



# REPORT

LEGISLATIVE REFERENCE BUREAU

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# 8.

# Assessor's Office, 2014

**Proposed Plan and Executive Budget Review**

## 8. Assessor's Office

### I. EXECUTIVE SUMMARY.

**Table 8.1. Statement of Changes in Operating Budget, 2013 to 2014.**

2012 Actual Expenditures	\$4,360,415
2013 Adopted Budget	\$4,397,696
Personnel Costs	
Salaries & Wages	\$56,322
Fringe Benefits	\$52,980
Total Changes	\$109,302
Operating Expenses	(\$71,298)
Equipment Purchases	\$15,100
Special Funds	\$0
Total Changes	\$53,104
2014 Proposed Budget	\$4,450,800

**1. Usable sales for revaluation still low.**

The number of arms-length transactions at end-of-year 2012 was 1,345, a decrease of 289 (17.7%) from 2011 transactions of 1,634. Transactions reached a high in 2007 of 8,179. These transactions are anticipated to increase in 2014.

**2. Changes to how billboards are assessed.**

The 2013 state budget bill changes how municipalities can assess billboards. Instead of being assessed as real property, the budget bill mandates billboards be classified as personal property. Only the value of the sign itself can be taxed, costing the city roughly \$1.5 million a year in lost taxes.

**3. Costs of litigation.** The total cost to handle assessment matters in litigation in 2012 was 17% of the operating budget (2,000 hours). Appraisers' training is

underway to help streamline the litigation process and reduce costs.

**4. Department of Revenue instituted changes in 2014.**

It is anticipated the Department of Revenue will require every statutory assessor to complete an "Annual Assessment Report" for 2014 valuations. DOR is also requiring assessors to maintain and submit electronic records. The Office sees these changes as a benefit, as the equalization process will become more uniform and less contentious.

**5. Services brought in-house in 2013.**

Two service contracts covering work related to the Office's systems, networks, and personal property assessments expired in 2013 and have been brought in-house. Work performed under the contracts has been absorbed by existing staff.

**6. Remission of Taxes Fund increases.**

In anticipation of pending litigation and to catch up on current litigation, the Remission of Taxes SPA has been increased by \$400,000 (33.3%) to \$1.6 million.

**7. Chief Assessor retiring.** In addition to the anticipated attrition of staff over the next 10 years, the city's Chief Assessor has announced his retirement in 2013. The Office plans to recruit throughout the country to fill the position and is currently working with the DER on a salary plan to recruit and retain quality appraisers.

**8. Vacant Property Appraiser position filled.**

The 2014 Proposed Budget increases personnel funding sufficient for an additional Property Appraiser position. The Office anticipates filling 2 additional vacant Property Appraiser positions by the end of 2013.

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## II. INITIATIVES AND PROGRAMS.

### 1. Revaluation.

The Assessor's Office utilizes 130 assessment districts in its revaluation process. Typically, each assessment district has several sales for each property class each year, allowing the computation of a near-market rate assessment. The depressed real estate market has forced the Assessor's Office to temporarily combine data from some districts, as some districts have not seen a single market-rate sale for the past year. In other cases, the Office has used 3 years of sales data to smooth out adjustments and give staff a better perspective of the market.

U.S. home prices appear to be climbing, as do mortgage rates. Locally, the market has seemed to level off, but the number of 2012 arms-length transactions finished the year lower than anticipated. Market conditions will continue to affect the City's revaluation process. Overall, the Assessor's Office has performed well relative to industry and professional standards in revaluation, despite the number of foreclosures in Milwaukee. Because of a more conservative approach from lending institutions, the Office does not anticipate major year-to-year changes in the housing market, even as the country moves out of the recession.

### 2. Billboard Valuation.

The 2013 state budget bill changes how municipalities can assess billboards, in effect providing billboard companies with an exemption. Instead of being assessed as real property, the budget bill mandates billboards be classified as personal property, eliminating about \$70 million of value now on the City's assessment roll. Only the value of the sign itself can be taxed, costing the City \$1.5 million a year in lost taxes. Because the largest 3 billboard companies doing business in Wisconsin are headquartered in other states, this represents a significant loss in value to not only Milwaukee, but the state as a whole.

Because the 2013 state budget bill made these changes with an effective date of January 1, 2014, the values on the assessment roll dating back to 2009, when litigation began, are still under appeal. The Assessor's Office anticipates these values will be litigated sometime in the future.

