

COUNTY ENERGY TRANSPORTATION REINVESTMENT ZONES (“CETRZ”)

Presented at:

TRAINING CONFERENCE

TEXAS ASSOCIATION OF COUNTY AUDITORS

January 16, 2014

Amarillo, Texas

Charles R. Kimbrough

BICKERSTAFF HEATH DELGADO ACOSTA LLP

3711 South MoPac Expressway, Building One, Suite 300

Austin, Texas 78746

(512) 472-8021 (phone) • (512) 320-5638 (facsimile)

www.bickerstaff.com

SB 1747 PROJECTS – “CETRZ”

- SB 1747 (2013) – Created/Revised TEX. TRANSP. CODE §§ 222.110, 251.018-.019, 256.009, 256.101, 256.103-.104, 256.106, 222.1071-.1072
- Theory – Combination of grant funding project + tax increment financing
- State-wide funding opportunity for counties to obtain grant funds from TXDOT for repair of public roads/bridges/culvers damaged by exploration/development/production of oil/gas
- Creation by county of one/more County Energy Transportation Reinvestment Zones (“CETRZ”)

ESTIMATED ALLOCATION OF GRANT FUNDS

- \$224.5 million available for allocation
- TXDOT initial estimated allocation list dated November 2013 – it's based on **all 254** counties participating
- NOTE: TXDOT regulations require grant funds to be allocated between “eligible applicant” counties that participate in program
- THEREFORE: if all 254 counties do not participate, amounts on estimated allocation list may increase

BASIS FOR GRANT ALLOCATION

- 20% of total funds – allocated according to ratio of applicant county's weight tolerance permits issued for preceding state fiscal year to those permits issued by all counties in eligible applicant pool
- 20% of total funds – allocated according to ratio of applicant county's oil/gas production taxes collected in preceding state fiscal year to those taxes collected by all counties in pool

BASIS FOR GRANT ALLOCATION (CONT.)

- 50% of total funds – allocated according to ratio of applicant county's well completions in preceding state fiscal year to those completions by all counties in pool
- 10% of total funds – allocated according to ratio of applicant county's volume of oil or gas waste injected in preceding state fiscal year to that volume injected by all counties in pool

SHORT TIME-LINE

- Current grant application filing window = 02/07/2014 through 02/14/2014
- Extension of deadline may be considered at meeting of Texas Transportation Commission on 01/30/14
- **NO GUARANTEE THAT DEADLINE WILL BE EXTENDED**
- Electronic grant application submission to TXDOT required

COUNTY ELIGIBILITY

- All counties may submit application to TXDOT for possible grant funding
- 20% match required through TXDOT “reimbursement” procedure – 10% match if county is “economically disadvantaged” (see 2014 TXDOT list)

COUNTY ELIGIBILITY (CONT.)

- “Eligible Applicant” – means submission of timely, correct grant application to TXDOT showing compliance with required procedures:
 - Time-line + special procedures
 - Creation of one/more CETRZ (each with contiguous land + at least 1 project in zone)
 - Appointment of Advisory Board + tax increment account (for each CETRZ)
 - Attach county’s road reports + prioritized list of projects

COUNTY ELIGIBILITY (CONT.)

- Grant application must show:
 - Proper creation/administration of CETRZ + Advisory Board + required tax increment account for each CETRZ;
 - Evidence showing degradation caused by oil/gas traffic identified in prioritized project list + reasonable costs to repair damage
 - Timely + proper submission of application per SB 1747 statutes and TXDOT grant regulations

TAX INCREMENT FINANCING – “CAPTURED APPRAISED VALUE”

- CETRZ lasts for 10 years – 5 year extension allowed
- Base year calculation required of appraised value of real property (including minerals) in CETRZ
- Each year county must dedicate **increase of captured appraised value** (if any) of real property in CETRZ to transportation infrastructure projects
- **HYPOTHETICAL MATH PROBLEM**

ADVISORY BOARD

- Appointment – by County Judge + approved by Commissioners Court
- Role – to provide non-binding advice to county regarding establishment/administration/expenditures of CETRZ
- Composition (by statute) – 2 public members who are taxpayers + “up to” 3 oil/gas company representatives who are taxpayers and perform company activity in county

ADVISORY BOARD (CONT.)

- Recommend – 5 member board per statutory qualifications + all being residents of county + board compliance with Texas Open Meetings Act
- Board compensation – NONE (not even for incurred expenses)

REIMBURSABLE COSTS

- Grant funds to be distributed only as reimbursement of allowable costs
- Allowable costs – means necessary project related expenditures properly attributable to project work performed – may include portion or all of administrative costs of CETRZ – but total administrative cost reimbursement shall not exceed 5% of any grant distributed and shall not exceed \$250,000

REPORT/AUDIT/ENFORCEMENT RULES

- Annual report to Comptroller by County Auditor – due on/before January 30 each year
- Annual report must show:
 - how money was spent – including money allocated to county under grant + money paid into tax increment account(s)
 - description of new roads constructed with money allocated to county under grant + money paid into the tax increment account(s)
 - any other information required by Comptroller

REPORT/AUDIT/ENFORCEMENT RULES (CONT.)

- County cost records/accounts subject to audit by the State for 3 years after final payment received by county
- Enforcement remedies = reimbursement of State funds + expulsion from program + removal of project if work not initiated within 3 years

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