



**Property Tax Assistance Division**  
2023 Report

Review of  
Appraisal  
District  
Appraisal  
Standards,  
Procedures and  
Methodology

# TARGETED APPRAISAL REVIEW PROGRAM

WINKLER COUNTY APPRAISAL DISTRICT



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Texas Comptroller of Public Accounts

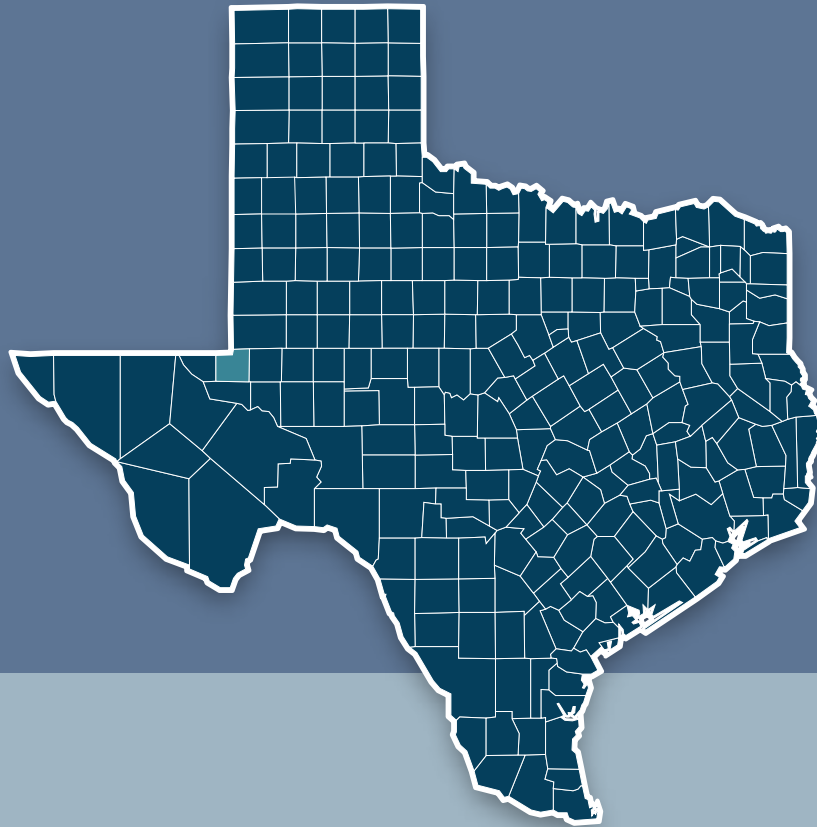


# 2023 TARGETED APPRAISAL REVIEW

## WINKLER COUNTY APPRAISAL DISTRICT

Chief Appraiser: Carlos Rodriguez

Reviewer: Dwayne Andrews







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# Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Kermit Independent School District (Kermit ISD), located in Winkler County, as one of 46 school districts meeting the criteria that initiates a Targeted Appraisal Review (TARP) of the appraisal district in which the school district is located. In 2023, the Property Tax Assistance Division (PTAD) conducted the review of the Winkler County Appraisal District (Winkler).

## TARGETED APPRAISAL REVIEW PROGRAM OVERVIEW

If a school district receives invalid School District Property Value Study (SDPVS) findings for three consecutive years, Government Code Section 403.302 (k-1) requires PTAD to conduct a review of the appraisal district to determine why a school district's values are statistically invalid and provide recommendations to the appraisal district regarding appraisal standards, procedures and methodologies.

PTAD reviewers used the [Targeted Appraisal Review Program Guidelines](#) to perform this review. This report contains the findings of the 2023 TARP review of Winkler. Over the next year, TARP reviewers will work with Winkler to address and resolve recommendations outlined in this report. **Exhibit 1** provides a timeline for the TARP cycle.

Upon substantial compliance with all recommendations, PTAD will issue a formal letter of compliance to Winkler and its board of directors.

If the appraisal district fails to comply with recommendations provided in the report and PTAD finds the appraisal district board of directors failed to take remedial action reasonably designed to ensure substantial compliance with each recommendation before the first anniversary of the date the recommendations were made, PTAD will notify the Texas Department of Licensing and Regulation (TDLR), which takes action necessary to ensure the recommendations are implemented as soon as practicable.

### EXHIBIT 1

#### TARP Process Timeline

##### NOTIFICATION

- PTAD sends TARP notification letters and preliminary data requests to affected appraisal districts.

##### REVIEWS

- Preliminary data is due to PTAD.
- TARP reviewers complete onsite visits.

