

FINDINGS
of the
O'DONNELL INDEPENDENT
SCHOOL DISTRICT
BOARD OF TRUSTEES

Under Chapter 313 of the
Texas Tax Code

ON THE APPLICATION FOR
APPRAISED VALUE LIMITATION
ON QUALIFIED PROPERTY

SUBMITTED BY

TREX US RED HOLLY LLC

Comptroller Application Number 1291

February 26, 2019

to transact business in Texas, a represented by the Texas Comptroller of Public Accounts and as required by Texas Tax Code §313.024(a). *See* Attachments A, B and C.

The Board acknowledged receipt of the Application and necessary application fee, which was reasonable and did not exceed the estimated cost to the District for processing and acting on the Application, as established by §§313.025(a)(1) and 313.031(b) of the Texas Tax Code, 34 T.A.C. §9.1054(a), and Local District Policy.

The Application was delivered to the Texas Comptroller's Office for review pursuant to §313.025(b) of the Texas Tax Code.

A copy of the Application was delivered to the Dawson County Appraisal District for review pursuant to 34 Texas Administrative Code §9.1054.

The Application was reviewed by the Texas Comptroller's Office pursuant to Texas Tax Code §§313.024, 313.025 and 313.026. After receipt of the Application, the Texas Comptroller's Office caused an Economic Impact Analysis to be conducted. The Comptroller, pursuant to Texas Tax Code §313.025(h), determined the project subject to the Application meets the requirements for eligibility under Texas Tax Code §313.024 for a limitation on appraised value, and after reviewing the Application based on the criteria set out in Texas Tax Code § 313.026, issued a Certificate for a Limitation on Appraised Value on January 9, 2019 that the Application be approved (the "Certificate Decision"). *See* Attachment C. The Board of Trustees has carefully considered such Evaluation and Certificate Decision. Copies of the Certificate Decision and Economic Impact Analysis are attached to these Findings as Attachments C and D, respectively.

The Board also directed that a specific school financial analysis be conducted of the impact of the proposed value limitation on the finances of O'Donnell Independent School District. A copy of a report prepared by McDowell School Finance Consulting, LLC and dated January 27, 2019, is attached to these Findings as Attachment E.

The Board has confirmed that the taxable value of industrial property applicable to the Red Holly Application in the O'Donnell Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403 of the Texas Government Code, fell within a rural school district, Category 1 of §313.054 of the Texas Tax Code at the time the Application was deemed complete by the Comptroller. *See* "2018 Preliminary Property Value Study Report," attached hereto as Attachment G; *see also* Attachment D.

After receipt of the completed Application, the District entered into negotiations with Red Holly regarding the specific language to be included in the Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes (the "Agreement") pursuant to Chapter 313 of the Texas Tax Code, including appropriate revenue protection provisions for the District. The parties were able to agree upon language for inclusion into a draft agreement pursuant to Texas Tax Code §313.027. As required by the Comptroller's Office, the parties changed only the provisions of the template that the Comptroller permitted (2016 Form 50-826). The proposed Agreement is attached to these Findings as Attachment H, and that form of the Agreement (as defined by 34. Tex. Admin. Code §9.1051 and adopted by §9.1052(a)(6)) was submitted to and approved by the Comptroller, as required by 34 Tex. Admin. Code §9.1055(e)(1). *See* copy of February 20, 2019, Agreement Review Letter from the Comptroller, attached to these Findings as Attachment I.

After review of the Comptroller’s Certificate Decision and Economic Impact Analysis, and in consideration of its own analysis of Red Holly’s Application and all other related documentation attached hereto, the Board makes the following additional Findings as follows:

Board Finding Number 1.

Based on the Application and the Comptroller’s Certificate Decision, the Property meets the requirements of Texas Tax Code §313.024 for eligibility for a limitation on appraised value under Texas Tax Code §313.024(b)(5) as a renewable energy electric generation project.

In support of Finding Number 1, the Comptroller’s Certificate Decision states:

Determination required by 313.025(h)

* * *

Sec. 313.024(b) Applicant is proposing to use the property for an eligible project.

* * *

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

See Attachment C. See also Attachment A (Tab 1, §6.2(5) and Tab 7) and Attachment D.

Board Finding Number 2.

The project proposed by Applicant is reasonably likely to generate sufficient tax revenue to offset the District’s maintenance and operations ad valorem tax revenue lost as a result of the Agreement before the 25th anniversary of the beginning of the limitation period.

In support of Finding Number 2, the Certificate Decision states:

Certification decision required by 313.025(d)

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district’s maintenance and operations *ad valorem tax* revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period, see Attachment B.

See Attachment C.

Also in support of Finding Number 2, the Comptroller’s Economic Impact Analysis states:

Attachment B - Tax Revenue before 25th Anniversary of Limitation Start

This [table] represents the Comptroller’s determination that TREX US Red Holly, LLC, (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2018	\$0	\$0	\$0	\$0
	2019	\$0	\$0	\$0	\$0
	2020	\$285,548	\$285,548	\$0	\$0
Limitation Period (10 Years)	2021	\$326,340	\$611,888	\$1,101,398	\$1,101,398
	2022	\$326,340	\$938,228	\$1,476,988	\$2,578,385
	2023	\$326,340	\$1,264,568	\$1,294,237	\$3,872,622
	2024	\$326,340	\$1,590,908	\$1,053,426	\$4,926,048
	2025	\$326,340	\$1,917,248	\$848,212	\$5,774,260
	2026	\$326,340	\$2,243,588	\$673,647	\$6,447,907
	2027	\$326,340	\$2,569,928	\$524,972	\$6,972,880
	2028	\$326,340	\$2,896,268	\$398,380	\$7,371,259
	2029	\$326,340	\$3,222,608	\$290,633	\$7,661,892
	2030	\$326,340	\$3,548,948	\$198,877	\$7,860,769
Maintain Viable Presence (5 Years)	2031	\$447,167	\$3,996,115	\$0	\$7,860,769
	2032	\$380,730	\$4,376,845	\$0	\$7,860,769
	2033	\$380,730	\$4,757,575	\$0	\$7,860,769
	2034	\$380,730	\$5,138,305	\$0	\$7,860,769
	2035	\$380,730	\$5,519,035	\$0	\$7,860,769
Additional Years as Required by 313.026(c)(1) (10 Years)	2036	\$380,730	\$5,899,765	\$0	\$7,860,769
	2037	\$380,730	\$6,280,495	\$0	\$7,860,769
	2038	\$380,730	\$6,661,225	\$0	\$7,860,769
	2039	\$380,730	\$7,041,955	\$0	\$7,860,769
	2040	\$380,730	\$7,422,685	\$0	\$7,860,769
	2041	\$380,730	\$7,803,415	\$0	\$7,860,769
	2042	\$380,730	\$8,184,145	\$0	\$7,860,769
	2043	\$380,730	\$8,564,875	\$0	\$7,860,769
	2044	\$380,730	\$8,945,605	\$0	\$7,860,769
	2045	\$380,730	\$9,326,335	\$0	\$7,860,769

\$9,326,335 is greater than \$7,860,769

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

NOTE: The analysis above only takes into account this project’s estimated impact on the M&O portion of the school district property tax levy directly related to this project.
Source: CPA, TREX US Red Holly, LLC

See Attachment D (at Attachment B thereof).

