October 20, 2016

State of Louisiana

Presentation to Governor's Task Force on Transportation Infrastructure Investment

Executive Summary

Citi has analyzed strategies to meaningfully increase revenues to fund a balanced transportation plan, reduce the State's backlog of infrastructure needs, and effectively accelerate funding for major projects.

Rationale and Strategy

Increase Revenues for Transportation Infrastructure Investment	• Motor fuel taxes are DOTD's primary source of state funding for transportation infrastructure projects • Inflation has eroded the purchasing power of 16-cent gas tax (being worth only 7 cents today)[1] • Louisiana last increased motor fuel taxes in 1989 by 4 cents as part of the TIMED program, in which the additional 4 cents are fully committed to debt service • Research suggests that public infrastructure investments have some of the highest multipliers, or effects on short run GDP (as much as $3 in output gains for every $1 invested)[2]
Statewide Transportation Plan is Poised to Address the Construction Backlog	• In 2015, DOTD had a $13 billion backlog of highway needs comparted to $670 million in funding[3] • The Statewide Transportation Plan has been developed to allow DOTD to deliver an additional $400M to $700M of new capacity and preservation projects annually assuming the Legislature is able to provide additional funding
Prudent Use of Bonding Can Accelerate Priority Projects from New Revenues	• Louisiana could create new and/or leverage existing highway revenue bond programs to accelerate critical projects, achieve high "AA" category ratings, and maintain significant pay-as-you-go funding • Other financing vehicles such as GARVEEs could be used as the "gap filler" to complete the funding for other projects that are supported from "local" revenues including toll revenues • Continue to aggressively pursue federal grant and credit assistance programs to maximize the capacity from state funding sources

1. Based on Louisiana's State Transportation Plan.
2. Source: White House Report "An Economic Analysis of Transportation Infrastructure Investment"
3. Source: State Highway and Bridge Needs Comparison

Louisiana's Recurring Transportation Funding Sources

Motor fuel taxes are Louisiana's most efficient, effective and equitable source of recurring revenue and these taxes could be increased to significantly invest in transportation infrastructure.

Major Recurring Transportation Funding Sources

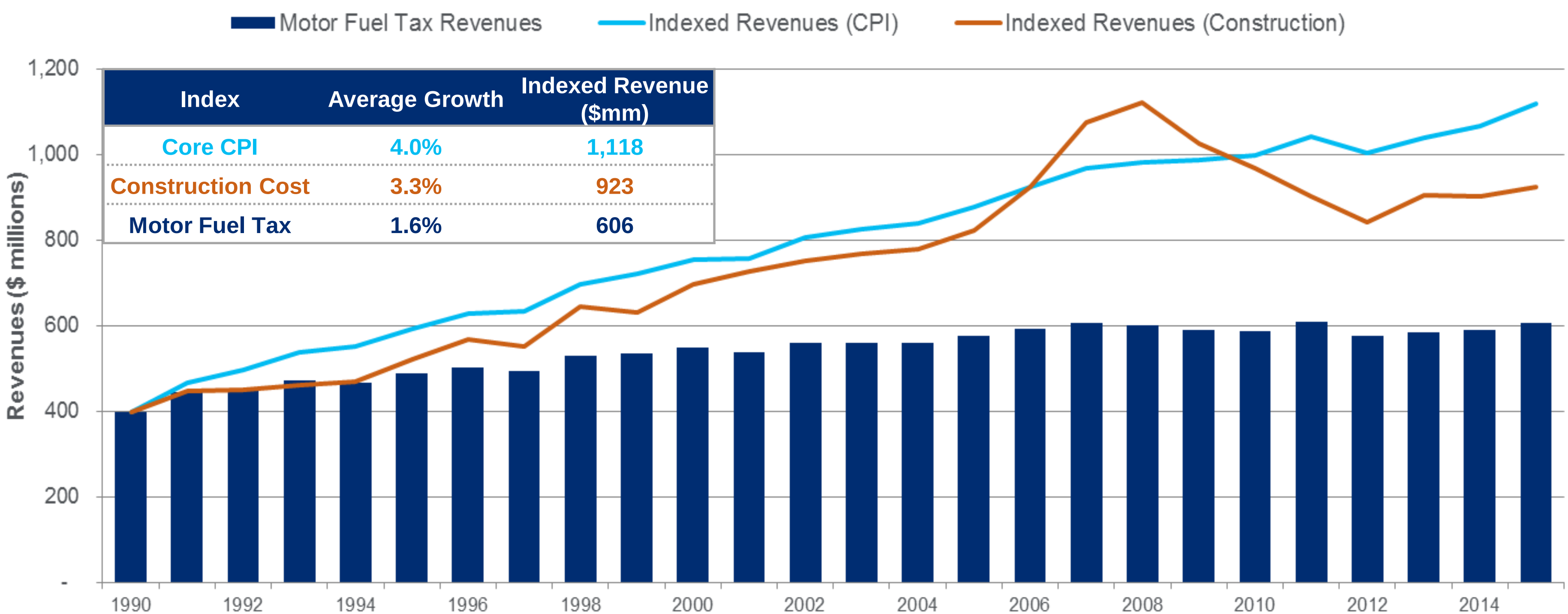
	Sources	Revenues (FY2015)	Features
State Transportation Funding	Motor Fuel Taxes	Approx. $606 million[1] (Approx. $30 million per 1¢)	• Collection of Louisiana's motor fuel taxes is efficient, effective and easily enforced • Louisiana's 20¢ per gallon state motor fuels tax is the 7th lowest in the nation
State Transportation Funding	Vehicle Registration Fees	Private Automobiles: $48 million[1] Trucks: $50 million[1]	• Louisiana's current vehicle registration fees are the second-lowest of any state[2]
Federal Funding	Federal Funds	Approx. $675 million[3]	• The FAST Act set relatively modest increases through 2020

