UNIQUE MODELS AND OTHER WAYS TO THINK ABOUT P3

1. More than just DBFOM
2. Funding Differs from Financing
3. Public-Public Partnerships
4. Smart P3 Approach
5. Case Studies

CDFA
Intro Public-Private Partnership (P3)
Public Finance Webcourse
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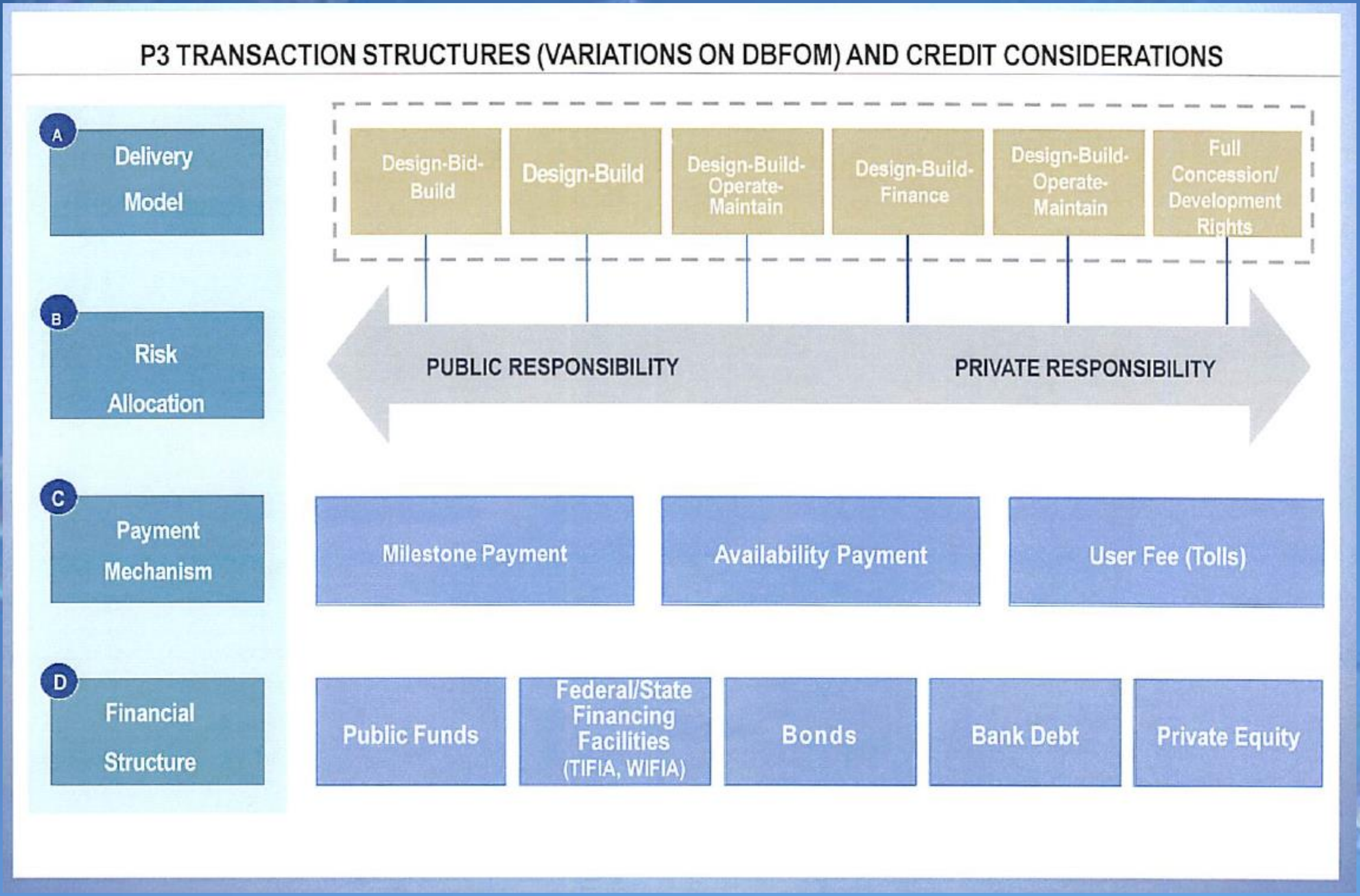
Unique Models can be More or Less than DBFOM



HOW DOES A P3 WORK?

