

## MEMORANDUM

**TO:** Governing Board Members

**FROM:** Kenneth G. Ammon, P.E., Deputy Executive Director,  
Everglades Restoration Resource Area

**DATE:** August 4, 2009

**SUBJECT:** Project Partnership Agreement for the Picayune Strand Restoration Project – Contract Number 4600001760

**Background:** Staff requests Governing Board approval to enter into a Project Partnership Agreement with the U.S. Department of the Army for the construction, operation, maintenance, repair, replacement and rehabilitation of the Picayune Strand Restoration Project, a component of the Comprehensive Everglades Restoration Plan (CERP). This Agreement, coupled with the Master Agreement for CERP (Contract No. 4600001759), specifies the terms and conditions for implementation responsibilities and cost-share for the Project. The estimated construction cost, including the cost of acquiring lands needed for the Project, is \$438,000,000. The estimated annual cost of operations and maintenance for the Project is \$3.7 million once all phases of construction are completed and the Project is fully operational.

Pursuant to Section 902 of the Water Resources Development Act of 1986 (Public Law 99-662), the Project Partnership Agreement allows the total project cost to increase by the total of: a) 20 percent of the total project cost authorized by Congress (\$375,330,000) to accommodate changes in design, additional land requirements, and construction of additional features that the parties agree are necessary and do not change the scope of the authorized project; and b) inflation through the period of construction. The maximum allowable project cost, without further authorization from Congress, is currently \$571,000,000. This calculation is based on the Corps' current implementation and funding schedule which anticipates completion of construction in 2018.

Between 2004 and 2007, SFWMD constructed features of the Picayune Strand Restoration Project at a cost of approximately \$15 million. Subject to Governing Board approval and execution of a Pre-Partnership Credit Agreement with the U.S. Department of the Army (Contract No. 4600001761), the SFWMD is eligible to receive credit for these early construction costs toward SFWMD's required 50 percent cost share under this Project Partnership Agreement.

The Florida Department of Environmental Protection, on behalf of the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida (Board of Trustees), has acquired over 55,000 acres of lands needed for the Picayune Strand Restoration Project and continues to acquire additional parcels needed. Subject to Governing Board approval and execution of a Cooperative Agreement between the Board of Trustees and the SFWMD (Contract No. 4600001758), the SFWMD will receive credit under the Project Partnership Agreement with the Army for Florida Department of

Environmental Protection's expenditures on lands for the Project, estimated to be approximately \$160,000,000.

The Governing Board approved entering into the Project Partnership Agreement on June 11, 2009. However, because of the numerous changes to the Agreement that have been negotiated with the U. S. Department of the Army since that date, staff is requesting that the Governing Board approve the revised Project Partnership Agreement.

**How this helps meet the District's 10-Year Strategic Plan:** This Agreement will initiate the Army's efforts on restoration construction on CERP, which is a major component of the Strategic Plan.

**Funding Source:** At this time, no cash contributions are anticipated for the project assuming that additional Project Partnership Agreements are executed that provide for transfer of District credit among projects. Potential exceptions are discussed below. The State will continue to expend funds for land acquisition and the SFWMD's contributions will be funding for contracts covering permit-required monitoring and staff time for project management, project coordination and quality assurance oversight during construction. Any additional funding by the South Florida Water Management District would be subject to Governing Board approval of future fiscal year budgets.

**This Board item impacts what areas of the District, both resource areas and geography:** The restoration benefits of this project will primarily impact Southwest Florida, including the Picayune Strand State Forest, the Ten Thousand Island National Wildlife Refuge and Fakahatchee Strand State Preserve. Staff from the Everglades Restoration Resource Area will manage the contract.

**What concerns could this Board item raise?** If this Agreement is approved and no other CERP Project Partnership Agreements are executed between the SFWMD and the U.S. Department of the Army within a five-year period, or if the actual cost of construction increases substantially, a cash contribution or additional in-kind construction by the SFWMD may be required to maintain the 50-50 cost-share balance.

Another concern is the potential for project cost growth above the estimated project construction cost of \$438,000,000, which may result from inflation, changes in design, additional land requirements, or construction of additional features that the parties agree are necessary. Staff will keep the Governing Board apprised of increases in total estimated project construction costs over time, along with the basis for these cost increases. The Project Partnership Agreement provides for the option of deferring award of a contract that would increase total project construction costs above the \$438 million estimate until the parties decide on how to proceed.

**Why should the Governing Board approve this item?** The Governing Board should approve this Agreement so the U.S. Army Corps of Engineers will be authorized to initiate construction of the Picayune Strand Restoration Project.