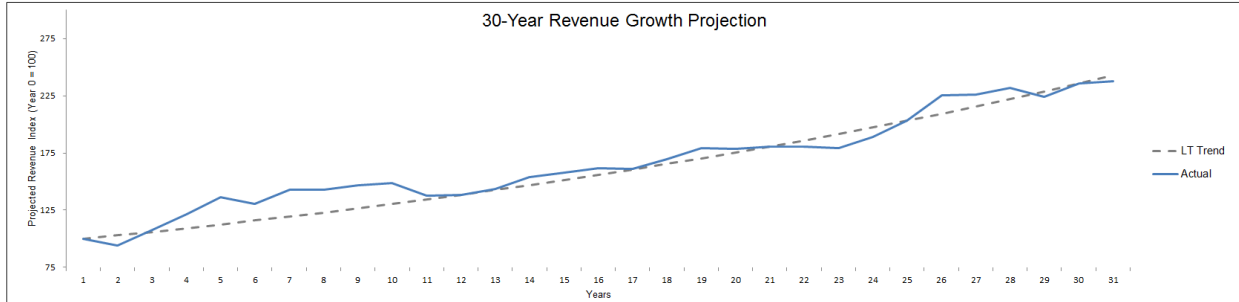


Counter-Cyclical Borrowing Facility (CCBF)

Infrastructure P3 Financing Concept

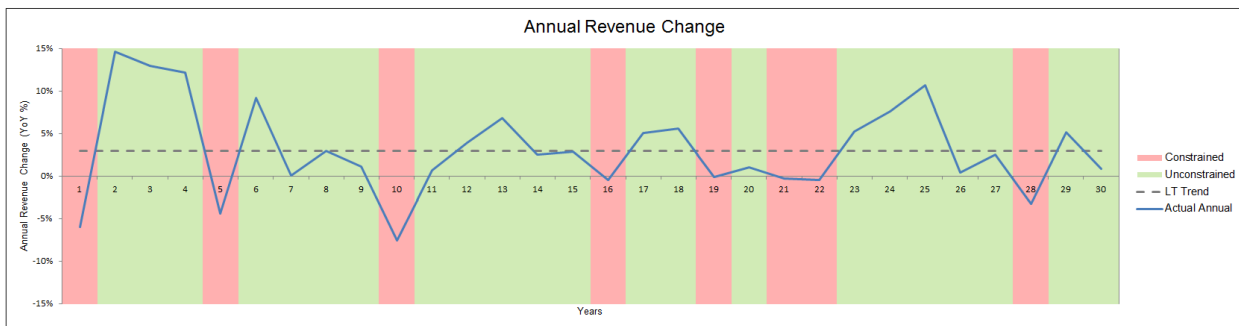
January 2017

1. Often Long-Term Tax Revenue Growth Can Clearly Support Infrastructure Investment....



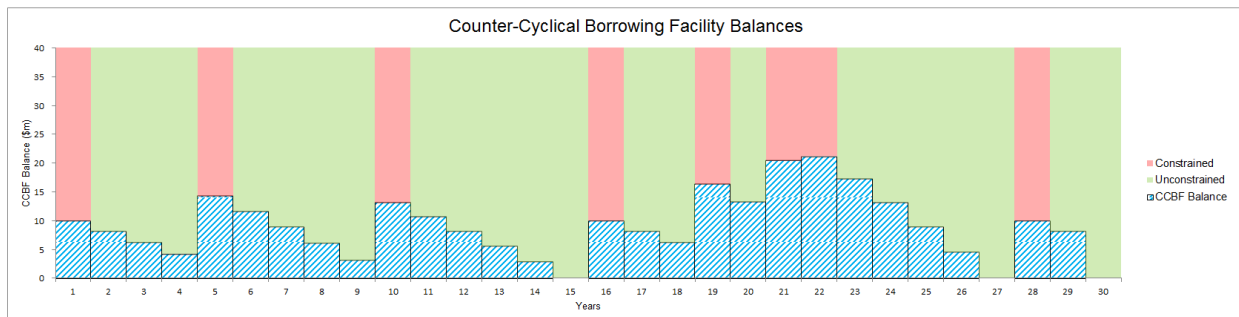
- Conservative projection of long-term revenue growth shows room for infrastructure investment
- Variation in actual results is inevitable, but bounds are predictable from historic patterns

2....But Short-Term Tax Revenue Volatility Causes Inefficient “Boom - Bust” Budget Cycle



