

ASSESSOR'S OFFICE 2008 PROPOSED BUDGET

Executive Summary

1. The 2008 Proposed Budget for the Assessor's Office is \$4,674,328, a decrease of \$102,340 (or 2.1%) from the 2007 Budget. (page 1)
2. The 2008 Proposed Budget provides funding for 58 positions, down 2 from 2007. FTEs also decrease by 2, to 46.55. These decreases are attributable to the elimination of the department's Network Manager position and one of its 24 Senior Property Appraiser positions. Both of these positions are currently vacant. (page 2)
3. The department's operating expenditures are being increased by 18.4% for 2008. The biggest change is occurring in the Professional Services category, which is essentially doubling for 2008 as a result of the need to pay a private contractor to perform some of the functions that were previously the responsibility of the Network Manager. (page 3)
4. The 2008 Proposed Budget includes \$20,000 in a special fund titled "Replace Obsolete Hardware" which, when combined with \$30,000 appropriated in the 2007 Budget, will be used to replace about 75% of the computer workstations in the Assessor's Office. (page 3)
5. The 2008 Proposed Budget also includes \$50,000 in a new special fund titled "Property Valuation System Maintenance" that will be used by the Assessor's Office to upgrade the computer application that is most critical to the department's function. (page 4)
6. The 2008 Proposed Budget provides \$500,000 for the Remission of Taxes Fund special purpose account, the same amount budgeted in previous years. (page 4)
7. In 2007, the number of assessment objections was 1,080 – a 63.1% decrease from the 2006 figure. This continues a long-term trend of decline in the number of objections to property valuations. (page 5)
8. The department's public information and education function continues to be well-received in the community. The number of queries on the department's web site is projected to reach 1.8 million this year and 1.85 million in 2008. (page 6)
9. The Assessor's Office oversees administration of the City's the "Fair Share Payment in Lieu of Taxes Program". The City will receive about \$177,000 from existing PILOTs in 2008, as well as \$25,600 from one new PILOT scheduled to take effect in 2008. (page 7)
10. The department's projected 2008 revenues are \$501,500, an increase of \$76,500 (18.0%) from the 2007 Budget. Almost all revenues come from the department's inspection/appraisal service charge. The revenue increase reflects actual 2006 revenues, as well as revenue trends so far in 2007. (page 7)

Prepared by: Jeff Osterman
Legislative Fiscal Analyst
LRB
286-2262

2008 PROPOSED BUDGET – ASSESSOR’S OFFICE
Summary by Legislative Reference Bureau – Research & Analysis Section

Expense Category	2006 Actual	2007 Budget	% Change	2008 Proposed	% Change
Personnel Costs	\$4,568,902	\$4,401,168	-3.7%	\$4,235,928	-3.8%
Operating Expend.	\$285,022	\$243,500	-14.6%	\$288,400	18.4%
Equipment Purch.	\$0	\$0	0	\$0	0
Special Funds	\$129,912	\$132,000	1.3%	\$150,000	13.6%
TOTAL	\$4,983,836	\$4,776,668	-4.2%	\$4,674,328	-2.1%
Capital	\$0	\$0	0	\$0	0
Positions	58	60	+2	58	-2

Department Function

The Assessor’s Office is responsible for uniformly and accurately valuing all residential, commercial and personal taxable property in the City as directed by the Wisconsin Constitution’s uniformity clause and by state statutes. (The Wisconsin Department of Revenue assesses manufacturing property.) The department performs annual revaluations on approximately 150,000 real estate parcels and 10,000 personal property accounts. Property valuations established by the Assessor’s Office are used in calculating the property tax levy, which is the difference between total City expenditures and revenues available from non-property tax sources.

The Assessor’s Office also processes appeal of local assessments, which are heard by the Board of Review. In addition, the Assessor’s Office determines eligibility for property tax exemptions under state law and provides public information and education about the assessment process, particularly through the Internet.

Departmental Mission

The mission of the Assessor’s Office is to administer the City’s property assessment program in a manner that assures public confidence in the accuracy, efficiency and fairness of the assessment process. The department also works to ensure the equal distribution of the City’s property tax levy by uniformly valuing taxable property, scrutinizing proposed property tax exemptions and efficiently processing assessment appeals.