##### RECOMMENDATIONS

- PTAD releases initial TARP reports.
- Appraisal districts have one year to work with their TARP reviewers to substantially comply with TARP report recommendations. PTAD mails formal compliance letters when appraisal districts have substantially implemented all recommendations.

##### REMAINING RECOMMENDATIONS

- PTAD notifies TDLR of remaining recommendations one year after the initial TARP report is released.
- Appraisal districts have one year to work with TDLR, who determines substantial compliance and reports to the chief appraiser and appraisal district board of directors.





## INVALID SCHOOL DISTRICT PROPERTY VALUATION

PTAD identified Kermit ISD in Winkler as having invalid SDPVS findings for three consecutive years. **Exhibit 2** highlights the impacted school district and categories with local values that fell outside the SDPVS statistical confidence interval in the applicable three-year period. PTAD determines the confidence interval using a 5 percent or greater margin of error around PTAD's determined market value. PTAD considers local values valid, or statistically acceptable, when they are within the confidence interval. Values outside this confidence interval are statistically invalid.

### EXHIBIT 2

#### Winkler SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Winkler	Kermit	Invalid	A	0.7022
2020	Winkler	Kermit	Invalid	D1	1.2481
2021	Winkler	Kermit	Invalid	A	0.8652
2021	Winkler	Kermit	Invalid	D1	1.3176
2022	Winkler	Kermit	Invalid	A	0.842
2022	Winkler	Kermit	Invalid	D1	0.7533
2022	Winkler	Kermit	Invalid	F1	0.8878

\*Categories are defined in the [Texas Property Tax Assistance Property Classification Guide](#).

Source: Texas Comptroller of Public Accounts, [School District Property Value Study](#)



## RECOMMENDATIONS

Based on our findings in the TARP review of Winkler, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Evaluate the chief appraiser annually.
- Present cost/benefit analysis to the board of directors regarding the acquisition of aerial photography.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum.
- Use Winkler's local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Review and update residential cost schedules annually.
- Calculate net to land for each of the five years in the appropriate period and determine the five-year average.
- Update commercial cost schedules.
- Collect income and expense information for use in the income approach.





## Section 1 – Overview of County Appraisal District

### 1.1 COUNTY HISTORY AND DEMOGRAPHICS

According to [The Handbook of Texas Online](#), the Texas State Legislature created Winkler County from portions of Tom Green County in 1887. The county was named after Clinton M. Winkler, a Confederate colonel. The city of Kermit became the county seat in 1910. Winkler County is located in West Texas and borders Ector, Loving and Ward counties, approximately 40 miles west of Odessa, Texas.

The county includes the Kermit and Wink-Loving Independent School Districts. As of the 2020 census, the population of Winkler County was 7,791. The major population centers are the city of Kermit, with 5,307 residents and Wink, with 940 residents. Other areas within the county consist of smaller towns and rural areas.

Based on the 2020 census population, PTAD classifies Winkler as Tier 3 for comparison with appraisal districts of similar population size. **Exhibit 3** shows the population brackets for each tier.

### 1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Winkler became active in January 1980. As of July 2024, it has two full-time staff positions which are both administrative positions. Winkler contracts with a vendor for professional appraisal services. **Exhibit 4** presents Winkler’s general organizational structure.

### 1.3 TAXING UNITS

Local taxing units, including the school districts, counties, cities, junior colleges and special districts, decide how much money they require to effectively provide public services. They adopt property tax rates based upon taxing unit financial needs (budget). Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.

Winkler provides appraisal services for six taxing units, as shown in **Exhibit 5** and does not perform collection services.

EXHIBIT 3

#### County Population by Tier

Tier	Total Population Range
1	120,000 +
2	Less than 120,000 to 20,000
3	Less than 20,000

Source: Texas Comptroller of Public Accounts

EXHIBIT 4

#### Winkler Organization Structure



Source: Winkler County Appraisal District





## EXHIBIT 5

**Winkler Taxing Units and Collections**

Name of Taxing Unit	Appraisal District Collects Property Taxes
Winkler County	No
Kermit Independent School District	No
Wink-Loving Independent School District	No
City of Kermit	No
City of Wink	No
Winkler County Hospital District	No

Source: Texas Comptroller of Public Accounts

**1.4 APPRAISAL DISTRICT BUDGET INFORMATION**

Taxing units fund the appraisal district through an annual budgeting process. Tax Code Section 6.06 requires the chief appraiser to develop the budget and the board of directors to hold a public hearing to consider the budget. Each participating taxing unit in the appraisal district must contribute a portion of the budget amount equal to the proportional amount of taxes levied in the taxing unit.

