

**Schleicher County  
Appraisal District**

**BIENNIAL WRITTEN  
REAPPRAISAL PLAN  
For  
Tax Years 2021 and 2022**

**CAD BOARD OF DIRECTORS**

**Phil McCormick, Chairman  
Kurtis Homer, Secretary  
Kriss Griffin  
Steve Nelson  
Chris Meador**

**Chief Appraiser Liza Trevino**

**Adopted August 12, 2020**

The Schleicher County Appraisal District (CAD) has prepared this reappraisal plan as required under Section 6.05(i), Texas Property Tax Code. This written plan is designed to provide property owners and taxing entities with a complete understanding of the responsibilities and obligations of the CAD for the reappraisal of taxable properties for the tax years 2021 and 2022.

The CAD is a political subdivision of the State of Texas created to appraise all of the taxable property within its jurisdictions at 100 % of market value. The creation of the CAD was passed with the 66th Texas Legislature in 1979, approved by the voters in the November 1980 general election. This legislation mandated counties to participate in a CAD

The Texas Property Tax Code provisions related to legal, statutory, administrative, and other requirements govern the CAD.

The CAD has a five member Board of Directors. Five members are elected by the taxing entities it serves. The Board of Directors appoints the Chief Appraiser, who serves as the chief administrator and executive officer of the CAD, the Board of Directors also appoints the Appraisal Review Board (ARB) members.

The CAD is responsible for conducting the appraisal to be used by the five taxing units it serves. The CAD budget is funded by these taxing units. The funding received is calculated and prorated according to each taxing unit's previous year's levy. Currently the CAD is responsible for appraising 24,106 real and personal property accounts.

Except as otherwise outlined in the Tax Code, all taxable property is appraised at its "market value" as of January 1st of each year. The Tax Code defines "market value" as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- Exposed for sale in the open market with a reasonable time for the seller to find a buyer.
- Both the seller and the buyer know of all the property uses and purposes to which the property is adapted and for which it is capable or being used for and of any enforceable restrictions on the use of the property; and
- Both the seller and the buyer seek to maximize their gains and neither is in a position to take advantage of situations of the other.

**Section 23.01, Tax Code, appraisal generally (b) states:**

"The Market value of property shall be determined by the application of general accepted appraisal methods and techniques. If the CAD determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice (U.S.P.A.P.). The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property however; each property shall be appraised based upon the individual characteristics that affect the property's market value."

## **Reappraisal Policy**

Section 25.18, Tax Code, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The CAD's primary efforts have been to identify, inspect and reappraise properties.

The Schleicher CAD's current policy is to conduct a general reappraisal of taxable property once every three years. This plan is for tax years 2019 and 2020. The CAD reviews appraised values every year and are subject to change. Business personal properties are appraised annually due to the property owners' renditions required by the Tax Code.

The appraised value of real estate is calculated using specific information about each property using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques; the CAD compares that information with the data for similar properties, with recent cost data, and with recent market (sales) data.

Per Section 25.18 (5) of the Tax Code.

The replacement cost new of property improvements (RCN) less accrued depreciation (AD) plus land value (LV) equals market value (MV). As the cost approach separately estimates both land and building value. Neighborhood analysis of market sales is used to achieve an acceptable sale ratio or level of appraisal. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the hybrid model used:

$$MV = LV + (RCN - AD)$$

The model for income properties used to estimate the present value of income expected in the future is represented by the following formulas known as IRV

Value = Income/Rate or, Income = Rate x Value or, Rate = Income/value

Any reference to a specific work plan contained herein is to be considered tentative for the CAD at this time. The work plan assumptions are made with the understanding that there are no natural disasters or new legislative requirements that will require the CAD to reallocate resources necessary to complete the normal work plan to address these possible high need areas. These work plans are under the assumption that there will be an ample supply of market data, and or verifiable market activity in the CAD.

## **Exceptions and special valuation provisions**

Chapter 23, Tax Code, Defines special appraisal provisions for valuation of residential homestead properties (Sec 23.23), which are referred to as the residential homestead cap. Chapter 23 also addresses special appraisal provisions for productivity (Sec. 23.41, 23.51), real property inventory (Sec. 23.12), and dealer inventory (Sec.23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18), restricted use properties (Sec. 23.83), and allocation of interstate property (Sec. 23.03). The owners of inventory may

elect to have the inventory appraised at its market value as of September 1st of the year that proceeds the tax year to which the appraisal applies by filing an application with the Chief Appraiser.

**Agricultural Valuation Process:** Texas Constitution, Article VIII, Sec. 1-d-1, provides for the special valuation of "open space land devoted to farm or ranch purposes." In other words, undeveloped non-agricultural land does not qualify.

This is a special valuation for land that is devoted to agricultural production. In 1991, legislation was passed which allowed productivity appraisal for land used to manage indigenous wildlife. Agricultural or productivity value is based on the land's capacity to produce crops or livestock instead of its value on the real estate market. Although this lower value reduces the taxes on the property, a "rollback" of these taxes will take place when the land stops being used for an agricultural purpose. The rollback recaptures the taxes saved for the five (5) years preceding the change in use, plus 7-percent interest for each year.

**Approaches to Qualification and Value:** The CAD has an active Agricultural Appraisal Advisory Board, as required by Section 6.12, Tax Code. The Texas Comptroller's Manual for *the Appraisal of Agricultural Land* and the Tax Code are used to determine qualification for the various agricultural and wildlife management activities present in Schleicher County.

The CAD has implemented the standard Cash Lease Method to determine the net to land estimates for 1-d-1 productivity values by land class. Only typical cash lease information is used to determine these estimates.

**Wildlife Management:** Section 23.51(2), Tax Code, includes land used for wildlife management as an agricultural use. Property owners are required to produce a management plan consistent with the Texas Parks and Wildlife management guidelines.

### **Performance Tests**

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market values. In a ratio study, market values (values in exchange) are typically represented by sales prices (i.e., a sales ratio study). Independent, expert appraisals may also be used to represent market values in a ratio study (i.e., an appraisal ratio study). If there are not enough sales to provide necessary representativeness, independent appraisal can be used as indicators for market value. This practice, while permitted by USPAP, is not used in this CAD.

Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

**Sales Ratio Studies:** Sales ratio studies are an integral part of establishing equitable and accurate market value estimates, and ultimately for taxing jurisdictions. The primary uses of sales ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analysis; and to calibrate models used to derive appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value.

The Schleicher County Appraisal Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Overall sales ratios are generated by use type annually to allow appraisers to review general market trends in their area of responsibility. In many cases, field checks may be conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraisers by providing an indication of market activity by economic area or change in market conditions (appreciation or depreciation).

**Comparative Appraisal Analysis:** The appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office retail, and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraisers' average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These horizontal equity studies are performed prior to annual noticing.

**Independent Performance Test:** According to Chapter 5, Tax Code, and Section 403.302 of the Texas Government Code, the Texas Comptroller's Property Tax Assistance Division (PTAD) conducts a Property Value Study (PVS) of each Texas School district and each CAD. The PVS is used to determine equitable school funding by the State of Texas and to determine the performance of CADs.

As a part of this study, the Tax Code requires the Comptroller to use sales and recognized auditing and sampling techniques; review each CAD's appraisal methods, standards and procedures to determine whether the CAD used recognized standards and practices (MSP review); test the validity of school district taxable values in each CAD and presume the appraisal roll values are correct when values are valid; and determine the level and uniformity of property tax appraisal in each CAD.

The methodology used in the PVS includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. The PVS utilized statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis of assessment ratio reporting. For CADs, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 20% of the median, and price-related differential (PRD) for properties overall and by state category (i.e., categories A, B, C, D and F1 are directly applicable to real property).

There is one independent school district in Schleicher CAD for which appraisal rolls are annually developed. The preliminary results of this study are released in January in the year following the year of appraisal. The Comptroller certifies the final results of the study to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisal. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

## **Executive Summary**

### **Tax Code Requirement**

The Texas Property Tax Code requires the Board of Directors to adopt biennially a written reappraisal plan.

