



Chapter 313 Annual Eligibility Report Form

Form 50-772
(May 2010)

2009

Tax Year covered in this report

Sweeny ISD

School district name

Ultra Low Sulfur Diesel

Project Name

600 N. Dairy Ashford, Houston, TX 77079

Company Address

.1717

I&S Tax Rate

ConocoPhillips Company

Company Name

Bob Adair 832-486-3395, bob.adair@conocophillips.com

Company Contact Information

1.04

M&O Tax Rate

NOTE: This form must be completed by an authorized representative of each approved applicant and each entity with property subject to the limitation agreement. It must be submitted to the school district by May 15th of every year using information from the previous tax (calendar) year. For limitation agreements where there are multiple company entities that receive a part of the limitation provided by the agreement: 1) each business entity not having a full interest in the agreement should complete a separate form for their proportionate share of required employment and investment information; and, 2) separately, the school district is required to complete an Annual Eligibility Report that provides for each question in this form a sum of the individual answers from reports submitted by each entity so that there is a cumulative Annual Eligibility Report reflecting the entire agreement.

17304003456

Texas Taxpayer ID of Applicant

December 14, 2004

Date of Agreement Approval

2005

First complete tax year of the qualifying time period

2007

First tax year of the limitation

ConocoPhillips Company

Texas Taxpayer ID Reporting Entity (if appropriate)

ConocoPhillips Company

Original Applicant Name

2014

Last tax year of the qualifying time period

\$30,000,000

Amount of the limitation at the time of application approval

QUALIFIED PROPERTY INFORMATION

\$165,917,730

Market Value

\$165,917,730

I&S Taxable Value

\$30,000,000

M&O Taxable Value

Is the business entity in good standing with respect to Tax Code, Chapter 171?
(Attach printout from Comptroller Web site: <http://www.window.state.tx.us/taxinfo/coasintr.html>) Yes No

Is the business entity current on all taxes due to the State of Texas? Yes No

Is the business activity of the project an eligible business activity under Section 313.024(b)? Yes No

Please identify business activity: manufacturing

What was the application review start date for your application (the date your application was determined to be complete)? 11/29/04
(This question must only be answered for projects with applications approved after June 1, 2010.)

How many new jobs were based on the qualified property in the year covered by this report? (See note on page 3.). 21

What is the number of new jobs required for a project in this school district according to 313.021(2)(A)(iv)(b), 313.051(b), as appropriate? 10

If the applicant requested a waiver of minimum jobs requirement, how many new jobs must the approved applicant create under the waiver? n/a

80 percent of New Jobs (0.80 x number of new jobs based on the qualified property in the year covered by this report.). 17

What is the minimum required annual wage for each qualifying job in the year covered by the report? \$51,330

For agreements executed prior to June 19, 2009, please identify which of the two Tax Code sections is used to determine the wage standard required by the agreement: §313.021(5)(A) or §313.051(b). For agreements executed after June 19, 2009, please identify which of the four Tax Code sections is used to determine the wage standard required by the agreement: §313.021(5)(A), §313.021(5)(B), §313.021(3)(E)(ii), or §313.051(b)..... 313.051(b)

Attach calculations and cite (or attach) exact Texas Workforce Commission data sources.

How many qualifying jobs (employees of this entity and employees of a contractor with this entity) were based on the qualified property in the year covered by the report? 21

Of the qualifying job-holders last year, how many were employees of the approved applicant? 21

Of the qualifying job-holders last year, how many were employees of an entity contracting with the approved applicant?..... 0

If any qualifying job-holders were employees of an entity contracting with the applicant, does the approved applicant or assignee have documentation from the contractor supporting the conclusion that those jobs are qualifying jobs? NA Yes No

THE FOLLOWING QUESTIONS APPLY ONLY TO APPROVED APPLICANTS WITH AGREEMENTS THAT REQUIRE THE APPROVED APPLICANT TO PROVIDE A SPECIFIED NUMBER OF JOBS AT A SPECIFIED WAGE.

How many qualifying jobs did the approved applicant commit to create in the year covered by the report? n/a

At what annual wage?..... n/a

How many qualifying jobs were created at the specified wage?..... n/a

ENTITIES ARE NOT REQUIRED TO ANSWER THE FOLLOWING FIVE QUESTIONS IF THE YEAR COVERED BY THE REPORT IS AFTER THE QUALIFYING TIME PERIOD OF THEIR AGREEMENT.

What is the qualified investment expended by this entity from the beginning of the qualifying time period through the end of the year covered by this report? n/a

Was any of the land classified as qualified investment?..... Yes No

Was any of the qualified Investment leased under a capitalized lease?..... Yes No

Was any of the qualified Investment leased under and operating lease?..... Yes No

Was any property not owned by the applicant part of the qualified investment?..... Yes No

THE FOLLOWING QUESTIONS MUST BE ANSWERED BY ENTITIES HAVING A PARTIAL INTEREST IN AN AGREEMENT.

What was your limitation amount (or portion of original limitation amount) during the year covered by this report? n/a


Please describe your interest in the agreement and identify all the documents creating that interest.

NOTE: For job definitions see TAC §9.1051(14) and Tax Code, §313.021(3). If the agreement includes a definition of "new job" other than TAC §9.1051(14)(C), then please provide the definition "new job" as used in the agreement.

Notwithstanding any waiver by the district of the requirement for the creation of a minimum number of new jobs, or any other job commitment in the agreement, Tax Code 313.024(d) requires that 80 percent of all new jobs be qualifying jobs.

APPROVAL.

"I am the authorized representative for the Company submitting this Annual Eligibility Report. I understand that this Report is a government record as defined in Chapter 37 of the Texas Penal Code. The information I am providing on this Report is true and correct to the best of my knowledge and belief."



Signature

B. G. (Bob) Adair

Printed name of authorized company representative

Sr. Consultant

Title

7/14/10

Date

CONTACT INFORMATION FOR AUTHORIZED REPRESENTATIVE**600 N. Dairy Ashford - PTRRC, Houston, TX 77079**

Address

832-486-3395

Phone

bob.adair@conocophillips.com

E-mail

FINDINGS

of the

***SWEENY INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES***

under the

TEXAS ECONOMIC DEVELOPMENT ACT



TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

SUSAN COMBS • COMPTROLLER • AUSTIN, TEXAS 78774

August 9, 2010

CERTIFICATE OF ACCOUNT STATUS

THE STATE OF TEXAS
COUNTY OF TRAVIS

I, Susan Combs, Comptroller of Public Accounts of the State of Texas, DO
HEREBY CERTIFY that according to the records of this office

CONOCOPHILLIPS COMPANY

is, as of this date, in good standing with this office having no franchise
tax reports or payments due at this time. This certificate is valid through
the date that the next franchise tax report will be due November 15, 2010.

