

Minutes
Inland Waterways Users Board
Meeting No. 60
February 20, 2009
Vicksburg, Mississippi

[Note: The following minutes of the Inland Waterways Users Board meeting No. 60 were approved and adopted at Inland Waterways Users Board meeting No 61 held on August 11, 2009 in Paducah, Kentucky.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 20th day of February, 2009, at the Engineer Research and Development Center, Coastal and Hydraulics Laboratory Conference Facility, Vicksburg, Mississippi, Mr. Royce Wilken, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Uses Board (Board) members present:

- MR. JERRY GROSSNICKLE, Bernert Barge Lines;
- MR. GERALD JENKINS, Ursa Farmers Cooperative;
- MR. STEPHEN D. LITTLE, Crouse Corporation;
- MR. DANIEL T. MARTIN, Ingram Barge Co.;
- MR.W. DEANE ORR, Searchlight Safety Services, LLC.;
- MR. TIM PARKER, Parker Towing Co.;
- MR. WILLIAM M. WOODRUFF, Kirby Corporation;
- MR. ROYCE C. WILKEN, American River Transportation Company.

Also present were the following Federal observers, designated by their respective agencies as representatives:

- Mr. JOHN PAUL WOODLEY, JR., Assistant Secretary of the Army (Civil Works),
- Mr. HOWARD DANLEY, National Oceanic and Atmospheric Administration,
- Mr. ROBERT G. GOODWIN, JR., U.S. Department of Transportation, Maritime Administration,

Official representatives of the Federal government responsible for the conduct of the meeting and administrative support of the Inland Waterways Users Board was the U.S. Army Corps of Engineers officials as follows:

Major General BO TEMPLE, Executive Director, Inland Waterways Users Board and Deputy Commanding General for Civil Works and Emergency Operations;

Mr. MARK POINTON, Executive Secretary, Inland Waterways Users Board;

Mr. KENNETH E. LICHTMAN, Executive Assistant, Inland Waterways Users Board.

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

Mr. DAVID V. GRIER, U.S. Army Corps of Engineers, Institute for Water Resources;

Ms. SANDRA L. GORE, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division.

Mr. MICHAEL F. KIDBY, U.S. Army Corps of Engineers, Headquarters, Operations Division, Navigation Branch;

Program speakers in order of appearance were as follows:

Mr. GARY LOEW, U.S. Army Corps of Engineers, Headquarters, Chief, Programs Integration Division;

Mr. JAMES E. WALKER, JR., U.S. Army Corps of Engineers, Headquarters, Operations Division, Chief, Navigation Branch;

Mr. RANDY BROWN, U.S. Army Corps of Engineers, Vicksburg District;

Ms. JEANINE HOEY, U.S. Army Corps of Engineers, Pittsburgh District;

Mr. MICHAEL G. ENSCH, U.S. Army Corps of Engineers, Headquarters, Chief, Operations and Regulatory Division;

Ms. SANDRA L. GORE, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

Mr. STEVE JONES, U.S. Army Corps of Engineers, Mississippi Valley Division.

MR. MARK POINTON: I'd like to welcome everybody to the 60th meeting of the Inland Waterways Users Board here in Vicksburg, Mississippi. I hope everybody enjoyed our tour of the modeling and briefings we had on the navigation programs down here at the Engineer Research and Development Center. And I thoroughly enjoyed the Mississippi River tour yesterday hosted by Vicksburg District and the Mississippi Valley Division. Terry Winschel is a fascinating speaker on the Civil War, and that was just mesmerizing.

My name is Mark Pointon. I am the Executive Secretary of the Inland Waterways Users Board and the designated federal official. Before we start the meeting today, we're obliged to read for the record that the Users Board was 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 modernization of the inland waterways system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972 as amended. The U.S. Army Corps of Engineers is the sponsor of the Board and provides for the Executive Director, the Executive Secretary and all support activities. This is a Sunshine in Government Act Meeting and as such, it's open to the public. The proceedings at this meeting are being recorded and will be available shortly after the meeting. Mr. Chairman, the floor is yours.

MR. ROYCE WILKEN: Thank you, Mark. And I want to thank you personally for all the years that I've had an opportunity to work with such a fine professional as yourself. I'd also like to thank the Engineer Research Development Center and the fine folks that gave us the tour yesterday, specifically Dr. Holland, Jeff Holland and Jeff Lillicrop, Dr. John Hite and Jackie Pettway for their presentations. It was absolutely fabulous.

Everyone had a great lunch yesterday out on the river as a host. And, General Walsh, I think you're to be complimented for everything. The food was great. Nobody fell overboard. I think if they would have, they would have sank right to the bottom of the river. So, we had a fantastic time yesterday. I'd also like to personally thank Tim Parker for arranging the reception last night with Parker Towing. Thank you, Tim, very much as well as Magnolia Marine, Roger Harris over there, Magnolia, and Steve Golding with Golding Barge. So thank you very much of that as well.

And probably the unseen people that you never get an opportunity to see are the folks - and this is part of the General Walsh's staff I believe is Lorraine Smithhart who set up a lot of the logistics as well as Dinah McComas. And, Dinah, if you're out there, I'd like to thank you for taking us on those winding streets of Vicksburg last night on the way to dinner. It was quite a ride. But thank you all to those as well.

One thing I would like to add is that I did get a call from Nick Marathon at the Ag. Department. And Nick is working hard on the stimulus package back in D.C. So he is not going to be here today, but sends his commitment and the Department's commitment towards infrastructure of the U.S. So without further delay, I think that's it. Thank you.

MR. POINTON: We'd like to call on General Walsh from the Mississippi Valley Division to provide some welcoming comments and introduction.

GENERAL MICHAEL WALSH: If you don't mind, I'll talk from the podium. I've got some comments here. Mr. Secretary, General Temple, Mr. Wilken and members of the Board, welcome into our area of operations and glad that you had such a good time on our inspection

barge. I'm sure I've been on that many times. It's a good time to socialize, to develop friendships and fellowships and perhaps work on some of the solutions to some of the problems that we have in front of us.

I talked with many of you at dinner last night, and so you've heard a little bit of what I'm going to talk about today. But let me just say that before - actually today is my one year anniversary of taking over the Mississippi Valley Division.

Prior to taking over the division, I came back from Iraq, and the Chief had me at headquarters for awhile. And I was at the Humphreys Engineer Center preparing for this job, and I got a chance to meet many of the navigation guys while I was there working with General Riley while he was the Director of Civil Works and had an opportunity to meet many of you then.

In preparing for the job, also I had an opportunity to read a lot of books on our river, on America's River. I read "*Upon Their Shoulders*", of course "*Rising Tide*", "*Lanterns on the Levee*." "*The River We Have Wrought*" was a good book.

And all of that told me about how we put the navigation system together on America's River starting with the four foot doing the snagging and clearing operations, going to the six, six and a half foot, and then the nine foot channel. Tremendous hard work. Intergenerational work to make that happen.

And so when I came to my division, I went out to the different districts and met a number of different folks on the river. And I recognized that America's River is subdivided into perhaps four or five rivers.

As I went up into Saint Paul and Rock Island, a lot of environmental activities going on up there. And as I go down to the lower part in Louisiana, a lot of deep draft navigation issues there, diversions, river diversions. As I come up the St. Louis, a little bit more on the navigation. South of St. Louis a little bit more on flood damage reduction.

And I recognize that people see our river as different entities as opposed to one - as opposed to one entity. And I'm perplexed at that and been working on trying to understand that for the past year.

Certainly America's River runs from Canada down to Louisiana and trying to figure out why people look at it segmented is something that I've been working on for the past year.

Certainly from a navigation community, the locks that we have going on that need replacement down at the IHNC which is the oldest locks in America I believe, are just as important making sure that those are replaced as the ones that we've worked on - you guys worked on through the Upper Miss Nav. Study and now called NESP.

But I don't see the connection. When I talk to the folks down in Louisiana, they have no idea what Lock and Dam 1 is. And they have no idea that there's another lock and damn up river

of Lock and Dam 1, which always scratches your head as well. And isn't 1, 1? No, 1 is not 1. But you need to go through the history books to figure that out.

So how do we look at the center coast? And I don't know to - I don't know how we're going to do that. My discussions on the - as President designee of the Mississippi River Commission, I've talked with the museums. I've talked with academia on trying to understand what the center coast means. And I've talked with navigation folks and ag. folks and flood damage reduction folks trying to understand that this is the third largest watershed in the world. And what's the governing body of that third largest watershed in the world? There's 38 states that flow water into the third largest watershed in the world, and I'm not sure we have a governing body on what it should be looking like.

But what should our center coast look like a hundred years from now. When we started on it with the four foot snagging and clearing, did they know a hundred years later we were going to have hypoxia issues out in the Gulf?

We know that we're going to have to work on recapitalizing these locks once we put them in in 1933. So what I would do is ask you, you members of the navigation community, to help me think about what that means on the center coast of the United States.

Certainly as the Panama puts their second set or third set of locks in, and the ships come out of Panama, they can go to the east coast. They can go to the west coast. We're just concerned in many areas that they come to American ports on the east and west coast. But who's worried about the center coast? If we don't keep an eye on the locks down at the IHNC and also at the NESP locks, I'm not sure who's keeping an eye on the center coast.

I realize that I'm preaching to the choir when I talk about the future and what the future should look like certainly a hundred years from now. And I realize I'm preaching to the choir when I say that transportation is key, and that it eliminates the bottlenecks on rails and highways.

Well, what are we doing to make sure America knows that it's key? We were talking earlier last night. One of the commercials on the Super Bowl said that one - you know, one rail car takes, I don't know, 800, 300, 200 trucks. I don't remember what the number was, but it was on the Super Bowl.

We talked last night also that the ports are coming up with a pithy idea that ports bring wealth. Interesting. The Army, of course, talks about Army strong. The Chief of Engineers came up with a new slogan for the Army Corps of Engineers. It's called "*Building Strong.*" What are we doing for inland waters? What's our code?

Certainly we have our aging infrastructure that we need to look at. Most of our locks as you know is well past its 50 - year life cycle. Some of the oldest locks in the system are on the Illinois and also on the Mississippi River. What are we doing to recapitalize those?

You'll hear later on today, of course, the Inland Waterways Trust Fund which, in my opinion, is inadequate to ensure the long - term viability of our waterways, the region. And we

need to find how to adequately resource our infrastructure and recapitalization of our infrastructure.

I would say that we need - as General Powell says, "It's not to fight the problem as we need to solve the problem." How are we going to move forward with that?

Later today you'll also hear about the cost plus work we're doing in the Hurricane Protection Office down in New Orleans. It's the "Hurricane Storm Damage Risk Reduction System." I was in Iraq when we came up with a name like the "Hurricane Storm Damage Risk Reduction System." But a guy from Brooklyn can't put all of those adjectives together and remain - and keep on thought, so I had to write that down.

You'll hear presentation on the Hurricane Storm Damage Risk Reduction System and how we're using our cost plus, fully funded cost plus contract to keep that work and deliver that \$15 billion dollars worth of work and deliver it to our nation by 2011. You'll hear about that conversation.

You'll also hear about the locks and the Inland Harbor Navigation Lock that needs to be replaced. And you guys have told me more often than not that we need to get past the lawsuit that we're currently struggling with and then recapitalize that as well.

Over the past 15 years as you guys know, the environmental and navigation community pulled together and passed the Upper Miss Nav. Study and put together the Ecosystem Environmental Sustainment Program, NESP.

As I talked with a lot of the folks up at Saint Paul and the non - governmental organizations and just plain folks, keeping the environmental community and the navigation community on track and to getting NESP going could spin out of the direction that we're going with because of a lack of funding from that authorization. It was authorized in 2007, and we're still working on do we need to get a new start moving on that.

As we're struggling on working that particular item, I've worked with a lot of environmentalists saying well, we don't really like those nav. guys. And then on the other side is, you know, we're not really sure with how we want to go forward with that. We need to move the NESP forward rapidly. We put together - you guys in 15 years put together a great team that's working well with each other and probably need to move that quickly into something - action on the ground. We need to get a funding mechanism that's going to drive that home.

Part of the navigation community and part of our challenges with the Corps of Engineers is to find lots of opportunity for us to get together to engage in dialogue, to listen to what our critics have to say, to build relationships because basically the Corps of Engineers provides collaborative engineering solutions. Bringing everybody to the table, find out what issues that we need to work on and put together solutions that everybody is going to think is success as we move forward.

America's River, America's heritage, it's going to require a unified vision and an intergenerational commitment just like the book says in "*The River We Have Wrought*." It's not something that you can do in ten - year increments. It's something that needs a century. Are we going to be able to get this commitment in place and move forward so that we can keep our center coast viable?

Well, that's it for my welcoming presentation. I moved off a little bit from welcome to Vicksburg to hit on a few items, but I couldn't let the microphone pass unless I talked to you specifically about some of the things that keep me up at night. And, Mr. Wilken, thank you for coming here today. And I would like to open the floor to Dr. Jeff Holland.

DR. JEFFERY HOLLAND: On behalf of the Director of the Engineer Research Development Center Dr. James R. Houston, and its Commander, Colonel Gary Johnston, I welcome you again as I did yesterday. For some of you who are not with us yesterday, you got welcomed. They all got welcomed yesterday. So we've got welcoming just going out the ears here.

You've seen some of our facilities. I wanted to leave a thought with you that's a little bit different as you talk about the various issues you'll talk about today. I hope that what you gathered, those of you that went on the tour yesterday, part of what you gathered was the passion that our folks have for what they do.

The thing that actually I think sets us apart as an Engineering Research and Development Center, that sets us apart as the Corps of Engineers, is that we care deeply about what the nation asks us to do. We care deeply about combining all of the requirements that are necessary in meeting those in a sustainable manner. I know the word "sustainable" has been used many times and will be again, but it is, in fact, the sustainment of each of these resources I think are key to the things that we're talking about doing.

I also will leave you this thought about the passion for the job. We have a lot of folks who have different types of passion for the things that they do, but yesterday Mr. Woodley, General Temple and I celebrated passion of a very great American that works for us. A gentleman by the name of Webb Mason.

Webb was wounded in June of 2008 while as a civilian volunteer he was deployed to Afghanistan. At the time that was the third deployment that he had made overseas; two to Iraq and one to Afghanistan.

