

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

Prepared by

Randy McDowell, RTSBA

&

Neal Brown

School Finance Consultants

**Summary of Miami ISD Financial Impact
of the
Limited Appraised Value Application
from
Miami Wind I, LLC**

Introduction

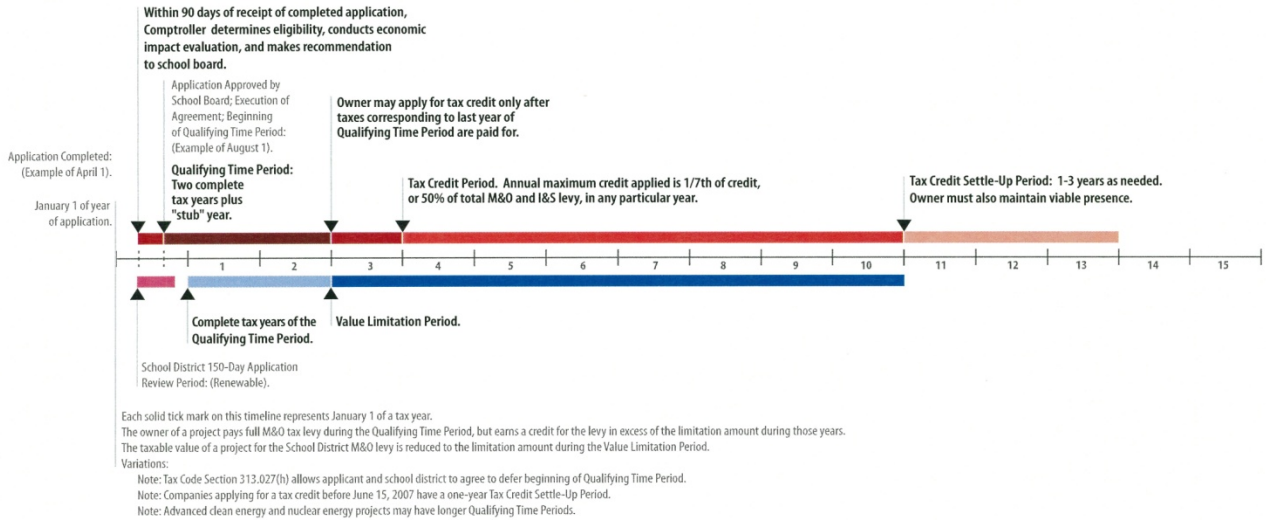
Miami Wind I, LLC applied for a property value limitation from Miami Independent School District under Chapter 313 of the Tax Code. The application was submitted on July 30, 2013 and subsequently approved for consideration by the Miami ISD Board of Trustees. Miami Wind I, LLC (“Miami Wind”), is requesting 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.

Miami ISD Financial Impact of Chapter 313 Agreement

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. Miami 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 Miami ISD

Miami ISD Financial Impact of Chapter 313 Agreement

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 Miami 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 Miami 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 Miami ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From Miami Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2014	5,772,892	n/a	0	5,772,892
Jan. 1, 2015	266,936,306	n/a	0	266,936,306
Jan. 1, 2016	250,920,128	(10,000,000)	240,920,128	10,000,000
Jan. 1, 2017	235,864,920	(10,000,000)	225,864,920	10,000,000
Jan. 1, 2018	221,713,025	(10,000,000)	211,713,025	10,000,000
Jan. 1, 2019	208,410,243	(10,000,000)	198,410,243	10,000,000
Jan. 1, 2020	195,905,629	(10,000,000)	185,905,629	10,000,000
Jan. 1, 2021	184,151,291	(10,000,000)	174,151,291	10,000,000
Jan. 1, 2022	173,102,214	(10,000,000)	163,102,214	10,000,000
Jan. 1, 2023	162,716,081	(10,000,000)	152,716,081	10,000,000
Jan. 1, 2024	152,953,116	n/a	0	152,953,116
Jan. 1, 2025	143,775,929	n/a	0	143,775,929
Jan. 1, 2026	135,149,373	n/a	0	135,149,373

Miami ISD Financial Impact of Chapter 313 Agreement

Miami Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Miami Wind is \$18.146 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.

