



Memo to: Board of Directors

From: Les Sterman

Subject: Program Status Report for November, 2012

Date: November 18, 2012

Work is continuing to complete the design of the project, particularly in areas where the 60% design has been reworked to replace or redesign graded filters. Our consulting team has collected more primary data about subsurface conditions through additional borings, and done more sophisticated modeling to more precisely calibrate and refine the design.

A revised project schedule has now been developed and vetted with the Corps. A new project cost estimate has been developed as well. Both will be presented at the November Board meeting for your review. I will likely ask you to adopt the revised cost estimate and schedule at the December meeting, so we can be clear about the expectations for the project and so that we can communicate those expectations to the public.

The most important message at this time is that we can produce an affordable project that will meet FEMA standards while keeping our commitment to finish the project by 2015. That is not discounting that significant challenges lie ahead. The Corps Sec. 408 process is a continuing concern. While the Corps has committed to a schedule of initial reviews, the resolution of comments in those reviews continues in an ambiguous and onerous fashion that has no schedule. Similarly, the Sec. 401 water quality permit being addressed by the Illinois Environmental Protection Agency is ongoing, but with a schedule for completion that is only speculative at this point. In sum, we will only meet our cost and time objective through a very aggressive and diligent effort to complete the design and permitting process.

There has been great progress in revising our financial plan. ButcherMark Financial Advisors has now provided two drafts of modeling results that evaluate some new financing strategies, along with changes in the interest rate environment, project schedule, and cash flow expectations. The objective is to determine how much money can be raised from the proceeds of the FPD sales tax. I believe that we will be able to raise significantly more money than previously expected through a strategy of postponing future bond issues as long as possible and meeting cash needs through use of currently unused sales tax receipts and short term borrowing. While the additional funds will not be needed directly for our project, they will be essential to match federal appropriations for Corps projects and to pay for ongoing operation and maintenance of improvements to the levee system.

The Council's first construction contract, a small contract with Noeth Excavating Systems for restoration of culverts and trench drains in the MESD area is now virtually complete. It was completed on schedule and under budget.

I issued a Request for Proposal for Real Estate Services on November 8. The purpose of the services that we are seeking is to secure appraisals for the property interests (mainly easements for construction access) that we will require and to negotiate for acquisition of those interests. Proposals are due on December 7. As is our custom, I will ask for Board members to volunteer to serve on a committee to evaluate the proposals and recommend a selection to the full Board of Directors (most likely at the December meeting).

Discussions with the Illinois Environmental Protection Agency continue on the analysis that will be the basis for Sec. 401 water quality permit. We are working closely with the IEPA to address all of the data and analysis requirements, and address questions that have arisen in our discussion with IEPA so that they can process our application and take the necessary steps to begin the public review of the project. The time frame for issuing the permit is a potential problem that will affect our schedule, but IEPA has assured us that the project will have their full attention and that they are mindful of our time constraints.

I have reviewed and edited the draft of the minority business/workforce utilization plan developed by Marks and Associates that was presented to you at the October meeting. As we discussed at that time, the draft is being reviewed by stakeholders to assess whether the goals and methods of the Plan are realistic. That process is taking place and I expect to have a recommendation to adopt the Plan at the December Board meeting.

We are working with the Corps of Engineers to identify design elements that are common to our project to achieve FEMA standards and to the Corps' ongoing project to meet the authorized level of flood protection. The goal would be for the Corps to undertake parts of our project and partially pay for construction using Federal funds, thereby producing a cost saving to our project. In a meeting this month, we identified a number of areas that seemed like candidates for Corps participation. However, for Corps participation to be of value to us, four conditions must be met:

1. *The improvements must contribute to achieving the FEMA standard.*
2. *There must be a net cost saving to the FPD; i.e. the local cost-share of the Corps work must not exceed the cost for the FPD to accomplish the same work.*
3. *The Corps must be able to meet our schedule so that the 2015 completion date is not compromised.*
4. *There must be certainty that the Corps has adequate appropriated funds to accomplish the agreed upon work.*

While we will make every effort to work with the Corps to accomplish our mutual objectives, there should be no illusion that this will be doable. The Corps has very limited appropriations at this time and the future is hardly certain. Our goal remains very specific and non-negotiable – meet the FEMA standard by 2015 at a cost that we can afford using solely the receipts from the FPD sales tax. The Corps, of course, has no such limits on cost or schedule.