

**Regional Reassessment Options  
For  
The Virginia Middle Peninsula**

*Final Report of the Feasibility Study*

**Prepared for**

**The Middle Peninsula Planning District Commission**

**By**

**Knight Dorin & Rountrey, Inc.**

**March 9, 2001**

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March 9, 2001

Mr. Dan Kavanagh  
Executive Director  
Middle Peninsula Planning District Commission  
P.O. Box 286  
Saluda, Virginia 23149

Re: Regional Reassessment Options  
Middle Peninsula  
Feasibility Study

Dear Mr. Kavanagh:

In accordance with the terms of the Contract for Services executed by you as Secretary/Director of the Middle Peninsula Planning District Commission on May 26, 2000, we attach herewith our completed report of a feasibility study for a regional service agency for real estate reappraisal services of locally taxable and tax exempt real estate of the counties of Essex, Gloucester, King William, Mathews, and Middlesex.

In reviewing the report, please read carefully Section 1.4 – Assumptions and Limiting Conditions and Section 1.5 – Definitions and Terms. Both sections contain critical assumptions and definitions upon which our study was based.

In this report are presented five plans that we have concluded are available to the participating counties as reasonable options for the real estate reassessment process. They are summarized as follows:

- Option 1 – Status quo; maintain the current reassessment policy
- Option 2 – Status quo with the exception of a consolidated reassessment contract with one mass appraisal company for all five counties
- Option 3 – Same as Option 2 with the inclusion of hiring a Regional Reassessment Director/Coordinator and providing clerical support to that position

- Option 4 – Hire a Regional Reassessment Director/Coordinator, four appraisers, and two clerical assistants who would perform four-year reassessments of each county with the exception of Gloucester County, which would be on a two-year reassessment cycle
- Option 5 – Fully staffed regional reassessment office including a Real Estate Assessor, an Information/Technology Supervisor, ten appraisers, and six clerical assistants

Variations of these plans could be implemented depending upon available funding. Each is discussed in detail in the report.

While the implementation of some of these optional plans would likely improve assessment quality and accuracy that may result in increased tax collections, the most significant impact upon revenue enhancement would result from more frequent reassessments. The shortening of reassessment cycles in each county can be effected whether or not a regionalized approach is taken. However, the potential for such revenue enhancement would be greater from a unified effort under the direction of an employed staff, such as those described in Options 3, 4 or 5.

Thank you for the opportunity to be of service to the Middle Peninsula Planning District Commission. We trust that the information that has been provided will assist you in making a decision regarding regional reassessment options.

Respectfully submitted,

Edward G. Knight, MAI, SRA

J. Parks Rountrey, MAI, SRA

Allen G. Dorin, Jr., MAI, SRA

## Table of Contents

	<u>Page</u>
1.0 INTRODUCTION	1
1.1 Scope	1
1.2 Background	1
1.3 Purpose of the Study	2
1.4 Assumptions and Limiting Conditions	2
1.5 Definitions and Terms	4
2.0 EXECUTIVE SUMMARY	5
2.1 Summary of Optional Plans	5
2.2 Reassessment Schedule	5
3.0 STATUS OF EXISTING OPERATIONS	6
3.1 County Profiles	6
3.2 Property Records	7
3.3 Assessment Procedures	7
3.4 Facilities	8
3.5 Personnel	8
3.6 Operating Budgets	9
3.7 Technology	12
3.8 Cost of Past Reassessments	12
4.0 VIRGINIA REASSESSMENT OPERATIONS AND PRACTICES	13
4.1 Contracting Reassessments	13
4.2 Assessment Ratio and Coefficient of Dispersion Trends	13
4.3 Reassessment Frequency and Quality Issues	14
5.0 REGIONAL REASSESSMENT CONCEPT	14
5.1 Issues Supporting Consideration of a Regional Approach	14
5.2 Solutions Scoping	15
5.3 Optional Plans	15
5.4 Reassessment Schedule	16
5.5 Technology Issues	17
6.0 REGIONAL REASSESSMENT OFFICE MODELS	18
6.1 Regional Reassessment Director/Coordinator	18
6.2 Rotational Reassessment Staff	21
6.3 Fully Staffed Regional Reassessment Office	23
6.4 Cost Summary of Optional Plans	25
7.0 SUMMARY OF FINDINGS	27
7.1 Potential Revenue Enhancement	27
7.2 Jurisdictional Allocation of Costs	27
7.3 Cost/Benefit Analysis	28
7.4 Advantages and Disadvantages of Optional Plans	30

## Sources of information

Sample survey questionnaire

Contract for services

Letter from Attorney General regarding legality joint department of real estate assessment

## LIST OF EXHIBITS (included in both the text and addenda)

- 3.4-1 Office Space Usage and Mass Appraisal Accommodations
- 3.5-1 Current Employee Positions
- 3.5-2 Parcels Per Employee
- 3.5-3 Annual Transfers, Building Permits, and Tax Appeals
- 3.6-1 Line Item Budget Expense Summary – Essex County (addenda)
- 3.6-2 Line Item Budget Expense Summary – Gloucester County (addenda)
- 3.6-3 Line Item Budget Expense Summary – King William County (addenda)
- 3.6-4 Line Item Budget Expense Summary – Mathews County (addenda)
- 3.6-5 Line Item Budget Expense Summary – Middlesex County (addenda)
- 3.6-6 Line Item Budget Expense Summary – Combined Counties (addenda)
- 3.6-7 Operating Budget Summary
- 3.6-8 Reassessment History
- 3.6-9 Comparison Analysis (subject counties and selected Virginia counties)
- 3.6-10a Line Item Expense Summary – Totals by Locality (addenda)
- 3.6-10b Line Item Expense Summary – Per Parcel by Locality (addenda)
- 3.7-1 Computer Technology in Place
- 4.2-1 MPPDC Assessment Ratio Analysis
- 6.1-1 Personnel and Benefits Summary (addenda)
- 6.1-2 Personnel Profiles, Salaries, and Benefits Summary (addenda)
- 6.1-3 Projected Annual Base Salaries and Related Costs
- 6.1-4 Preliminary Set-Up Costs
- 6.1-5 Summary of Technological Support Expenses
- 6.1-6 Projected Annual Budget – Fully Staffed Assessment Office
- 6.1-7 Cost Summary – Option 3
- 6.2-1 Cost Summary – Option 4
- 6.2-2 Technological Support Expenses – Option 4
- 6.3-1 Summary Comparison Chart (county comparisons – addenda)
- 6.4-1 Cost Summary of Optional Plans
- 7.1-1 Essex Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-1a Essex Real Estate Reassessment Cycle - \$100,000 Property Example
- 7.1-2 Gloucester Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-3 King William Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-4 Mathews Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-5 Middlesex Real Estate Reassessment Cycle – Revenue Analysis
- 7.2-1 Mass Appraisal Reassessment Cost Scenarios and Proposed Reassessment Office Models
- 7.3-1 Net Revenue Enhancement Scenarios
- 7.3-2 Net Revenue Enhancement – Modified Cycle Scenario by County

## **1.0 INTRODUCTION**

### **1.1 Scope**

The scope of this assignment, which is outlined in detail under Contract for Services in the Addenda, included the following:

- (1) Preparation of a questionnaire that was completed by each locality participating in the study.
- (2) Interviews with the Commissioners of Revenue and County Administrators in each of the participating localities.
- (3) Interviews with representatives of mass appraisal companies practicing in Virginia.
- (4) Interviews with officials at the Virginia Department of Taxation.
- (5) Interviews with Commissioners of Revenue and Real Estate Assessors or assessment officials of selected localities in the Virginia.
- (6) Comparison analysis with other Virginia assessment and commissioner of revenue offices.
- (7) Review of Virginia Code Title 58 for parameters regarding assessment cycles and implementation.

### **1.2 Background**

The Middle Peninsula Planning District consists of six counties (Essex, Gloucester, King and Queen, King William, Mathews and Middlesex) and three towns (Tappahannock, Urbanna, and West Point) located on the peninsula bordered by the Rappahannock River to the north, the Chesapeake Bay to the east, and the Pamunkey and York Rivers to the south.

In the early 1980s, the Middle Peninsula Planning District Commission (MPPDC) explored the possibility of a regional approach to a real property assessment process; however, the decision was made not to move forward at that time. Another attempt was made in 1993 with the same results.

In September 1999, the MPPDC published a Request for Qualifications soliciting proposals from interested and qualified consultants for the preparation of a study to determine the feasibility of creating a regional service agency for reappraisal services of locally taxable and tax exempt real estate of the counties of the Middle Peninsula Planning District.

On February 29, 2000, representatives from Knight Dorin & Rountrey, Inc. (KDR) met with members of the MPPDC to present their proposal to conduct the study. A Contract for Services (copy in the Addenda) was subsequently drafted by KDR on March 16, 2000 and forwarded to the MPPDC.

An issue that was of concern regarding the proposal under study was whether or not a regional effort could be legally undertaken in accordance with the laws of the Commonwealth of Virginia. In a memorandum dated March 13, 2000 to the

localities and the Department of Taxation from Dan Kavanagh, Executive Director of the MPPDC, a request was made for the localities to seek the counsel of their respective county attorneys regarding this matter. On May 23, 2000, Harvey B. Morgan, Delegate from the Ninety-Eighth District, which includes portions of the Middle Peninsula, forwarded a letter to Attorney General Mark L. Earley requesting an opinion regarding the establishment of a joint department of real estate assessment.

