

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

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**Summary of Silverton ISD Financial Impact
of the
Limited Appraised Value Application
from
Briscoe Wind Farm, LLC**

Introduction

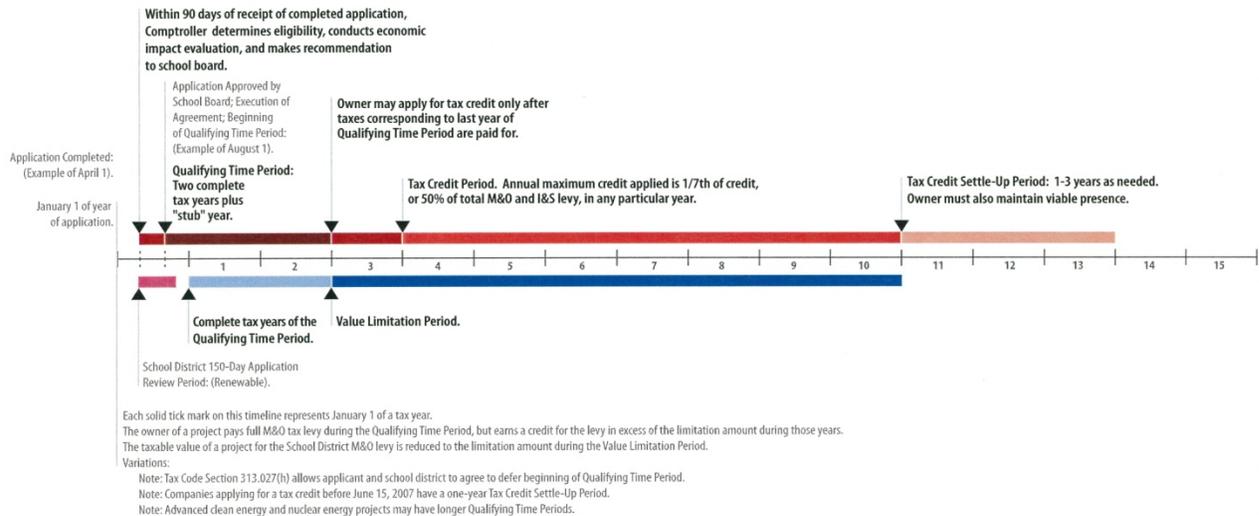
Briscoe Wind Farm, LLC applied for a property value limitation from Silverton Independent School District under Chapter 313 of the Tax Code. The application was submitted on October 22, 2013 and subsequently approved for consideration by the Silverton ISD Board of Trustees. Briscoe Wind Farm, LLC (“Briscoe 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. Silverton 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 Silverton ISD has a minimum qualified investment amount of \$10 million. A qualifying entity’s taxable value would be

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reduced to \$10 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Silverton 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 Briscoe 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 Silverton ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From Briscoe Wind	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2015	15,075,000	n/a	0	15,075,000
Jan. 1, 2016	292,455,000	n/a	0	292,455,000
Jan. 1, 2017	269,059,000	(10,000,000)	259,059,000	10,000,000
Jan. 1, 2018	247,534,000	(10,000,000)	237,534,000	10,000,000
Jan. 1, 2019	227,731,000	(10,000,000)	217,731,000	10,000,000
Jan. 1, 2020	209,513,000	(10,000,000)	199,513,000	10,000,000
Jan. 1, 2021	192,752,000	(10,000,000)	182,752,000	10,000,000
Jan. 1, 2022	177,332,000	(10,000,000)	167,332,000	10,000,000
Jan. 1, 2023	163,145,000	(10,000,000)	153,145,000	10,000,000
Jan. 1, 2024	150,093,000	(10,000,000)	140,093,000	10,000,000
Jan. 1, 2025	138,086,000	n/a	0	138,086,000
Jan. 1, 2026	127,039,000	n/a	0	127,039,000
Jan. 1, 2027	116,876,000	n/a	0	116,876,000

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Briscoe Wind's Tax Benefit from Agreement

The projected amount of the net tax savings for Briscoe Wind is \$17.01 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.

