

ASSESSOR

MISSION

The Minneapolis Assessor's Office serves the taxpayers of the City by valuing and classifying real estate property in an accurate, ethical, equitable and defensible manner as prescribed by state law. The department also provides information and analysis to internal and external partners such as Elected Officials, City Departments, Minneapolis School District, Hennepin County Attorneys and Hennepin County Taxpayer Services, Minnesota Department of Revenue, taxpayers, neighborhood groups and the media.

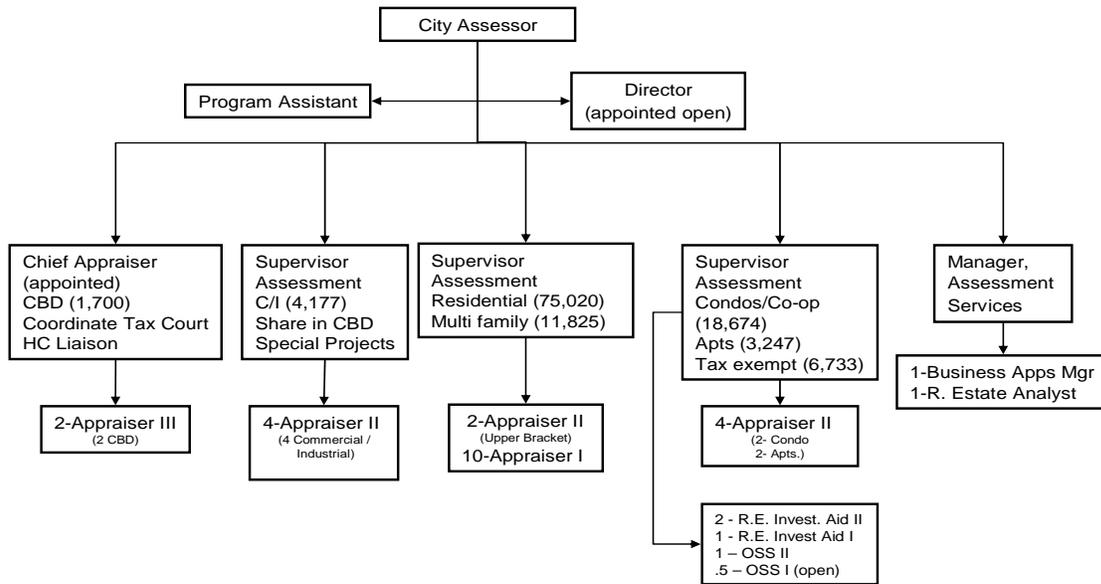
BUSINESS LINES

To fulfill its mission, the Minneapolis Assessor's Office has the following primary business lines and associated service activities:

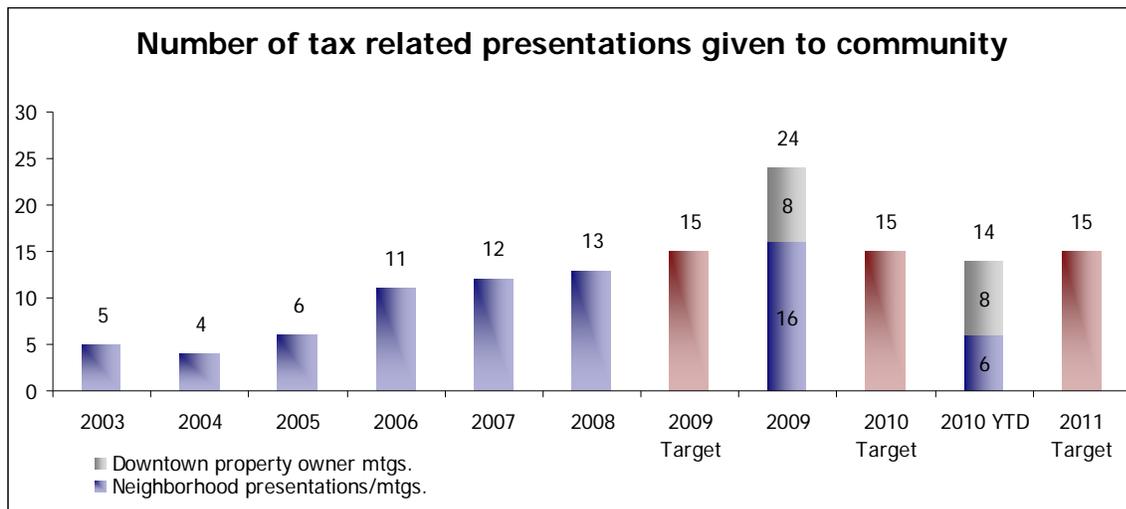
1. **Maintain Data Integrity of the City's Tax Base**
 - a. Collect, verify and maintain property records for the City of Minneapolis
 - i. Per Minnesota statute 20% of the properties must be inspected each year
 - ii. Evaluate new exempt applications and verify existing exempt organizations
 - iii. Administer and enforce all property tax programs and laws
 - iv. Inspect and update property records for all new construction and significant remodeling, modifications or demolition
 - v. Process existing and new property divisions and combinations
 - b. Provide property information to Hennepin County
 - c. Dispose of property records and private data according to data privacy laws and City ordinances.
2. **Real Estate Property Assessment** – Perform the assessment function for all real estate and appropriate personal property
 - a. *Valuation* – The annual estimation of value for all taxable and non-taxable real property per state law.
 - b. *Classification* – The annual classification and recording of parcels by property use and property type.
 - c. *Appeals and Reviews* – Respond to all informal and formal owner/taxpayer appeals and requests for property reviews. Defend assessment values and classifications at the City and County Boards of Appeal and Equalization.
 - d. *Defend Tax Court Cases* - Defend assessment values and classifications in Minnesota Tax Court.
3. **Provide Information and Data Analysis To** –
 - a. Taxpayers
 - b. Elected Officials, City departments, primarily CPED, Regulatory Services, GIS, Finance, Public Works and IGR
 - c. Hennepin County Attorneys, Hennepin County Taxpayer Services
 - d. Minnesota Department of Revenue, Commerce Department
 - e. Minneapolis School District, neighborhood groups and the media

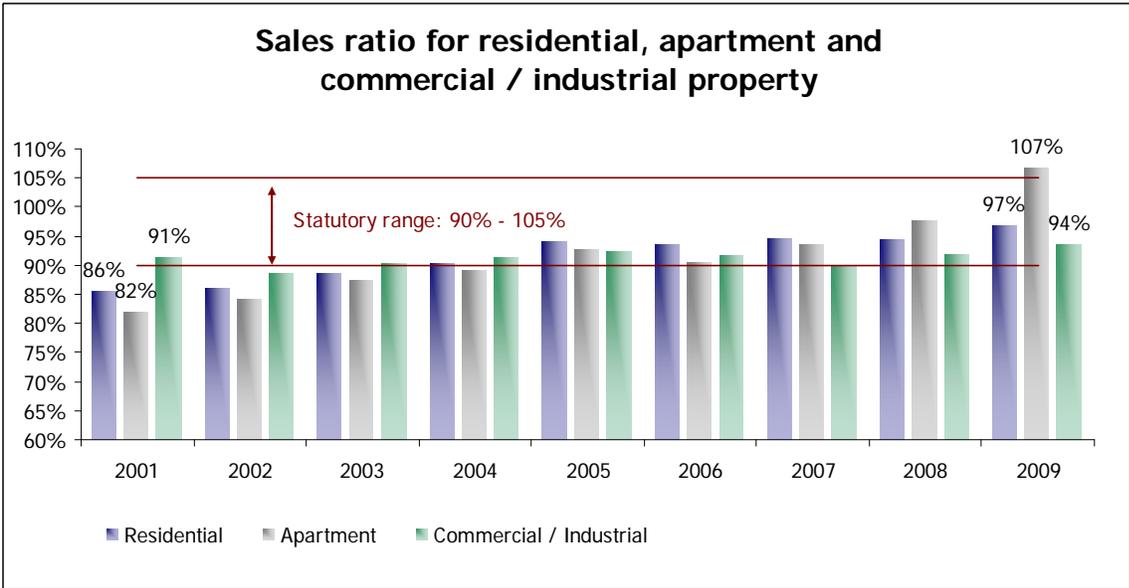
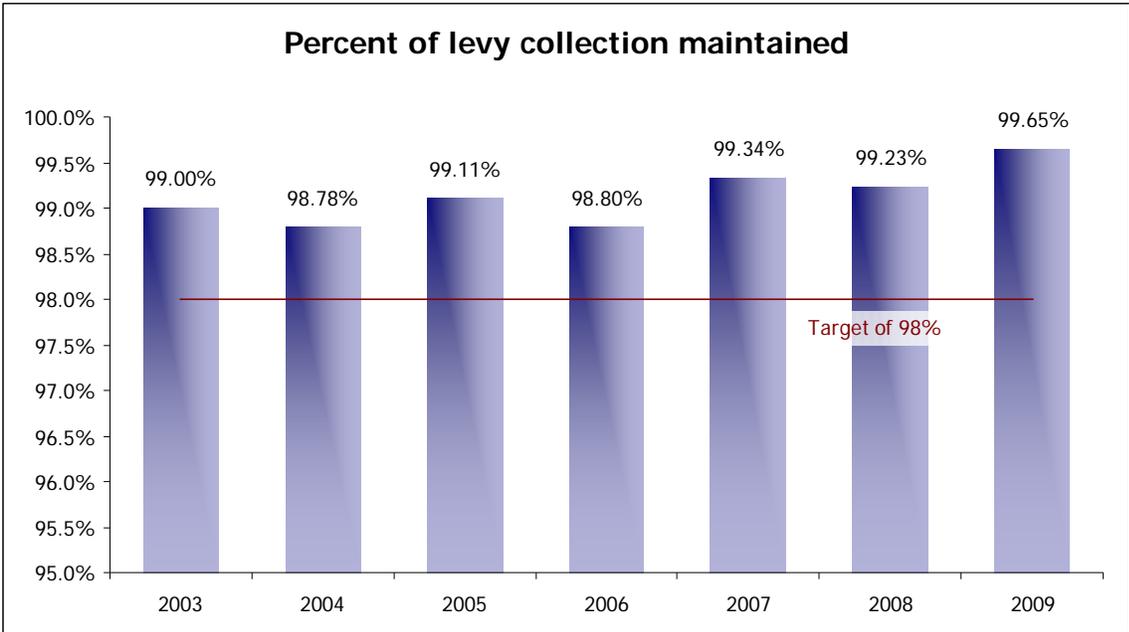
ORGANIZATION CHART

