



**Assessment Practices  
Review Panel**



**Findings and Recommendations  
February 2012**





# Assessment Practices Review Panel

Findings and Recommendations

St. Louis County, Minnesota



February 2012



# Credits

## *Assessment Practices Review Panel Members*

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### **Commissioner Appointees:**

- District 1, John Heino: President of Duluth Economic Development Authority (DEDA)
- District 2, John Gellatly: City of Duluth Assessor (retired), former Assistant St. Louis County Assessor and Computer Assisted Mass Appraisal (CAMA) expert
- District 3, John Vigen (co-chair): Real Estate Appraiser, St. Louis County Board of Appeal and Equalization member
- District 4, Roger Skraba: Mayor of Ely, Small Business owner, past member of the St. Louis County Board of Appeal and Equalization
- District 5, Jim Aird: Real Estate Broker, Midway Town Board Supervisor
- District 6, Dawn Cole (co-chair): Real Estate Appraiser, St. Louis County Board of Appeal and Equalization member, former township contract appraiser
- District 7, Frank Bigelow: Real Estate Appraiser, Hibbing City Council member, St. Louis County Board of Appeal and Equalization member and former City of Hibbing Assessor

### **At-Large Appointees:**

- Steve Abrahamson: Mayor of Tower, Real Estate Appraiser
- Jim Fisher: McDavitt Town Board Supervisor, Minnesota Association of Township Officers, President of the National Association of Township Officers
- Fran Hubert, small business owner, Fran Hubert & Associates (June-August 2011) succeeded by John Mulder
- John Mulder: Hermantown City Administrator
- Jan Jackson: Township contract appraiser, Minnesota State Board of Assessors Local Assessor Representative
- Jerry Palmquist: Balkan Town Board Supervisor
- Rick Puhek: City of Virginia Assessor
- Bruce Sandberg: City of Hibbing Assessor

### *Contributors / Presenters*

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- Steve O'Neil, Chairman of the Board of Commissioners
- Commissioner Chris Dahlberg
- Commissioner Keith Nelson
- Commissioner Peg Sweeney
- Kevin Gray, St. Louis County Administrator
- Michael Thompson, Scott County Assessor
- Doreen Pehrson, Chair, Minnesota State Board of Assessors
- Dave Sipila, St. Louis County Assessor
- Kerry Welsh, Assistant County Assessor

- Rick Puhek, Virginia City Assessor, Assessors of Minnesota Cities and Townships Association
- Ellen Trancheff, Greenwood Township Assessor
- Darren Jablonsky, St. Louis County Planning Department
- Dave Yapel, St. Louis County Planning Department
- Gregg Swartwoudt, City of Duluth Assessor
- Adele Hartwick, Director of Finance, City of Duluth
- John Hagen, Minnesota Department of Revenue
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- Donald Dicklich, St. Louis County Auditor
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- Dave Sipila, County Assessor
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## Executive Summary

The St. Louis County Assessor is responsible for the equalization of property assessments throughout St. Louis County, excluding the City of Duluth, to ensure that each property is equally and uniformly assessed. The St. Louis County Assessor strives to have a property valuation system that is Timely, Uniform, and Fair (TUF). When property is correctly valued in all jurisdictions, the property tax burden is distributed equitably, as defined by the Minnesota Legislature. There are, however, challenges in meeting this goal. The current mixed assessment system is complex.

In order to establish a solid foundation for the future, the St. Louis County Public Records and Property Valuation Director and the County Assessor recommended, and the St. Louis County Board authorized, the creation of a “Blue Ribbon” Assessment Practices Review Panel. The Blue Ribbon panel consists of 14 citizen members representing various regions, jurisdictions, and areas of expertise within St. Louis County. The Panel was charged with completing a thorough analysis of the current county-wide assessment functions, to formulate recommendations and develop a comprehensive five year plan strategic plan that will construct an assessment system that is TUF.

The citizen panel members gathered information, heard expert testimony and debated findings and recommendations over a nine month period (June 2011 through February 2012) which are outlined in this report. The panel defined key performance indicators for a TUF assessment system as a point of reference to evaluate the current system in place and recommended improvements. The panel evaluated based on these performance indicators the current mixed assessment system and found the following:

- With multiple responsible jurisdictions in charge of carrying out the assessment process responsibility and quality management control are not in one place. This results in variance in how the assessment process is carried out across all jurisdictions.
- The complexity of the mixed assessment system is reflected in its funding mechanism. Depending on which jurisdiction a property is located, the net result is that average per parcel assessment cost within St. Louis County can vary significantly.
- There are areas for improvement for the county and local assessors to effectively work together as a team.
- The quality of local assessments and boards of appeal and equalization can result in increased cost at the County level to remedy problems that could have been addressed at the local level. It also impacts the ability of the County Assessor’s office to plan for required resources and the ability of county staff to carry out its core tasks.
- Each jurisdiction (township, city of the first and second class) has its own dynamic in the current mixed assessment system, requiring different measures to address barriers to achieving a TUF assessment system across all jurisdictions.
- The County and the City of Duluth are separate entities with regard to their assessment responsibilities. However, they are interrelated with regard to levying authority, tax court appeals and operate using the same Computer Assisted Mass Appraisal (CAMA) system.
- The City of Duluth should be an integral part of any measures to achieve a countywide TUF assessment system.

The panel members recommend implementing the short term recommendations (next two years) as described in the report that are designed to address the findings and to improve a TUF assessment process as long as the current mixed system is in place. The majority of the panel members (9) further recommend, based on the findings, to move to a True County assessment system. In order to adopt a true county assessment system the County Board is required to make this change by resolution and to implement this change in a five year time period. The City of Duluth, a city of the first class, can opt in. If not, special legislation will be required to make this change. This majority recommendation is made based on the following conclusions:

- A True County system is considered the best method of service delivery and the most effective way to organize the assessment process and manage quality control. It addresses most of the concerns identified within the current system that affect a TUF assessment process.
- A True County system is expected to produce a better product at lower cost. It is projected to cost 11-18% less (after the transition is completed) compared to the total cost of the current mixed assessment system.
- A True County system is better positioned to implement anticipated technology changes, including increased use of GIS and satellite imagery and take advantage of efficiencies of scale.
- Workforce needs for carrying out the assessment process will change as a result of technology changes, doing more with fewer people. In addition, succession planning for an aging workforce of local assessors offers a window of opportunity to reorganize while limiting impact on the current workforce and jurisdictions.

A minority of the panel members (5) recommend maintaining the current mixed system and to only implement the short term recommendations to make improvements. They find that the impact of moving toward a True County system does not outweigh the perceived benefits. Key concerns they have identified regarding a True County system include:

- There will be upfront transition cost and there is a concern that County staff will be more expensive than local assessors.
- The level of service for local jurisdictions may be impacted. For example, local assessors are available during non-county hours and weekends and therefore better serve their community's needs.
- A True County system would impact jobs of current local assessors.
- A True County system will impact the local control of jurisdictions over the assessment process.
- If a True County system is implemented it will be very difficult to reverse.

The assessment practices review panel members pride themselves in the due diligence they have shown in carrying out their task and the open debate. In formulating their recommendations they have focused on their assigned charge to complete a comprehensive investigation and report with the end goal of achieving a TUF assessment system. The panel members believe that the majority recommendation will do just that, move St. Louis County toward a Timely, Uniform and Fair assessment system that, in turn, will equitably distribute the property tax burden. The panel members understand that such a recommendation needs to be implemented within a broader context and respect the decision the County Board will make based on the information and findings presented.

# 1 Introduction: Purpose and Mission Review Panel

## 1.1 Background

The assessment of property is an essential component of Minnesota's property tax system. Property assessments define the tax base and consequently who pays what share of the property tax levy. If some properties' valuations are too high, those property owners will pay more than their fair share of property taxes. Conversely, if some properties' valuations are too low, those owners will pay less than their fair share. Incorrect classifications will also shift the tax burden. When property is valued and classified correctly in all jurisdictions, the property tax burden is distributed equitably, as defined by the Legislature.

The St. Louis County Assessor is responsible for the equalization of property assessments throughout St. Louis County, excluding the City of Duluth, to ensure that each property is equally and uniformly assessed. The assessment process includes estimating property values, classifying properties, reviewing sales of property, equalizing values, notifying taxpayers and appealing values and classifications.

The St. Louis County Assessor strives to have a property valuation system that is **Timely, Uniform, and Fair (TUF)**. There are, however, challenges in meeting this goal. The current local assessor system is complex; it is referred to as a mixed county assessor system and consists of the following:

- The St. Louis County Assessor's Department assesses 17 cities, 35 organized townships and all 75 unorganized jurisdictions.
- Contract local assessors assess 2 cities and 39 organized townships.
- The Cities of Virginia and Hibbing each have their own assessment departments and employ their own assessment staff. Eveleth, Gilbert and Babbitt hire out their assessment services.
- The City of Duluth, a city of the first class, has its own assessment department, is autonomous and answers directly to the Minnesota Department of Revenue (DoR).

Each jurisdiction faces its own and joint challenges that need to be addressed in order to achieve an overall countywide TUF assessment system.

### *General Challenges to Timely, Uniform, and Fair*

General challenges of a mixed assessment to reach a TUF goal that affects all St. Louis County jurisdictions include:

- The geographic size of the county that includes approximately 109,000 taxable parcels excluding the City of Duluth (approximately 40,000 parcels) and tax exempt properties (approximately 111,000 parcels).
- St. Louis County is the largest county east of the Mississippi River with 6,742 square miles. It harbors a great diversity and with that, complexity of its land applications. The diversity of markets and land uses in the county results in the administration of almost all specialized property tax programs authorized by the State of Minnesota.

- Continued budget demands and aid reductions for St. Louis County, cities, and townships, resulting in decreased assessment staff, increased workloads and as a result pressure on the overall quality of the assessment process.
- Ever-changing property assessment and classification legislation which consumes the county assessor's resources to implement and explain to taxpayers.
- Different interpretations of valuation and assessment models between local and county assessors.
- Increase in the number of appeals to the County Board of Appeal and Equalization and to the Minnesota Tax Court.
- Succession planning for an aging local assessor workforce.

#### *Township related challenges to Timely, Uniform, and Fair*

Challenges specific to some townships now and in the past:

- Lack of timely completion, consistency, and accuracy of property assessments and in some cases the assessment work not being done at all:
  - o Permitted new construction not timely assessed or not assessed.
  - o Permitted building additions and improvements not timely assessed or not assessed.
- Some townships awarding contracts to the low bidder for contract assessments, focusing on price rather than quality of the final product.
- Some local assessors taking on more parcels and jurisdictions than they can reasonably serve, which can impact the quality of the final product.
- Limited enforcement capabilities by the county assessor.

#### *City of Duluth related challenges to Timely, Uniform, and Fair*

Challenges specific to the city of Duluth:

- According to the DoR the city is understaffed and needs three to four additional qualified appraisers to handle commercial/industrial property.
- Quintile assessment requirements are not being met:
  - o Minn. Stat. 273.08 requires the assessor to actually view and determine market value at maximum intervals of five years or 1/5. The City of Duluth operates on a 1/7 schedule for residential property. Most commercial and industrial property has not had a site visit in 10-15 years.
- In the past, state-ordered increases in value were added to property structures and not to the land, leaving the perception that the land on some parcels is undervalued.
- Lack of adequate staff to complete the quintile requirement.
- Lack of adequate staff to address current and potential future tax court cases which may be the underlying reason for the increased volume in tax court cases over the past three years within the City of Duluth.

#### *County related challenges to Timely, Uniform, and Fair*

Challenges specific to the County:

- Limited authority to manage the quality of the local assessments while being responsible for the overall quality and equalization of county assessments.
- Adequate enforcement of violations for local assessor for under or non-performance
- Annual and unknown shifts in workload for the county due to townships switching between local contract appraisers and county appraisers.

- Additional work load created by the DoR ordering the reappraisal of an entire township due to inequality of assessments.

There are also opportunities:

- St. Louis County GIS allows desktop in-depth analysis of land parcels.
- Incorporating the wise use of technology – such as field mobile data devices – reduces duplication of data entry and the chance of data entry errors.
- Digitizing paper-based records provides electronic access to records in the field.
- Communication tools such as the Internet can be used for on-line information, to enhance customer service and to build property owner awareness and education.
- Government jurisdictions are increasingly willing to explore shared services and partnerships.

In order to establish a solid foundation for the future, the St. Louis County Public Records and Property Valuation Director and the County Assessor recommended and the St. Louis County Board authorized the creation of a “Blue Ribbon” Assessment Practices Review Panel. The Panel was charged with completing a thorough analysis of county-wide assessment functions including, but not limited to:

- A review of the state statutes that govern property assessment and classification.
- A review of the current model that uses city, contract and county assessors.
- Recommending areas of opportunity to share services and create partnerships with other government jurisdictions.
- A review of technology tools and recommending areas of opportunity to streamline service delivery.
- Prepare a comprehensive five-year strategic plan to build upon the goal of a (TUF) assessment and valuation model.

The Blue Ribbon panel consists of 14 members representing various regions, jurisdictions, and areas of expertise within St. Louis County. Each commissioner appointed one member, and another eight were appointed as “At-Large” members. The panel is co-chaired by representatives from northern and southern St. Louis County and supported by staff.

The plan that lies before you describes the findings and recommendations of this Blue Ribbon panel and sets out a five-year strategy to ensure a county-wide assessment strategy that is **Timely, Uniform, and Fair**.

## 1.2 Plan process and timeline

The Blue Ribbon kick-off meeting was held on June 1, 2011, followed by nine bi-weekly meetings during the fact-finding phase. During this period a number of speakers were invited to present information, including the St. Louis County Assessor, County Planning/County Geographic Information Systems (GIS), County Auditor’s Department, Scott County Assessor’s office, Minnesota Department of Revenue, Minnesota State Board of Assessors, Assessors of Minnesota Cities and Townships (AMCAT) and the City of Duluth assessor.

Following this, the panel held four meetings in November and early December to discuss their findings and formulate recommendations. The panel met once in January and had their final meeting to review and approve the report on February 8, 2012. Throughout the process the panel members were dedicated and engaged, with an attendance rate that averaged 90 percent.

### 1.3 Plan organization

Chapter Two describes the current assessment practices for St. Louis County. It provides an overview of the purpose and key elements of the assessment process and its statutory basis. It describes the assessment process and current organization of the assessment process in St. Louis County and concludes with a description of the current cost of the assessment process.

Chapter Three outlines the panel's charge and findings. It starts with defining the TUF principles. This is followed by an overview of findings, analysis of different aspects of the assessment process including, quality management, funding, succession planning and technology. It also includes a cost projection for a True County assessment system. It outlines recommendations to improve the current system and concludes with a majority recommendation to move toward a True County assessment system and a minority recommendation to make changes within the current system.

A True County system brings all assessments under the responsibility of the office of the County Assessor and is required to be authorized by the County Board by resolution. [Minn. Stat. 273.055](#) gives the St. Louis County Board the power to establish a True County system.

The appendices have supporting information that has been presented to the panel members during their work sessions.

## 2 Introduction to the Assessment Process

This chapter offers a more detailed description of the assessment process and includes a description of:

- Purpose and key elements of the assessment process.
- Description of the statutory basis of the assessment process in Minnesota.
- Description of the key elements of the assessment process.
- Description of the organization of current assessment practices in St. Louis County.

### 2.1 Purpose and key elements of the assessment process

Assessing property is an essential component of the Minnesota property tax system and is also a statutory requirement. Property assessments define the tax base and consequently who pays what share of the property tax levy. County and local assessors estimate property market values and classify them according to their use for property tax purposes. These terms are further explained below.

