

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 14, 2013

Dr. Chad Kelly
Superintendent
Taft Independent School District
400 College St.
Taft, Texas 78390

Dear Superintendent Kelly:

On August 22, 2013, the Comptroller received the completed application (Application # 336) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in August 2013 to Taft Independent School District (the school district) by Apex Midway Wind, 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 I 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 (\$80.4 million) is consistent with the proposed appraised value limitation sought (\$30 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 San Patricio 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

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

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

Note that any new building or other improvement existing as of the application review start date of August 22, 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	Apex Midway Wind, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Taft ISD
2011-12 Enrollment in School District	1,098
County	San Patricio
Total Investment in District	\$80,433,100
Qualified Investment	\$80,433,100
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	3*
Number of qualifying jobs committed to by applicant	3
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,011
Minimum Weekly Wage Required Tax Code, 313.021(5)(B)	\$1,011
Minimum Annual Wage committed to by applicant for qualified jobs	\$52,565
Investment per Qualifying Job	\$26,811,033
Estimated 15 year M&O levy without any limit or credit:	\$7,535,154
Estimated gross 15 year M&O tax benefit	\$2,604,507
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):	\$2,106,259
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$519,987
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$5,428,895
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	28.0%
Percentage of tax benefit due to the limitation	80.0%
Percentage of tax benefit due to the credit.	20.0%
* 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 Apex Midway Wind, LLC (the project) applying to Taft Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

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

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

After construction, the project will create three new jobs when fully operational. All three jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Coastal Bend Council of Governments Region, where San Patricio County is located was \$47,786 in 2012. The annual average manufacturing wage for 2012 for San Patricio County is \$73,684. That same year, the county annual average wage for all industries was \$44,564. In addition to a salary of \$52,565, each qualifying position will receive the following benefits: Employees will be offered a group health benefit plan for which the operator of the Midway Wind Project will pay at least 80% of the premiums or other charges assessed for employee-only coverage under the plan or as necessary to be in compliance with the Affordable Care Act. In addition, each qualifying employee will receive area-wide competitive 401(k) retirement savings plan, vacation time, sick leave and skills training. The project's total investment is \$80.4 million, resulting in a relative level of investment per qualifying job of \$26.8 million.

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

According to Apex Midway Wind, LLC's application, "...In December 2012, Apex completed construction of the 300 MW Canadian Hills Wind project in Oklahoma. Earlier that year, commercial operation of Apex's solar facilities in Colorado commenced. The company is now developing several thousand megawatts of wind and solar projects around the country. Thanks to a dynamic team of over 70 talented and experienced professionals, Apex has the ability to locate and develop wind farms in numerous locations throughout the United States."

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

During the past two years, 13 projects in the Coastal Bend Council 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 Apex Midway Wind, 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 Apex Midway Wind, 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 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 Apex Midway Wind, LLC

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2014	82	76	158	\$2,604,976	\$5,574,024	\$8,179,000
2015	3	5	8	\$157,695	\$819,305	\$977,000
2016	3	2	5	\$157,695	\$452,305	\$610,000
2017	3	2	5	\$157,695	\$696,305	\$854,000
2018	3	1	4	\$157,695	\$330,305	\$488,000
2019	3	1	4	\$157,695	\$330,305	\$488,000
2020	3	1	4	\$157,695	\$208,305	\$366,000
2021	3	1	4	\$157,695	\$86,305	\$244,000
2022	3	1	4	\$157,695	\$86,305	\$244,000
2023	3	(1)	2	\$157,695	-\$157,695	\$0
2024	3	(3)	0	\$157,695	\$86,305	\$244,000
2025	3	1	4	\$157,695	-\$157,695	\$0
2026	3	(1)	2	\$157,695	-\$35,695	\$122,000
2027	3	1	4	\$157,695	\$86,305	\$244,000
2028	3	1	4	\$157,695	-\$157,695	\$0

Source: CPA, REMI, Apex Midway Wind, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Taft ISD's ad valorem tax base in 2012-2013 was \$396 million. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Taft ISD's estimated wealth per WADA was \$250,997. 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, San Patricio County, and San Patricio County Drainage District, with all property tax incentives sought being granted using estimated market value from Apex Midway Wind, LLC's application. Apex Midway Wind, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and drainage district. Table 3 illustrates the estimated tax impact of the Apex Midway Wind, LLC project on the region if all taxes are assessed.

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

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$7,535,154. The estimated gross 15 year M&O tax benefit, or levy loss, is \$2,604,507.

