

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 16, 2011

Eduardo Infante
Superintendent
Lyford Consolidated Independent School District
8204 Simon Gomez Road
Lyford, Texas 78569

Dear Superintendent Infante:

On Oct. 24, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Lyford Independent School District (Lyford ISD) by DEGS Wind I, LLC (DEGS Wind) in Aug., 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding DEGS Wind's application as required by Section 313.025(d), using the criteria set out by Section 313.026. Our review 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. Filing an application containing false information is a criminal offense under Texas Penal Code Chapter 37.

According to the provisions of Chapter 313, Lyford ISD is currently classified as a rural school district in Category 3. The applicant properly applied under the provisions of Subchapter C, as applicable to rural school districts, and the amount of proposed qualified investment (\$342,115,250) 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.

DEGS Wind is proposing the construction of a wind power electric generation facility in Willacy County. DEGS Wind is an active franchise taxpayer, as required by Tax Code Section 313.024(a), and is in good standing. After reviewing the application using the criteria listed in Section 313.026, and the information provided by DEGS Wind, the Comptroller's recommendation is that DEGS Wind's application under Tax Code Chapter 313 be approved.

Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. Chapter 313 places the responsibility to verify that all requirements of the statute have been fulfilled on the school district. Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Mr. Eduardo Infante
November 16, 2011
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The Comptroller's recommendation is based on the final, completed application that has been submitted to this office, and may not be used to support an approval if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. This recommendation is contingent on the following:

1. No later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, applicant submitting to this office a draft limitation agreement that complies with the statutes, the Comptroller's rules, and is consistent with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district approving and executing a limitation agreement that has been reviewed by this office within a year from the date of this letter. As required by Comptroller Rule 9.1055 (34 T.A.C. 9.1055), the signed limitation agreement must be forwarded to our office as soon as possible after execution.

During the 81st Legislative Session, House Bill 3676 made a number of changes to the chapter. Please visit our Web site at www.window.state.tx.us/taxinfo/proptax/hb1200 to find an outline of the program and links to applicable rules and forms.

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	DEGS Wind I, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Lyford Consolidated ISD
2009-10 Enrollment in School District	1,551
County	Willacy
Total Investment in District	\$456,900,000
Qualified Investment	\$342,115,250
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$631
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$631
Minimum Annual Wage committed to by applicant for qualified jobs	\$32,832
Investment per Qualifying Job	\$45,690,000
Estimated 15 year M&O levy without any limit or credit:	\$40,801,762
Estimated gross 15 year M&O tax benefit	\$28,338,400
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):	\$25,897,143
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$3,684,468
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$14,904,619
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	63.5%
Percentage of tax benefit due to the limitation	87.0%
Percentage of tax benefit due to the credit.	13.0%

This presents the Comptroller's economic impact evaluation of DEGS Wind (the project) applying to Lyford Consolidated 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 ten new jobs when fully operational. All ten 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 Lower Rio Grande Valley State Planning Region, where Willacy County is located was \$29,848 in 2010. The annual average manufacturing wage for 2010 for Willacy County is \$29,575. That same year, the county annual average wage for all industries was \$31,330. In addition to a salary of \$32,832, each qualifying position will receive benefits such as full package benefits including medical, dental and life insurance of which a portion of the premiums will be paid for by the LLC. In addition, each employee will receive competitive vacation time, sick leave, and skills training. The project's total investment is \$456.9 million, resulting in a relative level of investment per qualifying job of \$45.69 million.

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

According to DEGS Wind's application, "Duke Energy Generation (DEGS WIND I) is a U.S. developer of wind projects, and has operations in several regions and states within the contiguous United States that has sufficient prevailing wind conditions conducive to wind power generation. However, after the Los Vientos wind power project has completed construction the nature of the improvements makes them not readily movable to other locations. The wind turbines and supporting infrastructure are long-lived assets engineered and designed specifically for this project location. The cost of installing the improvements on the site is substantial and the cost to remove, redesign, and relocate the improvements to a different location would be even more substantial. Also, power sales agreements have terms of up to 25 years, and are specific to a certain project, wind characteristics, and electrical delivery point. Therefore, moving the improvements to a different location is not permissible under the contract that provides the project with its primary revenue source. In summary, relocating the improvements to another location, whether in-state or out-of-state, would be both impractical and likely detrimental to the economics of the project."

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

During the past two years, four projects in the Lower Rio Grande Valley State Planning 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 DEGS Wind 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 DEGS Wind'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 15 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 DEGS Wind

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	200	159	359	\$6,400,000	\$9,600,000	\$16,000,000
2013	210	161	371	\$6,728,328	\$12,271,672	\$19,000,000
2014	10	14	24	\$328,328	\$3,671,672	\$4,000,000
2015	10	23	33	\$328,328	\$3,671,672	\$4,000,000
2016	10	22	32	\$328,328	\$3,671,672	\$4,000,000
2017	10	21	31	\$328,328	\$3,671,672	\$4,000,000
2018	10	24	34	\$328,328	\$3,671,672	\$4,000,000
2019	10	27	37	\$328,328	\$3,671,672	\$4,000,000
2020	10	28	38	\$328,328	\$3,671,672	\$4,000,000
2021	10	31	41	\$328,328	\$3,671,672	\$4,000,000
2022	10	29	39	\$328,328	\$3,671,672	\$4,000,000
2023	10	25	35	\$328,328	\$3,671,672	\$4,000,000
2024	10	22	32	\$328,328	\$3,671,672	\$4,000,000
2025	10	23	33	\$328,328	\$3,671,672	\$4,000,000
2026	10	24	34	\$328,328	\$3,671,672	\$4,000,000

Source: CPA, REMI, DEGS Wind

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Lyford Consolidated ISD's ad valorem tax base in 2010 was \$207.4 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Lyford Consolidated ISD's estimated wealth per WADA was \$93,960. 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 and Willacy County, with all property tax incentives sought being granted using estimated market value from DEGS Wind's application. DEGS Wind has applied for both a value limitation under Chapter 313, Tax Code and tax abatement with Willacy County. Table 3 illustrates the estimated tax impact of the DEGS Wind project on the region if all taxes are assessed.

Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought									
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Lyford CISD I&S Levy	Lyford CISD M&O Levy	Lyford CISD M&O and I&S Tax Levies (Before Credit Credited)	Lyford CISD M&O and I&S Tax Levies (After Credit Credited)	Willacy County Tax Levy	Estimated Total Property Taxes
				0.1600	1.1700			0.6837	
2012	\$0	\$0		\$0	\$0	\$0	\$0	\$0	\$0
2013	\$324,911,825	\$324,911,825		\$519,859	\$3,801,468	\$4,321,327	\$4,321,327	\$333,204	\$4,654,531
2014	\$324,911,825	\$10,000,000		\$519,859	\$117,000	\$636,859	\$636,859	\$333,204	\$970,062
2015	\$308,666,234	\$10,000,000		\$493,866	\$117,000	\$610,866	\$305,433	\$316,543	\$621,976
2016	\$293,232,923	\$10,000,000		\$469,173	\$117,000	\$586,173	\$293,086	\$300,716	\$593,803
2017	\$278,571,276	\$10,000,000		\$445,714	\$117,000	\$562,714	\$281,357	\$285,680	\$567,037
2018	\$264,642,712	\$10,000,000		\$423,428	\$117,000	\$540,428	\$270,214	\$271,396	\$541,611
2019	\$251,410,576	\$10,000,000		\$402,257	\$117,000	\$519,257	\$259,628	\$257,827	\$517,455
2020	\$238,840,048	\$10,000,000		\$382,144	\$117,000	\$499,144	\$249,572	\$244,935	\$494,507
2021	\$226,898,045	\$10,000,000		\$363,037	\$117,000	\$480,037	\$240,018	\$232,688	\$472,707
2022	\$215,553,144	\$215,553,144		\$344,885	\$2,521,972	\$2,866,857	\$1,081,698	\$1,473,694	\$2,555,392
2023	\$204,775,486	\$204,775,486		\$327,641	\$2,395,873	\$2,723,514	\$2,723,514	\$1,400,009	\$4,123,523
2024	\$194,536,712	\$194,536,712		\$311,259	\$2,276,080	\$2,587,338	\$2,587,338	\$1,330,009	\$3,917,347
2025	\$184,809,876	\$184,809,876		\$295,696	\$2,162,276	\$2,457,971	\$2,457,971	\$1,263,508	\$3,721,480
2026	\$175,569,382	\$175,569,382		\$280,911	\$2,054,162	\$2,335,073	\$2,335,073	\$1,200,333	\$3,535,406
						Total	\$18,043,090	\$9,243,746	\$27,286,836

Assumes School Value Limitation and Tax Abatement from Willacy County.

Source: CPA, DEGS Wind

¹Tax Rate per \$100 Valuation

Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives									
Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Lyford CISD I&S Levy	Lyford CISD M&O Levy		Lyford CISD M&O and I&S Tax Levies	Willacy County Tax Levy	Estimated Total Property Taxes
				0.1600	1.1700			0.6837	
2012	\$0	\$0		\$0	\$0		\$0	\$0	\$0
2013	\$324,911,825	\$324,911,825		\$519,859	\$3,801,468		\$4,321,327	\$2,221,357	\$6,542,684
2014	\$324,911,825	\$324,911,825		\$519,859	\$3,801,468		\$4,321,327	\$2,221,357	\$6,542,684
2015	\$308,666,234	\$308,666,234		\$493,866	\$3,611,395		\$4,105,261	\$2,110,289	\$6,215,550
2016	\$293,232,923	\$293,232,923		\$469,173	\$3,430,825		\$3,899,998	\$2,004,775	\$5,904,773
2017	\$278,571,276	\$278,571,276		\$445,714	\$3,259,284		\$3,704,998	\$1,904,536	\$5,609,534
2018	\$264,642,712	\$264,642,712		\$423,428	\$3,096,320		\$3,519,748	\$1,809,309	\$5,329,057
2019	\$251,410,576	\$251,410,576		\$402,257	\$2,941,504		\$3,343,761	\$1,718,844	\$5,062,604
2020	\$238,840,048	\$238,840,048		\$382,144	\$2,794,429		\$3,176,573	\$1,632,902	\$4,809,474
2021	\$226,898,045	\$226,898,045		\$363,037	\$2,654,707		\$3,017,744	\$1,551,257	\$4,569,001
2022	\$215,553,144	\$215,553,144		\$344,885	\$2,521,972		\$2,866,857	\$1,473,694	\$4,340,551
2023	\$204,775,486	\$204,775,486		\$327,641	\$2,395,873		\$2,723,514	\$1,400,009	\$4,123,523
2024	\$194,536,712	\$194,536,712		\$311,259	\$2,276,080		\$2,587,338	\$1,330,009	\$3,917,347
2025	\$184,809,876	\$184,809,876		\$295,696	\$2,162,276		\$2,457,971	\$1,263,508	\$3,721,480
2026	\$175,569,382	\$175,569,382		\$280,911	\$2,054,162		\$2,335,073	\$1,200,333	\$3,535,406
						Total	\$46,381,490	\$23,842,178	\$70,223,668

Source: CPA, DEGS Wind

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 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$40,801,762. The estimated gross 15 year M&O tax benefit, or levy loss, is \$28,338,400.

