

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 assessor 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

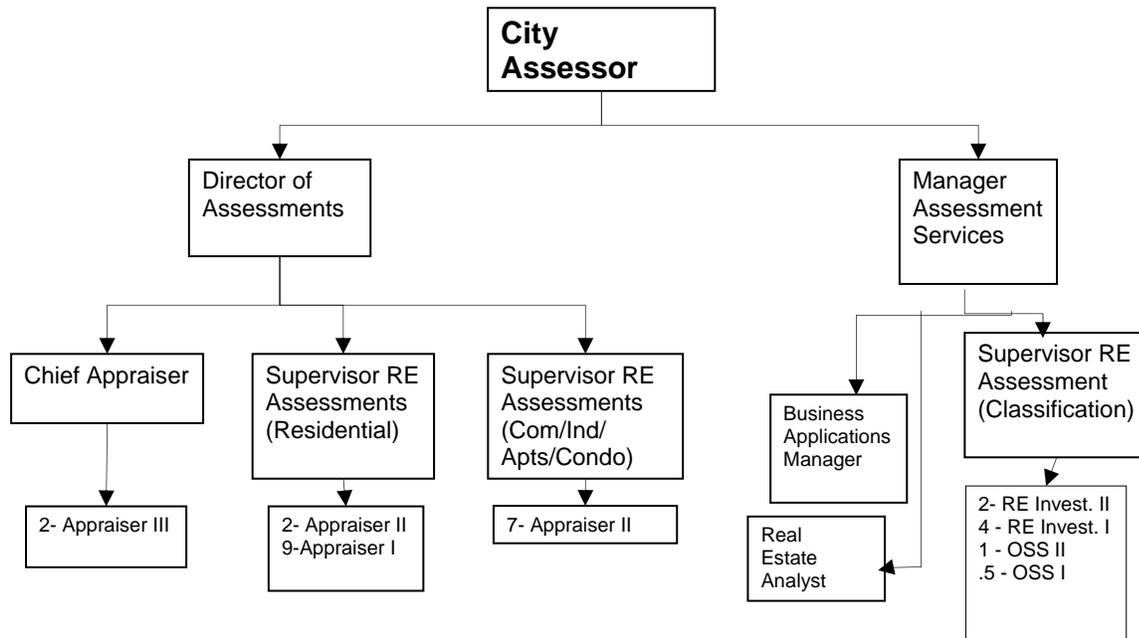
The Minneapolis Assessor's Office has three business lines:

- **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.

- **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.