Attachment 3 is an economic overview of San Patricio 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

Applicant Name: APEX MIDWAY WIND, LLC
 ISO Name: TAFT ISD

Form 50-296

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	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) Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property) Complete tax years of qualifying time period Value Limitation Period Continue to Maintain Viable Presence Post-Settle-Up Period Post-Settle-Up Period	1	2014-2015	2014	79,493,100	0	79,493,100	0	79,493,100	0
	2	2015-2016	2015	0	950,000	80,433,100	0	80,433,100	0
	3	2016-2017	2016	0	0	0	0	0	0
	4	2017-2018	2017	0	0	0	0	0	0
	5	2018-2019	2018	0	0	0	0	0	0
	6	2019-2020	2019	0	0	0	0	0	0
	7	2020-2021	2020	0	0	0	0	0	0
	8	2021-2022	2021	0	0	0	0	0	0
	9	2022-2023	2022	0	0	0	0	0	0
	10	2023-2024	2023	0	0	0	0	0	0
	11	2024-2025	2024	0	0	0	0	0	0
	12	2025-2026	2025	0	0	0	0	0	0
	13	2026-2027	2026	0	0	0	0	0	0
	14	2027-2028	2027	0	0	0	0	0	0
	15	2028-2029	2028	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.

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: (For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property) Include estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period. 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)(E).

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. This most significant example for many projects would be land. Other examples may be items such as professional services, etc.

Column D: Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Column E: 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: *[Handwritten Signature]* Date: 8/2/13

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Schedule B (Rev. January 2013): Estimated Market And Taxable Value
APEX MIDWAY WIND, LLC

Applicant Name
 ISD Name

TAFT/ISD

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	Final taxable value for MASO—after all reductions
				Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value	Final taxable value for IAS - after all reductions		
	pre-year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Credit Period (with 50% cap on credit)	1	2014-2015	2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2	2015-2016	2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	3	2016-2017	2016	\$ -	\$921,500	\$ 73,521,868	\$ -	\$ -	\$ 74,443,368	\$ 74,443,368
	4	2017-2018	2017	\$ -	\$898,500	\$ 67,640,000	\$ -	\$ -	\$ 68,538,500	\$ 30,000,000
	5	2018-2019	2018	\$ -	\$876,000	\$ 62,229,000	\$ -	\$ -	\$ 63,105,000	\$ 30,000,000
	6	2019-2020	2019	\$ -	\$854,100	\$ 57,251,000	\$ -	\$ -	\$ 58,105,100	\$ 30,000,000
	7	2020-2021	2020	\$ -	\$832,700	\$ 52,671,000	\$ -	\$ -	\$ 53,503,700	\$ 30,000,000
	8	2021-2022	2021	\$ -	\$811,900	\$ 48,457,000	\$ -	\$ -	\$ 49,268,900	\$ 30,000,000
	9	2022-2023	2022	\$ -	\$791,600	\$ 44,580,000	\$ -	\$ -	\$ 45,371,600	\$ 30,000,000
	10	2023-2024	2023	\$ -	\$771,800	\$ 41,014,000	\$ -	\$ -	\$ 41,785,800	\$ 30,000,000
	11	2024-2025	2024	\$ -	\$752,500	\$ 37,733,000	\$ -	\$ -	\$ 38,485,500	\$ 30,000,000
	12	2025-2026	2025	\$ -	\$733,700	\$ 34,714,000	\$ -	\$ -	\$ 35,447,700	\$ 35,447,700
	13	2026-2027	2026	\$ -	\$715,400	\$ 31,937,000	\$ -	\$ -	\$ 32,652,400	\$ 32,652,400
	14	2027-2028	2027	\$ -	\$697,500	\$ 29,382,000	\$ -	\$ -	\$ 30,079,500	\$ 30,079,500
	15	2028-2029	2028	\$ -	\$680,100	\$ 27,031,000	\$ -	\$ -	\$ 27,711,100	\$ 27,711,100
Post-Settle-Up Period				\$ -	\$663,100	\$ 24,869,000	\$ -	\$ -	\$ 25,532,100	\$ 25,532,100

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]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/2/13
 DATE

Schedule C- Application: Employment Information

APEX MIDWAY WIND, LLC
TAFT ISD

Form 50-296

		Construction			New Jobs		Qualifying Jobs	
	Year	Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs	
	pre-year 1	0 FTEs	\$0.00	0	\$0.00	0	\$0.00	
Complete tax years of qualifying time period	1	82 FTEs	\$31,788	0	\$0.00	0	\$0.00	
	2							
	3			3	\$52,565	3	\$52,565	
	4			3	\$52,565	3	\$52,565	
	5			3	\$52,565	3	\$52,565	
Tax Credit Period (with 50% cap on credit)	6			3	\$52,565	3	\$52,565	
	7			3	\$52,565	3	\$52,565	
	8			3	\$52,565	3	\$52,565	
	9			3	\$52,565	3	\$52,565	
	10			3	\$52,565	3	\$52,565	
Credit Settle-Up Period	11			3	\$52,565	3	\$52,565	
	12			3	\$52,565	3	\$52,565	
	13			3	\$52,565	3	\$52,565	
Post-Settle-Up Period	14			3	\$52,565	3	\$52,565	
	15			3	\$52,565	3	\$52,565	

Notes: For job definitions see TAC §9.105(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.

