



Memo to: Board of Directors
From: Les Sterman
Subject: Program Status Report for April, 2011
Date: April 17, 2011

Design/Construction

Much of the last month has been taken up with the process that I outlined last month to accomplish a thorough review of the progress drawings that AMEC submitted to us on March 1. We expect the final 30% design submittal to be made on or about May 9. The process to get from the set of progress drawings to the submittal of the 30% drawings consists of the following steps:

1. Overview meetings with partners/stakeholders to review and refine the design. Meetings have been held with the Corps of Engineers and all of the area levee districts. The Board was fully briefed on the design at the last meeting on March 16.
2. Overview meetings were followed up with detailed review sessions for each levee district with both the Corps and the staff of each district.
3. A value engineering workshop was held on March 28-31 with a panel of independent reviewers led by our project management oversight consultant, Doug Campion. They submitted a report on April 14.
4. Preparation of cost estimates following the refinement of the progress design resulting from the above activities.

Two more steps will be needed once the 30% submittal is made to assemble a comprehensive implementation plan.

1. Refine the financing model and develop a financing plan based on current market conditions and our project schedule to determine our financial capacity to build a project in accordance with the preliminary design.
2. Bring together the design, cost estimate and financial plan to develop a draft project schedule and construction sequence.

Based on the discussions of the March 1 submittal by AMEC, there will likely be some significant changes that will be evident in the 30% design. Every effort is being made to reduce the extent of some of the high cost elements of the project, such as cutoff walls. Some of this is

a result of more sophisticated analysis. Further refinements to the design may result in smaller quantities of materials or more efficient combinations of underseepage controls.

Some of the costs savings that might result from refined analysis may be offset by an increased cost contingency, since there has been general agreement that AMEC's previous assumption about cost contingencies was probably too aggressive. Closer examination of the early design proposal will also lead to better understanding of schedule and cost risks. So, while it is apparent that the scope of the improvements might be somewhat reduced, cost savings will likely be offset by recognition of increased costs in some areas.

The effort to make the design more cost-effective will continue into the next stage of the design process. The use of more sophisticated underseepage modeling will likely allow some further reductions in scope and cost.

On April 7-15 the Corps of Engineers conducted a value engineering exercise on their design concept proposals for the Wood River and Prairie DuPont/Fish Lake levee systems. While the Corps' design addresses the authorized (500-year) level of protection, the design concepts are similar, so there may be some additional ideas that emerge to make the design for our project more cost-effective.

In my view, the biggest risks to the project are a variety of external factors such as regulatory hurdles, cooperation of affected property owners, and the weather. It is apparent now that the state of the federal budget, combined with a cumbersome and time-consuming project development and funding process, will limit the Corps' financial participation in the project. However, their regulatory role will indeed be critical to our success, and we hope that the Corps may still undertake a limited portion of project for which they can access funding over the next few years. Further, the Corps will need to certify two reaches of levee, the Chain of Rocks levee and the Mel Price Lock and Dam area.

Financing

A contract was executed with ButcherMark Financial Advisors following approval at the March Board meeting. Work is underway on the updated financial plan.

The first rebate from the U.S. Treasury for interest payments on the Build America and Economic Recovery Zone bonds was received last week and wired to the bond trustee.

Legislation

During a recent conference call with staff from Sen. Durbin's and Sen. Cochran's offices, I and Dennis Wilmsmeyer provided some feedback on their ideas to mitigate the economic impact of mandatory flood insurance. I followed up with a memo to them (copy attached) about our legislative priorities.

At your direction, I also worked with the Levee Issues Alliance on an inquiry to our congressional delegation about the real meaning of FEMA's recent announcement of changes to their "without levees" approach to mapping areas behind deaccredited levees. It continues to

appear to us that this policy change may not result in any material changes to the flood insurance rate maps due to be issued by FEMA in the next year.

Legal

We continue to await the federal court's ruling on FEMA's motion to dismiss our lawsuit.

Project Administration

The Council's website www.floodpreventiondistrict.org has been live for about three weeks. I have successfully posted new material on the site and will continue to maintain it with minimal assistance.