Assessor's Office 2010 Organizational Chart



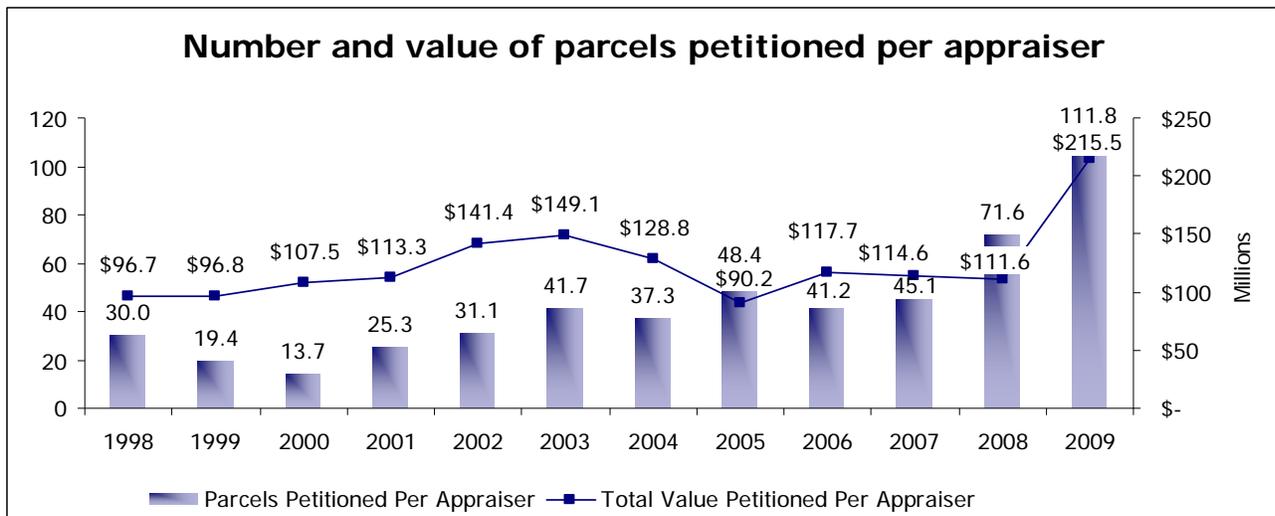
RESULTS MINNEAPOLIS CHARTS (MAY 2010, UNLESS NOTED)





