

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



June 20, 2013

Steve Long  
Superintendent  
Reagan County Independent School District  
1111 12<sup>th</sup> St.  
Big Lake, Texas 76932

Dear Superintendent Long:

On April 9, 2013, the Comptroller received the completed application (Application # 276) for a limitation on appraised value under the provisions of Tax Code Chapter 313<sup>1</sup>. This application was originally submitted in July 2012 to the Reagan County Independent School District (the school district) by DCP Midstream, LP (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 2 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$80 million) is consistent with the proposed appraised value limitation sought (\$20 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 manufacturing facility in Reagan County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in 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

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

to only approve an application if the school district finds that the information in the application is true and correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. 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.

Note that any new building or other improvement existing as of the application review start date of April 9, 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	DCP Midstream, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Reagan County ISD
2011-12 Enrollment in School District	809
County	Reagan County
Total Investment in District	\$80,000,000
Qualified Investment	\$80,000,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$702
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$700
Minimum Annual Wage committed to by applicant for qualified jobs	\$36,500
Investment per Qualifying Job	\$8,000,000
Estimated 15 year M&O levy without any limit or credit:	\$7,818,943
Estimated gross 15 year M&O tax benefit	\$3,494,351
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):	\$3,338,162
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$662,702
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$4,480,781
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	42.7%
Percentage of tax benefit due to the limitation	81.0%
Percentage of tax benefit due to the credit	19.0%

This presents the Comptroller's economic impact evaluation of DCP Midstream, LP (the project) applying to Reagan County 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 10 new jobs when fully operational. All 10 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 Concho Valley Council of Governments Region, where Reagan County is located was \$33,123 in 2011. There is no annual average manufacturing wage for 2011-2012 for Reagan County. That same year, the county annual average wage for all industries was \$55,666. In addition to a salary of \$36,500, each qualifying position will receive medical, dental and vision plans, 401(k) and retirement plans, life insurance, short and long term disability insurance, education assistance, scholarship program, holidays and vacation, wellness program, matching gifts and a short term incentive plan. The project's total investment is \$80 million, resulting in a relative level of investment per qualifying job of \$8 million.

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

According to DCP Midstream, LP's application, "DCP Midstream is the largest producer of natural gas liquids in North America and has significant pipeline infrastructure throughout Texas. This infrastructure provides DCP Midstream with the flexibility and opportunity to invest in a variety of regions in Texas and its neighboring states. Currently, DCP Midstream owns and operates 62 plants in 26 states. Capital investment is granted to projects that generate the best economic return for DCP Midstream. Currently, several projects in Louisiana, New Mexico and Colorado are competing with Texas projects for company investment."

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

During the past two years, zero project in the Concho Valley Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

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

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

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

Table 1 depicts DCP Midstream, LP'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 DCP Midstream, LP**

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	41	46	87	\$2,120,825	\$2,879,175	\$5,000,000
2014	92	116	208	\$4,606,675	\$8,393,325	\$13,000,000
2015	10	39	49	\$365,000	\$3,635,000	\$4,000,000
2016	10	33	43	\$365,000	\$3,635,000	\$4,000,000
2017	10	29	39	\$365,000	\$2,635,000	\$3,000,000
2018	10	29	39	\$365,000	\$2,635,000	\$3,000,000
2019	10	27	37	\$365,000	\$2,635,000	\$3,000,000
2020	10	27	37	\$365,000	\$2,635,000	\$3,000,000
2021	10	29	39	\$365,000	\$3,635,000	\$4,000,000
2022	10	29	39	\$365,000	\$3,635,000	\$4,000,000
2023	10	31	41	\$365,000	\$3,635,000	\$4,000,000
2024	10	27	37	\$365,000	\$3,635,000	\$4,000,000
2025	10	31	41	\$365,000	\$3,635,000	\$4,000,000
2026	10	31	41	\$365,000	\$4,635,000	\$5,000,000
2027	10	31	41	\$365,000	\$4,635,000	\$5,000,000
2028	10	31	41	\$365,000	\$4,635,000	\$5,000,000