#### *Market valuation:*

On an annual basis, the assessor reviews the market valuation of property to determine if physical changes or changes in the real estate market require a corresponding change in the estimated market value. [Minn. Stat. 273.08](#) requires that assessors actually view each parcel of real estate at least once every five years to appraise its market value. In addition, each year the appraiser must inspect parcels with new construction, alterations, or improvements.

#### *Market Value:*

The price a willing, knowledgeable buyer would pay for a property if it were offered for sale in an arm's length transaction. The assessor does not create this value, but instead interprets what is happening in the marketplace. Values change with economic conditions and when changes are made to the property.

The assessor inspects a property to record the existence and character of improvements that contribute to its market value. Sales information is collected on all types of property and characteristics such as location, size of the parcel, improvements and amenities, and is analyzed to estimate what buyers would pay for a property. Local sales will impact local values. The assessor uses actual sales of similar properties in a neighborhood or similar neighborhoods to estimate what buyers would pay for a property in an arm's length transaction.

#### *Classification:*

The Minnesota property tax system uses classification as a means to cause some types of property to pay a larger share of the local levy than other types with similar value. Classification reflects ownership, legal use of the property, and the assessor's determination of which use yields the highest return to the land: actual use or an available alternative use. Classifications such as homestead, rural vacant land, commercial, and

agricultural describe the primary use of a property, and affect the amount of property tax paid.

By Minnesota law ([Minn. Stat. 273.13](#)), various classes of property are taxed at different rates. For example, two neighboring homes of equal value will be taxed at different rates if one is a homestead and one is a non-homestead property. Class rates are created and defined by the Minnesota State Legislature. Six of the most common classifications of property in St. Louis County are: Residential Homestead, Residential Non-Homestead, Seasonal Recreational Residential, Agricultural Homestead, Commercial/Industrial and Rural Vacant Land.

#### *Tax levy:*

Taxing jurisdictions such as the county, schools, cities and townships, adopt budgets after public hearings. This determines the tax levy, which is used to calculate the rate of taxation required to raise the money budgeted. The property taxes paid are proportionate to the value and classification of a property compared to other properties in a taxing district.

In all of this it is important to note that the assessor's responsibility is with market value and classification, NOT taxes. As described in [Minn. Stat. 275.079](#) the County Auditor is responsible for calculating the tax rate necessary to raise the required amount of the various taxes based on the net tax capacity of all property as determined by the commissioner and the State Board of Equalization.

## 2.2 Statutory basis and oversight of the assessment process

#### *County Assessor duties*

Minn. Stat. 273.08 states that:

*“The assessor shall actually view, and determine the market value of each tract or lot of real property listed for taxation, including the value of all improvements and structures thereon, at maximum intervals of five years and shall enter the value opposite each description.”*

Minn. Stat. 273.061, subd. 8 states:

*“The county assessor shall have the following powers and duties:*

*To call upon and confer with the township and city assessors in the county, and advise and give them the necessary instructions and directions as to their duties under the laws of this state, to the end that a uniform assessment of all real property in the county will be attained.”*

[Minn. Stat. 273.061](#) further states that each county shall have a county assessor appointed by the board of county commissioners. For the valuation and classification of properties the county assessor can be assisted by local assessors. These local assessors can be assigned directly by the local responsible jurisdiction (city or township). The local assessor will view and appraise the value of the property within

the assigned area. However, the county assessor has the final responsibility for the recording of the valuation and classification of property and the following duties ([Minn. Stat. 273.061, subd. 8](#)) summarized below:

- Direct township and city assessors to carry out their duties according to law.
- Assist the local assessors in carrying out the assessment process.
- Maintain baseline data required for proper land valuation.
- Investigate requests for valuation adjustments.
- Make sure that all real and personal property is included in the county assessment.
- Coordinate with the assessors of the surrounding counties to ensure uniformity in assessment practices.
- Keep records of all property transfers to assist in proper classification of property.
- Perform appraisals and review accuracy of assessments and testify in court as an expert on behalf of the county.

#### *City of the First Class*

The City of Duluth as a City of the First Class is responsible for carrying out its own assessment process, and reports directly to the Minnesota Department of Revenue pursuant to [Minn. Stat. 273.063](#).

#### *Assessor requirements*

Minnesota assessors must be licensed by the [Minnesota State Board of Assessors](#). To be certified by the State Board, an assessor must first successfully pass three week-long courses on assessment procedures and appraisal practice, and serve a one year apprenticeship under a licensed assessor. In St. Louis County, new assessors are also required to complete a seven day training program taught by County staff. Assessors have a continuing education requirement of 40 to 50 hours of training over each four year period. Beyond this, there are additional State Board requirements for appraising income producing properties and performing more difficult assessment functions.

There are four levels of licensure, each requiring an increasing minimum number of years of experience and training:

- Certified Minnesota Assessor (CMA): Lowest level of license with the smallest amount of educational requirements (four courses). Requires one year of experience working under another licensed assessor.
- Certified Minnesota Assessor Specialist (CMAS): License level required by the state to assess some more complicated jurisdictions. Two full years of experience, form appraisal, and more education (2 additional courses).
- Accredited Minnesota Assessor (AMA): License level required to assess the most complicated jurisdictions as a local assessor. Three full years of experience, oral interview with State Board of Assessors, more education (3 additional courses including one income course).
- Senior Accredited Minnesota Assessor (SAMA): Highest level of Licensure needed to be a county assessor or an assessor for a city of the First Class. Five full years of experience, passing an income narrative appraisal, or an income case study exam and one additional income course.

The State Board of Assessors has ranked the various taxing jurisdictions by degree of difficulty. According to Pam Lundgren with the Department of Revenue, the Board takes the following into consideration when doing these rankings: **population, amount of commercial/industrial property, and amount of total value** in the jurisdiction.

#### *Minnesota State Board of Assessors*

The Minnesota State Board of Assessors was established in 1971 by state statute ([Minn. Stat. 270.41](#)) and created for the purpose of reviewing, supervising, coordinating or approving courses in assessment practices, and establishing criteria for determining assessors' qualifications. The board is responsible for licensing of assessors and may grant, renew, suspend or revoke an assessor's license. The board provides oversight for the professional quality and integrity of the individual licensed assessors.

#### *Department of Revenue*

The Department of Revenue oversees the administration of property tax laws. [Minn. Stat. 270C.85](#), subd. 1 describes the General Supervision responsibilities. The Commissioner has general supervision over the administration of the property tax laws, assessors, town, county, boards of appeal and equalization, and all other assessing officers in the performance of their duties in order to ensure that all property assessments are made relatively just and equal in compliance with the laws of the state.

[Minn. Stat. 270C.85](#), subd. 2 describes the powers and duties of the Commissioner's Office to exercise this oversight role. [Minn. Stat. 270C.92](#) states the Commissioner shall receive and examine complaints regarding property that is not properly assessed and will start proceedings to remedy this.

The Department of Revenue is responsible for oversight of the proper administration of the property tax laws and assessment of property according to the standards set forth in the law. It has the powers and responsibility to initiate corrective actions if the property tax laws are not properly administrated.

## 2.3 The Assessment Process

The assessment process includes the following elements:

- Estimating property values (including mass appraisal and equalization)
- Classifying properties
- Reviewing sales
- Equalizing values
- Notifying taxpayers
- Responding to appeals of value and class

Below each of these elements are discussed in more detail:

#### *Estimating Values*

The Assessor determines the Estimated Market Value (EMV) for each taxable parcel based on the conditions of the market as of January 2 of each year. According to Minnesota law, all property is to be valued at its market value. This means the price that would tend to prevail under open market conditions. The Assessor is required by

Minnesota statute to physically visit each property at least once every five years. New construction or demolition which requires a permit triggers an automatic review each year. As part of the assessment the assessor looks for the quality of the construction; condition of the property; building materials; and characteristics of amenities (land and structures). Measurements and photos are taken for documentation.

### *Mass Appraisal and Equalization*

Mass appraisal is the process of valuing a group of properties within a jurisdiction as of a specific date. Each year the DoR and the county assessor review sales ratio studies for a group of properties within a jurisdiction and apply any necessary valuation changes in a uniform manner to bring the jurisdiction into State compliance.

### *Types of Values*

The Minnesota property tax system requires the assessor to determine an estimated market value for each taxable parcel on January 2nd of each year. This value may be adjusted for the purpose of calculating tax capacity, thus resulting in two definitions of market value:

- Estimated Market Value (EMV): Is the value determined by the assessor as the price the property would likely sell for on the open market.
- Taxable Market Value (TMV): Is the amount of value that is actually used in calculating property taxes. This can differ from EMV due to special property tax programs the property may be involved in.

### *Classifying Properties*

Property is classified according to its use on the assessment date – January 2<sup>nd</sup>. The Assessor determines the classification. The classification determines the property’s exposure to the local tax rate (i.e., homesteads have less exposure than non-homesteads) and determine the property’s tax capacity (Taxable Market Value x Classification Rate = Tax Capacity). The table below displays the different classification rates.

*Table 2.1: Property tax classification rates*

<b>Classification</b>	<b>Tier</b>	<b>Class Rate</b>
Residential Homestead	First \$500,000	1%
	Over \$500,000	1.25%
Residential Non-Homestead	First \$500,000	1%
	Over \$500,000	1.25%
Seasonal Recreational Residential	First \$76,000	1%
	\$76,000 - \$500,000	1%
	Over \$500,000	1.25%
Agricultural Homestead	First \$1,010,000	0.5%
	Over \$1,010,000	1%
Commercial/Industrial	First \$150,000	1.5%
	Over \$150,000	2%
Rural Vacant Land		1%

In addition to the local tax rate, Seasonal Recreational Residential (SRR) and Commercial/Industrial properties are exposed to the state general tax. SRR properties are exposed at 40% of their tax capacity up to \$76,000 and 100% of their tax capacities for everything over \$76,000. Commercial/Industrial properties are exposed at 100% of their tax capacities to the state general tax.

### *Reviewing Sales*

In Minnesota, whenever real estate is sold for \$1,000 or more, a Certificate of Real Estate Value (CRV) is filed at the time the transaction is recorded. A copy of the CRV is provided to the assessor and the DoR. Each CRV undergoes a sales verification procedure to determine whether the sale is appropriate for study (meaning it truly reflects a typical, normal, competitive market sale). Transactions that are not 'arm's length' are rejected. The state and county conduct yearly sales ratio studies using the 'arm's length' sales to determine the level of assessment for each jurisdiction in the county.

A sales ratio is the Assessor's EMV/Sales Price. Each year's study contains the sales that have occurred from October 1 through September 30. The results of this study are used to make adjustments to the following year's assessment. The median ratio determines the level of assessment. The ratio studies are performed by the county assessor staff and the Department of Revenue. Local and staff assessors are consulted for their input in this process.

### *Equalizing Values*

Typically the State will require six valid sales within a study period to consider the ratio study reliable. State guidelines require the median ratio to fall between 90% and 105%. This means if all the sales ratios are arranged from low to high the median (or middle) ratio should fall between 90% and 105%. If the ratio is outside the state guidelines, adjustments must be made. If the median ratio is low (below 90%), the assessor increases values. If the median ratio is high (above 105%), the assessor decreases values. The State Board of Equalization meets every spring; it has the statutory responsibility ([Minn. Stat. 270.12](#)) to review assessment levels throughout Minnesota and the power to order changes (with no appeals).

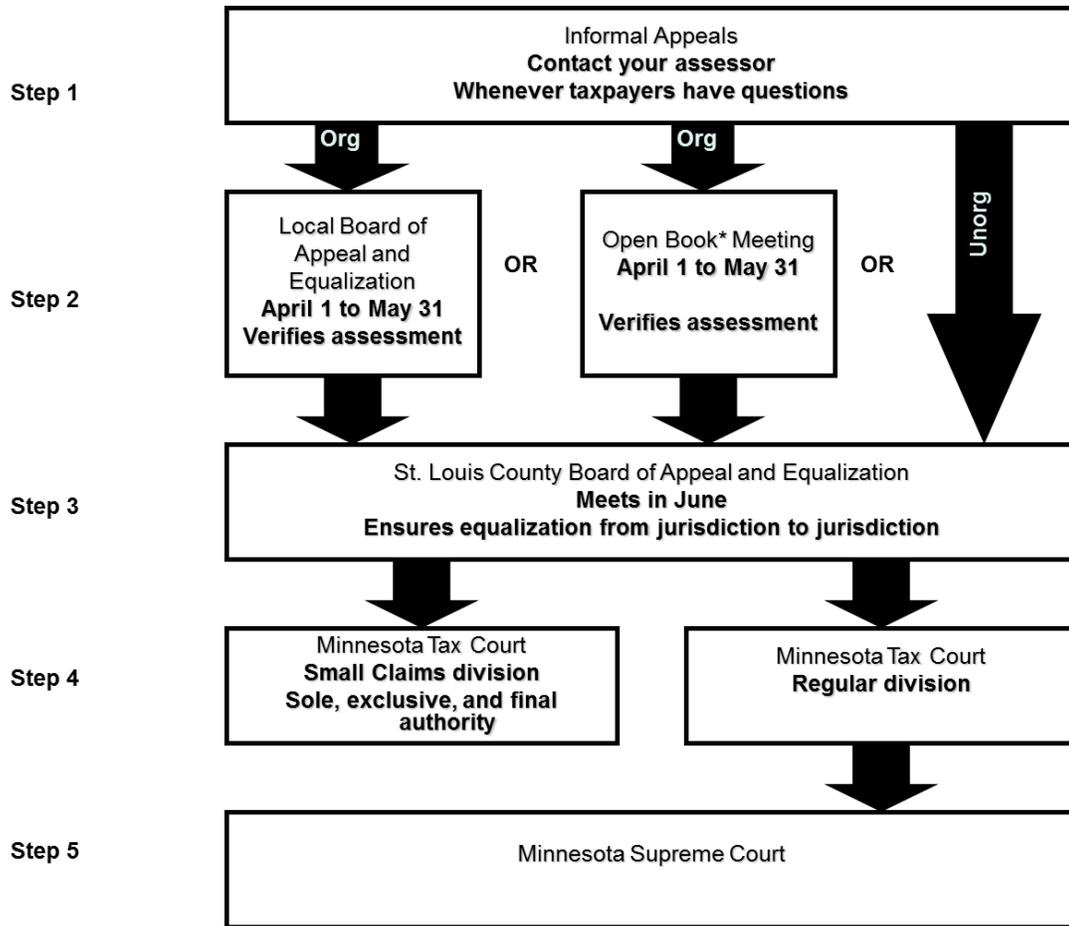
### *Notifying Taxpayers*

Notices of change in valuation and classification are mailed by the Assessor to all owners of taxable property beginning in March. Truth in Taxation notices are mailed by the Auditor in November. Tax statements are mailed by the Auditor in March.

### *Appealing Values and Classifications*

If property owners have questions about their assessment, they should call the assessor first. If they are not satisfied, formal appeal options are available. Figure 2.1 below displays the steps in the appeals process.

