

S U S A N
C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS
P.O. Box 13528 • AUSTIN, TX 78711-3528



November 8, 2011

Clarke Boyd
Superintendent
Pecos Barstow Toyah Independent School District
1302 S. Park St.
Pecos, Texas 79772

Dear Superintendent Boyd:

On Oct. 17, 2011, the agency received the completed application for a limitation on appraised value originally submitted to the Pecos Barstow Toyah Independent School District (Pecos Barstow Toyah ISD) by Southern Union Gas Services, LTD (Southern Union Gas) on Aug. 18, 2011, under the provisions of Tax Code Chapter 313. This letter presents the Comptroller's recommendation regarding Southern Union Gas' 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, Pecos Barstow Toyah 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 (\$130,000,000) 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.

Southern Union Gas is proposing the construction of a manufacturing facility in Reeves County. Southern Union Gas 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 Southern Union Gas, the Comptroller's recommendation is that Southern Union Gas' 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. Clarke Boyd
November 8, 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	Southern Union Gas Services, LTD
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Pecos Barstow Toyah ISD
2009-10 Enrollment in School District	2,193
County	Reeves
Total Investment in District	\$130,000,000
Qualified Investment	\$130,000,000
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	\$876
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$876
Minimum Annual Wage committed to by applicant for qualified jobs	\$45,531
Investment per Qualifying Job	\$13,000,000
Estimated 15 year M&O levy without any limit or credit:	\$15,467,956
Estimated gross 15 year M&O tax benefit	\$9,660,321
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):	\$9,583,213
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$977,895
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$5,884,743
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	62.0%
Percentage of tax benefit due to the limitation	89.9%
Percentage of tax benefit due to the credit.	10.1%

This presents the Comptroller's economic impact evaluation of Southern Union Gas (the project) applying to Pecos Barstow Toyah 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 Permian Basin Regional Planning Commission Region, where Reeves County is located was \$41,392 in 2010. The annual average manufacturing wage for 2010 for Reeves County is \$19,643. That same year, the county annual average wage for all industries was \$31,928. In addition to a salary of \$45,531, each qualifying position will receive benefits such as medical and dental insurance, life insurance, AD&D and long-term disability insurance, 401K savings plan, vacation and holiday pay. Southern Union Gas Services, LTD also offers an enhancement to the Savings Plan to allow eligible employees to receive an additional, non-discretionary employer contribution referred to as a retirement power contribution. The project's total investment is \$130 million, resulting in a relative level of investment per qualifying job of \$13 million.

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

According to Southern Union Gas' application, "Southern Union Gas Services, LTD is a leading natural gas gathering and processing company, whose primary activities include gathering, treating, processing and transporting natural gas and natural gas liquids to a variety of markets, including power generating companies, utilities, energy marketers and industrial users within the Southwestern United States. The company operates approximately 4,600 miles of pipelines, with five cryogenic plants and six natural gas treating plants within Texas and New Mexico. The company is currently in negotiations with both the state of New Mexico and Eddy County as a perspective site for the gas processing facility, along with this location in Reeves County."

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

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

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

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

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

Table 1 depicts Southern Union Gas' 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 Southern Union Gas

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	200	163	363	\$7,200,000	\$9,800,000	\$17,000,000
2013	210	194	404	\$7,655,310	\$14,344,690	\$22,000,000
2014	10	48	58	\$455,310	\$5,544,690	\$6,000,000
2015	10	45	55	\$455,310	\$5,544,690	\$6,000,000
2016	10	43	53	\$455,310	\$5,544,690	\$6,000,000
2017	10	46	56	\$455,310	\$5,544,690	\$6,000,000
2018	10	45	55	\$455,310	\$5,544,690	\$6,000,000
2019	10	48	58	\$455,310	\$5,544,690	\$6,000,000
2020	10	50	60	\$455,310	\$5,544,690	\$6,000,000
2021	10	50	60	\$455,310	\$5,544,690	\$6,000,000
2022	10	47	57	\$455,310	\$6,544,690	\$7,000,000
2023	10	53	63	\$455,310	\$6,544,690	\$7,000,000
2024	10	48	58	\$455,310	\$6,544,690	\$7,000,000
2025	10	50	60	\$455,310	\$7,544,690	\$8,000,000
2026	10	53	63	\$455,310	\$7,544,690	\$8,000,000