Source: CPA, REMI, DCP Midstream, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.72 billion in 2011-2012. Reagan County ISD's ad valorem tax base in 2011-2012 was \$1.97 billion. The statewide average wealth per WADA was estimated at \$347,943 for fiscal 2011-2012. During that same year, Reagan County ISD's estimated wealth per WADA was \$1,401,913. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district and Reagan County, with all property tax incentives sought being granted using estimated market value from DCP Midstream, LP's application. DCP Midstream, LP has applied for a value limitation under Tax Code Chapter 313 and tax abatement with the County. Table 3 illustrates the estimated tax impact of the DCP Midstream, LP 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>	Reagan County ISD I&S Levy	Reagan County ISD M&O Levy	Reagan County ISD M&O and I&S Tax Levies (Before Credit Credited)	Reagan County ISD M&O and I&S Tax Levies (After Credit Credited)	Reagan County Tax Levy	Estimated Total Property Taxes
				0.1000	1.1000			0.2491	
2014	\$28,022.830	\$28,022.830		\$28,023	\$308,251	\$336,274	\$336,274	\$69,805	\$406,079
2015	\$72,222.830	\$72,222.830		\$72,223	\$794,451	\$866,674	\$866,674	\$53,972	\$920,646
2016	\$67,662.830	\$20,000,000		\$67,663	\$220,000	\$287,663	\$287,663	\$50,564	\$338,227
2017	\$60,822.830	\$20,000,000		\$60,823	\$220,000	\$280,823	\$186,151	\$45,453	\$231,604
2018	\$57,022.830	\$20,000,000		\$57,023	\$220,000	\$277,023	\$182,351	\$42,613	\$224,964
2019	\$52,462.830	\$20,000,000		\$52,463	\$220,000	\$272,463	\$177,791	\$39,205	\$216,997
2020	\$48,662.830	\$20,000,000		\$48,663	\$220,000	\$268,663	\$173,991	\$36,366	\$210,357
2021	\$45,622.830	\$20,000,000		\$45,623	\$220,000	\$265,623	\$170,951	\$34,094	\$205,045
2022	\$43,342.830	\$20,000,000		\$43,343	\$220,000	\$263,343	\$168,671	\$107,967	\$276,638
2023	\$41,822.830	\$20,000,000		\$41,823	\$220,000	\$261,823	\$167,151	\$104,181	\$271,332
2024	\$38,022.830	\$38,022.830		\$38,023	\$418,251	\$456,274	\$456,274	\$94,715	\$550,989
2025	\$40,568.830	\$40,568.830		\$40,569	\$446,257	\$486,826	\$486,826	\$101,057	\$587,883
2026	\$39,352.450	\$39,352.450		\$39,352	\$432,877	\$472,229	\$472,229	\$98,027	\$570,256
2027	\$38,172.561	\$38,172.561		\$38,173	\$419,898	\$458,071	\$458,071	\$95,088	\$553,159
2028	\$37,028.069	\$37,028.069		\$37,028	\$407,309	\$444,337	\$444,337	\$92,237	\$536,574
						<b>Total</b>	<b>\$5,035,405</b>	<b>\$1,065,344</b>	<b>\$6,100,749</b>

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, DCP Midstream, LP

<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>	Reagan County ISD I&S Levy	Reagan County ISD M&O Levy	Reagan County ISD M&O and I&S Tax Levies	Reagan County Tax Levy	Estimated Total Property Taxes	
				0.1000	1.1000		0.2491		
2014	\$28,022.830	\$28,022.830		\$28,023	\$308,251	\$336,274	\$69,805	\$406,079	
2015	\$72,222.830	\$72,222.830		\$72,223	\$794,451	\$866,674	\$179,907	\$1,046,581	
2016	\$67,662.830	\$67,662.830		\$67,663	\$744,291	\$811,954	\$168,548	\$980,502	
2017	\$60,822.830	\$60,822.830		\$60,823	\$669,051	\$729,874	\$151,510	\$881,384	
2018	\$57,022.830	\$57,022.830		\$57,023	\$627,251	\$684,274	\$142,044	\$826,318	
2019	\$52,462.830	\$52,462.830		\$52,463	\$577,091	\$629,554	\$130,685	\$760,239	
2020	\$48,662.830	\$48,662.830		\$48,663	\$535,291	\$583,954	\$121,219	\$705,173	
2021	\$45,622.830	\$45,622.830		\$45,623	\$501,851	\$547,474	\$113,646	\$661,120	
2022	\$43,342.830	\$43,342.830		\$43,343	\$476,771	\$520,114	\$107,967	\$628,081	
2023	\$41,822.830	\$41,822.830		\$41,823	\$460,051	\$501,874	\$104,181	\$606,055	
2024	\$38,022.830	\$38,022.830		\$38,023	\$418,251	\$456,274	\$94,715	\$550,989	
2025	\$40,568.830	\$40,568.830		\$40,569	\$446,257	\$486,826	\$101,057	\$587,883	
2026	\$39,352.450	\$39,352.450		\$39,352	\$432,877	\$472,229	\$98,027	\$570,256	
2027	\$38,172.561	\$38,172.561		\$38,173	\$419,898	\$458,071	\$95,088	\$553,159	
2028	\$37,028.069	\$37,028.069		\$37,028	\$407,309	\$444,337	\$92,237	\$536,574	
						<b>Total</b>	<b>\$8,529,756</b>	<b>\$1,770,635</b>	<b>\$10,300,392</b>

Source: CPA, DCP Midstream, LP

<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 M&O tax levy without the value limitation agreement would be \$6,991,737. The estimated gross M&O tax benefit, or levy loss, is \$3,494,351.

