



Memo to: Board of Directors
From: Les Sterman
Subject: Program Status Report for June, 2012
Date: June 18, 2012

After the apparent low bidder, Noeth Excavating Systems was selected by the Board for Construction Package #1 at the May meeting, the contract was approved by each of the three county boards. A pre-construction meeting was held on June 7 involving the contractor and representatives of other affected parties such as MESD and the Terminal Railroad. No major issues were identified and general coordination activities were discussed. The Council executed the contract on June 11; work on the contract is either imminent or has already started.

Work Order 8 for construction management services was executed with AMEC on June 8.

Discussions with the Corps continue on the “graded filter” design, which is a critical part of the 60% design submission. About three weeks following the two-day facilitated technical session that focused primarily on this design feature, representatives of the Corps’ Risk Management Center submitted a draft report describing the outcomes and documenting the decisions made at the meeting. The District staff also produced a design review “checklist” based on those decisions. A subsequent meeting was held with AMEC and District staff on June 7 that resulted in general agreement on the path forward toward approval of designs for graded filters.

The good news about the resolution of the graded filter issue is that we now have acceptance in principle of this design feature, and AMEC has a clear understanding of the assumptions and parameters that will be used to produce acceptable designs. The bad news is that the Corps’ requirements impose a significant schedule and cost burden on the project. Additional data will be required to gain more confidence in subsurface conditions and careful modeling using more conservative assumptions will have to be done on each graded filter to satisfy the Corps. Perhaps more significantly, the use of more conservative assumptions, design methods and construction details will add to construction costs. The overall budget impact has not yet been determined.

Until the design of underseepage controls is reasonably complete it will not be possible to submit the 100% design for the next major construction package involving pump stations to the Corps.

The budget for AMEC Work Order 6 for Sec. 408 review tasks has been consumed due to the protracted and unpredictable course of the review process. A proposal to revise the costs of this Work Order substantially upward will be considered at the June Board meeting.

Discussions with the Illinois Environmental Protection Agency continue on the contents and approach of the Sec. 401 water quality permit. Unless a resolution of this issue happens soon, there is an increasing likelihood that it will affect the project schedule. On a positive note, IEPA staff is now fully engaged in seeking workable solutions and I remain cautiously optimistic that agreement will occur in the near future.

On May 24, I met with Gen. John Peabody, Commander of the Mississippi Valley Division of the Corps of Engineers. Also in attendance were Dan Maher, Jim Pennekamp, Rich Connor (representing the Leadership Council), Col. Chris Hall and Joe Kellett. We had a candid discussion with Gen. Peabody about the status of the project and our various concerns and frustrations with the slow pace of progress. The Division will play a key role in the Sec. 408 review process so it was a good opportunity for us to get acquainted with Gen. Peabody. The response was generally sympathetic and constructive, with Gen. Peabody offering some useful suggestions. No specific actions resulted from the meeting, however.

One of the matters to be resolved before major construction on the project begins is the Council policy on the involvement on minority firms. In order to gain some insight on strategies and tactics that might be effective, I convened a brainstorming session on June 7 involving representatives from labor, several minority contractors, design consultants, and others agencies and individuals with experience in this area. A number of good suggestions came out of the discussion and I hope to have some specific proposals for Board consideration over the next couple of months. It should be noted that there are no federal funds being used on the project, so our policy is determined solely by the Board of Directors.

Based on news of the letting of the first construction contract, there have been several news articles and editorials that convey an inaccurate impression of the status of the project. As described above there are still many uncertainties affecting the schedule and cost of the project. Our schedule has clearly been delayed by an undetermined amount, although we don't yet know if the completion date of the project is affected. Until the 100% design is submitted and approved by the Corps, we cannot be confident that we have an affordable project that can be completed in accordance with the committed schedule.

My biggest current concern is the status of our project budget. While there was some headroom between the project cost and available revenue because of savings identified in the 60% design, that potentially available revenue is rapidly being consumed by increased design costs, cost-share contributions to ongoing Corps construction projects on the levee system, and by the biggest unknown cost – the cost of complying with Corps design requirements for graded filters and other design features. Over the next month, I will be putting together a revised project budget so the Board can better understand our financial position.