### **The Written Plan**

Section 6.05, Tax Code, States:

(i) To ensure adherence with generally accepted appraisal practices, the Board of Directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

### **Plan for Periodic Reappraisal**

Subsections (a) and (b) of Section 25.28, Tax Code State:

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years.
1. Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps and property sketches;
  2. Identifying and updating relevant characteristics of each property in the appraisal records.
  3. Defining market areas in the district;
  4. Identifying property characteristics that affect property value in each market area, including:
    - (A) The location and market area of the property;
    - (B) Physical attributes of each property, such as size, age and condition;
    - (C) Legal and economic attributes; and
    - (D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;

5. Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
6. Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
7. Reviewing the appraisal results to determine value.

### **Adoption of the Reappraisal Plan**

The secretary of the CAD board delivered to the presiding officer of the governing body of each taxing unit participating in the CAD a written notice of the date, time, and place of its public hearing on this a reappraisal plan. The CAD board completed its hearing, by resolution approved the plan by action item at its board meeting on August 12, 2020

Copies of this approved plan will be distributed to the presiding officer of the Governing Body of each Taxing unit participating in the CAD and to the comptroller within 60 days of the approval date.

## **Identifying Properties for Reappraisal [Required by Tax Code Section 25.18 (b)(1)]**

### **A. Residential Property**

The CAD employs several methods of identifying properties that require inspection for the purpose of listing and appraising new improvements and/or updating relevant property characteristics. The primary sources of information used to identify those properties are building, electrical, plumbing permits issued by the cities in the county, and well/septic permits issued by the appropriate governing entity. Copies of these permits are collected and then matched with the corresponding CAD account.

Other sources of identifying properties that are in need of re-inspection are renditions, mechanics liens deeds of trust, plats, information included in sales listings (MLS), realtor reports, fee appraisers, mobile home movement records (TDHCA), reports of recently assisted 911 addresses, and in some cases property owners and community members who are familiar with the property.

Once a property is identified as requiring a re-inspection, the information is matched with the relevant property account within the CAD's electronic records and the account is "flagged" for re-inspection. An appraisal card is printed for each flagged property along with any other relevant documents and then assigned to a field appraiser for inspection. Finally, at the end of the re-inspection or "recheck" process, the field appraisal staff will conduct an annual "sweep" of their assigned areas. A "sweep" is a visual inspection of an area for the purpose of identifying new improvements or other significant changes that were not identified through the normal discovery methods/sources outlined above.

The Residential appraisal firm contracted by the CAD is responsible for identifying property and/or updating information relating to the existing accounts. (Please see attached plan for more information.)

### **B. Rural, Residential, and Commercial Land**

Physical characteristics that influence land value include size, shape, soil type, and topographic features (including floodplain). Resources such as ownership maps, subdivision plats, and survey maps are referenced to obtain or verify information relating to these characteristics for specific properties.

Other conditions that influence value include location, access, frontage, and legal limitations such as zoning and easements. The resources listed above, along with street maps, zoning maps and ordinances, utility maps, deeds, and other legal filings are used to identify and/or verify these conditions. In the appraisal process, appraisers use sales analysis to determine the proper adjustments for the presence of such characteristics and conditions. The mapping resources discussed are integrated in the CAD's Geographic Information System (GIS).

The Rural, Residential and Commercial appraisal firm contracted by the CAD is responsible for identifying property and/or updating information relating to the existing accounts. (Please see attached plan for more information.)



### **C. Business Personal Property (BPP)**

Identification of new BPP properties is accomplished in part by annual renditions, commercial building permits, DBA filings with the county clerk's office, commercial vehicle listings supplied through a third party vendor, sales tax permit reports from the Texas Comptroller, local hotel/motel occupancy tax reports, and monthly and annual vehicle declarations submitted by local dealers.

CAD field appraisers inspect their assigned areas to identify new businesses or changes in the size and scope of existing businesses. CAD personnel review local publications for advertisements and notices of grand openings or closures. Businesses listed in the local phone book/yellow pages are checked against the current appraisal roll.

Which businesses or specific types of businesses that will be designated for inspection will be set out during development of the annual work plan for each year, and will be determined using information obtained in the discovery process.

### **D. Industrial, Utility, and Mineral Property (real and personal property)**

The industrial, utility, and mineral appraisal firm contracted by the CAD is responsible for identifying property and/or updating information relating to existing accounts. Resources available for this process include those employed by CAD personnel and discussed in sections A-C. Additional resources include information and reports provided by various State and Federal regulatory agencies, such as Texas Railroad Commission, Texas Public Utility Commission, and the Federal Communications Commission (Please see attached plan for more information.)

## **Identifying and Updating Relevant Characteristics [Required by Tax Code Section 25.18 (b)(2)]**

### **A. Residential Property**

Identifying and updating relevant characteristics of a property will be accomplished primarily through a physical inspection of the property. The inspecting appraiser will visit the property to collect relevant data about the property, such as measurements of structures, construction type, quality of construction, completion of construction, physical deterioration, and other noticeable characteristics. The collection and recoding of this data is done using standardized procedures outlined in the CAD's field appraisal manuals. The collected data is gathered by the inspecting appraiser, noted on field inspection sheets, analyzed and checked for accuracy and then submitted for data entry. Personnel will then update the electronic records (including pictures) of the property, according to the information and data notated on the field inspection sheet.

### **B. Rural, Commercial, and Platted Residential Land**

Identification of specific characteristics will be done through review of relevant documents (see section *Identifying Properties of Reappraisal*) or through field inspections. Updating this information is done using standardized procedures outlined in the CAD appraisal manuals. The reviewing appraiser will document necessary information and either update, or submit the changes to data entry personnel to update, the electronic record of the subject property,

The Rural, Commercial and Platted Residential appraisal firm contracted the CAD is responsible for updating and identifying relevant characteristics for this property type. Identifying and updating relevant characteristics of the subject property is accomplished through the discovery. (Please see attached plan for more information.)

### **C. Business Personal Property**

Identifying and updating relevant characteristics of the subject property is accomplished through the discovery (see section *Identifying Properties for Reappraisal*) and inspection processes. Information the appraiser must identify and/or verify include the type of property, the category (i.e. inventory, furniture, fixtures, machinery, or equipment), quality, density, original costs, year acquired, age, condition, and life expectancy.

The appraiser identifies any property located at the business that does not belong to the business owner. If this property is taxable (reference Secs. 11.01 and 11.14, Tax Code), the appraiser collects the pertinent information noted above, including the name and address of the owner of the property. The collection and recording of this data is done using standardized procedures outlined in the CAD's *Business Personal Property Manual*.

#### **D. Industrial, Utility, and Mineral Property (real and personal property)**

The Industrial, Utility, and Mineral appraisal firm contracted by the CAD is responsible for updating and identifying relevant characteristics for this property type. After the discovery, the contract firm completes field and appraisal work. It provides an appraisal roll for those properties to the CAD. CAD will then import data received by the appraisal firm. (Please see attached plan for more information)

#### **Market and Cost Reconciliation and Valuation**

The replacement cost new of property improvements (RCN) less accrued depreciation (AD) plus land value (LV) equals market value (MV). As the cost approach separately estimates both land and building value. Neighborhood analysis of market sales is used to achieve an acceptable sale ratio or level of appraisal. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the hybrid model used:

$$MV = LV + (RCN - AD)$$

Whereas, in accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for location variances between market areas or across a jurisdiction. Whereas, in accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, a cost factor. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The

evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties' based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 95% to 105%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the

basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each update neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and

uniformity in both update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

## **Defining Market Areas and Property Characteristics in those Areas [Required by Tax Code Section 25.18 (b) (3) and (b) (4)]**

### **A. Residential Property**

When defining a market area for residential properties, the total boundaries of the CAD can be considered one market. Further analysis will reveal that within the total market, submarkets exist as well. These submarkets can be defined as any group of properties that share common traits such as physical, economic, governmental (city or school district), and social forces, all of which equally and consistently influence the value of each property within a given area. Generally speaking, these submarkets are more easily identified within the more densely populated areas of the CAD and are often referred to as “neighborhoods.” Identifying submarkets in the less densely populated areas of the CAD is not as easily accomplished.

In the more recently developed areas of the CAD, a neighborhood is defined as the boundary of a developed subdivision. Mass adjustments made to the appraisal of properties within a defined neighborhood are consistently and equally applied to each property within the defined neighborhood.

### **B. Rural, Commercial & Platted Residential Land**

Market areas for land are defined by the highest and best use of the land. IAAO defines highest and best use as the use which will generate the highest net return to the property over a reasonable period of time.

