SAN LUIS OBISPO COUNTY ASSESSMENT PRACTICES SURVEY

JANUARY 2015

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450 N STREET, SACRAMENTO, CALIFORNIA
PO BOX 942879, SACRAMENTO, CALIFORNIA 94279-0064
1-916-274-3350 ● FAX 1-916-285-0134
www.boe.ca.gov

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January 13, 2015

No. 2015/003

TO COUNTY ASSESSORS:

SAN LUIS OBISPO COUNTY
ASSESSMENT PRACTICES SURVEY

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

The Honorable Tom J. Bordonaro, Jr., San Luis Obispo County Assessor, was provided a draft of this report and given an opportunity to file a written response to the findings and recommendations contained therein. The report, including the assessor's response, constitutes the final survey report, which is distributed to the Governor, the Attorney General, and the State Legislature; and to the San Luis Obispo County Board of Supervisors, Grand Jury, and Assessment Appeals Board.

Fieldwork for this survey was performed by the BOE's County-Assessed Properties Division from January through February 2013. The report does not reflect changes implemented by the assessor after the fieldwork was completed.

Mr. Bordonaro and his staff gave their complete cooperation during the survey. We gratefully acknowledge their patience and courtesy during the interruption of their normal work routine.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee
Acting Deputy Director
Property Tax Department

DRK:dcl
Enclosure

TABLE OF CONTENTS

INTRODUCTION **1**
OBJECTIVE **2**
SCOPE AND METHODOLOGY **2**
EXECUTIVE SUMMARY **4**
OVERVIEW OF SAN LUIS OBISPO COUNTY **5**
FINDINGS AND RECOMMENDATIONS **6**
ASSESSMENT OF REAL PROPERTY **7**
CHANGE IN OWNERSHIP 7
MINERAL PROPERTY 8
ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES **10**
AUDIT PROGRAM 10
APPENDIX A: STATISTICAL DATA **12**
TABLE 1: ASSESSMENT ROLL 12
TABLE 2: CHANGE IN ASSESSED VALUES 12
TABLE 3: GROSS BUDGET AND STAFFING 13
TABLE 4: ASSESSMENT APPEALS 13
TABLE 5: CHANGE IN OWNERSHIP 14
TABLE 6: NEW CONSTRUCTION 14
TABLE 7: DECLINES IN VALUE 15
APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP **16**
APPENDIX C: RELEVANT STATUTES AND REGULATIONS **17**
ASSESSOR'S RESPONSE TO BOE'S FINDINGS **18**
BOE COMMENTS TO ASSESSOR'S RESPONSE **21**

INTRODUCTION

Although county government has the primary responsibility for local property tax assessment, the State has both a public policy interest and a financial interest in promoting fair and equitable assessments throughout California. The public policy interest arises from the impact of property taxes on taxpayers and the inherently subjective nature of the assessment process. The financial interest derives from state law that annually guarantees California schools a minimum amount of funding; to the extent that property tax revenues fall short of providing this minimum amount of funding, the State must make up the difference from the general fund.

The assessment practices survey program is one of the State's major efforts to address these interests and to promote uniformity, fairness, equity, and integrity in the property tax assessment process. Under this program, the State Board of Equalization (BOE) periodically reviews the practices and procedures (surveys) of every county assessor's office. This report reflects the BOE's findings in its current survey of the San Luis Obispo County Assessor's Office.

The assessor is required to file with the board of supervisors a response that states the manner in which the assessor has implemented, intends to implement, or the reasons for not implementing the recommendations contained in this report. Copies of the response are to be sent to the Governor, the Attorney General, the BOE, and the Senate and Assembly; and to the San Luis Obispo County Board of Supervisors, Grand Jury, and Assessment Appeals Board. That response is to be filed within one year of the date the report is issued and annually thereafter until all issues are resolved. The Honorable Tom J. Bordonaro, Jr., San Luis Obispo County Assessor, elected to file his initial response prior to the publication of our survey; it is included in this report following the Appendixes.

OBJECTIVE

The survey shall "…show the extent to which assessment practices are consistent with or differ from state law and regulations."[1] The primary objective of a survey is to ensure the assessor's compliance with state law governing the administration of local property taxation. This objective serves the three-fold purpose of protecting the state's interest in the property tax dollar, promoting fair treatment of taxpayers, and maintaining the overall integrity and public confidence in the property tax system in California.

