

TOM GREEN COUNTY MASS APPRAISAL REPORT FOR
AD VALOREM TAXATION
OF THE YEAR OF 2020
Submitted 09/10/2020

This report is made in compliance with Uniform Standards and Appraisal Practices, specifically with NEW USPAP Standard Rule 5 AND 6. There will be additional revisions in 2021.

The scope of work for the 2020 mass appraisal for Tom Green County Appraisal District was to appraise all property located in Tom Green County, previously titled Reappraisal Plan 2020 to 2022, and amended to cover the entire market area and all taxable property within the boundaries of Tom Green County.

All of Christoval I.S.D., all of Grape Creek I.S.D., all of Miles I.S.D., all of San Angelo I.S.D., all of Veribest I.S.D., all Wall I.S.D., and all of Water Valley I.S.D. In addition to the school districts listed, a statistically selected reappraisal of the City of San Angelo, and Tom Green County property was also performed. Inclusive in the entities listed above and all rural water conservation districts, the volunteer fire / rescue units, and a municipal utility district.

TGCAD performed the appraisal for 2020 for the taxing jurisdictions served by TGCAD. The purpose of the reappraisal was to estimate the market value* of individual parcels identified within all jurisdictions included in the Tom Green County market area. (*cash or cash equivalency basis, as of January 1, 2020.) The appraisal valuations and information will be used for funding and planning purposes for the local school jurisdictions and local governmental entities and will become the 2020 property tax roll and levy.

*"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 gain and neither is in a position to take advantage of the exigencies of the other. (Publication cited: PROPERTY TAX CODE, SUBTITLE A. GENERAL PROVISIONS, CHAPTER 1, GENERAL PROVISIONS, and Section Definitions (C) (7)).

The scope of work contained in the 2020 reappraisal of all identified residential parcels within the boundary of The Tom Green County economic/geographic/political area, all Commercial Real Property, all business personal property, all mobile home parks, all minerals, all industrial accounts and clean-ups on any real property outstanding from previous appraisal efforts, new plats, new construction, building permits, and review any certain areas which may have been outside acceptable statistical ranges.

The Re-appraisal year of 2020 has not been a product of any extraordinary assumptions, hypothetical situations or limiting conditions, other than:

- The appraisals were prepared exclusively for ad valorem tax purposes.
- The property characteristics and identities which the appraisals are based are assumed to be correct.
- Physical inspections of the property appraised were performed as staff resources and time allowed.
- Validation of sales transactions occurred through questionnaires to buyer and seller, telephone interview, field review, recorded documents, and vendor information.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to any property is assumed to be good and marketable, unless otherwise stated.
- All property is appraised as if free and clear of any and all liens or encumbrances, unless otherwise stated.
- All taxes are assumed to be current, with no outstanding superior liens.
- All property is appraised as though under responsible, adequately capitalized ownership and competent property management.
- All engineering is assumed to be correct. Any written or drawn plots, plans or site maps are only included to aid in locating and visualizing the property.
- It is assumed there is full compliance with all applicable federal, state and local environmental regulation and laws unless noncompliance is stated, defined and considered in this mass appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consent of other administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements of the properties described are within the boundaries or property lines and that there are no encroachments or trespasses unless noted on the appraisal record.
- It is assumed that no hazardous materials exist on any property which may affect a market value of the subject property or any neighboring property.

The properties are subject to the reappraisal functions of the 2010 - 2022 Reappraisal Plan, as amended, including individual parcel identities. These identities and characteristics include, but not limited to: legal descriptions, easements, covenants, restrictions various types of deeds, written agreements, will, probate, and any other device, stirrup, or descent, duly recorded in the County Clerk's Office of Tom Green County, the individual legal descriptions and property rights and/or encumbrances for each parcel, are noted in the TGCAD CAMA system.

All 3 methods of determination of value were employed in the 2020 reappraisal of the target area. The most relevant method (Cost, Market, or Income) was determined by highest and best use analysis and is dependent upon the property type and the usage of the property.

The Texas Constitution, Article VIII, Sec 1, provides that property be taxed in proportion to its value as determined by law. Texas Property Tax Code implements this provision as follows:

§23.01. Appraisals Generally

(a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.

(b) The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the appraisal district 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. 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, and all available evidence that is specific to the value of the property shall be taken into account in determining the property's market value.

(1) Notwithstanding Section 1.04(7)(C), in determining the market value of a residence homestead, the chief appraiser may not exclude from consideration the value of other residential property that is in the same neighborhood as the residence homestead being appraised and would otherwise be considered in appraising the residence homestead because the other residential property was sold at a foreclosure sale conducted in any of the three years preceding the tax year in which the residence homestead is being appraised and was comparable at the time of sale based on relevant characteristics with other residence homesteads in the same neighborhood; or

(2) has a market value that has declined because of a declining economy.

(c) The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

(d) Notwithstanding any provision of this subchapter to the contrary, if the appraised value of property in a tax year is lowered under Subtitle F, the appraised value of the property as finally determined under that subtitle is considered to be the appraised value of the property for that tax year. In the following tax year, the chief appraiser may not increase the appraised value of the property unless the increase by the chief appraiser is reasonably supported by substantial evidence when all of the reliable and probative evidence in the record is considered as a whole. If the appraised value is finally determined in a protest under Section 41.41(a)(2) or an appeal under Section 42.26, the chief appraiser may satisfy the requirement to reasonably support by substantial evidence an increase in the appraised value of the property in the following tax year by presenting evidence showing that the inequality in the appraisal of property has been corrected with regard to the properties that were considered in determining the value of the subject property. The burden of proof is on the chief appraiser to support an increase in the appraised value of property under the circumstances described by this subsection.

Acts 1979, 66th Leg., p. 2252, ch. 841, § 1, eff. Jan. 1, 1982. Amended by Acts 1985, 69th Leg., ch. 823, § 5, eff. Jan. 1, 1986; Acts 1997, 75th Leg., ch. 1039, § 21, eff. Jan. 1, 1998; Acts 2009, 81st Leg., ch. 619, § 1, eff. Jan. 1, 2010; Acts 2009, 81st Leg., ch. 1211, § 1, eff. Jan. 1, 2010; Acts 2009, 81st Leg., ch. 1405, § 2, eff. Jan. 1, 2010; Acts 2011, 82nd Leg., ch. 91 (S.B. 1303), § 27.001(56), (57), eff. Sept. 1, 2011. (publication cited: "Texas Property Tax Code, 2011)

It should be noted in an unpublished opinion, the Houston Court of Appeals has approved the following definition of highest and best use:

"Highest and best use" is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legally permissible, physically possible, financial feasibility, and maximum profitability.

In determining Highest and Best Use for the properties defined in all TGCAD market areas, it was found that local property identity, combined with characteristics that may affect a property's market value was consistent with Sec 23.01, Texas Property Tax Code, and the definition opined by the Houston Court of Appeals.

Therefore, Single family residential properties used the market approach; new residential land developments and new improvements use the Costs and Market approach. Commercial property uses both Costs and Income approaches, and business personal property use both Cost and Market approaches to value.

Independent Performance Test

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts a semiannual property value study (PVS) of each Texas school district and each appraisal district. As a part of this semiannual study, the code also requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAPS review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district.

The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity.

This study utilizes statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, 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 25% of the median, and price-related differential (PRD) for properties overall and by state category (i.e., categories A, B, C, D and F are directly applicable to real property).

There are seven independent school districts in TGCAD 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 final results of this study are certified 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.

Final Reconciliation and Certification

Data compiled from all sources used during reappraisal to determine market values were sufficient in relationship to the population of properties to be appraised. This relationship indicated 26.13 % of the population was represented by validated market information.
(18,260 Notices / 69,884 TOTAL PARCELS)

An internal statistical testing for accuracy of appraisals performed during the 2020 reappraisal and the following is reported:

2020 TGCAD Internal Ratio Study Summary for Category A Property, Ending Results

Un-stratified Median Ratio (CAD Value / Sale Price)	0.9700
Overall Coefficient of Dispersion:	12.55
Overall Median Level of Appraisal:	\$103.05
Price Related Differential:	1.02*
Confidence Interval:	0.0120
Ratio Upper Limit	0.966
Ratio Lower Limit	0.942

*PRD greater than 1 means low value property is appraised at a higher level than high value property

(Using all sales for all jurisdictions)

An internal statistical testing for accuracy of appraisals performed during the 2019 reappraisal and the following is reported:

2019 TGCAD Internal Ratio Study Summary for Category A Property, Ending Results

Un-stratified Median Ratio (CAD Value / Sale Price)	0.9957
Overall Coefficient of Dispersion:	9
Overall Median Level of Appraisal:	\$101.94
Price Related Differential:	1.03*
Confidence Interval:	0.0195004
Ratio Upper Limit	1.0152
Ratio Lower Limit	0.9762

*PRD greater than 1 means low value property is appraised at a higher level than high value property

(Using all sales for all jurisdictions)

USPAP Standard Rule 5 AND 6

Each written mass appraisal report must contain a signed certification:

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting pre-determined results.

My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the "Uniform Standards of Professional Appraisal Practice".

I have not made a personal inspection of the properties that are the subject of this report.

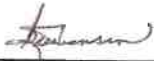
The following persons did make personal inspections of certain properties located within the defined areas which were reappraised for 2019, as dictated by time and available resources, however, not all properties appraised were physically inspected, and the use of aerial imagery was utilized in those cases.

The following individuals provided mass appraisal assistance to the person signing this certification.

Cindy Hurt	Residential and Charitable Orgs.	RPA 71502
Stoney Hariman	Rural residential Rural land Agriculture land	RPA 72319
John Timmons	Residential Rural Residential Low income housing	RPA/RTA 71698

Gary Young	Personal Property	RPA 64646
Christy Gibbs	Personal Property	RPA 71637
Scott Smetana	Rural residential Rural land Agriculture land	Class III 75039
Andrea Neste	Personal Property	76288/76289 Class I
Austin Wright	Commercial Real	Class III 75073

I, Bill H. Benson, Chief Appraiser for the TGCAD, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the District subject to appraisal for taxation, 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 by the Texas Property Tax Code and Uniform Standards of Professional Appraisal Practices, Sections 5 and 6.



Bill H. Benson, Chief Appraiser, TDLR 60523, RPA
Tom Green County Appraisal District
September 10, 2020



2021 / 2022

REAPPRAISAL PLAN

Tom Green County Appraisal District 2021/2022 Tom Green County Appraisal District Reappraisal Plan

Pursuant to Sections 25.18 and 6.05(i) of the State Property Tax Code, The Tom Green County Appraisal District is required, in even numbered years, to provide a reappraisal plan of appraisal of all taxable property within the jurisdiction of the District. The plan is mandated to be approved in even numbered years and provides for the systematic reappraisal of all taxable property at least once every three years. The District is currently (since 2014) reappraising all taxable property EVERY Year. By providing this 2-year plan, and appraising all taxable property every year, we have met the mandated requirement.

PLAN OVERVIEW

The plan has been modified to provide the means by which all Real Property, Personal Property, Mobile Home Parks, Industrial Property, Utilities, and Minerals are appraised every year. Agricultural Productivity values are calculated annually, as required by Tax Code.

The CAD is divided into three major regions. These Regions will support more in-depth analysis, and the means to accomplish the reappraisal tasks defined by the market each year. Consequently, each year, all real property will be reappraised, regardless of any ratio study/report findings and as time allows. The three major regions are defined as follows:

Region 1: All of Grape Creek I.S.D., all of Christoval I.S.D., parts of Wall ISD located inside City of San Angelo Limits, and that part of the City of San Angelo and San Angelo I.S.D. lying north of the North Concho River, and that part of San Angelo I.S.D. lying South of Arden Road and West of FM 2335.

Region 2: All of Veribest I.S.D., all of Wall ISD not located within City of San Angelo City Limits, and that part of the City of San Angelo and San Angelo I.S.D. lying south of the North Concho River, west of the South Concho River and north of the Red Arroyo.

Region 3: All of Water Valley I.S.D. located within Tom Green County, all of Miles I.S.D. located in Tom Green County and the South part of the City of San Angelo, and San Angelo I.S.D., lying South and West of the Red Arroyo and any remaining areas not already described in Regions 1 and 2.

Since these areas have been defined, TGCAD may need to use these already coded areas to better accomplish our reappraisal plan, so the current coding will remain in place.

It should be noted that these defined areas contain specific market information, and generally this market information does not apply to other Regions or past those boundaries outlined above. These Regions are considered subsets of a whole of Tom Green County.

This reappraisal plan will closely follow the statistical strata that the Comptroller uses in its property value study.

Annual Ratio Reports: Sales ratio reports will be run on all real property to determine what, if any, mass changes in value to respective property types may need to be performed. This will enable the TGCAD staff to identify those properties or areas within the CAD which need to be reappraised during the current year based on market values and resulting sales ratios. Those areas or subdivisions whose ratios are above, or below statutory requirements shall be reappraised in the current year. (see flow chart page 47)

This approach will ensure not only that all real property within the CAD is reappraised at least once every three years, per minimum standards set forth in Property Tax Code, but also that any other areas or property within the CAD are reviewed annually so that the appraisal district stays current with respect to market value of those areas where property values appear to be changing rapidly.