1. Source: Department of Transportation and Development.
2. Based on $20.00 minimum for 2 years – National Conference of State Legislatures.
3. Source: Based on FHWA's FFY 2016 obligation limitation, including reimbursements.

Louisiana's Motor Fuel Tax Revenue Growth Since 1990

Louisiana's motor fuel tax revenues have grown by 1.6% on average since 1990, inflation has increased by 4.0% and the cost of highway construction has increased by 3.3% on average over the same period.

- The buying power of Louisiana's 16-cent gas tax adjusted for the following inflation indices:
  - Core CPI[1]: 7 cents today
  - National Highway Construction Cost Index[2]: 11 cents today
- In addition, the existing TIMED debt service is expected to use 63% of the 5th Penny for debt service on average through FY 2043[3]



Index	Average Growth	Indexed Revenue ($mm)
Core CPI	4.0%	1,118
Construction Cost	3.3%	923
Motor Fuel Tax	1.6%	606

1. Source: Department of Transportation and Development.
2. Construction Index based on Composite Bid Price Index until 2003 and the National Highway Construction Cost Index from 2004 – 2015.
3. Based on gas and fuels tax revenue growth of 1.5% through 2043.

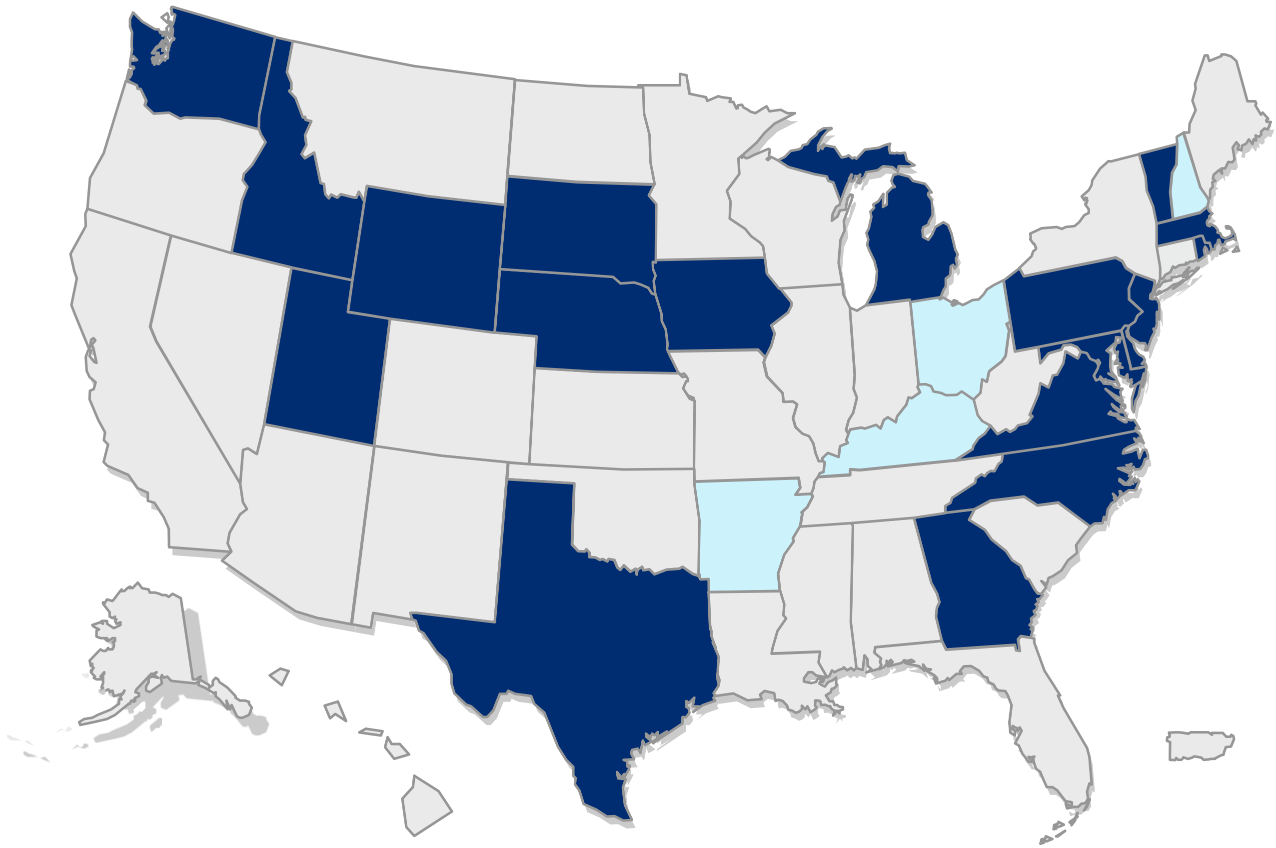
States that have Increased Transportation Funding Since 2012

21 states and the District of Columbia have increased transportation funding since 2012.

