

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



March 10, 2014

Albert Peña  
Superintendent  
San Perlita Independent School District  
13937 FM 2209  
San Perlita, Texas 78590

Dear Superintendent Peña:

On Dec. 10, 2013, the Comptroller received the completed application (Application # 384) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in September 2013 to the San Perlita Independent School District (the school district) by Magic Valley Wind Farm II, LLC (the applicant). This letter presents the results of the Comptroller's review of the application:

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

The school district is currently classified as a rural school district in Category 3 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$262.9 million) is consistent with the proposed appraised value limitation sought (\$10 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement.

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

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

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

<sup>1</sup> All statutory references are to the Texas Tax Code, unless otherwise noted.

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

Note that any new building or other improvement existing as of the application review start date of Dec. 10, 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](mailto: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	Magic Valley Wind Farm II, LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	San Perlita ISD
2011-12 Enrollment in School District	280
County	Willacy
Total Investment in District	\$262,950,000
Qualified Investment	\$262,950,000
Limitation Amount	\$10,000,000
Number of total jobs committed to by applicant	4*
Number of qualifying jobs committed to by applicant	4
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$719
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$719
Minimum Annual Wage committed to by applicant for qualified jobs	\$37,363
Investment per Qualifying Job	\$65,737,500
Estimated 15 year M&O levy without any limit or credit:	\$21,870,992
Estimated gross 15 year M&O tax benefit	\$16,695,432
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):	\$14,710,627
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,228,200
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$8,373,109
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	63.7%
Percentage of tax benefit due to the limitation	86.7%
Percentage of tax benefit due to the credit.	13.3%
* 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 Magic Valley Wind Farm II, LLC (the project) applying to San Perlita 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 4 new jobs when fully operational. All 4 jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Lower Rio Grande Valley Development Council Region, where Willacy County is located was \$33,961 in 2012. The annual average manufacturing wage for 2012-2013 for Willacy County was \$42,263. From 2012-2013, the county annual average wage for all industries was \$30,706. In addition to an annual average salary of \$37,363 each qualifying position will receive benefits such as medical insurance, prescription insurance, dental insurance, vision insurance, life & personal accident insurance, short- and long-term disability benefits, free instructor led and online training, tuition reimbursement, employee assistance program, adoption assistance, health care flexible spending account plan, dependent care flexible spending account plan, commuter benefits plan, purchasing advantages through Insperity's MarketPlace, 401(K) plan, Making Friends International exchange program for children of employees, 15 to 25 days of paid vacation, 12 paid holidays per year, paid family and medical leave, and paid military leave. The project's total investment is \$262.9 million, resulting in a relative level of investment per qualifying job of \$65.7 million.

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

According to Magic Valley Wind Farm II, LLC's application, "E.ON Climate & Renewables is an international company that develops, constructs, and operates wind energy projects. E.ON Climate & Renewables has a proven history of success across the United States evidenced by the development, construction and operation of over 2, 700 MW s of wind farms." The applicant also states, "We have the ability to locate projects of this type across several regions within the United States, Canada, and Europe."

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

During the past two years, 10 projects in the Lower Rio Grande Valley Development Council 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 Magic Valley Wind Farm II, LLC project requires appear to be in line with the focus and themes of the plan. Texas identified energy as one of six target clusters in the Texas Cluster Initiative. The plan stresses the importance of technology in all sectors of the energy industry.

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

Table 1 depicts Magic Valley Wind Farm II, LLC's estimated economic impact to Texas. It depicts the direct, indirect and induced effects to employment and personal income within the state. The Comptroller's office calculated the economic impact based on 16 years of annual investment and employment levels using software from Regional Economic Models, Inc. (REMI). The impact includes the construction period and the operating period of the project.

**Table 1: Estimated Statewide Economic Impact of Investment and Employment in Magic Valley Wind Farm II, LLC**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2014	0	0	0	\$0	\$0	\$0
2015	300	273	573	\$11,208,900	\$19,791,100	\$31,000,000
2016	4	16	20	\$149,452	\$3,850,548	\$4,000,000
2017	4	7	11	\$149,452	\$1,850,548	\$2,000,000
2018	4	2	6	\$149,452	\$1,850,548	\$2,000,000
2019	4	2	6	\$149,452	\$850,548	\$1,000,000
2020	4	0	4	\$149,452	\$850,548	\$1,000,000
2021	4	6	10	\$149,452	\$850,548	\$1,000,000
2022	4	6	10	\$149,452	\$850,548	\$1,000,000
2023	4	4	8	\$149,452	\$850,548	\$1,000,000
2024	4	6	10	\$149,452	\$850,548	\$1,000,000
2025	4	12	16	\$149,452	\$850,548	\$1,000,000
2026	4	4	8	\$149,452	\$850,548	\$1,000,000
2027	4	6	10	\$149,452	\$850,548	\$1,000,000
2028	4	4	8	\$149,452	\$850,548	\$1,000,000
2029	4	2	6	\$149,452	\$850,548	\$1,000,000

Source: CPA, REMI, Magic Valley Wind Farm II, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.7 billion in 2012-2013. San Perlita ISD's ad valorem tax base in 2012-2013 was \$66.3 million. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, San Perlita ISD's estimated wealth per WADA was \$127,107. 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, Willacy County, the Willacy County Hospital District, Willacy County Navigation District, Willacy County Drainage District #2, and the Willacy County Emergency Services District (ESD) with all property tax incentives sought being granted using estimated market value from Magic Valley Wind Farm II, LLC's application. Table 3 illustrates the estimated tax impact of the Magic Valley Wind Farm II, LLC project on the region if all taxes are assessed.