Residential Reappraisal: Begins with Sales analysis of all sales and Stratified sales data compared to value strata as defined by both our local data and the Comptroller. Geographically defined market areas that fall outside of acceptable statistical measures will be mass appraised by applying standardized costs and market tables to the square foot of main residence.

Depreciation modifiers have been standardized to reflect the overall actual and effective age and may be applied to whole neighborhoods and/or subdivisions.

All accessory components of residential real property are to be valued at a percentage of main structure, unless the accessory is unique in nature.

Commercial Reappraisal: Begins Sales analysis of any information available from the real estate market and statistical testing. Local data will be stratified to reflect the stratum ranges used by the Comptroller. Industry activity that dictates the need for reappraisal will be scrutinized and decisions will be made accordingly.

Commercial Real Property will be coded pursuant to coding used in Corelogic's "Marshall and Swift Valuation Resource Book". Cost schedules will be used where income information from business operations is not readily available.

Income information will be used when available, as considered to be either through gross sales, as reported through sales tax, occupancy tax as reported to Comptroller, and/or sales tax reported if available, or lessor/ leasee information through rental or lease agreements. Operational income as defined as profit or loss from business activity may be considered if obtained.

The District will use resource books such as "Source Strategies" and "Burbach and Associates" that help analyze income data and business operations.

The income approach is the preferred and most prevalent manner to value commercial property. However, most instances dictate that "industry standards or averages" are used since specific information is usually NOT provided.

In summary, Commercial Valuation will include:

- Sales Analysis
- Stratification
- Published Industry Income Material
- Income Data
- Occupancy Tax Data
- Published Cost Models and Valuation

Departmental Organization:

The Real Estate Department is divided into two sections, Residential Appraisal and Commercial Appraisal. Both sections begin the reappraisal year by employing existing mass appraisal statistical analysis, gathering sales data from deed records, survey letters, local builders, appraisers and other sources. Staff will confirm and analyze sales data, run internal ratio study reports, check outliers, establish and adjust classification system, review and update cost/market schedules as necessary, establish land values on newly platted subdivisions, and analyze land values through sale abstraction and land to building ratio models.

The Personal Property Department begins the appraisal year with the discovery process, which includes field inspections, city permits, Sales Tax and DBA reports from the local tax assessor's office. Local newspapers and phone books are also utilized to discover new businesses in the CAD. Renditions are sent and worked as returned. The TGCAD subscribes to an outside vendor for vehicle and aircraft information. All personal property is classified by industry standard SIC codes. Cost schedules, trending factors, and index factors are reviewed as necessary to conform to changing market conditions. All business personal property accounts are reappraised each year.

Field Appraisers will then begin carrying out field inspections, work sales information and review real estate renditions, review neighborhood sales recap sheets, work subdivisions as required by reappraisal cycle, check all existing data, and work building permits, investigate sales information that may need confirmation, take photographs of improvements, draw plans of new home construction from builder plans or from actual measurements for entry into CAMA, conduct field inspections of newly platted subdivisions.

The TGCAD contracts with the firm of Thos. Y. Pickett & Company Inc. for the appraisal of Mineral Property, Industrial Property, and Utility Property. They have provided an appraisal plan and a 2021-2022 appraisal timeline which will be attached to this report.

It is expected that the 2021 reappraisal of all property within TGCAD jurisdiction will cost \$22.97* per parcel with an escalation of 2% per year for the remaining two years of the appraisal cycle. This estimate is dependent on any statute or policy changes.

*(2021 Proposed Appraisal Budget (\$1,594,123) divided by 69,398 parcels)

2019 / 2020 Time / Action Schedule

July 25, 2019 to September 30, 2019

Handle any outstanding ARB protest. Study and review use of GIS Mapping and Mass Appraisal functions. Begin planning for capture and analyzing sales information. Review and update classification categories and cost / market schedules and enter new tables and data into computer system. Run sales ratio reports throughout the CAD and identify and flag areas for reappraisal as indicated. Send sales confirmation letters, check deed records, and other sources. Work permits- Phase 1- permits from January 1, 2019 thru December 31, 2019. Begin discovery of new business personal property.

October 1, 2019 to November 30, 2019

Review sales ratio reports. Compare CAD values with sales info. Consider Land Valuation study by Abstraction to determine if market value for land in built up neighborhoods are within acceptable land to building ratios, and how land abstraction values are representing market value through concept of location. Establish ratios for increase / decrease as neighborhood adjustments in mass reappraisal defined demographic market areas, with corresponding land values represented by location. Continue to work permits, conduct field inspection of sales and make field notes as required.

December 1, 2019 to January 31, 2020

Survey Mobile Homes Parks, verifying rent roles and units owned by parks. Collect and verify any A2 category field work for changes and additions. Begin working Phase 2 building permits Phase 2- Work permits taken out from January 1, 2019 through December 31, 2019. Begin setting up new subdivisions / additions for 2020. Send sales confirmation letters for properties conveyed since last survey. Update classification categories and cost / market schedules and enter new data into computer system. Begin organizing appraisal cards for field work. Send Renditions for all business personal property. Update personal property schedules, trending and indexing factors.

February 1, 2020 to March 31, 2020

Continue running sales ratio reports, and refinement of the mass appraisal, sales and land abstraction analysis functions. Continue field work and begin mass maintenance changes to value structure. Utilize GIS to assist field staff with their duties. Re-survey mobile home parks and finish A2 category field work. Reappraisal of specific problem areas as assigned. Conduct field inspections. Finish and move on to field work in other areas indicated by market analysis that need attention based on sales ratio reports. Receive and review Personal Property Rendition returns and update database. Obtain rental and leasing information on warehouses, apartments, retail and office space.

April 1, 2020 to May 31, 2020

Finalize all field work, and data collection, activities and data entry. Each Appraiser assists in mass maintenance activities as assigned. Prepare for and assist in mailing 2020 ARB notices. Handle taxpayer inquiries and phone calls from notices. Conduct staff meetings with taxpayer. Prepare for ARB process.

June 1 – July 22, 2020

ARB process

July 25, 2020

Certify 2020 Appraisal Roll

Note: Same time action schedule next year unless revisions are required by change in statutes.

**2020 / 2021
Time / Action Schedule**

July 22, 2020 to September 30, 2020

Handle any outstanding ARB protest. Study and review use of GIS Mapping and Mass Appraisal functions. Begin planning sales ratio reporting. Review and update classification categories and cost / market schedules and enter new tables and data into computer system. Run sales ratio reports throughout the CAD and identify and flag subdivisions for reappraisal as indicated. Send sales confirmation letters, check deed records, and other sources. Work permits- Phase 1- permits from January 1, 2020 thru December 31, 2020. Begin discovery of new business personal property.

October 1, 2020 to November 30, 2020

Review sales ratio reports. Compare CAD values with sales info. Consider Land Valuation study by Abstraction to determine if market value for land in built-up neighborhoods are within acceptable land-to-building ratios, and how land abstraction values are representing market value through concept of location. Establish ratios for increase / decrease as neighborhood adjustments in mass reappraisal defined demographic market areas, with corresponding land values represented by location. Continue to work permits, conduct field inspection of sales and make field notes as required.

December 1, 2020 to January 31, 2021

Survey Mobile Homes Parks, verifying rent roles and units owned by parks. Collect and verify any A2 category field work for changes and additions. Begin working Phase 2 building permits Phase 2- Work permits taken out from January 1, 2020 through December 1, 2020. Begin setting up new subdivisions / additions for 2021. Send sales

confirmation letters for properties conveyed since last survey. Update classification categories and cost / market schedules and enter new data into computer system. Begin organizing appraisal cards for field work. Send Renditions for all business personal property. Update personal property schedules, trending and indexing factors.

February 1, 2021 to March 31, 2021

Continue running sale ratio reports, and refinement of the mass appraisal sales and land abstraction analysis functions. Continue field work and begin mass maintenance changes. Utilize GIS to assist field staff with their duties. Re-survey mobile home parks and finish A2 category field work. Reappraisal of specific problem areas as assigned. Conduct field inspections. Finish and move on to field work in other areas indicated by market analysis that need attention based on sales ratio reports. Receive and review Personal Property Rendition returns and update database. Obtain rental and leasing information on warehouses, apartments, retail and office space.

April 1, 2021 to May 31, 2021

Finalize all field work, data collection, activities and data entry. Each Appraiser assists in mass maintenance activities as assigned. Prepare for and assist in mailing 2021 ARB notices. Handle taxpayer inquiries and phone calls from notices. Conduct staff meetings with taxpayer. Prepare for ARB process.

June – Mid July

ARB Process

July 25, 2021

Certify 2021 Appraisal Roll

Note: Same time action schedule next year unless revisions are required by change in statutes.

2021 / 2022 Time / Action Schedule

July 22, 2021 to September 30, 2021

Handle any outstanding ARB protest. Study and review use of GIS Mapping and Mass Appraisal functions. Begin planning sales ratio reporting. Review and update classification categories and cost / market schedules and enter new tables and data into computer system. Run sales ratio reports throughout the CAD and identify and flag subdivisions for reappraisal as indicated. Send sales confirmation letters, check deed records, and other sources. Work permits- Phase 1- permits from January 1, 2021 thru December 31, 2021. Begin discovery of new business personal property.

October 1, 2021 to November 30, 2021

Review sales ratio reports. Compare CAD values with sales info. Consider Land Valuation study by Abstraction to determine if market value for land in built up neighborhoods are within acceptable land to building ratios, and how land abstraction values are representing market value through concept of location. Establish ratios for increase / decrease as neighborhood adjustments in mass reappraisal defined demographic market areas, with corresponding land values represented by location. Continue to work permits, conduct field inspection of sales and make field notes as required.

December 1, 2021 to January 31, 2022

Survey Mobile Homes Parks, verifying rent roles and units owned by parks. Collect and verify any A2 category field work for changes and additions. Begin working Phase 2 building permits Phase 2- Work permits taken out from January 1, 2021 through December 31, 2021. Begin setting up new subdivisions / additions for 2022. Send sales confirmation letters for properties conveyed since last survey. Update classification categories and cost / market schedules and enter new data into computer system. Begin organizing appraisal cards for field work. Send Renditions for all business personal property. Update personal property schedules, trending and indexing factors.

February 1, 2022 to March 31, 2022

Continue running sales ratio reports, and refinement of the mass appraisal sales and land abstraction analysis functions. Continue field work and begin mass maintenance change. Utilize GIS to assist field staff with their duties. Re-survey mobile home parks and finish A2 category field work. Reappraisal of specific problem areas as assigned. Conduct field inspections. Finish and move on to field work in other areas indicated by market analysis that need attention based on sales ratio reports. Receive and review Personal Property Rendition returns and update data base. Obtain rental and leasing information on warehouses, apartments, retail and office space.

April 1, 2022 to May 31, 2022

Finalize all field work, data collection, activities and data entry. Each Appraiser assists in mass maintenance activities as assigned. Prepare for and assist in mailing 2022 ARB notices. Handle taxpayer inquiries and phone calls from notices. Conduct staff meetings with taxpayer. Prepare for ARB process.

June – Mid July

ARB Process

July 25, 2022

Certify 2022 Appraisal Roll

Note: Same time action schedule next year unless revisions are required by change in statutes.

Per Texas Property Tax Code Section 6.05 (i), the District will amend as necessary, prepare and present the new 2-year plan prior to September 15, 2022. This shall be after “The Plan” has been prepared and submitted to all jurisdictions and the Board of Directors hold a public meeting to discuss any and all additional changes and or amendments and finally vote to approve the next two year reappraisal plan.

**ADMINISTRATIVE STAFF PROVIDING SIGNIFICANT
MASS APPRAISAL ASSISTANCE**

NAME	TITLE	TDLR	TYPE OF ASSITANCE
Bill H. Benson	Chief Appraiser	60523	Chief Administrator Of all Appraisal District Operations.

**APPRAISAL STAFF PROVIDING SIGNIFICANT MASS APPRAISAL
ASSISTANCE**

NAME	TITLE	TDLR	TYPE OF ASSISTANCE
Cindy Hurt	Office Administrator Real Property Appraiser. Religious and Charitable Orgs.	71502 RPA	Certifies exemptions are accurate and current. Conducts field inspections pursuant to application by Charitable and Religious Orgs. Works assigned single family Residential permits and sale Analysis for residential reappraisal
Stoney Hariman	Residential Rural and Agricultural Appraiser.	72319 RPA	Appraises residential and rural real property. Conducts field data collection for existing and new Residential rural Real Property. Appraises Agricultural usage lands and administers agricultural appraisal exemptions.
John Timmons	Residential and Rural Real Estate	71698 RPA & RTA	Appraises residential and rural Real Property, and Manages low income housing programs, Conducts field data

Collection for existing and
new Real Property
Valuations

Scott Smetana	Residential Rural And Agricultural	Registrant 75039	Appraises residential and rural Real Property. Works And Distributes building permits
Austin Wright	Commercial Mobile Home Manager	Registrant 75073	Appraises Commercial and mobile homes.
Andrea Neste	Personal Property	Registrant 76288/76289	Appraisal of Business Personal Property.
Gary Young	Business Personal Property Coordinator and Appraiser	64646 RPA	Appraises Business Personal Property. Works with data and field collection, discovery of New Personal Property
Christy L. Gibbs	Business Personal Property	71637 RPA	Appraises Business Personal Property Customer Service and Data Entry
Thomas Y Pickett	Industrial and Mineral Property		By contract the Thomas Y. Pickett staff of Specialized Appraisers, Licensed and registered Perform all the tasks Necessary

**Tom Green County Appraisal District
2021 / 2022 Mass Appraisal Details of Appraisal Efforts.**

INTRODUCTION

Scope of Responsibility

The Tom Green County Appraisal District has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general

introduction and then several sections describing the appraisal effort by the appraisal district.

