

Minutes
Inland Waterways Users Board
Meeting No. 69
August 13, 2013
The Brown Hotel (Gallery Ballroom)
Louisville, Kentucky

[Note: The following minutes of the Inland Waterways Users Board meeting No. 69 were approved and adopted at Inland Waterways Users Board meeting No 70 held on January 14, 2014 in New Orleans, Louisiana.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 13th day of August 2013, at The Brown Hotel in Louisville, Kentucky, Mr. Martin T. Hettel, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

MR. MARTIN T. HETTEL, American Electric Power (AEP) River Operations, LLC;

MR. DAVID CHOATE, Bruce Oakley, Inc.;

MR. CHARLES A. HAUN, JR., Parker Towing Company, Inc.;

MR. MARK K. KNOY, American Commercial Lines Inc.;

MR. G. SCOTT LEININGER, CBG Enterprises, Inc.;

MR. ROBERT R. McCOY, Amherst Madison, Inc.;

MR. DANIEL P. MECKLENBORG, Ingram Barge Company;

MR. MICHAEL T. SOMALES, CONSOL Energy;

MR. WILLIAM MATTHEW WOODRUFF, Kirby Corporation.

Board Member Mr. BRUCE REED of Tidewater Barge Lines, Inc. was not in attendance at the meeting.

Former Board member MR. LARRY R. DAILY (Chairman Emeritus, Immediate Past Board Chairman) was also in attendance at the Board meeting.

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

MR. ERIC HANSEN, Deputy Assistant Secretary of the Army (Management and Budget), Office of the Assistant Secretary of the Army (Civil Works), Washington, D.C.;

MR. PAUL N. JAENICHEN, SR., Acting Administrator, Maritime Administration, U.S. Department of Transportation, Washington, D.C.;

MR. NICHOLAS MARATHON, Economic Analyst, Transportation and Marketing Division, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C.

Note: A Federal observer from the National Oceanic and Atmospheric Administration (NOAA) was not in attendance at the 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 was as follows:

MAJOR GENERAL MICHAEL J. WALSH, Executive Director, Inland Waterways Users Board and Deputy Commanding General for Civil and Emergency Operations;

MR. MARK R. POINTON, Executive Secretary and Designated Federal Officer (DFO), 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. JON SODERBERG, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

Program speakers in scheduled order of appearance were as follows:

MAJOR GENERAL MICHAEL J. WALSH, U.S. Army Corps of Engineers, Deputy Commanding General for Civil and Emergency Operations;

MR. JON SODERBERG, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

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

MR. JAMES R. HANNON, U.S. Army Corps of Engineers, Headquarters, Operations and Regulatory Division;

MR. JEFFREY A. McKEE, U.S. Army Corps of Engineers, Headquarters, Operations and Regulatory Division.

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

MR. DAVID F. DALE, U.S. Army Corps of Engineers, Louisville District.

MR. MARK R. POINTON: Good morning. I'd like to welcome you to the 69th meeting of the Inland Waterways Users Board. It's good to be back in Louisville. I don't think we've been here for several years. It was 2007 the last time we held a meeting here, but on that note, the last Board meeting we held was also in Kentucky so that's unusual as well. We've had two meetings back to back in the same state so we're glad to be back in Kentucky. My name is Mark Pointon. I'm the Executive Secretary and the Designated Federal Officer for the Inland Waterways Users Board.

Before the meeting starts, we are obligated to read for the record that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. The Board provides the Secretary of the Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972, as amended. The U.S. Army Corps of Engineers is the sponsor of the Board and provides for the Executive Director, the Executive Secretary, and all normal support activities.

This is a "Government in the Sunshine" Act meeting and as such it's open to the public. If anybody wishes to make a public comment at the appropriate time, please submit a statement to me or let the chairman, Marty Hettel, or myself know that you'd like to make a comment at the end of the meeting during the public comment period.

The proceedings are being recorded and a transcript will be available shortly after the meeting. And now I'd like to call on General Walsh, the Deputy Commanding General for Civil and Emergency Operations (DCG-CEO), to conduct the oath of office for the new members of the Board that are at their first meeting as being seated in May.

MAJOR GENERAL MICHAEL J. WALSH: And good morning and I'm Major General Michael Walsh and my position here is not the Deputy Commanding General for Civil and Emergency Operations, my position here is as the Executive Director of the Board. As the Executive Director, I have the honor of bringing in the new Board and congratulate the new Board as well as the Secretary of Defense has approved your nomination. And as soon as we give you the oath of office, you will have the position for two years. I know many of you have been on the Board before, but in my thoughts, it's pretty prestigious to have the Secretary of Defense put his thumbprint on you all -- I'm still transitioning from Mississippi back to the East coast - to put his thumbprint on you guys so that we can have this meeting. So I would ask the Board members to stand up and we'll go back by the flags and we'll read the oath of office. Please raise your right hand and I'll have Captain Pevey administer the oath of office.

CAPTAIN C. RYAN PEVEY: I, state your full name --

BOARD MEMBERS: I (stated names) --

CAPTAIN PEVEY: -- do solemnly swear or affirm --

BOARD MEMBERS: -- do solemnly swear or affirm --

CAPTAIN PEVEY: -- that I will support and defend the Constitution --

BOARD MEMBERS: -- that I will support and defend the Constitution --

CAPTAIN PEVEY: -- of the United States against all enemies --

BOARD MEMBERS: -- of the United States against all enemies --

CAPTAIN PEVEY: -- foreign and domestic.

BOARD MEMBERS: -- foreign and domestic.

CAPTAIN PEVEY: That I will bear true faith and allegiance to the same.

BOARD MEMBERS: That I will bear true faith and allegiance to the same.

CAPTAIN PEVEY: That I take this obligation freely --

BOARD MEMBERS: That I take this obligation freely --

CAPTAIN PEVEY: -- without any mental reservation ---

BOARD MEMBERS: -- without any mental reservation --

CAPTAIN PEVEY: -- or purpose of evasion.

BOARD MEMBERS: -- or purpose of evasion.

CAPTAIN PEVEY: And that I will well and faithfully discharge --

BOARD MEMBERS: And that I will well and faithfully discharge --

CAPTAIN PEVEY: -- the duties of the office --

BOARD MEMBERS: -- the duties of the office --

CAPTAIN PEVEY: -- on which I'm about to enter.

BOARD MEMBERS: -- on which I'm about to enter.

CAPTAIN PEVEY: So help me God.

BOARD MEMBERS: So help me God.

MAJOR GENERAL WALSH: Congratulations.

MR. POINTON: I'd like to call on Lieutenant Colonel Jon Drake who is the Deputy Commander for the Louisville District to give us some opening remarks. Thank you, sir.

LIEUTENANT COLONEL JON A. DRAKE: Major General Walsh, Mr. Stockton, Mr. Hannon, Mr. Hettel, members of the Inland Waterways Users Board, and distinguished guests. I'm Jon Drake, the Deputy Commander for the Louisville District of the Great Lakes and Ohio River Division. On behalf of my boss, Colonel Luke Leonard, welcome back to the Commonwealth of Kentucky. As Mark pointed out, this is the second meeting in a row you've conducted in Kentucky. The last meeting in December was in Paducah and now in Louisville. So we enjoy this trend and look forward to this. I have to admit, you couldn't have picked two more different cities. Paducah is very small. It's quaint. It's home to the Quilter's Museum and the streets close up around 8:00 p.m. Louisville, on the other hand, has quite a larger population, is home to the Kentucky Derby; Yum! Brands, Incorporated, which includes KFC, Pizza Hut, and Taco Bell; Hillerich and Bradsby, the makers of the Louisville Slugger bat; the American Printing House for the Blind, which is the official source of all textbooks for the visually impaired; and well known for some pretty good bourbon. So as far as the streets, they never close especially Fourth Street right outside the hotel here.

I realize most of you are here for a short period of time, but if your schedule allows, please take a few moments to experience Louisville. Please let me know if there is anything you need. The Louisville District stands ready to support you in any way we can. Thank you. And I'll be followed by Major General Walsh.

MAJOR GENERAL WALSH: Okay. Thank you. And we appreciate everything that you've been doing to support us, Colonel Drake. Please pass along my compliments to Colonel Leonard. Thank you all for being here today, especially those who have worked in pulling this meeting together. As you saw as you got off the elevator, the District has a number of folks that are helping us put this Board meeting together so I wanted to thank them as well. And yes, this is my first time in Louisville, but we've been having these Board meetings in Kentucky the last couple of meetings.

I think Steve Little had us in Paducah. I think he's from Paducah. And so I'm not quite sure -- are you (Editors note: referring to Chairman Martin Hettel) from Louisville? No. I didn't think so. So I think the next time, we'll go to a different spot other than Kentucky. Is that understood, Mark?

MR. POINTON: I got it.

MAJOR GENERAL WALSH: Okay. Good. Thank you. And it's fitting that we are here, though, because 70 percent of our inland navigation construction budget is allocated to Olmsted. I kind of said the same thing when we were in Paducah so we must have Olmsted bracketed by now and figuring that and we'll have a lot more discussions on Olmsted which is just down the river. It's not a coincidence that this meeting coincides with other events in the inland navigation community as well as the 2013 Transportation Research Board Barge and Rail Symposium that's hosted by the Kentucky Transportation Center. It is here at the Brown Hotel. And the American Waterways Operators combined meeting is here in Louisville as well and that's at the Seelbach Hilton.

As a first order of business, let me congratulate all our Board members on your appointment to the Board and thank you personally for giving up your time and your willingness to be members of the Inland Waterways Users Board and provide advice and recommendations to the Assistant Secretary. So welcome back to Marty Hettel, Charlie Haun, Mark Knoy, Scott Leininger, Bruce Reed, and Mike Somales, and again, welcome back to Matt Woodruff from Kirby and also Dan Mecklenborg from Ingram Barge who have served in the past and are now returning. So I think you've been at most of the Board meetings, whether you were on the Board or not, so it shouldn't be a large leap in learning what the Board is able to do. Let me also welcome our Federal observers. We have Nick Marathon. I know that you've been here at the last couple of meetings, Nick, and I welcome you back from the Transportation and Marketing Division, Agricultural and Marketing Service, U.S. Department of Agriculture, and also Chip Jaenichen from the Maritime Administration.

MR. PAUL N. JAENICHEN: Jaenichen.

MAJOR GENERAL WALSH: Jaenichen. Okay. Thank you. And he's the Acting Maritime Administrator and the Associate Administrator, Office of Intermodal Systems Development, MARAD in the U.S. Department of Transportation. That's quite a handle that you have, Chip. And then Eric Hansen representing the Honorable Jo-Ellen Darcy, the Assistant Secretary of the Army for Civil Works. Eric, welcome to the Board.

MR. ERIC HANSEN: Thank you.

MAJOR GENERAL WALSH: Federal observers will have an opportunity to make remarks before I turn the meeting over to the Chairman. An update of what's been happening since our last meeting in December which was also here in Kentucky. Yes, it's been a while since our last meeting in December. It took a while certainly as part of an effort to tighten up funding under sequestration, the Department of Defense and the Army imposed some fairly severe limits on our travels and also our meetings. Many of you who run different associations and meetings have seen less and less of the Corps at your meetings trying to learn and transfer knowledge mostly because of the tightening up of those requirements. Funding has been an interesting discussion this past year. Early last year, we were saying well, sequestration's not

going to happen. It's just not going to happen. Well, you know, the thing that we feared most has come upon us. You know, five percent of our funds were sequestered at the beginning of March. The impacts of the sequestration on the Corps of Engineers is \$163 million for our Military programs that was sequestered and \$255 million for our Civil Works program was sequestered, and even the emergency supplemental for Sandy was sequestered at \$268 million. So on the Civil Works side, between the Civil Works and the Sandy supplemental, more than half a billion dollars was sequestered this past year.

We're taking measures to reduce our costs. We've got a hiring freeze, postponing some of our contracts and the travel restrictions that I've just mentioned are in place. I am pleased that the Civil Works were able to work with the Department of Defense and get an exemption so we did not have to furlough the Civil Works employees. But we did, as I mentioned, have to sequester \$255 million, to pay back to the government -- or give back to the government, so that we would be able to move forward with our employees without furloughing them. But on the Military missions, Military Programs side, that did not happen and so they have been furloughed along with other members of the Department of Defense and we're happy that the Secretary of Defense was able to reduce the number of furlough dates. But it's been having some significant impacts also on the Civil Works side as well as Military missions.

As many of you know, James Dalton --he's our Chief of Engineering and Construction, he was furloughed with 27 of his staff. And our chief counsel, Earl Stockdale, was furloughed as well for the last couple of days, five days in the last month. So you may have seen some slow down as those impacts permeate through the command.

For FY 2014 -- actually, from FY 15 to 21, the Budget Control Act that mandates this year's sequestration gives appropriators a top line discretionary cap, one for defense and one for non-defense discretionary spending, and the power to distribute those reductions as they please within those caps. As long as the sum of their individual subcommittees stay within those caps, which is \$967 billion -- \$498 billion for defense and \$469 billion for non-defense, if the lawmakers are unable to keep in the statutory cap levels and instead pass appropriations or continuing resolutions that are higher levels, across the board sequestration would then happen and it would be just as indiscriminate as it has been this past year and would kick in and eliminate any spending above those caps.

So a lot of folks are asking me, "Are we going to have sequestration? Are we going to have furloughs next year?" And the answer is "I don't know yet." Certainly as the Congress works through their spending bills and their appropriations bills, we'll know more as that clears up. What is clear is that we're operating in a more complex, less certain, resource-constrained environment, which is requiring us to collaborate a bunch more, a lot more, integrate our discussions and deliver safe, quality engineering solutions on time for our customers and our stakeholders. It's very, very complex as we try to work through this budget season. And you've heard me say this many times. The only thing that's left to do -- we're not going to be able to gain efficiencies at the levels that we're being sequestered and the funding is going down. And so we are going to do less with less and the question is what is that less that we are going to do

and hopefully, this Board will help provide some advice to the Secretary on how we do less with less.

The President submitted his FY 14 budget in April and the Civil Works budget request was \$4.8 billion. Of that, \$904 million, about nineteen percent, would go to inland navigation, including \$93 million for the Inland Waterways Trust Fund. Another \$980 million would go to coastal ports, which means about 39 percent of the total budget would be for navigation.

The House passed the Energy and Water Appropriations Bill that would come in about \$72 million above the President's request. The Senate passed its version in the sub- and full committee but will wait until the August recess is complete before they go through the floor action.

The Water Resources Development Act (WRDA), the Senate passed its bill in May and the House is working on one. The Senate bill includes many of the recommendations for project delivery and process improvements contained in the April 13, 2010, Inland Marine Transportation System Capital Projects Business Model Report. The Senate WRDA also defined additional responsibilities for the Users Board and also the Assistant Secretary of the Army for Civil Works.

The Senate bill also directs the Assistant Secretary of the Army for Civil Works to develop standards and produce a report on major rehabilitations. It stopped short of recommending an increase in the fuel tax or other new revenue sources for the Inland Waterways Trust Fund.

Let me switch real quick to Civil Works transformation. You've heard me talk about that for the last two years. We discussed it in the last meeting and we're continuing to make strides. The budget transformation, we're looking at prioritizing projects and moving towards a watershed systems-based budget. And this is consistent with the Users Board's recommendations that we've seen in the past. We're moving from a little bit of funding for a lot of projects to picking the highest priority projects and funding them to capacity, getting them on line, and moving to the next projects. You guys had recommended that - the Board previous to you recommended that, and we're using that also in our budget process as well. As you know, there's an impact to how we're doing work based on the 'no earmark' rule and that's having some changes in how we do processes as well.

