Minutes
Inland Waterways Users Board
Meeting No. 65
April 1, 2011
Westin New Orleans Canal Place Hotel
New Orleans, Louisiana

[Note: The following minutes of the Inland Waterways Users Board meeting No. 65 were approved and adopted at Inland Waterways Users Board meeting No 66 held on June 6, 2012 in Pittsburgh, Pennsylvania.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 1st day of April 2011, at the Westin New Orleans Canal Place Hotel in New Orleans, Louisiana, Mr. Stephen D. Little, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

MR. RICHARD R. CALHOUN, Cargill Marine and Terminal, Inc.;

MR. LARRY R. DAILY, Alter Barge Line, Inc.;

MR. MICHAEL W. HENNESSEY, Brownsville Marine Products, LLC.;

MR. MARK K. KNOY, American Electric Power (AEP) River Operations, LLC.;

MR. STEPHEN D. LITTLE, Crounse Corporation;

MR. DANIEL T. MARTIN, Ingram Barge Company;

MR. TIMOTHY M. PARKER, Parker Towing Company;

MR. JOHN PIGOTT, Tidewater Barge Lines;

MR. MICHAEL P. RYAN, American Commercial Lines, LLC.;

MR. WILLIAM M. WOODRUFF, Kirby Corporation.

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

MR. TERRENCE C. “ROCK” SALT, Office of the Assistant Secretary of the Army (Civil Works), Washington, D.C.;

MR. JAMES J. MURPHY, U.S. Department of Transportation, Maritime Administration, Mississippi River and Eastern Gulf Gateway Office, New Orleans, LA;

CAPT. JOHN E. LOWELL, U.S. Department of Commerce, National Oceanic and Atmospheric Administration, National Ocean Service, Office of Coast Survey, Silver Spring, MD;

Note: There was no federal observer from the U.S. Department of Agriculture present at the Board Meeting.

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

MAJOR GENERAL WILLIAM T. GRISOLI, Executive Director, Inland Waterways Users Board and Deputy Commanding General for Civil Works and Emergency Operations;

MR. MARK R. 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. MARY ANNE SCHMID, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

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

Program speakers in scheduled order of appearance were as follows:

MAJOR GENERAL MICHAEL J. WALSH, U.S. Army Corps of Engineers, Commander, Mississippi Valley Division;

MS. MARY ANNE SCHMID, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

MR. LARRY BIBELHAUSER, U.S. Army Corps of Engineers, Louisville District;

MR. GARY A. 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, Navigation Branch;

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

MR. MICHAEL F. PARK, U.S. Army Corps of Engineers, New Orleans District, Task Force Hope;

Other individuals called on to provide additional information in response to questions raised by Board members during the meeting included the following:

COLONEL GREGORY J. GRAHAM, U.S. Army Corps of Engineers, Commander, Pittsburgh District;

MR. RICHARD A. HANCOCK, U.S. Army Corps of Engineers, Great Lakes and Ohio River Division;

The individual who provided public comments during the public comment period at the end of the meeting was:

MR. CORNEL J. MARTIN, President and Chief Executive Officer, Waterways Council, Inc.;

MR. MARK R. POINTON: I'd like to welcome you to the 65th meeting of the Inland Waterways Users Board. We're here in the Crescent City, New Orleans. We had a fabulous tour yesterday. I hope everybody enjoyed it. My previous experience with the Board meeting here a couple years ago is they had a record rainfall and we never left the hotel because it was raining so hard.

So I was actually pretty pleased to see that the weather was cooperative this time. My name is Mark Pointon. I am the Executive Secretary and the Designated Federal Officer for the Inland Waterways Users Board. Before the meeting starts, 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. This is a "Sunshine in Government" Act meeting and is so open to the public. The U.S. Army Corps of Engineers is the sponsor for the Board and provides for the Executive Director, the Executive Secretary and for all normal operating activities.

If anyone wishes to make a public comment at the end of the meeting, please let Chairman Little or myself know and we'll make sure that you get an opportunity at the mic. The proceedings are being recorded and a transcript will be available shortly after this meeting is over.

I'd now like to call on Major General Mike Walsh to give us some welcoming comments to New Orleans.

MAJOR GENERAL MICHAEL J. WALSH: Thanks, Mark. Do you want me to talk from the podium?

MR. POINTON: Yes, sir.

MAJOR GENERAL WALSH: I know at breakfast we were sharing who was going to get that chair that looked into the light. So I think you have to turn around to get a little bit of this. First, welcome to New Orleans. And we did adjust the rain for you for this particular trip, and I hope that you enjoyed the field trip yesterday.

Certainly it shows what we can do when we've got funding upfront and abbreviated NEPA and the commitment to move forward. That's $10 billion worth of obligations, about $8 billion in execution in the four years. The team is not only from the Mississippi Valley Division, but the entire Corps of Engineers was involved with that from the Walla Walla District to the Baltimore District on how we put that process together.

I'm sorry I wasn't able to be with you yesterday. Every time I come down and look at those project sites, the engineer comes out in me, just back to when I was a four-year old working on the beach building sand castles. It's just a big wow on what we're able to accomplish when you let us loose to get things done. But I was in Washington for the last week working with Congressional representatives on how we can move forward on the '11, '12, as we start putting together the Fiscal Year (FY) 13 budget. And it's an interesting place in Washington right now. I'm glad I'm here with you today and left a little bit early.

But I'd also like to welcome you to the world's third largest watershed. Many of you heard my conversation about that. And by now you ought to be saying, it's the third largest watershed in the world. And I welcome you to that.

When I was up in Washington, I was also -- I'm also the present designee of the Mississippi River Commission. And General Peabody is a member of that Commission as well as General McMahon. And between the three of us, where we sit down on the Missouri, the Mississippi and the Ohio, we cover down on the third largest watershed in the world and especially here, and welcome you in New Orleans which is a key component of the nation's maritime system. And during breakfast we had a number of discussions on how we can keep the mouth of the Mississippi open and how we're able to with the funds provided and what the impacts are on our maritime system.

I mentioned in a number of different public meetings that the United States is a maritime nation. Our dependencies on the seas and inland waterways have driven our national security and economic success throughout the nation's history. The expansion from 13 former colonies on the East Coast to the heartland of the continent exposed our wealth and our natural resources and our ability to produce agricultural goods on a grand scale. And we've had that discussion at breakfast as well in regards to our agricultural commodities and coal and how we influence the world.

Recognizing these capabilities, the nation had made a strong intergenerational commitment to develop the inland transportation infrastructure for our systems of rivers, our canals, our roads, our railroads that connect the interior of our country to the rest of the nation.

We also had a discussion at breakfast on how we put together our transcontinental railroad in less than six years during the Civil War. So you can get something done if you put the money and effort to make it happen.

This commitment enabled the goods to move and the transcontinental railroad, that commitment to get it done allowed us to move goods to the West, to the more populated – and then back to the East to the more populated areas. The development of our inland waterways proved crucial first to the growth of the local and regional economies and next to our national economy and then as we connected to the complex network of the inland water, the coastal ports, through our overland routes and then to the international.

Hence, our transformation from an agrarian society to the world's economic power rested on a developed, integrated, world-class transportation system. And it was the supporting foundation of us becoming a national power. More than 90 percent of our population lives near the 38 states that have access to the ports and harbors. Ninety percent of our international trade is by water.

United States relies not only on coastal ports and harbors, but also an effective, efficient inland water systems. The inland waterways – and you've heard me talk about this many times -- we've got the East Coast, which I've had an opportunity to work on when I was Commander of the South Atlantic Division. We've got the West Coast, which I've had the opportunity to work on when I was commanding San Francisco and Sacramento Districts. But we have the Center Coast, American's inner coast as well, and we need to figure out how we can help facilitate commerce deep within the heart of our country.

Inland waters provide the most cost-efficient and environmentally sustainable means to transport large quantities over long distances. More than 60 percent of our agricultural products exported from the United States are shipped through the Center Coast, America's inner coast. Each year nearly 500 million tons of commodities transit in and out of this country via the mouth of the Mississippi, 500 million. The world trade superiority and economic competitiveness of the United States depends on speed, reliability and low cost of our transportation goods by water. We as a nation have been at the forefront of fostering innovative means that protect that superiority, whether it's involved in investing in or constructing state of the art infrastructure, new and improved ship, dredge and engine design or the ability to adopt and improve methods of handling cargo. There's been a lot of discussion on how we can be more inventive on handling cargo at the mouth of the Mississippi and into the interior and how we can work that.

However, the commitment and the investment demonstrated by previous generations, perhaps, have been waning for decades. If we do not modernize and invest in an effective, reliable national transportation network for the 21st century, we will lose that competitive edge that we currently enjoy via our high cost -- by our highly cost-effective and environmentally friendly inland waterway systems.

I believe we have an opportunity as a nation to recapture that flag for innovation and commitment to be again the world maritime leader with modernization of our ports, harbors and an inland transportation system leading the way. And you saw yesterday what can happen with innovation, dedication and priority.

By 2020, the international trade is estimated to be more than double in weight within the United States. The Panama Canal expansion scheduled to be completed in 2014, 2015, will provide increased opportunities for exports. As domestic and international trade opportunities continue to expand, so too will the demand increase for the nation's coastal ports, inland harbors, inland waterways and dredging requirements.

The increase in demand is more compelling when it's understood that the average age of a Federally owned and operated lock is nearly 60 years old, when it was designed for 50.

More succinctly, 47 percent of our locks maintained by the Corps of Engineers are classified as functionally obsolete in 2006. By 2012, that will grow to 80 percent, eight out of ten locks. And what's that impact going to do on this maritime nation.

By any reasonable indicator, the nation will address its deteriorating infrastructure on inland waterway systems or face the consequences in a growing global trade community. The cost of delay is unthinkable. Without an increase in investment for critical infrastructure rehabilitation, modernization, dredging, crippling failure in terms of our economic and trade is going to be unavoidable.

Again, my personal thanks to each of you for being here in our fair City, being at the end of the third largest watershed in the world. And hopefully we can get together and move to the future of this maritime nation so that in 2012 we'll again have infrastructure that we'll all be proud of. Thank you.

(APPLAUSE)

MR. POINTON: Before I call on General Grisoli as the Executive Director to make comments, would the participants around the table understand you need to turn the mic on and please speak into the mic and state your name for the record as you make comments.

Thank you. When it's red, it's on.

MAJOR GENERAL WILLIAM T. GRISOLI: Thank you, Mark, and welcome to everyone and good morning. Thanks, General Walsh, for those great opening comments. It really does set the stage well for what we want to accomplish today. I want to welcome the Board members, the Corps team, other Federal participants this morning and also everyone who's interested in our inland waterways and the maritime policies and issues that we have confronting our nation right now.

This is a very good time to talk about some of these challenges that we have based on some of the things that you heard this morning already about some of the challenges that we have. I think it's very appropriate that we have this session here in New Orleans. The last time we met, we were in Rock Island. We were at the top of the system, and now we're here at the base of the system, of the largest inland system that we have in this nation.

And why I say that's so important is that when the Administration is taking a hard look at and we're trying to look at support of doubling the exports, we've talked among the members about how do we define how this wonderful system we have, how does it enable us to support that initiative. How can we show that we can, we can, with this system here, working with all the other transportation systems help meet that goal. And I think that's a very important question for us to continue to ponder and to think about.

It's also important that we're here -- and General Walsh alluded to it -- in the fact that as we went through, we took a look at the things we needed to do in the inland waterway system was not only look at ways to finance and how do we take care of our infrastructure, but how do we take a look internally in the Corps, how do we manage those projects, how do we better prioritize and work on our systems. And I think in New Orleans here, the great work that they've done has really shown that when you prioritize things, you focus, you get the support, that we can handle large projects very well, the project management piece. We can execute on time quality projects. And I think that's just an important point for the Board. It really does re-enforce the findings that the Board had over the last 18 months of the things that we'd like to see as we move forward. And I think it's very, very important.

When you take a look at a couple of points on where we're going as far as the FY11, Mr. Loew will speak about ‘11 and ‘12. You all know that FY11 is still on a continuing resolution.

It's extended through 8 April, and then we'll see where we go from 8 April. But it has been challenging working under a continuing resolution for all of us.

FY12 is on the Hill. We had a hearing yesterday with Senate EPW. We have one more hearing with Senate E&W. So we've still got some time to continue to dialogue with the Hill, and we need to continue to do that as they take a look at not only the President's budget, but how do they want to resolve some of our nation's challenges and how do they want to take them on. So that's going to be very, very important that we all continue to develop our relationships and look forward at how are we going to be ready and set the conditions, as solutions, hopefully, come from the Administration and the Hill and that we're prepared to be a part of those solutions.

The last point I wanted to make before I turn it over to Chairman Little is, we've done an awful lot of work. We've talked an awful lot about how we're going to finance the infrastructure to continue to ensure that we have this great waterway that's capable of kind of an economic engine for our nation. We've turned in our proposals. We've gotten some feedback. The

feedback is not exactly where we want to be, but I will offer that as a beginning. It's a beginning of there's a baseline on the table.

We need to continue to work with the Administration, with the Hill and with the industry. There are really three legs to this key stool, and we've got to continue to work to make sure that we have the right solutions as we move forward.

So I look forward to some of that discussion today as we continue to move forward and try to answer those questions: Priorities, funding, resourcing, how do we do those sorts of things. How do we take care of what we have?

I want to thank the team that pulled this together. It's very, very important. I know that today and at the very end I want to recognize some Board members that are leaving later this year. Our Chairman Steve Little; Dan Martin, the Vice Chairman; Rick Calhoun, Tim Parker and Matt Woodruff.

I also want to personally welcome some of our Federal observers. We've got here Captain Lowell from NOAA; James Murphy from MARAD. And we also are pleased to say we have our Principal Deputy for the Assistant Secretary of the Army, and that's Mr. Rock Salt.

So thank you for coming today, Rock. Okay. With that, what I'd like to do is provide some time to the other Federal observers to let them introduce themselves and to have some opening comments. So let's start with John, Captain Lowell.