Source: CPA, REMI, Southern Union Gas

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Pecos Barstow Toyah ISD's ad valorem tax base in 2010 was \$982.2 million. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Pecos Barstow Toyah ISD's estimated wealth per WADA was \$337,335. 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, Reeves County, and Reeves County Hospital District, with all property tax incentives sought being granted using estimated market value from Southern Union Gas' application. Southern Union Gas has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county and hospital district. Table 3 illustrates the estimated tax impact of the Southern Union Gas project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Pecos-Barstow-Toyah ISD I&S Levy	Pecos-Barstow-Toyah ISD M&O Levy	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies (Before Credit Credited)	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies (After Credit Credited)	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes
			0.2270	0.2270	1.0400			0.3962	0.5845	
2012	\$28,400	\$28,400		\$64	\$295	\$360	\$360	\$113	\$166	\$638
2013	\$104,028,400	\$104,028,400		\$236,144	\$1,081,895	\$1,318,040	\$1,318,040	\$206,070	\$304,018	\$1,828,127
2014	\$126,908,400	\$10,000,000		\$288,082	\$104,000	\$392,082	\$392,082	\$251,393	\$370,883	\$1,014,358
2015	\$123,102,000	\$10,000,000		\$279,442	\$104,000	\$383,442	\$243,742	\$243,853	\$359,759	\$847,354
2016	\$119,409,792	\$10,000,000		\$271,060	\$104,000	\$375,060	\$235,361	\$236,539	\$348,969	\$820,869
2017	\$115,828,350	\$10,000,000		\$262,930	\$104,000	\$366,930	\$227,231	\$229,444	\$338,503	\$795,178
2018	\$112,354,352	\$10,000,000		\$255,044	\$104,000	\$359,044	\$219,345	\$222,563	\$328,350	\$770,258
2019	\$108,984,573	\$10,000,000		\$247,395	\$104,000	\$351,395	\$211,696	\$215,888	\$318,502	\$746,085
2020	\$105,715,888	\$10,000,000		\$239,975	\$104,000	\$343,975	\$204,276	\$209,413	\$308,949	\$722,638
2021	\$102,545,263	\$10,000,000		\$232,778	\$104,000	\$336,778	\$197,078	\$203,132	\$299,683	\$699,894
2022	\$99,469,757	\$99,469,757		\$225,796	\$1,034,485	\$1,260,282	\$1,260,282	\$197,040	\$290,695	\$1,748,017
2023	\$96,486,517	\$96,486,517		\$219,024	\$1,003,460	\$1,222,484	\$1,222,484	\$382,260	\$563,954	\$2,168,698
2024	\$93,592,773	\$93,592,773		\$212,456	\$973,365	\$1,185,820	\$1,185,820	\$370,796	\$547,040	\$2,103,657
2025	\$90,785,842	\$90,785,842		\$206,084	\$944,173	\$1,150,257	\$1,150,257	\$359,675	\$530,634	\$2,040,566
2026	\$88,063,119	\$88,063,119		\$199,903	\$915,856	\$1,115,760	\$1,115,760	\$348,888	\$514,720	\$1,979,368
						Total	\$9,183,813	\$3,677,066	\$5,424,827	\$18,285,706

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

Source: CPA, Southern Union Gas

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Pecos-Barstow-Toyah ISD I&S Levy	Pecos-Barstow-Toyah ISD M&O Levy	Pecos-Barstow-Toyah ISD M&O and I&S Tax Levies	Reeves County Tax Levy	Reeves County Hospital District Tax Levy	Estimated Total Property Taxes	
			0.2270	0.2270	1.0400		0.3962	0.5845		
2012	\$28,400	\$28,400		\$64	\$295	\$360	\$113	\$166	\$638	
2013	\$104,028,400	\$104,028,400		\$236,144	\$1,081,895	\$1,318,040	\$412,140	\$608,036	\$2,338,215	
2014	\$126,908,400	\$126,908,400		\$288,082	\$1,319,847	\$1,607,929	\$502,786	\$741,767	\$2,852,482	
2015	\$123,102,000	\$123,102,000		\$279,442	\$1,280,261	\$1,559,702	\$487,706	\$719,519	\$2,766,927	
2016	\$119,409,792	\$119,409,792		\$271,060	\$1,241,862	\$1,512,922	\$473,078	\$697,938	\$2,683,938	
2017	\$115,828,350	\$115,828,350		\$262,930	\$1,204,615	\$1,467,545	\$458,889	\$677,005	\$2,603,439	
2018	\$112,354,352	\$112,354,352		\$255,044	\$1,168,485	\$1,423,530	\$445,125	\$656,700	\$2,525,355	
2019	\$108,984,573	\$108,984,573		\$247,395	\$1,133,440	\$1,380,835	\$431,775	\$637,004	\$2,449,614	
2020	\$105,715,888	\$105,715,888		\$239,975	\$1,099,445	\$1,339,420	\$418,825	\$617,899	\$2,376,144	
2021	\$102,545,263	\$102,545,263		\$232,778	\$1,066,471	\$1,299,248	\$406,264	\$599,367	\$2,304,879	
2022	\$99,469,757	\$99,469,757		\$225,796	\$1,034,485	\$1,260,282	\$394,079	\$581,391	\$2,235,752	
2023	\$96,486,517	\$96,486,517		\$219,024	\$1,003,460	\$1,222,484	\$382,260	\$563,954	\$2,168,698	
2024	\$93,592,773	\$93,592,773		\$212,456	\$973,365	\$1,185,820	\$370,796	\$547,040	\$2,103,657	
2025	\$90,785,842	\$90,785,842		\$206,084	\$944,173	\$1,150,257	\$359,675	\$530,634	\$2,040,566	
2026	\$88,063,119	\$88,063,119		\$199,903	\$915,856	\$1,115,760	\$348,888	\$514,720	\$1,979,368	
						Total	\$18,844,134	\$5,892,399	\$8,693,140	\$33,429,673

Source: CPA, Southern Union Gas

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 \$\$15,467,956. The estimated gross 15 year M&O tax benefit, or levy loss, is \$\$9,660,321.

