

Brian Johnson  
7025 N Boswell Lane  
Tucson, AZ 85743  
520-975-0106  
[briansticker@gmail.com](mailto:briansticker@gmail.com)

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To: The Honorable Chair and Members,  
Pima County Board of Supervisors

**RE: Assessor Budget – Budget Hearings FY 2016/2017 May 3, 2016**

The proposed Assessor budget for the upcoming fiscal year continues to provide increased funding for the Assessor's focus on unnecessary litigation while essential services to taxpayers are diminished. This is a budgetary policy that lessens taxpayer confidence in a fair, efficient and transparent property tax system as services are not provided and property tax information becomes increasingly less accurate, up-to-date and accessible.

**Unnecessary Litigation**

In October of 2014 the Board of Supervisors adopted B.O.S. Policy 6.2 which transferred settlement authority for property tax appeals to the Finance Director with the consent of the County Attorney. This relieved the Assessor of addressing property tax litigation and the need to budget for staff and operations to handle these. The Assessor, however, continued to initiate lawsuits as the Plaintiff against property owners and intervene in cases involving his exemption policies. In October of 2014 he moved \$200,000 from personnel to operations for the purpose of litigation costs.

The following cases are current in tax court:

TX2014-000024	Bill Staples v Fidelity National
TX2014-000559	Bill Staples v HUB Properties
TX2014-000606	Bill Staples v TKG El Con
TX2015-000356	Bill Staples v Raytheon
TX2016-000873	Bill Staples v Core Campus
TX2014-000614	Christ Lutheran Vail Church v Pima County (Bill Staples – intervenor)

Pima Superior Court Cases:

C20145832	CT Athletic v Bill Staples & Pima County
C20142934	Primavera Foundation v Bill Staples & Pima County
C20141150	Paradigm, et. al. v Bill Staples & Pima County

The FY 2015/2016 budget allocated \$50,000 for lawyers to the Assessor's administrative unit budget. In the first 9 months of the current fiscal year attorney costs paid to the Law Offices of Terri Roberts amounted to \$40,796.05. While Terri Roberts represents Bill Staples in most of these cases, court records indicate he is represented by Paul Loucks in C20141150 Paradigm v Staples and Roberta Livesay in TX2014-000606 Staples v TKG El Con.

The proposed budget calls for \$50,000 for lawyers and \$183,425 for other professional services, presumably for additional attorney costs and expert witness costs. The cost of litigation should any of these cases go to trial can far exceed those amounts. Looking at budget details it appears that there are unclassified positions in the Assessor's administration totally 5.75 FTE amounting to \$315,336 which if go unfilled can provide extra money to pay for this litigation. It should also be noted that should Bill Staples not prevail in all these cases there can be a liability for the prevailing party's attorney costs up to \$75,000 per case. This is a risk being imposed on the Pima County taxpayers.

### **Essential Services Not Performed & Staffing Unfilled**

The money being devoted to litigation has to come from other areas in the budget and it appears to come from staffing. One unit not being funded in the proposed budget is 1703-AS-Land. This unit had FY 2014/2015 actual expenditures of \$509,727. The land unit or section, as it is referred to in the Assessor's office, was comprised of a supervisor and senior appraisers that specialized in land valuation and agriculture.

This unit, or section, is not budgeted for FY 2016/2017 and positions that were lost due to attrition have not been filled. As a result, this diminishes the ability for the Assessor to provide essential services. Besides valuation of the underlying land on improved properties and the land on vacant properties, the land section was instrumental in processing parcel changes due to splits and combinations. This is a process that is no longer being performed with detrimental consequences.

The Assessor has relieved himself of the duty to allocate values for split properties and has posted the following on his website:

*"Conveyance documents to split the property recorded on or after January 1 of the current calendar year, will not appear in the tax roll until the following tax year. Consequently, the current year's tax bill will be sent to the seller (prior owner). **It is the responsibility of the property owners to allocate the tax liability equitably.**"* (emphasis added)

This puts a tremendous burden on the taxpayers to figure out something that they have no experience or specialized knowledge with. It is not simply proportioning based on percentages of land surface; there are also considerations for the value of improvements. Real Estate professionals, Brokers, Agents and Escrow Officers are being put in a potentially contentious situation and will be assuming a liability for concluding values for tax purposes that should be done by the Assessor.

Another consequence of this failure to perform an essential function is that a new property owner of a split property will not be able to appeal a value and its associated tax under ARS 42-16201. This statute allows a new property owner to appeal the value of a property if it is purchased after December 15 of the valuation year. The situation has already occurred where the property owners and their agents allocated a value to a new owner that exceeded the purchase price leaving the new property owner no legal right to appeal that value. This has the potential for causing future lawsuits and potential risk to the taxpayers as a whole simply because the Assessor isn't doing a necessary function, presumably because he doesn't have the proper staff to do it.

### **Information Technology**

The Assessor no longer provides an accurate and up-to-date source for information to the public. This is a result of either not allocating sufficient resources and personnel or just a lack of desire to provide

taxpayers, the real estate community, developers and government officials with reliable and accessible information.

The proposed FY 2016/2017 budget detail for the unit 0012-AS-Info/Tech Systems calls for \$1,084,314 down from actual expenditures of \$1,234,452 in FY 2014/2015. With the increased reliance on data in both the private and public sectors it seems that there should be an upward trend in this type of expenditure.

The main concern for taxpayers is that the Assessor is not updating property and tax roll corrections that are a result of an appeal. There are in excess of two thousand homeowner appeals concerning class 3 (primary residence) and class 4 (other residential) as a result of changes to the tax laws several years ago. These appeals are being handled by the Clerk of Board and Finance, not by the Assessor, and subsequently the decisions being made are not carried forward into the Assessor's records causing confusion and unnecessary further appeals by taxpayers. Also tax roll corrections made as a result of tax court judgments are not updated in the Assessor's records and are not available on the Assessor's website.

Another concern is that the Assessor's website does not display data concerning exemptions and has properties owned by non-profits improperly classified and inaccurate descriptions. Churches are, for the most part, described as 'miscellaneous commercial' and have a legal classification of class 1 (commercial) at a 18% assessment ratio. The same misclassification goes for non-profit hospitals, housing, community service organizations, schools, etc. A failure to keep accurate records on these properties has potential to cause lawsuits against the County especially when they are sold and have a change of use as a for-profit.

### **Recommendations**

- End the unnecessary lawsuits and reallocate those funds.
- Restore unit 1703-AS-Land and its necessary staffing.
- Consider funding for updating IT Systems that are integrated with the Treasurer and Administration functions including mapping and development services to provide accessible and accurate property record data.
- Decompression of salaries and develop a merit pay system to attract and maintain a professional staff.



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