Some areas in the CAD are undergoing a change in the highest and best use of the land, particularly rural land that is in close proximity to the city of Eldorado and within the boundaries Schleicher County. In these areas the highest and best use of land is agricultural or wildlife management use. Schleicher County is in a severe drought. Schleicher County is approximately 1300 square miles, mainly rural land. Most of the rural areas of the county have been strictly agricultural use some are changing to wildlife management uses. Appraisers collect and analyze market data to detect changes in highest and best use and to define market areas.

As with residential properties, when defining a market area for rural, commercial, and platted residential lots, the total boundaries of the CAD are normally considered as the larger market area. With further analysis, submarkets will be apparent. Submarkets will be defined as any grouping of properties that have common identified characteristics, which consistently influence the value of each property within a given area.

The CAD has three different geographic regions identified. Geographic regions may be lumped together to define market areas. Market areas for commercial properties are identified in the more densely populated areas and or locations usually on major thoroughfares, which are considered strategically for commerce decisions. Market areas for platted residential land normally take on the boundaries of the platted subdivision. In some instances, similarly situation subdivisions may be used as comparable market areas. (For commercial and rural land see attached plan for more information.)

### **C. Business Personal Property**

When defining a market area for business personal property, the boundary of the CAD may be considered one market. When unique situations arise, the market area may be widened to the regional or state level. The market for business personal property is determined by the design and use of the property in question; thus, the type of business that the property can be used within will determine the buyers and sellers of the property.

### **D. Industrial, Utility, and Mineral Property (real and personal property)**

Market areas for industrial, utility and mineral tend to be regional, state, or national in scope. Financial analyst and investor services reports are used to help define market areas. (See attached plan for more information).

**Appraisal Model and its Application**  
**[Required by tax Code Section 25.18(b) (5) and (b) (6)]**

**A. Residential Property**

Residential valuation and neighborhood analysis is conducted on the identified market areas and within the school district. Analysis of comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market prices for any given market area, neighborhood, or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal (time adjustment). Both the cost and market approaches to estimate value are the basic techniques utilized to interpret the sales.

All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. Some of the district's residential cost schedules are developed from Marshall & Swift, a nationally recognized cost estimator service.

The cost estimated are compared with the sales of new improvement and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a small market area based on the evidence taken from a sample of market sales.

Abstraction and allocation of property characteristics based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analysis tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property with the current market area.

The income approach is seldom used in single-family residential properties due to limited income information. The income-approach is used for multifamily residential properties (apartments) based on the rental and cost information from owners of apartment complexes. (See attached plan for more information.)

***Residential Land***

Residential land is appraised as though vacant using the market sales approach as the appraisal model for valuation. The value of the land component of the total property appraisal is estimated based on available market sales for comparable land sales is conducted based on a comparison of land characteristics found to influence the market value of land located in the area or neighborhood. When necessary, the land appraisal is adjusted for specific factors and conditions that influence the value of the land. These factors include access, view, shape, size, topography, and the propensity to flood. When necessary, abstraction and allocation methods will be used to insure that estimated land values reflect the contributory market value of the land to the overall property value.



## *Single- Family Residences*

Appraisals for single family residences are derived by using the market sales approach as the model for valuation. The master residential valuation schedule is annually updated by collecting sales of residential properties for the prior 12 months. These confirmed sales are reviewed for validity and any sales that are considered non-market transactions are placed in the non-use file from the study. Examples of non-market transactions are a low number of foreclosure sales and sales transactions between friends and relatives.

All sales that have been evaluated and determined to be indicative of the true market value transactions are then grouped according to the quality class that has been assigned to the residence. Once all sales are grouped according to the quality class of the residence, a sales ratio study is conducted for each quality group of sales. The sales ratio study is a simple and straightforward exercise in mathematics: the prior year appraisal for each individual property expressed as a percentage. If the prior year appraisal is less than the sales price, then the result will be a percentage less than 100%. If the proper year appraisal is greater than the sale price, then the result will be a percentage greater than 100%. The purpose of the sales ratio study is to determine how accurately prior year appraisals reflect the market values of the properties within the study.

Once all of the ratios have been determined, an average and median ratio is calculated for each quality class. In addition, a weighted mean is calculated for each quality class as well as for the entire study. The weighted mean for a quality is calculated by summing the appraisals for each property with each quality class, then summing the sales prices for the same properties and then dividing the first result by the second. The weighted mean for the entire study is calculated by summing the appraisals of all properties (regardless of class), then summing the sales price for all properties and then dividing the first result by the second.

The resulting statistics of average ratio, median ratio and weighted mean ratios are then used to conclude the amount (on a percentage basis) that the master residential valuation schedule will be adjusted. The primary statistic that is used when arriving at this conclusion is the weighted mean for the entire study. If this weighted mean is less than 100%, then it can be concluded that market values are increasing, therefore, it is necessary to adjust the master residential valuation schedule upward in order to satisfy the statutory obligation to appraise properties at 100% of the market value. If the weighted mean is greater than 100%, then it can be conclude that market values are decreasing and it will be necessary to adjust the master residential valuation schedule downward.

Once the master residential valuation schedule is updated within the appraisal software, appraisals of single-family residences are updated based on the updated residential schedule values. Further appraisal analysis is then performed by neighborhood. This analysis is performed to “fine tune” the appraisals and to determine if properties within certain neighborhoods are selling at a premium or a discount when compared to the market as a whole. Neighborhood analysis is performed by conducting ratio studies within individual, predetermined neighborhoods or market areas. The results of the neighborhood ratio studies will aid in determining if the appraisals within the neighborhood need to be adjusted downward or upward. Whichever the conclusion, all appraisals within a neighborhood will receive a “mass adjustment” to increase or decrease the appraisal as deemed necessary from the results of the neighborhood ratio study.

### ***Multi-Family Residential***

For multi-family properties, such as duplexes, four-plexes and apartment complexes, the sales comparison approach appraisal model is used to arrive at an estimate of market value. However, when adequate sales are not available to derive reliable appraisals, additional appraisal models will be implemented. Since these types of properties are primarily owned for the purpose of income generation, the net income that a property produces is an indication of its value, therefore the valuation methods within the income approach to value is often used to determine the appraisal of the property. Lastly, if adequate sales or income information is not available, the cost approach to value will be implemented to arrive at an indication of property value. (See attached plan for more information.)

### **B. Rural, Commercial & Platted Residential Land**

Market value for land is estimated based on available market sales for comparable and competing land under similar usage. A comparison and analysis of comparable land sales is conducted based on comparison of land characteristics found to influence the market price of land located in neighborhoods, cities, school districts, and other identified market areas of the county.

Specific land influences are considered, where necessary, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, topography, and access to utilities (water, sewer, etc.).

According to accepted appraisal theory, only the income and sales comparison model are acceptable in determining market value of land. The cost approach is not appropriate, and therefore is not used. The sales comparison approach is the most widely used method in determining market value, thus is the method that will be implemented to derive appraisals of all types of land. In instances where the sales comparison and income approach can be implemented, both methods will be used and the final assigned value will be determined by which value best describes the market value of the land, considering the particular characteristics of the subject property. (See attached plan for rural and commercial properties for more information.)

### **C. Business Personal Property (non-industrial)**

Personal property is appraised using replacement/reproduction cost new less depreciation models. Income approach models can be used when economic and /or subject property income is available, and a market data model can be used when appropriate market sales information is available.

Generally, the cost approach is used, due to the availability of information. Available cost schedules and depreciation schedules will be used when appropriate by CAD appraisal staff to aid in developing valuations. These schedules are normally in a cost per square foot format; however, some industry schedules are in an alternate per unit format. The replacement cost new less depreciation (RCNLD) can be developed from property owners reporting of historical acquisition cost or from a schedule developed by appraisal staff. As well, national valuation guides and actual sales information may be considered in the valuation process. The method used for this type of valuation is often determined by which method considers the most information for the property being appraised.

#### **D. Industrial, Utility, and Mineral Property (real and personal property)**

Market areas for industrial, utility, and pipeline tend to be regional, state, or national in scope. Using the income approach to value as the most common appraisal approach, the appraiser must bring together relevant characteristics of production volume and pattern, product prices, operating expenses, discount rate, and other reported information is to regulatory agencies. (See attached plan for more information.)

