

MUNICIPAL AUDITING REPORT

CITY OF ROANOKE

ROANOKE RIVER FLOOD REDUCTION

August 18, 2010

Report Number: 11003

Audit Plan Number: 10103

*Municipal Auditing Department
Chartered 1974*

*Reports at www.roanokeva.gov
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BACKGROUND

The Roanoke River Flood Reduction initiative is an integral part of the City of Roanoke's Capital Improvement Plan and is currently in the final stages of construction. This project is the result of a partnership formed with the United States Army Corps of Engineers [**Corps**] over two decades ago. The Corps' website describes the project as having started in 1990 and involving 6.2 miles of channel widening along a 10-mile stretch of the Roanoke River. The project includes flood proofing, training walls, a flood warning system, and construction of approximately 9 miles of recreation trail; along with trail access and parking areas. Recreational trails beautify and provide access to riverfront areas while retaining open space for flood waters to flow when needed. Upon completion, the project is expected to reduce flood damage to adjoining industrial, commercial, and residential property valued at over \$700 million. Average annual flood damages in the project area could be reduced by as much as \$3.1 million; approximately a 50% reduction.

On August 26, 2009, project staff from the Corps and the City Engineering Division met to discuss project status. The Corps shared a cost allocation report prepared by their office, which indicated the City owed approximately \$1.9 million for its share of inception-to-date project costs. The following table summarizes the costs by allocation category as presented by the Corps:

Category	Federal Expenditures	Local Expenditures	Total	Share Ratio
Structural Flood	\$28,857,444	\$13,134,480	\$41,991,924	69/31
Non-Structural Flood	\$ 1,484,440	\$ 385,511	\$ 1,869,951	79/21
Recreation	\$ 5,304,422	\$ 1,336,305	\$ 6,640,727	80/20
Cultural Resources	\$ 1,528,765	\$ -	\$ 1,528,765	100/00
Total	\$37,175,071	\$14,856,296	\$52,031,367	71/29
Reallocation to Local	(\$ 1,988,055)	\$ 1,988,055	\$ -	
Revised Total	\$35,187,016	\$16,844,351	\$52,031,367	68/32

In a letter dated August 27, 2009, the Corps' Project Manager requested that the City issue a payment for \$1.2 million, which consisted of the \$1.9 million cost reallocation less City cash in escrow, in order to catch up local share funding [**See Exhibit 1**]. The Corps indicated that failure to remit these funds could lead to a delay in initiation of the next phase of construction. Furthermore, the understanding of City management was that any delay in soliciting for construction could potentially endanger some, or all, of its \$5.2 million American Recovery and Reinvestment Act appropriation.

On September 1, 2009, the Municipal Auditing Department received a request from City management to assist with reviewing Roanoke River Flood Reduction inception-to-date project costs and associated categorizations, as well as determining the City's cash position.

General Information

Design work on the Roanoke River Flood Reduction project began in 1988 with initial construction getting underway in 1990. There was a break in work during the mid-nineties which lasted for several years. Construction resumed in 2004 with an anticipated completion date of Summer 2012. Projected costs have grown over time and are now expected to reach approximately \$74 million by the time the project is completed. The project is managed by the Corps using funds appropriated by the United States Congress and the City of Roanoke.

The City of Roanoke is the designated Local Sponsor, which is defined as a state, tribal, county or local government which joins with the United States Army Corps of Engineers to participate in a civil works project. Each individual project is assigned a Project Delivery Team (PDT) by the Corps which is led by the Project Manager and includes members from a cross-section of Corps departments and the Local Sponsor. The Roanoke River Flood Reduction project is assigned to the Corps' South Atlantic Division, Wilmington, NC District. The Wilmington District's engineering functional chief is responsible for the technical coordination, execution, and review of all engineering work, including all contract administration and construction oversight. The Project Manager is based in Wilmington, with Corps engineers stationed in Roanoke to oversee day-to-day construction of the project.

The City's Engineering Division is responsible for acquiring lands, easements, rights-of-way, utility relocations, facility alterations, and dredged material disposal areas for the project. The City is expected to document its expenditures related to the project, including labor and administrative costs. All costs are to be reported to the Corps for inclusion in total project costs.

