

ASSESSOR'S OFFICE 2009 PROPOSED BUDGET

Executive Summary

1. The 2009 Proposed Budget for the Assessor's Office is \$4,542,429, a decrease of \$131,899 (or 2.8%) from the 2008 Budget. (page 1)
2. The 2009 Proposed Budget authorizes 59 positions for the Assessor's Office, the same number as the 2008 Budget. FTEs are also unchanged, at 46.55. One position of Senior Property Appraiser (which was added by amendment to the 2008 Proposed Budget) is unfunded for 2009, as are 4 of the 9 Board of Review positions. (pages 2 and 3)
3. The department's operating expenditures are being decreased by 1.9% for 2009. The largest changes are occurring in the categories of General Operating Expenditures (down \$12,700, or -13.3%) and Professional Services (up \$12,200, or 13.9%). (page 3)
4. The 2009 Proposed Budget includes \$20,000 in a special fund to replace the department's 2 database servers. It also increases funding for the Assessor's Valuation System Maintenance special fund by \$20,000, to \$70,000. (pages 3 and 4)
5. The 2009 Proposed Budget doubles the appropriation for the Remission of Taxes Fund special purpose account, from \$500,000 to \$1 million. The increase reflects actual past expenditures from this SPA, as well as payments from the Fund expected to occur before January 31, 2009. (pages 4 and 5)
6. In 2008, the Assessor's Office received 2,618 formal objections to its 2008 property valuations, compared to 1,080 in 2007. The department attributes this increase to the wide range of 2008 property valuation changes that resulted from recent volatility in the local housing market. (page 5)
7. 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 1.5 million both this year and in 2009. (pages 6 and 7)
8. The Assessor's Office oversees administration of the City's "Fair Share Payment in Lieu of Taxes" or "PILOT" program. In 2009, the City will receive about \$203,000 from existing PILOTS. No new PILOTS are anticipated for 2009. (pages 7 and 8)
9. The department's projected 2009 revenues are \$476,500, a decrease of \$140,000 (-22.7%) from the 2008 Budget. Almost all revenues come from the department's inspection/appraisal service charge. The revenue decrease reflects anticipated weakness in the local housing market in 2009 as well as actual 2007 revenues. (page 8)

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2009 PROPOSED BUDGET – ASSESSOR’S OFFICE
Summary by Legislative Reference Bureau – Research & Analysis Section

Expense Category	2007 Actual	2008 Budget	% Change	2009 Prop.'d	% Change
Personnel Costs	\$4,310,808	\$4,235,928	-1.7%	\$4,089,629	-3.4%
Operating Expend.	\$278,038	\$288,400	3.7%	\$282,800	-1.9%
Equipment Purch.	\$0	\$0	0	\$0	0
Special Funds	\$95,370	\$150,000	57.3%	\$170,000	13.3%
TOTAL	\$4,684,216	\$4,674,328	-0.2%	\$4,542,429	-2.8%
Capital	\$0	\$0	0	\$0	0
Positions	60	59	-1	59	0

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 none of them have been filled.
2. From 2001 through 2008, 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. Revenues increased to \$528,000 for 2006, but fell to \$476,000 in 2007, in part because of lower construction activity and an overall economic slowdown.
6. Generally speaking, the number of assessment objections has been steadily declining for the past 20 years. The only exceptions were the 2000, 2002 and 2006 revaluation years. The number of objections fell from 12,270 in 1988 to 1,080 in 2007 -- by far the lowest number in decades.
7. The 2008 Budget included \$50,000 in a new special fund titled "Property Valuation System Maintenance". The purpose of this fund was to provide the Assessor's Office with the resources needed to identify and perform necessary 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 practices.