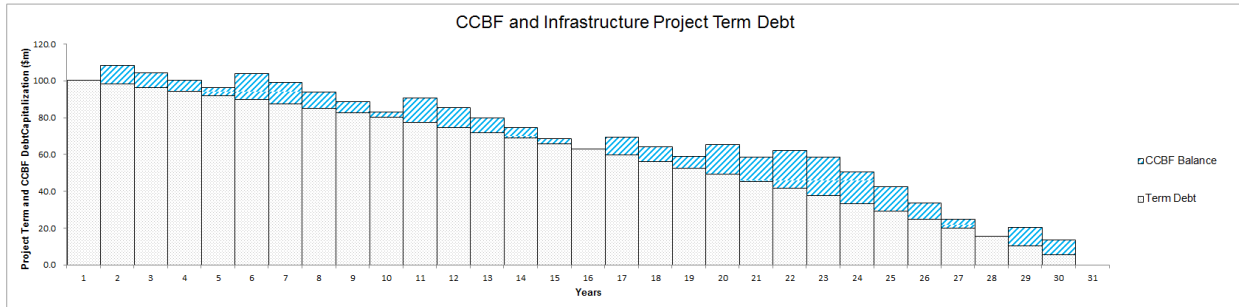
- Even with reversion to long-term trend, annual results will be volatile
- During unexpected downswing bust, spending is “Constrained” (red phases) = Kicking the can
- During upswing boom, spending is “Unconstrained” (green phases) = New spending hard to resist
- Boom-bust cycle is especially difficult and costly for long-term infrastructure funding

3. CCBF Allows P3 Self-Financing During Budget Busts, Requires Repayment During Booms



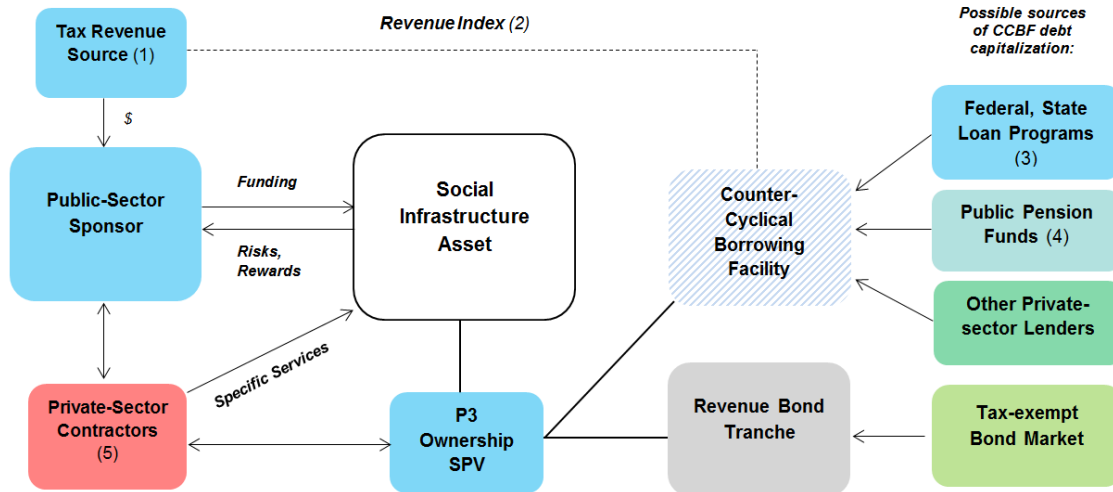
- CCBF is P3 liquidity facility that acts as disciplined self-contained “rainy-day fund” for project
- During Constrained phase, P3 requires *lower* payments and draws on CCBF for project costs
- During Unconstrained phase, P3 requires *higher* payment for repayment of CCBF

4. CCBF Only Minor Addition to Infrastructure Long-Term Debt Capitalization



- CCBF is senior debt liquidity facility; terms and rate transparently reflected in P3 contract
- Max amount only minor addition to senior term debt, but sufficient for several years draws
- Credit quality reflects strength of P3 contract; likely very high for availability payment P3

5. CCBF as “Bolt-On” Second-Best Fix for Inefficient Budget Volatility



- (1) General fund, dedicated tax source (e.g. special sales tax) and/or asset user fees
- (2) Index adjusts annual debt service payments up or down based on observable revenue metrics
- (3) Federal and state infrastructure loan programs (e.g. TIFIA, WIFIA, SRF etc.)
- (4) Direct alternative investment or indirect through infrastructure debt funds
- (5) Long-term contracts compliant with IRS Rev. Proc. 2016-44

For further information:

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