No two P3s are identical. P3s are tailored to meet the public agency's financial, policy and operational goals.

A P3 is ***NOT*** an outright sale of a public asset. The public agency maintains ownership of the asset (for state law purposes) and sets operational, maintenance and safety standards.

Two Broad Categories of Payment Mechanisms	
Project Revenues	**Availability Payment**
▫ The infrastructure asset's **revenues are monetized** by the private partner – See **Ohio State Parking** example. ▫ The public agency receives an upfront payment and/or a revenue sharing arrangement. ▫ The private partner operates and maintains the asset and assumes most business, financial and capital risks. ▫ Often structured as a long-term "revenue concession" and/or lease.	▫ The public agency pays the private partner pre-established rent-like "availability payments" that are based upon the availability of the assets to the public – See **Portsmouth Bypass** example. ▫ Creates budget certainty for the public agency over the life of the contract. ▫ The private partner designs, builds (or rehabilitates), finances, operates and maintains the asset, based on strict delivery and performance requirements. ▫ The public agency's payments may be reduced for underperformance or there may be bonuses for exceptional performance.

FUNDING vs FINANCING

Funding	Financing
■ Public money available to the project that is not intended to be repaid or carry a cost (i.e., no interest or return on investment) ■ Typical sources include: ❑ Construction period payments (milestone payments, construction completion payments) ❑ Operations period payments (availability payments, lease payments, user fees (tolls, fees/charges, rents)) ❑ Funding sources – federal funds, state funds, user fee revenues, sales tax revenues, property taxes	■ Money provided by private investors to pay for construction costs, concession payments and other large project costs ■ Capital is intended to be repaid and does carry a cost (i.e., interest and return on investment) ■ Typical sources include: ❑ Debt (capital market bonds, bank loans, federal/state financing facilities) ❑ Equity

Public-Public Partnerships
How is a Tax-Exempt Bond Financed P3 Structured?

Public Agency/Owner:

- Current asset owner or user
- Needs new assets built or financed

Private Partner/Developer:

- Another governmental entity or qualified 501(c)(3) corporation or 63-20 corporation
- Or project owned for tax purposes by governmental unit

Potential Benefits:

- Better public perception; your **champions** are all public or charitable
- Tax-exempt financing possible – issued by a new governmental owner or conduit bond issuer for the owner or 501 (c)(3)
- Long-term (30 year) management agreements are now possible under new IRS Regulations

Potential Considerations:

- Limited ability to transfer whole-life risks such as O&M and major maintenance
- Transaction benefits limited as still on credit and balance sheet