Periodically, the Corps requests cash payments from the City to fund projected costs for specific phases of construction. These requests are communicated in a written format to the Engineering Division prior to contract solicitation. In order to assure that required funding is available, Corps staff will not issue a solicitation for work unless funding from all sources has been obtained. Cash remitted by the City is held in a separate advance account with the US

Treasury until funds are needed to pay contract costs. The City does not earn interest on the account.

Project Funding

Based on the City's Fiscal Year 2010-2014 Capital Improvement Program document, funding sources for the project are as follows:

<u>City Bonds:</u>		
1990-2009	\$ 19,837,500	
2010	1,455,000	
2011	1,800,000	
2012	1,300,000	
2013	1,200,000	
2014	613,000	
Total City	26,205,500	35.9%
Third Party	167,000	0.2%
Federal	46,700,000	63.9%
Total Project	\$ 73,072,500	

The Corps has been awarded \$5,251,000 in stimulus funds through the American Recovery and Reinvestment Act for use on the Roanoke River Flood Reduction Project. The same cost-sharing requirements apply to stimulus funding as apply to other federal funding sources.

Cost Sharing Information

Cost sharing requirements for project expenditures are established by the Water Resources Development Act of 1986. Cost allocation categories are outlined in the Local Cooperation Agreement dated June 25, 1990 and the General Design Memorandum, which define the relationship between the City of Roanoke and the Corps. The federal versus local cost share requirements vary based on cost category. Following is a short description and cost-sharing requirements for each:

- *Structural Flood Damage Reduction:* This work includes measures such as bench channel excavation, training walls, and slope protection which reduce damage caused by flooding. Landscaping is included to act as visual screening of the construction features. This category carries a minimum non-federal share of 25% and a maximum share of 50 %. The non-federal share includes a required cash contribution of 5% of costs allocated to this category. If the City's portion exceeds 50%, the Corps will refund the excess funding.

- *Non-Structural Flood Damage Reduction:* This category is comprised of flood proofing and flood warning systems. Flood proofing includes the use of water-tight structures and equipment relocation, which was done primarily at the sewage treatment plant and Roanoke Memorial Hospital. Flood warning entailed installation of an automated network of rain and stream flow gauges. The non-federal share of these costs is 25%. This portion of the project was completed in the early 1990s.

- *Recreation:* This work encompasses costs related to paved travel ways for bikes and pedestrians including bridges, signs, benches, and parking areas. Per the Local Cooperation Agreement, all costs allocated to this category must be “separable”; however, this term is not specifically defined. Costs in this category are 50% federally-funded and 50% locally-funded. If the City’s portion exceeds 50%, the Corps will refund any excess.

- *Cultural Resources:* This classification provides for the preservation of historic and archeological data. The Archeological and Historical Preservation Act authorizes the use of an amount equal to 1% of total federal project costs for recovery, protection, and preservation of significant data. This portion is allocated first as paid with federal funding. Remaining costs are 75% federally-funded and 25% locally-funded.

The City does not receive credit towards its required locally-funded share of expenditures on betterments, defined as differences in construction that result from the application of standards which exceed those that the Corps would otherwise apply. Nor does the City receive credit for expenditures on repairs, maintenance, replacement, or rehabilitation of project assets once constructed and in service.

End of Background

OBJECTIVES

1. To determine if the local share funding requested by the U.S. Army Corps of Engineers as of August 27, 2009, was in accordance with the Local Cooperative Agreement.
2. To evaluate Engineering's proposed hourly billing rate for project labor and overhead costs.

SCOPE

We initially considered project costs from inception through August 22, 2009, incurred by the City of Roanoke and United States Army Corps of Engineers.

We evaluated cash payments from the City to the Corps through September 30, 2009.

Other limited inquiries were performed with the City Engineering Division on February 16, 2010, and on May 26, 2010.

METHODOLOGY

We utilized the following methodology to complete this audit:

- o Worked with the City Engineering staff to develop an understanding of the history of the flood reduction project, toured various project sites and reviewed project files.
- o Reviewed applicable federal laws including the Water Resources Development Act of 1986, the Archeological and Historical Preservation Act of 1974, various parts of the Code of Federal Regulations, and OMB Circular A-25 "User Charges".
- o Read the United State Army Corps of Engineers Project Partnership Kit, Non-Federal Sponsor Real Estate Package, as well as various Engineering Regulations of the Corps that applied to the project.
- o Reviewed the audited financial statements for the U.S. Army Corps of Engineers for Fiscal 2008 in order to develop our understanding of the Corps' accounting systems and associated internal controls.

