

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



August 15, 2012

Alton Frailey
Superintendent
Katy Independent School District
6301 South Stadium Lane
Katy, Texas 77494

Dear Superintendent Frailey:

On June 22, 2012, the Comptroller received the completed application for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted on June 18, 2012 to the Katy Independent School District (Katy ISD) by Weatherford Artificial Lift Systems, Inc. This letter presents the results of the comptroller's review of the application:

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

Katy ISD is currently classified as a rural school district in Category 1 according to the provisions of Chapter 313. Therefore, the applicant properly applied under the provisions of Subchapter C, applicable to rural school districts. The amount of proposed qualified investment (\$90.5 million) is consistent with the proposed appraised value limitation sought (\$30 million). The property value limitation amount noted in this recommendation is based on property values available at the time of application and may change prior to the execution of any final agreement. Weatherford Artificial Lift Systems, Inc. is proposing the construction of a manufacturing facility in Waller County. Weatherford Artificial Lift Systems, Inc. is an active franchise taxpayer in good standing, as required by Tax Code Section 313.024(a).

As required by Section 313.024(h), the Comptroller has determined that the property, as described by the application, meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

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

Our review of the application assumes the truth and accuracy of the statements in the application and that, if the application is approved, the applicant would perform according to the provisions of the agreement reached with the school district. Our recommendation does not address whether the applicant has complied with all Chapter 313 requirements. The school district is responsible for verifying that all requirements of the statute have been fulfilled. Additionally, Section 313.025 requires the school district to determine if the evidence supports making specific findings that the information in the application is true and correct, the applicant is eligible for a limitation and that granting the application is in the best

¹ All statutory references are to the Texas Tax Code, unless otherwise noted.

interest of the school district and state. As stated above, we prepared the recommendation by generally reviewing the application and supporting documentation in light of the Section 313.026 criteria.

Note that any new building or other improvement existing as of the application review start date of June 22, 2012, or any tangible personal property placed in service prior that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application that has been submitted and reviewed by the Comptroller. The recommendation may not be used by the ISD to support its approval of the property value limitation agreement if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this recommendation is contingent on future compliance with the Chapter 313 and the Texas Administrative Code, with particular reference to the following requirements related to the execution of the agreement:

1. The applicant must provide the Comptroller a copy of the proposed limitation on appraised value agreement no later than 10 days prior to the meeting scheduled by the district to consider approving the agreement, so that the Comptroller may review it for compliance with the statutes and the Comptroller's rules as well as consistency with the application;
2. The Comptroller providing written confirmation that it received and reviewed the draft agreement and affirming the recommendation made in this letter;
3. The district must approve and execute a limitation agreement that has been reviewed by this office within a year from the date of this letter; and
4. Section 313.025 requires the district to provide to the Comptroller a copy of the signed limitation agreement within 7 days after execution.

Should you have any questions, please contact Robert Wood, director of Economic Development & Analysis Division, by email at robert.wood@cpa.state.tx.us or by phone at 1-800-531-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,



Martin A. Hubert
Deputy Comptroller

Enclosure

cc: Robert Wood

Economic Impact for Chapter 313 Project

Applicant	Weatherford Artificial Lift Systems, Inc.
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Katy ISD
2010-11 Enrollment in School District	60,573
County	Waller
Total Investment in District	\$124,139,420
Qualified Investment	\$90,500,000
Limitation Amount	\$30,000,000
Number of total jobs committed to by applicant	245
Number of qualifying jobs committed to by applicant	196
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,079
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,079
Minimum Annual Wage committed to by applicant for qualified jobs	\$56,102
Investment per Qualifying Job	\$633,364
Estimated 15 year M&O levy without any limit or credit:	\$9,196,861
Estimated gross 15 year M&O tax benefit	\$3,533,274
Estimated 15 year M&O tax benefit (<i>after</i> deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$2,844,150
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$844,831
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$6,352,711
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	30.9%
Percentage of tax benefit due to the limitation	76.1%
Percentage of tax benefit due to the credit.	23.9%

This presents the Comptroller's economic impact evaluation of Weatherford Artificial Lift Systems, Inc. (the project) applying to Katy Independent School District (the district), as required by Tax Code, 313.026. This evaluation is based on information provided by the applicant and examines the following criteria:

- (1) the recommendations of the comptroller;
- (2) the name of the school district;
- (3) the name of the applicant;
- (4) the general nature of the applicant's investment;
- (5) the relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant to the long-term economic growth plans of this state as described in the strategic plan for economic development submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Government Code, as that section existed before February 1, 1999;
- (6) the relative level of the applicant's investment per qualifying job to be created by the applicant;
- (7) the number of qualifying jobs to be created by the applicant;
- (8) the wages, salaries, and benefits to be offered by the applicant to qualifying job holders;
- (9) the ability of the applicant to locate or relocate in another state or another region of this state;
- (10) the impact the project will have on this state and individual local units of government, including:
 - (A) tax and other revenue gains, direct or indirect, that would be realized during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller; and
 - (B) economic effects of the project, including the impact on jobs and income, during the qualifying time period, the limitation period, and a period of time after the limitation period considered appropriate by the comptroller;
- (11) the economic condition of the region of the state at the time the person's application is being considered;
- (12) the number of new facilities built or expanded in the region during the two years preceding the date of the application that were eligible to apply for a limitation on appraised value under this subchapter;
- (13) the effect of the applicant's proposal, if approved, on the number or size of the school district's instructional facilities, as defined by Section 46.001, Education Code;
- (14) the projected market value of the qualified property of the applicant as determined by the comptroller;
- (15) the proposed limitation on appraised value for the qualified property of the applicant;
- (16) the projected dollar amount of the taxes that would be imposed on the qualified property, for each year of the agreement, if the property does not receive a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment and projected tax rates clearly stated;
- (17) the projected dollar amount of the taxes that would be imposed on the qualified property, for each tax year of the agreement, if the property receives a limitation on appraised value with assumptions of the projected appreciation or depreciation of the investment clearly stated;
- (18) the projected effect on the Foundation School Program of payments to the district for each year of the agreement;
- (19) the projected future tax credits if the applicant also applies for school tax credits under Section 313.103; and
- (20) the total amount of taxes projected to be lost or gained by the district over the life of the agreement computed by subtracting the projected taxes stated in Subdivision (17) from the projected taxes stated in Subdivision (16).

Wages, salaries and benefits [313.026(6-8)]

After construction, the project will create 245 new jobs when fully operational. One hundred, ninety-six jobs will meet the criteria for qualifying jobs as specified in Tax Code Section 313.021(3). According to the Texas Workforce Commission (TWC), the regional manufacturing wage for the Houston-Galveston Area Council of Governments Region, where Waller County is located was \$51,002 in 2010. The annual average manufacturing wage for 2011 for Waller County is \$56,654. That same year, the county annual average wage for all industries was \$43,875. In addition to a salary of \$56,102, each qualifying position will receive the following benefits: medical; dental; vision; flexible spending accounts; life insurance, AD&D; short-term disability; long-term disability; 401(k) plan; critical illness, accident; whole life; business travel insurance; employee assistance program; legal plan; additional AD&D; additional life insurance; and additional critical illness. The project's total investment is \$124 million, resulting in a relative level of investment per qualifying job of \$633,364.

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

According to Weatherford Artificial Lift Systems, Inc.'s application, "Weatherford Artificial Lift Systems, Inc. is part of Weatherford International, Inc. Weatherford International, Inc. is one of the largest oilfield service companies, headquartered in Switzerland, with operations in more than 730 locations in 100 countries and employs more than 50,000 people worldwide. While Weatherford has the ability to build facilities worldwide, current market conditions make it favorable to build a new manufacturing facility for pumping units in the Houston Area."

