

# Sugar Cane Growers Cooperative of Florida



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BELLE GLADE, FLORIDA

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U.S. Army Corps of Engineers  
Attention: Stu Appelbaum  
P.O. Box 4970  
Jacksonville, FL 32232-0019

Dear Mr. Appelbaum:

Please accept the following comments on the proposed final Guidance Memorandums (GMs) dated October 19, 2007. We appreciate the opportunity to review these documents and meet with Corps and South Florida Water Management District staff to discuss our concerns.

Sugar Cane Growers Cooperative of Florida is an agricultural cooperative located in Palm Beach County. Our 48 grower-members produce 2.75 million tons of sugarcane yielding approximately 325,000 tons of raw sugar on an annual basis. We have been firm supporters of the Comprehensive Everglades Restoration Plan (CERP) and played a key role in its passage as part of WRDA 2000.

Although we questioned the need for Programmatic Regulations as being a duplicative effort since Corps of Engineer Projects are required to follow the U.S. Water Resource Council's Principles and Guidelines for implementation and evaluation of water resource project components, these Regulations were in fact adopted in 2003 as procedural guidance to Project Delivery Teams for development of Project Implementation Reports (PIRs). The GMs are a subset of the Programmatic Regulations and were not envisioned in WRDA 2000. The need for additional guidance arose when the Corps was unable to resolve some of the more complicated issues within the timeframe for adoption of the Programmatic Regulations leaving plan formulation and evaluation, savings clause analysis and development of water reservations to be dealt with in the GMs.

In light of the requirements under sections 2033 and 2034 in WRDA 2007 and the requirement to update the Secretary's Programmatic Regulations in 2008, we believe it would be a wasted effort for the Corps to finalize these Guidance Memoranda. We believe the Programmatic Regulations will require substantive changes when the new Integrated Delivery Schedule is adopted since it is something quite different than the Master Implementation Scheduling Plan (MISP) that the regulations refer to. We strongly

urge that the issuance of the Guidance Memoranda be deferred in favor of a commitment to a comprehensive review and updating of the Programmatic Regulations to reflect the emerging vision of how best to realize the objectives of CERP. Ideally, a new set of Programmatic Regulations would completely avoid the need for the Guidance Memorandums which were never envisioned by the authorizing legislation.

The new Integrated Delivery Schedule, that was first announced in August 2007 and discussed in more detail at the December 2007 Task Force meeting, will alter the plan formulation process resulting in the need to make substantive changes to the Programmatic Regulations. Accordingly, the schedule is focusing on how to achieve expedited restoration benefits through “Incremental Adaptive Restoration” approach as recommended by the National Academy of Sciences in 2006. This thematic sequencing is something completely different than what was envisioned when the plan was conceptually authorized in WRDA 2000.

We strongly recommend that the Corps not finalize the Guidance Memorandums as written for both substantive and procedural reasons.

### **Lack of operationally meaningful guidance**

Guidance Memorandums 1 and 2 deal with the content of Project Implementation Reports (PIR) and the plan formulation process. Taken together, they describe an abstract project design process that is radically different from what’s being done by the Project Delivery Teams in plan formulation for PIRs. Various forms of the word “optimum,” e.g., a project is further optimized” (2.11), “optimization of the project” (2.11.2.1); ‘...optimize net benefits, both monetary and non-monetary on a system-wide basis” (2.11.2.1) are used without any definition of the phrase or indication of how optimization will be measured.

Optimization of net benefits, both monetary and non-monetary on a system wide basis requires first that the economic outputs of the plan such as water supply or flood damage reduction be quantified and **valued** in monetary terms (dollars). Secondly, restoration and other environmental benefits also need to be quantified and **valued** in monetary or other units. When non-monetary units are used, the relative **value of the non-monetary measures of outputs must** be related to dollar values. For example, one oyster habitat unit equals three dollars. All three steps must be taken to follow the specified guidance.

In practice, as evidenced by completed PIRs to date, project water supply benefits have not been monetized, and the non-monetary evaluation of ecological outputs does not go beyond the quantifications developed by RECOVER. In short, what is actually done to formulate and justify a project by the design teams bears little resemblance to the process described in the memorandum.