As stated in a letter dated August 31, 2000 (a copy of which was included in a memorandum dated September 11, 2000 from Dan Kavanagh to the localities), it was the opinion of Attorney General Mark L. Earley that the establishment of the proposed regional reassessment department would be allowed under state statute.

On May 26, 2000, Dan Kavanagh, executed the Contract of Services prepared by KDR on behalf of the Counties of Essex, Gloucester, King William, Middlesex, and Mathews. King and Queen County declined to participate in the study.

A completion schedule for the study consisting of four phases was agreed to between the parties to the contract. In Phase I, survey questionnaires were mailed to the Commissioners of Revenue and County Administrators in each of the localities. The questionnaires were forwarded on August 23, 2000 with a request for interviews with the county officials between September 17 and 30, 2000. The last interview was completed by October 5, 2000 thereby ending Phase II of the study.

On December 12, 2000, representatives from KDR met with representatives from the participating localities to review the preliminary findings. This completed Phase III of the study.

As a result of this meeting, the MPPDC requested further investigation regarding alternative scenarios relative to the structure of the proposed reassessment office. This additional work was completed and the final draft of the report was delivered on March 9, 2001.

### **1.3 Purpose of the Study**

The purpose of the study was to evaluate the feasibility of creating a regional service agency for the periodical reassessment of locally taxable and tax exempt real estate of the counties of Essex, Gloucester, King William, Mathews, and Middlesex.

### **1.4 Assumptions and Limiting Conditions**

Information provided by informed sources, including but not limited to, the commissioners of revenue, county administrators, other county real estate assessors, and published reports, is assumed to be true, correct, and reliable. This data has been cited and relied upon in this study; however, no responsibility for the accuracy of such information is assumed. Of particular note is the number of parcels that has been provided by the Commissioners of Revenue in their responses to the survey questionnaire. The total number of real estate parcels as cited in the questionnaire,

which includes the tax exempt and public service properties, for each of the participating counties has been used for analytical purposes in this study.

It is assumed that a regional reassessment agency, including those described in the various options discussed in this study, would be allowed under the existing laws of the Commonwealth of Virginia.

The scenarios presented in this study are based on analysis as of the date of the report. Because of the inherent uncertainty associated with constantly changing economic and market conditions, any conclusions or implied recommendations may not be valid under different circumstances.

One of the models for a regional reassessment agency presented in this report assumes a fully staffed regional reassessment office involving new furniture, fixtures, equipment, and motor vehicles in leased office space. It is emphasized that such a scenario reflects a state-of-the-art facility with the most current technology available, use of all-new capital assets, and fully trained employees paid at competitively priced wage rates. Such a scenario would optimize the quality, consistency, and timeliness of the reassessment process. Any scenario presented that could or would be less in comparison relative to cost, quality, or experience, may, and likely would, result in diminution of one or more of these three factors.

The estimated revenue enhancement projections are based solely on shortened reassessment cycles, an option that is available in any one of the five optional plans presented in this report. Any net revenue enhancement indicated by the various scenarios is based on projected extrapolations of current assessments and assessment cycles and is in no way guaranteed. It is also noted that net revenue enhancement is calculated on a simple allocation of costs based upon the number of parcels in each of the respective counties and that a re-allocation of the costs would alter the net fiscal impact to the counties.

Regarding any scenario where a joint decision among the participating counties would be required, it is assumed that a representative entity, such as a commission or appointed individual by consensus, will have the authority to act on behalf of the participating counties. Such actions would include, but not be limited to, contracting with mass appraisal companies and the hiring of employees or giving authority to a director to do such. This representative entity would operate at nominal cost, if any, to the counties and could consist of the Commissioners of Revenue, County Administrators, and/or appointed member(s) of the respective Boards of Supervisors.

The technology solutions presented are general in nature with pricing based on typical costs of good quality brand name equipment and software. This study does not recommend what brand of hardware or software should be used in the various options presented.

## 1.5 Definitions and Terms

**Feasibility** – Defined as an indication that a project has a reasonable likelihood of satisfying explicit objectives. In this particular study, the client has asked the consultant to evaluate the feasibility of a “regional reassessment service agency”; however, no parameters were given relative to the amount of resources available or definitive limitations in order to establish a threshold of acceptability. There is a perceived need to optimize quality, consistency, and timeliness of delivery; however, this need is highly subjective and, consequently, difficult to quantify.

Furthermore, the client consists of a group of counties that are similar in many respects, but diverse enough to have some conflicting opinions, or at a minimum, varying degrees of priority relative to the goals of this study. For this reason, the options that are presented in this report represent various stages of progression from status quo to a fully staffed real estate assessment office. Each stage involves an increasing level of cost and commitment on the part of the participating counties. Because of the diversity among the counties and the difficulty in measuring cost vs. benefit for each, no recommendation as to which option is most feasible has been presented. That decision must be made by the client group and/or the individual counties.

**Assessment vs. Reassessment** – The purpose of this study involves determining the feasibility of a regional reassessment service agency. Reassessment refers to the periodical re-appraisal of properties to estimate assessed value for real estate tax purposes. Historically, in the counties participating in this study, mass appraisal companies have performed this process. A Real Estate Assessor or employees of one typically conduct the assessment of property. Throughout this report these terms may be used interchangeably.

**Real Estate Assessor vs. Reassessment Director/Coordinator** – A Real Estate Assessor is a conventional term for one who is the head administrator of a real estate assessment office. The Reassessment Director/Coordinator is a term used in this report for the person designated to direct and coordinate real estate assessment related activities and duties. Again, these terms may be used interchangeably throughout the report.

**Annual Reassessment** – There are several references to an annual reassessment throughout this report. One of the optional plans that is presented is based upon an appraisal staff of adequate size to complete annual reassessments of all the parcels in the five counties. The proposed staff is based upon ratios of other localities in the state that report their cycles as “annual reassessments”. Although reported as such, in practice, not all properties are individually inspected and appraised each year. Reviews will be made of all neighborhoods as well as of sales/assessment ratios of any recently sold properties in those neighborhoods. If no significant changes in values or trends are indicated for a particular class or group of properties, then the existing assessments will be marked “no change”. This meets the technical standard of a reassessment for that year. However, for those areas where significant changes have occurred, further analysis will be made to determine whether or not a change in

the assessment is warranted. This methodology allows the assessor to focus on those properties in dynamic markets (such as waterfront properties) on a more regular basis in order to use valuation staff efficiently and maintain better overall equalization and sales/assessment ratios. Interviews with counties working on an annual reassessment basis generally found that about 25% of parcels actually get changed in any given year. Thus, annual reassessments only require slightly more resources to maintain than a four-year cycle.

**CAMA** – This is an acronym that stands for Computer Assisted Mass Appraisal. It is a generic term for the software system that facilitates the property record database and functions associated with mass appraising, typically in conjunction with real estate assessment practices.

## **2.0 EXECUTIVE SUMMARY**

### **2.1 Summary of Optional Plans**

Based on the results of our findings, the following is a summary of the five optional plans for a real estate reassessment process for the Middle Peninsula counties participating in the study. Each of the options is discussed in more detail in subsequent sections of this report.

**Option 1** – Status quo; maintain the current reassessment policy.

**Option 2** – Status quo with the exception of a consolidated reassessment contract with one mass appraisal company for all five counties.

**Option 3** – Same as Option 2 with the inclusion of hiring a Regional Reassessment Director/Coordinator and providing clerical support to that position.

**Option 4** – Hire a Regional Reassessment Director/Coordinator, four appraisers, and two clerical assistants who would perform four-year reassessments of each county with the exception of Gloucester County, which would be on a two-year reassessment cycle.

**Option 5** – Fully staffed regional reassessment office including a Real Estate Assessor, an Information/Technology Supervisor, ten appraisers, and six clerical assistants.

### **2.2 Reassessment Schedule**

The following is a summary of the existing and preferred reassessment cycles of each of the participating counties in this study based on answers provided in the survey questionnaires. These cycles have been incorporated in the cost/benefit analysis that is discussed in a subsequent section of this report.

COUNTY	LAST EFFECTIVE REASSESSMENT	CURRENT CYCLE	PREFERRED CYCLE	NEXT PROPOSED REASSESSMENTS
Essex	1997	6 year	4 year	2003, -07, -11
Gloucester	1998	4 year	2 year	2002, -04, -06, -08
King William	2001	4 year	4 year	2003, -07, -11
Mathews	1999	6 year	4 year	2005, -09, -13
Middlesex	2000	5 year	4 year	2005, -09, -13

### 3.0 STATUS OF EXISTING OPERATIONS

#### 3.1 County Profiles

The Middle Peninsula is comprised of six counties located between the York River and the Rappahannock River in the eastern part of Virginia. The counties include Essex, Gloucester, King and Queen, King William, Mathews, and Middlesex. All of the counties with the exception of King and Queen are included in this study and analysis.

**Essex County** is in the northern part of the Middle Peninsula with extensive frontage along the Rappahannock River. The county covers 263 square miles with a current population of slightly over 9,000 permanent residents. There are approximately 9,200 taxable real estate parcels and the county operates on a six-year reassessment cycle with the most recent general reassessment effective January 1997. The tax rate is \$0.55 per \$100. The county population is slowly growing averaging approximately .5% annually over the past decade.

**Gloucester County** comprises an area of 257 square miles, is located in the eastern portion of the Middle Peninsula, and includes extensive water frontage on the York River and various Chesapeake Bay tributaries. Gloucester has a population of over 35,000 permanent residents with approximately 22,000 real estate tax parcels. The county operates on four-year reassessment cycles with the most recent reassessment effective January 1998. The tax rate is \$0.92 per \$100. Gloucester's population is growing rapidly approaching 2% annually over the past decade.

