers and the division's budget and workload are normalized.

In addition to the real property appraisal activities completed by the close of the assessment roll, the Personal Property Division has conducted nearly 300 mandatory audits. The number of mandatory audits completed has decreased from prior years due to the new audit selection criteria passed into law by AB 550, Ch. 297, and Stats of 2008. The number of Business / Personal Property Statements (571-L) slightly decreased due to the increased number of direct enrollments. The electronic filing of the Business Property Statements began two years ago. In order to streamline and expedite the processing of these statements, the Division implemented a new imaging and workflow component in FY 2008-09; Upgrades to this system were implemented in 2009-10 further improving the process. This year the Division conducted the second annual Business Property Statement Seminar to encourage more businesses to file electronically and to offer instructional assistance to business owners filing the required 571-L forms.

The discovery of new businesses that should be filing a Business Property Statement (BPS) is a time consuming and costly endeavor. Yet, the discovery of new businesses and their eventual filing of BPS is an important revenue source. CARE periodically conducts full and partial canvasses of the specific areas such as office buildings and shopping centers as well as the San Francisco Airport. In recent years, CARE initiated a practice of contacting cities directly to periodically obtain new business license filings. Beginning in 2007, CARE performed a comparison of the business accounts on record in the Assessor database with those listed in the Hanes crisscross directory for three San Mateo County cities. Although, this pilot proved beneficial due to limited resources this program has not been expanded. This year, the discovery of new businesses was performed through the leasing review program.

The business application in use today that supports the Assessor's Office for valuating both real and personal property has reached end of life and is in need of replacement. The current vendor currently has no upgrades or replacements that will be made available for implementation in a reasonable period of time. This business application and the technology platforms supporting this application will need to be replaced over the next two year budget cycle.

Compared to other California Assessor Office's with similar demographics, CARE has the lowest staffing levels of any comparative organization in the state. Retirements and forced vacancies due to budget cuts continue to affect the department's operations which will have an impact on the Assessor's Office ability to maintain acceptable service levels. Risks associated with understaffing the Assessor's office have financial repercussions. If work is not completed, properties may go undervalued and appeals may be underrepresented. These financial consequences affect the county as a whole and extend to all local agencies.

Major challenges over the next two years will be:

- To manage the substantial additional workload due to the fact that all past declines must be reevaluated and new requests for declines are emerging from the commercial property market; these new requests are more complicated and take more time to review
- Refrain from further position cuts in the department; work to aggressively fill all open positions within the Assessor's Office to adequately support workload surges, unknown variables, succession planning, knowledge transfer and business continuity
- To recruit and train experienced commercial appraisers to handle the workload challenge ahead due to vacancies created by retirements and shortages of qualified candidates in the market place
- To negotiate a successful resolution of the complex, multi-year outstanding assessment appeals
- Analyze assessor business applications generally available in the market place to replace the legacy system

Program Objectives

The Appraisal Services Program will meet performance targets by doing the following:

<u>Achieve Completion of Real Property Activities by Close of the Roll</u>

- Hire experienced appraisers to replace retired senior staff in a timely manner
- Expand the appraisal tools to include statistical programs and databases to optimize the completion of Residential Decline in Value Reviews
- Realign and reassign existing staff to respond to changing workload conditions
- Provide the new staff with training and support
- Continue to build and enrich the capacity of existing staff for greater flexibility in assignments

<u>Achieve a Target of 30 Median Days from the Residential Sale to the Notice of Supplemental Assessment</u>

- Centralize Residential Sale Processing
- Expand appraisal tools and utilize available databases as a primary resource to optimize the valuation process of residential sales
- Improve the frequency of mailed supplemental notices

<u>Achieve Target of 1.5% Difference Between March Estimate and Total Actual Roll Change</u>

- Continue to partner with City Finance Directors, School District and Special District Business Managers to improve and refine the new Assessment Roll Tracker (ART) product to include more historical data and more current variable data to fine tune the March projection of the final assessment roll

