Program Development Impact Loan Concept

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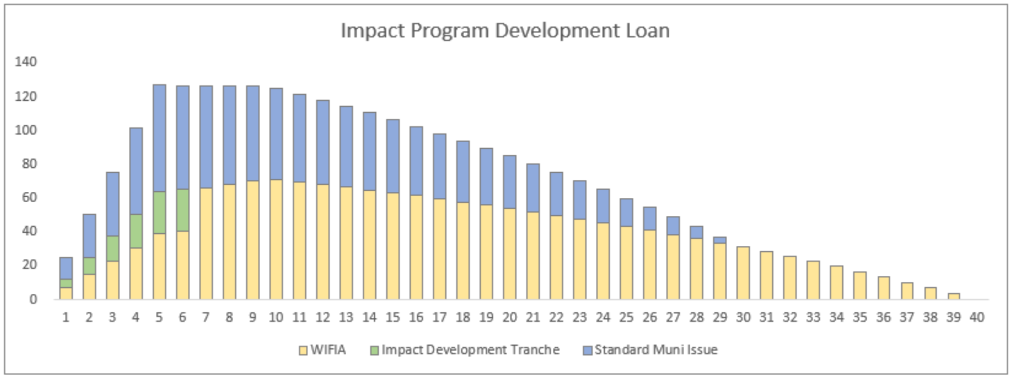

Year	1	2	3	4	5	6	7
Constrained Budget Green/Social	5	5	5	5	5	0	0
Impact Development Loan	5	10	15	20	25	25	25
Performance Upside							3
WIFIA Final Draw							25
On-Budget Performance Payment							3

Scenario

- A Public Water Authority (PWA) is highly-rated but fiscally constrained in terms of senior bond capacity and annual budget.
- The PWA must finance a $100m delayed investment in long-lived gray infrastructure. This is necessary but unpopular. The PWA is considering a WIFIA subordinated loan application but is concerned about its chances of success re federal policy priorities.
- The PWA also plans to spend at least $5m per year for the next 5 years on environmental (e.g. permeable green space) and social (e.g. workforce development and affordability) programs. Many aspects are or could be related to the gray infrastructure project.
- These programs are very popular but put serious pressure on PWA's annual operating budget. Their outcomes are also difficult to assess.

Program Development Impact Loan

- An impact investor and its advisors would review the PWA's environmental and social programs for development costs that (1) are or could be related to the gray infrastructure project and (2) can be capitalized with some justification, especially with respect to improved long-term performance.
- Through a Program Development Impact Loan (PDIL), the impact investor would offer to lend $5m per year for the next 5 years at a competitive or concessionary rate (e.g. Treasury flat) for the PWA's program development. Program performance would be monitored for two years. The PDIL would be repaid in year 7 with a potential performance payment.
- The PWA would submit a WIFIA application including the PDIL. The WIFIA Loan would be structured for a rate-locked final draw of $25m in year 7.
- The PDIL would help (1) catalyze support for the gray project, (2) improve prioritization of WIFIA application, and (3) reduce program budget pressure.

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