

DRAFT, subject to revisions and/or amendments

LOUISIANA RECOVERY AUTHORITY

Board of Directors Meeting

Gray, Louisiana – Cypress Columns

Thursday, October 12, 2006

MINUTES

I. CALL TO ORDER

Dr. Norman Francis, Chairman of the Louisiana Recovery Authority (LRA), called the meeting to order at 9:21 a.m. at Cypress Columns, 157 Tourist Drive, Gray, Louisiana.

(Note: Notices to the public and news media of the time and place of the meeting were given in compliance with the Louisiana Open Meetings Law.)

II. PRAYER

Reverend James Morrison, Pastor, St. Thomas Aquinas Church, Nicholls State University, Thibodaux, Louisiana, led the prayer.

Dr. Francis welcomed the members of the Senate Select and the House Special Committees on Coastal Restoration and Flood Control.

III. PLEDGE OF ALLEGIANCE

Dr. Francis led the Pledge of Allegiance.

IV. ROLL CALL

Ms. Angel Ellis called the roll.

BOARD MEMBERS PRESENT:

Dr. Norman Francis, Chairman
Mr. Walter Isaacson, Vice Chairman
Senator Diana Bajoie
Mr. Boysie Bollinger
Mr. Tim Coulon
Mr. Rene Cross
Mr. James Davison
Representative Yvonne Dorsey
Ms. Donna Fraiche
Mr. Tom Henning
Ms. Linda Johnson
Mr. John T. Landry

BOARD MEMBERS ABSENT:

Ms. Dale Atkins
Rev. Harry Blake
Ms. Kim Boyle
Ms. Donna Brazile
Sen. Don Hines
Ms. Sibal Holt
Mrs. Laura Leach
Dr. Calvin Mackie
Ms. Mary Matalin
Mr. Virgil Robinson
Ms. Susan Taylor

BOARD MEMBERS PRESENT (cont'd):

Mr. Walter Leger, Jr.
Mr. Chet Morrison
Mr. Sean Reilly
Mr. David Richard
Representative Joe Salter
Mr. John E. Smith
Mr. Matt Stuller
Mr. David Voelker
Mr. Mike Woods

STAFF MEMBERS PRESENT:

Mr. Andy Kopplin, Executive Director	Ms. Desirée Honoré
Mr. Dave Bowman	Mr. Wil Jacobs
Mr. Miles Bruder	Ms. Kim Jupiter
Ms. Jessica Dardenne	Mr. Adam Knapp
Ms. Joann Early	Ms. Melissa Landry
Ms. Angel Ellis	Ms. Kristen Parnell
Mr. Pat Forbes	Mr. Paul Rainwater
Mr. Ramsey Green	Mr. Kris Van Orsdel
Ms. Ann Guissinger	Ms. Alesia Wilkins
Ms. Sandra Gunner	Ms. Natalie Wyeth
Mr. Jeff Hebert	

V. READING AND APPROVAL OF THE MINUTES OF THE PRECEDING MEETING

Dr. Francis called for a motion to approve the minutes of the September 14, 2006, meeting.

Mr. Voelker made a motion to correct the name of the church under Item II from "Health" to "Help", seconded by Mr. Landry. Without objection, the correction to the minutes was adopted by a vote of 19 yeas and 0 nays. Voting yea were Dr. Francis, Mr. Isaacson, Mr. Bollinger, Mr. Coulon, Mr. Cross, Mr. Davison, Representative Dorsey, Ms. Fraiche, Mr. Henning, Ms. Johnson, Mr. Landry, Mr. Leger, Mr. Morrison, Mr. Reilly, Mr. Richard, Representative Salter, Mr. Smith, Mr. Stuller, Mr. Voelker, and Mr. Woods.

Mr. Landry made a motion to add to the minutes the discussion regarding the eligibility of site built homes under the action plan amendment site-built homes to the Action Plan Amendment that would be submitted to HUD and to approve the minutes as amended, seconded by Mr. Voelker. Without objection, the motion to correct and approve the minutes, as amended, was adopted by a vote of 19 yeas and 0 nays. Voting yea were Dr. Francis, Mr. Isaacson, Mr. Bollinger, Mr. Coulon, Mr. Cross, Mr. Davison, Representative Dorsey, Ms. Fraiche, Mr. Henning, Ms. Johnson, Mr. Landry, Mr. Leger, Mr. Morrison, Mr. Reilly, Mr. Richard, Representative Salter, Mr. Smith, Mr. Stuller, Mr. Voelker, and Mr. Woods.

VI. EXECUTIVE REPORTS

A. Chairman of the Board Report

Dr. Francis thanked Mr. Don Schwab, Terrebonne Parish President and Mrs. Charlotte Randolph, Lafourche Parish President, for hosting the LRA board meeting. He also thanked the board members for the progress that has been made since the conception of the board one year ago. Dr. Francis introduced Governor Kathleen Babineaux Blanco.

B. Governor's Remarks

The following is the context of Governor Blanco's remarks:

"Good morning. I recently had the opportunity to visit this area on the rigid schedule established by our own General Hunt Downer. For those of you who know Hunt, you know it was done with military precision and with a smile. We certainly enjoyed the chance to meet everyone and see everything in four quick hours. It's good to be back and great to see all of you here this morning. Let me start by saying Happy First Birthday LRA! We have marveled at every accomplishment - month-by-month, step-by-step. And I appreciate the incredible collective momentum you have given to this massive recovery effort. We can all "Amen" this fact - serving on the LRA is not for the faint of heart. Thank you for taking on this monumental task.

Together we have made a lot of progress. You played a critical role in helping secure more than \$10.4 billion in CDBG funds for Louisiana's recovery, including the \$4.2 billion we fought for and received in June. You helped us demonstrate Louisiana's critical housing needs. You helped us convince President Bush, Chairman Powell and Congress to commit these additional funds to Louisiana. This funding was absolutely necessary to fully fund our Road Home program, which is now well underway. Working with the Legislature, we've also fine-tuned the details of our rental package, and can now fast track these plans to HUD. This will mean more affordable housing for our displaced workers. Our recovery needs those workers back in their jobs. Housing is critical to our success.

The Road Home Program

Rate of registrations are picking up. Housing counselors have made offers to more than 370 homeowners amounting to more than \$18 million. Today we announce a major policy change to benefit our senior citizens participating in our program. Those 65 or older will not be penalized for choosing not to rebuild or buy a new home. We saw that our senior citizens were making different choices - moving from their own homes to assisted living facilities, nursing homes, or they had decided to move in with their children. Because they are at a different point in their lives, rebuilding and homeownership may not be the best choices for all seniors. We want them home but we certainly respect the factors that may be involved in their decision-making process. My thanks to Sen. Diana Bajoie for her work on this policy change and for being a steadfast champion for seniors.

Entergy

Another important action that's going to help people rebuild is to address the possibility of catastrophic rate increases for the customers of Entergy New Orleans. It will be hard for families to return and rebuild if they have to worry about being able to afford turning on their lights. I support your proposed resolution today to allocate funds to prevent these harmful rate spikes. We must ensure that these funds are spent appropriately and that they go to prevent these increases.

Insurance Plan

As you may have heard, insurance rate relief is on the way! Earlier this week, I announced that we will refund every penny of that 15% assessment that all homeowners are paying as a result of the debt incurred by our state's insurer of last resort. What does this mean for the policyholders across the state who paid the hike? They can expect a reimbursement check for the assessment they paid sometime after the first of the year. I will work with our legislature to deliver rate relief to our people. Everyone I have spoken to supports our efforts and I look forward to getting this done.

Reinsurance

Working with reinsurance firms. Reinsurance executives recognized the importance of mitigation – levees, coastal restoration and hurricane protection to keep insurance rates reasonable. In their words, we are doing the right things in that area. We must promote our state as one that is open for insurance business as well. Today I will meet with Commissioner Donelon and the Coalition to Insure Louisiana as we continue working to address issues of affordability. This is a critical element in our recovery!

