

AGENDA

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING

April 21, 2010, 7:30 a.m.

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

1. Call to Order
Jim Pennekamp, President
2. Approval of Minutes of February 17, 2010
3. Program Status Report and Budget Update
Les Sterman, Chief Supervisor
4. Presentation on Levee Accreditation and Flood Insurance Matters
Ken Hinterlong, Chief, Risk Analysis Branch, Mitigation Division FEMA Region V
5. Update on Levee Certification Inspection
AMEC Earth & Environmental
6. Report on Flood Insurance Costs
East-West Gateway Council of Governments
7. Status of Project Financing Activities
Kevin Hoecker, Vice-President, Scott Balice Strategies; Roy Torkelson, ButcherMark Financial Advisors
8. Authorize Cost-Share Payments to USACE for Projects in the Wood River Drainage and Levee District for Gravity Drain Reconstruction
9. Authorize the Chief Supervisor to Execute an Agreement with Dorgan-McPike Assoc., Ltd. to Represent the Council Before the Illinois General Assembly and Executive Branch on Matters Affecting Financing and Reconstruction of the Levee Systems
10. Other Business

EXECUTIVE SESSION (tentative)
11. Adjournment

Next Meeting: May 19, 2010

MINUTES

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING February 17, 2010

The regular meeting of the Board of Directors was held at the Metro-East Park and Recreation District Office at 7:30 a.m. on Wednesday, February 17, 2010.

Members in Attendance

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

Others in Attendance

Alan Dunstan, Madison County Board Chair
Mark Kern, St. Clair County Board Chair
Delbert Wittnauer, Monroe County Board Chair
Les Serman, SW Illinois FPD Council
Joe Parente, Madison County
Kevin Koenigstein, Monroe County Treasurer
Linda Lehr, Monroe County
Terry Liefer, Monroe County Commission
Ron Dell, Dupo Mayor
Rich Sauget, Jr., Sauget Mayor
Herb Simmons, East Carondelet Mayor
David Busse, U.S. Army Corps of Engineers
Alan Dooley, U.S. Army Corps of Engineers
Joseph Kellett, U.S. Army Corps of Engineers
Col. Thomas O'Hara, U.S. Army Corps of Engineers
Deanne Strauser, U.S. Army Corps of Engineers
Christopher Wilson, U.S. Army Corps of Engineers
Julie Ziino, U.S. Army Corps of Engineers
Maggie Hales, East-West Gateway Council of Governments
Randy Bolle, Prairie Dupont Levee District
Craig Brauer, TWM
Brooks Brestal, Horner & Shifrin, Inc.
Rich Bright, Trustee, City of Dupo
Tom Chapel, Tetrattech
Kim Diamond, Husch Blackwell Sanders
Dave Diestelkamp, Jacobs Engineering
Darryl Elbe, Hoelscher Engineering

Walter Greathouse, Metro-East Sanitary District
Mark Harms, SCI Inc.
Kelly Hayes, Horner & Shifrin, Inc.
Pam Hobbs, Geotechnology, Inc.
Gary Hoelscher, Hoelscher Engineering
David Human, Husch Blackwell Sanders
Tom Juen, Jacobs Engineering
Charles Juneau, Juneau Associates, Inc. P.C.
Joe Juneau, Juneau Associatesm Inc. P.C.
Mary Kane, Stifel, Nicolaus, Inc
Brian Kelly, KMOX Radio
Jule Levin, Prairie DuPont Levee District
Mike Lundy, SW Illinois Development Authority
Steve McCaskie, Hanson Engineers
Jon Omvig, AMEC
Alan Ortbals, Southern Illinois Business Journal
Lisa Peck, Madison County Community Development
John Reinfort, Jacobs Engineering
Bob Shipley, Metro-East Sanitary District
Bill Stahlman, Tri-City Regional Port District
Mike Sullivan, Prairie DuPont Levee District
Chuck Unger, The Bank of Edwardsville
Rich Wilburn, Oates Assoc.
Dennis Wilmsmeyer, Tri-City Regional Port District
Harry Wilson, Husch Blackwell Sanders
Mary Beth Wilson, Tetrattech

Call to order

President Jim Pennekamp called the meeting to order.

Approval of minutes of January 17, 2010

Motion was made by David Baxmeyer, seconded by Tom Long, to approve the minutes of the January 17, 2010 meeting. Motion carried, all voting aye.

Presentation of Findings and Cost Estimates by Col. Thomas E. O’Hara, Commander, St. Louis District, U.S. Army Corps of Engineers

Mr. Pennekamp asked Les Sterman to introduce Col. O’Hara and describe this agenda item. Mr. Sterman indicated that we have asked the Corps of Engineers to provide a scope and cost estimate for the project. Over the last several months, Corps staff has been hard at work on this task. Mr. Sterman introduced Col. Thomas O’Hara, Commander of the St. Louis District of the U.S. Army Corps of Engineers.

Col. O’Hara introduced his team responsible for the project, including Joe Kellett, Dave Busse, Deanne Strausser, Julie Ziino, Chris Wilson, and Alan Dooley. Mr. O’Hara made a presentation including a Powerpoint® slideshow (attached). He began by describing the situation surrounding the uncontrolled underseepage adjacent to the Mel Price Locks and Dam. He indicated that the levee is not in danger of imminent failure, but it is a serious situation for which the Corps has developed a mitigation plan. The Corps has identified a cost of about \$1.2 million to build the

interim solution and to develop a proposal for a permanent solution, which they now estimate would cost about \$30 million. The District office has sent in a reprogramming request to their headquarters and to Congress to obtain the funds necessary to implement the interim solution. The interim solution will be to pond water in an area across from the Berm Highway which will offset the upward pressure on this area during high water. Because the Corps has determined that this problem was caused solely by the construction of the locks and dam, the cost of the project will be 100% Federal.

He next discussed the data collection, analysis and cost estimate for MESD and Wood River. He explained that earlier cost estimates had been based on historical data, but new borings have been done that allow for more reliable cost estimates. Col. O'Hara noted that new data were showing that conditions are worse than originally thought. This situation was first described at a meeting of stakeholders in May, 2009. Col. O'Hara introduced an illustration showing areas where there were deficiencies relating to the 100-year and 500-year level of protection and proposed solutions, including relief wells, cutoff walls and berms. The cost estimates, while higher than those produced earlier, are now based on good data.

For Prairie DuPont/Fish Lake, the Corps is well along on soil borings and will be complete on underseepage analysis and cost estimates in September 2010. There is not sufficient funding at this time to complete the Limited Reevaluation Report required to request a federal appropriation for construction.

The next steps should be how we collectively proceed from this point. He described the steps in the Corps project development process in each levee district. The Corps is cooperating fully with the Council's consultant doing the certification inspection. The next steps are to complete the necessary project development reports to establish eligibility for federal funds for the projects. At that point, the Council may choose to pursue federal funds or proceed using local funding.

Col. O'Hara then described the functioning of various design features of levee systems and the nature of the underseepage problems that are the primary deficiencies of the systems in our area. He noted how decisions are made concerning the selection of design features that are the basis of the cost estimates.

Col. O'Hara addressed a number of questions that have been raised in previous discussions, including whether levee deficiencies have been exaggerated. He noted the formation of sand boils in recent flood events beginning in 1993. While the levees are not in imminent danger of failure, but there is a trend of continuing problems. 1993 was not the design flood; it was not a 500-year flood event, so surviving that flood does not necessarily mean that the levee system can meet the authorized level of protection. Another question suggests that the Corps is overdesigning levees. In fact, after the flooding of New Orleans from hurricane Katrina, the safety factor of levee design has increased from 1.3 to 1.6, so design standards have indeed been increased. Regarding the question of affordability, we have little choice but to move forward with the project given the assets and people that are being protected behind the levees.

In conclusion, Col. O'Hara stressed that the focus needs to be on getting the levees fixed, and continuing to communicate fully during the process. He again noted that the levees are not in imminent danger of failure but the situation is urgent and we share responsibility for undertaking

levee improvements. Federal funds will likely not be available in the timeframe that the area leadership desires.

He then asked for questions from the audience.

Mr. Wittenaar asked about the continuing cost of pumping and maintenance for relief wells. Col. O'Hara noted that this was taken into account in the design decisions.

Mr. Long asked if we provide the funds locally to complete improvements, how quickly could we expect Federal reimbursement. Col. O'Hara noted that historical rates of funding were between three and four million dollars a year. Mr. Long noted that those amounts were not even the equivalent of the interest on the amount that the locals would have to provide for the project.

Mr. Pennekamp asked whether the completion date presented earlier by the Corps, 2044, was still accurate, given the new cost estimates. Col. O'Hara responded that we would still be in that range of time.

Mr. Dunstan noted that we in local government have produced our cost-share, but the Federal government has not produced its share of project costs. He asked whether there was any possibility of the Corps using some kind of bonding or borrowing approach to produce the Federal share of funding. Col. O'Hara said that approach would take action by Congress since the Corps is not authorized to borrow money. Mr. Dunstan went on to note that the interim solution proposed by the Corps in the Wood River/Mel Price Locks and Dam was labeled as a "flood plan" yet we are not allowed to consider "floodfighting" as a means to reduce risk of levee failure. Col. O'Hara explained the difference between these terms.

Mr. Pennekamp suggested that the local leadership has indeed demonstrated a sense of urgency and has attacked the problem aggressively. However, proposing a solution that we can't afford is to suggest no solution at all. He asked what the cost differential would be between the Corps approach to the project, given the extensive "rulebook" that would be required, and a more locally funded approach. Col. O'Hara did not have an answer to that question, but that it might be possible to break up the project into locally funded and federally funded segments.

Mr. Kern suggested that the cost estimates aren't complete because we don't have estimates for Prairie DuPont/Fish Lake. He asked whether money could be shifted from the Chain of Rocks levee project to Prairie DuPont to catch them up to the other districts. Col. O'Hara indicated that this would not be possible since Chain of Rocks is a construction project and Prairie DuPont is planning. He noted that an additional \$660,000 in federal money would be needed to complete the studies in Prairie DuPont/Fish Lake.

Mr. Sterman suggested that the additional \$30 million for the Mel Price project should be included in the overall cost of the project, since it would come from the same sources as other project funds. He also noted that inflation was not fully accounted for in the cost estimates and that real costs were likely to be much higher.

Mr. Sterman followed up on Mr. Pennekamp's question about the affordability of the project, since neither the Corps nor the Council had sufficient funds to pay for the design that was being proposed by the Corps. He suggested that we need to find another approach to accomplishing

the project. Mr. Sterman asked Col. O'Hara what he would be doing if he were in our position with the Council. Col. O'Hara responded that we need to find other sources of money. He stressed that we should not compromise design standards in trying to achieve a lower cost project.

Mr. Pennekamp thanked Col. O'Hara for his presentation and asked him to be available after the meeting for further questions.

Program Status Report from Chief Supervisor

Mr. Pennekamp called on Mr. Sterman for a report. Mr. Sterman noted the following:

The Corps design proposal and cost estimate is a starting point, not a conclusion. We are undertaking our own independent levee inspection and design process. That process is now underway. Three consulting teams are preparing competing design concepts, for which we are reimbursing them \$75,000 each. Mr. Sterman described the nature of the design proposals that we are seeking. Those proposals will include innovative designs, construction techniques, procurement processes etc. He gave some examples of concepts that would reduce time and costs to build the project. He indicated that April 30 is the deadline for submission of proposals.

Mr. Sterman described the ongoing work in financial planning, the legal and legislative steps to delay the imposition of new flood insurance rate maps, the ongoing work on the economic impact analysis by East-West Gateway and the Leadership Council, and the effort to address the problems caused by the Governor's Executive Order on floodplain management.

Mr. Sterman also reported on the recommended appropriation for the project in the President's 2011 proposed budget. The total recommended appropriation is about \$2 million, a total obviously far short of what we will need to make any reasonable progress on the project.

Mr. Motil asked whether we had a regular process for briefing our federal elected officials. Mr. Sterman said that he was in contact with those officials but there was no specific process or timeframe for briefings. He went on to describe some of those contacts and indicated that his primary interest in this point is securing more time rather than money to get the project done.

Budget Update

Mr. Sterman indicated that the written budget report was not available, but that we were on track with financial expectations at this point. Our legal costs were increased over projections due to the ongoing work dealing with FEMA.

Mr. Maher asked if we have received any figures yet from FEMA in response to Chairman Kern's request for an estimate of additional flood insurance premiums that would be paid in the event of mandatory flood insurance. Mr. Sterman indicated that we have not received that information. Mr. Maher described the additional flood insurance premiums as a tax – a tax that would be diverted to other areas of the country, rather than actual insurance.

A motion was made by Mr. Bergkoetter, second by Mr. Motil to go into executive session for the purpose of discussing pending litigation. Mr. Long noted that this action should be taken by roll call vote. Mr. Pennekamp asked for a roll call vote and the vote was as follows:

Mr. Long – aye.
Mr. Motil – aye.
Mr. Parks – aye.
Mr. Bergkoetter – aye.
Mr. Brinkmann – aye.
Mr. Baxmeyer – aye.
Mr. Conrad – aye.
Mr. Maher – aye.
Mr. Pennekamp – aye.

Executive Session

An executive session of the Board of Directors was convened at 9:15 am and concluded at 10:00 am.

Open Session

The Board of Directors reconvened in open session at 10:00 am. Mr. Pennekamp noted that all members present prior to the executive session were still present. He indicated that in the executive session we discussed legal matters with the Council's legal counsel and gave them direction.

Motion to adjourn by Mr. Bergkoetter, second by Mr. Motil. Motion approved, all voting aye.

Respectfully submitted

John Conrad,
Secretary/Treasurer, Board of Directors

Uncontrolled Underseepage at Mel Price



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METRO EAST LEVEES UPDATE

17 February 2010



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Uncontrolled Underseepage at Mel Price

- Problem
- Status
- Interim Measures
- Next Steps



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Agenda

- Uncontrolled Underseepage at Mel Price
- Underseepage Analysis Results
 - ▶ Wood River
 - ▶ MESD
- Prairie du Pont / Fish Lake Status Update
- Next Steps
- Questions



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Interim Measures



River Elevation = 425' / Forecasted Elevation \geq 430'
Protected to River Elevation = 431'



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Problem



Site Overview



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Next Steps

- Committee approval expected in February
- Upon receipt of funding
 - ▶ Begin construction of interim measures (\$300K)
 - ▶ Continue on-going monitoring (\$450K)
 - ▶ Begin report preparation and develop review plan (\$450K)
- Report completion & submittal by end of FY10



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Status

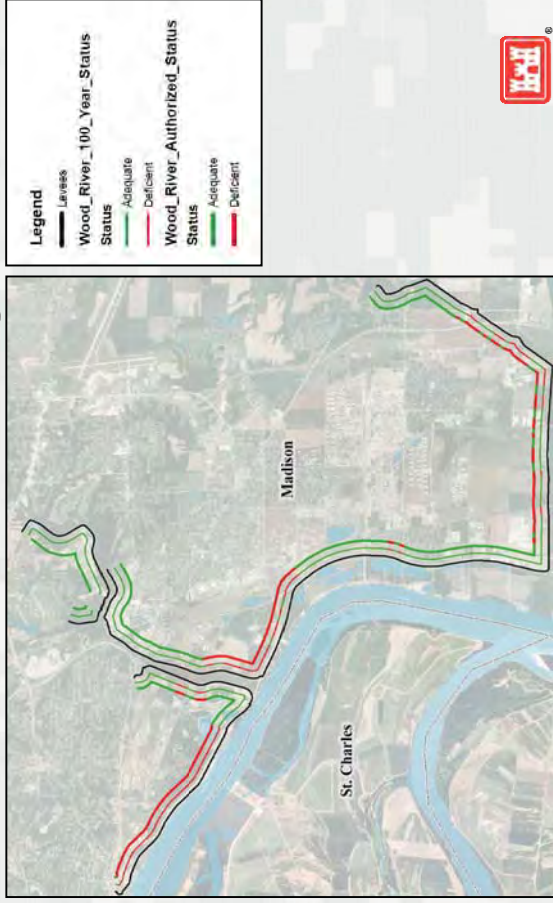
- No imminent threat of failure
- Developed risk mitigation plan
- Identified interim solution
- Request \$1.2M reprogramming to fund:
 - ▶ Interim solution construction
 - ▶ Permanent solution refinement (cut off wall, seepage berm, or relief wells)
- Permanent fix will be 100% federal cost (\$30M estimated)



