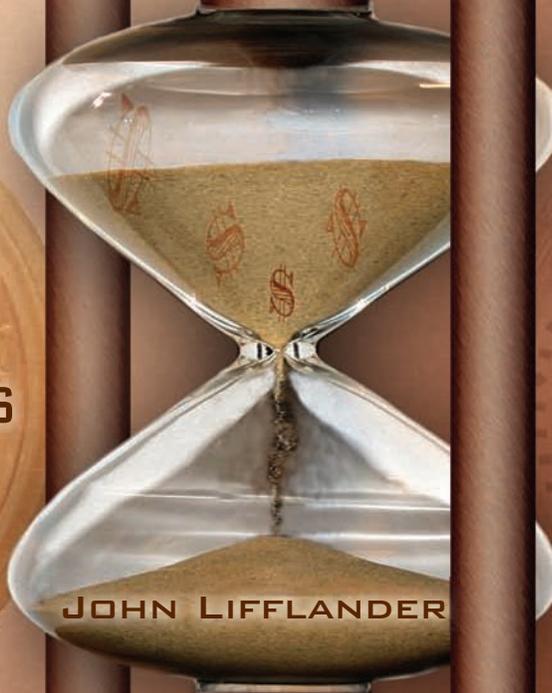


FINDING EFFICIENCIES



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Perhaps there has never been a time in the past 70 years when drastic cost-cutting has been needed in so many assessment offices all over the world at the same time. As real estate values decline in many areas, the revenue from property taxes decreases, which usually results in decreasing budgets for assessment offices. Of course the amount of decrease varies depending on levy rates, legal limitations, and other factors, but the result in most cases is less money for the assessment officer. These budget reductions are enough of a concern when real estate values are stable. However, when market conditions are in a state of flux, they are problematic because more personnel are needed to keep up with the changing values.

Government is frequently criticized for being inefficient, but ironically, mass appraisal techniques that were once ostracized for inaccuracies by nongovernmental appraisers are now being used by many fee appraisal companies and mortgage companies. In fact, the increased acceptability of automated valuation models (AVMs), also known as computer-assisted mass appraisal (CAMA), has proliferated to the point where banks have been lending millions of dollars based on the results of AVMs. Interestingly, assessed values have also been used by lending institutions to determine loan limits. This situation may be changing since values in many areas are plummeting, but for many years it has been the case.

Consequently, the trend towards greater efficiency in government assessment offices is undeniable. Mass appraisal began in the quest for higher productivity in the 1920s and progressed in methodology and accuracy with the advent of computers in the 1950s and personal computers in the 1980s. As a result, the number of personnel needed in proportion to the number of parcels valued has gradually decreased throughout the years. This is evidenced by the fact that, in many jurisdictions, the population has increased disproportionately to the increase in appraisers. Nevertheless, jurisdictions vary in their efficien-

cies, as do private corporations. And just as private corporations often analyze their production methods to find savings, government offices can do likewise.

Seeking Synergies

A synergy is a savings that results from cooperative interaction among groups, creating an enhanced effect. An example might be found in the merger of two corporations, in which savings occur because of the combination of the personnel, accounting, and tax departments. Perhaps there were 10 employees in one of the accounting departments and 12 in the other. When the companies merge, there are now 22 people in the accounting department, but because of the duplication of services, only 14 employees are needed for accounting in the new corporation. The expense of employing eight people who were necessary when the corporations were independent of each other is saved.

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Mergers are obvious events where synergies can be found, but synergies can also be found for government entities that are willing to share resources. An example would be the merging of personnel offices in a county where there are separate personnel departments for the sheriff's office, assessor's office, public works department, and so on. Joining these duties into one central office can save thousands of dollars, even though the prime functions of the different offices are not conjoined.

Synergies can be found on a smaller scale as well, such as combining similar duties performed by several different people in an office, so that as the need for one duty wanes, an individual can fulfill another need when time is available. The reverse can also be applied—such as the specialization of an individual for a certain task, thus freeing others to increase their production in other areas.

