

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



September 5, 2013

James Oliver  
Superintendent  
Nazareth Independent School District  
101 S. First Ave.  
Nazareth, Texas 79063

Dear Superintendent Oliver:

On June 20, 2013, the Comptroller received the completed application (Application # 290) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in May 2013 to the Nazareth Independent School District (the school district) by Changing Winds Renewable Energy Project, 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 4 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 (\$279.99 million) is consistent with the proposed appraised value limitation sought (\$5 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 Castro 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 June 20, 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	Changing Wind Renewable Energy Project LLC
Tax Code, 313.024 Eligibility Category	Renewable Energy Electric Generation - Wind
School District	Nazareth ISD
2011-2012 Enrollment in School District	232
County	Castro
Total Investment in District	\$279,990,000
Qualified Investment	\$279,990,000
Limitation Amount	\$5,000,000
Number of total jobs committed to by applicant	5*
Number of qualifying jobs committed to by applicant	4
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$865
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$850
Minimum Annual Wage committed to by applicant for qualified jobs	\$45,000
Investment per Qualifying Job	\$69,997,500
Estimated 15 year M&O levy without any limit or credit:	\$27,097,728
Estimated gross 15 year M&O tax benefit	\$19,830,042
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$19,479,675
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,730,995
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$7,618,053
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	71.9%
Percentage of tax benefit due to the limitation	86.2%
Percentage of tax benefit due to the credit.	13.8%
* 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 Changing Winds Renewable Energy Project, LLC (the project) applying to Nazareth 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 five new jobs when fully operational. Four 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 Panhandle Regional Planning Commission Region, where Castro County is located was \$40,196 in 2011. The annual average manufacturing wage for 2012 for Castro County is \$39,104. That same year, the county annual average wage for all industries was \$32,266. In addition to a salary of \$45,000, each qualifying position will receive health benefits, 401(k) retirement savings plan, vacation time, sick leave and skills training. The project's total investment is \$280 million, resulting in a relative level of investment per qualifying job of \$70 million.

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

According to Changing Winds Renewable Energy Project, LLC's application, "Changing Winds Renewable Energy Project, LLC ("Changing Winds") is a Texas limited liability company formed by Tri Global Energy to develop, build, own and operate the Changing Winds Power Project. Tri Global is the Project "sponsor," i.e. the entity responsible for the development, financing, construction and operation of the Project.

The collective accomplishments of Tri Global Energy, LLC's ("Tri Global"), the exclusive developer of Changing Winds, include leadership roles in the development, construction, and operations of approximately 4,100 MWs, or approximately 8%, of the U.S.' installed wind energy capacity and over 3,500 MWs of fossil generation, as well as securing over \$3 billion in corporate and project finance. Tri Global's President, Tom Carbone, is the former North American president of Vestas, a world leading turbine manufacturer. Our management team has a combined 4,100 MW of prior wind turbine purchases and is uniquely qualified to develop and construct wind projects throughout the United States. As such, the development resources necessary to advance the subject 302 MW Changing Winds Power Project could be redeployed to other renewable energy development projects in other power markets in the United States. Tri Global chose Texas, and in particular Castro County, for its favorable wind resource, access to the ERCOT market as a result of the new CREZ transmission lines, and favorable property tax incentives under the Tax Code Chapter 312 tax abatement and Chapter 313 Appraised Value Limitation. Tri Global prefers to develop and build the proposed Changing Winds Project as per this application, but since this Project is still in the early stages of development, further investment could be, if necessary, redeployed to other counties and states competing for similar wind projects."

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

During the past two years, ten projects in the Panhandle 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 Changing Winds Renewable Energy Project, 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 Changing Winds Renewable Energy Project, 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 Changing Winds Renewable Energy Project, LLC**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	5	7	12	\$240,000	\$760,000	\$1,000,000
2014	101	106	207	\$4,840,000	\$7,160,000	\$12,000,000
2015	5	12	17	\$200,000	\$800,000	\$1,000,000
2016	5	9	14	\$200,000	\$800,000	\$1,000,000
2017	5	9	14	\$200,000	\$800,000	\$1,000,000
2018	5	7	12	\$200,000	\$800,000	\$1,000,000
2019	5	5	10	\$200,000	\$800,000	\$1,000,000
2020	5	3	8	\$200,000	\$800,000	\$1,000,000
2021	5	5	10	\$200,000	\$800,000	\$1,000,000
2022	5	7	12	\$200,000	\$800,000	\$1,000,000
2023	5	5	10	\$200,000	\$800,000	\$1,000,000
2024	5	1	6	\$200,000	\$800,000	\$1,000,000
2025	5	9	14	\$200,000	\$800,000	\$1,000,000
2026	5	1	6	\$200,000	\$800,000	\$1,000,000
2027	5	1	6	\$200,000	\$800,000	\$1,000,000
2028	5	1	6	\$200,000	\$800,000	\$1,000,000