Figure 2.1: The Assessment Appeals Process



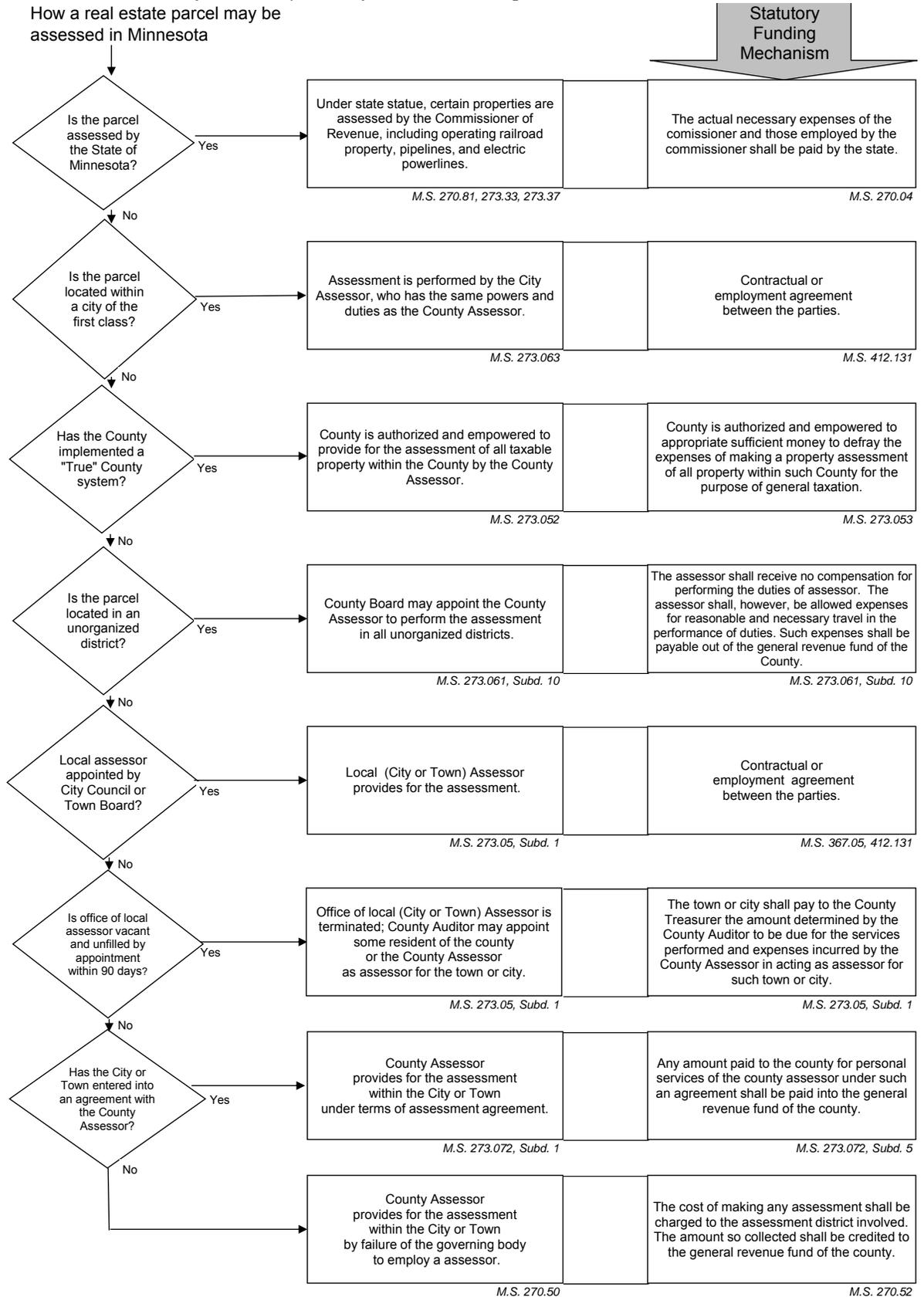
*\*Open Book Meeting: A meeting conducted by the county assessor when either the local jurisdiction does not qualify to hold a local board of review meeting or has yielded to the County to conduct this meeting*

## 2.4 Current organization of assessment practices in St. Louis County

### 2.4.1 General overview

Figure 2.2 - Overview of Statutory Basis for Assessment Practices, on the next page, provides a schematic overview of how a real estate parcel may be assessed in St Louis County, which statute applies, and what its statutory funding mechanism is. It also makes clear the complexity of the statutory framework guiding the assessment process.

Figure 2.2: Overview of Statutory basis for assessment practices



### *County Assessment Practices*

County property assessment in Minnesota can be organized in two ways:

- *True County Assessor System:* All assessments are conducted by the County Assessor's office pursuant to [Minn. Stat. 273.052](#). The County board has, by [Minn. Stat. 273.055](#) and [Minn. Stat. 273.053](#), the power to bring all assessments, with the exception of cities of the first class (City of Duluth), under the responsibility of the office of the St. Louis County Assessor.
- *Mixed Assessment System:* In place if the True County system has not been implemented. Organized jurisdictions have the option of employing their own assessor, either by contract or employment agreement, or having these services provided by the St. Louis County Assessor.

The map in Appendix I (Map of Statewide County Assessment Practices) provides an overview of statewide county assessment practices. Note that some counties have not adopted the True County system, but the county assessor provides assessment services for the entire county.

St. Louis County has not adopted the True County system, and thus its assessment is organized as a mixed system in accordance with [Minn. Stat. 273.061, subd. 8](#). This means that in St. Louis county, cities and organized townships either employ or contract with local assessors or contract with the St. Louis County Assessor's office for property assessment services. All unorganized townships are assessed by the St. Louis County Assessor. The City of Duluth is a city of the first class and pursuant to [Minn. Stat. 273.063](#) appoints a city assessor who has the same powers and duties as the county assessor and who reports directly to the Minnesota Department of Revenue.

### *Local assessment*

According to [Minn. Stat. 273.05, subd.1 and 3](#), cities and towns have the power to establish their own local assessment office. This office has the following responsibilities:

- Local assessment for property valuation and classification
- Establishment of Local Board of Appeal and Equalization
- Report valuation and classification information to the County

St. Louis County has approximately 109,000 taxable parcels in total, excluding the City of Duluth and tax exempt property. Of this 3,400 are commercial properties and 61,300 residential (or seasonal) and 44,600 unimproved (agricultural or forest land). The City of Duluth is responsible for 40,000 parcels and the local assessors assess 45,000 parcels, leaving 64,000 parcels for the County to assess. The map in Appendix II (Map of St. Louis County Assessment Jurisdictions) provides an overview of the distribution of assessment responsibilities between the County and local assessors.

The following paragraphs describe how assessment is organized at different jurisdictional levels.

## 2.4.2 County practices

The St. Louis County Assessor is responsible for the equalization of assessments throughout St. Louis County, excluding the City of Duluth. The County Assessor's office employs 23 full-time and one half-time staff and has an annual operating budget of approximately \$2 million. There are three offices: Duluth, Virginia and Ely. There are 17 licensed local assessors who are either employees of cities or townships or who contract with an organized city or township to provide assessment services. In addition, there are four other assessors or support staff who work with or for these local assessors. The Duluth City Assessor presently has 10 employees to perform the assessment in the city.

The county assessor administers the assessment for the county and is responsible for fulfilling the duties described in paragraph 2.2. These include the following activities:

- Preparation of the assessment roll each year, certifying it to the County Auditor.
- Maintenance of the St. Louis County CAMA system (Computer Assisted Mass Appraisal)
- Support, supervision and training
- Program administration
- State reporting
- Property tax exemptions
- Tax Court

## 2.4.3 Local assessment practices, organization and relation with the county

The map in Appendix II (Map of St. Louis County Assessment Jurisdictions) displays the cities and organized townships in St. Louis County that have elected to conduct their own assessment, the organized townships and cities that have elected to have the county to conduct their assessment, and the unorganized townships that are assessed by the county.

The County Assessor's office has established a policy statement which sets forth guidelines to be followed as a condition of being part of the assessment function within St. Louis County. This document sets the administrative guidelines with which local assessors must comply, and is included as Appendix III (Local Assessor Policies and Procedures).

## 2.4.4 Funding the Current County Assessment Process

The table below provides an overview of current funding sources and average cost per parcel based on how a jurisdiction is assessed. A more detailed breakdown of the Assessor's fee schedule can be found in Appendix IV (St. Louis County Assessor Fee Schedule). The total countywide assessment cost is \$3,723,898 for 2011. Approximately 47% of the cost is covered by local assessment fees, 23% by county assessment fees and 30% through levy support (including state-paid aids). The average cost per parcel under the current system is \$25. However, depending on the jurisdiction it can be as low as \$6 for unorganized townships and as high as \$30.44 for the City of Duluth when fees and levy support are taken into account.

*Table 2.2 County Assessment Cost and Funding*

	<b>Local Assessment Fees/Costs</b>	<b>County Assessment Fees</b>	<b>County Assessor levy support</b>	<b>Total</b>	<b>Total taxable parcels</b>	<b>Total cost per parcel</b>
<b>County Assessed Cities and Townships</b>	None	\$832,673	\$368,657	<b>\$1,202,330</b>	51,887	<b>\$23.15</b>
<b>Locally Assessed Cities and Townships</b>	\$936,320	None	\$260,984	<b>\$1,197,304</b>	45,348	<b>\$26.40</b>
<b>Unorganized Townships</b>	None	None	\$72,391	<b>\$79,391</b>	12,050	<b>\$6.01</b>
<b>City of Duluth</b>	\$819,400	None	\$386,039	<b>\$1,205,439</b>	39,597	<b>\$30.44</b>
<b>State-paid Aids</b>			\$47,435			
<b>Total</b>	\$1,755,720	\$832,673	\$1,135,505	<b>\$3,723,898</b>	148,882	<b>\$25.01</b>

## 3 Panel Charge and Findings

### 3.1 Introduction

This chapter describes the key findings based on the expert presentations. It will first define in measurable terms the assessment panel's charge concerning Timely, Uniform and Fair (TUF) assessments. This is followed by an overview of the panel's key findings, analysis and short term recommendations to improve the current mixed assessment system based on the expert presentations and background information they have reviewed. This chapter concludes with a review of the implications of moving from a mixed assessment system to a True County system and a majority panel recommendation to move long term (5 year plan horizon) toward a True County system.

### 3.2 Panel charge: Defining Timely, Uniform, and Fair

The panel's charge is to work toward a TUF assessment system and to make recommendations for improvement of the current system to achieve this. To make this charge more specific, the panel members have defined performance indicators that can be used to evaluate whether the current system meets these three criteria and what can be done to make improvements.

#### *Timely*

- A physical inspection of a property is done once every five years (State requirement) and the results of this inspection are entered into the CAMA system.
- Timely sharing of changes to properties by the responsible departments with the county and local assessors (new construction, improvements, property changes) so they know when a property needs to be reassessed.
  - o New construction is assessed between issuing a permit and the next assessment date. The assessment accurately reflects the property as of the assessment date and is entered into the system.
  - o Abatement, splits, consolidation of parcels are assessed between approval and next assessment date and are entered into the system.
  - o Classification changes are made between time of change and the next assessment date and are entered into the system.
- Assessments that are out of DoR's acceptable range (sales ratio) must be adjusted each year.
- Timely dispute resolution (following state statute procedures).
- Timely information sharing by County and DoR regarding new assessment techniques, technology, legislative updates, etc., with the local assessors.
- Timely response to public requests for information (two-day call back at minimum).

## *Uniform*

- Uniform execution of work process (this requires development of measurements to operationalize – see next).
  - o Uniform performance standards and audit process to enforce these standards.
  - o Properties are valued and classified using the same methodology.
  - o Assessed values bear the same relationship to market value (same ratios, equalization).
  - o Townships should follow the standards set by the Minnesota Township Association regarding adjustments (informed, data-driven decisions).
  - o Uniformity between jurisdictions in the inspections cycle.
- Technology:
  - o The technology system should be interfaced and up to par for all assessors (seamless interface between county, city and local assessors) as it relates to computer platform, field equipment and minimum standards for phone (including ability to take messages from consumers when in the field).
  - o Establish minimum technology standards for assessors and prevent large technology gaps between jurisdictions.

## *Fair:*

- Treating everyone fairly and impartially.
- Uniform assessment levels across jurisdictions and property class.
- Coefficient of dispersion measurement standard, a measurement of the level of uniformity of assessments within a standard range.

## 3.3 Current assessment practices

### 3.3.1 Description of findings

- The current assessment system is complex, with multiple responsible jurisdictions in charge of carrying out the assessment process and quality management. This results in variance in how the assessment process is carried out across all jurisdictions.
- The complexity of the mixed assessment system is also reflected in its funding mechanism. Depending in which jurisdiction a property is located, the net result is that average per parcel assessment cost can vary significantly.
- The County has final State statutory responsibility for the assessment process but lacks the authority to directly manage the quality of the local assessment process under the responsibility of the local jurisdictions.
- There are areas for improvement for the county and local assessors to effectively work as a team.
- Insufficient quality of the local assessments and boards of appeal and equalization can result in increased cost at the County level to remedy problems that could have been

addressed at the local level. It also impacts the ability of the County Assessor's office to plan for required resources and the ability of county staff to carry out its core tasks.

- Each jurisdiction (township, city of the first and second class) has its own dynamic in the current mixed assessment system, requiring different measures to address barriers to achieving a TUF assessment process across all jurisdictions. Recommendations should reflect that one size does not fit all.
- The County and the City of Duluth are separate entities with regard to their assessment responsibilities. However, they are interrelated with regard to levying authority and tax court appeals.

### 3.3.2 Analysis

#### *The current assessment system is complex, resulting in variances*

The current assessment system is complex. Multiple jurisdictions are responsible for quality control and can operate with relative autonomy. As a result, the current system leaves more room for variance between jurisdictions' assessment practices than one would expect to have in a system in which quality control is under one umbrella.

#### *Responsibility and quality management control are not in one place*

The county has statutory responsibility ([Minn. Stat. 273.061](#)) for the quality of the assessments within the county (except for the City of Duluth) but lacks direct quality control over the performance of local assessors, who are contracted or hired by the local jurisdiction. There are four entities involved in managing quality aspects of the current assessment process:

- Local jurisdictions contract with assessor and oversee contractor's work. Can withhold payment and terminate contract if quality of work does not meet minimum requirements as specified in contract. County has no say in this or direct quality oversight.
- The Minnesota Department of Revenue oversees St. Louis County and City of Duluth assessment process and is responsible for quality assurance in line with statutory requirements (currently only actively enforces assessment - sales ratio).
- The State Board of Assessors falls under the Department of Revenue and is established under [Minn. Stat. 270.41](#): "*The board shall review, supervise, coordinate, and approve courses in assessment practices, and establish criteria for determining assessor's qualifications. The board shall also consider other matters relating to assessment administration brought before it by the commissioner of revenue. The board may grant, renew, suspend, or revoke an assessor's license.*"
- The county has final responsibility to control the local assessors work according to [Minn. Stat. 273.04](#) and to annually report assessment information to the Department of Revenue that meets statutory quality requirements. The County can step in and re-assess at cost of local jurisdiction for assessment infractions.

The county carries final responsibility for the quality of assessments within its jurisdiction. However, the county depends on local assessors for the quality of the assessment process in their jurisdictions and final assessment product. The county has limited direct remedies to address quality control issues relating to local assessors, short

of stepping in and redoing assessments. This is a heavy handed measure which not only financially impacts the local jurisdiction but also impacts the county assessor's ability to plan for required resources and carry out other tasks.

The St. Louis County Assessor's office conducts a records audit of each local assessor in December of each year and monitors the work to determine if there are any deficiencies. Any deficiencies are addressed based on the procedure outlined in Section IV of the policy statement on the Responsibilities of Local Assessors (Appendix III – Local Assessor Policy and Procedures). Finally, when local contract assessors are not performing according to Board of Assessors' professional and ethics standards, their license can be withdrawn.

For the assessment practices of the City of Duluth, a city of the first class, the county depends on the DoR to address quality concerns.

The county depends on the willingness of the entities described above to address quality concerns within their jurisdiction. These entities have, in some cases, demonstrated a lack of interest or reluctance in addressing issues when problems were brought to their attention by St. Louis County. The key reason brought up by the DoR is a lack of resources to investigate complaints. The Board of Assessors indicates it interprets its role primarily in the realm of assessor education and licensing. It also indicates a lack of resources to adequately investigate professional behavior and ethics violation complaints, even though statutorily they have the power to suspend or revoke a license based on failure to perform statutory duties, or commits acts detrimental to the assessment profession or in violation of the Code of Conduct and Ethics for a Licensed Minnesota Assessor. Local jurisdictions may lack the political will to address quality concerns brought up by the County and choose not to take action. As a result, the county is left with limited options to remedy problems which can severely impact the TUF principle of the countywide assessment process.

