

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

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Groom ISD Financial Impact of Chapter 313 Agreement

Summary of Groom ISD Financial Impact of the Limited Appraised Value Application from Grandview Wind Farm, LLC

Introduction

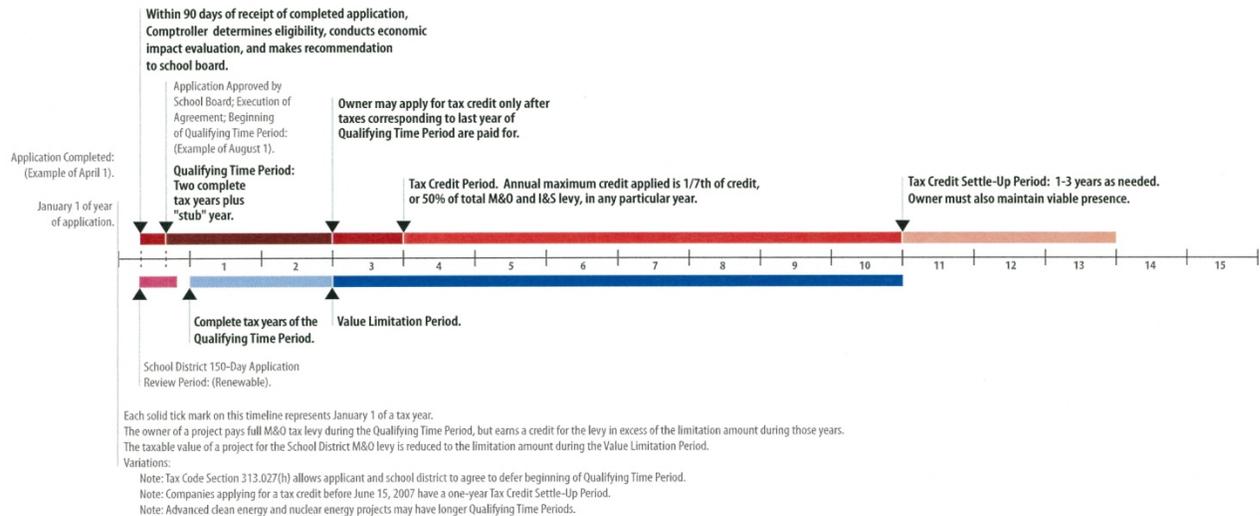
Grandview Wind Farm, LLC applied for a property value limitation from Groom Independent School District under Chapter 313 of the Tax Code. The application was submitted on July 9, 2013 and subsequently approved for consideration by the Groom ISD Board of Trustees. Grandview Wind Farm, LLC (“Grandview 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. Groom 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 Groom ISD

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has a minimum qualified investment amount of \$10 million. A qualifying entity’s taxable value would be 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 Groom 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 Grandview 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 Groom ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From Grandview Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	0	n/a	0	0
Jan. 1, 2015	135,661,017	n/a	0	135,661,017
Jan. 1, 2016	130,234,576	(10,000,000)	120,234,576	10,000,000
Jan. 1, 2017	124,808,135	(10,000,000)	114,808,135	10,000,000
Jan. 1, 2018	119,381,694	(10,000,000)	109,381,694	10,000,000
Jan. 1, 2019	113,955,254	(10,000,000)	103,955,254	10,000,000
Jan. 1, 2020	108,528,813	(10,000,000)	98,528,813	10,000,000
Jan. 1, 2021	103,102,372	(10,000,000)	93,102,372	10,000,000
Jan. 1, 2022	97,675,932	(10,000,000)	87,675,932	10,000,000
Jan. 1, 2023	92,249,491	(10,000,000)	82,249,491	10,000,000
Jan. 1, 2024	86,823,050	n/a	0	86,823,050
Jan. 1, 2025	81,396,610	n/a	0	81,396,610
Jan. 1, 2026	75,970,169	n/a	0	75,970,169

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Grandview Wind’s Tax Benefit from Agreement

The projected amount of the net tax savings for Grandview Wind is \$10.58 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.