Chapter 5 of the International Association of Assessing Officer's (IAAO's) *Assessment Administration* explains that the budget is the crucial link in an appraisal district's ability to make set rational priorities. A budget typically details how resources will be used to accomplish the appraisal district's goals and objectives. IAAO's *Standard on Property Tax Policy* states that to accomplish its responsibilities in a fair and professional manner, the appraisal district should have a budget that provides for a well-organized staff, sufficient computing recourses and necessary data.

**Exhibit 6** provides a comparison between Winkler's 2022 budget versus the Tier 3 average 2022 budget (excluding collections) to show how Winkler's budget aligns with the tier average.

## EXHIBIT 6

**Winkler 2022 Budget vs. Tier 3 Average**

Winkler County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
\$451,344	\$547,673

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

In 2022, Winkler operated with a budget of \$451,344, which is smaller than the Tier 3 average 2022 budget of \$547,673. This budget comparison highlights the relatively smaller financial resources, as reported by Winkler in the 2022 *Appraisal District Operation Survey*. A four-year budget history and tier average comparison is available in **Appendix 1**.





## 1.5 APPRAISAL DISTRICT STAFF INFORMATION

The geographic size of the appraisal district and number of parcels to be appraised directly reflect the number of staff necessary to perform the appraisal district's responsibilities. The complexity of the appraisals and the experience and expertise of the staff also impact appraisal district needs.

**Exhibit 7** provides a comparison between Winkler's 2022 staffing and the 2022 Tier 3 staffing average (excluding collections) to determine how Winkler staffing and salaries compare with the tier average.

### EXHIBIT 7

#### Winkler 2022 Staffing and Salaries vs. Tier 3 Average

	2022	2022 Tier 3 Average
Full Time Staff	2	4
Part Time Staff	0	N/A
Full Time Appraisers	0	3
Lowest Appraiser Salary	\$0	\$39,505
Highest Appraiser Salary	\$0	\$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

Winkler has consistently maintained a full-time staff of two employees over the past four years, well below Tier 3 average of four. There have been no part-time staff members during this period. The appraisal district contracts for all appraisal work, therefore has no appraiser information to report.

A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

## 1.6 TRAINING

IAAO's *Standard on Professional Development* follows the principle that "assessment jurisdictions benefit when they have knowledgeable and adequately trained personnel to preserve the public's trust; therefore, it is of the utmost importance." **Exhibit 8** provides Winkler's annual training budget and number of trainings attended for the past three years. Appraisal districts should maintain adequate training budgets to allow for certification and continued education of staff.

### EXHIBIT 8

#### Winkler Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	\$4,000	\$4,000	\$5,000
Number of Trainings Attended	2	0	0

Source: Winkler County Appraisal District

From 2019 to 2022, Winkler's training budget decreased from \$5,000 to \$4,000, however, there was an increase in the number of trainings from zero to two over the three-year review period. The two employees on staff were first registered with TDLR in 2022 for appraisal licensing and education requirements. The board amends the training budget surpluses and applies them to the following year's budget.





## 1.7 CHIEF APPRAISER

The board of directors is responsible for hiring and periodically evaluating the chief appraiser, who coordinates and oversees appraisal district operations. In organizing and administering an appraisal district, the chief appraiser is responsible for hiring, firing and training personnel; for ensuring compliance with a wide range of legal requirements; and for maintaining policies and procedures for the effective operation of the appraisal district. **Exhibit 9** provides detailed information regarding Winkler's chief appraiser.

### EXHIBIT 9

#### Winkler Chief Appraiser Information

##### Chief Appraiser

Is the Chief Appraiser permanent, temporary or interim?	Interim Contractor
Does the Chief Appraiser perform appraisals?	Some Business Personal Property only
2022 Base Salary	N/A
Chief Appraiser – Years at appraisal district	1
Chief Appraiser – Years as a Chief Appraiser	1
Does the Chief Appraiser receive a car allowance?	No
What is the amount of the car allowance? (If applicable)	N/A
Does the Chief Appraiser receive retirement benefits?	No
Does the Chief Appraiser receive medical insurance benefits?	No

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey* and Winkler County Appraisal District

## FINDING

The Winkler board of directors does not annually evaluate the chief appraiser.

Tax Code Section 6.05(c) explains that the chief appraiser is the chief administrator of the appraisal office. Except as provided by Section 6.0501, the chief appraiser is appointed by and serves at the pleasure of the appraisal district board of directors.

IAAO's *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, specifies that evaluating each employee's performance is necessary and important in office administration. Organizations and employees benefit from a regular performance evaluation process.

