

S U S A N

C O M B S

TEXAS COMPTROLLER *of* PUBLIC ACCOUNTS

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



November 22, 2013

Arturo Almendarez
Superintendent
Calallen Independent School District
4205 Wildcat Drive
Corpus Christi, TX 78410

Dear Superintendent Almendarez:

On September 27, 2013, the Comptroller received the completed application (Application # 341) for a limitation on appraised value under the provisions of Tax Code Chapter 313¹. This application was originally submitted in July 2013 to the Calallen Independent School District (the school district) by TexStar Midstream Services, LP (the applicant). 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.

The school district is currently classified as a rural school district in Category 2 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 (\$152 million) is consistent with the proposed appraised value limitation sought (\$20 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.

The applicant is an active franchise taxpayer in good standing, as required by Section 313.024(a), and is proposing the construction of a manufacturing facility in Nueces County, an eligible property use under Section 313.024(b). The Comptroller has determined that the property, as described in 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 the applicant, the Comptroller's recommendation is that this 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 only approve an application if the school district finds that the information in the application is true and

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

correct, finds that the applicant is eligible for a limitation and determines that granting the application is in the best interest of the school district and this state. As stated above, the Comptroller's recommendation is prepared 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 September 27, 2013, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2).

The Comptroller's recommendation is based on the application submitted by the school district and reviewed by the Comptroller. The recommendation may not be used by the school district 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 ten (10) days prior to the meeting scheduled by the school 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 must confirm that it received and reviewed the draft agreement and affirm the recommendation made in this letter;
- 3) The school district must approve and execute a limitation agreement that has been reviewed by the Comptroller within a year from the date of this letter; and
- 4) The school district must provide a copy of the signed limitation agreement to the Comptroller within seven (7) days after execution, as required by Section 313.025.

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	TexStar Midstream Services, LP
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Calallen ISD
2011-2012 Enrollment in School District	3940
County	Nueces
Total Investment in District	\$152,000,000
Qualified Investment	\$152,000,000
Limitation Amount	\$20,000,000
Number of total jobs committed to by applicant	10
Number of qualifying jobs committed to by applicant	10
Average Weekly Wage of Qualifying Jobs committed to by applicant	\$1,019
Minimum Weekly Wage Required Tax Code, 313.051(b)	\$1,011
Minimum Annual Wage committed to by applicant for qualified jobs	\$53,000
Investment per Qualifying Job	\$15,200,000
Estimated 15 year M&O levy without any limit or credit:	\$17,303,832
Estimated gross 15 year M&O tax benefit	\$11,407,032
Estimated 15 year M&O tax benefit (after deductions for estimated school district revenue protection--but not including any deduction for supplemental payments or extraordinary educational expenses):	\$9,928,808
Tax Credits (estimated - part of total tax benefit in the two lines above - appropriated through Foundation School Program)	\$2,964,312
Net M&O Tax (15 years) After Limitation, Credits and Revenue Protection:	\$7,375,024
Tax benefit as a percentage of what applicant would have paid without value limitation agreement (percentage exempted)	57.4%
Percentage of tax benefit due to the limitation	74.0%
Percentage of tax benefit due to the credit.	26.0%

This presents the Comptroller's economic impact evaluation of TexStar Midstream Services, LP (the project) applying to Calallen 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 10 new jobs when fully operational. All 10 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 Coastal Bend Council of Governments Region, where Nueces County is located was \$47,786 in 2012. The annual average manufacturing wage for 2012-2013 for Nueces County is \$69,992. That same year, the county annual average wage for all industries was \$42,861. In addition to an annual average salary of \$53,000 each qualifying position will receive benefits such as medical, long-term disability insurance, 401(K) retirement, life insurance and paid vacation days. The project's total investment is \$152 million, resulting in a relative level of investment per qualifying job of \$15.2 million.

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

According to TexStar Midstream Services, LP's application, "TexStar Midstream Services, LP has the unique ability to invest in various regions within Texas and surrounding states due to its expansive infrastructure and opportunities for capital investment, the overall economies can be a key determining factor. Therefore, areas that offer favorable locations and competitive are ideal for these projects to create the best economic return."

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

During the past two years, 14 projects in the Coastal Bend 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 TexStar Midstream Services, LP 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 1 depicts TexStar Midstream Services, LP'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 TexStar Midstream Services, LP

Year	Employment			Personal Income		
	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total
2013	210	243	453	\$10,930,000	\$16,070,000	\$27,000,000
2014	10	39	49	\$530,000	\$4,470,000	\$5,000,000
2015	10	35	45	\$530,000	\$3,470,000	\$4,000,000
2016	10	26	36	\$530,000	\$3,470,000	\$4,000,000
2017	10	34	44	\$530,000	\$3,470,000	\$4,000,000
2018	10	33	43	\$530,000	\$3,470,000	\$4,000,000
2019	10	37	47	\$530,000	\$3,470,000	\$4,000,000
2020	10	35	45	\$530,000	\$3,470,000	\$4,000,000
2021	10	39	49	\$530,000	\$3,470,000	\$4,000,000
2022	10	37	47	\$530,000	\$4,470,000	\$5,000,000
2023	10	41	51	\$530,000	\$4,470,000	\$5,000,000
2024	10	39	49	\$530,000	\$4,470,000	\$5,000,000
2025	10	43	53	\$530,000	\$4,470,000	\$5,000,000
2026	10	37	47	\$530,000	\$3,470,000	\$4,000,000
2027	10	35	45	\$530,000	\$4,470,000	\$5,000,000
2028	10	37	47	\$530,000	\$5,470,000	\$6,000,000

