



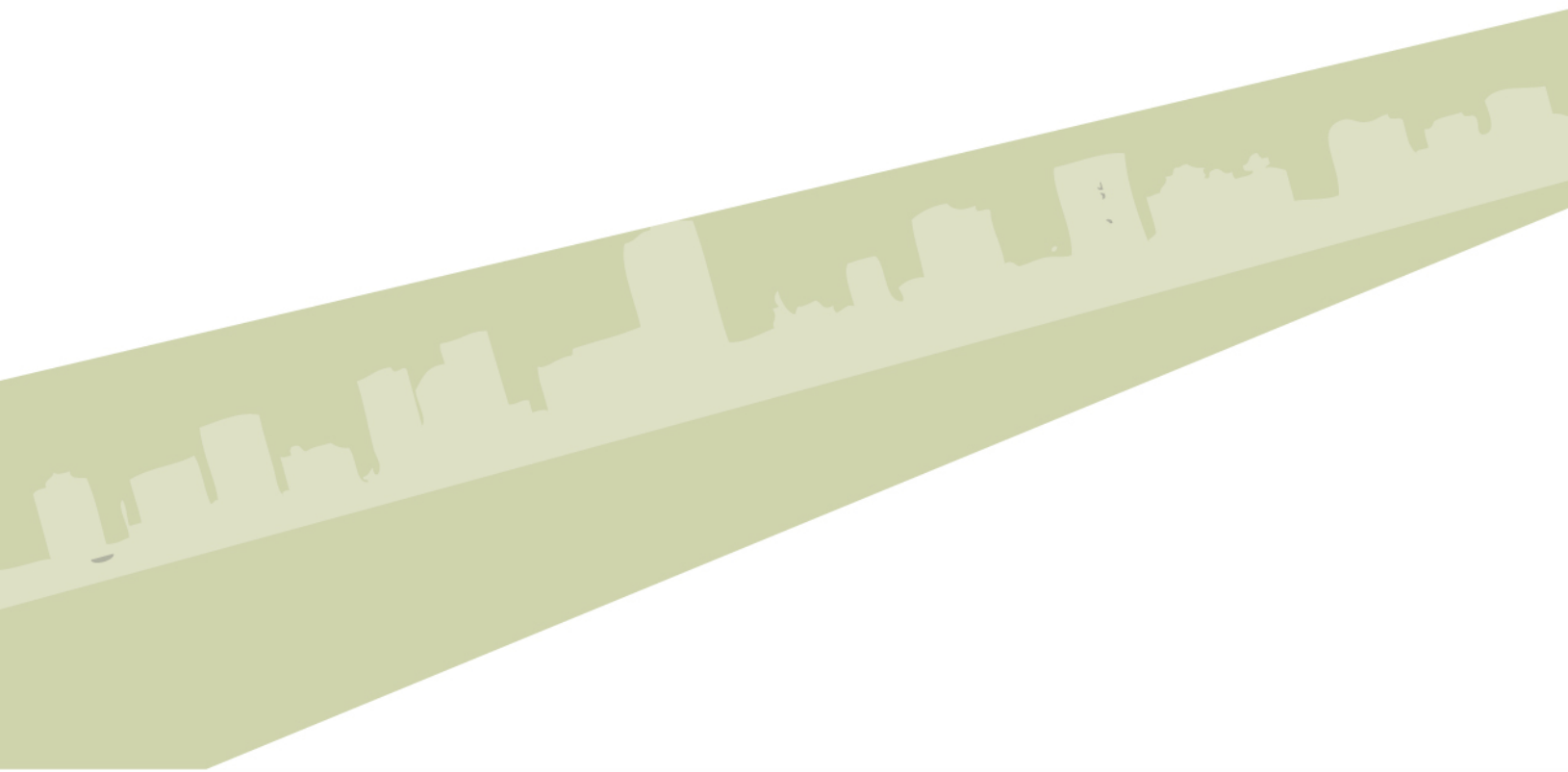
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**CITYWIDE STRATEGIC RECOVERY
AND REBUILDING PLAN**

**The Unified
New Orleans Plan**

Appendix E

**PRELIMINARY CITYWIDE
FINANCIAL ASSESSMENT**





Preliminary Citywide Financial Assessment

A Report Prepared by
The Citywide Planning Team

January 2007

Port of New Orleans

Pre-Storm Analysis

The deep water Port of New Orleans contributes significant economic resources to the local, regional, and national economies through employment income, tax revenues to state and local governments, custom fees to the Federal government, and business revenues. According to Pat Gallwey, COO, the Port is the largest facility in the world with extensive geographic reach in the United States and to other countries. The Port, pre-Katrina, was very strong both from an operations and financial perspective. Operating revenues and cash flow were substantial, debt coverage was well above covenant requirements, and significant investment was made to upgrade and enhance most of the Port facilities. Long-term debt, which was a minimal \$1.8 million in 2000, increased during 2000-2005, to over \$121 million, reflecting this targeted investment upgrade. The prudent investment and operating performance can best be reflected in the Port's debt ratings prior to the storms. Standard and Poor's had assigned a rating of A- while Moody's had rated the debt as A2. Both rating agencies in essence ranked the Port obligations as strong investment grade quality, which confirms strong revenue generation and operating revenues, and the ability to repay the debt invested for the enhanced operations.

The overall economic impact of the Port, pre-Katrina, is analyzed and estimated in a report presented to the Port on August 15, 2005. The study was presented by Martin Associates of Lancaster PA and highlighted the following economic impacts for the calendar year 2004.

The number of Port Sector jobs, defined as direct, induced and indirect, exceeded 28,000 and when combined with Port users related jobs, increased exponentially to over 160,000 jobs. The personal income figures related to these jobs, for both the Port sector and Port user categories, was estimated to exceed \$8.4 billion in 2004. The value of economic activity, measured by business revenues and user output, exceeded \$17.8 billion for the same period of time.

The Port, in 2004 and prior to any storm related impact, was one of the major drivers of economic activity for the State, Local, and Federal jurisdictions. In addition to the estimated \$228 million of local purchases related to the Port, Martin Associates was able to quantify the impact of related taxes attributable to the Port. Port sectors and users generated over \$882 million of total state and local taxes, while the same constituents generated almost \$1.4 billion in total Federal taxes.

The Port was a critical facility to the local, state and Federal economies in the year just prior to the hurricane devastation experienced in 2005. Capital investment had accelerated to support the additional business and revenues that were being generated. The Port had strong management that was focusing on sustainable growth through aggressive marketing and business development, prudent operations, and financial management. The bonds raised to support the development were rated as strong investment grade and as highly secure debt instruments by both rating agencies. In general,

most of the business aspects of the Port were trending upward with an extremely positive economic impact as analyzed and reported for the year ending 2004.

Post-Storm Analysis

Operations

The Fiscal Year 2006 Plan was revised in December, 2005, to reflect the impact of the Hurricane. Projected operating revenues were reduced from \$43 million to \$32 million, or roughly 26%, due to the significant impact the storm had on facilities and operations. The two months following the storm were “nearly non-existent” related to cargo movement and other normal activities, according to Gary LaGrange, President and CEO.

Through perseverance, hard work and commitment, the Port was able to institute recovery and growth opportunity measures to restore its’ operations as a leading economic generator for the city, state, and nation. The response should be analyzed as a Case Study on how to mitigate disaster damage and negative economic impact. For a coordinated response, the Port worked very closely with a myriad of agencies including the Federal Maritime Administration, the U.S. Army Corps, the U.S. Coast Guard, the National Oceanic and Atmospheric Administration, and many other federal and state military and law enforcement agencies. Despite third party predictions that the Port would be closed for at least six months, the Board responded with a goal of 70% pre-storm ship calls within six months. Actually, ship calls exceeded 80% of pre-Katrina levels within the six months; in fact, ship calls rebounded to exceed 100% of pre-storm levels by May and June 2006. The Port has also experienced a rebound in tonnage volumes as cargo levels now range between 80-90% of pre-Katrina volumes.

The results for the Harbor in the Projected Fiscal 2006 operating revenues show a \$26 million, or almost \$4 million increase from post-Katrina expected dockage activity, with a slight decrease in cruise operations. Instead of a 26% decline in revenues, the Port was able to limit the decrease to roughly 19% from an expected \$43 million to \$35.2 million. When adding the \$5 million of business interruption insurance that was received, total revenues in 2006 are projected to exceed \$40 million. Total operating expenses were reduced by \$2.1 million resulting in approximately \$12.4 million in income from operations, before depreciation. Staffing levels were reduced by approximately 20% when employee positions vacated after the storm were not replaced. Once again, the financial results projected for 2006 are a remarkable case study in the Port’s ability to recover operations quickly, expand on residual revenues, and limit expenses. The fact that the Board set aggressive goals in December, 2005, is impressive. The fact that management beat those projections and fell just short of normalized performance, once operational, is remarkable.

Despite the operating measures, the overall negative economic impact to the Port is still significant. After non-cash depreciation expense of \$15.4 million, a write down in assets of \$47 million due to the storm damage (this accounting loss does not reflect actual damages), and increased expenses to manage insurance/FEMA claims, the Port is projecting a net loss exceeding \$49 million for the year 2006.

To shore up the potential for impaired cash flow, the Finance group, headed by James Ruckert, was successful in securing a FEMA Community Disaster Loan (CDL) in the amount of \$7.1 million. The loan is for federal assistance to support operating expenses of government entities. A line of credit was also secured for \$8 million to provide further support, if required, to expedite construction and repair projects until insurance proceeds are received. Also, the department participated in the GO Bond Program to obtain \$7.5 million that will be used to pay principal and interest on existing debt for a period of two to three years. In essence, shorter term obligations are being paid off with long-term, no interest (for five years) loans.

Projections for the full year 2007 Plan call for an increase in revenues to \$39 million (still \$8 million below pre-storm expectations), expenses that are slightly higher at \$30 million (due mainly to increased insurance costs), and income from operations, before depreciation, of \$9.5 million (or below 2006 projections due to the elimination of business interruption proceeds). However, with proceeds from the expected realization of other insurance claims of approximately \$27 million in 2007, the Port is anticipating a positive net gain for the year.

A “normalized” projection of future operations is in process which will attempt to reflect go-forward expectations for revenues and expenses without the disruption of storm related activities, expenses and business interruption. It is expected that the Port should once again have a business with increasing revenues, positive operating income, and net gains that justified a strong investment grade rating. Because of the business interruption and impairments, Standard and Poor’s had downgraded the Port’s rating two notches from A- to BBB following the storm. Subsequently, the rating has been upgraded to BBB+, a strong affirmation of recovery.

Asset Damage/Impairment

In addition to operating disruptions, the storm had a significant negative impact on the assets of the Port. The total loss from Katrina is estimated to exceed \$164 million. The total loss is divided as follows: \$140 million for damage to facilities and cranes; \$9.4 million for damage to pumps, drainage and other equipment; \$9.2 million for emergency protective measures and debris removal; and, \$5.5 million in business interruption that was already discussed in the operations review and is considered an operating make whole from insurance proceeds.

The Port is in a rather unique situation in that capital recovery from insurance proceeds is expected to be a higher percentage of storm assessed damage than other agencies or entities within Orleans. In a potential case study for properly insuring assets and operations, the Port has been advised by its consultants that under its pre-storm policies of coverage, virtually all of the losses or damage to assets and operations should be covered. However, the reality is that an additional case study may need to occur which shows the amount of insurance coverage expected by the policy holder and the amount actually paid by the insurers in the case of a major disaster. Of the \$149 million of damage to facilities, equipment and other assets, Adjustors International and the Port have determined that anticipated insurance coverage should be approximately \$131 million. However, apart from the \$5 million of BI insurance already discussed and collected, the Port to date has only received approximately \$15 million of insurance proceeds. It now appears that the balance of disputed insurance coverage, or \$111 million, will be determined through negotiations or worst case, litigation. Thus far in the analysis, verbal indications and historical claims experience provided to the Port may result in as little as \$30-50 million in incremental payments being received.

FEMA's obligation for the emergency measures total \$1.7 million, with an additional \$1.9 million in obligated funds for buildings and equipment. Although the Port has an incremental \$10.7 million of Project Worksheets (PW) in process, as part of the PW analysis the amount of the claim for Public Assistance (PA) is limited by the insurance proceeds received for those PW's. There is an additional \$10.9 million in PW's still to be submitted. FEMA's position is that the Port did an excellent job of insuring against losses and should maximize those claim payments to make repairs. The Port concurs but is limited to the actual claims payment made by insurance to determine the amount of PA proceeds that it may be eligible to receive. Although the PW's in process may total \$10.7 million with \$10.9 million still to be submitted, there is no assurance that this will be an actual amount of PA received. In the meantime, the Port is projected to spend approximately \$2.5 million in 2006 pursuing these various claims, and another \$1.6 million in 2007.

