

# CAMA Project

# Memorandum

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To: Mayor Hunter and Members of the Assembly  
Mark Gorman, Municipal Administrator

From: Wendy Lawrence, Assessing Director  
Jay Sweeney, Chief Financial and Administrative Officer

Date: December 7, 2016

Subj: Budget Re-Appropriation for a Computer Assisted Mass-Appraisal System

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## Summary:

The Assessing Department seeks approval to contract \$150,000 over a four year period to establish a computer-assisted mass-appraisal (CAMA) system for the automated valuation of the Sitka property tax-base. This appropriation is sought primarily to increase efficiencies without substantially increasing costs, and secondarily to achieve regulatory compliance stemming from repeated audit findings indicating the City and Borough of Sitka's assessment valuation system is deficient in demonstrating fair and equitable taxation. The requested capital outlay is proposed to produce the following primary benefits:

- Increase property tax administration efficiencies without substantially increasing costs
- Achievement of regulatory compliance with state law and prevent detrimental regulatory action
- Mitigation of risks to the property taxbase inherent in non-automated systems
  - Revenue escapement
  - Assessment inequities

*Implementation of the Municipal Assessment Records System (MARS) by Alaska CAMA Company will automate valuations and utilize technology for increased efficiencies in data collection. This system will reduce the per-parcel valuation time from two hours per parcel to forty-five minutes per parcel, thus increasing efficiencies without substantially increasing costs, and will bring property tax administration into regulatory compliance.*

## Fiscal Note:

The full contracted software amount is \$150,000, which is to be paid out over a four-year period. If approved, the cost will be provided for by re-appropriating \$45,000 in existing FY17 appropriations in the Assessing Department, and re-appropriating an additional \$105,000 from the General Fund unassigned fund balance. Note that the binding nature of the contract requires that the full amount be appropriated, even though payments will be made over four years. The net fiscal impact is estimated to be approximately \$150,000. This approval will result in an award of a professional services contract which is exempt by charter.

## Recommendation:

**Approve the re-appropriation of FY17 funds in the amount of 1. \$45,000 from the Assessing Department Temporary Wages and Contract Services accounts, and 2. \$105,000 from the General Fund unassigned fund balance for the establishment of a**

**Computer Assisted Mass Appraisal System for administration of the property tax assessment function.**

**Ordinance 2016-44 Background & Reference Information:**

The Assessing Department's primary mission is to support general fund government by maintaining the borough's real and personal property taxbase at full and true value (SGC 4.12.040 & AS 29.45.110 (a)).

*The assessor shall assess property at its full and true value as of January 1 of the assessment year... The full and true value is the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels.*

The department's work-product results in 23% of the general fund revenue, and is the most stable revenue stream for the City and Borough of Sitka. The Assessing Department is charged with generating valuations for over 4,100 real property accounts, 2,300 personal property accounts, and 540 business personal property accounts each year. The department also administers various property tax exemptions for seniors, disabled veterans, and various exempted non-profit organizations. This mission is accomplished by utilizing systems, which consist of technology and skilled appraisal personnel, to administer and revalue 6,900 accounts annually.

Two key challenges to this mission are the lack of automated systems (CAMA) to revalue each account at full and true value every year, and the necessary sales data to determine full and true value. The former can be mitigated through the passage of this ordinance, and the latter will require the state legislature to mandate disclosure of sales prices at the time of each property transfer. These challenges are nothing new, but what is new is the need to stabilize the property tax revenue stream and increase efficiencies in times of declining alternate revenues.

State Assessor audits in 2010 and 2014 both recommended procurement of an automated valuation system, and the most recent 2016 State Assessor's Audit Finding states:

*If a program for substantial and material improvement of the assessment systems is not implemented and supported by the 2017 budget, I as the State Assessor, intend to issue a Letter of Major Error in 2017. Marty McGee, State Assessor, November 16, 2016*

Detrimental regulatory action in the form of a Letter of Major Error constitutes regulatory action that will require:

- Expenditure of funds to secure a CAMA system, and
- Could potentially cause Sitka to call back the tax roll, or
- Stop the process of tax collection until corrective action is taken within one year.