Attachment 3 is an economic overview of Reeves 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

Applicant Name: SOUTHERN UNION GAS SERVICES, LTD
 ISD Name: PECOS-BARSTOW-TOYAH ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below) YYYY	Column A: Tangible Personal Property The amount of new investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A-B-D)		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Year	2011	\$ -	\$ -		\$ -	\$ -		
	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2011-2012		\$ -					
Complete tax years of qualifying time period	1	2012-2013	\$ 104,000,000	\$ -	\$ 104,000,000	\$ -	\$ 104,000,000		
	2	2013-2014	\$ 26,000,000	\$ -	\$ 26,000,000	\$ -	\$ 26,000,000		
	3	2014-2015							
	4	2015-2016							
	5	2016-2017							
	6	2017-2018							
	7	2018-2019							
	8	2019-2020							
	9	2020-2021							
	10	2021-2022							
	11	2022-2023							
	12	2023-2024							
	13	2024-2025							
	14	2025-2026							
	15	2026-2027							
Tax Credit Period (with 50% cap on credit)	Value Limitation Period								
	Continue to Maintain Viable Presence								
Credit Settle-Up Period	Post-Settle-Up Period								
	Post-Settle-Up Period								

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. The total dollar amount of investment for "replacement" 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. The 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 "one-year" time period. It cannot be part of qualifying investment.

Column E: Note: 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: *[Signature]*
 DATE: 8/16/11

Schedule B (Rev. May 2010): Estimated Market And Taxable Value
SOUTHERN UNION GAS SERVICES, LTD

Applicant Name
ISD Name

PECOS-BARSTOW-TOYAH ISD

Form 50-296

	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 ISD after all reductions	Final taxable value for M&O--after all reductions
	pre-year 1	2011-2012	2011		\$ -	\$ -	\$ -	\$ -	\$ -
Tax Credit Period (with 50% cap on credit)	1	2012-2013	2012	\$28,400	\$ -	\$ -	\$ -	\$ 28,400	\$ 28,400
	2	2013-2014	2013	\$28,400	\$ -	\$ 104,000,000	\$ -	\$ 104,028,400	\$ 104,028,400
	3	2014-2015	2014	\$28,400	\$ -	\$ 126,880,000	\$ -	\$ 126,908,400	\$ 10,000,000
	4	2015-2016	2015	\$28,400	\$ -	\$ 123,073,600	\$ -	\$ 123,102,000	\$ 10,000,000
	5	2016-2017	2016	\$28,400	\$ -	\$ 119,381,392	\$ -	\$ 119,409,792	\$ 10,000,000
	6	2017-2018	2017	\$28,400	\$ -	\$ 115,799,950	\$ -	\$ 115,828,350	\$ 10,000,000
	7	2018-2019	2018	\$28,400	\$ -	\$ 112,325,952	\$ -	\$ 112,354,352	\$ 10,000,000
	8	2019-2020	2019	\$28,400	\$ -	\$ 108,956,173	\$ -	\$ 108,984,573	\$ 10,000,000
	9	2020-2021	2020	\$28,400	\$ -	\$ 105,687,488	\$ -	\$ 105,715,888	\$ 10,000,000
	10	2021-2022	2021	\$28,400	\$ -	\$ 102,516,863	\$ -	\$ 102,545,263	\$ 10,000,000
	11	2022-2023	2022	\$28,400	\$ -	\$ 99,441,357	\$ -	\$ 99,469,757	\$ 99,469,757
	12	2023-2024	2023	\$28,400	\$ -	\$ 96,458,117	\$ -	\$ 96,486,517	\$ 96,486,517
	13	2024-2025	2024	\$28,400	\$ -	\$ 93,564,373	\$ -	\$ 93,592,773	\$ 93,592,773
	14	2025-2026	2025	\$28,400	\$ -	\$ 90,757,442	\$ -	\$ 90,785,842	\$ 90,785,842
	15	2026-2027	2026	\$28,400	\$ -	\$ 88,034,719	\$ -	\$ 88,063,119	\$ 88,063,119

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.

