

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

P.O. Box 13528 • AUSTIN, TX 78711-3528



November 1, 2013

Bryan Davis
Superintendent
Dimmitt Independent School District
608 W. Halsell
Dimmitt, Texas 79027

Dear Superintendent Davis:

On August 21, 2013, the Comptroller received the completed application (Application # 315) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in July 2013 to the Dimmitt Independent School District (the school district) by TX Hereford Wind II, LLC (the applicant). This letter presents the results of the Comptroller's review of the application:

- 1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
- 2) under Section 313.025(d), to make a recommendation to the governing body of the school district as to whether the application should be approved or disapproved using the criteria set out by Section 313.026.

The school district is currently classified as a rural school district in Category 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$242 million) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a wind power electric generation facility in Castro County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

After reviewing the application using the criteria listed in Section 313.026, and the information provided by the applicant, the Comptroller's recommendation is that this application under Tax Code Chapter 313 be approved.

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements; the school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to only approve an application if the school district finds that the information in the application is true and

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. When approving a job waiver requested under Section 313.025(f-1), the school district must also find that the statutory jobs creation requirement exceeds the industry standard for the number of employees reasonably necessary for the operation of the facility. As stated above, the Comptroller's recommendation is prepared by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria and a cursory review of the industry standard evidence necessary to support the waiver of the required number of jobs.

Note that any new building or other improvement existing as of the application review start date of August 21, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

- 1) The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than ten (10) days prior to the meeting scheduled by the school district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
- 2) The Comptroller must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

| | |
|---|--------------------------------------|
| Applicant | TX Hereford Wind II, LLC |
| Tax Code, 313.024 Eligibility Category | Renewable Energy Electric Generation |
| School District | Dimmitt ISD |
| 2011-12 Enrollment in School District | 1,172 |
| County | Castro |
| Total Investment in District | \$242,000,000 |
| Qualified Investment | \$242,000,000 |
| Limitation Amount | \$10,000,000 |
| Number of total jobs committed to by applicant | 3* |
| Number of qualifying jobs committed to by applicant | 3 |
| Average Weekly Wage of Qualifying Jobs committed to by applicant | \$885 |
| Minimum Weekly Wage Required Tax Code, 313.051(b) | \$885 |
| Minimum Annual Wage committed to by applicant for qualified jobs | \$46,035 |
| Investment per Qualifying Job | \$80,666,667 |
| Estimated 15 year M&O levy without any limit or credit: | \$25,915,243 |
| Estimated gross 15 year M&O tax benefit | \$17,737,292 |
| Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses): | \$16,342,382 |
| Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program) | \$2,421,120 |
| Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection: | \$9,572,861 |
| Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted) | 63.1% |
| Percentage of tax benefit due to the limitation | 86.4% |
| Percentage of tax benefit due to the credit | 13.6% |
| * Applicant is requesting district to waive requirement to create minimum number of qualifying jobs pursuant to Tax Code, 313.025 (f-1). | |

This presents the Comptroller's economic impact evaluation of TX Hereford Wind II, LLC (the project) applying to Dimmitt Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Panhandle Regional Planning Commission Region, where Castro County is located was \$41,850 in 2012. The annual average manufacturing wage for 2012 for Castro County is \$39,182. That same year, the county annual average wage for all industries was \$32,786. In addition to a salary of \$46,035, each qualifying position will receive the following benefits: medical, dental and vision insurance coverage, paid holidays, paid vacations, 401k, short and long term disability, life insurance, sick time, and flexible spending accounts. The project's total investment is \$242 million, resulting in a relative level of investment per qualifying job of \$80.7 million.

Ability of applicant to locate to another state and [313.026(9)]

According to TX Hereford Wind II, LLC's application, "A wind energy project can be located in any state, or any county in the State, with a commercially viable wind resource, and access to transmission and an attractive market. The Applicant's parent company – Lincoln Renewable Energy, LLC - currently has projects under development at viable sites in numerous states. In addition, Lincoln Renewable Energy, LLC has a wind project under development on the Texas coast. Securing this Chapter 313 value limitation agreement with Dimmitt ISD will help make the project more economically viable and competitive versus other options in the region and in Texas."

Number of new facilities in region [313.026(12)]

During the past two years, 17 projects in the Panhandle Regional Planning Commission Region applied for value limitation agreements under Tax Code, Chapter 313.

Relationship of applicant's industry and jobs and Texas's economic growth plans [313.026(5)]

The Texas Economic Development Plan focuses on attracting and developing industries using technology. It also identifies opportunities for existing Texas industries. The plan centers on promoting economic prosperity throughout Texas and the skilled workers that the TX Hereford Wind II, LLC project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

Economic Impact [313.026(10)(A), (10)(B), (11), (13-20)]

Table I depicts TX Hereford Wind II, LLC's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