This certificate does not make a representation as to the status of the
entity's registration, if any, with the Texas Secretary of State.

This certificate is valid for the purpose of conversion when the converted
entity is subject to franchise tax as required by law. This certificate is
not valid for any other filing with the Texas Secretary of State.

GIVEN UNDER MY HAND AND
SEAL OF OFFICE in the City of
Austin, this 9th day of
August 2010 A.D.

Susan Combs
Texas Comptroller

Taxpayer number: 17304003456
File number: 0001157706

Form 05-304 (Rev. 12-07/17)

FINDINGS

of the

SWEENY INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES

Under the

TEXAS ECONOMIC DEVELOPMENT ACT

STATE OF TEXAS §

COUNTY OF BRAZORIA §

On the 14th day of December 2004, a public meeting of the Board of Trustees of the Sweeny Independent School District was held. At the meeting, the Board of Trustees solicited input into its deliberations on the application from interested parties within the District. The meeting was duly posted in accordance with the provisions of the Texas Open Meetings Act, Chapter 551, Texas Government Code. At the meeting, the Board of Trustees took up and considered the application of the ConocoPhillips Company for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Property Tax Code. After hearing presentations from the District's administrative staff, and from consultants retained by the District to advise the Board in this matter, the Board of Trustees of the Sweeny Independent School District makes the following findings with respect to the application of the ConocoPhillips Company and the economic impact of that application:

On September 3, 2004, the Superintendent of Schools of the Sweeny Independent School District, acting as agent of the Board of Trustees, received an Application from the ConocoPhillips Company, for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Property Tax Code. This Application was formally amended on November 29, 2004. A copy of the revised Application is attached hereto as Attachment A.

The Board of Trustees has acknowledged receipt of the Application, along with the requisite application fee, as established pursuant to Texas Property Tax Code § 313.025(a)(1) and Local District Policy.

The initial and amended Applications were delivered to the Texas Comptroller's Office for review pursuant to Texas Property Tax Code § 313.025(d).

The amended Application was reviewed by the Texas Comptroller's Office pursuant to Texas Property Tax Code § 313.026. After review, the Comptroller's Office, by letter dated December 13, 2004, recommended that this Board favorably consider the Application. A copy of the Comptroller's letter is attached to these findings as Attachment B.

After receipt of the Application, the Board of Trustees caused to be conducted an economic impact evaluation pursuant to Texas Property Tax Code § 313.026 and has carefully considered such evaluation. A copy of the economic impact evaluation is attached to these findings as Attachment C.

The Board of Trustees also directed that a specific financial analysis be conducted of the impact of the proposed abatement on the finances of Sweeny Independent School District. A copy of a report prepared by Moak, Casey & Associates, LLP is attached to these findings as Attachment D.

After receipt of the Application, the District entered into negotiations with the ConocoPhillips Company, over the specific language to be included in the Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Property Tax Code, including appropriate revenue protection provisions for the District. The proposed Agreement is attached to these findings as Attachment E.

After review of the Comptroller's recommendation, and in consideration of its own economic impact study the Board finds:

Board Finding Number 1.

A strong relationship between the applicant's industry and the types of qualifying jobs to be created by the applicant and the long-term economic growth plans of this State as described in the strategic plan for economic development (ED Plan) submitted by the Texas Strategic Economic Development Planning Commission under Section 481.033, Texas Government Code, as that section existed before February 1, 1999 exists.

In support of Finding 1, the economic impact evaluation states:

The overarching theme of the Texas ED Plan centers on attracting and developing industries using emerging technologies – “In the broadest sense, Texas must build a knowledge-based economy.” These businesses will require highly skilled workers, pay above-average wages, and invest millions of dollars in physical facilities and R&D activities. Clearly, ConocoPhillips' proposed investment in state-of-the-art technologies coupled with the need for highly skilled workers meets

these criteria. ConocoPhillips anticipates paying an average annual salary of nearly \$55,640 over the next 10 years, well above the Texas average manufacturing industry wage of \$37,545. ConocoPhillips' taxable investment of \$170.1 million in the Sweeny I.S.D. will make it one of the largest investments in the area in recent years.⁷

In addition, the Texas ED Plan identifies opportunities for a number of existing Texas industries. For the oil and gas sector, the Texas ED Plan argues that future opportunities will be found by recruiting businesses that use technology to "...reduce costs at all levels of the exploration, production, and refining..." ConocoPhillips proposed facility is designed to maximize profits by utilizing the most efficient manufacturing equipment and processes.

The state's oil, gas, and refining industries are constantly in a state of change. This pattern is similar to the cyclical nature of other Texas industries, such as Austin's semiconductor manufacturers and Dallas' telecommunications businesses. For example, global competition, new manufacturing techniques, and the growing commodity status of microprocessors have cost Austin's electronics industry thousands of jobs over the past few years. In spite of this downsizing, communities across the nation are offering millions of dollars in public subsidies to recruit the new 300mm wafer manufacturing facilities. The Texas ED Plan places special emphasis on "...enhancing business development through targeted tax incentives..." to attract these knowledge-based companies. House Bill 1200 was also designed to ensure that qualifying companies such as ConocoPhillips continue their investment in Texas.

While Brazoria County is not strong in semiconductors or software development, the area has historically attracted significant levels of technology investment. The oil, gas, and refining industries invest as much in R&D and technological innovation as any computer, telecommunications, or software company. However, Brazoria County has not kept pace with other metropolitan areas in terms of attracting venture capital funding for technology start-ups. Therefore, it becomes more important that Gulf Coast communities continue to exploit their dominance in industries that require large-scale technology investments and highly trained workers. The Texas ED Plan recognizes the need for communities to train workers and then to attract industries that require their unique skills – "The demand for technically skilled workers will increase. Within ten years, almost all Texas jobs will require technical skills." ConocoPhillips' investment strategy for Brazoria County and the Sweeny I.S.D. fits this profile. Technological innovations and internal production efficiencies should continue to reduce total employment in

traditional manufacturing businesses. Whatever the industry, petroleum refining, chemicals, or microprocessor manufacturing, it is vitally important that communities continue to recruit these businesses. The TWC offers valuable insight into the petroleum industry: "Over the past 20 years, the Petroleum Refining industry in Texas has been in a state of change rather than an industry destined for extinction."