Source: CPA, REMI, TexStar Midstream Services, LP

The statewide average ad valorem tax base for school districts in Texas was \$1.65 billion in 2012-2013. Calallen ISD's ad valorem tax base in 2012-2013 was \$1.1 billion. The statewide average wealth per WADA was estimated at \$343,155 for fiscal 2012-2013. During that same year, Calallen ISD's estimated wealth per WADA was \$225,858. 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, Nueces County, and Delmar College District with all property tax incentives sought being granted using estimated market value from TexStar Midstream Services, LP's application. TexStar Midstream Services, LP has applied for a value limitation under Chapter 313, Tax Code and no other property tax incentives. Table 3 illustrates the estimated tax impact of the TexStar Midstream Services, LP 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	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies (Before Credit Credited)	Calallen ISD M&O and I&S Tax Levies (After Credit Credited)	Nueces County Tax Levy	Delmar College Tax Levy	Estimated Total Property Taxes
				0.188500	1.170000			0.355259	0.258003	
2014	\$152,000,000	\$152,000,000		\$286,520	\$1,778,400	\$2,064,920	\$2,064,920	\$539,994	\$392,165	\$2,997,078
2015	\$141,360,000	\$141,360,000		\$266,464	\$1,653,912	\$1,920,376	\$1,920,376	\$502,194	\$364,713	\$2,787,283
2016	\$136,800,000	\$20,000,000		\$257,868	\$234,000	\$491,868	\$491,868	\$485,994	\$352,948	\$1,330,810
2017	\$129,200,000	\$20,000,000		\$243,542	\$234,000	\$477,542	\$238,771	\$458,995	\$333,340	\$1,031,106
2018	\$121,600,000	\$20,000,000		\$229,216	\$234,000	\$463,216	\$231,608	\$431,995	\$313,732	\$977,335
2019	\$114,000,000	\$20,000,000		\$214,890	\$234,000	\$448,890	\$224,445	\$404,995	\$294,123	\$923,564
2020	\$106,400,000	\$20,000,000		\$200,564	\$234,000	\$434,564	\$217,282	\$377,996	\$274,515	\$869,793
2021	\$98,800,000	\$20,000,000		\$186,238	\$234,000	\$420,238	\$210,119	\$350,996	\$254,907	\$816,022
2022	\$91,200,000	\$20,000,000		\$171,912	\$234,000	\$405,912	\$202,956	\$323,996	\$235,299	\$762,251
2023	\$83,600,000	\$20,000,000		\$157,586	\$234,000	\$391,586	\$195,793	\$296,997	\$215,691	\$708,480
2024	\$76,000,000	\$76,000,000		\$143,260	\$889,200	\$1,032,460	\$0	\$269,997	\$196,082	\$466,079
2025	\$68,400,000	\$68,400,000		\$128,934	\$800,280	\$929,214	\$518,336	\$242,997	\$176,474	\$937,807
2026	\$60,800,000	\$60,800,000		\$114,608	\$711,360	\$825,968	\$825,968	\$215,997	\$156,866	\$1,198,831
2027	\$53,200,000	\$53,200,000		\$100,282	\$622,440	\$722,722	\$722,722	\$188,998	\$137,258	\$1,048,977
2028	\$45,600,000	\$45,600,000		\$85,956	\$533,520	\$619,476	\$619,476	\$161,998	\$117,649	\$899,123
						Total	\$8,684,640	\$5,254,139	\$3,815,761	\$17,754,539

Assumes School Value Limitation and no other property tax incentives

Source: CPA, TexStar Midstream Services, LP

¹Tax Rate per \$100 Valuation

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O	Tax Rate ¹	Calallen ISD I&S Levy	Calallen ISD M&O Levy	Calallen ISD M&O and I&S Tax Levies	Nueces County Tax Levy	Delmar College Tax Levy	Estimated Total Property Taxes	
				0.188500	1.170000		0.355259	0.258003		
2014	\$152,000,000	\$152,000,000		\$286,520	\$1,778,400	\$2,064,920	\$539,994	\$392,165	\$2,997,078	
2015	\$141,360,000	\$141,360,000		\$266,464	\$1,653,912	\$1,920,376	\$502,194	\$364,713	\$2,787,283	
2016	\$136,800,000	\$136,800,000		\$257,868	\$1,600,560	\$1,858,428	\$485,994	\$352,948	\$2,697,370	
2017	\$129,200,000	\$129,200,000		\$243,542	\$1,511,640	\$1,755,182	\$458,995	\$333,340	\$2,547,517	
2018	\$121,600,000	\$121,600,000		\$229,216	\$1,422,720	\$1,651,936	\$431,995	\$313,732	\$2,397,663	
2019	\$114,000,000	\$114,000,000		\$214,890	\$1,333,800	\$1,548,690	\$404,995	\$294,123	\$2,247,809	
2020	\$106,400,000	\$106,400,000		\$200,564	\$1,244,880	\$1,445,444	\$377,996	\$274,515	\$2,097,955	
2021	\$98,800,000	\$98,800,000		\$186,238	\$1,155,960	\$1,342,198	\$350,996	\$254,907	\$1,948,101	
2022	\$91,200,000	\$91,200,000		\$171,912	\$1,067,040	\$1,238,952	\$323,996	\$235,299	\$1,798,247	
2023	\$83,600,000	\$83,600,000		\$157,586	\$978,120	\$1,135,706	\$296,997	\$215,691	\$1,648,393	
2024	\$76,000,000	\$76,000,000		\$143,260	\$889,200	\$1,032,460	\$269,997	\$196,082	\$1,498,539	
2025	\$68,400,000	\$68,400,000		\$128,934	\$800,280	\$929,214	\$242,997	\$176,474	\$1,348,685	
2026	\$60,800,000	\$60,800,000		\$114,608	\$711,360	\$825,968	\$215,997	\$156,866	\$1,198,831	
2027	\$53,200,000	\$53,200,000		\$100,282	\$622,440	\$722,722	\$188,998	\$137,258	\$1,048,977	
2028	\$45,600,000	\$45,600,000		\$85,956	\$533,520	\$619,476	\$161,998	\$117,649	\$899,123	
						Total	\$20,091,672	\$5,254,139	\$3,815,761	\$29,161,571

Source: CPA, TexStar Midstream Services, LP

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 \$17,303,832. The estimated gross 15 year M&O tax benefit, or levy loss, is \$11,407,032.

Attachment 3 is an economic overview of Nueces 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

Application Name: **Trinidad Middle School** District: **CALIFORNIA DISTRICT**
 Address: **1100 N. ...**