The objective of the survey program is to promote statewide uniformity and consistency in property tax assessment, review each county's property assessment practices and procedures once every five years, and publish an assessment practices survey report. Every assessor is required to identify and assess all properties located within the county – unless specifically exempt – and maintain a database or "roll" of the properties and their assessed values. If the assessor's roll meets state requirements, the county is allowed to recapture some administrative costs.

SCOPE AND METHODOLOGY

Government Code sections 15640 and 15642 define the scope of an assessment practices survey. As directed by those statutes, our survey addresses the adequacy of the procedures and practices employed by the assessor in the valuation of property, the volume of assessing work as measured by property type, and the performance of other duties enjoined upon the assessor.

Pursuant to Revenue and Taxation Code[2] section 75.60, the BOE determines through the survey program whether a county assessment roll meets the standards for purposes of certifying the eligibility of the county to continue to recover costs associated with administering supplemental assessments. Such certification is obtained either by satisfactory statistical result from a sampling of the county's assessment roll, or by a determination by the survey team—based on objective standards defined in regulation—that there are no significant assessment problems in the county.

Since this survey did not include an assessment sample pursuant to Government Code section 15640(c), our review included an examination to determine whether "significant assessment problems" exist, as defined by Rule 371.

Our survey methodology of the San Luis Obispo County Assessor's Office included reviews of the assessor's records, interviews with the assessor and his staff, and contacts with officials in other public agencies in San Luis Obispo County who provided information relevant to the property tax assessment program.

[1] Government Code section 15642.
[2] Unless otherwise stated, all statutory references are to the California Revenue and Taxation Code and all rule references are to sections of California Code of Regulations, Title 18, Public Revenues.

For a detailed description of the scope of our review of county assessment practices, please refer to the Assessment Practices Survey Program document, which is available on the BOE's website at http://www.boe.ca.gov/Assessors/pdf/Scopemaster.pdf.

We conducted reviews of the following areas:

- Administration

  We reviewed the assessor's administrative policies and procedures that affect both the real property and business property assessment programs. Specific areas reviewed include the assessor's budget and staffing, workload, staff property and activities, and assessment appeals.

- Assessment of Real Property

  We reviewed the assessor's program for assessing real property. Specific areas reviewed include properties having experienced a change in ownership, new construction assessments, properties experiencing a decline in value, and certain properties subject to special assessment procedures, such as mineral property.

- Assessment of Personal Property and Fixtures

  We reviewed the assessor's program for assessing personal property and fixtures. Specific areas reviewed include conducting audits, processing business property statements, and business equipment valuation.

EXECUTIVE SUMMARY

This report offers recommendations to help the assessor correct assessment problems identified by the survey team. The survey team makes recommendations when assessment practices in a given area are not in accordance with property tax law or generally accepted appraisal practices. An assessment practices survey is not a comprehensive audit of the assessor's entire operation. The survey team does not examine internal fiscal controls or the internal management of an assessor's office outside those areas related to assessment. In terms of current auditing practices, an assessment practices survey resembles a compliance audit – the survey team's primary objective is to determine whether assessments are being made in accordance with property tax law.

In the area of administration, the assessor is effectively managing the staffing, workload, staff property and activities, and assessment appeals programs.

In the area of real property assessment, the assessor has effective programs for new construction and declines in value. However, we made recommendations for improvement in the change in ownership and mineral property programs.

In the area of personal property and fixtures assessment, the assessor has effective programs for business property statements and business equipment valuation. However, we made recommendations for improvement in the audit program.

Despite the recommendations noted in this report, we found that most properties and property types are assessed correctly, and that the overall quality of the assessment roll meets state standards.

We found no significant assessment problems as defined in Rule 371. Since San Luis Obispo County was not selected for assessment sampling pursuant to Government Code section 15643(b), this report does not include the assessment ratios that are generated for surveys that include assessment sampling. Accordingly, pursuant to section 75.60, San Luis Obispo County continues to be eligible for recovery of costs associated with administering supplemental assessments.

