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

Prepared by

Randy McDowell, RTSBA

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Neal Brown

School Finance Consultants

Summary of Groom ISD Financial Impact

of the

Limited Appraised Value Application

from

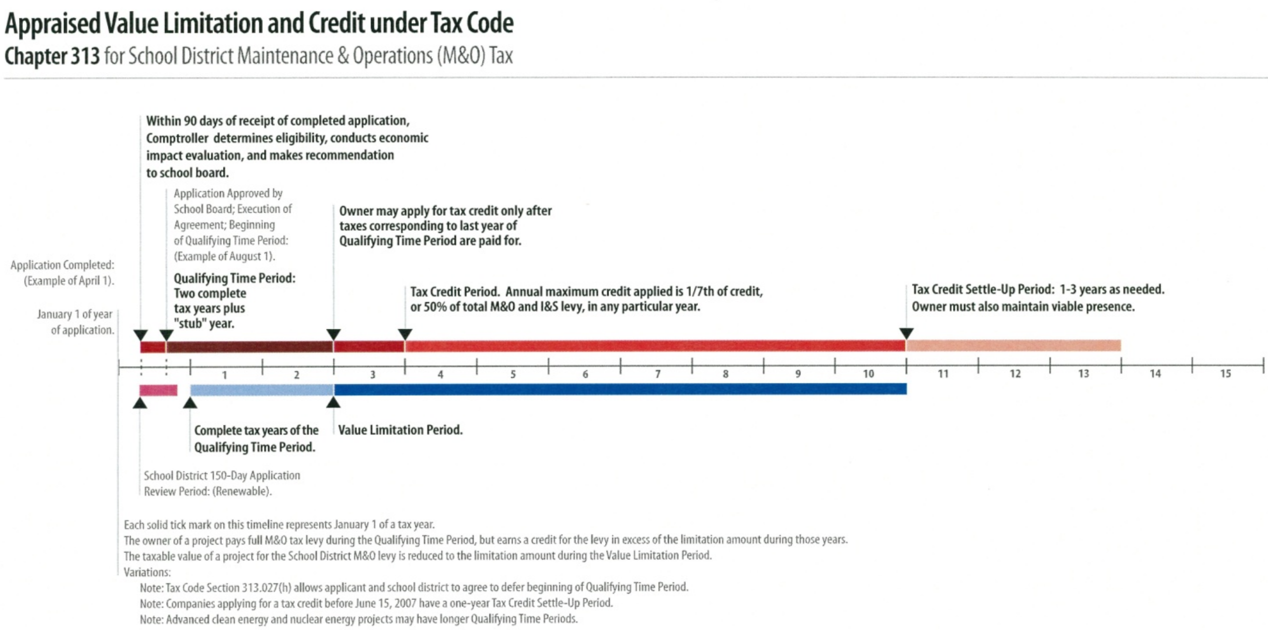
Grandview Wind Farm II, LLC

Introduction

Grandview Wind Farm II, LLC applied for a property value limitation from Groom Independent School District under Chapter 313 of the Tax Code. The application was submitted on November 12, 2013 and subsequently approved for consideration by the Groom ISD Board of Trustees. Grandview Wind Farm II, LLC ("Grandview Wind II"), 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.



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

During years three through ten of the LAVA, the qualifying entity's taxable value will be reduced to the minimum qualified investment for the applicable school district as determined by the State Comptroller's Office. Groom ISD is considered a Rural category 3 District as categorized with total taxable value of industrial property of at least $1 million but less than $90 million, thus Groom ISD has a minimum qualified investment amount of $10 million. A qualifying entity's taxable value would be reduced to $10 million during years three through ten of the agreement for the purposes of computing the tax levy for the maintenance and operations (M&O) tax of Groom ISD. The entire appraised value will be used for computing the interest and sinking (I&S) tax levy.

Taxable Value Impact from LAVA

The "Additional Value from Grandview Wind II" represents the values that the company estimated as their taxable values in the application that was filed with the district. During years three through ten, the company's taxable value will be limited to the $10,000,000 minimum qualified investment of Groom ISD.

TABLE I- Calculation of Taxable Value:

Tax Year	Additional Value From Grandview Wind II	Minimum Qualified Investment	Abated Value	Taxable Value
Jan. 1, 2015	2,000,000	n/a	0	2,000,000
Jan. 1, 2016	239,967,750	n/a	0	239,967,750
Jan. 1, 2017	230,369,040	(10,000,000)	220,369,040	10,000,000
Jan. 1, 2018	220,770,330	(10,000,000)	210,770,330	10,000,000
Jan. 1, 2019	211,171,620	(10,000,000)	201,171,620	10,000,000
Jan. 1, 2020	201,572,910	(10,000,000)	191,572,910	10,000,000
Jan. 1, 2021	191,974,200	(10,000,000)	181,974,200	10,000,000
Jan. 1, 2022	182,375,490	(10,000,000)	172,375,490	10,000,000
Jan. 1, 2023	172,776,780	(10,000,000)	162,776,780	10,000,000
Jan. 1, 2024	163,178,070	(10,000,000)	153,178,070	10,000,000
Jan. 1, 2025	153,579,360	n/a	0	153,579,360
Jan. 1, 2026	143,980,650	n/a	0	143,980,650
Jan. 1, 2027	134,381,940	n/a	0	134,381,940