From 2019 to 2022, Winkler has operated without a full-time chief appraiser. The board of directors has opted to contract out all appraisal functions and appoint an interim chief appraiser to oversee the appraisal district operations. Without an annual evaluation of the interim chief appraiser, the board of directors lacks the necessary information to determine whether the contractor is fulfilling the duties satisfactorily.

Chief appraisers should regularly evaluate staff to ensure work completion and correct performance issues. Similarly, the board of directors should evaluate the chief appraiser's performance to ensure adequate performance of the position's duties and responsibilities.



**RECOMMENDATION 1**

Evaluate the chief appraiser annually.

**1.8 APPRAISAL DISTRICT CONTRACTS**

PTAD reviews appraisal district contracts for compliance according to IAAO's *Standard on Contracting for Assessment Services*. **Exhibit 10** lists Winkler's contracts, which are discussed in more detail in throughout this report. Winkler reviews contracted services when needed or when contracts are up for renewal. The board of directors terminated an appraisal contract mid-year in 2021 and selected a replacement vendor. The Computer Assisted Mass Appraisal (CAMA) system contract renews annually unless Winkler decides to select another vendor.

Project control is important for the stakeholders of both the government agency and the contractor. Having control can help the project manager/program manager compare actual performance against planned performance. The project manager can identify potential problems, evaluate alter-native actions and plan for appropriate corrective action.

Project leaders typically create a project plan that includes the tasks to be performed, the project timeline, a budget and project resources. By monitoring the plan and the actual work performed, the project manager can measure both qualitative and quantitative progress.

If the project is deviating from the project timeline, corrective action may be necessary. Deviations can be caused by several issues such as change in the project scope or project resources or other setbacks. The corrective plan should be created with input from all project stakeholders.

An appraisal district is a political subdivision of the State of Texas and is subject to the same requirements and has the same purchasing and contracting authority as a municipality under Chapter 252, Local Government Code.

**EXHIBIT 10****Winkler Contracts**

Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal of Minerals, Industrial and Utilities (MIU)	2017-2024	7 years	Yes
Real Property	2021-2024	3 years	Yes
Chief Appraiser	2021-2024	3 years	Yes
Software	2007-2024	17 years	Yes
Mapping	2012-2024	12 years	Yes
GIS	2012-2024	12 years	Yes
Web Hosting	2023-2024	1 year	Yes

Source: Winkler County Appraisal District





## Section 2 – Appraisal Administration

### 2.1 APPRAISAL DISTRICT PARCEL DATA

PTAD collects appraisal district parcel data to determine the ratio of appraisers to parcel count and to compare it with the typical parcel per appraiser average in **Exhibit 11**.

EXHIBIT 11

#### 2022 Winkler Parcel Information vs. Typical Parcel Per Appraiser Average

Parcel Information	Winkler	Typical Parcel Per Appraiser (Rounded)
Parcel Count	58,516	10,001-70,000
Parcels per Appraisal Staff	0*	6,400**

Source: Texas Comptroller of Public Accounts, *Electronic Appraisal Roll Submission*

\* Excludes parcels for contracted appraisal services:

\*\* Includes all property categories

In 2022, Winkler managed 58,516 parcels placing it on the high side of appraisal districts with 10,001 to 70,000 parcels. From 2019 to 2022, Winkler contracted for all appraisal services. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 0. The total market value of certified parcels increased from \$2,923,860,016 to \$5,105,009,504 between 2019 and 2022. **Appendix 3** provides the appraisal district's parcel data over the four-year review period.

### 2.2 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, Winkler contracted for appraisal services in all property categories including A, B, C, D, E, F, G, J, L, M, O and S. Each year, these contracted firms appraised 100 percent of the total appraised value within the appraisal district. The cost of these services varied from \$173,000 to \$222,500 over four years. Additionally, the appraisal district uses a geographic information system (GIS) throughout this period but did not employ aerial technology systems. The GIS system is currently used to provide updates and changes to the base map and online map. Winkler's contracted appraisal services are listed in **Exhibit 12**.

EXHIBIT 12

#### Winkler's Contracted Appraisal Services

	2022	2021	2020	2019
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	All	All	All	All
Percentage of total appraised value appraised by contracted appraisal firms	100%	100%	100%	100%
Appraisal Contract Cost	\$222,500	\$222,500	\$216,600	\$173,000

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*





## 2.3 MAPPING AND/OR AERIAL PHOTOGRAPH

IAAO's *Standard on Digital Cadastral Maps and Parcel Identifiers* (2015), Section 3.7, states basic information contained on maps should include parcel boundaries, identifiers, dimensions and area, subdivision or plat information, block and lot numbers, jurisdictional boundaries, locations and names of streets, railroads, rivers, lakes and other geographic features, situs addresses and geographic boundaries.

