July 27, 2009

TO: Interested Parties

FROM: Stein M. Buer, Executive Director
SAFCA

SUBJECT: NATOMAS LEVEE IMPROVEMENT PROGRAM (NLIP) UPDATE

Summary

This update includes a status of Natomas Levee Improvement Program funding, construction, design and permitting activities, and the Sacramento River East Levee encroachment documentation and evaluation efforts as of July 17, 2009.

Implementation of the NLIP is moving forward on schedule with a recent commitment by the State Department of Water Resources of $100 million in State funding and disbursement of $42.5 million to SAFCA for expedited execution of 2009 Program activities.

Construction on the Natomas Cross Canal South Levee Phase 2 and Sacramento River East Levee Phase 1 (Reach 1) Project - Contract 3980 is well underway.

On July 2, SAFCA opened bids on the next construction contract, Sacramento River East Levee Phase 1B (Reaches 2 Through 4B), Elkhorn Irrigation Canal Phase 1 Relocation and Giant Garter Snake/Drainage Canal Phase 1 Construction Project, Contract 4032. The low bid was approximately $20.7 million, about $14 million below the engineer’s estimate. The competitive bidding environment has been a significant benefit to the Program and may help compensate for cost escalations due to design upgrades necessitated by changing U.S. Army Corps of Engineers (Corps) vegetation management standards, new geotechnical information, and more stringent engineering standards since the Program’s inception in July 2006.

In anticipation of the need to fully comply with FEMA 100-year certification requirements, the team is moving forward with mapping and evaluating encroachments along the existing levee system to determine if any may need to be modified or removed in order to achieve certification. A draft report is scheduled for public review in September 2009.
Program Authorization and Funding Update/Early Implementation

In a dramatic departure from the traditional approach to providing improved flood protection, with a strong focus on early implementation, SAFCA initiated the planning of the massive Natomas Levee Improvement Program in July 2006 without Congressional authorization or an assurance of State funding participation. The intention was a plan to turn Program execution over to the Corps and the State as soon as they were authorized and funded to step in.

In November 2006, the State voters approved Proposition 1E and Proposition 84, which committed the State to providing approximately $5 billion in funding for statewide flood system improvements, including improved flood protection for the Sacramento region.

In April 2007, SAFCA established, with an 82 percent affirmative vote by property owners, the Consolidated Capital Assessment District (CCAD), to provide the local share of funds needed to complete 200-year flood improvements.

Subsequently, in October 2007, the State Legislature unanimously approved, and the Governor signed into law, SB 276 (Steinberg D-Sacramento), which authorized SAFCA’s 200-year flood improvements program, including NLIP.

In May 2008, SAFCA established a Development Impact Fee Program to help fund incremental flood protection improvements as new development occurs.

From inception of the Program, SAFCA has sought to expedite implementation on multiple fronts:

- Working with the Corps to execute a General Re-Evaluation Report to establish federal cost sharing for SAFCA’s 200-year plan
- Working with Congress to seek early authorization for NLIP
- Working with the State to obtain its share of non-federal costs
- Working with its consultant team to execute planning, permitting, design, right-of-way acquisition, and construction of the program features

As described in SAFCA’s Final Engineer’s Report (CCAD, April 19, 2007), SAFCA anticipated constructing, with State cost-sharing support, 100-year flood improvements by the end of 2011. The Program would then be turned over to the Corps for completion of the remaining work required to achieve 200-year flood protection. SAFCA and the State would accrue credit against future federal cost sharing requirements that would be realized, once the Program is federally authorized, in accordance with provisions of Section 104 of the Water Resources Development Act (WRDA) of 1986.

Since that time, the fundamental design was altered from a “fix-in-place” to “construct adjacent setback levee” concept in response to changing federal regulations, a major design change leading to significantly increased costs. More stringent engineering design criteria and new geotechnical
information have contributed to cost escalation as well, leading to an increase in the estimated Program cost from $414 million in July 2006, to $618 million at present. The estimated cost of achieving 100-year flood protection has escalated from the original estimate of $272.9 million to $580 million, which is beyond the capabilities of the combined resources of SAFCA and the State.

Under these circumstances, SAFCA and the State will not be able to achieve 100-year certification without direct federal participation, as originally planned and scheduled. Instead, the current plan is for SAFCA to complete Program Phases 1 through 4a, which entails levee construction along the Natomas Cross Canal and Sacramento River East Levee from Reach 1 through 15. This may be sufficient to achieve a FEMA map designation of A99 for the Natomas Basin by June 2011.

Despite the fact that State funding for the Program is fully authorized under SB 276 and State funds authorized by Propositions 1E and 84 totaling $245.0 million have been appropriated, State funding has been, up until recently, held up due to the State’s budget crisis and inability to sell bonds. Earlier this year, the State successfully marketed more than $13 billion in bonds for capital outlay projects. Statewide. About 7,000 projects are competing for those funds.

SAFCA is very appreciative that the importance of NLIP to the safety and economic future of the Sacramento region has been recognized by both the Legislative leadership and Administration. Thanks to close coordination and support from Senator Darrell Steinberg and the State Department of Water Resources, SAFCA has recently received $42.5 million in Program reimbursements and advances, and an assurance of $100 million allocation to the Program for anticipated 2009 expenditures.

Since SAFCA has already expended over $100 million to advance execution of the program prior to receipt of significant State funds, we will need timely reimbursement for nearly 100 percent of future expenditures to achieve the 70%-30% State-SAFCA cost sharing ratio authorized by SB 276. SAFCA currently estimates that the combined State and SAFCA expenditures of $345 million will be sufficient to complete Program Phases 1 through 4a.