### 3. Litigation.

The Assessor's Office began tracking litigation costs in March of 2012. Currently, appraisers are taken off assessment assignments to work on litigation. The total cost to the Office in handling assessment matters or remission cases in litigation in 2012 was 17% of the operating budget (2,000 hrs or about 1.0 FTE per year). Because these costs have only been tracked since March and because a number of pending cases are no longer on hold, the Office anticipates the costs could be higher.

For perspective, in the last 2 years, the Attorney's Office has spent roughly 1.5 FTEs on these litigation cases. Between the 2 offices, roughly \$750,000 has been paid for outside counsel and expert witnesses over the last 7 years. Although a majority of cases are settled in favor of the City, the annual cost of litigation – especially in terms of attorney time, assessor time, and outside counsel and expert witness payments – will continue to put a strain on staff. The Office is training more appraisers on report writing and has developed report templates to help streamline the litigation process and reduce costs.

#### **4. DOR Annual Assessment Report.**

The Wisconsin Department of Revenue (DOR) has required statutory assessors to complete an "Annual Assessment Report" for their valuations beginning in 2014. For 2013, the report is considered a training tool, and a "test" report has been developed by Office management. The DOR is still ironing out details for the new requirement.

This reporting is intended to be used as a tool to "audit" municipal assessments rather than duplicating assessors' work during the equalization process. The Assessor's Office is in favor of the changes, as the equalization process should become less contentious. As a part of this program, the DOR is also requiring the Assessor's Office to maintain and submit electronic records. At this time, the only electronic records that the Office is forwarding to the DOR are the records for sale properties. It is anticipated that eventually DOR will be requiring the submission of all records.

#### **5. Assessment Objections & Appeals.**

The Board of Assessors and the Board of Review hear assessment appeals, affording property owners the opportunity to voice concerns or contest an assessment. In recent years, efforts have focused on improving assessment accuracy, providing public information and education, and increasing access to assessment and sales data to reduce the number of appeals. Since the housing crisis began in 2008, the annual number of Board of Review requests has increased. From 2008 to 2012, the Board of Review heard an average of 586.2 requests, while in the 5 years prior to the crisis (2003-2007), 323.8 cases were heard per year, on average. This represents an increase of 81%. The City has heard 200 matters from 2012 to date, and the Board has lowered the property valuation in 4 of those cases.

Overall, the Office has found that moving to more frequent revaluations has helped to lower the number of assessment objections. Since yearly revaluations began in 2002, assessment objections have ranged from 2,000 to 3,000 per year, down from a high of 12,000 in 1988. Expressed as a percentage of taxable parcels, objections have decreased from 7% in 1988 to less than 2% on average since 2002. There have been 2,242 objections filed in 2013.

#### **6. Independent Hearing Examiner & Board of Review.**

In 2013, the Board of Review anticipated using an independent hearing examiner model similar to that used by the Fire and Police Commission for disciplinary hearings. The change was implemented to eliminate any perceived bias in favor of the City and allow the City Attorney to represent the Assessor at hearings if needed. The hearing examiner would conduct the hearing for the Board, which would still make the ultimate decision. The Assessor's and Attorney's Offices are still in the process of finding an independent hearing examiner, as it has been more difficult than anticipated to identify an attorney in the private sector to handle significant cases (those cases expected to go to circuit court).

Under City ordinance, the Board of Review is authorized to have 9 members. The 2012 budget increase funding for the Board to increase the number of positions from 5 to 7 to allow the Board to have a quorum and the ability to work in separate panels, if needed. Thus far in 2013, the Board has not worked in separate panels. By statute, the Board is an independent body, and the Commissioner of Assessments cannot dictate how it operates.

## 7. Expiration of Consultant Contracts.

Two contracts covering work related to the department's personal property assessments and systems/networks have expired in 2013. One Property Assessment Technician position has been reclassified to a Property System Administrator to absorb the extra work in personal property valuation. General administrative and IT services performed under the other contract has been assumed by one of the Office's current appraisers.

These changes are anticipated to be successful because of a continued initiative to cross-train assessors on various property types, valuation methodologies, and valuation systems, permitting greater flexibility in assigning work and dividing tasks. An emphasis on GIS and technological background is needed to absorb work related to these contracts, managing future work, and meeting the new reporting requirements being implemented by the DOR.