Progress made and current status of tax court cases									
Tax year court case was Filled	2002	2003	2004	2005	2006	2007	2008	2009	2010 YTD
Number of cases petitioned by year	305	426	380	363	349	326	341	535	636
Number of open cases remaining	-	-	-	-	-	7	49	252	636
Number of parcels petitioned	621	833	745	968	823	902	1,431	2,235	2,313
Number of parcels dismissed	204	374	328	306	384	364	200	371	0
Number of parcels under petition	-	-	-	-	-	13	294	1008	2,313
Value of outstanding parcels under petition (in millions \$)	\$ -	\$ -	\$ -	\$ -	\$ -	\$149	\$748	\$3,386	\$4,870

JUNE 17, 2010



What two or three key trends and challenges does the department face and how will each be addressed?

Trend: Current State of the Economy and the Real Estate Market

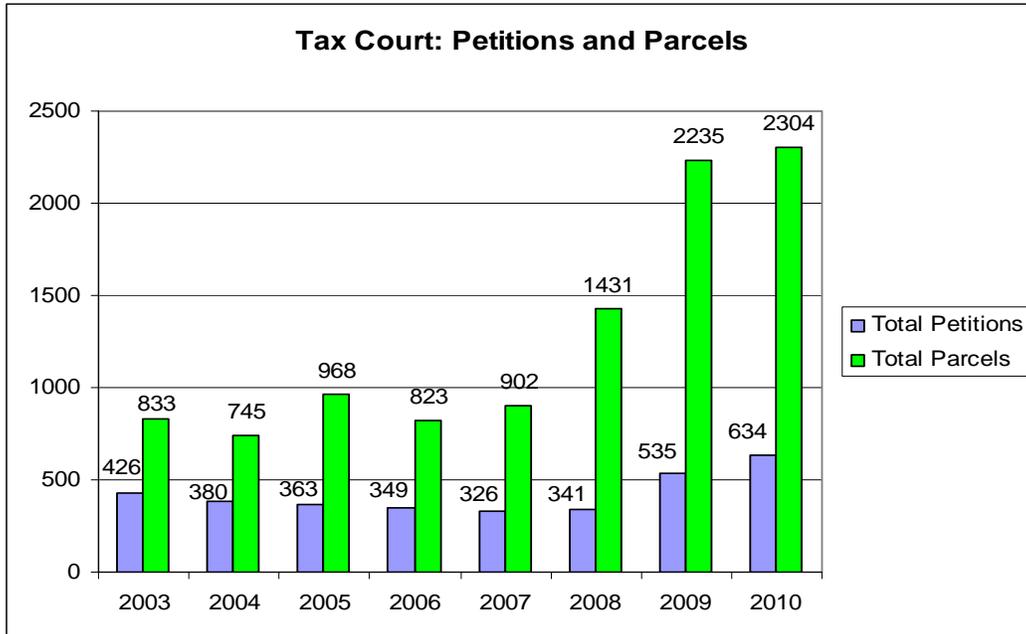
Minneapolis's real estate market has been and continues to pose significant challenges for the Assessor's Office. Due to the high percentage of distressed sales in many neighborhoods, the time-honored definition of "market value" is constantly being challenged by taxpayers and attorneys. Minneapolis neighborhoods have been negatively impacted by pre-foreclosure sales, bank sales, short sales and auctions. The first wave of foreclosures was attributed to unscrupulous sub-prime lending practices. Unfortunately, as the first wave of distressed property drew to a close, a second wave of foreclosures resulting from the current recession and rising unemployment is impacting the market. The volume and stigma associated with the distressed sales have misled many property owners to believe the decline in real estate values permeates much further than in reality.

The current state of the economy has compelled more people to scrutinize all of their financial obligations including their property taxes. Job losses and fear of a job loss has incited people to save more and delay purchases. Taxpayer frustration with the recent trend of declining property values without a corresponding decline in property taxes has resulted in more resources dedicated to phone calls, e-mails, local and county board petitions and tax court cases.

Challenge: Work Loads and Staffing

The department's priorities and resources to meet statutory requirements and defend property values have substantially shifted over the past three years. The reason for the shift can be attributed to the previous 10+ year trend of increasing property values, followed by the collapse of the real estate market in 2007 and the subsequent recession. The challenges are amplified by the fact that property taxes have not declined in proportion to the declining property values, which is at the root of many property owners frustration.

