Building Resilience: 4 Ways to Find Resources for Protection & Prevention

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Financing the Future of Resilient by Design

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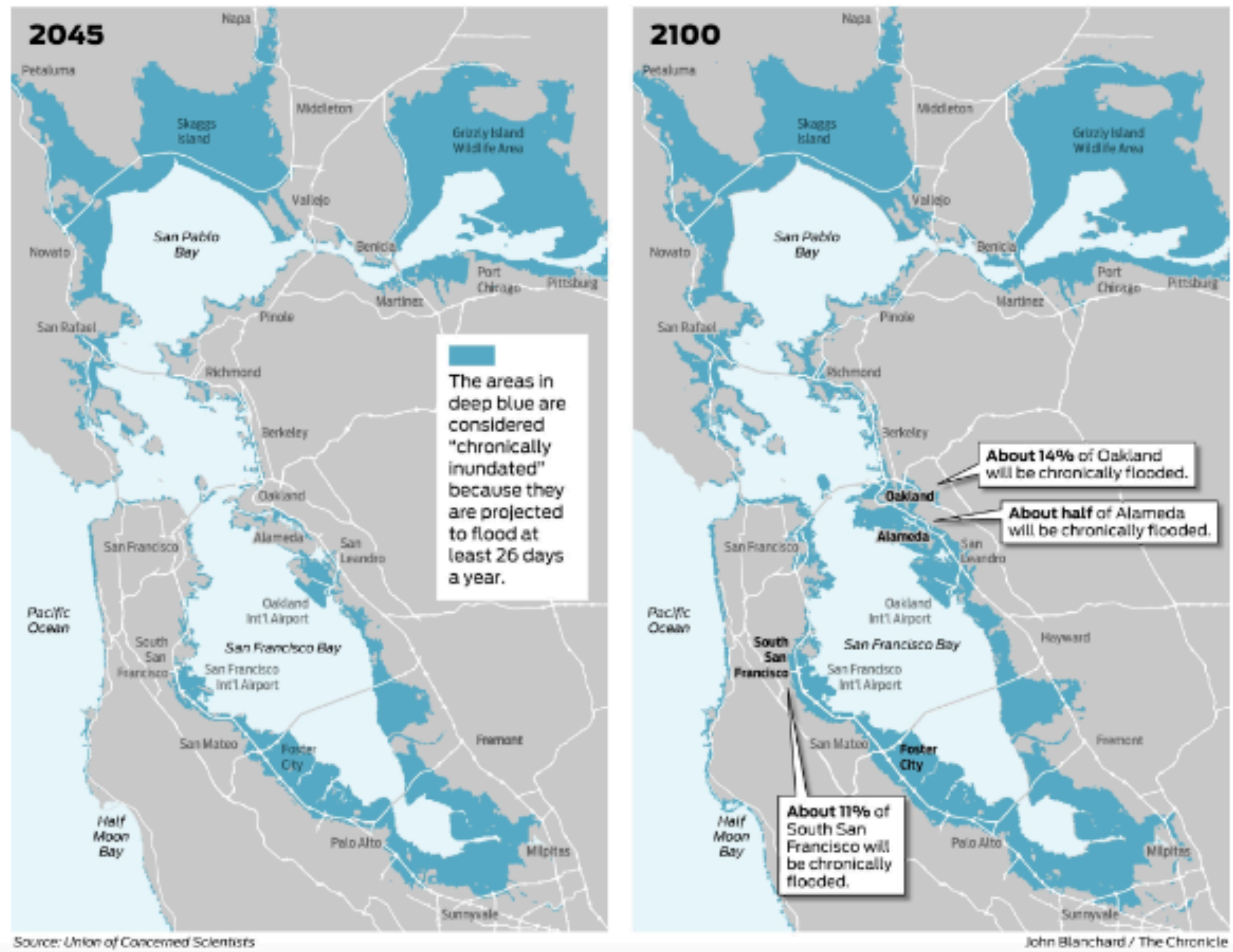
How to find resources for resilience when success is something that doesn't happen…



Capturing Value from “Avoided Losses”

1. Find the ‘Biggest Losers’: Who is currently losing money or facing a near-term shortfall without a specific resilience investment?
2. Bust Silos: Identify value across sectors.
3. Foster Flexibility: Integrate revenue & non-revenue generating projects and services.
4. Link Physical & Financial Protection: Leverage insurance-linked finance for resilience.

