

**FINDINGS**  
**of the**  
***ECTOR COUNTY 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**

***NACERO TX 1 LLC***

***Comptroller Application Number 1568***

**June 15, 2021**

**RESOLUTION AND FINDINGS OF FACT**  
**of the**  
***ECTOR COUNTY 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 NACERO TX 1 LLC**

STATE OF TEXAS §  
COUNTY OF ECTOR §  
ECTOR COUNTY INDEPENDENT SCHOOL DISTRICT §

**PREAMBLE**

On the 15th day of June, 2021, a public meeting of the Board of Trustees of the Ector County Independent School District (the “Board”) was held to solicit input from interested parties on the application by Nacero TX 1 LLC (“Nacero” or “Applicant”) for an appraised value limitation on qualified property under Chapter 313 of the Texas Tax Code. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board considered the application by Nacero for a Limitation on Appraised Value on Qualified Property, pursuant to Chapter 313 of the Texas Tax Code. The Board of Trustees solicited input into its deliberations from interested parties within the District. After hearing presentations from the District’s administrative staff and the consultants retained by the District to advise the Board in this matter and reviewing the Comptroller’s Economic Impact Analysis under Texas Tax Code §313.026, the Board of Trustees of the Ector County Independent School District, in accordance with Texas Tax Code §313.025(e) and (f) and 34 T.A.C. §9.1054, makes the following Findings regarding the Application:

On or about the 23<sup>rd</sup> day of February, 2021, the Board of Trustees for the Ector County Independent School District received an Application for Appraised Value Limitation on Qualified Property from Nacero, pursuant to Chapter 313 of the Texas Tax Code (the “Application”). The general nature of Applicant’s investment in qualified property set forth in the Application is for a new manufacturing plant, and specifically a natural gas processing and gasoline production facility that will convert natural gas to methanol, and methanol to gasoline (the “Property”). *See* Application, §6.2.5, and Tab 4, attached hereto as Attachment A; *see also* Attachment D. The Board agreed to consider such Application, and the District’s Superintendent formally acknowledged receipt of the Application for consideration on behalf of the District and signed on February 23, 2021, which was delivered to the Texas Comptroller of Public Accounts immediately upon the District’s determination that the Application was complete. The Comptroller acknowledged receipt of the Application on or about February 25, 2021. The Comptroller issued its notice of completeness and determined the Application complete as of March 25, 2021, the Application Review Start Date. Thereafter, on or about April 20, 2021, the District on behalf of the Applicant, submitted revised applications pages for Amendment No. 01 (revised §§3, 7, 10 and 13; Tabs 5, 10 and Schedule C); and on or about May 7, 2021, submitted Amendment No. 2 (Tabs 5, 7 and 8). The Application and Amendment Nos. 1 and 2 are hereafter collectively referred to as the “Application.” A copy of the Application and Comptroller’s completeness letter of March 25, 2021 are collectively attached hereto as Attachment A.

The Texas Taxpayer Identification number for Nacero TX 1 LLC is 32075161326. Nacero is an entity subject to Chapter 171 of the Texas Tax Code and is active and has the right to transact business in Texas, as 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. *See* Attachment A at Tab 2.

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 Ector 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 May 18, 2021 (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 Ector County Independent School District. A copy of the Financial Impact Study prepared by Culwell Consulting and dated May 13, 2021, is attached to these Findings as Attachment E.

The Board has confirmed that the taxable value of industrial property applicable to the Nacero Application in the Ector County Independent School District for the preceding tax year, as determined under Subchapter M, Chapter 403 of the Texas Government Code, falls within Category 1 of §313.022 of the Texas Tax Code at the time the Certificate Decision was issued. *See* the 2020 Final Property Value Study Report, "2020 ISD Summary Worksheet" attached hereto as Attachment G; *see also* Attachment D.

After receipt of the completed Application, the District entered into negotiations with Nacero 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 pursuant to Section 48.256(d) of the Texas Education Code. 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 (Form 50-826, revised October 2020). 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 §9.1015(e)(1). *See* copy of June 10, 2021, 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 Nacero'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)(1) as a manufacturing facility.***

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(1) and Tabs 4, 7 and 8) 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 25<sup>th</sup> 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 25<sup>th</sup> Anniversary of Limitation Start

This [table] represents the Comptroller's determination that Nacero TX 1 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 and direct, indirect and induced tax effects from project employment 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	2021	\$137,111	\$137,111	\$0	\$0
	2022	\$2,445,092	\$2,582,203	\$0	\$0
	2023	\$12,976,879	\$15,559,082	\$0	\$0
Limitation Period (10 Years)	2024	\$1,054,700	\$16,613,782	\$23,732,333	\$23,732,333
	2025	\$1,054,700	\$17,668,482	\$32,190,188	\$55,922,521
	2026	\$1,054,700	\$18,723,182	\$34,823,644	\$90,746,166
	2027	\$1,054,700	\$19,777,882	\$34,352,775	\$125,098,940
	2028	\$1,054,700	\$20,832,582	\$32,612,736	\$157,711,677
	2029	\$1,054,700	\$21,887,282	\$30,959,231	\$188,670,907
	2030	\$1,054,700	\$22,941,982	\$29,387,940	\$218,058,848
	2031	\$1,054,700	\$23,996,682	\$27,894,763	\$245,953,610
	2032	\$1,054,700	\$25,051,382	\$26,475,803	\$272,429,413
	2033	\$1,054,700	\$26,106,082	\$25,127,357	\$297,556,770
Maintain Viable Presence (5 Years)	2034	\$24,900,610	\$51,006,692	\$0	\$297,556,770
	2035	\$23,682,818	\$74,689,510	\$0	\$297,556,770
	2036	\$22,525,509	\$97,215,019	\$0	\$297,556,770
	2037	\$21,425,666	\$118,640,685	\$0	\$297,556,770
	2038	\$20,380,423	\$139,021,108	\$0	\$297,556,770
Additional Years as Required by 313.026(c)(1) (10 Years)	2039	\$19,387,059	\$158,408,166	\$0	\$297,556,770
	2040	\$18,442,986	\$176,851,153	\$0	\$297,556,770
	2041	\$17,545,749	\$194,396,902	\$0	\$297,556,770
	2042	\$16,693,013	\$211,089,915	\$0	\$297,556,770
	2043	\$15,882,560	\$226,972,475	\$0	\$297,556,770
	2044	\$15,112,282	\$242,084,757	\$0	\$297,556,770
	2045	\$14,380,178	\$256,464,935	\$0	\$297,556,770
	2046	\$13,736,477	\$270,201,412	\$0	\$297,556,770
	2047	\$13,145,729	\$283,347,141	\$0	\$297,556,770
	2048	\$12,607,928	\$295,955,069	\$0	\$297,556,770
		<b>\$295,955,069</b>	is less than	<b>\$297,556,770</b>	
<b>Analysis Summary</b>					
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?					No