Historical Information

1. Between 2000 and 2005, the number of department employees decreased by 15 positions, from 71 to 56. The number of authorized personnel increased to 60 by 2007, but these 4 additional positions are all Board of Review members, and 2 positions remain unfilled and unfunded.
2. From 2001 through 2007, the Assessor’s Office had no capital improvement projects.

3. The Assessor's Office changed from a biennial revaluation program to an annual revaluation program in 2003. The objective of this change was to assure that property assessments are as close to market value as possible.
4. In 2004, the department continued to reorganize its appraisal staff. Appraisers were cross-trained on various property types, valuation methodologies and valuation systems, thereby permitting greater flexibility in assigning work and dividing tasks. This allowed the Assessor's Office to reduce staff by five appraisers, three administrative support staff and one supervising assessor, for a savings of \$301,787.
5. The department's major 2005 Budget initiative was the creation of a service charge for its inspections and appraisals of new construction, remodeling and additions. This charge allows the City to recover costs associated with providing these services. Actual 2005 revenues were approximately \$388,000. Estimated revenues for 2006 are \$450,000.
6. Generally speaking, the number of assessment objections has been steadily declining for the past 2 decades. The only exceptions were the 2000, 2002 and 2006 revaluation years. The number of objections fell from 12,270 in 1988 to 2,925 in 2006.
7. The 2007 Budget provided \$30,000 in a special fund titled "Replace Obsolete Hardware". This fund supports the replacement of half of the department's microcomputers, including the costs of hardware, operating systems and office application suites.

2008 BUDGET HIGHLIGHTS AND ISSUES

Personnel

1. The number of Assessor's Office positions decreases by 2 for 2007, from 60 to 58. Full-time equivalent positions also decrease by 2, from 48.55 to 46.55.
2. The reduction in number of positions and FTEs is attributable to the elimination of one Senior Property Appraiser position (pay range 588), as well as the department's Network Manager position (salary grade 10). The Senior Property Appraiser is one of 26 such positions in the department's 2007 Budget and is currently vacant. This position elimination is possible because of increased productivity in department's property appraisal staff.

The Network Manager position had been reclassified from Network Administrator (salary grade 8) with the 2007 Budget. However, the position has been vacant since the incumbent retired in February, 2007, and, rather than filling it, the department has decided to eliminate the position. Some of the position's duties have been reassigned to other Assessor's Office employees, while the incumbent has been performing the remaining functions on a part-time, contractual basis. Over the next 2 years, the department will study the need to create a new,

permanent position to perform the duties currently carried out by the contractor, as well as the appropriate compensation level for the new position.

3. For 2008, the Assessor's mixture of appraisers will shift from 26 Senior Property Appraisers (pay range 588) and 4 Property Appraisers (pay range 536) to 23 Senior Property Appraisers and 6 Property Appraisers. This reflects the aforementioned elimination of one vacant Senior Property Appraiser position, as well as the department's policy of hiring all new appraisers at the Property Appraiser level, as underfills of the Senior Property Appraiser position. Property Appraisers are promoted to the level of Senior Property Appraiser when they acquire the necessary experience and qualifications.
4. Total personnel costs in the 2008 Proposed Budget (\$4,235,928) are \$165,240 lower (-3.8%) than the comparable 2007 figure. This decrease is largely the result of elimination of the Network Manager position.

Operating Budget

1. The 2008 Proposed Budget provides \$288,400 for Operating Expenditures, an increase of \$44,900 (18.4%) from the 2007 Budget.
2. The biggest change in Operating Expenditures is occurring in the Professional Services category, which is increasing from \$43,700 to \$87,800 (100.9%). This increase is the result of elimination of the Network Manager position; the former Network Manager now performs some of the position's duties on a part-time, contractual basis, and the funding for that contract (\$45,000) comes from the Professional Services account. The department estimates that it is saving approximately \$73,000 in personnel costs (salary and benefits) annually by using the former Network Manager as a part-time consultant.
3. The department's funding for Information Technology Services is decreasing by \$5,000, from \$12,500 to \$7,500 (-40.0%) to bring the budgeted amount in line with actual 2006 expenditures. The funding reduction reflects reduced license fees resulting from the department's change from a Novell server and GroupWise e-mail to Microsoft products.