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Levee Underseepage Status

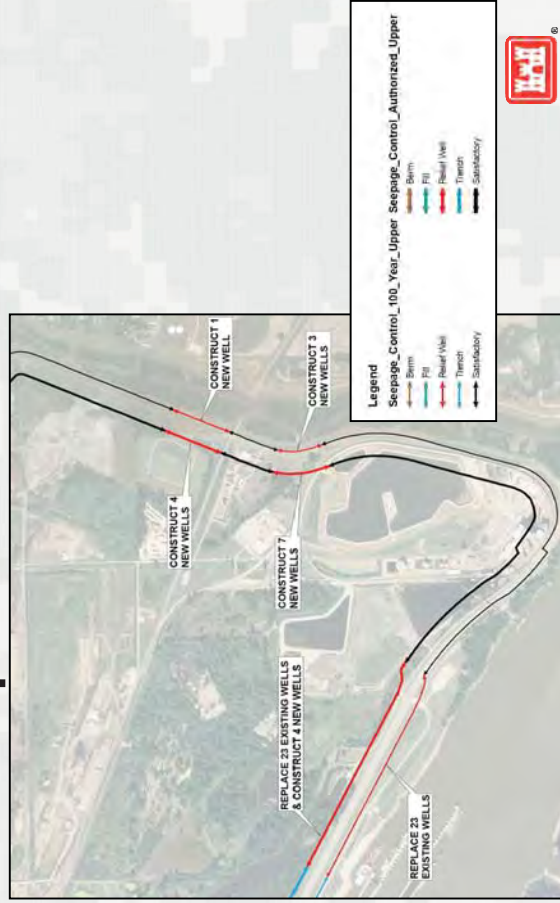


Wood River



Underseepage Analysis Results

Example of Control Features



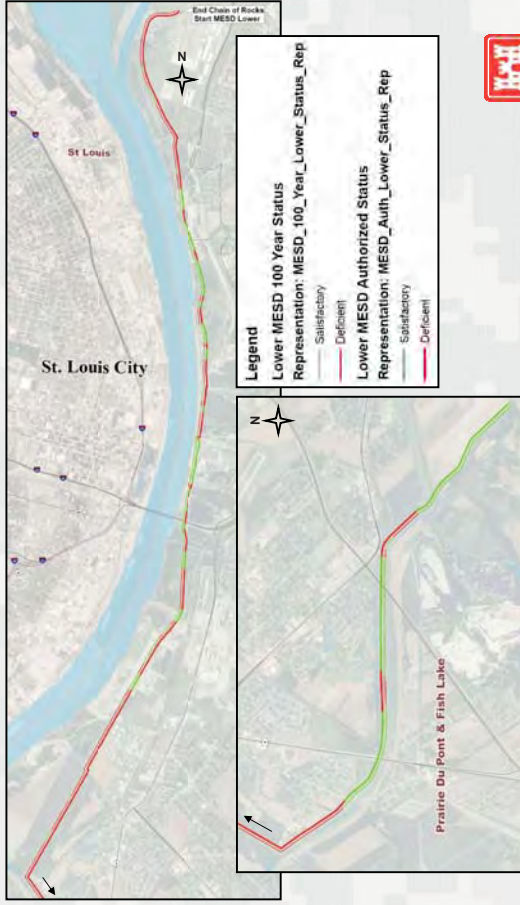
Wood River



Background

- Cost estimate uncertainty
 - ▶ Nature of historical data (age and limited scope)
 - ▶ New data had not been collected
 - ▶ Previous estimates ranged from \$190M to \$500M
- May 2009 Meeting
 - ▶ Estimated system wide costs from \$300M to \$500M
 - ▶ Decided to delay preparation of LRR's
 - ▶ Focus efforts on collecting a complete set of new subsurface data
 - ▶ Committed to providing revised cost estimates by January 2010
 - ▶ Committed to evaluate both the 1% and authorized levels of protection

Levee Underseepage Status



MESD

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Alternative Comparison

Area	Relief Wells		Seepage Berm		Cutoff Wall		Total Cost	
	1%	Design	1%	Design	1%	Design	1%	Design
2007 Est.		223						\$40M
Upper	48	55	None	None	120,000 (Sq. Ft.)	120,000 (Sq. Ft.)	\$9.7M	\$10.5M
Lower	56	142	1,065,000 (Cu. Yds.)	1,469,000 (Cu. Yds.)	None	None	\$54.2M	\$76.9M
TOTAL							\$73.2M	\$111.3M

See Notes 3 & 4

NOTES

- Does not include cost for Mel Price / Wood River uncontrolled underseepage repairs.
- Cost estimates are subject to change pending ATR, IEPR, and LRR approval by MVD/HQ.
- 1% cost estimates include gravity drain repair, but do not include other items that may be identified during certification inspection.
- Design cost estimates include all items identified in design deficiency and reconstruction reports necessary to restore design level of protection.

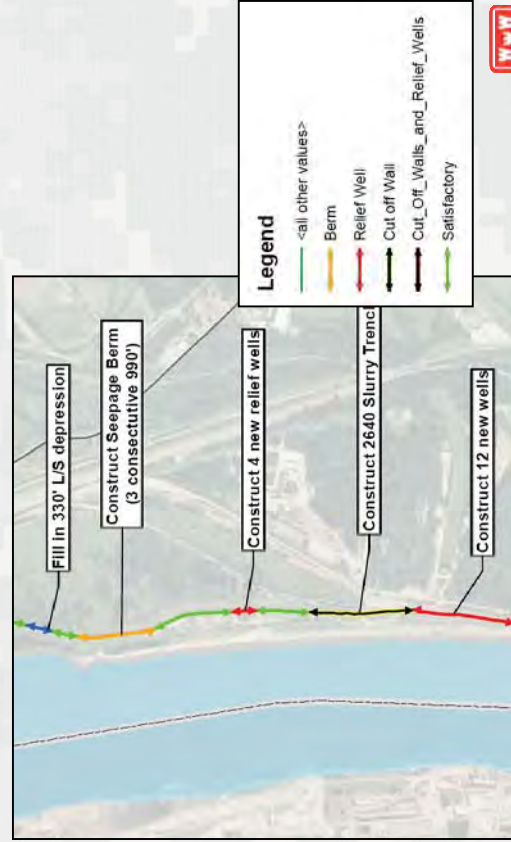


Wood River

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13

Example of Control Features

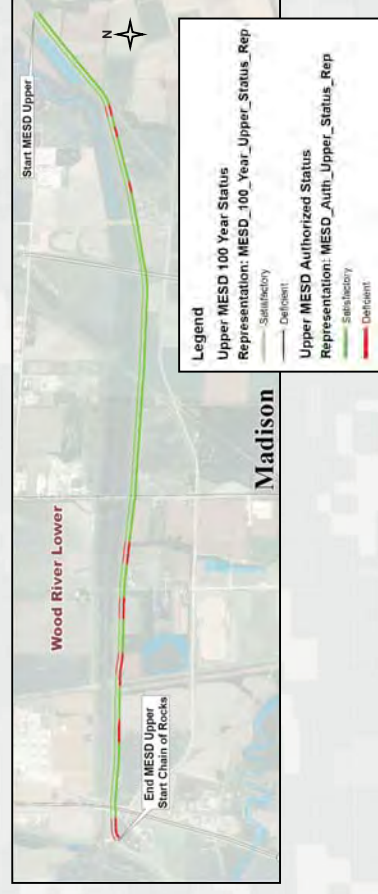


MESD

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Levee Underseepage Status



MESD

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Levee Underseepage Status

- Subsurface Exploration Progress
 - ▶ Prairie du Pont = 87% Complete
 - ▶ Fish Lake = 100% Complete
- Soil Testing Progress
 - ▶ Prairie du Pont = 77% Complete
 - ▶ Fish Lake = 29% Complete
- Completion of Analysis by Sep 2010
- No Funding in FY11 President's Budget



Alternative Comparison

Area	Relief Wells		Seepage Berm		Cutoff Wall		Total Cost	
	1%	Design	1%	Design	1%	Design	1%	Design
2007 Estimate								\$80M
North Flank	19	48	31,890 (Cu. Yds.)	232,790 (Cu. Yds.)	None	None	\$2.2M	\$5.4M
Riverfront	181	298	683,400 (Cu. Yds.)	1,193,325 (Cu. Yds.)	1,929,740 (Sq. Ft.)	1,993,140 (Sq. Ft.)	\$99.2M	\$118.8M
South Flank	60	74	None	None	899,400 (Sq. Ft.)	989,200 (Sq. Ft.)	\$30.9M	\$34.6M
TOTAL							\$132.3M	\$158.7M

NOTES

1. Cost estimates are subject to change pending ATR, IEPR, and LRR approval by MVD/HQ.
2. Cost estimates do not include items that may be identified during certification inspection.



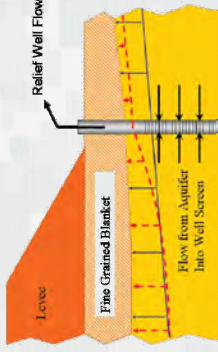
Next Steps



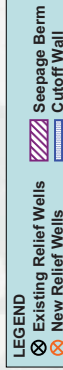
Prairie du Pont / Fish Lake Status Update



Fixing the Levee Starting Conditions (Example Only)



- Primary Underseepage Control Structure: Relief Wells
- Issue: Too much underseepage



Prairie du Pont / Fish Lake

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23

Next Steps

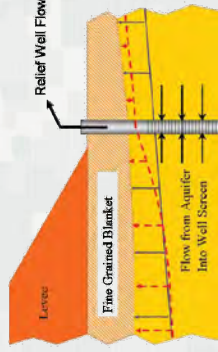
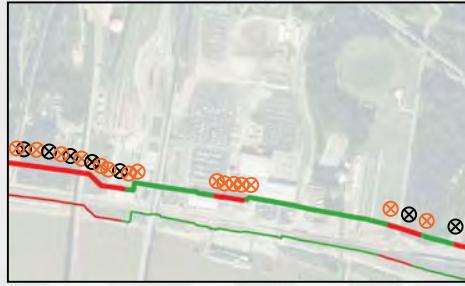
- Evaluate work split for Wood River
- Complete preparation of LRR for MESD
- Complete underseepage analysis for PdP/FL
- Provide ongoing support to the sponsors and the FPD Council:
 - ▶ Input on design alternatives
 - ▶ Design competition
 - ▶ Certification information request



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Fixing the Levee More Relief Wells



- Cost per relief well = \$50K
- Normal spacing = 50'-330'
- Minimum spacing = 50'
- Cost per linear foot = \$150-1000
- Initial estimate based on this option



Build: More Relief Wells

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Common Questions & Comments

- Why did the costs increase?
- Levee problems have been exaggerated.
- We survived the '93 flood. Why do we need to worry about the condition of the levees?
- The Corps is over-designing the levee repairs.
- The costs make the repairs infeasible.



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Cost Summary Slide

	Aug 2007 Estimate	May 2009 Estimate	Feb 2010 Data	Comments
Wood River	\$40M	\$100M	\$111M	<ul style="list-style-type: none"> Initial Estimate: All relief wells, no berm/cutoff wall Current plan includes: 197 relief wells, 6200' berm, 3000' cutoff wall
MESD	\$80M	\$200M	\$159M	<ul style="list-style-type: none"> Initial Estimate: All relief wells, no berm/cutoff wall Current plan includes: 420 relief wells, 2100' berm, 20630' cutoff wall



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Common Questions & Comments

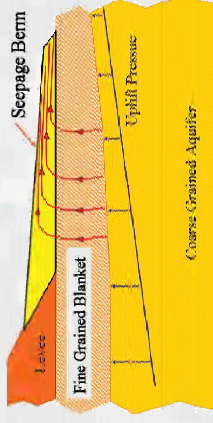
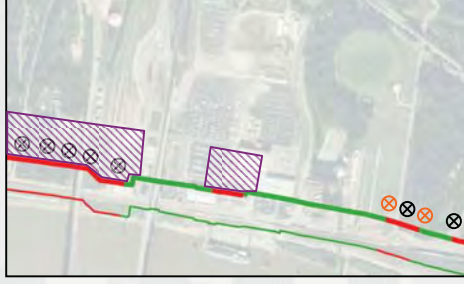
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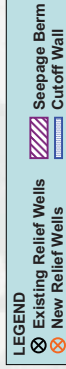
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Fixing the Levee Seepage Berm



- Cost per linear foot = \$1100
- Cost per cubic yard = \$15

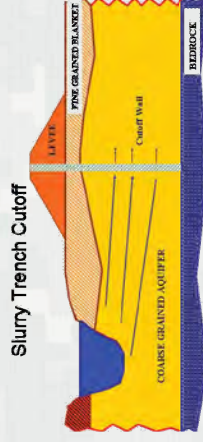
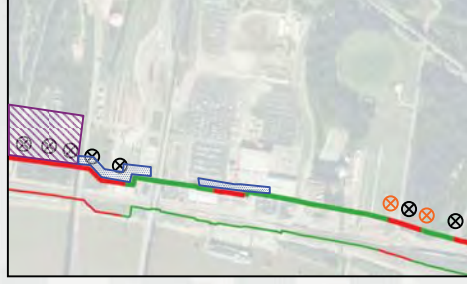


Build: Seepage Berm

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Fixing the Levee Cut Off Wall



- Cost per linear foot = \$1300
- Cost per square foot = \$25



Build: Cut Off Wall

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26

Questions



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Memo to: Board of Directors
From: Les Sterman
Subject: Program Status Report
Date: April 18, 2010

Since the last Board meeting in February, there has been considerable progress in a number of areas critical to the success of the project. Most of the effort has focused on achieving two important near-term goals: developing a project plan, implementation strategy, and cost estimate, and; securing regulatory relief to reduce economic impacts during the period when the project is under construction and accreditation is sought. Progress is being made in the following areas:

Design

Proposals are due on May 21 from three design teams who were chosen to submit conceptual design proposals and cost estimates. These teams were charged with developing cost-effective design concepts, with the principal goal of achieving levee certification at the lowest cost and in the shortest time. A pre-proposal conference was held on March 6 and a subsequent technical briefing was held by the Corps of Engineers on March 15. Individual consultation sessions with each design team are ongoing. Proposal development has been somewhat hampered by the timely provision of data, but I expect the proposals to be responsive and provide significant new information that will help in defining the project plan and cost estimate. Proposals will be reviewed by a technical team and a Board committee, with a selection tentatively scheduled for the June Board meeting.

The Corps of Engineers is nearing completion on project development studies in the Metro-East Sanitary District to determine the extent and cost of construction necessary to achieve certification and to reach the authorized (500-year) level of protection. These studies are nearing completion. A recent value engineering workshop conducted by the Corps and attended by me and by representatives of the District identified some significant cost savings using design alternatives that could have applicability in the other levee systems as well.

Underseepage analysis for the Prairie DuPont/Fish Lake levees is ongoing based on the completed borings in those levee systems.

Inspection

The levee certification inspection being conducted by a team led by AMEC Earth & Environmental has been underway for several months. Much of the time has been spent in gathering a massive amount of secondary data from the Corps, local levee districts and the counties. Field inspections are also ongoing. While all parties are being cooperative, data

collection has been slower than anticipated. Although the findings of the inspection will not be available prior to the submission of design proposals, I am scheduling a briefing in early May to allow the inspection team to brief the design teams on progress and initial findings. The inspection is still on schedule for completion in the June/July timeframe.

Financing

The Council's financial advisors have been developing the financial capacity analysis and making preparations for a bond issue in accordance with a schedule to issue bonds on or about August 1. Efforts have focused on optimizing the yield from any borrowing. A financial planning "summit" will be held on April 20 involving all stakeholders in the financing process including our financial advisors, bond counsel, legal counsel, and representatives of the levee districts and counties.

