



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

OCT 01 2007

Honorable Richard Cheney  
President of the Senate  
U.S. Capitol Building, Room S-212  
Washington, D.C. 20510-0012

Dear Mr. President:

Study authority for Lower Colorado River Basin, Phase I, Texas is contained in resolutions by the Committee on Commerce, United States Senate, adopted August 4, 1936, and the River and Harbor Acts approved August 26, 1937 and March 2, 1945, respectively. In addition, the Onion Creek portion of this report is in partial response to a resolution by the Committee on Transportation and Infrastructure of the United States House of Representatives adopted May 6, 1998. These resolutions and Acts requested examinations and surveys, and a review of reports to be made for the Colorado River and Onion Creek for flood damage reduction, environmental restoration and protection, and other related purposes. The proposal is described in the report of the Chief of Engineers dated December 31, 2006, which includes other pertinent reports and comments. The Secretary of the Army supports the authorization and plans to implement the project through the normal budget process at the appropriate time, considering national priorities and the availability of funds.

The recommended project is a plan for flood damage reduction, ecosystem restoration and recreation within the Lower Colorado River Basin. The Onion Creek component is located in the Austin vicinity, Travis County, Texas. The Onion Creek component is made up of the Timber Creek segment and the Onion Creek Forest/Yarrabee Bend segment. The Wharton component is located in Wharton County, Texas. Together, the proposed work at Timber Creek, Onion Creek Forest/Yarrabee Bend, and Wharton comprise the recommended plan for the Lower Colorado River Basin, Phase I, Texas.

### Timber Creek

The recommended plan for the Timber Creek segment of the Onion Creek component is a combined national economic development (NED) and national ecosystem restoration (NER) plan that optimizes flood damage reduction and recreation benefits relative to costs, while also providing cost effective increases in the ecosystem values in Travis County. The recommended plan would reduce flood damages, diminish the threat of loss of life, and preserve, and enhance the environmental resources of the area. The flood damage reduction measure within the Timber Creek segment consists of the acquisition and removal of



approximately 81 residential structures from the 4 percent annual chance of exceedance (25-year) floodplain. The vacated land would then be utilized for recreation and ecosystem restoration. Approximately 40 acres of the vacated lands would be converted to a park with policy compliant recreation features such as restrooms, picnic shelters, trails, and parking. The remaining vacated lands as well as land acquired solely for the purpose of ecosystem restoration would be used to restore approximately 16 acres to riparian woodlands. The non-Federal cost sharing sponsor for all of this work would be Travis County, Texas. The sponsor has requested recreation features estimated to cost about \$100,000, which will not be cost shared as the additional features exceed Corps policy for recreation cost sharing. Such additional features are referred to as "betterments."

Based on October 2006 price levels, the estimated first cost of the Timber Creek segment is about \$10,800,000. Based on the cost sharing laws associated with flood damage reduction, ecosystem restoration, and recreation, the Federal share of the estimated first cost of the Timber Creek segment is about \$6,730,000 and the non-Federal share is about \$4,070,000. Travis County would be responsible for the operation, maintenance, repair, replacement, and rehabilitation (OMRR&R) in the Timber Creek segment after construction. Flood damage reduction and recreation costs total \$10,480,000, including relocation assistance costs. Equivalent annual costs for the flood damage reduction and recreation measures, based on a discount rate of 4.875 percent and a 50-year period of analysis, are \$510,000. Estimated equivalent annual benefits for flood damage reduction and recreation are \$870,000, and net annual benefits are \$360,000. The ratio of benefits-to-costs is 1.7. The estimated first cost of ecosystem restoration for 16 acres of riparian woodlands in the Timber Creek segment is \$320,000. This would be a cost of approximately \$20,000 per acre. The project would result in a net increase of 5.9 habitat units at a cost of \$3,600 per average annual habitat unit. Since outputs for the ecosystem restoration measures are not measured in monetary units, the costs for these measures are not included in the estimated equivalent annual costs shown above.