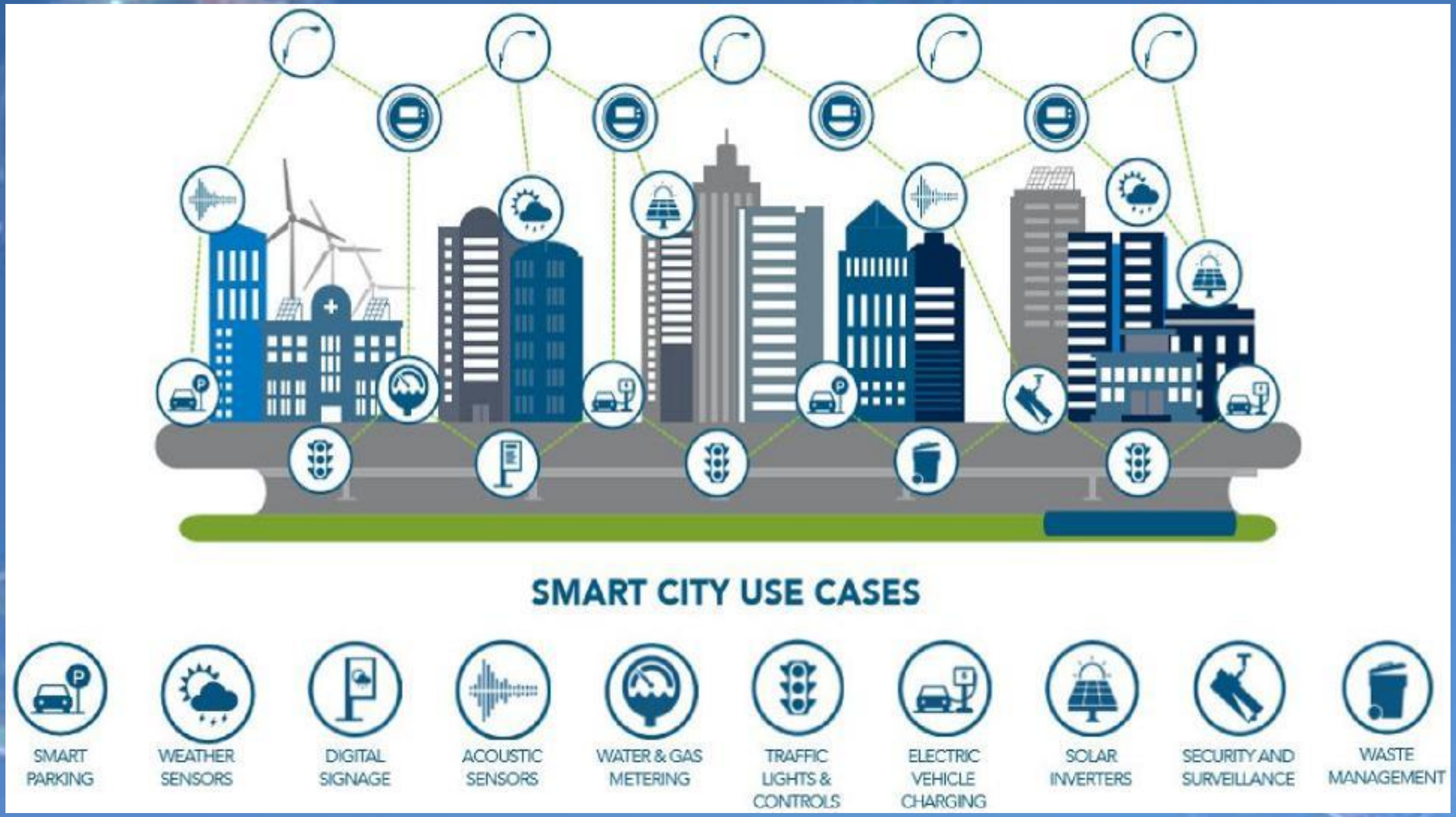
Smart P3 Concept

- In recent years, P3 projects have typically focused on one industry area, such as transportation or energy. However, as P3 projects increase in complexity and scope, the team at Frost Brown Todd has embraced an all-encompassing approach to serving as P3 project counsel, integrating the following elements:
- Public Buildings and Infrastructure
- Infrastructure
- Transportation and Multi-Modal Transit
- Housing
- Education
- Energy
- Stadia/Arena
- Community Facilities

Specifically, we are now educating others about the ***Smart P3***. The ***Smart P3*** project contains two or more of the P3 elements mentioned above. Instead of addressing each independent component individually, the ***Smart P3*** considers all components and/or applications to ensure that the project as a whole is delivered on time, within budget, and that the programming meets all of the parties' objectives. For example, a mixed-use project may contain transit and transportation elements, parking, housing, and public buildings, all of which could be separately delivered via a P3 delivery model. Viewing the project as a whole, comprehensive funding and financing strategies can be developed and tailored to each specific component.

The ***Smart P3*** requires specialized financial advisors, lenders and legal counsel proficient in various modes of funding and financing alternatives for each element. As Project Counsel, the quarterback firm manages all elements of a complex project and reviews all P3 elements when structuring deals. Our approach requires specialized knowledge and experience to determine the need for alternative delivery methodologies. It is also important to focus on well-defined agreements that clearly set forth the duties and responsibilities of each project team member.