2009 BUDGET HIGHLIGHTS AND ISSUES

Personnel

1. The number of Assessor's Office positions is unchanged for 2009, remaining at 59. Full-time equivalent positions are also unchanged, at 46.55.
2. The 2008 Proposed Budget called for the elimination of one Senior Property Appraiser position in the Assessor's Office. By budget amendment, position authority -- but not funding -- for this position was restored. This position remains unfunded in the 2009 Proposed Budget.
3. For 2009, the Assessor's mixture of appraisers will shift from 24 Senior Property Appraisers (pay range 588) and 6 Property Appraisers (pay range 536) to 22 Senior Property Appraisers and 8 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. By City ordinance, the Board of Review is authorized to have 9 members. However, for the past several years, only 5 positions have been filled. The 2008 Budget provided \$44,450 in funding for 7 positions. The 2009 Proposed Budget provides only \$31,750 for Board of Review member compensation – sufficient funding for 5 members.
5. Total personnel costs in the 2009 Proposed Budget (\$4,089,629) are \$146,299 lower (-3.4%) than the comparable 2008 figure. About two-thirds of this decrease is attributable to the shift in the mix of appraiser positions to greater use of lower-compensation Property Appraisers, as opposed to Senior Property Appraisers. The department is also increasing its Personnel Cost Adjustment by about \$40,000 to reflect anticipated vacancies in 2009.
6. The Assessor's Office currently has 2 vacant positions – the Senior Property Appraiser position that was restored, but not funded, in the 2008 Budget (this position has never been filled) and one Property Appraiser position that became vacant on May 1, 2008.

Operating Budget

1. The 2009 Proposed Budget provides \$282,800 for Operating Expenditures, a decrease of \$5,600 (-1.9%) from the 2008 Budget.
2. The largest decline in Operating Expenditures is in the category of General Operating Expenditures, which is decreasing from \$95,500 to \$82,800 (-13.3%) primarily due to lower printing costs.
3. The 2009 Proposed Budget provides for significant funding increases for the Professional Services and Information Technology Services line items. The budget for Professional Services is increasing from \$87,800 to \$100,000 (13.9%), while funding for the Information Technology Services category is increasing from \$7,500 to \$9,500 (26.7%). Funding for Professional Services is being increased to provide the department with money to hire a professional to defend the Board of Review. The increases for Information Technology Services will bring funding for that line item more in line with actual 2007 expenditures.

Special Funds

The 2009 Proposed Budget includes \$170,000 for 3 Assessor's Office special funds:

1. Replace Servers – The Proposed Budget provides \$20,000 to purchase 2 new database servers for the Assessor's Office. The department's current servers are technologically obsolete. In a sense, this special fund replaces the "Replace Obsolete Hardware" special fund that provided

funding to replace the majority of the department's microcomputers in the last two budget years.

2. Valuation System Maintenance – This special fund was new for 2008, when it was funded at the level of \$50,000. The 2009 Proposed Budget includes \$70,000 for this fund. The “Valuation System Maintenance” special fund provides funding 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. Funds are paid to an IT consultant (Software Synergy) based on the number of hours worked. The \$20,000 increase proposed for 2009 reflects an increased workload for the consultant based on the need to migrate the department’s operating system to a more recent version of its database software.
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 2009, \$80,000 is provided for this special fund, the same amount budgeted for 2008.

Capital Projects

The 2009 Proposed Budget contains no capital project funding for the Assessor’s Office.

Remission of Taxes Fund SPA

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.

For the past several years, City budgets have provided \$500,000 for the Remission of Taxes Fund. However, 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 2006 and 2007, expenditures from the Remission of Taxes Fund totaled \$1,163,795 and \$621,716, respectively, far in excess of the \$500,000 budgeted.

As of September 5, 2008, year-to-date expenditures from the Remission of Taxes Fund already totaled \$779,501. Common Council File 071452, adopted March 18, 2008, appropriated \$460,000 from the 2008 Common Council Contingent Fund for payment of a civil judgment in favor of U.S. Bank for excess taxes collected from 12 branch bank properties.