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

During the past two years, 14 projects in the Houston-Galveston Area Council of Governments Region applied for value limitation agreements under Tax Code, Chapter 313.

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

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

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

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

Table 1: Estimated Statewide Economic Impact of Investment and Employment in Weatherford Artificial Lift Systems, Inc.

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2012	73	193	266	\$3,982,377	\$10,017,623	\$14,000,000
2013	253	421	674	\$15,748,082	\$24,251,918	\$40,000,000
2014	245	324	569	\$15,903,685	\$22,096,315	\$38,000,000
2015	245	314	559	\$16,380,700	\$24,619,300	\$41,000,000
2016	245	315	560	\$16,872,170	\$27,127,830	\$44,000,000
2017	245	314	559	\$17,378,340	\$28,621,660	\$46,000,000
2018	245	312	557	\$17,899,700	\$31,100,300	\$49,000,000
2019	245	308	553	\$18,436,740	\$31,563,260	\$50,000,000
2020	245	304	549	\$18,989,705	\$33,010,295	\$52,000,000
2021	245	345	590	\$19,559,330	\$37,440,670	\$57,000,000
2022	245	310	555	\$20,146,105	\$36,853,895	\$57,000,000
2023	245	316	561	\$20,750,520	\$38,249,480	\$59,000,000
2024	245	325	570	\$21,373,065	\$40,626,935	\$62,000,000
2025	245	329	574	\$22,014,230	\$42,985,770	\$65,000,000
2026	245	331	576	\$22,674,750	\$45,325,250	\$68,000,000
2027	245	343	588	\$23,354,870	\$47,645,130	\$71,000,000

Source: CPA, REMI, Weatherford Artificial Lift Systems, Inc.

The statewide average ad valorem tax base for school districts in Texas was \$1.6 billion in 2010. Katy ISD's ad valorem tax base in 2010 was \$18.3 billion. The statewide average wealth per WADA was estimated at \$345,067 for fiscal 2010-2011. During that same year, Katy ISD's estimated wealth per WADA was \$270,488. The impact on the facilities and finances of the district are presented in Attachment 2.

Table 2 examines the estimated direct impact on ad valorem taxes to the school district, Waller County, Brookshire-Katy Drainage District, and Waller-Harris Emergency Services District, with all property tax incentives sought being granted using estimated market value from Weatherford Artificial Lift Systems, Inc.'s application. Weatherford Artificial Lift Systems, Inc. has applied for both a value limitation under Chapter 313, Tax Code and a tax abatement with the county. Table 3 illustrates the estimated tax impact of the Weatherford Artificial Lift Systems, Inc. project on the region if all taxes are assessed.

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Katy ISD I&S Levy	Katy ISD M&O Levy	Katy ISD M&O and I&S Tax Levies (Before Credit Credited)	Katy ISD M&O and I&S Tax Levies (After Credit Credited)	Waller County	Brookshire-Katy Drainage District	Waller-Harris Emergency Services District	Estimated Total Property Taxes	
2013	\$53,864,420	\$53,864,420		0.4000	1.1266	\$215,458	\$606,837	\$822,294	\$0	\$50,282	\$50,848	\$923,425
2014	\$81,125,000	\$81,125,000		\$324,500	\$913,954	\$1,238,454	\$1,238,454	\$0	\$75,730	\$76,582	\$1,390,766	
2015	\$74,875,000	\$30,000,000		\$299,500	\$337,980	\$637,480	\$637,480	\$0	\$69,896	\$70,682	\$778,058	
2016	\$67,721,667	\$30,000,000		\$270,887	\$337,980	\$608,867	\$488,177	\$0	\$63,218	\$63,929	\$615,324	
2017	\$62,468,333	\$30,000,000		\$249,873	\$337,980	\$587,853	\$467,163	\$0	\$58,314	\$58,970	\$584,448	
2018	\$66,661,667	\$30,000,000		\$266,647	\$337,980	\$604,627	\$483,937	\$0	\$62,229	\$62,929	\$609,094	
2019	\$59,255,000	\$30,000,000		\$237,020	\$337,980	\$575,000	\$454,310	\$0	\$55,315	\$55,937	\$565,561	
2020	\$51,945,000	\$30,000,000		\$207,780	\$337,980	\$545,760	\$425,070	\$0	\$48,491	\$49,036	\$522,597	
2021	\$44,585,000	\$30,000,000		\$178,340	\$337,980	\$516,320	\$395,630	\$0	\$41,620	\$42,088	\$479,338	
2022	\$51,121,667	\$30,000,000		\$204,487	\$337,980	\$542,467	\$421,777	\$0	\$47,722	\$48,259	\$517,757	
2023	\$47,558,333	\$47,558,333		\$190,233	\$535,792	\$726,026	\$726,026	\$0	\$44,396	\$44,895	\$815,316	
2024	\$44,091,667	\$44,091,667		\$176,367	\$496,737	\$673,103	\$673,103	\$0	\$41,160	\$41,623	\$755,885	
2025	\$40,525,000	\$40,525,000		\$162,100	\$456,555	\$618,655	\$618,655	\$0	\$37,830	\$38,256	\$694,740	
2026	\$37,055,000	\$37,055,000		\$148,220	\$417,462	\$565,682	\$565,682	\$0	\$34,591	\$34,980	\$635,252	
2027	\$33,485,000	\$33,485,000		\$133,940	\$377,242	\$511,182	\$511,182	\$0	\$31,258	\$31,610	\$574,050	
						Total	\$8,928,938	\$0	\$762,051	\$770,623	\$10,461,612	

Assumes School Value Limitation and Tax Abatement with the County.

Source: CPA, Weatherford Artificial Lift Systems, Inc.

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable value for I&S	Estimated Taxable value for M&O	Tax Rate ¹	Katy ISD I&S Levy	Katy ISD M&O Levy	Katy ISD M&O and I&S Tax Levies	Waller County	Brookshire-Katy Drainage District	Waller-Harris Emergency Services District	Estimated Total Property Taxes	
2013	\$53,864,420	\$53,864,420		0.4000	1.1266	\$822,294	\$374,802	\$50,282	\$50,848	\$1,298,227	
2014	\$81,125,000	\$81,125,000		\$324,500	\$913,954	\$1,238,454	\$564,488	\$75,730	\$76,582	\$1,955,254	
2015	\$74,875,000	\$74,875,000		\$299,500	\$843,542	\$1,143,042	\$520,999	\$69,896	\$70,682	\$1,804,619	
2016	\$67,721,667	\$67,721,667		\$270,887	\$762,952	\$1,033,839	\$471,224	\$63,218	\$63,929	\$1,632,211	
2017	\$62,468,333	\$62,468,333		\$249,873	\$703,768	\$953,642	\$434,670	\$58,314	\$58,970	\$1,505,596	
2018	\$66,661,667	\$66,661,667		\$266,647	\$751,010	\$1,017,657	\$463,849	\$62,229	\$62,929	\$1,606,663	
2019	\$59,255,000	\$59,255,000		\$237,020	\$667,567	\$904,587	\$412,311	\$55,315	\$55,937	\$1,428,149	
2020	\$51,945,000	\$51,945,000		\$207,780	\$585,212	\$792,992	\$361,446	\$48,491	\$49,036	\$1,251,965	
2021	\$44,585,000	\$44,585,000		\$178,340	\$502,295	\$680,635	\$310,234	\$41,620	\$42,088	\$1,074,577	
2022	\$51,121,667	\$51,121,667		\$204,487	\$575,937	\$780,423	\$355,717	\$47,722	\$48,259	\$1,232,122	
2023	\$47,558,333	\$47,558,333		\$190,233	\$535,792	\$726,026	\$330,923	\$44,396	\$44,895	\$1,146,239	
2024	\$44,091,667	\$44,091,667		\$176,367	\$496,737	\$673,103	\$306,801	\$41,160	\$41,623	\$1,062,686	
2025	\$40,525,000	\$40,525,000		\$162,100	\$456,555	\$618,655	\$281,983	\$37,830	\$38,256	\$976,723	
2026	\$37,055,000	\$37,055,000		\$148,220	\$417,462	\$565,682	\$257,838	\$34,591	\$34,980	\$893,090	
2027	\$33,485,000	\$33,485,000		\$133,940	\$377,242	\$511,182	\$232,997	\$31,258	\$31,610	\$807,047	
						Total	\$12,462,212	\$5,680,282	\$762,051	\$770,623	\$19,675,168

Source: CPA, Weatherford Artificial Lift Systems, Inc.