State Transportation Funding Levels

State	Year	Funding Level
NJ	2016	$1.2B
GA	2015	$1B
IA	2015	$215M
ID	2015	$94M
KY	2015	Prevents $292M decrease in revenue
MI	2015	$1.2B
NE	2015	$25M
NC	2015	$400M
SD	2015	$70M
UT	2015	$76M in FY 2017
WA	2015	$16B over 16 years
DE	2014/15	$20M / $23.9M
TX	2014/15	$2.5B starting FY 2018 $350M starting FY 2019
NH	2014	Funding for I-93
OH	2014	$1.5B over 6 years
MA	2013	$5.4B over 10 years
MD	2013	$600M annually by 2018
PA	2013	$1.65B by 2018
VA	2013	$5.9B over 5 years
WY	2013	$70M
AR	2012	$1.3B

One-time expiring revenue



Statewide Transportation Plan Contemplates Additional Funding

DOTD has prepared two (2) alternative funding scenarios that require increased funding of $422 million and $726 million annually for additional expansion, modernization and preservation investments.

Scenario 3 Highlights

- $422 million annual increase funding would require a 14 cent motor fuel tax increase
- Includes funding for 20 megaprojects worth $4.8 billion ($3.7 billion from DOTD)[1]
- Includes 13 interstate upgrades/widening projects, three bridge projects, two new highways, Mississippi River deepening, and the expansion of a Port of New Orleans container terminal

Scenario 4 Highlights

- $726 million annual increase funding would require a 24 cent motor fuel tax increase
- Includes funding an additional 19 megaprojects worth $5.8 billion ($3.0 billion from DOTD)[2]
- Includes one highway and five interstate upgrades/widening projects, four new highways, two rail projects, two interchange improvements, three new bridges

Budget Line Item	2017 Budget ($millions)	FY 2022 Scenario 3 ($millions)	FY 2022 Scenario 3 % Increase	FY 2022 Scenario 4 ($millions)	FY 2022 Scenario 4 % Increase
Highway Preservation	365	613	67.9%	773	111.7%
Highway Operations	64	83	29.5%	85	32.7%
Highway Safety	72	80	11.3%	94	30.7%
Megaprojects	25	106	322.0%	217	768.8%
Regular Capacity	70	35	-50.2%	50	-28.9%
Non-Highway	81	104	27.5%	104	27.5%
Other Transportation	64	141	119.6%	143	122.7%
Local Programs	129	131	1.6%	131	1.6%
Total	**870**	**1,292**	**148.5%**	**1,596**	**183.4%**

1. Can be funded under both Scenario 3 and 4
2. Can be funded only under Scenario 4

Potential Bond Strategies to Accelerate Transportation Funding

Strategic use of the bond programs outlined below can help the state accelerate new revenues to deliver projects sooner, cheaper, and potentially induce local support.

Gasoline and Fuels Tax Revenue Bonds	
Objective:	Accelerate funding for critical projects
Credit Ratings:	"AA" category
Final Maturity:	25 years
Estimated Bonding Capacity from 1¢ [1]:	$480 million
Estimated Bonding Capacity from 5¢ [1]:	$2.4 billion

State Highway Improvement Fund (SHIF)	
Objective:	Financing local roads on the State highway system
Credit Ratings:	"AA" category
Final Maturity:	20 years
Projects Financed under Current Program:	$350 million
Remaining Bonding Capacity:	Limited capacity remaining under the bond program from current revenues

Grant Anticipation Revenue Bonds (GARVEEs)	
Objective:	Serve as the "Gap Filler" for projects not fully funded from "local" revenue, including toll revenues
Credit Ratings:	"AA" category
Final Maturity:	12 years
Limit on FHWA Funds used for debt service:	10% of Federal Obligation Authority
Estimated Bonding Capacity [1]:	$680 million

Toll Revenue Bonds	
Objective:	Leverage growth in traffic and toll revenue to pay for a portion of highway/bridge costs
Credit Ratings:	"BBB" category without State support
Final Maturity:	Up to 40 years
Key Considerations:	✓ Utilize Louisiana Transportation Authority ("LTA") to complement state funding initiatives ✓ Opportunity for a local buy-in ✓ Limit overleveraging toll revenues

Preliminary – Subject to Change. For Illustration Purposes Only.

1. Reflects estimated upfront bonding capacity through a single issuance of bonds to accelerate funding. Citi would not recommend leveraging all funds upfront. Analysis includes a 50 basis point (0.50%) interest rate cushion.

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Potential Funding Enhancements

Louisiana should continue to aggressively pursue the following federal loan and grant programs to maximize the capacity of State revenues to deliver investments in transportation infrastructure.