We're also looking for non-Corps contributors to help us fund the needed activities and you've heard us talk about that before. What we're doing is not sustainable and we're not going to be able to maintain the infrastructure that we have with the current General Fund.

In our planning modernization, you've heard us talking about the three by three by three rule. Three million dollars, three years, three levels of the vertical team. That, I think, is firmly in place.

We had a current inventory of about 300 projects that were ongoing and we've reduced those to about 60 that we're funding and moving them to conclusion.

In the infrastructure strategy, we're looking at life cycle management, not only bringing projects on, but how do we de-authorize projects or re-purpose projects at the end of their life cycle. And so there's a lot of discussions with many parts of the Secretary's office and OMB [Office of Management and Budget], on how do we work that de- authorization process so it doesn't take many, many years to get them off the books or to re-purpose them.

We're also looking at methods of delivery. As you guys have known, we've reported in the past that we have put the Inland Navigation Design Center and we have those in two locations, one in the Mississippi Valley Division and one in the Great Lakes and Ohio River Division.

Another subject is the drought and its impacts. We've certainly had an interesting spring as we are working to recover from last year's droughts and its impacts on the navigable waterways that are crucial to our commercial traffic. The drought has now subsided on the rivers, but water management, for much of navigation, both the upstream and the downstream, continues to be an issue. Certainly as we've gone through this drought, those issues were raised again to the forefront. The drought went away and those issues went away. And the next time we have a drought, they'll probably come up again. And so we just need to recognize where they are and see what we can do to collaborate through some of those challenging times. One upside to the drought is that the media certainly caught attention and led to an increased understanding of the importance of the Nation's inland marine transportation system. That has been the case among Senior Administration officials as well. For a while, I was giving weekly updates to the White House on the middle Mississippi, including the -- I didn't brief the POTUS, but the POTUS -- the President of the United States was being briefed as well on what was going on in the middle Mississippi particularly as we were working on the rock pinnacles.

The President was very clear about how important the Mississippi was and other rivers in our transportation network in moving goods to the market and he wanted to make sure we understood what he understood, that he wanted to make sure that the rivers remained open. And so we had a lot of attention on navigation on the Mississippi. As you've heard me say before, I'm trying to get him to say the word "rivers" while he's talking about infrastructure. He talks about roads, rails, runways. I am trying to get him to say that fourth R, "rivers." But he hadn't gotten to the fourth R yet. But he has talked about ports and if you've listened to him more than a few times, he's been talking about navigation and how important navigation is to jobs and to the economy and to the competition, the global competition, he had just mentioned recently on a late night TV show. So he's certainly mentioning things that we are all talking about and that's important to us.

Finally, we hosted an Olmsted stakeholders meeting early last month with some senior leaders at the Headquarters and LRD (the Great Lakes and Ohio River Division) with key inland navigation stakeholders to discuss the status of this project and alternatives to the inland

navigation waterway construction in the event the 902 limit for the project is not increased by October 2013, pretty much the end of this fiscal year.

And Mr. Hancock will talk to us later in greater detail and make sure that this Board also hears the same things that we've talked about with others earlier this summer. The stakeholders appreciated the update and the opportunity to discuss the project even though it contained news that the Olmsted construction will be suspended in the first quarter -- will start the suspension or slowdown in the first quarter -- of FY 14 if the limit is not increased and certainly we'll be sending those workers home if it's not increased later this year, beginning of next. But we'll hear more about that from Mr. Hancock.

So that's what's been happening lately since our last meeting in December. That's quite a lot. I think the last time I was addressed you, I had dark hair and it's not that way anymore. So it's been a challenging year. So as you go through this meeting and deliberate on your recommendations, let me remind you that I've asked you these same questions in December and I'd ask you to think about them again. What kind of inland waterways systems -- what do you want them to be? What do you want them to look like? At what level should we be funding Olmsted? What are your recommendations on work to be pursued if there is not a 902 fix for Olmsted? If we use a different funding alternative, what projects other than Olmsted should we fund? So those are the type of questions that the Secretary's asking me and I'm providing her my advice, but I would also like the Board to address those questions and perhaps give her your advice as well. And so that concludes my remarks. And I'd like to go to the Federal observers and see if they would like to make any comments before I turn the meeting over to the Chairman. So Mr. Marathon, any comments?

MR. NICHOLAS MARATHON: Yes. I have some prepared remarks. Thank you, General. I appreciate being at today's meeting representing the Department of Agriculture. The inland waterways is important to agriculture as barges move more than half of our corn exports and almost half of our soybean exports through New Orleans to foreign markets. In addition, wheat is a major farm crop on the Columbia-Snake system moving wheat to Asian markets.

Last month in Chicago, the USDA, along with the National Grain and Feed Association and the Soy Transportation Coalition put together a two day meeting entitled "A Modern Infrastructure for Modern Agriculture" to raise awareness of the importance of transportation to the economic success of U.S. agriculture. Speakers included House Representative Randy Hultgren (representative of the 14th Congressional District of Illinois), leaders from government agencies, universities, and agricultural transportation companies, including past Inland Waterways Users Board member Rick Calhoun of Cargill's barge company. Also, Steve Stockton, the Director of the Corps' Civil Works program, spoke for the Corps. Hopefully, these kinds of meetings will generate creative solutions and support for the challenges facing the Nation's inland waterways. Again, thanks for the opportunity to be here, and I look forward to today's meeting. Thank you.

MAJOR GENERAL WALSH: Thank you, Nick. Chip, comments?

MR. JAENICHEN: Thank you, General. I've been at the Maritime Administration now for about a year and I've been the Acting Maritime Administrator for about the last three months. We are required in statute at the Maritime Administration -- sorry about that.

MAJOR GENERAL WALSH: No problem.

MR. JAENICHEN: We are required -- we have a statute that requires us to be advocates for not only the U.S. maritime industry but also for the U.S. Merchant Marine. And, as such, we have a vested interest in the success of that portion of the industry that's actually doing business on our inland rivers and waterways and that portion of our marine transportation system. And although we're not directly involved in funding or policy with regard to maintaining navigation and maintenance of our --inland rivers and waterways -- we do support those initiatives. We do have a Memorandum of Agreement with the Army Corps of Engineers and that's specifically to help facilitate through the interagency projects that they are working around the country. This is my first meeting and so I'm looking forward to being an observer here today. Thank you.

MAJOR GENERAL WALSH: Thank you, sir. Eric?

MR. HANSEN: This is my first meeting, too. So I would just second that comment. I'm mostly in full on listening mode. Just so you understand where I'm coming from, though, I'm the Deputy Assistant Secretary of the Army Civil Works for Management and Budget. So I'm very much looking at the budget picture all the time and all the appropriations issues that General Walsh was talking about. And I would just say that it's very important to us to understand what you have to say about inland water transportation system. At the same time, we take that information back and we have to balance those needs against the similarly dire circumstances -- I shouldn't say dire -- rather, challenging circumstances, for the rest of the Civil Works programs. So for hydropower, for dam safety, for levees, for our ability to respond to all sorts of domestic incidents and so forth. So it's a balancing act, but with everybody's input we can get to understanding how to balance those things is very useful, and that's what I'm looking forward to hearing.

MAJOR GENERAL WALSH: Thank you, Eric. And now let me turn the meeting over to the chairman, Mr. Hettel.

CHAIRMAN MARTIN T. HETTEL: Thank you, General. A couple of thank yous to start out with. Mr. Leininger from CGB, thank you for the coffee service this morning. He sponsored that for us. Federal observers, welcome. General, I understand retirement is in the upcoming for you soon. I certainly want to thank you for your many years of service to this country. We appreciate your loyalty and your service.

Thank you again. Lieutenant Colonel Drake, thanks for the opening comments and leading us in the swearing in of the Board members.

I'd like to start out my comments by welcoming everybody to the 2013 Inland Waterways Users Board. As the General stated, we have six returning members from the 2012 Board along

with four new members this year. Of those four new members, we have two new organizations that haven't been on the Board for a while. I don't even know if one of them has ever been on the Board. But those are AmherstMadison, being represented by Robert McCoy. Robert, welcome. And Oakley Barge Line, being represented by David Choate. Welcome, everybody, to the Inland Waterways Users Board. I'm going to start my comments where past Chairman [Larry] Daily led off at our Meeting Number 68 in Paducah, Kentucky, where Chairman Daily quoted the following:

“Throughout our nation's history, our system of navigable rivers and inland waterways had played a vital role in our success as a nation. George Washington helped build canals, locks, and dams. The Northwest Ordinance, passed by the Continental Congress in 1787, and ratified by the states and ratified again by the Congress of the United States under our current Constitution, decreed that the waters leading to the Mississippi and the Saint Lawrence shall be common highways and forever free without any tax, impost, or duty thereof.”

That was the law of our land for almost two centuries until the fuel tax that supports the Trust Fund was codified in the Inland Waterways Revenue Act of 1978. Revenues were first received in the Trust Fund in 1980.

However, Congress didn't authorize appropriations from the Trust Fund before the passage of WRDA '86. Along with the fuel tax legislation, the WRDA '86 legislation established this Board in order for those who contributed into the Trust Fund to be able to make recommendations where those Inland Waterways Trust Fund dollars were spent and how much was spent on each project.

The Trust Fund initially had a balance of \$260 million before any appropriations were made. As a matter of fact, the Trust Fund actually grew to over \$412 million in 2002 and we continue to spend down that balance on infrastructure needs throughout our inland waterways in part due to the recommendations made by the Inland Waterways Users Board. Since this Trust Fund started receiving funds and through the fiscal year ending in 2012, the Trust Fund has accumulated approximately \$2.75 billion in revenues and interest.

This \$2.75 billion has been applied to funding for, by my count, about 27 projects, with about one- third of those expenditures from the Trust Fund, somewhere near \$800 million for Olmsted alone and we're only halfway through that project. This \$800 million that has been expended for Olmsted is approximately four times the amount of any other expenditure for any one project of the other 26 projects.

As these facts state, the Inland Waterways Trust Fund is not broken and actually, the Trust Fund performs well when projects are completed in a timely, efficient, and cost-effective manner. The 2009 Inland Waterways Users Board had the foresight to see that expenditures were going out of the Trust Fund faster than the revenues were coming in. The 2009 Board started with a white sheet of paper, rolled up their sleeves, and went to work on a plan that would rectify the problem we foresaw. The U.S. Army Corps of Engineers and industry representatives

spent 18 months to come up with a plan that was endorsed by the 2010 Users Board and submitted to the Assistant Secretary. This plan was entitled “The Inland Marine Transportation Systems Capital Projects Business Model” or what we commonly refer to now as the Capital Development Plan.

While it is obvious the revenues of the Inland Waterways Trust Fund are under stress due to expenditures exceeding revenues, the large amount of these expenditures could be directly related to the Olmsted project. This project is now expected to quadruple the original authorized amount of \$775 million. Without the Olmsted project exceeding its authorized amount by almost four times, the \$3.1 billion, many of these projects on the inland waterways would not be in the same shape they are today.

For the bulk of the 2012 Users Board meetings, the Board examined whether to build the navigable pass section of the dam at Olmsted “in the wet” or “in the dry” along with the cost overruns at Olmsted. We needed to find a way forward to complete Olmsted while not neglecting other projects that are in dire need of repairs or replacement. This way forward is, in fact, the Capital Development Plan that again, was authored by the Corps of Engineers and industry representatives and endorsed by the 2010 Users Board. Today we have legislation in both the House and the Senate chambers that have the elements of the Capital Development Plan within the legislation along with the WRDA that passed the Senate by an overwhelming vote of 83 to 14. While we wait for the House rendition of WRDA to be brought to the floor for a vote, we're excited about the possibility of the elements of the Capital Development Plan becoming law.

However, in the interim, we still had the problem of approximately 90 percent, give or take, of the annual expenditures from the Trust Fund being utilized on the Olmsted Project and will be for the next decade, which in turn is leaving other facilities languishing in desperate need of repairs and/or upgrades let alone the increased cost associated with time and money. For this reason, the members of the 2012 Inland Waterways Users Board, at our meeting number 68 in Paducah, Kentucky, unanimously endorsed the resolution not to support the increase in the 902 limitation for Olmsted if such an increase would involve additional funds toward the Olmsted project to be derived from the Trust Fund.

It is also important to note that passage by the Senate of S601, the WRDA 2013, federalizes the completion of the Olmsted project. The Senate Appropriations Committee in their Fiscal Year 2014 Energy and Water Development Appropriations has recommended funding for Olmsted from the general revenues in 2014. This was done without reducing funding for any other Corps mission which is also part of the Capital Development Plan. So for your returning Board members, thank you for your indulgence in this history lesson of where we are today. As I often tell individuals in our industry, the only constant is change. We are, in fact, in a state of change as the WRDA legislation works its way through Congress. During this change, we, the 2013 Users Board, look forward to working with the U.S. Army Corps of Engineers and the Assistant Secretary as we strive to return our inland waterways to an efficient and reliable waterways system the citizens of this great country deserve. Thank you.

MR. POINTON: I'd like to call on the Board to offer a motion so that we can approve the minutes from Board Meeting Number 68. Do I see a motion?

MR. MICHAEL T. SOMALES: So moved.

MR. POINTON: A motion by Mike Somales. Do I have a second?

MR. DANIEL P. MECKLENBORG: Second.

MR. POINTON: Second by Dan Mecklenborg. All in favor, say aye.

BOARD MEMBERS: Aye.

MR. POINTON: Any nays? Motion is passed.

Next on the agenda is Jon Soderberg to talk about the status of the projects and studies by the Corps of Engineers. Thanks, Jon.

MR. JON SODERBERG: Good morning. I apologize for my delay. Apparently, I'm on Eastern Time, not Central Time. The next couple of minutes --

MAJOR GENERAL WALSH: We're also on Eastern Time.

MR. SODERBERG: Yeah. I noticed that. That was my error this morning.

MAJOR GENERAL WALSH: I think pushups are in order.

MR. SODERBERG: Yes sir. One for every minute being late?

MAJOR GENERAL WALSH: You got it.

MR. SODERBERG: Over the next couple of minutes, I will go over the financial report and later you'll be handed the list of projects that were in the FY 14 budget, the House and Senate reports and also their FY 13 funding that you'll add to your packet. I will start with Tab Five in your blue books, the slide presentation on the financial report and project summaries thus far.

For the new Board members, my name is Jon Soderberg from the Corps of Engineers Headquarters. I'm your Inland Waterways Trust Fund account manager.

I'll start off with the status of the Trust Fund. The FY 13 cash flow as of 30 June. We started the year with \$53,268,108, of money available within the Trust Fund. There had been a previous transfer authority for projects underway and apportion of an additional \$7.3 million leaving \$45.935 million available for new work from the Trust Fund. Through 30 June, fuel tax

revenues were at \$55.911 million. Those funds coming in accrued an interest of \$35,654 for a total income through 30 June of \$55.947 million.

So far this year, adjusted transfers within the Trust Fund. The Corps transfers, PTA -- that's Past Transfer Authority of \$3.216 million, that is using part of that \$7.332 million you see earlier in that slide. The new transfer authority of the negative dollar amount of \$2.974 million, that is adjustments within the Corps of money from previous transfer authorities that we've actually returned to the Trust Fund for savings -- or adjustments in the way we are accounting for certain projects. For a total of \$241,000 of transfer authority that we have used so far. That leaves a total amount of \$102,124,223 available in the Trust Fund for use.

The next slide, a little different from previous years. We felt it would be easier to show graphically where we are in position for income so far this year versus where we were in previous years.

You see the \$55.947 million represented on the graph for 2013 as compared to last year, FY 2012, where we were at \$62.501 million. For FY 2011, it was \$60.607 million and currently, for FY 13, it's \$55.947 million. And you also could see here the ending projections based on previous years. In Fiscal Year 12, we ended with revenue of \$89.282 million. In FY 11, we ended with revenue of \$84.002 million. Depending on the income for the rest of the year averaging between six to nine million every 15 days in the month, we should make somewhere into the \$80 million, maybe \$90 million range in income based on Treasury's projections. Questions thus far?

