

NEVADA COUNTY ASSESSMENT PRACTICES SURVEY

JANUARY 2000

CALIFORNIA STATE BOARD OF EQUALIZATION

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February 18, 2000

No. 2000/011

TO COUNTY ASSESSORS:

NEVADA COUNTY
ASSESSMENT PRACTICES SURVEY

Here is the Nevada County Assessment Practices Survey Report. The Board of Equalization (BOE) completed this survey in fulfillment of the provisions of sections 15640-15646 of the Government Code. These code sections provide that the BOE shall make surveys in each county and city and county to determine that the practices and procedures used by the county assessor in the valuation of properties are in conformity with all provisions of law.

The assessor was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained in the report. This report and the county assessor's response constitute the final survey report which is distributed to the Governor, the Attorney General, the State Legislature; and the county's Board of Supervisors, Grand Jury, and Assessment Appeals Board.

County Property Tax Division staff conducted fieldwork for this survey of the Nevada County Assessor's Office from July to August 1998. This report does not reflect changes implemented by the assessor after the fieldwork was completed.

The Honorable Art Green, the Nevada County Assessor, Richard P. Allen, the previous assessor, and their staff gave us their complete cooperation during the assessment practices survey. We gratefully acknowledge their patience and good spirit during the interruption of their normal work routine.

We invite your comments and exchanges of information, for we feel that these surveys can only be helpful in a mutually cooperative atmosphere.

Sincerely,

Richard C. Johnson
Deputy Director
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RCJ:jm

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NEVADA COUNTY SURVEY

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INTRODUCTION

Although the primary responsibility for local property tax assessment is a function of county government, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest stems from the enormous impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial impact is that half or more of all property tax revenues are used to fund public schools and the State is required to backfill any shortfalls from that property tax funding.

The assessment practices survey program is one of the major State efforts to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (Board) is required to periodically review (survey) every county assessor's office and publish a report on the survey findings. This report reflects the Board's findings in its periodic survey of the Nevada Assessor's Office.

The assessor is required by law to file with the board of supervisors a response that indicates the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the State Board of Equalization, the Senate and Assembly, and to the Nevada County grand jury and assessment appeals board. The response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The assessor elected to file his initial response prior to publication; the response is included in this report following the Appendix.

Management audit reports typically emphasize problem areas, with little said about operations that are performed correctly. Assessment practices survey reports also tend to emphasize problem areas. However, assessment practices survey reports also contain information required by law (see *Scope of Survey*) and information that may be useful to other assessors. The latter information is provided in the hope that the report will promote uniform, effective, and efficient assessment practices throughout California.

SCOPE OF SURVEY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the performance of other duties enjoined upon the assessor, and the volume of assessing work as measured by property type. As directed by Government Code section 15644, this survey report includes recommendations for improvement to the practices and procedures found by the Board's survey team.

In addition, Revenue and Taxation Code section 75.60 requires the Board to certify that the county assessment roll meets a minimum assessment level. This certification may be accomplished either by conducting an assessment sample or by determining, through objective standards—defined by regulation—that there are no significant assessment problems. The statutory and regulatory requirements pertaining to the assessment practices survey program are detailed in the Appendix.

Our survey of the Nevada County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contact with other public agencies in Nevada County with information relevant to the property tax assessment program.

An assessment practices survey is not an audit of the assessor's entire operation. We did not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment, nor did we review or report on the assessor's duties relating to the functions of county clerk and county recorder.

FINDINGS

EXECUTIVE SUMMARY

The assessor has established good control procedures over production and the quality of work product. The staff is highly motivated and works independently in accomplishing their assessment functions. Most properties subject to reappraisal are field inspected, and computer technology is effectively utilized.

In our 1995 survey report, we made six recommendations for improving the assessment program in Nevada County. The assessor implemented four and part of one other of our recommendations. The assessor has corrected procedures for the assessment of possessory interests, is following statutory requirements when enrolling escape assessments and reducing assessments, is correctly applying the section 463 penalty, and is no longer applying late filing penalties when using in-house forms.

However, the assessor did not fully implement our recommendation for applying section 506 interest to escaped assessments below the \$100,000 threshold and continues to use the Assessors' Handbook Section (AH 581) inappropriately by averaging the index factors for each year.

The assessor continues to make progress in incorporating computer technology into office operations. The staff systems administrator designed and programmed the assessor's computer assessment system. He is also responsible for configuration and maintenance of the PC's, software, hardware, and the LAN system. Instead of constantly acquiring new computers, he is able to reduce computer hardware costs by upgrading each computer with only the necessary replacement parts.

In addition to roll data, the assessor's staff has computerized access to parcel maps; detailed property data; cost-estimating programs for single family residential, commercial, and industrial properties; and comparable sales data. Recently acquired digital cameras allow staff to incorporate digitized photographs into the electronic record. In addition, a tracking system has been developed for the real property files. The system can identify the location of any file checked out of the file room.

Since our previous survey, the assessor's local area computer network was expanded to a wide area computer network that includes other county offices. Staff can now e-mail and exchange information between county departments.

Nevada County is participating in the State-County Property Tax Administration Program. The monies from this program have allowed the assessor to re-establish the canvassing program, reduce the backlog of decline-in-value appraisals, and timely defend assessments appeals.

The procedures manual needs to be updated. The confusion regarding the proper chain of command as detailed in the procedure manual was a subject of a recent grand jury report.

The assessor's assessment appeals program is well administered. The number of appeals has remained relatively constant over the past five years. The staff is experienced and knowledgeable as to the laws pertaining to the appeal process.

The process for establishing new base year values resulting from change in ownership is timely, accurate, and well coordinated. The technical support section processes all recorded deeds. The deeds and records are provided timely to the appraisal staff for valuation.

We found that the assessor's program for processing building permits to discover new construction works well. The assessor obtains permits from all issuing agencies except for well and septic permits from the County Department of Environmental Health. We recommend that the assessor obtain these building permits.

Property values in Nevada County dropped between 1990 and 1995 and have since leveled off. The county has about 5,000 decline-in-value assessments, which are reviewed every year.

Properties subject to the California Land Conservation Act assessment program are properly assessed and the program is well administered. However, to increase efficiency, we suggest that these assessments be computerized.

A competent and diligent staff supports the business and personal property program. Our recommendations for the program deal mainly with the application of interest to certain escape assessments and appropriate use of the AH 581. We also suggest expanding the non-mandatory audit program, sending the standard business property statement to taxpayers who received an arbitrary assessment the previous year, and the use of BOE's Form 600-B to discover leased equipment.

Revenue and Taxation Code section 75.60 requires that the BOE certify a county as eligible for the recovery of costs associated with administering supplemental assessments. In order for a county to qualify as an eligible county, it must achieve an average assessment level that is not less than 95 percent of the amount required by law as determined by the BOE through its assessment sampling program. In addition, for sampling for the 1996-97 fiscal year and subsequent fiscal years, the sum of the absolute values of the differences cannot exceed 7.5 percent of the legally required amount.

Based upon our assessment sampling for the 1994-95 assessment roll, the BOE certified Nevada County as an eligible county. This indicates that its assessment program is in substantial compliance with the law as of that sampling. Section 75.60(c) requires that certification remain in effect until the next sampling. Counties in which a survey has been conducted without sampling are subject to sampling if the BOE believes significant assessment problems, as defined in BOE Rule 371, exist. The current survey found no indication that significant assessment problems exist in Nevada County.

RECOMMENDATIONS AND SUGGESTIONS

This report contains both recommendations and suggestions for improvements to the operation of the Nevada County Assessor's Office.

Government Code section 15645 requires the assessor to respond in writing to the formal recommendations contained in this report. Our recommendations are reserved for situations where one or more of the following conditions exist:

- Existing assessments do not conform to state constitutional provisions, statutes, BOE regulations, or case law are present;
- Existing assessment practices result in property escaping assessment or generation of an incorrect amount of property tax revenue;
- Existing appraisal practices do not conform to BOE-adopted appraisal methodologies.

Our suggestions are considered less formal than recommendations, and the assessor is not required to make any response to suggestions. Typically, suggestions are BOE staff opinions on ways the assessor can improve efficiency, product quality, or other matters that do not call for formal recommendations.

The following is a summary of the formal recommendations and suggestions contained in this report, arrayed in the order that they appear in the text. The page is noted where each recommendation and its supporting text may be found.

RECOMMENDATIONS

RECOMMENDATION 1: Request that the County Department of Environmental Health forward copies of all issued permits.....19

RECOMMENDATION 2: Use animal unit months (AUM's) in the analysis of grazing lands.....22

RECOMMENDATION 3: Notify the county auditor when interest should be added to escape assessments.....28

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SUGGESTION 6: Improve the documentation of possessory interest files.....23

SUGGESTION 7: Consider the sales and income approaches to value when valuing private water companies.....25

SUGGESTION 8: Require water companies regulated by the CPUC to submit a copy of their annual CPUC report.....25

SUGGESTION 9: Expand the non-mandatory audit program.....28

SUGGESTION 10: Follow up an arbitrary assessment by mailing a business property statement to the taxpayer for the following year.....29

SUGGESTION 11: Annually review the BOE’s listing of equipment leased to state assesses.....30

ADMINISTRATION

The main office is located in Nevada City with one field office located in Truckee. All of the real property records and all of the business property files are maintained at the main office. The assessor's office functions are separated into two divisions, administration and valuation.

The assistant assessor supervises the administration division. This division includes two supervisors who oversee the technical support, roll maintenance, customer services, and mapping sections. The computer systems administrator also reports to the assistant assessor.

A chief appraiser directs the valuation division. This division is comprised of one auditor-appraiser, the western county residential appraisal staff, and the Truckee residential appraisal staff. The western staff is supervised by a senior appraiser, and the Truckee staff is supervised by a senior appraiser who also supervises the commercial and industrial property appraisals and appeals.

PROCEDURES MANUAL

There are many reasons for using and maintaining a procedures manual in the assessor's office. The procedures manual provides standard guidelines for various office functions and helps to properly administer the assessment of property. Creation and maintenance of a procedures manual will ensure that all staff receive the same administrative direction. It is also a good information source for new managers and staff who must familiarize themselves with the office's rules and administrative practices. A complete and updated procedures manual will ensure that all policies and procedures implemented are consistent with the agreed upon mission, goals, and directions of the assessor.

