



# KENAI PENINSULA BOROUGH

## Assessing Department

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**MIKE NAVARRE**  
**BOROUGH MAYOR**

### MEMORANDUM

TO: Kelly Cooper, Assembly President  
Kenai Peninsula Borough Assembly Members

THRU: Mike Navarre, Kenai Peninsula Borough Mayor *MN*

THRU: Valentina Sustaita, Purchasing & Contracting Director *V. Sustaita*

FROM: Tom Anderson, Borough Assessor *TA*

DATE: August 15, 2017

SUBJECT: Resolution 2017-<sup>053</sup> Approving a Sole-Source Contract in the Amount of \$135,000, Half to be Paid by the Kenai Peninsula Borough Assessing Department and Half to be Paid by Andeavor (formerly Tesoro), to Duff & Phelps LLC for an Appraisal of the Andeavor Kenai Refinery (Mayor)

The Kenai Peninsula Borough entered into a settlement agreement with Tesoro (now Andeavor Companies, Inc.) on April 1, 2012 concerning the borough's valuation of Tesoro's refinery property near Nikiski. This agreement settled the valuation for tax year 2012, and specified a valuation methodology to be used to establish the assessed value of the refinery property for tax years 2013 through and including 2017. This methodology was based upon a benchmark value adjusted annually for changing market conditions and production volumes for the duration of the agreement. Both parties agreed that this is a recognized methodology that resulted in an assessed value that represented market value. This settlement agreement is now expired.

In the past, Tesoro (now Andeavor) and the borough have at times been in dispute over the valuation of the refinery property, which resulted in the commitment of substantial resources by both parties in litigating the valuation before the Board of Equalization. In the interest of avoiding the possibility of costly litigation for the immediate future, both parties would like to pursue a new settlement agreement for 2018 and subsequent years. In order to establish a benchmark value as the basis of a new settlement agreement, the borough and Andeavor have agreed to share the cost of an appraisal of the refinery property.

There are only a few appraisal firms possessing the specialized expertise to competently complete a very complex appraisal of a refinery. Duff & Phelps, LLC performed an appraisal of the Tesoro refinery in 2011, and the value conclusion established in that appraisal was the value used as the benchmark for the previous settlement agreement. The borough assessor and Andeavor's tax manager are proposing to engage Duff & Phelps to establish a new benchmark value for 2018.

On two different occasions, in 2011 and 2012, the borough went through the competitive bidding process using requests for proposals to hire appraisal firms. On both occasions responses from interested parties was minimal and the companies hired by the borough produced faulty appraisals causing significant management issues and in one case, litigation. Duff & Phelps is a proven expert in this unique service and has been used by Tesoro for a number of years. The Borough Assessor requests approval from the Borough Assembly to engage Duff & Phelps for provision of appraisal services under Borough code 5.28.280. – Proprietary procurement.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>100.11520.00000.43011</u>
Amount	<u>\$67,500.00</u>
By: <i>MP</i>	Date: <u>8/3/17</u>