For Federal fiscal year 2011, I submitted the following appropriation requests to Congressman Costello's office for submittal to the House Committee on Appropriations:

- Prairie DuPont/Fish Lake - \$1,166,000
- East St. Louis (MESD) - \$8,600,000
- Melvin Price Lock and Dam - \$33,092,000
- Wood River - \$5,615,000

These requests are consistent with the capacity of the Corps to spend money on these projects which limits the size of the request. I did not submit a request for the Chain of Rocks levee project.

Legislation

I have been drafting language and advocating for federal and state legislation to provide regulatory relief in the event that FEMA issues final flood insurance rate maps that show the levee systems as deaccredited and the American Bottom as a special flood hazard area. Our goal is to limit the temporary, but severe, economic consequences of such an action, including mandatory high cost flood insurance and severe limitations on building and development.

HR 3415, introduced by Congressmen Costello, would provide for a moratorium on mandatory flood insurance for up to seven years during the period levees systems are being restored. This legislation has also been introduced in the Senate by Sen. Vitter of Louisiana. The bill now has 20 cosponsors in the House and has gained considerable momentum.

At the state level, efforts have focused on mitigating the unintended impacts of a Governors Executive Order issued in 2006 that would limit development even more severely than required by the federal flood insurance program. SB 2556 was introduced by Sen. Haine and sponsored in the House by Reps. Holbrook and Hoffman after unsuccessful attempts to secure changes in the existing Order to address our situation. This bill would limit the applicability of the Order in the counties that have formed Flood Prevention Districts under Illinois law and are making good faith efforts to restore flood protection. SB 2556 passed the Senate unanimously and is now pending in the House. There have been ongoing discussions with the Governor's office and relevant state agencies to assure that the provisions of the bill accomplish our goal without jeopardizing either important regulatory

authority in existing floodplains or compromising continuing participation in the federal flood insurance program.

SB 2520, also introduced by Sen. Haine, and sponsored in the House by Rep. Beiser, would provide the Metro-East Sanitary District with the authority to annex areas now protected by the District's levee system, but who are not now part of the District. This bill will make it possible for the District to recover costs by collecting revenues from all property owners in the protected area. SB 2520 has passed the Senate and has been voted out of committee in the House.

Legal

We have been making continuing efforts to determine the basis of the announcement by FEMA in 2007 to deaccredit area levee systems. Late last year the Council submitted requests to FEMA and the Corps of Engineers to provide such information. The Corps responded to the request by providing some 94 documents, none of which included any data, analysis, or studies to support FEMA's findings. FEMA itself has yet to respond to our request, but we have been informed that the response is undergoing legal review and should be released to us soon. Requests by each of the counties to FEMA for "expedited processing" were denied by FEMA. Sen. Durbin and Congressman Costello have continued to push FEMA to release the requested information.

I continue to believe that the decision-making process by FEMA was haphazard and unsupported by conclusive findings. After asserting for the last two years that the Corps provided them with conclusive findings that the levee systems could not be certified, FEMA has now admitted to Sen. Durbin in recent correspondence (attached) that they have no information on the condition of the levees relative to certification. Instead, they are now representing that certification information was requested from the levee districts, who were unresponsive to their request. We believe that claim is not accurate. Worse yet, last year FEMA denied our request to provide that information, insisting that they already had the necessary information provided by the Corps of Engineers.

My belief is that the clock on the deaccreditation process should be restarted and that this important decision be based on current credible information.

Construction

The Corps is continuing construction activities on the Wood River levees, primarily with economic stimulus monies. This work consists of installing relief wells and rebuilding gravity drains. Significantly more work will be needed, particularly on the lower Wood River levee, to secure certification. The Corps is now engaged in studies to determine the extent and cost of that work.

Outreach

I am continuing to meet with communities and civic groups as requested. The project has gotten extensive media coverage and the issue continues to attract deserved public attention. In the coming months this process will become more formal with the launch of a website and the development of a formal outreach plan.

In summary, the project is advancing toward our immediate goals, and important decisions by the Board will be made sometime this summer that will determine how the project will be funded and built. My efforts are primarily dedicated to providing the necessary information to support that decision.

January 5, 2010

The Hon. W. Craig Fugate
Administrator
Federal Emergency Management Agency
500 C Street, SW
Washington, D.C. 20472

The Hon. Jo-Ellen Darcy
Assistant Secretary of the Army -- Civil Works
Army Corps of Engineers
108 Army Pentagon
Washington, DC 20310

Dear Administrator Fugate & Assistant Secretary Darcy:

Thank you for your recent letter extending the timeline of the flood mapping process in the Metro East, Illinois area. Affording residents and businesses more time to engage in this process will ultimately provide your agencies with the best information to protect the area from a catastrophic flood.

This additional time brings with it an opportunity for all of those affected by the updating of flood maps a chance to better understand the status of the levees in question and the flood mapping process. As you may be aware, recent news reports have challenged FEMA and the Army Corps of Engineers' analysis of the levees' structural integrity. I respectfully request your assistance in providing residents of the Metro East area a more complete and transparent accounting of the status of the levees protecting their homes and businesses. Specifically, I would ask that you release your data publicly and make your agencies available to brief local community leaders and residents.

The greater Metro East area of Illinois, encompassing Madison, St. Clair and Monroe Counties, is one of the first areas in the country where FEMA is conducting a region-wide update of flood maps. This process is important for us as a nation to accurately understand the risks of flood events. Because the area along the Mississippi Bottoms is one of the first areas to undergo this process, it is especially important for FEMA and the Army Corps to conduct extensive outreach and explain the situation to affected residents in the most transparent manner possible.

FEMA and the Corps have held public meetings to discuss this issue over the last few years, beginning with a meeting hosted by the East West Gateway Council of Governments and Congressman Jerry Costello in August of 2007. I encourage you to revisit the communities affected and fully answer any questions they have about the status of the levees and your respective roles in compiling and analyzing data regarding the levees and the mapping process.

Having structurally sound, well-maintained levees certified by the Army Corps is only one line of defense against 100+year flood events that seem to be occurring with increasing regularity. However, even certified levees have failed to protect against the power of Mother Nature. The Flood of 1993, one of the most destructive in the history of the Mississippi Basin, destroyed many levees that had been certified and contributed to the loss of almost 50 lives and over \$16 billion in damages.

Understanding the structural integrity of the levees in the Metro East area and the risk to those living behind them is fundamentally important to my constituents: hundreds of thousands of lives and billions in economic activity are at stake. Having access to information and your commitment to work with the local communities in addressing their concerns should be the bedrock of updating flood maps in any area.

Thank you for your assistance.

Sincerely,

Richard J. Durbin
U.S. Senator



**DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108**

FEB 25 2010

Honorable Richard J. Durbin
United States Senate
309 Hart Senate Office Building
Washington, DC 20510-1304

Dear Senator Durbin:

I am responding to your letter dated January 5, 2010, concerning the Metro East St. Louis Levees in Illinois, the need for continued transparent communication with the public during the Federal Emergency Management Agency's (FEMA) flood insurance rate map modernization process, and the public release of data. The Army shares your commitment to complete and transparent accounting of the levees' status, as well as to helping the public understand the integrity of the levees and associated risks. This response has been coordinated with FEMA and reflects our joint efforts on FEMA accreditation of these levees.

Since the Flood of 1993, several interdependent Illinois levee projects that make up the Metro East St. Louis levees have been identified as deficient in their ability to provide the design level of protection. They are in need of rehabilitation and repair. Currently, the Army Corps of Engineers is working with local sponsors to address problems on several fronts. The Corps has performed inspections of the levees to determine eligibility for continued participation in the Public Law 84-99 emergency repair program. It is also executing both design deficiency correction and reconstruction projects to restore the levees to their design level of protection (a 0.2% flood chance, i.e., a 500-year flood event). Expected completion dates for levees comprising the Metro East St. Louis levee system vary and depend in part on Federal funding levels. The status of these levees follows:

- The Wood River project is under construction and will address both design deficiency correction and reconstruction needs.
- The Metro East Sanitary District, or East St. Louis, Illinois rehabilitation project has received construction funding. In addition, a Limited Reevaluation Report is underway to evaluate potential design deficiencies.
- The Chain of Rocks design deficiency correction project is under construction.
- The Prairie du Pont and Fish Lake projects are in the planning phase to address both design deficiency correction and reconstruction needs.

While the levee systems may perform with reduced reliability during high water events until design deficiency and reconstruction projects are completed, the Corps will use all available resources and its emergency contingency plan to support any flood fight efforts, to maintain system integrity, and to execute appropriate risk mitigation strategies to minimize the risk of levee failure and ensure the levees perform during high water events. Ensuring public safety by completing these projects in the most expeditious manner is a Corps priority.

The Corps also is coordinating with the Southwestern Illinois Flood Prevention District Council (Council), created specifically to manage and undertake rehabilitation projects for the Metro East Levees. The Council also performs certification inspections of the levees under the National Flood Insurance Program (NFIP) and applies for FEMA accreditation of the levees. Certification inspections will identify additional issues that need to be corrected before certification or FEMA accreditation can be issued. The Corps role is to provide available data to the Council to support their NFIP certification activities for FEMA accreditation in accordance with 44 CFR Section 65.10, Mapping of Areas Protected by Levee Systems.

Since problems associated with the levees became known, the Corps has focused its efforts on ensuring open lines of communication with the public and with local, State, and Federal elected officials. The focus of Corps communications is on raising awareness of levee issues, communicating risk and reliability, providing status reports of levee conditions, advocating the importance of flood risk management, and discussing critical steps required to provide a reliable flood risk management system for the Metro East St. Louis area. Meetings about Metro East levees began with the regional levee summit in August 2007. Partnering meetings were held in May and August 2009. Leadership meetings were held in December 2009 and January 2010. The Corps attends monthly levee district and Council meetings to provide updates on levee conditions, as well as the progress and schedule of work on the levees. Throughout all meetings, the message regarding the capability of the levees to perform as designed has been consistent.

The Corps will continue to participate in public meetings to communicate the condition of the levees and the status of rehabilitation activities to both community leaders and residents. At the January meeting, the Corps updated local government and sponsor leadership on Wood River levee underseepage issues, as well as on alternatives being considered to address other design deficiency issues. The Corps also plans to conduct joint public meetings with FEMA to inform and engage local stakeholders. Dates of future events will be coordinated with your office. The Corps will continue working with FEMA to answer stakeholder questions about the NFIP map modernization process and will continue to provide data regarding Metro East Levees and the flood risk reduction system.

Thank you for your interest regarding the current status and condition of the levees and the path forward. I am sending a copy of this letter to Administrator Fugate at FEMA.

Very truly yours,



Jo-Ellen Darcy
Assistant Secretary of the Army
(Civil Works)

CC: FEMA Administrator Fugate



FEMA

February 24, 2010

Senator Richard Durbin
United States Senator
Washington, D.C. 20510

Dear Senator Durbin:

Thank you for your letter of January 5, 2010, to the Federal Emergency Management Agency, regarding the preliminary Flood Insurance Rate Maps (FIRMSs) that were delivered to communities in the Metro East area last June. Your letter references concerns that many of your constituents have with these maps and more specifically the process that was used to evaluate the levees designed to protect their communities. Please be assured that I understand these concerns, and I hope that this letter will help identify a path forward for resolving any confusion surrounding the National Flood Insurance Program (NFIP) mapping process.

In your letter, you asked us to provide detailed information on the structural integrity of the levees protecting the Metro East area of Illinois. While we would like to be responsive to your request, FEMA does not independently generate the information you requested. In fact, we have tried to obtain much of this information from a variety of sources but to date have been unsuccessful.

Under the regulations that govern the flood mapping process, FEMA relies on information supplied by others to make a decision on whether or not to depict a levee on an NFIP map as providing protection against the 1-percent chance flood. In fact, the regulations specifically say that information on levees "...must be supplied to FEMA by the community or other party seeking recognition [on a FIRM] of a levee system...." Once we receive the data, we review it to determine if all of the applicable requirements set out at 44 CFR Section 65.10 have been met, and – if so – move forward to recognize the levee as providing protection from the 1-percent chance flood.

Appendix A of this letter provides a checklist summarizing the key factors that are used in the recognition process. It was developed as a tool to identify the data and documentation that FEMA needs in order to determine whether a levee meets the minimum design, operation, and maintenance standards necessary for designation on an NFIP map as providing protection against the 1-percent chance flood. Given the potentially significant losses should a flood occur, FEMA cannot by regulation assume a levee meets these standards and, thus, without the required data, is compelled to identify areas that the levee was thought to protect, as actually being subject to flood hazards.

Senator Richard Durbin
February 24, 2010
Page Two

Appendix B of this letter contains a chart which identifies the 19 levees in the St. Louis metro region, and whether each of the levees will be recognized, not recognized, or provisionally recognized as providing protection against the 1-percent chance flood. As the chart indicates, we have received sufficient data and documentation for seven of these 19 levees, and as such, those seven levees are proposed to be depicted on the applicable FIRM as providing protection against the 1-percent chance flood.

Three of the 19 levees are proposed to be provisionally recognized. This status is offered in situations where there are no known levee deficiencies and is granted when a levee owner affirms their belief that the levee system continues to meet the regulatory requirements, but needs additional time to collect and provide the data and documentation to demonstrate compliance. For one of those three, the New Athens levee, FEMA has recently received the data and documentation and is currently reviewing it for 44 CFR Section 65.10 compliance and potential recognition.

Data and documentation that would enable FEMA to recognize the following nine levees has not been provided to date:

- Chain of Rocks
- Fish Lake
- MESD
- Prairie DuPont
- Wood River
- Boschert Creek
- Bridgeton Sanitary
- Duckett Creek
- Maryland Heights WWTP

Four of these levees that cannot be recognized are located in Missouri and the other five are located in Illinois. Once we receive the appropriate data and information for each levee, we can proceed with recognition and the appropriate delineation on the FIRM. Until then, we are required by regulation to map the areas behind these levees as unprotected from the 1-percent chance flood.

Over the past several years, FEMA has engaged in extensive outreach to the communities in the Metro East region, and has stressed the importance of obtaining the information needed for the levee recognition process. For instance, in April 2009, FEMA officials met with the East West Gateway Council of Governments to explain the flood mapping process, and to answer any questions they had regarding this process. More recently, on December 16 and 17, 2009, FEMA held four outreach meetings in coordination with the East-West Gateway Council of Governments to explain the mapping process and the need for flood insurance.

Senator Richard Durbin
February 24, 2010
Page Three

Because of the importance of open communication, I will ensure that FEMA continues these outreach efforts. In fact, I have instructed my staff to re-connect with local officials responsible for each levee in the Metro East region that are proposed to be mapped as failing to provide protection against the 1-percent chance flood. You have my commitment that over the next month FEMA will work hard to collect any information from any appropriate source that will help support the recognition of the flood protection capacity of the levees. If we can obtain the information needed, we will expedite the approval process so that each levee can be recognized as soon as possible. And we will post the information on the FEMA website, so that all of your constituents can view the data that was used to make decisions on the levees in their neighborhoods.

I hope this information is helpful to you in addressing the concerns of your constituents. If you have any questions or would like additional information, please have a member of your staff contact Mr. Pat Hart, the director of our Legislative Affairs Division, at (202) 645-4500.

Sincerely

A handwritten signature in blue ink, appearing to read 'W. Craig Fugate', with a long, sweeping horizontal line extending to the right.

W. Craig Fugate
Administrator



Southwestern Illinois Flood Prevention District Council

104 United Drive
Collinsville, IL 62234

618-343-9120
Fax 618-343-9132

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Les Sterman
Chief Supervisor of
Construction and the Works

March 18, 2010

The Honorable Richard Durbin
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

The Honorable Jerry Costello
United States House of Representatives
2408 Rayburn House Office Building
Washington, DC 20515

The Honorable John Shimkus
United States House of Representatives
2452 Rayburn House Office Building
Washington, DC 20515

Dear Senator Durbin, Congressman Costello and Congressman Shimkus:

Please let me thank you on behalf of the Flood Prevention District Council for all of your efforts on behalf of the citizens and businesses of southwestern Illinois to address the ongoing issues of flood protection in our area. Both the Federal Emergency Management Agency (FEMA) and the U.S. Army Corps of Engineers (the Corps) have implemented new and revised processes for recognizing flood risk, and these processes have imposed a significant hardship on our region. We all have a stake in minimizing that hardship while we undertake a massive and costly local effort to improve the levee system that has protected the area from flooding for the nearly seventy years since it was first designed and built by the federal government in the 1940's.