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1. Finding the "Biggest Losers"

- Who loses money if a project doesn't happen? Identify savings to bring new stakeholders to the table with existing – *not new* – resources.
- Think about balance sheets today.
  - Lost revenue from business disruption
  - Escalating costs of protection
  - Affordability of critical services
- Focus on design decisions that link future benefits to current value to motivate action

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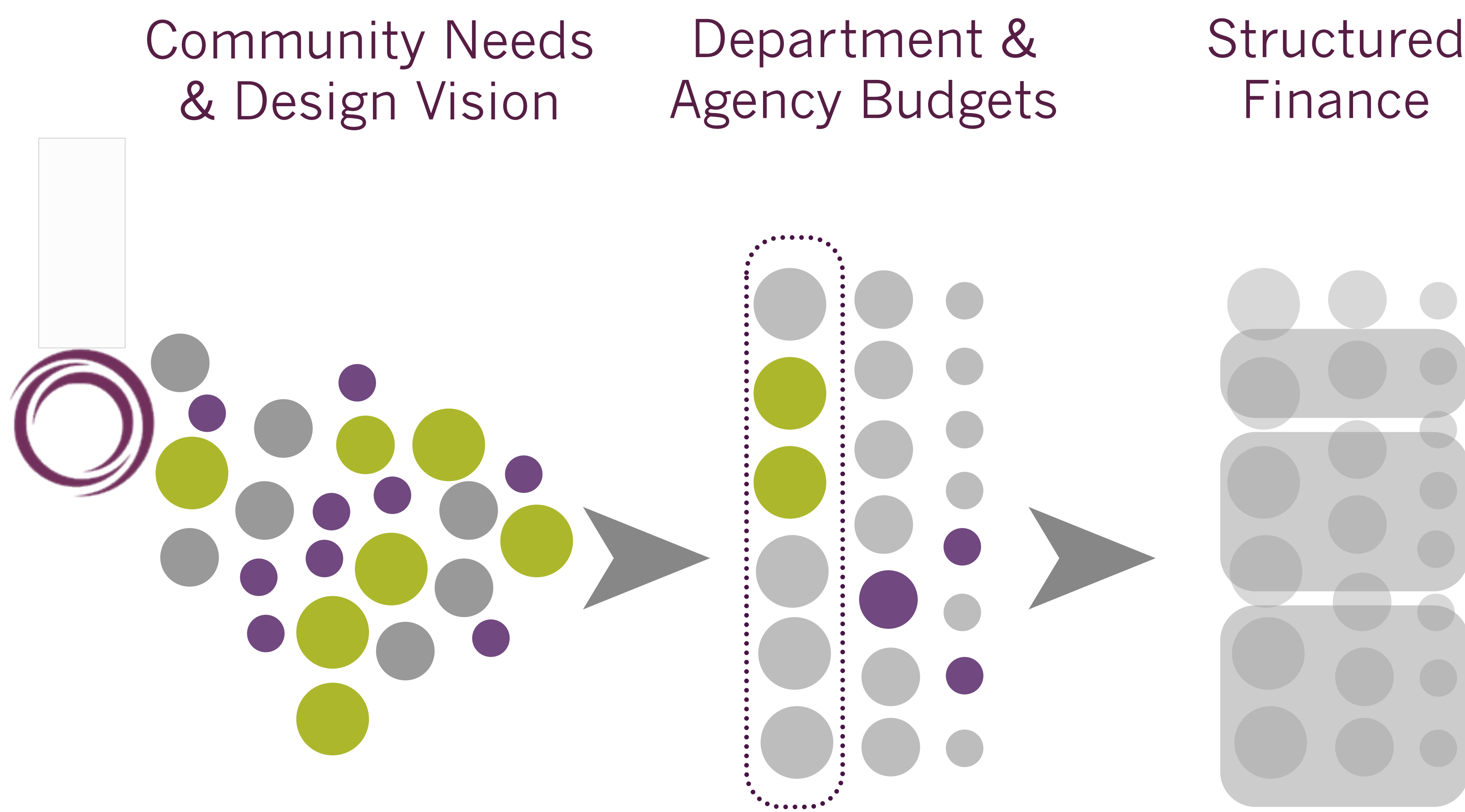
2. Busting Silos for Cross-Sector Value