**Table 2 Estimated Direct Ad Valorem Taxes with all property tax incentives sought**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	San Perlita ISD I&S Levy	San Perlita ISD M&O Levy	San Perlita ISD M&O and I&S Tax Levies (Before Credit Credited)	San Perlita ISD M&O and I&S Tax Levies (After Credit Credited)	Willacy County Tax Levy	Willacy County Hospital District Tax Levy	Willacy County Navigation District Tax Levy	Willacy County Drainage District #2 Tax Levy	Willacy County ESD Tax Levy	Estimated Total Property Taxes
2014	\$0	\$0		0.2500	1.0400	\$0	\$0	0.4002	0.0384	0.0796	0.0737	0.0353	\$0
2015	\$4,000,000	\$4,000,000		\$10,000	\$41,600	\$51,600	\$51,600	\$16,008	\$1,537	\$0	\$2,948	\$1,412	\$73,506
2016	\$224,250,000	\$224,250,000		\$560,625	\$2,332,200	\$2,892,825	\$2,892,825	\$897,471	\$86,179	\$178,570	\$165,272	\$79,183	\$4,299,500
2017	\$215,280,000	\$10,000,000		\$538,200	\$104,000	\$642,200	\$642,200	\$861,572	\$82,732	\$171,427	\$158,661	\$76,015	\$1,992,608
2018	\$206,310,000	\$10,000,000		\$515,775	\$104,000	\$619,775	\$474,213	\$825,673	\$79,285	\$164,285	\$152,050	\$72,848	\$1,768,355
2019	\$197,340,000	\$10,000,000		\$493,350	\$104,000	\$597,350	\$450,923	\$789,774	\$75,838	\$157,142	\$145,440	\$69,681	\$1,688,797
2020	\$188,370,000	\$10,000,000		\$470,925	\$104,000	\$574,925	\$429,493	\$753,876	\$72,391	\$149,999	\$138,829	\$66,513	\$1,611,101
2021	\$179,400,000	\$10,000,000		\$448,500	\$104,000	\$552,500	\$406,674	\$717,977	\$68,943	\$142,856	\$132,218	\$63,346	\$1,532,014
2022	\$170,430,000	\$10,000,000		\$426,075	\$104,000	\$530,075	\$387,321	\$682,078	\$65,496	\$135,713	\$125,607	\$60,179	\$1,456,394
2023	\$161,460,000	\$10,000,000		\$403,650	\$104,000	\$507,650	\$364,990	\$646,179	\$62,049	\$128,571	\$118,996	\$57,012	\$1,377,796
2024	\$152,490,000	\$10,000,000		\$381,225	\$104,000	\$485,225	\$344,628	\$610,280	\$58,602	\$121,428	\$112,385	\$53,844	\$1,301,168
2025	\$143,520,000	\$143,520,000		\$358,800	\$1,492,608	\$1,851,408	\$632,465	\$574,381	\$55,155	\$114,285	\$105,774	\$50,677	\$1,532,737
2026	\$134,550,000	\$134,550,000		\$336,375	\$1,399,320	\$1,735,695	\$1,735,695	\$538,483	\$51,708	\$107,142	\$99,163	\$47,510	\$2,579,700
2027	\$125,580,000	\$125,580,000		\$313,950	\$1,306,032	\$1,619,982	\$1,619,982	\$502,584	\$48,260	\$99,999	\$92,552	\$44,342	\$2,407,720
2028	\$116,610,000	\$116,610,000		\$291,525	\$1,212,744	\$1,504,269	\$1,504,269	\$466,685	\$44,813	\$92,857	\$85,942	\$41,175	\$2,235,740
						<b>Total</b>	<b>\$11,937,279</b>	<b>\$8,883,021</b>	<b>\$852,988</b>	<b>\$1,764,274</b>	<b>\$1,635,838</b>	<b>\$783,737</b>	<b>\$25,857,138</b>

Source: CPA, Magic Valley Wind Farm II, LLC

<sup>1</sup>Tax Rate per \$100 Valuation

**Table 3 Estimated Direct Ad Valorem Taxes without property tax incentives**

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	San Perlita ISD I&S Levy	San Perlita ISD M&O Levy	San Perlita ISD M&O and I&S Tax Levies	Willacy County Tax Levy	Willacy County Hospital District Tax Levy	Willacy County Navigation District Tax Levy	Willacy County Drainage District #2 Tax Levy	Willacy County ESD Tax Levy	Estimated Total Property Taxes	
2014	\$0	\$0		0.2500	1.0400	\$0	0.4002	0.0384	0.0796	0.0737	0.0353	\$0	
2015	\$4,000,000	\$4,000,000		\$10,000	\$41,600	\$51,600	\$16,008	\$1,537	\$3,185	\$2,948	\$1,412	\$76,691	
2016	\$224,250,000	\$224,250,000		\$560,625	\$2,332,200	\$2,892,825	\$897,471	\$86,179	\$178,570	\$165,272	\$79,183	\$4,299,500	
2017	\$215,280,000	\$215,280,000		\$538,200	\$2,238,912	\$2,777,112	\$861,572	\$82,732	\$171,427	\$158,661	\$76,015	\$4,127,520	
2018	\$206,310,000	\$206,310,000		\$515,775	\$2,145,624	\$2,661,399	\$825,673	\$79,285	\$164,285	\$152,050	\$72,848	\$3,955,540	
2019	\$197,340,000	\$197,340,000		\$493,350	\$2,052,336	\$2,545,686	\$789,774	\$75,838	\$157,142	\$145,440	\$69,681	\$3,783,560	
2020	\$188,370,000	\$188,370,000		\$470,925	\$1,959,048	\$2,429,973	\$753,876	\$72,391	\$149,999	\$138,829	\$66,513	\$3,611,580	
2021	\$179,400,000	\$179,400,000		\$448,500	\$1,865,760	\$2,314,260	\$717,977	\$68,943	\$142,856	\$132,218	\$63,346	\$3,439,600	
2022	\$170,430,000	\$170,430,000		\$426,075	\$1,772,472	\$2,198,547	\$682,078	\$65,496	\$135,713	\$125,607	\$60,179	\$3,267,620	
2023	\$161,460,000	\$161,460,000		\$403,650	\$1,679,184	\$2,082,834	\$646,179	\$62,049	\$128,571	\$118,996	\$57,012	\$3,095,640	
2024	\$152,490,000	\$152,490,000		\$381,225	\$1,585,896	\$1,967,121	\$610,280	\$58,602	\$121,428	\$112,385	\$53,844	\$2,923,660	
2025	\$143,520,000	\$143,520,000		\$358,800	\$1,492,608	\$1,851,408	\$574,381	\$55,155	\$114,285	\$105,774	\$50,677	\$2,751,680	
2026	\$134,550,000	\$134,550,000		\$336,375	\$1,399,320	\$1,735,695	\$538,483	\$51,708	\$107,142	\$99,163	\$47,510	\$2,579,700	
2027	\$125,580,000	\$125,580,000		\$313,950	\$1,306,032	\$1,619,982	\$502,584	\$48,260	\$99,999	\$92,552	\$44,342	\$2,407,720	
2028	\$116,610,000	\$116,610,000		\$291,525	\$1,212,744	\$1,504,269	\$466,685	\$44,813	\$92,857	\$85,942	\$41,175	\$2,235,740	
						<b>Total</b>	<b>\$28,632,711</b>	<b>\$8,883,021</b>	<b>\$852,988</b>	<b>\$1,767,460</b>	<b>\$1,635,838</b>	<b>\$783,737</b>	<b>\$42,555,755</b>

Source: CPA, Magic Valley Wind Farm II, LLC

<sup>1</sup>Tax 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. The last table in this attachment shows the estimated 13 year M&O tax levy without the value limitation agreement would be \$21,870,992. The estimated gross 13 year M&O tax benefit, or levy loss, is \$ 16,695,432.

Attachment 3 is an economic overview of Willacy County.