Board Finding Number 2.

The economic condition of Brazoria County, Texas is strong, but in need of long-term improvement.

In support of Finding 2, the economic impact evaluation states:

With a current population of just over 5.3 million persons, the Gulf Coast region accounts for 23.4 percent of Texas' population. Brazoria County is one of the larger counties of the Gulf Coast region, accounting for 5.0 percent of the total population. Defined by its proximity to the Gulf of Mexico, large oil, gas, and chemical operations, and strong population growth, the Gulf Coast is struggling with economic changes experienced in many parts of Texas. The region as a whole must address the shortage of skilled workers, consolidation of the oil and gas industries, and the slow overall economic growth. These challenges are being exacerbated by the wide fluctuations in oil prices.

The Texas Comptroller of Public Accounts (Comptroller) forecasts the Gulf Coast's population base will grow 1.5 percent per annum over the next five years. Total population for the region will approach 5.7 million residents. Over the next 20 years, the Gulf Coast's population growth should remain on par with the state as a whole. The region is projected to account for 23.8 of the state's total population base, compared to 23.4 percent in 2005.

The Texas Workforce Commission projects the Gulf Coast's industry employment will grow 3.3 percent per annum from 2000 to 2010. Total industry employment for the region will approach 3.9 million workers. Over this time period, the Gulf Coast's employment growth should remain on par with the state as a whole. The region is projected to account for 33.8 percent of the state's total employment base, compared to 34.0 percent in 2000.

The Gulf Coast's gross regional product has tripled over the past three decades. Gross regional product surpassed \$160 billion in 2000, a 4.1 percent annual growth rate since 1970. The Comptroller projects that gross region product will grow to \$181.1 billion by 2005.

Strong productivity gains and modest population growth have dramatically increased the Gulf Coast's per capita income levels. The Gulf Coast region is projected to have positive growth over the next five years, consistent with the state as a whole.

Brazoria MSA Regional Overview

Brazoria County's employment base decreased 1.5 percent between Q4 2002 and Q4 2003, losing 1,115 jobs. In Q4 2003, there were approximately 75,400 Brazoria County-based business employees. Employment opportunities for Brazoria County residents performed better over this time period. In 2003, 104,000 Brazoria County residents were employed, a 1.0 percent increase or 830 new jobs compared to 2002. In the short-term, Brazoria County and Gulf Coast employment growth should increase steadily as the national and state economies improve.

The Trade, Transportation & Utilities (T.T.U.) and Manufacturing sectors have traditionally played a large role in the Brazoria County economy. The T.T.U. and Manufacturing sectors accounted for more than 35.1 percent of Brazoria County's total employment in the fourth quarter of 2003, consistent with the state average of 30.6 percent. Of Brazoria County's 13,000 manufacturing jobs in 2002, nearly 60 percent were in chemicals manufacturing. In 2002, Brazoria County's chemicals sector ranked 2nd in employment when compared to other Texas counties; accounting for 11.0 percent of total Texas employment in NAICS 325. Brazoria County's chemicals manufacturing facilities currently employ approximately 7,650 workers. Brazoria County is also strong in petroleum products manufacturing. In 2002, Brazoria County's chemicals sector ranked 5th in employment when compared to other Texas counties; accounting for approximately 5 percent of total Texas employment in this sector.

Table 2: Brazoria County Employment Trends (NAICS)

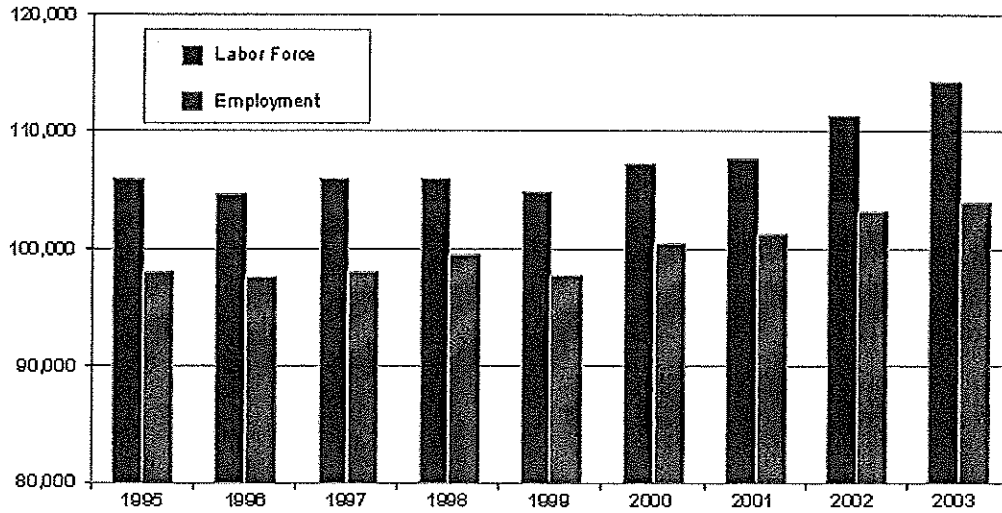
Description	Employment 2002 Q4	Employment 2003 Q4	Change	% Change
Natural Resources & Mining	1,758	1,352	-406	-23.1%
Construction	10,767	9,812	-955	-8.9%
Manufacturing	12,641	12,261	-380	-3.0%
Trade, Transportation & Utilities	14,113	14,231	118	0.8%
Information	531	479	-52	-9.8%
Financial Activities	2,755	2,737	-18	-0.7%
Professional & Business Services	5,039	5,320	281	5.6%
Education & Health Services	5,499	5,436	-63	-1.1%
Leisure & Hospitality	5,466	5,663	197	3.6%
Other Services	2,262	2,261	-1	0.0%
Nonclassifiable	41	117	76	185.4%
Federal Government	488	483	-5	-1.0%
State Government	2,899	2,782	-117	-4.0%
Local Government	12,278	12,488	210	1.7%
Total Employment	76,537	75,422	-1,115	-1.5%

Source: Texas Workforce Commission - Quarterly Census of Employment and Wages

As a result of a strong economy and close proximity to the Houston MSA, large numbers of people began moving to Brazoria County in the 1990s. This population influx resulted in the number of area labor force participants increasing significantly. In 1995, Brazoria County registered a labor force of 105,000 workers. Just eight years later (2003), Brazoria County's labor force was in excess of 114,000 workers – a growth rate of 7.9 percent. Even with the rise in labor force participants and population, the Brazoria County economy does not provide enough jobs for residents. Since Brazoria County-based business employ 75,000 workers, approximately 30,000 residents commute to other counties for work each day.