##### ***Industrial Personal Property***

Among the three approaches to value (cost, income and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used. (See attached plan for more information.)

##### ***Utility and Pipeline Property***

For utility and pipeline property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income and market), pipeline value is calculated using a replacement/reproduction cost new less depreciation model (RCNLD). In addition to the RCNLD indicator, a unit value model may also be used if appropriate data are available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used. (See attached plan for more information.)

##### ***Oil and Gas Property***

Among the three approaches to value (cost, income, and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in particular, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses, and discount rate to determine and estimate of appraised value of an oil and gas property. (See attached plan for more information.)

Note: For more on the properties described in section D, see the appraisal report from the CAD's contract appraiser Thos. Y. Pickett & Co., Inc., 4464 Sigma Road, Dallas, Texas 75244-4596

Note: For more on the properties described as Agriculture Value, real and commercial properties, see appraisal report from the CAD's contract appraiser Western Valuation & Consulting, 1250 Petroleum, Building A, Abilene, TX 79602

**Review of Appraisal Results**  
**[Required by Tax Code Section 25.18(b) (7)]**

A. Residential Property

*Statistical Analysis*

CAD staff along with Western Valuation & Consulting will perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Sales ratio studies are conducted on each of the defined residential neighborhoods (or identified market area) to judge the two primary aspects of mass appraisal accuracy – level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

Through the sales ratio analysis process, appraisers will review neighborhoods annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level.

*Review by Inspecting Appraiser*

In addition to the above described process, appraisers will review the results of any fieldwork that they had performed to determine if the resulting appraisal accurately describes the value of the property and make any necessary adjustments, if deemed necessary.

In cases when multiple appraisal models are implemented, the appraiser considers the results that best address the individual characteristics of the subject property. Once the best result is determined, it is then entered as the appraisal for the given year.

**B. Rural, Commercial & Platted Residential Land**

The appraiser considers results that best address the individual characteristics of the subject property when multiple appraisal models are used. Also, statistical analysis is performed when changes are made to the rural land schedules, the primary analysis tool being the ratio study. (See attached plan for more information.)

### **C. Business Personal Property (non-industrial)**

CAD will perform analysis annually to determine if the estimated market values are equitable in the CAD. The CAD staff will conduct an annual review of the SIC codes to determine equitable valuation of business personal property with similar business groupings. Accounts that fail tolerance parameters, which could include accounts with current rendition filings, accounts with field or data changes, accounts with hearings, new accounts and cost schedule changes will be the subject of this review.

### **D. Industrial Property**

The appraiser considers results that best address the individual characteristics of the subject property and that are based on the most reliable data when multiple models are used. Year-to-Year property value changes for the subject property are examined using computer assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. (See attached plan for more information.)

### **E. Utility & Pipeline Property**

The appraiser considers results that best address the individual characteristics of the subject property when multiple models are used. Year-to-Year property value changes for the subject property are examined using computer assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. These types of property are also subject to review by the Property Tax Division of the Texas Comptroller's office through the Property Value Study. (See attached plan for more information.)

### **F. Industrial Personal Property**

The appraiser reconciles multiple models by considering the model that best addresses the individual characteristics of the subject property. Year-to-Year property value changes for the subject property are examined using computer assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. (See attached plan for more information.)

### **G. Oil & Gas Property**

Use of the income approach is the first step in determining an estimate of the market value. The appraiser reviews the estimated market value compared to its previous certified value and also compares it to industry expected payouts and income indicators. The appraiser examines the model's value with its previous year's actual income, expecting value to typically vary within a range of 2-5 times actual annual income, provided all appropriate income factors have been correctly identified. Finally, periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser further expand the review process.

Note: For more on the properties described in D through G, see the mass appraisal report from the CAD's contract appraiser Utility firm.

Note: For more on the properties described in A & B, see appraisal report from the CAD's contract appraiser Western Valuation & Consulting, 1250 Petroleum, Building A, Abilene, TX 79602

### **Limiting Conditions**

The appraised value estimates provided by the CAD are subject to the following conditions:

- 1.) The appraisals were prepared exclusively for ad valorem tax purposes.
- 2.) The property characteristic data upon which the appraisals have been based is assumed correct. The inspections of property are performed by the staff and are conducted from the exterior as time allows. Interior inspections performed by the staff are conducted upon the request of the property owner and are necessary for clarification and accurate property descriptions.
- 3.) Title and the legal description are assumed to be correct and marketable.
- 4.) Validation of sales transactions has been attempted through field review and with confirmations by the buyer and/or seller. In the absence of such confirmation, residential sales data validated from vendors was reliable.

### **CAD Staff and Contractors**

<i>Name</i>	<i>Position</i>	<i>Responsibilities</i>
Liza Trevino	Chief Appraiser	Appraisal Oversight, Management, Deed Transactions, Appraiser, Exemptions, BPP
Anna Buitron	Staff Appraiser	Taxpayer Assistance, Reception, Filing, Deeds, BPP Exemptions, Office Management

### **Contract Appraisal Firm Providing Mass Appraisal Assistance to the CAD**

Thomas Y. Pickett & Company, Inc.  
4464 Sigma Road  
Dallas, TX 75244-4596

Western Valuation & Consulting  
1250 Petroleum, Building A  
Abilene, TX 79602

### **Staff Education and Training**

All personnel that are performing appraisal work are registered with the TDLR (or its successor agency) And are required to take appraisal courses to achieve the status of Registered Professional Appraiser (RPA) within five years of employment as an appraiser. After they are awarded their RPA certificate, They must receive additional training. Failure to meet these standards results in termination of the Employee.

## **Resources**

### ***Information System***

The Schleicher CAD houses multiple personal computers in the appraisal office that access the CAD's contract software provider. The CAD utilizes True Automation property appraisal system software application.

### **Geographical Information System (GIS)**

The CAD uses a geographic information system (GIS) to maintain cadastral maps and various layers of data and ownership.



## REAPPRAISAL PLAN FOR TAX YEARS 2021-2022

### RESIDENTIAL PROPERTIES

Identify properties to be appraised:

- 2021 Drive and Inspect all properties in the City Limits of Eldorado, Zone 1 (see attached map)  
Drive and Inspect new construction in rural properties within Schleicher County.  
Ranchland Improvements  
Commercial Property  
Personal Property  
Minerals  
Industrial/Utility Properties
- 2022 Drive and Inspect rural properties in the West and Northern Central Schleicher County, Zone 2 (see attached map)  
All new construction within the City of Eldorado and Schleicher County will be appraised.  
Ranchland Improvements  
Commercial Property  
Personal Property  
Minerals  
Industrial/Utility Properties

SCAD in conjunction with Western Valuation & Consulting will review sales data and new construction of the prior year and will adjust schedules including adding or removing feature and amenity characteristic modifiers.

Identify and update relevant characteristics of each property in the appraisal records: Through personal inspection, the appraiser will verify and complete the property record characteristic data. Additional sources for data collection include, but are not limited to building permits and confidential information. Additional information may be derived through neighborhood and comparable property analysis.

Define market areas within the district:

Market areas for residential properties are delineated within the city as well as in the immediate surrounding areas. Rural residential properties represent one market area. Market areas are reviewed annually for presence of competing property characteristics.

Develop an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics:

For all types of properties, the appraiser must first determine the “highest and best use” of the property. Residential properties rely heavily on the cost approach, reproduction cost new less depreciation. Schedules are tested with sales to insure that the district is in compliance with Texas Property Tax Code. Value tables, as well as depreciation schedules are tested for accuracy and uniformity using ratio study tools and compared with cost data from recognized industry leaders, such as Marshall & Swift.

Comparison and review: The appraiser considers results that best represent the subject property. Year to year property value changes are reviewed for reasonable confidence. Ratio studies measure the accuracy and uniformity of the results. Random samples are selected for individual sales analysis. Outlier properties are re-inspected and their sales re-verified. Residential properties are reviewed by the State Comptroller Office through the annual Property Value Study.

## **LAND APPRAISALS**

Identify properties to be appraised.

Update characteristics of each property in the appraisal records.

Market areas for land parcels are delineated within the city as well as the immediate surrounding areas. Property receiving productivity value is checked for change of use.

For all types of land properties, the “highest and best use” must be determined. Land value is typically considered by the comparable sales approach value. Income data is considered for productivity value as data is available.