Transportation Infrastructure Finance and Innovation Act (TIFIA) & Railroad Rehabilitation and Improvement Financing (RRIF)

Allows transportation entities to borrow directly from or use the credit of the U.S. Treasury through Federal credit programs that offer low interest rate loans with flexible borrowing terms

TIFIA / RRIF Rate: 2.54% (as of October 17, 2016), TIFIA Rural Project Rate: 1.27% (as of October 17, 2016)

TIFIA: May provide up to 49% on exceptional cases, 33% most likely, of the total development costs of major transportation projects (including debt costs and reserves)

- Executed 62 loans to date in 20 states, including the District of Columbia and Puerto Rico

RRIF: May provide up to 80% of eligible project costs, authorized to loan up to $35 billion ($7 billion for freight railroads other than Class I)

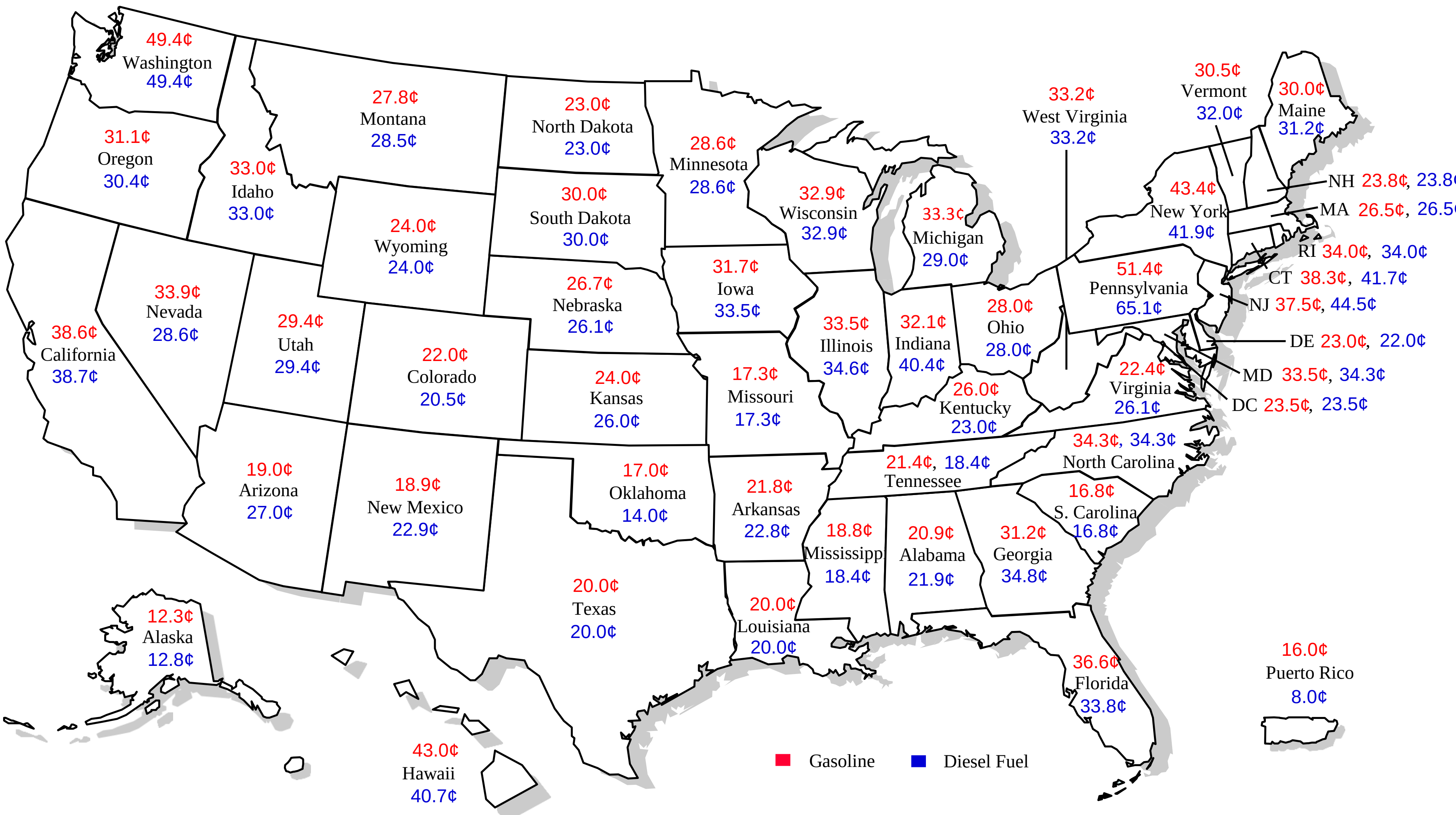
- Executed 36 loans to date in 27 states, about $5 billion

FASTLANE Grant Program

- Discretionary grant program for nationally significant freight and highway projects with over $4.5 billion in funding through FFY2020
- Louisiana was awarded a FASTLANE Grant in FY2016 for the I-10 Freight CoRE Project

Appendix

State Excise Taxes + “Other” State Taxes – (No Federal)

