



INDIAN RIVER COUNTY, FLORIDA DEPARTMENT OF UTILITY SERVICES

Date: January 4, 2018
To: Jason E. Brown, County Administrator
From: Vincent Burke, P.E., Director of Utility Services
Prepared By: Arjuna Weragoda, P.E., Capital Projects Manager
Subject: West Wabasso Phase II Septic to Sewer – Status and Update

DESCRIPTIONS AND CONDITIONS:

On October 24, 2017, the Indian River County Board of County Commissioners (BCC) adopted the 2018 State Legislative List of Priorities and Concerns. As part of the proposed appropriation request, the BCC supported three projects. One of those projects is the West Wabasso Phase II Septic to Sewer project. Therefore, the subject staff report is to update the BCC of the status of the West Wabasso Phase II Septic to Sewer project efforts to solicit funding opportunities and associated timelines.

Although the design and bid specifications are 100% complete, staff is currently evaluating value engineering options/alternatives to maintain a competitive procurement process. Staff is evaluating the following grant funding options:

- Small Cities Community Development Block Grant (CDBG) Federally-Funded Sub-Grant Agreement – FY 2018 Funding Cycle
- St. Johns River Water Management District FY 18/19 Cost Share Grant
- Local Funding Initiative FY 18/19 through the Florida Legislature

ANALYSIS:

The five potential grant funding opportunities that the County is planning to pursue have varying requirements and timelines. The following outlines a brief description of these options:

Small Cities Community Development Block Grant (CDBG):

The CDBG program is a flexible program that provides communities with up to \$750,000 to address a wide range of community development needs and is administered by the Florida Department of Economic Opportunity (FDEO). Funds are available through a competitive application process, and award selection is based on a formula for small units of general local governments that carry out community development activities. A minimum of 70% of CDBG funds must be used for activities that benefit low and moderate income persons. In addition, each activity must meet one of the following national objectives for the program: benefit low and moderate income persons, prevention or elimination of slums or blight, or address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available. There may be changes to the formula due to a rule change that is currently in process. Due to the potential rule change, the application cycle has been delayed to March of 2018.

As the BCC may recall, the County previously applied for and was awarded a CDBG grant that combined the East Gifford Drainage project with the West Wabasso Phase II Septic to Sewer project in order to score favorably on the application.

St. Johns River Water Management District (SJRWMD) FY 18/19 Cost Share Grant:

The SJRWMD offers several cost-sharing programs throughout the year for projects that assist in creating sustainable water resources, provide flood protection and enhance conservation efforts. Funding is typically available for local governments. In general, projects considered for funding shall benefit one or more of the four district core mission areas, including:

- Water Supply,
- Water Quality,
- Natural Systems Restoration, and
- Flood Protection.

As part of its updated evaluation criteria, the SJRWMD has made the percentage of property owner participation an important part of the evaluation process. The project will receive the highest point value of 40 points for proof of over 50% participation, 36 points for proof of participation between 40% and 50%, and 32 points for proof of participation between 30% - 40%. For the medium category, proof of participation must be 25% or greater. Proof of participation must be in the form of a signed letter of commitment from each property owner stating the property owner will participate in the project and will allow their septic tank to be abandoned and connect to sewer within the proposed project timeframes.

Staff drafted a letter labeled “Commitment Letter” and obtained guidance from SJRWMD as to the validity of utilizing the letter to satisfy the above requirement. Once consensus was received, staff mailed 101 letters out November 22, 2017, with a target delivery date of December 22, 2017. In order for a successful grant application, participation from as many residents as possible is paramount; therefore, in addition to the letters that have been mailed out, staff further reached out to the community leaders and the community via email and meeting(s) on the following dates:

Date	Correspondence Description (Media)
11/21/2017	Emailed community stakeholders about the forthcoming commitment letters
12/04/2017	Reminder email sent to community stakeholders
12/04/2017	Director Burke attended Wabasso Civic League Meeting at 8586 64 th Drive (6:00 pm)
12/29/2017	Community stakeholders met with Director Burke in his office. Scheduled a follow-up meeting for 01/05/2018
01/02/2018	Emailed community stakeholders with an update on the outcome of the results
01/05/2018	Meeting was canceled by community stakeholders morning of 1/5/18. One stakeholder stopped by late morning and was provided a typical cost sheet for water and sewer based on a 5,000 gallon per day consumption

At the time of writing of the subject agenda, staff had only received valid commitment letters from 12% of the parcel owners.

Local Funding Initiative FY 18-19 through the Florida Legislature:

The State Legislature appropriates and implements bills to authorize spending of public money on an annual basis. The grants can be individual general fund appropriations or programmatic appropriations. The West Wabasso Phase II Septic to Sewer project will be submitted as an individual general fund appropriation. It is the intent of the County to have its legislative representative(s)

sponsor a septic to sewer funding initiative to assist the Wabasso Community.