**King William County** is a long narrow county covering 278 square miles between the Mattaponi and Pamunkey Rivers, generally representing the western part of the Middle Peninsula. It is not contiguous with the other four counties in this study. King William has a population of slightly over 6,500 full time residents and the population is growing rapidly at a rate of approximately 2% annually. The county has approximately 8,300 real estate tax parcels and operates on four-year reassessment cycles with the most recent reassessment effective January 2001. The tax rate is \$0.88 per \$100.

**Mathews County** is the smallest county in the Middle Peninsula covering an area of 87 square miles. Mathews has extensive saltwater frontage on small tributaries flowing into the Chesapeake Bay. The county has a population of nearly 9,500

permanent residents and this population is growing at an annual rate of approximately 1.2% per year. The county has approximately 11,400 real estate tax parcels and is reassessed on six-year cycles with the last reassessment effective January 1999. The tax rate is \$0.73 per \$100.

**Middlesex County** is in the eastern portion of the Middle Peninsula with extensive water frontage along the lower Rappahannock River, the Piankatank River, and other small tributaries. The county has a population approaching 10,000 permanent residents and is growing at a rate of approximately 1.4% annually. The county has nearly 13,800 real estate tax parcels that are reassessed on five-year cycles with the most recent one being effective January 2000. The tax rate is \$0.52 per \$100.

### **3.2 Property Records**

The five counties under study all maintain their own real estate property records and tax mapping through the Commissioner of Revenue's office. Each of the counties has property record cards that include general real estate ownership and assessment information including the characteristics of the land and improvements on the land. Property cards in Mathews County are entirely electronic with no separate hard copy. No two counties use the exact same format. Property assessment information is stored and retrievable electronically in all jurisdictions.

Consistency of property record keeping poses somewhat of a hurdle in consideration of a regional approach to reassessment. With rapidly improving information, technology, and CAMA software programs, standardization is certainly technically achievable and worthy of exploration.

### **3.3 Assessment Procedures**

Each of the five counties oversees its reassessment functions through the Commissioner of Revenue's office. Each county contracts with independent mass appraisal firms for each general reassessment with the reassessment process occurring immediately prior to the effective date of the next scheduled general reassessment as per the county's individual reassessment cycles. Several of the counties indicated a willingness or preference to consider shorter reassessment cycles to improve accuracy and quality of reassessments. Each county individually negotiates the mass appraisal reassessment contracts with the Commissioner of Revenue and Board of Supervisors responsible for negotiating and approving the final contracts. In many cases, temporary office space, work stations, and telephones are provided by the jurisdiction for use by the independent contractor. In some cases, the counties also provide clerical support.

The valuation techniques employed by the reassessment contractors are in keeping with Virginia State Law and generally accepted appraisal methodology. According to studies by the State Department of Taxation, the counties of the Middle Peninsula generally have favorable assessment sales ratios and a reasonable coefficient of dispersion (This is detailed in Section 4.2).

### 3.4 Facilities

All of the five counties included in the study have owner-occupied municipal office space for use by the respective staffs of the Commissioners of Revenue (COR). Relative to an allocation of space between the personal property and real property functions, there were no well-defined boundaries denoting separation of uses. This same lack of distinction generally applied to all furnishings, fixtures, and equipment at each of the respective offices.

With the exception of a recently constructed administration building in King William County, the COR offices were located in older annex buildings adjacent to the respective courthouse buildings. Private offices generally did not exceed 100 square feet in area. The rooms containing public counter space and storage files were larger.

At those times when a reassessment was in process, most of the counties accommodated the mass appraisal company employees with the provision of desk space, chairs, telephones, copiers and some clerical assistance.

As shown in Exhibit 3.4-1, office space allocated to the real estate function, as reported by the counties, ranged from 200 to 796 square feet. Office space made available to the mass appraisal companies during reassessment ranged from 91 to 700 square feet. Based on the respective number of parcels in each county, the ratio of the total space related to the real estate assessment function to the number of parcels was from .031 (Middlesex) to .108 (Essex) with a combined ratio of .049.

### 3.5 Personnel

Below is a summary of the employee positions for each of the offices of the Commissioner of Revenue according to the questionnaire responses. As noted, with the exception of Gloucester, the counties maintain a minimum staff level to handle the duties typically associated with the Commissioner of Revenue's office. Such responsibilities include, but are not limited to, reviewing and recording interim transfers of title and cataloging new construction between reassessments, maintaining property cards, producing notices and real estate tax assessments for public distribution, generating and mailing tax bills, and assisting the public regarding property assessments.

#### Exhibit 3.5-1. Current Employee Positions

Position/County	Essex	Gloucester	King William	Mathews	Middlesex
Commissioner of Revenue	1	1	1	1	1
Chief Deputy		1		1	
Deputy *	1	2	2	1	2
Technician/Clerk #	2	4	½	1	
Appraiser		1			
Total	4	9	2½	4	3

\* Includes Personal Property Supervisor and Tech Project Administrator for Gloucester County

# Includes Office Specialist for Gloucester County

Exhibit 3.5-2 shows the ratio of the total number of parcels per staff employee for each county. Although the Gloucester COR has considerably more staff positions than the other counties, it is justified because of the number of parcels the county has as opposed to the others.

**Exhibit 3.5-2. Parcels Per Employee**

	<b>Essex</b>	<b>Gloucester</b>	<b>King William</b>	<b>Mathews</b>	<b>Middlesex</b>
No. of parcels	9,161	21,958	8,282	11,342	13,741
Staff size (employees)	4.0	9.0	2.5	4.0	3.0
Parcels per employee	2,290	2,440	3,313	2,836	4,580

As further evidence of the reasonableness of staff levels, Exhibit 3.5-3 summarizes the number of transfers, building permits, and tax assessment appeals in each of the counties that were recently tabulated. As noted, Gloucester had from two to three times as many registered as the other counties.

**Exhibit 3.5-3. Annual Transfers, Building Permits, and Tax Appeals**

	<b>Essex</b>	<b>Gloucester</b>	<b>King William</b>	<b>Mathews</b>	<b>Middlesex</b>
Avg. annual transfers	600	1,884	644	850	786
Avg. annual building permits	60±	201	128	150	78
Appeals since last reassessment	73±	585	30	52	105
Total	733±	2,670	802	1,052	969

Transfer and building permit data obtained from *1999 Assessment Survey* published by the Virginia Association of Assessing Officers; assessment appeals data based on survey questionnaire responses

**3.6 Operating Budgets**

Each of the counties provided a summary of their respective operating budgets for the last three years. Reference is made to the addenda and specifically to Exhibits 3.6-1 through 3.6-6, which include a columnar summary of the data provided as well as a projected stabilized annual budget by line item for those expenses considered applicable to the real estate related part of the COR’s budgets.

Below is a chart summarizing the projected stabilized annual budgets for each of the counties and a combined one based on the sum of all five counties. These budgets have been “stabilized” by allocating only those portions of the reported budgets of the Commissioners of Revenue that applied to the real estate related functions (typically estimated at 50%) and estimating a subsequent year based primarily on a weighted average of the previous years submitted by the counties.

**Exhibit 3.6-7. Operating Budget Summary**

	Essex	Gloucester	King William	Mathews	Middlesex	Combined
Projected stabilized budget	\$92,200	\$99,200	\$39,300	\$83,525	\$79,200	\$393,425
Total parcels	9,161	21,958	8,282	11,342	13,741	64,484
Total employees	4.0	9.0	2.5	4.0	3.0	22.5
Budget / total parcels	\$10.06	\$4.52	\$4.75	\$7.36	\$5.76	\$6.10
Budget / total employees	\$2,290	\$2,440	\$3,313	\$2,836	\$4,580	\$2,866

As noted, the budgets per parcel range from \$4.52 (Gloucester) to \$10.06 (Essex) and \$2,290 (Essex) to \$4,580 (Middlesex) per employee. The basis for these projected budgets is highly subjective; however, the median figures for the five counties (\$5.76 per parcel and \$2,836 per employee) are relatively close to the combined averages and present an adequately supportable benchmark for comparison purposes.

The combined budget amount of \$6.10 per parcel represents the average estimated part of the budget associated with real estate related functions for all of the counties. It does not include any expense involved with the periodical reassessment of parcels performed by contracted mass appraisal companies in any of the counties. The following is a summary of the most recent reassessments performed in each county:

**Exhibit 3.6-8. Reassessment History**

County	Last Effective Reassessment	Assessment Cycle	Contractor	Cost Per Parcel
Essex	1997	6 years	Pearson's Appraisal Services	\$13.50
Gloucester	1998	4 years	Pearson's Appraisal Services	\$12.00
King William	2001	4 years	Wingate Appraisal Service	\$11.00
Mathews	1999	6 years	Pearson's Appraisal Services	\$10.25
Middlesex	2000	5 years	Blue Ridge Mass Appraisal	\$10.50

For comparison purposes, data were collected from the *1999 Assessment Survey* for the subject counties as well as several selected localities. Exhibit 3.6-9 is a chart analyzing the taxable real estate, total staff positions, and 1999-00 budget on a per parcel and per square mile basis. The following observations are made.

**Taxable real estate** – The taxable real estate in millions per parcel ranges from \$.05 (Mathews) to \$.08 (Gloucester, King William) for the subject counties. This is at the bottom of the unit value of the selected localities, which range from \$.08 (Roanoke) to \$.21 (Loudon) per parcel. This indicates the dominance of lower valued properties, i.e., agricultural, residential, and unimproved land in the subject counties.