#### *Communication between the County Assessor's department and some local assessors can be improved*

There is a need for improved coherence within the county assessment team (local and county assessors). This impacts the ability to operate an assessment system that can achieve the TUF performance indicators. A number of issues need to be addressed in order to improve coherence and uniformity of practices between all assessors:

- There is a perception of an "us-versus-them" mentality between some of the local and county assessors. This needs to be addressed. The barriers to operating as an effective team must be taken down and both sides have to take their responsibility in achieving this.
- Mandatory participation by local assessors in training, assessment practices and legislative updates [authorized by [Minn. Stat. 273.061, subd. 8, \(4\)](#)] is not practically enforceable. This can result in information gaps between assessors and variance in how the assessment practice is carried out.
- Acknowledging that assessments always have a certain level of subjectivity, limited interaction between assessors and limited information sharing can result in greater variances.

- Increased pressure on county staffing levels impacts the ability to communicate and coordinate with local assessors and as a result, impacts its ability to facilitate a cohesive assessment team and ultimately achieve uniformity of how the assessment process is carried out.

#### *Inadequate quality at the local level results in increased cost for the county*

Inadequate quality of assessments and adjustments can result in increased workload at the St. Louis County Board of Appeal and Equalization, when these problems could have been remedied at the local level. Additional county staff time is needed to address local board of appeal and equalization quality issues. This impacts other tasks of the county and the ability to plan for human resources needed. Possible issues driving this include:

- Inadequate training and/or knowledge level in the local boards of appeal and equalization.
- Limited access to technology to provide context to aid informed decision making (for example, GIS mapping to get information on property characteristics).
- Relying on testimony instead of revisiting the property in order to verify possible mistakes.
- Not following due process standards as defined in [Minn. Stat. 274.014](#) and as described by the DoR in the [Local Board of Appeal and Equalization Handbook](#).

#### *Recognize the differences between jurisdictions*

Assessments in St. Louis County are carried out by the county, organized townships, cities of the second class and the city of the first class, Duluth. The County has the authority to step in and reassess properties at the local jurisdiction's cost for organized townships and cities of the second class. It does not have this authority over the City of Duluth.

When considering changes in the assessment process, it should be recognized that cities who employ their own assessor often assign these staff additional responsibilities within the city government; this may impact city operations.

#### *Relationship between St. Louis County and the City of Duluth*

The City of Duluth conducts its assessment process on an equal footing with the County and reports directly to the DoR. St. Louis County relies on the DoR to address any quality concerns for the City of Duluth. The current DoR enforced quality measure is the assessment to sales ratio. This ratio reflects the level of assessment but is not an indicator of the quality of the assessment practice, particularly in measuring uniformity and fairness of the assessment.

#### *Tax Court petitions and abatements*

The County's general levy is spread across all taxable parcels in the County, including those in the City of Duluth. As a result, part of the levy support which funds the County Assessor's Office is paid by City of Duluth Taxpayers. The City of Duluth Assessor's Office provides assessment services to the City, however the St Louis County Attorney's Office is responsible for defending all Tax Court petitions filed on tax parcels within the City.

When a mistake to a Duluth tax parcel is corrected, a St Louis County Board approved refund is returned to the taxpayer. Also when a Tax Court petition (from a City parcel) results in a reduction in taxes paid, a refund is returned to the taxpayer. The resulting refund in both cases comes from City, School, and County funds. In the case of Commercial/Industrial and Cabin (SRR) class properties, a part of the taxes paid goes to the State General Fund. The refunded State General tax amount is adjusted (to County funds) in the following year.

The County's portion of overall tax extension rate has averaged 51% over the last 3 years. That means that for each dollar refunded, 51 cents comes out of County funds. Conversely the City's portion has averaged just under 22 %, which means that a refund on County parcels costs City taxpayers 22 cents.

Over the last three years approximately 90 % of the total County-wide Tax Court abatements have been refunded on tax parcels in the City of Duluth. Appendix V displays an estimated calculation of the amount of County funds that have been expended as a result of City corrective abatements and City Tax Court abatements. The amount of County funds expended, in addition to the time and resources of the St Louis County Attorney's Office and St Louis County Auditor's staff in litigating and processing City of Duluth abatements, is greater than the amount of City levy support received to fund the St Louis County Assessor's Office.

### 3.3.3 Recommendations for improvements within existing assessment system

The recommendations described below target improvements that can be made within the existing assessment system. These recommendations can be implemented in the short term (1-2 years). The short term recommendations can be implemented in order to achieve immediate quality improvements. The short term recommendations are, in principle, "no regret" measures that do not impact moving to structural changes in how the assessment process is carried out over the long term. Appendix VI (Findings and Recommendations Summary Overview) provides a summary overview linking the recommendations to the key findings as discussed in the previous paragraph.

#### *The current assessment system is complex, resulting in variances*

The recommendations below target improving uniformity and quality management across multiple jurisdictions.

- Establish a new position within the County Assessor's Office to follow-up on and facilitate the uniform execution of the assessment process across all jurisdictions.
- In improving the current assessment system, needs and characteristics of the assessment process at each local level (organized townships, cities of the first and second class) should be taken into consideration.
- Establish performance standards and best practices based on the TUF performance indicators identified by the assessment panel. Establishing these standards allows for an objective measurement of performance which can be communicated with the responsible jurisdictions as the quality standard to adhere to.
- Formalize the performance standards in a model contract for contract assessors and require a performance bond for contractors.

- Build a coalition with the local townships to promote a universal approach to managing local contractors. Township as the responsible jurisdiction is responsible for managing the performance of their contract assessors.
- The St. Louis County Assessor's office should consider offering training at the Township Officers Association meetings on how quality assessment in their jurisdiction affects TUF.
- The county should consider requiring all local assessors to conduct mass appraisals of the entire jurisdiction rather than 1/5 of a jurisdiction (appraising entire jurisdiction of a period of five years), bringing the local appraisal process in line with county procedures along with creating mass appraisal best practices.

### *Responsibility and quality management control can be improved*

The recommendations listed above apply to this finding as possible counter measures to manage quality control. The current system provides the County limited authority to address quality concerns, including having the County redo assessment work in a township or city of the second class when required by the DoR. Quality problems within the City of Duluth, a city of the first class, require direct action by the DoR. The following recommendations are made to improve the current situation:

- Inform the County Board about any local assessment issue(s) that may affect the goal of a county assessment system that is TUF.
- Establish an arbitration panel when a jurisdiction is not willing to address quality issues identified by the county. Such a panel could consist of a county appointed representative, a local jurisdiction appointed representative and a jointly appointed representative.
- The County Board can request the DoR to take action if the City of Duluth is not responsive to quality concerns brought up by the County such as meeting the quintile cycle defined in statute.
- Have the DoR strengthen the responsibility of the Minnesota State Board of Assessors and empower them to take a more pro-active position regarding a local assessor's poor or non-performance of duties or any unethical behavior.
- Inform the Town Board of any infractions by the local contract assessor. Any time the County Assessor discusses deficiencies with the local assessor's work product, the Town Board will be notified.

### *Recommendations to improve the team environment*

A number of measures have been identified that can help the assessors operate more as a team:

- Increase the frequency of assessor meetings and include mandatory participation in performance measures and best practices.
- Increase opportunities for cooperative training: for example, field interpretation training to promote uniformity.
- Establish an apprentice/mentor system for new assessors to learn policy and procedures and work with technology.
- Use available technology for training and information sharing.
- Establish training and technology standards that all assessors should adhere to.
- In the event a new position is created, additional duties can also include building a cohesive team of local assessors.

### *Insufficient quality at the local level results in cost for the county*

The recommendations listed above are expected to improve the ability of the County to manage quality concerns at the local level, short of having direct authority over how the work is carried out.

### *Improve communication on the assessment process*

Improve the communication with all stakeholders on the assessment process. In order to gain broad public support for measures to improve the assessment process it is important to conduct public outreach, enhance the county web page and update the information brochure on the assessment process and reflect proposed changes.

### *Encourage the City of Duluth to develop a strategic plan regarding assessment*

The panel recommends the City of Duluth develop a strategic plan to address capacity to carry out the assessment process in line with the DoR standards. In addition, address capacity to adequately handle tax court cases.

## 3.4 Funding of the Assessment Process

### 3.4.1 Description of findings

#### *There is inequity in the distribution of assessment cost*

The funding of the assessment process is complex. There is an inequity in the assessment fee structure resulting in significant differences in per parcel average assessment cost between jurisdictions.

### 3.4.2 Analysis

The St. Louis County's assessor's office budget comes in part from the county levy (58%) and in part from fee for services charged to organized jurisdictions (42%). Locally assessed jurisdictions use the County fee schedule as a ceiling to set their assessment cost. All St. Louis County property owners contribute to the funding of the County Assessor's office through the levy. In addition, property owners in organized townships and cities of the first and second class pay for assessment cost through their local city and township levy. As a result property owners in unorganized townships pay significantly less than those in locally assessed jurisdictions. This impacts fairness of the distribution of the assessment cost. A complicating factor in remedying this situation is the fact that state statutes do not allow to add on an additional charge for property owners in unorganized townships.

Addressing the fairness of the distribution of the assessment cost is complex. This issue is at the heart of a broader county services funding discussion. The long term cost implications of shifting to a True County system are discussed in paragraph 3.7.2 and concludes that significant annual cost reductions can be achieved. Further analysis will need to be done to determine the one time transition cost when shifting from the current mixed system to a True County system.

### 3.4.3 Recommendations to improve funding equity

The short term recommendations move funding of the County Assessor's office toward a True County funding system.

- The County assessment cost should be borne by the general levy so property owners pay based on the tax capacity of their property.
- Organized jurisdictions using the County should not pay an additional fee (moving toward a True County funding system). *\*Note: this still leaves the issue of City of Duluth residents paying twice.*

## 3.5 Staffing and Human Resource Management

### 3.5.1 Description of findings

#### *An aging workforce requires succession planning*

An aging local/contract assessor workforce will lead to attrition and requires succession planning. These changes should be taken into consideration when making long term plans for staffing the assessment process and may offer opportunities to phase in more structural changes.

### 3.5.2 Analysis

The key issue is ensuring that a quality workforce (right aptitudes, skills and training) remains in place. New assessors are trained in the field over a one to four year period. In addition, if an experienced assessor is attracted, it still requires a period of time to become familiar with the local market characteristics. Timely succession planning is important to maintain a balance between experienced and new staff. Future attrition of local assessors could create a window of opportunity for structural change in how jurisdictions staff the assessment process. This should be considered when looking at the more structural long-term True County system recommendations discussed in paragraph 3.7.

Key questions to address as part of a succession planning strategy include:

- How and when will an aging assessor workforce impact staffing levels?
- How do we ensure a long term qualified assessor workforce that operates as a cohesive team and is able to work within an increasingly technology-based environment?
- What opportunities does attrition offer to make more structural changes in staffing and how the assessment process is carried out as part of the County's long term strategic direction?

### 3.5.3 Recommendations for succession planning

- The County should take the lead in working with the local jurisdictions to plan for an aging workforce in order to ensure a high quality assessment team is in place and fits the County's long term strategic direction.
- Establish and document minimum skills and best practices for new assessors, instituting a countywide quality standard for incoming staff.

## 3.6 Use of technology & innovation of practices

### 3.6.1 Description of findings

#### *Technology changes will impact work processes and organization*

- A gap in technology use and access exists between county assessor staff and some local assessors. This has an impact on uniformity of assessment practices and the ability by local assessors to effectively work on countywide systems.
- There is discussion on which CAMA system is appropriate to enter assessment information.
- Technology changes such as the integration of permitting systems with GIS and satellite imagery analysis may reduce the number of physical inspections required, change work processes and increase staff productivity. These implications will need to be taken into account in strategic planning for the county assessment process.
- Property owners will in the near future be able to review property information on the County website.

### 3.6.2 Analysis

There is a gap between the county, which is progressive in maintaining up to date computer systems, and some local assessors, who have more limited resources and smaller economies of scale to maintain the same technology standard. These technology challenges include access to bandwidth, system compatibility and computer knowledge of assessors. Within the current mixed system this warrants a discussion identifying technology options and appropriateness of technology for countywide application.

The current Computer Assisted Mass Appraisal (CAMA) system is used to record assessment data. It is not considered user-friendly by the local assessors. Concerns include difficulty accessing the system, difficulty remembering all the coding, etc., if you do not use the system every day, and not being able to run other applications while in the CAMA system through its VPN connection.

The St. Louis County Geographic Information System (GIS) offers technology tools for the assessment process that were not available in the past. GIS is a system designed to capture, store, manipulate, analyze, manage, and map large quantities of geospatial data and non-geospatial data, for example, linking property information with permit data and monitoring changes using satellite imagery. Full utilization of GIS capabilities will be an important tool in the property assessment process and will change work processes. The documentation found in Appendix VII (Existing and Emerging Technology for the Assessment Process) provides examples of how technology can be utilized.

The anticipated technology changes and implications for optimal organizational structure and staffing need to be taken into account in long term planning. Also important in implementing technology changes is the regulatory environment under which the

Assessor's office operates. The DoR should consider updating statutes and rules to facilitate the incorporation of GIS-Satellite Imagery based assessments.

### 3.6.3 Recommendations

The following recommendation has been identified to address the technology aspects of the countywide assessment process:

- Establish best practices requirements regarding computer knowledge, connection speed and system requirements to prevent large technology gaps while the current mixed system is in place.
- The technology system used by the countywide assessors' team should be interfaced and up to par for all assessors (seamless interface between county, city and local assessors) as it relates to computer platform and field equipment. Internet connectivity is the key issue here.
- Develop a technology strategy, identifying options and appropriateness of technologies for countywide application.
  - o Consider implementing Pictometry Change Finder Software, which identifies and chronicles changes to property structures.
- The CAMA system used by St. Louis County should be user-friendly, transparent, and allow seamless integration of new technology tools such as hand-held field data devices.
- The current system should be evaluated as to whether this is the best system.
- Encourage DoR to investigate creating a statewide CAMA system.
- Integrate technology changes and its impacts on work processes and staffing in the long range plan. Take into consideration which organizational structure is best suited to roll out technology changes.
- Work with the DoR to change where necessary the regulatory requirements to allow a modernization of the assessment process using GIS-Satellite Imagery based assessments.
- Develop minimum standards to return property owners' phone inquiries

## 3.7 True County System findings and recommendations

Minn. [Stat.273.055](#) gives the St. Louis County Board the power to bring all assessments under the responsibility of the office of the County Assessor. A True County system is required to be authorized by the County Board by resolution and authorizes the County Assessor to assess all taxable property within the county. This option centralizes the assessment process and offers a long term (five year) option to improve the county assessment process and address the findings identified by the panel.

The City of Duluth's assessor office, a city of the first class, is on equal footing with the St. Louis County assessor office. As a result the City of Duluth can choose to opt out of a True County system and continue to carry out its own assessments.

The discussion below defines what a True County system is, lists the benefits in relation to achieving a TUF assessment process and discusses additional considerations when moving to a True County system, specifically political and organizational implications.

### 3.7.1 Benefits of a True County system in relation to TUF

A True County system can address a number of problems impacting TUF elements of the assessment process as identified by the panel members. The following benefits in relation to panel's key findings have been identified and are expected to have a positive impact on achieving an assessment process that is TUF.