CAPTAIN JOHN E. LOWELL: Thank you, Major General Grisoli. As the Major General just said, my name is Captain John Lowell. I am the Director of the Office of Coast Survey over at NOAA. And although the title probably means nothing to anyone here, what it fundamentally means is I'm responsible for the nautical charting and hydrography collected by the nation of everywhere except the Federally maintained channels, which is the distinctive authority of the Army Corps. I cannot do my job at all; I cannot make good products to support the marine transportation system without a very tight relationship with all of the districts that we deal with on a regular basis.

We need to get that information from the surveyors of the channels, both the condition surveys and the post dredge surveys to get it to the mariners, to get it to the pilots to allow them to make those decisions that keep the marine transportation system open.

A couple of things I just wanted to mention quickly that we're starting to coordinate for the hurricane season that's coming up. And I'm sure many of you are heavily involved in that.

We work very closely with the Army Corps, the Coast Guard, the GICA and others to prepare and, should the hurricanes hit these areas, to get the ports back open quickly and efficiently.

I spent yesterday over at Stennis talking to Rear Admiral Jonathan White who is the head of CNMOC (Naval Meteorology and Oceanography Command). And they are, of course, continually making their resources available to also help open ports should their services be needed.

I'd also like to mention that we have just installed in coordination with the Army Corps who funded it and the Texas A&M University system, two hardened sentinel sites off Galveston -- and it escapes me where the other one is located.

But these water-level systems and sensors will provide a continued stream of real time data that hopefully will survive any condition that they experience over the next several years. And it will allow the users and the forecasters and the modelers to do a better job, to provide better information to the decision-makers as they move forward.

And lastly, we've continued to find the Inland Waterways Users Board to be a very effective means to coordinate a lot of these activities with everybody. And I'm very honored to be here to represent NOAA, so thank you very much.

MAJOR GENERAL GRISOLI: Thanks, John. MARAD?

MR. JAMES J. MURPHY: Thank you, General. I've got a couple comments to make. The first one is very much appreciate the opportunity to take the tours yesterday. It was an unadulterated delight to see the Corps demonstrating several successes of imagination to the benefit of the nation.

I'd like to mention that -- well, I need to mention my colleague, Robert Goodwin, was our gateway person for the Inland Waterways and oftentimes was our agency's representative here at the Inland Waterways Users Board. My friend Bob passed away just before Christmas very suddenly and unexpectedly. We miss him terribly.

My hope is that we will be able to find someone both knowledgeable and credible to be Bob's replacement. We are supposed to have a vacancy announcement posted this week.

The America's Marine Highways is a program that the Maritime Administration has started recently. What we are attempting to do with that program is to convince people to move freight by water when and where it makes sense, with special emphasis on the inland waterways. We are working through the Missouri Department of Transportation; we're going to issue a contract this week to perform a study on the Mississippi River System aimed at both the market research and operational factors that need to be considered in order to implement a successful container-on-barge service on the Mississippi River and tributary system. We also have issued a grant towards developing a sustainable and effective container-on-barge system on the Tennessee-Tombigbee Waterway.

I've been personally involved in both of those projects, and I wish us all good fortune on them.

So the only other thing I'd like to mention is our Administrator, Mr. Matsuda, very much appreciates the opportunity to participate in the Inland Waterways Users Board, and I bring you his greetings. Thank you, General.

MAJOR GENERAL GRISOLI: Thanks, Jim. I'd like to now introduce Mr. Rock Salt.

MR. TERRENCE C. "ROCK" SALT: Well, thanks. I'm here to listen. I'm here to learn. The Chairman has been very straight-shooting with me in our times. Those have been helpful even though not entirely fun to hear, but nonetheless important. So I appreciate those comments from the Chairman and from others. And just to say, I think we -- and I think I'm including OMB -- not I think. I am including OMB. We understand that this is a problem for all of us and that we are committed to take the recommendations that we've received and to work within that context to try and find a solution for the -- sort of the maritime transportation needs of the nation. So I'd say that. So I'm here to learn and to hear from this meeting as we try and move forward on that.

CHAIRMAN STEPHEN D. LITTLE: Thank you, General Grisoli. Thank you, General Walsh, for your comments and remarks this morning. And I'd like to thank the entire Mississippi Valley Division for their hospitality yesterday and the tours that were very educational, very important for this Board to see.

Colonel Fleming, Colonel Jernigan, Colonel Sinkler, we thank you all and your staffs and for the very fine job and the very educational and instructive day we spent yesterday.

It was very much appreciated. And, obviously, there were lessons that were learned and are being learned on these projects that have great application to the navigation program and what we're trying to address here.

So it was a very good day, very educational and a time well spent. I also want to echo the remarks made by our good friend from the Maritime Administration about Bob Goodwin. Bob's passing was noted by not just me but many of the other Board members here. And we've known Bob for a long time, and he was a real gentleman and a tireless, dedicated advocate for the waterways and their importance to the country. And I know that I share -- or echo the sentiment of many of the Board members when I say that, that we want to make sure that this record reflects the Board's sorrow at his passing and the recognition of his contributions to this industry and to this nation. So we very much were saddened by his passing.

This has been a pretty active Board for the last three or four years. That's a bit of an understatement. We have identified some areas that needed to be addressed, and very proud of the work this Board has done to roll up their sleeves and to address that.

Arm-in-arm with the Corps professional staff, we have tackled these issues and made great progress, I think, in trying to push this ball forward.

Much of what we learned yesterday, as we said -- and we'll get into this a little bit more in the presentations today later on in the agenda -- are applicable to this program. And I'll let Colonel Sinkler address the Board later, and we can have further discussion on how these things are applicable.

But one thing I did hear yesterday which I thought was a pretty apt way of describing how this great project down here has been conceived and designed and executed was, I think, Colonel Sinkler had mentioned the three glass balls that they're always trying to manage: Quality, schedule and cost. And those are the things that, obviously, are foremost on their mind down here. And we have a Federal resolve to do something, to fund it, and to address an issue, it's remarkable what we can accomplish.

So there's much hard work still ahead of this Board moving forward. Appreciate General Grisoli's comment and appreciate Mr. Salt being here today and listening to us very much and look forward to today's hearing.

Having said that, let's go ahead and start our way through the agenda.

The first item on the agenda is the approval of the minutes for the Board meeting No. 64. Those are in your packet. You've all had a chance to look at those. I'll need a motion to approve those minutes.

MR. WILLIAM M. WOODRUFF: So moved.

CHAIRMAN LITTLE: Mr. Woodruff made the motion. Mr. Pigott seconded. All in favor say aye.

(THE BOARD VOTED BY SAYING AYE.)

CHAIRMAN LITTLE: Okay. Thank you very much. Next on the agenda is the review of the status of the Inland Waterways Trust Fund. Ms. Schmid is here to give us our presentation. Ms. Schmid?

MS. MARY ANNE SCHMID: My name is Mary Ann Schmid, and I am the Program Manager at the Headquarters, U.S. Army Corps of Engineers. My presentation will provide an update on Waterborne Commerce Statistics, the status of the revenues for this year and the project summaries for our ongoing projects.

The first two slides were prepared by David Grier who was unable to be here today, so I will read his notes for the first slide. According to the Waterborne Commerce Statistics Center's monthly tonnage indicator, traffic trends in calendar year 2010 show a significant recovery underway from 2009 levels. Estimates for all months in 2010, except January, track higher than

in 2009. Total tons are estimated to have increased about 8.6 percent from 2009. Coal was particularly strong, up by 12 percent, along with petroleum and chemicals up by 11 percent. All other commodities were up by an estimated 5 percent except farm products which declined by just under 2 percent.

Does anyone have any questions, which I will refer to Mr. Grier?

Okay. Thank you.

I have an update to the trust fund receipts for this year. What you're seeing on this slide are the receipts through February. The two deposits in March totaled $6,431,000, bringing our fuel tax revenue to $37,938,000 in FY11. This is 5.9 million above the excise tax revenues for the same period last fiscal year, which is a good sign that we're on our way up.

Questions? Okay. Great.

Next slide. A little update of the ARRA (American Recovery and Reinvestment Act). As you heard before the last meeting, the blue font are projects that additional work could be advanced with ARRA funds. Green shading are projects that were funded to completion. And we should have also had Markland Locks and Dams on there. That also was funded to completion with ARRA funds.

There have been some minor puts-and-takes to the list since our last meeting that resulted in an overall increase of $2,197,000 in ARRA funds for IWTF projects.

Okay. Now we'll start the project summaries. Chick Lock, there's a mod for the cofferdam currently underway. It's for grout, for seepage. It's going to take about four to six weeks to finish. They'll then de-water and inspect. And they expect to complete the work in mid-summer. The lock design is finished; but, of course, they've pushed out the construction period by another year due to lack of funding.

Kentucky Lock, the project is progressing well. There were two slips on this chart that were not shaded in red. The Highway/Railroad Superstructure completion slipped three months due to weather delays and high water. The Upstream Lock Monoliths construction slipped four months, and that was due to those grout overruns which took a lot longer to place. The ARRA funds on this project were used for the superstructure, the lock design and the majority of it went to the construction monoliths.

Locks and Dams 2, 3 and 4, they're currently working on the municipal relocations which were funded with prior year funds. In that line, McKeesport is almost complete. They're finishing up the paving. And the Duquesne relocation work is about 25 percent complete. The ARRA work is on schedule, the Charleroi River Upper and Lower Guard Walls construction. And they told me the construction of the river wall is substantially complete. You can see that it has a 30 September completion date.

Olmsted, Larry Bibelhauser, the Project Manager, will do a quick presentation after mine on the status of this project.

Inner Harbor which we visited yesterday, unfortunately, we have nothing new to report because the project is currently at a stop-work status due to the lack of funding.

Emsworth, overall the project is going very well. Two contracts have been completed since the last meeting. You'll notice there is a red indicator for a slip for the Back Channel Service Bridge closeout. The closeout was pushed out three months because some punch list items encountered weather-related delays. And they are finishing those up right now. The two contracts that are ongoing are the Main Channel and, of course, the Back Channel Scour Protection and that is being funded with ARRA. And the two contracts that were completed are shaded in yellow.

And last is Markland. This project is also going very well. The gate replacements are being performed by the in-house ops and floating plant. You will see a couple of reds up there. The Gate Storage Pier Closeout was pushed out three months due to a mod that was required to put in 100 feet of storm drain to address localized ponding. And they had delays with receipt of the final pay estimate. The Culvert Valves replacement slipped about three months, and that's because they encountered an unexpected situation. When they started to replace the culvert valves, they found that they were welded, not bolted. And this removal was much more difficult than they anticipated. But everything is moving along and will be finished on time.

And that concludes my presentation pending any questions.

CHAIRMAN LITTLE: Yes. Thank you, Ms. Schmid. I'd like to talk about the Trust Fund a little bit and the tax receipts. I think we had a similar discussion in Iowa with Mr. Grier during his presentation. Basically, you're saying the tax receipts come in at a higher level than we had planned for; is that what you're seeing?

MS. SCHMID: Yes. Well, they're coming in at a higher level than last year at the same time. I know last time we discussed -- or Jean said that the estimated revenues, and probably Dave Grier, that we were looking -- predicting maybe 65 million which was very low, but they wanted to be conservative. I believe maybe 75 million is as we achieved last year, 74.1. And even though we have this $5 million increase over 2009 and 2010, I'm not as optimistic to think we're going to be at 80 or 85 just yet.

You may recall that in September of 2009, we had a $7 million negative adjustment. And so when we plan -- planning the use of the funds during the year, we just have to keep that in mind because we can't absorb a negative adjustment too large due to the low balance.

CHAIRMAN LITTLE: So for planning purposes and allocation purposes, are you assuming about a $75 million a year revenue stream into the Trust Fund?

MS. SCHMID: That's what I'm assuming for this year so far. We'll adjust if things continue to improve, but not too much.

We do have carryover because we didn't issue all of the funds last year due to project requirements. And I think right now we could give the budget amounts of $82 million using some of the carryover.

CHAIRMAN LITTLE: And what's the amount of the carryover?

MS. SCHMID: The carryover is -- let me get the total amount for you. It's rather large. It's about $74 million. Yeah, $74 million, uh-huh (affirmative response.) The bulk of it is on Locks and Dams 2, 3, and 4 from 2008. We did use some of the holdback last year in FY10. Olmsted from '09 did not use -- now, this is just Trust Fund dollars -- did not use about 4,375,000. And so we paid back that amount to the project in FY10. We also are giving Kentucky Lock and Chick payback money last year. So while we have the revenues coming in, as they did, we also were able to pay back some of the amounts that were withheld for various reasons.

CHAIRMAN LITTLE: All right. I have no further questions at this time. Someone else?

MS. SCHMID: Thank you.

MR. POINTON: Now we'd like to have Larry Bibelhauser step up and give us a quick update on the progress at Olmsted Lock and Dam.

MR. LARRY BIBELHAUSER: My name is Larry Bibelhauser. I am with the Louisville District, and I'm the Olmsted Project Manager. This slide up here is a recent aerial photograph of the Olmsted project. Probably the last time you saw that it was full of precast concrete shells. And the five positions here, we have moved out the six shells that were fabricated over the last year or so. And we are in the process of building the second year set of shells.

The tainter gate portion of the dam is, as I have previously reported to the Board, is divided into three construction seasons for setting shells. The first season, which was this past year, we scheduled six shells to be placed. We placed five of those six shells, the ones that are colored in red. The second pier shell did not get set. It's sitting on the skidway ready to be set. The river got too high and we were unable to place that this year, but it's sitting there ready to go in.

Up in the precast yard, we are working on this set of six shells, depending on river conditions this coming season. We'll try to set all seven of them, but it will depend on how Mother Nature treats us out there in the river. As you know, the river in the lower portion of the Ohio fluctuates quite a bit.

These three slides are just a little update on the shells that we did place or how the shells are put together up in the precast yard. In this top left corner, the form work and the rebar is going in on this particular sill shell. Up here in the right corner is a stilling basin shell with the rebar being placed for the baffle blocks. And down here in the bottom right corner it shows you the concrete that was placed and that that shell is virtually ready. The concrete is curing and it was virtually ready for being picked up and taken down to the river.

And after those shells were completed up there, they were lifted with the crane in the yard and carried down the skidway. At that point we slide them underneath the catamaran barge. And in this upper left picture here, you can see where the catamaran barge has the lifting frame attached to it and there's a shell down here at the bottom that it is picked up. That was one of the first shells we placed.