OVERVIEW OF SAN LUIS OBISPO COUNTY

San Luis Obispo County is located along the Pacific Ocean in the Central Coast of California. The county encompasses an area of 3,616 square miles, which consists of 3,299 square miles of land and 317 square miles of water. Created in 1850, San Luis Obispo County was one of California's original 27 counties. San Luis Obispo County is bordered by Monterey County to the north, Kings County to the Northeast, Kern County to the east, Santa Barbara County to the south, and the Pacific Ocean to the west.

As of 2012, San Luis Obispo County had a population of 274,622. San Luis Obispo County has seven incorporated cities: Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo. The county seat is the city of San Luis Obispo.

San Luis Obispo County is home to California Polytechnic (Cal Poly) State University, which is located in the city of San Luis Obispo. Other points of interest in the county include Hearst Castle and the Mission San Luis Obispo de Tolosa, which was founded in 1772. San Luis Obispo County is also rich in agriculture, with strawberries and wine grapes being the top two agricultural crops, in terms of value, for 2012.

FINDINGS AND RECOMMENDATIONS

As noted previously, our review concluded that the San Luis Obispo County assessment roll meets the requirements for assessment quality established by section 75.60. This report does not provide a detailed description of all areas reviewed; it addresses only the deficiencies discovered.

Following is a list of the formal recommendations contained in this report.

RECOMMENDATION 1: Improve the LEOP program by properly implementing the penalty process in accordance with section 482(b).....7

RECOMMENDATION 2: Improve the mining property program by measuring declines in value for mining properties using the entire appraisal unit as required by Rule 469.....8

RECOMMENDATION 3: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469. 10

RECOMMENDATION 4: Notify taxpayers of their right to appeal the result of an audit as required by Rule 305.3 11

ASSESSMENT OF REAL PROPERTY

Change in Ownership

Section 60 defines change in ownership as a transfer of a present interest in real property, including the beneficial use thereof, the value of which is substantially equal to the value of the fee simple interest. Sections 61 through 69.5 further clarify what is considered a change in ownership and what is excluded from the definition of a change in ownership for property tax purposes. Section 50 requires the assessor to enter a base year value on the roll for the lien date next succeeding the date of the change in ownership; a property's base year value is its fair market value on the date of the change in ownership.[3]

We examined recorded documents and found that the assessor has an effective program for the discovery and determination of reappraisable events. In addition, we reviewed property records having recently experienced a change in ownership and found that the assessor is following proper valuation procedures and has an efficient valuation program in place for reappraising properties having undergone a change in ownership. However, our review of the assessor's Legal Entity Ownership Program (LEOP) found an area in need of improvement.

Legal Entity Ownership Program (LEOP)

We reviewed several records involving legal entities having experienced a change in control or a change in ownership. We found that the assessor does an effective job reviewing the LEOP reports from the BOE and reassessing all property interests identified on the BOE-100-B, *Statement of Change in Control and Ownership of Legal Entities*. The assessor also reviews any additional properties owned by the entity that were not reported on the BOE-100-B. However, we found that the assessor does not always apply a penalty when a BOE-100-B is filed late.

RECOMMENDATION 1: Improve the LEOP program by properly implementing the penalty process in accordance with section 482(b).

We found several instances where penalties were not applied when an entity failed to timely file a BOE-100-B, even though the assessor had been notified by the BOE's LEOP Section to apply the penalty.

Sections 480.1 and 480.2 require the filing of a signed BOE-100-B whenever a legal entity has undergone a change in control or ownership. At the time of our survey, section 482(b) provided that if a person or legal entity failed to file a BOE-100-B within 90 days of a change in control or ownership or within 90 days of a written request from the BOE, whichever occurred earlier, they

[3] For a detailed description of the scope of our review of Change in Ownership, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/cio_general.pdf.

were subject to a 10 percent penalty.[4] Section 482(b) goes on to further provide that the penalty shall apply even if it is determined that no change in control or ownership occurred.

The BOE provides the assessor with several reports, as well as copies of BOE-100-Bs, indicating whether a penalty applies. The assessor should review these reports and the BOE-100-Bs to identify entities with late-filings or failures to file and apply penalties accordingly. By failing to apply the required section 482(b) penalty, the assessor is not following statutory requirements and is not treating all taxpayers equitably.