¹Tax Rate per \$100 Valuation

Attachment 1 includes schedules A, B, C, and D provided by the applicant in the application. Schedule A shows proposed investment. Schedule B is the projected market value of the qualified property. Schedule C contains employment information, and Schedule D contains tax expenditures and other tax abatement information.

Attachment 2, provided by the district and reviewed by the Texas Education Agency, contains information relating to the financial impact of the proposed project on the finances of the district as well as the tax benefit of the value limitation. "Table 5" in this attachment shows the estimated 15 year M&O tax levy without the value limitation agreement would be \$9,196,861. The estimated gross 15 year M&O tax benefit, or levy loss, is \$3,533,274.

Attachment 3 is an economic overview of Waller County.

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

Attachments

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

Attachment 1

Applicant Name: Weatherford Artificial Lift Systems, Inc.
 ISD Name: Kelly Independent School District

PROPERTY INVESTMENT AMOUNTS										
(Estimated investment in each year. Do not put cumulative totals.)										
	Year	School Year (YYYY-YYYY)	Tax Year (Fill in actual tax year below)	Column A: Tangible Personal Property Investment (original cost) placed in service during this year	Column B: Building or permanent nonremovable component of building (annual amount only)	Column C: Sum of A and B Qualifying Investment (during the qualifying time period)	Column D: Other investment that is not qualified investment but investment affecting economic impact and total value	Column E: Total Investment (A+B+D)		
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals) Investment made before filing complete application with district (neither qualified property nor eligible to become qualified investment) Investment made after filing complete application with district, but before final board approval of application (eligible to become qualified property) Investment made after final board approval of application and before Jan. 1 of first complete tax year of qualifying time period (qualified investment and eligible to become qualified property) Complete tax years of qualifying time period Value Limitation Period Credit Settle-Up Period Post-Settle-Up Period Post-Settle-Up Period	1	2013-2014	2013	24,250,000	21,000,000	45,250,000	11,739,420	11,739,420	45,250,000	
	2	2013-2014	2014	24,250,000	21,000,000	45,250,000			45,250,000	
	3	2014-2015	2015		100,000				100,000	
	4	2015-2016	2016		100,000				100,000	
	5	2016-2017	2017		1,150,000				1,150,000	
	6	2017-2018	2018							
	7	2018-2019	2019		100,000				100,000	
	8	2019-2020	2020							
	9	2020-2021	2021		10,000,000				10,000,000	
	10	2021-2022	2022							
	11	2022-2023	2023							
	12	2023-2024	2024		100,000				100,000	
	13	2024-2025	2025							
	14	2025-2027	2026							
	15	2027-2028	2027							

Qualifying Time Period usually begins with the final board approval of the application and extends generally for the following two complete tax years

Column A: This represents the total dollar amount of planned investment in tangible personal property the applicant considers qualified investment - as defined in Tax Code §313.021(1)(A)-(D)

For the purposes of investment, please list amount invested each year, not cumulative totals.

Column B: For the years outside the qualifying time period, this number should simply represent the planned investment in tangible personal property

includes estimates of investment for "replacement" property-property that is part of original agreement but scheduled for probable replacement during limitation period.

Column C: The total dollar amount of planned investment each year in buildings or nonremovable component of buildings that the applicant considers qualified investment under Tax Code §313.021(1)(E).

For the years outside the qualifying time period, this number should simply represent the planned investment in new buildings or nonremovable components of buildings.

Column D: Dollar value of other investment that may not be qualified investment but that may affect economic impact and total value-for planning, construction and operation of the facility

The most significant examples for many projects would be land. Other examples may be items such as professional services, etc.

Note: Land can be listed as part of investment during the "pre-year 1" time period. It cannot be part of qualifying investment.

Notes: For advanced clean energy projects, nuclear projects, projects with deferred qualifying time periods, and projects with lengthy application review periods, insert additional rows as needed.

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

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

JUNE 15, 2012

Schedule B (Rev. May 2010): Estimated Market And Taxable Value
 Weatherford Airlift Systems, Inc.
 Kay Independent School District

Form 50-296

Applicant Name ISD Name	Year	School Year (YYYY-YYYY)	Tax Year (File on actual tax year) YYYY	Estimated Market Value of Land	Estimated Total Market Value of new buildings or other new improvements	Qualified Property Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Reductions from Market Value Exempted Value	Estimated Taxable Value Final taxable value for IAS - after all reductions	Final taxable value for MCO - after all reductions
	pre-year 1	2012-2013	2012						
	1	2013-2014	2013	11,739,420	20,300,000	21,825,000	0	53,864,420	53,864,420
	2	2014-2015	2014	11,739,420	39,900,000	41,225,000	0	81,125,000	81,125,000
	3	2015-2016	2015	11,739,420	38,500,000	36,375,000	0	74,875,000	30,000,000
	4	2016-2017	2016	11,739,420	37,196,667	31,525,000	0	67,721,667	30,000,000
	5	2017-2018	2017	11,739,420	35,793,333	26,675,000	0	62,488,333	30,000,000
	6	2018-2019	2018	11,739,420	34,486,667	32,175,000	0	66,661,667	30,000,000
	7	2019-2020	2019	11,739,420	33,080,000	26,175,000	0	59,255,000	30,000,000
	8	2020-2021	2020	11,739,420	31,770,000	20,175,000	0	51,945,000	30,000,000
	9	2021-2022	2021	11,739,420	30,360,000	14,225,000	0	44,585,000	30,000,000
	10	2022-2023	2022	11,739,420	29,046,667	22,075,000	0	51,121,667	30,000,000
	11	2023-2024	2023	11,739,420	27,633,333	19,925,000	0	47,558,333	47,558,333
	12	2024-2025	2024	11,739,420	26,316,667	17,775,000	0	44,091,667	44,091,667
	13	2025-2026	2025	11,739,420	24,900,000	15,625,000	0	40,525,000	40,525,000
	14	2026-2027	2026	11,739,420	23,580,000	13,475,000	0	37,055,000	37,055,000
	15	2027-2028	2027	11,739,420	22,160,000	11,325,000	0	33,485,000	33,485,000
Tax Credit Period (with 50% cap on credit)									
Credit Settle-Up Period									
Post-Settle-Up Period									
Post-Settle-Up Period									

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

 DATE JUNE 15, 2012

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

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

Applicant Name

Weatherford Artificial Lift Systems, Inc.