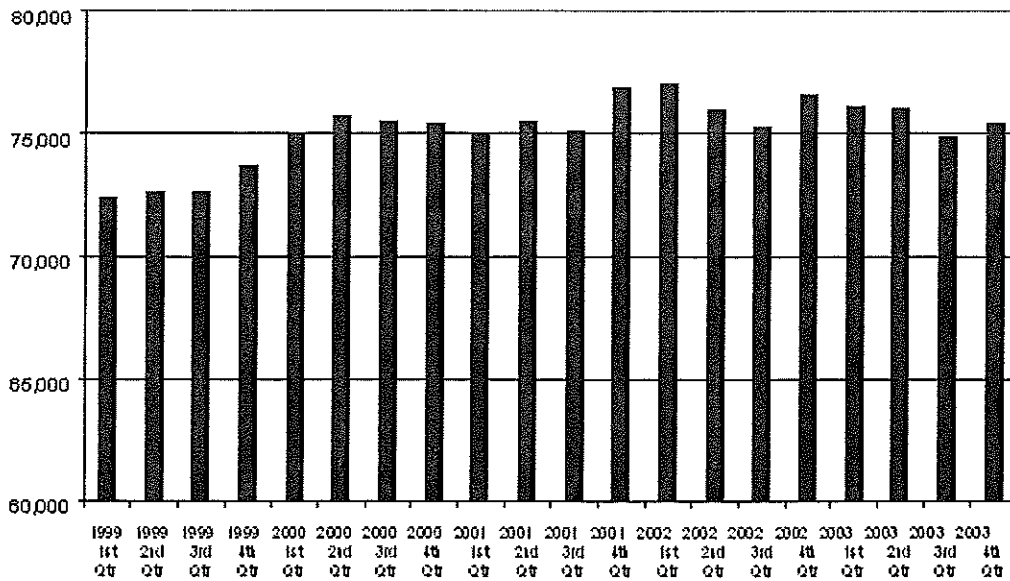
Unemployment in Brazoria County has dramatically risen since the peak of the economic cycle in 2000. The economic recession that followed resulted in Brazoria County's unemployment rate rising to above 9 percent for part of 2004. Fortunately, the economy is in the recovery stage and the unemployment rate is falling. Currently, Brazoria County's unemployment rate is 7.9 percent compared to the state average of 5.4 percent.

Chart 6: Brazoria County Labor Force vs. Employment Trends 1995 - 2003



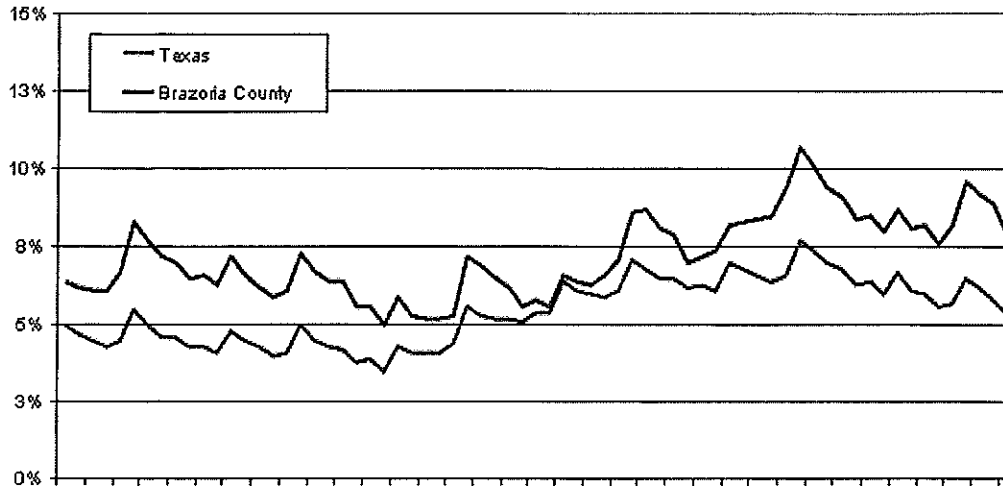
Source: Texas Workforce Commission - Civilian Labor Force Employment

Chart 7: Brazoria County-Based Business Employment Trends 1999 - 2003



Source: Texas Workforce Commission - Quarterly Census of Employment and Wages

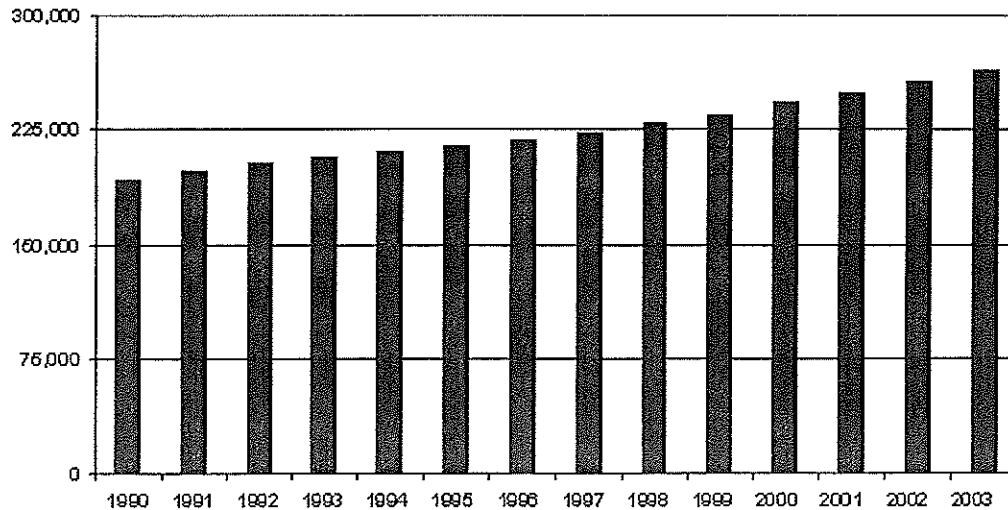
Chart 8: Brazoria County Unemployment Trends 1999 - 2004



Source: Texas Workforce Commission - Civilian Labor Force Employment

Population growth in Brazoria County has been strong over the past ten years. Since 1993, the County has added over 56,000 residents, an increase of 27.1 percent. Brazoria County's fast growth is even more impressive when compared to Texas' significant population growth rate of 22.6 percent over this same time period.

