



Office of the
**INDIAN RIVER COUNTY
ADMINISTRATOR**

Jason E. Brown, County Administrator
Michael C. Zito, Assistant County Administrator

MEMORANDUM

TO: Members of the Board
of County Commissioners

FROM: Jason E. Brown
County Administrator

DATE: June 9, 2021

SUBJECT: Indian River Lagoon Conservation Lands Bond Referendum
Capital Project and Land Purchase Options - Staff Report

BACKGROUND

On October 6, 2020, the Board of County Commissioners considered an agenda item regarding the potential uses for a Conservation Lands Bond Referendum. Following discussion, the Board directed staff to consider how bond referendum funds might be utilized in the most appropriate and cost-effective manner to improve the health of the Indian River Lagoon and County-owned conservation lands. Per this direction, staff is providing the following update.

CONSERVATION LAND BONDS GENERALLY

On two prior occasions, the County has issued conservation land bonds. The first issuance was approved by voter referendum in November 1992 for \$26 million for the purpose of acquiring conservation lands. This issue was supported by a levy of up to ¼ mill. The second issue was approved by the voters in November 2004 for a total of \$50 million for the purpose of acquiring ownership and other interests in environmentally sensitive lands, agricultural and historic property, which was supported by a levy of up to ½ mill. The last of these bonds was fully paid off last year. During early 2020, there was some discussion about whether the County should consider another bond issue of \$50 million for such purchases which lead to the request for this staff report.

Article VII, Section 12 of the Florida Constitution requires voter approval of the issuance of bonds or other debt that is supported by a pledge of ad valorem taxes. Like the previous conservation

land bonds, any future general obligation bonds would therefore require voter approval. The next general election will occur in November 2022. Staff would recommend that a bond referendum for this purpose be conducted during a general election rather than a special election to ensure a higher voter turnout with more participation from the public.

POTENTIAL USE OF BOND FUNDS

On October 6th, the Board discussed a desire to consider multi-purpose uses of land the County already owns, similar to the improvements made at the Osprey Acres Preserve. Osprey Acres is a stormwater park and nature preserve developed by the County on 83.7 acres of land that had previously been purchased by the County. This facility boasts a range of natural Florida ecosystems including uphill pine, mesic oak hammock, a small scrub area, and now manmade wetlands. Having these various habitats promotes a wealth of biodiversity within the property. Originally slated for more than 400 home parcels, Osprey Acres was bought by Indian River County, to not only preserve these fragile ecosystems, but to aide in further treatment of stormwater and reverse osmosis (R.O.) reject water before these waters enter the Indian River Lagoon. Waters for treatment come from both Osprey Marsh (which treats the demineralization concentrate (DC) from the South R.O. Water Plant next door) and untreated stormwater from the South Relief Canal. The facility has the capacity to treat up to 12 million gallons of water per day and removes approximately 5,000 lbs. of nitrogen and 1,000 lbs. of phosphorous per year from water heading to the Indian River Lagoon. Additionally, the park serves as an outdoor recreational amenity with 1.9 miles of walking trails where County residents and visitors can experience the preserved natural habitats throughout the site.

LARGE-SCALE STORMWATER PROJECTS

The County could utilize proposed bond funds to construct projects that provide water treatment as well as recreational opportunities and natural habitat preservation on currently-owned County property or could consider new purchases of land that could be developed in a similar manner. For comparative purposes, the County purchased the Osprey Acres parcel for \$1 million. Construction costs totaled \$7.7 million, and the County was able to secure grant funding of \$3.6 million for the project. This gives a basic indication of the cost of construction for such a facility. It should be noted that construction costs are currently running a bit higher than they were when this project was started in 2016, so these figures should be adjusted accordingly.

Figure 1 – Osprey Acres Stormwater Park & Nature Preserve



The County has constructed a total of five major stormwater and/or demineralization concentrate treatment projects as shown in the table below. Some of the facilities have public access now or planned public access in the future. Due to the nature of some projects, public access is limited. Some future facilities may be appropriate for public access based upon the type of project, location and available property for treatment.