Therefore, the Port is anticipating a potential funding gap of \$55-75 million, with some potential mitigation for incremental insurance claims and/or PA funding for damage related assessments in the future. Reportedly, the LRA has set aside as much as \$40 million for CDBG funding (including match) for the Ports. If realized, these proceeds would significantly reduce the potential gap in funding.

In the interim, the Port has established plans to begin making the necessary repairs and improvements required because of the storm, regardless of the outcome of the insurance or FEMA issues. Expenditures on equipment and facilities are expected to exceed \$52 million in Fiscal Year 2006. These expenditures are supported by Board-generated funds of \$23 million, including long-term debt financing of \$13.9 million; State and Federal government funding of \$10.1 million; CG Rail financing of \$14.3 million for a project specific to its operation; and, the balance from proceeds of \$15 million of insurance already collected.

A total of \$58.7 million is projected to be expended for equipment and facilities in Fiscal 2007. Board-generated funds will total \$12 million, almost all of which will be long-term debt financing; State and Federal funding is expected to total \$19.6 million; and, anticipated insurance proceeds of \$17 million (\$10 million received) expected to cover the balance.

Of the total expenditures of \$110 million deemed necessary by the Port in 2006-07, \$35 million will be covered by Board funds including: debt; State and Federal funding of \$29.7 million; private project financing by CG Rail of \$14.3 million; the proceeds from \$15 million of insurance received; and, \$17 million of insurance conservatively expected. Therefore, the projected funding gap of \$55-75 million is being further reduced in the immediate future by limiting expenditures to \$110 million in the two years post-Katrina, versus the total damage assessment calculated. The insurance claims, FEMA PA obligations and the LRA proceeds, all outstanding and subject to adjustment, should be better known or at least more accurately assessed by the end of this period.

Although committing to these projects with debt, internal funds, and expected funds is riskier than waiting for receipt of all monies owed, the delay may be two to five years and could cause irreparable damage to future business success. By utilizing a combination of funding sources and supplementing expected funds with internal commitments, the Port has implemented a prudent yet measured business approach to addressing recovery and future growth needs.

Other Asset Impairment

Impeding further recovery and expansion efforts, the Port lost critical deep-draft access to about 25% of its terminal operations and customers. Companies located in the Tidewater Area depended on the MRGO for deepwater access to the Gulf. Analysis of storm damage to facilities and closure of the MRGO has forced the Port to prioritize additional planning to establish its operations and those of its customers to other venues, potentially along the Mississippi River. The Tidewater area is being considered for new maritime roles; however, preliminary analysis has just begun and is constrained due to physical limitations to deepwater access through the lock system.

In an effort to obtain necessary capital for either relocation of operations or subsidies to utilize the Inner Harbor Navigation Canal lock, the Port has met with federal and state officials in Washington, Baton Rouge, and New Orleans to testify before both federal and state committees. Although little progress has been realized to date, the ongoing effort has been established as the Port's top priority at this time.

Funding Needs/Sources

An economic analysis performed by reviewing seven hurricane-impacted MRGO related businesses, both Port owned and privately owned, concluded that over 1000 direct jobs were affected, with 9000 total direct and indirect jobs potentially affected. The total economic output of these operations was \$2.3 billion prior to the hurricane. The total cost to move all of the facilities to the Mississippi River is estimated at \$360-380 million. If such a move could be orchestrated using economies of scale of a shared space and workers, along with expansion for other new or existing businesses, the potential payback would probably meet the requirements for a private financing initiative that stands on its own merits.

For economic consideration and perspective, further analysis is provided on just one of the businesses in question, the New Orleans Cold Storage (NOCS) facility at Jourdan Road Terminal. NOCS tonnage grew 141% between 2000 and 2005 to more than 310,000 tons annually. The Port became the leading poultry export facility in the United States. NOCS employed 135 full time workers (\$12.8 million payroll) and generated employment for 140 truck drivers. Revenues received by the Port from NOCS grew 132% during the same time to \$1.5 million, making NOCS the Port's the second largest customer. Due to increased demand plans were already underway to construct a third birth for an additional 60,000 square feet of space. NOCS exported through the Port approximately 30-40% of all chicken produced in Louisiana, accounting for an additional 500 plus farm and processing related jobs. NOCS contributed direct and indirect jobs for over 1500 employees with an economic activity value of over \$76 million. State and local taxes were approximated to exceed \$12 million.

NOCS has been curtailed significantly since the storm. A majority of the product had to be handled at facilities on the river due to draft restrictions, and the company is forced to truck cargo to the river at a cost of \$8-10 per ton incrementally. Due to the business challenges total losses reported by NOCS during the most recent seven month period , exceed \$500,000 and will reportedly jeopardize the firm's viability.

Analysis of the industry and company needs support the development of a new cold storage facility on the river. Projected employment is estimated to exceed 235 jobs with a payroll of \$25 million and an additional 282 truck positions required. The projected economic value of just a new poultry facility would add \$153 million of direct and indirect activity with local and state tax generation of \$24 million. Although not verified or analyzed, the projected cost of the facility would be \$75 million. Once again, even on a micro level of one facility, the economic prospects probably could support private investment.

If the concept of a new and expanded cold facility to support NOCS was coupled with a refrigerated and dry logistic center, all built at the same time and utilizing contiguous space, the economies of scale could be greatly enhanced, support additional new business expansion, and provide a needed upgrade to facilities to support both damaged operations and future growth.

As part of the Fiscal 2007 Financial Plan presented to the Port's Board of Commissioners, several initiatives were presented for possible business growth and funding consideration.

The **Marketing** department, headed by Robert Landry, recommended improving cargo performance by becoming more of a strategic and value added partner in all phases of the maritime business, rather than acting simply as a landlord.

Technology Alliances

A recommendation was made to form Associations with companies that provide expertise in fields that impact cargo business, such as IT, automated warehouse and handling, or other activity that expedites and economically enhances cargo logistics. Robert Landry cited Silocaf as a historical example for adding technology expertise to the Port related to coffee imports.

Strategic Partnerships

Further development to form relationships with companies where third party financial investment is attractive (either from the customer directly or from financial institutions) is also recommended. These arrangements would be similar to co-packing arrangements already established in manufacturing or third party logistics for warehousing and trucking. Potential partners with cargo related interests include CN railroad, MSC and NYK, as well as, retailers such as Wal-Mart, Target, Home Depot, etc. and terminal operators or multiple parties pooled together to achieve critical mass of operations and investment. In other industries these agreements have typically been negotiated as long-term commitments and preferred supplier agreements to provide the long-term financial economics to justify major investments. Germany's Thysson, with whom the State is negotiating with for a new steel mill, is a potential target partner.

Breakbulk Expansion

Competitive ports such as Houston and Mobile have targeted commodities from South America that would reduce business expansion opportunities for New Orleans. Once again, large companies (Cargill, Mittal, Bao etc.) should be targeted to provide dedicated or shared terminal expansion on an economic long-term basis. Also, creating a "Captured Cargo" initiative that works with the State to induce local producers of products, like chemical, forest, and food related products, to more fully utilize the Port should be targeted. Also, the Port should continue to aggressively pursue exploiting and growing a container-on-barge strategy that is being implemented by the competition.

Finally, Port and State officials should work directly with Central and South American entities to capture a growing business of import and export activity especially in light of the recently announced plans to implement a CAFTA strategy similar to the highly effective NAFTA agreements years ago. In conjunction with this activity there should be further exploitation of the Foreign Trade Zone Master Plan.

The **Port Development** Division, under Deborah Keller, also had numerous recommendations in the same report.

MRGO Replacement

The division has prepared a \$375 million funding request to the LRA which included costs for relocating all business dependent upon the MRGO, which was discussed earlier in this report.

Continued Cruise Terminal Development

In addition to completing construction of the Erato Street Cruise Terminal Complex, a \$37.7 million capital project to create a new parking garage and cruise terminal, the State has funded planning and design for a cruise terminal at Poland Avenue Wharf.

Replacement of Almonaster Bridge

Although the Almonaster bridge is not part of the State system, it is a national connector route eligible for Federal funds. Replacement of the bridge is reportedly LADOTD's highest priority because it is part of the Southern rail gateway linking national east/west rail service through New Orleans.

Other Funding Sources

The Development Division assists in obtaining State and Federal funds from various programs as well as economic development funding for maritime and industrial projects. The Department is considering utilizing Public/Private partnerships for funding.

The **Cruise and Tourism Division**, headed by Robert Jumonville, also formalized some critical business initiatives in the last year.

Cruise Terminal Development

Reportedly, cruise industry trends are expecting additional capacity of twenty five new vessels to be added in the next three years. Building a new first-class terminal is recommended to secure at least three of the ships. In addition, Development has secured a commitment from Royal Caribbean for a five year berthing agreement through 2009 and has commenced negotiations with Carnival for a new ten year operating agreement.

The **Division of Business Development**, headed by Joseph Cocchiara, Jr., has completed negotiations on a Riverfront Development Agreement to spur non-maritime development on the river front. What has been industrial or little utilized land is now targeted by a joint agreement with a 75/25 revenue share agreement by the City and Port respectively to allow developers and others to propose business, residential, and commercial projects to further capitalize on the river front potential.

Regional Transit Authority

Pre-Storm Analysis

Prior to Katrina, the RTA operated three maintenance facilities and a Headquarters building that supported 372 buses covering 46 routes, 36 lift vans for para-transit services to the disabled, and 66 street cars that provided services to the Canal Street, Riverfront and St. Charles Avenue lines. With 1357 employees, a payroll of \$71 million, and an operating budget in excess of \$110 million annually, the RTA provided services to over 855,000 riders per week on average.

The operating budget was supported by a number of different revenue sources. Passenger fares before the storm totaled \$37 million; sales tax (1%) revenue was \$55 million, with an additional \$5 million generated from a hotel/motel surcharge. The balance of funds for operations and capital projects was provided through various grants from the Federal Transportation Administration and LDOT. The revenues were also used to service the principal and interest on \$120 million of long-term debt.

Post-Storm Analysis

Although the storm caused significant damage to virtually all of the RTA's assets, it is a more straightforward exercise to review the asset assessment than to analyze the operational ramifications.

Asset Damage/Impairment

The RTA has reported that 197 of 372 (53%) buses were destroyed, 30 of the 66 (45%) streetcars were damaged or lost, and 24 of 36 (67%) lift vans lost. They also reported significant damage to the lines, facilities, and equipment. However, in a case study on how to effectively manage a relationship with FEMA representatives, Mark Major, GM, and Fred Basha, Program Director, have diligently worked with the agency since immediately after the storm. According to Fred, as soon as possible after gaining access to operations, the RTA worked directly with FEMA on a daily basis. Initially, as reported with most agencies, the level of damage assessed by the RTA varied widely from the initial values that FEMA was estimating. Through due diligence, utilizing additional asset documentation and third party experts, the RTA and FEMA were able to arrive at a very close agreement on final damage assessment and PA money available for repair and replacement. The RTA also worked directly with FEMA throughout the process to make sure that Hazard Mitigation plans were implemented as part of the PW process.

Listed below are some of the various assets categorized by the RTA, the estimated amount of damage, and the negotiated FEMA obligated amount.

<u>Assets</u>	<u>Est. Damage (\$000)</u>	<u>Obligated Amt.(\$000)</u>
Bus Stops	130	130
Buses	23,702	23,702
Canal Facility	6,427	5,241
Canal Line	256	0
Canal/SIS	1,764	290
Carrollton	105	28
Desire/ENO	6,642	3,728
Plaza	3,675	310
River Line	161	161
St. Chas Line	156	156
Street Cars	30,144	27,144
Support Veh.	1,285	1,285

Source: RTA Version 11/08/2006, does not include all PW's

The obligated amounts listed above are not the final reimbursements expected from FEMA, instead, they reflect what has been agreed upon to date. Also, the amounts do not show the insurance proceeds received or expected from private coverage, nor do they show the FEMA match requirement which the LRA has committed to pay.

The total amount of claims and obligated amounts do not reflect the actual replacement value, which is the cost in many asset categories that FEMA agrees to pay, even if over and above the PW amount. For example, in the case of buses and streetcars, the estimated damage and obligated amount of \$53.8 million and \$50.8 million, respectively, reflects the market value for those assets at the time of the storm. Many buses and streetcars in the fleet were aging and depreciated in value. In fact, if FTA funds are used to purchase buses, the RTA is required to use them for at least 12 years before disposition. After proving to FEMA that replacement buses and streetcars could not be purchased for the agreed to damage amount because of lack of like-kind assets available in the market, the RTA has actually gained agreement to replace all at the OEM equivalent price, or roughly \$66 million. Since the actual price of replacement exceeds the obligated amount, FEMA has committed to fund the difference.