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

# Attachments

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

# **Attachment 1**

Schedule A (Rev. May 2010): Investment

Form 50-296

Magic Valley Wind Farm II, LLC  
San Perlita ISD

PROPERTY INVESTMENT AMOUNTS

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

Applicant Name ISD Name	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)	
									Column A: Year
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)	2013-2014	2013	300,000				300,000	
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2014-2015	2014	3,700,000		3,700,000		3,700,000	
	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)	2015-2016	2015	259,250,000		259,250,000		259,250,000	
	Complete tax years of qualifying time period	1	2015-2016	2015	259,250,000		259,250,000		259,250,000
		2	2016-2017	2016					
		3	2017-2018	2017					
		4	2018-2019	2018					
		5	2019-2020	2019					
		6	2020-2021	2020					
		7	2021-2022	2021					
		8	2022-2023	2022					
		9	2023-2024	2023					
		10	2024-2025	2024					
	Value Limitation Period	11	2025-2026	2025					
		12	2026-2027	2026					
13		2027-2028	2027						
Credit Settle-Up Period	Continue to Maintain Viable Presence	2028-2029	2028						
	Post-Settle-Up Period	2029-2030	2029						

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 §313.021(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 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 §313.021(1)(E).

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

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

11/15/13

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE



**Schedule C- Application: Employment Information**

Applicant Name  
 Magic Valley Wind Farm II, LLC  
 San Perfito 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 commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs	
	pre-year 1	2014-2015	2014							
	1	2015-2016	2015	85 FTE	37,363					
	2	2016-2017	2016			4	37,363	4	37,363	
	3	2017-2018	2017			4	37,363	4	37,363	
	4	2018-2019	2018			4	37,363	4	37,363	
	5	2019-2020	2019			4	37,363	4	37,363	
	6	2020-2021	2020			4	37,363	4	37,363	
	7	2021-2022	2021			4	37,363	4	37,363	
	8	2022-2023	2022			4	37,363	4	37,363	
	9	2023-2024	2023			4	37,363	4	37,363	
	10	2024-2025	2024			4	37,363	4	37,363	
	11	2025-2026	2025			4	37,363	4	37,363	
	12	2026-2027	2026			4	37,363	4	37,363	
	13	2027-2028	2027			4	37,363	4	37,363	
	14	2028-2029	2028			4	37,363	4	37,363	
	15	2029-2030	2029			4	37,363	4	37,363	
Tax Credit Period (with 50% cap on credit)				Value Limitation Period						
Credit Settle-Up Period				Continue to Maintain Viable Presence						
Post-Settle-Up Period										
Post-Settle-Up Period										

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

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

*[Handwritten Signature]*

11-15-13

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

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

Form 50-296

San Perilita ISD

Other Property Tax Abatements Sought

Magic Valley Wind Farm II, LLC

ISD Name

Franchise Tax

Sales Tax Information

	Year	School Year (YYYY-YYYY)	Tax/ Calendar Year YYYY	Sales Taxable Expenditures		Franchise Tax	County	City	Hospital	Other
				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					
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2014-2015	2014							
Tax Credit Period (with 50% cap on credit)	1	2015-2016	2015	\$0.00	\$0.00	\$0.00	0%	0%	0%	0%
	2	2016-2017	2016	\$15,675,551.00	\$243,574,449.00	\$0.00	0%	0%	0%	0%
	3	2017-2018	2017	\$0.00	\$0.00	\$0.00	0%	0%	0%	0%
	4	2018-2019	2018	\$0.00	\$0.00	\$0.00	0%	0%	0%	0%
	5	2019-2020	2019	\$0.00	\$0.00	\$0.00	0%	0%	0%	0%
	6	2020-2021	2020	\$0.00	\$0.00	\$0.00	0%	0%	0%	0%
	7	2021-2022	2021	\$0.00	\$0.00	\$0.00	0%	0%	0%	0%
	8	2022-2023	2022	\$0.00	\$0.00	\$118,000.00	0%	0%	0%	0%
	9	2023-2024	2023	\$0.00	\$0.00	\$129,000.00	0%	0%	0%	0%
	10	2024-2025	2024	\$0.00	\$0.00	\$149,000.00	0%	0%	0%	0%
	11	2025-2026	2025	\$0.00	\$0.00	\$163,000.00	0%	0%	0%	0%
	12	2026-2027	2026	\$0.00	\$0.00	\$172,000.00	0%	0%	0%	0%
	13	2027-2028	2027	\$0.00	\$0.00	\$177,000.00	0%	0%	0%	0%
	14	2028-2029	2028	\$0.00	\$0.00	\$200,000.00	0%	0%	0%	0%
	15	2029-2030	2029	\$0.00	\$0.00	\$216,000.00	0%	0%	0%	0%

11/15/23

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

*[Handwritten Signature]*

\*For planning, construction and operation of the facility.

# **Attachment 2**

**FINAL REPORT**

**Summary of the Financial Impact of  
Magic Valley Wind Farm II, LLC on the San Perlita ISD  
Under a Requested Chapter 313 Property Value Limitation**

**Prepared By**

**Larry Stavinoha**

**School Finance Consultant**

**December 9, 2013**

## **Introduction**

E.ON Climate and Renewables, LLC has submitted an application to the San Perlita Independent School District Board of Trustees requesting a tax limitation agreement under Chapter 313 of the Texas Tax Code also known as the Texas Economic Development Act. The company proposes to construct the Magic Valley Wind Farm II, LLC that would invest \$224,250,000 in the San Perlita Independent School District.

The Texas Economic Development Act was enacted by the Texas Legislature in 2001 to “encourage large scale capital investments” in the State of Texas. Entering into these tax limitation agreements gives Texas School Districts the ability to attract new taxable property and create jobs. Projects that are eligible for a tax limitation under the Texas Economic Development Act are projects devoted to manufacturing, research and development, clean coal projects as defined by Section 5.001, Water Code, an advanced clean energy project as defined by Section 382.003, Health and Safety Code, renewable energy electric generation, electric power generation using integrated gasification combined cycle technology, nuclear electric power generation, or a computer center used primarily in connection to one of the other categories. The Magic Valley Wind Farm II, LLC project proposes wind powered electric production a renewable energy electric generation project, and thus qualifies as an eligible project under the Texas Economic Development Act.

The proposed agreement calls for a two year qualifying period which would occur during the 2015-2016 and 2016-2017 school years. The entire value of the project will be fully taxable for both maintenance and operation (M&O) and interest and sinking (I&S) during the two year qualifying period. The proposal calls for the limitation period to span eight years beginning with the 2017-2018 school fiscal year and ending with the conclusion of the 2024-2025 school fiscal year. The full value of the project will remain fully taxable for I&S levies. The full taxable value of the project, \$224,250,000, will be invested during the 2016-2017 school year and will be reduced by depreciation in subsequent years.