Next slide, sequestration. Sequestration applies to the Inland Waterways Trust Fund. It only applies to the amount we will draw from the Trust Fund during FY 13. This sequestration applying is temporary. It makes the funds in the Trust Fund that would have the sequestration percentage applied to them temporarily unavailable to us during FY 13. That amount is \$3,853,339. That portion of the income plus what was in the Trust Fund will be unavailable to us until FY 14. It's not lost money. It's just unavailable during FY 13.

The across the board reduction, next slide. The across the board reduction also applies to the Trust Fund. This across the board reduction is permanent. The across the board reduction is a .002 percent basically taking \$159,970 out of the Trust Fund permanently -- or unavailable to us permanently. We are working with the U.S. Treasury and the Administration to figure out how that will be. Will it be removed from the Trust Fund in its entirety? Will it sit in the Trust Fund and indicated as a reduction unavailable to us? And if permanent is truly permanent. Questions?

This year's draw, FY 13's Inland Waterways Trust Fund activity. The total gross amount we would expect to draw of FY 13 funds is \$79,985,061. You subtract out the sequestration and the across the board reduction. Our net draw will be \$75,971,752. That number is broken down by the three projects that will use Trust Fund money in FY 13, Olmsted Locks and Dam - \$71,856,000; the Lower Monongahela Locks and Dams 2, 3, 4 - \$3,167,652; and Mississippi River Lock and Dam 27 - \$948,100. What we have done is made sure that the gross amount that

we draw minus sequestration and the across the board reduction for that net amount, the net amount equaled the dollars that we would need for Olmsted, Lower Mon, and Lock and Dam 27.

So on the ground funding is not reduced, however, we do have to apply the sequestration and across the board reduction at the account level, which, in this case is the Trust Fund.

MR. MECKLENBORG: Jon, this is Dan Mecklenborg.

MR. SODERBERG: Yes, sir.

MR. MECKLENBORG: Where does the money go that is the across the board reduction? Does it go to the General Fund?

MR. SODERBERG: It currently will sit in the Inland Waterways Trust Fund and be listed as unavailable for use.

MR. MECKLENBORG: Okay.

MR. SODERBERG: It's not being removed from the Trust Fund, but it's not available to us.

MR. MARK K. KNOY: Jon, Mark Knoy of ACL. Where does the \$79.985 million, where does that starting number come from?

MR. SODERBERG: That is the number we needed for Olmsted, Lower Mon, and Mississippi Lock and Dam 27. We calculated the amount needed, the percentage for reduction, percentage for sequestration, that we have to add to the draw to get to the gross amount.

MR. KNOY: Okay. So it doesn't match up with the revenue that comes into the Trust Fund?

MR. SODERBERG: The sequestration and across the board reduction is only based on the money we would draw from the Trust Fund in FY 13.

MR. KNOY: Okay.

MR. SODERBERG: Revenue will probably exceed our draw.

MR. KNOY: Okay.

MR. SODERBERG: There is also an equivalent sequestration and across the board reduction on the Construction account side, the 50 percent match from the General Construction fund. So the same amount has been sequestered and reduced from the construction side.

MR. KNOY: Which is what really what drives the numbers in the Trust Fund?

MR. SODERBERG: Correct.

MR. WILLIAM MATTHEW WOODRUFF: This is Matt Woodruff. Is the across the board reduction authorized in the same legislation that authorized the sequester?

MR. SODERBERG: The across the board reduction was brought to us in the year-long Continuing Resolution Act.

MR. ROBERT R. McCOY: Excuse me, Jon. Robert McCoy from AmherstMadison. You had mentioned earlier that the projection for 2013 will be based upon Treasury's projections of revenue to come in.

MR. SODERBERG: Correct.

MR. McCOY: I guess my question is, currently annualized revenue, if you just annualized where we are at June 30 compared to the prior year, you're off anywhere between 13 and 15 or 16 percent. And I'm curious how they get we're going to end up with more revenue.

MR. SODERBERG: In discussions with the Treasury, they have looked at our FY 13 projected path as -- although we had three months that were below, we're now back on a glide path that comes back to where we were in the past two years.

Any further questions on the fiscal activities?

Continuing next to our project status. You'll hear more following my presentation on Olmsted Locks and Dam, however, here are some base numbers for you consolidated. The FY 13 allocation, as you can see there, the \$143.712 million, split 50-50, that's \$71.856 million between the two, our General Construction and the Inland Waterways Trust Fund. Currently in the FY 14 budget, \$163 million for Olmsted. We continue to carry for you how much of the ARRA (American Recovery and Reinvestment Act), recovery funds, have been applied to the project and an updated remaining balance.

Status, shell fabrication for season four has started, tainter gates 13 of 18 shells are set, projected operation in 2020 with a completion schedule of 2024 and as discussed earlier, the pending 902 limit fix, we will begin the project shutdown process later this year.

MR. KNOY: Jon.

MR. SODERBERG: Yes, sir.

MR. KNOY: Mark Knoy again. Is this the first time that we've used this project cost projection of \$3.099 billion? Is that a new number, new total cost project?

MR. RICHARD A. HANCOCK: That's not a --

MR. KNOY: Pardon?

MR. HANCOCK: No. That's not a new number. That was per the PACR (Post Authorization Change Report).

MR. KNOY: Okay.

MR. SODERBERG: For those that didn't hear that, that's not a new projection. That is a projection according to the PACR. Next, Emsworth.

MR. KNOY: Well, I guess, it begs the question then why, if that come out of the PACR, why is the recommended authorization increase only to \$2.918 billion if it's going to fall short of the total amount needed?

MR. POINTON: Not to get ahead of ourselves. Richard, could you take the podium and speak into the mic for the benefit of the audience and for the record.

Thank you. He's up next, but he can talk now.

MR. HANCOCK: The \$2.918 billion is the cost based on the date in October, I think, 2011, when we prepared the PACR. The fully funded cost -- and we got into the discussion about a year ago and it was confusing then, is the \$3.099 billion. But the PACR amount, based on the date that we are required to use when we built that authorized number includes some inflation of the fully funded cost. So you don't need to get another increased authorization.

MR. KNOY: Thanks.

MR. SODERBERG: Okay. Now, onto Emsworth. Emsworth, as you can see here, there were no FY 12-13 allocations or within the '14 budget, but what I will draw your attention to is under that status that prior year holdbacks of \$6.284 million are available for the project. Emsworth is currently listed as a cost shared project 50-50 so \$3.14 million would be General Construction from the Corps and the other \$3.14 million would be from the Trust Fund. They are not new allocations. They are prior year allocations for the project that we held back for future use or we could not distribute to the project at the specific time because the Trust Fund was not able to have its 50 percent match. So Emsworth, as it moves forward, will first use that total \$6.284 million that is available to us.

We've calculated with the increased income to the Trust Fund over the past two years gets us back over a plus \$100 million balance that we can afford to move forward with any of the work Emsworth needs under that \$6.284 million.

CHAIRMAN HETTEL: Jon, is that \$3.14 million Trust Fund included in your balance on June 30, 2013 of \$102 million?

MR. SODERBERG: That would come from the available balance of \$102 million, yes.

CHAIRMAN HETTEL: But that 3.14 is part of the 102?

MR. SODERBERG: Yes.

MR. HETTEL: Okay. Thank you.

MR. SODERBERG: That is not previously transferred authority. It still resides within the Trust Fund available to us.

Next Lower Mon 2, 3, and 4. FY 12 allocation of \$1.158 million, a slightly different split between the General Construction and the Inland Waterways Trust Fund. That would have been bringing the project back into a 50-50 balance in FY 12. FY 13 allocation, of \$6,335,304 back at that 50-50 split, budgeting \$1.960 million for FY 14. Again, showing you the amount of funds that came from the ARRA account in support of the project, as well as the remaining balance for that project.

Also, bringing your attention to the Lower Mon 2, 3, and 4, the line under status, there is holdback for Lower Mon 2, 3, and 4 of \$15.852 million. We do expect to provide that entire amount here in FY 13, the splitting between the Trust Fund and General Construction, \$7.926 million. As with the previous project, that is part of the \$102 million that is available in the Trust Fund.

Next is Chickamauga. Zero allocations in FY 13. It's not in the FY 14 budget. As we progress through, the cofferdam is physically complete. We did utilize ARRA for a majority of the work. Looking to design and complete the lock design and also Chickamauga has \$1.814 million in holdback available. That would come all from General Construction. Chick Lock is not a project that is currently 50-50 cost shared. So that holdback would not draw from the Inland Waterways Trust Fund.

MR. KNOY: And why is that, Jon? Why is that?

MR. SODERBERG: In the appropriation language in Fiscal Year 12, the way the conference report was written, it listed four projects that could draw from the Trust Fund. Chickamauga is not one of them. If Congress writes it that way, that the following projects will be cost shared, any of the other projects would not. They would be 100 percent General Construction. So with Chickamauga not being listed as a project to draw --

MR. KNOY: What language was that?

MR. SODERBERG: It's the appropriation of FY 12. And within the conference report that supports that, they list how projects would use the Inland Waterways Trust Fund and if projects would use the Inland Waterways Trust Fund. The way they wrote it in FY 12, they said

the following projects would be cost shared with the Trust Fund listing four projects. So the remainder of the projects ongoing would only come from General Construction.

MR. KNOY: Which four projects were on the list?

MR. SODERBERG: That would be Lower Mon Locks and Dams 2, 3, and 4; Emsworth; Olmsted; and Lock and Dam 27 on the Mississippi. They are the four projects currently eligible to draw from the Trust Fund. Now, because we were in a year-long CRA for FY 13, currently in that process, it relies back on the last Act funding us which was FY 12. That's why the FY 12 language is the authoritative language from which money is drawn.

And depending on the FY 14 Appropriations act, we'll either leave it the same, or put them all back into a cost shared position, or potentially list certain projects. The question of Olmsted, is if they pull Olmsted out, then how that language is written would dictate.

MR. KNOY: Okay.

MR. MECKLENBORG: So, Jon, this is Dan Mecklenborg. So does that mean that funds could not be spent on Chickamauga?

MR. SODERBERG: We would not use Inland Waterways Trust Fund dollars on Chickamauga.

MR. MECKLENBORG: Right. But does it then follow that you can't spend your other construction dollars without being able to match?

MR. SODERBERG: No. It does not.

MR. MECKLENBORG: Okay.

MR. SODERBERG: We are authorized to spend the money on the appropriation. It just means we would not take 50 percent of that authorized cost from the Trust Fund.

I believe we're now at Kentucky Lock. As you can see, for Kentucky FY 13 not drawing from the Trust Fund. The \$43.844 million from General Construction, and in that specific year, we supplemented that with \$455,000 from ARRA. Kentucky is not in the FY 14 budget. Total ARRA dollars are listed for you at \$88,859,734, then the remaining balance of \$445,622,892.

Point here under status for you, FY 13's work plan. The \$39.7 million, all from General Construction funds will fund the lock for the upstream lock monoliths, which are the remaining six options on the current contract, and the upstream miter gates and on top of that \$39.7 million, we will provide \$4.124 million of its holdback. Again, all General Construction funds, no draw from the Trust Fund.

CHAIRMAN HETTEL: Jon, Marty Hettel here. Will that exhaust or use up all the ARRA funds or how much ARRA funds will be left for Lock and Dam 27?

MR. SODERBERG: The ARRA funds have expired and any unobligated ARRA funds have been rescinded and gone back to the Treasury. So this would use any remaining ARRA funds on the project that have been obligated to it. If funds are obligated on the project and determined not used and subsequently come, they would be deobligated, we remove them from the project. They immediately return to the Treasury. So that will use the remaining ARRA funds on that project.

CHAIRMAN HETTEL: So the \$88.86 million will be totally used.

MR. SODERBERG: That's the total we have used.

CHAIRMAN HETTEL: Have used to date, okay.

MR. SODERBERG: Correct.

MR. KNOY: Jon, Mark Knoy again. I guess, it's almost like found money here, it seems like. I just want to make sure I understand. So just between the \$1.8 million in the holdback plus the two sums at Kentucky, the \$39.7 million and the \$4.1 million, that's \$45 million that have come out of the Construction, General fund that will not be matched by Trust Fund dollars?

MR. SODERBERG: Correct.

MR. KNOY: Thank you. Okay.

MR. SODERBERG: Next slide, Markland Lock. FY 12 allocations, nothing in the FY 13 budget. As the status shows, we list the project as complete.

The next slide is Lock and Dam 27 on the Mississippi. As I stated earlier, this is the fourth project in the listing that is eligible to split with the Trust Fund. The allocations total through FY 13 including the ARRA funds – \$39.927 million, no remaining balance to complete.

Everything that we could do under ARRA has been awarded. The main lock gates installed and fully functional and we're looking to complete by the end of 2012. So although eligible to draw from the Trust Fund, it won't. It does not need to.

Next slide, Lockport, the allocations through FY 13 including the ARRA portion, \$120.1 million, leaving \$10 million remaining balance to complete. The canal wall has been returned to service, as well as the controlling works. The forebay walls are scheduled to be completed with FY 14's funding, depending on the budget for FY 14.

And the final slide, IHNC (Inner Harbor Navigation Canal) Lock Replacement, as stated in previous Users Board meetings, the project was enjoined on 9 September 2011. All the deep

draft work has been terminated due to that enjoinder and we're considering a shift of the shallow draft lock replacement based on input of the sponsor. But that project is enjoined and in a hold status because of that. That completes my presentation on the Fiscal Status of the Trust Fund and Key Projects. Are there any further questions?

MR. WOODRUFF: This is Matt Woodruff. With respect to those projects that you reported where there were expenditures without a cost sharing from the Trust Fund, is that a permanent situation or is there some law, policy, or other thought that might say that the Trust Fund would have to match that or make that up at a future date?

MR. SODERBERG: In previous years, Corps interpretation was that if the project were to be again in a Trust Fund 50-50 split status that we would have to recoup the difference. A future year may have to be drawn from the Trust Fund in its entirety. We've gone back through Counsel to review that. We are currently moving forward with a change of opinion with Counsel that the cost share status is specific to the length of the appropriation that it gives us. So say one additional project were to come back into a 50-50 cost share, we're pursuing and looking at the opinion that we would not have to recoup. So those projects where the funds are all General Construction at this point, if one of those projects were to go back into cost share, it would start 50-50 from the point it goes back into cost share. We would not go back and recoup additional funds from the Trust Fund. We're working that through USACE (U.S. Army Corps of Engineers) Counsel and the Army General Counsel now to solidify that opinion and hopefully, at the next Users Board meeting, I can provide you a definitive answer on that opinion.

MR. WOODRUFF: We would appreciate, I think, an update on that as it works through the process because that's obviously very important to future funding and planning. Thank you.

MR. SODERBERG: Agree. And that's why we took another look at that policy.

MR. MECKLENBORG: Jon, Dan Mecklenborg. Is the reason that the funds were used without matching from the Trust Fund because of language in the appropriations bill?

MR. SODERBERG: That is correct.

MR. MECKLENBORG: Okay.

MR. SODERBERG: And the accompanying conference report that goes with that bill.

MR. MECKLENBORG: Okay. Got you.

MR. SODERBERG: Without any further questions, I thank you for your time this morning.

MR. POINTON: Any other questions for Jon?

I'd like to call on Mr. Hancock to give us an update on the Olmsted Locks and Dam project and may I remind all the members, although you're doing a fairly decent job, to state your name and speak into the mic and it would probably be preferable if you turn the mic on when you speak into it. Thank you.