The Tom Green County Appraisal District (TGCAD) is a political subdivision of the State of Texas created effective January 1, 1981. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A five-member board of directors, appointed by the taxing units within the boundaries of Tom Green County, constitutes the district's governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for 14 jurisdictions or taxing units in the county. Each taxing unit, such as the county, the city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to provide for education or public services.

Appraisals established by the appraisal district allocate the year's tax burden based on each taxable property's January 1st market value. The value is defined as market value in terms of cash or cash equivalent. The three approaches to value are considered during each appraisal: cost, market and income.

The approach that is most relevant to highest and best use of a property type is then used to determine the market value of the subject properties within the defined area, for residential real property, commercial real property, and business personal property.

We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable religious organizations, abatements and any other mandated exemptions

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its "market value" as of January 1st. Under the tax code, "market value" means 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 purchaser;
- both the seller and the buyer 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;
- both the seller and buyer seek to maximize their gains, and neither is in a position to take advantage of the exigencies of the other.
- The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year preceding the tax year to which the appraisal applies by

filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to conduct a reappraisal of real property once every three years. (See three-year plan.) However, appraised values are reviewed annually and are subject to change for purposes of equalization. Personal property is appraised every year.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent market data. Except as otherwise provided by the Texas State Property Tax Code, the district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. In cases where the appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

Personnel Resources

The Office of the Chief Appraiser is responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The Administration Department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The Appraisal Department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, and industrial and mineral. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with The Texas Department of Licensing and Regulation. Support functions include records maintenance, information and assistance to property owners.

The appraisal district staff consists of 24 employees with the following classifications:

- Management – Chief Appraiser (1), Administrative Secretary (1),
- Appraisal – Appraisers (8),
- Mapper (1)
- Clerical – Cashiers (5),
- Clerks and Bookkeepers (2),
- Secretary (1),
- Senior Clerks & Abstractors (3)
- Data Processing – Programmer (1),
- Data Entry Operator (1)

The district is responsible for establishing and maintaining approximately 69,884 real, personal and mineral property accounts covering 1,541 square miles within Tom Green County (8/25/2020). This data includes property characteristic and ownership and exemption information. Property characteristic data on new construction is updated

through an annual field effort; existing property data is maintained through a field review that is prioritized by last field inspection date. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities. General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and seller.

The district has a geographic information system (GIS) that maintains cadastral maps and various layers of data including facet and aerial photography, Pictometry and Google imagery. The district's website makes a broad range of information available for public access. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions are also available from the Texas Comptroller's website.

Computer Systems

The Data Processing Department maintains the district's data processing facility, software applications, and geographical information system. The CAMA (computer assisted mass appraisal) system currently being utilized is a comprehensive appraisal and collection software package provided by Southwest Data Solutions called Gemini. Additionally, a legacy IBM AS/400 Model 270 computer system is used as an archival repository for 2012 and prior tax roll data.

Independent Performance Test

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts a semi-annual property value study (PVS) of each Texas school district and each appraisal district. As a part of this semi-annual study, the code also requires the Comptroller to:

- use sales and recognized auditing and sampling techniques
- review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAPS review)
- test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid
- determine the level and uniformity of property tax appraisal in each appraisal district

The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity.

This study utilizes statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, 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 25% 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 are seven independent school districts in TGCAD for which appraisal rolls are annually developed. The preliminary results of this study are released in February in the year following the year of appraisal. The final results of this study are certified 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.

Appraisal Activities

INTRODUCTION

Appraisal Responsibilities

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a physical description of personal property, and land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types which are located within the boundaries of Tom Green County. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically field inspect residential, personal, and commercial properties in Tom Green County every three years. Meeting this goal is dependent on budgetary and time constraints.

Appraisal Resources

- Personnel – The appraisal staff consists of 8 appraisers and two clerical personnel.
- Data – The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal system) from the district's computer system. The data is printed on a property record sheet, or personal property data sheets. Other data used includes maps, sales data, fire and damage reports, building permits, photos and actual cost information.

PRELIMINARY ANALYSIS

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal). The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data,

such as square foot of living area, year built, quality of construction, and condition. Field appraisers establish uniform procedures for the correct listing of real property. All properties are coded accordingly and the approaches to value are structured and calibrated based on this coding system. Data collection for personal property involves maintaining information on PERS (Personal Property System). The type of information contained in PERS includes personal property such as business inventory, furniture and fixtures, machinery and equipment, cost and location. The field appraisers conducting on-site inspections use a personal property manual during their initial training and as a guide to correctly list all personal property that is taxable.

Sources of Data

The sources of data collection are through the new construction field effort, data review/relist field effort, data mailers, hearings, sales validation field effort, commercial sales verification, newspapers and publications, and property owner correspondence via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Paper permits are received and matched manually with the property's tax account number for data entry.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers drive entire neighborhoods to review the accuracy of our data and identify properties that have to be relisted. The sales validation effort in real property pertains to the collection of data of properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics data and confirmation of the sales price. In commercial, the commercial sales group is responsible for contacting both grantee and grantor to confirm sales prices and to verify pertinent data.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides sufficient enough data to allow correction of records without having to send an appraiser on-site. For the property owner without access to the Internet, letters are often submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at our earliest opportunity.

Data Collection Procedures

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial, and personal property. The appraisers are assigned throughout Tom Green County to conduct field inspections. Appraisers conduct field inspections and record information either on a property record sheet, or a personal property data sheet.

The quality of the data used is extremely important in establishing accurate values of taxable property. While production standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such

as new construction, sales validation or data review. A quality assurance process exists through review of the work being performed by the field appraisers. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

STUDY OF MASS APPRAISAL CONCEPTS AND PROCEDURES

Extraordinary Assumptions, Limiting Conditions and Predetermined conclusions

By Comptroller Rule and Texas Property Tax Code, all property shall be appraised at Market Value and shall be in minimal compliance of 95% ratio and the resulting ISD jurisdictional values shall be within the ranges established by Comptroller known as the Confidence Interval.

The Tom Green County Appraisal District strives to maintain and or improve the mass appraisal process through the statistical study and evaluation of the market value for property located within each specific economic market area.

The District feels this is an important statement: “Although Property Tax Code requires each appraisal district to appraise property at market value”, we are essentially mandated to settle for equal and uniform valuations on all property. We recognize and voice our concern in this reappraisal plan that both conditions cannot be met simultaneously. There can either be market value or there can be equal and uniform. Since we are tested on market value by the Comptroller to determine if we are in compliance regarding ratio studies, this District will follow market value in its purest form, where possible.

The District is required to consider the three approaches to value: cost, market and income. We are tested by Comptroller on TGCAD’s market value when compared to either the Comptroller’s appraisals of property located within our jurisdiction or compared against sales of property discovered within our jurisdiction.

The District feels strongly that since the driving force to appraise property is not the accuracy and achievement of market values, but actually is driven by the inadequacy of a completely outdated grading system, we will seek market value as defined by sales of property that have recently transacted and disclosed within the boundaries of our jurisdiction, and the values that will be ultimately be generated by those “ratios” regarding the appraisal of real property. The District will also adhere to market value of Personal Property as evidenced by market value derived from schedules of original costs, adjusted and indexed for life, depreciation and utility.

The District will and does strive for the very best representation of market values for our Clients, the intended users of this reappraisal plan, and we are sensitive to the hardship our actions could have on the Taxpayers of Tom Green County.

The District recognizes and names the following as Clients and Users of this reappraisal plan for financial planning for the upcoming 3-year period of time covered by this plan.

In Alphabetical order:

Christoval ISD
Grape Creek ISD
Miles ISD (overlap)
San Angelo ISD
Veribest ISD
Wall ISD
Water Valley ISD

As well as the local government jurisdictions:

City of San Angelo
Irion County Water Control District
Lipan-Kickapoo Water Conservation District
Red Creek Municipal Utility District
Sterling County Water Conservation District
Tom Green County
Tom Green County Emergency Services District #1

This reappraisal plan is approved by the District's Board of Directors and causes actions that best serve the interests of the Jurisdictions/Entities listed above, and welcomes any feedback or input into this process from those jurisdictions we represent in the pursuit of the appraisal and reappraisal of all property within Tom Green County.

It is our duty to reduce to print the fact that the District and its employees have engaged in appraising the same universe of properties in previous years and will continue to do so in this current 3-year biennial plan.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the TGD appraiser responsible are listed on the CAMA record. If a property owner or jurisdiction disputes the district's records concerning this data during a hearing, via a telephone call or correspondence received, CAMA may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of certain areas or neighborhoods in the jurisdiction is done.

Office Review

Office reviews are completed on properties where information has been received from the owner of the property. Data mailers, sent in mass, or at the request of the property

owner, frequently verify the property characteristics or current condition of the property. When the property data is verified in this manner, field inspections may not be required.

PERFORMANCE TEST

The valuation appraisers are responsible for conducting ratio studies and comparative analysis. (Refer to the individual valuation process summary reports).

Field appraisers, in many cases may conduct field inspections to ensure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics.

Residential Valuation Process

INTRODUCTION

Scope of Responsibility

The Residential Valuation appraisers are responsible for developing equal uniform market values for residential improved and vacant property. There are approximately 69,884 parcels in Tom Green County.

Appraisal Resources

- Personnel – The Residential Valuation appraisal staff consists of six appraisers.
- Data – A common set of data characteristics for each residential dwelling in Tom Green County is collected in the field and data entered to the computer. The property characteristic data drives the computer-assisted mass appraisal (CAMA) approach to valuation.

VALUATION APPROACH

Market area is defined as an Economic Area (publication cited: Texas Property Tax Glossary, Second Addition, August 2002)

Economic Area is defined as a geographic area, typically encompassing a group of neighborhoods, defined by the physical boundaries of an area that are more or less equally subject to a set of one or more economic forces that largely determine the value of the properties within the area. (publication cited: Texas Property Tax Glossary, Second Addition, August 2002)

The forces that affect market value within the economic or market area for the types of appraisals performed by TGCAD, i.e.) residential, commercial, business personal property, may be physical, social, governmental, legal, factors of supply and/or demand, acceptability, access, types of property rights, and time of year or season.

Uniform Standards of Professional Appraisal Practices, Standard Rule 5 and 6 state: the properties must be identified in general terms, and each individual property in the universe must be identified, with the information on its identity stored or referenced in its property record. (publication cited: “USPAP 2018/2019 Updated Edition”, copyright The Appraisal Foundation.)

TGCAD identifies each individual parcel within the geographic boundaries of each of the market areas, in general terms and keeps those identities in the CAMA system. (publication cited: “Uniform Standards of Professional Appraisal Practice and Advisory Opinions)

In addition, each individual property in the defined geographical/economic area outlined in this reappraisal plan has been identified by location, Reappraisal plan region number, ISD boundary, situs address, unique parcel account number, and legal description, which includes coding within the CAMA to provide for location by GIS map layers, sub-division boundaries and 911 Emergency Street Addressing.

The detailed identity of each parcel in the universe is stored in the CAMA electronic records, both local and off-site, it is reproducible and searchable.

In addition to the above mentioned quantitative and qualitative identifiers, there are also political boundaries.

Those political boundaries are defined by legal description of Independent School District lines, Incorporated City Limits and un-incorporated townships within the jurisdiction of the TGCAD, and Tom Green County, all of which can be delineated and identified on physical maps to aide in the correct inclusion of property within those ISD boundaries.

The market areas and political boundaries are established and defined for the following entities:

Tom Green County (region 1, 2, 3)
Christoval ISD (region 1)
Grape Creek ISD (region 1)
San Angelo ISD (region 1, 2, 3)
Miles ISD (Tom Green County Portion-Overlap) (region 3)
Veribest ISD (region 2)
Wall ISD (region 1, 2)
Water Valley ISD (Tom Green County Portion-Overlap) (region 3)
City of San Angelo (region 1, 2, 3)
Town of Carlsbad (un-incorporated) (region 3)
Town of Christoval (un-incorporated) (region 1)
Town of Grape Creek (un-incorporated) (region 1)
Township of Mereta (un-incorporated) (region 2)
Township of Veribest (un-incorporated) (region 2)
Town of Wall (un-incorporated) (region 2)
Town of Water Valley (un-incorporated) (region 3)

Red Creek M.U.D. (region 1)
Lipan-Kickapoo WCD (Tom Green County Portion-Overlap) (region 1, 2, 3)
Irion County WCD (Tom Green County Portion-Overlap) (region 1)
Sterling County WCD (Tom Green County Portion-Overlap) (region 3)
Tom Green County Emergency Services (region 1 and 3)

The Sterling County Water Control District and the Irion County areas were defined by Legislative action; accordingly, the boundaries of those entities are attributed to geographical and physical landmarks of man-made origin.