Form 10-2014

PROPERTY INVESTMENT AMOUNTS						
(Estimated investment in each year. Do not put cumulative totals.)						
Year	School Year (FY17-FY18)	Fiscal Year (FY17-FY18)	Column A: Budgeted Personal Property (100% of new investment) placed in building during this year	Column B: Building or Permit (100% building (except amount in Column A))	Column C: Sum of A and B (Qualifying Investment) during the applicable time period	Column D: Investment not included in treatment affecting economic impact and other
2014	2014-2015	2014	0	\$250,000	\$250,000	
2015	2015-2016	2015				
2016	2016-2017	2016				
2017	2017-2018	2017				
2018	2018-2019	2018				
2019	2019-2020	2019				
2020	2020-2021	2020				
2021	2021-2022	2021				
2022	2022-2023	2022				
2023	2023-2024	2023				
2024	2024-2025	2024				
2025	2025-2026	2025				
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2081	2081-2082	2081				
2082	2082-2083	2082				
2083	2083-2084	2083				
2084	2084-2085	2084				
2085	2085-2086	2085				
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2094	2094-2095	2094				
2095	2095-2096	2095				
2096	2096-2097	2096				
2097	2097-2098	2097				
2098	2098-2099	2098				
2099	2099-2100	2099				
2100	2100-2101	2100				
2101	2101-2102	2101				
2102	2102-2103	2102				
2103	2103-2104	2103				
2104	2104-2105	2104				
2105	2105-2106	2105				
2106	2106-2107	2106				
2107	2107-2108	2107				
2108	2108-2109	2108				
2109	2109-2110	2109				
2110	2110-2111	2110				
2111	2111-2112	2111				
2112	2112-2113	2112				
2113	2113-2114	2113				
2114	2114-2115	2114				
2115	2115-2116	2115				
2116	2116-2117	2116				
2117	2117-2118	2117				
2118	2118-2119	2118				
2119	2119-2120	2119				
2120	2120-2121	2120				
2121	2121-2122	2121				
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2123	2123-2124	2123				
2124	2124-2125	2124				
2125	2125-2126	2125				
2126	2126-2127	2126				
2127	2127-2128	2127				
2128	2128-2129	2128				
2129	2129-2130	2129				
2130	2130-2131	2130				
2131	2131-2132	2131				
2132	2132-2133	2132				
2133	2133-2134	2133				
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2135	2135-2136	2135				
2136	2136-2137	2136				
2137	2137-2138	2137				
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2139	2139-2140	2139				
2140	2140-2141	2140				
2141	2141-2142	2141				
2142	2142-2143	2142				
2143	2143-2144	2143				
2144	2144-2145	2144				
2145	2145-2146	2145				
2146	2146-2147	2146				
2147	2147-2148	2147				
2148	2148-2149	2148				
2149	2149-2150	2149				
2150	2150-2151	2150				
2151	2151-2152	2151				
2152	2152-2153	2152				
2153	2153-2154	2153				
2154	2154-2155	2154				
2155	2155-2156	2155				
2156	2156-2157	2156				
2157	2157-2158	2157				
2158	2158-2159	2158				
2159	2159-2160	2159				
2160	2160-2161	2160				
2161	2161-2162	2161				
2162	2162-2163	2162				
2163	2163-2164	2163				
2164	2164-2165	2164				
2165	2165-2166	2165				
2166	2166-2167	2166				
2167	2167-2168	2167				
2168	2168-2169	2168				
2169	2169-2170	2169				
2170	2170-2171	2170				
2171	2171-2172	2171				
2172	2172-2173	2172				
2173	2173-2174	2173				
2174	2174-2175	2174				
2175	2175-2176	2175				
2176	2176-2177	2176				
2177	2177-2178	2177				
2178	2178-2179	2178				
2179	2179-2180	2179				
2180	2180-2181	2180				
2181	2181-2182	2181				
2182	2182-2183	2182				
2183	2183-2184	2183				
2184	2184-2185	2184				
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2196	2196-2197	2196				
2197	2197-2198	2197				
2198	2198-2199	2198				
2199	2199-2200	2199				
2200	2200-2201	2200				
2201	2201-2202	2201				
2202	2202-2203	2202				
2203	2203-2204	2203				
2204	2204-2205	2204				
2205	2205-2206	2205				
2206	2206-2207	2206				
2207	2207-2208	2207				

Schedule B (Rev. May 2010): Estimated Market and Taxable Value

Form 50-296

Applicant Name: TestarMidstream Services, LP
 ISD Name: CALLEEN INDEPENDENT SCHOOL DISTRICT

Year	School Year (YYYY)	Tax Year (Fill in actual tax year) YYYY	Qualified Property			Reductions from Market Value		Estimated Taxable Value
			Estimated Market Value of Land	Estimated total market value of new buildings or other new improvements	Estimated Total Market Value of tangible personal property in the new building or "in or on the new improvement"	Exempted Value	Final taxable value for RPS - after all reductions	
pre-year 1	2013-2014	2013	\$	\$	\$	\$	\$	\$
1	2014-2015	2014	\$	\$	\$152,000,000	\$	\$	\$152,000,000
2	2015-2016	2015	\$	\$	\$141,360,000	\$	\$	\$141,360,000
3	2016-2017	2016	\$	\$	\$136,800,000	\$	\$	\$136,800,000
4	2017-2018	2017	\$	\$	\$129,200,000	\$	\$	\$129,200,000
5	2018-2019	2018	\$	\$	\$121,600,000	\$	\$	\$121,600,000
6	2019-2020	2019	\$	\$	\$114,000,000	\$	\$	\$114,000,000
7	2020-2021	2020	\$	\$	\$106,400,000	\$	\$	\$106,400,000
8	2021-2022	2021	\$	\$	\$98,800,000	\$	\$	\$98,800,000
9	2022-2023	2022	\$	\$	\$91,200,000	\$	\$	\$91,200,000
10	2023-2024	2023	\$	\$	\$83,600,000	\$	\$	\$83,600,000
11	2024-2025	2024	\$	\$	\$76,000,000	\$	\$	\$76,000,000
12	2025-2026	2025	\$	\$	\$68,400,000	\$	\$	\$68,400,000
13	2026-2027	2026	\$	\$	\$60,800,000	\$	\$	\$60,800,000
14	2027-2028	2027	\$	\$	\$53,200,000	\$	\$	\$53,200,000
15	2028-2029	2028	\$	\$	\$45,600,000	\$	\$	\$45,600,000

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.

[Signature]

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

9/17/13
DATE

Schedule C. Application, Employment Information

Applicant Name: TeStatisteam Services, LP
 ISD Name: GALLETT ELEMENTARY SCHOOL DISTRICT

Year	School Year (YYYY-YYYY)	Tax Year (Fall in actual tax year) (YYYY)	Construction		New Jobs		Qualifying Jobs	
			Column A: Number of Construction FTE's or man-hours (specify)	Column B: Average annual wage rates for construction workers	Column C: Number of new jobs applicant commits to create (cumulative)	Column D: Average annual wage rate for all new jobs	Column E: Number of qualifying jobs applicant commits to create meeting all criteria of Sec. 313.0213 (cumulative)	Column F: Average annual wage of qualifying jobs
	2013-2014	2013	200 FTE	\$15/hr	10	\$53,000	10	\$53,000
	2014-2015	2014		\$	10	\$53,000	10	\$53,000
	2015-2016	2015		\$	10	\$53,000	10	\$53,000
	2016-2017	2016		\$	10	\$53,000	10	\$53,000
	2017-2018	2017		\$	10	\$53,000	10	\$53,000
	2018-2019	2018		\$	10	\$53,000	10	\$53,000
	2019-2020	2019		\$	10	\$53,000	10	\$53,000
	2020-2021	2020		\$	10	\$53,000	10	\$53,000
	2021-2022	2021		\$	10	\$53,000	10	\$53,000
	2022-2023	2022		\$	10	\$53,000	10	\$53,000
	2023-2024	2023		\$	10	\$53,000	10	\$53,000
	2024-2025	2024		\$	10	\$53,000	10	\$53,000
	2025-2026	2025		\$	10	\$53,000	10	\$53,000
	2026-2027	2026		\$	10	\$53,000	10	\$53,000
	2027-2028	2027		\$	10	\$53,000	10	\$53,000
	2028-2029	2028		\$	10	\$53,000	10	\$53,000

Notes: For job definitions see TAC §9.3051(14) and Tax Code §313.021(3).