Board Finding Number 3.

The new qualifying jobs creation requirement under § 313.051(b) exceeds the industry standard for the number of employees reasonably necessary for the operation of the Applicant's facility described in the Application, and Applicant qualifies for a waiver of the new jobs requirement pursuant to § 313.025(f-1).

In support of this Finding, Applicant submitted, as Tab 12 to its Application, information regarding the industry standard for the number of jobs for a project with qualified property of this size and type. The Application states that for a project of the size and type described in the Application, the project will require less than ten (10) permanent jobs. Applicant reports in Tab 12 of the Application that solar energy projects create a large number of temporary, full-time jobs during the construction phase of the project, but require only a small number of high-skilled employees to operate and maintain the facility once commercial operations commence. Based upon its experience in the solar industry, the Applicant expects that two (2) employees would be needed to operate a 250 MW facility and can commit to creating two (2) qualifying jobs for the project. Applicant further reports the number of jobs committed to in this application is in line with current industry standards for a solar project this size. A copy of Tab 12 submitted with the Application is attached hereto as Attachment J.

See also Attachments A (Tab 4), and D.

Board Finding Number 4.

The Applicant will create two (2) new qualifying jobs, which Applicant affirms will meet all of the requirements set out in Texas Tax Code §313.021(3), including: (1) at least 1,600 hours of work per year; (2) provision of group health benefit plan with at least 80% of the premium paid by Applicant; (3) pay an annual wage of \$50,465 (\$970 per week)¹, an amount equal to at least 110% of the County average weekly wage for manufacturing jobs as defined under §313.021(5)(A); (4) are not created to replace a previous employee; and (5) are not transferred from another area of Texas to the project described the Application.

See Attachments A, D and J.

Board Finding Number 5.

The Applicant does not intend to create any non-qualifying jobs.

In its application, Applicant indicates that it does not intend to create any non-qualifying jobs. But, for any non-qualifying job which the Applicant may create, the Applicant will be required to pay

¹ The weekly and annual salary the Comptroller's Economic Impact Analysis are rounded; the Application (Tab 1, §14#7.b. and 10), provides for a weekly wage of \$970.48 and annual salary of \$50,464.70.

at least \$747² per week, which exceeds the county average wage for all jobs in the County, in accordance with the provisions of Texas Tax Code §313.024(d). See Attachments A and D.

Board Finding Number 6.

The ability of the Applicant to locate the proposed renewable energy facility in another state or another region of this state is significant because of the highly competitive marketplace for electricity and economic development. Therefore, the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in Texas and O'Donnell ISD.

See Attachment C.

In support of Finding Number 6, the Comptroller's Certificate states, "[t]he Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." See Attachment C. The Economic Impact Analysis further states:

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the TREX US Red Holly, LLC's decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per TREX US Red Holly LLC in Tab 5 of their Application for a Limitation on Appraised Value:
 - A. "TREX US LLC is evaluating locations outside of Texas for the proposed project. While the project entity, TREX US Red Holly LLC, is specific to this location in Texas, the economic return for the project is constantly compared to returns from other locations within and outside of Texas. TREX US has limited capital, human, and solar resources, and must choose the best projects to advance as a company each year. The financial return on investment is a primary input for this decision and a primary decision factor for investors. For example, TREX US LLC is evaluating locations in Arizona and New Mexico for this proposed project because solar projects that incorporate battery storage systems are becoming cheaper to build per megawatt hour in these parts of the U.S."
 - B. "Property taxes are one of the largest annual expenses for a solar facility. Without the available property tax incentives from O'Donnell ISD, Dawson County, and Dawson County Hospital District, the economics of the project will not be attractive to an investor and the likelihood of completing the project and selling the electricity at competitive prices becomes unlikely. If the TREX US Red Holly LLC project is not able to obtain a Chapter 313 Appraised Value Limitation

² The weekly wage noted in the Comptroller's Economic Impact Analysis is rounded down; the wage reported in the Application (Tab 1, §14#7.a) is \$747.25.

Agreement, the solar facility would not be developed and resources would be allocated to projects with more favorable economics."

See Attachment D (at Attachment C thereof).

Board Finding Number 7.

The proposed limitation on appraised value for the qualified property is \$30,000,000.

The Comptroller's Minimum School District Limitation Values Report, effective as of January 1, 2018, provides that the District is a Subchapter C, Category 1 District, with a minimum limitation of \$30,000,000. See Attachments A and D.

Board Finding Number 8.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long term, with special reference to revenues used for supporting school district debt.

In support of this Finding, McDowell School Finance Consulting, LLC estimates in the District's Financial Impact Report, based on the property values recited Red Holly's Application, that the project would add \$165,777,500 to the tax base at the peak investment level for tax year 2022 (school year 2022-2023). The additional project value is fully taxable for debt service taxes and can be used to meet any current or future debt needs serviced by an interest and sinking fund tax of the District. See Table I of Attachment E. See also Schedule B (Tab 14) of Attachment A, and Table 4 of Attachment D. In addition, the potential revenue gains from Supplemental Payments provided for in the proposed Agreement are estimated to be \$750,000. See Attachment H at Section 6.2.A and Table VI of Attachment E.

Board Finding Number 9.

The effect of the Applicant's proposed project is not expected to increase the District's instructional facility needs. O'Donnell ISD can easily accommodate the student growth anticipated from Applicant's project with its existing facilities.

In support of this finding, the District's Financial Impact Report states:

TREX US Red Holly, 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 two full-time employees are expected. It is not known whether these would be new employees to the O'Donnell 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 two positions equates to 1 new student.

This projected student growth can be accommodated with the current facilities of O'Donnell ISD.

See Table VII of Attachment E. See also TEA's Facilities Impact Review Letter at Attachment F.

Board Finding Number 10.

The projected dollar amount of the maintenance and operations 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, based on the further depreciations of investment provided by Applicant, is shown in Table II of Attachment E (column labeled "Taxes w/o Agreement"), and is further based on the assumption that the projected total maintenance and operations tax rate per \$100 in valuation in each year of the Agreement will be as indicated in Table II.