The proposed agreement calls for a calculation of the revenue impact of the value limitation on the school district in years three through ten under the school finance and property tax laws which would apply during that period. It is

estimated that San Perlita Independent School District would suffer a revenue loss of \$1,984,805 in year three of the agreement which is the 2017-2018 school fiscal year.

The total tax savings to the applicant is estimated to be \$16,695,432 over the course of the agreement. These tax savings would result from the limits placed on the value of the project for M&O taxes from the 2017-2018 school year through the 2024-2025 school year and from a credit for taxes paid during the two year qualifying period that would be over and above the limitation amount. The net savings to the company would be an estimated \$14,710,627 when revenue protection payments are considered.

### **Texas Public School Funding**

Texas school districts are financed by some combination of local property tax revenue and state aid. All Texas School Districts collect ad valorem property taxes to use for the maintenance and operation of the school district and taxes to pay the principal and interest on bonded debt approved by district voters. While taxes are collected by the district on the current year County Appraisal District (CAD) value, the state funding formulas use the Comptroller's Property Tax Division (CPTD) value for the purpose of calculating the district's required local shares within the funding tiers of that formula. The CPTD is a reflection of last year's CAD value; therefore, it lags behind the CAD value in all years. Texas School Finance Law establishes the Foundation School Program that determines how much state and local aid a school district is due and how much of this revenue is provided by the state. The program is administered by the Texas Education Agency. The Foundation School Program is meant to ensure that all school districts, regardless of property wealth, receive "substantially equal access to similar revenues per student at similar levels of tax effort, considering all state and local tax revenues of districts after acknowledging all legitimate student and district cost differences." In other words, the system seeks to provide the same dollars for the same kids for the same tax effort. In an effort to provide school funding equity, the laws require that property taxes collected on appraised value over certain limits be recaptured by the state. Currently the equalization level for taxes collected at the district's compressed tax rate is \$495,000 per Weighted ADA. A second equalization level of \$319,500 per weighted ADA is imposed on taxes collected on pennies in excess of six pennies above the compressed tax rate.

The operations component of the Foundation School Program provides funding for school districts in two tiers. Tier 1 provides districts a basic level of funding with allotments for special programs. The revenue that a school district is guaranteed in Tier 1, at the compressed tax rate, is determined by either the target revenue/hold harmless formulas or the state share of Tier 1 plus local taxes collected at the compressed rate, whichever is greater. In 2006, the legislature mandated that school districts compress maintenance and operation tax rates by one third. The legislation held districts harmless at revenue totals derived from formulas that took into account revenues generated during the 2005-2006 school year. This placed virtually all school districts under target revenue/hold harmless formulas. To replace local tax revenue lost due to tax compression, the state provided Additional State Aid for Tax Reduction. Subsequent legislation in 2009, 2011, and 2013 moved many districts out of target revenue/hold harmless funding and into formula funding. The 2011 legislative session cut \$4 billion dollars from the Foundation School Program and formulas were adjusted accordingly. Some of these cuts were restored by the recently completed 2013 legislative session. A statement of legislative intent adopted in 2011 calls for the complete elimination of Additional State Aid for Tax Reduction by the 2017-2018 school year. San Perlita is a formula funded school district and will continue to be a formula funded school district throughout the duration of this agreement.

The other tier of the operations component of the Foundation School Program is Tier 2. Tier 2 of the FSP is intended to supplement the funding provided in Tier 1. Currently this tier provides for a guaranteed yield of \$59.97 per penny per Weighted ADA for the first six pennies levied and collected above the district compressed tax rate and a yield of \$31.95 per penny per weighted ADA for pennies collected above the first six pennies up to a maximum M&O tax rate of \$1.17. There is no recapture on the first six pennies levied above the compressed tax rate. For pennies levied above the first six pennies in excess of the compressed tax rate, a recapture level of \$319,500 per weighted ADA is imposed. San Perlita Independent School District currently levies an M&O tax rate of \$1.04. The compressed tax rate for San Perlita Independent School District is \$1. The four pennies that San Perlita Independent School District levies above the compressed tax rate generates a total state and local yield of \$59.57 per penny per weighted ADA.

The other component of the Foundation School Program is Tier 3 which assists eligible school districts with state aid to pay debt service. These programs

provide for a guaranteed yield of \$35 per Average Daily Attendance per penny of tax effort.

### **Project Assumptions**

Chapter 313 applications require that 15 years of data be analyzed to project the impact of the proposed limitation agreement on the school district and on the taxes paid by the project applicant. In analyzing this data for the San Perlita Independent School District, the following assumptions were made:

1. School funding formulas under Senate Bill 1 enacted by the 83<sup>rd</sup> Legislature, Regular Session, will be in place throughout the proposed limitation agreement.
2. Student counts for both Average Daily Attendance and Weighted ADA will remain constant during the 15 year agreement period.
3. The local property value, as certified by the County Appraisal District on or about July 25, 2013 minus the appraised value of the Magic Valley Wind Farm I, LLC project was used as the base value for both subsequent CAD and CPTD property values. Project values for the Magic Valley Wind Farm I, LLC and the proposed Magic Valley Wind Farm II, LLC were then inserted for the appropriate tax and school fiscal years.
4. Tax collections for each year of the projections were based on an M&O tax rate of \$1.04 and I&S tax rates ranging from \$.0734 to \$.2267. Collection rates of 100% were used throughout the 15 years.

Utilizing these assumptions makes it possible to isolate the effects of the value limitation agreement on both the applicant company and the San Perlita Independent School District. A summary of the data used in this analysis is illustrated in Table 1.

### **School Funding Impact on San Perlita Independent School District**

In order to predict the financial impact that the property tax limitation agreement would have on the San Perlita Independent School district, two funding models were prepared using the data assumptions noted earlier.

The first model developed adds the value of the proposed Magic Valley Wind Farm II, LLC project to the baseline property value but assumes that no tax limitation agreement is in place. A summary of these calculations can be seen in Exhibit A.

The second model developed adds the Magic Valley Wind Farm II, LLC value but imposes the limitation of \$10,000,000 starting in the third year of the agreement, which is the 2017-2018 school year, and continuing through the tenth year of the agreement, which is the 2024-2025 school year. The results of this model can also be seen in Exhibit A.

These models estimate that the property tax limitation agreement would result in a loss of total M&O revenue of \$1,984,805 during the tax limitation period. The Revenue Protection clauses in the tax limitation agreement will hold the district harmless on this potential loss of revenue. A small gain in total revenue is indicated in years four through ten.

### **Impact on the Taxpayer**

In the first two years of the value limitation agreement, the full value of the project is taxable. In years three through ten of the agreement, the taxable value of the project would be limited to \$10,000,000 for M&O purposes. The full value of the project would remain taxable for I&S levies.