Grandview Wind II's Tax Benefit from Agreement

The projected amount of the net tax savings for Grandview Wind II is $17.91 million over the life of the Agreement. This net savings is after all tax credits have been applied and after estimated payments have been made to the district to offset their revenue losses that were a direct result of entering into this Agreement. Tax credits during years four through ten are limited to the lesser of 1/7 of the total tax credit or 50% of the total taxes paid for that tax year. Any tax credits not refunded to the company during those years will be refunded up to 100% of the taxes paid in years eleven through thirteen.

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

- The District has held a tax ratification election and the study projects that it will maintain an M&O tax rate of $1.17 for the life of this agreement. The M&O rate for 2016-2017 and 2025-2026 is projected to decrease to $1.04, due to the rollback tax rate calculation.
- The district currently has outstanding bonded indebtedness that are scheduled to payoff in 2027 and currently has a $.232 I&S rate. The annual debt payment is approximately $155,000. The additional value of the company will further reduce the I&S tax rate. The district could pursue a bond election and issue additional bonded debt during the life of this agreement.

TABLE II- Computation of Net Tax Savings:

Fiscal Year	Projected M&O Tax Rate	Projected I&S Tax Rate	Taxes w/o Agreement	Tax Savings with Agreement	Tax Credits	Payment of District's Revenue Losses	Net Tax Savings
2015-2016	1.1700	0.206	23,400	0	n/a	0	0
2016-2017	1.0400	0.049	2,495,665	0	n/a	0	0
2017-2018	1.1700	0.051	2,695,318	2,578,318	n/a	(1,539,017)	1,039,301
2018-2019	1.1700	0.053	2,583,013	2,466,013	117,004	(80,990)	2,502,027
2019-2020	1.1700	0.054	2,470,708	2,353,708	115,516	(74,236)	2,394,988
2020-2021	1.1700	0.056	2,358,403	2,241,403	114,940	(67,453)	2,288,891
2021-2022	1.1700	0.058	2,246,098	2,129,098	114,173	(62,167)	2,181,104
2022-2023	1.1700	0.060	2,133,793	2,016,793	113,213	(53,364)	2,076,642
2023-2024	1.1700	0.061	2,021,488	1,904,488	111,197	(46,049)	1,969,636
2024-2025	1.1700	0.063	1,909,183	1,792,183	109,901	(38,674)	1,863,411
2025-2026	1.0400	0.066	1,597,225	0	1,595,721	0	1,595,721
2026-2027	1.1700	0.068	1,684,574	0	0	0	0
2027-2028	1.1700	0.000	1,572,269	0	0	0	0
Totals			**25,791,137**	**17,482,005**	**2,391,665**	**(1,961,949)**	**17,911,721**

Financial Impact Study

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

- The current state funding formulas (in effect for 2013-2014 fiscal year) were used for state aid and recapture calculation purposes
    - Level 2 of Tier II yield - $61.86 per weighted student in average daily attendance (WADA) per penny of tax effort
- The district's tax rate for maintenance & operations (M&O) will remain at the same rate as for tax year 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 .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.

Calculation of LAVA Impact on District's Finances

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

TABLE III – District Revenues *without* Grandview Wind II:

Fiscal Year	Total Taxable Value	M&O Taxes Compressed Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
2015-2016	73,032,403	730,324	453,464	1,980	1,181,808	164,002	1,345,810
2016-2017	73,762,727	737,627	440,241	2,395	1,175,474	164,370	1,339,844
2017-2018	74,500,354	745,004	424,054	3,600	1,165,457	164,749	1,330,206
2018-2019	75,245,358	752,454	411,455	4,812	1,159,097	165,138	1,324,235
2019-2020	75,997,812	759,978	393,642	6,029	1,147,591	165,538	1,313,129
2020-2021	76,757,790	767,578	380,894	7,252	1,141,219	165,947	1,307,167
2021-2022	77,525,368	775,254	368,070	8,481	1,134,842	166,368	1,301,210
2022-2023	78,300,621	783,006	355,172	9,717	1,128,461	166,799	1,295,260
2023-2024	79,083,627	790,836	342,199	10,959	1,122,076	167,240	1,289,316
2024-2025	79,874,464	798,745	329,144	12,208	1,115,681	167,692	1,283,373
2025-2026	80,673,208	806,732	316,010	13,463	1,109,279	168,155	1,277,434
2026-2027	81,479,940	814,799	302,796	14,725	1,102,871	168,629	1,271,500
2027-2028	82,294,740	822,947	289,638	15,993	1,096,592	169,114	1,265,706

