

ST. LOUIS COUNTY

Assessor's Department 2008-2010 Business Plan

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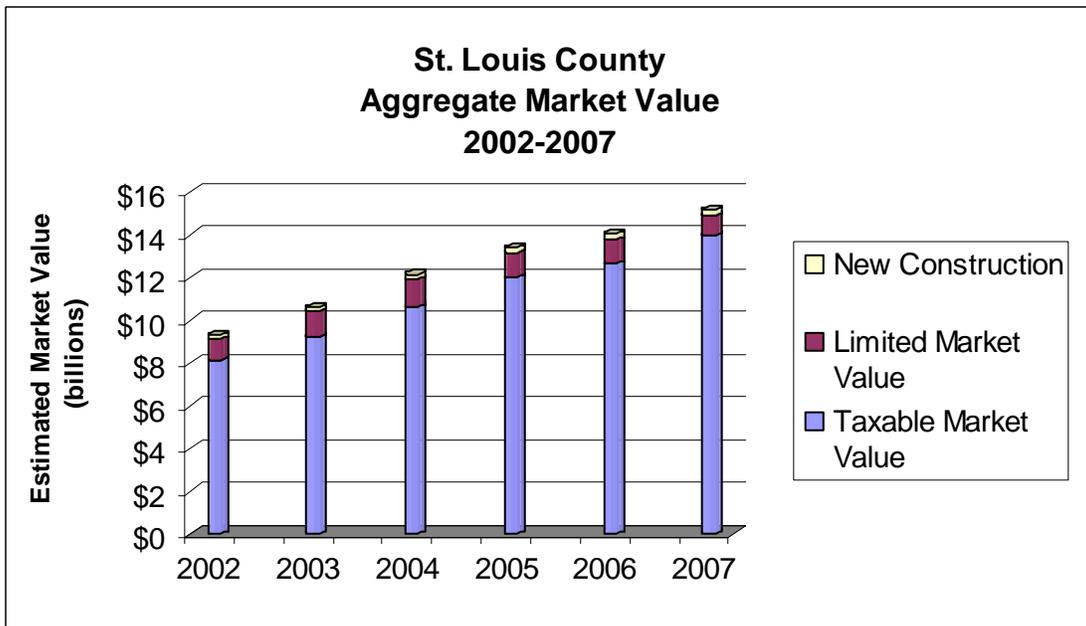


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WHO ARE WE?

MISSION

The St. Louis County Assessor's Department serves the taxpayers of the county by valuing and classifying real estate property in an accurate, ethical, equitable and defensible manner as prescribed by state law. We also provide information and analysis to internal and external partners such as elected officials, county departments, school districts, the Minnesota Department of Revenue, taxpayers, neighborhood/user groups, and the media.

VALUES

Customer Service - provide prompt, courteous and understandable information.
Equalization - provide fair, accurate and defensible valuations and classifications.

Knowledge - be a source of high-quality St. Louis County real estate and assessment information.

Professionalism - employ educated, qualified, experienced and ethical staff who efficiently and effectively provide departmental services.

PROGRAM DESCRIPTIONS

1. **Reappraisal and maintenance** - Perform the assessment function for all real estate and appropriate personal property.
 - a. *Valuation* – The annual estimation of value for all taxable real property per state law.
 - b. *Classification* – The annual classification and recording of parcels by property use and property type.
 - c. Inspect and update property records for all new construction and significant remodeling, modifications or demolition .
 - d. Inspect and value county-assessed taxable parcels at least once every five years.
 - e. Inspect and value all exempt parcels at least once every six years.
 - f. Field check the classification status of real and personal property.
 - g. Conduct minerals assessment.

2. **Database Management/Reporting**
 - a. Collect, verify and maintain property records for St. Louis County.
 - b. Enter in the electronic assessment files all relevant information resulting from reappraisal and maintenance.
 - c. Maintain sales files and run subsequent sales analysis to meet valuation schedule and assessment equalization requirements.
 - d. Develop and maintain classification files (i.e. homestead applications, exempt requests, etc.).
 - e. Change valuation, classification and linking files in response to parcel splits, consolidations, and change of ownership.

- f. Develop and maintain queries that provide county staff, local assessors, and other municipal users with requested data.
- g. Respond to public requests for information, education and service regarding content, use and access to the county's property files.
- h. Provide all reports mandated by the state legislature and/or the Minnesota Department of Revenue (DOR).
- i. Dispose of property records and private data according to data privacy and retention laws.

3. Notification and Appeals

- a. Send notices of assessment change to all St. Louis County taxpayers each year, as prescribed by state law.
- b. *Appeals and Reviews* – Respond to all informal and formal owner/taxpayer appeals and requests for property reviews.
- c. Defend assessment values and classifications at local and county boards of appeal and equalization.
- d. *Defend Tax Court Cases* - Defend assessment values and classifications in Minnesota Tax Court.