It is estimated that the Magic Valley Wind Farm II, LLC will benefit from tax savings resulting from the tax limitation in years three through ten of the agreement in the amount of \$14,467,232. In addition under current law, the company could also be entitled to a tax credit for any taxes paid during the two qualifying years of the agreement over and above the limitation amount. Schedule B of the application submitted for the Magic Valley Wind Farm II, LLC project shows the company could be eligible for a credit in the amount of \$2,228,200. Net savings to the district when Revenue Protection Payments are considered would be \$14,710,627.

A separate spreadsheet is included with this report entitled the "Comptroller's BETA Spreadsheet". Tax benefits to the district, as well as tax credit calculations, are illustrated on this spreadsheet.

## **Impact on the San Perlita Independent School District Facilities Funding**

The total value of the Magic Valley Wind Farm II, LLC project will remain fully taxable for the I&S part of the district tax rate. This applies not only to the debt currently being financed by San Perlita Independent School District but also to future bonded debt that might be approved by district voters.

The Instructional Facilities Allotment and the Existing Debt Allotment are provisions of the state funding laws that provide state money to help districts pay the principal and interest on bonded debt. These programs provide a guaranteed yield per penny of \$35 per ADA per penny of tax effort. The Instructional Facilities Allotment and the Existing Debt Allotment have benefited San Perlita Independent School District and other low property wealth school districts by providing a state allotment to supplement local I&S tax levies. As the Magic Valley Wind Farm I, LLC and the Magic Valley Wind Farm II, LLC projects enhance the district's tax base available for debt service levies, these state payments will no longer be available because the yield on the local tax base will exceed the guaranteed yield provided by these programs. However, the benefit that the enhanced tax base will provide in terms of the district's ability to finance current and future bonded debt will more than compensate for this loss of state aid.

## **Summary**

Both the San Perlita Independent School District and E.On Climate and Renewables stand to benefit from the proposed Magic Valley Wind Farm II, LLC project. An enhanced tax base will provide the school district more capacity to finance both current and future bonded debt. Potential tax benefits to the company, net of any predicted Revenue Protection Payments, are estimated to be in excess of \$14,500,000. It should be noted that all school funding calculations that are used in this report are based on current Texas School Funding Law. This law has been found unconstitutional by a district court judge and it is anticipated that the Texas Supreme Court will soon review the case. A win by the plaintiffs in this case is expected and will likely result in the Texas Legislature enacting significant changes to Texas School Funding Law.

Table 1- Data Assumptions for the Magic Valley Wind Farm II, LLC

Year of Agreement	School Year	Tax Year	ADA	M & O Tax Rate	I & S Tax Rate	CAD VALUE with Project LIMITATION	CAD Value WITHOUT Limitation	CPTD with LIMITATION	CPTD VALUE WITHOUT Limitation
0	2014-2015	2014	256.00	\$1.04	\$0.224	\$ 76,704,505.00	\$ 76,704,505.00	\$ 109,829,505.00	\$ 109,829,505.00
1	2015-2016	2015	256.00	\$1.04	\$0.227	\$ 80,704,505.00	\$ 80,704,505.00	\$ 76,704,505.00	\$ 76,704,505.00
2	2016-2017	2016	256.00	\$1.04	\$0.086	\$ 300,954,505.00	\$ 300,954,505.00	\$ 80,704,505.00	\$ 80,704,505.00
3	2017-2018	2017	256.00	\$1.04	\$0.073	\$ 86,704,505.00	\$ 291,984,505.00	\$ 300,954,505.00	\$ 300,954,505.00
4	2018-2019	2018	256.00	\$1.04	\$0.091	\$ 86,704,505.00	\$ 283,014,505.00	\$ 86,704,505.00	\$ 291,984,505.00
5	2019-2020	2019	256.00	\$1.04	\$0.096	\$ 86,704,505.00	\$ 274,044,505.00	\$ 86,704,505.00	\$ 283,014,505.00
6	2020-2021	2020	256.00	\$1.04	\$0.099	\$ 86,704,505.00	\$ 265,074,505.00	\$ 86,704,505.00	\$ 274,044,505.00
7	2021-2022	2021	256.00	\$1.04	\$0.105	\$ 86,704,505.00	\$ 256,104,505.00	\$ 86,704,505.00	\$ 265,074,505.00
8	2022-2023	2022	256.00	\$1.04	\$0.107	\$ 103,884,011.00	\$ 264,314,011.00	\$ 86,704,505.00	\$ 256,104,505.00
9	2023-2024	2023	256.00	\$1.04	\$0.112	\$ 102,525,036.00	\$ 253,985,036.00	\$ 103,884,011.00	\$ 264,314,011.00
10	2024-2025	2024	256.00	\$1.04	\$0.116	\$ 101,234,009.00	\$ 243,724,009.00	\$ 102,525,036.00	\$ 253,985,036.00
11	2025-2026	2025	256.00	\$1.04	\$0.120	\$ 233,527,534.00	\$ 233,527,534.00	\$ 101,234,009.00	\$ 243,724,009.00
12	2026-2027	2026	256.00	\$1.04	\$0.127	\$ 223,392,382.00	\$ 223,392,382.00	\$ 233,527,534.00	\$ 233,527,534.00
13	2027-2028	2027	256.00	\$1.04	\$0.134	\$ 213,315,488.00	\$ 213,315,488.00	\$ 223,392,382.00	\$ 223,392,382.00
14	2028-2029	2028	256.00	\$1.04	\$0.142	\$ 203,293,939.00	\$ 203,293,939.00	\$ 213,315,488.00	\$ 213,315,488.00
15	2029-2030	2029	256.00	\$1.04	\$0.145	\$ 193,324,968.00	\$ 193,324,968.00	\$ 203,293,939.00	\$ 203,293,939.00