The RTA feels that through its own estimates and those of qualified third parties, total system-wide asset damage is approximately 30% higher than the total estimated amount. Instead of the roughly \$75 million of damage which has been agreed to, the actual number is estimated by the RTA to be in the \$90-95 million range. However, against this damage FEMA has already obligated \$63 million out of the original \$75 million. If an additional \$15 million is obligated for the buses and cars, as verbally indicated, then the FEMA PA would increase to \$78 million and perhaps higher once the actual costs are incurred to replace or repair the balance of the assets.

In addition to FEMA commitments, the RTA has received indications from insurance companies that an additional \$9 million of coverage is expected, mostly from NFIP. Also, as mentioned previously, the LRA has committed to provide the match portion of funding not covered by FEMA, which is typically 10%. If the total damage does result in the higher replacement range of \$100 million, then theoretically, an additional \$10 million may be provided from the state. Obviously the RTA will not make money from the disaster, but Management, based upon the analysis and indications available currently, does not feel that asset damage will create a significant gap versus the disaster funding that is expected.

Cash flow timing related to receipt of the proceeds to cover the damage, however, is still a major issue. Of the total amounts obligated by FEMA at this time (\$63 million), only \$1.23 million has been paid to the RTA. Some of the insurance proceeds have also been received, but only a small portion as well. As with every agency or operation in the City, the flow of payments from the various sources has been minimal despite significant obligations. As it relates to the ongoing PW process, the RTA continues to work closely with FEMA in order to get 10-40% advances against the obligated PW's and make adjustments to un-obligated claims. Until additional monies are received the RTA's cash flow is severely limited, which is curtailing initiation of the majority of repair and recovery work. The bulk of available cash flow is being applied to sustain operations and cannot be diverted to capital projects. The balance is being used to support a small scale building recovery of the system.

Operation Impairment

Although the RTA appears to be well positioned to recover the bulk of the value for facilities, equipment, and other ancillaries damaged in the storm from disaster-related sources, the ongoing operational drain on financial liquidity is a more critical constraint to future sustainability and growth of the system. If all or most of the streetcars are refurbished, new buses are ordered and received, and all other facilities and infrastructure are rebuilt to a pre-storm or even like-new standard, then the system is still only able to conduct business to extent that ongoing operating funds are available. That has become the RTA's dilemma.

The RTA has dramatically cut its operating budget from \$110 million in 2005 to a proposed \$67 million for 2007. Although a 9% increase from a recovery budget in 2006, it still falls

40% short of a normalized year. Even at the proposed level, the budget revenues are expected to experience a continued shortfall. The largest portion of revenues, sales and hotel taxes, is expected to yield \$44 million in 2007 compared to \$60 million collected before the storm. The second largest revenue stream, fare collections, a paltry \$3.5 million in 2006 (50% of the year was offered free to riders), is expected to double to \$7 million in 2007, but is still a fraction of the \$37 million collected pre-Katrina. Although riders have in the last month increased dramatically from less than 20% to almost 65% of pre-storm levels as of October, the fare receipts of only 20% of normalized levels do not support the current operating commitment of 62% of original routes.

From October 2005 through June 2006, the RTA used a \$47 million grant from FEMA, the state, and the FTA to subsidize and support basic operations and the augmentation of providing transportation to and from Baton Rouge. The RTA received an additional grant of \$20.3 million to provide the same level of service from July through November 2006. The Baton Rouge service has recently been extended by the State through the end of December along with the LA Swift program through November 2007. The FTA has also authorized the use of 2007 capital allocations of \$13.6 million (typically used on an annual basis for equipment and facilities upgrades) to be converted into operating funds to subsidize the same level of service now being offered through the end of 2007 within New Orleans.

The RTA has already reduced total employees through attrition or other means from a pre-storm number of 1360 to 600 currently, with a 150 reduction as recently as August. This is a dramatic reduction and is reflected in the budget for salaries and benefits declining to \$38 million, down from the \$71 million budgeted before the storm.

The RTA has also secured \$36 million in GO Zone Bonds, which can be used to repay principal and interest on debt that is coming due. The 2007 budget includes \$14.8 million of GO Zone proceeds to shift the shorter term obligations back into low interest long-term liabilities.

Funding Needs/Sources

However, even with the expense reductions and the traditional revenues growing modestly from the lowest levels after the storm, the RTA has stated that the scaled-back service levels offered currently would be impossible without continued assistance from the federal government. The FTA has indicated its willingness to send additional support revenue if the RTA can justify the need with data of an increased, sustainable customer base. This should be viewed as only a short-term stop-gap measure.

The RTA is in the process of preparing an analysis which outlines the level of sustainable service given a minimum level of riders and an assumed sales/hotel tax revenue foundation. Additional subsidies from the state and federal agencies will have to be viewed on more of a

historical basis than the disaster recovery levels received during the last two years. That will necessitate further rationalizing employees and overhead expenses, while limiting expanded service to areas of the City until the customer base can support the operations at a historical or slightly revised basis. The service levels and route management will have to continue to adjust to geographic density, and capital assets will have to be rationalized to accurately reflect population declines and shifts. Despite political and public pressure to restore full service to pre-storm levels, RTA management has stated that current service levels can only be maintained if rationalized operations can be sustained with required Federal and state subsidies, and expanded only if the economics of doing so can be supported. Sales/hotel tax and fare revenues must increase.

With regard to long-term plans contemplated by the RTA prior to the storm (commuter rail services, light rail systems, extending and adding streetcar lines etc.), these projects make sense to the extent that the RTA will be able to implement a visionary plan for the future. Although all of the projects may be justified to make the RTA a true regional provider of transportation services, the projected cost of a best-case scenario was estimated in a conservative \$3-5 billion range. Even if such projects could be privatized, it is unlikely that the operations could self fund all required operating and capital expenses. In the realm of transportation, the successful cost benefit analysis to justify private funding seems limited to projects like toll roads and bridges (as is the case in Chicago). The first privately financed light rail system in the U.S. was constructed in Las Vegas during the past five years. That line is only a couple of miles long, cost over \$1 billion to construct, and was heavily subsidized by the rail car manufacturer, the city of Las Vegas, and the direct investment from participating casinos and indirect long-term marketing commitments from corporations for theme cars and stations. The balance was financed by investment grade bonds.

A true regional system of transportation will almost certainly have to be subsidized at the state, regional, and federal level to justify adding the incremental capacity with a technologically modern design. California issued state bonds on a massive scale in order to support a true upgrading and modernization of its infrastructure and transportation system for a planned 2020 completion. The bonds will be repaid only in part from use, with the balance potentially coming from state and local taxes. In 1991, the state of Louisiana had a similar initiative to support the upgrade and augmentation of the transportation infrastructure, including highways, bridges, airports and other related assets.

The current funding gap for the RTA is being generated by operational realities. For 2007, at current service levels (60% of pre-storm), a \$13.6 million subsidy is being provided along with a \$14.8 million defeasance on debt service. The operating deficiencies are not gaps that are readily filled by alternative funding sources. The existing commitment from the FTA and the LADOT will have to be continued. Visionary reconfiguration of the system longer term would have to be supported by the same agencies, with a very large strategic capital allocation from government bond issuances.

Louis Armstrong International Airport

Pre-Storm Analysis

The Louis Armstrong New Orleans International Airport (“Airport”) plays an integral role in the local economy as the gateway to the tourism industry, one of the mainstays of employment, and one of the few sectors that had experienced continuous growth before the storm. The economic activities directly related to the Airport generate hundreds of millions of dollars of income and thousands of jobs. The Airport also provides crucial services to local business and industry.

In a report published in May, 2004, by Timothy Ryan of the University of New Orleans, the economic impact of the Airport was analyzed, providing a frame of reference to the importance of the overall operation prior to the disruptions from the 2005 storms. The report analyzed the economic impact of the Airport for the full year 2003.

According to the report the Airport contributed over \$1.09 billion annually in direct and secondary spending to the New Orleans area economy. As part of this impact, over 12,400 jobs, or roughly 2% of all jobs in the metro area, were supported. Total earnings from this employment translated into almost \$500 million and generated over \$71 million in tax revenue for the state and local governments. The Airport was also the conduit for 58% of all visitors to the city, which supported \$2.6 billion of additional tourism and convention spending.

In conjunction with the strong economic impact of the Airport to the state and local areas, the financial and operational aspects of the facility as a whole were very well regarded. Throughout the early 2000’s, passenger volume was steadily increasing and resulted in increased revenues and capital sources derived from landing fees, airport leases, Passenger Facility Charges, Passenger taxes, and Federal Funds provided by the Federal Aviation Administration (AIP grants). The FAA provided discretionary funds, which were not passenger driven per se, but also provided improvement funds and entitlements that were based upon the number of passengers utilizing the Airport. Accordingly, as the level of passengers increased, the level of capital and revenues from most sources increased as well.

With the passenger and revenue growth during the period of 2002 through 2004, the airport was able to support operations, capital investment and pay debt service in excess of \$21 million annually. In fact, total debt decreased from \$184 million in 2002 to a little over \$167 million in 2004. Standard & Poor’s had assigned a debt rating of A on the revenue bonds, signifying the strong investment grade financial and operational condition of the Airport.

In terms of Capital Projects, the Airport was continually investing in facilities and operations to accommodate the growth plans and upgrades necessary to remain a Class A institution. In the 2005 Capital Improvement Plan submitted prior to Katrina, the Airport was budgeting a total of \$141 million to be invested in 2005-2007 for perimeter security and upgrades, terminal improvements, apron expansion, runway rehabilitation, levee improvements, and terminal expansion and connections. The proposed budget was to be financed through an almost equal combination of funds generated from the FAA and bonds supported by Passenger Facility Charges.

Post-Storm Analysis

Asset Damage/Impairment

Shortly before and then after the hurricane, the airport was basically closed to all airline traffic. Despite the immediate impact, a dedicated staff was able to make the facility available to emergency and relief workers for staging in recovery operations. Maggie Woodruff, Deputy Director of Community and Governmental Affairs, personally drove to Baton Rouge to advise the Governor and staff that the airport was open and available to assist in any rescue and staging operations. The terminal lobby was used as a medical facility and the offices were utilized for housing and operations of emergency personnel.

Despite the devastation from Katrina and a subsequent tornado in February 2006, the Airport facility held up against the destruction better than most agencies. The total estimated damage was approximately \$25.6 million. The major damage was to the roof, exterior and interior of the terminals, concourses, transportation and parking facilities, as well as the ancillary facilities. Similar to the Port, the Airport had very good insurance coverage which has thus far paid \$12.5 million in claims coverage. An additional \$2.7 million is still being negotiated under the insurance settlement. The FAA (via AIP Funds) has agreed to reimburse the Airport for \$7 million of the damage repair, and so far has advanced \$3.5 million of the money. FEMA has also paid \$3.5 million of obligated PA money.

A study is in progress to formulate a preparedness plan to harden facilities and to ensure uninterrupted service through another disaster, which is estimated to cost, through implementation, an incremental \$22 million. FEMA will be asked to fund the additional implementation as part of the Airport's Hazard Mitigation request.

The bulk of the Hurricane Katrina Rehabilitation program has been funded or obligated to date with a small portion of the insurance proceeds still in negotiation. Not only did the Airport staff and contractors do a good job at quickly estimating the damage and submitting the appropriate claims, but employees were expeditiously dispatched to begin the recovery work that is now progressing toward completion. There is not expected to be a significant

funding gap for the Airport as it relates to damaged assets or facilities and disaster recovery funds.

Operation Impairment

Despite the critical role played by the Airport in the aftermath of the storm, commercial operations were severely impacted due to a dramatic decrease in passengers, charter, and cargo flights. On average, there was a 42% reduction in all aircraft arrivals and departures. Currently the airport is operating at roughly 65% of pre-storm levels. With an operating budget of around \$60 million, approximately \$25 million of revenue is generated from sources not directly attributable to the airline landing fees and leases. After the storm, negotiations with the airlines were not finalized and are now handled on a sliding scale basis. The fees and leases would typically be negotiated with the airlines to cover a large balance of operating costs. The \$9.50 per passenger that was charged before the storms has remained flat despite the decrease in passengers. The Airport estimates that it would have to charge \$20.00 per passenger to fund the deficit. The Airport has not done so in order to promote business and to create an incentive for airlines and passengers to utilize the Airport. Due to lower revenues, the net result for the Airport in 2005 was an \$8.4 million loss. At current operating levels, the Airport would generate additional operating losses of \$12 million in 2006, \$11 million in 2007, and \$6 million in 2008.

