

AGENDA

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING

May 19, 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 April 21, 2010
3. Program Status Report and Budget Update
Les Sterman, Chief Supervisor
4. Draft Project Financing Strategy
Kevin Hoecker, Vice-President, Scott Balice Strategies; Roy Torkelson, ButcherMark Financial Advisors
5. Authorize Cost-Share Payments to USACE for Projects in the Wood River Drainage and Levee District for Gravity Drain Reconstruction
6. Proposed Process for Selection of Design Consultant(s)
7. Report from the U.S. Army Corps of Engineers
8. Other Business
9. EXECUTIVE SESSION
10. Adjournment

Next Meeting: June 16, 2010

MINUTES

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING

April 21, 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, April 21, 2010.

Members in Attendance

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

Members Absent

Ron Motil, Madison 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 Wittenauer, Monroe County Board Chair
Les Sterman, 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
Laurie Farmer, U.S. Army Corps of Engineers
Joseph Kellett, U.S. Army Corps of Engineers
Maggie Hales, East-West Gateway Council of Governments
Lance Huntley, East-West Gateway Council of Governments
D.J. Wilson, East-West Gateway Council of Governments
Kathy Andria, American Bottom Conservancy
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

Darryl Elbe, Hoelscher Engineering
Walter Greathouse, Metro-East Sanitary District
Mark Harms, SCI Inc.
Julie Hauser, Hauser Group
Kelly Hayes, Horner & Shifrin, Inc.
Terry Hillig, St. Louis Post-Dispatch
Ken Hinterlong, Federal Emergency Management Agency
Gary Hoelscher, Hoelscher Engineering
Mike Huber, KdG
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
Edie Koch, Illinois Department of Economic Opportunity
Laurie Kypers, Federal Emergency Management Agency
Jule Levin, Prairie DuPont Levee District
Mike Lundy, SW Illinois Development Authority
Terry Marlo, Terra Drill, Inc.
Steve McCaskie, Hanson Engineers
Hal McCloud, Vertex Chemical
Marsia Murphy, Kaskaskia Engineering Group
Todd Oetting, Afton Chemical
Jon Omgig, AMEC
Alan Ortvals, Southern Illinois Business Journal
Lisa Peck, Madison County Community Development
John Reinfort, Jacobs Engineering
Bob Shipley, Metro-East Sanitary District
Dale Smith, Geotechnology, Inc.
Bill Stahlman, Tri-City Regional Port District
Mike Sullivan, Prairie DuPont Levee District
Mark Tade, Leadership Council Southwestern Illinois
Roy Torkelson, ButcherMark Financial Advisors
Chuck Unger, The Bank of Edwardsville
Suzanne Vermeer, Federal Emergency Management Agency
Rich Wilburn, Oates Assoc.
Dennis Wilmsmeyer, Tri-City Regional Port District
Mary Beth Wilson, Tetrattech

Call to order

President Jim Pennekamp called the meeting to order.

Approval of minutes of February 17, 2010

Motion was made by Tom Long, seconded by Paul Bergkoetter, to approve the minutes of the January 17, 2010 meeting. Motion approved, all voting aye.

Program Status Report and Budget Update

Les Sterman reported that a lot has happened during the last couple of months. He described short term goals of developing a project plan, implementation plan and financing strategy. At the same time as pursuing our goal of improving flood protection, we are trying to secure regulatory relief for some of the severe economic impacts from levee system deaccreditation. Mr. Sterman described progress in seeking design proposals and conceptual designs and cost estimates. The process has been handicapped by the slow speed of data forthcoming from the Corps of Engineers.

The Corps is doing some construction in the Wood River area and is nearing completion on the MESD levee Limited Reevaluation Report. A value engineering workshop was held recently with apparently good results.

The levee certification inspection is ongoing, although also hampered by lack of timely data from the Corps. This should not impair the overall completion schedule for the inspection, however.

Good progress is also being made on the financing strategy. A good meeting with all stakeholders was held yesterday to discuss a myriad of issues related to financing, which I believe was helpful to all.

We are also going down a path to secure federal funding. We were asked by Congressman Costello's office to submit appropriation requests. Our requests were consistent with the Corps' capacity to spend, which is related to their progress in the project development process for each project.

On the legislative front, we have been very active. We have been working with Congressman Costello on HR 3415. Many of the provisions of this bill have been rolled into a comprehensive flood insurance reform bill, HR 5114, which would provide relief from mandatory flood insurance.

At the state level, we have focused on two bills. The first would modify the terms of the Governor's Executive Order on Floodplain Management, which in some ways is more restrictive than federal law. The bill has passed the Senate and is now in the House. We have held a number of meetings with state agencies and the Governor's office and we seem to be closing in on a good bill that all will support. The second bill would provide the Metro East Sanitary District with the authority to annex areas that are now protected by the levee system but do not pay any taxes to support the activities of the District. The prospects for this bill seem good as well.