Source: CPA, REMI, Changing Winds Renewable Energy Project, LLC

The statewide average ad valorem tax base for school districts in Texas was \$1.74 billion in 2011-2-12. Nazareth ISD's ad valorem tax base in 2011-2012 was \$30.9 million. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Nazareth ISD's estimated wealth per WADA was \$87,958. 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, Castro County, Castro County Hospital District, and High Plains Underground Water Conservation District #1, with all property tax incentives sought being granted using estimated market value from Changing Winds Renewable Energy Project, LLC's application. Changing Winds Renewable Energy Project, LLC has applied for both a value limitation under Chapter 313, Tax Code and tax abatements with the county and hospital district. Table 3 illustrates the estimated tax impact of the Changing Winds Renewable Energy Project, LLC project on the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Nazareth ISD I&S Levy	Nazareth ISD M&O Levy	Nazareth ISD M&O and I&S Tax Levies (Before Credit Credited)	Nazareth ISD M&O and I&S Tax Levies (After Credit Credited)	Castro County Tax Levy	High Plains Underground Water Conservation District #1 Tax Levy	Castro County Hospital District Tax Levy	Estimated Total Property Taxes
2014	\$6,699,750	\$6,699,750		0.1450	1.1700	\$9.715	\$78.387	\$88.102	\$0	\$502	\$88.604
2015	\$268,214,400	\$268,214,400		\$388.911	\$3,138.108	\$3,527.019	\$3,527.019	\$0	\$20.116	\$0	\$3,547.135
2016	\$246,757,000	\$5,000,000		\$357.798	\$58,500	\$416,298	\$416,298	\$0	\$18,507	\$0	\$434,804
2017	\$227,016,000	\$5,000,000		\$329.173	\$58,500	\$387,673	\$330,046	\$0	\$17,026	\$0	\$347,072
2018	\$208,855,000	\$5,000,000		\$302.840	\$58,500	\$361,340	\$304,939	\$0	\$15,664	\$0	\$320,603
2019	\$192,147,000	\$5,000,000		\$278.613	\$58,500	\$337,113	\$280,963	\$0	\$14,411	\$0	\$295,374
2020	\$176,775,000	\$5,000,000		\$256.324	\$58,500	\$314,824	\$259,058	\$0	\$13,258	\$0	\$272,316
2021	\$162,633,000	\$5,000,000		\$235.818	\$58,500	\$294,318	\$239,860	\$0	\$12,197	\$0	\$252,057
2022	\$149,622,000	\$5,000,000		\$216.952	\$58,500	\$275,452	\$221,514	\$0	\$11,222	\$0	\$232,736
2023	\$137,652,000	\$5,000,000		\$199.595	\$58,500	\$258,095	\$204,756	\$0	\$10,324	\$0	\$215,080
2024	\$126,640,000	\$126,640,000		\$183.628	\$1,481.688	\$1,665.316	\$314.067	\$780.102	\$9,498	\$473.634	\$1,577.301
2025	\$116,509,000	\$116,509,000		\$168.938	\$1,363.155	\$1,532.093	\$540.027	\$717.695	\$8,738	\$435.744	\$1,702.204
2026	\$107,188,000	\$107,188,000		\$155.423	\$1,254.100	\$1,409.522	\$1,409.522	\$660.278	\$8,039	\$400.883	\$2,478.723
2027	\$98,613,000	\$98,613,000		\$142.989	\$1,153.772	\$1,296.761	\$1,296.761	\$607.456	\$7,396	\$368.813	\$2,280.426
2028	\$90,724,000	\$90,724,000		\$131.550	\$1,061.471	\$1,193.021	\$1,193.021	\$558.860	\$6,804	\$339.308	\$2,097.993
						<b>Total</b>	<b>\$10,625,951</b>	<b>\$3,324,392</b>	<b>\$173,703</b>	<b>\$2,018,381</b>	<b>\$16,142,427</b>

Assumes School Value Limitation and Tax Abatements from the county and hospital district.

Source: CPA, Changing Winds Renewable Energy Project, LLC

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

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate <sup>1</sup>	Nazareth ISD I&S Levy	Nazareth ISD M&O Levy	Nazareth ISD M&O and I&S Tax Levies	Castro County Tax Levy	High Plains Underground Water Conservation District #1 Tax Levy	Castro County Hospital District Tax Levy	Estimated Total Property Taxes	
2014	\$6,699,750	\$6,699,750		0.1450	1.1700	\$88.102	\$41.270	\$502	\$25.057	\$129.875	
2015	\$268,214,400	\$268,214,400		\$388.911	\$3,138.108	\$3,527.019	\$1,652.201	\$20.116	\$1,003.122	\$5,199.336	
2016	\$246,757,000	\$246,757,000		\$357.798	\$2,887.057	\$3,244.855	\$1,520.023	\$18,507	\$922.871	\$4,783.384	
2017	\$227,016,000	\$227,016,000		\$329.173	\$2,656.087	\$2,985.260	\$1,398.419	\$17,026	\$849.040	\$4,400.705	
2018	\$208,855,000	\$208,855,000		\$302.840	\$2,443.604	\$2,746.443	\$1,286.547	\$15,664	\$781.118	\$4,048.654	
2019	\$192,147,000	\$192,147,000		\$278.613	\$2,248.120	\$2,526.733	\$1,183.626	\$14,411	\$718.630	\$3,724.770	
2020	\$176,775,000	\$176,775,000		\$256.324	\$2,068.268	\$2,324.591	\$1,088.934	\$13,258	\$661.139	\$3,426.783	
2021	\$162,633,000	\$162,633,000		\$235.818	\$1,902.806	\$2,138.624	\$1,001.819	\$12,197	\$608.247	\$3,152.641	
2022	\$149,622,000	\$149,622,000		\$216.952	\$1,750.577	\$1,967.529	\$921.672	\$11,222	\$559.586	\$2,900.422	
2023	\$137,652,000	\$137,652,000		\$199.595	\$1,610.528	\$1,810.124	\$847.936	\$10,324	\$514.818	\$2,668.384	
2024	\$126,640,000	\$126,640,000		\$183.628	\$1,481.688	\$1,665.316	\$780.102	\$9,498	\$473.634	\$2,454.916	
2025	\$116,509,000	\$116,509,000		\$168.938	\$1,363.155	\$1,532.093	\$717.695	\$8,738	\$435.744	\$2,258.527	
2026	\$107,188,000	\$107,188,000		\$155.423	\$1,254.100	\$1,409.522	\$660.278	\$8,039	\$400.883	\$2,077.839	
2027	\$98,613,000	\$98,613,000		\$142.989	\$1,153.772	\$1,296.761	\$607.456	\$7,396	\$368.813	\$1,911.613	
2028	\$90,724,000	\$90,724,000		\$131.550	\$1,061.471	\$1,193.021	\$558.860	\$6,804	\$339.308	\$1,758.685	
						<b>Total</b>	<b>\$30,455,994</b>	<b>\$14,266,838</b>	<b>\$173,703</b>	<b>\$8,662,009</b>	<b>\$44,896,535</b>