This gentleman lost his left arm, and two of his colleagues were killed in the attack. His greatest goal right now is to come back to work here on the 2nd of March. And through some fine physicians at Walter Reed, he's going to be able to do that.

That's the kind of passion that the folks have that work here, and that's one of the reasons that a Kentucky boy who went to school in Colorado is willing to live in Vicksburg, Mississippi for 30 years of his life. Good morning to you and thank you.

MR. POINTON: Opening remarks from General Temple, the Executive Director.

GENERAL BO TEMPLE: I thank you. Can everybody hear me okay? All right. Well, Chairman Wilken, Secretary Woodley, members of the Board, ladies and gentlemen, it's great to be back with you again as the Executive Director of the Board and to sort of re-enforce what Dr. Holland said.

You know, our institution has got a lot of technology, a lot of capability. And through collaboration with partners, many of whom are here in this room, can leverage a lot of knowledge to get things done, but ultimately this remains a human endeavor.

And the fact that we recognized Webb Mason yesterday is important, but I think it's also important to remind folks that if you count multiple deployments, we've had over 9,000 folks in our institution at some point in time deployed either to overseas to the Global War on Terrorism or for domestic emergencies such as the Gulf Coast as Major General Walsh mentioned earlier.

Another example of how good I think our people are and the quality of our folks is the Federal Engineer of the Year was announced this morning, and that person is Kirankumar Topudurti of the Construction Engineer Research Lab, which oh by the way is one of the labs, part of the Engineer Research and Development Center. So, that just gives you another indication of the quality of our folks whether it's overseas or right here in the United States.

And then last but not least, I hope y'all didn't miss the opportunity to look at the sign out there on the front gate near the Army lab of the year, which is not an anomaly for this lab. I think they've won it the last four years or five or something like that. So, this institution here that is hosting us today has certainly got some great talent.

And I also want to thank ERDC for hosting us and for hosting the tours yesterday as well. And last but by no means least, I also want to thank Chairman Wilken and Vice-Chairman Grossnickle for their service to this Board. And I wish you would all join me in a round of applause for them.

(Applause)

And let me also welcome our federal observers, Mr. Howard Danley from the National Oceanic and Atmospheric Administration. Welcome, sir. Mr. Robert Goodwin from the Maritime Administration, Department of Transportation. Great to have you here. And, of course, Secretary John Paul Woodley, the Assistant Secretary of the Army for Civil Works who has only missed one of these meetings in his entire time as the Assistant Secretary. So thanks, sir, for being here.

Now after I close, I'll invite them to make whatever remarks they care to at that time. And as is customary, let me update the Board on USACE's happenings since our last meeting. First with respect to appropriations, we're still operating under a Continuing Resolution here in fiscal year '09 that allows us to spend at the same level as fiscal year '08, and it expires on 6

March, 2009. Both houses have completed action on their versions of the fiscal year '09 Energy and Water Development appropriation with both bills coming in at about \$5.3 billion dollars.

A conference and votes on a final bill are still pending before the bill can go to the President. Latest indications are that the appropriations could be rolled into an omnibus that covers all appropriations. The last Congress did not get to. In other words, everything except Defense, Military Construction, Veterans Affairs and Homeland Security which have already been financed earlier.

Now, with respect to the fiscal year '10 budget. In most years we would have had a budget proposal by now. But with the new administration in place, they needed more time to examine the budget and change it to reflect their priorities. So OMB has given us an overall number to work with. And we're still negotiating that number and working within that on how much to allocate to construction, operations and maintenance, studies and new projects, regulatory programs and the like.

Then we need to take a look at which specific projects to include and for how much. The bottom line is we expect to announce a final budget in mid April. Congress will then add or subtract what it will subject to the President's approval in getting the entire fiscal year '10 budget process by the start of the new fiscal year in October will be a challenge, but we'll continue to work it hard.

The stimulus bill. You'll hear more about this from Gary Loew a little later this morning, but certainly it's been much in the news lately. The bill went to conference and passed in final form last week and was signed on the 17th of February by the President for \$787.2 billion dollars.

Our interest in this bill is its focus on infrastructure and related job creation. USACE has many worthwhile infrastructure projects, including inland navigation that would be an investment in the nation's future and could contract to initiate work on many of these projects very quickly.

The bill includes \$4.6 billion dollars for the Corps and for applicable projects. These funds will allow us to help the economy and to improve some of that national infrastructure for which we are responsible. And as I said, Mr. Loew will give us a bit more details on this a little later this morning.

But our goal in accordance with this measure's criteria and guidance is to obligate and expend the funds quickly. All unobligated funds, except those associated with contract management claims and executive direction, will expire by 30 September, 2010. This provides us about an 18 to 19 - month window to get the funds spent. So looking ahead, near term execution for us is key for the economy and for the nation's infrastructure.

Midterm we need to develop the inland waterways investment strategy, which some refer to as the "White Paper" as a sound long - range plan to address the needs of the inland waterways transportation system. And then I think our goal long term should be and the

objective that we should be aiming for the next 30 to 50 plus years is a holistically planned properly managed and maintained inland waterways transportation system, and I emphasize that last word for a purpose.

Because as General Walsh said earlier, the whole watershed is a system. And I think we need to manage it better in that regard, and I think we can. But we will never achieve this if we don't work together as a team in this regard and as partners.

You know, I often remember the phrase that Ben Franklin used when everyone had signed the Declaration of Independence. He said, "Well, you know, we must hang together, because if we don't we will surely hang separately." I don't know about y'all, but I don't plan on being at the end of a noose. So, I think we can get this job done together.

And I also encourage everyone to continue the dialogue that this meeting will spawn because I believe that we have a rare opportunity at this point in time, our CG often likes to refer to this point in time as a historic point in time, a rare opportunity between our normal '09 and '10 budgets and the supplemental work going on the Gulf Cost along with the stimulus bill to lay the groundwork for a better future for our nation.

And speaking of that future, we will hear a bit later this morning about our draft "White Paper", which will set the stage for the strategy that will get us into the future.

So on that note, again, let me welcome you and now invite federal observers to make any remarks that they wish to at this time. Mr. Danley.

MR. HOWARD DANLEY: Thank you, sir. Thank you, Mr. Chairman, also. First off I'd like to say I really appreciate the welcome and the hospitality that I've received since I came here yesterday from our host, the Army Corps of Engineers, and the members of the Board. It's really been wonderful.

Today I'm filling in for Alan Bunn who works in my division. Alan couldn't be here today. His brother is retiring from the Portland Corps of Engineers District with 30 some odd years service today, and Alan is going to be a surprise guest there.

One last comment about Alan. In the aftermath of Ike, he performed super human duty in the recovery. And on the basis of that, he was named the National Oceanic Service Employee of the Year for 2008.

And I have a couple of items to report on. The Army Corps of Engineers, Coast Guard and NOAA are jointly working on a project in Tampa. This is since last September, to send environmental data over the Coast Guard AIS System. The data includes temperature, wind information, water levels, and it's essentially the NOAA PORTS information.

So far so good is the report that I received before I came down. And that a second test project is planned for the entrance of Columbia River similar to this one, and I don't know when that one will start.

The second item is a NOAA installed, a real - time current meter temporarily at the railroad bridge going to Galveston Island. In the aftermath of Ike, the current predictions were really off because of the way the environment was disturbed. And the current meter is providing real - time data, and it's also collecting baseline data for new predictions in that area. And, again, this is a temporary buoy that we had to pull from another part of NOAA, and it will be removed at some time in the near future. I understand that they're looking at a way to get a permanent meter there.

The third item is preparations for the upcoming hurricane season are beginning. Typically what we call the survey responders get together in May, which is the Army Corps of Engineers, the Coast Guard and NOAA, and we update our contact information, look at our assets that we have for response and our logistics and just kind of have a get - together meeting and talk about what we might have to do in the upcoming season.

The next item I'd like to report on is we have purchased a new survey vessel, Research R & D survey vessel for Chesapeake Bay to replace an older vessel. The new vessel is based on Army Corps of Engineers' design. It is almost identical to the Army Corps of Engineers' survey boat in Mobile and very similar to the one in New York City. We are currently outfitting the boat in our base in Norfolk. We're transferring all the survey equipment from the older vessel to the new one, and we expect to be operational around the end of next month.

The last item that I have is our Hydrographic Services Review Panel that's meeting in Baltimore. That's April 14th to the 16th are the preliminary dates right now. I'd say a panel - I think very similar to the panel here that we have an advisory panel, and we look to them for guidance on directions we should be heading. And also at that meeting we plan to have a christening ceremony for our new survey vessel. And that's all I have. Thank you very much.

GENERAL TEMPLE: Thank you. Next I'll turn to Mr. Goodwin, please.

MR. ROBERT GOODWIN: Thank you, sir. I'd like to echo the comments that were made about the tour yesterday. It was excellent and very well done, and I learned quite a bit. There's just a couple of issues I'd like to bring before the Board.

One is the America's Marine Highway Initiative that I discussed at our last meeting. It is progressing. We received recommendations for marine highway corridors the first part of this month, and there are at least two corridors that parallel the inland waterways that have been recommended. So those decisions will be made designating the corridor soon, and we'll move on with the program; that it shows great promise for the future.

We have also received some money for a small shipyard grant program again this year. It will be published in the near future in the Federal Register. It's an opportunity for shipyards, especially on the inland waterways, to provide capital improvements, related infrastructure improvements will improve their cost efficiency and their ability to construct vessels used in the domestic Jones Act services.

This is something that doesn't come along all that often. Again, it's one of the second times that we've had the opportunity to have these types of shipyard grants. And I'll be keeping the navigators and the shipyards advised as soon as it's published in the Federal Register. It's something you need to look at.

General Walsh, I really like the concept of the center coast. And with your permission, I'd like to use that in some of the things I do also.

GENERAL WALSH: I took it from that book.

MR. GOODWIN: Okay, sounds good. That's all, sir.

GENERAL TEMPLE: Well, thank you both very much. And, you know, we not only enjoy a great relationship with NOAA and MARAD in this venue, but also at the CMTS meetings as well. So thanks so much for being here. Mr. Secretary.

MR. JOHN WOODLEY: Thank you, General Temple. I have to say that anyone reading the accounts of these meetings and the minutes would arrive at my being invited for comments, but with a feeling of some surprise and hopefully not indignation.

But in our last meeting in Chicago, it was anyone who read the minutes or reads the minutes there would see that it was quite definitely my last meeting, and very kind things were said at that time; it more or less in the nature of a eulogy. Most people having been eulogized have the common decency to pass on.

But in my case, the President has asked Secretary Gates and Secretary of Defense to stay until his successor is identified and confirmed to assist with an orderly transition in the defense department.

In turn Secretary Gates has asked Secretary Geren, my boss, Secretary of the Army and other political appointees, presidential appointees to remain in a similar capacity until the President has nominated and the Senate has confirmed our successors. And I have agreed to remain in office in that capacity, and to work with the incoming administration to have a smooth transition. And it certainly is a very exciting time to be working in the arena of Civil Works.

The Congress in the stimulus package recently passed and signed by the President has placed a great deal of confidence in the Corps of Engineers in allocating \$4.6 billion dollars toward the Corps's Civil Works program for work that can be accomplished and that can get America's economy moving again.

And we are taking that responsibility very seriously, not without a great deal of pride in having been singled out and selected in that matter, but certainly with a feeling of determination and a great deal of resolve to accomplish that work that's been assigned to us and to do so in a manner that will really benefit this country in its immediate impacts on jobs and the economy, and its long-term impact on economic activity and economic development and economic prosperity across the board.

So, that is - and we're going to have some very interesting presentations on that later in the day from some of the leadership of the Corps of Engineers. And I certainly encourage everyone, every member to pay attention to that and to offer comments and suggestions that you may have individually or collectively to assist us in putting together a highest quality program to implement the work that has been entrusted to us through the stimulus package.

And so I'm delighted to be with you. I hope the President will - and I think certainly strongly would encourage the Administration to proceed with great diligence to identify a qualified successor, and I look forward to working with that person whoever he or she may be to ensure us a smooth transition within the Army Secretariat.

And I can also assure you that one of the things I hope to have an opportunity to discuss with that person as part of the transition is the importance of this Board, and that I will encourage them to, whoever they may be, to rack up a better attendance record than I have in the course of their tenure as assistant secretary. Thank you very much.

GENERAL TEMPLE: Sir, thank you. And sort of like Lazarus, we're glad you're back, and you're welcome to stay as long as possible.

MR. WOODLEY: As Lazarus said, "It's good to be back."

GENERAL TEMPLE: Thank you, sir. Chairman Wilken, I believe that concludes the federal part of this. Back over to you, thank you.

MR. WILKEN: Great. Thank you, General. Just a brief note. Out on the river yesterday in listening to the speaker about the military history, it reminded me of you, Mr. Secretary. I know your passion for the history of the military and the battle explanations. And then I reflected back, and I thought that maybe that the rumors of your demise have been greatly exaggerated. So, you're here as a cat with nine lives, and we greatly appreciate your attendance. And I want you to know that you're a great American, and thank you for your service.

Also, I'd like to reflect back over the last year and a half or so at what this Board has requested of the Corps of Engineers relative to doing some look - backs on projects and how successful we have been, where we have lessons to be learned. The Corps has engaged in that, although all of us are in a big hurry because we all have a passion to make this system the very best it can be for the citizens of the United States of America. We were successful in rolling that out or the Corps was, and we greatly appreciate that.

I think today a presentation presently where we have the White Paper presentation, and Gary Loew and his staff has been extremely diligent. And Jeanine Hoey has done a fantastic job of chairing that, and I have been privy to watch them work. The e - mail strings have been a - they've done a great job, very committed. And that brings us to the present.

And I reflect back and think that to date we have a stimulus package well within 30 days the President signing. There could be significant activity in that arena by the Corps if we hadn't

labored over the last year and a half and taken the opportunity to clarify with stakeholders and with the Corps the ability to understand the process, understand the project delivery process and now with an opportunity to take a full and efficiently fund a project.

I think everyone is at that point where they understand that the time is now, and the time is now to execute each and every employee in the Corps, each and every stakeholder. People have a clear understanding that we are in a position to execute, to deliver a project on time, on budget, and everybody clearly understands the progress of that project.

I'm very, very impressed with what I've seen to date. I don't believe we could all be at this one spot or this one place in time without the work that's been done by all the groups.

This requires communication. It requires passion. It requires as I said good communication skills. And now we're going to find out whether in the future we're going to be able to deliver. So congratulations on getting some funding, and we're really looking forward to working as a board along with the Corps.