- Identifying multiple benefits isn’t enough.
- Design teams need to quantify benefits and align beneficiaries up-front to secure funding or financing commitments for projects.
- Consider what features of your projects:
  - Make things cheaper for different depts.
  - Reduce long-term capital or O&M costs
  - Enhance service delivery in 2 or more sectors
- Focus on pain points (e.g. “dig once” savings)



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3. Linking Revenue & Non-Revenue Projects

- Look for incremental wins to add resilience benefits to ongoing revenue-generating projects – "Hitch your wagon to a bigger horse"
  - Transportation, transit projects
  - Real estate development
  - Utility system upgrades
- Identify project types where integration lowers costs and creates additional benefits (parking + flood water retention/detention)

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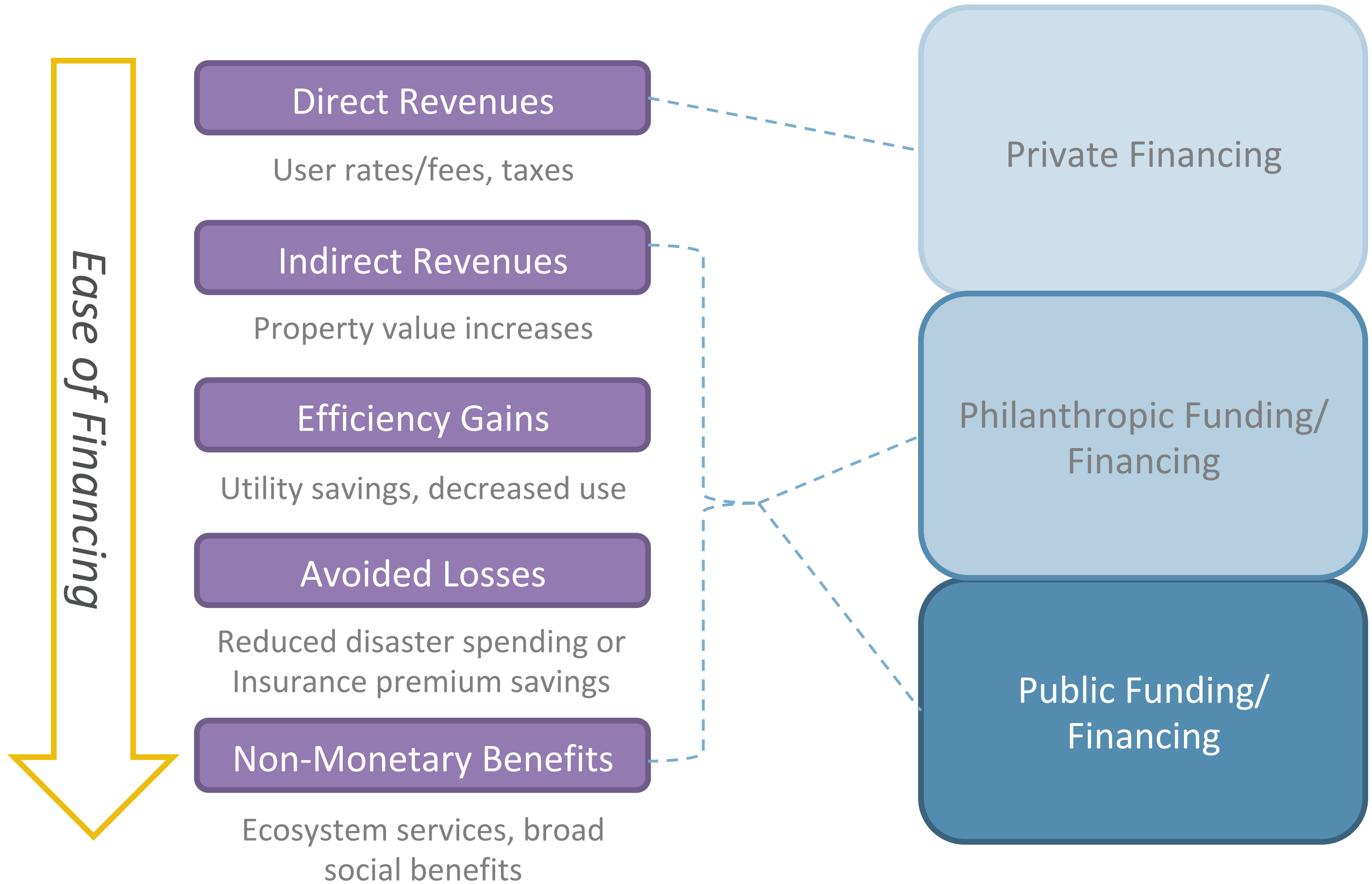