#### Onion Creek Forest/Yarrabee Bend

The recommended plan for the Onion Creek Forest/Yarrabee Bend segment of the Onion Creek component is also a combined NED/NER plan that optimizes flood damage reduction and recreation benefits relative to costs while providing cost effective increases in the ecosystem value in the City of Austin. The recommended plan would reduce flood damages, diminish the threat of loss of life, and preserve and enhance the environmental resources of the area. The flood damage reduction measures include the acquisition and removal of approximately 410 residential structures from the 4 percent annual chance of exceedance (25-year) floodplain. The vacated land would then be utilized for recreation and ecosystem restoration. Approximately 100 acres of the vacated lands would be converted to a park with policy compliant recreation features such

as restrooms, picnic shelters, trails, and parking. The remaining vacated lands as well as lands acquired solely for the purpose of ecosystem restoration would be used to restore approximately 190 acres of riparian woodlands. The non-Federal cost sharing sponsor for this work would be the City of Austin, Texas. The sponsor has requested additional recreation betterments estimated to cost about \$420,000, which will not be cost shared as the additional features exceed Corps policy for recreation cost sharing.

Based on October 2006 price levels, the estimated first cost of the recommended plan for the Onion Creek Forest/Yarrabee Bend segment is \$72,360,000. In accordance with the cost sharing laws associated with flood damage reduction, ecosystem restoration, and recreation, the Federal share of the estimated first cost of the Onion Creek Forest/Yarrabee Bend segment is about \$46,210,000 and the non-Federal share is about \$26,150,000. The City of Austin, Texas would be the non-Federal cost sharing sponsor for this segment and be responsible for OMRR&R. Flood damage reduction and recreation costs total \$68,070,000, including relocation assistance costs. Equivalent average annual costs for the flood damage reduction and recreation measures, based on a discount rate of 4.875 percent and a 50-year period of analysis, are \$3,410,000. Estimated equivalent annual benefits for flood damage reduction and recreation are \$5,270,000, and net annual benefits are \$1,860,000. The ratio of benefits-to-costs is 1.5. The estimated first cost of ecosystem restoration for 190 acres of riparian woodlands in the Onion Creek Forest/Yarrabee Bend segment is \$4,290,000. This would be a cost of approximately \$23,000 per acre. The project would result in a net increase of about 57 habitat units at a cost of approximately \$4,900 per average annual habitat unit. Since outputs for the ecosystem restoration measures are not measured in monetary units, the costs for these measures are not included in the estimated equivalent annual costs shown above.

In addition to participating with the Corps for a solution to the water resource problems in the Onion Creek component, the Federal Emergency Management Agency's (FEMA) Hazard Mitigation Grant Program (HMGP) is being utilized. A HMGP in the Timber Creek segment was completed in August 2003 with 40 relocations. For the Onion Creek Forest/Yarrabee Bend segment, a HMGP application was approved on June 16, 2006, for an amount up to \$6,256,000 for purchase of up to 118 selected homes in the Onion Creek Forest area. These buyouts are to be performed only on a willing seller basis, and must be completed by June 16, 2008. This HMGP program is cost shared at the rate of 75 percent Federal and 25 percent non-Federal. The Corps estimates that not all of the selected homes could be purchased under this grant program. The exact number will not be known until the program expires. However, this action would reduce the Corps' project by an unknown amount. The lands that have been, or may be acquired by the sponsor for the HMGP will not be credited against the lands that the sponsor must provide for the Corps project and the cost of these lands will not be included in the total project cost. However, the

recommended recreation features for these lands would be cost shared and the cost of these features would be included in the total project cost. I approved an exception to policy to allow for the development of a comprehensive integrated recreation plan using both Corps project lands and lands purchased by the non-Federal sponsors using FEMA funds in a December 11, 2006 memorandum to the Director of Civil Works.