An example of a ***Smart P3*** is the concept of ***Smart Cities*** – cities employing various forms of technology to reduce energy consumption and pollution, and increase efficiency to improve the quality of government services. The P3 team must understand the complex regulatory interchange between infrastructure and technology and help guide the governmental participants through a constantly changing world.


SMART CITY USE CASES
SMART PARKING
WEATHER SENSORS
DIGITAL SIGNAGE
ACOUSTIC SENSORS
WATER & GAS METERING
TRAFFIC LIGHTS & CONTROLS
ELECTRIC VEHICLE CHARGING
SOLAR INVERTERS
SECURITY AND SURVEILLANCE
WASTE MANAGEMENT

Forward-thinking communities are already taking advantage of changes in technology. From the application of internet to transportation infrastructure, to cybersecurity and information privacy, our cities must have an understanding of the complex and oftentimes uncharted regulatory and legal landscape we face. The *Smart P3* Concept, which combines multiple aspects of traditional P3s to deliver a project tailored to meet specific objectives, can provide solutions to help lead communities into the future. We need smart solutions to tech-related issues from cloud computing and drones to big data and privacy security.

Case Study:
Public-Public Partnership
Sharing Powers

- Ohio County Proposes to Upgrade its Fairgrounds and Related Entertainment Facilities
- Developer proposes a "Credit Tenant Lease," with County's Rental Payments Subject to Appropriation
- Laws applicable to Counties are restrictive

<u>Problem</u>: Parties desire to avoid bidding and procurement laws (normally applied to County); and select Developer as the One Master Developer.

<u>Solution</u>: County, Developer and local Ohio Port Authority – a special purpose political subdivision - can enter into a Cooperative Agreement to accomplish the desired structure.

Detail: Pursuant to State Law, Port Authorities possess P3-type powers and can legally loan or share those powers to most political subdivisions, including Counties.

Result: Innovative Funding Source and Financing Structure, as well as Faster Project Delivery

Case Study:
City Leasing Assets to another Subdivision

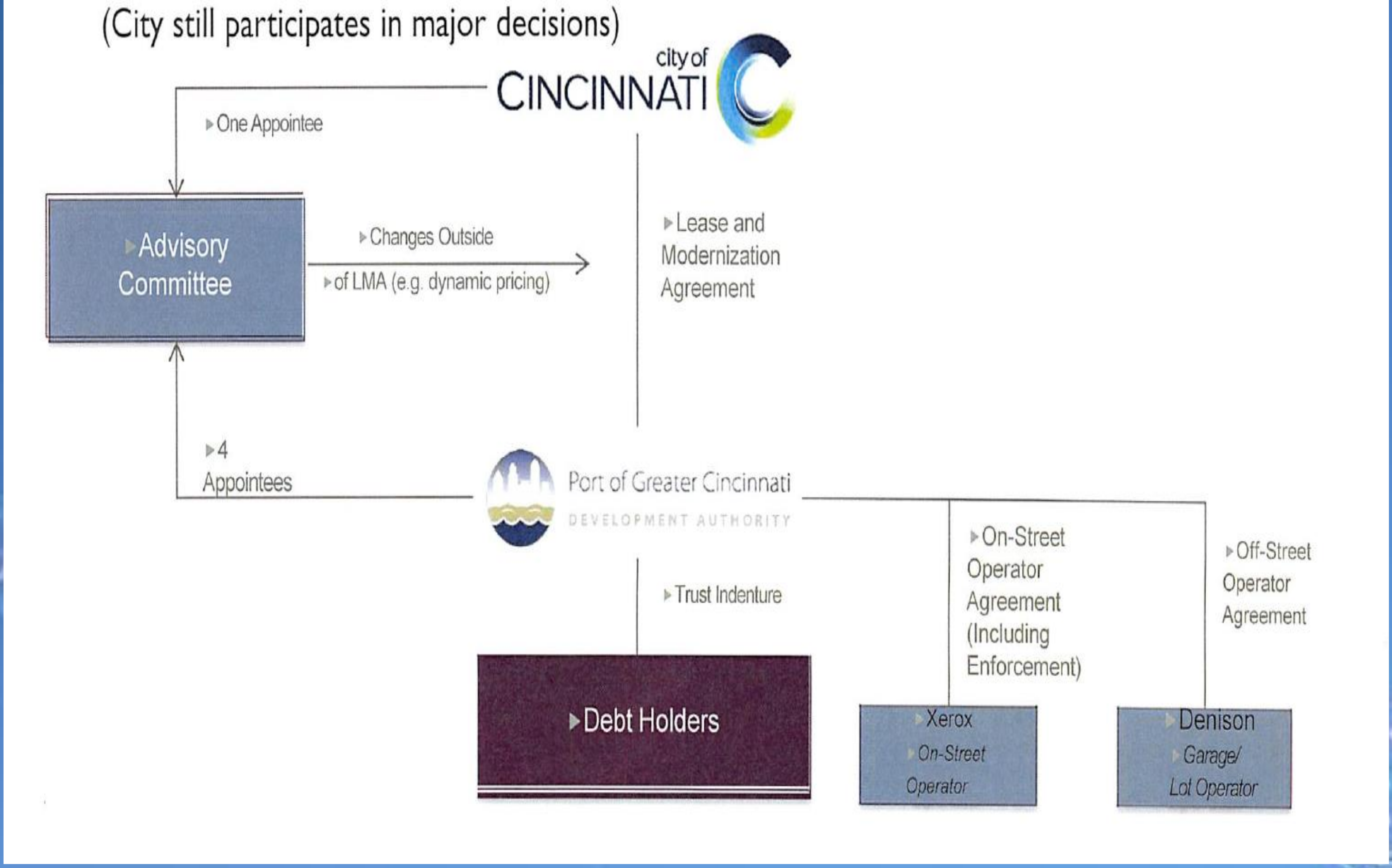
Long-term Lease and Modernization of the City of Cincinnati parking system