The 2016 State Assessor's Audit Criteria regarding key components of an assessment system are based upon the International Association of Assessing Officers Professional Standard on Mass Appraisal for the assurance of the property administration of the property tax. An assessment system must:

1. Have the ability to calibrate and update assessment models on an annual basis

2. Utilize a sales ratio study, and a hold-out sample to test the authenticity of the sales ratio study, on an annual basis
3. Demonstrate the uniform application of valuation (including depreciation) to all taxable property using recognized mass appraisal techniques and supported by statistical tests
4. Keep assessment records in such a manner that information may be extracted via electronic means and statistical analysis and tests may be applied in a timely and efficient manner
5. Make this same information available to the State Assessor and to the general public to review and defend assessed values under appeal before a local board of equalization
6. Implement a plan that property be inspected and records maintained and update demonstrating a minimum six year cycle
7. Have capability for review of sales files and all property inspected each year as well as changes to ownership and changes to taxability status
8. Have the ability to conduct this type of audit should not be time consuming or labor intensive for either the State Assessor or the local government
9. Have documented records, and the system that holds the records, and must be adequate to demonstrate compliance with this expectation under audit or review by the State Assessor.

***The State Assessor's Office, as regulatory authority over property taxation statewide, has found that the City and Borough of Sitka's assessment system met criteria Number 4 in full but failed on all other accounts in whole or in part. The City and Borough of Sitka's current assessment system meets the database management criteria, but not the uniform valuation criteria and was thus found deficient for the 2016 audit.***

**Property Tax Management Systems Consist of Staff and Technology:**

The Assessing Department's current systems include a staff of three full time employees and three separate databases which simply store property data and are not yet capable of automated revaluation. These databases do not have automated valuation components, and thus are the primary limiting factor in the assessment function. Staff consists of one field appraiser whose primary responsibility is the collection of property data, one administrative assistant who manages the 6,900 accounts, an assessor who values each property manually.

***The objective of mass-appraisal is to produce equitable tax assessment valuations at relatively low costs through automated valuation systems. The lack of one centralized automated valuation system is the main factor preventing all properties from being valued at full and true value each year and thus the focus of this re-appropriation request.***

This staff of three utilizes an annual systematic process outlined below, and a CAMA system is an integral part of this process:

- Locating and identifying all taxable property within the borough boundaries;
- Inventorying the quantity and quality of property characteristics that are relevant to value;
- Accurately estimating the full and true value of all property;
- Calculating the taxable value for reach property, minus any eligible exemptions;
- Timely notification of assessed values to all property owners;

- Preparing and certifying the official assessment roll as the basis for annual property tax revenues

### **Strategic Plan:**

In 2015 the Assessing Department established a five-year strategic plan with years one through four focused on the systematic re-inspection of all properties, with full and true value being achieved in year five after automated valuation models could be incorporated into the current database system. Policies were implemented to streamline and simplify processes and thus produce greater efficiency without expansion of current systems. This entailed introduction of technology tools and training to make inspections more productive, and the cross-training of staff in order to increase our valuation production potential. With limited staff and non-automated valuation, the Assessing Department is subject to serious deficiency if a trained staff member were to leave or be out for an extended period; valuation production could significantly slow or cease due to the segmented structure and non-automated nature of the department. Implementing a CAMA system will automate and capitalize this process thus reducing the risk of loss of any one employee and thus production.

*These assessment system limitations are resulting in the under-collection of property tax revenues (escapement) and causing assessment inequities between comparable properties. It is estimated that an additional \$1M per year will be collected by establishing a computer-assisted mass-appraisal (CAMA) system for the automated valuation and efficient administration of the property taxbase.*

The next step in this strategic plan is to implement a CAMA system that will manage and revalue all 6,900 properties every year, not just a subset, thus keeping the entire taxbase at full and true value. This re-appropriation will move the anticipated revenue recapture from year five to year two by implementing an established CAMA system utilized by Charles Horan, Alaska CAMA Company, LLC.

### **Why is there Revenue Escapement and how is it Estimated?**

Half of the entire population of borough real property accounts have not been revalued within the last six years as required by state law, and it is estimated that about ninety percent of these properties in both the north, south and island areas have not been revalued on average since 2003. Time-trend analysis shows that the market has moved at about one percent per year since then, which translates to values that on average are about fifteen below full and true value. These properties are the basis for the estimated \$1M per year in escaped revenue.