As provided in Section 104 of the Water Resources Development Act (WRDA) of 1986 (P.L. 99-662), the reporting officers recommend that the non-Federal sponsor, the City of Austin, receive credit for advance implementation of a portion of the flood damage reduction project. The credit would be for the removal of approximately 250 structures located within the 25-year floodplain of Onion Creek Forest/Yarrabee Bend Community. The city plans to remove these structures prior to project authorization. The Corps has certified that the city has met the requirements for credit under Section 104, that removal of these structures would be separately useful for flood damage reduction, integral to the Federal project, environmentally acceptable, economically justified, and urgently needed to mitigate flood damages. The city had previously removed 43 structures and as such these structures would not be eligible for credit under Section 104. The estimated cost for the structures that would meet the Section 104 requirements is about \$3,500,000. The amount of credit would be the lesser of cost that the Government would have incurred for the work or the actual costs subject to audit for reasonableness, allocability, allowability, and auditability. However, in no instance would the credit applied exceed the value of any additional cash that may be required beyond the 5 percent of the total project cost for structural flood control; lands, easements, rights-of-way, relocations, and disposal areas; or 45 percent of total project costs for flood control. I determined that this work is eligible for credit on September 14, 2006, contingent upon the requirements of Section 104 and project authorization.

For both segments of the Onion Creek component, mitigation of impacts to the environment are not required as the project by its very nature would be a positive contribution to the fish and wildlife resources of the area.

#### Wharton

The recommended plan for the Wharton component is the NED plan for flood damage reduction with a betterment for interior drainage facilities. The flood damage reduction measures along the Colorado River and two smaller streams, Baughman Slough and Caney Creek, in the City of Wharton, Texas, include approximately 26,900 feet of levees, 2,280 feet of floodwalls, 7,000 feet of channel modifications, and interior drainage features. Based on a preliminary assessment of the interior drainage facilities, some aspects of the facilities are larger in scale than that which would be in the Federal interest. The non-Federal sponsor has agreed to pay 100 percent of the cost of interior drainage facilities that are larger than required to meet Federal standards and are thus referred to

as a betterment. Further refinement of the project during preconstruction engineering and design may result in alterations to the interior facilities as well as other project features. The flood damage reduction plan for the City of Wharton would effectively remove the vast majority of the city from the 1 percent annual chance of exceedance (100-year) floodplain. For the Wharton component, the project utilizes the project's sump areas to mitigate the impacts of the project. The impacts on 65 acres of woodlands would be offset by planting trees on 84 acres within project sump areas, while the impacts to 10 acres of wetlands would be offset by establishing wetland habitat on 10 acres of the sump areas.

Based on October 2006 price levels, the estimated first cost of the NED Plan for the Wharton component is \$25,690,000, with a Federal share of \$16,700,000 and a non-Federal share of \$8,990,000. A preliminary estimate of the first cost of the betterment for interior drainage facilities is \$1,880,000, which would be a 100 percent non-Federal cost. As such, the recommended NED Plan with a betterment would have an estimated first cost of \$27,570,000, with a Federal share of \$16,700,000 and non-Federal share of \$10,870,000. The City of Wharton, Texas would be the non-Federal cost sharing sponsor for all features of the recommended plan in the Wharton area. The City of Wharton would also be responsible for the OMRR&R of the Wharton component after construction. Equivalent annual costs for the Wharton component, based on a discount rate of 4.875 percent and a 50-year period of analysis are estimated at \$1,620,000. Equivalent annual benefits are estimated at \$4,300,000. This results in equivalent annual net benefits of \$2,680,000, and a benefit-to-cost ratio of 2.7.