Ease of Financing
Direct Revenues
User rates/fees, taxes
Indirect Revenues
Property value increases
Efficiency Gains
Utility savings, decreased use
Avoided Losses
Reduced disaster spending or Insurance premium savings
Non-Monetary Benefits
Ecosystem services, broad social benefits
Private Financing
Philanthropic Funding/ Financing
Public Funding/ Financing

4. Infrastructure as Financial Risk Reduction

- A lot of infrastructure is designed to reduce risk
  - Public sector assets & services are safer
  - AND insurance companies lose less money when public & private policy holders are better protected
- Resilience Bonds are one way of ensuring the *financial* value created by these public investments returns to the public sector

PROJECT + INSURANCE = REBATE

**without impact on public debt limits or credit ratings*

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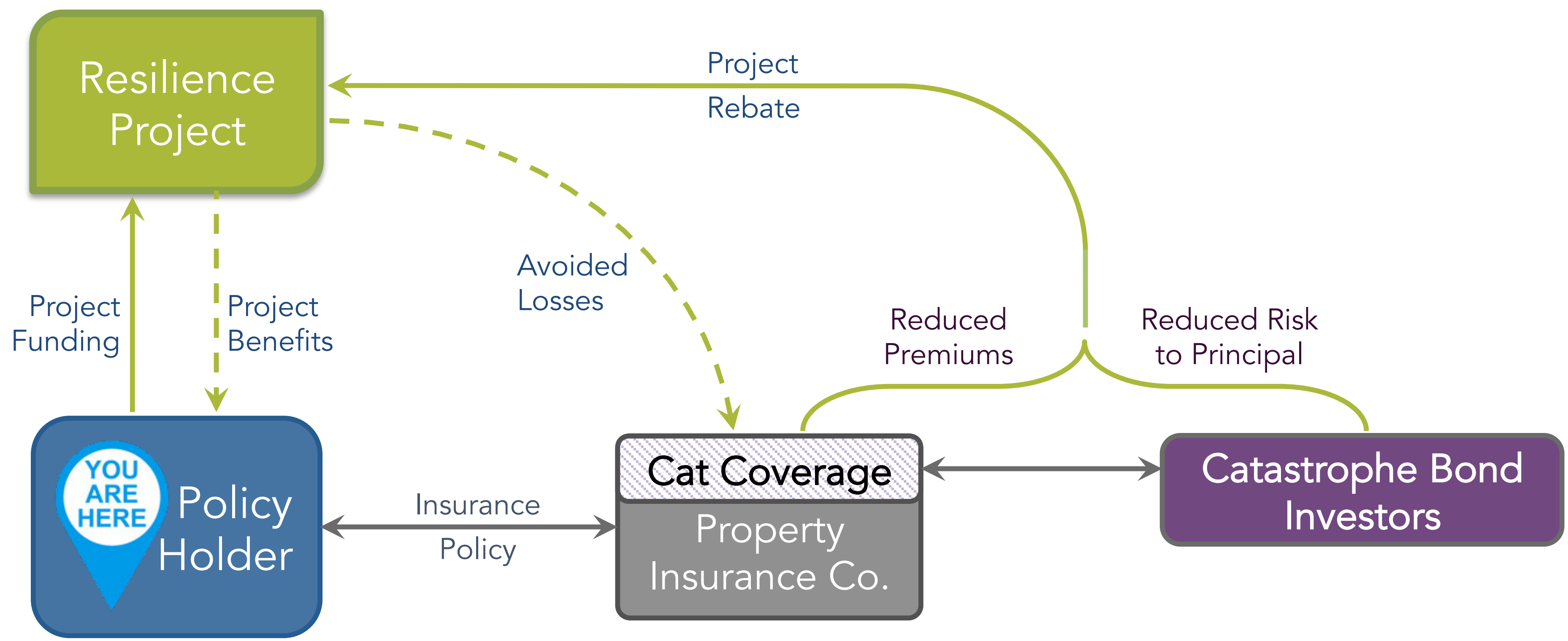
Three Entry Points for Cities & Utilities

