

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



June 27, 2013

Phil Cotham
Superintendent
Lockney Independent School District
416 W. Willow
Lockney, Texas 79241

Dear Superintendent Cotham:

On April 23, 2013, the Comptroller received the completed application (Application # 280) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in April 2013 to the Lockney Independent School District (the school district) by South Plains Wind Energy, 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 (\$150.5 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 Floyd 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 April 23, 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	South Plains Wind Energy, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Lockney ISD
2011-2012 Enrollment in School District	536
County	Floyd
Total Investment in District	\$150,500,000
Qualified Investment	\$150,500,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	6*
Number of qualifying jobs committed to by applicant	5
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$750
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$724
Minimum Annual Wage committed to by applicant for qualified jobs	\$39,000
Investment per Qualifying Job	\$30,100,000
Estimated 15 year M&O levy without any limit or credit:	\$13,411,918
Estimated gross 15 year M&O tax benefit	\$9,264,580
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$8,807,584
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$1,383,600
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$4,604,334
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	65.7%
Percentage of tax benefit due to the limitation	85.1%
Percentage of tax benefit due to the credit.	14.9%
* 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 South Plains Wind Energy, LLC (the project) applying to Lockney 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 six new jobs when fully operational. Five 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 South Plains Association of Governments Region, where Floyd County is located was \$34,210 in 2011. The annual average manufacturing wage for 2011-2012 for Floyd County is \$39,494. That same year, the county annual average wage for all industries was \$32,097. In addition to a salary of \$39,000, each qualifying position will receive benefits such a health benefit plan, 401(k) retirement savings plan, vacation time, sick leave and skills training. The project's total investment is \$150.5 million, resulting in a relative level of investment per qualifying job of \$30.1 million.

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

According to South Plains Wind Energy, LLC's application, "South Plains Wind Energy, LLC ("South Plains") is a Delaware limited liability company formed to develop, build, own and operate the South Plains Wind Energy Project. South Plains has two members – Westerly South Plains, LLC ("Westerly SP") and Floyd County Wind Farm, LLC ("FCWE"). Westerly SP, the majority manager of South Plains, is wholly-owned by Westerly Wind, LLC ("Westerly"), a Delaware limited liability Company based in Braintree, Massachusetts. It was formed in 2009 to provide development capital, management expertise and commercial assistance to independent wind power developers. As the majority manager of South Plains, Westerly SP is the Project "sponsor," i.e. the entity responsible for the development, financing, construction and operation of the Project.

The Westerly management team has considerable experience in the energy sector, and has been directly involved in the development, financing, construction and operation of over 6500 MW of independent power assets, including over 1500 MW of wind power projects in Texas. The development resources necessary to advance the subject the 100 MW South Plains Wind Energy Project could be redeployed to other renewable energy development projects in other power markets in the United States. Westerly chose Texas – and in particular Floyd County – for its favorable wind resource, access to the ERCOT market as a result of the new CREZ transmission lines, and favorable property tax incentives under the Tax Code Chapter 312 tax abatement and Chapter 313 Appraised Value Limitation. Westerly is keen to develop and build the proposed South Plains Project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects."

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

During the past two years, two projects in the South Plains Association of Governments 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 South Plains Wind Energy, 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 1 depicts South Plains Wind Energy, 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 South Plains Wind Energy, LLC

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	3	7	10	\$144,000	\$226,000	\$370,000
2014	77	79	156	\$3,670,000	\$5,360,000	\$9,030,000
2015	6	9	15	\$210,000	\$1,010,000	\$1,220,000
2016	6	2	8	\$210,000	\$770,000	\$980,000
2017	6	4	10	\$210,000	\$640,000	\$850,000
2018	6	2	8	\$210,000	\$640,000	\$850,000
2019	6	(4)	2	\$210,000	\$30,000	\$240,000
2020	6	(4)	2	\$210,000	-\$210,000	\$0
2021	6	0	6	\$210,000	\$280,000	\$490,000
2022	6	(4)	2	\$210,000	\$30,000	\$240,000
2023	6	(2)	4	\$210,000	\$160,000	\$370,000
2024	6	(4)	2	\$210,000	-\$330,000	-\$120,000
2025	6	(2)	4	\$210,000	-\$210,000	\$0
2026	6	(6)	0	\$210,000	-\$210,000	\$0
2027	6	(6)	0	\$210,000	-\$450,000	-\$240,000
2028	6	(4)	2	\$210,000	-\$450,000	-\$240,000