The procedures manual in Nevada County includes three volumes: Volume I contains the organizational/functional procedures, Volume II contains the appraisal procedures, and Volume III contains the administrative procedures. Each employee has a copy of the procedures manual on his desk. Some employees have all three volumes, others have only one or two, depending on their classification and whether their position requires them to have all three volumes.

SUGGESTION 1: Update the procedures manual.

The procedures manual in Nevada County has not been updated since 1993. Some job titles have been eliminated, some sections of the procedures manual are out of sequence, and there are no sections on the valuation of water company property.

According to the grand jury report, dated June 30, 1998, there were two conflicting versions of the procedures manual concerning the chain of command when the assessor is absent. The office copy indicated that the assistant assessor would be in charge, but the assessor's personal copy had a red line through assistant assessor. The assessor stated that he was in the process of making the assistant assessor and chief appraiser equal in responsibility in his absence. The assistant assessor would be in charge of the administration division and the chief appraiser would be in charge of the valuation division.

One example of a needed update or correction of the procedures manual concerns misfortune and calamity procedures. Our previous survey report suggested that the assessor revise the wording in the procedures manual dealing with transfers of the base year value of damaged property. This portion contained an error that directed staff appraisers to transfer the base year value to a replacement property if the damage to the original property exceeds 40 percent of market value.

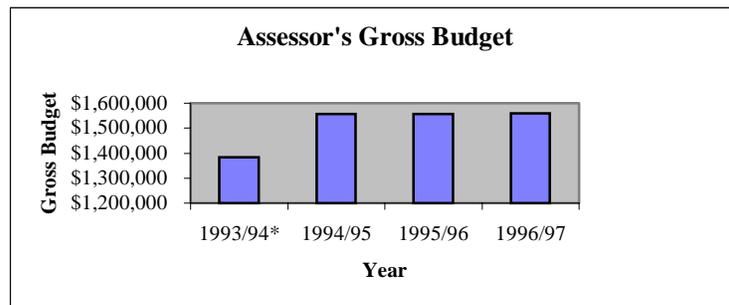
According to section 69 (c) (1), damaged property is eligible for the base year value transfer if it sustains physical damage amounting to more than 50 percent of its full cash value immediately prior to the disaster. The assessor's procedures manual still reads 40 percent. The assessor's staff is properly transferring base year values by using the 50 percent threshold, but the wording in the procedures manual should be revised.

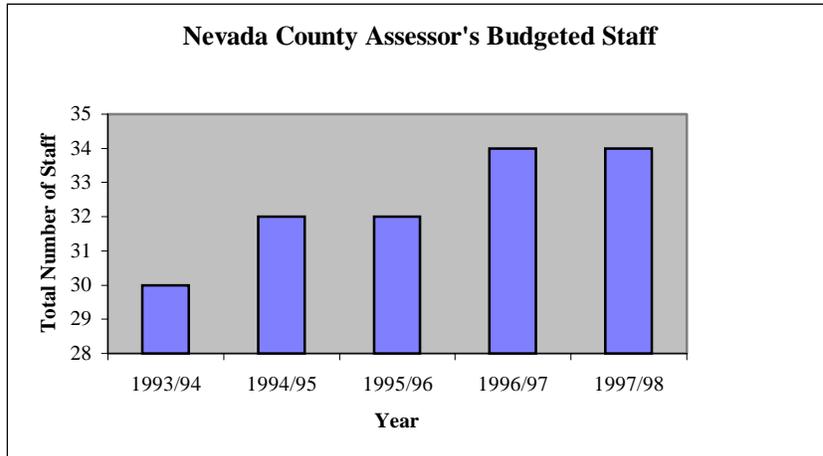
Each employee is responsible for maintaining his or her individual copy of the procedures manual. Employees are notified of changes through meetings, memos, e-mail, and other forms of communication. Some employees have hard copies of these changes in their procedures manual. An updated procedures manual for each employee would help ensure compliance with any changes to the law and lessen the chance of misinterpretation through meetings or verbal discussions.

BUDGET AND WORKLOAD

We reviewed the annual budget of the Nevada County Assessor's Office for the last four years. The following graph illustrates the gross budget history. The budget amounts were obtained from the assessor's office. The graph below indicates budget stability and an average increase of about 3 percent per year over these four budget years.

* Adjusted to exclude costs for services from other departments (\$201,044) which the following years did not include.





SUGGESTION 2: *Conduct a study to analyze the reasons for staff turnover.*

While most county assessor’s offices have experienced some downsizing in the past few years, the Nevada County Assessor’s Office has seen an increase in its budgeted staffing from 30 to 34 since the 1993-94 budget year. For the last two years, actual staffing has been two appraisers less than budgeted.

Over the last few years, the assessor’s office lost a number of experienced appraisers, including the assessor, assistant assessor, and chief appraiser. Despite these departures, the assessor’s office staff performed their duties in a timely manner and served the public well. The current assessor has been unable to fill the vacant real property appraiser positions. It may be due to salaries that are not competitive, but we suggest that the assessor conduct a study to analyze the reasons for staff turnover.

COMPUTER SYSTEM

Computers have been increasingly utilized in most assessors’ offices. Many assessors have moved away from mainframe units toward personal computers (PC’s) networked together. The Nevada County Assessor now uses the county mainframe computer mainly for processing and storing the assessment roll. All data from both PC’s and the mainframe are backed up on tape and stored off-site at a secure data storage facility. We noted adequate security for the systems and the data.

For the past 21 years, staffing in the assessor’s office has included a trained systems administrator who writes specialized programs for the department’s assessment needs. He buys, installs, and upgrades all hardware, hardware components, and software. Most recently, he upgraded all PCs from 386 and 486 CPU's to Pentiums with processing speeds ranging from 100 to 233 MHz.

Staff has significantly increased their use of personal computers. Since our previous survey, all assessor's parcel maps have been scanned, stored in computer files, and made electronically available to appraisers through their PC's. Newly installed Windows NT software also upgraded the Local Area Network (LAN) to a county-wide Wide Area Network (WAN). The new network now connects the Truckee field office to the main office.

Appraisers can search for comparable sales data from their computer, and they can use the Marshall Valuation Service estimator program for calculating replacement costs for many commercial/industrial property types. A new software program that will display appraisal data electronically is nearing completion. When this program is implemented, appraisers will be able to view property records that include photos, diagrams, maps, and cost data. Comparable sales data will be displayed similar to the Uniform Residential Appraisal Report (URAR) format for comparison with the subject parcel.

Building diagrams are entered into the system using a CAD program. Eventually, all computerized property records will include a digitized building diagram. This use of the computer eliminates human error in calculating building areas and will make the building diagram available electronically.

The assessor replaced Polaroid cameras with digital cameras and found this move to be highly cost effective. The one-time acquisition cost of these cameras was offset in less than a year by the elimination of photographic film purchases. Staff downloads all photographs daily from a reusable memory chip. There is now a detailed photographic record of each property in the electronic property record. Appraisers now routinely take photographs of properties each time they inspect the property. And once recorded into the computerized property record, the enhanced detailing of the photographic record helps appraisers ascertain comparability with a higher degree of confidence.

We commend the assessor and his staff for their development of data processing tools that enhance the office's assessment capabilities.

RECORD STORAGE

The record filing system consists of an open shelf filing system in a lockable storage room for real property files which are color coded and filed by assessor's parcel number; a lockable drawer filing system for personal property files, filed by business name; and a computerized folder tracking system for real property files.

When real property files are pulled, a sign-out card is filled out with the appraiser's name, the parcel number, and the date. When the folder is ready to be refiled, it is placed in a basket to be refiled by an assessment clerk. The assessment clerk logs folders leaving the file room into the computerized folder tracking system. Filing procedures are described in the office's procedures manual, and employees report the system works well. We found the system to be effective in tracking the movement of the files.

There is a recognized shortage of space in the real property file room, and steps are being taken to deal with the situation. Files are being reorganized for more efficient use of existing space. Additionally, computerized property records are being updated to include a current floor plan drawing and a current digital photograph. With more complete information online, the need to store hard copy records will be reduced.

Property files are purged regularly by the appraisers. Only the most recent PCOR's, current assessee information, and building records are retained in the files. Older PCOR's and outdated appraisal data are archived. Overall, the records storage system is well defined, its procedures adhered to by the employees, and it allows for efficient tracking of files.

STATE-COUNTY PROPERTY TAX ADMINISTRATION PROGRAM

Section 95.31 provides that upon the recommendation of the assessor and by resolution of the county board of supervisors, the county may participate in the State-County Property Tax

Administration Program (PTAP). This program provides a loan to the county to enhance its property tax program. Most California counties participate in the program.

A county enters into a contract with the State Department of Finance to enhance its property tax administration system. The loan cannot be used to supplant the assessor's current level of funding. The county must maintain a base funding level for the assessor's office, independent of the loan proceeds, that is equal to the level of the 1993-94 fiscal year.

In lieu of repaying the loan, each contract contains specific performance measures required to have the loan amount forgiven. Annually, the assessor must report the actual performance against the specific performance in the contract. The county's auditor-controller must verify the reported figures and the calculations.

In March 1996, the Nevada County Board of Supervisors, upon the recommendation of the assessor, elected to participate in the PTAP for the period beginning with the 1995-96 roll year and ending June 30, 2000.

Nevada County is allocated \$234,292 of the \$60,000,000 PTAP fund. The county agreed to use the funds to reduce the backlog of miscellaneous construction permits, to establish a program to annually canvass 6,000 parcels for escaped new construction, to reduce the backlog of decline-in-value assessments, and to defend all assessment appeals carried over from previous years. The county also agreed to refrain from raising the county's low-value exemption level to the \$5,000 limit permitted by section 155.20 (For 1998-99 the restriction applied only to secured property.)

To meet contract goals, the assessor allocated the PTAP funds for recruitment of appraisers and clerical staff, and to fund upgrades of data processing hardware and software. Funds were also allocated toward purchases of supplies and equipment.