- <u>Peril/Liability</u>: growing risks & expected losses
  - New Orleans Levee Systems
  - Thames Barrier (London)
- <u>Insurance</u>: required coverage or compliance
  - New York MTA (2013)
  - Amtrak (2015)
- <u>Project</u>: planned resilience projects
  - Planned Upgrade/Required Recertification
  - New Construction

YOU ARE HERE

How Resilience Bonds Work



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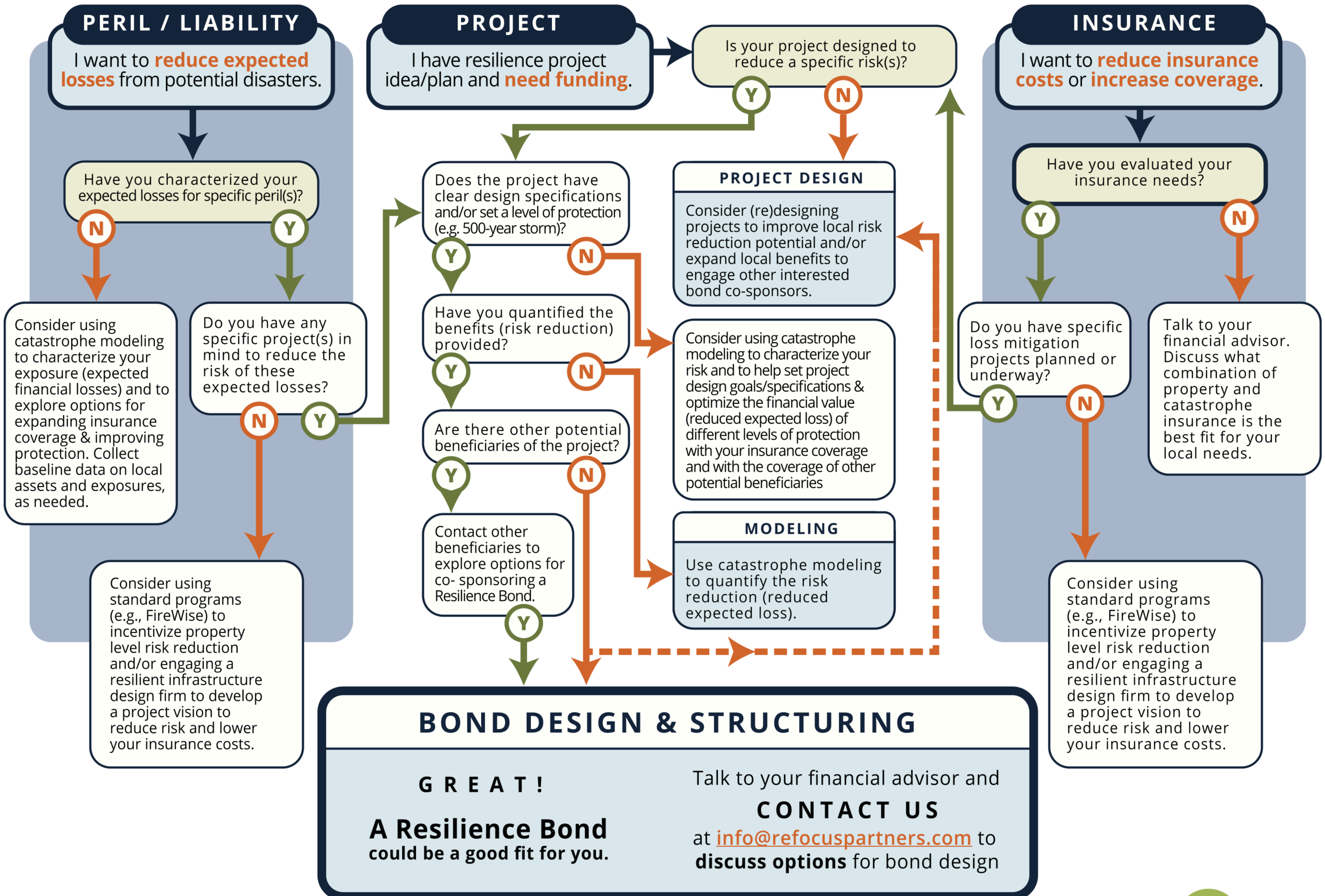
WHAT IS YOUR **MAIN REASON** FOR EXPLORING A **RESILIENCE BOND**?