I am writing in part to clarify a number of issues that were raised by FEMA and the Corps in their letters responding to Sen. Durbin's letter to them that requested, in part, "...a more complete and transparent accounting of the status of the levees protecting their homes and businesses." Those responses contained inaccurate and misleading information and we believe that it is important to correct the record so that you have an accurate understanding of the circumstances surrounding our mutual efforts to determine risk and make our flood protection systems safer.

In its letter to Sen. Durbin, FEMA indicates that the agency cannot provide information responsive to the Senator's request because "...FEMA does not independently generate the information you requested. In fact, we have tried to obtain much of this information from a variety of sources but to date have been unsuccessful." While it is true that FEMA does not generate the information on local levee systems necessary for accreditation, the remainder of that statement is false for the following reasons.

a regional partnership to rebuild Mississippi River flood protection

1. Beginning several years ago, FEMA has inaccurately made the claim that the agency had conclusive information about the condition of the levees and, until the letter to Sen. Durbin, has repeatedly refused to disavow that claim. In October, 2007, FEMA made written notification to all of the communities in the American Bottom that it had the definitive information in-hand necessary to deaccredit the levee systems. Their letter states in part:

"Recently, FEMA was informed by the U.S. Army Corps of Engineers (USACE) that they have determined the levees identified above do not meet the requirements set forth in the Code of Federal Regulations, Title 44, Section 65.10 (44CFR 65.10), entitled "Mapping of Areas Protected by Levee Systems." Since the levees and levee systems identified above do not meet the requirements set forth in 44 CFR 65.10 they will be de-accredited and therefore will not be shown on the future DFIRM as providing protection from the base flood."

"...FEMA has engaged in extensive outreach to the communities in the Metro East region, and has stressed the importance of obtaining the information needed for the levee recognition process."

We now know, based on the Corps' official responses to our inquiries, that the Corps did not provide the information that was represented by FEMA in their October, 2007 letter as the basis for deaccreditation. In fact, the Corps, by its own admission, never provided any data or analysis to FEMA and never formally communicated any finding to them relative to certification or decertification of the levee systems.

2. On April 8, 2009, Congressmen Costello arranged a meeting at the offices of the East-West Council of Governments between various representatives of FEMA, including Doug Bellomo, Director, Risk Analysis Division, Flood Hazard Mapping for the agency, and local elected leaders, including the three county board chairs and the mayor of East St. Louis. The purpose of the meeting was not as described in FEMA's letter, but rather to discuss our complaint to Congressman Costello that the mapping process differed between Missouri and Illinois.

In Missouri, the levee districts received formal requests from FEMA to provide information regarding compliance with 44CFR 65.10, the federal regulation that sets forth the criteria for levee certification. In Illinois, no such request was made; instead, FEMA made a request for this information to the USACE, with the stated result (later determined to be a misstatement by FEMA) described above in FEMA's letter to area communities, namely that the Corps had pronounced the levee system as failing to meet the legal requirements for accreditation. We made a strong and direct request to the FEMA representatives to allow the levee districts to provide the certification information and were told that the agency would not consider any additional information because of the conclusion already in-hand from the Corps. Local officials may have lost two years or more that could have been spent producing certification information that might have avoided deaccreditation because they were improperly told that such information was unnecessary, irrelevant, and unwanted.

3. As far as we can ascertain, there is no record of FEMA making any attempt at all to obtain certification information from our local levee districts. For reasons known only to the agency, they felt that in our case, the Corps of Engineers was the only legitimate source of such information.

So we now know that the basis for deaccreditation was misrepresented by FEMA in 2007, and their newly revealed claim that attempts were made to get certification information from "a variety of sources" has no basis either.

The FEMA letter indicates that "over the next month FEMA will work hard to collect any information from any appropriate source that will help support the recognition of the flood protection capacity of the levees." However, the ability to prospectively identify information satisfactory to FEMA is not the relevant issue. FEMA made a decision in July, 2007 to deaccredit the area levee systems based on a misrepresentation of the Corps' position. The process of coming to this decision was haphazard and careless, particularly given its import. This is a decision that both misleads the public and is inflicting severe economic damages on the region. It was clearly wrong. FEMA made a mistake that it will not acknowledge and is now placing the entire responsibility on our local communities and levee districts to fix it.

While it would certainly be expedient to focus solely on moving forward, the decision by FEMA made in 2007, if that is in question, as we now believe it should be, then FEMA should reconsider its actions and provide additional time to allow us to gather certification information and correct any deficiencies that are found by the thorough levee system inspection we are now undertaking. In other words, the legitimacy of the 2007 decision will affect how we proceed going forward, so it should not be dismissed as a historical event resulting in an outcome that cannot be altered.

Similarly, FEMA's claim of undertaking "extensive outreach to the communities in the Metro East region" is being grossly mischaracterized. Virtually every meeting with FEMA came about because of our request and the intercession of Congressman Costello's office. In fact, the outreach was a grudging process, not an act of thoroughness or good faith by FEMA.

The reply by the Corps to Sen. Durbin's letter is even more puzzling. While it is an accurate representation of the facts, those facts have little to do with the deaccreditation decision that is the core of the current disagreement. Accreditation is based on reliability of protection from 1% annual flood chance event, commonly known as the 100-year flood. The Corps is authorized by law to design and build the area's levees to protect from the 0.2% annual flood chance event, sometimes referred to as the 500-year flood or the design level of protection. The Corps cites its concerns about area levees achieving the design level of protection. While this may be legitimate, it is not germane to the objective of certification or accreditation, the threshold of protection required by FEMA regulations (44CFR 65.10). The Corps is acutely aware of this difference, yet chooses to ignore it in their letter. In fact, we know that the Corps has reached no conclusion relative to certification or decertification, so it is curious that they chose to avoid that critical distinction altogether. Neither did the Corps describe the results of their own annual and periodic inspections of the area levee systems, not a single one of which have ever concluded that the levee systems would not offer adequate flood protection based on the FEMA criteria. We can only conclude these critical omissions were intentional, so as to avoid calling attention to the evident misrepresentation of the Corps' position by FEMA.

In conclusion, it's difficult to know whether the contradictory and misleading statements by FEMA are deliberate or simply a result of a lack of institutional memory. FEMA seems to underestimate both the historic nature of the deaccreditation decision, and the careful consideration that has been focused on the flood protection issue by the area's leadership. The stakes are far too high to base critical decisions on a faulty, poorly understood, and badly executed decision-making process. The remedy is not further FEMA "outreach" and more meetings to attempt to justify this process, but to start the decision-making process

Senator Durbin, Congressman Costello and Congressman Shimkus

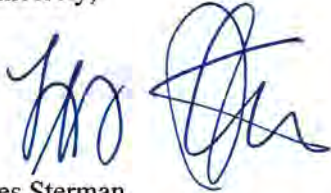
March 18, 2010

Page 4

over and partner with local authorities to assure that it is done fairly and is supported by legitimate data and analysis. Only then will the resulting decisions be legitimate and accepted by the community.

Again, we deeply appreciate your continued work on our behalf, and we hope that the foregoing information will clarify the issues that have led to such frustration in our area. Please feel free to call on me if you need additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Les Sterman', with a stylized, cursive flourish.

Les Sterman
Supervisor of Construction and the Works

cc: Board of Directors
Mark Kern, County Board Chairman, St. Clair County
Alan Dunstan, County Board Chairman, Madison County
Delbert Wittnauer, County Board Chairman, Monroe County



DEPARTMENT OF THE ARMY
ST. LOUIS DISTRICT CORPS OF ENGINEERS
1222 SPRUCE STREET
ST. LOUIS, MISSOURI 63103-2833

REPLY TO
ATTENTION OF:

MAR 15 2010

Executive Office

Mr. Les Sterman
Chief Supervisor of Construction and the Works
Southwestern Illinois Flood Prevention District Council
104 United Drive
Collinsville, Illinois 62234

Dear Mr. Sterman:

As part of our continuing dialog with the Southeastern Illinois Flood Prevention Council and our efforts to keep you fully informed on our work on the Metro East Levees, I would like to clarify some information that has recently been reported upon in the local media.

- The St. Louis District, U.S. Army Corps of Engineers (USACE) has detailed engineering data that confirms that the Wood River, MESD, and Prairie du Pont/Fish Lake levees will not perform at USACE design standards for either the 100-year level of protection (and protect against a 1% event) or authorized level of protection, without flood fighting. These levees have been authorized to provide in excess of 500-year (.2% event) protection. FEMA accreditation requires 100-year protection.
- The St. Louis District, in the spring of 2007, was asked by FEMA if we were aware of any deficiencies that may prevent these same levees from providing at least the 100-year level of protection. We responded "yes" based upon the ongoing design deficiency correction and reconstruction projects for each of the levees. However, we did not make the more general determination of whether these levee systems could or could not be certified. This information was transmitted to FEMA as part of the National Levee Database.
- In a spirit of transparent communication, the St. Louis District has provided levee condition data to the local leadership and to the public, on numerous occasions – starting in 2007 and most recently at the Southwestern Illinois Flood Prevention District Council meeting on February 17, 2010.

The St. Louis District stands behind the validity of this engineering data. The work to identify and correct design deficiencies and conduct rehabilitation of levee structures has been ongoing since before the Great Flood of 1993. The most recent source of this data is the subsurface investigations and corresponding underseepage analyses for the Wood River and MESD levees that we completed in January 2010. This new data further reinforces our determination back in 2007 that deficiencies existing that could prevent the levees from providing 100 year protection.

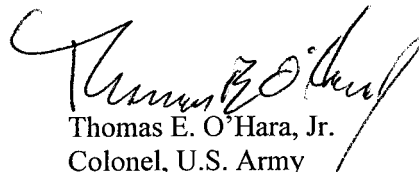
I know that the members of the Southwestern Illinois Flood Prevention District Council appreciate the gravity of the situation, both from a public safety standpoint and from an economic standpoint. If the situation was not significant, then our two organizations would not be working so hard to achieve our mutual goal – getting these levees fixed as soon as possible in order to reduce the risk to the public they protect.

In an effort to reinforce our communications with the general public, the St. Louis District will be launching a website dedicated to the Metro East Levees Program. We would like to work with you and the Council to ensure that the message is clear, complete and consistent. Only then will we be able to ensure that the public is adequately informed regarding the status of their levees, the level of risk to which they are exposed, what we are collectively doing to reduce that risk, and how best to prepare for the next flood event.

Our organization is committed to public safety and proactively reducing risk. We are also committed to ensuring that the public is well informed and understands that risk. Since the Council and the levee districts represent the public, we are and will continue to be dedicated to keeping you informed. I would ask that as we continue into the spring flood season and continue down the path to restoring the levees that our organizations continue to work closely to engage the public and communicate a consistent message of risk. We will also continue to provide technical assistance during a flood event as we have done in the past to reduce the risk associated with any levee. My team and I look forward to our continued partnership.

Chris Wilson remains your point of contact in the St. Louis District for any additional questions or comments related to the Metro East Levee projects.

Sincerely,



Thomas E. O'Hara, Jr.
Colonel, U.S. Army
District Commander

Copies furnished:
Senator Richard Durbin
United States Senate
309 Hart Senate Building
Washington, D.C. 20510

Honorable Jerry Costello
House of Representatives
2408 Rayburn House Office Building
Washington, D.C. 20515-1312



Southwestern Illinois Flood Prevention District Council

104 United Drive
Collinsville, IL 62234

618-343-9120
Fax 618-343-9132

March 22, 2010

Col. Thomas E. O'Hara, District Commander
Department of the Army
St. Louis District, Corps of Engineers
1222 Spruce Street
St. Louis, MO 63103-2833

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Secretary-Treasurer

Dave Baxmeyer

Paul Bergkoetter

Bruce Brinkmann

Thomas Long

Ron Motil

Alvin L. Parks Jr.

Les Sterman
Chief Supervisor of
Construction and the Works

Dear Col. O'Hara:

I received your letter dated March 15, 2010 containing your recital of the Corps' position regarding the condition of the levee systems in our region. While I know that you believe that some media reports may have not described the agency's position accurately, I believe that your response will confuse matters further.

Your letter indicates that the Corps "has detailed engineering data" that confirms that the levee systems will not meet either the 100-year, or 500-year level of protection without floodfighting. We have no record of the Corps ever issuing such a finding or releasing engineering data to support that finding. All we have seen to-date is information presented in the form of general Powerpoint® presentations that, at best, reflect preliminary findings subject to additional review. While we do not dispute that there are likely conditions that compromise the level of protection afforded by area levee systems, we do not yet agree on the scope or severity of such conditions.

Further, there are critical distinctions between FEMA certification in accordance with 44CFR 65.10 and USACE design standards. Since the Corps has not done a certification inspection of the area's levee systems, the agency has no basis for determining whether our levee systems can be accredited by FEMA as providing the required 100-year level of protection. The current inspection being done by the Council that is now underway will provide the only current data that can answer that question.

Far more troubling is the opinion that the Corps provided to FEMA in 2007 that led to the deaccreditation decision. In response to our request for all information that the Corps used to make the recommendation to FEMA, the agency provided some 93 documents and email messages and one Powerpoint® presentation, but no studies, no data, no analysis or any other scientific or technical information that would support the position that the levees could not protect the area from a 100-year event. In fact, the design deficiency studies referenced in your letter were relevant only to the 500-year event. Contrary to the statement in your letter, no data were provided to us about the 100-year level of protection in 2007 because none existed. At best, the St. Louis District rendered an informed opinion in response to an ambiguous question by FEMA, hardly enough by itself to justify such a historic decision.

Col. Thomas E. O'Hara

March 23, 2010

Page 2

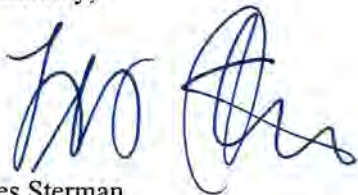
As you know, the Council is working with great urgency and commitment to identify any deficiencies in the area's levee systems and to make needed repairs. As a measure of their concern, state and local elected officials approved a new tax and created a new organization that is working with alacrity to provide greater levels of protection from flooding. There should be no doubt about our level of understanding of the problem or our resolve to find a solution.

This is no longer a problem of communication; the answer is certainly not a new website. If the Corps is serious about its expressions of concern about the condition of the area's levee systems, the agency's words must be matched by real action. At our meeting in May, 2009 the Corps indicated that, if normal procedures for project development and appropriations were followed, the levee systems could achieve the design level of protection by 2044, hardly an expression of urgency. Following that pronouncement, we have seen no real demonstration of the accelerated action that was promised to compress that schedule. No procedural requirements have been waived or streamlined; no emergencies have been declared to enable accelerated funding; no requests to move the projects more rapidly than routine have been made to Congress. In fact, the level of federal appropriations for the three levee systems in question has been far less than anticipated in calculating the 2044 completion, so the more likely completion date based on more pragmatic assumptions is "never," as both the cost of time and inflation weigh on the project. While the Corps is quick to affix the blame for this situation on limitations of appropriations and the constraints of authorizing legislation, the Corps has not even taken reasonable internal steps to speed up the project development process so that accelerated and more ambitious appropriation requests can be made to Congress.

If the Corps truly believes that our levee systems cannot protect the American Bottom from a 100-year flood event, the organization has a responsibility to act with far more urgency than demonstrated to-date. You indicate that the Corps is "committed to public safety and proactively reducing risk." Completing the project by 2044 or, more likely, well beyond, surely does not meet that commitment.

While we appreciate and often share your concern about the public's awareness of the problems with the area's flood protection systems, the Council needs no further reminder of the potential seriousness of an issue that extracts an economic toll on our region every day and only promises to get worse. What we do need is federal partner that is flexible, action-oriented, and willing to fight hard to get the needed funding for the project.