The Airport has used emergency funding from federal and state sources in the form of grants and loans to meet its operating obligations. FEMA has extended \$10.9 million in Community Development Loans, partially used to offset the 2005 operating deficiency. The Airport has also secured \$35.4 million in GO Zone notes which will be used to pay principal and interest on existing debt while extending the maturities and lowering the implied interest rate. Unfortunately, because of the operating challenges, the Airport's total outstanding debt, which was decreasing consistently before the storm, has increased from \$167 million in 2004 to over \$206 million currently. Standard & Poor's has downgraded the revenue bonds from the investment grade rating A to below investment grade BB. This dramatic six level decrease to "junk" status will impair future debt issuance and make debt financing significantly more expensive.

Funding Needs/Sources

Despite the Airport's ability to address asset damage through recovery funding like insurance, FAA and FEMA, operations continue to lag pre-storm levels and have created a constraint to future viability and growth. As with most recipients of CDL and GO Zone notes, the proceeds were desperately needed to fund short-term obligations. In the case of

the Airport, agency forgiveness from these additional obligations is very important to regain a stronger debt rating and debt liquidity for future funding needs. There is precedent that in other disasters, these obligations have been waived by the issuing authority. This would free up 23% of original debt capacity.

The East/West runway rehabilitation was started before Katrina and recently completed despite the operational difficulties caused by the storms. The cost of the refurbishment was approximately \$80 million. The funding of the project was allocated from FAA (AIP) funds, a short-term line of credit intended for refinancing by future long-term bonds backed by PFC funds, and a small portion of operating funds. AIP funds contributed so far equal \$28.2 million, or 37% of the eligible costs. Increasing the AIP participation from the 37% to the full funding permitted, which is 75% of eligible costs or \$57.1 million, would free up approximately \$29 million of PFC funds that could be utilized for additional capital projects. Additionally, \$23 million of eligible state grant funding could further be used to free up additional PFC funds and operating funds that were used to finance the runway. In essence, FAA and state grant money eligible to support this project could provide the Airport with reimbursement of \$52 million of internal funds and PFC debt capacity used to invest in and expedite the rehabilitation.

The Airport has delayed the five year Capital Improvement Program until passenger traffic recovers to more normalized pre-Katrina levels. However, Airport management feels that in recent meetings with representatives from the FAA, that the grant money provided to repair and replace damaged facilities has left the future commitment of additional AIP grants in limbo or in a status quo mode. No expansion discussion is occurring with New Orleans even though a \$70 million expansion was recently supported by the FAA in Gulfport, an airport that handled 10% of the passenger volume.

The Airport's new five year plan calls for an investment of over \$220 million, mostly in the expansion of existing concourses and loading bridges, taxiways, and acquisition of limited land surrounding the Airport. Management feels that the new development is critical to increasing passenger levels to pre-Katrina and beyond. While the majority of the proposed development would be supported by PFC and bond financings, if available, the continued support of AIP grants (26%) is critical as the cornerstone to the overall program. Airport lobbying efforts need to be augmented at the Federal level with the FAA. The initial contention is to support the Airport at historical levels. Incremental funding for growth should be pursued in tandem.

As part of the Hazard Mitigation funds that will be made available through the LRA and funded by FEMA, the Airport has proposed a \$22 million plan to further harden existing facilities and capabilities. If this funding can be obtained, it would provide incremental funds for projects that are utilizing valuable internal and PFC capacity that could be directed elsewhere.

The Airport reported a few weeks ago that the existing parking structure used to support the facility was full to capacity, forcing the diversion of additional customers to more remote parking areas. According to management, the Airport has migrated from a predominately destination airport, to one that now operates as a commuter operation. Additional funding could be raised by the Airport, assuming that the structure is owned, by contemplating a privatization, sale/leaseback, or even outright sale of the facility to a third party. Also, if additional parking capacity is required on an ongoing basis, a new facility should be contemplated on a similar arrangement. Proceeds could be realized from the sale of the existing property, sale or lease of land for the new parking area, and ongoing rental or revenue share in both operations.

The Airport should also be considered for an expanded/new cargo operation as well. The Airport had only limited cargo traffic prior to the storm and has a small operation currently. If a cargo “hub” could be established to capture additional business from the aforementioned CAFTA that is being negotiated, new business relationships could be formed with Central and South America companies. A hub operation would not only create additional cargo revenues, but may also support headquarters, maintenance and other required ancillary services for third parties which could exponentially stimulate new financial opportunities. Supported by a \$500,000 feasibility grant, the Louisiana Airport Authority is reportedly assessing a new cargo facility 70 miles from New Orleans.. Resources should be allocated to ensure that any new cargo operation takes into account the valuable infrastructure and growth opportunities already existing in New Orleans. A business case study should also be performed to analyze the recent implementation and economics of a cargo hub at the Incheon airport, which used a similar business model to support expansion.

On a similar note, an expanded airport operation should also take into consideration the new Airbus A380 platform that is seeking final FAA certification. The two story super jet is the largest commercial aircraft in production. Reportedly, only one U.S. airport, San Francisco, is currently configured to handle the large aircraft and the passengers that it would transport. Assuming this new platform could attain a modicum of commercial success and subsequent orders by airlines, New Orleans could be uniquely positioned to build expanded facilities to become a hub operation that further transports incoming passengers to final destinations. Once again, the support of a new commercial platform could also translate into additional support facilities like headquarter operations and maintenance operations, exponentially increasing the financial impact of expansion.

If the Airport’s expansion to support increased cargo and commercial operations is viable but limited by surrounding land constraints, additional analysis should be initiated to revisit the relocation of the Airport operation to a new venue. In the past, consideration has been given to moving the entire operation to a location within the Orleans area. Although this report does not delve into the merits of those past discussions, if plausible as part of a larger

planning initiative for the future, the relocation and rebuilding of such a large scale project makes more sense after such a large scale disaster has occurred. In discussions with industry experts, rough approximations for the expansion of the existing airport were historically priced in the range of \$5-6 billion for invested capital. A new facility, which could be designed to accommodate the new growth as well as provide state of the art technologies and configurations, including parallel operations, could be constructed for a reported incremental \$2-4 billion. Given the capital outlay and complexity of such a large scale endeavor, more detailed analysis would be required to assess the feasibility as well as economics of increased revenues, expenses and ability to repay this investment. However, given that the Airport is already such a critical asset to the area, it is important to leverage the operation to the greatest extent possible to provide additional economic development and resources.

New Orleans Public Belt Railroad

Pre-Storm Analysis

The New Orleans Public Belt Railroad (“NOPB”) was created in 1908 as a short line railroad to connect all of the class I major railroads with the riverfront and Port docks. The impetus for the NOPB came about when multiple railroads terminating in the city created congestion and safety concerns in the streets and at the Port. The NOPB created a uniform, impartial and cohesive conduit from the rail yards to the Port.

In addition to acting as the intermodal gateway to New Orleans, the railroad owns and maintains the Huey P. Long Bridge, the longest rail bridge in the world. NOPB has over 100 miles of track with eight engines, over 250 boxcars and 65 gondola cars. Most of the railcars that are moved by NOPB are owned by the railroads that it services: Burlington Northern Santa Fe, CSX Transportation, Canadian National/Illinois Central, Kansas City Southern, Norfolk Southern, and Union Pacific.

Historically the majority of NOPB’s business consisted of moving railcars and freight to the riverfront docks. However, in 1995, with the Union Pacific acquisition of Southern Pacific, NOPB became an agent to transfer cars between the two rail yards. In recent years the rail yard transfer business constituted 85% of the NOPB business while riverfront dock transfers were reduced to 15% of overall activity.

Prior to the storms, all of the NOPB operating and capital costs were covered by revenues. In fact, the last time the entity was funded by the city was in 1910. A number of years ago NOPB borrowed money to purchase new locomotives, and subsequently repaid the loans in full. More recently management has maintained a policy of no third party funding and has used excess operating funds to cover capital and reserve costs. In 2004, NOPB reported \$14.5 million in annual revenues and a net operating profit of \$3.4 million. The cash reserve for capital and maintenance at the end of 2004 was \$11 million. Capital expenditures averaged approximately \$2.5 million per year.

Post-Storm Analysis

Operation Impairment

According to John Morrow, the NOPB was virtually shut down for four months following Katrina. The facilities were used by the National Guard and the U.S. Military as a staging ground, refueling yard, and housing for the troops. With some supplemental revenue recognized from the recovery activities (although at no margin), and a rise in tariff prices

earlier in the year, revenues of \$12.7 million were still achieved for 2005, or less than 10% of pre-storm normalized revenue. Operating profit however, was only slightly better than breakeven due not only to \$3.5 million in lost revenue, but also because NOPB continued to pay full salaries to all employees (98%) who were willing to show up and help with the recovery efforts. The NOPB also lost approximately \$1.6 million in lost H & W and railroad taxes.

The net result was the NOPB used \$6 million of its cash reserve to support operations during clean up and to begin recovery and repair work to its equipment, track, and facilities. The NOPB did not petition for any CDL loans to support operations. Through diligent financial management both before and after the storm, the NOPB was able to support recovery efforts, support recovery workers, support its own personnel, and begin to repair its business without borrowing money or furloughing any staff. Once the Bay-St. Louis bridge was reopened, the NOPB was positioned to assume almost full operations. Results for the eleven months in 2006, with the diligent recovery work and higher tariffs in place, are expected to produce \$17.3 million in revenues with a \$5 million net operating margin. Management was able to bring the business back from a shutdown of four months to a highly successful financial and operating year in 2006.

Asset Damage/Impairment

Despite the success that the NOBP had in managing operations, the storms were very destructive to facilities and assets. Total damage (not including the loss of revenues) was approximately \$43 million. The largest estimates for damage were tracks (\$25 million), facilities (\$8 million), signals (\$4 million), Huey P. Long bridge (\$3.4 million) and rolling stock (\$2.5 million). Unfortunately, because of the historic nature of the facilities, insurance deductibles were very high and other assets were not insured at all. The NOPB expects little or no proceeds to be covered by any insurance policies.

FEMA has obligated \$4.1 million thus far against eight PW's; only a little over \$1 million has been received to date. The remaining eight PW's that are still open account for an additional \$25 million in claims, but there are no indications as yet to expected obligations or funds from those filings. Since the historic rate on PW's that have been obligated run less than ten cents on the dollar of damage, the NOPB is expecting only another \$4-5 million of total proceeds to come from FEMA.

Funding Needs/Sources

If the additional proceeds are realized, the NOPB will have a funding gap relating to asset damage assessments in the range of \$30-35 million. Net operating revenues and cash reserves could be used to further close the gap, but doing so will leave the operation without

sufficient funds to make anticipated capital expenditures of \$9 million in 2007. Management has vowed not to take on any debt, if possible, that would encumber future operations.

If a business plan to support the future expansion of the Port includes relocation and expansion of facilities along the river, the NOPB could provide a strategic asset to assist in implementing this strategy. With tracks and access already in place throughout the Port area, the NOPB could return to its historical role as an inter-terminal transporter of containers and other cargo between the rail lines and the cargo ships. The cargo ships that arrive in port could utilize barge transportation for heavier bulk freight going up the Mississippi or could be loaded via NOPB onto rail cars for shipment to the rest of the country. The railroad would need only a modest investment in track and equipment to accommodate a large increase in cargo business. If such a business model could be implemented, the Port, cargo companies, and Class I railroads could be approached for captive or project financing.

Also, due to the historic nature of its facilities, there should be more exploration of funds that might be available from the Historical and/or Preservation societies that may have an interest in assisting in the restoration of the damaged facilities.

Although never approached, the Federal Railroad Administration may be a good candidate to seek grant money, especially if the NOPB is expecting to play an expanded role in commerce between the Port and the railroad companies.

Finally, the Military and National Guard used and viewed the NOPB as a strategic point to stage and conduct recovery operations. Since troops, equipment and materials could be brought in by rail and ship, the importance of the NOPB and its ties to the Port, as well as its track which runs from the Huey P. Long bridge to MRGO, were fully realized. Both should be approached for the services that have already been provided but not reimbursed, as well as for future consideration as a dedicated operation for future activities to support routine operations as well as disaster related events.