Participation by parcel owner in these two (2) WCDs was by voluntary annexation into the taxing unit, creating individual characteristics of a small population of parcels with the TGCAD's jurisdiction, the identity of those parcels is stored in the CAMA system.

An individual property may be defined as within Tom Green County, within the District's jurisdiction, within an ISD, within a rural area or within a Town or City, within an economic area, within a geographical area, within a Region, within a subdivision, within a legal description, and within a neighborhood.

This plan encompasses the timeframe sufficient and relative to the scope of work. This timeframe is generally defined as data collection and organization for market value evidence during the period of Jan 1 through December 31 of the previous year to effectively analyze quantity and quality of information on market value and trends to arrive at the application of statistical review, analysis and performance.

The decision model is calibrated to be effective January 1 of each year following the year previous of data collection of the reappraisal plan, using time adjustments on sales data as needed, and remains in effect for the tax year stated in the reappraisal plan, and certified by the Chief Appraiser on or before July 25th of each year.

It is recognized that the outlined, defined areas are microcosms of the TGCAD universe and each specific area has its own unique market value, established by all the forces within the particular area and the dynamic interaction with other defined areas relating to economic principles such as location, substitution, uniformity, homogeneity, and conformity. This is evidenced by market information gathered from various sources, and specifically identified during statistical review and analysis.

The statistical analysis of the defined regions and the market information gathered is processed and maintained within the local CAMA system, including but not limited to Microsoft Excel Spreadsheet Analysis. This market area analysis is retained year after year within the TGCAD CAMA servers.

These defined economic areas are stated on the very first page of the plan, delineated and known as Regions One (1), Two (2) and Three (3) and are utilized by the CAD, as well as all the jurisdictions represented by The District,

for funding and planning purposes by assessment and collection of Property Taxes pursuant to Texas Property Tax Law and Code.

Area Analysis

Data on regional economic forces such as demographic patterns, regional and location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of IAAO and TDLR classes.

Neighborhood and Market Analysis

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Residential valuation and neighborhood analysis are conducted on each of the political entities known as Independent School Districts (ISD).

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height.

Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal.

Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted.

Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and decides regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic detriments, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties.

Land Valuation

During a pilot program and statistical study of market value used to discover the portion of market value attributable to the land component, the District successfully determined through allocation by abstraction the portion of the market value that is attributable to the land. The District will continue the study and revaluation of the land components in this reappraisal plan, as this concept is the basis for the economic delineation of the economic markets within our jurisdictions. This is based on the economic principle of supply and demand and this is further affirmed that location drives market value and location is defined as the value of the land component, which in turn represents highest and best use.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost and Market Driven Schedules

All residential parcels in the district are valued from cost and market driven schedules using a comparative unit method. The district's residential cost schedules follow the nationally recognized Marshall and Swift's cost schedules and are customized to fit Tom Green County's local residential building and sales market.

An extensive review and revision of the residential cost schedule is performed each tax year. This process includes correlation of quality of construction factors from TGCAD and Marshall & Swift. The results of this comparison are analyzed, and the Marshall & Swift regional multiplier is used in the district's cost process. In addition to the mainframe cost schedules, PC spreadsheet applications have been created to address unique appraisal situations, such as different levels of remodeling and atypical housing features not normally accounted for in the mainframe benchmark cost system.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a separate sales information system. Residential improved and vacant sales are collected from a variety of sources, including district questionnaires sent to buyer and seller, field discovery, protest hearings, various sale vendors, builders, and realtors. A system of type, source, validity and verification codes was established to define salient facts related to a property's purchase or transfer. School district or neighborhood sales reports are generated as an analysis tool for the appraiser in the development of value estimates.

Land Analysis

Residential land analysis is conducted by each of the residential appraisers. The appraisers develop a base lot, primary unit value assigned to each unique neighborhood or a square foot unit value. Each lot may be adjusted by a percent good or an economic factor. Specific land influences are used, where necessary, to adjust parcels outside the neighborhood norm for such factors as view, shape, size, and topography, among others. The appraisers use abstraction and allocation methods to ensure that the land values created best reflect the contributory market value of the land to the overall property value, and that the resulting land values are representative of value as a function of location.

Statistical Analysis

The Property Tax Division of the Comptrollers office performs statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each of the approximately 625 residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each stratified neighborhood within an ISD and summarized by year.

These summary statistics including, but not limited to, the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraisers a tool by which to determine both the level and uniformity of appraised value on a stratified neighborhood basis. The level of appraised values is determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation, coefficient of variation, and coefficient of dispersion discerns appraisal uniformity within and between stratified neighborhoods.

Those neighborhoods which have sufficient information are reviewed annually by the PVS through the sales ratio analysis process. 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 and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated in an upcoming reappraisal, or whether the level of market value in a neighborhood is at an acceptable level.

Market Adjustment or Trending Factors

Neighborhood, market adjustment and time adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not specified in the cost model. This is essentially a market approach to value reflected as a cost approach.

Market value of a class of property is calculated by analyzing the price per square foot that comparable properties are selling for and applying that price per square foot back to the individual properties of that class. The appraiser may determine that an individual property may need further adjustment either by a per cent good or an economic factor. This market value is reflected on the appraisal records as a cost approach identifying contributory value for each property characteristic. The total appraised value of an individual property can then be supported by comparing it to the most comparable sales that have occurred in the marketplace.

If a neighborhood is to be updated, the appraiser uses a market ratio study that compares recent sales prices of properties appropriately adjusted for the effects of time within a delineated neighborhood with the properties' appraised value. The calculated ratio derived from the sum of the sold properties' appraised value divided by the sum of the sales prices indicates the neighborhood level of value based on the unadjusted appraised value for the sold properties.

A market adjustment factor is needed to trend the values obtained through the market approach closer to the actual market evidenced by recent sales prices within a given neighborhood. The sales used to determine the market adjustment factor will reflect the

market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values.

The market adjustment factor calculated for each updated neighborhood is applied uniformly to all properties within a neighborhood. Once the market-trend factors are applied, a second set of ratio studies 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 finally, for the school district as a whole.

TREATMENT OF RESIDENCE HOMESTEADS

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under the new law, beginning in the second year a property receives a homestead exemption; market value increases in the value of that property are "capped."

The value for tax purposes (appraised value) of a qualified residence homestead will be the LESSER of:

The market value; or

- The preceding year's appraised value;
PLUS 10 percent of the appraised value of the appraised value of the preceding year;
PLUS the value of any improvements added since the last re-appraisal.

Values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the following year. In that following year, that home is reappraised at its market value to bring its appraisal into uniformity with other properties. An analogous provision applies to new homes. While a developer owns them, unoccupied residences are appraised as part of an inventory using the district's land value and the developer's construction costs as of the valuation date. However, in the year following sale, they are reappraised at market value.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The appraiser identifies individual properties in critical need of field review through sales ratio analysis. Sold properties with a high variance in sales ratios are field reviewed on a regular basis to check for accuracy of data characteristics.

It is the Field Appraiser's responsibility and judgement to identify any individual characteristics of any property that may have an effect or influence on the estimate of Market Value. This is inclusive of both internal and external characteristics that may affect market value of the subject.

As the district's parcel count has increased through new home construction, and the homes constructed in the boom years of the late 70's and early 80's experience remodeling, the appraisers are required to perform the field activity associated with

transitioning and high demand neighborhoods. Increased sales activity has also resulted in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. After preliminary estimates of value have been determined in targeted areas, the appraiser takes valuation documents to the field to test the computer-assisted values against his own appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

Office Review

Given the lack of resources and time required to conduct a routine field review of all properties, homogeneous properties consisting of tract housing with a low variance in sales ratios and other properties having a recent field inspection date are value reviewed in the office. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The dollar amount and percentage of value difference are noted for each property within a delineated neighborhood allowing the appraiser to identify research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value notice are sent.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends within their area of responsibility and provide an indication of market appreciation or depreciation over a specified period of time. The neighborhood descriptive statistics are reviewed for each neighborhood being updated for the current tax year. The ratio studies are designed to emulate the findings of the state comptroller's annual property value study for category "A", "D", "F", "L" and "J" property.

The standard of minimal level of compliance with the Comptroller's office is 95% overall median level of market value estimates when compared to sold or appraised values, and to be statistically and mathematically within the confidence interval which is +/- 5.0 %.

The District realizes that the annual work on estimating market value for taxation purposes is not an exact science; however, the District runs ratio studies annually in addition to the biennial test performed by the Comptroller.

The District strives for the 95% ratio when comparing current CAD values to sale prices confirmed and adjusted for market variables such as time and financing.

The performance of these internal ratio studies regarding the 95% level of market value that indicate to staff what types of property need to be reappraised and where that property is located within our economically defined areas.

Our economic areas are primarily defined by the activity in the real estate market. Those areas within our County that have high sales volumes, or lower than compliant ratios are typically the econometric results or levels that are given the highest consideration. This is for the simple reason, that the Comptroller will test our values every other year, and recognition of fact and past history show that the study performed by the Comptroller centers around low spectrum of ratios regardless of economic or geographic areas, and the Comptroller study is also primarily centered on high value properties, which also skews the test results.

Commercial Valuation

INTRODUCTION

Scope of Work

This mass appraisal assignment includes all commercially classed real property assigned to the commercial valuation appraiser and located within the jurisdiction of Tom Green County and overlapping appraisal districts. Commercial appraisers appraise the fee simple interest of properties according to statute. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any nonexempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their pro-rata interests.

Appraisal Resources

- Personnel – The Commercial Valuation Staff consists of 1 appraiser(s)
- DATA – a common set of data characteristics for each commercial property is collected from the marketplace regarding economic rents, net to land and published income, or from National sources such as “Marshall & Swift”.

SPECIAL NOTE: Starting in the appraisal year of 2017 all Commercial Property will be the subject of extensive work. This will include but not be limited to CAMA coding changes to be consistent with new codes in Corelogic’s “Marshall and Swift Valuation Models”, valuation coding based on replacement costs new, functional depreciation scheduling, and an extensive land value study and reappraisal based on location and the valuation of the land component when sales of existing Improved Commercial Property are analyzed to indicated the remaining value attributable to the land component. Land values determined through the study will then be scheduled to produce a credible table format based on highest and best use, land size and location. This work project will be consistent when valuation of income producing property is subject of reappraisal, and the highest and best use doctrine will indicate to the appraiser the valuation method that produces the most reliable and accurate estimate of value.

Procedure for Collecting and Validating Data

The data used by the commercial appraisers includes verified sales of vacant land and improved properties and the pertinent data obtained from each (conditions of sale, financing, sales price levels, vacancy, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by these appraisers includes actual income and expense data, actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), actual construction cost data, and in-house surveys.

In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends. These include fee appraiser rental property surveys, many web sites from real estate organizations, professionals and individual property owners. Publications such as Corelogic's "Marshall and Swift" valuation models, Texas A & M Research Center, Source Strategies, Inc-Hotel Performance Fact book, Burbach and Associates, and Appraisal Institute's economic indicators are used for income and expense data, capitalization rates, typical holding periods for real estate investments, interest rates and other pertinent real estate criteria are analyzed.

In terms of commercial sales data, TGCAD receives a copy of the deeds recorded in Tom Green County that convey commercially classed properties. The deeds involving a change in commercial ownership are entered into the sales information database and researched to obtain the pertinent sale information. For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire that is mailed to the transaction grantee. If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system.

If no information is provided, verification is then attempted via phone calls to both parties. If the sales information is still not obtained, other sources are contacted such as the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Also, closing statements are often provided during the appraisal process. The actual closing statement is the most reliable and preferred method of sales verification. After the sales data has been keyed into the database, the data is reviewed to maintain quality control.

Annually, prior to the hearing season and after sales have been researched, verified, keyed into the database, and quality control has been completed, the sales data are summarized and produced into book form. The confirmed sales in the vacant land sale and commercial improved sale books are categorized by property and use type and are sorted by location and chronological order. These books are available to the public for use during hearings and are also used by the TGCAD appraisers during the hearings process.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis ensures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This may be significantly different than market value, which approximates market price under the following assumptions: (1) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (2) well-informed buyers and sellers acting in their own best interests, (3) a reasonable time for the transaction to take place, and (4) payment in cash or its equivalent.

Model Specification

The commercial valuation function is divided into five improved property valuation groups and a vacant commercial land group. The improved real property appraisal responsibilities are categorized according to major property types of apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes). When applicable, the cost approach to value is applied to all real property. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service. This approach also employs the sales comparison approach and or other acceptable methods in the valuation of the underlying land value.

