November 13, 2014

The El Paso Central Appraisal District Board of Directors held its regular meeting on Thursday, November 13, 2014, at 5:02 p.m., in the Conference Room of the El Paso Central Appraisal District, 5801 Trowbridge, with the following members present:

Ann Morgan Lilly, Vice-Chairman  Gary Gandara
Patricia McLean, Secretary      Dee Margo
Ed Archuleta                    Jerry Romero

There was a quorum, with six members present. Joe Longoria, EPCAD attorney was in attendance for the entire meeting.

As Ms. Lilly joined the meeting at 5:03 p.m., Mr. Gandara, member, chaired the meeting with the consent of the board and Ms. Lilly.

First order of business was to recite the pledge of Allegiance to the flag of the United States of America.

AGENDA ITEM I – APPROVAL AND SIGNING OF MINUTES FOR SEPTEMBER 11, 2014

Mr. Archuleta made a motion to approve the minutes for September 11, 2014. Ms. McLean seconded the motion. Motion passed unanimously.

AGENDA ITEM 2 – PUBLIC COMMENT

No public comment was made.

AGENDA ITEM 3 – EMPLOYEE RECOGNITION

Ms. Kilgore, Chief Appraiser, recognized Mr. George Weidner for his 20 years of service. Mr. Weidner was presented a certificate by Mr. Gandara and congratulated by the Board and those in attendance.

AGENDA ITEM 4 - DISCUSSION & POSSIBLE ACTION REGARDING PRINTER SERVICE CONTRACT 2014

Ms. Kilgore informed the Board that quotes were requested for this service with two responses and the funds were in the budget. However, as the quotations received were between $41,000 and $43,000 and the fact that the Chief Appraiser is not allowed to sign on items over $25,000;
the item is being brought before the Board for approval. Staples did not quote, Spectrum quoted $43,800 and Dahill quoted $41,004. Ms. Kilgore added that EPCAD's accounting department has had issues dealing with Spectrum, whereas Dahill offered more services with the lower quotation. EPCAD's recommendation is to proceed with Dahill and that Mr. Bob Gonzalez, a representative from Dahill, was present to answer any questions. Ms. McLean inquired if her understanding was correct that currently the printers were serviced by resident IT staff.

Ms. Kilgore replied that was correct. She furthered that this item was budgeted at $55,000 and the service quote of $41,004 would free the IT staff from maintenance and ordering toners and focus on the job they are supposed to be doing. Ms. McLean asked what the cost was in the past.

Mr. David Stone, Assistant Chief Appraiser, added that last year's budget for this item was $59,940 with the actual amount spent at $43,849. The quote is less than what was spent last year. He continued that the advantage for EPCAD to using Dahill's services was that the amount currently spent on toners would also buy EPCAD the maintenance for free. The service contract was a win-win situation.

Mr. Margo made the motion to approve the printer service contract as discussed. Mr. Romero seconded the motion. Motion passed.

**AGENDA ITEM 5 – DISCUSSION & POSSIBLE ACTION REGARDING MICROSOFT/WINDOWS LICENSING RENEWAL**

Ms. Kilgore stated that Mr. Stone would present this item. Mr. Stone informed the Board that this item was the annual renewal of all the Microsoft licensed software. He continued that the software runs on the servers, SQL, desktop operating systems in office; which is all rolled into one. It is a three year contract that Microsoft anchors into one enterprise. It is basically the same as what the City of El Paso and the County of El Paso have. The amount for this year is $123,925. It was budgeted for $137,659 and as the amount comes-in under budget, EPCAD is requesting approval. It is under the State DIR contract.

Motion to approve was made by Mr. Margo. Second was made by Ms. Lilly. Motion passed.

**AGENDA ITEM 6 – DISCUSSION & POSSIBLE ACTION REGARDING TEXAS MUNICIPAL LEAGUE (TML) INSURANCE(S)**

Ms. Kilgore informed the Board that EPCAD has what most municipalities and government counties have. This is for EPCAD's general liability, auto insurance; real and personal property; and workmen's compensation. For 2014 this item was budgeted at $54,980; however, a refund was received to bring the actual amount to $52,817.52. This year it is $54,424 so the quote is a little less than it was last year. EPCAD anticipates a refund from TML as it has received a refund for many years. EPCAD recommends re-rating with TML and staying with them for the workmen's compensation and casualty.
Ms. Lilly inquired if they had directors and officers under this policy. Ms. Kilgore replied yes.

