

**Summary Minutes
Inland Waterways Users Board Meeting No. 62
December 15, 2009
New Orleans, Louisiana**

Inland Waterways Users Board Meeting No. 62 was called to order by Mr. Mark Pointon, Executive Secretary of the Inland Waterways Users Board (the Board) at 9:10 A.M. The meeting included approximately 58 attendees. Mr. Pointon made introductory remarks, and then called on Mr. Mark Mazzanti, Director of Programs for Mississippi Valley Division of the U.S. Army Corps of Engineers (the Corps).

Mr. Mazzanti, speaking on behalf of Brigadier General (BG) Michael J. Walsh, Commander of the Mississippi Valley Division, who expressed his regrets for being unable to attend this meeting of the Board. (BG Walsh was attending the Change of Command ceremony for the Vicksburg District and the Engineer Research and Development Center, both in Vicksburg, Mississippi.) Mr. Mazzanti welcomed the Board meeting participants to New Orleans and spoke of the Division's efforts in developing the 200 year working vision for the Mississippi River watershed.

After Mr. Mazzanti concluded his remarks, Mr. Pointon extended the opportunity to Major General (MG) Merdith "Bo" Temple, Executive Director of the Board, to make his opening remarks.

MG Temple began his remarks by providing an update on the current status of Corps Civil Works funding. In Fiscal Year (FY) 2009 (which ended on September 30, 2009), obligations of Civil Works funding totaled over \$10.8 billion, a record year for the Civil Works program. This included \$5.2 billion in regular annual appropriations, \$3.5 billion in supplemental funding, much of it for recovery work along the Gulf Coast region, and \$2.2 billion in American Recovery and Reinvestment Act (PL 111-5) funds out of the entire \$4.6 billion in Recovery funds available to the Corps of Engineers. The \$2.2 billion in Recovery Act funds obligated in FY 2009 represent about 48 percent of the Recovery Act funds available, against a goal of 45 percent by the end of FY 2009.

In October 2009, the Congress passed and the President signed the Fiscal Year 2010 Energy and Water Development Appropriations Act (PL 111-85) that included \$5.4 billion for the Civil Works program, \$43 million over FY 2009 and about \$275 million above the President's budget request.

As to the status of the Inland Waterways Trust Fund, MG Temple indicated that the final figures for the fiscal year ending September 30, 2009, the Trust Fund took in \$76.8 million in revenue, including \$76.0 million in tax receipts and \$0.8 million in interest earned, and transferred approximately \$90 million. At the beginning of FY 2009 (October 1, 2008) the Trust Fund had a beginning balance of \$27.5 million, resulting in a fiscal year ending balance of \$14.3 million.

MG Temple indicated that the Corps is closely monitoring construction contracts and deferring some work to future years while the Corps and the Board work together to develop a long-term recapitalization program.

MG Temple concluded his remarks by encouraging the Board to work closely with the Corps, the Administration and the Congress to communicate the importance of the inland waterways system and help shape the long term recapitalization plan in a way that is mutually acceptable to all parties and develop a strategic communications plan that helps energize the public and government at all levels to support the Nation's inland waterways navigation infrastructure.

MG Temple then offered the observers from other Federal agencies the opportunity to make opening remarks.

Mr. Nick Marathon of the U.S. Department of Agriculture (USDA), Agricultural Marketing Service, thanked the Board for the opportunity to attend this meeting and noted the importance of the inland waterways system to the transportation of farm and food products and the associated inputs (fuel, fertilizer, etc.), and noted the appropriateness of conducting this Board meeting in New Orleans, indicating that more than half of the Nation's corn and soybean exports are shipped from New Orleans to foreign countries. Mr. Marathon indicated that the USDA is in the final stages of preparing a report on the transportation of agricultural products (the report is being prepared in conjunction with the U.S. Department of Transportation), and will share the report with the Board after final agency review is completed.

Mr. James Murphy of the U.S. Maritime Administration, Director of the East Gulf and Lower Mississippi River Gateway Office, thanked the Board for the opportunity to attend this Board meeting, and indicated that President Obama has nominated Mr. David T. Matsuda to be the Administrator of the Maritime Administration. Mr. Murphy indicated that the Marine Highways Program has been given additional statutory authority, including the authority to make grants. Mr. Murphy indicated that in the near future, MARAD will initiate another round of port security grants and another round of small shipyard security grants.