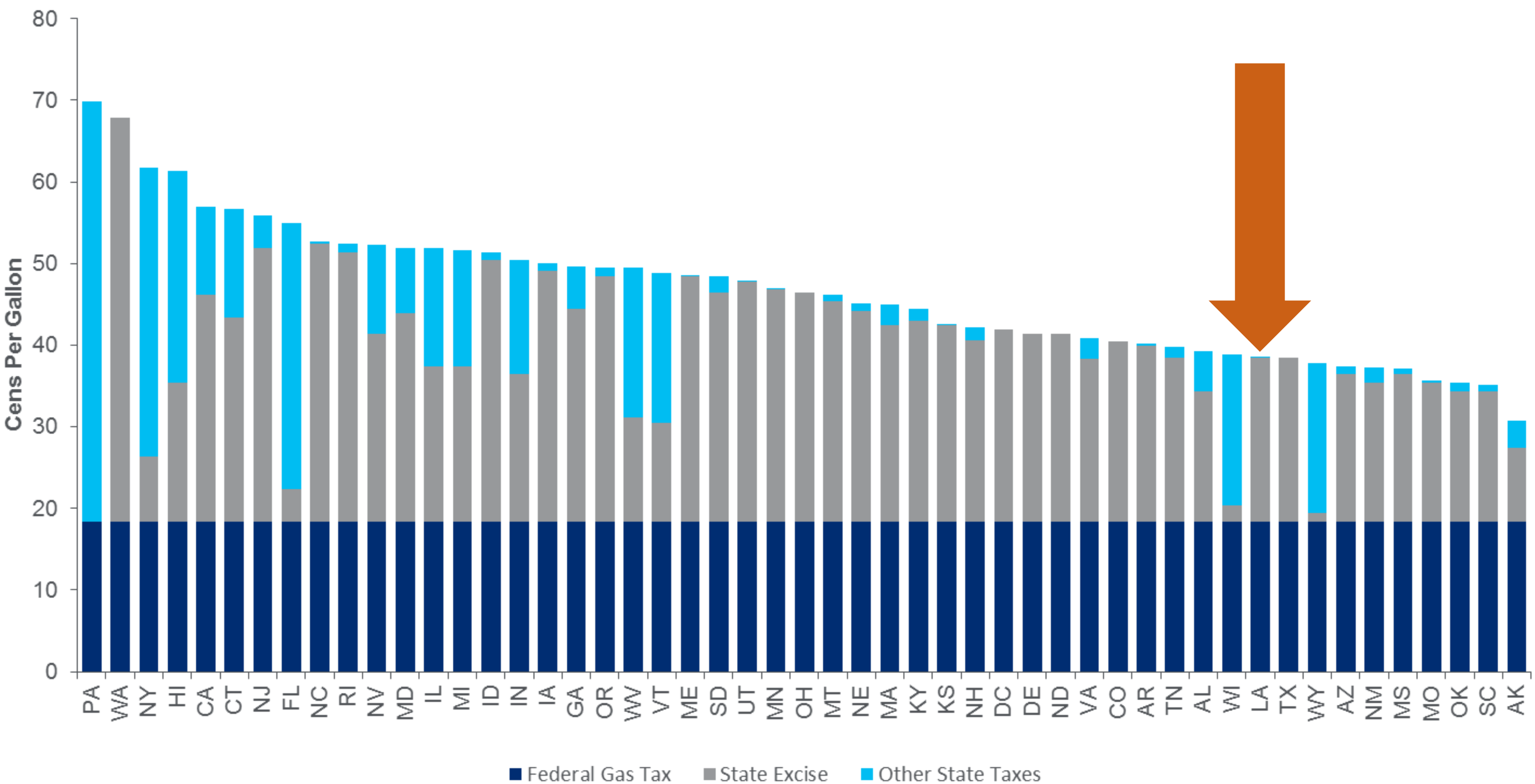


Source: http://www.api.org/~/media/Files/Statistics/StateMotorFuel-OnePagers-July-2016.pdf

Combined State & Federal Gasoline Tax by State

The following chart lists state and federal gasoline taxes in descending order

- Unlike state gas taxes, the federal gas tax has remained unchanged at 18.4 cents per gallon since 1993, despite a 55% increase in the cost of road building over the past 20 years



Source: http://www.api.org/~/media/Files/Statistics/StateMotorFuel-OnePagers-July-2016.pdf

