MINUTES OF THE
ASSESSING STANDARDS BOARD

Approved as Written

DATE: September 22, 2017          TIME: 9:30 a.m.

LOCATION: NH Department of Revenue – Training Room, 109 Pleasant Street, Concord

BOARD MEMBERS:

Senator James Gray                  Eric Stohl, Municipal Official, < 3,000
Senator Bob Guida                   Robert Gagne, NHAAO, At-Large Member
Representative Peter Schmidt         Vacant, NHAAO, City Official
Representative Mark Proulx ~ Excused Loren Martin, Assessing Official, < 3,000
Betsey Patten, Public Member, Chair Joe Lessard, NHAAO, Towns > 3,000
Stephan Hamilton, NH DRA             Len Gerzon, Public Member
Jim Wheeler, Municipal Official, City Thomas Thomson, Public Member
Paul Brown, Municipal Official, Towns >3,000

MEMBERS of the PUBLIC:

Jon Duhamel, Nashua.                 Bob Edwards, Antrim
Scott Bartlett, Goffstown           Cynthia Trottier, Liberty Utilities
Tisha Sanderson, Liberty Utilities   Tressa Northrop, Unitil
Simon Thomson, Sheehan, Phinney, Capitol Group Jonathan Giegerich, Unitil
Lisa Shapiro, GCG                   Josephine Belville, NHDRA
Tom Hughes, BTLA                    Teresa Rosenberger, Devine Millimet
Charelle Lucas, G.E.S.              Timothy Fortier, NHMA

Chairman Patten opened the meeting at 9:35 a.m. and welcomed those in attendance.

Introductions followed.

Chairman Patten welcomed Joe Lessard back to the ASB. Mr. Lessard has replaced Marti Noel as the NHAAO representative for towns with a population greater than 3,000. She thanked Ms. Noel for her time and service on the ASB including her participation as the Chair of White Paper Subcommittee that produced the “White Paper” document currently available on the DRA website. Chairman Patten also thanked Rick Vincent for his time and effort on the board and added his position had not been filled at this time.

Minutes

Selectman Stohl motioned to accept the minutes of August 18, 2017. Senator Gray seconded the motion. No discussion. Chairman Patten called the motion to accept the minutes of August 18, 2017, as written. Ms. Martin, Mr. Lessard and Senator Guida abstained. All others approved.
Mr. Hamilton provided a summary of the meeting held on Thursday, September 21, 2017, by the Science and Technology Committee. He reported the main topic of the meeting was to orient the subcommittee on the information before them and to determine whether this was an issue and if it could not be resolved could it be brought to a better state by the work of the subcommittee before having to report back to the Science, Technology and Energy Committee by the deadline of November 16. The consensus by the subcommittee was that they could and would hear from people about the issue.

One of the individuals that spoke was an attorney representing NH Electric Co-op (NHEC) who expressed the concerns of the Co-op including the total tax burden being paid and the variations between the assessed values within the 115 communities they are located in. He presented a spreadsheet of the Co-op properties to illustrate their concerns including a number of communities where the values appear to be multiples of the Department of Revenue Administration’s (DRA) unit value. Mr. Hamilton offered to provide electronic copies of the spreadsheet for those who would like one.

The subcommittee also requested testimony from Mr. Hamilton about the process of unit valuation and how it came to be, which he provided. Representative Schmidt was also in attendance at the meeting and he added that Mr. Hamilton’s presentation was insightful to those on the subcommittee who do not have a background in this subject and felt Attorney Dean’s graphic would be useful in terms of the perspective that it offers. The subcommittee has scheduled meetings for October 5, 12, and 19, at 10:00 a.m. A report to the full Science, Technology and Energy committee is scheduled for November 16.

Chairman Patten stated that an e-mail has been received from Mr. Fogg expressing concern with the board’s representation of the Sansoucy (Chester) appraisal on the matrix. She restated the board is trying to understand what is happening in the field and determine where the differences are. The current draft matrix includes question marks which represent information the board has either not agreed upon or has not fully discussed due to time issues. Discussion of these questions will continue in order to work towards an assessing practice that is fair, consistent and reliable.

Mr. Hamilton re-stated the board has heard extensive testimony about the various approaches to value employed by the assessors to determine the value of utility property and is looking to communicate to the subcommittee a summary of the different techniques being used in the field and what they mean. If the board can do that, he feels it would help the subcommittee a great deal and the ASB will have met the expectation of what they were asked to do.

Mr. Wheeler suggested the board confirm whether or not they think there is a problem and if they feel there is, he reminded the board that certain information has been requested by Chairman Barry. Mr. Gerzon agreed and summarized the information Chairman Barry requested as (1) demonstrate and measure outcomes for each of these four methodologies, and (2) what the differences would be, in order to provide the legislators with parameters to make a legislative decision. Chairman Patten stated the board would provide the information requested and if it is not already available, would see about getting it.