Attachment 3 is an economic overview of Willacy 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. May 2010): Investment

Form 50-206

Applicant Name
USD Name

PROPERTY INVESTMENT AMOUNTS

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

	School Year (YYYY-YYYY)	Tax Year (FIR 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)	Year Investment made before final board approval with district (neither qualified property nor eligible to become qualified investment) Investment made after final board approval 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 Value Limitation Period Continue to Maintain Viable Presence Post-Settle-Up Period Post-Settle-Up Period	2011-2012						
		2012-13	\$ 341,384,060	\$ 751,250	\$ 342,115,250	\$ 114,785,000	\$ 456,900,250	
		2013-14						
		2014-15						
		2015-16						
		2016-17						
		2017-18						
		2018-19						
		2019-20						
		2020-21						
		2021-22						
		2022-23						
		2023-24						
		2024-25						
		2025-26						
2026-27								

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

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 §313.02(1)(A)-(D). For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: Include estimates of investment for "replacement" property that is part of original agreement but scheduled for probable replacement during limitation period.

Column C: 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 §313.02(1)(C).

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.

Column E: 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

1-1-11

DATE

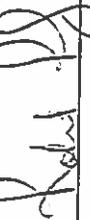
Schedule B (Rev. May 2010): Estimated Market And Taxable Value

Form 50-296

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 IRS - after all reductions	Final taxable value for M&O - after all reductions
	pre-year 1	2011-12	2011	\$ -	\$ -	\$ -	Exempted Value	\$ -	\$ -
Complete tax years of qualifying time period	1	2012-13	2012	\$ -	\$ -	\$ -	N/A	\$ -	\$ -
	2	2013-14	2013	\$ -	\$ 616,025	\$ 324,295,800	N/A	\$ 324,911,825	\$ 324,911,825
	3	2014-15	2014	\$ -	\$ 616,025	\$ 324,295,800	N/A	\$ 324,911,825	\$ 10,000,000
	4	2015-16	2015	\$ -	\$ 585,224	\$ 308,081,010	N/A	\$ 308,666,234	\$ 10,000,000
	5	2016-17	2016	\$ -	\$ 555,963	\$ 292,676,960	N/A	\$ 293,232,923	\$ 10,000,000
Tax Credit Period (with 50% cap on credit)	6	2017-18	2017	\$ -	\$ 528,164	\$ 278,043,112	N/A	\$ 278,571,276	\$ 10,000,000
	7	2018-19	2018	\$ -	\$ 501,756	\$ 264,140,956	N/A	\$ 264,642,712	\$ 10,000,000
	8	2019-20	2019	\$ -	\$ 476,668	\$ 250,933,908	N/A	\$ 251,410,576	\$ 10,000,000
	9	2020-21	2020	\$ -	\$ 452,835	\$ 238,387,213	N/A	\$ 238,840,048	\$ 10,000,000
	10	2021-22	2021	\$ -	\$ 430,193	\$ 226,467,852	N/A	\$ 226,898,045	\$ 10,000,000
Credit Settle-Up Period	11	2022-23	2022	\$ -	\$ 408,684	\$ 215,144,460	N/A	\$ 215,553,144	\$ 215,553,144
	12	2023-24	2023	\$ -	\$ 388,249	\$ 204,387,237	N/A	\$ 204,775,486	\$ 204,775,486
	13	2024-25	2024	\$ -	\$ 368,837	\$ 194,167,875	N/A	\$ 194,536,712	\$ 194,536,712
Post- Settle-Up Period	14	2025-26	2025	\$ -	\$ 350,395	\$ 184,459,481	N/A	\$ 184,809,876	\$ 184,809,876
Post- Settle-Up Period	15	2026-27	2026	\$ -	\$ 332,875	\$ 175,236,507	N/A	\$ 175,569,382	\$ 175,569,382

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

9-1-11

DATE

Schedule C- Application: Employment Information

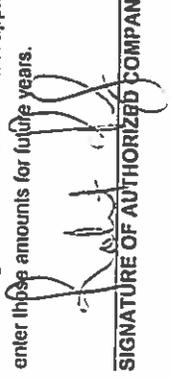
Applicant Name
ISD Name

Form 50-298

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		Now 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	
	pro-year 1	2011-12	2011							
Complete tax years of qualifying time period	1	2012-13	2012	200 FTE	\$ 32,000					
	2	2013-14	2013	200 FTE	\$ 32,000	10	\$ 32,832.80	10	\$ 32,832.80	
	3	2014-15	2014			10	\$ 32,832.80	10	\$ 32,832.80	
	4	2015-16	2015			10	\$ 32,832.80	10	\$ 32,832.80	
	5	2016-17	2016			10	\$ 32,832.80	10	\$ 32,832.80	
	6	2017-18	2017			10	\$ 32,832.80	10	\$ 32,832.80	
Value Limitation Period	7	2018-19	2018			10	\$ 32,832.80	10	\$ 32,832.80	
	8	2019-20	2019			10	\$ 32,832.80	10	\$ 32,832.80	
	9	2020-21	2020			10	\$ 32,832.80	10	\$ 32,832.80	
	10	2021-22	2021			10	\$ 32,832.80	10	\$ 32,832.80	
Credit Settle-Up Period	11	2022-23	2022			10	\$ 32,832.80	10	\$ 32,832.80	
	12	2023-24	2023			10	\$ 32,832.80	10	\$ 32,832.80	
	13	2024-25	2024			10	\$ 32,832.80	10	\$ 32,832.80	
Post- Settle-Up Period	14	2025-26	2025			10	\$ 32,832.80	10	\$ 32,832.80	
	15	2026-27	2026			10	\$ 32,832.80	10	\$ 32,832.80	

