



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108
APR 13 2011

Honorable Joseph R. Biden, Jr.
President of the Senate
U.S. Capitol Building, Room S-212
Washington, D.C. 20510-0012

Dear Mr. President:

The Secretary of the Army recommends authorization of the Caloosahatchee River (C-43) West Basin Storage Reservoir project in Hendry County, Florida, for the purposes of ecosystem restoration and recreation. The project would be a major step in the modification of the Central and Southern Florida (C&SF) project to help restore, preserve, and protect the South Florida ecosystem, while providing for other water-related needs of the region. The project is described in the reports of the Chief of Engineers, dated March 11, 2010, and January 6, 2011, and the Integrated Project Implementation Report and Environmental Impact Statement, dated September 2007 (revised March 2010 and November 2010), which contain other pertinent documents. The views of the South Florida Water Management District (SFWMD), the State of Florida, the Department of the Interior, and the Environmental Protection Agency are set forth in the enclosed report.

The reports are submitted in accordance with Section 601(d) of the Water Resources Development Act (WRDA) of 2000, which requires the submission of a report and authorization of various features of the Comprehensive Everglades Restoration Plan (CERP). The recommended C-43 project is a feature of the CERP, which was approved by Section 601(b)(1) of the WRDA of 2000 as a framework for modifying the C&SF project. The Secretary of the Army plans to implement the C-43 project, as described herein, through the normal budget process at the appropriate time, considering national priorities, and the availability of funds.

The recommended C-43 project would significantly contribute to two CERP goals and objectives – improving habitat and functional quality, and improving native plant and animal species abundance and diversity. It would also contribute to the socioeconomic objective of providing incidental recreation and navigation opportunities. The reports identify the recommended ecosystem restoration improvements as an increment of a National Ecosystem Restoration (NER) Plan. We expect a future investigation of storage capabilities in the eastern portion of the watershed to incorporate the results of these reports and identify the NER Plan for the entire Caloosahatchee River watershed.

The recommended project would improve the ecological function of the Caloosahatchee Estuary by capturing and storing excess surface water runoff from the Caloosahatchee River watershed and excess releases from Lake Okeechobee, and



then releasing the stored water to augment inadequate flows during the dry season. These operations would reduce extreme changes in salinity in the estuary caused by extreme high and low flows in the river, and thereby create more stable aquatic habitat. The project is located on 10,700 acres of farm land near the Caloosahatchee River in Hendry County. The ecosystem restoration features include the construction of a 170,000 acre-foot reservoir within an embankment up to 37-feet high and a canal around the embankment perimeter. The new canal is necessary to continue operating existing canals at the site. Water would be moved by a 1500-cfs pump station and controlled by appurtenant spillways, culverts, outlets and other minor structures. Recreation features include a 12-mile-long trail on the embankment, a parking area, toilets, a kiosk, a boat ramp, a shade structure, fencing, and a foot bridge over the canal.

Based on October 2010 price levels, the estimated first cost of the recommended project is \$579,599,000, which includes \$576,643,000 for ecosystem restoration. In accordance with Section 601(e) of the WRDA of 2000, the Federal and non-Federal shares of the first cost for ecosystem restoration are \$288,322,000 each. Based on a discount rate of 4.125 percent and a 40-year period of analysis, the equivalent average annual cost is \$35,275,000, which includes the operation, maintenance, repair, rehabilitation, and replacement (OMRR&R) estimated at \$3,160,000 annually. The OMRR&R estimate includes about \$680,000 for monitoring water quality impacts. Ecological monitoring would be funded separately under the CERP Monitoring and Assessment Plan. In accordance with Section 601(e)(4), OMRR&R activities for ecosystem restoration are a non-Federal responsibility for implementation, but are cost shared equally between the Federal Government and the non-Federal sponsor. The estimated first cost of lands, easements, rights-of-way, relocations, and disposal areas for the recommended project is \$84,650,000. The State of Florida has purchased 12,372 acres in the immediate area with funding provided by the Department of the Interior at a total cost of \$32,800,000, of which about \$27,567,000 was for acquiring lands required for this project. The latter amount is considered a Federal expenditure for cost sharing purposes since the funds were provided by the Federal government.

