



Minutes: September 17, 2015

The El Paso Central Appraisal District Board of Directors held its regular meeting on Thursday, September 17, 2015 in the Conference Room of the El Paso Central Appraisal District located at 5801 Trowbridge Drive, El Paso, Texas. The meeting was called to order by Chairman Jerry Romero at 5:04 p.m. with a quorum of the five following members present:

Jerry Romero	Ana Dueñez	Vincent Perez
Laure Searls	Alfonso Velarde	

Ms. Carmen Hegeman, legal counsel, was in attendance for the entire meeting.

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

AGENDA ITEM 1

PUBLIC COMMENT

This is a regular agenda item required by Section 6.04(d), Texas Property Tax Code.

In order to comply, while ensuring the efficiency of the "Public Comment" regular agenda item, the EPCAD Board of Directors will limit said public comment to five (5) minutes per item, unless the majority of a quorum of the Board votes to allow more time for a given item. Public comment requires no action from the Board.

Public comment was not made.

ACTION AGENDA ITEM 2

APPROVAL AND SIGNING OF THE MINUTES FROM AUGUST 20, 2015

Ms. Laure Searls made the motion to approve the August 20, 2015 minutes; Mr. Perez seconded; the vote was called; the motion carried.

ACTION AGENDA ITEM 3

REVIEW & APPROVAL OF FINANCIAL STATEMENTS – JULY 2015

This is a regular agenda item as recommended by the District's auditor during the 1991 financial audit review. Ms. Rosa Goldmann, Chief Financial Officer presented the July, 2015 financial

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reports. The reports contain the balance sheet; report of revenues, expenditures and changes in cash balance (in actual-to-budget); the investment report; and the notes to the financial report. Reports were distributed to board members.

Ms. Goldmann informed the board that the vehicle expense account was over-budget due to higher costs than anticipated. The assets account was also over-budget due to the replacement of a water heater. The advertising account is over-budget from the previous month; and the taxpayer liaison account is over-budget due to additional duties as mandated by state law.

Chairman Romero inquired why the heater was listed as an asset and not under equipment or maintenance. Ms. Goldmann responded that it was under equipment but not maintenance because it is a capitalized expense. Mr. Romero inquired why the item was not included in the budget. Ms. Kilgore replied that the need to replace it was not anticipated. Mr. Romero added that he had discussed with Ms. Kilgore that there was a need to identify the useful life of equipment; especially those items that have to be maintained on a regular basis toward the purpose of incorporating them into the annual budget versus dealing with them throughout the year.

Ms. Kilgore added that EPCAD staff was assembling a strategic plan for building and maintenance.

Ms. Goldmann stated that the Litigation Reserve account still maintained at \$600,000.00; no monies had been used. She concluded that although several accounts, as noted, were over-budget, overall, as a total, the budget was in good standing.

With no further questions on the financials, Chairman Romero opened the floor for a motion to approve the financial statements as presented. Ms. Searls made the motion; Mr. Velarde seconded; the vote was called; the motion carried.

AGENDA ITEM 4

MONTHLY HEALTH BENEFIT USAGE REPORT – AUGUST 2015

This is a regular agenda item requested by the Board (April 21, 2003). Ms. Gabrielle Melendez, EPCAD Human Resource Manager, presented the report for August, 2015 which was provided to each member of the Board.

The August figures are as follow:

- Year-to-date loss fund: \$858,290.10
- Year-to-date paid subject-to-loss fund: \$1,185,404.44
- Specific reimbursement year-to-date: \$460,518.10
- Positive balance of \$133,403.76

Mr. Velarde asked Ms. Melendez if, for his benefit as a new member, she would explain what the funds represented. Ms. Melendez explained that the figures were the health plan's benefit usage

totals throughout the year and what has been incurred in expenses as far as claims and what has been paid into the fund balance. At this point EPCAD has paid into the fund \$858,290.10 and \$1,185,404.44 has been paid-out; these amounts tally to a positive balance of \$133,403.76, with the expected reimbursement of \$460,518.10. Once the group claims reach the aggregate, which is \$55,000 and our individual which is \$30,000; the total of \$85,000 has to be paid-out before the stop-loss carrier will reimburse the District for claims that go over.