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 appraised district rates for markets and update estimates for current and future years. If original estimates have not changed, enter these amounts for future years.

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

DATE

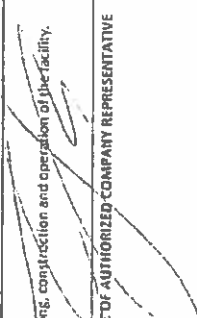
[Handwritten Signature]
 5/17/13

Schedule O, (Rev May 2010): Other Tax Information

Applicant Name: Te-Start/Idream Services, LP
 ISD Name: CALLEEN INDEPENDENT SCHOOL DISTRICT

The year preceding the first complete tax year of the qualifying time period	Year	School Year (YYYY-YYYY)	Tax/Calendar Year	Sales Tax Information		Franchise Tax	Other Property Tax Abatements Sought				
				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		County	City	Hospital	Other	
	1	2013-2014	2013	\$100,000	\$151,900,000	\$5,300,000					
	2	2014-2015	2014	\$100,000	\$	\$5,300,000					
	3	2015-2016	2015	\$100,000	\$	\$5,300,000					
	4	2016-2107	2016	\$100,000	\$	\$5,300,000					
	5	2017-2018	2017	\$100,000	\$	\$5,300,000					
	6	2018-2019	2018	\$100,000	\$	\$5,300,000					
	7	2019-2020	2019	\$100,000	\$	\$5,300,000					
	8	2020-2021	2020	\$100,000	\$	\$5,300,000					
	9	2021-2022	2021	\$100,000	\$	\$5,300,000					
	10	2022-2023	2022	\$100,000	\$	\$5,300,000					
	11	2023-2024	2023	\$100,000	\$	\$5,300,000					
	12	2024-2025	2024	\$100,000	\$	\$5,300,000					
	13	2025-2026	2025	\$100,000	\$	\$5,300,000					
	14	2026-2027	2026	\$100,000	\$	\$5,300,000					
	15	2027-2028	2027	\$100,000	\$	\$5,300,000					
		2028-2029	2028	\$100,000	\$	\$5,300,000					

*For planning, construction and operation of the facility.

Signature:  DATE: 9/17/13

SIGNATURE OF AUTHORIZED COMPANY REPRESENTATIVE

Attachment 2

November 19, 2013

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 TexStar Midstream Service LP project on the number and size of school facilities in Calallen Independent School District (CISD). Based on the analysis prepared by Moak, Casey and Associates for the school district and a conversation with the CISD superintendent, Edith George, the TEA has found that the TexStar Midstream Service LP project would not have a significant impact on the number or size of school facilities in CISD.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

November 19, 2013

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 (TEA) has analyzed the revenue gains that would be realized by the proposed TexStar Midstream Service LP project for the Calallen Independent School District (CISD). Projections prepared by the TEA State Funding Division 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 TexStar Midstream Service LP project on CISD are correct.

Please feel free to contact me by phone at (512) 463-9186 or by email at al.mckenzie@tea.state.tx.us if you need further information about this issue.

Sincerely,



Al McKenzie, Manager
Foundation School Program Support

AM/rk

**SUMMARY OF FINANCIAL IMPACT OF THE PROPOSED TEXSTAR
MIDSTREAM SERVICE, LP PROJECT (#341) ON THE FINANCES
OF THE CALLEN INDEPENDENT SCHOOL DISTRICT
INDEPENDENT SCHOOL DISTRICT UNDER A REQUESTED
CHAPTER 313 PROPERTY VALUE LIMITATION**

September 30, 2013

Final Report

PREPARED BY



Estimated Impact of the Proposed TexStar Midstream Service, LP Project (#341) on the Finances of the Calallen Independent School District Independent School District under a Requested Chapter 313 Property Value Limitation

Introduction

TexStar Midstream Service, LP (TexStar) has requested that the Calallen Independent School District Independent School District (CISD) 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 CISD on September 17, 2013, TexStar proposes to invest \$152 million to construct a new natural gas fractionator project in CISD. This report reflects the impact of a revised investment schedule for the project.

The TexStar 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, CISD may offer a minimum value limitation of \$20 million. The provisions of Chapter 313 call for the project to be fully taxable in the 2014-15 and 2015-16 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 2014-15 and 2015-16 school years. Beginning in the 2016-17 school year, the project would go on the local tax roll at \$20 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 CISD currently levying an \$0.1885 per \$100 I&S tax rate. The full value of the investment is expected to reach \$152 million in the 2014-15 school year, with depreciation expected to reduce the taxable value of the project over the course of the value limitation agreement.

In the case of the TexStar 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. CISD would experience a revenue loss of \$1.5 million as a result of the implementation of the value limitation in the 2016-17 school year.

Under the assumptions outlined below, the potential tax benefits under a Chapter 313 agreement could reach an estimated \$9.9 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 the 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 periods (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 requires 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 M&O 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.

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 during the First Called Session in 2011 made \$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 781 school districts still receiving ASATR to maintain their target revenue funding levels, while an estimated 243 districts operated directly on the state formulas. For the 2012-13 school year, the 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, with 689 districts operating on formula and 335 districts still receiving ASATR funding.

Senate Bill 1 and House Bill 1025 as passed by the 83rd Legislature made significant increases to the basic allotment and other formula changes by appropriation. The ASATR reduction percentage is increased slightly to 92.63 percent, while the basic allotment is increased by \$325 and \$365, respectively, for the 2013-14 and 2014-15 school years. A slight increase in the guaranteed yield for the six cents above compressed—known as the Austin yield—is also included. With the basic allotment increase, it is estimated that approximately 300 school districts will still receive ASATR in the 2013-14 school year and 273 districts would do so in the 2014-15 school year. Current state policy calls for ASATR funding to be eliminated by the 2017-18 school year.

While the manner in which the Legislature addresses the ASATR issue is important, CISD had a target level below the state average and has been a formula district in recent years. Under the analysis presented below, CISD is classified as a formula district with or without the value limitation in place. ASATR is not a factor in these calculations.