Business Recovery

Business Recovery is critical to our success as well. In today's paper, the Louisiana Economic Outlook Report validates what we have known – Louisiana is slowly but surely getting back on its feet in the wake of the storms with a changed economic reality. While the outlook is more promising for some areas, we will not let dark forecasts cloud our progress. The predictions for the New Orleans area reflect the challenges of coming back from a reported loss of 200 thousand jobs. We must remember these are just that - predictions. I will continue working tirelessly to make sure these limited predictions do not become a Louisiana reality and I know you stand with me in those efforts. We are strengthening the recovery building blocks we have put in place - housing through our Road Home Program, bridge loans to provide gap financing to hurricane-affected businesses. Today we announce another \$55 million in assistance to get our businesses back on their feet. Workforce training – another building block to our success. Last week we announced \$38 million to train workers to fill high-demand jobs in construction, healthcare, transportation, and other key areas (advanced manufacturing, oil and gas, and the cultural sector). Levee board reform, a focus on coastal restoration and hurricane protection are all designed to put our people and their communities on the path to prosperity. Lake Charles is a perfect example of how these efforts produce results. Yesterday's economic report credits construction spending for fueling the area's recovery from Hurricane Rita. Targeted investments like this drive our economy in the right

direction, and that's why I'm working to bring even more economic development to our state. As you know, we are aggressively working to bring new industry to our mega sites in areas like Northeast Louisiana. I am traveling to New York and Asia on trade missions to recruit quality jobs for our people. The storms set us back, but we are working tirelessly every day to build a strong, smarter, and safer Louisiana."

Dr. Francis thanked the governor for her comments and acknowledged the hard work she has done for the state regarding recovery efforts. Dr. Francis asked Senator Dupre for comments.

Senator Dupre welcomed the board members to the Terrebonne/Lafourche area. He stated that both Terrebonne and Lafourche Parishes benefit from Port Fouchon development. He recognized former State Representative Dick Guidry, who authored a bill in 1968 which began the development of Port Fouchon. He stated that the House Special Committee on Coastal Restoration and Flood Control and the Senate Select Committee on Coastal Restoration and Flood Control met jointly in the area to tour affected areas in Chalmette and New Orleans and to receive testimony from the coastal levee districts affected by Hurricanes Katrina and Rita relative to the impacts on the levees and coastal flooding with recommendations for the repair and enhancement of the levee system in coastal Louisiana. He summarized that the four top priorities for coastal Louisiana were: 1) to have a combination of barrier islands, 2) coastal wetlands restoration, 3) freshwater diversions, and 4) flood protection in the form of levees.

Dr. Francis thanked Senator Dupre for his comments.

VII. GUEST REMARKS – WELCOME BY PARISH OFFICIALS

Dr. Francis welcomed the parish presidents of Terrebonne and Lafourche Parishes and asked for comments.

Mr. Don Schwab, Terrebonne Parish President and Mrs. Charlotte Randolph, Lafourche Parish President, welcomed the members of the board and expressed appreciation and gratitude for their efforts and assistance in Terrebonne and Lafourche Parishes.

VIII. GUEST PRESENTATION – SENATE SELECT AND HOUSE SPECIAL COMMITTEES ON COASTAL RESTORATION AND FLOOD CONTROL

Dr. Francis introduced Mr. Jerome Zeringue, representing the Terrebonne Levee and Conservation District and Mr. Wendell Curole, representing the South Lafourche Levee District. Dr. Francis offered a personal thank you to Mr. Dick Guidry for his continued service to the state.

Mr. Kopplin commented that the guest presentations were provided in the binder under Tab #3. The handout of the presentation is attached to these minutes as "Exhibit A".

Mr. Zeringue presented an overview of the hurricane protection project for Terrebonne Parish. He stated that more than \$4-5 million per year would go towards the project, which also has state funding. He explained that local funds generated were used to construct a portion of the

project and the Corps of Engineers constructed the lock of the canal. He further stated that the critical portion of the project should be constructed within eight years.

Mr. Curole commented on the levee system and flood vulnerability.

Dr. Francis thanked the presenters and agreed to the necessity of quality data and the need to build levees as strong as possible.

Governor Blanco commented that Congress had delayed action on two critical bills relative to the Outercontinental Shelf and authorizing the Corps of Engineers to proceed with projects. She stated that the lack of congressional action was discouraging.

Dr. Francis agreed with the governor's position.

IX. EXECUTIVE DIRECTOR'S REPORT

Dr. Francis asked that Mr. Kopplin present the monthly executive director's report.

Mr. Kopplin provided a status update presentation on the Road Home Program. The handout of the presentation is attached to these minutes as "Exhibit B". He stated that 37,000 applications had been received and recorded and 21,000 appointment letters have been mailed. He further stated that as ICF moves to production scale with up to 1,000 appointments per day by the end of October that the same number of grant awards would be distributed. He explained that there is a \$400 million congressional appropriation for alternative housing pilot programs, referred to as Katrina/Rita cottages and that application would be made October 20, 2006, to FEMA for Louisiana's competitive grant submission for the program. Mr. Kopplin stated that more information would be provided at the next meeting on the actual submission that Louisiana makes to FEMA. He informed the members about Recovery Resource Fairs, coordinated with Chairman Powell's office and other representatives, that would be held on grant programs to obtain critical information about how some of the recovery plans with the ESF-14 process can be funded. Mr. Kopplin stated that population estimates were released in the past week which included a new survey of population in the affected areas. Four parishes (Plaquemines, Orleans, St. Bernard, and Jefferson) of the 18-parish area were completed. The model used for analysis was the 2000 Census Bureau model. He commented that the information indicates the magnitude and challenge of repopulating the areas. Mr. Kopplin pointed out that Louisiana's infrastructure money matches FEMA's money at a 10/90% match. He stated that President Bush assigned Chairman Powell as the point person for the FEMA Public Assistance improvements and there has been significant progress. He commented that the governor and the LRA had made the request when the president was in Louisiana and expressed gratitude for those efforts.

Dr. Francis asked for more information on the FEMA Alternative Housing Pilot Program. He also asked how the \$400 million appropriation would be allocated to the states and asked if the money would be available to all states.

Mr. Kopplin responded that Congress appropriated \$400 million to FEMA and directed FEMA to set up a competitive grant program. He explained that the state of Mississippi announced that they would receive all of the \$400 million. Mr. Kopplin stated that need was

not a basis when FEMA set up the program. He further stated that there was objection from Louisiana due to the number of displaced people which resulted in FEMA adding a category to include those in need. Mr. Kopplin stated that ideas were submitted to the LRA as part of a competitive process with a national selection panel reviewing the ideas so that Louisiana can submit an application. He explained that the LRA would not operate the program but would coordinate the submission of the application on behalf of the Governor's Office of Homeland Security, and Emergency Preparedness. He further explained that the LRA provided architects, planners, and manufactured housing groups to coordinate the application at the governor's direction.

Ms. Fraiche stated that the program would be for existing hurricane victims and asked who would pay for the housing units.

Mr. Kopplin responded that grant money would pay for the units. He commented that FEMA's goal was quick delivery of quality housing after a disaster. Mr. Kopplin stated that FEMA agreed that the money go to housing for people in temporary accommodations.

Ms. Fraiche asked if part of the application would include compliance with the pattern book and planning for Louisiana neighborhoods.

Mr. Kopplin responded that the Louisiana application would be submitted with those guidelines.

Ms. Fraiche commented that the concept of Katrina cottages came up as part of the original design in planning in southwest Louisiana and St. Bernard Parish.

Ms. Johnson asked the meaning of the term "permanent".

Mr. Kopplin responded that the term was being used to mean permanent housing and not temporary housing.

Ms. Johnson asked about the cost to move into permanent housing.