The project would also provide recreation opportunities incidental to ecosystem restoration. The estimated first cost of the recommended project includes \$2,956,000 for recreation features. The Federal and the non-Federal shares of the first cost of the recreation features are \$1,478,000 each in accordance with Section 103(c) of the WRDA of 1986. The equivalent average annual cost for recreation is \$225,000, which includes \$25,000 for annual OMRR&R. All of the OMRR&R for recreation is a non-Federal responsibility in accordance with Section 103(j) of WRDA 1986. The estimated average annual benefit for recreation is \$384,000, resulting in net average annual benefits of about \$159,000 and a benefit-to-cost ratio of about 1.7.

The estimated total Federal and non-Federal shares of the first cost of the project are \$289,800,000 each. The total equivalent average annual cost is \$35,500,000, which includes the total OMRR&R of about \$3,185,000 annually.

Cost effectiveness and incremental cost analysis techniques were used to ensure that an appropriate ecosystem restoration plan was recommended. The recommended plan would improve the quality, quantity, and timing of flows in the lower Caloosahatchee River, which in turn would restore more natural hydrologic conditions and vegetative communities for fish and wildlife, including several endangered species, in the 71,000-acre Caloosahatchee Estuary. The plan would produce an average annual increase of 12,809 habitat units in the Caloosahatchee Estuary. As the next-added increment to CERP, the plan would deliver about 15,300 average annual habitat units. The ecosystem restoration first cost is about \$8,200 for each acre of estuary restored.

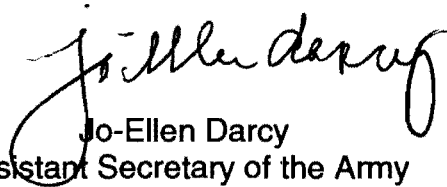
The benefits to fish and wildlife habitat would be significant. The Caloosahatchee watershed and estuary are key components of the south Florida everglades ecosystem. The Everglades was designated as an International Biosphere Reserve (1976) and a World Heritage Site (1979) by the United Nations Educational, Scientific, and Cultural Organization (UNESCO), and a Wetland of International Importance (1987) in accordance with the Ramsar Convention. The portion of the Everglades ecosystem directly affected by the recommended plan, including the project site and the Caloosahatchee River and Estuary, provides habitat for 21 Federally-listed endangered or threatened species, including the Florida panther, Everglades snail kite, wood stork, manatee, eastern indigo snake, Audubon's crested caracara and five species of sea turtles.

The SFWMD would be the non-Federal project sponsor and is legally capable of fulfilling those responsibilities. In accordance with Sections 601(h)(4(A)(iii)(IV) and (V) of the WRDA of 2000, the SFWMD would be responsible for reserving available water and additional water made available by the project that would be necessary to achieve the project's restoration goals and objectives. The report states that the State of Florida will reserve or allocate for the natural system the additional water made available by the project. The project would not provide additional water for water supply or other water-related needs in the watershed. It also would not reduce levels of service for flood protection in accordance with Section 601(h)(5)(B) of the WRDA of 2000.

Section 601(e)(5)(B) of the WRDA of 2000 authorizes credit toward the non-Federal share for non-Federal design and construction work completed during the period of design or construction, subject to the execution of the design or project partnership agreement, and subject to a determination by the Secretary that the work is integral to the project. The non-Federal sponsor intends to design and construct portions of this project and seek credit under this authority. The sponsor executed a Pre-Partnership Credit Agreement with the Department of the Army on August 13, 2009, which enables credit for certain work completed prior to an authorization of the project by the Congress and the execution of a project partnership agreement. The actual amount of credit to be afforded will be subject to audit and a determination that the work has been constructed in accordance with applicable Federal and State laws.

The Office of Management and Budget (OMB) advises that there is no objection to the submission of the report to Congress and concludes that the report recommendation is consistent with the policy and programs of the President. A copy of OMB's letter dated March 18, 2011, is enclosed. I am providing a copy of my letter to the Senate Committee on Appropriations' Subcommittee on Energy and Water Development, and the Senate Committee on Environment and Public Work's Subcommittee on Transportation and Infrastructure. I am providing an identical letter to the Speaker of the House of Representatives.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jo-Ellen Darcy". The signature is written in a cursive style with a large, looping initial "J".

Jo-Ellen Darcy
Assistant Secretary of the Army
(Civil Works)

Enclosures