Mr. Velarde reiterated which figure was the premium-paid figure. Ms. Melendez added that what is paid in premiums is deposited into the medical reserve account and the third-party administrator withdraws the amount needed to pay claims. Mr. Romero informed the new members that there had been extraordinary health care claims in the past year. Ms. Melendez concluded that in the twelve years of being self-funded, EPCAD had not had an experience like this.

AGENDA ITEM 5

PRESENTATION BY WARDLAW APPRAISAL GROUP, LLC.

Ms. Kilgore introduced Ms. Peggy A. Wardlaw, PE, RPA, of Wardlaw Appraisal Group, LLC. Ms. Kilgore informed the Board that one year ago, the Board had selected Wardlaw Appraisal Group to handle the industrial and unique properties; and Ms. Wardlaw was here to report on the work from this past protest season.

Ms. Wardlaw greeted the Board and introduced her husband Malcolm Wardlaw. She shared that the two had established their company in 1986 and that they both held Masters Degrees in Petroleum Engineering. She continued that this was the first time they had done appraisals in El Paso County and that they appreciated the confidence shown by the Board in selecting them to do this work; and she proceeded to inform them of how the work had progressed and how it was done. Mr. Wardlaw distributed copies of the PowerPoint report Ms. Wardlaw presented to the Board. Ms. Wardlaw stated that they handled different manufacturing and industrial companies; utility companies such as pipeline, electric; and refineries. These were examples of specialized-use appraisals. She furthered that the working relationship with EPCAD staff had been cooperative and smooth. Within Ms. Wardlaw's presentation she pointed-out that throughout their work they focus on three main goals: accuracy, uniformity and efficiency. Ms. Wardlaw stated that they had 357 accounts that were protested this year; of which, 99% were settled before reaching the ARB [Appraisal Review Board]. She added that the values increased roughly \$450 million dollars – about 16% from the prior year.

Ms. Wardlaw responded to several questions from Board members and concluded that Wardlaw's plan for 2016, if the Board chooses to continue the contract, includes beginning inspections in the Fall, inspect all the industrial companies, sort the companies by quadrant to facilitate efficiency and provide the highest quality of appraisal services for the El Paso Central Appraisal District. Ms. Wardlaw added that first year contracts are always difficult due to the familiarization stage and transference of data; however, the speedy feedback and assistance they received from the District made the experience a pleasure. Ms. Kilgore added that

Wardlaw's communication with staff and in the ARB hearings was prompt and efficient.

ACTION AGENDA ITEM 6

DISCUSSION & POSSIBLE ACTION REGARDING THE REQUEST FOR CONTINGENCY FUNDS FOR ELEVATOR MODERNIZATION

Ms. Kilgore stated that throughout the summer there were problems with the elevators. The building was built in 1982 and elevators usually have a lifespan of about 30 years. After multiple service calls, a cost analysis on updating the equipment was requested. After review of the maintenance costs for old equipment and almost impossible-to-find parts, the update is necessary for safety and energy-consumption issues as well. In addition, Ms. Kilgore continued that the upgrade would include retrofitting the interior of the cab to modernize it. Thyssenkrupp is the company that presently maintains the elevators and their representatives are present to answer questions from the Board (Thyssenkrupp handout distributed to Board members). EPCAD requests to take \$138,493.19 out from contingency funds for this purpose; and if the cost exceeds the contingency amount, there are funds available in the maintenance account. The upgrade will include new power units, controller; hoistway equipment and wiring; a cab door and cab fixtures. Ms. Kilgore added that the elevator modernization is estimated to cost \$143,000.00, incidental costs for electrical and security features is estimated to cost \$7,000.00.

Ms. Dueñez inquired of the number of elevators and if the entire elevator would be replaced; to which Ms. Kilgore responded that the building had two elevators only and no service elevator and that the motor, wiring, hoistway equipment and the power units would be replaced along with the cab doors and interior lighting.

