



MINUTES

MONDAY, JULY 15, 2019

The scheduled **special** meeting of the Cleveland County Equalization Board was called to order this 15th day of July 2019 at 10:00 a.m., in the Cleveland County Clerk's Office by Chairman Larry Heikkila. Tammy Belinson, County Clerk/Secretary, called roll and those present were:

Larry Heikkila, Chairman
Charles Thompson, Vice-Chairman
Tammy Belinson, Secretary

Bobby Cleveland, Member, was absent.

Those present were: Assistant District Attorney Abby Nathan, Linda Atkins, Russell Chronister, Billijo Ragland, Mary Anne Kennedy and Ben Hunley.

After the reading of the minutes of the Special Meeting of July 11, 2019 and there being no additions or corrections, Charles Thompson moved that the minutes be approved.

Larry Heikkila seconded the motion.

The vote was: Larry Heikkila, yes; Charles Thompson, yes.

Motion carried.

A. Business Items:

1. Chairman Heikkila called for discussion, consideration, and/or action on the following Letters of Protest:

Tammy Belinson assisted in sitting up the telephone conference call between Scott A. Crisler and the Board members.

- a. Scott A. Crisler, Tax Manager, DCP Midstream, **303-605-1748**
Conference Call. All accounts in Cleveland County Oklahoma.
Address: 370 17th Street, Suite 2500, Denver, CO 80202,
dcppropertytax@dcpmidstream.com.

Mr. Crisler said, "So, basically, we're protesting the value that the Assessor has applied to all assets under the operating company in Cleveland County for 2019. The Assessor has the current value of \$7.4 million and we've got a value of \$1,859,046. Basically, so I will kind of run through the details and data points that we've used to support our value. Basically, in Cleveland County we have a lot of pipeline about two hundred miles of

pipe and on the average is about thirty-one years old. We have a couple of boosters there, they are active and again they are fairly old; 1963 is one of them and a couple at 1985. So it is dated equipment. There are boosters running at about 25% utilization in 2018. Basically, we've added in 2018 three hundred feet of pipe in a meter, we must have a well connect there somewhere out there. Short of that since 2014, using the Assessor's data, we've only had \$200,000 worth of equipment added over those six years. The performance of the assets, again it is very dated and it blends itself well to the vertical wells, but not some of the horizontal wells that you see out there. Basically, our performance and assets in Cleveland County the volume from the peak of 2015 and late 2014 when you saw commodity prices that were real high and down 15% in volume, ah 20%, in margin and down 40% in revenues. So these assets are not performing well. And they are not adding value based on a performance that is for sure. But since that time, again, we have added really effectively nothing and still the value that the county has on these assets really has only changed by 2% and 2% down on the course of five or six years here. So we looked at that based on performance, we said that it makes a half of a million dollars a year before expenses. And we've got about; according the county's records, the cost of replacement is at about \$40 million dollars. It only returns 1% per year. The State of Oklahoma per this industry should be about 10.5%, which they put it at in 2019. We show significant obsolesces associated with the assets at 80 plus percent just by performance. At the rate of return by looking at utilization, there is 75% obsolesces and so that is where we are getting down for value of \$1.9 million versus the Assessors value of \$7.4 million. One of the things that we looked at was if there was any activity as far as assets, you know, being sold in the area. We do actually have a couple of sales in Oklahoma County, which is just north of Cleveland County there. Those assets, one set of them, was about forty-two miles all of the pipeline in (inaudible) sold that for \$10.00 and there is another asset sale there, about 17 miles of pipe on the assets meters etc., plus the contracts on the system that sold for \$35,000.00 and then we had a sale as recently as of January 1, 2019 which is the assessment date of 127 miles split between Oklahoma County and Cleveland County. It included the entire pipeline, all the assets, all of the contracts, again \$10.00. So, when we look at the value of the County Assessor's that hasn't really changed over the years, we think that there is something gone wrong there and we feel the \$1.9 is certainly so much more representative of what is in the county. We do have pending lawsuits for 2016, 2017 and 2018. We need to get those figured out. But I think that some of these of recent trends in market tend to lend itself to figuring that out. We have actually made a couple of offers during 2018 to settle for the prior years, but we did not receive a response. So they are still hanging out there. So, anyway with that information, DCP would like for the Board to consider our proposed offer of \$1,859,046 as the 2019 value for these assets. That's all I have and

if you have any questions I will be glad to answer them. Or we can wait for the county to go and take questions then.”