Mr. Margo made a motion to approve.

Ms. McLean asked how long EPCAD had been with TML. Ms. Kilgore replied they had been with TML since the 1990’s. She furthered that because they work with municipalities, counties and appraisal districts, it is a pool and therefore the rates are less. Ms. Kilgore reiterated that because of this and the refunds, EPCAD ultimately spends less than they were originally quoted.

Mr. Margo added that in the interest of complete disclosure, it is not always less. The fact that EPCAD has been part of the pool for a long time provides the dividends every year. He added that they are reasonably competitive, not the most competitive; but they are designed for municipalities, government subdivisions; entities such as that. Ms. Lilly agreed that they are not always the most reasonable. Mr. Margo concluded that with the information presented, TML appeared reasonable and he could not see anything being significantly better.

A motion was made by Mr. Margo. Mr. Archuleta seconded the motion. Motion passed.

AGENDA ITEM 7 – DISCUSSION & POSSIBLE ACTION REGARDING VISION INSURANCE

Ms. Kilgore informed the Board that Mr. Mike Dennis of Compass Benefits was present to provide information and answer questions. She furthered that the vision insurance plan would expire on December 31, 2014 and therefore required action. As was indicated by the Board, Mr. Dennis will present optional vision plans for voluntary versus employer paid participation from VSP and Block Vision from which the Board can compare. Ms. Kilgore stated that in a previous board meeting Mr. Gandara and Mr. Archuleta had inquired about a VOE program. She continued that there was $16,742.40 in the budget under that. In 2014, EPCAD paid $15,223.92 for vision insurance and had budgeted for $15,900.

Mr. Margo asked why Mr. Dennis was presenting information on an employer paid and voluntary vision plan. Ms. Kilgore stated that during the budget workshops, Mr. Archuleta and Mr. Gandara had asked to see both. Ms. Kilgore turned the floor to Mr. Dennis.

Mr. Dennis first explained the employer paid plans. The current VSP 12/12/12 plan allows each employee to have an eye exam, new lenses and new frames every 12 months; with a $10 co-pay for an eye exam, $25.00 for lenses and materials, frames and contact lenses are paid up-to $130.00. The employee cost is $9.30; however, if the frequency changes from 12 to 24 months, the rate drops to $7.32 per employee. In comparison, Block Vision with a 24-month frame allowance, the rate drops to $5.95 per employee.

Mr. Dennis continued with the details for a voluntary plan with Block Vision. The plan requires only ten (10) people to participate in the program for a cost of $5.95. Mr. Gandara inquired what
the industry standard was for frames. Mr. Dennis replied 24 months. He continued that although individuals may have their eyes examined every year; they do not need to change their frames yearly.

Mr. Archuleta commented that the Block Vision rate of $5.95 was very reasonable. Mr. Archuleta moved to go with Block Vision’s voluntary plan. Mr. Gandara confirmed Mr. Archuleta’s motion. Ms. McLean seconded the motion. Motion passed.

AGENDA ITEM 8 – DISCUSSION & POSSIBLE ACTION REGARDING LITIGATION RESERVE AS REQUESTED BY REPRESENTATIVE ANN MORGAN LILLY

Mr. Gandara turned the floor over to Ms. Lilly. Ms. Lilly explained that her reason for placing the item on the agenda was because Mr. Margo, Mr. Archuleta and the new board member who also represents the City of El Paso entity were not here when the Board voted on establishing the reserve. She continued that when she first joined the EPCAD board seven (7) years ago, she recalls there being this amount of money in the budget that had not been there for years and not used. The amount is a high hit for the City of El Paso budget and she believes is probably an even bigger hit for EPISD. Ms. Lilly stated that this taxpayer money could be better used than just sitting there; and commented that if a Western Refinery case were to come about, the $600,000 would probably not be sufficient to cover the legal costs. Ms. Lilly asked the Board to re-vote on this item.