Mr. Kopplin responded that the cost is one of the program guidelines that would have to be developed as part of the application. He stated that FEMA was concentrating on the delivery of housing in a quick, cost effective manner. The Katrina cottage built in St. Bernard Parish was a high quality structure that was attractive and looked like Louisiana architecture.

Mr. Henning asked about the FEMA Public Assistance funds.

Mr. Kopplin responded that the FEMA Public Assistance funds were approved and contracts could be issued based on the money.

Mr. Henning asked if Orleans Parish had an additional request of \$350 million.

Mr. Kopplin responded that the requested amount was additional funding which had not been approved by FEMA. He stated that the total amount would be \$1 billion of public assistance funding either requested or approved.

Mr. Coulon asked if the money was a reimbursement.

Mr. Kopplin responded that the FEMA Public Assistance was a reimbursement program. He stated that advances could be made from the program or parish or state funds could be used to begin a project.

Dr. Francis proceeded to the next item of business, Task Force Reports.

X. TASK FORCE REPORTS – DISCUSSIONS AND REPORTS

A. Infrastructure Task Force

Mr. Landry stated that the Infrastructure Task Force met to deal with the utilities in the affected areas and to mitigate the increases in utility rates. He further stated that a consulting firm, Navigant Consulting, had been hired to evaluate the CDBG funding allocation for Hurricane Katrina damage restoration costs for electric and gas utility service in New Orleans. Mr. Landry introduced Mr. Ron Nichols, Managing Director of Navigant Consulting.

Mr. Nichols provided a presentation for consideration of Entergy New Orleans Inc. utility infrastructure restoration cost funding for damage from Hurricane Katrina. A handout of the presentation is attached to these minutes as "Exhibit C". He stated that Navigant Consulting was asked to review the Entergy New Orleans application to the LRA for CDBG funding. The review included a look at damage levels, back-up costs that Entergy New Orleans was seeking, eligibility of those funds and to evaluate the effect of the damage and the changes in funding in rate levels to utility customers. Navigant was asked to provide a funding recommendation which would be inclusive of all areas reviewed. Mr. Nichols expressed his opinion that in more than 30 years in the utility industry he had never seen anything approaching the level of concentrated devastation to a utility system on a major scale as what happened to New Orleans. He stated that the utility system had been substantially impacted throughout from the hurricane force and flooding. He further stated that the damage would take months to repair. The gas system encountered a substantial impact and would require replacement of the underground gas system. Salt water came into the system and significantly reduced the life of the system. He commented that New Orleans was looking at a long-term plan of replacing over half of the underground gas distribution system at an estimated price of \$350 million. Mr. Nichols stated that the overall objectives of Navigant were to determine what the LRA wanted to achieve. He commented that bringing back New Orleans goes beyond restoration and meeting customer needs. An important consideration was how to fund the restoration to bring the system back. Mr. Nichols explained that CDBG eligibility is generally set up to provide funds for electric distribution when a utility gets damaged but there are additional needs with regards to electric generation restoration, major transmission lines, and the gas system. New Orleans would have to request a waiver for CDBG eligibility. Mr. Nichols stated that the analysis was based on the waiver being approved. He further stated that Entergy New Orleans has requested restoration costs for the electric and gas systems and common facilities that serve both and also wanted unrecovered past costs and uncollectible accounts. He commented that since the LRA had limited funding availability and due to the amount of the physical cost, the evaluation stopped at the physical cost. Mr. Nichols explained the process for funding and stated that the LRA would vote on the

allocation of dollars available. Payments would be made after there was a clear indication of the amount of insurance money available and after an audit and review of those costs. Entergy New Orleans has filed two successive requests for funding, the first request was in March in the amount of \$718 million and in September in the amount of \$592 million, which is the expected amount after receipt of \$250 million in insurance proceeds. He stated that there was \$638 million in estimated hard cost expenditures less the \$250 million from insurance, which results in \$388 million in remaining cost. He stated that at the end of August, \$170 million would bring the system back to where it was effective currently, by the end of the year, which starts a new rate year from a regulatory perspective, the amount is anticipated to be \$190 million. He further explained that by spring of next year, or the next quarter, when the majority of the restoration is going to be completed, except for the underground gas system, the amount would be an estimated \$210 million in hard costs, labor, equipment, and materials. The focus of the evaluation was in a range from \$170–210 million in costs. Mr. Nichols commented that without funding, Entergy New Orleans would go into the market, get equity, issue debt, and would need funds and the reasonable result would be to forward that cost onto rates. Mr. Nichols summarized his comments by stating that in order to avoid rate increases, with the presumption of \$170 million in funding, a rate increase of 11% in electric and 31% in gas would be avoided, with \$190 million, a rate increase of 12% in electric and 35% in gas would be avoided and with \$210 million, a rate increase of 14% in electric and 38% in gas would be avoided. He commented that by the end of the year, there would be approximately \$200 million in costs for the system and funding in the amount of \$190-210 million would reduce a substantial part of the problem and would be justifiable.

Mr. Voelker asked if \$200 million would avoid a 14% increase in electric rates.

Mr. Nichols responded that \$200 million would avoid a 13% increase in electric rates and \$210 million would avoid a 14% increase.

Mr. Voelker asked if an estimate of the rate increase was known.

Mr. Nichols responded that there is an overall estimate of approximately 22%, which would be a 9% increase for electric. He stated that there are different factors, such as a future storm reserve, which contribute to the calculation.

Mr. Voelker asked about the length of time that the rate reduction would be effective.

Mr. Nichols responded that the reduction would be permanent. He stated that the rates would depend on how many customers return to the area and the amount of time in which they return.

Mr. Voelker asked how long the \$200 million would last.

Mr. Nichols responded that the \$200 million would take care of a permanent problem by paying for equipment in the ground that would otherwise go into the rate base and stay in the rate base until fully depreciated 20-40 years from now.

Mr. Voelker asked about the rate of return for Entergy New Orleans.

Mr. Nichols responded that the rate of return would be about 8.5%, which would be lower than other companies' rate of return.

Mr. Leger asked about the reliability of the \$250 million insurance estimation.

Mr. Nichols responded that the insurance amount was not a confirmed estimate. He stated that New Orleans has a pool of insurances shared between various affiliate companies that review damage and coverage and would determine the pro-rata coverage. He stated that Navigant has not had an opportunity to review claims, but less coverage would not increase the cost.

Mr. Leger asked whether there would be some determination among various Entergy entities on how to allocate insurance payments.

Mr. Nichols responded that the determination would be made by claims. He stated that there is a limit on overall coverage and there is an individual claims made basis for the payment.

Mr. Leger asked if there was a limit for overall coverage in New Orleans.

Mr. Nichols responded that he did not know if there was a limit for overall coverage.

Mr. Leger commented that the decision the board had to make would be to determine the degree that the allocation made to Entergy New Orleans would assist the customers. He further commented that after the \$250 million allocation, there would be another \$188 million to be accounted for.

Mr. Nichols responded that of the total \$640 million before the application of insurance, \$355 million would be used to rebuild the gas system due to the inundation of salt-water corrosion. He stated that Entergy would agree that they will do their best to take care of that issue. Mr. Nichols further stated that the reality of the issue is that Entergy does not know how long the rebuild will take and the remaining \$188 million could be a future cost of the rebuild of that system. He pointed out that the \$200 million would take care of hard costs and would provide a major piece toward the rebuild of the gas system.

Mr. Woods commented that the city of New Orleans regulates the rates and the proposal is just for Entergy New Orleans. He asked why other utility companies would not be included.

Mr. Nichols responded that the level of impact, geographically, size, and territory, was phenomenally more impacted than other utilities. He stated that the percentage of impact to other areas was overall lower than in New Orleans. The Louisiana Public Service Commission has worked with the other utility companies and has a securitization. Mr. Nichols explained that the companies that have a securitization have set aside money from much smaller single digit rate increases and dedicated that amount for bond or debt issuance, which pays for those costs. The ratepayers have funded the set aside and as a result would incur a 4-9% rate increase.