**Total positions** – The total positions refers to the total number of staff as reported in the *1999 Assessment Survey*, which would include those in the office of the Commissioner of Revenue, if applicable. Again, the subject counties are at the bottom of the range with from .00014 (Gloucester) to .00033 (Essex) positions per parcel. The selected localities range from .00023 (Virginia Beach) to .00047

(Richmond City). The higher end of the range is dominated by urban localities that have more complex property types.

**1999-00 Budget** – The listed budget figures not only include the budgets of the real estate assessors, but also the Commissioners of Revenue for those counties where that position exists. The subject counties range from \$13.17 per parcel (Middlesex) to \$25.44 per parcel (Gloucester), which reflects the entire budget of the Commissioner of Revenue, including both personal and real property functions.

With the exception of Gloucester County, which is progressively becoming an urban oriented community, the subject counties are again at the low end of the range. The vast majority of the selected counties do not have Commissioners of Revenue and the respective budgets pertain to the Real Estate Assessor's office.

A more detailed allocation of the subject county budgets is compared to five selected localities considered representative and that would compare favorably to the combined budget for the five counties. For comparison purposes, the cost of the most recent reassessments has been annualized and added to the budgets of the Commissioners of Revenue to yield an adjusted total to compare to the selected localities.

Referring to Exhibits 3.6-10a (totals by locality) and 3.6-10b (per parcel by locality), the adjusted budgets for the five comparable localities (Chesapeake, Hanover, Henrico, James City, and Spotsylvania) range from \$14.14 (Spotsylvania) to \$26.36 (Chesapeake) per parcel. The combined total budgets for the five subject counties divided by the combined total number of parcels is \$8.59 per parcel, which includes an average annual allocation of \$2.49 per parcel for the periodical reassessment by a mass appraisal company.

The unit cost for the previous reassessments of the subject counties ranged from \$10.25 to \$13.50 per parcel. Current quoted prices from mass appraisal companies suggest that even the high end of this range is low and that a rate of \$15.00 per parcel per reassessment is more supportable. An estimated overall stabilized combined budget for the five counties, assuming a unified operation under current reassessment policies and an annualized cost of \$3.75 per parcel ( $\$15/\text{parcel} \div 4$  years), would be more reasonable at around \$10.00 per parcel (\$6.10 per parcel for real estate related functions in the COR offices plus \$3.75 annualized cost per parcel for reassessment = \$9.85 per parcel). This estimated unit cost represents the cost of current existing real estate assessment related functions including those performed by the COR as well as the mass appraisal companies. It is a benchmark for comparison of the five options that will be discussed later in this report.

Of the five localities used as comparables only the budgets of Hanover and Spotsylvania Counties include the Commissioner of Revenue. The other counties have independent real estate assessment departments that are not responsible for personal property related functions. The adjusted budgets for these two counties, inclusive of that portion estimated for the Commissioner of Revenue, are \$14.14 for

Spotsylvania and \$21.38 for Hanover. These would compare to the estimated \$10.00 per parcel for the combined budget for the subject counties.

### 3.7 Technology

Exhibit 3.7-1 provides a summary of the relevant computer technology in place. All localities are using IBM compatible PCs as part of the real estate function. Three have a server-based network with the other two utilizing a peer to peer setup. All are linked to a countywide mini-computer (AS – 400s) that handles the real estate tax billing.

**Exhibit 3.7-1. Computer Technology in Place**

	Essex	Gloucester	King William	Mathews	Middlesex
Network	MS - P/P	MS - Server	MS - P/P	MS - Server	MS - Server
Router	-	3Com	Cisco	Cisco	Cisco
Internet	Dialup 56K	T1 - 786k	T1 - 56k	T1 - 400k	FR 256k
PC CPU	Pentium	P3 600	P 166	P2 550	P2
CD Drive	Yes	Yes	Yes	Yes	Yes
Hard Drive	Yes	15 GB	2 GB	30 GB	Yes
Monitor	15"	17"	15"	21"	
OS Software	Win 98	Win NT	Win 98	Win 98	Win 98
Appl. Software	Office 97	Office 97	Office 2000	Office 2000	Office 2000
CAMA	Bright	ProVal	Bright	ProVal	CAMRA

All localities are connected to the internet, but the type of connection and speed vary considerably. Gloucester, Mathews and Middlesex Counties have PCs that are near state-of-the-art, whereas King William and Essex Counties have older less powerful systems. Gloucester is using Windows NT on it's client PCs. The other four are using Windows 98. All localities are using a version of Microsoft Office as their primary application software. The CAMA (computer assisted mass appraisal) software varies for each locality as noted above.

### 3.8 Cost of Past Reassessments

Due to the long cycles between reassessments and variations in the reassessment contracts, historical reassessment costs have varied significantly. Based on historical information, it is difficult to estimate a current stabilized cost for the county reassessment functions. Current contracts and quotes from mass appraisal firms for other Virginia localities have been considered for support of estimated cost projections.

Reassessment contracts are most typically discussed in terms of "cost per parcel". This is simply taking the total contract price and dividing it by the number of tax parcels. In reality, some parcels are much more complicated and costly to reassess than others; however, it is common practice to discuss reassessment cost in terms of

unit cost per taxable parcel. This unit of comparison will be used frequently in this study.

The cost that the subject counties and similar counties have experienced in recent years generally ranges from approximately \$10.00 to \$16.00 per parcel. Key variables in the contract cost are the quality and detail of the service provided, related overhead costs such as telephones, office space, transportation, follow-up hearings, and clerical support. Also the form and status of existing property records has an impact on the reassessment bid. Rising costs of labor and transportation are driving up the cost of mass appraisal services. Based on interviews with several providers of mass appraisal services, an aggregate current average cost per parcel for private contracted reassessment for Middle Peninsula counties is estimated to be approximately \$15.00 per tax parcel. This number is used as a benchmark for analysis in this report.

## **4.0 VIRGINIA REASSESSMENT OPERATIONS AND PRACTICES**

### **4.1 Contracting Reassessments**

Many of the rural counties in Virginia hire independent contractors for each general reassessment cycle. This has been a logical and fairly cost effective way to approach the reassessment needs of the counties. Since the reassessment cycles are fairly long, typically four to six years, the primary need for staffing and service related to the reassessment process occurs within the period generally of 6 to 18 months prior to the effective date of the reassessment and three months following the reassessment. Thus, it would be highly inefficient for each individual county to try to maintain a staff to perform these services once every four to six years.

We have reviewed several of the actual contracts for services provided by jurisdictions in the Middle Peninsula. The mass appraisal companies bid these jobs and do the work in rotation around the various jurisdictions in Virginia and some neighboring states such that they can maintain steady workflow and efficient use of staff and resources. Key variables in the contract negotiation are cost, the contractor's reputation, staff quality and experience, scope of the service provided, related overhead cost such as telephones, office space, transportation, follow-up hearings, and clerical support. Also the form and status of existing property records has an impact on the reassessment bid.

### **4.2 Assessment Ratio and Coefficient of Dispersion Trends**

Exhibit 4.2-1 shows historical assessment sales ratios and coefficients of dispersion as determined by the state tax department. For benchmark comparison, similar figures from Hanover and Henrico Counties are included on the chart. These comparative counties are well regarded and have full time professional assessors and appraisal staff.

Compared to other jurisdictions in the state, the Middle Peninsula numbers look fairly good. It is noted that the sales assessment ratio is maintained generally above 88% at a level competitive with fully staffed full time assessment offices. This could be a testament to the high quality assessment services the counties have received from the independent contractors or it could be a reflection of the fact that property values in the Middle Peninsula may not be as dynamic as property values in the large urban and suburban jurisdictions, which typically have full time assessment staffs.

The coefficient of dispersion (COD) is generally a measure of the accuracy of the appraisals relative to actual sales. It deserves at least a brief example for explanation. Assume two sales events occurred and were compared to their assessments; one assessment was 150% of the actual value and one 50% of value, the average would be a 100% sales/assessment ratio. However, the COD would be quite high revealing the poor accuracy in these appraisals. On the other hand, if two sales occurred one at 105% of assessment and one at 95% of assessment, the same 100% average sales ratio would be achieved; however, the data would generate a much lower COD pointing out that the appraisals are relatively accurate on an individual basis. Thus, the COD is potentially a very important number in judging the quality or accuracy of reassessments. The COD for the subject counties is generally higher than the benchmarks.

### **4.3 Reassessment Frequency and Quality Issues**

In our survey of the county commissioners of revenue and administrators, we found a general willingness and interest to move to shorter reassessment cycles. Ideally, shorter reassessment cycles would allow assessments to be maintained closer to true market value and the amount of change from one period to the next would be less dramatic. These potentially improved assessments could help with revenue generation and public relation issues with the taxpayers.

## **5.0 REGIONAL REASSESSMENT CONCEPT**

### **5.1 Issues Supporting Consideration of a Regional Approach**

This study is a result of the counties in the Middle Peninsula coming together with a common concern and interest in finding a regional solution to the reassessment needs. Key issues identified in support of this effort were a desire for better quality, consistency, timeliness of delivery, and cost effectiveness in the assessment process. Intuitively, a number of points come to the surface suggesting potential feasibility of a regional reassessment concept. These include economies of scale, consistency, better use of technology, shared resources, keeping assessed values current and equalized, and group purchasing power. The negative aspects include allocation of cost, control of processes, political factors, legal factors, and accountability. These issues will be discussed and analyzed in this report.