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

- The District has held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$1.17 for the life of this agreement. The M&O rate for 2015-2016 and 2024-2025 is projected to decrease to \$1.04, due to the rollback tax rate calculation.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2027 and currently has a \$.232 I&S rate. The annual debt payment is approximately \$155,000. The additional value of the company will further reduce the I&S tax rate. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

TABLE II- Computation of Net Tax Savings:

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District’s Revenue Losses	Net Tax Savings
2014-2015	1.1700	0.213	0	0	n/a	0	0
2015-2016	1.0400	0.074	1,410,875	0	n/a	0	0
2016-2017	1.1700	0.076	1,523,745	1,406,745	n/a	(115,675)	1,291,069
2017-2018	1.1700	0.078	1,460,255	1,343,255	107,175	(27,825)	1,422,605
2018-2019	1.1700	0.080	1,396,766	1,279,766	106,253	(29,952)	1,356,066
2019-2020	1.1700	0.082	1,333,276	1,216,276	105,222	(11,758)	1,309,740
2020-2021	1.1700	0.084	1,269,787	1,152,787	104,082	(9,160)	1,247,709
2021-2022	1.1700	0.086	1,206,298	1,089,298	102,834	(3,573)	1,188,559
2022-2023	1.1700	0.087	1,142,808	1,025,808	100,989	0	1,126,797
2023-2024	1.1700	0.090	1,079,319	962,319	100,012	0	1,062,331
2024-2025	1.0400	0.092	902,960	0	580,308	0	580,308
2025-2026	1.1700	0.095	952,340	0	0	0	0
2026-2027	1.1700	0.098	888,851	0	0	0	0
Totals			14,567,280	9,476,254	1,306,875	(197,944)	10,585,185

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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 Groom 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 increase of 1.0% was used to project the district’s taxable value, except as it related to the requested LAVA. The district’s 2012 taxable value was used as a baseline for all projections
- The district’s enrollment is projected to decrease slightly; therefore, the projected ADA and WADA for school year 2012-2013 was decreased by .5% 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 Grandview Wind (Table III), the addition of Grandview Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Grandview Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* Grandview Wind:

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	72,309,310	723,093	456,254	1,168	1,178,180	163,241	1,341,420
2015-2016	73,032,403	730,324	443,877	1,575	1,172,626	163,601	1,336,227
2016-2017	73,762,727	737,627	431,430	2,773	1,166,285	163,972	1,330,257
2017-2018	74,500,354	745,004	418,905	3,976	1,159,932	164,352	1,324,285
2018-2019	75,245,358	752,454	401,168	5,185	1,148,436	164,744	1,313,180
2019-2020	75,997,811	759,978	388,450	6,401	1,142,028	165,145	1,307,173
2020-2021	76,757,789	767,578	375,747	7,622	1,135,703	165,557	1,301,260
2021-2022	77,525,367	775,254	362,925	8,849	1,129,329	165,979	1,295,308
2022-2023	78,300,621	783,006	350,030	10,083	1,122,953	166,412	1,289,365
2023-2024	79,083,627	790,836	337,054	11,323	1,116,566	166,855	1,283,422
2024-2025	79,874,463	798,745	323,997	12,570	1,110,171	167,309	1,277,481
2025-2026	80,673,208	806,732	310,855	13,823	1,103,764	167,774	1,271,538
2026-2027	81,479,940	814,799	297,695	15,083	1,097,411	168,250	1,265,661

