

**Summary of the District's Financial Impact
of Chapter 313 Agreement
with Goodnight Wind Energy Project, LLC**

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Claude ISD Financial Impact of Chapter 313 Agreement

Summary of Claude ISD Financial Impact of the Limited Appraised Value Application from Goodnight Wind Energy Project, LLC

Introduction

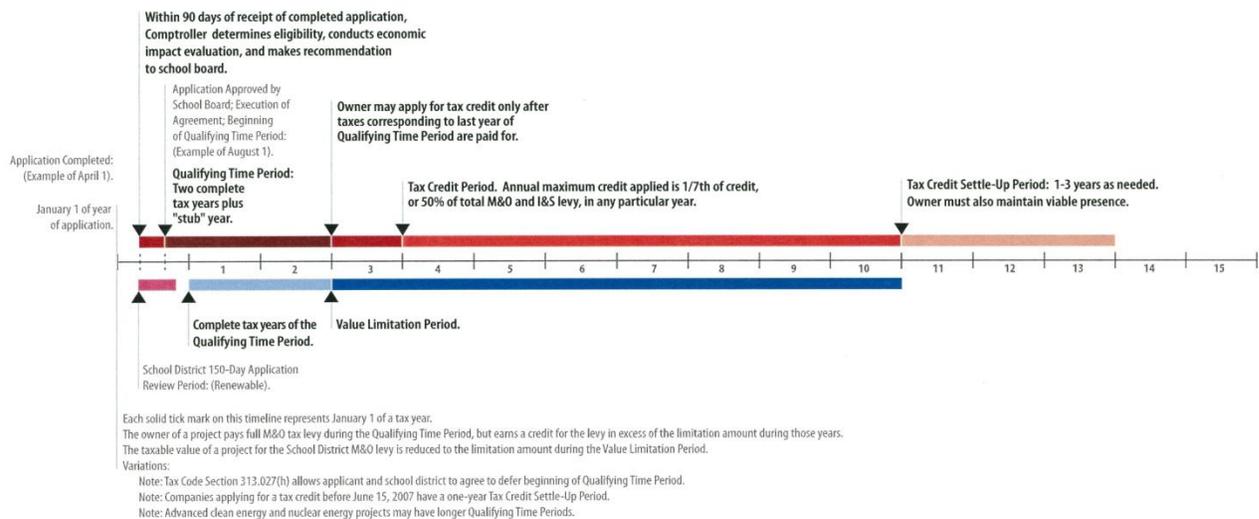
Goodnight Wind Energy Project, LLC applied for a property value limitation from Claude Independent School District under Chapter 313 of the Tax Code. The application was submitted on May 14, 2013 and subsequently approved for consideration by the Claude ISD Board of Trustees. Goodnight Wind Energy Project, LLC (“Goodnight Wind”), is requesting the property value limitation as a “renewable energy electric generation” project as listed in Sec. 313.024.(b) of the Tax Code.

“The Economic Development Act “, Tax Code Chapter 313, was created by House Bill 1200 of the 77th Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80th Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

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Appraised Value Limitation and Credit under Tax Code Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement (“LAVA” or “Agreement”) to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company’s school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity’s taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller’s Office. Claude ISD is considered a Rural category 3 District as categorized with total taxable value of industrial property of at least \$1 million but less than \$90 million, thus Claude ISD

Claude ISD Financial Impact of Chapter 313 Agreement

has a minimum qualified investment amount of \$10 million. A qualifying entity’s taxable value would be reduced to \$10 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Claude ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

Taxable Value Impact from LAVA

The “Additional Value from Goodnight Wind” represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company’s taxable value will be limited to the \$10,000,000 minimum qualified investment of Claude ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From Goodnight Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	10,950,000	n/a	0	10,950,000
Jan. 1, 2015	431,424,000	n/a	0	431,424,000
Jan. 1, 2016	396,910,000	(10,000,000)	386,910,000	10,000,000
Jan. 1, 2017	365,157,000	(10,000,000)	355,157,000	10,000,000
Jan. 1, 2018	335,944,000	(10,000,000)	325,944,000	10,000,000
Jan. 1, 2019	309,068,000	(10,000,000)	299,068,000	10,000,000
Jan. 1, 2020	284,343,000	(10,000,000)	274,343,000	10,000,000
Jan. 1, 2021	261,596,000	(10,000,000)	251,596,000	10,000,000
Jan. 1, 2022	240,668,000	(10,000,000)	230,668,000	10,000,000
Jan. 1, 2023	221,415,000	(10,000,000)	211,415,000	10,000,000
Jan. 1, 2024	203,702,000	n/a	0	203,702,000
Jan. 1, 2025	187,406,000	n/a	0	187,406,000
Jan. 1, 2026	172,414,000	n/a	0	172,414,000

Claude ISD Financial Impact of Chapter 313 Agreement

Goodnight Wind’s Tax Benefit from Agreement

The projected amount of the net tax savings for Goodnight Wind is \$27.7 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