## **5.2 Solutions Scoping**

We have approached this problem with a very broad prospective considering ways to efficiently and effectively carry out the reassessment needs of these counties. From this broad research, we have narrowed down to a group of scenarios that can be evaluated and considered individually for analysis. There are, of course, many hybrids and options in between the five fundamental options that we present in this analysis.

## **5.3 Optional Plans**

### **Option 1 – Maintain Current Reassessment Policy**

This option would involve no change in how the individual counties currently conduct their reassessment cycles. For comparison purposes, it is assumed that future reassessment contracts with mass appraisal companies would be at prevailing market rates. Responsibilities and duties currently fulfilled by the respective Commissioners of Revenue would continue as before. This option involves no budgetary impact.

### **Option 2 – Consolidated Reassessment Contracting**

This option would involve a universal contract with one mass appraisal company to conduct reassessments of each of the five counties on a rotational basis. The contract would be negotiated by a representative entity of the participating localities, such as a committee or an appointed individual, who would oversee the process on an on-going basis. This is being successfully utilized in the Mount Rogers Planning District. Such an arrangement would likely result in a lower unit cost for the reassessment.

### **Option 3 – Hire a Regional Reassessment Director/Coordinator and Provide Clerical Support to that Position**

This option would involve hiring an individual to oversee the reassessment process. Clerical support staff, which at this level would likely consist of only one person, is assumed to be provided by one of the participating counties or possibly the MPPDC at cost. The Reassessment Director/Coordinator would be responsible for establishing and maintaining a regional sales database, tracking building permits and assessing new improvements accordingly, analyzing data for property specific value trends, monitoring the mass appraisal companies during the reassessment cycles for quality control, assisting the Commissioners of Revenue and public during the real estate assessment appeal process, and coordinating the contracting of the mass appraisals under the direction of an authorized representative entity of the participating localities. This entity could be a committee consisting of the Commissioners of Revenue, County Administrators, and appointed member(s) of the Boards of Supervisors from each of the participating counties.

This option would have a budgetary impact consisting of salaries and benefits for the Reassessment Director/Coordinator and the clerical assistant that would be provided by one of the counties, furniture, fixtures, and equipment including technological support. Office space would be leased at a central location in the Middle Peninsula.

#### **Option 4 – Rotational Reassessment Staff**

This option would involve increasing the two-person staff in Option 3 to an eight-person staff including four additional appraisers and two additional clerical assistants. The appraisers would rotate from year-to-year among the five counties conducting reassessments on a regularly scheduled basis. The Reassessment Director/Coordinator and at least one of the clerical assistants would be in centrally located leased office space in the Middle Peninsula. The appraisers and possibly one or two clerical assistants would be situated in rent-free office space provided by the counties during their respective reassessments. As with Option 3, the Director/Coordinator would have the authority to create job descriptions and make all personnel decisions regarding the employment of his/her staff with the approval of the representative entity.

This option would have a budgetary impact consisting of salaries and benefits for eight employees, furniture, fixtures and equipment including technological support. Office space would be leased at a central location in the Middle Peninsula. It is assumed that the appraisers would use their own automobiles for travel and be reimbursed for their mileage.

#### **Option 5 – Fully Staffed Regional Reassessment Office**

This option involves the hiring of a full staff including a Real Estate Assessor, a full complement of appraisers sufficient to conduct annual reassessments (as defined in Section 1.5 - Definitions and Terms), and clerical assistants with benefits comparable to other real estate assessment offices in Virginia. Included would be automobiles, furniture, fixtures, and equipment and the rental of office space that could adequately accommodate these employees. Additionally, the office would be fully equipped with a networked computer system utilizing a CAMA software program that would be integrated with the computer systems in each of the participating localities. This option would be the most expensive of the five options.

### **5.4 Reassessment Schedule**

The proposed reassessment schedules are based on the preferred frequencies cited by the respective localities in the survey questionnaires. Currently, the scheduled reassessments for the localities are staggered with none occurring in the same year.

Option 1 involves the continuance of the existing schedules; therefore, no change is proposed for future reassessments. Options 2 and 3 involve contracting with one mass appraisal company for one full cycle including all five counties. Options 4 and 5 would be set-up on the same basis with the only exception being that the

reassessments will be conducted by an internal appraisal staff. The following is a summary of the proposed scheduled reassessments for Options 2 through 5.

<b>County</b>	<b>Cycle</b>	<b>Reassessment Years</b>
Essex	4 year	2003, 2007, 2011
Gloucester	2 year	2002, 2004, 2006, 2008
King William	4 year	2003, 2007, 2011
Mathews	4 year	2005, 2009, 2013
Middlesex	4 year	2005, 2009, 2013

## **5.5 Technology Issues**

In Options 3, 4 and 5, a common CAMA system would improve the efficiency, accuracy and timeliness of the assessments for the localities. Options 3 and 4 would not involve that much change from current technology – at least with how the data are processed. It would require new computers for the assessment staff. Option 5 would be much more complex and would require some ongoing technical support to manage an internet link between the central reassessment office and the localities.

In establishing a common CAMA system, one of the largest and most costly tasks is the conversion of existing electronic property records into the new system. Our discussions with other localities that have been through this process indicated that an "administrative conversion" was the most effective – in both cost and accuracy. This type of conversion would only transfer the basic identity fields such as owner, owner address, property address, tax parcel number, and current assessment. All physical items would be inputted by the assessment staff based on old property cards and field inspections. The implementation of the new CAMA system would be staged according to the timing of the reassessment cycle for the particular locality.

The selection of the CAMA system should be recommended by the Reassessment Director/Coordinator and approved by the entity representing the participating counties. This person would be responsible for implementation and would be in the best position to evaluate the optimum system for the reassessment function. It is important to note that Gloucester and Mathews Counties have in recent years installed the ProVal CAMA system. There would likely be cost savings for the use of this package, since the acquisition and conversion costs by these two localities have already been incurred.

In Options 3 and 4, the property data would reside with the localities. In Option 5, the data would reside in a central location, but be dynamically linked to the localities via an internet connection. Once a year there would be a download to the localities in order to generate the tax bills. For all three options the building permits would be reviewed and processed for valuation purposes by the reassessment office. In Options 3 and 4, a form would be faxed to the localities from the reassessment office for input into their CAMA system. Option 5 would include processing the building permits at the central office. Ownership transfers and subdivision of parcels would be handled totally by the localities in Options 3 and 4. In Option 5,

the reassessment office would receive the data from the each of the localities and input it into the system. Mapping would be handled by the respective localities for all options.

For Options 3 and 4, the computer systems for three localities (Gloucester, Mathews and Middlesex Counties) would not change. Essex and King William Counties would have to upgrade their systems during the year that the CAMA system is installed. For Option 5, an internet or telecommunications link would have to be established from the central reassessment office and the locality. This would require the same upgrading of equipment for Essex and King William Counties and software/technical support for the installation of the telecommunication link. In addition, this system would likely require ongoing technical support. Option 5 would also require a more substantial networked computer system at the reassessment office.

## **6.0 REGIONAL REASSESSMENT OFFICE MODEL**

### **6.1 Regional Reassessment Director/Coordinator**

The most common concerns of the respondents to the survey questionnaire regarding the current reassessment process involved the quality and consistency of the assessments and the timeliness of delivery of the completed assignment to the localities as well as the response of the mass appraisal company to appeals from the public.

One solution to addressing these issues would be the hiring of a reassessment director/coordinator to monitor the work and progress of the mass appraisal companies. This individual could also process building permits for initial assessment purposes during the interim period between reassessments, establish and maintain a regional property database, and conduct analytical studies regarding value trends of specific property types and geographic locations. To adequately complete such tasks for all of the participating localities in a timely manner, clerical support would likely be needed.

Another function of this position could be to coordinate the contracting process with prospective mass appraisal companies. The director/coordinator could review the proposals for accuracy and reasonableness and make recommendations to a representative entity of the participating localities. This would promote quality control and possibly timeliness of delivery relative to contractual obligations.

The costs associated with this plan, as shown in Exhibit 6.1-7 (on Page 21), include salaries and benefits for the director/coordinator and clerical support, furniture, fixtures, and equipment, an automobile (including maintenance, insurance, and a reserve replacement), and office space rent.

In the addenda are two charts (Exhibits 6.1-1 and 6.1-2) that detail personnel salaries and benefits for various positions in the Commissioner of Revenue offices of the participating counties in this study as well as for the real estate assessor offices in five

suburban localities selected for comparison. Exhibit 6.1-3, on the following inserted page, is a summary of the base salary ranges and the additional wage expenses and benefit costs.

Because of the mostly rural nature of the Middle Peninsula, the salary ranges compare at the lower end of the indicated ranges. As an example, the current annual base salaries for the Middle Peninsula Commissioners of Revenue range from \$47,500 to \$58,664. The adjusted salaries reflecting associated benefits range from \$53,944 to \$73,000. It is projected that a qualified individual for the position of the Reassessment Director/Coordinator could be obtained at an annual base salary of \$45,000. The associated benefits are added based on the percentages and amounts shown in Exhibit 6.1-3.

Exhibit 6.1-4 is a summary of the projected preliminary set-up costs associated with establishing a fully staffed regional reassessment office. It will be referred to again in Sections 6.2 and 6.3 of this report. The costs associated with office accommodations including furniture, equipment, and an automobile have been obtained from this chart.

Exhibit 6.1-5 is a Summary of Technological Support Expenses for a fully staffed office. Only those items that would be needed for the Reassessment Director/Coordinator and clerical support have been included and are individually listed below.