- **Initiated as a competitive process, 4 teams were interviewed and the ParkCincy team that offered a Public-Public Partnership was selected, along with the Port of Greater Cincinnati Development Authority – another governmental entity - designated as Lessee/asset manager**
- **Bond Issue and Lease structured with $85 million upfront payment to the City of Cincinnati with $105 million Note payable from subordinate cashflow for long-term transfer of the use of:**

Assets	Spaces	Lease Term
Garages	2,242	50 years
Lots	286	50 years
Meters	5,000	30 years

- **Tax-exempt bonds were to be issued because it's a "sale" of system to the Port Authority (for federal tax purposes). It is not a sale for State law purposes.**
- **At Lease expiration, the parking system reverts to City of Cincinnati**

Contractual Structure



Why Parking?

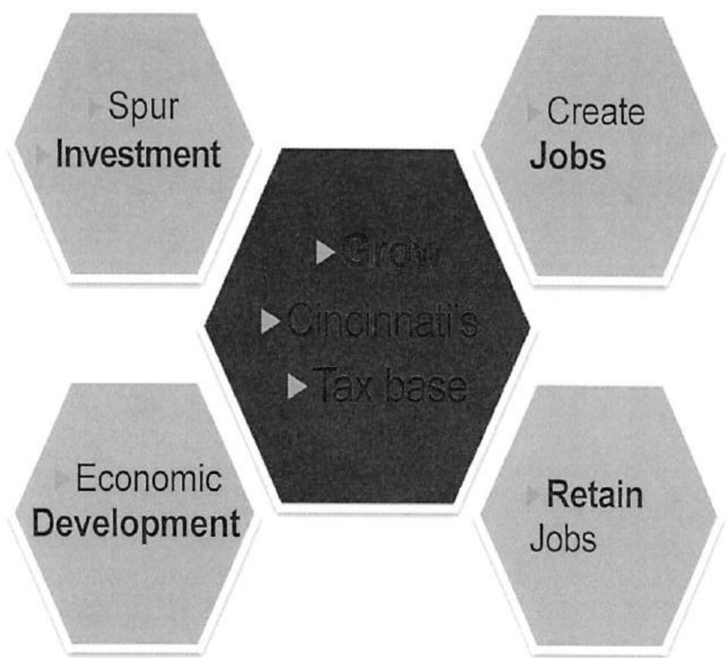
- Parking is a key resource of the City:
  - Economic and business growth and retention
  - Special events and tourism
  - Residential vibrancy
- Parking availability and convenience is a core City function
- Parking System <u>operation</u> is arguably <u>not</u> a core City function
  - Less incentive for public sector to fund ongoing technology and innovation
  - Governmental units because of budget constraints sometimes cannot match timeliness and efficiency of implementing technological advances

Why Monetize the Parking System?

