

2007 Business Plan

Orange County Assessor Department

Final March 2007



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Orange County Assessor

Serving the citizens of Orange County by valuing all legally assessable property with uniformity and impartiality

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I. EXECUTIVE SUMMARY

The County Assessor is the elected official mandated by the California Constitution to value all taxable property located in the county and produce an annual assessment roll of value. The annual “roll” is the official listing of the taxable value, location and ownership of all locally assessed property.

The Orange County Assessor serves the third largest county in the state in terms of the number of properties assessed and total assessed value. The workload continues to grow in volume and complexity as the County matures.

1.1 MISSION

Our mission is to serve the citizens of Orange County by valuing all legally assessable property with uniformity and impartiality, to produce assessment rolls in accordance with the laws of the State of California, and help property owners understand their property valuations.

1.2 DEPARTMENT OVERVIEW

The Assessor Department’s organizational structure consists of seven operational projects. Project teams work together to value property, produce assessment rolls, process exemptions and provide assessment information.

BUSINESS PROPERTY

Audits, appraises, assesses and maintains records on all business personal property, trade fixtures, leased equipment, boats and aircraft located in Orange County.

REAL PROPERTY

Appraises real property, new construction and reassessable changes in ownership, and maintains and updates records on all parcels including residential, commercial, rural, industrial and special use properties.

ROLL SUPPORT

Reviews and maintains recorded documents evidencing a change in ownership of real property, prepares Assessor parcel maps and processes Homeowner, Veteran and Institutional exemptions.

QUALITY ASSURANCE

Provides appraisal methodologies, procedures, training and quality control for roll production, audit/appraisal and paraprofessional staff.

COMPUTER SYSTEMS

Provides programming and data processing services, system security and technical services to support the development of the assessment rolls of value.

MANAGEMENT SERVICES

Provides fiscal management, process integration, contract administration, procurement and personnel services, general department administration and public service support to the public and other government agencies.

SPECIAL PROJECTS

Focuses on specific projects including Assessment Tax System (ATS) Re-Engineering and other system support and development projects. The source of funding is a combination of the State-County Property Tax Administration Grant (AB 589) and the County General Fund.

COLLABORATIVE EFFORT

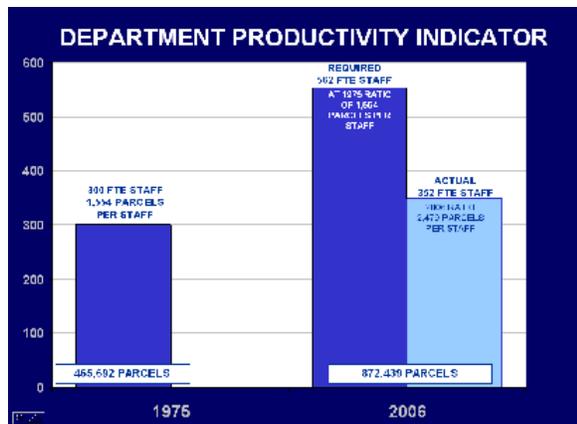
The Department promotes a collaborative and cooperative solution-oriented work environment that encourages participation at every level of the organization.

PRODUCTIVITY

Strategic investments in technology and a strong commitment to staff development have significantly increased Department productivity by allowing staff to work more effectively.

The number of real estate parcels has grown 87% since 1975, from 465,692 parcels to 872,439 parcels in 2006. During the same period, the Assessor’s staffing level has only increased 15.8%, from 291 authorized positions to 337.

Staff productivity, as measured by the number of assessed parcels per authorized position, has increased over 60% since 1975, from approximately 1,550 parcels per position to roughly 2,500 parcels per position in 2006.



If the department had not realized these productivity gains, approximately 210 additional positions would have been needed to keep pace with the workload.

This translated to a significant cost savings each year. The estimated savings in FY 2006-07 is almost \$16 million.

1.3 WORKLOAD DYNAMICS

Our workload is defined by external marketplace dynamics. Land development, new construction and the sale of business or real property create work for the Assessor Department.

Economic forces, changes in the law and the public's participation in taxable property markets can have sudden and dramatic impacts on the Assessor workload.



PROPERTY TAX LAWS

County Assessors are required to produce assessment rolls in accordance with all property tax laws. Property tax laws are changing every year.

The State legislature creates new laws or modifies existing laws. California courts and the State Board of Equalization continuously interpret the law. Voters periodically initiate and adopt ballot propositions that impact property tax laws.

Public Officials Personal Information

AB 2005 was adopted in 2006, which further limits the release of certain roll information to protect the privacy of elected officials and public safety personnel. The Assessor continues to be in compliance with all aspects of this law. This new law will become effective on January 1, 2007.

The existing law prohibits a person, business or association from publicly posting, soliciting, trading or selling on the internet the home address or telephone number of an elected or appointed official, if notified by a qualified official.

On September 26, 2006, the Governor signed into law AB 2005 (Stats 2006, Ch. 472). This law adds to the definition of "Public Safety Official" the following groups:

1. U.S. Attorney and the Federal Public Defender
2. State and federal judges and court commissioners
3. Certain employees of Attorney General, district attorney, or public defender
4. Certain employees of the California Department of Justice
5. Certain probation officers
6. Certain employees of a police or sheriff's office who testify as expert witness

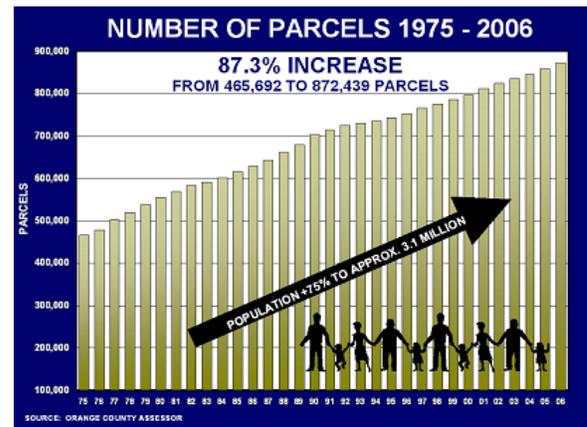
TOTAL NET ASSESSED VALUE

Total net assessed value increased by over \$38.0 billion, from \$ 339.2 billion in 2005 to \$377.2 billion in 2006. The 2006 increase is over \$10 billion greater than the County's \$27.6 billion total assessed value in 1975.