M. Kuro

8/2/13
DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

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

Applicant Name

APEX MIDWAY WIND, LLC

ISD Name

TAFT ISD

Form 50-296

		Sales Tax Information			Other Property Tax Abatements Sought				
		Sales Taxable Expenditures			Franchise Tax	County	City	Hospital	Other
Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement
	2013-2014	2013	\$ 502,707	\$ 3,518,948					
	2014-2015	2014	\$ 9,551,431	\$ 66,860,014	\$ -	0%	n/a	n/a	0%
	2015-2016	2015	\$ 30,000	\$ 50,000	\$ -	100%	n/a	n/a	100%
	2016-2017	2016	\$ 30,000	\$ 50,000	\$ -	100%	n/a	n/a	100%
	2017-2018	2017	\$ 30,000	\$ 50,000	\$ -	100%	n/a	n/a	100%
	2018-2019	2018	\$ 30,000	\$ 50,000	\$ -	90%	n/a	n/a	90%
	2019-2020	2019	\$ 30,000	\$ 50,000	\$ 80,000	90%	n/a	n/a	90%
	2020-2021	2020	\$ 30,000	\$ 50,000	\$ 80,000	60%	n/a	n/a	60%
	2021-2022	2021	\$ 30,000	\$ 50,000	\$ 80,000	60%	n/a	n/a	60%
	2022-2023	2022	\$ 30,000	\$ 50,000	\$ 80,000	40%	n/a	n/a	40%
	2023-2024	2023	\$ 30,000	\$ 50,000	\$ 80,000	40%	n/a	n/a	40%
	2024-2025	2024	\$ 30,000	\$ 50,000	\$ 80,000	0%	n/a	n/a	0%
	2025-2026	2025	\$ 30,000	\$ 50,000	\$ 80,000	0%	n/a	n/a	0%
	2026-2027	2026	\$ 30,000	\$ 50,000	\$ 80,000	0%	n/a	n/a	0%
	2027-2028	2027	\$ 30,000	\$ 50,000	\$ 80,000	0%	n/a	n/a	0%
	2028-2029	2028	\$ 30,000	\$ 50,000	\$ 80,000	0%	n/a	n/a	0%
	2029-2030	2029	\$ 30,000	\$ 50,000	\$ 80,000	0%	n/a	n/a	0%

*For planning, construction and operation of the facility.

[Signature]

9/30/13

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

ESTIMATED ABATEMENT PERCENTAGES

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

Michael Williams
Commissioner

October 18, 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 Apex Midway Wind LLC project on the number and size of school facilities in Taft Independent School District (TISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the TISD superintendent, Chad Kelly, the TEA has found that the Apex Midway Wind LLC project would not have a significant impact on the number or size of school facilities in TISD.

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,

A handwritten signature in black ink, appearing to read "Al McKenzie".

Al McKenzie, Manager
Foundation School Program Support

AM/rk



TEXAS EDUCATION AGENCY

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

Michael Williams
Commissioner

October 18, 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 Apex Midway Wind LLC project for the Taft Independent School District (TISD). Projections prepared by the TEA State Funding Division 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 Apex Midway Wind LLC project on TISD 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,

A handwritten signature in black ink, appearing to read "Al McKenzie", with a long horizontal flourish extending to the right.

Al McKenzie, Manager
Foundation School Program Support

AM/rk

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED APEX
MIDWAY WIND, LLC PROJECT ON THE FINANCES OF THE TAFT
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION**

August 27, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed Apex Midway Wind, LLC Project on the Finances of the Taft Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Apex Midway Wind, LLC (APEX) has requested that the Taft Independent School District (TISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to TISD on August 6, 2013, APEX proposes to invest \$80.4 million to construct a new renewable wind energy electric generation project in TISD.

The APEX 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, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production 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.

Under the provisions of Chapter 313, TISD may offer a minimum value limitation of \$30 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2014-15 and 2015-16 school years. Beginning with the 2016-17 school year, the project would go on the local tax roll at \$30 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 would be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with TISD currently levying a \$0.435 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$74 million in the 2016-17 school year, with depreciation expected to reduce the value of the project over the course of the value limitation agreement.

In the case of the APEX 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. Under current law, TISD would experience a revenue loss of \$498,248 as a result of the implementation of the value limitation in the 2016-17 school year. No out-year losses are expected under the estimates presented below.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$2.1 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

School Finance Mechanics

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 its property value study and the 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.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results 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 under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state M&O 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.

Under the HB 1 system adopted in 2006, 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.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted during the First Called Session in 2011 made \$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 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 districts operated directly on the state formulas. For the 2012-13 school year, the 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, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83rd Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the 6 cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in the 2013-14 school year and 273 districts would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

TISD is classified as a formula district under the estimates presented below. None of the estimates presented indicate that TISD will be receiving ASATR funding through the 2016-17 school year.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A 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 APEX 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 general approach used here is to maintain static enrollment and underlying base property values in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment increases are reflected in the underlying models. As noted previously, ASATR does not appear to be a factor in these estimates.

