**CPRA Financing Corporation Meeting Minutes**

**Tuesday, December 18, 2012 at 1:00 p.m.**

**Claiborne Building, Thomas Jefferson Room**

**1201 North 3rd Street**

**Baton Rouge, LA 70812**

*The following constitute minutes of the Coastal Protection and Restoration Authority Financing Corporation Meeting and are not a verbatim transcript of the proceedings. Audio and video recordings of the meetings are available for viewing and kept at the Office of the Governor-Coastal Activities Office in Baton Rouge, LA.*

1. **Roll Video (00:00:30) Video 1**

Chairman Graves, Present

Campbell, Present

Chabert, Absent

Becker, Absent

Fruge, Present

Falgout, Absent

Savoie, Present

Milling, Present

Nichols, Present

Garofalo, Absent

Mcgimsey, Present

Temple, Absent

Henson, Present

Krutzer, Present

1. **Approval of Minutes:**

Transcript Sent Out Prior to the Meeting

 Motion by Mr. Milling

 Second by Krutzer

1. **Discussion of Agenda**
2. **Election of Chair and Vice Chair**

Mr. Graves to be elected as Chairman

 Motion: Mr. Mcgimsey

 Second: Ms. Nichols

 Mr. Mcgimsey to be elected as Vice Chairman

 Motion: Ms. Nichols

 Second: Chairman Graves

1. **State Bond Commission- *Whit Kling, State Bond Commission* (00:03:40) Video 1**
* Projects have to be clear and well-defined
* Financial Advisors
* Feasibility Study and Market Plan
* Credit analysis, Comparing the documents, Pre-pricing period, Economic factors
* Coverage, Leverage, Loan, Financial Statement Quality, Credit Enhancement
* In terms of the process for bonds commission, we will do the same evaluation that we have done. We will make sure you are in financial and legal compliance.

Chairman Graves (00:19:07) Video 1: We developed a work plan with the Attorney General’s office, The Treasury, The Division, The CPRA, Mr. Milling, etc. We were going to initiate a feasibility study and an econometrics analysis of the revenue stream once the regulations were issued. Despite the repeated commitments to complete the Phase II regulations by Dec 2010, here we are two years later and they are still not issued. We are handicap in our ability to think accurately for the revenue stream in some cases.

I wanted to see if we could have a quick discussion on the status of that work plan. Timing is so vital that we need to move forward based on the information that we have available. I know most of you have seen the presentation on the revenue stream that we are talking about here. The Dept. of Interior has not issued regulations on the revenue stream.

Are folks comfortable delegating on when to pull the feasibility trigger and when to make the determination on econometrics as well? My two cents is to defer the work plan rather than having to reconvene the meeting solely for the purpose of pulling the trigger on the feasibility analysis.

Question: Do you need a motion?

Question: How do we get to a place when we can conduct a meaningful feasibility study and analysis without regulations?

Garret Graves: Any analysis that would be done now would have to be under Phase I. Phase I regulations were issued years ago. Phase II regulations may be modeled after Phase I. We could extrapolate Phase I regulation on Phase II and do feasibility that way. I just think we would have some degree of uncertainty should Interior decide to implement the program.

Question: Then working group would make those decisions and decide on a variety of scenarios based on different expectations of the analysis?

Garret Graves: Just to remind folks, the state sent a letter in 2009 and it has still not been signed by the Dept. of Interior. It was signed by the 4 gulf Governors.

Mr. Mcgimsey: How do you envision this feasibility study to get started?

Garret Graves: We would have to make a determination on which agency would be the lead agency whether is it the division, the AG or others. That agency would be contracted with the firm’s financial advisor to prepare feasibility. Based upon that analysis, we would take the next step into the econometrics analysis and try to evaluate the revenue stream. Of course that would have to be approved.

Mr. Milling: You will need consultants to pull this stuff together.

Garret Graves: From my experience, I think rather than allowing the board to choose a consultant, maybe a better approach would be to have the committee comprised of expertise in that field to make at least a recommendation.

Mr. Mcgimsey: Traditionally, there has been a working group that would do the leg work.

Comment: Since we are doing the econometrics and feasibility study, it seems to me like we need to consider timing of when we hire the financial advisor. We don’t want to start out with feasibility and econometrics study that will not answer the questions.