On the legal front, Mr. Sterman reported that we still have not received a response from FEMA on our FOIA request and we are contemplating our next steps. He reiterated his opinion that the deaccreditation decision made by FEMA was without factual basis, but it remains to be seen if that claim can be sustained legally. Our preference is simply to start the clock over again and

give us another couple of years to better understand the problem using real data on the condition of the levees and to provide FEMA with the necessary information to accredit the levee systems.

Mr. Sterman indicated that he had provided a lot of correspondence in the meeting packet relating to exchanges between FEMA, the Corps and Congressman Costello and Senator Durbin. He noted some misleading or incorrect statements made in those letters and felt compelled to respond.

Finally, Mr. Sterman noted the absence of Chris Wilson from the Corps and indicated that he had left the agency about a week ago. Joe Kellett was here in his place today and has indicated that Mr. Wilson position would be filled as soon as possible.

Mike Sullivan of the Prairie DuPont levee district asked whether the levee district could be involved in the selection process for design consultants and Mr. Sterman responded affirmatively.

Mr. Sterman provided a budget update to the Board. He summarized the revenues and expenditures to-date. He indicated that we can function out of our cash flow for the near future, but are planning on a bond issue sometime this fall.

Presentation on Levee Accreditation and Flood Insurance Matters

Mr. Pennekamp introduced Ken Hinterlong from the Federal Emergency Management Agency and noted that there had been an exchange of letters regarding our expectations of his presentation.

Mr. Hinterlong introduced his staff members who were present, including Suzanne Vermeer. He assured the group that FEMA was listening to the concerns of the area. He knows that we are anxious to address the accreditation decision that was made in 2007 and he specifically wanted to talk about four issues related to that decision. Among the issues is the overview of the information that the Corps delivered to FEMA regarding the condition of the levee systems, how this information was communicated to the levee districts and others and whether there was opportunity to respond to that information. A third concern is the response to the FOIA request and the final concern is if there is anything that can be done to reverse the course of the process to initiate the mandatory flood insurance requirement.

On the FOIA response, the material should be delivered in the next week. There are almost 3,000 pages to be provided and this is both a regional and national level response.

Mr. Hinterlong noted the data sharing agreement between the Council and the Corps, and that is something that FEMA would consider as well.

Mr. Hinterlong said that FEMA staff was somewhat dumbfounded by our focus on what FEMA knew and when FEMA knew it. He indicated that FEMA found out the information from the Corps at the same time that we did. He noted that the official communication with the levee districts on October 5, 2007 was the principal communication with local officials. The Corps indicated that there was information in their files that suggested that the levees could not be

certified. This process was initiated by a request from FEMA to the Corps and was similar to processes conducted around the country. FEMA received the first notice of problems from the Corps on July 17, 2007 and received a briefing from the Corps about a week before the public release of that information. Today, parties on all sides of the discussion are gathered here and we all have a better understanding of how the levees will perform. Col. O'Hara's letter of March 15, 2010 indicates that the Corps stands behind their findings.

FEMA continues to move forward with the mapping process as required by statute. The review period for the preliminary maps ran from July through October of last year, and FEMA received a significant number of comments. FEMA is currently slated to answer the appeals and comments on June 1, 2010. FEMA remains committed as a partner to collaboration with local officials.

Letters of final determination will be issued on November 1, 2010, which sets a six month window for adoption of final maps. That sets the clock for May 2011 as the adoption date. The agency will continue to seek comment on these maps. Any data submitted by the Council will be considered at any time, but to have any effect this information must be submitted within two months of the letter of final determination. If FEMA receives information indicating compliance with 44 CFR 65.10 the agency will take steps to revise the maps. Otherwise they will go into effect as issued.

Mr. Hinterlong talked about the importance of flood insurance and the affect of the AR zone classification on insurance rates.

He then asked Joe Kellett from the Corps of Engineers to add his comments. Mr. Kellett noted the thorough briefing provided by Col. O'Hara at the last meeting and suggested that our area is on the cutting edge relative to the relationship between the Corps and FEMA. He described the Corps' goal to assure the safety of the public. Going back to 2007, Mr. Sterman was correct in suggesting that the Corps did not produce any formal report relating to the condition of the levees. He described the question that FEMA addressed to the Corps, namely, if there is anything that the Corps knew that may prevent the levees from protecting against a 100-year flood. He said that the Corps had published reports for each levee district that indicated that each of those levees had problems related to the urban design flood, a 500-year flood. However, in reviewing those reports, the Corps came to the conclusion that there is something that they knew of that *may* prevent the levees from protecting from a 100-year flood. Since that time additional information has been collected that supports those conclusions.