ISD Name

Katy Independent School District

Other Property Tax Abatements Sought

Form 50-296

	Year	School Year (YYYY-YYYY)	Tax/Calendar Year YYYY	Sales Tax Information		Franchise Tax				City	Hospital	Other
				Column F: Estimate of total annual expenditures subject to state sales tax	Column G: Estimate of total annual expenditures made in Texas NOT subject to sales tax	Column H: Estimate of Franchise tax due from (or attributable to) the applicant	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement	Fill in percentage exemption requested or granted in each year of the Agreement			
The year preceding the first complete tax year of the qualifying time period (assuming no deferrals)		2012-2013	2012	0	0	0	0	0	0	0	0	0
	Complete tax years of qualifying time period	1	2013-2014	2013	4,665,015	5,686,556	0	100%	0	0	0	0
		2	2014-2015	2014	7,297,523	8,528,834	0	100%	0	0	0	0
	Value Limitation Period	3	2015-2016	2015	9,730,031	11,373,112	0	100%	0	0	0	0
		4	2016-2017	2016	9,730,031	11,373,112	0	100%	0	0	0	0
5		2017-2018	2017	14,595,046	11,373,112	0	100%	0	0	0	0	
Tax Credit Period (with 50% cap on credit)	6	2018-2019	2018	14,595,046	11,373,112	0	100%	0	0	0	0	
	7	2019-2020	2019	14,595,046	11,373,112	0	100%	0	0	0	0	
	8	2020-2021	2020	14,595,046	11,373,112	0	100%	0	0	0	0	
	9	2021-2022	2021	14,595,046	11,373,112	0	100%	0	0	0	0	
	10	2022-2023	2022	14,595,046	11,373,112	0	100%	0	0	0	0	
Credit Settle-Up Period	11	2023-2024	2023	14,595,046	11,373,112	0	100%	0	0	0	0	
	12	2024-2025	2024	14,595,046	11,373,112	0	100%	0	0	0	0	
	13	2025-2026	2025	14,595,046	11,373,112	0	100%	0	0	0	0	
Post-Settle-Up Period	14	2026-2027	2026	14,595,046	11,373,112	0	100%	0	0	0	0	
	15	2027-2028	2027	14,595,046	11,373,112	0	100%	0	0	0	0	

For planning, construction and operation of the facility.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

JUNE 15, 2012

DATE

Attachment 2

August 8, 2012

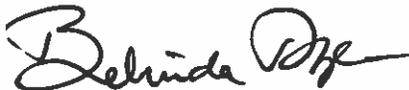
Mr. Robert Wood
Director, Economic Development and Analysis
Texas Comptroller of Public Accounts
Lyndon B. Johnson State Office Building
111 East 17th Street
Austin, Texas 78774

Dear Mr. Wood:

The Texas Education Agency has analyzed the revenue gains that would be realized by the proposed Weatherford Artificial Lift Systems Inc. project for the Katy Independent School District (KISD). Projections prepared by our Office of School Finance confirm the analysis that was prepared by Moak, Casey and Associates and provided to us by your division. We believe their assumptions regarding the potential revenue gain are valid, and their estimates of the impact of the Weatherford Artificial Lift Systems Inc. project on KISD are correct.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information regarding this issue.

Sincerely,



Belinda Dyer
Division Manager
Office of School Finance

BD/bd

August 8, 2012

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

Dear Mr. Wood:

As required by the Tax Code, §313.025 (b-1), the Texas Education Agency (TEA) has evaluated the impact of the proposed Weatherford Artificial Lift Systems Inc. project on the number and size of school facilities in Katy Independent School District (KISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the KISD superintendent, Alton Frailey, the TEA has found that the Weatherford Artificial Lift Systems Inc. project would not have a significant impact on the number or size of school facilities in KISD.

Please feel free to contact Al McKenzie, manager of forecasting, facilities, and transportation, by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information regarding this issue.

Sincerely,



Belinda Dyer
Division Manager
Office of School Finance

BD/bd

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED
WEATHERFORD ARTIFICIAL LIFT SYSTEMS, INC. PROJECT ON
THE FINANCES OF THE KATY INDEPENDENT SCHOOL DISTRICT
UNDER A REQUESTED CHAPTER 313 PROPERTY VALUE
LIMITATION**

June 26, 2012

Final Report

PREPARED BY



Estimated Impact of the Proposed Weatherford Artificial Lift Systems, Inc. Project on the Finances of the Katy Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

Weatherford Artificial Lift Systems, Inc. (Weatherford) has requested that the Katy Independent School District (KISD) consider granting a property value limitation under Chapter 313 of the Tax Code, also known as the Texas Economic Development Act. In an application submitted to KISD on June 18, 2012, Weatherford proposes to invest \$124 million to construct a new manufacturing facility for oil field service equipment in KISD.

The Weatherford project is consistent with the state's goal to "encourage large scale capital investments in this state." When enacted as House Bill 1200 in 2001, Chapter 313 of the Tax Code granted eligibility to companies engaged in manufacturing, research and development, and renewable electric energy production to apply to school districts for property value limitations. Subsequent legislative changes expanded eligibility to clean coal projects, nuclear power generation and data centers, among others.

Under the provisions of Chapter 313, KISD may offer a minimum value limitation of \$30 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2013-14 and 2014-15 school years, unless the District and the Company agree to an extension of the start of the two-year qualifying time period. For the purpose of this analysis, it is assumed that the qualifying time period will be the 2013-14 and 2014-15 school years. Beginning the 2015-16 school year, the project would go on the local tax roll at \$30 million and remain at that level of taxable value for eight years for maintenance and operations (M&O) taxes.

The full taxable value of the project could be assessed for debt service taxes on voter-approved bond issues throughout the limitation period, with KISD currently levying a \$0.40 per \$100 I&S tax rate. The full taxable value of the investment is expected to reach \$81 million in the 2014-15 school year, with depreciation expected to reduce the value of the project most of the years when the value limitation is in effect.

In the case of the Weatherford project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. KISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$524,925), with smaller revenue losses anticipated for the 2018-19 and 2023-24 school years.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$2.8 million over the course of the agreement. This amount is net of any anticipated revenue losses for the District.

School Finance Mechanics

Under the current school finance system, the property values established by the Comptroller's Office that are used to calculate state aid and recapture lag by one year, a practical consequence of the fact that the Comptroller's Office needs this time to conduct its property value study and now the planned audits of appraisal district operations in alternating years. A taxpayer receiving a value limitation pays M&O taxes on the reduced value for the project in years 3-10 and receives a tax bill for I&S taxes based on the full project value throughout the qualifying and value limitation period (and thereafter). The school funding formulas use the Comptroller's property values that reflect a reduction due to the property value limitation in years 4-11 as a result of the one-year lag in property values.

The third year is often problematical financially for a school district that approves a Chapter 313 value limitation. The implementation of the value limitation often results in a revenue loss to the school district in the third year of the agreement that would not be reimbursed by the state, but require some type of compensation from the applicant under the revenue protection provisions of the agreement. In years 4-10, smaller revenue losses would be anticipated when the state property values are aligned at the minimum value established by the Board on both the local tax roll and the corresponding state property value study, assuming a similar deduction is made in the state property values.

Under the HB 1 system adopted in 2006, most school districts received additional state aid for tax reduction (ASATR) that was used to maintain their target revenue amounts established at the revenue levels under old law for the 2005-06 or 2006-07 school years, whichever was highest. In terms of new Chapter 313 property value limitation agreements, adjustments to ASATR funding often moderated the impact of the reduced M&O collections as a result of the limitation, in contrast with the earlier formula-driven finance system.