MR. HANCOCK: I think it's on this time.

Thank you. My name is Rich Hancock. I work as the Regional Business Director in the Great Lakes and Ohio River Division. It is my honor to once again be addressing the Board. I've spoken to you guys, I think this is the fourth time, in June of last year (Board Meeting No. 66 in Pittsburgh, PA), and then August (Board Meeting No. 67 in St. Louis) and December (Board Meeting No. 68 in Paducah) and now at this meeting. And Olmsted has been a big topic of all of those conversations so I'm going to give you an update on the status of the project. Next slide please.

So this is essentially a very similar agenda to what we've covered in the past. I'm going to talk about the project. I'm going to give a little bit of history. And I appreciate the history that Marty gave for the new Board members especially.

So I'm going to tell you a little bit about Olmsted, a little bit about the scope and the history of the project that got us to where we are, and then we're going to talk about the way ahead and then the status of the 902 authorization limit. Next slide, please.

Okay. So this slide shows you the Ohio River main stem and it shows you these -- what looks like those steps -- are the current 20 locks and dams on the Ohio River. And if you go all the way down to the bottom of the step, that's the confluence with the Mississippi River essentially at Cairo, Illinois. The bottom two locks are 52 and 53. What you might surmise from that is that there, at one point, were 53 locks and dams on the Ohio River. That was almost true. I think they actually skipped one or two of the numbers, but at one point, there were close to that many. They've been built out again in the 1950s. From the 1950s to present, we had a modernization effort and 52 and 53 are the last ones to be modernized and Olmsted will be the one that takes those two out. Once Olmsted is completed, 52 and 53 will come out.

Next slide. This shows you a schematic of Olmsted and you can see the area right here are the new twin, 1,200 foot lock chambers that are complete.

They have floating guide walls on both sides. This side over here is the fixed weir which is complete. We have, of course, the onsite construction yard is there right now. That's a schematic of the end state. We're working on the tainter gate section right now. We're working on the last five big shells for the tainter gate section. And then this portion right here we call the navigable pass. That's a 1,400 foot wide section of wickets that will lay down at the bottom of the river during the right conditions so that we can have free flow of traffic.

Next slide, please. I actually had a beautiful picture here -- color picture, but sequestration hit and I couldn't show it. So once again, this is just a little bit more history of

Olmsted and this shows a schedule here. I'm going to talk in some more detail about that in some coming slides, but this is the tainter gate section. You can see we have five tainter gates, one, two, three, four, five. We've placed all of these in the first three years of construction.

This is the portion that we're working on this year, the dark blue. And I'll note this for the new members that might not have heard this before. This is our fourth year of constructing the tainter gate section of the dam. The first three seasons -- the first two, 2010, we had historic flooding coming down the Cumberland from the Nashville flood coming out of Kentucky and Barkley dams that adversely impacted our project. The second year, we had historic flooding on the lower Ohio and the Mississippi River and Missouri River, 2011 flooding. So we had some bad water conditions for a portion of that year, too, that negatively impacted our project. The next year, we actually exceeded our goal. We had a goal of placing four shells and we ended up placing five shells and we came close to placing six. So that's a quick summary and look at the tainter gate section.

Next slide, please. And then this shows the full width of the dam from the locks, tainter gate section here -- the dark blue is the part that we are working on this year. This is the navigable pass section. And we're not placing any nav pass shells this year. We're not placing wickets yet. What we're doing is foundation piling work. So we're prepping the foundation, driving, piling, and prepping for building the nav pass. And our plan is to do that this season and next season, next construction season. At that point, we'll be able to start burning and turning on our placing the nav pass shells. But the critical path right now -- and it was and we've been talking in previous meetings about the tainter gates and placing tainter gate shells. The critical path right is the navigable pass. So our goal is to place, you know, the three large shells that are remaining on the tainter gates this year and then place the two pier shells as a stretch goal this year. But those really aren't critical path activities at this point. The nav pass work that we're doing and the pile driving work and the nav pass are the critical path activities now.

CHAIRMAN HETTEL: Marty Hettel, just to clarify. In your previous slide, you said navigable pass is under construction. That's your pile work that you're doing?

MR. HANCOCK: Right. That's correct.

CHAIRMAN HETTEL: Have you started construction on any of the shells for the navigable pass?

MR. HANCOCK: We have not started fabricating nav pass shells yet. We're still finishing up fabrication of a couple of the tainter gate shells.

CHAIRMAN HETTEL: And do you know your timeline for construction of the nav pass shells?

MR. HANCOCK: We start fabricating those next year. Maybe somebody from the project -- is David here? Where's David?

MR. DAVID F. DALE: Yeah.

MR. HANCOCK: Do you know David?

MR. DALE: We should start next year.

MR. HANCOCK: Yeah. So we'll be fabricating navigable pass shells next year. But they're going to be placed over the next several years.

CHAIRMAN HETTEL: Yeah. So first quarter, second quarter next year? I'm just trying to get a relative timeline?

MR. HANCOCK: Probably in the second quarter we would we would start fabricating those.

CHAIRMAN HETTEL: Okay. Thank you.

MR. HANCOCK: I'll tell you, I haven't looked into the details, but I can tell you that fabricating the nav pass shells is related to the 902. If we get an increase in 902, then we'll have funding to start fabricating the nav pass shells. One thing -- and I'll just provide a verbal update. I just got an update literally this morning. These dates that are shown as current dates, we revised those a little bit. At the start of this season, we actually had some good news, a couple of pieces of good news. There's a fish window. I call it a fish window. It's an environmental window from mid-April to mid-June that we're not supposed to do in-water activities that will mess up the quality of the water, provide, you know, a lot of additional turbidity and things like that, such as dredging. We were able to negotiate with the permitting folks and kind of get a lift to that environmental window so that we could do dredging during that period of time if we had good water conditions. The reason we wanted to do that is because the previous year, during the May timeframe, we had good water conditions. So we wanted to be prepared this year. Unfortunately, we didn't have good water conditions. We had high water. It even impacted when we normally would have started in mid-June. It was actually later than that when we started the dredging activities. So we had a 29 day impact to some of our shell placement activities. And you can see those reflected in these baseline dates which were set up in '12 compared to the current dates. We've actually regained some of that time. So these dates now are off by about eight days, all of them. If you move them up to earlier in September, earlier in November, earlier in December, it's an eight day adjustment to every one of those dates.

Next slide, please. Okay. So this talks about the PACR. Before I talk about this, I'll give a little bit of history. [Locks and Dams] Fifty-Two and 53 were constructed in 1928 and 1929. Back in the mid-'60s we actually got authorization -- it was mid-'60s or '70 vintage to construct a project at Mound City. We ended up not constructing that project. We ended up going back to the drawing board because there were tainter gates all the way across the river. Industry didn't like that. The navigation industry wanted to see something that allowed some, you know, open river conditions, the wickets, during a good portion of the year when the water conditions are right. So we went back and redesigned the project and then Olmsted was then authorized in the

mid-'80s. When Olmsted was first authorized -- and you heard Marty's opening comments, \$778 million -- the Corps has learned a lot now compared to back then. Back then when we did a feasibility study and a cost estimate for the project, we essentially assumed that we're going to get all the money handed to us. And that's what a cost estimate was based on. Here's all the money to construct. You're going to build it in six to eight years and it'll be done. That's not reality.

That actually wasn't reality back then, but it's certainly not reality now. What we do now, and we started this in about 2005, are what we call risk-based costs estimates. And the risk-based cost estimate, we actually build a risk register of all of the things that we think might impact the schedule of the cost of the project. And included in the Olmsted PACR were things like funding stream and things like river conditions. This section of the river, the Lower Ohio, has 50 foot changes between a typical high and low water season, it's a very dynamic section of the river. When we first built 52 and 53 back in 1928 and 1929, we didn't get any bidders then. We actually ended up building it ourselves. The Corps hired their own crews to build the project.

When we tried to award the current dam project initially in the early 2000s or late 1990's vintage -- I don't remember when it first went out to bid, but we got no bidders and part of that was because there was a lot of risk. Contractors perceived risk based on river conditions, based on funding. Those are probably the two biggest areas of risk. We ended up going back out and trying to shift risk so we awarded a cost reimbursable contract which reduces the contractor's risk and increases the government's risk. So that's kind of how we got to where we are right now with the cost reimbursable construction contract with the dam.

But I think the quote this morning was that we had quadrupled the original authorized price. That's true. But if you just look at inflation, if you don't look at any cost increase, if you don't look at any of the risks that we would add to the cost estimate, just inflation would be up over \$1.7 billion right now. So you'd be two, two and a half times the cost estimate just based on inflation. So cost of money is certainly an impact on the cost of this project.

This slide shows some stats. There's our current PACR recommendation, the authorized amount and you can see right now we are scheduled to hit, and when I say hit, we will actually keep some money out for contingencies, for keeping the project in caretaker status, for security, for exercising the lock chambers and the gates and the things that we have in place so that they don't degrade while the project's shut down. So we're going to keep some money, about \$42 million in hand to do those things.

But our schedule right now is we're going to hit the 902 limit in the first or second quarter of FY 14. We are planning to slow down the project significantly starting in mid-November and then we will stop the project in early second quarter, in January. That's our current plan.

And then this shows the BCR, 9.9 to 1, and the estimated date for the lock being operational is 2020. The estimated date for the construction completion of the dam is 2021. Then for the overall project is 2024. That includes demolition of 52 and 53, construction of

some dikes downstream to accommodate the change to flow conditions if that turns out to be a problem, and things like that. So we are ahead of schedule right now. And I'll talk about that in a minute. But this is the schedule that the PACR was based on.

Next slide, please. Okay. So this gives you a summary of the benefits. The total gross benefits \$875 million a year, total net benefits \$640 million a year. Right now that's by far the highest amount of benefits of any project in the inland marine transportation system. At the end of my slide presentation I have a clip from the Capital Projects Business Model report that shows a table that has a bunch of projects listed. The next highest project is the Lower Mon. Lower Mon is \$220 million a year in benefits. Those benefits are based primarily on transportation rate savings. So if the dam weren't constructed, we'd estimate amount of impacts to commercial navigation over a 50 year period and then we annualize that and that's what those benefits are based on.

Next slide, please. Okay. So now we're getting into a little bit of PACR recommendation, once again recommending that we increase the authorization to \$2.91 billion. Olmsted is the number one priority in the IMTS (Inland Marine Transportation System). We have concerns about 52 and 53, about maintaining 52 and 53. I won't go into all the details, but if anybody has any questions, I can get specific on some of those concerns. We did a risk assessment, had an engineering team come and look at it and they came up with 13 credible, significant failure modes that we think are likely to happen in the next 10 years. That was beyond what we originally had planned on maintaining. So right now, we're putting about an extra \$11 million a year or so into these projects to try to address these failure modes that we think could have a significant impact on navigation in the next 10 years at 52 and 53.

As of right now, there's been no action to address the 902. Well, I won't say that. There's been activity. There's been a lot of activity. The 902 has not been increased yet. So as of right now, we still are facing the limit and our plan is to slow down in November and to shut the project down in January. I have a slide in a minute that talks about some of the activity if you guys want to talk about that. I think that would be a point to do that. Mark?

MR. KNOY: Rich. Just a quick question here before we get further into this. On the cost-benefit ratios, are those based on tonnage at those facilities when it was authorized or as of today?

MR. HANCOCK: That was updated. We have our navigation economics center, the PCX (Navigation Economics Planning Center of Expertise) at Huntington (West Virginia), update that based on projections of commercial navigation. So when we did the PACR, we updated those numbers.

MR. KNOY: So we're showing more tons through what would be Olmsted today than the day it was authorized?

MR. HANCOCK: Yeah. I actually can't quote you what was authorized, I don't know. David, do you know that off the top of your head?

MR. DALE: No. I don't.

MR. HANCOCK: Okay. That's probably a good assumption, but I don't know it for a fact.

MR. KNOY: Well, it came from the water resources people so I think it's a good number. But at other locations, there's been other changes, so on these other cost-benefit ratios in the back of your presentation on page 29, are those adjusted to current traffic flows?

MR. HANCOCK: Okay. I would say I believe the answer is not completely. Some of those numbers were based on cost estimates that were kind of swags. We didn't have completed design for some of these projects. We don't have -- for some of these rehabs, we don't have reports written yet. So that was based on the best information that the team had at the time. But they didn't have an updated design; they didn't have good numbers to compare it to so they probably tried to update the traffic estimations, too, but I don't know for a fact that all of those had updated projections for commercial traffic.

MR. KNOY: Where I'm headed here, Rich, is on the agenda you're talking about reinvestment or investment of these dollars elsewhere, we're going to need the most up-to-date information as we have on these other projects.

MR. HANCOCK: Right.

MR. KNOY: So I'm just asking whether or not, when you take a look at these benefits, are those the most recent tons flowing through those facilities?

MR. HANCOCK: The answer is yes. But once again, if you go down the list, because some of those did not have probably updated and real accurate cost estimates, I don't know specifically how much they tried to roll in tonnage because having a cost estimate that's questionable could impact your B/C ratio, too.

MR. KNOY: Okay. So we're aware that there might be a little homework that needs to be done?

MR. HANCOCK: Right. We do have, though -- our navigation center regularly goes in and updates their projections. So we have information, when a project is ready to be authorized, we will, relook at the numbers based on the most current projections for commercial traffic.

MR. KNOY: All right. Thank you.

MR. HANCOCK: Okay. You'll note the question I have on the bottom and we can talk about that in a minute, too. What are the chances of getting an authorization increase before November? We're three months out at this point. I used to be pretty optimistic. I probably fell more in Mike Toohey's camp. I was pretty optimistic. At this point, I'm not so optimistic. At

this point, I'm getting more skeptical that we may not get something that happens that will stop the project from being adversely impacted. Next slide, please.

MAJOR GENERAL WALSH: Rich, this is General Walsh. How many employees -- how many contract employees do you have out there?

MR. HANCOCK: Yes, sir. We have 620 contract employees on the project. That's during the summer season. It's a little less during the winter. We have about 45 or so -- 47 government employees. When we go into caretaker status, we will shed about 610 of the contractor employees. There'll still be a very small handful that we will keep onsite to do the maintenance and security. But essentially, 610 contractors will be unemployed and we will farm out about 30 or 35 of our staff to other projects and we have a plan to do that, Center Hill, East Branch.

There are several other fairly significant projects that are staffing up right now so we'll farm our folks out to those projects.

MAJOR GENERAL WALSH: Okay. Thank you.

MR. HANCOCK: Okay. We're talking about most of this stuff so I won't dwell on this slide. This is basically just the things that we're talking about on the project status and this is the same thing that we talked about during the last meeting.

Next slide, please. Okay. The current way ahead, I already mentioned that we're going to keep some funding for caretaker status and security, environmental and contingencies, and the number of contractor employees that may be impacted, sir, are on this slide also.

Next slide, please. Okay. This talks about some of the activities we're working on this year. Just a couple of things I'll point out. LP is lower pier shell. Those are our shells. We are finishing fabrication of LP-5 and LP-6 which is the tainter gate section of the last two pier shells in the tainter gates. And we're also doing some infill activities for LP-3 and LP-4. When we fabricate these things, we float them out and we drop them into place and then we have to tremie concrete to infill the shells. And trunnion anchorage is also another area that we're infilling. And that was actually a good news story, too. We had several efficiencies.

Fabricating the shells themselves from the first year to the second year, we decreased the man hours just from finding some construction efficiencies by about 30 percent. So each one of the shells is about a million and a half dollars cheaper now than when we first started building them. And then for the concrete, we used to have to do it in lifts with the tremie concrete about a foot or so, vibrate, make sure there's no voids in there or anything, and then do the next lift. We have now what we call self-consolidating concrete. It had been used by others in the past, but we think we've perfected the method so we can do it without doing cold joints, do it in big lifts now and it's self-consolidating and the quality is exceptional.