When properties are revalued regularly by segmenting them into six areas each revalued every six years, properties will be maintained at full and true value and equities between comparable properties will then follow thus resulting in fair and equitable taxation. When properties are not kept at full and true value each year we have and under-collection of revenue, and inequities in assessed values between comparable properties. What this means in practicality is that those properties that have been revalued regularly, and are considered to be at full and true value, will be paying the appropriate taxes for general fund services while those not at full and true value will not. This is what we call assessment inequity and needs to be corrected as soon as possible so that taxation across the community is fair and equitable as set forth in AS 29.45.210 (b).

*Implementation of the Municipal Assessment Records System (MARS) by Alaska CAMA Company will capitalize this process by automating valuations and utilizing*

*technology for increased data collection efficiency. This system will take the per-parcel valuation time from two hours per parcel to forty-five minutes per parcel thus increasing efficiency without substantially increasing costs.*

**Fiscal Impact Analysis:**

The net fiscal impact is estimated to be approximately \$150,000. This is estimated by offsetting the total cost of \$(150,000) by the expected revenue gain for FY18 of \$300,000. This approval will result in an award of a professional services contract which is exempt by charter.

The department will have an efficient fully functioning, fully-owned valuation system at the end of this contract and it is anticipated that the department will maintain the system through an annual fee comparable to the minimal maintenance fees within this contract. The associated annual costs are summarized below. The hardware costs estimated to be under \$10,000 are already appropriated within the FY17 Assessing Department/IT Budget, and additional cost savings will be achieved in the amount of \$5,000 for the Marshall & Swift Cost Valuation software that will no longer be needed.

<u>City and Borough of Sitka</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 4</u>	<u>Year 4</u>	<u>Totals</u>
<u>License Admin &amp; Maintenance</u>	<u>\$45,000</u>	<u>\$32,000</u>	<u>\$32,000</u>	<u>\$12,000</u>	<u>\$121,000</u>
<u>Fee</u>					
<u>Variable -Install, Modify &amp;</u>	<u>\$15,000</u>	<u>\$14,000</u>			<u>\$29,000</u>
<u>Total</u>	<u>\$60,000</u>	<u>\$46,000</u>	<u>\$32,000</u>	<u>\$12,000</u>	<u>\$150,000</u>

# ALASKA CAMA COMPANY, LLC

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835  
PHONE NUMBER: (907) 747-6666      FAX NUMBER: (907) 747-7417  
commercial@horanappraisals.com

December 7, 2016

Honorable Mayor Matthew Hunter and Assembly Members  
City and Borough of Sitka  
100 Lincoln St  
Sitka, AK 99835

Subject: Computer Assisted Mass Appraisal (CAMA) program for the City and Borough of Sitka Assessment Department

We are proposing to partner with the City and Borough of Sitka Assessment Department to provide a Computer Assisted Mass Appraisal (CAMA) program. Based on our experience, we saw the need to develop a simple, low cost, efficient, and easy to support Municipal Assessment Records System (MARS) software solution that runs on the off-the-shelf FileMaker database.

## **Our Experience**

The Alaska CAMA Company LLC is an outgrowth of Horan and Company LLC, real estate appraisers who have operated in the region for over 40 years. Our qualified staff have been contract assessors and commercial and residential appraisers. We have seven employees operating out of our fully modern, technically capable office located in Sitka, Alaska. The company is led by Charles Horan, an MAI designated appraiser. We have continuously operated as an appraisal firm covering all of Southeast Alaska, providing specialty land appraisals in interior and coastal Alaska. We are the only commercial appraisal firm in Southeast Alaska. We're one of the few appraisal firms in the state with continuous employment of IT support staff.

Through this experience, we saw the need for and provided an electronic assessment program for the Municipality of Skagway in 2009: the second-generation Municipal Assessment Record System (MARS) solution, implemented for a complete real property valuation in the City of Craig for 2015. This tested CAMA program is the only one of its kind developed in the market by a valuation company. Our involvement in the preparation of well over 80 assessment rolls makes us uniquely qualified to understand the needs of the municipalities, as well as the rules and regulations governing assessed valuations in the state of Alaska and the requirements of mass valuation.

## **The Benefits of the Municipal Assessment Records System (MARS)**

MARS operates on the FileMaker database which is fully compatible with the iPad, enabling huge efficiencies in the field. The entire database can be synchronized from the computer desktop to the iPad and taken to the field. The drop down menus, use of typed comments or Siri and the in-file photographic capabilities instantaneously update the property inventory files. This will save hours of field prep time and many more hours



back in the office not having to transcribe field notes and download, then re-upload photos and graphics.