And finally I'd like to thank the Board for the four years that I've worked with them. I've met some fantastic people from the west coast to the south coast to what I call the third coast, General, or the center coast. It's a fantastic group of folks that I think finally they're engaged. They're engaged in the issues, and they have nothing but upside from here on out.

So without further delay, I would like to move for approval of the minutes of the Board Meeting of 59. This was the Chicago meeting. Is there any questions, any comments as we move through that?

MR. POINTON: Can we have a motion from one of the members to approve the minutes as provided?

MR. TIM PARKER: So moved.

MR. POINTON: Second?

MR. DANIEL MARTIN: So moved.

MR. WILKEN: Thank you, Mr. Martin, for seconding. Without further delay then I think we're on time, and I call on Mr. Gary Loew to present an impact of stimulus funding on the inland waterways. Gary. Gary, hold on one second here. I forgot to call for the vote. All in favor?

(ALL RESPONDED AFFIRMATIVELY)

MR. WILKEN: All opposed?

(NO AUDIBLE RESPONSE)

MR. WILKEN: Passed unanimously. Thank you.

MR. GARY LOEW: While we're getting the presentation up on the board here, I'd like to start by just expressing my personal appreciation to Chairman Wilken. He was a little retrospective, caused me to think back a little bit, too. And starting maybe a couple years ago as we noticed the - I shouldn't say noticed. We were very aware that the trust fund surplus was being used up, and we began to take jointly I think a look - back on how those funds were used.

We all came to a similar conclusion in different ways that perhaps we could have used it more wisely if we had given more thought to long - term capital planning. And as we have re - thought that process and worked together, one of the outcomes was that certainly us and the Corps of Engineers and the Board really re - thought our respective roles and our partnership and how we needed to improve to move together in the future.

There were lessons learned by all of us. And certainly an outcome was that for Chairman Wilken, it meant more of his personal time. And that's true for the Board members as well, and it will be that way into the foreseeable future. So, I just really appreciate how much the Chairman and the Board has stepped up to take on this challenge and look forward to moving ahead.

Now what I'm going to talk about, now I'm going to give you a quick update on appropriations. The stimulus bill itself, you've already heard some of that from General Temple. So I have 14 slides, so I'll go through them fairly quickly because what's missing from the slides a little bit I believe is a discussion about the decision process we will go through over the next couple of weeks. And so I would like to leave some time at the end to perhaps discuss that and to answer any questions you might have.

This slide depicts simply the status of appropriations over three years. The first two columns show what happened in fiscal year 2008. You can see that we executed about \$6.1 billion dollars work of worth versus an initial budget of \$4.8 billion.

We move on into fiscal year '09. And what you can see in the slides is you can see a budget number, you can see an appropriation number. And then in this second line from the bottom, you can see a supplemental number.

And a point that I would make is that we have received about six supplementals in the last six years. And that's been a very positive outcome for us when we have the supplementals are generally - appropriations are generally not additional monies, but they are paying for the repair of Corps of Engineers' projects that were damaged by storms.

And when we don't receive those supplemental appropriations, we have to either - the level of the project service goes down. In the case of a harbor or a channel, it may mean that it stays at a silted up level rather than the authorized depth, or we have to eat that out of our operations and maintenance appropriations, meaning we're not doing other work that we'd scheduled. So, we've been very fortunate these last several years on being able to get those supplemental appropriations and make those project repairs.

The last two columns here show the supplemental coming in down at the bottom of \$4.6 billion dollars. And so you can see with about an expected about a \$5.3 billion dollar appropriation, past supplementals that kicked in at the beginning of this year. Plus the stimulus bill we expect to have about \$15 billion dollars to execute in Civil Works appropriations this year. And we feel quite confident that we can do that in a timely way.

I'm going to run through these because somehow this turned into a bill chart. I have absolutely no idea how. This is a series of dates that show you the appropriations activities that are going to happen roughly over the next year. And it's quite a list, which is why I threw it up there.

It starts out as General Temple mentioned, we already have, are operating in a continuing resolution. The stimulus bill which is properly titled now the American Recovery and Reinvestment Act or I've titled it ARRA in latter parts of the presentation, that was passed and signed just a couple of days ago.

In the next three weeks we fully expect an Omnibus appropriation with eight appropriations bills that have not been signed yet to be signed. That appears to be on target in the Congress, and they appear to be motivated to make that happen.

So, in March we will have allocated out to the field both the funds from the stimulus appropriations and the balance of the funds from the appropriations act. So, it's a lot of appropriations that will go out there. However, we have been planning for this for some time. Our division and district offices are fully aware that it's coming. They have a good sense of what's coming. And they are - and, in fact, the appropriations work is actually already scheduled. So, it's a matter of us carrying out those schedules.

Time marches on. Within the next two weeks my office will put out the budget guidance to the field to prepare the fiscal year '11 budget. And we fully expect the President to come out with a budget overview document on the 26th of February. That was just announced in the last two days that he will put out an overview document. It will - it's called overview because it won't have the project level details that we're used to seeing, but it will have we think the broad overview of the level of the budget that he plans to submit to Congress and general information about that.

And between now and mid April, we will be working with OMB to work out the details of the Corps of Engineers' fiscal year '10 budget. We expect the Congress to probably hold hearings on that in mid to late April shortly after those details are out.

In addition down towards the bottom of the chart, you'll see that there may be a defense supplemental in the next eight weeks or so. And there's interestingly already talk of another stimulus bill focused more on infrastructure in about a year from now if the current stimulus isn't adequate to get the country's economy back on a more sound footing. So, a lot going on. A lot has gone on in the last six months and a lot will continue to go on in the near future.

For fiscal year '09 appropriations, just some information. I've already talked about it. The House and the Senate staffs, that is the people that I deal with, are quite comfortable even though the report hasn't been formally filed. So, we do not know what in the conference. They're quite comfortable that what is in there will be accepted. They will probably bypass the normal appropriations process, file the bills and then move directly to floor action on an omnibus bill. And so, again, they seem confident that that's going to happen in the next say three weeks.

With regard to the Inland Waterways Trust Fund, the Continuing Resolution Act that we're operating under now and the fiscal year '09 appropriations bill will continue to have the language that exempts the major rehabilitation projects from the cost sharing requirement from the Trust Fund.

As we all know, that's a major break for us with the income only coming in at about maybe \$85 million dollars a year. At this point we simply would not have enough funds available to take care of the most risk - our most risky concerns on the waterways if we had to fund both the construction projects and the major rehabs out of the trust fund.

So we're able to continue to fund for another year the major rehabs out of the general appropriations and focus the trust fund appropriations on cost shared construction work.

Now, one other comment with regard to the last couple of points on this chart. I put on there 'cause there's been a lot of questions about this. The House and Senate bills that you've seen for those of you who have read them have language in them that incorporates the tables into the law, into the statute.

If that were to happen, it basically means that there is no re-programming possible of those projects. They did this in response to a Presidential Executive Order that directs federal agencies to ignore the House and Senate and conference reports when the bills are passed in the administration of those. So, this is sort of a defensive move by Congress. We do not expect that provision to make it through to the final bill. So we think that in the future we'll have re-programming authority similar to those that we've had in the past.

Moving on to the stimulus bill or the America Recovery and Reinvestment Act. You've heard that it's \$4.6 billion dollars. Good news again in there is that there is a provision in it that projects funded with the stimulus bill that are for inland waterways projects do not have to be cost shared with the trust fund.

That is similar I might add to language for a couple of other trust funds that have been administered by the Federal government such as the Highway Trust Fund. It has similar language for exactly the same reason. There are not enough funds in the Highway Trust Fund so that they had to have the typical 50/50 state level cost sharing, then there wouldn't be any projects. So, that language is similar and not to be unexpected.

I think we feel fortunate that we got it and the Congress considered that the cost sharing that goes on with normal projects and with the Harbor Maintenance Trust Fund does not have

similar language. So those will continue to be cost shared as in the past, but I would also say that does not appear to be a problem for us.

There are significant transparency requirements. There's about a 50-page OMB memorandum that just came out that talks mostly about the transparency requirements. In a nutshell it means that once we decide how the funds are to be spent, we are going to be required to put that up on a Corps of Engineers' website and maybe also a GSA or an agency managed federal - wide website called the Government Recovery website.

And the main message being that what we allocate the funds to and how we execute those funds will be very transparent. It will be very public knowledge. So not only we, but all agencies that have received stimulus funds will be under a public microscope I think about how well we carry them out or not, how well we realize the intent of the bill.

I've got a couple of slides that will talk about some of the provisions in the bill as they pertain to us. One key principle and noted here on this slide is that the funds do expire in the bill by statute on 30 September, 2010. So that gives us 18 to 19 months to execute the bill. And for those - but we all know that we have projects for which we are awarded contracts where the completion of that project will extend out beyond 30 September, 2010.

And so there is a provision in the bill that allows us to carry over funds for engineering and design, supervision, administration and construction and any claims that might occur late in a contract, to carry those funds over and they will not expire.

This is what the bill looks like for us, \$4.6 billion dollars broken out into \$25 million for investigations or planning work, \$2 billion for construction, \$2 billion 75 million for operations and maintenance, \$375 million for Mississippi River and Tributaries, which is essentially broken out into their construction and their operations and maintenance accounts, \$25 million for Regulatory. That was a nice provision that the Congress allowed.

The purpose of that is that we expect probably an influx of permits associated with stimulus projects. And so we expect that basically a business surge in the regulatory business. And so they've provided us with \$25 million dollars to use over this 18 - month period, which we will use to basically contract for support services in regulatory that allows to move our in - house regulatory staff to focus on processing permits associated with this surge so that we are not a reason for delaying this activity. And there's a tremendous amount of economic leverage associated with whether we perform that regulatory function quickly or not. That's what that's for.

And then formerly used site money \$100 million. That is for formerly used Department of Energy nuclear waste sites. We have about \$140 million program - dollar a year program which basically cleans up our contaminated soil and buries it. And so that also will allow to accelerate several of those projects.

This is key. You can ask me questions about this later. The conference report accompanying the bill gives the Corps of Engineers the criteria by which we should - or which

we should use to allocate the stimulus funds to the projects. Now, by way of - a way to think about this is that we've been working with our field offices for almost two months now on if this happened, what would you like to use it for.

And as the bill has progressed forward, we've been able to be more clear with our field offices about this isn't for us to do what we think is most important. This is for us to put money out into the economy to create jobs. That is the clear Congressional purpose in this.

And just in case we weren't clear about it, they gave us these criteria. And if you look through them, they're very clear about the intent. Use the funds, get them obligated and executed quickly, choose projects that produce high immediate employment, projects that have little schedule risks.

We're all aware that normal Corps of Engineers projects can be delayed for lack of real estate, partner funds, NEPA compliance; things like that. And so the bill is telling us to of all your choices, filter that stuff out so that you are working on projects with little scheduled risks. Do it all by direct hire temporaries, that is don't use it for in - house funds or to balloon up your in - house staff. This is to create employment on the economy.

And the last feature is the Congress basically saying this is a one-time surge, so do not half finish a project and come back to us later and tell us you need more money to finish it. So whatever we use the money for needs to be a complete and usable element of a project as we go forward. So those are the criteria that we will apply.

Now one note on how this works physically for us, so maybe this will answer some of the questions that are rowing around in your mind. We have right now based on field input a database that shows that we have about \$6 million dollars in eligible projects and contracts in construction, about 6 to \$7 billion dollars worth of eligible projects in the maintenance account.

So, these are all projects where the district is telling us I can award a contract within the 18 - month time period for a project that's in this database. Well, now it's been broken down below projects into contracts. Again order of magnitude, maybe 8 to 11,000 things in the maintenance database and maybe about 6 or 7,000 in the construction database.

So again order of magnitude, we've got about \$2 billion in construction. Let's say we can do maybe a third of that. So, what would we select out of those 6,000 contracts, possible contracts that are in that database? What third, what's the best third?

And from our perspective again going back to the congressional intent, it is to put money out there quickly. And to oversimplify a little bit. We take that database, and we select out everything that can awarded in the first nine months, and that gives us more than \$2 billion dollars worth of work.

So then we go through and take that selected database and ratchet it down by how fast are you going to finish the work. And so then that gives us theoretical projects that can be awarded

quickly and finished most quickly. And in our minds that would accomplish the congressional intent.

Now, it's not quite as simple as that. We will look to see that we get a decent program balance so that we are doing a reasonable amount of coastal navigation, inland navigation, environmental work, flood control work, hydropower work, recreation facility work; all the things that we're responsible for. And we will look for a decent geographic balance. That is a decent nationwide balance in how the funds would be expended. The latter two are very judgment calls. There's no strong marker bear, but that's how we will administer it.

Now, another note about the decision process that we will be going through. Our districts will not prefer these projects. The districts will prefer projects that are more important to them in their administration. In context to the waterways, the districts will probably have projects that they would prefer if they were to make their own priority that deal with their highest risk problems or their greatest needs, which might not necessarily be the quickest awarded ones.

And so the database tends to select small projects that can be awarded quickly and finished quickly. And, again, I don't expect those to match a hundred percent what the district needs. So over the next couple of weeks, we've gone back to the districts, we've shown them what the initial run looks like. They are coming back to us with their comments.

And over the next couple of weeks, we will be running their comments and other decisions which would be sort of like exceptions to that theoretical project selection up through our command chain, through General Temple, through the Chief, up to Secretary Woodley. And eventually after his approval over to OMB for their approval and concurrence, and we'll move out. And we expect to do all that in the next couple of weeks.

What are some of the other provisions of the bill? We, again, are - the congressional staff we deal with was very helpful as we went through and looked at the implications of passing a bill like this without a project list.

The first one is an interesting one. The bill says you can only use the project - the funds to work on projects that have been previously funded in either the maintenance account or the construction account. They're very clear about that. They're not turning over to the Corps of Engineers the decisions about new starts that might be made.

The interesting part of that is heretofore or hereafter. Hereafter means basically if there is a new start in the fiscal year '09 bill, that is the stimulus bill has already passed. But now if they start a project in the fiscal year '09 bill that hasn't been previously funded, that would become eligible for stimulus funding.