#### *Responsibility and quality management control are not in one place*

In a True County system authority and statutory responsibility are aligned. The responsibility for the assessment process and the authority to manage quality control is vested within one organization. Any performance or quality problems can be directly addressed by the County Assessor's office.

#### *The current assessment system is complex, resulting in variances*

It is expected that a True County system, long term, will produce a better quality product at lower cost compared to implementing mitigating measures within the current Local County assessment system. The reason for this is the fact that a True County system brings the assessment process under single management, greatly reducing the probability for variance and increasing the likelihood of meeting the TUF principles. In a True County system, it is expected that fewer resources will be needed to correct variances; with that, the system becomes more predictable in planning needed resources.

A True County system also increases transparency of the assessment process. There will be fewer contact points for customers. As a result, a customer will be more likely to connect with the right customer representative and is more likely to receive uniform answers. Related to this, with the assessment process under single management, there is greater control of the message (uniform message), which results in a better understanding of the assessment process by the public and increased trust that the assessment process is TUF.

#### *There is inequity in the distribution of assessment cost*

A True County system will be financed through the county levy and the cost to a property owner will be based on the tax capacity of their property. There will no longer be any additional fees for assessment charged to property owners in organized jurisdictions through their local levies. The True County system addresses the financial fairness and uniformity of the distribution of cost for all property owners.

#### *Improving the team environment*

In a True County system the assessors work under the direction of the County Assessor's office. As a result the County Assessor can directly manage the assessor team and improve uniformity in training and knowledge levels to effectively carry out the assessment process.

#### *Closing the technology gap*

Under a True County system the County carries direct responsibility for the technology used by the assessors. As a result there is no longer a gap between assessed jurisdictions. An additional benefit is that under a True County system all data originates from the same source and will be made available through the same platform. This will likely improve ease of access to information for customers and staff.

When considering new technology introduction, experience shows that this is more easily accomplished within one centrally managed organization, rather than through a team of independent players. This leads to the conclusion that a True County system would be better positioned to roll-out new technology such as desktop based assessments.

#### *Insufficient quality at the local level results in cost for the county*

Local boards of Appeal and Equalization for all organized jurisdictions would continue to exist. It is expected that under a True County system there is an increased likelihood that issues can be resolved at the local level, avoiding more time-consuming and expensive appeal costs at the County Board of Appeal and Equalization or the Minnesota Tax Court levels.

#### *Additional benefits not related to TUF*

Additional benefits that have been identified with a True County system include:

- Lower average cost per parcel than a mixed system.
- Promotes efficiency in work planning (more predictable workloads).
- Removes a burden at the local level to manage the assessment process.
- Increased transparency results in healthier feedback and results in increased levels of trust.

### 3.7.2 Cost Projection of a True County Assessment System

A cost projection has been made to quantify the financial implications of moving toward a True County Assessment System. Currently the County Assessor's office employs 23 full-time and one half-time staff. Under the True County system projection the County would require a staff of 30.5 FTE without and 42.5 FTE with the City of Duluth. The workload, staffing and detailed budget assumptions for this projection can be found in Appendix VIII (True County Cost Projections).

The total cost estimate for the scenario **excluding** the City of Duluth is \$2,382,415 and translates to an average cost of \$18.84 per parcel. This True County scenario would increase the required budget of the Assessor office by 21% or \$414,237. This would be levy generated revenue. However, citizens would no longer need to pay for assessments through their local levy and net pay less for their assessment. The exception in this scenario is the City of Duluth residents. Their average per parcel cost would increase to approximately \$39 when we take into account the local average assessment cost of \$20.70 combined with the county levy of \$18.84 under this scenario.

The total cost estimate for the scenario **including** the City of Duluth is \$3,316,653 and translates to an average cost of \$22.28 per parcel. This scenario would increase the required budget of the Assessor office by 69% or \$1,348,475. The reason the projected increase for the scenario including the City of Duluth is higher than the present city budget of \$819,400 is because the City of Duluth is currently understaffed by three to four FTEs. This budget increase would be paid for by levy generated revenue. However, in this scenario too, citizens would no longer need to pay for assessments through their local levy and net pay less for their assessment.

As discussed in paragraph 2.4.4, the current average per parcel assessment cost is \$25. Under a True County scenario (including the City of Duluth) the average cost is projected to drop to \$22.28 per parcel. Property owners will see, on average, an 11% to 18% drop with the exception of property owners in the unorganized townships who currently pay on average \$6 per parcel.

### 3.7.3 Considerations (political and organizational) True County system.

Moving from a local assessed to a True County system is a structural change and has major transition implications. As part of the decision making, it is important that these implications are made explicit in order to be able to weigh whether the potential benefit of changing the system outweighs the potential (legacy) cost of moving away from the current system. The assessment panel inventoried the potential negative impacts a True County system could have and inventoried the consequences that lie in the realm of the organizational ramifications and political considerations.

The organizational and political ramifications form the majority of the concerns relating to a transition from a mixed assessment system to a True County system. These are discussed below:

#### *There will be upfront transition cost*

There will be upfront transition cost associated with moving from a locally assessed to a True County system. Such costs include hiring and training additional county assessor staff and providing them with the tools they need to carry out their work, as well as cost associated with transitioning the assessment from the local jurisdictions to the county. These costs need to be further specified as part of a transition road map.

#### *Level of service may change for local jurisdictions*

Some panel members have expressed a concern for potential increased distance between public and county assessor versus a local assessor who lives in the community (including geographic distance as well as knowledge of the local situation). The county assessor staff may be less available to the public and system users, as the county holds daytime office hours and contract assessors often have more flexible hours which include evening and weekends.

A transfer of responsibility from the local jurisdictions to the county could impact city departments. Local assessors often fulfill additional tasks within the city that are not taken over by the county in a True County system. The service level to the local jurisdiction may be less (for example, the ability to provide financial information on properties or be present during truth-in-taxation meetings).

#### *Impacts on local (contract) assessors*

A True County system means that local jurisdictions will no longer employ local assessors. This may impact the positions of the local assessors conducting the assessments. This can be addressed in part through transition management where qualified staff may be absorbed by the County Assessor's office and through attrition.

### Public perception of changing to a True County system

A change of the system may lead to a negative perception among taxpayers regarding due process. Part of the public may be concerned that their properties are no longer locally assessed. An additional concern may be a lack of trust that a more centralized assessment process (bigger government) is not necessarily better. *\*Note: One could argue that if uniformity is the goal a centralized process is more likely to produce this as an outcome.*

### Political implications relationship with local jurisdictions

A change to a True County system requires local jurisdictions to give up a historically local responsibility/right by statute.

### Implications of a larger centralized organization

There is currently no good mechanism to manage/secure access to historical assessor data such as field notes. These may get lost in a transition from a mixed assessed to a True County system. This is, however, also a concern within the current system any time there is a change in local assessor responsibilities. As the county moves toward electronic record keeping this will become less of an issue moving into the future.

A larger organization may lead to more specialization. As a result the assessment process in a jurisdiction may be divided between a number of persons, for example, commercial and residential property assessors.

### A True County system will shift cost distribution

A change in how the assessment process is paid for will result in winners and losers. Unorganized township property owners will pay more, and property owners in organized jurisdictions pay less. Further, the funding of the assessment process will shift from partly fee-based funding at the local level to complete funding through the county's general levy.

### City of Duluth True County cost implications

The City of Duluth, if it chooses to carry out its own assessment, will see an increase in cost. They will employ their own assessor's office plus fund a part of the county assessor's office as part of the county's general levy. Under a True County system the assessor's portion of the general levy will increase for all taxpayers in the county including those in the City of Duluth. Maintaining its own office will not allow the elimination of local assessment cost for the city as will be the case for all other jurisdictions.

## 4 Final Recommendations and Concluding Remarks

### 4.1 Three scenario's to achieve a TUF assessment system

The panel members evaluated three possible long term scenarios to achieve a TUF assessment system:

1. Implement short term recommendations and move long term to a True County system (including the City of Duluth) – recommended long term (5 year) scenario.
2. Implement short term recommendations and move long term to a partial True County system (excluding the City of Duluth).
3. Maintain current mixed system and implement short term recommendations.

The following paragraphs outline in further detail the arguments for the majority recommendation to the St. Louis County Board to move toward a True County system and minority recommendation to make improvements within the current system.

### 4.2 Majority recommendation: True County

The panel members recommend implementing the short term recommendations (next two years) to improve a TUF assessment process as long as the current mixed system is in place. Long term (five year transition period), the majority (9) of the panel members recommend transitioning to a True County system as the most efficient and effective approach to achieve a TUF assessment system.

It is recommended that the City of Duluth is included in the True County system in order to achieve an assessment system that meets the TUF principles for the entire county. The decision to join a True County system has to be made by the City of Duluth. If the city chooses not to join a True County system this will likely result in higher cost for Duluth property owners as the county moves forward to a True County system and negatively impact the County's ability to achieve a countywide TUF assessment system.

The recommendation to transition to a True County system including the City of Duluth is based on the following findings:

- A True County system is considered the best method of service delivery and the most effective way to organize the assessment process and manage quality control. It addresses most of the concerns identified within the current system that affect a TUF assessment process (as discussed in paragraph 3.7.1).
- A True County system is expected to produce a better product at lower cost to the county citizens. It is projected to cost 11-18% less (after the transition is completed) compared to total cost of the current local assessor system (as discussed in paragraph 3.7.2)
- A True County system is better positioned to implement the anticipated technology changes, including increased use of GIS and satellite imagery and take advantage of efficiencies of scale.
- Workforce needs for carrying out the assessment process will change as a result of technology changes, doing more with fewer people. In addition, succession planning

for an aging workforce of local assessors offers a window of opportunity to reorganize while limiting impact on the current workforce and jurisdictions.

If the St. Louis County Board decides to move forward with a True County system, the transition requires a roadmap. Key elements that should be addressed in such a roadmap include:

- Development of a communication plan for all stakeholders (citizens, local jurisdictions, local assessors, county, etc.)
- Coordination of the transition process with the affected jurisdictions.
- Take succession planning into account in planning the transition time path and consider absorbing qualified local assessors into the County Assessor's office. Employment relationships are a key concern in the transition period.
- Identification of a champion to see this transition through and help stay the course.

### 4.3 Minority recommendation: Improve current mixed system

Five panel members did not recommend moving to a True County system. They recommend making improvements within the current system in order to achieve a TUF county wide assessment system. These panel members find that the majority of the local assessors have adapted well to working with the current assessment system and that the identified short term recommendations can address most concerns relating to achieving a TUF assessment system.

They further find that the impact of moving toward a True County system does not outweigh the perceived benefits. Key concerns that have been identified regarding a True County system include:

- There will be upfront transition cost and there is a concern that County staff will be more expensive than local assessors.
- The level of service for local jurisdictions may be impacted. For example, local assessors are available during non-county hours and weekends and therefore better serve their community's needs.
- A True County system would impact jobs of current local assessors.
- A True County system will impact the local control of jurisdictions over the assessment process.
- Once a True County system is implemented it will be very difficult to reverse.

#### 4.4 Concluding remarks

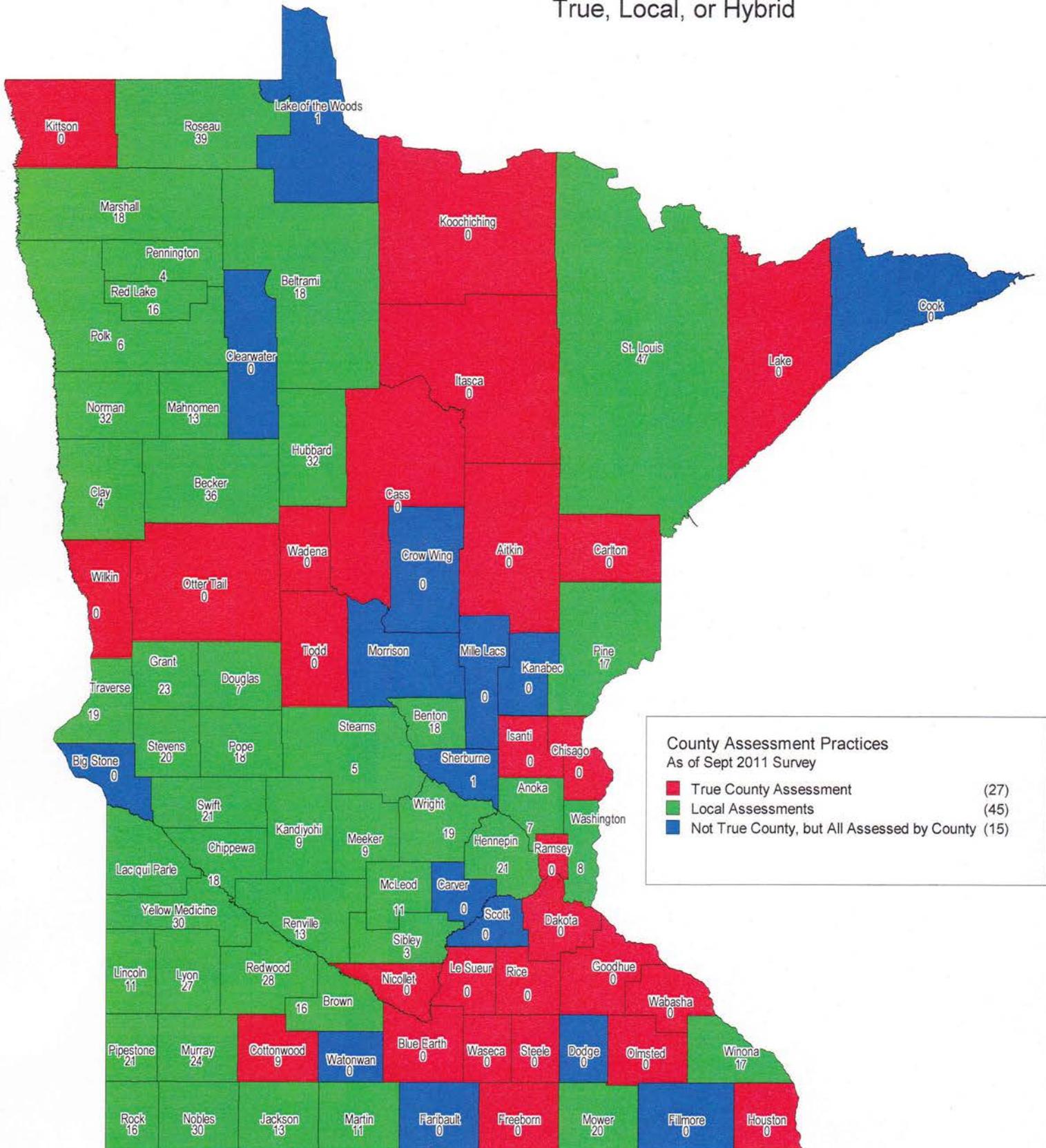
The St. Louis County Assessment Practices Review Panel thanks the County Board for the opportunity to serve on this panel. The panel composition was a balanced representation of interests and expertise and included local assessors, real estate appraisers, local government and business representatives. The panel members showed a great dedication and commitment with an on average attendance of 90% over the course of this process.

The panel worked diligently over a period of nine months (June 2011 through February 2012) and met for nine bi-weekly meetings during the fact-finding phase. During this period a number of speakers were invited to present information, including the St. Louis County Assessor, County Planning/ County Geographic Information Systems (GIS), County Auditor's Department, Scott County Assessor's office, Minnesota Department of Revenue, Minnesota State Board of Assessors, Assessors of Minnesota Cities and Townships (AMCAT) and the City of Duluth assessor. Following this, the panel held four meetings in November and early December to discuss their findings and formulate recommendations. The panel met once in January to discuss the draft report and had their final meeting to review and approve the final report on February 8, 2012.