In addition to the base taxable values for TISD, the impact of two previously-approved Chapter 313 projects are also included in both the base and value limitation models. The projected taxable values of the APEX project are factored into the base model used here in order to simulate the financial impact of constructing the project in the absence of a value limitation agreement. The impact of the limitation value for the proposed APEX project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 982 students in average daily attendance (ADA) in analyzing the effects of the APEX project on the finances of TISD. The District's local tax base reached \$296.4 million for the 2013 tax year and is maintained for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.17 per \$100 is used throughout this analysis. TISD has estimated state property wealth per weighted ADA or WADA of approximately \$157,030 for the 2013-14 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

School Finance Impact

School finance models were prepared for TISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. 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 model is established to make a calculation of the “Baseline Revenue” by adding the value of the proposed APEX facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the APEX value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 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). A summary of the differences between these models is shown in Table 4.

Under these assumptions, TISD would experience a revenue loss as a result of the implementation of the value limitation in the 2016-17 school year (-\$498,248). The revenue reduction results chiefly from the mechanics of the one-year lag in state-assigned property values associated with the state property value study.

The formula loss of \$498,248 cited above between the base and the limitation models is based on an assumption that APEX would realize \$450,900 in savings in M&O taxes when the \$30 million limitation is implemented. As a formula district, there is no state aid offset for this amount in the 2016-17 school year under current law. In addition, TISD would see a reduction of \$47,348 Tier II state aid when the \$30 million limit took effect that year.

In the estimates for the 2017-18 school year and after, the \$30 million value limitation is reflected in the state property value study for the eight years the value is in effect. Because the District is viewed as “poorer” in taxable value by the state, the current state funding formulas offset the value reduction through increased state aid. The offsetting Tier I and Tier II state aid increases are identified in Table 4.

The Comptroller’s state property value study influences these calculations, as noted previously. 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. Two state property-value determinations are made for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

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 the 2014-15 school year and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$2.1 million over the life of the agreement. In addition, APEX would be eligible for a tax credit for M&O taxes paid on value in excess of the value limitation in each of the first two qualifying 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 \$0.5 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key TISD revenue losses are expected to total approximately \$498,248 in the initial value limitation year under the agreement. The total potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to reach \$2.1 million over the life of the agreement.

Facilities Funding Impact

The APEX project remains fully taxable for debt services taxes, with TISD currently levying a \$0.435 per \$100 I&S rate. While the value of the APEX project is expected to depreciate over the life of the agreement and beyond, full access to the additional value is expected to increase the ability of TISD to meet its debt service obligations.

The APEX project is not expected to affect TISD in terms of enrollment. Three permanent positions are expected once the APEX project commences operations. Continued expansion of the project and related development 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 APEX renewable energy electric generation project enhances the tax base of TISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$2.1 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of TISD in meeting its future debt service obligations.

Table 1 – Base District Information with Apex Midway Wind, LLC 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
Pre-Year 1	2013-14	982.00	1,564.81	\$1.0400	\$0.4350	\$296,398,640	\$296,398,640	\$245,721,774	\$245,721,774	\$157,030	\$157,030
1	2014-15	982.00	1,564.95	\$1.1700	\$0.4350	\$296,398,640	\$296,398,640	\$313,955,944	\$313,955,944	\$200,617	\$200,617
2	2015-16	982.00	1,564.95	\$1.1700	\$0.4350	\$370,842,008	\$370,842,008	\$313,955,944	\$313,955,944	\$200,617	\$200,617
3	2016-17	982.00	1,564.95	\$1.1700	\$0.4350	\$364,937,140	\$326,398,640	\$388,399,312	\$388,399,312	\$248,187	\$248,187
4	2017-18	982.00	1,564.95	\$1.1700	\$0.4350	\$359,503,640	\$326,398,640	\$382,494,444	\$343,955,944	\$244,413	\$219,787
5	2018-19	982.00	1,564.95	\$1.1700	\$0.4350	\$354,503,740	\$326,398,640	\$377,060,944	\$343,955,944	\$240,941	\$219,787
6	2019-20	982.00	1,564.95	\$1.1700	\$0.4350	\$412,134,672	\$388,630,972	\$372,061,044	\$343,955,944	\$237,746	\$219,787
7	2020-21	982.00	1,564.95	\$1.1700	\$0.4350	\$553,612,719	\$534,343,819	\$429,691,976	\$406,188,276	\$274,573	\$259,554
8	2021-22	982.00	1,564.95	\$1.1700	\$0.4350	\$545,156,516	\$529,784,916	\$571,170,023	\$551,901,123	\$364,977	\$352,664
9	2022-23	982.00	1,564.95	\$1.1700	\$0.4350	\$537,102,991	\$525,317,191	\$562,713,820	\$547,342,220	\$359,573	\$349,751
10	2023-24	982.00	1,564.95	\$1.1700	\$0.4350	\$529,424,320	\$520,938,820	\$554,660,295	\$542,874,495	\$354,427	\$346,896
11	2024-25	982.00	1,564.95	\$1.1700	\$0.4350	\$522,095,717	\$522,095,717	\$546,981,624	\$538,496,124	\$349,521	\$344,098
12	2025-26	982.00	1,564.95	\$1.1700	\$0.4350	\$515,095,429	\$515,095,429	\$539,653,021	\$539,653,021	\$344,838	\$344,838
13	2026-27	982.00	1,564.95	\$1.1700	\$0.4350	\$508,401,642	\$508,401,642	\$532,652,733	\$532,652,733	\$340,364	\$340,364
14	2027-28	982.00	1,564.95	\$1.1700	\$0.4350	\$501,994,772	\$501,994,772	\$525,958,946	\$525,958,946	\$336,087	\$336,087
15	2028-29	982.00	1,564.95	\$1.1700	\$0.4350	\$495,858,072	\$495,858,072	\$519,552,076	\$519,552,076	\$331,993	\$331,993