Table 1: Estimated Statewide Economic Impact of Investment and Employment in TX Hereford Wind II, LLC

| Year | Employment | | | Personal Income | | |
|------|------------|--------------------|-------|-----------------|--------------------|--------------|
| | Direct | Indirect + Induced | Total | Direct | Indirect + Induced | Total |
| 2013 | 10 | 11 | 21 | \$520,000 | \$480,000 | \$1,000,000 |
| 2014 | 153 | 158 | 311 | \$7,938,105 | \$11,061,895 | \$19,000,000 |
| 2015 | 3 | 9 | 12 | \$138,105 | \$1,861,895 | \$2,000,000 |
| 2016 | 3 | 5 | 8 | \$138,105 | \$861,895 | \$1,000,000 |
| 2017 | 3 | 6 | 9 | \$138,105 | \$1,861,895 | \$2,000,000 |
| 2018 | 3 | 7 | 10 | \$138,105 | \$861,895 | \$1,000,000 |
| 2019 | 3 | 7 | 10 | \$138,105 | \$861,895 | \$1,000,000 |
| 2020 | 3 | 7 | 10 | \$138,105 | \$861,895 | \$1,000,000 |
| 2021 | 3 | 11 | 14 | \$138,105 | \$861,895 | \$1,000,000 |
| 2022 | 3 | 11 | 14 | \$138,105 | \$1,861,895 | \$2,000,000 |
| 2023 | 3 | 11 | 14 | \$138,105 | \$1,861,895 | \$2,000,000 |
| 2024 | 3 | 7 | 10 | \$138,105 | \$861,895 | \$1,000,000 |
| 2025 | 3 | 11 | 14 | \$138,105 | \$861,895 | \$1,000,000 |
| 2026 | 3 | 5 | 8 | \$138,105 | \$861,895 | \$1,000,000 |
| 2027 | 3 | 5 | 8 | \$138,105 | \$861,895 | \$1,000,000 |
| 2028 | 3 | 5 | 8 | \$138,105 | \$861,895 | \$1,000,000 |

Source: CPA, REMI, TX Hereford Wind II, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011. Dimmitt ISD's ad valorem tax base in 2011 was \$205.7 million. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Dimmitt ISD's estimated wealth per WADA was \$114,443. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Castro County, Castro County Hospital District, and North Plains Underground Water Conservation District #1, with all property tax incentives sought being granted using estimated market value from TX Hereford Wind II, LLC's application. TX Hereford Wind II, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and hospital district. Table 3 illustrates the estimated tax impact of the TX Hereford Wind II, LLC project on the region if all taxes are assessed.

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "TABLE II" in this attachment shows the estimated 13 year M&O tax levy without the value limitation agreement would be \$23,254,519. The estimated gross 13 year M&O tax benefit, or levy loss, is \$17,737,292.

Attachment 3 is an economic overview of Castro County.

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachments

1. Schedules A, B, C, and D provided by applicant in application
2. School finance and tax benefit provided by district
3. County Economic Overview

Attachment 1

TX Hereford Wind II, LLC
Dimmitt ISD

Applicant Name
ISD Name

PROPERTY INVESTMENT AMOUNTS

(Estimated investment in each year. Do not put cumulative totals.)

| Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year below) YYYY | Column A: Tangible Personal Property (original cost) placed in service during this year | Column B: Building or permanent nonremovable component of building (annual amount only) | Column C: Sum of A and B Qualifying Investment (during the qualifying time period) | Column D: Other investment that is not qualified investment but investment affecting economic impact and total value | Column E: Total Investment (A+B+D) |
|---|-------------------------|---|---|---|--|--|------------------------------------|
| The year preceding the first complete tax year of the qualifying time period (assuming no deferrals) Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property) Complete tax years of qualifying time period 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 Value Limitation Period Continue to Maintain Viable Presence Post-Settle-Up Period Post-Settle-Up Period | 2013-2014 | 2013 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2014-2015 | 2014 | \$ 4,000,000.00 | \$ - | \$ 4,000,000.00 | \$ - | \$ 4,000,000.00 |
| | 2015-2016 | 2015 | \$ 242,000,000.00 | \$ 800,000.00 | \$ 242,800,000.00 | \$ - | \$ 242,800,000.00 |
| | 2016-2017 | 2016 | \$ 0 | \$ - | \$ 0 | \$ - | \$ - |
| | 2017-2018 | 2017 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2018-2019 | 2018 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2019-2020 | 2019 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2020-2021 | 2020 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2021-2022 | 2021 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2022-2023 | 2022 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2023-2024 | 2023 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2024-2025 | 2024 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2025-2026 | 2025 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2026-2027 | 2026 | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 2027-2028 | 2027 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2028-2029 | 2028 | \$ - | \$ - | \$ - | \$ - | \$ - | |

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E). For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Column D: For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings. Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value for planning, construction and operation of the facility. The most significant example for many projects would be land. Other examples may be items such as professional services, etc. Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE _____ DATE 7-12-13

Schedule B (Rev. May 2010): Estimated Market And Taxable Value
 TX Hereford Wind II, LLC
 Dimmitt ISD