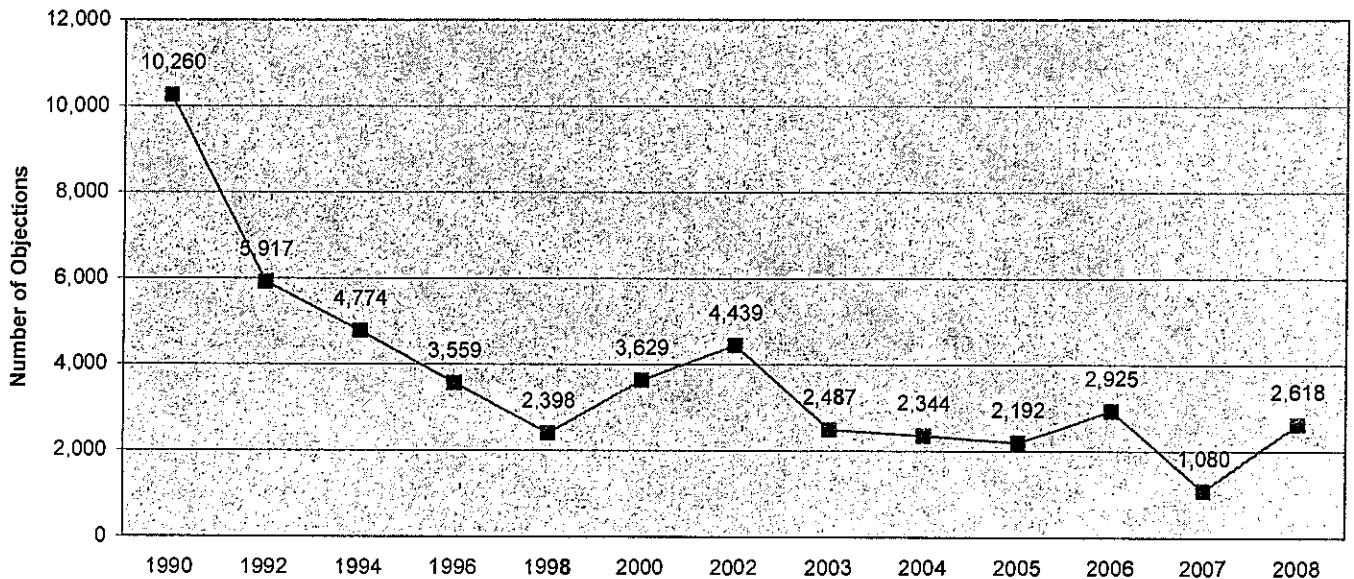
The 2009 Proposed Budget calls for doubling the appropriation for the Remission of Taxes Fund to \$1,000,000. The Assessor's Office believes this additional funding will be needed to pay successful claims that are filed prior to November 1, 2008, and which must be paid by January 31, 2009.

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 2008 revaluations generated 2,618 objections, a 142.4% increase from the 1,080 objections filed in 2007.

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. While there was a substantial increase in the number of objections in 2008, 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. The change to an annual revaluation process in 2003 has been a major contributor to the reduction in objections, since, by nature, more frequent revaluations mean less dramatic changes in assessments.

**Assessment Objections
1990-2008 Revaluation Cycles**



The Assessor's Office attributes the substantial increase in objections in 2008 to the wide range of property valuation changes resulting from recent volatility in the local housing market.

Once a formal assessment objection is filed, the objection is reviewed by the Board of Assessors, which consists of appraisal staff from the Assessor's Office. The Board of Assessors may decide to sustain the assessment, lower it or increase it. If the property owner is unsatisfied with the decision of the Board of Assessors, he or she may take the assessment objection to the Board of Review, the citizen panel created pursuant to State Statutes to hear appeals of assessments.