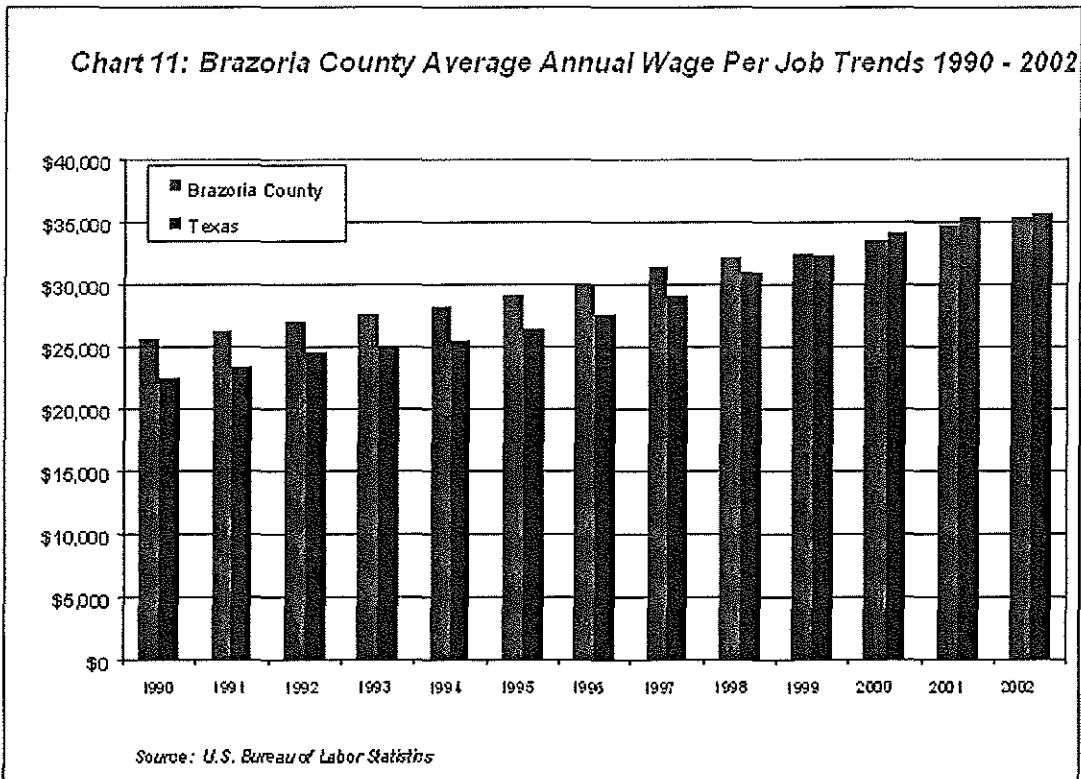
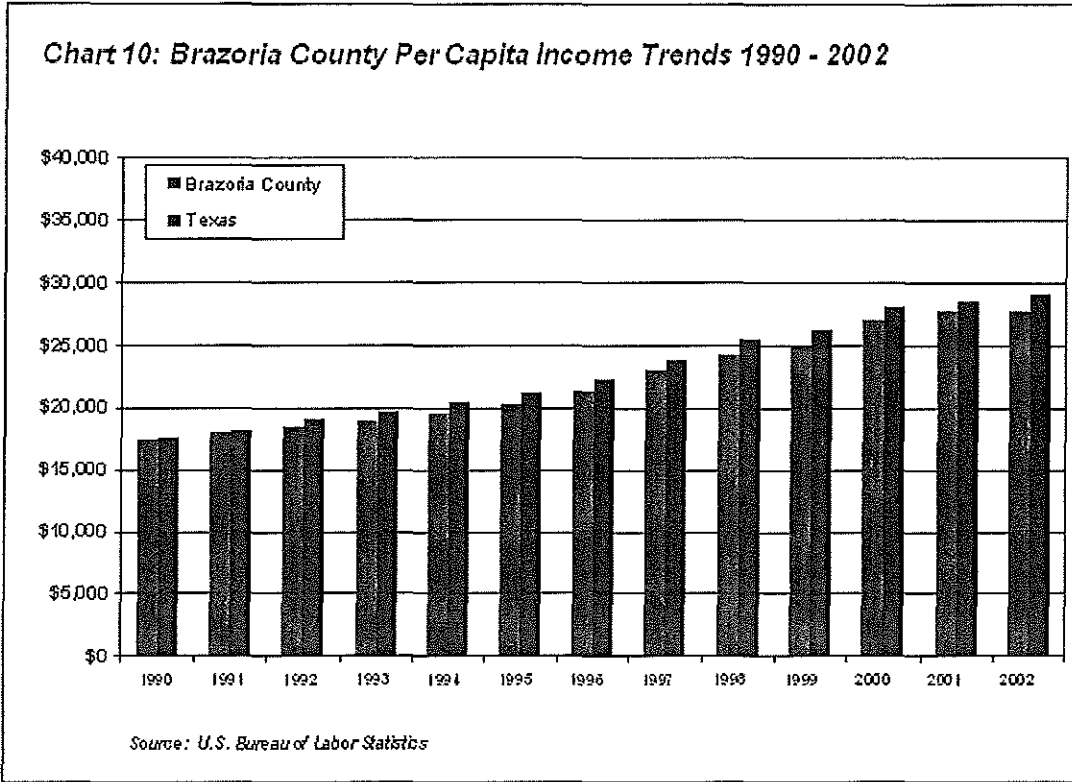
Chart 9: Brazoria County Population Trends - 1990-2003



Source: U.S. Census Bureau

While Brazoria County's population growth during the 1990s has been rapidly increasing, when compared to the state as a whole, its residents' income has not kept pace. Brazoria County's per capita personal income is now just 95.2 percent of the Texas average, falling steadily from 99.4 percent in 1990. This trend will only continue as Brazoria County's population growth rate supercedes its employment growth.