Sincerely,



Les Serman
Chief Supervisor of Construction and the Works

cc: Sen. Richard Durbin
Rep. Jerry Costello
County Board Chair Mark Kern
County Board Chair Alan Dunstan
County Board Chair Delbert Wittenaur
Flood Prevention District Board members



Memo to: Board of Directors
From: Les Sterman
Subject: Budget Report February/March, 2010
Date: April 18, 2010

Attached are the budget reports for the months of February and March. Total expenditures since the inception of the Council's activities have been \$6,034,653. The majority of those expenditures, \$5,886,515, or more than 97%, have been for program costs. Of those program costs, a large majority has been spent on cost-share for federal projects in the Wood River and Prairie DuPont/Fish Lake levee districts. 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. January 2010 collections were about 9% higher than the same month in 2009, a sign that retail sales are recovering, although it is very unlikely that the pre-recession projections of FPD sales tax receipts will be reached. Total sales tax collections thus far, including for the months of February and March 2010 for which totals have not yet been reported, should be about \$12.8 million.

We can continue to cover the Council's expenses, including consulting, legal, administrative costs as well as cost share for remaining ARRA funds and current federal appropriations out of cash flow from the sales tax. However, we also have the obligation to compensate the counties for a total of about \$3.5 million in costs advanced to the project prior to the collection of the sales tax. This suggests that a timely bond issue will be critical to maintaining progress on the project while satisfying our obligations to repay the counties.

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 February 28, 2010

	Budget Period October 2009 - September 2010			Cumulative Totals		
	Approved Budget	October 1, 2009 thru February 28, 2010	Balance Remaining	Approved Budget	Inception thru February 28, 2010	Balance Remaining
<u>Budget Summary</u>						
Resources						
Flood Prevention Tax	\$37,007,652	\$2,431,367	\$34,576,285	\$40,753,673	\$5,863,306	\$34,890,367
Proceeds from Borrowing	\$110,000,000	\$0	\$110,000,000	\$110,000,000	\$0	\$110,000,000
Interest Income	\$1,200,000	\$636	\$1,199,364	\$1,200,000	\$857	\$1,199,143
Other Contributions	\$80,000	\$62,300	\$17,700	\$215,000	\$129,250	\$85,750
Total Resources	\$148,287,652	\$2,494,303	\$145,793,349	\$152,168,673	\$5,993,413	\$146,175,260
Expenditures						
Program Costs	\$35,490,889	\$2,412,502	\$33,078,387	\$39,211,779	\$5,863,461	\$33,348,318
General and Administrative Costs	\$228,345	\$81,333	\$147,012	\$287,042	\$129,253	\$157,789
Contingency	\$1,368,417	\$0	\$1,368,417	\$1,469,852	\$0	\$1,469,852
Total Expenditures	\$37,087,652	\$2,493,835	\$34,593,817	\$40,968,673	\$5,992,714	\$34,975,959
Excess/Deficit	\$111,200,000	\$468	\$111,199,532	\$111,200,000	\$699	\$111,199,301

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 February 28, 2010

	Budget Period October 2009 - September 2010			Cumulative Totals		
	Approved Budget	October 1, 2009 thru February 28, 2010	Balance Remaining	Approved Budget	Inception thru February 28, 2010	Balance Remaining
RECEIPTS						
<i>Flood Prevention Occupation Tax Proceeds</i>						
St. Clair	\$18,503,826	\$1,215,683	\$17,288,143	\$20,376,836	\$2,931,652	\$17,445,184
Madison	17,023,520	1,118,429	15,905,091	18,746,690	2,697,121	16,049,569
Monroe	1,480,306	97,255	1,383,051	1,630,147	234,533	1,395,614
Subtotal Tax Proceeds	<u>\$37,007,652</u>	<u>\$2,431,367</u>	<u>\$34,576,285</u>	<u>\$40,753,673</u>	<u>\$5,863,306</u>	<u>\$34,890,367</u>
<i>Proceeds from Borrowing</i>	\$110,000,000	\$0	\$110,000,000	\$110,000,000	\$0	\$110,000,000
<i>Interest Income</i>	1,200,000	636	1,199,364	1,200,000	857	1,199,143
<i>Other Contributions (1)</i>						
St. Clair	25,000	31,150	-6,150	75,000	64,625	10,375
Madison	25,000	28,658	-3,658	75,000	59,455	15,545
Monroe	5,000	2,492	2,508	15,000	5,170	9,830
Other Cash	12,500	0	12,500	25,000	0	25,000
Other In-kind	12,500	0	12,500	25,000	0	25,000
Subtotal Other Contributions	<u>\$80,000</u>	<u>\$62,300</u>	<u>\$17,700</u>	<u>\$215,000</u>	<u>\$129,250</u>	<u>\$85,750</u>
Total Receipts	<u>\$148,287,652</u>	<u>\$2,494,303</u>	<u>\$145,793,349</u>	<u>\$152,168,673</u>	<u>\$5,993,413</u>	<u>\$146,175,260</u>
EXPENDITURES						
<i>Program Costs</i>						
Financial Advisor	\$60,000	\$0	\$60,000	\$80,000	\$0	\$80,000
Legal Consulting	20,000	62,969	-42,969	35,000	69,544	-34,544
Engineering Design	75,000	0	75,000	125,000	55,000	70,000
East-West Gateway (2)	50,000	9,866	40,134	75,000	20,968	54,032
Design/Construction	20,000,000	0	20,000,000	20,000,000	0	20,000,000
<i>Federal Cost-Share and Construction</i>						
Wood River	6,935,000	2,200,000	4,735,000	8,245,000	5,548,615	2,696,385
MESD (3)	0	0	0	0	0	0
Prairie DuPont/Fish Lake (4)	0	139,667	-139,667	550,000	169,334	380,666
<i>Reimbursement of Advance Funding</i>						
St. Clair	620,898	0	620,898	1,241,797	0	1,241,797
Madison	999,638	0	999,638	1,999,276	0	1,999,276
Monroe	130,353	0	130,353	260,706	0	260,706
Subtotal Reimbursement	1,750,889	0	1,750,889	3,501,779	0	3,501,779
Borrowing Repayments	<u>6,600,000</u>	<u>0</u>	<u>6,600,000</u>	<u>6,600,000</u>	<u>0</u>	<u>6,600,000</u>
Subtotal Program Costs	<u>\$35,490,889</u>	<u>\$2,412,502</u>	<u>\$33,078,387</u>	<u>\$39,211,779</u>	<u>\$5,863,461</u>	<u>\$33,348,318</u>

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 February 28, 2010

	Budget Period October 2009 - September 2010			Cumulative Totals		
	Approved Budget	October 1, 2009 thru February 28, 2010	Balance Remaining	Approved Budget	Inception thru February 28, 2010	Balance Remaining
General and Administrative Costs						
Salaries, benefits	\$169,044	\$70,556	\$98,488	\$202,523	\$102,703	\$99,820
Advertising	630	0	630	840	0	840
Bank service charges	600	127	473	700	303	397
Conference registration	500	0	500	700	0	700
Equipment and software	1,000	401	599	8,000	8,573	-573
Fiscal agency services (EWG)	11,367	3,107	8,260	15,638	6,020	9,618
Furniture	1,200	0	1,200	2,400	475	1,925
Meeting expenses	600	0	600	750	56	694
Miscellaneous startup expenses (5)	250	600	-350	2,210	600	1,610
Postage/delivery	180	173	7	215	294	-80
Printing/photocopies	400	891	-491	1,000	2,105	-1,105
Professional services	24,000	975	23,025	27,000	975	26,025
Publications/subscriptions	200	126	74	400	126	274
Supplies	250	325	-75	633	528	105
Telecommunications/internet	2,660	1,052	1,608	3,624	2,101	1,523
Travel	12,464	3,000	9,464	15,210	4,394	10,816
Other business expenses	1,000	0	1,000	1,200	0	1,200
Insurance	2,000	0	2,000	4,000	0	4,000
Subtotal G&A	<u>\$228,345</u>	<u>\$81,333</u>	<u>\$147,012</u>	<u>\$287,042</u>	<u>\$129,253</u>	<u>\$157,789</u>
Contingency (@5% of G&A, Design, Cost-Share, Construction)	\$1,368,417		\$1,368,417	\$1,469,852	\$0	\$1,469,852
Total Expenditures	<u>\$37,087,652</u>	<u>\$2,493,835</u>	<u>\$34,593,817</u>	<u>\$40,968,673</u>	<u>\$5,992,714</u>	<u>\$34,975,959</u>

Notes

- (1) To be used for DFIRM assessment/correction and community engagement process
- (2) For DFIRM assessment/correction and community engagement
- (3) Cost-share to be paid from MESD resources until exhausted;
 additional amounts to be determined
- (4) FY2010 amount to be determined
- (5) Primarily accounting system setup

Southwestern Illinois Flood Prevention District Council

Beginning Bank Balance @ 02/01/2010 \$ 20,188.84

Cash Receipts

		Date Rec'd	Amount
Madison County FPD	Inv 13	02/03/10	1,012,000.00
St. Clair County FPD	Inv 14	02/18/10	9,776.67
St. Clair County	Inv 15	02/18/10	202.15
St. Clair County FPD	Inv 13	02/18/10	1,100,000.00
Madison County FPD	Inv 14	02/19/10	8,994.54
Madison County	Inv 16	02/19/10	6,875.05
Madison County	Inv 15	02/24/10	185.97
TheBank	Interest Earned	02/28/10	385.43

Total Reciepts \$ 2,138,419.81

Disbursements

Paid To	Purpose	Date Paid	Amount	Ck/Wire #
USACE	Wood River Project	02/19/2010	1,000,000.00	Wire ROV 913
TheBank	Bank Fees/Wire	02/19/2010	20.00	
TheBank	Service Fees	02/26/2010	15.47	

Total Disbursements \$ 1,000,035.47

Ending Bank Balance @ 02/28/2010 \$ 1,158,573.18

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 March 31, 2010

	Budget Period October 2009 - September 2010			Cumulative Totals		
	Approved Budget	October 1, 2009 thru March 31, 2010	Balance Remaining	Approved Budget	Inception thru March 31, 2010	Balance Remaining
<u>Budget Summary</u>						
Resources						
Flood Prevention Tax	\$37,007,652	\$2,459,024	\$34,548,628	\$40,753,673	\$5,890,732	\$34,862,941
Proceeds from Borrowing	\$110,000,000	\$0	\$110,000,000	\$110,000,000	\$0	\$110,000,000
Interest Income	\$1,200,000	\$929	\$1,199,071	\$1,200,000	\$1,150	\$1,198,850
Other Contributions	\$80,000	\$75,821	\$4,179	\$215,000	\$142,771	\$72,229
Total Resources	\$148,287,652	\$2,535,774	\$145,751,878	\$152,168,673	\$6,034,653	\$146,134,020
Expenditures						
Program Costs	\$35,490,889	\$2,435,556	\$33,055,333	\$39,211,779	\$5,886,515	\$33,325,264
General and Administrative Costs	\$228,345	\$100,218	\$128,127	\$287,042	\$148,138	\$138,904
Contingency	\$1,368,417	\$0	\$1,368,417	\$1,469,852	\$0	\$1,469,852
Total Expenditures	\$37,087,652	\$2,535,774	\$34,551,878	\$40,968,673	\$6,034,653	\$34,934,020
Excess/Deficit	\$111,200,000	\$0	\$111,200,000	\$111,200,000	\$0	\$111,200,000

Southwestern Illinois Flood Protection District Council
Comparison of Budget to Actual (accrual basis)
March 31, 2010

	Budget Period October 2009 - September 2010			Cumulative Totals		
	Approved Budget	October 1, 2009 thru March 31, 2010	Balance Remaining	Approved Budget	Inception thru March 31, 2010	Balance Remaining
RECEIPTS						
<i>Flood Prevention Occupation Tax Proceeds</i>						
St. Clair	\$18,503,826	\$1,229,511	\$17,274,315	\$20,376,836	\$2,945,364	\$17,431,472
Madison	17,023,520	1,131,151	15,892,369	18,746,690	2,709,737	16,036,953
Monroe	1,480,306	98,362	1,381,944	1,630,147	235,631	1,394,516
Subtotal Tax Proceeds	<u>\$37,007,652</u>	<u>\$2,459,024</u>	<u>\$34,548,628</u>	<u>\$40,753,673</u>	<u>\$5,890,732</u>	<u>\$34,862,941</u>
<i>Proceeds from Borrowing</i>	\$110,000,000	\$0	\$110,000,000	\$110,000,000	\$0	\$110,000,000
<i>Interest Income</i>	1,200,000	929	1,199,071	1,200,000	1,150	1,198,850
<i>Other Contributions (1)</i>						
St. Clair	25,000	37,910	-12,910	75,000	71,385	3,615
Madison	25,000	34,878	-9,878	75,000	65,675	9,325
Monroe	5,000	3,033	1,967	15,000	5,711	9,289
Other Cash	12,500	0	12,500	25,000	0	25,000
Other In-kind	12,500	0	12,500	25,000	0	25,000
Subtotal Other Contributions	<u>\$80,000</u>	<u>\$75,821</u>	<u>\$4,179</u>	<u>\$215,000</u>	<u>\$142,771</u>	<u>\$72,229</u>
Total Receipts	<u>\$148,287,652</u>	<u>\$2,535,774</u>	<u>\$145,751,878</u>	<u>\$152,168,673</u>	<u>\$6,034,653</u>	<u>\$146,134,020</u>
EXPENDITURES						
<i>Program Costs</i>						
Financial Advisor	\$60,000	\$0	\$60,000	\$80,000	\$0	\$80,000
Legal Consulting	20,000	76,390	-56,390	35,000	82,965	-47,965
Engineering Design	75,000	8,161	66,839	125,000	63,161	61,839
East-West Gateway (2)	50,000	11,338	38,662	75,000	22,440	52,560
Design/Construction	20,000,000	0	20,000,000	20,000,000	0	20,000,000
<i>Federal Cost-Share and Construction</i>						
Wood River	6,935,000	2,200,000	4,735,000	8,245,000	5,548,615	2,696,385
MESD (3)	0	0	0	0	0	0
Prairie DuPont/Fish Lake (4)	0	139,667	-139,667	550,000	169,334	380,666
<i>Reimbursement of Advance Funding</i>						
St. Clair	620,898	0	620,898	1,241,797	0	1,241,797
Madison	999,638	0	999,638	1,999,276	0	1,999,276
Monroe	130,353	0	130,353	260,706	0	260,706
Subtotal Reimbursement	1,750,889	0	1,750,889	3,501,779	0	3,501,779
Borrowing Repayments	<u>6,600,000</u>	<u>0</u>	<u>6,600,000</u>	<u>6,600,000</u>	<u>0</u>	<u>6,600,000</u>
Subtotal Program Costs	<u>\$35,490,889</u>	<u>\$2,435,556</u>	<u>\$33,055,333</u>	<u>\$39,211,779</u>	<u>\$5,886,515</u>	<u>\$33,325,264</u>

Southwestern Illinois Flood Protection District Council
Comparison of Budget to Actual (accrual basis)
March 31, 2010

	Budget Period October 2009 - September 2010			Cumulative Totals		
	Approved Budget	October 1, 2009 thru March 31, 2010	Balance Remaining	Approved Budget	Inception thru March 31, 2010	Balance Remaining
General and Administrative Costs						
Salaries, benefits	\$169,044	\$86,399	\$82,645	\$202,523	\$118,546	\$83,977
Advertising	630	0	630	840	0	840
Bank service charges	600	163	437	700	339	361
Conference registration	500	0	500	700	0	700
Equipment and software	1,000	401	599	8,000	8,573	-573
Fiscal agency services (EWG)	11,367	4,075	7,292	15,638	6,988	8,650
Furniture	1,200	0	1,200	2,400	475	1,925
Meeting expenses	600	0	600	750	56	694
Miscellaneous startup expenses (5)	250	600	-350	2,210	600	1,610
Postage/delivery	180	227	-47	215	348	-134
Printing/photocopies	400	891	-491	1,000	2,105	-1,105
Professional services	24,000	1,800	22,200	27,000	1,800	25,200
Publications/subscriptions	200	126	74	400	126	274
Supplies	250	344	-94	633	547	86
Telecommunications/internet	2,660	1,592	1,068	3,624	2,641	983
Travel	12,464	3,600	8,864	15,210	4,994	10,216
Other business expenses	1,000	0	1,000	1,200	0	1,200
Insurance	2,000	0	2,000	4,000	0	4,000
Subtotal G&A	<u>\$228,345</u>	<u>\$100,218</u>	<u>\$128,127</u>	<u>\$287,042</u>	<u>\$148,138</u>	<u>\$138,904</u>
Contingency (@5% of G&A, Design, Cost-Share, Construction)	\$1,368,417		\$1,368,417	\$1,469,852	\$0	\$1,469,852
Total Expenditures	<u>\$37,087,652</u>	<u>\$2,535,774</u>	<u>\$34,551,878</u>	<u>\$40,968,673</u>	<u>\$6,034,653</u>	<u>\$34,934,020</u>