Mr. Kopplin commented that Navigant was hired by the LRA to conduct an independent evaluation. He stated that extensive discussion was held at the last month's LRA board

meeting on the impact to the other utility companies. He further stated that a small amount of money would not go very far to reduce the 4-6% proposed rate increases to be imposed by the other utility companies. He further stated that there was one area where impact on individual customers through fuel bills would pose potential rate increases and would be a damper on recovery. He commented that the significant impact on ratepayers was the reason the focus was on Entergy New Orleans. He further commented that the Public Service Commission has stated that they do not want to absorb the challenges of Entergy New Orleans in their system due to the impact of other customers they affiliate.

Mr. Woods stated that there have been requests from other utility companies for CDBG funding.

Mr. Kopplin responded that there is \$645 million of unbudgeted, unallocated CDBG funds and \$1.5 billion in requests from different utilities. He stated that the question which was debated at the last meeting was how to allocate with limited resources to those with the greatest need and that the first priority is to avoid catastrophic impact to those customers.

Mr. Woods asked if the \$200 million allocation would be the only amount provided to utility companies.

Mr. Kopplin responded that the allocation would be dependent on funding availability.

Mr. Woods stated that there was not enough money to make everyone whole and questioned how the determination came to assist Entergy New Orleans and not other utility companies.

Mr. Landry responded that based on numerous meetings about the situation and with this particular case, providing funding to every utility would deplete the funds available. He stated that the decision was tough but would discourage the recovery of New Orleans if help was not provided.

Governor Blanco stated that when she and Andy Kopplin went to the White House to request an additional \$1.5 billion for utility relief, there were antagonists that advised the president on the money and refused to provide relief on utilities. She commented that all the negotiations for the \$4.2 billion were based on very specific needs, including housing and economic development, to rebuild the entire state. She further stated that use of the money should be where there is the highest level of impact since without assistance people would not be able to afford to live in New Orleans. The load to carry the burden of electric costs in New Orleans would be dramatically higher than any other area in Louisiana. She expressed her appreciation of the analysis presented by Mr. Nichols. Governor Blanco stated that as a member of the Public Service Commission for seven years, she was aware that utility companies have the legal right to put all of their costs into the rate base. She further stated that the assistance to Entergy New Orleans was not reimbursement of all costs they have requested and would relieve hard costs which would never be reflected in the rate base. She commented that there was not enough funding to relieve the burden in the entire affected area. She pointed out that financial activity and the needs of utility companies could not be measured currently and that life will be different in 4-5 years provided the right decision was made today. She reiterated her support of the \$200 million grant to offset extraordinary rate increases for New Orleans and stated that if there was money to give to other regions that

should be done. Governor Blanco stated that the list of requests far exceed the ability to construct a sound, sensible payment plan. She further stated that the New Orleans City Council regulates rates for that particular utility and with smart lawyers could figure out a long-term plan that would work to the benefit of everyone.

Dr. Francis introduced members of the New Orleans City Council, Mr. Oliver M. Thomas, Jr., Council Member-At-Large and Mrs. Shelley Midura, Council Member District A.

Mr. Landry requested that Mr. Thomas provide an overview to add to the discussion.

Mr. Thomas stated that the regulatory compact was consistent with how rates are passed on to ratepayers. He further stated that infrastructure was extremely important. He expressed his appreciation for the diligence of the board. He commented that the main focus should be on the people that could not survive if rate increases are passed on at the rate required to maintain the system in place. He further commented that the best solution for repopulation was to make sure that the quality of life improves. He stated that taking care of the people who live in New Orleans would insure that they stay in New Orleans and more people would come.

Dr. Francis stated that there were several questions.

Mr. Stuller thanked Mr. Nichols for his presentation and acting as consultant to provide a clear perspective on the decision before the board. He stated that Entergy New Orleans was in bankruptcy prior to Hurricane Katrina. He commented that the customer base was unknown but the population of New Orleans prior to the storm was more than 450,000 and as of January 2006 was approximately 190,000. He expressed his concern regarding the affect on rates if only half the population returns and the cost effectiveness to support that population with a \$200 million initiative. He stated that the board members were stewards of taxpayer's money and questioned the type of return on such a risky investment knowing that the few people paying the rate would be paying substantially more due to the lack of people staying and the potential of people that would leave the area. He asked what repercussions there would be if financial support was not provided to Entergy New Orleans.

Mr. Nichols clarified that the reason Entergy New Orleans filed for bankruptcy was due to Hurricane Katrina and that the filing was made after the storm. He stated that the rates presented were based on the current customer count, which is approximately 40% of the customers prior to the storm or 190,000 customers. He stated that there were approximately 80,000 customers at the present time. Mr. Nichols commented that the customer count was not growing that much but there was expectation of increase. He reiterated the comments of the governor that the \$200 million would be a permanent investment in infrastructure. He stated that the risk would be mitigated by taking action on the funding.

Mr. Thomas commented that the investment should be used to make sure customers are less reliant on natural gas and electricity.

Mr. Stuller stated that the equipment has depreciated over time and is of less value. He asked if calculations were made regarding replacement of depreciated equipment. He commented that the Public Service Commission governs and regulates utility companies. He further

asked how the New Orleans City Council was involved in regulating the utility instead of the Public Service Commission.

Mr. Thomas responded that the regulatory authority used to be New Orleans Public Service Commission (NOPSC) and the citizens of New Orleans voted against a municipal utility authority.

Governor Blanco explained that municipalities have the right to regulate their own utilities. She stated that Entergy took over the management and acquired the company and the New Orleans City Council retained regulatory scheme over the company.

Mr. Nichols commented that every dollar that goes in for CDBG money into equipment completely displaces the depreciated cost into rate base which removes that cost permanently by getting that replacement.

Mr. Henning asked for clarification of the chart which shows the potential funding level with regard to the expected rate increase.

Mr. Nichols responded that the percentage amount indicated in the chart would be avoided provided that level of funding being granted.

Mr. Henning commented that with the funding customers would still experience a rate increase.

Mr. Nichols explained that customers would avoid a 13% rate increase for electricity without the \$200 million grant, which would be equivalent to approximately \$24 million per year that customers would not have to pay. He stated that the \$200 million grant to Entergy New Orleans would provide \$100 million per year in economic activity to New Orleans.

Mr. Kopplin reiterated that those increases would be avoided with \$200 million but net insurance of \$188 million would be absorbed by the ratepayers unless another solution is provided.

Mr. Henning commented that the dilemma was overwhelming for the dollars available. He summarized that there was \$645 million in discretionary dollars available for allocation; \$200 million of that amount has been allocated for other expenses, with a balance of \$445 million. He stated that there would still be \$245 million available to allocate and suggested that any action to allocate the money be deferred and allow the parish to decide how the money should be spent.

Governor Blanco thanked everyone for the hard work put forth and stated that the decision was challenging and difficult. She commented that she was confident that the right decision would be made by the LRA.

Mr. Voelker agreed with Mr. Henning's comments and stated that bankruptcy court would meet at the end of October and decide based largely on whether or not the \$200 million is allocated by the LRA. He stated that the money should be given to the Entergy New Orleans program without delay to provide ratepayers relief.

Senator Bajoie asked about the percentage of overall housing damage in New Orleans.

Mr. Kopplin responded that 70% of damage to rental housing was in Orleans Parish and 59% of owner-occupied housing damaged was in the city of New Orleans. He stated that 40% of the total utility infrastructure damage was in New Orleans. He further stated that New Orleans had approximately 55% of the damage when compared to statewide damage.

Senator Bajoie commented that the money should be used proportionately to assist damaged areas in the state. She stated that there had been prior discussion regarding the use of the money that would assist other efforts besides Entergy New Orleans.

Mr. Thomas responded that Entergy New Orleans was just one primary priority and there were many other infrastructure needs that could also use funding.