4. Assessment Administration

- a. Evaluate new exempt applications and verify existing exempt organizations.
- b. Administer and enforce all property tax programs and laws.
- c. Attend all DOR assessment level review meetings.
- d. Apply state-ordered valuation changes.
- e. Plan, program, and budget annual operations of the Assessor's Department.
- f. Administer personnel action including the recruitment and training of new employees.

5. Local Assessor Support/Supervision

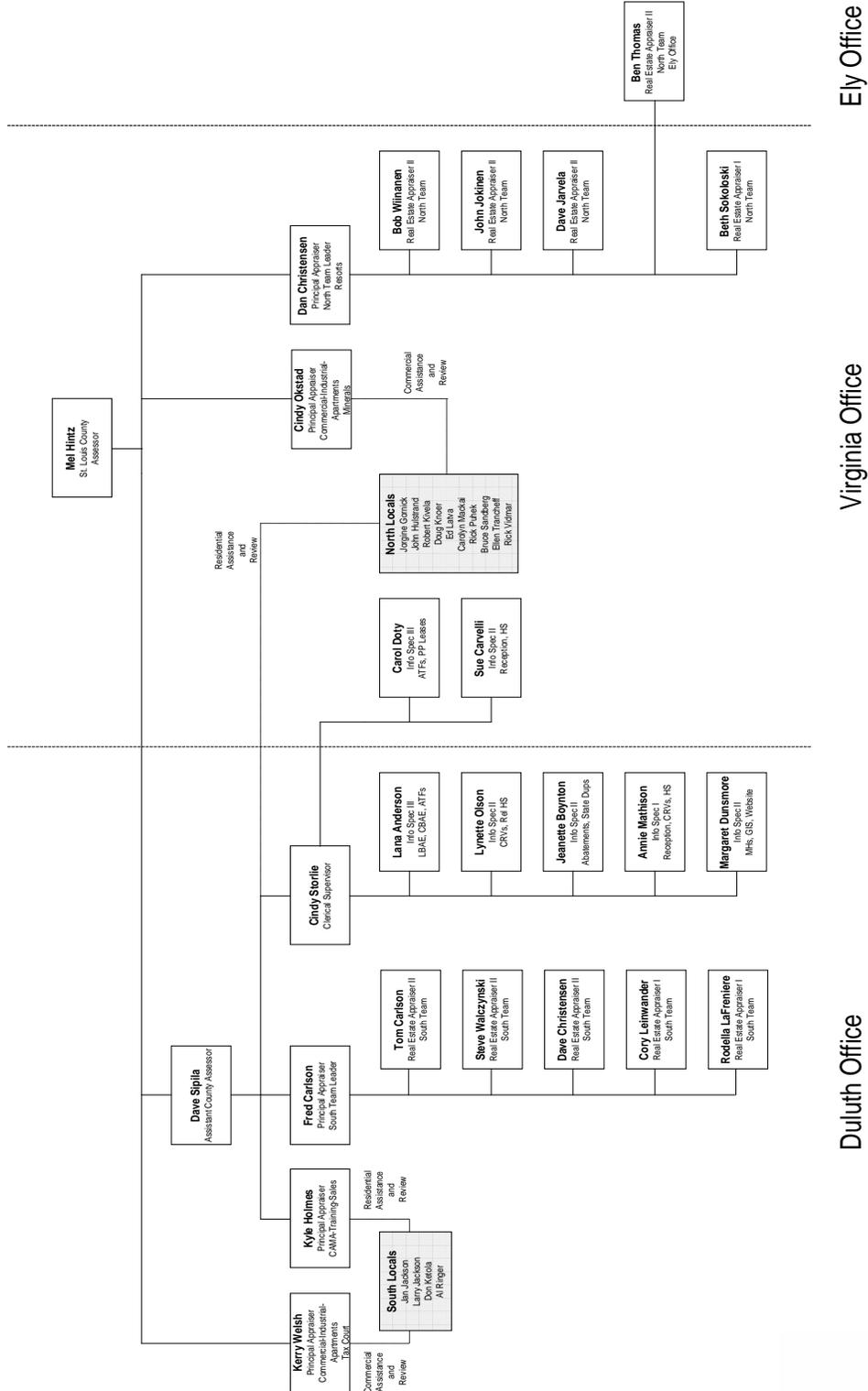
- a. Assist and mentor local assessors in the use of the MCIS CAMA system.
- b. Provide assistance to and audit progress of local assessor accomplishments.
- c. Provide information and training.
- d. Provide and administer means for transferring local assessor work to the county's electronic assessment files.
- e. Remedy deficient work.