- Reviewed the Local Cooperative Agreement and General Design Memorandum for the Roanoke River Flood Reduction project in order to identify specific roles and responsibilities of the City and of the Corps.
- Interviewed Department of Management and Budget staff to gain an understanding of costs included in the City's internal billing rate for the Engineering Division.
- Visited the Corps' Wilmington District office to interview Project Delivery Team staff and to review project reports in order to fully develop our understanding of project budgeting/accounting, project expenditures, cash management procedures, and the Corp's project management process.
- Identified a sample of project contracts totaling approximately \$19,780,000 and verified reported costs to actual contract and modification totals.
- Ascertained an understanding of the quarterly reporting process and various Engineering Division project tracking spreadsheets.
- Reconciled City of Roanoke expenditures, as reported to the Corps, for the period September 12, 1988 through December 31, 2001 to supporting documentation.
- Verified that cash payments remitted by the City totaling \$5,815,930 were received and properly credited by the Corps.
- Recalculated cash requirements for each cost allocation category on the Corps' Draft Cost Allocation spreadsheet to verify the accuracy of the Corps' calculations.
- Compared City Engineering billing rate to Corps labor and overhead rates to determine if similar costs are included.

RESULTS

Based on the records available, as of September 30, 2009, the City had over funded its share of project structural costs by approximately \$340,280 and under funded its share of project recreation costs by approximately \$1,963,408. The \$1.2 million in cash requested by the Corp on August 27, 2009, was appropriate based on the terms of the Local Cooperative Agreement and available records.

On November 11, 2009, the auditors provided a memo to City management outlining the results of our visit to the Corps district office. Municipal Auditing staff subsequently met with management to discuss the City's cash obligation status and options available in addressing the Corps request. On November 18, 2009, the City Manager provided a written response to the Corps. **[See Exhibit 2]**

As is noted in our observations that follow, the City has not yet accumulated and reported all of its costs related to the flood reduction project. These costs may be substantial and may have significant implications related to the City's final cash requirements for this project.

Upon evaluating various methodologies for labor and overhead rates, we concluded that the City's current internal rate of \$57.66 per direct labor hour was reasonable and should be applied for the flood reduction project. On November 17, 2009, the auditor met with members of Engineering and Department of Management and Budget staff and recommended use of this rate.

OBSERVATION 1

Project Reporting

The Corps maintains general ledger financial data for projects on the Corps of Engineers Financial Management System. Per the Corps' Project Partnership Kit, staff is required to provide quarterly reports to the local sponsor on project expenditures, including the use of locally provided funds. The Corps' Project Manager is responsible for successful completion and delivery of assigned projects within established costs, schedules and quality parameters. She is also responsible for assuring that the project stays focused on the needs of the local sponsor and that all work is integrated and completed in accordance with a management plan and approved business processes. The Project Manager is responsible for assuring that the interests of the local sponsor are properly represented within the Corps' organization.

Based on our review of project files and our interviews with both the Corps and the City Engineering Division, a quarterly reporting regimen was not put in place after the project was revived in 2004. The City Engineering Division did not receive a full accounting of project expenditures and use of local funding until August 22, 2009. In the process of developing a full accounting of project expenditures, the Corps identified two significant accounting errors, which we describe in observations four (4) and five (5) of this report. This resulted in an additional net \$1.2 million catch up payment due from the City to balance project costs.

Without timely information on project expenditures, Engineering staff are unable to monitor whether costs funded by cash outlays were contracted for the estimated amounts or if work was completed within the proposed budget. Additionally, it is not possible to determine if the City received full credit for project expenditures. This severely hinders the ability to definitely forecast future cash outlay requirements.

Recommendation

The City Engineering Division and the Corps' project team should work together to develop a quarterly reporting regimen to be followed for the remainder of this project.

OBSERVATION 2

Project Expenditure Monitoring

Written policies and procedures are a crucial element in establishing an effective system of internal controls. They provide employees with clear direction that improves performance and accountability, helping to ensure activities are performed consistently and in accordance with management's expectations.