So that's saved a significant amount of time for every one of our trunnion infills. Looking at the Marine Activities -- go ahead, Mark.

MR. KNOY: Okay. The \$40 million for the demobilization, caretaker, security, environmental, and other contingencies for the shutdown, what would be the number to remobilize?

MR. HANCOCK: We think that that's enough to remobilize, too.

MR. KNOY: That's demob and remob for \$40 million?

MR. HANCOCK: Right. That's correct.

MR. KNOY: Okay.

MR. HANCOCK: Of course, we're hoping that when we remob, we'll have other funding available so I don't think that's going to be a big issue. We won't remob until there's an increased authorization.

MAJOR GENERAL WALSH: Certainly, and that's the challenge. If the authorization isn't increased for a year or two years or three years or four years, it'll all impact on so, I mean, that \$40 million will be used for security and other things. So it's really dependent, I believe, on how long it will take to be authorized.

MR. HANCOCK: That's right.

There is a portion of that, too we don't know the impact that the contractor might claim. I mean, we know what we think the impacts would be, but a component of that is a contingency in case they file claims or things like that that we don't anticipate. David.

MR. POINTON: Hey, David. Could you take the mic, please?

MR. DALE: I think to answer your question fully, though -- Rich is right about the \$40 million, but in addition to that \$40 million cost to remob is there's going to be a delay to the project. And if you get further into the, I don't know if it's in the presentation, but it's going to cost about \$80 million a year for every year delay. And as soon as we slow down, it's going to cost us a year. So that \$3.1 billion price tag we talked about early on or \$2.91 billion or however you want to look at it, that's going to jump by \$80 million almost instantaneously the moment you slow this job down. And that's going to escalate every year by about that amount so that's a big deal.

MR. KNOY: What is the \$80 million made up of?

MR. HANCOCK: I can answer that. A big piece of that is we're going to lose a construction season because we're working on critical path activities in the nav pass foundation

and if we can't do that during the right water conditions even with a three month delay, and that's what we're anticipating is a small delay -- with a three month delay, you lose a season. And if you lose a season, that \$80 million is related to everything that would increase the project cost, escalation, increased materials cost, things like that for adding a year to construction.

MR. KNOY: So inflation mainly is what you're talking about?

MR. HANCOCK: Yeah. That's a big piece of it. And actually, I do have a slide, David, that talks about this. The \$80 million is based on an assumption that we have a relatively short shutdown. If we have a longer shutdown that's say even less than a year, but if it's close to a year so we're shut down from say January through September, we essentially lose two seasons then. Because at that point, you've lost all the good low water season from this year plus you have to remob and your contractor has to restaff. He's let go 610 people now. So he has to rehire, get those people on the site. We're probably going to lose a good portion of the next construction season in the process of doing that. So at that point, you're looking at somewhere close to a \$200 million impact, \$160 million, \$170 million impact. And that doesn't include the lost benefits, \$640 million a year of net benefits.

The thing I was going to point out real quick on the marine activities. I already mentioned this but the critical path now is really pile driving activities and doing nav pass foundation work. We are still planning on setting shells this year and if everything goes well, we'll place all of our remaining tainter gate shells this year.

Next slide, please. I already mentioned we had an initial delay of 29 days. It's about eight days less than that now. We've regained some of that schedule. That's really not all critical path activities, by the way, but just wanted to point out that we did have some impact. If you roll this all the way out -- and I'm going to talk in a few minutes about what our current construction schedule is -- you'll see that we're still about 11 months ahead of schedule compared to the schedule that was built into the PACR.

Some of the things that I consider to be a great success, I'm going to talk a little bit more about the *Dredge Hurley* in a few minutes, resequencing the project, the focus on nav pass work, and also not stopping and starting. It used to be that if we had a window and we were working on something and then suddenly water conditions weren't good, we would stop that activity and get the crews working on something else. And now, if we can, it's better to wait and continue working on that activity because the starting and stopping kind of impacts the contractor's overall progress, too.

So this season, we're trying to finish up, for example, all the SS-5 (Sill Shell 5) foundation work before you place SS-5 sill shell and then we'll move to SS-6, all the foundation work, piling work for the SBS, the stilling basin shell and the sill shell, and then when we're done with all that, then we go in and place the shell.

And we're going to continue that on through the nav pass work, too. We want to finish a good section of all the piling and foundation prep and then once we start placing shells, we can place them more efficiently.

Next slide, please. Okay. I've already talked about a lot of this stuff so I won't go into much detail. Just to point out a couple of things, we are planning on placing SS-5, SS-6, and SBS-6 this year. The pier shells are a stretch goal and it's really not critical path that we do that, but we hope that we can. And then all the tainter gate foundation work will be done this year and the first section of the nav pass foundation work.

Next slide. This just shows some photos of our more recent progress. This one up here was taken in late July and that shows the pile driving activities. And this fabrication of the Lower Pier shells 5 and 6 (LP-5 and LP-6) was taken in late May. "PCY" stands for precast yard.

Next slide. Once again, the *Dredge Hurley* is one of our process improvements. We previously used -- at the end of every high water season, we had something we call the "aqua digger", that's a piece of equipment we have onsite that has a long arm that cleans out vines and everything that is filtered in over the high water season in preparation for the next low water construction season. It took weeks. It was sufficient and it got everything nice and clean. But it took weeks. We checked to see if we had availability to use a dustpan dredge that was part of MVD's (Mississippi Valley Division) fleet and we were actually able to use the *Dredge Hurley* this year and the *Dredge Hurley* did in five days what normally would have taken us five or six weeks to do with the aqua digger. It didn't get in when we were hoping. We were hoping to get it in late May or early June. It didn't get in until the 25th of June because of high water conditions, but then by the 30th of June, it was done. It had removed 120,000 cubic yards of material. We estimate the savings about \$1.2 million. So we're going to continue to do that in the future hopefully coordinating with our sister division down in MVD.

Next slide, please. We also had a successful test to lock through. We did in late July. We had planned to do another one, the second test at night on the 18th of August. I can tell you that just in the last couple of days we re-evaluated that and we re-evaluated that because we're trying to make the best use of our schedule. Right now, we're pausing that. We're not planning on doing that second test right now because the contractor has told us the impacts to his logistics. It was going to cost him to have to relocate some walkways and some construction equipment, some bridges, and we would rather that he make the best use, the most efficient use of the low water season. So this wasn't a critical path activity.

We've decided to push it back. It'll either be late this season or even in the next year. It's not going to be a huge impact to our schedule so we have paused that second test as of right now.

MR. KNOY: What were those tests designed to show and indicate?

MR. HANCOCK: David.

MR. DALE: The purpose of the test was to really do a couple of things. One was as you go out -- if you look at the picture on the lower right -- as you go out of the chamber going downstream, we have some test piles downstream. We're worried about making sure those tows can get out and clear those piles. And the question is when do we need to bring in helper boats to do that? So that was a test to run through that exercise and see how it worked.

MR. KNOY: Okay.

MR. HANCOCK: Okay. Next slide, please. Okay. And this is just an aerial photo of the project in late May of this year.

Next slide, please. Okay. This is how we report up to our Headquarters. And really this is Earned Value Management. And I'll simplify it. Some of our metrics for the project are looking at cost and schedule and are we on schedule based on our baseline, based on our planned, and based on our actual expenditures. You can see that the metric that we have set for ourselves in the upper left hand corner there are expenditures. We're giving ourselves an amber rating. The reason we're amber is because the metric we set up was comparing to the planned activity and actual, if we are more than one percent behind what we had planned, we give ourselves an amber rating. And right now, we're two percent behind what we'd planned.

Now, I can tell you that you can't look at any of these metrics by themselves. They're indications that you need to look at something to understand what's going on. In the case of expenditures, the reason that we're behind schedule on our expenditures is because we're cheaper. We're actually ahead of schedule on our schedule side, but we have done it for lower cost than we originally planned.

So the fact that we spent \$36 million less than we planned is a good news story in this case. About two-thirds of that is because we're cheaper than what we had originally planned.

If you look at the schedule side, we set up some very aggressive metrics for ourselves. We're 11 months ahead of schedule. That's amber. In order to be green, we want to be a year ahead of schedule. So once again, we're grading ourselves pretty hard, but we're doing this so that we can have some things that will focus us to look at and understand what's happening.

Next slide, please. Okay. And I won't go into details of this. There's a blowup on the next slide that I'll talk about a little bit. But this just shows that our overall cost is, we're on a good line to be less than what we had built in the PACR.

Next slide, please. And this is the blowup of the lower left hand side of the previous slide. That just shows the actual dates with our actual cost of work performed compared to the baseline cost of work performed and the cost of work scheduled. And our actual costs are lower. Once again, in this case, that's a good news story because we're doing things cheaper and we're still ahead of schedule.

Next slide. This is the work plan in the precast yard this year. I won't go into details. I've already talked about our plans to place SS-5 and SS-6 and SBS-6 and then the Lower Pier Shells. LPS stands for Lower Pier Shell. SBS stands for Stilling Basin Shell. And SS stands for Sill Shell.

Next slide. Okay. This just gives a quick summary. I mentioned earlier that the current 902 limit is just over \$1.7 billion. That's just really essentially based on the inflation. You can see what we expended through June. I actually got an update, once again, this morning, through the end of July. We have our new numbers now. We're at \$1.56 billion expenditures. So what that leaves available is \$135 million before we hit the 902 limit. When you take out the \$42 million that we plan to hold for security and maintenance and contingencies, we're somewhere around \$90 million available before we hit the 902 limit. The President's budget in FY 14 is \$163 million which is the efficient funding amount for next year. And then actually on the next slide, I talk a little bit about some of the proposals on the House and the Senate side for addressing our 902 issue.

Any questions? I think I saw Mark raising his hand. Any questions? Okay.

Next slide. Some of the legislation -- of course, we're tracking all of this very closely and you guys probably know about it better than I do. But WRDA language could address the 902 if we have a WRDA. We also have an appropriations bill from the Energy and Water Development Appropriations Committee that would raise the 902 limit on the Senate side. None of the funding would come from the Inland Waterways Trust Fund. It would be fully federal.

From my perspective, I don't really care where the money comes from. I would like to see the project not impacted. I can tell you that one of the concerns, and Jon mentioned it before, is, "Would there be a requirement for a payback later on?" Right now, there's a requirement for a 50-50 cost share. If we have a one year exemption, do we need to pay that back? Do we need to balance the books later on? So that's a question that we're running through legal.

And then on the House side, they have something that would address the 902 on the House side also. The President's budget also has some language that would address the 902. So the House, the Senate, the President, everybody wants to increase the 902, but there's some variations of the caveats that might be included with that. It's good news that everybody recognizes it needs to be increased. I am getting very concerned at this late date with three months before we're start to slow the project down, what are we going to get? It's been a while since we had a budget passed. It's been a while since we've had a WRDA. I'm hopeful, but I'm not optimistic.

Next slide, please. Okay. And then I talked a little bit already about our action plan. We are going to slow down in mid-November and stop in January essentially. There's going to be, David [Dale] said, an immediate impact. That's probably true. If we're down for three months, we think that before the amount gets increased, that's an \$82 million impact. And it increases by another \$80 million for every year delayed to the project. Less than a year's worth of delay before we get an increased 902 would equate to two years impact to the construction project.

And then you could see the staff could be impacted. Another thing to note is that once staff is lost -- and this is on the contractor's side and on the government's side -- you don't just throw the switch and immediately the project is up and running again. You have to staff up again. There's going to be a learning curve. You have new staff members onsite. So there's going to be some lost effort and delay there, too.

The other thing to note: I think everyone understands this, but I want to say it. The PACR was based on getting an authorization increase before we shut the project down. If we don't get an increase and we have to shut the project down for any length of time, the PACR's no good anymore. We need a higher number.

Next slide, please. Okay. This is the point of discussion. And then I'm going to introduce our next speaker. But let me just pause to see if anybody has any questions for me. Jim Hannon's going to talk next. He's going to talk to us about some of the priorities of the Capital Projects Business Model which we're trying to stay true to, you know, for our alternative uses of funding. So, Jim.

MR. JAMES R. HANNON: Well, good morning. And I don't think I have but one slide. So if I can get that next slide pulled up or is it on there? If not, I think everyone has a copy of the slide that I'm going to talk to this morning. You know, General Walsh talked about, in his opening remarks this morning, you know, one of the challenges to the Board is recommendations in regards to what would be funded, what would be the priorities, what would be the actions taken should the 902 not get raised for Olmsted? What are the next steps? Somehow or another, that slide that's up there is not what you have in front of you, I don't think so look at the one that's in front of you.

So we've been doing some looking at some courses of action, some alternatives to put out for discussion, for thought of potential ways forward, you know, what if the 902 is not raised and where do we go next with the funding. So as Rich mentioned, one of the things certainly that we've looked at closely to adhere to as much as possible is staying with Capital Projects Business Model. You know, we developed that as has been said already. Certainly Olmsted was the top priority.

The next top priority is Lower Mon 2, 3, 4. That's one of the ones that we feel like would be a prime candidate for moving forward with funding should we not get the 902. Another area that we've looked at -- and then there is the slide up here now -- are other priorities there in the Capital Projects Business Model, of course, are Kentucky and Chickamauga. But another option that -- again, these are just options that we're kind of looking at, kicking around right now is down on the Gulf Intracoastal Waterway (GIWW), the High Island to Brazos River.

Again, of course, you know, part of the things -- and Mark Knoy made a good point a minute ago. As we look at the return, the benefits that can be achieved as far as where do we go with these funds, you know, it's very important that we look at benefits that can be achieved. It's equally important that we look what separable amount of work can we actually get accomplished and how much risk can we buy down, as we're doing this. So we should take a look at and will

take a look at those benefits that we have listed out and make sure that those are up to date as we continue to go through this look, and solicit your feedback and input as well. But GIWW is another potential there on that particular project. But we made a point to put new construction start right here because that could be a real challenge, for new construction starts, as we all know.

The other area that we're looking at is what about major rehabs? That's another course of action that we're thinking of. If we could spend \$30 to \$70 million depending on which particular project it is, you saw a minute ago, I think it was Lockport was \$30 million. So it's kind of that range. Again, the challenge that we see with that right now is new starts. We don't have any rehabs out there right now that are underway, that are ongoing type construction. So we'd be looking at a new start. But it would be something that we could consider, to put in a proposed President's budget for a new start.

The other course of action that we're looking at, at least that we've been kicking around, is to suspend inland waterway construction use of those dollars and bank those construction dollars. And so just bank those funds for, just pick a number, three years. At \$80 million a year or \$85 million a year, you're looking at \$240 plus million. Now, the Construction, General (appropriations) dollars would go to fund some Construction, General work somewhere else. But at the end of say three years, you would have \$240 million plus in the Trust Fund. You match that with \$240 million of appropriations and if my math is not incorrect, from what Jon Soderberg showed a minute ago, you could do Kentucky Lock. You could award and build Kentucky Lock, for example, one of the ones that's in the top three because it was like \$450 million. I mean, that's just one example as we take a look at this of what might we be able to do and get some important work done.

But we are looking at it and we need your input. We need some discussion and dialogue and thoughts as we kind of go forward with this because certainly what we don't want to be in a position is to be in a position that we're not ready to do something and make good use of these funds. Now, let me go back to Lower Mon 2, 3, 4. Pittsburgh District and LRD have defined a separable element of work as I just described a minute ago for Lower Mon, the middle wall in which we could be able to advertise a project in the first quarter of 2014, FY 14, and be ready to award a project in the second quarter of FY 14 should we find ourselves in a position of having to shut down Olmsted.

