



## AGENDA

### SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING **December 15, 2010 7:30 a.m.**

Metro-East Park and Recreation District Office  
104 United Drive, Collinsville, Illinois 62234

1. Call to Order  
*Dan Maher, President*
2. Approval of Minutes of November 17, 2010
3. Program Status Report and Budget Update  
*Les Sterman, Chief Supervisor*
4. Progress Report on Design/Construction
5. Resolution Authorizing and Approving Repurchase Agreements for the Investment of Proceeds of the Flood Prevention District Council Sales Tax Revenue Bonds, Series 2010, of the Southwestern Illinois Flood Prevention District Council, Madison, St. Clair and Monroe Counties.
6. Funding for Emergency Levee Repairs in Prairie DuPont/Fish Lake Levee Districts
7. Report from the U.S. Army Corps of Engineers
8. Other Business
9. Adjournment

**Next Meeting: January 19, 2011**



## MINUTES

### SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING

November 17, 2010

The regular meeting of the Board of Directors was held at the Metro-East Park and Recreation District Office, 104 United Drive, Collinsville, Illinois at 7:30 a.m. on Wednesday, October 21, 2010.

#### Members in Attendance

James Pennekamp, President (Chair, Madison County Flood Prevention District)  
Dan Maher, Vice President (Chair, St. Clair County Flood Prevention District)  
John Conrad, Secretary/Treasurer (Chair, Monroe County Flood Prevention District)  
Ron Motil, Madison County Flood Prevention District  
Bruce Brinkmann, Monroe County Flood Prevention District  
Dave Baxmeyer, Monroe County Flood Prevention District  
Alvin Parks, Jr., St. Clair County Flood Prevention District  
Paul Bergkoetter, St. Clair County Flood Prevention District

#### Members Absent

Tom Long, Madison County Flood Prevention District

#### Others in Attendance

Mark Kern, St. Clair County Board Chair  
Delbert Wittenauer, Monroe County Board Chair  
Kevin Hutchinson, Mayor Columbia, IL  
Herb Simmons, Mayor East Carondelet, IL  
Terry Liefer, Monroe County Commissioner  
Les Sterman, SW Illinois FPD Council  
Kathy Andria, American Bottom Conservancy  
Ron Auld, Volkert Assoc.  
Richard Bird, URS  
Craig Brauer, TWM  
Darryl Elbe, Hoelscher Engineering  
Melissa Erker, Conoco-Phillips  
Marsia Geldert-Murphy, Kaskaskia Engineering Group  
Walter Greathouse, Metro-East Sanitary District  
Maggie Hales, East-West Gateway Council of Governments  
Pam Hobbs, Geotechnology  
Kevin Hoecker, Scott-Balice Strategies  
Gary Hoelscher, Hoelscher Engineering  
Mike Huber, KdG  
Charles Juneau, Juneau Associates, Inc. P.C.  
Mary Kane, Stifel, Nicolaus, Inc.  
Teresa King, U.S. Army Corps of Engineers  
Kevin Koenigstein, Treasurer, Monroe County

David Leake, KdG  
Linda Lehr, Monroe County  
Jay Martin, AMEC  
Patrick McKeehan, Leadership Council Southwestern Illinois  
Vince Milazzo, Wood River Levee and Drainage District  
Dick Murray, Morgan Keegan  
Jack Norman  
Jon Omvig, AMEC  
David Sawitzki, AMEC  
Bob Shipley, Metro-East Sanitary District  
Dale Smith, Geotechnology Inc.  
Bill Stallman, Tri-City Port District  
Dale Stewart, SW Illinois Building Trades Council  
Mike Sullivan, Prairie DuPont Drainage and Sanitary District  
Kevin Thompson, Morgan Keegan  
Dan Turner, Volkert  
Chuck Unger, The Bank of Edwardsville  
Dennis Wilmsmeyer, Tri-City Port District

#### **Call to order**

President Dan Maher called the meeting to order.

#### **Approval of minutes of October 21, 2010**

A motion was made by James Pennekamp, seconded by Ron Motil, to approve the minutes of the October 21, 2010 meeting. Motion approved, all voting aye.

#### **Program Status Report and Budget Update**

Mr. Maher asked Mr. Sterman to report.

Mr. Sterman indicated that it has been a busy month. AMEC has been rapidly mobilizing. There are crews in the field now that are drilling and testing. AMEC is putting project management mechanisms in place now.

I have been working with the Corps of Engineers to put in place a staff sharing arrangement. Teresa King is here from the Corps and will report later on in the agenda. One of the greatest scheduling risks that we have is the permitting process and a better liaison with the Corps will help in that process. We also need to have a good relationship with the Corps.

I have 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.

The Limited Reevaluation Report for MESD is complete, which is 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.

The levee certification inspection being conducted by a team led by AMEC Earth & Environmental is now complete with the submittal of a draft inspection report to our special legal counsel.

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 market was challenging last week, but we feel fortunate since the market has become even more difficult since the sale.

Changes in the political landscape in 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.

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. FEMA will have 60 days to respond to the suit.

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

Proposals for audit services have been received from four prospective locally-based auditing firms. A selection recommendation will be made later on in the agenda.

Addressing the budget report, Mr. Sterman indicated that sales taxes for the first five months of 2010 were continuing to run ahead of last year by about 5.4%, and we certainly hope that trend continues. Following November sales tax receipts remitted to the counties, future receipts will be intercepted and forwarded to the Trustee, who will use those funds to make principal and interest payments on bonds, to pay design and construction costs and to pay for the Council's budgeted administrative costs. Residual funds will then be returned to the counties' FPD sales tax funds.

Last month we spent \$567,000. Almost all of it was spent on the certification inspection and on financial services in support of the bond issue.

### **Progress Report on Design/Construction**

Mr. Sterman indicated that Jay Martin, the project manager for AMEC Earth & Environmental will give a report. While Mr. Sterman noted that most of our activities over the first year and a half of our existence have focused on administrative and financing matters, we are now turning our attention to our real purpose, which is to make improvements to flood protection. I am working with AMEC to come up with a regular format for these progress reports so that the Board can have a good idea about how the project is proceeding.

Mr. Martin noted the good progress that has been made to-date. He then showed a slide presentation that described progress on design/construction (a copy is attached as Exhibit 1). Six specific topics were covered in the presentation: program management, field activities, preliminary design, schedule, budget and a look ahead. He also described the process of coordination with the Corps of Engineers. All subcontracts are in place and will be executed shortly.

Summing up, Mr. Martin said that “so far, so good” with no “showstoppers” on the horizon. We continue to be on track to meet the late March deadline for completion of preliminary design. Potential problems ahead are the disposal of any hazardous or toxic materials resulting from relief well testing. Property access is also an important issue that continues to be a concern. There is also a potential problem with a part of the levee in Wood River that is a railroad embankment. Close coordination with the railroad will be needed. There are some soft foundation soils in Prairie DuPont/Fish Lake that shouldn’t be a huge issue but something that bears watching.

Kathy Andria asked who would pay for some of the disposal of toxic materials in the Sauget area, particularly if some of the responsible parties would be asked to pay. Mr. Sterman indicated that we would have to figure out the dimension of the problem. There is money in the project budget to clean up what we generate. Additional operating funds may be needed as well.

Mr. Kern asked if AMEC had met yet with the boards of the levee districts to share our plans. Mr. Martin said that they hadn’t met yet with the levee district boards but would be happy to do so. Mr. Kern said that would be a good step to avoid any misunderstanding.

### **Recap of Bond Pricing Process and Results**

Mr. Sterman introduced Kevin Hoecker from Scott-Balice and Kevin Thompson from Morgan Keegan. Mr. Hoecker noted that it was a tough market last week since we were competing with a large number of issuers. He described that the standard to determine whether the sale was successful was how we compared to similar transactions during the same time period. By that standard, we beat the “market” by a good margin. He also noted that Morgan Keegan and our other underwriters actually needed to purchase bonds themselves in order to conclude the sale.

Kevin Thompson provided a summary of the bond sale in the form of a slide presentation (attached as Exhibit 2). He described the process of selling the bonds to retail and institutional investors.

Mr. Wittenauer asked about the call provisions in the bond issue. Mr. Thompson responded that all three series of bonds have a 10-year par call and described the benefits of that provision.

While it might cost a couple of basis points in yield, it gives the Council more flexibility in the future.

Mr. Wittenauer asked whether a successful sale will help in future issues by the Council. Mr. Hoecker responded affirmatively and noted how the affiliation with SWIDA as the conduit issuer also helped the credibility of the bonds.

Mr. Kern asked how much we paid SWIDA. Mr. Sterman responded that we paid them around \$53,000.

### **Policy on Investment of Bond Proceeds**

Mr. Sterman reported that come November 23 when the bonds close, we will have a substantial amount of money to invest; notwithstanding the fact that we will be spending some of it pretty quickly. Our financial advisor was asked to provide us with a recommendation for investing the funds. Kevin Hoecker made a presentation describing his recommendation (attached as Exhibit 3).

Mr. Hoecker described the two major funds that we will be investing. The debt service reserve will be a longer term investment, but it will need to be relatively liquid in case it is needed to cover any shortfall in principal and interest payments. The project fund will be spent over a short period of years to pay for design and construction activities.