This was not just Monetization; it was also a Parking Modernization Plan

- It would bring the parking system into the 21st century with needed technology improvements
- Parking enhancements were aligned with Cincinnati's economic trends
  - Continue to spur the revitalization of the Downtown and Over the Rhine areas
  - Would complement Cincinnati's strong neighborhoods
- Would provide enhanced customer service for business growth from a new operations team
- Would maintain public oversight, and brings more flexible dollars to the City in both the short and long term

- Long Term Value



City Consideration

- At close the City of Cincinnati was scheduled to receive an <u>$85 million</u> upfront payment from tax-exempt bond proceeds
- Additional consideration (in the form of a residual Note) <u>estimated to total $105 million</u> payable to the City of Cincinnati from:
  - 50% of excess cash flows after debt service payments
  - In addition, once the capital reserve reaches its ending balance requirement of $12.5 million, excess cash flows will flow to the City up to the amount of the Note payment
- System returned to City of Cincinnati at end of Lease
- Also, Lease contains Covenants requested by the City to protect the System and Bondholders

Port Authority Rights

- It would operate and manage the on-street parking system for a term of 30 years, receiving an annual fee
  - Charge and collect meter revenues
  - Enforce compliance, including writing tickets, booting, and towing regular violators
  - Collect fines and any related delinquencies
- It would operate and manage the off-street parking system assets for a term of 50 years
  - Charge and collect transient and monthly parking fees
- Authority did have the right to raise parking rates
  - Initial schedule in Lease
  - Future annual adjustments permitted, subject to greater of 3% or CPI-Urban Index
  - Rate increases beyond those permitted subject to Advisory Committee approval with the City having an effective veto

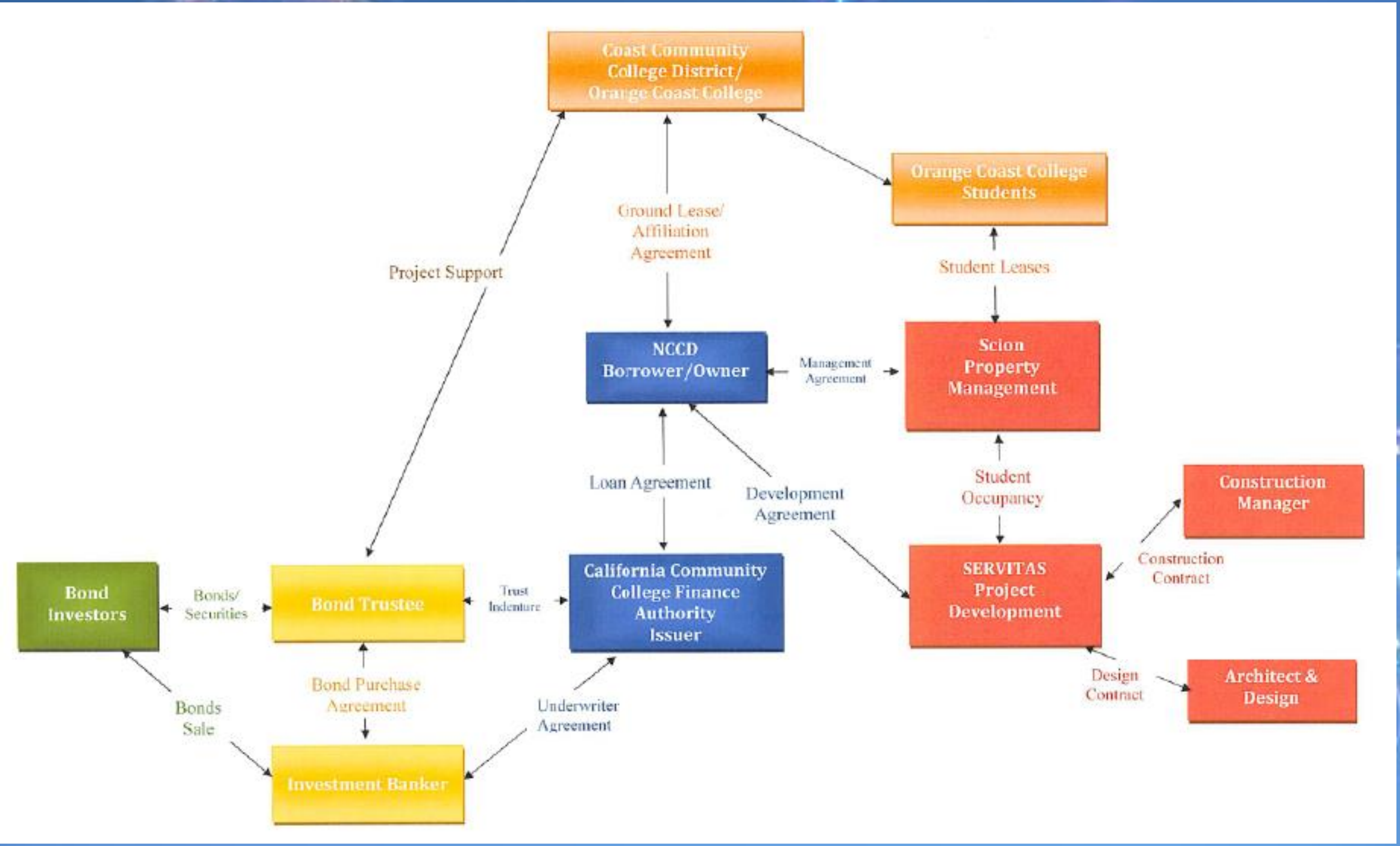
Case Study: 501(c)(3) Model
Project Parties/Structure