As a valuation tool MARS enables lump sum values to be recorded in the field and described photographically, saving lots of time. Back at the office, similar properties can be batched together and valued at once. MARS is able to use basic valuation curves developed for land and can accommodate residential and commercial value curves derived from the market. This is more accurate and relies less on costly outside valuation sources and fees. The valuation curves can easily be adjusted to reflect changes in the market, allowing quick updates from year to year. MARS has predefined depreciation options and automatically calculates possessory interests. The association with the Alaska CAMA Company creates collaborative opportunities with other assessors using MARS.

The MARS files are easy to understand and read, and can be shared with the public with minimal staff time. They are easy to compare with other assessments or sales to ensure equity and fairness. The MARS records contain all the information necessary for reporting to the state assessor and to affirm the local assessor's compliance with state statutes. These electronic records are easy to back up and require minimal IT support.

One final consideration. If the CBS chooses MARS it will be a significant benefit for our local economy. Our appraisal firm business for the Sitka market only requires about 1.3 equivalent appraisers. In other words, about four of our employees are paid from income generated from outside of Sitka. Not only has the State Assessor endorsed MARS for communities throughout the state, we have had direct inquiries by several other assessors and appraisers and inquiries for proposals from Haines, Nome, Yakutat, Wrangell, Petersburg, Unalaska, and Cordova for the MARS solution. In this environment of increased pressures for local municipalities to be more fiscally responsive the demand for a simple CAMA system will grow. If this demand is served by a firm in Sitka it should add one more full time equivalent job to our economy. We are one of many companies who choose to locate and stay in Sitka even though our work is region-wide. We appreciate your support.

We know Wendy Lawrence has searched for a complete CAMA solution for years and has found what we have found; that MARS works best for small communities. We are excited to implement it with her here in Sitka. Please call me if you have any questions prior to the workshop on December 13. My cell number is 907-738-1666.

Sincerely,



Charles Horan  
Alaska CAMA Company, LLC



## **The Benefits of a Computer Assisted Mass Appraisal (CAMA) System Such as the Municipal Assessment Record System (MARS)**

The fully automated simple-to-use MARS is not just designed to reduce department staff time but to enable staff to efficiently produce more consistently updated and equitably assessed values in the time allotted. Historically, assessment offices across the state are understaffed. Most small municipalities are often behind in their valuations cycles, which results in inequitable taxation. Beyond staff frustration and low productivity, public inquiries reveal inadequate and partially complete records, and records which cannot easily be compared to confirm equity. This erodes public trust in the system and the municipal administration.

As state revenues diminish, it is becoming more incumbent upon municipalities to be efficient and equitable in their assessment system. The state assessor is charged with confirming that municipalities have an equitable, verifiable system to estimate the full and true value of each taxable property as of January 1 each tax year. MARS benefits municipalities in the following ways:

- Efficient property data collection (iPad-file sync)
- Efficient, lower cost revaluation (automated depreciation and value curves)
- Easy to update and revalue each year (data preserved year to year)
- Lower risk of data loss (backups easily made)
- Easy to enter data and understand record (builds credibility and trust)
- Easy to share property data (saves time and builds trust)
- Easy to compare property values (builds trust and assures equity)
- Complies with state statutes (calculates exemptions and possessory interests)
- Helps local assessor's office pass state audits
- Easy to sort, batch and report data to finance and other departments.
- Minimal IT support requirements
- Partnership with AK CAMA Company offers the assessing department broader Alaska assessment experience.

The table on the following page, The Benefits of MARS, outlines how MARS makes this happen. The time savings are rough estimates only, meant to conceptually demonstrate that you could save an hour or more per parcel per year for revaluation compared to the conventional system. It should result in work being done more efficiently and in a timelier manner, capturing value changes that have escaped due to lag time.

A more difficult to measure but obvious benefit is the trust, goodwill and cooperation created through transparency, the ease of understanding records and the ability to compare assessments with the public. Inevitably other departments will benefit from the MARS information for planning, public works, financing and other municipal functions. MARS backups can be stored more securely and the system will demonstrate compliance with state statutes for audits by the state assessor.

We look forward to creating a partnership with your municipality to implement MARS, a simple cost efficient solution for assessment recordkeeping and valuation documentation.

Charles Horan

Alaska CAMA Company

December 2016



<b>The Benefits of the Municipal Assessment Record System (MARS) - Sitka</b>			
<b>Current System-Paper Files with Parallel Partial Electronic File</b>	<b>MARS – Full Record Including Graphics on the Computer</b>	<b>The Benefits of Efficiencies</b>	<b>Possible Financial Savings</b>
<b>MARS In the Office*</b>			
Requires filing cabinet, folders and a computer. Not easily understood. Difficult to compare files and share with public. Paper not backed up.	All files on computer can be pulled up in batches and compared. Easily shared between staff, public and other departments.	Significant staff time is saved. More time can be dedicated to updating property record information and valuation. Public confidence increases, generating cooperation.	More professional, organized and efficient work is likely to result in greater equity at fair market value.
<b>MARS Updating Property Inventory*</b>			
<b>Step 1 Prep:</b> Pull the paper files, possibly copy materials, bring camera & paper. 20 minutes per parcel.	Sync computer file to iPad: a matter of minutes for entire database.	Save at least 20 minutes per parcel. Easier to handle.	See Step 3 below
<b>Step 2 In Field:</b> Note description of property with pencil & paper, photograph with camera. About 30 minutes per parcel	Open file in iPad, take a photo in the file, describe with drop down menu, type or use Siri for comments. Similar time ~ 30 minutes.	Easier to use on hand held device rather than pencil/paper/camera etc. May not save much time.	Limited – see Step 3 below.
<b>Step 3: Back At Office:</b> Download photos, label and upload into electronic file. Enter field data into electronic file. Estimate 30 minutes per parcel.	Sync iPad to computer file in a matter of minutes for entire database. Cleanup sketches ~ 10 minutes per parcel	Much faster by about 20 minutes. Less chance for transcribing error. More detail can be taken in the field.	Total savings could be about 40 minutes per parcel.
<b>MARS As A Valuation Tool*</b>			
Properties are valued individually using predetermined formulas for land & Marshall Valuation for buildings. This is time consuming at about 40 minutes per parcel. Computer generated Marshall Valuations cost about \$1.25 each with subscription.	MARS has auto calculations for major improvement values and depreciation. MARS accepts appraiser developed valuation curves for batch valuations of hundreds of parcels at one time.	Two fold benefit: 1) Batch valuations save significant time perhaps up to 20 minutes or more per parcel after input data is developed. 2) Fair equity can be achieved quicker by batch-valuing similar properties.	Could be another 20 minute saving per parcel.  The real community benefit would be in the fairness of equitable assessments.

\*Time estimates are generalized for typical property for comparative purposes only. Actual time per parcel can vary significantly depending on the condition of the particular file, complexity of property, location, access issues etc.



Alaska CAMA  
Company LLC



Creating partnerships with Alaska municipalities

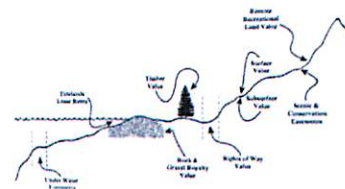
## Who are we?

The Alaska CAMA Company LLC is an outgrowth of Horan and company LLC  
Operated in the region for over 40 years

- \* Residential
- \* Commercial
- \* Complex land

Clients include – just to name a few

- \* City & Borough of Juneau Docks & Harbors, CBJ Land Management Department
- \* State of Alaska DNR, Fish & Game, Dept of Transportation & Public Facilities
- \* US Forest Service, Bureau of Indian Affairs, US Park Service, US Fish & Wild Life
- \* Various banks
- \* Corporate and private investors



## Who are we?

### Real property assessment experience

- \* Current contract assessor Skagway since 1975
- \* Current contract assessor Craig since 1988
- \* Contract assessment Ketchikan annexed area 2009 to 2012
- \* Pass contract assessor Haines, Wrangell, Petersburg, Pelican

### Develop and use of electronic assessment programs

- \* 2004 develop internal commercial market data base inventory
- \* 2009 developed electronic assessment record (EAR)
- \* 2015 implemented MARS