ALLOCATION OF FUNDS

	<u>CORE SERVICE</u>	<u>RESOURCES</u>
REAPPRAISAL AND MAINTENANCE	YES	37%
DATABASE MGMT. AND REPORTING	YES	28%
NOTIFICATION AND APPEALS	YES	18%
ASSESSMENT ADMINISTRATION	YES	10%
LOCAL ASSESSOR SUPPORT/SUPERVISION	YES	7%

ORGANIZATIONAL CHART

The Assessor's Department has 25.5 FTE positions and maintains offices in Duluth, Virginia, and Ely. The department also supervises the work of 17 local assessors who are responsible for assessing approximately half of the parcels in the county. The current organizational chart is as follows:



Ely Office

Virginia Office

Duluth Office



SIGNIFICANT TRENDS

External

- 1) **Increased dependence on the property tax:** Property tax levies continue to rise at the county, school district, and local government level. In addition, several school districts have excess referendums which add to the property tax bill. These increases lead to higher levels of valuation appeals and in some case outright hostility directed towards the assessor.
- 2) **Legislative changes:** Nearly every year the Minnesota legislature makes changes to the property tax system. Some of these changes require significant staff time to implement especially in our large county. One of the upcoming major changes for taxes payable in 2010 is the end of the Limit Market Value (LMV) program which has shielded property owners from large tax increases in areas where market values have risen rapidly. Much of the LMV benefit is on the higher valued lakeshore properties where the taxes are already significant, so an increased number of appeals are anticipated when the program ends.
- 3) **Real Estate Market slowdown:** As the market slows, property owners are more likely to challenge their assessment. This is especially true if their property is for sale at a level close to their current assessment.
- 4) **Shifts in assessors between county and local:** From a business planning standpoint, the biggest unknown is our workload from one year to the next. Over the past several years, several cities and townships have changed from county assessment to contracting with a local assessor or vice versa. In nearly all cases that has been a purely economic decision. Some jurisdictions have also changed local assessors again for economic reasons. Except for the City of Duluth, the County Assessor has overall responsibility for the assessment countywide including county and locally assessed areas.
- 5) **Local governments losing their right to hold appeal meetings:** A recent law change places training and quorum requirements on cities and townships in order to hold their annual Local Board of Appeal and Equalization (LBAE) meeting. The penalty for failing to meet either of these requirements results in the governmental unit losing their LBAE meeting for two years. The meeting then becomes an 'open book' meeting under the authority of the County Assessor thereby creating additional workload for our staff. Eight of the 98 jurisdictions in our county have lost their right to hold an LBAE meeting during the past two years.

Internal

- 1) **Retirements/succession:** Forty percent of our staff are likely to retire in the next 3 to 5 years. Nearly all of these employees have been with our department for 20 years or more. As they retire, there is a major loss of experience and institutional knowledge that will take time to replace.
- 2) **Recruitment and Training:** Over the past three years our department has lost seven employees to retirement or transfer. This trend is likely to continue as noted above. This will place additional demands on the Civil Service Department for recruitment and our staff for training the new employees and taking on new responsibilities that were formerly done by more experienced staff members.
- 3) **Technology advancements:** Geographic Information Systems has many applications to assessment practice that will further improve equalization throughout our County. The move to full utilization of the MCIS computer assessment system will also improve assessment quality and efficiency.
- 4) **Budget restrictions vs. increasing costs:** This is a major challenge for our department where the budget is heavily weighted on personnel costs and virtually everything we do is required by Minnesota Statutes.
- 5) **Collaboration with the City of Duluth:** There has been a significant increase in shared resources and expertise with the City of Duluth. Much of this cooperation owes to the fact that the new Duluth City Assessor was the former Chief Deputy for our County.

WHAT DO WE WANT TO ACHIEVE?

VISION

- 1) Continue to use leading edge technology to improve assessment quality while reducing the total cost of preparing the annual assessment roll.
- 2) Collaborate with the Duluth City Assessor's office to share assessment costs and expertise.
- 3) Work with local assessors to further develop their proficiency in using the county Computer Aided Mass Appraisal System.
- 4) Train and prepare staff to move upward in our department as virtually our entire management team will be retiring in the next five years.
- 5) Seek additional telecommuting opportunities to reduce travel costs and increase assessment efficiency.

KEY INITIATIVES

- 1) Assist local assessors in entering their property attributes into the MCIS CAMA System.
- 2) Use GIS technology for land grading and editing our assessment database to improve assessment accuracy.
- 3) Develop regional land schedules to be used countywide.
- 4) Use electronic files as opposed to paper records for local board of appeal and equalization meetings.
- 5) Conduct internal training for new employees.
- 6) Share costs for MCIS with the City of Duluth.
- 7) Reduce revenue loss due to abatements by establishing a \$75 processing fee and limiting most homestead abatements to current year only.
- 8) Revise the assessment fee schedule to reflect actual costs.
- 9) Participate in the Land Record Portal project to improve public accessibility to assessment records.
- 10) Sponsor mandatory LBAE training opportunities for elected officials.

