

ASSESSOR'S OFFICE 2006 PROPOSED BUDGET

Executive Summary

1. The 2006 Proposed Budget for the Assessor's Office is \$4,654,643, an increase of \$514,839 (or 12.4%) from the 2005 Budget. (page 1)
2. The 2006 Proposed Budget provides funding for 48.55 O&M full-time equivalents, the same level as provided in 2005. However, the number of positions increases from 56 to 58 as a result of budgeting for 2 additional Board of Review members. (page 2)
3. The department's operating expenditures are being reduced by 9.2% in 2006. The biggest change is occurring in the Information Technology Services category, which is decreasing by nearly 53% to reflect the completion of the 2004-2005 computer upgrade project. (page 3)
4. The 2006 Proposed Budget includes 2 new special funds for the Assessor's Office. The first is \$20,000 for purchase of a "transfer return module" that will enable the department to receive electronic transfer return data from the Wisconsin Department of Revenue. The second special fund, titled "Apartment Valuation Model," would provide \$25,000 to convert the Assessor's apartment valuation system from a 2-method approach to a single method of determining assessed value. (page 3)
5. The 2006 Proposed Budget provides \$500,000 for the Remission of Taxes Fund special purpose account, the same amount budgeted for 2005. (pages 3 and 4)
6. The number of assessment objections continues to decline. The 2005 revaluation resulted in 2,192 objections, a 6.5% decrease from the 2,344 objections filed in 2004. (pages 4 and 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 1.6 million both this year and in 2006. (pages 5 and 6)
8. The Assessor's Office continues to implement the "Fair Share Payment in Lieu of Taxes Program". To date, 6 owners of tax-exempt properties have agreed to make payments in lieu of taxes to the City. (page 6)
9. The department's projected 2006 revenues are \$450,000, a decrease of \$102,000 (-18.5%) from the 2005 Budget. Almost all revenues come from the inspection/appraisal service charge. (page 7)

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2006 PROPOSED BUDGET – ASSESSOR’S OFFICE
Summary by Legislative Reference Bureau – Fiscal Review Section

Expense Category	2004 Actual	2005 Budget	% Change	2006 Proposed	% Change
Personnel Costs	\$3,689,740	\$3,757,054	1.8%	\$4,295,893	14.3%
Operating Expend.	\$253,376	\$260,750	2.9%	\$236,750	-9.2%
Equipment Purch.	\$0	\$0	0	\$0	0
Special Funds	\$130,155	\$122,000	-6.3%	\$122,000	0
TOTAL	\$4,073,271	\$4,139,804	1.6%	\$4,654,643	12.4%
Capital	\$0	\$0	0	\$0	0
Positions	56	56	0	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.) 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.

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.

Historical Information

1. Between 2000 and 2005, the number of department employees decreased by 15 positions, from 71 to 56.
2. From 2000 through 2005, the Assessor’s Office had no capital improvement projects.
3. In 2001, the department completed the conversion of the “Objection System” (i.e., property owner objection to property revaluations) from the mainframe-based system to its client-server platform.
4. The 2002 Budget provided \$103,340 for three Property Appraiser auxiliary positions to reduce the backlog of appeals of commercial assessments.

5. 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.
6. 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.
7. 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. Estimated 2005 revenues are \$550,000.

2006 BUDGET HIGHLIGHTS AND ISSUES

Personnel

1. The number of Assessor's Office positions increases by 2 for 2006, from 56 to 58. However, full-time equivalent positions are unchanged, at 48.55.
2. The increase in positions is attributable to the addition of 2 Board of Review members. In late 2004, the Common Council passed an ordinance increasing the size of the Board to 9 members. However, the Assessor's Office feels that the figure in the 2006 Proposed Budget – 7 Board members – accurately reflects the number of individuals that are actually likely to serve on the Board in 2006.
3. In the 2006 Proposed Budget, 3 Senior Property Appraiser positions (pay range 588) are being replaced with 3 Property Appraiser positions, which have a lower salary (pay range 536). This change will occur in conjunction with anticipated Senior Property Appraiser vacancies and the intent to underfill these positions as Property Appraisers until the new hires acquire the experience and qualifications needed to become Senior Property Appraisers.
4. Total personnel costs in the 2006 Proposed Budget (\$4,295,893) are \$538,839 (14.3%) higher than the comparable 2005 figure. This increase is almost evenly divided between salary increases and rising fringe benefit costs. The salary increases largely reflect new wage rates that went into effect following union settlements in 2005 (i.e., the 2005 Budget was prepared using 2002 wage rates, whereas the 2006 Budget uses 2006 wage rates).

Operating Budget

1. The 2006 Proposed Budget provides \$236,750 for Operating Expenditures, a decrease of \$24,000 (-9.2%) from the 2005 Budget.
2. The biggest change in Operating Expenditures is occurring in the Information Technology Services category, where expenditures are being reduced from \$26,500 to \$12,500 (-52.8%). This reduction reflects the completion of 2004-2005 in-house upgrades to microcomputer hardware and software in the Assessor's Office.

