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BOARD OF COUNTY COMMISSIONERS Minutes of Meeting October 12, 2017

The Board of Morgan County Commissioners met Thursday, October 12, 2017 at 9:00 a.m. with Chairman James Zwetzig, Commissioner Laura Teague and Commissioner Mark Arndt in attendance. Chairman James Zwetzig called the meeting to order.

GENERAL BUSINESS AND ADMINISTRATIVE ITEMS

THIS MATTER comes before the Morgan County Board of County Commissioners sitting as the Morgan County Board of Equalization (the "Board of Equalization") to discuss the change in valuation of properties in Morgan County and to discuss the reasons of the changed value.

At this time, Chairman Zwetzig asked Morgan County Assessor Robert Wooldridge to present. Mr. Wooldridge spoke of the matter explaining the background May 1st valuation of notices are sent out to all property owners explaining that agricultural land is not valued on market value, and explained how the value is calculated stating this process has been in place since 1983. He further stated this process creates a nominal value on agricultural values, strictly based on income capability of the ag land. He stated they revalued things using certain expenses, and indicated the years that were used to come up with the value and had a problem this year. The County is audited by the State based on accuracy of values, within 90 to 110 ratio and stated the paper has things confused; ratio does not have anything to do with it.

He further stated that the classification is all together looked at to be sure that it is within 90-110, and provided a scenario of how things are calculated. The State uses the same calculation on an average for each county and those measures must fall between 90 and 110 and this year the County came out at 86 which shows an issue where we are under value. He stated the reason the audit was set up in 1983 was due to the values affecting school district revenues as per the school finance act.

He stated that the County has to pay back to the State of Colorado the money that has been paid to the school districts because the value was too low, and then the following year the values are reset and the taxes increase at that time. He indicated that the penalty the County would be required to pay back would be somewhere around \$600,000.00 to \$700,000.00 if this error is not corrected.

Mr. Wooldridge stated the auditor is an independent appraisal firm, and is not connected to the County and outlined the process they use stating the County must be in compliance with the audit. All agricultural land must be within 90 and 110 percent and this last audit indicated the County was at 86 percent. Once the audit presents an issue, the auditors then began going through each subcategory and it was found that it was in the flood and sprinkler irrigated ground where the issue was.

At this time Mr. Wooldridge summarized, at length, a packet of information that was provided to all present at the meeting. He outlined the various areas as indicated on the diagram provided explaining the water sources in each area. He indicated the areas that incurred various issues and the water flow, Ground Appropriation (GASP) which was lost and resulted in a severe affect on area D.

There was one change in 2017 that took place, area D; wells are coming back in small amounts. They are covered by central water conservation district as well as two other districts that are involved, that was devised to try and take over what GASP had created over the years. He stated in 2005 they had water depletions they had to make up, so Central Colorado Water has taken over the authority to try and take over the water situation in this area. Last year they were getting up to 50 percent of their water used, and before that it was actually around 20 percent, and how that affected water use on agricultural land.

When they looked at the changes in boundary areas they noted that in area D, the area highlighted in green that went from area D classification to area A, explaining the values how they were affected. He stated there was a change in this area highlighted in green, and outlined what happens in an appraisal year what happens to values when switching classifications as to water use. The map is utilized as to how water is looked at in the county.

He highlighted page 2, stating the per acre value indicating under class, SA2, sprinkler ground, in area A and soil type and that is how the value is calculated, the 2 means soil type, Under flood, it is I – meaning flood irrigated ground, area, then type of soil. He stated what is being dealt with today is what the results of the audit indicated and that is with sprinkler and flood irrigated land. He explained that when he revalued the property with the information he had at the time he revalued this year actually resulted in a decrease in value, and once the auditor looked at the information, we were the only County that indicated a decrease, thus the reason for looking further into the reasons why. He further outlined the values that went out were based on 2015 and the prior 9 years, it does not include the information from 2016, he is looking in to that information further.

He outlined the 2015 values, indicating the County passed the audit at that time, but in 2017, the county ratio indicated 81 and overall 86, and being outside the 90-110, that is what triggered today's matter.