MAJOR ISSUES

- 1) **Shifts between county and local assessed areas:** Cities and townships have the option of having their own local assessor or paying the County Assessor's Department to complete their assessment. In many cases this decision is based on which option is cheapest. The assessment fees charged by the County are reviewed annually and are adjusted by the County Board to reflect the actual cost of providing assessment services. Nearly every year there is some shifting between county and local assessment going in both directions. This presents problems with assessment continuity, budgeting for appropriate staffing levels, and frequency of reappraisal activity.
- 2) **Green Acres:** This law provides a property tax deferral for agricultural property owners where the value of their property is influenced by outside forces such as residential or lakeshore development. Though this program has been in place for thirty-plus years, it has not been administered in northeast Minnesota, but instead has been used in the agricultural region in our state. The 2007 legislature made it clear that they now expect this program to be administered statewide. Each county assessor must submit a plan to the Department of Revenue by

June 1, 2008 describing how they plan to implement this program for the 2009 assessment.

- 3) **Public recreational leases:** There are over 1300 federal, state, county, and local government leases to private individuals in our county. The vast majority of these are for seasonal lakeshore cabins or hunting shacks. Past practice has been to assess the buildings on these leases, but not the land. In October, 2007, the County Assessor's Department was directed by the Minnesota Department of Revenue to assess both the buildings **and** the land as though the lessee owned it, beginning with the 2008 assessment. This change will likely generate considerable controversy from the lease holders throughout the county.
- 4) **MIS support to local assessors:** To accomplish our goal of having the entire county under the MCIS CAMA system, the MIS Department plays a critical role in providing local assessors with access to the AS 400 through a virtual private network (VPN) connection. Past experience has shown that the local assessors using VPN connections require periodic assistance especially when they upgrade their computers or change internet providers. The demand for MIS support will likely increase as more local assessors convert to MCIS.
- 5) **Increased appeals due to slowdown in the real estate market:** Property owners tend to scrutinize their assessments more closely when the real estate market slows down which leads to higher appeal levels. Our County has 98 Local Board of Appeal and Equalization meetings each year so the cumulative impact on our staff from higher appeal levels can be significant.
- 6) **Succession:** Forty percent of the employees in the Assessor's Department including the majority of our management team is at least 55 years old and will likely retire within the next 5 to 7 years. On the plus side, our Department now has five employees with the Senior Accredited Minnesota Assessor designation so we are well-positioned for employees to move into positions of greater responsibility. Further, several of our local assessors are over 60 years old so turnover is likely there as well.

The following matrixes show how the above note key initiatives relate to our goals and objectives and the County Board's priorities.

Commissioner Priority Area (1-5)	Department Goal	Related Department Objective(s)	Tactics, Initiatives, Action Steps	Measures (KPIs or internal measures)
Efficient, Effective Government	Assessment Equalization	Improve assessment quality	Assist local assessor conversion to MCIS	80% of local assessed parcels done in MCIS for 2008
			Use GIS as a tool to improve assessment performance	On going beginning with lake numbers
			Develop regional land schedules for countywide use	Implement for 2009 assessment

Commissioner Priority Area (1-5)	Department Goal	Related Department Objective(s)	Tactics, Initiatives, Action Steps	Measures (KPIs or internal measures)
Efficient, Effective Government	Reduce assessment costs	Improve assessment efficiency	Use electronic files in place of paper records for appeal meetings to reduce copying costs	50% implemented for 2008 appeal meetings
			Collaborate with the Duluth City Assessor to share MCIS membership costs	Completed for 2008 assessment
			Reduce revenue loss from tax abatements	Reduce number of homestead abatements by 25% and total revenue loss by 10%
			Review and revise the assessment fee schedule for cost recovery	Completed annually
			Use telecommuting and flex scheduling to reduce costs	On going. No overtime costs incurred for after hours appeal meetings in 2007
	Improve customer service	Increase public accessibility to assessment information	Update our department website monthly	On going
			Develop a new brochure on assessment programs that benefit the taxpayer	Delayed until mid 2008 due to anticipated legislative changes to the Green Acres program .