The other provisions are nice to have provisions. Relief from the trust fund cost sharing, I spoke about that. Unlimited re - programming authority, very good. Now, that's for the stimulus funds only. That means we can allocate them to districts if a district for some reason couldn't - is not able to execute as they scheduled, we have the authority without going back to Congress to pull those funds back and re - allocate them to another project is an example. Or if a

district advertises and the award comes in at less than was expected, we can pull the excess funds back and again re - allocate them to other projects.

There's quite a bit of concern about oversight and management of this because it's going so quickly. And so there is authority for us to use some of the available funds to basically plus up our ability in headquarters and division offices to provide the oversight to make sure that we're doing everything properly. These include things like very rapid, but also very proper contract awards, making sure that we hit our small business goals; things like that.

There is a provision in the bill of the construction funds, at least \$200 million dollars be used for environmental infrastructure projects. Those are previously funded in the bill water and sewer projects that the Corps oversees.

Section 902 relief means that if we apply stimulus funds to a project that would cause it to bump over its authorized ceiling, we can go ahead and do that. Ceiling relief for all of the small projects, what we call our continuing authorities projects in those four programs Sections 14, 205, 206, 1135. Again, we can go above the amount set in law in the fiscal year '09 appropriation that cap those programs if we need to.

I mention the other one that funds to administer the contracts can extend beyond 2011. And then the last bullet is sort of a technical one. WRDA Section 9006 sets a limit of \$20 million dollars a year that we can spend on the Levee Survey Program, which is a survey program authorized in WRDA '07 that has us going out and inspecting and putting in a database the status and the condition of all of the levees in the federal levee system.

We fully intend to in the stimulus bill accelerate that entire inspection program and complete it in about two years. Our estimate is that will be \$90 million dollars, which would be over that \$20 million dollar authority. So, again, the bill gives us authority to basically - a very good thing to complete the levee inspection program.

Okay, just some facts. I think these are pretty well published. This is what we expect to be created by this bill in terms of stimulus outcomes. About 37,000 jobs we expect to be created directly, about 102,000 indirect jobs. This is also information that will appear on the website that is as we award, there will be a running total of the stimulus benefits of the package. And I might add this comes to - it's actually 37,000 jobs per billion dollars. So this slide is not quite right. I think the slide is right. It's about 8,000; 7 to 8,000 jobs per billion dollars.

And my comment there is that you'll get a similar figure for highway constructions or any heavy construction. The economists collaborate on how this information is computed. And so what we're doing in the Corps of Engineers, you'll see for all the other stimulus type work in the bill. And OMB is, in fact, working with us so that we have agreed upon methods, standard methods of computing that for all agencies.

So moving on past the stimulus now to fiscal year '10. I mentioned that the President is going to provide an overview on the 26th. We have been working with OMB on the draft ceiling and the distribution of those targets. Secretary Woodley has corresponded with them with our

final comments. We've gone back and forth a couple of times. And pretty soon we'll be into the nitty-gritty of fitting the Corps program into the ceiling that they give us.

And we expect that - again, we expect to have all that complete, all agencies. OMB expects to complete those negotiations by mid April, and there will probably be a second budget announcement at that time.

And looking into the out years, 2011 budget guidance out there again, everything is being compressed in fiscal year '10 because of the change, the major change in administrations and in parties. And so we see a lot going on. From our perspective, we are going to continue to work with our districts so that we are doing better program - improved program and project management.

That is giving the Congress good estimates of capabilities and then placing a very high priority inside the agency on executing whatever we are appropriated. And, again, it's very simple. We told the Congress we could use that money. And we told - the President allowed the budget for it, I should say. We told the Congress, informed the Congress that we could use it efficiently. And so when we get the execution arm end of it, it's our job to do what we said we were going to do.

And a last comment here. I'll sort of close with this theme. Our feeling is we need to get better at communicating the value of what we do. The decision process in the federal government in future budget years is going to be I think very, very brutal. These pressures are going to continue.

Entitlement programs, it's no secret to anybody in this room that we do not know how we're going to pay for those out into the future. And the administration has to face that along with the growing federal debt, which the last time I looked was 13 percent of the total budget moving up to about the 18 percent range simply debt payments. So that's all got to be faced.

And in our on line of work, the cost of what we do is going up. As a result of Katrina as we have revamped some of our dam and levee safety guidelines, the cost of rehabilitating those projects to new standards is increasing along with the cost of construction materials and so forth. And so we see a lot of pressure on ourselves to continue to not only have good standards, but to seek efficiencies in the way that we construct the work.

So, I'm leaving you all with these thoughts because they're thoughts that we're having inside the agency as we seek to better defend, and I use the word "defend" because formerly it's called budget defense. After you've presented a budget and the President presents it, we take it to the Congress. We're now defending that budget.

So as we seek to defend our budget in the future, we're very aware that we're in competition with all other federal domestic spending, and we better be at the top of our game. And so the question is, you know, what is our message. We need to focus down and have a good solid message that strikes a cord, a positive cord with this country on the value of infrastructure and how we're communicating that. And we're going to pay significant time to working through

that, and I might add working through it in cooperation with you all. And with that, I will conclude and take any questions.

GENERAL TEMPLE: Gary, if I might. Mr. Chairman, before we go into the questions, you know, Gary talked a lot about congressional intent. And our command and Commander also has an intent that re-enforces everything that was described by Gary earlier here. And I won't go through it word by word, but just to highlight a couple of things.

You know, General Van Antwerp asked us to, "Take a look carefully at our local, regional and national resources internally to ensure that we either have or are able to acquire the necessary resources to execute this program here in fiscal year '09. To deliver superior performance on every project, signed cost estimates, aggressively achievable schedules, innovative contracting and timely execution, desynchronize and cross walk all our programs; Civil Works, military, international and research and development so that there are no seams, and we operate as a single entity. To communicate transparently both internally and externally. And to manage effectively using our program and project management systems and internal controls and follow all administration, accounting guidelines", which as Gary said are to be published, but they'll be out soon. "And that leaders at all levels conduct management reviews." And last but not least, "Knock it out of the park", and that's a quote.

So anyway we're taking this initiative we've got very seriously. And General Van Antwerp has given us his intent, which mirrors the congressional intent I believe. So, Mr. Chairman, back to you.

MR. WILKEN: Thank you, Gary. Any questions for Gary and his presentation at all from the Board? I think what we'll do is let's see how long this goes, and we probably will break, you know, shortly thereafter. So, I think we've got some pretty good in-depth discussion right now, and we'll just see how long that lasts, and that will drive the break, okay. Stephen.

MR. STEPHEN LITTLE: Gary, thank you for the presentation. I think that answers a lot of questions and serves a good outline of the stimulus package, and I thank you for your work on this. I know how hard you work and everyone at the Corps have worked on this, and I congratulate all of you for that.

Help me understand this a little bit with the construction dollars we're talking about. Did the conference report also give some guidance as to how they recommended the \$2 billion dollars be spent?

MR. LOEW: No, they did not other than the criteria that I showed on the slide here.

MR. LITTLE: Okay. Did the Senate conference report give some guidance because I'm confused? I thought there was a breakdown - a break out somewhere in the conference report. And I thought it was in the Senate version that said, in effect, they recommend this \$2 billion dollars, \$500 million goes to inland locks and dams, and this much goes here and this much goes there. Can you help me out on that?

MR. LOEW: Yes, you're right. There's three reports. A Senate report, a House report and a conference report. And as you all know, the Senate and the House start out with their separate reports, and then they negotiate and come out with a conference report with the final number and the final guidance.

Now, typically the way the Corps interprets and executes that guidance is conference report rules, and then we take - if there is anything that is different in the House and the Senate reports, if it doesn't conflict with the conference guidance, then we try to execute that, too, although none of it is binding.

In this particular case, the conference report says specifically we elected to not use the Senate report guidance. So they're basically saying ignore that.

However, we have always also been clear that one of our agency goals is to get I guess I would say an appropriate distribution by program that is hydropower, flood control, inland, coastal and so forth and a decent distribution by geographic distribution. And all we mean by that is that if there are any anomalies let's just say, and this actually happened in the original distribution, there was practically no funds allocated to hydropower projects.

And when we looked to see why that was, we found that the hydropower projects with the early award dates happened to be very big projects that extended out beyond four years, and so they missed the cut. It was inappropriate probably to have no hydropower rehabilitation work in the bill. So, we're going back and working with the districts to see why did the data come out that way because we know there's some smaller, quicker hydropower projects in there.

So, again, there is no requirement to follow the language. It is a guideline. And it is a common sense guideline that we would use ourselves as well.

MR. LITTLE: You can't give us any idea today I suppose what portion of the construction dollars we could expect to see go to inland river locks and dams?

MR. LOEW: No, I couldn't and not trying to be evasive here. There's really two reasons for that answer. The first is that we are very aware that our initial sort as I would call it and distribution is maybe a 50 percent product. We think it's got - there's a lot of data anomalies in it. We're still waiting for field feedback. So, there's still a lot of corrections to be made in that.

And the second is that it's very similar to the budget process at this stage. We have to go through our command chain and get final approval for a project - a set of projects, if you will. And it's inappropriate to have people making premature judgments about that until the decision makers have had a time to reflect and act.

MR. LITTLE: Appreciate that. Is there also stimulus money in effect set aside for dam safety issues? Am I understanding that correctly?

MR. LOEW: No, sir. Other than again we would look for an appropriate program balance. And certainly there should be some in there. So if there were none, we would say there was something wrong, but there's no target amount or anything. Secretary Woodley.

MR. WOODLEY: On the dam safety side, Steve, instruction has been certainly that this is a stimulus and excess of any appropriational budget that we would normally receive. And since dam safety when it comes to budgeting and to appropriations, you know, we basically give dam safety a very high priority. And so, you know, I don't know that - if there's something out there for dam safety that we're not already budgeting for, it's probably not a very big deal. I mean because when they come in, when we put out our budget guidance, we're saying, you know, number one, we're not losing any dams, okay. We never have 200 years plus, and we're not going to start while I'm Assistant Secretary or while General Van Antwerp is Chief or while Bo is in charge of Civil Works. It's not a good time to start. So, we give that.

And if you look in our budget, that's another pressure that you see in terms of recapitalizing that Gary was talking about. And so I would not really be surprised not to find much in dam safety in there. And the reason is why, because there's a pile of it in the budget in each year. And this is on top of what's in the budget. And I haven't said that. I will give it - throw it back to Gary to see if I've mistaken something because of my - you know, he's got a lot more expertise in this than I do.

MR. LOEW: No, sir. As usual you are exactly right. It has been the secretary.

MR. WOODLEY: Gary, you don't have to say that.

MR. LOEW: No, it has been the Secretary's budget policy that we will fully fund all of what are called DSAC-1's or very high risk dam safety projects. And so those are fully funded in the budget and do not need additional funds.

So, the only stimulus that we would expect to apply to dam safety would be if we can accelerate those projects in a useful way, or if there are some lower level dam safety projects that we could rationally apply the funds to in accordance with the other criteria which is going to be awarded quickly and completed.

MR. WILKEN: Okay. Well thank you, Gary. And thank you, Secretary, for that collaboration. I'd ask anybody who's going to speak, please mention at least your last name for the recorder so they can get on the record correctly.

To follow-up - this is Royce Wilken. To follow-up on the line that Steve asked about, you talked about a decision making chain or process. Can you briefly go through the group on just a quick rough of how that marches up the chain or the decision making chain, who is involved in that?

MR. LOEW: Sure. I guess the first part if you think about it as a project or a process that has a start point and an end point. The start point which is really the responsibility of me and my staff and our field offices which is to present accurate data to the decision makers.

And as you can imagine, collecting this volume of data, there will be a lot of errors; the first round and second round and maybe even a few left by the third round. So we have built into our process multiple interchanges with our field offices going through our divisions to our districts to collect that information, review it at headquarters level, review it at division level and make sure that they've got the right start dates, the right project estimates; that they are fully committed to achieving those things.

We are as we speak today, we are in our third round of that, third and very close to final round. So, there's been two inputs. The third input we have sent back to them, allowed an opportunity to correct, update and change. And so - and then what we will do in terms of my staff level responsibility is to produce a - and I want to be clear about this, a staff level recommendation that says if we were to - in our opinion, if we were to meet the purposes and intent of the legislation, this would be the project set and this is why.

Now at the same time, but now we're ready to move it up our own command chain, which would be General Temple and Steve Stockton, the Director and the Deputy Commander through to the Chief through to Secretary Woodley. And again when Secretary Woodley has approved it, over to OMB.

Now, we are sharing this information preliminary with those staffs because we're keeping an accelerated process. The things that we will present to them for decision are - and I will pull an example out of the air. An initial sort showed practically no work in Alaska, so we said it doesn't seem right. And when we checked, we saw it had to do with a couple of months difference in the completion date of 3 or 4 projects in Alaska.

So we would present to our decision makers do we want to have a little geographic distribution, a better geographic distribution so that there's something in Alaska. And that would mean we'd have to recommend something come out. We'd have to recommend something go in.

I mentioned the hydropower example. In this next round we will also have field comments. That is the field will say I would rather do project X than project Y. So, when we bring recommendations up through again our own command chain, we will present here's a staff recommendation, here's your field Commander recommendations, and then here's considering all that, here's what we recommend you to do, and we'll ask them for a decision. And again it will work up. It's a very accelerated process.

MR. WILKEN: Okay, thank you. In that process and with stimulus funding that's not interacting with the trust fund or matching dollars, those sort of things, I'm assuming then this Board would not play or play a role in any of that, any of that decision making process or chain?

MR. LOEW: No, sir. Again unless one of our decision makers chose to ask your opinion on something. But other than that, no.

MR. WILKEN: Thank you. Any further questions? Mr. Martin.

MR. MARTIN: Gary, one of the things I wrote down from one of your slides. It was the criteria from your conference report I think, and it was complete either a project phase, a project or will provide a useful service that does not require additional funding.

Recognizing that you don't want or you're not able to speak about what specific projects might - that are so near and dear to us might fall into that category. We've spent a lot of time over the last couple of years talking about the significant cost increases that we've experienced, and that the trust fund has paid dearly for that. So, I don't want to belabor that.

But I guess what I'm trying to get to is I wonder if you can comment on whether you believe that the current projects that are being funded by the trust fund would qualify in a significant fashion to meet that criteria that you are supposed to live by?

MR. LOEW: Yes. Yes, they are eligible. There's a little confusion about that, so I'll try to elaborate just for a second. We can have a project that is going to be appropriated in fiscal year '09, and it is budgeted in fiscal year '10 that's also eligible for stimulus money; that is could be accelerated.