- **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



RESULTS MINNEAPOLIS CHARTS

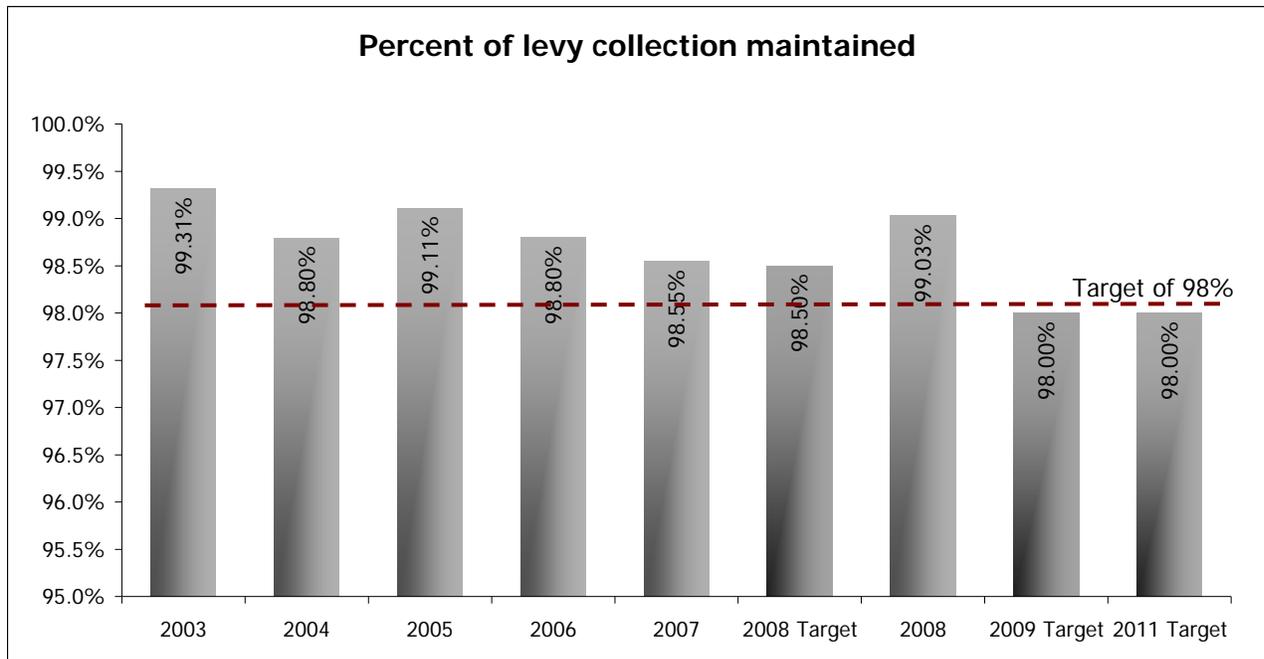


Chart as of May 2009

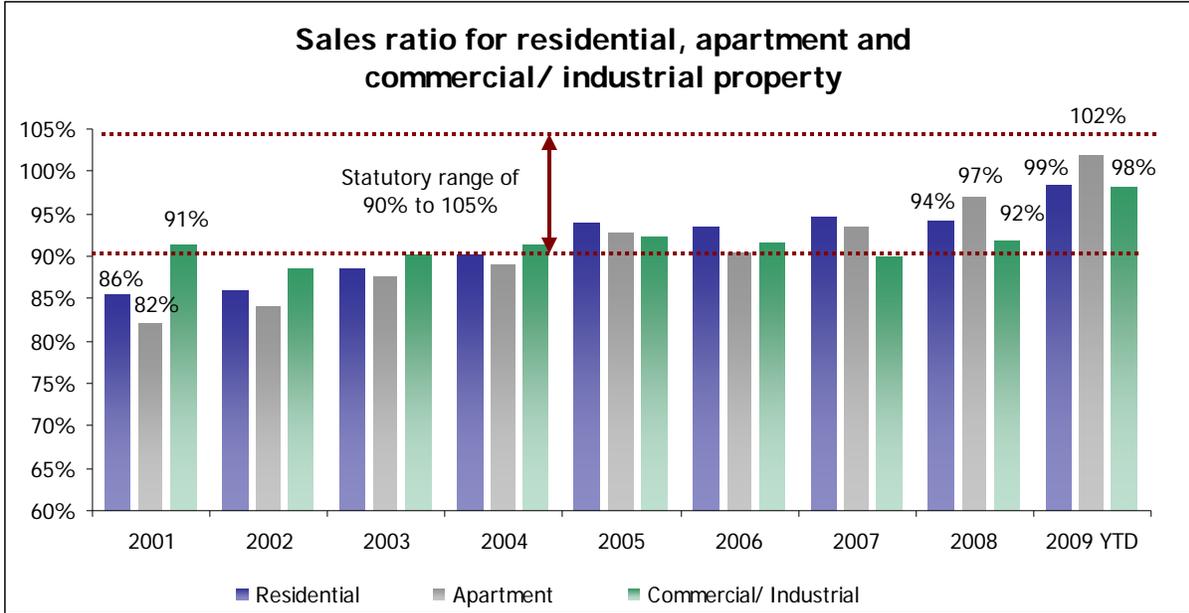


Chart as of May 2009

Current Tax Court Cases						
Tax Year Court Case Was Initiated	2004	2005	2006	2007	2008	2009
# Of Cases Petitioned by year	360	363	347	324	344	516
# of Parcels Petitioned	745	968	822	901	1,428	2,200
# of Parcels Dismissed	326	306	375	326	193	-
# Of Open Cases Remaining	-	-	9	49	144	-
# Of Parcels Under Petition	-	-	20	253	870	-
Value of Outstanding Parcels Under Petition (in millions \$)	\$ -	\$ -	\$ 63	\$ 473	\$ 2,481	\$ 4,200*

* Preliminary 2009 estimate

A 57% increase from 2008 to 2009.