Mr. Kellett asked Mr. Sterman if he agreed with that assessment. Mr. Sterman indicated that the assessment made by the Corps, unlike virtually every other decision made by the agency, was not checked or vetted by anyone, either inside the Corps or with an outside agency. And the question asked by FEMA was an ambiguous question that left the Corps with little choice but to answer the question as they did. This is a billion dollar question for our area, and it was answered without any review by checking a box in a chart. All we were shown in 2007 was a Powerpoint® presentation without any analysis or data. The Corps, in its response to our FOIA request provided 94 documents, none of which included any data or analysis. The question here is whether there was due process on such a critically important decision. Mr. Sterman

questioned Mr. Hinterlong's representation that this was a national process and everyone was treated the same. If that was the case, how come the levee districts in Missouri were asked for certification information, but in Illinois you requested that information exclusively from the Corps? When we met with FEMA staff at East-West Gateway in May 2009, you were present along with Doug Bellomo, head of FEMA's mapping program and we specifically asked if we could provide you with certification information and Mr. Bellomo indicated that you don't want it since you already had everything you needed from the Corps and this decision is done. Mr. Sterman said that this whole process is full of inconsistencies and misinformation. Mr. Fugate, FEMA's director, said in his letter to Senator Durbin that the agency had repeatedly asked the levee districts and others for information but that it was not provided; that statement is simply wrong.

Joe Kellett responded that the information was there for the urban design flood and the Corps did their best to interpret that information to answer FEMA's question. Discussion ensued between Mr. Sterman, Mr. Hinterlong and Mr. Kellett on the comparison of Corps standards and FEMA criteria and the inability of the Corps or FEMA to provide any analysis at all relative to the ability of the levee systems to meet either test back in 2007. Mr. Hinterlong indicated that the response from FEMA to our FOIA request will not include any such data. Mr. Sterman asked why FEMA didn't ask for this information from the levee districts back in 2005 or 2006 or 2007? Mr. Hinterlong went on to say that information collected subsequently and provided to the Council supported the Corps' decision. Mr. Hinterlong asked why we are intent on picking apart the 2007 decision? Mr. Sterman responded that we have taxed ourselves based on a decision that your agency made in 2007. We are entitled to know if that was a legitimate decision.

Mr. Sterman said that we hoped that FEMA understands our position and why we will continue to pursue it, while at the same time working with you to move forward. We will be fully cooperative but need to protect our interests.

Alan Dunstan said that the most important thing is that we need information from you to understand why you made this decision and we have a problem with that. He remarked that he was stunned about the way this decision was made. He asked who made the decision that excluded floodfighting from the certification process. Mr. Hinterlong responded that federal regulations specifically prohibited floodfighting from being considered as part of certification. Mr. Dunstan made note of a proposal that the Corps had made for a temporary "water berm" during a flood event to address a problem in the Wood River levee and why that was not considered floodfighting. He asked why we couldn't have a "flood plan" – not floodfighting. Mr. Kellett explained the difference between the proactive approaches that qualify as an operating plan and reactive approaches such as dealing with sand boils that would be defined as floodfighting.

Mr. Dunstan said that he was not opposed to people having flood insurance, but the federal government could take \$50 million a year in what amounts to a tax increase on our area and yet they don't have their share of the costs for fixing the levees. He suggested that FEMA was executing a money grab to replenish the flood insurance fund. He questioned Mr. Kellett about

why costs have gone up and Mr. Kellett noted that new data showed that the problems were worse than previously thought.

Mr. Kern asked why the process was different in Missouri and Illinois. Mr. Hinterlong responded that he was not aware that there was a difference in the process. He said that FEMA sought out the Corps for information on the Missouri levees. Mr. Kern and Mr. Sterman strongly disputed that statement. Mr. Sterman said that we were aware of letters sent to the Missouri levee districts asking for information about the height of the levees and other data that would be necessary for accreditation.

Mr. Pennekamp noted that this issue comes down to time and money and the local folks are the only ones who have come up with money and who are seeking solutions. We locally are doing everything right to make the levee systems safer. Yet the federal government has said there is no money to help us and there is the added burden of mandatory flood insurance that will cost this area as much as five times the money that we have to actually fix levees. From a common sense point of view, is there anything that we can do together to give us some relief, at least on the timing issue? We are asking for relief that will allow us the time to do what we need to do to address the problem. He described the importance of the federal legislation that has been introduced to give us more time to fix the problem. He asked where FEMA and the Corps will come down on this issue of providing more time. Mr. Hinterlong said that he did not have any specific hope about any resolution on the timing issue. He said that the PAL could not be offered since FEMA now has specific knowledge of a deficiency. Mr. Kellett similarly noted that the Corps could not offer any relief that they were not specifically authorized to do. Mr. Pennekamp then asked where the agencies would stand on the Costello legislation.

Mr. Hinterlong addressed the cost of flood insurance and ways to reduce the potential cost of flood insurance. He said that we couldn't have faith in any cost estimate of flood insurance costs at this time. Mr. Kern asked why FEMA hadn't provided the information on market studies about the potential income from flood insurance. Mr. Hinterlong said that no such studies exist. Mr. Kern pointed out that David Schein from FEMA had already indicated that there were indeed market studies done by FEMA of the potential receipts from mandatory flood insurance in our area and that Mr. Schein committed to providing a copy to Mr. Kern.