Mineral Property

By statute and case law, mineral properties are taxable as real property. They are subject to the same laws and appraisal methodology as all real property in the state. However, there are three mineral-specific property tax rules that apply to the assessment of mineral properties. They are Rule 468, *Oil and Gas Producing Properties*, Rule 469, *Mining Properties*, and Rule 473, *Geothermal Properties*. These rules are interpretations of existing statutes and case law with respect to the assessment of mineral properties.[5]

Mining Property

There are several mining properties located in San Luis Obispo County. These properties were being valued by the assessment manager of the Residential Property Division; however, the valuation of these properties is in the process of being transitioned over to another appraiser.

We have the following recommendation for mining properties:

RECOMMENDATION 2: Improve the mining property program by measuring declines in value for mining properties using the entire appraisal unit as required by Rule 469.

We found that it is the assessor's current practice to determine the current market value of the mine and allocate the component values. The assessor then determines the adjusted base year value of the mineral rights and adds the current market value of the fixtures to arrive at an adjusted base year value of the appraisal unit. This procedure conflicts with the intent of Rule 469(e)(2)(C).

Under article XIII A, all real property receives a base year value and, on each lien date, the taxable value of the real property unit should be the lesser of its adjusted base year value or

[4] Effective January 1, 2010, Senate Bill 816 (Stats. 2009, ch. 622) amended section 482(b) to provide for the application of a penalty if a person or legal entity failed to file a statement within 45 days of: (1) the date the change in control or the change in ownership occurred, or (2) the date of a written request from the BOE (filing of BOE-100-B), whichever occurred earlier. Prior to January 1, 2010, the penalty was only applicable if the statement was not filed within 45 days of a written request. In addition, effective January 1, 2012, Senate Bill 507 (Stats. 2011, ch. 708) amended the filing requirement from 45 days to 90 days for a legal entity to report a change in control or change in ownership, or to comply with a written request from the BOE, whichever occurred earlier.

[5] For a detailed description of the scope of our review of Mineral Property, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/mineralprop_general.pdf.

current market value. Section 105 defines fixtures as a type of improvement and, hence, as real property.

For most properties, fixtures are treated as a separate appraisal unit for the purpose of determining a decline in value. Mineral properties, however, are treated differently. Rule 469(e)(2)(C) specifically defines the appraisal unit of a mineral property to include land, improvements including fixtures, and reserves. The assessor should use this unit for the purpose of measuring a possible decline in value.

In order for the assessor to determine which value to enroll, the assessor should determine the current market value of the entire appraisal unit and compare it to the adjusted base year value of the entire appraisal unit, enrolling the lower of the two values. To properly determine the adjusted base year value of the appraisal unit, the adjusted base year value of the fixtures needs to be tracked and added to the adjusted base year value of the other components of the appraisal unit.

Failure to properly determine the decline in value of a mineral property by not comparing the adjusted base year value of the entire appraisal unit to the current market value of the entire appraisal unit may cause the assessor to enroll incorrect assessments and is contrary to Rule 469.

ASSESSMENT OF PERSONAL PROPERTY AND FIXTURES

Audit Program

Effective January 1, 2009, county assessors are required to annually audit a significant number of audits as specified in section 469. The significant number of audits required is at least 75 percent of the fiscal year average of the total number of mandatory audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, with at least 50 percent of those to be selected from a pool of those taxpayers with the largest assessments.[6]

Rule 192 prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. According to Letter To Assessors (LTA) No. 2009/049, the amended statute requires the assessor to complete a minimum of 57 significant audits per year, of which 28 (29) audits are to be from the pool of largest assessments and 29 (28) audits are to be from the pool of all other taxpayers. The assessor completed a total of 63 significant audits for the 2009-10 fiscal year, 52 significant audits for the 2010-11 fiscal year, 58 significant audits for the 2011-12 fiscal year, and 49 significant audits for the 2012-13 fiscal year. Given recent and current audit production levels, the assessor failed to meet the minimum number of significant audits required, as defined by section 469, two of the past four years as reported.