Then the catamaran barge is then pushed up to position with a 6,000 horsepower towboat. It's anchored onto lines, and the wenches then pull it into the exact positioning. And then the shell is lowered to the bottom of the river here. And you can see in this picture, the lifting frame is being lowered down and set into position on its foundation.

So if you could see through the muddy water when we place these things, you could see the foundation piles that were driven prior to these shells being placed. And so you have a sill shell that would have been placed. You would have had a stilling basin shell. And then we filled this in with one of the shells. So we have four -- as we call them four flat shells placed out there right now and one pier shell. So we are well on our way now of making -- we've got all of our infrastructure is there, and we're moving right along with setting shells for the tainter gate portion of the dam.

For FY11, like I said, we plan to fabricate the next six shells and hopefully be able to set seven shells. And then in 2011 -- I mean, 2012, we would complete the portion of the tainter gate portion of the dam.

That's assuming that we get re-authorized at a higher funding level to be able to continue our work into 2013. Without re-authorization, we'll have to stop the project.

And that's my presentation. Any questions on Olmsted's progress?

CHAIRMAN LITTLE: Yes. Thank you, Mr. Bibelhauser.

So you said that you set five of the six -- six was the target number that you wanted to set last year?

MR. BIBELHAUSER. Yes, sir.

CHAIRMAN LITTLE: So you set five of the six. Hope to fabricate six and set seven.

MR. BIBELHAUSER: That's our goal, yes, sir.

CHAIRMAN LITTLE: So, obviously, high water has set you back some on this.

MR. BIBELHAUSER: Well, this past season we worked later into the year. Some of it was debugging the first time we set shells and some of the things took a little bit longer than we anticipated. We're hoping that we can go out and set the sixth shell early this season if we get a break in the river. Right now that doesn't look very good. The river is very high right now. But we're hoping to find a window between now and the fall season for setting shells to stick the sixth shell in from this past season.

CHAIRMAN LITTLE: Okay. And can you talk a little bit about funding? I don't think you touched on that much. What's your --

MR. BIBELHAUSER: The FY11, we were in the President's budget for 136 million. And we are working towards that – our work layout is based on that, receiving that amount of money. Of course, we're working from day-to-day -- or three weeks at a time, basically, because of the CRAs. But Mary Anne and Mr. Mugler have been coming through every time I need additional money to keep the project from slowing down, so we have not lost any progress due to the CRA process.

We have adequate funding for this year. In FY12, we're in the budget for $150 million. That should be sufficient to get us through 2012. That's our schedule. That's what we've based everything on, and we should be able to achieve those three years of tainter gate construction with that cash flow.

CHAIRMAN LITTLE: Right. So the 136 million in FY11, the 150 million in FY12, are all those dollars toward what I would call critical path?

MR. BIBELHAUSER: Yes, sir. Everything we're doing right now is the critical path construction of the dam or the tainter gate portion of the dam. There's some other smaller -- the actual tainter gates, the steel structures that go in there, those are getting close to coming on the critical path. They're not on the critical path yet. But hopefully in 2013, we'll be able to start fabricating those.

CHAIRMAN LITTLE: But there's nothing in the 136 or the 150 that's not, basically, toward critical path is what you're saying?

MR. BIBELHAUSER: Correct.

CHAIRMAN LITTLE: Okay. Thank you. Other questions?

MR. BIBELHAUSER: Thank you.

CHAIRMAN LITTLE: Wait. We have a question here from Mr. Martin.

MR. DANIEL T. MARTIN: Excuse me with my back to you, Larry. Dan Martin with Ingram Barge Company. I just had a question. With the recent earthquake and resulting tsunami in Japan, we're reminded about vulnerabilities that we may have here in the United States. And I just wonder about what was engineered with the Olmsted project being near the New Madrid fault. Were there things like that taken into account during the design? It looks like a very stout structure from what we've seen from previous visits, but I just wonder if you might be able to make a comment on that.

MR. BIBELHAUSER: Yes. That was one of our more difficult things to engineer. Like you said, we are very close to the New Madrid fault. We are in the seismic zone, the most critical seismic zone with that project. We had experts from the California area that assisted the Corps with coming up with what the ground motions would be in an event and how we should design that.

And one of the more difficult things that we've had to deal with down there this year that kind of slowed us down was actually the piles that are under this dam for seismic, basically. They're there. And they're very unique pile heads because of the seismic design. We had some difficulty fabricating those and getting them driven. But, yes, we have considered all that, and there is an extreme amount of rebar and so forth in these shells to account for the rebar -- or the seismic motions that could occur. So, yes, I think we've well accounted for that.

Anything else? Thank you.

CHAIRMAN LITTLE: All right. Thank you. Next on the agenda is Mr. Gary Loew to give us an update on the budget.

MR. GARY A. LOEW: Thank you, Mr. Little, the Board. I'm glad to be here again to talk to you today. Ms. Schmid just gave you a rundown of the financial situation of the Trust Fund. And following me, Jim Walker will talk about how we're moving forward to implement the recommendations of the Capital Investment Report that we are able to recommend -- or that we are able to implement inside the Army Corps of Engineers.

So what I'll do today is to update you on the Fiscal Years 11, 12, 13 budget status because they've all sort of run together. And so we are currently still waiting for an ‘11 – Fiscal Year 11 appropriation. We are defending our Fiscal Year 12 appropriation. We've had three hearings. One more to go on that. And yesterday we finalized the regulation that will dictate how we put together our Fiscal Year 13 budget, and I'll talk about a couple of significant issues associated with that. And then at the very end I'll talk to you a little bit what we're doing as we move forward to assist the committees that are working on a Water Resources Development Act.

For Fiscal Year 11 we're operating on our sixth continuing resolution now. It is up on the 8th of April, and the Congress is working to try to come up with a full appropriation on the 8th. You heard Larry mention the way that we're funded during a continuing resolution is we get a

proportional amount of the total appropriation -- the total historical appropriation each month of a continuing resolution. So if a continuing resolution goes from the 1st of October to the 30th of October, then we get one-twelfth of the average of the past five prior years' appropriation to work on. So it does affect our operations. Not having all of our money upfront prevents us from awarding, for instance, all the contracts that we might want to award right at the beginning of the fiscal year.

It doesn't impact us too much. We're pretty good, having been through this before, about moving money around so that we can do the key work that we need to when we need to. You heard Larry speak about this project moving forward on schedule. Certainly that's one we watch. Dredging contracts that are subject to seasonal dredging windows are another one where we watch it working with the divisions and the districts to see that those all get funded. So we're moving ahead. The chances seem to be improving that we'll get a bill on the 8th.

But on the 8th, one of three things could happen. We could be shut down. There's been talk of that if the Congress can't agree. We can have another short-term continuing resolution or we could get a full-year bill. The latest indications from the Congressional leadership in DC is that they have sort of settled on a grand plan for an appropriation and that they have passed it down to their key staff to try to negotiate a final bill. So we're hopeful that we'll get a bill on the 8th.

Should we not and should there be a shutdown of the government, for the Corps of Engineers what that means is that we shut down all but what are called exempt activities or what we sometimes refer to as essential activities. And so essential activities do include the operation of locks and dams, the continued oversight of all ongoing contracts, key dredging operations, certainly all of our emergency preparedness work and emergency operations, continuous essential operations.

And, again, in a shut down they do stop, all of the existing Fiscal Year 11 funds expire at that point, but we continue to operate on prior year funds to the extent we have those available. So even if there were a shut down, it wouldn't be real noticeable to the inland waterways system unless it just went on too long and we started to run out of prior year O&M money. But, again, chances are good now that won't happen, so I'm fairly optimistic there.

On the Fiscal Year 12 budget, we've had three hearings to date. The first was -- and it's unusual we're having four hearings on the budget because both of our authorization committees are holding FY12 budget hearings. That's a good sign because it means that they are considering a Water Resources Development Act and looking at how ‘11 and ‘12 and ‘13 activities might influence that.

So the first hearing was the House Transportation and Infrastructure Committee, one of our authorizations committees. That was a pretty good hearing. And one of the things that's been common to all three hearings is that we have been quizzed on our intentions with regard to

the Harbor Maintenance Trust Fund because there is mention in the budget of expanding the uses of the Harbor Maintenance Trust Fund. We've been asked about our plans to move forward on the Inland Waterways Trust Fund and a little bit on hydropower. All three money issues are of interest to the WRDA in addition to a number of our sort of proposed efficiency measures such as the potential to de-authorize unneeded projects and so forth.

The second hearing was House Energy and Water Appropriations. The significant part of that was probably the very first statement that the Committee Chairman, Congressman Freylinghuysen made to start the hearing. He said that there will be no additional funds other than the President's budget in Fiscal Year 12. So that's significant because typically the Congress will add maybe $300, up to $600 or $700 million in any given year on top of the President's budget in recent past. And so that's not the first time we've been put on notice that certainly for Fiscal Year 11, it looks like we'll actually receive an appropriation that is below the President's budget, and in Fiscal Year 12 one that's certainly no more than the President's budget as the committees seek to resolve the problem with the national debt.

The third hearing yesterday was before the Senate Environmental and Public Works Subcommittee of the House Transportation Infrastructure Committee, again, another authorizations committee. Senator Boxer is the Chairman. Senator Inhofe is the ranking minority. In this case, they are actively pursuing development of a Water Resources Development Act. They have put out a notice, a request to all members for input into any provisions or any projects that the members would like to see included in a WRDA. The staff thinks that they will probably be actively beginning to develop that bill within the next four to five weeks, and maybe the first hearing within the next five to six weeks. So the Senate, again, is actively pursuing a WRDA.

Our last hearing will be the Senate Energy and Water Development Committee or Senate Appropriations Committee, and that's scheduled for the 13th of April.

Again, some of the common themes that would be in all those hearings are probably no additional funds above the President's budget for FY11 and for FY12, and I guess I would just say the likelihood of reduced appropriations for all Federal domestic agencies in the next couple of years as they continue to work through what's viewed as a very serious national problem with the national deficit.

There has been concern expressed about the fact that the President is not budgeting and the Congress is not appropriating all of the income in the Harbor Maintenance Trust Fund for its intended purpose, but no indication of what they might do about that. And, again, we've been quizzed on all of them in all of the hearings on the Inland Waterways Trust Fund. And, specifically, yesterday Senator Bachus, who was chairing in the absence of Senator Boxer who's traveling, at one point had an exchange with Secretary Darcy where he brought up the Inland Waterways Trust Fund. He mentioned he appreciated her response, that he had asked her what

are you all doing about it, are you willing to try to resolve this problem of lack of funding. She said, yes, certainly, we are continuing to look for a funding mechanism that will help us come up with the additional revenue we need to recapitalize the system.

And he said, I appreciate your interest and your willingness to work on this, but what we need is leadership. And he worked on that pretty hard, the concept that they'd like to see some leadership come out of the Administration. But the other side of that was, he said, we're working with a divided Congress, meaning we have a House with one party in the majority, a Senate in the other party in the majority. And his implication was it's going to be difficult for the Congress to do anything without leadership from the Administration to help us get through this divided Congress. So that was interesting.

Moving on to the Fiscal Year 13 budget, as I mentioned, we have just published, sent to the printer our regulation for developing the '13 budget. There are probably two changes that would be of interest. One concerns the way that we manage -- the way that we use benefit cost ratios in budget development.

As you all know, we use the benefit cost ratio, an indication of the economic advantages of a project, to prioritize how we allocate our funds, typically allocating both in navigation and in flood risk management projects, the available funds on a priority basis to those projects that produce the greatest economic benefit, meaning those that have the highest benefit cost ratios.

In working last year's budget and the allocation of funds for ARRA projects, we learned that we had been inconsistent in the field, among our districts in how we were both updating those, determining whether they needed to be updated or not and then the process by which the districts were doing the updates. As we looked into it more thoroughly, we found that I was the problem. And the problem was actually lack of clear guidance to the field on exactly when they should do this and what they should do.

And so we have since investigated that. We've worked with our planning division. We put out some very specific guidance on how the districts were to go about -- when they need to be updated. Basically, if you're under construction and your BCR hasn't been updated in five years, then you need to update it. And if you have to update it, we've put out some what I think are really good instructions to the field, very clear on how much work you have to do to update it. And we've categorized them into you need very little work, you need to do a medium amount of work or maybe it takes a lot of work to update the estimate.

And, again, we do this. This is something the districts will need to do every five years. And so we've tried to put a process in place that basically says there hasn't been much change in either the cost or the benefits that are expected. All you really need to do is update your costs and send it back to us without much time and effort.

On the other hand, if this project has been going on a long time and somehow there's been a change to benefits, meaning maybe there's been a change in the real estate in the flood plain or you've experienced a major flood event since then which would influence your benefit computations, then you have to do some more work to go back and take another look at the benefits. So the whole process on how to do that is now in our new budget guidance.

The second area that we are looking at, which if you go back in time to when we initially started looking at the inland waterways and whether we were doing a good job or not at allocating funds and modernizing those and spending our funds wisely, it's caused us to do a lot of introspective thinking about how we allocate funds, how we prioritize, how we manage our planning and, of course, how we manage our design and construction.

And you heard Mr. Salt earlier today talk about the thinking we're going through as we move forward trying to justify our budgets in the future. And in the future, we are moving away from a project-oriented budget into more of a systems-oriented budget presentation with the idea as we eventually learned doing the Capital Development Report that when we talk about the system as a whole and look at all of the parts as pieces that contribute to that system as in the case of the inland waterways, we learn different things about how well we're doing. So if we look year-by-year, project-by-project, everything might look okay; but in the context of the whole system, in fact, we are not spending our money wisely or doing our construction efficiently.

And on the positive side, we come up with information that helps us better justify the value of that system to the nation, and then we start to look for better ways to defend that. And that's the direction we will -- we've put some guidance in our budget EC that will, basically, have us look at those higher level issues upfront during the budget defense process. So can we find better ways to express the need, for instance, for an entire system of ports in the United States to move commerce in and out efficiently? Can we find better ways of expressing the value of the entire inland waterways system in ways that will eventually help us to lead to better investment decisions, both inside the Administration and by the Congress?

So we feel that we lose that information when we talk project-by-project. And we are moving more toward this kind of a systems, I guess I would say, defense into the future.