Source: CPA, Nacero TX 1, LLC

Year	Employment			Personal Income			Revenue & Expenditure		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2021	45	51	96	\$3,204,752	\$4,115,248	\$7,320,000	336000	-191000	\$527,000
2022	492	518	1010	\$36,024,296	\$45,885,704	\$81,910,000	3799000	-1816000	\$5,615,000
2023	2869	3,078	5947	\$212,625,570	\$284,324,430	\$496,950,000	22415000	-10330000	\$32,745,000
2024	3439	4,184	7623	\$252,351,482	\$423,798,518	\$676,150,000	30502000	-8965000	\$39,467,000
2025	2745	3,905	6650	\$194,187,140	\$438,622,860	\$632,810,000	28786000	-1717000	\$30,503,000
2026	1565	2,816	4381	\$99,591,719	\$361,708,281	\$461,300,000	21729000	6744000	\$14,985,000
2027	595	1,708	2303	\$21,727,201	\$260,742,799	\$282,470,000	14740000	12794000	\$1,946,000
2028	336	1,264	1600	\$493,086	\$212,636,914	\$213,130,000	12306000	14488000	-\$2,182,000
2029	336	1,172	1508	\$493,086	\$197,746,914	\$198,240,000	12039000	14488000	-\$2,449,000
2030	336	1,168	1504	\$493,086	\$193,846,914	\$194,340,000	12100000	14252000	-\$2,152,000
2031	336	1,227	1563	\$493,086	\$198,236,914	\$198,730,000	12299000	13901000	-\$1,602,000
2032	336	1,312	1648	\$493,086	\$208,246,914	\$208,740,000	12619000	13550000	-\$931,000
2033	336	1,422	1758	\$493,086	\$223,136,914	\$223,630,000	13077000	13184000	-\$107,000
2034	336	1,426	1762	\$493,086	\$230,706,914	\$231,200,000	12650000	13062000	-\$412,000
2035	336	1,494	1830	\$493,086	\$245,846,914	\$246,340,000	12985000	12825000	\$160,000
2036	336	1,562	1898	\$493,086	\$262,446,914	\$262,940,000	13298000	12596000	\$702,000
2037	336	1,650	1986	\$493,086	\$282,956,914	\$283,450,000	13916000	12474000	\$1,442,000
2038	336	1,738	2074	\$493,086	\$306,876,914	\$307,370,000	14481000	12390000	\$2,091,000
2039	336	1,822	2158	\$493,086	\$331,536,914	\$332,030,000	14938000	12306000	\$2,632,000
2040	336	1,902	2238	\$493,086	\$357,416,914	\$357,910,000	15488000	12276000	\$3,212,000
2041	336	1,980	2316	\$493,086	\$384,026,914	\$384,520,000	16174000	12321000	\$3,853,000
2042	336	2,053	2389	\$493,086	\$413,816,914	\$414,310,000	16846000	12436000	\$4,410,000
2043	336	2,123	2459	\$493,086	\$443,356,914	\$443,850,000	17456000	12581000	\$4,875,000
2044	336	2,195	2531	\$493,086	\$476,066,914	\$476,560,000	17990000	12741000	\$5,249,000
2045	336	2,260	2596	\$493,086	\$509,276,914	\$509,770,000	18600000	12939000	\$5,661,000
2046	336	2,322	2658	\$493,086	\$544,916,914	\$545,410,000	19379000	13184000	\$6,195,000
						Total	\$400,948,000	\$244,513,000	\$156,435,000
							\$452,390,069	is greater than	\$297,556,770
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

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.

See Attachment D (at Attachment B thereof).

### Board Finding Number 3.

*The Applicant will create two hundred fifty-eight (258) 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 \$81,000 (\$1,558 per week)<sup>1</sup>, 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.

<sup>1</sup> The weekly wage as recited in the Comptroller's Economic Impact Analysis at Attachment D is higher than the figure in §14 of the Application (\$1,552.10); the weekly rate in the application is calculated on the minimum required wage, and the Comptroller's noted rate is derived from the applicant's higher committed annual wage of \$81,000.

#### Board Finding Number 4.

*The Applicant intends to create 78 non-qualifying jobs.*

In its application, Applicant indicates that it will create 78 non-qualifying jobs with a wage of at least \$1,188.75 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 5.

*Applicant has viable options to locate the proposed manufacturing facility in locations other than Ector County ISD because multiple other sites within the United States are in close proximity to natural gas lines and rail infrastructure. Therefore, the tax savings realized by the limitation on appraised value is a determining factor in the Applicant's decision to invest capital and construct the project in Texas and Ector County ISD.*

*See* Attachment C.

In support of Finding Number 5, 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." The Economic Impact Analysis further states:

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the Nacero TX 1 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 Nacero TX 1 LLC in Tab 5 of their Application for a Limitation on Appraised Value:
  - A. "The Chapter 313 limitation considerably enhances the long-term financial sustainability of selecting the Penwell site. During the initial period of the project, while managing the project financing costs, it is necessary to minimize costs and provide a return to project's investors. In a highly capital intense project, such as Penwell, property taxes represent a large portion of the operating costs and alleviating these costs enables the project to move forward."
  - B. "Not receiving the Chapter 313 limitation would greatly hurt the attractiveness of the Penwell Site compared to the other competing locations. Pending the outcome of the final negotiations and due diligence, this could result in Nacero selecting an alternate location for our flagship manufacturing location."
  - C. "Under Section 8, question 2, the applicant has entered into agreements, contracts, or letters of intent where the proposed

project will occur. The two agreements that Nacero has signed regarding the proposed project are: 1) Option and Purchase Agreement and Joint Escrow Instructions dated October 19, 2020, between Odessa Industrial Development Corporation (OIDC) (Optionor) and Nacero TX 1 LLC (Optionee) for approx. 666 acres in unincorporated Ector County, Texas. 2) Option Agreement dated November 6, 2020 between Betty Moss Dean and C.A. Betty Moss Dean FLP (Optionors) and Nacero TX 1 LLC (Optionee) for approx. 1,869 acres in unincorporated Ector County, Texas.”

