



AGENDA

**SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL
BOARD OF DIRECTORS MEETING
August 17, 2011 7:30 a.m.**

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

1. Call to Order
Dan Maher, President
2. Approval of Minutes of July 20, 2011
3. Program Status Report and Budget Update
Les Sterman, Chief Supervisor
4. Approval of Disbursements
5. Progress Report on Design/Construction
Jay Martin, Project Manager, AMEC
6. Introduction of COL Chris Hall, Commander St. Louis District, Corps of Engineers and Discussion of Sec. 408 Review Framework
COL Chris Hall, Joe Kellett, USACE
7. Cost-Share Payments to USACE for Projects in the Wood River Drainage and Levee District for Pump Station Repairs and Emergency Gravity Drain Reconstruction
8. Withdrawal of Restoration Zone (AR zone) Application to FEMA
9. FY2012 FPD Council Budget
10. 2011 Annual Report of the FPD Council
11. Selection of Fiscal Agent
12. Election of Officers

13. Other Business

Executive Session (if necessary)

14. Adjournment

Next Meeting: September 21, 2011

MINUTES

SOUTHWESTERN ILLINOIS FLOOD PREVENTION DISTRICT COUNCIL BOARD OF DIRECTORS MEETING

July 20 , 2011

The regular meeting of the Board of Directors was held at the Metro-East Park and Recreation District Office, 104 United Drive, Collinsville, Illinois at 7:30 a.m. on Wednesday July 20, 2011.

Members in Attendance

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

Members Absent

Ronald Polka, Monroe County Flood Prevention District

Others in Attendance

Mark Kern, St. Clair County Board Chair
Alan Dunstan, Madison County Board Chair
Delbert Wittenauer, Monroe County Board Chair
Les Sterman, SW Illinois FPD Council
Kathy Andria, American Bottoms Conservancy
Gary Andruska, U.S. Army Corps of Engineers
Randy Bolle, Prairie DuPont Levee District
Doug Campion, Campion Group
Chuck Critti, Proctor & Gamble
Darryl Elbe, Hoelscher Engineering
Laurie Farmer, U.S. Army Corps of Engineers
Walter Greathouse, Metro-East Sanitary District
Maggie Hales, East-West Gateway Council of Governments
Terry Hillig, St. Louis Post-Dispatch
Gary Hoelscher, Hoelscher Engineering
Mike Huber, KdG Engineering
Kevin Hutchinson, Mayor, City of Columbia
Charlie Juneau, Juneau Assoc.
Joe Kellett, U.S. Army Corps of Engineers
Linda Lehr, Monroe County
Matt Macarney, Sen. Durbin's Office
Jay Martin, AMEC Earth & Environmental
Frank Miles, Tri-City Port District
Jon Omvig, AMEC

Joe Parente, Madison County
Lisa Peck, Madison County Community Development
Randy Pollard, Office of Senator Mark Kirk
Dustin Ramage, Laborers
Cas Sheppard, Sheppard, Morgan & Schwab
Bob Shipley, Metro-East Sanitary District
Dale Stewart, Southwest Illinois Building and Construction Trades
Mike Sullivan, Prairie DuPont Levee District
Steve Tomaszewski, Rep. Shimkus' Office
Gary Toribio, URS
Chuck Unger, The Bank of Edwardsville
Rich Wilburn, Oates Associates

Call to order

President Dan Maher called the meeting to order.

Approval of minutes of June 15, 2011

A motion was made by Jim Pennekamp, second by Tom Long, to approve the minutes of the June 15, 2011 meeting. The motion was approved, all members voting aye.

Program Status Report and Budget Update

Mr. Maher asked Mr. Sterman to provide a status report for the project.

At the June meeting of the Board of Directors I presented a draft of the Project Implementation Plan for your consideration. I have a final version in front of you today that I hope you will consider adopting. It is an important milestone in the project.

AMEC's current work is focused mainly on the process of advancing the design toward the 60% stage of completion later this year and moving forward with the development of submissions to state and federal agencies to receive the required permits for construction.

The financial plan was reworked to align with a "draw schedule" that AMEC developed for the project so that we can fit our financing capability with the construction schedule. The resulting plan shifted the timing of future bond issues and changed the relative balance of bond financing and use of surplus sales tax monies from the counties. The revisions to the plan are reflected in the latest Project Implementation Plan. We are still in balance between our projected revenues and expenses, but it is very close.

Discussions have continued regarding the extent of the process required for the Corps of Engineers to issue a "Section 408" permission that will be required to make alterations to a federal levee. Despite the reassurances that we are hearing from the Corps of Engineers I remain very concerned about the effect of this process on our schedule. I have recently been in contact with colleagues in Sacramento, Dallas, and Louisiana, and what I've taken from those conversations is that our concerns are not unfounded.

At their invitation, I travelled to Washington for a meeting on July 7 for a meeting with our four member (Durbin, Kirk, Costello, Shimkus) congressional delegation to provide a briefing on the

permitting issues and how they would affect the project. The delegation was well-briefed, understood the situation quite well, and agreed to request a meeting with Jo-Ellen Darcy, who is the Assistant Secretary of the Army (Civil Works). That request is still pending. A copy of the briefing materials that I provided to the delegation is attached.

The Corps has still not provided answers to a number of important questions that we have about the permitting process. These questions relate to the timing, submission requirements and approval authorities for permits. It is my understanding that the District office is working to clarify the permitting processes with Division and Headquarters offices.

We are continuing discussions regarding the Corps undertaking a limited portion of the project for which they can access funding over the next few years. The Corps reports that about \$850,000 has been included in the President's budget for MESD for FY2012 beginning on October 1. That amount of federal money would require nearly \$460,000 in local cost-share. It remains to be seen if that investment will be cost-effective for us, since the Corps has to take money off the top for design and the various review process.

There was a hearing in federal court in Benton, Illinois on July 14 for the two sides to present arguments related to FEMA's motion to dismiss our case and our motion for a preliminary injunction to prevent FEMA from issuing new flood insurance rate maps.

FEMA argued that since the mapping process is on hold because of the recent decision to re-examine the "without levee" methodology of mapping areas behind de-accredited levees, the case is moot. In effect, they argued that our levee are currently accredited on the existing maps, there has been no official adoption of new maps, so our lawsuit is not "ripe" for filing. Our attorneys addressed all points raised by FEMA and made a vigorous argument in opposition to the motion to dismiss based primarily on the fact that there is no analysis to support the August, 2007 decision to de-accredit our levee systems, nor did FEMA follow the legally prescribed process to do so. Those failures by FEMA were continuing to cause great economic harm to our area. The judge asked if, given those circumstances, FEMA would then comply with our request to withdraw the preliminary maps and the October, 2007 letter to local governments announcing the de-accreditation decision. FEMA responded that they would not withdraw those documents. The judge indicated that he would make a decision in the next two weeks.

Proposals to serve as the Council's fiscal agent were received from five firms on June 17. I have reviewed these proposals and will make a report later in today's agenda.

Expenditures for the current fiscal year are \$12.9 million. Expenditures are running at the expected pace, except that we probably will use only a small amount of the budgeted construction costs.

Sales tax receipts continue to run behind the rate of increase from last year, but it's too early to tell if that is a trend.

Paul Bergkoetter asked if we were committed to provide cost-share for the Corps projects. Mr. Sterman responded that we are not. The Board must approve any expenditure of Council funds in response to a request by the Corps. We would also need to enter into a project partnership agreement with the Corps before any funding would be provided.

Ron Motil made a motion to accept the progress and budget reports. The motion was seconded by Mr. Parks. Mr. Pennekamp called the roll and the following votes were made on the motion.

Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Motil - Aye
Mr. Parks - Aye
Mr. Maher – Aye
Mr. Pennekamp – Aye

The motion was approved unanimously by the eight members present.

Total disbursements for June 2011 were \$1.8 million. The largest payments were to AMEC Earth & Environmental for pre-construction activities, preliminary design and program management. We also paid Monroe County back for the funding advanced to the project in 2008. We also wrapped up payments to AMEC for the levee system inspection/

Motion made by Mr. Long, second by Mr. Pennekamp to approve the disbursements for June, 2011. At Mr. Maher's request, Mr. Pennekamp called the roll and the following votes were made on the motion:

Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Motil - Aye
Mr. Parks - Aye
Mr. Maher – Aye
Mr. Pennekamp – Aye

The motion was approved unanimously with the eight members present voting aye.

Progress Report on Design and Construction

Mr. Maher called on Jay Martin from AMEC Earth & Environmental to provide an update on the design and construction process. Mr. Martin provided a PowerPoint presentation (copy attached) to illustrate his report.

Mr. Martin discussed the permitting process and the various meetings held with regulatory agencies. He said that the design team was also following up on various suggestions made by the value engineering process. AMEC has also met with the Corps of Engineers to discuss specific design features of the project. Initial thinking is going forward on how the work might be assembled into bid packages for construction.

AMEC is in the field with three teams doing wetlands delineation to comply with the Sec. 404 process.

Mr. Martin described various threats to the schedule as well as the next steps in the design process including extensive discussions with the Corps comparing design solutions developed in the Corps' design process to the features shown in our 30% design.

Mr. Long asked if we have target date for submitting the application for the Section 408 permit. Mr. Sterman responded that neither we nor the Corps has determined what the application and review process will actually look like so we really can't answer that right now. Mr. Sterman suggested that the process should stay within the St. Louis District and there are discussions right now within the Corps on that subject.

Mr. Long asked if we could get in a situation that we actually have to stop work because of delays in getting the 408 permit. Mr. Sterman answered that if we ran into problems like Dallas is right now, we might have to significantly curtail work.

Mr. Maher asked for a motion to accept the progress report on Task Order 4. Mr. Bergkoetter made a motion to accept the report and a second was made by Mr. Parks. The motion was approved unanimously by voice vote.

Project Implementation Plan

Mr. Maher asked Mr. Sterman to describe this item.

Mr. Sterman noted that at the June meeting of the Board of Directors he presented a draft of the Project Implementation Plan for the Board's consideration. He said that since that time he has done some additional work to better align the financial plan and construction schedule, improved some of the graphics in the report and addressed suggestions from several people. Changes in the schedule affected the financial plan, so some of the projected bond sales for the project have been shifted from the schedule that you saw last month. The budget looks a little different from the version from last month because we cleaned up the way that we account for previously expended amounts. We are still in balance and the project is now a \$151 million project going forward from the second quarter of this year. The plan provides for substantial completion of the project in 2014 with 2015 spent in preparing certification documentation and working with FEMA on the accreditation process.

The schedule is a tight one, and delays such as for the permitting process, could result in cost increases for the project. Each year of delay could cost us an additional \$15 million as well as sustained economic damage in the region.

If all goes as planned, and we are cautiously optimistic it will at this point, we can get the project done in five years, which would fulfill one of our goals.

We need to recognize that this *Plan* could change over time. Cost estimates will be refined; financial markets could affect our financial plan; and a variety of events will affect our schedule. Having this *Plan* in place, even recognizing that it may be subject to adjustment from time to time, is an essential ingredient in helping businesses and citizens prepare for the future, to restore

investor confidence in the area, and to assure taxpayers that their money is being spent effectively.

Several members suggested that it is important to have this *Plan* in place so that the public and area businesses will know exactly how this project will move forward.

Mr. Long asked if the report is available on the project website. Mt. Sterman said that it is already posted on the site.

Mr. Pennekamp made a motion to approve the Project Implementation Plan. Mr. Motil seconded the motion. Mr. Pennekamp then called the roll and the following votes were made on the motion.

Mr. Brinkman – Aye
Mr. Bergkoetter - Aye
Mr. Conrad - Aye
Mr. Long – Aye
Mr. Motil - Aye
Mr. Parks - Aye
Mr. Maher – Aye
Mr. Pennekamp – Aye

The motion was approved unanimously with the eight members present voting aye.

Draft FY 2012 Council Budget

Mr. Sterman said that by law, the Council's budget must be adopted by August 31 of each year for the fiscal year beginning October 1. The budget must be submitted to the county boards for approval after which they have 30 days to act on it. A draft has been distributed for your review.

A number of assumptions were necessary to construct a budget for next year, particularly because the beginning of the fiscal year is still several months in the future. The most significant assumptions were made about future rate of expenditures on design and construction.

Key assumptions are:

1. Costs of issuance on the initial bond issue are amortized over the 25 year life of the bonds as required by accounting practice.
2. Construction will start in the second quarter of FY2012 and continue through FY2015.
3. The level of Council staffing does not change in FY2012, and general and administrative costs increase by less than 3% and remain a very small portion of the project expenditures (less than 1%). Staff resources are supplemented however, by the continued use of a project management oversight consultant as well as a contractual arrangement with the Corps of Engineers for a dedicated liaison for the project.
4. In accordance with the bond indenture, all sales tax receipts come to the Trustee and any surpluses after payment of debt service and Council administrative costs will be transferred back to the county FPD funds for use in future project financing. These transfers are shown as expenditures in the budget.
5. The counties were fully reimbursed in FY2011 for their advance funding of the project.

Mr. Sterman said that he anticipates that the Board will simply discuss the budget at this meeting and adopt it at the August meeting so that he will have an opportunity to accommodate your suggestions and amendments.

Mr. Parks asked why the receipts from the flood prevention tax are so much higher this year. Mr. Sterman responded that this was because of the change in how the funds flow. Since the bond issue all tax revenues flow to the Trustee so they show up in our budget. Previously, those funds were held by the counties and only the funds actually expended by us show up in our budget, not the total amount of tax receipts.

Mr. Maher reminded the counties that they too need to approve a budget and do an audit for their respective flood prevention districts.

Evaluation of Proposals for Fiscal Agent

Mr. Maher asked Mr. Sterman to report on this item.

Mr. Sterman said that several months ago, he reported that the Council's arrangement with East-West Gateway to serve as our fiscal agent will no longer work well as we move into later design and construction phases of the project. The workload has already increased to the point where EWG staff has difficulty accommodating our needs within their normal work schedules. The arrangement has been very cost-effective for the Council up to now, but our need for additional assistance means that we must seek a new fiscal agent.

On May 25, 2011 we sent out a request for proposal to private accounting firms and posted the RFP on our website. As is our custom, we focused on firms that have a strong local presence. Proposals were submitted by five firms on Friday, June 17.

LarsonAllen, LLP –
J.W. Boyle & Co.
Diel & Ferguson Financial Group, L.L.C.
CBIZ MHM, L.L.C. – St. Louis
Scheffel & Company, PC

The services to be provided by the fiscal agent will include the following:

- Maintain general ledger, fixed assets ledger, accounts receivable, general journal, and accounts payable.
- Review invoices for services provided to the Council prior to payment to determine compliance with the Council's contracts, agreements and policies.
- Prepare invoices and funding requests to bond Trustee, county treasurers, or other agencies or entities, as authorized by the Council, to pay expenses.
- Receive payments from the bond Trustee, counties or other agencies or entities on Council's behalf and prepare payments of invoices for execution by Council staff or Board members.

- Prepare regular statements of financial activity, including monthly statements showing accrued expenditures, budget comparisons, and disbursements, for Council Board meetings.
- Provide the Council and auditors with information and financial statements required for annual audits.
- Receive and deposit funds in the Council's bank account.
- Assist in developing annual Council budget.
- Provide assistance in developing financial management provisions of Council contracts with consultants and contractors.

In general, the proposals recognized that the Council will require both ongoing routine services and annual services such as assistance in the preparation of the budget or preparation for the annual audit. One proposer also suggested that there would be startup costs as well. Proposed costs to provide the services requested in the Council's RFP ranged from \$16,200 to \$70,760 annually. This wide range of cost estimates results from differing views of the amount of time that would be required to provide necessary services. Based on our current experience, I would estimate that we would require 20-25 hours a month, which would be a blend of staffing types. This estimate could increase over the next couple of years as the Council begins to engage construction contractors and the number and complexity of invoices to review will grow.

Mr. Sterman then summarized each of the proposals for the Board.

In general, the five firms that proposed on the work are qualified, although the larger regional and national firms have more directly related experience in outsourced accounting services. The proposals reflected a wide range of costs, but three seem most cost-effective: JW Boyle, Diel & Forguson, and LarsonAllen. Because the selected firm will have an important and ongoing working relationship with the Council, I think it's important that we have an opportunity to meet the assigned staff and principals and discuss the assignment. I am therefore recommending that we schedule an interview with JW Boyle, Diel & Forguson and LarsonAllen, prior to making a recommendation to the Board at the August meeting.

Mr. Sterman said that he expects that the new fiscal agent would start work at the beginning of our new fiscal year to ease the transition from East-West Gateway.

Motion by Mr. Parks, second by Mr. Bergkoetter to interview JW Boyle, Diel & Forguson, and Larson Allen prior to making a selection of fiscal agent. The motion was approved by unanimously by voice vote.

Other Business

Mr. Long asked if all of the Council's records are backed up somewhere. Mr. Sterman responded that there are a number of backups, including off-site. He noted that this is an important issue and that he is quite careful about having adequate backup of all records.

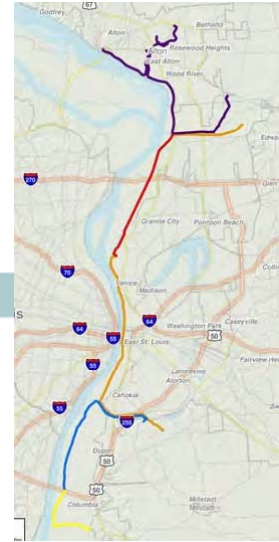
Adjournment

Motion made by Mr. Long, seconded by Mr. Parks to adjourn the meeting. The motion was approved unanimously by voice vote, all voting aye.

Respectfully submitted,

James Pennekamp,
Secretary/Treasurer, Board of Directors

**Progress Report
July 20, 2011
SW IL Levee System
By Jay Martin**



Update on Activities

- Design Activities
- Field Activities
- Permitting
- Risks
- Look Ahead/Overall Schedule

Scope for TO #4



- Natural Resources
- Cultural Resources
- Land Survey
- Continued Underseepage Analysis
- Cut off wall solutions
- Seepage Berms/Clay Caps/Fill Solutions
- Relief Well Solutions (new & rehabilitated)
- General Civil Improvements (pump stations & gravity drains)
- Stakeholder Coordination

3

Design Activities



- Continue to work through VE list within each system
- Met with the USACE on cut-off walls and filter drains
- Supporting the Council on Project Implementation Plan
- Identified preliminary bid packages
- Design brief on filter blankets/drains

4

Field Activities



- RW testing continues
- Wetlands delineation
- SOW for survey support

Permitting



- We have a plan and schedule
- Met twice with the IEPA – 401
- Work plan for cultural
- Coordination with USFWS

Schedule	Jun 2011	Jul 2011	Aug 2011	Sep 2011	Oct 2011	Nov 2011	Dec 2011	Jan 2012	Feb 2012	Mar 2011
Initial Meetings										
Ecological Reconnaissance, Wetland Delineations, and Reporting										
Coordination with USFWS/IDNR										
Pre-application meetings										
Wetland Mitigation Site Selection and Design/Mitigation Plan										
Joint Permit Application Preparation and Submittal*										
USACE review & approval										
IEPA review & approval										
Permitting Complete										

Major Risks



- High water levels
- Weather
- Permits (404, 401, 408)
- Funding

7

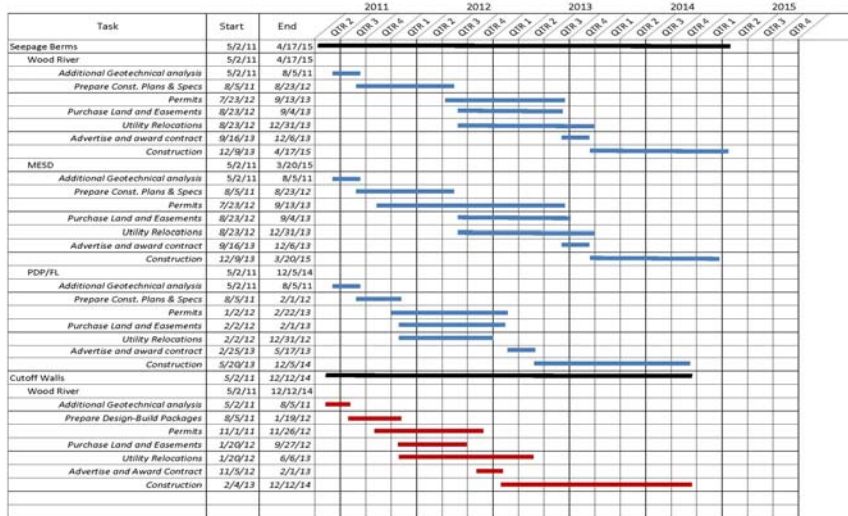
Look Ahead/Schedule



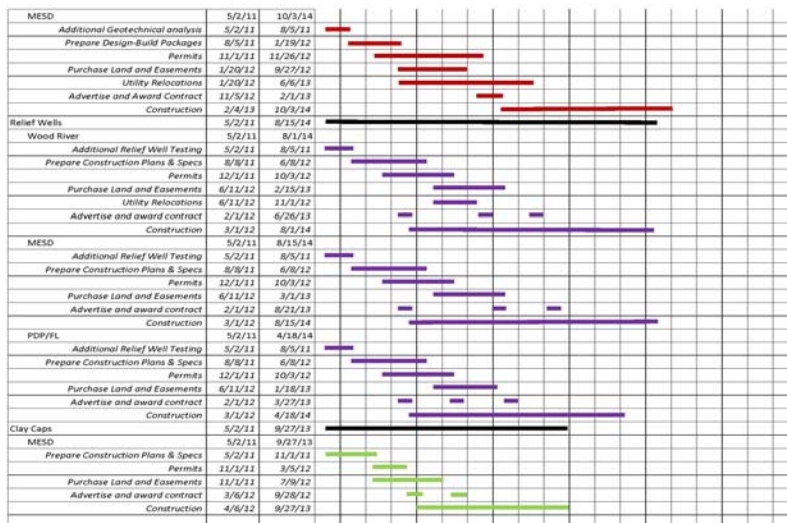
- Will begin screening design against impacts
- NTP on surveying
- USACE meetings for design reviews / comparisons
- Wetlands mitigation design

8

Schedule



Schedule...



Schedule...

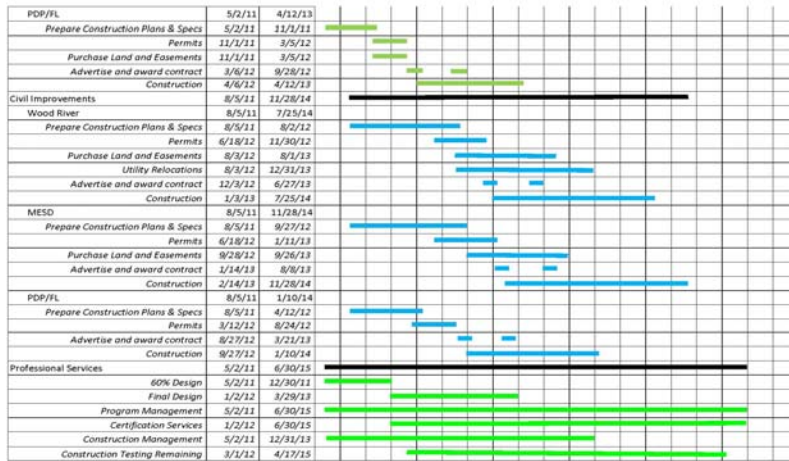


Figure x
Scenario 2 - Draft Project Schedule

Questions?





Memo to: Board of Directors
From: Les Sterman
Subject: Program Status Report for August, 2011
Date: August 15, 2011

Design/Construction

AMEC's current work is focused mainly on the process of advancing the design toward the 60% stage of completion later this year and moving forward with the development of submissions to state and federal agencies to receive the required permits for construction. A number of important meetings took place over the last several weeks with the Corps of Engineers concerning design and regulatory issues. Daylong sessions were held for each of the three levee systems to review and evaluate design proposals and to compare the 30% design for the 100-year level of protection developed by AMEC to the preliminary proposals developed by the Corps of Engineers to achieve the authorized level of flood protection (nominally 500-year). There was general agreement on almost all design features, but discussions will continue regarding the extent and design of cutoff walls and graded filters.

On July 27, the four member congressional delegation met with Assistant Secretary of the Army (Civil Works) Jo Ellen Darcy regarding concerns about the Corps' review process to grant the Sec. 408 permission to make alterations to the levee system. As you know, we have been concerned about the extent of the internal and external review process, much of which we would judge to be unnecessary, costly, redundant and far more than the law requires. Our bipartisan congressional delegation supports our view and effectively presented our concerns to Secretary Darcy. Since that meeting, the Corps has indicated that they believe that the project can be reviewed within the St. Louis District and that the standard of review, i.e. that the project will not be "injurious to the public interest," will be more appropriate to the nature of the project. The Corps provided a letter (attached) suggesting a more expeditious decision-making process and the agency has committed to clarifying the review process further at the August 17 Board meeting. I am cautiously optimistic that the Corps will adopt an approach to the Sec. 408 review that will be consistent with our schedule and goals for the project.

Contacts have continued with the City of Dallas and the various interests representing the Sacramento area concerning our shared experiences. There have been several conference calls to identify common interests and strategies, and I believe that a legislative and regulatory strategy will result from our conversations.

We are continuing discussions regarding the Corps undertaking a limited portion of the project for which they can access funding over the next few years. The Corps reports that about \$850,000 has been included in the President's budget for MESD for FY2012 beginning on October 1. That amount of federal money would require nearly \$460,000 in local cost-share. In the meetings with the Corps described above, one of the objectives was to identify portions of the project that the Corps could undertake as they receive federal appropriations. We must be mindful, however, of the "overhead" involved with a Corps project, e.g. their internal and external review processes. It is possible that small projects may not be cost-effective for us.

On August 10, I was made aware of a request for cost-share in the Wood River area for an emergency gravity drain replacement and pump station repair. This request was made several months ago to the levee district, but the request never reached us. Based on the Corps' records, AMEC believed that this project was already under contract and therefore did not include the work in our plan or construction budget. This is clearly an important project and would be required to achieve accreditation, so I will be requesting that the Board approve the expenditure.

Gray Andruska, our Corps liaison and program manager, is working on a master schedule for the project that integrates both Corps activities and our project. He is also facilitating our continuing communications as we navigate through design and environmental reviews.

Legal

On August 1, the judge in our lawsuit against FEMA dismissed our case. He concluded that because FEMA was already committed to a reassessment of the preliminary flood maps because of pressure from Congress, the objectives of our complaint had already been achieved and that the case was therefore moot. However, FEMA would not agree to withdraw the preliminary maps or their de-accreditation decision. Since FEMA would not therefore, effectively deliver the message that their earlier decisions were no longer operative, the judge delivered a very strong message in his opinion, stating that the levees are accredited and always have been accredited. There was a flurry of media coverage following the announcement of the court's decision, and a number of editorials, mostly highly critical of FEMA.

While the statements of the federal judge certainly supported our position, we know that FEMA will continue the mapping process and will at some point issue new flood insurance rate maps for the area. Unfortunately, we have no idea when that will happen, so the uncertainty for area property owners and businesses remains. And FEMA's actions since 2007 to de-accredit the levee systems will continue to impose economic uncertainty on the area.

Administrative

Proposals to serve as the Council's fiscal agent were received from five firms on June 17. Interviews were conducted with three finalist firms on August 15. A recommendation will be

made at the Board meeting. I anticipate making the transition at the conclusion of the fiscal year on September 30.

Our authorizing legislation requires us to submit a budget and annual report to each county board by August 31 for their approval. A proposed FY2012 budget was presented to the Board in draft form at the July meeting and will be on the agenda for approval at the August meeting. The annual report will also be presented for approval at the August meeting.



Memo to: Board of Directors
From: Les Sterman
Subject: Budget Report through July 31, 2011
Date: August 15, 2011

Attached is the budget report for July 2011. It includes an accounting of revenues and expenditures in the current year and the year ended on September 30, 2010. Accrued expenditures for the current fiscal year are \$13,107,579. Variances from budget amounts include increases in bond issuance costs that were explained in previous month's budget reports, and additional costs for the financial advisor to cover the update to our financial plan. Expenditures are running at the expected pace, except that we will use only a small amount of the budgeted construction costs. Except for pre-construction testing such as soil borings and relief well testing, significant construction activities will likely not begin until the first or second quarter of 2012.

Growth in sales tax receipts has slowed in 2011, but May receipts rebounded to a positive 2.26% year over year growth. For the first five months of 2011 sales tax receipts are up by a little less than 1%. Since our financial plan is based on the expectation of 3% annual growth in sales tax receipts over time, this trend bears watching.

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 July 31, 2011

	Budget Period October 2010 - September 2011			Prior Year		
	Approved Budget	October 1, 2010 thru July 31, 2011	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
<u>Budget Summary</u>						
Resources						
Flood Prevention Tax Proceeds	\$10,510,886	\$4,753,255	\$5,757,631	\$37,007,652	\$7,809,955	\$29,197,697
Bond Proceeds	84,268,762	95,863,994	(11,595,232)	110,000,000	95,863,994	\$14,136,006
Interest Income	335,060	4,558	330,502	1,200,000	2,162	\$1,197,838
Other Contributions	-	-	-	80,000	75,921	\$4,079
Total Resources	<u>\$95,114,708</u>	<u>\$100,621,807</u>	<u>-\$5,507,099</u>	<u>\$148,287,652</u>	<u>\$103,752,032</u>	<u>\$44,535,620</u>
Expenditures						
Design and Construction	\$58,248,265	\$8,205,100	\$50,043,165	\$27,010,000	\$7,166,332	\$19,843,668
Professional Services	286,833	201,399	85,434	130,000	517,466	(387,466)
Bond Issuance Costs	1,152,000	1,359,116	(207,116)	-	-	-
Reimbursement of Advance Funding	3,501,778	3,501,778	-	1,750,890	-	1,750,890
Debt Service	10,718,389	(359,000)	11,077,389	6,600,000	-	6,600,000
General and Administrative Costs	248,355	199,186	49,169	228,345	204,240	24,105
Contingency				1,368,417	-	1,368,417
Total Expenditures	<u>\$74,155,620</u>	<u>\$13,107,579</u>	<u>\$61,048,041</u>	<u>\$37,087,652</u>	<u>\$7,888,038</u>	<u>\$29,199,614</u>

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 July 31, 2011

	Budget Period October 2010 - September 2011			Prior Year		
	Approved Budget	October 1, 2010 thru July 31, 2011	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
Resources						
<i>Flood Prevention Occupation Tax Proceeds</i>						
St. Clair	\$5,130,239	\$2,280,881	\$2,849,358	\$18,503,826	\$3,904,978	\$3,006,516
Madison	4,900,790	\$2,083,380	\$2,817,410	\$17,023,520	3,592,579	\$2,961,994
Monroe	479,857	\$388,994	\$90,863	\$1,480,306	312,398	\$103,435
Subtotal Tax Proceeds	10,510,886	\$4,753,255	\$5,757,631	\$37,007,652	\$7,809,955	\$6,071,944
<i>Bond Proceeds ⁽¹⁾</i>	84,268,762	95,863,994	(11,595,232)	110,000,000	95,863,994	(11,595,232)
<i>Interest Income</i>	335,060	4,558	330,502	1,200,000	2,162	330,281
<i>Other Contributions</i>						
St. Clair		-	-	25,000	37,959	16,525
Madison		-	-	25,000	34,924	19,203
Monroe		-	-	5,000	3,038	7,322
Other				25,000		
Subtotal Other Contributions	-	-	-	80,000	75,921	43,050
Total Resources	\$95,114,708	\$100,621,807	-\$5,507,099	\$148,287,652	\$103,752,032	-\$5,149,957
EXPENDITURES						
Design and Construction						
<i>Flood Prevention District Council Design and Construction Costs</i>						
Engineering Design & Construction Management	\$ 6,598,265	\$ 3,321,554	\$ 3,276,711	\$ 75,000	\$ 535,845	\$ (460,845)
Construction	50,000,000	3,745,982	46,254,018	20,000,000	423,974	19,576,026
<i>Construction and design by US ACE - Federal Cost-Share</i>						
Wood River	600,000	591,231	8,769	6,935,000	6,066,846	868,154
MESD ⁽²⁾	450,000		450,000		-	-
Prairie DuPont/Fish Lake ⁽³⁾	600,000	546,333	53,667	-	139,667	(139,667)
	58,248,265	8,205,100	50,043,165	27,010,000	7,166,332	19,843,668

Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 July 31, 2011

	Budget Period October 2010 - September 2011			Prior Year		
	Approved Budget	October 1, 2010 thru July 31, 2011	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
Professional Services						
Legal & Legislative Consulting	126,000	83,999	42,001	20,000	206,353	(186,353)
Construction Oversight	140,833	81,916	58,917	-	-	-
Impact Analysis/Research ⁽⁴⁾	20,000	-	20,000	50,000	13,616	36,384
Financial Advisor		35,484	(35,484)	60,000	297,497	(237,497)
	<u>286,833</u>	<u>201,399</u>	<u>85,434</u>	<u>130,000</u>	<u>517,466</u>	<u>(387,466)</u>
Bond Issuance Costs						
Underwriter's fees	536,000	642,363	(106,363)			
Underwriter's Counsel	80,000	102,275	(22,275)			
Issuer's Counsel	10,000	8,500	1,500			
Bond Counsel	330,000	330,000	-			
Financial Advisor	105,000	93,735	11,265			
Rating Agencies fees	81,000	85,300	(4,300)			
Trustee fee	5,000	2,141	2,859			
Printing	5,000	1,273	3,727			
Conduit Issuer's fees	-	93,529	(93,529)			
	<u>1,152,000</u>	<u>1,359,116</u>	<u>(207,116)</u>			
Reimbursement of Advance Funding						
St. Clair	1,241,796	1,241,796	-	620,898	-	620,898
Madison	1,999,276	1,999,276	-	999,638	-	999,638
Monroe	260,706	260,706	-	130,354	-	130,354
	<u>3,501,778</u>	<u>3,501,778</u>	<u>-</u>	<u>1,750,890</u>	<u>-</u>	<u>1,750,890</u>
Debt Service						
Supplemental Bond Reserve Fund ⁽⁵⁾	5,731,238	-	5,731,238			-
Principal and Interest	6,267,037	-	6,267,037	6,600,000		6,600,000
Federal Interest Subsidy	(1,279,886)	(359,000)	(920,886)			-
	<u>10,718,389</u>	<u>(359,000)</u>	<u>11,077,389</u>	<u>6,600,000</u>	<u>-</u>	<u>6,600,000</u>
Subtotal	<u>\$73,907,265</u>	<u>\$12,908,393</u>	<u>60,998,872</u>	<u>35,490,890</u>	<u>7,683,798</u>	<u>27,807,092</u>

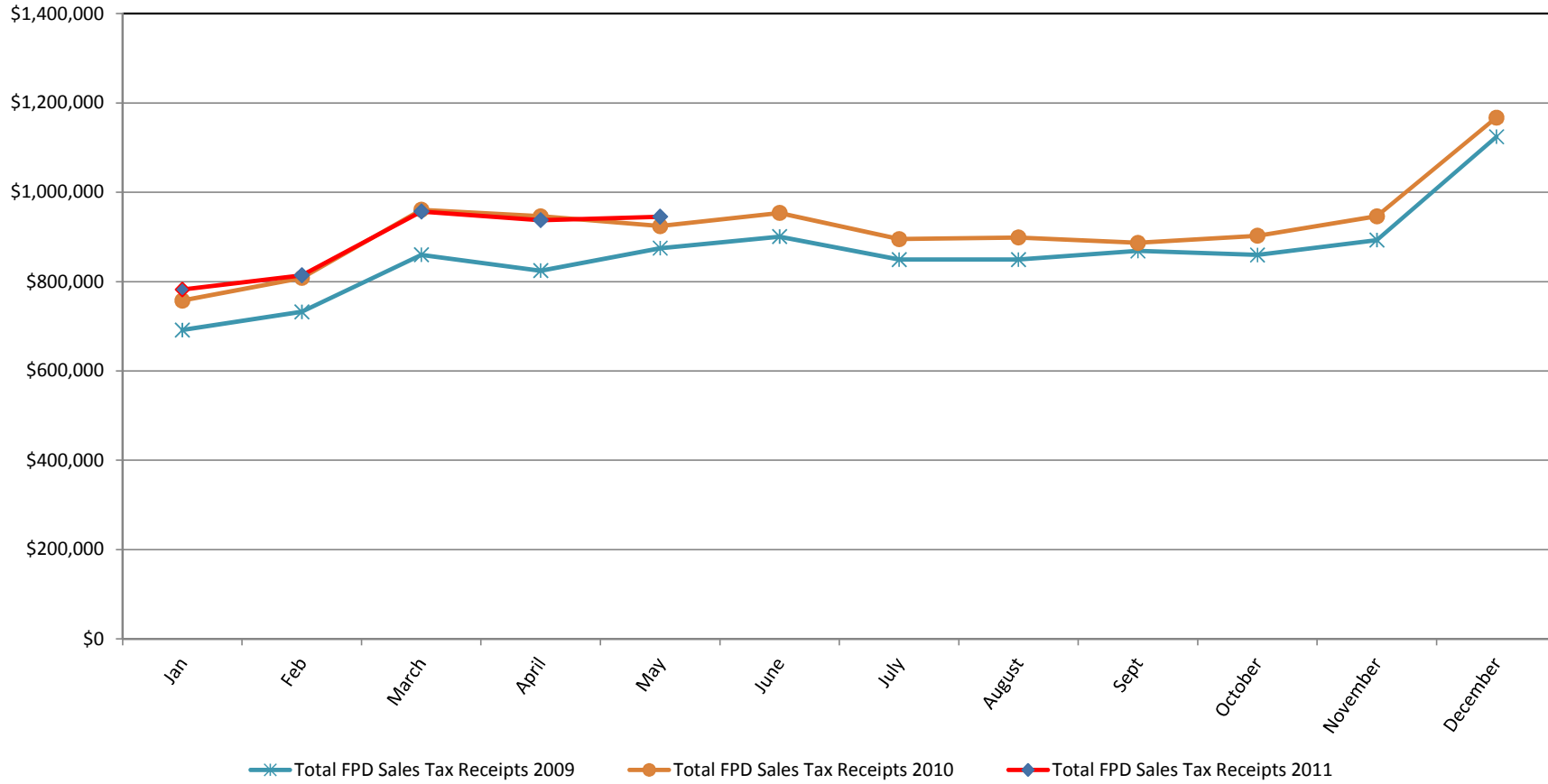
Southwestern Illinois Flood Protection District Council
 Comparison of Budget to Actual (accrual basis)
 July 31, 2011

	Budget Period October 2010 - September 2011			Prior Year		
	Approved Budget	October 1, 2010 thru July 31, 2011	Balance Remaining	Approved Budget	October 1, 2009 thru September 30, 2010	Balance Remaining
General and Administrative Costs						
Salaries, benefits	183,885	145,375	38,510	169,044	175,491	(6,447)
Advertising	2,500	-	2,500	630	-	630
Bank service charges	420	465	(45)	600	357	243
Conference registration	700	-	700	500	-	500
Equipment and software	3,800	5,212	(1,412)	1,000	1,077	(77)
Fiscal agency services (EWG)	16,500	17,689	(1,189)	11,367	8,160	3,207
Furniture	1,000	933	67	1,200	-	1,200
Meeting expenses	400	701	(301)	600	242	358
Miscellaneous startup expenses	-	-	-	250	600	(350)
Office rental	7,200	-	7,200	-	-	-
Postage/delivery	500	210	290	180	307	(127)
Printing/photocopies	1,350	552	798	400	220	180
Professional services	12,500	15,774	(3,274)	24,000	4,725	19,275
Publications/subscriptions	200	-	200	200	139	61
Supplies	1,260	1,058	202	250	1,023	(773)
Telecommunications/internet	3,190	2,551	639	2,660	3,386	(726)
Travel	8,200	7,216	984	12,464	8,113	4,351
Other business expenses	1,750	472	1,278	1,000	400	600
Insurance	3,000	978	2,022	2,000	-	2,000
Subtotal	<u>\$248,355</u>	<u>\$199,186</u>	<u>\$49,169</u>	<u>\$228,345</u>	<u>\$204,240</u>	<u>\$24,105</u>
Contingency				1,368,417.0		1,368,417
Total Expenditures	<u>\$74,155,620</u>	<u>\$13,107,579</u>	<u>\$61,048,041</u>	<u>\$37,087,652</u>	<u>\$7,888,038</u>	<u>\$27,831,197</u>

Notes

- (1) Par value of bonds issued plus premium
- (2) Share to be paid from MESD resources until exhausted
- (3) FY2011 amount to be determined
- (4) Various analysis and research efforts
- (5) Contractually required reserve trust funds held for the benefit of the bond issuer and bondholders

FPD Sales Tax Trends Actual Receipts 2009-2011





Memo to: Board of Directors
From: Les Sterman
Subject: July, 2011 Disbursements
Date: August 15, 2011

Total disbursements for July 2011 were \$653,730. The largest payments were to AMEC Earth & Environmental for pre-construction activities, preliminary design and program management. Payment was also made to the Corps of Engineers under our agreement to provide a staff program manager within the Corps for our project, and to ButcherMark for the update to our financial plan that was a fundamental component of the Project Implementation Plan adopted in July. These costs are paid from funds held in the Construction Account by the bond Trustee. Council administrative costs are paid from the Administration Account held by the Trustee.

Recommendation: Accept disbursement report.

Southwestern Illinois Flood Prevention District Council
Bank Transactions
July 2011

Beginning Bank Balance, July 1: \$ 90,917.22

Receipts:

Customer:	Date		Amount
UMB Bank, Bond Trustee	07/27/2011	Admin account, Req.#6	36,524.00
UMB Bank, Bond Trustee	07/28/2011	Construction account, req #6	549,545.54
The Bank of Edwardsville	07/31/2011	Interest earned	144.35

Total receipts 586,213.89

Disbursements:

<u>Payee:</u>	<u>Date</u>	<u>Check No</u>	<u>Purpose</u>	<u>Amount</u>
Best Buy	07/08/2011	auto w/d	USB mobile internet adapter	87.53
T-Mobile	07/08/2011	auto w/d	prepaid mobile internet access svc	50.00
The Bank of Edwardsville	07/27/2011	auto w/d	wire transfer fees	10.00
The Bank of Edwardsville	07/28/2011	auto w/d	wire transfer fees	10.00
East West Gateway Council of Govts	07/26/2011	1120	contract payment	20,058.85
ButcherMark Financial Advisors LLC	07/26/2011	1121	contract payment	15,960.10
Dorgan, McPike & Assoc.	07/26/2011	1122	contract payment	3,000.00
USACE, FAO St. Louis	07/26/2011	1123	intermittent service agreement	25,000.00
AMEC Earth & Environmental	07/26/2011	1124	contract payment	589,537.36
The Bank of Edwardsville	07/31/2011	auto w/d	bank service fees	16.28

Total disbursements (653,730.12)

Ending Bank Balance, July 31, 2011

\$ 23,400.99



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 Repairs and Emergency Gravity Drain Reconstruction

Date: August 11, 2011

The USACE has requested local cost-share to match federal funding from Federal FY2011 for pump station repairs and emergency reconstruction of a collapsed gravity drain in the Wood River Drainage and Levee District. The cost-share would be provided in accordance with the existing Project Partnership Agreement between the USACE and the WRDLD. The total request is \$727,300, which will match \$2,078,000 in Federal funds. Copies of the USACE requests are attached.

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
Nov-10	\$591,231		\$1,098,000	\$1,689,231
Aug-11	\$727,300		\$2,078,000	\$2,805,300
Total	\$10,733,992	\$13,412,470	\$4,381,000	\$28,527,462

The Corps' proposed expenditures on this project contribute to achieving the 100-year level of protection needed for FEMA accreditation.

If approved by the Board, the Council will pay these costs from the construction fund of the series 2010 bonds.

Recommendation: Authorize the Chief Supervisor to pay the U.S. Army Corps of Engineers \$727,300 to serve as cost-share for pump station repair and emergency gravity drain reconstruction projects in the Wood River Drainage and Levee District.



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

REPLY TO
ATTENTION OF:

Planning, Programs and Project Management Division
Project Management Branch

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

Dear Mr. Page:

In support of the Task Order #3 Pump Station repair project the Saint Louis District of the U.S. ARMY Corps of Engineers has requested and received Federal Funding in the amount of \$368,000. Based on this amount, the corresponding non Federal sponsor share match is \$128,800.00. These funds will be used for support of this effort.

Per the Project Partnership Agreement, I am writing to request \$128,800.00. If payment is made by check, the check should be made payable to "FAO-USAED St. Louis" and should be mailed to the U.S. Army Corps of Engineers, St. Louis District, Attention : CEMVS-PM-N (Kerr), 1222 Spruce Street, St. Louis, Missouri 63103-2833. If another method of payment will be used, please contact me in order that the transaction information can be set up. The requested funds are due in the St. Louis District by 15 August 2011. If paying by check, allow an additional two weeks processing time.

If you have any questions, please contact me at (314) 331-8780 or e-mail Timothy.J.Kerr@usace.army.mil.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Kerr", written over a horizontal line.

Timothy J. Kerr
Project Manager
Wood River Levee System Reconstruction Project

CF: Mr. Les Sterman, Chief Supervisor of Construction and the Works
Mr. Joe Parente, Madison County Government (electronic copy)



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

REPLY TO
ATTENTION OF:

Planning, Programs and Project Management Division
Project Management Branch

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

Dear Mr. Page:

In support of the Grassy Lake Gravity Drain Emergency repair project the Saint Louis District of the U.S. ARMY Corps of Engineers has requested and received Federal Funding in the amount of \$1, 710,000. Based on this amount, the corresponding non Federal sponsor share match is \$598,500.00. These funds will be used for support of this effort.

Per the Project Partnership Agreement, I am writing to request \$598,500.00. If payment is made by check, the check should be made payable to "FAO-USAED St. Louis" and should be mailed to the U.S. Army Corps of Engineers, St. Louis District, Attention : CEMVS-PM-N (Kerr), 1222 Spruce Street, St. Louis, Missouri 63103-2833. If another method of payment will be used, please contact me in order that the transaction information can be set up. The requested funds are due in the St. Louis District by 15 August 2011. If paying by check, allow an additional two weeks processing time.

If you have any questions, please contact me at (314) 331-8780 or e-mail Timothy.J.Kerr@usace.army.mil.

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy J. Kerr", is written over a horizontal line.

Timothy J. Kerr
Project Manager
Wood River Levee System Reconstruction Project

CF: Mr. Les Sterman, Chief Supervisor of Construction and the Works
Mr. Joe Parente, Madison County Government (electronic copy)



Memo to: Board of Directors

From: Les Sterman

Subject: Withdrawal of Application to FEMA for Restoration Zone (Zone AR)
Classification of Areas Protected by Mississippi River Levee System

Date: August 11, 2011

In January 2008, the three counties and 25 communities in the American Bottom submitted an application to the Federal Emergency Management Agency to classify the area protected by the Mississippi River levee system as a restoration zone (zone AR). This was done with the expectation that the levees would be de-accredited as announced by FEMA in an October 2007 notice to the affected communities.

The AR classification is reserved for areas that result from the decertification of a previously accredited flood protection system that is determined to be in the process of being restored to provide base flood protection. FEMA encouraged local officials to submit this application as a strategy to mitigate expected increases in flood insurance rates and to relax certain prescriptive building standards that would otherwise apply in a special flood hazard area.

In order to qualify for AR zone status, the affected communities were required to acknowledge that the area levee system would not provide protection from the base (100-year) flood. Based on information gathered since that time by the Council and its attorneys, we do not believe that FEMA had information necessary to come to that conclusion. Representations made to us by FEMA in 2007 that the de-accreditation decision was supported by “studies” done by the Corps of Engineers have turned out to be misstatements. Further, FEMA communicated the urgency of the situation by suggesting that preliminary maps would be issued by July 2008 and in order to reflect the AR zone designation immediate action by local officials would be necessary. As it turned out, preliminary maps were not issued until July 2009, a year later than planned, and those maps have never been finalized. FEMA is now reassessing its methods for mapping areas behind de-accredited levees and no date has been given when revised preliminary maps will be issued.

In short, local officials agreed to sign statements that acknowledged, incorrectly, the inadequacy of the levee system. These statements were made under the duress created by inaccurate information provided by trusted federal agencies.

In addition, conditions have changed dramatically since 2008. At the same time that our plans have advanced, FEMA has indicated that the preliminary flood insurance rate maps issued in 2009 are no longer operative and it is likely that a new set of preliminary maps will be issued at some future time. The new maps will be subject to the administrative appeal process. Given the delays in the FEMA mapping process and the acceleration of our plans, AR Zone designation may no longer be necessary or desirable.

Since the basic premise and justification for the AR zone application are now absent, and with the passage of time some of the underlying circumstances that led to the area's decision to file the application have changed dramatically, I am recommending that the original application for Restoration Zone be withdrawn by the counties and other applicants. I have consulted with our special counsel and he believes that this is a prudent action.

The Council does not have a role in applying for AR zone designation. However, I believe that the Council should request that the counties and the 25 affected communities withdraw the application and repeal their respective authorizing ordinances. I have attached a draft letter to FEMA from the counties notifying the agency of this action.

Recommendation: The Council should recommend to the county board chairs of St. Clair, Madison and Monroe counties that they take immediate action to withdraw the application made on January 29, 2008 to FEMA for Restoration Zone designation of the American Bottom and that all affected communities repeal any ordinances enacted to support that application.



**Southwestern
Illinois
Flood Prevention
District Council**

104 United Drive
Collinsville, IL 62234

618-343-9120
Fax 618-343-9132

August 17, 2011

Mr. Norbert F. Schwartz, Director
Mitigation Division
Federal Emergency Management Agency
Region V
536 S. Clark – 6th Floor
Chicago, IL 60605

Board of Directors

Dan Maher
President

John Conrad
Vice President

Jim Pennekamp
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 Mr. Schwartz:

On behalf of the Southwestern Illinois Counties of Madison, St. Clair and Monroe and 25 communities and levee districts within those counties, we are hereby withdrawing our application for Restoration Zone (Zone AR) designation originally submitted on January 29, 2008.

The principal reason for this action is that the assertion that area levees will no longer provide base flood protection made in the “community statement” that accompanied the application is simply not supported by any documentation provided by the U.S. Army Corps of Engineers or FEMA. We came to this conclusion after an exhaustive review of documents provided by these agencies in response to several requests made by us under the Freedom of Information Act and by careful review of the Administrative Record provided by FEMA. The lack of documentation to confirm the essential representation made in the community statement regarding the inadequacy of area levee systems was not refuted by FEMA as part of recently concluded legal action by the Council against FEMA.

Further, in the time since the application was filed more than three years ago, the Southwestern Illinois Flood Prevention District Council was formed, and the agency has developed a plan to make significant investments in area levee systems that should erase any lingering doubt that the systems will provide protection from the base flood. We now have adequate financing to make those improvements and expect substantial completion of construction in 2014 and submission of certification documentation in the following year. We will no longer be relying on the Corps of Engineers for making the improvements as described in the original application.

At the same time that our plans have advanced, FEMA has indicated that the preliminary flood insurance rate maps issued in 2009 are no longer operative and it is likely that a new set of preliminary maps will be issued at some future time. The new maps will be subject to the administrative appeal process. Given the delays in the FEMA mapping process and the acceleration of our plans, AR Zone designation may no longer be necessary or desirable.

Since the basic premise and justification for our application are now absent, and with the passage of time some of the underlying circumstances that led to our decision to file the application have changed dramatically, our original application for Restoration Zone status is no longer accurate or relevant and it is hereby withdrawn. We will also advise each of the affected communities of our action and encourage them to do the same.

Please let us know if you concur in this request.

Sincerely,

Mark Kern
County Board Chair
St. Clair County

Alan Dunstan
County Board Chair
Madison County

Delbert Wittenauer
County Board Chair
Monroe County

Les Sterman
Chief Supervisor
SW Illinois Flood Prevention District

cc: COL Christopher Hall, USACE



Memo to: Board of Directors
From: Les Sterman
Subject: Proposed FY 2012 Budget
Date: August 11, 2011

Attached is a proposed FPD Council budget for FY 2012. By law, the Council's budget must be adopted by August 31 of each year for the fiscal year beginning October 1. The budget must be submitted to the county boards for approval after which they have 30 days to act on it.

A number of assumptions were necessary to construct a budget for next year, particularly because the beginning of the fiscal year is still several months in the future. As the financing, planning and design of the project progresses, however, the uncertainties are narrowing and the future is becoming a little more predictable. The most significant assumptions were made about future rate of expenditures on design and construction. While our design consultant has proposed a schedule of future expenditures, there are a number of variables that will affect the pace of the project, such as the approval of necessary permits. In general, expenditures have been estimated more aggressively and revenues more conservatively to account for the risk of advance budgeting.

The contribution of sales tax collections in each county has been adjusted in accordance with the intergovernmental agreement to reflect the proportion of actual collections for the previous year. Those proportions are: St. Clair – 48.1%; Madison – 47.3%; Monroe – 4.6%.

Key assumptions are:

1. Costs of issuance on the initial bond issue are amortized over the 25 year life of the bonds as required by accounting practice.
2. Construction will start in the second quarter of FY2012 and continue through FY2015.
3. The level of Council staffing does not change in FY2012, and general and administrative costs increase by less than 3% and remain a very small portion of the project expenditures (less than 1%). Staff resources are supplemented however, by the continued use of a project management oversight consultant as well as a contractual arrangement with the Corps of Engineers for a dedicated liaison for the project.
4. In accordance with the bond indenture, all sales tax receipts come to the Trustee and any surpluses after payment of debt service and Council administrative costs will be transferred back to the county FPD funds for use in future project financing. These transfers are shown as expenditures in the budget.

Recommendation: Adopt the proposed FY2012 FPD Council Budget and forward to the county board chairs of Madison, St. Clair and Monroe counties for approval by their respective county boards in accordance with 70 ILCS 750/.

A regional partnership to rebuild Mississippi River flood protection

Southwestern Illinois Flood Protection District Council

Proposed Budget

October 1, 2011 - September 30, 2012

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011	Proposed Budget October 1, 2011 thru September 30, 2012
<u>Budget Summary</u>			
Resources:			
Flood Prevention Tax	\$7,809,955	\$8,241,174	\$11,000,000
Bond proceeds	0	94,195,000	\$0
Interest Income	2,162	357,000	\$878,365
Other Contributions	75,921	0	\$0
Total Resources	<u>\$7,888,038</u>	<u>\$102,793,174</u>	<u>\$11,878,365</u>
Expenditures:			
Design and Construction	\$6,206,512	\$10,864,864	\$27,100,000
Professional Services	1,482,626	390,362	400,529
Reimbursement of Advance Funding	0	3,501,778	\$0
Debt Service	0	7,670,553	\$7,107,440
General and Administrative Costs	198,900	251,545	258,235
Transfer of Surplus Bond Fund Moneys to County FPD funds		3,644,245	\$4,197,060
Total Expenditures	<u>\$7,888,038</u>	<u>\$26,323,348</u>	<u>\$39,063,264</u>
Net change	\$0	\$76,469,826	-\$27,184,899
Funds available from prior period	<u>\$0</u>	<u>\$0</u>	<u>\$76,469,826</u>
Net funds available end of period	<u><u>\$0</u></u>	<u><u>\$76,469,826</u></u>	<u><u>\$49,284,927</u></u>

Southwestern Illinois Flood Protection District Council

Proposed Budget

October 1, 2011 - September 30, 2012

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011	Proposed Budget October 1, 2011 thru September 30, 2012
<u>Resources</u>			
<i>Flood Prevention Occupation Tax Proceeds:</i>			
St. Clair	\$3,837,030	3,964,005	5,291,000
Madison	3,617,572	3,898,075	5,203,000
Monroe	355,353	379,094	506,000
Subtotal Tax Proceeds	\$7,809,955	\$8,241,174	\$11,000,000
<i>Bond Proceeds ⁽¹⁾</i>		\$94,195,000	\$0
<i>Interest Income</i>	1,952	357,000	878,365
<i>Other Contributions:</i>			
St. Clair	37,980	0	0
Madison	34,944	0	0
Monroe	3,039	0	0
Subtotal Other Contributions	\$75,963	\$0	
Total Resources	\$7,887,870	\$102,793,174	\$11,878,365
 <u>Expenditures</u>			
Design and Construction			
<i>Flood Prevention District Council Design and Construction Costs</i>			
<i>Engineering Design & Construction</i>			
Management	\$825,397	\$5,000,000	6,000,000
Construction		4,000,000	20,000,000
<i>Construction and design by US ACE - Federal Cost-Share</i>			
Wood River	6,066,846	1,318,531	
MESD ⁽²⁾	0	0	1,100,000
Prairie DuPont/Fish Lake ⁽³⁾	139,667	546,333	
	7,031,910	10,864,864	27,100,000
 Professional Services			
Legal & Legislative Consulting	250,650	126,000	126,000
Construction oversight		140,833	160,000
Impact Analysis/Research ⁽⁴⁾	13,996		1,000
Financial Advisor	177,900	30,000	\$20,000
Bond underwriter/conduit issuer		93,529	\$93,529
	442,546	390,362	400,529

Southwestern Illinois Flood Protection District Council

Proposed Budget

October 1, 2011 - September 30, 2012

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011	Proposed Budget October 1, 2011 thru September 30, 2012
Reimbursement of Advance Funding			
St. Clair	0	1,241,796	0
Madison	0	1,999,276	0
Monroe	0	260,706	0
	0	3,501,778	
Debt Service			
Supplemental Bond Reserve Fund ⁽⁵⁾		6,194,424	0
Principal and Interest		1,835,129	7,107,440
Federal Interest Subsidy		-359,000	-910,140
	0	7,670,553	6,197,300
Subtotal	\$7,474,456	\$22,427,557	\$33,697,829
General and Administrative Costs			
Salaries, benefits	\$175,491	\$183,885	\$189,365
Advertising	0	2,500	2,500
Bank service charges	357	420	420
Conference registration	0	700	700
Equipment and software	1,077	6,000	2,300
Fiscal agency services (EWG)	8,160	18,500	20,000
Furniture	0	1,000	300
Meeting expenses	242	1,000	1,000
Miscellaneous startup expenses	600	0	0
Office rental		0	0
Postage/delivery	307	500	600
Printing/photocopies	220	1,350	2,500
Professional services	4,725	18,000	18,000
Publications/subscriptions	139	200	200
Supplies	1,023	1,350	1,350
Telecommunications/internet	3,386	3,190	3,500
Travel	8,113	8,200	12,500
Other business expenses	400	1,750	0
Insurance	0	3,000	3,000
Subtotal	\$204,240	\$251,545	\$258,235
Total Expenditures	\$7,678,696	\$26,180,881	\$33,956,064

Notes

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

Southwestern Illinois Flood Protection District Council

Proposed Budget

October 1, 2011 - September 30, 2012

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011	Proposed Budget October 1, 2011 thru September 30, 2012
<u>Budget Summary</u>			
Resources:			
Flood Prevention Tax	\$7,809,955	\$8,241,174	\$11,000,000
Bond proceeds	0	94,195,000	\$0
Interest Income	2,162	357,000	\$878,365
Other Contributions	75,921	0	\$0
Total Resources	<u>\$7,888,038</u>	<u>\$102,793,174</u>	<u>\$11,878,365</u>
Expenditures:			
Design and Construction	\$6,206,512	\$10,864,864	\$27,100,000
Professional Services	1,482,626	390,362	400,529
Reimbursement of Advance Funding	0	3,501,778	\$0
Debt Service	0	7,670,553	\$7,107,440
General and Administrative Costs	198,900	251,545	258,235
Transfer of Surplus Bond Fund Moneys to County FPD funds		3,644,245	\$4,197,060
Total Expenditures	<u>\$7,888,038</u>	<u>\$26,323,348</u>	<u>\$39,063,264</u>
Net change	\$0	\$76,469,826	-\$27,184,899
Funds available from prior period	<u>\$0</u>	<u>\$0</u>	<u>\$76,469,826</u>
Net funds available end of period	<u><u>\$0</u></u>	<u><u>\$76,469,826</u></u>	<u><u>\$49,284,927</u></u>

Southwestern Illinois Flood Protection District Council

Proposed Budget

October 1, 2011 - September 30, 2012

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011	Proposed Budget October 1, 2011 thru September 30, 2012
<u>Resources</u>			
<i>Flood Prevention Occupation Tax Proceeds:</i>			
St. Clair	\$3,837,030	3,964,005	5,291,000
Madison	3,617,572	3,898,075	5,203,000
Monroe	355,353	379,094	506,000
Subtotal Tax Proceeds	\$7,809,955	\$8,241,174	\$11,000,000
<i>Bond Proceeds ⁽¹⁾</i>		\$94,195,000	\$0
<i>Interest Income</i>		1,952	357,000
<i>Other Contributions:</i>			
St. Clair	37,980	0	0
Madison	34,944	0	0
Monroe	3,039	0	0
Subtotal Other Contributions	\$75,963	\$0	
Total Resources	\$7,887,870	\$102,793,174	\$11,878,365
<u>Expenditures</u>			
Design and Construction			
<i>Flood Prevention District Council Design and Construction Costs</i>			
<i>Engineering Design & Construction</i>			
Management	\$825,397	\$5,000,000	6,000,000
Construction		4,000,000	20,000,000
<i>Construction and design by US ACE - Federal Cost-Share</i>			
Wood River	6,066,846	1,318,531	
MESD ⁽²⁾	0	0	1,100,000
Prairie DuPont/Fish Lake ⁽³⁾	139,667	546,333	
	7,031,910	10,864,864	27,100,000
Professional Services			
Legal & Legislative Consulting	250,650	126,000	126,000
Construction oversight		140,833	160,000
Impact Analysis/Research ⁽⁴⁾	13,996		1,000
Financial Advisor	177,900	30,000	\$20,000
Bond underwriter/conduit issuer		93,529	\$93,529
	442,546	390,362	400,529

Southwestern Illinois Flood Protection District Council

Proposed Budget

October 1, 2011 - September 30, 2012

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011	Proposed Budget October 1, 2011 thru September 30, 2012
Reimbursement of Advance Funding			
St. Clair	0	1,241,796	0
Madison	0	1,999,276	0
Monroe	0	260,706	0
	0	3,501,778	
Debt Service			
Supplemental Bond Reserve Fund ⁽⁵⁾		6,194,424	0
Principal and Interest		1,835,129	7,107,440
Federal Interest Subsidy		-359,000	-910,140
	0	7,670,553	6,197,300
Subtotal	\$7,474,456	\$22,427,557	\$33,697,829
General and Administrative Costs			
Salaries, benefits	\$175,491	\$183,885	\$189,365
Advertising	0	2,500	2,500
Bank service charges	357	420	420
Conference registration	0	700	700
Equipment and software	1,077	6,000	2,300
Fiscal agency services (EWG)	8,160	18,500	20,000
Furniture	0	1,000	300
Meeting expenses	242	1,000	1,000
Miscellaneous startup expenses	600	0	0
Office rental		0	0
Postage/delivery	307	500	600
Printing/photocopies	220	1,350	2,500
Professional services	4,725	18,000	18,000
Publications/subscriptions	139	200	200
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Notes

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



Memo to: Board of Directors
From: Les Sterman
Subject: Annual Report 2010-2011
Date: August 15, 2011

The authorizing legislation for the Council (70 ILCS 750/40) requires that we submit an annual report to each county board by August 31 of each year detailing the activities of the organization. A report satisfying this obligation is attached.

Recommendation: Adopt the 2010-2011 Annual Report and authorize the Chief Supervisor to submit it to the county boards of St. Clair, Madison and Monroe Counties.

Southwestern Illinois Flood
Prevention District Council

Annual Report 2010-2011



August 17, 2011



**Southwestern
Illinois
Flood Prevention
District Council**

104 United Drive
Collinsville, IL 62234

618-343-9120
Fax 618-343-9132

August 17, 2011

Hon. Mark Kern
County Board Chairman
St. Clair County
10 Public Square
Belleville, IL 62220-1623

Board of Directors

Dan Maher
President

John Conrad
Vice President

Jim Pennekamp
Secretary-Treasurer

Hon. Alan Dunstan
County Board Chairman
Madison County Administration Building
157 N. Main Street, Suite 165
Edwardsville, IL 62025-1963

Dave Baxmeyer
Paul Bergkoetter

Bruce Brinkmann

Thomas Long

Ron Motil

Alvin L. Parks Jr.

Hon. Delbert Wittenauer
Chairman, Monroe County Board of Commissioners
100 South Main Street
Waterloo, IL 62298

Sirs:

Les Serman
Chief Supervisor of
Construction and the Works

Transmitted herewith is the 2011 Annual Report of the Southwestern Illinois Flood Prevention District Council. The submission of this report is in satisfaction of the requirement of our authorizing statute (70 ILCS 750/).

The Council has adopted two primary goals: to assure accreditation by the Federal Emergency Management Agency of area levee systems and to limit any economic damage to the region during the period during which accreditation is being sought. In 2011, the Council made great progress toward both goals. The preliminary design of levee system improvements was finished, the initial round of financing completed and a project implementation plan adopted. The plan is practical and affordable and could result in accreditation by 2015.

While the planning and design was moving forward, the Council and a number of other plaintiffs filed a lawsuit to challenge the validity of the preliminary flood insurance rate maps issued by FEMA. FEMA ultimately put the mapping process on hold nationwide to address complaints from areas like ours and our case was dismissed, but we achieved the desired result. We continue to question FEMA's conclusions about the adequacy of our levee systems, and we will now have more time to make improvements that can assure all concerned that our flood protection system is safe.

a regional partnership to rebuild Mississippi River flood protection

Hon. Mark Kern
Hon. Alan Dunstan
Hon. Delbert Wittenauer
August 17, 2011
Page 2

In summary, I am pleased to report on behalf of our Board of Directors, that it now seems likely that we will be able to design, build and finance a significant improvement to flood protection systems in metro-east. This will be an investment in the future prosperity of your counties and the region.

Thank you for supporting our efforts throughout the year.

Sincerely,

Les Sterman
Chief Supervisor of Construction and the Works

I. Introduction

On August 15, 2007 the Federal Emergency Management Agency announced their intention to “de-accredit” the Mississippi River levee systems protecting a 174 square mile area in three Illinois counties known as the American Bottom. The practical effect of this action would be to cripple the area economically and put an enormous financial burden on businesses and residents in this area. The threat of this action by FEMA prompted a chain of events that is without precedent in the area. The end result is a cooperative regional effort to improve flood protection and secure FEMA accreditation for the levee system protecting the American Bottom from flooding.

The American Bottom is an area of incalculable economic value and historical significance. It is home to some 155,000 residents. Businesses in the area employ upwards of 55,000 people. Some of the nation’s most prestigious companies have major manufacturing facilities having national significance in the area. The region’s leadership recognized that extraordinary measures were necessary to protect this economic asset and the homes and livelihoods of a large portion of the region’s population. A new revenue source was created in 2008 and a regional organization was formed to carry out an ambitious plan to maintain a level of flood protection that has been in place for some 70 years. That plan is now taking shape.

Having a plan in place, even one that may be subject to adjustment from time to time, is an essential ingredient in helping businesses and citizens prepare for the future, to restore investor confidence in the area, and to assure taxpayers that their money is being spent effectively.

The purpose of this report is to outline the activities of the Southwestern Illinois Flood Prevention District Council in 2011 toward planning and implementing flood protection improvements.

II. Background

A system of 74 miles of mainline levees protects an area called the American Bottom in Southwestern Illinois from flooding by the Mississippi River. The American Bottom is an area of 174 square miles that is home to 156,000 people and 55,000 jobs. The levee system was authorized by Congress and designed and built by the U.S. Army Corps of Engineers to provide protection from a 500-year flood event on the Mississippi River. The American Bottom has not been flooded by the Mississippi River in the 70 years since the flood protection system was initially built, including during the flood of record in 1993, a 300-year event.

Mississippi River flood protection consists of five “federal” levees (see Figure 1), i.e. levees designed and built by the federal government and whose owners participate in the Corps of Engineers Public Law 84-99 emergency assistance program. The construction of the following five (5) levees was authorized in federal law:

- **Wood River levee**, operated and maintained by the Wood River Drainage and Levee District. Construction was authorized under Section 4 of the Flood Control Act of 1938, Pub. L. 75-761, with subsequent improvement was authorized under Section 1001(20) of the Water Resources Development Act of 2007, Pub. L. 110-114 (“WRDA 2007”)
- **Chain of Rocks canal, levee, and locks**, operated and maintained by the Corps. Construction was authorized under the River & Harbors Act of 1945, Pub. L. 79-114
- **East St. Louis levee**, operated and maintained by the Metro East Sanitary District. Construction was authorized by the Flood Control Act of 1936, Pub. Law 74-738, as modified by the Flood Control Act of 1965, Pub. L. 89-298, and the Water Resources Development Act of 1976, Pub. L. 94-587. Subsequent improvement was authorized under the Energy and Water Development Appropriations Act of 1988, Pub. L. 100-202
- **Prairie Du Pont levee**, operated and maintained by the Prairie Du Pont Levee and Sanitary District. Construction was authorized under the Federal Flood Control Act of 1936. Subsequent improvement was authorized under Section 102(8) of the Water Resources Development Act of 2000, Pub. L. 106-541 (“WRDA 2000”) and Section 5070 of the WRDA 2007
- **Fish Lake levee**, operated and maintained by the Fish Lake Drainage and Levee District. Construction was authorized by the Flood Control Act of 1954. Subsequent improvement was authorized under Section 102(8) of WRDA 2000 and Section 5070 of WRDA 2007

The Metro-East Sanitary District (formerly the East Side Levee and Sanitary District, originally formed in 1910) is authorized by the Metro-East Sanitary District Act of 1974, 70 ILCS 2905/. The Wood River and Fish Lake districts were authorized by the Illinois Drainage Code, 70 ILCS 605/. The Prairie DuPont district was authorized by the Sanitary District Act of 1907, 70 ILCS 2205/. The levee districts own and have primary responsibility for maintaining the levee systems (with the exception of the Chain of Rocks levee, which is owned and maintained by the Corps of Engineers).

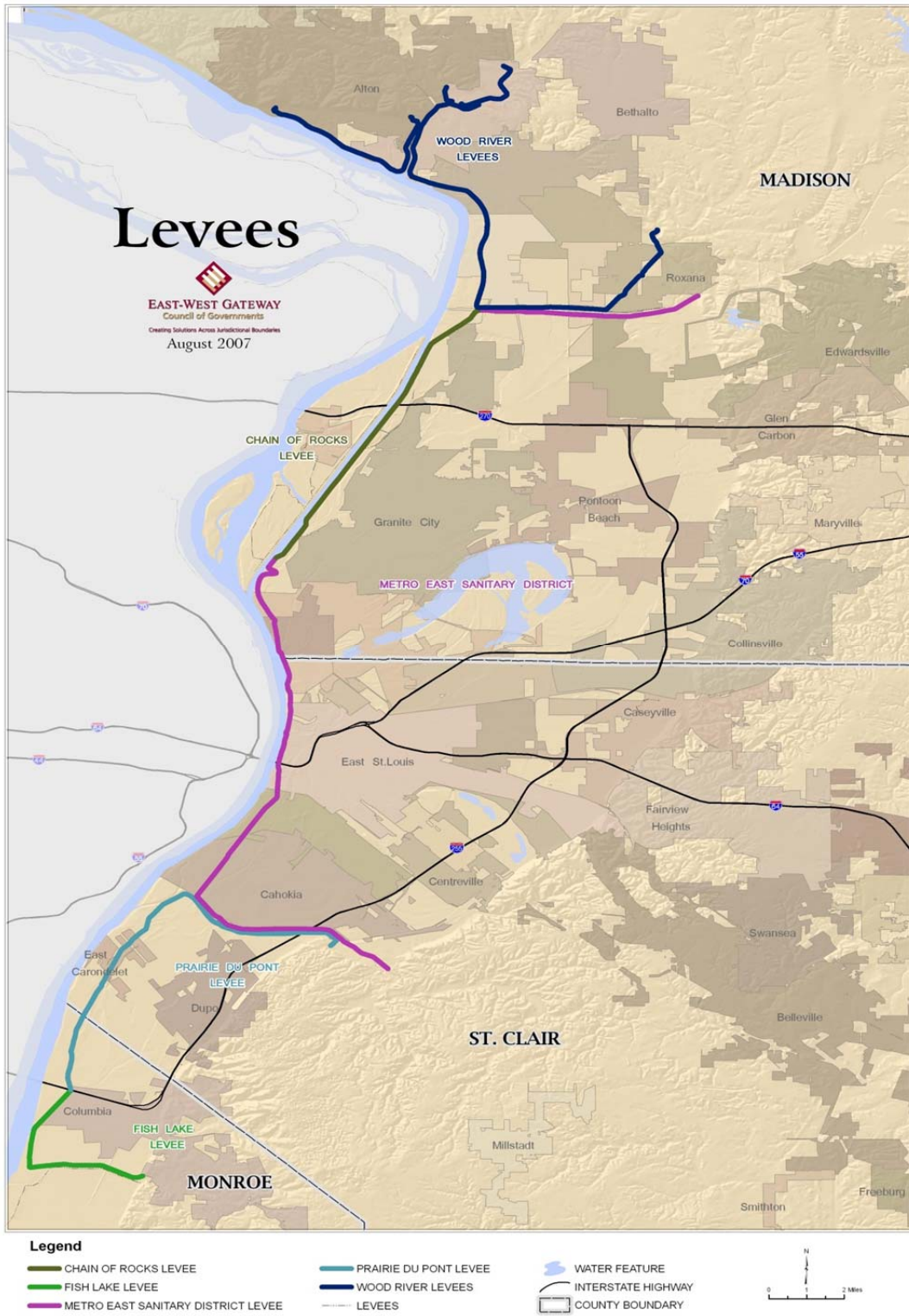


Figure 1 - Levee Systems

The Southwestern Illinois Flood Prevention District Council was formed in 2009 through an Intergovernmental Agreement between the Flood Prevention Districts of Madison, St. Clair and Monroe counties as authorized by the Illinois Flood Prevention District Act of 2008, 70 ILCS 750/. The primary responsibility of the FPD Council is to plan, finance, design and build capital improvements to the levee system. The Council's principal goal is to assure accreditation by FEMA in accordance with criteria described in 44 CFR 65.10 – Mapping of Areas Protected by Levee Systems.

In 2007, the Corps indicated that the agency had “reduced confidence” that the levee system could protect against a flood that has a 1% chance of being equaled or exceeded in any single year (commonly referred to as a 100-year flood or a base flood) without floodfighting. FEMA's announced decision to deaccredit the levee systems in our area, which is the industrial core of the St. Louis region, was based on this assertion by the Corps.

The region's leadership does not agree with the decision by FEMA to deaccredit the levee system. A number of area governments, businesses and citizens have joined to file a lawsuit challenging this decision based, in part, on the lack of any documentation of levee system deficiencies. However, given the significant economic consequences of FEMA's decision, should it stand, area leaders are moving aggressively to make improvements to the levee systems to assure that it will meet all applicable current standards.

While the levee systems in this area were built by the Corps generally in the 1940s and 1950s using design standards in place at the time for 500-year protection, the current “design deficiencies” are measured relative to current engineering standards, so the issue is not a failure of adequate maintenance by local levee districts, or any dramatic change in the condition of the levees, but primarily a change in engineering standards and in the procedures for measuring risk. The levee systems have consistently been determined to be in *acceptable* or *marginally acceptable* condition by annual and more thorough 3-year periodic inspections by the Corps.

According to its own preliminary evaluations and cost estimates the Corps suggests that it could potentially cost \$500 million or more in today's dollars to maintain the authorized (500-year) level of flood protection. Further, the schedule to make these investments would essentially be open-ended, because the federal funding is not yet available. Making assumptions consistent with typical levels of federal appropriations, the project would take forty years or more complete. While the federal government could pay as much as 65% of the cost, it could take decades for those funds to be authorized and appropriated, so there would be significant uncertainty about the cost and schedule of the project.

Because of the uncertainty of federal funding and the complexity and time consuming nature of the USACE project development process, levee improvements will be primarily locally funded. The three affected counties have imposed a ¼% sales tax to pay for the restoration of the levee system and formed a new organization, the Southwestern Illinois Flood Prevention District Council to carry out the levee improvement project. The tax has been collected since January 2009 and produces about \$11 million annually.

In July, 2009 FEMA issued Preliminary Flood Insurance Rate Maps for the areas protected by the Metro-East levees. Appeals of those maps were submitted by a variety of local governments during the 90-day period provided by law; all of those appeals (some were described as protests by FEMA) were denied in September, 2010.

III. FPD Council Activities

The FPD Council began operations in July, 2009. Since that time, the organization has completed a comprehensive inspection of the levee system, performed an economic analysis of the costs of mandatory flood insurance, provided support to local governments to appeal preliminary flood insurance rate maps, conducted a design competition to determine the most cost-effective approach to assuring compliance with FEMA standards for levee system accreditation, and sold \$94 million in bonds to pay for levee improvements. The Council's general goals have been to:

- assure compliance with FEMA accreditation standards with currently available revenue sources in five years or less; and
- minimize economic and financial hardship should the levee systems be de-accredited by FEMA

Notwithstanding the Council's strong disagreements with FEMA's decision to deaccredit the Metro-East levees and the agency's continuing efforts to overturn that decision, every effort is being made to remove all doubt about compliance with FEMA accreditation criteria. In October 2010, the Council engaged a team of engineering consultants led by AMEC Earth & Environmental to design and manage construction of improvements to the levee system. In early May, 2011 the Council received the 30% design and cost estimate submittal from the consulting team. This submittal was the culmination of about 7 months of effort involving substantial subsurface testing and analysis, discussions and review sessions with all affected parties including the levee districts and the Corps of Engineers, a careful review of many design alternatives and a value engineering review.

Based on the 30% design, the Council developed a revised financial plan to determine the best way to utilize existing revenue to generate sufficient capital funds to pay for the project. That plan was finalized in June 2011 and concluded that with a careful mix of borrowing and management of cash flow, the Council could raise upwards of \$150 million, an amount sufficient to pay for the project.

Three principal elements of the project development process have now come together: the design and cost estimate as part of the 30% design submittal, and the financial plan completed in June 2011. It is now possible to construct a project schedule. Together, these components comprise an implementation plan for the project.

The Project Implementation Plan was adopted at the July, 2011 meeting of the Board of Directors. A copy of the report is available on the Council's website at:

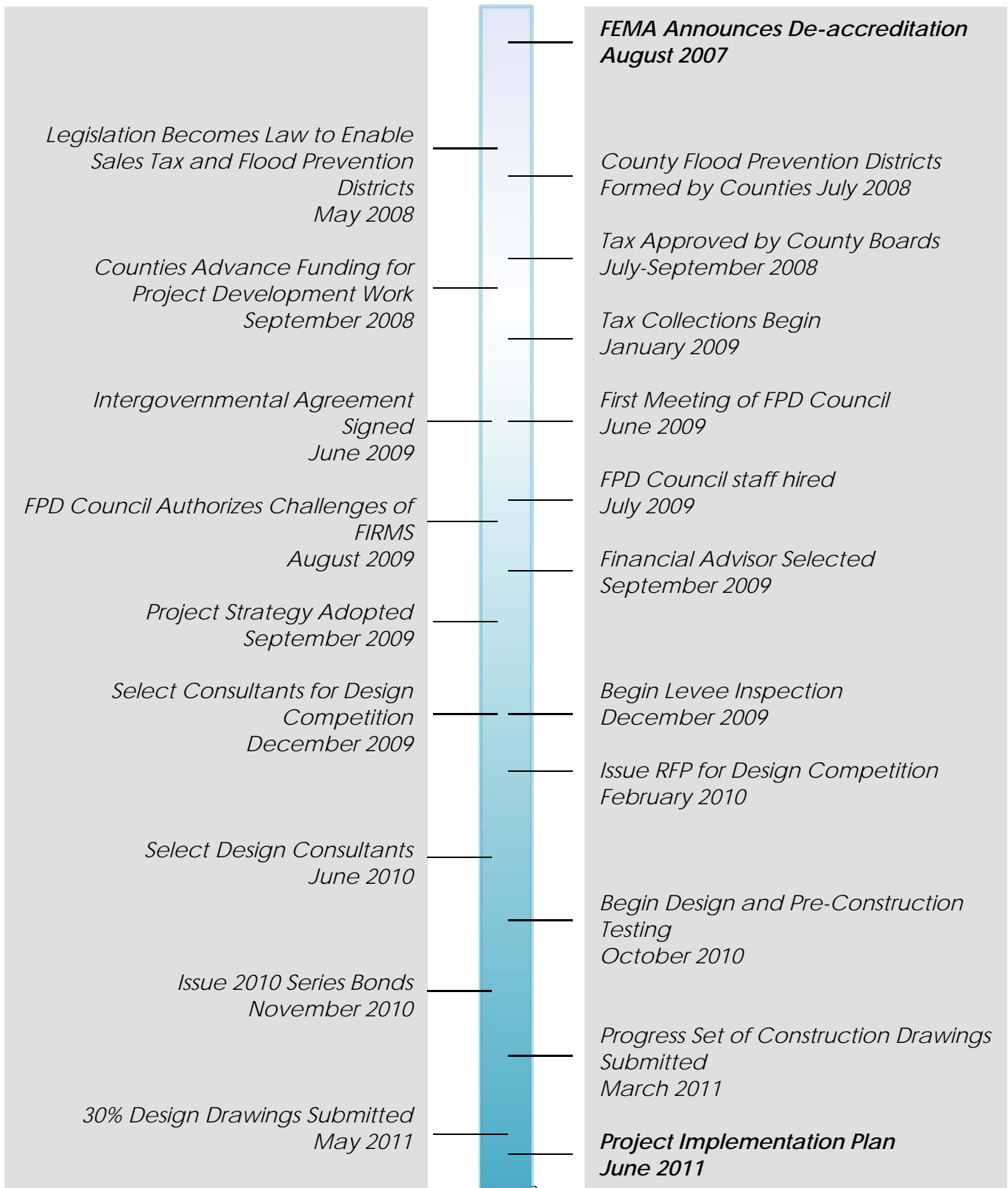
<http://www.floodpreventiondistrict.org/wp-content/uploads/2011/07/Project-Implementation-Plan-report-ver.-1.7.pdf>

In November 2010, the Council, along with a number of other local governments, businesses and individuals, filed suit against the Federal Emergency Management agency to prevent the agency from finalizing preliminary Flood Insurance Rate Maps issued in July 2009. However, in February 2011,

in response to complaints from members of Congress, FEMA voluntarily agreed to reconsider the methodology by which certain FIRMs are developed. This action effectively put the preliminary FIRMs for our area on hold. In August, the Federal District Court for the Southern District of Illinois dismissed the Council's case against FEMA by concluding that FEMA's action to reconsider the preliminary maps made the lawsuit moot. However, the judge strongly criticized FEMA in his ruling for their inconsistent and confusing statements about the mapping process, criticism that echoed many of our concerns.

As it now stands, the FEMA mapping process has been interrupted while the agency considers better methodology for developing maps, especially for those areas protected by de-accredited levees. There is no schedule for producing new preliminary maps, nor is there any suggestion that new maps would differ significantly from those issued two years ago, so the urgency of making levee system improvements is not diminished.

**Figure 2
Project Timeline**



IV. Financing and Budget

Table 1 is a financial summary of the Council’s activities through September 30, 2011.

Revenue from a dedicated sales tax was used to support the Council’s ongoing design and construction activities. While sales tax revenue showed substantial growth in 2009 coming out of the recession, growth has been slowed in 2010 (see Figure 3). This trend is critical, because the financial plan assumes an annual growth rate in sales tax revenues of 3%, a figure that is consistent with long-term trends.

The Council issued bonds in the amount of \$94,195,000 in November 2010. After setting aside funds for a debt service reserve and costs of issuance around \$87 million is available to fund construction of the project. Future bond issues are expected in 2013 and 2015 to complete the financing of the project. The financing plan adopted by the Council is anticipated to produce about \$151 million to pay for the project. That plan assumes that all receipts from the FPD sales tax in all three counties will be solely devoted to the project. At this point in the design process, the project is expected to consume all available funds and perhaps require additional borrowing by the affected levee districts. Table 2 summarizes estimated project costs.

Figure 3
Flood Prevention District Sales Tax Trends 2009-2011

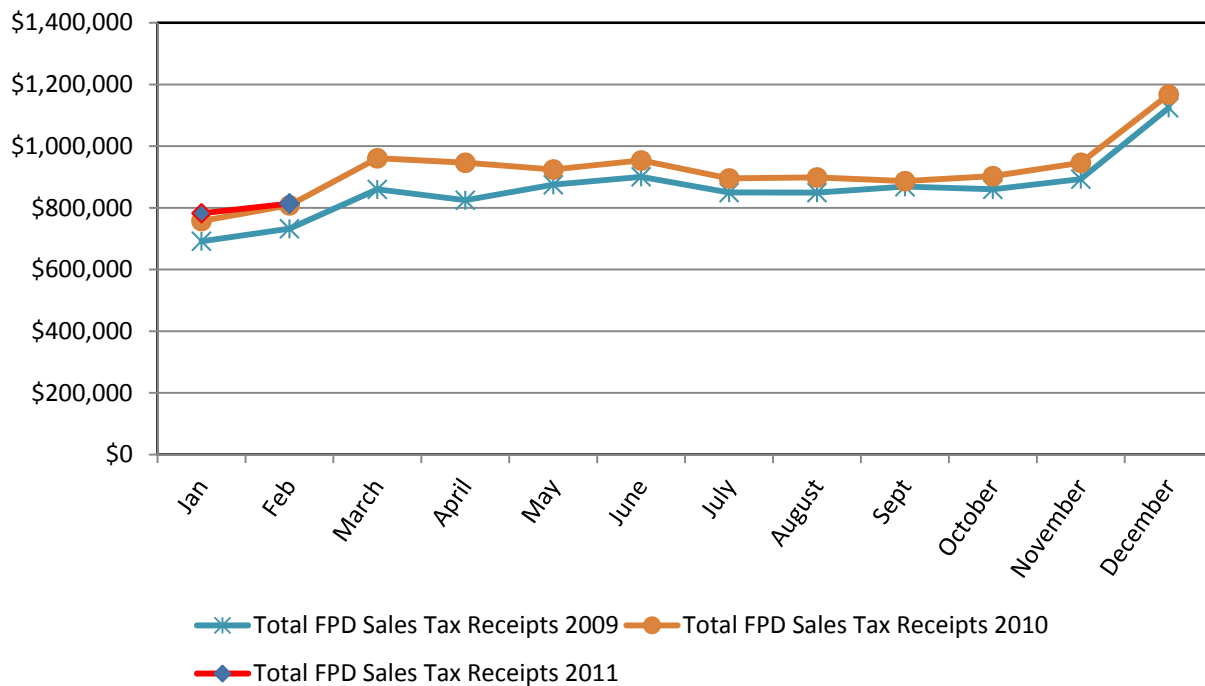


Table 1
Southwestern Illinois Flood Protection District Council
Financial Report
October 1, 2011 - September 30, 2011

	Audited Expenditures October 1, 2009 thru September 30, 2010	Projected Expenditures October 1, 2010 thru September 30, 2011
Resources:		
Flood Prevention Tax	\$7,809,955	\$8,241,174
Bond proceeds	0	94,195,000
Interest Income	2,162	357,000
Other Contributions	75,921	0
Total Resources	<u>\$7,888,038</u>	<u>\$102,793,174</u>
Expenditures:		
Design and Construction	\$6,206,512	\$10,137,564
Professional Services	1,482,626	390,362
Reimbursement of Advance Funding	0	3,501,778
Debt Service	0	7,670,553
General and Administrative Costs	198,900	251,545
Transfer of Surplus Bond Fund Moneys to County FPD funds		3,644,245
Total Expenditures	<u>\$7,888,038</u>	<u>\$25,596,048</u>
Net change	\$0	\$77,197,126
Funds available from prior period	\$0	\$0
Net funds available end of period	<u><u>\$0</u></u>	<u><u>\$77,197,126</u></u>

V. Conclusions, Issues and Next Steps

Much progress has been made in the nearly two years that the Council has been in existence toward the regional goal of maintaining a high level of flood protection for the American Bottom. Doing so is a regional priority and the Council has acted with a sense of urgency in conceiving major improvements to the flood protection system. That process has now reached an important milestone. A preliminary design is done, costs have been estimated, and financing put in place. The Council has adopted some definitive goals and is now in a position to set forth how those goals will be achieved.

With regard to the critical question of the Council's capability to finance the project, the current cost estimate and financial capacity (the amount that can be raised from the FPD sales tax) are almost precisely in balance at \$150.6 million. While the analysis is sufficient to conclude that the project is fiscally feasible from existing resources, there are many variables that will affect both cost and revenue over the next five years, so the Council must continue to make every effort to reduce costs, avoid delays, and maximize potential revenues. *For this project every penny will indeed count.*

In addition to adopting the plan there are a number of critical next steps for the project:

- Continue the design process with a goal of reducing costs and any negative impacts of construction.
- Work with regulatory agencies to expedite the project permitting process.
- Refine the project schedule and better align it with the sequence of financing.
- Seek agreement from counties that all FPD sales taxes will be devoted to the project.
- See assurances from the USACE that federal funds will be directed to assist in a timely manner to focus on elements of the Council's project.
- Work with levee districts to provide for sufficient funding for ongoing maintenance of improvements and to identify capital funding to "backstop" the sales tax for funding the project.

In September, 2009 the Council adopted a process for analyzing the problem and conceiving solutions. That process has been successfully executed and is now virtually complete. With the adoption of the Project Implementation Plan in July, 2011 the project is moving toward construction. There are continuing threats to the schedule that include unfavorable weather, high water and regulatory delays. However, in the absence of unusual or unforeseen circumstances, construction will start in 2012 and could substantially conclude in 2014, with certification documentation submitted to FEMA in 2015.



Memo to: Board of Directors
From: Les Sterman
Subject: Selection of Fiscal Agent
Date: August 15, 2011

On May 25, 2011 I sent out a request for proposal to serve as the Council's fiscal agent. The RFP was sent to a number of private accounting firms and posted on our website. As is our custom, we focused on firms that have a strong local presence. Proposals were submitted by five firms on Friday, June 17.

LarsonAllen, LLP –
J.W. Boyle & Co.
Diel & Ferguson Financial Group, L.L.C.
CBIZ MHM, L.L.C. – St. Louis
Scheffel & Company, PC

The services to be provided by the fiscal agent will include the following:

- Maintain general ledger, fixed assets ledger, accounts receivable, general journal, and accounts payable.
- Review invoices for services provided to the Council prior to payment to determine compliance with the Council's contracts, agreements and policies.
- Prepare invoices and funding requests to bond Trustee, county treasurers, or other agencies or entities, as authorized by the Council, to pay expenses.
- Receive payments from the bond Trustee, counties or other agencies or entities on Council's behalf and prepare payments of invoices for execution by Council staff or Board members.
- Prepare regular statements of financial activity, including monthly statements showing accrued expenditures, budget comparisons, and disbursements, for Council Board meetings.
- Provide the Council and auditors with information and financial statements required for annual audits.
- Receive and deposit funds in the Council's bank account.
- Assist in developing annual Council budget.

- Provide assistance in developing financial management provisions of Council contracts with consultants and contractors.

We required that the following information be provided in the proposal:

1. Description of the experience of the firm relevant to the scope of services.
2. A list of similar accounts served by the firm and by the proposed personnel.
3. Specific staff assignments and availability to perform the required services on a timely basis.
 - Participation of qualified personnel assigned to the engagement.
 - Availability of personnel to be assigned to the Council's work.
4. Assurances regarding the continuous assignment of permanent personnel to the engagement.
5. Description of proposed procedures to be used to address the scope of work including control procedures to adequately safeguard the Council's assets and prevent fraudulent activity.
6. A fee proposal to perform the scope of work for a two year period, along with a fee schedule for additional services that may be required beyond the scope and a description of the circumstances that would require any increases in fee.
7. Estimated number of hours required on a monthly basis to accomplish the scope of work by classification of employee, e.g. partners, senior, junior.
8. Detail of expenses expected to be incurred as additional costs, i.e. report printing, etc.

The evaluation factors shown in the RFP are primarily related to quality of the proposal and qualifications, i.e. responsiveness of the proposal – clear understanding of the work to be performed; technical experience and qualifications of the assigned staff; qualifications of the firm, including experience in doing similar work, references, and other financial services offered by the firm. The proposed fee is also a factor in the evaluation.

In general, the proposals recognized that the Council will require both ongoing routine services and annual services such as assistance in the preparation of the budget or preparation for the annual audit. One proposer also suggested that there would be startup costs as well. Proposed costs to provide the services requested in the Council's RFP ranged from \$16,200 to \$70,760 annually. This wide range of cost estimates results from differing views of the amount of time that would be required to provide necessary services. Based on our current experience, I would estimate that we would require 20-25 hours a month, which would be a blend of staffing types. This estimate could increase over the next couple of years as the Council begins to engage construction contractors and the number and complexity of invoices to review will grow.

The following briefly summarizes the proposals:

Scheffel and Company has a range of experience in accounting and audit work for various sizes of local government entities in the area. The firm did the Council's first audits for 2009 and 2010. Their proposal was responsive to the request and would meet the needs of the Council. Scheffel's proposed fee is \$42,010 a year broken down into regular monthly services of \$35,760 and annual services of \$6,250. The firm estimates that a staff time commitment of about 24

hours a month and an additional 48 hours annually would be needed to accomplish the scope of work. Representative local clients include: Madison County Flood Prevention District (audit), St. Clair County Transit District, Madison County (audit), City of Alton (audit).

JW Boyle and Company is a local accounting firm that provides services to area governments and other clients. Their proposal was responsive to the request. The firm did not provide an overall cost estimate, but did provide an estimate of hours and hourly rates from which a cost estimate could be constructed. Boyle estimated that the work would require an average of 20 hours per month and a total annual estimate of about \$16,800 per year. Representative local clients include: Village of Alorton (outsourced accounting), Monroe County Flood Prevention District (audit), St. Clair County Flood Prevention District (audit).

LarsonAllen is a large and capable regional accounting firm with offices in southwestern Illinois. They have a number of representative local clients for whom they do similar work as we are requesting. Their proposed annual fee is \$21,600, which includes 20-25 hours of staff and principal time a month. The firm did not separately show additional hours for annual tasks but has indicated that those tasks would be accomplished within their proposed monthly fee. Representative local clients include: Great Rivers Greenway District (outsourced accounting and budgeting), Metro East Park & Recreation District (outsourced accounting and budgeting), and Southwestern Illinois College (audit and financial statements).

CBIZ is a large national accounting and financial management firm with clients across the nation. They are best known for outsourced accounting work such as that sought by the Council. Their proposal is detailed and thorough. The proposed annual fee ranges between \$50,040 and \$70,760 in the first year and \$45,340 and \$64,780 in the second year. Representative clients include the Comprehensive Behavioral Health Center of St. Clair County (outsourced accounting and financial management), the Bi-State Development Agency (audit and annual financial statements), and the Calleguas Municipal Water District (outsourced accounting and other financial services).

Diel & Forguson Financial Group is a local firm based in O'Fallon that provides accounting and other financial consulting services. Their proposal was responsive to the request. Diel & Forguson estimates their annual fee at \$16,200 for the first year and \$16,800 for the second year. The estimate includes 15-20 hours per month of staff accountant and principal time. Representative clients include: Leadership Council Southwestern Illinois (outsourced accounting and audit), Village of Marissa (audit), and the Village of Caseyville (treasurer).

In general, the five firms that proposed on the work are qualified, although the larger regional and national firms have more directly related experience in outsourced accounting services. The proposals reflected a wide range of costs, but three seem most cost-effective: JW Boyle, Diel & Forguson, and LarsonAllen. While the expenditure for these services is not that large, the selected firm will have an important and ongoing working relationship with the Council. For that reason, I suggested that we interview these firms and use the opportunity to meet the assigned staff and principals and discuss the assignment. Accordingly, we conducted interviews on August 15 with representatives of JW Boyle, Diel & Forguson and LarsonAllen. Paul

Bergkoetter, a member of our Board (and an accountant) and Royce Bauer, the Director of Administration from East-West Gateway, and I conducted the interview.

The interview confirmed that the firms are qualified for the work. However, there were differences in the understanding of the assignment, the level of experience in outsourced accounting, and in cost estimates. At the conclusion of the interviews, we were unanimous that LarsonAllen would best serve the Council's needs. The firm has a dedicated staff unit serving clients with outsourced accounting, including the staff member who attended the interview and would be responsible for our account. They have systems in place that would fit well with ongoing Council operations and have a strong practice in the construction industry, which we feel is important given the nature of our work in the future. In short, LarsonAllen has both strong skills and the organizational capability to serve our needs well. LarsonAllen made a firm commitment to a fixed monthly fee of \$1800 for a two year period. While the other interviewed firms proposed lower fees, we believed that their estimates of hours committed to the assignment were probably too low, perhaps reflecting a different understanding of the workload. In any event, we have more confidence that LarsonAllen can make the outsourced accounting arrangement work well. The work would be done by staff based in the firm's Belleville office.

Recommendation: Authorize the Chief Supervisor to enter into contract with LarsonAllen LLP for a period of two years in an amount not to exceed \$1800/month to serve as the fiscal agent for the Council.



Memo to: Board of Directors

From: Les Sterman

Subject: Election of Officers

Date: August 15, 2011

Under the Council's bylaws, Board officers (President, Vice-President, and Secretary-Treasurer) serve for one year terms, must each be from a different county flood prevention district and are elected at the Council's Annual Meeting.

The election of officers will take place on August 17, 2011 at the Council's regular Board meeting.