And now to move on to what WRDA might look at this year, Water Resources Development Act. The Senate is clearly actively working on a bill.

I think the House would like to. It's not clear that they can fit it into their calendar of events. But I would say that the House staff has been asking the Corps for quite a bit of information that will help them build a bill this year as well.

We in the Corps of Engineers in the Department of the Army have a number of provisions that we think would be -- that need to be in a WRDA.

So at some point in the future, ‘11, ‘12, ‘13, we really need to have a Water Resources Development Act for a number of reasons.

One is, of course, we have new projects that need to be authorized. We have existing projects that need additional authorization because we have spent above the authorized amount. They need to be re-authorized at higher amounts. And as the national funding situation has really tightened up -- again, this isn't just the Corps of Engineers. This is all agencies from defense all through all Federal domestic agencies. I mean, I think we clearly see the handwriting on the wall that not all of our future funding is going to come through Federal appropriations in the future, and we need to look beyond just Federal appropriations to other non Federal sources. Of course, you all are a part of that with your proposal which indicates your willingness to contribute more. The coastal industry is working on a more full allocation of the Harbor Maintenance Trust Fund.

We have been working with our hydropower partners, particularly the power marketing agencies and their preference customers to look at other sources of income other, again, than income out of general revenues that will help us rehabilitate that system.

And those discussions are very positive now. But in order to implement them, we would probably look at some additional authorization that would enable us to work with them more directly, accept their funds directly.

We have had some ports and some other agencies who have been willing to either contribute funds to their project to make up for a shortage of Federal funds or to advance funds.

And while we're able to do that in most cases, it's complicated, more complicated than it needs to be. And so we might look for, again, some WRDA provisions there that would make it easier for those who want to contribute money to be able to do it.

For instance, recently the Port of Miami has decided to advance the entire Federal amount so that it can finish its design and get its channel deepening underway and complete by 2014 for obvious reasons.

So we also have a number of projects on our books that no longer serve their authorized purposes. My favorites are the old steamboat channels in the Chesapeake Bay. They're still on our books as something we're supposed to manage.

So those are examples of things that we could easily remove. We also have projects that we have, essentially, abandoned: A former navigation dam in Savannah, Georgia, a former flood control project up in Oklahoma, for instance. And it's harder to get those off of their books because we need to put them in a condition that we can turn them over, and then we need to find somebody to turn over the land and the property to. So, again, there are some provisions that would help us ease those processes so that we could dispose of unnecessary assets more quickly.

So that's just a general comment, that we would like to see a Water Resources Development Act for a number of reasons. We will continue to work inside the Administration to try to put together a proposal that could look very attractive in these tough financial times in the sense that a number of the proposals are associated, not with general revenues but with other people's money and the ability to use that more quickly and easily and efficiently. And then, again, also some of these efficiency and asset management proposals that would, again, enable us to be less cumbersome about the management of our assets.

In addition, we have sort of part of WRDA and a little beyond it, we have some major initiatives underway inside the Corps of Engineers. And, again, I'll relate these, some of them to thinking that went way back in time to our initial case studies report of the three projects in the inland waterways which got us thinking in a different way about how we are managing our funds and how quickly we are producing things with the funds we have. We have, again, a couple of my initiatives, that is, our funds allocation and prioritization initiatives that would begin to look at a higher level differently about how we make resource allocation decisions. In a big sense, before we start looking project-by-project, we have two initiatives in planning that are designed to lower the cost of planning by focusing some sorts of work in centers of expertise as opposed to having them located in all districts. And we have some pilot studies underway and some more we're going to choose that will be testing ways that we can work together better with our partners and as a vertical team, maybe using risk management as part of the planning process to reduce the time associated with planning and the amount of detail we go into on each alternative, conceptually trying to reduce the number of alternatives that we're looking at down before we move into more detailed analysis.

In engineering and construction, we have created a risk management center because we have not only inland waterways projects that are growing old but also a number of dams that are growing old, and that's become a big area of future business. If you pile up water behind a dam for 200 or 300 feet and let it sit there for 50 years or so, it's going to try to find a way out past that dam, and that's basically what's happened. And so we know that we're going to have to recapitalize a number of these large flood control dams. And, again, we know that that's not expertise that we're able to maintain independently in all of our districts. So we have established what we call a Risk Management Center that is creating all of our talent. And I would say not only talent inside the Corps, but also the talent that we contract for outside the Corps with other design and construction firms, with universities across the world, really, to look at some of these unusual projects and make sure that we have the best solution, the best design solution to that dam safety problem before we undertake it because these are very expensive projects.

And similarly, we are working with the field now to look at probably focusing our design, not only our risk management processes but then our large dam design rehabs into just one or two or three regional locations as opposed to having them every place.

The other one we know, of course, is directly an outcome of our work with you. We are about to put in play a process that will eventually have us regionalizing or centralizing the design of locks and dams. And a little bit about that process, we will not be making those decisions as pronouncements out of headquarters.

We firmly believe that we're pretty good at policy development, program management in Washington, D.C., but our design and construction talent is in the field. So the process that we're setting up is to present the problem. Here's the workload, here's the nature of the work, here are our future budget estimates and then passing those back to teams in the field similar to the team that we used to do the Capital Development Report to say, okay, now you all who are good at this who know how to do it, you come up with a solution of what's the best way for the Corps to manage this workload in these areas where we expect to have large repetitive workloads into the foreseeable future.

In operations, we are well underway in implementing an asset management problem that helps us better determine how we spend our precious operations and maintenance funds. And even in R&D, we are developing a strategic plan which is focused on if this is our major workload areas for the future, if this is where the Corps is going to be spending most of its civil works money, then what portfolio of projects do we need to have our R&D community working on to help us do this smarter, at less cost and less time out in the future.

So some of these things we're doing, again, it may be useful for us to have some additional authorizations in order to manage our program more efficiently in the future. So there are a lot of reasons why we need a Water Resources Development Act.

I guess I would like to conclude. This will be my last time with the Board. Going back to Chairman Little's comments about when we started this with the case studies report, I recall that some of those discussions with Steve's predecessor and with other members of this Board, because we did see that we had a problem. We had problems with how we were planning and managing inland waterways projects. And it would take serious effort by serious people to address that because we all sensed -- we hadn't quantified it, but we all sensed back then that it would take more money in order for us to approach this future work rationally. And so we did ask you all to step in and work with us on this because you are the primary bill payers here.

And I can't express my own appreciation enough for all that this Board has done during that time. It has been a significant investment of resources by all of you as individuals. I actually have enjoyed it, so I don't care that you've had to work hard. I really believe in the concept of citizen soldier in the sense that everybody ought to find a way to work and make this nation a better place, and you all have certainly done that. And thank you all very much for your efforts. Thank you.

(APPLAUSE)

CHAIRMAN LITTLE: Thank you very much, Gary. Thank you for those kind comments. Starting off, I think you and I were kind of on a rocky road to begin with, but we worked through that and discovered that we had a common interest and a common belief that we have a great resource and we need to get to work on trying to manage this thing much more efficiently.

And in large part, the work that the Board has done with the Corps is a testament to your leadership and your vision, your ability to step into the Board meeting and to say, you know guys, we've got some things we need to work on, we've got some things we need to fix and we think we can do it better if we do it together. And you were absolutely right to point us in that direction and to challenge us in that way. And we've accomplished a lot working together, much more than we could have if we had tried to do this separately. So you deserve a great deal of thanks for that. I thank you personally and the Board generally thanks you for that.

Now, I'm not going to let you off the hook because I've got some questions to ask you. And what I thought we would do if it's okay with the rest of the Board, I have a few questions I'd like to talk to Gary about and then we'll take a break, and then we'll come back and the rest of the Board can follow up with their questions, because I think that will get us right on our time schedule if we do it that way and give everybody a break.

So the first question I'd like to talk to you about and get your help in understanding this, because we talked about allocation of funds and the efficient allocation of funds. And I know the Board had a discussion in our October meeting in Iowa about the Trust Fund and the revenues and the projected cash flow in there and what I thought was an excessively conservative $65 million a year going in there. And clearly we're more like $75 million or so it looks like.

And as we look at these other projects that are out there, Mr. Bibelhauser tells us that he's using all of his money on critical path work. But we've got other projects out there where work can be done to further these projects along the critical path with much smaller bites. Kentucky Lock is one, but I know there are others.

How can we best manage this Trust Fund in these austere times to make sure we're not selling ourselves too short with these overly conservative estimates of cash flow going in and are able to move these other projects along the critical path if another 10 million here or 10 million there will keep these projects on a critical path?

MR. LOEW: Well, that's a good question. And we talk about this internally when we look at allocating the trust fund each year. And as Chairman Little points out, each year we end up with about a 30-year balance, $25 to $35 million a year that appears to have been unused. And so each year we sort of discuss how fully are we going to allocate it. There are generally two reasons why that happens. One is it's a cash flow issue in the early part of the year before we have income, because the income doesn't flow smoothly during the year. And then the other is, because we're listening to the districts that are doing the work and wondering if there's going

to be any cost overruns or any other emergency issues that come up during the year that we need to keep a small balance for.

But having said that, it's a judgment call each year. And certainly, again, I look back at the last two or three years working with Mary Anne Schmid and her boss, have been involved in those decisions. And each year I look back retrospective and maybe we could have been a little less conservative. And so what I would propose is that we'll share that analysis with you and then come back and maybe offer some options about how much we allocate, and so involve the Board a little more directly in that marginal decision there.

CHAIRMAN LITTLE: I think that would be great. We'd appreciate that very much. And along those lines is, I've looked through the handout of Ms. Schmid's presentation. I think we had a slide in there about Emsworth and that allocation which is -- that's about 10 million?

MS. SCHMID: Yeah, I think we're in for 11.5 for this year.

CHAIRMAN LITTLE: Okay. Can you tell us what that work is for, Ms. Schmid or Gary?

MS. SCHMID: The work is for the -- they're going to award that final service bridge contract, I believe. And they aren't going to do that work until next year. I think the decisions are still being made in LRD on whether they're going to award that project this year and then do the work next year.

CHAIRMAN LITTLE: And what do we mean when we say service bridge? Is that a critical path or a critical piece of work at Emsworth that we're talking about? Does anyone know?

MS. SCHMID: Yes, I'm sure it is. Anybody from LRD? (Great Lakes and Ohio River Division) Jeanine?

COLONEL GREGORY J. GRAHAM: I can answer that. It's very important. That's the superstructure on top of the dam that brings the emergency bulkhead in if you have a gate failure. We are currently looking at taking that $10 million and seeing if maybe we can plug it -- maybe it's a wise decision to plug that into Lower Mon and keep going.

That's what we're looking at right now, seeing if we can keep Lower Mon on the critical path.

CHAIRMAN LITTLE: And for the record, I think we need for you to identify yourself.

COLONEL GRAHAM: Oh, I'm sorry. I'm Colonel Butch Graham, Commander of the Pittsburgh District.

CHAIRMAN LITTLE: Thank you, Colonel Graham. So am I hearing that that work at Lower Mon may be more critical than the service bridge at Emsworth? Is that a fair way to --

COLONEL GRAHAM: That's what we're looking at right now, trying to answer that very question.

CHAIRMAN LITTLE: Right. And then I'm sure there's probably other critical path work and projects in the division as well in addition to Lower Mon. Are you looking at that? Is the division looking at that as well?

COLONEL GRAHAM: From the Pittsburgh perspective, I can only speak to that.

CHAIRMAN LITTLE: Pittsburgh's all right. Fair enough. I think that's good.

MR. RICHARD A. HANCOCK: I can answer that.

CHAIRMAN LITTLE: Identify yourself for the --

MR. HANCOCK: I'm Richard Hancock. I'm the Regional Business Director at LRD. And we are looking at all priorities and that --

MR. POINTON: Richard, would you step up to the mic, one of the mics, so we can get this on the record. Thank you.

MR. HANCOCK: I'm Richard Hancock with Great Lakes and Ohio River Division. I'm the Regional Business Director. And I just wanted to confirm that we are looking at all the priorities. Right now we're evaluating if the Lower Mon is a higher priority than the Emsworth service bridge.

CHAIRMAN LITTLE: Very good. Thank you. One other question, Ms. Schmid. I'm sorry I'm getting back to you late on the presentation, but I noticed on Lower Monumental, I think we were showing something on that appendix that showed some funds still yet to be expended for Lower Monumental?

MS. SCHMID: Lower Monumental? Are you talking about Lower Monumental out in Washington?

CHAIRMAN LITTLE: Yes, I am. I thought that it showed somewhere it's still to be funded. I guess my recollection was that that was funded under the ARRA.

MS. SCHMID: They did receive funds under ARRA, I believe, yes. I'd have to look that up. And I haven't been carrying that if they did receive funds.

CHAIRMAN LITTLE: And I'm just trying to clarify for myself. So this Page 3 of the Tab 4 that shows -- the way I read it, balance complete after FY12, it's showing $14 million, I think. Is that --

MS. SCHMID: That's what I'm showing there. If they received ARRA funds, I'm going to have to get back to you on the record for that. When that was originally put together, I wasn't around and I haven't followed up. Lo Mo is not usually in our forefront of thought of the inland waterways, and they probably did receive ARRA funds. So that may be an inaccurate statement, $14 million remaining, but I'll check on it.

CHAIRMAN LITTLE: Okay. Thank you. Mr. Pigott?

MR. JOHN PIGOTT: John Pigott, Tidewater Barge Lines. Chairman Little, that money -- I'm not sure about the actual amount, but the work that's still outstanding at Lower Monumental is the mechanical and electrical upgrades. There was a new downstream gate installed, but there were not sufficient funds to also do the mechanical and the electrical at that same time. So that's outstanding work.

MR. LOEW: If I might make a comment on that. They did receive ARRA funds at Lower Monumental for gate replacement.

And that work was completed, but not all of the control systems were ready for award and so that work is still to be done.

CHAIRMAN LITTLE: Very good. I appreciate that. Why don't we take a break right now, okay, a 15-minute break? Be right back. Thanks.

(WHEREUPON, A BREAK WAS TAKEN FROM 10:45 TO 11:10 A.M.)

CHAIRMAN LITTLE: Mr. Loew, if you would take the podium again because we do have a few questions for you. But before we get started with that, I think Ms. Schmid wanted to make a technical clarification.