The situation that the Congress is telling us to avoid is do not build half of a sewage treatment plant, half of a cofferdam and come back to us the next year saying we started this with the stimulus, but now you've got to give us the money to finish it. That is they are reviewing this as a separate appropriation distinct from the regular appropriations which they use to move projects forward.

So they just don't - they don't want either the Corps of Engineers or a stakeholder saying Congress, you got to fix this, you got to finish the funding. They don't want us to create that obligation for future appropriations.

MR. MARTIN: I understand, thank you. And further to that, I wonder - these are long - term projects; Olmsted, Lower Mon, Kentucky. Whatever it is, these are long-term projects. Does the criteria allow you to look at portions of these multi-year projects that would qualify under this criteria that has been given to you?

MR. LOEW: Yes. And that's a very good point. And as a simple example of how the districts might react, if they had a project like that that did not make it in the first round, and they learned that the reason it didn't make it because it cost \$50 million dollars, and it wasn't going to be awarded for 15 months, and it wasn't going to be finished for four years and there are too many projects ahead of it on the criteria, they might choose to break that out into maybe two \$10 million dollar contracts that they could award and complete quicker and get the work done and still meet the intent of the Congress at the same time. So, there are some options about how - what they submit to us is structured, and that's - in fact, that's why we had to break it out by contract.

MR. MARTIN: Thank you very much.

MR. WILKEN: Mr. Parker.

MR. PARKER: Thank you. Gary, most of the people in this room have probably had the tour of the Industrial Lock in New Orleans and been in the catacombs and bat caves and all this and that. And, of course, with the closing of MR - GO, there's just huge pressure on keeping that lock viable until there's a long-term solution. And I remember on the tour I had, they were pointing out parts and components that manufacturers no longer existed.

And I guess my question is for critical key spare parts per say that need to be in inventory and in stock, are those types of things eligible under stimulus funding if they haven't been purchased -- and maybe they have since I had my tour. But I know the lock operators are saying there were certain things if they lost them, you know, they had to be built from scratch.

MR. LOEW: They would be eligible, yes. But priority again will tend to go to work where we can arrange - where we can award contracts and create jobs. But, again, if they can make a case that we're creating the jobs indirectly, somebody has got to manufacture the part, then that would be certainly something that would be considered.

MR. WILKEN: One more question, Mr. Woodruff, and then we'll go for a break. Mr. Woodruff.

MR. WILLIAM WOODRUFF: You may have covered this, and I just missed it. I hope you can appreciate it. It's sort of like drinking from a fire hose. There's a lot of information coming and trying to pull all of this together. There are allocations for construction. There's an allocation for O & M.

I know that in the last year's budget and the regular appropriation, there was a movement of what we called major rehabilitation out of the cost share. And sometimes the administration says that should be O & M and Congress says it should be construction.

For purposes of the stimulus bill if we're looking at a major rehabilitation project, is that going to be coming out of the construction slice of the pie or the O & M slice of the pie, or do you feel that you have the discretion to pull it out of either?

MR. LOEW: No, I don't feel we have the discretion. The Congress expects us to treat all projects in accordance with past legislation. So if it's been funded out of the construction account in the past, it will be funded out of the construction account in the stimulus bill. I'm not sure I cleared that up. Did I answer your question?

MR. WOODRUFF: I think I did. I think you did, yes.

MR. LOEW: Okay. Yes, they're basically saying no, we don't have complete discretion. Treat things as they have been in the past.

MR. WILKEN: Okay. Let's break and reconvene at five minutes till based on the clock behind me. Thank you.

(A BRIEF RECESS TAKEN)

MR. WILKEN: Okay, General.

GENERAL TEMPLE: Yes. Just one point of clarification from the previous discussion referenced the role of this partner and stakeholder body or any for that matter as we work our way through our process.

As Gary described, I mean we're all on a fast track here. We expect to get funding by the middle of March, and we are then expected to move out and execute as appropriate. So there is some time still for members of this Board as well as any other stakeholder and partner board that we have in the Corps of Engineers to interface with our local offices, our districts, our divisions and folks at headquarters as we work our way through our process.

And as Gary indicated even at the decision maker level if a decision maker has a question or a concern that directly affects a stakeholder group like this one, we'll go back and get clarification before we finalize what we're going to do.

So there's several levels of possible engagement for this Board over the next couple of weeks before, you know, things get finalized. So I just wanted to make sure that was clear to everybody. Thank you.

MR. WILKEN: Are there any further questions for Gary? Mr. Little.

MR. LITTLE: I don't want to jump ahead of anyone. But, Gary, as you went through the outline of conditions on spending stimulus dollars, the jobs and immediacy and things like that, those are guidelines in the conference report that we're trying to follow. So I understand that.

Now, the program balance and the geographic balance it seems to me - maybe you can explain this to me - but it seems to me as though those may be additional filters or additional requirements that may be at play, but those aren't congressional requirements, are they?

MR. LOEW: They're not, no.

MR. LITTLE: So, am I understanding that correctly though in addition to the Congressional mile post that we kind of have to hit, that the Corps is trying to adhere to, there's also additional mile posts that we have to hit that we kind of impose on ourselves?

MR. LOEW: It's an interesting question. Let me try to answer it this way because the short answer is in my work a milestone means a target. I hit it or not. It's a firm number, and there are no milestones.

You know, what we're asking of our decision makers in a case like this is to make good judgments about an appropriate project mix. And it's my responsibility to present them not only with the data and some recommendations, but also options. So part of that discussion is what

didn't get funded and why. You might expect to see things. Now let's take an extreme example. Let's say there was nothing in the construction account for the inland waterways system because that's the way that data came out. That would be something I'd have to bring to their attention and say, you know, it doesn't make sense. We should probably make an adjustment. So, I guess I'll try to comment in a couple of ways, Steve.

The first is that we take the direction of Congressional intent very seriously. That is we didn't pass the law, they did. We are the executing agency. And so that's not something we fool around with. They've made it very clear; jobs, stimulus first. So among all of our alternatives, we feel a very strong obligation to achieve that purpose. And as you've all heard, there's a lot of gray in that. A project can fall in or out based on a couple of months of when it was going to - the contract was going to be awarded or when it was going to be completed.

But the balance of it is common sense. And we do get a lot of help. And we get a lot of help from our industry partners. So some examples, we have had environmental groups in the office suggesting that a third of the program ought to go to environmental purposes. We have had a number of industry representatives. We've had individual ports who have come in, all advocating for their projects. That's all perfectly legitimate. Many of you have done so as well.

I read in the newspaper today that Jim McCarville, Port of Pittsburgh, was quoted as saying, we've got three projects that we want in that stimulus bill. And I probably made too strong a statement when I said there's no role for you to play because there is. And I know that the Port of Pittsburgh has been working with the Pittsburgh District to get projects that they feel are important. And I'm very aware that the Pittsburgh District Commander will be working to structure projects so that they meet the criteria. That is now that he's aware very clearly the criteria, can he structure the way that he is submitting those options to us so that they fulfill the criteria?

So when I said there's no role, there is a role and part of that is working with our field offices to simply see that we get good information, that we're considering appropriate options. And it's really my responsibility to see that where we do have that kind of input, that decision makers hear it. I mean they'll hear our recommendation on one side, but they'll hear the other case. That is they'll hear these other cases as well so that they can make judgments.

I guess I just would like to emphasize over and over some of this is pretty routine, but there's a lot of it that is judgment. And you do have a role in helping us get the accurate information that will enable good decisions.

MR. LITTLE: Thank you. Appreciate that.

MR. WILKEN: You had mentioned - this is Royce Wilken. You had mentioned earlier the possibility of re - programming. How much of that do you anticipate in accountability-wise? Do you anticipate - I guess the question is, do you anticipate a number of that still yet? And if so, any guesstimate on dollars and cents?

MR. LOEW: I guess that's hard for me to do. I think that there will not be as much as normal because we are choosing - the districts have given us projects that don't have problems. A lot of re - programming is associated with problems. Either it's delayed so you re - program the money to something that can use it, or it costs more than you anticipated because of some reason or another.

But there will always be - I mean we will have bids that come in above the government estimate. We will have awards that come in below the government estimate, and we will move that money around to take care of those types of issues. Some projects may hit an unanticipated delay. And if it's too long, we'll pull that and move it against the next one. So, you know, maybe ten percent I would guess of the total amount, something like that might be moved around over the life of the bill.

MR. WILKEN: Okay. Finally we would like to get a copy of this PowerPoint presentation that you gave us as well as when we know where we can navigate for us novice navigators on the web on the updates that you talked about in terms of progress and the transparency of the projects that we're spending on would be great to be able to get that information as well in the future.

MR. LOEW: Yes, sir. We will certainly do that. We are waiting really just final instructions from OBM - OMB, I'm sorry, on the website instructions. As soon as we know that, we'll pass it along.

MR. WILKEN: Okay. Any further questions for Mr. Loew before we - Mr. Woodruff.

MR. WOODRUFF: You have to forgive me for not being as familiar perhaps as I should be with what's in that bill, but it's a thousand pages and it's a week old. And so, you know, we were having discussions earlier about something that was in the Senate report that didn't make it to the conference report. And I'd been told, and I haven't seen it with my own eyes and maybe you can help clarify this for me, that the conference report said that as you are applying the five criteria that we talked about before, that it should be done in a manner so as to maximum the benefits to the nation without regard for business line. Was that in the final version as you understand it?

MR. LOEW: It's in the conference report, and it's also in - when they create a conference report, every place where there's a difference between the House and the Senate, they write generally a single sentence of how they dealt with that. We accepted the House version, we accepted the Senate version. We compromised on this language, and it's also in that. And I've got those with me, so I can make copies and show you.

The portion of the bill impacting the Corps of Engineers is really just five pages, and the conference report instructions are two pages. So, it's not so hard once you sort through those pieces of it.

MR. WOODRUFF: But it does say that - that did make it through to the end; maximize the benefit without regard to business line?

MR. LOEW: It did.

MR. WOODRUFF: Okay. I guess I'll get on my inland waterways soap box and just -

MR. LOEW: But excuse me I don't think it said maximum the benefit. I think it said - it said make the allocations without regard to business line.

MR. WOODRUFF: Okay.

MR. LOEW: And that was really saying do not use the Senate report as guidance.

MR. WOODRUFF: Yes, I think one of the things that we tend to get a little bit too focused on sometimes is we talk about the inland waterways system as a system that we all use as transporters moving things around. But in reality, we exist to serve the manufacturing and agricultural base of the nation which is what a large part of the economy is built upon.

And it would seem to me that there could be hardly a better use for national benefit of this infrastructure money than keeping our manufacturers and our farmers competitive in world markets. And so we would think that these projects would rank very highly in the national benefit analysis.

MR. LOEW: Yes, they would if we were doing a national benefit analysis, but we're not. You know, again keep in mind as we read the instructions from Congress, it is put the money out there, put it to work quickly without regard to any other consideration pretty much. Now, to the extent that we can do that and achieve maximum benefits, of course, we will.

MR. WILKEN: Any further questions? I see none. Thank you, Gary.

MR. LOEW: Thank you.

MR. WILKEN: We're going to call on Jim Walker who's standing in for a presentation on Project Hope.

MR. JAMES WALKER: Thank you. I'm here speaking on behalf of Mike Park. One of the follow-up actions to our last Users Board Meeting was to explore innovative contracting opportunities. And where we took a look at this was the leader in our innovation was taking place down in New Orleans with Task Force Hope.

We conducted our team meeting in January of this year in New Orleans, specifically to be able to have those discussions about contracting methods as a part of our putting together our work on the White Paper that you'll be briefed on here shortly.

So, we had Mike Park and Tim Black come over and spoke with us and gave us a presentation, and this is the essence of it being presented today. And we found it quite informative and wanted to share this with you.

Unfortunately at the last minute, Mike was unable to make it here to give this presentation, so I'm going to pitch hit for him on this portion of the slides, and then turn it over to our district contracting person who's also got some experience and will help us with the contracting specific portions of the slides.

You see here's the agenda we're talking about the storm damage system, and what they were tasked with accomplishing and how our presentation then be structured on the acquisition strategies that they are proceeding with to accomplish this mission.

They have in Mississippi Valley Division all of the Civil Works mission areas that are common to the Corps of Engineers to take place at their division.

Highlighting here the New Orleans area and the geographic area, which they are working as far as the Hurricane Storm Damage Risk Reduction System. Hurricanes hit, both Hurricane Katrina, and it was also impacted in the course of their recovery efforts with Hurricane Rita.

They've got their mission statement in terms of repairing the damages to make it whole again, provide then with that hundred year protection, the one chance of occurrence. They received \$14.3 billion dollars for that effort fully funded to be able to move with these things, and then to make their recommended solutions to improve not only the hurricane protection, but the environment on the coastal area.

You'll see some similarities here, and they had the evaluation of what occurred, how it occurred, why, and the incremental decisions that really rang true to us while working on the White Paper similar to New Orleans where they had so many different flood protection works and were not wholly integrated as a system. We've had a lot of decisions on individual navigation locks both the replacements and rehabs, they're evaluated on an individual basis without regard to the national system.

So, we saw in terms of how they're looking at modifying their approach as something that we can take a lesson learned from our efforts on the Inland Marine Transportation System.

They also had - along came with the Hurricane Katrina post efforts review, after action review, and then leading to the "Actions for Change", but they are focused on the comprehensive systems approach, risk informed decision making, communicating that risk to the public and doing it with their professional technical expertise all of which apply to us on our Inland Marine Transportation System and our capital plan for the long - term viability of that program.

They have their schedule to be completed with getting the hurricane recovery efforts in place for the 2011 hurricane season and the progress that they're making on that endeavor. And the status on that effort is an amazing amount of effort, both in terms of the number of contracts awarded and the dollar amounts of these is really unprecedented in the Civil Works program and what they're looking to do.

You're seeing in 2009 another 120 contracts for around \$4 billion dollars. You think about the economic stimulus for the Corps of Engineers being at \$4.6 billion. So, you're seeing an effort - an amazing concentration of effort down in that area, but they are successful in pulling this off.

The term "buying down risk" is something that's certainly appropriate for them in the hurricane recovery work. And it's appropriate for us in Inland Marine Transportation. We see these same sort of increments and the possibilities of buying down risk when we look at doing the condition assessments on our navigation locks and looking at the priority with which we will approach these projects in the future.