As a result of the market collapse and the high property tax burden, litigation and appeals have ballooned precipitously since 2007. The number of tax court petitions grew from 326 in 2007 to 636 in 2010, a 49% increase. The number of parcels under petition (owners can appeal multiple properties on one petition) grew from 902 in 2007 to 2,313 in 2010 a 61% increase. As the following chart indicates the amount of staff time required to defend the City's tax base via the tax court appeal process is at an all-time high and will continue to demand more department resources than previous years, a trend that will continue for at least the next three years.



During the past three years in anticipation of increased tax court case demands, leadership has initiated efforts to:

- Examine all department processes and significantly reengineered 8 of them. The new process changes enabled the department to reclassify three supports staff positions into two appraiser positions within the department to better manage the tax court workload.
- Expend an increased amount of staff resources to respond to owner concerns and educating taxpayers to reduce the number of property value petitions brought before the City and County Boards
- Develop section and individual staff work plans in order to meet statutory requirements and make time available to complete complex tax court work
- Partner with BIS and CLIC to initiate technology based process improvements aimed at reducing data entry redundancy, improving data quality and freeing up staff time needed to prepare tax court appraisals
- Ensure staff have the knowledge and skills to successfully defend property values
- Build appraisal templates to streamline staff efficiency and ensure the appraisals produced are high quality reports.
- Provide staff weekly feedback on their production and YTD progress made on work plan

These substantial organizational initiatives positioned the Assessor's Office to meet last year's assessment cycle responsibilities, tax court and statutory requirements. Staffing cuts will compromise the department's ability to defend the City's revenue (levy) and minimize future revenue (levy) losses as a result of the recession and declining property values.

Challenge: Maintaining 90% Statutory Sales Ratio Requirement

Appraising land and buildings in today's volatile real estate market is challenging. Distressed sales, short sales, the decrease in the number of traditional real estate sales, rapidly changing building conditions and abrupt and extreme market swings has all added to the complexity of achieving the needed accuracy in the mass appraisal process. The Assessor's Office needs to meet MN statutes and Department of Revenue (DOR) requirements or be subject to DOR mandated property value adjustments similar to the one ordered in 2008.

By law, all municipalities and taxing jurisdictions in Minnesota are required to maintain a median sales ratio of 90% to 105% on their major classes of property. In Minneapolis, failing to meet the State mandated sales ratio requirements can result in a significant increase in number of tax court cases filed against the city of Minneapolis resulting in an increased work load and increased loss of city revenue (levy).

The Assessor's Office is responding to this challenge by increasing the frequency of DOR meetings from quarterly to monthly to review sales data and discuss current Minneapolis market trends. The Assessor's Office is carefully screening sales, talking with buyers, sellers, brokers, downtown property owners and managers and conducting more inspections to stay abreast of the fluctuating market and react accordingly until the market stabilizes, and in time recovers and becomes more normalized In Minneapolis.

Additional efforts include the City Assessor's participation as an active member on the Minnesota Real Estate Appraiser Advisory Board, Board of Director on the NorthStar Chapter of the Appraisal Institute, the Nuisance Condition and Problem Property Committee and continuing to assist the Commerce Department and FBI in fraud cases.

In what internal/external partnerships is the department currently engaged and/or exploring for the future?

The Assessor's Office is fostering a closer partnership with the Hennepin County Attorney's office to manage the increasing case loads and improve the tax court process. In partnership with Minneapolis neighborhoods, the City Assessor's Office has increased neighborhood meetings to help local taxpayers understand how the value of their property is determined, and understand the tax appeal process. In addition, Public Service Announcements (PSAs) are continuing to be aired in Hmong and in Spanish to help members from those communities to better understand the tax process in Minneapolis.

How is the department evaluating programs or services for cost effectiveness?

- Tracking trends in property appeals at three levels: Local Boards, County Boards, and Tax Court.
- Utilizing production reports and section work plans to ensure staff meets assessment cycle responsibilities, statutory requirements and tax court petition work.
- Documenting processes, determine expected performance, identify opportunities and implement process improvements.
- Ensuring staff has the skills, ability and knowledge to perform task efficiently, then hold them accountable for performance.

What actions will the department take to meet the current service level reductions?

The Assessor's Office budget can be segmented into three main categories:

- 80% Wages and Benefits
- 18% Contractual Obligations (BIS, Rent, Insurance, HC connectivity Postage, Mileage)
- 2% Discretionary (Printing, Supplies, Licensing, Training, Data, , etc)

Reductions to meet financial projections \$.066 M cut can only be achieved through staff reductions. Staff reductions will negatively impact the department's ability to achieve its 2011-2014 Goals and Objectives, meet statutory requirements, and defend property values.