Because the assessor's office regularly receives funding for data processing upgrades and modifications in the county budget, it was not necessary to rely primarily on the PTAP funds for modifications to existing systems or to purchase new technologies. However, in the initial funding, the assessor allocated \$72,400 to augment county budgeted funding to acquire additional hardware, to make technical modifications to the computer system, and to acquire software to upgrade in-house data processing capabilities. Also, for the 97-98 and 98-99 contracts the assessor allocated \$32,092 of the PTAP funds to acquire computer related equipment.

For each year under contract the Nevada County Assessor's Office met or exceeded its contract goals. Reported increases in revenue generated for schools from the county's participation were \$718,913 as of June 30, 1996, and \$775,223 as of June 30, 1997.

DISASTER RELIEF

In 1995, the Nevada County Board of Supervisors adopted Ordinance number 1890 to implement the property tax relief provisions of section 170. To qualify for relief under this ordinance, the assessee must make a written application to the assessor. However, if the assessor is aware of any

property that has suffered damage by misfortune or calamity within the previous six months, the assessor must either provide the last known assessee with an application for reassessment or revalue the property with the approval of the board of supervisors.

We randomly reviewed parcels from a list of fires in Grass Valley provided by the Nevada County Consolidated Fire District and found that the assessor is properly granting disaster relief. After an application for disaster relief is received, the property is inspected for an estimate of the damage amount.

The applicant is notified in writing of the amount of the proposed reassessment and allowed 14 days to appeal the proposed reassessment. If the assessee does not respond within 14 days, the reassessment is processed using the supplemental assessment process and an assessment notice is sent to the assessee as provided in section 170 (i).

SUGGESTION 3: Obtain periodic reports from local fire departments.

The assessor's staff learns of fires through newspaper articles, interviews with the actual victims of disaster, and word of mouth. The assessor also obtains disaster information through building permits for restoring and rebuilding damaged property. The assessor does not receive fire reports from the fire department on a regular basis, but can receive fire reports for any specific properties.

We contacted the Nevada County Consolidated Fire District and were able to obtain a number of fire reports. The reports contain the properties' addresses, date of fires, estimated property values, and the fire department's estimated loss in value.

We suggest that the assessor periodically request fire reports from the local fire departments as another source of discovery of property that has suffered damage due to misfortune.

ASSESSMENT APPEALS

Nevada County Ordinance No. 1456 (amended February 20, 1997 by Ordinance No. 1931) provides for the creation of, and defines the duties of, the county's assessment appeals board. Currently, the appeals board consists of three regular members, with one alternate, appointed directly by the board of supervisors. The term of each regular member serving on the assessment appeals board is three years, arranged such that the term of each member expires in a different year. The term of the alternate is one year. Appeals board hearings are held the third Monday of each month in the board of supervisors' chambers in the county administrative center.

After the review and verification of information on the appeal application, the board clerk makes a copy for the assessor's office. When the assessor's office receives an appeal, an appraiser is assigned to review the assessment. The appraiser will draft a response to the appeal which is reviewed and approved by the senior appraiser.

If the assessor believes that the taxable value is incorrect, the taxpayer is contacted and a stipulated value is discussed. If the taxpayer agrees to a stipulated value, a stipulation is prepared and submitted to the appeals board for final approval.

If the assessor believes that the taxable value is correct, the taxpayer is contacted and the assessment is explained. If the taxpayer decides to withdraw the appeal, a withdrawal letter is sent. If a taxpayer does not withdraw the appeal, a hearing is scheduled and the taxpayer is notified. We reviewed 20 stipulations; all were well supported by market, cost and/or income data.

The following chart shows the appeal workload over the last four years.

	1993/94	1994/95	1995/96	1996/97
Total appeals filed	246	238	385	422
Number heard	17	7	16	25
Appeals resolved per annum	169	145	153	237
Balance unresolved by year filed	77	93	232	185

We found the number of appeals filed has almost doubled over the past five years. Currently 44 percent of the appeals for 1996-97 remain unresolved. A waiver of the two-year time limit has been filed on all pending appeals in danger of exceeding the two-year limit.

The chief appraiser and a senior appraiser handle all commercial/industrial appeals. A senior appraiser and a staff of six appraisers handle residential appeals. The senior appraiser reports that it takes two to three days to process one residential appeal, and that appeals have been his total workload over the last two years.

Overall, we found that the county's assessment appeals program is well administered. The staff is experienced with and knowledgeable of the law pertaining to the appeals process.

REAL PROPERTY VALUATION AND ASSESSMENT

INTRODUCTION

The assessor's program for assessing real property includes the following elements:

- revaluation of properties that have changed ownership;
- valuation of new construction;
- preparing assessment appeals;
- annual revaluation of certain properties subject to special assessment procedures, such as land subject to California Land Conservation Act contracts, timber production zone properties, and taxable government-owned land; and
- annual review of properties that are experiencing or have experienced a decline in value below factored base year value (appraisals authorized by section 2 (b) of article XIII A of the California Constitution).

The two real property appraisal crews consist of the chief appraiser and ten real property appraisers. A senior appraiser directs the residential crew located in the main office. The crew located in Truckee is responsible for all residential property in the Tahoe region. The senior of the Truckee crew is also responsible for all commercial/industrial properties in the county. He is presently training one appraiser from the main office to handle the commercial/industrial properties located in the western portion of the county (mainly Grass Valley and Nevada City).

The appraisers are assigned geographic areas as delineated by county map books and handle all assessments within those areas. One appraiser is responsible for the California Land Conservation Act (CLCA) properties and another the Timberland Production Zone (TPZ) properties.

For the 1998/99 roll, the assessor's staff handled a real property workload that included 3,900 changes in ownership, 4,400 new construction events, and assessment appeals. For 1998/99, the local secured roll totaled \$6,788,326,628 in assessed value (prior to deductions for exemptions). We found that overall the real property assessment program functions well.

CHANGE IN OWNERSHIP

Revenue and Taxation Code section 60 defines a change in ownership as the transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee interest. One of the main functions of the assessor's office is to identify and value properties that have changed ownership for property tax purposes.

Document Processing

The majority of changes in ownership are found through a review of recorded deeds. Deeds and other recorded documents that transfer ownership of property are made available to the assessor's office on microfilm. This microfilm and the Preliminary Change in Ownership Reports (PCOR) completed by the assessee at the time of recording are picked up daily by the assessor's technical support staff. About 90 percent of the deeds are accompanied by PCOR's. The staff verifies information on the deed and determines if a change in ownership has occurred.

The deed information is keyed into the computer database which generates an appraisal worksheet (also called a Computer Generated Front Sheet (CGFS) or an appraisal update record).

The appraisal records are pulled and forwarded with the CGFS to the appraisal division for valuation.

If additional information is needed a Change in Ownership Statement (COS) is sent. The response rate to the COS is 94 percent.

We found the deed processing procedures to be very efficient.

Cash Equivalent Adjustment

Sections 110 and 110.1 define "full cash value" or "fair market value" in terms of "cash or its equivalent." Property tax laws require the assessor to enroll the full cash value of the fee simple interest as of the date the change in ownership occurs. In using the sales comparison approach, Property Tax Rule 4 provides that the appraiser shall convert the non-cash components of a purchase price into their equivalent values in cash.

The assessor's office has guidelines for making initial cash equivalent adjustments, which are made by the technical support staff. The guidelines are: (1) if the loan term is less than one year, no adjustment made; and (2) if the nominal interest rate of the loan is one point greater or less than the market rate, and the loan amount is of at least \$3,000 assumed or carried by seller, cash equivalent adjustments are made.

The technical support staff conducts a quarterly survey of local bank rates. Rates for both first and second mortgages are averaged to develop a "normal" rate for use in the cash equivalency analysis. Rates for cash equivalency analysis on vacant land are collected in-house and averaged monthly. We found that the technical support staff adheres to the assessor's guidelines and makes the initial cash equivalent calculations. However, an appraiser reviews all cash equivalent adjustments before the value is enrolled.

Legal Entity Ownership Program (LEOP)

Section 64 (c) provides that a change in control of any legal entity is a change in ownership of all real property owned by the legal entity, as of the date of change in control. Discovery of real

property transferred by such changes in control can be difficult because ordinarily there are no recorded notices. While such notices may appear as a matter of interest in newspapers, magazines, trade journals, and financial subscription services, they often do not appear in official county records. However, the Legal Entity Ownership Program (LEOP) of the Policy, Planning, and Standards Division (PPSD) of BOE tracks changes in control through responses to questions appearing on corporate and partnership tax returns filed with the Franchise Tax Board.

LEOP transmits to each county a listing of legal entities that have reported a change in control. The report includes the names of acquiring entities, the date stocks or partnership interests transferred, the parcels involved, and whether those parcels were owned or leased. While each of the reported change in control transactions is investigated and verified by LEOP, accuracy of the reported data is not guaranteed.

We reviewed 17 properties randomly selected from the Nevada County LEOP list and found no errors pertaining to identification and change in ownership enrollment. However, when we cross-checked the corresponding business property statements (Form AH 571-L), we found the majority of the businesses had not indicated a change in control.

The assessor has a designated specialist in the technical support section whose job it is to process LEOP changes in ownership. The supervisor of the section receives the LEOP list, attaches an assignment sheet with instructions and due date, and forwards the list to the specialist for validation. The specialist will do an alpha search and check the assessment roll for missing parcels not on the LEOP list. For LEOP changes, a transfer slip is filled out with a dummy document number and recording date for encoding. The appraisal worksheet is flagged identifying a LEOP change in ownership and then becomes part of the reappraisal process.

Based on our review, we find that the assessor is appropriately processing changes in ownership from LEOP notices.

NEW CONSTRUCTION

Section 70 defines “newly constructed” as any addition to real property, whether land or improvements (including fixtures), and any alteration of land or improvements (including fixtures) which constitutes a major rehabilitation thereof, or which converts the property to a different use. BOE Rule 463 elaborates on the definition by explaining that new construction means a “substantial” addition or physical alteration to real property.