House Bill 3646 as enacted in 2009 created more "formula" school districts that were less dependent on ASATR state aid than had been the case previously. The formula reductions enacted under Senate Bill 1 (SB 1) as approved in the First Called Session in 2011 are designed to make \$4 billion in reductions to the existing school funding formulas for the 2011-12 and 2012-13 school years. For the 2011-12 school year, across-the-board reductions were made that reduced each district's WADA count and resulted in an estimated 786 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 241 districts operating directly on the state formulas.

For the 2012-13 school year, the SB 1 changes called for smaller across-the-board reductions and funding ASATR-receiving target revenue districts at 92.35 percent of the level provided for under the existing funding formula. These changes result in a reduction to 403 target revenue or ASATR districts, compared with 624 formula districts in that year.

For the 2013-14 school year and beyond, the ASATR reduction percentage will be set in the General Appropriations Act. The recent legislative session also saw the adoption of a statement of legislative intent to no longer fund target revenue (through ASATR) by the 2017-18 school year. It is likely that ASATR state funding will be reduced in future years and eliminated by the 2017-18 school year, based on current state policy.

Based on the estimates presented below, KISD is classified as a formula district under all the scenarios presented. ASATR does not appear to be an issue for KISD with or without the proposed value limitation in place.

One key element in any analysis of the school finance implications is the provision for revenue protection in the agreement between the school district and the applicant. In the case of the Weatherford project, the agreement calls for a calculation of the revenue impact of the value limitation in years 3-10 of the agreement, under whatever school finance and property tax laws are in effect in each of those years. This meets the statutory requirement under Section 313.027(f)(1) of the Tax Code to provide school district revenue protection language in the agreement.

Underlying Assumptions

There are several approaches that can be used to analyze the future revenue stream of a school district under a value limitation. Whatever method is used, a reasonable analysis requires the use of a multi-year forecasting model that covers the years in which the agreement is in effect. The Chapter 313 application now requires 15 years of data and analysis on the project being considered for a property value limitation.

In this case, KISD provided recent estimates for enrollment growth and property value increases that are used to establish the base model. In the case of the out-years, enrollment and property values are projected on the basis of the underlying growth trends. The current SB 1 reductions are reflected in the underlying models and maintained beyond the 2012-13 school year. The projected taxable values of the Weatherford project are then factored into the base model used here. The impact of the limitation value for the proposed Weatherford project is isolated separately and the focus of this analysis.

Student enrollment counts begin at 60,693 students in average daily attendance in the 2012-13 school year. The District's local tax base is expected to reach \$20.8 billion for the 2012 tax year. Both the enrollment and taxable value estimates show increases over the forecast period. An M&O tax rate of \$1.13 is used throughout this analysis. (As a Harris County district operating under a different tax authorization statute, KISD is allowed to levy this M&O rate without seeking voter approval.) KISD has estimated state property wealth per weighted ADA or WADA of approximately \$277,595 for the 2012-13 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table 1.

School Finance Impact

School finance models were prepared for KISD under the assumptions outlined above through the 2027-28 school year. Beyond the 2012-13 school year, no attempt was made to forecast the 88th percentile or Austin yield that influence future state funding beyond the projected level for that school year. In the analyses for other districts and applicants on earlier projects, these changes appeared to have little impact on the revenue associated with the implementation of the property value limitation, since the baseline and other models incorporate the same underlying assumptions.

Under the proposed agreement, a model is established to make a calculation of the "Baseline Revenue" by adding the value of the proposed Weatherford facility to the model, but without assuming that a value limitation is approved. The results of the model are shown in Table 2.

A second model is developed which adds the Weatherford value but imposes the proposed property value limitation effective in the third year, which in this case is the 2015-16 school year. The results of this model are identified as "Value Limitation Revenue Model" under the revenue

protection provisions of the proposed agreement (see Table 3). A summary of the differences between these models is shown in Table 4.

Under these assumptions, KISD would experience a revenue loss as a result of the implementation of the value limitation in the 2015-16 school year (-\$524,925). The revenue reduction results largely from the one-year lag in the state property value study, which results in no offsetting state aid for a formula district like KISD. Smaller revenue losses are expected in the 2018-19 and 2023-24 school years in response to increased taxable values in each of those years prior to the application of the \$30 million limitation.

The Comptroller's state property value study influences these calculations, as noted previously. At the school-district level, a taxpayer benefiting from a property value limitation has two property values assigned by the local appraisal district for their property covered by the limitation: (1) a reduced value for M&O taxes, and (2) the full taxable value for I&S taxes. This situation exists for the eight years that the value limitation is in effect. The Comptroller's Property Tax Assistance Division makes two value determinations for school districts granting Chapter 313 agreements, consistent with local practice. A consolidated single state property value had been provided previously.

Impact on the Taxpayer

Table 5 summarizes the impact of the proposed property value limitation in terms of the potential tax savings under the property value limitation agreement. The focus of this table is on the M&O tax rate only. As noted previously, the property is fully taxable in the first two years under the agreement. A \$1.13 per \$100 of taxable value M&O rate is assumed in 2012-13 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$2.7 million over the life of the agreement. In addition, Weatherford would be eligible for a tax credit for M&O and I&S taxes paid on value in excess of the value limitation in each of the first two qualifying years. The credit amount is paid out slowly through years 4-10 due to statutory limits on the scale of these payments over these seven years, with catch-up payments permitted in years 11-13. The tax credits are expected to total approximately \$0.8 million over the life of the agreement, with no unpaid tax credits anticipated. The school district is to be reimbursed by the Texas Education Agency for the cost of these credits.

The key KISD revenue losses are expected to total approximately -\$689,124 over the course of the agreement. The potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$2.8 million over the life of the agreement.

Facilities Funding Impact

The Weatherford project remains fully taxable for debt services taxes, with KISD currently levying a \$0.40 I&S rate. The value of the Weatherford project is expected to depreciate over the life of the agreement and beyond, but full access to the additional value is expected to enhance KISD's ability to meet its debt service obligations.

The Weatherford project is not expected to affect KISD in terms of enrollment. Continued expansion of the project and related development could result in additional employment in the

area and an increase in the school-age population, but this project is unlikely to have much impact on a stand-alone basis.

Conclusion

The proposed Weatherford manufacturing facility for oil field service equipment project enhances the tax base of KISD. It reflects continued capital investment in keeping with the goals of Chapter 313 of the Tax Code.

Under the assumptions outlined above, the potential tax savings for the applicant under a Chapter 313 agreement could reach an estimated \$2.8 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of KISD in meeting its future debt service needs.

Table 1 – Base District Information with Weatherford Artificial Lift Systems, Inc Project Value and Limitation Values