Claude ISD’s projected tax rates for maintenance & operations (M&O) and interest & sinking (I&S) are based on the following assumptions:

- The District has not held a tax ratification election that would approve a M&O tax rate in excess of \$1.04; therefore, the study assumes that they will maintain a M&O tax rate of \$1.04. The M&O rate for 2015-2016 & 2024-2025 is projected to drop to \$.95 due to the rollback tax rate calculations.
- The district has outstanding bonds that are scheduled to payoff in 2030 and currently have a \$.16 I&S tax rate. The district has annual debt payments of just over \$170,000 per year through 2030 and the debt rates below are the calculated rates using the projected taxable values with the addition of Goodnight Wind’s estimated taxable values. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

TABLE II- Computation of Net Tax Savings:

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District’s Revenue Losses	Net Tax Savings
2014-2015	1.04	0.1185	113,880	0	n/a	0	0
2015-2016	.95	0.0306	4,098,528	0	n/a	0	0
2016-2017	1.04	0.0319	4,127,864	4,023,864	n/a	(321,818)	3,702,046
2017-2018	1.04	0.0343	3,797,633	3,693,633	114,624	(64,453)	3,743,804
2018-2019	1.04	0.0363	3,493,818	3,389,818	112,974	(49,287)	3,453,504
2019-2020	1.04	0.0383	3,214,307	3,110,307	111,187	(35,483)	3,186,010
2020-2021	1.04	0.0404	2,957,167	2,853,167	109,437	(22,934)	2,939,671
2021-2022	1.04	0.0426	2,720,598	2,616,598	107,720	(11,537)	2,712,781
2022-2023	1.04	0.0446	2,502,947	2,398,947	105,669	(1,202)	2,503,414
2023-2024	1.04	0.0467	2,302,716	2,198,716	103,700	0	2,302,416
2024-2025	.95	0.0489	1,935,169	0	2,034,779	0	2,034,779
2025-2026	1.04	0.0510	1,949,022	0	1,213,317	0	1,213,317
2026-2027	1.04	0.0531	1,793,106	0	0	0	0
Totals			35,006,755	24,285,050	4,013,408	(506,715)	27,791,743

Claude ISD Financial Impact of Chapter 313 Agreement

Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Claude ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the “Calculation of LAVA Impact on District’s Finances” section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2012-2013 fiscal year) were used for state aid and recapture calculation purposes
 - Level 2 of Tier II yield - \$59.97 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district’s tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1.0% was used to project the district’s taxable value, except as it related to the requested LAVA. The district’s 2012 taxable value was used as a baseline for all projections
- The district’s enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by .25% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

Claude ISD Financial Impact of Chapter 313 Agreement

Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of Goodnight Wind (Table III), the addition of Goodnight Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Goodnight Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* Goodnight Wind:

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2014-2015	134,328,602	1,217,957	1,840,543	0	3,058,500	374,751	3,433,251
2015-2016	135,671,888	1,230,137	1,820,717	0	3,050,854	375,252	3,426,105
2016-2017	137,028,607	1,242,438	1,800,788	0	3,043,227	374,286	3,417,513
2017-2018	138,398,893	1,254,863	1,780,756	0	3,035,619	373,324	3,408,942
2018-2019	139,782,882	1,267,411	1,760,618	0	3,028,029	372,364	3,400,393
2019-2020	141,180,711	1,280,086	1,740,374	0	3,020,459	371,407	3,391,866
2020-2021	142,592,518	1,292,886	1,720,022	0	3,012,908	370,452	3,383,361
2021-2022	144,018,443	1,305,815	1,699,561	0	3,005,376	369,501	3,374,877
2022-2023	145,458,628	1,318,873	1,678,989	0	2,997,863	368,552	3,366,414
2023-2024	146,913,214	1,332,062	1,658,306	0	2,990,368	367,606	3,357,973
2024-2025	148,382,346	1,345,383	1,637,509	0	2,982,892	366,662	3,349,554
2025-2026	149,866,169	1,358,837	1,616,598	0	2,975,435	365,721	3,341,156
2026-2027	151,364,831	1,372,425	1,595,571	0	2,967,996	364,783	3,332,779