See Attachment D.

In further support of Finding No. 5, Nacero provided additional information in Tab 5 of the Application which states that “over the past year, Nacero and the Global Location Strategies (GLS) team have been conducting evaluations on other properties outside of Texas. With availability of abundant natural gas as a primary driver, shortlisted locations include sites in Arizona, Nevada, New Mexico, Oklahoma, Pennsylvania, West Virginia, Ohio, and Texas (Penwell).”

See Attachment A.

#### **Board Finding Number 6.**

***The proposed limitation on appraised value for the qualified property is \$100,000,000.***

The Comptroller’s Minimum School District Limitation Values Report, effective as of January 1, 2021, provides that the District is a Subchapter B, Category 1 District under Texas Tax Code §313.022, with a minimum limitation of \$100,000,000. See Attachments A and D.

#### **Board Finding Number 7.**

***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, the analysis prepared by Culwell Consulting indicates that the Project would add an estimated \$3,401,758,252 to the tax base for debt service purposes at the peak investment level for the 2026-27 school year (tax year 2026). See Table 3, Attachment E. The Project remains fully taxable for debt services taxes. As a result, local taxpayers should see some benefit from the addition of the project to the local I&S tax roll. In addition, the estimated potential revenue gains from Supplemental Payments as provided for in the proposed Agreement are estimated to be \$52,917,800. See Table of Estimated Effects of the Ch. 313 Application, Column 12, dated May 13, 2021 (“Estimated Effects Table”), at the last page of Attachment E, and Attachment H (Article VI).



**Board Finding Number 8.**

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

See TEA's Facilities Impact Review Letter at Attachment F.

**Board Finding Number 9.**

*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, based on the further estimated depreciation of value provided by Applicant, is shown in Estimated Effects Table at last page of Attachment E (column No. 8, labeled "M&O Taxes Paid After Limitation") and Table 3 of Attachment E, and the total amount of M&O taxes that would be imposed on the qualified property with the limitation on appraised valued is estimated to be \$139,021,108. Id.*

See also Attachment D.

**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 estimated depreciation of value provided by Applicant, is shown in Estimated Effects Table at last page of Attachment E (column No. 7, labeled "M&O Taxes Paid Before Limitation") and Table 3 of Attachment E, and the total amount of M&O taxes that would be imposed on the qualified property without the limitation on appraised valued is estimated to be \$436,577,878. Id.*

See also Attachment D.

**Board Finding Number 11.**

*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 record 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 12.**

***The Applicant (Taxpayer Id. 32075161326) 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 franchise-tax paying entity subject to taxes imposed by Chapter 171 of the Texas Tax Code.***

See Attachments A, B and C.

#### **Board Finding Number 13.**

***The project will be located within an area that is currently designated as an enterprise zone. Pursuant to Texas Tax Code §312.2011, designation of an area as an enterprise zone under Chapter 2303 of the Texas Government Code constitutes designation of the area as a reinvestment zone under Chapter 312 of the Texas Tax Code. Portions of Ector County are designated as an enterprise zone based on poverty level. See Tex. Gov't Code §2303.109.***

See Attachment A (Tab 16).

#### **Board Finding Number 14.**

***Per Applicant's certification in its Application, the existing improvements located on the land for the project are existing utilities and are not owned by the Applicant. No construction of Qualified Property has occurred, and construction is scheduled to begin in November 2021.***

See Attachment A (§§7.2, 9 and 13 of Tab 1 and Tab 10).

#### **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 Study demonstrates, pursuant to current school finance law (including Texas Education Code §48.256(d)), that the District is projected to incur a revenue protection payment in tax years 2024, 2025 and 2026 (school year 2024-25, 2025-26 and 2026-27) in the estimated total amount of \$38,602,508. See Attachment E at Table 3 and Estimated Effects Table (Column 10) at last page of Attachment E. Therefore, any potential 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 proposed Agreement, Article IV, at Attachment H, and Estimated Effects Table at last page of Attachment E.

#### **Board Finding Number 16.**

***The Board finds that there are no conflicts of interest at the time of its consideration of the Agreement.***

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 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, Chapters 171 and 176.

The Board further finds that it has taken appropriate action to ensure that all other applicable 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, Chapters 171 and 176.

The Board further finds that it is unaware that any conflict exists as to the Application for which these Findings are being made, as of the time of action on these Findings.

**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 Nacero'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 October, 2020 template Texas Economic Development Act Agreement adopted by the Comptroller, 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 Ector County 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 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 Ector County 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,

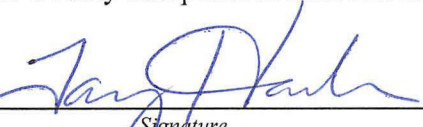
IT IS FURTHER ORDERED that these Findings and the Attachments referenced herein be made a part of the official minutes of this meeting, and maintained in the permanent records of the Ector County Independent School District Board of Trustees.

*[signatures follow on next page]*

Dated this 15th day of June, 2021.

Ector County Independent School District

By

  
*Signature*  
Timmy Hawkins - President  
*Printed Name and Title*

Attest:

By

  
*Signature*  
Carol Gregg Sec  
*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 Study
F	TEA's Facilities Impact Letter
G	Comptroller's 2020 Property Value Study Report, "2020 ISD Summary Worksheet"
H	Proposed Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes
I	Comptroller's June 10, 2021 Agreement Review Letter



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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P.O.Box 13528 • Austin, TX 78711-3528

March 25, 2021

Scott Muri  
Superintendent  
Ector County Independent School District  
802 N. Sam Houston  
Odessa, Texas 76761

Re: Application for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Ector County Independent School District and Nacero TX 1, LLC, Application 1568

Dear Superintendent Muri:

On February 25, 2021, the Comptroller's office received Nacero TX 1, LLC's (applicant) application for a limitation on appraised value (Application 1568) from Ector County Independent School District (school district).