Silverton 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 M&O rates for 2016-2017 & 2025-2026 are projected to drop to \$.95 due to the rollback tax rate calculations.
- The district currently has no outstanding bonds and no I&S tax rate is projected in the study. The district could however pursue a bond election and issue 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
2015-2016	1.040	0.00	156,780	0	n/a	0	0
2016-2017	0.950	0.00	2,778,323	0	n/a	0	0
2017-2018	1.040	0.00	2,798,214	2,694,214	n/a	(1,878,779)	815,434
2018-2019	1.040	0.00	2,574,354	2,470,354	52,000	(19,161)	2,503,193
2019-2020	1.040	0.00	2,368,402	2,264,402	52,000	(8,367)	2,308,036
2020-2021	1.040	0.00	2,178,935	2,074,935	52,000	0	2,126,935
2021-2022	1.040	0.00	2,004,621	1,900,621	52,000	(6,040)	1,946,581
2022-2023	1.040	0.00	1,844,253	1,740,253	52,000	(2,923)	1,789,329
2023-2024	1.040	0.00	1,696,708	1,592,708	52,000	0	1,644,708
2024-2025	1.040	0.00	1,560,967	1,456,967	52,000	0	1,508,967
2025-2026	0.950	0.00	1,311,817	0	1,311,817	0	1,311,817
2026-2027	1.040	0.00	1,321,206	0	1,060,286	0	1,060,286
2027-2028	1.040	0.00	1,215,510	0	0	0	0
Totals			23,810,089	16,194,454	2,736,103	(1,915,270)	17,015,286

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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 Silverton 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 2013.
- 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 2013 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 2013-2014 was decreased by .25% 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 Briscoe Wind (Table III), the addition of Briscoe Wind's taxable values without a Chapter 313 Agreement (Table IV), and the addition of Briscoe Wind's taxable values with a Chapter 313 Agreement (Table V).

TABLE III – District Revenues *without* Briscoe Wind Farm, LLC:

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				
2015-2016	113,159,063	1,026,013	724,608	0	1,750,621	224,250	1,974,871
2016-2017	114,290,653	1,036,273	709,817	0	1,746,090	224,531	1,970,621
2017-2018	115,433,560	1,046,636	694,925	0	1,741,561	223,951	1,965,512
2018-2019	116,587,896	1,057,102	679,927	0	1,737,029	223,373	1,960,402
2019-2020	117,753,774	1,067,673	669,463	825	1,736,311	223,621	1,959,933
2020-2021	118,931,312	1,078,350	654,265	1,910	1,730,705	224,132	1,954,837
2021-2022	120,120,625	1,089,134	638,947	3,004	1,725,076	224,652	1,949,729
2022-2023	121,321,832	1,100,025	623,531	4,106	1,719,451	225,182	1,944,633
2023-2024	122,535,050	1,111,025	608,005	5,215	1,713,815	225,722	1,939,537
2024-2025	123,760,400	1,122,136	592,369	6,333	1,708,171	226,272	1,934,443
2025-2026	124,998,004	1,133,357	576,626	7,460	1,702,523	226,832	1,929,355
2026-2027	126,247,984	1,144,690	560,771	8,595	1,696,867	227,402	1,924,269
2027-2028	127,510,464	1,156,137	544,807	9,738	1,691,207	227,982	1,919,188

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TABLE IV- District Revenues *with* Briscoe Wind Farm *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				
2015-2016	128,234,063	1,162,698	724,608	0	1,887,306	253,873	2,141,179
2016-2017	406,745,653	3,687,963	573,958	0	4,261,921	310,204	4,572,124
2017-2018	384,492,560	3,486,194	119,414	2,122,832	1,482,776	513,810	1,996,586
2018-2019	364,121,896	3,301,493	115,392	1,924,299	1,492,586	486,656	1,979,242
2019-2020	345,484,774	3,132,510	116,303	1,742,643	1,506,171	461,813	1,967,984
2020-2021	328,444,312	2,978,005	112,848	1,576,529	1,514,323	439,098	1,953,421
2021-2022	312,872,625	2,836,816	125,031	1,424,725	1,537,122	418,341	1,955,463
2022-2023	298,653,832	2,707,894	126,071	1,286,096	1,547,869	399,387	1,947,256
2023-2024	285,680,050	2,590,261	122,499	1,159,606	1,553,154	382,093	1,935,248
2024-2025	273,853,400	2,483,029	118,746	1,044,300	1,557,474	366,328	1,923,803
2025-2026	263,084,004	2,385,383	115,548	939,311	1,561,620	351,973	1,913,593
2026-2027	253,286,984	2,296,553	112,523	843,836	1,565,240	338,913	1,904,153
2027-2028	244,386,464	2,215,852	109,364	757,133	1,568,083	327,049	1,895,132