2011 Current Service Level Reductions

Cost allocation model increases make it extremely difficult to successfully manage a department's financial obligations year over year.

For Example

Total BIS Charges:	2010 adopted	\$305,529
	2011 budgeted	<u>\$367,354</u>
		\$ 61,829 BIS Increase of 16.8%

The department will need to reduce positions to meet its BIS financial obligation in 2011.

Similar examples can be illustrated with Property Services Rent up \$7,000 (5%) and Self-Insurance Liability Premium up \$11,996 (13%). With the Assessor's office current ratio of 18% Contractual Obligations (BIS, Property Services Rent, Insurance & Self Insurance, Postage, Mileage, Hennepin County connectivity) and 2% Discretionary (Printing, Supplies, Licensing, Training, Data, Multiple Listing Service contract, etc) adopting budget assumptions that result in underfunding departments along with the cost allocation model that continue to increase will almost always result in a reduction of Assessor's Office staff in the department.

The Assessor's Office 2011 CSL cut of \$.066M in addition to required cuts to fund rate model increases will equate to a loss of 2 FTEs staff in the Assessor's Office plus a 38% reduction in Training and Conferences, 33% reduction in Education, 17% reduction in Professional Services, and a 5% reduction in Postage. This will:

- Increase management and supervisory workload
- Restrict staff opportunities for personal and professional growth (2011-2014 Goal)
- Increase processing times for homestead applications, sales data entry, tax exempt applications, special tax programs
- Shift data entry tasks to the appraisal staff thus further reducing the time available to inspect properties, write appraisals and prepare and testify in tax court
- Limit the number of requests for data and data analysis that we provide to City leadership, Legislature, City Departments and other stakeholders.
- Fewer dismissed court cases and larger and more frequent property tax settlements
- Limit the department from achieving some of the 2011-2014 goals and objectives outlined in the department's business plan.

FINANCIAL ANALYSIS

EXPENDITURE

The Assessor's 2011 budget of \$4.04 million meets the five-year financial direction. The budget will increase 1.4% over 2010. The department reduced 2 FTEs to meet the current service level, leaving 34.5 positions remaining. Personnel are 77% of the total department budget. The department's contractual expenses are approximately 19% of its budget. The largest contractual expense is BIS Services.

REVENUE

2011 revenue is projected to be \$62,400. The revenues come from payment in lieu of taxes (PILOT) paid by nonprofit nursing homes through agreements in the community planning and economic development (CPED) department's work.

FUND ALLOCATION

The Assessor's department entire budget comes from the general fund.

MAYOR'S RECOMMENDED BUDGET

The Mayor recommended no cuts for this department.

COUNCIL ADOPTED BUDGET

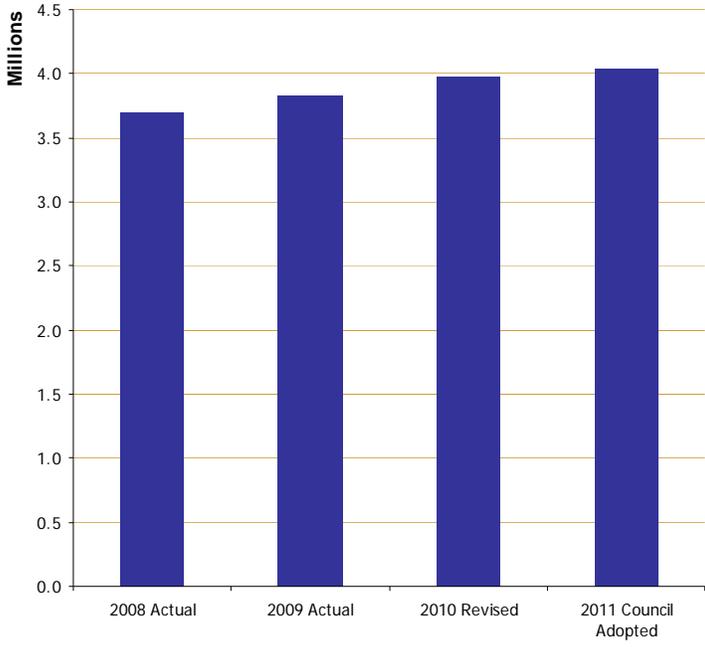
Council adopted the Mayor's recommendations.