Line	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M
6	Agreement	School	Tax	District	M&O Taxes	Taxable	Total Taxable	Total M&O	Recapture	Total	Total Funds	Net
8	Year	Year	Year	Taxable Value	Not Including	Value	Value	Funds		State Funds	Combined	Projected
9				Not Including	Project	Per		Combined		with	Values	(Loss) / Gain
10				Project		Magic Valley II		Value		Combined		From
11										Values		Agreement
13	0	2014-15	2014	\$76,704,505	\$797,727	\$0	\$76,704,505	\$797,727	\$0	\$1,786,860	\$2,584,587	\$0
14	1	2015-16	2015	\$76,704,505	\$797,727	\$4,000,000	\$80,704,505	\$839,327	\$0	\$2,162,188	\$3,001,515	\$0
16	2	2016-17	2016	\$76,704,505	\$797,727	\$224,250,000	\$300,954,505	\$3,129,927	\$0	\$2,380,077	\$5,510,004	\$0
18	3	2017-18	2017	\$76,704,505	\$797,727	\$10,000,000	\$86,704,505	\$901,727	-\$203,578	\$106,684	\$803,833	(\$1,984,805)
17	4	2018-19	2018	\$76,704,505	\$797,727	\$10,000,000	\$86,704,505	\$901,727	\$0	\$2,053,048	\$2,954,775	\$170,090
19	5	2019-20	2019	\$76,704,505	\$797,727	\$10,000,000	\$86,704,505	\$901,727	\$0	\$2,053,048	\$2,954,775	\$174,202
18	6	2020-21	2020	\$76,704,505	\$797,727	\$10,000,000	\$86,704,505	\$901,727	\$0	\$2,053,048	\$2,954,775	\$178,492
20	7	2021-22	2021	\$76,704,505	\$797,727	\$10,000,000	\$86,704,505	\$901,727	\$0	\$2,053,048	\$2,954,775	\$111,323
21	8	2022-23	2022	\$93,884,011	\$976,394	\$10,000,000	\$103,884,011	\$1,080,394	\$0	\$2,071,785	\$3,152,179	\$111,166
22	9	2023-24	2023	\$92,525,036	\$962,260	\$10,000,000	\$102,525,036	\$1,066,260	\$0	\$1,873,234	\$2,939,494	\$103,027
23	10	2024-25	2024	\$91,234,009	\$948,834	\$10,000,000	\$101,234,009	\$1,052,834	\$0	\$1,887,404	\$2,940,238	\$93,294
24	11	2025-26	2025	\$90,007,534	\$936,078	\$143,520,000	\$233,527,534	\$2,428,686	\$0	\$2,017,926	\$4,446,612	\$1,599,209
25	12	2026-27	2026	\$88,842,382	\$923,961	\$134,550,000	\$223,392,382	\$2,323,281	\$0	\$524,533	\$2,847,814	\$0
26	13	2027-28	2027	\$87,735,488	\$912,449	\$125,580,000	\$213,315,488	\$2,218,481	\$0	\$629,694	\$2,848,175	\$0
27	14	2028-29	2028	\$86,683,939	\$901,513	\$116,610,000	\$203,293,939	\$2,114,257	\$0	\$734,230	\$2,848,487	\$0
28	15	2029-30	2029	\$85,684,968	\$891,124	\$107,640,000	\$193,324,968	\$2,010,580	\$0	\$838,168	\$2,848,748	\$0
29								\$23,570,387				\$555,998
31	<b>REVENUE without Agreement</b>											
33	School	Tax	District	M&O Taxes	Taxable	Total Taxable	Total	Recapture	Total	Total Funds		
34	Year	Year	Taxable Value	On Value	Value	Value	M&O Funds		State Funds	Combined		
35			Not Including	Not Including	Per		Combined		with	Values		
36			Project	Project	Magic Valley II		Value		Combined			
37									Value			
37	0	2014-15	2014	\$76,704,505	\$797,727	\$0	\$76,704,505	\$797,727	\$0	\$1,786,860	\$2,584,587	
38	1	2015-16	2015	\$76,704,505	\$797,727	\$4,000,000	\$80,704,505	\$839,327	\$0	\$2,162,188	\$3,001,515	
39	2	2016-17	2016	\$76,704,505	\$797,727	\$224,250,000	\$300,954,505	\$3,129,927	\$0	\$2,380,077	\$5,510,004	
40	3	2017-18	2017	\$76,704,505	\$797,727	\$215,280,000	\$291,984,505	\$3,036,639	-\$359,733	\$111,732	\$2,788,638	
41	4	2018-19	2018	\$76,704,505	\$797,727	\$206,310,000	\$283,014,505	\$2,943,351	-\$273,867	\$115,201	\$2,784,685	
42	5	2019-20	2019	\$76,704,505	\$797,727	\$197,340,000	\$274,044,505	\$2,850,063	-\$188,154	\$118,664	\$2,780,573	
43	6	2020-21	2020	\$76,704,505	\$797,727	\$188,370,000	\$265,074,505	\$2,756,775	-\$102,609	\$122,117	\$2,776,283	
44	7	2021-22	2021	\$76,704,505	\$797,727	\$179,400,000	\$256,104,505	\$2,663,487	-\$17,249	\$197,214	\$2,843,452	
45	8	2022-23	2022	\$93,884,011	\$976,394	\$170,430,000	\$264,314,011	\$2,748,866	\$0	\$292,147	\$3,041,013	
46	9	2023-24	2023	\$92,525,036	\$962,260	\$161,460,000	\$253,985,036	\$2,641,444	-\$9,967	\$204,990	\$2,836,467	
47	10	2024-25	2024	\$91,234,009	\$948,834	\$152,490,000	\$243,724,009	\$2,534,730	\$0	\$312,214	\$2,846,944	
48	11	2025-26	2025	\$90,007,534	\$936,078	\$143,520,000	\$233,527,534	\$2,428,686	\$0	\$418,717	\$2,847,403	
49	12	2026-27	2026	\$88,842,382	\$923,961	\$134,550,000	\$223,392,382	\$2,323,281	\$0	\$524,533	\$2,847,814	
50	13	2027-28	2027	\$87,735,488	\$912,449	\$125,580,000	\$213,315,488	\$2,218,481	\$0	\$629,694	\$2,848,175	
51	14	2028-29	2028	\$86,683,939	\$901,513	\$116,610,000	\$203,293,939	\$2,114,257	\$0	\$734,230	\$2,848,487	
52	15	2029-30	2029	\$85,684,968	\$891,124	\$107,640,000	\$193,324,968	\$2,010,580	\$0	\$838,168	\$2,848,748	
53								\$38,037,619				
55	Notes:											
56	1. Assumes no increase or decrease to the student population											
57	2. Assumes no increase or decrease to the base year (2013-14) certified taxable value											