<u>No.</u>	<u>Item Description</u>	<u>Unit Cost</u>	<u>Total Cost</u>
Reassessment Office			
2	PC, 17" monitor & NIC Win2000	\$ 1,200	\$ 2,400
1	HP Pro Color InkJet	\$ 500	500
2	CAT 5 cabling closet to desktop	\$ 200	400
2	CAT 5 connection cables	\$ 10	20
2	Microsoft Office 2000 (software)	\$ 325	650
2	Norton Anti-Virus (software)	\$ 100	200
	Sub-total reassessment office set-up		\$ 4,170
Localities *			
3	CAMA (purchase/installation)	\$ 30,000	\$ 90,000
1	Conversion cost of data	\$ 30,000	30,000
	Sub-total locality set-up		\$ 120,000
	Total technology set-up costs		\$ 124,170
		Per Parcel	\$ 1.93

\* Assumes use of ProVal software system that would require only the conversion of Essex, King William, and Middlesex Counties

The physical location of the Reassessment Director/Coordinator and clerical support could be at any of the county courthouse complexes and could possibly be space that is not in use by that respective county. However, for the purpose of this study, it is assumed that such space would be rented and deemed a reasonable expense associated with this plan. Referring to Exhibit 6.1-4, the space requirements for these two positions, inclusive of common area, is estimated at 300 square feet.

The unit rent is based on current market data and estimated a \$7.50 per square foot, full service, which calculates to an annual rent of \$2,250.

Regarding annual operating expenses, reference is made to Exhibit 6.1-6 on the following inserted page. It is a proposed annual budget for a fully staffed office. Those expenses associated with the hiring of only a director/coordinator and providing clerical support have been abstracted and are summarized along with the set-up costs in Exhibit 6.1-7 on a following page.

**Exhibit 6.1-7. Cost Summary – Option 3**

Set-Up Costs		
Office furniture	\$	3,100
Office supplies		100
Office equipment		6,555
Cell telephone		100
Digital camera		300
Technological support		124,170
Automobile		<u>14,500</u>
Total		\$ 148,825
	Per parcel	\$2.31

Annual Operating Expenses		
Base salary - Director	\$	45,000
Clerical support		22,500
Benefits		19,866
Telecommunications		2,460
Technological support *		43,500
Motor vehicle insurance		1,000
Office supplies		600
Automobile maintenance		700
Books and subscriptions		500
Replacement reserve		3,500
Miscellaneous charges		500
Office rent		<u>2,250</u>
Total		\$ 291,201
	Per parcel	\$4.52

\* Includes: Internet connection \$300  
 CAMA maintenance fee \$43,200

This option assumes that the use of the mass appraisal companies will continue with complete reassessments being conducted on each county every four years. From interviews with mass appraisal company representatives, it is estimated that at least one of the companies would consider a 5% discount for the opportunity to secure a five-county contract. Based on the current rate of around \$15 per parcel, the discounted rate of \$14.25 per parcel ( $\$15 \times 95\%$ ) results in an average annual cost of approximately \$230,000 ( $64,484 \text{ parcels} \times \$14.25 \text{ per parcel} = \$918,897 \div 4 \text{ years} = \$229,724$ ). Adding this average annual mass appraisal cost for a four-year cycle reassessment to the estimated annual budget for the director/coordinator and clerical support results in an adjusted annual budget of about \$520,000 ( $\$230,000 + \$291,201 = \$521,201$ ) or \$8.06 per parcel.

**6.2 Rotational Reassessment Staff**

This plan includes the addition of four appraisers and two clerical assistants that would enable a team of employees to conduct reassessments every two years on Gloucester County and every four years on the remaining four counties. The same

operational structure of the Reassessment Director/Coordinator and assistant as described in Option 3 would remain in place. The additional staff would require higher set-up costs and a higher annual operating budget.

As with Option 3, reference is made to Exhibits 6.1-1 through 6.1-5 for annual operating expenses associated with a fully staffed reassessment office (Option 5). Those that would be included for this optional plan have been abstracted from the exhibits and summarized in Exhibit 6.2-1 below.

**Exhibit 6.2-1. Cost Summary – Option 4**

Set-Up Costs		
Office furniture	\$	3,100
Office supplies		100
Office equipment		6,555
Cell telephone		500
Digital camera		900
Technological support *		140,320
Automobile		<u>14,500</u>
Total		\$ 165,975
	Per parcel	\$2.57

Annual Operating Expenses		
Base salaries	\$	197,500
Benefits		48,921
Telecommunications		5,100
Technological support **		45,500
Motor vehicle insurance		1,000
Office supplies		600
Mileage reimbursement		24,480
Automobile maintenance		700
Books and subscriptions		500
Replacement reserve		3,500
Miscellaneous charges		500
Office rent		<u>2,250</u>
Total		\$ 496,526
	Per parcel	\$7.70

\* See Exhibit 6.2-2

** Includes:	Internet connection	\$600
	CAMA maintenance fee	\$43,200
	Marshall & Swift support	\$1,700

**Exhibit 6.2-2. Technological Support Expenses – Option 4**

<u>No.</u>	<u>Item Description</u>	<u>Unit Cost</u>	<u>Total Cost</u>
Reassessment Office			
4	PC, 17" monitor & NIC Win2000	\$ 1,200	\$ 4,800
4	Laptop computers with NIC	\$ 2,000	8,000
4	HP Pro Color InkJet	\$ 500	2,000
2	CAT 5 cabling closet to desktop	\$ 200	400
2	CAT 5 connection cables	\$ 10	20
8	Microsoft Office 2000 (software)	\$ 325	2,600
1	Marshall & Swift Cost Table	\$ 1,700	1,700
8	Norton Anti-Virus (software)	\$ 100	<u>800</u>
	Sub-total reassessment office set-up		\$ 20,320
Localities *			
3	CAMA (purchase/installation)	\$ 30,000	\$ 90,000
1	Conversion cost of data	\$ 30,000	<u>30,000</u>
	Sub-total locality set-up		\$ 120,000
	Total technology set-up costs		\$ 140,320
		Per Parcel	\$ 2.18

\* Assumes use of ProVal software system that would require only the conversion of Essex, King William, and Middlesex Counties

This option eliminates the need for a mass appraisal company. The scheduled reassessments would occur as preferred by the localities with all but Gloucester County, which would be reassessed every two years, being reassessed every four years.

**6.3 Fully Staffed Regional Reassessment Office**

This plan, identified as Option 5, involves the establishment of a fully staffed real estate reassessment office with a full complement of appraisers and clerical staff. The number of employees, as well as estimates regarding facilities, equipment, and associated operating costs, is based upon statistics obtained from the publication *Assessment Practices- Self-Evaluation Guide* and a comparison with several real estate assessor offices in Virginia.

It is important to note that the ratios used to estimate staff requirements are based upon reassessment cycles that are reportedly conducted on an annual basis. However, as previously discussed in this study, annual reassessments would likely consist of a review of all parcels in market or geographic segments with assessment changes of those where only significant margins between the existing assessed values and sale prices have occurred.

Exhibit 6.3-1 is a comparison analysis of the five participating counties and five selected localities. It should be noted that the budgets cited for the subject counties are those of the Commissioners of Revenue and that those cited for the comparable localities, with the exception of Spotsylvania County, which includes both the

Commissioner of Revenue and Real Estate Assessor, reflect the budgets of the Real Estate Assessor only.

Reference is made to Exhibit 6.1-3 for the projected salaries and associated benefits of the proposed staff, which is to consist of a Real Estate Assessor (a/k/a Reassessment Director/Coordinator), an Information/Technology Specialist, ten appraisers, and six clerical assistants (summarized in Exhibit 6.1-4). The number of appraisers and clerical assistants is based upon the ratios cited in Exhibit 6.3-1.

According to the *Assessment Practices – Self-Evaluation Guide*, for localities that have more than 20,000 parcels, a recommended ratio is one appraiser per 3,250 parcels. This assumes an annual reassessment of all parcels. As discussed previously, even though many counties, including the ones selected as comparables in this study, report that annual reassessments are conducted annually, complete reassessments for all parcels are more typically done on a three or four-year cycle. For the purpose of this study, the ratios indicated by the selected counties are deemed to be more indicative of the type operation best suited for the regional reassessment office.

As shown in Exhibit 6.3-1, the ratios for the number of appraisers in the comparable assessment offices ranges from 1 per 4,004 parcels in Spotsylvania County to 1 per 8,236 parcels in James City County. According to an informed source in the James City County Real Estate Assessor's office, they are currently understaffed and unable to adequately handle the workload. Excluding this county, the range narrows to 1:4,004 to 1:6,479. It is estimated that a ratio of 1:6,448, which amounts to ten appraisers ( $64,484 \div 6,448$ ), would be reasonable for the proposed regional reassessment office.

Regarding clerical staff, the ratios of the comparable localities range from 1:5,052 to 1:19,107. A clerical staff of six employees calculates to a ratio of 1:10,747, which is considered reasonably supported.

It should be emphasized that a smaller staff may not result in inefficiencies and that a larger staff may not necessarily provide a higher quality and more consistent work product. The recommended numbers are based solely on comparable data of similar assessment operations. It should also be noted that this size staff would not be capable of reassessing every property on an annual basis. Although reported as annual assessments, the comparable localities may review all properties on an annual basis, but actually do complete reviews only on those segments of the market that have realized the greatest changes in value.

Reference is made to Exhibit 6.1-6, which is the projected annual budget for a fully staffed regional reassessment office. It incorporates salaries and benefits previously discussed and includes all other associated reoccurring expenses, the justification for which is noted under the column labeled "Basis or Comments". Inclusive of the anticipated annual rent for office space, the projected total annual budget amounts to \$813,909 or \$12.62 per parcel.

