

**Summary of the District's Financial Impact
of Chapter 313 Agreement
with Longhorn Wind Project, LLC**

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Floydada ISD Financial Impact of Chapter 313 Agreement

Summary of Floydada ISD Financial Impact of the Limited Appraised Value Application from Longhorn Wind Project, LLC

Introduction

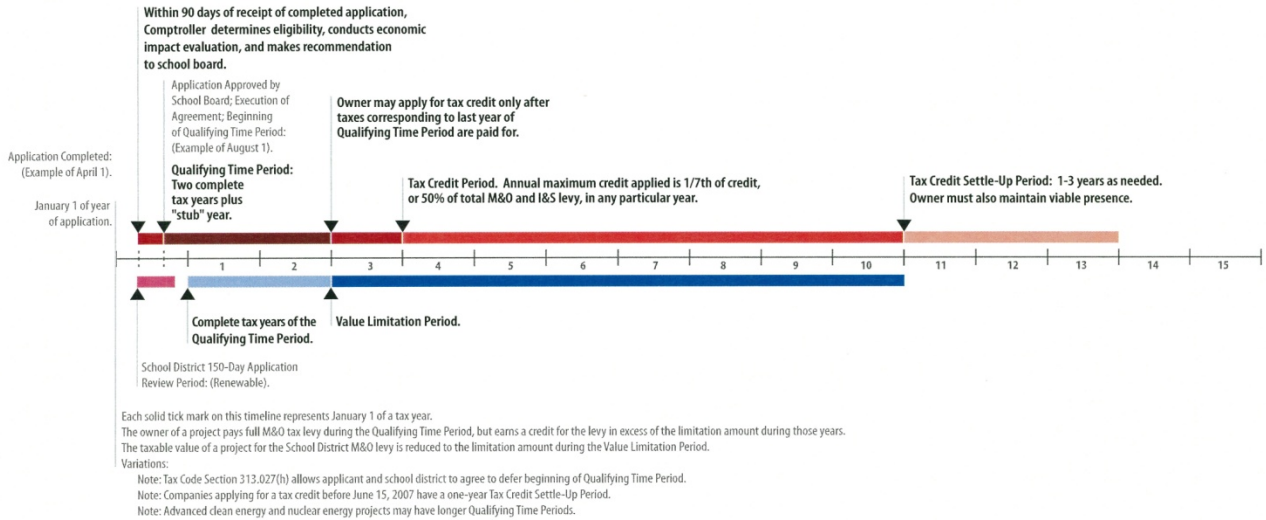
Longhorn Wind Project, LLC applied for a property value limitation from Floydada Independent School District under Chapter 313 of the Tax Code. The application was submitted on May 29, 2013 and subsequently approved for consideration by the Floydada ISD Board of Trustees. Longhorn Wind Project, LLC (“Longhorn Wind”), is requesting the property value limitation as a “renewable energy electric generation” project as listed in Sec. 313.024.(b) of the Tax Code.

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

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

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



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

During years three through ten of the LAVA, the qualifying entity’s taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller’s Office. Floydada ISD is considered a Rural category 3 District as categorized with total taxable value of industrial property of at least \$1 million but less than \$90 million, thus Floydada ISD has a minimum qualified investment amount of \$10 million. A qualifying entity’s taxable value would be

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reduced to \$10 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Floydada ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

Taxable Value Impact from LAVA

The “Additional Value from Longhorn Wind” represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company’s taxable value will be limited to the \$10,000,000 minimum qualified investment of Floydada ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From Longhorn Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	4,837,500	n/a	0	4,837,500
Jan. 1, 2015	185,760,000	n/a	0	185,760,000
Jan. 1, 2016	170,899,000	(10,000,000)	160,899,000	10,000,000
Jan. 1, 2017	157,227,000	(10,000,000)	147,227,000	10,000,000
Jan. 1, 2018	144,649,000	(10,000,000)	134,649,000	10,000,000
Jan. 1, 2019	133,077,000	(10,000,000)	123,077,000	10,000,000
Jan. 1, 2020	122,431,000	(10,000,000)	112,431,000	10,000,000
Jan. 1, 2021	112,637,000	(10,000,000)	102,637,000	10,000,000
Jan. 1, 2022	103,626,000	(10,000,000)	93,626,000	10,000,000
Jan. 1, 2023	95,336,000	(10,000,000)	85,336,000	10,000,000
Jan. 1, 2024	87,709,000	n/a	0	87,709,000
Jan. 1, 2025	80,692,000	n/a	0	80,692,000
Jan. 1, 2026	74,237,000	n/a	0	74,237,000