Mr. Margo asked for clarification; his knowledge was that EPCAD’s legal budget had been reduced to $300,000. He asked if EPCAD had wanted to raise it to $600,000. Ms. Kilgore responded that there had been a previous discussion about a reserve. Mr. Margo commented that the purpose of a reserve was to have the resources to deal with protests. Ms. Kilgore added that an Attorney General’s opinion had been included in the budget discussions that addressed retaining $800,000 out of the monies that is refunded to the entities. This year, EPCAD will return close to a million dollars to the entities. Ms. Kilgore informed the board that since the litigation reserve was established in September, several mediations have progressed at a faster pace and particular cases that were settled after EPCAD communicated it could engage expert appraisals. In the past one and a half months, although the reserve has not been used; merely having the reserve has impacted the settling of cases. Ms. Kilgore continued that the legal budget line-item is $300,000; of that approximately $200,000 is expended on the day-to-day legal costs; which leaves $100,000. The $600,000 litigation reserve is for litigation only; it cannot be used for anything else. Ms. Kilgore agreed that Ms. Lilly was correct; the Board can at any time request that each entity be refunded their portion of the fund. For example, the City of El Paso’s percentage is 22%, EPISD is also 22% of the $600,000. Mr. Margo asked if there was any budget flexibility. Ms. Kilgore responded no; it is small. She added that when EPCAD is presented with a case that may cost $200,000, $300,000 or $400,000 to engage experts or just get things going, the $10,000 or $4,000 saved here and there is not enough to support the legal costs necessary in the litigation process. Mr. Margo clarified that if the money is not reserved through budget (in reference to legal costs) was there a back-up plan if something were to arise.
Mr. Longoria responded that the Board has an option to seek or request from the taxing entities a contribution of additional funding to support the needed litigation expenditures through an amendment process; however, the process can be time consuming. Mr. Longoria added that he has experience with the process through other jurisdictions and generally that option is unsuccessful. He added that part of the reason for having a robust litigation budget is that it sends a message; it has an intangible value. When a District is able to muster the adequate resources to defend a lawsuit it sends a positive message, whereas a minimal $300,000 budget sends a contrary message that this District is not able to muster an adequate defense.

Ms. Kilgore added that post the September meeting when the Board voted to approve the litigation reserve, as requested by Mr. Archuleta, Ms. Kilgore and financial department staff visited with the financial and/or legal department heads of each large entity. The feedback about the litigation reserve was positive. Mr. Margo recalled that Mr. Archuleta’s response to the amount of money in the legal budget was predicated on historical norms; this was how the amount was decided. Ms. Kilgore stated that this was correct. She furthered that the decrease in the contingency fund also influenced the decision.

Mr. Archuleta inquired what the estimated costs were for litigating a case other than one such as Western Refining or a large shopping center. Mr. Longoria responded with an example of a downtown building, such as the Wells Fargo building. A case such as that can take up to two years; expert appraisals cost $30,000; deposition and testimony by experts are charged at an hourly rate of $450.00 per hour; moving forward with attorneys and such, conservatively speaking can run from $80,000 to $120,000. Furthermore, if there is a bad result, in El Paso, the judge usually awards attorney’s fees; which max-out at $100,000 per year.

Ms. Lilly inquired how many times EPCAD had backed-off from going to trial because they did not have the pot of money. Mr. Longoria responded that this is always a consideration. The discussion is part of the process-at an internal level, in evaluations and in mediations-whether or not the funds are there to litigate. Mr. Margo added that as some cases can carry-on for two years or so; the monetary considerations carry-over from one budget year to the next. Ms. Kilgore added that because of the fluctuations in the available budget, the litigation reserve provides continuity. Mr. Margo reiterated that the reserve provides flexibility to support litigation because of its existence. Ms. McLean commented that when the reserve was voted-on, she saw it as a tool, an opportunity to provide the monies as an investment; for YISD it is about $60,000; to perhaps gain through higher appraised values and higher returns. She continued that as the litigation reserve is a new item, the Board set parameters as to how the funds can be used. Ms. Kilgore commented that information on the litigation reserve will be included in the monthly financial presentation to the board and shown as a line item.

Ms. Kilgore added that within the time since the litigation reserve was established, its existence had an impact on a recent mediation to the result of a one million dollar increase on their offer.

Mr. Romero inquired if the $300,000 legal budget amount had been increased or was the $600,000 a separate amount. Ms. Kilgore replied that it was separate. Mr. Romero asked if
EPCAD had performed a yearly analysis on what would have been spent had EPCAD pursued legal action aside from big cases such as the Western Refinery. Ms. Kilgore replied that EPCAD had not done a complete analysis, but that EPCAD had knowledge of the associated costs.