The panel members pride themselves in the due diligence they have shown in carrying out their task and the open debate. As a result of the fact finding and deliberations, they have become even more aware of the complexities of the current mixed assessment system. In formulating their recommendations they have focused on their assigned charge to achieve a TUF assessment system. The panel members believe that the majority recommendation will do just that, move St. Louis County toward a Timely, Uniform and Fair assessment system that, in turn, will equitably distribute the property tax burden. The panel members recognize that a decision to make changes to the current system have to be evaluated within a broader context. The panel members understand that such a recommendation needs to be implemented within a broader context and respect the decision the County Board will make based on the information and findings presented in this report.

Appendix I      Map of Statewide Assessment Practices

# County Assessment Practices: True, Local, or Hybrid

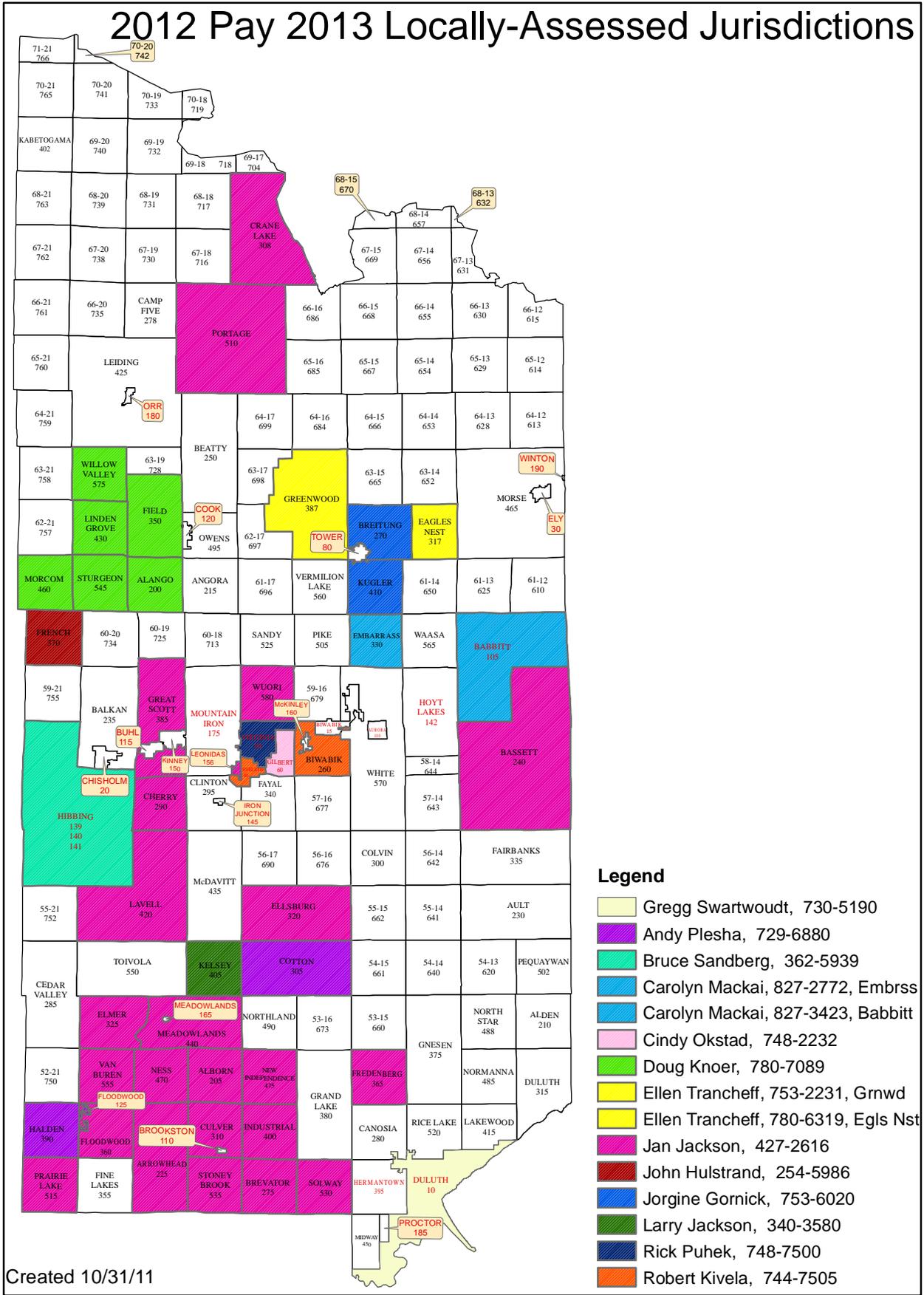


**County Assessment Practices**  
As of Sept 2011 Survey

- True County Assessment (27)
- Local Assessments (45)
- Not True County, but All Assessed by County (15)

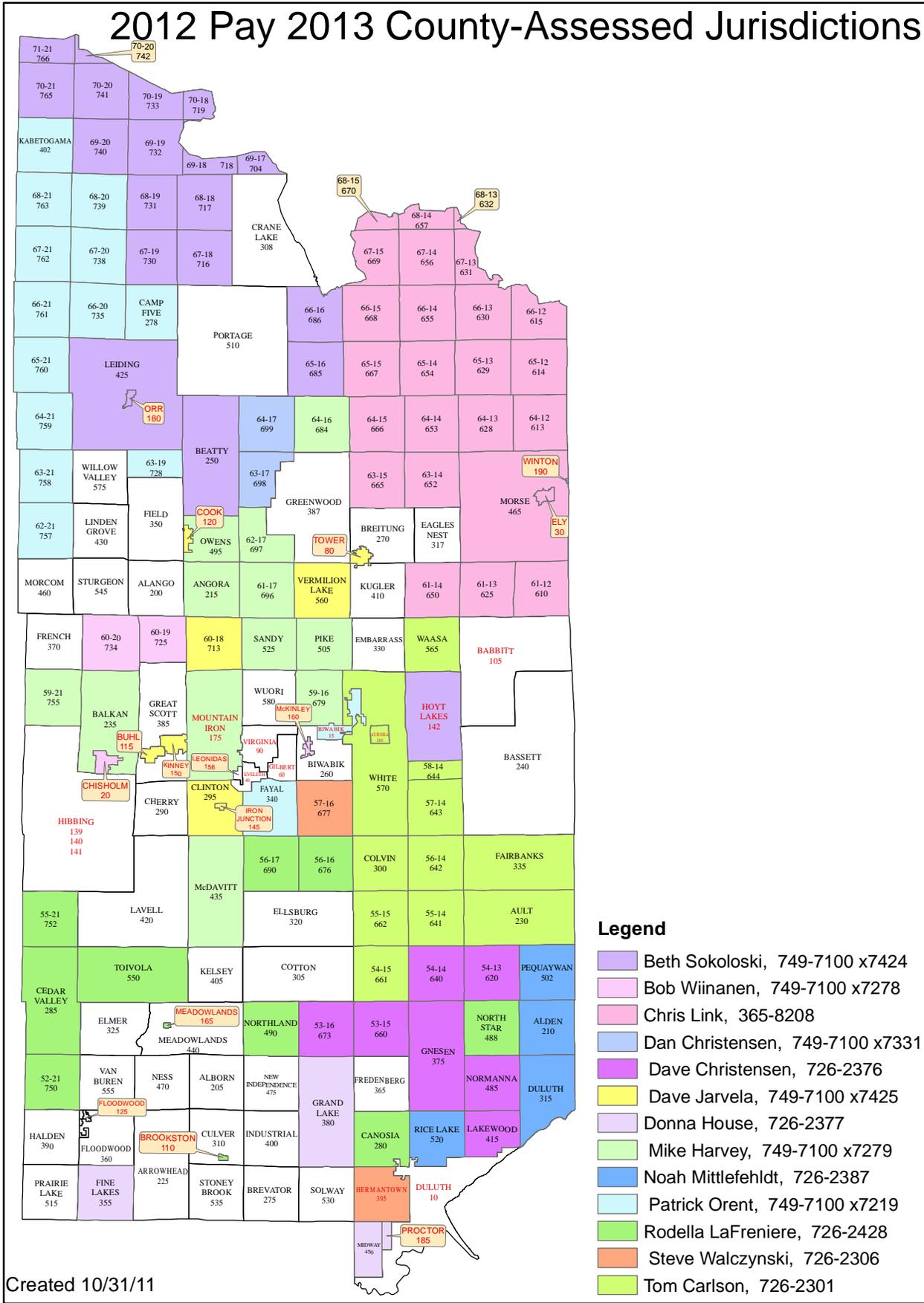
Appendix II Map of St. Louis County Assessment Jurisdictions

# 2012 Pay 2013 Locally-Assessed Jurisdictions



Created 10/31/11

# 2012 Pay 2013 County-Assessed Jurisdictions



Created 10/31/11

Appendix III Local Assessor Policies and Procedures



of said work plan to the County Assessor is an annual requirement. The deadline for the assessment work plan is June 30 each year. Local assessors are expected to begin their quintile field work in May. The rate schedules for the upcoming assessment are not required to be finalized prior to doing field work. Field work should be started as soon as possible to meet deadlines.

- B. Quintile Inspections: These must be started as soon as possible after the adjournment of the Local Board of Appeal. At least 50% of the scheduled reappraisal field work should be done by October 1. On December 1, all reappraisal field work and at least 75% of the finalized reappraisal valuations must be completed.

To be credited as a quintile reappraisal, the Local Assessor must:

1. Attempt to do an interior inspection (ie., knock at the door). The County Assessor recommends sending out neighborhood announcement letters.
2. Review the outside dimensions and re-measure if they appear incorrect.
3. Carefully review the classification of the parcel.
4. Review the attributes on land only parcels and recalculate from the newest land schedule.
5. Meet appraisal standards set forth in this policy.

The Local Assessor will not receive credit for:

1. Just driving by and changing the value.
2. Using percentages only to change the value.
3. Reviewing the land value only on improved parcels.

- C. Maintenance Activities:

1. Homestead Activity: This has become a year-long process. Follow the guidelines given in the homestead procedures manual provided by the County Assessor.
2. Changes to Review (Building Permits): The County Assessor receives a copy of all county-issued building permits and will send them to the Local Assessor (as Changes to Review) periodically after July. If there is local zoning, the Local Assessor is responsible for getting copies of permits on a timely basis. In locally assessed townships that also have local zoning, the local assessor must submit copies of all building permits to the County Assessor. New construction should be checked for stage of completion as close to the assessment date as possible.

3. **Mobile Homes on Personal Property:** Mobile homes assessed as personal property must be field checked annually to confirm their presence on the assessment date. This work should be done immediately after the January 2 assessment date and documented on the Mobile Home turnaround.
4. **Splits and Assessment Changes (ATF's):** These must be done on a timely basis and should be returned completed within a month of when they were sent.
5. **Sales Verifications:** All sales should be verified. Rejection sheets should be returned by the end of the month following the month when the CRV is sent to the Local Assessor by the County Assessor's Office. Sales where a rejection sheet is not submitted within 60 days are presumed to be valid.
6. **Valuation or Classification Abatement Recommendation Forms:** These are the responsibility of the Local Assessor. Homestead (principal parcel) recommendations must be accompanied by a copy of the signed homestead affidavit for the year in question. Valuation abatements must be accompanied by a copy of the appraisal.
7. **Turnaround Lists for Real Estate, Personal Property, and Mobile Homes :** Due February 1. For MCIS users the deadline is March 1.

## II. Appraisal Standards

- A. **Land Valuation:** Land shall be appraised using a schedule. The schedule should be based on reasonable units of comparison for the type, quality, and use of the property. The County Assessor's staff will work with any Local Assessor to establish a usable, accurate, and defensible land valuation schedule. The County Assessor reserves the right to review and adjust any land schedule developed by a Local Assessor.

The appraisal field card should have the relevant lot sizes and valuation calculations derived from the established schedule.

- B. **Building Valuation:** Buildings shall be appraised using a schedule which recognizes (at a minimum) the size, quality of construction, effective age, and condition of the buildings on the parcel. We recommend use of the valuation model which has been developed by the County Assessor; however, other valuation models may be acceptable. The County Assessor reserves the right to review and adjust any building valuation schedule.

The appraisal field card will have the following building information:

1. Building dimensions
2. Building attributes:
  - a. Type of construction
  - b. Quality of construction

- c. Effective age
  - d. Building condition
  - e. Amenities (ie., bathrooms, fireplaces, air condition)
3. Photograph of main building as of the date of last field appraisal
  4. Calculations showing how the value was derived
  5. Date of last physical inspection
  6. An indication of whether the appraiser had entered, not entered, or was refused entry to the property (County standard codes: NH = Not Home, RE = Refused Entry, AD = At Door, NC = No Contact, UD = Unfriendly Dog)
  7. Appraiser's field estimate of value

### III. Audit Procedure and Standards

Minnesota Statute 273.064 requires the County Assessor to review the "books" of Local Assessors after December 1 to determine if there are deficiencies in the assessment. To ensure compliance with this standard, the County Assessor will conduct reviews as follows for each year:

- A. June 30: Submit work plan for next assessment year.
- B. October 1 - 15:
  1. Check land and building valuation schedules and revise as necessary.
  2. Review work progress to that point. Minimum requirement is 50% of all reappraisal fieldwork completed and ½ of those should have values calculated.
  3. Should have all remote access properties reviewed by this date.
- C. December 1 - January 15: Official audit date by County Assessor's staff.
  1. All reappraisal fieldwork must be done at that point and 75% of the values calculated.
  2. Ratio studies and/or a plan for what is to be done with non-quintile reappraised parcels must be prepared.
  3. Maintenance work must be current.
  4. Review five-year plan and revise as necessary.
- D. March 1 - 15: Office audit of new construction on parcels with building permits.

#### IV. Deficiencies

The responsibilities covered in this section should be straightforward. Deficiencies on a cumulative basis can result in corrective action on the part of the County Assessor's Office.

The circumstances will dictate the corrective action, but generally deficiencies from the above standards will lead to the following:

- A. Initial and minor problems will be addressed on a verbal basis.
- B. Repeated or more significant deficiencies will be addressed by memo from the County Assessor to the Local Assessor, with a specific corrective action and compliance date. Copy of memo to City Council or Town Board, and County Board.
- C. Failure to remedy the deficiencies as directed in the memo by the prescribed date will require corrective actions by the County Assessor and staff, with billing to the jurisdiction for full cost.