Attachment 3 is an economic overview of Reagan County.

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

# Attachments

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

# Attachment 1

Schedule A (Rev. May 2010): Investment

Applicant Name: DCP MIDSTREAM LP  
 SD Name: REAGAN INDEPENDENT SCHOOL DISTRICT  
 Form 50-206

PROPERTY INVESTMENT AMOUNTS										
(Estimated investment in each year. Do not put cumulative totals.)										
	Year	School Year (YYYY-YYYY)	Tax Year (FBI in actual tax year below) YYYY	Column A: Tangible Personal Property (The amount of new investment (original cost) placed in service of building during this year)	Column B: Building or permanent nonmovable component amount (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)	Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment)	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property)	2013-2014	2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Complete tax years of qualifying time period	1	2014-2015	2014	\$ 28,000,000.00	\$ -	\$ 28,000,000.00	\$ -	\$ 28,000,000.00	\$ 28,000,000.00
		2	2015-2016	2015	\$ 52,000,000.00	\$ -	\$ 52,000,000.00	\$ -	\$ 52,000,000.00	\$ 52,000,000.00
		3	2016-2017	2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		4	2017-2018	2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		5	2018-2019	2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		6	2019-2020	2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		7	2020-2021	2020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		8	2021-2022	2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		9	2022-2023	2022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		10	2023-2024	2023	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		11	2024-2025	2024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		12	2025-2026	2025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13		2026-2027	2026	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
14		2027-2028	2027	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
15		2028-2029	2028	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Tax Credit Period (with 50% cap on credit)	Value Limitation Period									
	Continue to Maintain Visible Presence									
Credit Settle-Up Period	Post-Settle-Up Period									
	Post-Settle-Up Period									

AHD)

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was as needed

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

Form 50-296

Applicant Name: DCP MIDSTREAM LP  
 ISD Name: REAGAN INDEPENDENT SCHOOL DISTRICT

Year	School Year (YYYY-YYYY)	Tax Year (F2 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 on the new improvement			
pre-year 1	2013-2014	2013	\$ 22,830	\$ -	\$ -	\$ -	\$ 22,830	\$ 22,830
1	2014-2015	2014	\$ 22,830	\$ -	\$ 28,000,000	\$ -	\$ 28,022,830	\$ 28,022,830
2	2015-2016	2015	\$ 22,830	\$ -	\$ 76,000,000	\$ 3,800,000	\$ 72,222,830	\$ 72,222,830
3	2016-2017	2016	\$ 22,830	\$ -	\$ 71,200,000	\$ 3,560,000	\$ 67,662,830	\$ 20,000,000
4	2017-2018	2017	\$ 22,830	\$ -	\$ 64,000,000	\$ 3,200,000	\$ 60,822,830	\$ 20,000,000
5	2018-2019	2018	\$ 22,830	\$ -	\$ 60,000,000	\$ 3,000,000	\$ 57,022,830	\$ 20,000,000
6	2019-2020	2019	\$ 22,830	\$ -	\$ 55,200,000	\$ 2,760,000	\$ 52,462,830	\$ 20,000,000
7	2020-2021	2020	\$ 22,830	\$ -	\$ 51,200,000	\$ 2,560,000	\$ 48,662,830	\$ 20,000,000
8	2021-2022	2021	\$ 22,830	\$ -	\$ 48,000,000	\$ 2,400,000	\$ 45,622,830	\$ 20,000,000
9	2022-2023	2022	\$ 22,830	\$ -	\$ 45,600,000	\$ 2,280,000	\$ 43,342,830	\$ 20,000,000
10	2023-2024	2023	\$ 22,830	\$ -	\$ 44,000,000	\$ 2,200,000	\$ 41,822,830	\$ 20,000,000
11	2024-2025	2024	\$ 22,830	\$ -	\$ 40,000,000	\$ 2,000,000	\$ 38,022,830	\$ 38,022,830
12	2025-2026	2025	\$ 22,830	\$ -	\$ 42,680,000	\$ 2,134,000	\$ 40,568,830	\$ 40,568,830
13	2026-2027	2026	\$ 22,830	\$ -	\$ 41,399,600	\$ 2,069,980	\$ 39,352,450	\$ 39,352,450
14	2027-2028	2027	\$ 22,830	\$ -	\$ 40,157,612	\$ 2,007,881	\$ 38,172,561	\$ 38,172,561
15	2028-2029	2028	\$ 22,830	\$ -	\$ 38,952,884	\$ 1,947,644	\$ 37,028,069	\$ 37,028,069

Notes: Market value in future years is good faith estimate of future taxable value for the purposes of property taxation. This schedule must be submitted with the original application and any application for tax credit. When using this schedule for any purpose other than the original application, replace original estimates with actual appraisal district data for past years and update estimates for current and future years. If original estimates have not changed, enter those amounts for future years.