City of New Orleans

Pre-Storm Analysis

From fiscal year 2001 through 2004, the City had increasing revenue that was used to pay expenses and repay debt service. During that time general fund recurring revenue increased roughly 18% from \$405 million to \$479 million. In general, the revenues were sufficient to pay the general fund expenditures and the annual debt service of approximately \$39 million. The strength of revenue collections and increases versus expenditures translated into a BBB investment grade rating by Standard & Poor's Public Finance sector.

Analyzing the 2005 Capital Improvement Program ("CIP") for the city reveals the capital plans and needs for the various agencies prior to any storm related damage or disruption. The CIP outlined the expected capital to be invested as well as future needs for the years 2005-2009.

The focal point of the plan was the proposal to allocate \$260 million in New General Obligation Bonds, the largest referendum ever to be considered, to improve, upgrade and expand the assets of various city agencies. With a strong balance sheet and financial operating performance, the City was preparing, just prior to Katrina, to sell the bond issuance to take advantage of a BBB investment grade rating. The voters subsequently approved the measure. The priorities of the plan were set forth in the CIP.

A summary of the use of proceeds had the following breakdown: \$163 million for streets; \$17 million for police, fire, and judicial facilities; \$43.5 million for parks and recreation facilities; \$10.5 million for libraries and cultural facilities and over \$27 million for other public buildings. The plan prioritized the use of proceeds and balanced the investment across a large portfolio of city assets. At the time of the plan's approval in late 2004, the city operated over 400 buildings and maintained over 1600 miles of streets that had various needs of renovation or replacement.

In addition, the plan outlined total investment during that five year period of over \$665 million. This reflected the projects recommended for the initial budget year, approval for use of proceeds from the General Obligation bonds, projects recommended for capital reserve status with fund allocations in future years, and deferred projects for future consideration.

The largest allocation of the CIP was targeted toward the Department of Public Works. A total of \$142 million was allocated and a total of \$189 million was planned to continue the 100 miles of major/collector street construction program and the rehabilitation of more than 450 miles of minor streets in the City. An additional \$10 million targeted the urban systems

program. The balance of Public Works capital was allocated to new buildings, bikeways, and ADA required improvements.

In each of the other departments' budgets there was a combination of new facilities (including land acquisition), improvements, and renovations to existing facilities, expansion plans, and replacement projects. In an effort to identify the pre-Katrina immediate capital needs reflected in the budget, each department was viewed to ascertain the upgrades, improvements, and renovations targeted in the base year 2005. Excluded were the new and replacement facilities as well as proposed land acquisitions. This is a proxy for those capital dollars that were targeted to projects with the greatest needs for immediate upgrades and improvements. A total of \$62.5 million was slated for these projects in 2005. Taking a percentage of 2006 projects, once again trying to eliminate expansion and new facilities, approximately \$61 million was allocated for repair and maintenance needs for existing assets in 2006. These numbers reflect an approximate depiction of what the City's needs were for base case capital dollars pre-Katrina.

Post-Storm Analysis

Operation Impairment

Immediately after Katrina the City instituted an amended 2006 budget to reflect the reductions in revenues due to storm related tax collection impairment. To address the shortfall in revenues, there was a \$155 million reduction in scheduled expenditures, a 50% reduction in administrative workforce (excluding public safety positions), reductions in operating funds for all departments, mitigation of major contractual obligations, and a 30% reduction to other ancillary offices. These immediate steps were taken to offset the greater than 50% reduction in sales and property tax receipts as well as anticipated declines in other revenue sources.

At the same time, the City utilized \$33 million of bond reserves issued pre-Katrina to begin repairing and rebuilding the criminal courts, prisons, police, and fire capabilities. Limited additional funds, when available, were focused on public safety enhancements and used to conduct damage and engineering assessments to support infrastructure recovery project identification. Despite furloughing more than 3000 employees and reducing personnel, the City had to utilize over \$84 million of a \$120 Community Disaster Loan (CDL I) to sustain 2005 operations and support the beginning of the 2006 operating year. A total of \$100 million was reportedly spent just for police, fire, emergency services, and related overtime pay.

General fund recurring revenue is expected to yield approximately \$300 million for 2006 versus over \$479 million for 2004. Although expenses were reduced dramatically, the City

still had to utilize the \$36 million balance of CDL I proceeds to subsidize the balance of operations through June 2006. An additional \$10 million of GO Zone bonds were used to subsidize principal and interest from debt existing pre-Katrina. The City was able to secure an additional CDL II loan of \$120 million in July 2006, part of which is expected to support the balance of the 2006 deficit (approximately \$17.6 million). The balance of the CDL II is available to be utilized, if necessary, over the next four years to support operating deficits.

The proposed 2007 budget projects revenues of \$405 million, or 86% of pre-Katrina 2005 budget of \$472 million. However, the recurring operating revenue portion of the General Funds is expected to be only 70% of the pre-Katrina budget, or \$334 million. The 2007 budget includes approximately \$49 million utilization of CDL II proceeds and \$21 million in GO Zone debt relief, for a combined \$71 million in operating and debt service subsidies. The City is forecasting that by utilizing the remaining CDL and GO Zone proceeds over the next couple of years, by 2011 recurring revenues will sustain the projected operating expenses.

As of 12/5/06, Standard & Poor’s issued its second upgrade for the City since Katrina, raising its outlook on the general obligation debt from “developing” to “stable”.. The upgrade reflects the expectation that revenues, coupled with extraordinary grants and loans, will allow management adequate future funds for debt repayment over and above operating expenses. However, S & P continues its “B” rating on the general obligation debt and a “B-“ on the limited tax obligation debt which is significantly below investment grade rating minimums of “BBB-“. The City continues to work closely with the Rating Agencies to expedite the continuous review, and hopeful upgrade, of the bonds to investment grade status. There is no certainty as to the timing of when the upgrade can be achieved.

Asset Damage/Impairment

According to a post-Katrina damage assessment report compiled by the City and various representatives, dated 1/18/2007, there was a total estimated loss of \$1.035 billion attributable to City owned properties.

City of New Orleans 2007 Capital Analysis

	Applicant's Estimate	Identified Sources			Identified Total	Potential Needs
		Insurance	Obligated PA	Expected Obligations*		
Public Safety	\$109,061,200	\$4,900,380	\$46,697,455	\$27,000,000	\$78,597,835	\$30,463,365
Quality of Life	\$183,370,680	\$3,344,692	\$45,482,894	\$40,000,000	\$88,827,586	\$94,543,094
Public Works	\$729,048,899	\$680,879	\$8,216,114	\$628,000,000	\$636,896,993	\$92,151,906
Property Mgmt	\$13,816,500	\$816,692	\$5,949,301	\$1,500,000	\$8,265,993	\$5,550,507
Total	\$1,035,297,279	\$9,742,643	\$106,345,764	\$696,500,000	\$812,588,407	\$222,708,872

* Includes additional FEMA funding

* Public Works - Includes additional FHWA and LRA funding

The property damage assessments for various City departments were broken down into the following categories: Public Safety; Quality of Life; Public Works; and Property Management. Public Safety includes NOPD, NOFD, courts, prison, EMS, juvenile, EOC, and telecommunications. Quality of life includes Parks and Parkways, NORD, Municipal Yacht Harbor, libraries, health clinics, nursing homes, museums, and theatres. Public Works includes roads, bridges, catch basins, drains, and sanitation. Property Management includes City Hall, City Hall Annex, Gallier Hall, etc, cemeteries, vehicles, and contents.

The stated damage estimates are now ranging higher due to additional degradation of the assets since the storm as well as reported escalating costs of labor and materials required to repair the properties. According to the CAO, the estimate for the same properties is now approximately \$350 million.

Education

According to Alvarez & Marsal, the Recovery School District (“RSD”) was appointed to assume control over 112 out of 128 facilities just prior to the storm. The Orleans School District owns another 20 facilities that are not schools. Estimated capital needs before the storm were in excess of \$500 million.

The estimated storm damage to facilities, infrastructure and contents is \$600-800 million (80% flooded).

A total of 54 public schools are currently open, with 98% capacity and an enrollment of roughly 27,000 students (versus 59,000 before the storm). A total of 9 more schools are undergoing renovation with expectations to be open by the next school year, with an additional 10 sites identified for modular structures. The RSD is putting together a long-term plan which will be presented in March 2007 relating to school repairs and openings beyond next year.

The school repairs to date have totaled \$103 million, for work that has been completed or is in progress. The funding has been received from the following sources; \$68 million from FEMA for structures with 51% or greater damage (qualifying for demolition and rebuilds); a \$28 million advance from the LRA CDBG commitment; and, an advance of \$25 million from expected insurance proceeds.

A total of \$488 million of PW’s have been submitted by the Recovery School District for structural and infrastructure damage. Another \$50 million of PW’s are in process related to

demonstration and modular class room damage. In addition, approximately \$115 million has been filed for content damage that the RSD feels should be covered by FEMA.

Total Recovery resources are expected from the following sources: \$585 million from FEMA; \$90 million from insurance proceeds; \$175 million from the LRA CDBG allocation; and, the Department of Education's Restart program, which has committed up to approximately \$200 million including paying the 10% match for content reimbursement not covered by FEMA.

The RSD furloughed approximately 7500 employees after the storm and has rehired or staffed the schools as needed as they reopen. Currently Alvarez & Marsal is running the schools on a breakeven or better operating basis.

The RSD had approximately \$270 million of total debt prior to the storm. The debt has been restructured to have interest only payments for the next five years. The plan is to pay down the indebtedness through the disposition of up to 50 buildings over the medium to long-term. Currently, two buildings are on the market with an asking price of roughly \$5 million.

Medical

LSU/Veterans-replaces Charity and University Hospitals
\$950 million versus \$650 million original estimate
LRA=\$300 million (still in negotiations)
FEMA= \$100 million
Tax Exempt bonds=\$550 million

The assets directly owned and controlled by the City have been included for damage and obligation capital in the overall assessment listed above. However, in addition to the repair of existing community health care facilities, the acquisition and refurbishment of the Methodist facility in New Orleans east is also suggested.

The project would include the acquisition and revitalization of the existing Methodist Hospital site in the New Orleans East area. The current owner does not intend to reopen the facility and has indicated a willingness to sell for a negotiated price. Reportedly, the first floor of the facility, which housed records, admissions and radiology, was damaged by three feet of water and will have to be totally refurbished. The second and third floors, which housed the OR, ICU and delivery rooms were untouched and weather proofed to prevent further storm degradation. The first floor will require nominal repair to building and infrastructure, with FF &E replacement for the medical records and reception areas. Most of the equipment for the radiology area will also have to be replaced. The majority of the rest of the building will have minimal repair and can be cleaned and reopened in place.

The acquisition cost of the existing PP &E, as is, has been verbally estimated to be \$15-20 million, but could be further negotiated. Additional clean-up and repairs, along with FF & E for the first floor will approximate \$1 million. The equipment costs needed for radiology and medical records has been verbally committed to by Siemens and Intel. The majority of existing equipment on the second and third floors can be cleaned and reused in place. The annual operating and maintenance costs for the facility are currently being analyzed by Deloitte, which has been retained to perform a feasibility analysis on the proposed project.

Dr. Kevin Stephens, Director of Health, has conducted preliminary conversations with the current owners and potential public/private partners to establish preliminary estimates. Also, the Methodist Foundation, has verbally indicated a willingness to participate in Quasi-equity funding of the acquisition. The balance of funding, construction and permanent financing (up to 90%) can be obtained through the HUD 242 program, on a 25-year term. Siemens is considering donation of all equipment to provide a state-of-the-art hospital facility that can showcase its latest technology. Intel has committed to providing equipment and ongoing technical support for the electronic records and IT component of the facility. The US Department of HHS has also allocated grant availability of \$15 million to New Orleans for recruitment and retention of health care providers, which could be further utilized. Ultimately, the City will negotiate a third party operating agreement with a qualified firm to operate the facility on a long term basis, subject to a Needs Certification and positive feasibility assessment.

In addition, an integral part of the health care system redesign being coordinated with the Louisiana Health Care Redesign Collaborative is to offer the Medicaid uninsured population access to a choice of affordable health insurance coverage for high quality care. This will be accomplished through an administrative function called the “Health Insurance Connector.” The Connector will be an administrative entity for easily connecting any individual needing health insurance to the affordable options for insurance coverage that are available to them. The entity will ensure that all citizens have affordable health insurance options.

Health Information Technology has been identified as a critical piece to redesigning a patient-centered health care system. In order to participate in the medical model system of care, providers in New Orleans would be expected to use an electronic medical record or equivalent technology. Dr. Stephens, as mentioned above, is working closely with the Intel Foundation to implement a required system. Intel has provided hardware, software, and ongoing support services to implement a one stop solution for electronically tracking multiple facets of the medical record requirements.