Mr. Archuleta summarized that the budget had been reduced overall, including the legal to $300,000. He furthered that he was in agreement with the apportionment of the $600,000 for legal reserve so long as the Board maintained the controls. Mr. Archuleta gave the example that come budget time the Board will have a history and the numbers to see when the reserve was used or how much of it was used, in conjunction with any adjustments that need to be made to the legal budget. Ms. Kilgore furthered that the Board would be kept informed to provide EPCAD with direction on a monthly basis. Mr. Archuleta clarified that if the Board were to stay with the $600,000 reserve this year, approximately $400,000 would be returned to the entities. Ms. Kilgore replied yes; she continued that the City of El Paso’s portion was approximately $132,000, EPISD is $120,000, and YISD $55,000 and so forth. Mr. Archuleta and Mr. Gandara chimed that there was still a return.

Mr. Margo stated his understanding was that EPCAD had one million dollars to refund back to the taxing entities; but with the request to have a reserve, $600,000 would be kept back; with the remaining $400,000 to be returned to the entities. Ms. Kilgore stated that the item for a litigation reserve had been passed in September. He continued that this was the item that had been passed in September after he had had to leave the meeting. Mr. Archuleta restated that the Board held the control on the reserve. Mr. Gandara reiterated that the Board was in control of the litigation reserve money. Ms. Kilgore added that nevertheless, any expenditure over $25,000 had to come before the Board for approval. Mr. Margo asked that the monthly financial report include a balance of what remains in the legal budget.

Mr. Archuleta re-stated the motion for clarity of the minutes, that the Board maintain the prior action of the establishment of a $600,000 fund for legal purposes and that the $300,000 in the operating budget for legal expenditures be utilized first before the reserve is touched; and that activity on both operating and special fund be reported to the Board on a monthly basis.

Ms. McLean asked if she could amend the motion. Mr. Archuleta said yes. Ms. McLean added that permission always be sought from the Board before the money is spent. Mr. Gandara stated that the motion by Mr. Archuleta had been seconded by Ms. McLean. Motion passed.

AGENDA ITEM 9 – DISCUSSION & POSSIBLE ACTION REGARDING EPCAD’S PROPOSED 2015 HOLIDAY SCHEDULE

Ms. Kilgore explained that last year the Board had requested that Christmas Eve day be included on the holiday schedule; and that is why it is included. There are thirteen (13) holidays on the calendar. Ms. McLean noted that the holiday calendar included the ‘Day after New Year’s’, the ‘Day after Thanksgiving’ and Christmas Eve. She continued that these days cost the taxpayers $23,772 and in consideration of the discussion that was had at the City [of El Paso] regarding the $3,000 cost to move a council person; these were a concern. Ms. Kilgore reiterated that those days were included at the instruction of last year’s Board; however, the holiday schedule was at the Board’s discretion. Mr. Gandara added that he was fine with
including Christmas Eve. Ms. McLean added that her concerns were from the perspective as a taxpayer and to put a dollar value on them; in addition, private sector employees did not receive these days off. Mr. Archuleta agreed that Christmas time was not a particularly productive time and as the holiday calendar was set on a year-to-year basis and the day after New Year’s Day falls on a Friday, those days were acceptable. However, Mr. Archuleta added that President’s Day was not as common a day-off as it used to be.

Motion was made by Mr. Archuleta to approve the 2015 Holiday Schedule with the deletion of February 16, President’s Day. Mr. Margo seconded the motion. Motion passed unanimously.

AGENDA ITEM 10 – DISCUSSION & POSSIBLE ACTION REGARDING DECEMBER 2014 BOARD MEETING

Ms. Kilgore informed the Board that historically the Board did not meet in December. The Property Tax Code requires the Board to meet four times a year and generally the EPCAD Board meets ten times a year. Ms. Kilgore added that last December the meeting was not held due to lack of quorum. Ms. McLean commented that there was not a cost associated with that as they attended for free.

Ms. McLean made the motion that the December 2014 Board meeting not be held. Ms. Lilly seconded. Motion passed unanimously.