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

11-11
DATE

Schedule D: (Rev. May 2010): Other Tax Information

Form 50-298

Applicant Name

Sales Tax Information				Franchise Tax				Other Property Tax Abatelements Sought			
Sales Taxable Expenditures				Franchise Tax				Other Property Tax Abatelements Sought			
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	County	City	Hospital	Other	
	2011-12	2011	\$ 89,000,000	\$ 290,000,000	\$ 356,703					Fill in percentage exemption requested or granted in each year of the Agreement	
	2012-13	2012	\$ 89,000,000	\$ 290,000,000	\$ 356,703	85%				85%	
	2013-14	2013	\$ 11,000,000	\$ 18,000,000	\$ 356,703	85%				85%	
	2014-15	2014			\$ 356,703	85%				85%	
	2015-16	2015			\$ 356,703	85%				85%	
	2016-17	2016			\$ 356,703	85%				85%	
	2017-18	2017			\$ 356,703	85%				85%	
	2018-19	2018			\$ 356,703	85%				85%	
	2019-20	2019			\$ 356,703	85%				85%	
	2020-21	2020			\$ 356,703	85%				85%	
	2021-22	2021			\$ 356,703	85%				85%	
	2022-23	2022			\$ 356,703	85%				85%	
	2023-24	2023			\$ 356,703	85%				85%	
	2024-25	2024			\$ 356,703	85%				85%	
	2025-26	2025			\$ 356,703	85%				85%	
	2026-27	2026			\$ 356,703	85%				85%	

*For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE 9-1-11

Attachment 2



TEXAS EDUCATION AGENCY

1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • www.tea.state.tx.us

Robert Scott
Commissioner

November 4, 2011

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 DEGS Wind I LLC project on the number and size of school facilities in Lyford Consolidated Independent School District (LCISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the LCISD superintendent, Mr. Eduardo Infante, the TEA has found that the DEGS Wind I LLC project would not have a significant impact on the number or size of school facilities in LCISD.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information regarding this issue.

Sincerely,

A handwritten signature in black ink that reads "Belinda Dyer". The signature is written in a cursive, flowing style.

Belinda Dyer
Division Manager
Office of School Finance

BD/bd

November 4, 2011

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 has analyzed the revenue gains that would be realized by the proposed DEGS Wind I LLC project for the Lyford Consolidated Independent School District (LCISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Moak, Casey and Associates 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 DEGS Wind I LLC project on LCISD are correct.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information regarding this issue.

Sincerely,



Belinda Dyer
Division Manager
Office of School Finance

BD/bd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED DEGS
WIND I, LLC PROJECT ON THE FINANCES OF LYFORD CISD
UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE
LIMITATION**

September 23, 2011

Final Report

PREPARED BY



Estimated Impact of the Proposed Duke Energy Project on the Finances of Lyford CISD under a Requested Chapter 313 Property Value Limitation

Introduction

DEGS Wind I, LLC (Duke Energy) has requested that the Lyford Consolidated Independent School District (LCISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new renewable electric wind generation project. An application was submitted to LCISD on August 3, 2011. Duke Energy proposes to invest \$342.1 million to construct a new wind energy project in LCISD.

The Duke Energy project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, the original language in Chapter 313 of the Tax Code made companies engaged in manufacturing, research and development, and renewable electric energy production eligible to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

School Finance Mechanics

Under the provisions of Chapter 313, LCISD may offer a minimum value limitation of \$10 million. Based on the application, the qualifying time period would begin with the 2012-13 school year. The full taxable value of the investment is expected to reach \$324.9 million in 2013-14, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement and after.

The provisions of Chapter 313 call for the project to be fully taxable in the 2012-13 and 2013-14 school years, unless the District and the Company agree to an extension of the start of the qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2012-13 and 2013-14 school years. Beginning in 2014-15, the project would go on the local tax roll at \$10 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes. The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with LCISD currently levying a \$0.160 per \$100 I&S tax rate.

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct their property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

For the school finance system that operated prior to the approval of House Bill 1 (HB 1) in the 2006 special session, the third year was typically problematical for a school district that approved a Chapter 313 value limitation. This typically resulted in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant in the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

Under the HB 1 system, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

In the case of HB 3646—the school finance system changes approved by the Legislature in 2009—the starting point was the target revenue provisions from HB 1, that were then expanded through the addition of a series of school funding provisions that had operated previously outside the basic allotment and the traditional formula structure, as well as an additional \$120 per WADA guarantee.

Under the provisions of HB 3646, school districts did have the potential to earn revenue above the \$120 per WADA level, up to a maximum of \$350 per WADA above current law. Initial estimates indicate that about 70 percent of all school districts were funded at the minimum \$120 per WADA level, while approximately 30 percent school districts were expected to generate higher revenue amounts per WADA in the 2009-10 school year. This is significant because changes in property values and related tax collections under a Chapter 313 agreement once again have the potential to affect a school district's base revenue, although probably not to the degree experienced prior to the HB 1 target revenue system.

The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 797 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 227 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the appropriations bill. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Duke Energy project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect

in each of those years. This meets the statutory requirement under Section 313.027(f) (1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

The approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The current SB 1 reductions are reflected in the underlying models. With regard to ASATR funding the 92.35 percent reduction enacted for the 2012-13 school year and thereafter, future changes are dependent on legislative action that is difficult to forecast. While there is a statement of intent to no longer fund target revenue by the 2017-18 school year, implementing this change will require future legislative action, with any changes coming through the appropriations process, statutory changes, or both. An earlier value limitation agreement for EC&R Development is factored into the base model used here, although the impact of the proposed Duke Energy project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 1,440 students in average daily attendance (ADA) in analyzing the effects of the Duke Energy project on the finances of LCISD. The District's local tax base reached \$206.2 million for the 2011 tax year. The underlying \$206.2 million taxable value for 2011-12 is maintained for the forecast period in order to isolate the effects of the property value limitation. LCISD is not a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$93,151 for the 2011-12 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for LCISD under the assumptions outlined above through the 2025-26 school year. Beyond the 2010-11 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a second model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Duke Energy facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A third model is developed which adds the Duke Energy value but imposes the proposed property value limitation effective in the third year, which in this case is the 2014-15 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue protection provisions of the proposed agreement (see Table 3). An M&O tax rate of \$1.17 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$12.6 million a year in net General Fund revenue, although some variation is reflected in these estimates.