Every year land schedules are updated using current market data (sales) then tested with ratio studies and considered to determine accuracy and uniformity of the results.

## **COMMERCIAL PROPERTIES**

Identify any properties that need to be reappraised due to collection of data both public and confidential. For 2021 all commercial properties will be inspected and appraised.

Identify all relevant characteristics of each property and update. Additional sources of data collection include, but are not limited to, building permits, mechanic and material liens, deeds and deeds of trust.

Determine the “highest and best use”; of the properties. Commercial properties rely on the income approach to value subject to availability of relevant data. The replacement cost new less depreciation is considered to assist accuracy and uniformity. Sales comparison data is utilized when available.

The appraiser will consider results that best address the individual characteristics of the subject property.

## **BUSINESS PERSONAL PROPERTIES**

Renditions are relied upon by the appraiser and checked for accuracy. Valuation procedures are reviewed. The Comptroller's Guide is utilized, as necessary. Business personal properties are inspected in connection with commercial real property inspections.

## 2021 & 2022 REAPPRAISAL SCHEDULE

August to November	Begin field inspections
December	Sales ratio study Gather current sales data
January to February	Mail homestead applications and personal property renditions Complete field inspections Agricultural Advisory Committee shall be assembled to gather data from the last 2 years production. The ACC will be furnished results of the productivity calculations before mid April with solicitation of comment. Run sales ratio reports. Compare with CAD values and sales information. Identify necessary schedule adjustments.
March to April	Continue sales ratio reports Refine mass appraisal schedules Test schedules Complete data entry of all reappraisal and maintenance changes Finalize all field work and data collection activities Prepare for mailing 2021 & 2022 Notices of Value
May to June	Hold informal hearings Respond to property owner inquiries, protest and questions from notice mailing Provide certified estimated value to taxing units
July	Hold ARB hearings Process and mail ARB Orders ARB approval of appraisal records by July 20 <sup>th</sup> or as soon as possible Certification of appraisal records and value to taxing units by July 25 <sup>th</sup>


### 2021 Reappraisal Schedule

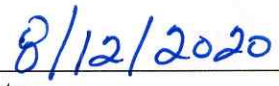
The same timetable and duties apply in each year. The SCAD shall physically inspect all property as described. The Chief Appraiser and CAD shall continue to complete the same duties and reappraisal steps as outlined for 2022.

**Certification Statement**

(The Chief Appraiser completes this certification statement at the time that the Chief Appraiser submits the appraisal records to the Schleicher County Appraisal Review Board each year to be the appeal and hearings process.)

“I **Liza Trevino**, Chief Appraiser of the Schleicher County Appraisal District, do solemnly swear or affirm that I have made, or caused to be made, a diligent inquiry to ascertain all property in the CAD subject to appraisal, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by the law.”

  
\_\_\_\_\_  
Liza Trevino  
Chief Appraiser

  
\_\_\_\_\_  
Date

**RESOLUTION**

On this August 12, 2020, at a regular meeting of the Board of Directors of Schleicher County Appraisal District there came for consideration a resolution to adopt a biennial re-appraisal plan for the tax years 2021 and 2022. After conducting a public hearing to consider the plan, Motion was made by, Steve Nelson, seconded by Kurtis Homer to authorize the adoption of said plan.

Said Motion put to vote:

Those voting "for" were:

Steve Nelson  
Kurtis Homer  
Phil McCall

Those voting "against" were:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Phil McCall  
Chairman, Board of Directors  
Schleicher County Appraisal District

August 12, 2020  
Date

**Schleicher County Appraisal District**  
**Oil and Gas Reserves**  
**2021-22 Appraisal Procedures and Reappraisal Plan**

**July 29, 2020**

*by*

*Thomas Y. Pickett & Company, Inc.*

## APPRAISAL PROCEDURES & REAPPRAISAL PLAN

### OIL AND GAS RESERVES

#### Executive Summary

- Thomas Y. Pickett & Co., Inc. (“Thomas Y. Pickett” or “Pickett”) annually reappraises all producing mineral leases within the CAD’s boundaries using a Discounted Cash Flow (“DCF”) methodology;
- Thomas Y. Pickett uses the Comptroller’s Manual for Discounting Oil and Gas Income pursuant to Tax Code Section 23.175;
- Thomas Y. Pickett determines oil and gas prices in accordance with Tax Code Section 23.175;
- Thomas Y. Pickett’s written procedures for identifying new properties are included herein.

#### Overview

Oil and gas reserves consists of interests in subsurface mineral rights. Thomas Y. Pickett & Co. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). “Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- C. both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The appraisal results will be used as the tax base upon which a property tax will be levied. Each mineral interest is listed on the appraisal roll separately from other interests in the mineral in place in conformance with the Texas Property tax Code Sec. 25.12. A listing of the oil and gas properties appraised by Pickett for the appraisal district shall be made available at the appraisal district office. Subsurface mineral rights are not susceptible to physical inspection. This condition creates the need to invoke the Departure Provision as required by the Standards Rule



6-7 (f) comment of the Uniform Standards of Professional Practice. However, the inability to physically examine the property does not affect the appraisal process or the quality of the results. The appraisal district is aware of this limiting condition and agrees that it is appropriate.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; the Texas Comptroller's Manual for Discounting Oil and Gas Income; other reports described in the Texas Property Tax Code; and other confidential data supplied by the owner or agent; the General Appraisal Manual adopted by the Texas Comptroller of Public Accounts; Property Assessment Valuation published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts and the Texas Property Tax Code.

Pickett's oil and gas appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Oil and gas appraisal staff stays abreast of current trends affecting oil and gas properties through review of published materials, attendance at conferences, course work and continuing education. All oil and gas appraisers are registered with the Texas Department of Licensing and Regulation, (formerly, the Texas Board of Tax Professional Examiners).

#### Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thomas Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.

### **Property Discover and Data Collection Process**

Mineral properties are identified and appraised based on their Railroad Commission Identification Number (RRCID). Upon completion of a new well, a Completion Report must be submitted to the Railroad Commission (RRC). The RRC then issues a RRCID. Production from that property is reported by RRCID. Periodically, wells are completed and start producing prior to being issued a RRCID. The production from these wells still must be reported to the RRC and are usually reported by Drilling Permit Number (DP). Since mineral properties are appraised using a Discounted Cash Flow analysis, production data is required to do the analysis. The RRC is the primary source of that data.

#### Procedure:

1. At the beginning of the year, the RRC database is searched for new wells that started producing prior to January 1 of the appraisal year. These wells are identified by RRCID or Drilling Permit (DP) number and added to the mineral appraisal database for the county. A well is considered to have value as of January 1 if it has reported production prior to that date, has filed a completion report showing completion prior to that date, or was perforated into a producing formation which showed the presence of oil or gas prior to January 1.
2. Completion reports and plats are retrieved from the RRC to identify the location of the producing wells. These locations are cross-referenced with jurisdictional maps to establish situs.
3. Division of Interest (DOI) statements are requested from the operator of the well to establish working and royalty interests.
4. Additional reviews of the RRC database are done periodically during the year to identify any wells that may have been added to the RRC database after the first of the year, but were completed prior to January 1 of the appraisal year. New producing wells identified after the appraisal period are supplemented, going back up to five years.

Other appraisal data on the subject properties are collected from required regulatory reports from the Texas Railroad Commission and the Texas Comptroller of Public Accounts and by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data are verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties, if any. Due to the unique nature of many oil and gas properties there is no standard data collection form or manual.

### **Valuation Approach and Analysis**

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

#### **Cost Approach**

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

#### **Income Approach**

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period, or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

#### **Market Approach**

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

All oil and gas interest values are arrived at through an appraisal of the whole property. Each fractional interest is then assigned a value on the basis of its relative share of expenses, income

and the value of the operating equipment. Multiple producing zones in the same well may be treated as separate properties.

Oil and gas properties are principally appraised through the income approach to value. Specifically, the discounted cash flow (DCF) technique is used almost exclusively. The almost exclusive reliance on income approach methods, adjusted for risk and market conditions, is typical of the oil and gas industry in dealings between buyers and sellers as well as in single-property appraisals. A mineral property's intrinsic value is derived from its ability to generate income by producing oil and/or gas reserves.

Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected revenue stream to reflect the individual characteristics of the subject property. The DCF model is also calibrated through the use of lease operating expenses that reflect the individual characteristics of the subject property.