AGENDA ITEM 11 – CHIEF APPRAISER REPORT

Ms. Kilgore provided the Board with a brief overview of the meetings she, Albert Molina, David Stone and other EPCAD staff have had with State Representatives and newly elected local officials. The State officials are aware of the issues faced by appraisal districts in Texas. Ms. Kilgore informed the Board of a group of property tax professionals from the state of Chihuahua, the City of Juarez and Guadalupe, Mexico, who visited EPCAD recently for a workshop. Ms. Kilgore had copies of the workshop presentation which included the valuation process and Pictometry available for Board members. Ms. Kilgore informed the Board that EPCAD had sponsored several appraisal education courses and would also sponsor an International Association of Assessing Officers (IAAO) course the first week of December; this is the first time the EPCAD has hosted an IAAO course.

Ms. Kilgore informed the Board that Ms. Jewel Reinhardt would be retiring at the end of the year and would be sorely missed by all. Board members and others in attendance congratulated and applauded Ms. Reinhardt.

Mr. Margo commented to the Board that recently he had spoken to Speaker [Joseph] Straus of the Texas House of Representatives and a couple of members of the House including John Otto concerning the fact that Appraisal Review Board (ARB) members are selected by the judge. Through discussion Mr. Margo learned that Houston did not conform to this; is there an option to this procedure. Mr. Longoria responded that smaller appraisal districts that do not meet the size criteria do not follow this procedure. Ms. Kilgore added that Houston was the pilot district where
the ARB members were selected by the administrative judge. Later, the program came back before legislation which then directed CAD’s over a certain size to follow the procedure. Mr. Margo inquired when that had occurred. Ms. Kilgore responded that had happened in the last legislative session – 2013. Mr. Margo stated that it was in the 83rd session.

Ms. Lilly inquired about an offer Ms. Kilgore had made to allow City of El Paso council members to attend training courses; however, as there was a cost of $150.00 they chose not to attend. She furthered that the money for education in the budget should cover the $150.00. Ms. Kilgore responded that that money was for employees who have to be educated under the Property Tax Code. She continued that appraisers have to attain their professional license as Registered Professional Appraisers and thereafter maintain continuing education units on a yearly basis. The fee to attend assists in the payment of the instructor. In addition, EPCAD is in the process of certifying in-house staff to teach in order to reduce the need for hiring outside instructors and saving money therein. Aside from the course fee, EPCAD is not allowed to pay for registration fees, of external students, to the Texas Department of Licensing and Regulation (TDLR); the student would have to be responsible for that; EPCAD is not allowed to cover the costs for another entity. Ms. Kilgore expressed to Ms. Lilly that EPCAD is willing to work with other entities’ staff via a reduction in costs; they simply have to contact us and it will be worked out.

Mr. Archuleta commented that at a previous Board meeting, the Board had asked EPCAD legal counsel to draft a resolution identifying reasons for the disparity between personal/residential and commercial/industrial property valuations for the purpose of distribution to El Paso’s local, City, County and statewide officials; however, as of yet, the resolution had not been presented. He furthered that the County has finalized its legislative agenda and therefore it would be too late to present the Board’s position on the knowledge that the problem exists, the limitations of the EPCAD board and that this overlying issue has to be addressed at a statewide level.

Mr. Longoria responded that the resolution can still be presented and was not done so due to lawsuit distractions. Mr. Longoria continued that his firm has presented resolutions on behalf of other appraisal districts during the session, which is appropriate; he has a resolution prepared to present at the January meeting. Ms. Kilgore added that this is the purpose in meeting with State Legislators. They are knowledgeable, interested and actively meeting with appraisal district lobbyists – Texas Association of Appraisal Districts (TAAD) and the Texas Association of Assessing Officers (TAAO). The appraisal districts have an agenda, a resolution from appraisal districts to equalize it and better state the equity issue; because of the loophole, to tighten the language and make it truly equal and uniform. Mr. Longoria and I will prepare the resolution for the January Board meeting for signature and it will be presented to committees during legislation. It is not too late. Mr. Margo concurred that it was not too late to present items for legislation.

Mr. Margo inquired what the associations were doing to address this issue. Ms. Kilgore replied that they were meeting with legislators and chief appraisers were doing the same. Mr. Margo added that it was important to add teeth to the template resolution, have it approved by the entities as the uniqueness of El Paso County is that 60.3% of appraised values are residential. El Paso is the opposite of any major metropolitan city in the state of Texas. We have the lion’s share of pain and suffering; the burden goes to our homeowners. Ms. Kilgore commented that
this issue is changing throughout the state, specifically in Austin. Mr. Archuleta added that facts such as noted should be included in the resolution. Mr. Margo agreed and added that residential percentages need to be included and get this information out there to officials, to the public, to the entities.