This disconnection of guidance from practice weakens the credibility of the planning process. It is essential that the Guidance Memorandums describe a project development process that can actually be followed, understood and implemented. Consequently,

Memorandums 1 and 2 need to be redrafted to describe what Project Development Teams are actually doing to develop CERP project components. If this is not done, the independent review of project proposals as required by **WRDA 2007** will result in unfavorable reviews because of the fundamental disparity between the unachievable planning guidance directives contained in the GMs and the actual project planning process.

### **Compliance with WRDA 2007**

**Section 2033 of WRDA 2007** requires that all reports completed after December 31, 2007, contain an assessment of whether “the water resources project and each separable element are cost effective...” The draft Guidance Memoranda discuss “cost-effectiveness” but direct a process that does not achieve a credible assessment of true cost-effectiveness.

Standard definitions of cost effectiveness require that, first, the scale of the project is optimal; that is, the amount of outputs from the project is neither too large nor too small. This is commonly determined by determining whether the **value**, either monetized or otherwise evaluated, of the last increment of output equals the incremental cost of providing that output. This is consistent with the Water Resource Council’s Principles and Guidelines on evaluating water resource projects that the GMs should adhere to. The proposed regulations provide no mechanism for such a determination as discussed above.

A determination of cost-effectiveness also requires that the outputs of the project be achieved in the least costly way. Such a determination is impossible given the policy direction (which we understand is a political decision by Administration officials to limit the reported cost of building components) where cost estimates for project alternatives values lands previously acquired by the project sponsor at their historic acquisition cost while cost estimates for project alternatives using lands that still need to be acquired will be based on the value of those lands at the time they are acquired. This guidance results in cost estimates that are not consistently developed. It prevents the correct determination of the least-costly means of producing the project’s outputs. In summary, any determination of cost-effectiveness that is not based on the true opportunity cost of all resources required for the project is invalid, and the requirements of **WRDA 2007** can not be complied with if this policy guidance is not changed.

The inadequate treatment of cost-effectiveness is clearly demonstrated by the steps for plan formulation described in section 2.11 of GM-2. “The PDT should conduct an initial screening effort to determine if the project as described in the Plan will still achieve the benefits of the project as described in the Plan in a cost- effective manner.” To correctly establish cost-effectiveness, the determination of project scale must be correctly evaluated as described above and the cost of the Plan alternative must be compared to other alternatives where all costs are comparably evaluated. However, the guidance views this step in the process as the basis “to determine if the project plan formulation process

will entail optimization of the project described in the Plan or if formulation of additional alternatives will be necessary.”

**Section 2033 of WRDA 2007** also provides that future project cost estimates be based on a “risk analysis approach.” Present project cost estimation procedures clearly do not comply with this new requirement. In the case of CERP projects, escalation of land value over time is a clear issue of public concern. Already there has been extraordinary cost growth of the Indian River Lagoon-South project because of land value escalation that calls into question whether the recommended plan is the most cost-effective alternative. This situation could have been anticipated under a risk-based approach. The need to incorporate risk analysis in cost estimation must be addressed in the Guidance Memoranda in order to comply with **WRDA 2007** and to inform Congress as to the differing risks inherent among alternative possible ways of addressing a problem.

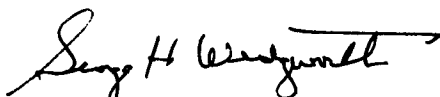
### **Required Review and Revision of the Programmatic Regulations.**

WRDA 2000 requires that the Programmatic Regulations be reviewed by the Secretary of the Army at least every five years to ensure that the goals and objectives of the Plan are being met. Clearly, the existing regulations, to the extent that they result in the presently non-implementable plan formulation process, require substantial revision. Moreover, the changes in the Civil Works project development process dictated by **WRDA 2007** must be incorporated, as well.

### **SUMMARY**

We believe the proposed GMs are a flawed artifact of the 2003 Programmatic Regulations that are no longer relevant in light of adopting the new Integrated Delivery Schedule approach to restoration. Furthermore, **WRDA 2007** imposes new requirements that need to be addressed by the Regulations. U.S. Army Corps of Engineers’ resources will be better spent updating the Programmatic Regulations to reflect the emerging vision of how to best realize the goals and objectives in CERP through the thematic approach and reflecting the requirements in **WRDA 2007**.

Sincerely,



George H. Wedgworth  
President & C.E.O.

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cc: Ms. Carol Wehle, SFWMD, Executive Director  
Governing Board Members