Steph A. M. [Signature]
VP - Tax

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/16/20

DATE

Schedule C-Application: Employment Information

Applicant Name: SOUTHERN UNION GAS SERVICES, LTD
 ISD Name: PECOS-BARSTOW-TOYAH ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs		
				Column A: Number of Construction FTE's or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant creates 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	2011-2012	2011							
Complete tax years of qualifying time period	1	2012-2013	2012	FTE 200 \$	36,000					
	2	2013-2014	2013	FTE 200 \$	36,000	10 \$	45,531	10 \$	45,531	45,531
	3	2014-2015	2014			10 \$	45,531	10 \$	45,531	45,531
	4	2015-2016	2015			10 \$	45,531	10 \$	45,531	45,531
	5	2016-2017	2016			10 \$	45,531	10 \$	45,531	45,531
	6	2017-2018	2017			10 \$	45,531	10 \$	45,531	45,531
Value Limitation Period	7	2018-2019	2018			10 \$	45,531	10 \$	45,531	45,531
	8	2019-2020	2019			10 \$	45,531	10 \$	45,531	45,531
	9	2020-2021	2020			10 \$	45,531	10 \$	45,531	45,531
	10	2021-2022	2021			10 \$	45,531	10 \$	45,531	45,531
	11	2022-2023	2022			10 \$	45,531	10 \$	45,531	45,531
Continue to Maintain Viable Presence	12	2023-2024	2023			10 \$	45,531	10 \$	45,531	45,531
	13	2024-2025	2024			10 \$	45,531	10 \$	45,531	45,531
Post-Settle-Up Period	14	2025-2026	2025			10 \$	45,531	10 \$	45,531	45,531
Post-Settle-Up Period	15	2026-2027	2026			10 \$	45,531	10 \$	45,531	45,531

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]
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

8/16/24
 DATE

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

Applicant Name

SOUTHERN UNION GAS SERVICES, LTD

ISD Name

PECOS-BARSTOW-TOYAH ISD

Other Property Tax Abatements Sought

Form 50-296

		Sales Tax Information				Franchise Tax				Other Property Tax Abatements Sought			
		Sales Taxable Expenditures		Franchise Tax		City		Hospital		Other			
Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	2011-2012	2011											
Complete tax years of qualifying time period	1	2012-2013	13,000,000	117,000,000									
	2	2013-2014	2,100,000	3,900,000	31,457	50%	N/A	50%	50%	N/A	N/A		
Tax Credit Period (with 50% cap on credit)	3	2014-2015	2,100,000	3,900,000	119,000	50%	N/A	50%	50%	N/A	N/A		
	4	2015-2016	2,100,000	3,900,000	198,000	50%	N/A	50%	50%	N/A	N/A		
	5	2016-2017	2,100,000	3,900,000	218,000	50%	N/A	50%	50%	50%	N/A		
	6	2017-2018	2,100,000	3,900,000	232,000	50%	N/A	50%	50%	50%	N/A		
	7	2018-2019	2,100,000	3,900,000	231,000	50%	N/A	50%	50%	50%	N/A		
	8	2019-2020	2,100,000	3,900,000	229,000	50%	N/A	50%	50%	50%	N/A		
	9	2020-2021	2,100,000	3,900,000	247,000	50%	N/A	50%	50%	50%	N/A		
	10	2021-2022	2,100,000	3,900,000	264,000	50%	N/A	50%	50%	50%	N/A		
	11	2022-2023	2,100,000	3,900,000	262,000	50%	N/A	50%	50%	50%	N/A		
	12	2023-2024	2,100,000	3,900,000	129,000								
Credit Settle-Up Period	13	2024-2025	2,100,000	3,900,000	225,000								
	14	2025-2026	2,100,000	3,900,000	225,000								
Post-Settle-Up Period	15	2026-2027	2,100,000	3,900,000	225,000								

*For planning, construction and operation of the facility.

[Signature]

8/16/11

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

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

October 31, 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 Southern Union Gas Services Ltd. project on the number and size of school facilities in Pecos-Barstow-Toyah Independent School District (PBTISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the PBTISD superintendent, Mr. Clarke Boyd, the TEA has found that the Southern Union Gas Services Ltd. project would not have a significant impact on the number or size of school facilities in PBTISD.

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/hd



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

Robert Scott
Commissioner

October 31, 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 Southern Union Gas Services Ltd. project for the Pecos-Barstow-Toyah Independent School District (PBTISD). 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 Southern Union Gas Services Ltd. project on PBTISD 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,

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/hd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
SOUTHERN UNION GAS SERVICES, LTD PROJECT ON THE
FINANCES OF PECOS-BARSTOW-TOYAH ISD UNDER A
REQUESTED CHAPTER 313 PROPERTY VALUE LIMITATION**

September 22, 2011

Final Report

PREPARED BY



Estimated Impact of the Proposed Southern Union Gas Services, LTD Project on the Finances of Pecos-Barstow-Toyah ISD under a Requested Chapter 313 Property Value Limitation

Introduction

Southern Union Gas Services, LTD (Southern Union Gas) has requested that the Pecos-Barstow-Toyah ISD (PBTISD) consider granting a property value limitation under Chapter 313 of the Tax Code for a new gas processing facility. An application was submitted to PBTISD on August 18, 2011. Southern Union Gas proposes to invest \$130 million to construct a new gas processing project in PBTISD.

The Southern Union Gas 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, PBTISD 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 \$126.9 million in 2014-15, with a moderate rate of depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

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 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 PBTISD currently levying a \$0.227 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 generally 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 Southern Union Gas 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 is continued, since future changes are dependent on legislative action that is difficult to predict. 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. The yield for the additional four cents of tax effort eligible under Tier II, Level 2 is maintained at \$59.97 per WADA over the forecast period, consistent with the value used in state funding for the current biennium.