Rural Economic Development Initiative (REDI) Program:

Staff also evaluated the possibility of grant funding through the Rural Economic Development Initiative (REDI) program. The REDI program is administered by the FDEO. In order to be classified as a REDI community, Florida Statute 288.0656 lists the following criteria to be met:

1. A county with a population of 75,000 or fewer.
2. A county with a population of 125,000 or fewer which is contiguous to a county with a population of 75,000 or fewer.
3. A municipality within a county described in 1 or 2 above.
4. An unincorporated federal enterprise community or an incorporated rural city with a population of 25,000 or fewer and an employment base focused on traditional agricultural or resource-based industries, located in a county not defined as rural, which has at least three or more of the economic distress factors identified in paragraph (c) of F.S. 288.0656 and verified by the department.

The following **counties** and **communities** are designated as Rural Areas of Opportunity.

- **Northwest Rural Areas of Opportunity** – re-designated by Executive Order 15-133
All communities within Calhoun, Franklin, Gadsden, Gulf, Holmes, Jackson, Liberty, Wakulla, Washington, **and** the City of Freeport, DeFuniak Springs, and Paxton in Walton County.
- **South Central Rural Areas of Opportunity** – re-designated by Executive Order 11-81
All communities within DeSoto, Glades, Hardee, Hendry, Highlands, and Okeechobee Counties, and the Cities of Pahokee, Belle Glade, and South Bay (Palm Beach County), and Immokalee (Collier County).
- **North Central Rural Areas of Opportunity** – re-designated by Executive Order 13-151
All communities within Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor and Union.

Further, a “community” not located in a designated rural county can meet all the following criteria to be eligible for REDI funding:

- ✓ Have an employment base focused on traditional agriculture or a resource-based industry (Please Note: land designated as agriculture does not qualify) **AND**
- ✓ Be an unincorporated federal enterprise community **OR** an incorporated rural city with a population of 25,000 or fewer; **AND**
- ✓ Be located in a county not defined as rural.

Upon verification of the top three qualifiers, communities must:

- ✓ Have at least three or more of the economic distress factors identified in paragraph (c) and verified by the department.

The following communities meet the criteria as stated above and are designated as “rural” communities under 288.0656(2) (e) 4, F.S.

Cities/Towns (County):	Expiration Date:	Cities/Towns (County):	Expiration Date:
Astatula (Lake)	May 25, 2018	Hastings (St Johns)	February 1, 2018
Center Hill (Sumter)	January 31, 2019	Jay (Santa Rosa)	November 27, 2019
Coleman (Sumter)	August 1, 2017	Lake Hamilton (Polk)	June 23, 2018
Dundee (Polk)	March 21, 2019	Mascotte (Lake)	April 5, 2019
Fellsmere (Indian River)	March 10, 2019	Newberry (Alachua)	August 1, 2017
Fort Meade (Polk)	February 1, 2018	Pierson (Volusia)	July 24, 2019
Frostproof (Polk)	October 11, 2018	Umatilla (Lake)	December 16, 2019
Haines City (Polk)	March 1, 2018	Waldo (Alachua)	May 25, 2018
Hawthorne (Alachua)	July 28, 2019	Webster (Sumter)	May 25, 2018

According to the above information, staff’s understanding is that the West Wabasso Community is not a REDI community at this time and may be unable to secure REDI funding for the West Wabasso Phase II Septic to Sewer Project.

Federal Clean Water Act Grants:

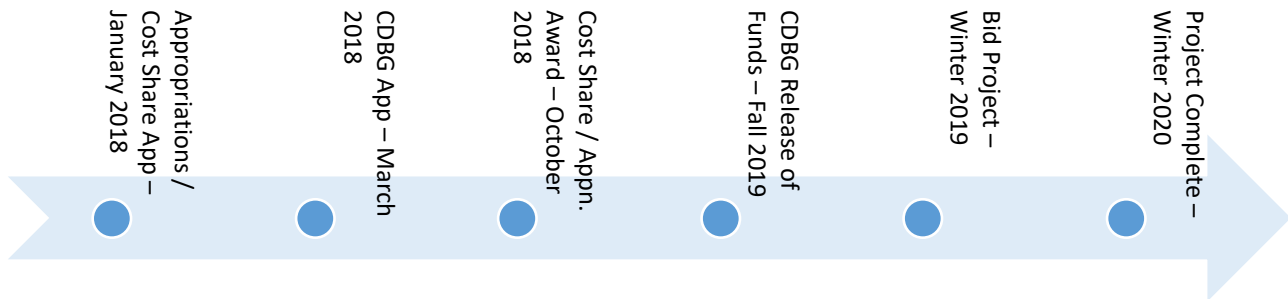
Last week staff was made aware that the Federal Clean Water Act Grants (319 Grants) could allow septic to sewer projects to be funded under the Nonpoint Source Management Program (NPSM). Upon further review on the eligibility section, it appears the fundable portion is only the private line from the house to the right-of-way as indicated in Attachment 2, Eligibility Guidelines for FY 2019 Section 319(H) Grant.