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

- The District has not held a tax ratification election and the study projects that it will maintain an M&O tax rate of \$1.04 for the life of this agreement.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2014 and currently has a \$.021 I&S rate. Since the bonds are scheduled to payoff prior to 2014-2015, they are not reflected in this study. 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	1.040	0.000	60,038	0	n/a	0	0
2015-2016	1.040	0.000	2,776,138	0	n/a	0	0
2016-2017	1.040	0.000	2,609,569	2,505,569	n/a	(94,441)	2,411,129
2017-2018	1.040	0.000	2,452,995	2,348,995	52,000	(100,212)	2,300,783
2018-2019	1.040	0.000	2,305,815	2,201,815	52,000	(93,770)	2,160,046
2019-2020	1.040	0.000	2,167,467	2,063,467	52,000	(87,812)	2,027,655
2020-2021	1.040	0.000	2,037,419	1,933,419	52,000	(82,036)	1,903,383
2021-2022	1.040	0.000	1,915,173	1,811,173	52,000	(76,901)	1,786,272
2022-2023	1.040	0.000	1,800,263	1,696,263	52,000	(71,963)	1,676,300
2023-2024	1.040	0.000	1,692,247	1,588,247	52,000	(67,392)	1,572,856
2024-2025	1.040	0.000	1,590,712	0	1,590,712	0	1,590,712
2025-2026	1.040	0.000	1,495,270	0	717,425	0	717,425
2026-2027	1.040	0.000	1,405,553	0	0	0	0
Totals			24,308,660	16,148,949	2,672,137	(674,526)	18,146,560

Miami ISD Financial Impact of Chapter 313 Agreement

Financial Impact Study

This Financial Impact Study was performed to determine the financial impact of the Limited Appraised Value Agreement on Miami 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 2.0% 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 increase slightly; therefore, the projected ADA and WADA for school year 2012-2013 was increased 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.

Miami ISD Financial Impact of Chapter 313 Agreement

Calculation of LAVA Impact on District's Finances

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

TABLE III – District Revenues *without* Miami Wind:

Fiscal Year	Total Taxable Value	M&O Taxes			Tier I	Revenue	Total
		Compressed Rate	State Revenue	Recapture Amount	Total Revenue	Above Comp Rate	District Revenue
2014-2015	895,124,509	8,951,245	908,494	7,184,301	2,675,439	351,658	3,027,097
2015-2016	913,026,999	9,130,270	913,037	7,354,491	2,688,816	358,676	3,047,492
2016-2017	931,287,539	9,312,875	917,602	7,528,217	2,702,260	365,834	3,068,094
2017-2018	949,913,290	9,499,133	242,416	7,705,552	2,035,997	373,135	2,409,132
2018-2019	968,911,556	9,689,116	246,857	7,886,566	2,049,406	380,583	2,429,989
2019-2020	988,289,787	9,882,898	246,385	8,071,336	2,057,947	388,179	2,446,126
2020-2021	1,008,055,583	10,080,556	245,112	8,259,936	2,065,732	395,927	2,461,659
2021-2022	1,028,216,694	10,282,167	255,333	8,452,444	2,085,055	403,830	2,488,886
2022-2023	1,048,781,028	10,487,810	259,828	8,648,939	2,098,700	411,891	2,510,591
2023-2024	1,069,756,649	10,697,566	259,413	8,849,501	2,107,479	420,114	2,527,592
2024-2025	1,091,151,782	10,911,518	263,943	9,054,212	2,121,249	428,501	2,549,750
2025-2026	1,112,974,817	11,129,748	268,492	9,263,156	2,135,084	437,055	2,572,140
2026-2027	1,135,234,314	11,352,343	273,029	9,476,418	2,148,955	445,781	2,594,736