RECOMMENDATION 3: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

We found that the assessor did not conduct the minimum number of audits required under the provisions of section 469 two of the past four years as reported. While the assessor did meet the minimum number of audits required two of those years, it is unclear whether the assessor will meet his statutory obligations in the future.

An effective audit program verifies the reporting of various business property accounts, from small to large, and helps prevent potential errors or escape assessments. An audit program is an essential component of an equitably administered assessment program. A weak audit program can leave a business property assessment program with no means of verifying the accuracy of taxpayer reporting or correcting noncompliant reporting practices. Furthermore, experience shows that when audits are not conducted timely, it is more difficult to obtain the records necessary to substantiate accurate reporting the further removed the audit is from the year being audited. Therefore, timeliness of the audit is an important factor in an effective audit program and ultimately a well-managed assessment program.

By failing to conduct a significant number of audits in a timely manner each year, the assessor is not in compliance with section 469.

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[6] For a detailed description of the scope of our review of Audit, please refer to the Assessment Practices Survey Program, which is available on the BOE's website at www.boe.ca.gov/Assessors/pdf/auditprogram_general.pdf.

Audit Quality

An audit should follow a standard format so that the auditor-appraiser may easily determine whether the property owner has correctly reported all taxable property.

We found that the assessor performs change in control (ownership) reviews, verifies leased equipment, accounts for supplies, and properly classifies equipment during the audit process. We sampled several recently completed audits and found that in all cases the audits were accurate, well documented, and supported by a comprehensive audit checklist defining the areas of investigation. The assessor's audit quality is further enhanced by a standardized review process where every completed audit is reviewed by the assessment manager and/or an auditor-appraiser. We also reviewed the assessor's application of roll corrections to reflect audit findings. When correcting for audit findings indicating a net underassessment (escape), the assessor informs the property owner of their right to an appeal and separately enrolls roll corrections for each year in which the escape assessment took place pursuant to section 531.

Overall, the assessor's audit program is effectively managed. However, we found an area in need of improvement.

RECOMMENDATION 4: Notify taxpayers of their right to appeal the result of an audit as required by Rule 305.3

In San Luis Obispo County, the assessor does not notify taxpayers of their right to appeal audit findings when the audit results in an overassessment or no change to a previously enrolled assessment, even though the audit discloses property subject to escape assessment. We found that the assessor only informs taxpayers of their right to an appeal when the combined audit findings result in a net escape assessment of taxable equipment for a specific tax year. For other audit results, the assessor properly informs the taxpayer of the audit results in writing; however, there is no mention of the taxpayer's right to appeal audit findings.

Section 469 generally provides that the assessor shall provide the taxpayer with the results of an audit in writing. In implementing section 469, Rule 305.3(d)(2) provides that the taxpayer must be informed of their appeal rights, regardless of whether or not an escape is actually enrolled, if the audit discloses property subject to an escape assessment. When taxpayers are not advised of their appeal rights in relation to a net overassessment or a "no change" audit finding, they have no knowledge of their entitlement to equalization on the entire property for the year of such escape, regardless of whether or not the assessor actually enrolls an escape assessment.

APPENDIX A: STATISTICAL DATA

Table 1: Assessment Roll

The following table displays information pertinent to the 2012-13 assessment roll:[7]

	PROPERTY TYPE	ENROLLED VALUE
Secured Roll	Land	$18,102,320,512
	Improvements	$20,039,427,993
	Fixtures	$299,623,596
	Personal Property	$255,090,317
	Total Secured	$38,696,462,418
Unsecured Roll	Land	$0
	Improvements	$166,712,546
	Fixtures	$239,577,998
	Personal Property	$726,881,432
	Total Unsecured	$1,133,171,976
Exemptions[8]		($672,031,578)
	Total Assessment Roll	$39,157,602,816

Table 2: Change in Assessed Values

The next table summarizes the change in assessed values over recent years:[9]

ROLL YEAR	TOTAL ROLL VALUE	CHANGE	STATEWIDE CHANGE
2012-13	$39,157,603,000	1.0%	1.4%
2011-12	$38,774,372,000	-1.9%	0.1%
2010-11	$39,516,894,000	-1.1%	-1.9%
2009-10	$39,953,588,000	-0.4%	-2.4%
2008-09	$40,128,956,000	5.2%	4.7%

[7] Statistics provided by BOE-822, *Report of Assessed Values By City*, 40 San Luis Obispo, for year 2012.
[8] The value of the Homeowners' Exemption is excluded from the exemptions total.
[9] State Board of Equalization Annual Report, Table 7.