The overall value increase is 11.2% in 2006, compared to 9.9% in 2005.

LAND PARCEL BASE

Orange County's land parcel base grows steadily as real estate parcels are divided through the development process. More than 13,320 new parcels were created in 2006. Similar parcel growth is anticipated in 2007.

**BUSINESS PERSONAL PROPERTY**

Business personal property, leased equipment, marine vessels and aircraft are valued on the unsecured assessment roll. The number of unsecured property assessments has increased slightly, from 168,300 assessments in 2005 to 171,542 assessments in 2006. The total value of unsecured property assessments has increased from \$18.0 billion to 20.3 billion.

1.4 STATEWIDE COMPARISON

Orange is the third-largest county in the state, with a population of over 3,100,000 residents, 1,044,080 roll units and more than \$377.2 billion in total assessed value. Median *family income* remains among the highest in the state, at approximately \$81,125 in 2006.

The housing market is showing many signs of slowing down in recent months. The County's *median home price* rose slightly from \$617,000 in August 2005 to \$625,000 in October 2006. This trend is consistent with the overall real estate market in this region and the State.

1.5 OPERATIONAL PLANS AND CHALLENGES

Our workload volume and mix varies with external economic forces and real estate market conditions. The Department develops and implements strategies collaboratively to meet new challenges, and produce annual assessment rolls.



Operational plans are designed and implemented to address roll production, technology enhancements, public service demands and staff development requirements.

The Department will meet challenges in 2007 by continuing to be prepared, diligent, alert, flexible and responsive. Specific strategies will be developed to address changing conditions.

The Department is known to be proactive and broadly consistent in valuation, and in providing services and inquiry support to the public. Each service element presents challenges the Department will face in 2007.



II. MISSION & GOALS

Our mission is to serve the citizens of Orange County by valuing all legally assessable property with uniformity and impartiality, to produce assessment rolls in accordance with the laws of the State of California, and help property owners understand their property valuations.

Taxable value is the basis for property tax assessments that provide funding for schools, police and fire services, libraries, parks, infrastructure and other essential operations. Services and facilities provided by public agencies play a key role in making Orange County a desirable location for residents, businesses and visitors.

The Department strives to equalize the assessment process by providing consistent consideration to all property owners and applying the same valuation rules and principles to all properties.

The California Constitution governs the assessment process. The Constitution defines taxable property, specifies conditions under which property should be reassessed, limits increases in taxable value and identifies property tax exemptions.

The property tax assessment process can be confusing to property owners. This is because the laws concerning properties are complicated and continuously changing. State Legislature continues to create new laws or modify existing laws; the State Board of Equalization interprets the laws and promulgates new rules, and the Courts also establish case laws.

Many owners are not fully aware of the property tax laws or changes in the existing laws, or that there are exemption programs

and filing requirements that can reduce their assessment. Providing public service and assessment information is one the primary functions of Department operations.

2.1 GOAL

Identify and properly value all taxable property in Orange County

Our primary goal is to identify and properly value all taxable property in Orange County. To accomplish this goal, we determine the description, taxable value and legal owner of every land parcel and all taxable business personal property physically located in the County on the "January 1" lien date.

Assessors are mandated by the State constitution to identify and determine the taxable value of property located within their respective counties. The Revenue and Taxation Code, Article VI, Section 616 requires Assessors to complete the local assessment roll and certify every year that they have:

- Made diligent inquiry and examination to ascertain all the property within the county
- Affirmed that property assessed on the roll has been valued under the provisions of California property tax law, according to the Assessor's best judgment, information and belief
- Faithfully complied with all the duties imposed on the Assessor under the revenue laws
- Not imposed an unjust or double assessment through malice, ill will, or otherwise
- Not allowed anyone to escape a just and equal assessment through favor, reward or otherwise

REAL PROPERTY FIELD CANVASS

Proposition 13 was adopted in 1978, and redefined the basis for the reassessment of real property.

Prior to Proposition 13, the taxable value of property was the market value on lien date. The Assessor canvassed the county regularly to determine the market value or “ad valorem” value of real property.

Under Proposition 13, value increases are limited to an annual increase of up to two-percent (2%) to adjust for inflation, unless the property experienced:

- New construction
- A change in ownership
- Value restoration due to temporary value reduction(s) in prior year(s)

Since Proposition 13 was adopted, County Deputy Appraisers physically inspect and appraise property only in response to a building permit or other triggering events.

As a result, a real property field review has not been performed in Orange County for over 25 years. The county has undergone significant development during this period of time, and a physical review is necessary to verify, update and correct property records as needed.

The Assessor is using a portion of the State-County Property Tax Administration Grant (AB-589) to perform a real property field review of the County.

The State discontinued providing funding for this grant program since FY 2005-06.

KEY OUTCOME INDICATORS

Grant reserves from prior years are providing sufficient funding to carry the project through FY 2007-08. We anticipate that about one third of the parcels in the county can be reviewed before additional funds are required.

The overall scope and schedule of this project may be impacted by the availability of County and additional grant funds from the State of California. At this time, the California Assessors Association is working with the State legislature to develop a grant program similar to the AB 589 Grant.



Objectives of the field review are to:

- Discover improvements on residential parcels that have escaped assessment
- Determine if property is impacted by a nuisance and update property record for market comparison purposes
- Determine if property has a positive attribute (e.g. a nice view) and update property records for market comparison purposes
- Update cluster tract parameters for market comparison purposes
- Obtain digital photos to be added to the property record for market comparison purposes

Assessor Department key outcome measures included in this Business Plan are designed to identify and report efforts made in producing local assessment rolls. Other strategic goals will be pursued. The following performance measures focus on major elements of the assessment process.

Performance Measure	FY 2005-06 Results	FY 2006-07 Plan	FY 2006-07 Anticipated Results	FY 2007-08 Plan	How are we doing?
VALUE ALL TAXABLE PROPERTY IN ORANGE COUNTY What: Fulfills the Assessor's Constitutional mandate Why: Implements the provisions of Proposition 13 and other property tax laws.	Valued 872,000 real property parcels and 171,000 business and personal property accounts.	Value an estimated 880,000 real property parcels and 173,000 business and personal property accounts.	Value an estimated 880,000 real property parcels and 173,000 business and personal property accounts.	Value an estimated 885,000 real property parcels and 175,000 business and personal property accounts.	We are continuing to respond to market dynamics and shifts in the workload.