Garret Graves: My recommendation in this case would be to have a working group (previously approved) develop the next steps which would include feasibility and econometrics. We can have the work group supply the plan to the corporation for approval which would include likely granting some discretion of the work group depending on the timing of regulations to move forward. Is that acceptable? The funding source would be included in the proposal.

Mr. Milling: Time frame?

Garret Graves: The next 90 days. In 90 days come back to the corporation with a proposed work plan that would include feasibility and econometrics on the GOMESA revenue stream which would include recommendations funding source and budget estimates. The group would be comprised of the division, the AG, treasurer, Mr. Milling. If there are other folks who would be interested in serving I’m certainly happy to accommodate.

Motion by the Commissioner

Second by Mr. Mcgimsey

Garret Graves: I am going to summarize the revenue stream. The Act specifies that all offshore energy revenues in the Gulf of Mexico, resulting from leases issued after 2006 shall be shared with the Gulf States. The sharing of revenues between 2006 and 2017 is limited to what is known as a resale 181 SE area which is south of AL and FL. 2009- LA received approximately 6 M dollars. In 2010, 222,000. In 2011, 24,000. The royalty revenue is what we are really interested in here. Beyond 2017, all offshore leases entered would be shared with those 4 Gulf States with that same formula. There is a limitation per year that can be distributed. There is a floating cap. If the 181 lease sale areas produce a certain amount in a year it gets confusing. It is a floating cap that is dependent upon the revenues specified in the Act. In 2055, the cap is removed and it is estimated that the state of LA would receive Billions of dollars per year at that time. The use of dollars is limited in the act. All of these dollars are limited to the coastal trust fund. The Act is technology neutral meaning it is not limited to oil and gas, it is energy production. The Act is technology neutral. It is not limited to oil and gas. It is energy production. Though The Dept. of Interior has not fully expressed that yet. Are there any questions on the revenue stream and the act? Phase I- In regard to 2006-2017. Phase II begins in 2017 and those regulations have not been issued yet.

Question: Would the proceeds be project specific for Coastal Restoration?

Garret Graves: The Finance Corp would have governance over the securitization of the revenue stream. The actual project selection would be governed by the CPRA and the state’s coastal master plan.

1. **State Master Plan Overview- *Kirk Reinhart, CPRA* (00:03:56) Video 2**
* 1,883 square miles lost since the 1930s
* Losing 16 square miles per year
* 1,900 square miles lost since the 1930s
* Potential to lose up to 1,750 sq. miles of land over the next 50 years
* Threat to coastal communities, oil and gas, the state
* Land loss could increase to over 51 sq. miles per year
* Potential for damages to reach $23.4 billion annually
* Failure is not an option, we continue to make progress
* Legislatively required
* 2012 plan was built on world class science and engineering
* Master Plan Timeline
* Future Scenarios

Chairman Graves: Coastal LA, in regard to energy, is the top producer of oil in the US. LA is the Number 2 producer of Natural Gas. The pipeline system could wrap around the equator. We could potential lose miles without action. There is no question that the master plan is an awful lot of money, but you have to look at the savings that it will provide.

Motion by Mr. Mcgimsey to move agenda item.

Second by Mr. Milling

1. **Intergovernmental Agreement- Voting Item (00: 20:09) Video 2**
* Corporation to Approve the Agreement: Motion by Mr. Mcgimsey, Second by Ms. Nichols
* January 1, 2013- June 30, 2014: 18 month period
1. **Overview Deepwater Horizon- *Drue Banta, Governor’s Office (00:22:40) Video 2***
* Funding Sources from the Deepwater Horizon Oil Spill
* Natural Resource Damage Assessment (NRDA)
* Stages of NRDA
* NRDA Early Restoration
* LA Plan Projects
* Clean Water Act
* RESTORE Act Overview
* Criminal Fines and Penalties
* $4B Criminal Penalty

Chairman Graves: The civil penalties will be redirected to the five Gulf States. **(Video 3)**

1. **Oil Spill Restoration Planning- Kyle Graham, CPRA**
* Taking all of the buckets of possible funding and weave together into one package.
* Criminal Settlement, Civil Penalties, Natural Resources Damage Assessment
* Subset of the Master Plan
1. **Public Comment: Oil Spill, RESTORE ACT , Finance, NRDA**
2. **Adjourn: (00:15:00) Video 3**

Motion by Mr. Milling

Second by Mr. Mcgimsey