Wages paid to area workers are also lagging state levels. During the early 1990s, Brazoria County's workers earned 14 percent more than the state average. In 2002, a full-time employee earned \$35,382 or 30.9 percent more than a decade ago. Since 1990, however, the County's wage growth rate has not kept pace with the state as a whole. Full-time wages are now just 99 percent of the Texas average, falling steadily from 114 percent in 1990. It is important to note that Brazoria County's oil, gas, and chemical industry workers earn nearly double the county average. In 2002, workers employed in Brazoria County's petroleum products industry earned approximately \$83,000, well above the average county wage of \$36,900. Even with Brazoria County's flat employment levels in the petroleum refining industry, industry wages have risen over 20 percent since 1997.



Board Finding Number 3.

Average salary levels of qualifying jobs will begin at \$55,530, which is 19 percent above the current Brazoria County average salary per manufacturing job.

Board Finding Number 4.

The level of the applicant's total investment per qualifying job over the term of the Agreement is estimated to be \$16.25 million on the basis of a minimum of 12 qualifying jobs.

In support of Findings 3 and 4, the economic impact evaluation contains the following information.

ConocoPhillips' Investment in the Sweeny I.S.D.

For this study, TXP has calculated the economic impact of ConocoPhillips' petroleum refinery expansion in Brazoria County. Activities at the expanded facility will include the Ultra Low Sulfur Diesel Project. For this report, TXP has focused on the economic impact of ConocoPhillips' proposed \$170 million facility and \$670,000 annual payroll. The economic assumptions underlying the analysis are summarized in the tables below.

Table 3: ConocoPhillips' Investment in Brazoria County

Year	Employment	Payroll	Average Salary Per Job	Total Taxable Investment	Taxable Investment Per Job
2005	12	\$667,680	\$55,640	80,000,000	\$6,666,667
2006	12	\$667,680	\$55,640	195,000,000	\$16,250,000
2007	12	\$667,680	\$55,640	191,100,000	\$15,925,000
2008	12	\$667,680	\$55,640	187,280,000	\$15,606,667
2009	12	\$667,680	\$55,640	183,530,000	\$15,294,167
2010	12	\$667,680	\$55,640	179,900,000	\$14,991,667
2011	12	\$667,680	\$55,640	176,270,000	\$14,689,167
2012	12	\$667,680	\$55,640	172,740,000	\$14,395,000
2013	12	\$667,680	\$55,640	169,290,000	\$14,107,500
2014	12	\$667,680	\$55,640	165,900,000	\$13,825,000

Source: TXP, ConocoPhillips

ConocoPhillips' Impact on the Sweeny I.S.D. and Brazoria County

The benefits of ConocoPhillips to the Sweeny I.S.D., Brazoria County, and the entire Gulf Coast economy consist of the day-to-day operation of the facility, normal operating expenditures, purchases from local vendors, and spending of people employed by these businesses. In the final analysis, the economic benefits of this spending materialize in the form of increased Brazoria County employment and income. In addition, there are significant tax benefits to the Sweeny I.S.D., cities in the region, and the county.

There are also intangible benefits associated with having a major petroleum manufacturing facility expansion in the area. These benefits include factors such as increased regional, national, and international exposure for the area, as well as a certain prestige associated with being home to ConocoPhillips. These intangible benefits can easily result in increased business activity for the local community, which in turn results in the creation of even more jobs and income. These benefits are difficult, if not impossible to measure, and no attempt is made here to estimate them.

Economic Impact Methodology

For this study, TXP has calculated the economic impact of ConocoPhillips' petroleum refinery expansion based on annual payroll, employment, and local procurement levels. The economic assumptions underlying the analysis are summarized in Section 3. Specifically, this analysis measures the anticipated economic impacts of ConocoPhillips' facility expansion using the IMPLAN input-output economic system. TXP has customized the IMPLAN model by modifying the underlining industry data and by altering regional purchasing coefficient assumptions.

When conducting traditional economic impact analysis for an expanding or relocating business, output (closely related to total sales) is typically used as the primary input to the model. The ConocoPhillips project is more complicated given that ConocoPhillips is expanding an existing facility. Therefore, a more conservative approach to estimating the economic impact of this project focuses on measuring the effect of wages paid to employees and ConocoPhillips' local procurement of goods and services. Additional adjustments were made to the data prior to estimating the direct, indirect, and induced impacts. For example, even though ConocoPhillips will pay \$670,000 in annual wages, not all of this money is considered take-home pay. Federal taxes, social security charges, and pre-tax savings contributions (i.e., 401K accounts) must be subtracted from the \$670,000 million figure. This results in fewer dollars available to be spent in the local economy.

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries –

typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor's stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

An economy can be measured in a number of ways. Three of the most common are "Output," which describes total economic activity and is equivalent to a firm's gross sales, "Employee Compensation," which corresponds to wages and benefits, and "Employment," which refers to permanent jobs that have been created in the local economy. In order to provide an accurate basis of comparison, all dollar-denominated results are expressed in constant 2004 figures.

The interdependence between different sectors of the economy is reflected in the concept of a "multiplier." An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all sectors.

Economic Impact Results

The tables on the following pages detail the real (inflation-adjusted) output and value-added impact of ConocoPhillips' expansion plans on Brazoria County. To enable reviewers to compare ConocoPhillips' impact over a period of time, TXP has used 2004 as the base year.

