

# DISPOSITION FORM

For use of this form, see AR 340-15; the proponent agency is TAGO.

REFERENCE OR OFFICE SYMBOL

SUBJECT

LMVPD-E

Information Sheet - Lake Pontchartrain & Vicinity

TO LMVPD-G

FROM LMVPD-E

DATE 15 Jan 87

CMT 1

Dr. Gardner/bh/5846

As requested, enclosed is revised subject information sheet.



Encl

HOMER R. GARDNER  
Chief, Economic and Social Analysis Branch

Information Sheet  
Lake Pontchartrain & Vicinity  
Hurricane Protection Project

Background

Construction was initiated in 1966.

WRDA 1974 authorized 25 yr. annual payback beginning from date of initial construction.

In FY 77 the first cash payments were made by the non-Federal entity because lands, easements, and rights-of-way and in-kind work provided ample non-Federal contributions prior to that time.

According to the agreement between the Corps and the non-Federal entity, the non-Federal entity is billed for its share at the beginning of the fiscal year for work estimated to be performed during the fiscal year, and payments are made quarterly with adjustments based on actual contract costs.

In FY 1990 the balloon note will be paid in full with interest calculated at the appropriate rate. It was estimated that the final note would be approximately \$30,000,000; however, now it appears that the final note will be much less due to sizeable expenditures by the non-Federal entity.

Question: Does the non-Federal entity payback include interest during construction?

Answer: Yes.

The first cost plus the interest during construction is the estimated total investment cost of the project. The investment cost is developed during the planning phase of a project for use in economic evaluation. When a project is funded for construction, there is no line item entitled interest during construction and, therefore, is not a component of the project cost as such. Interest during the period of construction is accounted for either through concurrent payments or paying appropriate interest on unpaid balance of deferred payments.

The authorizing documents for this project established the cost apportionment to be 70 percent Federal and 30 percent non-Federal payments delivered either as lands, easements, relocations, rights-of-way, work-in-kind or cash contributions. These payments would be submitted concurrent with or prior to Federal provisions. Therefore, interest during construction would be handled by each party individually. The Water Resources Development Act of 1974 (PL 93-251) authorized the deferred payment plan which allowed the non-Federal interests capability to defer all but 1/25 of the cash contribution each year up to 20 years from the initiation of construction which would indicate the unpaid balance along with accrued interest is due in 1990. Agreements between the non-Federal interest and the United States signed and executed by an agent of the Secretary of the Army on 17 February 1977 specified in subparagraph (i) "Interest is charged on the unpaid balance during this period at the rate of 3.225 percent per annum". The non-Federal interest

to fulfill this agreement must provide interest on the financing provided by the deferred payment plan. Therefore, where interest is accrued the non-Federal entity must make restitution.