

MEMORANDUM

To: Smithville ISD Board of Trustees
Cheryl Burns, Superintendent of Schools, Smithville ISD

From: Oscar G. Treviño, Walsh Gallegos Treviño Kyle & Robinson, P.C.

Date: May 11, 2021

Subject: Financial Impact of Value Limitation Application from Big Star Solar, LLC

The following summary was prepared by Kathy Mathias, Consultant with Moak Casey & Associates, in response to Superintendent Burns' request and is being provided to the Board for their review and consideration.

If the project is built without a limitation agreement, the district is going to be subject to further M&O tax compression. It is hard to estimate exactly how much at this time. The M&O revenue between the two options basically remains constant over 10 years but where the source of the revenue shifts between state and local, more heavily local and less state aid if no agreement. And then of course, there is the loss of the additional \$3.4 million Chapter 313 payments which is outside the school finance system.

<u>Project Built WITH Limitation Agreement</u>	<u>Project Built but NO Limitation Agreement</u>
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| 1. Starting in 2022, project goes on the tax roll at limited value of \$20 million for 10 years | 1. Starting in 2022, project goes on tax roll at full \$190 million - an 18% tax base increase |
| 2. Negligible effect on Tier I tax compression | 2. Districts Tier I M&O tax rate will be just to further compression for the amount over 2.5% |
| 3. For next 10 years M&O revenue remains constant <ul style="list-style-type: none">• \$7.1 million state aid• \$9.9 million M&O collections | 3. For next 10 years, M&O revenue remains basically constant, but shifts between state and local <ul style="list-style-type: none">• \$5.5 million state aid• \$11.5 million M&O taxes |
| 4. Fully taxable for I&S | 4. Fully taxable for I&S |
| 5. Additional benefits to district outside school finance system <ul style="list-style-type: none">• \$1 million revenue protection payment• \$2.4 million supplemental payment | 5. No additional benefits to district |