MS. SCHMID: Thank you, Mr. Chairman. When I mentioned the holdback for the Trust Fund, I gave you a figure of $74 million. That is actually the combined amount for inland waterway and construction. To break it down, the inland waterway portion of the withheld funds from FY08 and '09 are $24,189,000, and the construction portion of that is $3,105,000 for a total of -- sorry -- that's just FY10.

Let's go back. The total IWTF holdback is $47,885,000 and the construction holdback is $26,851,000.

And the reason for that is the majority of the FY10 holdback on Emsworth is in the inland waterway fund due to the cost-sharing exemption in FY09, you know, the catch up that we have to do. Okay. Thank you.

CHAIRMAN LITTLE: Thank you for that clarification. Mr. Pigott?

MR. PIGOTT: John Pigott, Tidewater Barge Lines. Gary, Secretary Darcy has been quoted as saying the Administration is looking for a mechanism to help fund the Inland Waterway Trust Fund. And I know it's a bit of a black art to divine Administrative intent, but would you take a stab at trying to get us kind of refreshed on what that intent might be looking like these days?

MR. LOEW: Well, I see Mr. Salt is not there to bail me out here. What I would suggest is this: As you all understand, policy-making is like making sausage. There are a lot of pieces that have to be put together.

And I think at the current time, there is not -- you know, it's fair to say that there's not unanimity inside the Administration about how best to fund the recapitalization of the inland waterways into the future. And before the -- I mean, that has to be resolved before the Administration actually makes a proposal in writing.

And so there is still under consideration everything from barge user fees, which the Administration has proposed in the past but which notably they have taken off of the table in this last budget, to the inland waterways proposal which would be an increase in your user fee and, again, what the appropriate cost sharing is, what elements of the current cost should be cost shared and which not. I think it's also safe to say that there's no right answer to that. At one point, the system was 100 percent Federally funded. I think it was in 1986 is when the user fee was first introduced. And now there are new proposals on the table to address the current problems and the future problems, of future funding issues that is.

And so I think Secretary Darcy is being straightforward stating that everything is on the table, we are working this inside the Administration to try to develop a position. And certainly it's not clear whether the Administration will choose to make a formal proposal through a WRDA proposal or not; but, as I said earlier, we continue to encourage the development of one. In the meantime, it's all pre-decisional.

MR. PIGOTT: So at this time, there's not a way to really sort of quantify the energy level behind that process?

MR. LOEW: I think the fact that the Congress, particularly on the Senate side, is actively moving forward with the construction of a Water Resources Development bill will help to focus the Administration. So, you know, I think if the Congress wasn't going to do anything, it would be hard to get their attention. But the fact that the Congress is actively working will be a -- will help, again, the Administration to devote some time and attention to resolving that.

MR. PIGOTT: Thank you very much.

MR. LOEW: You're welcome.

CHAIRMAN LITTLE: Other questions for Mr. Loew? If not, again, thank you very much, Gary.

MR. LOEW: Okay. As a final comment, I would add that while I am leaving, I'm being replaced by Mark Mazzanti, sitting in the back. Mark, would you please stand up. He is the Chief of Programs in the Mississippi Valley Division, but he is on his way to Washington. He's about halfway in between right now. He will be replacing me. He comes with a background that's probably superior to mine in the area of programs management. He's younger, more energetic, more creative and you will be –

MR. MARK MAZZANTI: But not better looking.

MR. LOEW: I wouldn't go that far. But anyway, you will be pleased to work with him in the future. Thank you all very much.

(APPLAUSE AND STANDING OVATION)

CHAIRMAN LITTLE: All right. Our next presenter is Jim Walker. Jim?

MR. JAMES E. WALKER: Thank you, Mr. Chairman. I'm here to give you an update on the Capital Investment Plan recommendations and how we're proceeding with moving out to get those in place for the Corps of Engineers.

We took the 20 recommendations in the Capital Projects Business Model Report and assigned those to three implementation teams. You see here the names of those -- the team names and the people that are actually leading those efforts.

The first team with the actual recommendations that are assigned to the Strategic Communication Team are listed, and the revisit continuing contracts use – "Revisit Continuing Contracts Clause Use" - highlighted in blue is one that I'd like to give you some specifics on as to the advancements since our last meeting.

The Continuing Contracts Clause, what we have been able to do to this point in our program development is to fully fund efforts under $20 million.

This has increased from where we began with 10; it's incrementally grown to 15 and now 20. The Capital Projects Business Model recommends that we seek to fully fund those efforts at $50 million and below and then to use the Continuing Contracts Clause for those efforts above $50 million.

We are pursuing how to look at integrating this. The background on the efforts right now is that the Assistant Secretary of the Army for Civil Works approves those construction accounts continuing contracts. We have in the process identified in guidance to the field as part of our execution in the annual Civil Works Program guidance. There are actually five steps that would

go into the evaluation process. There's a formal evaluation process towards using the Continuing Contracts Clause.

There's actually -- I'll skip down to this. We mentioned three continuing contracts. They are Olmsted, Chickamauga and Kentucky.

Chick and Kentucky are using an alternative Continuing Contracts Clause, and those actual contracts are funded for completion. So while we currently only -- we have three continuing contracts, Olmsted is the only contract in the current contracts that we're pursuing that has the traditional Continuing Contracts Clause. There's actually a second Continuing Contracts Clause that's been developed and is going through the *Federal Register* process for being able to be implemented in the future. And Congress likes the wording on this one.

The concerns in the past had been that the use of the Continuing Contracts Clause was obligating Congress for future appropriations, and this was something that they did not like. So there's been a new Continuing Contracts Clause drafted, and it's been through the *Federal Register*.

The update I've got is that they're supposed to address the comments that came in by August, and they're looking to have that implemented in the upcoming -- in the next 12 months.

For the Finance Team, you see the five different initiatives that are -- or recommendations that were placed under that group. And the two that I'd like to discuss with you in greater detail today have to do with the identification and quantifying the beneficiaries and the economic data.

The beneficiaries, this body was briefed with Dr. Bray's final report on the expanded use of the beneficiaries of the Inland Marine Transportation System. His final report was delivered to the Corps of Engineers and accepted in January.

We're now looking to expand the effort another phase of study to look at system-wide beneficiaries. We are in discussions with Dr. Bray, and right now he's working on another endeavor but should be available to begin pursuing this in May of this year. So we're looking to get that funded and pursue that effort.

The other highlight would be the development of additional economic data, standardizing that. This data is being used for our economic consequences. It's used in our budget development for operation and maintenance as well as capital investments. We've developed a five-year cycle on how we'll conduct the updates to this endeavor, and this year's efforts being focused on Southwest Division with the Arkansas and Red Rivers and the Gulf Intracoastal Waterway.

A second initiative there is that we are revising the model to look at the closure impacts in Fiscal Year 12.

It's not an actual reformulation. It's just taking ancient history here, computer programming language. This one was developed in Fortran back when I was in college, and so they're now going to update it to a more modern computer language that can be more widely used across the Corps by a greater number of people.

The Process Team, there's actually -- has got the largest number of initiatives. There's actually a total of eight assigned to the Process Team. And the two I'm going to highlight for this presentation are on this next slide. This Design Review Center of Expertise, which Gary mentioned, is an initiative and also the standardized designs.

This one has been quite a major undertaking, the method of delivery is what it's being called within the Corps of Engineers community.

There are a couple of key groups to be aware of as far as names that you'll be hearing on the discussion on this topic. You have the IMTS Board of Directors. Those are the five division commanders that have inland navigation as a mission purpose, and also General Grisoli and Mike Ensch at the headquarters.

The Command Council is all eight division commanders, and General Grisoli at headquarters and General Van Antwerp. And then the Regional Management Board which is the senior executive service leaders of the business development and actually oversee the engineering functions at the division offices.

So to update you on where we are there, the navigation lock we're calling it the method of delivery for the design work there. There are actually a total of ten different delivery efforts, design efforts that were being considered by the Regional Management Board. The Command Council stepped in and said that we will pursue two of those, the first of which was dam safety, the second of which is going to be navigational lock design.

So the Regional Management Board and the engineering chiefs are accepting of this -- pursuing this initiative. They're onboard. We've formed a product delivery team that's been established and the meetings are underway. They've challenged us to have a product developed by the summer in terms of how this would be structured to do the designs. You've currently got 15 different districts that have inland navigation responsibilities and could be looking at having engineering design capability. That would be one end of the spectrum. The other end of the spectrum may be one design center for the Corps of Engineers to do navigation lock designs.

But as Gary Loew mentioned, we're not about trying to drive that from headquarters, but to have a team of engineering division chiefs along with operations chief representation for them to look at how they best can determine the delivery of that lock design effort.

It's been very beneficial to have the Capital Projects Business Model where they can -- they have an idea of what the number of projects to be invested over the next 20-year period so

they can define what the workload is likely to be and then to establish their model and to staff it accordingly to provide those services.

And the status of -- the latest is that there's an update of the status on the effort to be briefed to the Command Council at the Corps ENFORCE meeting next week. So it's been actively monitored by senior leaders as to when we're going to deliver this product.

The other initiative is standardized components. And there's been a bit of an educational process there for the engineering chiefs to understand. Many times the end goal was viewed as being -- saving money on design or saving money on construction. What we're trying to emphasize is the 50-year life cycle of an asset like a navigation lock and the importance of operational considerations when it comes to having standardized components that can be used in these designs. So engineering -- the leaders that I'm working with now get this approach. They understand that combined with the method of delivery as to how we're going to alter our practices in developing these lock designs. There's an existing regional navigation design team that's taken now a broader role at looking at things across the entire country. It was originally in MVD, the Mississippi Valley Division, and the Great Lakes and Ohio River Division team, but it's now being expanded participation to look IMTS wide on these efforts.

And we're able to do some work on standardizing these components with design efforts that are currently underway that have been funded for working on the Upper Miss locks, but there'll also be new designs. For me, the new designs will have to await a centralized source of funding. The way our engineering organization is set up is that they do things on projects basis. And for them to do design work that can be applied nationwide will require another source of funding. So we are pursuing funds in the Fiscal Year 12 President's budget that would provide money to initiate some of those types of national designs.

We were looking to try and move that forward in Fiscal Year 11, but we put priority on funding for the method of delivery effort. So right now it is not funded in Fiscal Year 11 but still a candidate.

And then the No. 20 of the 20, because the other three teams have 19, was the implementing regulation where we're to draft this. And what I've come to learn from working on the civilian side -- I wasn't that familiar with it -- but on the military side they have an operations order, an OPORD that you see the explanation of the operations order there. But we've determined that that was a very suitable method to take to institutionalize the commitment to implementing these recommendations.

And the basics of the operations order, you'll see, is being issued by a commander that goes out, explains the who, what, where, why and when.

And so we are drafting -- and just to show you it is actually in existence -- the draft operations order for the implementation of the Capital Project Business Model recommendations. And we're looking to get that issued in April.

So our upcoming activities, No. 1 is to get that OP Order issued. No. 2 is that we are working to apply the operational condition assessments that were completed, incorporate those into your Fiscal Year 13 budget development. We want to conduct a meeting of the Capital Project Business Model team to take the condition results and apply that to the current list of projects that were identified in the Capital Projects Business Model.

At the time that we developed that investment plan, we had to speculate on what the conditions were.

We didn't have the results yet. Now that we have the results, we want to go back and take a look at how the actual condition assessments may alter the prioritization list of those, especially the rehabs that were in our inventory.

And a quick summary on the condition results and overview. 192 navigation locks, we looked at the primary chambers of all the locks, not the secondary chambers or the backups.

There were over 300 components at each lock that we looked at. And the good news was that 94 percent of those components were in A or B condition.

And then, of course, the bad news would be that 6 percent were in C, D or F condition. Now, the way we're looking at this is that the 6 percent, the C, D and Fs will be incorporated into our Fiscal Year 13 budget development. And I'll show you the method of how that's being used.

We've actually had four different teams to develop in terms of applying these condition assessment results and how that's going to make its way -- work its way into the budget. We begin with the condition assessments that were performed. Those were done in 2010, finished up in December. It was a group of the field teams that were out there accomplishing that.

If we take and convert -- we're going to switch from the condition assessment to a probability of failure. And there was a second team that included members of our Risk Management Center at the Corps of Engineers bringing in risk experts to be able to do the conversion from what its condition is to then what its probability of failure.

In our case, we have Mission Importance Factors and Safety Importance Factors. For navigation locks, it would be if this component were to fail, how long would it be out of service. So, again, there was a team that was brought together from the divisions, the districts to develop those importance factors.

And then a fourth team dealing with the economic consequences, and that was from our Navigation Planning Center of Expertise in Huntington, West Virginia. And many you know

Wes Walker, the head of that group. But they've put together the economic consequences of that.

So we take the four components there, and now we have not only the condition, the probability of failure, the duration of the outcome and the economic impact of that outcome. And then we'll be using that, what's familiar to folks we've used for the last three years is our 5 by 5 matrix of relative risk where we have condition across the top, A, B, C, D or F. We have our consequences on a 1-to-5 scale. In prior years that had been tonnage for inland navigation.

For Fiscal Year 13 that will become economic consequences now that we have that developed, refined to that point with input from the navigation center. So that's a significant change for us for Fiscal Year 13.

And at this point, I'd like to bring up Jeanine Hoey to talk about the update from the standpoint of the -- back to the Capital Projects Business Model projects.

MS. JEANINE HOEY: Thank you. I'm Jeanine Hoey from the Pittsburgh District. And Jim had asked me to update you on the fact that he mentioned that when we did the initial analysis for the Capital Projects Business Model, we did do an estimate of what the condition assessments would be. And so I did apply the information that we got from the actual operational condition assessments to what we did in the Capital Projects Business Model to prioritize the projects. Those condition assessments were all conducted in Fiscal Year 10. They are going through a quality review, so some of these may change slightly, but the majority of them should be pretty accurate at this point.

What I found was that 59 of the projects remained unchanged. They were what we actually estimated them to be. Six of the projects were actually better than we thought they would be after they went through the operational condition assessment, and 47 projects were actually worse. This was kind of a surprise to me. I thought we would have gotten this a little bit closer with our estimates.