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Longhorn Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Longhorn Wind is \$12.05 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

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

- The District held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$1.17 for the life of this agreement. The M&O rates for 2015-2016 & 2024-2025 are projected to drop to \$1.05 & \$1.08 respectively, due to the rollback tax rate calculations.
- The district has outstanding bonds that are scheduled to payoff in 2037 and currently have a \$.137 I&S tax rate. This district's annual debt payments are just over \$360,000 per year through 2037 and the debt rates below are calculated rates using the projected taxable values with the addition of Longhorn Wind's estimated taxable values. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

TABLE II- Computation of Net Tax Savings:

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2014-2015	1.170	0.145	56,599	0	n/a	0	0
2015-2016	1.050	0.083	1,950,480	0	n/a	0	0
2016-2017	1.170	0.092	1,999,518	1,882,518	n/a	(1,017,512)	865,006
2017-2018	1.170	0.095	1,839,556	1,722,556	133,183	0	1,855,739
2018-2019	1.170	0.099	1,692,393	1,575,393	130,101	0	1,705,495
2019-2020	1.170	0.103	1,557,001	1,440,001	127,035	0	1,567,036
2020-2021	1.170	0.106	1,432,443	1,315,443	123,388	0	1,438,831
2021-2022	1.170	0.110	1,317,853	1,200,853	120,450	0	1,321,303
2022-2023	1.170	0.113	1,212,424	1,095,424	117,049	0	1,212,473
2023-2024	1.170	0.116	1,115,431	998,431	113,795	0	1,112,226
2024-2025	1.080	0.120	947,257	0	980,479	0	980,479
2025-2026	1.170	0.123	944,096	0	0	0	0
2026-2027	1.170	0.126	868,573	0	0	0	0
Totals			16,933,625	11,230,619	1,845,480	(1,017,512)	12,058,587

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Financial Impact Study

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

- The current state funding formulas (in effect for 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
 - Level 2 of Tier II yield - \$61.86 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district’s tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 2012.
- A tax collection rate of 100% on current year tax levy with no projected delinquent taxes
- An annual taxable value decrease of .5% was used to project the district’s taxable value, except as it related to the requested LAVA. The district’s 2012 taxable value was used as a baseline for all projections
- The district’s enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by 1.0% per year for the life of the agreement.

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

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Calculation of LAVA Impact on District's Finances

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

TABLE III – District Revenues *without* Longhorn Wind Project, LLC:

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold	M&O	Total District Revenue
		Compressed Rate	State Revenue		Harmless Revenue	Taxes > Comp Rate	
2014-2015	224,034,648	2,240,346	4,650,855	0	6,891,202	946,439	7,837,641
2015-2016	222,914,475	2,229,145	4,587,145	0	6,816,290	934,727	7,751,017
2016-2017	221,799,902	2,217,999	4,528,842	0	6,746,842	925,415	7,672,257
2017-2018	220,690,903	2,206,909	4,473,105	0	6,680,014	916,197	7,596,211
2018-2019	219,587,448	2,195,874	4,417,309	0	6,613,183	907,071	7,520,254
2019-2020	218,489,511	2,184,895	4,362,722	0	6,547,617	898,036	7,445,653
2020-2021	217,397,063	2,173,971	4,311,420	0	6,485,390	889,091	7,374,481
2021-2022	216,310,078	2,163,101	4,262,530	0	6,425,631	880,235	7,305,866
2022-2023	215,228,528	2,152,285	4,209,048	0	6,361,333	871,468	7,232,801
2023-2024	214,152,385	2,141,524	4,152,975	0	6,294,499	862,788	7,157,287
2024-2025	213,081,623	2,130,816	4,102,005	0	6,232,822	854,195	7,087,016
2025-2026	212,016,215	2,120,162	4,053,047	0	6,173,209	845,687	7,018,896
2026-2027	210,956,134	2,109,561	4,005,043	0	6,114,604	837,265	6,951,869