Ms. Searls inquired if complete new elevators could be purchased and if they would be prettied-up in any way. Ms. Kilgore turned the questions to Thyssenkrupp representatives - Neil Marshall and Mindy Westphal.

Mr. Marshall responded that an elevator modernization basically provides a new elevator. He continued that the box, which is what most consider as the elevator, will not be replaced; the rails that guide the box up and down will also not be replaced; but everything else will be. To replace those components in an existing building and hoistway, is unnecessary and cost prohibitive. The base price included in the proposal (\$108,000.00) covers the functionality of the elevator; the only pretty part of that would be new buttons, light fixtures, and position indicators. The extra funds that are being requested would affect the aesthetics and energy saving features, like LED lights, of the interior of the box.

Mr. Velarde questioned the procurement process. Ms. Kilgore responded that it is basically sole-source procurement, as they [Thyssenkrupp] are the company that built and maintains the elevators; and the option - Otis -- is not familiar with EPCAD's elevator. She furthered that EPCAD has a current maintenance contract with Thyssenkrupp. Mr. Marshall and Ms. Kilgore added that Thyssenkrupp was on state cooperative and procurement lists. Mr. Velarde requested to receive documentation to that effect to cite as evidence in the procurement of this service.

Chairman Romero and Ms. Searls requested clarification that all the upgrade details listed in the proposal would be included. Mr. Marshal affirmed yes; the mechanical and communication from the controller, which is the brain; and the power unit - motor, pump, valve, muffler, which is the brawn; all will be set-up to run very efficiently as a submersible unit. It will be quieter, cooler, more energy efficient; and up-to all the current codes.

With no further questions, Mr. Romero called for a motion to utilize monies from the contingency funds for the elevator renovation with the caveat stated by Mr. Velarde. Mr. Velarde moved to approve subject to receipt of certification that Thyssenkrupp is approved through TCPN [Texas Cooperative Purchasing Network]; Ms. Duenez seconded; the vote was called; the motion carried.

Mr. Velarde inquired if EPCAD had a Procurement Officer. Ms. Kilgore responded that as EPCAD was small and did not go out for much, she, the CFO, and others shared the responsibility. EPCAD refers to the Texas procurement list for most of the items, such as computers.

ACTION AGENDA ITEM 7

DISCUSSION AND POSSIBLE ACTION REGARDING A RESOLUTION TO ENCUMBER FUNDS FOR THE LITIGATION RESERVE

Ms. Kilgore informed the Board that close to \$800,000.00 will be left over at the end of this budget year; and, at this point, this figure is an estimate because it has to be reviewed by the auditor. That report will be presented to the Board in January. The \$800,000.00 will be refunded to the entities in the way of a credit. The property tax code allows appraisal districts to encumber funds for a specific purpose. If funds are to be encumbered, it has to be done before the end of the fiscal year (by October 1). Although the Litigation Reserve has not been used, at last month's Board meeting, the Board approved the filing of lawsuits on several businesses; the District anticipates receipt of heavy outside lawsuits as well as an increase in the number of arbitrations and related expenses. EPCAD would like to act quickly and have outside appraisals done and therefore increase the reserve by \$200,000.00.

Ms. Searls posited that historically the EPCAD had refunded \$400,000.00 and if \$200,000.00 were taken from the \$800,000.00, EPCAD would still refund more than usual. Ms. Kilgore clarified that historically EPCAD had refunded between \$900,000.00 and one million dollars. However, last year the Board approved the \$600,000.00 litigation reserve, which left \$400,000.00 to refund.

Ms. Kilgore added that since there was another item on the agenda that was related; with the Chairman's permission, that item could be discussed as well.

Chairman Romero agreed that the item eight (8) [regarding the health care reserve] discussion could be introduced at this point. [See minutes under item eight (8).]

With no further questions or discussion, Mr. Romero asked for a motion to approve \$200,000.00 to

be moved to the Litigation fund. Mr. Velarde made the motion; Ms. Dueñez seconded; the vote was called; motion carried.