Source: CPA, REMI, South Plains Wind Energy, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2012. Lockney ISD's ad valorem tax base in 2011-2012 was \$91.6 million. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Lockney ISD's estimated wealth per WADA was \$114,157. 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, Floyd County, Lockney General Hospital District and High Plains Underwater Conservation District #3 with all property tax incentives sought being granted using estimated market value from South Plains Wind Energy, LLC's application. South Plains Wind Energy, 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 South Plains Wind Energy, LLC project on the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Lockney ISD I&S Levy	Lockney ISD M&O Levy	Lockney ISD M&O and I&S Tax Levies (Before Credit Credited)	Lockney ISD M&O and I&S Tax Levies (After Credit Credited)	Floyd County Tax Levy	Lockney General Hospital District Tax Levy	High Plains Underwater Conservation District #1 Tax Levy	Estimated Total Property Taxes
				0.0000	1.1400			0.6396	0.4386	0.0075	
2014	\$3,750,000	\$3,750,000		\$0	\$42,750	\$42,750	\$42,750	\$23,986	\$16,448	\$283	\$83,184
2015	\$144,000,000	\$144,000,000		\$0	\$1,641,600	\$1,641,600	\$1,641,600	\$184,213	\$126,320	\$10,858	\$1,952,133
2016	\$131,040,000	\$10,000,000		\$0	\$114,000	\$114,000	\$114,000	\$167,634	\$114,951	\$9,880	\$396,585
2017	\$119,246,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$190,683	\$130,756	\$8,991	\$378,440
2018	\$108,514,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$173,522	\$118,988	\$8,182	\$349,510
2019	\$98,748,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$157,905	\$108,280	\$7,446	\$323,185
2020	\$89,861,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$258,650	\$177,363	\$6,776	\$493,013
2021	\$81,774,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$235,373	\$161,401	\$6,166	\$453,774
2022	\$74,414,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$214,188	\$146,874	\$5,611	\$418,063
2023	\$67,717,000	\$10,000,000		\$0	\$114,000	\$114,000	\$57,000	\$194,912	\$133,656	\$5,106	\$385,568
2024	\$61,622,000	\$61,622,000		\$0	\$702,491	\$702,491	\$0	\$177,369	\$121,626	\$4,646	\$298,995
2025	\$56,076,000	\$56,076,000		\$0	\$639,266	\$639,266	\$357,157	\$358,679	\$245,955	\$4,228	\$961,791
2026	\$51,029,000	\$51,029,000		\$0	\$581,731	\$581,731	\$581,731	\$326,397	\$223,818	\$3,848	\$1,131,946
2027	\$46,436,000	\$46,436,000		\$0	\$529,370	\$529,370	\$529,370	\$297,019	\$203,673	\$3,501	\$1,030,062
2028	\$42,257,000	\$42,257,000		\$0	\$481,730	\$481,730	\$481,730	\$270,288	\$185,343	\$3,186	\$937,362
						Total	\$4,147,338	\$3,230,820	\$2,215,452	\$88,707	\$9,593,610

Assumes School Value Limitation and Tax Abatements from County and Hospital District.