When applicable, the income approach to value was applied to the real property that is typically viewed by market participants as "income producing" and for which the income methodology is considered a leading value indicator.

When applicable, the sales comparison (market) approach was utilized not only for estimating land value but also in comparing sales of similarly improved properties to each parcel on the appraisal roll. The final estimate of value is reconciled depending on the quality and quantity of the data from the three approaches.

Area Analysis

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents,

interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Information is obtained from real estate publications and sources such as local surveys, regional newspaper real estate articles, and the Real Estate Center at Texas A & M University.

Continuing education in the form of IAAO, Texas Association of Assessing Officers (TAAO), Texas Association of Appraisal Districts (TAAD) and Property Tax Education Collation (PTEC) courses, and real estate seminars provide appraisers a current economic outlook on the local real estate market. Strict adherence to these procedures ensures that appraisers consider pertinent factors and trends about the forces within the governmental bodies and within the geographic boundaries of TGCAD.

Neighborhood Analysis

The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of this taxing jurisdiction. This area consists of a wide variety of property types including residential, commercial and industrial, and vacant acreage.

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effect of these forces is also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial properties these subsets of a universe of properties are generally referred to as market areas or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences.

Property use type is the primary selection delineation criteria utilized by the commercial valuation system.

All income model valuation (income approach to value estimates) is use specific. Economic areas are periodically reviewed to determine if re-delineation is required. The geographic boundaries as well as, income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types are analyzed.

Market Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions.

Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of

replacement reserves), expense ratio trends, and capitalization rate studies are analyzed. Local consultations with area real estate professionals are utilized to lend support to the various assumptions utilized in the valuation of real estate.

Model Calibration

Model calibration involves the process of periodically adjusting the mass appraisal formulas, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

Cost Schedules

When applicable, the cost approach to value is applied to all improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service. Cost models include the derivation of replacement cost new (RCN) of all improvements. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach and other accepted methods in the valuation of the underlying land value. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers are necessary to adjust these base costs specifically for Tom Green County. The national cost service provides these modifiers.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. These are located in the Marshall Swift Manual. These schedules are then tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are based on personal inspection and analysis by staff commercial appraisers.

Market adjustment factors such as external and/or functional obsolescence can be applied if warranted. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific property type or location and can be developed via ratio studies or other market analyses. Accuracy in the development of the cost schedules, condition ratings and depreciation schedules will usually minimize the necessity of this type of an adjustment factor.

Income Models

When applicable, the income approach to value was applied to those real properties which are typically viewed by market participants as “income producing”, and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market study publications. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

The projected vacancy and collection loss allowance is established from actual data furnished by property owners and district market surveys. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an effective gross rent.

A secondary income or service income is calculated as a percentage of stabilized effective gross rent and or actual data supplied by property owners and agents. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information and is added to the effective gross rent to arrive at an effective gross income.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements are included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space.

Different expense ratios are developed for different types of commercial property based on use. Actual expense data for the subject property is used when available for analysis and confirmation of model estimates. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for his pro-rata share of taxes, insurance and common area maintenance. In comparison, a general office building is most often leased on a base year expense stop.

This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. However, any amount in excess of the total per unit expenditure in the first year is the responsibility of the tenant. Expense ratios are implemented based on the type of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of large lump sums. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves.

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves) from the effective gross income yields an estimate of net operating income.

Rates and multipliers are used to convert income into an estimate of market value. These include income multipliers, overall capitalization rates, and discount rates. Each of these is used in specific applications. Rates and multipliers also vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market.

Capitalization Analysis and Techniques

Capitalization analysis is used in the income approach models. This methodology involves the capitalization of net operating income as an indication of market value for a specific property. Capitalization rates, both overall (going-in) cap rates for the direct capitalization method and terminal cap rates for discounted cash flow analyses, can be derived from the market.

Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived from the built-up method (band-of-investment). This method relates to satisfying the market return requirements of both the debt and equity positions of a real estate investment. This information is obtained from real estate and financial publications.

Care is taken by the commercial department's management and appraisal staff to choose the appropriate income value technique for the type of property being appraised and in applying these methods in a uniform and equal way within the particular class and subclasses of commercial property being evaluated on a mass basis.

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to each parcel on the appraisal roll.

Pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information that can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies that afford the analyst an excellent means of judging the present level and uniformity of the appraised values.

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models on Excel spreadsheets and applied to relevant commercial properties.

How Estimates are Reviewed

Field Review

Commercial appraisers field review, to the extent possible, properties or economic areas experiencing remodeling, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Additionally, the analyst frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the analyst test computer assisted values against their own appraisal judgment. While in the field, the appraiser physically inspects sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties not subject to field inspections and are performed in compliance with procedures and guidelines contained in Tom Green County Appraisal District's Appraisal Manual. The district's Appraisal Manual outlines the application of the three approaches to value.

Office review consists of analyzing the pertinent data for each property, as well as comparing the previous values to the proposed value conclusions of the various approaches to value. The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions

Once the appraiser is satisfied with the level and uniformity of value for the commercial property being reviewed, the estimates of value go through a process from CAMA to an ad valorem administrative review. Although the value estimates are processed in a computerized mass appraisal environment, value edits enable an individual parcel review of value anomalies before the estimate of value is released for noticing.

Appraisal Performance tests and performance measures attained

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and provides a concise measurement of the appraisal performance. Statistical comparisons of many different standards are used including sales of similar properties, the previous year's appraised value, audit trails, value change analysis and sales ratio analysis. Appraisal statistics of central tendency and dispersion generated from sales ratios the weighted mean, standard deviation and coefficient of variation, provide the analysts an

analytical tool by which to determine both the level and uniformity of appraised value of a particular property type.

The level of appraised values can be determined by the weighted mean for individual properties within a specific type, and a comparison of weighted means can reflect the general level of appraised value. Review of the standard deviation and the coefficient of variation can discern appraisal uniformity within a specific property type.

The appraiser reviews every commercial property type annually through sales ratio analysis. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the analyst an excellent means of judging the present level of appraised value and uniformity of the appraised values.

The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed utilizing frequency distribution methods or other statistical procedures or measures.

Income model conclusions are compared to actual information obtained on individual commercial properties during the hearings process as well as information from published sources and area vendors.

Sales Ratio Studies

Overall sales ratios are generated by property use type from the sales database and CAMA. The appraisers utilize desktop applications such as EXCEL programs to evaluate subsets of data by property category type or a specific and unique data item. On the desktop, this may be customized and performed by building class and age basis. In many cases, field checks may be conducted to ensure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraiser by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Comparative Appraisal Analysis

Commercial appraisers perform 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. Commercial appraisers examine 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 are available for each property type. These summary statistics are available and referenced on the TGCAD CAMA system.

Business Personal Property Valuation Process

INTRODUCTION

Appraisal Responsibility

There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; Leased Assets; Vehicles; and Multi-Location Assets. There are approximately 5446 business personal property accounts in Tom Green County.

Appraisal Resources

- Personnel – The personal property staff consists of 2 Field Appraisers.
- Data – A common set of data characteristics for each personal property account in Tom Green County is collected in the field and data entered to the district's computer. The property characteristic data drives the computer-assisted personal property appraisal (CAPPA) system. The field data is collected by the personal property appraisers.

VALUATION APPROACH (Model Specification)

SIC Code Analysis

Four-digit numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the federal government. These classifications were used by TGCAD to develop the locally specific codes which are used as a way to classify personal property by business type. TGCAD has further stratified these codes by adding alpha codes in order to group business types that have similar personal property characteristics.

All of the personal property analysis work done in association with the personal property valuation process is code specific. There are in excess of 231 TGCAD personal property codes. Local codes are delineated based on observable aspects of homogeneity. This code delineation is periodically reviewed to determine if further code delineation is warranted.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of personal property is normally its current use.

DATA COLLECTION/VALIDATION

Sources of Data

Data Collection Procedures

Personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The appraisal procedures are reviewed and revised to meet the changing requirements of field data collection. The most recent revision of the personal property data collection procedures was in 2001.

Business Personal Property

The district's property characteristic data was originally received from the Tom Green County Tax Assessor/ Collector's records, and various school district records in 1981, and where absent, collected through a massive field data collection effort coordinated by the district over a period of time. When revaluation activities permit, district appraisers collect new data via an annual field drive-out. This project results in the discovery of new businesses not revealed through other sources. Discovery methods also include onsite inspections using location address listings from the current appraisal roll, information obtained from the Tom Green County's Clerk's office of assumed name registrations, Sales Tax Permit information from the State Comptroller's office, telephone directory information, and radio and television advertising. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

An outside vendor provides TGCAD with a listing of vehicles within Tom Green County. The vendor develops this listing from the Texas Department of Transportation (DOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

The primary source of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections.

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Cost Schedules

Cost schedules are developed by SIC code and locally specific code by district personal property appraisers. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exception SIC's are in an alternate price per unit format, such as per room for hotels.

Statistical Analysis

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value by SIC code. Review of the standard deviation can discern appraisal uniformity within SIC codes.

Depreciation Schedule and Trending Factor:

Business Personal Property

TGCAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from TGCAD developed valuation models. The trending factors used by TGCAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by TGCAD are also based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition.

Computer Assisted Personal Property Appraisal (CAPPA)

The CAPPA valuation process has two main objectives: 1) Analyze and adjust existing SIC models. 2) Develop new models for business classifications not previously integrated into CAPPA. The delineated sample is reviewed for accuracy of SIC code, square footage, field data, and original cost information. Models are created and refined using actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

The data sampling process is conducted in the following order: 1) Prioritizing locally specific codes and SIC codes for model analysis. 2) Compiling the data and developing the reports. 3) Field checking the selected samples. The models are then tested against the previous year's data. The typical RCN per square foot (or applicable unit) is determined by a statistical analysis of the available data.

CAPPA model values are used in the general business personal property valuation program to estimate the value of new accounts for which no property owner's rendition is filed. Model values are also used to establish tolerance parameters for testing the valuation of property for which prior data years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value by the valuation program. If the value being tested is within an established acceptable percentage tolerance range of the model value, the account passes that range check and moves to the next valuation step. If the account fails the tolerance range check, it is flagged for individual review. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on NADA published book values. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

Leased and multi-location assets are valued using the PVF schedules mentioned above. If the asset to be valued in this category is a vehicle, then NADA published book values are used. Assets that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Business Personal Property

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered. The accounts are processed by the valuation program and pass or fail preset tolerance parameters by comparing appraised values to prior year and model values. Accounts that fail the tolerance parameters are reviewed by the appraisers.

Vehicles

A vehicle master file is received from an outside vendor and vehicles in the district's system from the prior year are programmatically matched to current DOT records. The vehicles remaining after the matching process are sorted by owner name and the owners are then prioritized by the number of vehicles owned. These vehicles are then matched to existing accounts and new accounts are created as needed. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

Leasing and multi-location accounts that have a high volume of vehicles or other assets are loaded programmatically if reported by the property owner electronically. Electronic renditions, usually on diskette, often require reformatting before they can be loaded to the account. Accounts that render by hard copy are either data entered by CAD or sent to an outside data entry vendor.

After matching and data entry, reports are generated and reviewed by an appraiser. Once proofed, the report is then mailed to the property owner for review. Corrections are made and the account is noticed after supervisor approval.

PERFORMANCE TESTS

Ratio Studies

Every other year the Property Tax Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to TGCAD's personal property values and ratios are formed.

Internal Testing

TGCAD can test new or revised cost and depreciation schedules by running the valuation program in a test mode prior to the valuation cycle. This can give appraisers a chance to make additional refinements to the schedules if necessary.

AMENDMENT TO BUSINESS PERSONAL PROPERTY:

Tom Green Recognizes the importance of professional organizations and their relentless pursuit of professionalism and accuracy.

In keeping with this virtue, The Tom Green County Appraisal District has adopted, and incorporated into its own operations and appraisal manual the text titled:

STANDARD ON VALUATION OF PERSONAL PROPERTY.

This text is produced by the IAAO and attached as an amendment to the reappraisal plan and the appraisal manual, in its entirety, at the end of this reappraisal plan.

Industrial Valuation Process

INTRODUCTION

Appraisal Responsibility

The industrial contract appraisers of the Tom Green County Appraisal District are responsible for developing fair, uniform market values for improved industrial properties and industrial vacant land. The industrial appraiser is also responsible for the valuation of all tangible general industrial personal property in Tom Green County. There are approximately 235 parcels of industrial real property in Tom Green County, which is inclusive of Real both improved and vacant, and Personal Property generally as Rendered.

Appraisal Resources

- Personnel – The industrial section consists of an appraiser and an assistant. In addition, TGCAD contracts with the Thomas Y. Pickett appraisal firm to value

properties for which the district does not have the available personnel or resources.

- Data – The industrial appraisers and contract appraisal staff inspect their assigned properties to obtain information about buildings, site improvements, process and shop equipment, and various items of personal property. In addition, appraisal personnel use information provided by property owners concerning the cost to purchase, install, and construct items of real and personal property. The individual characteristics of the property being appraised are the primary factors that drive the appraised value.