Mr. Bartlett stated the comparison provided by Attorney Dean at the hearing used assessed values versus DRA values. He suggested considering the use of different benchmarks for comparison such as original cost versus net book value; DRA’s value versus net book value; town values versus net book value and maybe others that use original cost. He added the use of different benchmarks may provide additional information to help the board move forward.

Mr. Hamilton agreed those would be interesting analysis that could be undertaken however timing may be an issue. He suggested an idea mentioned to the subcommittee which was to narrow the scope to exclude merchant, single jurisdiction, unregulated property. The heart of the problem is when you have a property subject to PUC regulation that is located in multiple communities (for example NH Electric Co-op in 115 communities). Determining a value or the ability to challenge an assessment of 1/115th of a value is extremely difficult. HB 324 encompasses all utility properties however the concern lies with the regulated utility properties. We could simplify this question and task by eliminating the property within a single jurisdiction.
Mr. Lessard asked Mr. Bartlett if Attorney Dean had answered the question whether or not he felt there was a problem. Mr. Bartlett responded Attorney Dean did not say one way or another but that is was possible. The ASB has been comparing town assessed values to DRA values and Attorney Dean had suggested comparing them both by a different benchmark such as net book value. In his presentation, he was clear that net book value may not be the answer but he stated there is a relationship between the value of a utility property and its net book value. He added net book value would be a good benchmark because it is a clear, defendable value. Mr. Hamilton added whatever the benchmark, there has to be equity for the taxpayers and the ability for them to understand and challenge the value of their multi-jurisdictional property and this is where he believes the issue is. Mr. Brown suggested adding the net book value and original cost information for the four communities to the matrix.

Mr. Wheeler stated all of the approaches to value being utilized are valid as stated in the ASB manual. Property valuation is not a specific formula and needs to be considered from different angles and viewpoints in order to substantiate a value. This bill is suggesting we need one uniform method but the taxation system is fundamentally built on the idea of different methods and perspectives and therefore the promotion of one method is contrary to our system. That is the reason he is questioning whether or not there is a problem. Mr. Gagne added the proposed solution assumes the DRA’s values are correct and he hasn’t seen that. If the solution becomes the unit method and allocation, there still needs to be more than one individual or company rendering that opinion otherwise it is suspect. Mr. Hamilton clarified that unit is not an approach to value rather a description of the property being valued through a cost, sales or income approach. What is being valued is either the unit or a segment; the DRA values the unit; all those who presented valued a segment.

Mr. Giegerich stated the two most significant concerns of utility companies is the difficulty to challenge an assessed value and their perception that lost revenue for municipalities is being made up through the higher assessments of utility properties. He added there is no proof there is a problem, and there may not be one; however that is the perception from a utility standpoint.

Mr. Gerzon reminded the board their duties not only include those of the ASB but also those duties of the former Equalization Standards Board (ESB). The ESB manual, adopted and ratified by the ASB, includes the DRA’s use of the unit method to allocate values to every town for equalization purposes, as well as RSA 83-F, and is their process. He added that he believes it is important for the board consider what their role is having adopted and ratified the current process, what their duties are and the direction they are going. The question for the board is does the value derived from the DRA’s process for each individual town equate to market value?

In response to Mr. Giegerich’s comment, Ms. Martin stated that the assessors are trying to value a property in their communities; not create revenue. She added while there are various approaches to value, she does not feel one has been deemed better than another or that a problem has been identified. In addition, utility systems do not stop at the NH lines, they are part of a much larger system and therefore, she feels the state does value a segment but on a larger scale. Mr. Hamilton clarified the state understands utility properties cross NH boarders and that allocation occurs in two steps. The state first values the entire unit and then allocates first those assets in NH and secondly those assets in each municipality.

Mr. Gagne offered that whatever the solution is, it will be a legislative policy. He agreed there may be other ways to tax utilities other than property tax such as a flat percentage of gross revenues and that there may be others that are simple and easy to administer but no one is going to like them. Mr. Lessard offered that whatever the solution, there will be problems. He listed some of the problems with the unit method including lack of transparency about the information used to value the property, lack of ability to appeal the state value; and the fact that a final value received from DRA in December is too late for filing the MS-1, which is due the first of September. Do we stay with the current method and issues or find a new method and have different issues to consider? He suggested asking the legislature for more time for the board to work on the issue.