Special Funds

The 2008 Proposed Budget includes \$150,000 for 3 Assessor's Office special funds:

1. Replace Obsolete Hardware – The Proposed Budget provides \$20,000 to replace microcomputers in the Assessor's Office and covers the costs of hardware, operating systems and office application suites. The 2007 Budget provided \$30,000 to replace half of the department's microcomputers. The 2008 Proposed Budget appropriates additional funding to continue this replacement program. The Assessor's Office believes that it will be able to replace at least 75% of its computers with the 2-year, \$50,000 funding allocation. If all computers cannot be replaced with the funds available, the department may request a small

amount of funding to complete the work in 2009. The last department-wide replacement of microcomputers occurred in 1997.

2. Property Valuation System Maintenance – This special fund is new for 2008. It will provide \$50,000 for the Assessor’s Office to identify and carry out maintenance on the department’s Property Valuation System (computer application) to maximize its functionality and bring it in line with the Assessor’s current business processes.
3. State Manufacturing Assessment Payment -- This fund is used to comply with a statutory requirement for municipalities to reimburse the Wisconsin Department of Revenue for 50% of its costs of assessing manufacturing property. For 2008, \$80,000 is provided for this special fund, an increase of \$3,000 (3.9%) from the amount budgeted for 2007.

Capital Projects

The 2008 Proposed Budget contains no capital project funding for the Assessor’s Office.

Remission of Taxes Fund SPA

The 2008 Proposed Budget provides \$500,000 for the Remission of Taxes Fund special purpose account, the same amount provided in the last several adopted budgets. The Remission of Taxes Fund provides the money needed to refund property taxes and applicable interest to property owners who have had their tax liability cancelled or reduced as a result of Board of Review or State Tax Appeals Commission actions. Actual disbursements from the Fund are made pursuant to Common Council resolutions.

Expenditures from the Remission of Taxes Fund may vary considerably from year to year as a result of successful appeals for large assessment reductions, typically for commercial or industrial properties. Appropriations from the Common Council Contingent Fund have been used to make up shortfalls in this Fund. In 2005 and 2006, expenditures from the Remission of Taxes Fund totaled \$904,882 and \$1,163,795, respectively, far in excess of the \$500,000 budgeted. In September, 2005, and March, 2006, the Common Council adopted resolutions appropriating \$500,000 and \$700,000, respectively, from the Contingent Fund to make up shortfalls in the Remission of Taxes Fund.

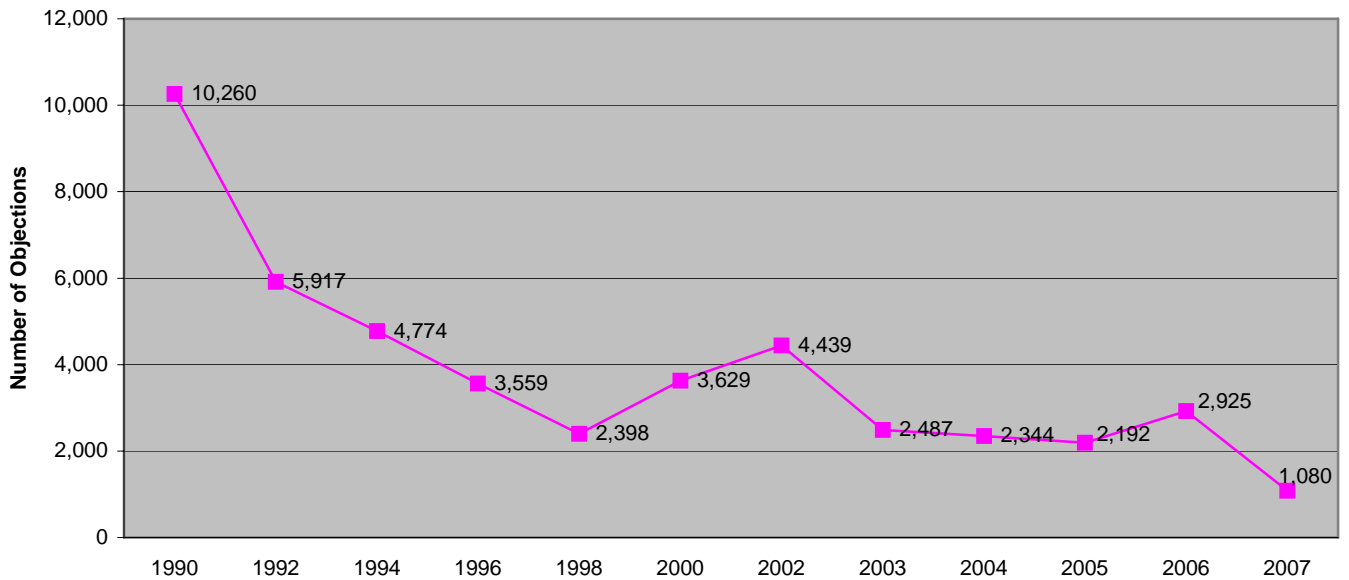
Notwithstanding the experience of recent years, the Assessor’s Office believes that funding shortfalls in the Remission of Taxes Fund may become less common in the future. The backlog of assessment appeals awaiting action by the Board of Review is now minimal. In addition, the State Tax Appeals Commission is current in processing its caseload.