Performance Measure	FY 2005-06 Results	FY 2006-07 Plan	FY 2006-07 Anticipated Results	FY 2007-08 Plan	How are we doing?
PUBLISH THE SECURED AND UNSECURED ASSESSMENT ROLLS OF VALUE EVERY JULY What: Fulfills the Assessor's Constitutional mandate Why: Establishes the basis for property tax assessments that fund schools and local government services.	Published the secured and unsecured assessment rolls in July 2006.	Publish the secured and unsecured assessment rolls in July 2007.	Publish the secured and unsecured assessment rolls in July 2007.	Continue to publish the secured and unsecured assessment rolls in July of every year.	We are in the process of valuing all taxable property in the County for the FY 07-08 assessment rolls of value.

Performance Measure	FY 2005-06 Results	FY 2006-07 Plan	FY 2006-07 Anticipated Results	FY 2007-08 Plan	How are we doing?
<p>APPLY TAXABLE VALUE RESTRICTIONS ADOPTED BY CALIFORNIA VOTERS</p> <p>What: Restricts taxable value based on qualifying events</p> <p>Why: Implements Prop. 13 and other constitutional limitations on the taxable value of property.</p>	The taxable value of eligible parcels is restricted by Prop. 13, Prop. 8 and other constitutional value restrictions that provide temporary reductions.	Apply taxable value restrictions to all eligible properties in accordance with property tax laws.	Apply taxable value restrictions to all eligible properties in accordance with property tax laws.	Continue to apply taxable value restrictions to all eligible properties in accordance with property tax laws.	We evaluate Prop. 8 parcels annually, and process claims and application forms on a continuous basis.

Performance Measure	FY 2005-06 Results	FY 2006-07 Plan	FY 2006-07 Anticipated Results	FY 2007-08 Plan	How are we doing?
<p>IMPLEMENT HOMEOWNER, VETERAN & INSTITUTIONAL EXEMPTIONS FOR ELIGIBLE INDIVIDUALS AND ORGANIZATIONS</p> <p>What: Limits or reduces taxable value, as mandated by the State Constitution</p> <p>Why: Qualifying individuals and organizations receive the tax-saving benefits of these exemptions.</p>	Approximately 500,000 Homeowner, Veteran and Institutional exemptions were enrolled.	Implement exemptions in accordance with property tax laws.	Implement exemptions in accordance with property tax laws.	Continue to implement exemptions in accordance with property tax laws.	We process claims and application forms on a continuous basis.

Performance Measure	FY 2005-06 Results	FY 2006-07 Plan	FY 2006-07 Anticipated Results	FY 2007-08 Plan	How are we doing?
<p>CONTINUE TO PRODUCE LOCAL ASSESSMENT ROLLS THAT MEET LEGAL QUALITY STANDARDS ESTABLISHED BY GOVT. CODE SECT. 15640 & 15642</p> <p>What: The State Board of Equalization conducts periodic Assessment Practices Surveys to determine if local assessment rolls meet statewide legal quality standards.</p> <p>Why: Allows the County to recover the administrative cost of processing supplemental assessments</p>	<p>In the most recent survey, Orange County’s assessment roll exceeds legal quality standards:</p> <p><i>Minimum legal quality rating: 95.0%</i></p> <p><i>Orange County quality rating: 98.6%</i></p> <p>Orange County will continue to recover our costs.</p>	<p>Continue to produce assessment rolls in accordance with property tax laws, and exceed the minimum legal quality rating of 95.0%.</p>	<p>Continue to produce assessment rolls in accordance with property tax laws, and exceed the minimum legal quality rating of 95.0%.</p> <p><i>Orange County quality rating: 99.9%</i></p> <p>Orange County will continue to recover our costs.</p>	<p>Continue to produce assessment rolls in accordance with property tax laws, and exceed the minimum legal quality rating of 95.0%.</p>	<p>The Orange County Assessor and staff continually monitor the status of property tax laws and state rules.</p> <p>Property assessment practice is modified to implement changes in the law.</p>

2.2 GOAL

Make property valuation information more accessible and easier to understand

Our goal is to help residents, businesses and organizations understand their property tax valuations by providing accurate information in a timely and courteous manner. Assessor Department staff provided public service support for over 83,000 telephone inquiries and 22,000 walk-in customers in FY 2005-06.

The Department will continue to strive to meet the informational needs of our clients while safeguarding privileged and confidential data. The assessment roll includes certain information that is, by law,

public information. Other property-specific information is protected by law, and is only available to the property’s legal owner or an authorized representative.

ASSESSMENT ROLL INFORMATION

In 2004, a new assessment roll research system was implemented in the Department’s Public Service Center. Customers can search, view and print public roll information, assessor parcel maps and mailing labels. The system incorporates touchscreen technology to make navigation more intuitive and user-friendly. Additional refinements and enhancements were made in 2006.

ASSESSOR DEPARTMENT WEBSITE

The Assessor's website provides general assessment information, forms, a list of important dates, answers to frequently asked questions and information on tax saving programs. The site had over 5.5 million hits in FY 2005-06, with an average of almost 16,000 hits per day.

The current website was launched in February 2001, and is in the process of being reviewed and redesigned.

The new website will be available in 2007. Additional e-Forms and e-Services may be included in this website redesign.

Goals for the new website:

- Information will be easy to find
- Information will be easy to understand
- Information will be accurate, current and relevant

To protect the privacy of property owners, and to comply with California law, no information on individual properties will be posted on the website.

2.3 GOAL

Enhance operational efficiency and productivity by implementing new technology, policies and procedures

ASSESSMENT TAX SYSTEM RE-ENGINEERING

The Assessment Tax System (ATS) is the central program used by the Orange County Assessor and other property tax administration departments to prepare, deliver and support property tax assessments. ATS is operating on outdated hardware and software systems that must be replaced within the next two years. A

complete reengineering is required to prevent eminent operational and functional obsolescence.

ATS is a multi-phase mainframe application implemented by the Assessor Department in 1987, 19 years ago. ATS has more than 1,500 programs and 1,400,000 lines of programming code used to compile, process and produce property tax assessment rolls. The system contains more than 92,000,000 database records, and averages over 100,000 on-line transactions every day.