And the idea that we will do a condition assessment, determine what the condition is of these components, look at the consequences associated with it, and from that it determines our risk and will be a heavy factor in how we will proceed with investment decisions and coming up with an overall ranking of the efforts that are currently awaiting initiation of construction.

With the acquisition strategies here, this is where I'll be turning it over. Randy, all yours.

MR. RANDY BROWN: I'm Randy Brown. I work at the Vicksburg District Contracting Office. I'm sitting in for Tim Black who presented this presentation. When they asked me to do this, and they said well, you've only got a minute per slide, and you need to do it fast. I said there's no way. I'm the wrong guy because I cannot talk one minute per slide. I'm just that way. But anyway we'll give it a shot and give it a try.

The things that I've noticed and I've heard out of this meeting is a lot of money and a short time period to do it. Unfortunately in the arena that I work in, we're governed by laws provided by Congress on how you procure public funds, how you utilize that.

In my case, I'm a contracting officer. I have an unlimited award which means I can sign any dollar amount that is put before me which also means I'm legally responsible for that contract. I don't know about you guys, but my salary, I can't afford to pay back a billion dollar contract. So it's very incumbent on me as a stewardship of the funds to make sure that it's done right. Not just my personal standpoint, but from a contractual and government standpoint.

The one thing I have not been hearing in any of this is that Congress has decided to ease any of the rules regarding procurement of the supply, service, construction and whatever. So, we're still living by those same laws and regulations that govern procurement before the Hurricane Katrina and now this stimulus bill.

So what's had to happen and what I was asked to do is to present to you guys some methods, some innovative methods that has come out of this because we still have to operate under these guidelines. But we still also have to have a successful completion of the mission.

There are some terms, some contract types that are traditionally not used or being used now and will be used in the stimulus bill. Now the types that we have, I want to talk about of course is design, bid, build. That's the traditional normal method that the Corps uses to procure

their construction services. And that's mandated, required by the regulations. Of course, there are exceptions to that, and we look at those.

And the other one is design, build. That's another traditional. Not as traditional as design, build, bid, but being used more - in fact, the addition to this building. The renovation of that was used by design, build which at the time was the largest Civil Works project on our table at the Corps. Of course, it's cost plus. I'm sure most of y'all are aware of that.

And this is a new one relatively new to the Corps; early contractor involvement. I'll get in and explain it. Then some acronyms; MATOC and SATOC contracts. And, of course, we've got our supply contracts of government furnished equipment. And then down at the bottom, reverse auction. And I want to talk just a little bit about that in case you guys aren't familiar with that.

The design build, of course, is the traditional method that the Corps uses, but the problem is it has a higher cost and is less innovation because the government provides detailed descriptive specifications on what the bidder is supposed to provide to the government.

Of course, we have more control. The government has more control over the final design. Design, build the government just puts out their objectives of what we're looking for, what we want, then the contractor comes back with a design. This should and does lower the cost. It provides more innovation with the contractor to do what he thinks fits our objectives. But the problem with that, the government loses control, a lot of control of the final design. You basically have to accept whatever the contractor provides as long as it's within the objectives that we outline.

Design, build pros and cons versus - design, build versus design, bid, build. As you see there's a lot of pros and cons to both of them. But in a nutshell if you've got a project that you really - it's hard to define the end result on our end, and you want to get a lot of contractors, interested people providing you input and providing their innovative methods that they have. Design, build is the way to go. So there are those.

All right. Early contractor involvement. This is really a derivative of design, bid, build. And I think they're using this out of New Orleans now or fixing to start the process of using it.

What it does, it allows for the selection of a construction contractor based on qualifications, experience, prices as early as the 15 percent design level which is typically you don't do that. What happens is you're wanting a construction contractor you hire. You have two separate contracts. Either the government is designing in - house, or they have an AE on board to design a contract, then you go out and procure a separate contract for pre - construction services; meaning they look at - they provide guidance on construction, new construction methods, scheduling, looking at submittals, requirements for the project and providing input to the designer and the government or the owner of what needs to be done.

And also in that you have an option in that construction contract that allows you when it gets close enough to being designed for the government to exercise that option and award a construction contract to that contractor.

If you don't exercise the option, then it reverts back to the normal design, bid, build process. But you would think once you have the person on board and they're doing what they need to be doing and doing the things that you're requiring them to do, that would be the contractor that you would have. And hopefully out of a result of that, you'll have a construction contractor that understands the inner working of the design and is working with the AE and the government so that the project should run a lot smoother and the cost is lower as a result. That is - the Corps has only been using that since '04. So it's still a relatively new process. Again they are using it down in New Orleans, and that would be one you will be hearing a lot about is ECI, early contractor involvement.

All right. Two acronyms, MATOC and SATOC. I don't know if - they're using those in New Orleans now and probably will use them with the stimulus package. In fact, I know they will because we're having discussions now throughout the division on how to award these contracts in a fast and efficient matter.

MATOC. MATOC is a - what you do. That stands for multiple award task order contract. You select a pool of contractors, up to five let's say. And you select them based on their qualifications, their technical expertise they bring to the field, bring to the project. And the contract, the basic contract is just a broad umbrella scope of work.

For example, channel revetments. And then as you award - when you award a contract, then you have specific things that will come up, and that's what you do the work is based on. So, you have this pool of contractors already set in place. And when it comes time for a project to come up, then you would send the bill only to those five and only those five can bid the job.

And you can have it a sealed bid, or you can have evaluation factors such as, you know, what is their bonding capacity still remaining, how they perform on the existing task orders that they've already been awarded, etcetera. So there's some innovation in that way.

But that process once you do one award, you know, it probably will take 70 days on average to do the one award. But after that when you have these multiple individual projects, you can have a turn around as short as a week. So, it speeds up the award of the procurement. So if you have 20 contracts and you're waiting on 70 days per contract, you know, you can string this out for a couple three years. But if you're doing it on a week's turn around, you can have a lot of contracts awarded in a short period of time.

SATOC. That's basically the same type thing, except it's a single award. You just have one contractor you're dealing with which again there are some advantages, quick execution, economies of scales.

But the problem with that when you just have one single award is that contractor, he's it. So he has a tendency at times to submit a little higher price than if you have competition with the

multiple award because they're still competing with other contractors. But they're both good tools to use to ask for a quick execution or turn around of project money.

Then our supply contracts. You know, they're needed for long term and mission critical materials. And the one that I want to bring to your attention is the one at the bottom; borrow, reverse auction.

They're using that down in New Orleans right now. And reverse auction is just basically what it says. In this case what they're going to do is they're going to select a group of technically qualified contractors. Just give an example, five contractors that can meet the requirements of what it is. So you don't have a whole lot of non-qualified contractors coming in and bidding.

Well after the selection is made of that pool of contractors, then they're asked to provide a bid. And when they submit their bid, then they are allowed to do reverse auctioning. And the bids are made public to each one of the five bidders, and they can see all the bids like a public bid opening, but then they - you're given maybe four hours for this reverse auction to take place.

And they have the ability to go in and start lowering their bids or raising them, whatever the case may be, but hopefully it's to lower their bid. And as they sit there seeing the other guys participate and seeing if their bids are being lowered, then they can lower their bid.

And this would go on for a certain period of time, then they submit their final - best and final bid. Well when that's submitted, nobody else can see that. Only the government people can see that bid.

So the concern here, and I've been involved with this a long time is, you know, well you're going to have all these people coming in and just undercutting everybody. Well, that was the purpose of it trying to change that was just having that pool of small group of contractors that are technically qualified to participate in the bidding process.

So that's another innovative way that they're trying to get costs lowered, plus meet the mission critical elements of getting an award.

Now that reverse auction, its objective to reduce materials, sources of pre-qualified particular material. I've pretty much gone over each one of those. All right. That's pretty much it on the contract types that are going to be utilized - are being utilized down in New Orleans and also probably for the stimulus package. I turn it back over to John for any questions.

MR. WALKER: So, you know, our task to kind of go back and summarize was to look at innovative contracting opportunities and see how they might be applicable to the navigation lock efforts. We've explored this with New Orleans. We've seen some interesting things. Of these I'd say that certainly the early contractor involvement looks like it holds a lot of promise for us. There may be some others. But, we're going to be looking at this in ways of impacting for both our inland navigation construction work and certainly again with the stimulus efforts and the opportunities.

When they talk about the criteria being an early contract award, you can see how some of these have merit and opportunities there. So, we've shared this information throughout the Corps districts to try and make our navigation business line managers at districts and divisions aware of these opportunities and to take that into consideration when they are submitting their packages for a candidate for the economic stimulus work.

MR. WILKEN: Okay. Thank you both, and we'll take that under consideration. You have - could we get a copy of this?

MR. WALKER: Yes.

MR. WILKEN: Okay, great. Thank you both. Ms. Hoey, welcome. Jeanine will present on the development of the future development direction. This has to do with the White Paper, a work in progress, right, Jeanine?

MS. JEANINE HOEY: Yes.

MR. WILKEN: Thank you.

MS. HOEY: Okay. I am happy to be here today to report on the progress that our team has made since the last Board meeting. As you will recall, Gary introduced the formation of our team at the last Board meeting. And we had our initial meeting at that time after the Board meeting, and we've been hard at work since then. So I want to give you an update on what we've been doing.

This morning I'm going to be talking about the capital projects business model for the Inland Marine Transportation System, which is a lot of words for everybody has been calling the White Paper. I'll go over some of the information that's in the project management plan, and then go through our next steps that the team is going to be doing.

Our team was tasked with developing the Inland Marine Transportation System investment strategy. And so we're going to be determining what the long-term needs of the system are and how we can make sure that we maintain a reliable - safe and reliable system.

Since the last meeting, we have had a few changes in the project team members. Royce has been working with us temporarily as a Board representative. And Sandy Gore is filling in for Mary Anne Schmid who is deployed. Rich Worthington has retired, and we will be filling that position with someone from that planning office to replace Rich. And we have added two economists to the team, Wes Walker and Keith Hofseth. Since we are doing an investment strategy, it kind of makes sense that we have some economists on the team.

Okay. Our first product that we've come up with is the capital project business model for Inland Marine Transportation System, again the White Paper which was requested by the Board.

We have organized the paper by past - the past process, the current process and our vision of the future process. And this slide shows in much detail what the past process was. I'm not

going to spend a lot of time going over the past process, but we need to address some of the issues with that process. Everyone in this room wants a reliable Inland Marine Transportation System. We all have that same goal, so we're all working towards that same goal.

What this process was in the past, it did work in the past for us, but it's not going to get us into the future. So, we need to address some of the issues there. Right now the biggest issue is that we don't have a long - term plan. We don't have a long - term vision of the system.

We are looking at projects on a first come first serve basis. We're evaluating them on project by project. So, it doesn't allow us to address the priorities of the system if we don't have a long - term view of what that system is.

One of the other issues that was brought up and has been brought up, Gary talked about it at the last Board meeting was our feasibility cost estimates and the accuracy of those estimates. And that's something that we are actually addressing currently, but it is an issue with the current process.

And then the annual appropriations that don't always support efficient construction. We know that that's an issue, especially for the bigger projects, the Olmsted, the Lower Mon, the projects that are taking multiple years to get done. If you don't know what you're getting next year, it's very hard to manage those kinds of projects, and bring them in on time and on budget.

So I haven't really listed all the issues with this process, but those are some of the bigger ones that we need to address. And a team will be looking at those - at solving those in a new process.

The current process here does incorporate some improvements that we've made, although we're still using that same model. Some of the improvements we've talked about at the last Board meeting, but I want to reiterate some of them. We are now making funding decisions based on a systems focus. You know, we don't have that long - term view, but we are looking at what we have right in front of us and seeing if that makes the best sense for the system that we have right now.

Gary talked about risk-based cost and schedule estimates at the last meeting. In the prior process when we did feasibility reports, we do have contingencies in those estimates, but we still were assuming pretty ideal conditions in developing those estimates. We were assuming an ideal schedule and probably not incorporating a lot of the risks into what the costs could be.

So, we have instituted risk - based cost and schedule estimating that does identify and measure the impacts of those uncertainties and incorporates them into a more realistic cost estimate so that we can be a little bit more - - we can be - I don't even want to say a little more confident. We can be very confident in the estimates that are being prepared using this new process of risk - based cost estimating. And it does include the nuances of the schedule estimating, too. And so this will allow us to make better decisions.

Gary also mentioned the project management improvements and the PMP certifications that a lot of the project managers are going through. That is through the Project Management Institute. It's similar to what engineers have to go through to receive their professional engineering license. It's an exam that the project managers take and basically gives you the minimum knowledge that a project manager should have to be able to manage a project.

The Corps has put a lot of emphasis on getting PMP certification. In 2005 we had less than 150 project managers that were certified. In 2008 that number has grown to over 500 project managers that have been certified through the Project Management Institute.

The Corps has also developed a career development plan for the program and project managers. And in this there's three different proficiency levels for project managers. And level 2 and 3 requires the PMP certification through PMI. And in addition to just that certification, there's a lot of other training, experiences, different readings that are required to increase the knowledge of the project managers.

This effort began in 2007. At this point in time we have 671 Level 1 project managers. That's 49 percent of the project managers within the Corps. We have 151 at Level 2, which is 11 percent. And we have 17 at Level 3, which is one percent. We still have 39 percent of the project managers that aren't certified, but I'm sure that will change because there is a lot of emphasis on that. And so you're getting the training that the project managers need to be able to manage these projects.

So those improvements are helping a little bit, but we still have some underlying issues with the process. Right now we have \$5 billion dollars to finish projects that are already under construction. There's a \$5 billion dollar need to finish those projects. We already know of about \$7 billion dollars in projects that are on the horizon. And that old process is not going to get us there. We need to do something if we want to maintain this reliable system.

So this shows our vision of the future process and the proposed goals for that process. And it doesn't look a whole lot different from the original process, but I want to focus on two areas. One is the life cycle asset management. And there's two key things with that. One is just in maintaining the assets that we have. We put the money in to maintain them to get the longest life out of those assets that we can. And the second is the data that we use to use the life cycle asset management process, the condition assessments, the risk and reliability data. Those are key inputs in developing an investment strategy. That's going to tell us when a capital investment is needed on all of our facilities, and that will help us lay out this plan.