Student enrollment counts are held constant at 2,040 students in average daily attendance (ADA) in analyzing the effects of the Southern Union Gas project on the finances of PBTISD. The District's local tax base reached \$1.0 billion for the 2011 tax year. The underlying \$1.0 billion taxable value for 2011-12 is maintained for the forecast period in order to isolate the effects of the property value limitation. PBTISD is not a property-wealthy district, with wealth per weighted ADA or WADA of approximately \$326,855 for the 2011-12 school year. These assumptions are summarized in Table 1.

School Finance Impact

A baseline model was prepared for PBTISD 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 influences future state funding, beyond the current \$59.97 yield per WADA, as noted previously. 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 Southern Union Gas 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 Southern Union Gas 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 \$1.04 is used throughout this analysis.

A summary of the differences between these models is shown in Table 4. The model results show approximately \$16.4 million a year in net General Fund revenue.

Under these assumptions, PBTISD would experience a revenue loss as a result of the implementation of the value limitation in the 2014-15 school year (-\$77,108). The revenue reduction results from the mechanics of the four cents eligible for state aid at the Austin yield. Once the one-year lag in value associated with the property value study appears in the 2015-16 school year calculations, the revenue losses disappear under the current formulas.

As noted previously, no attempt was made to forecast further reductions in ASATR funding beyond the 92.35 percent adjustment adopted for the 2012-13 school year. One risk factor under the estimates presented here relates to the implementation of the value limitation in the 2014-15 school year. The formula loss of \$77,108 cited above between the base and the limitation models is based on an assumption of \$1.2 million in M&O tax savings for Southern Union Gas when the \$10 million limitation is implemented. In order to offset this reduction, a \$1.17 million increase in ASATR funding is calculated under the assumptions used here for the 2014-15 school year.

Given that the ASATR amount 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 District as a result of the adoption of the value limitation agreement in response to future legislative changes in ASATR funding. But significant or complete elimination of ASATR funding could reduce the residual tax savings in the first year that the \$10 million value limitation takes effect.

With regard to target revenue that is supported by ASATR funding, these estimates assume a target of \$5,713 per WADA for PBTISD, compared with the state average of \$5,185. The District's property wealth per WADA is estimated to be \$326,845, about \$40,000 in excess of the state average but well below the recapture level at the compressed tax rate of \$1.00 per \$100 of taxable value.

The Comptroller's Property Tax Assistance Division announced recently 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.

Under the Southern Union Gas 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 Southern Union Gas project. The

Comptroller's anticipated change has been made in the models presented here. This change is beneficial to both the District and the Company.

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 \$1.04 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 \$8.7 million over the life of the agreement. In addition, Southern Union Gas 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, if needed. The tax credits are expected to total approximately \$978,000 over the life of the agreement, with no unpaid tax credits anticipated and the District to be reimbursed by the state for the tax credit payments.

The key PBTISD revenue losses are associated with the additional four-cent levy equalized to the Austin yield and expected to total approximately -\$77,108 in the first year the value limitation is in effect under the agreement. The potential net tax benefits are estimated to total \$9.6 million over the life of the agreement. While legislative changes to ASATR funding could increase the hold-harmless amount owed in the 2014-15 school year, there would still be a substantial tax benefit to Southern Union Gas under the value limitation agreement for the remaining years that the limitation is in effect.

Facilities Funding Impact

The Southern Union Gas project remains fully taxable for debt services taxes, with PBTISD currently levying a \$0.227 I&S rate. The value of the Southern Union Gas project is expected to depreciate at a moderate rate over the life of the agreement and beyond, but full access to the additional value will add to the District's projected wealth per ADA that is currently well above what is provided for through the state's facilities program. At its peak taxable value, the project adds 12.7 percent to PBTISD's current tax base, which should assist the District in meeting its debt service obligations.

The Southern Union Gas project is not expected to affect PBTISD in terms of enrollment. Continued expansion of the natural gas and industrial gas processing industries 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. Southern Union Gas has indicated there will be 10 positions associated with operations once the facility is completed.

Conclusion

The proposed Southern Union Gas gas processing project enhances the tax base of PBTISD. It reflects continued capital investment in industrial gas manufacturing, 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 \$9.6 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 PBTISD in meeting its future debt service obligations.