  
 SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE \_\_\_\_\_ DATE 3-8-13

Schedule C- Application: Employment Information

DCP MIDSTREAM LP  
REAGAN INDEPENDENT SCHOOL DISTRICT

Applicant Name  
ISD Name

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 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	84,833 hrs	\$25/hr	0	\$ 36,500.00	0	\$ 36,500.00
	1	2014-2015	2014	159,667 hrs	\$25/hr	10	\$ 36,500.00	10	\$ 36,500.00
	2	2015-2016	2015			10	\$ 36,500.00	10	\$ 36,500.00
	3	2016-2017	2016			10	\$ 36,500.00	10	\$ 36,500.00
	4	2017-2018	2017			10	\$ 36,500.00	10	\$ 36,500.00
	5	2018-2019	2018			10	\$ 36,500.00	10	\$ 36,500.00
	6	2019-2020	2019			10	\$ 36,500.00	10	\$ 36,500.00
	7	2020-2021	2020			10	\$ 36,500.00	10	\$ 36,500.00
	8	2021-2022	2021			10	\$ 36,500.00	10	\$ 36,500.00
	9	2022-2023	2022			10	\$ 36,500.00	10	\$ 36,500.00
	10	2023-2024	2023			10	\$ 36,500.00	10	\$ 36,500.00
	11	2024-2025	2024			10	\$ 36,500.00	10	\$ 36,500.00
	12	2025-2026	2025			10	\$ 36,500.00	10	\$ 36,500.00
	13	2026-2027	2026			10	\$ 36,500.00	10	\$ 36,500.00
	14	2027-2028	2027			10	\$ 36,500.00	10	\$ 36,500.00
	15	2028-2029	2028			10	\$ 36,500.00	10	\$ 36,500.00
Complete tax years of qualifying time period									
Value Limitation Period									
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
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.

  
SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

3-8-13  
DATE

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

Applicant Name		DCP MIDSTREAM LP		ISD Name		REAGAN INDEPENDENT SCHOOL Form 50-296					
				Franchise Tax		Other Property Tax Abatements Sought					
				Sales Tax Information		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	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Franchise Tax	County	City	Hospital	Other
	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY								
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2012-2013	2013	\$ 50,000	\$ 100,050,000	\$ 5,300,000					
Complete tax years of qualifying time period	1	2013-2014	2014	\$ 100,000	\$ -	\$ 5,300,000					
	2	2014-2015	2015	\$ 100,000	\$ -	\$ 5,300,000	70				
	3	2015-2016	2016	\$ 100,000	\$ -	\$ 5,300,000	70				
	4	2016-2017	2017	\$ 100,000	\$ -	\$ 5,300,000	70				
	5	2017-2018	2018	\$ 100,000	\$ -	\$ 5,300,000	70				
	6	2018-2019	2019	\$ 100,000	\$ -	\$ 5,300,000	70				
	7	2019-2020	2020	\$ 100,000	\$ -	\$ 5,300,000	70				
	8	2020-2021	2021	\$ 100,000	\$ -	\$ 5,300,000	70				
	9	2021-2022	2022	\$ 100,000	\$ -	\$ 5,300,000					
	10	2022-2023	2023	\$ 100,000	\$ -	\$ 5,300,000					
Tax Credit Period (with 50% cap on credit)	11	2023-2024	2024	\$ 100,000	\$ -	\$ 5,300,000					
	12	2024-2025	2025	\$ 100,000	\$ -	\$ 5,300,000					
	13	2025-2026	2026	\$ 100,000	\$ -	\$ 5,300,000					
Credit Settle-Up Period	14	2026-2027	2027	\$ 100,000	\$ -	\$ 5,300,000					
	15	2027-2028	2028	\$ 100,000	\$ -	\$ 5,300,000					
Post-Settle-Up Period											
For planning, construction and operation of the facility.											

5-8-13

DATE

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

*[Handwritten Signature]*

# Attachment 2

June 18, 2013

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

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed DCP Midstream LP project on the number and size of school facilities in Reagan County Independent School District (RCISD). Based on the analysis prepared by Randy McDowell and Neal Brown for the school district and conversations with the RCISD Superintendent Steve Long, the TEA has found that the DCP Midstream LP project would not have a significant impact on the number or size of school facilities in RCISD.