A jurisdictional exception to the DCF model, as this process is described in the Statement on Appraisal Standards No. 2 of the Uniform Standards of Professional Appraisal Practice, must be taken. Section 23.175 (a) of the Texas Property Code specifies that the price of oil and gas used for the first year of the DCF analysis must be the monthly average price of the oil and gas received from the interest for the preceding year multiplied by a market condition factor as promulgated by the Texas Comptroller's office. Furthermore, the prices used for succeeding years are based upon escalation factors also stipulated by the Texas Comptroller's office.

Highest and best use analysis of the oil and gas reserves is based on the likelihood of the continued use of the reserves in their current use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

### **Review and Testing**

Review of appraisals is performed through a comparison of income indicators and compliance with Section 23.175 of the Texas Property Tax Code. A review of property values with respect to year-to-year changes and with respect to industry-accepted income indicators is conducted annually. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent and often the sales conditions are not made public for the sales that do occur.

Furthermore, market transactions normally occur for multiple sites and include real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Finally, Pickett's mineral appraisal methods and procedures are subject to review by the Property Tax Assistance Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

**Thomas Y. Pickett & Company, Inc.**  
 Reappraisal Timeline 2020

Event	2020			2021												2022						
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
New Mineral Lease Discovery																						
Schedule ARB Date, Establish Deadlines for 25.19 Data																						
Mineral Property Appraisals																						
Mineral Appraisals Released to TYP Website																						
Informal Meetings with Owners and Agents																						
Estimates of Certified Value to CAD																						
Delivery of 29.19 Notices																						
Appraisal Review Board Hearings																						
Certified Values to CAD/Data to Software Vendor																						
Address 25.25 Correction Protests/Supplements as Necessary																						
Submit Data for Property Value Study																						
Review Category G Ratios/Informal Hearing if Necessary																						
File Formal PVS Protests as Necessary																						

CAD and Joint TYP/CAD Tasks	
TYP Mineral Department Tasks	
Milestones and Deadlines	

**Schleicher County Appraisal District**  
**Industrial Property**  
**2021-22 Appraisal Procedures and Reappraisal Plan**

**July 29, 2020**

*by*

*Thomas Y. Pickett & Company, Inc.*

## SUMMARY REVALUATION PROGRAM REPORT

### INDUSTRIAL PROPERTY

#### Overview

Industrial property consists of processing facilities and related personal property. Thomas Y. Pickett & Co., Inc. ("Thomas Y. Pickett" or "Pickett") is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- C. both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code.

The appraisal results will be used as the tax base upon which a property tax will be levied. The properties are appraised in fee simple in conformance with the Texas Property Tax Code Sec. 25.06. This is a jurisdictional exception to the Standards Rule 6-5 (c) Comment of the Uniform Standards of Professional Appraisal Practice. A listing of the industrial properties appraised by Pickett for the appraisal district is available at the appraisal district office. Industrial properties are re-appraised annually. Properties are inspected annually where necessary and at least bi-annually.



Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; asset lists and other confidential data supplied by the owner or agent; the General Appraisal Manual adopted by the Texas Comptroller of Public Accounts; Property Assessment Valuation published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts; and Engineering Valuation and Depreciation by Marston, Winfrey and Hempstead; and the Texas Property Tax Code.

Pickett's industrial appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Industrial appraisal staff stays abreast of current trends affecting industrial properties through review of published materials, attendance at conferences, course work and continuing education. All industrial appraisers are registered with the Texas Board of Tax Professional Examiners.

#### Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not necessarily inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thomas Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.
8. The appraisers have inspected as far as possible, by observation, the improvements being appraised; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

## **Discovery Process and Procedures**

Data is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties, if any. Due to the unique nature of many industrial properties there is no standard data collection form or manual.

## **Valuation Approach and Analysis**

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

### **Cost Approach**

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

### **Income Approach**

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period, or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

### **Market Approach**

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

Industrial properties are generally appraised using replacement/reproduction cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information and comparable properties. Reproduction costs are based on actual investment in the subject or comparable properties adjusted for typical changes in cost over time. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization and income data for the subject property justify such. Income Approach models (direct capitalization and discounted cash flow) are also used when economic and/or subject property income information is available. Capitalization and discount rates are based on published capital costs for the industry of the subject property. A market data model based on typical selling prices per unit of capacity is also used when appropriate market sales information is available.

Because cost information is the most readily available type of data, the cost approach model is almost always considered and used. If sufficient data is available, either or both of the other two models are considered and may be used. The market data and income approach models must be reduced by the value of the land in order to arrive at a value of improvements and personal property.

Model calibration in the cost approach involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of utilization or through-put data provided by the owner or agent. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the market data approach involves adjusting sales prices of comparable properties to reflect the individual characteristics of the subject property.

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for industrial properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

## **Review and Testing**

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Finally, Pickett's industrial appraisal methods and procedures are subject to review by the Property Tax Assistance Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

**Schleicher County Appraisal District**  
**Utilities Property**  
**2021-22 Appraisal Procedures and Reappraisal Plan**

**July 29, 2020**

*by*

*Thomas Y. Pickett & Company, Inc.*

## **APPRAISAL PROCEDURES AND REAPPRAISAL PLAN**

### **UTILITY, RAILROAD AND PIPELINE PROPERTIES**

#### **Overview**

Utility, railroad, and pipeline properties consists of operating property, excluding land, owned by utility, railroad and pipeline companies and related personal property and improvements. Thomas Y. Pickett & Co., Inc. (“Thomas Y. Pickett” or “Pickett”) is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). “Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- C. both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The effective date of the appraisals is January 1 of the year for which this report is submitted.

The appraisal results will be used as the tax base upon which a property tax will be levied. The properties are appraised in fee simple in conformance with the Texas Property Tax Code Sec. 25.06. This is a jurisdictional exception to the Standards Rule 6-5 (c) Comment of the Uniform Standards of Professional Appraisal Practice 2004. A listing of the utility, railroad and pipeline properties appraised by Pickett for the appraisal district is available at the appraisal district office. All properties are reappraised annually. Such utility, railroad and pipeline properties that are susceptible to inspection (e.g. compressor stations, pump stations, buildings and power plants) are normally re-inspected at least every three years.

Pickett's utility, railroad and pipeline appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. The appraisal staff stays abreast of current trends affecting utility, railroad and pipeline properties through review of published materials, attendance at conferences, course work and continuing education. All appraisers are registered with the Texas Board of Tax Professional Examiners.

### Assumptions and Limiting Conditions

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Appraisal District.
4. The appraisers do not necessarily inspect every property every year.
5. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
6. All information in the appraisal documents have been obtained by members of Thomas Y. Pickett's staff or by other reliable sources.
7. The appraisals were prepared exclusively for ad valorem tax purposes.
8. The appraisers have inspected as far as possible, by observation, the improvements being appraised; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

### Discovery Procedures and Data Collection

Data is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other modes that require confidentiality. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports and through analysis of comparable properties. Due to the varied nature of utility, railroad and pipeline properties there is no standard data collection form or manual.

## **Valuation Approach and Analysis**

The three generally accepted approaches used in determining the Market Value of assets are the cost, income, and market approaches. The following is a brief description of the three general approaches to value.

### **Cost Approach**

The cost approach considers the replacement cost of an asset as an indicator of value. The cost approach is based on the assumption that a prudent investor would pay no more for an asset than the amount for which he could replace or recreate the asset. The cost approach is sometimes performed by estimating the replacement cost of an asset functionally similar to the subject. Often, historical cost data can be used to indicate the current cost of reproduction or replacement. Adjustments are made for physical deterioration and the functional and economic obsolescence of the appraised asset.

### **Income Approach**

The income approach measures the present worth of anticipated future net cash flows generated by the subject assets. The net cash flows are forecast for an appropriate period, or capitalized in the case of a single period model, and then discounted to present value using an appropriate discount rate.

### **Market Approach**

The market approach is performed by observing the price at assets comparable to the subject asset are bought and sold. Adjustments are made to the data to account for capacity differences and other relevant differences between the subject asset and the comparable assets.

Depending on the facts and circumstances of a particular appraisal, applying the three approaches independently of one another can yield conclusions that are substantially different. As the appraisal is performed, the strengths of the individual approaches are considered and the influence of each approach in the appraisal process is weighed according to its likely accuracy.