He outlined the highlighted areas on page 3 comparing the value between 2015 and 2017. He stated that what triggered the auditor to see what was going on is when they looked at the expenses that are being used stating they utilized sprinkler hay, flood hay, sprinkler corn and flood corn and explained that the purpose of the ratio study is to ensure that everyone is treated fairly. He further stated that in comparing Morgan County with other counties our expenses were much different than those of other counties and that is due to mainly water expenses. He explained

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that without the water districts, the County could be in serious shape and could lose water completely and feels these water districts have done a great job.

The ratio of sprinkler land to flood ground was about 50/50 in 2015m as of last year that ratio is 78 sprinkler and 22 percent flood which is an indicator of what water has done in our County and the costs having increased.

Mr. Wooldridge stated he apologizes for the error he made when he moved a formula on one line giving hay all the ratio applied and it ended up being 100 percent and not the accurate percentage and it contributed to the cost of expenses. There were other things that happened in the past as well, there was an adjustment to the expenses that was done by the BOE in 2013, in area A, value of area A due to cost of fertilizer, and the fact that was basically an excessive amount and it actually resulted in a negative amount which cannot happen. He further summarized another adjustment that was made that dropped the values down by 7 percent, and that resulted in an issue when the audit was completed.

For the previous audit years, he has always been between 99 and 100 for all of these areas and values. He stated that he himself made a mistake when he entered the formula in 2017. Once it was found that the costs were calculated too low it resulted in the Commissioners having to pass by resolution to revise values on irrigated ground and by correcting the error made by the Assessor, and in order to adjust what was done in previous years, they came up with a new value that basically revises the value to a ratio of .96 in sprinkler irrigated and .98 in flood irrigated for a total overall ratio being .95. These two values were changed which resulted in 5 percent under value of midpoint but we passed the audit using these values.

He summarized what happens to the property owner's values explaining the information on page 6, stating the overall effect of the value in 2017m was an average of \$484.67 and outlined the percentage of change per class of ground as indicated in the document presented. He stated that there are still some negative figures shown given the information that was used.

There is a problem with the formula in the future and they are experiencing a very difficult time figuring out what the true average of what in the County is corn and hay. He stated that NAS (National Agriculture Statistic Services) was used as data to appropriately adjust. He stated for 2017 the average production for the County was set at 172 bushel, the problem using 172 bushel which came out of NASS, that is a blended bushels per acre with both dry land and irrigated per acre as they no longer supply this information. That is what he uses as it is mandated by the State and he sees the issue with this information.

He believes the expense side is okay but the income side is off, but has no way of proving that and does not want to have every citizen having to report this information to the Assessor. He stated that in looking back to 2003 and 2004 when the County experienced the draught, the farmers do a great job today in how they utilize water and conserve water.

He summarized page 7 which outlines an example of values using Mark Arndt's values whereas his area was in area D, and using water source in area A, and he had a change in his value. He read aloud the increase amount in land that this property owner experienced and then summarized the new notice which shows the incorrect value and with the new value, it will compare what flood and sprinkler use, and he has a \$26,920 increase. He stated two reasons for this particular notice as what resulted in the change in expenses as to how the value is formulated and stated that this property owner will experience an increase in two ways, given he experienced an area change and a water change.

Commissioner Arndt asked Mr. Wooldridge to explain the information as current on page 8, \$50,570 as being the current value with Mr. Wooldridge stating this would be for all of his property including wasteland, dry land ground, etc, but predominantly what is valued here is the irrigated ground, and that is the \$50,570 and that is a classification that was noticed in May when he went from area D to area A. The increase in the amount of \$26,920 is what happened to all irrigated land when the expenses were increased as they should have been. This property owner's record has resulted in an increase in value of \$13,580 plus the \$26,920 given the result of this audit.

Mr. Wooldridge stated if anyone has any questions, they can contact his office to see how it will affect their taxes payable in 2018 and how it will be calculated by the new mill levy, and every property had an increase due to the market value. He stated that he believes the reason residential is so high, it costs a lot to put water on the property and increases the cost in land purchases. He sees this as slowing construction way down and subdivisions way down given the costs have increased so much. He stated the issue that happened in 2005 affected everyone regarding GASP. He further stated those cities where the water wells are shut off and the issues there are regarding water.