Year of Project	Year of Tax Credit	Year of Tax Credit Settle-Up	Year of School Year	Tax Year	Market Value with no Exemptions	I&S Taxable Value of Investment	Difference from previous year's value	Annual Depreciation Rate	M&O Property Value Limitation Amount	M&O Exempt Value of Property
<b>School District:</b> San Perlita ISD <b>Project:</b> Magic Valley Wind Farm II <b>County:</b> Willacy <b>Eligibility Category:</b> 3 <b>Master App. Number:</b> <b>Limitation Amount:</b> \$10,000,000					\$0	\$0			\$0	\$0
0			2014-15	2014	\$4,000,000	\$4,000,000			\$0	\$0
1			2015-16	2015	\$224,250,000	\$224,250,000	-\$220,250,000	-5506.25%	\$0	\$0
2			2016-17	2016	\$215,280,000	\$215,280,000	\$8,970,000	4.00%	\$10,000,000	\$205,280,000
3	1	1	2017-18	2017	\$206,310,000	\$206,310,000	\$8,970,000	4.17%	\$10,000,000	\$196,310,000
4	2	2	2018-19	2018	\$197,340,000	\$197,340,000	\$8,970,000	4.35%	\$10,000,000	\$187,340,000
5	3	3	2019-20	2019	\$188,370,000	\$188,370,000	\$8,970,000	4.55%	\$10,000,000	\$178,370,000
6	4	4	2020-21	2020	\$179,400,000	\$179,400,000	\$8,970,000	4.76%	\$10,000,000	\$169,400,000
7	5	5	2021-22	2021	\$170,430,000	\$170,430,000	\$8,970,000	5.00%	\$10,000,000	\$160,430,000
8	6	6	2022-23	2022	\$161,460,000	\$161,460,000	\$8,970,000	5.26%	\$10,000,000	\$151,460,000
9	7	7	2023-24	2023	\$152,490,000	\$152,490,000	\$8,970,000	5.56%	\$10,000,000	\$142,490,000
10	8	8	2024-25	2024	\$143,520,000	\$143,520,000			\$0	\$0
11	1	1	2025-26	2025	\$134,550,000	\$134,550,000			\$0	\$0
12	2	2	2026-27	2026	\$125,580,000	\$125,580,000			\$0	\$0
13	3	3	2027-28	2027	\$2,102,980,000					
<b>2009 market value of the qualified property as reported by company</b> M&O Taxable Value of Qualified Property (in 2009) if limitation were not in effect (I&S Value) Dollar amount of M&O levy that would have been imposed without the limitation (through 2009) M&O Taxable Value of Qualified Property (in 2009) with limitation in effect (Limited M&O Value) Dollar amount of M&O levy imposed with the limitation (through 2009) Estimated tax benefit (school levy loss) from value limitation through 2009 (Diff. between...) Estimated 13 year total M&O levy without any limit or credit (11 years for projects starting in 2003 & 2004) Estimated 13 (or 11) year total gross tax benefit to company/levy loss to district (through limitation and tax credit) Amt. of Gross 13 (or 11) Year Tax Benefit ÷ Est. 13 (or 11) year total levy without any limit or credit = Percentage Exempted										
Number of qualifying jobs committed to:										\$21,870,992
GDNO Value:										\$16,695,432
Subchapter B or Subchapter C:										76.34%

**NOTE:** This is a BETA test estimation period. Variables to plug in are HERE ARE SAMPLES. This generalizes payments to district for Revenue



M&O Tax amount the company is eligible to get back as credits in years 4-13	Tax Credits									
	possible to be received by company each year based on taxes paid and	Total Levy Loss from Tax credit amount per year	Cumulative Tax Credit Applied to Company's Total Taxes	Gross Tax Savings (Limitation Savings + Credit Savings)	Funds for Protection of Future District Revenues (from school finance model)	Education al Expenses	Net Tax Savings	PILT/PILOT	Other Supplementa l Payments to District or Foundation	
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
\$2,228,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
	\$145,562	\$145,562	\$145,562	\$2,134,912	\$0	\$0	\$2,134,912	\$0	\$0	
	\$146,427	\$146,427	\$291,989	\$2,187,186	\$0	\$0	\$2,187,186	\$0	\$0	
	\$145,432	\$145,432	\$437,420	\$2,094,763	\$0	\$0	\$2,094,763	\$0	\$0	
	\$145,826	\$145,826	\$583,246	\$2,000,480	\$0	\$0	\$2,000,480	\$0	\$0	
	\$142,754	\$142,754	\$726,000	\$1,907,586	\$0	\$0	\$1,907,586	\$0	\$0	
	\$142,660	\$142,660	\$868,660	\$1,811,226	\$0	\$0	\$1,811,226	\$0	\$0	
	\$140,597	\$140,597	\$1,009,257	\$1,717,844	\$0	\$0	\$1,717,844	\$0	\$0	
	\$1,665,406	\$1,218,943	\$2,228,200	\$1,622,493	\$0	\$0	\$1,622,493	\$0	\$0	
	\$1,570,333	\$0	\$2,228,200	\$1,218,943	\$0	\$0	\$0	\$0	\$0	
	\$1,474,435	\$0	\$2,228,200	\$0	\$0	\$0	\$0	\$0	\$0	
\$2,228,200	\$2,228,200	\$2,228,200	\$2,228,200	\$2,228,200	\$0	\$0	\$16,695,432	\$0	\$0	
\$318,314										
\$2,228,200										
\$2,228,200										
\$0										
\$2,373,800										
\$21,870,992										
\$16,695,432										
\$5,175,560										
23.66%										
86.65%										
13.35%										

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is the percentage of taxes they pay with 313 agreement compared to what they would have paid without 313 agreement  
 is the percentage of the total savings due to the limitation  
 is the percentage of the total savings due to the credit.

Net Net Tax Savings (Savings for Company)	Year (of the agreement)	School Year (YYYY-YYYY)	Tax Year (YYYY)	Market value of qualified property before any exemptions	Market value less any exemptions & before limitation	Taxable value of qualified property for purposes of M&O	M & O Tax Rate	I & S Tax Rate	Revenue Protection Payments	Extraordinary Educational Expenses	Supplemental Payments in Lieu of Taxes - PILT)
		School district:									
		Project name:									
		agreement-holder(s) if different:									
		County:									
		Complete year of the qualifying time period:									
		Date of agreement:									
		Limitation amount:	\$30,000,000								
\$0	Pre-Year 1	2010-11	2010				\$1.0400	\$0.2850		N/A	N/A
\$0	1	2011-12	2011				\$1.0400	\$0.2588	\$0	\$0	\$0
\$0	2	2012-13	2012				\$1.0400	\$0.2447	\$0	\$0	\$0
\$2,134,912	3	2013-14	2013				\$1.0400	\$0.2450	\$0	\$0	\$0
\$2,187,186	4	2014-15	2014				\$1.0400	\$0.2453	\$0	\$0	\$0
\$2,094,763	5	2015-16	2015				\$1.0400	\$0.2455	\$0	\$0	\$0
\$2,000,480	6	2016-17	2016				\$1.0400	\$0.2459	\$0	\$0	\$0
\$1,907,586	7	2017-18	2017				\$1.0400	\$0.2463	\$0	\$0	\$0
\$1,811,226	8	2018-19	2018				\$1.0400	\$0.2466	\$0	\$0	\$0
\$1,717,844	9	2019-20	2019				\$1.0400	\$0.2469	\$0	\$0	\$0
\$1,622,493	10	2020-21	2020				\$1.0400	\$0.2473	\$0	\$0	\$0
\$1,218,943	11	2021-22	2021				\$1.0400	\$0.2477	\$0	\$0	\$0
\$0	12	2022-23	2022				\$1.0400	\$0.2482	\$0	\$0	\$0
\$0	13	2023-24	2023				\$1.0400	\$0.2485	\$0	\$0	\$0
	Value Limitation Period										
	Tax Credit Settle-Up Period										
\$16,695,432											

\$16,695,432



1701 North Congress Ave. • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • [www.tea.state.tx.us](http://www.tea.state.tx.us)

Michael Williams  
Commissioner

February 28, 2014

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 Magic Valley Wind Farm II LLC project for the San Perlita Independent School District (SPISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Walsh, Anderson, Gallegos, Green and Treviño, P.C. 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 Magic Valley Wind Farm II LLC project on SPISD are correct.

