

ITEM 1

Agenda of August 21, 2014

**TO: Board of Directors
Sacramento Area Flood Control Agency**

**FROM: Richard M. Johnson, Executive Director
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SUBJECT: EXECUTIVE DIRECTOR'S REPORT FOR AUGUST 21, 2014

American River Watershed, Common Features Project, Natomas Basin

As part of the June 19th Board package, I gave the Board a document outlining the next steps for the American River Watershed, Common Features Project, Natomas Basin (Natomas Basin Project) now that an authorization has been signed into law. We have been working closely with the State of California Department of Water Resources (DWR) and the U.S. Army Corps of Engineers (USACE) to get things started. I want to update you on these activities.

Management

We have established the Sacramento Area Projects Oversight Management Group, consisting of the senior leadership from the USACE, DWR, the State of California Central Valley Flood Protection Board, SAFCA, and the West Sacramento Area Flood Control Agency. It was patterned after the Folsom Dam Oversight Management Group. This leadership group will meet every third Thursday morning. The leadership group is set up to cover the Natomas Project, the American River Common Features 1996/1999 construction, the American River Common Features General Reevaluation Report, and the West Sacramento General Reevaluation Report. Other projects may be covered as appropriate and as required in the future. The purpose of the leadership group is to hold the project teams responsible for reporting progress and issues to management on a monthly basis, to provide direction to project teams, and discuss and resolve issues that the project teams cannot resolve. We are formalizing this effort with a charter which serves as a commitment by all the agencies to make this process successful and lays out the process the group will follow.

Amendment to the Project Cooperation Agreement for the American River Watershed Common Features Project

As explained in the June 19th report, before construction is able to start a formal cost sharing agreement has to be executed. Since the Natomas Project was authorized as a modification of the American River Watershed Common Features Project, the Project

Cooperation Agreement for that project will be amended. The State of California is the non-Federal sponsor for the American River Watershed Common Features Project. SAFCA and the State entered into a Local Project Cooperation Agreement (LPCA) for the American River Watershed Common Features Project to detail how the non-Federal responsibilities and cost sharing are divided up. That LPCA will also have to be amended to add the Natomas work.

The State and SAFCA developed a draft Amendment to cover the Natomas Basin Project and have submitted it to the USACE Sacramento District (District) for its review. Once the District and the sponsors reach agreement locally on the contents, it then has to go through the review and approval chain at the USACE including Division and Headquarters. The final approval is by Assistant Secretary of the Army in Washington D.C.

Federal Credits

As also explained in the June 19th report, the non-Federal sponsors intend to pay the non-Federal share for most of the rest of the work to complete the Natomas Basin Project utilizing Federal credits. As previously explained, the credits have only been approved in concept. Before the credits can be utilized as the non-Federal cost share, credit packages have to be submitted, reviewed, and approved by the USACE. The State and SAFCA have submitted to the USACE a draft of the first crediting package to receive USACE agreement as to the content and format of the credit packages.

There are some additional issues that need to be worked through with the USACE to determine the amount of credits the non-Federal sponsors will receive and if any more cash will be required from the non-Federal sponsors. The two main issues revolve around (1) whether the American River Watershed Common Features, Basin Project as modified by the additional Natomas work, is considered one project; and (2) how the lands, easements, rights of way, relocations and disposal (LERRD) requirements are to be handled. We continue to work with the USACE to resolve these issues.

Design Agreement

At the April 17th Board meeting, the Board approved a design agreement with the USACE. The design agreement has been executed and the non-Federal funds have been provided to the USACE. Design continues to progress. However, some non-Federal credits will have to be approved before a significant amount of additional Federal money can be spent on additional design work.

Schedule

As the above mentioned issues are sorted out, the District, in coordination with the non-Federal sponsors, will develop a tentative schedule. Once we get through the administrative portions of the activities, the overall schedule will largely be driven by the

amount of Federal appropriations that are available and the ability to acquire the LERRD's.

Federal Appropriations Bill

On July 10th the U.S. House of Representatives passed the Fiscal Year 2015 Energy and Water Appropriations Bill. The U.S. Senate still has not acted on an appropriations bill, but we do have information on what the Senate Bill will likely contain.

Attachment 1 is a table that compares the FY 2015 President's Budget Request, the amount in the House of Representatives' Appropriations Bill and the amounts in the draft Senate Bill. The FY 2014 information is also included for comparison purposes.

The Senate Bill requires that the USACE uniformly apply an unspecified "Savings and Slippage" reduction. Once set, this will reduce the amount of funding each of the projects will receive.

Additionally, the House and Senate both provided additional funding for flood damage reduction projects for the USACE to develop a "Work Plan" on how to spend the additional funding, similar to what has been done the last couple of years. The House and Senate both provided an additional \$8 million under "Investigations" but they differ on the amount of additional funding under "Construction," with the House providing \$140 million and the Senate \$50 million.

The Senate Bill allowed for six new construction starts while the House Bill does not allow for any.