Beneficiary:	Coast Community College District (the "District"), acting on behalf of Orange Coast College
Issuer:	California Community College Financing Authority (the "Issuer")
Borrower/Owner:	Orange Coast Properties LLC is a 501(c)3, single purpose, bankruptcy remote company that will have as its member NCCD (National Campus and Community Development Corporation).
Developer:	The Borrower will contract with Servitas - the "Developer" - to develop the Project pursuant to a development agreement (the "Development Agreement"). The Development Agreement will include a guarantee of the development cost and delivery date of the Project and include liquidated damages provisions for late delivery. All construction, design and engineering contracts will be assigned to the Company.
Property Manager:	The Company will contract with The Scion Group for Project Management services. The initial term of the Management Agreement is to be determined, but could be up to 30 years. The District and the College will reserve certain rights including removal of Project Manager in the event of default of the Management Agreement. Scion's annual management fees will be subordinated to Series 2018 Bonds' annual debt service.

501(c)(3) Project Provisions

Ground Lease	The Borrower will enter into a Ground Lease Agreement with the District to lease the property upon which the Project will be constructed. The terms of this lease will exceed the final maturity of the bonds. Surplus revenues from the project flow to the District if 1.2x coverage is met.
Security	All rights and security interest in the Project Revenues, to include Base Rents and Additional Rents. Base Rents will be primarily derived from Student Leases generated by the Project. The District, College and Company will agree to set Base Rental rates at a level sufficient to generate a minimum of 1.2x debt service coverage. Additional security is provided by a District commitment to lease RA beds and provide partial lease vacancy support under the coordination agreement.
Collateral	On behalf of the Bondholders, the Trustee will hold a first deed of trust on the Project facilities and a first priority lien on any Project or Bond Funds.
Construction Guarantee	The developer will provide a guarantee of construction up to the COD, and the General contractor will provide a Guaranteed Maximum Price (GMP) contract that will provide liquidated damages.
Housing Coordination Agreement	The District and the College will enter into a Housing Coordination Agreement with the Company that delineates the steps that the District will take to support the Project in terms of marketing, connectivity, driving demand, cultivating student life, providing security, lease payment enforcement and the like.

501(c)(3) Development Parties/Structure



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