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	Payment of District's Revenue Losses	Net Tax Savings
2019-2020	1.17	0.343	0	0	0	0
2020-2021	1.0969	0.311	307,125	0	0	0
2021-2022	.9876	0.212	1,535,625	1,184,625	(701,222)	483,403
2022-2023	.9733	0.200	1,939,597	1,588,597	(272,631)	1,315,966
2023-2024	1.17	0.213	1,743,037	1,392,037	0	1,392,037
2024-2025	1.17	0.231	1,484,028	1,133,028	0	1,133,028
2025-2026	1.17	0.246	1,263,308	912,308	0	912,308
2026-2027	1.17	0.247	1,075,552	724,552	0	724,552
2027-2028	1.17	0.261	915,642	564,642	0	564,642
2028-2029	1.17	0.274	779,483	428,483	0	428,483
2029-2030	1.17	0.287	663,595	312,595	0	312,595
2030-2031	1.17	0.300	564,905	213,905	0	213,905
2031-2032	1.17	0.312	480,958	0	0	0
2032-2033	1.17	0.323	409,500	0	0	0
2033-2034	1.17	0.327	409,500	0	0	0
2034-2035	1.17	0.330	409,500	0	0	0
2035-2036	1.17	0.334	409,500	0	0	0
Totals			14,390,854	8,454,771	(973,853)	7,480,918

See also Table 3 of Attachment D.

Board Finding Number 11.

The projected dollar amount of the maintenance and operations taxes that would be imposed on the qualified property, for each year of the Agreement, if the property does receive a limitation on appraised value with the projected depreciations of investment, is discernible from Table II of Attachment E (subtracting the amounts in the column labeled “Tax Savings with Agreement” from the column labeled “Taxes w/o Agreement”), and is based on the assumption that the projected total maintenance and operations tax rate per \$100 in valuation in each year of the Agreement will be as indicated in Table II.

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	Payment of District’s Revenue Losses	Net Tax Savings
2019-2020	1.17	0.343	0	0	0	0
2020-2021	1.0969	0.311	307,125	0	0	0
2021-2022	.9876	0.212	1,535,625	1,184,625	(701,222)	483,403
2022-2023	.9733	0.200	1,939,597	1,588,597	(272,631)	1,315,966
2023-2024	1.17	0.213	1,743,037	1,392,037	0	1,392,037
2024-2025	1.17	0.231	1,484,028	1,133,028	0	1,133,028
2025-2026	1.17	0.246	1,263,308	912,308	0	912,308
2026-2027	1.17	0.247	1,075,552	724,552	0	724,552
2027-2028	1.17	0.261	915,642	564,642	0	564,642
2028-2029	1.17	0.274	779,483	428,483	0	428,483
2029-2030	1.17	0.287	663,595	312,595	0	312,595
2030-2031	1.17	0.300	564,905	213,905	0	213,905
2031-2032	1.17	0.312	480,958	0	0	0
2032-2033	1.17	0.323	409,500	0	0	0
2033-2034	1.17	0.327	409,500	0	0	0
2034-2035	1.17	0.330	409,500	0	0	0
2035-2036	1.17	0.334	409,500	0	0	0
Totals			14,390,854	8,454,771	(973,853)	7,480,918

See also Table 4 of Attachment D.

Board Finding Number 12.

Based upon the Applicant’s certification that the Application is true and correct, the Comptroller’s Economic Impact Analysis, the Comptroller’s Certificate Decision, and the consultants’ review of these and other documents, the Board has determined that the information provided by the Applicant in its Application was true and correct when submitted.

Upon acceptance of the Application, the District requested the Comptroller to undertake an economic impact evaluation and retained certain consultants to help the Board determine: (1) that Applicant's information contained in the Application as to existing facts is true and correct; (2) that Applicant's information contained in the Application with respect to projections of future events are commercially reasonable and within the ability of Applicant to execute; (3) that information related to job creation is commercially reasonable and within the ability of Applicant to execute; (4) that Applicant’s

representations concerning the economic incentives available are a determining factor; and, (5) the proposed project meets eligibility requirements for an Agreement under Tax Code Chapter 313.

As a part of its review process, the Board notes that the Application was submitted by Applicant under oath. A Chapter 313 application is a governmental records under Tex. Penal Code §37.01(2)(A), and all representations contained therein are statements of fact within the meaning of Tex. Penal Code §37.01(3). Since Board action upon the adoption of these Findings and the approval of the Agreement (Attachment H) is an “official proceeding,” a false statement in the Application would constitute perjury under Tex. Penal Code §37.03.

The Board finds that sworn statements are routinely relied upon by fact finders in official governmental proceedings. The Board further finds that reliance upon verified statements of the Applicant, especially as to Applicant's future intentions which cannot be objectively verified, is reasonable and within the intent of Chapter 313, Texas Tax Code. See Attachments A, B, C and D.

Board Finding Number 13.

The Applicant (Taxpayer Id. 32065840905) is eligible for the limitation on appraised value of qualified property as specified in the Agreement based on the Comptroller’s acknowledgment that Applicant’s right to transact business in Texas is active as a tax paying entity subject to taxes imposed by Chapter 171 of the Texas Tax Code.

See Attachments A, B and C.

Board Finding Number 14.

The project will be located within an area that is currently designated as a reinvestment zone, pursuant to Chapter 312 of the Texas Tax Code. Should it be required, the District will cooperate with the Applicant’s efforts to ensure that the area remains designated as a reinvestment zone through the Final Termination Date of the Agreement.

See Attachment A (Tabs 11 and 16).

Board Finding Number 15.

The Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment H, meets all the requirements set out in Texas Tax Code §313.027, including adequate and appropriate revenue protection provisions for the District.

In support of this Finding and based on the information provided and certified by Applicant in its Application, the District’s Financial Impact Analysis demonstrates that the District will incur a revenue loss during tax years 2021 and 2022 (school years 2021-22 and 2022-23). However, the negative consequences of granting the value limitation are offset through the revenue protection

provisions agreed to by the Applicant and the District as set out in the Agreement. See Table II in Attachment E, and proposed Agreement, Article IV, at Attachment H.

Board Finding Number 16.

The Board finds that all conflicts of interest known at the time of its consideration of the Agreement have been disclosed.

In support of this Finding, the Board finds that it has taken appropriate action to ensure that all District Trustees and the Superintendent have disclosed any potential conflicts of interest, and that disclosures for all existing conflicts have been made, and disclosures will be made if any additional conflict of interest is discovered or arises in the future, in compliance with the requirements of Texas Local Government Code.

The Board further finds that it has taken appropriate action to ensure that all District employees and/or consultants have disclosed any potential conflicts of interest, and that disclosures will be made if any conflict of interest is discovered or arises in the future, in compliance with the requirements of Texas Local Government Code.

Board Finding Number 17.

