Updated Financial Analysis for G-PISD
Corpus Christi Liquefaction
Trains 4 and 5 Projects

Impact of Current Chapter 313 Agreements
Addition of CC Liquefaction Trains 4 and 5 Projects With/Without New Chapter 313 Agreements
2016-17 through 2037-38 School Years

June 20, 2017
G-PISD Chapter 313 Projects
Key Assumptions

• All current Chapter 313 projects are included in our school finance model
• Illustration of the impact of the Corpus Christi Liquefaction Trains 4 and 5 projects with and without Chapter 313 agreements
• Three models:
  • All previously approved projects, including the recently-approved ExxonMobil-related projects
  • Addition of CC Liquefaction Trains 4 and 5 projects with Chapter 313 agreements
  • Addition of CC Liquefaction Trains 4 and 5 projects without Chapter 313 agreements
• Maximum M&O tax rate is assumed for each year of the forecast period
• Current-law school finance and recapture provisions are assumed
Key Assumptions (cont’d)

- I&S tax base could increase from $2.3 billion in 2016-17 to $16.1 billion by 2024-25 with existing projects
- Additional $4.0 billion for I&S tax base by 2024-25 with CC Liquefaction Trains 4 and 5 projects, with or without Chapter 313 agreements
- Hold-harmless stipulations in current agreements afford G-PISD revenue protection
- Hold-harmless and supplemental payments expected from existing Chapter 313 agreements through 2037-38
  - $194 million in estimated hold-harmless revenue protection payments
  - $58 million in estimated supplemental payments
- Results are based on current school finance laws
### Summary of G-PISD Approved and Pending Chapter 313 Applications*

<table>
<thead>
<tr>
<th>Project</th>
<th>First Limitation Year</th>
<th>Estimated Peak Project Values (In Mil.)</th>
<th>Projected Recapture Savings (In Mil.)</th>
<th>Projected Supplemental Payments (In Mil.)</th>
<th>Revenue Protection Payments (In Mil.)</th>
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<tbody>
<tr>
<td>EC&amp;R Papalote Creek II, LLC</td>
<td>2012-13</td>
<td>$101.5</td>
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<td>$1.0</td>
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<td>CCL Liquefaction Train 1</td>
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<tr>
<td>voestalpine</td>
<td>2016-17</td>
<td>$599.3</td>
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<td>$6.0</td>
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<td>APEX Clean Energy Holdings, LLC</td>
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<td>GCGV Asset Holding, LLC</td>
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<td>ExxonMobil Corporation</td>
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<td>$40.3</td>
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<td>SABIC US</td>
<td>2024-25</td>
<td>$584.0</td>
<td>$40.3</td>
<td>$9.0</td>
<td>$7.4</td>
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<td><strong>Subtotal</strong></td>
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<td><strong>$1,062.4</strong></td>
<td><strong>$58.1</strong></td>
<td><strong>$193.6</strong></td>
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</table>

**PROJECTS UNDER CONSIDERATION**

<table>
<thead>
<tr>
<th>Project</th>
<th>First Limitation Year</th>
<th>Estimated Peak Project Values (In Mil.)</th>
<th>Projected Recapture Savings (In Mil.)</th>
<th>Projected Supplemental Payments (In Mil.)</th>
<th>Revenue Protection Payments (In Mil.)</th>
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</thead>
<tbody>
<tr>
<td>CC Liquefaction Train 4</td>
<td>2022-23</td>
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<td><strong>$75.7</strong></td>
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* Based on Comptroller’s 2016 CDR reports for existing agreements and current estimates for ExxonMobil and CC Liquefaction (including Trains 4 and 5).
Key Findings

• As noted previously, combination of hold-harmless and supplemental payments and sound financial practices should provide enough M&O revenue so that district operations are not impeded

• Increased I&S tax base should result in substantial tax savings for G-PISD taxpayers

• Recapture paid to the state between 2017-18 and 2037-38 would increase by as much as $352 million if the CC Liquefaction Trains 4 and 5 projects are constructed in the absence of Chapter 313 agreements (on top of $923 million for current projects and CC Liquefaction Trains 4 and 5 with Chapter 313 agreements in place)
  • Foregone supplemental payments for the three projects would total $18 million
  • Foregone hold-harmless amounts estimated to total $54 million
Impact of CC Liquefaction Trains 4 and 5 Chapter 313 Projects
Figure 1. Recapture Payment Estimates for G-PISD under Current Law
With Existing Chapter 313 Projects, Including ExxonMobil-Related Projects
2016-17 through 2037-38 School Years (in Millions)
Figure 2. Recapture Payment Estimates for G-PISD under Current Law
With Existing Chapter 313 Projects and CC Liquefaction Trains 4 and 5, WITH Agreements
2016-17 through 2037-38 School Years (in Millions)
Figure 3. Recapture Payment Estimates for G-PISD under Current Law
With Existing Chapter 313 Projects and CC Liquefaction Trains 4 and 5, NO Agreements
2016-17 through 2037-38 School Years (in Millions)
Figure 4. Recapture Payment Savings for G-PISD under Current Law
With Existing Chapter 313 Projects, WITH vs. NO Agreements for CC Liquefaction Trains 4 and 5 Projects
2016-17 through 2037-38 School Years (in Millions)
Conclusions

• Major changes ahead given the unprecedented level of investment that is anticipated in G-PISD

• Flexibility will be required to manage District’s finances through the next decade and beyond

• Favorable hold-harmless agreements and initial rollback exemptions should provide G-PISD with the resources it needs to fund the District’s operations through a challenging period

• If CC Liquefaction Trains 4 and 5 projects are added without Chapter 313 agreements in place, recapture payments for G-PISD would increase by nearly $352 million through the 2037-38 school year
Conclusions (cont’d)

• Current existing Chapter 313 projects
  • Substantial tax savings on I&S taxes for voter-approved bonds and supplemental payments estimated at $58 million
  • Companies pay reduced M&O taxes for up to 10 years offset by state formula changes and hold-harmless payments

• Current existing Chapter 313 projects and CC Liquefaction Trains 4 and 5 with limitation agreements
  • Another $4 billion in taxable value to bolster I&S tax collections
  • Significant reduction in recapture costs relative to ExxonMobil without agreements—estimated to be savings of $352 million through the 2037-38 school year
  • Increase of $18 million in supplemental payments for district use
  • The two projects have M&O taxes based on $30 million each for 10 years, hold-harmless payments ($54 million) and state formula offsets
Conclusions (cont’d)

• Current existing Chapter 313 projects and CC Liquefaction Trains 4 and 5 without value limitation agreements
  • Substantial increase in recapture costs--$352 million higher through 2037-38
  • Results from company not receiving any tax savings during what would have been the limitation period
  • District would still receive benefits from I&S tax base increase, assuming the projects are built
  • Supplemental payments and any excess hold-harmless funds would be foregone by the District