Table 1 – Base District Information with Southern Union Gas Services, LTD 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
1	2012-13	2,040.00	2,908.46	\$1.0400	\$0.2270	\$953,989,787	\$953,989,787	\$950,642,967	\$950,642,367	\$326,855	\$326,855
2	2013-14	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,057,989,787	\$1,057,989,787	\$950,670,767	\$950,670,767	\$326,865	\$326,865
3	2014-15	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,080,889,787	\$963,961,387	\$1,054,670,767	\$1,054,670,767	\$362,622	\$362,622
4	2015-16	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,077,063,387	\$963,961,387	\$1,077,550,767	\$960,642,367	\$370,489	\$330,293
5	2016-17	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,073,371,179	\$963,961,387	\$1,073,744,367	\$960,642,367	\$369,180	\$330,293
6	2017-18	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,069,789,737	\$963,961,387	\$1,070,052,159	\$960,642,367	\$367,911	\$330,293
7	2018-19	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,066,315,739	\$963,961,387	\$1,066,470,717	\$960,642,367	\$366,679	\$330,293
8	2019-20	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,062,945,960	\$963,961,387	\$1,062,996,719	\$960,642,367	\$365,485	\$330,293
9	2020-21	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,059,677,275	\$963,961,387	\$1,059,626,940	\$960,642,367	\$364,326	\$330,293
10	2021-22	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,056,506,650	\$963,961,387	\$1,056,358,255	\$960,642,367	\$363,203	\$330,293
11	2022-23	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,053,431,144	\$1,053,431,144	\$1,053,187,630	\$960,642,367	\$362,112	\$330,293
12	2023-24	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,050,447,904	\$1,050,447,904	\$1,050,112,124	\$1,050,112,124	\$361,055	\$361,055
13	2024-25	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,047,554,160	\$1,047,554,160	\$1,047,428,884	\$1,047,428,884	\$360,029	\$360,029
14	2025-26	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,044,747,229	\$1,044,747,229	\$1,044,235,140	\$1,044,235,140	\$359,034	\$359,034
15	2026-27	2,040.00	2,908.46	\$1.0400	\$0.2270	\$1,042,024,506	\$1,042,024,506	\$1,041,428,209	\$1,041,428,209	\$358,069	\$358,069

*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
1	2012-13	\$9,859,804	\$5,181,915	\$916,627	\$0	\$0	\$385,850	\$321,925	\$0	\$16,439,922
2	2013-14	\$10,673,055	\$5,161,631	\$0	\$0	\$0	\$426,367	\$355,891	\$0	\$16,616,945
3	2014-15	\$10,918,879	\$4,121,579	\$692,094	\$0	\$0	\$436,179	\$265,168	\$0	\$16,453,694
4	2015-16	\$10,881,369	\$3,892,768	\$958,210	\$0	\$0	\$434,689	\$268,930	\$0	\$16,435,965
5	2016-17	\$10,845,183	\$3,930,833	\$956,330	\$0	\$0	\$433,243	\$270,521	\$0	\$16,436,112
6	2017-18	\$10,810,083	\$3,967,757	\$954,506	\$0	\$0	\$431,841	\$272,066	\$0	\$16,436,254
7	2018-19	\$10,776,037	\$4,003,574	\$952,736	\$0	\$0	\$430,481	\$273,566	\$0	\$16,436,394
8	2019-20	\$10,743,011	\$4,038,315	\$951,020	\$0	\$0	\$429,162	\$275,021	\$0	\$16,436,530
9	2020-21	\$10,710,976	\$4,072,015	\$949,355	\$0	\$0	\$427,882	\$276,434	\$0	\$16,436,663
10	2021-22	\$10,679,903	\$4,104,703	\$947,741	\$0	\$0	\$426,641	\$277,805	\$0	\$16,436,793
11	2022-23	\$10,649,761	\$4,136,411	\$946,174	\$0	\$0	\$425,437	\$279,136	\$0	\$16,436,919
12	2023-24	\$10,620,524	\$4,167,168	\$944,654	\$0	\$0	\$424,269	\$280,427	\$0	\$16,437,043
13	2024-25	\$10,592,184	\$4,197,002	\$943,181	\$0	\$0	\$423,136	\$281,681	\$0	\$16,437,183
14	2025-26	\$10,564,655	\$4,225,940	\$941,752	\$0	\$0	\$422,037	\$282,897	\$0	\$16,437,281
15	2026-27	\$10,537,971	\$4,254,011	\$940,385	\$0	\$0	\$420,971	\$284,078	\$0	\$16,437,396

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
1	2012-13	\$9,653,804	\$5,161,915	\$916,627	\$0	\$0	\$385,650	\$321,925	\$0	\$16,439,922
2	2013-14	\$10,673,055	\$5,161,631	\$0	\$0	\$0	\$426,367	\$355,891	\$0	\$16,616,945
3	2014-15	\$9,751,531	\$4,121,579	\$1,859,236	\$0	\$0	\$389,554	\$254,685	\$0	\$16,376,586
4	2015-16	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
5	2016-17	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
6	2017-18	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
7	2018-19	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
8	2019-20	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
9	2020-21	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
10	2021-22	\$9,751,531	\$5,061,910	\$918,905	\$0	\$0	\$389,554	\$317,744	\$0	\$16,439,645
11	2022-23	\$10,628,378	\$5,061,910	\$42,058	\$0	\$0	\$424,582	\$346,315	\$0	\$16,503,245
12	2023-24	\$10,599,141	\$4,167,168	\$966,037	\$0	\$0	\$423,415	\$279,863	\$0	\$16,435,624
13	2024-25	\$10,570,781	\$4,197,002	\$964,563	\$0	\$0	\$422,282	\$281,112	\$0	\$16,435,740
14	2025-26	\$10,543,272	\$4,225,940	\$963,135	\$0	\$0	\$421,183	\$282,325	\$0	\$16,435,854
15	2026-27	\$10,516,588	\$4,254,011	\$961,748	\$0	\$0	\$420,117	\$283,501	\$0	\$16,435,965