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

Fiscal Year	Total Taxable Value	M&O Taxes Compressed Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Total District Revenue
2015-2016	75,032,403	750,324	448,822	2,436	1,196,710	168,016	1,364,726
2016-2017	313,730,477	3,137,305	393,538	0	3,530,843	226,716	3,757,559
2017-2018	304,869,394	3,048,694	84,434	2,231,445	901,683	514,403	1,416,086
2018-2019	296,015,688	2,960,157	83,336	2,139,949	903,544	499,502	1,403,046
2019-2020	287,169,432	2,871,694	77,441	2,048,553	900,582	484,614	1,385,196
2020-2021	278,330,700	2,783,307	76,677	1,957,260	902,724	469,738	1,372,462
2021-2022	269,499,568	2,694,996	77,437	1,866,077	906,355	454,875	1,361,231
2022-2023	260,676,111	2,606,761	74,712	1,775,010	906,463	440,026	1,346,489
2023-2024	251,860,407	2,518,604	73,513	1,684,066	908,050	425,189	1,333,239
2024-2025	243,052,534	2,430,525	72,295	1,593,253	909,567	410,365	1,319,932
2025-2026	234,252,568	2,342,526	71,434	1,502,580	911,380	395,555	1,306,935
2026-2027	225,460,590	2,254,606	70,181	1,412,057	912,731	380,758	1,293,489
2027-2028	216,676,680	2,166,767	68,906	1,321,694	913,979	365,975	1,279,954

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

Fiscal Year	Total Taxable Value	M&O Taxes Comp Rate	State Revenue	Recapture Amount	Hold Harmless Revenue	M&O Taxes > Comp Rate	Payment for District Losses	Total District Revenue
2015-2016	75,032,403	750,324	448,822	2,436	1,196,710	168,016	0	1,364,726
2016-2017	313,730,477	3,137,305	393,538	0	3,530,843	226,716	0	3,757,559
2017-2018	84,500,354	845,004	(492,494)	618,962	(266,453)	143,522	1,539,017	1,416,086
2018-2019	85,245,358	852,454	310,455	16,275	1,146,633	175,422	80,990	1,403,046
2019-2020	85,997,812	859,978	292,642	17,487	1,135,133	175,827	74,236	1,385,196
2020-2021	86,757,790	867,578	279,894	18,705	1,128,767	176,243	67,453	1,372,462
2021-2022	87,525,368	875,254	267,070	19,929	1,122,395	176,669	62,167	1,361,231
2022-2023	88,300,621	883,006	254,173	21,160	1,116,020	177,105	53,364	1,346,489
2023-2024	89,083,627	890,836	241,198	22,397	1,109,638	177,552	46,049	1,333,239
2024-2025	89,874,464	898,745	228,145	23,640	1,103,249	178,009	38,674	1,319,932
2025-2026	234,252,568	2,342,526	201,613	0	2,544,138	135,219	0	2,679,358
2026-2027	225,460,590	2,254,606	70,181	1,412,057	912,731	380,758	0	1,293,489
2027-2028	216,676,680	2,166,767	68,906	1,321,694	913,979	365,975	0	1,279,954

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.

Payments in Lieu of Taxes

Assuming that the District and Grandview Wind Farm II, LLC mutually agree in the LAVA that $100 per student in average daily attendance (ADA) will be paid to Groom ISD by Grandview Wind II, the projected amount of these payments over the life of the agreement is $160,579 of the $17.91 million net tax savings amount. This amount will be computed annually according to Section IV of the Agreement.

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

Fiscal Year	Net Tax Savings	Groom ISD Share $100/ADA	Grandview Wind II's Share
2015-2016	0	12,727	(12,727)
2016-2017	0	12,664	(12,664)
2017-2018	1,039,301	12,600	1,026,701
2018-2019	2,502,027	12,537	2,489,490
2019-2020	2,394,988	12,475	2,382,514
2020-2021	2,288,891	12,412	2,276,478
2021-2022	2,181,104	12,350	2,168,754
2022-2023	2,076,642	12,288	2,064,354
2023-2024	1,969,636	12,227	1,957,409
2024-2025	1,863,411	12,166	1,851,245
2025-2026	1,595,721	12,105	1,583,616
2026-2027	0	12,044	(12,044)
2027-2028	0	11,984	(11,984)
Totals	**17,911,721**	**160,579**	**17,751,141**

Impact of Projected Student Growth

On District Facilities

TABLE VII – Campus Capacity and Available Growth

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

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

Grandview Wind Farm II, 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 ten full-time employees are expected. It is not known whether these would be new employees to the Groom ISD, or if current residents would occupy these positions; however, it is assumed that these employees would be new residents to the district.

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

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

Conclusion

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

Grandview Wind Farm II, LLC would benefit from reduced property taxes during years three through ten of the LAVA. Although some of the tax savings would be used to offset district's revenue losses and payments in lieu of taxes to the District, Grandview Wind II is projected to benefit from a 88% tax savings over the first eleven year period of this agreement. Grandview Wind II also has the option of terminating the Agreement if the amount paid to the District during a tax year is greater than the amount of taxes that would have been paid without the agreement; therefore, there is no inherent risk for the company from entering into the Agreement.

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