Considering the purpose and effect of the law and the terms of the Agreement, it is in the best interest of the District and the State to approve Red Holly's Application and enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

See Attachment D.

Board Finding Number 18.

The Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes, pursuant to Chapter 313 of the Texas Tax Code, attached hereto as Attachment H, is in the form of the template Texas Economic Development Act Agreement adopted by the Comptroller, as of January 24, 2016, and the Comptroller has verified that the Agreement complies with the provisions of Chapter 313 of the Texas Tax Code and 34 T.A.C. Chapter 9, Subchapter F.

See Attachment I.

IT IS THEREFORE ORDERED, that all of the Findings above, including the recitals and statements set out in the Preamble herein, are adopted and approved as the Findings of the O'Donnell Independent School District Board of Trustees, and the Board of Trustees has made the above factual Findings in accordance with the Texas Tax Code § 313.025(e) and (f) and Texas Administrative Code 34, Chapter 9, subchapter F; and,

IT IS FURTHER ORDERED that the Application attached hereto as Attachment A is hereby APPROVED; and,

IT IS FURTHER ORDERED that the new jobs requirement pursuant to § 313.051(b) is hereby WAIVED; and,

IT IS FURTHER ORDERED that the Agreement attached hereto as Attachment H is APPROVED contemporaneously with these Findings and is hereby authorized to be executed and delivered by the Trustees whose signatures appear below on behalf of the O'Donnell Independent School District, along with a copy of these Findings, which shall be binding upon the parties upon receipt of an executed original of the Agreement from Applicant; and,

IT IS FURTHER ORDERED that these Findings and the Attachments referenced herein be made a part of the official minutes of this meeting, and maintained in the permanent records of the O'Donnell Independent School District Board of Trustees.

Dated this 26th day of February, 2019.

O'Donnell Independent School District

By Billy Edwards
Signature

Billy Edwards V-P
Printed Name and Title

Attest:

By Melissa
Signature

MELISSA PEDROZA - MEMBER
Printed Name and Title

LIST OF ATTACHMENTS

<i>Attachment</i>	<i>Description</i>
A	Application and Comptroller's Completeness Letter
B	Applicant's Franchise Tax Account Status
C	Comptroller's Certificate Letter
D	Comptroller Economic Impact Analysis
E	District's Financial Impact Analysis
F	TEA's Facilities Impact Letter
G	Comptroller's 2018 Preliminary Property Value Study Report
H	Proposed Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes
I	Comptroller's February 20, 2019 Agreement Review Letter
J	Job Waiver Request



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

October 16, 2018

Dr. Cathy Palmer
Superintendent
O'Donnell Independent School District
P.O. Box 487
O'Donnell, Texas 79351

Re: Application for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between O'Donnell Independent School District and TREX US Red Holly LLC, Application 1291

Dear Superintendent Palmer:

On September 7, 2018, the Comptroller's office received TREX US Red Holly LLC's (applicant) application for a limitation on appraised value (Application 1291) from O'Donnell Independent School District (school district).

The purpose of this letter is to inform you that the Comptroller's office has reviewed the submitted application and determined that it includes the information necessary to be determined as complete on October 16, 2018.

Texas Tax Code §313.025(d) directs the Comptroller's office to issue a certificate for a limitation on the appraised value of the property, or provide the governing body of the school district with a written explanation of the Comptroller's decision to not issue a certificate no later than the 90th day after receiving the completed application. The requirements to determine eligibility and to issue a certificate for a limitation do not begin until an application is complete as determined by this agency. The Comptroller's office will move forward with our economic impact evaluation and will send a letter of determination to the school district and the applicant.

This letter does not constitute a review of the application under Section 313.025(h) to determine if the project meets the requirements of Section 313.024 for eligibility for a limitation on appraised value. Likewise, this letter does not address the determinations required under Section 313.026(c).

Should you have any questions, please contact Michelle Luera with our office. She can be reached by email at michelle.luera@cpa.texas.gov or by phone toll-free at 1-800-531-5441, ext. 3- 6053 or at 512-463- 6053.

Sincerely,

A handwritten signature in black ink, appearing to read "Will Counihan", is written over a light blue horizontal line.

Will Counihan
Director
Data Analysis & Transparency Division

cc: Fred Stormer, Underwood Law Firm, P.C.
Jon Burke, GreenGo Energy US, Inc.
David Veach, GreenGo Energy US, Inc.
C.J. Evans, Jr., Savills Studley

See Agreement (App No. 1291)
posted on Comptroller Website



Franchise Tax Account Status

As of : 02/19/2019 17:13:52

This Page is Not Sufficient for Filings with the Secretary of State

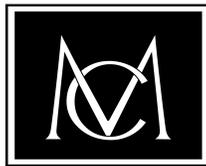
TREX US RED HOLLY LLC	
Texas Taxpayer Number	32065840905
Mailing Address	211 E 7TH ST STE 620 AUSTIN, TX 78701-3218
Right to Transact Business in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	01/04/2018
Texas SOS File Number	0802898689
Registered Agent Name	CORPORATION SERVICE COMPANY DBA CSC - LAWYERS INCO
Registered Office Street Address	211 E. 7TH STREET, SUITE 620 AUSTIN, TX 78701

See Certification Packet
(Comptroller No. 1291)
posted on Comptroller Website 01/09/19

See Certification Packet
(Comptroller No. 1291)
posted on Comptroller Website 01/09/19

**Summary of the District's Financial Impact
of Chapter 313 Agreement
with TREX US Red Holly, LLC**

January 27, 2019



MCDOWELL
School Finance
CONSULTING

**Summary of O'Donnell ISD Financial Impact
of the
Limited Appraised Value Application
from
TREX US Red Holly, LLC**

Introduction

TREX US Red Holly, LLC applied for a property value limitation from O'Donnell Independent School District under Chapter 313 of the Tax Code. The application was submitted on August 23, 2018 and subsequently approved for consideration by the O'Donnell ISD Board of Trustees. TREX US Red Holly, LLC ("US Red Holly"), 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 77th Texas Legislature in 2001. Further amendments were made to Chapter 313 as a result of House Bill 1470 from the 80th 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.

O'Donnell ISD Financial Impact of Chapter 313 Agreement

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.

Years Prior to Start of Value Limitation Period:

The first two years of the agreement are considered the “Prior to Start of Value Limitation Period” and the company’s school district taxes will be levied at one-hundred percent of the appraised value. The applicant has requested that tax years 2019 and 2020 be considered the years that are Prior to the Start of Value Limitation Period.