Facility Name	Project Description	Location	Capital Costs	Annual Operating Costs
PC Main	Stormwater treatment – bar screening system	Main Relief Canal south of Vero Airport	\$5.3 million	\$63,260
Egret Marsh Stormwater Park	Algal Turf Scrubber	7295 4 th Street - Adjacent to Lateral C Canal	\$7.1 million	\$200,189
Spoonbill Marsh	Treatment system for 2 MGD of DC and 7.5 MGD of Lagoon water	North of Grand Harbor (61 st Street)	\$3.3 million	\$667,442
Osprey Marsh Stormwater Park	Algae Farm treating up to 10 MGD stormwater & 1.5 MGD DC	1225 5 th St. SW – Adjacent to South County R.O. Plant	\$8.3 million	\$739,805
Osprey Acres Stormwater Park	Multi-purpose stormwater park & nature preserve	925 5 th St. SW – Adjacent to Osprey Marsh	\$8.7 million	\$86,700

Most of these projects received grant funding, which offset the total direct cost to the County. If a bond issue were utilized to finance similar improvements, there are grant funds available for projects such as these. We have also been successful at obtaining legislative appropriations to support these types of projects. This would enable the County to leverage any bond funds to serve as matching funds for the various grants that are available. This was done with the previous environmental land bonds as well. Staff would continue to pursue these funds, which would stretch the contemplated \$50 million issue size to a significantly larger total amount of available funding for projects.

EXISTING CONSERVATION LANDS – LAGOON ENHANCEMENT PROJECTS

Another option for projects is to utilize existing conservation lands owned by the County. To date, there are over 11,900 acres in permanent protection through the County's acquisitions and partnerships with other entities. Of this acreage, approximately 2,300 acres are actively managed by County staff. These conservation lands were acquired through the two previous voter-approved bond issues. In addition to the inherent benefit of land conservation, some of these properties may have the potential to provide additional lagoon benefits through incorporation of water quality enhancement features. One example of a current project is at the 16-acre Jones' Pier Conservation Area. The County is currently managing construction of a project that is expected to be complete in the next few months. This project will restore land that was previously used as a citrus grove to include native wetland and upland habitats. These ecological enhancements include creation of a 4-acre salt marsh that is connected to the Indian River Lagoon providing potential nutrient removal benefits. The salt-marsh habitat provided within this project is a rapidly diminishing resource within the County. The project also includes a living shoreline along the lagoon which provides shoreline protection as well as wildlife habitat. Projects constructed with similar benefits could be potential uses of lagoon bond funds. Another similar funding opportunity is the Lost Tree Islands Conservation Area Enhancement and Restoration Project. This project is partially funded through the County's five-year Capital Improvements Program at \$2.7 million (including grant funds). It is estimated to cost between \$5-8 million to restore and enhance wetlands, shorelines, and coastal hammock on the three main islands. Additional benefits include recreational amenities for area residents and visitors. This long-term project is not fully funded and currently relies on grant awards that are yet to be secured. Lagoon bond funding would have the potential to accelerate restoration efforts. Other opportunities may be available on the County's various conservation lands properties. Like the other capital projects, this will entail ongoing operating and maintenance costs.

Figure 2- Jones' Pier Master Plan Map



Septic to Sewer Project Funding

The County has undertaken efforts to convert homes currently on septic systems to sewer in an effort to reduce nutrient loading in the Indian River Lagoon. This is a significant challenge as there are currently around 30,000 septic tanks throughout the County. In order to maximize the impact of such projects, the County had a prioritized ranking of these neighborhoods completed in 2017, based upon location, soil characteristics, estimated nutrient reduction, and cost to implement. This document has been used as a guide for prioritizing projects for funding. A copy of the report can be found here: <https://www.ircutilities.com/S2S/S2S-Eval-Ranking-Report.pdf> Most recently, the County is working to implement septic to sewer projects in the Roseland area and West Wabasso. These projects are cost-intensive, which has required the use of a combination of grant and local funding to implement. Bond funds could be utilized as one portion of the overall funding for planned septic to sewer projects going forward. The five-year Capital Improvements Program includes some of these projects, many of which are only partially funded at this time. It should be noted that there are numerous issues that will need to be addressed, such as connection policies, for future grant success. The Board should also consider the policy question of whether to utilize general obligation bond funds for sewer projects, however, staff has presented this as an option.

