Office of Inspector General
City of New Orleans
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December 29, 2009

Hon. Arnie Fielkow, Council President
Hon. Jacquelyn B. Clarkson, Council Vice President
Hon. Shelley Midura, Councilmember
Hon. Stacy Head, Councilmember
Hon. James Carter, Councilmember
Hon. Cynthia Hedge-Morrell, Councilmember
Hon. Cynthia Willard-Lewis, Councilmember
New Orleans City Council
1300 Perdido Street
New Orleans, LA 70112

Re: Municipal Auditorium

Dear Council Members:

I have been informed by the Administration that it has decided not to pursue the original proposal for the development of Municipal Auditorium, and instead proposes to rely entirely on FEMA funds to redevelop the facility.

The Administration also entered into negotiations with Stewart Juneau for a consulting contract that differs materially from the RFP that was issued, and which presents very serious financial risks to the City of New Orleans. It provides for payment up to 5% of an estimated $100 million reconstruction project, including $750,000 currently payable.

The Office of Inspector General promised to provide our concerns with the original proposal to the Council. Rather than listing the numerous concerns we planned to express, we will simply note that the former proposal provided the developer with a $12.5 million payment; in addition, the proposal granted $5000 per month for 50 years and 35% of the developer's net profit to a photographer for consulting services.

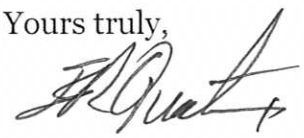
The attached letter to the Mayor spells out the abject waste of as much as $5 million on a contract that requires the contractor to do nothing more than submit an invoice for unspecified services. There are no deliverables, project milestones, requirements for a plan, progress reports or anything of substance. This is a contract for nothing.

Worse, the project and this contract rely solely on FEMA funding. We believe that the substance and form of the proposal will result in FEMA disallowing a substantial portion of the costs. In as much as there is no alternative financing plan, this means the City could be obligated for some part of $100 million, with the likelihood that funds advanced by the City would not be reimbursed. The consequences to the recovery program are potentially severe if the City were faced with a $100 million shortfall.

I urge the City Council to oppose this contract. It may violate the City Charter's provision relating to competitive bidding for contracts exceeding $15,000 in value, because the RFP calls for an entirely different set of services than the contract under consideration. Funding for this contract does not appear in the Capital Projects Budget approved December 1, 2009. Potential amendments to the Capital Projects budget ordinance may offer the means to defeat this attempt to circumvent the City Council and City Charter.

The Office of Inspector General is available to brief the Council and answer its questions.

Yours truly,



E.R. Quatrevaux
Inspector General