



Memo to: Board of Directors

From: Les Sterman

Subject: Program Status Report

Date: November 13, 2010

Design/Construction

The design team led by AMEC Earth & Environmental is rapidly mobilizing to complete the preliminary design for the project. Mobilization includes activities like preparing a Project Health and Safety Plan, a Project Management Plan, Document and Data Control Procedures, and Project Schedules. Subcontracts were executed with a number of firms performing data collection, surveys, drilling and design. Subsurface data is being collected through two principal methods in areas identified by AMEC to supplement information already collected over the last two years by the Corps. Additional data is being collected in areas that have been identified as potentially problematic and to optimize the design to specific soil conditions. No significant problems have been encountered at this time.

At the November Board meeting, I will ask for approval to execute a memorandum of agreement with the Corps of Engineers to provide dedicated part-time staffing to serve as a liaison with the Corps. The primary purpose of this arrangement is to expedite permits and provision of design data, and also to coordinate project schedules and activities to assure a seamless relationship between design and construction activities of the two organizations. The Metro-East Park and Recreation District has agreed to provide space for the Corps staff person. The Council will provide office furniture and a computer for this space.

I have also issued a request for proposal for professional services to provide project management oversight. As I've discussed with the Board in recent months, I will need to augment our limited capacity for project management to assure adequate oversight for design and construction activities. This will not be a large expenditure, but it will provide a capability for independent reporting on project progress and cost and scheduling issues. Consultants working on the design are excluded from providing oversight services to assure independence. Proposals are due on December 3 and I expect to have a recommendation to the Board at the December meeting.

The Limited Reevaluation Report for MESD is complete, an important milestone in establishing eligibility for future federal funding. In the near future, we will need to execute a Project Partnership Agreement with the Corps that will enable the project to receive federal funds to correct the design deficiency.

Inspection

The levee certification inspection being conducted by a team led by AMEC Earth & Environmental is complete and a report has been submitted to our special legal counsel.

Financing

Bond pricing was completed on November 9. Despite a financial environment made more difficult by the announcement of actions by the Federal Reserve and a flood of new issues coming on the market, we successfully priced our bonds and entered into agreement with Morgan Keegan to purchase the bonds. Because of conditions brought about by the more competitive environment for selling bonds, proceeds were slightly less (about \$700,000) than anticipated, but overall the sale was a success.

The par amount of bonds issued will be \$94,195,000. After accounting for the deposit in the debt service reserve fund, underwriter's discount and costs of issuance, the amount available in the project fund will be \$87,331,845 (see attached summary). We remain on track to produce about \$167 million through future bond issues and other sources by 2014.

Legislation

Changes in the composition of the Congress could make it somewhat more challenging to achieve our primary goal to enable the use of our local investment in the levee system to be used as local match for federal funds that will come in future years. We are continuing to work with the Corps and our congressional delegation to provide information necessary to make that happen.

Legal

On November 15, on behalf of a group of plaintiffs including the Council, the counties, a number of municipalities and private parties, a lawsuit was filed in federal court to prevent FEMA from issuing new flood insurance rate maps. The primary complaints against FEMA are the absence of information to justify the de-accreditation of area levee systems and FEMA's failure to follow the processes required by law to involve local communities in the consultation and decision-making process. FEMA will have 90 days to respond to the suit.

We still have outstanding FOIA requests to FEMA and the Corps, primarily related to the incomplete responses to earlier requests and to fulfill their legal obligation to provide information that was used to deny the map appeals.

In the absence of a successful legal challenge, we expect that final flood insurance rate maps will be issued in December 2011.

Project Administration

Proposals for audit services have been received from four prospective locally-based auditing firms. A selection recommendation is on the agenda for the November meeting.