VALUATION APPROACH (MODEL SPECIFICATION)

Area Analysis

The scope of market forces affecting industrial products and the capital goods used in the production process tends to extend beyond regional considerations. The effects of information and transportation technology are such that most industrial market forces are measured globally. One exception to this general concept is the market for industrial land. The pricing of land tends to be closely tied to possible alternative uses in the area. For this reason, appraisers assigned to land valuation analyze market forces for specific areas and adjust land value schedules appropriately.

Neighborhood Analysis

Neighborhood analysis of the type of properties valued by the industrial appraiser is not meaningful. Industrial properties do not have the type of generic “sameness” that is appropriate for neighborhood models.

Highest and Best Use Analysis

The highest and best use of real or personal property is the most reasonable and probable use of the property on the date of appraisal that is physically and financially feasible, legal, and that derives maximum production from the property. Usually, the current use of the property is the highest and best use of that property. Industrial facilities are most commonly located in areas that support industrial use. In areas where mixed use does occur, the highest and best use of the property is examined by the appraiser to estimate the effect of this factor.

Market Analysis

Market analysis is the basis for finalizing value estimates on properties for which the industrial appraiser has responsibility. Even though many industrial properties are unique in nature, the market for this type property is analyzed to see how the values of similar or similar-as-possible properties are affected by market forces.

Industrial properties, such as machine shops, have many similar facilities that can be compared to the subject property in terms of type and size of equipment, type of property

fabricated or serviced at the subject facility, and other factors. Those similarities help the appraiser estimate the value of the subject property.

However, some facilities, such as specialty oil field related plants, are so unique in nature that the appraiser must use the closest available plant in terms of output quantity, type of product manufactured, and other factors to estimate the value of the subject property. Many industrial properties use the same type of building and, depending on the type of business, may use the same type of manufacturing or service equipment. However, the manner in which the entire business operation is put together makes that particular facility unique.

The district uses information from similar businesses to examine the real and personal property values at a particular business, but the individual characteristics of the business being reviewed determine the value estimation. Many of the buildings encountered at industrial facilities are generic in construction, such as pre-engineered metal buildings.

The cost per square foot to construct these type structures can be used to estimate values at facilities that have similarly constructed buildings. However, the building as constructed will have differences that must be taken into account when estimating the final value of the property being reviewed.

A similar analysis is used for personal property. Many items of personal property, such as furniture and fixtures, computers, and even machinery and equipment are generic in construction, but individual characteristics that affect value, such as usage, environment where used, and level of care will have an effect on the final value estimation. When cost data for this type property is available and considered reliable, it is used for value estimation purposes at other plant facilities. However, on-site inspection and information provided by the property owner will affect the final value.

DATA COLLECTION/VALIDATION

Data Collection

An extended range of variations may exist within the same class of industrial property, and there are a multitude of property types within the industrial category. For this reason, effective data collection procedures would be very difficult to organize in a single comprehensive manual.

Industrial personal property also consists of many different classes of assets with a wide range of variation within each class. The district has adopted the convention of listing assets and estimating effective age of assets in the field. The field listing is then compared with information furnished by property owners during the final valuation review.

Sources of Data

The original real and personal property data used by TGCAD was supplied by the City of San Angelo and the Tom Green County tax office. Since that time, the district and contract appraisal personnel have updated that information based on field review. As new facilities are built, the appraisal personnel collect all the real and personal property data necessary to value the property initially and thereafter update the information when

the property is again visited. The district receives building permit information from the city and from the county when a facility is being built outside the city. Other sources of data include publications such as the Texas Register regarding waste control permits, TNRRC, and the City/County Health Department.

Data Collection Procedures

The district and contract appraisal personnel annually or periodically visit assigned plants. The frequency of the visit is determined by the nature of the business conducted at each facility. For example, refineries and chemical plants are continually changing or adding to processes to extract greater efficiencies or make new products, but machine shops may not add or remove equipment over a period two or more years.

The appraisers take with them the historical data on the buildings and site improvements and the previous listing of personal property at the facility being visited. Changes to the existing structures and personal property are noted and that information is used for value estimation purposes. If cost information for the real or personal property is supplied later, the field data can be compared to that information to judge the accuracy of the information.

The district and contract firm appraisal staff members are not assigned any one geographical area of the county. The nature of the business and whether or not the district has the staff resources available determines which properties are valued by contract firms and which properties are valued by the district's appraisal staff. New district appraisers are trained by accompanying appraisers who have performed field visit and appraisal functions for a number of years. Each district appraiser is responsible for the completeness and correctness of their valuation work, but a new appraiser is encouraged to seek the advice of and review by experienced appraisal staff if that person is not sure of their value estimation results.

VALUATION ANALYSIS (MODEL CALIBRATION)

Final Valuation Schedules

The schedules used by the contract appraisal firm are from commercial building valuation systems for real property improvements. The real property valuation schedules are updated periodically. The valuation schedules incorporated into the district's contract appraiser's records are updated annually using a calculated index factor.

TGCAD develops schedules based on indexed Marshall & Swift depreciation factors for use in the valuation of all business and industrial personal property. These schedules are updated annually by TGCAD appraisal staff. The contract appraisal firms use similar schedules and methodology based on their experience in valuing real and personal property.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The district's personnel periodically review their assigned real and personal property accounts where there is evidence of change at a particular facility and when there is not,

these accounts are revisited on a two to three-year cycle. Certain properties are reviewed annually because past experience shows that changes are occurring continually in the real or personal property at that facility. Properties assigned to contract appraisal firms are reviewed annually because changes also occur regularly at these facilities.

The results of prior year hearings and indication of building permits being issued are another source of required field visit. Many times, during hearings, issues are presented that cause a value adjustment. Those issues must be field checked to see if these influences will be ongoing and warrant permanent value adjustment or are transitory and permanent adjustment is not warranted. This information needs to be recorded so the appraiser will be better able to estimate the property value. Building permits must be field checked to see what effect these have on existing structures. Any new construction is noted and the information necessary to value the structure is recorded. Additionally, any structure demolition is noted so the improvement value can be adjusted accordingly.

Part of the field review includes noting any land characteristics that would affect the land value. The contract appraisal firms must advise the district of any characteristics that would affect the value of the land associated with that assigned facility.

Office Review

All properties not subjected to field review are reviewed in the office by the district appraiser assigned to particular real or personal properties. The office review relies on historical information in the real or personal property file as the basis for deciding on the estimated value to be placed on the property for the current tax year.

When valuing real property, the individual characteristics of the property being reviewed are the driving force in value estimation. The Appraiser's experience in valuing other similar real property helps the appraiser decide the estimated value to be placed on the subject improvements.

When valuing personal property, the type of furniture, equipment, computers, etc., will be used along with any cost data provided by the property owner to estimate the value. Experience in valuing similar property at other facilities will help the appraiser estimate the value of the subject facility. Individual characteristics of the property, such as usage and maintenance will have a bearing on the value calculated by use of District schedules.

PERFORMANCE TESTS

Sales Ratio Studies

Ratio studies are an important tool to examine how close appraised values are to market values. The ratio study may use available sales data or may use independent, expert appraisals. Typically, there are not enough sales of industrial properties to show representativeness of that class of property in a ratio study. Ratio studies of industrial properties usually have to rely on independent appraisals as an indicator of market values.

Comparative Appraisal Analysis

This type of analysis is usually not done on industrial properties due to the unique nature of the property and also because of time and budget constraints regarding available

appraisal staff. Only in an instance where a jurisdiction would file a jurisdiction challenge with the Appraisal Review Board would the district perform such an analysis.

If a jurisdiction challenge is received by TGCAD on an industrial category of properties, the appraisers assigned to those accounts will research the appraisal roll to see what other similar properties exist. The real property values can be compared on an average value per square foot of structure basis, but the differences from one facility to another must be carefully compared because it is unlikely that two different facilities are going to build like improvements and use them in similar ways. In like manner, the personal property values can be compared per category, such as furniture and fixtures, machinery and equipment, etc., but the same comparison of the type of and use of the property must be examined to ensure property comparison.

Mineral Valuation Process

INTRODUCTION

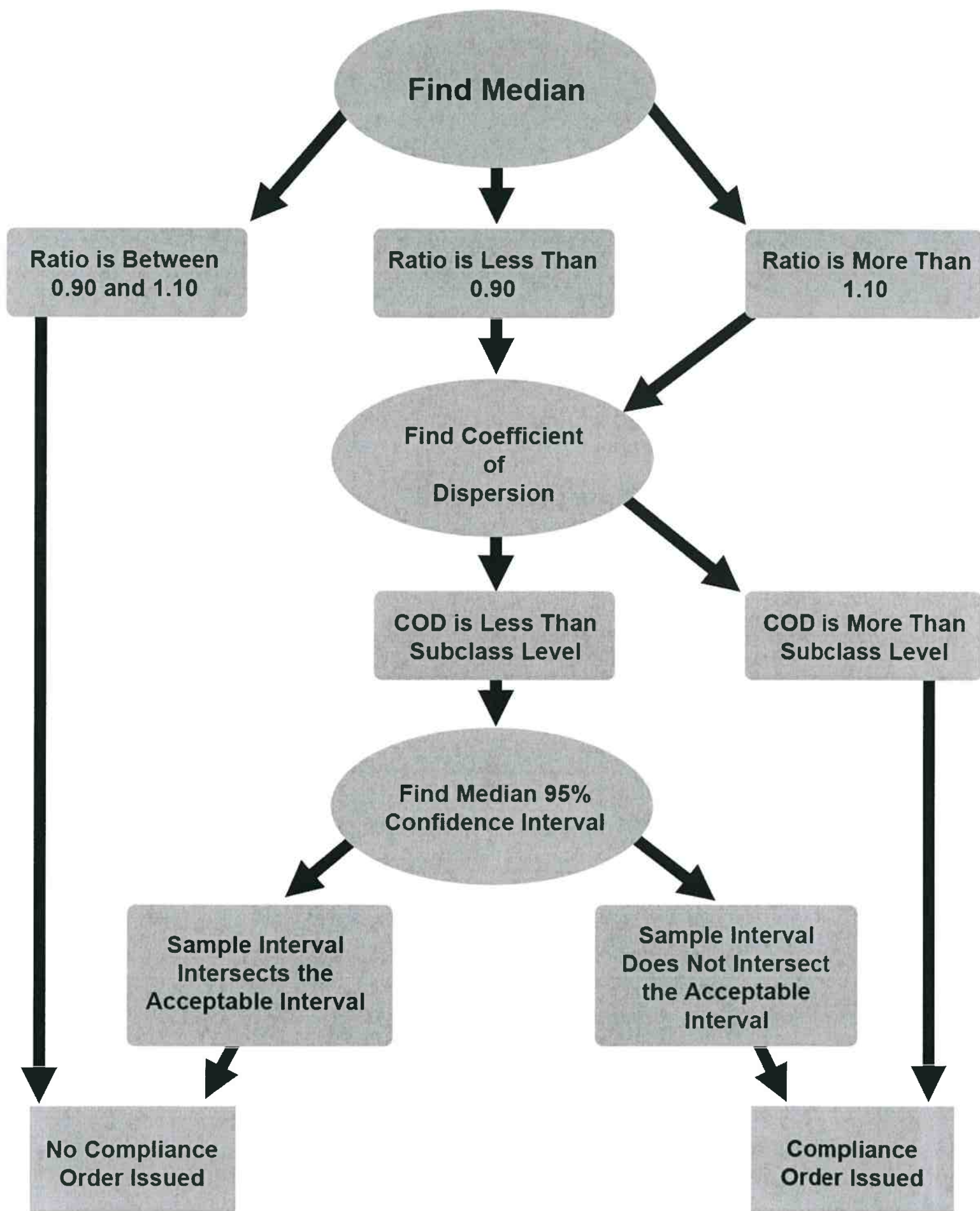
Appraisal Responsibility

The Mineral contract appraisers of the Tom Green County Appraisal District are responsible for developing fair, uniform market values for Mineral properties that include Royalties, working interests, undivided interests and over-riding interests for all types of ownerships, such as simple deed to complex valuations for multi-level Operator conglomerates. The mineral appraiser is responsible for the valuation of all tangible mineral property as evidenced by Division Orders. There are approximately 1,555 parcels of mineral property in Tom Green County.

Appraisal Resources

- Personnel – The mineral section consists of an appraiser and an assistant. In addition, TGCAD contracts with the Thomas Y. Pickett appraisal firm to value properties for which the district does not have the available personnel or resources.
- Data – The mineral appraisers and contract appraisal staff inspect their assigned properties to obtain information about all fractional and divisional interests in payable mineral property.

Ratio Study Decision Model
Adopted January 1, 2013



Appraisal Process Flowchart

NEW WORK

PENDING WORK
DISCOVERY
PROCEDURE CORRECTIONS

SEPTEMBER

Organize
Reappraisal Plan
Reappraisal Report
Budget Approval

OCTOBER

Collect Data

NOVEMBER

Collect Data
Permits
Field Inspections

DECEMBER

Audit and Verify Data
Field Work

JANUARY

Process Data
Data Entry
Apply New Exemptions
Finalize Personal Property
Inspections
Set Up New Accounts
Set Up New Plats and Subdivisions

FEBRUARY

Submit EARS
Verify Statistics
Ratio Studies
Commit to Decision
PVS Preliminary Findings
In Compliance?

