

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

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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*

Project	First Limitation Year	Estimated Peak Project Values (In Mil.)	Projected Recapture Savings (In Mil.)	Projected Supplemental Payments (in Mil.)	Revenue Protection Payments (In Mil.)
EC&R Papalote Creek II, LLC	2012-13	\$101.5	\$0.3	\$2.0	\$1.0
CCL Liquefaction Train 1	2018-19	\$5,141.9	\$286.6	\$6.0	\$55.3
CCL Liquefaction Train 2	2018-19	\$2,862.0	\$155.4	\$6.0	\$36.5
CCL Liquefaction Train 3	2023-24	\$2,000.0	\$147.9	\$6.0	\$22.8
voestalpine	2016-17	\$599.3	\$8.9	\$6.0	\$5.9
APEX Clean Energy Holdings, LLC	2017-18	\$228.0	\$7.4	\$5.1	\$3.7
GCGV Asset Holding, LLC	2024-25	\$3,957.3	\$375.3	\$9.0	\$53.6
ExxonMobil Corporation	2024-25	\$584.0	\$40.3	\$9.0	\$7.4
SABIC US	2024-25	<u>\$584.0</u>	<u>\$40.3</u>	<u>\$9.0</u>	<u>\$7.4</u>
Subtotal		<u>\$16,058.0</u>	<u>\$1,062.4</u>	<u>\$58.1</u>	<u>\$193.6</u>
PROJECTS UNDER CONSIDERATION					
CC Liquefaction Train 4	2022-23	\$2,447.9	\$216.8	\$8.7	\$33.2
CC Liquefaction Train 5	2023-24	<u>\$1,569.9</u>	<u>\$135.0</u>	<u>\$8.9</u>	<u>\$20.6</u>
Subtotal		<u>\$4,017.8</u>	<u>\$351.8</u>	<u>\$17.6</u>	<u>\$53.8</u>
Grand Total		<u>\$20,075.8</u>	<u>\$1,414.2</u>	<u>\$75.7</u>	<u>\$247.4</u>

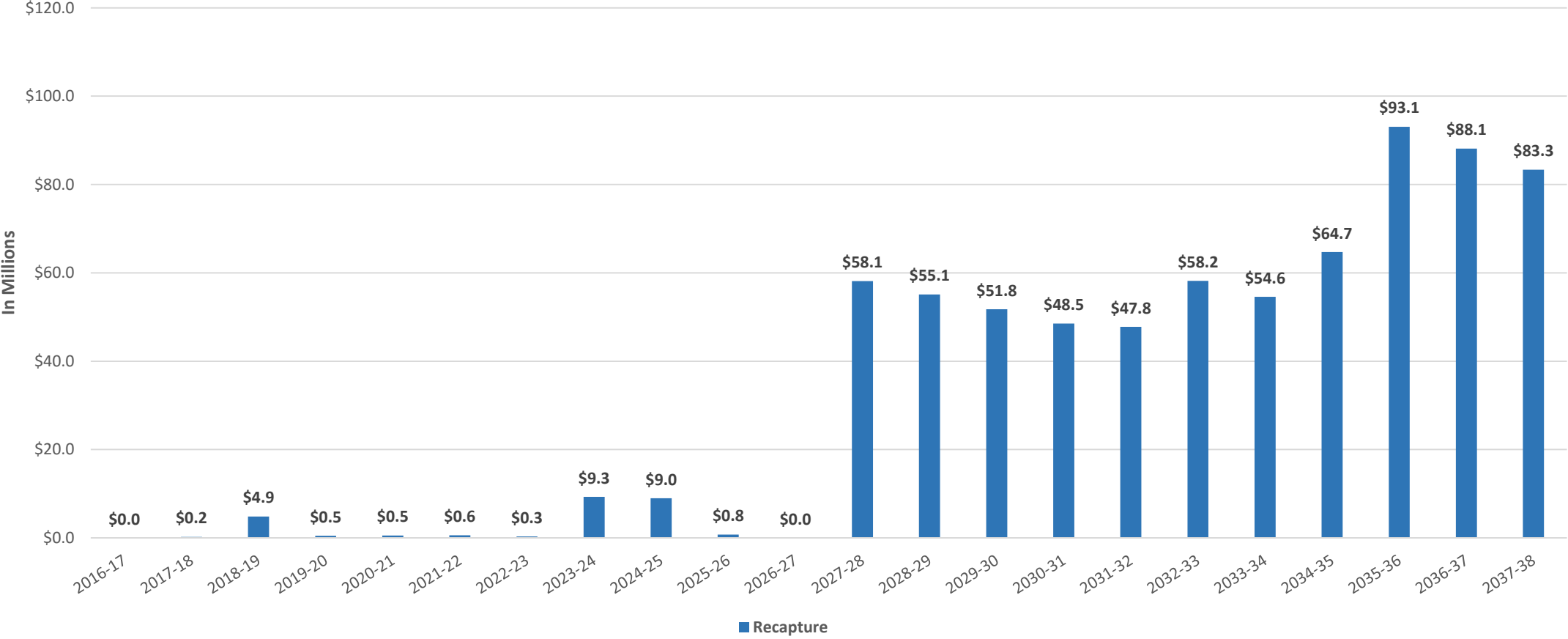
* Based on Comptroller's 2016 CDR reports for existing agreements and current estimates for ExxonMobil and CC Liquefaction (including Trains 4 and 5).