Year of Agreement	School Year	ADA	WADA	M&O Tax Rate	I&S Tax Rate	CAD Value with Project	CAD Value with Limitation	CPTD with Project	CPTD With Limitation	CPTD Value with Project per WADA	CPTD Value with Limitation per WADA
Pre-Year 1	2012-13	60,693.25	73,747.67	\$1.1266	\$0.4000	\$21,789,976,221	\$21,789,976,221	\$20,472,019,339	\$20,472,019,339	\$277,595	\$277,595
1	2013-14	62,617.30	75,747.61	\$1.1266	\$0.3475	\$22,843,840,641	\$22,843,840,641	\$21,469,909,887	\$21,469,909,887	\$283,440	\$283,440
2	2014-15	64,263.02	77,738.02	\$1.1266	\$0.3400	\$23,871,101,221	\$23,871,101,221	\$22,509,085,611	\$22,509,085,611	\$289,551	\$289,551
3	2015-16	65,952.01	81,110.00	\$1.1266	\$0.3270	\$24,908,730,161	\$24,863,855,161	\$23,362,557,384	\$23,362,557,384	\$288,035	\$288,035
4	2016-17	67,685.38	83,241.35	\$1.1266	\$0.3270	\$25,992,260,069	\$25,953,538,402	\$24,384,853,104	\$24,339,978,104	\$292,942	\$292,402
5	2017-18	69,464.31	85,428.71	\$1.1266	\$0.3270	\$27,123,504,123	\$27,091,035,790	\$25,452,376,987	\$25,413,655,320	\$297,937	\$297,484
6	2018-19	71,289.99	87,673.57	\$1.1266	\$0.3270	\$28,315,107,023	\$28,278,445,356	\$26,566,912,686	\$26,534,444,353	\$303,021	\$302,650
7	2019-20	73,163.66	89,977.42	\$1.1266	\$0.3270	\$29,547,212,196	\$29,517,957,196	\$27,741,074,089	\$27,704,412,422	\$308,312	\$307,904
8	2020-21	75,086.57	92,341.82	\$1.1266	\$0.3270	\$30,833,802,502	\$30,811,857,502	\$28,954,972,449	\$28,925,717,449	\$313,563	\$313,246
9	2021-22	77,060.02	94,768.37	\$1.1266	\$0.3270	\$32,177,117,781	\$32,162,532,781	\$30,222,557,047	\$30,200,612,047	\$318,910	\$318,678
10	2022-23	79,085.33	97,258.69	\$1.1266	\$0.3270	\$33,593,595,927	\$33,572,474,260	\$31,546,032,668	\$31,531,447,668	\$324,352	\$324,202
11	2023-24	81,163.88	99,814.46	\$1.1266	\$0.3270	\$35,061,840,810	\$35,061,840,810	\$32,941,800,612	\$32,920,678,945	\$330,030	\$329,819
12	2024-25	83,297.05	102,437.41	\$1.1266	\$0.3270	\$36,594,769,745	\$36,594,769,745	\$34,388,426,552	\$34,388,426,552	\$335,702	\$335,702
13	2025-26	85,486.29	105,129.29	\$1.1266	\$0.3270	\$38,195,001,826	\$38,195,001,826	\$35,898,787,927	\$35,898,787,927	\$341,473	\$341,473
14	2026-27	87,733.07	107,891.92	\$1.1266	\$0.3270	\$39,865,709,827	\$39,865,709,827	\$37,475,462,209	\$37,475,462,209	\$347,343	\$347,343
15	2027-28	90,038.90	110,727.16	\$1.1266	\$0.3270	\$41,609,778,984	\$41,609,778,984	\$39,121,578,718	\$39,121,578,718	\$353,315	\$353,315

*Tier II Yield: \$47.65; AISD Yield: \$59.97; Equalized Wealth: \$476,500 per WADA

Table 2 – “Baseline Revenue Model” – Project Value Added with No Value Limitation

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year,1	2012-13	\$232,313,897	\$172,590,651	\$0	\$0	\$0	\$8,417,002	\$9,766,567	\$0	\$423,088,117
1	2013-14	\$243,315,758	\$172,802,386	\$0	\$0	\$0	\$8,820,733	\$9,842,095	\$0	\$434,780,973
2	2014-15	\$253,732,905	\$172,532,604	\$0	\$0	\$0	\$9,203,008	\$9,857,720	\$0	\$445,326,236
3	2015-16	\$264,742,946	\$181,059,983	\$0	\$0	\$0	\$9,607,039	\$10,395,155	\$0	\$465,805,123
4	2016-17	\$276,131,929	\$181,672,686	\$0	\$0	\$0	\$10,024,976	\$10,497,812	\$0	\$478,327,403
5	2017-18	\$288,022,495	\$182,117,801	\$0	\$0	\$0	\$10,461,320	\$10,595,659	\$0	\$491,197,274
6	2018-19	\$300,551,315	\$182,384,971	\$0	\$0	\$0	\$10,921,086	\$10,692,531	\$0	\$504,549,902
7	2019-20	\$313,501,826	\$182,355,679	\$0	\$0	\$0	\$11,396,326	\$10,770,789	\$0	\$518,024,620
8	2020-21	\$327,025,175	\$182,236,802	\$0	\$0	\$0	\$11,892,587	\$10,852,399	\$0	\$532,006,964
9	2021-22	\$341,144,856	\$181,896,872	\$0	\$0	\$0	\$12,410,732	\$10,927,269	\$0	\$546,379,728
10	2022-23	\$356,038,622	\$181,322,131	\$0	\$0	\$0	\$12,957,283	\$10,999,675	\$0	\$561,317,710
11	2023-24	\$371,469,218	\$180,357,018	\$0	\$0	\$0	\$13,523,534	\$11,050,157	\$0	\$576,399,927
12	2024-25	\$387,584,443	\$179,224,725	\$0	\$0	\$0	\$14,114,908	\$11,100,058	\$0	\$592,024,134
13	2025-26	\$404,407,211	\$177,805,399	\$0	\$0	\$0	\$14,732,247	\$11,140,765	\$0	\$608,085,622
14	2026-27	\$421,970,908	\$176,082,465	\$0	\$0	\$0	\$15,376,776	\$11,171,802	\$0	\$624,601,951
15	2027-28	\$440,305,838	\$174,034,073	\$0	\$0	\$0	\$16,049,606	\$11,192,220	\$0	\$641,581,736

Table 3-- "Value Limitation Revenue Model"--Project Value Added with Value Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2012-13	\$232,313,897	\$172,590,651	\$0	\$0	\$0	\$8,417,002	\$9,766,567	\$0	\$423,088,117
1	2013-14	\$243,315,758	\$172,802,386	\$0	\$0	\$0	\$8,820,733	\$9,842,095	\$0	\$434,780,973
2	2014-15	\$253,732,905	\$172,532,604	\$0	\$0	\$0	\$9,203,008	\$9,857,720	\$0	\$445,326,236
3	2015-16	\$264,255,280	\$181,059,983	\$0	\$0	\$0	\$9,589,143	\$10,375,791	\$0	\$465,280,198
4	2016-17	\$275,711,132	\$182,121,660	\$0	\$0	\$0	\$10,009,535	\$10,519,421	\$0	\$478,361,747
5	2017-18	\$287,669,654	\$182,505,212	\$0	\$0	\$0	\$10,448,372	\$10,614,588	\$0	\$491,237,826
6	2018-19	\$300,152,904	\$182,709,816	\$0	\$0	\$0	\$10,906,465	\$10,704,628	\$0	\$504,473,814
7	2019-20	\$313,183,906	\$182,722,479	\$0	\$0	\$0	\$11,384,659	\$10,789,067	\$0	\$518,080,111
8	2020-21	\$326,786,694	\$182,529,498	\$0	\$0	\$0	\$11,883,836	\$10,867,400	\$0	\$532,067,428
9	2021-22	\$340,986,358	\$182,116,431	\$0	\$0	\$0	\$12,404,915	\$10,939,098	\$0	\$546,446,802
10	2022-23	\$355,809,088	\$181,468,054	\$0	\$0	\$0	\$12,948,860	\$11,003,598	\$0	\$561,229,601
11	2023-24	\$371,469,218	\$180,568,340	\$0	\$0	\$0	\$13,523,534	\$11,065,923	\$0	\$576,627,015
12	2024-25	\$387,584,443	\$179,224,725	\$0	\$0	\$0	\$14,114,908	\$11,100,058	\$0	\$592,024,134
13	2025-26	\$404,407,211	\$177,805,399	\$0	\$0	\$0	\$14,732,247	\$11,140,765	\$0	\$608,085,622
14	2026-27	\$421,970,908	\$176,082,465	\$0	\$0	\$0	\$15,376,776	\$11,171,802	\$0	\$624,601,951
15	2027-28	\$440,305,838	\$174,034,073	\$0	\$0	\$0	\$16,049,606	\$11,192,220	\$0	\$641,581,736