Under these assumptions, LCISD would experience a revenue loss of approximately \$2.4 million as a result of the implementation of the value limitation in the 2014-15 school year. This formula loss between the base and the limitation models is based on an assumption of \$3.7 million in M&O tax savings for Duke Energy when the \$10 million limitation is implemented. While there is an additional \$153,000 offset in ASATR funding as a partial offset to this reduction in M&O taxes in the first year the value limitation takes effect, LCISD is a relatively low target-revenue district—\$4,637 per WADA at the base level, compared with a statewide average of \$5,185—that would be entitled to additional M&O revenue at its existing M&O tax rate as a “formula” district. As shown in these estimates, when the \$10 million limit is reflected in the Comptroller’s property value study for the 2014 tax year, these losses disappear in the 2015-16 and later school years.

Given that the revenue loss estimate falls below the anticipated tax savings for the project in the first year of implementation of the agreement, there is no financial risk to the school district as a result of the adoption of the value limitation agreement. ASATR funding makes up a small portion of the 2014-15 M&O revenue reduction, but not enough to exceed the anticipated tax savings for the Company under the agreement if this source of state funds was eliminated.

The Comptroller’s Property Tax Assistance Division announced recently that it would be adopting a rule this fall that would implement the use of two values for school districts for its 2011 state property value study. These are the state values that will be used to calculate state aid and recapture in the 2012-13 school year.

At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect.

Under the property value study conducted by the Comptroller’s Office through the 2010 tax year, however, only a single deduction amount was calculated for a property value limitation and the same value is assigned for the M&O and I&S calculations under the school funding formulas. The result of this interpretation is that a “composite” value for a school district with a Chapter 313 agreement is calculated, by averaging the impact of the value reduction across the M&O and I&S tax levies. The result of the composite deduction calculation is that the amount deducted for the value limitation from the state value study is always less than the tax benefit that has been provided for the taxpayer receiving the value limitation in school districts that levy M&O taxes only.

Under the Duke Energy request for a value limitation, the 2014 state property value used for the 2015-16 school year would be the first year that this change in the value study would be reflected in funding formula calculations for the new Duke Energy project. This change has been made in the models presented here and tends to benefit both the District and the Company in these calculations.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.17 per \$100 of taxable value M&O rate is assumed in 2011-12 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$24.7 million over the life of the agreement. In addition, Duke Energy would be eligible for a tax credit for taxes paid on value in excess of the value limitation in each of the first two years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$3.7 million over the life of the agreement, with no unpaid tax credits anticipated. The District is to be reimbursed by the state for the tax credit payments.

The key LCISD revenue losses are associated with the additional six-cent levy linked to the Austin ISD yield and lost M&O taxes and state aid associated with the additional 11 cents levied by LCISD beyond the six cents. The 2014-15 revenue loss is expected to total \$2.4 million, with no revenue loss expected in subsequent years. The potential net tax benefits are estimated to total \$25.9 million over the life of the agreement. Even with a substantial hold-harmless payment in the 2014-15 school year, there would be a substantial tax benefit to Duke Energy under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Duke Energy project remains fully taxable for debt services taxes, with LCISD currently levying a \$0.160 I&S rate. The value of the Duke Energy project is expected to depreciate over the life of the agreement and beyond. At its peak taxable value, the project adds 157.6 percent to LCISD's current tax base, which should assist the District in meeting its debt service obligations. Near its peak value, the addition of the project suggests that the state value per ADA will exceed the \$350,000 per ADA guarantee provided under the state's facilities program, providing some relief to local taxpayers on I&S taxes for several years.

The Duke Energy project is not expected to affect LCISD in terms of enrollment. Continued expansion of the renewable energy industry could result in additional employment in the area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed Duke Energy wind energy project enhances the tax base of LCISD. It reflects continued capital investment in renewable electric energy generation, one of the goals of Chapter 313 of the Tax Code, also known as the Texas Economic Development Act.

Under the assumptions outlined above, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$25.9 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District. The additional taxable value also enhances the tax base of LCISD in meeting its future debt service obligations.