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 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	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
Pre-Year 1	2013-14	\$2,872,315	\$5,694,814	\$0	\$0	\$114,743	\$323,464	\$0	\$9,005,336
1	2014-15	\$2,855,361	\$5,159,269	\$0	\$0	\$485,244	\$542,958	\$0	\$9,042,832
2	2015-16	\$3,584,942	\$5,159,269	\$0	\$0	\$609,230	\$689,303	\$0	\$10,042,744
3	2016-17	\$3,534,780	\$4,414,798	\$0	\$0	\$600,706	\$434,254	\$0	\$8,984,537
4	2017-18	\$3,480,442	\$4,473,849	\$0	\$0	\$591,472	\$443,311	\$0	\$8,989,073
5	2018-19	\$3,430,441	\$4,528,187	\$0	\$0	\$582,974	\$451,639	\$0	\$8,993,241
6	2019-20	\$3,994,332	\$4,578,189	\$0	\$0	\$678,803	\$542,068	\$0	\$9,793,391
7	2020-21	\$5,380,039	\$4,001,850	\$0	\$0	\$914,292	\$509,570	\$0	\$10,805,750
8	2021-22	\$5,296,384	\$2,586,989	\$0	\$0	\$900,076	\$226,999	-\$68,929	\$8,941,528
9	2022-23	\$5,216,739	\$2,671,565	\$0	\$0	\$886,540	\$231,648	-\$60,725	\$8,945,768
10	2023-24	\$5,140,824	\$2,752,105	\$0	\$0	\$873,839	\$236,070	-\$52,913	\$8,949,725
11	2024-25	\$5,067,303	\$2,828,895	\$0	\$0	\$861,145	\$240,229	-\$45,459	\$8,952,112
12	2025-26	\$4,998,696	\$2,902,185	\$0	\$0	\$849,486	\$244,287	-\$38,362	\$8,956,272
13	2026-27	\$4,933,094	\$2,972,191	\$0	\$0	\$838,337	\$248,119	-\$31,585	\$8,960,157
14	2027-28	\$4,870,304	\$3,039,133	\$0	\$0	\$827,667	\$251,798	-\$25,108	\$8,963,795
15	2028-29	\$4,810,161	\$3,103,204	\$0	\$0	\$817,446	\$255,314	-\$18,906	\$8,967,218

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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	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
Pre-Year 1	2013-14	\$2,872,315	\$5,694,814	\$0	\$0	\$114,743	\$323,464	\$0	\$9,005,336
1	2014-15	\$2,855,361	\$5,159,269	\$0	\$0	\$485,244	\$542,958	\$0	\$9,042,832
2	2015-16	\$3,584,942	\$5,159,269	\$0	\$0	\$609,230	\$689,303	\$0	\$10,042,744
3	2016-17	\$3,149,375	\$4,414,798	\$0	\$0	\$535,210	\$386,907	\$0	\$8,486,289
4	2017-18	\$3,149,375	\$4,859,254	\$0	\$0	\$535,210	\$508,055	\$0	\$9,049,894
5	2018-19	\$3,149,375	\$4,859,254	\$0	\$0	\$535,210	\$506,055	\$0	\$9,049,894
6	2019-20	\$3,759,283	\$4,859,254	\$0	\$0	\$638,858	\$604,058	\$0	\$9,861,452
7	2020-21	\$5,187,340	\$4,236,899	\$0	\$0	\$881,544	\$570,758	\$0	\$10,876,541
8	2021-22	\$5,142,681	\$2,779,698	\$0	\$0	\$873,951	\$238,878	-\$50,512	\$8,984,676
9	2022-23	\$5,098,875	\$2,825,289	\$0	\$0	\$866,510	\$241,365	-\$46,063	\$8,985,976
10	2023-24	\$5,055,965	\$2,869,969	\$0	\$0	\$859,218	\$243,800	-\$41,705	\$8,987,246
11	2024-25	\$5,067,303	\$2,913,755	\$0	\$0	\$861,145	\$248,805	-\$37,835	\$9,053,172
12	2025-26	\$4,998,696	\$2,902,185	\$0	\$0	\$849,486	\$244,267	-\$38,362	\$8,956,272
13	2026-27	\$4,933,094	\$2,972,191	\$0	\$0	\$838,337	\$248,119	-\$31,585	\$8,960,157
14	2027-28	\$4,870,304	\$3,039,133	\$0	\$0	\$827,667	\$251,798	-\$25,106	\$8,963,795
15	2028-29	\$4,810,161	\$3,103,204	\$0	\$0	\$817,446	\$255,314	-\$18,906	\$8,967,218

