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

<u>Typical</u>

- Goal: Create jobs
- Impacts new taxes
- Significant (e.g., 90%) tax savings to developer that phase-out over time

<u>Milliken</u>

- Goal: Achieve fair assessment and reduce volatility
- Impacts existing taxes
- Glide path to 100% market value

Milliken Station Assessment History

- 2008 – Court Ordered Value = $142 million
- 2009 – Initial PILOT year = $160 million
- 2010 – 1st Revision = $130 million
- 2011 – Continued 1st Revision = $112.5 mil
- 2012 – 2nd Revision = $86.25 mil
- 2013 – Continued 2nd Revision = $74 million
- 2014 – Continued 2nd Revision = $60 million

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

Tax Year	Taxable Value	Base Taxes Paid	Pop-Up Payment
2015/16	$60,000,000	$1.835 Million	?
2016/17	$60,000,000	$1.835 Million	?

Taxable Value and Tax Receipts

Tax Year	2015/2016
Taxable Value	$60,000,000
School	$1,269,222
County	$411,927
Town	$86,177
Fire	$54,169
Library	$9,162
Total Tax Paid	$1,830,657

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

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