Employees can also be shared among government entities for greater efficiency. If an agency has an employee skilled in developing Web sites, for example, he or she might be “lent” to another agency for that particular task. When agencies start thinking out of the box, that is, considering things that may be not be the norm, possibilities for greater cost savings present themselves.

Bureaucracies and Synergies

Although the example of the merger of the two corporations might save money for specific services such as accounting, there is also a danger that as a corporation gets larger, there will be more waste. Generally, the larger the organization, the higher the likelihood of waste because there is less vigilance of the use of time and money. This, of course, is true in private companies as well as in government entities. All organizations tend to become more bureaucratic as they enlarge. The challenge is to find the balance between synergistic savings and bureaucratic waste. Many companies contract with efficiency experts to analyze operations and make suggestions for cost savings. Some of the most efficient corporations use experts because they are trained to find savings and provide objectivity. Nevertheless, before that measure is taken, an alternative would be to find a person in the organization with talent in this area who is willing to take on what might be an unpopular task.

Analyzing Jobs

Job analysis interviews are a good way to begin identifying inefficiencies. These interviews need to have a twofold purpose: to gain cost-saving ideas from the employee and to understand the employee’s method of operation so that synergies can be discovered. Everyone in

the organization needs to be informed that an effort is being made to save money and that they are being asked to make a contribution. A good policy, if possible, is to let it be known that all ideas will go directly to the top (perhaps the assessor). As discoveries are made, it is very important to give credit where it is due and to encourage more brainstorming. No one knows how a position functions better than the person who performs it, and if management makes this a continuing goal, new ideas should continue to flow.

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The mainstay in analyzing jobs is of course to compare employees who have similar functions, in order to combine tasks that are redundant. However, there is also the possibility of stretching employees to do a greater variety of tasks. Not only can this lead to accomplishing more work with less staff, but also it is good for the workers’ job development because it offers the opportunity to expand their role and also increases the chances of upward mobility. Some employees might have skills they use in a hobby that could be utilized at work, something that may be discovered in the job analysis interview. For instance, often there will be employees who are interested in computers who might be willing to take on some information technology (IT) tasks, which may reduce the cost of paying someone else for these services.

Contracting Work

Savings can sometimes be achieved by outsourcing work previously done by in-house staff. Contracts for the valuation of large industrial properties, computer

programming, and other services are common. However, the hours of and days worked by independent contractors cannot be controlled, so other ways must be employed to ensure deadlines are met. Monitoring methods can be built into the contract so that the assessor knows that the work is progressing in a timely manner. Progress payments are also important, for without them the recourse for late or inadequate work is lessened.

In assessment work, another caveat is that allowances for appeals must be made. If appraisals are performed by an outside contractor and the appraiser has to return to defend his or her work, this must be taken into consideration before a contract is signed. The independent contractor may offer a price that includes a certain amount of appeals work, or an additional charge may be negotiated for litigation. In either case, this important detail should not be left open-ended. The great advantage of contracting for work is that no more money is spent than there is work to do.

However, the potential savings of contracting must be fully analyzed to determine its cost-effectiveness. To make a good comparison, not only the salary of employees but also the associated expense of employee benefits must be taken into consideration. Contracts may be made with appraisal companies or individual appraisers; the latter tend to be less expensive. However, regardless of the contractor, the significance of knowing what can be expected cannot be overstated. Without first-hand knowledge of the independent contractor, an initial, non-obligatory trial contract is recommended.

Must Accuracy Be Sacrificed?

Synergies and other cost-saving methods help control budgets, but the core problem for many jurisdictions, that is, having to value more property per appraiser than in the past, can lead to concerns about accuracy. Typically, computer methods will be used more broadly, parcels inspected less closely, and values determined with less individual consideration. However, will this produce value estimates that are less precise? Possibly. Nevertheless, this is the same dilemma



that the initiators of mass appraisal faced—it is not a new problem. Efficiency must be increased, whether it is in widget production or property appraisal. However, a diminution in accuracy may be ameliorated in two ways: a refinement of computer technology and an expansion of resources for litigation.