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TABLE IV- District Revenues *with Grandview Wind 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	72,309,310	723,093	456,254	1,168	1,178,180	163,241	1,341,420
2015-2016	208,693,420	2,086,934	431,272	0	2,518,206	157,530	2,675,736
2016-2017	203,997,303	2,039,973	80,490	1,105,367	1,015,096	344,635	1,359,731
2017-2018	199,308,489	1,993,085	80,619	1,059,723	1,013,982	336,744	1,350,725
2018-2019	194,627,052	1,946,271	80,768	1,014,150	1,012,889	328,865	1,341,754
2019-2020	189,953,065	1,899,531	65,736	968,652	996,615	320,999	1,317,613
2020-2021	185,286,602	1,852,866	66,275	923,231	995,911	313,145	1,309,056
2021-2022	180,627,739	1,806,277	63,832	877,889	992,221	305,304	1,297,525
2022-2023	175,976,553	1,759,766	62,942	832,630	990,077	297,476	1,287,553
2023-2024	171,333,118	1,713,331	62,060	787,456	987,935	289,661	1,277,596
2024-2025	166,697,513	1,666,975	61,560	742,371	986,164	281,860	1,268,023
2025-2026	162,069,818	1,620,698	60,941	697,378	984,261	274,071	1,258,332
2026-2027	157,450,109	1,574,501	60,443	652,481	982,464	266,296	1,248,760

TABLE V – District Revenues *with Grandview Wind 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
2014-2015	72,309,310	723,093	456,254	1,168	1,178,180	163,241	0	1,341,420
2015-2016	208,693,420	2,086,934	431,272	0	2,518,206	157,530	0	2,675,736
2016-2017	83,762,727	837,627	718,350	454,202	1,101,776	142,280	115,675	1,359,731
2017-2018	84,500,354	845,004	317,905	15,053	1,147,855	175,045	27,825	1,350,725
2018-2019	85,245,358	852,454	300,168	16,259	1,136,362	175,439	29,952	1,341,754
2019-2020	85,997,811	859,978	287,503	17,471	1,130,011	175,844	11,758	1,317,613
2020-2021	86,757,789	867,578	274,747	18,689	1,123,636	176,260	9,160	1,309,056
2021-2022	87,525,367	875,254	261,926	19,913	1,117,266	176,686	3,573	1,297,525
2022-2023	88,300,621	883,006	249,030	21,144	1,110,892	177,122	0	1,288,014
2023-2024	89,083,627	890,836	236,054	22,381	1,104,510	177,569	0	1,282,078
2024-2025	166,697,513	1,666,975	216,277	0	1,883,252	97,733	0	1,980,986
2025-2026	162,069,818	1,620,698	60,941	697,378	984,261	274,071	0	1,258,332
2026-2027	157,450,109	1,574,501	60,443	652,481	982,464	266,296	0	1,248,760

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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 Grandview Wind Farm, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Groom ISD by Grandview Wind, the projected amount of these payments over the life of the agreement is \$160,691 of the \$10.585 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	Groom ISD Share \$100/ADA	Grandview Wind's Share
2014-2015	0	12,736	(12,736)
2015-2016	0	12,672	(12,672)
2016-2017	1,291,069	12,609	1,278,460
2017-2018	1,422,605	12,546	1,410,059
2018-2019	1,356,066	12,483	1,343,583
2019-2020	1,309,740	12,421	1,297,319
2020-2021	1,247,709	12,359	1,235,350
2021-2022	1,188,559	12,297	1,176,262
2022-2023	1,126,797	12,235	1,114,562
2023-2024	1,062,331	12,174	1,050,157
2024-2025	580,308	12,113	568,195
2025-2026	0	12,053	(12,053)
2026-2027	0	11,993	(11,993)
Totals	10,585,185	160,691	10,424,494

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Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
K-12	24	432	137	295
Total	24	432	137	295

The building capacities are based on 18 students per classroom for all grade levels. Groom ISD is a kindergarten through 12th grade district.

Grandview Wind Farm, 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 five full-time employees are expected. It is not known whether these would be new employees to the Groom 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 five positions equates to 3 new students.

This minimal projected student growth can easily be accommodated with the current facilities of Groom 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 Grandview Wind Farm, LLC, would be beneficial to both Grandview Wind and Groom ISD under the current school finance system.

Grandview Wind Farm, 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, Grandview Wind is projected to benefit from a 85% tax savings over the first eleven year period of this agreement. Grandview 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.

Groom ISD would also have no inherent risk under the current school finance system and with the provisions in the LAVA that require Grandview 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.