Value Limitation Period:

During the ten years of the Value Limitation Period, 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. O’Donnell ISD is considered a Rural category 1 District as categorized with total taxable value of industrial property of at least \$200 million. Thus, O’Donnell ISD has a minimum qualified investment amount of \$30 million and a minimum limitation amount of \$30 million. A qualifying entity’s taxable value would be reduced to \$30 million during this ten year period of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of O’Donnell ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy. The applicant has requested that the Value Limitation Period to begin in tax year 2021 and continue through tax year 2030.

Final Five Years of the Agreement – Continue to Maintain a Viable Presence:

Tax years 2031 through 2035 will be the final five years of the agreement and the applicant agrees to maintain a viable presence with this project during this time.

O'Donnell ISD Financial Impact of Chapter 313 Agreement

Taxable Value Projections from Application

The following data shows the projected taxable values that US Red Holly reported in the application to the District:

	Year	School Year	Tax Year	Projected Taxable Value	Actual Taxable Value
Each Year Prior to Start of Value Limitation Period	0	2019-2020	2019	\$0	\$0
	0	2020-2021	2020	\$26,250,000	\$26,250,000
Value Limitation Period	1	2021-2022	2021	\$131,250,000	\$30,000,000
	2	2022-2023	2022	\$165,777,500	\$30,000,000
	3	2023-2024	2023	\$148,977,500	\$30,000,000
	4	2024-2025	2024	\$126,840,000	\$30,000,000
	5	2025-2026	2025	\$107,975,000	\$30,000,000
	6	2026-2027	2026	\$91,927,500	\$30,000,000
	7	2027-2028	2027	\$78,260,000	\$30,000,000
	8	2028-2029	2028	\$66,622,500	\$30,000,000
	9	2029-2030	2029	\$56,717,500	\$30,000,000
	10	2030-2031	2030	\$48,282,500	\$30,000,000
Continue to Maintain Viable Presence	11	2031-2032	2031	\$41,107,500	\$41,107,500
	12	2032-2033	2032	\$35,000,000	\$35,000,000
	13	2033-2034	2033	\$35,000,000	\$35,000,000
	14	2034-2035	2034	\$35,000,000	\$35,000,000
	15	2035-2036	2035	\$35,000,000	\$35,000,000
Additional Years for 25 Year Economic Impact Study	16	2036-2037	2036	\$35,000,000	\$35,000,000
	17	2037-2038	2037	\$35,000,000	\$35,000,000
	18	2038-2039	2038	\$35,000,000	\$35,000,000
	19	2039-2040	2039	\$35,000,000	\$35,000,000
	20	2040-2041	2040	\$35,000,000	\$35,000,000
	21	2041-2042	2041	\$35,000,000	\$35,000,000
	22	2042-2043	2042	\$35,000,000	\$35,000,000
	23	2043-2044	2043	\$35,000,000	\$35,000,000
	24	2044-2045	2044	\$35,000,000	\$35,000,000
	25	2045-2046	2045	\$35,000,000	\$35,000,000

O'Donnell ISD Financial Impact of Chapter 313 Agreement

Taxable Value Impact from LAVA

The “Additional Value from US Red Holly” represents the values that the company estimated as their taxable values in the application that was filed with the district. During tax years 2021 through 2030, the company’s taxable value will be limited to the \$30,000,000 minimum qualified investment of O’Donnell ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From US Red Holly	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2019	0	n/a	0	0
Jan. 1, 2020	26,250,000	n/a	0	26,250,000
Jan. 1, 2021	131,250,000	(30,000,000)	101,250,000	30,000,000
Jan. 1, 2022	165,777,500	(30,000,000)	135,777,500	30,000,000
Jan. 1, 2023	148,977,500	(30,000,000)	118,977,500	30,000,000
Jan. 1, 2024	126,840,000	(30,000,000)	96,840,000	30,000,000
Jan. 1, 2025	107,975,000	(30,000,000)	77,975,000	30,000,000
Jan. 1, 2026	91,927,500	(30,000,000)	61,927,500	30,000,000
Jan. 1, 2027	78,260,000	(30,000,000)	48,260,000	30,000,000
Jan. 1, 2028	66,622,500	(30,000,000)	36,622,500	30,000,000
Jan. 1, 2029	56,717,500	(30,000,000)	26,717,500	30,000,000
Jan. 1, 2030	48,282,500	(30,000,000)	18,282,500	30,000,000
Jan. 1, 2031	41,107,500	n/a	0	41,107,500
Jan. 1, 2032	35,000,000	n/a	0	35,000,000
Jan. 1, 2033	35,000,000	n/a	0	35,000,000
Jan. 1, 2034	35,000,000	n/a	0	35,000,000
Jan. 1, 2035	35,000,000	n/a	0	35,000,000

O'Donnell ISD Financial Impact of Chapter 313 Agreement

TREX US Red Holly's Tax Benefit from Agreement

The projected amount of the net tax savings for US Red Holly is \$7.48 million over the life of the Agreement. This net savings is after all tax savings 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.

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

- The District has not 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 unless the rollback rate requires the rate to be lowered as projected below.
- The district has outstanding bonds that are scheduled to payoff in 2040 and currently have a \$.35 I&S tax rate. This district's annual debt payment is approximately \$1,100,000 per year and the debt rates below are calculated rates using the projected taxable values with the addition of US Red Holly estimated taxable values. 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	Payment of District's Revenue Losses	Net Tax Savings
2019-2020	1.17	0.343	0	0	0	0
2020-2021	1.0969	0.311	307,125	0	0	0
2021-2022	.9876	0.212	1,535,625	1,184,625	(701,222)	483,403
2022-2023	.9733	0.200	1,939,597	1,588,597	(272,631)	1,315,966
2023-2024	1.17	0.213	1,743,037	1,392,037	0	1,392,037
2024-2025	1.17	0.231	1,484,028	1,133,028	0	1,133,028
2025-2026	1.17	0.246	1,263,308	912,308	0	912,308
2026-2027	1.17	0.247	1,075,552	724,552	0	724,552
2027-2028	1.17	0.261	915,642	564,642	0	564,642
2028-2029	1.17	0.274	779,483	428,483	0	428,483
2029-2030	1.17	0.287	663,595	312,595	0	312,595
2030-2031	1.17	0.300	564,905	213,905	0	213,905
2031-2032	1.17	0.312	480,958	0	0	0
2032-2033	1.17	0.323	409,500	0	0	0
2033-2034	1.17	0.327	409,500	0	0	0
2034-2035	1.17	0.330	409,500	0	0	0
2035-2036	1.17	0.334	409,500	0	0	0
Totals			14,390,854	8,454,771	(973,853)	7,480,918

O'Donnell ISD Financial Impact of Chapter 313 Agreement

Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on O'Donnell ISD. First, a seventeen year financial forecast was prepared to establish a baseline without the added values of the renewable energy electric generation company. Second, a seventeen year financial forecast was prepared that incorporated the additional taxable value of the company without a LAVA in effect. Third, a seventeen 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 2018-2019 fiscal year) were used for state aid and recapture calculation purposes
 - Level 2 of Tier II yield - \$106.28 for all years thereafter - per weighted student in average daily attendance (WADA) per penny of tax effort
 - No Additional State Aid for Tax Reduction Funding "ASATR"
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2018.
- A tax collection rate of 98% on current year tax levy with \$20,000 projected delinquent tax collections
- 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 2018 taxable value was used as a baseline for all projections
- The district's enrollment is projected to increase; therefore, the projected ADA and WADA for school year 2017-2018 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 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.