Reference is made to Exhibit 6.1-4 for a summary of the preliminary set-up costs for a fully staffed office. The estimates for the technological support are based on the costs summarized in Exhibit 6.1-5. It is noted that this scenario reflects a fully integrated computer system among all five of the participating counties including networking and a universal CAMA software package with monthly maintenance fees. The total projected set-up costs amount to \$361,301 or \$5.60 per parcel. This is an initial expense that would occur only one time.

#### **6.4 Cost Summary of Optional Plans**

Exhibit 6.4-1 on the following inserted page summarizes the five options that have been discussed in this study. In conclusion, Option 1 is basically a status quo scenario with an updated per parcel cost based on current market quotes. Each individual county would continue to contract with a mass appraisal company prior to the scheduled upcoming reassessment and the Commissioners of Revenue would continue to be responsible for processing transfers and building permits.

For comparison purposes, the annualized unit cost based on a four-year reassessment cycle by a mass appraisal company of \$3.75 per parcel (\$15.00 per parcel every four years) is considered the best measure of comparability because the proposed staff for the regional office would not likely be able to conduct complete annual reassessments and would be structured so that all properties would be reassessed at least every four years. However, it should be emphasized that the three prime concerns regarding quality, consistency, and timeliness noted in the survey questionnaire would be more adequately addressed with a fully staffed regional reassessment office. Also, a fully staffed operation would be better able to monitor property valuation trends that would warrant more frequent reassessments and handle them accordingly.

Under Option 2 a consolidated contract with one mass appraisal company for the reassessment of all the participating counties over a four-year period would be implemented at an assumed 5% discount from the per parcel cost if done separately. All other functions of the Commissioner of Revenue would remain the same as in Option 1. This option is the least expensive at \$3.56 per parcel for a four-year reassessment cycle.

Option 3 involves hiring a Reassessment Director/Coordinator to oversee the real estate reassessment functions and providing clerical support to that position. Because of the involvement on a full time basis of a functional specialist, quality, consistency, and timeliness would improve over Options 1 and 2. This scenario still includes the use of a mass appraisal company under the same conditions in Option 2. The unit cost under a four-year reassessment cycle would be \$8.06 per parcel, exclusive of a one-time set-up cost of \$2.31 per parcel.

Option 4 is an extension of Option 3 that includes the hiring of an additional four appraisers and two more clerical assistants. The need for a mass appraisal company would be eliminated in that the appraisal staff would be conducting the reassessments on a rotational basis from county to county. The scheduled

reassessments would occur every two years in Gloucester County and every four years in the remaining counties. Having a full time staff who would become familiar with each of the counties would enhance continuity thereby improving the quality and consistency of the assessments as well as timeliness of delivery. The annual operating unit cost is estimated \$7.70 per parcel with a one-time set-up cost of \$2.57 per parcel. It is noted that the annual operating budget for this option at \$7.70 per parcel is less than the operating budget in Option 3 of \$8.06 per parcel; the difference of which is the elimination of the cost of the reassessment by a mass appraisal company.

Option 5 is the fully staffed regional reassessment office that would also eliminate the need for a mass appraisal company. This scenario would optimize quality, consistency, and timeliness; however, it is the most expensive of the four options. The annual operating unit cost would be \$12.56 per parcel with a one-time set-up cost of \$5.58 per parcel. It is noted that this option does not include the assumption that the counties would use the ProVal CAMA software system. This option reflects a “maximum cost” scenario for comparison purposes.

## **7.0 SUMMARY OF FINDINGS**

### **7.1 Potential Revenue Enhancement**

In consideration of alternatives to improve reassessments on a regional basis, the potential changes in revenue are very important to each locality. None of the options discussed in this report would reduce revenues; however, several changes could increase revenues.

Real estate assessments in the Middle Peninsula average somewhat below true market value. In general terms, more accurate appraisals that are closer to true market value will increase the tax base and corresponding revenues to each jurisdiction. The alternative models presented aim to provide high quality reassessments and thus have potential to increase revenue. This is a general concept and cannot be quantified based on available data.

More important in terms of revenue generation is the frequency of reassessments. Since real property values generally increase over time, the longer the period between reassessments the greater the margin between the assessment and the true market value. This gap represents lost potential tax revenues. In terms of dollars, the numbers are very significant.

To demonstrate the revenue enhancement potential, reference is made to Exhibits 7.1-2 through 7.1-5 in the addenda. There is a separate analysis for each county. Exhibit 7.1-1, which is inserted on the following page, represents Essex County and is included here to be used in this discussion as an example.

Essex County currently operates on a six-year cycle. Through implementation of the regional reassessment concepts presented, they would likely change to a four-year cycle. The last reassessment was effective in 1997. The chart shows the taxable

assessment base as published for 1999, and has a line showing factors representing annual inflation of property values. For demonstration, we assume a 3% average property value inflation rate, which is considered reasonable and possibly conservative. Thus, a typical property assessment that was proper in January of 1997 would be low in January 2001 since the true property value would have increased by 12.5%. The failure to capture the increasing property values translates into sizable dollar amounts of missed revenue.

Tax base changes under four different reassessment cycles (1 - 6 years) are presented. The one-year cycle (annual reassessment) shows the tax base "catching up" since 1997 in the first year and then growing annually at 3 %. The other reassessment cycle scenarios show a stable tax base with substantial increase occurring with each effective new reassessment date. Using the tax rate of \$.55 per \$100, the revenues generated by each option are calculated. Total revenues under each scenario over a seven-year period are calculated and divided by seven to show (near bottom of chart) the average annual revenue for each cycle. This is compared to the revenues generated by the current six-year cycle to identify average annual revenue enhancement for each option. The revenue enhancement is also shown on a per parcel basis for easy comparison between options, between jurisdictions, and to per parcel reassessment costs.

This revenue enhancement potential can also be shown more simply with its tax impact on an individual parcel basis (see Exhibit 7.1-1a on an inserted page). With a \$100,000 property as an example, the average annual tax liability for this individual parcel increases by \$14.67 just by shifting to the four-year cycle and \$24.44 under the two-year cycle.

The conclusion is compelling. Theoretically, shifting from a six-year cycle to a four-year cycle would increase Essex County's average annual revenue by more than \$10 per parcel per year. This exceeds the unit costs of all the reassessment options presented with the exception of the fully staffed regional office (Option 5). The other counties have similar revenue enhancement potential as shown on the analysis charts. This also provides insight as to why jurisdictions frequently move to more frequent reassessments in conjunction with establishing a permanent reassessment office.

## **7.2 Jurisdictional Allocation of Costs**

Exhibit 7.2-1 on the following page summarizes the costs involved with the three reassessment models presented in Section 6.0. At the top of the chart is the estimated cost of a reassessment using a mass appraisal company at the current quoted market cost of \$15.00 per parcel. If a county were to be reassessed on an annual basis, the \$15.00 per parcel would apply. However, because reassessments are not typically conducted annually, the annualized costs based on two, three and four-year cycles have been calculated. In that most of the subject counties prefer a four-year cycle, the \$3.75 per parcel cost is considered most appropriate for comparison with the estimated per parcel costs in the three reassessment model scenarios.

Although not shown, the costs shown in the Mass Appraisal Reassessment Cost Scenarios chart would be discounted by 5% for Option 2.

Referring to Option 3 in the chart, the counties have been cited separately with their respective number of parcels and the corresponding percentage of the total. For example, Essex County has 9,161 parcels that represent 14% of the combined total of 64,484 parcels for the five counties. Applying this percentage and parcel number to the total projected cost in this scenario results in a one-time set-up cost of \$21,168 (\$2.31 per parcel) and an annual operating budget of \$73,874 (\$8.06 per parcel). It is noted that the annual operating budget for Option 3 at \$8.06 per parcel includes the \$3.75 annualized cost per parcel for a reassessment performed by a mass appraisal company every four years.

Under Option 4, the actual number of parcels for Gloucester has been doubled to reflect the more frequent reassessment cycle every two years as opposed to four years for the other counties. The rationale for this calculation is that the revenue enhancement produced by the more frequent reassessment process will result in an approximate doubling of income; therefore, Gloucester's share of the cost should be adjusted accordingly. This has a resulting effect of lowering the costs to the other counties. For instance, the set-up costs for Essex is reduced from \$21,168 to \$17,592 and the annual operating costs from \$73,874 to \$52,671.

Option 5 is for a fully staffed reassessment office. This includes a full complement of appraisers and a fully integrated computerized network system connecting all five counties to a common database. The one-time set-up cost for Essex County in this scenario is \$38,152 (\$4.16 per parcel) with an annual budget of \$85,843 (\$9.37 per parcel). Again, Gloucester would be burdened with over 50% of the costs because of the more significant benefit from net revenue enhancement as a result of a shorter reassessment cycle.

Exhibit 7.2-1 shows an allocation on the basis described above among all five counties based on the number of parcels in each with the exception of Gloucester. However, it should be emphasized that this does not necessarily reflect a true allocation of associated costs involved with each of the reassessment models presented. As discussed in the footnote on the chart, there are several factors that should be considered to more accurately reflect an appropriate allocation of costs including, but not limited to, average parcel size, the number of more complicated property types, the number of waterfront properties, and the number of improved properties. Any attempt to quantify such refinement in allocation goes beyond the scope of this assignment. However, it should be noted that should one of these reassessment models be selected, such re-allocation of each county's respective share should be analyzed and applied.