Interest rates are extremely low right now. We can look at something that is super-easy – Treasury bonds -- or we can do something a little harder but beneficial by looking into investments that are collateralized by Treasuries through repurchase agreements. Investments will be determined through competitive bidding conducted by an investment advisor. All investments will be fully collateralized.

Mr. Maher emphasized the importance of collateral and Mr. Hoecker noted that amount of the collateral will be continually reset based on market conditions.

Mr. Maher asked whether we will still need to do the arbitrage analysis given the low interest rates that we will be getting on our investments. Mr. Hoecker responded affirmatively, but said that the analysis would be pretty inexpensive and probably wouldn't have to be done for five years. We do want to make sure that we follow all the relevant rules.

Mr. Bergkoetter asked about the disadvantages of repos. Mr. Hoecker said that there is some degree of operational housekeeping. Although we are protected through collateral, if our provider goes bankrupt, our return is not protected.

Mr. Maher asked if there is a written policy that the Board should approve. Mr. Sterman noted the recommendation in the memo. He asked if the Board would like to approve the specific investments at the next monthly meeting. After some discussion the Board determined that it would be sufficient for Mr. Sterman to notify the Board of the proposed investments and get the investments made as quickly as possible.

Motion made by Jim Pennekamp, seconded by Mr. Motil to A bidding process would be used to secure the best return on the Council's investment. Two and three year duration investments will be considered for the debt service reserve fund, and 18 month duration investments with full flexibility for withdrawal for the project fund deposits. Motion approved, all members voting aye.

### **Policy on Reimbursement of Counties for Funds Spent on the Project**

Prior to the existence of the Council, and before sufficient balances were available in the county flood prevention district sales tax funds, each of the counties generously provided advance funding out of general revenue to its respective county flood prevention district. These funds were primarily used to collect subsurface data to support the preparation of project development documents by the Corps of Engineers.

The understanding in each of the counties was that these advanced funds would be repaid out of the flood prevention district sales tax funds at such time as there were sufficient balances to do so. However, in June 2009 an intergovernmental agreement was signed that called for sharing the costs of the regional project proportionally to the amount of sales tax collected in each county --without regard to the location of the expenditure. This cost sharing arrangement has been implemented successfully and will continue until all bonds for the Project are retired.

Now that we can better understand the financing of the Project and bonds have been issued, the counties should be reimbursed for funding advanced in 2008 and 2009. However this turns out to be a little more complicated than initially thought. Mr. Sterman described three ways to get the money back to the counties.

Each county could simply reimburse itself for costs incurred by their own FPD. The advantages of this approach are that it is simple and probably immediate, and it avoids any concern about the lack of uniformity in how the funds were originally spent. The disadvantage is that it disrupts the proportional cost sharing on the project and it could lead to problems later on in funding the project if county sales tax fund balances are not proportional.

The second option is for the Council to pay each county back through our agreed upon cost-sharing arrangement. The advantage of this approach is that it maintains the principle of proportional cost-sharing on the project and makes continued cost-sharing in the future more certain. The disadvantages are that the process is a little more cumbersome and reimbursement will likely take several months, and that reimbursement will be proportionally shared even though costs were not incurred proportionately or uniformly.

The third option is to reimburse the counties out of bond proceeds. The advantages are that this process is simple and quick, and it preserves the proportional cost-sharing principle. The disadvantage is that it depletes the project fund from the bond issue while leaving unspent balances in the county sales tax funds that will not be put to effective use on the Project.

While Mr. Sterman said that he does not have a strong preference on this matter, he believes that option two is probably the best alternative since it preserves the principle of proportionality and does not deplete our project fund.



Mr. Maher noted that option two sounds best. Mr. Pennekamp agreed.

Mr. Pennekamp made a motion to accept option two for the accumulated costs incurred by the counties prior to the existence of the Council to be paid by the Council through the proportional cost sharing arrangement; seconded by Mr. Motil. Motion approved, all members voting aye.

### **Selection of Auditor for 2009 and 2010 Financial Statements**

The Council has recently solicited competitive proposals from firms to perform annual financial audits. The immediate need is to perform the audits for fiscal years 2009 and 2010.

Proposals were circulated to qualified firms on October 19, 2010. As is our custom, we focused on firms that have a strong local presence. Proposals were due on November 12. In response to our request we received four proposals as listed below.

LarsonAllen LLP  
J.W. Boyle & Co.  
Allison Knapp & Siekmann, Ltd.  
Scheffel & Company, PC

The proposals were reviewed by me as well as the Chief Financial Officer at East-West Gateway, Royce Bauer. The evaluation factors shown in the RFP were primarily related to quality of the proposal and qualifications, i.e. responsiveness of the proposal – clear understanding of the work to be performed; ability to conduct the audit and issue reports within the required time; technical experience and qualifications of the audit staff; qualifications of the firm, including experience in conducting audits of this nature, references, and other financial services offered by the firm.

Mr. Sterman briefly summarized each of the four proposals.

While all of the firms are qualified and capable to perform the Council's audit work, it was our conclusion that Scheffel & Company provides the best combination of qualifications and cost.

There ensued some discussion among the members of the cost and length of the commitment. Mr. Maher asked whether we should go back to ask for a 2011 cost estimate and then just go with the lowest cost. Mr. Bergkoetter noted that 2011 will be a lot different than the previous years and it might be difficult to come up with a firm estimate.

Mr. Pennekamp suggested that we asked the staff to come up with a recommendation and didn't feel that we have a good reason for making a decision contrary to that recommendation. Mr. Motil agreed. Mr. Maher noted the simplicity of the audit and suggested that we should simply go with the lowest cost. Mr. Parks indicated he agreed with the staff recommendation and noted that we will come back next year with another selection for 2011.

Mr. Conrad made a motion, seconded by Mr. Parks to authorize the Chief Supervisor to engage Scheffel & Company to perform the Council's financial audit for fiscal years 2009 and 2010 at a cost to be negotiated but not to exceed \$6,500 for 2009 and 2010. The motion was approved, all members voting aye.

## **Memorandum of Agreement with U.S. Army Corps of Engineers to Provide Staff Assistance to Project**

As we have previously discussed over several months, the Corps has proposed that we enter into agreement for a shared staffing arrangement so that there will be a Corps staff member dedicated to our project, responsible for expediting permits and coordinating the design and construction plans and schedules from the two agencies. Over several months of discussion, the cost of this liaison work has been reduced substantially from earlier estimates. The Corps has proposed that the person assigned to the project would be Teresa King, the recently hired program manager for the Metro-East Levee System.

Ms. King would work part-time in the Council's offices and serve as a liaison between the Corps, the Council, and the Council's consultants. Specifically, she would undertake the following tasks:

1. Facilitate permitting efforts, particularly coordination with federal agencies.
2. Coordinate design and construction efforts to provide a unified solution for the 100-year and authorized projects.
3. Reduce duplication of effort during design and construction by coordinating plans and activities of the Corps Project Delivery Teams and the Council.
4. Coordinate legislative and budget efforts to maximize progress of 100-year work by the Council.
5. Integrate schedules of Corps' ongoing activities (LRR, Feasibility Study and reconstruction) and AMEC's design work.
6. Coordinate the Corps' technical resources (as needed/required) for design or construction support.

The cost to the Council for this arrangement would be \$50,000 a year. The cost is included in the Council's FY2011 budget as part of the design/construction oversight line item. Office space has been made available by the Metro-East Park and Recreation District. The Council will need to provide furniture and a computer, items that have also been budgeted for this year.

Mr. Maher asked whether the \$50,000 includes all fringe benefits. Mr. Sterman responded that this is the total commitment from us for all costs. Mr. Maher also asked whether we had a commitment that Ms. King would stay with the project. Mr. Sterman responded that we would have a say in her successor should Ms. King leave during the course of the year. Mr. Pennekamp emphasized the importance of a termination provision in the agreement.

Mr. Motil asked David Human whether this arrangement would be a conflict of interest for the Corps, given our lawsuit against FEMA and the Corps' role in the process. Mr. Human indicated that it was not.

Mr. Parks asked if this arrangement would eliminate some of the ambiguity in the relationship between the Council and the Corps. Mr. Sterman said that this arrangement should help keep the project on track. The ambiguity will likely not go away. This is a relationship that remains important and that we will have to manage.

Mr. Parks made a motion, seconded by Mr. Bergkoetter to execute a Memorandum of Understanding with the U.S. Army Corps of Engineers to provide part-time staff for a project liaison at a cost of \$50,000 for one year, renewable annually by agreement of both parties. Motion approved, all members voting aye.

### **Approval of Cost-Share for Federal FY2011 Appropriations for the Wood River Levee Project**

Mr. Maher asked Mr. Sterman to present this item. Mr. Sterman indicated that the USACE has requested local cost-share to match federal funding from Federal FY2011 for relief well construction and reconstruction of closure structures in the Wood River Drainage and Levee District. The cost-share would be provided in accordance with the existing Project Partnership Agreement between the USACE and the WRDLD. The total request is \$591,231, which will match \$1,098,000 in Federal funds.

Mr. Sterman noted that one of the things that we are paying close attention to is if the Corps' proposed expenditures contribute to achieving the 100-year level of protection needed for FEMA accreditation. Our goal is to conserve our resources by spending our money only on those projects that are needed for certification and accreditation. Any contribution of cost-share will be conditioned accordingly.