ACTION AGENDA ITEM 8

DISCUSSION & POSSIBLE ACTION REGARDING A RESOLUTION TO ENCUMBER FUNDS FOR THE HEALTH CARE RESERVE

Ms. Kilgore informed the Board that a health care reserve is healthy when it is between \$300,000.00 and \$350,000.00. Since EPCAD had not experienced high claims for many years, the District had over \$750,000.00 in the health care reserve. Last year's budget did not allow increases; premiums were underestimated and so the rate was taken-out from the reserve. She furthered that recently, EPCAD experienced major health claims which depleted the reserve to \$238,000.00. EPCAD requests to add \$100,000.00 to the health care reserve.

Ms. Kilgore summarized that EPCAD was requesting to take from the total left-over budget amount: \$200,000.00 to add to the litigation reserve and \$100,000 to add to the health care reserve. This would leave \$500,000.00 (plus or minus) to be credited back to the entities.

Ms. Searls reiterated that the entities received \$400,000.00 last year and therefore would receive more this year; no one would be short changed.

Mr. Romero added, for the benefit of Mr. Velarde and Ms. Dueñez who were not Board members when the litigation reserve was established, historically the District did not have the money to meet legal expenses incurred in defending cases that were challenged or filing a lawsuit against a property owner's challenge. The legal reserve is going to provide an opportunity to challenge those challenges and hopefully gain some value that has been lost over the years. If that money is not used, it can still be pro-rated back to the entities at the end of the year.

Mr. Velarde inquired if a cost-benefit analysis had been done on the impact of the litigation reserve. Mr. Romero responded that as the reserve had existed for only one year, this year will provide numbers for the Board to see if it was an investment in gaining tax valuation results. Ms. Kilgore added that lawsuits linger for multiple years; however, EPCAD is trying to facilitate the process.

Mr. Velarde posed a question regarding the figures shown in the Actual-to-Budget Comparison for the month ending July 31, 2015. Ms. Goldmann clarified that once the variances are adapted and the totals for August and September are completed, the total available to be refunded should calculate to \$800,000.00. Mr. Velarde requested that a visual financial representation be provided to clarify his understanding, as a new member, of EPCAD's financial position. He inquired when the litigation reserve was going to be utilized. Mr. Romero responded that, as the Board, at the last meeting, had authorized EPCAD to proceed with the legal process; it was expected to see use of the funds within the next 30 to 60 days. Ms. Kilgore stated that the budgeted legal line item has to be used first before the reserve can be accessed. The reserve fund is strictly for law suits, appraisals, arbitrations, etc.

Mr. Perez inquired if there were any indicators or metrics of the number of settlements or cases that

have gone to the ARB or to mediation; that may not be litigation cases, in order to compare the same from last year. Ms. Kilgore responded that 75% of everything that went before the ARB received a change; many of which have been brought to the Board to file a lawsuit.

Mr. Velarde inquired if there was a cap to or what the guidelines were for adding to the reserve. Ms. Kilgore stated that to encumber funds from the existing budget, the District must wait to see what overage there is and it [the encumbrance] has to be done before the start of the next budget year, which is October 1.

Mr. Romero added that if the reserve is not spent, it can eventually go back to the taxing entities. Ms. Dueñez requested clarification that the reserve should be spent if legal is proceeding. Ms. Kilgore responded yes; and that the CFO will provide the Board with a running total of the reserve; which is a separate item from the budget.

With no further questions or discussion, Mr. Romero asked for a motion to approve \$100,000.00 to be moved to the Health Care Reserve fund. Mr. Velarde made the motion; Ms. Searls seconded; the vote was called; motion carried.