Mr. Kern asked about the origins of the "no floodfighting" rules. Mr. Hinterlong responded that in no place in the country was floodfighting allowed in considering accreditation. Mr. Kellett again discussed the difference between an operating plan and floodfighting and how internally they tried to push as much as possible into operating plans. He said that it was not realistic to "just turn on the pumps and walk away" during a flood event.

Dan Maher pointed out that it could be a hundred years if we allowed the federal government to fix this problem. In the meantime this area will pay billions of dollars in insurance premiums, despite the historically low risk. He asked if it was not possible for some of the premiums to be rebated back to the community to actually fix the levees. Mr. Hinterlong responded that levee problems were progressive in nature so we can't assume that the risk is low. He said that Mr. Maher's idea is potentially a good one but he did not have the authority to respond to it.

Mr. Wittenauer noted that this must seem like a good area to extract money from but none of this money would actually be used to make the levee system safer. This action will devastate the area and the income from this area will no longer be available. The goal of FEMA should not simply be to communicate risk but to eradicate it. Mr. Hinterlong argued that FEMA did not make decisions based on replenishing the flood insurance fund.

Alvin Parks asked again about the source of the 2007 deaccreditation decision. Mr. Kellett responded that the Corps checked off a box on the National Levee Database based on their opinion of existing data on individual levees. Mr. Parks noted that people will leave this region because of the cost of flood insurance and there will be many others who simply cannot afford to relocate and cannot afford flood insurance. Is it fair that all the responsibility is on the locals? Mr. Hinterlong responded that neither FEMA nor the Corps has the legislative authorization to address the problem described by Mr. Parks. Mr. Kellett said that the Corps is acting with a sense of urgency but they can only do what they are specifically authorized to do by law. He acknowledged the frustration of the area with this situation.

Mr. Pennekamp thanked Mr. Hinterlong and Mr. Kellett for their presentation and invited them to come back and meet with us anytime.

Update on Levee Certification Inspection

Mr. Pennekamp asked Jon Omvig of AMEC Earth & Environmental to make a report.

Mr. Omvig noted that the contract for the inspection was signed at the beginning of February, around a month behind the original schedule. Data collection is about 70% complete. All data is being put into a GIS system. The field inspection of the levees themselves is complete. Inspections of pump stations and other facilities are not yet complete.

Mr. Omvig provided a brief update on all other elements of the inspection project. The project is due to be completed in July.

Report on Flood Insurance Costs

Mr. Pennekamp asked Maggie Hales of East-West Gateway to report. East-West Gateway is under contract with the Council to provide an aggregate estimate of mandatory and otherwise required flood insurance in the event that the area is shown as a special flood hazard area on new flood insurance rate maps. If the levees are deaccredited, property now classified in an X zone will be classified as AR or AE, both of which are special flood hazard areas. Any property that secures a loan from a federally regulated lending institution must carry flood insurance. Such mandatory insurance will amount to about \$18 million annually in premiums to homeowners and businesses. There is another category of insurance for businesses called excess insurance, because it insures for additional amounts not covered by federal flood insurance. In addition, many businesses will purchase business interruption insurance. The total of all insurance premiums for all three categories of insurance is about \$50 million annually, which is a conservative estimate. Ms. Hales explained the methodology behind the estimates, including an analysis of statistical data, property information from the counties and a survey of businesses. She also explained some of the assumptions behind the analysis. Ms. Hales indicated that the assumptions were conservative and the products of East-West Gateway's work were reliably

predictive estimates in each category of insurance. She noted that the full report is posted on East-West Gateway's website.

Mr. Pennekamp thanked Ms. Hales for the support of East-West Gateway.

Status of Financial Planning Activities

Mr. Pennekamp recognized Kevin Hoecker of Scott Balice Strategies and Roy Torkelson of ButcheMark Financial Advisors for a brief report. Mr. Hoecker recapped the results of the meeting yesterday on financial strategies. He indicated that he would provide a recommendation to the Council at the next meeting of a specific strategy to issue bonds and raise money for construction of the project. At this point, he said it was likely that approximately \$153 million could be raised by issuing debt for the project. He talked about the various parties that might issue bonds and some of the recent advantages provided by the federal economic stimulus program. Regardless of the choice of issuing parties, it will be important that all proceeds be turned over to the Council to effectively manage the project. Ultimately, the decisions about who will be the issuer of bonds and the specific approach will come down to how to raise money most efficiently, i.e. to produce the most money for construction.

Authorize Cost-Share Payment to the USACE for Project in the Wood River Drainage and Levee District for Gravity Drain Reconstruction

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 WRDLD. The total request is \$1,615,384.62, which will match \$3,000,000 in Federal funds.

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

Mr. Sterman noted that the 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.

Motion by Mr. Parks, second by Mr. Long to approve the cost-share payment to the Corps of Engineers in the total amount of \$1,615,384.62 to construct gravity drains in the Wood River Drainage and levee district, with the cost to be divided among the three counties in accordance with Council policy.

