

Kenai Peninsula Borough**Legal Department****MEMORANDUM**

TO: Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*
Brandi Harbaugh, Finance Director *BH*
Adeena Wilcox, Assessing Director *AW*

FROM: Sean Kelley, Borough Attorney *SK*

DATE: October 13, 2022

RE: Ordinance 2022-19-25, Appropriating Funds to the Legal Department for Litigation Fees and Costs Related to an Oil and Gas Property Tax Appeal (Mayor)

On June 23, 2021, Furie Operating Alaska, LLC (Furie), the owner of oil and gas production property, filed an appeal of the State Assessment Review Board's (SARB) Certificate of Determination dated May 24, 2021, in the Anchorage Superior Court. The SARB decision upheld the State of Alaska's assessment of the oil and gas production property under appeal.

The assessment of oil and gas production property is a State of Alaska function under the State's Department of Revenue. The Kenai Peninsula Borough (Borough) is a party to the appeal because the property is within the Borough's boundaries. The Borough retained the law firm of Dillon & Findley, PC to represent it in the Furie Appeal. Subsequently, Furie appealed the 2022 assessed tax value of its oil and gas production property. A second SARB decision upheld the 2022 assessment. The Superior Court consolidated the 2021 and 2022 appeals into a single case.

Ordinance 2021-19-06 appropriated \$150,000 for legal fees and costs to protect the borough's interests in this appeal. To date, approximately \$102,903 has been expended in this matter on the borough's behalf. It is estimated that up to an additional \$225,000 may be required to litigate this matter through the trial scheduled for July 2023. This appropriation would include fees and costs associated with the upcoming trial, including expert witness fees.

The approximate annual oil and gas production tax that KPB receives from the Furie property is \$822,991.35.

Your consideration of the ordinance is appreciated.

**FINANCE DEPARTMENT
ACCOUNT / FUNDS VERIFIED**Acct. No. 100.27910Amount: \$225,000.00By: *CK* Date: 10/13/2022