Comptroller Rule 9.3002 requires all appraisal offices and tax offices appraising property for ad valorem purposes to develop and maintain a system of tax maps covering the entire area of the taxing units for whom each office appraises property. Tax maps should be drawn to scale and delineated for lot lines or property lines or both, with dimensions or areas and identifying numbers, letters, or names for all delineated lots or parcels. Each parcel must be assigned parcel identification numbers (PIN) and the PIN recorded on the corresponding appraisal card. The tax map system should be updated annually.

### FINDING

Winkler lacks aerial photography and change detection capabilities.

IAAO's *Standard on Digital Cadastral Maps*, Section 3.2, Imagery, explains vertical aerial photographs have long been an essential imagery product for developing the cadastral map. Imagery has greater value when all distortions have been removed, it is tied to a geodetic control network, can serve as a base map and meets the measurement tolerances required for use with a cadastral layer or as a base for the construction of the cadastral layer. Such images are called orthophotos, orthorectified images, or orthos. Orthophotos are most commonly provided in a digital form either in black and white or in color. Digital color orthophotos are the standard imagery product of most assessment agencies with digital mapping programs. At a minimum, appraisal districts should acquire new imagery of urban areas every five years and of rural areas every ten years. Appraisal districts experiencing rapid or slow growth or without construction permitting requirements should adjust this timetable.

The interim chief appraiser explained the appraisal district only uses the base map aerial provided by their mapping contractor with their mapping services. The appraisal district has no separate contract for updated aerial photographs or a change detection program to capture omitted or additional structures within the appraisal district boundaries.

Although Winkler is mostly a rural county dominated by oil and gas drilling and production, a cost/benefit analysis should be performed to determine whether the appraisal district is missing new or older improvements from the appraisal roll.

### RECOMMENDATION 2

**Present cost/benefit analysis to the board of directors regarding the acquisition of aerial photography.**

## 2.4 RATIO STUDIES

An appraisal district should perform ratio study analyses to evaluate appraisal performance. Per IAAO's *Standard on Ratio Studies*, there are several key uses of ratio studies including: measurement and evaluation of the level and uniformity of mass appraisal models, internal quality assurance and identification of appraisal priorities, determination of whether administrative or statutory standards have been met, determination of time trends and adjustment of appraised values between reappraisals. Ratio Study Uniformity Standards indicating acceptable general quality are presented in **Exhibit 13**.





## EXHIBIT 13

## Ratio Study Uniformity Standards

Type of property - General	Type of property - Specific	COD Range*
Single-family residential (including residential condominiums)	Newer or more homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2–4 unit family housing	5.0 to 20.0
Income-producing properties	Larger areas represented by large samples	5.0 to 15.0
Income-producing properties	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant land	N/A	5.0 to 25.0
Other real and personal property	N/A	Varies with local conditions

Source: IAAO's *Standard on Ratio Studies*

These types of property are provided for guidance only and may not represent jurisdictional requirements.

\* Coefficient of Dispersion (CODs) lower than 5.0 may indicate sales chasing or non-representative samples.

## WINKLER RATIO STUDIES

## FINDING

Winkler does not run ratio studies to determine changes necessary to reflect market value.

IAAO's *Standard on Ratio Studies*, Section 2.3, Uses of Ratio Studies, states the critical uses of ratio studies are as follows:

- i. measurement and evaluation of the level and uniformity of mass appraisal models
- ii. internal quality assurance and identification of appraisal priorities
- iii. determination of whether the appraisal district has met administrative or statutory standards
- iv. determination of time trends
- v. adjustment of appraised values between reappraisals.

At the end of 2022, Winkler transitioned to a new appraisal contractor after the board of directors terminated the contract of the previous vendor for not meeting performance expectations. The new contractor took over the appraisal work and a new interim chief appraiser was appointed in the fall of 2022.

The newly appointed interim chief appraiser identified numerous issues by the previous contractor and made the decision to not adjust values for 2022 based on the ratio studies. Instead, Winkler addressed critical data errors first.

While the appraisal district's Category F1 was valid in 2020 and 2021, this category was undervalued in 2022 due to undervalued land in the City of Kermit. This undervaluation has contributed to the school district's invalid findings in the SDPVS.