Source: CPA, South Plains Wind Energy, LLC

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Lockney ISD I&S Levy	Lockney ISD M&O Levy	Lockney Hill ISD M&O and I&S Tax Levies	Floyd County Tax Levy	Lockney General Hospital District Tax Levy	High Plains Underwater Conservation District #1 Tax Levy	Estimated Total Property Taxes	
				0.0000	1.1400		0.6396	0.4386	0.0075		
2014	\$3,750,000	\$3,750,000		\$0	\$42,750	\$42,750	\$23,986	\$16,448	\$283	\$83,184	
2015	\$144,000,000	\$144,000,000		\$0	\$1,641,600	\$1,641,600	\$921,067	\$631,598	\$10,858	\$3,194,266	
2016	\$131,040,000	\$131,040,000		\$0	\$1,493,856	\$1,493,856	\$838,171	\$574,755	\$9,880	\$2,906,782	
2017	\$119,246,000	\$119,246,000		\$0	\$1,359,404	\$1,359,404	\$762,733	\$523,025	\$8,991	\$2,645,162	
2018	\$108,514,000	\$108,514,000		\$0	\$1,237,060	\$1,237,060	\$694,088	\$475,953	\$8,182	\$2,407,101	
2019	\$98,748,000	\$98,748,000		\$0	\$1,125,727	\$1,125,727	\$631,622	\$433,119	\$7,446	\$2,190,468	
2020	\$89,861,000	\$89,861,000		\$0	\$1,024,415	\$1,024,415	\$574,778	\$394,139	\$6,776	\$1,993,333	
2021	\$81,774,000	\$81,774,000		\$0	\$932,224	\$932,224	\$523,051	\$358,669	\$6,166	\$1,813,944	
2022	\$74,414,000	\$74,414,000		\$0	\$848,320	\$848,320	\$475,974	\$326,387	\$5,611	\$1,650,681	
2023	\$67,717,000	\$67,717,000		\$0	\$771,974	\$771,974	\$433,138	\$297,014	\$5,106	\$1,502,126	
2024	\$61,622,000	\$61,622,000		\$0	\$702,491	\$702,491	\$394,153	\$270,280	\$4,646	\$1,366,924	
2025	\$56,076,000	\$56,076,000		\$0	\$639,266	\$639,266	\$358,679	\$245,955	\$4,228	\$1,243,900	
2026	\$51,029,000	\$51,029,000		\$0	\$581,731	\$581,731	\$326,397	\$223,818	\$3,848	\$1,131,946	
2027	\$46,436,000	\$46,436,000		\$0	\$529,370	\$529,370	\$297,019	\$203,673	\$3,501	\$1,030,062	
2028	\$42,257,000	\$42,257,000		\$0	\$481,730	\$481,730	\$270,288	\$185,343	\$3,186	\$937,362	
						Total	\$13,411,918	\$7,525,145	\$5,160,176	\$88,707	\$26,097,239

Source: CPA, South Plains Wind Energy, LLC

¹Tax Rate per \$100 Valuation

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 \$12,256,817. The estimated gross 13 year M&O tax benefit, or levy loss, is \$7,880,980.

Attachment 3 is an economic overview of Floyd 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

Schedule A (Rev. January 2013): Investment

Form 50-296

Applicant Name: South Plains Wind Energy, LLC
 ISD Name: Lockney ISD

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 The amount of new investment (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)	2013-2014	2013	0	0	0	0	0
			7,500,000				7,500,000
			142,500,000	500,000			143,000,000
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
			0	0			0
Tax Credit Period (with 50% cap on credit)	Value Limitation Period		Complete tax years of qualifying time period				
			1	2014-2015			
Credit Settle-Up Period	Continue to Maintain Viable Presence		0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			0	0	0	0	0
			Post-Settle-Up Period	Post-Settle-Up Period		0	0
0	0	0				0	0

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years. 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 A: 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 B: 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 C: 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.

SURE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

21-Mar-13

Schedule B (Rev. January 2013): Estimated Market And Taxable Value
South Plains Wind Energy, LLC