When real property undergoes new construction, section 71 requires the assessor to determine the added value of those improvements upon completion. This value is established as the base year value for those specific improvements and is added to the property’s existing base year value. When new construction consists of the removal of existing improvements, the base year value attributable to those existing improvements is deducted from the property’s base year value.

Building Permits Processing

Nevada County has three building permit-issuing agencies: the County of Nevada, which includes Nevada City, and the cities of Grass Valley and Truckee. These agencies issued a combined annual total of about 3,800 permits for the 1997-1998 fiscal year. In addition to these agencies, the County Department of Environmental Health has the responsibility of issuing permits for wells and waste disposal systems. This department issued 600 permits for wells and waste disposal systems for the 1997-1998 fiscal year.

Building permits are the assessor's primary means of discovering assessable new construction. The collection, screening, sorting, and tracking of permits is a high priority in the assessor's office. The assessor receives permits electronically from Nevada County on a daily basis and from the City of Grass Valley on a monthly basis. Copies of permits from the City of Truckee are delivered to the assessor's office weekly. At this time the assessor does not receive building permits from the County Department of Environmental Health.

Once the permits are received in the assessor's office, an assessment clerk will screen the permits and delete those that are non-assessable. Most deleted permits are for plumbing, electrical, and mechanical work when a new building is being constructed. Other types of deleted permits include re-roof, driveways, electrical service change, hookup to gas line, installation of water softener, repair gas line, replace water heater, replace water pipes, sewer connection, temporary power pole, water meters, etc. Approximately 50 percent of permits issued are for non-assessable work, but a history of permit activity is stored on the computer database.

The following data from permits with assessable new construction is entered into the computer database: (1) assessor parcel number, (2) issuing agency identification code, (3) permit number, (4) permit description, (5) property address, (6) dollar amount, (7) type of work to be performed, (8) date issued, and (9) data entry date. After the permit data is entered into the database, the valid building permits are placed in the appraisal file and a CGFS is sent to the responsible appraiser.

Both residential and commercial-industrial appraisers are responsible for the review and valuation of all assessable new construction in their assigned geographic areas. The senior appraiser reviews all new construction valuations prior to data entry.

Annual Building Permit Activity

Calendar Year	Total Permits	Percentage Change from Previous Years
1994	3865	
1995	3801	-1.7%
1996	3613	-5.2%
1997	3658	1.2%
1998	3764	2.9%

RECOMMENDATION 1: Request that the County Department of Environmental Health forward copies of all issued permits.

In our 1995 survey report, we suggested that the assessor request permits from the County Department of Environmental Health. At this time the assessor has still not requested copies of those permits. That department grants almost 600 permits each year for the installation of sewers, septic tanks, and private water wells. The department could easily provide the assessor with a copy of the permits. This would be an additional source of new construction information.

We recommend that the assessor request that the County Department of Environmental Health forward copies of building permits to the assessor's office.

FIELD INSPECTIONS

In our 1995 survey, we found that the assessor's plan to field inspect 20 percent of the properties in the county per year had been canceled due to budget constraints. However, the assessor has reinstated this program with PTAP funds.

Conclusion

The assessor has an effective new construction assessment program. The staff utilizes the sales comparison approach to value the new construction when there is sufficient data. When the market data is not available, the staff will then value the new construction by the replacement cost approach utilizing available cost services (e.g., Marshall Valuation Services). The assessor's procedures for assessing new construction appear to work quite effectively, but discovery procedures should be improved by obtaining permits from the County Department of Environmental Health.

DECLINES IN VALUE

Section 51 requires the assessor to value taxable real property at the lesser of its base year value, adjusted annually for inflation, or the current market value, as defined in section 110.

Whenever a property's market value is less than its factored base year value, the lower value must be enrolled as the taxable value for the years of decline. Property values in many areas of California have declined or stagnated in the past few years due to economic conditions. As a result, county assessors have had to make decline-in-value reductions in unprecedented numbers.

The Nevada County Assessor has been no exception. The workload for these assessments has increased dramatically over the past few years. Except for the Truckee area, property values in Nevada County declined between 1992 and 1995 but leveled off between 1995 and 1997.

Once identified as a "decline-in-value," a property's assessment is not adjusted annually for inflation, but is reviewed each year until the market value exceeds the factored base year value. The assessor's staff now monitor about 5,300 decline-in-value properties out of a total 52,861 secured roll units. When the market value of property subsequently increases above the factored base year value, the factored base year value resumes as the taxable value.

The assessor has used a portion of the PTAP funds to annually monitor decline-in-value assessments. We randomly sampled a number of such assessments and found that each property record indicated an annual review had been made.

SPECIFIC PROPERTY TYPES AND PROCEDURES

TIMBERLAND PRODUCTION ZONE PROPERTY

Land that has been zoned Timberland Production Zone (TPZ) that is not subject to a CLCA contract is assessed in accordance with special TPZ site classifications that exclude the value of the standing timber. Section 435 specifies that the assessed value of TPZ land each year must be its appropriate site value plus the current market value of any existing, compatible nonexclusive uses of land. This section also provides that the special assessment limitations do not apply to any structure on TPZ land or to a site for such structures. In other words, structures and supporting land are subject to the same assessment guidelines as other real property.

We found that the assessor identified timber site classes on all TPZ parcels. For the 1998 lien date there were 395 parcels of TPZ land, totaling 92,682 acres in Nevada County. The appraisal of TPZ properties is handled by one real property appraiser who uses a computerized program for calculating the TPZ assessments. We found that the assessor uses the proper site class values for timberland and is correctly including any known exclusive compatible uses in the assessment. Those properties (i.e., structures and building sites) are assessed according to article XIII A of the California Constitution. In addition, all TPZ appraisal records are desk reviewed annually. However, due to workload demands, field reviews and annual inventories of nonexclusive compatible uses are not done.

Overall, the assessor's office is conscientious in the assessment of TPZ lands. However, we repeat a suggestion from our prior report.

SUGGESTION 4: Inventory TPZ lands for existing, nonexclusive compatible uses.

Section 435(a) requires that the assessor use as the value of each parcel of timberland, the appropriate site value pursuant to section 434.5 plus the value, if any, attributable to existing, compatible, nonexclusive uses of the land. We found that while permitted exclusive uses such as homesites, cabins, and hunting lodges are being assessed, there is no systematic canvassing of TPZ landowners to determine where compatible nonexclusive uses exist (e.g., hunting, grazing, camping, and mining). The current market value of these nonexclusive compatible uses must be annually determined and included in the assessed value of the land.

We suggest that the assessor send a questionnaire every year to all timberland owners requesting information on the uses of TPZ properties for other than the growing, harvesting, or storing of timber. This will aid in the discovery of compatible uses for assessment on TPZ lands.

CALIFORNIA LAND CONSERVATION ACT PROPERTIES

An agricultural preserve is established by contract between a landowner and the city or county pursuant to the California Land Conservation Act (CLCA) of 1965. Lands under contract are valued on the basis of agricultural income-producing ability, including any compatible use income (e.g., hunting rights), and are assessed at the lowest of this restricted value, the current

unrestricted market value, or the factored base year value defined in article XIII A of the California Constitution. Sections 422 through 430.5 deal explicitly with the valuation of real property subject to a CLCA contract.

For the 1997-98 lien date, Nevada County had 5,374 acres (66 parcels) encumbered by nine CLCA contracts with a total assessed land value of \$2,690,459; this represents approximately 0.04 percent of the secured portion of the 1997-98 assessment roll. Only nine parcels, approximately 5 percent of CLCA acreage, are in nonrenewal status with a remaining term of four to five years. All nine parcels in nonrenewal status were valued correctly.

CLCA properties in Nevada County consist primarily of grazing, irrigated, and dry farm lands. Vineyards are the only living improvements in the CLCA program, and they comprise only seven acres. Nevada County's unrestricted rural parcels consist mainly of the same with living improvements in vines and apple trees.

The valuation of rural and CLCA properties is the responsibility of one appraiser. The agricultural preserve assessments and nonrenewals are manually calculated. A computerized spreadsheet is used only to display the CLCA calculations and assessments for referencing and tracking.

Land rents gathered from grazing lease questionnaires and neighboring counties are used as a basis for computing CLCA values for grazing land. Animal unit months (AUM's), the most recommended method of valuation, is not used in Nevada County.

RECOMMENDATION 2: Use animal unit months (AUM's) in the analysis of grazing lands.

Economic land rents are easy to use and appropriate for many types of CLCA land, but fall short of recognizing the various capabilities and qualities of grazing land (e.g., irrigated, open, steep, brushy, rocky). Rent based on the animal unit month (AUM) is a simple and more accurate method for comparing and valuing grazing lands.

By utilizing the animal unit as the basic measure of productivity, we demonstrate that its relationship to grazing land is the same as tons, bushels, or bales are to others types of crop land. It is the most flexible measuring device for estimating carrying capacity and thus productivity of grazing lands. We recommend the assessor use animal units and AUM's when valuing CLCA grazing lands.

SUGGESTION 5: Computerize the assessment of CLCA properties.

We noted that CLCA assessments are manually calculated and then forwarded to clerical support for encoding (generation of a computer assessment sheet). To reduce time, increase efficiency, and eliminate human errors in mathematical computations, we suggest the use of a computer program to perform the repetitive computations necessary for determining CLCA assessments. After the basic template and formulas are created, only updated information needs to be entered on an annual basis.

POSSESSORY INTERESTS

A taxable possessory interest (PI) is the right to a private beneficial use of publicly owned real property. For the 1998-99 assessment year, the Nevada County assessor assessed about 400 possessory interests with a total value exceeding \$14,000,000.

In our previous survey we recommended that the assessor recognize short-term possessory interests as annual changes in ownership, review terms of possession, assess all qualifying possessory interests at the county fairground, and use appropriate capitalization rates and market rents for grazing leases.

Since that time, statutes with regards to valuing short-term PIs have changed, a number of PIs in the county fairgrounds have been enrolled, terms of possession have been reviewed and revised, and economic rents and appropriately derived capitalization rates are now used. We commend the assessor for making these recommended changes to his PI assessment program; however, we have one suggestion with regard to documentation.