Ms. Jo-Ellen Darcy, Assistant Secretary of the Army (Civil Works) remarked that even though this is her first Board meeting in her role as Assistant Secretary of the Army (Civil Works), she is quite familiar with the work of the Board, having spent the previous 16 years working on Capitol Hill for the Senate Environment and Finance Committees. Ms. Darcy indicated that she is looking forward to the presentations that were going to be given at today's meeting as well as the report being developed by the Inland Marine Transportation System (IMTS) Investment Strategy Team.

[Note: There was no representative from the National Oceanic and Atmospheric Administration (NOAA) physically present at the meeting. However, written remarks were provided by Mr. Alan Bunn, a member of the National Ocean Service of NOAA, and who in the past has served as NOAA's representative at Board meetings. Mr. Bunn's

written remarks indicated that Captain Steven R. Barnum, designated Federal Observer to the Board has retired and has been succeeded by Captain John E. Lowell, Jr., Director of the Office of Coast Survey (and who will also serve as Chief Hydrographer for the United States). Captain Lowell looks forward to continuing the relationship with the Board and participating in the Board's activities. Lastly, Mr. Bunn indicated that NOAA has completed the installation of their Physical Oceanographic Real Time System (PORTS) on the Sabine-Neches Waterway along the Texas and Louisiana coast.]

Mr. Stephen Little, the Chairman of the Board, thanked MG Temple for his remarks and welcomed Assistant Secretary Darcy to her first meeting of the Board and indicated that the Board stands ready to work with Assistant Secretary Darcy and the Corps at this historic time as the Board and the Corps tries to develop a long term capital improvement process program. The Board stands committed to developing such a long term program and is delighted that Ms. Darcy is serving in the role as Assistant Secretary as the Board and Corps work together on achieving this task. Chairman Little indicated that Assistant Secretary Darcy's public policy experience in the area of water resources development will be very valuable to the Board and the IMTS Investment Strategy Team as they move forward toward the formulation of a long term policy with respect to the Nation's inland waterways infrastructure.

Chairman Little then asked for a motion to approve the minutes from the previous Board Meeting No. 61, held in Paducah, Kentucky on August 11, 2009.

Mr. Rick Calhoun entered a motion to approve the minutes, Mr. Michael Hennessey seconded the motion, and the Board proceeded to approve the minutes of Board Meeting No. 61 unanimously.

Chairman Little then called on Ms. Mary Anne Schmid from the USACE, Headquarters, Programs Integration Division, to report on the status of major project investments. She reported that in FY 2009, revenues to the Trust Fund were down significantly, to about \$76 million. Fiscal Year 2010 appropriations for inland waterways projects are projected to be approximately \$134 million, with half (\$67 million) to be derived from the Inland Waterways Trust Fund. Ms. Schmid indicated that projected receipts into the Trust Fund for FY 2010 are expected to be about \$76 million, about the same amount as in FY 2009. So far this fiscal year, the Trust Fund has received about \$10 million. Ms. Schmid also indicated that project fact sheets for selected projects were included as part of the Board members read ahead materials.

Mr. Gary Loew of USACE, Headquarters, Chief of the Programs Integration Division, and Ms. Jeanine Hoey, Team Leader of the IMTS Investment Strategy Team reported on the activities of the team. The underlying question facing the Corps was how to proceed on a path forward to address future needs that overwhelm the current revenue stream.

Ms. Hoey provided a brief background on the establishment of the IMTS Investment Strategy Team and then discussed the current status of inland waterways investments and what the outcome would be if changes were not made to the current investment strategy.

If investments continued in the way they are currently undertaken, only a select few projects could be completed in an orderly fashion, Olmsted Locks and Dam, Emsworth Lock and Dam, and Markland Lock. Other projects would encounter significant delays in their construction, including the Monongahela River Locks and Dams 2, 3, and 4 Replacement project, Chickamauga Lock on the Tennessee River, Kentucky Lock, and the Inner Harbor Navigation Canal Lock.

Ms. Hoey then went on to discuss the work of the IMTS Investment Strategy Team, including the development of a list of future inland navigation projects and the development of a set of criteria upon which projects could be ranked. Based upon the ranking of the projects, the IMTS Investment Strategy Team developed a list of projects going forward that would require an annual investment of \$380 million, comprised of \$320 million in new construction work and \$60 million in major rehabilitation activities.