TABLE V – District Revenues *with* Briscoe Wind Farm *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
2016-2017	406,745,653	3,687,963	573,958	0	4,261,921	310,204	0	4,572,124
2017-2018	125,433,560	1,137,306	90,147	1,211,919	15,534	102,273	1,878,779	1,996,586
2018-2019	126,587,896	1,147,772	589,257	7,201	1,729,828	230,254	19,161	1,979,242
2019-2020	127,753,774	1,158,343	578,793	8,277	1,728,859	230,758	8,367	1,967,984
2020-2021	128,931,312	1,169,020	563,587	9,361	1,723,246	231,272	0	1,954,518
2021-2022	130,120,625	1,179,804	548,277	10,452	1,717,628	231,795	6,040	1,955,463
2022-2023	131,321,832	1,190,695	532,861	11,552	1,712,005	232,328	2,923	1,947,256
2023-2024	132,535,050	1,201,695	517,335	12,660	1,706,370	232,871	0	1,939,241
2024-2025	133,760,400	1,212,806	501,699	13,776	1,700,728	233,424	0	1,934,152
2025-2026	263,084,004	2,385,383	486,782	0	2,872,165	188,331	0	3,060,496
2026-2027	253,286,984	2,296,553	112,523	843,836	1,565,240	338,913	0	1,904,153
2027-2028	244,386,464	2,215,852	109,364	757,133	1,568,083	327,049	0	1,895,132

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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. Those formula changes 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 funding formulas, some districts had the majority of the district's revenue losses in year three of the LAVA offset with additional state funding. The funding that was available to offset those revenue losses was called Additional State Aid for Tax Reduction (ASATR) and those funds were phased out as a result of legislation in the 82nd Legislative Session in 2011. This legislation eliminated the ASATR funding for fiscal year 2017-2018 and thereafter and can have a significant financial impact for LAVA agreements that have a year three in 2017-2018 or later. The loss of ASATR funding can again cause a district to experience a significant loss of funds in year three of the agreement and consequently cause the company to have revenue protection payments during that year that are similar to those experienced prior to 2006-2007.

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Payments in Lieu of Taxes

Assuming that the District and Briscoe Wind Farm, LLC mutually agree in the LAVA that \$100 per student in average daily attendance (ADA) will be paid to Silverton ISD by Briscoe Wind, the projected amount of these payments over the life of the agreement is \$234,468 of the \$17.01 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	Silverton ISD \$100/ADA	Briscoe Wind's Share
2015-2016	0	18,308	(18,308)
2016-2017	0	18,262	(18,262)
2017-2018	815,434	18,217	797,218
2018-2019	2,503,193	18,171	2,485,021
2019-2020	2,308,036	18,126	2,289,910
2020-2021	2,126,935	18,080	2,108,855
2021-2022	1,946,581	18,035	1,928,546
2022-2023	1,789,329	17,990	1,771,339
2023-2024	1,644,708	17,945	1,626,763
2024-2025	1,508,967	17,900	1,491,067
2025-2026	1,311,817	17,856	1,293,961
2026-2027	1,060,286	17,811	1,042,475
2027-2028	0	17,766	(17,766)
Totals	17,015,286	234,468	16,780,819

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Impact of Projected Student Growth On District Facilities

TABLE VII – Campus Capacity and Available Growth

Campus Name	Grade Level	# of Regular Classrooms	Building Capacity	Current Enrollment	Enrollment Growth Available
Silverton School	Pre-K thru 12	22	396	195	201
Total		22	396	195	201

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

Briscoe 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 six full-time employees are expected. It is not known whether these would be new employees to the Silverton 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 six positions equates to 3 new students.

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

Briscoe 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, Briscoe Wind is projected to benefit from a 84% tax savings over the first twelve year period of this agreement. Briscoe 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.

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