Source: CPA, Changing Winds Renewable Energy Project, 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. "TABLE II" in this attachment shows the estimated 13 year M&O tax levy without the value limitation agreement would be \$24,329,689. The estimated gross 13 year M&O tax benefit, or levy loss, is \$19,830,042.

Attachment 3 is an economic overview of Castro County.

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

# Attachments

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

# **Attachment 1**

Schedule A (Rev. January 2013): Investment

Applicant Name: CHANGING WINDS RENEWABLE ENERGY PROJECT, LLC  
 ISD Name: NAZARETH ISD

Form 50-296

PROPERTY INVESTMENT AMOUNTS									
(Estimated investment in each year. Do not put cumulative totals.)									
	Year	School Year (YYYY-YYYY)	Tax Year (File 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 (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)	
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property)	2013-2014	2013	0	0			0	
				13,399,500					13,399,500
				265,990,500	600,000				266,590,500
				0	0				0
				0	0				0
				0	0				0
				0	0				0
				0	0				0
				0	0				0
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				0	0				0
				0	0				0
				0	0				0
				0	0				0
				0	0				0
Tax Credit Period (with 50% cap on credit)	Complete tax years of qualifying time period	2014-2015	2014	13,399,500	600,000			13,999,500	
Credit Settle-Up Period	Continue to Maintain Viable Presence	2013-2014	2013	0	0			0	
				0	0			0	
				0	0			0	
				0	0			0	
				0	0			0	
				0	0			0	
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				0	0			0	
				0	0			0	
				0	0			0	
				0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2014-2015	2014	13,399,500	600,000			13,999,500	
Post-Settle-Up Period	Post-Settle-Up Period	2015-2016	2015	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2016-2017	2016	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2017-2018	2017	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2018-2019	2018	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2019-2020	2019	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2020-2021	2020	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2021-2022	2021	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2022-2023	2022	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2023-2024	2023	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2024-2025	2024	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2025-2026	2025	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2026-2027	2026	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2027-2028	2027	0	0			0	
Post-Settle-Up Period	Post-Settle-Up Period	2028-2029	2028	0	0			0	

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years.  
 Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.02(1)(A)-(D).  
 For the purposes of investment, please list amount invested each year, not cumulative totals.  
 Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property.  
 Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.02(1)(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.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE:   
 DATE: 10-May-13

Schedule B (Rev. January 2013): Estimated Market A<sup>-1</sup> Taxable Value  
 HANGING WINDS RENEWABLE ENERGY PROJECT, LLC

Form 50-296

Applicant Name  
 ISD Name

HAZARETH ISD

Year	School Year (YYYY-YYYY)	Tax Year (FY in actual tax year) YYYY	Qualified Property			Reductions from Market Value	Estimated Taxable Value	Final taxable value for M&O - after all reductions
			Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"			
pre-year 1	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1	2014-2015	2014	\$ -	\$ -	\$ 6,699,750	\$ -	\$ 6,699,750	\$ 6,699,750
2	2015-2016	2015	\$ -	\$ -	\$ 268,214,400	\$ -	\$ 268,214,400	\$ 268,214,400
3	2016-2017	2016	\$ -	\$ -	\$ 246,757,000	\$ -	\$ 246,757,000	\$ 5,000,000
4	2017-2018	2017	\$ -	\$ -	\$ 227,016,000	\$ -	\$ 227,016,000	\$ 5,000,000
5	2018-2019	2018	\$ -	\$ -	\$ 208,855,000	\$ -	\$ 208,855,000	\$ 5,000,000
6	2019-2020	2019	\$ -	\$ -	\$ 192,147,000	\$ -	\$ 192,147,000	\$ 5,000,000
7	2020-2021	2020	\$ -	\$ -	\$ 176,775,000	\$ -	\$ 176,775,000	\$ 5,000,000
8	2021-2022	2021	\$ -	\$ -	\$ 162,633,000	\$ -	\$ 162,633,000	\$ 5,000,000
9	2022-2023	2022	\$ -	\$ -	\$ 149,622,000	\$ -	\$ 149,622,000	\$ 5,000,000
10	2023-2024	2023	\$ -	\$ -	\$ 137,652,000	\$ -	\$ 137,652,000	\$ 5,000,000
11	2024-2025	2024	\$ -	\$ -	\$ 126,640,000	\$ -	\$ 126,640,000	\$ 126,640,000
12	2025-2026	2025	\$ -	\$ -	\$ 116,509,000	\$ -	\$ 116,509,000	\$ 116,509,000
13	2026-2027	2026	\$ -	\$ -	\$ 107,188,000	\$ -	\$ 107,188,000	\$ 107,188,000
14	2027-2028	2027	\$ -	\$ -	\$ 98,613,000	\$ -	\$ 98,613,000	\$ 98,613,000
15	2028-2029	2028	\$ -	\$ -	\$ 90,724,000	\$ -	\$ 90,724,000	\$ 90,724,000

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation.