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

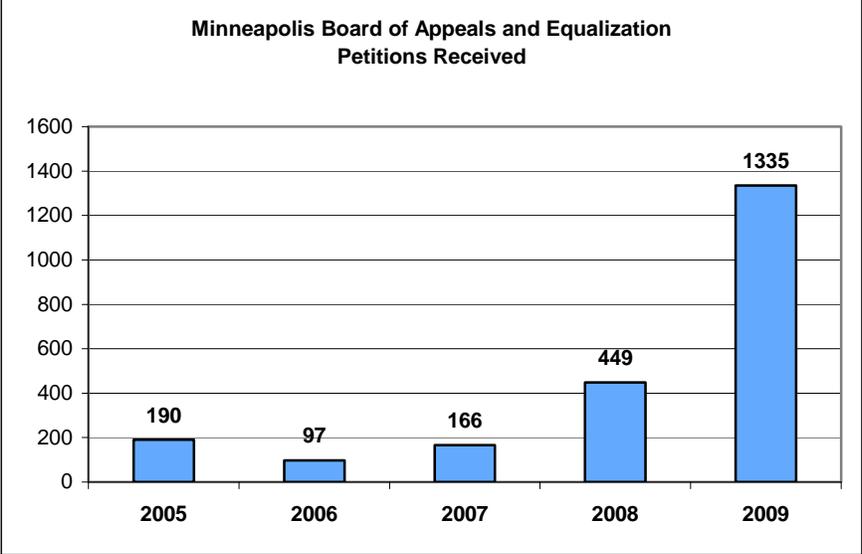
Trend: Current State of the Economy and the Real Estate Market

Minneapolis’s real estate market has been, is currently, and will continue to be a significant challenge for the assessor’s office. 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. Minneapolis neighborhoods have been negatively impacted by pre-foreclosure sales, bank sales, short sales and auctions. 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. 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.

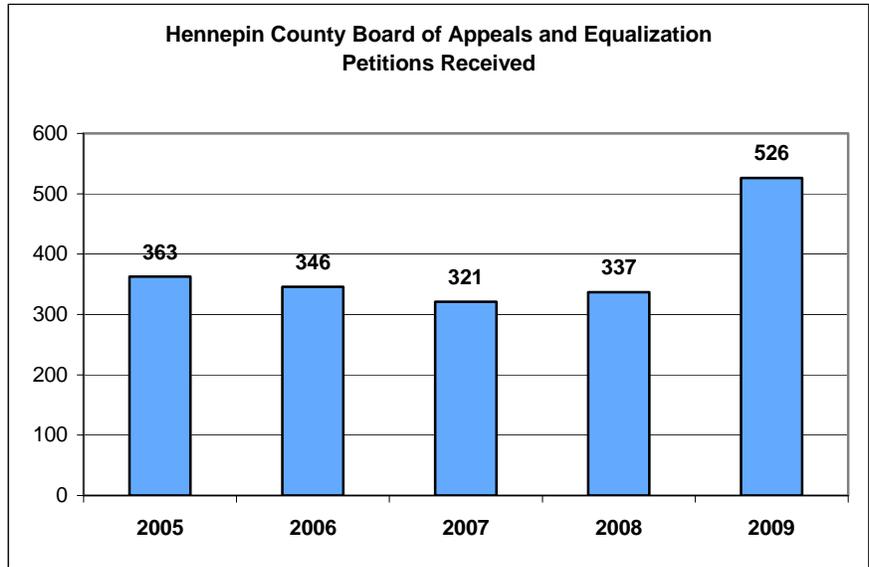
The current state of the economy has compelled more people to scrutinize all of their financial obligations including their property taxes. Taxpayer frustration with the recent trend of declining property values without a corresponding decline in property taxes has produced a deluge of phone calls, e-mails, local and county board petitions and tax court cases.