Form 50-296

| Applicant Name ISD Name | Year | School Year (YYYY-YYYY) | Tax Year (File in actual tax year) YYYY | Qualified Property | | | Reductions from Market Value | | Estimated Taxable Value | Final taxable value for M&O - after all reductions |
|--|------------|----------------------------|--|--------------------------------|---|---|---------------------------------|--|-------------------------|---|
| | | | | Estimated Market Value of Land | Estimated Total Market Value of new buildings or other new improvements | Estimated Total Market Value of tangible personal property in the new building or in or on the new building improvement | Exempted Value | Final taxable value for M&O - after all reductions | | |
| | pre-year 1 | 2013-2014 | 2013 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| | 1 | 2014-2015 | 2014 | \$ - | \$ - | \$ 4,000,000 | \$ - | \$ - | \$ 4,000,000 | \$ 4,000,000 |
| | 2 | 2015-2016 | 2015 | \$ - | \$ 800,000 | \$ 242,000,000 | \$ - | \$ - | \$ 242,800,000 | \$ 242,800,000 |
| | 3 | 2016-2017 | 2016 | \$ - | \$ 760,000 | \$ 229,900,000 | \$ - | \$ - | \$ 230,660,000 | \$ 10,000,000 |
| | 4 | 2017-2018 | 2017 | \$ - | \$ 722,000 | \$ 218,405,000 | \$ - | \$ - | \$ 219,127,000 | \$ 10,000,000 |
| | 5 | 2018-2019 | 2018 | \$ - | \$ 685,900 | \$ 207,484,750 | \$ - | \$ - | \$ 208,170,650 | \$ 10,000,000 |
| | 6 | 2019-2020 | 2019 | \$ - | \$ 651,605 | \$ 197,110,513 | \$ - | \$ - | \$ 197,762,118 | \$ 10,000,000 |
| | 7 | 2020-2021 | 2020 | \$ - | \$ 619,025 | \$ 187,254,987 | \$ - | \$ - | \$ 187,874,012 | \$ 10,000,000 |
| | 8 | 2021-2022 | 2021 | \$ - | \$ 588,074 | \$ 177,892,238 | \$ - | \$ - | \$ 178,480,311 | \$ 10,000,000 |
| | 9 | 2022-2023 | 2022 | \$ - | \$ 558,670 | \$ 168,997,626 | \$ - | \$ - | \$ 169,556,295 | \$ 10,000,000 |
| | 10 | 2023-2024 | 2023 | \$ - | \$ 530,736 | \$ 160,547,744 | \$ - | \$ - | \$ 161,078,481 | \$ 10,000,000 |
| | 11 | 2024-2025 | 2024 | \$ - | \$ 504,200 | \$ 152,520,357 | \$ - | \$ - | \$ 153,024,557 | \$ 153,024,557 |
| | 12 | 2025-2026 | 2025 | \$ - | \$ 478,990 | \$ 144,894,339 | \$ - | \$ - | \$ 145,373,329 | \$ 145,373,329 |
| | 13 | 2026-2027 | 2026 | \$ - | \$ 455,040 | \$ 137,649,622 | \$ - | \$ - | \$ 138,104,662 | \$ 138,104,662 |
| | 14 | 2027-2028 | 2027 | \$ - | \$ 432,288 | \$ 130,767,141 | \$ - | \$ - | \$ 131,199,429 | \$ 131,199,429 |
| | 15 | 2028-2029 | 2028 | \$ - | \$ 410,674 | \$ 124,228,784 | \$ - | \$ - | \$ 124,639,458 | \$ 124,639,458 |
| Tax Credit Period (with 50% cap on credit) | | | | | | | | | | |
| Credit Settle-Up Period | | | | | | | | | | |
| Post-Settle-Up Period | | | | | | | | | | |
| Post-Settle-Up Period | | | | | | | | | | |

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

[Signature]
 4-12-13

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Amendment No. 1
Attachment 19

Schedule C- Application: Employment Information

TX Hereford Wind II, LLC
Dimmitt ISD

Applicant Name
ISD Name

Form 50-296

| | Year | School Year (YYYY-YYYY) | Tax Year (Fill in actual tax year) YYYY | Construction | | New Jobs | | Qualifying Jobs | |
|---|------------|----------------------------|--|--|---|---|--|--|--|
| | | | | Column A: Number of Construction FTE's or man- hours (specify) | Column B: Average annual wage rates for construction workers | Column C: Number of new jobs applicant commits to create (cumulative) | Column D: Average annual wage rate for all new jobs. | Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative) | Column F: Average annual wage of qualifying jobs |
| | pre-year 1 | 2013-2014 | 2013 | 10 FTE | \$ 52,000.00 | 0 | \$ - | 0 | |
| | 1 | 2014-2015 | 2014 | 150 FTE | \$ 52,000.00 | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 2 | 2015-2016 | 2015 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 3 | 2016-2017 | 2016 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 4 | 2017-2018 | 2017 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 5 | 2018-2019 | 2018 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 6 | 2019-2020 | 2019 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 7 | 2020-2021 | 2020 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 8 | 2021-2022 | 2021 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 9 | 2022-2023 | 2022 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 10 | 2023-2024 | 2023 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 11 | 2024-2025 | 2024 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 12 | 2025-2026 | 2025 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 13 | 2026-2027 | 2026 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 14 | 2027-2028 | 2027 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| | 15 | 2028-2029 | 2028 | 0 | N/A | 3 | \$ 46,035 | 3 | \$ 46,035 |
| Complete tax years of qualifying time period | | | | | | | | | |
| Tax Credit Period (with 50% cap on credit) | | | | | | | | | |
| Credit Settle-Up Period | | | | | | | | | |
| Post- Settle-Up Period | | | | | | | | | |
| Post- Settle-Up Period | | | | | | | | | |

Notes: For job definitions see TAC §9.1051(14) and Tax Code §313.021(3).