ATS was developed using the IDEAL program language for mainframe application. IDEAL has become obsolete, and the availability of system support and experienced programmers is extremely limited.

A modern and well-supported ATS is essential to the Assessor Department's daily operations. The ATS Re-engineering work is underway and it is a phased multi-year project, involving both program coding and hardware and software procurement.

The ATS Re-engineering will be implemented with a new database structure that will provide appraisers with an integrated source of information. Parcel maps, aerial photos, digital photos of improvements, deeds and comparable sale information, relevant laws and rules will all be accessible through a new user interface.

ATS should also be migrated to a new hardware platform to address critical operational, performance, data security, costs, and public interface requirements. Conversion and implementation of an ATS upgrade is essential to the County's property tax assessment and collection process.

Computer System Integration

The Assessor Department's processing systems were developed and implemented in the late 1980's. While the programming and technology were state-of-the-art at the time, the programming language and technology have become outdated.

Information is maintained on several stand-alone systems that have limited interface capabilities. Gathering information from various systems slows our production rate because data elements needed to determine assessed value reside in different systems.

The ATS Re-Engineering will integrate assessment information, workflow components, add functionality, and will increase processing speed. A geo-based parcel record will integrate assessor parcel information with other property elements, such as the building record.

The extent of system enhancements is subject to funding availability.

GEO-BASED PARCEL RECORDS

Every real estate parcel in the County has a unique parcel number and is defined on an assessor parcel map. Parcel maps are created electronically from recorded documents using computer-aided drafting (CAD) system software. Maps are created, viewed, archived and printed on the CAD system, but cannot currently be integrated with other applications.

Geo-based parcel records will integrate assessor parcel maps with property and building data to provide comprehensive property information.

The State Board of Equalization is considering mandating California Assessors to establish a geo-based identifier as the parcel number within the next two to five years. The Assessor is reviewing the use of geo-based parcel records in other counties.

Evaluation and analysis have been ongoing.

ELECTRONIC FILING FOR BUSINESS PROPERTY STATEMENTS

Businesses that operate in California are required by law to report business personal property holdings to the County Assessor in which the property is located. Property is reported annually on standard Business Property Statement (BPS) forms approved by the State Board of Equalization.

In 2001, the Orange County Assessor was the first in California to implement an e-Filing system for BPS's. The e-Filing system is an interactive system that is well suited to small to mid-sized businesses that operate within one county.

Since its inception six years ago, E-filing has matured over the last couple of years. In 2006 approximately 22,000 of Orange County's BPS' were submitted using the e-filing system. That is, out of 60,000 Business Statements mailed out in 2006, roughly 1/3 of the statements were e-filed.

Electronic filing has substantially improved the BPS handling process, and provided business efficiencies for handling this annual workload. Electronic filing eliminates most aspects of handling paper documents. Valuation and processing time for electronic statements is reduced by approximately 30%, our workflow process removes most data entry and enhances workflow functions through automation.

Starting in 2007, the Orange County BPS electronic filing system will be incorporated into the statewide Standard Data Record system described below.

STANDARD DATA RECORD (SDR AND e-SDR)

The Standard Data Record electronic filing system is a cooperative effort initiated and coordinated through the California Assessors' Association (CAA). The SDR system was first designed for mid-size to large businesses that may have operations in more than one county, and for tax representatives that file property statements on behalf of clients.

The SDR system provides efficiency gains to larger and more complex business filers that file in many counties. Development of this system has been a collaborative effort, with the public and private sectors.

The Orange County Assessor was appointed the SDR coordinating Assessor by the California Assessors' Association, and has taken the lead role in developing this system. Currently 38 of the 58 counties in California are participating in the SDR project. These counties receive approximately 93% of all the BPS's filed throughout the State. For the e-SDR component, 16 counties have decided to participate starting in 2007.

This project has broad interest and support from the State Board of Equalization, business owners, and industry tax representatives throughout the State. In addition, this statewide electronic filing approach is now being reviewed by some other jurisdictions for consideration and application.



In 2007, an e-SDR component will be added to the SDR system to provide statewide electronic BPS filing capability for small businesses and individual filers. The e-SDR is built upon the Orange County BPS e-Filing system with some enhancements.

2.4 GOAL

Encourage employee development by providing access to relevant training opportunities

The Assessor's work is complex, detailed and technical in nature. Staff is required to participate in training opportunities to meet legal mandates, gain the skills needed to achieve job proficiency and acquire new skills to enhance productivity.

The Department maintains a central training database that tracks training hours for each staff member. Appraisers and Auditor-Appraisers must be certified by the State Board of Equalization to value property for property tax purposes in the State of California. To be certified, staff is required to pass a qualifying examination *and* complete appraisal-related training each year.

The State Board of Equalization issues appraisal certificates and monitors compliance with continuing educational requirements. For fiscal year ending June 30, 2006, our training records indicate that *all* Appraisers And Auditor-Appraisers met continuing education requirements.

The Department encourages participation in the County's expanded educational and professional development program. Many staff members have identified PIP goals that incorporate training objectives and have taken advantage of the tuition reimbursement program.

III. OPERATIONAL PLANS

Department operations focus on our primary goal of producing local assessment rolls in accordance with California property tax laws. Enhanced technology, staff development, a relatively flat project management structure and empowered project work teams have provided the flexibility needed to accomplish this goal every year.

Specific operational plans are developed and modified as needed. Changes in market conditions and property tax laws can present new and unanticipated challenges. The Department is proactive and *must* look ahead.

3.1 GOAL

Identify and properly value all taxable property in Orange County

OUR CLIENTS

Every property owner, business owner, city, school district and special assessment district in Orange County are our clients. Owners of approximately 872,000 real estate parcels and 171,000 business operations depend on the Assessor to value their property with uniformity and impartiality, in accordance with the laws of the State of California.

PROPERTY OWNERS

Property owners are as diverse as the County itself. There is no "typical" property owner or business owner in Orange County. Buyers, sellers, property owners, businesses, non-profit organizations, developers, Veterans and other client groups often have unique needs.

PUBLIC AGENCIES

Public agencies depend on the Assessor to locate and value all taxable property located within their jurisdiction. Property taxes are a major source of revenue for state and local government agencies. Schools, police and fire protection, and other essential services are funded largely by property taxes.