Commissioner Priority Area (1-5)	Department Goal	Related Department Objective(s)	Tactics, Initiatives, Action Steps	Measures (KPIs or internal measures)
Efficient, Effective Government	Improve customer service	Increase public accessibility to assessment information	Participate in the Land Record Portal development	On going
			Support employee requests to attend assessment related training	On going
	Succession Planning	Well trained professional workforce	Conduct internal training for new employees and local assessors	Scheduled for December, 2007
			Assist local assessors in converting to MCIS to allow seamless transition upon retirement	On going.
			Sponsor training for local elected officials on conduct of LBAE meetings	Scheduled for January, 2008
Strong County Infrastructure	Assessment meets state standards	Assessment levels for all classes of property are between 90% and 105% with coefficient of dispersion under 20 percent.	Quintile reappraisal schedule is maintained and percentage changes to property values applied as needed.	Monitored by database queries and sale ratio studies.
		All new construction is added to the assessment roll each year.	Properties with newly issued land use and septic permits are inspected annually	Audited based on internal queries and lists provided to local elected officials to review for omissions.

WHAT RESOURCES ARE WE GOING TO USE?

FINANCE PLAN

2008-2010 BUDGET

FUND: General Fund (100)						
AGENCY: Assessor (118000)						
SUMMARY	2005 Actual	2006 Actual	2007 Adopted	2008 Proposed	2009 Projected	2010 Projected
Revenue						
Taxes	(8,135)	(9,198)	-	-	-	-
Charges for services	(531,723)	(555,130)	(612,466)	(668,015)	(680,000)	(693,600)
Miscellaneous	(1,621)	(1,125)	(2,000)	(2,500)	(3,000)	(3,500)
Total Revenue	<u>(541,480)</u>	<u>(565,453)</u>	<u>(614,466)</u>	<u>(670,515)</u>	<u>(683,000)</u>	<u>(697,100)</u>
Expenditures						
Personnel Services	1,690,213	1,601,392	1,689,921	1,723,291	1,778,656	1,834,120
Contractual Services	170,314	184,071	184,592	178,157	189,657	181,667
Intra-County Services	63,913	71,167	126,657	154,182	136,435	140,155
Materials	13,669	11,915	20,500	16,500	21,000	20,550
Total Expenditures	<u>1,938,110</u>	<u>1,848,545</u>	<u>2,021,671</u>	<u>2,072,130</u>	<u>2,125,748</u>	<u>2,176,492</u>
Net Assessor	<u>1,396,630</u>	<u>1,283,092</u>	<u>1,407,203</u>	<u>1,401,615</u>	<u>1,442,748</u>	<u>1,479,392</u>

	2005 Actual	2006 Actual	2007 Adopted	2008 Proposed	2009 Projected	2010 Projected
Officials & Admin	3.00	2.00	2.00	2.00	2.00	2.00
Professionals	0.00	0.00	0.00	0.00	0.00	0.00
Technicians & Para-Professionals	19.00	19.00	16.00	16.00	16.00	16.00
Protective Service Workers	0.00	0.00	0.00	0.00	0.00	0.00
Skilled Craft/Service Maintenance	0.00	0.00	0.00	0.00	0.00	0.00
Office & Clerical	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	<u>7.50</u>	<u>7.50</u>	<u>7.50</u>	<u>7.50</u>	<u>7.50</u>	<u>7.50</u>
	<u>29.50</u>	<u>28.50</u>	<u>25.50</u>	<u>25.50</u>	<u>25.50</u>	<u>25.50</u>

The Assessor's Department budget of slightly over \$2 million is made up of 68% levy support from the General Fund and 32% fees primarily from cities and townships where the county does the assessment work. For the past few years the actual spending has been approximately five percent below our approved budget and is expected to be likewise for 2007.

Personnel services represent 83% of our budget. Over the past three years we have reduced staffing by four positions; the assistant county assessor position in

Virginia and three appraiser positions. We have been able to make these reductions and still meet our statutory assessment responsibilities by restructuring our organization and gaining efficiency through use of the MCIS assessment system. During this period the average number of parcels assigned to our residential appraisers has increased from 4,000 to 5,200. As we continue to become more efficient using MCIS along with further gains anticipated through GIS applications, we likely can increase the workload per appraiser to 6,000 parcels.

Our budget for the period 2008-2010 is projected to increase on average at 2.5% per year. Most of this increase is attributable to the unavoidable rising costs of health insurance and energy. It is very likely, however, that the Assessor's Department actual expenses over this period will be below the 2.5% projected increase due to the cost savings gained from anticipated retirements.

Assessment fees currently cover nearly one third of our budget. As we continue to move towards completion of the GIS parcel layer, there is great potential to market county data to recover some of the development and maintenance costs of this system. Assessment data is just one component of the GIS system, however, if some of the proceeds from the sale of GIS data is channeled back to the Assessor's Department, it would reduce our levy dependence.