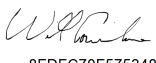
The purpose of this letter is to inform you that the Comptroller's office has reviewed the submitted application and determined that it includes the information necessary to be determined as complete on March 25, 2021.

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 90<sup>th</sup> 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 Nicholas Valles with our office. He can be reached by email at [nicholas.valles@cpa.texas.gov](mailto:nicholas.valles@cpa.texas.gov) or by phone toll-free at 1-800-531-5441, ext. 3-3017 or at 512-463-3017.

Sincerely,

DocuSigned by:  
  
8FD9C70F5753487...

Will Counihan  
Director  
Data Analysis & Transparency Division

cc: Fred Stormer, Underwood Law Firm, PC  
Christopher Micklas, Nacero Inc.  
Sarah White, Global Location Strategy

See Application documents  
(Comptroller No. 1568)  
posted on Comptroller Website:  
Application (posted 3/19/21);  
Amendment No. 1 (posted 4/27/21); and  
Amendment No. 2 (posted 5/11/21)





## Franchise Tax Account Status

As of : 06/02/2021 16:16:43

This page is valid for most business transactions but is not sufficient for filings with the Secretary of State

NACERO TX 1 LLC	
<b>Texas Taxpayer Number</b>	32075161326
<b>Mailing Address</b>	2050 W SAM HOUSTON PKWY S STE 1000 HOUSTON, TX 77042-2079
<b>? Right to Transact Business in Texas</b>	ACTIVE
<b>State of Formation</b>	DE
<b>Effective SOS Registration Date</b>	07/22/2020
<b>Texas SOS File Number</b>	0803699094
<b>Registered Agent Name</b>	CAPITOL CORPORATE SERVICES, INC.
<b>Registered Office Street Address</b>	206 E. 9TH ST., STE. 1300 AUSTIN, TX 78701

See Certification Packet  
(Comptroller No. 1568)  
posted on Comptroller Website  
(posted on 5/19/21)

See Certification Packet  
(Comptroller No. 1568)  
posted on Comptroller Website  
(posted on 5/19/21)

## Chapter 313 Financial Impact Study

*A financial analysis of the potential Chapter 313 Agreement  
between Nacero TX 1 LLC and the Ector County Independent  
School District*



Prepared May 13, 2021

## Overview

On February 23, 2021, Nacero TX 1 LLC (Applicant) submitted an application for appraised value limitation on qualified property to the Ector County Independent School District (ECISD). The Applicant is seeking to develop a manufacturing project and is requesting ECISD agree to limit the maintenance and operations (M&O) taxable value of the project to \$100,000,000 for a ten-year period. As put forth in the application, the first year of the limitation period would be the 2024 tax year.

Culwell Consulting was engaged by ECISD to analyze the impact of the potential value limitation agreement upon the overall M&O revenue of ECISD. A value limitation agreement entered into by the parties provides ECISD protection against any loss in M&O revenue due to the granting of the \$100 million value limitation. This report provides the programmatic details, pertinent aspects of the Texas school finance system, and in-depth analysis needed to understand the financial impact of such an agreement upon the ECISD M&O general fund.

This analysis concludes a value limitation agreement would result in ECISD foregoing \$38,602,508 in M&O revenue over the duration of the value limitation period, with \$26,439,976 of that loss occurring in the 2024-2025 school year. After payout of these losses, the Applicant's tax savings are estimated to be \$258,954,262. This estimate of the Applicant's tax savings does not account for any supplemental payments made to ECISD. Any potential Ch. 313 agreement will not affect the Applicant's taxable value for Interest and Sinking (I&S) tax rate purposes.

## Background

In 2001, the 77th Texas Legislature passed HB 1200 enacting the Texas Economic Development Act with the intent to attract qualified economic development to Texas by limiting the M&O taxes paid by the company. Established under Ch. 313 of the Texas Tax Code, the program has become more commonly referred to as Ch. 313.

The Ch. 313 program enables school districts to limit the M&O taxable value of qualified economic development projects for a ten-year period. The State of Texas Comptroller sets the value limitation amount for each school district. At the time the application was deemed complete by the Texas Comptroller, ECISD may grant a value limitation of \$100 million.

Several types of projects are eligible to receive value limitations under Chapter 313 of the Tax Code. In Tab 4 of the Application, the Applicant provides a detailed description of the proposed project to, "design, engineer, construct, commission and operate a new natural gas processing and gasoline production facility that will convert natural gas to methanol, and methanol to gasoline." This type of project qualifies under Texas Tax Code 313.024(b)(1).

## Nacero TX 1 LLC Application

The application from Nacero TX 1 LLC was presented to and accepted by the ECISD School Board on February 23, 2021. In their application, the Applicant requested a \$100 million value limitation be applied to their manufacturing project beginning in the 2024 tax year. Within the Application, Schedule B behind Tab 14 outlines the estimated taxable value schedule of the project for a 25-year period.

Texas Tax Code 313.027(f)(3) requires an agreement holder to maintain a viable presence within the school district for five years after the value limitation expires; therefore, this analysis concludes after the last year of this viable presence period, the 2038-2039 school year. Below is a modified version of Schedule B displaying the estimate taxable values of the project beginning with each year prior to limitation period and concluding five years after the value limitation expires.

### Nacero TX 1 LLC Taxable Values, Schedule B of Application

	Year	School Year (YYYY-YYYY)	Tax Year YYYY	Final taxable value for I&S after all reductions	Final taxable value for M&O after all reductions
Qualifying Time Period	0	2021-2022	2021	\$13,000,000	\$13,000,000
	1	2022-2023	2022	\$231,828,234	\$231,828,234
	2	2023-2024	2023	\$1,230,385,791	\$1,230,385,791
Value Limitation Period	1	2024-2025	2024	\$2,350,150,098	\$100,000,000
	2	2025-2026	2025	\$3,152,070,569	\$100,000,000
	3	2026-2027	2026	\$3,401,758,252	\$100,000,000
	4	2027-2028	2027	\$3,357,113,355	\$100,000,000
	5	2028-2029	2028	\$3,192,133,924	\$100,000,000
	6	2029-2030	2029	\$3,035,358,940	\$100,000,000
	7	2030-2031	2030	\$2,886,379,071	\$100,000,000
	8	2031-2032	2031	\$2,744,805,434	\$100,000,000
	9	2032-2033	2032	\$2,610,268,572	\$100,000,000
	10	2033-2034	2033	\$2,482,417,485	\$100,000,000
Continue to maintain viable presence	11	2034-2035	2034	\$2,360,918,706	\$2,360,918,706
	12	2035-2036	2035	\$2,245,455,424	\$2,245,455,424
	13	2036-2037	2036	\$2,135,726,653	\$2,135,726,653
	14	2037-2038	2037	\$2,031,446,440	\$2,031,446,440
	15	2038-2039	2038	\$1,932,343,116	\$1,932,343,116

