Milliken Station Payment In Lieu of Tax (PILOT) Adjustment

April 6, 2015
Agenda

- Negotiating team and roles
  - Michael Stamm
- Background
  - Joe Mareane
- Arriving at a value
  - Jay Franklin
- Pop-Up Calculation
  - Joe Mareane
Negotiating Team and Roles

Roles and interests of negotiating partners

- TC IDA – Vehicle to enable PILOT
- County Assessment – Establish value
- Tax recipients + Share of PILOT Revenue
  - Lansing School District (67% of revenue)
  - Tompkins County (23% of revenue)
  - Town of Lansing (6% of revenue)
  - (Fire and Library districts receive remaining 4%)
Background

• Traditional approach: annual Milliken Station assessment
  – Complex
  – Costly
  – Litigious
  – Unpredictable and volatile values
  – Difficult for school and governments to plan ahead
Background

• 2009 Milliken Station PILOT intended to:
  – Establish a fair value
  – End costly litigation
  – Reduce volatility
  – Allow planning
  – Provide flexibility to adapt to changes that affect value
Major Elements of the Initial PILOT

- Values established every five years
  - Based on accepted appraisal techniques
- Can revisit after 2 years, or for extraordinary circumstance
- Change in value phased-in over the balance of the five-year period.
## Typical PILOT vs. Milliken PILOT

<table>
<thead>
<tr>
<th>Typical</th>
<th>Milliken</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Goal: Create jobs</td>
<td>• Goal: Achieve fair assessment and reduce volatility</td>
</tr>
<tr>
<td>• Impacts new taxes</td>
<td>• Impacts existing taxes</td>
</tr>
<tr>
<td>• Significant (e.g., 90%) tax savings to developer that phase-out over time</td>
<td>• Glide path to 100% market value</td>
</tr>
<tr>
<td>Year</td>
<td>Description</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>2008</td>
<td>Court Ordered Value</td>
</tr>
<tr>
<td>2009</td>
<td>Initial PILOT year</td>
</tr>
<tr>
<td>2010</td>
<td>1(^{st}) Revision</td>
</tr>
<tr>
<td>2011</td>
<td>Continued 1(^{st}) Revision</td>
</tr>
<tr>
<td>2012</td>
<td>2(^{nd}) Revision</td>
</tr>
<tr>
<td>2013</td>
<td>Continued 2(^{nd}) Revision</td>
</tr>
<tr>
<td>2014</td>
<td>Continued 2(^{nd}) Revision</td>
</tr>
</tbody>
</table>
How are Power Plants Assessed?

• Income approach to value
  – Alternative approaches (sales and construction cost) not practical

• Consistent with all other commercial properties

• Value = Net Income/Capitalization Rate
How are Power Plants Assessed?

- Income includes
  - Energy Produced
  - Installed Capacity
  - RSSA Payments
  - Sale of by-products

- Expenses includes
  - Fixed (people, maintenance, environmental, other)
  - Management Fee
  - Variable (fuel/transportation, limestone, emissions reductions, NYISO charges, emission allowances)
  - Capital reserve account (capitalized major expenses)
# Outcome

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>Taxable Value</th>
<th>Base Taxes Paid</th>
<th>Pop-Up Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/16</td>
<td>$60,000,000</td>
<td>$1.835 Million</td>
<td>?</td>
</tr>
<tr>
<td>2016/17</td>
<td>$60,000,000</td>
<td>$1.835 Million</td>
<td>?</td>
</tr>
</tbody>
</table>
# Taxable Value and Tax Receipts

<table>
<thead>
<tr>
<th>Tax Year</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable Value</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>School</td>
<td>$1,269,222</td>
</tr>
<tr>
<td>County</td>
<td>$411,927</td>
</tr>
<tr>
<td>Town</td>
<td>$86,177</td>
</tr>
<tr>
<td>Fire</td>
<td>$54,169</td>
</tr>
<tr>
<td>Library</td>
<td>$9,162</td>
</tr>
<tr>
<td><strong>Total Tax Paid</strong></td>
<td><strong>$1,830,657</strong></td>
</tr>
</tbody>
</table>
What’s Next

• IDA vote possible April 9.
• Negotiating Team Annual Meeting with Owners of Plant
• Prepare for negotiations in 2016 for value starting 2017/2018 tax years.
AES Cauga Payment In Lieu of Tax (PILOT) Adjustment

April 6, 2015