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 regarding this issue.

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/rk

June 18, 2013

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

Dear Mr. Wood:

The Texas Education Agency (TEA) has analyzed the revenue gains that would be realized by the proposed DCP Midstream LP project for the Reagan County Independent School District (RCISD). 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 the firm's assumptions regarding the potential revenue gain are valid, and its estimates of the impact of the DCP Midstream LP project on RCISD 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 regarding this issue.

Sincerely,



Al McKenzie, Manager  
Foundation School Program Support

AM/rk

**Summary of the District's Financial Impact  
of Chapter 313 Agreement  
with DCP Midstream, LP**

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

# **Reagan County ISD Financial Impact of Chapter 313 Agreement**

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## **Summary of Reagan County ISD Financial Impact of the Limited Appraised Value Application from DCP Midstream, LP**

### **Introduction**

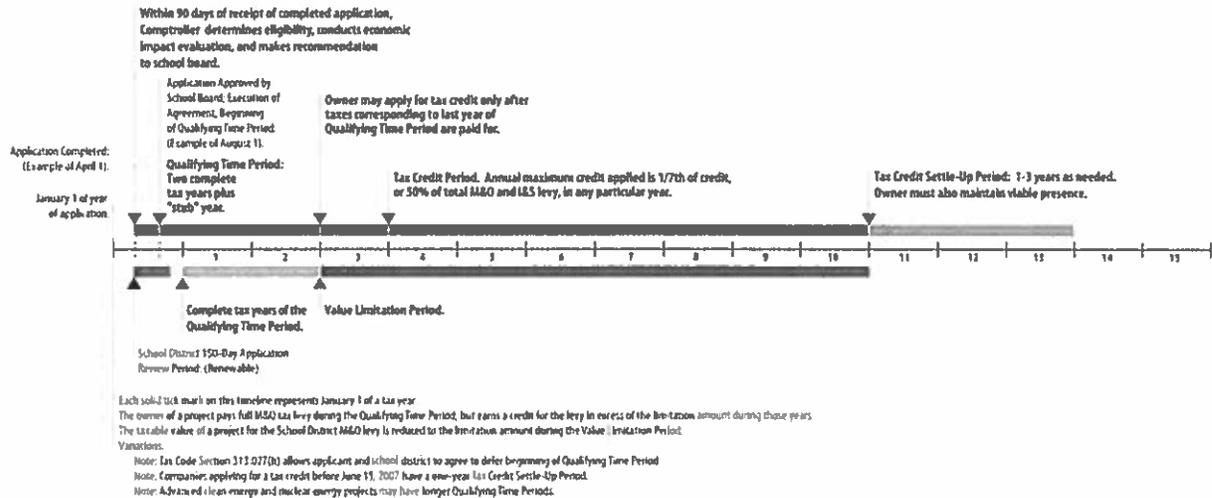
DCP Midstream, LP applied for a property value limitation from Reagan County Independent School District under Chapter 313 of the Tax Code. The application was submitted on March 18, 2013 and subsequently approved for consideration by the Reagan County ISD Board of Trustees. DCP Midstream, LP (“DCP Midstream”), 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.

# Reagan County 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. Reagan County ISD is considered a Rural category 2 District as categorized with total taxable value of industrial property of at least \$90 million but less than \$200 million, thus Reagan County ISD has a minimum qualified investment amount of \$20 million. A qualifying entity’s taxable

## Reagan County ISD Financial Impact of Chapter 313 Agreement

value would be reduced to \$20 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 Reagan County 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 DCP Midstream” 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 \$20,000,000 minimum qualified investment of Reagan County ISD.

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

Tax Year	Additional Value From DCP Midstream	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	28,022,830	n/a	0	28,022,830
Jan. 1, 2015	72,222,830	n/a	0	72,222,830
Jan. 1, 2016	67,662,830	(20,000,000)	47,662,830	20,000,000
Jan. 1, 2017	60,822,830	(20,000,000)	40,822,830	20,000,000
Jan. 1, 2018	57,022,830	(20,000,000)	37,022,830	20,000,000
Jan. 1, 2019	52,462,830	(20,000,000)	32,462,830	20,000,000
Jan. 1, 2020	48,662,830	(20,000,000)	28,662,830	20,000,000
Jan. 1, 2021	45,622,830	(20,000,000)	25,622,830	20,000,000
Jan. 1, 2022	43,342,830	(20,000,000)	23,342,830	20,000,000
Jan. 1, 2023	41,822,830	(20,000,000)	21,822,830	20,000,000
Jan. 1, 2024	38,022,830	n/a	0	38,022,830
Jan. 1, 2025	40,568,830	n/a	0	40,568,830
Jan. 1, 2026	39,352,450	n/a	0	39,352,450

# Reagan County ISD Financial Impact of Chapter 313 Agreement

## DCP Midstream's Tax Benefit from Agreement

The projected amount of the net tax savings for DCP Midstream is \$3.338 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.