## RECOMMENDATION 3

**Conduct ratio studies at timely intervals by market area, neighborhood, property class or stratum.**





## PTAD'S APPRAISAL DISTRICT RATIO STUDY (ADRS)

Tax Code Section 5.10 requires PTAD to conduct a ratio study to measure the performance of each appraisal district in Texas at least once every two years and to publish the results.

The purpose of the Appraisal District Ratio Study (ADRS) is to measure the uniformity and median level of appraisals performed by an appraisal district within each major category of property.

To conduct the ADRS, PTAD applies appropriate standard statistical analysis techniques to data collected through the SDPVS required by Government Code Section 403.302.

The published report provides ratio study results for each appraisal district studied that year and includes:

- the median levels of appraisal for each major property category.
- the coefficient of dispersion (COD) around the median level of appraisal for each major property category; and
- other appropriate statistical measures.

**Exhibit 14** shows the data from PTAD's Appraisal District Ratio Study for Winkler in 2022.

### EXHIBIT 14

#### PTAD's Appraisal District Ratio Study, Winkler 2022

Category	Number of Ratios**	2022 CAD Reported Appraisal Value	Median Level of Appraisal	Coefficient of Dispersion	% Ratios within (+/-) 10 % of Median	% Ratios within (+/-) 25 % of Median	Price - Related Differential
A. SINGLE-FAMILY RES	60	215,466,377	0.90	23.30	28.33	63.33	1.04
B. MULTI-FAMILY RES	0	2,046,380	*	*	*	*	*
C1. VACANT LOTS	0	1,255,320	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	0	295,945	*	*	*	*	*
E. RURAL-NON-QUAL	0	23,716,599	*	*	*	*	*
F1. COMMERCIAL REAL	28	61,021,344	0.98	10.64	75.00	85.71	1.18
F2. INDUSTRIAL REAL	0	473,419,800	*	*	*	*	*
G. OIL, GAS, MINERALS	57	2,365,613,600	1.01	2.17	98.25	98.25	1.00
J. UTILITIES	6	1,207,538,150	0.97	3.26	100.00	100.00	1.03
L1. COMMERCIAL PER	0	27,410,220	*	*	*	*	*
L2. INDUSTRIAL PER	0	214,583,750	*	*	*	*	*
M. OTHER PERSONAL	0	13,732,340	*	*	*	*	*
O. RESIDENTIAL INV	0	0	*	*	*	*	*
S. SPECIAL INVENTORY	0	0	*	*	*	*	*
OVERALL	151	4,606,099,825	1.00	11.96	66.23	80.79	0.95

Source: Texas Comptroller of Public Accounts, *Appraisal District Ratio Study 2022 Tax Year Findings*

\* Category result not calculated. Calculation requires a minimum of five ratios from either of the following:

- Categories representing at least 25 percent of total appraisal district category value.
- Five school districts or half the school districts in the appraisal district, whichever is less.

\*\* Statistical measures may not be reliable when the sample is small.





## FINDING

Winkler is not appraising property uniformly or equitably.

Ratio study standards provide a means of measuring whether appraisal efforts have met appropriate expectations. To determine reappraisal priorities, appraisal districts should use ratio studies to measure the level of appraisal and uniformity of appraisal for the overall jurisdiction, for individual mass appraisal neighborhoods or market areas, by types of properties, or any other significant segment that assists in that determination.

The median measures the accuracy of an appraisal district's appraisals in relation to the standard of 100 percent of market value. According to IAAO, the median is the appropriate measure of central tendency for evaluating appraisal performance. The median level of appraisal standard is 0.95-1.05 to indicate accurate market value appraisals. **Exhibit 14** shows Winkler has a perfect overall median level of appraisal (1.00) and relatively good ratios in Categories F1, G and J. Category A, however, has a low median level of appraisal (0.90), indicating that Category A properties are appraised below market value.

The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 13** shows the IAAO suggested COD standards. **Exhibit 14** shows that Winkler has a good COD overall (11.96) and in Category F1 (10.64). Category A has a high COD (23.30) and Categories G (2.17) and J (3.26) have low CODs, indicating uniformity issues across several major property types. These figures indicate higher variability in appraisal ratios, suggesting inconsistencies in valuation. This level of dispersion suggests the average deviation of the ratios from the median is excessive for Category A, potentially affecting the reliability of the appraisal assessments.