Mr. Bergkoetter made a motion, seconded by Mr. Motil, to authorize the Chief Supervisor to invoice the counties for a total of \$591,231 -- that amount to be divided among the counties in accordance with Council policy, to serve as cost-share for Federal projects in the Wood River Drainage and Levee District and to make payment to the USACE. Remittance of these funds to the U.S. Army Corps of Engineers will be conditioned on those funds being used for projects that contribute to achieving certification of the levee system in accordance with 44 CFR 65.10.

### **Report from the U.S. Army Corps of Engineers**

Mr. Sterman called on Teresa King, program manager for the Corps of Engineers to provide a report. Ms. King described the coordination process between the Corps and the Council and our consultants, particularly in coordinating the 100-year and 500-year projects. She described a focus on the permitting process so that there isn't an impression that there are two different and competing projects.

### **Other Business**


There was no other business.

**Adjournment**



There being no other business, a motion by was made by Mr. Bergkoetter, seconded by Mr. Pennekamp to adjourn the meeting. Motion approved, all voting aye.

Respectfully submitted,

James Pennekamp,  
Secretary/Treasurer, Board of Directors




**Progress Report**  
**November 17, 2010**  
**SW IL Levee System**  
By Jay Martin




**Major Areas**

- Program Management
- Field Activities
- Preliminary Design
- Schedule
- Budget
- Look ahead




2

**Program Management**




- Health and Safety
  - No reportable incidents project to date.
- Schedules prepared
- Weekly calls with the USACE to coordinate and share information
  - Three calls
  - Meeting today at 10:30




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**Program Management**



- Subcontracts prepared/executed
  - Juneau Associates, surveying – prepared/negotiated
  - Sheppard, Morgan and Schwaab, surveying – prepared/executed
  - ABNA Engineering, surveying – prepared/executed



4

**Field activities - Wood River**  
(developing data for both evaluation and design)



- Boring locations and access issues identified.
- Volkert continues working on utility clearance for exploration locations.
- Boring locations staked, drilling initiated on 10/18/10. Completed approximately 1,660 LF of SPT drilling, 1,425 LF of CPT and 80LF of sonic.
- Completed geophysical field survey of the levee system.
- Potential contaminated soils issues have been reviewed and field personnel informed and trained in the protocol for handling and containerizing waste materials.

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**Field activities - MESD**  
(developing data for both evaluation and design)



- Boring locations staked, drilling initiated on 10/11/10 and have completed approximately 2,048 LF of SPT drilling, 1,480 LF of CPT drilling.
- Completed the geophysical scan of the entire levee length.
- Identified and continuing to resolve site access issues which have limited the number of drill rigs that can be utilized. Drilling footage production per rig is higher than expected.
- Potential contaminated soils issues have been reviewed and field personnel informed and trained in the protocol for handling and containerizing waste materials.

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**Field activities - PdP/FL**  
(developing data for both evaluation and design)



- Boring locations staked, drilling initiated on 10/11/10. Completed approximately 60% of Phase I Certification Borings and 45% of Phase I seepage berm borings. Total footage – 1,100LF of SPT and 1,609 of CPT.
- Completed the geophysical scan along the PdP/FL corridor.
- Rights of access secured for all but 3 properties along the corridor, which inhibits subsurface exploration and cultural survey.

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**Preliminary Design and Evaluation Activities – Wood River**



- Field Survey (AMEC) for H&H analysis is complete.
- Obtained Environmental records from COE and refined environmental constraints map.
- Developing sampling and environmental protocol for potentially impacted areas (including boring WRL-C-S1602, apparent hydrocarbon impacted).
- Validating COE under-seepage spreadsheet inputs. URS under contract and collecting field data from drilling for use in geotechnical analysis.

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### Preliminary Design and Evaluation Activities - MESD



- Cultural resources base mapping constraints have been established.
- Hazardous environmental review has identified approximately 40 sites within Wood River and MESD with the majority located in MESD
- H&H analysis backwater evaluation
- Reviewed new data collected from Corps of Engineers.
- Initiated relief well inventory through subcontractor.
- Began developing base maps.

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### Preliminary Design and Evaluation Activities – PdP/FL



- Water Resources: Hoelscher began analyses along flank levee.
- Civil Engineering: Began developing base maps.
- Environmental Engineering: Desk study completed. No potentially impacted areas identified.
- Cultural Resources: Desk study completed. With the SCI Phase I report, which surveyed 95% of corridor, we coordinated with Corps of Engineers regarding a path forward.
- Geotechnical Engineering: Validated 75% of USACE spreadsheets.
- Initiated relief well inventory through subcontractor.

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### Schedule



- Wood River – a detailed schedule with milestones has been developed. A revised schedule is being developed and will reflect the changed scope that considers what construction the COE has underway. We expect to meet the March 1 2011 goal for 30% design and cost estimate.
- MESD – Currently the critical path elements are drilling within the berm areas and development of a berm design for critical areas. Developed milestone turnover dates when the berm footprint and thickness are provided to the civil designers to move ahead. Have identified the following:
  - December 22 – complete berm design for the southwest corner of the MESD levee, along both the front levee and the flank levee
  - January 5 - complete berm design for the riverfront levee located several thousand feet north of the first levee
  - Complete berm design for the remaining areas located within MESD
- PdP/FL – A milestone schedule to meet the March 1, 2011 deadline has been developed.

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### Budget



- Second invoice prepared for submittal
- Budget status
  - Program Management \$112,000 spent, 7.6% of budget
  - Preliminary Design \$427,000 spent, 13.3% of budget
  - Preliminary Construction \$530,000 spent, 9.3% of budget
- Wood River – No issues have been identified that would cause an overrun.
- MESD – Currently the overall project for MESD is expected to be complete within or under budget. However, the cost for treating potentially contaminated water or disposal of environmentally contaminated soils is unknown.
- PdP/FL – budget has been reviewed and refined. To date, the effort (Professional and Field Services) is expected to be completed within budget. Desk studies and analyses have not uncovered issues that negatively affect the proposed budget.

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## Issues & Concerns



- Relief well testing – management of discharge
- Property access – proposed berm locations
- Coordination with the Corps – maximize efforts
- Unexpected material encountered in WR. Working to properly dispose of drums where hydrocarbons encountered.
- Locations of berms in Wood River along railroad; concern regarding how to deal with Wanda Road near railroad, and need to widen railroad berm and develop an operating agreement for O&M
- Some soft foundations soils encountered in PdP/FL
- One boring refused shallow in WR

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## Look Ahead – Wood River



- Must coordinate with COE on deficiencies already being addressed.
- Begin H&H analysis for flank levee freeboard, develop break-point between where MS River backwater controls WSE (final freeboard by mid-December for areas controlled by headwater flooding).
- Complete constraint maps for environmental, cultural and wetlands areas.
- Review COE completed relief wells and determine if any proposed berms can be eliminated/reduced (preliminary review indicates that some berms can be reduced).
- Address railroad access issues for northern portion of south flank levee.
- Begin cut-off wall data collection/analysis for elbow area.
- Substantially complete CPT and sonic drilling. Continue utility clearance for exploration locations.

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## Look Ahead - MESD



- Drilling must continue as quickly as possible – if the backlog of borings can increase we will look to bring on additional drill rigs. The following activities are planned:
  - Complete Phase I borings.
  - Review boring logs, assign laboratory data and compile data with geophysical work to plan Phase II borings.
  - Address environmental issues with contaminated water and soil (investigation derived waste) and identify disposal plan including receiving location for materials. Additionally, finalize plan for testing/pumping of relief wells prior to capacity testing.
  - Increase efforts to achieve all access agreements.
  - Complete review of cultural resources sites against planned conceptual designs.

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## Look Ahead – MESD (continued)



- Complete wetland and wildlife constraints maps based on existing, agency-approved delineations. Identify any areas that still require delineations for planned design improvements.
- Civil: Begin survey work and create base maps and survey strip maps; begin field survey to acquire missing data.
- Continue communications with key Corps personnel to acquire all available data – particularly that associated with Corps planned projects which could eliminate 100-yr design.
- Visit to MESD staff office to share information and answer questions (11/16).

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#### Look Ahead – PdP/FL



- Collaborate with USACE to stay abreast of potential overlapping/conflicting solutions footprints.
- Water Resources: Hoelsher to provide interim H&H analysis results along flank levee.
- Civil Engineering: Complete base maps, begin incorporating multi-discipline information onto maps.
- Environmental Engineering: Desk study completed. No action planned.
- Cultural Resources: Provide SCI report to SHPO for approval. Develop work plan for surveying the remaining 5% of corridor.

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#### Look Ahead – PdP/FL



- Geotechnical Engineering: Complete validation of USACE spreadsheets. Evaluate subsurface data as it returns to AMEC and develop embankment models to evaluate through-seepage. Begin fine-tuning seepage berm footprint.
- Complete the remaining Phase I subsurface exploration. Where required begin Phase II exploration.
- Volkert to obtain remaining rights of access.

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# QUESTIONS?