Senator Bajoie commented that the funding would help repair major damage that occurred from the hurricanes and would rebuild infrastructure. She stated that without the help, additional costs would be passed on to the ratepayers, which would make a grave difference on whether people would return to and remain in the city. She further stated that without the help, New Orleans would not be rebuilt. She commented that the money would not address every problem in New Orleans and would not expect the city to be precluded from other funding assistance. She requested that the members review the resolution with an open mind and offered a motion to accept the resolution at the proper time.

Mr. Coulon stated that a discussion on the rate of return on providing the funding was discussed at the last month's meeting of the board and that several members questioned giving a grant to a private entity with the rate of return that would be low and set by city council. Mr. Coulon asked about the 8% return that did not go to ratepayers and whether ratepayers would see a profit.

Mr. Nichols responded that the rate of return was referred to as rate-base, which was equipment put into service and without the \$200 million, there would be no rate of return. He stated that Entergy New Orleans would not get a direct benefit from that but the ratepayer would benefit from the rate of return. He explained that the rate of return percentage would be applied to that portion of the rate-base aside from the \$200 million and that customers would benefit from not paying a higher rate than they would have paid without the money.

Mr. Richard asked the cost per kilowatt of Entergy New Orleans rates compared to other utility company rates in the state.

Mr. Nichols responded that the information provided by the Public Service Commission shows 5.6¢ for the electric base rate for Entergy New Orleans, which does not include fuel and 4.8¢ or 4.9¢ for the electric base rates, not including fuel, of other utility companies.

Mr. Kopplin commented that co-ops and municipally owned utilities are eligible for the Public Assistance Program. He stated that FEMA insurance does not apply to investor owned utilities.

Mr. Landry reiterated that additional funds for the project would probably not be considered due to the vast demand on the remaining CDBG funds. He commented that the resolution provides an amicable partial solution to a large problem and has offered the best effort for mitigating the problem. He asked for clarification that the LRA would not have to provide funding for the certification process.

Mr. Thomas responded that the city council would handle the financial aspect of the certification process.

Mr. Landry pointed out that Item #7 of the resolution requires that Entergy use best efforts to maintain its headquarters in New Orleans for ten years. He suggested that the term "best efforts" be modified to read "reasonable efforts".

Mr. Thomas responded that the city has a letter of agreement with the company and that the company maintaining headquarters in New Orleans would be part of ongoing negotiations.

Mr. Landry asked if Item #7 should be removed from the resolution.

Mr. Thomas responded that there was a commitment from the company to maintain headquarters in New Orleans and that the city had a letter from the company which would be sufficient for negotiations.

Mr. Henning expressed his opposition to adoption of the resolution prior to discussion of the allocation of the infrastructure funds. He stated that the opposition was not in allocating funds to Entergy New Orleans but was opposed to allocating the funds before obtaining all the information on allocation of infrastructure funds.

Dr. Francis stated that a vote could be made to decide whether the resolution be acted upon prior to or after the discussion of allocation of infrastructure funds.

Mr. Kopplin commented that the reason the infrastructure item was on the agenda was to discuss how to allocate the funds by damage. He stated that the purpose of the additional item on the agenda was to obtain feedback from members on how to allocate the funds and on what to include in the allocation.

Mr. Henning reiterated that the members should continue with the discussion of allocation of infrastructure funds prior to acting on the resolution.

Mr. Landry commented that the discussion of allocating the funds was not necessarily associated with adoption of the resolution.

Dr. Francis stated that the next agenda item was included to begin discussion of the percentages that would go to disaster areas if and when there was more money available. He further stated that due to the obvious concern of the subject, a vote could be made to obtain the consensus of the members.

Mr. Henning made a motion to defer action on the resolution until after discussion of the allocation of infrastructure funds, seconded by Mr. Woods.

Mr. Coulon commented that there was a degree of frustration with the timeliness of the information and the amount of funding available continues to dwindle. He suggested that the items be taken up individually.

Mr. Kopplin commented that \$220 million allocation to state buildings should not have appeared on the chart. He apologized to the members for not providing ample time for review of the information.

Mr. Reilly commented that there were several high level discussions on the issue and an agreement was reached that allocating the money would remove a huge cloud of uncertainty, would provide dollar-to-dollar rate relief, and would allow for more time to think about clearer solutions.

Representative Salter offered a motion to call the question. Without objection, the motion was adopted by a vote of 21 yeas and 0 nays. Voting yeas were Dr. Francis, Mr. Isaacson, Senator Bajoie, Mr. Bollinger, Mr. Coulon, Mr. Cross, Mr. Davison, Representative Dorsey, Ms. Fraiche, Mr. Henning, Ms. Johnson, Mr. Landry, Mr. Leger, Mr. Morrison, Mr. Reilly, Mr. Richard, Representative Salter, Mr. Smith, Mr. Stuller, Mr. Voelker, and Mr. Woods.

Voting proceeded to the motion to defer action on the resolution. The secretary called the roll.

The motion to defer action on the resolution failed by a vote of 3 yeas and 18 nays. Voting yeas were Mr. Henning, Mr. Richard, and Mr. Woods. Voting nays were Dr. Francis, Mr. Isaacson, Senator Bajoie, Mr. Bollinger, Mr. Coulon, Mr. Cross, Mr. Davison, Representative Dorsey, Ms. Fraiche, Ms. Johnson, Mr. Landry, Mr. Leger, Mr. Morrison, Mr. Reilly, Representative Salter, Mr. Smith, Mr. Stuller, and Mr. Voelker.

Mr. Landry offered a motion to adopt the resolution, with Item #7 of the resolution removed.

Dr. Francis asked for additional questions and comments.

Mr. Leger commented that the federal government allocated CDBG money to ConEd after the September 11th tragedy. He stated that the utility issue must be addressed. He expressed his support for the resolution. He asked whether the letter from Entergy Corporation to the city council was a satisfactory commitment due to the removal of Item #7 of the resolution.

Mr. Thomas responded that the letter was satisfactory.

Senator Bajoie commented that the LRA showed good faith allocating the funds for Entergy New Orleans and that the company should stay in New Orleans.

Mr. Thomas commented that the company continued to offer business to the rest of the state and would be foolish not to stand true to their commitment.

Mr. Henning commented that his opposition to the motion would not be against Entergy or the people of New Orleans.

Mr. Thomas commented that the people represented in Mr. Henning's region of the state should be proud to have someone like him fighting for them.

Mr. Henning reiterated that his opposition was to the process and that he wanted to see New Orleans recover.

Representative Dorsey offered a motion to call the question. Without objection, the motion was adopted by a vote of 21 yeas and 0 nays. Voting yeas were Dr. Francis, Mr. Isaacson, Senator Bajoie, Mr. Bollinger, Mr. Coulon, Mr. Cross, Mr. Davison, Representative Dorsey, Ms. Fraiche, Mr. Henning, Ms. Johnson, Mr. Landry, Mr. Leger, Mr. Morrison, Mr. Reilly, Mr. Richard, Representative Salter, Mr. Smith, Mr. Stuller, Mr. Voelker, and Mr. Woods.

Voting proceeded on the motion offered by Mr. Landry, seconded by Senator Bajoie, to adopt the resolution as follows:

The LRA Board approves and recommends to the Governor and the Louisiana Legislature for approval, the allocation of \$200 million of Community Development Block Grant funds to Entergy New Orleans to defray gas and electric utility system repair costs in an effort to mitigate rate increases that would otherwise be passed on to New Orleans gas and electric utility ratepayers and does hereby authorize the Infrastructure Task Force Chair and the Executive Director to work with the Office of Community Development to draft a waiver request to be submitted to the United States Department of Housing and Urban Development and to develop an Action Plan Amendment in accordance with this allocation, publish such Action Plan Amendment for public comment, and, upon the Louisiana Recovery Authority Board's final approval, recommend such Action Plan Amendment to the Governor and the Louisiana Legislature for approval.

