



THREE RIVERS LEVEE IMPROVEMENT AUTHORITY

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March 17, 2014

Kelly Fucciolo
Early Implementation Program
Department of Water Resources
3464 El Camino Ave., Room 200
Sacramento, CA 95821-6340

Re: TRLIA Feather River Levee Improvement Project 25th Quarterly Work Plan (QWP), Dated March 17, 2014

Dear Ms Kelly Fucciolo:

Attached is the TRLIA 25th QWP covering the time period April, May, and June 2014. The electronic version of this document is posted on the TRLIA FTP site.

There are three key items identified in this Quarterly Work Plan:

- Item 1: There are multiple distinct planned projects in the setback area that are anticipated to lead to different land transfer dates for the properties. The anticipated land transfer dates for the various land uses extend beyond the current Feather River EIP funding agreement date of June 30, 2014. The funding agreement date needs to be extended to June 30, 2016. At the time of this report DWR is processing an amendment to the funding agreement to do this extension.
- Item 2: TRLIA is beginning to experience cash flow issues due to the state continued holding onto an excessive amount of retention. On January 3, 2013, TRLIA requested an Additional Release of Retention held by DWR on the State Cost Share for the Project. The State has not responded to this request. The State continues to withhold in excess of \$3,000,000 of State cost sharing on expenses incurred through the 18th Quarter (September 30, 2012). TRLIA continues to incur costs on the project adding to the amount of retention held. TRLIA expects that there is less than \$5,000,000 of costs remaining to complete the project. Given this fact, the State is effectively withholding well over 50% of the remaining costs of the project which is in excess of any reasonable amount of retention needed to ensure the completion of the project. DWR needs to immediately process the requested retention release requested by TRLIA.
- Item 3: On January 29th TRLIA met with DWR and requested the Department of Water Resources (DWR) put the agricultural leases to work for broader state-wide flood control and environmental goals by approving the use of the rents collected under the leases to

fund a conservation endowment to support existing and proposed mitigation areas in the Feather River area. For this to be done it appears that TRLIA needs to maintain fee ownership over the orchards, which is not currently contemplated under the funding agreement. The concept discussed was something like a “springing executory interest” in DWR upon a change in land use away from agricultural leases at some point in the future. As discussed, TRLIA’s continued ownership of the property would make it easier for the State to accomplish the goals set forth in both the draft Lower Feather River Corridor Plan (keeping existing orchards in agricultural use) and the CVFPP (ecosystem restoration consistent with floodplain management). The revenue stream from the leases is a critical source of funding for maintenance of ecosystem restoration work in the Feather setback area. DWR needs to amend the Feather funding agreement to allow TRLIA to maintain fee ownership of the orchards in the Feather setback area.

Please feel free to contact me, if you have questions or comments. My phone numbers are: 530-749-5679 (office), and 916-765-4981 (cell).

Sincerely,

A handwritten signature in blue ink that reads "Paul G. Brunner". The signature is written in a cursive style with a large initial "P".

Paul G. Brunner, P.E.
Executive Director

Attachments: 25th Quarterly Work Plan, dated March 17, 2014

cc: Michael Sabbaghian/DWR w/o attachment
Liz Bryson/DWR w/o attachment
Seth Wurzel/TRLIA w/o attachment
Ric Reinhardt & Larry Dacus/TRLIA w/o attachment