Notes

- (1) To be used for DFIRM assessment/correction and community engagement process
- (2) For DFIRM assessment/correction and community engagement
- (3) Cost-share to be paid from MESD resources until exhausted; additional amounts to be determined
- (4) FY2010 amount to be determined
- (5) Primarily accounting system setup

Southwestern Illinois Flood Prevention District Council
Bank Transactions
March 2010

Beginning Bank Balance: \$ 1,158,573.18

Receipts:

Customer:	Date		Amount
Monroe County FPD	03/03/2010	Inv 13	88000.00
Monroe County FPD	03/03/2010	Inv 14	782.13
Monroe County	03/03/2010	Inv 15	16.17
Monroe County	03/03/2010	Inv 16	597.83
Madison County FPD	03/05/2010	Inv 17	6701.04
Madison County	03/05/2010	Inv 18	19482.62
St. Clair County FPD	03/17/2010	Inv 17	7283.74
St. Clair County	03/17/2010	Inv 16	7472.87
St. Clair County	03/17/2010	Inv 18	21176.77
Monroe County FPD	03/29/2010	Inv 17	582.70
Monroe County	03/29/2010	Inv 18	1694.14
Monroe County FPD	03/29/2010	Inv 19	1336.53
Monroe County	03/29/2010	Inv 20	536.83
Bank of Edwardsville	03/31/2010	Interest Earned	293.06

Total Receipts 155,956.43

Disbursements:

Payee:	Date		Amount
Sprague & Urban, Attorneys at Law	03/16/2010	Prof. Svcs-Legal	975.00
Husch Blackwell Sanders LLP	03/16/2010	Legal Fees	39,945.75
		Acctg/FPD Staff	
		Inv 7,	
		Comm. Eng/Mapping	
East West Gateway Council of Govts.	03/16/2010	Inv 6	19,957.63
USACE	03/17/2010	Wood River Project	1,200,000.00
Bank of Edwardsville	03/17/2010	Wire Transfer Fee	20.00
Bank of Edwardsville	03/31/2010	Service Fees	16.56

Total Disbursements 1,260,914.94

Ending Bank Balance \$ 53,614.67



Memo to: Board of Directors

From: Les Sterman

Subject: FEMA Presentation on Levee Accreditation and Flood Insurance Matters

Date: April 19, 2010

Mr. Ken Hinterlong, Chief of the Risk Analysis Branch of the Mitigation Division of FEMA from Region V in Chicago will make a presentation at the Council's Board meeting on April 21. Although his purpose is to advise us on how the Council can seek accreditation of the area levee systems, and his hope is that we can focus on matters going forward from this time, we continue to have concerns with FEMA's past actions that have put the region in such a difficult position. Attached is correspondence with Mr. Hinterlong relating to our interests for the discussion with him that will take place at our Board meeting.



Southwestern Illinois Flood Prevention District Council

104 United Drive
Collinsville, IL 62234

618-343-9120
Fax 618-343-9132

March 16, 2010

Ken Hinterlong
Chief, Risk Analysis Branch, Mitigation Division
FEMA Region V
536 S. Clark St.
6th Floor
Chicago, IL 60605

Board of Directors

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John Conrad
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Dave Baxmeyer

Paul Bergkoetter

Bruce Brinkmann

Thomas Long

Ron Motil

Alvin L. Parks Jr.

Les Sterman
Chief Supervisor of
Construction and the Works

Dear Mr. Hinterlong:

Thank you for your offer to meet with the Board of Directors on April 21. As you know from our telephone conversation, there are a number of issues with FEMA's decision-making process and past actions that concern the Council and we look forward to discussing these issues when you visit with us.

While it would be expedient to focus solely on moving forward, the decision by FEMA made in 2007 to deaccredit area levee systems precipitated a process now in motion, including our application for AR zone status, financing plans, and project development strategy. If the 2007 decision is in question, as we now believe it should be, then FEMA should reconsider its actions and provide additional time to allow us to gather certification information and correct any deficiencies that are found by the thorough levee system inspection now underway. In other words, the legitimacy of the 2007 decision will affect how we proceed going forward, so it has great relevancy to our discussion with you.

In our view, the deaccreditation decision was not supported by adequate information or due process, especially given its historic import for our region. Local levee districts were not asked to provide certification information and, when we met with FEMA representatives in April 2009, we were told that such information was not relevant and would not be considered. In addition, we believe there was serious miscommunication between the Corps of Engineers and FEMA that led to a misstatement and exaggeration of the Corps' findings with respect to our levee systems. This may have resulted in misleading local officials and improper denial of provisionally accredited levee status to area levee systems. Local officials may have lost two years or more that could have been spent producing certification information because they were improperly told that such information was unnecessary, irrelevant, and unwanted.

Responding to our November 3, 2009 FOIA request to FEMA might help to address some of these issues. *Accordingly, we hope that during your visit, you can provide the information that was the subject of our FOIA request (a copy of which is attached), or provide an explanation of why FEMA is not able to comply with that request. We hope that you can also come prepared to discuss the decision-making process and information that led to the deaccreditation decision.*

Mr. Ken Hinterlong

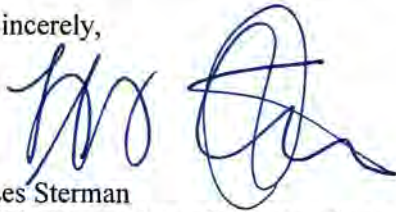
March 16, 2010

Page 2

As you know, we continue to move forward with great urgency on financing and design of levee improvements based on the representations that FEMA made to area leaders in 2007 and the agency's subsequent publication of preliminary DFIRMs. We are making good faith and responsible efforts to determine if the region's levee systems will meet the requirements of 44CFR 65.10 (something that has never been done by the Corps of Engineers, despite FEMA's representation to the contrary) and are prepared to take the steps necessary to correct any deficiencies, especially as they affect public safety. Area leaders are totally committed to that process, but the imposition of mandatory flood insurance requirements during the time necessary to undertake this work is needlessly onerous, very costly, and counterproductive. Mandatory insurance will not fix any problems with the levee systems. *We hope that you will be prepared, therefore, to discuss how FEMA is willing to work cooperatively with us to forestall the imposition of mandatory flood insurance.*

I hope that this information will be useful to you in preparing for your meeting with us on April 21. The Council sincerely hopes to open a productive dialogue with you at that time. Please feel free to call me if you would like further clarification.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Les Sterman', with a large, stylized flourish extending to the right.

Les Sterman

Chief Supervisor of Construction and the Works

cc: Sen. Richard Durbin
Rep. Jerry F. Costello
Rep. John Shimkus
Board of Directors



FEMA

April 15, 2010

Mr. Les Sterman
Chief Supervisor of Construction and the Works
Southwestern Illinois Flood Prevention District Council
104 United Drive
Collinsville, IL 62234

Dear Mr. Sterman,

I would like to confirm FEMA's attendance and presentation at the monthly meeting of the Board of Directors of the Southwestern Illinois Flood Prevention District Council scheduled for April 21 at the Metro-East Park and Recreation District Office in Collinsville. The presentation will address steps required for levee recognition in accordance with National Flood Insurance Program (NFIP) criteria for levee systems now under the Council's oversight. Representatives of the U.S. Army Corps of Engineers will also be at the meeting and will be prepared to provide a short presentation.

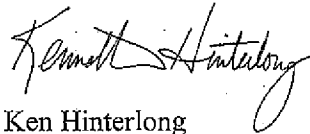
As indicated in our brief phone conversations, FEMA intends to move the discourse of NFIP levee accreditation in a forward-leaning direction focusing on the accomplishments of the Council and other parties in their collection of data and levee capacity assessments to determine compliance with NFIP criteria. This dialogue should include ongoing efforts regarding Digital Flood Insurance Rate Map schedules and potential submission of accreditation packages. At the same time, we recognize the Council's request that FEMA reconsider decisions that resulted in our October 5, 2007, notice of de-accreditation on the Metro East levee systems. To this extent, we wish to affirm FEMA's commitment to expedite the accreditation package review should the Council be able to demonstrate conformance to NFIP criteria. We will also seek to ensure the public and anyone affected by these levees have access to information about the process.

Our presentation and follow-up discussions on April 21 will be limited by the length of the Council's meeting and the venue space. FEMA will be happy to participate in subsequent meetings with the Council, and we will make efforts to work with specific levee districts should there be a desire to meet separately.

Mr. Les Sterman
Southwestern Illinois Flood Prevention District Council
April 15, 2010

FEMA is grateful for the opportunity to engage the Council and levee district officials at this meeting. It is hoped that this and near-future meetings will create open dialogue toward a resolution. Questions should be directed to me or Suzanne Vermeer, P.E., of my staff. I can best be reached by e-mail, at ken.hinterlong@dhs.gov; Suzanne can be reached at suzanne.vermeer@dhs.gov or at (312) 408-5245.

Sincerely,



Ken Hinterlong
Chief, Risk Analysis Branch
Mitigation Division

cc: Mr. James T. Page, President, Wood River Drainage and Levee District
Mrs. Judy Beckham, Secretary/Treasurer, Wood River Drainage and Levee District
Mr. Robert Shipley, Executive Director, Metro-East Sanitary District
Mrs. Rosemarie Heath, District Clerk, Metro-East Sanitary District
Mr. Michael Sullivan, President, Prairie Du Pont Levee and Sanitary District
Mr. David Walster, Vice President, Prairie Du Pont Levee and Sanitary District
Mr. Gary Stumpf, Fish Lake Drainage and Levee District No. 8
Mr. Paul Osman, NFIP State Coordinator, Illinois Department of Natural Resources
Mr. Marc Miller, Director, Illinois Department of Natural Resources
Mr. Gary Clark, Director, Office of Water Resources, Illinois Department of Natural Resources
Mr. Ron Davis, Hazard Mitigation Specialist, Illinois Emergency Management Agency
Mr. Kevin Moore, Legislative Liaison, Illinois Emergency Management Agency
Mr. Andrew Velasquez, Director, Illinois Emergency Management Agency
Colonel Thomas E. O'Hara, Jr., Commander, St. Louis District, U.S. Army Corps of Engineers
Ms. Maggie Hales, Interim Executive Director, East-West Gateway Council of Governments
Mr. Steve Nagle, Director, Community Planning and Outreach, East-West Gateway
Council of Governments
Mr. Patrick McKeehan, Executive Director, Leadership Council of Southwestern Illinois
The Honorable Alan Dunstan, Chairman, Madison County Board
The Honorable Mark Kern, Chairman, St. Clair County Board
The Honorable Delbert Wittenauer, Chairman, Monroe County Board



Memo to: Board of Directors

From: Les Sterman

Subject: Estimates of Additional Flood Insurance Costs Resulting from the Deaccreditation of the Levee Systems

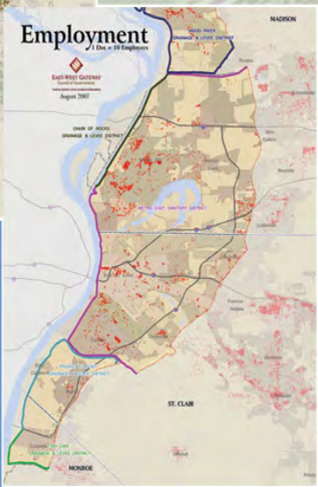
Date: April 19, 2010

At the January 20 meeting, the Board authorized a contract with the East-West Gateway Council of Governments to analyze the additional costs of mandatory and voluntary flood insurance premiums that could result should FEMA deaccredit the area's levee systems. The report is now complete. A copy is provided with this memo. EWG staff will make a presentation at the April Board meeting.

Briefly, the total estimate of additional insurance costs, both mandatory and voluntary that could be paid by residents and businesses in the American Bottom as a result of FEMA's actions is *\$50 million per year*. The cost of mandatory flood insurance alone will be almost \$18 million per year. These data are based on surveys of businesses, discussions with insurance agents, and available statistical information on homeownership and mortgages.

This analysis complements work now being done by the Leadership Council to quantify other economic impacts on the area, including loss of property value and economic competitiveness.

Given the lack of any history of flooding in the area due to a failure of the levee system, the likelihood of flood insurance premiums being used to compensate for flood losses in our area is very small. More likely, those premiums would be used to pay for losses in other areas of the country, especially New Orleans. Note that we are only collecting about \$10 million annually to spend to fix the levee systems whose alleged deficiencies are creating the need for mandatory flood insurance. Based on the EWG estimates, the cost of flood insurance will be several times that amount and none of those funds would be used to make the levee systems safer and to mitigate the risks that FEMA has asserted lead to the proposed deaccrediting of the levee system.



Additional Flood Insurance Costs Resulting from the Federal Emergency Management Agency Flood Insurance Rate Map Modernization Program in the American Bottom

April 2010



EAST-WEST GATEWAY
Council of Governments

Creating Solutions Across Jurisdictional Boundaries

**Additional Flood Insurance Costs Resulting from the
Federal Emergency Management Agency Flood
Insurance Rate Map Modernization Program in the
American Bottom**

Prepared for:

Southwestern Illinois Flood Prevention District Council

By:

East-West Gateway Council of Governments

April 2010

Executive Summary

The Federal Emergency Management Agency (FEMA) has announced its intention to de-accredit the five Mississippi River levees that protect the American Bottom in Southwestern Illinois. One consequence of this deaccreditation is that many residents and businesses located in the region will be required to purchase flood insurance from the National Flood Insurance Program (NFIP). In addition, some lenders may require businesses to purchase “excess flood insurance,” or coverage in excess of what can be obtained from the NFIP. Lenders may also require businesses to obtain interruption insurance, i.e., insurance against the interruption of operations.

East-West Gateway was asked to estimate the insurance costs that could result from levee deaccreditation. The total estimate of additional insurance costs that will be paid by residents and businesses in the American Bottom as a result of FEMA’s actions is **\$50 million** per year.

The estimate of mandated insurance costs required due to FEMA’s NFIP program, for residential and commercial insurance will total almost **\$18 million** per year.¹

Estimating potential costs associated with excess and interruption insurance is not a perfect science. However, based on consultations with insurance agents and a survey of businesses, East-West Gateway concluded that a reasonable estimate of additional costs is **\$32.5 million** per year. Table 1 summarizes the estimates of potential costs.

Table 1
Summary of Additional Annual Flood Insurance Costs

Residential Property	
Rental and Mobile Homes	\$3.2 million
Owner Occupied	\$8.3 million
Residential Subtotal	\$11.5 million
Commercial Property	
Real Estate	\$5.6 million
Other Commercial Property	\$0.86 million
Commercial Subtotal	\$6.4 million
Total Annual Mandated (NFIP) Insurance Costs	\$17.9 million
Total Annual Excess and Interruption Insurance Costs	\$32.5 million
Total Annual Mandated, Excess and Interruption Insurance Costs	\$50.4 million

¹ Note that these costs reflect the lower rates available if the American Bottom region receives an AR designation. Draft maps of the region recently released by FEMA indicate that the majority of the area will receive an AR designation, in part due to advocacy by local community leaders and officials. In the event that the region receives an AE designation, EWG estimates that the total mandated NFIP insurance costs would exceed \$25 million.

Introduction

The Federal Emergency Management Agency (FEMA) has announced its intention to de-accredit the five Mississippi River levees that protect the American Bottom in Southwestern Illinois. Under FEMA's map modernization program, FEMA has issued preliminary digital flood insurance rate maps showing that substantially all of the protected area will be reclassified as a Special Flood Hazard Area (SFHA)². Under federal law, owners of property located within a SFHA are required to purchase insurance from the National Flood Insurance Program (NFIP) if the property secures a loan from a federally regulated lending institution.