THEREFORE BE IT FURTHER RESOLVED, that the Louisiana Recovery Authority Board does hereby require that funds allocated under the Action Plan Amendment comply with the United States Department of Housing and Urban Development's national objective to benefit a majority of low-to-moderate income individuals.

THEREFORE BE IT FURTHER RESOLVED, that the Louisiana Recovery Authority Board does hereby recognize the City Council of New Orleans as the regulatory body over gas and electric utility services in New Orleans and does hereby adopt and require Entergy New Orleans to comply with the following conditions for receipt of Community Development Block Grant funds as requested by the City Council of New Orleans outlined below:

- 1. CDBG funds may only be used to offset the cost of restoration, reconstruction and rebuilding of ENO's damaged electric and gas utility systems, and to offset such other unrecovered fixed costs as may be the responsibility of ratepayers.**
- 2. CDBG funds should be used to mitigate and/or eliminate possible rate increases to New Orleans utility ratepayers.**

- 3. No CDBG funds may be used to profit ENO's parent, Entergy Corporation.**
- 4. ENO must agree that all restoration, reconstruction, and rebuilding costs claimed for CDBG funding must be certified as reasonable and necessary through an independent process approved by the Louisiana Recovery Authority.**
- 5. ENO must not claim in any forum capital assets paid for with CDBG funds as additions to the rate base for ratemaking purposes or for the valuation of ENO's assets in connection with the city's perpetual option to purchase set forth in the applicable 1922 Ordinances, as amended.**
- 6. Any CDBG funds awarded to ENO should be exempt from existing or future liens held by any of ENO's bondholders and, except to the extent necessary to reimburse audited expenditures for restoration, reconstruction, and rebuilding, the Entergy Corporation debtor-in-possession loan to ENO.**

THEREFORE BE IT FURTHER RESOLVED, that the Louisiana Recovery Authority Board does recognize that ENO will face significant unmet gas system repair costs in the future; thus, the Louisiana Recovery Authority Board does hereby pledge to work with the Governor, the Louisiana Congressional Delegation, the City of New Orleans, and ENO to petition the President of the United States and the United States Congress for additional federal funds to cover future gas system repair costs which are largely due to salt water intrusion that resulted from the failure of the federal government's levee system.

Mr. Henning objected and the secretary called the roll. The motion was adopted by a vote of 19 yeas and 2 nays. Voting yea were Dr. Francis, Mr. Isaacson, Senator Bajoie, Mr. Bollinger, Mr. Coulon, Mr. Cross, Mr. Davison, Representative Dorsey, Ms. Fraiche, Ms. Johnson, Mr. Landry, Mr. Leger, Mr. Morrison, Mr. Reilly, Mr. Richard, Representative Salter, Mr. Smith, Mr. Stuller, and Mr. Voelker. Voting nay were Mr. Henning and Mr. Woods.

Dr. Francis stated that the governor wanted to convey the message for Entergy to remain in Louisiana and that their presence and work since the storms was appreciated.

Mr. Thomas offered his thanks to Navigant, the LRA, and the governor for the work towards rebuilding New Orleans.

Mr. Isaacson commented that there was a need to separate utility infrastructure money from CDBG infrastructure money and that the utility situation after the storms in Louisiana was more comparable to what happened to ConEd during 9/11 than what happens during normal hurricanes.

Dr. Francis thanked Mr. Nichols, Mr. Thomas, and Ms. Midura for their attendance and comments.

XI. LUNCH

Dr. Francis recessed the meeting at 12:46 p.m. for lunch. He reconvened the meeting at 1:44 p.m.

X. TASK FORCE REPORTS - DISCUSSIONS AND REPORTS (Continued)

A. Infrastructure Task Force (Continued)

Dr. Francis stated that the next item was discussion of allocations of infrastructure funds.

Mr. Kopplin presented a draft proposal allocation chart which could be used to allocate funds on a formulated basis by parish. The chart provides a breakdown by percentage of damage per parish. Mr. Kopplin explained that there was no standard formula to provide the information. He further explained the point system to assign the amount of damage and the type of repair. A ratio of 1/3 of the portion of statewide housing damage and 2/3 of the statewide public assistance allocations of infrastructure repair was used in the formula. He stated that the formula could be adjusted as necessary and that potential outstanding items for allocation should be identified. He further stated that road repairs would be included in Public Assistance match by FEMA. Mr. Kopplin pointed out that there was \$220 million in FEMA ineligible state building repairs including repair for the Superdome and about \$1.7 billion in total rebuilding costs. He commented that the two issues to review were to prioritize remaining infrastructure projects and to identify other projects.

Mr. Landry suggested that care should be taken not to allocate to a parish exclusively depending on the project.

Ms. Fraiche asked whether there was a way to score projects on a regional basis. She stated that some parishes could pool funds.

Mr. Coulon stated that access to a monthly report was needed to qualify the rate of expense and should include the status of authorized programs in terms of deliverables.

Mr. Kopplin responded that a monthly report could be made to the members.

Mr. Henning asked whether a projection could be made of where the infrastructure money would be spent by region or parish.

Mr. Kopplin responded that the discussion would include what was anticipated to be spent by region.

Mr. Henning asked if the discussion should be deferred to a later date.

Dr. Francis stated that input was needed by the Infrastructure Task Force to determine allocation of funds.

Ms. Fraiche suggested that a joint task force meeting of Infrastructure and Long Term Community Planning be held to review, prioritize, and score projects regarding economic impact.

Mr. Landry agreed with the suggestion.

Ms. Johnson asked about the list of current infrastructure commitments included in the binder.

Mr. Kopplin responded that the chart indicated requested infrastructure projects.

Ms. Johnson commented that Entergy New Orleans should be removed from the list.

Dr. Francis stated that Entergy New Orleans could be removed from the list due to the \$200 million allocation.

Mr. Kopplin stated that a key decision would not be what project is removed from the list but what project would be removed from the list and added to the funded list. He further stated that the list includes legitimate requests for need.

Mr. Henning asked the amount available for allocation.

Mr. Kopplin responded that \$445 million would be available for allocation.

Mr. Stuller asked for clarification on allocation of the infrastructure money.

Mr. Kopplin responded that the Public Assistance funding for FEMA was used to calculate the total infrastructure percentage as a proxy for damages.

Mr. Henning commented that the percentage was used to show which parish was impacted more than the next parish.

Mr. Isaacson stated that there was not a comprehensive scoring system. He further stated that a scoring system must be determined and allocations should be made according to damages per parish.

Mr. Landry commented that the process had begun.

Dr. Francis commented that a system needs to be determined for equitable distribution of the money based on damages and that having a system in place for distribution of the money prior to receiving the money would be best.

Mr. Coulon stated that a report published by FEMA on long-term recovery by parish was scored by project description or ranking.

Mr. Forbes responded that FEMA assigned recovery values with the respect to recovery of the particular parish for the report.

Dr. Francis stated that any other questions or ideas should be provided to Mr. Kopplin.

Mr. Cross asked whether the source of funding for projects from resource fairs was CDBG funds.

Mr. Kopplin responded that the funding for those projects was not from CDBG. He stated that there could be CDBG funding but the goal was to match those parishes up with state and federal agencies that may have discretionary funding and could help them provided CDBG funding is prioritized.

Mr. Cross commented that a fisheries dock project from the resource fair was to be funded with CDBG funds.

Mr. Forbes responded that every project could be funded with CDBG but that the funds have not been allocated at the present time. He stated that the main objective of the resource fairs was to start driving the appropriation of funds from other sources to get money and to begin teaching parishes how to access different programs each year. He further stated that any CDBG funds could act as seed money for local match, but the objective over the long-term was for agencies to learn how to work through receiving of federal agency grants.

Mr. Kopplin commented that the short-term objective was to put pressure on federal agencies with regard to discretionary funding.

XII. TASK FORCE REPORTS - DISCUSSIONS AND REPORTS (Continued)

A. Health Care Committee

Dr. Francis asked Ms. Fraiche to present the report of the Health Care Committee.