This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8-2-13

DATE

Applicant Name

TX Hereford Wind II, LLC

Dimmitt ISD

Form 50-296

| | | Sales Tax Information | | Franchise Tax | | | | Other Property Tax Abatements Sought | | | | |
|--|-------------------------|---|---|---|---|---|---|---|---|---|---|---|
| | | Column F: Estimate of total annual expenditures* subject to state sales tax | Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax | Column H: Estimate of Franchise tax due from (or attributable to) the applicant | County | City | Hospital | Other | County | City | Hospital | Other |
| Year | School Year (YYYY-YYYY) | Tax/Calendar Year YYYY | Column F: Estimate of total annual expenditures* subject to state sales tax | Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax | Column H: Estimate of Franchise tax due from (or attributable to) the applicant | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement | Fill in percentage exemption requested or granted in each year of the Agreement |
| The year preceding the first complete tax year of the qualifying time period (assuming no deferrals) | 2013-2014 | 2013 | \$ 10,600,000 | \$ 232,200,000 | \$ - | 0 | | | | | | |
| Complete tax years of qualifying time period | 1 | 2014-2015 | | | \$ - | 100% | | | | | 100% | |
| | 2 | 2015-2016 | | | \$ - | 100% | | | | | 100% | |
| | 3 | 2016-2017 | | | \$ - | 100% | | | | | 100% | |
| | 4 | 2017-2018 | | | \$ - | 100% | | | | | 100% | |
| | 5 | 2018-2019 | | | \$ 190,000.00 | 100% | | | | | 100% | |
| | 6 | 2019-2020 | | | \$ 190,000.00 | 100% | | | | | 100% | |
| | 7 | 2020-2021 | | | \$ 190,000.00 | 100% | | | | | 100% | |
| | 8 | 2021-2022 | | | \$ 190,000.00 | 100% | | | | | 100% | |
| | 9 | 2022-2023 | | | \$ 190,000.00 | 100% | | | | | 100% | |
| | 10 | 2023-2024 | | | \$ 190,000.00 | 100% | | | | | 100% | |
| | 11 | 2024-2025 | | | \$ 190,000.00 | | | | | | | |
| | 12 | 2025-2026 | | | \$ 190,000.00 | | | | | | | |
| | 13 | 2026-2027 | | | \$ 190,000.00 | | | | | | | |
| | 14 | 2027-2028 | | | \$ 190,000.00 | | | | | | | |
| | 15 | 2028-2029 | | | \$ 190,000.00 | | | | | | | |
| Tax Credit Period (with 50% cap on credit) | | | | | | | | | | | | |
| Credit Settle-Up Period | | | | | | | | | | | | |
| Post- Settle-Up Period | | | | | | | | | | | | |
| Post- Settle-Up Period | | | | | | | | | | | | |

*For planning, construction and operation of the facility

7-12-13

Attachment 2

September 27, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed TX Hereford Wind II LLC project for the Dimmitt Independent School District (DISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Randy McDowell and Neal Brown and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the TX Hereford Wind II LLC project on DISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

September 27, 2013

Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed TX Hereford Wind II LLC project on the number and size of school facilities in Dimmitt Independent School District (DISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and a conversation with the DISD superintendent, Bryan Davis, the TEA has found that the TX Hereford Wind II LLC project would not have a significant impact on the number or size of school facilities in DISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

**Summary of the District's Financial Impact
of Chapter 313 Agreement
with TX Hereford Wind II, LLC**

**Prepared by
Randy McDowell, RTSBA
&
Neal Brown
School Finance Consultants**

Dimmitt ISD Financial Impact of Chapter 313 Agreement

Summary of Dimmitt ISD Financial Impact of the Limited Appraised Value Application from TX Hereford Wind II, LLC

Introduction

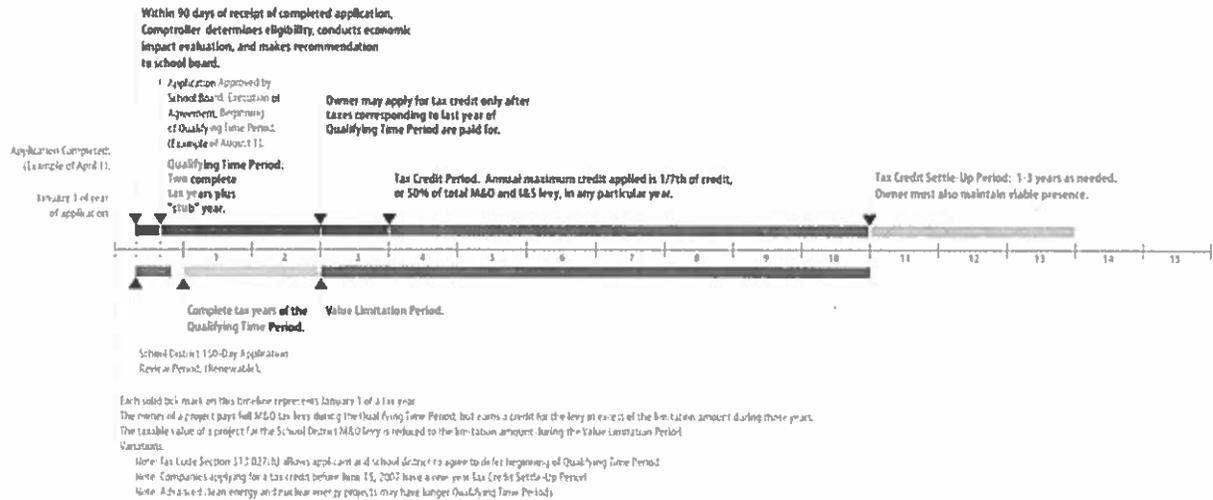
TX Hereford Wind II, LLC applied for a property value limitation from Dimmitt Independent School District under Chapter 313 of the Tax Code. The application was submitted on July 15, 2013 and subsequently approved for consideration by the Dimmitt ISD Board of Trustees. TX Hereford Wind II, LLC ("TX Hereford 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.