As a result of such limitation being granted, the project will receive two taxable values beginning in the 2024 tax year: one, a valuation of \$100 million for M&O tax purposes, and second, a full taxable valuation from the local appraisal district for ECISD's I&S tax purposes. This duality will continue for the ten-year limitation period after which, starting with the 2034-2035 school year, the project will receive a single taxable value for M&O and I&S tax purposes. Any taxable value of the project outside the ten-year limitation period is fully taxable for M&O tax purposes.

## Calculation of Revenue Loss

The Ch. 313 Agreement (Agreement) prepared by the Underwood Law Firm P.C. ensures that ECISD is protected against any loss in revenue incurred by the district's M&O general fund. During each year of the limitation period, the Agreement calls for the annual calculation of loss in M&O revenue. If and when a revenue loss occurs, the Agreement requires the Applicant hold the school district harmless and pay the school district this calculated amount.

To identify a loss in revenue, two school finance models are established and the outputs compared. One model serves as the control utilizing the full M&O taxable value of the project; the second model substitutes the limited value of \$100 million for the full taxable value. Any revenue loss is accounted for by deducting the resulting M&O revenue of the control model from that of the limited value model.

## Note on School Finance

To fund the maintenance and operation of Texas public schools, the state's school finance system relies on local tax collections and state aid. The method of determining state aid is a complex system that further breaks funding into two major components referred to as Tier I and Tier II. Tier I funding is based on the M&O taxes at the compressed rate, program allotments, and ADA and special student populations. Tier II is the enrichment tier based on the tax effort above the school district's compressed rate. State aid works to fill the gap between local revenue and the total funding the school district is entitled to through the state finance system.

In the Spring of 2019, the 86<sup>th</sup> Texas Legislature passed House Bill 3 which made significant changes to the school finance system in Texas. In passing HB 3, the Legislature sought to equalize funding across school districts, increase teacher compensation, improve learning outcomes, and reduce property taxes.

Of particular note to this analysis, HB 3 now requires the use of current-year local taxable values as opposed to prior-year taxable values when determining state aid. The 2019-20 school year, the first in which this method of calculating state aid was used, differs from the prior school finance system under which state aid was based on the prior year's Comptroller certified property values. However, in specifically addressing the Ch. 313 program, HB 3 states that calculations determining the school districts' revenue loss must continue to use the prior year local taxable values when determining the state aid allotted to the school district.

Due in part to this reliance on prior year values when determining state aid, the first year of the limitation period often results in a loss in revenue for the school district. Under the terms of the agreement, the Applicant is required to hold the district harmless from any such losses. Estimates of revenue losses are based on the current school finance system and the taxable values provided by the Applicant. **Any future changes in the school finances system or increases in the project's taxable**

value within the limitation period may result in increased revenue losses for the school district.

## Data

The project's taxable values are pulled from Schedule B, behind Tab 14 of the Application. School district level data was obtained from the Texas Education Agency 2020-2021 Summary of Finances, April 9, 2021 Update, and includes the ECISD 2020-2021 adopted M&O tax rate of \$1.0547. In developing the comparison scenarios, all variables and funding factors were held constant as of the 2020-2021 school year with the exception of the project's taxable value and the district's resulting tax collections.

**Future calculations will utilize the concurrent statewide school funding system, school district data and tax rates, as well as the appraised value of the Applicant's project as determined by the Ector County Appraisal District.**

## Results

Table 1 displays ECISD total M&O revenue after including the full taxable value of the project. Table 2 shows the total M&O revenue after substituting the \$100 million limitation value. The highlighted rows outline the ten-year value limitation period.

**Table 1 – M&O Revenue at Full Project Taxable Value**

	School Year	M&O Revenue from Local Taxes	M&O Revenue from State	Total Recapture	Total M&O General Fund
Qualifying Time Period	2021-2022	\$162,742,884	\$136,097,615	\$0	\$298,840,500
	2022-2023	\$165,187,977	\$127,426,165	\$0	\$292,614,142
	2023-2024	\$175,719,763	\$126,019,242	\$0	\$301,739,006
Value Limitation Period	2024-2025	\$187,529,918	\$115,474,196	\$0	\$303,004,114
	2025-2026	\$195,987,773	\$103,143,856	\$0	\$299,131,629
	2026-2027	\$198,621,229	\$94,093,029	\$0	\$292,714,257
	2027-2028	\$198,150,359	\$91,178,247	\$0	\$289,328,606
	2028-2029	\$196,410,321	\$91,541,715	\$0	\$287,952,036
	2029-2030	\$194,756,815	\$93,279,772	\$0	\$288,036,587
	2030-2031	\$193,185,524	\$94,952,411	\$0	\$288,137,936
	2031-2032	\$191,692,347	\$96,522,064	\$0	\$288,214,411
	2032-2033	\$190,273,387	\$98,015,247	\$0	\$288,288,634
	2033-2034	\$188,924,942	\$99,432,862	\$0	\$288,357,804
	2034-2035	\$187,643,494	\$100,801,596	\$0	\$288,445,090
Maintain Viable Presence	2035-2036	\$186,425,703	\$102,081,949	\$0	\$288,507,652
	2036-2037	\$185,268,393	\$103,298,701	\$0	\$288,567,094
	2037-2038	\$184,168,550	\$104,457,197	\$0	\$288,625,747
	2038-2039	\$183,123,307	\$105,556,206	\$0	\$288,679,514