While reviewing the project files in the City's Engineering Division and discussing the project with Division staff, we noted that there were no records on file that adequately documented the Corp's spending of approximately \$5.8 million in cash provided by the City over the life of the project. As noted in observation 1, the Corps was not providing reports of expenditures to Engineering and staff had no protocol in place to request or evaluate such reports.

The Engineering Division generally had copies of agreements, contracts and invoices related to those project costs for which the City is directly responsible, including those for land, easements, right-of-way, relocation, and disposal costs. Engineering used various spreadsheets and records over the course of the project to track City expenditures. While the design and function of the spreadsheets currently in use are promising, this informal development of project tools and processes has led to inconsistent and incomplete records.

The failure to establish clear, formal protocol for project collaboration with the Corps at the inception of the Roanoke River Flood Reduction project contributed to the overall conditions that enabled a significant funding deficit to develop unexpectedly. This ultimately risked a stoppage in work and a potential loss of stimulus funding. The inconsistency in supporting documentation prevented us from determining if the City's direct expenditures for land, easements, right-of-way, relocation and disposal costs were fully credited and properly allocated by the Corps. This, in turn, impacts the City's ability to forecast future cash outlay requirements.

Recommendation

We recommend the Engineering Division Procedures manual be revised to require the establishment of a formal protocol for project collaboration at the inception of projects managed by third parties, such as the Corps. At a minimum, such protocol should address:

- Assignment of monitoring and reporting duties to specific staff positions.
- Development of a thorough understanding of the Local Cooperative Agreement, the General Design Memo, and the Corp's project partnership policies and procedures.
- Development of a labor and overhead rate that is agreed upon with the Corps to be used for costing City employees' work on the project.
- Purpose of all Engineering tracking spreadsheets and an explanation of how they interrelate.
- A communication plan that is agreed on with all parties involved in the project.
- Instructions on how to update project tracking spreadsheets.
- Retention of project records, including all written correspondence, that is significant to the project.

We recommend the Engineering Division request from the Corps the following documents, at a minimum, to support City of Roanoke cash outlays:

- Copies of finalized construction contracts and amendments.
- Monthly or quarterly detailed project expenditure reports.

Staff should also retain copies of wire transfer confirmations pertaining to cash payments remitted to the Corps.

Management Response

The Engineering Division appreciates the assistance of the Municipal Auditing staff to examine the Corps of Engineers practices and procedures. The Roanoke River Flood Reduction project is unprecedented with regard to the complexity and duration of the project. Changing project scope, costs and inconsistent federal funding have further complicated project administration and implementation.

The Engineering Division takes pride in the challenging but successful implementation of the project to the benefit of our citizens. The City has seen measurable reduction of flood damage during flood events and enjoys more than seven miles of greenway trail from the City's eastern boundary to Bridge Street.

The Engineering Division Procedures Manual is being amended to include a section for the management of capital projects undertaken by or with a third party such as the Roanoke River Flood Reduction Project. The guidelines will address:

- Assignment of Project Management and Fiscal management duties within the Engineering Division
- Development of a formal communication plan that will define roles, responsibilities and appropriate media for communications.
- Procedures for the collection and retention of project documents.
- Fiscal reporting requirements.

In response to the observation recommended documentation was requested from the Corps of Engineers in the attached letter dated August 3, 2010 [**See Exhibit 3**].

OBSERVATION 3

Crediting of Local Sponsor Project Costs

As the local sponsor for the flood reduction project, the City may submit quarterly project expenditure reports to the United States Army Corps of Engineers to be tentatively recorded and allocated to the proper cost categories. After all required documentation has been remitted by the City, the Corps issues final expenditure credit for those costs. At that point, the credit issued will not change.

Per the Corps' *Real Estate Package*, in order for these tentative expenditure credits to be finalized, the Local Sponsor must submit all required cost information in a written, itemized format with supporting documentation. Claims for final credit should be submitted as soon as possible so that the Sponsor may have the maximum amount of approved expenditure credit available when it is required to make cash contributions under the formula as set forth in the project agreements. Types of eligible expenditures include land, easements, right-of-ways, disposals, surveys, legal services, and administrative costs.