19



## Exhibit 2

Morgan Keegan

Southwestern Illinois Development Authority  
Series 2010-A, 2010-B and 2010-C

November 2010

Kevin Thompson, CFA, Managing Director  
50 N. Front Street  
Memphis, TN 38103  
Office: 901.579.4393  
kevin.thompson@morgankeegan.com

## \$94,195,000 SWILFPDC Issuance Summary

	<u>Series 2010-A Bond Details</u>	<u>Series 2010-B Bond Details</u>	<u>Series 2010-C Bond Details</u>
<b>Par Amount:</b>	\$64,015,000	\$9,050,000	\$21,130,000
<b>Mode:</b>	Fixed Rate	Fixed Rate	Fixed Rate
<b>Tax Status:</b>	Tax-Exempt	Taxable (BABs)	Taxable (RZEDBs)
<b>Underlying Bond Rating:</b>	AA (S&P) Aa3 (Moody's)	AA (S&P) Aa3 (Moody's)	AA (S&P) Aa3 (Moody's)
<b>Redemption Provisions:</b>	4/15/2020 – Par Call Option	4/15/2020 – Par Call Option	4/15/2020 – Par Call Option
<b>Pricing Date:</b>	November 9, 2010	November 9, 2010	November 9, 2010
<b>Closing Date:</b>	November 23, 2010	November 23, 2010	November 23, 2010
<b>Final Maturity:</b>	April 15, 2030	April 15, 2032	October 15, 2035

	<u>Tax-Exempt</u>	<u>BABS</u>	<u>RZEDB</u>	<u>Issue Summary</u>
<b>Sources of Funds</b>				
Par Amount of Bonds	\$ 64,015,000.00	\$ 9,050,000.00	\$ 21,130,000.00	\$ 94,195,000.00
Reoffering Premium/(Discount)	633,235.90	-	-	633,235.90
<b>Total Sources</b>	<b>\$ 64,648,235.90</b>	<b>\$ 9,050,000.00</b>	<b>\$ 21,130,000.00</b>	<b>\$ 94,828,235.90</b>
<b>Uses of Funds</b>				
Total Underwriter's Discount	428,900.50	60,635.00	141,571.00	631,106.50
Costs of Issuance	457,456.67	63,992.64	149,410.44	670,859.75
Deposit to Debt Service Reserve Fund (DSRF)	4,209,735.83	595,143.47	1,389,544.92	6,194,424.22
Project Fund	59,552,142.90	8,330,228.89	19,449,473.64	87,331,845.43
<b>Total Uses</b>	<b>\$ 64,648,235.90</b>	<b>\$ 9,050,000.00</b>	<b>\$ 21,130,000.00</b>	<b>\$ 94,828,235.90</b>
All-in TIC				4.21%

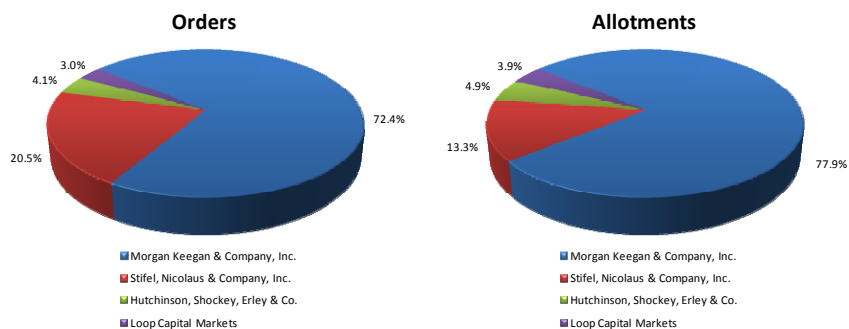
| Southwestern Illinois Flood Prevention District Council

Morgan Keegan

### Underwriting Orders and Allotments: Tax-Exempt\*

Underwriters	# of Orders	Orders	Orders %	Allotments	Allotments %
Morgan Keegan & Company, Inc.	57	35,725	72.37%	29,915	77.85%
Stifel, Nicolaus & Company, Inc.	28	10,140	20.54%	5,110	13.30%
Hutchinson, Shockey, Erley & Co.	14	2,000	4.05%	1,900	4.94%
Loop Capital Markets	1	1,500	3.04%	1,500	3.90%
<b>Total</b>	<b>100</b>	<b>49,365</b>	<b>100.00%</b>	<b>38,425</b>	<b>100.00%</b>

\*Prior to allocation of bonds inventoried



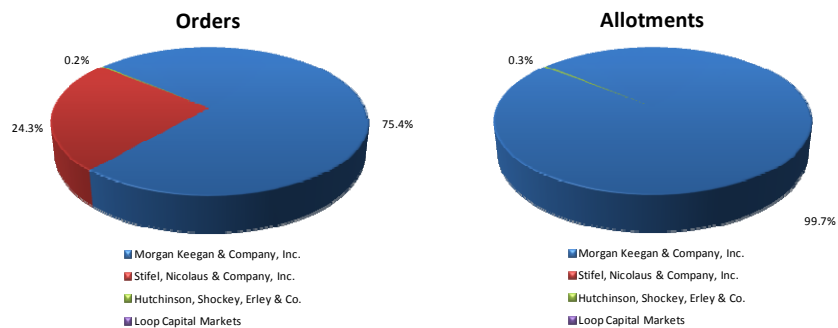
| Southwestern Illinois Flood Prevention District Council

Morgan Keegan

### Underwriting Orders and Allotments: Taxable\*

Underwriters	# of Orders	Orders	Orders %	Allotments	Allotments %
Morgan Keegan & Company, Inc.	12	31,000	75.43%	30,080	99.67%
Stifel, Nicolaus & Company, Inc.	2	10,000	24.33%	0	0.00%
Hutchinson, Shockey, Erley & Co.	1	100	0.24%	100	0.33%
Loop Capital Markets	0	0	0.00%	0	0.00%
<b>Total</b>	<b>15</b>	<b>41,100</b>	<b>100.00%</b>	<b>30,180</b>	<b>100.00%</b>

\*Prior to allocation of bonds inventoried



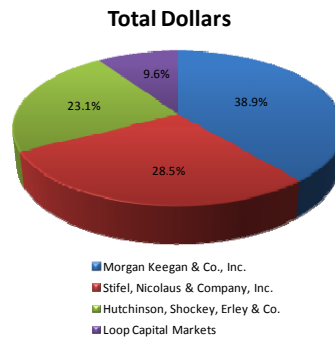
| Southwestern Illinois Flood Prevention District Council

Morgan Keegan


### Distribution of Takedown Revenue\*

Underwriter	Liability (000's)	Liability (%)	Group Business	Member Business	Total Dollars	Total %
Morgan Keegan & Co., Inc.	32,968	35.00%	\$106,618.75	\$47,956.25	\$154,575.00	38.91%
Stifel, Nicolaus & Company, Inc.	25,904	27.50%	\$83,771.88	\$29,268.75	\$113,040.63	28.45%
Hutchinson, Shockey, Erley & Co.	25,904	27.50%	\$83,771.88	\$7,937.50	\$91,709.38	23.08%
Loop Capital Markets	9,420	10.00%	\$30,462.50	\$7,500.00	\$37,962.50	9.56%
<b>Grand Totals</b>	<b>94,195</b>	<b>100.00%</b>	<b>\$304,625.00</b>	<b>\$92,662.50</b>	<b>\$397,287.50</b>	<b>100.00%</b>

\*Prior to allocation of bonds inventoried





 Scott-Balice Strategies **BUTCHERMARK**

## Investing Bond Proceeds

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1

### SWILFPD Investments

- SWIL has 2 accounts where investments can be made:
  - Project Fund of \$87,331,845
  - Debt Service Reserve Fund of \$6,194,424
- The project fund will be used over a 3-year time horizon which limits the return
- The reserve fund needs to be in shorter term liquid investments in case of emergency use
- The investments cannot earn over the arbitrage yield of the bonds:
  - 3.9423580% for Tax-Exempt
  - 4.5698171% for Build America Bonds
  - 3.9767117% for Recovery Zone Bonds

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## Interest Rate Environment

- Interest rates are extremely low and the yield curve has steepness which means our investments, in the short term, will not yield anywhere near the arbitrage yield
- There are several options for investments, but due to security and flexibility we should only look at either treasuries or investment agreements with treasuries and agencies

Years	Rates			
	U.S. Treasury	Invest. Agmt.	SIFMA Swap	LIBOR Swap
1	0.22%	0.90%	0.41%	0.45%
1.5	0.32%	0.98%	0.49%	0.53%
2	0.42%	1.07%	0.56%	0.62%
3	0.63%	1.06%	0.75%	0.86%
4	0.89%	1.16%	0.98%	1.16%
5	1.21%	1.50%	1.27%	1.50%
7	1.85%	2.14%	1.79%	2.14%
10	2.62%	2.79%	2.33%	2.79%
15	3.34%	3.38%	2.88%	3.38%
20	3.82%	3.44%	3.15%	3.64%
30	4.21%	3.56%	3.42%	3.85%

Investment agreements allow funds to be drawn at any time, without cost or penalty, for program purposes. For collateralized reduce rate 25 bps. DSRF amount of at least \$1m and "A" rated issuer. CF IA rates correspond to the anticipated average life, \$20m. SIFMA swap rates are dealer mid market rates. Guaranteed Agency rates are indicative and subject to availability.<sup>1</sup>

## Investment Agreement - Repurchase Agreements ("Repos")

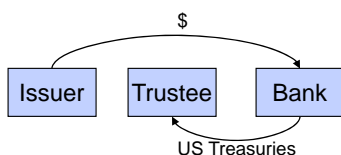
- **Description**
  - Repos involve the sale and repurchase of securities to simulate a collateralized investment
  - Draws are fully flexible, tailored to issuer's needs
  - Collateralized with Treasuries and/or Agencies
- **Application**
  - Issuer deposits funds with counterparty in exchange for guaranteed yields
  - Provider delivers collateral and maintains collateral value



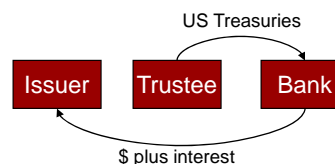
## Repurchase Agreements (“Repos”) Mechanics

- **Today:** Issuer invests money with the Bank. The Bank gives Issuer (or Trustee) US Treasuries.
- **At closing date:** Issuer (or Trustee) returns securities to the Bank. Issuer receives the initial investment plus guaranteed interest (interest may be paid on an interim basis as well – i.e. semi-annual, monthly, etc.)