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

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	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
Pre-Year 1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$385,404	\$0	\$0	\$0	-\$65,496	-\$47,348	\$0	-\$498,248
4	2017-18	-\$331,067	\$385,405	\$0	\$0	-\$56,262	\$62,745	\$0	\$60,821
5	2018-19	-\$281,065	\$331,067	\$0	\$0	-\$47,765	\$54,416	\$0	\$56,653
6	2019-20	-\$235,049	\$281,065	\$0	\$0	-\$39,945	\$61,990	\$0	\$68,062
7	2020-21	-\$192,699	\$235,049	\$0	\$0	-\$32,748	\$61,188	\$0	\$70,791
8	2021-22	-\$153,724	\$192,699	\$0	\$0	-\$26,124	\$11,879	\$18,417	\$43,148
9	2022-23	-\$117,864	\$153,724	\$0	\$0	-\$20,030	\$9,716	\$14,662	\$40,208
10	2023-24	-\$84,860	\$117,864	\$0	\$0	-\$14,421	\$7,729	\$11,208	\$37,521
11	2024-25	\$0	\$84,860	\$0	\$0	\$0	\$8,576	\$7,624	\$101,060
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 per WADA

Table 5 - Estimated Financial Impact of the Apex Midway Wind, LLC Project Property Value Limitation Request Submitted to TISD at \$1.04 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
Pre-Year 1	2013-14	\$0	\$0	\$0	\$1.040	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$74,443,368	\$74,443,368	\$0	\$1.170	\$870,987	\$870,987	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$68,538,500	\$30,000,000	\$38,538,500	\$1.170	\$801,900	\$351,000	\$450,900	\$0	\$450,900	-\$498,248	-\$47,348
4	2017-18	\$63,105,000	\$30,000,000	\$33,105,000	\$1.170	\$738,329	\$351,000	\$387,329	\$74,284	\$403,114	\$0	\$403,114
5	2018-19	\$58,105,100	\$30,000,000	\$28,105,100	\$1.170	\$679,830	\$351,000	\$328,830	\$74,284	\$403,114	\$0	\$403,114
6	2019-20	\$53,503,700	\$30,000,000	\$23,503,700	\$1.170	\$625,993	\$351,000	\$274,993	\$74,284	\$349,277	\$0	\$349,277
7	2020-21	\$49,268,900	\$30,000,000	\$19,268,900	\$1.170	\$576,446	\$351,000	\$225,446	\$74,284	\$299,730	\$0	\$299,730
8	2021-22	\$45,371,600	\$30,000,000	\$15,371,600	\$1.170	\$530,848	\$351,000	\$179,848	\$74,284	\$254,132	\$0	\$254,132
9	2022-23	\$41,785,800	\$30,000,000	\$11,785,800	\$1.170	\$488,894	\$351,000	\$137,894	\$74,284	\$212,178	\$0	\$212,178
10	2023-24	\$38,485,500	\$30,000,000	\$8,485,500	\$1.170	\$450,280	\$351,000	\$99,280	\$74,284	\$173,564	\$0	\$173,564
11	2024-25	\$35,447,700	\$35,447,700	\$0	\$1.170	\$414,738	\$414,738	\$0	\$0	\$0	\$0	\$0
12	2025-26	\$32,652,400	\$32,652,400	\$0	\$1.170	\$382,033	\$382,033	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$30,079,500	\$30,079,500	\$0	\$1.170	\$351,930	\$351,930	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$27,711,100	\$27,711,100	\$0	\$1.170	\$324,220	\$324,220	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$25,532,100	\$25,532,100	\$0	\$1.170	\$298,726	\$298,726	\$0	\$0	\$0	\$0	\$0
						\$7,535,154	\$5,450,634	\$2,084,520	\$519,987	\$2,604,507	-\$498,248	\$2,106,259
Tax Credit for Value Over Limit in First 2 Years								Year 1	Year 2	Max Credits		
								\$0	\$519,987	\$519,987		
								Credits Earned		\$519,987		
								Credits Paid		\$519,987		
								Excess Credits Unpaid		\$0		

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Attachment 3

San Patricio County

Population

- Total county population in 2010 for San Patricio County: 66,476 , down 1.4 percent from 2009. State population increased 1.8 percent in the same time period.
- San Patricio County was the state's 50th largest county in population in 2010 and the 246 th fastest growing county from 2009 to 2010.
- San Patricio County's population in 2009 was 42.4 percent Anglo (below the state average of 46.7 percent), 1.9 percent African-American (below the state average of 11.3 percent) and 53.6 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in San Patricio County:

Portland:	16,450	Ingleside:	8,992
Aransas Pass:	8,754	Sinton:	5,303
Mathis:	5,246	Taft:	3,303
Odem:	2,495	Gregory:	2,177
Ingleside on the Bay:	681	Lake City:	512

Economy and Income

Employment

- September 2011 total employment in San Patricio County: 28,928 , up 2.7 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 San Patricio County unemployment rate: 9.3 percent, down from 9.9 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