SUGGESTION 6: Improve the documentation of possessory interest files.

We mentioned in our previous survey that the majority of the PI records lacked copies of current leases or other written instruments that established the taxable interest or justified the assessed value. We suggested that, whenever possible, staff obtain copies of all relevant documents relating to the creation of the possessory interest. We repeat the suggestion.

In addition to the absence of leases in the file, we noted that when a PI was reassessed, in many cases, capitalization rates, rents capitalized, and estimated terms of possession were omitted from the record.

We suggest the assessor improve the documentation of possessory interest files. Proper documentation ensures that staff has all data necessary to prepare a proper assessment, and it also facilitates appraisal review.

VALUATION OF INCOME PRODUCING PROPERTIES

One senior appraiser working out of the Truckee branch office is responsible for the valuation of all commercial and industrial properties. He is currently training one appraiser in Truckee and one appraiser in Nevada City to help in the valuation of commercial and industrial properties. All appraisal records are kept in Nevada City.

The income approach is the most frequently used method of valuation with land sale comparables used for allocation purposes. However, the assessor requires the staff to use all three approaches to value (cost, sales comparison, and income) for appeals, including stipulations. The assessor recently obtained the Marshall Valuation Service computerized cost estimator program for use in calculating the cost approach.

All commercial and industrial properties subject to reappraisal are field reviewed. The commercial and industrial appraisers have developed their own questionnaires for obtaining

information from property owners. A review of the questionnaires indicates that they are well designed, comprehensive, and an effective tool for the collection of data. All available market and income data obtained from the questionnaires are transferred to market data worksheets for sale reference analysis. In addition, each appraiser maintains his or her own sales data file.

Copies of sales and income analysis worksheets are forwarded to the chief appraiser, who maintains a centralized sales database for the appraisal staff. The sales are categorized by property type. The computer program is equipped with a filtering tool that aids the commercial and industrial appraiser in making a quick selection of comparable sales by use code and assessor's parcel number (APN). However, overall rates and lease information are not programmed for quick referencing.

Transfers with validated sales data are enrolled and land sales are collected for allocation purposes. Costs from the Marshall Valuation Service are utilized when historical costs are not available or when valuing construction in progress.

We reviewed 25 commercial and industrial property records. For those that had transferred ownership, the sale price was enrolled if the sale had been confirmed. Lacking a confirmed sale price, a complete appraisal was done, utilizing all applicable approaches to value.

We found the commercial and industrial appraisal staff efficient and the assessments reflective of proper valuation principles and procedures.

WATER COMPANY PROPERTY

Water company properties assessed on the local assessment roll may be either mutual water companies, municipal systems on taxable government-owned land, or private water companies, either regulated or unregulated by the California Public Utilities Commission (CPUC). Each type presents different appraisal problems.

Mutual Water Company Property

A mutual water company is a private association created for the purpose of providing water at cost to its stockholders or members. The association, when incorporated, can enter into contracts, incur obligations, own property, and issue stock. However, if not incorporated, it can only do these things in the names of its members. Corporations organized for mutual purposes are not subject to regulation by the California Public Utility Commission unless they deliver water for compensation to persons other than stockholders or members.

When mutual water company shares are appurtenant to the land, the value of the mutual water company is typically reflected in the value of the property being served and to which the shares are attached. In such cases, if the assessor is reflecting the value of the water company in the appurtenant land, then no value should be assigned to lands, improvements, and delivery systems owned by the mutual water company, in order to avoid double assessment. Nevada County has one mutual water company, and it appears to be properly assessed.

Private Water Company Property

Private water companies, both regulated and unregulated, are privately owned utilities in business to earn a profit from the sale of water. Regulated water companies are required to submit financial reports annually to the CPUC. The CPUC regulates the rates charged by private water companies, with profits limited to a return based on the companies' outstanding investments. Because the market value of these properties is tied directly to regulated rates, current market value is usually less than the factored base year value, making it necessary to annually determine taxable value as of the lien date. Nevada County has one private water company regulated by the CPUC, and no unregulated private water companies.

SUGGESTION 7: Consider the sales and income approaches to value when valuing private water companies.

We found that the assessor uses only the historical cost less depreciation (HCLD) approach to value on private water company property. The CPUC regulates the rates charged by private water companies, with profits being limited to a return based on the companies' outstanding investment. Because the market values of these properties are tied directly to regulated rates, current market value may be more or less than a water company's HCLD or factored base year value, making it necessary to annually determine its taxable value as of the lien date.

We suggest that the assessor's staff utilize the sales and income approaches to value in addition to the cost approach. Although there may be few sales of similar properties, income data can be obtained from the same report used to develop the HCLD estimate of value. Using all three approaches will provide a better indicator of the property's value.

SUGGESTION 8: Require water companies regulated by the CPUC to submit a copy of their annual CPUC report.

Water companies regulated by the CPUC are required to submit annual reports to the CPUC. We found that the assessor is not receiving copies of these annual reports and we suggest that he request a copy from each regulated water company.

In addition, the assessor should require all water companies to submit copies of their articles of incorporation and bylaws. These documents will assist the assessor in the proper classification and valuation of each water company.

PIPELINES

Intercounty pipeline rights-of-way were assessed by the BOE from 1982 until 1993, when an appellate court ruled that such assessments were outside the BOE's constitutional authority. In Southern Pacific Pipe Lines Inc. v. State Board of Equalization (1993) 14 Cal.App.4th 42, the court ruled that while the pipelines themselves are properly assessed by the BOE, the right-of-way over which they run must be assessed by county assessors. Consequently, assessors have assumed assessment responsibilities for the intercounty pipeline rights-of-way.

In 1996, Chapter 32 of the Statutes of 1995 provided statutory clarification to ensure that proper and consistent assessment practices are followed in determining values for intercounty pipeline rights-of-way. To avoid protracted litigation over local assessments, pipeline owners and county assessors negotiated an agreement prescribing a methodology for the assessment of intercounty rights-of-way. Sections 401.8 through 401.13 outline these methods. Assessments made in compliance with these sections are exempt from legal challenge by the taxpayer (this exemption expires January 1, 2001).

Sections 401.8 and 401.13 require the assessor to combine separate assessable pipeline rights-of-way into a single countywide assessment parcel per taxpayer. However, separate base year values must be maintained for each separate right-of-way interest or segment to comply with section 110.1.

Nevada County has only two density classifications: low and transitional densities. Rights-of-way are valued using a 1975-76 base year value. Those classified low density are valued using a base year value of \$9,000 per mile, transitional density rights-of-way are valued using \$12,000 per mile, and high density at \$20,000 per mile.

The chief appraiser has the responsibility for the assessment of rights-of-way in Nevada County. The assessor's staff assigns the single pipeline taxpayer a single countywide assessor's parcel number. The separate base year values that comprise each countywide parcel are tracked as required under section 401.8. Values from individual pipeline right-of-way parcels are individually listed. Their values are factored from their base year to the current year, and totaled. The total value calculated is assigned to the taxpayer's countywide pipeline parcel number.

Our review indicted Nevada County values pipeline rights-of-way in accordance with the Revenue and Taxation Code.

BUSINESS AND PERSONAL PROPERTY VALUATION AND ASSESSMENT

INTRODUCTION

The assessor's business and personal property program has two major functions, those being auditing taxpayer accounts and processing the annual business property statements and boat and aircraft reports. The program is administered by one auditor-appraiser and two full-time clerks. They are charged with processing approximately 10,000 property statements, 243 aircraft reports, and 2,630 boat reports. The auditor-appraiser is also responsible for performing about 80 mandatory audits over a four-year period and 12 nonmandatory audits each year.

Since our 1995 report, the assessor has implemented a new computer software program for processing audits more quickly and accurately. There is also a program for calculating boat values using the National Automobile Dealer's Association (NADA) *Used Boat Guide*, and aircraft values using the *Aircraft Blue Book Price Digest*. In addition, manufactured homes are initially valued and then annually reviewed using the NADA *Mobile Home Valuation Guide* software.

AUDIT

The audit program is the most important function of the business property program. The objectives of an audit program are to ensure proper reporting on the business property statement and to resolve any problem accounts discovered throughout the year.

The auditor's duties include discovery of taxable property, identifying potential audits, performing audits, and initiating roll changes. In addition, the auditor-appraiser processes business property statements, prepares correspondence to taxpayers, and handles all business and personal property appeals. In spite of having less than two years of experience, the auditor-appraiser has done an effective job.

Mandatory Audit

Section 469 requires an audit of the books and records of a business at least once every four years, when locally assessable trade fixtures and tangible personal property have a full value of \$300,000. Board Rule 192 clarifies this statute by requiring the threshold to be reached for four consecutive years. Each year, the assessor's staff generates a computer listing of accounts with values over the \$300,000 threshold for four consecutive years. This is the basis for determining the annual mandatory audit workload.

The audit staff completed 23 mandatory audits in 1997 and 32 in 1996. We reviewed some of the audits and determined that they comply with the basic property tax audit procedures. The procedures included second level review, check lists, narratives, referencing, physical inspections, verification and reconciliation, and other necessary procedures that are generally accepted as auditing standards.

Upon discovery of property escaping assessment, the assessor must immediately add the escaped assessment and any applicable penalty to the roll prepared or being prepared in the current assessment year. Additionally, the assessor must notify the county auditor of any requirement for interest to be added to the additional amount of tax.

RECOMMENDATION 3: Notify the county auditor when interest should be added to escape assessments.

In our previous survey, we found that the assessor's staff did not invoke section 506 interest on escape assessments. In our current survey, we found the assessor has revised his procedures to invoke section 506 interest for escape assessments, except for those amounts under \$100,000. We commend the assessor for revising his procedures; however, the statutory requirement is still not being fulfilled. Interest must be applied to all escapes where the escape was caused by the taxpayer (e.g. erroneous property statement or failure to file a required report), regardless of the amount. We strongly recommend that the assessor notify the county auditor when section 506 interest should be applied to escape assessments.

Non-Mandatory Audit

Although there is no legal requirement to audit smaller businesses, no auditing program is complete unless it includes a representative sampling of all sizes and types of accounts.