MARCH

Apply All Reappraisal
Decisions
Ratio Studies
Audit Records

APRIL

Finalize All Work
Record Cutoff

MAY

Prepare for Notices
Deliver Appraisal Roll to ARB
Informal Meetings

JUNE

Informal Meetings
ARB Hearings
Preliminary Upcoming
Budget

JULY

ARB Hearings
ARB Returns 95%
Certify Appraisal Roll

AUGUST

ARB Finals & Cleanup
Appraisal Report
Submit EARS

PVS FINAL FINDINGS

PENDING WORK
DISCOVERY
PROCEDURE CORRECTIONS

NON-COMPLIANCE ISSUES

Standard on Valuation of Personal Property

Approved December 2005

International Association of Assessing Officers

The assessment standards set forth herein represent a consensus in the assessing profession and have been adopted by the Executive Board of the International Association of Assessing Officers. The objective of these standards is to provide a systematic means by which concerned assessing officers can improve and standardize the operation of their offices. The standards presented herein are advisory in nature and the use of, or compliance with, such standard is purely voluntary. If any portion of these standards is found to be in conflict with state law or the Uniform Standards of Professional Appraisal Practice (USPAP), USPAP and state law shall govern.

Contents

1. Scope.....	5
2. Introduction.....	5
3. Definition of Personal Property	5
4. Discovery of Personal Property	5
5. Reporting of Personal Property.....	6
6. Verification and Auditing	7
6.1 Authority.....	7
6.2 Audit Program	7
6.3 Quality Assurance.....	8
7. Valuation	8
7.1 Trade Level.....	8
7.2 Valuation Techniques.....	8
7.2.1 Cost Approach	8
7.2.2 Sales Comparison Approach	9
7.2.3 Income Approach	9
7.3 Valuation Guidelines for Tangible Personal Property.....	10
7.3.1 Machinery and Equipment.....	10
7.3.2 Furniture and Fixtures.....	10
7.3.3 Leased Equipment.....	10
7.3.4 Inventories.....	11
7.3.5 Supplies.....	11
7.3.6 Consigned Goods	11
7.3.7 Imports and Exports	11
7.4 Valuation Guidelines for Intangible Personal Property	11
7.5 Compliance with USPAP.....	11
Selected References	12
Glossary	13

Standard on Valuation of Personal Property

1. Scope

This standard is intended to provide recommendations for defining, classifying, discovering, reporting, verifying, and valuing personal property for ad valorem tax purposes. It is beyond the scope of this standard to address unique valuation issues that may arise in the appraisal of personal property associated with public utilities, telecommunications, railroads, or similar properties.

2. Introduction

The purpose of this standard is to present methods and techniques that assessing officers can use to achieve uniform and equitable personal property valuations. Effective administration of a personal property assessment system depends, in part, on legislation and regulations that provide clear direction for determining the proper status of personal property for assessment and taxation. Such administration also requires an adequate budget to obtain the resources necessary to assess personal property accurately and equitably.

3. Definition of Personal Property

Property means an aggregate of things or rights to things whose possession is protected by law.

Two broad categories of property are real and personal. “Real property is the rights, interests, and benefits connected with *real estate*. Real estate is the physical parcel of land, improvements to the land (such as clearing and grading), improvements attached to the land (such as paving and buildings), and appurtenances (such as easements that cross the parcel or give access to the parcel). Personal property is defined by exception: property that is not real is personal. The salient characteristic of personal property is its movability without damage either to itself or to the real estate to which it is attached” (International Association of Assessing Officers 1990, 76).

Personal property by its nature is not permanently attached and therefore is movable. Criteria for distinguishing whether an item is real or personal property in a particular situation usually include intent of owner, means of attachment, contribution to highest and best use of the property (real estate), relevant case law including sales and use tax cases if considered relevant, and statutory, regulatory, and legal guidelines.

Personal property is divisible into two classes—tangible and intangible. Examples of tangible personal property are material items such as animals, marine vessels, aircraft, motor vehicles, furniture and fixtures, machinery and equipment, tools, dies, jigs, patterns, and stock in trade (in-

cluding inventories held for resale, supplies, and materials in process). Examples of intangible personal property are representations of rights of ownership to property—cash, shares, annuities, patents, stocks, bonds, notes receivable, insurance policies, accounts receivable, licenses, contracts, franchises, money market certificates, certificates of deposit, and copyrights—as well as goodwill.

An assessment statute should explicitly define the types of personal property subject to and exempt from assessment and taxation. State and provincial agencies should provide supporting rules, regulations, and guidelines as required. Legislation should also explicitly define the situs (location for tax purposes) of personal property and should specify a common assessment date for all taxing authorities.

4. Discovery of Personal Property

The extent to which personal property can be assessed depends upon its discovery. Complete discovery requires adequately trained staff and supporting resources. Taxation agencies should be empowered to issue binding rules and regulations covering the discovery of personal property. Disclosure of personal property is often contingent on identifying the owner of the property. Sources that may be useful in the discovery of personal property and its owners include the following:

- previous assessment records and previous personal property statements or returns
- physical inspection (on-site review)
- personal property listing form, return, rendition, declaration, or statement
- real property field appraiser reports and the property characteristic file
- audits (desk, office, field, or correspondence)
- state, provincial, and local sales tax permits
- federal, state, provincial, municipal, and county business licenses and registrations
- building permits
- chambers of commerce membership lists
- new business listings from news media
- public records (such as trade name records, Uniform Commercial Code [UCC] forms, corporation charters, partnership articles, and assumed name notices)
- property transfer documents, including recorded bill(s) of sale

only additions and deletions to the initial listing, with appropriate details and costs. This system promotes verification and valuation accuracy. Value trending and depreciation factors can be applied to each item individually or to a group of items, such as furniture, fixtures, and equipment (FF&E), acquired in a given year.

The form should contain sufficient instructions to help the taxpayer prepare and file a complete and accurate listing of all taxable personal property. The instructions on the form should also specify the reporting method required and give specific instructions on how to report construction in progress, acquisition costs (including installation, freight, taxes of all types, and fees), and expensed and fully depreciated assets as well as leased assets. The form should contain a statement that all listings are confidential and are subject to audit.

Implementation of an electronic filing process should be considered in order to provide a high level of customer service. The American National Standards Institute (ANSI) has approved electronic data interchange standards through the Accredited Standards Committee (ASC X12 transaction data sets). This standard enables taxpayers with accounts in multiple jurisdictions to efficiently automate the annual filing of personal property returns.

6. Verification and Auditing

6.1 Authority

Statutes should contain enabling language for regulatory compliance and enforcement measures. Such laws should give assessors and their representatives authority to examine the property, books, papers, and accounts of taxpayers. Statutes should also provide appropriate penalties for those who fail to file timely returns, file inaccurate information, or deny the assessor access to property and records. Further, statutes should require property owners to file personal property statements in each jurisdiction in which the owners have personal property.

6.2 Audit Program

The assessor should establish an audit program designed to facilitate the full and proper listing of all taxable personal property in the assessment jurisdiction. In general, emphasis should be placed on the audit of new accounts, major accounts, accounts with significant changes from the previous year, and accounts that are suspected of being inaccurately reported based on objective analysis.

Statistically valid sampling techniques should be employed to ensure that the audit program is equitable. The purpose of an audit is to verify that all taxable personal property items have been reported and that the information given is accurate. A physical inspection may help to verify the completeness of reports.

To ensure fair and equitable treatment, the scope of an

audit program must be clearly defined before the process begins. For example, in establishing audit criteria, it may be useful to identify particular industry segments for examination to maximize resources in a given year or assessment cycle. Audit programs may include one or more of the following activities:

- Review listing changes from one year to the next with taxpayer contact if there are questions.
- Review correctness of data before making changes; contact taxpayers requesting additional information as necessary.
- Request that government revenue agency depreciation schedules be submitted with all listings.
- Obtain copies of government revenue agency depreciation schedules for (specify percentage) of total filings.
- Obtain actual copies of ledger listings from (specify percentage) of total filings.
- For mail audits, request specific documentation from selected accounts or business types.
- Physically inspect and audit records of specifically targeted accounts or business types.
- Physically inspect and audit (specify percentage) of all personal property accounts each year

When conducting a detailed audit with inspection, the appraiser examines a detailed plant fixed-asset ledger or similar record, if available, that provides information on each item such as asset description, serial number, manufacturer, date of purchase, date of installation, location, acquisition cost, depreciation charges, and retirement provisions. The appraiser verifies that assessable items have been completely and accurately reported. Assessable costs may include charges for installation, freight, taxes, and fees (if applicable), unless specifically excluded by law.

Attention should be directed to standby equipment, permanently idled equipment, retired or fully depreciated equipment, and uninstalled equipment. Regardless of book value, such equipment and inventory should be listed and valued unless specifically exempted. Idle, retired, abandoned, or fully depreciated property may not have a value-in-use and may be reported on the company's books as having \$0.00 value, but the property may have a value-in-exchange. The amount of value-in-exchange should be determined based on market research of used machinery and equipment of similar use and condition. The status of personal property as of the assessment date is critical to determining an item's assessability or taxability (ratatability).

The appraiser should compare total reported costs with

the lease payments, an adjustment to the “selling price” may be required.

The assessor should recognize that appraisal and accounting practices for depreciating personal property may differ. Accounting practices provide for recovery of the cost of an asset (the return of the asset), whereas appraisal practices strive to estimate a value related to the current market and should consider both return of the asset and return on the asset. A productive asset may continue to have value at the end of its scheduled life or conversely, an asset may lose its value prior to the end of its scheduled life. Appraisal practice must consider accrued depreciation in the forms of physical deterioration, functional obsolescence, and external (economic) obsolescence. The appraiser/auditor should also be familiar with the purchase accounting methods used by businesses in their jurisdiction. A company’s depreciation schedule should provide life tables for various asset categories.

The restoration or modification of machinery or equipment may be treated differently for assessment and accounting purposes. For accounting purposes, the restoration/modification cost may be entered as a different asset, whereas the appraiser/assessor would add the cost to the original item and adjust the effective age of the asset.

Useful guidelines in the form of depreciation schedules or tables are available from state or provincial assessing authorities, professional valuation companies, and appraisal publishing firms. Because the personality of a business normally is acquired throughout the year, acceptable depreciation schedules will permit the full year’s depreciation or will consider the average age of six months (half-year convention). Generally, these guides are sufficiently accurate for use in mass appraisal of property. If guides do not exist for specific types of personal property, it is recommended that they be developed. Depreciation schedules can be developed from a study of asset lives and resale prices. The schedules can be asset specific or for general categories such as personal computers or furniture and fixtures. Most schedules base annual depreciation on a percentage of original cost or replacement cost.

However, there can be particular types of property where standard depreciation schedules may not apply and an accurate depreciation estimate can only be made by using an alternate method. One such method is the capitalization of income (rent) loss due to the inefficiency of the property. It is similar to the practice in real estate valuation of calculating the depreciation due to rent loss caused by internal or external forces. An example would be if an existing machine can only run eight hours per day, but a modern replacement can run ten hours per day, the loss in revenue from the two hours of non-production could be capitalized and the amount subtracted from the replacement cost. Whether the obsolescence

was functional or economic would depend on whether the forces reducing the production hours were internal or external. The appraiser/assessor’s experience and judgment should inform their decision of whether to use a standard schedule, develop a new schedule, or apply an alternate method of calculating depreciation.

7.2.2 Sales Comparison Approach

The sales comparison approach may have limited application for appraising machinery and equipment used in business because sales of used items are generally few and are often liquidation sales, which typically are not at market value, or are bulk asset purchases. In such circumstances, list prices including delivery costs and sales taxes, when supported by the marketplace, can be good indicators of value. Used assets acquired in bulk purchases may have been sold in an arm’s-length transaction so market data may be evident. The value of an individual item to the entire sale price (purchase price allocation) may be available in the buyer’s records.

Care must be taken to assure that the property is valued at the proper level of trade. Trade and cash discounts should be subtracted from the list prices, particularly if the equipment sold is still at the wholesale level of trade. If reliable sales data are available, the adjustment process can be applied in the same manner as for real property. If an adjustment for time of sale is made, the adjustment may be negative due to additional accrued depreciation of the property or positive due to inflation.

7.2.3 Income Approach

The income approach produces an estimate of the present worth of income to be received in the future. To apply this approach, the appraiser must estimate the income stream over the remaining economic life of the subject property. This is an important concept; the future income-generating capacity of personal property is typically short-lived compared to real estate. The direct capitalization technique (Income divided by Rate equals Value [$I/R=V$]) can be used if the single-year income applied is indicative of the annual income for the remaining life of the asset and the capitalization rate reflects the recapture period of the asset. Personal property can also be valued using a yield capitalization technique, which values the changing productivity (income) of the asset over its projected remaining life more accurately than $I/R=V$. Many industries use gross income multipliers (GIM) or gross rent multipliers (GRM) to value personal property that has typical and similar operating expenses. When applying the income approach to value personal property, it is important to capitalize income from the rental of an asset not the income of the business that owns the asset.