Key Findings

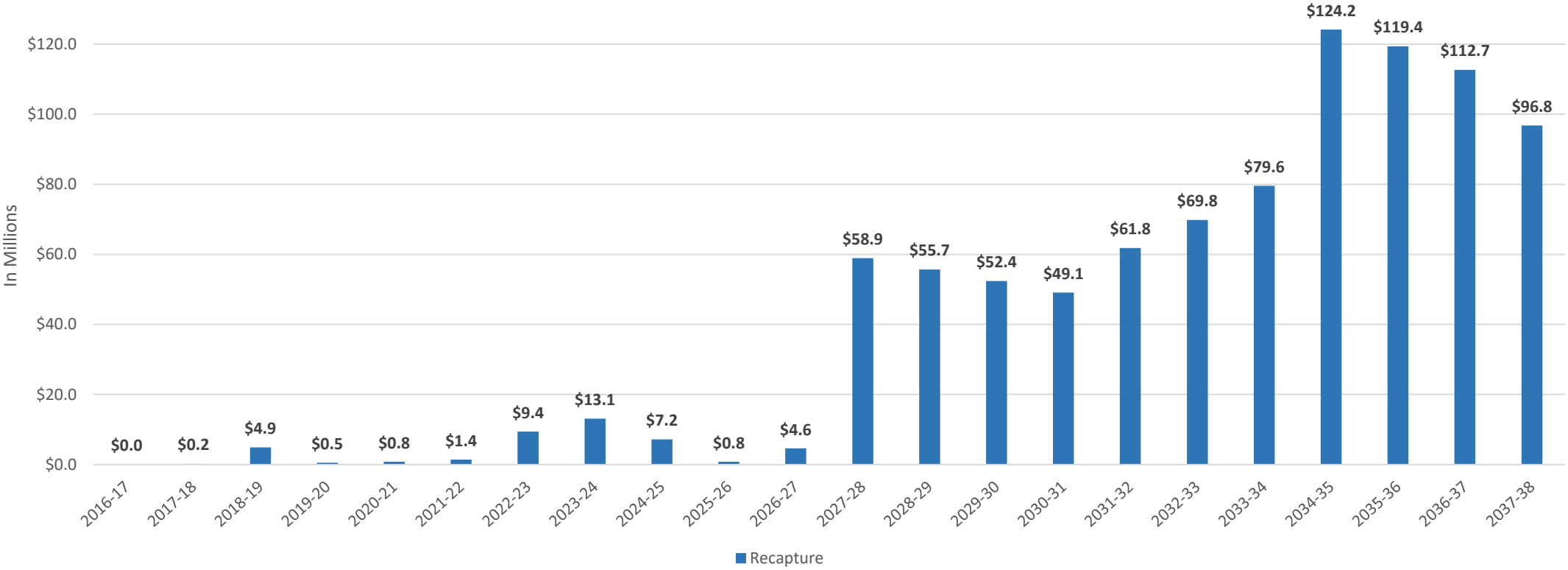
- As noted previously, combination of hold-harmless and supplemental payments and sound financial practices should provide enough M&O revenue so that district operations are not impeded
- Increased I&S tax base should result in **substantial** tax savings for G-PISD taxpayers
- **Recapture paid to the 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