## 8. Tax-exempt Properties & Payments In-Lieu of Taxes (PILOTs).

The city of Milwaukee has nearly 8,000 tax-exempt properties, roughly 2,000 of which are non-governmental. This represents around 5% of all parcels, or roughly 20% of the City's equalized value. Hospitals, universities, and "benevolent" retirement homes make up the majority of this, accounting for roughly \$2 billion in value the City is unable to tax (\$1 billion, \$800 million, and \$200 million, respectively).

The City's PILOT program was created in December 2004 (Common Council File 041042). Under the ordinance, the City seeks voluntary payments from owners of tax-exempt properties in recognition of the services those properties receive from the City. At that time it was estimated that tax-exempt properties received \$43 million in services from the City. The goal of the program was to receive \$8 million in PILOTs or roughly 4% of the total tax levy in 2005. Not including payments from the Housing Authority, Parking, or Water Works (totaling over \$2 million in PILOTs), the City anticipates receiving only \$370,000 in PILOTs from tax-exempt properties in 2014.

Evaluating new and monitoring of existing tax-exempt properties represents a significant challenge to the Assessor's Office. The Commissioner of Assessments is directed to approach new tax-exempt properties about the possibility of making PILOT payments when the owners apply for tax-exemption and existing tax-exempt properties when informed by the Department of City Development that the owner intends to expand, improve, replace, or acquire a facility. Further, owners of tax-exempt properties are required to notify the Assessor's Office of any change in ownership or use of the properties, but this rarely happens. Currently, due to staffing limitations and the overall lack of success in securing PILOTs, only new exempt properties are approached about making a PILOT. The Assessor's Office receives roughly 50 to 80 exemption applications per year.

The Commissioner of Assessments is also required to develop, implement, and continuously maintain a campaign to create awareness of the PILOT program among current and potential owners of tax-exempt properties. There are currently no campaigns to promote PILOTs within the Assessor's Office, nor are any anticipated. The Assessor's Office is pushing for changes to state policy which would create fairness and uniformity across the state. Potential changes could include allowing municipalities to have filing fees for new tax-exempt properties and state validation of tax-exempt properties through an "exemption board".

### III. EXPENDITURES.

**Table 8.2. Changes in Expenditure Amounts by Account.**

Expenditure Account	2012 Actual	2013 Adopted Budget	% Chng.	2014 Proposed Budget	% Chng.
Salaries and Wages	\$ 2,529,821	\$2,582,658	2.1%	\$2,638,980	2.2%
Fringe Benefits	\$ 1,253,304	\$1,218,340	-2.8%	\$1,271,320	4.3%
Operating Expenditures	\$ 445,266	\$440,698	-1.0%	\$369,400	-16.2%
Equipment Purchases	\$0	\$0	0%	\$15,100	--
Special Funds	\$132,024	\$156,000	18.2%	\$156,000	0%
Total Operating Budget	\$4,360,415	\$4,397,696	0.9%	\$4,450,800	1.2%

#### 1. Budget Summary.

The total 2014 Proposed Budget is \$4,450,800, an increase of \$53,104 (1.2%) from the 2013 Adopted Budget amount of \$4,397,696.

#### 2. Personnel Costs.

Personnel costs in the 2014 Proposed Budget are \$3,910,300, an increase of \$109,302 (2.9%). Salaries and wages increase \$56,322, (2.2%). Fringe benefits increase \$52,980 (4.3%).

#### 3. Operating Expenditures.

Operating expenditures in the 2014 Proposed Budget are \$369,400, a decrease of \$71,298 (-16.2%) from the 2013 Adopted Budget amount of \$440,698.

#### 4. Equipment Purchases.

Equipment purchases in the 2014 Proposed Budget are \$15,100. There was no funding for equipment purchases in the 2013 Adopted Budget. The increase is due to the purchase of computer workstations for half the office staff.

#### 5. Special Funds.

The 2014 Proposed Budget provides \$156,000 in special funds, the same as the 2013 Adopted Budget.

- Valuation System Maintenance.** Funding for Valuation System Maintenance is budgeted at \$70,000 for 2014. This funds the maintenance of the department's Computer Assisted Mass Appraisal (CAMA) software system. This system assists the assessor to produce more accurate and equitable valuations.