Table I – Base District Information with Duke Energy Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
2012-13	2012-13	1,440.11	2,187.40	\$1.1700	\$0.1600	\$216,181,579	\$203,758,339	\$203,758,339	\$93,151	\$93,151	2012-13
2013-14	2013-14	1,440.11	2,187.40	\$1.1700	\$0.1600	\$541,093,404	\$213,758,339	\$213,758,339	\$97,723	\$97,723	2013-14
2014-15	2014-15	1,440.11	2,187.40	\$1.1700	\$0.1600	\$541,093,404	\$538,670,164	\$538,670,164	\$246,261	\$246,261	2014-15
2015-16	2015-16	1,440.11	2,187.40	\$1.1700	\$0.1600	\$524,847,813	\$538,670,164	\$538,670,164	\$246,261	\$246,261	2015-16
2016-17	2016-17	1,440.11	2,187.40	\$1.1700	\$0.1600	\$509,414,502	\$522,424,573	\$522,424,573	\$238,834	\$238,834	2016-17
2017-18	2017-18	1,440.11	2,187.40	\$1.1700	\$0.1600	\$494,752,855	\$506,991,262	\$506,991,262	\$231,778	\$231,778	2017-18
2018-19	2018-19	1,440.11	2,187.40	\$1.1700	\$0.1600	\$480,824,291	\$492,329,615	\$492,329,615	\$225,076	\$225,076	2018-19
2019-20	2019-20	1,440.11	2,187.40	\$1.1700	\$0.1600	\$467,592,155	\$478,401,051	\$478,401,051	\$218,708	\$218,708	2019-20
2020-21	2020-21	1,440.11	2,187.40	\$1.1700	\$0.1600	\$485,791,627	\$465,168,915	\$465,168,915	\$212,659	\$212,659	2020-21
2021-22	2021-22	1,440.11	2,187.40	\$1.1700	\$0.1600	\$470,449,624	\$483,368,387	\$483,368,387	\$220,979	\$220,979	2021-22
2022-23	2022-23	1,440.11	2,187.40	\$1.1700	\$0.1600	\$455,704,723	\$468,026,384	\$468,026,384	\$213,965	\$213,965	2022-23
2023-24	2023-24	1,440.11	2,187.40	\$1.1700	\$0.1600	\$441,527,065	\$453,281,483	\$453,281,483	\$207,224	\$207,224	2023-24
2024-25	2024-25	1,440.11	2,187.40	\$1.1700	\$0.1600	\$427,898,291	\$439,103,825	\$439,103,825	\$200,743	\$200,743	2024-25
2025-26	2025-26	1,440.11	2,187.40	\$1.1700	\$0.1600	\$415,157,382	\$425,475,051	\$425,475,051	\$194,512	\$194,512	2025-26
2026-27	2026-27	1,440.11	2,187.40	\$1.1700	\$0.1600	\$403,237,055	\$412,734,142	\$412,734,142	\$188,687	\$188,687	2026-27

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

Table 2 – “Baseline Revenue Model”--Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund	
2012-13	2012-13	\$1,936,347	\$9,230,616	\$0	-\$152,833	\$0	\$77,353	\$408,748	\$0	\$11,500,232	2009-10
2013-14	2013-14	\$2,110,147	\$9,447,817	\$0	\$0	\$0	\$358,602	\$1,432,208	\$0	\$13,348,774	2010-11
2014-15	2014-15	\$2,110,147	\$8,741,187	\$0	\$0	\$0	\$358,602	\$1,238,737	\$0	\$12,446,673	2011-12
2015-16	2015-16	\$2,208,152	\$9,171,538	\$0	\$0	\$0	\$375,257	\$1,310,351	\$0	\$13,065,298	2012-13
2016-17	2016-17	\$5,392,447	\$9,071,533	\$0	\$0	\$0	\$916,401	\$3,007,389	\$0	\$18,387,770	2013-14
2017-18	2017-18	\$5,392,447	\$5,822,252	\$0	\$0	\$0	\$916,401	\$640,661	\$0	\$12,771,762	2014-15
2018-19	2018-19	\$5,233,233	\$5,822,252	\$0	\$0	\$0	\$889,343	\$621,745	\$0	\$12,566,574	2015-16
2019-20	2019-20	\$5,081,979	\$5,984,716	\$0	\$0	\$0	\$863,639	\$649,407	\$0	\$12,579,741	2016-17
2020-21	2020-21	\$4,938,287	\$6,139,057	\$0	\$0	\$0	\$839,220	\$675,801	\$0	\$12,592,386	2017-18
2021-22	2021-22	\$4,801,780	\$6,285,681	\$0	\$0	\$0	\$816,022	\$700,991	\$0	\$12,604,475	2018-19
2022-23	2022-23	\$4,672,099	\$6,424,973	\$0	\$0	\$0	\$793,984	\$725,034	\$0	\$12,616,090	2019-20
2023-24	2023-24	\$4,850,463	\$6,557,301	\$0	\$0	\$0	\$824,295	\$797,573	\$0	\$13,029,632	2020-21
2024-25	2024-25	\$4,700,104	\$6,375,297	\$0	\$0	\$0	\$798,743	\$713,678	\$0	\$12,587,820	2021-22
2025-26	2025-26	\$1,936,347	\$9,230,616	\$0	-\$152,833	\$0	\$77,353	\$408,748	\$0	\$11,500,232	2009-10
2026-27	2026-27	\$2,110,147	\$9,447,817	\$0	\$0	\$0	\$358,602	\$1,432,208	\$0	\$13,348,774	2010-11

Table 3-- "Value Limitation Revenue Model"--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2012-13	\$2,208,152	\$9,171,538	\$0	\$0	\$0	\$375,257	\$1,310,351	\$0	\$13,065,298	2009-10
2013-14	\$5,392,447	\$9,071,533	\$0	\$0	\$0	\$916,401	\$3,007,389	\$0	\$18,387,770	2010-11
2014-15	\$5,392,447	\$5,822,252	\$0	\$0	\$0	\$916,401	\$840,861	\$0	\$12,771,762	2011-12
2015-16	\$5,233,233	\$5,822,252	\$0	\$0	\$0	\$889,343	\$621,745	\$0	\$12,566,574	2012-13
2016-17	\$5,081,979	\$5,984,716	\$0	\$0	\$0	\$863,639	\$649,407	\$0	\$12,579,741	2013-14
2017-18	\$4,938,287	\$6,139,057	\$0	\$0	\$0	\$839,220	\$675,801	\$0	\$12,592,366	2014-15
2018-19	\$4,801,780	\$6,285,681	\$0	\$0	\$0	\$816,022	\$700,991	\$0	\$12,604,475	2015-16
2019-20	\$4,672,099	\$6,424,973	\$0	\$0	\$0	\$793,984	\$725,034	\$0	\$12,616,090	2016-17
2020-21	\$4,850,463	\$6,557,301	\$0	\$0	\$0	\$824,295	\$797,573	\$0	\$13,029,632	2017-18
2021-22	\$4,700,104	\$6,375,297	\$0	\$0	\$0	\$798,743	\$713,676	\$0	\$12,587,820	2018-19
2022-23	\$4,555,596	\$6,528,725	\$0	\$0	\$0	\$774,185	\$739,787	\$0	\$12,598,294	2019-20
2023-24	\$4,416,648	\$6,676,182	\$0	\$0	\$0	\$750,572	\$764,969	\$0	\$12,608,372	2020-21
2024-25	\$4,283,080	\$6,817,965	\$0	\$0	\$0	\$727,873	\$789,289	\$0	\$12,618,207	2021-22
2025-26	\$2,208,152	\$9,171,538	\$0	\$0	\$0	\$375,257	\$1,310,351	\$0	\$13,065,298	2009-10
2026-27	\$5,392,447	\$9,071,533	\$0	\$0	\$0	\$916,401	\$3,007,389	\$0	\$18,387,770	2010-11