ACTION AGENDA ITEM 9

DISCUSSION & POSSIBLE ACTION REGARDING SERVER LEASE

Mr. David Stone informed the Board that the servers located in the server room were seven years old and coming to the end of their useful life. In the past, EPCAD has purchased the servers. Most of the servers are HP [Hewlett Packard] and two are from Dell. HP has notified EPCAD that they cannot be kept under maintenance any longer and also that they are incompatible with some of the new system software. EPCAD's proposal is to lease the servers as is now done with the desktop PC's. In this way, the cost will be disbursed over the life of the item instead of investing a large amount of money every so many years. There will be a steady expense over the life of the servers. Mr. Stone continued that two proposals were received; one from Dell and one from HP; both for a four year lease. The Dell proposal was \$46,439.00 a year; the HP proposal was \$47,088.00 a year. These items are under the Texas State Contract; they are run-of-the-mill servers – commodities; nevertheless, we requested quotes to review which manufacturer would give the better deal. EPCAD is requesting permission to enter into a four year lease with Dell to replace all the servers. The number of servers will go from 30 to 15 physical servers. In the new fiscal year budget beginning October 1, \$35,000.00 was included for the servers, however, at the time, the exact cost was not known. The \$10,000 can come from other items in the IT budget that will be under-budget.

Mr. Romero inquired what the price would have been of purchasing new servers. Mr. Stone responded \$186,000.00. Mr. Velarde asked what the lifespan was of the server. Mr. Stone replied that although EPCAD has had its current servers for seven years, looking at technological advancements and the requirements of the system software; his opinion was that the life of the server had been let go too long; and issues as of late are evidence to that fact. Mr. Stone continued that leasing offers an orderly transition when the lease expires without the worry that a large amount of money is needed to replace everything. A fixed yearly cost also assists the entities

for the same reason.

Ms. Searls moved to approve the server lease with Dell for the amount specified; Ms. Dueñez seconded. Mr. Romero called for further discussion.

Mr. Perez inquired about the video file storage. Mr. Stone replied that the servers deal with the day-to-day operational matters such as: database, CAMA, file, and active-directory servers.

Mr. Romero underscored that Mr. Perez had emphasized the video file storage issue previously. He furthered if EPCAD could investigate the cost of this [live-streaming and archiving video recordings of ARB hearings]. Mr. Stone responded that EPCAD was researching the cost; and that the pilot project this past summer did not meet expectations. IT staff is reviewing the issues to evaluate how the project can run better to work as the Board envisioned it. The streaming requires a lot of bandwidth and great storage space. The initial thrust was to place it in the cloud to avoid having to purchase physical storage. Cost input has been requested from Microsoft and once it is received, EPCAD will have more information on what the project demands.

Mr. Velarde asked if the lease included maintenance. Mr. Stone replied that if there was a physical failure due to a manufacturer defect, it would be replaced.

With no further discussion, the vote was called; and the motion carried.

ACTION AGENDA ITEM 10

DISCUSSION & POSSIBLE ACTION REGARDING THE 2016 ESRI MAINTENANCE CONTRACT

Ms. Stone informed the Board that GIS [Geographical Information System] was the mapping system used by the District. ESRI software is standard in the appraisal profession and in other governmental entities. The yearly maintenance contract for the ESRI software was quoted at \$31,400.00; \$34,090.00 was budgeted; therefore, about \$3,000.00 under budget. EPCAD requests approval to renew the contract as the amount exceeds the amount the Chief Appraiser can approve without the Board's consent.

Mr. Velarde inquired if the original contract was renewable. Mr. Stone replied that it was a year-by-year contract; and that ESRI held the license for their software.

Mr. Velarde motioned to approve; Ms. Dueñez seconded; the vote was called; the motion carried.

ACTION AGENDA ITEM 11

DISCUSSION & POSSIBLE ACTION REGARDING TEXAS MUNICIPAL LEAGUE (TML) CASUALTY INSURANCE POLICY APPROVAL

Ms. Kilgore informed the Board that this was the yearly renewal for the casualty insurance – auto liability, general liability; real and personal property workmen's compensation; and for the building. She furthered that the majority of entities utilize TML. The fee for 2015 was \$53,906.00; the fee for 2016 is \$57,239.00. Each year EPCAD has received a credit from TML. EPCAD is part of a pool