



PROFESSIONAL **CONSULTING SERVICES** OF IAAO, LLC

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Executive Summary

Business Processes and Valuation Practices

Introduction:

The Sedgwick County Appraiser's Office in conjunction with, Board of County Commissioners Sedgwick County, engaged the Professional Consulting Services of the International Association of Assessing Officers [PCSIAAO] to complete an audit of operations and procedures in the appraiser's office. A summary of results is provided as follows.

PLAN AND SCOPE OF WORK STATEMENT: The audit encompassed reviews of current operational practices, and procedures, using a questionnaire with questions relating to processes, procedures, and use of specific property appraisal tools. Analysis of strengths and weaknesses measured using the various technical standards of practice. With recommendations aimed at improving efficiencies, and economies in the appraiser's office, and with other related county offices.

MANAGEMENT AND STAFFING: The consultant personally interviewed department heads and staff members; review of job functions, production quantity and quality. These interviews included staff's adherence to industry standards of practice, specific knowledge, skills, and experience in their use were discovered. The discussions found in this section of the report covers major aspects of how staff members also adhere to statutory requirements, and directives from the PVD. There were approximately 220,000+ parcels in Sedgwick County at the time of the audit and there are currently approximately 225,000+ parcels. Succession planning is recommended due to the impending loss of a high-level intellectual knowledge for appraisal staff nearing retirement. A concluding recommendation supports hiring six additional staff members 2020 fiscal year.

INFORMATION TECHNOLOGY: How technology is used. Does it incorporate full functionality for all required tasks? The PVD mandates the use of the Orion, Computer Assisted Mass Appraisal [CAMA] system. While the Orion system provides for most functions required to complete the assessment cycle. The appraiser's office must rely on other legacy and external systems to complete all the required functions in the most efficient manner. Newer functionality has been added to the Orion system in effect in other states, which could alleviate use of some legacy system requirements. Implementation will take time for testing and training.

MULTI-PARCEL PROCESSING: A multi-parcel consists of two or more parcels (or lots) under a single ownership and use, that also create a single economic unit, and often transact as one property in the marketplace. The need to create economic units are most common among commercial and industrial properties. Creating and valuing economic units is not a method commonly covered in any appraisal courses thus requires the use of specialized knowledge and skills. Sedgwick county completes the process using a legacy computer system known as: EUS [Economic Unit System]. The EUS software via user input must combine the multiple parcels for the appraiser to value as a single unit and then split the value back into single units so each parcel presents a single value for preparation of notices to property owners, and the tax billing cycle. The entire process creates multiple bottlenecks within the tax cycle. At the appeal level, any single parcel can be a subject without regard to the entire economic unit. Recommendations call for deployment of Orion's version of economic unit valuation that is in place in other states. There is also a need for creating a GIS mapping layer that will display each economic unit for visual analysis. Since completion of the audit, I have been informed this process has been implemented but needs further refinement. Finally, the number of economic units can be reduced by

combining some of the multiple parcels into a single taxable unit. This process however is currently controlled by the county clerk’s office, but all ROW offices will be involved in the solution.

VALUATION PERFORMANCE -SALES RATIO STUDIES: Sales Ratio studies are a statistical process used to measure appraisal performance across a wide spectrum of functions performed in the appraiser’s office. In Kansas, the PVD controls the oversight of the county appraiser’s office valuations using ratio statistics. Two primary statistics are the median, and coefficient of dispersion, [COD].

The PVD scores each county on their ability to comply with the ratio standard. Sedgwick County scored 91 points on substantial and statistical testing compliance which is comprised of the procedural and statutory compliance and statistical testing compliance in the most recent study available at the time of the audit. The COD on commercial/industrial is slightly above the PVD permitted level of 20%. Residential and commercial each were in compliance when using the confidence intervals. The overall statistics for residential class properties is remarkably good, with a median of 90.1%, and a COD of 10.6%.

ACCEPTABLE RANGES OF UNIFORMITY		
Type of Property – General	Type of property – Specific	COD Range**
Single-family residential (condominiums included)	Newer or homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other types of residential	Rural, seasonal, 2-4 units, manufactured housing	5.0 to 20.0
Income-Producing – Non-Residential	Larger jurisdictions with active markets	5.0 to 15.0
Income-Producing – Non-Residential	Smaller jurisdiction with limited market activity	5.0 to 20.0
Vacant land		5.0 to 25.0
Other Real or personal property		Varies with local conditions

VALUE DEFENSE AND APPEALS: Covers the legal and functional processes required to address taxpayer appeals of their property tax appraisal. The appeal process is often confused with tax liability. Legally “tax appeals” are covered using a “payment under protest.” Appealing one’s appraised value, property classification, and equal treatment is reviewed in this section. Several levels of appeal exist for property owners. The appeal process is time-sensitive and begins with the date on the change in assessment notice.

At that point taxpayers have a thirty-day window to file an appeal. For the county appraiser the appeal process is a time-consuming process, demanding research, and preparations to prepare and document a defense of the appraised value. In a four-year period from 2015 to 2018 appeal cases nearly doubled, 2,268 to 4,029. The burden of proof is on the appraiser's office to produce evidence that meets the "preponderance of the evidence" standard. As the appeal process moves from "informal" in the county appraiser's office, to formal before the Board of Tax Appeals [BOTA], the time and effort to prepare also increases as do the participants. Hearings before the BOTA often include expert witness testimony. This testimony then requires cross examination by attorneys on both sides to examine the evidence and standards used to estimate the value.

COMMUNICATIONS AND TAXPAYER ASSISTANCE: There is a statutory notice requirement for changes in value that serves to protect the taxpayer's interest in how their property is valued. The appraiser's office is also the keeper and custodian of the property inventory for Sedgwick County. With website access available on a 24/7/365 basis to the property inventory, property data is available for viewing by those involved with commerce, attorney's developers, taxing bodies, realtors, etc. Recommendations include expanding the communications with more marketing of the speakers panel, providing more information addressing the "why's" for budget increases, and creating monthly reports for the BOCC as a way of increasing knowledge and understanding about the complexity of the property tax system in Kansas.

CONCLUDING STATEMENT BY CONSULTANT: The preceding summary of "Operations and Procedure" audit provided twenty-one recommendations to improve various processes to gain efficiencies and effectiveness. The county appraiser and staff are knowledgeable, skillful, and professional in completing their job functions using all resources available. Completion of the property tax cycle in the state of Kansas is demanding and stressful. The schedule for compliance, and the demands to follow prescribe standards of practice, and PVD directives are rigorous. As the number of parcels continues to increase, a persistence to leverage technology is also needed. Succession planning is a key for maintaining future success. Continuation of professional development using education and designations is another area recommended. No evidence was found substantiating non-compliance based on the mandates reviewed in the Kansas statutes, or mandated directives by the Kansas Property Valuation Director.