One concern in projecting into the future is that the underlying state statutes in the Education Code were not changed in order to provide these funding increases. All of the major formula changes were made by appropriation, which gives them only a two-year lifespan unless renewed in the 2015 legislative session. Despite this uncertainty, it is assumed that these changes will remain in effect for the forecast period for the purpose of these estimates, assuming a continued legislative commitment to these funding levels in future years.

A 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 TexStar 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.

The general approach used here is to maintain static enrollment and property values in order to isolate the effects of the value limitation under the school finance system. The SB 1 basic allotment and Tier II increases are reflected in the underlying models. The projected taxable values of the TexStar Midstream Service, LP project are factored into the base model used here in order to simulate the financial impact of the project being constructed in the absence of a value limitation agreement. The impact of the limitation value for the proposed TexStar project is isolated separately and the focus of this analysis.

Student enrollment counts are held constant at 3,737 students in average daily attendance (ADA) in analyzing the effects of the TexStar project on the finances of CISD. The District's local tax base reached \$1.2 billion for the 2013 tax year and is maintained at that level for the forecast period in order to isolate the effects of the property value limitation. An M&O tax rate of \$1.17 per \$100 is used throughout this analysis. CISD has estimated state property wealth per weighted ADA or WADA of approximately \$224,668 for the 2013-14 school year. The enrollment and property value assumptions for the 15 years that are the subject of this analysis are summarized in Table I.

School Finance Impact

School finance models were prepared for CISD under the assumptions outlined above through the 2028-29 school year. Beyond the 2014-15 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 TexStar 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 TexStar value but imposes the proposed property value limitation effective in the third year, which in this case is the 2016-17 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, CISD would experience a revenue loss of \$1.5 million as a result of the implementation of the value limitation in the 2016-17 school year. The revenue reduction results largely from the mechanics of the state formula system, where offsetting state aid is delayed by a year due to the one-year lag in the state property value study.

For the 2016-17 school year, it is estimated here that TexStar would receive \$1,366,560 in M&O tax savings when the \$20 million value limitation takes effect. CISD would experience reduced M&O tax collections in this amount for the 2016-17 school year, as well as a reduction of \$111,664 in Tier II state aid that is generated by local M&O tax effort. Once the 2016 property value study—used to calculate state aid in the 2017-18 school year—recognizes the \$20 million value limitation, increased state aid offsets the reduction in M&O tax collections for the remainder of the value limitation period. These differences are summarized in Table 4.

The Comptroller’s state property value study clearly influences these calculations. 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. Two state value determinations are also made 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 \$1.17 per \$100 of taxable value M&O rate is assumed in 2013-14 and thereafter.

Under the assumptions used here, the potential tax savings from the value limitation total \$8.4 million over the life of the agreement. In addition, TexStar would be eligible for a tax credit for M&O 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 \$3.0 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 CISD revenue losses are expected to total approximately \$1.5 million in the initial year of the agreement. In total, the potential net tax benefits (inclusive of tax credits but after hold-harmless payments are made) are estimated to total \$9.9 million over the life of the agreement.

Facilities Funding Impact

The TexStar project remains fully taxable for debt services taxes, with CISD currently levying a \$0.1885 per \$100 l&S rate. While the value of the TexStar project is expected to depreciate over the life of the agreement and beyond, full access to the additional value is expected to provide CISD with a modest boost in l&S tax revenue as a result of the project.

The TexStar project is not expected to affect CISD 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 TexStar manufacturing project enhances the tax base of CISD. 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 \$9.9 million. (This amount is net of any anticipated revenue losses for the District.) The additional taxable value also enhances the tax base of CISD in meeting its future debt service obligations.

Table 1 – Base District Information with TexStar Midstream Service, LP 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	2013-14	3,737.46	4,905.43	\$1.1700	\$0.1885	\$1,213,951,123	\$1,213,951,123	\$1,102,090,075	\$1,102,090,075	\$224,668	\$224,668
1	2014-15	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,365,951,123	\$1,365,951,123	\$1,199,234,978	\$1,199,234,978	\$244,464	\$244,464
2	2015-16	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,355,311,123	\$1,355,311,123	\$1,351,234,978	\$1,351,234,978	\$275,449	\$275,449
3	2016-17	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,350,751,123	\$1,233,951,123	\$1,340,594,978	\$1,340,594,978	\$273,280	\$273,280
4	2017-18	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,343,151,123	\$1,233,951,123	\$1,336,034,978	\$1,219,234,978	\$272,351	\$248,541
5	2018-19	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,335,551,123	\$1,233,951,123	\$1,328,434,978	\$1,219,234,978	\$270,801	\$248,541
6	2019-20	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,327,951,123	\$1,233,951,123	\$1,320,834,978	\$1,219,234,978	\$269,252	\$248,541
7	2020-21	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,320,351,123	\$1,233,951,123	\$1,313,234,978	\$1,219,234,978	\$267,703	\$248,541
8	2021-22	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,312,751,123	\$1,233,951,123	\$1,305,634,978	\$1,219,234,978	\$266,154	\$248,541
9	2022-23	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,305,151,123	\$1,233,951,123	\$1,298,034,978	\$1,219,234,978	\$264,604	\$248,541
10	2023-24	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,297,551,123	\$1,233,951,123	\$1,290,434,978	\$1,219,234,978	\$263,055	\$248,541
11	2024-25	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,289,951,123	\$1,289,951,123	\$1,282,834,978	\$1,219,234,978	\$261,506	\$248,541
12	2025-26	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,282,351,123	\$1,282,351,123	\$1,275,234,978	\$1,275,234,978	\$259,957	\$259,957
13	2026-27	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,274,751,123	\$1,274,751,123	\$1,267,634,978	\$1,267,634,978	\$258,407	\$258,407
14	2027-28	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,267,151,123	\$1,267,151,123	\$1,260,034,978	\$1,260,034,978	\$256,858	\$256,858
15	2028-29	3,737.46	4,905.57	\$1.1700	\$0.1885	\$1,259,551,123	\$1,259,551,123	\$1,252,434,978	\$1,252,434,978	\$255,309	\$255,309