Excerpted from *A Guide for Public-Sector Resilience Bond Sponsorship* (September 2017)

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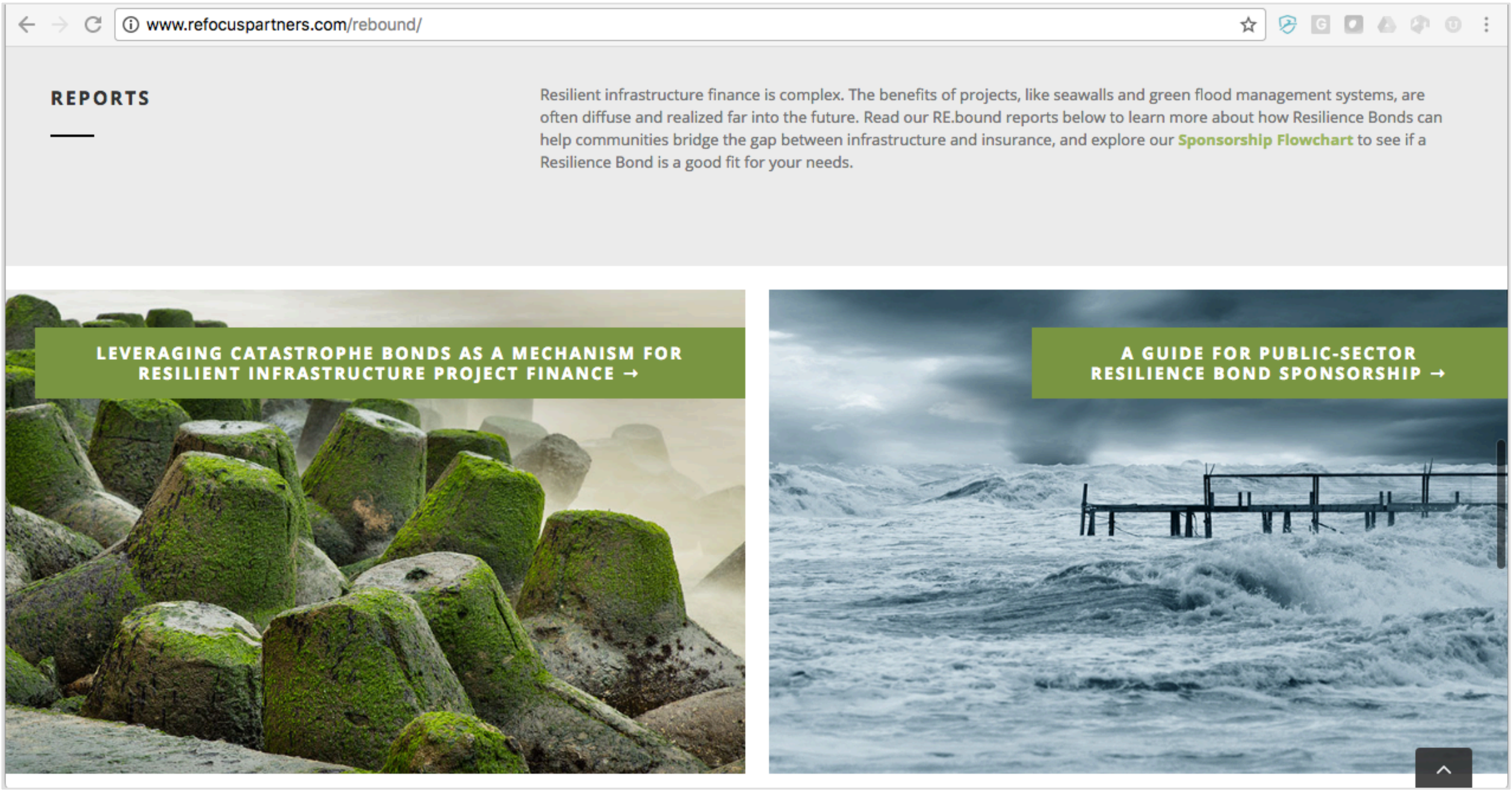

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