Ms. Fraiche stated that the concept for a redesigned health care system for Region 1 was in the binder under Tab #5. She stated that the concept would be presented to Louisiana Health Care Redesign Collaborative later that day. She further stated that the New Orleans Region 1 area has a 47-50% uninsured population rate, which is more than twice the average of the entire state. Ms. Fraiche commented that the concern was that the system be created and redesigned differently than the previous system and that the system would be geared towards dollars following the patient and the patient would be assigned to a medical home. A medical home is a neighborhood clinic where health care would be managed. She stated that there were many questions about the cost of a program available to all and whether Louisiana could afford the state's share. Centers for Medicaid/Medicare Service (CMS) is the administrator of the Medicare and Medicaid Programs. CMS has sent people to Louisiana to assist with the writing of the waiver. She stated that the secretary of the Department of Health and Hospitals was in support of the system and would use flexible dollars to meet goals. She further stated that any waivers would be comprehensive and everyone would be treated equally. She explained that the plan was a basic plan on how to be treated in physician office and did not include treatment in an emergency room. Ms. Fraiche stated that Uncompensated Care Costs (UCC) have risen extraordinarily high. She further stated that the plan must be submitted by October 20, which was a ground rule set up in the collaborative. CMS would work with the state for the plan to be budget neutral. She commented that the work of the collaborative and the LRA Health Care Committee, in conjunction with the collaborative, was to make sure that all voices were heard on the subject and there was a commitment to work with state, federal,

and all other agencies to facilitate in recognizing those needs in redesigning the system. She further commented that the rest of the country would give anything to have the opportunity to redesign the system.

Mr. Landry stated that a joint meeting of LRA task forces met and requested that LSU present a business plan focused on a medical center.

Dr. Francis asked whether Tulane was included in the discussions.

Mr. Landry responded that Tulane was included in previous discussions.

Ms. Fraiche responded that Tulane had 60 beds open and there was support to build a bed tower in the V.A. hospital.

Dr. Francis commented that there are trained doctors and a hospital was needed to have resident training.

Senator Bajoie stated that a resolution was passed in the legislature for a tower and a hospital for Tulane to be included in the process.

Mr. Landry stated that another critical issue was availability of nurses and that LSU has an ongoing effort to increase nursing efforts.

Dr. Francis asked if the report would be issued October 20.

Ms. Fraiche responded that getting an agreement between members on the collaborative was nearly impossible. She explained that there was concern in rebuilding the system and that she has maintained the position of keeping the process moving forward to the extent that the plan complies with the responsibility of the LRA to coordinate.

Dr. Francis commented that hopefully Louisiana could write a health delivery system for the state that could be a model for the country.

Ms. Johnson asked whether an indigent person would be allowed to go to a medical home.

Ms. Fraiche responded affirmatively.

Ms. Johnson commented that big charity would be eliminated but any person would be able to have top quality care.

Dr. Francis stated that the two-tier system would be eliminated.

Senator Bajoie commented that the size of the hospital should be reduced and the way people access the system should be modified.

Mr. Smith commented that a system was still needed for the poor and indigent. He stated that the dollars need to follow the patient and that a significant problem was that hospitals in metropolitan New Orleans and Baton Rouge were not getting paid for uncompensated care.

He further stated education dollars should be allocated to a teaching hospital that would operate on a needs and loss basis. He commented that there are resources available within the state and federal system to fund an insurance program.

Senator Bajoie commented that she did not advocate a separate system for the poor and that her theory was that many people would be left out unless the system was fully in place.

Mr. Smith stated that the focus should be on fixing the entire system in the state.

Mr. Landry stated that the initial plan was for a 350-bed facility at \$630 million and the rule of thumb was \$1 million per bed. He commented that as a collaborative effort with the V.A. there should be some cost savings which would amount to less than \$1 million per bed. He further commented that the limited CDBG dollars should be spent as wisely as possible.

Dr. Francis commented that progress was being made.

B. Housing Task Force

Dr. Francis recognized Mr. Leger for the Housing Task Force report.

Mr. Leger stated that the report would be presented under unfinished business.

C. Long Term Community Planning Task Force

Dr. Francis recognized Ms. Fraiche for the Long Term Community Planning Task Force report.

Ms. Fraiche stated that Mr. John Fregonese would present a report on South Louisiana Regional Planning.

Mr. Fregonese provided a presentation on entitled "Regional Planning and Visioning Update Louisiana Speaks". The handout of the presentation is attached to these minutes as "Exhibit D". He stated that the overall goal was community outreach and education to engage as many Louisiana citizens as possible, in and out of state. The issues were outlined as follows: safety and resiliency, coastal restoration and storm protection, land use and community growth, roadways, transit, and freight, ecology and open space, economic development, and housing and affordability.

Mr. Stuller commented that the presentation was exciting and that having an outsider show how creative Louisiana could be was interesting. He stated that caution should be used regarding research because Louisiana encompasses more than the six areas affected by the storms and that all areas, including central and north Louisiana, should be incorporated into the vision.

Mr. Fregonese stated that the entire state would have to approve the plan.

Ms. Fraiche stated that one recommendation was to create a statewide planning entity. She further stated that additional money would be needed to begin the study. She commented that

other states are ahead with planning and that interim action steps should be taken at the present time and not delayed until next March.

Mr. Fregonese commented that Louisiana would have a much better plan than other gulf states with more public buy-in and that by spring there would be a solid foundation to move ahead.

Dr. Francis thanked Mr. Fregonese for his presentation.

D. Economic and Workforce Development Task Force

Dr. Francis recognized Mr. Stuller for the Economic and Workforce Development Task Force report.

Mr. Stuller provided a presentation, which is attached to these minutes as "Exhibit E". He stated that the goal of the economic development and workforce effort was to provide funds, technical assistance, and workforce training to help small businesses in the storm-impacted areas to recover and rebuild and to build higher education systems in those regions. He stated that \$350 million was allocated to achieve these goals. He stated that the plan was to employ seven programs. The first, which was the Bridge Loan Program, was going to Phase 3, has a \$55 million balance, and would provide short term financing to businesses that are waiting on an approved SBA loan or insurance payments. The Small Firm Recovery Loan and Grant Program, \$38 million, was to provide loans and grants to small firms that require more hands-on business assistance in order to restart, maintain operations, or grow. He stated that the RFP and guidelines would be released for the program at a press conference with the Governor on October 18. The RFP and guidelines would also be released for the Technical Assistance to Small Firms Program. The Long Term Recovery Loan Program has a \$95 million guaranteed low interest loan and there has been hope to leverage the amount to about \$550 million. He stated that the program guidelines are in development and there was hope to launch the program by the end of the month. Mr. Stuller further stated that the \$28.5 million in funding for the Tourism Marketing Program would be used for large marketing and advertising campaigns to bring people back to Louisiana. The purpose of the Recovery Workforce Training Program, \$38 million, was to create a workforce training and placement program that would meet needs of businesses in sectors critical to the recovery and rebuilding of storm-ravaged areas. The Higher Education Research and Educational Enhancement Program, \$28.5 million, was intended as both a short-term and long-term investment and the purpose would be to have post-secondary institutions contribute to the economic growth of the areas. Mr. Stuller commented that the Board of Regents and the LRA were working on an RFP to hire a firm for strategic planning. He stated that all programs should be in place by end of the month or shortly thereafter. He further stated that a huge area of need was still missing with regard to small businesses that do not qualify for various funding sources available.

Dr. Francis commented that research shows that small businesses hire more people and sustain communities. He stated that Mr. Bill Tucker, representing Wetco Restaurant Group, New Orleans, Louisiana, had comments.

Mr. Tucker explained that he was unable to obtain assistance for his medium-sized business and has serious need. He stated that the overall plan presented by Mr. Stuller does not consider medium-sized businesses. He requested that the authority continue to address current policies in an effort to assist businesses that do not qualify as a small business.