Status of Construction Efforts

Natomas Cross Canal (NCC) Phase 2/SREL Phase 1 - Construction Update

Teichert Construction began degrading the NCC south levee during the week of June 8, 2009. Installation of the soil bentonite cutoff wall is underway with three separate construction headings. Two of the headings, working west of Highway 99, are utilizing two 12-hour shifts, one daytime and one nighttime. The third heading, working east of Highway 99, is working only a daytime shift.

To date, approximately 350,000 square feet of the total 1,239,000 square feet of slurry cutoff wall has been installed for the NCC portion of the Project. Teichert’s grading crews are currently working on the degrade and embankment portions of the NCC south levee and have moved approximately 160,000 cubic yards of the total 167,000 cubic yards of levee degrade for this portion of the project.
The Sacramento River East Levee Phase 1 (Reach 1) portion of the contract is currently undergoing "clearing and grubbing" operations in preparation for the cutoff wall and embankment work. PG&E and AT&T utility poles located along the east side of the Garden Highway, at the landside toe of the existing levee, require relocation prior to the commencement of the cutoff wall construction. SAFCA anticipates that the relocation efforts will commence at the end of July. Completion of utility relocations is anticipated in late August, subject to response time by AT&T.

Sacramento River East Levee (SREL) Phase 1B (Reaches 2-4B), Elkhorn Irrigation Canal Phase 1 and Giant Garter Snake / Drainage Canal Phase 1

The NLIP Phase 1B contract includes levee construction along the Sacramento River east levee from Reaches 2-4B and construction of the first phase of irrigation canal relocations. SAFCA staff opened a total of seven bids on July 2, 2009. The bids are as follows:

- Independent Construction $20,727,121
- DeSilva Gates Construction $22,983,964
- Ford Construction $23,663,633
- Nordic Industries $25,550,304
- Teichert Construction $25,797,861
- Wood Brothers $29,911,842
- Flat Iron Construction $31,730,969

- Engineer’s Estimate $34,711,555

As shown above, the low bid was approximately $20.7 million, about $14 million below the engineer’s estimate. The SAFCA Board awarded the contract to the low bidder, Independent Construction, on July 16, 2009. The contractor should begin mobilization within the next few weeks. Once submitted by the contractor, a detailed construction schedule will be mailed to property owners located adjacent to the construction area.

Work in Progress/Public Updates

SAFCA currently posts weekly updates on its website (www.safca.org/NLIP%20Construction.html) to inform the public of current and pending activities in the community including anticipated working hours and impacts on traffic.

Status of Mitigation Efforts

Planting of the Phase 2 woodland mitigation sites at the Lausevic and Cummings North properties has been completed. Approximately 40 acres of new woodland habitat has been created. SAFCA’s habitat restoration contractor will now maintain the mitigation sites for the next three to five years during the woodland establishment period.
Upcoming woodland mitigation planning efforts are focused on completing plans and specifications for the Phase 2 woodland corridor, and the Rio Ramaza properties acquired from the County of Sacramento. These sites are scheduled for planting in the fall of 2009 and 2010 respectively.

**SREL Encroachment Report Update**

The initial data collection effort for the encroachment survey on the Sacramento River east levee in Natoma has been completed and the team is now in the process of working with RD 1000, the Corps and the Central Valley Flood Protection Board (CVFPB) to develop criteria for evaluating encroachments and determining which encroachments are allowable encroachments, based on the adjacent levee design configuration. It is anticipated that these criteria will be crafted to assure that the waterside slope of the levee system can be inspected, maintained, and accessed for flood fighting purposes.

The SAFCA team will then screen all of the encroachments based on the criteria agreed to by the agencies. The results of this process will be documented in the form of a GIS-based database and a report summarizing the data, the initial screening process, and the results. The first draft of the report is scheduled to be available in September, 2009. The report will then be made available to affected property owners, local, state and federal agencies, and the public. SAFCA will then work with individual property owners and RD 1000 to address any encroachment concerns before finalizing the report. SAFCA’s goal is to achieve the Program public safety goals, including 100-year certification of the upgraded levee system, with minimum disruption for existing property owners.

Based on preliminary evaluations of the draft database, staff believes that only a small percentage of the existing encroachments will need to be modified or removed along the Garden Highway because the adjacent setback levee will provide the primary structural defense against floodwaters.

**NEPA/CEQA and Permitting Update**

**Phase 3 Project Update**

The Phase 3 Project Environmental Impact Report was certified by the SAFCA Board on May 21, 2009. The administrative draft Environmental Impact Statement is undergoing Corps Headquarters review. A record of decision is scheduled to be signed in September 2009.

On July 6, 2009, the SAFCA Executive Director submitted a Section 104 credit request to the CVFPB for the NLIP Phase 3a Project. The Phase 3a Project includes the irrigation and drainage canal relocations located in Sacramento River East Levee Reaches 6-9A.

**Phase 4a Project Update**

The Phase 4a Project includes the Sacramento River East Levee Reaches 10-15 and work on the Natoma Cross Canal South Levee at the Bennett and Northern Main Pump Stations. The administrative draft EIS/EIR is undergoing review by Corps Headquarters. The draft is scheduled for release to the
public in August 2009. The Phase 4a Project construction contracts will be ready for award in early 2010.

Further Information

SAFCA regularly updates its NLIP website which can be found at www.safca.org, click on “SAFCA Projects”, “Natomas Levee Improvement Program”. In addition, Gualco Consulting has been assigned to respond to questions and comments by the community. Please feel free to contact Barbara Gualco or Jay Davis by telephone at (916) 351-0600 or by email at jdavis@gualco.com if you would like additional information about NLIP.

Attachment: Construction Phasing Map