The second thing to focus on is the capital decision block. This is where when we looked at things individually project by project in the past process, this is where the change is going to be. We're going to be developing this investment strategy so that we have a long-term look at what's needed.

And so at that point we can make a decision on is it best to invest in project A, that's ready to go that's been authorized. Is that the best place to put our investment on that capital asset, or do we need to wait for project B. which is, you know, coming down the line. Is that the

most important place to put our investment. So, that will make - that will give us decision - make the decision based upon the highest priority need for the system and not on a first come first serve basis.

Okay. To get to where we need to be, we need to make some changes. And this is really kind of the scope of the effort that our team is going to be addressing. We need to provide an engineering and economic basis for prioritized work. We need to be fiscally responsible. We need to determine what the needs of the system are. What will a reliable system look like. What is the level of investment needed to sustain that system. And then what are the options for getting to that level of investment. But the key things are what really are the needs, what do we have to do to keep the system reliable and how much is it going to cost to get us there.

Asset management. I talked about that and how it's going to feed into the process. We have to have some national consistency within the condition assessments, and that is well on its way. We have a separate team that's focusing on asset management. And as I said, that feeds into the national investment, the capital investment strategy by telling us where those - what the timing of what those investments need to be.

We're going to have to do some research and development investments. We need to develop tools and data needed to support these improvements, and these are things - you know, I don't know what they are right now. There are things that the team is going to be developing. And we want to make sure, though, that we don't come up with a process that is absolutely horrible to feed the data. You know, we don't want a data beast and have to feed that all the time. We want to develop a simple process that's easy to maintain and easy to get the information out of that we need.

I already talked about the construction schedules and cost estimates. I think we're well on our way to providing more accurate information there. I already talked about the improved process for investment decisions, and that we would use this investment strategy to make those decisions and not just look at things individually anymore. I already talked about the project management initiatives that were going - that are already being instituted.

And we also will need to develop some prioritization criteria for the investment plan. How are we going to determine what the priorities are. In an ideal world, we'd come up with our needs, we'd come up with the funding, and we'd fund everything that we needed. And I don't think anybody here thinks that that's probably actually going to happen.

We're going to have to prioritize the work and decide where the best dollar - where the best location for our dollars are. And so we're going to have to come up with a criteria that will give us that list.

Here's some of the possible criteria. This is in no particular order. It still needs a lot of work. Our group came up with this at our last meeting. Jim mentioned it in New Orleans. And we just had a short session at that meeting to brainstorm and come up with some of this. This is just a start. Some of this I'm sure you're not surprised by what's on here. Some of it - you know,

there may be things that we need to add. There may be things that fall off when we actually take a closer look at what we need to do as far as prioritizing things.

And then here's some other considerations. These may not be primary criteria, but they may be other considerations that we look at. And, again, this is just the result of our brainstorming session. We'll take a look at this in further detail. And this needs some additional work before we're ready to say this is the final list.

Now, a little bit about the program management plan. This is really what we're going to do. And I know there's a lot of information in the program management plan. And I know probably what you're interested in is what are we going to do, when are you going to do it and how am I going to learn about it.

So, the scope of work really is pretty much what I've just gone over. These are the things we're going to look into; developing that plan, the tools that we need to keep it going.

The schedule at the last Users Board Meeting, we had proposed a milestone schedule where we were being -- we were completing this project at Users Board Meeting No. 64, which is the summer of 2010. And we did hear you that that was absolutely too long. This is too important, and we need to focus on getting this completed. So, we have revised the schedule so that we complete this effort by Users Board Meeting No. 62, which is the fall of 2009.

With that we'll be using available data and resources that we already have to create an investment strategy. And then we'll also have recommendations for the future long-term process, you know, what tools do we need to keep this going and to continue on with this new process.

As far as communications, we're in the process of setting up a website and developing a distribution list. And that website will be open to anybody who wants to look at it. I'll be getting a distribution list with e - mail addresses for people who are interested in the work that we're doing. And when I post something to the website, I'll send out an e - mail to everybody to let them know what was posted so they can go to that website and see it. It's not up and running yet. We're working on it. Hopefully shortly that will happen.

And the draft of the project, the program management plan is being finalized for review right now. We have a lot of it incorporated. The biggest piece of that is what the White Paper came up with, and that will be sent out for review.

This is the revised milestone schedule. It's been revised based on from what Gary presented at the last meeting. We did fall short in this Users Board Meeting with our White Paper. We did commit to have - to give you a copy of that two weeks before the meeting. That didn't happen. We got it to you a week before the meeting.

We are going to revise our internal process so that we allow for a little bit more time for review for the next meeting so that we do get you any information that you need to review before that meeting so that you have the full two weeks for that, and we will internally revise that process so that happens.

And this shows the actions that we're going to be working on for the next Board meeting. We will be developing the long-term capital plan. It will be based on an efficient construction schedule and not constrained by funding.

The near term piece of that plan is going to be much more accurate. It's going to be based on projects that have already been authorized that already have cost estimates. So, that's going to be much more accurate than the long - term piece which will be a little less precise, but will be based on asset management data that we have and determining when those capital investments need to be made.

We are going to be refining the criteria that I had just put up on the screen. We have tentatively set aside time, the 25th through the 27th of March for a workshop to work on that criteria in Washington, D.C. We are looking for Users Board input at that workshop, not just - you know, we've been dealing with Royce specifically now, but not just Royce.

We would like a few people from the Board or representatives that you select to participate in that workshop where we will refine that criteria, assign weights. And once - the results of that workshop will be sent out to the Board for their comment, and then we will apply that criteria to the capital plan.

Okay. And the long term. We are going to be developing a long - term capital plan. This is going to be a dynamic thing. This is not - once we finish with our effort, it doesn't end there. We're not going to, you know, drop it and pick it up 20 years later and do another long - term plan. The asset management process is going to continually feed into this plan and revise it based on how the assets are being maintained.

We may find that an asset initially was expected to need a capital investment, you know, in year '20, and it's performing much better than we had expected. So now that investment can be pushed off to year '30 because it is performing satisfactorily, and there are no risks there.

Similarly we may find that an asset is not performing as expected and, you know, what was scheduled to be done in the year '25 needs to be brought up. So we need to continually update this based on the data that we get from asset management, the condition assessments and the risk and reliability data. So, it's not going to be a one-term deal. It's just going to be continually done.

Once those needs are established, we need to develop a revenue plan that will support a reliable Inland Marine Transportation System and, of course, define what is needed to implement this new process. And the result will be what we all want here is a reliable Inland Marine Transportation System.

We have worked really well I think with Royce in developing the White Paper. And I want to just emphasize that we really need that partnership, and we really need to continue to maintain a presence of the Board on our team. And it doesn't necessarily have to be one person.

You know, we can invite more people to be part of the team. And I know there's a little bit of a hesitation on getting the right person on the team, and I kind of want to dispel that a little bit.

If the person that is our point of contact, you know, needs additional information or needs additional help from somewhere else, you know, absolutely they can go out and get it. It doesn't - we're not saying, you know, we're only going to deal with one person, but I think it's vital to have the Board involved in this. The partnership will work, and it will give us a better product than if the Corps works in a vacuum and then presents it to you. You guys have the insights that will make this a better product. That concludes what I had to say about the White Paper. Does anybody have any questions?

MR. WILKEN: Thank you, Jeanine. Mr. Parker.

MR. PARKER: Thank you. Enjoyed your presentation. One of your slides - I think this a prioritization slide starting with dam safety. And under the navigation side I think it said annual ton miles. And I guess my question/comment is I hope as you evaluate the navigational aspects and various waterways, that it's not exclusively ton miles. Everybody will acknowledge that's an important and critical component, but there are other considerations. You know, sometimes value of cargo, national defense, key links and components so that you're not just totally driven by ton miles per waterway segment.

MS. HOEY: Absolutely. And that's kind of why I caveated this with this is a preliminary list. We know there are things we need to add to it. There are not - we know there are things that we can tweak to make it better, and we will do that. And that's one of the reasons why it's important I think to have some Board representation at this workshop where we go through this criteria. I think this is one of the most important things for the Board to participate in.

MR. WILKEN: I might add just for the Board that this was debated amongst the group. And I think as a majority of the group felt this is a system, and it's a feeder on to the main system. I know Mike Kidby is rocking it through on the e-mail pretty quick, but that's -

MR. MICHAEL KIDBY: Friday the 13th.

MR. WILKEN: That's probably right, but - you know, and I do read those e-mails. But the key was, is that I think the people understand the system, but the message that I'm hearing is that continue to send that word and that message and those tidbits of information that can be folded into that. Mr. Grossnickle.

MR. JERRY GROSSNICKLE: Jeanine, thank you. This is Jerry Grossnickle. In some ways the stimulus package, you know, projects going to be built through it is antithetical to what you're trying to accomplish here. But I'm wondering if there is some way that your committee or the Corps will be monitoring these projects to see how they stack up against the criteria that you're trying to layout here and some of the processes that you anticipate to be in this White Paper to be Corps policy, how that will be shown to be effective or noneffective in how the stimulus projects work? I'm wondering if you have a comment on that?

MS. HOEY: How this criteria - how we would use this criteria to rank the stimulus packages?

MR. GROSSNICKLE: No, not in ranking. In how they actually perform and how that affects what you're doing in the White Paper project?

MS. HOEY: Jim is going to come to my rescue because I told him if I have a deer in the headlights look, someone has to help me.

MR. WILKEN: And that's fine. One of the things that I think, and I might just elaborate on that and tell me if I'm not on target, Jerry, but, you know, we look at project management, and we were tasked in part of the way through on this project management, and we know at the end we have to have a capital project and then a financial package with that.

Well, here we have in my opening remarks we talked about here is stimulus money that is potentially going to feed a project from beginning to end. Now, we got to make sure we have the right project delivery model matched against that full and efficient funding in order to deliver and then do a look-back and whether that model works. And I think that's what I hear you saying; is that correct.

MR. GROSSNICKLE: Very good.

MS. HOEY: Absolutely. I think we will take any lessons that we learn from what we do in the stimulus and fold that into, you know, what we end up with as our recommendations as part of our investment strategy.

MR. WILKEN: You know, maybe another way to ask that is are any of the existing projects under the stimulus using the model that you're working on or pieces of them -- I'm sure probably pieces of the model that you're working on?

MR. GROSSNICKLE: That is precisely my question. For example, the risk-based and schedule analysis.

MS. HOEY: Yes. I think a lot of the projects that are being constructed under the stimulus are, you know as Gary said, they're shovel ready. They're ready to go. They've got the cost estimates. They've got those things - those pieces in place. Some of them I'm sure have gone through the risk - based cost analysis. I'm not sure if all of them have. There's a threshold on what is required for that risk - based cost estimate. Some of them have, some of them may have not. But we can certainly, you know, look to see the ones that have gone through that, are those estimates - you know, were they accurate?

And if they weren't, do we need to tweak the risk - based cost estimate process and how we do that. But we can certainly track that to make sure that we are - that that process has improved in our cost estimating and also in project management.

You know, we will be looking to see if those projects are being delivered on time and on schedule, and if the improvements that we have made to the project management process are working. And if they're not, obviously we still have more work to do. You know, so this definitely isn't, you know, we made some changes to the cost estimating, we made some changes to project management, we're done. You know, we will continually re - evaluate and try to improve what we do.

MR. WILKEN: This Board is pretty keen on that factor, Jeanine. And just to the Corps as a note, that they are watching extremely closely full and efficient funding through a stimulus and how it could relate to what we're embarking upon on a long strategic plan 10, 20 years out.

MS. HOEY: Uh-huh (affirmative).

MR. WILKEN: And then try and determine how they're going to respond to that.

MS. HOEY: Right.

MR. WILKEN: How the stakeholders are going to respond to that.

MS. HOEY: Right.

MR. WILKEN: And how the stakeholders and the Corps can respond to that whether it be in terms of policy and financing, so on and so forth.

MS. HOEY: Uh-huh (affirmative).

MR. WILKEN: Mr. Woodruff.

MR. WOODRUFF: I just wanted to congratulate you and your team on what you've put together in the relatively short time I've been on the Board, and the little bit longer time that I've been following the actions of the Board.

This is probably the most encouraging thing that I've seen because I can remember Secretary Woodley in Walla Walla at the end of the meeting making some comments to the effect that this is - no other organization on the planet went about taking care of its capital assets the way we as a nation have been taking care of our waterway system.

And what you're laying out here is something I think very similar to what we do in all of our companies. And that is look out, have a plan, know what the future holds, know what the needs of the future are so that we're not just starting this over every year new again.

MS. HOEY: Right.

MR. WOODRUFF: And just hoping that somebody will agree and give the money to deal with it. So, I think this is an excellent start, and hopefully it will be something that we can collaboratively work on and convince Congress that they should support.

MS. HOEY: Right.

MR. WOODRUFF: And make it the model for the future.

MS. HOEY: Okay, thank you. And I mean we've discussed this a lot in that, you know, you have that long - term plan. It's a lot easier to tweak something a little bit here to make sure that you can take care of the system far down the road than it is to make that tweak 20 years from now. That tweak becomes, you know, a major pain.

So, that's what we want to get to the point where we're just tweaking things just a little bit whether it's process, whether it's funding, whatever it is. The little tweaks will be far less painful than if we let things go and don't have a long - term look at the future.

MR. WILKEN: Mr. Little.

MR. LITTLE: Thank you. Thank you, Royce. I also compliment you on the work to date and the outline, the presentation. Obviously your committee has put a lot of work into this, and I think it's a positive step in the right direction as we try to figure out a way to continue to work together on this.

I did have a couple of questions. And I looked at the vision statement and spent a lot of time on the vision statement. So maybe you can give me some additional background and kind of what the committee was looking at when you went through that.

Particularly a sentence that I applaud you for putting in there, and that's the very first sentence in the vision statement that says in effect, "*Navigation system that fosters efficient use of the Nation's overall resources by providing safe, reliable, highly cost effective and environmentally sustainable Inland Marine Transportation System.*" How much time did you-all spend on that? I assume there wasn't any dissent, but there certainly seems to be an ample body of evidence and statistics that supports that. Could you just elaborate on that a little bit?

MS. HOEY: Sure. I think that was probably one of the easiest sentences because that's basically the navigation mission, so that's where that came from. That's what our mission is, is to do that. So that's where that sentence came from, and there was no - virtually no discussion on that. That's what it is.

MR. LITTLE: And you have a pretty high confidence level that we can show that, as partners.