Though it is not shown on our Department budget table, another important component of the County budget is the amount of post levy tax dollars refunded through tax abatements. The vast majority of these abatements are to grant homestead classification to properties where the homeowner failed to apply to the assessor for the lower tax rate. In the past year we have made some concerted efforts to reduce abatements which have led to elimination of most of the back year homestead abatements. During the 2008-2010 budget cycles we will be exploring some additional means of reducing current year homestead abatements.

WORKFORCE PLAN

DEMAND FORECAST

Critical competencies. Minnesota has one of the most complex property tax systems in the United States and Assessor's department staff needs to be fully knowledgeable to do their work efficiently and respond to taxpayers' questions adequately. The following is a list of the most critical competencies essential to accomplish work requirements:

1. Computer and technological proficiency
2. Knowledge of assessment practice and statutory requirements
3. Verbal communication and customer service skills
4. Honesty and personal integrity
5. Familiarity with building construction techniques

Job Class Skills. Of the above competencies, the use of technology has emerged as the critical component across all job classes. Emerging GIS technology will be utilized by appraisers and managers to create greater equalization and fairness in the assessment system. Proficient use of computer systems is an absolute requirement for all employees. Communication skills are also necessary as employees interact with customers on a daily basis. Appraisers need to be educated in property-specific valuation techniques in order to provide accurate valuations. Managers must have programming and budgetary skills to meet anticipated revenue shortages during the next 3 to 5 years.

Staffing levels. The level of staffing needed to address the critical work requirements of the department varies depending upon external factors. This will be addressed in further detail in the Gap Analysis section of the Workforce Plan.

SUPPLY PROJECTION

In 2007 the St. Louis County Assessor's Department has 24.5 FTEs and is budgeted for an additional appraiser position (1 FTE) which is vacant. In addition, local units of government employ 17 local assessors whose work is overseen by the County Assessor's Department.

The current County Assessor's staff has many years of experience and education, and is extremely capable of performing the department's mission. Staff members are knowledgeable in assessment laws and practices and are proficient in operating the systems through which the assessment process is completed.

Technology trends such as county-wide implementation of MCIS and GIS applications may create some difficulties for a small subset of the local assessors who do not possess the technological capability of the County staff.

GAP ANALYSIS

The mixed system of assessment in St. Louis County, which employs both County and local assessors, creates an atmosphere of uncertainty when attempting to make future plans regarding department workforce. Organized jurisdictions can choose to employ any state licensed assessor, or have the County Assessor's Department perform the work. These decisions are made at the local level with no oversight by the County Assessor. Many times these decisions are based on cost alone. This is the great variable in any workforce planning exercise, as the County Assessor has no way of predicting, from year to year, which jurisdictions may choose to hire a local assessor, or which may decide to have the County perform the work. This is also a variable under which no other County department must operate.

Demographics is a second important factor. Forty percent of our 25 department employees are 55 years of age or older. Ten of the 17 local assessors are 55 years of age or older. Turnovers of staff and appraisal responsibility due to retirements are anticipated on a frequent basis for the next 5 to 10 years.

In 2005, the Assessor's, Auditor's, and Administration departments conducted a study of assessment responsibility, budget, workload, and staffing levels in county assessor departments in 12 other Minnesota counties. This study included a regression analysis which utilized the number of organized jurisdictions along with the number of County and locally-assessed parcels within each county to predict the number of FTEs at each office. The regression formula developed in this study, when populated with data from 2007, provides a prediction of 25.42 FTEs for St. Louis County.

Identifying where gaps between demand and supply may exist cannot be done with any level of accuracy under the current mixed assessment system. Currently, county appraisers assume a workload of 5,200 parcels each. Any change in responsibility which would increase this workload to 6,000 parcels or more would likely be met with a request to fill the vacant appraiser position. The 6,000 parcel threshold is a standard among adjoining counties. Under the regression formula, the maximum number of employees required by the department would be 29. This would be a situation where all parcels would be assessed by the department and efficiencies would be gained by having no local assessor administration.

STRATEGY DEVELOPMENT

Based on the anticipation of retiring staff, the critical issue facing the department relating to its workforce will be the recruitment and retention of qualified,

technically competent employees, along with the transfer of knowledge between the older and younger staff members. We will work closely with the Civil Service Department to develop an innovative strategy for attracting qualified candidates to work in the County Assessor's Department.

With regard to local assessors, the department needs to be able to adapt on short notice to changes in work areas and responsibilities.

TECHNOLOGY PLAN

MIS Equipment: In 2009, our current complement of desktop and notebook computers will be five years old. At that point, we plan to use our five year money to replace these computers with desktop models for the clerical staff and notebooks for the appraisers. The notebook computers are an integral part of our strategy to support all of our 98 local boards of appeal and equalization meetings with electronic records instead of the more costly paper copies of our assessment worksheets. Also, with the anticipated expansion of wireless coverage in the county, we will have the capability of updating our assessment records in the field and at appeal meetings.