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
1	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2014-15	-\$1,167,142	\$0	\$1,167,142	\$0	\$0	-\$48,625	-\$30,489	\$0	-\$77,108
4	2015-16	-\$1,129,838	\$1,169,142	-\$39,304	\$0	\$0	-\$45,135	\$48,814	\$0	\$3,680
5	2016-17	-\$1,093,652	\$1,181,077	-\$37,425	\$0	\$0	-\$43,689	\$47,223	\$0	\$3,533
6	2017-18	-\$1,058,552	\$1,094,153	-\$35,601	\$0	\$0	-\$42,287	\$45,678	\$0	\$3,391
7	2018-19	-\$1,024,508	\$1,058,336	-\$33,830	\$0	\$0	-\$40,927	\$44,178	\$0	\$3,251
8	2019-20	-\$991,480	\$1,023,595	-\$32,115	\$0	\$0	-\$39,608	\$42,723	\$0	\$3,115
9	2020-21	-\$959,445	\$989,895	-\$30,450	\$0	\$0	-\$38,328	\$41,310	\$0	\$2,982
10	2021-22	-\$928,372	\$957,207	-\$28,835	\$0	\$0	-\$37,087	\$39,939	\$0	\$2,852
11	2022-23	-\$21,383	\$925,499	-\$904,118	\$0	\$0	-\$854	\$67,180	\$0	\$66,325
12	2023-24	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$565	\$0	-\$1,419
13	2024-25	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$569	\$0	-\$1,423
14	2025-26	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$573	\$0	-\$1,427
15	2026-27	-\$21,383	\$0	\$21,383	\$0	\$0	-\$854	-\$576	\$0	-\$1,431

Table 5 - Estimated Financial impact of the Southern Union Gas Services, LTD Project Property Value Limitation Request Submitted to PBTISD at \$1.04 M&O Tax Rate

School Year	Project Value	Estimated Taxable Value	Value Savings	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
2012-13	\$28,400	\$28,400	\$0	\$295	\$295	\$0	\$0	\$0	\$0	\$0
2013-14	\$104,028,400	\$104,028,400	\$0	\$1,081,895	\$1,081,895	\$0	\$0	\$0	\$0	\$0
2014-15	\$126,908,400	\$10,000,000	\$116,908,400	\$1,319,847	\$104,000	\$1,215,847	\$0	\$1,215,847	-\$77,108	\$1,138,740
2015-16	\$123,102,000	\$10,000,000	\$113,102,000	\$1,280,261	\$104,000	\$1,176,261	\$139,699	\$1,315,960	\$0	\$1,315,960
2016-17	\$119,409,792	\$10,000,000	\$109,409,792	\$1,241,862	\$104,000	\$1,137,862	\$139,699	\$1,277,561	\$0	\$1,277,561
2017-18	\$115,828,350	\$10,000,000	\$105,828,350	\$1,204,615	\$104,000	\$1,100,615	\$139,699	\$1,240,314	\$0	\$1,240,314
2018-19	\$112,354,352	\$10,000,000	\$102,354,352	\$1,168,485	\$104,000	\$1,064,485	\$139,699	\$1,204,785	\$0	\$1,204,785
2019-20	\$108,984,573	\$10,000,000	\$98,984,573	\$1,133,440	\$104,000	\$1,029,440	\$139,699	\$1,169,139	\$0	\$1,169,139
2020-21	\$105,715,888	\$10,000,000	\$95,715,888	\$1,099,445	\$104,000	\$995,445	\$139,699	\$1,135,145	\$0	\$1,135,145
2021-22	\$102,545,263	\$10,000,000	\$92,545,263	\$1,066,471	\$104,000	\$962,471	\$139,699	\$1,102,170	\$0	\$1,102,170
2022-23	\$99,469,757	\$9,469,757	\$0	\$1,034,485	\$1,034,485	\$0	\$0	\$0	\$0	\$0
2023-24	\$96,486,517	\$9,486,517	\$0	\$1,003,460	\$1,003,460	\$0	\$0	\$0	\$0	\$0
2024-25	\$93,592,773	\$9,592,773	\$0	\$973,365	\$973,365	\$0	\$0	\$0	\$0	\$0
2025-26	\$90,785,842	\$9,785,842	\$0	\$944,173	\$944,173	\$0	\$0	\$0	\$0	\$0
2026-27	\$88,063,119	\$8,063,119	\$0	\$915,856	\$915,856	\$0	\$0	\$0	\$0	\$0
Totals				\$15,467,956	\$6,785,530	\$8,682,426	\$977,895	\$9,660,321	-\$77,108	\$9,583,213
Tax Credit for Value Over Limit in First 2 Years							Year 1	Year 2	Max Credits	
							\$0	\$977,895	\$977,895	
							Credits Earned		\$977,895	
							Credits Paid		\$977,895	
							Excess Credits Unpaid		\$0	