But what we used, when they do the operational condition assessments, they do it on a component basis. And then what I used was I rolled it up to the lock facility and used that for the lock projects. For the projects that are dams, we actually used the DSAC ratings. So this is just the projects that are lock projects in our inventory that we looked at.

And the implications of that, I looked at what we had recommended for new construction, and there was actually no change. Based on the revised operational condition assessments, the priority that we had was still accurate and there was no change for the new conditions.

However, the major rehab program was significantly changed and really would require, I think, the team getting back together and evaluating that, taking a look at the operational condition assessment tool, looking at how it rolls things up. And as Jim said, 6 percent of the

components were D, E and F. And a lot of that rolled up to making the entire facility an F or a D as opposed to what our estimates were, maybe they were a C.

So there were some significant changes where we had evaluated them as a C condition and they were actually Fs once we actually did the assessment.

So that will have an effect on the -- primarily the major rehab program recommendations. And the team needs to get back together to make that evaluation.

The other thing -- do you want me to go straight into that? The other thing Jim wanted me to talk about was, essentially, how we are going to go through the process of recommending new starts, recommending new studies.

This was in the Capital Projects Business Model and this table was in the Capital Projects Business Model.

I'm going to break it down to each Inland Waterways Users Board meeting and what would occur. Gary talked a little bit today about the Fiscal Year 11 budget, the Fiscal Year 12 budget, the Fiscal Year 13 budget. That is essentially how we would have to deal with the Capital Projects Business Model. We would be dealing with three years at a time.

And so I wanted to break that down for each Users Board meeting, what would be the major tasks that we would want to accomplish at each meeting. And this calendar has it in it, and it's in the Capital Projects Business Model.

Essentially, at the fall meeting this would be normally in the November/December time frame, the execution year we would just be providing the project updates like we did earlier this morning. In the execution year plus one, there's really no action at this point. We're just waiting for the President's budget to be announced. And then in execution year plus two, we're looking at an updated unconstrained project list. So for Fiscal Year 11, like we did this morning, we presented some project updates. So if we were doing it at this time, for Fiscal Year 12 we would -- in the fall meeting, we were waiting for the President's budget to be released.

And for Fiscal Year 13, we would want to be updating our Capital Projects Business Model list unconstrained, taking a look at all the projects on that list and seeing what's on there.

I would recommend that we have a team meeting prior to the fall Users Board meeting of the implementation team to go over that, prioritize the list and make sure that the list is in the priority that we want it. So with the Users Board meetings, we're recommending that two of them include a meeting of the team.

At the spring Users Board meeting, which is typically held at this time of the year, in the execution year, again, this is going to be consistent throughout the year.

So, for example, Fiscal Year 11, we would get our projects update. In the execution year plus one, the President's budget has been released. And then if new starts have been identified, the teams would get together and start putting together a project management plan on how they would execute those projects.

And we would've identified our Users Board members that would participate on the PDT if the project was significant enough that the Users Board wanted to identify a member, and that would be up to the Users Board to do that.

And then in execution year plus two, we would present the prioritized list to the Users Board, recommend new starts and new construction projects.

And also, if we would have recommendations of divestitures that we no longer want to support a certain facility, we would have those recommendations at the spring Users Board meeting.

So, again, for instance, for Fiscal Year 12, if there was a new start recommended in the President's budget, we would start the PMP and identifying our contact with the Users Board for that particular project.

For Fiscal Year 13, we would be presenting the updated prioritized list. So if we had done the operational condition assessments and evaluated that, again, I'm recommending a team meeting prior to the Users Board where we would have gotten together and looked at that and maybe have been able to present the new prioritized list for the major rehab projects based on the fact that we had new information on the operational condition assessments.

That's the time frame that would happen at this Users Board meeting. And then we have to do a little bit more work at the summer meeting because we're adding a year. We're finishing up our execution year of the project updates, Fiscal Year 11 would be winding down and you'd be getting the project updates for Fiscal Year 11. The execution year plus one, so for Fiscal Year 12, if we had new projects recommended for construction, we would be approving and signing the project management plans for those.

You would get a cost estimate. And everyone would buy into the project management plan and how the proposed method of delivering the project.

Execution year plus two, we would be developing the budget. So, you know, during fiscal year -- for this year during the summer meeting, we would be working on the Fiscal Year 13 budget. At that point, we would have had the recommendations from the Board. They would be put into the budget, and that process would be ongoing. And then we would begin the process for Fiscal Year 14 where we would gather data. Do we need to add new projects? Do we need to take projects off the list? Have we completed studies for projects and got additional information that can be used to prioritize the projects.

That's when that information would be added for Fiscal Year 14 and get ready to be prepared for the fall meeting where you would then present the unconstrained list at the fall meeting. And we would meet with the team and go through the process over and over again.

So that's how we are proposing that we move ahead with the process with the Users Board and get into that process so that we can -- once we do have funding, we're working smoothly and get all the kinks worked out and can move forward smoothly from that point forward.

MR. WALKER: And I believe that concludes our remarks. We're prepared for any questions you may have of us.

CHAIRMAN LITTLE: Okay. Thank you, Jim, and thank you, Jeanine. First question has to do with the 47 projects that are in worst condition than we anticipated.

Could you elaborate a little bit on that? Did I understand those are all locks or did I misunderstand?

MR. WALKER: Yes, sir. The condition assessment that we performed was on the navigation lock structure. Now, it may have even included some features of the dam as far as spillway gates, but it really focused on the navigation lock. And our focus was the ability to pass traffic.

The dam safety assurance criteria that -- when they're doing their assessment, they're looking at the unconstrained loss of pool either from a seepage impact or the idea of overtopping. But they're looking at the conditions from that perspective.

So we have two different ways of looking at and doing these inspections for two different purposes. But what you're hearing the results of are the navigation lock condition assessment.

CHAIRMAN LITTLE: Okay. Right. And I'm sure the team will get into more detail when they meet. But is there a general geographic breakdown that's represented by those 47 or is it pretty much spread throughout the system or do you know?

MS. HOEY: I didn't really analyze, like, where they came from. But, in general, just from me going through it, a lot of the Upper Mississippi locks were in much worse condition when you rolled it up. And, again, I think that's where we need to go through the operational condition assessment tool and see, because it does break down to what the actual component is that made it an F or a D, which was worse than what we had estimated. So maybe some of those things aren't quite as -- wouldn't warrant a major rehab kind of project.

And so that might be something we need to delve into a little -- in a little bit more detail and make sure that the operational condition assessment is the criteria that we want to use. We might want to tweak it a little bit.

But we need to be comfortable – the team needs to be comfortable that that's what we're doing. But I do have the results of all of the facilities if anybody wants to look at anything in particular.

CHAIRMAN LITTLE: All right. Thank you. One other question. As to Dr. Bray's study, can you give us a sense of what the scope of that follow-up study would be and the timeline you're looking at?

MR. WALKER: I don't really. David Grier has been the one that was doing the work directly with Dr. Bray as far as the scope and timeline is. And he's out, so I'd have to say I'd have to check into that and get back to you.

One remark I would make on the previous question with Jeanine is that, as we're learning with asset management, it may be a combination of the methodology review coupled with the actual condition assessments that we're coming up with. And the question is, another -- a challenge for us would be the operation and maintenance -- replacement of certain components within the operation and maintenance funding thresholds would be enough to maybe improve the overall effort or how that's going to be factored in. When do the combined condition assessments trigger or warrant a major rehabilitation.

So that's part of the discussions that we need to have on both reviewing and refining the methodology that we're looking at how we approach those two. And Gary?

CHAIRMAN LITTLE: Yes, Gary?

MR. LOEW: Thanks. Gary Loew from the Headquarters, Corps of Engineers. Two comments that are significant here.

Two comments with regard to what you just asked and Jim just commented on.

With the operational condition assessments, the significance of one of Jeanine's points is that it may be that there's something serious, some component that is in serious need of being fixed that it would be a maintenance expense as opposed to a major rehab. And so that's one of the things that they will be looking at as they go back and check that out. And, of course, that's, again, relative to the future about what the level – the cut-off level would be between maintenance and major rehab.

With regard to Dr. Bray's study, we can't answer specifically the question of scope yet because that's being discussed with him now. And part of the discussion is what can he accomplished, that is, what's feasible for him to do. But where we would like to go with that is, we learned with his first study that the hypothesis that there are significant other beneficiaries of the waterways other than just the inland waterways and the users, that is, the traffic that goes up and down the navigation component. So the first study told us that there's certainly a lot of background now to support that concept.

The second study that we've been discussing with him is, okay, now let us look at the entire upper waterway and see how much work do we have to do to quantify that over the entire waterway. So if recreation is a beneficiary or if property owners are a beneficiary, if water supply users, water treatment users are beneficiaries, you'll notice that in the first study there was quite a bit of difference among the two projects that he looked at in detail. So he has to do some sort of sampling that would allow us to get a system-wide estimate of who those beneficiaries are that would be -- that would have some statistical reliability to it.

And so that's what we're discussing with Dr. Bray. How much work would he have to do? How many sampling points and what would it take us to get a reliable system in use.

So that's the intent of the following study.

CHAIRMAN LITTLE: Thank you for that further explanation, Gary. I think Matt has a question.

MR. WOODRUFF: I just want to make sure that we got it clear on the record that the first study did indicate there are substantial other beneficiaries to the inland waterways beyond the navigational users. Is that correct?

MR. LOEW: Yes, that's correct.

CHAIRMAN LITTLE: And, Mr. Daily, you have a question?

MR. LARRY R. DAILY: Yes. Larry Daily with Alter Barge Line. I see on the timeline that Jeanine gave us that we're a year away from identifying the Users Board representative for the project development teams. I'd like to see us step that up a little bit, at least start kind of assigning – start working on the program of how we're going to assign that, whether it's geographically or trade-wise or freight-wise. And then also start working with the Corps, whether it's through the project team, but starting to get a -- for us to get a handle on what type of information and the scope of the information we can expect to get that will help us help you make decisions and bring that back to the Users Board. So I'd rather start now instead of the next spring meeting with working on it.

MS. HOEY: And that next spring meeting would just be for the new starts for that year. We really need to do that for the projects that are already ongoing now. So that's something that the Users Board should be looking at now. And we welcome that at the Corps to have those -- that partnership with our PDTs.

MR. DAILY: Okay. I think that means that's an action item for us, Mr. Chairman. We need to work on that.

CHAIRMAN LITTLE: I agree, Mr. Daily. And I think that's a good comment. And since I have one foot out the door, I look forward to working with you to get that going and keep it going. Any other questions?

MR. MICHAEL P. RYAN: Hi, Mike Ryan with American Commercial Lines. Just maybe more an observation than a question. In the finance section -- I think it was Page 2 or 3 -- one of the to-do items is to identify and quantify other beneficiaries. And the Bray study implies that there are other beneficiaries. Should we assume there'll be a modification of the position from December of last year where in a letter from Secretary Darcy there was an implication that there were no other beneficiaries other than the freight carriers? Should we expect that this is an interim stage that we're going to be modifying through this exercise?

MR. WALKER: I believe that the Dr. Bray effort was an attempt to begin to address that particular point, where we would have the ability to quantify -- you know, both identify and quantify those beneficiaries. As this evolves -- and it was mentioned for the record that there were other beneficiaries identified, now becomes that -- Gary speaks of the next phase to go back and do a quantification of those. And then there's still the policy piece of how that gets incorporated into an overall contributions for capital investments.

So there are kind of individual discernable elements there. But certainly Dr. Bray's efforts are key in the progression to achieve that.

MR. RYAN: Okay. It just feels like the center of gravity is moving away from the only beneficiary being the freight haulers and that there are others; is that a safe assumption, that it appears to be moving in that direction or is that wishful thinking?

CHAIRMAN LITTLE: General Grisoli?

MAJOR GENERAL GRISOLI: Thank you, Chairman. Mr. Ryan, what we obviously need to do is, as this study matures, we need to make sure that we keep not only the Administration and the Army informed of the outcomes, but the Administration. So what we owe the Board as this matures is to continue to brief it out, to make sure that the information that we have and that we're gathering is shared with our leaders. Good point.

MR. RYAN: Thank you, General.

CHAIRMAN LITTLE: Very good question. Other questions? If not, then I thank you again, Jim and Jeanine for your presentation. It's very helpful.

Next we would like to call on Colonel Sinkler, and Mike Park is here to make that presentation. Mike?

MR. MICHAEL F. PARK: Good morning. I'm Mike Park. I'm the Chief of Task Force Hope. We're the program managers for delivery of the Hurricane Storm Damage Risk Reduction

System that's being built here in the Greater New Orleans area. And I want to say I'm really pleased to be here today to address this group. And I see a lot of old friends, had an opportunity to see a lot of old friends here from my days in operations here in New Orleans.

The briefing I'm going to give you today is an overview of the Hurricane Storm Damage Risk Reduction System. And I'm going to try to give you a little bit of emphasis on the things that we've done in this system that have enabled us to deliver it on a very expedited schedule and still sustain the quality and cost in this program.

So this slide just gives you an idea of the complexity of the system in terms of the perimeter that forms the Hurricane Storm Damage Risk Reduction System for the Greater New Orleans area. And I'll try and point out some of these features. There's the Lake Pontchartrain and Vicinity project which encompasses the Eastbank of the New Orleans area. And then there's a Westbank and Vicinity project which forms the perimeter for the west side of the Mississippi River.

And I'll point out for you that the Mississippi River passes through the system, as do elements of the Gulf Intracoastal Waterway here, the Algiers Canal, the Harvey Canal. This is the Inner Harbor Navigation Canal that connects Lake Pontchartrain with the Mississippi River, and then these are the elements of the Gulf Intracoastal Waterway going to the east out of New Orleans and the former channel of the Mississippi River Gulf Outlet.

And what that does is it, of course, causes the Corps and the designers of this system to take into consideration how we integrate these systems with the very important and vital waterway system that we have in the Greater New Orleans area and still provide hurricane and storm damage risk reduction and optimize the value to both of those systems.

Just a little bit of a historical perspective. The Greater New Orleans area, this is what it looked like back in 1878. And you can see from this depiction that the areas that were developed in 1878 are those areas that lie along natural ridges or near the Mississippi River where there's natural high ground. And the edge of the development here was along what we call the Gentilly Ridge. There are canal systems that were dug to provide outfall for storm drainage from the Greater New Orleans area into Lake Pontchartrain. And the pump stations lie generally along this ridge that were constructed back in the late 1800s.