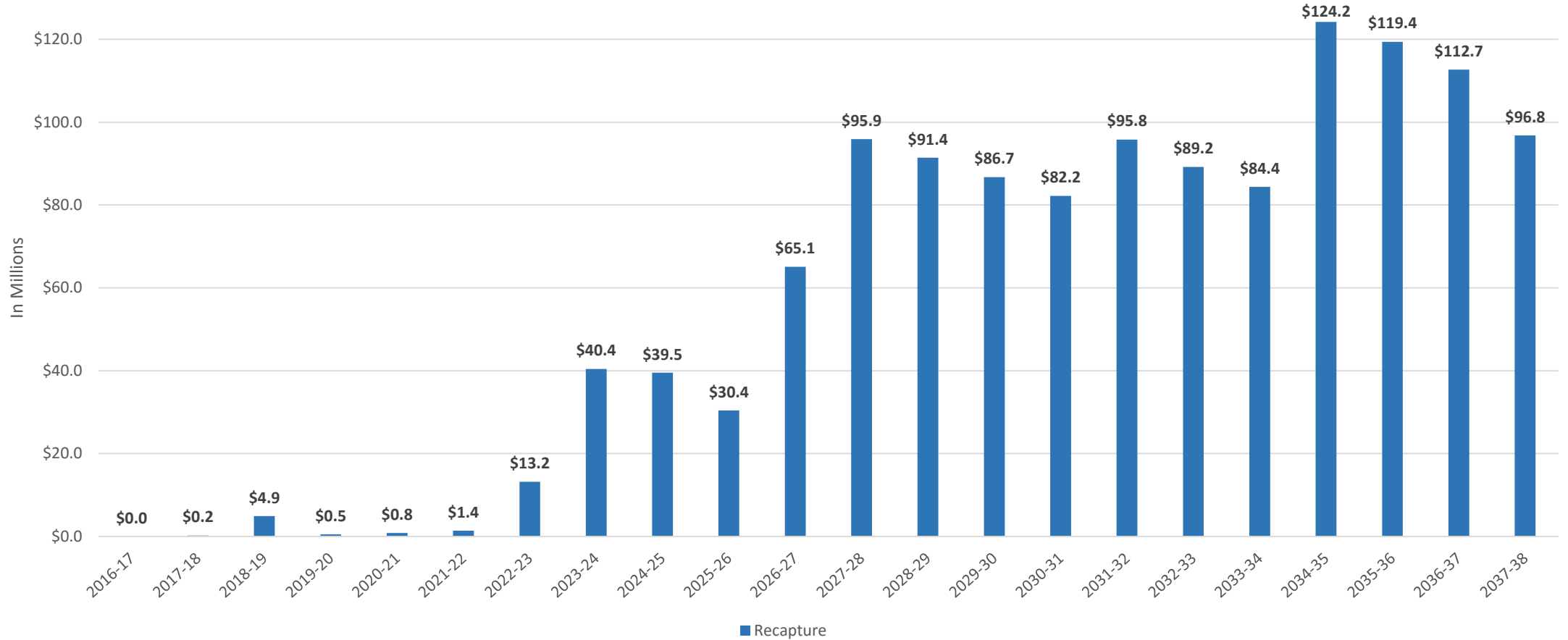
**Figure 1. Recapture Payment Estimates for G-PISD under Current Law
With Existing Chapter 313 Projects, Including ExxonMobil-Related Projects
 2016-17 through 2037-38 School Years (in Millions)**