Having developed the size and scope of the investment program going forward, the IMTS Investment Strategy Team looked at different options for funding and cost sharing a program of this size. Options examined included the current 50-50 cost share between the Federal Treasury and the Trust Fund; varying the cost share percentage, for example increasing the Federal Treasury share to 60 percent; options such as excluding project features such as dams, and establishing minimum cost thresholds for major rehabilitation activities, such as excluding projects below \$100 million.

The IMTS Investment Strategy Team is recommending that the cost sharing formula for new lock construction and major rehabilitations costing over \$100 million be cost shared at the current rate of 50 percent from the Federal Treasury and 50 percent from the Inland Waterways Trust Fund.

For major rehabilitation projects below \$100 million and all dam related construction related activities, the cost should be entirely borne by the Federal Treasury.

Based on these cost sharing determinants, the proportion of future investments is projected to be approximately \$270 million annually from the Federal Treasury and \$110 million from the Inland Waterways Trust Fund.

The need to raise additional revenues to support the Inland Waterways Trust Fund would necessitate raising the Inland Waterway Fuel Tax by approximately 30 to 45 percent, or six to nine cents a gallon, based on the current fuel tax of 20 cents per gallon.

The IMTS Investment Strategy Team is also recommending a cap be placed on the size of the cost share. If the cost share exceeds the cap, any costs above the cap would be entirely borne by the Federal Treasury.

Other recommendations by the IMTS Investment Strategy Team included the development of risk based project cost estimates, independent external peer review, project management certification, appointing a member of the Board to project

management teams, and adopting certain concepts and practices from the Military Construction side of the organization to apply to Civil Works construction projects.

Chairman Little emphasized that efficient project funding is key to making this recapitalization plan work. Chairman Little also noted that the improvements recommended by the IMTS Investment Strategy Team is a dynamic process and will require oversight and adaptation as conditions change, as it is difficult to predict with certainty events several years out.

MG Temple indicated that “We are at the end of the beginning,” and that the hard work is just starting on where we go next. MG Temple concurred with Chairman Little that this is an iterative process, and that we need to remain flexible in our use of different acquisition techniques and design capabilities so that we pick the right techniques for the job at the right time to achieve our goals most efficiently and effectively.

Mr. Matt Woodruff asked and the Board moved to endorse the recommendations contained in Ms. Hoey’s presentation of the IMTS Investment Strategy Team’s work. Mr. Martin seconded that motion, and the entire Board voted unanimously to endorse the recommendations of the IMTS Investment Strategy Team.

Mr. James Walker of the USACE Headquarters, Operations Division, Chief of the Navigation Branch, gave a presentation on the condition assessment of the navigation infrastructure. On-site inspections of locks will include looking at some 250 components for each lock, performed over a one to two day period. Conducting these assessments will allow the Corps to compare components across structures, look at trends among components, understand patterns of wear and tear, and allows for predictive analysis. Evaluations are currently underway and should be completed in 2010. The results of the assessments will be available for operation and maintenance (O&M) and construction investment decisions for inclusion in the FY 2013 budget development cycle, which begins around February 2011. The goal of the program is to develop a comprehensive initial inspection inventory and then conduct assessments on a five year interval cycle.

Dr. Larry Bray of the University of Tennessee, Center for Transportation Analysis gave a presentation on the different categories of beneficiaries that derive from the existence of the Inland Waterways system, including but not limited to, municipal and industrial water supply, hydropower electric generation, recreation, irrigation, and insect vector control.

There were no public comments made at the meeting.

Chairman Little offered concluding remarks and thanked the members of the IMTS Investment Strategy Team for their hard work and excellent analysis of the issues in developing a strategy going forward and recommendations offered. Also Chairman Little thanked MG Temple for his service on the Board and noted that the General will soon be assuming the role as Deputy Commanding General of the Corps. Chairman Little recognized the positive influence that MG Temple has had on the work of the Board and the IMTS Investment Strategy Team.

Assistant Secretary Darcy offered concluding remarks and indicated that she is looking forward to the IMTS Investment Strategy Team report.

Chairman Little adjourned the meeting at 12:10 P.M.