Refining the System

Mass appraisal efficiencies depend on computer technology. However, accuracy depends on the use of that technology. In other words, no matter how great the software program for multiple regression analysis, it is the setting of the property characteristic factors that determines valuation precision. Consequently, rather than having more people to value parcels, it should be more cost-effective to devote additional time to refining the data used in the programming that produces the values.

Stratification is one key towards that goal, but to utilize it, some initial extra work may be required. Appraisers who are already familiar with certain neighborhoods should be asked to segment areas within those neighborhoods where values change due to neighborhood quality. For example, in Portland, Oregon, there is a neighborhood called Laurelhurst, which is a somewhat exclusive enclave. Homes in this area are generally considerably more expensive than homes outside its boundaries. A fee appraiser valuing a property in this neighborhood would be making a mistake to use comparable sales outside of Laurelhurst, unless significant locational adjustments were made, because the values in the surrounding areas may be much lower. Conversely, if a property in the surrounding area was valued by using a Laurelhurst sale, it might cause an inaccurate valuation. The goal for the assessor should be to segregate areas like this one and trend it only against homes within its boundaries.

Of course specific neighborhood boundaries are not always easy to delineate. It is often the case that past a certain street boundary, railroad tracks, or other landmarks, values begin to change. If these data can be recorded by appraisers, they can then be programmed into the

database, and adjustments specific to the area can be made on an annual basis. An astute data analyst, working with appraisers who are familiar with their respective areas, should be able to help with this stratification and to monitor it if trends in these areas change.

The Litigation Factor

Depending on how well the AVM is fine-tuned, with less staff accuracy may generally be lower, causing litigation to increase. Consequently, the percentage of appeals based on legitimate complaints may rise. Obviously, taxpayers do not appeal when values are too low; however, if they are too high, the clearinghouse for this problem is the litigation process. If the number of appeals increases, they should be handled with optimum efficiency, and in the current situation with declining values, appeals are increasing dramatically for many assessment offices.

Taxpayers get irate quickly when their tax bills are too high, but a quick resolution gains goodwill. Thus it is important to make the system as flexible and user-friendly as possible.

One remedy is to reduce the formality in the way appeals are initially handled. Absent any statutory obstacles, it is valuable to deal with valuation disputes with taxpayers as soon as they arise. To make certain this occurs, appraisers can be given a deadline for returning calls or other communications. Taxpayers get irate quickly when their tax bills are too high, but a quick resolution gains goodwill. Thus it is important to make the system as flexible and user-friendly as possible.

Taxpayers can be informed that more property is being valued by fewer staff members in an attempt to save them money. This information, coupled with

an explanation on the lag time between the tax bill and the assessment date, may help alleviate some of the animosity that occurs in a declining market. The assessment office may want to use the media to explain the time lag in the reduction of assessments and the timetable this process is on. Of course, any contact with the media should be handled with caution, because some reporters might twist the information or present it in a way that confuses the issues.

Another remedy is the use of a litigation coordinator or litigation specialist. When appeals come in, it can be this person's job to be the first contact. If he or she can resolve the matter without contacting the appraiser, much of the appraiser's time can be saved. However, if the decision requires a valuation judgment, the appraiser can be consulted. Regardless of whether the appraiser needs to be consulted, having a person who specializes in dealing with the public for appeals can make the process more uniform and is more likely to result in a timely response to all requests.

The key to making this successful is to have the right employee in this position. It must be someone who is good at dealing with taxpayers, can make decisions quickly, and understands the legal process. The downside might be that although some appraisers will be pleased to be relieved of the duty, others might resent not having the initial contact with the taxpayer on a property they valued. Nevertheless, the depth of involvement for the litigation coordinator can vary according to the needs of the office.

Another way to reduce litigation is to be proactive in reducing values. It may sound obvious, but since the assessor is supposed to be entirely unbiased regarding market values, they should be reduced when there is ample evidence. If a company is laying off employees, has reduced production, or both, a diminution in value may be warranted. Rather than waiting for the company to call, the assessor might make the initial contact with the company to discuss reducing the assessment. Values should be reduced as easily as they are increased, and the assessment office that practices either type of adjustment equitably stands out

as an example of excellent government. This proactive approach can also reduce appeals and save the expense of costly litigation.