Our department will also incur additional costs during the planning period for Arcview software to allow our appraisal staff to fully utilize GIS applications for improving assessment efficiency.

MIS Staff Time: To support our goal of the entire county under the MCIS CAMA system, MIS provides local assessor access to the AS 400 through a virtual private network (VPN) connection. As more of our local assessors convert to the MCIS system, it is expected that the need for MIS support will increase. Current charges for this service are from the county assessor's budget largely because there are some significant efficiency dividends to the county from local assessor usage of the MCIS system.

PURCHASING PLAN

The only capital equipment items owned by our department are:

- 1) 16 foot Alumacraft aluminum boat and trailer with a 25 HP Mercury four stroke motor.
- 2) Honda four wheeler and trailer.

The boat trailer will be replaced next year while the remainder of our equipment is serviceable for the 2008-2010 business planning period. The estimated cost of a new boat trailer is \$700.

SPACE PLANS

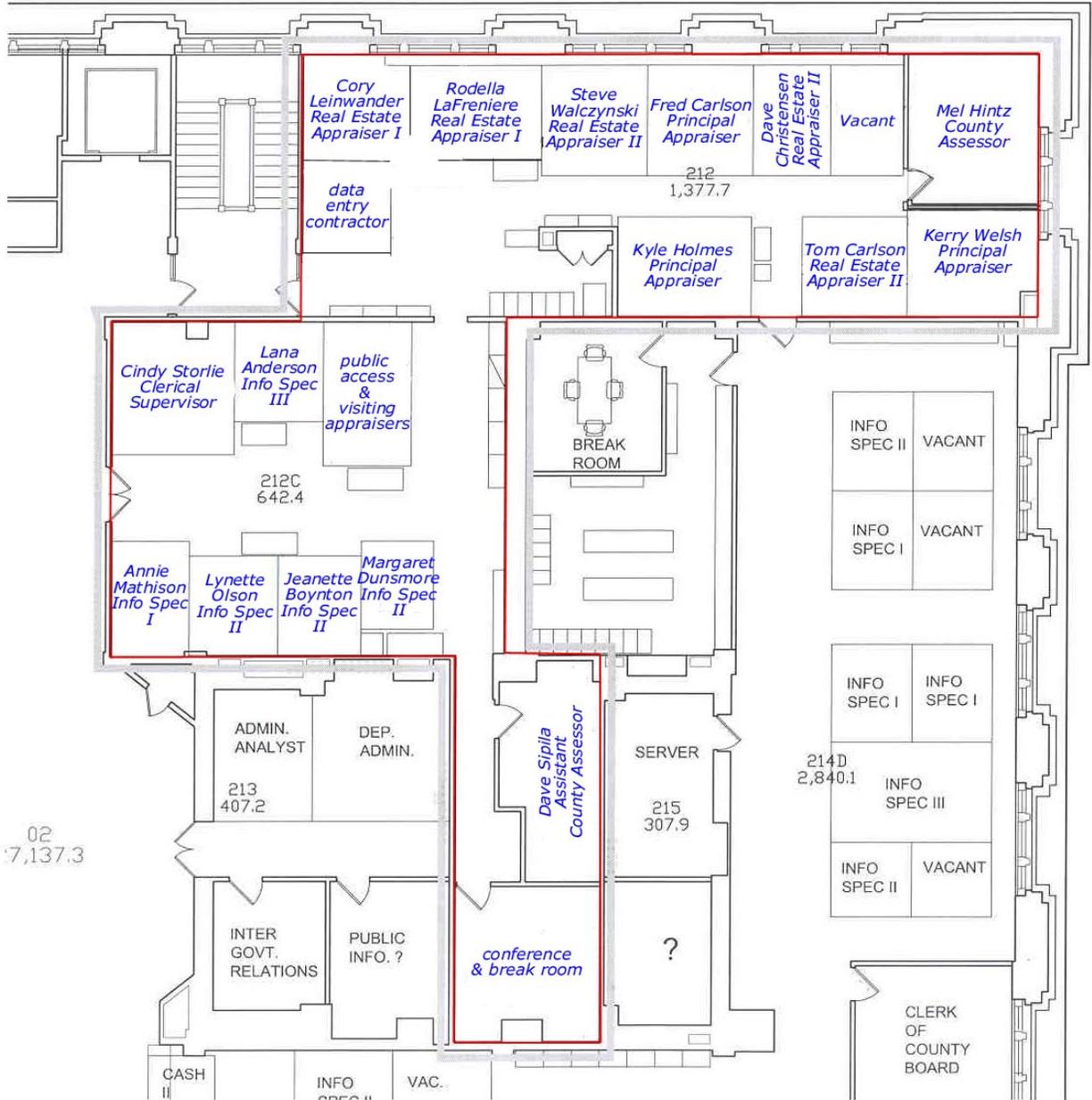
The County Assessor's Department is funded for 25.5 positions that are based at three locations; the Duluth Courthouse (14.5 positions), the U.S. Bank Building in Virginia (10 positions), and one position in Ely at the Government Services Center. Both the Duluth and Virginia Offices will likely be moved in the next 5 to 7 years. As part of the remodeling of the second floor of the Duluth Courthouse, the Assessor's Department will be relocated across and down the hall from its present location. The Virginia Office is targeted to move from the U.S. Bank Building to the county-owned Northland Building when the two doctors, who currently lease space, vacate the premises. The location of the Ely Office also faces some uncertainty because the property owner, the Ely School District, plans to dispose of the property as it is excess to their needs.