Typical gross incomes may differ under various leasing

the appraiser should obtain more data from the lessor or compare the equipment in question with similar equipment of known cost.

7.3.4 Inventories

The term inventories includes specific categories of goods held for resale in the course of business, goods in the process of production (termed goods in process), and raw materials.

Whether certain types of goods are classified as inventories or as something else will change depending on the trade level at which the appraisal is being made. Machinery and other equipment that remain classified as inventories at the manufacturing, wholesale, and retail levels become machinery and equipment upon reaching the end user.

Inventory valuation, both for goods in process and for finished goods, should include the value of labor, materials, and overhead expended during production.

There are many methods for estimating the value of inventories. Some of the more common ones are:

- last in, first out (LIFO)
- first in, first out (FIFO)
- weighted average
- lower of cost or market

The most commonly used method for ad valorem purposes is lower of cost or market. First in, first out (FIFO) is also an acceptable measure of inventory replacement costs. Taxpayers often use last in, first out (LIFO) for income tax purposes, but it does not reflect inventory value for property tax purposes. The weighted average method provides for distribution of inventory costs throughout the year.

Caution should be exercised when inventory values are estimated from the owner's accounting records because most accounting systems use an original acquisition cost basis for pricing inventory and this does not necessarily reflect market value as extracted from the marketplace, which may be more or less than original cost.

7.3.5 Supplies

Supplies are stocks of goods that are intended to be consumed during the production process, but are not part of the raw materials inventory that is processed into the finished product. Examples of supplies include chemicals, clothing, pallets, paper, shipping materials, fuels, and repair parts. Unlike inventory, supplies are not held for resale. Supplies should be valued at their acquisition cost.

7.3.6 Consigned Goods

Consigned goods are personal property in the possession of an agent, held for sale by that agent. They should be valued, at the appropriate level of trade, as part of the consignor's inventory.

7.3.7 Imports and Exports

Assessors should be aware of the legal status of import and export merchandise in order to determine its taxable status. If there is no exemption provided by statute, then the techniques for estimating the value of inventories should be used for valuing imports and exports.

7.4 Valuation Guidelines for Intangible Personal Property

The discovery, reporting, verification, and proper valuation of intangible personal property is difficult and can be expensive. The methods for discovering, reporting, verifying, and auditing intangibles are the same as for tangible personal property. Pertinent information includes type of asset, name of issuer, date of acquisition, legal life, expected useful life, face value or par value, market value, and dividends or other income. Individual research can lead to sources that provide information on the selling prices of intangible personal property.

Statutes should provide concise guidance on the assessment of intangible personal property. The benefit/cost ratio of intangible personal property taxation is such that many states have exempted intangible personal property from taxation. For a listing of state and provincial treatment of intangible property, see *Property Tax Policies and Administrative Practices in Canada and the United States* (IAAO 2000).

Those states that continue to assess intangible property primarily do so for public utilities by using a unit valuation method. When centrally assessed property is not held by a public utility, the separation of tangible from intangible value may be required. Recent letter rulings and case law should be researched to provide guidance in this area. Careful review should underscore the purpose, use, and how necessary and integral the identified intangible personal property is to the taxable tangible personal property. This review could entail the examination of the taxpayer's books, records, and filings with regulatory agencies.

7.5 Compliance with USPAP

IAAO requires that all appraisal work performed by its members in the United States and Canada be compliant with the *Uniform Standards of Professional Appraisal Practice* (USPAP) of the Appraisal Foundation (2005 [updated annually]) and the *IAAO Code of Ethics and Standards of Professional Conduct* (2005). USPAP Stan-

Workshop 551: Valuation of machinery and equipment—Advanced concepts.

O'Keefe, K.M. 1983. The classification issue and the law of fixtures: A chattel by any other name. *Journal of State Taxation* 2(1):37–57.

A survey of case law on the law of fixtures, focusing on the attachment doctrine, the institutional doctrine, the integrated industrial plan doctrine, and the material injury test. Illinois, New Jersey, and California are featured. See also the article following O'Keefe's—Hyman, M.A. Commercial property assessments: Criteria for classifying personal property as real estate. 59–66.

Skaff, M.S. 1974. Computerized personal property valuation models. *International Property Assessment Administration* 7:194–201.

A paper that examines the use of computers in the administrative function (computation of assessed values, bills, and rolls) and in the analysis of the valuation function (including determination of property life).

U.S. Department of the Treasury. 2004. *Publication 946: How to depreciate property*. Washington, DC: U.S. Department of the Treasury, Internal Revenue Service.

Glossary of Terms

Acquisition cost. The cost used in accounting to represent the purchase price of an asset. If installation and other associated costs are included, this cost should be referred to as total acquisition cost.

Chattel. An item of tangible movable or immovable property except real estate, freehold, and things (such as buildings) connected with real property.

Consigned goods. A type of inventory in the possession of a selling agent but owned by another party. The seller has no equity, no control of price or sale, and receives none of the profit (as such) from sale of the property (but may receive a sales commission).

Construction in progress. Property that is in a process of change from one state to another, such as the conversion of personal property from inventory to fixed asset by installation or the conversion of personalty to realty by becoming a fixture.

Discovery. The process whereby the assessor identifies all taxable property in the jurisdiction and ensures that it is included on the assessment roll.

Economic life. The period of time over which an asset's operation is economically feasible. The economic life may or may not be equivalent to the physical life of the asset.

External (economic) obsolescence. The loss in appraisal value (relative to the cost of replacing a property with

property of equal utility) resulting from causes outside the property that suffers the loss. Usually locational in nature in the depreciation of real estate, it is more commonly marketwide in personal property and is generally considered to be economically unfeasible to cure.

Effective age. An age assigned to an asset based on a combination of its actual age and condition.

Finished goods. Inventory at the end stage of a manufacturing process. Finished goods are the result of combining raw materials with labor, capital, machine time, and other components of production.

First in, first out (FIFO). An inventory cost-accounting procedure whereby unsold inventory, including inventory carried over from prior years, is valued at the price most recently paid for inventory purchases.

Fixed assets. Personal property that has been brought to the point of highest and best use, that is, it is fully installed and used to produce income in an economically feasible manner. In a business: permanent assets required for the normal conduct of a business.

Fixture. Generally, an asset that has become part of real estate through attachment in such a manner that its removal would result in a loss in value to either the asset or the real estate to which the asset is affixed.

Goods held for sale or resale. Any inventory held for sale by a wholesaler, distributor, or retailer after having passed through one or more other levels of trade.

Goods in process. Inventory, formerly raw materials, that has begun to undergo the manufacturing process that will result in finished goods.

Historical cost. The cost new to the first owner of personal property.

Intangible property. That class of personal property in which value is based on evidence of ownership rather than physical or tangible characteristics, for example, notes, bonds, insurance, patents, and accounts receivable.

Inventory. The group of personal property items whose value is exhibited by value-in-exchange, that is, ownership is solely for the purpose of sale rather than use.

In-transit goods. Personal property that is in movement from one jurisdiction to another. In-transit goods are not assessable because they lack situs.

Last in, first out (LIFO). An inventory cost-accounting procedure whereby unsold inventory, including inventory carried over from the prior year, is valued at the prices paid for the earliest inventory purchases.

Leasehold improvements. Items of personal property, such as furniture and fixtures associated with a lessee (the tenant), that have been affixed to the real property owned by a lessor.

Tom Green County Appraisal District
Oil and Gas Reserves
2021-22 Appraisal Procedures and Reappraisal Plan

August 27, 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 Tax 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 price adjustment factor as promulgated by the Texas Property Tax Code. Furthermore, the prices used for succeeding years are based upon escalation factors also stipulated by the Texas Property Tax Code.

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																					

Tom Green County Appraisal District
Industrial Property
2021-22 Appraisal Procedures and Reappraisal Plan

August 27, 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 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 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.

Tom Green County Appraisal District
Utilities Property
2021-22 Appraisal Procedures and Reappraisal Plan

August 27, 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 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 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

JEAN ANN SILER

Mineral Appraiser

EXPERIENCE

Thomas Y. Pickett & Company, Inc.

11 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

STEPHEN B. CAMPBELL
President

EXPERIENCE

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

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

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)

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

Appendix B

Industrial Utility Accounts

Thomas Y. Pickett & Company, Inc.

AEP TEXAS INC
ALLTEL COMM LLC
ALNC INC
APPLIED INDUSTRIAL TECHNOLOGIES
APPLIED U S ENERGY
AQUADRILL WATER SYSTEMS LLC
AT&T COMMUNICATIONS
AT&T MOBILITY LLC
AT&T SERVICES
ATMOS ENERGY/MID-TEX DIVISION
ATMOS ENERGY/MID-TEX PIPELINE
AXIP ENERGY SERVICES LP
BASIC ENERGY SERV INC
BLUE LINE DRILLING
C&J ENERGY WELL SERVICE
CAMINAR OIL & GAS LLC
CARAWAY OPERATING CO
CE PUMP & EQUIPMENT
CELLCO PARTNERSHIP
CENTRAL TEXAS COMMUNICATIONS
CENTRAL TEXAS TEL COOP
CENTURION PIPELINE LP
CENTURYLINK COMM LLC
CGKC&H NO2 RURAL LTD
CHEVRON PRODUCTS CO
CIMARRON ENERGY
COG OPERATING, LLC
COGENT MIDSTREAM WES TEX LLC
COLEMAN CO ELEC CO-OP
COMPASS OPERATING LLC
CONCHO VLY ELEC CO-OP
CONTERRA ULTRA BROADBAND LLC
COVERLAY MANUFACTURING INC
CROWN CASTLE FIBER LLC
CT CUBE LP DBA
DANHILL CONTAINERS LLC
DELEK MARKETING & SUPPLY LP
DGP (HULLSDALE)
DLH WENDLAND LLC
DRAGON PRODUCTS LTD
EAST JORDON IRON WORKS
ECHO CANYON CRUDE TRUCKING LLC
ELECTRIC TRANSMISSION TX LLC

ELLIOTT EQUIPMENT
EQUILON ENTERPRISES LLC
ETHICON INC
EXXON MOBIL CORPPORATION
FIVE STAR WIRELESS
FORBES CC CO LP
FORT CONCHO OHIO LLC
FORTUNE PRODUCTION CO
FRONTIER COMMUNICATIONS
GEOSITE INC
GLOBAL WINDMILL
GOLDEN SPREAD ELECTRIC COOP
GOODYEAR TIRE & RUBBER CO
GRIZZLY ENERGY
GTP ACQUISITION PARTNERS II
GTP INFRASTRUCTURE I LLC
GTP TOWERS I LLC
HENSON TOOLS LLC
HIRSCHFELD ENERGY SYSTEMS LLC
HIRSCHFELD STEEL CO
HUGHES BOB OIL CO LLC
INDEPENDENCE RESOURCE MGMT
IWG TOWERS
JABS HOLDING LLC
JUNCTION PIPELINE
LANGFORD WIND POWER, LLC
LCRA TRANSMISSION SRV CORP
LONG INDUSTRIES INC
MCI COMMUNICATION SERVICES INC
MCI METRO ACCESS TRANSMISSION SERVICES CORP.
MID-TEX CELLULAR LTD
NEXTIER COMPLETION SOLUTIONS INC
ONCOR ELECTRIC DELIVERY CO
PATTERSON DRIG
PHILLIPS 66
PIMCO
PIONEER NATURAL RESOURCES USA INC
PITTS OILFIELD PRODUCTS & SVCS
PREFERRED PROPPANTS, LLC
PSI WIRELINE
RAMBLER SOLAR, LLC
RED DIAMOND ENERGY SERV INC
RENEGADE WELL SERVICE LLC

SBA MONARCH TOWERS I LLC
SBA TOWERS II LLC
SBA TOWERS V LLC
SBA TOWERS VI LLC
SBA TOWERS VII LLC
SCHUCH PIPELINE PARTNERSHIP
SEQUITUR PERMIAN, LLC
SOGGY D LLC
SOUTHWEST TEXAS ELEC COOP INC
SOUTHWESTERN BELL TELEPHONE CO
SOUTHWESTRN ELEC PWR CO-SWEP
SUNOCO PIPELINE LP
SUNOCO PIPELINE LP - AMDEL PL
TANKERSLEY SWD, INC.
TARGA MIDSTREAM SERVICES LP
TEXAS COMM OF SAN ANGELO
TEXAS TANK CAR WORKS
T-MOBILE WEST CORPORATION
TRI-BEST INC
UNIVERSAL PRESSURE PUMPING INC
US WELL SERVICES LLC
USA COMPRESSION PARTNERS LLC
VALOR TELECOMMUNICATIONS OF TEXAS, LP
VISTRA CORPORATE SERVICES CO
WATER VALLEY WIND PROJECT LLC
WEST TEXAS GAS INC
WIESE WATER SYSTEMS & CONST
WINGER MACHINE
WOMACK TANK & MFG
WTG JAMESON LP