The motion was approved, all voting aye.

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.

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.

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Motion by Mr. Parks, second by Mr. Maher to 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.

Motion approved, all voting aye.

There being no other business Mr. Pennekamp asked for a motion to adjourn the meeting. Motion by Mr. Bergkoetter, second by Mr. Maher to adjourn the meeting. Motion approved, all voting aye.

Respectfully submitted

John Conrad,
Secretary/Treasurer, Board of Directors



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

Over the last month considerable progress has been made in four principal areas: developing a financing plan, securing a conceptual design and cost estimate, completing the certification inspection and meeting our legislative and regulatory goals to reduce short-term economic hardship during the period when the project is under construction and accreditation is sought. Specific progress in the last month is described below:

Design

Responses 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. Individual consultation sessions were held with each design team in the last few weeks as well as a meeting with the Corps of Engineers project managers. Proposal development continues to be somewhat hampered by the timely provision of data from the Corps, 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 carefully and interviews with each of the teams scheduled for the first or second week of June. I anticipate a consultant selection will be considered at the June Board meeting.

The Corps of Engineers completed a draft Limited Reevaluation Report for the MESD levee system. The draft is currently being circulated for review. The Council and MESD have been asked to submit comments and suggestions. The Corps will then initiate the independent external peer review, which is required by federal statute. I do not anticipate that the LRR will ultimately be the blueprint for the project that we will build since, among other things, it describes a project that is considerably more expensive than we can afford. However, it establishes the basis for future federal funding.

Underseepage analysis is ongoing for the Prairie DuPont and Fish Lake levee systems.

Additional issues have arisen in the Corps of Engineers design for the Wood River project. In an area on the south flank of the lower Wood River Levee where a small number of relief wells were anticipated and scheduled to be built with ARRA funds, underseepage analysis has determined that a much larger number of wells will be required. Since there isn't sufficient capacity to handle the potential discharge from a large number of wells, the

project cannot be accomplished within the deadlines required with ARRA funds. The Corps is currently reviewing this design and looking for alternatives.

Inspection

The levee certification inspection being conducted by a team led by AMEC Earth & Environmental has been underway for several months. The inspection is on schedule, although progress in some areas has been limited by lack of sufficient data. Because the Corps has focused principally on the issue of underseepage, data and modeling related to a number of other subjects that are an integral part of certification, such as slope stability, through seepage, and internal drainage, are not available. For those subject areas, the inspection team is relying on a combination of field inspection and past performance to determine potential problem areas and “fatal flaws.” For these areas particularly, final certification will require additional analysis. The inspection is on schedule for completion by July.

Financing

The Council’s advisors have been developing the financial capacity analysis, developing recommendations on borrowing structure, and making preparations for future bond issues. Efforts have focused on optimizing the proceeds from any borrowing. A financial planning “summit” was 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. The “summit” was a wide ranging discussion of potential financing structures. A preliminary recommendation from the financial advisory team will be made at the May Board meeting.

Legislation

The Council has advocated for legislation to limit the temporary, but severe, economic consequences of levee deaccreditation including mandatory high cost flood insurance and constraints 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. Many of the principal provisions of HR 3415 were incorporated into a flood insurance reform bill, HR 5114, put forward by Congresswoman Maxine Waters, chair of the House Financial Services Committee Subcommittee on Housing and Community. The bill passed the subcommittee and will be considered by the full committee where it has been endorsed by the Committee Chairman, Congressman Barney Frank. HR 5114 provides for a five year moratorium on mandatory flood insurance. Unlike HR 3415, however, it does not prevent the issuance of new flood insurance rate maps. Prospects in the Senate are less uncertain.

At the state level, efforts have focused on mitigating the unintended impacts of a Governor’s 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. The bill passed the General Assembly and has gone to the Governor for signature.

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 also passed the General Assembly and has gone to Governor Quinn for signature.

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 week, FEMA finally responded to the Council's FOIA request submitted last year. While we and our attorneys are currently reviewing the documents, there does not appear to be any data, analysis or studies that would support the decision on deaccreditation. Rather, FEMA states that they relied on the Corps of Engineers for that information. The response to a similar request from the Corps last year also did not yield any data, analysis, or studies to support FEMA's findings or the Corps' opinion.

None of the information now made available by FEMA or the Corps in any way diminishes my opinion that the decision-making process by FEMA in 2007 was unsupported by conclusive or documented findings. Further, none of the FEMA documents reviewed thus far suggest any request for certification information from the levee districts or any local government, either before or after the 2007 decision, despite the agency's representation to Sen. Durbin that they had made repeated requests for the information. Worse yet, last year FEMA denied our request to provide information to the agency, insisting that they already had the necessary information provided by the Corps of Engineers.

My continuing belief is that the clock on the deaccreditation process should be restarted, because this critical decision was evidently not based on any documented information or due process.

Construction

The Corps is continuing construction activities on the Wood River levees, primarily using economic stimulus monies.