Form 50-296

Applicant Name
 ISD Name

Lockney ISD

Applicant Name ISD Name	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	
				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 improvement"		Final taxable value for M&O--after all reductions	Final taxable value for I&S - after all reductions
	pre-year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Complete tax years of qualifying time period	1	2014-2015	2014	\$ -	\$ -	\$ 3,750,000	\$ -	\$ 3,750,000	\$ 3,750,000
	2	2015-2016	2015	\$ -	\$ -	\$ 144,000,000	\$ -	\$ 144,000,000	\$ 144,000,000
	3	2016-2017	2016	\$ -	\$ -	\$ 131,040,000	\$ -	\$ 131,040,000	\$ 10,000,000
	4	2017-2018	2017	\$ -	\$ -	\$ 119,246,000	\$ -	\$ 119,246,000	\$ 10,000,000
	5	2018-2019	2018	\$ -	\$ -	\$ 108,514,000	\$ -	\$ 108,514,000	\$ 10,000,000
Tax Credit Period (with 50% cap on credit)	6	2019-2020	2019	\$ -	\$ -	\$ 98,748,000	\$ -	\$ 98,748,000	\$ 10,000,000
	7	2020-2021	2020	\$ -	\$ -	\$ 89,861,000	\$ -	\$ 89,861,000	\$ 10,000,000
	8	2021-2022	2021	\$ -	\$ -	\$ 81,774,000	\$ -	\$ 81,774,000	\$ 10,000,000
	9	2022-2023	2022	\$ -	\$ -	\$ 74,414,000	\$ -	\$ 74,414,000	\$ 10,000,000
	10	2023-2024	2023	\$ -	\$ -	\$ 67,717,000	\$ -	\$ 67,717,000	\$ 10,000,000
Credit Settle-Up Period	11	2024-2025	2024	\$ -	\$ -	\$ 61,622,000	\$ -	\$ 61,622,000	\$ 61,622,000
	12	2025-2026	2025	\$ -	\$ -	\$ 56,076,000	\$ -	\$ 56,076,000	\$ 56,076,000
	13	2026-2027	2026	\$ -	\$ -	\$ 51,029,000	\$ -	\$ 51,029,000	\$ 51,029,000
Post- Settle-Up Period	14	2027-2028	2027	\$ -	\$ -	\$ 46,436,000	\$ -	\$ 46,436,000	\$ 46,436,000
	15	2028-2029	2028	\$ -	\$ -	\$ 42,257,000	\$ -	\$ 42,257,000	\$ 42,257,000

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 OF AUTHORIZED COMPANY REPRESENTATIVE

21-Mar-13

DATE

Schedule D: (Rev. January 2013): Other Tax Information

Applicant Name	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	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		County	City	Hospital	Other						
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013		1,001,277	6,523,724										
	Complete tax years of qualifying time period	1	2014-2015	2014		19,024,254	123,950,747	10,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		2	2015-2016	2015				10,000	80%	n/a	80%	n/a	n/a	n/a	n/a	n/a
		3	2016-2017	2016				10,000	80%	n/a	80%	n/a	n/a	n/a	n/a	n/a
		4	2017-2018	2017				10,000	75%	n/a	75%	n/a	n/a	n/a	n/a	n/a
		5	2018-2019	2018				10,000	75%	n/a	75%	n/a	n/a	n/a	n/a	n/a
		6	2019-2020	2019				10,000	75%	n/a	75%	n/a	n/a	n/a	n/a	n/a
		7	2020-2021	2020				10,000	55%	n/a	55%	n/a	n/a	n/a	n/a	n/a
		8	2021-2022	2021				10,000	55%	n/a	55%	n/a	n/a	n/a	n/a	n/a
		9	2022-2023	2022				10,000	55%	n/a	55%	n/a	n/a	n/a	n/a	n/a
		10	2023-2024	2023				10,000	55%	n/a	55%	n/a	n/a	n/a	n/a	n/a
	Tax Credit Period (with 50% cap on credit)	Value Limitation Period	2024-2025	2024				10,000	55%	-	55%	-	-	-	-	-
			2025-2026	2025				10,000	0%	-	-	0%	-	-	-	-
			2026-2027	2026				10,000	0%	-	-	0%	-	-	-	-
	Credit Settle-Up Period	Continue to Maintain Viable Presence	2027-2028	2027				10,000	0%	-	0%	-	-	-	-	-
2028-2029			2028				10,000	0%	-	0%	-	-	-	-	-	
Post-Settle-Up Period																
Post-Settle-Up Period																

*For planning, construction and operation of the facility.

S. V. R. E.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

21-Mar-13

DATE

Attachment 2

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

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

June 25, 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 South Plains Wind Energy, LLC project on the number and size of school facilities in Lockney Independent School District (LISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and a conversation with the LISD superintendent, Phil W. Cotham, the TEA has found that the South Plains Wind Energy, LLC project would not have a significant impact on the number or size of school facilities in LISD.