Claude ISD Financial Impact of Chapter 313 Agreement

TABLE IV- District Revenues *with Goodnight Wind without Chapter 313 Agreement:*

Fiscal Year	M&O Taxes			Recapture Amount	Hold	M&O	Total District Revenue
	Total Taxable Value	Compressed Rate	State Revenue		Harmless Revenue	Taxes > Comp Rate	
2014-2015	145,278,602	1,317,241	1,741,259	0	3,058,500	405,073	3,463,573
2015-2016	567,095,888	5,141,858	1,410,961	0	6,552,820	630,560	7,183,379
2016-2017	533,938,607	4,841,221	425,488	2,453,090	2,813,619	684,552	3,498,171
2017-2018	503,555,893	4,565,741	420,082	2,158,532	2,827,291	645,672	3,472,963
2018-2019	475,726,882	4,313,416	414,501	1,888,721	2,839,196	610,060	3,449,255
2019-2020	450,248,711	4,082,405	408,749	1,641,679	2,849,475	577,456	3,426,931
2020-2021	426,935,518	3,871,024	402,834	1,415,598	2,858,260	547,623	3,405,883
2021-2022	405,614,443	3,677,706	396,778	1,208,814	2,865,671	520,338	3,386,009
2022-2023	386,126,628	3,501,010	390,597	1,019,790	2,871,818	495,400	3,367,218
2023-2024	368,328,214	3,339,632	384,292	847,122	2,876,802	472,624	3,349,426
2024-2025	352,084,346	3,192,349	377,900	689,531	2,880,717	457,850	3,338,567
2025-2026	337,272,169	3,058,047	371,432	545,831	2,883,648	447,374	3,331,022
2026-2027	323,778,831	2,935,703	364,910	414,940	2,885,673	437,831	3,323,504

TABLE V – District Revenues *with Goodnight Wind with Chapter 313 Agreement:*

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold	M&O	Payment	Total District Revenue
		M&O Taxes Comp Rate	State Revenue		Harmless Revenue	Taxes > Comp Rate	for District Losses	
2014-2015	145,278,602	1,317,241	1,741,259	0	3,058,500	405,073	0	3,463,573
2015-2016	567,095,888	5,141,858	1,410,961	0	6,552,820	630,560	0	7,183,379
2016-2017	147,028,607	1,333,108	3,204,579	1,550,766	2,986,922	189,431	321,818	3,498,171
2017-2018	148,398,893	1,345,533	1,690,086	0	3,035,619	372,892	64,453	3,472,963
2018-2019	149,782,882	1,358,081	1,669,948	0	3,028,029	371,939	49,287	3,449,255
2019-2020	151,180,711	1,370,756	1,649,704	0	3,020,459	370,988	35,483	3,426,931
2020-2021	152,592,518	1,383,556	1,629,352	0	3,012,908	370,041	22,934	3,405,883
2021-2022	154,018,443	1,396,485	1,608,891	0	3,005,376	369,096	11,537	3,386,009
2022-2023	155,458,628	1,409,543	1,588,319	0	2,997,863	368,153	1,202	3,367,218
2023-2024	156,913,214	1,422,732	1,567,636	0	2,990,368	367,213	0	3,357,581
2024-2025	352,084,346	3,192,349	1,322,137	0	4,514,486	354,802	0	4,869,288
2025-2026	337,272,169	3,058,047	371,432	545,831	2,883,648	447,374	0	3,331,022
2026-2027	323,778,831	2,935,703	364,910	414,940	2,885,673	437,831	0	3,323,504

Claude ISD Financial Impact of Chapter 313 Agreement

Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79th Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the new funding formulas, it is presumed that the majority of the district's revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently "held harmless" for the majority amount of loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the "hold harmless" provision is eliminated, then the company would be required to offset the district's losses as computed in Article III of the Agreement.

Claude ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and Goodnight Wind Energy Project, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Claude ISD by Goodnight Wind, the projected amount of these payments over the life of the agreement is \$435,805 of the \$27.7 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

TABLE VI - Calculation of the Payment in Lieu of Taxes:

Fiscal Year	Net Tax Savings	Claude ISD Share \$100/ADA	Goodnight Wind's Share
2014-2015	0	34,029	(34,029)
2015-2016	0	33,944	(33,944)
2016-2017	3,702,046	33,859	3,668,186
2017-2018	3,743,804	33,775	3,710,030
2018-2019	3,453,504	33,690	3,419,814
2019-2020	3,186,010	33,606	3,152,404
2020-2021	2,939,671	33,522	2,906,149
2021-2022	2,712,781	33,438	2,679,343
2022-2023	2,503,414	33,355	2,470,059
2023-2024	2,302,416	33,271	2,269,145
2024-2025	2,034,779	33,188	2,001,591
2025-2026	1,213,317	33,105	1,180,212
2026-2027	0	33,022	(33,022)
Totals	27,791,743	435,805	27,355,938

Claude ISD Financial Impact of Chapter 313 Agreement

Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
PreK thru 5	14	308	164	144
6-12	20	400	196	204
Total	34	708	360	348

The building capacities are based on 22 students per classroom for the elementary campuses, 20 students for the secondary school. Claude ISD is a pre-kindergarten through 12th grade district.

Goodnight Wind Energy Project, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that seven full-time employees are expected. It is not known whether these would be new employees to the Claude ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new four positions equates to 4 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Claude ISD as displayed in Table VII above.

Claude ISD Financial Impact of Chapter 313 Agreement

Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Goodnight Wind Energy Project, LLC, would be beneficial to both Goodnight Wind and Claude ISD under the current school finance system.

Goodnight Wind Energy Project, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Goodnight Wind is projected to benefit from an 85% tax savings over the first twelve year period of this agreement. Goodnight Wind also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Claude ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Goodnight Wind to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.