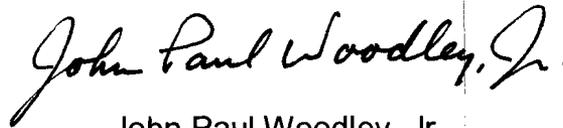
As provided in Section 104 of WRDA 1986, the reporting officers recommend that the non-Federal sponsor, the City of Wharton, Texas, receive credit for advance implementation of a portion of the flood damage reduction project. The credit would be for the construction of improvements to Santa Fe Ditch to alleviate significant flood damages to the city. The Corps has certified that the city has met the requirements for credit under Section 104, and that the work is likely to be separately useful for flood damage reduction, integral to the Federal project, environmentally acceptable, economically justified, and urgently needed to mitigate flood damages. The estimated cost of this work is about \$2,900,000. The amount of credit would be the lesser of cost that the Government would have incurred for the work or the actual costs subject to audit for reasonableness, allocability, allowability, and auditability. However, in no instance would the credit applied exceed the value of any additional cash that may be required beyond the 5 percent of the total project cost for structural flood control; lands, easements, rights-of-way, relocations, and disposal areas; or 45 percent of total project costs for flood control. I determined that this work is eligible for credit on January 25, 2006, contingent upon the requirements of Section 104 and project authorization.

Lower Colorado River Basin Phase I

The total first cost of all components and segments of the Lower Colorado River Basin Phase I project, based on October 2006 price levels, is estimated to be \$110,730,000. The estimated total first cost of the overall recommended project is approximately \$100,480,000 for flood damage reduction, \$4,610,000 for ecosystem restoration, and \$5,640,000 for recreation. This cost includes the 100 percent non-Federally funded betterments of \$100,000 for Timber Creek recreation features, \$420,000 for Onion Creek Forest/Yarrabee Bend recreation features, and \$1,880,000 for the Wharton component interior drainage betterment.

The Office of Management and Budget (OMB) advises that there is no objection to the submission of the report to Congress. The project is consistent with the policies and programs of the President. A copy of the OMB letter dated September 18, 2007 is enclosed. I am providing a copy of this transmittal and the OMB letter to the Senate Subcommittees on Energy and Water, and Transportation and Infrastructure in accordance with the requirements of the Fiscal Year 2006 Energy and Water Development Appropriations Act (P.L. 109-103).

Very truly yours,



John Paul Woodley, Jr.  
Assistant Secretary of the Army  
(Civil Works)

Enclosures



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
CIVIL WORKS  
108 ARMY PENTAGON  
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OCT 01 2007

Honorable Nancy Pelosi  
Speaker of the House  
of Representatives  
U.S. Capitol Building, Room H-232  
Washington, D.C. 20515-0001

Dear Madam Speaker:

Study authority for Lower Colorado River Basin, Phase I, Texas is contained in resolutions by the Committee on Commerce, United States Senate, adopted August 4, 1936, and the River and Harbor Acts approved August 26, 1937 and March 2, 1945, respectively. In addition, the Onion Creek portion of this report is in partial response to a resolution by the Committee on Transportation and Infrastructure of the United States House of Representatives adopted May 6, 1998. These resolutions and Acts requested examinations and surveys, and a review of reports to be made for the Colorado River and Onion Creek for flood damage reduction, environmental restoration and protection, and other related purposes. The proposal is described in the report of the Chief of Engineers dated December 31, 2006, which includes other pertinent reports and comments. The Secretary of the Army supports the authorization and plans to implement the project through the normal budget process at the appropriate time, considering national priorities and the availability of funds.

The recommended project is a plan for flood damage reduction, ecosystem restoration and recreation within the Lower Colorado River Basin. The Onion Creek component is located in the Austin vicinity, Travis County, Texas. The Onion Creek component is made up of the Timber Creek segment and the Onion Creek Forest/Yarrabee Bend segment. The Wharton component is located in Wharton County, Texas. Together, the proposed work at Timber Creek, Onion Creek Forest/Yarrabee Bend, and Wharton comprise the recommended plan for the Lower Colorado River Basin, Phase I, Texas.