Of course, we would have to go through the matter of how do you reprogram dollars and such because right now the money is tight at Olmsted, but we do have a project kind of sitting out there in the wings. It is certainly our number two priority and it's work that can be done that would buy down risk and work toward those benefits so subject to any discussion, questions, that's what I had. Yeah, Mark.

MR. KNOY: Jim, Mark Knoy. A couple questions. First, on here the next construction priority, you list Chickamauga, would that come down into eligibility with new legislation or if we have a Continuing Resolution, would that not be eligible for Trust Fund dollars?

MR. HANNON: Well --

MR. KNOY: I thought that's what we heard earlier.

MR. HANNON: No. I am pretty sure Chick is available for Trust Fund dollars now.

MR. KNOY: Jon was telling us earlier it was not so that's one question.

MR. HANNON: Okay. Well, we'll follow up on that, Mark, for sure, but the reason we've got Lower Mon, Kentucky, and Chick listed is the eligibility for those Trust Fund dollars. But we definitely will make sure about that.

MR. KNOY: And then the other question I have, have those we've just looked at huge cost overruns at Lower Mon and Kentucky and a traffic mess has slowed down as well so we would have those new cost-benefit ratios. Does that really support putting more money on those projects today?

MR. HANNON: I think we need to look at that, Mark, and go back and take that review of all of those points that you just made even it's a good time now for us to start thinking about taking a look at the priorities in those Capital Projects Business Model because, we said that we were going to look at that every five years, as I recollect, in that plan itself. And so we're at that point, where we need to start taking a look at that. We have some more improved tools as far as, I think, in our toolbox to do reviews from an asset management condition risk approach that we need to bring back to this Board, a kind of a here's what we're looking at now and here's what we think this would look, as far as running these analyses again, residual risks, et cetera, et cetera. So we're at that point where we really need to do it. I think for certainly, though, one of our key thoughts is that Lower Mon 2, 3, 4 would be a great opportunity, in regards to moving forward or again, there's the option of suspending anything for a while, build up some dollars in that Trust Fund that we could then again match up those appropriated dollars and make sure that we're focused on the highest priority and get some work done, get it complete.

MR. HANCOCK: Could I just offer a comment?

To expand on your question, Mark --

MR. HANNON: Rich, mic.

MR. HANCOCK: Okay. Just to expand on your question a little bit, Mark. You're using Lower Mon as an example. Rather than spend all the money for the full scope of the project, the main chamber offers us 75 percent of the benefits of that project. So just constructing the main chamber probably would be an option if we're looking at what do we want to spend and where do we want to spend our money. And that's something we've already started looking at.

MR. MECKLENBORG: Rich, in that regard is -- this is Dan Mecklenborg -- is that the discreet project that's been identified and would be ready to go out to bid?

MR. HANCOCK: Actually, no. And the reason I say no is because we don't have enough money to do all of the main chamber. It falls into that range that -- it's probably close to the same number that Jim was mentioning for Kentucky to complete the full main chamber. The piece we're talking about, the middle center wall, is about a \$100 million piece.

MR. MECKLENBORG: Okay.

MR. HANCOCK: And we picked that because we were thinking we might want to have an option that we could award -- that would use less than one year's worth of money if the authorization at Olmsted does wake back up again.

MR. MECKLENBORG: Let me ask another question. On the GIWW High Island to Brazos River, I'm not familiar with that project and it seems like just on the surface that a new construction start is something that would get a reaction from a number of quarters as, you know, there's the idea of new construction start has been, I think, out of favor in recent years. We wanted to finish what we've got started and is there a compelling reason that that wouldn't apply relative to Brazos River?

MR. HANNON: Dan, there's not a compelling reason that it wouldn't apply. I mean, those are just some -- as we look at what's in the Capital Development Plan, that was one -- we were just teeing up, here's some things we're just kind of looking at right now. That same logic that you're using would be the same thing on those rehabs, though. I mean, some people might say new start, finish what you have, but, we all know that you can get more done on a rehab, with lesser amount of dollars if we could get to that point. Now, if you have a specific question about the project on the High Island to Brazos, Jeff [McKee] can probably give you more detail on that.

But your concept of, the new start is, I think, right on.

MR. MECKLENBORG: Yeah. My comment just relates to the concept.

MR. HANNON: Okay.

All right. Thanks.

MR. WOODRUFF: This is Matt Woodruff. If I could, I know a little bit. I don't know all the details of that project, but I think one of the reasons that project is being looked at, not simply because it would be a start, but because it would also be a finish. It's a relatively modestly priced project so that if money was available, it could be started and finished with the sums available which I think is consistent with the idea of don't start something unless you can finish it. So that would be something that would be completely done with the funds available in one year.

MR. HANNON: Yeah. And that is certainly a piece of that. But I think, again, too, it gets back to where are we going to put our money for the highest priority that's going to give us the greatest risk buy down, that's going to increase the benefits and the value to the nation and the decisions made to do that is what we're wrestling with, and need that input from the Board as far as recommendations and thoughts and I keep also kind of going down to that last one right there. It may mean -- it might be it's in the best interest to bank some dollars and then come back at a later time.

But again, just teeing those up for some thoughts.

MR. MECKLENBORG: This is Dan Mecklenborg, Jim. Question is, with the interest rate environment where it is, the banking the dollars, do you end up losing ground relative to inflation costs, relative to actually doing some project work? That would be the concern that I would raise --

is that the funds in the Trust Fund are simply, treading water.

MR. HANNON: That's a good point. I mean, that's one of the things that we need to take a look at, Dan.

MR. KNOY: Devaluing the money in the Trust Fund.

MR. HANNON: Yeah.

MAJOR GENERAL WALSH: This is General Walsh. Yes. And certainly, the construction industry and the bids that we're getting are good. But we need to look at all of these things as you just mentioned, Dan, the cost of doing business as well as interest rates. But right now we're in the process of putting the FY 15 budget together and so, we are making assumptions and we need you guys to provide some input as well as we brief going on up through the Secretary and the OMB [the Office of Management and Budget] is what do you want to do in FY 15. Right now, it's very tenuous on whether we have a 902 and I think we need to do the due diligence if we don't get a 902 on Olmsted, what is it we're going to do? In FY 14, it looks like it will be the Lower Mon. But what do we want to do in FY 15? Put it into a bunch of projects, put them into a few projects or bank it is kind of -- we're not quite sure what's the right approach, but we'd certainly like your input as we feed that into the Secretary's office.

MR. KNOY: General, Mark Knoy. I think in all fairness to that, we don't have all the input that you have so to be able to give advice on what should be recommended for even FY 15 if you're in that budgeting process now let alone what your projected budget for FY 14 is in the level of detail that you have and in questioning the numbers that we do look at whether or not they're fresh and whether or not they've been reviewed. So for us to really give valid feedback to you and the Assistant Secretary of the Army, I think we don't have sufficient information to do that. And one of the things that we talk about in the Capital Project Business Model was enjoining with the Corps in teams on each specific project with Users Board members assigned to each of those individual projects and that just hadn't happened, sir. So I'm not sure -- at least me personally -- I don't have enough information to even think about a recommendation.

MAJOR GENERAL WALSH: Right. And certainly recognize that and if we knew that the Congress would be able to work in normal order, we would be able to provide more information because we would have more confidence in the information. But they haven't been working in normal order and so we've got to make -- our recommendations are being to the Secretary with not as clear understanding what the future was isn't as it has been in the past. So I would think that the Board would also have to, at a certain point, make a recommendation with the best information that you have -- caveat all you want or not, it's up to the Board.

MR. WOODRUFF: This is Matt Woodruff. A couple of comments that I'd like to offer at this point. I certainly understand contingency planning and the necessity to ask yourself what if, but I recognize that the legislative process is always an uncertain one. Yet, when I look at this particular issue that's before us in the 902B authorization increase, we're sitting here today where the Senate has passed a bill that would increase that. In the WRDA bill, they took care of that. The House of Representatives, in a different bill, in the appropriations bill for energy and water, they have increased it. So we've had Congress, both houses, take a vote on this. Now, obviously, not the same bill. We have the House saying they're taking up WRDA in September. We know that as of September 30th, they have to pass a bill to keep the government alive if they choose to do so. I think most people believe they will. I feel very comfortable that we will get in the coming weeks the increase and I think the most likely path forward is to continue on Olmsted.

And so I think that while maybe we should be talking about the "what if" alternatives, I think our primary emphasis should be on moving ahead and, as Mark pointed out, under the Capital Development Plan and others have mentioned that, you know, we do have the thought that this would be a living process and we've seen elements -- we haven't seen the House version of WRDA. We certainly have seen what the Senate passed, that as you've pointed out, brought forward many of the recommendations of the Capital Development Plan. So I think what we as a Board should probably be doing is expecting that the next time we meet, we will have gotten guidance in the form of a new WRDA bill that tells us what pieces of the Capital Development Plan are there and gives us the path forward for us to begin to execute on and so I think that, from my perspective, that's the path that I want to concentrate on.

MAJOR GENERAL MICHAEL WALSH: And certainly, the Board can make that decision. You know, last year, we were saying sequestration wasn't going to happen. So as we want to say that we will get a solution, we also thought that there was going to be a solution and we have sent home for 20 percent of their time a number of civilians with the Corps of Engineers who were not able to do the work because we thought that something was clearly simple and the government was going to have happen and didn't. So I got it.

We got a Senate 902. We've got a House 902. I don't remember the last time we had a budget. We may be able to catch it through a CR [Continuing Resolution]. Okay.

MR. MECKLENBORG: Yeah. And Dan Mecklenborg. I understand what Matt is saying. At the same time, I believe the Corps is doing the prudent thing in preparing for a

contingency and having that in a fashion that's able to be launched fairly quickly so that you don't lose an entire year is something that I think makes sense.

MR. HANCOCK: We did -- just to expand a little bit on Matt's comment -- look at several options. And I briefed it in one of the previous Board meetings, but looked at options for whether we should slow down Olmsted and essentially buy some immediate impacts but also not lose all of your staff so we could delay the point when we would hit the 902 limit. And we looked at a couple of scenarios in doing that versus continuing to work efficiently and then essentially coming to a hard stop.

And we made a recommendation -- General Walsh concurred -- that we continue working efficiently so that we don't buy any immediate impacts to the project and then hopefully the 902 will get increased before we have to come to that hard stop. So that's the situation we're in right now.

CHAIRMAN HETTEL: Rich, Marty here. You stated a shutdown at Olmsted would add approximately \$80 million a year. What does a slowdown add?

MR. HANCOCK: A slowdown adds about the same amount because that's really what drove our recommendation.

CHAIRMAN HETTEL: Okay. I understand that. I think we'll get back on schedule and I'll add a few comments on my perspective. We have so much up in the air right now. I'm going to start out with and -- unfortunately, we went six months without having a meeting. We should have had this meeting back in March to better prepare ourselves for recommendations. We've got the 902B up in the air. We've got Congressional legislation up in the air. It sounds like we need some better or more accurate BCR [benefit/cost] ratios on the projects that are within the Capital Development Plan. I think all this information needs to be digested before we can give recommendations on which way we're going to head.

I certainly understand being proactive and to Dan's point having a path to go down. But I think until we get some of these questions answered, I'm not sure what path we can go down. Definitely have a backup plan, but I don't know if we can give you recommendations. And I'll open it up for any other Users Board members for their thoughts.

MR. SCOTT LEININGER: I'd be curious -- I'm sorry -- Scott Leininger -- Jim, on the re-evaluation of the cost-benefits using some of the new tools that you mentioned. How long do you think it would take to go through that and provide the Board with those new projections?

MR. HANNON: I think two things there, Scott. One would be we're starting to look right now and with an intent that when we get to the next Users Board meeting which is -- as the Chairman said that was kind of late -- of what -- if -- would there be any reprioritization, as far as a condition risk type assessment on the projects. Going to keep doing that, though, because we owe it to ourselves to continue to have that evaluation. As far as the benefits, the cost-benefits piece at the Navigation Center in Huntington, I don't have the answer for that question right now.

We can find that out, when we go back and take a look at where are we; when was this latest updates done; how current are the information that we have right now that's in the presentation that Rich was referring to; and how long will it take us to get to that point? But conceptually, I guess, is first thing, kind of from that perspective we'd like to also get some feedback, in what direction should, thoughts you would have on that.

CHAIRMAN HETTEL: Jim, Marty here. To Scott's point, that timeline is probably pretty imperative to when we schedule our next Users Board meeting as far as your re-evaluations of the BCRs.

MR. HANNON: Yeah. We'll work that piece, Marty.

CHAIRMAN HETTEL: Okay. All right. Anybody else? Comments? We're a little behind schedule so I believe we'll take our break. It's scheduled for 30 minutes. If we could get back on schedule, that'd be fine.

MR. POINTON: And could we all come back at 11:30? It kind of abbreviates the break a little bit, but not too bad.

(OFF THE RECORD)

MR. POINTON: I'd like to reconvene the meeting. I'd like to call on Mr. Jeff McKee to give us an update on the Inland Marine Transportation System operations Levels of Service. Jeff.

MR. JEFFREY A. McKEE: Good morning members of the Board, General Walsh, distinguished guests. I'm going to briefly go over the Inland Marine Transportation System Levels of Service initiative. I believe you have seen this before for the most part. I'll go through for refreshers for those that are new on the Board as well as some of the updates we've had in the last couple of months.

The navigation mission for the Corps of Engineers is to provide safe, reliable, efficient, effective, and environmentally sustainable waterborne transportation and that is the basis of our mission for providing both the inland as well as the coastal navigation program. On the inland side of the house, we developed levels of service and put them into play starting at the beginning of Fiscal Year 2013.

We're doing this because our current mode of operation is unsustainable. As General Walsh indicated earlier, we have to do less with less rather than more with less nowadays with the restrictions and resources that we have. In Fiscal Year 12, we saw a reduction in low commercial use both on the coastal as well as on the inland side of the house projects. Funding for those projects was almost cut in half, so significant reductions.

The plan with the levels of service is not to close any locks at this point in time but certainly to adjust the hours of service more commensurate with the traffic that is moving

through those locks. It will extend the life of the asset, fewer cycles of operating the gates. It will also reduce operating costs as a result of reduced staffing. And then the intent is to use some of that money on maintaining that infrastructure so that we can retain a reliable and efficient waterways system.

In terms of terminology, when we speak about high, low, moderate uses, for the riverine systems themselves -- these include the Ohio, the Mississippi, and the MKARNS [McClellan Kerr Arkansas River Navigation System] -- high is considered those with at least three billion ton-miles of traffic a year. A ton-mile is a product of multiplying the amount of cargo carried on that waterway times the length of that waterway to come up with ton-miles. Moderate river systems are one to three billion ton-miles and low is considered less than one billion ton-miles.

In terms of the navigation locks themselves, high commercial use is looked at as at least 1,000 commercial lockages a year and if we have that level of tows through the lockages, then they're entitled to full levels of service. We then have five levels of service that are less than full service depending on the amount of commercial as well as recreational lockages. And certainly, even though you may have a high use riverine system, it may still have low commercial use locks at the upper ends of those systems. For low commercial use, what we looked at again is evaluating the commercial and recreational lock data going through the individual locks.

There were 54 locks identified on 19 river systems that had less than 1,000 commercial lockages a year. And so establishing levels of service for less than 24/7 operations, we looked at what is currently in practice across the inland marine transportation system, or IMTS, to get a gauge for what potential levels of service we have.

So for our levels of service, we're looking at number one is the full service. It's 24/7/365 days a year. Then you can see below that the levels of service we're looking at. Two shifts per day or one shift per day or scheduled service at set times depending on what the times are that the commercial or recreational craft are calling. Weekends and holiday operations only or service by appointment for commercial lockages on low use waterways. And these are the guidelines, and I emphasize guidelines, that we are looking at for determining whether or not you are going to have full service or the levels of service that you will have for each shift or operation of those locks during the day or during the year.