Initial Transaction



Closing Transaction



## Repurchase Agreements (“Repos”)

- **Advantages**
  - High degree of customization and flexibility
  - Investment “secured” by Treasuries and/or Agencies
  - Collateral held by trustee or third party custodian
  - Can be structured with optional call features to enhance yield or increase flexibility
- **Disadvantages**
  - Yields lower than uncollateralized investments (GICs)
  - High Degree of operational housekeeping
  - Not bankruptcy proof.

## Reinvesting FAQs




- How does a bidding process work?
  - A bid typically includes three or more non-interested parties (a provider senior managing the bond deal is considered an interested party). Generally so long as this standard is met, interested parties may be added.
- Who runs the bidding process and what is the fee?
  - An Issuer may organize and execute its own bid process. In most circumstances, however, Issuers retain an Investment Advisor to manage this process. The advisor/broker is paid a fee for this service. Under IRS regulations, the Issuer may be able to recover all or a portion of the fee through an increase in their permissible investment yield, subject to limitations in amount
    - ✓ Safe harbor rules allow for a fee of 20 basis points of the invested amount or \$35,000
    - ✓ All fees are disclosed in confirmation and are paid by the investment provider

## Recommendation

- Enter into investment agreements that are collateralized with treasuries and agencies for both the debt service reserve fund and the project fund
- Retain a broker to bid out the investments
- Explore 2 and 3 year duration investments for the debt service reserve funds
- Explore 18 month duration investments with full flexibility for withdrawal for the project fund deposits


## Exhibit 4

# METRO EAST LEVEES PROGRAM

## PROGRAM STATUS UPDATE

### 21 October 2010

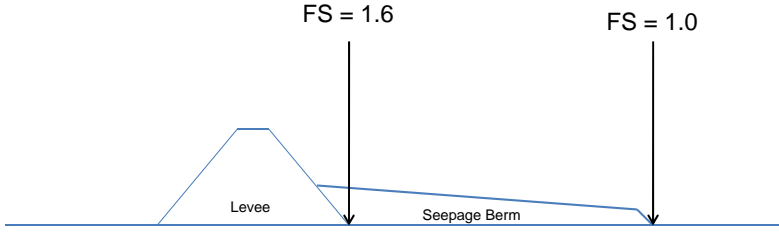


Michael Feldmann, P.E.  
Teresa King

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# METRO EAST LEVEES PROGRAM

## Factor of Safety – Seepage Berms



Levee                      Seepage Berm

### Factor of Safety

- St. Louis District requested clarification for Seepage Berm Design Criteria as guidance documents have inconsistencies in criteria.
- Recent direction from MVD was to use a Factor of Safety of 1.0 at the Seepage Berm Toe.
- Impacts:
  - Berm designs are being reevaluated using the FS=1.0 at the berm toe

2

## METRO EAST LEVEES PROGRAM

### Wood River

- LRR completion – Spring 2012
- Continue progress on Reconstruction projects

### Prairie du Pont/Fish Lake

- LRR completion - Sep 2011
  - Soil samples in PdP Creek have started
  - Preliminary alternatives review - Nov 2010
  - Value Engineering study - Dec 2010
- Reconstruction Feasibility Study initiated. FCSA and amended DA in progress. Complete - 2012

### MESD

- LRR was approved 31 Aug 2010
  - Resolution of review comments and Factor of Safety decision in progress
    - Soil samples in PdP Creek have started
    - HTW Phase II Assessment awarded and field work is underway
    - CPT and soil borings underway
  - Draft LRR Supplement – Mar 2011
- PPA draft is progressing and expect to execute - FY 12
  - Work in Kind challenges



Memo to: Board of Directors  
From: Les Sterman  
Subject: Program Status Report  
Date: December 13, 2010

Design/Construction

Subsurface data is still being collected through three principal methods (sonic drilling, standard penetration drilling, and cone penetrometer testing). During the last month, I had the opportunity to visit sites where each type of drilling was taking place. Each crew was working steadily in some cold weather to get the job done. At the sonic and standard penetration boring sites, crews were supplemented by an on-site engineer (URS in Wood River, SCI in MESD and AMEC in PdP/Fish Lake) who keeps the drilling logs and collects samples for lab testing. The work over all three levee districts is being coordinated by an AMEC field manager, James Black.

Borings are being done in areas identified by AMEC to supplement information already collected over the last two years by the Corps. Additional data are 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. In general, the weather has been favorable, although conditions in the last couple of weeks have become more difficult.

During the last month, we have received a draft memorandum of agreement with the Corps of Engineers to provide dedicated part-time staffing to serve as a liaison with the Corps. I have suggested some changes to the MOU and the Corps has responded favorably. The agreement should be executed soon. Office space has now been made available and a new computer purchased to accommodate the Corps staff person, Teresa King. 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.

We received three proposals on December 3 in response to our RFP to provide project management oversight. This will not be a large contract in terms of expenditure, but it will provide a capability for independent reporting on project progress and cost and scheduling issues. I have asked for volunteers to serve on a selection committee. Thus far, Dan Maher, Tom Long, Dave Baxmeyer, Joe Parente and David Cornell have agreed to serve.

I recently met with representatives of the Prairie DuPont Drainage and Sanitary District and learned about several critical items in the Corps of Engineers Periodic Inspection completed in June 2010. Three of those items needed to be addressed immediately to avoid having the district put on inactive status in the Corps' PL 84-99 program, which enables the Corps to perform emergency operations and levee repairs in the event of a flood. This cannot be allowed to happen and I will recommend that the Council provide PdP with sufficient funds to address this problem.

I expect that there will be similar findings in MESD and Wood River, since these Corps inspections are now more rigorous. I will work with our design consultants to prioritize any measures that are needed to correct problems that result in unsatisfactory ratings by the Corps.

### Financing

We successfully closed on our bond issue on November 23. Those funds are now invested at a very low rate of interest with our Trustee, UMB Bank. I have been working with our financial advisors and our bidding agent, Winters & Co., to conduct a competitive process to find a suitable investment in accordance with the direction provided by the Board at the November meeting. The process has taken longer than expected and become somewhat more complex, but we have now selected financial institutions for investment of the reserve fund and the project fund. Both institutions required legal opinions and we needed a legal review of the investment repurchase agreements. A resolution approving the repurchase agreements will be on the December Board agenda.

### Legislation

In the last month, Senators Durbin and Schumer introduced legislation to delay the imposition of mandatory flood insurance very similar to that sponsored by Congressman Costello and passed in the House several months ago. While such legislation is obviously very helpful, likelihood of passage this year is very slim, given the brief time that the Congress will remain in session and the other pressing issues on the legislative calendar.

Recently, Senator Durbin, along with a number of bipartisan Senate colleagues have attempted to address the problem through language attached to a 2011 appropriations bill. This language addressed the illogical assumption by FEMA that, for the purpose of the new flood insurance rate maps, our levee system would be effectively nonexistent. The specific suggested language is shown below.

*For Fiscal Year 2011, the Administrator of the Federal Emergency Management Agency may not use the assumption that a currently existing levee or flood control structure does not exist to designate an area as having new flood hazards pursuant to issuance, revision, updating, or other process to implement changes in flood insurance maps, except in cases where no affected community notifies the Federal Emergency Management Agency of objections to the Administrator's hazard modeling processes within 90 days of enactment of this Act. Nothing in this section shall be construed to establish, provide, or otherwise imply that the presence of an existing levee*

*or flood control structure pursuant to the prior sentence thereby accredits such levee with providing 1-per cent-annual-chance flood protection.*

While this language is indeed helpful, since it will require FEMA to do additional analysis to determine the level of actual protection provided by the levee system as part of the remapping process, it will not preclude them from deaccrediting those levees. So while we may get some relief from mandatory insurance requirements, considerable economic damage will still be done.

As a demonstration of the significant economic damage that is being done to our area, I have recently been in discussions with developers concerning a major new warehouse user in the Gateway Commerce Park that has been denied flood insurance by FM Global, the largest commercial provider of such insurance. Because of this situation, the firm will now locate in Missouri. In my opinion FM Global has an exaggerated understanding of the risk because of pronouncements by the Corps and by FEMA, and doesn't fully understand the extent of our efforts to improve flood protection. I am working to schedule a meeting with FM Global to explain the situation.