### Timber Creek

The recommended plan for the Timber Creek segment of the Onion Creek component is a combined national economic development (NED) and national ecosystem restoration (NER) plan that optimizes flood damage reduction and recreation benefits relative to costs, while also providing cost effective increases in the ecosystem values in Travis County. The recommended plan would reduce flood damages, diminish the threat of loss of life, and preserve, and enhance the environmental resources of the area. The flood damage reduction measure



within the Timber Creek segment consists of the acquisition and removal of approximately 81 residential structures from the 4 percent annual chance of exceedance (25-year) floodplain. The vacated land would then be utilized for recreation and ecosystem restoration. Approximately 40 acres of the vacated lands would be converted to a park with policy compliant recreation features such as restrooms, picnic shelters, trails, and parking. The remaining vacated lands as well as land acquired solely for the purpose of ecosystem restoration would be used to restore approximately 16 acres to riparian woodlands. The non-Federal cost sharing sponsor for all of this work would be Travis County, Texas. The sponsor has requested recreation features estimated to cost about \$100,000, which will not be cost shared as the additional features exceed Corps policy for recreation cost sharing. Such additional features are referred to as "betterments."

Based on October 2006 price levels, the estimated first cost of the Timber Creek segment is about \$10,800,000. Based on the cost sharing laws associated with flood damage reduction, ecosystem restoration, and recreation, the Federal share of the estimated first cost of the Timber Creek segment is about \$6,730,000 and the non-Federal share is about \$4,070,000. Travis County would be responsible for the operation, maintenance, repair, replacement, and rehabilitation (OMRR&R) in the Timber Creek segment after construction. Flood damage reduction and recreation costs total \$10,480,000, including relocation assistance costs. Equivalent annual costs for the flood damage reduction and recreation measures, based on a discount rate of 4.875 percent and a 50-year period of analysis, are \$510,000. Estimated equivalent annual benefits for flood damage reduction and recreation are \$870,000, and net annual benefits are \$360,000. The ratio of benefits-to-costs is 1.7. The estimated first cost of ecosystem restoration for 16 acres of riparian woodlands in the Timber Creek segment is \$320,000. This would be a cost of approximately \$20,000 per acre. The project would result in a net increase of 5.9 habitat units at a cost of \$3,600 per average annual habitat unit. Since outputs for the ecosystem restoration measures are not measured in monetary units, the costs for these measures are not included in the estimated equivalent annual costs shown above.

#### Onion Creek Forest/Yarrabee Bend

The recommended plan for the Onion Creek Forest/Yarrabee Bend segment of the Onion Creek component is also a combined NED/NER plan that optimizes flood damage reduction and recreation benefits relative to costs while providing cost effective increases in the ecosystem value in the City of Austin. The recommended plan would reduce flood damages, diminish the threat of loss of life, and preserve and enhance the environmental resources of the area. The flood damage reduction measures include the acquisition and removal of approximately 410 residential structures from the 4 percent annual chance of exceedance (25-year) floodplain. The vacated land would then be utilized for recreation and ecosystem restoration. Approximately 100 acres of the vacated

lands would be converted to a park with policy compliant recreation features such as restrooms, picnic shelters, trails, and parking. The remaining vacated lands as well as lands acquired solely for the purpose of ecosystem restoration would be used to restore approximately 190 acres of riparian woodlands. The non-Federal cost sharing sponsor for this work would be the City of Austin, Texas. The sponsor has requested additional recreation betterments estimated to cost about \$420,000, which will not be cost shared as the additional features exceed Corps policy for recreation cost sharing.

Based on October 2006 price levels, the estimated first cost of the recommended plan for the Onion Creek Forest/Yarrabee Bend segment is \$72,360,000. In accordance with the cost sharing laws associated with flood damage reduction, ecosystem restoration, and recreation, the Federal share of the estimated first cost of the Onion Creek Forest/Yarrabee Bend segment is about \$46,210,000 and the non-Federal share is about \$26,150,000. The City of Austin, Texas would be the non-Federal cost sharing sponsor for this segment and be responsible for OMRR&R. Flood damage reduction and recreation costs total \$68,070,000, including relocation assistance costs. Equivalent average annual costs for the flood damage reduction and recreation measures, based on a discount rate of 4.875 percent and a 50-year period of analysis, are \$3,410,000. Estimated equivalent annual benefits for flood damage reduction and recreation are \$5,270,000, and net annual benefits are \$1,860,000. The ratio of benefits-to-costs is 1.5. The estimated first cost of ecosystem restoration for 190 acres of riparian woodlands in the Onion Creek Forest/Yarrabee Bend segment is \$4,290,000. This would be a cost of approximately \$23,000 per acre. The project would result in a net increase of about 57 habitat units at a cost of approximately \$4,900 per average annual habitat unit. Since outputs for the ecosystem restoration measures are not measured in monetary units, the costs for these measures are not included in the estimated equivalent annual costs shown above.