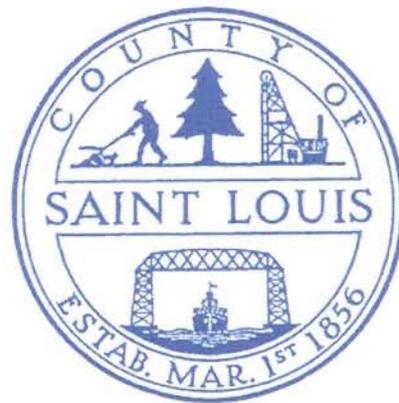
Appendix IV St. Louis County Fee Schedule

**Saint Louis County**

**2012 FEE SCHEDULE**

**DRAFT**

**November 8, 2011**



DEPARTMENT/SERVICE	LAST CHANGE	2008 FEE/CHRG	2009 FEE/CHRG	2010 FEE/CHRG	2011 FEE/CHRG	2012 PROPOSED	Notes Explain any Fee Changes
<b>ASSESSOR'S OFFICE</b>							
Assessment Services	M.S. 270.52						
- Homestead Activity		1.00	1.00	1.00	1.02	1.02	
- Res-SRR-MH < 30		16.85	16.85	16.85	17.13	17.13	
- Comm-Ind-Apt-Resort		33.25	33.25	33.25	33.81	33.81	
- Vacant Land		5.95	5.95	5.95	6.05	6.05	
- Res-SRR-MH 30-60		22.70	22.70	22.70	23.08	23.08	
- Comm-Ind-Apt-Resort 30-60		47.60	47.60	47.60	48.40	48.40	
- Vacant Land 30-60		6.90	7.11	7.11	7.23	7.23	
- Res-SRR-MH > 60		27.85	27.85	27.85	28.32	28.32	
- Comm-Ind-Apt-Resort		53.85	53.85	53.85	54.75	54.75	
- Vacant Land > 60		7.95	7.95	7.95	8.08	8.08	
Property Assessment Record (free to property owner)							
- Non-graphical		5.00	5.00	5.00	5.00	5.00	
- Graphical		10.00	10.00	10.00	10.00	10.00	
Land Sales Database		25.00	25.00	25.00			
Queries							
- Standard Query (one hour minimum; additional time charged by 1/4 hour)		50.00	50.00	50.00	50.00	50.00	
- Repeat Query		25.00	25.00	25.00	25.00	25.00	
- Query- electronic file		0.015/record	0.015/record	0.015/record	0.015/record	0.015/record	
- Query - labels		\$0.005/label	\$0.005/label	\$0.005/label	\$0.005/label	\$0.005/label	
- Query - printed report		\$0.25/page	\$0.25/page	\$0.25/page	\$0.25/page	\$0.25/page	
Abatement Fee		75.00	75.00	75.00	75.00	75.00	
Evening LBA&E meetings			70.00/mtg	70.00/mtg	70.00/mtg	70.00/mtg	
Turnaround processing			1.00/parcel	2.00/parcel	2.00/parcel	2.00/parcel	
Past due ATF Fee/per ATF	M.S. 270.52				75.00	75.00	
Past due Sales Verification Fee	M.S. 270.52				75.00	75.00	

**NOTE:** All Assessor's fees subject to a 30% surcharge provided the county assessor staff completes work by a local assessor due to non performance or assessment work that does not meet county specifications.

**ATTORNEY'S OFFICE**

Practitioner's Attorney's Fees - in Guardianship Matters M.S. 524.5-502(b)

We have had attorneys for petitioners file an In Forma Pauperis petition and petition for payment of attorneys fees after the conclusion of the proceedings to be paid under MS 524.5-502(b). The approval of the proposed fee will allow the County Attorney's Office greater control over its budgeted funds.

50.00/hr not to exceed \$250 per case or actual hours spent, whichever is less

Appendix V City of Duluth Corrective and Tax Court Abatements

<b>2009-2011 Estimated City of Duluth Abatement Summary</b>	
	<b>2009-2011 Totals</b>
Duluth Tax Court Settlements	\$1,626,200
Duluth County Board Approved Abatements ( + )	378,900
<b>TOTAL</b>	<b>\$2,005,100</b>
State General Tax Reduction ( - )	\$437,000
County/City/Schools	1,568,100
County % of Local Levy ( x ), <i>3 year average</i>	51%
<b>County % of Abatement from the General Fund, 2009-2011</b>	<b>\$800,800</b>

<b>Tax Court Petitions, 2008-2011</b>		
<b>Year</b>	<b>Duluth</b>	<b>St. Louis County</b>
2000-07 Average new: 7 St. Louis County, 10 Duluth		
2008	26	10 – 7 new
2009	64	13 – 8 new
2010	61	19 – 12 new, 6 pre-levy
2011	75	19 – 10 new, 1 pre-levy
City Assessor: 1/3 of Duluth's cases are carryovers.		

Appendix VI Findings and Recommendations Summary Overview

# Panel Findings and Recommendations

- The following slides outline the key findings and (short term) recommendations of the Assessment Practices Panel.
- The findings and recommendations described in this presentation focus on short term measures that can be taken to promote a more Timely, Uniform and Fair (TUF) assessment process within the current assessment practices system.
- The Long term recommendation is to move toward a True County assessment system. The findings and key benefits are described in the True County recommendation summary sheet.

# Current Assessment Practices

Finding	Impact on TUF	Key issues to address	Recommendations
<p>Current local assessor system is complex with multiple responsible entities. The County has ultimate responsibility for the quality of the assessment process, but lacks direct control over the execution of the process. This results in variance in how the assessment process is carried out.</p>	<p>Multiple autonomous entities are responsible for carrying out the assessment process resulting in variance in how the assessment practice is carried out.</p>	<ul style="list-style-type: none"> <li>• No clear process and standards for quality control in carrying out a uniform assessment process.</li> <li>• Reluctance of responsible (oversight) entities to step in and remedy issues.</li> <li>• Each organization employing assessors has different incentives/reward system.</li> <li>• Local control inherently conflicts with countywide uniformity.</li> <li>• Fragmentation of responsibilities over multiple independent entities.</li> </ul>	<ul style="list-style-type: none"> <li>• In remedying current system, recognize needs at each local assessment level (Township, City 1<sup>st</sup> and 2<sup>nd</sup> class).</li> <li>• Establish shared quality/performance standards (integrating the TUF key performance indicators) that allow for an objective measurement of performance and can be communicated with the entity that hires the assessor as a performance standard.</li> <li>• Formalize performance standards in model contract between Twp and contract assessors and require a performance bond for contractor.</li> <li>• Create a new position to follow-up on the uniform execution of processes.</li> <li>• Build a coalition with the local townships to promote a universal approach to managing local contractors. Townships as the client are responsible for managing the performance of their local assessor.</li> </ul>

# Current Assessment Practices

Finding	Impact on TUF	Key issues to address	Recommendations
<p>Quality control is fragmented over 4 jurisdictions (DoR, Local Jurisdiction, County, Board of Assessors).</p>	<p>Quality control is fragmented over 4 jurisdictions with no clear process in place to remedy when problems arise.</p>	<ul style="list-style-type: none"> <li>• Reluctance of responsible (oversight) entities to step in and remedy issues.</li> <li>• Reasons may include, lack of resources to investigate and lack of political will.</li> </ul>	<ul style="list-style-type: none"> <li>• Document and have the responsible jurisdictions sign off on best practices, procedures and process steps as a shared standard to execute the assessment process.</li> <li>• Formalize performance standards (integrating the TUF key performance indicators) in a model contract.</li> <li>• Establish an arbitration panel when a jurisdiction or local assessor is not willing to address quality issues identified by the county.</li> <li>• Ask the County Board to encourage DoR to take its responsibility in addressing quality issues.</li> <li>• Ask the County Board members to play a pro-active role in addressing problems with jurisdictions in their district concerning the quality of the assessment process.</li> </ul>

# Current Assessment Practices

Finding	Impact on TUF	Key issues to address	Recommendations
<p>Communication between the County Assessor's department and some local assessors can be improved.</p>	<p>Disconnect results in gaps in information, standards and practices increasing potential for variances between jurisdictions and impacts all three elements of TUF.</p>	<ul style="list-style-type: none"> <li>• There is an impression that there is an us and them mentality between the County staff and some of the local assessors.</li> <li>• Mandatory attendance by local assessors of training and information sessions organized by the County are not enforceable. This can lead to differences in knowledge and assessment practices.</li> <li>• County reduction in staffing levels limits ability to reach out to local assessors.</li> <li>• No recourse by County if local assessor chooses not to interact.</li> </ul>	<p>Implement measures that help the assessors operate more as a team through for example:</p> <ul style="list-style-type: none"> <li>• Increase frequency of assessor meetings and include mandatory participation in performance measures.</li> <li>• Increasing opportunities for cooperative training such as for example field interpretation training to promote uniformity and.</li> <li>• establish an apprentice/mentor system for new assessors to learn policy and procedures and working with technology.</li> <li>• Use available technology for training and information sharing.</li> <li>• Establishing training and technology standards.</li> </ul>

# Current Assessment Practices

Finding	Impact on TUF	Key issues to address	Recommendations
<p>Insufficient quality of local assessments and adjustment boards can result in increased cost for county including tax court cases.</p>	<p>Local jurisdictions shift cost of poor assessment practices to county, impacting fairness of system.</p>	<ul style="list-style-type: none"> <li>• Inadequate assessments can result in increased cost at the County Board of Appeals, while the problem could have been remedied at the local level.</li> <li>• Additional County staff time is needed to address adjustment quality issues. This impacts other tasks of the County and the ability to plan for (human) resources needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Build a coalition with the local jurisdictions to promote a universal approach to managing local contractors. Townships as the client are responsible for managing the performance of their local assessor.</li> <li>• Create a new position to follow-up on the uniform execution of processes (including the TUF key performance indicators).</li> <li>• Inform the County Board members about problems with jurisdictions in their district concerning the quality of the assessment process.</li> <li>• Ask County Board members to make a statement of concern regarding the integrity of the assessment quality in these jurisdictions.</li> </ul>

# Current Assessment Practices

Finding	Impact on TUF	Key issues to address	Recommendations
<p>The City of Duluth makes up approximately 40% of the taxable parcels in St. Louis County. The City of Duluth is as a City of the First Class on equal footing with the county regarding the assessment process and responsible for the assessment quality within the city. The city is committed to uniformity with the county, however currently the assessment process is not uniform with the County. The City of Duluth is:</p> <ul style="list-style-type: none"> <li>• Not on the DoR mandatory quintile cycle for residential assessments (currently 7 year cycle)</li> <li>• Some commercial properties have not been visited in 10-15 years.</li> <li>• The city 's assessor's office has been understaffed (however, 2 commercial appraisers will be added starting January 2012)</li> </ul>	<ul style="list-style-type: none"> <li>• The City of Duluth is not conducting timely assessments.</li> <li>• The city's assessment process is not in line with the County quality standards (e.g. inspection cycle, conducting actual measurement of the property) impacting uniformity of the process.</li> <li>• If the tax base of the City of Duluth is not up to par with the rest of the county, property outside the city may be overcharged resulting in unfairness of the system.</li> </ul>	<ul style="list-style-type: none"> <li>• The City of Duluth has to be on a quintile assessment cycle for residential and commercial properties as required by the DoR.</li> <li>• The City of Duluth and the County should be committed to uniformity in the assessment practices.</li> </ul>	<ul style="list-style-type: none"> <li>• The City of Duluth has to address its staffing levels. In particular staffing of commercial appraisers need to be increased in line with DoR minimum staffing ratio recommendations.</li> <li>• The City and County should review how assessments are carried out and bring practices in line with each other to promote more uniformity in the assessment process.</li> <li>• The City of Duluth has to meet the mandatory DoR quintile assessment cycle standard.</li> <li>• The City of Duluth should develop a business plan to carry out its assessment process in line with the Assessment Practices Review Panel recommendations.</li> <li>• DoR should enforce its quality standards on the City of Duluth.</li> </ul>

# Funding of Assessment Process

Finding	Impact on TUF	Key issues to address	Recommendations
<p>There is an inequity in the assessment fee structure resulting in organized jurisdictions paying more than county assessed unorganized townships. This impacts fairness of the distribution of the assessment cost.</p>	<p>This impacts fairness of the distribution of the assessment cost.</p>	<p>Assessment cost of unorganized townships are paid for by the countywide levy. State Statute does not allow charging property owners in unorganized townships an additional fee. Property owners in organized jurisdictions pay the County levy part and in addition the local charge for the assessment.</p>	<ul style="list-style-type: none"> <li>• The County assessment cost should be born by the general levy.</li> <li>• Organized jurisdictions using the County should not pay an additional fee. (True county funding system).</li> </ul>

# Technology

Finding	Impact on TUF	Key issues to address	Recommendations
<p>There is a gap between some technology use/access by county and local/contract assessors.</p>	<p>This has an impact on uniformity and ability to effectively work on systems.</p>	<p>Drivers of this include access to bandwidth, system compatibility, and computer literacy of assessors.</p>	<ul style="list-style-type: none"> <li>• Establish minimum requirements regarding computer knowledge, connection speed and system requirements to prevent large technology gaps.</li> <li>• Technology system of the countywide assessors team should be interfaced and up to par for all assessors (seamless interface between county, city and local assessors) as it relates to computer platform, field equipment and minimum standards for phone.</li> <li>• Develop a technology strategy, identifying options and appropriateness of technologies for countywide application.</li> <li>• CAMA system should be user friendly and evaluated whether this is the best system for St. Louis county.</li> <li>• Encourage DoR to investigate state wide CAMA system.</li> <li>• Work with DoR to address regulatory issues relating to technology use for the assessment process.</li> </ul>

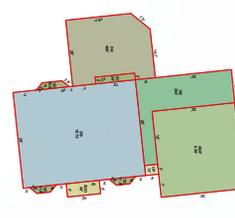
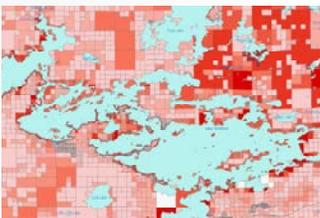
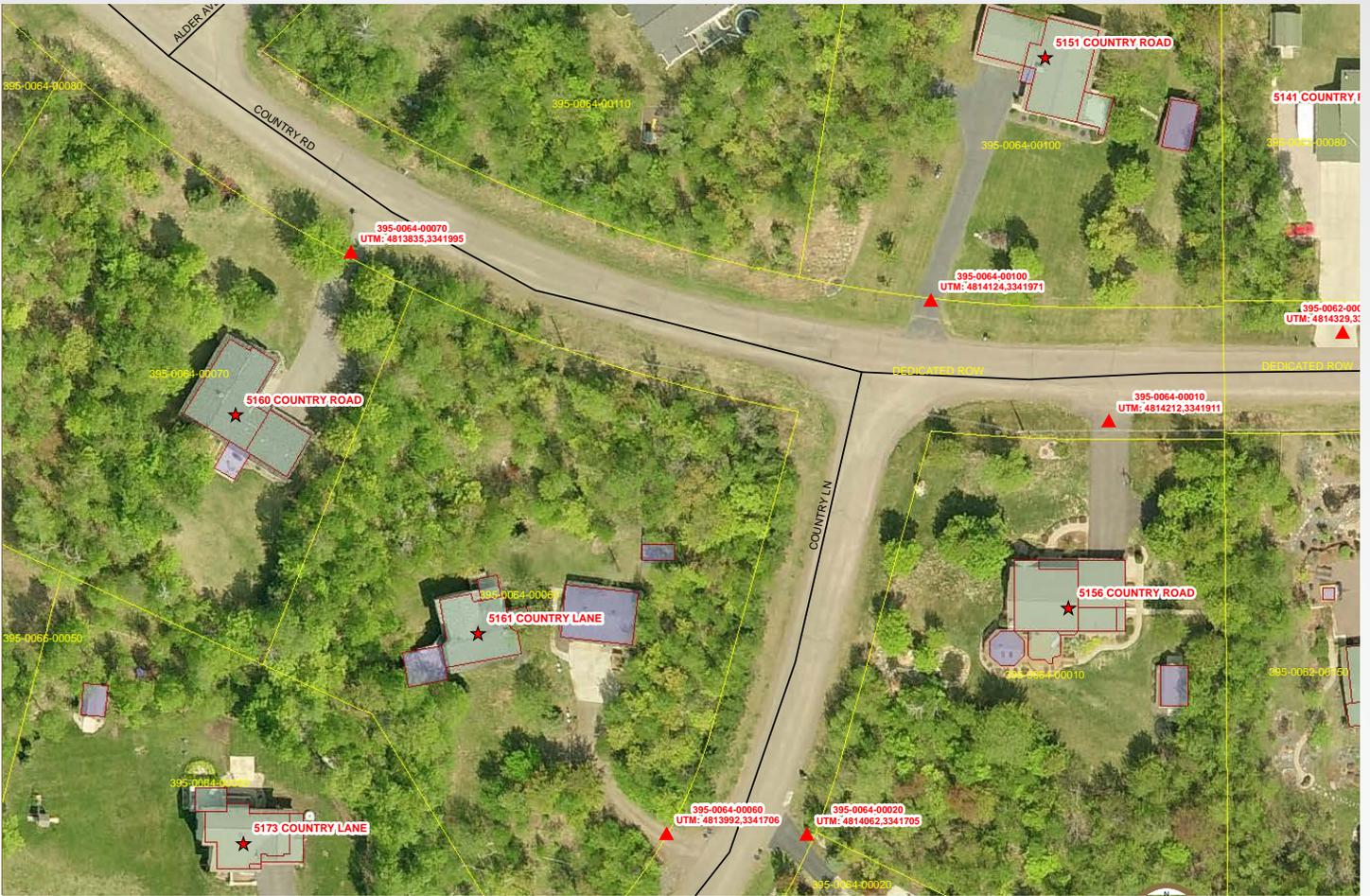
# Succession Planning