And this is just a cross-section through the city to give you an idea of the challenges of maintaining storm damage risk reduction and flood risk reduction in the Greater New Orleans area. High ground along the Mississippi River, and then here we are at the Gentilly Ridge. And then in all of that area that lies between the Gentilly Ridge and the shores of Lake Pontchartrain, which was formerly a cypress swamp, well, that was eventually drained and it subsided.

And so it lies at about 5 feet below sea level. Along the Lakeshore there were ridges that were constructed that provided a barrier against storm surges and high water in Lake

Pontchartrain that are not natural barriers but were constructed barriers built back in the '30s and '40s.

And so all of this area was developed back in the ‘30s and ‘40s. And during Hurricane Katrina and also Hurricane Rita, these are the areas here that experienced the most severe flooding. And this map depicts the flooding in shades of red, where red is the most severe flooding. The blue areas are the areas that are less flooded. And what you can see from this map is the areas that were developed back in 1878 didn't experience a great deal of flooding or certainly not nearly the degree of flooding that was experienced in the areas that were developed later on that subsided ground.

So after Hurricane Katrina, the first order of business for the Army Corps of Engineers was to re-assemble a system that had some semblance of integrity to be prepared for the 2006 hurricane season. There were breaches in several of the canals that intersect the system, and there were levees that were overcome that were completely washed away. The Corps constructed -- or re-constructed levees, about 220 miles of levees and flood walls around the system and also installed -- and I'll go back a slide here -- installed closure structures at these mouths of these outfall canals so the storm surges wouldn't penetrate into the City through these canals. These are where the breaches occurred where these stars are depicted on the map.

The next order of business then for the Corps was to construct a system that would provide defense against a storm surge that has a 1 percent annual probability of exceedence. And that qualifies the area for participation in the National Flood Insurance Program sponsored by FEMA. And so that was the next major charge for the Corps of Engineers.

And to get there, the Corps had to do several things to advance that project. The first order of business was to define what would be the hydrologic design for the system and determine what the perimeter of protection would look like in terms of elevations all the way around that perimeter. And to do that, the Corps applied a probabilistic analysis that modeled 152 different storms varying in intensity from a 25-year storm to a 5000-year storm and modeled those storms against a myriad of tracks that traversed the Greater New Orleans area, generating some 63,000 storm hydrographs to determine what was that 1 percent annual probability storm surge potential at any point around the system. And it varies.

I know that many of you visited some of the projects around the system yesterday and saw the extraordinary flood walls that are being build in the St. Bernard Parish area. Those are the areas that have the highest storm surge potential in the system.

Flood walls are being built there to elevations in excess of 30 feet. Further to the west where we're not in such close proximity to the storm surges from the Gulf, the levels are on the order of 10 or 12 feet. So it varies around the system, but the objective of the Corps is to provide a uniform level of risk reduction around this perimeter.

So with the information that we had on what the scale of the project was going to be around the perimeter, the Corps also undertook the development of a programmatic cost estimate. And to develop that programmatic cost estimate, we applied a risk-based estimate that calculated the market risk associated with commodities and materials, the construction market and evaluated all of these uncertainties and developed a cost estimate that we could say we had a 90 percent confidence that would be sufficient funds to complete the authorized work for the Greater New Orleans area. And as we have progressed through this program, we have realized that that estimated had been very well-thought. And we're now at a higher degree of confidence in our ability to complete the system within the dollars that were appropriated.

But what's important about this is that this was our communication device to Congress and to the Administration that we could deliver this system and deliver it effectively were the system fully funded. And so in 2007, August of 2007, we rolled out the hydraulic design which showed what the perimeter and what the elevations would be required around the perimeter. And we rolled out the cost estimate which is a total of $14.6 billion, which includes the non Federal sponsor's cost share to build this system. And Congress responded and appropriated all of the dollars that were requested by the Corps for the delivery of the system.

Now, they didn't give us one lump sum and say use it and use it as you desire to complete all of the features of this system. They gave it to us in multiple slices of pie that were directed to specific features of the system. Did we get every single one of those exactly right? No. We have had to do several actions where we've had to reprogram funds from one project authorized purpose to another over the course of the program. And we do see the need to do additional re-programming actions as we move forward. And as the program develops, we will be better -- and is better defined, we'll move forward with those actions that we coordinate at the local level, with the Congressional members that are in the affected districts, through the Administration and OMB and up to the Appropriations Committees in the House and Senate.

So where are we in the construction now? We're estimating that we're going to have about 400 contracts that are going to be let.

You can see the number there, the total contracts, 392 contracts, 78 remaining awards out of that total.

And for the contracts that are the 100-year work for the Greater New Orleans perimeter of risk reduction, we have only six remaining to be awarded. And we're on the cusp of rewarding four more of those in a matter of days.

And then this is the remainder part of our program, and I won't go into the details on this. I know you have a slide package that shows these.

But these are other purposes of the program that carry on beyond the June 2011 time frame. And so there's still several billion dollars worth of work that needs to be placed to get us to completion of this program.

The current program status, we have 9.7 billion of the 14.45 billion that was appropriated has been obligated, 7.2 billion has been expended. And we're making extraordinary progress on the completion of the 100-year system and these other features.

So what will we have in place -- and I should back up and say that Congress appropriated all of the dollars for this system, and the Administration made it a priority to deliver this system. And the Chief of Engineers came to New Orleans and made a declaration that we would complete this 100-year system for the Greater New Orleans area by 1 June of 2011, the beginning of hurricane season 2011 or we break our backs trying. And we're doing it all. We're delivering the system. We took that as a mandate. And we have worked at an extraordinary pace to deliver this system and have applied numerous innovative methods to get us there.

On 1 June where will we be? We'll have 97 percent of the perimeter completed to the full hurricane and storm damage risk reduction system design criteria, the full requirements for that system. There are about 2 percent of the system that will meet the requirements for defense against a 1 percent storm surge that are temporary in nature, such as the cofferdams that are being built where we're constructing a sector-gated structure, but that sector-gated structure won't be complete by 1 June.

But the cofferdam will provide that level of risk reduction.

There are the three interim control structures and pump stations that are on in New Orleans outfall canals that are also in that 2 percent category. Where there are existing flood walls that are in place that meet that design criteria for the 2011 hurricane season, but we're building a system that is designed for a 50-year economic life. And so those features will be replaced. They won't be completely replaced by 1 June, but the existing features fulfill the requirements for 2011.

And then there's about 1 percent of the system where we're constructing flood gates or the like across railroads or roadways that won't be complete, and we'll use HESCO baskets or temporary sheet pile or other such measures to close those off in the event that a storm threatens the area.

And that also applies to construction access closures. Those will be designed to deliver that 100-year level of risk reduction. And so we're on-track to have this system in place for this upcoming hurricane season.

And this just gives you some details on where those locations are.

I believe we're tracking 21 locations where the contracts won't be complete by 1 June, but we'll have those other measures in place.

And I think I've already gone through those definitions. This color-coded map shows you what those features look like. And I'll point out a couple here. This is an existing flood wall that meets the 2011 criteria. And so it's not going to be -- the new feature won't be complete by June 2011, but the existing flood wall is in place.

The pump stations on the outfall canals, you can't even hardly see those because they're just very discreet little elements. But substantially, all of this map is shown in green, and that's the good news is that this system will be an integrated system capable of defending against a 100-year storm surge in June of this year.

So let me talk a little bit about some of the challenges. Of course, I've already said that there was a mandate for us to deliver this system in a very compressed time frame. We had to form the design criteria. We didn't have the new design criteria with all of the lessons learned from Hurricane Katrina applied. And so new design criteria had to be developed before we could begin construction on the system.

We've been under extraordinary scrutiny and oversight at the local and national level in how we're delivering this program. And that's not a bad thing, but it most certainly taxes your resources to be able to be responsive to that level of oversight.

There are new governances, and these are not bad things either. These are good things that were established substantially by the State of Louisiana in integrating the levee districts under the oversight of flood protection authorities and a new body at the State level called the Coastal Protection and Restoration Authority which integrated those functions of the Department of Natural Resources and the Department of Transportation and Development that were separately responsible for hurricane storm damage risk reduction and coastal restoration under a single agency that would represent the State and serve as the non-Federal sponsor for this program.

So we have these enablers as well. Of course, the full commitment of the Federal government and through full funding of the program to include full funding of the non Federal sponsor's cash contributions that would be required to provide their cost share. And there were $1.5 billion appropriated that allows the non Federal sponsor to pay back their cost share over 30 years beginning upon completion of the project or separable elements of that project. You can imagine that a state would be very challenged to come up with the cost share to sustain our production schedule that we had for this program absent that type of an authority.

We deployed the national and regional resources of the Army Corps of Engineers to deliver this program.

And I circulated a case study that's called the Blue Circle/Black Circle Delivery Model that you have that you can look at at your leisure. But basically what we determined was that the New Orleans District on its own could never have delivered this program without leveraging the resources of the Mississippi Valley Division and the six districts and the hurricane protection office and all of the national resources and centers of expertise of the Corps to deliver this program. And it's been extraordinarily successful. You can see some of the details when you look at that case study.

Our local partners and stakeholders are also instrumental in moving the program forward. They're responsible for providing all of the real estate requirements for the program and for a substantial effort and local coordination, and they've been responsive in delivering on their commitments to this program.

NEPA alternative arrangements, had we been required to complete a comprehensive environmental impact statement for this program, for the entire program, we couldn't be where we are in construction today. We would still be doing NEPA analysis.

But we were given the liberty to use NEPA alternative arrangements which allowed us to parcel the system up into about 20 separate pieces and do an individual environmental report for each of those. We've conducted over 500 public meetings in the course of this process. But it allowed us to complete the NEPA compliance to move forward with 100-year system in about 18 months instead of what would likely have been several years. So it really helped us to advance the construction of the program.

And then as an advent of having full Federal funding and full funding of the program, we were able to apply some very innovative acquisition strategies for our contracts that allowed us to design and construct concurrently -- and I'll talk a little bit about that in subsequent slides.

And because of the depressed economy nationally, that was actually a boon for us here in terms of the construction contractors interest in the work and the competition that we had for the work here in the Greater New Orleans area. And we've enjoyed a very favorable bidding environment where, I'll say, our awards have been about 15 percent below what we had budgeted for construction through much of this program.

So some of the best practices that we applied, and I'll start with the acquisition strategies. Many of these projects were extraordinarily complex and at a very minimal stated design when we started the acquisition for construction. So we've used design-build. We used design-build for the IHNC surge barrier at Lake Borgne that you visited yesterday.

And that allowed us to begin construction while designs were not fully mature. Once we had the foundation design done, we could begin constructing foundation elements before we had all of the other features of the project design. And so that allowed us to compress the schedules.

We also used a process called Early Contractor Involvement where the Corps is the owner of the design, but we bring on a construction contractor early in the process and they carry out an over-the-shoulder design and constructability review so that we can avail ourselves of their insights on how to make the project more efficient to construct. And the other thing that that allowed us to do is to begin acquiring supplies and materials as soon as we had fidelity on what the designs would be for each project element and to do design and construction concurrently. And that significantly compressed the schedules for the flood walls that were built out in the St. Bernard Parish, the work that was done in the New Orleans East area where we have constructed levees on poor soils using the deep-soil mixing to stabilize those soils and using sand blankets and wick drains to advance the consolidation of those soils so that we could construct these features, as well as the West Closure Complex. And I've also provided, I think you have it on your table, a case study about the early contractor involvement process and how that was applied and very successfully to the West Closure Complex project.

Another thing that we did was we acquired construction materials outside of the construction contracts.

We bought sheet pile. We bought lots of sheet pile. And we had it available to issue to the construction contractor so that we would get ahead of the queues at the mills and that the materials would be available and we would, essentially, sell it or issue it to the construction contractors as government furnished materials. That saved us at least $50 million and it bailed out contractors that would not otherwise have been able to acquire the steel to stay up with their construction schedules. And it was an extraordinarily positive and productive way to provide the steel for this program.

And I think I've talked about these others on this slide. Of course, I talked about the navigation systems that intersect and transect the Greater New Orleans area and how we've had to design a system that would be compatible with the Hurricane Storm Damage Risk Reduction System and those other features as well as the environmental features in the Greater New Orleans area.

And this slide is just illustrative of the interface between flood damage reduction, navigation and natural features. And this is New Orleans -- in New Orleans East and St. Bernard Parish at the IHNC surge barrier. You can see the surge barrier here, the Gulf Intracoastal Waterway that passes through it, the Mississippi River Gulf Outlet, what we call the Central Wetlands and these other marsh areas. All these systems have to work in an integrated fashion.

And so what's different about the system that makes this system substantially more robust than what was constructed before Hurricane Katrina. Well, in the design of the system before Hurricane Katrina, the model was to have levees and flood walls that flanked these navigation channels and these drainage channels throughout the system. And with the new model of perimeter protection where we push that perimeter storm surge damage reduction perimeter out,

we built a surge barrier here at IHNC at Lake Borgne. We're building a surge barrier here at the Lake Pontchartrain end of the Inner Harbor Navigation Canal. We put closure structures and pump stations at the mouths of the outfall canals. We're building the West Closure Complex here. And so all of these interior canals and waterway features are now secondary lines of protection that serve as conveyances for storm water drainage or as detention basins in the event that we have a hurricane. And when these are closed for a hurricane event, we've taken 70 miles out of the perimeter of the system. We've reduced the system by about 70 percent -- excuse me -- 30 percent.

And that results in a much more robust and reliable system as we go forward.

Here are just some pictures that I'm going to pan through. This is the surge barrier. And I'm going to talk about some of the superlatives. This surge barrier is 1.8 miles long. We assert that it is the largest such surge barrier of its kind in the world.

And here's a closer view. This shows you the sector gate, cofferdam which will have a sector-gated structure which has 150-foot wide navigation opening.

Another view of the front side of the wall, the back side of the wall, one of the sector gates of the fabrication yard, another view of the sector gate.

This is a barge gate but also provides an alternative 150-foot wide opening and reduces the current that would be experienced going through the navigation passage.