For all pipelines a value is calculated using a Replacement Cost New Less Depreciation (RCNLD) model. This involves first calculating the cost of building a new pipeline of equal utility using current prices. The Replacement Cost New (RCN) is a function of location, length, diameter and composition. Depreciation is then subtracted from RCN to produce the final value estimate. Depreciation is defined as the loss of value resulting from any cause. The three common forms of depreciation are physical, functional and economic. Physical depreciation is accounted for on the basis of the age of the subject pipeline. Functional and economic obsolescence (depreciation) can be estimated through the use of survivor curves or other normative techniques. Specific calculations to estimate abnormal functional and/or economic obsolescence can be made on the basis of the typical utilization of the subject pipeline.



After deductions from RCN have been made for all three forms of depreciation, the remainder is the RCNLD or cost approach model indicator of value.

In addition to the RCNLD indicator, a unit value model may also be used for those pipelines for which appropriate income statements and balance sheets are also available. Generally, this model is used for those pipelines that by regulation are considered to be common carriers. The unit value model must be calculated for the entire pipeline system.

The unit value model typically involves an income approach to value and a rate base cost approach. The income approach is based on a projection of expected future typical net operating income (NOI). The projected NOI is discounted to a present worth using a current cost of capital that is both typical of the industry and reflective of the risks inherent in the subject property. The unit value model cost approach is typically an estimation of the current rate base of the subject pipeline (total investment less book depreciation allowed under the current form of regulation). An additional calculation is made to detect and estimate economic obsolescence. Any economic obsolescence is deducted from the rate base cost less book depreciation to achieve a final cost indicator. The unit value model may also include a stock and debt approach in lieu of a market data approach. The stock and debt approach involves finding the total value of the owner's liabilities (equity and debt) and assuming that they are equal to the value of the assets. The two (or three, if the stock and debt approach is included) unit value indicators are then reconciled into a final unit appraisal model indicator of value. The unit value must then be reconciled with the RCNLD model indicator of value for the entire pipeline system being appraised. The final correlated value of the system can then be allocated among the various components of the system to determine the tax roll value for each pipeline segment.

Utility and railroad properties are appraised in a manner similar to pipeline except the RCNLD model is not used. For all three types of property (utility, railroad and pipeline) the appraiser must first form an opinion of highest and best use. If the highest and best use of the operating property is the current use under current regulation, the unit value model is considered highly appropriate. If the highest and best use is something different, then the RCNLD model may be more appropriate.

Compressor stations, pump stations, improvements and related facilities are appraised using a replacement cost new less depreciation model.

Model calibration in the RCNLD model involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of utilization or through-put data provided by the owner or agent. Model calibration in the unit value cost approach involves the selection of the appropriate items to include in the rate base calculation and selection of the best measure of obsolescence, if any. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the stock and debt approach involves allocating sales prices of debt and equity to reflect the contribution to value of the operating property of the subject property.

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for utility and pipeline properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. Railroad corridor land is included in the appraisal of the operating property. The highest and best use of railroad corridor land is presumed to be as operating property. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

The rate-base cost approach, stock and debt approach and income approach models must be reduced by the value of the land in order to arrive at a value of improvements, personal property and other operating property.

### **Review and Testing**

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Appraisal results are tested annually by the Property Tax Assistance Division of the Texas Comptroller's office. The Comptroller's review, as well as comparisons with single-property appraisals, indicates the validity of the models and the calibration techniques employed.

**Appendix A**  
**Resumes**

*Thomas. Y. Pickett & Company, Inc.*

**ANTHONY E. (TONY) BELL**

**Vice President**

**Experience**

Thomas Y. Pickett & Company, Inc.	21 Years
Dallas County Appraisal Review Board (Auxiliary Member)	1 Year
A T & T	37 Years

**Qualifications**

Mr. Bell is an accomplished Tax Manager with extensive experience in the valuation of the telecommunications industry including the valuation of manufacturing facilities, office equipment, buildings and the communications network. Since joining Thomas Y. Pickett & Co., Inc., his expertise has extended to complex industrial properties, such as, Electric Generation Plants, Gas Processing Plants and other oil field properties, as well as, the valuation of all other types of utility properties. He is skilled in determining strategies, developing presentations, and negotiating final values. He provided analysis on proposed tax legislative changes and recommended language supportive of a position. Mr. Bell has managed the Thomas Y. Pickett & Co., Inc. Industrial & Utility Division, which performs appraisals in multiple states on large complex properties such as shipyards and mining operations, as well as, smaller properties such as oilfield equipment, saw mills and all utilities.

**Education/Licenses**

B.S. Industrial Engineering-Newark College of Engineering  
Significant course work towards M.S. Engineering Management  
Twenty-four years attendance of Appraisal for Ad Valorem Taxation of Communications, Energy and Transportation Properties-Wichita State University, Wichita, Kansas  
Seminars on valuation of real and personal property in Texas  
Registered Professional Appraiser - State of Texas #69124

**Professional Associations**

Texas Association of Assessing Officers  
Texas Department of Licensing & Regulation-Property Tax Professional  
International Association of Assessing Officers

**STEPHEN B. CAMPBELL**

**President**

**EXPERIENCE**

Thomas Y. Pickett & Company, Inc.	15 Years
Business valuation and consulting	7 Years
Schlumberger Well Services	2 Years
Field Engineer	

**QUALIFICATIONS**

Mr. Campbell performs mineral appraisals in Texas and complex industrial property appraisals in Texas and other states. Mr. Campbell has extensive domestic and international energy industry experience including previous valuation assignments of producing properties, upstream, mid-stream processing and transportation, downstream, oil field service businesses, and petrochemical and refining. He has significant experience in the valuation of tangible assets. He has been involved in numerous assignments for property tax, income tax, litigation, financial reporting, and lending purposes. Mr. Campbell has also completed many engagements involving capitalization rate studies and the valuation of intangible assets. Mr. Campbell manages the Minerals Department in Dallas and directs all company operations.

**EDUCATION/LICENSE**

- Master of Business Administration – University of North Texas – Denton, Texas
- B.S. in Mechanical Engineering – Baylor University – Waco, Texas
- Registered Professional Appraiser– State of Texas #68355

**PROFESSIONAL ASSOCIATION**

Texas Department of Licensing & Regulation-Property Tax Professional

**DANNY HENDRIX**  
**Vice President**  
**Senior Industrial Appraiser**

**EXPERIENCE**

Thomas Y. Pickett & Company, Inc.	33 Years
B.J. Hughes, Inc. – Machinery Division	5 Years

**QUALIFICATIONS**

Mr. Hendrix has thirty-eight (38) years of experience in appraising personal property, and representing various oilfield related service companies. He serves as a field appraiser for all types of oilfield related personal property and has coordinated industrial appraisal projects in Texas, Oklahoma and in Wyoming. He worked on the Colorado Ratio Study for 1993-1996 in appraisals of personal properties, commercial, and industrial properties. He has been involved in inspecting and appraising gas plants, railroad loading facilities and SWD (taxable) facilities in North Dakota. Mr. Hendrix is responsible for all electric and telephone cooperative valuations, and all wind farm valuations performed in Texas by Thomas Y. Pickett & Company, Inc.

**EDUCATION**

Bachelor of Business Administration – University of Texas of the Permian Basin, Odessa, Texas

Registered Professional Appraiser – State of Texas – License #65564

**PROFESSIONAL ASSOCIATION**

Texas Department of Licensing & Regulation-Property Tax Professional

**PROFESSIONAL ASSOCIATION**

Texas Department of Licensing & Regulation-Property Tax Professional

**ROBERT T. (BOB) LEHN**  
**Vice President**

**Experience**

Thomas Y. Pickett & Company, Inc. (Dallas)	27 Years
Purvin & Gertz, Inc. (Dallas & London) Associate	1 Year
Hadson Gas Systems, Inc. (Houston, Dallas & London) Manager – Projects & Facilities (Dallas) Director – Gas Supply & Transportation (London)	4 Years
Muse, Stancil & Company (Dallas) Consultant	2 Years
Amoco Production Company (USA) (Chicago, Corpus Christi, Houston) Staff Plant Engineer	8 Years

**Qualifications**

Mr. Lehn performs industrial valuations of railroad, pipeline, gas gathering and processing facilities and of many other complex manufacturing sites in various states. He is experienced in domestic and in international energy project management. This experience included performing economic evaluations with consideration to environmental and regulatory issues. Reports to senior management of operating companies and to governmental agencies were made. Prior to T.Y. Pickett, as a consultant, he performed fair market valuations and physical asset appraisals of large gas plants and pipelines as well as other facilities. Mr. Lehn continues appraising these facilities, along with others, including paint pigment, explosives and agrichemical (fertilizer, pesticides, ethanol) and petrochemical plants. Mr. Lehn's previous and current refinery appraisal assignments include sites in the following states: Kansas, Mississippi, North Dakota, Oklahoma, Texas and Wyoming. Expert testimony has been provided on several refineries and on other special purpose properties to Boards of Equalization, to Appraisal Review Boards, or to Courts and to State Tax Commissions in Texas, Oklahoma, North Dakota, Kansas, Louisiana, Wyoming, Mississippi and in Florida. He has spoken at the Annual IAAO Conferences, at the IAAO Legal Seminars and at regional and at various State and County Assessors' functions and at other venues.