OTHER COUNTY DEPARTMENTS

The Assessor, Auditor-Controller, Clerk of the Board of Supervisors, Clerk-Recorder, County Counsel and Treasurer-Tax Collector participate in property tax administration operations for the County. Assessment information is gathered, processed and transmitted as appropriate from one department to another.

Interfacing of assessment information systems is an ongoing effort. We will continue working with other departments to enhance assessment systems and processes in 2007-08.

3.2 CHALLENGES

The Department's workload mix is impacted by external sources including economic forces, real estate market trends, propositions passed by the people and laws enacted by the state legislature. Market conditions and property tax laws can change significantly from year to year. The Department develops and implements strategies to adapt to these changes and to produce annual assessment rolls.

IMPACT OF ECONOMIC FORCES AND REAL ESTATE MARKET TRENDS

New development and resale activity typically increases when property values increase. Positive market conditions generally increase the number of:

- New parcels that are created
- Properties that change ownership
- Residential, commercial and industrial properties that are developed



Declining market conditions tend to stifle new development and sales activity, but trigger increases in the number of:

- Applications for assessment appeal and Proposition 8 temporary value reductions
- Property rehabilitations and room additions

1990's Real Estate Market Decline

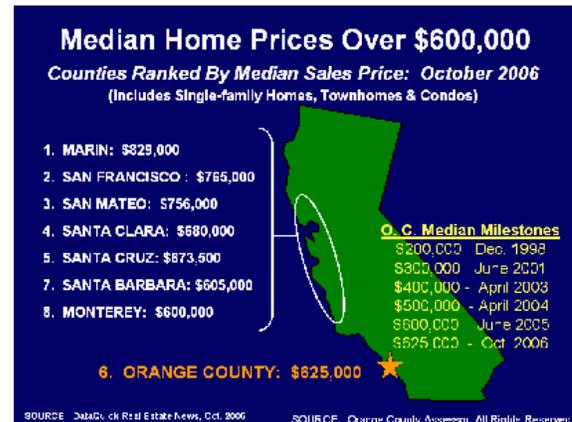
Property values reached a peak in the late 1980's. In the early 1990's prices began to level off or decline slightly in some areas. The Assessor reviewed assessed and market values and made Prop. 8 adjustments for properties that experienced a decline in taxable value.

The market slump caused the number of assessment appeals to jump over 400% from approximately 7,800 appeals in 1990 to over 40,000 appeals in 1994 and 1995. When the market is up we have more work, and when the market is down we have a lot more work.

Recent Economic and Market Conditions

Orange County has enjoyed an extended period of sustained market growth since 1996. Prices have soared to all-time highs in many regions and sectors of the market. In June 2001, Orange County became one of the first Southern California county to reach a median home price of over \$300,000. In just over four years, the median has more than doubled to \$625,000 in October 2006.

Orange is the only Southern California county with a median over \$625,000, and has the sixth-highest median in the state.



The County property mix is changing with the introduction of high-rise residential development. There are currently about 30 high-rise residential projects in various stages of planning or development within the County. Projects are clustered around the Anaheim "Platinum Triangle", Santa Ana/Costa Mesa South Coast Metro, and

Irvine/Airport/University areas. More vertical and in-fill development is anticipated as the County continues to develop and mature.

However, with the recent market slowdown, some of these high-rise residential development have been scaled down.

DIFFERENT SEGMENTS OF THE MARKET

Orange County is diverse in its land-use, geographic and socio-economic mixes. There is no "typical" piece of property, property owner or geographic location.



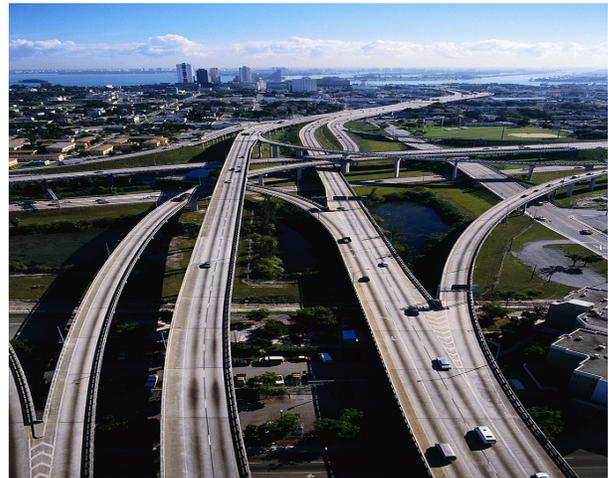
The Assessor is responsible for determining the value of each unique piece of taxable property in the County. From new estates overlooking the ocean to apartment buildings in the inner-cities, from regional shopping and entertainment centers to agricultural land, from boats and aircraft to manufacturing equipment and assembly lines, the Assessor must locate, identify and value it all.

Different types of property may not react the same way to prevailing market conditions. While all property may experience the same downward or upward

trend, the impact on market value may vary by property type and location.



Development *is not* homogeneous throughout the County. Local planning authorities determine the mix of residential, commercial or industrial development within that jurisdiction. Variances in average parcel value are primarily attributable to location and property type.



PROPOSITIONS PASSED BY CALIFORNIA VOTERS

Proposition 13 was adopted by California voters in 1978. It established base year values for all real property located in the state, and provided for annual increases of no more than two percent (2%) to adjust for inflation. Increases in assessed value are not limited to two percent (2%) if property

has transferred, undergone new construction or has received a temporary reduction in assessed value in prior year(s).

In addition to property tax laws passed by the voters, the Assessor is responsible for interpreting and implementing other property tax laws. The table below summarizes propositions adopted by California voters that impact property tax assessments:

Description of Proposition	Proposition #	Year
Contaminated property that is uninhabitable or unusable <i>[Transfer of base year value]</i>	1	1998
Economic adjustment based on decline in market value <i>[Temporary reduction in taxable value]</i>	8	1978
Property substantially damaged or destroyed by a declared disaster <i>[Transfer of base year value]</i>	50	1986
Parent-Child transfer <i>[Transfer of base year value]</i>	58	1986
Intra-County transfer for owners age 55 or older <i>[Transfer of base year value]</i>	60	1986
Property taken by government action (eminent domain) <i>[Transfer of base year value]</i>	3	1982
Inter-county transfer for owners age 55 or older <i>[Transfer of base year value]</i>	90	1988
Transfer for severely and permanently disabled owners <i>[Transfer of base year value]</i>	110	1990
Calamities with property damage of \$5,000 or more <i>[Temporary reduction in taxable value]</i>	12	1964
Grandparent-Grandchild transfer if both parents are deceased <i>[Transfer of base year value]</i>	193	1996

FACING CHALLENGES IN 2007

The Department will continue to meet challenges by continuing to be prepared, diligent, alert, flexible and responsive. Strategies will be developed to address changing conditions.