- San Patricio County's ranking in per capita personal income in 2009: 121st with an average per capita income of \$33,068, 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 San Patricio County averaged \$87.49 million annually from 2007 to 2010. County total agricultural values in 2010 were up 1001.5 percent from 2009. Major agriculture related commodities in San Patricio County during 2010 included:
 - Other Crop - Hay - Cotton - Other Beef - Fishing
- 2011 oil and gas production in San Patricio County: 279,704.0 barrels of oil and 7.0 million Mcf of gas. In September 2011, there were 149 producing oil wells and 203 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 San Patricio County during the fourth quarter 2010: \$118.56 million, up 15.6 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Portland:	\$39.92 million, up 19.4 percent from the same quarter in 2009.
Ingleside:	\$6.06 million, down 4.7 percent from the same quarter in 2009.
Aransas Pass:	\$31.93 million, up 2.7 percent from the same quarter in 2009.
Sinton:	\$7.65 million, up 1.1 percent from the same quarter in 2009.
Mathis:	\$7.90 million, up 36.6 percent from the same quarter in 2009.
Taft:	\$2.16 million, up 6.2 percent from the same quarter in 2009.
Odem:	\$2.12 million, up 12.2 percent from the same quarter in 2009.
Gregory:	\$1.27 million, up 11.7 percent from the same quarter in 2009.
Ingleside on the Bay:	\$183,119.00, up 44.7 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 San Patricio County through the fourth quarter of 2010: \$430.99 million, down 0.6 percent from the same period in 2009.

- Taxable sales through the fourth quarter of 2010 in the city of:

Portland:	\$132.69 million, up 4.8 percent from the same period in 2009.
Ingleside:	\$24.69 million, down 7.6 percent from the same period in 2009.
Aransas Pass:	\$124.82 million, down 2.9 percent from the same period in 2009.
Sinton:	\$30.92 million, up 5.9 percent from the same period in 2009.
Mathis:	\$28.32 million, up 19.3 percent from the same period in 2009.
Taft:	\$8.86 million, up 1.0 percent from the same period in 2009.
Odem:	\$8.12 million, down 1.5 percent from the same period in 2009.
Gregory:	\$4.51 million, up 5.3 percent from the same period in 2009.
Ingleside on the Bay:	\$743,516.00, up 19.8 percent from the same period in 2009.

Annual (2010)

- Taxable sales in San Patricio County during 2010: \$430.99 million, down 0.6 percent from 2009.
- San Patricio County sent an estimated \$26.94 million (or 0.16 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Portland:	\$132.69 million, up 4.8 percent from 2009.
Ingleside:	\$24.69 million, down 7.6 percent from 2009.
Aransas Pass:	\$124.82 million, down 2.9 percent from 2009.
Sinton:	\$30.92 million, up 5.9 percent from 2009.
Mathis:	\$28.32 million, up 19.3 percent from 2009.
Taft:	\$8.86 million, up 1.0 percent from 2009.
Odem:	\$8.12 million, down 1.5 percent from 2009.
Gregory:	\$4.51 million, up 5.3 percent from 2009.
Ingleside on the Bay:	\$743,516.00, up 19.8 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 San Patricio County based on the sales activity month of August 2011: \$803,385.69, up 11.0 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Portland:	\$332,100.64, down 2.0 percent from August 2010.
Ingleside:	\$93,660.72, up 30.0 percent from August 2010.
Aransas Pass:	\$146,691.43, up 10.2 percent from August 2010.
Sinton:	\$83,841.11, up 26.5 percent from August 2010.
Mathis:	\$81,051.48, up 35.3 percent from August 2010.
Taft:	\$31,985.58, up 15.0 percent from August 2010.
Odem:	\$21,105.20, up 19.6 percent from August 2010.
Gregory:	\$12,307.24, up 64.8 percent from August 2010.
Ingleside on the Bay:	\$642.29, down 6.5 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 San Patricio County based on sales activity months from September 2010 through August 2011: \$8.35 million, up 9.3 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Portland:	\$3.35 million, up 10.9 percent from fiscal 2010.
Ingleside:	\$1.01 million, down 0.2 percent from fiscal 2010.
Aransas Pass:	\$1.69 million, up 8.8 percent from fiscal 2010.
Sinton:	\$845,990.38, up 5.3 percent from fiscal 2010.
Mathis:	\$794,400.33, up 12.4 percent from fiscal 2010.
Taft:	\$277,461.20, up 5.9 percent from fiscal 2010.
Odem:	\$248,728.18, up 30.2 percent from fiscal 2010.
Gregory:	\$117,253.68, up 38.5 percent from fiscal 2010.