Table 3: Gross Budget and Staffing

The assessor's budget has decreased from $8,657,676 in 2008-09 to $8,225,911 in 2012-13.

At the time of our survey, the total number of permanent budgeted positions was 80, which consisted of the assessor, assistant assessor, 5 assessment managers, 26 appraisers, 5 auditor-appraisers, 5 assessment analysts, 5 cadastral mapping systems specialists, 17 assessment technicians, 1 accounting technician, 12 property transfer technicians, 1 secretary, and 1 administrative assistant.[10]

The following table sets forth the gross budget and staffing over recent years:[11]

BUDGET YEAR	GROSS BUDGET	PERCENT CHANGE	PERMANENT STAFF
2012-13	$8,225,911	2.9%	80
2011-12	$7,997,644	-2.3%	80
2010-11	$8,186,020	-2.2%	80
2009-10	$8,372,519	-3.3%	82
2008-09	$8,657,676	3.5%	86

Table 4: Assessment Appeals

The following table shows the number of assessment appeals filed in recent years:[12]

YEAR	ASSESSMENT APPEALS FILED
2012-13	312
2011-12	685
2010-11	573
2009-10	325
2008-09	304

[10] Information provided by Assessor's Office Organization Chart provided by the assessor. Also see *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for year 2012-13. Also supported by the BOE's *2011-12 Salary and Benefits Survey* as of August 2012.
[11] Statistics provided by County of San Luis Obispo Final Budget, Assessor, for fiscal years 2008-09 through 2012-13. It should be noted that the number of staff reported for 2012-13 was 84.5; however, the additional 4.5 staff were for limited term employee (LTE) positions, so they were not included in the count.
[12] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

Table 5: Change in Ownership

The following table shows the total number of reappraisable transfers due to changes in ownership processed in recent years:[13]

YEAR	REAPPRAISABLE TRANSFERS
2012-13	5,419
2011-12	8,889
2010-11	9,019
2009-10	7,471
2008-09	7,983

Table 6: New Construction

The following table shows the total number of new construction assessments processed in recent years:[14]

YEAR	NEW CONSTRUCTION ASSESSMENTS
2012-13	4,940
2011-12	2,322
2010-11	8,852
2009-10	7,335
2008-09	7,239

[13] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.
[14] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

Table 7: Declines In Value

The following table shows the total number of decline-in-value assessments in recent years:[15]

YEAR	DECLINE-IN-VALUE ASSESSMENTS
2012-13	50,695
2011-12	58,753
2010-11	56,329
2009-10	44,202
2008-09	40,428

[15] Statistics provided by *A Report on Budgets, Workloads, and Assessment Appeals Activities in California Assessors' Offices* for years 2008-09 through 2012-13.

APPENDIX B: COUNTY-ASSESSED PROPERTIES DIVISION SURVEY GROUP

San Luis Obispo County

Acting Chief

Benjamin Tang

Survey Program Director:

Mike Harris	Manager, Property Tax

Survey Team Supervisor:

Sally Boeck	Supervisor, Property Tax

Survey Team Leader:

Ronald Louie	Supervisor, Property Tax

Survey Team:

James McCarthy	Senior Petroleum and Mining Appraisal Engineer
Tammy Aguiar	Senior Specialist Property Appraiser
Andrew Austin	Senior Specialist Property Appraiser
Gary Coates	Associate Property Appraiser
Robert Marr	Associate Property Appraiser
Jay Price	Associate Property Appraiser
Paula Montez	Associate Property Auditor-Appraiser

APPENDIX C: RELEVANT STATUTES AND REGULATIONS

Reference	Description
Government Code	
§15640	**Survey by board of county assessment procedures.**
§15641	**Audit of records; appraisal data not public.**
§15642	**Research by board employees.**
§15643	**When surveys to be made.**
§15644	**Recommendations by board.**
§15645	**Survey report; final survey report; assessor's report.**
§15646	**Copies of final survey reports to be filed with local officials.**
Revenue and Taxation Code	
§75.60	**Allocation for administration.**
Title 18, California Code of Regulations	
Rule 370	**Random selection of counties for representative sampling.**
Rule 371	**Significant assessment problems.**

ASSESSOR'S RESPONSE TO BOE'S FINDINGS

Section 15645 of the Government Code provides that the assessor may file with the Board a response to the findings and recommendations in the survey report. The San Luis Obispo County Assessor's response begins on the next page.