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

June 25, 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 South Plains Wind Energy, LLC project for the Lockney Independent School District (LISD). 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 South Plains Wind Energy, LLC project on LISD 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

Lockney ISD Financial Impact of Chapter 313 Agreement

Summary of Lockney ISD Financial Impact of the Limited Appraised Value Application from South Plains Wind Energy, LLC

Introduction

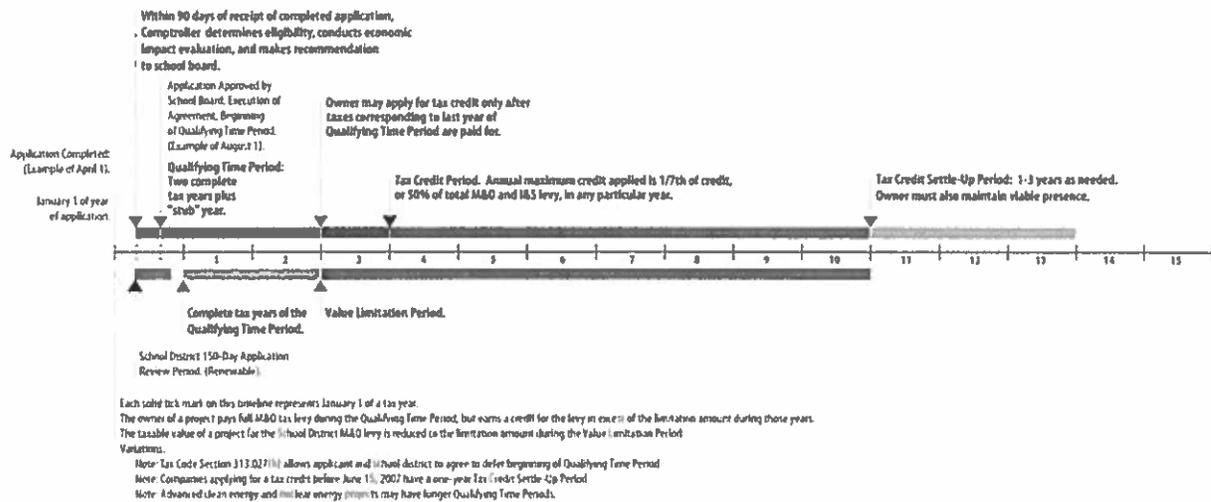
South Plains Wind Energy, LLC applied for a property value limitation from Lockney Independent School District under Chapter 313 of the Tax Code. The application was submitted on April 11, 2013 and subsequently approved for consideration by the Lockney ISD Board of Trustees. South Plains Wind Energy, LLC (“South Plains 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.

Lockney 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. Lockney 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 Lockney ISD has a minimum qualified investment amount of \$10 million. A qualifying entity’s taxable

Lockney ISD Financial Impact of Chapter 313 Agreement

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 Lockney 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 South Plains 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 Lockney ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From South Plains Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	3,750,000	n/a	0	3,750,000
Jan. 1, 2015	144,000,000	n/a	0	144,000,000
Jan. 1, 2016	131,040,000	(10,000,000)	121,040,000	10,000,000
Jan. 1, 2017	119,246,000	(10,000,000)	109,246,000	10,000,000
Jan. 1, 2018	108,514,000	(10,000,000)	98,514,000	10,000,000
Jan. 1, 2019	98,748,000	(10,000,000)	88,748,000	10,000,000
Jan. 1, 2020	89,861,000	(10,000,000)	79,861,000	10,000,000
Jan. 1, 2021	81,774,000	(10,000,000)	71,774,000	10,000,000
Jan. 1, 2022	74,414,000	(10,000,000)	64,414,000	10,000,000
Jan. 1, 2023	67,717,000	(10,000,000)	57,717,000	10,000,000
Jan. 1, 2024	61,622,000	n/a	0	61,622,000
Jan. 1, 2025	56,076,000	n/a	0	56,076,000
Jan. 1, 2026	51,029,000	n/a	0	51,029,000

Lockney ISD Financial Impact of Chapter 313 Agreement

South Plains Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for South Plains Wind is \$8.817 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.