Saving Time and Money

Small things add up quickly. How many times while shopping have you been surprised when the clerk gave you the total because it was more than you expected? Perhaps you checked the receipt afterward to determine whether there was a mistake. The expression “time is money” becomes even more meaningful when examining the rate of pay per hour for a position and the resulting amount of production. The more non-essentials that an employee’s time is cluttered with, the less he or she will produce in relation to the overall goals of the office. Furthermore, if there are too many peripheral duties, concentration may be lost, as attention is shifted among different tasks, further diminishing performance.

If employees have proven that they finish their work on time, in-depth planning of how they will accomplish it may be not only unnecessary, but also counterproductive.

In one state department of revenue, the employees were required to fill out timesheets to account for every minute of their time. Not only were they supposed to constantly write down what they were doing throughout the day, they then had to spend several hours converting their notes to a timesheet. However, after the timesheets were turned in, no one ever looked at them again. Besides the fact that few people can accurately state exactly how they spend their time, this type of close tracking essentially amounts to busy work. The bottom line for employees should be whether or not they are getting their work done.

Another snag can be overplanning. A timeline can be a useful tool for management; however, it can also become redundant busy work when it is a source of preoccupation. If employees have proven that they finish their work on time, in-depth planning of how they will accomplish it may be not only unnecessary but also counterproductive. Likewise, eliminating the time spent on mission statements and other non-essential activities can produce significant savings.

All detailed reports and paperwork that can be eliminated should be. The fact that a method of operation has a long tradition is no excuse for retaining it. Even as private enterprise struggles to keep up with the incredible pace of change in every business sector, government too needs to be open-minded if it is to be the best steward of taxpayer dollars. Dollars are wasted when meetings are held too frequently or without specific purpose. If 35 people meet for 2 hours and their average pay is \$25 an hour with benefits, the meeting cost \$1,750. If 2 people ask questions and extend the meeting for 30 minutes, their loquaciousness alone can cost more than \$400.

A solution to the time drain of meetings is to have them only when necessary—not on a regular schedule. A way to shorten meetings that must be held is to e-mail a detailed agenda prior to the meeting, as well as get e-mail feedback before the meeting. When the meeting ends, if certain people wish to discuss matters further, there can be a policy that they can e-mail the group with their ideas, rather than keep the group together.

Savings can also be realized by renegotiating with suppliers. Years ago, the Ford Motor Company implemented a major cost-cutting campaign by contacting every supplier and renegotiating the company’s contracts with them. Sometimes purchasing is out of a jurisdiction’s control. But if it is, why not go up the chain of command and ask why? If the jurisdiction has to pay for something, it seems reasonable that it should have some say in how it is purchased. It may be that cost-conscious decisions can be made as they would be for an individual household.

In one county, chairs were being purchased for \$500 or more from a certain supplier. A national office retailer was selling virtually the same product for less than half that price. Authorization was made to allow individuals to buy chairs and get reimbursed. In another jurisdiction, a similar situation existed with computers: A national electronics chain had a sale at a price much lower than that of the local supplier. However, in that situation, regulations prohibited a direct purchase, so the money could not be saved. Perhaps questioning those regulations would have been difficult at that time, but in the current crisis, policies that prohibit savings need to be examined more carefully.

Training courses that are not technically specific to the job at hand should be curtailed as budgets decrease. For appraisers, overnight travel and lodging are particularly expensive, and these costs can often be avoided by bringing the course to the jurisdiction, rather than sending appraisers to another state. If courses can be found that apply to a majority of appraisers, arrangements can be made with IAAO to send an instructor. A smaller jurisdiction might pool with surrounding jurisdictions to host a course and locate it centrally to reduce lodging and travel costs. Local instructors might also be less expensive than those who have to travel to teach.

Management can also save time by determining what clerical jobs are being performed by appraisers and reassign those duties to employees on a lower pay scale. Another time-saver is to drop annual reviews of employees (unless they are mandatory) if there have been no significant changes from the previous year. This is especially true if pay raises are linked to union scales rather than performance. Canceling subscriptions to periodicals not germane to the appraisal profession also saves money. A quick poll of “who is reading what” should determine which publications are no longer useful. In addition, many publications are now available online at no cost.