As of September 7, 2007, year-to-date expenditures from the Remission of Taxes Fund totaled \$455,942. Thus, it appears that the Fund is on a course to exceed the \$500,000 annual budget allocation again this year, although probably not by nearly as much as in recent years.

Assessment Objections

One of the major functions of the Assessor’s Office is the processing of assessment objections filed with the Board of Assessors and Board of Review. The 2007 revaluations generated 1,080 objections, a 63.1% decrease from the 2,925 objections filed in 2006. The number of objections is one measure of the quality of the primary work of the Assessor’s Office (i.e., property valuations) and the level of satisfaction with that work among Milwaukee property owners. As the following chart indicates, the number of appeals has been headed in a generally downward direction for the past 2 decades, suggesting greater property-owner satisfaction with the property valuations generated by the Assessor’s Office.

**Assessment Objections
1990-2007 Revaluation Cycles**



The smaller number of objections is one benefit of the change to an annual revaluation process in 2003. Another reason for the sharp drop in objections in 2007 is the recent softening of the Milwaukee-area housing market; 2006 market trends led the Assessor to keep assessments unchanged for about three-fourths of all residential properties, an unusually large proportion of “no change” revaluations.

The declining number of objections has also helped the department reduce the backlog of appeals cases. As of September 7, 1,072 (99.3%) of this year’s 1,080 assessment objections had already been processed by the Board or Assessors (compared to less than 70% at the same time last year). The dispositions of these cases were as follows:

Assessment sustained	557
Assessment lowered	484

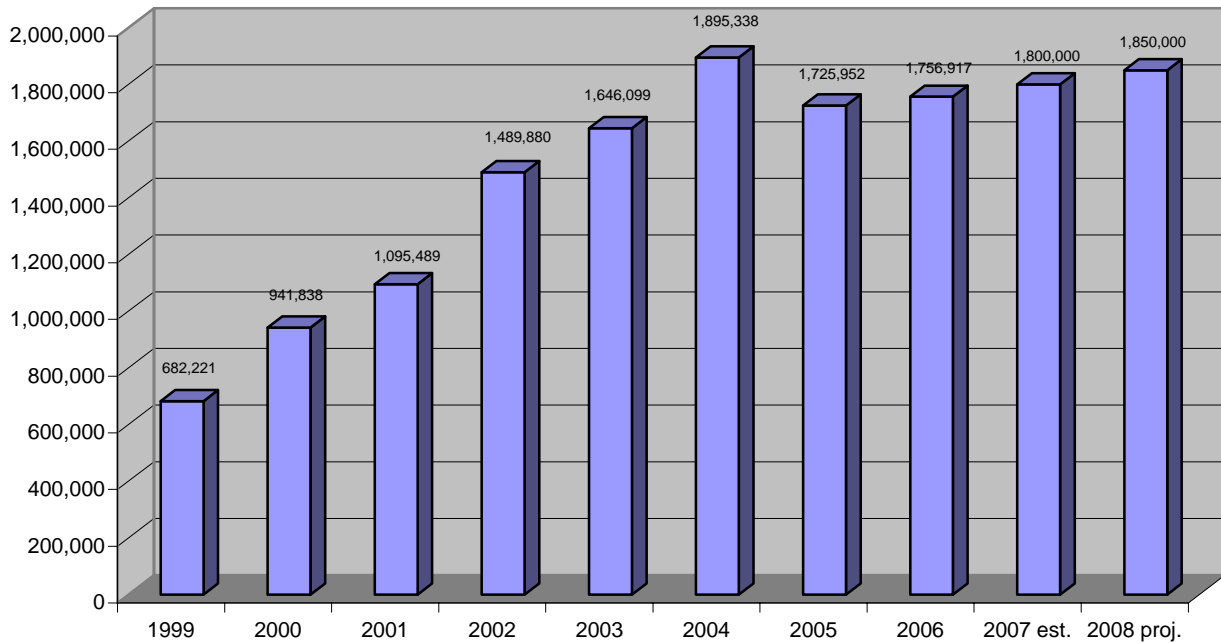
Assessment increased	11
TOTAL	1,072

Of the 1,072 decisions rendered by the Board of Assessors, only 104 (9.6% of all 2007 objections) have been appealed to the Board of Review. In 2006, the Board of Review heard 370 assessment appeals.

Providing Public Information

Another function of the Assessor’s Office is providing information to the public about property assessments and the property valuation process. One measure of the size and growth of this function is the annual number of queries on the department’s web site, which is particularly popular with the public because of its property information database. As the following chart shows, the Assessor’s Office web site continues to be popular with the public. The number of queries continues to increase, albeit at a slower pace than in previous years.

Number of Queries on Assessor's Office Web Page



In 2007, the Assessor’s Office is using \$25,000 in a special fund for a project titled “Redirect Internet Queries”. With help from a consultant, the department has redesigned the property information query portion of its website to make the query easier to use and to increase the amount of property data available to the public through the website. This may explain the continued popularity of the Assessor’s web page, even as property and assessment data have become increasingly available elsewhere on the City’s website (e.g., Map Milwaukee, COMPASS and My Milwaukee Home).

Fair Share Payment in Lieu of Taxes Program

On December 21, 2004, the Common Council passed File Number 041042, an ordinance creating the “Fair Share Payment in Lieu of Taxes Program” (or “PILOT”). Under this program, which is administered by the Commissioner of Assessments, the City seeks voluntary payments from owners of tax-exempt properties in recognition of the services those properties receive from the City. The Commissioner approaches a property owner about the possibility of making a PILOT whenever the owner applies for property tax exemption or whenever the Department of City Development notifies the Commissioner that the owner has demonstrated intent to expand, improve, replace or acquire a facility. The PILOT ordinance also directs the Commissioner of Assessments to develop, implement and continuously maintain a campaign to create awareness of the PILOT program among current and potential owners of tax-exempt properties.

The Assessor’s Office projects that the City will receive about \$177,000 in payments from existing PILOTs in 2008, including over \$34,000 from 5 PILOTs that are new in 2007. The City will also receive \$25,600 from one new PILOT in 2008. In addition, for the second year, Columbia/St. Mary’s will be making a \$500,000 contribution to the City to support 2 Health Department initiatives – the Nurse Family Partnership Program (to reduce Milwaukee’s infant mortality rate) and the Center for Health Equity (to study race-related health disparities). Columbia/St. Mary’s aside, the properties for which PILOTs are being paid are primarily churches and non-profit housing developments; the city’s major tax-exempt property owners (namely, health care systems and colleges/universities) continue to be reluctant to make PILOTs.

Departmental Revenues

The 2008 Proposed Budget projects that the Assessor’s Office will receive \$501,500 in revenues, an increase of \$76,500 (18.0%) from the amount budgeted for 2007. Most of the department’s revenues (an estimated \$500,000 for 2008) come from its service charge for inspection and appraisal of new construction, remodeling and additions. The increase for 2008 is intended to reflect the amount of inspection/appraisal service charge revenues actually received in 2006 (\$528,300), as well as revenue trends so far in 2007. Revenues from the inspection/appraisal charge have remained strong despite the downturn in the housing market, as households that might otherwise purchase or build new homes are opting to remodel or upgrade their existing homes.

Prepared By: Jeff Osterman
Legislative Fiscal Analyst
LRB
286-2262