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

- The District has held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$1.14 for the life of this agreement. The M&O rate for 2015-2016 is projected to drop to \$1.04 due to the rollback tax rate calculations.
- The district currently has no outstanding bonds and no I&S tax is projected in the study. The district could however 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	1.14	0.00	42,750	0	n/a	0	0
2015-2016	1.04	0.00	1,497,600	0	n/a	0	0
2016-2017	1.14	0.00	1,493,856	1,379,856	n/a	(456,996)	922,860
2017-2018	1.14	0.00	1,359,404	1,245,404	57,000	0	1,302,404
2018-2019	1.14	0.00	1,237,060	1,123,060	57,000	0	1,180,060
2019-2020	1.14	0.00	1,125,727	1,011,727	57,000	0	1,068,727
2020-2021	1.14	0.00	1,024,415	910,415	57,000	0	967,415
2021-2022	1.14	0.00	932,224	818,224	57,000	0	875,224
2022-2023	1.14	0.00	848,320	734,320	57,000	0	791,320
2023-2024	1.14	0.00	771,974	657,974	57,000	0	714,974
2024-2025	1.14	0.00	702,491	0	702,491	0	702,491
2025-2026	1.14	0.00	639,266	0	292,109	0	292,109
2026-2027	1.14	0.00	581,731	0	0	0	0
Totals			12,256,817	7,880,980	1,393,600	(456,996)	8,817,584

Lockney 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 Lockney 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 - \$9.97 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.

Lockney 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 South Plains Wind (Table III), the addition of South Plains Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of South Plains Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* South Plains Wind Energy, LLC:

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	97,843,757	978,438	3,092,187	0	4,070,624	512,111	4,582,736
2015-2016	98,822,194	988,222	3,072,773	0	4,060,995	512,895	4,573,890
2016-2017	99,810,416	998,104	3,053,260	0	4,051,364	511,568	4,562,933
2017-2018	100,808,520	1,008,085	3,033,669	0	4,041,755	510,245	4,552,000
2018-2019	101,816,605	1,018,166	3,013,947	0	4,032,113	508,926	4,541,040
2019-2020	102,834,771	1,028,348	2,994,210	0	4,022,558	507,611	4,530,169
2020-2021	103,863,119	1,038,631	2,974,389	0	4,013,020	506,300	4,519,319
2021-2022	104,901,750	1,049,018	2,954,444	0	4,003,462	504,992	4,508,454
2022-2023	105,950,768	1,059,508	2,934,474	0	3,993,982	503,688	4,497,670
2023-2024	107,010,276	1,070,103	2,914,417	0	3,984,519	502,388	4,486,908
2024-2025	108,080,378	1,080,804	2,894,214	0	3,975,018	501,092	4,476,110
2025-2026	109,161,182	1,091,612	2,874,014	0	3,965,626	499,799	4,465,425
2026-2027	110,252,794	1,102,528	2,853,665	0	3,956,193	498,510	4,454,703

Lockney ISD Financial Impact of Chapter 313 Agreement

TABLE IV- District Revenues with South Plains Wind Energy without Chapter 313 Agreement:

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	101,593,757	1,015,938	3,092,187	0	4,108,124	531,564	4,639,689
2015-2016	242,822,194	2,428,222	3,036,117	0	5,464,339	470,792	5,935,131
2016-2017	230,850,416	2,308,504	1,613,260	0	3,921,764	479,150	4,400,914
2017-2018	220,054,520	2,200,545	1,723,269	0	3,923,815	479,317	4,403,131
2018-2019	210,330,605	2,103,306	1,821,487	0	3,924,793	479,499	4,404,292
2019-2020	201,582,771	2,015,828	1,908,079	0	3,923,907	479,687	4,403,593
2020-2021	193,724,119	1,937,241	1,986,680	0	3,923,921	479,873	4,403,794
2021-2022	186,675,750	1,866,758	2,055,515	0	3,922,273	480,050	4,402,323
2022-2023	180,364,768	1,803,648	2,116,247	0	3,919,895	480,209	4,400,104
2023-2024	174,727,276	1,747,273	2,169,655	0	3,916,927	480,348	4,397,276
2024-2025	169,702,378	1,697,024	2,216,289	0	3,913,313	480,454	4,393,767
2025-2026	165,237,182	1,652,372	2,256,795	0	3,909,167	480,527	4,389,693
2026-2027	161,281,794	1,612,818	2,291,722	0	3,904,540	480,556	4,385,096