## MARS - Data Collection

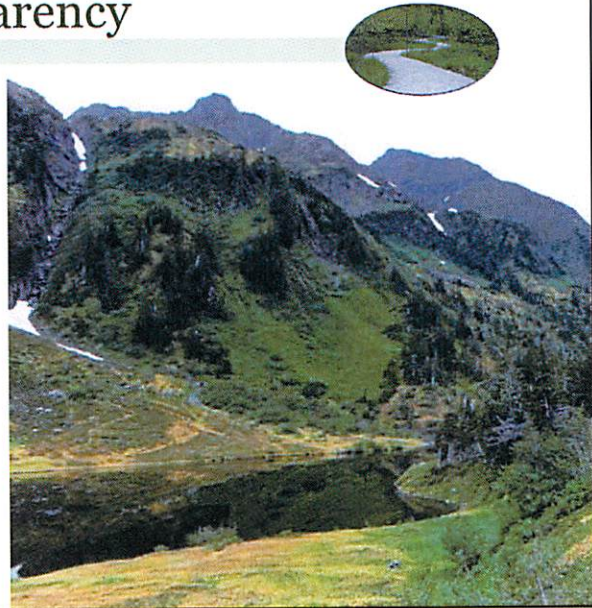
- \* Sync computer file to iPad – easy file prep
- \* Photos taken right into the file
- \* Predefined fields for consistent data entry
- \* Photo & describe lump sum values
- \* Type or Siri for comments
- \* Sync iPad to computer file instantaneously





## MARS Creates Transparency

- \* Results in -
  - \* Credibility
  - \* Trust
  - \* Good will
  - \* Cooperation
  - \* Fairness
  - \* Equitable valuation



## MARS



### **Alaska CAMA Company**

*“Creating partnerships with Alaska municipalities to provide simple, cost effective solutions for assessment record keeping and valuation documentation.”*

# ALASKA CAMA COMPANY, LLC

403 LINCOLN STREET, SUITE 210, SITKA, ALASKA 99835  
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commercial@horanappraisals.com

October 28, 2016

Wendy Lawrence, ACAA III  
Assessing Director  
City and Borough of Sitka  
100 Lincoln Street  
Sitka, Alaska 99835

Dear Ms. Lawrence,

This is our proposal for a basic four year framework with an agreement to use the license for MARS indefinitely. CBS will own all of the data.

Alaska CAMA Company will provide:

1. The **MARS solution**, including making the needed modifications described in Attachment A as Priority 1 items. This includes the sales report, adding additional owners, adjusting print layouts, creating new tax year and sync and the installation of the MARS solution on CBS's server system. Based on ongoing consultation with CBS we will work to develop the Priority 2 items at your direction and as the budget allows.
2. **Import of data** after negotiating with CBS on proper matching of fields. We will begin with Priority 1 items. This does not include a contingency for mismatched information, anomalies, or inaccurately identified files. Within this budget it's anticipated that some sketches and photos may be auto imported. Additional information such as documents, additional photos or building permit history could be added by CBS over time.
3. **Training** will include in-office sessions on how to use MARS and its valuation functions and hands on training with iPad in the field to photograph and describe, and sketch properties. We will provide documentation as needed. CBS staff are expected to become familiar with how FileMaker works and its resources for training. We will assist CBS in getting building sketches in the field. If CBS wishes ACC will also provide quality rating condition, description, and lump sum methodology it has used in the past.

The City and Borough of Sitka will provide:

1. Assistance in matching up existing fields from Access program or excel to MARS.
2. Presentation of its legacy data in a manner suitable for import into the MARS solution.
3. Its own field work including sketches, photos and field building descriptions, unless provided under separate contract.

4. The market data and analysis for valuation formulas and factors. As an additional service, ACC could assist in this.
5. All hardware and software necessary to operate MARS in the office and in the field. ACC could provide temporary use of its iPads, as available.

**Hardware and Software Installation Supplied by CBS**

CBS will need to supply

- a suitable server to run FileMaker server software version 14 or later
- A suitable sketch program and field device if needed for field sketching. We will provide information on resources to take sketch information in the field which can be transcribed at the office.
- iPads for each concurrent inspector in the field
- FileMaker Server software version 14 or later
- FileMaker Pro 14 or later for each client station and field device.
- 360 works Mirror Sync for syncing portable devices.