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

*[Signature]*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

10-May-13

**Schedule C- Application: Employment Information**

**Applicant Name** CHANGING WINDS RENEWABLE ENERGY PROJECT, LLC  
**ISD Name** NAZARETH ISD

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax Year (FIM in actual tax year) YYYY	Construction		New Jobs		Qualifying Jobs	
				Column A: Number of Construction FTEs or man- hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs.	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.021(3) (cumulative)	Column F: Average annual wage of qualifying jobs
	pre-year 1	2013-2014	2013	5 FTEs	\$48,000.00	0	\$40,000.00	0	\$45,000.00
Complete tax years of qualifying time period	1	2014-2015	2014	100 FTEs	\$48,000.00	1	\$40,000.00	1	\$45,000.00
	2	2015-2016	2015			5	\$40,000.00	4	\$45,000.00
	3	2016-2017	2016			5	\$40,000.00	4	\$45,000.00
	4	2017-2018	2017			5	\$40,000.00	4	\$45,000.00
	5	2018-2019	2018			5	\$40,000.00	4	\$45,000.00
Value Limitation Period	6	2019-2020	2019			5	\$40,000.00	4	\$45,000.00
	7	2020-2021	2020			5	\$40,000.00	4	\$45,000.00
	8	2021-2022	2021			5	\$40,000.00	4	\$45,000.00
	9	2022-2023	2022			5	\$40,000.00	4	\$45,000.00
	10	2023-2024	2023			5	\$40,000.00	4	\$45,000.00
Credit Settle-Up Period	11	2024-2025	2024			5	\$40,000.00	4	\$45,000.00
	12	2025-2026	2025			5	\$40,000.00	4	\$45,000.00
	13	2026-2027	2026			5	\$40,000.00	4	\$45,000.00
Post- Settle-Up Period	14	2027-2028	2027			5	\$40,000.00	4	\$45,000.00
	15	2028-2029	2028			5	\$40,000.00	4	\$45,000.00

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

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

  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

10-May-13  
DATE

Schedule D: (Rev. January 2014) Other Tax Information

Form 50-296

Applicant Name

CHANGING WINDS RENEWABLE ENERGY PROJECT, LLC

ISD Name

NAZARETH ISD

Other Property Tax Abatements Sought

	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought								
				Column F: Estimate of total annual expenditures* subject to state sales tax	Column G: Estimate of total annual expenditures* made in Texas NOT subject to sales tax		County	City	Hospital	Other					
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2013-2014	2013		1,322,589	8,617,078									
Complete tax years of qualifying time period	1	2014-2015	2014		25,128,814	18,000			n/a	100%					n/a
	2	2015-2016	2015			18,000			n/a	100%					n/a
	3	2016-2017	2016			18,000			n/a	100%					n/a
	4	2017-2018	2017			18,000			n/a	100%					n/a
	5	2018-2019	2018			18,000			n/a	100%					n/a
	6	2019-2020	2019			18,000			n/a	100%					n/a
	7	2020-2021	2020			18,000			n/a	100%					n/a
	8	2021-2022	2021			18,000			n/a	100%					n/a
	9	2022-2023	2022			18,000			n/a	100%					n/a
	10	2023-2024	2023			18,000			n/a	100%					n/a
	11	2024-2025	2024			18,000			-	0%					-
	12	2025-2026	2025			18,000			-	0%					-
	13	2026-2027	2026			18,000			-	0%					-
	14	2027-2028	2027			18,000			-	0%					-
	15	2028-2029	2028			18,000			-	0%					-

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

*[Signature]*

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

10-May-13

DATE

# Attachment 2

August 20, 2013

Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Changing Winds Renewable Energy, LLC project on the number and size of school facilities in Nazareth Independent School District (NISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and a conversation with the NISD superintendent, James Oliver, the TEA has found that the Changing Winds Renewable Energy, LLC project would not have a significant impact on the number or size of school facilities in NISD.

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

August 20, 2013

Mr. Robert Wood  
Director, Economic Development and Analysis  
Texas Comptroller of Public Accounts  
Lyndon B. Johnson State Office Building  
111 East 17th Street  
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed Changing Winds Renewable Energy, LLC project for the Nazareth Independent School District (NISD). Projections prepared by the TEA State Funding Division confirm the analysis that was prepared by Randy McDowell and Neal Brown and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Changing Winds Renewable Energy, LLC project on NISD 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,



Al McKenzie, Manager  
Foundation School Program Support

AM/rk

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with Changing Winds Renewable Energy Project, LLC**

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

# Nazareth ISD Financial Impact of Chapter 313 Agreement

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**Summary of Nazareth ISD Financial Impact  
of the  
Limited Appraised Value Application  
from  
Changing Winds Renewable Energy Project, LLC**