All claims associated with the acquisition of real estate should be submitted to the Real Estate Division on a monthly basis, at a minimum, throughout the different real estate phases of the project.

As of September 30, 2009, no tentative expenditures submitted by the City of Roanoke over the life of the project had been formally recognized by the Corps for final credit. Engineering had not submitted the required documentation to the Corps requesting credit or verification of expenses related to real estate acquisitions. A uniform approach to formally calculating labor and overhead costs had not been developed. Expenditure documentation related to personnel costs had been submitted, but were not in the requested format. Additionally, detailed labor information provided was not complete and submissions did not include overhead costs which further complicated the issue.

Pending this information, the Corps has not been able to finalize expenditure credits on costs incurred since project inception. All City of Roanoke credits are subject to change based on final Corps review.

As a result, current project funding estimates cannot be considered reliable. Funding requirements could increase or decrease once final credit is awarded by the Corps.

Recommendation

The Engineering Division should continue to work with the Corps' Project Development Team to finalize the required documentation necessary to obtain expenditure credit for completed real estate acquisitions.

Engineering should evaluate adding a temporary accounting position to be responsible for identifying and properly documenting all historical project costs for filing with the Corps.

Management Response

In coordination with the Corps of Engineers the Engineering Division has established the objective of resolving all pending and/or estimated project credits by January 31, 2011. The Engineering Division plans to submit our request for crediting together with all available documentation to the Corps by September 30, 2010. This objective is documented in the attached letter to the Corps dated August 3, 2010 [**See Exhibit 3**].

OBSERVATION 4

Blended Rate

Per regulations outlined in the Local Cooperative Agreement, General Design Memorandum, and Archeological and Historic Preservation Act, the flood reduction project includes four separate cost allocation categories. Each category has differing cost-share requirements as follows:

Category	Federal Cost Share	Local Cost Share
Structural Flood Damage Reduction	50% to 75%	** 25% to 50%
Non-Structural Flood Damage Reduction	75%	25%
Recreation	50%	50%
Cultural Resources	* 75%	25%

* The federal government covers expenditures equal to 1% of total federal project costs before allocating any costs to the local sponsor.

** 5% must be cash contribution.

The United States Army Corps of Engineers has used a single blended cost share rate in their financial system of 84% federal and 16% local sponsor for all categories of the project since 2004. The Corps' requests for funding from the City have been based on the 16% blended rate rather than the actual cost-share ratios noted above. While preparing the August 22, 2009, Draft Cost Allocation report, and calculating future funding requirements, the Corps noted their need to correct the percentages used for allocation. During our visit to the Wilmington District Office, Corps staff readily acknowledged their responsibility for the error and appeared committed to resolving the issues that have occurred as a result.

OBSERVATION 5

Misposting of Non-Cash Expenditures

Corps Engineering Regulation 11-1-30, *Internal Management Control Program*, defines standards which represent the minimum level of quality acceptable of internal control systems in operation. These standards specify that transactions are to be promptly recorded and classified, transactions are to be clearly documented, and that internal management control provides reasonable assurance that objectives of the system will be accomplished.

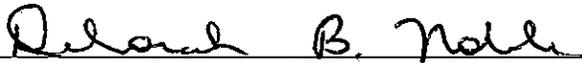
Approximately \$1,758,639 of work-in-kind expenditures for design and environmental assessments were erroneously treated as cash on the Corps financial system. This error inflated the cash contributions-to-date reported for the City until the error was discovered by the Corps while preparing the August 22, 2009, Draft Cost Allocation report. The delay in identifying this cash need, combined with the debt and revenue constraints the City was experiencing in 2009, ultimately placed the project at risk for work stoppage and loss of one-time Stimulus funding.

ACKNOWLEDGEMENTS

We noted some minor exceptions on our test work that were communicated to management under separate letter.

We want to express our gratitude for the cooperation and assistance provided by the United States Army Corps of Engineers. We are especially thankful to members of the Project Development Team headquartered in Wilmington, NC for their hospitality during our on-site visit.

Finally, we want to thank the City Engineering Division, the City Manager's Office, the City Attorney's Office, the Department of Finance, and the Department of Management and Budget for their cooperation and assistance during the audit.