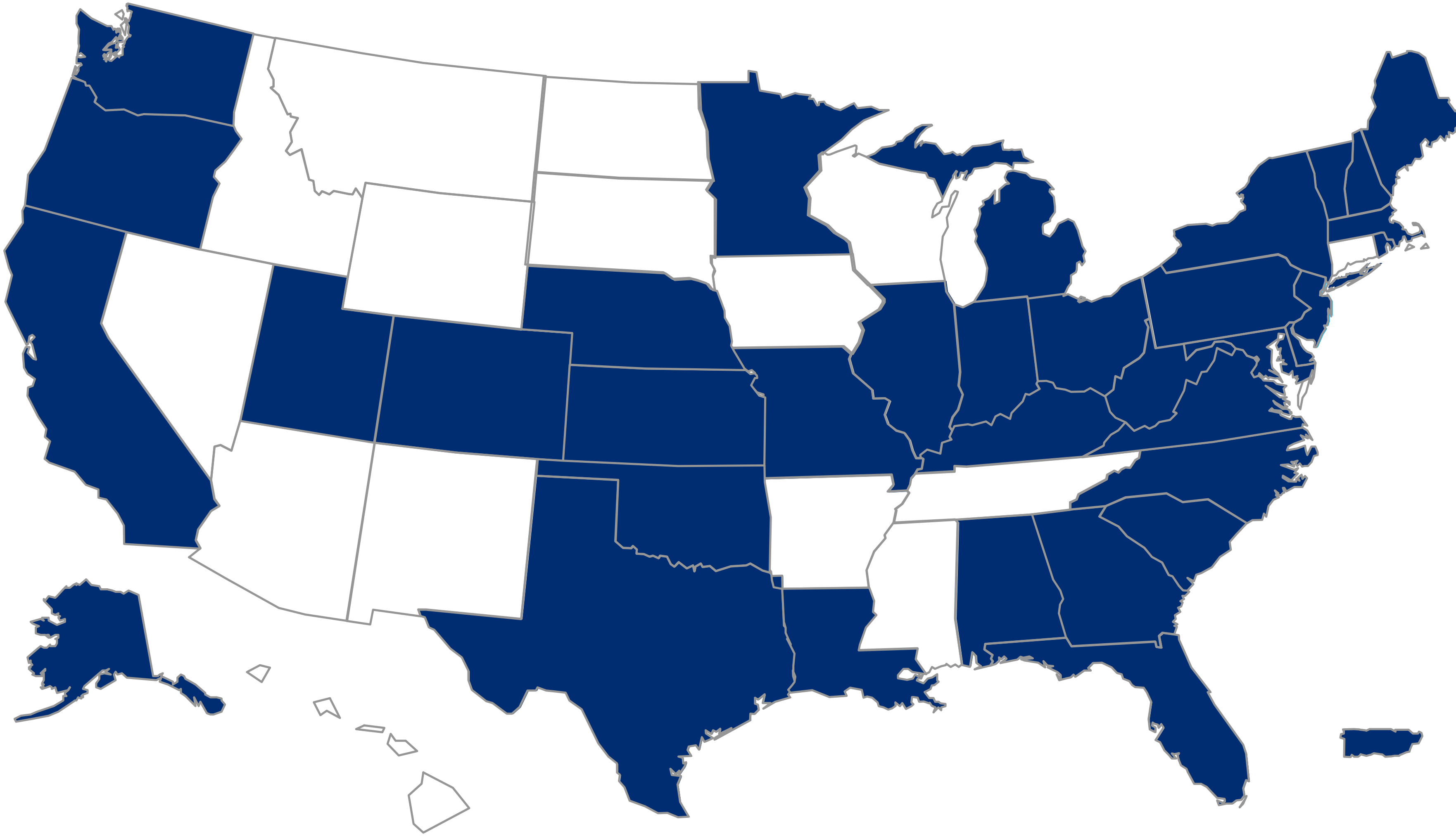
State Gas Tax and Other Legislative Changes Since 2013

State	Year	Gas Tax Increase	Other Legislative Action
DC	2013	N/A	Previous cpg gas tax replaced with tax that is 8% of average wholesale price; average wholesale price cannot be less than $2.94 and cannot very by more than 10% from the average wholesale price for previous 6-month period
MD	2013	N/A	Current gasoline tax indexed to the CPI, capped at 8%; new sales and use tax equivalent rate on motor fuel.; MTA must index transit fares to inflation starting in FY 2015
MA	2013	GT increased by 3.0 cpg in July 2013	Gas tax indexed to inflation starting January 1, 2015
WY	2013	GT increased by 10 cpg	N/A
PA	2013	N/A	State's cpg fuel tax repealed as of Jan. 1, 2014, and replaced with an increased rate on the oil company franchise tax; various fees raise to rate of inflation and indexed to inflation thereafter
VT	2013	N/A	4% tax imposed on average retail price of gasoline over two years; lowering cpg by 6.9 cpg; diesel tax increased by 3 cpg over two years
VA	2013	Eliminates the 17.5 cpg tax on motor fuels and replaces it with a percentage-based tax of 3.5% for gasoline and 6.0% for diesel fuel	Cpg gas tax repealed entirely; increases dedicated share of existing general sales tax revenues used for transportation from 0.5% to 0.675%. Sales tax raised by 0.3% across the state. Imposes new $64 annual registration fee on hybrid electric motor vehicles, alternative fuel vehicles and electric motor vehicles
NH	2014	GT increased by 4.2 cpg	The increase will expire once bonds supported by the new revenue are retired
RI	2014	GT increased by 1 cpg	Gas tax indexed to inflation; total tax must not fall below current rate of 32 cpg
MI	2014	N/A	Current fixed rates of 19 cpg for gasoline and 14 cpg for diesel replaced with tax based on 14.9% of wholesale prices of each fuel. Increase be no more than 5%; motor fuels exempt from state sales tax
MA	2014	N/A	Index requirements repealed
GA	2015	GT increased from 7.5 cpg to 26 cpg	Rate based on average fuel efficiency of newly registered vehicles in the state and additionally inflation. New registration fees indexed to inflation
ID	2015	GT increased by 7 cpg to 32 cpg	Created a new electric vehicle registration fee of $140 and a hybrid vehicle registration fee of $75
IA	2015	GT increased by 10 cpg to 30 cpg	Excise tax on aviation fuel increased by 2 cpg, and increased fees for excess size and weight permits
KY	2015	N/A	Floor enacted that limits gas tax decreases due to indexing to 10%
MI	2015	GT increased by 7.3 cpg to 26.3 cpg	Beginning on Jan. 1, 2022, both motor fuel taxes will be indexed to inflation
NE	2015	GT increased by 6 cpg over the next 4 years	Increased the portion of the tax allocated to the state, cities, and counties
NC	2015	Flat rate of 34 cpg	Beginning in 2017, this rate will be increased based on population growth and the consumer price index
SD	2015	GT increased by 6 cpg to 28 cpg	Increased certain license plate fees and adjusts the excise tax on special fuels
UT	2015	12% tax on average rack price of fuel	The average rack price cannot fall below $2.45 per gallon after 2019 and will be tied to the CPI
WA	2015	GT increased by 7 cpg in 2015 and additional 4.9 cpg in July 2016	N/A
NJ	2016	GT increased by 23 cpg, diesel increased by 27 cpg	N/A