## **Introduction**

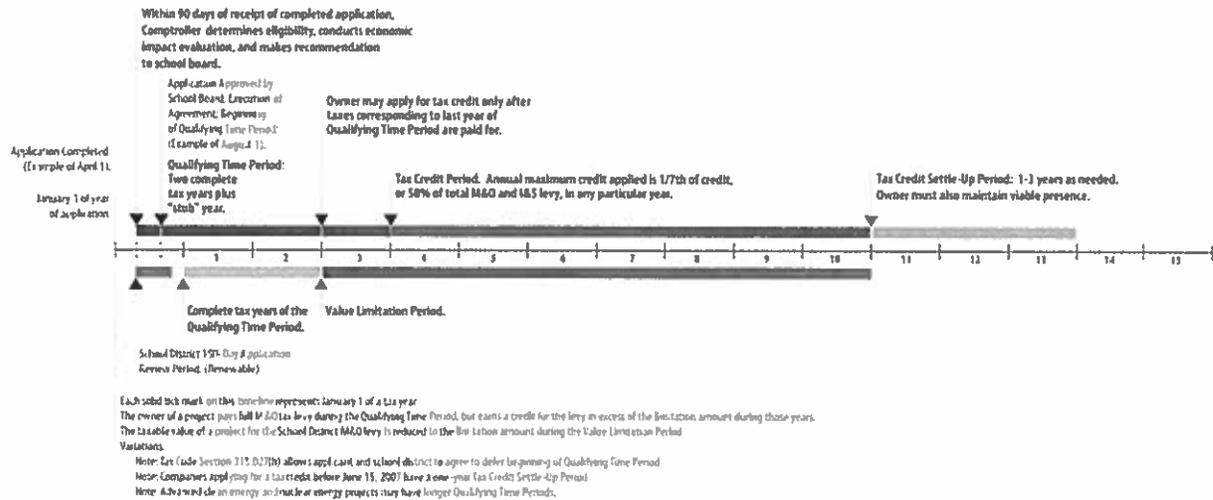
Changing Winds Renewable Energy Project, LLC applied for a property value limitation from Nazareth Independent School District under Chapter 313 of the Tax Code. The application was submitted on May 21, 2013 and subsequently approved for consideration by the Nazareth ISD Board of Trustees. Changing Winds Renewable Energy Project, LLC ("Changing Winds"), is requesting the property value limitation as a "renewable energy electric generation" project as listed in Sec. 313.024.(b) of the Tax Code.

"The Economic Development Act", Tax Code Chapter 313, was created by House Bill 1200 of the 77<sup>th</sup> Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80<sup>th</sup> Texas Legislative Session in 2007.

The Economic Development Act was created to attract qualifying businesses to Texas by allowing school districts the option of approving a property value limitation to these qualifying entities. The purpose of the property value limitation is to reduce the maintenance and operations taxes paid by the company, to a school district during the applicable years as displayed below.

# Nazareth ISD Financial Impact of Chapter 313 Agreement

## Appraised Value Limitation and Credit under Tax Code Chapter 313 for School District Maintenance & Operations (M&O) Tax



The company must file an application with the school district to qualify for consideration of a Limited Appraised Value Agreement ("LAVA" or "Agreement") to begin the following tax year or a later year if agreed upon by the District and the Company. The first two years of the agreement are considered the qualifying time period and the company's school district taxes will be levied at one-hundred percent of the appraised value. The applicant may then file a separate application with the school district to request tax credits (for taxes paid during the qualifying time period) to be applied during years four through ten of the LAVA, but not to exceed 50% of their tax levy for those years. Any tax credit balance remaining after this period can then be applied during years eleven through thirteen of the agreement, but cannot exceed the actual amount of taxes paid to the school district during the Settle-Up Period. After year thirteen, any leftover credits will not be applied and will expire.

During years three through ten of the LAVA, the qualifying entity's taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller's Office. Nazareth ISD is considered a Rural category 4 District as categorized with total taxable value of industrial property of at least \$100,000 but less than \$1 million, thus Nazareth ISD has a minimum qualified investment amount of \$5 million. A qualifying entity's taxable value would be

## Nazareth ISD Financial Impact of Chapter 313 Agreement

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reduced to \$5 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Nazareth ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

### Taxable Value Impact from LAVA

The “Additional Value from Changing Winds” represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company’s taxable value will be limited to the \$5,000,000 minimum qualified investment of Nazareth ISD.

**TABLE I- Calculation of Taxable Value:**

Tax Year	Additional Value From Changing Winds	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	6,699,750	n/a	0	6,699,750
Jan. 1, 2015	268,214,400	n/a	0	268,214,400
Jan. 1, 2016	246,757,000	(5,000,000)	241,757,000	5,000,000
Jan. 1, 2017	227,016,000	(5,000,000)	222,016,000	5,000,000
Jan. 1, 2018	208,855,000	(5,000,000)	203,855,000	5,000,000
Jan. 1, 2019	192,147,000	(5,000,000)	187,147,000	5,000,000
Jan. 1, 2020	176,775,000	(5,000,000)	171,775,000	5,000,000
Jan. 1, 2021	162,633,000	(5,000,000)	157,633,000	5,000,000
Jan. 1, 2022	149,622,000	(5,000,000)	144,622,000	5,000,000
Jan. 1, 2023	137,652,000	(5,000,000)	132,652,000	5,000,000
Jan. 1, 2024	126,640,000	n/a	0	126,640,000
Jan. 1, 2025	116,509,000	n/a	0	116,509,000
Jan. 1, 2026	107,188,000	n/a	0	107,188,000

# Nazareth ISD Financial Impact of Chapter 313 Agreement

## Changing Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Changing Winds is \$19.47 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

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

- The District has held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$1.17 for the life of this agreement. The M&O rate for 2015-2016 and 2024-2025 is projected to decrease due to the rollback tax rate calculation.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2028 and currently has a \$.145 I&S rate. The debt payment will reduce from \$175,000 per year to \$70,265 per year in 2015-2016. The additional value of the company will further reduce the I&S tax rate. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