Deborah B. Noble, CPA
Senior Auditor


Dawn Hope Mullins, CPA
Assistant Municipal Auditor

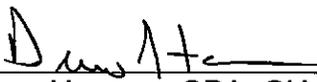

Drew Harmon, CPA, CIA
Municipal Auditor

EXHIBIT 1



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
WILMINGTON DISTRICT, CORPS OF ENGINEERS
69 DARLINGTON AVENUE
WILMINGTON, NORTH CAROLINA 28403-1343

August 27, 2009

Project Management Branch

Mr. Philip C. Schirmer, P.E., L.S.
City Engineer
Noel C. Taylor Municipal Building
215 Church Avenue, S.W., Room 350
Roanoke, Virginia 24011

Dear Mr. Schirmer:

Thank you for your interest and support concerning the Roanoke River, Upper Basin, Virginia, Headwaters Area project. Our meeting on August 26, 2009, was very beneficial in developing a path forward for completion of this project and discussing the cost share balance.

As we discussed in the meeting, our recent review of the cost share balance between Federal and non-Federal estimated project costs to date showed that approximately \$1,200,000 more in sponsor funding would be needed to balance the project. This appears to be the result of using a single blended cost share rate to fund structural flood damage reduction and recreation contracts since FY 2004 and including the City's work on the environmental property assessments as a cash contribution. As the amount of recreation work has increased, this blended rate should have been adjusted. Also, the current allocated costs have been impacted by the large amount of lands, easements and rights-of-way incurred at the beginning of the project. As requested, we will develop the City's estimated funding requirement for FY 2010 and forward it to you in the near future.

At this time, we estimate that an additional \$435,000 in non-Federal funding is required for award of the Wasena to Hannah Bridge contract and to initiate a design contract for the remaining project recreational features. We request that these funds be provided no later than September 15, 2009, so that both contracts may be awarded as quickly as possible. Please contact Ms. Anita Bissette at 910-251-4803 to coordinate the electronic funds transfer.

Again, thank you for taking time to meet with us to discuss the recreation trail and project cost share. If you have any questions, please do not hesitate to contact me at 910-251-4763.

Sincerely,

A handwritten signature in cursive script that reads "Jan P. Brodmerkel".

Jan P. Brodmerkel
Project Manager

EXHIBIT 2



OFFICE OF THE CITY MANAGER

Noel C. Taylor Municipal Building
215 Church Avenue, SW, Room 364
Roanoke, Virginia 24011
540.853.2333
www.roanokegov.com

November 18, 2009

Colonel Jefferson Ryscavage, Commander
Wilmington District
US Army Corps of Engineers
P.O. Box 1890
Wilmington, NC 28402-1890

Dear Colonel Ryscavage:

Thank you and the Wilmington District staff for your cooperation and assistance to Ms. Mullins and Ms. Noble of our Auditing Department during their recent visit to Wilmington. They have reported that your staff was very helpful and accommodating in providing information needed to complete our initial review of the Roanoke River Flood Reduction Project. The audit focused on verification of the August, 2009 project accounting and projected local funding needs for the project.

The project cost balancing results combined with the American Recovery and Reinvestment Act (ARRA) matching fund requirements, together with the March 31, 2010 deadline for obligation of those funds, has placed an unexpected financial burden on the City. Our audit confirms the City's financial responsibility of approximately \$1,974,216 to balance the project, as of October 30, 2009, subject to further accounting and crediting of in kind services, however the audit found two major issues which created the current out of balance condition, neither of which are the responsibility of the City.

1. The amount of \$1,758,639 of work in kind for design and environmental assessments was previously included as cash paid in error by the Corps causing the cash balance required to be erroneously reduced by that amount.
2. The Corps cost accounting system set up the cost sharing as 16% local sponsor and 84% federal for all categories in the project. The fact that cost sharing funds for recreational features should have been shared at 50% rather than 16% contributes to the remaining out of balance condition.

Given the project's twenty plus year history, it is disturbing that the first cost accounting provided to the local sponsor was in August, 2009. Further, the accounting was only undertaken when we questioned the need for additional funds, given that previous funding requests exceeded contract amounts. In my opinion, it is unreasonable for the Corps to demand immediate payment of funds resulting from errors by the Wilmington District staff in order to continue advancement of the project. The requirement to pay nearly \$4,600,000 in only a few months leaves the City very few options.