In order to estimate the insurance costs, the East-West Gateway research staff separately estimated the impacts on residential buildings and on businesses in the region. For residential buildings, staff estimated the number of homes and rental units that would be required to purchase insurance, and the value of the homes (rental units) to be insured.

For businesses, staff administered a survey of business and property owners, collecting information about the value of mortgages and business personal property.

Because of variables associated with insurance rates applied across a range of individual properties, calculations throughout this report have been made conservatively to account for variation and reach an overall estimate that is reliably predictive.

Example of insurance calculation

Because insurance rates are individualized to properties based on a number of variables, estimates of insurance premiums are used in this report. Below is an example of how insurance premiums are estimated.

Consider a business that has a mortgage on a \$750,000 property, and conducts \$5 million per year in sales. Insurance rates for business properties are \$0.95 per \$100 coverage up to \$175,000, and \$0.30 per \$100 for coverage from \$175,000 to \$500,000.³ Additional insurance fees of \$41 apply to buildings in AR zones.

Based on these rates, the property owner will pay a rate of \$0.95 per \$100 valuation on the first \$175,000. Moreover, the owner is required to purchase insurance on another \$325,000 of the property, at a rate of \$0.30 per \$100 valuation. Added to this will be another \$41 in fees, for a

² The area is currently considered protected from a base flood (one with a 1% chance of occurring in any year) and is classified as an X Zone, while the new preliminary digital flood insurance maps show the area will be predominantly AR Zone (developed areas) and the remainder AE Zone, both of which are "special flood hazard areas".

³ These rates come from the National Flood Insurance Program, Flood Insurance Manual, revised October 2009. <http://www.fema.gov/business/nfip/manual200910.shtm>. The business rates throughout this report assume a non-residential building with a basement but without an enclosure. Different rates apply to different types of buildings.

total of **\$2,678.50**. This is the *mandated* annual flood insurance that the business owner will have to purchase, under the NFIP.

The business might want (or be required by its lender) to further insure against catastrophic floods by purchasing “excess insurance” on the remaining \$250,000 in property value, and to fully insure against lost sales (assumed for this example to be \$5 million) through the purchase of “interruption insurance.” The business owner would purchase insurance on the open market – estimates are that this insurance costs \$1 per \$100 of coverage for both types of policies, resulting in **\$52,500** in *additional* annual insurance premiums.

Residential Buildings

Summary of insurance costs in residential buildings

Table 2 shows that owners of residential buildings in the American Bottom face mandated annual insurance costs of about \$11.5 million (calculation based on AR status).

Table 2
Total Mandated (NFIP) Annual Insurance Costs for Residential Buildings

Rental and mobile homes	\$3,174,626
Owner-occupied	\$8,292,895
Total	\$11,467,521

The following steps were used to arrive at this estimate: First, the number of affected structures was estimated, along with market values. Second, we calculated the insurance payments required for each type of home.

Third, we adjusted our total mandated NFIP insurance costs to reflect that only about 60% of properties have mortgages. This is a conservative figure based on Census data. However, it is important to recognize the dynamic nature of the housing market. As houses are placed on the market and buyers obtain new mortgages, it is possible that the number of households with mortgages will rise. In this case, aggregate annual insurance payments would rise.

Note: only 25 residences in the American Bottom region were in Monroe County, and it was not possible to determine if these were rental units or if they were owner-occupied. For purposes of this study, they were treated as though all 25 were owner-occupied.

Owner-Occupied Homes

In total, almost 17,000 home-owning households will be required to purchase flood insurance in the event of levee deaccreditation. The average premium would be about \$493, for an estimated total of about \$8.3 million, see Table 3.

Table 3
Mandated (NFIP) Insurance Costs to Homeowners
(AR designation)

	Estimated Insurance Costs
Total Mandated Insurance	\$8,292,895

Methods and Data

Following is a summary of the steps involved in calculating the above estimates.

Step 1. Estimate Owner-Occupied Units in the American Bottom region:

The first step was to estimate the number of owner-occupied units in each county. The primary source was the parcel files from each of the three counties. Estimates derived from parcel files were compared to 2000 Census numbers to assess validity.

Census estimates were derived from Census block groups. Block group geography does not precisely match the boundaries used by FEMA in the American Bottom. For Madison and St. Clair Counties, block groups are small and numerous enough that the discrepancy in boundaries was slight. For Monroe County, the block groups extend far beyond the affected area, rendering Census numbers less useful for the task of estimating owner-occupied units. Thus, in Table 4, Census numbers are not reported for Monroe County.

In Monroe County, the parcel file indicated that there are 25 single-family homes. Since this is a fairly small number compared to the other counties, it was assumed that each of these 25 is an owner-occupied unit. In Madison County, owner-occupied parcels are identified in the parcel database, making it easy to estimate the number of owner-occupied homes.

There was no owner-occupied field in the St. Clair County database, so the following method was used to estimate the number of owner-occupied homes.

There were 20,070 parcels with a land use code of "0040," which corresponds to single-family. Of these, almost exactly half of the parcels had the same address in the "site address" and the "owner address" fields.

To double-check those records where "site address" and "owner address" differed, 100 records were selected at random from the records with different addresses in the two fields. A closer review of these 100 records indicated that 35 of the 100 records were in fact the same, but appeared to be different because of misspellings, inconsistent uses of abbreviations, or inconsistent use of street suffixes.

From this we concluded that 35% of the parcels that appeared to have different addresses in the site and owner fields were in fact owner-occupied. Adding the records with identical

addresses to 35% of the non-matching records resulted in an estimate of 13,502 owner-occupied units in the St. Clair portion of the affected area. This was remarkably close to the Census figure of 13,194.

Table 4 shows the estimated number of owner-occupied homes in the American Bottom region. For St. Clair and Madison Counties, Census numbers are presented to show that estimates derived from the parcel files appear to be reasonable.

**Table 4
Owner-Occupied Homes in the
American Bottom**

	Parcel	Census
Madison	17,482	16,179
Monroe	25	
St. Clair	13,502	13,194
Total	31,009	29,373

Step 2: Estimate Number of Households Required to Purchase Insurance:

The only households required to purchase flood insurance are those where the property secures a loan from a federally regulated lending institution. A property owner who has paid off her mortgage will not be required to purchase insurance. Thus, a critical step was to estimate the number of households with an outstanding mortgage.

The U.S. Census and the American Housing Survey (AHS) were used to obtain this estimate. According to the U.S. Census, 56% of owner-occupied units in the Madison County portion of the affected area have outstanding mortgages. In Monroe, the figure was 62%, and 52% for St. Clair. The resulting number of estimated households with mortgages is shown in Table 5. AHS indicates that about 60% of households across the region hold mortgages, and that this is fairly consistent across the region.

To account for mortgage status, we used the 60% adjustment factor from AHS. As noted above, future turnover in the housing stock may well increase the percentage of households with mortgages. Thus, 60% is a conservative estimate of the percentage of households that will be affected over time.

Step 3. Estimate Premiums:

Interviews with insurance experts revealed that lenders are likely to require a home's replacement value, as indicated by its market value, in coverage. Insurance rates for owner-occupied single-family residential property are \$0.89 per \$100 of coverage up to \$60,000 of coverage, and \$0.30 per \$100 for coverage over \$60,000. Also included are \$41 for Federal Policy fees and Increased Cost of Compliance fees.

Using these formulas annual rates were estimated for each home in the affected area. For each county, estimated premiums were averaged, and then multiplied by the number of households requiring coverage to arrive at the numbers shown in Table 5.

Table 5
Summary of Annual Mandated (NFIP) Costs to Homeowners

	Madison	Monroe	St. Clair	Totals
Number of Households Affected	9,790	16	7,021	16,827
Average Annual Premium	\$587	\$724	\$361	\$493
Total Annual Premiums	\$5,746,730	\$11,584	\$2,534,581	\$8,292,895

Renter-Occupied Residential Structures

Owners of residential rental structures in the affected area will be required to pay approximately \$3.17 million in insurance premiums each year. Following is a description of the steps used to arrive at this estimate.

Step 1: Estimate number of multifamily structures by number of units and county:

The 2000 US Census was used to estimate the total number of affected structures. In 2000 there were nearly 19,000 occupied rental units. Data on tenure by units in structure was downloaded for each block group whose center point was located in the American Bottom. The Census Bureau offers counts of rental units by structure for the following classes of structure: single unit, two units, 3-4 units, 5-9 units, 10-19 units, 20-49 units and 50+ units.

For multifamily structures, occupied and vacant units were added, and then divided by the midpoint of the classification range to obtain an estimate of total structures by number of units. For example, in Madison County there were 1,054 occupied units in structures with 5 to 9 units, and 407 unoccupied units. These were added to obtain an estimate of 1,461 units available for rent in structures with 5-9 units. This number was then divided by 7 (midpoint between 5 and 9) to obtain an estimate of 209 5-9 unit structures in Madison County.

NFIP has established insurance rates for the following categories of structures: single family, mobile home, 2-4 family and other residential. Thus, the estimates of units were aggregated to conform to the occupancy classes used by NFIP. Table 6 shows the estimated number of structures in each occupancy class⁴:

Step 2: Simulate insurance payments for rental units in the parcel file:

The parcel files contain a field for total assessed value, which represents approximately one third of estimated market value. This field was used to estimate annual required insurance payments for rental structures. A separate analysis was performed for each of the occupancy classes listed in Table 6.

Table 6
Estimated Structures by Number of Rental Units

	Madison	St. Clair	Total
Single Family	3,321	5,334	8,655
Mobile Home	379	661	1,040
2-4 Family	1,107	920	2,026
5+ Family	274	315	589
Total	5,081	7,230	12,311

Renter-Occupied Single-Family: To select a sample representing renter-occupied single-family structures in St. Clair County, a database query was used to extract single family parcel records in which the owner's ZIP code differed from the site ZIP code. Although this sample is not identical to the universe of rental houses, it can be stated with high confidence that virtually all of the cases selected are examples of single family homes that are not currently occupied by the owner. For Madison County, the parcel file made it possible to select single-family homes that are not owner-occupied. Again, there are reasons why this sample may not be identical to the universe of rental houses, but the records selected are very likely to be single-family homes that are not owner-occupied.

For each selected record in each county, the market value calculation was used to obtain an estimate of the insurance premium that would be required if the structure were required to obtain coverage up to the market value. It was assumed that all single-family homes have basements⁵.

⁴ Methods note: We were concerned that the housing stock might have changed significantly since the 2000 Census. Moreover, cross-checking against county-level parcel data was not always possible. For instance, the St. Clair County parcel data file does not indicate the number of units in multifamily structures, so there is no way to determine the relative numbers of 2-4 family structures and larger structures. Madison County breaks down multifamily dwellings as follows: 2, 3, 4, 5 and 6-999. This makes it possible to reach a valid comparison for 2-4 family units. The comparison between the parcel file and the Census resulted in an estimate of 1025 2-4 family structures from the parcel file, and 1042 2-4 family structures from the Census. This supports the hypothesis that the housing stock today is broadly similar to that which was in place in 2000.

⁵ Homes without basements can obtain insurance for \$0.05 less per hundred dollars of coverage.

Mandated insurance was calculated using the following rates: \$0.89 per \$100 for the first \$60,000 of coverage and \$0.30 per \$100 for the next \$190,000 of coverage. Included in the insurance costs are Increased Cost of Compliance fees of \$6 as well as Federal Policy Fees of \$35.

Table 7 shows average estimated market value for rental single-family homes in each county, as well as estimated annual insurance costs.

Table 7
Estimated Flood Insurance Rates for Renter-Occupied Single-Family Structures

	St. Clair	Madison
Mean Market Value	\$32,915	\$46,000
Average Annual Insurance Cost	\$326	\$400

Mobile Homes:

Both St. Clair and Madison Counties have codes for mobile homes in their parcel files, so it was possible to select records for analysis for both counties. Table 8 shows estimates for average market value and estimated insurance rates for mobile homes in each county.

Insurance rates for mobile homes are: \$0.78 per \$100 for the first \$60,000, and \$0.38 per \$100 for coverage from \$60,000 to \$250,000. ICC and federal policy fees totaling \$41 are also included in the cost estimates provided in Table 8.

Table 8
Estimated Flood Insurance Rates for Mobile Homes

	St. Clair	Madison
Mean Market Value	\$29,563	\$30,071
Average Annual Insurance Cost	\$266	\$269

Renter Occupied Multi-Family:

The St. Clair County parcel file did not distinguish between 2-4 family structures and 5+ family structures. These designations are necessary for determining insurance rates. The Madison County file allowed for the selection of 2-4 family structures.⁶

⁶ Another complicating factor is that Public Housing Authorities (PHA) are prevalent in the rental market in the affected area in St. Clair County. In the parcel file, 1,196 residential rental structures are owned by PHAs, with only 252 coded as privately owned residential rental. PHA owned properties are not assessed.

Census data provided verification as to whether it would be reasonable to assume that multi-family structures in Madison County are representative of multi-family structures in St. Clair County. The median year of construction for rental structures was 1958 in St. Clair County, and 1962 for Madison County. The median rent was \$442 in Madison County and \$421 in St. Clair County. Thus, although rents are somewhat higher in Madison County, the characteristics of rental structures in the two counties were deemed to be similar enough to conclude that it would not distort estimates to use Madison County parcel data to estimate the value of multi-family structures throughout the AR zone.

The average market value for 2-4 family structures in Madison County is estimated at \$73,905. For structures with five or more units, the average market value was estimated at \$562,466. Since data is unavailable for similar structures in the St. Clair portion of the American Bottom region, we use these estimates for all multi-family residential structures.

Insurance rates for residential rental property with 2-4 units are: \$0.89 per \$100 of coverage up to \$60,000 of coverage, and \$0.30 per \$100 for coverage over \$60,000. Insurance rates for residential rental property with 5+ units are: \$0.95 per \$100 of coverage up to \$60,000 of coverage, and \$0.30 per \$100 for coverage over \$60,000.

For all calculations, Increased Cost of Compliance fees and federal policy fees totaling \$41 have been added.

Applying these rates to the average market values of multi-family structures yields the estimates provided in Table 9 below. Since FEMA regulations require insurance only up to \$250,000 for residential structures, we assumed that no structure would be required to obtain coverage in excess of this amount⁷. Given this assumption, we estimate that structures with 5 or more residential units would pay an average of \$1,387 per year.

Table 9
Estimated Flood Insurance Rates
For Multi-family Residential Structures

	2-4 family structures	5+ family structures
Mean Market Value	\$73,905	\$562,466
Average Annual Mandated Insurance	\$557	\$1,387

Step 3: Reconcile with Census Estimates and Adjust for Structures Without Mortgages:

⁷ This assumption could, potentially, lead to an underestimation of total insurance costs. It is possible that a lender might require a larger property to obtain secondary insurance from a private provider, which would increase costs. Thus, the assumption of a \$250,000 limit will yield a conservative estimate.

To obtain an estimate of total costs that would be required if all rental structures were required to purchase flood insurance, the average rates derived for each occupancy class were multiplied by the Census estimates shown in Table 6.

Not all rental structures will be required to purchase insurance. Only properties which secure a loan from a federally regulated lending institution would be subject to the requirement. Thus, it is necessary to adjust the estimate to account for properties not subject to the NFIP insurance mandate.

We were unable to find any information in housing literature to indicate the percentage of renter-occupied structures that have mortgages. However, the American Housing Survey found that about 60% of owner-occupied structures in the St. Louis area have outstanding mortgages, and that this figure applies fairly consistently throughout the region (see single-family estimates). We therefore adjusted for mortgage status by assuming that 60% of rental structures in the American Bottom region have outstanding mortgages. (For reasons outlined above, 60% is a conservative estimate; the percentage of households affected by insurance requirements may rise over time.)

Table 10 shows total estimated payments for each occupancy class in each county, assuming 60% of structures are subject to a mandatory flood insurance purchase requirement.

Table 10
Total Estimated Insurance Payments Adjusted for Mortgage Status

	Madison	St. Clair	Total
Single Family	\$797,040	\$1,043,330	\$1,840,370
Mobile Home	\$61,171	\$105,496	\$166,666
2-4 Family	\$369,959	\$307,464	\$677,423
5+ Family	\$228,023	\$262,143	\$490,166
Total	\$1,456,193	\$1,718,433	\$3,174,626

To recap, we estimate that mandated flood insurance costs for residential rental property totals just under \$3.2 million per year.

