

Chapter 8D: Managing Fiscal Resources

Mary Lou Cariello

INTRODUCTION

The information contained in this chapter is presented to fulfill the requirements of the 1997 Everglades Oversight Act (Chapter 97-258, Laws of Florida) as they relate to the reporting of financial information for the Everglades Construction Project (ECP). The 1994 Everglades Forever Act (EFA) requires the South Florida Water Management District (District or SFWMD) to annually provide a comparison of actual versus projected revenues and a projection of costs and revenues over the succeeding five-year period (**Figures 8D-1 through 8D-4.**)

The EFA directed the District to separately account for all monies used to fund the ECP. In November 1996 the citizens of Florida voted in favor of a constitutionally created Everglades Trust Fund. The legislation, passed in 1997 (Chapter 97-258, Laws of Florida), references the Everglades Trust Fund and requires specific, identified funds to be placed in it. This fund, which strengthened Everglades oversight, will be used to account for all revenues and expenses associated with the ECP. The District has developed a format for reporting financial information for the Everglades Trust Fund in a clear and concise manner. The Joint Legislative Committee on Everglades Oversight has approved the format the District uses when submitting its quarterly expenditure reports to the governor, the legislature and the public. (The *Everglades Trust Fund Quarterly Report of Expenditures* is accessible online at the District's Website at <http://www.sfwmd.gov/org/bud/ecp/qtrly/ecpqtrly.html>). Multiple funding sources are contemplated for the Everglades Program.

A dedicated funding source is essential to conduct Everglades and Florida Bay protection and restoration programs. The ECP is one of the largest public works projects in the nation for environmental restoration, estimated to cost approximately **\$867** million over 20 years.

Florida Bay Restoration Program activities are ongoing, with a projected cost estimate of approximately \$331 million. Portions of the program's activities are currently under review for cost estimate revisions and are explained in further detail on page 8D-4 of this chapter.

SOURCES OF REVENUE

Ad Valorem Taxes Provide \$34.9 Million in FY2002

The EFA gives the District the authority to levy *ad valorem* taxes of up to 0.1 mill within the Okeechobee basin for land acquisition, design and construction of the ECP. As required by the EFA, this will be the sole direct contribution of *ad valorem* taxes for the construction project. For Fiscal Year 2002 (FY2002), net *ad valorem* tax revenues were approximately \$34.9 million (unaudited) through September 30, 2002. The other funding sources designated by the EFA for the ECP include agricultural privilege taxes, state land funds, federal funds, excess revenues from Alligator Alley tolls, other environmental mitigation funds and any additional funds that become available for this purpose from any other source.

EAA Agricultural Privilege Tax Raises \$11.7 Million in FY2002

To fund the first phase of the Everglades Restoration Program, the EFA imposes an annual tax for the privilege of conducting an agricultural trade or business within the Everglades Agricultural Area (EAA) and C-139 basins. The EFA specifies that the annual per acre tax be collected through the normal county tax collection process.

The EAA agricultural privilege tax rate ranges from a minimum of \$24.89 per acre from 1994 to 1997 to a potential maximum of \$35 per acre from 2006 to 2013. Actual net EAA agricultural privilege taxes collected in FY2002 were approximately \$11.7 million (unaudited) through September 30, 2002. After 2013 the tax rate will decrease to \$10 per acre to fund operations and maintenance of the Stormwater Treatment Areas (STAs).

The amount of taxes collected each year is reduced by early payment discounts provided by each county. These discounts can range from one to four percent, depending on the timeliness of the payment. County processing/collection fees and commissions further reduce the amount of revenue available to fund the ECP.