Sewerage & Water Board

The total capital needs over the next 25 years are projected to be in the range of \$5.7 billion, according to a report presented to the S&WB Board on December 20, 2006 by engineering firm Black & Veatch. The total need is further broken down into near term essential and immediate support needs (1-3 years) of \$1.9 billion, medium term needs (4-8 years) of \$1.5 billion with the balance being required for full recovery, repair and rebuilding over the longer term.

Sewerage & Water Board 2007 Capital Analysis

Applicant's Estimate	Identified Sources			Identified Total	Potential Needs
	Insurance	Obligated PA	Expected Obligations*		
\$3,288,646,000	\$20,000,000	\$154,595,000	\$949,000,000	\$1,123,595,000	\$2,165,051,000

* Includes FEMA, COE, & SELA; an additional \$1B requested from LRA

The near term needs of \$1.9 billion are supported by FEMA Funding, LRA match, as well as SELA and Army Corps grants. Approximately 60% of funding is identified. The S&WB has requested \$1 billion of additional funding from the LRA.

Emergency Needs

Drainage: \$855 million

Wastewater: \$454 million

Water Distribution: \$227 million

The S&WB analysis identifies a \$1.14 billion near term funding gap; offset by the LRA request for \$1 billion, if obligated.

The total recovery need translates into a \$4.6 billion medium to long-term funding gap.

Operating budget, with drop in population and old mil rate, will not cover expenses. Operating budget in 2006 supported by \$31.9 million of Federal Disaster Loans and \$27.3 million in short-term loans.

Funding the Recovery and Rebuilding of New Orleans

The Citywide Team has been working with officials from FEMA, the LRA, the City, and other agencies to construct a comprehensive assessment of the funding to date in Orleans

Parish. During the first 15 months of recovery, nearly \$40 billion has been expended or allocated for recovery and rebuilding in Orleans Parish.

The majority of this funding has been directed towards individuals and property owners including residential, commercial, and government property holders. Insurance proceeds account for over \$20 billion or 50% of the current recovery funds. According to the Insurance Information Institute, 95% of private claims have been settled for homes and businesses totaling \$13.75 billion, with another \$300 million still pending. In addition, there has been \$2 billion of vehicle insurance settled accounting for 99% of the related claims.

According to the FEMA NFIP Section of LA, as of December 12, the National Flood Insurance Program has paid \$6.46 billion on 60,000 of the 71,199 claims filed. These claims are further classified as \$5.3 billion for building and structural damage, while \$1.1 billion has been paid for damage to building contents. Of the over 11,000 claims still pending, the average claim thus far has been just over \$107,000, meaning that over \$1.1 billion of claims could be still outstanding. As a side note, according to the CAO, the City has received only \$12 million of insurance proceeds to date.

Homeowners and small business owners have taken out more than \$2.83 billion in Small Business Administration loans. Despite these large settlements and loans, the Orleans permitting authority has only registered \$4.3 billion of residential and commercial permits to date. The disparity between payments made to owners and permit value to date suggests that the level of recovery funds obligated or available is not indicative of the level of cash resources that are being reinvested into real estate or communities at this time by homeowners or businesses.

Since only 67% of homes had flood insurance, there is a large population that did not have any coverage. There is another segment of owners who had some coverage but certainly not adequate to fully cover such devastating losses. The LRA has allocated Housing and Urban Development CDBG funds of approximately \$4.2 billion to provide property owners with additional resources through the Road Home program. Unfortunately, the Road Home Program has been slow to distribute committed funds. As of the first week of December, of the over 85,256 applications received, only 10,465 had benefit calculations with an average of \$65,000 per claim. Against the \$4.2 billion Road Home commitment, only \$651 million of benefits had been calculated. Little more than a handful of actual benefits had been distributed. Orleans incurred major or severe damage to over 70% of the rental units. The LRA has also allocated an additional \$1.8 billion CDBG funds to mixed income and affordable rental housing. It is unknown how much of these commitments have actually been distributed.

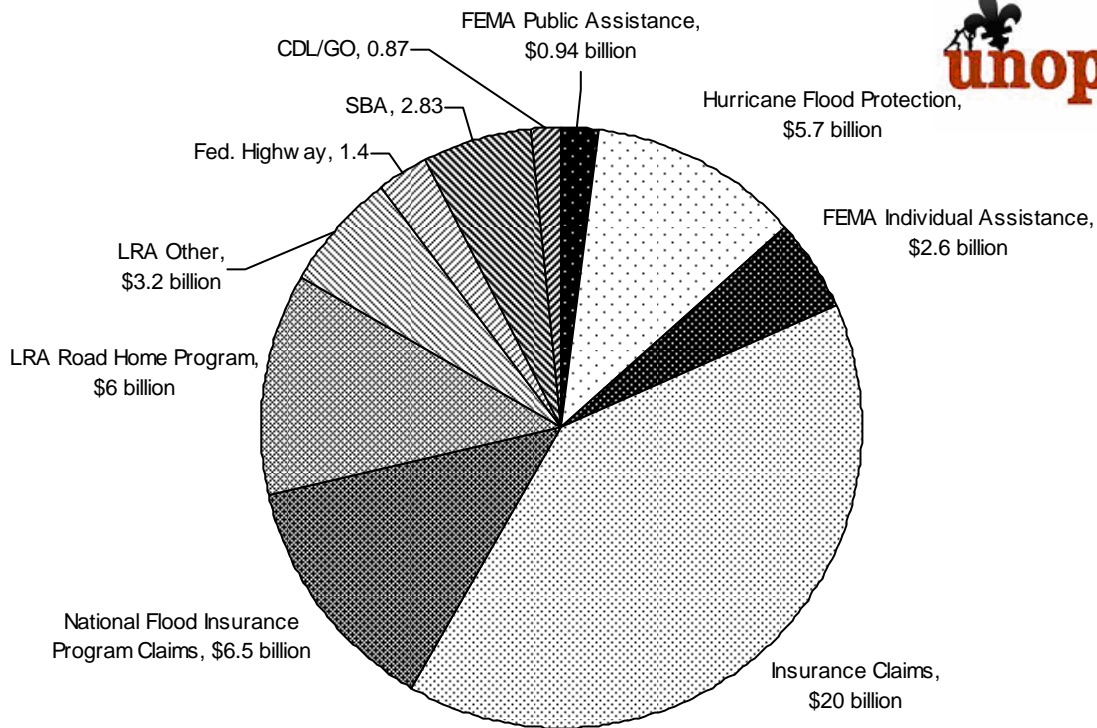
In addition to the Road Home program, the LRA has designated additional CDBG money to Infrastructure and Economic Development. These funds become extremely valuable as a

resource because of the flexibility governing there investment. At a state level, the allocations were almost \$2 billion for infrastructure and an additional \$350 million for Economic Development. As initial allocations, the LRA obligated approximately \$380 million to Orleans for infrastructure and an additional \$140 million for public school repairs. A total of almost \$4 billion of additional requests have been made since the fund was established. Since the initial infrastructure allocation an additional consideration of \$300 million has been granted to the Medical Center LA in NO, \$200 million to Entergy New Orleans, and \$40 million to private and nonprofit schools. An additional \$400 million was recently voted on by the LRA infrastructure committee reportedly leaving only \$20-40 million of the initial amount available for future projects, assuming all else remains constant.

Of the \$350 million in Economic Development appropriations, the following amounts have been announced or are in the approval process: \$38 million for small business loans and grants; \$10 million for small company training and technical assistance; \$95 million for long-term recovery loans; \$28.5 million for tourism and marketing programs; \$38 million for workforce training and placement; and, \$28.5 million for a recently issued RFP for research and education. An additional \$90 million is reportedly being contemplated for bridge loans to SBA/insurance proceeds. The City's Economic Development group is aggressively pursuing unallocated funds available for Economic Development activities. In addition, the LRA recently approved the reallocation of \$105 million from other disaster recovery programs (although the specifics are not known) to increase money available in a loan and grant program for small businesses. The initiative will provide grants up to \$20,000 and zero-interest loans up to \$250,000 to businesses that can document negative economic impact from the storms.

The LRA has also allocated \$800 million for the 10% match that FEMA does not cover as part of the PA (please see below for definition) reimbursement process. The state has agreed to make the payment but is actively seeking from FEMA a waiver of payment which is similar to what the agency enacted in disasters in New York and Florida. It is unknown at this time whether the \$800 million will be available for other recovery needs in lieu of the match payment.

FEMA has also provided \$2.61 billion in Individual Assistance funding. Approximately 65% has been paid for housing assistance including temporary housing, repair, and replacement construction. Over 345,000 individuals have been funded for other needs including vouchers, personal property, transportation, medical, and storage expense reimbursement.



For public and non-profit agencies, one of the major sources of post-disaster funds is FEMA’s Public Assistance (PA). The PA Program provides federal funds towards repairing public property, including schools, roads, pipes, sewers, and public space such as parks and open spaces. The PA Program funds up to 90% of the costs for eligible projects that are restored to pre-storm condition. However, it is important to note that PA obligated amounts that are quoted by FEMA, include 100% of the eligible costs and do not deduct the 10% match for reporting purposes. If the eligible project is an improvement from pre-storm conditions or is an alternative project, then PA funds will cover only 66.5% of the total project cost.

One-hundred sixty-four public or non-profit agencies in Orleans have filed more than 5,000 claims for FEMA PA. PA covers emergency response and clean-up costs of agencies as well as the repair of damaged structures and contents. As of early November 2006, FEMA had paid or obligated more than \$924 million for public and non-profit agencies in Orleans Parish. Of this, more than \$635 million has been obligated for facility and infrastructure repairs, and many more applications are still under review.

The City of New Orleans is the largest PA applicant in Orleans Parish with more than 819 project worksheets with an estimated value of \$398 million in PA funds. Of the 819, only 760 worksheets have been deemed eligible for reimbursement with an obligated value of \$274 million to date. Another 103 worksheets have been deemed eligible but have been

assigned a value of \$0. The City has hired Adjustor's International to appeal the PW amounts and methodology of calculation. Reportedly, there are over 70 different points relating to the PW process that are being contested. FEMA has paid on 308 of the project worksheets for a value of \$135.5 million. However, the vast majority of the funds paid to date have been for the emergency response and clean-up initiatives. Another \$92 million has been obligated by FEMA for facility and infrastructure repairs. Since this is a reimbursable amount, none of the obligations have been paid pending the City initiating the projects and submitting receipts for work completed. This has created a cash flow constraint to beginning a significant recovery and rebuilding program. On the upside, PA amounts could increase if the work performed in the same scope of the PW's obligated actually cost more to complete than was estimated. FEMA has agreed to cover the actual cost of repair work performed.

According to the CAO's summary dated 12/14/06, the City has approximately 108 more project worksheets that are still to be written and submitted. Although the values are not known, the incremental worksheets are estimated to be in excess of \$400 million, including \$300 million for street related damage in process through Public Works. According to Robert Mendoza, even this estimate for road repair is designated to "flooded" streets only. The actual damage and repair need should include the 20% of streets not flooded but needing work. Mendoza still expects the \$168 million of Bond proceeds, when issued, to be targeted to roads as prioritized in the 2004 CIP.

The streets and roads have several different classifications and are funded from different entities. According to the Regional Planning Commission ("RPC"), the state-owned roads in Orleans are eligible for federal funding which allocated roughly \$12.5 million per year before the storm to the region, roughly 50% of that amount to Orleans. After the storm, the Federal Highway Emergency Relief program allocated \$1.1 billion for statewide highways. However, \$800 million of this amount was targeted for the I-10 twin span bridge, with only \$300 million left for the entire state road system. Reportedly, the state is expecting another \$300 million to be allocated to roads as part of a more recent funding initiative. The RPC has recently approved \$150 million of immediate roadway capital projects in Orleans. Annual sources of funding to the RPC include the National Highway System (Federal), Interstate Maintenance (90/10 Federal/State), Federal Bridge Replacement, Surface Transportation Enhancement Program (Federal), STPFLEX (80/20 Federal/State), and DEMO (Congressional Earmarks).

The RPC has 142 Damage Inventory Reports (DIRs) submitted to the DOTD. Initial indications are the Federal Highway Administration is estimating the damage to be approximately \$35 million versus internal RPC estimates of \$190 million. Other revenue for repairs is expected from Economic Development Grants (Main Street Initiative, but proceeds are unknown), Florida Avenue Bridge Project for \$210 million which is 100% state funded and approved prior to the storm, Transportation Infrastructure Model for Economic

Development (TIMED) which is a 4 cent per gallon tax, and tolls from the various bridge collections.