Reagan County 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 \$1.10 for the life of this agreement.
- The district has outstanding bonds that are scheduled to payoff in 2027 and currently have a \$.14 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	1.10	0.14	308,251	0	n/a	0	0
2015-2016	1.10	0.14	794,451	0	n/a	0	0
2016-2017	1.10	0.14	744,291	524,291	n/a	(39,540)	484,751
2017-2018	1.10	0.14	669,051	449,051	94,672	(22,247)	521,476
2018-2019	1.10	0.14	627,251	407,251	94,672	(20,764)	481,159
2019-2020	1.10	0.14	577,091	357,091	94,672	(17,917)	433,846
2020-2021	1.10	0.14	535,291	315,291	94,672	(15,879)	394,084
2021-2022	1.10	0.14	501,851	281,851	94,672	(14,285)	362,238
2022-2023	1.10	0.14	476,771	256,771	94,672	(13,134)	338,309
2023-2024	1.10	0.14	460,051	240,051	94,672	(12,425)	322,298
2024-2025	1.10	0.14	418,251	0	0	0	0
2025-2026	1.10	0.14	446,257	0	0	0	0
2026-2027	1.10	0.14	432,877	0	0	0	0
<b>Totals</b>			<b>6,991,737</b>	<b>2,831,649</b>	<b>662,702</b>	<b>(156,190)</b>	<b>3,338,162</b>

# Reagan County 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 Reagan County 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 2012-2013 fiscal year) were used for state aid and recapture calculation purposes
  - Level 2 of Tier II yield - \$59.97 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 increased 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.

# Reagan County 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 DCP Midstream (Table III), the addition of DCP Midstream's taxable values without a Chapter 313 Agreement (Table IV), and the addition of DCP Midstream's taxable values with a Chapter 313 Agreement (Table V).

**TABLE III – District Revenues *without* DCP Midstream, LP:**

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	2,525,000,000	22,389,175	1,748,185	19,274,069	4,863,291	5,278,109	10,141,399
2015-2016	2,550,250,000	22,613,067	1,753,806	19,521,850	4,845,023	5,330,890	10,175,913
2016-2017	2,575,752,500	22,839,197	1,759,440	19,770,617	4,828,020	5,384,198	10,212,219
2017-2018	2,601,510,025	23,067,589	1,765,089	20,021,990	4,810,688	5,438,040	10,248,729
2018-2019	2,627,525,125	23,298,265	1,770,752	20,275,995	4,793,022	5,492,421	10,285,443
2019-2020	2,653,800,377	23,531,248	1,776,429	20,532,658	4,775,019	5,547,345	10,322,364
2020-2021	2,680,338,380	23,766,560	1,782,120	20,792,005	4,756,675	5,602,819	10,359,493
2021-2022	2,707,141,764	24,004,226	1,787,825	21,054,065	4,737,985	5,658,847	10,396,832
2022-2023	2,734,213,182	24,244,268	1,793,544	21,318,865	4,718,948	5,715,435	10,434,383
2023-2024	2,761,555,314	24,486,711	1,799,278	21,586,432	4,699,557	5,772,590	10,472,147
2024-2025	2,789,170,867	24,731,578	1,805,027	21,856,795	4,679,810	5,830,315	10,510,125
2025-2026	2,817,062,575	24,978,894	1,810,789	22,129,981	4,659,702	5,888,619	10,548,321
2026-2027	2,845,233,201	25,228,683	1,816,566	22,406,019	4,639,230	5,947,505	10,586,735