Subdivision Name	Prioritized Final Ranking	Cost per Lot (Estimated)	Total Number of Lots	Subdivision Total Cost	Pollutant (TN) Reduction
					lb/yr
Floravon Shores Subdivision	1	\$10,531.72	36	\$379,142	949.44
Sebastian Highlands Unit 02 Collier	2	\$34,013.68	28	\$952,383	1,027.53
Sebastian Highlands Unit 05	3	\$34,013.68	465	\$15,816,363	13,577.22
Hobart Landing Unit 2	4	\$58,552.08	26	\$1,522,354	965.00
Orchid Island No. 2	5	\$123,948.00	22	\$2,726,856	737.76
Sebastian Highlands Unit 04	5	\$34,013.68	438	\$14,897,993	10,018.99
Orchid Island No. 1	7	\$160,517.81	14	\$2,247,249	473.15
Ambersand Beach Sub No 1 & 2	8	\$54,680.86	84	\$4,593,192	2,802.36
Sebastian Highlands Unit 01	8	\$34,013.68	754	\$25,646,315	17,256.07
Sebastian Highlands Unit 03	10	\$34,013.68	168	\$5,714,298	4,569.76
Total Cost of Top 5 Subdivisions				\$21,397,098	
Total Cost of All Subdivisions				\$74,496,146	
Total Pollutant Reduction of Top 5 Subdivisions					17,256.95
Total Pollutant Reduction of All Subdivisions					52,377.29

SPECIFIC IDENTIFIED PROJECT OPPORTUNITIES

In 2019, the Board approved the purchase of a 243.50-acre parcel located on 82nd Avenue adjacent to the County's West Regional Wastewater Treatment Facility. This purchase was made to provide for potentially three uses; 1) additional wet weather disposal capacity for reuse water, 2) the opportunity to withdraw water from the lateral D Canal for treatment to reduce nutrient loading (TMDL project), and 3) a public park and recreation facility to include walking trails and other amenities. As such, this property was purchased with a multi-use purpose in mind. Staff is working to develop the design for this property, which is estimated to cost in excess of \$10 million. If the property is utilized for a TMDL type project, then it may be beneficial to utilize bond proceeds as a portion of the funding plan. Keep in mind that SB 64, which has yet to be signed by the governor, may prohibit the discharge of wastewater to surface waters (lateral D) by 2032 and the Utility department is exploring options regarding the potential impacts to operations.

On March 16, 2021, the Board of Commissioners approved the purchase of a 38.4 acre parcel of property near the Main Relief Canal for the purpose of constructing a TMDL project. County staff is working to design a project for this location. Construction costs for such project would be a potential use of proceeds from a potential bond issue. As discussed under the large-scale stormwater project section, the cost of constructing such projects is likely between \$5-\$10 million.

FUNDING

If approved, a general obligation bond issue(s), would be supported by a separate millage rate that would be levied on property within the County. For discussion purposes, a \$50 million bond issue financed over a 15-year period as was done in the two prior issuances, could be supported with a millage rate of approximately 1/3 of a mill. Another matter to consider would be the timing of bond issuance. Generally, municipal bond issuers such as the County must reasonably expect to spend the proceeds on qualified purposes within 3 years. It may be necessary to split any authorization into multiple bond issues (which was done with the 1992 referendum) in order to meet these requirements. If that was done, the initial millage rate would be lower until the final set of bonds is issued. Staff would recommend the consideration of unlimited General Obligation (G.O.) Bonds, as was approved in 1992 as compared to limited G.O. Bonds as approved in 2004. This typically results in a slightly reduced borrowing cost.

As detailed, there are numerous projects that could be funded with a potential bond issue. Bond proceeds would be appropriate for funding all or a portion of the capital cost of such improvements. It should be noted that there are tax-exempt bond restrictions regarding the useful life of projects financed versus the average maturity of the bonds. Assuming a 15-year period would require that the projects financed have a relative longer useful life. Capital projects typically carry ongoing maintenance and operating costs. These would need to be funded from other sources as bond proceeds would not be an appropriate source for such expenses.

The County typically uses several sources of funding for major projects. This would likely be true for projects supported by these bonds. Numerous grants are available from State and Federal sources for projects like those presented. This would serve to leverage the bond issue to provide total funding in excess of the bond amount. The Board also discussed the possibility of utilizing Public Private Partnerships (PPP's) for these funds/projects. This is another potential tool available to leverage the bond funds. Staff could explore PPP's as appropriate for any projects supported by a bond issue. However, it is important to note that we will need to review any funding and ownership structure with bond counsel to ensure it would comply with tax-exempt bond issue requirements in these instances.

RECOMMENDATION

Staff recommends that the Board consider the various types of improvements detailed above and provide direction on the types of projects to be funded in the event that the Board approves placing a general obligation bond issue referendum on the ballot. Based upon this direction, staff could further develop a proposed spending plan for such funds.

ATTACHMENTS