#### Legal

Our attorneys have filed motions for a preliminary injunction to stop the FEMA remapping and a motion to shorten the time and expedite the proceedings of our lawsuit. The federal judge denied the latter request, but in his order he indicated a good understanding of our concerns and clearly indicated that he would act to move the proceedings forward expeditiously.

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. Our attorneys have renewed our requests and asked for immediate response from the federal agencies.

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

#### Project Administration

I have negotiated a letter of engagement with the auditing firm, Scheffel and Co., that was selected at the November Board meeting to conduct the 2009/2010 audits. They have agreed to do the audits at the low end of their price proposal, \$4,800 total. We are currently gathering all of the information that they need to commence the audit.

The Park and Recreation District has reorganized their space to provide an additional workstation to accommodate the Corps staff person who will be working with us. I have also purchased a computer and software for this workstation.







Memo to: Board of Directors

From: Les Sterman

Subject: Budget Report through November 30, 2010

Date: December 13, 2010

Attached is the budget report for November 2010. It includes a comparison between the new year and the year ended on September 30. Actual disbursements in the last month were \$139,710, the majority of which was for legal costs prior to the counties assuming responsibility for costs to pursue the lawsuit against FEMA. Accrued expenditures for the fiscal year are \$1,696,990 with the largest amounts being for cost-share on Corps projects in Wood River and Prairie DuPont, and for bond issuance costs.

In 2009, an estimated \$10.3 million was collected in FPD sales taxes in the three counties, a total slightly higher than projected earlier in the year. For the first nine months of 2010, sales tax collections are about 7.8% higher than the same period in 2009. Month over month comparisons while remaining positive, have recently showed slower growth rates, in part because the prior year was already showing recovery from the economic downturn so the comparison is less favorable. St. Clair County's monthly tax receipts actually showed a slight decline from last year.

All future sales tax receipts will be intercepted and forwarded to the Trustee, who will use those funds to make principal and interest payments on bonds, to pay design and construction costs and to pay for the Council's budgeted administrative costs. Residual funds will then be returned to the counties' FPD sales tax funds.



Southwestern Illinois Flood Protection District Council  
Comparison of Budget to Actual (accrual basis)  
November 30, 2010

	Budget Period October 2010 - September 2011			Prior Year		
	Approved Budget	October 1, 2010 thru November 30, 2010	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
<b><u>Budget Summary</u></b>						
Resources						
Flood Prevention Tax Proceeds	\$10,510,886	\$1,733,592	\$8,777,294	\$37,007,652	\$7,806,394	\$29,201,258
Bond Proceeds	84,268,762	-	84,268,762	110,000,000	-	\$110,000,000
Interest Income	335,060	230	334,830	1,200,000	2,162	\$1,197,838
Other Contributions	-	-	-	80,000	75,800	\$4,200
Total Resources	<u>\$95,114,708</u>	<u>\$1,733,822</u>	<u>\$93,380,886</u>	<u>\$148,287,652</u>	<u>\$7,884,356</u>	<u>\$140,403,296</u>
Expenditures						
Design and Construction	\$58,248,265	\$1,137,564	\$57,110,701	\$27,010,000	\$7,166,171	\$19,843,829
Professional Services	286,833	41,878	244,955	130,000	513,943	(383,943)
Bond Issuance Costs	1,152,000	517,548	634,452	-	-	-
Reimbursement of Advance Funding	3,501,778	-	3,501,778	1,750,889	-	1,750,889
Debt Service	10,718,389	-	10,718,389	6,600,000	-	6,600,000
General and Administrative Costs	248,355	36,832	211,523	228,345	204,242	24,103
Contingency				1,368,418	-	1,368,418
Total Expenditures	<u>\$74,155,620</u>	<u>\$1,733,822</u>	<u>\$72,421,798</u>	<u>\$37,087,652</u>	<u>\$7,884,356</u>	<u>\$29,203,296</u>

Southwestern Illinois Flood Protection District Council  
Comparison of Budget to Actual (accrual basis)  
November 30, 2010

		Budget Period October 2010 - September 2011			Prior Year		
		Approved Budget	October 1, 2010 thru November 30, 2010	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
<b><u>Resources</u></b>							
<i>Flood Prevention Occupation</i>							
<i>Tax Proceeds</i>							
	St. Clair	\$5,130,239	\$851,714	\$4,278,525	\$18,503,826	\$3,903,196	\$4,435,683
	Madison	4,900,790	\$802,999	\$4,097,791	\$17,023,520	3,590,941	\$4,242,375
	Monroe	479,857	\$78,879	\$400,978	\$1,480,306	312,257	\$413,550
	Subtotal Tax Proceeds	10,510,886	\$1,733,592	\$8,777,294	\$37,007,652	\$7,806,394	\$9,091,607
<i>Bond Proceeds <sup>(1)</sup></i>							
		84,268,762	-	84,268,762	110,000,000	-	84,268,762
<i>Interest Income</i>							
		335,060	230	334,830	1,200,000	2,162	334,609
<i>Other Contributions</i>							
	St. Clair		-	-	25,000	37,899	16,525
	Madison		-	-	25,000	34,869	19,203
	Monroe		-	-	5,000	3,032	7,322
	Other				25,000		
	Subtotal Other Contributions	-	-	-	80,000	75,800	43,050
Total Resources		\$95,114,708	\$1,733,822	\$93,380,886	\$148,287,652	\$7,884,356	\$93,738,028
<b><u>EXPENDITURES</u></b>							
<b>Design and Construction</b>							
<i>Flood Prevention District Council Design and Construction Costs</i>							
<i>Engineering Design &amp; Construction</i>							
	Management	\$ 6,598,265	\$ -	\$ 6,598,265	\$ 75,000	\$ 535,684	\$ (460,684)
	Construction	50,000,000	-	50,000,000	20,000,000	423,974	19,576,026
<i>Construction and design by US ACE - Federal Cost-Share</i>							
	Wood River	600,000	591,231	8,769	6,935,000	6,066,846	868,154
	MESD <sup>(2)</sup>	450,000		450,000		-	-
	Prairie DuPont/Fish Lake <sup>(3)</sup>	600,000	546,333	53,667	-	139,667	(139,667)
		58,248,265	1,137,564	57,110,701	27,010,000	7,166,171	19,843,829

Southwestern Illinois Flood Protection District Council  
Comparison of Budget to Actual (accrual basis)  
November 30, 2010

Budget Period October 2010 - September 2011				Prior Year		
	Approved Budget	October 1, 2010 thru November 30, 2010	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
<b>Professional Services</b>						
Legal & Legislative Consulting	126,000	41,878	84,122	20,000	202,831	(182,831)
Construction Oversight	140,833	-	140,833	-	-	-
Impact Analysis/Research <sup>(4)</sup>	20,000	-	20,000	50,000	13,616	36,384
Financial Advisor		-	-	60,000	297,496	(237,496)
	<u>286,833</u>	<u>41,878</u>	<u>244,955</u>	<u>130,000</u>	<u>513,943</u>	<u>(383,943)</u>
<b>Bond Issuance Costs</b>						
Underwriter's fees	536,000	-	536,000			
Underwriter's Counsel	80,000	99,775	(19,775)			
Issuer's Counsel	10,000	7,500	2,500			
Bond Counsel	330,000	370,000	(40,000)			
Financial Advisor	105,000	-	105,000			
Rating Agencies fees	81,000	39,000	42,000			
Trustee fee	5,000	-	5,000			
Printing	5,000	1,273	3,727			
	<u>1,152,000</u>	<u>517,548</u>	<u>634,452</u>			
<b>Reimbursement of Advance Funding</b>						
St. Clair	1,241,796	-	1,241,796	620,898	-	620,898
Madison	1,999,276	-	1,999,276	999,638	-	999,638
Monroe	260,706	-	260,706	130,353	-	130,353
	<u>3,501,778</u>	<u>-</u>	<u>3,501,778</u>	<u>1,750,889</u>	<u>-</u>	<u>1,750,889</u>
<b>Debt Service</b>						
Supplemental Bond Reserve Fund <sup>(5)</sup>	5,731,238	-	5,731,238			-
Principal and Interest	6,267,037	-	6,267,037	6,600,000		6,600,000
Federal Interest Subsidy	(1,279,886)	-	(1,279,886)			-
	<u>10,718,389</u>	<u>-</u>	<u>10,718,389</u>	<u>6,600,000</u>	<u>-</u>	<u>6,600,000</u>
Subtotal	<u>\$73,907,265</u>	<u>1,696,990</u>	<u>72,210,275</u>	<u>35,490,889</u>	<u>7,680,114</u>	<u>27,810,775</u>

Southwestern Illinois Flood Protection District Council  
Comparison of Budget to Actual (accrual basis)  
November 30, 2010