The EFA encourages optimal performance of Best Management Practices (BMPs) (see Chapter 3 of the *2003 Everglades Consolidated Report*) to maximize the reduction of total phosphorus (TP) loads at points of discharge from the EAA by providing an incentive credit against the Everglades agricultural privilege tax. Each percentage point by which phosphorus loads are reduced beyond the 25 percent EAA Basin requirement, will result in incentive credits against the EAA agricultural privilege tax as follows: \$0.54 per acre for tax notices mailed from November 1998 through November 2001; \$0.61 per acre for tax notices mailed from November 2002 through November 2005; and \$0.65 per acre for tax notices mailed in November 2006 through November 2013. Incentive credits will not reduce the agricultural privilege tax rate to less than the \$24.89 per acre minimum (“minimum tax”). The EFA also provides incentive credits to individual growers for meeting TP load or TP concentration reduction targets. Individual parcels of property shall be subject to the minimum tax if they have achieved the following annual TP load reduction standards: 35 percent or more for tax notices mailed from November 1998 through November 2001; 40 percent or more for tax notices mailed from November 2002 through November 2005; and 45 percent or more for tax notices mailed from November 2006 through November 2013. In addition, any parcel of property that achieves a TP concentration of 50 parts per billion (ppb) shall be subject to the minimum tax in the next calendar year.

EAA Vegetable Acreage

The EFA recognizes that vegetable farming is subject to both volatile market conditions and to crop loss from natural events. If the governor, the president, or the U.S. Department of Agriculture declares a state of emergency or disaster due to natural conditions, then payment of agricultural privilege tax will be deferred for one year and repayment can occur during the project up until FY2014. Since 1994, when the tax went into effect, this provision has been applied twice: in 1997 and in 2001.

C-139 Basin Agricultural Privilege Tax Raises \$617,505 In FY2002

As specified in the EFA, for the 20-year period between 1994 and 2013 the total amount of tax to be assessed annually will not exceed \$654,656. Beginning in 2014 the tax will be assessed at the rate of \$1.80 per acre. In FY2002, the net C-139 basin agricultural privilege taxes collected were **\$617,505** (unaudited) through September 30, 2002. The amount paid by an individual property owner may change from year to year depending on the number of acres within the C-139 basin that are classified as agricultural.

Alligator Alley Toll Revenues Could Provide \$63 Million

The EFA includes the legislative finding that Alligator Alley, designated as State Highway 84 and U.S. Interstate Highway 75, contributed to the alteration of water flows in the Everglades and affected ecological patterns of the historic Southern Everglades. The legislature determined it is in the public interest to establish a system of tolls for Alligator Alley to raise money to help restore the natural values lost by the highway's construction.

Toll revenues must be split equally between the Everglades and Florida Bay restoration projects. Projects that qualify for these funds include the ECP; land acquisition to move STA-3/4 out of the Toe-of-the-Boot (an Everglades remnant area in the Holeyland Tract at the south end of the EAA); water conveyance projects that enable more water resources to reach Florida Bay; engineering design plans for wastewater treatment facilities for Florida Bay marine waters; and highway redesign to improve sheetflow of water across the Southern Everglades.

In 1996, the District and Florida Department of Transportation received federal authorization to redirect the use of Alligator Alley tolls for these projects. The Department of Transportation and District entered into a Memorandum of Understanding in 1997, setting out the basis for depositing the funds in the Everglades Trust Fund. This was quickly followed by the transfer and deposit of \$17 million in excess toll money representing the first transfer. These funds were allocated based on EFA requirements. As such, the funds were split equally, at \$8.5 million each, between the Everglades Construction and Florida Bay restoration projects. Since the initial transfer in 1997, a total of \$10,125,000 has been received from the Florida Department of Transportation during FY1998 through FY2002 (as of September 30, 2002), which was also split equally between both projects.

Project Estimates and Cash Flow Updated for the Everglades Construction Project

Preliminary project estimates and cash flow projections are the basis for the draft financial data contained in this chapter. An updated set of ECP financial schedules will be available after the 2002 fiscal year-end close. ECP financial information can be obtained through the

“Everglades Construction Project Financial Schedules,” which are accessible online at the District’s Website at http://www.sfwmd.gov/org/erd/ecp/3_finschd.html.