TABLE V – District Revenues with South Plains Wind Energy with Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	M&O Taxes Comp Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Payment	Total District Revenue
							for District Losses	
2014-2015	101,593,757	1,015,938	3,092,187	0	4,108,124	531,564	0	4,639,689
2015-2016	242,822,194	2,428,222	3,036,117	0	5,464,339	470,792	0	5,935,131
2016-2017	109,810,416	1,098,104	2,616,942	0	3,715,046	228,872	456,996	4,400,914
2017-2018	110,808,520	1,108,085	2,933,669	0	4,041,755	509,388	0	4,551,143
2018-2019	111,816,605	1,118,166	2,913,947	0	4,032,113	508,083	0	4,540,196
2019-2020	112,834,771	1,128,348	2,893,941	0	4,022,289	506,781	0	4,529,070
2020-2021	113,863,119	1,138,631	2,874,161	0	4,012,792	505,483	0	4,518,275
2021-2022	114,901,750	1,149,018	2,854,124	0	4,003,142	504,189	0	4,507,330
2022-2023	115,950,768	1,159,508	2,833,988	0	3,993,496	502,898	0	4,496,393
2023-2024	117,010,276	1,170,103	2,813,795	0	3,983,897	501,610	0	4,485,508
2024-2025	169,702,378	1,697,024	2,793,459	0	4,490,483	717,445	0	5,207,928
2025-2026	165,237,182	1,652,372	2,256,795	0	3,909,167	480,527	0	4,389,693
2026-2027	161,281,794	1,612,818	2,291,722	0	3,904,540	480,556	0	4,385,096

Lockney 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.

Lockney ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and South Plains Wind Energy, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Lockney ISD by South Plains Wind, the projected amount of these payments over the life of the agreement is \$637,141 of the \$8.817 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	Lockney ISD \$100/ADA	South Plains Wind's Share
2014-2015	0	49,750	(49,750)
2015-2016	0	49,626	(49,626)
2016-2017	922,860	49,502	873,358
2017-2018	1,302,404	49,378	1,253,026
2018-2019	1,180,060	49,255	1,130,805
2019-2020	1,068,727	49,132	1,019,596
2020-2021	967,415	49,009	918,407
2021-2022	875,224	48,886	826,337
2022-2023	791,320	48,764	742,556
2023-2024	714,974	48,642	666,332
2024-2025	702,491	48,520	653,971
2025-2026	292,109	48,399	243,710
2026-2027	0	48,278	(48,278)
Totals	8,817,584	637,141	8,180,442

Lockney 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
Lockney Elem	EE thru 5	33	660	247	413
Lockney Jr High	6-8	14	252	110	142
Lockney High	9-12	21	378	156	222
Total		68	1,290	513	777

The building capacities are based on 20 students per classroom for the elementary campuses, 18 students for the middle and high school. Lockney ISD is a early education through 12th grade district.

South Plains Wind Energy, 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 six full-time employees are expected. It is not known whether these would be new employees to the Lockney 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 six positions equates to 3 new students.

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

Lockney ISD Financial Impact of Chapter 313 Agreement

Conclusion

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

South Plains Wind Energy, 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, South Plains Wind is projected to benefit from a 79% tax savings over the first twelve year period of this agreement. South Plains 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.

Lockney ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require South Plains 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

Floyd County

Population

- Total county population in 2010 for Floyd County: 6,398 , down 1.4 percent from 2009. State population increased 1.8 percent in the same time period.
- Floyd County was the state's 190rd largest county in population in 2010 and the 243rd fastest growing county from 2009 to 2010.
- Floyd County's population in 2009 was 45.1 percent Anglo (below the state average of 46.7 percent), 4.1 percent African-American (below the state average of 11.3 percent) and 49.6 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Floyd County:

Floydada:	3,066	Lockney:	1,672
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Economy and Income

Employment

- September 2011 total employment in Floyd County: 2,804 , down 1.3 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 Floyd County unemployment rate: 9.2 percent, up from 8.8 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