**Table 2 – M&O Revenue at Limited Project Taxable Value**

	School Year	M&O Revenue from Local Taxes	M&O Revenue from State	Total Recapture	Total M&O General Fund
Qualifying Time Period Qualifying Time Period	2021-2022	\$162,742,884	\$136,097,615	\$0	\$298,840,500
	2022-2023	\$165,187,977	\$127,426,165	\$0	\$292,614,142
	2023-2024	\$175,719,763	\$126,019,242	\$0	\$301,739,006
Value Limitation Period	2024-2025	\$163,797,584	\$112,766,553	\$0	\$276,564,137
	2025-2026	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2026-2027	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2027-2028	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2028-2029	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2029-2030	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2030-2031	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2031-2032	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2032-2033	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2033-2034	\$163,797,584	\$126,044,092	\$0	\$289,841,677
	2034-2035	\$187,643,494	\$129,179,966	\$0	\$316,823,460
Maintain Viable Presence	2035-2036	\$186,425,703	\$102,081,949	\$0	\$288,507,652
	2036-2037	\$185,268,393	\$103,298,701	\$0	\$288,567,094
	2037-2038	\$184,168,550	\$104,457,197	\$0	\$288,625,747
	2038-2039	\$183,123,307	\$105,556,206	\$0	\$288,679,514

Table 3 displays the outcome of comparing the M&O general fund totals within these two models. The column entitled, “School District Revenue Loss,” displays instances in which the projected M&O revenue in Table 2 is less than that in Table 1. As shown below, it is estimated that ECISD will forego \$26,439,976 in M&O revenue during the 2024-2025 school year. Additional losses of \$9,289,952 and \$2,872,581 are observed in the second and third years of the value limitation period, respectively. The observed revenue losses in year two and three of the limitation period are explained by the increase in the project’s taxable value when compared to the prior year.

Currently, no revenue loss is observed beyond the third year of the limitation period once the project value begins to depreciate from the peak taxable value of \$3.4 billion observed in the 2026-2027 school year. Again, any change in the project’s taxable value schedule, school district data or tax rates, or legislative changes to the school finance system may result in additional revenue losses.

The final column, “Company Tax Savings,” displays the tax savings in each year of the limitation with the Applicant’s total savings over the ten-year period totaling \$258,954,262.

**Table 3 - Projected School District Revenue Loss & Company Tax Savings**

School Year	Project Full Taxable Value (I&S Value)	Project Limited Tax Value (M&O Value)	M&O Tax Rate	M&O Taxes Paid Before Limitation	M&O Taxes Paid After Limitation	Tax Savings Before District Calculations	School District Revenue Loss	Company Tax Savings Before Supplemental Payment
2021-2022	\$13,000,000	\$13,000,000	\$1.0547	\$137,111	\$137,111	\$0	\$0	\$0
2022-2023	\$231,828,234	\$231,828,234	\$1.0547	\$2,445,092	\$2,445,092	\$0	\$0	\$0
2023-2024	\$1,230,385,791	\$1,230,385,791	\$1.0547	\$12,976,879	\$12,976,879	\$0	\$0	\$0
2024-2025	\$2,350,150,098	\$100,000,000	\$1.0547	\$24,787,033	\$1,054,700	\$23,732,333	-\$26,439,976	-\$2,707,643
2025-2026	\$3,152,070,569	\$100,000,000	\$1.0547	\$33,244,888	\$1,054,700	\$32,190,188	-\$9,289,952	\$22,900,236
2026-2027	\$3,401,758,252	\$100,000,000	\$1.0547	\$35,878,344	\$1,054,700	\$34,823,644	-\$2,872,581	\$31,951,064
2027-2028	\$3,357,113,355	\$100,000,000	\$1.0547	\$35,407,475	\$1,054,700	\$34,352,775	\$0	\$34,352,775
2028-2029	\$3,192,133,924	\$100,000,000	\$1.0547	\$33,667,436	\$1,054,700	\$32,612,736	\$0	\$32,612,736
2029-2030	\$3,035,358,940	\$100,000,000	\$1.0547	\$32,013,931	\$1,054,700	\$30,959,231	\$0	\$30,959,231
2030-2031	\$2,886,379,071	\$100,000,000	\$1.0547	\$30,442,640	\$1,054,700	\$29,387,940	\$0	\$29,387,940
2031-2032	\$2,744,805,434	\$100,000,000	\$1.0547	\$28,949,463	\$1,054,700	\$27,894,763	\$0	\$27,894,763
2032-2033	\$2,610,268,572	\$100,000,000	\$1.0547	\$27,530,503	\$1,054,700	\$26,475,803	\$0	\$26,475,803
2033-2034	\$2,482,417,485	\$100,000,000	\$1.0547	\$26,182,057	\$1,054,700	\$25,127,357	\$0	\$25,127,357
2034-2035	\$2,360,918,706	\$2,360,918,706	\$1.0547	\$24,900,610	\$24,900,610	\$0	\$0	\$0
2035-2036	\$2,245,455,424	\$2,245,455,424	\$1.0547	\$23,682,818	\$23,682,818	\$0	\$0	\$0
2036-2037	\$2,135,726,653	\$2,135,726,653	\$1.0547	\$22,525,509	\$22,525,509	\$0	\$0	\$0
2037-2038	\$2,031,446,440	\$2,031,446,440	\$1.0547	\$21,425,666	\$21,425,666	\$0	\$0	\$0
2038-2039	\$1,932,343,116	\$1,932,343,116	\$1.0547	\$20,380,423	\$20,380,423	\$0	\$0	\$0
<b>Totals</b>				<b>\$436,577,878</b>	<b>\$139,021,108</b>	<b>\$297,556,770</b>	<b>-\$38,602,508</b>	<b>\$258,954,262</b>

## Supplemental Payment

The two parties are able to negotiate a supplemental payment, which allows for a partial sharing of the Applicant's tax savings with the school district. Under Texas Tax Code 313.027(i), these payments may not exceed \$100 per average daily attendance (ADA) and may only occur from the first year of the qualifying time period through the third year after the value limitation expires. In the case of school districts with an ADA below 500, the tax code allows for a minimum annual payment of \$50,000. The exact terms of the supplemental payment are set in the final Ch. 313 Agreement.

## Facilities Impact

The project remains fully taxable for I&S tax purposes over the course of the taxable life of the project and should have significant positive impact on ECISD's debt service. The Applicant intends to invest a total of \$4.57 billion resulting in a peak taxable value of \$3.4 billion in the 2026-2027 school year. If applied to ECISD's 2020 tax base, this taxable value would increase the district's I&S tax base by roughly 21.66%.