There is an opportunity for the MSC [Major Subordinate Command] commanders to request an exception if they believe there is a current use pattern for those locks that warrants more than the level of service that is based on the commercial and recreational lockages alone.

There is also an opportunity for the MSC commanders to actually reduce the levels of service below the guidelines that are shown here if he or she believes that a reduction in service is warranted based on the traffic moving through the lock and the particular conditions of that lock itself.

So you see here what qualifies for full service is 1,000 lockages and then between 500 and 1,000 would be two shifts per day, less than 500 commercial lockages or greater than 1,000

recreational lockages would give you your single shift per day and so on down until you get to appointment only where you've got very little commercial traffic coming through the locks. There's also an opportunity for individual events to have waivers for the lock usage. For instance, if there's a bass tournament going on on a particular weekend on the MKARNS, there could be an exception that would be made to operate those locks to allow the recreational traffic to travel between the pools during that bass tournament. Again, that would be an isolated case by case basis.

The levels of service, the implementation schedule that we had on low commercial use waterways, these are the ones with less than one billion ton-miles a year. They were implemented on 1 October [2012]. The moderate use waterways having between one and three billion ton-miles of traffic a year. Their levels of service were implemented on 1 January [2013]. And for the high commercial use systems with more than three billion ton-miles a year, implementation was on 1 April, 2013.

Changes since your Board meeting last December, all systems have now implemented lock levels of service except for the Red River. The Red River was granted an exception because those locks are operated under contract and there was an extension given to the end of the current contract. A new contract will be put in place in January of 2014 and at that point in time, there will be implementation of the appropriate levels of service for the Red River.

The MKARNS is planning to go to full service on all their locks. They had five locks that were considered low commercial use as a result of looking at the FY 09, FY 10, and Fiscal Year 11 lockages, however, Fiscal Year 12 has brought the annual amount over 1,000 lockages as well as the three year average.

We have agreed to review, on an annual basis the levels of service depending on the latest three years of traffic moving through the locks. And this is a case where because of the increase in traffic going through those locks, it was agreed that they would move back from the 20 hours a day service they had to full 24 hours a day service. However, what they are doing in its place is working with the industry to set times during the year and during the week where they would close even the high commercial use locks for a certain period of time in order to enable them to perform the necessary maintenance on the locks. So that's a little bit of a modification of the original intent of the levels of service.

There was an Inland Marine Transportation System, or IMTS, Board of Directors meeting on the 29th of July. The Board of Directors is made up of General Walsh, each of the MSC commanders at the North Atlantic, South Atlantic, Great Lakes and Ohio River, Mississippi Valley, Southwestern Division, and Northwestern Division, as well as Mr. James Hannon who is Chief of Operations at the Headquarters for the Corps of Engineers. We reviewed the levels of service and lessons learned for each of the individual MSCs.

During that time, there was concurrence to continue to move forward with using the 1,000 lock threshold at this point in time. But we would also look at potentially increasing that threshold as we go down the road. We also agreed on we would use that three year rolling

average to determine what the lock levels of service should be and the IMTS working group is currently working on staffing models, set amount of staff for a particular lock that would be discussed and voted on by the Board at the November meeting.

Some of the do outs that were required by the Board of Directors were to review the lock policy for recreational craft. The Southwestern Division on the MKARNS is going to single leaf swings. They're not operating the entire gate for recreational traffic. And so that's going to reduce your actuating of the individual leafs by 50 percent and they will alternate the different leafs that they operate to get the recreational traffic through. We are also looking at potentially a change in any levels of service that we could provide for the recreational users. Again, looking at the lock data to determine if 1,000 locks a year the appropriate metric to use for determining what's low use and what's high use. That equates to about three locks per day, which doesn't sound like very much and you may very well, even with 1,000 lockages a year, have a night shift that is sitting idle without doing any work and so there may be an opportunity to reduce operating costs further by eliminating that shift if it's not necessary. Looking at reviewing opportunities for performing major maintenance, this is along the lines of what the MKARNS is doing, shutting down for certain periods to enable maintenance to be accomplished. And then also look at opportunities for where we might need to divest ourselves of some of the infrastructure that we have and can't afford. And then we're also looking at staffing models. As I indicated before, they're going to be reviewed in November.

And so the goal of the levels of service is to reduce wear and tear on our operating components, reduce our operating expenses, and apply those funds to maintenance of the facilities and keep them reliable and in a resilient condition, extend the life of our aging infrastructure and deteriorating infrastructure. Almost 60 percent of our locks have reached their 50 year service life or have exceeded our 50 year service life. So our infrastructure continues to age. And the bottom line is to provide reliable infrastructure for our stakeholders to use. And the graph at the bottom, you can see the increase in hours due to mechanical breakdowns that we've had over the last decade or so. There was a little bit of a drop in 2012 but certainly prior to that, we were seeing significant increases in breakdowns due to mechanical failures. That concludes my update on levels of service. If there are any questions, I'd be glad to answer them at this point in time. Mr. Hettel.

CHAIRMAN HETTEL: Jeff, thank you. Marty Hettel here. Just a couple of clarifications, if I may. A thousand or more lockages, 24/7/365 is what you define your levels of service and guidelines for your levels of service, correct?

MR. McKEE: That would be full service for what are considered high commercial use locks. Yes.

CHAIRMAN HETTEL: And high commercial use -- now, is there ton-miles calculated into what that full service definition is?

MR. McKEE: There are two different metrics we use. The ton-miles come into play when you're looking at the river system itself. So things like the Ohio, the Mississippi that are

carrying more than three billion ton-miles are considered high commercial use waterway systems. For individual locks, we are using the numbers of lockages for commercial traffic on an annual basis. And that's where the 1,000 lockages comes into play. So you could have locks on high commercial use riverine systems like the Mississippi where the overall Mississippi is a high commercial use system, but the upper locks are considered low commercial use because those individual locks don't have 1,000 lockages a year.

CHAIRMAN HETTEL: And does that put a river that is 40 miles of navigable waterways at a disadvantage because you don't have a 700 mile river that you're transiting your ton-miles on?

MR. McKEE: Yes. When you're looking at the ton-mile metric, it would disadvantage the shorter river systems.

CHAIRMAN HETTEL: Right.

MR. McKEE: And advantage the longer river systems.

CHAIRMAN HETTEL: And just to clarify, then if do you go to the 1,000 lockages, that's 24/7/365?

MR. McKEE: If you're looking at, for the purpose of levels of service, we are only looking at the numbers of lockages.

CHAIRMAN HETTEL: Correct.

MR. McKEE: If you're looking at where we are putting our financial resources in an overall perspective, we've got 95 percent of the tonnage moving on the high commercial use projects and we put about 70 percent of our resources on those five to six high commercial use projects when we look at budgeting for maintenance, operations, et cetera. But when we're looking strictly at levels of service, we're looking at the 1,000 lockages a year for commercial traffic.

CHAIRMAN HETTEL: And I guess just to make sure I'm under the right explanation what you just told me, low ton-mile use may limit what we call full service of 1,000 lockages or more, 24/7/365?

MR. McKEE: No. If we have full 1,000 lockages on the locks, that would make them eligible for full service, 24/7/365.

CHAIRMAN HETTEL: Last question I have on extending the life of the asset. I know you said less machinery is operating. If we've got 8,500 barges going on the river, you've got to bring 8,500 barges off that river. How does limiting two shifts -- you're still going to bring that same -- equivalent amount of barges off that river. You've got to lock X amount of times anyhow. So where does the -- to extend for commercial?

MR. McKEE: To extend for the commercial navigation, yes. I mean, we've got to move that traffic whether it's during a 16 hour period or a 24 hour period.

CHAIRMAN HETTEL: Right.

MR. McKEE: But it comes into play when you start looking at when you're moving recreational traffic where you can get multiple vessels in the lock at the same time and reduce the number of one each is moving a single vessel through.

CHAIRMAN HETTEL: Okay. So you're extending the life of the asset via recreational lockages?

MR. McKEE: Reduced --

CHAIRMAN HETTEL: Good summary.

MR. McKEE: Reduced lockages.

CHAIRMAN HETTEL: Okay. All right. Thank you.

MR. SOMALES: Mr. McKee --

MR. McKEE: Yes, sir.

MR. SOMALES: Mike Somales, if I may. Some of the dialogue we had earlier off the record speaking about the Allegheny River, the Allegheny is a short river. The upper locks are not being used as much, but the lower two locks meet the 1,000 lockage criteria.

MR. McKEE: Correct.

MR. SOMALES: Not a billion ton-mile river, though, because the short distance, the lower Allegheny getting all the use. What we currently have is for -- my entire career, we had double lockages 24 hours a day, which I would consider full service. We're currently only getting 16 -- 14 and a half because they don't start a double lockage after 10:00 at night, 9:30 at night. We're only getting two shifts although they tell us in Pittsburgh that it's a full service lock. So, you know, is that, as the local Corps in Pittsburgh, the Colonel would have the discretion to reduce -- I mean, 1,000 lockages are the guideline so why the reduction and again, why the redefining the term full service?

MR. McKEE: The 1,000 lockages is the definition for having full service which would be 24/7/365. As I indicated before, the MSC commanders have the discretion to reduce service below what the guidelines are or approve an exception to go above the guidelines. And in this case, I'd have to check with the Pittsburgh District, but my understanding is, as you've indicated, those lower locks do have more than 1,000 lockages a year and would be eligible for full, 24/7

service. I would need to check and get back to you on the specifics as to why it was reduced below that.

MR. MECKLENBORG: Yeah. This is Dan Mecklenborg. There's a similar situation which may be in the process of being re-evaluated on the Cumberland River relative to the Old Hickory facility which has more than 1,000 commercial lockages a year but has not had 24 hour, seven day a week service recently. And it actually may have been limited for a longer period of time although limited on a flexible basis so that it was not evident that there was this limitation. But at any rate, I just wanted to raise that as another area where the application of the guidelines would be great to have certainty.

MAJOR GENERAL WALSH: This is General Walsh. If I can respond to that one. I would ask both of you just to check with the districts and I know that you both have and I know the issues. It has to do with overtime and certainly with the sequestration and the furloughs.

The Department of Defense has gotten very strict in overtime requirements. I think in both cases, the Cumberland and the Allegheny are two shifts of eight hours apiece. What we were doing prior to that was two shifts of 10 hours apiece and giving that additional hours through the overtime. Through the requirement of controlling overtime, I think you're getting less lockages. It has nothing to do with 1,000 lockages or the billion ton-miles.

It has to do with an overtime requirement that's in the Department of Defense.

MR. MECKLENBORG: Sir, would that overtime requirement prevent them then from adding another shift in order to get the 24/7?

MAJOR GENERAL WALSH: No. It would not have an impact on hiring another shift. But again, that's where it's going to have to be done by the District commander. Is the hiring of the next shift going to increase costs significantly higher than wait until we get past the sequestration piece and then move back into our normal process.

MR. MECKLENBORG: Okay. Thank you.

MR. SOMALES: I have one more question. One more piece of that. If we qualify with 1,000 lockages and it takes overtime to do it, then just for clarity, we are understaffed? Is that a fair statement? In other words, we don't have enough billets to actually fulfill 1,000 lockages or at least fulfill full service as defined in the IMTS?

MAJOR GENERAL WALSH: We are able to provide that service with overtime and with the restrictions on overtime it is impacting service.

MR. WOODRUFF: General, this is Matt Woodruff. If I understand correctly, what I think I'm hearing is that there's some District Engineers who have gotten outside of the box to save the government money providing full service with two shifts instead of three and now they're being punished because they way they're doing it is a little bit of overtime instead of

adding another shift. And that if they'd have just kept three shifts, then that would have been okay. But because -- since it's overtime to replace that extra shift, they can't do it under the rules that have been laid down to them. Is that an accurate summary of what's happening here?

MAJOR GENERAL WALSH: No. I don't think that's accurate. What we're providing those services with a couple of eight hour shifts and then extending that eight hour shift with overtime to give full service. In this era of sequestration and furloughs, the Department of Defense (DOD) has really cut back on what we can do in regards to overtime. And so the Division Commander has the discretion to look at what is life, safety and what are essential functions and make the decision on whether there should provide overtime for those particular areas.

MR. WOODRUFF: If I could, just one more thing. One of the things that has troubled me with this entire hours of service initiative, first of all what hasn't troubled me is the idea of working more efficiently and saving money where money can be saved. I think we would all do that in our businesses.

We all do that in our businesses, but it seems to me that the viewpoint on this is not from the customer service side but the employee man-hours side. And I mentioned this to some that it doesn't matter whether you have people working at that lock two hours a day or 24 hours a day, from the users perspective, we want somebody at that lock when we show up. And I think by the way you've cut this, whether it's one shift, two shifts, three shifts, on call, or whatever, really isn't looking at the question from the perspective, I think, it needs to be looked at, and that is "How do we serve the needs of the users of this lock?" and, you know, if there are situations where there may be 2,000 lockages a year but they all occur during the daytime, then maybe you just say well, if somebody shows up at night, we'll have somebody on call for them. And so you don't need to have three shifts a day if two shifts aren't doing anything.

But where you do need to have the people there to move commerce, it seems like the District should have the flexibility to do that whether they determine it, overtime or some other thing that, and I know that the Corps doesn't necessarily control what's imposed upon you by the DOD, so I make this statement to the government as opposed to the Corps, that we need to give our people in the trenches the flexibility to serve commerce, get their jobs done without hamstringing them with artificial rules that, while may be intended to save money, are actually costing us more money instead.

MR. HANNON: Matt, this is Jim Hannon. Let me kind of address not your point but Mike's and others that have been talking about levels of service. As Jeff teed up, the 1,000 hours was kind of our baseline that we started to kind of delineate, from that point, what number of shifts, et cetera, would be there. We never did dictate when the Districts had to establish those shifts.

There's always been and it still remains the flexibility for the Districts to work with the users of the system. And to sit down and kind of map out, how should we align our openings and operations, and it might be from 10:00 in the morning until, eight hours later. I can't do the

math. But, 6:00 at night. So or whatever it might be. It might be, a noon to an 8:00 p.m. shift. So that flexibility's there, but I'm not going to sit here and say that we've done as well as we could have in every place and that warrants us going back and that's part of the discussion that we had in our Board of Directors meeting and we will continue to have further discussion.

How do we, at the local level, work with -- and I'm really talking the commercial usage right now because that's what we set this up notwithstanding, looking at recreation as well. But how do we go back and work with the users of those systems and kind of better hone in and define the other direction we go.

Now, having said that piece, we are also looking at an opportunity that again through the Great Lakes and Ohio River Division to do some modeling, do some working again with the users of the systems to when is the traffic normally going through here, to help us begin to kind of map out when should we have somebody there. And it may be that it meets the requirement for two 10 hour shifts, just pick a number. But if the traffic's going through there and it works best for one shift, then that's how we ought to start working towards meeting the needs of the traffic working with the user.

So keep that in mind that we're going to come back, to the -- not just to this Board but with the users as well and looking at how do we better align our operations, while implementing the levels of service but making sure that we're doing it at that local level to support the users and then moving the goods on the waterways. And this model that LRD's starting to pull together by using the tonnage and using the traffic to some of the systems right now to help us better align with that traffic is kind of that first step.

MR. SOMALES: If I may. I'm Mike Somales again. If I may, when we first saw the reduction, we did do the two 10 hour days, two 10 hour shifts. We had 20 hours so we were able to, with appointments and good logistics management, get in and out of that river in 20 hours. That has since been reduced to the two eight hour shifts which again, we lose an hour and a half on that because they won't begin a double.