“Septic to sewer projects (laying the lateral from the residence/business to the main sewer line, connection to sewer line, grinding station [if on the resident’s property], and abandonment of the septic if the remaining septic tank is a continued source of pollution).”

Construction of the collection system and lift station will still need to be funded from other sources.

GRANT TIMELINE

The below chart is an estimated timeline of the grant application process and anticipated construction start.



The following table summarizes the timeline and requirements for the three grant funds the County is seeking:

Grant Name	Funding Cycle/ Application Due Date*	Milestones*	Administered By	Requirements
CDBG	2018 - March 2018	<ul style="list-style-type: none"> ✓ CATF Meeting – January 2018 ✓ 1st Public Hearing – February 2018 ✓ 2nd Public Hearing – March 2018 	FDEO	<ul style="list-style-type: none"> ➤ Income Surveys ➤ CATF Recommendation
SJRWMD Cost Share	18/19 - January 2018	<ul style="list-style-type: none"> ✓ Commitment Letters – December 22, 2017 ✓ Submit Application – January 2018 	SJRWMD	<ul style="list-style-type: none"> ➤ Community Participation
State Appropriations	18/19 - January 2018	<ul style="list-style-type: none"> ✓ Commitment Letters – December 22, 2017 ✓ Submit Application – January 2018 	FDEP	<ul style="list-style-type: none"> ➤ Community Participation

*Estimated based on preliminary information

All three funding grant requests are highly competitive. There is no guarantee that the County will be successful in its request for grant funding. For example, the FY15/16 SJRWMD cost share program had 86 applicants meeting the criteria for the program for a total request of \$42,356,401, but ultimately the SJRWMD awarded only \$25 million in grants. The program has gotten more competitive and harder to rank based on new, more stringent scoring criteria enacted by the SJRWMD Board.

FUNDING (DRAFT SUBJECT TO CHANGE):

Funding for the West Wabasso Phase II Septic to Sewer project is derived based on January 2017 bid prices submitted to the County and therefore could be subject to change. Staff evaluated two funding options that County is seeking to pursue.

Option 1 (CDBG, Cost-Share and State Appropriations): This option assumes the County will be successful in securing all three grants associated with the CDBG, SJRWMD Cost-Share and State Appropriations requests. In order to score favorably on the CDBG application, the East Gifford Drainage Project will be combined with the West Wabasso Phase II Septic to Sewer project. Please note that the below potential grant funds are reimbursable; therefore, the County will be obligated to budget the total amount up front.

Option 2 (Cost-Share and Appropriations, No CDBG Funding, IRC Optional Sales Tax): This option assumes that the County secures grants from Cost-Share and Appropriations but earmarks alternative funding sources for the project. Given the stringent requirements of the CDBG grant process, staff evaluated trying to complete the project without CDBG funding in the essence of time and complexity. Please note that the below potential grant funds are reimbursable, and therefore, the County will be obligated to budget the total amount up front.

Construction Cost	Amount (est.)
West Wabasso Phase II Septic to Sewer	\$ 2,100,000.00
East Gifford Drainage	\$ 216,000.00
Sub-Total	\$ 2,316,000.00
Impact Fee for 54 Sewer ERU's at \$2,796 per ERU	\$ 150,984.00
Total	\$ 2,466,984.00

Funding Source	Option 1* (with CDBG)	Option 2 (w/o CDBG)
SJRWMD	\$ 742,824.72	\$ 742,824.72
CDBG		
Septic to Sewer	\$ 720,000.00	\$ -
Drainage	\$ -	\$ -
State Appropriation	\$ 788,159.28	\$ 788,159.28
IRC Optional Sales Tax	\$ -	\$ 720,000.00
Total including impact fee costs	\$ 2,250,984.00	\$ 2,250,984.00

* In order to compare the same dollar amount, the evaluation excludes the costs for the East Gifford Drainage Project.

Since the CDBG grant in Option 1 cannot be exercised without combining the West Wabasso Phase II Septic to Sewer project with the East Gifford Drainage project, the below table is provided to further illustrate the anticipated actual costs of the combined projects.