After this estimated taxable value is observed in the 2026-2027 school year, the project's taxable value is assumed to depreciate with an average annual reduction in value of \$131.33 million through remainder of the value limitation period. Although this represents a significant annual reduction, the project's taxable value is estimated to be \$2.36 billion in the 2034-2035 school year, the first year the project is fully taxable for M&O tax purposes. This addition of long-term value combined with the overall increase to the tax base should provide ECISD the ability to service existing debt through a reduced I&S tax rate and offer a more diverse tax base for future debt issuances.

## **Conclusion**

The total estimated ECISD revenue losses of \$38,602,508 and Applicant tax savings of \$258,954,262 are based on the assumptions used in this report. The terms of these calculations are set in the Ch. 313 Agreement and will require the use of the concurrent year's school finance system, assessed taxable value of the project, school district level taxable values and tax rates, and school district student population data. Changes to any of these factors may result in revenue losses and company tax savings in different amounts than estimated in this report.

The Ch. 313 Agreement prepared by the Underwood Law Firm P.C. ensures that ECISD is protected against any loss in revenue and defines the supplemental payment allowing the district to share in the applicant's long-term tax savings. With the Ch. 313 Agreement in place, the proposed project is financially beneficial for both the Ector County Independent School District and the applicant Nacero TX 1 LLC.

## Estimated Effects of the Ch. 313 Application from Nacero TX 1 LLC Project upon the Finances of the Ector County Independent School District

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Company Tax												
			Project Full	Project Limited	M&O	M&O Taxes	M&O Taxes	Tax Savings	School	Company Tax		Total	
	School Year	Tax Year	Taxable Value	Tax Value (M&O	Tax	Paid Before	Paid After	Before District	District	Savings Before	Supplemental	Supplemental	Company Tax
			(I&S Value)*	Value)	Rate#	Limitation	Limitation	Calculations	Revenue Loss	Payment	Payment\$		Savings
Qualifying Year 1	2021-2022	2021	\$13,000,000	\$13,000,000	\$1.0547	\$137,111	\$137,111	\$0	\$0	\$0	\$0	\$0	\$0
	2022-2023	2022	\$231,828,234	\$231,828,234	\$1.0547	\$2,445,092	\$2,445,092	\$0	\$0	\$0	\$0	\$3,060,000	-\$3,060,000
	2023-2024	2023	\$1,230,385,791	\$1,230,385,791	\$1.0547	\$12,976,879	\$12,976,879	\$0	\$0	\$0	\$0	\$3,121,200	-\$3,121,200
Value Limitation Period	2024-2025	2024	\$2,350,150,098	\$100,000,000	\$1.0547	\$24,787,033	\$1,054,700	\$23,732,333	-\$26,439,976	-\$2,707,643	\$3,183,600	\$3,183,600	-\$5,891,243
	2025-2026	2025	\$3,152,070,569	\$100,000,000	\$1.0547	\$33,244,888	\$1,054,700	\$32,190,188	-\$9,289,952	\$22,900,236	\$3,247,300	\$3,247,300	\$19,652,936
	2026-2027	2026	\$3,401,758,252	\$100,000,000	\$1.0547	\$35,878,344	\$1,054,700	\$34,823,644	-\$2,872,581	\$31,951,064	\$3,312,200	\$3,312,200	\$28,638,864
	2027-2028	2027	\$3,357,113,355	\$100,000,000	\$1.0547	\$35,407,475	\$1,054,700	\$34,352,775	\$0	\$34,352,775	\$3,378,500	\$3,378,500	\$30,974,275
	2028-2029	2028	\$3,192,133,924	\$100,000,000	\$1.0547	\$33,667,436	\$1,054,700	\$32,612,736	\$0	\$32,612,736	\$3,446,100	\$3,446,100	\$29,166,636
	2029-2030	2029	\$3,035,358,940	\$100,000,000	\$1.0547	\$32,013,931	\$1,054,700	\$30,959,231	\$0	\$30,959,231	\$3,515,000	\$3,515,000	\$27,444,231
	2030-2031	2030	\$2,886,379,071	\$100,000,000	\$1.0547	\$30,442,640	\$1,054,700	\$29,387,940	\$0	\$29,387,940	\$3,585,300	\$3,585,300	\$25,802,640
	2031-2032	2031	\$2,744,805,434	\$100,000,000	\$1.0547	\$28,949,463	\$1,054,700	\$27,894,763	\$0	\$27,894,763	\$3,657,000	\$3,657,000	\$24,237,763
	2032-2033	2032	\$2,610,268,572	\$100,000,000	\$1.0547	\$27,530,503	\$1,054,700	\$26,475,803	\$0	\$26,475,803	\$3,730,100	\$3,730,100	\$22,745,703
	2033-2034	2033	\$2,482,417,485	\$100,000,000	\$1.0547	\$26,182,057	\$1,054,700	\$25,127,357	\$0	\$25,127,357	\$3,804,700	\$3,804,700	\$21,322,657
Maintain Viable Presence	2034-2035	2034	\$2,360,918,706	\$2,360,918,706	\$1.0547	\$24,900,610	\$24,900,610	\$0	\$0	\$0	\$3,880,800	\$3,880,800	-\$3,880,800
	2035-2036	2035	\$2,245,455,424	\$2,245,455,424	\$1.0547	\$23,682,818	\$23,682,818	\$0	\$0	\$0	\$3,958,400	\$3,958,400	-\$3,958,400
	2036-2037	2036	\$2,135,726,653	\$2,135,726,653	\$1.0547	\$22,525,509	\$22,525,509	\$0	\$0	\$0	\$4,037,600	\$4,037,600	-\$4,037,600
	2037-2038	2037	\$2,031,446,440	\$2,031,446,440	\$1.0547	\$21,425,666	\$21,425,666	\$0	\$0	\$0	\$0	\$0	\$0
	2038-2039	2038	\$1,932,343,116	\$1,932,343,116	\$1.0547	\$20,380,423	\$20,380,423	\$0	\$0	\$0	\$0	\$0	\$0
Totals						\$436,577,878	\$139,021,108	\$297,556,770	-\$38,602,508	\$258,954,262	\$52,917,800	\$206,036,462	

**NOTE:** The terms of these calculations are set in the Ch. 313 Agreement; however, each year's calculation during the limitation period requires the use of the concurrent year's school finance system, assessed taxable value of the project, school district level taxable values and tax rates, school district student population data and other relevant data. These calculations are based upon the current school finance system as of the date of preparation below. Changes to any of these factors may result in revenue losses and company tax savings in different amounts than estimated in this document.