We would like to participate at the local level with the local Corps there and find out what that pool of resources in man-hours is available to us and maybe help to plan the use of those hours in and out to effectively use and not go over budget for you guys but effectively use it. We're currently being dictated to. We're not getting a voice. We're there at the meeting, but we're not -- our voice isn't responded to. It's being scheduled based on the budgetary constraints of the Corps. I get that, but I think we could probably do better if we worked together and try and use that pool of resources in hours. Certainly I think that would help.

MAJOR GENERAL WALSH: Right. I know because this issue has been ongoing for a while. The Pittsburgh District has been working pretty closely with a number of different navigation interests in opening and closing the locks at a specific time. Some navigation guys are like an hour behind the locks being closed and are concerned about that as they're being stranded on one side of the locks. And the discussions from the Pittsburgh District is well, move them out a little bit -- load them a little bit faster and get here before we close down. So I know

that there's been a lot of discussion and that may be characterized as that we're not being listened to. I think they're being listened to, but again, I would go back to the District Commander and sort that out.

MR. DAVID CHOATE: Mr. Chairman, David Choate here. I'm sorry to hear the trouble that Mike has had in the Pittsburgh District, but you mentioned the MKARNS and we talked about that at breakfast a little bit. I was part of a group that met with them, the two District Commanders, in Tulsa and Little Rock, for probably a year off and on to work out because we saw the five locks that were going to be closed, we thought. As it turned out, you know, we got lucky or got good or something and upped the number and kind of dodged the bullet, at least temporarily. But we had, I guess I would say, the opposite experience from what Mike did. The Commanders of both Districts were extremely willing to work with us and the industry participated. We actually tracked lockages. As you mentioned, as to when the best time, if there is a best time, to close that lock would be, put together a plan, and worked together well and as I said, as it turned out, we went over the 1,000 for those five. And I don't remember -- two of them were in the Little Rock District and three were in the Tulsa District or vice versa. But both Districts worked together and we got a good experience.

MR. SOMALES: If I may, yeah. We had that same experience with a 20 hour day. We were able to -- and it is logistics and it's just straight math. You got to get in 16, 18, 20 miles in and back out. It takes time at four miles an hour to make that shove in and out, make two double locks. And if everything doesn't hit exactly like it's supposed to hit, we can't do it in 16 hours, physically can't do it in 16 hours. So we did have a great experience with 20 hours. We just don't have good experience with 16 hours.

MAJOR GENERAL WALSH: And I think that's a good piece to talk about is, is what we're doing is not sustainable. We're working at 1,000 lockages saying that's full service and I don't think we're going to be able to maintain at that level with the funding that continues to go down. Certainly, in this time of sequestration and furloughs, we're just not going to be able to maintain the services that we have. So what we're looking at and what Jim and what Jeff briefed and on slides 10 and 11 is we're continuing to look at these levels of service. Are they right? Do we have them at the right times? What's the recreational lock policy? So the issues are bigger than the 20 hours. It's how are we going to provide the best levels of service we can with the reduced funds as we move forward? And I think the Secretary would enjoy some recommendations from that regard. Because the Board of Directors is going to meet and look at these staffing models and also look at these commercial lockages per year and what the right metrics are.

MR. MCKEE: If there are no more questions, we'll move on to some of the lock closures we've experienced this year. Certainly, the drought has been persistent. This time last year, we were in worse shape than we are currently. Water levels have come up some. But almost half of the country is still in a persistent drought situation. We're doing what we can within the authorities that we have in order to manage the water resources. We have multiple authorities and authorized purposes in which we need to manage. It's not only navigation, but it also

includes flood risk management, water supply, recreation, environmental purposes, hydropower, et cetera.

The drought isn't only being felt on the river systems but also on the Great Lakes which are at historic lows and for a while were well below the Great Lakes low water datum for several months and up to one and a half to two feet below that. We continue to work aggressively to manage the system as best we can, operating within the authorities we have to operate at our reservoirs to ensure we've got the best navigation conditions possible.

If you look at the slide on the drought monitor, you'll see the intensity shown on the left hand side, the abnormally dry areas shown in yellow grading down to the deeper maroon areas that are exceptional drought. The letter designation, either an "S" for short term being less than a six month impact or "L" being a long term impact. You'll see a lot of the country still in that persistent drought situation and some of that of which impacts the navigation mission.

In terms of Missouri this year, the Missouri is looking much more favorable than it was last year. We're not at full releases, but we're at an intermediate release level which is above where we thought we'd be. We expect to have the full eight months of navigation on the Missouri from the 1st of April through the 1st of December. Originally, we were forecasting possibly a shorter navigation system. And we won't be able, however, to provide the full nine foot depth by 300 foot width on the Missouri.

It'll be closer to the nine foot depth by 200 foot on the Missouri. And you can see here the outlook for the next couple months going through the end of October. Still a persistent drought through a good part of the country and some developing drought in the areas shown in the yellow there.

Again, the Great Lakes, you can see those red areas where they're significantly impacted by the low lake levels. Each one of those either circles or triangles represents a commercial or a recreational navigation project within the Great Lakes.

Closures on the Illinois Waterway, we had a series of seven barges break loose back on the 19th of April as they were getting ready to go into the canal going up to the lock itself. You can see on the lower left hand corner, you've got the seven barges here shown up against the dam structure here, eight gates on the dam, channel coming up towards the lock is shown down here. These broke loose, did some damage, you can see, to the gates two and three shown in red there. And so what we've had to do is take actions to take those two gates out of service.

One of the first things we did was build a rock wall behind that to reduce the flow through those gates then subsequently install the bulkheads in front of those gates to stop the flow going through so that we can work on the gates themselves. Both of those, as indicated, are damaged. You can see the timeline up on the upper portion of the slide there where for a while we were delayed in removing the sunken barges. We left those there in order to reduce the flow going through those second and third gates so that we'd be able to construct that rock dike. Also constructed what was called a HESCO dike. You can see that down in the lower right hand

corner where we had flooding into the town area itself. These are basically wire baskets with geo textiles filled with sand and material to create a dike to prevent additional flooding. And then around the 17th of June, the final barges were removed and salvaged from our cells and at the end of July basically got the bulkheads installed in front of the damaged gates. So we'll continue to work on that. Significant cost involved, about \$10 million expended to date. Still working on damage assessments for the remaining gates, seeing what we need to do in terms of repairing those and getting a final cost estimate on those. But navigation is back up and running at this point in time.

The next closure occurred at Algiers Lock gates, had a failure of one of the sector gates, one of the gates failed on the 27th of March. Upon inspecting the rest of the gates, we found that there were fatigue on all of the gates and so a plan was undertaken to make improvements to all four sector gates, two on the river and two on the canal side. And put all new seals on, blasted them all, and repainted them all and installed them. That work was completed on the 17th of July and navigation started passing again. However we have had some additional closures on the Algiers prior to encountering the failure on the 27th of March. We'd already awarded a contract to do some work on the guide wall and the dolphins on the canal side. That work continued, although not quite as rapidly as originally forecasted during the repair of the sector gates. And now we are shutting down for about 10 hours a day, 7:00 in the morning to 5:00 in the evening to finish work on those guide walls and dolphin repairs. Traffic is passing during the evening hours. Total cost there about \$5.2 million on the gate repairs themselves.

And you can see the types of things that will not get done: work on the Inner Harbor Navigation Canal is not going to be done. Work at Leland Bowman and Calcasieu Locks as well as some of the dredging at Port Allen and New Orleans Harbor -- that was shifted over to do the \$5 million repairs on Algiers.

And the last closure I'll go into is on the Gulf Intracoastal Waterway. On the 4th of July, we had a large rain event. You can see the Gulf Intracoastal Waterway moving across here. The Corps dredge material placement facility in white up at the top and this area down here is where we actually had the breach of the levee on the opposite side from the Corps dredge material placement facility. What you see here are the soundings and you can see the shoaling that occurred here and extended back up and down the Gulf Intracoastal Waterway. A dredge was called in. The work was started on the 17th of July and finished on the 30th and open again to traffic.

And the last slide just shows some of the ongoing dredging operations we've got as well as some of the dredges we've got on standby. The *Dredge Potter* is located up at Saint Louis pending any additional dredging needs as a result of the drought. The *Dredge America* also on standby. And then you've got the *Dredge Bill Holman* doing some work on the lower Ohio and the *Dredge Hurley* doing some work at Redman bar on the lower Mississippi River.

We did include additional funds in the Fiscal Year 14 budget for drought response. We had the first phase of the pinnacles removed. We've got funds to do the second phase and third phase in the FY 14 budget. A contract was awarded on the 2nd of July to initiate some of that

work on the pinnacles. The work would be to widen the channel beyond the 300 foot wide channel up in the middle Mississippi River. That concludes my presentation on the lock closures subject to any questions you may have.

MR. SOMALES: If I may. Mike Somales. Not mentioned in this -- in Pittsburgh this summer, we had scheduled outage at the Montgomery Lock, a two week time period followed by two weeks open followed by another two week outage. During the first outage, there was an accident at the Hannibal Lock and the repairs -- the second repairs was taken off the book and the repair party scheduled to Montgomery and those monies, I guess, went to Hannibal. And I didn't really understand that. I mean, a lot of work and effort by the commercial industry to pre-deliver, divert, schedule outages at different unloading facilities, coal mines, all went into that planning. We were a year ahead of time, planning for that double outage and then the money went away to repair it. I know that at some point in time it was explained to me when the insurance money comes back, yeah, it'll go into the General Fund and it'll be diverted or into the General Fund and then to be used by the Corps anywhere in the Nation at its discretion. Maybe you guys could clean that up for me and help me out with that or give me some clarity on how that works.

MR. MCKEE: There are some changes we're looking at in terms of the insurance fund at this point in time so I'd have to get back to you on that, Mike. I know what we're looking at for the future as taking what -- we have an account -- an appropriations account called M&O [Maintenance and Operation] of Dams and we'll be using that account to set up funding for allisions that occur and can be taken care of but that will be effective starting in the Fiscal Year 14 budget.

MR. SOMALES: Yeah. I was just concerned about the maintenance dollars for Montgomery that were scheduled for that second outage that were diverted for a repair. And I think it's -- they're telling us in Pittsburgh it may be a couple of years before they get back into Montgomery with that scheduled repair that was supposed to occur.

MR. MCKEE: Depending on the priorities for funding going towards the Ohio River. Yes. It could take some time.

MR. SOMALES: Thank you, Mr. McKee.

CHAIRMAN HETTEL: Jeff, Marty here. Just one. If you could get us an impact on navigation from the Algiers closure, that would be helpful in stressing to our representatives how we need to have funding for Olmsted.

MR. MCKEE: My understanding is that's about \$146 million.

MR. POINTON: Anymore questions for Mr. McKee? Moving on. No one has indicated that they wish to make a comment during the public comment period so this is your last opportunity.

MR. WOODRUFF: This is Matt Woodruff. I have something I'd like to mention at this point. I represent the west end of the Gulf Intracoastal Waterway on the Users Board. And one issue that has been very troubling to us over the last 10 years or so is development along the Waterway which threatens the capacity of the Waterway to move commerce. Development in the form of recreational fishing piers, condominiums, and other structures that potentially impede navigation both in the project dimensions of the channel and the navigable reaches along either side and this is something that we brought to the attention of the Galveston District and Colonel Christopher Sallese who recently retired initiated a study and came out with a policy proposal -- a setback policy for the Galveston District which would establish some fairly common sense procedures to say where development can occur with a low level of scrutiny or a lower level of scrutiny and those areas where any sort of development or structures within the Waterway would pose a significant risk to navigation and, therefore, should get a higher degree of scrutiny. And I believe the comment period on that proposal just expired, but just want to state on behalf of the navigation interests that use the waterway that we think that the proposed policy is a great policy.

We're grateful especially to Captain Derek Thornton who is the project manager on that effort. Colonel Richard Pennell, the new District Engineer, is also very aware of this. And we're very hopeful that we'll see that policy implemented soon and think it should be considered in other areas where development could possibly impact the navigability of our waterways that we invest so heavily in. We hate to see us lose something through allowing improvident development.

MR. POINTON: Thanks, Matt. Does anybody else wish to make a comment during the public comment period? Going once, going twice. I'd like to call on General Walsh and Chairman Hettel to make some brief closing comments.

CHAIRMAN HETTEL: Thank you, Mark. I guess in my opening statement we talked about the time of change we're in we've got so much up in the air with Congressional action, whether we have a 902 increase at Olmsted. Tough for us to make some recommendations on funding levels on projects when we don't know what the outcome of that is going to be.

Second point is I think updated BCRs to the Board for these projects would be beneficial before our next meeting. If that's something we can get it achievable to the Board as soon as we can.

And from what we heard today, it's hard -- at least for me, it's hard for me to give any recommendations on funding levels in information we hear in a two or three hour meeting and how important this Board is to make the recommendations to the Assistant Secretary's office. I would like to look back at our Capital Development Plan and one of the immediate processes improvements was to appoint a Board representative to each IMTS project. I think if we had, done that, and was supposed to be done in 2010. We're a little behind on that. If we had that, I think we would be better prepared for these meetings to discuss what possible outcomes there could be with everything we're facing right now. So those are my final closing comments and all I'd like to pass on.

Thank you. General.

MAJOR GENERAL WALSH: Thank you. Thank you, Chairman. And yes. We are in times of having to make decisions without full understanding of where we're going from a Congressional perspective and certainly the impacts of sequestration are still unfolding on what the third and fourth order impacts are. However, we're still in the process of putting the FY 15 budget together. We'll be making recommendations to the Secretary later this week or next week with the information that we have available and proceeding from there and she'll be deliberating on that. So any type of discussions from the Board to her on what we looked at as what would your recommendations be to her if there's not a 902 fix. I heard Mr. Woodruff say that he's comfortable that there may be a 902 fix. And so perhaps the Board does not want to make a recommendation from that perspective. But because of my responsibilities, I will be making a recommendation as soon as I come up with what I think is the right answer which I don't know.

CHAIRMAN HETTEL: Let us know.

MAJOR GENERAL WALSH: Yeah. but again, I want to congratulate you all as members of the Board and the government. Yeah, Matt. You fully raised your hand and you're a member of the government as well. Thank you for your time. I know you are all busy 24/7 businessmen and have taken time out of your operations to be members of this Board and so I want to thank you for that, for your service to the Department of Defense. So I'll close there and pass it back to Mark and also to thank Louisville District for all of your support.

MR. POINTON: Yeah. I'd like to thank the Louisville District as well. In particular, I'd like to thank Diane McCartin. As you know, we had the last meeting in Paducah and it was supported by the Louisville District. And Ms. Susan Toutant retired about a week after that meeting was done. Ms. McCartin is retiring about two weeks after this meeting is done. So for the sake of the Executive Office in the Louisville District, I will do everything within my power not to have another meeting in Louisville next time so that they can hang onto their Executive Liaison Officer a little bit longer. With that, can I have a motion to adjourn this meeting?

MR. KNOY: So moved.

MR. WOODRUFF: Second.

MR. POINTON: All in favor.

BOARD MEMBERS: Aye.

MR. POINTON: Meeting is adjourned. Thank you, gentlemen.

(Whereupon, the meeting was adjourned at 12:25 p.m.)

**CERTIFICATE OF REPORTER
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I do hereby certify that the witness in the foregoing transcript was taken on the date, and at the time and place set out on the Title page here of by me after first being duly sworn to testify the truth, the whole truth, and nothing but the truth; and that the said matter was recorded stenographically and mechanically by me and then reduced to type written form under my direction, and constitutes a true record of the transcript as taken, all to the best of my skill and ability. I certify that I am not a relative or employee of either counsel, and that I am in no way interested financially, directly or indirectly, in this action.

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