Outreach

I am continuing to meet with communities and civic groups as requested and responding to many requests for information.

In summary, the project is advancing steadily toward meeting our key goals to achieve certification and accreditation of all the area levee systems at a cost we can afford and in a reasonable and predictable time period.

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

| | Budget Period October 2009 - September 2010 | | | Cumulative Totals | | |
|----------------------------------|---|-------------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| | Approved Budget | October 1, 2009 thru April 30, 2010 | Balance Remaining | Approved Budget | Inception thru April 30, 2010 | Balance Remaining |
| <u>Budget Summary</u> | | | | | | |
| Resources | | | | | | |
| Flood Prevention Tax | \$37,007,652 | \$4,185,942 | \$32,821,710 | \$40,753,673 | \$7,617,650 | \$33,136,023 |
| 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 | \$4,262,692 | \$144,024,960 | \$152,168,673 | \$7,761,571 | \$144,407,102 |
| Expenditures | | | | | | |
| Program Costs | \$35,490,889 | \$4,148,129 | \$31,342,760 | \$39,211,779 | \$7,599,088 | \$31,612,691 |
| General and Administrative Costs | \$228,345 | \$114,563 | \$113,782 | \$287,042 | \$162,483 | \$124,559 |
| Contingency | \$1,368,417 | \$0 | \$1,368,417 | \$1,469,852 | \$0 | \$1,469,852 |
| Total Expenditures | \$37,087,652 | \$4,262,692 | \$32,824,960 | \$40,968,673 | \$7,761,571 | \$33,207,102 |
| 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)
 April 30, 2010

| | Budget Period October 2009 - September 2010 | | | Cumulative Totals | | |
|---|---|-------------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| | Approved Budget | October 1, 2009 thru April 30, 2010 | Balance Remaining | Approved Budget | Inception thru April 30, 2010 | Balance Remaining |
| RECEIPTS | | | | | | |
| <i>Flood Prevention Occupation Tax Proceeds</i> | | | | | | |
| St. Clair | \$18,503,826 | \$2,078,411 | \$16,425,415 | \$20,376,836 | \$3,794,264 | \$16,582,572 |
| Madison | 17,023,520 | 1,930,888 | 15,092,632 | 18,746,690 | 3,509,474 | 15,237,216 |
| Monroe | 1,480,306 | 176,643 | 1,303,663 | 1,630,147 | 313,912 | 1,316,235 |
| Subtotal Tax Proceeds | <u>\$37,007,652</u> | <u>\$4,185,942</u> | <u>\$32,821,710</u> | <u>\$40,753,673</u> | <u>\$7,617,650</u> | <u>\$33,136,023</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>\$4,262,692</u> | <u>\$144,024,960</u> | <u>\$152,168,673</u> | <u>\$7,761,571</u> | <u>\$144,407,102</u> |
| EXPENDITURES | | | | | | |
| <i>Program Costs</i> | | | | | | |
| Financial Advisor | \$60,000 | \$40,035 | \$19,965 | \$80,000 | \$40,035 | \$39,965 |
| Legal Consulting | 20,000 | 82,021 | -62,021 | 35,000 | 88,596 | -53,596 |
| Engineering Design | 75,000 | 59,041 | 15,959 | 125,000 | 114,041 | 10,959 |
| East-West Gateway (2) | 50,000 | 11,980 | 38,020 | 75,000 | 23,082 | 51,918 |
| 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 | 3,815,385 | 3,119,615 | 8,245,000 | 7,164,000 | 1,081,000 |
| MESD (3) | 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>\$4,148,129</u> | <u>\$31,342,760</u> | <u>\$39,211,779</u> | <u>\$7,599,088</u> | <u>\$31,612,691</u> |

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

| | Budget Period October 2009 - September 2010 | | | Cumulative Totals | | |
|--|---|--|----------------------------|----------------------------|----------------------------------|----------------------------|
| | Approved Budget | October 1, 2009 thru April 30, 2010 | Balance Remaining | Approved Budget | Inception thru April 30, 2010 | Balance Remaining |
| General and Administrative Costs | | | | | | |
| Salaries, benefits | \$169,044 | \$98,642 | \$70,402 | \$202,523 | \$130,789 | \$71,734 |
| Advertising | 630 | 0 | 630 | 840 | 0 | 840 |
| Bank service charges | 600 | 179 | 421 | 700 | 355 | 345 |
| Conference registration | 500 | 0 | 500 | 700 | 0 | 700 |
| Equipment and software | 1,000 | 619 | 381 | 8,000 | 8,791 | -791 |
| Fiscal agency services (EWG) | 11,367 | 4,387 | 6,980 | 15,638 | 7,300 | 8,338 |
| 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 | 234 | -54 | 215 | 355 | -141 |
| Printing/photocopies | 400 | 1,087 | -687 | 1,000 | 2,301 | -1,301 |
| Professional services | 24,000 | 1,800 | 22,200 | 27,000 | 1,800 | 25,200 |
| Publications/subscriptions | 200 | 126 | 74 | 400 | 126 | 274 |
| Supplies | 250 | 738 | -488 | 633 | 941 | -308 |
| Telecommunications/internet | 2,660 | 1,951 | 709 | 3,624 | 3,000 | 624 |
| Travel | 12,464 | 4,200 | 8,264 | 15,210 | 5,594 | 9,616 |
| 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>\$114,563</u> | <u>\$113,782</u> | <u>\$287,042</u> | <u>\$162,483</u> | <u>\$124,559</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>\$4,262,692</u> | <u>\$32,824,960</u> | <u>\$40,968,673</u> | <u>\$7,761,571</u> | <u>\$33,207,102</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 @ 04/01/2010 \$ 53,614.67