<u>Change of the Audit Completion Criteria for Close of the Assessment Roll in June 2010</u>

- Redistribute the mandatory audit workload among the auditor staff based on new audit selection criteria passed into law; this new law provided the rationale for reducing this target measure.
- Continue to increase the number of correspondence audits, thereby saving travel time (as appropriate)

<u>Achieve an Overall Customer Satisfaction Rating of at Least 90%</u>

- Improve the assessment change process between CARE, Treasurer / Tax Collector and Controller Offices
- Continue providing updates to city, school district, special district and county finance officers
- Collaborate with local county entities to provide accessible Assessor and Clerk-Recorder data

Performance Measures Summary Table

Performance Measures	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate	FY 2010-11 Target	FY 2011-12 Target
What / How Much We Do (Effort)					
Number of real property assessments processed	219,316	219,589	219,200	219,200	219,200
Number of supplemental assessments processed	14,963	16,751	15,000	15,000	15,000
Number of mandatory audits completed	311	378	250	250	250
How Well We Do It (Quality / Efficiency)					
Percent of real property activities processed by close of roll	100%	100%	90%	90%	90%
Median days from residential sale to notice of supplemental assessment	17	24	30	30	30
Percent of mandatory audits completed by the close of the roll	93%	92%	90%	90%	90%
Is Anyone Better Off? (Outcome / Effect)					
Percent of taxing agencies rating services good or better	100%	97%	90%	90%	90%
Percent of audits with waivers beyond the four year statute	4%	8%	10%	10%	10%

Appraisal Services (1310P)
Resource Allocation Summary

	Actual 2007-08	Actual 2008-09	Revised 2009-10	Recommended 2010-11	Change 2010-11	Recommended 2011-12
Salary Resolution	76.0	75.0	72.0	72.0		72.0
Funded FTE	76.0	75.0	72.0	71.9	(0.1)	71.9
Total Requirements	9,382,010	9,490,554	10,792,556	10,751,718	(40,838)	10,695,109
Total Sources	4,482,995	5,206,641	5,499,009	5,352,782	(146,227)	4,939,772
Net County Cost	4,899,015	4,283,914	5,293,547	5,398,936	105,389	5,755,337
NCC Breakdown						
Mandated Services			5,293,547	5,398,936	105,389	5,755,337

Discretionary Net County Cost

The portion of this program's FY 2010-11 Recommended Budget which is funded by the General Fund or Net County Cost (NCC) is $5,398,936 or 50.2%. Of this amount, 100% includes Mandated Services currently provided with no specified maintenance-of-effort requirements or local match requirements.

FY 2010-11 Program Funding Adjustments

The following are significant changes from the FY 2009-10 Revised to the FY 2010-11 Recommended Budget:

1. Adjustments to Provide Current Level of Services

Budget adjustments have been made to reflect current costs for existing levels of service and performance: inclusion of merit increases, and increases in retirement contributions and health benefit costs; an increase in property tax administration fees; a decrease in supplemental tax administration fees; an increase in Fund Balance generated by positions held vacant; a decrease in Reserves to balance the budget; and reduction in contract expenditures.

Revenue/Sources	Appropriations	Intrafund Transfers	Reserves	Net County Cost	Positions
(146,227)	447,301	0	(488,139)	105,389	0

FY 2011–12 Program Funding Adjustments

The following are significant changes from the FY 2010-11 to the FY 2011-12 Recommended Budget:

2. Adjustments to Provide Current Level of Services

Budget adjustments have been made to reflect current costs for existing levels of service and performance: inclusion of merit and health benefit cost increases; a decrease in Fund Balance used for one-time projects and purchases in FY 2010-11, and a decrease in Reserves to meet budget reduction target.

Revenue/Sources	Appropriations	Intrafund Transfers	Reserves	Net County Cost	Positions
(413,010)	48,261	0	(104,870)	356,401	0