SUGGESTION 9: Expand the non-mandatory audit program.

The auditor performed 12 non-mandatory audits in 1997. All non-mandatory audits are completed mainly to resolve valuation problems such as taxpayers' complaints or errors in assessment. We commend the assessor for performing non-mandatory audits; however, the non-mandatory audits should not focus on assessment problems alone. The program should consist of a random sampling of all business accounts and should target those accounts with the greatest potential for reporting error.

We suggest that the assessor review the Assessors' Handbook Section 504, *Assessment of Personal Property and Fixtures*, which describes how to establish an audit program for non-mandatory accounts. It also suggests criteria for establishing priorities, such as auditing all taxpayers that consistently fail to file annual property statements.

Inadvertent taxpayer underreporting on the annual property statement is a significant problem in most assessor's offices in California. Some of this underreporting might be reduced with a more intensive non-mandatory audit program. We suggest the assessor revise his audit selection criteria for non-mandatory audit accounts and expand the non-mandatory audit program.

BUSINESS PROPERTY STATEMENT PROCESSING

The assessor sends business property statements to business property owners prior to each lien date, and the properties are valued based on information obtained from the returned statements.

Direct Billing

In our previous survey, we recommended that the assessor implement a direct billing program. In lieu of a direct billing program, the business property staff sends an abbreviated statement, commonly known as the short form, to low-value accounts. The short form requests the taxpayer to provide information on any changes to the taxpayer's business property account from the prior year. If there are any additions, the short form requires a listing of those additions. Since the short form is not a BOE prescribed form, no penalties are imposed for failure to return it.

This procedure appears to meet the goals of a direct billing program (i.e. reduction of paperwork for taxpayers and assessors). We commend the assessor for this innovation.

Arbitrary Assessments

Section 501 requires that assessors make an estimated assessment for any taxpayer who fails to file a required business property statement.

Additionally, section 463 provides for enrollment of a penalty of 10 percent of the value of the unreported taxable tangible property.

SUGGESTION 10: Follow up an arbitrary assessment by mailing a business property statement to the taxpayer for the following year.

Following an arbitrary assessment, the assessor's staff typically mails the taxpayer the in-house short form business statement versus the regular long form statement. The short form does not request certain specific information such as year of acquisition. This, in effect, rewards the taxpayer for not filing the statement.

We suggest that the assessor's staff send the taxpayer a business property statement that requests all essential data. In addition, continued non-response by the taxpayer should prompt a field inspection to determine if an audit is needed and, if necessary, to educate the taxpayer as to business property statement filing requirements.

Valuation Factors

The BOE has developed sets of equipment index factors for selected classes of business, and yearly percent good factors. These are published in Assessors' Handbook Section 581 (AH581), *Equipment Index and percent Good Factors*. County assessors typically use what are called full value factors, which are equipment index factors combined with the percent good factors.

RECOMMENDATION 4: Use the Assessors' Handbook Section 581 as intended.

We previously recommended that the assessor use the AH 581 properly. But we found that his staff continue to average the ten equipment index factors for the ten classes of business property in order to develop one valuation factor for each year for all business classes. Using an average factor sacrifices accuracy for convenience. This can lead to inaccurate assessments and inequitable treatment of the taxpayer.

We repeat our recommendation that the assessor use the AH 581 as intended.

LEASED EQUIPMENT

One of the responsibilities of the business property staff is the discovery and assessment of taxable leased equipment. The annual business property statement requests that taxpayers report property owned by others by listing the lessor's name and address, equipment date of acquisition, equipment acquisition cost, and other relevant data on all leased equipment. One clerical staff member is assigned the task of tracking leased equipment reported by lessee and/or lessor. This tracking also includes the conditional sales contracts reported from financial institutions and other leasing companies.

SUGGESTION 11: Annually review the BOE's listing of equipment leased to state assessees.

The BOE's Valuation Division assesses the taxable property owned or used by public utilities and railroads in California. However, the Board delegates assessment of certain equipment, used by these assessees but leased from others, to the county assessor. The assessees report this property to the Valuation Division on BOE Form 600-B, which is a schedule of equipment leased by state assessees for which the lessors have a contractual obligation to pay the property tax.

Annually, the Valuation Division forwards to the appropriate county assessor a copy of this Form 600-B. We found that the assessor receives these forms, but does not use them as a tool for the discovery of leased property. This is an excellent means of discovering assessable leased equipment. We suggest that the assessor's staff reconcile the Form 600-B with the lessors' property statement in order to discover unreported leased property.

MANUFACTURED HOUSING

Manufactured homes comprise only a small portion of the assessor's workload in Nevada County. There are 530 manufactured homes currently on the tax roll, with a total assessed value of \$18,800,000. The majority of the manufactured homes are located in the county's 34 manufactured home parks.

Manufactured homes subject to local property taxation are classified as personal property and are assessed according to sections 5800 through 5842, referred to as *The Manufactured Home Property Tax Law*. This is a section of law that applies many of the principles of article XIII A to the assessment of manufactured homes. Manufactured homes subject to this law, unlike other personal property:

- Must be assessed on the secured roll;
- Receive a property tax bill payable in two installments;
- Are subject to supplemental assessment (except in the case of voluntary conversion from vehicle license fees);

- Have a base year value;
- Have the factored base year value as the upper limit of taxable value;
- May receive the Homeowners' Exemption; and
- May qualify as original property for purposes of base year value transfers under the provision of sections 63.1 and 69.5.

The business and personal property staff are responsible for the appraisal of manufactured homes located in manufactured home parks. The real property staff is responsible for appraising manufactured homes located outside of manufactured home parks.

The assessor's office is notified of sales of manufactured homes by (1) Department of Housing and Community Development reports, (2) building permits, (3) Dealer Reports of Sale, (4) tax clearance certificates, and (5) notices of voluntary conversion of licensed manufactured homes to the property tax roll. Once this information is received, an assessment clerk will enter the data into the computer system, which will generate an appraisal worksheet for a secured assessment.

The appraisal record and the worksheet will be assigned to the real property appraiser working that geographic area. The appraiser will do a field inspection and update the appraisal record as to the decal number, identification number, make, model, year of manufacture, accessories, foundation type, condition, and pertinent details regarding the ownership of the underlying land. If the manufactured home is located in a manufactured home park, the appraiser will forward the updated record to the personal property staff for valuation.

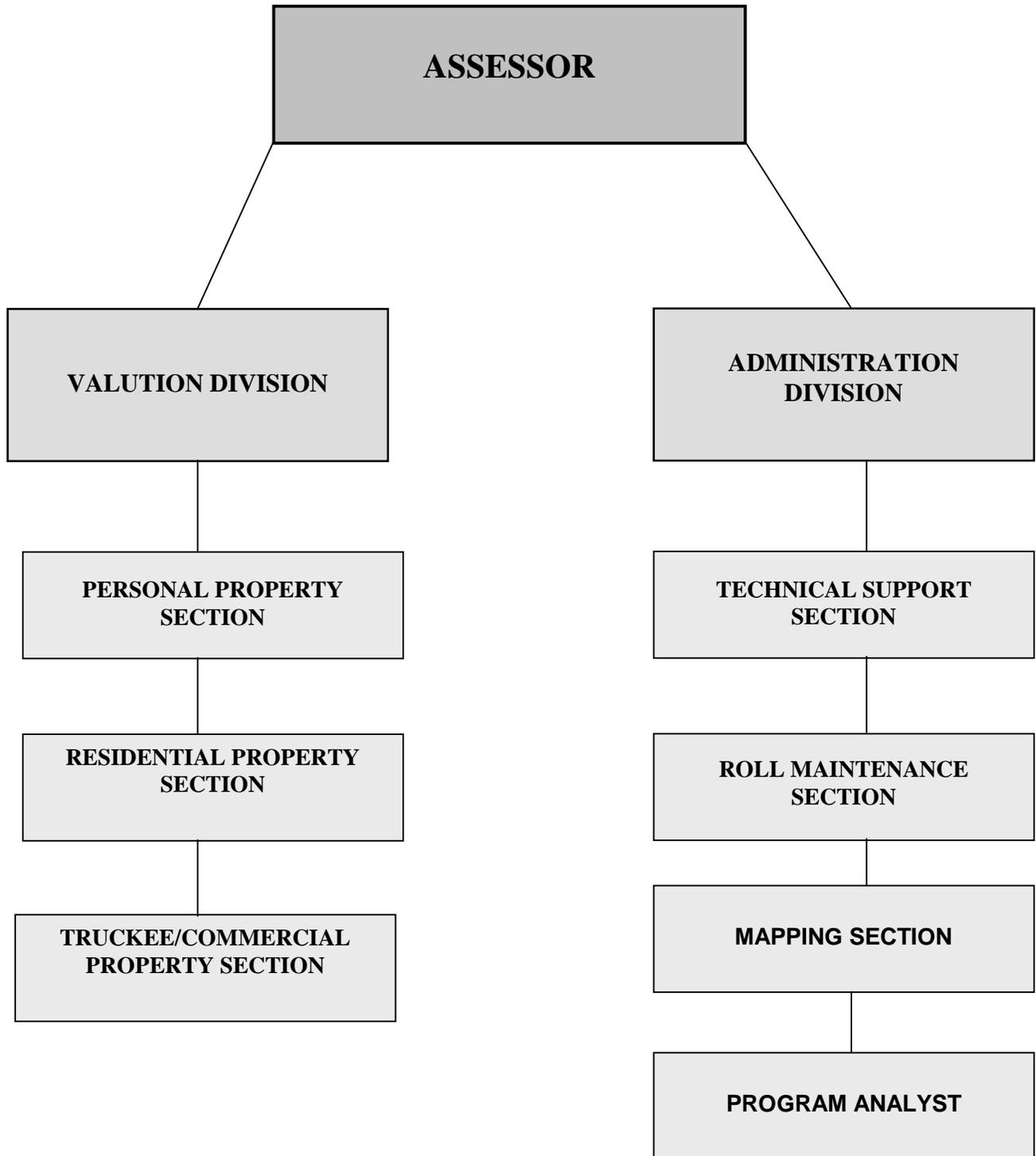
In an effort to exclude the in-park location value, the appraisal staff considers value indicators from the BOE cost handbook and the National Automobile Dealer Association's *Manufactured Housing Appraisal Guide* (NADA) value guide. In almost all cases, the value enrolled is the one indicated by the NADA value guide.