Table 4 – Value Limit less Project Value with No Limit

Year of Agreement	School Year	M&O Taxes @ Compressed Rate	State Aid	Additional State Aid-Hold Harmless	Excess Formula Reduction	Recapture Costs	Additional Local M&O Collections	State Aid From Additional M&O Tax Collections	Recapture from the Additional Local Tax Effort	Total General Fund
Pre-Year 1	2012-13	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2015-16	-\$487,666	\$0	\$0	\$0	\$0	-\$17,896	-\$19,364	\$0	-\$524,925
4	2016-17	-\$420,797	\$448,974	\$0	\$0	\$0	-\$15,442	\$21,609	\$0	\$34,344
5	2017-18	-\$352,840	\$387,411	\$0	\$0	\$0	-\$12,948	\$18,930	\$0	\$40,552
6	2018-19	-\$398,410	\$324,845	\$0	\$0	\$0	-\$14,620	\$12,097	\$0	-\$76,088
7	2019-20	-\$317,920	\$366,800	\$0	\$0	\$0	-\$11,667	\$18,278	\$0	\$55,491
8	2020-21	-\$238,481	\$292,696	\$0	\$0	\$0	-\$8,751	\$15,001	\$0	\$60,464
9	2021-22	-\$158,498	\$219,559	\$0	\$0	\$0	-\$5,816	\$11,829	\$0	\$67,074
10	2022-23	-\$229,533	\$145,923	\$0	\$0	\$0	-\$8,423	\$3,924	\$0	-\$88,110
11	2023-24	\$0	\$211,322	\$0	\$0	\$0	\$0	\$15,766	\$0	\$227,088
12	2024-25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial impact of the Weatherford Artificial Lift Systems, Inc Project Property Value Limitation Request Submitted to KISD at \$1.13 M&O Tax Rate

Year of Agreement	School Year	Project Value	Estimated Taxable Value	Value Savings	Assumed M&O Tax Rate	Taxes Before Value Limit	Taxes after Value Limit	Tax Savings @ Projected M&O Rate	Tax Credits for First Two Years Above Limit	Tax Benefit to Company Before Revenue Protection	School District Revenue Losses	Estimated Net Tax Benefits
Pre-Year 1	2012-13	\$0	\$0	\$0	\$1.127	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2013-14	\$53,864,420	\$53,864,420	\$0	\$1.127	\$606,837	\$606,837	\$0	\$0	\$0	\$0	\$0
2	2014-15	\$81,125,000	\$81,125,000	\$0	\$1.127	\$913,954	\$913,954	\$0	\$0	\$0	\$0	\$0
3	2015-16	\$74,875,000	\$30,000,000	\$44,875,000	\$1.127	\$843,542	\$337,980	\$505,562	\$0	\$505,562	-\$524,925	-\$19,364
4	2016-17	\$67,721,667	\$30,000,000	\$37,721,667	\$1.127	\$762,952	\$337,980	\$424,972	\$120,690	\$545,662	\$0	\$545,662
5	2017-18	\$62,468,333	\$30,000,000	\$32,468,333	\$1.127	\$703,768	\$337,980	\$365,788	\$120,690	\$486,478	\$0	\$486,478
6	2018-19	\$66,661,667	\$30,000,000	\$36,661,667	\$1.127	\$751,010	\$337,980	\$413,030	\$120,690	\$533,720	-\$76,088	\$457,632
7	2019-20	\$59,255,000	\$30,000,000	\$29,255,000	\$1.127	\$667,567	\$337,980	\$329,587	\$120,690	\$450,277	\$0	\$450,277
8	2020-21	\$51,945,000	\$30,000,000	\$21,945,000	\$1.127	\$585,212	\$337,980	\$247,232	\$120,690	\$367,922	\$0	\$367,922
9	2021-22	\$44,585,000	\$30,000,000	\$14,585,000	\$1.127	\$502,295	\$337,980	\$164,315	\$120,690	\$285,005	\$0	\$285,005
10	2022-23	\$51,121,667	\$30,000,000	\$21,121,667	\$1.127	\$575,937	\$337,980	\$237,957	\$120,690	\$358,647	-\$88,110	\$270,537
11	2023-24	\$47,558,333	\$47,558,333	\$0	\$1.127	\$535,792	\$535,792	\$0	\$0	\$0	\$0	\$0
12	2024-25	\$44,091,667	\$44,091,667	\$0	\$1.127	\$496,737	\$496,737	\$0	\$0	\$0	\$0	\$0
13	2025-26	\$40,525,000	\$40,525,000	\$0	\$1.127	\$456,555	\$456,555	\$0	\$0	\$0	\$0	\$0
14	2026-27	\$37,055,000	\$37,055,000	\$0	\$1.127	\$417,462	\$417,462	\$0	\$0	\$0	\$0	\$0
15	2027-28	\$33,485,000	\$33,485,000	\$0	\$1.127	\$377,242	\$377,242	\$0	\$0	\$0	\$0	\$0
Totals						\$9,196,861	\$6,508,418	\$2,688,443	\$844,831	\$3,533,274	-\$689,124	\$2,844,150
Tax Credit for Value Over Limit in First 2 Years								Year 1	Year 2	Max Credits		
								\$268,857	\$575,974	\$844,831		
								Credits Eamed		\$844,831		
								Credits Paid		<u>\$844,831</u>		
								Excess Credits Unpaid		\$0		

***Note:** School District Revenue-Loss estimates are subject to change based on numerous factors, including legislative and Texas Education Agency administrative changes to school finance formulas, year-to-year appraisals of project values, and changes in school district tax rates. One of the most substantial changes to the school finance formulas related to Chapter 313 revenue-loss projections could be the treatment of Additional State Aid for Tax Reduction (ASATR). Legislative intent is to end ASATR in 2017-18 school year. Additional information on the assumptions used in preparing these estimates is provided in the narrative of this Report.

Attachment 3

Waller County

Population

- Total county population in 2010 for Waller County: 37,431 , up 2.0 percent from 2009. State population increased 1.8 percent in the same time period.
- Waller County was the state's 79th largest county in population in 2010 and the 34th fastest growing county from 2009 to 2010.
- Waller County's population in 2009 was 47.2 percent Anglo (above the state average of 46.7 percent), 25.5 percent African-American (above the state average of 11.3 percent) and 25.7 percent Hispanic (below the state average of 36.9 percent).
- 2009 population of the largest cities and places in Waller County:

Hempstead:	7,639	Prairie View:	4,514
Brookshire:	3,967	Waller:	2,218
Pine Island:	859	Pattison:	487

Economy and Income

Employment

- September 2011 total employment in Waller County: 15,480 , up 1.8 percent from September 2010. State total employment increased 0.9 percent during the same period.
(October 2011 employment data will be available November 18, 2011).
- September 2011 Waller County unemployment rate: 9.3 percent, up from 8.7 percent in September 2010. The statewide unemployment rate for September 2011 was 8.5 percent, up from 8.2 percent in September 2010.
- September 2011 unemployment rate in the city of:

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

Income

- Waller County's ranking in per capita personal income in 2009: 107th with an average per capita income of \$33,798, down 1.5 percent from 2008. Statewide average per capita personal income was \$38,609 in 2009, down 3.1 percent from 2008.