\*The project taxable values utilized here are based on those provided in the application submitted by the Applicant. Calculations made for active agreements during the value limitation period will be based upon the assessed value as determined by the county central appraisal district.

#The M&O tax rate used is based on the district's adopted 2020-2021 M&O tax rate. All future calculations will use the corresponding year's adopted M&O tax rate.

\$Under the terms of the Ch. 313 Agreement, the supplemental payments are set to begin in the 2022-2023 and continue annually until concluding in the 2036-2037 school year. Each year's payment will be based off the prior school year's average daily attendance (ADA) multiplied by \$100. This column displays projections of those payments based on an assumed annual growth in ADA of 2%.

### Summary of Estimated Financial Impact

<b>Total Estimated School District Revenue Loss</b>	<b>Total Supplemental Payments</b>	<b>Total Company Tax Savings</b>
<b>\$38,602,508</b>	<b>\$52,917,800</b>	<b>\$206,036,462</b>

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

March 31, 2021

Delma Abalos, President  
Board of Trustees  
Ector County Independent School District  
P O BOX 3912  
Odessa, Texas 79760-3912

Dear President Abalos:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the Nacero TX 1, LLC project #1568 on the number and size of school facilities in Ector County Independent School District (ECISD). Based on the email communication with the ECISD superintendent, Scott R Muri, the TEA has determined that the Nacero TX 1, LLC project should not have a significant impact on the number or size of school facilities in ECISD.

Please feel free to contact me by phone at (512) 463-8732 or by email at [amy.copeland@tea.texas.gov](mailto:amy.copeland@tea.texas.gov) if you have any questions.

Sincerely,

Amy Copeland  
Director of State Funding

Cc: Scott R Muri, Superintendent



# Taxes

Property Tax Assistance

## 2020 ISD Summary Worksheet

### 068-Ector

#### 068-901/Ector County ISD

Category	Local Tax Roll Value	2020 WTD Mean Ratio	2020 PTAD Value Estimate	2020 Value Assigned
A - SINGLE-FAMILY	7,099,373,352	0.9590	7,402,891,921	7,099,373,352
B - MULTIFAMILY	712,079,510	0.9121	780,703,333	712,079,510
C1 - VACANT LOTS	199,037,068	N/A	199,037,068	199,037,068
C2 - COLONIAL LOTS	0	N/A	0	0
D1 ACRES - QUALIFIED OPEN-SPACE LAND	3,187,791	0.5562	5,731,251	3,187,791
D2 - FARM & RANCH IMP	8,460,319	N/A	8,460,319	8,460,319
E - NON-AG LAND AND IMPROVEMENTS	81,355,719	N/A	81,355,719	81,355,719
F1 - COMMERCIAL REAL	2,526,550,223	0.8937	2,827,067,498	2,526,550,223
F2 - INDUSTRIAL REAL	658,569,269	N/A	658,569,269	658,569,269
G - ALL MINERALS	1,442,600,517	1.0089	1,429,874,633	1,442,600,517
J - ALL UTILITIES	518,864,830	0.7968	651,185,781	518,864,830

<b>L1 - COMMERCIAL PERSONAL</b>	3,262,161,645	1.0140	3,217,121,938	3,262,161,645
<b>L2 - INDUSTRIAL PERSONAL</b>	138,326,247	N/A	138,326,247	138,326,247
<b>M1 - MOBILE HOMES</b>	480,906,911	N/A	480,906,911	480,906,911
<b>N - INTANGIBLE PERSONAL PROPERTY</b>	0	N/A	0	0
<b>O - RESIDENTIAL INVENTORY</b>	5,315,854	N/A	5,315,854	5,315,854
<b>S - SPECIAL INVENTORY</b>	105,009,538	N/A	105,009,538	105,009,538
<b>Subtotal</b>	17,241,798,793	0	17,991,557,280	17,241,798,793
<b>Less Total Deductions</b>	1,811,545,221	0	1,872,432,595	1,811,545,221
<b>Total Taxable Value</b>	15,430,253,572	0	16,119,124,685	15,430,253,572

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

<b>T1</b>	<b>T2</b>	<b>T3</b>	<b>T4</b>
15,691,223,115	15,430,253,572	15,199,514,638	14,938,545,095

<b>Loss To the Additional \$10,000 Homestead Exemption</b>	<b>50% of the loss to the Local Optional Percentage Homestead Exemption</b>
260,969,543	491,708,477

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**

<b>T7</b>	<b>T8</b>	<b>T9</b>	<b>T10</b>
15,753,224,271	15,492,254,728	15,261,515,794	15,000,546,251

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

**068-901-02/Ector County ISD**



<b>Category</b>	<b>Local Tax Roll Value</b>	<b>2020 WTD Mean Ratio</b>	<b>2020 PTAD Value Estimate</b>	<b>2020 Value Assigned</b>
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<b>B - MULTIFAMILY</b>	712,079,510	0.9121	780,703,333	712,079,510
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T10 = T8 minus 50 % of the loss to the local optional percentage homestead exemption

See Agreement  
(Comptroller No. 1568)  
posted on Comptroller Website



**GLENN HEGAR** TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

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

June 10, 2021

Scott Muri  
Superintendent  
Ector County Independent School District  
802 N. Sam Houston  
Odessa, Texas 76761

Re: Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations taxes by and between Ector County Independent School District and Nacero TX 1, LLC, Application 1568

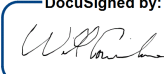
Dear Superintendent Muri:

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 Ector County Independent School District and Nacero TX 1, 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 Nicholas Valles with our office. He can be reached by email at [nicholas.valles@cpa.texas.gov](mailto:nicholas.valles@cpa.texas.gov) or by phone at 1-800-531-5441, ext. 3-3017, or at 512-463-3017.

Sincerely,

DocuSigned by:  
  
BFD6C70F5753487...  
Will Counihan  
Director  
Data Analysis & Transparency Division

cc: Fred Stormer, Underwood Law Firm, PC  
Christopher Micklas, Nacero Inc.  
Sarah White, Global Location Strategy