Cash Receipts

| | | Date Rec'd | Amount |
|----------------------|--------|-------------------|---------------|
| Madison County FPD | Inv 19 | 04/09/10 | 15,370.11 |
| Madison County | Inv 20 | 04/09/10 | 6,173.51 |
| Madison County FPD | Inv 21 | 04/16/10 | 9,301.91 |
| St. Clair County FPD | Inv 19 | 04/19/10 | 16,706.64 |
| St. Clair County | Inv 20 | 04/19/10 | 6,710.33 |
| Madison County | Inv 22 | 04/23/10 | 46.13 |
| Monroe County FPD | Inv 21 | 04/29/10 | 808.86 |
| Monroe County | Inv 22 | 04/29/10 | 4.01 |

Total Receipts \$ 55,121.50

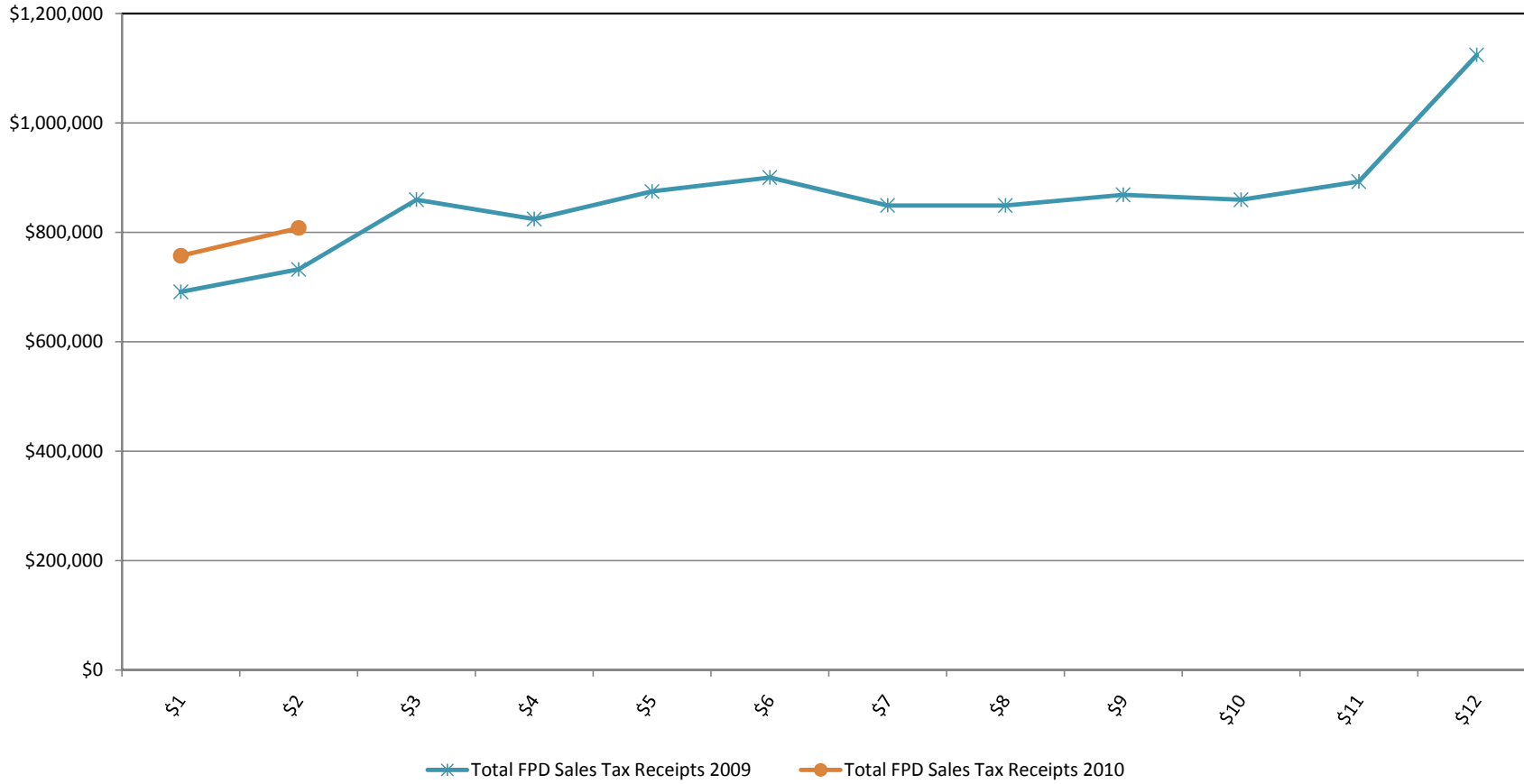
Disbursements

| Paid To | Purpose | Date Paid | Amount |
|------------------------------------|------------------------|------------------|---------------|
| Sprague & Urban, Attorneys at Law | Prof. Fees-Legal | 04/20/2010 | 825.00 |
| East West Gateway Council of Govts | Inv 9-Adm | 04/20/2010 | 21,102.44 |
| East West Gateway Council of Govts | Inv 8-Adm, Inv 1-2 FIR | 04/27/2010 | 17,742.03 |
| Husch Blackwell Sanders, LLP | Legal Fees | 04/27/2010 | 38,935.59 |
| Bank of Edwardsville | Bank Service Fees | 04/30/2010 | 16.04 |

Total Disbursements \$ 78,621.10

Ending Bank Balance @ 04/30/2010 \$ 30,115.07

FPD Sales Tax Trends Actual Receipts 2009-2010





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 Pump Station and Closure Structure Reconstruction

Date: May 10, 2010

The USACE has requested local cost-share to match federal funding from the American Recovery and Reinvestment Act to reconstruct pump stations and closure structures 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 \$2,251,460.61, which will match \$4,183,141.13 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.

Below is a summary of funding commitments made by previous and proposed Board action to the Wood River Levee District. Additional ARRA funding in the amount of about \$1,900,530 remains to be committed which would require an additional cost-share from the Council of \$1,023,362.

Table 1
Funding Commitments to the Wood River Levee Project

| Date | Local | Federal | | Total |
|--------|-------------|--------------|-------------|--------------|
| | | ARRA | Approp | |
| Aug-09 | \$1,886,692 | \$1,311,692 | \$575,000 | \$3,773,384 |
| Sep-09 | \$1,461,923 | \$831,923 | \$630,000 | \$2,923,846 |
| Jan-10 | \$2,200,000 | \$4,085,714 | | \$6,285,714 |
| Apr-10 | \$1,615,385 | \$3,000,000 | | \$4,615,385 |
| May-10 | \$2,251,461 | \$4,183,141 | | \$6,434,602 |
| Total | \$9,415,461 | \$13,412,470 | \$1,205,000 | \$24,032,931 |

The principal reason that ARRA funds remain uncommitted is the recent r that underseepage analysis shows the need for a large number of additional relief wells along the southern flank levee of the lower reach of the Wood River levee. Current analysis shows the need for 96 relief