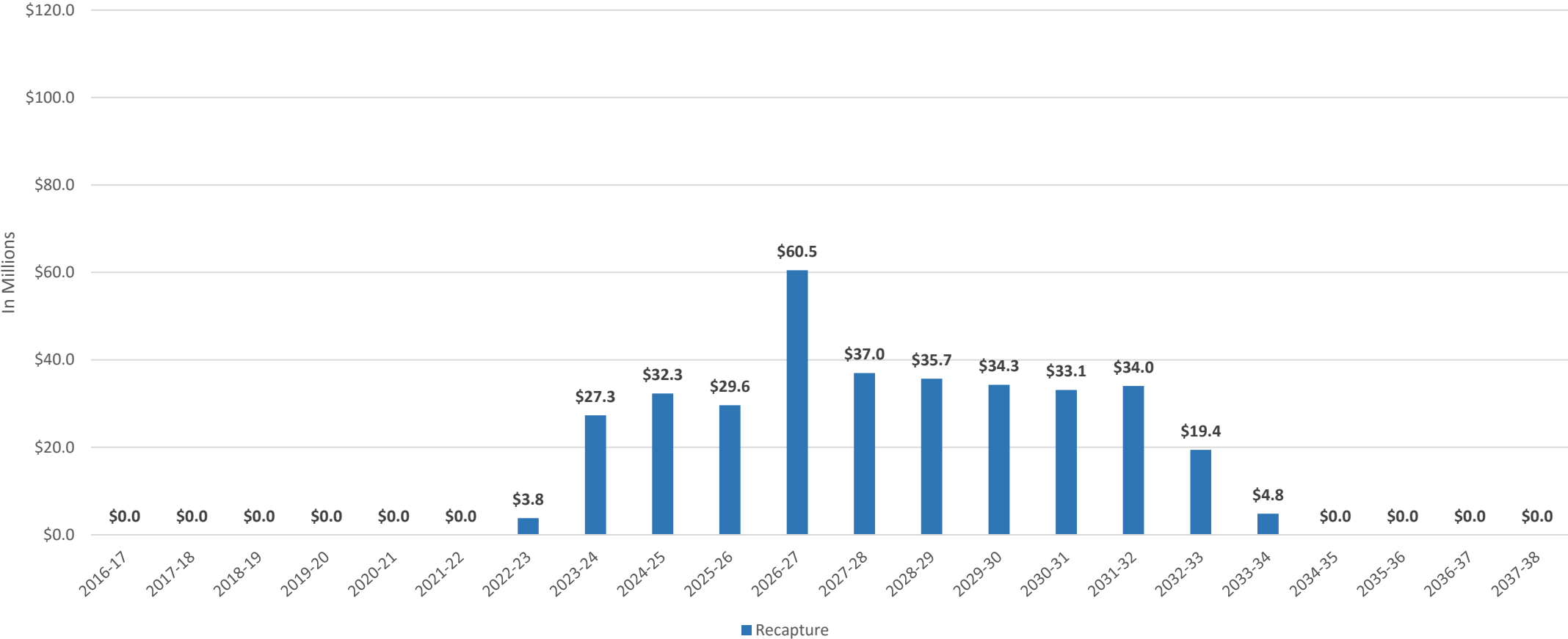
**Figure 2. Recapture Payment Estimates for G-PISD under Current Law
With Existing Chapter 313 Projects and CC Liquefaction Trains 4 and 5, WITH Agreements
 2016-17 through 2037-38 School Years (in Millions)**



**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



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