Challenge: Work Loads and Staffing

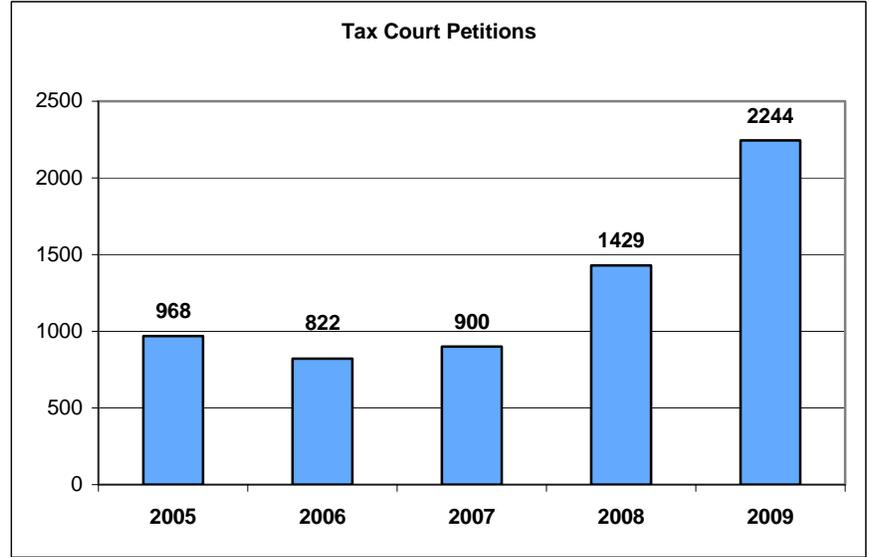
The assessor’s office has expended a significantly larger amount of staff resources this year responding to owners concerns and educating taxpayers as well as preparing for the massive number of property value petitions. The following charts show the trend in increased petitions:



Minneapolis Local Board of Appeal and Equalization petitions up from 449 in 2008 to 1335 in 2009, an increase of 197%.



Hennepin County Board of Appeal and Equalization petitions up from 337 in 2008 to 526 in 2009, an increase of 56%.



County Board of Appeal and Equalization petitions up from 900 in 2007 to 2244 in 2009, an increase of 149%.

The increased staff time dedicated to re-inspect, reappraise and defend the high volume of local and county board of appeals petitions resulted in delaying the start of our equalization work schedule by 25 days. The Assessor’s office is exploring options to manage the compressed schedule in achieving the annual 20% inspection rate required to meet MN statutory requirements.

To address this challenge supervisors are closely monitoring the production reports and section work plans in order to quickly realign and flex staff assignments to meet MN statutory requirements.

Additionally, several process changes are being implemented to free up a limited amount of FTE hours for reassignment such as;

- 311 will manage all incoming phone calls for questions, assistance and general real estate and property tax information beginning July, 2009.
- Discontinuing one-on-one homestead services at the front counter. Property owners will be required to submit their application(s) via fax, mail, email or through a drop box in the lobby. Forms will be available in the lobby or they can be printed from the Assessor's web site. Staff will still need to process the same number of homestead applications, but the Customer Service Level (CSL) will change.

While these two process changes are a significant reduction in CSL it is necessary to redirect staff whenever possible to manage the increase in work load.

Challenge: Maintaining 90% Statutory Sales Ratio Requirement

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).

Appraising land and buildings in today's volatile real estate market is incredibly 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 all add 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.

The Assessor's office is responding to this challenge by increasing the frequency of DOR meetings from quarterly to monthly for reviewing sales data and discussing current Minneapolis markets. 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 transformation of the Minneapolis real estate market.

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 (PSA's) have been created 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 petitions at three levels: Local Boards, County Boards, and Court Cases. Utilizing production reports and section work plans to deploy staff to meet assessment cycle responsibilities, statutory requirements and tax court petition work.

What actions will the department take to meet the current financial projections (5% reduction in all funds)?

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

80% Wages and Benefits

18% Contractual Obligations (BIS, Rent, Insurance, Postage, Transportation)

2% discretionary (Printing, Supplies, Licensing, Professional services, etc)

The Assessor's office is a revenue generating department bringing in close to 160 million dollars. Forty three percent of the City's Revenue Budget for 2009 is generated from property taxes. All reductions to meet financial projections (.028%, 5% and 10%) can only be achieved through staff reductions and will negatively impact City revenue; staffing and processes. For every FTE reduction, \$225,000 in revenue is potentially at risk.

FTE reductions also place the City at risk of violating state mandates as the department's processes are driven by:

- Statute MN 273.08 - the number of parcels viewed annually
- Statute MN 278.05 subd. – median sales ratio of the city
- Mandates set by the Department of Revenue

In 2008, the Department of Revenue mandated an increase for the Nokomis and University communities because of a low inferred ratio.

Scenario 1: No Cuts or Only Reduction to Growth:

A .028% reduction equates to .5 FTEs. This will:

- increase the processing time of homestead applications, sales data entry, tax exempt applications and the administration of 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

Scenario 2: Five Percent Reduction (-5%)

A 5% budgetary reduction equates to a loss of 3 FTEs. This will:

- 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
- processing requests for data and data analysis from City leadership, Legislature, City Departments and other stakeholders may not be performed
- fewer dismissed court cases and larger and more frequent property tax settlements
- potential \$675,000 in levy loss due to tax court settlements
- result in a levy collection rate of less than 98%

FINANCIAL ANALYSIS

EXPENDITURE

The Assessor's 2010 budget of \$4.0 million is in line with the five-year financial direction. The budget will increase 2.2% over the 2009 adopted budget. There are 36.5 positions in the department. Personnel are 80% of the total department budget. The department's contractual expenses are approximately 16% of its budget. The largest contractual expense is BIS Services.