Miami ISD Financial Impact of Chapter 313 Agreement

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

Fiscal Year	Revenue						
	Total Taxable Value	M&O Taxes		Recapture Amount	Tier I	Above	Total
		Compressed Rate	State Revenue		Total Revenue	Comp Rate	District Revenue
2014-2015	900,897,401	9,008,974	897,099	7,230,634	2,675,439	353,921	3,029,360
2015-2016	1,179,963,305	11,799,633	408,569	9,519,386	2,688,816	463,315	3,152,131
2016-2017	1,182,207,667	11,822,077	949,267	10,069,084	2,702,260	464,195	3,166,455
2017-2018	1,185,778,210	11,857,782	285,290	10,094,058	2,049,014	465,594	2,514,609
2018-2019	1,190,624,581	11,906,246	287,101	10,131,818	2,061,529	467,494	2,529,023
2019-2020	1,196,700,030	11,967,000	284,225	10,181,897	2,069,329	469,876	2,539,204
2020-2021	1,203,961,212	12,039,612	280,480	10,243,860	2,076,232	472,722	2,548,954
2021-2022	1,212,367,985	12,123,680	288,667	10,317,308	2,095,038	476,017	2,571,056
2022-2023	1,221,883,242	12,218,832	291,113	10,401,868	2,108,078	479,747	2,587,825
2023-2024	1,232,472,730	12,324,727	288,826	10,497,196	2,116,358	483,899	2,600,256
2024-2025	1,244,104,898	12,441,049	291,547	10,602,975	2,129,621	488,458	2,618,079
2025-2026	1,256,750,746	12,567,507	294,398	10,718,913	2,142,992	493,416	2,636,408
2026-2027	1,270,383,687	12,703,837	297,339	10,844,743	2,156,433	498,760	2,655,192

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

Fiscal Year	Revenue							Payment	Total District Revenue
	Total Taxable Value	M&O Taxes		Recapture Amount	Tier I	Above	for		
		Comp Rate	State Revenue		Total Revenue	Comp Rate	District Losses		
2014-2015	900,897,401	9,008,974	897,099	7,230,634	2,675,439	353,921	0	3,029,360	
2015-2016	1,179,963,305	11,799,633	408,569	9,519,386	2,688,816	463,315	0	3,152,131	
2016-2017	941,287,539	9,412,875	1,306,507	8,017,122	2,702,260	369,754	94,441	3,166,455	
2017-2018	959,913,290	9,599,133	244,134	7,805,925	2,037,341	377,055	100,212	2,514,609	
2018-2019	978,911,556	9,789,116	248,570	7,986,935	2,050,751	384,503	93,770	2,529,023	
2019-2020	998,289,787	9,982,898	248,095	8,171,699	2,059,294	392,099	87,812	2,539,204	
2020-2021	1,018,055,583	10,180,556	246,809	8,360,294	2,067,071	399,847	82,036	2,548,954	
2021-2022	1,038,216,694	10,382,167	257,034	8,552,797	2,086,404	407,750	76,901	2,571,056	
2022-2023	1,058,781,028	10,587,810	261,527	8,749,286	2,100,051	415,811	71,963	2,587,825	
2023-2024	1,079,756,649	10,797,566	261,107	8,949,843	2,108,831	424,034	67,392	2,600,256	
2024-2025	1,244,104,898	12,441,049	260,625	10,343,006	2,358,668	488,458	0	2,847,126	
2025-2026	1,256,750,746	12,567,507	294,398	10,718,913	2,142,992	493,416	0	2,636,408	
2026-2027	1,270,383,687	12,703,837	297,339	10,844,743	2,156,433	498,760	0	2,655,192	

Miami ISD Financial Impact of Chapter 313 Agreement

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.

Miami ISD Financial Impact of Chapter 313 Agreement

Payments in Lieu of Taxes

Assuming that the District and Miami Wind I, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Miami ISD by Miami Wind, the projected amount of these payments over the life of the agreement is \$255,820 of the \$18.146 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	Miami ISD Share \$100/ADA	Miami Wind's Share
2014-2015	0	19,095	(19,095)
2015-2016	0	19,190	(19,190)
2016-2017	2,411,129	19,286	2,391,842
2017-2018	2,300,783	19,383	2,281,400
2018-2019	2,160,046	19,480	2,140,566
2019-2020	2,027,655	19,577	2,008,078
2020-2021	1,903,383	19,675	1,883,707
2021-2022	1,786,272	19,773	1,766,499
2022-2023	1,676,300	19,872	1,656,428
2023-2024	1,572,856	19,972	1,552,884
2024-2025	1,590,712	20,072	1,570,641
2025-2026	717,425	20,172	697,253
2026-2027	0	20,273	(20,273)
Totals	18,146,560	255,820	17,890,740

Miami ISD Financial Impact of Chapter 313 Agreement

Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Campus Name	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Miami School	EE-12	22	396	207	189
Total		22	396	207	189

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

Miami Wind I, 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 eight full-time employees are expected. It is not known whether these would be new employees to the Miami 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 eight positions equates to 4 new students.

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

Miami ISD Financial Impact of Chapter 313 Agreement

Conclusion

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

Miami Wind I, 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, Miami Wind is projected to benefit from a 82% tax savings over the first twelve year period of this agreement. Miami 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.

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