In addition to participating with the Corps for a solution to the water resource problems in the Onion Creek component, the Federal Emergency Management Agency's (FEMA) Hazard Mitigation Grant Program (HMGP) is being utilized. A HMGP in the Timber Creek segment was completed in August 2003 with 40 relocations. For the Onion Creek Forest/Yarrabee Bend segment, a HMGP application was approved on June 16, 2006, for an amount up to \$6,256,000 for purchase of up to 118 selected homes in the Onion Creek Forest area. These buyouts are to be performed only on a willing seller basis, and must be completed by June 16, 2008. This HMGP program is cost shared at the rate of 75 percent Federal and 25 percent non-Federal. The Corps estimates that not all of the selected homes could be purchased under this grant program. The exact number will not be known until the program expires. However, this action would reduce the Corps' project by an unknown amount. The lands that have been, or may be acquired by the sponsor for the HMGP will not be credited against the lands that the sponsor must provide for the Corps project and the

cost of these lands will not be included in the total project cost. However, the recommended recreation features for these lands would be cost shared and the cost of these features would be included in the total project cost. I approved an exception to policy to allow for the development of a comprehensive integrated recreation plan using both Corps project lands and lands purchased by the non-Federal sponsors using FEMA funds in a December 11, 2006 memorandum to the Director of Civil Works.

As provided in Section 104 of the Water Resources Development Act (WRDA) of 1986 (P.L. 99-662), the reporting officers recommend that the non-Federal sponsor, the City of Austin, receive credit for advance implementation of a portion of the flood damage reduction project. The credit would be for the removal of approximately 250 structures located within the 25-year floodplain of Onion Creek Forest/Yarrabee Bend Community. The city plans to remove these structures prior to project authorization. The Corps has certified that the city has met the requirements for credit under Section 104, that removal of these structures would be separately useful for flood damage reduction, integral to the Federal project, environmentally acceptable, economically justified, and urgently needed to mitigate flood damages. The city had previously removed 43 structures and as such these structures would not be eligible for credit under Section 104. The estimated cost for the structures that would meet the Section 104 requirements is about \$3,500,000. The amount of credit would be the lesser of cost that the Government would have incurred for the work or the actual costs subject to audit for reasonableness, allocability, allowability, and auditability. However, in no instance would the credit applied exceed the value of any additional cash that may be required beyond the 5 percent of the total project cost for structural flood control; lands, easements, rights-of-way, relocations, and disposal areas; or 45 percent of total project costs for flood control. I determined that this work is eligible for credit on September 14, 2006, contingent upon the requirements of Section 104 and project authorization.

For both segments of the Onion Creek component, mitigation of impacts to the environment are not required as the project by its very nature would be a positive contribution to the fish and wildlife resources of the area.

#### Wharton

The recommended plan for the Wharton component is the NED plan for flood damage reduction with a betterment for interior drainage facilities. The flood damage reduction measures along the Colorado River and two smaller streams, Baughman Slough and Caney Creek, in the City of Wharton, Texas, include approximately 26,900 feet of levees, 2,280 feet of floodwalls, 7,000 feet of channel modifications, and interior drainage features. Based on a preliminary assessment of the interior drainage facilities, some aspects of the facilities are larger in scale than that which would be in the Federal interest. The non-Federal sponsor has agreed to pay 100 percent of the cost of interior drainage facilities

that are larger than required to meet Federal standards and are thus referred to as a betterment. Further refinement of the project during preconstruction engineering and design may result in alterations to the interior facilities as well as other project features. The flood damage reduction plan for the City of Wharton would effectively remove the vast majority of the city from the 1 percent annual chance of exceedance (100-year) floodplain. For the Wharton component, the project utilizes the project's sump areas to mitigate the impacts of the project. The impacts on 65 acres of woodlands would be offset by planting trees on 84 acres within project sump areas, while the impacts to 10 acres of wetlands would be offset by establishing wetland habitat on 10 acres of the sump areas.