**TABLE II- Computation of Net Tax Savings:**

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	1.170	0.145	78,387	0	n/a	0	0
2015-2016	1.030	0.022	2,762,608	0	n/a	0	0
2016-2017	1.170	0.023	2,887,057	2,828,557	n/a	(350,367)	2,478,190
2017-2018	1.170	0.025	2,656,087	2,597,587	57,627	0	2,655,214
2018-2019	1.170	0.026	2,443,604	2,385,104	56,401	0	2,441,505
2019-2020	1.170	0.028	2,248,120	2,189,620	56,151	0	2,245,770
2020-2021	1.170	0.030	2,068,268	2,009,768	55,766	0	2,065,534
2021-2022	1.170	0.031	1,902,806	1,844,306	54,458	0	1,898,764
2022-2023	1.170	0.033	1,750,577	1,692,077	53,938	0	1,746,015
2023-2024	1.170	0.035	1,610,528	1,552,028	53,339	0	1,605,368
2024-2025	1.030	0.037	1,304,392	0	1,351,249	0	1,351,249
2025-2026	1.170	0.039	1,363,155	0	992,067	0	992,067
2026-2027	1.170	0.041	1,254,100	0	0	0	0
<b>Totals</b>			<b>24,329,689</b>	<b>17,099,047</b>	<b>2,730,996</b>	<b>(350,367)</b>	<b>19,479,675</b>

# Nazareth ISD Financial Impact of Chapter 313 Agreement

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## Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Nazareth ISD. First, a thirteen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a thirteen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a thirteen year financial forecast was prepared that incorporates the additional taxable value of the company with an approved LAVA. These three forecasts are detailed in the "Calculation of LAVA Impact on District's Finances" section. The following assumptions were used to compare the financial impact of the LAVA:

- The current state funding formulas (in effect for 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$61.86 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value increase of 1.0% was used to project the district's taxable value, except as it related to the requested LAVA. The district's 2012 taxable value was used as a baseline for all projections
- The district's enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by .25% per year for the life of the agreement.

Although these assumptions were used to develop a baseline scenario for comparison purposes, many of these factors will not remain constant for the thirteen years of this proposed agreement. Also, Legislative changes to the school finance formulas are likely during the near future and almost certain during the life of this agreement.

# Nazareth ISD Financial Impact of Chapter 313 Agreement

## Calculation of LAVA Impact on District's Finances

The tables displayed below (Table III, IV, V) show the different impacts on the school district's finances. These scenarios were computed to compare the District's revenue without the additional taxable value of Changing Wind (Table III), the addition of Changing Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Changing Wind's taxable values with a Chapter 313 Agreement (Table V).

**TABLE III – District Revenues *without* Changing Wind Renewable Energy, LLC:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold	M&O	Total District Revenue
		Compressed Rate	State Revenue		Harmless Revenue	Taxes > Comp Rate	
2014-2015	56,825,378	560,696	1,200,189	0	1,760,885	262,956	2,023,841
2015-2016	57,393,631	566,303	1,189,410	0	1,755,713	264,225	2,019,938
2016-2017	57,967,568	571,966	1,178,570	0	1,750,536	263,487	2,014,022
2017-2018	58,547,243	577,686	1,167,680	0	1,745,365	262,751	2,008,116
2018-2019	59,132,716	583,463	1,161,786	0	1,745,248	262,018	2,007,267
2019-2020	59,724,043	589,297	1,150,444	0	1,739,741	261,288	2,001,030
2020-2021	60,321,283	595,190	1,139,703	0	1,734,893	260,561	1,995,454
2021-2022	60,924,496	601,142	1,128,573	0	1,729,715	259,837	1,989,552
2022-2023	61,533,741	607,153	1,117,382	0	1,724,535	259,115	1,983,650
2023-2024	62,149,078	613,225	1,106,128	0	1,719,353	258,396	1,977,749
2024-2025	62,770,569	619,357	1,099,874	0	1,719,231	227,688	1,946,919
2025-2026	63,398,275	625,551	1,088,452	0	1,714,003	256,966	1,970,969
2026-2027	64,032,258	631,806	1,077,085	0	1,708,891	256,255	1,965,146

## Nazareth ISD Financial Impact of Chapter 313 Agreement

**TABLE IV- District Revenues *with* Changing Wind, LLC *without* Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold	M&O	Total District Revenue
		Compressed Rate	State Revenue		Harmless Revenue	Taxes > Comp Rate	
2014-2015	63,525,128	626,802	1,198,207	0	1,825,009	293,026	2,118,035
2015-2016	325,608,031	3,212,774	1,046,203	0	4,258,977	458,255	4,717,232
2016-2017	304,724,568	3,006,717	87,347	1,666,848	1,427,216	544,937	1,972,153
2017-2018	285,563,243	2,817,653	84,072	1,456,801	1,444,924	510,868	1,955,791
2018-2019	267,987,716	2,644,235	85,181	1,264,154	1,465,261	479,618	1,944,879
2019-2020	251,871,043	2,485,212	83,094	1,087,514	1,480,792	450,963	1,931,755
2020-2021	237,096,283	2,339,429	80,313	925,589	1,494,152	424,693	1,918,845
2021-2022	223,557,496	2,205,842	77,324	777,199	1,505,967	400,621	1,906,588
2022-2023	211,155,741	2,083,474	74,879	641,262	1,517,091	378,570	1,895,661
2023-2024	199,801,078	1,971,437	72,615	516,783	1,527,270	358,382	1,885,651
2024-2025	189,410,569	1,868,914	77,359	402,983	1,543,290	344,262	1,887,552
2025-2026	179,907,275	1,775,145	73,488	298,626	1,550,006	332,456	1,882,462
2026-2027	171,220,258	1,689,430	72,056	203,340	1,558,146	322,063	1,880,209