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TABLE IV- District Revenues *with* Longhorn Wind Project *without* Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	M&O Taxes		Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
		Compressed Rate	State Revenue				
2014-2015	228,872,148	2,288,721	4,649,888	0	6,938,610	966,717	7,905,327
2015-2016	408,674,475	4,086,745	4,503,571	0	8,590,316	715,810	9,306,126
2016-2017	392,698,902	3,926,989	2,637,063	0	6,564,053	890,674	7,454,726
2017-2018	377,917,903	3,779,179	2,732,670	0	6,511,849	883,252	7,395,101
2018-2019	364,236,448	3,642,364	2,816,109	0	6,458,473	875,876	7,334,350
2019-2020	351,566,511	3,515,665	2,893,179	0	6,408,844	868,542	7,277,386
2020-2021	339,828,063	3,398,281	2,960,835	0	6,359,115	861,247	7,220,362
2021-2022	328,947,078	3,289,471	3,015,693	0	6,305,164	853,987	7,159,151
2022-2023	318,854,528	3,188,545	3,061,953	0	6,250,498	846,757	7,097,255
2023-2024	309,488,385	3,094,884	3,097,648	0	6,192,532	839,558	7,032,090
2024-2025	300,790,623	3,007,906	3,131,103	0	6,139,010	832,385	6,971,395
2025-2026	292,708,215	2,927,082	3,252,846	0	6,179,928	825,238	7,005,166
2026-2027	285,193,134	2,851,931	3,266,701	0	6,118,632	818,118	6,936,750

TABLE V – District Revenues *with* Longhorn Wind Project *with* Chapter 313 Agreement:

Fiscal Year	Total Taxable Value	M&O Taxes Comp Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Payment for District Losses	Total District Revenue
2015-2016	408,674,475	4,086,745	4,503,571	0	8,590,316	715,810	0	9,306,126
2016-2017	231,799,902	2,317,999	3,591,859	0	5,909,859	527,355	1,017,512	7,454,726
2017-2018	230,690,903	2,306,909	4,371,105	0	6,678,014	916,084	0	7,594,098
2018-2019	229,587,448	2,295,874	4,315,309	0	6,611,183	906,957	0	7,518,140
2019-2020	228,489,511	2,284,895	4,269,077	0	6,553,972	897,921	0	7,451,893
2020-2021	227,397,063	2,273,971	4,214,091	0	6,488,061	888,975	0	7,377,037
2021-2022	226,310,078	2,263,101	4,160,530	0	6,423,631	880,119	0	7,303,749
2022-2023	225,228,528	2,252,285	4,107,048	0	6,359,333	871,350	0	7,230,684
2023-2024	224,152,385	2,241,524	4,050,975	0	6,292,499	862,669	0	7,155,169
2024-2025	300,790,623	3,007,906	3,985,888	0	6,993,795	692,276	0	7,686,070
2025-2026	292,708,215	2,927,082	3,252,846	0	6,179,928	825,238	0	7,005,166
2026-2027	285,193,134	2,851,931	3,266,701	0	6,118,632	818,118	0	6,936,750

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Current School Finance Law

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

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Payments in Lieu of Taxes

Assuming that the District and Longhorn Wind Project, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Floydada ISD by Longhorn Wind, the projected amount of these payments over the life of the agreement is \$870,302 of the \$12.05 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

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

Fiscal Year	Net Tax Savings	Floydada ISD \$100/ADA	Longhorn Wind's Share
2014-2015	0	71,057	(71,057)
2015-2016	0	70,347	(70,347)
2016-2017	865,006	69,643	795,363
2017-2018	1,855,739	68,947	1,786,792
2018-2019	1,705,495	68,257	1,637,237
2019-2020	1,567,036	67,575	1,499,461
2020-2021	1,438,831	66,899	1,371,932
2021-2022	1,321,303	66,230	1,255,073
2022-2023	1,212,473	65,568	1,146,905
2023-2024	1,112,226	64,912	1,047,314
2024-2025	980,479	64,263	916,216
2025-2026	0	63,620	(63,620)
2026-2027	0	62,984	(62,984)
Totals	12,058,587	870,302	11,188,285

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Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Campus Name	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
A.B. Duncan Elementary	EE-6	30	600	469	131
Floydada Jr. High	7-8	15	270	125	145
Floydada High	9-12	31	558	201	357
Total		76	1,428	795	633

The building capacities are based on 20 students per classroom for elementary and 18 students per grade level at secondary schools. Floydada ISD is a early-education through 12th grade district.

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

Based on average statewide figures provided by a demographer, it is projected that each new household would produce .5 students. Thus, the new three positions equates to 2 new students.

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

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Conclusion

This Financial Impact Study displays that entering into a Limited Appraised Value Agreement with Longhorn Wind Project, LLC, would be beneficial to both Longhorn Wind and Floydada ISD under the current school finance system.

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

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