Dimmitt ISD Financial Impact of Chapter 313 Agreement

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. Dimmitt 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 Dimmitt ISD

Dimmitt 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 Dimmitt 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 TX Hereford 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 Dimmitt ISD.

TABLE I- Calculation of Taxable Value:

| Tax Year | Additional Value From TX Hereford Wind | Minimum Qualified Investment | Abated Value | Taxable Value |
|--------------|--|------------------------------------|-----------------|------------------|
| Jan. 1, 2014 | 4,000,000 | n/a | 0 | 4,000,000 |
| Jan. 1, 2015 | 242,800,000 | n/a | 0 | 242,800,000 |
| Jan. 1, 2016 | 230,660,000 | (10,000,000) | 220,660,000 | 10,000,000 |
| Jan. 1, 2017 | 219,127,000 | (10,000,000) | 209,127,000 | 10,000,000 |
| Jan. 1, 2018 | 208,170,650 | (10,000,000) | 198,170,650 | 10,000,000 |
| Jan. 1, 2019 | 197,762,118 | (10,000,000) | 187,762,118 | 10,000,000 |
| Jan. 1, 2020 | 187,874,012 | (10,000,000) | 177,874,012 | 10,000,000 |
| Jan. 1, 2021 | 178,480,311 | (10,000,000) | 168,480,311 | 10,000,000 |
| Jan. 1, 2022 | 169,556,295 | (10,000,000) | 159,556,295 | 10,000,000 |
| Jan. 1, 2023 | 161,078,481 | (10,000,000) | 151,078,481 | 10,000,000 |
| Jan. 1, 2024 | 153,024,557 | n/a | 0 | 153,024,557 |
| Jan. 1, 2025 | 145,373,329 | n/a | 0 | 145,373,329 |
| Jan. 1, 2026 | 138,104,662 | n/a | 0 | 138,104,662 |

Dimmitt ISD Financial Impact of Chapter 313 Agreement

TX Hereford Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for TX Hereford Wind is \$16.342 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.

Dimmitt 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 and the study projects that it will maintain an M&O tax rate of \$1.04 for the life of this agreement.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2037 and currently has a \$.33 I&S rate. The annual debt payment is approximately \$1,080,000. The additional value of the company will further reduce the I&S tax rate. 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 | 1.040 | 0.281 | 41,600 | 0 | n/a | 0 | 0 |
| 2015-2016 | 1.040 | 0.218 | 2,525,120 | 0 | n/a | 0 | 0 |
| 2016-2017 | 1.040 | 0.220 | 2,398,864 | 2,294,864 | n/a | (1,394,910) | 899,954 |
| 2017-2018 | 1.040 | 0.223 | 2,278,921 | 2,174,921 | 296,327 | 0 | 2,471,247 |
| 2018-2019 | 1.040 | 0.225 | 2,184,975 | 2,080,975 | 288,192 | 0 | 2,347,167 |
| 2019-2020 | 1.040 | 0.226 | 2,056,726 | 1,952,726 | 275,471 | 0 | 2,228,197 |
| 2020-2021 | 1.040 | 0.228 | 1,953,890 | 1,849,890 | 266,176 | 0 | 2,116,066 |
| 2021-2022 | 1.040 | 0.229 | 1,856,195 | 1,752,195 | 256,360 | 0 | 2,008,555 |
| 2022-2023 | 1.040 | 0.230 | 1,763,385 | 1,659,385 | 246,990 | 0 | 1,906,375 |
| 2023-2024 | 1.040 | 0.231 | 1,675,216 | 1,571,216 | 238,046 | 0 | 1,809,262 |
| 2024-2025 | 1.040 | 0.231 | 1,591,455 | 0 | 555,559 | 0 | 555,559 |
| 2025-2026 | 1.040 | 0.231 | 1,511,883 | 0 | 0 | 0 | 0 |
| 2026-2027 | 1.040 | 0.230 | 1,436,288 | 0 | 0 | 0 | 0 |
| Totals | | | 23,254,519 | 15,316,172 | 2,421,120 | (1,394,910) | 16,342,382 |

Dimmitt 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 Dimmitt 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 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
 - Level 2 of Tier II yield - \$61.86 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 2.5% 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 .5% 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.

Dimmitt 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 TX Hereford Wind (Table III), the addition of TX Hereford Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of TX Hereford Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* TX Hereford Wind:

| Fiscal Year | Total Taxable Value | M&O Taxes | | Recapture Amount | Tier I | Revenue | Total |
|-------------|---------------------|-----------------|---------------|------------------|---------------|-----------------|------------------|
| | | Compressed Rate | State Revenue | | Total Revenue | Above Comp Rate | District Revenue |
| 2014-2015 | 245,875,325 | 2,458,753 | 6,986,623 | 0 | 9,445,376 | 455,303 | 9,900,679 |
| 2015-2016 | 252,022,208 | 2,520,222 | 6,878,774 | 0 | 9,398,996 | 452,810 | 9,851,806 |
| 2016-2017 | 258,322,763 | 2,583,228 | 6,769,437 | 0 | 9,352,664 | 450,336 | 9,803,000 |
| 2017-2018 | 264,780,833 | 2,647,808 | 6,658,528 | 0 | 9,306,336 | 447,881 | 9,754,217 |
| 2018-2019 | 271,400,353 | 2,714,004 | 6,551,191 | 0 | 9,265,195 | 445,443 | 9,710,638 |
| 2019-2020 | 278,185,362 | 2,781,854 | 6,437,026 | 0 | 9,218,880 | 443,024 | 9,661,904 |
| 2020-2021 | 285,139,996 | 2,851,400 | 6,321,211 | 0 | 9,172,611 | 440,623 | 9,613,234 |
| 2021-2022 | 292,268,496 | 2,922,685 | 6,203,591 | 0 | 9,126,276 | 438,239 | 9,564,515 |
| 2022-2023 | 299,575,209 | 2,995,752 | 6,089,414 | 0 | 9,085,166 | 435,872 | 9,521,038 |
| 2023-2024 | 307,064,589 | 3,070,646 | 5,968,236 | 0 | 9,038,882 | 433,522 | 9,472,404 |
| 2024-2025 | 314,741,204 | 3,147,412 | 5,850,375 | 0 | 8,997,787 | 431,189 | 9,428,976 |
| 2025-2026 | 322,609,734 | 3,226,097 | 5,725,424 | 0 | 8,951,521 | 428,873 | 9,380,394 |
| 2026-2027 | 330,674,977 | 3,306,750 | 5,598,945 | 0 | 8,905,695 | 426,573 | 9,332,268 |

Dimmitt ISD Financial Impact of Chapter 313 Agreement

TABLE IV- District Revenues with TX Hereford Wind without Chapter 313 Agreement:

| Fiscal Year | Total Taxable Value | M&O Taxes | | | Recapture Amount | Tier I | Revenue | Total District Revenue |
|-------------|---------------------|-----------------|---------------|---------------|------------------|-----------|------------|------------------------|
| | | Compressed Rate | State Revenue | Total Revenue | | Above | | |
| | | | | | | Comp Rate | | |
| 2014-2015 | 249,875,325 | 2,498,753 | 6,985,823 | 0 | 9,484,576 | 462,565 | 9,947,141 | |
| 2015-2016 | 494,822,208 | 4,948,222 | 6,790,214 | 0 | 11,738,436 | 902,739 | 12,641,175 | |
| 2016-2017 | 488,982,763 | 4,889,828 | 4,295,305 | 0 | 9,185,132 | 430,350 | 9,615,483 | |
| 2017-2018 | 483,907,833 | 4,839,078 | 4,308,103 | 0 | 9,147,181 | 428,860 | 9,576,041 | |
| 2018-2019 | 479,571,003 | 4,795,710 | 4,318,288 | 0 | 9,113,998 | 427,365 | 9,541,363 | |
| 2019-2020 | 475,947,480 | 4,759,475 | 4,315,767 | 0 | 9,075,242 | 425,864 | 9,501,106 | |
| 2020-2021 | 473,014,008 | 4,730,140 | 4,306,016 | 0 | 9,036,156 | 424,356 | 9,460,512 | |
| 2021-2022 | 470,748,807 | 4,707,488 | 4,289,154 | 0 | 8,996,642 | 422,839 | 9,419,481 | |
| 2022-2023 | 469,131,504 | 4,691,315 | 4,270,699 | 0 | 8,962,014 | 421,312 | 9,383,326 | |
| 2023-2024 | 468,143,070 | 4,681,431 | 4,240,457 | 0 | 8,921,888 | 419,774 | 9,341,662 | |
| 2024-2025 | 467,765,761 | 4,677,658 | 4,208,986 | 0 | 8,886,644 | 418,223 | 9,304,867 | |
| 2025-2026 | 467,983,063 | 4,679,831 | 4,166,104 | 0 | 8,845,934 | 416,659 | 9,262,593 | |
| 2026-2027 | 468,779,639 | 4,687,796 | 4,121,570 | 0 | 8,809,366 | 415,081 | 9,224,448 | |

TABLE V – District Revenues with TX Hereford Wind with Chapter 313 Agreement:

| Fiscal Year | Total Taxable Value | M&O Taxes Comp Rate | State Revenue | Recapture Amount | Revenue | | | Total District Revenue |
|-------------|---------------------|---------------------|---------------|------------------|---------------|-----------|---------------------|------------------------|
| | | | | | Tier I | Above | Payment | |
| | | | | | Total Revenue | Comp Rate | for District Losses | |
| 2014-2015 | 249,875,325 | 2,498,753 | 6,985,823 | 0 | 9,484,576 | 462,565 | 0 | 9,947,141 |
| 2015-2016 | 494,822,208 | 4,948,222 | 6,790,214 | 0 | 11,738,436 | 902,739 | 0 | 12,641,175 |
| 2016-2017 | 268,322,763 | 2,683,228 | 5,299,267 | 0 | 7,982,494 | 238,078 | 1,394,910 | 9,615,483 |
| 2017-2018 | 274,780,833 | 2,747,808 | 6,556,528 | 0 | 9,304,336 | 447,177 | 0 | 9,751,513 |
| 2018-2019 | 281,400,353 | 2,814,004 | 6,449,191 | 0 | 9,263,195 | 444,767 | 0 | 9,707,962 |
| 2019-2020 | 288,185,362 | 2,881,854 | 6,335,026 | 0 | 9,216,880 | 442,374 | 0 | 9,659,254 |
| 2020-2021 | 295,139,996 | 2,951,400 | 6,219,211 | 0 | 9,170,611 | 439,998 | 0 | 9,610,609 |
| 2021-2022 | 302,268,496 | 3,022,685 | 6,101,591 | 0 | 9,124,276 | 437,638 | 0 | 9,561,913 |
| 2022-2023 | 309,575,209 | 3,095,752 | 5,987,414 | 0 | 9,083,166 | 435,294 | 0 | 9,518,460 |
| 2023-2024 | 317,064,589 | 3,170,646 | 5,866,236 | 0 | 9,036,882 | 432,966 | 0 | 9,469,848 |
| 2024-2025 | 467,765,761 | 4,677,658 | 5,719,771 | 0 | 10,397,429 | 617,503 | 0 | 11,014,931 |
| 2025-2026 | 467,983,063 | 4,679,831 | 4,166,104 | 0 | 8,845,934 | 416,659 | 0 | 9,262,593 |
| 2026-2027 | 468,779,639 | 4,687,796 | 4,121,570 | 0 | 8,809,366 | 415,081 | 0 | 9,224,448 |