Colonel Jefferson Ryscavage, Commander

November 18, 2009

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We respectfully request the Wilmington District staff assistance in developing a reasonable extended payment schedule to meet the unexpected balancing obligations. In the event this cannot be accomplished at a staff level, we understand that the City can request deferral of local sponsor contributions from the Secretary of the Army, John McHugh, and are prepared to pursue that option if a reasonable accommodation cannot be achieved.

It is my understanding that the ARRA legislation is silent on the requirement for local sponsor matching funds, however internal guidance within the Corps and other prior legislation requires local matching funds and the use of previously appropriated funds before accessing stimulus funds. We feel the requirement of local sponsor matching funds and expenditure of previously appropriated funds conflicts with the underlying goals of the act to stimulate local economies and complete shovel ready projects in an expeditious manner. This funding requirement is placing an even greater burden on local governments already struggling to balance budgets; and in effect is limiting the use of stimulus funding for community benefit. Therefore, we intend to pursue these two limiting factors through our Congressional delegation.

Please feel free to call me if you have any questions or need additional information.

Sincerely,



Darlene L. Burcham
City Manager

DLB/PCS/lmb

c: Drew Harmon, Municipal Auditor
Philip C. Schirmer, PE, LS, City Engineer

bc: Honorable Mark Warner, US Senate
Honorable Jim Webb, US Senate
Honorable Bob Goodlatte, US House of Representatives
Drew Densmore, Senator Warner's Roanoke Office
Pete Larkin, Congressman Goodlatte's Roanoke Office
Martin Mash, Senator Webb's Roanoke Office

EXHIBIT 3



OFFICE OF THE CITY ENGINEER

Noel C. Taylor Municipal Building
215 Church Avenue, SW, Room 350
Roanoke, Virginia 24011
540.853.2731
www.roanokeva.gov

August 3, 2010

Colonel Jefferson Ryscavage, Commander
Wilmington District
U.S. Army Corps of Engineers
P.O. Box 1890
Wilmington, North Carolina 28402-1890

Dear Colonel Ryscavage:

RE: Roanoke River Flood Reduction Project

Thank you, Ms. Brodmerkel and Mr. Bishop for your recent visit to Roanoke to meet with me and Mr. Morrill. We are pleased to see the recent progress on the project and look forward to the award for the final benchcut contract.

I am requesting several items to better coordinate the project budget and to provide written confirmation of several items we discussed at our meeting.

1. Per Article II, paragraph a, of the Local Cooperation Agreement, we are requesting the opportunity to review and provide comments on all future contract modifications and change orders prior to issuance of a notice to proceed to the contractor. We request that these modifications be transmitted in writing to our Project Manager, Luke Pugh.
2. Per Article VI, paragraph b.1 and 3, we are requesting the Corps provide a written estimate of local sponsor funding needed for the upcoming fiscal year beginning October 1, 2010.
3. We request that the Corps initiate the process to revise the adopted FEMA flood insurance rate maps (FIRM) for the Roanoke River within the City of Roanoke. We ask for your proposed schedule for completing the necessary flood studies and the anticipated review and approval process by FEMA.
4. In anticipation of project close out in the next 24 months, we suggest a goal of resolving all project crediting issues by January 31, 2011. We understand this effort to be separated into four cost centers; first, related to structural flood damage reduction; second, non-structural flood damage reduction; third, recreational features; and fourth, cultural resources. We have established a goal of submitting a crediting request, with all necessary documentation, to the Corps staff by September 30, 2010.

Colonel Jefferson Ryscavage, Commander
August 3, 2010
Page 2

5. The City requests that quarterly project cost summaries be provided to us beginning with the period ending September 30, 2010. The cost allocation spreadsheet which has been previously provided to the City is an acceptable summary document.

Please let me know if you have questions or need additional information.

Sincerely,



Philip C. Schirmer, P.E., L.S.
City Engineer

PCS/rls

c: Jan Brodmerkel, U.S. Army Corps of Engineers
Jim Medlock, U.S Army Corps of Engineers
Christopher Morrill, City Manager
Luke Pugh, P.E., Civil Engineer II