By inputting current NADA cost factors into the new manufactured home software program, a percentage of value lost during the previous year can be calculated. This allows the assessor's staff to annually review values for various models of manufactured homes.

In general, the manufactured home assessment program is well-administered. Discovery procedures are good, site values are not included in the assessed values, and files are complete and well maintained. Manufactured homes are correctly classified and enrolled as personal property on the secured roll, and supplemental assessments for manufactured homes are correctly processed.

APPENDIX

A - ORGANIZATION CHART



B. RELEVANT STATUTES AND REGULATIONS

Government Code

15640. Survey by board of county assessment procedures.

(a) The State Board of Equalization shall make surveys in each county and city and county to determine the adequacy of the procedures and practices employed by the county assessor in the valuation of property for the purposes of taxation and in the performance generally of the duties enjoined upon him or her.

(b) The surveys shall include a review of the practices of the assessor with respect to uniformity of treatment of all classes of property to ensure that all classes are treated equitably, and that no class receives a systematic overvaluation or undervaluation as compared to other classes of property in the county or city and county.

(c) The surveys may include a sampling of assessments from the local assessment rolls. Any sampling conducted pursuant to subdivision (b) of Section 15643 shall be sufficient in size and dispersion to insure an adequate representation therein of the several classes of property throughout the county.

(d) In addition, the board may periodically conduct statewide surveys limited in scope to specific topics, issues, or problems requiring immediate attention.

(e) The board's duly authorized representatives shall, for purposes of these surveys, have access to, and may make copies of, all records, public or otherwise, maintained in the office of any county assessor.

(f) The board shall develop procedures to carry out its duties under this section after consultation with the California Assessors' Association. The board shall also provide a right to each county assessor to appeal to the board appraisals made within his or her county where differences have not been resolved before completion of a field review and shall adopt procedures to implement the appeal process.

15641. Audit of Records; Appraisal Data Not Public.

In order to verify the information furnished to the assessor of the county, the board may audit the original books of account, wherever located; of any person owning, claiming, possessing or controlling property included in a survey conducted pursuant to this chapter when the property is of a type for which accounting records are useful sources of appraisal data.

No appraisal data relating to individual properties obtained for the purposes of any survey under this chapter shall be made public, and no state or local officer or employee thereof gaining knowledge thereof in any action taken under this chapter shall make any disclosure with respect thereto except as that may be required for the purposes of this chapter. Except as specifically provided herein, any appraisal data may be disclosed by the board to any assessor, or by the board or the assessor to the assessee of the property to which the data relate.

The board shall permit an assessee of property to inspect, at the appropriate office of the board, any information and records relating to an appraisal of his or her property, including "market data" as

defined in Section 408. However, no information or records, other than “market data,” which relate to the property or business affairs of a person other than the assessee shall be disclosed.

Nothing in this section shall be construed as preventing examination of that data by law enforcement agencies, grand juries, boards of supervisors, or their duly authorized agents, employees, or representatives conducting an investigation of an assessor’s office pursuant to Section 25303, and other duly authorized legislative or administrative bodies of the state pursuant to their authorization to examine that data.

15642. Research by board employees.

The board shall send members of its staff to the several counties and cities and counties of the state for the purpose of conducting that research it deems essential for the completion of a survey report pursuant to Section 15640 with respect to each county and city and county. The survey report shall show the volume of assessing work to be done as measured by the various types of property to be assessed and the number of individual assessments to be made, the responsibilities devolving upon the county assessor, and the extent to which assessment practices are consistent with or differ from state law and regulations. The report may also show the county assessor’s requirements for maps, records, and other equipment and supplies essential to the adequate performance of his or her duties, the number and classification of personnel needed by him or her for the adequate conduct of his or her office, and the fiscal outlay required to secure for that office sufficient funds to ensure the proper performance of its duties.

15643. When surveys to be made.

(a) The board shall proceed with the surveys of the assessment procedures and practices in the several counties and cities and counties as rapidly as feasible, and shall repeat or supplement each survey at least once in five years.

(b) The surveys of the 10 largest counties and cities and counties shall include a sampling of assessments on the local assessment rolls as described in Section 15640. In addition, the board shall each year, in accordance with procedures established by the board by regulation, select at random at least three of the remaining counties or cities and counties, and conduct a sample of assessments on the local assessment roll in those counties. If the board finds that a county or city and county has “significant assessment problems,” as provided in Section 75.60 of the Revenue and Taxation Code, a sample of assessments will be conducted in that county or city and county in lieu of a county or city and county selected at random. The 10 largest counties and cities and counties shall be determined based upon the total value of locally assessed property located in the counties and cities and counties on the lien date that falls within the calendar year of 1995 and every fifth calendar year thereafter.

(c) The statewide surveys which are limited in scope to specific topics, issues, or problems may be conducted whenever the board determines that a need exists to conduct a survey.

(d) When requested by the legislative body or the assessor of any county or city and county to perform a survey not otherwise scheduled, the board may enter into a contract with the requesting local agency to conduct that survey. The contract may provide for a board sampling of assessments on the local roll. The amount of the contracts shall not be less than the cost to the board, and shall be subject to regulations approved by the Director of General Services.

15644. Recommendations by board.

The surveys shall incorporate reviews of existing assessment procedures and practices as well as recommendations for their improvement in conformity with the information developed in the surveys as to what is required to afford the most efficient assessment of property for tax purposes in the counties or cities and counties concerned.

15645. Survey report; final survey report; assessor's report.

(a) Upon completion of a survey of the procedures and practices of a county assessor, the board shall prepare a written survey report setting forth its findings and recommendations and transmit a copy to the assessor. In addition the board may file with the assessor a confidential report containing matters relating to personnel. Before preparing its written survey report, the board shall meet with the assessor to discuss and confer on those matters which may be included in the written survey report.

(b) Within 30 days after receiving a copy of the survey report, the assessor may file with the board a written response to the findings and recommendations in the survey report. The board may, for good cause, extend the period for filing the response.

(c) The survey report, together with the assessor's response, if any, and the board's comments, if any, shall constitute the final survey report. The final survey report shall be issued by the board within two years after the date the board began the survey. Within a year after receiving a copy of the final survey report, and annually thereafter, no later than the date on which the initial report was issued by the board and until all issues are resolved, the assessor shall file with the board of supervisors a report, indicating the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations of the survey report, with copies of that response being sent to the governor, the attorney general, the state board of equalization, the senate and assembly and to the grand juries and assessment appeals boards of the counties to which they relate.

15646. Copies of final survey reports to be filed with local officials.

Copies of final survey reports shall be filed with the Governor, Attorney General, and with the assessors, the boards of supervisors, the grand juries and assessment appeals boards of the counties to which they relate, and to other assessors of the counties unless one of these assessors notifies the State Board of Equalization to the contrary and, on the opening day of each regular session, with the Senate and Assembly.

Revenue and Taxation Code

75.60. ALLOCATION FOR ADMINISTRATION.

(a) Notwithstanding any other provision of law, the board of supervisors of an eligible county or city and county, upon the adoption of a method identifying the actual administrative costs associated with the supplemental assessment roll, may direct the county auditor to allocate to the county or city and county, prior to the allocation of property tax revenues pursuant to chapter 6(commencing with section 95) and prior to the allocation made pursuant to section 75.70, an amount equal to the actual administrative costs, but not to exceed 5 percent of the revenues that have been collected on or after January 1, 1987, due to the assessments under this chapter. Those revenues shall be used solely for the purpose of administration of this chapter, regardless of the date those costs are incurred.

(b) For purposes of this section:

(1) "Actual administrative costs" includes only those direct costs for administration, data processing, collection, and appeal that are incurred by county auditors, assessors, and tax collectors. "Actual administrative costs" also includes those indirect costs for administration, data processing, collections, and appeal that are incurred by county auditors, assessors, and tax collectors and are allowed by state and federal audit standards pursuant to the A-87 Cost Allocation Program.

(2) "Eligible county or city and county" means a county or city and county that has been certified by the State Board of Equalization as an eligible county or city and county. The State Board of Equalization shall certify a county or city and county as an eligible county or city and county only if both of the following are determined to exist:

(A) The average assessment level in the county or city and county is at least 95 percent of the assessment level required by statute, as determined by the board's most recent survey of that county or city and county performed pursuant to Section 15640 of the Government Code.

(B) For any survey of a county assessment roll for the 1996-97 fiscal year and each fiscal year thereafter, the sum of the absolute values of the differences from the statutorily required assessment level described in subparagraph (A) does not exceed 7.5 percent of the total amount of the county's or city and county's statutorily required assessed value, as determined pursuant to the board's survey described in subparagraph (A).

(3) Each certification of a county or city and county shall be valid only until the next survey made by the board. If a county or city and county has been certified following a survey that includes a sampling of assessments, the board may continue to certify that county or city and county following a survey that does not include sampling if the board finds in the survey conducted without sampling that there are no significant assessment problems in the county or city and county. The board shall, by regulation, define "significant assessment problems" for purposes of this section, and that definition shall include objective standards to measure performance. If the board finds in the survey conducted without sampling that significant assessment problems exist, the board shall conduct a sampling of assessments in that county or city and county to determine if it is an eligible county or city and county. If a county or city and county is not certified by the board, it may request a new survey in advance of the regularly scheduled survey, provided that it agrees to pay for the cost of the survey.

Title 18, California Code of Regulations

Rule 370. **Random selection of counties for representative sampling.**

(a) **SURVEY CYCLE.** The board shall select at random at least three counties from among all except the 10 largest counties and cities and counties for a representative sampling of assessments in accordance with the procedures contained herein. Counties eligible for random selection will be distributed as equally as possible in a five-year rotation commencing with the local assessment roll for the 1997–98 fiscal year.