Chairman Heikkila asked if Charles Thompson had questions and he answered that he did not have questions.

Ben Hunley with TASC introduced himself to Mr. Crisler. He said, “I do have a question. We went over a lot of numbers and some of them sales and income data and all that stuff, do we have that available for the Board or for the County today?”

Mr. Crisler said, “For today, Ben, no we don’t.”

Mr. Hunley said, “We don’t have any of that stuff and I am not aware of any of the sales information that he was talking about. I would certainly welcome it. I think that it needs to be looked at and verified. So, for what I want to do for today’s purposes, I think from the county’s standpoint the 2018 is being litigated and we believe that the 2019 should just fall right in there with ligation and put it all in a nice neat package for the really smart lawyers and stuff to figure out. That really gets above my head. But, he did talk about financials a little bit and before we go to the evaluation part of it, I wouldn’t mind sharing with the Board some of their financial information. As a company as a whole, I don’t have it as an individual county and even as an individual state, but certainly I can go to their 10-K and look and see what they have done. I have that available for the Board today. As a company they are doing quite well and we are certainly glad of that. If you will flip to the very first page, I think you will see what we think are key metric performance indicators and you can see that their NOI is up from 2017 to 2018; that is 130%, their sales on natural gas is up 116% in 2017-2018. All of this 2017-2018 and their segment income is up almost 140%. So they are doing quite well, but when you get it broke down to a county it has to take place in a business setting, but we don’t have that information, so I can’t verify the numbers that Scott just talked about on the sales or the income. I can look at that and it gives me a good idea.”

Charles Thompson said that he thinks it would be a good idea to leave it as is and let it roll into the lawsuit that they already have.

Ben Hunley said if they want to make that decision that would be great and provided their evaluation for 2018 and tax year of 2019 and their list of assets. He is convinced that they have a pretty good list of assets over the years and doesn’t think that anyone is arguing over that. They are just arguing over value. The position of the county is that the assets’ fair market value is \$7,400,018 and asked the Board to affirm that value. He welcomed questions from the Board.

Chairman Heikkila said there are no questions at this time.

Charles Thompson made the motion to **affirm** the value of \$7,400,018 for 2019.

Larry Heikkila seconded the motion.

The vote was: Larry Heikkila, yes; Charles Thompson, yes.

Motion carried.

Assistant District Attorney Abby Nathan responded to a concern that the Board had in completing the Notice of Formal Appeal Decision Form. In prior years the County Clerk's Office did that for them. She said this was discussed and determined that the best way to reflect the Board's reason for changing an assessment or not to change an assessment is to have the Board complete the form.

Charles Thompson said, "I wouldn't sign it if it wasn't right."

Abby Nathan said that some of the other counties are doing it differently, but she does think that it is important for a Board member to make it very clear and articulate the reason for the decision on the form.

Charles Thompson said, "Usually, if it is right, you sign it or you correct it."

Abby Nathan said it is acceptable for the Board to ask the County Clerk's deputy to complete the form, as long as the Board oversees the process of completing the form to insure that the motion is properly reflected on the form as to a change or no change decision.

B. No Board Members discussion.

C. No Public Comments at this time.

D. There being no further business to come before the Board, Charles Thompson moved, Larry Heikkila seconded the motion. Meeting adjourned at 10:20 am.
The vote was: Larry Heikkila, yes; Charles Thompson, yes.
Motion carried.

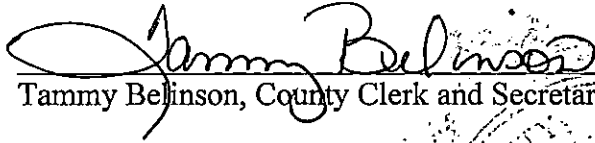
(Clerk's Note: Agenda was posted on July 10, 2019 @ 9:21 AM.)

**CLEVELAND COUNTY EQUALIZATION BOARD
CLEVELAND COUNTY, OKLAHOMA**



Larry Heikkila, Chairman

ATTEST:



Tammy Belinson, County Clerk and Secretary to the Board

Minutes Prepared by:



Deputy County Clerk