Table 4: Real Output Impact of ConocoPhillips: 2005 - 2014

Year	Direct	Indirect + Induced	Total
2005	\$667,680	\$485,610	\$1,153,290
2006	\$653,307	\$475,157	\$1,128,464
2007	\$639,540	\$465,144	\$1,104,684
2008	\$626,341	\$455,544	\$1,081,886
2009	\$613,676	\$446,333	\$1,060,009
2010	\$601,514	\$437,486	\$1,039,000
2011	\$589,823	\$428,984	\$1,018,807
2012	\$578,579	\$420,806	\$999,385
2013	\$567,755	\$412,934	\$980,689
2014	\$557,329	\$405,351	\$962,679

Source: TXP, ConocoPhillips

Table 5: Real Employee Compensation Impact of ConocoPhillips: 2005 - 2014

Year	Direct	Indirect + Induced	Total
2005	\$667,680	\$57,951	\$725,631
2006	\$653,307	\$56,704	\$710,011
2007	\$639,540	\$55,509	\$695,049
2008	\$626,341	\$54,363	\$680,705
2009	\$613,676	\$53,264	\$666,940
2010	\$601,514	\$52,208	\$653,722
2011	\$589,823	\$51,193	\$641,017
2012	\$578,579	\$50,218	\$628,796
2013	\$567,755	\$49,278	\$617,033
2014	\$557,329	\$48,373	\$605,702

Source: TXP, ConocoPhillips

Table 6: Real Employment Impact (Full & Part-Time) of ConocoPhillips: 2005 - 2014

Year	Direct	Indirect + Induced	Total
2005	12	3	15
2006	12	3	15
2007	12	3	15
2008	12	3	15
2009	12	3	15
2010	12	3	15
2011	12	3	15
2012	12	3	15
2013	12	3	15
2014	12	3	15

Source: TXP, ConocoPhillips

CONOCOPHILLIPSUSA's Annual Local Purchases				
Utilities	Building Maintenance	Waste Management	Other Services	Total
\$576,000	\$110,000	\$10,000	\$282,000	\$978,000

Source: Home Depot

Board Finding Number 5.

Subsequent economic effects on the local and regional tax bases will be significant. In addition, the impact of the added infrastructure will be significant to the region.

In support of Finding 5, the economic impact evaluation states:

Regional Tax Revenue Impact

Beyond the direct, indirect, and induced economic impacts detailed above, ConocoPhillips' expansion could generate a tremendous amount of tax revenue for local taxing jurisdictions. In the abstract, all levels of government – school districts, city, county, and special taxing authorities – would be very positively impacted by the development of ConocoPhillips' expanded facility, although the level of ultimate benefit will be influenced by any tax incentives that are offered. Tax rates for 2004 were obtained from the Brazoria County Appraisal District website - http://www.brazoriacad.org/04_Tax_Rates.htm.

A number of important considerations should be taken into account when reviewing the economic impacts of ConocoPhillips' expansion plans. One issue, for example, is that part of ConocoPhillips' economic impact transcends local taxing jurisdictions (i.e., city and county). In addition, Brazoria County is linked to the much larger Houston MSA regional economy. It is not unreasonable to expect workers at ConocoPhillips to commute from surrounding counties, shop in neighboring cities, and spend dollars outside of Brazoria County. It is difficult, if not impossible, to accurately determine the amount of tax revenue that individual communities will receive from increased retail sales activity.

Therefore, TXP has focused its efforts on determining the amount of direct ad valorem tax revenue the Sweeny I.S.D. and Brazoria County will receive. TXP has also conservatively projected the total amount of increased indirect sales tax revenue that Brazoria County will receive.

To put this project's economic impact into perspective, the following table compares ConocoPhillips' salary and investment projections per job with Brazoria County averages.

Table 7: ConocoPhillips Investment vs. Brazoria County Averages

	Brazoria County	Texas	ConocoPhillips Expansion Project
Average Weekly Manufacturing Wage*	\$893	\$722	\$1,075
Investment Per Job**	\$193,720	N/A	\$14,175,083

* Texas Workforce Commission - Wage Information Network

** Investment per job for Brazoria County = Total Brazoria County Certified Taxable Value / Total Brazoria County Employment

Source: TXP, ConocoPhillips

Note, the tax revenue figures shown for the Sweeny I.S.D. reflect the projected tax collections the district would receive based on the anticipated value of the project, in the absence of the requested limitation on value and state school financing legislation.

Table 8: Estimated Fiscal Impact of ConocoPhillips: 2005 - 2010

	2005	2006	2007	2008	2009	2010
Property Values						
Total Taxable Value	80,000,000	195,000,000	191,100,000	187,280,000	183,530,000	179,900,000
Direct Ad Valorem Taxes						
Sweeny I.S.D.	\$1,353,600	\$3,299,400	\$3,233,412	\$3,168,778	\$3,105,328	\$3,043,908
Brazoria County	\$289,684	\$705,812	\$691,896	\$677,869	\$664,296	\$651,167
Brazos Rvr. Harbor Nav. Dist.	\$54,000	\$131,825	\$128,993	\$126,414	\$123,883	\$121,433
West Brazoria Co. Drainage Dist. #11	\$16,000	\$39,000	\$38,220	\$37,456	\$36,708	\$35,980
Sweeny Community Hospital	\$279,200	\$680,550	\$668,939	\$653,607	\$640,520	\$627,851
Indirect & Induced Taxes						
Brazoria County Ad Valorem	\$12,084	\$12,084	\$12,084	\$12,084	\$12,084	\$12,084
Brazoria County Sales Tax	\$2,237	\$2,237	\$2,237	\$2,237	\$2,237	\$2,237
Total Taxes	\$2,008,665	\$4,870,689	\$4,773,661	\$4,678,426	\$4,585,033	\$4,484,630

Table 9: Estimated Fiscal Impact of ConocoPhillips: 2011 - 2014

Property Values		2011	2012	2013	2014	(2005-2017)
Total Taxable Value	\$176,270,000	\$172,740,000	\$169,290,000	\$165,900,000		
Direct Ad Valorem Taxes						
Sweeny I.S.D.	\$2,982,488	\$2,922,761	\$2,884,387	\$2,807,028	\$28,781,089	
Brazoria County		\$838,018	\$825,241	\$812,754	\$800,483	\$6,156,891
Brazos Rvr. Harbor Nav. Dist.	\$35,264	\$34,548	\$33,868	\$33,180	\$823,187	
West Brazoria Co. Drainage Dist. #11	\$118,982	\$116,600	\$114,271	\$111,983	\$1,148,182	
Sweeny Community Hospital	\$815,182	\$802,863	\$789,822	\$778,991	\$6,936,525	
Indirect & Induced Taxes						
Brazoria County Ad Valorem	\$12,064	\$12,064	\$12,064	\$12,064	\$120,641	
Brazoria County Sales Tax	\$2,237	\$2,237	\$2,237	\$2,237	\$22,373	
Total Taxes	\$1,404,226	\$4,316,313	\$4,230,393	\$4,145,986	\$42,505,903	

Source: TXP

Board Finding Number 6.

The revenue gains that will be realized by the school district if the Application is approved will be significant in the long-term, with special reference to revenues used for supporting school district debt.