*Basic Allotment: \$5,040; AISD Yield: \$61.86; Equalized Wealth: \$504,000 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	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	2013-14	\$11,915,848	\$14,742,573	\$0	\$0	\$2,025,694	\$1,747,077	\$0	\$30,431,192
1	2014-15	\$13,405,448	\$14,229,891	\$0	\$0	\$2,278,926	\$1,684,276	\$0	\$31,598,541
2	2015-16	\$13,301,176	\$12,709,891	\$0	\$0	\$2,261,200	\$1,249,475	\$0	\$29,521,742
3	2016-17	\$13,279,848	\$12,816,291	\$0	\$0	\$2,257,574	\$1,274,060	\$0	\$29,627,773
4	2017-18	\$13,203,848	\$12,861,891	\$0	\$0	\$2,244,654	\$1,279,311	\$0	\$29,589,704
5	2018-19	\$13,127,848	\$12,937,891	\$0	\$0	\$2,231,734	\$1,292,079	\$0	\$29,589,552
6	2019-20	\$13,051,848	\$13,013,891	\$0	\$0	\$2,218,814	\$1,304,847	\$0	\$29,589,400
7	2020-21	\$12,975,848	\$13,089,891	\$0	\$0	\$2,205,894	\$1,317,616	\$0	\$29,589,249
8	2021-22	\$12,899,848	\$13,165,891	\$0	\$0	\$2,192,974	\$1,330,383	\$0	\$29,589,096
9	2022-23	\$12,823,848	\$13,241,891	\$0	\$0	\$2,180,054	\$1,343,151	\$0	\$29,588,944
10	2023-24	\$12,747,848	\$13,317,891	\$0	\$0	\$2,167,134	\$1,355,919	\$0	\$29,588,792
11	2024-25	\$12,660,648	\$13,393,891	\$0	\$0	\$2,152,310	\$1,366,617	\$0	\$29,573,466
12	2025-26	\$12,586,168	\$13,469,891	\$0	\$0	\$2,139,648	\$1,379,370	\$0	\$29,575,077
13	2026-27	\$12,511,688	\$13,545,891	\$0	\$0	\$2,126,987	\$1,392,122	\$0	\$29,576,688
14	2027-28	\$12,437,208	\$13,621,891	\$0	\$0	\$2,114,325	\$1,404,875	\$0	\$29,578,299
15	2028-29	\$12,362,728	\$13,697,891	\$0	\$0	\$2,101,664	\$1,417,628	\$0	\$29,579,911

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	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	2013-14	\$11,915,848	\$14,742,573	\$0	\$0	\$2,025,694	\$1,747,077	\$0	\$30,431,192
1	2014-15	\$13,405,448	\$14,229,891	\$0	\$0	\$2,278,926	\$1,684,276	\$0	\$31,598,541
2	2015-16	\$13,301,176	\$12,709,891	\$0	\$0	\$2,261,200	\$1,249,475	\$0	\$29,521,742
3	2016-17	\$12,111,848	\$12,816,291	\$0	\$0	\$2,059,014	\$1,162,396	\$0	\$28,149,549
4	2017-18	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
5	2018-19	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
6	2019-20	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
7	2020-21	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
8	2021-22	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
9	2022-23	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
10	2023-24	\$12,111,848	\$14,029,891	\$0	\$0	\$2,059,014	\$1,483,174	\$0	\$29,683,927
11	2024-25	\$12,660,648	\$14,029,891	\$0	\$0	\$2,152,310	\$1,550,187	\$0	\$30,393,036
12	2025-26	\$12,586,168	\$13,469,891	\$0	\$0	\$2,139,648	\$1,379,370	\$0	\$29,575,077
13	2026-27	\$12,511,688	\$13,545,891	\$0	\$0	\$2,126,987	\$1,392,122	\$0	\$29,576,688
14	2027-28	\$12,437,208	\$13,621,891	\$0	\$0	\$2,114,325	\$1,404,875	\$0	\$29,578,299
15	2028-29	\$12,362,728	\$13,697,891	\$0	\$0	\$2,101,664	\$1,417,628	\$0	\$29,579,911

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	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	2013-14	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	2016-17	-\$1,168,000	\$0	\$0	\$0	-\$198,560	-\$111,664	\$0	-\$1,478,224
4	2017-18	-\$1,092,000	\$1,168,000	\$0	\$0	-\$185,640	\$203,863	\$0	\$94,223
5	2018-19	-\$1,016,000	\$1,092,000	\$0	\$0	-\$172,720	\$191,095	\$0	\$94,375
6	2019-20	-\$940,000	\$1,016,000	\$0	\$0	-\$159,800	\$178,327	\$0	\$94,527
7	2020-21	-\$864,000	\$940,000	\$0	\$0	-\$146,880	\$165,558	\$0	\$94,678
8	2021-22	-\$788,000	\$864,000	\$0	\$0	-\$133,960	\$152,791	\$0	\$94,831
9	2022-23	-\$712,000	\$788,000	\$0	\$0	-\$121,040	\$140,023	\$0	\$94,983
10	2023-24	-\$636,000	\$712,000	\$0	\$0	-\$108,120	\$127,255	\$0	\$95,135
11	2024-25	\$0	\$636,000	\$0	\$0	\$0	\$183,570	\$0	\$819,570
12	2025-26	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13	2026-27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Table 5 - Estimated Financial Impact of the TexStar Midstream Service, LP Project Property Value Limitation Request Submitted to CISD at \$1.17 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	2013-14	\$0	\$0	\$0	\$1.170	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1	2014-15	\$152,000,000	\$152,000,000	\$0	\$1.170	\$1,778,400	\$1,778,400	\$0	\$0	\$0	\$0	\$0
2	2015-16	\$141,360,000	\$141,360,000	\$0	\$1.170	\$1,653,912	\$1,653,912	\$0	\$0	\$0	\$0	\$0
3	2016-17	\$136,800,000	\$20,000,000	\$116,800,000	\$1.170	\$1,600,560	\$234,000	\$1,366,560	\$0	\$1,366,560	-\$1,478,224	-\$111,664
4	2017-18	\$129,200,000	\$20,000,000	\$109,200,000	\$1.170	\$1,511,640	\$234,000	\$1,277,640	\$238,771	\$1,516,411	\$0	\$1,516,411
5	2018-19	\$121,600,000	\$20,000,000	\$101,600,000	\$1.170	\$1,422,720	\$234,000	\$1,188,720	\$231,608	\$1,420,328	\$0	\$1,420,328
6	2019-20	\$114,000,000	\$20,000,000	\$94,000,000	\$1.170	\$1,333,800	\$234,000	\$1,099,800	\$224,445	\$1,324,245	\$0	\$1,324,245
7	2020-21	\$106,400,000	\$20,000,000	\$86,400,000	\$1.170	\$1,244,880	\$234,000	\$1,010,880	\$217,282	\$1,228,162	\$0	\$1,228,162
8	2021-22	\$98,800,000	\$20,000,000	\$78,800,000	\$1.170	\$1,155,960	\$234,000	\$921,960	\$210,119	\$1,132,079	\$0	\$1,132,079
9	2022-23	\$91,200,000	\$20,000,000	\$71,200,000	\$1.170	\$1,067,040	\$234,000	\$833,040	\$202,956	\$1,035,996	\$0	\$1,035,996
10	2023-24	\$83,600,000	\$20,000,000	\$63,600,000	\$1.170	\$978,120	\$234,000	\$744,120	\$195,793	\$939,913	\$0	\$939,913
11	2024-25	\$76,000,000	\$76,000,000	\$0	\$1.170	\$889,200	\$889,200	\$0	\$1,032,460	\$1,032,460	\$0	\$1,032,460
12	2025-26	\$68,400,000	\$68,400,000	\$0	\$1.170	\$800,280	\$800,280	\$0	\$410,878	\$410,878	\$0	\$410,878
13	2026-27	\$60,800,000	\$60,800,000	\$0	\$1.170	\$711,360	\$711,360	\$0	\$0	\$0	\$0	\$0
14	2027-28	\$53,200,000	\$53,200,000	\$0	\$1.170	\$622,440	\$622,440	\$0	\$0	\$0	\$0	\$0
15	2028-29	\$45,600,000	\$45,600,000	\$0	\$1.170	\$533,520	\$533,520	\$0	\$0	\$0	\$0	\$0
						\$17,303,832	\$8,861,112	\$8,442,720	\$2,964,312	\$11,407,032	-\$1,478,224	\$9,928,808