## Reagan County ISD Financial Impact of Chapter 313 Agreement

**TABLE IV- District Revenues with DCP Midstream, LP without Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes		State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue					
2014-2015	2,553,022,830	22,637,653	1,699,999	19,510,987	4,826,665	5,336,686	10,163,351	
2015-2016	2,622,472,830	23,253,467	1,672,157	20,178,233	4,747,391	5,481,860	10,229,251	
2016-2017	2,643,415,330	23,439,164	1,784,753	20,498,825	4,725,092	5,525,637	10,250,729	
2017-2018	2,662,332,855	23,606,905	1,795,102	20,684,501	4,717,506	5,565,181	10,282,686	
2018-2019	2,684,547,955	23,803,887	1,794,183	20,891,769	4,706,300	5,611,618	10,317,918	
2019-2020	2,706,263,207	23,996,436	1,801,352	21,102,806	4,694,982	5,657,010	10,351,992	
2020-2021	2,729,001,210	24,198,054	1,805,342	21,320,852	4,682,544	5,704,540	10,387,084	
2021-2022	2,752,764,594	24,408,764	1,809,380	21,549,528	4,668,615	5,754,214	10,422,829	
2022-2023	2,777,556,012	24,628,589	1,813,484	21,788,861	4,653,193	5,806,036	10,459,229	
2023-2024	2,803,378,144	24,857,554	1,817,598	22,038,881	4,636,272	5,860,013	10,496,285	
2024-2025	2,827,193,697	25,068,727	1,827,952	22,274,964	4,621,714	5,909,796	10,531,510	
2025-2026	2,857,631,405	25,338,618	1,820,821	22,560,188	4,599,251	5,973,421	10,572,672	
2026-2027	2,884,585,651	25,577,621	1,834,248	22,832,128	4,579,741	6,029,765	10,609,506	

**TABLE V – District Revenues with DCP Midstream, LP with Chapter 313 Agreement:**

Fiscal Year	Total Taxable Value	M&O Taxes Comp Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Payment	Total District Revenue
							for District Losses	
2014-2015	2,553,022,830	22,637,653	1,699,999	19,509,378	4,828,275	5,336,686	0	10,164,960
2015-2016	2,622,472,830	23,253,467	1,672,157	20,178,233	4,747,391	5,481,860	0	10,229,251
2016-2017	2,595,752,500	23,016,537	1,886,106	20,117,460	4,785,183	5,426,005	39,540	10,250,729
2017-2018	2,621,510,025	23,244,929	1,779,636	20,243,973	4,780,592	5,479,847	22,247	10,282,686
2018-2019	2,647,525,125	23,475,605	1,785,330	20,498,009	4,762,927	5,534,228	20,764	10,317,918
2019-2020	2,673,800,377	23,708,588	1,791,040	20,754,704	4,744,924	5,589,152	17,917	10,351,992
2020-2021	2,700,338,380	23,943,900	1,796,763	21,014,083	4,726,580	5,644,625	15,879	10,387,084
2021-2022	2,727,141,764	24,181,566	1,802,501	21,276,176	4,707,891	5,700,654	14,285	10,422,829
2022-2023	2,754,213,182	24,421,608	1,808,253	21,541,008	4,688,854	5,757,242	13,134	10,459,229
2023-2024	2,781,555,314	24,664,051	1,814,019	21,808,607	4,669,463	5,814,396	12,425	10,496,285
2024-2025	2,827,193,697	25,068,727	1,782,939	22,224,837	4,626,828	5,909,796	0	10,536,624
2025-2026	2,857,631,405	25,338,618	1,820,821	22,560,188	4,599,251	5,973,421	0	10,572,672
2026-2027	2,884,585,651	25,577,621	1,834,248	22,832,128	4,579,741	6,029,765	0	10,609,506

# Reagan County 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.

## Reagan County ISD Financial Impact of Chapter 313 Agreement

### Payments in Lieu of Taxes

Assuming that the District and DCP Midstream, LP mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Reagan County ISD by DCP Midstream, the projected amount of these payments over the life of the agreement is \$1,046,440 of the \$3.338 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	Reagan County ISD \$100/ADA	DCP Midstream's Share
2014-2015	0	79,295	(79,295)
2015-2016	0	79,493	(79,493)
2016-2017	484,751	79,692	405,059
2017-2018	521,476	79,891	441,585
2018-2019	481,159	80,091	401,068
2019-2020	433,846	80,291	353,555
2020-2021	394,084	80,492	313,592
2021-2022	362,238	80,693	281,545
2022-2023	338,309	80,895	257,415
2023-2024	322,298	81,097	241,201
2024-2025	27,017	81,300	(81,300)
2025-2026	0	81,503	(81,503)
2026-2027	0	81,707	(81,707)
<b>Totals</b>	<b>3,338,162</b>	<b>1,046,440</b>	<b>2,291,722</b>

# Reagan County ISD Financial Impact of Chapter 313 Agreement

## Impact of Projected Student Growth On District Facilities

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

Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
EE thru 5	40	800	428	372
6-8	18	324	178	146
9-12	30	540	237	303
<b>Total</b>	<b>88</b>	<b>1,664</b>	<b>843</b>	<b>821</b>

The building capacities are based on 20 students per classroom for the elementary campuses, 18 students for the middle and high school. Reagan County ISD is a early education through 12<sup>th</sup> grade district.

DCP Midstream, LP 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 ten full-time employees are expected. It is not known whether these would be new employees to the Reagan County 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 ten positions equates to 5 new students.