Special Funds

The Proposed 2006 Budget includes \$122,000 for 3 special funds, 2 of which are new for 2006. The first of the new special funds is \$20,000 for purchase of a "transfer return module". The Assessor's Office determines market-value assessments based primarily on sales price data it receives from Wisconsin Department of Revenue "transfer returns" and from deeds registered with Milwaukee County (both documents are needed by the Assessor's Office because they contain somewhat different information). The Department of Revenue is upgrading its computer system to change the way it handles transfer returns. This will necessitate the purchase of a "transfer return module" by the Assessor's Office, so that the Assessor can accept the electronic transfer return data from the Department of Revenue

The other new special fund is titled "Apartment Valuation Model". It provides \$25,000 to convert the Assessor's apartment valuation system from a 2-method approach (i.e., larger properties assessed as commercial, smaller as residential) to a single method of determining assessed value. Due to reorganization, cross-training and streamlining of Assessor's Office staff, there are now many appraisers performing apartment valuations. The Assessor believes the time has come to standardize the way apartment properties are valued. The total cost of the project is \$50,000, of which \$25,000 is special fund dollars that would be used to hire outside contractors to set up the single-method system, while the other \$25,000 is the cost of City staff that will work on the project (this cost is absorbed in the salaries and wages account).

The third special fund is \$77,000 for the "State Manufacturing Assessment Payment. This is the same amount that was budgeted for 2005. This fund is used to comply with a statutory mandate which requires municipalities to reimburse the Wisconsin Department of Revenue for 50% of its costs of assessing manufacturing property.

Capital Projects

The Proposed 2006 Budget contains no capital project funding for the Assessor's Office.

Remission of Taxes Fund

The Proposed 2006 Budget provides \$500,000 for the Remission of Taxes Fund special purpose account, the same amount provided in the 2004 and 2005 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

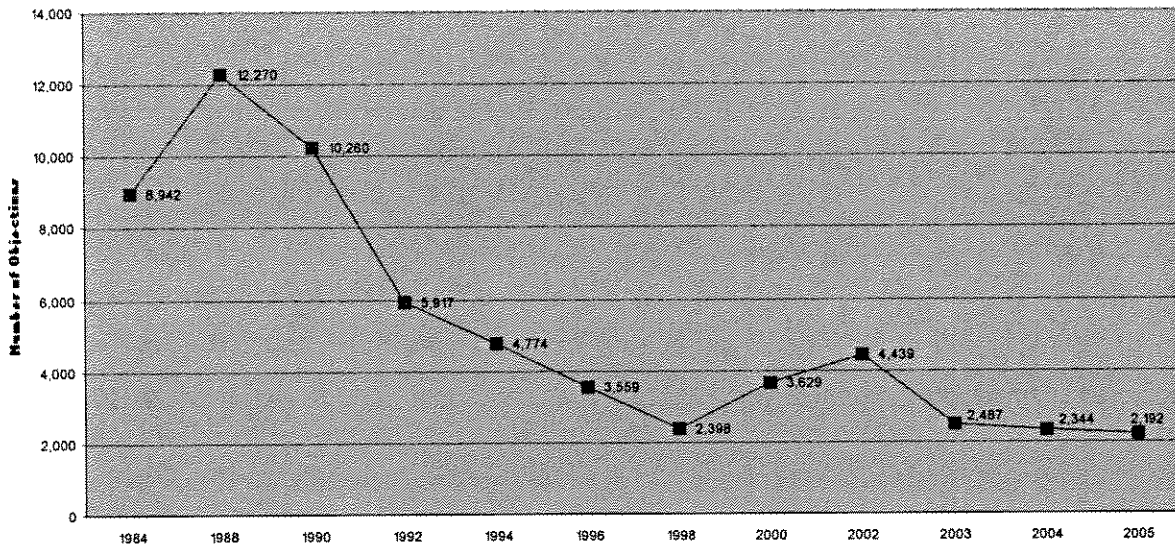
Commission actions. Actual disbursements from the Fund are made pursuant to Common Council resolutions.

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 properties. Appropriations from the Common Council Contingent Fund have been used to make up shortfalls in this Fund. In 2004, expenditures from the Remission of Taxes Fund totaled \$1,559,184, far in excess of the \$500,000 budget. By early August, 2005, the balance in the Fund was down to only \$430. Because the Fund was depleted, on September 27, the Common Council adopted File Number 050596, a resolution appropriating \$500,000 from the 2005 Common County Contingent Fund to the Remission of Taxes Fund. However, the Assessor's Office has indicated that these "overdrafts" from the Remission of Taxes Fund may become less common as the department continues to make progress in reducing the backlog of assessment appeals. Also, the City is reimbursed by other taxing jurisdictions for those jurisdictions' share of the remitted taxes. This reimbursement occurs in the year following the year in which the City remits taxes (e.g., in 2005, the City will receive about \$450,000 in paybacks from other jurisdictions for taxes the City remitted in 2004).