Mr. Gandara stated to Mr. Archuleta that there seemed to be a consensus of the direction the Board was giving. Ms. Kilgore stated that the resolution would be prepared and emailed to the Board members for their input, changes or approval and from there it can be finalized and submitted.

Mr. Margo commented on another topic – the pension plan contribution. He continued that several months ago the Board was given a presentation reflecting the different levels that exist. EPCAD is at the maximum; and therefore has the ability to descend to a lower level. Mr. Margo asked when that decision would be made; was it a year-end deal. Ms. Kilgore responded yes. Mr. Margo continued that as the Board would not be meeting in December, he expected that item to be on the November agenda. Ms. Kilgore apologized for it not being included and added that it could be placed on the January agenda; although the plan is structured yearly, it can be addressed or changed at any time. The supporting information on contribution options will be supplied at the January meeting.

Mr. Margo asked if a list was made available for employees to see how much was contributed by each taxing entity into the budget overhead. Ms. Kilgore replied that it was in the budget and that all employees had access to the information. Mr. Margo asked if they understood that. Ms. Kilgore responded yes.

Mr. Romero asked if the pension plan was tied to the fiscal year. Ms. Kilgore replied that it followed a calendar year.

Mr. Gandara called for further comments before proceeding to the next item.

**AGENDA ITEM 12 – DISCUSSION & POSSIBLE ACTION REGARDING PRESENTATIONS FOR APPRAISAL SERVICES**

Ms. Kilgore stated that a Request for Proposals was publicized. Five certified companies that meet the requirements to perform appraisal services for appraisal districts exist in the state of Texas. Three companies responded with letters of declination: Pritchard & Abbott, Hugh L. Landrum & Associates and Thos Y. Pickett & Company. Two companies submitted proposals: Wardlaw Appraisal Group and Capitol Appraisal Group. Copies of both proposals were provided for the full Board in advance and representatives from both companies are here to give a presentation and answer questions. Ms. Kilgore turned the item over to the Board.

Mr. Gandara inquired regarding going into Executive Session for discussion prior to the presentations. Ms. Kilgore stated and confirmed with Mr. Longoria that the Board could go into Executive Session at any time. Mr. Longoria furthered that presentations and deliberations with
regard to the selection of appraisal services contract must be conducted in open session. Mr. Gandara stated at school board meetings, when the Board needed to ask or confer with legal counsel they could go into Executive Session. Ms. McLean agreed that for legal that could be done. Mr. Longoria added that after the presentations were made, if a legal question arises, then yes, the Board can go into Executive Session.

Ms. Kilgore asked the Board which company should present first. Mr. Margo stated to begin with Capitol Appraisal. Ms. Kilgore introduced the representatives from Capitol Appraisal Company: Mr. Jon Neely, President; Mr. Greg Davis, head of the Industrial Division and Mr. Alfonso Porras, Head of the Utilities Division. Mr. Davis led the presentations for Capitol Appraisal with an overview of company and staff credentials and fields of expertise. Mr. Porras followed with an overview of current local trends, methods of appraisal and examples of utility entities that have provided Capitol with experience to evaluate and appraise like properties. Mr. Margo asked a question regarding the valuation of Western Refinery. Mr. Porras deferred the question to Mr. Neely, as Mr. Neely was the engineer in charge of that account. Mr. Neely’s response included a history of the valuation experience Capitol has with fifteen (15) of the twenty-three (23) oil refineries in Texas; in that 74.9% of all the refining capacity in the state is subject to Capitol’s appraisals. He cited the impact an Austin law firm had recently in passing legislation under the Property Tax Code that influences legal costs depending how cases are argued. He provided examples for the approach or method taken by refinery firms in law suits that are very expensive; and the repercussions of settled lower values that lower the median and subsequently affect other refinery cases. Mr. Neely furthered that the efforts of the Austin law firm has triggered part of the problem in budgeting for legal expenses; which adds the questions of how much money a district needs to defend it and which law are you going to be operating under to defend it.