Based on October 2006 price levels, the estimated first cost of the NED Plan for the Wharton component is \$25,690,000, with a Federal share of \$16,700,000 and a non-Federal share of \$8,990,000. A preliminary estimate of the first cost of the betterment for interior drainage facilities is \$1,880,000, which would be a 100 percent non-Federal cost. As such, the recommended NED Plan with a betterment would have an estimated first cost of \$27,570,000, with a Federal share of \$16,700,000 and non-Federal share of \$10,870,000. The City of Wharton, Texas would be the non-Federal cost sharing sponsor for all features of the recommended plan in the Wharton area. The City of Wharton would also be responsible for the OMR&R of the Wharton component after construction. Equivalent annual costs for the Wharton component, based on a discount rate of 4.875 percent and a 50-year period of analysis are estimated at \$1,620,000. Equivalent annual benefits are estimated at \$4,300,000. This results in equivalent annual net benefits of \$2,680,000, and a benefit-to-cost ratio of 2.7.

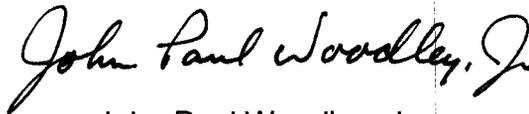
As provided in Section 104 of WRDA 1986, the reporting officers recommend that the non-Federal sponsor, the City of Wharton, Texas, receive credit for advance implementation of a portion of the flood damage reduction project. The credit would be for the construction of improvements to Santa Fe Ditch to alleviate significant flood damages to the city. The Corps has certified that the city has met the requirements for credit under Section 104, and that the work is likely to be separately useful for flood damage reduction, integral to the Federal project, environmentally acceptable, economically justified, and urgently needed to mitigate flood damages. The estimated cost of this work is about \$2,900,000. The amount of credit would be the lesser of cost that the Government would have incurred for the work or the actual costs subject to audit for reasonableness, allocability, allowability, and auditability. However, in no instance would the credit applied exceed the value of any additional cash that may be required beyond the 5 percent of the total project cost for structural flood control; lands, easements, rights-of-way, relocations, and disposal areas; or 45 percent of total project costs for flood control. I determined that this work is eligible for credit on January 25, 2006, contingent upon the requirements of Section 104 and project authorization.

Lower Colorado River Basin Phase I

The total first cost of all components and segments of the Lower Colorado River Basin Phase I project, based on October 2006 price levels, is estimated to be \$110,730,000. The estimated total first cost of the overall recommended project is approximately \$100,480,000 for flood damage reduction, \$4,610,000 for ecosystem restoration, and \$5,640,000 for recreation. This cost includes the 100 percent non-Federally funded betterments of \$100,000 for Timber Creek recreation features, \$420,000 for Onion Creek Forest/Yarrabee Bend recreation features, and \$1,880,000 for the Wharton component interior drainage betterment.

The Office of Management and Budget (OMB) advises that there is no objection to the submission of the report to Congress. The project is consistent with the policies and programs of the President. A copy of the OMB letter dated September 18, 2007 is enclosed. I am providing a copy of this transmittal and the OMB letter to the House Subcommittees on Energy and Water Development, and Water Resources and Environment in accordance with the requirements of the Fiscal Year 2006 Energy and Water Development Appropriations Act (P.L. 109-103).

Very truly yours,



John Paul Woodley, Jr.  
Assistant Secretary of the Army  
(Civil Works)

Enclosures