Another way to realize cost savings is to trade services. In one county, a national comparable sales data service asked for



information to help confirm sales. The county made an agreement to provide the data if the company allowed the county to use its service for free. The county, of course, knew when the sales occurred, but the company called the buyer, seller, and broker for commercial transactions, and that information saved the appraisers many hours of work. If a complete trade cannot be accomplished, a partial trade sometimes works. Also, a company may be entitled to the information it requested from the assessor, but an offer to format it in a particular way or do something extra for a trade can be negotiated.

Electronic Communications

The advent of e-mail offers new opportunities to save on postage costs. If a jurisdiction uses the post office for 300,000 addresses, the cost can be about \$100,000 for one mailing. Although not every taxpayer has e-mail, that does not prevent corresponding with those who do and mailing to the rest. In anticipation of this, e-mail addresses should be collected on all the forms filled out at the assessor's office. A sign explaining that tax dollars are being saved for taxpayers by using this medium might be appropriate. Most property tax bills are currently being mailed by using the post office, but what about using e-mail for taxpayers who are willing? A confirmation of receipt from the taxpayer can be requested, and if it is not received, a postal mailing can then be sent. Most taxpayers are happy to cooperate when they think they are saving themselves and the government money.

Personal property and industrial property return filings can also be handled by e-mail or online. If a written signature is required, the taxpayer can receive the form by e-mail and send it back by postal mail or by fax. Laws can also be changed so that handwritten signatures are no longer required. With larger forms, such as industrial property tax returns, an e-mail can be sent with files attached. If there are 100 of these mailings and the postage cost is \$1.50 per form, the savings is \$150. E-mail can also be used as a reminder to file or as a response to requests for extensions. An e-mail from

an employee of a jurisdiction can bear the mark of an electronic signature, if that is deemed appropriate. Of course, besides saving postage, this alleviates the cost for envelopes and the expense of addressing them.

Perhaps the best way of finding cost-cutting measures is to take personal ownership of savings. Viewing the money spent in assessment offices as your own provides a different perspective, which helps find waste that might normally be overlooked.

Stretching Management

Line managers who are not currently appraising can begin to take some work from the appraisers they manage, particularly work specific to the manager's expertise. This can be coupled with a heightened recognition and acknowledgment of workers who finish their work in a timely manner without supervision. Those who do so might provide some peer leadership that will alleviate some of the management duties of the line managers. Managers who appraise actually protect their own jobs. When cuts become severe, studies show that mid-level managers are the first to be eliminated. However, if they are also involved in production, their jobs are more likely to be considered necessary. They can also move into a technical position more easily if they have current experience. In one state, a large cut in the budget caused many workers with the department of revenue to be laid off. Management positions were the first to go, but managers who had technical expertise transferred to line jobs, while others did not survive the cut.

Going Further Out of the Box

A couple of other measures might be applicable in certain circumstances. The concept of *self-assessment* means that the taxpayer states what the property is worth. This is generally used only with industrial corporations that are large and difficult to appraise. A jurisdiction might not have the staff to appraise large industrial facilities, but it may have the time to examine an appraisal or other information presented by a company that wants to be involved with self-assessment.

The concept might sound outlandish and the valuation might be expected to be low when corporations self-assess, but that is not necessarily the case. Self-assessment also gives the assessor with few resources a starting place to consider valuation. The assessor can also send the appraisal or other valuation information provided by the company to an expert third party for evaluation. This method may be less expensive than contracting for industrial work, and it certainly has the potential to build trust between the assessor's office and corporations in the jurisdiction. However, in case the process does not work, any agreement entered into with the taxpayer must not bind the assessor to the value that the taxpayer presents.

Perhaps the best way of finding cost-cutting measures is to take personal ownership of savings. Viewing the money spent in assessment offices as your own provides a different perspective and helps find waste that might normally be overlooked. Technology may bring many new savings in the assessment business, but the desire for more efficiency is the overriding stimulus to achieving success. ■

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