**TABLE V – District Revenues *with* Changing Wind, LLC *with* Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes Comp Rate	State Revenue	Recapture Amount	Hold	M&O Taxes	Payment	Total District Revenue
					Harmless Revenue	> Comp Rate	for District Losses	
2014-2015	63,525,128	626,802	1,198,207	0	1,825,009	293,026	0	2,118,035
2015-2016	325,608,031	3,212,774	1,046,203	0	4,258,977	458,255	0	4,717,232
2016-2017	62,967,568	621,301	1,230,940	345,546	1,506,695	115,090	350,367	1,972,153
2017-2018	63,547,243	627,021	1,116,864	0	1,743,884	261,941	0	2,005,825
2018-2019	64,132,716	632,798	1,110,971	0	1,743,768	261,224	0	2,004,992
2019-2020	64,724,043	638,632	1,099,787	0	1,738,419	260,509	0	1,998,928
2020-2021	65,321,283	644,525	1,088,888	0	1,733,413	259,796	0	1,993,209
2021-2022	65,924,496	650,477	1,077,758	0	1,728,235	259,086	0	1,987,322
2022-2023	66,533,741	656,488	1,066,567	0	1,723,055	258,379	0	1,981,434
2023-2024	67,149,078	662,560	1,055,313	0	1,717,873	257,674	0	1,975,547
2024-2025	189,410,569	1,868,914	1,015,344	0	2,884,258	247,652	0	3,131,910
2025-2026	179,907,275	1,775,145	73,488	298,626	1,550,006	332,456	0	1,882,462
2026-2027	171,220,258	1,689,430	72,056	203,340	1,558,146	322,063	0	1,880,209

# Nazareth ISD Financial Impact of Chapter 313 Agreement

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## Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79<sup>th</sup> Legislative Session and became effective for the 2006-2007 school year. These formula changes have had an effect on the district's financial impact from granting a property value limitation. Due to the district's "Hold Harmless" provision that was enacted in the new funding formulas, it is presumed that the majority of the district's revenue losses in year three of the LAVA will be offset with additional state funding or a reduction of recapture payments made to the State. Prior to these recent formula changes, school districts felt a significant loss in revenues in year three because the state funding formulas considered the district more property wealthy based on their prior year taxable value. However, districts were only able to tax on the lower value that was a result of the LAVA. Districts are currently "held harmless" for the majority amount of loss in year three; however, it is possible that a future legislative session could eliminate this provision. If the "hold harmless" provision is eliminated, then the company would be required to offset the district's losses as computed in Article III of the Agreement.

# Nazareth ISD Financial Impact of Chapter 313 Agreement

## Payments in Lieu of Taxes

Assuming that the District and Changing Wind Renewable Energy Project, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Nazareth ISD by Changing Winds, the projected amount of these payments over the life of the agreement is \$290,714 of the \$19.47 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

**TABLE VI - Calculation of the Payment in Lieu of Taxes:**

Fiscal Year	Net Tax Savings	Nazareth ISD \$100/ADA	Changing Wind's Share
2014-2015	0	22,700	(22,700)
2015-2016	0	22,643	(22,643)
2016-2017	2,478,190	22,587	2,455,603
2017-2018	2,655,214	22,530	2,632,684
2018-2019	2,441,505	22,474	2,419,031
2019-2020	2,245,770	22,418	2,223,353
2020-2021	2,065,534	22,362	2,043,172
2021-2022	1,898,764	22,306	1,876,458
2022-2023	1,746,015	22,250	1,723,765
2023-2024	1,605,368	22,194	1,583,173
2024-2025	1,351,249	22,139	1,329,110
2025-2026	992,067	22,083	969,984
2026-2027	0	22,028	(22,028)
<b>Totals</b>	<b>19,479,675</b>	<b>290,714</b>	<b>19,188,962</b>

# Nazareth ISD Financial Impact of Chapter 313 Agreement

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## Impact of Projected Student Growth On District Facilities

**TABLE VII – Campus Capacity and Available Growth**

Campus Name	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Nazareth School	K-12	25	450	237	213
Total		25	450	237	213

The building capacities are based on 18 students per classroom for all grade levels. Nazareth ISD is a kindergarten through 12<sup>th</sup> grade district.

Changing Winds Renewable Energy Project, LLC provided supplemental information with their application that projected the number of full-time employees that are expected for permanent employment after construction of the project is completed. They projected that five full-time employees are expected. It is not known whether these would be new employees to the Nazareth ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new five positions equates to 3 new students.

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

# Nazareth ISD Financial Impact of Chapter 313 Agreement

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## Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Changing Winds Renewable Energy Project, LLC, would be beneficial to both Changing Winds and Nazareth ISD under the current school finance system.

Changing Winds Renewable Energy Project, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Changing Winds is projected to benefit from an 86% tax savings over the first twelve year period of this agreement. Changing Winds also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

Nazareth ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Changing Winds to offset any district losses caused by the LAVA. An annual calculation will be performed each year to determine if a loss to the District has been incurred. The revenue impact to the District will be computed by comparing the District's revenues with and without the LAVA in effect.

# Attachment 3

## Castro County

### Population

- Total county population in 2010 for Castro County: 7,308 , up 2.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Castro County was the state's 184th largest county in population in 2010 and the 26 th fastest growing county from 2009 to 2010.
- Castro County's population in 2009 was 41.8 percent Anglo (below the state average of 46.7 percent), 2.8 percent African-American (below the state average of 11.3 percent) and 54.5 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Castro County:

Dimmitt:	3,693	Hart:	1,031
Nazareth:	317		

### Economy and Income

#### *Employment*

- September 2011 total employment in Castro County: 3,475 , down 0.6 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 Castro County unemployment rate: 5.6 percent, up from 5.4 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*

- Castro County's ranking in per capita personal income in 2009: 113th with an average per capita income of \$33,542, down 15.0 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 Castro County averaged \$480.68 million annually from 2007 to 2010. County total agricultural values in 2010 were down 3.4 percent from 2009. Major agriculture related commodities in Castro County during 2010 included:
  - Other Beef
  - Ensilage
  - Milk Cows
  - Corn
  - Fed Beef
- 2011 oil and gas production in Castro County: barrels of oil and Mcf of gas. In September 2011, there were 0 producing oil wells and 0 producing gas wells.