It is worth considering that some of the added cost of insurance will likely be passed along to renters, while some of the cost will be borne by property owners. To the extent that some renters might not be willing or able to pay additional rent, some rental housing owners operating at the margin may withdraw units from the market. This could potentially result in fewer available units, higher rents, and some level of abandonment. Without a detailed econometric analysis of rental housing demand curves, it is impossible to say what combination of rent increases and abandonment of units may occur.

Businesses and Commercial Buildings

We estimate that businesses will face mandated insurance costs of more than \$6.6 million, see Table 11.

Table 11
Summary of Mandated (NFIP) Insurance Costs to Businesses
(AR Designation)

	Estimated Insurance Costs
Total Mandated Insurance	\$6,631,408

In addition, businesses are exposed to significant potential additional insurance costs. While it is unlikely that businesses in the affected area will fully insure themselves using “excess flood insurance” or “business interruption insurance,” we estimate a potential annual insurance premium costs in excess of \$30 million.

Methods and Data

Following is a summary of the steps involved in calculating these estimates.

Step 1: Conduct survey of affected businesses:

Step 1.1 – Develop list of businesses

A list of 7,564 business addresses in the affected zone was compiled using two separate sources (parcel data came from parcel files, and business establishment data from a commercial database). Budgetary considerations precluded sending a questionnaire to all these addresses, so we randomly selected 3,689 addresses. We manually reviewed this list and deleted 402 duplicate records. A total of 3,287 questionnaires were mailed. Three hundred sixty one (361) surveys were returned unopened due to incorrect mail addresses, resulting in a net sample size of 2,926. With 458 responses, this implies a response rate of 15.6%. Table 12 summarizes the data associated with the mailing:

Table 12
Summary of Mailing Data

7,564 records (including potential duplicates)
6,739 records (estimated, after duplicates are removed)
3,689 sampled records
402 duplicates in sample (10.9% duplication rate)
3,287 questionnaires mailed
361 bad addresses
Net mailing: 2,926
Responses: 458
Response rate (responses / net mailing) = 15.6%

Step 1.2 – Develop questionnaire

The questionnaire was developed to generate two critical pieces of data for each business location. First, we wanted to determine whether the business or property owner would be required under FEMA regulations to purchase flood insurance. Second, we asked for the total value of the real property (land and buildings) and the total value of the business personal property (inventory, equipment, etc.).

Some categorization information was requested – the general type of business activity, and the number of employees at that location. Because we were asking for detailed financial information, we were careful to not ask questions that might be used to identify the survey respondents. Such data might have been useful for analysis of the results, but might also have decreased participation in the survey. Surveys were mailed on January 27th.

Step 1.3 – Collect questionnaires

Participants could respond to the survey in one of two ways. The paper questionnaire itself was distributed as a self-mailer with pre-paid postage: participants could simply fold up the survey, tape it shut and put it in the mail. Or, participants could complete the survey on-line – a link to the survey was provided in the cover letter.

In all, as of February 22, we received 458 responses to the survey: 19 were completed on-line, and 439 were received in the mail. Another 27 have been received since February 23rd.

Step 2: Aggregate responses/calculate insurance costs:

Step 2.1: Calculate required insurance burdens for each respondent

Building coverage insurance is required for buildings that have mortgages. “Basic insurance” is required for the first \$175,000 and “additional insurance” for the next \$325,000. In all, FEMA requires insurance for the first \$500,000 of business mortgages.

In addition, FEMA requires that, if a business has a federally insured loan (SBA, USDA, etc.), then it is also required to insure up to \$500,000 of contents (business personal property, such as inventory or equipment).

Rates used for calculations were:

	Basic	Additional
Mortgage	\$0.95/	\$0.30
Contents	\$0.97/	\$0.43

These rates are per \$100 market value of the property. In addition, we added a flat fee \$41 for insurance, which combines a \$35 “federal policy fee” and an “increased cost of compliance” fee of \$6.

2.2: Aggregating to the entire affected area

To estimate total mandated insurance costs, we first determined the total amount that would be required from the survey respondents.

We received responses from 458 businesses, out of an estimated 6,739 unique (non-duplicate) records. That comes out to 6.8% of all business owners in the flood zone. Assuming our responses are representative of the total population, we can take the calculated total insurance costs for our sample, divide it by 6.8%, and arrive at an estimate of the total insurance costs for all businesses and property owners in the zone. Table 13 provides total costs for the sample, and estimates for all businesses in the affected areas.

Table 13
Mandated (NFIP) Insurance Costs to Businesses

	Sample	All businesses
Mortgage	\$380,4912	\$5,595,463
Business Property	\$58,507	\$860,401
Total	\$438,999	\$6,455,864

Interruption and Excess Flood Insurance

The foregoing has analyzed anticipated costs associated with the purchase of insurance from the National Flood Insurance Program (NFIP). It should be noted that there are two additional categories of insurance costs that will primarily be borne by the largest industrial and commercial establishments in the flood zone.

Excess flood insurance is insurance purchased from private companies to cover losses that exceed NFIP's \$500,000 coverage limit. For example, if a firm wishes to insure \$900,000 of property, it will buy \$500,000 in coverage from NFIP, and an additional \$400,000 in excess insurance.

Interruption insurance protects firms against risks associated with interruptions of business operations due to natural disasters or other events. For example, if a factory produces \$100 million in annual sales, the owner of that factory may wish to purchase insurance coverage in the amount of one year's output to guard against catastrophic loss.

Not all businesses that will purchase insurance will purchase the full amount of excess flood insurance or interruption insurance. If they were to insure at least half of their annual sales, however, we estimate annual insurance premiums in excess of \$32 million.

Methods and Data

Insurance agents consulted in the preparation of this report indicated that the premium charged for \$100 of coverage would be about the same for excess flood insurance and interruption insurance. The reason is that the probability of an occurrence that causes damage in excess of \$500,000 would be about the same as the probability of an occurrence that interrupts business operations. For this reason, it is logical to consider the two types of coverage together, and to assume similar insurance rates.

In general, it is reasonable to expect that coverage required for interruption of operations will greatly exceed excess insurance coverage. For example, parcel records for an industrial facility in St. Clair County were compared with sales revenue data from a commercial database. The business database indicated that the facility produced between \$150 million and \$200 million in annual sales. The parcel records for St. Clair County indicated that the same facility was comprised of several parcels that had a total assessed valuation of about \$4 million. Since assessed value is a third of estimated market value, the value of these parcels can be estimated at about \$12 million, an order of magnitude smaller than the annual sales produced by the facility. Thus, if the managers of this facility chose to purchase interruption insurance coverage to cover a potential loss of one year of operation, the amount of coverage would be more than ten times greater than the excess flood insurance coverage.

The insurance industry professionals consulted in the preparation of this report indicated that excess and interruption insurance is much more expensive than basic insurance available from NFIP. Only a few companies such as Lloyd's of London, Chubb and AIG have traditionally offered this kind of insurance. The agents cautioned that it is very difficult to quote a typical rate. Much depends on the type of business, the amount of deductibles, and the amount of coverage desired. Still, two concrete examples of policies written for firms in floodplains revealed that rates can exceed \$1 per \$100 of coverage for these types of policies.

To arrive at an order-of-magnitude estimate of potential insurance costs borne by large firms in the American Bottom, a commercial database was used to estimate the number of establishments in this region with annual sales revenue in excess of \$10 million. Table 14 summarizes the number of firms by annual revenues:

Table 14
Establishments by Revenue

Annual Sales	Number of Establishments
\$10 - 20 million	55
\$20 - 50 million	44
\$50 - 100 million	9
\$100 - 500 million	9
\$500 million - 1 billion	1

To estimate the amount of coverage that would be required to insure against loss of one year of sales, the midpoint of the values in the "annual sales" column was multiplied by the number of establishments. To insure that the largest firm was not significantly different from the midpoint, the record for that firm was extracted from the business database; it turned out that its annual sales were slightly greater than \$750 million. By this method, the total amount of sales generated by these firms was estimated at nearly \$6.5 billion.

For a variety of reasons, the firms involved may not insure against loss of this entire amount. First, some firms may choose to forego interruption insurance entirely. Second, some firms may not insure the entire year's worth of sales revenue. To account for differences in coverage amounts, we took half of one year of revenue for the largest firms. Using the \$1 premium per \$100 of coverage ratio described above resulted in an estimate of annual insurance premium costs of approximately \$32.5 million.

References

FDIC regulations pertaining to mandatory flood insurance may be found at 12CFR339.

http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=837488b45f759e2ac95efa689dbccaf3&tpl=/ecfrbrowse/Title12/12cfr339_main_02.tpl

National Flood Insurance Program, Flood Insurance Manual. Revised October, 2009.

<http://www.fema.gov/business/nfip/manual200910.shtm>

U.S. Bureau of Census, Census of Population and Housing, Summary File 3, 2000.

http://factfinder.census.gov/servlet/DTGeoSearchByListServlet?ds_name=DEC_2000_SF3_U&lang=en&ts=281532206017

U.S. Department of Housing and Urban Development and U.S. Census Bureau, Current Housing Reports, Series H170/04-59, American Housing Survey for the St. Louis Metropolitan Area, 2004.

<http://www.census.gov/prod/2005pubs/h170-04-59.pdf>

Parcel databases were obtained from Madison, Monroe and St. Clair Counties.



Memo to: Board of Directors

From: Les Sterman

Subject: Authorize Cost-Share Payments to USACE for Projects in the Wood River Drainage and Levee District for Gravity Drain Reconstruction

Date: April 19, 2010

The USACE has requested local cost-share to match federal funding from the American Recovery and Reinvestment Act to reconstruct gravity drains in the Wood River Drainage and Levee District. This work is necessary to meet requirements for levee certification (100-year flood). The cost-share would be provided in accordance with the existing Project Partnership Agreement between the USACE and the WRDL. The total request is \$1,615,384.62, which will match \$3,000,000 in Federal funds. A copy of the USACE request is attached.

This funding is required in order for the USACE to maintain its work schedule and to spend ARRA funds by the deadline. Funds for this purpose are included in the Council's current budget.

If approved by the Board, the Council will request funding from the FPD sales tax fund in each county in the following amounts:

St. Clair County (49.13%): \$793,638.46
Madison County (46.32%): \$748,246.16
Monroe County (4.55%): \$73,500.00

Note that these individual county shares have been adjusted to reflect proportional shares of actual sales tax receipts for the 2009 calendar year. Previously, shares were estimated based on projected receipts for 2008.

Recommendation: Authorize the Chief Supervisor to invoice the counties for a total of \$1,615,384.62, 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.



DEPARTMENT OF THE ARMY
ST. LOUIS DISTRICT, CORPS OF ENGINEERS
1222 SPRUCE STREET
ST. LOUIS, MISSOURI 63103-2833

REPLY TO
ATTENTION OF:

MAR 12 2010

Planning, Programs, and Project Management Division
Planning and Project Development Branch

Mr. James Page
Wood River Drainage and Levee District
543 West Madison Avenue
Wood River, Illinois 62095

Dear Mr. Page:

We are currently scheduled to award the Phase 2 Gravity Drain reconstruction contract on 16 May 2010. The planned funding for this ARRA package was \$3,000,000. The corresponding non-Federal matching funding amount is \$1,615,384.62.

The approved ARRA package amounts are estimates; for projects in general, the planned package amounts have been high in some cases and low in others compared to the actual amount needed for contract award and associated engineering during construction and construction management. It should be noted that while individual ARRA package amounts may vary, the ARRA total for each project is subject to its overall approved amount for the project – currently \$15,313,000 in the case of Wood River.

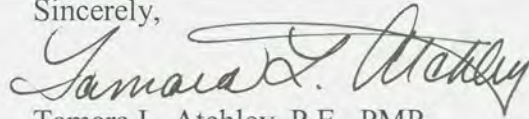
In order to ensure adequate funding is in place to award the Phase 2 gravity drain work, please provide local sponsor matching funds of \$1,615,384.62. Please note that the St. Louis District has received only \$1,000,000 of the \$1,200,000 requested by letter on 10 January and approved at the Flood Prevention Council meeting held on 20 January 2010.

Per the Project Partnership Agreement, I am writing to request \$2,815,384.62 (\$1,625,384.62 plus \$1,200,000). Please provide the requested funds **no later than 1 May 2010**. Please contact myself or Luke Miers (314-331-8560) in order that the transaction information can be set up.

For your planning purposes, please note additional ARRA funding requirements presented on Enclosure 1. Additional funding request letters for these future needs will be sent at a later date.

If you have any questions, please contact me at (314) 331-8044 or e-mail
Tamara.L.Atchley@usace.army.mil.

Sincerely,

A handwritten signature in black ink that reads "Tamara L. Atchley". The signature is written in a cursive style with a large, sweeping initial "T".

Tamara L. Atchley, P.E., PMP
Project Manager
Wood River Levee System
Reconstruction Project

Enclosure

CF: Southwestern Illinois Flood Prevention Council
ATTN: Mr. Les Sterman, Chief Supervisor of Construction
104 United Drive
Collinsville, IL 62234

Joe Parente, Madison County Government (electronic copy)

Project Name	Work Description	Planned Federal Allocation (\$000)	Revised Federal Allocation (\$000)	Req'd Sponsor Match Based on Revised (\$000)	Cumulative Required/Requested Sponsor Match (\$000)	Cumulative Sponsor Match Received to Date (\$000)	Add'l Sponsor Funds Req'd	Date Sponsor Funding Required
ARRA Packages								
WOOD RIVER LEVEE, IL	Construct additional relief wells to reduce the risk of failure of the Wood River levee in Madison County, Illinois.	2,436	2,339	1,260	1,260	1,312	0	Received
WOOD RIVER LEVEE, IL	Complete phase 1 gravity drain repairs.	1,545	1,520	818	2,078	2,179	0	Received
WOOD RIVER LEVEE, IL	Construct relief wells and/or berms to reduce the risk of failure of the Wood River levee in Madison County, Illinois.	3,485	3,974	2140, 2200 requested	4,379	3,179	1200 based on January request	Past due
WOOD RIVER LEVEE, IL	Complete phase 2 gravity drain repairs.	3,000	3,000	1,615	5,994	0	1,615	1-May-10
WOOD RIVER LEVEE, IL	Complete phase 1 construction and rehabilitation of pump stations in the Wood River Levee District in Madison County, Illinois.	2,123	2,123	1,143	7,137		1,143	1-Jun-10
WOOD RIVER LEVEE, IL	Complete phase 1 construction on closure structures located within the Wood River Levee District in Madison County, Illinois.	2,724	2,357	1209, 1108 based on anticipated funds provided/requested for previous contracts	8,245		1,108	1-Jul-10
	TOTAL ARRA	15,313	15,313	8,245				



Memo to: Board of Directors

From: Les Sterman

Subject: Authorization for the Chief Supervisor to Execute a Contract with Dorgan-McPike Assoc., Ltd. for Legislative Advocacy Services

Date: April 19, 2010

For the last two years, the firm of Dorgan-McPike has been providing advocacy services to the county Flood Prevention Districts for matters before the Illinois General Assembly. The firm was instrumental in assembling support for the passage of the original enabling legislation that authorized the FPD sales tax and related actions to implement the area's efforts to restore the levee systems. The firm is currently assisting to secure the passage of SB 2520, which will allow the Metro-East Sanitary District to annex areas that are currently protected by the levee system maintained by the District. The firm is also working with us on support for SB 2556, which will address the problems caused by the Governor's Executive Order on Floodplain Management.

Prior to the formation of the FPDs, St. Clair and Madison counties agreed to pay for the services of Dorgan-McPike for two years. The firm worked as a subcontractor to Husch Blackwell Sanders. The cost of the contract was \$36,000 a year. Now that the original contract is concluded, it is appropriate for the Council to engage Dorgan-McPike for the coming year. We are proposing to pay the same rate as for the previous two year contract.

Recommendation: Authorize the Chief Supervisor to execute a contract with Dorgan-McPike Assoc., Ltd to represent the Council before the Illinois General Assembly and executive branch on matters affecting financing and reconstruction of the levee systems for one year at a cost of \$36,000.