In support of this finding, the analysis prepared by Moak, Casey & Associates, LLP projects that the project would initially add approximately \$190 million to the tax base for debt service purposes. This additional value will generate approximately \$3.9 million in additional taxes for debt service funds will be generated through 2016-17.

In terms of operating revenue, ConocoPhillips will pay \$14.9 million in additional M&O taxes during the first ten years of the agreement even with the value limitation, although most of this amount will be offset by increased recapture charges to the District. Additional benefits of nearly \$9.0 million will be received by the District under the terms of the Agreement.

Board Finding Number 7.

The effect of the applicant's proposal, if approved, on the number or size of needed school district instructional facilities is minimal.

In support of this finding, the analysis prepared by Moak, Casey & Associates, LLP estimates minimal facilities impact due to the limited number of jobs associated with the facility. The addition of the facility should, at least in the long-run, add to the stability of public school

enrollments in the District by providing additional employment opportunities and economic activity.

Board Finding Number 8.

The ability of the applicant to locate the proposed facility in another state or another region of this state is substantial, as a result of the highly competitive marketplace for economic development.

In support of Finding 8, the economic impact evaluation states:

Attracting high-paying, capital-intensive industries is becoming extremely competitive. Communities across the country, regardless of size, have committed hundreds of millions of dollars for economic development marketing and recruitment. In Texas alone, the ½ cent sales tax for economic development has generated over \$2.8 billion for cities. The national recession and declining tax revenues have forced communities to become even more aggressive in their recruitment efforts. The State of New York, for example, provided over \$400 million in incentives to recruit part of International SEMATECH away from Austin, Texas. Local and state governments in Ohio reportedly committed \$10 million in incentives to ensure that Dell Computer located a distribution center in West Chester, Ohio. A number of factors offer

technology manufacturers' flexibility when choosing new locations. States and regions who want to remain competitive in technology and R&D site selection must be willing to offer public incentives.

The competition is just as intense for petroleum refineries and petrochemical facilities. ConocoPhillips could have easily located its facility in a neighboring region or state. A number of communities along the Gulf Coast offer the necessary infrastructure to support the petroleum refining and petrochemical industries. The Federal Reserve Bank of Dallas highlights the importance of this industry to Gulf Coast communities in a 2002 report, "Downstream refining and petrochemicals dominate the manufacturing base of all the cities, with Baton Rouge, Beaumont-Port Arthur, Brazoria, Corpus Christi having little matching upstream activity. All the cities are ports, with strong water, pipeline, and rail connections." Clearly, neighboring communities and states could meet ConocoPhillips' location requirements. International competition is also increasing for refining facilities, especially in light of rising demand from energy markets such as China.

In the meantime, the value of ConocoPhillips' facility expansion to the region is clear. Once fully operational, the direct impact will yield an average annual increase \$670,000 in employee compensation, while

supporting a total of 12 permanent local part and full-time jobs. Perhaps most importantly, total local taxes collected over the next ten years (including those directly associated with the project as well as the ripple effects through the local economy) will exceed \$42.5 million. Assuming a discount rate of 5 percent, this total local public sector revenue stream has a present value of over \$32.5 million. It should be noted that this estimate is prior to any abatements, incentive agreements, or value limitations that may be put in place.

Board Finding Number 9.

The proposed facility will be the second built in the immediate region since the implementation of the new statute permitting economic development abatements. Fifteen prior facilities have been built throughout the state that were eligible to apply for a limitation on appraised value under this Subchapter and did so in their respective communities.

The Board of Trustees has made the above listed factual findings in accordance with the Texas Economic Development Act and the Administrative regulations promulgated by the Texas Comptroller of Public Accounts published at 34 Texas Administrative Code § 9.107.

The Board further finds:

Board Finding Number 10.

The Agreement for an Appraised Value Limitation on Qualified Property, pursuant to Chapter 313 of the Texas Property Tax Code, attached hereto as Attachment E, includes adequate and appropriate revenue protection provisions for the District.

In support of this finding, the report of Moak, Casey & Associates, LLP clearly shows that the District will incur an initial revenue loss without the proposed Agreement. However, with this Agreement, the negative consequences of granting the abatement are offset through the revenue protection provisions agreed to by the Applicant to the District.

Board Finding Number 11.

Considering the purpose and effect of the law and the terms of the Agreement, that it is in the best interest of the District to enter into the attached Agreement for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes.

It is therefore **ORDERED** that the Agreement attached hereto as Attachment E is approved and is hereby authorized to be executed and delivered by and on behalf of the Sweeny Independent School District. It is further **ORDERED** that these findings and the Attachments referred to herein be attached to the Official Minutes of this meeting, and maintained in the permanent records of the Board of Trustees of the Sweeny Independent School District.

Dated the 14th day of December 2004.

SWEENEY INDEPENDENT SCHOOL DISTRICT

By Glenn W. Salzer
President, Board of Trustees

ATTEST:

By Randy Moks
Randy Moks, Superintendent

Mali Hanley

From: Adair, Bob G [Bob.Adair@conocophillips.com]
Sent: Friday, August 06, 2010 12:43 PM
To: Mali Hanley
Subject: ConocoPhillips Signed Form 50-772 for Sweeny ISD
Attachments: Signed 50-772 Annual Eligibility Report for Chapter 313 - ConocoPhillips in Sweeny ISD.pdf

Mali,

Attached is the revised form with \$51,330 for "What is the minimum required annual wage for each qualifying job in the year covered by this report?" I slightly changed the calculation from our phone conversation, which I think this is technically correct. The calculation is below:

ConocoPhillips ULSD Projected Annual Wage at Time of Sweeny ISD Approval ¹	\$55,530		
ConocoPhillips ULSD Projected Annual Wage above County Manufacturing Average ¹		/	1.19
Brazoria County Annual Wage for Manufacturing	=	\$46,664	
Requirement for Minimum Annual Wage Percentage of County Manufacturing Average ²		x	110%
Minimum Required Annual Wage for 2009 Form 50-772	=	\$51,330	

1. Board Finding # 3, Page 11, Findings of the Sweeny Independent School District Board of Trustees under the Texas Economic Development Act, December 14, 2004.
2. §313.021(3)(E), which states, in part,:

(E) pays at least 110 percent of:
the county average weekly wage for manufacturing jobs in the county where the job is located;

(i)
Please feel free to call me to discuss further.

Bob Adair

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