Note: Does not includes automatic increases or decreases to state gasoline taxes as a result of past legislation
http://www.ncsl.org/research/transportation/2013-and-2014-legislative-actions-likely-to-change-gas-taxes.aspx

States with Tolling

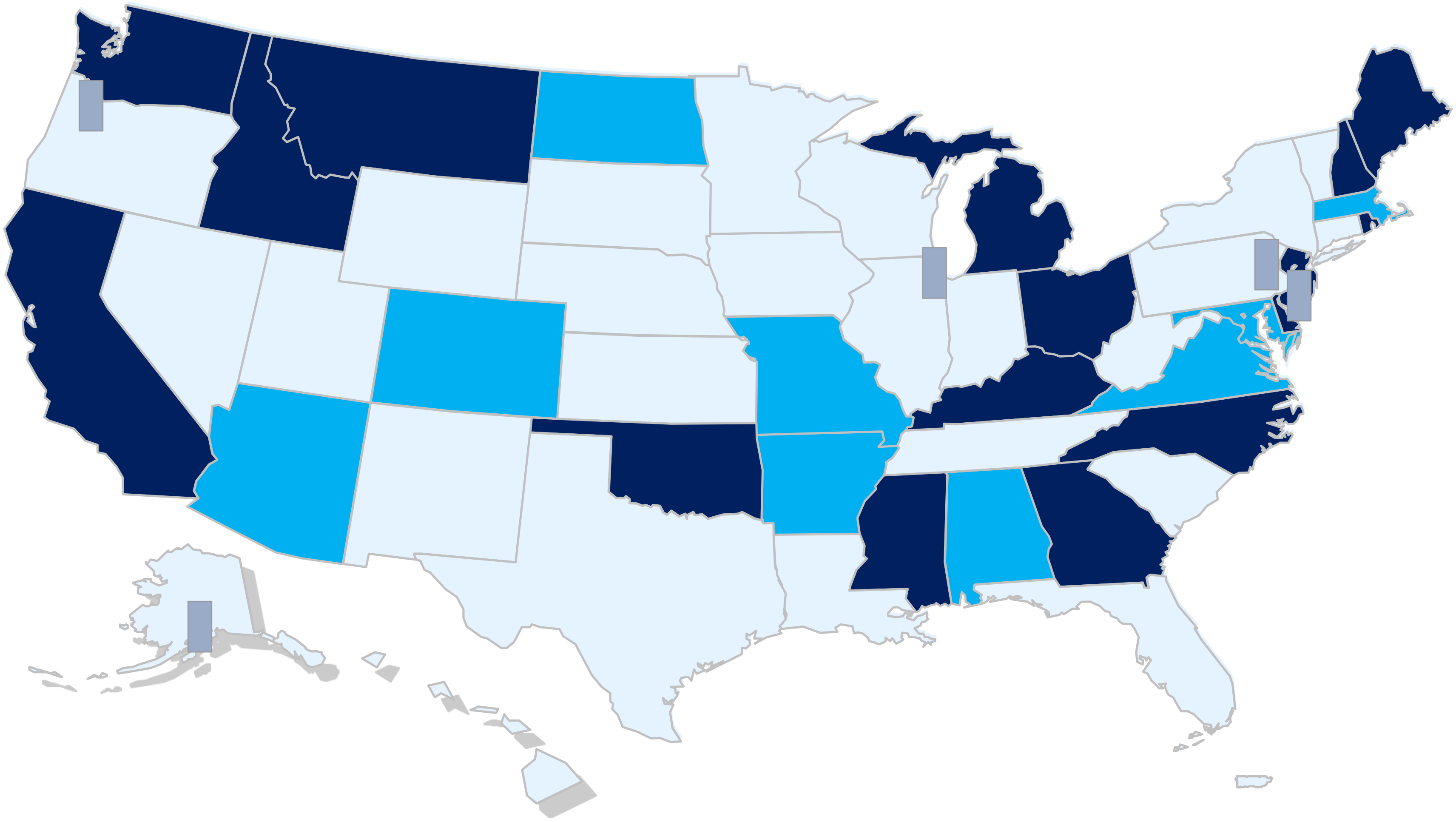
Thirty-four states and Puerto Rico have at least one tolled highway, bridge or tunnel. These comprise of almost 6,000 miles nationwide.