**Estimated Cost**

The basic fix costs for four years includes the license fee administration and maintenance is \$121,000. The variable costs for installation modifying and training on the Mars program for the first two years is \$29,000. This second category includes the work described by priority in Attachment A. We will bill this phase of the service at a cost at our typical hourly rate <sup>1</sup> not to exceed the agreed upon maximums of \$29,000 without CBS's agreement. In general, the Priority 1 items are required to get this year's real property assessment roll completed. The Priority 2 items are important, but could possibly be put off until next year. Our proposal is that we work through the Priority 1 items then continue on to Priority 2 items after consulting with CBS to confirm status and direction of our effort.

We could obviously amend or extend his contract as time goes on if the CBS finds it in their interest to do so. The current cost proposal over the four year term is outlined in the following table

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<sup>1</sup> Charles Horan, MAI	\$200
Senior Commercial Appraiser	\$150
Residential Appraiser	\$100
Senior Tech – Henry Robinson	\$100
Administrative Assistants	\$50-\$70

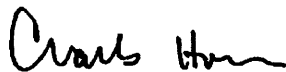


City and Borough of Sitka	Year 1	Year 2	Year 4	Year 4	Totals
License Admin & Maintenance Fee	\$45,000	\$32,000	\$32,000	\$12,000	\$121,000
Variable -Install, Modify & Train	<u>\$15,000</u>	<u>\$14,000</u>		-	\$29,000
Total	\$60,000	\$46,000	\$32,000	\$12,000	\$150,000

The spirit of this agreement is to develop a cooperative partnership to effect the use of MARS for and the 2017 Assessment Roll and beyond. As requested, we will work out professional errors and omissions insurance as required. I've attached a copy of our license agreement for your review, Attachment B.

Please let us know if you need anything else. Thank you once again for considering this simple, effective computer assisted mass appraisal solution.

Sincerely,



Charles Horan, MAI

Alaska CAMA Company, LLC

Attachment A Work Priority

Attachment B Mars License Agreement

# Attachment A May 31, 2016 Proposal

Key: ACC = Alaska CAMA Co      CBS = City & Borough of Sitka

Description	Priority	Comments	Who
<b>Changes Needed to MARS</b>			
<b>Add Personal Property</b>			
Basic Frame	2	Will need about 4 meetings with Wendy	ACC
Reports	2	Will Need city input on what reports will look like?	ACC
Link with MARS	2	This will need more testing to see if it will work.	ACC
Print screens	2	Will Need city input on what print layouts will look like?	ACC
<b>Reports</b>			
Sales Report-Predefined list & display	1	Runs A/S ratio	ACC
State Ratio Study Report	2	State Stats	ACC
<b>Calculations</b>			
Add auto calculation curve	2	Assignable curves	ACC
Export Arc GIS	2	Export script will need list of fields to export	ACC
<b>Sales History - Table - Portal</b>			
Added date listing price comments	2		ACC
<b>Building permit History</b>			
	1		ACC
Additional owners	1	add one additional owner field first & last name	ACC
Adjust all print layouts	1		ACC
Redo Crate New tax year & Sync	1		ACC
Install MARS on Sitka's server/systems	1		Both

Description	Priority	Comments	Who
<b>Data Import</b>			
Import data from Access-after next 3 items dor	1	4135 records Depending on complexity	ACC
Find matching fields	1		ACC
add missing fields	1	Will need to discuss what fields to keep.	Both
Split or combine data	1		Both
Contingency- City address data anomalies			CBS
Import data from Personal property		could be Lots of manual work 100+	CBS
Import Attachments/Documents	2	This assumes records are stored perfectly and then a script coul	ACC
Import Sketches	1	should only need small tweaks to excising script	ACC
Import Documents	2	Nothing really to import mostly just link to folder	ACC
Import Photos	2	Should be able to import about 75% with changes to script	Both
Building permit History	2	will link to property folder on Z drive	ACC

Description	Priority	Comments	Who
<b>Property Inspections Train and Demo</b>			
<b>Demonstrate field input</b>			
Data on iPad	1		ACC
Sketches on surface	1		ACC
Sync tablets to database	1		ACC
<b>Field Manual instructions</b>			
Quality Rating	2		ACC or CBS
condition - effective age	2		ACC or CBS
Lump Sum	2		ACC or CBS
<b>Office Valuation</b>			
Demonstrate how to use MARS valuation proci	1	Brief Intro - written notes	ACC
show how valuation fields work		Charles Wendy	ACC
auto calculation vs over ride			ACC
Develop Valuation curves or formulas			ACC