MS. HOEY: Absolutely.

MR. LITTLE: We can quantify that, and we can make that case.

MS. HOEY: Absolutely.

MR. LITTLE: I share that. It's no surprise to you I'm sure. But as we touch on those important items, and I think that's a very well - crafted sentence, and it's very important to have it in there; energy, fuel efficiency, environmental benefits, safety aspects, those are crucial bases to touch in the vision statement that go to the very heart of the vision and the policy that we're trying to put forth. So, I applaud you for that.

As we work together going forward and building this model, and we have that systems approach and we're very much more confident in our estimates and execution and the benefits that we're going to see, obviously to have revenue as part of the engine that makes it work is going to be part of it.

MS. HOEY: Uh-huh (affirmative).

MR. LITTLE: There aren't any preconceived ideas on what revenue needs to look like I assume?

MS. HOEY: No.

MR. LITTLE: Because I was a little taken back by sentence five that refer to users and cost share and things like that. Could you explain where that came from and what the thinking was?

MS. HOEY: Well, I think that's more of a, you know, we're going to determine the need, we're going to figure out what the investment level needs to be, and then we've got to figure out how to get there. And that's just an open statement at this point, and we've got to, you know, roll up our sleeves and figure out the best way to do that.

MR. LITTLE: Okay. So that's open obviously?

MS. HOEY: Absolutely.

MR. LITTLE: Great. Those are all my questions.

MR. WILKEN: General Temple.

GENERAL TEMPLE: Yes. Just I think if you can again frame what we're trying to do here in terms of ends, ways and means. If the end is that vision statement, I paraphrased it slightly differently at the beginning of this. But if that's the end, this strategy, this charter is the way. And I think there's sufficient detail in it to frame the way ahead without getting into the means, which I think is what we were just touching upon. And that is how are we going to finance and execute the vision to get to the end?

So, I think all that will come over time. And I think the fact that we have timed the completion of this vision realizing that it is a living document to the fall allows it to be synchronized with parallel efforts on the part of the Board and others interested in this very important topic to work the financial aspect of this by next spring in order to inform the fiscal

year '11 budget process. So, I think this is starting to come together in a more rational way perhaps than it did in the past.

MR. WILKEN: Thank you. Any further questions for Jeanine? Seeing none. Thank you very much. We are going to ask Mr. Enschede to come up, and he is going to cover Ms. Gore's portion as well. So, Sandy, you're off the hook. Don't smile too much.

While Mike is coming up, I just wanted to clarify something that was asked by Mr. Woodruff under the conference statement, under Title IV - Energy and Water Development. This is a conference statement. It does state in the introduction, and for the record quote, *"Further, the Corps is directed to use the criteria above to execute authorized projects in order to maximize national benefits without regard to the business line amounts proposed in the Senate report, except where statutory language specifies an amount."* Any further comments on that, Mr. Woodruff?

MR. WOODRUFF: I just wanted to thank Mr. Loew for going back and checking on that and bringing that language to my and to the Board's attention.

MR. WILKEN: Thank you. And again thank you, Gary.

MR. DEANE ORR: Can we get a copy of that?

MR. WILKEN: You bet. An action item. Mike, you're up.

MR. MICHAEL ENSCH: Thank you.

MR. WILKEN: Before you start, I would like to thank you, sir, for your service in Iraq. I know you recently - we met you, and then you were gone, and we all wondered where you went. And now you're back and glad to be back for Christmastime. So welcome back and thanks for your service, sir.

MR. ENSCH: Well, thank you very much, Mr. Chairman. On a personal note, I really appreciate all the kind comments, warm thoughts that you - all have expressed to me in the last couple days just since I've been here.

I really would like to take that and expand that though just a bit. There are many who have served. And on behalf of them, I do - I appreciate that also. A couple in this room being Gary Loew and General Temple who have also served over there, had the privilege to do that.

Then we have right now this evening which is what it is in Bagdad right now or even a little later in the evening in Afghanistan the 540 some odd volunteers with the Corps of Engineers that are still serving. So, I really do appreciate it and thanks for the warm welcome back, and it is good to be here.

I also want to thank both Steve and Gerald last night for their forbearances as Captain Hayden and I rather talked - kind of dominated the conversation when I know there were

probably more germane topics to what you wanted to talk about. So, we do appreciate that. But it is good to be back. I look forward to moving ahead. There were a lot of things that have been accomplished in the time that I was gone.

Two very brief comments as we go through this right now. One, I think as we move ahead Jeanine's team and the other professionals - and I do appreciate the Chairman's comments about the professionals in the Corps of Engineers. It's not only the team and headquarters, Jim Walker, Mike, Jeff, Sandy, David over there at IWR, but the teams in operations across the Corps who are professionals have come up through the navigation arena; Jim, Bill, Ken, Wynne.

Those folks we will take this paper, we will take this effort and move ahead. And hopefully the guys at the field who are doing real work like Rick and Larry, it will benefit them too in the long run. So I really appreciate the opportunity to do that. And I'm looking forward to working on the capital plan with the team here and with that other group from the Corps of Engineers.

The other comment that I'd like to make is I think that it's going to behoove us as we move forward now to weave our comments, weave the statements that you all have been conveying to your delegations, your proponents on Capitol Hill and other places. Weave those points that you want to make along with this capital plan as we work that paper together and move ahead.

So we're all talking the same message. We all have that little note card in our pocket, whatever, that we can refer to so we are conveying the consistent message across the board. I think that's going to be important as we work this recapitalization as we look at the trust fund and what it can accomplish. So, I'm looking forward to working with y'all on that.

Just in an essence of brevity, you do have in front of you the presentation that Sandy has put together. I'd like to introduce her as being the proponent taking over for Mary Anne Schmid who has actually - I gave her a well-used foot locker just yesterday so she can deploy here in another couple weeks. I had the privilege of working with Mary Anne in '04 over there. She obviously saw. I went over, didn't screw up too bad. So, she's now going to go over and do a lot better than I did. But Sandy will carry on that very - and very capable hands will give it to Sandy to talk about the investments that have been made.

So if y'all have any questions on what you have in front of you, I would just simply ask that we take the time now to answer those. Sandy, do you have any comments?

MS. SANDRA GORE: We're not doing the presentation?

MR. ENSCH: No.

MS. GORE: We changed the format from what we've done in previous Users Board Meetings at your request. So what we did this time is we did a briefing of the major projects that we have ongoing with the trust fund money.

So, as you look through the briefing if you like this type of briefing, this is what we'll do. In the past where we talk about ongoing activities that we're doing for the year and what our milestones are and any issues that are ongoing, so this is the type of presentation we'll do for future briefings for the Users Board.

And then the front slide you probably have seen in the past and Gary and those presentations that he's given on how the funding has decreased through the years and now how we're even and, you know, we're watching our funding very closely.

So I look forward to working with you all. I just started in January, middle of January, but been with the Corps for 28 years. So, I came from the Baltimore District.

MR. WILKEN: Welcome. Board, this is a little bit of a change, and we're just trying to more streamline these reports that we understand, and we get out of the redundancy of some of the old reports and maybe a little bit more applicable. Not that the other ones weren't, but just a different look.

So, I'd like for you to take a look at them. If you have any comments now, speak up. If not, I would suggest that we get on the e - mail chain and either, Mark, you can supply us with Sandy's - Sandy, is your e - mail on here? But if it isn't, we can surely get the comments - get the comments going. So, any quick observations, anything you see.

MS. GORE: The old charts are still in the blue book under Tab 4.

MR. WILKEN: Right. This evolved I think somewhat of just a collaborative process after the last meeting where we just said, you know, we want to change up here a little bit, so -

MS. GORE: And you'll also notice under Tab 5 in your book, there's fact sheets on all of these projects, a little more detail than the presentation.

MR. WILKEN: Okay. Seeing no further comments, thank you, Mike. Thank you, Sandy. Mike, was there anything else that you needed?

MR. ENSCH: Just real - Sandy comes to us from Baltimore. She was the Chief of the Civil Programs over there, so well suited to step into this role, and I look forward to working with her. And once again I thank you for the warm welcome. I appreciate it.

MR. WILKEN: And I apologize, Sandy, for cutting you short here, but you'll have plenty of time in the future, trust me. Mr. Jones, if you have a second. This is Steve Jones. And Steve will be covering somewhat of I guess a recap, right, Steve, of projects or the status of the projects in the division of the Mississippi Valley Division. Thanks again yesterday for your hospitality, too, sir. It was great.

MR. STEVE JONES: Yes, I enjoyed having y'all out. And I know the river crew really appreciated y'all's attention to what they had to show you and the historian. I'll go through these slides real quick.

I would make the point they're basically the same format that this other set was. So that will just give you - if I can get there real quick. That will give you kind of a view, but this is - mine is primarily on major rehabs, but it's the same concept.

We can tell you what we're doing in '09 in a few bullets and issues, or I have also passed it out in front of you and give everybody a copy. And there's copies in the back of the room. So, I can do it either way. I'll go through them if you prefer. Or we can forego, and you can take them home and ask us any comments.

MR. WILKEN: Lockport, can you give me just a quick update on Lockport?

MR. JONES: Yes. Let me see if I can find it. So as the first slide shows, these are the projects I was going to report on. I'll go through them very briefly. NESP you pretty much know the situation there. We're authorized, but we have minimal funding in '09. Lock dam 3, kind of the same way. Actually we have right now no funds in '09, but a little carryover. So, they're doing a little work on Lock 3.

Lock 11 is a major rehab coming along fairly well as you can see. Project costs there listed. The remaining balance is - the format I used, and I'll have to verify that they use that - that's actually the remaining balance going into '09. So the remaining balance after projected allocations because that's projected based on what we assume we will have at the end of the year, and what we're executing under the CRA. So, the balance is at the beginning of the year. Subtract that, will give you kind of the remaining balance.

Lockport you specifically asked about. There's project costs \$111. You can see the activities. Basically they finished or are finishing this year the cut-off wall on the approach dike. The big project that's left is the canal wall, and they hope to - and they anticipate - or they hope to award late this year, but that will be contingent on where we really see the '10 budget appropriation as well as any economic stimulus that might get considered.

MR. WILKEN: Is that canal wall in this \$137?

MR. JONES: Sir?

MR. WILKEN: Is the canal wall in the project costs of \$137.

MR. JONES: Yes.

MR. WILKEN: Okay, thank you.

MR. JONES: All right. Next is a lock and dam where we're doing scour repair at Lock Dam 25. It's very similar to Lockport. Right now it's actually receiving dam safety funding, but it does have the potential or is eligible cost share. But, however, you can see it's basically we've got \$8 million - \$11 million needed. So, it's kind of moving along very well also.

27 rehab. It's kind of in the middle of its situation, but there's the items that I did want to note. There's one, a more active one. You'll see they've actually planned to install high mast lighting, constructing lift gates and culvert valves. They're actually procuring them. They actually won't be installed until a future time, but at least they'll have them on hand with the funds if provided in '09. And some of that was actually from carryover from funds in '08.

Bayou Sorrel. That's the - you know, it's going in detail. So hopefully most of them you understand that. That's primarily a part of the MR & T project that they're replacing the lock because of the flowline being enlarged. There's PED going on. They're looking or doing the cost and risk analysis on the cost.

IHNC, kind of know the situation there. I think the most significant thing is the milestone of '09 to go back to - to go to the judge or the courts on presenting the SEIS. Depending on the Judge's ruling, we're hoping the injunction will be lifted. At least late this year they're going to award some contracts for some demolition and start some more site preparation, which most of you know there's already been some demolition and site preparation. It was underway prior to Katrina. So, we'll kind of be picking up from that. And that's really all I had to report.

MR. WILKEN: Any questions for Steve, comments? Seeing none. Looks like it's international nap time, doesn't it? Okay, thank you, Steve, again. And thanks again for your hospitality.

At this time we would entertain any comments from the public. We'd ask people that if they would like to make a specific comment, to come to the back of the room, and there's a microphone that's located directly behind me and feel free to comment at this time. As you enter the microphone, please enter your name and your affiliation, if you would, please. Thank you.

MR. JAMES MCCARVILLE: Thank you very much. I'm Jim McCarville. I'm Executive Director of the Port of Pittsburgh Commission. And I understand I was quoted in the newspaper this morning indicating that we need the entire stimulus package for the Port of Pittsburgh. I believe that was the \$780 billion dollars that we're talking about.

I really appreciate this, appreciate the comments of the General and Gary Loew helping me understand the policies, the procedures that you have to go through as you establish your priorities. I would like to if I may though make just some comments of some things that you may be taking into consideration, but I would certainly urge you to if you do not so far.

In an effort to establish your priorities, I'd ask that you not only consider those criteria that are mentioned specifically in the section on the Corps of Engineers, but the very intent of the stimulus package also carries criteria as to what we're trying to do.

And in addition to applying - to carry immediate employment and it's a very, very important one as well as performance I understand this, but we also as the record was correct and I thank Mr. Loew for doing that, we are seeking to maximize the benefits for the nation, but we

are also seeking to transform the nation. And there are problems that we need to go out and to fix and to transform.

In your prioritization we hope that you will evaluate not just employment, but labor intensive expenditures versus capital intensive expenditures. I think that spending the money on certain types of activities will provide more jobs than on other types of activities. And we hope that you'll take that into consideration.

But also just as a final comment, I hope you will also evaluate the jobs in the private sector, the user jobs that are placed at risk and how we can use this stimulus package constructively to make sure that we are providing long-term employment in the private sector in places where we do have some problems. Thank you very much.

MR. WILKEN: Thanks, Jim. Any further public comments?

(NO AUDIBLE RESPONSE)

MR. WILKEN: Seeing none, I have no further comments. General, any closing remarks?

GENERAL TEMPLE: You know, again I appreciate all the hard work of the Board members and supporting cast and certainly our host here today in making this meeting what I would term overall a very successful meeting. It doesn't mean to say we don't have plenty to do. We've got our work cut us for us, and we know that both near, mid and long term.

But I think as I said at the beginning if we can continue to work together and not just at this forum, but continue to do so on a continuous basis as appropriate and as folks are available, I think we'll find a good path or way ahead to accomplish what we're trying to accomplish here. So thank you very much.

MR. WILKEN: Okay, thank you. And I declare this meeting adjourned. Safe travels home to everyone.

(WHEREUPON, THE FOREGOING PROCEEDINGS WAS CONCLUDED.)