Dr. Francis commented that there were limited resources for these businesses.

Mr. Tucker stated that the programs are designed to help businesses that employ companies with 100 people or less and his company currently employs more than 500 people.

Dr. Francis stated that policies should be looked at in order to close the gap to assist medium-sized business.

Mr. Tucker reiterated that business would fail without the assistance and that urgent help was needed.

Dr. Francis asked that staff review the policies.

E. Audit Committee

Dr. Francis recognized Mr. Woods for the Audit Committee report.

Mr. Woods stated that the Audit Committee met and received reports from Ms. Barbara Goodson, Division of Administration, Baton Rouge, Louisiana, on the recovery expenditure website required by various Senate concurrent resolutions. He commented that there have been challenges getting the website online. Mr. Woods stated that the website would not have additional cost to the state and should be available within a couple of weeks. He further stated that the legislative auditor was in the process of an audit of FEMA bills and would issue a report. The attorney general's office was reviewing cases for fraud due to 358 consumer complaints of which 144 have criminal potential. There have been 40 arrests for contractor fraud. Mr. Woods stated that the majority of claims were from people who had insurance and were trying to get their homes completed. He further stated that public service announcements about fraud were to be aired.

Dr. Francis commented that when the majority of the money has been disbursed to people there will probably be more problems with fraud.

XIII. UNFINISHED BUSINESS

Dr. Francis recognized Mr. Leger for the Housing Task Force report.

Mr. Leger stated that progress has been made with regard to housing. The plan has been available since February 20 and a pilot program was initiated in July. Grants have been awarded to those participating in the pilot program. He stated that the average grant was \$50,000 and that \$18,000,000 in benefits has been calculated. He further stated that ICF should make a report to the LRA at every board meeting to provide an update. He explained that ICF was commissioned by the state to administer the program. He further explained that adjustments were made to calculations due to HUD regulations. ICF has publicly stated that

there would be 1,000 applicants interviewed per day for housing assistance and that appointments were being scheduled at an accelerated rate. He commented that the governor made an announcement that senior citizens could obtain a grant for repairing damaged homes or sell and relocate in Louisiana. Those people that would sell and not relocate in Louisiana would get 60%. The option was made available because some senior citizens may want to live with relatives or move into nursing homes. Mr. Leger commented that a program of this magnitude has been developed and would be put into place within months and would normally take three to four years to implement.

Mr. Landry commented that ICF could update board members by email.

Mr. Kopplin stated that ICF started weekly updates two weeks ago.

Mr. Woods commented that ICF attended Audit Committee meetings.

Mr. Henning commented that there have been reports criticizing the pace of the program and asked whether ICF had been paid.

Mr. Leger responded that the contract with ICF was \$76 million and that amount has not been paid.

Mr. Kopplin responded that there were contractual terms that had to be met and partial payments have been made.

Mr. Leger commented that HUD provides that 5% of grants can be spent on administration and the LRA administered a policy with a cap of 2.4%.

Mr. Henning asked that staff prepare an explanation of complaints from non-profit companies for the next board meeting.

Mr. Leger stated that the rental program has been approved by the legislature. Some criticism was that the program does not address the middle class. He further stated that the information was not correct and that 70% of CDBG money has to be spent on low to moderate-income persons. He commented that the LRA requirement was to spend the money on low to moderate-income persons. Mr. Leger stated that the rental program was designed to spend approximately \$900 million of CDBG money to assist small rental property owners and there was an agreement to keep rental rates low. He further stated that the program still required HUD approval and would be ready for implementation in 90 days.

Dr. Francis commented that the information should continue to be provided and discrepancies should be corrected as soon as possible.

Mr. Kopplin stated that information on the rental program was available in the binder. The handout is attached to these minutes as "Exhibit F". He further stated that there was a letter from the governor to the secretary of HUD objecting to the recent attempt that would require \$400 million to be given directly to the Housing Authority of New Orleans for administration of the rental program. Mr. Kopplin stated that HUD would not proceed on that waiver.

Mr. Leger commented that the Office of Community Development has an excellent staff that do a great job.

Mr. Landry asked whether the people hired to implement the program were Louisiana citizens.

Mr. Leger responded that 99% of the people hired are from Louisiana and the impacted areas.

Mr. Kopplin stated that many of the people hired were storm victims.

XIV. PUBLIC COMMENTS

Dr. Norman Francis opened the floor to public comments.

Mr. S. P. LaRussa, representing LaRussa Real Estate, Thibodaux, Louisiana; Mr. Charles Giglio, representing Westgate Development, Inc., Thibodaux, Louisiana; Mr. Michael Matherne, representing the Lafourche Parish Council, Thibodaux, Louisiana; and Mr. Chip Coulter, representing the Louisiana Supreme Court, New Orleans, Louisiana, were present to provide public comments.

Mr. LaRussa explained that there was a problem with the FEMA advisory maps relative to flood zoning which caused problems for developers.

Mr. Kopplin stated that the LRA policy has included that an exception can be made by the parish governing authority provided that the exception does not compromise safety.

A lengthy discussion ensued.

Mr. Leger stated that there are issues regarding the elevation of FEMA advisories. He commented that the parish can request for logical reasons exceptions to the rule.

Dr. Francis reiterated that parishes have the right to make exceptions in any case and that safety would not be compromised.

Mr. Coulon stated that requests for rule exceptions should be made cautiously because federal assistance would not be available should the area flood in the future.

M. Giglio explained that there was a clause in an LRA resolution that connects FEMA maps with the hazard mitigation program.

Dr. Francis responded that the resolution had to connect to FEMA maps for money to be available to the area.

Mr. Rainwater commented that he has had several meetings with Terrebonne Parish officials and Mr. LaRussa regarding the zoning issues.

Mr. Reilly asked whether any regulatory changes were needed from the LRA to assist with the problem.

Mr. Rainwater responded that the LRA has done everything that could be done to alleviate the issue.

Mr. Coulon commented that 20-year old data was being used to issue building permits.

Dr. Francis stated that a resolution was adopted that allowed those parishes which voted for the resolution to request reconsideration and include exceptions. He further stated that the exceptions were added to address extraordinary cases and that there would be liability if exceptions are too relaxed.

Mr. Giglio commented that every situation was different and expressed his opinion that he was treated unfairly. He further stated that he was not requesting federal assistance.

Mr. Leger asked what interfered with the development of the property.

Mr. Giglio responded that builders would not buy the property.

Mr. Leger asked whether the market had changed since the flood.

Mr. Giglio responded that insurance companies have destroyed business.

Mr. Leger asked about flood insurance.

Mr. Giglio responded that homeowner's insurance was three to four times higher for homes that were not in a flood zone.

Mr. Morrison stated that the board members understood the problem and would work through the issues and get a response.

Dr. Francis recognized Mr. Matherne for comments.

Mr. Matherne distributed minutes from parish public hearings. The minutes are attached to these minutes as "Exhibit G". He expressed his concern regarding the FEMA maps and the prospect of asking people to make a permanent building on something that was not official.

Dr. Francis recognized Mr. Coulter for comments.

Mr. Coulter explained that the courthouse was destroyed by Hurricane Katrina and FEMA built a courthouse which was a temporary facility. Funding for the project expired June 30, 2006. Projects after June 30 require a 10% local match with FEMA paying 90% of the cost. He stated that the local portion of the match would be from \$60,000-\$70,000. He requested financial assistance for the local match.

Mr. Kopplin commented that requests have been made for 100% FEMA coverage for the duration of the incident. He stated that the governor was considering providing state funds to assist those areas. He further stated that these requests would have to be added to the list of unmet needs for consideration.

XV. NEW BUSINESS

There was no new business.

XVI. ANNOUNCEMENTS

There were no announcements.

XVII. ADJOURNMENT

The meeting was adjourned at 4:46 p.m.

Respectfully submitted,

Andy Kopplin
Executive Director

/ae

Date approved: _____