Of the 2,618 objections to 2008 valuations that were filed with the Assessor's Office, 1,936 (73.6%) had been processed by the Board of Assessors by September 5. This is lower than the proportion of objections reviewed by the same time last year, when there was an unusually low number of objections, but is comparable to the pace of objection reviews in prior years. The disposition of the 2008 cases has been as follows:

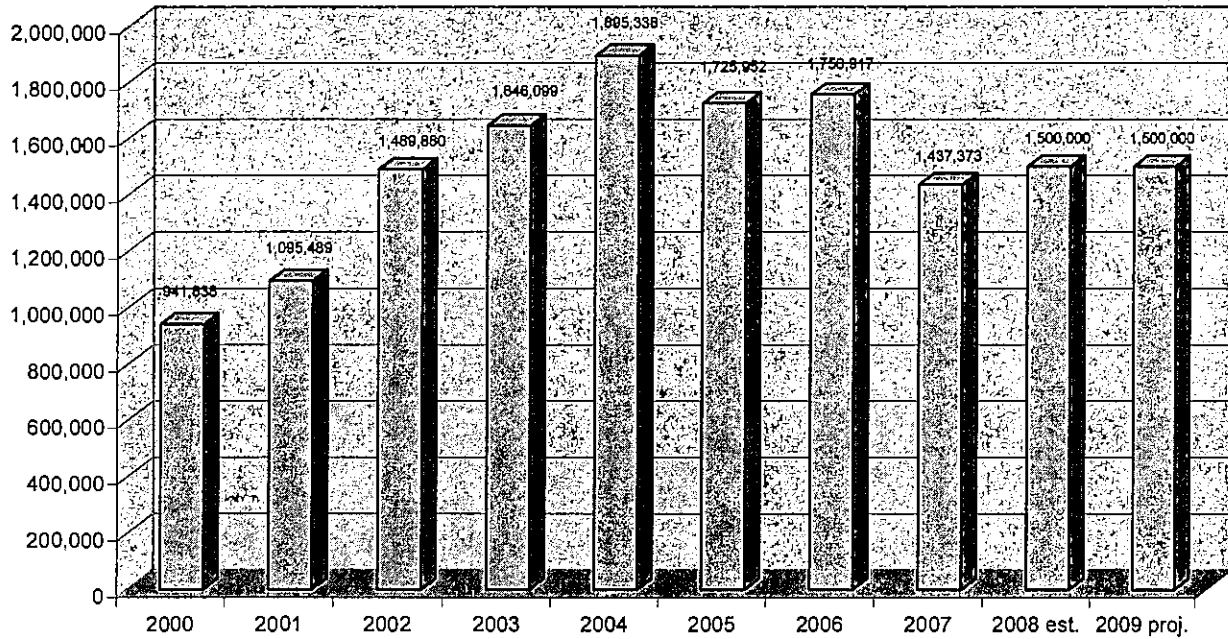
Assessment sustained	879
Assessment lowered	1,003
Assessment increased	54
TOTAL	1,936

Of the 1,936 decisions rendered by the Board of Assessors, only 172 (6.6% of all 2008 objections) have been appealed to the Board of Review. In 2007, the Board of Review heard 210 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 well-used by the public. However, the use of the Assessor's web page to obtain Assessor data may have reached a plateau. Part of the reason for this may be that property and assessment data have become increasingly available elsewhere on the City's website (e.g., Map Milwaukee, COMPASS and My Milwaukee Home).

Number of Queries on Assessor's Office Web Page



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 \$203,000 in payments from existing PILOTs in 2009, including \$25,600 from one PILOT that is new for 2008. No new PILOTs are anticipated for 2009. The 2009 projected PILOT total represents about a 15% increase over the total PILOT payments for 2008.

In addition to these PILOTs, for the third 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 notwithstanding, 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 2009 Proposed Budget projects that the Assessor's Office will receive \$476,500 in revenues, a decrease of \$140,000 (-22.7%) from the amount budgeted for 2008. Most of the department's revenues come from its service charge for inspection and appraisal of new construction, remodeling and additions. Service-charge revenues are projected to be \$475,000 in 2009, down from \$615,000 in 2008. The Assessor attributes this anticipated decline in revenue to current economic and credit conditions, particularly as they relate to the real estate market. The Assessor expects the markets for new construction and remodeling projects to remain soft in 2009. The revenue projection for 2009 is also consistent with the actual service-charge revenues received in 2007 -- about \$476,400.

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