Mr. Margo asked Mr. Neely if Capitol had encountered problems with any others in the 74.9% of refineries they appraise. Mr. Margo asked if the Western case was an anomaly. Mr. Neely responded that it was an ongoing anomaly. Mr. Margo reiterated if Capitol had the same issues with the other refineries. Mr. Neely responded no; the others had been renewed. The extension of the Western lawsuits is due to their law firm’s dislike in settling. Mr. Margo questioned that this was unique to El Paso. Mr. Neely responded yes because the El Paso refinery draws its raw materials mostly from the Permian Basin. They have involved other pipeline projects which has improved their economics. Originally, Western Refinery used to pipe the crude oil from the Gulf Coast, refine it, and ship it back to the coast; this market had been inherited from their predecessor. They have made two major improvements, the purchase of crude from the Permian or new Shale Play at the lowest price. The oil is landlocked; it is difficult for it to get to market; therefore depressed. Most of the fuel produced is sold into the western market in Tucson or Phoenix. The location of this refinery is highly conducive to profitability; it is a location issue. The differential of buying from a cheap market and selling into a high market makes this refinery very valuable because of its location.

Ms. Lilly questioned from whom Mr. Paul Foster had purchased the refinery. Mr. Neely responded that what was Texaco went to another company that went bankrupt; and Mr. Foster bought it out of bankruptcy. Later, Chevron moved out of this market and sold part of their refinery to the holding company that Mr. Foster created.
Ms. Lilly commented that when Mr. Foster purchased the refinery, all that he bought, the equipment was in bad condition and he [Mr. Foster] spent about $100 million to bring it up. Mr. Neely commented that that was probably true. Ms. Lilly added, “Yes he did”. Ms. Lilly continued that all that time the appraisal was very high; and he knew, and she thought they [Capitol] knew that when that equipment was in place, the federal government was going to say that is tax free. Ms. Lilly continued that he [Mr. Foster] paid all that time and then the entities in turn had to take a big hit. She did not understand why Capitol had appraised it so high all that time. Mr. Neely responded that at the time the economics did not have the assurance of the future; economically, this refinery is different. Ms. Lilly repeated that she did not understand why during that time the appraisals were so high. Mr. Neely responded that the appraisals then were not as high as they are now; and reiterated that he personally sat down with the chief executive and the refinery manager and worked-out the numbers. They did not pay for more than they agreed that it was worth.

Mr. Gandara asked if there were more questions. Mr. Archuleta commented that Capitol noted they had seven (7) people assigned to this area; how many man hours does it take to do an appraisal. Mr. Neely responded that it varied according to the property. Mr. Archuleta specified how many man hours were invested in appraising for this Appraisal District. Mr. Neely did not have the answer on hand. Mr. Archuleta stated if the appraisers flew in to El Paso, Capitol must have an idea of the man hours invested. Mr. Davis approached the microphone and responded that they have five (5) or six (6) weeks of inspections, the actual work on the valuation side can take about six (6) weeks, the protest process; the ARB process has been streamlined to three (3) days from one week. Mr. Davis did a cursory addition and stated that about 500 man hours were invested in this District’s valuations. Mr. Archuleta commented that it was not many. Mr. Davis added that the work and analysis has to be performed in a relatively narrow window of time.

Ms. Kilgore introduced Mr. Charles Williams and Mr. Al Grall of Wardlaw Appraisal Group, LLC. Mr. Williams, President, provided his credentials as a Registered Professional Engineer and Registered Professional Appraiser in the state of Texas. He continued with an overview of their group. Wardlaw appraises eleven (11) counties in Texas; the value of which totals twenty (20) billion dollars in value; and they have 300,000 accounts. Mr. Williams furthered that Wardlaw had a capable staff including Mr. Grall, a senior appraiser and head of the Utility, Industrial and Personal Property division. They have proposed a contract amount of $320,000; they have proposed to hire and station a person to handle the work in El Paso and provide the level of service required. Mr. Williams stressed that the Wardlaw Group focuses on customer service, what the appraisal district needs and wants; recognizing where there are deficiencies that need to be addressed. The Group also focuses on the taxpayer as their customer, to communicate the composition of the value for their better understanding.

Mr. Grall informed the Board he was a senior appraiser and had been with Wardlaw for three (3) years. Prior to that time, he was a tax agent in El Paso for more than 26 years. Mr. Grall added that his experience includes appraisals on unit, railroad and utility such as telephone, electric and pipeline. He continued that his attention to detail and response to questions is core to his
work. He is familiar with jurisdictions, Freeport exemptions and with the companies listed in the contract.