### Taxes

#### *Sales Tax - Taxable Sales*

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

*Quarterly (September 2010 through December 2010)*

- Taxable sales in Castro County during the fourth quarter 2010: \$7.81 million, down 3.4 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Dimmitt:	\$3.70 million, down 8.1 percent from the same quarter in 2009.
Hart:	\$3.36 million, down 0.3 percent from the same quarter in 2009.
Nazareth:	\$340,157.00, up 17.9 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 Castro County through the fourth quarter of 2010: \$31.48 million, down 1.6 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Dimmitt:	\$15.04 million, down 4.3 percent from the same period in 2009.
Hart:	\$13.22 million, down 4.7 percent from the same period in 2009.
Nazareth:	\$1.29 million, up 12.7 percent from the same period in 2009.

*Annual (2010)*

- Taxable sales in Castro County during 2010: \$31.48 million, down 1.6 percent from 2009.
- Castro County sent an estimated \$1.97 million (or 0.01 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Dimmitt:	\$15.04 million, down 4.3 percent from 2009.
Hart:	\$13.22 million, down 4.7 percent from 2009.

Nazareth: \$1.29 million, up 12.7 percent from 2009.

### ***Sales Tax – Local Sales Tax Allocations***

*(The release date for sales tax allocations to cities for the sales activity month of September 2011 is currently scheduled for November 9, 2011.)*

#### ***Monthly***

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Castro County based on the sales activity month of August 2011: \$34,131.32, up 9.8 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
 

Dimmitt:	\$28,980.61, up 7.9 percent from August 2010.
Hart:	\$2,608.81, up 18.9 percent from August 2010.
Nazareth:	\$2,541.90, up 24.2 percent from August 2010.

#### ***Fiscal Year***

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Castro County based on sales activity months from September 2010 through August 2011: \$424,743.33, up 15.7 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
 

Dimmitt:	\$334,812.28, up 5.8 percent from fiscal 2010.
Hart:	\$59,869.30, up 152.8 percent from fiscal 2010.
Nazareth:	\$30,061.75, up 11.5 percent from fiscal 2010.

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

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Castro County based on sales activity months through August 2011: \$296,661.96, up 28.2 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
 

Dimmitt:	\$228,302.69, up 14.2 percent from the same period in 2010.
Hart:	\$48,920.63, up 253.2 percent from the same period in 2010.
Nazareth:	\$19,438.64, up 10.1 percent from the same period in 2010.

#### ***12 months ending in August 2011***

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Castro County based on sales activity in the 12 months ending in August 2011: \$424,743.33, up 15.7 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
 

Dimmitt:	\$334,812.28, up 5.8 percent from the previous 12-month period.
Hart:	\$59,869.30, up 152.8 percent from the previous 12-month period.
Nazareth:	\$30,061.75, up 11.5 percent from the previous 12-month period.

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

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

Dimmitt:	\$281,614.22, up 8.6 percent from the same period in 2010.
Hart:	\$54,906.99, up 185.3 percent from the same period in 2010.
Nazareth:	\$24,890.50, up 12.6 percent from the same period in 2010.

#### ***Annual (2010)***

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Castro County based on sales activity months in 2010: \$359,536.86, down 4.7 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
 

Dimmitt:	\$306,461.52, down 5.9 percent from 2009.
Hart:	\$24,798.19, down 7.4 percent from 2009.
Nazareth:	\$28,277.15, up 13.5 percent from 2009.

### ***Property Tax***

- As of January 2009, property values in Castro County: \$675.17 million, up 0.1 percent from January 2008 values. The property tax base per person in Castro County is \$94,694, above the statewide average of \$85,809. A negligible 0.0 percent of the property tax base is derived from oil, gas and minerals.

### State Expenditures

- Castro County's ranking in state expenditures by county in fiscal year 2010: 173rd. State expenditures in the county for FY2010: \$32.69 million, up 0.1 percent from FY2009.
- In Castro County, 5 state agencies provide a total of 24 jobs and \$216,099.00 in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
  - Department of Transportation
  - Department of Public Safety
  - Department of Aging and Disability Services
  - Health & Human Services Commission
  - AgriLife Extension Service

### Higher Education

- Community colleges in Castro County fall 2010 enrollment:
  - None.
- Castro County is in the service area of the following:
  - Amarillo College with a fall 2010 enrollment of 11,540. Counties in the service area include:
    - Carson County
    - Castro County
    - Deaf Smith County
    - Moore County
    - Oldham County
    - Parmer County
    - Potter County
    - Randall County
    - Swisher County
- Institutions of higher education in Castro County fall 2010 enrollment:
  - None.

### School Districts

- Castro County had 3 school districts with 6 schools and 1,726 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.)
  - Dimmitt ISD had 1,193 students in the 2009-10 school year. The average teacher salary was \$39,323. The percentage of students meeting the 2010 TAKS passing standard for all tests was 60 percent.
  - Hart ISD had 300 students in the 2009-10 school year. The average teacher salary was \$34,473. The percentage of students meeting the 2010 TAKS passing standard for all tests was 48 percent.
  - Nazareth ISD had 233 students in the 2009-10 school year. The average teacher salary was \$39,691. The percentage of students meeting the 2010 TAKS passing standard for all tests was 85 percent.