ASSESSOR EXPENSE AND REVENUE INFORMATION

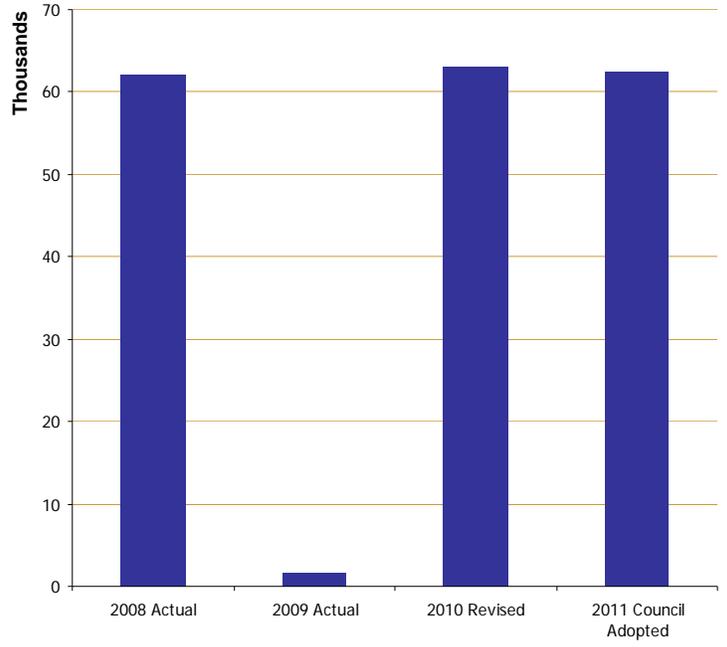
EXPENSE	2008 Actual	2009 Actual	2010 Revised Budget	2011 Council Adopted	Percent Change	Change
AGENCY						
OPERATING COSTS		832			0.0%	0
TOTAL AGENCY		832				0
GENERAL						
SALARIES AND WAGES	2,096,277	2,198,944	2,342,550	2,300,578	-1.8%	(41,973)
FRINGE BENEFITS	642,801	737,568	871,462	812,377	-6.8%	(59,085)
CONTRACTUAL SERVICES	791,419	747,926	606,216	767,700	26.6%	161,484
OPERATING COSTS	161,185	141,542	164,976	158,923	-3.7%	(6,053)
CAPITAL	48		600	606	1.0%	6
TOTAL GENERAL	3,691,730	3,825,980	3,985,804	4,040,184	1.4%	54,380
TOTAL EXPENSE	3,691,730	3,826,812	3,985,804	4,040,184	1.4%	54,380

REVENUE	2008 Actual	2009 Actual	2010 Revised Budget	2011 Council Adopted	Percent Change	Change
GENERAL						
PROPERTY TAXES	62,593		62,000	62,000	0.0%	0
CHARGES FOR SERVICES	79	42	1,000		-100.0%	(1,000)
CHARGES FOR SALES	163	1,531		400	0.0%	400
OTHER MISC REVENUES	(683)				0.0%	0
TOTAL GENERAL	62,151	1,573	63,000	62,400	-1.0%	(600)
TOTAL REVENUE	62,151	1,573	63,000	62,400	-1.0%	(600)

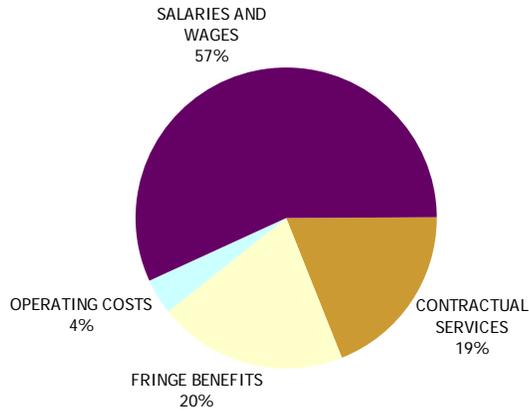
Expense 2008 - 2011



Revenue 2008 - 2011



Expense by Category



Staffing Information

Expense	2008 Budget	2009 Budget	2010 Budget	2011 Budget	% Change	Change
ASSESSOR OPERATIONS	37.00	36.50	36.50	34.50	-5.5%	(2.00)
TOTAL	37.00	36.50	36.50	34.50	-5.5%	(2.00)

Positions 2008-2011