Market conditions and variables that will shape the short-term outlook for Orange County property values include:

- Consumer confidence and changes in retail and tourism spending
- Employment and income levels
- Mortgage interest rates
- New development and housing affordability
- Changes in and challenges to property tax law

Vigilant observation and analysis of economic indicators are essential to recognizing the early warning signals of imminent market shifts. The timing, degree and extent of market-influencing conditions can trigger different reactions in the market.

These variables and unknowns limit our ability to anticipate market trends in 2007. Broad-based contingency planning is an ongoing process, and is an important function in our business and organization.

Overly specific operational plans to address all the variables we may face in 2007 cannot be formulated without considerable speculation. So planning is done within a historical framework based on factors already known.

Assessor Department project operations are structured to respond decisively and appropriately to changes and challenges as they occur.

FUNDING

The Assessor Department is a General Fund department. The Assessor could not fulfill the constitutionally mandated requirements of the office if Department funding is reduced. The Department staff level has not changed in the last 12 years and the workload continues to grow.

3.3 RESOURCES

This section will provide an overview of Department funding sources and staffing issues.

SOURCES OF FUNDS

The Assessor Department determines the taxable value of property in Orange County that serves as the basis for property tax assessments. The 1% basic property tax levy will provide almost \$4 billion for schools, police and fire services, libraries, parks, infrastructure and various other essential County and local government services in FY 2006-07.

As provided by law, the County withholds a portion of property tax revenue apportionments from other jurisdictions as reimbursement for property tax administrative costs¹. The County anticipates \$ 7.4 million in reimbursements for supplemental roll costs in FY 2006-07. Overall the Assessor Department is funded by the General Fund.

¹ Revenue & Taxation Code, Sections 75.60 & 95.3

USES OF FUNDS

In FY 2006-07, approximately \$ 26.5 million or 80% of the Assessor's budget funds the staffing level required to produce assessment rolls. Personnel salaries and benefits are negotiated and contracted on a countywide basis.

Another \$ 3.1 million, or 10% funds the mainframe computer and data center costs needed to support the Assessment Tax System (ATS), and other assessment production systems. The remaining 10% funds other operating costs, including printing, postage, telephones, equipment and supplies.

programming staff to support our ATS Re-Engineering work. The Assessor Department is currently working with the CEO/CIO Office to address these challenges.

STAFFING ISSUES

In 2005 and 2006, the Assessor Department experienced an unusually large number of retirements (14% of all staff) due to County's implementation of an enhanced retirement plan. Therefore, the Assessor Department is challenged with recruiting and training new professional staff, as well as preparing our existing staff for promotion and taking greater responsibility.

In 2006, the Assessor Department has made a request to the CEO Office and the Human Resource Department to adjust the salary range for the job classes of Auditor-Appraiser and Appraiser. This adjustment is needed due to the recent market salary increases approved for the professional staff in the Auditor-Controller. This adjustment is critical in maintaining comparable pay for comparable work and enhancing our ability to recruit and retain highly qualified and experienced staff.

In addition, the Assessor Department has experienced difficulties in recruiting qualified computer systems analyst and

3.4 STRATEGIES TO ACCOMPLISH GOAL

The Department will meet challenges in 2007 by continuing to be prepared, diligent, alert, flexible and responsive. The Assessor will utilize the website to keep the public informed of upcoming roll events and property valuation issues. Strategies will be developed to address changing circumstances and conditions.

OUTCOME MEASURE

The Assessor will complete the Secured and Unsecured Property Assessment Rolls in July of 2007, and Supplemental Rolls periodically throughout the year.

OUTCOME MEASURE REPORTING

The completion and certification of the local assessment rolls are openly reported in three ways:

- The Assessor notifies each property owner by mail of the value of his or her real and personal property
- The Assessor transmits local rolls of value to the Auditor-Controller

- The Assessor provides various notices and reports to the State of California and local jurisdictions.

CONCLUSION

The Assessor will continue to meet Constitutional mandates to uniformly apply property tax laws and rules in the assessment and valuation of property, and to provide services to the citizens of Orange County.

Property taxes are a stable and major source of funding for schools, police and fire services, libraries, parks, infrastructure and other essential operations.

The Assessor is working to replace and train a large number of professional staff. This challenge is ongoing as the department adapts to changes underway in the 2007-2008 marketplace.