**Education/Licenses**

Master of Chemical Engineering – Rice University – Houston, Texas  
B.A. in Chemical Engineering – Rice University – Houston, Texas  
Professional Engineer – State of Texas – License #73203  
Registered Professional Appraiser – State of Texas – License #67474

**Professional Associations**

American Institute of Chemical Engineers  
American Chemical Society  
Texas Association of Appraisal Districts  
Texas Association of Assessing Officers  
International Association of Assessing Officers (IAAO)  
-- Associate Member, Ethics Committee (2010-2012)

*Thomas Y. Pickett & Co., Inc.*

*Appendix A Page 4*



EDWARD DONALD OWENS

Vice President  
Senior Appraiser

**EXPERIENCE**

Thomas Y. Pickett & Company, Inc.	29 Years
Fina Oil & Chemical	2 Years
Pritchard & Abbott	11 Years

**QUALIFICATIONS**

Mr. Owens has forty-two years (42) experience in appraising mineral, industrial, commercial, and personal properties. He also values, for Pickett clients, all fiber optic cables in Texas. He has served as contract supervisor for various appraisal districts in South Central and West Central Texas. He is a former tax agent with a major oil firm and is now responsible for his assigned oil-related properties in Texas, Wyoming, Colorado and New Mexico. He inspects and appraises gas plants, railroad loading facilities and SWD (taxable) facilities in North Dakota.

**EDUCATION**

Bachelor of Science – Business Administration – Southwestern University – Salt Lake City, Utah

Associate in Applied Science – Property Tax Appraisal – Tarrant County Junior College, Fort Worth, Texas

Associate in Applied Science – Mid-Management – Tarrant County Junior College, Fort Worth, Texas

Registered Professional Appraiser – State of Texas #00896

**PROFESSIONAL ASSOCIATION**

Texas Department of Licensing & Regulation-Property Tax Professional

JEAN ANN SILER

Mineral Appraiser

**EXPERIENCE**

Thomas Y. Pickett & Company, Inc.

10 Years

Pritchard & Abbott, Inc.

28 Years

**QUALIFICATIONS**

Since 1979, Ms. Siler has worked the full spectrum of appraising and maintaining mineral tax rolls for Texas counties from West to South to East Texas. That has included maintaining division orders, preparing appraisals, communicating with taxpayers, working with clients and presenting evidence at Appraisal Review Boards that results in certified tax rolls.

Ms. Siler is currently responsible for appraising the minerals of two West Texas counties using the company created software (Mica). She prepares appraisal notices, answers phone calls generated by these notices from the taxpayers, attends the Appraisal Review Boards and works with the Chief Appraisers to certify their tax rolls. Additionally, Ms. Siler assists in the analysis of ratio studies performed by the State of Texas on mineral properties within our Dallas based contractual obligations.

**EDUCATION**

Graduate of San Angelo Central High School – 1968

Registered Professional Appraiser – State of Texas # 62026 - 1987

**PROFESSIONAL ASSOCIATION**

Texas Department of Licensing & Regulation-Property Tax Professional

**Appendix B**  
**Industrial Utility Accounts**

*Thomas Y. Pickett & Company, Inc.*

31 OPERATING  
75 OIL & GAS LLC  
AEP TEXAS NORTH COMPANY  
ALLTEL CORPORATION  
APPROACH OPERATING LLC  
AT&T MOBILITY LLC  
ATLAS OPERATING LLC  
ATMOS ENERGY/MID-TEX PIPELINE  
BAKER HUGHES OILFIELD OPER  
BARRON PERTROLEUM LLC  
BOAZ ENERGY II OPERATING LLC  
BOB HUGHES OIL LLC  
BREAKTHROUGH COMMUNICATION  
BRP ENERGY INC  
CAZADORES WATER STATION  
CENTURION PIPELINE LP  
CLARIANT CORPORATION  
CONTERRA ULTRA BROADBAND LLC  
CROWDER SERVICES  
CROWDER USED EQUIPMENT  
CSA MATERIALS  
CSI COMPRESSCO LEASING LLC  
CT CUBE #3  
DCP OPERATING COMPANY LP  
DCP SAND HILLS PIPELINE LLC

DGP HULLSDALE  
DGP SCHLEICHER  
DIRECTV INC  
DISH NETWORK LLC  
DISHNET SATELLITE BROADBAND  
DIVIDE SERVICES  
DIVIDE WATER COMPANY LLC  
EER SWD  
ELECTRIC TRANSMISSION TX LLC  
ENTERPRISE FM TRUST  
EPIC CRUDE PIPELINE LP  
EPIC Y-GRADE PIPELINE LP  
EXEMPT ARCHROCK PARTNERS  
EXEMPY CSI COMPREESCO LEASING  
FARADAY PIPELINE CO  
FIBERLIGHT LLC  
FRONTIER COMMUNICATIONS  
GRAY OAK PIPELINE LLC  
GREEN BILLY WATER STATION INC  
GTP INFRASTRUCTURE I LLC  
HILL COUNTRY TELEPHONE  
HULLDALE SWITCH LLC  
INNVO WATER SERVICE LLC  
JET SPECIALTY INC  
JUNCTION PIPELINE

KINDER MORGAN TEXAS P/L INC  
KINDER MORGAN TREATING LP  
LANGFORD WIND POWER, LLC.  
LCRA TRANSMISSION SRVS CORP  
LIQUID POWER  
LIVE OAK WIND PROJECT LLC  
LONGHORN WATER SYSTEMS  
M2E4 LLC  
MAGELLAN CRUDE  
MEADOR JOHN E CONSTRUCTION  
MINES WIND ENERGY LLC  
MITTLE WATER SOLUTIONS  
MOBILE MINI, INC  
MODULAR SPACE CORPORATION  
MOORE RANCH WATER STATION  
NIBLETT OILFIELD SERVICES INC  
NOSAC LLC  
OXY USA INC  
OZONA CABLE & BROADBAND  
PASON SYSTEMS USA CORP  
PEDERNALES ELECTRIC COOP  
PROGAS SERVICES LLC  
PUCKITT DRILLING & SUPPLY INC  
QUANAHA PIPELINE COMPANY LLC

REGAL OIL INC  
ROACH THOMAS  
S & T ROUSTABOUT  
SABLE PERMIAN RESOURCES LLC  
SBA STEEL 11, LLC  
SEQUITUR PERMIAN LLC  
SMC OIL & GAS, INC  
SOUTH TEXAS ELECTRIC CO-OP  
SOUTHTEX 66 PIPELINE COMPANY  
SOUTHWEST TEXAS ELEC COOP INC  
SPROUL C R INC  
SURBER ROUSTABOUT LLC  
TARGA MIDSTREAM SERVICES LLC  
T-MOBILE WEST LLC  
TOWER ASSETS NEWCO IX LLC  
TUG HILL OPERATING LLC  
UNITEX OIL & GAS LLC  
UPP OPERATING LLC  
VERIZON CONNECT FLEET USA LLC  
VERTICAL BRIDGE DEVELOPMENT LLC  
WEST TEXAS GAS INC  
WRENCHED UP ROUSTABOUTS LLC  
WTG FUELS INC  
WTG SOUTH PERMIAN MIDSTREAM

X-CHEM LLC

ZACHRY OIL & GAS PROP