These are the flood walls around St. Bernard Parish. There are 20-plus miles of these flood walls. We've determined that we had to construct these flood walls at a rate of 2 miles per month in order to meet our objective of completing this system by June 2011. And this is how you do that. We've got over 100 cranes on this one 7-mile segment of this project. Crews, extraordinary level of effort that is occurring to deliver this system and deliver it effectively and efficiently.

This is another superlative. This is the largest sand blanket and wick drain application that we've been able to identify worldwide where we're building on very weak soils. And in order to advance the consolidation, we have preloaded the area with a sand blanket which is penetrated with wick drains that draw the water out of the soil and allow for pre-consolidation of that before we build the levee.

And you can see here this is the old levee, and this is the new levee.

The new levee is about 300 feet wide, that footprint. And that is attributed to the high levels of storm surge that could be experienced in this part of the system.

Here's another example of how much more robust this system is than pre-Katrina. We didn't have a very good understanding of what a hurricane storm surge potential was pre-Katrina,

not until we applied that new hydraulic modeling. And so this was what we thought we needed pre-Katrina, and this is what we know we need now in order to provide that level of risk reduction in the areas that are experiencing the most -- the highest potential storm surges.

Other pictures of those flood walls. This is the surge barrier at the mouth of the Inner Harbor Navigation Canal at Seabrook at Lake Pontchartrain. And that's under construction. That's a conceptual view. This is a recent construction photo that shows the cofferdam in place that will provide the level of risk reduction for the 2011 hurricane season. These are similarly the interim control structures and pump stations at the three New Orleans outfall canals that close those canals off from exposure to storm surge.

This is the West Closure Complex, and that's the largest pump station in the world with a capacity of over 19,000 cubic feet per second. Why does it have to be so big? Well, there are ten pump stations that deliver storm drainage into the Harvey and Algiers Canals, that when this structure will be closed for a hurricane to prevent storm surges from entering the canals, we had to have a way to reconvey the pumpage from ten stations through this single station.

And here again, what does this do for us? It takes some 25 miles of levees and flood walls out of primary exposure to storm surge and results in an extraordinarily more robust system.

And here's some other photographs, aerial photographs showing the sector gates, the sector gate bay under construction, the pump station under construction. And there will be a closure wall that goes across here and ties into the flood wall on the opposite side. An interior photograph of a pump station. These are 5400 horsepower diesel engines that will drive those pumps. They are 11 of them.

Other things that we did in the program. We storm-proofed pump stations, 61 pump stations, where we elevated equipment and made them sustainable through a hurricane operation in Orleans and Jefferson Parishes. We've built safe houses that allow for a safe place for operators to reside during a hurricane event. We've done -- we have about $1.5 billion program for improvements to interior drainage features in the Greater New Orleans area interior to this perimeter. And this just shows you where those features will be constructed, all throughout the Greater New Orleans area.

And with that, I'll be pleased to entertain any questions you may have.

CHAIRMAN LITTLE: Okay. Thank you, Mr. Park. Again, you and your team are to be commended and admired on what you've been able to do. It is really impressive, the time we spent out there yesterday and the presentation today. I'm not going to take up the Board meeting right now with questions. I know you answered a lot of questions for us yesterday, and we have the full presentation in the record today. But I'd be glad to open it up to other Board members who may want to ask questions or make comments right now.

MR. WOODRUFF: Mr. Chairman?

CHAIRMAN LITTLE: Mr. Woodruff?

MR. WOODRUFF: From the perspective of navigation and the Users Board, I think of all these features, the two that are most important to us are the sector gates on the Western Closure Complex and the Inner Harbor surge barrier on the other side, on the east side. And as I appreciate it from the information that was provided to us yesterday, the intention is that once those structures are complete, the operation of those sector gates across the Gulf Intracoastal Waterway will be turned over to local authorities; is my understanding correct?

MR. PARK: That is correct. These project features are part of a flood damage risk reduction project and are statutorily turned over to the non Federal sponsor for operation and maintenance upon completion of construction.

MR. WOODRUFF: There are other places on the GIWW, and the one that comes to mind at the moment are the Calcasieu Locks and the Leland Bowman Locks, which we're reminded every time there's a hurricane and those locks are being operated to drain water from the Mermentau Basin, that the primary purpose of those structures is not navigation but is, in fact, flood control, yet the Corps operates and maintains those locks; am I right?

MR. PARK: Well, those locks are authorized as navigation features. They function as an outlet for regulation of water surface elevations interior to the Mermentau Basin and for the discharge of flood flows when water surface elevations exceed target elevations within the basin. But they were authorized as navigation features and, thus, are operated and maintained by the Army Corps of Engineers.

MR. WOODRUFF: Are you aware anywhere in the inland waterway system of another gate or structure like we're building here that's not operated and maintained by the Corps of Engineers, any feature that allows a Corps maintained waterway to be closed off to navigation?

MR. PARK: There are other features that -- and I will -- I will say not necessarily on Federally operated and maintained waterways, but there are sector gated structures within this perimeter of protection. There is some ten locations where waterways intersect the perimeter and so the -- as those projects are authorized for flood damage risk reduction, they're turned over to the non Federal sponsors for operation and maintenance.

MR. WOODRUFF: But in terms of the fuel taxed waterways, there are no other structures like this on the fuel taxed waterway system, are there?

MR. PARK: I don't know if I could respond to that directly.

MR. WOODRUFF: Okay. Fair enough. It seems to me that since this is a fuel taxed waterway, it's one of the most important arteries of commerce in the country, I think from

navigation's perspective, we would be a lot more comfortable if the operations and maintenance of those sector gates were done by the Army Corps of Engineers and that the Corps of Engineers was given both the authorization and the funding in order to operate and maintain those structures.

And so it's my sense that that's something that the Users Board should recommend to Congress and to the Administration, that that authority be provided, along with the funding. So, Mr. Chairman, at your leave, I'd like to make a motion.

CHAIRMAN LITTLE: Go ahead, Mr. Woodruff.

MR. WOODRUFF: I move that the Inland Waterways Users Board recommend to Congress and the Administration that the operations and maintenance of the sector gates, West and East of New Orleans that are being built as part of the flood control projects, be done by the Corps of Engineers and that the Corps of Engineers receive adequate funding to provide the operation and maintenance of those sector gates.

CHAIRMAN LITTLE: And is there a second to Mr. Woodruff's motion?

MR. DAILY: I'll second it. Larry Daily.

CHAIRMAN LITTLE: Duly noted Mr. Daily seconds.

It's open for discussion – further discussion on this motion. Hearing none, all in favor say aye.

(THE BOARD VOTED BY SAYING AYE.)

CHAIRMAN LITTLE: Opposed?

(NO RESPONSE.)

CHAIRMAN LITTLE: Let the record reflect it was unanimous. Thank you, Mr. Woodruff.

Anything else?

MR. WOODRUFF: No, sir. Thank you.

CHAIRMAN LITTLE: Which brings us to the public comment period. I think Cornel Martin, President of Waterways Council, has indicated that he would like to make some brief remarks at this time.

MR. CORNEL J. MARTIN: Thank you, Mr. Chairman. General Grisoli, General Walsh, Mr. Salt, members of the Board, I appreciate the opportunity to stand before you again to

talk about Waterways Council's efforts to promote not only our inland waterways and investment in our inland waterways, but also specifically the Capital Development Plan.

Since we last met, since your last meeting and the update that I gave you then, our industry has been pretty busy promoting our waterways and promoting a Capital Development Plan. We've had more than 150 meetings on Capitol Hill, many of those within the last six weeks or so.

One specific day during our annual fly-in in conjunction with our winter meeting, we had 115 meetings on that day alone. And the feedback we got from the Hill even, obviously, difficult times with budget and funding and the political issues on each side of the Hill, but one thing was clear in most of the messages that we got back. They recognize that we have a problem and we have a problem that needs to be addressed. And we think that's good. We didn't hear anyone just flat out say they couldn't support us, and that's good. We just need to find the path to get there.

Today the plan that's on the table is still the Capital Development Plan that this Board, along with experts from the Corps professional staff put together over an 18-month period. It's the only plan on the table. No one has suggested an alternative. So we as an industry continue to promote that plan.

So in addition to the 150 Hill visits that we've had since your last meeting, we've testified before the Senate Environment and Public Works Committee specifically on the plan and a potential WRDA bill that, as we heard Mr. Loew report, the Senate Committee staff is actively working to put together.

Waterways Council this year has more than doubled our advocacy budget which was a big step, I think, for the industry to commit the resources to double our efforts. We brought in a whole other entity to assist us in promoting our inland waterways and trying to tell our story better inside the Administration and on the Hill.

We've done a lot on the media side. Last time I talked to you about our TV commercial. That effort continues. We had recently just a couple weeks ago our annual media briefing at the National Press Club.

It was the best-attended briefing we've ever had. There were a number of reporters from not only Capitol Hill publications and industry publications but national publications. We've gotten some attention there. We've received positive articles or editorials in the *Wall Street Journal*, in *Bloomberg Press*, the *Des Moines Register*, the *Paducah Sun*, the *St. Paul Pioneer Press*, the *Quad-City Times*, *Waterways Journal* and *Inland Ports Magazine*.

We've had positive op-ed columns and columns in *Marine Log*, the *Birmingham News*, *Marine Digest*, the *Journal of Commerce*, *Workboat Magazine* and the *Maritime Reporter*. As I said, we continue our TV ads in the Washington, D.C. area.

Last year we spent about a quarter of a million dollars on our TV campaign. It's not as elaborate as the rail campaign that I'm sure most of us are familiar with, but it is an effort, in any event, in trying to tell our story and to tell the benefits of waterways. According to Nielsen ratings, more than 2 million people in the immediate Washington, D.C. area saw that TV ad last year.

We continue that effort again this year with a similar budget.

And we've also supplemented that with full-page ads in *Politico*, *The Hill* and *Roll Call* magazine to further spread our message at key times when folks are visiting Capitol Hill to remind Hill staff and those in the Administration that it's important to invest in our inland waterways because it's good for jobs, good for the economy, good for the environment and good for our nation.

So, Mr. Chairman, thank you for allowing me just a couple minutes to update you on our efforts, and I can assure you the industry is still solidly committed behind this effort and will continue to work very hard to tell our story and to promote our cause. Thank you, Mr. Chairman.

CHAIRMAN LITTLE: Thank you, Mr. Martin. As this meeting draws to a conclusion, I just want to remark again that this is not only my last meeting but also the last meeting for some other Board members you have worked very hard and tirelessly over the last four years: Vice Chair Dan Martin, Matt Woodruff, Tim Parker, and Rick Calhoun. I owe all these gentlemen a big thanks for their hard work during the time we've served together as well as Major General Bo Temple and Major General Grisoli who have shown strong leadership to this Board and a steady hand in helping us confront these issues head on and not ignoring these issues, but to help us formulate a way to address these things as they need to be addressed.

Also, again thanks to Gary Loew for his leadership and bold moves and right moves at the right time for all the right reasons. Jim Walker and Jeanine Hoey and many other dedicated Corps professionals who have worked so hard over the last four years.

Our political path is uncertain but when is it ever certain. We've got work we can be proud of, much that we've accomplished to move this a positive way, and that work must continue and we must continue to work together. General Grisoli?

MAJOR GENERAL GRISOLI: Thanks, Chairman. And I would also like to thank the folks that helped host this session today, the New Orleans District, Task Force Hope and the Mississippi Valley Division and all the other Board members for your input.

I'm always impressed on the discussion that we have as far as the need to continue to move forward on the path and the effort that the Board members put into this and their professionalism. We do have to stay on this path. It's not going to be an easy journey, but that's what life is. It's a journey. We need to continue to move forward trying to find solutions to the challenges that we have.

And as the Chairman mentioned, there are some departing members. And what I'd like to take a moment to do is, if I could have those members step to the front. I'd like to recognize them and the Chief of Engineers would like to recognize them for their time on the Board. And I'd also charge the members that remain on the Board and the new members as they come on and we have our summer session to continue on that path. The continuity, the continuity of the Board is extremely important for the hard work that's been done, that we can't lose momentum. We have to continue to move forward. So I ask that the members that remain and the new ones think through that piece.

But if I could have the five members that the Chairman talked about step forward, I would appreciate that.

(WHEREUPON, THE MEMBERS STEPPED TO THE FRONT.)

MAJOR GENERAL GRISOLI: What I'd like to do -- first of all, I'd like to thank the Board members that I just mentioned for their professionalism and their dedication to the inland waterway system. They're leaders in their profession. They demonstrate in many cases dealing with the brutal facts, some of the challenges that we have.

But I really appreciate their advice, their commitment and in many ways their friendship.

So what I've asked the Chief to do, and he more than willing did, is he signed a letter to each one of the members. And then on this here is a castle. And as an engineer and as the Corps of Engineers, we're very proud of our castles because castles, as you all know, over time whether it's in Europe, Middle Europe, the castle is a sign of strength. The forts that we built along our rivers and ports were a sign of strength. And so I look at this castle here as a sign of strength of our partnership, the sign of strength of us working together, that we can get things accomplished.

I want a special thanks to Steve for his leadership and his friendship as we move through this. And I hope that for all of you I can continue to partner with you as we move forward in the waterway systems. So thank you very much, and continue to move on as you do in your careers. Let's have one individual shot and then one at a time.

(APPLAUSE)

MAJOR GENERAL GRISOLI: How about a round of applause for everybody.

(APPLAUSE)

MAJOR GENERAL GRISOLI: Thank you very much.

CHAIRMAN LITTLE: All right. Thank you very much, General. I know that is very much appreciated by all of us. No other business for the Board, so this meeting is adjourned. Thank you.

(AT THIS TIME, THE MEETING WAS ADJOURNED AT OR ABOUT 12:45 P.M., AND THE RECORD WAS CLOSED.)

REPORTER'S CERTIFICATE

I, Gail F. Mason, RPR, Certified Court Reporter in and for the State of Louisiana, Certificate No. 96004, which is current and in good standing, as the officer before whom this Board meeting was taken, do hereby certify that this proceeding was reported by me in the stenotype reporting method, was prepared and transcribed by me or under my personal direction and supervision, and is a true and correct transcript to the best of my ability and understanding; that I am not related to counsel or to the parties herein, nor am I otherwise interested in the outcome of this matter.

REPORTED BY: Gail F. Mason, RPR, CCR

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