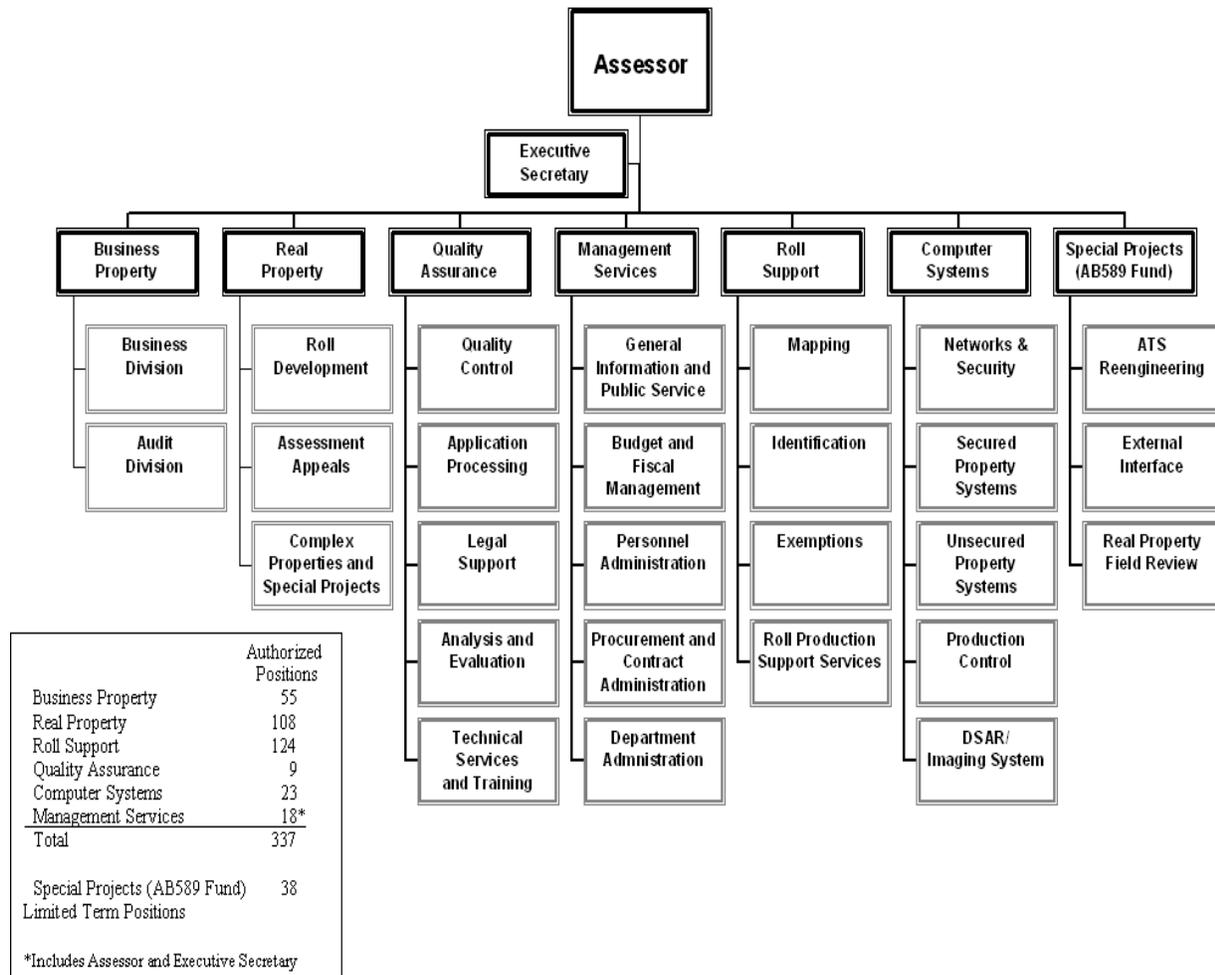
The Assessor will continue to work diligently to ensure that assessment rolls are prepared in accordance with the laws of the State of California, and that all legally assessable property is valued with uniformity and impartiality.

IV. APPENDICES

ORGANIZATIONAL CHART

ORANGE COUNTY ASSESSOR DEPARTMENT Organization Chart

July 2006



MANAGEMENT TEAM

The Assessor Department Management Team includes Webster J. Guillory, Orange County Assessor, and twelve administrative management and support positions.

LABOR MANAGEMENT COMMITTEE (LMC)

The Assessor Department Labor Management Committee meets periodically to identify and resolve workplace issues as needed.

BUSINESS PLAN TEAM

Members of the Assessor Department Management Team prepare the Annual Business Plan.

ORANGE COUNTY ECONOMY



DEVELOPMENT



SALES



CONSTRUCTION



BUSINESS

2006-07 LOCAL ASSESSMENT ROLL

- ◆ 872,439 PARCELS OF REAL ESTATE
- ◆ 171,542 UNSECURED ASSESSMENTS
- ◆ \$377.27 BILLION TOTAL ASSESSED VALUE
- ◆ 75,280 REASSESSABLE TRANSFERS
- ◆ 43,320 NEW CONSTRUCTION EVENTS
- ◆ 234,150 RECORDED DOCUMENTS REVIEWED
- ◆ 13,320 NEW PARCELS CREATED & MAPPED
- ◆ 495,700 EXEMPTIONS ENROLLED
- ◆ 15,660 PARCELS ARE WHOLLY-EXEMPT
- ◆ 28,770 BUSINESS PROPERTY STATEMENTS FILED ELECTRONICALLY (e-File & SDR)

SOURCE: ORANGE COUNTY ASSESSOR

ASSESSOR DEPARTMENT 2007 WORKFORCE PLAN



Webster J. Guillory
Orange County Assessor



March 2007

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Assessor Department Workforce Plan 2007 Overview

People are our most valuable asset. Our mission to serve the citizens of Orange County cannot be accomplished without an intelligent, motivated, and properly trained workforce.

All aspects of our work are complex, diverse and technical in nature. Every property assessment decision staff members make is subject to California property tax laws and property assessment practices. Our workforce is required to complete ongoing specialized training to understand and apply these legal mandates and valuation concepts.

The Assessor Department is a flat project management organization, with seven project teams working together to value property and produce assessment rolls. This type of organizational structure encourages employee participation, and provides for a responsive, dynamic workplace that can overcome challenges, adjust to marketplace changes, and meet customer needs.

In accordance with state law, only individuals certified by the State Board of Equalization and deputized by the Assessor can value property for property tax purposes. Approximately 48% of our staff is state-certified appraisers and auditor-appraisers that locate, identify and value taxable property. The appraisal and audit staff must meet certain minimum qualifications, pass a comprehensive examination and complete 12 to 24 hours of additional training each year in order to maintain certification (Revenue and Taxation Code 671).

The non-appraisal staff includes professionals and paraprofessionals who have been trained in various areas of specialization, and have attained a high level of technical expertise. The paraprofessional staff is trained to answer taxpayer questions and to respond to non-valuation issues. Some of this staff is deputized also by the Assessor. This allows the appraisal staff to focus on producing accurate assessment rolls and answering valuation questions.

The Assessor Department has been able to keep pace with the explosive growth in the county through the strategic use of technology and a consistent emphasis on training and staff development. Staff productivity, as measured by the number of assessed parcels per authorized position, has increased 70% from 1,550 parcels in 1975 to 2,550 parcels per authorized position in 2005. During the same period of time, the number of real estate parcels grew by 85%. Of significant note is that over the last 30 years, the department staffing level has only increased 16% from 291 to 337.

The Assessor Department position count is currently at its FY 1993-94 level, with 337 regular positions. The Assessor Department expects to maintain the current staff level through 2008, noting that we have some serious impacts as a result of senior management and support staff retirements.