Current cash flows reflect construction cost estimate adjustments based on schedule optimization and refinements to previous cost estimates. In addition, as construction contracts were awarded, actual contract information has replaced both cost and construction period estimates. The current estimates reflect the construction period through FY2006 for some project components that do not affect STA startup dates or statutory completion dates.

Federal Government to Provide Funding

The Water Resources Development Act of 1996 provides cost-sharing funding for some programs related to Everglades restoration. In particular the EFA authorizes the U.S. Army Corps of Engineers (USACE) to move ahead with STA-1 East/C-51 West, C-111 land acquisition, construction and water quality improvement projects, and the Central and Southern Florida Project Restudy (now known as the Comprehensive Everglades Restoration Plan, or CERP.)

STA 1-East/C-51 West is the only ECP project component that is federally funded. The federal government is responsible for a major portion of the total estimated cost of \$251.8 million, or approximately \$231.7 million. The remaining \$20.1 million represents the local share of the total estimated cost.

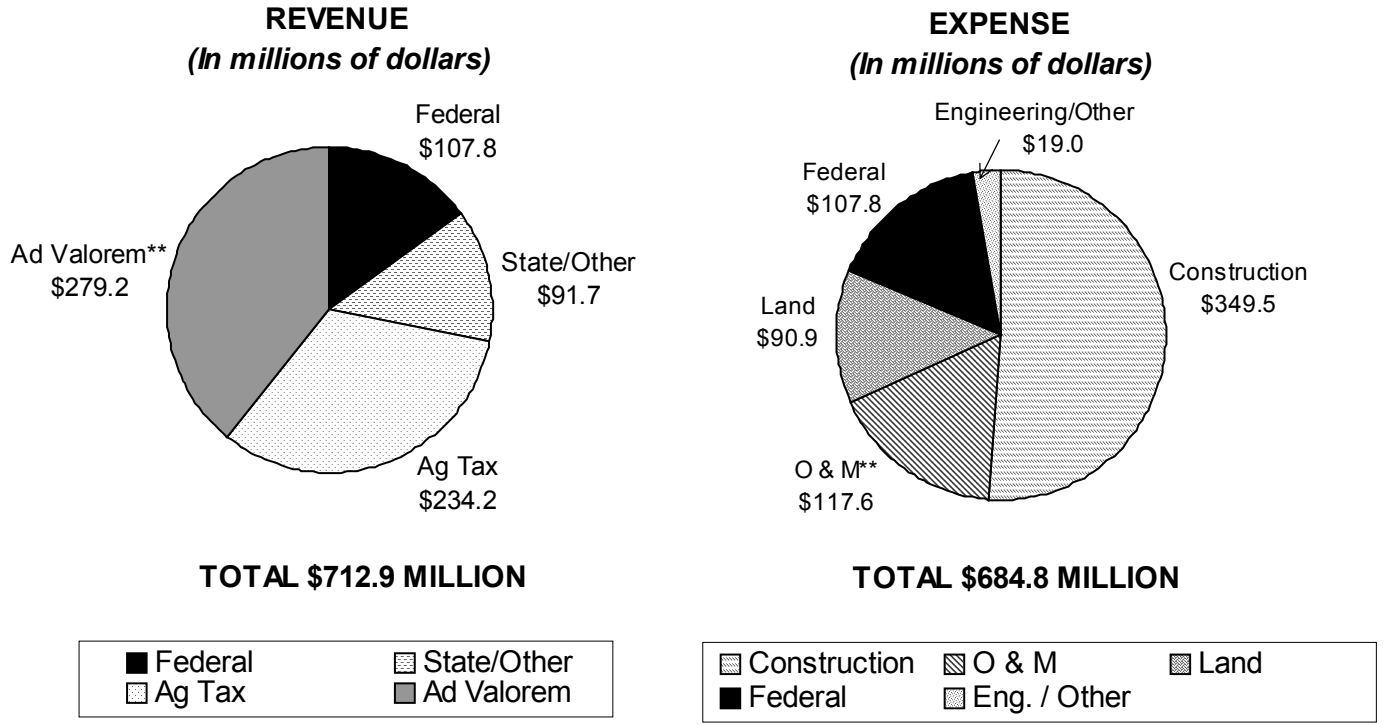
The Florida Bay/Southern Everglades Restoration projects are comprised of the Modified Water Deliveries (Mod Waters) Project, the C-111 South Dade Project, and the Combined Structural Operating Plan (CSOP). Each is an authorized project of the USACE. Estimated cost is approximately \$331 million for the Mod Waters and the C-111 projects. Completion is anticipated to be in 2004. The CSOP cost estimate is currently being updated and was not available at the time of printing for inclusion in this report.