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

# Reagan County 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 DCP Midstream, LP, would be beneficial to both DCP Midstream and Reagan County ISD under the current school finance system.

DCP Midstream, LP 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, DCP Midstream is projected to benefit from a 61% tax savings over the first ten year period of this agreement. DCP Midstream 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.

Reagan County ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require DCP Midstream 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

## Reagan County

### Population

- Total county population in 2010 for Reagan County: 2,988 , down 1.5 percent from 2009. State population increased 1.8 percent in the same time period.
- Reagan County was the state's 226th largest county in population in 2010 and the 247 th fastest growing county from 2009 to 2010.
- Reagan County's population in 2009 was 37.4 percent Anglo (below the state average of 46.7 percent), 3.4 percent African-American (below the state average of 11.3 percent) and 58.0 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Reagan County:
 

Big Lake:	2,604
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### Economy and Income

#### *Employment*

- September 2011 total employment in Reagan County: 2,594 , up 8.1 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 Reagan County unemployment rate: 3.1 percent, down from 3.5 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*

- Reagan County's ranking in per capita personal income in 2009: 91st with an average per capita income of \$34,731, down 11.0 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 Reagan County averaged \$21.09 million annually from 2007 to 2010. County total agricultural values in 2010 were up 53.9 percent from 2009. Major agriculture related commodities in Reagan County during 2010 included:
 

- Sheep	- Vegetables	- Other Beef	- Hunting	- Cotton
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- 2011 oil and gas production in Reagan County: 5.7 million barrels of oil and 28.4 million Mcf of gas. In September 2011, there were 4414 producing oil wells and 56 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 Reagan County during the fourth quarter 2010: \$19.24 million, up 53.9 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:
 

Big Lake:	\$17.08 million, up 53.2 percent from the same quarter in 2009.
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*Taxable Sales through the end of 4th quarter 2010 (January 2010 through December 30, 2010)*

- Taxable sales in Reagan County through the fourth quarter of 2010: \$68.62 million, up 27.2 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:
 

Big Lake:	\$61.40 million, up 29.2 percent from the same period in 2009.
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*Annual (2010)*

- Taxable sales in Reagan County during 2010: \$68.62 million, up 27.2 percent from 2009.
- Reagan County sent an estimated \$4.29 million (or 0.03 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:
 

Big Lake:	\$61.40 million, up 29.2 percent from 2009.
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#### *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 Reagan County based on the sales activity month of August 2011: \$134,958.13, up 30.0 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:
  - Big Lake:** \$134,958.13, up 30.0 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 Reagan County based on sales activity months from September 2010 through August 2011: \$1.27 million, up 30.3 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:
  - Big Lake:** \$1.27 million, up 30.3 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 Reagan County based on sales activity months through August 2011: \$869,060.32, up 27.6 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:
  - Big Lake:** \$869,060.32, up 27.6 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 Reagan County based on sales activity in the 12 months ending in August 2011: \$1.27 million, up 30.3 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:
  - Big Lake:** \$1.27 million, up 30.3 percent from the previous 12-month period.

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

- Payment to the cities from January 2011 through October 2011:
  - Big Lake:** \$1.08 million, up 30.4 percent from the same period in 2010.

**Annual (2010)**

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Reagan County based on sales activity months in 2010: \$1.08 million, up 17.9 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:
  - Big Lake:** \$1.08 million, up 17.9 percent from 2009.

**Property Tax**

- As of January 2009, property values in Reagan County: \$1.82 billion, down 7.5 percent from January 2008 values. The property tax base per person in Reagan County is \$604,943, above the statewide average of \$85,809. About 81.4 percent of the property tax base is derived from oil, gas and minerals.

**State Expenditures**

- Reagan County's ranking in state expenditures by county in fiscal year 2010: 236th. State expenditures in the county for FY2010: \$8.47 million, up 0.1 percent from FY2009.
- In Reagan County, 4 state agencies provide a total of 15 jobs and \$105,729.00 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
  - AgriLife Extension Service
  - Department of Aging and Disability Services

## **Higher Education**

- Community colleges in Reagan County fall 2010 enrollment:
  - None.
  
- Reagan County is in the service area of the following:
  - Midland College with a fall 2010 enrollment of 6,344 . Counties in the service area include:
    - Crockett County
    - Midland County
    - Pecos County
    - Reagan County
    - Terrell County
  
- Institutions of higher education in Reagan County fall 2010 enrollment:
  - None.

## **School Districts**

- Reagan County had 1 school districts with 3 schools and 771 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.)
  - Reagan County ISD had 771 students in the 2009-10 school year. The average teacher salary was \$42,393. The percentage of students meeting the 2010 TAKS passing standard for all tests was 58 percent.