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
2012-13	\$271,805	-\$59,078	\$0	\$152,833	\$0	\$297,904	\$901,602	\$0	\$1,565,066	2009-10
2013-14	\$3,282,300	-\$376,284	\$0	\$0	\$0	\$557,799	\$1,575,181	\$0	\$5,038,996	2010-11
2014-15	\$3,282,300	-\$2,918,934	\$0	\$0	\$0	\$557,799	-\$598,078	\$0	\$325,089	2011-12
2015-16	\$3,025,080	-\$3,349,286	\$0	\$0	\$0	\$514,087	-\$688,606	\$0	-\$498,725	2012-13
2016-17	-\$310,469	-\$3,086,817	\$0	\$0	\$0	-\$52,782	-\$2,357,982	\$0	-\$5,808,030	2013-14
2017-18	-\$454,160	\$316,805	\$0	\$0	\$0	-\$77,181	\$35,140	\$0	-\$179,396	2014-15
2018-19	-\$431,452	\$463,429	\$0	\$0	\$0	-\$73,322	\$79,246	\$0	\$37,901	2015-16
2019-20	-\$409,879	\$440,257	\$0	\$0	\$0	-\$69,656	\$75,627	\$0	\$36,349	2016-17
2020-21	-\$87,824	\$418,244	\$0	\$0	\$0	-\$14,925	\$121,771	\$0	\$437,266	2017-18
2021-22	-\$101,677	\$89,616	\$0	\$0	\$0	-\$17,279	\$12,685	\$0	-\$16,655	2018-19
2022-23	-\$116,503	\$103,752	\$0	\$0	\$0	-\$19,799	\$14,753	\$0	-\$17,796	2019-20
2023-24	-\$433,814	\$118,881	\$0	\$0	\$0	-\$73,723	-\$32,603	\$0	-\$421,260	2020-21
2024-25	-\$417,024	\$442,868	\$0	\$0	\$0	-\$70,870	\$75,612	\$0	\$30,367	2021-22
2025-26	\$271,805	-\$59,078	\$0	\$152,833	\$0	\$297,904	\$901,602	\$0	\$1,565,066	2009-10
2026-27	\$3,282,300	-\$376,284	\$0	\$0	\$0	\$557,799	\$1,575,181	\$0	\$5,038,996	2010-11

Table 5 - Estimated Financial Impact of the Duke Energy Project Property Value Limitation Request Submitted to LCISD at \$1.17 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
1	2012-13	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$324,911,825	\$324,911,825	\$0	\$1.170	\$3,801,468	\$3,801,468	\$0	\$0	\$0	\$0	\$0
3	2014-15	\$324,911,825	\$10,000,000	\$314,911,825	\$1.170	\$3,801,468	\$117,000	\$3,684,468	\$0	\$3,684,468	-\$2,441,257	\$1,243,211
4	2015-16	\$308,666,234	\$10,000,000	\$298,666,234	\$1.170	\$3,611,395	\$117,000	\$3,494,395	\$305,433	\$3,799,828	\$0	\$3,799,828
5	2016-17	\$293,232,923	\$10,000,000	\$283,232,923	\$1.170	\$3,430,825	\$117,000	\$3,313,825	\$293,088	\$3,608,912	\$0	\$3,608,912
6	2017-18	\$278,571,276	\$10,000,000	\$268,571,276	\$1.170	\$3,259,284	\$117,000	\$3,142,284	\$281,357	\$3,423,641	\$0	\$3,423,641
7	2018-19	\$264,842,712	\$10,000,000	\$254,842,712	\$1.170	\$3,096,320	\$117,000	\$2,979,320	\$270,214	\$3,249,534	\$0	\$3,249,534
8	2019-20	\$251,410,576	\$10,000,000	\$241,410,576	\$1.170	\$2,941,504	\$117,000	\$2,824,504	\$259,628	\$3,084,132	\$0	\$3,084,132
9	2020-21	\$238,840,048	\$10,000,000	\$228,840,048	\$1.170	\$2,784,429	\$117,000	\$2,677,429	\$249,572	\$2,927,001	\$0	\$2,927,001
10	2021-22	\$226,898,045	\$10,000,000	\$216,898,045	\$1.170	\$2,654,707	\$117,000	\$2,537,707	\$240,018	\$2,777,726	\$0	\$2,777,726
11	2022-23	\$215,553,144	\$215,553,144	\$0	\$1.170	\$2,521,972	\$2,521,972	\$0	\$1,785,159	\$1,785,159	\$0	\$1,785,159
12	2023-24	\$204,775,486	\$204,775,486	\$0	\$1.170	\$2,395,873	\$2,395,873	\$0	\$0	\$0	\$0	\$0
13	2024-25	\$194,538,712	\$194,538,712	\$0	\$1.170	\$2,278,080	\$2,278,080	\$0	\$0	\$0	\$0	\$0
14	2025-26	\$184,809,876	\$184,809,876	\$0	\$1.170	\$2,162,276	\$2,162,276	\$0	\$0	\$0	\$0	\$0
15	2026-27	\$175,569,382	\$175,569,382	\$0	\$1.170	\$2,054,182	\$2,054,182	\$0	\$0	\$0	\$0	\$0
Totals:						\$40,801,782	\$16,147,830	\$24,653,932	\$3,684,468	\$28,338,400	-\$2,441,257	\$25,897,143