As noted in our Workforce Plan our staffing level is tied to our workload which historically has changed from one year to the next as jurisdictions switch from county to local assessed and vice versa. Therefore, it is not possible to predict our future space needs with any degree of certainty. In general our existing work spaces are adequate for our needs except as follows:

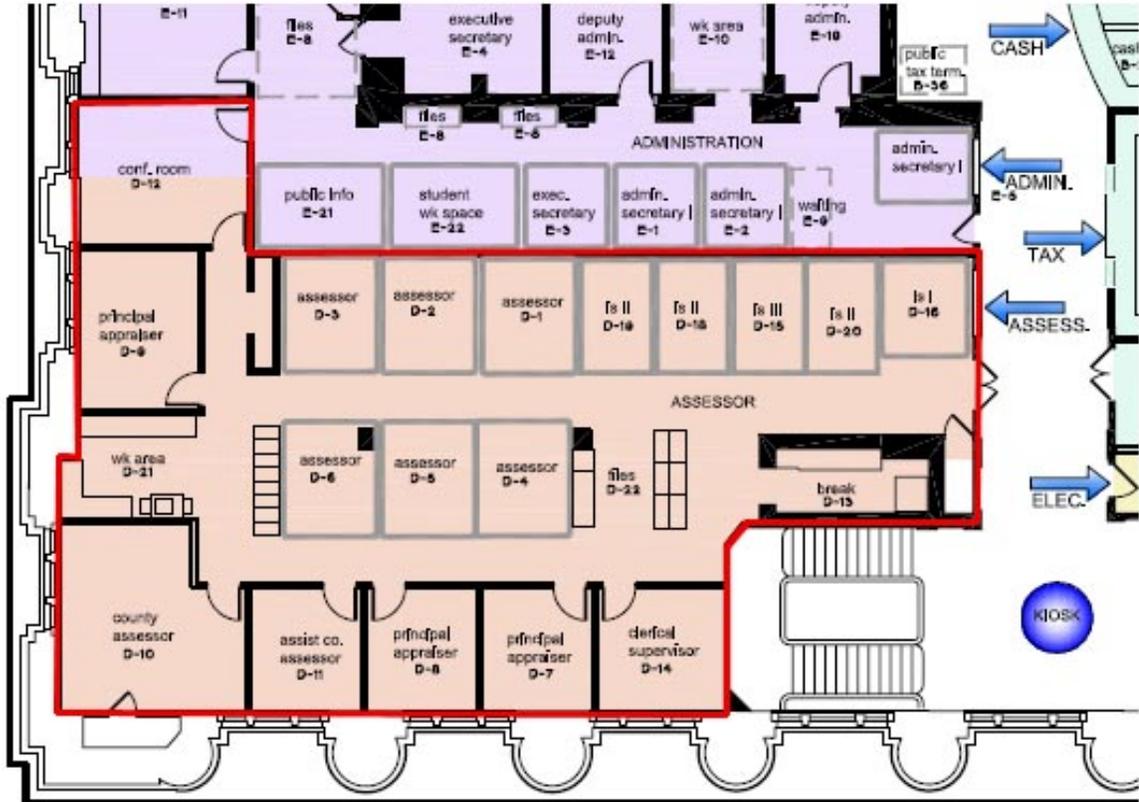
- 1) Duluth Office conference room needs additional 100 SF
- 2) Reception areas in Duluth and Virginia Offices needs additional 100 SF
- 3) Virginia Office requires remote storage of 100 SF

The following maps show our existing spaces and identify the work areas assigned to current staff.

County Assessor's Department Duluth Office 212 Courthouse



*County Assessor's Department
Duluth Office
proposed 2nd floor space
Courthouse*



County Assessor's Department
 Virginia Office
 102 USBank Place