Ingleside on the Bay: \$13,280.83, up 122.1 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 San Patricio County based on sales activity months through August 2011: \$5.57 million, up 10.3 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Portland:	\$2.17 million, up 9.1 percent from the same period in 2010.
Ingleside:	\$694,331.12, up 5.7 percent from the same period in 2010.
Aransas Pass:	\$1.15 million, up 11.8 percent from the same period in 2010.
Sinton:	\$563,427.14, up 7.6 percent from the same period in 2010.
Mathis:	\$544,407.61, up 12.9 percent from the same period in 2010.
Taft:	\$181,508.07, up 1.2 percent from the same period in 2010.
Odem:	\$173,061.85, up 35.0 percent from the same period in 2010.
Gregory:	\$78,367.01, up 47.0 percent from the same period in 2010.
Ingleside on the Bay:	\$9,704.91, up 127.2 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 San Patricio County based on sales activity in the 12 months ending in August 2011: \$8.35 million, up 9.3 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Portland:	\$3.35 million, up 10.9 percent from the previous 12-month period.
Ingleside:	\$1.01 million, down 0.2 percent from the previous 12-month period.
Aransas Pass:	\$1.69 million, up 8.8 percent from the previous 12-month period.
Sinton:	\$845,990.38, up 5.3 percent from the previous 12-month period.
Mathis:	\$794,400.33, up 12.4 percent from the previous 12-month period.
Taft:	\$277,461.20, up 5.9 percent from the previous 12-month period.
Odem:	\$248,728.18, up 30.2 percent from the previous 12-month period.
Gregory:	\$117,253.68, up 38.5 percent from the previous 12-month period.
Ingleside on the Bay:	\$13,280.83, up 122.1 percent from the previous 12-month period.

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

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

Portland:	\$2.80 million, up 10.0 percent from the same period in 2010.
Ingleside:	\$848,542.25, up 3.5 percent from the same period in 2010.
Aransas Pass:	\$1.43 million, up 10.8 percent from the same period in 2010.
Sinton:	\$716,509.71, up 7.9 percent from the same period in 2010.
Mathis:	\$669,630.71, up 13.2 percent from the same period in 2010.
Taft:	\$228,053.50, up 4.4 percent from the same period in 2010.
Odem:	\$210,417.51, up 31.5 percent from the same period in 2010.
Gregory:	\$96,586.67, up 42.3 percent from the same period in 2010.
Ingleside on the Bay:	\$11,583.88, up 150.4 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 San Patricio County based on sales activity months in 2010: \$7.83 million, up 1.2 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Portland:	\$3.17 million, up 4.6 percent from 2009.
Ingleside:	\$968,613.57, down 13.0 percent from 2009.
Aransas Pass:	\$1.57 million, up 0.4 percent from 2009.
Sinton:	\$806,279.08, up 1.5 percent from 2009.
Mathis:	\$732,091.45, up 7.8 percent from 2009.
Taft:	\$275,339.14, up 9.0 percent from 2009.
Odem:	\$203,873.79, up 3.0 percent from 2009.
Gregory:	\$92,187.93, up 1.7 percent from 2009.

Ingleside on the Bay: \$7,847.30, down 39.8 percent from 2009.

Property Tax

- As of January 2009, property values in San Patricio County: \$4.51 billion, up 0.2 percent from January 2008 values. The property tax base per person in San Patricio County is \$66,150, below the statewide average of \$85,809. About 3.8 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- San Patricio County's ranking in state expenditures by county in fiscal year 2010: 57th. State expenditures in the county for FY2010: \$222.49 million, down 0.1 percent from FY2009.
- In San Patricio County, 10 state agencies provide a total of 168 jobs and \$1.69 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Department of Family and Protective Services
 - Department of Transportation
 - Department of Aging and Disability Services
 - Parks & Wildlife Department
 - Health & Human Services Commission

Higher Education

- Community colleges in San Patricio County fall 2010 enrollment:
 - None.
- San Patricio County is in the service area of the following:
 - Del Mar College with a fall 2010 enrollment of 12,236. Counties in the service area include:
 - Aransas County
 - Kenedy County
 - Kleberg County
 - Nueces County
 - San Patricio County
- Institutions of higher education in San Patricio County fall 2010 enrollment:
 - None.

School Districts

- San Patricio County had 7 school districts with 34 schools and 14,338 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.)
 - Aransas Pass ISD had 1,879 students in the 2009-10 school year. The average teacher salary was \$44,821. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.
 - Gregory-Portland ISD had 4,193 students in the 2009-10 school year. The average teacher salary was \$45,281. The percentage of students meeting the 2010 TAKS passing standard for all tests was 83 percent.
 - Ingleside ISD had 2,150 students in the 2009-10 school year. The average teacher salary was \$46,053. The percentage of students meeting the 2010 TAKS passing standard for all tests was 72 percent.
 - Mathis ISD had 1,736 students in the 2009-10 school year. The average teacher salary was \$43,744. The percentage of students meeting the 2010 TAKS passing standard for all tests was 60 percent.
 - Odem-Edroy ISD had 1,129 students in the 2009-10 school year. The average teacher salary was \$45,781. The percentage of students meeting the 2010 TAKS passing standard for all tests was 75 percent.
 - Sinton ISD had 2,108 students in the 2009-10 school year. The average teacher salary was \$44,070. The percentage of students meeting the 2010 TAKS passing standard for all tests was 70 percent.
 - Taft ISD had 1,143 students in the 2009-10 school year. The average teacher salary was \$42,880. The percentage of students meeting the 2010 TAKS passing standard for all tests was 55 percent.