The City and other public agencies are still conducting due diligence and either reassessing damages or filing new claims for PA and insurance reimbursements. These efforts will continue for months, even years, and more funding will continue to flow into the Parish to cover the repair and rebuilding costs over time.

The Federal and state governments also approved approximately \$409 million in a GO Zone bond program and an additional \$465 million in a Community Disaster Loans (“CDL” program). The GO Zone program is available to government entities to use to repay principal and interest that is due on existing obligations to prevent the default on payments due to disaster related curtailment in tax and other revenues. The GO bonds are typically low interest loans, which are interest only for the five years, and provide immediate debt relief by extending maturities to longer term obligations.

The CDL program provides government entities with loans that can be used to subsidize operating budgets, once again giving agencies the ability to continue to fund payroll and expenses during a time of decreased revenues. Both programs are considered debt obligations and can constrain debt capacity of the agencies going forward. As a side note, reportedly in other disaster scenarios, similar relief obligations have been converted to grant status or forgiven as indebtedness obligations. In the past, the President had to make such a declaration. The power of conversion has recently been extended to the Congress as well.

Also, Orleans Parish will be a major beneficiary of the \$5.7 billion that the U.S. Congress has allocated for hurricane flood protection upgrades and planning. However, only \$748 million has been obligated for these repairs, and less than this has actually been spent in the initial phases of levee rebuilding and repair. The balance of the work will be performed over time, and is mainly controlled by the Army Corps.

The City’ near-term recovery funding will continue to be driven by the FEMA PA reimbursements. As noted, there is a wide discrepancy between the currently obligated amount of \$92 million for reimbursement for equipment, building and other assets, and the additional \$100 million that the City and its contractors feel is eligible for reimbursement. Negotiations and discussions are ongoing as it relates to obligated PW amounts, obligated PW’s that are \$0, and other PW’s that have been deemed ineligible. There is also the \$300 million for Public Works to repair and rebuild roads, which is not reflected in the obligated total. In order to spur the actual recovery and rebuilding, the City is currently negotiating a \$150 million bridge facility with a bank group. The proceeds of the loan will be used to begin the repair construction, and once reimbursed by FEMA, the loans will be repaid.

Additional proceeds will be available and need to be maximized for the FEMA Hazard Mitigation funding. The City has completed its comprehensive Hazard Mitigation plan and has submitted the plan for consideration. The plan details procedures and priorities for mitigating risk to property within the City. Projects submitted pursuant to the plan are then competitively ranked by the State against projects submitted by other eligible Parishes. A total of approximately \$75 million is being requested in conjunction with the City plan.

The LRA has also committed to fund the 10% match that FEMA reimbursement does not cover. Based upon the damage assessments and the current level of FEMA commitment, the City hopes to receive approximately \$50-100 million in additional proceeds from the LRA. Negotiations are currently taking place between the City and the LRA.

A majority of the almost \$40 billion in recovery funds thus far obligated target individuals for rebuilding residential, rental, and commercial sectors with promised flood protection in the future (\$15 billion insurance, \$10.8 billion IA/CDBG and SBA loans, and \$5.7 billion for Flood Protection). Although obligated or paid on claims, very little “cash” investment has reached the communities and the streets. The remaining identified and somewhat quantified recovery funds, PA, CDBG Match, and Hazard Mitigation will be paid over a longer period of time and are projected to be inadequate to cover the City’s billion dollar infrastructure recovery needs.

Financing Plan

FEMA PA Reimbursement

In each agency there are PW claims that are being contested. There are numerous claims that have been deemed ineligible, which are being revisited with FEMA representatives. There are also PW's that have been assigned a \$0 value for reimbursement, which are also undergoing the same level of scrutiny. In other cases, the FEMA PW amount is significantly less than the applicant's damage estimate, which can be a result of errors in the calculation methodology or in an assessment of the pre-storm existing condition. Also, as mentioned, the actual PW amounts will be adjusted upward if approved and eligible projects are implemented under the defined work scope parameters, but actually cost more to complete than the original estimates. In this case, FEMA reportedly agrees to cover the actual construction cost incurred if greater than the PA amount obligated.

John Connolly, FEMA PA Branch Chief, has recently announced a program to expedite reimbursement on the top five identified PW's by Parish to "prime the pump" and advance the flow of funds against obligated projects. He further stated that once the initial five were completed, then an additional five would be targeted.

Hazard Mitigation

The initial allocation of FEMA HMGP sources of funds identified by the LRA were \$1.17 billion related to the Road Home program and \$330 million related to infrastructure. Although most agencies have included HM plans as part of the PW process or, like the City as a separately submitted document, it is not known how these funds will be obligated and distributed.

Road Home Not utilized

Program to offer homeowners' buyout options

Other Federal and State Agencies

Prior to the storms, Orleans received Federal Awards from the following agencies for the year ended 12/31/04:

U.S. Department of Agriculture	9.96 million
U.S. Department of Commerce	.05 million
U.S. Department of HUD	27.11 million
U.S. Department of Interior	.27 million
U.S. Department of Justice	5.07 million
U.S. Department of Labor	8.28 million

U.S. Department of Transportation	1.64 million
U.S. Department of Treasury	0
Environmental Protection Agency	.34 million
U.S. Department of HHS	15.46 million
U.S. Department of Homeland Security	<u>3.52 million</u>
 Total	 \$71.70 million

Proceeds to the City from Federal sources have declined dramatically and consistently since 2000. In 2005, the grants totaled only \$55 million. The major source of decline continues to be HUD, which decreased from \$27 million in 2004 to only \$10-12 million in 2006. All agencies should be pursued aggressively for incremental grant funds.

Economic Development Corporations

EDC’s generally are established to assist existing and new businesses located in a geographic area through a variety of activities including grants, loans, expertise, or creation of designated commercial or industrial areas. EDC’s are formed to provide assistance to induce new businesses to locate to the area or provide assistance to existing, emerging businesses so that they remain viable. The EDC’s can provide low-interest loans, facilities, and equipment to businesses as well as clerical and technical services in an effort to encourage business in a depressed area. The services provided are typically at a reduced market rate or free of charge. EDC’s can be established or sponsored by state or local governments, affiliated with universities, or can be an extension of existing tax-exempt entities. The basis for tax-exempt status is that although the services are provided to for-profit businesses, the ultimate benefit received by the general public outweighs the benefit accorded to the direct beneficiaries.

EDC Successes:

- NY City
- Newark, NJ
- Boston
- Potomac Corp. DC
- Inner Harbor- Baltimore

Public/Private Partnerships

A Public-Private Partnership is a contractual agreement between a public agency (federal, state or local) and a private sector sponsor. The agreement sets forth the skills and assets of each sector (public and private) that are shared in delivering a service or facility for the general public. In addition to sharing the resources, each party shares in the risks and rewards potential in the delivery of the services and facilities.

There are a large number of different structures that can be utilized according to the National Council for Public-Private Partnerships, but below are listed a few with greater relevancy to the City of New Orleans. These structures are subject to the latest guidelines set forth by the IRS and other relevant agencies.

Buy/Build/Operated (BBO)

A BBO is a form of asset sale that includes a rehabilitation or expansion of an existing facility. The City would sell the asset for a nominal price to a private sector entity, which then makes the improvements necessary to operate the facility in a profitable manner.

Developer Finance

A private party finances the construction or expansion of a public facility in exchange for the right to build housing, commercial stores, and/or industrial facilities at the site. The developer contributes the capital and could also operate the facility. The developer gains the right to use the facility and may receive future income from operating or user fees. The developer could also choose to make a capacity payment for a right to use a portion of the property, which proceeds can then be used by the City to repair or improve the public facility.

Lease/Develop/Operate

The private party leases or buys an existing facility from the public agency, invests the capital to renovate, upgrade or expand the facility, and then operates it under a contract with the City. If the City does not need the entire facility, the private party can contact with other third parties for the balance of the space.

Sale/Leaseback

This is a financial arrangement in which the City sells a facility to a private entity, and leases it back from the owner. The lease would contain the provisions necessary to specify what improvements would be required, and which party would be responsible for making the improvements.

Tax Exempt Lease

The City finances the repair or improvement of capital assets or facilities by borrowing funds from a private investor (institution). The interest component of the lease payment is tax exempt. The title of the asset transfers to the City at the end of the lease.

Foundations/Corporations

Major corporations announced a \$1 billion commitment to help rebuild storm damaged areas of the Gulf Coast. As part of the Gulf Coast Rebuilding Challenge, corporate sponsors will channel long-term, private sector financing into community banks that will use the proceeds for loans to homeowners wanting to rebuild. Microsoft, Home Depot, Bank of America, General Motors, Fannie Mae and the First American Corporation have set a goal of \$1 billion over the next five years.

NORA

An agreement ratified on December 11, 2006, gave the New Orleans Redevelopment Authority additional authority beyond its traditional role of seizing and selling blighted property. The authority is now charged with disposing of adjudicated property, or land and buildings owned by the city because of delinquent taxes. The agreement between the NORA board and the city also designates the agency as the exclusive recipient of all properties bought by the LRA and subsequently ceded back to the city. The agency will keep half of the proceeds from properties it sells to fund operations and other expenses. The remaining proceeds will be paid to the city.

Community Development Corporations

Dillard University reestablished a non-profit CDC in 2000 and is proposing to utilize the structure to assist in the revitalization of the Gentilly community. Dillard's strategic intent is to utilize its economic, intellectual, social and cultural capital together with community stakeholders to provide leadership in the revitalization. The university's involvement will be accomplished primarily through collaboration and public/private partnerships. The vision is to revitalize housing, schools, retail commercial centers, and a community service center that includes a library, health promotions, disease prevention, wellness and recreation facilities. Partners include: Fannie Mae, Neighborhood Works, Johnson Controls, Liberty Bank, Local Initiatives Support Corp., HUD and others.

Economic Development Activities

Donna Addkison, Chief Development Officer, has represented the City on a number of strategic initiatives to further economic activity and gain commitments to sponsor staff and augment further initiatives. Below are a few that are under consideration but is not intended to be a comprehensive list.

Fannie Mae Foundation: International Manager Meeting

- Considering adding supplemental staff to the City
- Policy Links: Health Disparities
 - Considering funding Equity Development Senior Advisor
- Clinton/Climate Foundations
 - Offering cost savings by adding City to Purchasing Consortium
 - Considering sponsoring 4 FTE's: 2 for Business Development and 2 for CAO
- LRA Economic Development Grants
 - 4 separate proposals covering 6 sectors
 - Workforce development for 4 separate proposals
- EPA Grant
 - \$20MM for Lake Borne initiative
- Fast Track Initiative
 - Establish bank loan to expedite Road Home use of proceeds to residents
- Others
 - Department of Transportation
 - Economic Development Administration
 - Louisiana Economic Development
 - US Department of Agriculture
 - US Department of Commerce
 - DR CAFTA
 - INS: EB-5 to support fast track immigration status
 - Department of Health and Human Services
 - Minority Business Development Agency
 - Department of Labor
- Foundation Solicitations
 - Gates Foundation
 - Grant Makers of NY Club
 - Housing and Transportation initiatives
 - Clinton/Bush Katrina
 - Schools
 - US Chamber of Commerce
 - Solicitation of US businesses contributing to City businesses
 - Finance Innovation Roundtable
 - Community Development (Wall Street without walls)
 - City Park Donor

REIT, Venture and Seed Equity Capital, other Private sources

Chairman Powell announced plans to ask bankers and business executives to raise \$100 million as a reserve for Louisiana to finance housing construction and mortgages. Lower income residents would be encouraged to purchase homes through rent-to-own agreements.

The following list was compiled by the Gulf Coast Accountable Rebuilding Project organization, dated November, 9, 2006, to reflect possible new economic development in the private sector. This document consists of a list of possible development projects that have been proposed, are under consideration, or have moved through the approval process. The list is not comprehensive, and is based upon a variety of sources.¹

Mid-City

The Preserve: a four-story, 183-unit apartment building on the site of the former Baumer Foods plant at 4301 Tulane Ave. The ground floor would hold 261 parking spaces, with apartments above and another 33 parking spaces in a surface lot. The 208,000-square-foot complex would fill the entire square bounded by South Alexander, Ulloa and South Hennessey streets on three sides and by Tulane Avenue and an Interstate 10 on-ramp on the fourth side. Of the 183 apartments, 60 percent would be market-rate, with 20 percent reserved for people earning no more than 60 percent of the median area income and another 20 percent reserved for those earning less than 40 percent of the median income.

Treme/Lafitte

Providence/Enterprise Lafitte Development: Controversial project involving the demolition of the Lafitte public housing project and replacement with mixed income housing on the original site and nearby.