Attachment 3

Reeves County

Population

Total county population in 2010 for Reeves County: 11,197, up 0.5 percent from 2009. State population increased 1.8 percent in the same time period. Reeves County was the state's 159th largest county in population in 2010 and the 144th fastest growing county from 2009 to 2010. Reeves County's population in 2009 was 23.8 percent Anglo (below the state average of 46.7 percent), 2.4 percent African-American (below the state average of 11.3 percent) and 72.6 percent Hispanic (above the state average of 36.9 percent). 2009 population of the largest cities and places in Reeves County:

Pecos:	7,782	Balmorhea:	445
Toyah:	85		

Economy and Income

Employment

September 2011 total employment in Reeves County: 4,282, up 1.4 percent from September 2010. State total employment increased 0.9 percent during the same period.

September 2011 Reeves County unemployment rate: 10.7 percent, up from 10.2 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

Reeves County's ranking in per capita personal income in 2009: 225th with an average per capita income of \$26,779, up 3.4 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 Reeves County averaged \$19.96 million annually from 2007 to 2010. County total agricultural values in 2010 were up 6.3 percent from 2009. Major agriculture related commodities in Reeves County during 2010 included:

Pecans	Hay	Other Crop	Other Beef	Alfalfa
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2011 oil and gas production in Reeves County: 1.2 million barrels of oil and 17.8 million Mcf of gas. In September 2011, there were 814 producing oil wells and 295 producing gas wells.

Taxes

Sales Tax - Taxable Sales

Taxable sales in Reeves County during the fourth quarter 2010: \$19.03 million, up 11.7 percent from the same quarter in 2009.

Taxable sales during the fourth quarter 2010 in the city of:

Pecos:	\$17.08 million, up 18.7 percent from the same quarter in 2009.
Balmorhea:	\$147,104.00, up 1.1 percent from the same quarter in 2009.
Toyah:	\$0.00, down 100.0 percent from the same quarter in 2009.

Annual (2010)

Taxable sales in Reeves County during 2010: \$74.63 million, up 12.7 percent from 2009. Reeves County sent an estimated \$4.66 million (or 0.03 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010. Taxable sales during 2010 in the city of:

Pecos:	\$64.83 million, up 13.8 percent from 2009.
Balmorhea:	\$607,936.00, up 31.4 percent from 2009.
Toyah:	\$15,498.00, down 65.2 percent from 2009.

Sales Tax - Local Sales Tax Allocations

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 Reeves County based on the sales activity month of August 2011: \$155,949.11, up 64.2 percent from August 2010. Payment based on the sales activity month of August 2011 to the city of:

Pecos:	\$151,890.73, up 65.0 percent from August 2010.
Balmorhea:	\$3,265.00, up 38.0 percent from August 2010.
Toyah:	\$793.38, up 41.6 percent from August 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 Reeves County based on sales activity months in 2010: \$1.24 million, up 8.8 percent from 2009. Payment based on sales activity months in 2010 to the city of:

Pecos:	\$1.21 million, up 9.0 percent from 2009.
Balmorhea:	\$29,796.84, up 20.9 percent from 2009.
Toyah:	\$4,534.63, down 49.4 percent from 2009.

Property Tax

As of January 2009, property values in Reeves County: \$812.61 million, down 10.1 percent from January 2008 values. The property tax base per person in Reeves County is \$73,566, below the statewide average of \$85,809. About 46.8 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

Reeves County's ranking in state expenditures by county in fiscal year 2010: 154th. State expenditures in the county for FY2010: \$45.41 million, up 0.1 percent from FY2009.

In Reeves County, 9 state agencies provide a total of 82 jobs and \$850,501 million in annualized wages (as of 1st quarter 2011).

Major state agencies in the county (as of first quarter 2011):

- Department of Transportation
- Department of Public Safety
- Health & Human Services Commission
- Parks & Wildlife Department
- AgriLife Research

Higher Education

Community colleges in Reeves County fall 2010 enrollment:

None.

Reeves County is in the service area of the following:

Odessa College with a fall 2010 enrollment of 5,211. Counties in the service area include:

- Andrews County
- Brewster County
- Crane County
- Culberson County
- Ector County
- Gaines County
- Jeff Davis County
- Loving County
- Presidio County
- Reeves County
- Upton County
- Ward County
- Winkler County

Institutions of higher education in Reeves County fall 2010 enrollment:

None.

School Districts

Reeves County had 2 school districts with 6 schools and 2,352 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.)

Balmorhea ISD had 159 students in the 2009-10 school year. The average teacher salary was \$39,812. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.

Pecos-Barstow-Toyah ISD had 2,193 students in the 2009-10 school year. The average teacher salary was \$45,629. The percentage of students meeting the 2010 TAKS passing standard for all tests was 61 percent.