The Price-Related Differential (PRD) is a measure of vertical equity, comparing the appraisal of higher valued properties to the appraisal of lower valued properties. IAAO states that anything outside of the PRD range of 0.98-1.03 indicates vertical inequity or treating higher and lower priced properties differently. **Exhibit 14** shows a high the PRD for Category A (1.04) and for Category F1 (1.18), suggesting that Winkler is treating higher and lower valued properties differently. These high PRDs indicate regressivity in Winkler is over-appraising lower valued properties compared to higher valued properties in those categories. **Exhibit 14** shows a good PRD for Category G (1.00) and for Category J (1.03) indicating equitable appraisal in those property types. The overall PRD (0.95), however, is lower than the IAAO suggested PRD range, indicating progressivity or that high valued properties are relatively over-appraised.

Low median levels of appraisal, combined with a high CODs and high PRDs for Category A indicates that a reappraisal of all Category A property would be prudent. Because ADPRS only reviews certain property categories, Winkler should perform its own ratio studies at a micro-level to determine which neighborhoods would benefit from full reappraisal or if a trend factor could be applied.

A good median level of appraisal and COD with a high PRD for Category F1 indicates that Winkler would benefit from a review of Category F1 property for bias among higher valued property and lower valued property.

## RECOMMENDATION 4

**Use Winkler's local ratio study results to make reappraisal decisions necessary to produce accurate values.**





## Section 3 – Categories of Valuation in the SDPVS

PTAD found Kermit ISD's Categories A, D1 and F1 to be invalid in the years indicated in **Exhibit 15**. Because these property categories had invalid ratios in at least one of the three review years, these property categories are the basis of this TARP review.

PTAD found Categories B, C, E, G, J, L1, M, O and S in Kermit ISD to be valid and they are *not* included in the scope of this TARP review.

### EXHIBIT 15

#### SDPVS Invalid Property Categories 2020-22

ISD	2020	2021	2022
Kermit	A and D1	A and D1	A, D1 and F1

Source: Texas Comptroller of Public Accounts, [School District Property Value Study Final Findings](#)

### 3.1 CATEGORY A – SINGLE-FAMILY RESIDENTIAL PROPERTY VALUATION

The Comptroller's [Texas Property Tax Assistance Property Classification Guide](#) states Category A property includes single-family residential improvements and land on which the improvements are situated. They may or may not be within the city limits or in close proximity to a city.

#### FINDING

Winkler does not update residential cost schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach states the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Reliable cost data are imperative in any successful application of the cost approach. The data must be complete, typical and current. Current construction costs should be based on the cost of replacing a structure with one of equal utility, using current materials, design and building standards. In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. The appraisal district should incorporate these costs into a construction cost manual and related computer software. The software can perform the valuation function. The appraisal district can use the manual for nonautomated calculations and provide additional documentation.

Winkler did not update residential cost schedules in 2020 or 2021. At the end of 2022, the new appraisal contractor and new interim chief appraiser discovered numerous data errors that needed addressing before performing a meaningful ratio study. The new appraisal contractor did not have enough data to update the residential cost schedules in 2022.

Collecting sales data and performing ratio studies analysis on a regular basis is essential for determining reliable market trends and updating cost schedules to reflect market values. Despite limited sales data, an appraisal district should still update cost schedules using available resources including published cost information or builder information. Multiple years of sales data can be combined to obtain a more accurate picture of current market values. Cost schedules should be adjusted to reflect 100 percent of market value, even if it requires substantial increases.

#### RECOMMENDATION 5

**Review and update residential cost schedules annually.**





### 3.2 CATEGORY (D) D1 – QUALIFIED OPEN-SPACE LAND PROPERTY VALUATION AND CATEGORY D2 – FARM AND RANCH IMPROVEMENTS SPECIAL USE VALUATION

The Comptroller's [\*Texas Property Tax Assistance Property Classification Guide\*](#) states Category D1 includes all acreage qualified for productivity valuation under Texas Constitution, Article VIII, 1-d or 1-d-1 and Tax Code Chapter 23, Subchapters C, D, E and H.

It also states Category D2 includes improvements, other than residences, associated with land reported as Category D1. These improvements include all barns, sheds, silos, garages and other improvements associated with farming or ranching.

#### FINDING

Winkler does not calculate net to land for each of the five years in the appropriate period and determine a five-year average net to land.

Tax Code Section 23.51(4) states that the chief appraiser must calculate net to land by considering the income that would be due to the owner of the land under cash lease, share lease, or whatever lease arrangement is typical in that area for that category of land and subtract all expenses directly attributable to the agricultural use of the land by the owner. The results must be used in income capitalization.

At the end of 2022, Winkler developed new net to land values based upon updated information from the Agricultural Advisory Board, survey data and USDA data, leading to more accurate Category D1 values as reflected in the 2023 SDPVS findings.