The State-County Property Tax Administration Grant fund received in 2004 was required to be used for enhancing the property tax administration system and cannot be used to supplant Assessor's base funding from the county or the number of authorized positions at the FY 1993-94 level. Since 2004, 38 limited term positions were authorized by the Board of Supervisors to partially meet the demands due to increases in workload, backlog of mandatory audits and Real Property Field Canvass, and re-engineering the Assessment and Tax System (ATS). However, in the final State Budget for FY 2005-06 and FY 2006-07, the AB 589 Grant was eliminated. The Assessor Department will use the remaining Grant Funds to continue the activities in compliance with the AB 589 Grant Agreements executed by the County and the State. These limited term positions will be terminated when the grant funds are exhausted, most likely in FY 2007-08.

The department's workload mix is impacted by external forces including economic forces, real estate market trends, propositions passed by the people and laws enacted by the state legislature. Market conditions and property tax laws can change significantly from year to year.

Workload increases may be accommodated by adopting technology and systems, and through the continued advantage of a highly trained and empowered work force. The department continuously works with its employees to further efficiencies and address potential workload increases through training opportunities and the implementation of system technical tools.

In addition, highly experienced retirees may return as extra-help employees. A combination of temporary-help office workers, non-retiree extra-help and overtime hours are also used to manage cyclical workload increases without having to maintain a larger permanent payroll.

To ensure that we have enough qualified people to maintain an adequate staffing level, we must consider several areas. First, as our organization matures and our most experienced people look forward to retirement, we must focus on succession planning to identify and address immediate and future key vacancies. The department lost 19 or 5% in FY 2005, and 35 or 9% in FY 2006, of its trained and seasoned staff due to the implementation of the new retirement age system first implemented in FY 2005. Foresight and planning for such eventuality prevented the department from being too adversely effected due to this loss, but the department is challenged by the loss of many years of technical experience. The department encourages training and provides staff development opportunities that will prepare staff for leadership positions. Training that meets the needs of our project organization is critical to the department process and production capabilities.

Second, we need to position the Assessor Department as a preferred place of employment in order to attract top-notch talent. Competitive salary and benefit packages are essential to recruit and retain the talent we need.

1. Recruiting:

Our priority is to attract quality staff at entry levels, and promote exemplary employees throughout the organization. We must be able to draw skilled candidates through the open-recruitment process to maintain a staff of competent, efficient professionals. Promotional opportunities may be opened in-house or to the public to obtain the desired number of qualified candidates and meet department needs. The department embraces the county's Selection Rules and Merit System Principles to allow consideration of candidates from County Preferred List and other broad base of qualified applicants for positions.

The department uses the County's new recruiting system, Neo-Gov, and competency-based recruiting strategies; and partners with other agencies/departments when recruiting for similar positions.

2. Employee Relations:

The Assessor Department maintains a strong labor management partnership, and recognizes open communication as a vehicle to discuss issues and strategies. The Department's management extends an open door discussion policy to all employees. This is the backbone of our employee relations program.

3. Classification:

To attract quality staff, the Department must offer comparable salary for comparable positions that exist in other county departments, other county Assessor offices, and the general employment market. Much of our staff has a comparable in the general market place. The department continues to evaluate comparable positions and salaries in the market, other departments/agencies and other county assessor departments.

In last year's Workforce Plan, the Assessor Department addressed the existing classification and compensation disparities in the Cadastral Technician series. In December of 2006 the Cadastral Technician series salary was adjusted to be compatible with similar classifications within the job market.

The auditor-appraiser staff of the Assessor Department have like duty comparison to the auditing staff of the Auditor-Controller Department. A salary adjustment for the Auditor-Controller positions has been approved by the Board in November 2006. The Assessor Department is concerned that a salary relationship issue will occur after the Auditor-Controller's salaries are adjusted without consideration of like duty positions in the Assessor Department. To support approval of the salary schedule range adjust for auditor-appraiser, we have submitted a salary range adjustment request. The Assessor

Department will continue to work with the County Executive Office and the Human Resources Department to address this situation.

Additionally, the department continues to evaluate individual cases where an employee is working out of his/her classification and takes corrective action on a case-by-case basis.

4. Employee Development:

The work done in the Assessor department is complex, detailed and highly technical in nature, and is governed by legal mandates that change periodically. Staff is required to participate in training opportunities to meet legal mandates, gain skills needed to achieve job proficiency and acquire new skills to enhance productivity. Ongoing employee development is required to prepare our workforce to meet the challenges of economic forces, market trends and changes in the law. This is accomplished by encouraging employees to take various training classes offered by the County, the State Board of Equalization, professional organizations as well as business seminars offered by Public Service Institutes. For the department to maintain its efficiency edge, training is an essential consideration in our work planning.

The Department makes regular use of outside training to enhance and refresh the capabilities of its operational managers. In 2006, basic leadership principals were covered. For the upcoming year multiple classes in the areas of performance management and project management are planed.

The State Board of Equalization annually provides various property assessment and appraisal related training classes for County Assessor Staff. These classes also serve as the basis for staff to obtain basic and advanced certification and satisfy the requirement for continuing education for all certified appraisers and auditor-appraisers.

Department staff regularly participates in formal classroom and seminar training opportunities. Cross training is accomplished by periodic job rotations that meets the changing needs of the department, expands an employee's knowledge base and provides them with experience in new areas.

The tuition reimbursement program offered to all employees, as a benefit, has been utilized effectively to encourage staff taking additional education opportunities outside of the normal work hours to enhance their job skills and potential for future career advancement.

5. Recognition:

The Assessor Department will continue its strong service award recognition program. This program includes an annual recognition ceremony where the County Assessor personally recognizes employees on their milestone years of County service.

The department also participates in the PIP program to encourage staff to set personal performance goals and to recognize their achievement.

6. Performance Management:

The department's workload and business plan is the foundation for work planning. The business plan is supported by detailed action and use of resource plans for each project in the department. This drives project, division, section and individual performance planning and goal setting as appropriate. Employees are encouraged to utilize county's performance management programs like PSI training and OCLA to align the department's business objectives with individual goals and support workforce strategies.

The PIP program supports this project planning through department management and operational leaders who provide guidance and oversight in employee planning and goal setting sessions.

Our workforce and project management structure continues to be the cornerstone for our planning and implementation of each success and achievement for the department.

Webster J. Guillory
Assessor