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$0	\$3,684,468	\$3,684,468
Credits Earned			\$3,684,468
Credits Paid			<u>\$3,684,468</u>
Excess Credits Unpaid			\$0

Attachment 3

Willacy County

Population

- Total county population in 2010 for Willacy County: 20,513 , up 1.0 percent from 2009. State population increased 1.8 percent in the same time period.
- Willacy County was the state's 115rd largest county in population in 2010 and the 93rd fastest growing county from 2009 to 2010.
- Willacy County's population in 2009 was 10.7 percent Anglo (below the state average of 46.7 percent), 2.1 percent African-American (below the state average of 11.3 percent) and 86.8 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Willacy County:

Raymondville:	9,392	Lyford:	2,518
San Perlita:	690		

Economy and Income

Employment

- September 2011 total employment in Willacy County: 8,211 , up 3.8 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 Willacy County unemployment rate: 15.2 percent, up from 12.4 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

- Willacy County's ranking in per capita personal income in 2009: 243rd with an average per capita income of \$23,584, up 0.6 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 Willacy County averaged \$76.53 million annually from 2007 to 2010. County total agricultural values in 2010 were up 4.7 percent from 2009. Major agriculture related commodities in Willacy County during 2010 included:
 - Recreation
 - Other Beef
 - Sugar Cane
 - Cotton
 - Sorghum
- 2011 oil and gas production in Willacy County: 226,833.0 barrels of oil and 11.8 million Mcf of gas. In September 2011, there were 89 producing oil wells and 100 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 Willacy County during the fourth quarter 2010: \$14.54 million, up 6.5 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Raymondville:	\$12.87 million, up 4.8 percent from the same quarter in 2009.
Lyford:	\$565,169.00, up 47.7 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 Willacy County through the fourth quarter of 2010: \$55.71 million, up 0.1 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Raymondville:	\$49.14 million, down 0.7 percent from the same period in 2009.
Lyford:	\$2.03 million, up 21.5 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Willacy County during 2010: \$55.71 million, up 0.1 percent from 2009.
- Willacy County sent an estimated \$3.48 million (or 0.02 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Raymondville: \$49.14 million, down 0.7 percent from 2009.
 Lyford: \$2.03 million, up 21.5 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 Willacy County based on the sales activity month of August 2011: \$126,321.62, up 31.5 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Raymondville:	\$122,422.14, up 33.1 percent from August 2010.
Lyford:	\$3,899.48, down 3.8 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 Willacy County based on sales activity months from September 2010 through August 2011: \$1.33 million, up 11.3 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Raymondville:	\$1.28 million, up 11.0 percent from fiscal 2010.
Lyford:	\$47,090.96, up 19.4 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 Willacy County based on sales activity months through August 2011: \$892,759.05, up 13.5 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Raymondville:	\$861,132.69, up 13.3 percent from the same period in 2010.
Lyford:	\$31,626.36, up 19.0 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 Willacy County based on sales activity in the 12 months ending in August 2011: \$1.33 million, up 11.3 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Raymondville:	\$1.28 million, up 11.0 percent from the previous 12-month period.
Lyford:	\$47,090.96, up 19.4 percent from the previous 12-month period.

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

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

Raymondville:	\$1.09 million, up 12.9 percent from the same period in 2010.
Lyford:	\$39,135.49, up 20.6 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 Willacy County based on sales activity months in 2010: \$1.22 million, down 2.8 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Raymondville:	\$1.18 million, down 2.9 percent from 2009.
Lyford:	\$42,034.76, up 1.3 percent from 2009.

Property Tax

- As of January 2009, property values in Willacy County: \$982.27 million, down 6.4 percent from January 2008 values. The property tax base per person in Willacy County is \$48,162, below the statewide average of \$85,809. About 35.1 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Willacy County's ranking in state expenditures by county in fiscal year 2010: 99th. State expenditures in the county for FY2010:

\$100.76 million, down 0.1 percent from FY2009.

- In Willacy County, 10 state agencies provide a total of 88 jobs and \$915,944.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Health & Human Services Commission
 - Department of Transportation
 - Department of Public Safety
 - University of Texas Medical Branch
 - Texas Workforce Commission

Higher Education

- Community colleges in Willacy County fall 2010 enrollment:
 - None.

- Willacy County is in the service area of the following:
 - Texas Southmost College with a fall 2010 enrollment of 11,043. Counties in the service area include:
 - Cameron County
 - Willacy County

- Institutions of higher education in Willacy County fall 2010 enrollment:
 - None.

School Districts

- Willacy County had 4 school districts with 13 schools and 4,488 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.)
 - Lasara ISD had 454 students in the 2009-10 school year. The average teacher salary was \$46,244. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.
 - Lyford CISD had 1,551 students in the 2009-10 school year. The average teacher salary was \$44,262. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.
 - Raymondville ISD had 2,202 students in the 2009-10 school year. The average teacher salary was \$45,368. The percentage of students meeting the 2010 TAKS passing standard for all tests was 57 percent.
 - San Perlita ISD had 281 students in the 2009-10 school year. The average teacher salary was \$45,064. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.