The appraisal district should work closely with the Agricultural Advisory Board and submit the annual Agricultural Survey to PTAD from each board member and the chief appraiser. Winkler should continue collecting survey data from local ranchers and USDA publications to reflect current income and expense data in the calculations.

#### RECOMMENDATION 6

**Calculate net to land for each of the five years in the appropriate period and determine the five-year average.**

### 3.3 CATEGORY F1 – COMMERCIAL REAL PROPERTY VALUATION

The Comptroller's [\*Texas Property Tax Assistance Property Classification Guide\*](#) states Category F property includes land and improvements associated with businesses that sell goods or services to the public. Businesses considered commercial businesses include wholesale and retail stores, shopping centers, office buildings, restaurants, hotels and motels, gas stations, parking garages and lots, auto dealers, repair shops, finance companies, insurance companies, savings and loan associations, banks, credit unions, clinics, nursing homes, hospitals, marinas, bowling alleys, golf courses and mobile home parks.

#### FINDING

Winkler does not annually review and update commercial cost schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach, states that the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Reliable cost data is crucial for the successful application of the cost approach. This data must be complete, typical and current. Current construction costs should reflect the cost of replacing a structure with one of equal utility, using current materials, design and building standards.

In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. The appraisal district should incorporate these costs into





a construction cost manual and related computer software to perform the valuation function. The manual can be used for nonautomated calculations and provide additional documentation.

The appraisal district can develop construction cost schedules in-house based on a systematic study of local construction costs, obtained from firms specializing in such information or custom-generated by a contractor. The appraisal district should verify the cost schedules for accuracy by applying them to recently constructed improvements of known cost and updating them before each assessment cycle.

Winkler did not update commercial schedules in 2020 or 2021. At the end of 2022, the new appraisal contractor and new interim chief appraiser discovered numerous data errors that needed addressing before performing a meaningful ratio study. The new appraisal contractor did not have enough data to updated commercial cost schedules in 2022.



## RECOMMENDATION 7

**Update commercial cost schedules.**



## FINDING

Winkler does not maintain automated income data to analyze reported sales, revenue and expense data to develop typical market rents and other income, vacancy ratios, expense ratios, capitalizations rates, or gross rents.

IAAO's *Standard on Mass Appraisal*, Section 3.5, Income and Expense Data, states that the appraisal district must collect income and expense data for income-producing property and review it with qualified appraisers to ensure their accuracy and usability for valuation analysis. Refer to Mass Appraisal of Real Property, Chapter 2 or Fundamentals of Mass Appraisal, Chapter 2 for guidelines addressing the collection and processing of income and expense data.

Winkler sends income and expense surveys to commercial property owners but receives no information from them. The only income valuations performed are on hotel properties where income information is available from the Comptroller's office.



## RECOMMENDATION 8

**Collect income and expense information for use in the income approach.**





# APPENDICES

## APPENDIX 1

### Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	\$451,344	\$450,900	\$445,000	\$420,000	\$512,391	\$547,673
Total Property Taxes Levied (All Jurisdictions)	\$73,631,660	\$52,404,748	\$65,908,139	\$53,123,946	\$60,025,749	\$50,052,925
Does the appraisal district collect taxes?	No	No	No	No	No	No
Number of Taxing Units Appraisal District Collects For (If Applicable)	N/A	N/A	N/A	N/A	N/A	N/A

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

## APPENDIX 2

### Appraisal District Staffing

Appraisal District Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Staff	2	2	2	2	4	4
Part Time Staff	0	0	0	0	N/A	N/A

Appraisal Staff						
	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Appraisers	0	0	0	0	3	3
Lowest Appraiser Salary	35,600	0	0	0	40,079	39,505
Highest Appraiser Salary	39,800	0	0	0	46,417	48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*





## APPENDIX 3

## Appraisal District Parcel Information

Winkler	2022	2021	2020	2019
Parcel Count*	58,516	44,311	43,436	34,408
Number Taxing Units	6	6	6	6
Parcels per Appraisal Staff**	0	0	0	0
Total Market Value Certified	\$5,105,009,504	\$3,267,482,893	\$3,627,789,143	\$2,923,860,016

## Parcels per Appraisal Staff Averages

Parcels	Parcels/Appraiser
Under 10,000	5,300 parcels/appraiser
10,001 – 70,000	6,400 parcels/appraiser
70,001 – 200,000	6,700 parcels/appraiser
Over 200,000	7,100 parcels/appraiser

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey and Electronic Appraisal Roll Submission*

\* Parcel count includes contracted appraisal services.

\*\*Parcels per appraiser does not include contracted appraisal services.



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