



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: County Executive Office
Department No.: 012
For Agenda Of: October 17, 2017
Placement: Administrative
Estimated Time: N/A
Continued Item: No
If Yes, date from: N/A
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department: Mona Miyasato, County Executive Officer
Director(s)
Contact Info: Jeff Frapwell, Assistant County Executive Officer
SUBJECT: Resources for Property Tax Assessment Appeals

County Counsel Concurrence

As to form: Yes

Other Concurrence: N/A

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve Budget Revision Request No. 0005388 establishing appropriations of \$852,000 in General County Programs General Fund to increase Committed Assessment Appeals Support fund balance funded by release of Unassigned fund balance, and establishing appropriations of \$228,000 in County Counsel, \$71,000 in CEO, and \$74,000 in Clerk Recorder Assessor General Fund for Salaries & Benefits funded by a release of Committed Assessment Appeals Support fund balance; and
- b) Determine pursuant to the California Environmental Quality Act (CEQA) Guidelines Section 15378(b)(5) that the above action is not a project subject to CEQA review, because the action consists of organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

Summary Text:

The Assessor's Office is experiencing a backlog of unresolved property tax assessment appeals cases, particularly "complex cases," where the amount of the property's taxable value on the current assessment roll is \$30 million or more. As of October 4 2017, the total at-risk value of all appeals filed is approximately \$7.2 billion. To resolve this backlog and minimize the County's exposure to reduced property tax revenue resulting from successful appeals, the offices engaged in the assessment appeals

process—Clerk of the Board, Assessor, and County Counsel—require an additional 4.0 full-time equivalents (FTEs) for an 18-month period at a cost of \$802,000. Factoring in the increased cost associated with holding more Assessment Appeals Board hearings, the total expected cost of resolving this backlog is \$852,000.

Background:

The offices of the Clerk of the Board, Assessor, and County Counsel are involved in processing property tax assessment appeals for the County. The Clerk of the Board provides functional support for the assessment appeals process, including receipt and preliminary review of assessment appeal applications; coordination of assessment appeal hearings; and preparation of notices, agendas, and minute orders. The Assessor's Office facilitates resolution of appeals within two years of an application's filing date unless waived by the applicant. Appraisers work to resolve differences between the Assessor's roll value of the property and an applicant's opinion of value, which may result in (1) withdrawal of the appeal by the applicant; (2) agreement on a new value as specified in a written stipulation; or (3) a hearing by the Assessment Appeals Board. The Office of County Counsel provides legal counsel to the Assessor's Office and advises the Assessment Appeals Board in legal and procedural matters regarding assessment appeals hearings. Additionally, County Counsel supports the Assessor's handling and litigation of complex cases where the property's taxable value on the assessment roll is \$30 million or more.

As of October 4, 2017, 582 assessment appeal applications (or cases) are open with a total at-risk value—the difference between the Assessor's roll value and the applicant's opinion of value—of approximately \$7.2 billion. Of those 582 cases, 271 are complex cases. For context, the Assessment Appeals Board held 22 hearings in 2016 and 37 hearings have been scheduled to date in 2017. Given the number of complex cases currently underway, the Clerk of the Board projects the number of hearings will increase to 180 to 200 in the next 18 months.

In 2003, the Assessment Appeals Board adopted procedural rules for complex cases that require the designation of a three-member panel of the Assessment Appeals Board to each case and establish regulations for status conferences, pre-hearing conferences, and hearings. Complex cases constitute a higher proportion of recently filed assessment appeals, which, combined with the local rules governing complex cases and appraiser capacity to handle such cases, created a backlog in unresolved assessment appeals. Moreover, new cases filed during the current filing period may exacerbate this backlog as these cases will be subject to their own two-year deadlines unless waived. To prevent future backlogs, the Clerk of the Board, in consultation with County Counsel, will propose revisions to the Assessment Appeals Board on the procedural rules for complex cases to streamline the processing of these cases.

To resolve this current backlog, the offices of the Clerk of the Board, Assessor, and County Counsel require, collectively, an additional 4.0 FTEs for an 18-month period:

- 1.0 FTE Extra-Help Administrative Office Professional I for Clerk of the Board;
- 1.0 FTE Appraiser II for Assessor; and
- 2.0 FTE Deputy County Counsel III for County Counsel.

These additional resources, along with County Counsel reducing legal support to other programs and projects, will facilitate resolution of open cases, especially complex cases, within statutory timeframes and mitigate the risk to property tax revenues.

Fiscal and Facilities Impacts:

The 18-month cost of addressing the backlog in unresolved assessment appeals cases is \$852,000—\$802,000 for the additional 4.0 FTEs and \$50,000 for stipends and other costs associated with holding more Assessment Appeals Board hearings—and will be funded with unassigned fund balance. Funds will be transferred from Unassigned Fund Balance to a newly created Assessment Appeals Support Fund Balance within General County Programs. The three departments—County Executive Office-Clerk of the Board, Clerk-Recorder-Assessor, and County Counsel—will draw upon these funds as allocated in the attached budget revision to cover the costs of these positions in FY 2017-18. The FY 2018-19 costs will be incorporated into the 2018-19 budget. The table below shows the anticipated expenses by department and fiscal year, as the resolution of the backlog is projected to span FY 2017-18 and FY 2018-19.

Department	FY 2017-18 Expenses	FY 2018-19 Expenses	Total
County Executive Office-Clerk of the Board			
Staff	\$49,000	\$63,000	\$112,000
Assessment Appeals Hearings	\$22,000	\$28,000	\$50,000
Subtotal	\$71,000	\$91,000	\$162,000
Clerk-Recorder-Assessor	\$74,000	\$95,000	\$169,000
County Counsel	\$228,000	\$293,000	\$521,000
Total	\$373,000	\$479,000	\$852,000

No new legal positions will be added. Clerk-Recorder-Assessor and County Counsel will use existing vacant positions that are currently unfunded; the County Executive Office-Clerk of the Board will utilize extra help. If Departments wish to keep these positions beyond the projected 18 month timeframe, they will need to absorb the costs within their existing budget.

Staffing Impacts:

<u>Legal Positions:</u>	<u>FTEs:</u>
0	4.0

Attachments:

Budget Revision Request No. 0005388

Authored by:

A.J. Quinoveva, Fiscal & Policy Analyst