O'Donnell 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 TREX US Red Holly (Table III), the addition of US Red Holly's taxable values without a Chapter 313 Agreement (Table IV), and the addition of US Red Holly's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* TREX US Red Holly, LLC:

Fiscal Year	Total Taxable Value	Total M&O Taxes	State		Total State Revenue	Recapture Payment	Total District Revenue
			Revenue Tier I	Revenue Tier II			
2019-2020	113,314,022	1,319,259	2,134,248	410,496	2,544,744	0	3,864,003
2020-2021	114,347,162	1,331,105	2,113,525	405,641	2,519,166	0	3,850,271
2021-2022	115,390,634	1,343,069	2,095,623	402,452	2,498,075	0	3,841,144
2022-2023	270,713,851	2,602,161	1,942,513	484,452	2,426,965	0	5,029,126
2023-2024	260,747,522	3,009,731	517,751	208,761	726,512	(79,503)	3,656,740
2024-2025	251,143,912	2,899,616	609,836	213,570	823,406	(69,980)	3,653,042
2025-2026	246,527,359	2,846,683	698,288	222,382	920,670	(61,976)	3,705,377
2026-2027	242,149,760	2,796,489	733,548	224,170	957,718	(57,975)	3,696,232
2027-2028	238,002,101	2,748,932	772,347	226,133	998,480	(53,843)	3,693,569
2028-2029	234,075,731	2,703,912	801,627	227,504	1,029,131	(50,390)	3,682,653
2029-2030	230,362,353	2,661,335	834,951	229,094	1,064,045	(46,769)	3,678,611
2030-2031	226,854,006	2,621,108	867,104	230,673	1,097,777	(43,302)	3,675,583
2031-2032	223,543,055	2,583,145	891,262	231,829	1,123,091	(40,411)	3,665,825
2032-2033	220,422,174	2,547,361	920,083	233,257	1,153,340	(37,303)	3,663,398
2033-2034	217,484,337	2,513,675	940,356	234,191	1,174,547	(34,802)	3,653,420
2034-2035	214,722,804	2,482,012	966,413	235,517	1,201,930	(32,009)	3,651,933
2035-2036	212,131,110	2,452,295	983,087	236,243	1,219,330	(29,871)	3,641,754

O'Donnell ISD Financial Impact of Chapter 313 Agreement

TABLE IV- District Revenues with TREX US Red Holly without Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	Total M&O Taxes	State		Total State Revenue	Recapture Payment	Total District Revenue
			Revenue Tier I	Revenue Tier II			
2019-2020	113,314,022	1,319,259	2,134,248	410,496	2,544,744	0	3,864,003
2020-2021	140,597,162	1,531,366	2,113,525	426,393	2,539,918	0	4,071,284
2021-2022	246,640,634	2,407,106	1,715,826	469,792	2,185,618	0	4,592,724
2022-2023	436,491,351	4,183,403	769,253	272,772	1,042,025	0	5,225,428
2023-2024	409,725,022	4,717,907	91,906	111,060	202,966	(1,405,573)	3,515,300
2024-2025	377,983,912	4,353,964	142,831	123,010	265,841	(1,123,980)	3,495,825
2025-2026	354,502,359	4,084,724	91,706	141,778	233,484	(831,277)	3,486,931
2026-2027	334,077,260	3,850,530	142,081	154,398	296,479	(608,590)	3,538,419
2027-2028	316,262,101	3,646,261	91,306	166,105	257,411	(408,851)	3,494,821
2028-2029	300,698,231	3,467,806	141,706	175,327	317,033	(240,656)	3,544,183
2029-2030	287,079,853	3,311,658	168,726	184,379	353,105	(111,527)	3,553,236
2030-2031	275,136,506	3,174,715	299,929	192,183	492,112	(98,696)	3,568,131
2031-2032	264,650,555	3,054,483	408,437	198,402	606,839	(87,778)	3,573,544
2032-2033	255,422,174	2,948,671	509,008	204,592	713,600	(77,811)	3,584,460
2033-2034	252,484,337	2,914,985	590,356	213,716	804,072	(70,880)	3,648,177
2034-2035	249,722,804	2,883,322	616,413	215,410	831,823	(68,105)	3,647,040
2035-2036	247,131,110	2,853,605	633,087	215,733	848,820	(65,986)	3,636,439

TABLE V – District Revenues with TREX US Red Holly with Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	Total M&O Taxes	State		Total State Revenue	Payment		Total District Revenue
			Revenue Tier I	Revenue Tier II		Recapture Payment	for District Losses	
2019-2020	113,314,022	1,319,259	2,134,248	410,496	2,544,744	0	0	3,864,003
2020-2021	140,597,162	1,531,366	2,113,525	426,393	2,539,918	0	0	4,071,284
2021-2022	145,390,634	1,687,049	1,839,052	365,401	2,204,453	0	701,222	4,592,724
2022-2023	300,713,851	2,888,311	1,662,523	401,963	2,064,486	0	272,631	5,225,428
2023-2024	290,747,522	3,353,711	217,751	192,334	410,085	(109,949)	0	3,653,847
2024-2025	281,143,912	3,243,596	309,836	197,160	506,996	(100,412)	0	3,650,180
2025-2026	276,527,359	3,190,663	398,288	205,304	603,592	(92,782)	0	3,701,473
2026-2027	272,149,760	3,140,469	433,548	206,710	640,258	(88,793)	0	3,691,934
2027-2028	268,002,101	3,092,912	472,347	209,031	681,378	(84,675)	0	3,689,615
2028-2029	264,075,731	3,047,892	501,627	210,014	711,641	(81,236)	0	3,678,297
2029-2030	260,362,353	3,005,315	534,951	211,967	746,918	(77,629)	0	3,674,604
2030-2031	256,854,006	2,965,088	567,104	213,548	780,652	(74,176)	0	3,671,564
2031-2032	264,650,555	3,054,483	591,262	223,850	815,112	(74,403)	0	3,795,192
2032-2033	255,422,174	2,948,671	509,008	204,592	713,600	(77,811)	0	3,584,460
2033-2034	252,484,337	2,914,985	590,356	213,716	804,072	(70,880)	0	3,648,177
2034-2035	249,722,804	2,883,322	616,413	215,410	831,823	(68,105)	0	3,647,040
2035-2036	247,131,110	2,853,605	633,087	215,733	848,820	(65,986)	0	3,636,439