- Floyd County's ranking in per capita personal income in 2009: 125th with an average per capita income of \$32,738, down 1.3 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 Floyd County averaged \$334.71 million annually from 2007 to 2010. County total agricultural values in 2010 were up 17.5 percent from 2009. Major agriculture related commodities in Floyd County during 2010 included:

• Corn	• Cottonseed	• Other Beef	• Cotton	• Fed Beef
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- 2011 oil and gas production in Floyd County: 1,175.0 barrels of oil and 36.0 Mcf of gas. In September 2011, there were 4 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 Floyd County during the fourth quarter 2010: \$3.76 million, up 3.2 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Floydada:	\$2.52 million, up 5.9 percent from the same quarter in 2009.	
Lockney:	\$1.02 million, up 12.4 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 Floyd County through the fourth quarter of 2010: \$14.18 million, down 0.8 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Floydada:	\$9.79 million, up 1.8 percent from the same period in 2009.	
Lockney:	\$3.62 million, up 4.8 percent from the same period in 2009.	

Annual (2010)

- Taxable sales in Floyd County during 2010: \$14.18 million, down 0.8 percent from 2009.
- Floyd County sent an estimated \$886,481.88 (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:

Floydada:	\$9.79 million, up 1.8 percent from 2009.	
Lockney:	\$3.62 million, up 4.8 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 Floyd County based on the sales activity month of August 2011: \$27,928.08, up 20.0 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Floydada:	\$19,401.83, up 15.5 percent from August 2010.
Lockney:	\$8,526.25, up 31.5 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 Floyd County based on sales activity months from September 2010 through August 2011: \$386,218.93, up 12.7 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Floydada:	\$269,760.92, up 14.1 percent from fiscal 2010.
Lockney:	\$116,458.01, up 9.6 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 Floyd County based on sales activity months through August 2011: \$258,995.28, up 16.1 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Floydada:	\$181,180.81, up 19.1 percent from the same period in 2010.
Lockney:	\$77,814.47, up 9.7 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 Floyd County based on sales activity in the 12 months ending in August 2011: \$386,218.93, up 12.7 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Floydada:	\$269,760.92, up 14.1 percent from the previous 12-month period.
Lockney:	\$116,458.01, up 9.6 percent from the previous 12-month period.

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

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

Floydada:	\$227,011.62, up 15.5 percent from the same period in 2010.
Lockney:	\$97,092.42, up 8.2 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 Floyd County based on sales activity months in 2010: \$350,335.44, up 3.2 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Floydada:	\$240,742.64, up 0.8 percent from 2009.
Lockney:	\$109,592.80, up 8.8 percent from 2009.

Property Tax

- As of January 2009, property values in Floyd County: \$512.90 million, up 11.8 percent from January 2008 values. The property tax base per person in Floyd County is \$79,224, below the statewide average of \$85,809. About 0.1 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Floyd County's ranking in state expenditures by county in fiscal year 2010: 187th. State expenditures in the county for FY2010: \$24.87 million, down 0.3 percent from FY2009.
- In Floyd County, 3 state agencies provide a total of 19 jobs and \$157,811.00 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
- AgriLife Extension Service

Higher Education

■ Community colleges in Floyd County fall 2010 enrollment:

- None.

■ Floyd County is in the service area of the following:

- South Plains College with a fall 2010 enrollment of 10,153 . Counties in the service area include:

- Bailey County
- Cochran County
- Crosby County
- Floyd County
- Gaines County
- Garza County
- Hale County
- Hockley County
- Lamb County
- Lubbock County
- Lynn County
- Motley County
- Terry County
- Yoakum County

■ Institutions of higher education in Floyd County fall 2010 enrollment:

- None.

School Districts

■ Floyd County had 2 school districts with 9 schools and 1,430 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.)

- Floydada ISD had 879 students in the 2009-10 school year. The average teacher salary was \$40,013. The percentage of students meeting the 2010 TAKS passing standard for all tests was 68 percent.
- Lockney ISD had 551 students in the 2009-10 school year. The average teacher salary was \$40,960. The percentage of students meeting the 2010 TAKS passing standard for all tests was 67 percent.