Dimmitt 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.

Dimmitt ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and TX Hereford Wind, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Dimmitt ISD by TX Hereford Wind, the projected amount of these payments over the life of the agreement is \$1,372,784 of the \$16.342 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 | Dimmitt ISD Share \$100/ADA | TX Hereford Wind's Share |
|---------------|-------------------|--------------------------------|-----------------------------|
| 2014-2015 | 0 | 108,804 | (108,804) |
| 2015-2016 | 0 | 108,260 | (108,260) |
| 2016-2017 | 899,954 | 107,718 | 792,235 |
| 2017-2018 | 2,471,247 | 107,180 | 2,364,068 |
| 2018-2019 | 2,347,167 | 106,644 | 2,240,523 |
| 2019-2020 | 2,228,197 | 106,111 | 2,122,087 |
| 2020-2021 | 2,116,066 | 105,580 | 2,010,486 |
| 2021-2022 | 2,008,555 | 105,052 | 1,903,503 |
| 2022-2023 | 1,906,375 | 104,527 | 1,801,848 |
| 2023-2024 | 1,809,262 | 104,004 | 1,705,257 |
| 2024-2025 | 555,559 | 103,484 | 452,075 |
| 2025-2026 | 0 | 102,967 | (102,967) |
| 2026-2027 | 0 | 102,452 | (102,452) |
| Totals | 16,342,382 | 1,372,784 | 14,969,599 |

Dimmitt ISD Financial Impact of Chapter 313 Agreement

Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

| Campus Name | Grade Level | # of Regular Classrooms | Building Capacity | Current Enrollment | Enrollment Growth Available |
|---------------------|-------------|-------------------------|-------------------|--------------------|-----------------------------|
| Richardson Elem. | EE-4 | 43 | 860 | 558 | 302 |
| Dimmitt Middle Sch. | 5-8 | 43 | 774 | 354 | 420 |
| Dimmitt High School | 9-12 | 33 | 594 | 304 | 290 |
| Total | | | 2,228 | 1,216 | 1,012 |

The building capacities are based on 20 students per classroom for elementary and 18 students per classroom for secondary. Dimmitt ISD is a early education through 12th grade district.

TX Hereford Wind II, 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 three full-time employees are expected. It is not known whether these would be new employees to the Dimmitt 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 three positions equates to 2 new students.

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

Dimmitt ISD Financial Impact of Chapter 313 Agreement

Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with TX Hereford Wind II, LLC, would be beneficial to both TX Hereford Wind and Dimmitt ISD under the current school finance system.

TX Hereford Wind, 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, TX Hereford Wind is projected to benefit from a 87% tax savings over the first eleven year period of this agreement. TX Hereford 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.

Dimmitt ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require TX Hereford

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.

Attachment 3

Castro County

Population

- Total county population in 2010 for Castro County: 7,308 , up 2.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Castro County was the state's 184th largest county in population in 2010 and the 26 th fastest growing county from 2009 to 2010.
- Castro County's population in 2009 was 41.8 percent Anglo (below the state average of 46.7 percent), 2.8 percent African-American (below the state average of 11.3 percent) and 54.5 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Castro County:

| | | | |
|-----------|-------|-------|-------|
| Dimmitt: | 3,693 | Hart: | 1,031 |
| Nazareth: | 317 | | |

Economy and Income

Employment

- September 2011 total employment in Castro County: 3,475 , down 0.6 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Castro County unemployment rate: 5.6 percent, up from 5.4 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

(Note: County and state unemployment rates are adjusted for seasonal fluctuations, but the Texas Workforce Commission city unemployment rates are not. Seasonally-adjusted unemployment rates are not comparable with unadjusted rates).

Income

- Castro County's ranking in per capita personal income in 2009: 113th with an average per capita income of \$33,542, down 15.0 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Castro County averaged \$480.68 million annually from 2007 to 2010. County total agricultural values in 2010 were down 3.4 percent from 2009. Major agriculture related commodities in Castro County during 2010 included:
 - Other Beef • Ensilage • Milk Cows • Corn • Fed Beef
- 2011 oil and gas production in Castro County: barrels of oil and Mcf of gas. In September 2011, there were 0 producing oil wells and 0 producing gas wells.