Current School Finance Law

A major overhaul of the school finance formulas was implemented as a result of House Bill 1 of the 79th Legislative Session and became effective for the 2006-2007 school year. Those formula changes 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 funding formulas, some districts had the majority of the district's revenue losses (during the first year that the "limited appraised value" was used as the actual taxable value) offset with additional state funding. The funding that was available to offset those revenue losses was called Additional State Aid for Tax Reduction (ASATR) and those funds were phased out as a result of legislation in the 82nd Legislative Session in 2011. This legislation eliminated the ASATR funding for fiscal year 2017-2018 and thereafter and can have a significant financial impact for LAVA agreements that have a year three in 2017-2018 or later. The loss of ASATR funding can again cause a district to experience a significant loss of funds in year three of the agreement and consequently cause the company to have revenue protection payments during that year that are similar to those experienced prior to 2006-2007.

O'Donnell ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and TREX US Red Holly, LLC mutually agree in the LAVA that the greater of \$100 per student in average daily attendance (ADA) or \$50,000, the projected amount of these payments over the life of the agreement is \$750,000 of the \$7.48 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	O'Donnell ISD \$100/ADA	US Red Holly Share
2019-2020	0	50,000	(50,000)
2020-2021	0	50,000	(50,000)
2021-2022	483,403	50,000	433,403
2022-2023	1,315,966	50,000	1,265,966
2023-2024	1,392,037	50,000	1,342,037
2024-2025	1,133,028	50,000	1,083,028
2025-2026	912,308	50,000	862,308
2026-2027	724,552	50,000	674,552
2027-2028	564,642	50,000	514,642
2028-2029	428,483	50,000	378,483
2029-2030	312,595	50,000	262,595
2030-2031	213,905	50,000	163,905
2031-2032	0	50,000	(50,000)
2032-2033	0	50,000	(50,000)
2033-2034	0	50,000	(50,000)
2034-2035	0	0	0
2035-2036	0	0	0
Totals	7,480,918	750,000	6,730,918

O'Donnell ISD Financial Impact of Chapter 313 Agreement

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
O'Donnell School	EE-12	32	640	309	331
	Total	32	640	309	331

The building capacities are based on 20 students per classroom for elementary and 20 students per grade level at secondary schools. O'Donnell ISD is an early-education through 12th grade district.

TREX US Red Holly, 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 two full-time employees are expected. It is not known whether these would be new employees to the O'Donnell 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 two positions equates to 1 new student.

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

O'Donnell ISD Financial Impact of Chapter 313 Agreement

Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with US Red Holly would be beneficial to both US Red Holly and O'Donnell ISD under the current school finance system.

TREX US Red Holly, LLC would benefit from reduced property taxes during the ten years of the Value Limitation Period. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, US Red Holly's is projected to benefit from a 70% tax savings during that ten year period of this Agreement. US Red Holly 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.

O'Donnell ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require US Red Holly 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.



Commissioner Mike Morath

1701 North Congress Avenue • Austin, Texas 78701-1494 • 512 463-9734 • 512 463-9838 FAX • tea.texas.gov

IMPORTANT: Please keep this letter with your district's records. It must be accessible to the law firm working on the value limitation agreement.

October 17, 2018

Amanda Stidham, President
Board of Trustees
O'Donnell Independent School District
PO Box 487
O'Donnell, TX 79351-0487

Dear Ms. Stidham:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed TREX Red Holly LLC project #1291 on the number and size of school facilities in O'Donnell Independent School District (OISD). Based on an examination of OISD enrollment and the number of potential new jobs, the TEA has determined that the TREX Red Holly LLC project should not have a significant impact on the number or size of school facilities in OISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you have any questions.

Sincerely,

Al McKenzie
Director of State Funding

AM/rk
Cc: Cathy York-Palmer


Taxes

Property Tax Assistance

2018 ISD Summary Worksheet**058/Dawson****153-903/O'Donnell ISD**

Category	Local Tax Roll Value	2018 WTD Mean Ratio	2018 PTAD Value Estimate	2018 Value Assigned
A. Single-Family Residences	2,027,700	N/A	2,027,700	2,027,700
B. Multi-Family Residences	0	N/A	0	0
C1. Vacant Lots	15,260	N/A	15,260	15,260
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	8,316,690	N/A	8,316,690	8,316,690
D2. Real Prop Farm & Ranch	611,640	N/A	611,640	611,640
E. Real Prop NonQual Acres	3,911,970	N/A	3,911,970	3,911,970
F1. Commercial Real	46,670	N/A	46,670	46,670
F2. Industrial Real	0	N/A	0	0
G. Oil, Gas, Minerals	6,212,420	N/A	6,212,420	6,212,420
J. Utilities	1,456,390	N/A	1,456,390	1,456,390
L1. Commercial Personal	1,125,620	N/A	1,125,620	1,125,620
L2. Industrial Personal	1,810,680	N/A	1,810,680	1,810,680
M. Other Personal	135,350	N/A	135,350	135,350

N. Intangible Personal Prop	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	0	N/A	0	0
Subtotal	25,670,390		25,670,390	25,670,390
Less Total Deductions	2,794,615		2,794,615	2,794,615
Total Taxable Value	22,875,775		22,875,775	22,875,775 T2

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T4 will be the same as T7 through T10.

Value Taxable For M&O Purposes

T1	T2	T3	T4
23,351,525	22,875,775	23,351,525	22,875,775

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
475,750	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10
23,351,525	22,875,775	23,351,525	22,875,775

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

153/Lynn

153-903/O'Donnell ISD

Category	Local Tax Roll Value	2018 WTD Mean Ratio	2018 PTAD Value Estimate	2018 Value Assigned
A. Single-Family Residences	14,576,710	.9789	14,890,908	14,576,710
B. Multi-Family Residences	105,990	N/A	105,990	105,990
C1. Vacant Lots	127,520	N/A	127,520	127,520
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	28,141,430	1.1101	25,350,262	28,141,430
D2. Real Prop Farm & Ranch	1,370,410	N/A	1,370,410	1,370,410
E. Real Prop NonQu al Acres	6,830,980	.9280	7,360,970	6,830,980

F1. Commercial Real	1,005,480	N/A	1,005,480	1,005,480
F2. Industrial Real	209,569,940	N/A	209,569,940	209,569,940
G. Oil, Gas, Minerals	21,606,280	1.0009	21,586,852	21,606,280
J. Utilities	9,315,210	.8853	10,522,094	9,315,210
L1. Commercial Personal	1,756,510	N/A	1,756,510	1,756,510
L2. Industrial Personal	613,920	N/A	613,920	613,920
M. Other Personal	419,200	N/A	419,200	419,200
N. Intangible Personal Property	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	76,500	N/A	76,500	76,500
Subtotal	295,516,080		294,756,556	295,516,080
Less Total Deductions	205,548,230		205,686,852	205,548,230
Total Taxable Value	89,967,850		89,069,704	89,967,850 T2

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T4 will be the same as T7 through T10.