The Comprehensive Everglades Restoration Plan (CERP), formerly known as the C and SF Restudy (see Chapter 7), provides a framework and guide to restore, protect and preserve the water resources of central and southern Florida, including the Everglades. The CERP covers 16 counties over an 18,000 square-mile area and focuses on an update of the C and SF Project. The CERP was approved in the Water Resources Development Act of 2000 (WRDA 2000). CERP includes more than 60 major components, will take more than 30 years to construct and will cost an estimated \$7.8 billion. Funding for CERP will be shared equally between the federal government and local and state agencies (for more information, visit the District’s CERP Website at <http://www.evergladesplan.org>).

Unfunded EFA Mandates

In addition to the ECP, the EFA requires other significant mandates through the year 2014. These mandates, which are currently unfunded, include research, regulatory program development and implementation, exotic species control and other activities. Since the EFA did not designate funding sources beyond the Everglades Construction Project, the District will rely almost exclusively on *ad valorem* funds to cover these mandates. The previous cost estimate was more than \$78 million and is currently under review.

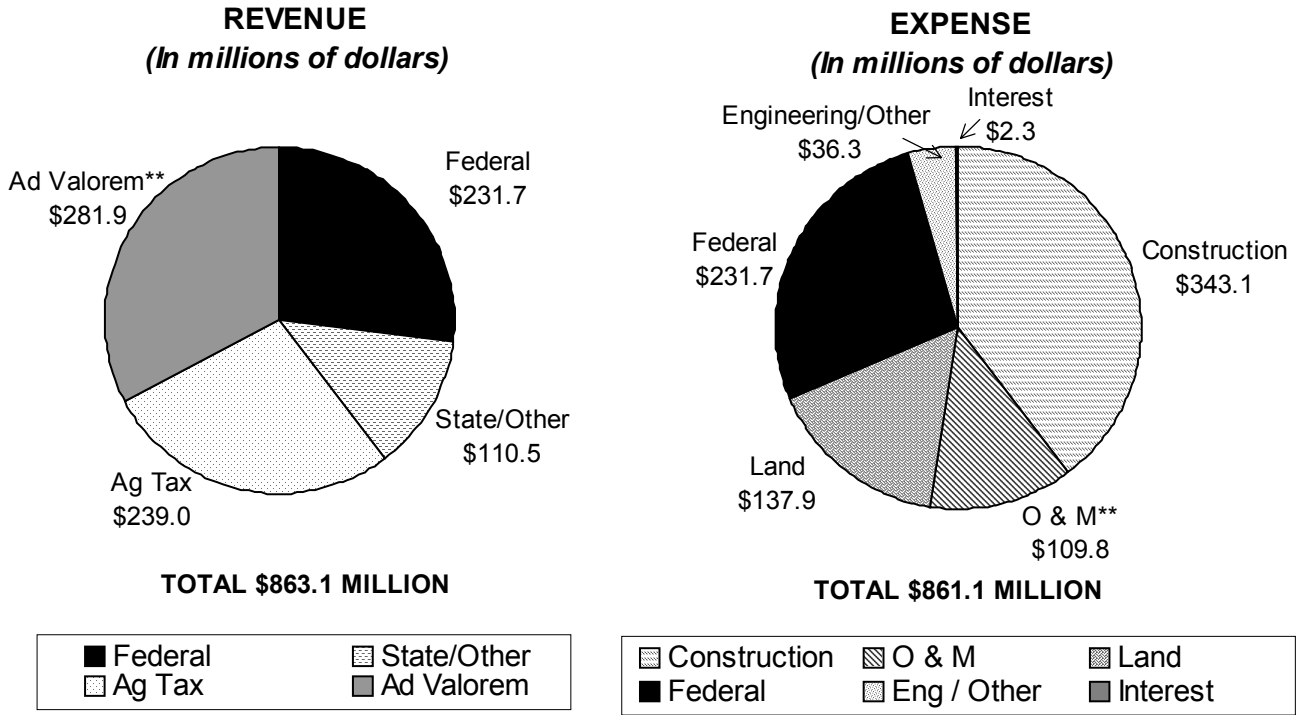
ORIGINAL PROJECT ESTIMATES - 1994



** Excludes operating millage and expense for non-STA O&M

Figure 8D-1. Original (1994) project estimates for the ECP