Mr. Wooldridge also summarized Commissioner Teague's property values, explaining page 10 was the notice sent out in May and the information indicated where there was a reduction in value as land values had dropped, and the new notice now indicates an increase in the amount for irrigated land, and will result in an increase in value of \$3,940. He stated that this scenario is really what happened to the majority of those landowners in Morgan County.

He finished his presentation stating that the classification of the land and how many acres are being utilized, and how many are sprinkler, flood, dry land, or wasteland, and they do not make changes unless they hear of it and stated they used to have 13 employees and are now down to 8 employees stating there are budgetary issues in Morgan County and values do not change much, and the fact budgets can only increase by 5 percent as required by TABOR makes things challenging financially for the County.

Mr. Wooldridge stated landowners may contact his office or check the website for information as to what their values are at this time. He stated the main point he wants to make is what is affected is the school finance act that is

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controlled by the State of Colorado and the County would be penalized if they do not act on this at this time and that being the reason they received this notice at this point in time.

Chairman Zwetzig opened the matter up for questions and asked those who may have questions to state their name and address. Mr. Wooldridge stated he wants to hear questions about value, not classification as they would need to appear in his office to discuss classification as he wants to hear from the citizen directly to make that change. He indicated he has deadlines to meet and has a small window of opportunity for those to report an error on acreage or classification, to see him personally.

Chairman Zwetzig stated the procedure from here on as the notice was sent out on September 29th, explaining if the citizens want to protest this notice, they need to follow the information on the notice and they have the option to file an appeal with the State Board of Assessment Appeals, District Court or binding arbitration within 30 days of the date of notice which would be October 28th. Mr. Wooldridge verified this information is correct and further explained what the citizen would need to do if they should choose to appeal their values.

Chairman Zwetzig stated there are two processes, the citizen needs to report to the assessor's office if they feel there is an error in their classification and if they should want to appeal their value based on the matter set forth today, they need to follow one of the three procedures mentioned.

Allyn Wind, 345 Howell Avenue, Brush stated he is still not clear how the State arrived at their numbers to get our numbers. Mr. Wooldridge stated the audit procedures are not relayed to the County, and understands the information where they use a comparability with other counties and the fact that the numbers being used need to be in line with each other and further summarized that the audit requirements need to be within 90-110 percent and stated that Morgan County's water costs are much higher than Weld County's. Expenses are what were reviewed, and expense to income ratio, is what is looked at and the State came up with .86 percent and feels it made sense, stating why would Morgan County go down in value when all the other counties went up in value. He stated it is based on production costs and Mr. Wooldridge is using a very low figure of production costs and that will have an impact on some property owner's ratios.

Commissioner Teague stated what would happen if all the counties east of us showed a decreased ratio, with Mr. Wooldridge stating if that happened, they would get the same result from the audit. Mr. Wooldridge stated that when the expenses were decreased in 2013 that dropped the ratio as well as the issue in 2005 having dropped the costs, and stated if we do not pass the audit and do not make a change, it could result in a much higher value outcome whereas he states he is pushing the value and costs of the water in Morgan County. Mr. Wooldridge stated the State is not arguing the water costs, but does feel they need to do some updates to the manual is being used.

Mr. Wooldridge stated he is aware there is a problem and is trying to address the issues and in the actual ratios the State came up with, the question would need to be directed to the auditor. He further stated that the County relies on agriculture and it being the backbone of the County.

Commissioner Teague Stated that there are a significant number of legislators across the country that would like to see the income based formula valuation go away on Agricultural ground and move to a straight market based value. She further stated it is important that we fight to maintain the formula valuation.

After no further questions or business, the meeting was adjourned at 10:04 a.m.

Respectfully Submitted,
Susan L. Bailey
Clerk to the Board

(Minutes ratified October 17, 2017)

THE BOARD OF COUNTY COMMISSIONERS MORGAN COUNTY, COLORADO

s/ James P. Zwetzig
James P. Zwetzig, Chairman

s/Laura D. Teague
Laura D. Teague, Commissioner

s/Mark A. Arndt
Mark A. Arndt, Commissioner

(SEAL)

ATTEST:

s/ Susan L. Bailey
Susan L. Bailey