Source: International, Tunnel and Turnpike Association's (IBTTA) "National Toll Facilities Usage Analysis" based on a report from the U.S. Federal Highway Administration.

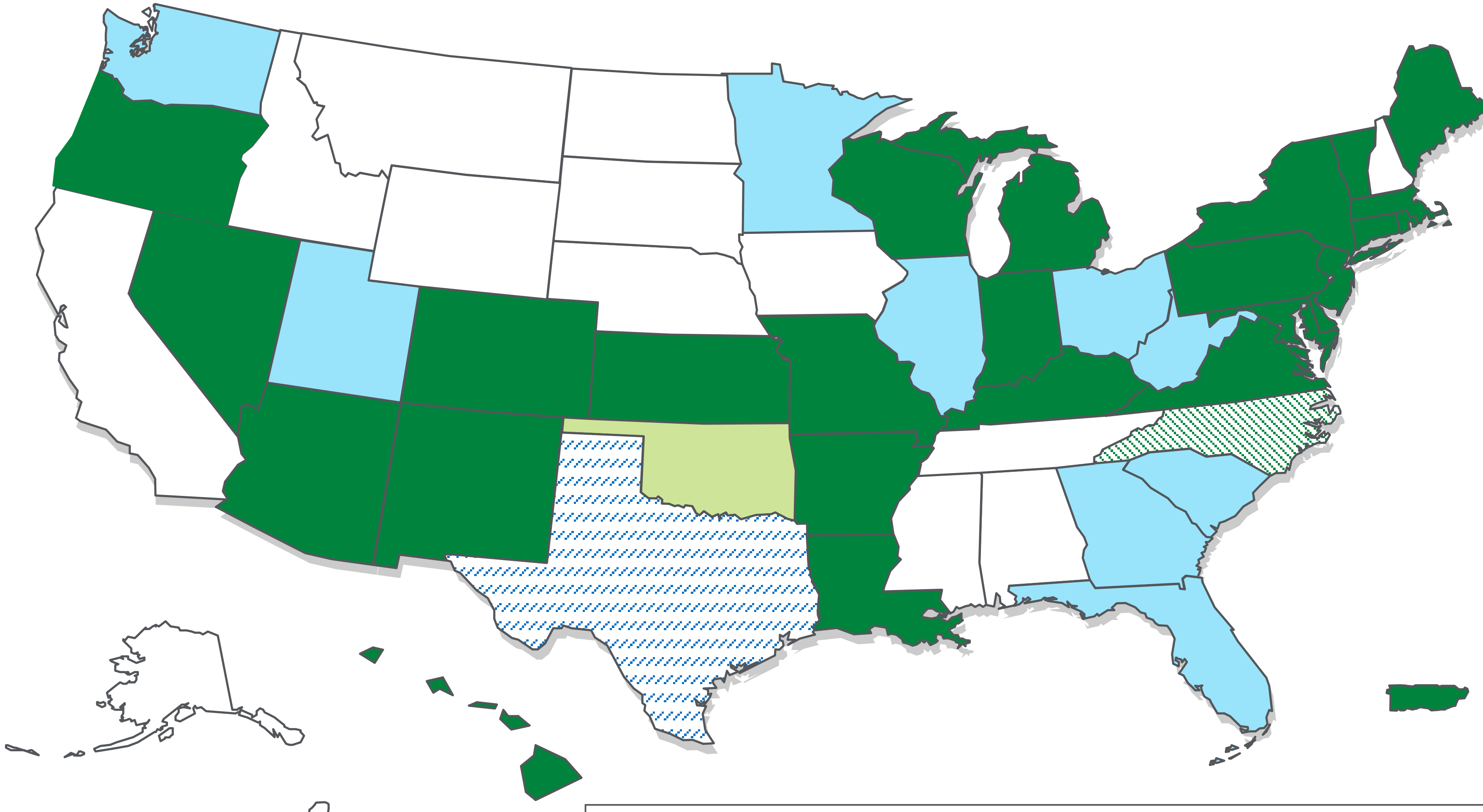
GARVEE/GANs Program Backstops by State

Several states and transit operators have outstanding GARVEE/GANs under a variety of security structures



Transit GANs	Stand-Alone	Supported	No Current GARVEE Program

Transportation Bond Issuers



KEY:

- Highway Revenue Bonds
- State Appropriations Bonds
- Multiple Programs – Appropriation and Highway Revenue Bonds
- Multiple Programs – GO and Highway Revenue Bonds
- GO Bonds Paid by Transportation Revenues

Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi's unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation