Minutes
Inland Waterways Users Board
Meeting No. 55
July 31, 2007
Louisville, Kentucky

[Note: The following minutes of Inland Waterways Users Board meeting No. 55 were approved and adopted at Inland Waterways Users Board meeting No. 56 held on November 2, 2007 in Quincy, IL]

The following proceedings are of the Inland Waterways Users Board meeting held on the 31st Day of July, 2007 at the Louisville Holiday Inn Downtown Hotel, Mr. William N. Whitlock presiding. Inland Waterways Users Board (Board) members present:

Mr. Jeffery Brehmer, Holcim (US) Inc.

Mr. Mark Buese, Kirby Corporation

Mr. Rick Calhoun, Cargill Marine and Terminal, Inc.

Mr. Jerry Grossnickle, Bernert Barge Lines

Mr. Charles A. Haun, Parker Towing Company, Inc.

Mr. Gerald Jenkins, Ursa Farmers Cooperative

Mr. W. Scott Noble, Ingram Barge Company

Mr. Deane Orr, Consol Energy Company

Mr. William N. Whitlock, American Commercial Lines, LLC

Mr. Royce Wilken, American River Transportation Company

Also present were the official Federal Observers, designated by their respective agencies as representatives:

Mr. John P. Woodley, Jr., Assistant Secretary of the Army (Civil Works)

Mr. Nicholas Marathon, U.S. Department of Agriculture

Mr. James Murphy, U.S. Department of Transportation, Maritime Administration

Mr. Alan Bunn, Office of the Coast Survey, National Oceanic and Atmospheric Administration

Official representatives of the Federal Government for conduct of the meeting and Administrative support of the Inland Waterways Users Board were the U.S. Army Corps of Engineers officials as follows:

Major General Don T. Riley, Executive Director, Inland Waterways Users Board, and Director of Civil Works, U.S. Army Corps of Engineers

Mr. Mark Pointon, Executive Secretary, Inland Waterways Users Board, Headquarters, U.S. Army Corps of Engineers

Ms. Anne Sudar Cann, Executive Assistant, Inland Waterways Users Board, Institute for Water Resources, U.S. Army Corps of Engineers

Staff support provided by the U.S. Army Corps of Engineers was as follows:

Mr. David V. Grier, Institute for Water Resources, U.S. Army Corps of Engineers

Ms. Mary Anne Schmid, Headquarters, U.S. Army Corps of Engineers

Program speakers in order of appearance were as follows:

Mr. David V. Grier, Institute for Water Resources, U.S. Army Corps of Engineers
Ms. Mary Anne Schmid, Programs Integration Division, Headquarters, U.S. Army Corps of Engineers
Ms. Claudia Tornblom, Headquarters, Department of the Army, Office of the Assistant Secretary of the Army (Civil Works)
Mr. Thomas Ludwig, Department of the Treasury, IRS
Ms. Joan Cannon, Department of the Treasury, IRS
Mr. Bobby Duplantier, U.S. Army Corps of Engineers, New Orleans District
Mr. Gregory Miller, U.S. Army Corps of Engineers, New Orleans District
Mr. Richard Lockwood, U.S. Army Corps of Engineers, Pittsburgh District
Mr. Thomas A. Holden, U.S. Army Corps of Engineers, Pittsburgh District
Mr. Don B. Getty, U.S. Army Corps of Engineers, Nashville District

A list of meeting participants and a list of current Board Members, Federal Observers, and U.S. Army Corps of Engineers support staff are included as Appendices A and B, respectively. See Appendices C through E for materials from presentations at the meeting.

The 55th meeting of the Inland Waterways Users Board began with Executive Secretary for the Inland Waterways Users Board calling the meeting to order at 9:00 a.m.

MR. MARK R. POINTON: My name is Mark Pointon, and I'm the Executive Secretary for the Inland Waterways Users Board.

Before we start the meeting, I'm obligated to read for the record that the Users Board is created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides for the Secretary of the Army and the Congress, with recommendations on funding levels and priorities for investment for modernization of the Inland Waterways System.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act. The U.S. Army Corps of Engineers is the sponsor of the board, and provides for the executive secretary, the executive director and all normal board activities.

This is a sunshine meeting, and as such it's open to the public. These proceedings are being recorded, and a transcript will be available shortly after this meeting is concluded. At this time I'm turning the floor over to the Chairman, Mr. Norb Whitlock.

CHAIRMAN WILLIAM N. WHITLOCK: Thank you, Mark. Good morning.

I'd like to welcome all to the meeting, and appreciate the significant turnout we have in the audience today. First off, I'd like to just say thanks to the Louisville District yesterday for arranging the tour of McAlpine and the briefings, presentations that were held here yesterday afternoon. And I thought everything was, as usual, done in a very excellent fashion, so I just want to say thanks to all those participants in the Louisville District yesterday.

Thank you.

Without further ado, I would like to call on Colonel Midkiff for opening comments. Colonel.

COLONEL RAYMOND MIDKIFF: I want to thank you very much.

Just real quickly, for those that weren't here yesterday, I'd like to welcome you to Louisville. As Norb mentioned, it's always a real pleasure for us to host this conference. And it's great to see the Board back again. We did this last year in Paducah, so it's been about a year since I've seen a lot of these folks here. And thank you for the opportunity to host this. And, sir, with that, I believe you're next on the agenda, I'll turn it over to you.

MAJOR GENERAL DON T. RILEY: Yes, I'm General Riley. Is this on?

Okay. I am the Director of Civil Works and, also, Executive Director of the Inland Waterways Users Board. And I'm certainly delighted to be here. And thanks to the District for hosting us. And especially for the tour yesterday and the briefings. I think those helped the Board and set the stage for this great meeting today. I'd also like to thank a couple, several members, too many members of our Board that are leaving; Chairman Norb Whitlock, the last meeting, also, Charles Haun. And on my right, Mark Buese and Scott Noble, also the last meeting, unfortunately for us. They have been great contributors to the Board and to the Corps of Engineers.

Also, I'd like to welcome our Federal Observers, Alan Bunn of NOAA, and we have Nick Marathon, as well, from the Department of Agriculture, on my left. And Jim Murphy, from MARAD on my right. And then, also on my right, the Honorable John Paul Woodley, our Assistant Secretary of the Army for Civil Works. And I'd like to offer the opportunity for any of our Federal observers to, at this time, to make any comments if they wish. Allen, would you care to make any?

MR. BUNN: I wanted to make mention that NOAA has several Physical Oceanographic Real Time Systems that are being worked on, developed, and should be going on line within the next twelve months. The Sabine-Neches Waterway has an agreement that is being finalized. We have FEMA working over some of the details on some of the funding, but we do hope to have current meters, tide gauges and weather stations set up on that waterway probably by mid 2008. New Orleans has a new agreement, and we'll be working to get them on-line.

Pascagoula, Mobile and Gulfport all received some funding from Hurricane Katrina, Rita, for safe navigational issues. And they are working up agreements to put in Physical Oceanographic Real Time Systems, as well. We've been working, actually through this organization, with Coast Guard and the Corps of Engineers on coming up with the utilization of AIS, automated information systems, to put out currents, tides and weather at locations where we or the Corps have current meters, be it locks and dams or in major ports and waterways themselves. So that partnership has a meeting taking place, I believe it's at Corps of Engineers headquarters in D.C. in late August.

And one last thing is our navigational response teams are standing up and ready and on call to both Corps of Engineers and Captains of the Port, to use our high speed trailable launches for surveys with Side Scan and Multibeam post storm.

CHAIRMAN WHITLOCK: Are those new teams that have just set up?

MR. BUNN: No, they're existing teams that we do have. Right now we have only one in the Gulf of Mexico and then one Atlantic, Pacific, one in the Great Lakes, and one additional team that's a roving team.

CHAIRMAN WHITLOCK: Thanks.

MR. NICK MARATHON: Appreciate being here for the USDA and working with the members of the Board. This year is going to be a very interesting year, in that U.S. farmers planted 92.9 million acres of corn. That's up 19 percent from last year. But more importantly, it's the most since World War II. So this is a pretty big event in that we're going to have a big corn crop this year. And we look forward to working with the Board members and seeing how new traffic patterns that will evolve because of this big corn crop.

And just say I appreciate being here. Thank you.

GENERAL RILEY: And Jim?

MR. JAMES MURPHY: Thank you, General. I bring greetings from our Maritime administrator, Sean Connaughton. Certainly continues his personal interest in Inland Waterways Users Board activities. And thank you for the opportunity to visit.

GENERAL RILEY: Thank you, Jim. And Secretary Woodley.

MR. JOHN PAUL WOODLEY: Thank you, Don. It's always a privilege for me to, and a pleasure for me to meet with the Inland Waterways Users Board. And I have, as everyone knows, made a strong practice, I believe I've missed only one meeting since the time of my appointment in 2003. And never failed at the meetings to learn a great deal, and to profit by the deliberations of the Board. And I'd like to join you in thanking Chairman Whitlock and Scott and Mark for their service. I have noted a pattern, however.

I know that August 14th is the end of your mandate as a member, but I've noted a pattern that others may have noted, of people serving on the Board and then being off the Board for a period of time, a term or two, and then coming back to serve again at the call of the Secretary of the Army. So I would commend that pattern to all of you for your consideration.

I want to say I believe the individuals have not been notified, so I'm not prepared to make a public statement at this time. However, I want to assure the members that we have designated designees to assume office and to begin service on the 15th of August, who have been, just last week, approved through our process. So that will be made public very shortly. And I can tell you they are not unfamiliar to you, people who I think you'll find are familiar to you and who will serve with great distinction.

GENERAL RILEY: Thank you, Secretary. If I could just provide a few minutes of update of activities since our last meeting together. As you know, we've got a new Chief of Engineers, General Van Antwerp. And he's given us some new guidance. One thing he told us he didn't intend to do was come in and make big dramatic sweeping changes, especially in new strategic planning and developing new plans. He's looked at the plans we have in place now for moving forward strategically, and he's very encouraged by that and then wants to continue that.

However, he does want to emphasis several things. And a couple, I'll just talk to you a little bit about that.

And the first one is delivering, and delivering on our commitments. So he wants to see a concerted effort to not only make a commitment, but in delivering on it. And as far as time and quality and cost. So you'll see more work and more emphasis in that area for the Corps, and all of our programs; Civil Works, military programs, regulatory, research and development, as well.

Also, he's very interested in teaming with industry. He said that he doesn't just want to partner with industry, he wants to make industry a part of the team. And I certainly and wholeheartedly support that. So to me that translates to not just developing solutions or products and providing them to you for comment, but rather getting you on the team early and assisting us in developing those solutions.

And that's where I see that heading and teaming with industry.

Also, we're in the process of developing our FY '09 budget. Our business line managers right now have already, several of them have briefed the Secretary, and will brief, I think, navigation comes up early, I think this week, actually, a briefing to the Secretary tomorrow. And so we're going through that process right now, we'll brief the Secretary. Finally, pull it all together in early September, and then it's due to OMB on the 10th of September.

Another big thing that has developed, and that we have published since our last meeting, we did an engineering forensics of Hurricane Katrina and things that happened in the engineering of the Hurricane Protection System. We've also done a forensics on the decision chronology on the 50 years of decisions that went into development of that Hurricane Protection System. Of course we know it really wasn't a system, it was more of a series of projects piece mealed together over 50 years.

And for many reasons, because you had a very, very complex geometry of the system, complex nature of the engineering, complex environment as far as all the partners involved, from local to state to federal. You had a complex environment of judicial action, legislative action, administrative action. So more like a Rubik's Cube of actions that were going on, and changing over time.

We knew the datum changed. And so we took a look at all of those decisions and made some observations out of that, not only due to complexity but, also, it was also evident, as you know, if you're building a house or renovating anything that you're doing, that you make decisions based on how much funding, and how much funding is expected. We know that had an impact. And those kinds of funding decisions, or expectation of funding stream out in the future does have an impact on technical decisions. And so one of the observations is we've got to do more to, although acknowledge we'll always have decisions based on funding, we've got to make sure that doesn't harm the technical aspects of the project.

And then over time, when you piece a lot of incremental decisions together, that they don't accumulatively effect a risk to the public or to the project or any other aspect of risk that you're dealing with. Secondly, is we have to ensure on all of our works, and this applies to navigation, just not to hurricane protection systems, or even ecosystem restoration or hydropower, but to apply a systems approach and to look at the entire system. Not just system geographically, but system functionally, as well as system over time, so the life cycle of a project. Which is resource intensive, as you know. When you look in your initial planning phases, as you're developing the plan for a project, you're going to consider many, many aspects of the duration of the project, on a life cycle project, you have to estimate those costs.

And estimate those costs such that they have an escalation clause. And then there's a great deal of uncertainty in that, too. You don't know what's going to happen to the economy. So our cost estimates now are taking more of a risk approach, they can look at the uncertainty in the future and apply a level of confidence to those uncertainties out in the future, and take a look at the costs.

In flood control, you know, we used to call our business line flood control, then it changed to flood damage reduction. Now we're changing it to flood risk management, that's what it truly is. We thought, initially, we're going to control floods, and then we're really reducing damage. But we're really, truly, managing risk to the public. Because the point we want to get across, and the point we got across to the people in New Orleans last month was there will always be risk. And here's the risk you have now, here's the risk when the hundred-year system is built.

And because of where you live, every year there's a risk of storms. And we've done an extensive amount of monitoring, and we'll have to do that now across the nation. How do we promulgate that around the country?

But it also applies to a lock and a dam and the risk assessment, what the risk is. Risk and reliability of work that we're doing on the Ohio River has sort of been our lead, Lakes and Rivers Division, and then Mississippi Valley Division, as well. Look and then we can justify our projects much more cleanly and strongly as we use this system approach of risk and reliability.

Also, taking a look at the resiliency of systems, we can't just build it and assume it's going to stay in that same condition. Especially when you're building a levee in a wetland, you know you're going to have some sites, and you know you've got to account for it, and you know you've got to plan for and plan for the cost for upgrading that system.

So those are just some of the thoughts that we've pulled together. We have efforts in place to move forward on all of those fronts. However, the Corps, as you know, can't do it alone, because we all certainly need support from the Administration and Congress. Because they don't come free. And in some of those cases, if you're looking at the lifecycle of a project or a system approach or watershed impact, you're looking at substantial cost. But just as importantly, our sponsors. And you all are 50 percent cost share on our projects, so it has an impact on cost to our sponsors.

So it's a major team approach that we've got to take, and putting these lessons in practice on all of our work. So with that, I'll pass it back to Chairman Whitlock for a continuance of the meeting. Thank you.

CHAIRMAN WHITLOCK: Thank you, General Riley. I would just like to thank Secretary Woodley for his continuous support. As he said, he's only missed one meeting. Been with us, been very supportive of the Board. And it's been a pleasure to have spent time as chairman and on the Board for a number of years working with both General Riley and Secretary Woodley and all the other members. I enjoy the association with people that I've worked with for so long, on issues that I have a passion for, and that's a navigation system that meets the needs of the nation.

Let me just have a few comments and then we'll get kicked into the program. I'd just like to say the FY '08, that budget amount that looked like it's going to come down, looked to be very strong for the Inland Waterways sector, as very strong for some of the things that we in the industry have been pushing for, and that's increased O&M funding.

And improved reliability of the system is important, and shouldn't go without notice or recognition here. It's a very strong program. Looks like we're gaining some traction in that area.

The other point, and it's kind of the elephant in the room, if you will. And that is concern that I have heard expressed by several people about the continuing Trust Fund balance. And I'm sure David Grier will spend some time talking about that in his discussion. But I think one of the things that we, as Board members, feel that is extremely important, and that is before we talk about increasing revenue and addressing what the needs of the nation are, we feel that we and our partners have to engage in dialogue about how do we fix the business model so that the funds that we expend are spent in the most efficient way.

And we have discussed various concepts and opportunities about how to do that. We had a stakeholders meeting, I guess it was back in June, I believe was when we had the meeting. And we had several recommendations. One of the things that the Board members said they would do, they would further develop the concept of bonding. Several of us, a small team, will be meeting in New York on Friday to explore that possibility, in terms of, you know, what's needed, how we would focus on that. But I think in closing, I think some of the things I would like to see further deliberation on between the Board members and the Corps, our partners in this whole navigation arena is, we had a whole list of recommendations in our report this year, our annual report that the Board filed in March to the administration and to Congress.

And we'd like to see some discussion or some deliberation around those, in terms of, you know, are we off in the weeds on this issue, or this is something, this particular issue, something that we can put some substance around. And here's the direction that we ought to go collectively to try to bring about a change or implementation, something like that. So as a Board member, I would recommend that we, at some point here, in the not distant future, sit down with the stakeholder group that is involved and have some discussion about, you know, here's the recommendations, what do we do next about them, or what can we do next about those.

So I just offer those up. But I think it's a very critical issue for us going forward. It's something that I know we in the industry are very interested in, as a stakeholder in all of this. And the bottom line is, and we used in the annual report, Olmsted as an example of what happens to projects that aren't funded at the full capability level. And in the annual report, the example that that project demonstrated, it was about 200 and, I think, 39 or 40 million dollars, if I remember correctly, that was attributed to part of the increased cost and about five years additional construction time, as a result of not having full capability funding in each of the years that that project could have had full capability funding.

And so when you look at that, you, as a person who contributes to the Trust Fund, you say why do I want to increase revenue to the Trust Fund if those dollars are not going to be spent in the most efficient manner to get the biggest bang for the buck? And so that's the dilemma that I think all of us in the industry want to sit down and have some discussion with our stakeholders on the government side, is how do we solve these problems going forward so that it's a win-win situation for both. It's not something that wouldn't be good for the Corps, and it certainly would be very good for industry if we could change the business model.

So with that, we will move on. And first order of business is obtaining approval of the minutes of our 54th meeting. Do I hear a motion?

MR. MARK BUESE: So move.

MR. WHITLOCK: Second?

MR. W. SCOTT NOBLE: Second.

CHAIRMAN WHITLOCK: All in favor? (Unanimous approval). Thank you. Next we will move to hear David Grier talk about the status of the Inland Waterways Trust Fund.

David.

MR. DAVID V. GRIER: Thank you, Mr. Chairman. Can everyone hear me okay? You should have under Tab 3 in your notebooks a status report on the Inland Waterways Trust Fund, as well as a Trust Fund analysis. I have some extra copies here if anyone needs one, if they don't have their notebooks.

And the status report is the first page, two-sided, a table on one side and graphs on the other. And as happens with these things so often, I already have updated numbers from what's in your notebook. I discovered this morning that the June statement from Treasury had been posted on their web site at the Bureau of Public Debt. So I tried to update these numbers, and I'll send out a refresher sheet to all the Board members. Feel free to mark yours up if you want to compare the numbers, but don't feel like you have to, I will follow up with a revised sheet.

We ended 2006 with a balance of $267.7 million in the Trust Fund. Of that, $26.6 million was carryover of transfer authority already realized, but not yet transferred for funds.

So that, in effect, left $241.1 million in the Trust Fund that was available for future transfers. In terms of where we are in 2007, revenues year-to-date are now through June, $64.1 million, compared to $57 million in '06. Interest year-to-date, $7.75 million versus $6.9 million through June of '06. Total receipts are therefore $71.8 million through June, compared to $63.9 million last year, an increase of $7.9 million, or about 12 percent.

Transfers to the Corps year-to-date as shown by Treasury, actual transfers, not just the authority, $111.4 million through June, compared to $120.4 million last year. So that's a decrease of $9 million year-to-date, or about 9.2 percent.

And some of that may be attributable to the series of continuing resolutions that prevented award of some of the contracts earlier this year. I would expect to see a surge in those transfers in the final quarter of '07.

At this point we have a balance year-to-date now of $228.1 million versus $296.2 million last year, a decline of $68.1 million or 23 percent in the balance. That $228.1 million includes $129.1 million in transfer authority already provided by the Treasury, leaving an effective balance of $99 million that is available for transfer that has not been committed so far.

And on the backside you'll have a couple graphs that just sort of show traffic trends year-to-date, also through June. I added up the numbers by month, and it's basically no change year over year for October through June of '06 versus '07, in total tonnage. We did show an increase in petroleum and chemicals, that's why I included that graphic here.

There's been about a 16.3 million ton increase in that commodity group, or about 11 percent overall. Which might account for some of the increased revenues for the year.

Any questions on the status report, before I go to the Trust Fund Analysis?

CHAIRMAN WHITLOCK: David, I guess question, when you talk about revenue year-to-date running about 7, almost 8 million ahead of last year. What do you think the annual, or the end of the year numbers will be? Will it be back up closer to 90, and was that just a...

MR. GRIER: If this pattern holds compared to what we've typically seen, in the 4th quarter we could be back up to around 90 million in revenues for the full year.

MR. WHITLOCK: Okay. Any other questions for David?

MR. GRIER: Okay. In terms of the Trust Fund analysis itself, I really didn't have new project numbers to work with. The presentation I gave in March did reflect the '07 work plan allocations. So I'll just go through those tables real quickly. We had, the first scenario, Table 1A on page 5, shows the projects in the baseline construction program and the anticipated expenditures. The baseline program included funding for Kentucky in '08, but does not include it after that year.

It also does not include funding for Inner Harbor or Upper Miss 3 after '06. And the impact of that program is in Table 1B. Even with discontinuing funding on those projects I mentioned, the Trust Fund is still anticipated to go negative in 2009. And that negative balance would increase for several years thereafter, due to the significant outlays for ongoing construction at Olmsted and other projects in the mix right now under the baseline program.

Table 1C, on page 7, is an attempt to show what revenues would be required based on the five-year-programmed expenditures in order to avoid that Trust Fund deficit. And revenues would need to be on the order of $110 to $130 million, depending on the year, out through about 2013, when the peak construction period is passed for those projects shown in that baseline mix. But not for any new projects coming on under construction.

Tables 2A and 2B show additional projects in the out years that are candidates for construction. I learned yesterday I need to add the major rehab for Myers to this list. And, also, Lower Monumental on the Snake River.

So this list is still not complete, it was just an attempt to look at what we see in the pipeline based on studies that are under way and possible start year time frames for many of those projects.

Table 2B would show the impact of trying to fund all those projects that are in the queue as candidates. And we begin to run sizable deficits in 2009. And these grow fairly dramatically to over a billion dollars by 2014.

Tables 3A and 3B then attempt to look at how these projects, candidate projects in the queue, could be funded and what their start years would be without any change in the current fuel tax rates and anticipated revenue streams.

Projects like Myers and Chickamauga would be delayed by several years. Going out to 2016 on Chickamauga, 2023 on Myers. Projects like the candidate locks on the Upper Mississippi system, and that's the UM-IWW system, would not be able to be started until about 2018, with completion around 2036. And other delays in completion would also be for Myers and for Kentucky, they would be stretched several years out in order to avoid a Trust Fund deficit.

And Table 3B just shows what the cash flow would be associated with the schedule for projects. You're running, essentially, close to a 0 balance and just funding projects at the rate of revenues anticipated.

Tables 4A and 4B are new. These weren't presented in March. These were presented at the stakeholder workshop that the Chairman mentioned, that we had back in June. And this was an attempt to show the projects in the candidate list that I used in 2A and 3A, what would the possible start years be for those projects if we have revenues on the order of around $200 million annually. Which are the anticipated transfers for '07 and '08, in terms of the budget request and the '07 work plan. If we sustained revenues on that order and available for transfer, we could complete all the ongoing construction projects, roughly, on their current capability schedules.

We could start the Upper Miss system by 2013, and a number of other locks in that same time frame; Bayou Sorrell, Greenup, a number of projects on the Gulf Intracoastal Waterway (West) that are now under study and candidates for authorization. And then we could begin to introduce other locks that are candidates for construction coming out of the Ohio Mainstem Study and other studies. And that program could be completed by 2031 for the Upper Miss series of seven locks and other measures up there. And in the early 2020s for some of the major rehabs in the out years on the Ohio system.

Table 4B shows the cash flow associated with those scenarios. And as it appears, that by 2019 we would then begin to have revenues growing again, and the tax rate could possibly be reduced. Or there may be other project candidates that aren't under consideration at this time that would need to come into the mix. But you could possibly accelerate some of those out year projects in the list in 2A based on the projected at year-end balances under this revenue scenario.

That was presented at that stakeholder workshop, and I just wanted to share that with the Board members who may not have been in attendance there. And I want to entertain any questions on the Trust Fund analysis at this time.

CHAIRMAN WHITLOCK: Any questions for David? Jerry?

MR. JERRY GROSSNICKLE: David, I noticed that we don't have any projected funding in there for John Day, which already has -- already working on work for major rehab. Would that be a future part of your analysis?

MR. GRIER: I apologize, yes, that's another one I should get into the mix then. So that would be at least two on the Columbia Snake System to make sure I get included next time.

CHAIRMAN WHITLOCK: Any other questions for David?

MR. NOBLE: Norb, if I could, since this might be my last chance to speak on it. And it may not be a popular view, but I know because of this approaching end to the surplus in the Trust Fund, and certainly a need to spend, I guess when you sort of look back at the evolution of the Trust Fund itself, as I understand it. Major rehabs were not considered in the early part of this fund. And, again, it may not be popular, and sometimes you can't put the genie back in the bottle. But I would suggest that might be another thing to re-visit, should, in fact, major rehabs perhaps not be supported by funds from the Trust Fund.

And I think that's reasonable. And then probably the other thing that would be very unpopular is the 50/50 split obviously was a politically settled on equation years ago. And one way to solve the problem, again, would be to revisit that. Should it be 50/50? I think when you look at a lot of the other benefits from the system, and there are people that are not contributing, I would make the argument that another thing to do is to look at should, in fact, it be dropped from that 50/50 to something less.

CHAIRMAN WHITLOCK: Any other comments? Okay. Next on the agenda is Ms. Mary Anne Schmid.

MS. SCHMID: Thank you, Mr. Chairman. Good morning Board members. My presentation will focus on the appropriation data for the construction account and the Trust Fund. I had to pass out new charts this morning. They should have been laying on top of your packets. And I also put some extras out on the table in the front, for other folks.

Okay. The first chart is the program timeline table. As you know, we are always working in three fiscal years concurrently. And this chart has three horizontal lines for FY '07, '08 and '09 programs. And there's a vertical line just past center, which indicates where we are today. As you can see, we're about 80 percent complete with execution of the '07 program. Just about completed defending the '08 program, in the subsequent charts, as you all -- it's been noted already. We have the House and Senate marks. And, of course, as General Riley pointed out, we're defending the '09 program at this point. Are there any questions on this table?

Okay. Thanks.

Moving on to page 1 of the tabular data, the first section are the studies potentially leading to Trust Fund projects. And you can see the President's budget is 0 for '08, and the House and Senate have added between $2 and $3 million for these projects.

Move on down the page to the Pre-Construction Engineering and Design (PED) leading to Trust Fund projects. Again, President's budget has one project. The significant increase here is by the Senate for the Upper Miss, adding $12 million.

Page 2, we have the last section in Investigations, and those in PEDs leading to non-Trust Fund projects. And that concludes the Investigation section.

Page 3, we begin with the construction projects shared with Trust Fund. And the '08 budget is around $333 million, not much of a difference between the House and Senate marks in the '08 budget.

The next section are the major rehabs, IWTF. And as you can see, there are 0s under the budget for most of those, because the administration is budgeting for those in the O&M account. The biggest increase, the biggest significant increase I can see is the Illinois Waterway Lockport. The House added $30 million, which is $10 million above the budget and, also, the Senate mark. And that's the greatest difference.

You'll have to skip page four, it shouldn't be in there. Move on to page 5, you have the Inland Waterways Users Board costs, and then the non-Trust Fund construction projects. You can see here that the FY 08 budget has the environmental projects in O&M, as does the House mark. And so the large difference here is the Senate decided to keep them in Construction, General.

And on page 6 we have the Operation and Maintenance. And this is where the budget numbers are for the '08. Page 7 begins the Inland Waterways Fuel Taxed projects, continuing on through page 9. We're pretty close here. The FY 08 budget is $760 million, the House pluses that up by about $24 million, and the Senate is down just a bit.

And the bottom of the page is the non-fuel taxed projects, continued to page 10. And those are fairly close to the budget numbers. So that concludes the presentation. Do you have any questions?

CHAIRMAN WHITLOCK: In the FY 07 program you're showing for Inland Waterways Trust Fund, total CG in Inland Waterways Trust Fund, about $414 million allocation.

MS. SCHMID: Um-hum.

CHAIRMAN WHITLOCK: Do you have an estimate as to what the expenditures will be in FY 07, of that $414 million?

MS. SCHMID: I do not have that information with me, but I can get that for you.

CHAIRMAN WHITLOCK: Any members have questions for Mary Anne? Okay. Thank you, Mary Anne.

MS. SCHMID: Thank you.

CHAIRMAN WHITLOCK: Moving now to the next agenda item, Ms. Claudia Tornblom. Claudia is going to be talking about a kind of summary of our stakeholder meeting that we had in June. Claudia.

MS. CLAUDIA TORNBLOM: Thank you, Norb. The workshop has already been mentioned a couple of times. And your information notebooks include a summary of the workshop, about a five or six-page document, so I'm not going to go into a lot of detail here, but I do want to hit the high points for you.

As has been mentioned, the '08 budget announced the Administration's intent to propose a barge user fee to replace the existing fuel tax, as a funding source for the Inland Waterways Trust Fund.

In March this User Board wrote a letter to the Assistant Secretary stating their views that no user fee should be proposed without meaningful consultation with industry. And that it was premature, as Mr. Whitlock just repeated, until the Federal Government corrects ineffective spending and contracting practices, to make any changes in revenue sources.

On May 18th, Mr. Woodley responded to that letter.

Agreed that further consultations were necessary to understand the revenue projections, the obligation projections for construction and rehab, and the options and impacts that should be considered. We did convene a workshop on June 12th.

Several of the members and a number of other industry representatives were there. And as I said, you can get a lot more details by looking at the tab in your notebook.

At the workshop representatives of the Department of Treasury first explained just the conceptual difference between a user fee and a tax, so that we could all better understand why the administration is advocating a user fee.

Economically, it is considered to be more efficient for the economy at large, because the people paying the entities and people paying the fee would be more close, or theoretically are more closely related to where the benefits are accrued.

The Treasury representative also noted that none of the options we were looking at were a true user fee.

There was a TVA representative present, who presented data and analysis that TVA had collected from the Corps' Waterborne Commerce Statistics Center, the vessel operators trips reports and the aggregated reports of the lock operators. The TVA representative noted that the lock operator's data included information on commodities and waterway segments, which allowed TVA to actually posit various options for fees and taxes, and generate estimates by commodity and by waterway segment to what the impact would be compared to the current fees, taxes.

TVA also noted that it found an up to 35 percent possible discrepancy between the data reported to the Waterborne Commerce Statistics Center, which is pretty close to the data reported to IRS, and the actual reports coming from the locks, where the lock operators record who locked through, what their commodities were and what segments of the waterways they traveled on. So I offer that for your information.

We looked at four options in some detail. They were all designed to generate $200 million annually in revenues. That was, at the time at least, considered to be about the mid point of the estimates on unconstrained projections for current and anticipated construction and major rehabs. The range was $180 to $230 million, so we just picked $200 million and developed several options, each of which would produce that level of revenues.

We also got estimates on what the tax would have to be increased to in order to also project 200 annual revenues.

We had to do that to have a fair comparison of the relative impacts of the user fee proposals versus a tax increase. All of the options we looked at were nationwide, and we did not look at options tied to variable costs, where each project or each lock would have its own price structure based on the anticipated investments. Our view that that was just too unwieldy and we could not easily administer such a fee. So even though that would have been a more true user fee, we did not pursue options along that line. The results of the analysis showed that a lockage fee of about $70 per barge could raise $200 million in revenues annually. Alternatively, a segment toll of about $.62 per barge mile could raise those revenues.

We also looked at a capped segment toll, where the impact on certain segments or commodities might be capped at a certain level to limit the impact, at least in the short run. But that, of course, would mean that in order to still raise $200 million the charges on the rest of the system would have to be increased. So it would just be a spreading of part of the cost across the systems, rather on particular waterways.

The option of increasing the fuel tax to produce $200 million in annual revenues indicated that the tax would have to go from the current $.20 per gallon, up to $.45 per gallon, to produce the comparable revenues.

In TVA's data analysis they also looked at options of a vessel construction fee or a barge registration fee. But we did not pursue those at the workshop.

Mr. Whitlock has just summarized for you the presentation that he made at the workshop. He stated that the Corps business model is broken and is largely to blame for the depletion of the Trust Fund revenues. No proposal should be made by the Administration until the causes of this inefficiency have been addressed, including unreliable cost estimates, budgeting and appropriation practices that caused cost increases due to delays, delay of rehabilitation that increases maintenance costs, and ultimately leads to deferred maintenance and unscheduled closures.

Also mentioned that recent changes in continuing contract provisions need to be looked at because they also are resulting in cost increases that impact the Trust Fund. Mr. Whitlock mentioned a possible government bonding option that the Users Board intended to pursue. At the time, at least, it was envisioned as a bonding to finance work over about thirty years until, according to the Board's projections at the time, the gap would be closed between the investment requirements and the revenues.

As we discussed this further, we mentioned that such an analysis should also have included interest on a government loan, inflation during that 30-year period, and some kind of provision for additional major rehabs that weren't already on the list, and possible new authorizations.

There was a brief discussion, and more than one view about what should be in the '09 budget. Whether having no proposal was important enough to stop work on some or all projects. But I think at the end of the discussion we agreed we needed to move forward if we could possibly find a way to do so.

At the end of the meeting I agreed to talk with the Corps leaders, specifically Steve Stockton, about having the Corps undertake a self assessment of its business model. And they have started working on an outlining of a proposal that would do that. We don't have any final decision yet on how to go forward.

We agreed to compare two projects; one with good outcome and one with a bad outcome. The bad outcome one has already been selected in the last Users Board support, and that's Olmsted. After initially talking about R.C. Byrd at the workshop, we've concluded since that Marmet is a better example of a good outcome. So we're planning to proceed with a comparison of the management and then various outside impacts on Olmsted and Marmet.

The Corps committed to provide more realistic 30-year projections of requirements. And you saw an update of that today, and they'll continue to work on that.

And industry was going to continue to pursue the bonding option.

The Corps is developing the possibility for a self examination, as I mentioned. We've selected Marmet as the follow-up for a good example. We're continuing discussions with OMB as we prepare to submit the 2009 budget, on strategies for dealing with this issue. There's no definitive decision yet, and I don't anticipate one, frankly, until November/December time frame. I can say; however, that the Executive Branch is in a very difficult position right now, because even though changing the way the Inland Waterway projects are funded in appropriations in the '09 process, would not create a score keeping problem for the appropriations for this year, for the subcommittees to deal with.

It would, in fact, have an impact on the government wide bottom line of spending versus revenues. So it is still something that OMB has to be cognizant of when it makes a decision, even though the subcommittees will not have a score keeping issue to deal with.

The other thing I mentioned, I have carried forward, as I committed to do so, your recommendations and viewpoints to Mr. Woodley and to OMB. They are well aware of the position that this Board holds. And as I said, we're in a very difficult position on deciding what's going to happen in the '09 budget.

Any questions? (No response.)

CHAIRMAN WHITLOCK: Any questions for Claudia? (No response.)

CHAIRMAN WHITLOCK: Thank you, Claudia. Next on the agenda, we have representatives from the IRS that is going to be reporting on the collection of the fuel tax. Mr. Ludwig, and we have a Joan Cannon, also are going to jointly make presentations. Mr. Ludwig.

MR. THOMAS LUDWIG: Thank you, Mr. Whitlock. We appreciate being here today. And I know Joan was able to attend the afternoon session yesterday, and after talking to her and some other folks, I certainly wish I would have been able to get here, as well. It sounded rather interesting.

I'm the chief of fuel policy for excise in the IRS.

And, you know, certainly we have the responsibility of administering the tax laws that Congress sets forth. Administering and collecting the taxes. There are many difference excise taxes and, of course, the Inland Waterways Trust Fund is one of many. And we do understand the importance of insuring that the dollars collected are accurately accounted for and so forth.

And Joan Cannon, who, in a moment, will provide some more information on that accounting system, might help clarify some of the drop in the revenues that appears to have occurred in '06. I do want to say that, and Joan is from our Chief Financial Officer's office, and so she's the one that actually, you know, reconciles the amounts and goes into detail.

I'm from the compliance side. And when this was brought to our attention, of course we met with the Corps.

We've since met with TVA. And as Claudia mentioned, some of the analysis of TVA had indicated a 35 percent difference, potentially, in the reported tonnage and so forth, versus the lockage. We are analyzing that data and working closely with the Corps and TVA to come to some conclusion on that.

We do compliance activities, in terms of the Inland Waterways tax, and we will continue to do those compliance activities to ensure that the tax is accurately reported to the IRS, and then in turn, through our accounting systems, turned over to Treasury.

With that I'd like to turn it over to Joan now to go through a description of how we account for the funds.

MS. JOAN CANNON: Thank you, Tom. Mr. Chairman, Board, I'm so happy I was here yesterday to join you on the tours. I really learned so much and have a greater appreciation for all the commerce that is done on our inland waterways. And just the importance of this Trust Fund just rose, in my opinion, and I just thank you for putting on such a welcoming and informative show yesterday.

What I want to talk about is -- actually, I'm very flexible, I don't have a written speech that I want to stand up here and read to you. But I would like to talk to you about what we do in the CFO's office, as well as the IRS processing of the excise tax returns. And I'm open, if you don't want to know about the nitty-gritty process, just stop me at any time, because I can get excited about some things.

As we were at the boatyard yesterday, and watching the big sheets of steel being offloaded and sorted off the barges, I thought about in Covington, Kentucky, right down the Ohio River, the service center, now called campuses, where they process the tax returns. All excise tax returns are processed in Covington. And much like the barge offloading the steel, the mail trucks offload the tax returns into the service center.

As you know, the excise tax returns is a Form 720.

It's filed quarterly, all in Cincinnati. And in addition to the return, in many cases it's the taxpayer, the large taxpayer that deposits are made sometimes twice a month, sometimes even more for the great big taxpayers.

If you're not familiar with a 720 tax return, it has many many lines on it. On each one of these lines is a different type of tax. It's multiple pages. And each one of the taxes is assigned, what's called on the page, an IRS number. But we call them abstract numbers. There are also credits on the return that some taxes can also file.

In the CFO's office, we are really concerned about getting the right tax to the right trust fund. Some taxes don't go to trust funds, they go to the general fund. But many of the taxes on the return go to different trust funds.

As you know, the returns are filed quarterly, and they're not due until the end of the month following the end of the quarter.

For example, the liability quarter beginning in January, goes January, February, March, that return is not due until the end of April. So at the end of April, even when deposits have been made in advance of that, those deposits are considered to be estimated deposits, like we have our withholding on our income tax, until the return is filed.

Then when the return is filed, if there's more money owed, that's where it's trued up and the deposit is made with the return.

For example, here's this little chart that I made. The liability quarter, the return due date and when we actually do our certification that is sent from our office to Financial Management Services at Treasury. Financial Management Services prepares warrants. And those are sent to the Bureau of Public Debt. And as I heard many people speaking this morning, evidently there is a very close relationship between the Trust Fund operators and the Bureau of Public Debt, who are the ones that invest the money.

What I want to emphasize is that when the returns are processed in Cincinnati, the truckload gets there, it gets processed, everything gets numbered, everything gets sorted and categorized. Deposits are made very quickly. And it is a production line, basically, that goes through the service center. And at the end of every day, those returns that came in the door, that have been totally processed, with all error corrections and all edits to things that they can't read, if they are not signed and things like that, they're perfected.

And they go on a computer run to the, what we call the big master file in Martinsburg, West Virginia.

In Martinsburg, West Virginia is where they have, I mean, it's a huge computing center. And they have what used to be reels of tape, but now I'm sure it's not even tapes anymore, in many cases, it's all electronic this and that.

We get reports from Martinsburg after there's time for the returns to process. We get reports every month that sorts by tax period, what money was collected and returns that have been filed. We need both the return and the collection of the money to appear on our report. The report that we use is called the Report of Excise Tax Collections. It is used to prepare our certifications. What that report does is split out, once we have the return, by money collected, which money went for which abstracts.

For example, if a taxpayer owed $100,000, and they paid $100,000, that money would get allocated to each of the abstracts on that return 100 percent. If they've only paid 50 percent or 80 percent, they only get allocated for each of the abstracts on that return 50 percent or 80 percent. We have to do it like that just so that certain trust funds get the evened amount of money of what everybody else got, by percentage paid.

We have been certifying the -- if you look at this chart, if you look at the March liability quarter, we were certifying on September, but now we're going to be certifying on August 20th. We were certifying on September 20th and now we will be certifying August 20th. So we've accelerated, and that's mainly due to a request by GAO, because they think the money should be trued up faster to the different trust funds.

When we met many times with other Treasury agencies, they want to make sure the number is the right, final adjusted number. And that is why there is the delay. When we process things in Martinsburg, everything is on a weekly cycle. So those things that have gone into the computer that week, get counted. If it comes in a day later, it's another week later in the delay in processing.

We also have some tools that we use to make sure that the abstracts that we give credit to are the right ones for that taxpayer. We have something that says hey, this taxpayer never files an abstract 64, which is the Inland Waterways tax, is this in the right category? And very often it's not. It can be a typo, because all of these things are still key entered on computers in the center.

They are math verified to a certain extent, but there's still people key entering on computers. And we want to make sure that everything is in the right category.

For example, if one of the very large taxpayers, if one abstract is wrong and it goes to the wrong trust fund, it could make like a huge impact on the Inland Waterways Trust Fund if they, by accident, got an abstract that should have been abstract 60, for gasoline, and it was input as 64, for Inland Waterways. Then they'd really be unhappy when it got transferred back out to where it belonged, so that is the reason for our delay in when we do our actual certifications.

In addition to our doing our certifications, before that happens, the Office of Tax Analysis at main Treasury does estimates based on the actual deposits. They do that twice a month. So those are the numbers that first go to FMS. And those are the numbers that you see first, every month you see what has been estimated by FMS. And then those numbers are adjusted when we get our certifications to FMS. So that one-month difference in when we do our certifications may make a difference in what numbers you see in what month.

This is just a little explanation about the worksheet that we use. It determines, by rates, in many cases, all the fuels have rates that are per gallon, so we have to figure out how many gallons they claim they are reporting. Figure out the rate per gallon. And then in some cases, for example, the gasoline and diesel fuels, go to more than one account within trust funds. In the highway trust funds there is a highway account, there's a mass transit account and there is a leaking underground storage tank account. And the moneys have to be divvied up between those three trust accounts.

The Inland Waterways Trust Fund also is split up between two accounts. The Inland Waterways Trust Fund gets $.20 a gallon and the Leaking Underground Storage Tank Trust Fund also gets $.001 per gallon. So you don't get everything that's collected, but we are very careful in using the rate chart to get you the $.20 a gallon, which has not changed since the '90s. The total rate that they've been paying has changed, and gone down. It was 24.4 originally, and then it was 23.4, I believe. But the difference was all money that went to the general fund. None of it has changed for the Inland Waterways Trust Fund, you've been getting your $.20 a gallon. And who knows, it may be time for a change.

So we have our little worksheets. We're getting better and better at Excel spreadsheets. And as I say, we try to make sure that the correct money is in the correct abstracts and then we do our certifications. As I said, we need both the money and the return. As I said $.20 goes to Inland Waterways Trust Fund, $.001 goes to LUST.

We have meetings every quarter with the Treasury excise tax working group. That includes members from the Office of Tax Analysis, who don't do the estimates, from FMS and from the Bureau of Public Debt, and from anybody else that cares to talk about what's going on and alert us to processing problems or anything that we need to know about to get the right money to the right trust fund. We also talk with programmers. When there are new abstracts, when there are changes in the rates, we can handle pretty quickly, but it is the Federal Government and most of our work is determined by what the tax law is. We don't create the rules, we just have to figure out how to interpret them and follow them.

When they create new abstracts, it is a programming nightmare for some of the programs, because there are many, many different programs that different returns get touched going through all the paperwork that has to be done to get all the returns processed. We send, as I said, we send our memos to FMS, they prepare warrants, and that's about the estimates that OTA does. The Bureau of Public Debt invests the money, and it sounds like you do get some interest on the money, based on the money that is warranted by FMS.

These are the other trust funds that we do certify.

And if you see on this list, the Inland Waterways Trust Fund is based on Internal Revenue Code 9506. Has everybody read that and memorized that, I'm sure. I prepared this slide to explain, and it's a hard thing to explain, but it's repeating what I said at the beginning. The column on the left is the liability quarter. The liability quarter is the quarter at the time in which the fuel is purchased. And at the end of the quarter, for example, January, February, March.

As I said before, the liability quarter ends in March. That return does not come in until the end of April.

And in some quarters, especially September, the return is not coming in until the next fiscal year, even when the return comes in the door. So if you're talking about an event that happens in September, say Katrina, that can effect more than one period of time, depending on what you're talking about.

If you look at these numbers, I took these numbers right from the memos that we do and we sent to FMS. On the left-hand side, the liability quarters for fiscal year '04 ended in December '03, March, June and September '04. Those quarters were not certified until June '04, September '04 and then December '04 and March '05. So if you think about numbers, I'm just saying if you're looking to find any changes in what numbers you're seeing, a lot of the numbers you may be seeing, if they're real time on the monthly Treasury statement, or things like that that are on the BPD web site, those may be estimate numbers or those may be certified numbers. They probably, every month, include some of both, depending on if it's a certification month.

The estimate numbers, for example, at the time of Katrina, the deposits didn't have to be made. They may have made their deposits before the storm and then didn't have to file their return until months later. So the return may be counted at a later time. And anytime a taxpayer doesn't file on time, that's going to account for a change in the next quarter's numbers. So it's hard to grasp, in one way, but you all know when you have to pay the taxes, if you're a filer of 720's. And if you're trying to analyze budgets, just be aware of an event that changes numbers at one particular time may appear in a delayed period of time. So I'm just saying in the numbers that you're looking at, and we've talked to the Chairman earlier, and we are going to supply some numbers. We have certified the September quarter of '06 and the December quarter of '06. The March quarter is being worked on right now, and that will be certified on August. So we can get you the newest numbers, to see your trends. And it sounds from David that the numbers that he's looking at may be back on the upswing. So that was my main point, was I just wanted to give you a little flavor of what we do. We count the numbers, but we need the returns and the money, basically.

Any questions?

CHAIRMAN WHITLOCK: Any questions for Joan?

MR. BUESE: I have a question. I can't quite read the number up here, but what are you showing us, the estimated number of fiscal year '06, total?

MS. CANNON: The estimated number for --

MR. BUESE: Yes, because you haven't certified all.

MS. CANNON: The certified number for the liability quarter for fiscal year '06 was $88,504,000. But for the certified numbers for Fiscal Year 06, was $86,397,000.

MR. BUESE: David, why then in the status report do we show $80.8 million?

MS. CANNON: 80.8, see, I don't know where those numbers you're talking about come from.

MR. GRIER: That comes from the Treasury statement on the Bureau of Public Debt web site for September '06. And it represents what they're showing as the final end of fiscal year numbers. And then their October statement starts with a new set of numbers, so that's why I've used those in the past to report to the Board, because it was a complete fiscal year set of numbers that was published.

MR. BUESE: But isn't this Fiscal Year 06 up here of $80.8, isn't that the comparable period, according to the IRS data it's $80.8, or whatever?

MR. GRIER: It sounds like that's the final number after all of these certification processes. And it must get reported somewhat later. I would have to work with IRS on how to interpret statements or find some other source of information to try and replicate that.

MS. CANNON: I think -- I'm not sure, David, but I think that what you're seeing when you're looking at the BPD numbers may include some estimates, what's going on currently, for what will be in our numbers later. So you're never going to get a one-to-one because it's apples to oranges. The numbers aren't going to match exactly because the numbers that we're truing up are for a past time.

MR. GRIER: Yes, I can work with Joan and other IRS staff to see if there's a better way to do the accounting process on it. Up to now I've just depended on what was published on the web site because it was a published source.

MR. BUESE: Thank you.

CHAIRMAN WHITLOCK: Okay. Thank you, Joan.

MS. CANNON: Okay. Thank you.

CHAIRMAN WHITLOCK: I guess for some of the people in the audience here, the reason that the Board was interested in hearing from Treasury is that the numbers as contained in the report show $80.8 million as receipts for FY 06. Which was down about 11.5 percent from the receipts that we saw in FY 05. And what I've heard David say earlier, that we're on track for FY 07, on an annualized basis, to be back to the FY 05. And we were trying to figure out why we were 11.5 percent down in FY 06, when the industry was fully employed, fully engaged in '06.

And I think based on what I see and the timing and the lag, what I think may have contributed, and some of the discussions that we had a prior board meeting, was the impact of Katrina occurring in the last quarter of FY 05, but those funds and so forth don't get deposited into Treasury until what we saw on the ground in '05, that doesn't catch up in Treasury until FY 06, which is when we saw the downturn.

So I think that may be part of the explanation.

Part of we're seeing here, as the number appears to be scored actually higher than what was originally reported. So the combination of those two, at some point, I assume, it gets reconciled and its caught up or what have you. So I'll leave that to David to work out with Treasury as to what the number is.

I'm not sure I still know, but I think we're moving in the right direction.

GENERAL RILEY: You had asked earlier, also, about indications of under collection. I guess there's no indicators of that at all that anybody is seeing or the IRS is seeing?

CHAIRMAN WHITLOCK: Well, I would leave that to Mr. Ludwig. In earlier conversations this morning, he was talking about the continuing to, as part of our request, continuing to look at taxpayers into the Trust Fund and looking at what they've been doing over the past two or three years to see if there's any flags that go up. So that level of detail, he said he couldn't share with what he's doing, but he said he is continuing to look at it.

Any other comments for Joan?

Okay. We're scheduled to take a break. We're a little bit early. Let's take about a fifteen-minute break.

Is that long enough, or does people need a little longer?

Fifteen minutes, then we'll reconvene and move on.

(Whereupon a recess was taken.)

CHAIRMAN WHITLOCK: Okay, if I could have your attention, please, we will resume our meeting. Next on the agenda is we have two individuals from the New Orleans District, Mr. Bobby Duplantier and Mr. Greg Miller. Talking about the Inner Harbor Lock and the MRGO.

MR. BOBBY DUPLANTIER: I'm going to be presenting on the Inner Harbor Navigation Canal Lock project, and I'll be followed directly by Greg Miller, presenting on the status of the MRGO.

The first couple of slides I'm going to go through pretty quick. It's just sort of a history of the project, but I was told that you guys were mainly interested in the updates, as far as what's been going on recently. I know a lot of you guys were out, maybe it was about a year ago we took a tour of the facilities out there.

Couple of facts. River and Harbor Act of 1956 authorized it, WRDA '86 re-authorized it, and WRDA '96 is when we got our community impact mitigation plan. I'm going to talk a little bit more about that later on.

That's the cost share right there you see on the fourth bullet, 50 percent Federal, 50 percent Inland Waterway for the shallow draft portion of the lock replacement. Our sponsor is the Port of New Orleans. And since Katrina they've been very involved in our planning efforts.

Just a shot of the old lock. Been targeted to be replaced for some time now.

This is just sort of a map of all the inland waterways in the area. And I think Greg is going to talk more about this.

Another shot of how all of the bodies of water tie into IHNC, Mississippi River and the MRGO. And I think the main thing you guys are interested in is with the potential closure of the MRGO it really creates a need for a new lock.

The priority of the lock replacement really kicks into high gear. This is a couple reasons for the project: critical to the nation's commerce, it's been a priority replacement lock, and existing lock is too small for some of the navigation we're trying to get through there.

Some statistics on the existing lock as it is now.

This is the recommended plan. It is for a deep draft lock, 110 feet wide, 1,200 feet long and 36 feet draft, which would make it a deep draft. Total cost right now, after the recent price levels, is $804 million.

Another slide on the cost sharing, how it breaks down. Total project cost for the Inland Waterway portion is about $324 million. I'm not sure how familiar you guys are with this mitigation plan, but it's pretty one-of-a-kind. The mitigation is a percentage of the construction, and with this being such a high dollar construction project there is a large amount of mitigation dollars that goes into this. We've established what we call a CBMC, Community Based Mitigation Committee. And it's basically a group of residents in the affected area.

I have a map, a little further showing you the affected areas. They get together and basically decide the best way to spend their mitigation dollars. Some of this work has actually helped out with some of the Katrina repairs -- not Katrina repairs, but as far as getting the neighborhood back together. For example, the last thing the board voted on was for restorations of one of the parks and playgrounds in their area. So they took some of the mitigation funds from this project and they wanted to restore one of the parks in their area. It's just a little more about the CBMC.

I'm going to go through these pretty quickly. This is what I'm really here to talk about. As many of you know, in October '06 the project was enjoined by Judge Fallon in Federal Court, and we were ordered to stop all project work until we complete a Supplemental Environmental Impact Statement (SEIS). Now, not all work has stopped on the project. We can only do work in relation to this SEIS. Which a lot of things are being done with it. We can still do some design work, as long as we can tie it into this SEIS.

So, while technically the project is stopped, there is some work being done on it. And as a matter of fact, one of the main things we're looking at now, in August '07 we have a meeting to come up with a construction method. We had agreed upon a float-in construction method, but pre-Katrina, probably '04, there was some talks and the Port asked us to go back and re-look at our construction methods, and possibly go into a cast in place. So we've been looking at some numbers and determining which would actually be the cheapest way to go to get what we're trying to get out of the project.

Just as a status, as far as the SEIS, probably about three weeks ago we awarded a contract to Weston Solutions, and they're going to be handling the sampling and analysis portion of the SEIS. And they've been out there in the field, actually, for the last three weeks. And they have about five more weeks to go on sample collections. And that really is the critical path in getting this SEIS done as quickly as we can.

Like I say, we meet with the Port, and everybody knows, as everyone here is aware, time is of the essence. You know, this is a pretty old lock that has a lot of problems with it. And we're very aware of the importance of getting this done as quickly as we can.

This is sort of the funding that we're using right now. We got $12.5 million in third supplemental funding. In '07 we got $4 million, and in the President's budget for '08, we don't have anything in there. So there may be some House and Senate markups, but as far as the President's budget we're zeroed out. And I'm sure you guys may have some questions.

Any status of what are we are doing.

GENERAL RILEY: Yeah, what's the time line on the SEIS?

MR. DUPLANTIER: The estimated completion, I just ran a schedule before I left, it's October '08, which will put us in the Federal Fiscal Year 09.

MR. NOBLE: This is Scott Noble. I'm curious, how many acres and about how family, families or residents are impacted by this environmental work that is to be done?

MR. DUPLANTIER: I may have skipped over the slide.

I'm not sure of the acreages or the families, but I can get that information for you. But what we've been doing, the impact area was divided into four neighborhoods; the Lower Ninth Ward community, the Bywater Community, the Holy Cross neighborhood district, and the last one skips my mind. But we basically divided up into those four communities, along with St. Bernard Parish. And those are the acting members, I guess, on the community based mitigation committee. And each of those areas have, I think it's two voting members, as to what they decide to do with the money.

GENERAL RILEY: I mean, I don't know if we have an acreage as to the community blocks.

MR. BUESE: This is Mark Buese. If the project proceeds, when is the estimated end date if it proceeds at construction capability levels.

MR. DUPLANTIER: If we proceed at capability, and we're assuming that we finish up this SEIS in October '08, like I mentioned, the total project completion is 2018.

MR. BUESE: Thank you.

MR. WOODLEY: Let me say. Scott. I seem to recall, though, that the main issue with the SEIS was with the disposal area for the removed material.

MR. DUPLANTIER: That is one of the issues we were looking at --

MR. WOODLEY: The proposed disposal area had been overwhelmed by the storm surge of Katrina, and so the court said well, your plan says you're going use this disposal area here, we noticed that it doesn't exist anymore. So your plan probably has a problem, doesn't it Corps, and the Corps said well, yeah, I guess it does have a problem, because we don't have a disposal area anymore. So the Judge said analyze a different disposal area and then come back and make a decision on the project. That's where we are. Is that where we are?

MR. DUPLANTIER: That is correct. But Department of Justice went through the actual filing that he made in his ruling, and he did mention that in particular, but he did also say to go back and re-look at the whole thing again, with the changed conditions due to Hurricanes Katrina and Rita.

MR. WOODLEY: That's right. But, see, we would probably have not agreed with that part. But we did agree with the part that said if you don't have a disposal area, you probably don't have a project.

MR. DUPLANTIER: And we're using this opportunity to go back and really get this SEIS airtight, because there are groups that have filed to continue to sue us, so we're going to go ahead and try to get this done as good as it can possibly be done, and get this project moving forward.

CHAIRMAN WHITLOCK: Any other questions? (No response.)

MR. DUPLANTIER: I'm going to turn it over to Greg Miller.

MR. GREGORY MILLER: Good morning. Thank you for the opportunity to provide an update briefing to the Board, as the team leader for the Mississippi River Gulf Outlet Deep-Draft De-Authorization study. As Bobby mentioned, Hurricane Katrina heavily impacted this area. Not only causing severe damages to the surrounding communities but, also, to the industrial infrastructure that we have in the area. One of the most notable was the severe shoaling of the Mississippi River Gulf Outlet, primary in the sound reach or the bar reach of the channel.

We now have a limiting depth, or a controlling depth of about 22 feet in the area. So we've gone from a 32, 36 draft that we typically maintained prior to the storm, to quite a reduction. We've seen business relocations out of the area.

Some voluntary, that were ongoing prior to the storm. And some others that were a result of the storm, with businesses transferring either over to the river or to other gulf ports.

And we've seen a lot of modification of operation methods in the industry. The only deep draft, true deep draft activity that we see remaining on the MRGO is light loaded or unloaded vessels that come in from the gulf into the outlet. They call on the cold storage facility and then they exit to the Mississippi River through the IHNC Lock that Bobby talks about.

In terms of an introduction, we were directed by Congress in July of '06 to prepare comprehensive plan for the de-authorization of the Mississippi River Gulf Outlet. We were to consider any navigation functions that should remain on the channel, and also identify measures for hurricane and storm protection. Have the report, an interim report ready in six months, which we did. That was delivered in December of last year. And then have a final report completed by December of this year, 2007.

And to make sure that that report is fully integrated into what we call Louisiana Coastal Protection and Restoration, which is a broad planning effort for hurricane protection, flood control and coastal restoration across all of south Louisiana.

If you're listening to what I'm saying, we've been a little busy down there. The approach that we tried to take in this effort, though, was an at the table collaborative planning effort. We had more than a dozen meetings with more than fifty organizations. These included folks from industry, all representatives of industry pilots, actual companies operating in the system, the local ports, local governments, environmental groups, state agencies, federal agencies and interested individual citizens.

I can't report to you that we were able to develop a consensus plan that is fully supported by everyone. We kind of expected that going into it. But I can tell you that everybody remained at the table, and I think that's a good indication of how the Corps is trying to do business in New Orleans right now, is that we can't recover from Hurricane Katrina if we're not all sitting and trying to work together.

And despite not being able to have an endorsed plan, if you will, we still have people that are talking to each other and trying to work out solutions.

The results of the interim report were that we found no national economic justification for the continued operation and maintenance of the deep draft navigation channel on the MRGO. And, also, we identified what we called at that time a particularly viable plan for total closure in the vicinity of Hopedale, Louisiana, near an old historic ridge called the Bayou La Loutre ridge. We recently released a draft report, and what we call a legislative environmental impact statement for public comment. We're going to have a forty-five-day period where that document is open for review.

It will close, that period will close on September 4th, which is a pretty key date if you have an interest in the channel and what we're preparing to present to Congress. The tentative plan provided in that report calls for total closure with a rock structure. Again, in the vicinity of Hopedale, Louisiana. The report is available. I don't have copies of it. It's actually pretty easy to read. It's about 100 pages or so, but with appendices we can have that report available to you already on the Internet if you want to download it. If you'd like, I can take your name and address and I'll have a copy delivered to you this week if you want a hard copy.

You can find it on the Internet at what we call the LACPR web page, if you Google LACPR, that's the only thing that comes up. The Corps is the first on the list, which we're proud of. Somehow or another we got the Internet to work in our favor on that one. And there's a column on the left where we have the library materials, one of which is the MRGO report that is available now for comment.

In our working with folks in the navigation industry, I think first I want to say that they deserve a lot of compliments. This is a highly controversial subject.

You're dealing with communities that were devastated. The president of St. Bernard Parish likes to remind folks at these meetings that 99.9 percent of the structures in his parish were impacted or flooded by the storm. The navigation industry, in sitting at the table, took quite a bit of heat.

But I think it's a credit to their professionalism and their commitment to trying to recover the economy of the area, that they stayed at the table.

And through doing that, they identified a key issue that there are concerns that the existing lock is inadequate, it's old, and it's subject to delays. And if we close the MRGO, we lose an alternative route for shallow-draft vessels that are either delayed or trying to bypass the congestion at the Inner Harbor lock. We recognize this. The report that we prepared does lay out a number of potential options. We know going into the public comment period that these options are not satisfactory to the industry. But they've always been able to identify at this point.

We have briefed the Coast Guard Admiral and the Captain of the Port, and they have told us that one of the options that we have identified is unacceptable from a navigation safety standpoint. Obviously we find that, you know, a discarded alternative. There's no way that we would continue to pursue that because of the importance of protecting life and safety on our waterways.

This leaves us with a significant challenge here.

We do not have a national economic justification for developing a shallow-draft alternative here. The numbers of the evaluation that we did from the economic standpoint are available in the report. The Corps has gone through an independent review of that, but we also asked for a public review of that to make sure that we're on the right track here. But under the current evaluation we do not have a justified alternative route.

The half dozen or so routes that we've looked at, again, as I mentioned, are unacceptable to the industry. And we want to reach out and continue to try to find if there is another solution for that. Bobby touched on it briefly, the one that we've come up with is the idea of increasing the reliability of the existing lock. Advancing some maintenance work on it and trying to diminish the possibility of that lock having either extended delays because of chronic maintenance problems, or even a prolonged delay because of a severe maintenance failure.

That, in combination with some possible emergency authorities, we think would give us an opportunity, if we faced it, to be able to route traffic back around into the system either going east or west. I'll close and field any questions, just reminding folks that we do have the report available. And the comment period closes September 4th. And we do look forward to continuing to try to work with all of the interested groups to reach, you know, a resolution for the concerns that have been raised.

CHAIRMAN WHITLOCK: Thank you, Greg. A couple questions I guess I have is, where we're talking about closing the MRGO, and we still talk about Inner Harbor Navigation Lock being deep-draft, is that consistent, or is there a need to provide deep-draft design for Inner Harbor Lock if you're closing MRGO?

MR. MILLER: The Tidewater Port facility that the MRGO services had a number of deep-water wharfs and industries located in that area. In fact, in our initial report we documented each of those companies specifically. We noted, by sitting at the table with these groups, that they are incurring added expenses because of changed operation.

They're having to light-load and transfer to barge or they're having to truck to other facilities on the river.

And I believe that's the viewpoint of the local sponsor, the Port of New Orleans, is that that is an area that they want to try to find additional businesses to either remain there or grow that business there. And therefore the deep-draft portion of the lock is still something that they're pursuing.

CHAIRMAN WHITLOCK: So in the new project state, the ships would have to enter from the Mississippi River to get to the Harbor port area back there; would that be correct?

MR. MILLER: Yes, sir.

CHAIRMAN WHITLOCK: Okay. In terms of the MRGO, have you considered the possibility of like a floating caisson that could be installed as a barrier to block the flow during a pending hurricane, and when the hurricane is gone, move it? The Corps uses caissons at locks and dams to set. And up at Wilson Lock last year or the year before last, they actually used it to lock with. They would put it in place, lock bow, move the caisson out of the way. So it's something that can be used, that it doesn't take you days to do it, you can do it in a couple of hours. And I guess the question is, have you considered a floating caisson to provide the closure during hurricane season, but still provide that as an alternate route for the shallow-draft traffic?

MR. MILLER: Sir, I probably didn't do a very good of explaining initially where this Bayou La Loutre and Hopedale are. The recommended closure for the de-authorization is not a hurricane protection element. It's a rock structure that would simply block navigation up and down the Mississippi River Gulf Outlet. It has an elevation of only +5. And we typically see surges there that can easily be two to three times that height during hurricanes. So the MRGO, the de-authorization structure is not for hurricane protection.

There is an effort under way, that was funded in the third and fourth supplementals, to provide 100 year protection for the Inner Harbor. And one of the considerations is a temporary barge that can be moved in place to protect surge from entering the eastern part of the city towards the Inner Harbor. There are no final plans for that available right now.

And the key message here is that the determination that we make about the future of the MRGO really drives what type of protection is in place for the Inner Harbor. And what I mean by that, is that if we had found a justification for continued navigation on the MRGO, that would have driven us towards a navigable structure for the hurricane protection element.

Instead, we found no economic justification and, therefore, the effort is more leaning towards a typical levee design or possibly a wall or some combination like that. I apologize for not trying to address that in the beginning.

General Riley pointed out, you know, we need to look at things from a systems approach, and this is a really, really good exercise in trying to take that evaluation through.

MR. BUESE: Greg, this is Mark Buese. I want to follow up on Norb's comment and your response to it. As I appreciate the report, you found no economic justification for maintaining shallow-draft navigation because the estimated cost was $6 million a year and the estimated benefit was $1.2 million a year. But I don't find the detail of those cost estimates in the report. And can you give us some kind of background on what goes into the $6 million cost for maintaining the shallow-draft navigation.

Because I think what we're talking about is maintaining it for perhaps ten years, until the replacement lock is in place, and then the reliability issues go away and the alternate route, the necessity of an alternate route becomes less critical.

MR. MILLER: The information about the projected maintenance cost is something that would be found in the appendix. And if you've got a copy, I can show you.

MR. BUESE: No, I've got them.

MR. MILLER: In the back where it is. And if we don't satisfy by showing you there, then I can put you in touch with our technical folks to give you all the details of how we calculated those numbers. But, essentially, they look at what is the estimated cost of dredging over time to maintain a twelve-foot depth, which would be appropriate for GIWW type traffic. And then the estimated benefit comes from looking at waterborne commerce statistics and then projecting that out over time. And that's where you get the comparison of a 6 million dollar cost versus an estimated, roughly, $1 million --

MR. BUESE: Do you know how long a period of time the dredging was estimated to take place?

MR. MILLER: I believe fifty years.

MR. BUESE: So it would be considerably less, you would think, if we were looking at just a ten-year time horizon?

MR. MILLER: And I'm probably venturing to an area I shouldn't claim any -- I don't claim any expertise as an economist. But I've got some really good folks that work on this. And I'd be happy to put you directly in touch with them to talk this through.

MR. BUESE: Okay. I'll visit with you.

MR. MILLER: Good.

MR. BUESE: Thank you.

CHAIRMAN WHITLOCK: Greg, one final question. Do you have plans, or is there a time line for when there may be a meeting to where, say the shallow-draft industry stakeholders could have more detailed discussion about this project?

MR. MILLER: Sir, we are willing to sit and meet at any time with anyone with interest in this. We do not have a public meeting for comment on the report scheduled. We have not had an official request for one. We felt that given the number of meetings we'd had in advance of preparation of the report, that we clearly had heard from each sector, if you will, what their position was. If we do receive that request, we certainly will schedule a meeting. It can be done in a formal setting where there's, you know, official statements taken and such, or it can be done in the setting that we've used in the past, where we sit at the table and look at maps and try to come up with solutions.

CHAIRMAN WHITLOCK: Any other questions?

MR. NOBLE: This is Scott Noble. Did I understand you to say that this closure is not for hurricane protection?

MR. MILLER: That's correct.

MR. NOBLE: Is that accepted and understood by the residents of Plaquemines Parish?

MR. MILLER: We're telling the stakeholders in the community that we're working with, is that this is just one element of our total approach to having coastal restoration, flood protection and flood control in the area. And that this particular piece is not for hurricane protection. The work that we're doing to upgrade and complete the 100 year work is absolutely directed at that. And that's why these two issues are so closely tied together, also tied into the long-term future of navigation in the area.

GENERAL RILEY: It appears to be that way, I think, because probably what generated the Senate authority to study this was the concern about hurricane protection. But the legislation said give us a plan to de-authorize deep-draft navigation. And I think with the full intent of knowing that the people in St. Bernard Parish would be very happy with some type of closure which would help them, their comfort level at least, if nothing else.

MR. NOBLE: So this is more an economic issue, did you indicate it's $6 million to maintain and with a $1 million benefit, so it's that issue as opposed to hurricane protection?

MR. MILLER: Well, the authority did tell us to consider measures for hurricane and storm protection. But we also have a key link in that authority to the overall, what we call LACPR. And we're looking at levels of protection above the 100 year work that we have ongoing in response to Katrina.

We're looking at long-term planning to do that. And this is a good part of it, because this gives us an ability to try to restore the natural tidal patterns that we have in the area, which we think is a real key to getting some coastal restoration efforts underway in that area.

And that's been something that we've noted with the stakeholder groups, is of prime importance to the local government and a lot of the NGO groups that have come to participate in our meetings.

CHAIRMAN WHITLOCK: Okay. Thank you, Greg.

MR. MILLER: Thank you, sir.

CHAIRMAN WHITLOCK: Next we have Richard Lockwood, who is going to be talking about the LRD's asset management program that they've been working on, and doing great things. Richard.

MR. RICHARD LOCKWOOD: Thanks. Mr. Secretary, General Riley and Mr. Chairman, members of the Board, I want to thank you for this opportunity to update you on what we're doing in the Lakes and Rivers Division on asset management for operations and maintenance. My purpose is to update you on what we've done since our last briefing last November. I'm going to ask for your patience as I try to quickly get through some of the background of how we've gotten to where we are. And I apologize to any of you who were at the June workshop, because I fear some of this will be a little repetitive.

Because of deteriorating physical condition of our facilities, we're experiencing more emergencies and more unscheduled outages. And has been mentioned here several times this morning, there's a general sense that we are not using our resources in the most effective way or for the most pressing issues. Next slide.

This is a slide that shows unscheduled outages.

Outages, in general, but the unscheduled are in red. And the point here is that the number of outages on the lock inland navigation system, our locks, is growing. And that the percentage of them that are unscheduled is increasing. And the reason that's important is that, of course, when the outages occur the system isn't available for you to use. The unscheduled outages cause us to take money that was scheduled for maintenance, use it for another purpose that we had not planned.

And in that mode we are in the emergency mode, and what we will do is we will work to get back into service, not necessarily repair the problem. So that frequently results in us coming back several budget cycles later to fix the fix.

All this means, that we've become reactive. The river is now dictating the point of engagement, and physical condition is dictating the scope of that engagement. Next slide.

We want to regain the initiative and want to do that through asset management. Asset management is nothing more than the process you probably use at home, I daresay you use in business. It simply is a process to maximize our asset productivity and manage the costs and risks associated with that. Next slide.

We tried to define the end state before we set out. What we wanted to end up with was a condition where we were going to operate all of our facilities at or above a minimum acceptable service level. We wanted a tool that was useful for investment decisions and communications that was based on risk, need and contribution. And we wanted to restore that confidence, both internally and externally, that we get it, that we're using our resources in the right way. And we wanted to drive regionalization and interdependence. Next slide.

Corps of Engineers' projects are linear projects, and this is the life cycle of projects. When we took a look at asset management for this entire process, this was an elephant that was just too big for us to eat at one time, so we decided to do it one bite at a time. What we focused on was the phase called operation and maintenance. Next slide.

This is a slide that depicts several maintenance schemes and scenarios. What is important there is that all of them look to a condition called the minimum acceptable service level, it's what you can define. And that is a condition where each facility, and it's unique to each facility, has some both staffing and condition level that justifies its existence. It's justified by its existence, excuse me. Below that is failure, and above that is some other optimal kind of operation. Next slide.

Everybody that's familiar with our O&M process, knows that everything is driven by work packages or funded budget packages. They come from a huge number of places, number of generators of those packages. What we wanted to do was create a process for evaluating all of those, that took into account need, risk and contribution. And if you look at that chart quickly, you'll see that those things that we say are associated with that minimum acceptable service level automatically go to the top of the list. And what that does for us, is it then causes us to look at the remaining items and prioritize those. Use our funds and our resources for the highest priorities. Next slide.

Our goals were to operate and maintain our facilities at or above that minimum acceptable service level. Use our inspection and repair resources for the highest priorities. Provide input to and receive input from a cost effective multi-year-system investment program. And you've talked about that a little this morning, also. And we wanted to be able to communicate with a credible, quantifiable tool what the risks were of all the various investment scenarios. Next slide.

So where are we? Since I last briefed you, we have developed and fielded some multi-division, multi-district, multi-discipline facility condition assessment teams to assess physical condition at our facilities. We are 100 percent complete with all of the LRD navigation facility assessments. We finished that in May. And Jim Fisher, who I wish was here, headed that effort, and he's very proud of the fact that they finished three weeks ahead of the schedule that we offered you last November.

The assessment cost, we've used a one-day model. That cost is on the order of $8,000 to $10,000 per project.

And that really is just time travel dependent. We've developed an automated tool to help do that analysis. And we prototyped that and demonstrated it at our command counsel meeting on 14 June. Next slide.

We used a standard condition rating scale. And you'll see in a second how that's used. The important thing here is to know that this is the same scale that is being used in the PRA effort, the levee effort and, also, my good friend Tom Holden is working to see that this kind of a scale is used in periodic and intermediate inspections. Next slide.

This is the report card that the district gets as a result of that facility condition assessment. It's based on a standard equipment hierarchy so everybody is looking at the same sorts of things in the same sorts of ways. The hierarchy works at several levels. It's very flexible down at the component level, so that the district can do some things if they want to. It talks about mission criticality. And it has a roll-up feature so that it can be used in that process that I showed you earlier. Next slide.

This is the automated process tool that we're using. It actually works on a notebook or laptop that the teams can carry around. And it forces the assessment process to follow that standard equipment hierarchy. And for those of you that know what a Dash 10 Manual is, there's a little key over on the right that says help or Dash 10, where you can click on that button and get some pictures that say this what a ‘A’ strut arm looks like, this is what a ‘B’ strut arm looks like, so that we get some uniformity and consistency in those assessments. Next slide.

Question is what's in it for you? For those of us in the Corps, this process gives us access to the budget process. For our senior leadership and for those of you in industry, we propose to give you a tool, a management tool.

This happens to be a map of the Pittsburgh District. What we are working towards right now, and we have prototyped, is a map of the Lakes and Rivers Division but, hopefully, we could do this on a national scale, where you could pull a map of the entire United States and every Corps facility would be shown on that map, and color coded. Same color code as that standard assessment scale that I should you earlier.

The whole point was that this tells our story graphically, and with three clicks we were supposed to be able to demonstrate that with one click it would tell you what the name of the project was. With the second click it would tell you what the condition that caused the project to be that color was. The third click would give you the risks associated with that condition and what its impact was. And a fourth click, maybe perhaps not available to everybody, but a fourth click would give you the ability to know what the estimated cost to repair it is. And we are having some discussions about what that means.

If you'll remember the scale, the question is should the cost to repair be associated with returning it to the green condition, which would be more or less new, or to the yellow condition, minimally acceptable. We also are adding a feature where this will go and interrogate our budget package process system, and tell senior leadership whether or not there is even a budget package in the system to correct this condition. Next slide.

GENERAL RILEY: Richard, if you'd stay on that one.

MR. LOCKWOOD: Sir.

GENERAL RILEY: What I think is important about what you just said is the -- is as you scroll down through those buttons and you get some sort of cause, you get a cost of, in our budgeting, what would help us in our budgeting process, of course, is the cost to get us to green or yellow or red. So it's incremental cost so we can make an assessment, prioritize across all the systems as to how much is affordable, and recognize that and compare that to the risk and the impact to the system and what that buys you.

So it's essentially what each increment buys you.

When we can articulate to OMB they are very receptive with funding us and supporting our justification when we can show them what each increment buys. You all have done that very well in regulatory and recreation, I think, got good systems to show that. And if we can get that there, we'll be making great progress.

MR. LOCKWOOD: Yes, sir. Okay. Our near-term goals and objectives, we have completed the baseline assessment for the flood risk management. I'm sorry, that uses the old term.

And we are working to complete all of the flood risk management projects in LRD by the end of the calendar year.

We plan to test, and test deploy FEM MAXIMO, which is the facility equipment maintenance and repetitive recurring maintenance, software in Pittsburgh District by the end of September. That we have a challenge there. We will do an AAR and document all the stuff we have done, also by the end of September.

We expect to deploy the FEM MAXIMO division-wide by the end of January next year. And we expect to have full implementation of this process that I showed you, for all navigation and flood risk management projects for use in the FY 10 budget submittal for LRD.

We will look to incorporate the best of REC best and ES best, which are the recreation, environmental stewardship programs. And then our goal is to transport to the remainder of MVD and Rock Island District has been a partner with us in this and to other Corps districts and divisions. Next slide.

So, subject to your questions, that concludes my briefing.

CHAIRMAN WHITLOCK: Any questions for Richard? (No response.)

Very good. It looks like it's a great program to get your hands around what the needs of projects are and a way to prioritize those. I commend you for the efforts that you guys have gone through in developing this.

MR. LOCKWOOD: Thank you.

GENERAL RILEY: Yeah, if I could just reiterate. And thanks to Richard and LRD for taking the lead. And I know MVD is working in the middle of this, as well. But back to my point about justifying the funding. If we show for each increment how much we buy down system risks, then we've got a good system in place. And then we can go to the Secretary and tell them how much. And he can take that to OMB and really make a good case, justified case for funding.

MR. LOCKWOOD: Yes, sir

CHAIRMAN WHITLOCK: Okay. Next on the agenda we have a few presentations on the status of LRD projects from Mr. Holden. He is going to be talking about the Lower Monongahela 2, 3, 4 Replacement project and Emsworth.

MR. THOMAS HOLDEN: Thank you, Norb. Mr. Woodley, Mr. Whitlock, General Riley, ladies and gentlemen of the Board, it's my privilege to present an update on two of our navigation projects on behalf of two project managers who are indisposed, so I get the opportunity to pinch hit and come here to lovely Louisville. Next slide.

These are the two projects I'll be talking about. Mike Rattay is the project manager for Emsworth. He gave you an update back in November. And Jeanine Hoey gave you an update on the Monongahela project for dams 2, 3 and 4. I have the pleasure, not only give you an update, but to tell you that we've made some progress. And I think you'll be encouraged as I go through this presentation. Next slide.

I'm going to talk a little bit at length as to the RER that was initially approved. And I want to caveat it with when we make a fast tract RER, we have facts and we have assumptions. Facts, the dam was failing, it was exigent, it needed to be moved quickly. Some assumptions that went in there, for example, was a concept on the scour that we believed would work. Assumption have to validated. And in the process of the design subsequent to that, that assumption was validated and we had to make a course correction.

There were a couple of others. They're tied to the AAR process that we have used, that's wrapped into the total project cost re-evaluation that we have completed, briefed to our division, and is currently being forwarded through to headquarters, ultimately to the Assistant Secretary of the Army. So I want to give you some of the background so you'll understand that.

This was an emergency major rehabilitation of dams only approved in 2002, at an estimated cost of $78.2 million. Congressional authorization was not required. It is not subject to the Section 902 Legislation Cost Cap. However, it is subject to the Corps internal cost growth policy. An original rehabilitation consisted of three aspects; replace the lift gates and machinery, replace the failed scour protection and critical service bridge features at the dam.

In 2002 we put in a prototype lift gate for the purpose of validating the design concept for the lift gate and the machinery, it was a two-stage lift at twenty foot and twenty foot, to achieve an ultimate opening when we dogged it off in a high-flow condition. That assumption was validated subsequent to the approved study. And we had to make a modification at a slight increase in cost. Scour design was conceptional on it. The next slide I'll show you -- don't go there yet. But I'll show you what that will look like and what we're ultimately designing.

The final design had to be verified through modeling with our Hydraulics Center in ERDC (Engineer Research and Development Center). And that has been completed. No action took place until 2004, under the no new starts policy. And of course it was approved by the ASA for dam safety. Wedge funds is a major rehab for stability and correction.

Since then we have had some assumptions that have been validated and have added some scope, that was not in the original approved RER. The emergency bulkheads and hoists, we have procured emergency bulkheads for the main channel dam and the back channel dam. And we are also having to do some work on replacing the hoist because the lift capacity exceeds the new bulkhead slightly. As well as some modifications to the bridge girder seats that has to be done to carry the slightly higher load.

In addition, we do have to do some abutment stabilization, which was assumed not to be required in the initial authorization. That, too, is part of our AAR process.

In '05 we received our first funding increment of Dam Safety Funds. We fast tracked the design. We did incorporate the lessons learned on the lift gates, and used them in the release of two of the three awards we made that year. And we awarded the hydraulic cylinders, the life gate machinery design and we moved forward. The hydraulic modeling was concurrently initiated to validate the conceptual scour.

And that modeling has been completed.

In 2005, six months after initiating it, we did award 22 million dollars in three contracts. They were construction and supply contracts. We had a fabrications supply contract for the bulkheads. We issued the back channel gate and life machinery construction contract. And we procured a separate gate outside that contract, to ensure that we had the gate available when the construction contractor mobilized. And he is on site and prosecuting work very well.

In FY 2006, at the 60 percent design on the scour, we recognized it was a significant potential for a cost growth of the scour protection. The modeling of the conceptual design, which was a four-foot concrete cap, tremie placed, in the river. It was satisfactory under the performance of uncontrolled release, as well as low tail water, the two extremes that we were concerned about. We looked at using an alternative done on the trailed race at Braddock, which was a segmented concrete placement. That, too, was satisfactory.

However, the cost growth was substantial, so we looked at an alternative, and initiated a VE study in the fall of '06, during the same time frame the Corps was responding to Katrina, as you recall that event. A grout bag design was one of the options we looked at. It had been favorably tested as a remedial fix, through modeling, in 1985, and had been in service behind one of the main gates on the main channel and performed satisfactorily.

So we looked at that and determined that that alternative would afford us the opportunity to save $43 million over the conceptual design of the placed tremie cap, or the segmented scour. And we also modified our acquisition strategy to have all contracts fully funded. And we have made judicious use of base contracts with options outside of the initial contract that was done as a continuing contracts clause, on the back channel for the lift gates and machinery.

Would you go to the next slide, please.

I want to talk a little bit about what you see up there so you'll understand. What's shown as the RER concept was a four-foot thick pad. It came off the existing apron, which is founded on timber cribbing. We had a two-foot transition, seventy feet in length, and then in the yellow you transition to a rock typical scour that you would see. The segmented concrete that we use at Braddock similarly would have the same profile. The VE study determined that we could use a current design with the grout bags longer, but we would then transition to rocks.

However, the modeling confirmed that we had an instability, and we had to lower it an additional two feet at the transition off the apron. And that's going to be critical when I talk a little bit later about the total project cost. Okay.

That cost is currently being reviewed at LRD. They have discussed it with headquarters, that is ongoing. 75 percent of the growth in the cost with the scour design is associated with the scour design. 18 percent of the cost growth is with the lift gates and machinery. The benefit of doing the prototypes, as we found, it was necessary to make an operation changed based on the experience of Rich Lockwood's folks, in trying to do the twenty and twenty lifts. And we went to a thirty, and then a final ten lift to dog it off during high-flow conditions. Which is much more efficient.

But it had some impacts on the machinery.

And then we had 7 percent increase in cost due to service bridge features, some of which were related to the heavier bulkheads and the heavier hoist. Okay.

The cost of tremie, also, when we did the RER and we originally had that four-foot cap, the cost of tremie was $120 per cubic yard in the 2000 time frame. I can tell you from firsthand experience in using tremie retrofitting behind Elizabeth to stabilize that dam last year, the cost is running $700 a cubic yard today. And that's pretty significant.

Based on the lessons learned that we had when our back channel contract is bid, the gate features increased $4.7 million higher than the original RER estimate. And there was $2.75 million associated with the bulkheads and the hoist, as added scope that was not in the original RER. Now, the good news is, this past Friday afternoon we had a bid opening for the main channel gates. We have a base contract for three gates. We have a potential awardable bid. It's being worked through. And I'm happy to report that it is inside the government's estimate at this time, and we look to successfully award that. So that will take care of four, potentially, of the remaining eight gates for this projects.

The others being in the base contract. When I show you that acquisition strategy in another slide.

Other contributing factors to the cost growth were the unrealistic five-year-project schedule, with a completion this December. One of the major contributors to that is because the ordinary high-water mark at the point of Pittsburgh governs the management of the pool above Emsworth.

We cannot take more than two gates out of service and have an addition two under restricted flows, without having a risk of inundating in higher flows the city of Pittsburgh.

As a result, the assumptions in the RER to have more gates out of service have been determined to be not quite valid. That extends the schedule of performance because it limits the contractor's flexibility in prosecuting this work.

Our current update is scheduled, with efficient funding, as a nine-year schedule, which would be completed in 2014 for all work items.

In addition, steel costs from the date of the approved RER to today are 13 percent higher than the allowable escalation cost that we work with. The good news is the VE study, we did brief you previously and we have told our stakeholders that the VE study identified a provisional cost of $155 million. We have released that previously. That cost has been evaluated through our center of cost expertise in Walla Walla. It will grow slightly once approved. Many of the things that I've talked about up to this point are tied into the AAR that's being presented up our command channels, and ultimately will go to the Assistant Secretary for approval.

The good news is the back channel contractor, OCCI, that's the firm, is eight months ahead of their contractual schedule. Now, we anticipate them competing all work on lift gates and machinery this coming January. And when I talk a little bit later, we're going to try to advance the award of the main channel work ahead of where it was programmed in the third quarter, back to the second quarter this upcoming year. Next slide, please.

The acquisition strategy we have in the middle of there, you see the abutment stabilization. That is some work that was not anticipated in the original RER. It is on the left descending bank of the main channel, which is in the foreground, the back channel is in the background. And we will let that contract to set the conditions for the main channel gates, apron and scour protection later next year.

In addition, I told you that the main channel gates supply contract is in the process of eminent award here in the next few weeks. So we are on track to have a very successful FY '08 and beyond. Next slide, please.

Before I shift to the Lower Mon, are there any questions of me on Emsworth? (No response.)

MR. HOLDEN: Okay. Next I'm going to present the Lower Mon project on behalf of Jeanine Hoey. Go ahead, next slide, please. This is the discussion topics, this is the flow I'll be following. Next slide, please.

I think most of the members of the Board are familiar with the Locks 2, 3 and 4, Braddock, Elizabeth and Charleroi on the Monongahela River. Next slide. I'm happy to report that all aspects of the Braddock project are in the book. Final payments been done and there's nothing outstanding. It's in service, and as far as we're concerned from construction and progress, it's closed. And that's a good thing. That's a change from the last update.

We are progressing well on Charleroi. On the 20th of July we placed the first production tremie concrete in monolith 10 of the river wall. The second one, of the three that are required for each monolith, is being placed today.

So we're making progress there. And of course, ultimately, we'll remove Elizabeth in the future. Next slide, please.

This is just a reminder to refresh the scope that we started with, with the two fixed crest dams at Elizabeth and Braddock. And the final project, which will be gated structures at Braddock and Charleroi, Elizabeth being removed.

Pool Three, below Charleroi, dropping a little over three feet. And pool two, above Braddock being raised five feet. Next slide, please.

The ongoing progress we have right now, there's a lot of work going on in relocations. Under Section 11 of the Rivers and Harbors Act of 1958, you're well aware that the Lower Mon project will fund to design and relocate municipal facilities along the Monongahela and the Youghiogheny Rivers that are adversely affected by the project change. There are shore side municipalities that have facilities, there's twenty total, that will be adjusted at a cost of about $25 million.

Other facilities that have to be adjusted will be done at the owner's expense. In the RER that cost was estimated at $111 million. These are things such as marinas, docks, Pennsylvania Boat Commission Ramps and the like.

We're focusing our efforts right now on Pool Two, on the relocations there. And then we will focus on the Pool Three, municipal relocations, once the river chamber is put into service. A key one to the Board, that is a significant impact, is the Port Perry Bridge. After the pool is raised below Elizabeth, the clearance will be 40 feet 6 inches, which is just less than two feet in the unsafe category as designated by the Coast Guard. We're going to raise the bridge.

I'm happy to report, since November we've partnered with Norfolk Southern Railroad. They have accepted the government baseline design as the preferred alternative, without betterments. This was encouraging. And we completed an on-site review of the construction footprint as it relates to the design and the construction sequence in the last week, and we are on track right now to have a construction agreement by the end of this fiscal year. We assessed the conditions for them to complete the design and move into construction in the next fiscal year.

In addition, we're working at relocations McKeesport, Glassport, Duquesne and North Versailles. Dredging, we completed dredging in 2001, we will complete the final dredging in Pool Three, as well as what's necessary in Pool Two, in the FY 11 and FY 12 window, prior to completion of the river chamber and the removal of Elizabeth, which is the current schedule.

And what I'd like to emphasize is in order to remove Elizabeth there are three things we need to do; one, complete the river chamber, have it in service, two, we have to complete the relocations in pool two below Elizabeth, and principally, that Port Perry Bridge, which is the one of critical importance to the navigation community as it relates to safety. And we have to get the dredging done. Next slide, please.

This is just a little bit of a refresher, it shows you we've completed the work, we have the first contract of river wall in place. We have modified the acquisition plan to complete the remainder of the project. And I'll show you that in the next slide, please.

This is where we are, contract one, Trumbull Brayman joint venture is ongoing. Completion date is looking very promising, as is expected. We are in the process of developing a request at the district level with justification for a continuing contracts award for the river chamber, which is shown in blue.

And that is the complete river chamber. It will put it in service. And we would be able to operate the river chamber and then shift our effort to the last contract, which would be the land chamber.

The contract two, once put in place, would require an efficient funding, along with the relocations, other aspects of the project, in the $60 to $75 million over the period of that work, which would be through 2013.

Now, another thing that I'd like to report, that's changed since we last briefed you in November, is that General Berwick and Mike White asked the district commander to take some actions to advance the river chamber and position it for success, and efficiently use current year moneys to get concrete in the river. Well, we've worked and partnered with Trumbull Brayman and took some actions that have helped position them for success.

But we also identify $21 million of features in the river chamber that we could either do small construction projects on or do fabrication and supply contracts for, and take early delivery or early completion.

And we're going to have those awarded by the end of this fiscal year. Many of them are in the process of request for proposals. Things we're doing; a mooring, floating mooring bits, bulkheads and hoists, miter gates, all the filling and empty valves, as well as a foot bridge, as required. So we're doing what we can to position the river contract to move expeditiously. Next slide, please.

This is really just background and refresh. You remember previously we showed a 2019 completion. We looked at how we could advance that back. We said 2016. Many of the aspects that you see highlighted in different colors under contract two are what are in our proposal to do the next award for. We plan to advertise the river chamber contract next fourth quarter, a year from now. It will be under the lowest technically accepted bid, acquisition strategy, as we currently envision it. And we would award it in the third quarter of FY 09. Next slide.

You're well aware with the initial cost, the fully funded cost to date, we are evaluating the total project cost consistent with the same process we utilized on Emsworth, and a year from now we anticipate having that complete. This shows some of the information.

What I'd like to talk about are what are the cost drivers? Well, the construction schedule, we should be four years beyond the completion of the entire project right now, but we're not. The completion is now 2016. So that's going to have an impact on the cost.

The number of contracts and the sequencing of those could have an impact on the final cost. Right now, I told you that we envision just two more continuing contracts with judicious use of base and options in them in order to complete the work.

And there were some costs increase at Braddock. I did tell you they have all been paid. That includes the management of two versus one continuing contracts and completing that work, as well as issues that were associated with Leetsdale, and those all have been resolved and paid. Next slide, please.

Well, what are the risks to us? We have one chamber at Charleroi. We have no redundancy. The risks go down, in that we will have a more reliable system when we replace the land chamber at Charleroi with a new river chamber. But we still will have no redundancy, until we complete the second chamber in 2016.

We're also at risk as long as we continue to rely on Elizabeth at lock and dam 3. We did work in 2006. You're aware that we had an emergency stabilization of the dam itself. We'll complete the last portion of that this year, as well as additional critical maintenance activities on Elizabeth from 2008 through 2011. And we envision that those will be adequate, along with actions we're taking, also, on Charleroi land chamber, to get us through the window to where we put the new chamber in service and we remove Elizabeth up from service.

And the good news, as I told you, is we have concrete in the river, and I anticipate the next time you come to Pittsburgh you'll have the opportunity to see some of these monoliths, not only out of the water, some of them just below the water's surface, until we start taking them out of the water, and see us prosecuting the work very successfully.

Our focus within the realty community, the engineering design community, that supports both operations and new construction and the construction folks that work for me, that's where our effort is. Our job is to give priority support to Rich Lookwood’s critical maintenance and his repair fleet for both facilities.

Complete the relocations in Pool Two. Complete the dredging in Pool Three. And complete the river chamber and put it in operation. And then, subsequently, remove Elizabeth and move on to the land chamber. Next slide, please.

That completes my presentation, subject to any questions that you may have for me.

CHAIRMAN WHITLOCK: One question. I heard Richard talk about tremie concrete, that it was almost a 500 percent increase, and the price of steel is up. What inflation factor are you using when you go from one year to the next in terms of from a project cost estimate standpoint?

MR. HOLDEN: In the recent years, Norb, I could tell you that the guidance is usually the cost engineers work this piece. And there's also risks that we manage in that. But the escalation is generally in the vicinity of 4 percent.

Generally, okay? The aspects of risks in the cost evaluation also are critical in the cost of -- we, within the division today, did a very thorough reevaluation. And when we went to Walla Walla, which they are our cost experts within the Corps. They viewed the risks a little bit more -- let's just say a little higher than we, perhaps, did. And through discussions they hung their hat on a slightly different number that's working its way through from the 155.

The good news is with the VE study we drove $43 million out, because it could have started out at about $198 million with the original conceptual design. And I can’t over emphasize that when you do any type of activity that has assumptions in them, the importance of validating the assumptions is crucial.

We have gone through these. We had a fast tracked RER, a fast track design, we're validating them and we're adjusting them.

And it's most important.

But the reality is, assumptions must be treated as fact and then validated as fact, and sometimes they do change the cost. Escalation is one.

MR. WHITLOCK: Any other questions? (No response.)

MR. WHITLOCK: Okay. Thank you. We have Mr. Getty talking about the Kentucky lock.

MR. DON GETTY: Sir, I just want to update you, basically, what's happened on the project over the last year.

I'm the last speaker, I'll try to be the quickest speaker. Next slide.

This is just an aerial photograph showing the project site. The main focus of the project is a new lock, 1,200 foot long, landward and adjacent to the existing 600 foot long lock. The new lock is outlined in yellow. Okay, Mike.

An artist rendering of the future project on the downstream side looking upstream. Just wanted to point out the three major relocations associated with the project. Had to move four large transmission towers, did that six years ago. The other two relocations are a highway and railroad across the lock and dam. We're having to move those downstream to their own bridges. Those are shown in the bottom right-hand corner of that slide. All right, Mike.

How much is this going to cost? This is our latest cost update, $663 million. That is fully funded, which means that it includes inflation. Assumes the completion date of 2014. By the end of this fiscal year we'll have spent over $200 million. We won't be quite a third of the way finished. Still have some healthy benefit cost ratio and remaining benefit cost ratios.

This $663 million is $20 million more than it was last year, that's mainly due to inflation. It represents about a 17 percent increase over our authorized project cost. We are doing a significant update on that project cost. We expect the cost to go up a few percentage points, but not significantly. Okay, Mike, next slide.

These charts show you the recent trends and traffic in the Kentucky Barkley system. The upper chart is the delay times, average delay times at Kentucky lock, and you can see those have been trending upwards. Last year we had over six and a half hours average delay at Kentucky lock. By far the largest in the Ohio River system, except when 52 and 53 are operating.

The lower chart shows the total tonnage through the Kentucky Barkley system, of which about 90 percent goes through Kentucky lock, so that's been trending upwards, as well. Okay, Mike.

Just to give you an idea of the type of commodities going through Kentucky Barkley system, we have about 40 percent coal and about 40 percent aggregates of that 42.5 million tons back in 2006.

This is a site map overlaying our nine major construction contracts that we have and plan to award on the project. The five in pink are our completed contracts. The one in green is our ongoing construction contract. The one in blue is our critical next contract. And the two in black are our future contracts after that. Okay, Mike.

Just a simple bar chart on some of these construction contracts. The two on the top are the ones we finished last year. The one in the middle is our ongoing superstructure contract, not scheduled to finish until 2011.

We just finished the east bank approaches. And then the last two are our follow on lock construction contracts. Okay, Mike.

I threw in this slide just to give some exposure to one of our good contractors. We just finished up this job. It actually is 100 percent physically complete. This was a small disadvantaged business, SRS, headquartered out of Nashville. They didn't experience any cost growth and finished on time, so they were a great contractor. Okay, next slide.

This is some information on our current construction contract. Our contractor is American Bridge headquartered near Pittsburgh. They're a great contractor, done a fantastic job. We have seen about $8 million cost growth on the contract, that's all due solely to our requirement to replace the continuing contracts clause. So that's mainly escalations for adding fourteen months to this contract. And he's about 20 percent complete on that job. Okay.

This is a picture taken last week of us hanging steel in the superstructure contract. It basically hangs the steel on two bridges, the railroad and highway bridge are about 3,000 feet long. Back in March we didn't think we were going to be hanging steel this year, but we got our work allowance in at $20 million, which was $10 million more than we had planned. Like I said, American is a great contractor, they mobilized. They've got two Ringer cranes out there now and are hanging steel. And they will hang most of the highway steel this fiscal year. So they're doing a fantastic job.

Those girders are about eleven feet deep. That's about 100 ton pick right there. Yesterday we had a double pick with using two Ringer cranes, of over 200 tons. So they're really moving along. Okay, Mike.

It's a picture taken last week of our upstream cofferdam that was finished last fall. I just wanted to point out that we were ready to move on with lock construction after this was finished. We've just been constrained by funding. Okay, Mike.

Speaking of funding, this is a little historical snapshot. A lot of numbers there, I'm not going to go over all of them. I just want to point out, on the left-hand column are our budget amounts. We were zeroed out in the budget in FY 06 and FY 07 because of performance based budgeting.

Our remaining benefit cost ratio was not up to threshold. In '08 our benefit cost ratio was, we were included in the budget. And we're up between $47 and $52 million. And we also got $20 million this year, as I mentioned, and we will be spending all of that. Okay, Mike, next slide.

That was past funding, this is future funding, showing you two different scenarios for efficient funding versus constrained funding. We can finish the project as soon as 2014. That's going to require several years of funding near $90 and over $100 million. If we continue at about a $30 million a year pace, we're going to be well into 2025 probably to complete the project.

I want to point out funding for Fiscal Year 08. Our official capacity is $68 million $52 million is our budget and House amounts. We can keep the project on a 2014 completion date, but we will have to take money away from the superstructure, which will cause some impact costs, if we do that. Next slide.

Forty-seven million dollars is our Senate number.

It will have schedule impacts, and we'll have to take money away from the superstructure contract. The schedule impacts are probably on the order of a few months. Okay, Mike.

The main goal of our team is complete this project as soon as we can. The near term issue in that regard is the advertisement award of our next critical construction contract, we call it the upstream lock excavation contract. A relatively small contract. We'll be ready to advertise next month, or in a month and a half I should say, with a possible award by early this fall.

It's a critical path contract. It has been since this spring. Every day we delay it, we're going to delay the completion of the project. And that concludes my presentation. Any questions?

CHAIRMAN WHITLOCK: Any of the board members have any questions? (No response.)

CHAIRMAN WHITLOCK: Thanks. Well, we're near the final end of the meeting. Now on the agenda we have an opportunity for public comments. Is there anyone from the general public that would wish to make a statement? (No response.)

CHAIRMAN WHITLOCK: Seeing no one jumping to run to the podium, I guess that means no one wishes to speak. With that we'll turn to closing comments. I would just like to thank everyone for participating here. I'd like to thank all the presenters for the excellent work and effort, I know it takes a lot to prepare for one of these, and we as Board members appreciate all that hard work that each of you do to come and brief the Board members on the status of all the various projects. Thank you. With that, I'll turn it over to General Riley for any closing comments he may have.

GENERAL RILEY: Thanks, Chairman. Again, let me thank the Board members for their service, and especially the Chairman for his, his leadership in this. And you can see we've got a lot of work to do in the future as we move forward with new Board members. And I think there's good news on the horizon of progress that we're making. We've got some tough challenges though because of the Trust Fund, and so we've got to figure out at solution that is supportable by the industry, by Congress, by the administration, so we've got some challenges to do with work ahead there. And thanks, again, to the district for hosting us. Ray, appreciate you and your people for the great work they've done, especially for the activities yesterday, where we got around to see some of the great work of the magnificent public servants we have. Thank you.

CHAIRMAN WHITLOCK: Okay. That concludes the meeting. Thanks.

(Whereupon, the meeting was adjourned at 12:15 p.m.)