(b) **RANDOM SELECTION FOR ASSESSMENT SAMPLING.** The three counties selected at random will be drawn from the group of counties scheduled in that year for surveys of assessment practices. The scheduled counties will be ranked according to the size of their local assessment rolls for the year prior to the sampling.

(1) If no county has been selected for an assessment sampling on the basis of significant assessment problems as provided in subdivision (c), the counties eligible in that year for random selection will be divided into three groups (small, medium, and large), such that each county has an equal chance of being selected. One county will be selected at random by the board from each of these groups. The board may randomly select an additional county or counties to be included in any survey cycle year. The selection will be done by lot, with a representative of the California Assessors' Association witnessing the selection process.

(2) If one or more counties are scheduled for an assessment sampling in that year because they were found to have significant assessment problems, the counties eligible for random selection will be divided into the same number of groups as there are counties to be randomly selected, such that each county has an equal chance of being selected. For example, if one county is to be sampled because it was found to have significant assessment problems, only two counties will then be randomly selected and the pool of eligible counties will be divided into two groups. If two counties are to be sampled because they were found to have significant assessment problems, only one county will be randomly selected and all counties eligible in that year for random selection will be pooled into one group.

(3) Once random selection has been made, neither the counties selected for an assessment sampling nor the remaining counties in the group for that fiscal year shall again become eligible for random selection until the next fiscal year in which such counties are scheduled for an assessment practices survey, as determined by the five-year rotation. At that time, both the counties selected and the remaining counties in that group shall again be eligible for random selection.

(c) **ASSESSMENT SAMPLING OF COUNTIES WITH SIGNIFICANT ASSESSMENT PROBLEMS.** If the board finds during the course of an assessment practices survey that a county has significant assessment problems as defined in Rule 371, the board shall conduct a sampling of assessments in that county in lieu of conducting a sampling in a county selected at random.

(d) **ADDITIONAL SURVEYS.** This regulation shall not be construed to prohibit the Board from conducting additional surveys, samples, or other investigations of any county assessor's office.

Rule 371. Significant assessment problems.

(a) For purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, “significant assessment problems” means procedure(s) in one or more areas of an assessor’s assessment operation, which alone or in combination, have been found by the Board to indicate a reasonable probability that either:

(1) the average assessment level in the county is less than 95 percent of the assessment level required by statute; or

(2) the sum of all the differences between the board’s appraisals and the assessor’s values (without regard to whether the differences are underassessments or overassessments), expanded statistically over the assessor’s entire roll, exceeds 7.5 percent of the assessment level required by statute.

(b) For purposes of this regulation, “areas of an assessor’s assessment operation” means, but is not limited to, an assessor’s programs for:

(1) Uniformity of treatment for all classes of property.

(2) Discovering and assessing newly constructed property.

(3) Discovering and assessing real property that has undergone a change in ownership.

(4) Conducting mandatory audits in accordance with Revenue and Taxation Code Section 469 and Property Tax Rule 192.

(5) Assessing open-space land subject to enforceable restriction, in accordance with Revenue and Taxation Code Sections 421 et. seq.

(6) Discovering and assessing taxable possessory interests in accordance with Revenue and Taxation Code Sections 107 et. seq.

(7) Discovering and assessing mineral-producing properties in accordance with Property Tax Rule 469.

(8) Discovering and assessing property that has suffered a decline in value.

(9) Reviewing, adjusting, and, if appropriate, defending assessments for which taxpayers have filed applications for reduction with the local assessment appeals board.

(c) A finding of “significant assessment problems,” as defined in this regulation, would be limited to the purposes of Revenue and Taxation Code Section 75.60 and Government Code Section 15643, and shall not be construed as a generalized conclusion about an assessor’s practices.

ASSESSOR'S RESPONSE TO BOARD'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendation in the survey report. The Nevada County Assessor's response begins on the next page. The Board has no comments on the response.

COUNTY OF NEVADA

ART GREEN

ASSESSOR

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September 17, 1999

Mr. William B. Jackson, Chief
County Property Tax Division
Property Taxes Department
State Board of Equalization
PO Box 942879
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Re: Nevada County Assessment Practices Survey Response

Enclosed is my response to the recommendations included in the State Board of Equalization Assessment Practices Survey of Nevada County. This response was prepared in accordance with Section 15645 of the California Government Code.

I want to thank Arnold Fong and the entire survey staff for the courteous and professional manner in which they conducted the audit. Our office received exceptionally considerate treatment during the audit. The results of the survey reflect an extraordinary understanding of our office's goals and methodologies.

I want to thank retired Nevada County Assessor Richard P. Allen for the administration on which this survey is based. The credit for achieving the high level of accomplishment reflected in the results of this survey is due him and his staff.

Most of the recommendations and suggestions in this survey have been already adopted. Budget constraints continue to be a problem: staff turnover due to low salaries disrupts the implementation of many procedures. The employees of the Nevada County Assessor's Office are to be highly commended for accomplishing our goals nevertheless. The commitment of staff to utilize a high level of computerization is also a major factor in our success. We look forward to fully implementing these recommendations and suggestions as resources permit.

Sincerely,



Art Green, Assessor

AG/hg

enclosure

**NEVADA COUNTY ASSESSOR'S OFFICE
RESPONSE TO THE STATE BOARD OF EQUALIZATION'S
1998 ASSESSMENT PRACTICES SURVEY**

09/15/99

RECOMMENDATION 1: REQUEST THAT THE COUNTY DEPARTMENT OF ENVIRONMENTAL HEALTH FORWARD COPIES OF ALL ISSUED PERMITS.

We concur with this recommendation and have implemented multiple solutions. The Nevada County Building, Planning and Environmental Health departments have been combined and are currently known as the CDA. The Environmental Health's permit information is included in the CDA permits that are transferred electronically on a daily basis to the Assessor's Office computer system. The permits from the Environmental Health Truckee office are not included in the CDA department permit computer system. The Truckee permits have been requested and are being received manually. The emerging county Intranet will provide yet another access point for the Environmental Health permits. All Environmental Health permits are scheduled to appear on the county Intranet within the next few months.

RECOMMENDATION 2: USE ANIMAL UNIT MONTHS (AUM"s) IN THE ANALYSIS OF GRAZING LANDS.

We concur with this recommendation. The appraisal staff is actively pursuing additional training in this area. We are developing a more sophisticated program to comply with this request.

RECOMMENDATION 3: NOTIFY THE COUNTY AUDITOR WHEN INTEREST SHOULD BE ADDED TO ESCAPE ASSESSMENTS.

We concur with this recommendation and have implemented it. Our office currently adds the interest penalty per Revenue and Taxation Code section 506 to all Business Property escape assessments including those under \$100,000. We inform the Auditor's office of the penalties through monthly computerized reports.

RECOMMENDATION 4: USE THE ASSESSOR'S HANDBOOK SECTION 581 AS INTENDED.

We agree with the intent of this recommendation, i.e. to provide appropriate valuations. After analyzing the results of using index factor tables as per AH581, we have found the use of one composite table to be more effective. The valuation process using one composite table is much simpler and more expeditious. The results derived from using one composite table are close enough to the results derived from using specific tables, per AH581, to be within the normal range of precision expected from an appraisal.

SUGGESTION 1: UPDATE THE PROCEDURES MANUAL.

We concur with this suggestion. Both the General Office Manual and the Office Procedures manual are currently being updated. When completed, both manuals will be available in printed form and in computerized form on the Intranet.

SUGGESTION 2: CONDUCT A STUDY TO ANALYZE THE REASONS FOR STAFF TURNOVER.

We agree that staff turnover is an important issue for consideration. Several factors have contributed to excessive staff turnover in our office, the most noteworthy being the current low pay, especially in light of our local high cost-of-living. Also, many of the staff are over the age of 50 and are retiring. We have restructured the organization chart and added upward mobility in many areas creating better career pathways. A county wide salary survey is currently being conducted, but funding may take a couple of years.

SUGGESTION 3: OBTAIN PERIODIC REPORTS FROM LOCAL FIRE DEPARTMENTS.

Due to the size of our county the current method of discovery works well at this time. The building dept assists our office by identifying building permits for fire damage. In the near future, we will use the Internet to remind the public to inform us of fire damage and other misfortunes.

SUGGESTION 4: INVENTORY TPZ LANDS FOR EXISTING, NONEXCLUSIVE COMPATIBLE USES.

Our office is currently developing a procedure to field review TPZ parcels over the next 2 years.

SUGGESTION 5: COMPUTERIZE THE ASSESSMENT OF CLCA PROPERTIES.

Properties located in the CLCA program have been computerized for almost 2 years. We are currently updating the procedure for efficiency.

SUGGESTION 6: IMPROVE THE DOCUMENTATION OF POSSESSORY INTEREST FILES.

Due to the loss of experienced staff, the PI files have not received the proper attention. We are currently sending appraisal staff to the PI classes and are implementing a process to improve the documentation of the files.

SUGGESTION 7: CONSIDER THE SALES AND INCOME APPROACHES TO VALUE WHEN VALUING PRIVATE WATER COMPANIES.

We will consider the income approach when valuing water companies. Currently we have one water company in our county.

SUGGESTION 8: REQUIRE WATER COMPANIES REGULATED BY THE CPUC TO SUBMIT A COPY OF THEIR ANNUAL CPUC REPORT.

We consider this a good suggestion and will implement it.

SUGGESTION 9: EXPAND THE NON-MANDATORY AUDIT PROGRAM.

We have already expanded our non-mandatory audit program. This year we plan to double the number of non-mandatory audits performed in 1997.

SUGGESTION 10: FOLLOW UP AN ARBITRARY ASSESSMENT BY MAILING A BUSINESS PROPERTY STATEMENT (571L) TO THE TAXPAYER FOR THE FOLLOWING YEAR.

We have implemented this suggestion. Since 1998 we have been sending 571L forms following an arbitrary assessment.

SUGGESTION 11: ANNUALLY REVIEW THE BOE'S LISTING OF EQUIPMENT LEASED TO STATE ASSESSEES.

Since 1998 we have used the state form as a tool for discovery. As a form for information, however, the listing is somewhat incomplete. The form would be more helpful to us if it included a lease date, cost figure, installation date, and more information regarding the proper assessee.