Mr. Williams re-addressed the Board with the fact that Wardlaw did not have experience with refineries; however, included in the packet Wardlaw provided is the information that Wardlaw has affiliated with Paul Hornsby & Company to assist them with the refineries. Paul Hornsby & Company is a professionally staffed company with extensive experience in refinery appraisal. Wardlaw plans to use Hornsby to support the Group in obtaining a good appraisal on Western Refining. Mr. Williams concluded that Wardlaw does not have the history that Mr. Neely’s company does, but Wardlaw has a responsibility to arrive at a fair appraised value. Wardlaw has the same responsibility they do; and neither can he guarantee that a lawsuit will not be filed. They work hard to prevent it from becoming a lawsuit; because in the end no one wins when it comes to a lawsuit. As a registered appraiser, they have to come to a correct appraisal. Wardlaw proposes to do an excellent job of appraising and providing outstanding customer service.

Mr. Romero inquired what assurance the Board and EPCAD have that Hornsby will provide the supportive services. Mr. Williams replied that he was paying them a lot of money to do so; furthermore, if for some reason, they do not meet their obligation, he has three other professional firms ready and willing to do the job.

Mr. Archuleta commented that Wardlaw had listed its professional staff, but who from the list would be part of the team. Mr. Williams replied that all of the appraisers, including his self will come here to do the work; as they work it in with the other appraisals they do. As of yet, they have not found the person who will work on-site full-time; however, Mr. Grall is the lead for the work and as President of the company, he [Mr. Williams] is ultimately responsible for everything. Mr. Archuleta inquired if Mr. Grall was familiar with the current growth of El Paso. Mr. Grall replied that he was an El Paso resident through 2012 from which he has an observational awareness of the growth; and he has family and friends in El Paso who keep him informed.

Mr. Gandara asked the Board to take a five minute recess at 6:41 p.m.

The Board reconvened at 6:45 p.m.

Mr. Gandara stated that the item on the table was an action item.

Mr. Archuleta expressed his thanks to Ms. Kilgore and staff for their preparation of the RFP. He furthered that it would have been nice had five firms responded rather than just two. His opinion was that perhaps the timeline prevented other companies from responding or due to the fact that there was a lot of oil and gas business in Texas. He studied the proposals carefully and recognizes that both firms who submitted proposals have the expertise and are outstanding firms. He continued that he thought it important to make a change from time to time in order not get complacent in what is being done and allow others the opportunity to provide services; particularly when it involves public funds. Based on this, Mr. Archuleta made a motion to accept the proposal from Wardlaw Appraisal Group, LLC. and ask the Chief Appraiser to execute the contract for services as proposed. Ms. Lilly seconded the motion. Motion passed unanimously.
Mr. Margo moved for adjournment. Ms. McLean seconded.

There being no further business to come before the Board, the meeting adjourned at 6:48 p.m.

**************************

ATTEST:

Jerry Romero, Chairman

Vincent Perez, Secretary
EL PASO CENTRAL APPRAISAL DISTRICT BOARD OF DIRECTORS

ADDENDUM ONE TO RESOLUTION

LITIGATION RESERVE

The El Paso Central Appraisal District Board of Directors in accordance with Section 6.06 (j), of the Texas Property Tax Code and AG Opinion GA-1040 hereby obligates revenue excess from the current fiscal budget year 2013/2014 in the amount of $600,000 to the fiscal budget year 2014/2015, which begins October 1, 2014. These funds are to be obligated specifically for the following:

I. Litigation Reserve for El Paso Central Appraisal District in the amount of $600,000.

Funds from the reserve can only be utilized upon Board of Directors Approval. At Board of Directors meetings the balance of the reserve will be included in the financial report.

If for any reason the above item of obligation is satisfied and/or otherwise terminated, any excess remaining funds will be credited back to the taxing entities in accordance with Section 6.06 (j) of the Texas Property Tax Code.

The resolution was adopted by a majority vote of the El Paso Central Appraisal District Board of Directors on September 11, 2014.

Addendum was made to resolution by a majority vote of the El Paso Central Appraisal District Board of Directors on this day, November 13, 2014.

Reymundo Sepulveda
Chairman, Board of Directors

Patricia McLean
Secretary, Board of Directors