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- Attorney claims Nagin, Meffert took 'plenty of other trips' paid for by city tech vendor 7:59 a.m. CT
- Archbishop Hughes to boycott Xavier commencement over abortion rights honoree Donna Brazile 12:00 p.m. CT
- Haynes Academy students moved by film on golf prejudice, talk by boxing legend's son 9:30 a.m. CT
- Recovery director Ed Blakely cost the city far more than \$150,000 salary, e-mails show 9:06 a.m. CT
- New jobless claims rise more than expected to 640,000 9:05 a.m. CT
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- Nature Conservancy buys wetlands in Madisonville to preserve 11:13 a.m. CT
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- St. Tammany Parish grand jury indicts four in murder-for-hire plot 8:35 p.m. CT
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### Business Updates

- Average local price of unleaded gasoline is down this morning 11:29 a.m. CT

## Bonds to keep highway work going

Bank drives hard bargain with state

Friday, April 17, 2009

By Ed Anderson

Capital bureau

BATON ROUGE -- The state Bond Commission approved the sale of about \$300 million in bonds Thursday to keep alive the state's special highway and bridge construction program.

The approval of the bonds comes as the state Department of Transportation and Development says it is running out of money for its Transportation Infrastructure Model for Economic Development projects now under way, including the John James Audubon Bridge near St. Francisville and widening of the Huey P. Long Bridge in Jefferson Parish. Agency officials said the money would cease flowing for the TIMED program May 1.

"That will keep us going until the fall when we will have to sell more bonds," said Mark Lambert, communications director for the Department of Transportation and Development.

But one part of the deal was a bitter pill for commission members to swallow: J.P. Morgan Chase, one of the nation's largest financial institutions, agreed to issue a \$200 million letter of credit to help assure some of the bond sales but said it may have to charge for the guarantee if it is not rehired as the state's central bank.

The contract with Chase expires this year, and the commission and state Treasurer John Kennedy must solicit bids or proposals from banks for a new contract for 2010.

Kennedy, who chairs the commission, said that under the terms of the deal approved Thursday Chase will get \$3.5 million for handling the bonds through the letter of credit and will get another \$1 million if it is not re-appointed the state's central bank, a job that requires it handle the state's money, deal with electronic transfers, protect the state against fraud and provide other services.

The state will sell the other \$100 million in bonds through Morgan Keegan, a nationwide investment firm.

The state was forced to accept Chase's terms, Kennedy said, because no other financial institution submitted a letter of credit to help assure the sale of the bonds.

Kennedy said his office and the governor's office tried to get Chase to drop its demand to be renamed the central bank -- or pay \$1 million more for the letter of credit -- but bank officials would not budge.

"I don't think we've got a choice," said Secretary of State Jay Dardenne, a member of the commission.

"I have never seen a letter (of credit) like this," said Kennedy, a lawyer. "We do not have another letter of credit on the table. . . . But I am going to look for another letter of credit (from another financial institution) with better terms between now and December" when the state takes proposals for the bank contract.

Kennedy called the demand "extremely unusual and very unreasonable; but what is, is."

The state faced as much as a \$120 million payment to a combination of banks, including Chase, based on a complex bond deal struck last year. Thursday's action erases a large chunk of that debt and leaves a possible \$50 million of it on the table.

"They have all the cards in their hands," said Rep. Hunter Greene, R-Baton Rouge, who went along with the deal because the state faced a worse alternative of having to pay a \$120 million debt by May 1. "That's just the way it is."

"This is the best of a bad situation," agreed House Speaker Jim Tucker, R-Algiers.

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