- **State Manufacturing Assessment Payment.** Funding of \$86,000 is proposed for the State Manufacturing Assessment Payment. The City reimburses the Wisconsin Department of Revenue for manufacturing assessment activities. Provisions in 2003 Wisconsin Act 33 authorized DOR to annually impose a special charge on each municipality containing manufacturing property, sufficient to pay for 50% of DOR's budgeted costs associated with the assessment of manufacturing property.

#### IV. PERSONNEL.

**Table 8.3. Changes in Full-Time Equivalent (FTE) and Authorized Positions.**

Position Category	2012 Actual	2013 Adopted Budget	Change	2014 Proposed Budget	Change
O&M FTEs	42.55	40.55	2.0	40.55	0
Non-O&M FTEs	0	0	0	0	0
Total Authorized Positions	56	56	0	56	0

##### 1. Personnel Changes.

The total number of authorized positions in the department under the 2014 Proposed Budget is 56, the same as in the 2013 Adopted Budget.

- The 2014 Proposed Budget adds funding for 1 Property Appraiser.
- Two additional vacant Property Appraiser positions are anticipated to be filled by the end of 2013.
- One Property Assessment Technician will be reclassified as a Property Systems Administrator for 2014, resulting in \$16,647 in increased salary and wage costs.

##### 2. Vacancies.

There are currently 4 vacant positions in the department.

- Senior Property Appraiser—one vacant and planned to be held vacant for 2014.
- Accounting Assistant II—one vacant and planned to be held vacant for 2014.
- Member, Board of Review—2 vacant. By City ordinance, the Board of Review is authorized to have 9 members. However, only 7 positions have been filled. The Proposed Budget provides \$44,500 for Board of Review member compensation—funding sufficient for 7 members.

## V. SPECIAL PURPOSE ACCOUNTS (SPA).

SPAs are budgeted outside of departmental operating accounts, and control over SPAs is provided to departments by resolution. The 2014 Proposed Budget includes funding for the SPAs identified in table 9.4.

**Table 8.4. Changes in Special Purpose Accounts by Account.**

Expenditure Category	2012 Actual	2013 Adopted Budget	% Change	2014 Proposed Budget	% Change
Remission of Taxes Fund	\$746,384	\$1,200,000	60.8%	\$1,600,000	33.3%

### Remission of Taxes Fund, \$1,600,000.

The appropriation in 2014 Proposed Budget for the Remission of Taxes Fund is \$1,600,000, an increase of \$400,000 (33.3%) from the 2013 Adopted Budget amount of \$1,200,000. This increase is in anticipation of pending litigation and to catch up on current litigation. Many matter which were previously on hold pending a Supreme Court decision are now making their way through the courts, albeit slowly.

## VI. REVENUES.

The 2014 Proposed Budget estimates that \$600,500 will be generated in revenues by the department, an increase of \$100,000 (20.0%) from the 2013 Adopted Budget estimate. Revenues are derived from charges for appraisals.

**Table 8.5. Changes in Revenue by Category.**

Revenue Account	2012 Actual	2013 Adopted Budget	% Change	2014 Proposed Budget	% Change
Charges for Services	\$668,149	\$500,500	-25.1%	\$600,500	20.0%

## VII. CAPITAL PROJECTS.

None.

## VIII. ISSUES TO CONSIDER.

**1. Staff attrition.** The Department of Employee Relations anticipates that 78% of current Assessor's Office staff will be eligible for service retirement within the next 10 years. The Office is currently working with the DER on a salary plan to recruit and retain quality appraisers. According to the Assessor's Office, current starting pay for City appraisers is among the lowest 10% in the region. A new salary plan should be decided on by the end of the year.



**2. Pending litigation.** The following are likely to go to trial sometime during 2014, but it is difficult to judge when exactly the cases will actually be decided.

- Oil Companies—multiple years, consists of 4 plaintiffs.
- Walgreens—multiple years, consists of 18 properties.
- Valvoline properties—multiple properties, multiple years.
- Metropolitan Associates—multiple years and properties.
- Hirsberg Apartments—multiple years, one property.
- Airport Parking—multiple years, one property.

**3. Technology.** The Proposed 2014 Budget includes \$15,100 to purchase computer workstations for half the office staff. The Office will be consulting with ITMD on better use of GIS applications and the possible investment in tablet PCs to reduce redundancy in paperwork and improve Assessor efficiency.

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