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

Sincerely,

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

Al McKenzie, Manager  
Foundation School Program Support

AM/rk

February 28, 2014

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 Magic Valley Wind Farm II LLC project on the number and size of school facilities in San Perlita Independent School District (SPISD). Based on the analysis prepared by Walsh, Anderson, Gallegos, Green and Treviño, P.C. for the school district and a conversation with the SPISD superintendent, Albert Peña, the TEA has found that the Magic Valley Wind Farm II LLC project would not have a significant impact on the number or size of school facilities in SPISD.

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

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/rk

# **Attachment 3**

## Willacy County

### Population

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

<b>Raymondville:</b>	9,392	<b>Lyford:</b>	2,518
<b>San Perlita:</b>	690		

### Economy and Income

#### Employment

- September 2011 total employment in Willacy County: 8,211 , up 3.8 percent from September 2010. State total employment increased 0.9 percent during the same period.  
*(October 2011 employment data will be available November 18, 2011).*
- September 2011 Willacy County unemployment rate: 15.2 percent, up from 12.4 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

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

#### Income

- Willacy County's ranking in per capita personal income in 2009: 243rd with an average per capita income of \$23,584, up 0.6 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

#### Industry

- Agricultural cash values in Willacy County averaged \$76.53 million annually from 2007 to 2010. County total agricultural values in 2010 were up 4.7 percent from 2009. Major agriculture related commodities in Willacy County during 2010 included:
  - Recreation
  - Other Beef
  - Sugar Cane
  - Cotton
  - Sorghum
- 2011 oil and gas production in Willacy County: 226,833.0 barrels of oil and 11.8 million Mcf of gas. In September 2011, there were 89 producing oil wells and 100 producing gas wells.

### Taxes

#### Sales Tax - Taxable Sales

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

##### *Quarterly (September 2010 through December 2010)*

- Taxable sales in Willacy County during the fourth quarter 2010: \$14.54 million, up 6.5 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

<b>Raymondville:</b>	\$12.87 million, up 4.8 percent from the same quarter in 2009.
<b>Lyford:</b>	\$565,169.00, up 47.7 percent from the same quarter in 2009.

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

- Taxable sales in Willacy County through the fourth quarter of 2010: \$55.71 million, up 0.1 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

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

##### *Annual (2010)*

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

<b>Raymondville:</b>	\$49.14 million, down 0.7 percent from 2009.
<b>Lyford:</b>	\$2.03 million, up 21.5 percent from 2009.

## Sales Tax – Local Sales Tax Allocations

(The release date for sales tax allocations to cities for the sales activity month of November 2011 is currently scheduled for December 7, 2011.)

### Monthly

- Statewide payments based on the sales activity month of September 2011: \$580.11 million, up 7.1 percent from September 2010.
- Payments to all cities in Willacy County based on the sales activity month of September 2011: \$109,630.19, down 3.5 percent from September 2010.
- Payment based on the sales activity month of September 2011 to the city of:

**Raymondville:** \$104,896.86, down 3.9 percent from September 2010.

**Lyford:** \$4,733.33, up 6.0 percent from September 2010.

### Fiscal Year

- Statewide payments based on sales activity months from September 2011 through September 2011: \$580.11 million, up 7.1 percent from the same period in 2010.
- Payments to all cities in Willacy County based on sales activity months from September 2011 through September 2011: \$109,630.19, down 3.5 percent from fiscal 2010.
- Payments based on sales activity months from September 2011 through September 2011 to the city of:

**Raymondville:** \$104,896.86, down 3.9 percent from fiscal 2010.

**Lyford:** \$4,733.33, up 6.0 percent from fiscal 2010.

### January 2011 through September 2011 (Sales Activity Year-To-Date)

- Statewide payments based on sales activity months through September 2011: \$4.57 billion, up 8.1 percent from the same period in 2010.
- Payments to all cities in Willacy County based on sales activity months through September 2011: \$1.00 million, up 11.3 percent from the same period in 2010.
- Payments based on sales activity months through September 2011 to the city of:

**Raymondville:** \$966,029.55, up 11.1 percent from the same period in 2010.

**Lyford:** \$36,359.69, up 17.2 percent from the same period in 2010.

### 12 months ending in September 2011

- Statewide payments based on sales activity in the 12 months ending in September 2011: \$6.11 billion, up 7.9 percent from the previous 12-month period.
- Payments to all cities in Willacy County based on sales activity in the 12 months ending in September 2011: \$1.33 million, up 10.9 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in September 2011 to the city of:

**Raymondville:** \$1.28 million, up 10.7 percent from the previous 12-month period.

**Lyford:** \$47,358.11, up 18.3 percent from the previous 12-month period.

### City Calendar Year-To-Date (RJ 2011)

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

**Raymondville:** \$1.19 million, up 11.2 percent from the same period in 2010.

**Lyford:** \$43,868.82, up 18.8 percent from the same period in 2010.

### Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Willacy County based on sales activity months in 2010: \$1.22 million, down 2.8 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

**Raymondville:** \$1.18 million, down 2.9 percent from 2009.

**Lyford:** \$42,034.76, up 1.3 percent from 2009.

## Property Tax

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

## State Expenditures

- Willacy County's ranking in state expenditures by county in fiscal year 2010: 99th. State expenditures in the county for FY2010: \$100.76 million, down 0.1 percent from FY2009.
- In Willacy County, 10 state agencies provide a total of 88 jobs and \$915,944.00 in annualized wages (as of 1st quarter 2011).

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

- Health & Human Services Commission
- Department of Transportation
- Department of Public Safety
- University of Texas Medical Branch
- Texas Workforce Commission

**Higher Education**

■ Community colleges in Willacy County preliminary fall 2011 enrollment:

- None.

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

- Texas Southmost College with a preliminary fall 2011 enrollment of 10,726 . Counties in the service area include:  
Cameron County  
Willacy County

■ Institutions of higher education in Willacy County preliminary fall 2011 enrollment:

- None.

**School Districts**

■ Willacy County had 4 school districts with 13 schools and 4,488 students in the 2009-10 school year.

**(Statewide, the average teacher salary in school year 2009-10 was \$48,263. The percentage of students, statewide, meeting the 2010 TAKS passing standard for all 2009-10 TAKS tests was 77 percent.)**

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