Taxes

Sales Tax - Taxable Sales

(County and city taxable sales data for 1st quarter 2011 is currently targeted for release in mid-September 2011).

Quarterly (September 2010 through December 2010)

- Taxable sales in Castro County during the fourth quarter 2010: \$7.81 million, down 3.4 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

| | |
|-----------|---|
| Dimmitt: | \$3.70 million, down 8.1 percent from the same quarter in 2009. |
| Hart: | \$3.36 million, down 0.3 percent from the same quarter in 2009. |
| Nazareth: | \$340,157.00, up 17.9 percent from the same quarter in 2009. |

Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)

- Taxable sales in Castro County through the fourth quarter of 2010: \$31.48 million, down 1.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

| | |
|-----------|---|
| Dimmitt: | \$15.04 million, down 4.3 percent from the same period in 2009. |
| Hart: | \$13.22 million, down 4.7 percent from the same period in 2009. |
| Nazareth: | \$1.29 million, up 12.7 percent from the same period in 2009. |

Annual (2010)

- Taxable sales in Castro County during 2010: \$31.48 million, down 1.6 percent from 2009.
- Castro County sent an estimated \$1.97 million (or 0.01 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

| | |
|----------|--|
| Dimmitt: | \$15.04 million, down 4.3 percent from 2009. |
| Hart: | \$13.22 million, down 4.7 percent from 2009. |

Nazareth: \$1.29 million, up 12.7 percent from 2009.

Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Castro County based on the sales activity month of August 2011: \$34,131.32, up 9.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

| | |
|-----------|---|
| Dimmitt: | \$28,980.61, up 7.9 percent from August 2010. |
| Hart: | \$2,608.81, up 18.9 percent from August 2010. |
| Nazareth: | \$2,541.90, up 24.2 percent from August 2010. |

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Castro County based on sales activity months from September 2010 through August 2011: \$424,743.33, up 15.7 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

| | |
|-----------|---|
| Dimmitt: | \$334,812.28, up 5.8 percent from fiscal 2010. |
| Hart: | \$59,869.30, up 152.8 percent from fiscal 2010. |
| Nazareth: | \$30,061.75, up 11.5 percent from fiscal 2010. |

January 2011 through August 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Castro County based on sales activity months through August 2011: \$296,661.96, up 28.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

| | |
|-----------|---|
| Dimmitt: | \$228,302.69, up 14.2 percent from the same period in 2010. |
| Hart: | \$48,920.63, up 253.2 percent from the same period in 2010. |
| Nazareth: | \$19,438.64, up 10.1 percent from the same period in 2010. |

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Castro County based on sales activity in the 12 months ending in August 2011: \$424,743.33, up 15.7 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

| | |
|-----------|--|
| Dimmitt: | \$334,812.28, up 5.8 percent from the previous 12-month period. |
| Hart: | \$59,869.30, up 152.8 percent from the previous 12-month period. |
| Nazareth: | \$30,061.75, up 11.5 percent from the previous 12-month period. |

■ **City Calendar Year-To-Date (RJ 2011)**

- Payment to the cities from January 2011 through October 2011:

| | |
|-----------|---|
| Dimmitt: | \$281,614.22, up 8.6 percent from the same period in 2010. |
| Hart: | \$54,906.99, up 185.3 percent from the same period in 2010. |
| Nazareth: | \$24,890.50, up 12.6 percent from the same period in 2010. |

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Castro County based on sales activity months in 2010: \$359,536.86, down 4.7 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

| | |
|-----------|---|
| Dimmitt: | \$306,461.52, down 5.9 percent from 2009. |
| Hart: | \$24,798.19, down 7.4 percent from 2009. |
| Nazareth: | \$28,277.15, up 13.5 percent from 2009. |

Property Tax

- As of January 2009, property values in Castro County: \$675.17 million, up 0.1 percent from January 2008 values. The property tax base per person in Castro County is \$94,694, above the statewide average of \$85,809. A negligible 0.0 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Castro County's ranking in state expenditures by county in fiscal year 2010: 173rd. State expenditures in the county for FY2010: \$32.69 million, up 0.1 percent from FY2009.
- In Castro County, 5 state agencies provide a total of 24 jobs and \$216,099.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Department of Transportation
 - Department of Public Safety
 - Department of Aging and Disability Services
 - Health & Human Services Commission
 - AgriLife Extension Service

Higher Education

- Community colleges in Castro County fall 2010 enrollment:
 - None.
- Castro County is in the service area of the following:
 - Amarillo College with a fall 2010 enrollment of 11,540. Counties in the service area include:
 - Carson County
 - Castro County
 - Deaf Smith County
 - Moore County
 - Oldham County
 - Parmer County
 - Potter County
 - Randall County
 - Swisher County
- Institutions of higher education in Castro County fall 2010 enrollment:
 - None.

School Districts

- Castro County had 3 school districts with 6 schools and 1,726 students in the 2009-10 school year.
(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)
 - Dimmitt ISD had 1,193 students in the 2009-10 school year. The average teacher salary was \$39,323. The percentage of students meeting the 2010 TAKS passing standard for all tests was 60 percent.
 - Hart ISD had 300 students in the 2009-10 school year. The average teacher salary was \$34,473. The percentage of students meeting the 2010 TAKS passing standard for all tests was 48 percent.
 - Nazareth ISD had 233 students in the 2009-10 school year. The average teacher salary was \$39,691. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.