### **7.3 Cost/Benefit Analysis**

The analysis of potential revenue enhancements provides a basis for consideration of costs versus benefits. Most of the potential benefits of a regional approach to improving reassessments are not financially quantifiable. Among these are

consistency, equalization, fairness, taxpayer relations, improved record keeping, and improved information availability for the public and for government planners and administrators.

The clear quantifiable financial benefits come from increasing the frequency of reassessments. The shorter reassessment cycle is an option available to all the jurisdictions regardless of whether or not the reassessment process is regionalized. Certainly the revenue enhancements from shorter cycles can be a part of the implementation and financing of a regional approach to reassessment; however, such enhancement is not dependent upon such conversion.

Looking at the preferred cycles compared to the existing cycles in the revenue exhibits, we see substantial revenue enhancement is likely just from this change. Moving Essex County to a four-year cycle generates an average annual revenue increase of \$94,658. Moving Gloucester County to a two-year cycle could result in an enhancement of \$505,743. King William County preferred to remain at its current four-year cycle. Mathews County could increase by \$116,415 in average annual revenue by moving to a four-year cycle and Middlesex County could gain \$48,334. With the model and assumptions shown, total average annual potential revenue enhancement for the group is estimated at approximately \$770,000.

On the following inserted page is Exhibit 7.3-1, which shows several net revenue enhancement scenarios under each of the five optional plans. The estimated total annual operating cost, projected combined annual revenue enhancement, and projected net combined annual revenue enhancement are shown under four different scenarios based on one, two, and four-year reassessment cycles as well as a modified cycle, which includes four-year cycles for all the counties with the exception of Gloucester County, which is based on a two-year reassessment cycle. Reference is made to previous sections of this report for the derivation of the estimated annual costs and projected revenue enhancements.

The annual costs for Options 1-3 include factoring in a \$15 per parcel cost for a mass appraisal company to complete reassessments for the various reassessment cycles. Option 5 has a fixed cost because it involves an internal staff that will conduct reassessments in each of the counties without the need of a mass appraisal company. Only one cost scenario is presented for Option 4 because of the established reassessment cycles for the counties (two-year for Gloucester and four-year for the others).

Reference is made to Exhibits 7.1-1 through 7.1-5 for the individual projected revenue enhancements for each of the counties. The figures that appear in Exhibit 7.3-1 are the combined revenue enhancement amounts for the respective cycle scenarios. Only one scenario is presented under Option 4. This option involves a rotational staff that is of adequate size only to conduct reassessments on a four-year cycle basis with the exception of a two-year cycle for Gloucester County.

Reference is made to the third set of numbers that reflects the projected net combined annual revenue enhancement for each of the optional plans under four different reassessment cycle scenarios. The one-year cycle yields the highest net revenues and the four-year the lowest. It is questionable whether it would be possible or feasible in Options 1-3 to have mass appraisal companies conduct reassessments every one or two years. Such might be possible in a varied form under Option 5.

As shown under the modified cycle scenario, Option 4 would result in a net revenue enhancement of \$273,000, on a regionalized basis, primarily because the use of a mass appraisal company at a higher per parcel cost would be eliminated. The optimum enhancement is reflected in Options 1 and 2 where mass appraisal companies are utilized. Options 3 and 5 would be feasible if the subjective goals of accuracy, consistency, and timeliness of delivery could be qualitatively justified.

#### **7.4 Advantages and Disadvantages of Optional Plans**

In conclusion, the following is a summary of each of the proposed optional plans including a review of the advantages and disadvantages of each. As discussed previously in Section 1.5 – Definitions and Terms, this study does not conclude whether or not any of the proffered options are “feasible”. That decision must be made by each locality based upon its own interpretation of the merits of the respective options.

##### **Option 1 – Maintain Current Reassessment Policy**

###### Advantages

- Least disruptive relative to current process
- No additional costs involved
- Minimizes political impact and adverse public reaction relative to change
- Retains individual county control of contracting process with mass appraisal companies

###### Disadvantages

- Perpetuates lower reassessment standards, whether perceived or real, relative to quality, consistency, and timeliness of delivery
- Excludes net revenue enhancement either through savings generated by jointly contracting with mass appraisal companies or the shortening of reassessment cycles
- Postpones technological advancements that would improve operational efficiencies

## **Option 2 – Consolidated Reassessment Contracting**

### Advantages

- Possible cost savings due to joint contracting with mass appraisal companies
- Improved consistency of assessments by using one contractor for all counties
- Increased control and influence over single contractor who would be more attentive to a larger sized assignment
- Net revenue enhancement through shortened reassessment cycles (if such could be adequately provided by the use of a single contractor)
- More uniform assessment process among the counties of the Middle Peninsula

### Disadvantages

- Perpetuates lower reassessment standards, whether perceived or real, relative to quality, consistency, and timeliness of delivery (unless improvement could be realized through the use of a single contractor)
- Excludes net revenue enhancement through the shortening of reassessment cycles (unless such could be accomplished via the use of a single contractor)
- Postpones technological advancements that would improve operational efficiencies
- Possible adverse political and public reaction to change, especially if improved reassessment methodology resulted in significant and continuous increases in real estate taxes

## **Option 3 – Hire a Regional Reassessment Director/Coordinator and Provide Clerical Support**

### Advantages

- Improved quality and consistency of assessments as well as timeliness of delivery under the direction of an individual hired for such purpose
- Potential cost savings due to a more efficient use of a comprehensive database
- Increased control and influence over the process
- Net revenue enhancement through shortened reassessment cycles (if such could be adequately provided by the use of a single contractor)
- More uniform assessment process among the counties of the Middle Peninsula
- Improved operational efficiencies through the use of a unified CAMA system
- Improved response time and public accessibility to a regionally employed reassessment official during real estate tax appeal periods
- Structural foundation for the possible expansion into a rotational reassessment operation or a fully staffed assessment office

## Disadvantages

- Possible increase in cost if net revenue enhancement is not realized
- Possible need for office rental space the cost of which will be dictated by the market and the location of which may not be universally acceptable
- Possible adverse political and public reaction to change, especially if improved reassessment methodology resulted in significant and continuous increases in real estate taxes
- Possible political conflicts that typically arise when appointed committees are authorized to make personnel and fiscal decisions
- Possible inequality of treatment and/or services, whether perceived or real, by reassessment director among the various counties
- Potential conflicts related to allocation of cost

## **Option 4 – Rotational Reassessment Staff**

### Advantages

- Improved quality and consistency of assessments as well as timeliness of delivery under the direction of an individual hired for such purpose
- Potential cost savings due to a more efficient use of a comprehensive database and elimination of cost hiring a mass appraisal company
- Increased control and influence over the process
- Net revenue enhancement through shortened reassessment cycles
- More uniform assessment process among the counties of the Middle Peninsula
- Improved operational efficiencies through the use of a unified CAMA system
- Improved response time and public accessibility to a regionally employed reassessment staff during real estate tax appeal periods
- Structural foundation for the possible expansion into a fully staffed assessment office

### Disadvantages

- Possible increase in cost if net revenue enhancement is not realized
- Possible need for office rental space the cost of which will be dictated by the market and the location of which may not be universally acceptable
- Possible disruption caused by the presence of the rotational reassessment staff as well as the required provision of office space and support by the respective counties during the reassessment periods
- Employment tenure of appraisers may be limited due to required travel
- Possible adverse political and public reaction to change, especially if improved reassessment methodology resulted in significant and continuous increases in real estate taxes

- Possible political conflicts that typically arise when appointed committees are authorized to make personnel and fiscal decisions
- Possible inequality of treatment and/or services, whether perceived or real, by reassessment staff among the various counties
- Potential conflicts related to allocation of cost

### **Option 5 – Fully Staffed Regional Reassessment Office**

#### Advantages

- Improved quality and consistency of assessments as well as timeliness of delivery under the direction of an individual hired for such purpose
- Potential cost savings due to a more efficient use of a comprehensive database and elimination of the cost of hiring a mass appraisal company
- Increased control and influence over the process
- Net revenue enhancement through one or two-year reassessment cycles
- More uniform assessment process among the counties of the Middle Peninsula
- Improved operational efficiencies through the use of a unified CAMA system and the most technologically advanced computer systems currently available
- Improved response time and public accessibility to a regionally employed reassessment staff during real estate tax appeal periods

#### Disadvantages

- High cost that may exceed revenue enhancement
- Possible adverse political and public reaction to change, especially if improved reassessment methodology resulted in significant and continuous increases in real estate taxes
- Possible political conflicts that typically arise when appointed committees are authorized to make personnel and fiscal decisions
- Possible inequality of treatment and/or services, whether perceived or real, by reassessment staff among the various counties
- Potential conflicts related to allocation of cost

## **8.0 ADDENDA**

### Exhibits

- 3.6-1 Line Item Budget Expense Summary – Essex County
- 3.6-2 Line Item Budget Expense Summary – Gloucester County
- 3.6-3 Line Item Budget Expense Summary – King William County
- 3.6-4 Line Item Budget Expense Summary – Mathews County
- 3.6-5 Line Item Budget Expense Summary – Middlesex County
- 3.6-6 Line Item Budget Expense Summary – Combined Counties
- 6.1-1 Personnel and Benefits Summary
- 6.1-2 Personnel Profiles, Salaries, and Benefits Summary
- 7.1-2 Gloucester Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-3 King William Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-4 Mathews Real Estate Reassessment Cycle – Revenue Analysis
- 7.1-5 Middlesex Real Estate Reassessment Cycle – Revenue Analysis

### Sources of information

Sample survey questionnaire

Contract for services

Letter from Attorney General regarding legality of joint department of real estate  
Assessment

Qualifications of authors