	Budget Period October 2010 - September 2011			Prior Year		
	Approved Budget	October 1, 2010 thru November 30, 2010	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
<b>General and Administrative Costs</b>						
Salaries, benefits	183,885	30,429	153,456	169,044	175,491	(6,447)
Advertising	2,500	-	2,500	630	-	630
Bank service charges	420	54	366	600	341	259
Conference registration	700	-	700	500	-	500
Equipment and software	3,800	-	3,800	1,000	1,077	(77)
Fiscal agency services (EWG)	16,500	2,515	13,985	11,367	8,160	3,207
Furniture	1,000	468	532	1,200	-	1,200
Meeting expenses	400	-	400	600	242	358
Miscellaneous startup expenses	-	-	-	250	600	(350)
Office rental	7,200	-	7,200			-
Postage/delivery	500	35	465	180	307	(127)
Printing/photocopies	1,350		1,350	400	220	180
Professional services	12,500		12,500	24,000	4,725	19,275
Publications/subscriptions	200	-	200	200	139	61
Supplies	1,260	621	639	250	1,024	(774)
Telecommunications/internet	3,190	331	2,859	2,660	3,404	(744)
Travel	8,200	1,340	6,860	12,464	8,112	4,352
Other business expenses	1,750	61	1,689	1,000	400	600
Insurance	3,000	978	2,022	2,000	-	2,000
Subtotal	\$248,355	\$36,832	\$211,523	\$228,345	\$204,242	\$24,103
Contingency				1,368,418.0		1,368,418
Total Expenditures	<u>\$74,155,620</u>	<u>\$1,733,822</u>	<u>\$72,421,798</u>	<u>\$37,087,652</u>	<u>\$7,884,356</u>	<u>\$27,834,878</u>

Notes

- (1) Net proceeds from 2010 bond issuance
- (2) Share to be paid from MESD resources until exhausted
- (3) FY2011 amount to be determined
- (4) Various analysis and research efforts
- (5) Contractually required reserve trust funds held for the benefit of the bond issuer and bondholders

Southwestern Illinois Flood Prevention District Council  
Bank Transactions  
November 2010

Beginning Bank Balance: \$ 82,507.34

Receipts:

Customer:	Date		Amount	
St. Clair County FPD	11/02/2010	Inv 37	59286.03	
Madison County FPD	11/03/2010	Inv 38	11394.42	
St. Clair County FPD	11/16/2010	Inv 38	12,385.24	
Madison County FPD	11/24/2010	Inv 38-A, Inv 39	374,438.09	
The Bank of Edwardsville	11/30/2010	Interest Earned	79.32	
				457,583.10

Disbursements:

Payee:	Date		Amount	
Husch Blackwell LLP	11/15/2010	Inv 1758113	236.76	
Husch Blackwell LLP	11/15/2010	Inv N12369077AMEC	79,335.29	
Standard and Poor's	11/15/2010	Inv 10254061	39,000.00	
Scott-Balice Strategies	11/15/2010	Inv 1856	5,986.34	
Sprague & Urban, Attys. At Law	11/15/2010	Inv 5515	750.00	
Dorgan, McPike & Associates, Ltd.	11/15/2010	Inv Oct. 2010	3,000.00	
		partial pmt/Prairie		
USACE	11/15/2010	DuPont levee prog.	10,000.00	
Bank of Edwardsville	11/15/2010	Wire transfer fee	20.00	
Selective Insurance Company of America	11/17/2010	Comm. Liability Ins.	978.00	
		Delivery, for bond		
FEDEX	11/26/2010	closing	31.25	
Provantage	11/26/2010	office supplies	356.00	
The Bank of Edwardsville	11/30/2010	service fees	16.84	
				139,710.48

Ending Bank Balance \$ 400,379.96

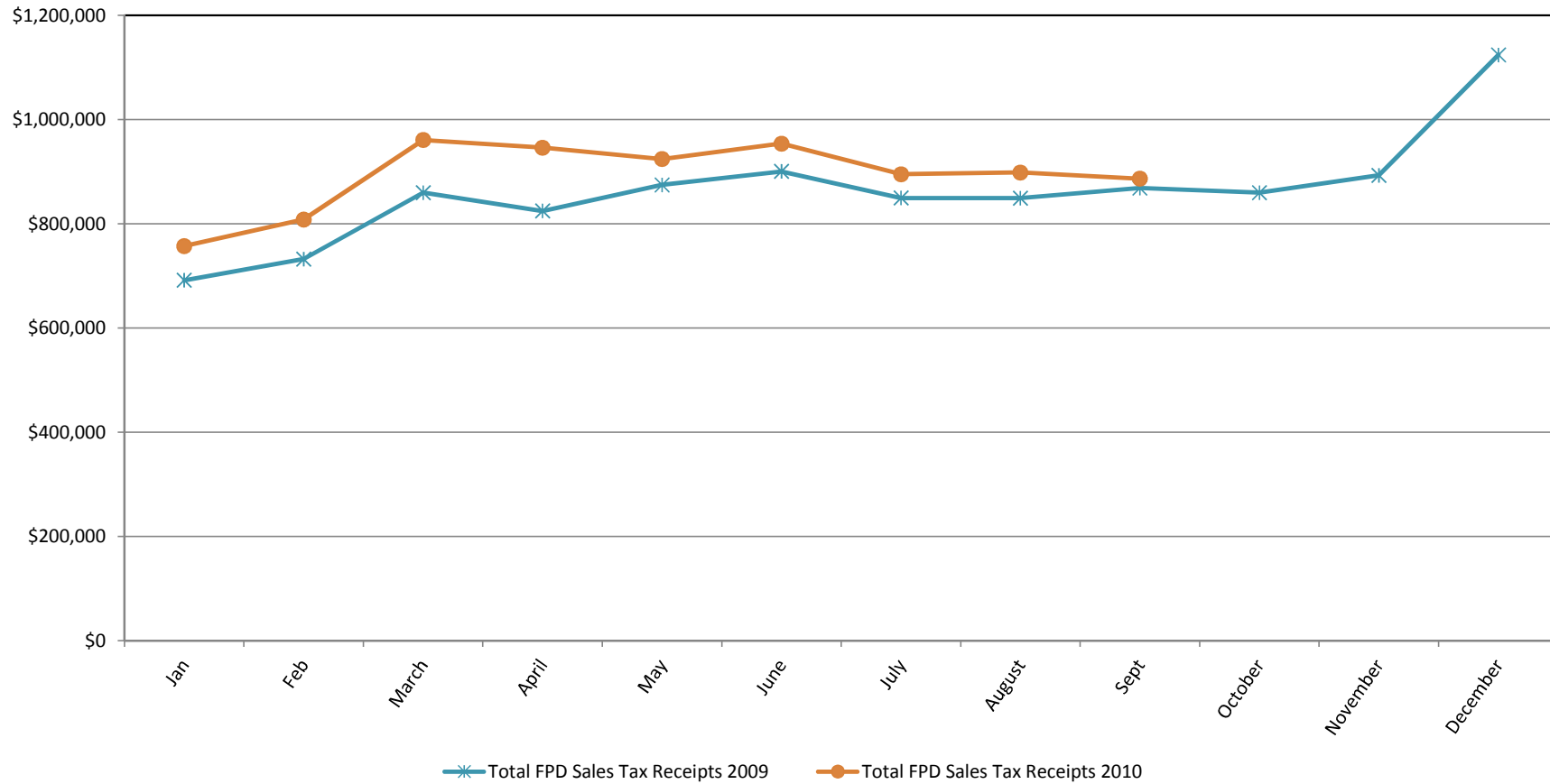




## Flood Prevention District Sales Tax Trends

	Jan	Feb	March	April	May	June	July	August	Sept	October	November	December	Total	County Share
Madison	\$321,968	\$336,765	\$397,425	\$387,385	\$414,350	\$421,402	\$399,616	\$401,188	\$400,090	\$404,847	\$405,930	\$492,814	\$4,783,780	0.463
St. Clair	\$337,979	\$362,696	\$424,556	\$398,395	\$419,126	\$438,230	\$411,968	\$410,484	\$429,852	\$412,637	\$446,806	\$581,721	\$5,074,450	0.491
Monroe	\$31,641	\$32,903	\$37,830	\$38,757	\$41,326	\$40,847	\$37,817	\$37,497	\$38,652	\$42,270	\$40,332	\$49,755	\$469,627	0.045
Total Month	\$691,588	\$732,364	\$859,811	\$824,537	\$874,802	\$900,479	\$849,401	\$849,169	\$868,594	\$859,754	\$893,068	\$1,124,290	\$10,327,857	
Cumulative Total	\$691,588	\$1,423,952	\$2,283,763	\$3,108,300	\$3,983,102	\$4,883,581	\$5,732,982	\$6,582,151	\$7,450,745	\$8,310,499	\$9,203,567	\$10,327,857		
Madison	\$353,146	\$374,416	\$456,795	\$462,697	\$440,815	\$452,308	\$427,329	\$433,047	\$419,455				\$3,820,008	0.476
St. Clair	\$367,458	\$399,480	\$464,089	\$439,748	\$439,139	\$458,299	\$421,447	\$423,718	\$424,971				\$3,838,349	0.478
Monroe	\$36,770	\$34,324	\$39,884	\$43,769	\$44,358	\$43,102	\$46,499	\$41,816	\$42,207				\$372,729	0.046
Total Month	\$757,374	\$808,220	\$960,768	\$946,214	\$924,312	\$953,709	\$895,275	\$898,581	\$886,633				\$8,031,086	
Cumulative Total	\$757,374	\$1,565,594	\$2,526,362	\$3,472,576	\$4,396,888	\$5,350,597	\$6,245,872	\$7,144,453	\$8,031,086					
% change/month	9.51%	10.36%	11.74%	14.8%	5.7%	5.9%	5.4%	5.8%	2.1%					
% change/total	9.51%	9.95%	10.62%	11.72%	10.39%	9.56%	8.95%	8.54%	7.79%					