Industry

- Agricultural cash values in Waller County averaged \$71.04 million annually from 2007 to 2010. County total agricultural values in 2010 were down 11.9 percent from 2009. Major agriculture related commodities in Waller County during 2010 included:
 - Hay
 - Rice
 - Horses
 - Nursery
 - Other Beef
- 2011 oil and gas production in Waller County: 257,770.0 barrels of oil and 2.9 million Mcf of gas. In September 2011, there were 191 producing oil wells and 53 producing gas wells.

Taxes

Sales Tax - Taxable Sales

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

Quarterly (September 2010 through December 2010)

- Taxable sales in Waller County during the fourth quarter 2010: \$62.92 million, up 29.1 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Hempstead:	\$13.29 million, up 1.9 percent from the same quarter in 2009.
Prairie View:	\$1.07 million, down 28.2 percent from the same quarter in 2009.
Brookshire:	\$6.31 million, up 11.3 percent from the same quarter in 2009.
Waller:	\$9.00 million, up 6.0 percent from the same quarter in 2009.
Pattison:	\$272,552.00, up 102.3 percent from the same quarter in 2009.

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

- Taxable sales in Waller County through the fourth quarter of 2010: \$236.13 million, up 15.5 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Hempstead:	\$50.71 million, down 2.0 percent from the same period in 2009.
Prairie View:	\$6.02 million, down 29.2 percent from the same period in 2009.
Brookshire:	\$24.43 million, down 11.8 percent from the same period in 2009.
Waller:	\$35.07 million, down 2.1 percent from the same period in 2009.
Pattison:	\$998,860.00, up 72.1 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Waller County during 2010: \$236.13 million, up 15.5 percent from 2009.

- Waller County sent an estimated \$14.76 million (or 0.09 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Hempstead:	\$50.71 million, down 2.0 percent from 2009.
Prairie View:	\$6.02 million, down 29.2 percent from 2009.
Brookshire:	\$24.43 million, down 11.8 percent from 2009.
Waller:	\$35.07 million, down 2.1 percent from 2009.
Pattison:	\$998,860.00, up 72.1 percent from 2009.

Sales Tax – Local Sales Tax Allocations

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

Monthly

- Statewide payments based on the sales activity month of August 2011: \$505.22 million, up 13.9 percent from August 2010.
- Payments to all cities in Waller County based on the sales activity month of August 2011: \$275,065.68, up 6.7 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Hempstead:	\$89,523.84, down 3.9 percent from August 2010.
Prairie View*:	\$22,026.33, up 48.0 percent from August 2010.
Brookshire:	\$72,477.51, up 7.7 percent from August 2010.
Waller:	\$88,277.01, up 9.8 percent from August 2010.
Pattison:	\$2,760.99, up 44.5 percent from August 2010.

Fiscal Year

- Statewide payments based on sales activity months from September 2010 through August 2011: \$6.08 billion, up 8.0 percent from the same period in 2010.
- Payments to all cities in Waller County based on sales activity months from September 2010 through August 2011: \$3.47 million, up 3.8 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Hempstead:	\$1.20 million, up 4.4 percent from fiscal 2010.
Prairie View*:	\$307,445.86, up 1.5 percent from fiscal 2010.
Brookshire:	\$875,259.48, down 3.5 percent from fiscal 2010.
Waller:	\$1.06 million, up 10.2 percent from fiscal 2010.
Pattison:	\$26,479.07, up 19.0 percent from fiscal 2010.

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

- Statewide payments based on sales activity months through August 2011: \$3.99 billion, up 8.3 percent from the same period in 2010.
- Payments to all cities in Waller County based on sales activity months through August 2011: \$2.22 million, up 2.5 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Hempstead:	\$764,505.79, up 2.6 percent from the same period in 2010.
Prairie View*:	\$168,644.22, down 3.5 percent from the same period in 2010.
Brookshire:	\$583,424.87, down 0.4 percent from the same period in 2010.
Waller:	\$683,512.48, up 6.4 percent from the same period in 2010.
Pattison:	\$17,532.31, up 22.7 percent from the same period in 2010.

12 months ending in August 2011

- Statewide payments based on sales activity in the 12 months ending in August 2011: \$6.08 billion, up 8.0 percent from the previous 12-month period.
- Payments to all cities in Waller County based on sales activity in the 12 months ending in August 2011: \$3.47 million, up 3.8 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Hempstead:	\$1.20 million, up 4.4 percent from the previous 12-month period.
Prairie View*:	\$307,445.86, up 1.5 percent from the previous 12-month period.
Brookshire:	\$875,259.48, down 3.5 percent from the previous 12-month period.
Waller:	\$1.06 million, up 10.2 percent from the previous 12-month period.
Pattison:	\$26,479.07, up 19.0 percent from the previous 12-month period.

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

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

Hempstead:	\$988,247.08, up 3.8 percent from the same period in 2010.
Prairie View*:	\$188,609.11, down 9.2 percent from the same period in 2010.
Brookshire:	\$726,028.74, down 6.5 percent from the same period in 2010.
Waller:	\$886,533.25, up 9.0 percent from the same period in 2010.
Pattison:	\$21,810.60, up 16.4 percent from the same period in 2010.

Annual (2010)

- Statewide payments based on sales activity months in 2010: \$5.77 billion, up 3.3 percent from 2009.
- Payments to all cities in Waller County based on sales activity months in 2010: \$3.41 million, down 1.1 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Hempstead:	\$1.18 million, up 1.7 percent from 2009.
Prairie View*:	\$313,474.61, up 10.1 percent from 2009.
Brookshire:	\$877,696.58, down 8.0 percent from 2009.
Waller:	\$1.02 million, down 1.0 percent from 2009.
Pattison:	\$23,230.01, up 3.7 percent from 2009.

*On 10/1/2009, the city of Prairie View's local sales tax rate increased by 0.00 from 1.750 percent to 1.750 percent.

Property Tax

- As of January 2009, property values in Waller County: \$4.36 billion, up 10.0 percent from January 2008 values. The property tax base per person in Waller County is \$119,423, above the statewide average of \$85,809. About 3.3 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Waller County's ranking in state expenditures by county in fiscal year 2010: 79th. State expenditures in the county for FY2010: \$144.82 million, up 0.2 percent from FY2009.
- In Waller County, 17 state agencies provide a total of 2,375 jobs and \$19.03 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):
 - Prairie View A&M University
 - Department of Transportation
 - Engineering Experiment Station
 - Department of Public Safety

Higher Education

- Community colleges in Waller County fall 2010 enrollment:
 - None.
- Waller County is in the service area of the following:
 - Blinn College with a fall 2010 enrollment of 17,755 . Counties in the service area include:
 - Austin County
 - Bastrop County
 - Brazos County
 - Burleson County
 - Fayette County
 - Grimes County
 - Lee County
 - Madison County
 - Milam County
 - Montgomery County
 - Robertson County
 - Walker County
 - Waller County
 - Washington County
 - Williamson County
 - Houston Community College with a fall 2010 enrollment of 49,717 . Counties in the service area include:
 - Fort Bend County
 - Harris County
 - Waller County
- Institutions of higher education in Waller County fall 2010 enrollment:

- Prairie View A&M University, a Public University (part of Texas A&M University System), had 8,781 students.

School Districts

- Waller County had 3 school districts with 17 schools and 8,932 students in the 2009-10 school year.

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

- Hempstead ISD had 1,500 students in the 2009-10 school year. The average teacher salary was \$47,153. The percentage of students meeting the 2010 TAKS passing standard for all tests was 70 percent.
- Royal ISD had 2,055 students in the 2009-10 school year. The average teacher salary was \$44,787. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.
- Waller ISD had 5,377 students in the 2009-10 school year. The average teacher salary was \$47,409. The percentage of students meeting the 2010 TAKS passing standard for all tests was 78 percent.