



SONOMA COUNTY

Clerk-Recorder-Assessor

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August 24, 2007

Sonoma County Civil Grand Jury
Attn: Jerel Bagger, Foreperson
P.O. Box 5109
Santa Rosa, CA 95402

AUG 26 2007

RECEIVED

Re: Response to Grand Jury Report: "Sign of the Times" – Assessor Division
County Clerk-Recorder-Assessor Department

Dear Mr. Bagger:

Following are the Assessor's required responses to recommendations R1-R5 in regard to the 2006 Grand Jury Report investigation titled "Sign of the Times." I would like to thank you and your colleagues for the research conducted on billboards, as well as for the cooperation and respect you showed our office during your investigation. We agree that the tracking of existing and new billboards is an area in which we can improve.

Before responding to the recommendations, as required by California Penal Code Section 933.05 (b), we would like to clarify a few statements in the reporting order to more accurately describe the assessment of billboards in Sonoma County.

Clarifications:

First, it should be noted that property tax assessments on billboards located in Sonoma County are handled by the County Assessor (as opposed to the County Tax Collector, as noted in the report).

Further, I would like to clarify the manner in which billboards are assessed for tax purposes in Sonoma County. For tax assessment purposes, billboards are considered to be fixtures and are typically valued using the cost approach, based on market value including improvements. Assessments do not include the leasehold interest in the land. Because billboards are classified as real property fixtures, Sonoma County and California property tax law does not allow annual depreciation. The estimated cost, when new, should reflect the full economic cost of creating a substitute billboard, including its improvements.

Unless the billboard owner has a lease 35 years or greater, the actual land value under Proposition 13 is assessed to the property owner. Because virtually all legal nonconforming signs were originally built prior to Proposition 13, they can't be used to reassess the land until and unless the land is sold. In addition to the fact that the property cannot be reassessed, the income stream from the advertising revenue cannot be assessed. Income tax for the billboard company is the appropriate vehicle for that taxation.

Billboards can be reassessed when a change of ownership occurs. There are only a few ways the Assessor becomes aware that a billboard can be reassessed. These include notification from the permitting/planning agencies of permits issued, change in ownership forms and indication of a new billboard on a Business Property Statement. Form 571-L, the Business Property Statement, must be submitted by the billboard owner each year showing the cost of each billboard and the year installed or acquired. This form does not identify each specific billboard by location.

By law, audits of the billboard companies occur every four years. Verification of the billboards and their locations are done at the time of the audit. If any billboards were omitted from the business property statements, escaped assessments can be issued for all four years. Because an itemized listing of billboards on the Business Property Statement is not legally mandated, and because of combined billing, there is no way a citizen can obtain information about specific billboards. By law, the combined unsecured billing results in the individual billboard showing up on the billboard's assessment record, not the real property owners.

Responses to Recommendations: (2006-2007 Grand Jury Report - Pages 16 & 17)

R1 The county tax assessor should complete billboard inventories annually.

Assessor's Response: This recommendation will not be implemented because it is not warranted.

The cost to inventory all billboards each year would far outweigh the benefit. With the current workload of the Assessor's staff, inventories of billboards can only be conducted every four years, in conjunction with the mandatory audit. It should be noted however, that while mandatory audits are performed every four years, asset listings for each billboard company are reviewed on annual basis, when supplied on the 571 L form. If any billboards were omitted from annual Business Property Statements and revealed during the audit, escaped assessments can be issued for all four years.

R2 The county tax assessor should require the inclusion of a mandatory itemized listing of the billboards on form 571 L.

Assessor's Response: This recommendation has been implemented to the extent possible within the jurisdiction of the Assessor.

Form 571L is a state form, prescribed by the State Board of Equalization. The Assessor cannot make changes to the form to require the inclusion of an itemized listing of billboards. We have, however, reviewed our internal procedures concerning the reporting of billboards on Business Property Statements. While there is no legal requirement that billboards be itemized on a Business Property Statement, when billboards are indicated, but not itemized, we will make every reasonable effort to follow up and collect such information. This procedure has been implemented.

R3 All information regarding billboards in the county should be available in a central location: assessors parcel number and address, property owners, location on the property, billboard owner, advertising agency, permits.

Assessor's Response: This recommendation will not be implemented because it is not reasonable.

The permitting/planning agencies in the cities and county have the responsibility of issuing permits for billboards within their respective jurisdictions. State law does not provide for a central agency to be charged with the duty of collecting and maintaining the data set forth.

R4 County tax assessor should compare current cost value method with the Caltrans process recommended by the California Assessors Association to see which is the most beneficial to the county.

Assessor's Response: *This recommendation will not be implemented because it is not warranted.*

While the Assessor does use the Caltrans cost approach method to value billboards, the California Assessors' Association also holds that if the Assessor has other market derived information, that information should be considered in determining the property's "full cash value." Revenue and Taxation Code §110 (full cash value) is the preeminent authority for property tax assessment. In addition, the Assessor assesses property in accordance with the California Revenue and Taxation Code and does not take into consideration what is most beneficial to either the county or the taxpayer.

R5 The tax assessor should be the central repository for information regarding billboards.

Assessor's Response: *This recommendation will not be implemented because it is not reasonable.*

Pursuant to state law, the duty of the Assessor is to assess property for the purpose of imposing taxes, not to act as a repository of information, or as a regulatory agency. Current staffing and workload levels do not permit this office to assume the additional workload that would be required in adopting this recommendation. Some of the data noted in Recommendation 3 is not included in that which the Assessor is required to keep for the production of the assessment roll. The permitting/planning agencies in the cities and county have the responsibility of issuing permits for billboards within their respective jurisdictions. Each jurisdiction's permitting/planning agency should serve as the repository for billboard information for the respective jurisdiction.

Assessor's Conclusion:

On behalf of our office I would like to thank the Grand Jury for the opportunity to respond to the report. As we previously noted, we agree that the tracking of existing and new billboards in Sonoma County can be improved. As a result of this report, we have reviewed our internal procedures to be certain that the taxable assessments are correct for billboards located in our county. The regulation process falls under the jurisdiction of the various planning/building departments. The Assessor will encourage cooperation and communication with all of these departments so that we may continue to apply fair assessments.

Very truly yours,



Janice Atkinson
Sonoma County Clerk-Recorder-Assessor

- c. Superior Court Judge, Robert Boyd
Sonoma County Board of Supervisors
Superior Court Executive Officer
Bob Deis, Sonoma County Administrator
Bill Rousseau, Chief Deputy Assessor