Funding Source	Option 1 (with CDBG)	Project Description
SJRWMD	\$ 742,824.72	Septic to Sewer
CDBG		
Septic to Sewer	\$ 720,000.00	Septic to Sewer
Drainage	\$ 30,000.00	Drainage
State Appropriation	\$ 788,159.28	Septic to Sewer
IRC Optional Sales Tax	\$ 186,000.00	Drainage
Total including impact fee costs	\$ 2,466,984.00	

The above cost grant breakdown is hypothetical, subject to change and should be used for planning purposes only. The construction costs are taken from the January 2017 bid submittal from Blue Goose Construction and are not guaranteed to be valid if the project is re-bid. The impact fees are based on the Indian River County Department of Utility Services (IRCDUS) established schedule of water and sewer rates, fees and other charges.

PROS/CONS OF THE OPTIONS PRESENTED

Option 1- With CDBG Funding Request

- Currently, there is a strong construction demand in the market place. IRCDUS, Public Works and other local municipalities such as City of Sebastian are experiencing higher-than-normal bid submittals from contractors due to heavy work load and/or Hurricane Irma recovery efforts.
- The January 2017 bid submittal price is not guaranteed to be held constant and could be different if the County chooses to re-bid the project.
- Using the CDBG funds requires specific requirements to be followed. **If this option is selected, time is of the essence.** A local Citizen Advisory Task Force (CATF) meeting must be noticed and held. The CATF must first approve the project. There must be two (2) BCC public hearings. If approved by the BCC, CDBG grant applications need to be submitted in March 2018. There is no guarantee that the project will qualify (past qualification is no guarantee for future funding requests). Competition for limited dollars is high. A grant administrator must be hired to help the County deal with the multitude of project submittal updates associated with the federal grant, as managed through the state office of the FDEO. Specific Federal and State requirements (i.e. Davis-Bacon wage certifications, Small Business Enterprise or Minority owned business solicitations) must be documented as part of the bid process. The CDBG process will add about 12-18 months to the schedule due to the grant requirements. There is a possibility the CDBG requirements will delay the project start even if SJRWMD awards the County a cost share grant (See page 4 of this agenda). This timing could present an issue to fulfill documentation requirements of one grant while balancing the deadline to construct the project from another grant.
- In order to score favorably on the CDBG application as before, the East Gifford Drainage project will need to be combined with the West Wabasso Phase II Septic to Sewer project.
- Other funding sources such as the SJRWMD cost share grant are also highly competitive. There is a possibility that the County may get all three funding requests. There is also the possibility the County will get none of the funding requests (or one or two out of three awards) based on application review and scoring criteria used by the various agencies in determining whether a grant will be awarded.
- Although there are no County-supplied dollars to offset construction costs for the West Wabasso Phase II Septic to Sewer project, due to CDBG requirements, there could be County funds needed to both offset impact fees that cannot be charged to LMI or VLI owner occupied properties and the deficit needed to fund the East Gifford Drainage project.

Option 2: Without CDBG Funding Request

- Not having to apply for Federal dollars with the CDBG funding program frees up the County and its contractor from the specific requirements needed as described above under option 1.
- The timeline for the project is accelerated.
- An alternate funding supply is needed to offset the missing CDBG grant request. Optional Sales Tax (OST) is a potential funding source. However, if OST dollars are used, this could create a precedent for other utility assessment projects whereby some projects have had benefitting property owners pay 100% of the equitable costs associated with their property. This could create a disincentive for future utility assessment projects.
- By not applying for CDBG funding, the Gifford area drainage project (directed by the Gifford Neighborhood Plan), would have to be done at a later time.

- There is a possibility that the County may get both funding requests. There is also the possibility the County will get none of the funding requests (or one out of two) based on application review and scoring criteria used by the various agencies in determining whether a grant will be awarded. In this scenario, the County will need to decide how best to proceed.

The BCC should consider which option IRCDUS should pursue to try and get this project funded and constructed.

RECOMMENDATION:

Staff recommends the Board of County Commissioners consider the following:

1. Choose Option 1 as outlined for the three (3) potential funding sources and have staff bring forth an updated funding summary and cost at a later date, depending on successful grant award.
2. Authorize moving forward with submitting a grant application to the St. Johns River Water Management District Cost-Share Program in January/February 2018.
3. Authorize moving forward with submitting a grant application to the Community Development Block Grant (CDBG) application cycle tentatively scheduled to open in March, 2018. Direct staff to coordinate the Citizens Advisory Task Force (CATF) meeting to discuss 2018 CDBG categories and project options, schedule public hearings and solicit a grant administrator.
4. Authorize moving forward with submitting a grant application to the Local Funding Initiative FY 18-19 through the Florida Legislature.