A brief discussion took place about requesting the removal of the single jurisdiction, unregulated, merchant facilities from the legislative issue. A majority consensus of the board agreed those entities should not be included and requested Chairman Patten bring the request to exclude these entities to Chairman Barry. It was also requested to be clarified that this consensus does not indicate the opinion of any of the board members as to whether or not they believe there is an issue.
A discussion ensued about the information requested by Chairman Barry and whether or not that would be provided. This information included the impact to the towns using the assessed values and the tax rates to clarify potential revenues lost if the DRA’s value is used versus the assessed value. The DRA has provided reports that include a comparison of assessed values and state values by municipality and utility company as well as a state-wide value comparison. Mr. Wheeler stated the information request also included the impact per town and where the cost shifts would be, which would include consideration of the tax rates. Chairman Patten affirmed the board would provide the information Chairman Barry requested.

Mr. Edwards, Selectmen from Antrim, observed that after listening to the discussion, he does not feel there is a flaw in the approaches to value but the different components being used in those approaches. He asked if the board considers the various components used in the approaches. Chairman Patten explained the board is hoping to get into that detail by completing the matrix but they would need to be granted more time by the legislature.

Representative Schmidt described the illustration representing NHEC customers that was distributed by Attorney Dean at the hearing which reflected the assessed values versus the DRA values for towns in which NHEC property is located. He described 1/3 of the towns as less or close to the DRA value; 1/3 were very close if not the same as the DRA and 1/3 had a rising path which appeared to be multiples of DRA values including an outlier that was six times the DRA value. While the same revenue will be generated, it is the shift in value and who will be impacted by that shift that is the concern.

Mr. Bartlett explained a memo prepared by Mr. Fogg as part of a group in which he was a part of by consensus that was sent to the Science and Technology Committee as well as the ASB members and Executive Council that illustrated the impact to towns if HB 324 were to go through as currently written. The question was raised if this list could be created excluding the single jurisdiction, unregulated, merchant facilities and it was stated that it would have to be done town by town and would require significant time and effort. Mr. Hamilton offered to try to pull that information together for the next meeting.

Mr. Bartlett requested a correction to the draft matrix with regards to the highest and best use column relating to Goffstown’s appraisal and the footnote which reflects slide 2 and should reflect slide 4. There was a brief discussion. Chairman Patten restated the matrix is a draft document and the questions marks pertain to areas where the board had not agreed and further discussion was required. Chairman Patten asked Mr. Bartlett to fill out a matrix and provide his information to the board.

Mr. Lessard asked for clarification from Mr. Hamilton if the DRA valued the whole utility and then segmented out NH and Mr. Hamilton confirmed that was the DRA’s process. Mr. Lessard followed with the statement Mr. Hamilton made that 37 out of 50 states use the unit method to value utility property and asked whether those states used the same method of allocation to the municipalities. Mr. Hamilton stated he did not know the answer but would try to get it.

A brief discussion ensued to clarify the initials RCMLD and RCNLD. Mr. Hamilton stated there were two definitions provided in the matrix definition document. The distinction lies with substitution versus creating an identical replica and trending forward. It is not a replacement cost new but a reproduction cost new.

Ms. Lucas, representing George Sansoucy’s office, asked for clarification pertaining to the question marks in the highest and best use column on the matrix for the Chester appraisal as Mr. Fogg had provided the board with a matrix of the Chester appraisal. Mr. Sansoucy and Mr. Fogg provided an excess of four hours of presentation and have tried to educate the board and answer questions yet there are questions on the matrix. She asked whether the matrix was information the board agreed to from the presentations or if it reflected what certain individuals on the board agreed to.

Mr. Hamilton responded the matrix was the collective work of the board so far. The board is trying to determine what was heard from the presentations and what it means. Ms. Lucas offered assistance to the board for any questions they may have by sending questions to Mr. Sansoucy or Mr. Fogg and they would be happy to respond. Chairman Patten affirmed Mr. Fogg did fill out the matrix for Chester however the board has not yet discussed the question marks on the draft matrix.
Next Meeting

Friday, October 13, 2017 at 9:30 a.m. at DRA

Other Business

Chairman Patten thanked Selectmen Stohl for his many years and service on the board.

Mr. Hamilton referenced the handout pertaining to the 2016 Assessment Review results for the board to review. He added the results will be available on the department’s website this afternoon.

Mr. Brown asked if the four metrics of value information mentioned before could be added to the four communities on the matrix: MS-1 value, state value, net book value and original cost. Mr. Bartlett and Ms. Martin offered to provide the information for their appraisals and Mr. Hamilton offered to see if the department had that information for the others.

Mr. Gagne motioned to adjourn.

Chairman Patten adjourned the meeting at 12:00 p.m.

Respectfully submitted,
Stephanie Derosier

Municipal and Property Division
NH Department of Revenue Administration

All meetings are recorded and are available upon request.

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

Telephone: (603) 230-5096
Facsimile: (603) 230-5947
Web: www.revenue.nh.gov
E-mail: asb@dra.nh.gov

In person at:
109 Pleasant Street, Concord

In writing to:
NH Department of Revenue
Assessing Standards Board
PO Box 487
Concord, NH 03302-0487