Section 15645 also allows the Board to include in the report comments regarding the assessor's response. Our comments follow the assessor's response.

Office of Tom J. Bordonaro, Jr., County Assessor

County Government Center, 1055 Monterey St., Ste. D360, SLO, CA 93408
(805) 781-5643 Fax: (805) 781-5641 Web Site: slocounty.ca.gov/assessor

November 12, 2014

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NOV 18 2014

County-Assessed Properties Division
State Board of Equalization

State Board of Equalization
Property Tax Division
Attn: Mr. Dean Kinnee
P.O. Box 942879
Sacramento, CA 94279-0064

RE: San Luis Obispo County Assessment Practices Survey

Dear Mr. Kinnee:

Please find enclosed a hard copy of our survey responses that we wish to have included in the final printed report of our assessment practices survey report.

We thank you for your team's thorough and professional work done on this survey and we appreciate the opportunity to meet, confer, and respond to the report.

We look forward to working with BOE staff on future surveys and other assessment issues that may arise.

Sincerely,

Tom J. Bordonaro, Jr.
Assessor
County of San Luis Obispo

San Luis Obispo County
2014 Assessment Practices Survey
Recommendations & Responses

Recommendation #1: Improve the LEOP program by properly implementing the penalty process in accordance with section 482(b).

Due to budget cuts, the Assessor was experiencing backlogs and computer programing problems at the time of this survey. These issues have been resolved and the Assessor is implementing the penalty process in accordance with section 482(b).

Recommendation #2: Improve the mining property program by measuring declines in value for mining properties using the entire appraisal unit as required by Rule 469.

There are only 33 mineral assessments in San Luis Obispo County and the majority are small value river sand and gravel that do not have associated fixtures or improvements. There are only two quarry operations within the county that have associated fixtures and the assessed value of the fixtures is not significant.

The Assessor does not currently have a system to track base year values for *fixtures* because *fixtures* are valued on an annual basis. Determining and monitoring the base year value of these fixtures would require annual audits and computer program changes that would simply not be cost effective. A review of the assessments indicates that no significant change in value would result if those actions were taken.

Recommendation #3: Perform the minimum number of audits of professions, trades, and businesses pursuant to section 469.

Multiple years of budget cuts resulted in a lack of certified auditing staff to perform the required minimum number of audits. The County budget has improved and the Assessor was provided with an additional auditor in the 2014/15 roll year. This is expected to provide for completion of the required number of audits by roll close.

Recommendation #4: Notify taxpayers of their right to appeal the result of an audit as required by Rule 305.3.

Our current practice of netting audit escapes and refunds increases the efficiency of the property tax system. Because this method is more economical and preferred by the taxpayer, no change in procedure is contemplated. We currently enroll escaped assessments for each year as they are found in the audit, but at the same time, any reductions in the amount of assessments found by those audits is offset against the escapes thus providing the assessee with a net value. Instead of writing numerous revisions to the assessment roll, a single revision produces the same result. We do check tax rates to ensure that our actions do not unjustly affect the taxpayer.

BOE COMMENTS TO ASSESSOR'S RESPONSE

Recommendation 4: Notify taxpayers of their right to appeal the result of an audit as required by Rule 305.3.

BOE Comments to Assessor's Response:

The BOE would like to clarify that this recommendation is in regards to the assessor not consistently notifying taxpayers of their appeal rights as provided them by statute and required by Rule 305.3(d)(2). The taxpayer still has the right to appeal the findings of an audit year when that particular year has some individual property items subject to escaped assessment. The taxpayer should be notified of their appeal rights regardless of whether the ultimate finding for the audit year after netting all individual items results in a net overassessment or no change to the assessment roll for that year.