Value Taxable For M&O Purposes

T1	T2	T3	T4
91,641,060	89,967,850	91,641,060	89,967,850

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
1,673,210	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10
288,216,450	286,543,240	288,216,450	286,543,240

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

223/Terry

153-903/O'Donnell ISD

Category	Local Tax Roll Value	2018 WTD Mean Ratio	2018 PTAD Value Estimate	2018 Value Assigned
A. Single-Family Residences	0	N/A	0	0
B. Multi-Family Residences	0	N/A	0	0
C1. Vacant Lots	0	N/A	0	0
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	375,861	N/A	375,861	375,861
D2. Real Prop Farm & Ranch	0	N/A	0	0
E. Real Prop NonQual Acres	0	N/A	0	0
F1. Commercial Real	0	N/A	0	0
F2. Industrial Real	0	N/A	0	0
G. Oil, Gas, Minerals	0	N/A	0	0
J. Utilities	0	N/A	0	0
L1. Commercial Personal	0	N/A	0	0
L2. Industrial Personal	0	N/A	0	0
M. Other Personal	0	N/A	0	0
N. Intangible Personal Prop	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	0	N/A	0	0
Subtotal	375,861		375,861	375,861
Less Total Deductions	0		0	0
Total Taxable Value	375,861		375,861	375,861 T2

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T4 will be the same as T7 through T10.

Value Taxable For M&O Purposes

T1	T2	T3	T4
375,861	375,861	375,861	375,861

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
0	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10
375,861	375,861	375,861	375,861

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

The PVS found your local value to be valid, and local value was certified

153-903/O'Donnell ISD

Category	Local Tax Roll Value	2018 WTD Mean Ratio	2018 PTAD Value Estimate	2018 Value Assigned
A. Single-Family Residences	16,604,410	.9814	16,918,608	16,604,410
B. Multi-Family Residences	105,990	N/A	105,990	105,990
C1. Vacant Lots	142,780	N/A	142,780	142,780
C2. Colonia Lots	0	N/A	0	0
D1. Rural Real(Taxable)	36,833,981	1.0820	34,042,813	36,833,981
D2. Real Prop Farm & Ranch	1,982,050	N/A	1,982,050	1,982,050
E. Real Prop NonQual Acres	10,742,950	.9530	11,272,940	10,742,950
F1. Commercial Real	1,052,150	N/A	1,052,150	1,052,150
F2. Industrial Real	209,569,940	N/A	209,569,940	209,569,940
G. Oil, Gas, Minerals	27,818,700	1.0007	27,799,272	27,818,700
J. Utilities	10,771,600	.8992	11,978,484	10,771,600
L1. Commercial Personal	2,882,130	N/A	2,882,130	2,882,130
L2. Industrial Personal	2,424,600	N/A	2,424,600	2,424,600
M. Other Personal	554,550	N/A	554,550	554,550

N. Intangible Personal Prop	0	N/A	0	0
O. Residential Inventory	0	N/A	0	0
S. Special Inventory	76,500	N/A	76,500	76,500
Subtotal	321,562,331		320,802,807	321,562,331
Less Total Deductions	208,342,845		208,481,467	208,342,845
Total Taxable Value	113,219,486		112,321,340	113,219,486 T2

The taxable values shown here will not match the values reported by your appraisal district

See the ISD DEDUCTION Report for a breakdown of deduction values

Comptroller Of Public Accounts - Property Tax Division

2018 ISD Summary Worksheet

153-903/O'Donnell ISD

Final Values Worksheet

Government code subsections 403.302 (J) AND (K) require the Comptroller to certify alternative measures of school district wealth. These measures are reported for taxable values for maintenance and operation (M&O) tax purposes and for interest and sinking fund (I&S) tax purposes. For districts that have not entered into value limitation agreements, T1 through T4 will be the same as T7 through T10.

Value Taxable For M&O Purposes

T1	T2	T3	T4
115,368,446	113,219,486	115,368,446	113,219,486

Loss To the Additional \$10,000 Homestead Exemption	50% of the loss to the Local Optional Percentage Homestead Exemption
2,148,960	0

T1 = School district taxable value for M&O purposes before the loss to the additional \$10,000 homestead exemption

T2 = School district taxable value for M&O purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T3 = T1 minus 50% of the loss to the local optional percentage homestead exemption

T4 = T2 minus 50% of the loss to the local optional percentage homestead exemption

Value Taxable For I&S Purposes

T7	T8	T9	T10
311,943,836	309,794,876	311,943,836	309,794,876

T7 = School district taxable value for I&S purposes before the loss to the additional \$10,000 homestead exemption

T8 = School district taxable value for I&S purposes after the loss to the additional \$10,000 homestead exemption and the tax ceiling reduction

T9 = T7 minus 50% of the loss to the local optional percentage homestead exemption

T10 = T8 minus 50% of the loss to the local optional percentage homestead exemption

See Agreement (App No. 1291)
posted on Comptroller Website



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

February 20, 2019

Dr. Cathy Palmer
Superintendent
O'Donnell Independent School District
P.O. Box 487
O'Donnell, Texas 79351

Re: Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between O'Donnell Independent School District and TREX US Red Holly LLC, Application 1291

Dear Superintendent Palmer:

This office has been provided with the Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between O'Donnell Independent School District and TREX US Red Holly LLC (Agreement). As requested, the Agreement has been reviewed pursuant to 34 TAC 9.1055(e)(1).

Based on our review, this office concludes that the Agreement complies with the provisions of Tax Code, Chapter 313 and 34 TAC Chapter 9, Subchapter F.

Should you have any questions, please contact Michelle Luera with our office. She can be reached by email at michelle.luera@cpa.texas.gov or by phone at 1-800-531-5441, ext. 3-6053, or at 512-463-6053.

Sincerely,

A handwritten signature in cursive script that reads "Will Counihan".

Will Counihan
Director
Data Analysis & Transparency Division

cc: Fred Stormer, Underwood Law Firm, P.C.
Jon Burke, GreenGo Energy US, Inc.
David Veach, GreenGo Energy US, Inc.
C.J. Evans, Jr., Savills Studley

See Tab 12 in application documents,
(Comptroller No. 1291)
posted on Comptroller Website
(posted 10/12/18)