



**DEPARTMENT OF THE ARMY**

U.S. Army Corps of Engineers  
WASHINGTON, D.C. 20314-1000

REPLY TO  
ATTENTION OF:

S: 13 June 1999

CECW-AR (1110-2-1150a)

19 May 1999

MEMORANDUM FOR Commander, South Atlantic Division, ATTN: Chief of Planning

SUBJECT: Ponce de Leon Inlet, Florida, Volusia County, Florida, Final Feasibility Report and Environmental Assessment (January 1999)--HQUSACE Policy Compliance Assessment

1. The HQUSACE policy compliance assessment of subject report is complete. The enclosed comments identify concerns that need to be addressed by the reporting officers before the feasibility report can be considered by decisionmakers.
2. A feasibility resolution conference was held on 3 March 1998. Except as noted in the enclosed HQUSACE policy compliance assessment, the final report adequately responds to review concerns stated in the 12 March 1998, project guidance memorandum (PGM), and subsequent CECW-AR memoranda dated 4 September 1998, and 27 November 1998. The HQUSACE policy compliance assessment notes where revised pages, or report addenda, will be required to complete report documentation.
3. Based on information obtained in response to this assessment and any additional information provided as a result of review of subject report by other agencies, groups, and individuals, the HQUSACE review manager will document the results of the report review. The documentation of review findings will be used during the subsequent Washington level decisionmaking process. If you believe that a conference to discuss the review comments would be beneficial, the time and location for the conference should be arranged with the HQUSACE review manager. At the conclusion of the review conference, the HQUSACE review team will be available to brief you and the district engineer, if desired.
4. In order to meet Civil Works Directorate goals for timely processing of feasibility reports, your written responses to comments should reach CECW-AR by 13 June 1999. The mailing address is as follows:

Policy Division  
Policy Review Branch, CECW-AR  
7701 Telegraph Road  
Alexandria, VA 22315-3861

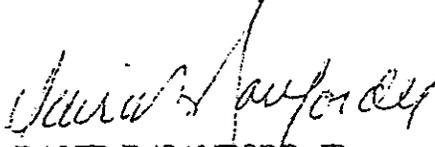
CECW-AR

SUBJECT: Ponce de Leon Inlet, Florida, Volusia County, Florida, Final Feasibility Report and Environmental Assessment (January 1999)--HQUSACE Policy Compliance Assessment

5. Questions on the review comments and the Washington level review process can be discussed with Jay Warren, the HQUSACE review manager, 703-428-6465.

FOR THE COMMANDER:

Encl  
as



DAVID B. SANFORD, JR.  
Chief, Policy Division  
Directorate of Civil Works

CF (w/encl):

DIVENGR, South Atlantic

DISTENGR, Jacksonville

SACW, ATTN: Deputy Assistant Secretary for Planning Policy and  
Legislation

SACW, ATTN: Deputy Assistant Secretary for Management and Budget  
Chief

CECW-P

CECW-E

CECW-B

CECW-O

Director, CERE, ATTN: Sue Fugitt, CERE-AM

Chief Counsel, CECC

CECW-ZB

CECW-PE

**HQSACE POLICY COMPLIANCE ASSESSMENT  
PONCE DE LEON INLET, FLORIDA  
FEASIBILITY REPORT AND ENVIRONMENTAL ASSESSMENT  
(JANUARY 1999)**

1. **GENERAL.** With exception of the following remaining concerns, all prior review comments have satisfactorily addressed by revisions made to the report. The following review comments focus on unresolved policy-related issues raised in the PGM and review of the final report.

2. **Comment 14. d. Lump-Sum Payment Recommendation for Future O&M Costs.** The policy compliance review team is concerned that the proposal to accept a lump-sum payment for the non-Federal sponsor's share of future O&M may not be in the best interest of the Federal Government. The original project anticipated the non-Federal sponsor paying 30.2 percent of the O&M cost of the project. An arrangement was made where the sponsor made a lump-sum payment of \$1,379,000 to cover its share of future O&M expenditures. However, the cost of project O&M was severely underestimated. Since construction of the Federal project in 1972, maintenance costs for the channel and jetties have averaged about \$1,000,000 per year. Given the history of predicted versus actual O&M expenditures at Ponce de Leon Inlet, we believe it appropriate that non-Federal sponsor's share of O&M costs be paid at each maintenance event.

**ACTION TAKEN.** Paragraph 246, page 124, has been revised. Maintenance costs for the project to date include costs for the north jetty and for the entrance, north and south channels. The cost in question is for O&M of the extension of the south jetty only and is based on actual expenditures for the existing south jetty and for the north jetty. Because of this and because of the history of the construction of the project, the projected cost for O&M of the south jetty extension is more certain. An amount equal to the present worth of the non-Federal sponsor's share of the future O&M costs for the south jetty extension will be placed in an interest-bearing escrow account. These funds will be used toward O&M costs for the south jetty extension as they are incurred. This amount is \$190,000, calculated at an interest rate of 6 7/8%.

**POLICY COMPLIANCE REVIEW TEAM ANALYSIS.** The review concern is not resolved. The social discount rate used to determine the present value of the estimate of future O&M costs is appropriate for use in the NED evaluation of alternatives. However, this discount rate is not appropriate for uses that relate to project financing. The value of future payments that must be cost shared will be determined by unknown future inflation. Consequently, the actual present value of those future expenditures may be more or less than that estimated based on the use of the current social discount rate. More importantly, estimates of future O&M costs associated with features of the Ponce de Leon Inlet project are highly speculative. The project proposal assumes that extending

*Enclosure*

CECW-AR-M

SUBJECT: Ponce DeLeon Inlet, Florida, Volusia County, Florida, Final Feasibility Report--HQUSACE  
Policy Compliance Assessment

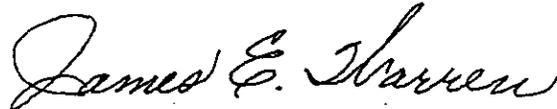
the south jetty will induce the deep-water channel to migrate toward the approximate center of the jettied inlet. However, the report clearly documents a long history of instability of the inlet despite our past best efforts. According to the report, unexpected migration of the deep-water channel has undermined portions of the scour apron at the north jetty. The estimates of costs associated with future scour apron repairs to the south jetty may be the best available; however, given the unstable nature of the inlet, these estimates are most probably inaccurate. Consequently, acceptance of a one-time payment to cover the non-Federal sponsor's share of unknown future O&M costs is not considered in the best interest of the Government. The non-Federal sponsor should be required to pay its proportional share of the south jetty O&M costs at the time of each future maintenance event. The district should provide an addendum or revisions to the items of local cooperation for inclusion in the final report that reflects this non-Federal sponsor requirement.

---

### 3. ENVIRONMENTAL COMPLIANCE

a. HTRW. The report provides no discussion on any level of HTRW potential (or lack of) as required by ER 1165-2-132, paragraph 8g. This ER states that feasibility report must fully document any HTRW impact or potential. The report needs to conclude that either 1) there is no known HTRW or that HTRW has been identified. The district should provide revised pages or a report addendum to address this issue.

b. Missing Documentation. The report is missing documentation of State Water Quality Certification, Section 401 of the Clean Water Act, as required by ER 1105-2-100, paragraph 7-64. The report needs to include the necessary documentation. The district should provide revised pages or a report addendum to address this issue.



JAMES E. WARREN, PE  
Policy Compliance Review Manager