Finding	Impact on TUF	Key issues to address	Recommendations
<p>An aging workforce will lead to attrition and requires succession planning.</p>	<p>Quality assessor workforce impacts all three TUF principles.</p>	<p>Assess:</p> <ul style="list-style-type: none"> <li>• How to prepare for the recruitment and development of staff with the right aptitudes, skills and training?</li> <li>• What opportunities does this pose to build a future quality workforce that is able to work within an increasingly technology based environment?</li> </ul>	<ul style="list-style-type: none"> <li>• Plan for an aging workforce to ensure a high quality assessment team is in place that ensures a quality workforce and fits the County's long term strategic direction.</li> <li>• Document appropriate skills and aptitudes for new assessors. Quality of incoming staff should be in line with countywide standard.</li> </ul>

# True County Recommendation

True County findings	Impact on TUF	Key benefits
In a True County system authority and statutory responsibility are aligned.	Direct control over quality management will improve all aspects of TUF.	Addresses current lack of control over quality management of the assessment process.
It is expected that a True County system, long term, will produce a better quality product at lower cost compared to implementing mitigating measures within the current Local County assessment system.	Direct control over quality management will improve all aspects of TUF.	Cost are reduced because less time is spent on addressing variances, workloads are more predictable and economies of scale can be achieved.
A True County system will be financed through the county levy and the cost of a property owner will be based on the tax capacity of their property.	This impacts the fairness of the distribution of assessment cost. <i>(Note: if the City of Duluth chooses not to participate in a True County system, city property owners will pay additional cost)</i>	Average cost per parcel is projected to be lower. Cost of the assessment process are shifted from local jurisdictions to the County.
In a True County system the assessors work under the direction of the County Assessor's office. As a result the County Assessor can directly manage the assessor team and improve uniformity in training and knowledge levels to effectively carry out the assessment process.	This impacts all three aspects of TUF.	Addresses the current concerns of improving county and local assessors working as a team.
Under a True County system the County carries direct responsibility for the technology used by the assessors. As a result there is no longer a gap between assessed jurisdictions.	This impacts all three aspects of TUF.	Addresses the current concern of technology gap between the county and local assessors.

## Appendix VII Existing and Emerging Technology for the Assessment Process



- Fair and Equitable Assessment**  
 A parcel map would help both county and local assessors to locate parcels from various points of view that affect value and classification. Such points of view include location with regard to access (roads, water, trails); location with regard to man-made features both good (parks, malls, hospitals, schools) and unpleasant (active gravel pits, junkyards); location with regard to natural features both good (lakes, rivers, panoramic views) and bad (erosion areas, low lands subject to seasonal flooding); location with regard to market trends (changes in demographics, investment opportunities); and location with regard to legal use (zoning laws, habitat restrictions).
- Improves Real Estate Record Analysis**  
 The Assessor's Office receives innumerable amounts of data requests from real estate professionals researching information on comparable sales, acreage, bath and bedroom counts, assessments, taxes, land values, price per acres, and a host of other facts. Such data requests have made the Assessor's staff de facto research assistants. GIS will substantially reduce the number of these requests.
- Improves Assessment Tracking and Analysis**  
Improves Sales Trend Trackings: GIS is being used more and more to display such sales trends as price paid per acre or front footage, depreciation of existing buildings as markets heat up or cool off, effects of recent changes in legal use on a market, influx of out-of-county buyers, conversion of parcels from one use to another. Such displays can be used by assessors to write valuation schedules and by taxpayers to judge the reasonableness of their

- market values and the reasons behind increases/decreases.  
Provides Ability to Match Undocumented New Construction & Structures to a Parcel: An appraiser who comes across undocumented structures, or first-time new construction, can use the GIS parcel layer to identify the parcel and its owner.
- Improves Auditing Assessment**  
Enhances Administration Functions: GIS can be used to display such sales trends as price paid per acre or front footage, depreciation of existing sales.  
Provides Equalization Support: Parcel maps can display assessed values of parcels side-by-side throughout a neighborhood, township, or region. Assessors can compare, for instance, the consistency of their estimated market values on contiguous 40-acre parcels, or platted lots.  
Assists Board of Appeal and Equalization: GIS helps the Appeal Board members to "get their bearings" as taxpayers come in one at a time and appeal the value/class on a particular parcel. GIS maps would help the board make judgements with regard to locale, neighboring influences.
- Improves Service and Efficiency**  
Improves Response Time to Data Requests: GIS data is linked through a web portal to reduce information requests by phone calls, walk-in, and e-mail questions regarding basic assessment data. A web site using a parcel map allows the internet user to drill down to the parcel level to find such information and compare properties. This would significantly reduce employee time devoted to data gathering.



- **Improves Review Processes**

Currently, when examining documents, the Recorder's Office in many instances must access maps and data in other departments to complete a review and determination of a document. This method slows down the process and ties up staff in several departments. For example: the Examiner of Titles and the Recorder's staff must review maps from scattered sources when examining and reviewing documents. Often they must physically go to the Auditor's Tax Department or call the County Surveyor's office, causing additional staff workload in all departments. With GIS, Recorder's staff can internally review documents, saving time for both departments.

- **Assists in Certificate of Title Determination**

A review of GIS will assist Recorder's staff in assessing the need for a residue certificate of title as part of a transaction.

- **Enhances Business Interaction**

- Identifies Exact Location of Cellular Phone Callers

The Recorder's Office records documents and creates certificates that many businesses seek for its normal business transactions. These businesses are title companies or attorneys doing title searches, abstracts, owners and encumbrance reports, title insurance, and much more. With GIS, a business can quickly query and locate a person or property (by address, legal description or clicking on property- the latter of which currently does not exist), and begin the review process. This improves the efficiency of the businesses and reduces the amount of time county staff spends helping businesses locate a site.

- **Assists Cleaning-Up Parcels with Clouded Property Titles**

Many developments are well down the road of securing private and public dollars, permits, and bids only to hit an obstacle of a clouded property title. Title problems can be expensive, cause delays, or kill a project. There are key parcels in Duluth and other communities that remain undeveloped in part because clearing the title can be cumbersome, and the city or developer is unwilling to take on the responsibility of clearing title.

- **Improves Service and Efficiency**

- Quick Drill Down- Improves Ability to Review Documents Quickly/Easily:

GIS will dramatically improve the ability of Recorder's staff, businesses, and residents to quickly search, locate, and review a wide range of legal documents. Currently, there is no ability for searches by address, which causes problems (additional research) of locating the correct documents filed on a particular property.

Improves Response Time to Data Requests: The Recorder's Office receives innumerable phone calls, e-mails and written requests from people looking for objective data such as lot size, recording data of documents, whether Torrens or Abstract, and the existence of liens or encumbrances. With GIS, recorded documents and data can be quickly searched and located, thus reducing the amount of time for each request.

- **Web Portal: Enhances Access 24/7**

A web site using a parcel map that allows the internet user to drill down to the parcel level to find such information would significantly reduce employee time devoted to such mundane data gathering.



CHANGE

EXISTING

EXISTING

EXISTING

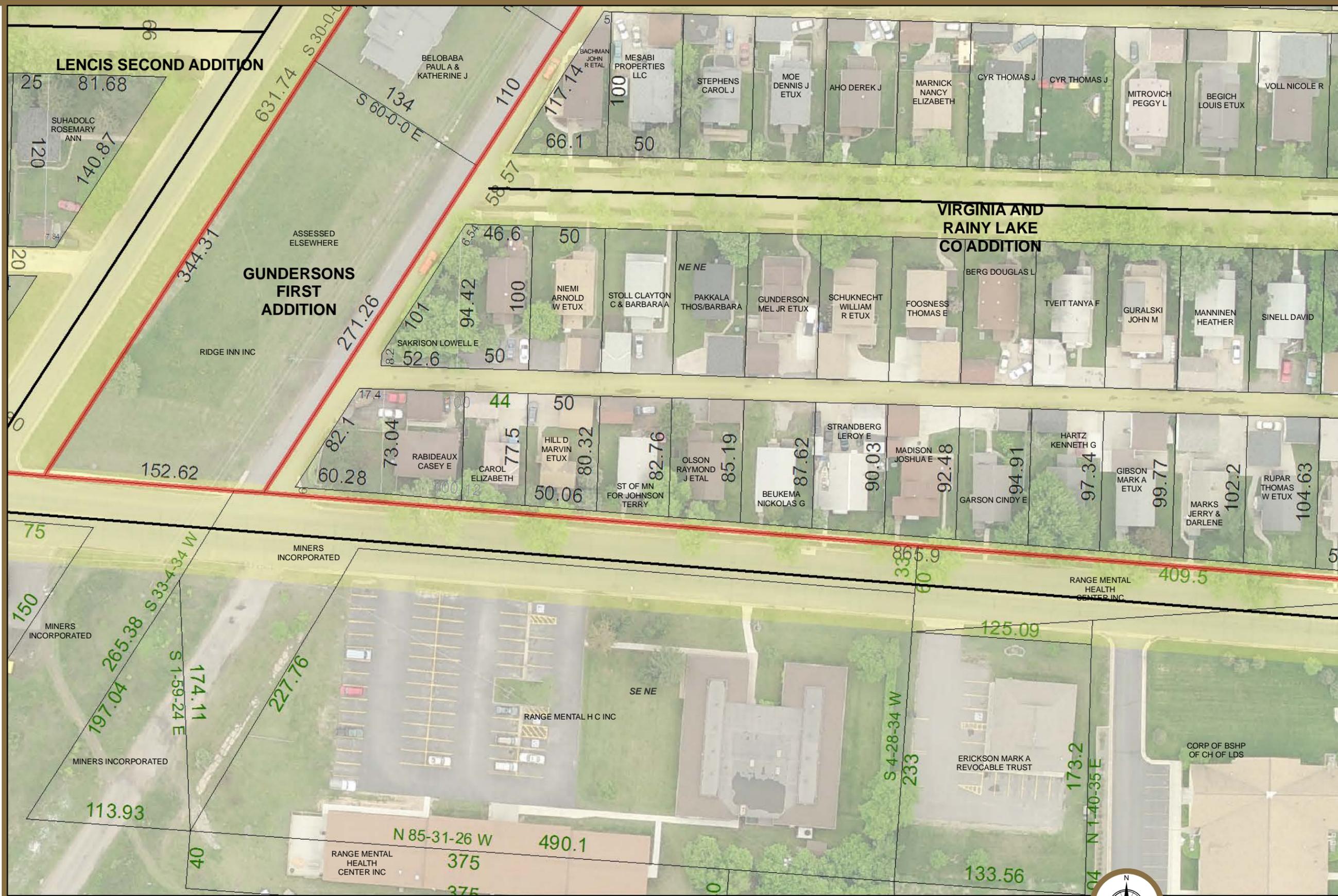
EXISTING

EXISTING

EXISTING

CHANGE

EXISTING



**Legend**

-  Parcel Project TRANS\_Roads
-  Subdivision
-  SLC Parcels
-  Current ROW
-  Lots
-  QuarterQuarter Annotation

Prepared By: **Planning & Development**  
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 www.co.st-louis.mn.us

Location: M:\00 PRAGIS\Projects\Current Projects\Enterprise Data Development

Source: St. Louis County

Map Created: 03/11/2010

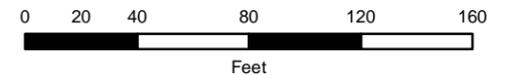
**Disclaimer**

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# Cadastral (Parcel) Data

## Enterprise Data Development





Legend

— Planimetric Boundary Lines

Planimetric Polygons

INFORMATION

■ APEX

■ CAMA

■ PROPERTY CARDS

■ AERIAL PICTOMETRY



Prepared By: **Planning & Development**  
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Location: M:\100 PRAGIS\Projects\Current Projects\Enterprise Data Development

Source: St. Louis County

Map Created: 05/22/2009

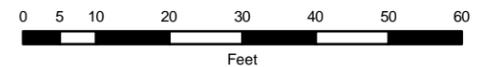
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# Assessor's Structures (Planimetric) Data

Enterprise Data Development





using 2011 data

	Local Assessment Fees/Costs	County Assessment Fees	County Assessor Levy Support	Total	Vacant Taxable Parcels	Improved Taxable Parcels	Total Taxable Parcels	Total Cost per parcel
County Assessed Cities and Townships	None	832,673	368,657	1,201,330	20,207	31,680	51,887	23.15
Locally Assessed Cities and Townships	936,320	None	260,984	1,197,304	18,110	27,238	45,348	26.40
Unorganized Townships	None	None	72,391	72,391	6,289	5,761	12,050	6.01
City of Duluth	819,400	None	386,039	1,205,439	10,367	29,230	39,597	30.44
State-paid Aids			47,435					
<b>Total</b>	<b>1,755,720</b>	<b>832,673</b>	<b>1,135,505</b>	<b>3,723,898</b>			<b>148,882</b>	<b>25.01</b>

Per appraiser workload assumptions:

	Residential parcels	
	Improved	Total
DULUTH	3,769	6,489
VIRGINIA	3,458	6,328
ELY	3,619	6,115
HIBBING	3,669	5,642
DULUTH CITY	4,547	6,275

FTE assumptions:

	Appraisers	CAMA-C/I	Team Leaders	Co Assessor/ Asst Co Assr	Clerical	Total Staff
DULUTH	5.0	1.0	1.0	1.0	3.5	11.5
VIRGINIA	7.0		1.0	1.0	2.0	11.0
ELY	2.0	0.5	0.5			3.0
HIBBING	3.0	0.5	0.5		1.0	5.0
					subtotal:	30.5
DULUTH CITY	5.0	2.0	1.0	1.0	3.0	12.0
					total:	42.5

Cost estimate without City of Duluth:

	Estimation if True County:	Current Mixed System	\$ Change	% Change
Personnel	\$2,059,044	\$1,707,879	\$351,165	121%
Facilities	\$103,211	\$78,349		
Transportation	\$60,500	\$50,000		
Computers	\$57,173	\$47,250		
Everything else	\$102,487	\$84,700		
Totals:	\$2,382,415	\$1,968,178	\$414,237	121%

\$2,382,415 / 109,285 = \$18.84 per parcel (SLC less City of Duluth)

Duluth City \$819,400

\$3,201,815 / 148,882 = \$21.51 per parcel (entire county including City of Duluth)

Cost estimate with City of Duluth:

	Estimation if True County:	Current Mixed System	\$ Change	% Change
Personnel	\$2,857,817	\$1,707,879	\$1,149,938	167%
Facilities	\$149,521	\$78,349		
Transportation	\$85,000	\$50,000		
Computers	\$80,325	\$47,250		
Everything else	\$143,990	\$84,700		
Totals:	\$3,316,653	\$1,968,178	\$1,348,475	169%

\$3,316,653 / 148,882 = \$22.28 per parcel