Film studio and school: two companies, Film Factory and the Louisiana Institute of Film Technology are planning a 320,000-square-foot film studio and vocational school near the Lafitte public housing complex.

Colonial Condominiums renovation: largest condo project in the Treme's history. The \$10 million, 49,000- square-foot project will house 30 luxury units and a penthouse in the historic community on the outskirts of the French Quarter.

Lakeview:

¹ Sources include news and Web reports, the Emporis database, <http://www.emporis.com/en/wm/ci/?id=101332>, conversations with community members, and others. Descriptions of each project are taken with various amounts of editing from the sources.

L'ultimate Condominiums. 21 floors, 233 feet. Originally proposed at 255 feet, a committee of local residents required a reduction to 233 feet in order to be built. Will consist of a 3 floor parking garage topped with 18 floors of condominiums. To be constructed atop the site once proposed for the [Place Pontchartrain](#).

Hollygrove/Carrollton area:

- a. Walgreens' plans for a drugstore at South Claiborne and South Carrollton avenues.
- b. Carrollton Shopping Center: old site now demolished

Audubon/University (Uptown):

University Square Apartments

Iberville Development Cluster: Five major proposed real-estate developments creating upper-income housing, parking, high-end retail space, and other intensified land uses surrounding the Iberville project.

St. Louis Place or Nouveau Carre condo towers (Thomas Bauer, Dev): The development originally was to encompass 900 condos, parking, and retail shops, and feature two or three towers as tall as 30 stories and 361 feet each; now reconfigured to 500 units. The condos' address would be 1501 St. Louis St., across the street from the Iberville public housing development. The project also would comprise one or more garages with 2,500 parking spaces, including 1,500 spaces for the condos; 240,000 square feet of commercial space for businesses such as a drugstore, restaurant, bakery or coffee shop, dress shop and dry cleaner's; and a 10,000-square-foot museum or theater that the city would be able to use to promote the French Quarter and other attractions.

Basin Street Station: Adjacent to the above lot is the site of developer and hotelier Michael Valentino's Basin Street Station, a refurbished visitor's/cultural center that he hopes to use to funnel tourist off the I-10 freeway to his hotels, or the hotels of competitors.

Krauss Building Apartment Renovation: On the opposite side of the Iberville three other major construction projects are already underway. Developer Elie Khoury's KFK Group has purchased the former Krauss Department Store Building. He plans to renovate into market rate apartments.

Texaco Building Apartment Renovations: Developer Elie Khoury's KFK Group has purchased old Texaco building at 1501 Canal Street. He plans to renovate into 98 market rate apartments.

New Orleans BioInnovation Center: Sitting in between Khoury's two properties is the future home of the New Orleans BioInnovation Center, a biotechnology research and development campus

Plaza Tower or Crescent City Residents (Condo Renovation): Proposal to convert vacant and environmentally blighted Plaza Tower high-rise on Howard Avenue into luxury condominiums. 1001 Howard Ave., off of Poydras Street and its modern high-rise office buildings and hotels. 197 condominiums.

Vantage Tower: 25 floors of condos, 197 units, 270-foot residential tower, Covered, reserved parking and climate-controlled storage units. Fully equipped fitness center,

swimming pool and sun deck for the exclusive use of residents. At Girod and Baronne/O'Keefe. Completely new construction.

Riverview at Julia (a few blocks from Vantage Tower): The \$70 million project, Riverview at Julia, would include 98 condominiums on 11 floors. Proposal to demolish two small buildings near the corner of Julia and Carondelet streets in downtown New Orleans to make way for a 17-story luxury condominium tower. Prices start at \$620,000 for a 1,420-square-foot condo while 4,200-square-foot penthouses top out at \$2.3 to \$2.5 million. That creates a price range of between \$430 and \$600 per square foot. The first floor would be devoted to restaurant and retail space. The sixth floor would be converted into 500 square feet of office space available for purchase by residents only. Another floor would house a full-service spa, an indoor/outdoor pool and meeting space.

The One Hotel New Orleans. The original proposal called for a 168 room, 19 floor tower. Architects: Eskew and Architects. Bordered by Lafayette, Poydras, and St. Peter's.

Trump International Hotel & Tower New Orleans This will have 12 floors of parking and the potential for ground level retail. Units will range in size from between 600 and 2,000 square feet. New design calls for 450 condos and 250 condo-hotel units. Buyers of condo-hotel units can stay there as often as they like. But when the owners are away, their rooms are rented out on a nightly basis like any other hotel room.

La Belle Maison time shares and condos renovation: Fairfield Resorts acquired the former Franklin Printing Co. building next to the French Quarter with plans to convert the former industrial complex into a 119-unit timeshare resort.

Saratoga Building apartment renovation.

925 Common Street apartment renovation: The 925 Common St. office building is being converted into 107 furnished corporate apartments. Grand opening took place.

American Bank Building apartment renovation: The long-dormant American Bank building on Carondelet Street will become 202 affordable apartments.

Jacob Candy Factory Condos: Today Realty has also taken over the Jacob Candy Factory at 827 Carondelet St. Originally bought by Sarpy Hixon Development Inc., Today Realty has acquired the property and is converting it into 25 condominiums.

Commerce & Girod Condo Tower, 367 ft, 28 floors. In order to be built, a variance must be granted to allow for the height of 367 feet in an area only zoned for heights up to 100 feet.

Baronne Street Condominiums/Apartments: The First National Bank building at 210 Baronne St. is being converted by developer Mohan Kailas into 108 condos and 140 apartments. Though the project did not originally involve apartments, Kailas recently added them so that the development will qualify for historic tax credits.

Warehouse District

Tracage condo tower The 24-story, 288-foot-high building, to be known as the Tracage, is to have 133 condo units and 207 parking spaces. It will be built at 1100 Annunciation St. at the corner of John Churchill Chase Street.

Warehouse District Condo Tower: New Orleans developer Tom Bauer is hoping to build 28-story, 150-unit condominium tower in the Warehouse District

Poydras Home Apartments I & II. JTS Realty Services one 15 and one 17 floor building. In order to be built, the developer is seeking a variance for the height increase as a result of current restrictions allowing only for buildings with a maximum height of 125 feet within the Warehouse District.

Central City:

Felicity Place or The Residences at Felicity condo towers

St. Thomas/Garden District/Lower Garden District:

Oak Tree Condominium Complex: The old Sara Mayo Hospital on Jackson Avenue near St. Thomas Street will become 78 condominiums as Dallas-based Today Realty Advisors Inc. (wholly owned by Eric Brauss) invests \$25 million into the conversion of the 135,000-square-foot abandoned property.

St. Thomas/Rivergarden Housing Project rebuilding: condo tower/continuing care facility

French Quarter:

Astor Condotel, 173 feet, 16 floors. Part of the Astor complex, including the Astor Crowne Plaza (Completed).

Audubon French Quarter Luxury Condominium renovation. French Quarter/Warehouse District. corner of Canal and Burgundy.

Algiers Riverfront: Kern's Mardi Gras World

Algiers riverfront residential and commercial development that could eventually include up to 1,500 apartments, a hotel and a new home for Blaine Kern's Mardi Gras World tourist attraction. Plans for the multiphase project involve transforming a portion of the Algiers riverfront into 1,523 apartments, additional housing and retail space, public parks and a streetcar line. The site includes Kern's Mardi Gras World at 233 Newton St., along with the warehouses where Blaine Kern Artists Inc. builds Carnival floats.

Bywater

Port of NO Cruise Terminal: The port plans to turn the facility into a third cruise terminal. The agreement also calls for the port to lease space from MARAD to use as a parking lot for the terminal. The deal allows the port to move forward with construction plans for a cruise terminal in Bywater. The Maritime Administration, known as MARAD, will turn over about 228,000 square feet of wharf and 84,000 square feet of shed space at Poland Avenue to the port. The first phase of the transformation is expected to cost \$7.5 million, paid for with a line of credit approved in 2004 by the Louisiana Bond Commission.

Bywater elder home: Approved plans for a four-story, 37-unit apartment building for elderly residents at 3501-09 St. Claude Ave. and 1115-29 Gallier St. The site comprises seven vacant lots across Gallier from the now-closed Bywater Hospital, previously St. Claude Medical Center. The building, which developers said will not be a nursing home or assisted-living facility, is to have 27 one-bedroom units, nine two-bedroom units, a manager's apartment and community rooms including a library and physical therapy unit. The ground

floor will have parking for 32 vehicles. The project was endorsed by the Bywater Neighborhood Association.

NO East:

Atlantis Project: \$200 million proposal for land owned by the Orleans Levee Board. Atlantis Internet Group Corp. in July also proposed developing a hotel and gambling complex at the agency's dormant South Shore Harbor marina. The Atlantis project involves a 95-room floating luxury hotel, an outdoor amphitheater and 60 waterfront town homes. Long-term, the Atlantis project, which would stretch along Hayne Boulevard facing the lake, would involve the construction of hundreds of new town homes and entertainment venues.

NOLATOWN: A \$200 million proposal involving 1,500 condo units in four to five high-rises; includes entertainment venues, an indoor-outdoor water park, a 350-room hotel, and more than 100,000 square feet of commercial space.

Airport: Replacement airport for current one. Roy Williams, former Director of Aviation at Louis Armstrong New Orleans International Airport, said it is more cost-effective to relocate the airport than it is to retrofit the present facility's runways to handle larger planes.

Possible Locations:

Nine months ago, one proposed location was in eastern New Orleans near Six Flags Theme Park. Sites emerging as frontrunners post-Katrina include the eastern New Orleans area, a possible consolidation with Lakefront Airport or a hybrid of the two locations.

Schedule and cost:

Building a new airport would require a five- to seven-year design phase and cost \$4 billion. Financing would come from four avenues: federal support, private capital, debt and reselling the current site. Williams said he considers the best-case scenario timeframe to be on the city's 300th anniversary - in the year 2018, a schedule he considers ambitious yet possible.

Modular Home Factories:

Modular Home Factory at the Site of the Former MacFrugal Warehouse: Schaffer Mickal, a commercial real estate agent with Latter & Blum, says he's talking with several groups interested in creating a modular home factory at the site of the former MacFrugal warehouse in eastern New Orleans.

Premier Designs Homes Modular Home Factories: A startup modular home company called Premier Designed Homes wants to spend \$1 billion building two eastern New Orleans manufacturing plants, creating 2,500 jobs and the ability to build as many as 63 homes per week.

Brent Lovett Stackable Modular Home Factory: Proposed factory in eastern New Orleans to build living units of 16 feet by 70 feet that can be quickly assembled and stacked into complexes as high as 12 stories. Negotiating purchase of property: \$3.7 million purchase of three warehouses east of Jordan Road and near New Orleans Lakefront Airport that will become the site of his factory.

Recovery Business Opportunities

Business opportunities highlighted during a meeting with Dr. Ed Blakely, Recovery Chief for the City of New Orleans.

Air/Rail/Sea – a.k.a. Incheon Korean Airport
Flexible center for all docking requirements

Bionano Biomedical Health Technology Center (Reno example)
Non-communicable diseases
Chronic Diseases
Integrated health delivery
Preventative health care
Decentralized health care
Center for Disease Control funding available

Movies, film, Media and Communications Venture- Vancouver model
Artist support to gain content- Warehouse District
Graphic designers
Beehive for the Arts- Paris model where artists live rent free
French Banks and Foundations would support
Paducah Kentucky model that sold old and blighted properties for \$1 with low interest loans; returns \$14 for every \$1 invested

Music Industry
Recording studios
R & B Hall of Fame
R & B annual awards
R & B Museum

Canal Development
Venice of the South
Networks for commerce and commercial purposes

Underground Infrastructure
Boring and sealing technology
Underground utilities and storm surge

Neighborhood Nexus
Housing, schools, police, fire, community centers
Public space that is co-located and fully utilized as live/work space

Housing
Bridge-San Fran Non-profit housing success

Financing Structure

The Development/Recovery Corporation should be structured as a quasi-public authority and governed by a Board of Directors. Directors should be appointed by the (Federal Level), Governor, Mayor, and City council members. Structured similar to the LRA, the Corporation would establish policy recommendations and assist in managing recovery programs, including incorporating the approved plans into formal funding applications and coordinating implementation. A similar structure and process was established by the Lower Manhattan Development Corporation (LMDC), a joint State and City entity created to redevelop Lower Manhattan. LMDC administers federal funds dedicated to restoring Lower Manhattan and coordinates long-term planning for the World Trade Center site and surrounding communities through public and private partnerships and recovery programs for individual residence and businesses.