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 2005 revaluations generated 2,192 objections, a 6.5% decrease from the 2,344 objections filed in 2004. 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, suggesting greater property-owner satisfaction with the property valuations generated by the Assessor's Office.

**Assessment Objections
1984-2005 Revaluation Cycles**



The smaller number of objections is one benefit of the change to an annual revaluation process. The declining number of objections has also helped the department reduce the backlog of appeals cases. As of September 26, 2005, there were only 11 pre-2005 appeals outstanding. The Board of Assessors has already processed 1,911 (87.2%) of the 2005 objections. The dispositions of these cases were as follows:

Assessment sustained	1,131
Assessment lowered	751
<u>Assessment increased</u>	<u>29</u>
TOTAL	1,911

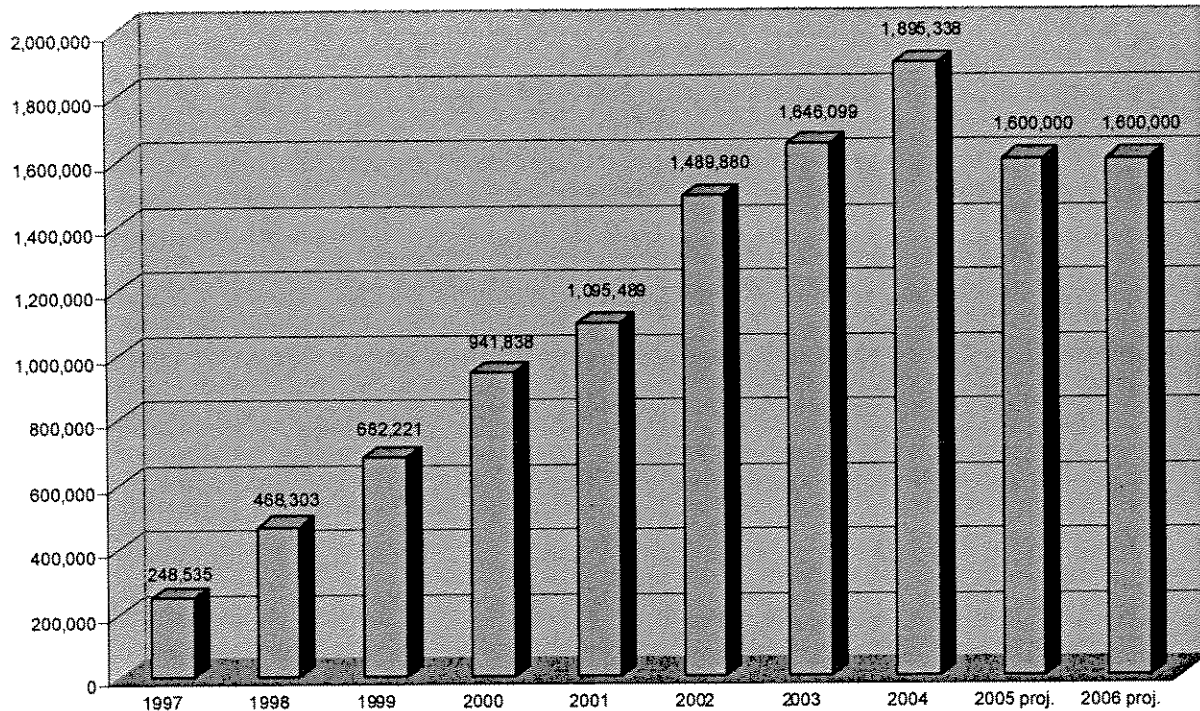
Of the 1,911 decisions rendered by the Board of Assessors, only 93 (4.2% of all 2005 objections) have been appealed to the Board of Review. In 2004, 210 objections (9.0% of all 2004 objections) were taken to the Board of Review.

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. However, growth in the number of queries has leveled off in recent years. This may be a reflection of market demand for this service reaching the "saturation point," as well as the fact that property and assessment data have

become increasingly available elsewhere on the City's web site (e.g., Map Milwaukee, COMPASS and My Milwaukee Home).

Number of Queries on Assessor's Office Web Site



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.

To date, the Assessor's Office has secured PILOT agreements with 6 tax-exempt property owners and is in active negotiation with 2 other owners. Of the 6 that have already agreed to make PILOTS, 3 will begin making payments in 2006 (totaling \$27,892) and the other 3 will start making payments in 2007 (for at least an additional \$20,714). The properties for which PILOTS are being paid are churches and low-income housing developments; none of the major tax-exempt property owners (namely, health care systems and colleges/universities) have agreed to make PILOTS.

Departmental Revenues

The 2006 Proposed Budget projects that the Assessor's Office will receive \$450,000 in revenues, a decrease of \$102,000 (-18.5%) from 2005. The decrease is wholly attributable to the Comptroller's projection that revenues from the inspection/appraisal service charge will decline from \$550,000 to \$448,000. The department's revenues from miscellaneous charges for services, namely copying documents, are projected to be unchanged at \$2,000.

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