CURRENT PROJECT ESTIMATES - 2002

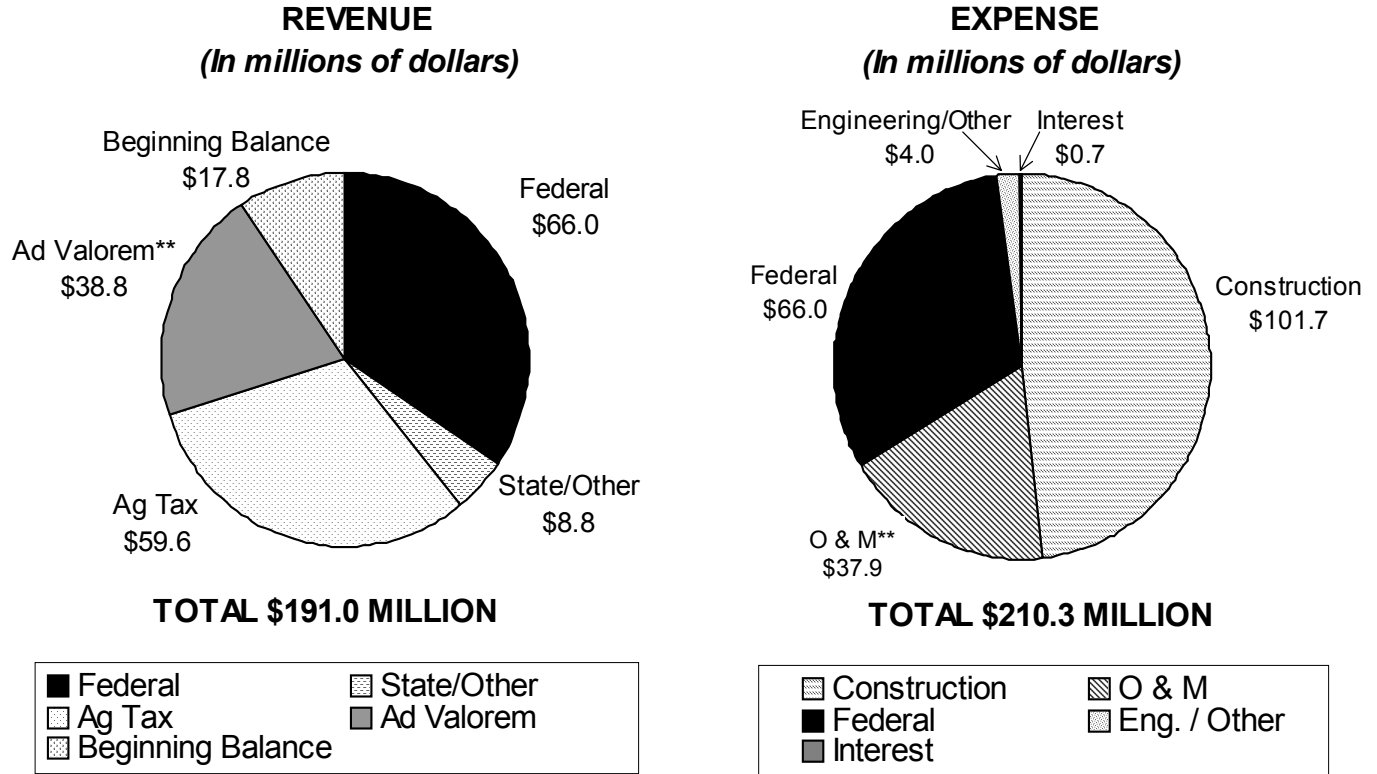


**Excludes operating millage and expense for non-STA O&M. Project revenues are net of collection cost.

Figure 8D-2. Current (2002) project estimates for the ECP

FIVE-YEAR PROJECT ESTIMATES

October 1, 2002 to September 30, 2007



**Excludes operating millage and expense for non-STA O&M. Project revenues are net of collection cost.

Figure 8D-3. Five-year (October 1, 2002 through September 30, 2007) project estimates for the ECP

ACTUAL VERSUS PROJECTED REVENUE

Through September 30, 2002 for the Everglades Construction Project

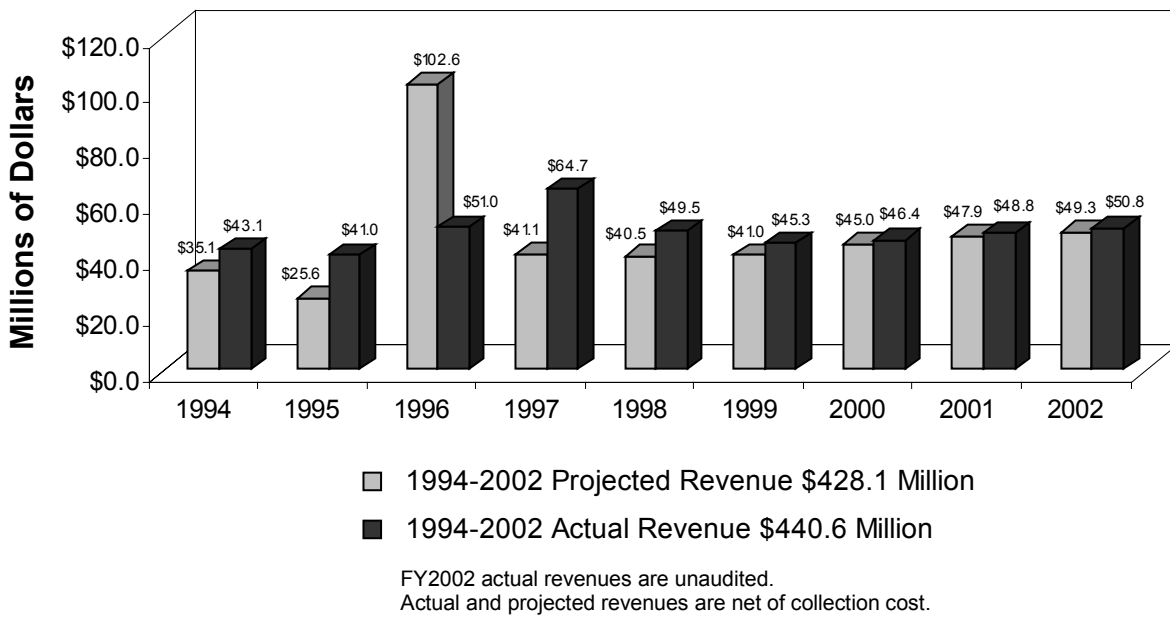


Figure 8D-4. Actual versus projected revenues through September 30, 2002