



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
Patricia McLean, Secretary
Ed Archuleta

Gary Gandara
Dee Margo
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 1 – 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 \$600,000 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

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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