Tax Credit for Value Over Limit in First 2 Years

	Year 1	Year 2	Max Credits
	\$1,544,400	\$1,419,912	\$2,964,312
Credits Earned			\$2,964,312
Credits Paid			\$2,964,312
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

Nueces County

Population

- Total county population in 2010 for Nueces County: 323,196 , up 0.3 percent from 2009. State population increased 1.8 percent in the same time period.
- Nueces County was the state's 14th largest county in population in 2010 and the 174th fastest growing county from 2009 to 2010.
- Nueces County's population in 2009 was 33.8 percent Anglo (below the state average of 46.7 percent), 3.7 percent African-American (below the state average of 11.3 percent) and 60.0 percent Hispanic (above the state average of 36.9 percent).
- 2009 population of the largest cities and places in Nueces County:

Corpus Christi:	287,439	Robstown:	12,169
Port Aransas:	3,905	Bishop:	3,127
Driscoll:	805	Agua Dulce:	715
Petroniia:	79		

Economy and Income

Employment

- September 2011 total employment in Nueces County: 159,610 , up 2.7 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 Nueces County unemployment rate: 7.8 percent, up from 7.6 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:

Corpus Christi: 7.6 percent, up from 7.3 percent in September 2010.

(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

- Nueces County's ranking in per capita personal income in 2009: 58th with an average per capita income of \$37,162, down 2.4 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 Nueces County averaged \$80.34 million annually from 2007 to 2010. County total agricultural values in 2010 were up 755.7 percent from 2009. Major agriculture related commodities in Nueces County during 2010 included:
 - Cotton • Sesame • Nursery • Other Beef • Sorghum
- 2011 oil and gas production in Nueces County: 320,277.0 barrels of oil and 19.1 million Mcf of gas. In September 2011, there were 189 producing oil wells and 718 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 Nueces County during the fourth quarter 2010: \$1.04 billion, up 15.0 percent from the same quarter in 2009.
- Taxable sales during the fourth quarter 2010 in the city of:

Corpus Christi:	\$938.09 million, up 10.8 percent from the same quarter in 2009.
Robstown:	\$57.65 million, up 113.2 percent from the same quarter in 2009.
Port Aransas:	\$11.99 million, up 11.1 percent from the same quarter in 2009.
Bishop:	\$1.44 million, down 2.2 percent from the same quarter in 2009.
Driscoll:	\$420,248.00, up 11.6 percent from the same quarter in 2009.
Agua Dulce:	\$296,518.00, down 2.7 percent from the same quarter in 2009.
Petroniia:	\$72,807.00, up 184.8 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 Nueces County through the fourth quarter of 2010: \$3.83 billion, up 9.8 percent from the same period in 2009.
- Taxable sales through the fourth quarter of 2010 in the city of:

Corpus Christi:	\$3.46 billion, up 7.2 percent from the same period in 2009.
Robstown:	\$200.33 million, up 69.6 percent from the same period in 2009.
Port Aransas:	\$70.69 million, down 1.1 percent from the same period in 2009.
Bishop:	\$5.79 million, up 1.1 percent from the same period in 2009.

Driscoll:	\$1.56 million, down 0.2 percent from the same period in 2009.
Agua Dulce:	\$1.13 million, up 5.6 percent from the same period in 2009.
Petronila:	\$211,186.00, up 54.0 percent from the same period in 2009.

Annual (2010)

- Taxable sales in Nueces County during 2010: \$3.83 billion, up 9.8 percent from 2009.
- Nueces County sent an estimated \$239.49 million (or 1.40 percent of Texas' taxable sales) in state sales taxes to the state treasury in 2010.
- Taxable sales during 2010 in the city of:

Corpus Christi:	\$3.46 billion, up 7.2 percent from 2009.
Robstown:	\$200.33 million, up 69.6 percent from 2009.
Port Aransas:	\$70.69 million, down 1.1 percent from 2009.
Bishop:	\$5.79 million, up 1.1 percent from 2009.
Driscoll:	\$1.56 million, down 0.2 percent from 2009.
Agua Dulce:	\$1.13 million, up 5.6 percent from 2009.
Petronila:	\$211,186.00, up 54.0 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 Nueces County based on the sales activity month of August 2011: \$6.22 million, up 24.4 percent from August 2010.
- Payment based on the sales activity month of August 2011 to the city of:

Corpus Christi:	\$5.77 million, up 25.5 percent from August 2010.
Robstown:	\$274,860.33, up 8.9 percent from August 2010.
Port Aransas:	\$159,780.24, up 19.7 percent from August 2010.
Bishop:	\$15,632.42, up 3.1 percent from August 2010.
Driscoll:	\$4,054.43, up 3.6 percent from August 2010.
Agua Dulce:	\$2,541.27, up 18.0 percent from August 2010.
Petronila:	\$128.85, down 80.3 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 Nueces County based on sales activity months from September 2010 through August 2011: \$67.37 million, up 13.5 percent from fiscal 2010.
- Payments based on sales activity months from September 2010 through August 2011 to the city of:

Corpus Christi:	\$62.23 million, up 12.6 percent from fiscal 2010.
Robstown:	\$3.41 million, up 32.1 percent from fiscal 2010.
Port Aransas:	\$1.47 million, up 16.5 percent from fiscal 2010.
Bishop:	\$181,403.13, up 3.8 percent from fiscal 2010.
Driscoll:	\$46,574.81, up 20.7 percent from fiscal 2010.
Agua Dulce:	\$27,564.94, up 12.4 percent from fiscal 2010.
Petronila:	\$4,487.91, down 7.8 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 Nueces County based on sales activity months through August 2011: \$44.88 million, up 13.9 percent from the same period in 2010.
- Payments based on sales activity months through August 2011 to the city of:

Corpus Christi:	\$41.38 million, up 13.8 percent from the same period in 2010.
Robstown:	\$2.20 million, up 13.5 percent from the same period in 2010.
Port Aransas:	\$1.12 million, up 20.4 percent from the same period in 2010.
Bishop:	\$118,773.55, up 1.0 percent from the same period in 2010.
Driscoll:	\$32,410.79, up 24.2 percent from the same period in 2010.
Agua Dulce:	\$17,822.83, up 4.8 percent from the same period in 2010.
Petronila:	\$2,064.77, down 39.5 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 Nueces County based on sales activity in the 12 months ending in August 2011: \$67.37 million, up 13.5 percent from the previous 12-month period.
- Payments based on sales activity in the 12 months ending in August 2011 to the city of:

Corpus Christi:	\$62.23 million, up 12.6 percent from the previous 12-month period.
Robstown:	\$3.41 million, up 32.1 percent from the previous 12-month period.
Port Aransas:	\$1.47 million, up 16.5 percent from the previous 12-month period.
Bishop:	\$181,403.13, up 3.8 percent from the previous 12-month period.
Driscoll:	\$46,574.81, up 20.7 percent from the previous 12-month period.
Agua Dulce:	\$27,564.94, up 12.4 percent from the previous 12-month period.
Petronila:	\$4,487.91, down 7.8 percent from the previous 12-month period.

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

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

Corpus Christi:	\$52.50 million, up 13.5 percent from the same period in 2010.
Robstown:	\$2.82 million, up 23.8 percent from the same period in 2010.
Port Aransas:	\$1.27 million, up 17.3 percent from the same period in 2010.
Bishop:	\$151,640.26, up 5.2 percent from the same period in 2010.
Driscoll:	\$39,572.43, up 21.4 percent from the same period in 2010.
Agua Dulce:	\$22,637.66, up 9.1 percent from the same period in 2010.
Petronila:	\$3,017.84, down 24.5 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 Nueces County based on sales activity months in 2010: \$61.89 million, up 4.6 percent from 2009.
- Payment based on sales activity months in 2010 to the city of:

Corpus Christi:	\$57.20 million, up 2.9 percent from 2009.
Robstown:	\$3.15 million, up 60.8 percent from 2009.
Port Aransas:	\$1.28 million, down 3.6 percent from 2009.
Bishop:	\$180,187.04, up 2.9 percent from 2009.
Driscoll:	\$40,265.82, up 1.3 percent from 2009.
Agua Dulce:	\$26,741.96, up 10.2 percent from 2009.
Petronila:	\$5,834.13, up 11.9 percent from 2009.

Property Tax

- As of January 2009, property values in Nueces County: \$23.73 billion, up 3.6 percent from January 2008 values. The property tax base per person in Nueces County is \$73,450, below the statewide average of \$85,809. About 2.3 percent of the property tax base is derived from oil, gas and minerals.

State Expenditures

- Nueces County's ranking in state expenditures by county in fiscal year 2010: 11th. State expenditures in the county for FY2010: \$1.67 billion, up 0.2 percent from FY2009.
- In Nueces County, 36 state agencies provide a total of 5,862 jobs and \$44.13 million in annualized wages (as of 1st quarter 2011).
- Major state agencies in the county (as of first quarter 2011):

<ul style="list-style-type: none"> • Texas A & M University • Department of Family and Protective Services 	<ul style="list-style-type: none"> • Department of Aging and Disability Services (Corpus Christi State School) • Department of Transportation
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Higher Education

- Community colleges in Nueces County fall 2010 enrollment:
 - Del Mar College, a Public Community College, had 12,236 students.

- Nueces County is in the service area of the following:

- Del Mar College with a fall 2010 enrollment of 12,236 . Counties in the service area include:
 - Aransas County
 - Kenedy County
 - Kleberg County
 - Nueces County
 - San Patricio County

■ Institutions of higher education in Nueces County fall 2010 enrollment:

- Texas A&M University-Corpus Christi, a Public University (part of Texas A&M University System), had 10,033 students.

School Districts

■ Nueces County had 12 school districts with 108 schools and 59,713 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.)

- Agua Dulce ISD had 341 students in the 2009-10 school year. The average teacher salary was \$41,075. The percentage of students meeting the 2010 TAKS passing standard for all tests was 61 percent.
- Banquete ISD had 831 students in the 2009-10 school year. The average teacher salary was \$45,570. The percentage of students meeting the 2010 TAKS passing standard for all tests was 77 percent.
- Bishop CISD had 1,224 students in the 2009-10 school year. The average teacher salary was \$44,028. The percentage of students meeting the 2010 TAKS passing standard for all tests was 81 percent.
- Calallen ISD had 3,797 students in the 2009-10 school year. The average teacher salary was \$47,321. The percentage of students meeting the 2010 TAKS passing standard for all tests was 86 percent.
- Corpus Christi ISD had 38,041 students in the 2009-10 school year. The average teacher salary was \$50,380. The percentage of students meeting the 2010 TAKS passing standard for all tests was 71 percent.
- Driscoll ISD had 263 students in the 2009-10 school year. The average teacher salary was \$41,729. The percentage of students meeting the 2010 TAKS passing standard for all tests was 89 percent.
- Flour Bluff ISD had 5,440 students in the 2009-10 school year. The average teacher salary was \$46,636. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- London ISD had 352 students in the 2009-10 school year. The average teacher salary was \$46,308. The percentage of students meeting the 2010 TAKS passing standard for all tests was 93 percent.
- Port Aransas ISD had 548 students in the 2009-10 school year. The average teacher salary was \$47,343. The percentage of students meeting the 2010 TAKS passing standard for all tests was 84 percent.
- Robstown ISD had 3,385 students in the 2009-10 school year. The average teacher salary was \$43,354. The percentage of students meeting the 2010 TAKS passing standard for all tests was 55 percent.
- Tulo-so-Midway ISD had 3,408 students in the 2009-10 school year. The average teacher salary was \$45,404. The percentage of students meeting the 2010 TAKS passing standard for all tests was 80 percent.
- West Oso ISD had 2,083 students in the 2009-10 school year. The average teacher salary was \$45,631. The percentage of students meeting the 2010 TAKS passing standard for all tests was 63 percent.