FPD Sales Tax Trends  
Actual Receipts 2009-2010





Memo to: Board of Directors

From: Les Sterman

Subject: Resolution Authorizing and Approving Repurchase Agreements for the Investment of Proceeds of the Flood Prevention District Council Sales Tax Revenue Bonds, Series 2010, of the Southwestern Illinois Flood Prevention District Council, Madison, St. Clair and Monroe Counties

Date: December 13, 2010

At the November meeting of the Board of Directors the staff was authorized to “enter into investment agreements that are collateralized with treasuries and agencies for both the debt service reserve fund and the project fund.” We immediately hired Winter & Co. as a bidding agent and they worked with our financial advisor to develop and circulate the bid documents that we could use to seek appropriate investments. Those bids were received on December 2, and I accepted the bids from BB&T Bank for investment of the project fund at 0.87%, and Deutsche Bank for investment of the debt service reserve fund at 2.32%. These are far more favorable rates that we would have gotten from purchase of Treasury bonds.

In discussions with both financial institutions, it became clear that they would need a legal opinion from us that we were lawfully entering into these investments. In addition, we needed legal counsel to review the repurchase agreements. I asked Gilmore & Bell, who previously served as the underwriter’s counsel for our bonds, to take on those tasks. A portion of their fees for this work, estimated at \$7,500, will be paid by the financial institutions.

Gilmore & Bell has suggested that the Board approve a resolution authorizing the repurchase agreements and the custodial agreement with the Trustee for the bonds. The resolution and agreements are attached.

**Staff recommendation:** Approve the attached resolution authorizing and approving repurchase agreements for the investment of proceeds of the Flood Prevention District Council Sales Tax Revenue Bonds, Series 2010, of the Southwestern Illinois Flood Prevention District Council, Madison, St. Clair and Monroe Counties. Also authorize the designated representative of the Council to execute the attached repurchase and custodial agreements.



**RESOLUTION AUTHORIZING AND APPROVING  
REPURCHASE AGREEMENTS FOR THE INVESTMENT OF  
PROCEEDS OF THE FLOOD PREVENTION DISTRICT  
COUNCIL SALES TAX REVENUE BONDS, SERIES 2010, OF  
THE SOUTHWESTERN ILLINOIS FLOOD PREVENTION  
DISTRICT COUNCIL, MADISON, ST. CLAIR AND MONROE  
COUNTIES, ILLINOIS.**

**WHEREAS**, pursuant to the Flood Prevention District Act of the State of Illinois, as amended (the "Act") and an Indenture of Trust dated as of November 23, 2010 (the "Indenture"), between Southwestern Illinois Flood Prevention District Council Madison, St. Clair and Monroe Counties, Illinois (the "Council") and UMB Bank, N.A., as trustee (the "Trustee"), the Council issued its (a) Flood Prevention District Council Sales Tax Revenue Bonds, Series 2010A (the "Series 2010A Bonds") in the original principal amount of \$64,015,000, (b) Taxable Flood Prevention District Council Sales Tax Revenue Bonds (Build America Bonds – Direct Pay), Series 2010B (the "Series 2010B Bonds") in the original principal amount of \$9,050,000, and (c) Taxable Flood Prevention District Council Sales Tax Revenue Bonds (Recovery Zone Economic Development Bonds), Series 2010C (the "Series 2010C Bonds" and, together with the Series 2010A Bonds and the Series 2010B Bonds, the "Bonds") in the original principal amount of \$21,130,000; and

**WHEREAS**, on December 2, 2010, the Council requested bids for repurchase agreements for the investment of proceeds of the Bonds on deposit in the Project Fund and the Reserve Fund held by the Trustee under the Indenture; and

**WHEREAS**, the Council received several bids for such investments and has selected (a) Deutsche Bank Securities Inc. as the highest and best bidder for the investment of proceeds of the Bonds on deposit in the Reserve Fund, and (b) Branch Banking & Trust Company as the highest and best bidder for the investment of proceeds of the Bonds on deposit in the Project Fund; and

**WHEREAS**, pursuant to the Act, the Indenture and the Public Funds Investment Act of the State of Illinois, as amended, the Council desires to approve and authorize the execution of repurchase agreements and other related documents for the purposes described herein.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL, MADISON, ST. CLAIR AND MONROE COUNTIES, ILLINOIS, AS FOLLOWS:**

**Section 1. Authorization and Approval of Documents.** The following documents are hereby approved in substantially the forms presented to and reviewed by the Council at this meeting and the President, the Vice President or the Chief Supervisor of Construction are hereby authorized to execute and the Secretary or any Assistant Secretary are hereby authorized to attest and seal, and each of the foregoing officers is hereby authorized to deliver, each of such documents with such changes therein as shall be approved by the officers of the Council executing such documents, such officers' signatures thereon being conclusive evidence of their approval and the Council's approval thereof:

(a) Master Repurchase Agreement relating to the Reserve Fund, including the related Annex I (together, the "Reserve Fund Agreement"), among the Council, the Trustee and Deutsche Bank Securities Inc., which sets forth the terms of the investment of proceeds of the Bonds on deposit in the Reserve Fund;

(b) Custodial Undertaking related to the Reserve Fund Agreement, among the Trustee, the Council, Deutsche Bank Securities Inc. and The Bank of New York Mellon, as custodian;

(c) Master Repurchase Agreement relating to the Project Fund, including the related Annex I (together, the "Project Fund Agreement"), among the Council, the Trustee and Branch Banking & Trust Company, which sets forth the terms of the investment of proceeds of the Bonds on deposit in the Project Fund; and

(d) Trust and Custodial Undertaking related to the Project Fund Agreement, among the Trustee, the Council and Branch Banking & Trust Company.

**Section 2. Further Authority** The officers of the Council, including the President, the Vice President and the Chief Supervisor of Construction, are hereby authorized and directed to take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Resolution and to make ministerial alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve, and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

**Section 3. Severability.** If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

**Section 4. Repeal.** All resolutions, ordinances or parts thereof in conflict herewith be and the same are hereby repealed and this Resolution shall be in full force and effect forthwith upon its adoption.

**Section 5. Effective Date.** This resolution shall take effect and be in full force immediately after its adoption by the Council.

Adopted December 15, 2010

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President, Board of Directors

Attest:

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Secretary, Board of Directors



Memo to: Board of Directors

From: Les Sterman

Subject: Emergency Levee Repair in the Prairie DuPont and Fish Lake Districts

Date: December 13, 2010

Under the terms of Public Law 84-99 the U.S. Army Corps of Engineers is authorized to undertake emergency operations and rehabilitation of flood control works threatened or destroyed by flood. To maintain eligibility to participate in this important program, the Corps requires that levee systems be maintained in accordance with their adopted standards. To assure compliance with those standards, the Corps does routine annual inspections to verify proper operation and maintenance and more thorough periodic (5-year) inspections to further evaluate operational adequacy and structural stability. The inspections have become considerably more thorough following the passage of the Levee Safety Act of 2007. These inspections review the condition of all levee system features, ranking them as acceptable, minimally acceptable and unacceptable.

I recently became aware that the Prairie DuPont/Fish Lake districts received their periodic inspection report in June 2010. This report indicated for the first time that there were some levee system features that were labeled as unacceptable. A rating of even one levee feature as unacceptable renders the entire levee system as unacceptable. While a sponsor normally has some time to address these problems, the Corps has indicated that certain issues must be addressed immediately or the District will be put on "inactive" status in the PL 84-99 program. In my view, we cannot allow that to happen.

I recently met with representatives of the District to determine the exact nature of the immediate problems and to work with them to find the best course of action to accomplish an immediate fix. The unacceptable features that the Corps had noted are an abandoned building foundation and a cistern in close proximity to the levee, and two gravity drains that are badly deteriorated.

The foundation and cistern are on private property, but the property owners have agreed to permit district staff to demolish these structures. This can be done immediately at little or no cost.

The gravity drains are located in the Fish Lake district. The PdP representatives arranged for a video inspection of the gravity drains last week. The conclusion of that inspection is that the drains need to be relined with plastic pipe. That can be done reasonably quickly. I asked the PdP representatives to get a bid for this work so we can determine the cost. They are getting a

bid from a contractor who had done work for the district previously and whose work was highly regarded. That bid is expected on December 14 and will be provided at the Board meeting. District representatives expect that the cost will be in the range of \$20,000.

I am requesting authorization to proceed with this emergency work to reline the gravity drains that received the unacceptable rating from the Corps at a cost to be determined based on bidding for the work. These repairs are consistent with the improvements being planned by AMEC, so they will have lasting value and contribute to the accomplishment of our overall project to achieve certification and accreditation.

**Staff recommendation:** Reimburse the Prairie DuPont levee district in an amount not to exceed \$25,000 or the bid amount, whichever is less, for their costs to repair two gravity drains.