wells in this area, which compares to the 6 wells that were previously planned. As a result, there is insufficient pumping and storage capacity for the potential discharge from the large number of wells. The Corps is currently analyzing the situation to determine how best to spend the additional ARRA funds. I have requested that they only spend funds toward achieving the 100-year level of protection.

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%): \$1,106,142.79

Madison County (46.32%): \$1,042,876.73

Monroe County (4.55%): \$102,441.48

Recommendation: Authorize the Chief Supervisor to invoice the counties for a total of \$2,251,461 -- 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.



Memo to: Board of Directors

From: Les Sterman

Subject: Selection Process for Design Consultant(s)

Date: May 16, 2010

Written proposals/conceptual designs from the three teams selected by the Board are due on May 21. As you know, these proposals are designed to demonstrate the specific design approaches that each team would use to address the problem of achieving certification at the budget that we will likely have available. The teams were also asked to estimate costs associated with the proposed conceptual design. The Council will provide a \$75,000 stipend as compensation for each responsive proposal.

While I previously considered the creation of an expert review panel to help with the consultant selection, I believe that we have sufficient expertise available both in-house and immediately available to support our consultant selection. Accordingly, I am recommending that the selection process consist of the following elements:

1. A written review of each proposal in accordance with the evaluation criteria included in the RFP to be prepared by the Chief Supervisor.
2. The appointment by the Board of Directors of a consultant selection advisory committee that will make a recommendation to the Board. The committee will consist of:
 - a. Minimum three members of the Board of Directors
 - b. The Chief Supervisor
 - c. One representative each from St. Clair, Madison, and Monroe counties
 - d. Three external ex-officio (non-voting) members: David Human (Husch Blackwell Sanders), and Maggie Hales (East-West Gateway Council of Governments)
3. Interviews with each design team to be conducted by the selection advisory committee.
4. Review and comment on the written proposal by major stakeholders including the affected levee districts and others.

The committee will consider the results of the interview, my written review of the proposals, and comments by stakeholders in making a recommendation to the Board of Directors.

If the Board concurs in this recommended process, consultant interviews will be held during the first two weeks of June and a committee recommendation forwarded to the Board of Directors for consideration at the next meeting on June 16.