REVENUE

Revenue in 2010 is projected to be \$63,000. 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.

ORIGINAL BUDGET

The Mayor recommended and Council approved a reduction of \$28,000 from the current service level for this department.

The budget for this department includes a reduction of BIS charges of \$26,300 due to the Council's actions to reduce the BIS budget. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount. Additionally, the budget for this department includes an \$896 decrease in appropriation due to the Council's actions to fund two internal audit positions.

MAYOR'S REVISED BUDGET

The Mayor included no reduction to this department.

COUNCIL REVISED BUDGET

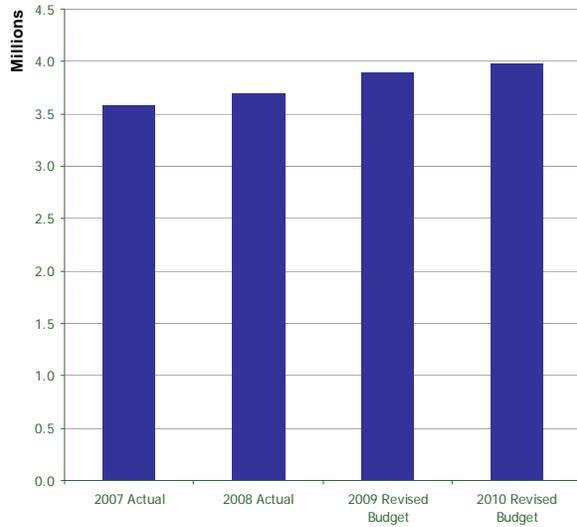
Council adopted the Mayor's recommendations.

ASSESSOR EXPENSE AND REVENUE INFORMATION

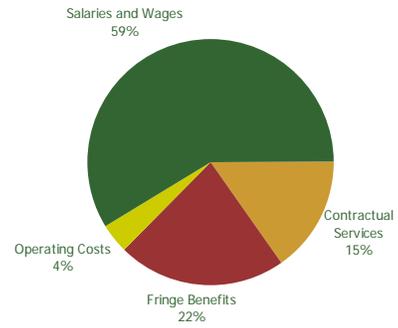
EXPENSE	2007 Actual	2008 Actual	2009 Revised Budget	2010 Revised Budget	Percent Change	Change
GENERAL						
Salaries and Wages	2,052,989	2,096,277	2,309,958	2,342,550	1.4%	32,592
Fringe Benefits	602,295	642,801	798,074	871,462	9.2%	73,387
Contractual Services	776,718	791,419	637,073	606,216	-4.8%	(30,857)
Operating Costs	144,978	161,185	154,361	164,976	6.9%	10,615
Capital	0	48	1,740	600	-65.5%	(1,141)
TOTAL GENERAL	3,576,980	3,691,730	3,901,207	3,985,804	2.2%	84,597
TOTAL EXPENSE	3,576,980	3,691,730	3,901,207	3,985,804	2.2%	84,597

REVENUE	2007 Actual	2008 Actual	2009 Revised Budget	2010 Revised Budget	Percent Change	Change
GENERAL						
Property Taxes	62,138	62,593	65,000	62,000	-4.6%	(3,000)
Charges for Service	105	79	1,000	1,000	0.0%	0
Charges for Sales	414	163			0.0%	0
Other Misc Revenues	0	(683)			0.0%	0
TOTAL GENERAL	62,656	62,151	66,000	63,000	-4.5%	(3,000)
TOTAL REVENUE	62,656	62,151	66,000	63,000	-4.5%	(3,000)

Expense 2007 - 2010



Expense by Category



ASSESSOR

Staffing Information

	2007 Actual	2008 Adopted Budget	2009 Revised Budget	2010 Revised Budget	% Change	Change
ASSESSOR OPERATIONS	37.00	37.00	36.50	36.50	0.0%	
TOTAL	37.00	37.00	36.50	36.50	0.0%	

Positions 2007-2010