Description	Priority	Comments	Who
<b>Other Requirements</b>			
<b>Software</b>			
FileMaker Server	1		CBS
FileMaker Client	1		CBS
Mirror Sync	1		CBS
Apex Sketch	1		CBS
<b>Hard Ware</b>			
Server for FileMaker	1		CBS
iPads	1		CBS
Surface	1		CBS



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
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November 16, 2016

**Topic: State wide audit of assessment systems**

**From: Marty McGee, State Assessor**

**To: Wendy Lawrence, Assessor City and Borough of Sitka**

**CC: Jay Sweeney, CFO City and Borough of Sitka**

**Date: November 16, 2016**

In 2016 a general audit of all taxing jurisdictions was conducted by the Office of the State Assessor. Questions were asked of all jurisdictions which levy a property tax under AS 29.45.010. The purpose of this audit was to determine the adequacy of the assessment information contained in the data systems of the local taxing jurisdictions, the adequacy of the systems, and the ability of the system to retrieve and report relevant and necessary assessment data in timely and useful manner.

The International Association of Assessing Officers has developed standards on assessment data and data management systems. We are guided by the IAAO standard on Mass Appraisal of Real Property as well as other IAAO professional standards. The Alaska Association of Assessing Officers is working on the development of standards related to professional practice. The information collected by this audit will be used to guide the development of AAAO standards and possible changes by the Office of the State Assessor to the State of Alaska Administrative code.

The expectation of modern assessment practice and the laws of the State of Alaska is that uniform fair and equitable assessed values can be produced using the data in the assessment records and the data storage system of the local taxing jurisdiction. These assessed values are expected to be current and updated on a yearly basis. Mass appraisal uses systems that can group property into categories which have similar market characteristics and statistical tools are used to calibrate value models for these groups of properties. Data held in a computerized electronic data base is a required element in the ability to create, maintain and update these assessment models.

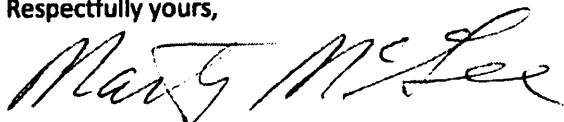
The information provided by the City and Borough of Sitka indicates that the current systems are not adequate to hold, retrieve, analyze and maintain assessment data on a yearly basis. A functional system must be able to sort data pull it down in a useable form and report the data in a timely manner. The request of the audit was to retrieve data in a two week period of time and to produce it in a excel format that associated the specific descriptive data with a unique tax parcel identifier. One focus of the audit was single family residences as a demonstration of the uniformity of assessment for this important element of the tax base. The data provided indicates that the Borough is not able to set uniform and consistent values associated with the replacement cost new or the applied depreciation associated with detached single

family residences using the existing data storage and retrieval systems. The borough also lacks the capability of demonstrating the same information to individual tax payers or in response to a property tax appeal on the ground of uniform and equal taxation as set forth in AS 29.45.210 (b). The data provided suggests that an appellant coming forward with an argument of unequal treatment may have grounds to prevail in that argument if all of the data were considered. The responsive argument that should be provided by the Assessor may not be possible in a timely manner because of the way the data is stored and the amount of time required retrieving, analyzing, and presenting the information to a board of equalization. The identified problem is as much about the system as it is about the data.

Further the data provided indicates a significant deficiency in the assessment process. This is true because the expectation is that the local assessor should pull down, analyze and adjust the assessed values and contributing descriptive information on a yearly basis in preparing the tax roll. The assessor also needs to be able to maintain current records regarding ownership, sales, and changes to exemption status in a timely and efficient manner as part of the yearly assessment process. The assessment data indicates that review of files and inspection of property on a four year cycle is not occurring in Sitka. This review cycle is required by CBS code and by the office of the State Assessor. This condition was noted in the 2014 Audit of assessment records by the Alaska State Assessor.

A problem of this kind can be the basis for a Letter of Major Error under AS 29.45.105. If a letter of major error is issued by the Office of the State Assessor the local jurisdiction has one year to take corrective action. If a program for substantial and material improvement of the assessment systems is not implemented and supported by the 2017 budget I, as the State Assessor, intend to issue a Letter of Major Error in 2017.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Marty McGee". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Marty McGee, State Assessor for Alaska.