## Morgan, Jean

**From:** Roberts, Jim
**Sent:** Friday, November 20, 2009 3:22 PM
**To:** Wesley Bailey
**Cc:** deelayne@tampabay.rr.com; fhaynes@hccfl.edu; heidimccree@msn.com; hgramling@tbwg.org; pamela@pamelajohatley.com; Rosanne Clementi; vivienne@questecology.com; Stewart, Edith; Sheahen, John; Weiss, T. Barton
**Subject:** RE: Request for Additional information re Cone Ranch

Mr. Bailey,

I offer the following information relative to your 11/14 inquiry and regret the delay in responding.

*Would the enterprise support the designation of Cone Ranch as surplus property?*

The property is currently considered a non-performing asset. However, it would be imprudent for the enterprise to support disposal of the property at this time given the recent interest in establishing a regional utility authority and in developing the I-4 corridor of east Hillsborough County.

*Must the enterprise be compensated for Cone Ranch at fair market value based on highest and best use absent the existence of enterprise bonds and their covenants restricting disposal?*

Although generally accepted accounting procedures would not require an interagency transfer at fair market value, recovery of the enterprise's investment in the asset is inferred as the minimum level of compensation. Otherwise, the credit rating of the enterprise may be impaired if bond-rating agencies perceived the enterprise as a convenient funding source for acquiring and/or holding assets primarily for non-enterprise purposes.

*Is the annual carrying cost of Cone Ranch approximately $230,000?*

The term "carrying cost" is typically used to characterize only the interest payable on installment debt. The actual interest payment attributable to Cone Ranch for FY09 was approximately $347,000. The outstanding Series 2001 bonds have a fixed amortization schedule. The interest component of each successive payment declines as the principal is retired—much like a fixed-rate mortgage or auto loan would.

If the interest expense is to be offset by the property's rental and commodities income (which averaged approximately $155,000 per year between FY93 and FY09), consideration must also be given to maintenance, engineering, and capital expenses (which averaged approximately $67,000 per year between FY93 and FY07) and to interest earnings on net operating revenues (which averaged approximately $43,000 per year between FY96 and FY07). The total interest allocated to Cone Ranch and paid by the enterprise has averaged approximately $790,000 per year over the 21-year period commencing with issuance of the 1988 general improvement bonds.

Based on the foregoing averages, the net cost to the enterprise for Cone Ranch has averaged $659,000 per year [(790,000 + 67,000) – (155,000 + 43,000)].

*What is the minimum number of appraisals supported by the enterprise?*

The department relies on the recommendations of the County's Real Estate Department for the valuation and disposal of its assets. The recommended minimum of three to four appraisals is based on the uncommonly large size of the property. The average of all such appraisals is intended to ensure the validity and propriety of the final value determined.

*What is the book value of Cone Ranch?*

The book value of Cone Ranch is $12,189,394, the amount paid for the property in 1988. The approximate amount invested by the enterprise in Cone Ranch to date for bond principal and interest is $28,000,000.

**From:** Wesley Bailey [mailto:wkb@baileyandson.com]
**Sent:** Saturday, November 14, 2009 12:56 AM
**To:** Roberts, Jim; Stewart, Edith
**Cc:** deelayne@tampabay.rr.com; fhaynes@hccfl.edu; heidimccree@msn.com; hgramling@tbwg.org; pamela@pamelajohatley.com; Rosanne Clementi; vivienne@questecology.com
**Subject:** Request for Additional information re Cone Ranch

Mr. Roberts,

Thank you for taking the time to read my analysis of Cone Ranch and offering your clarifications. My intent is nothing if not to be as accurate as possible. To that end, I would like to accept your kind offer to provide additional information regarding Cone Ranch.

Please tell me, would the Water Enterprise resist the designation of Cone Ranch as surplus property?

Does the Water Enterprise take the position that, regardless of bonds and bond covenants, the Enterprise must be compensated for Cone Ranch at the "fair market value" of the "highest and best use"?

Considering the average annual proceeds from the cattle ranching lease and the sod farming over the last three years, would the Water Enterprise place the annual "carrying cost" of Cone Ranch at about $230,092 (as opposed to $347,000 or "nearly $500,000")?

How many appraisals would the Water Enterprise ask the taxpayers of Hillsborough County to buy before transferring Cone Ranch to ELAPP? Seriously, what is the minimum number of appraisals that would be supported by the Water Enterprise.

The matter of continuing agricultural and ranching operations on Cone Ranch was raised to contrast the management of Cone Ranch in ELAPP with the uncertain future of Cone Ranch after private sale(s) by FCEG, a point which is now mute. The damage to Blackwater Creek from running cattle on Cone Ranch can be effectively offset with the establishment of minimally restored wetlands. The use of wetlands to filter and purify storm water runoff from agricultural operations is well documented. ELAPP is uniquely qualified to make the appropriate management decisions.

Most importantly, I ask to be informed of the value that is listed on the Water Enterprise ledger books for the capital asset "Cone Ranch". As a specific capital asset of significant value, does Cone Ranch have a particular dollar value listed "in the books" as a Water Enterprise asset? Please, what is it?

Mr. Roberts, thank you again for taking the time to contact me regarding the analysis document. While many of the points raised are now mute, you may be pleased to know that a revised document was prepared and circulated on November 8. The revised document corrected the 2012 date for the bonds to 2015 and also corrected the transposed letters of CLRT to CRLT. In addition, the many acronyms in the document were amended to include the appropriate expanded names on each first mention. I would be happy to forward a copy of the revised "Cone Ranch: Analysis and Solution" document, if you like.

However, upon receiving your responses to the questions posed above, I am certain that a further revision of the document will be forthcoming. I will be pleased to forward a copy of the second revision of "Cone Ranch: Analysis and Solution" when available.

Thanks again for your kind attention. I eagerly await your response.

Sincerely,

Wesley Kent Bailey

Roberts, Jim wrote:

Mr. Bailey,

I offer the following clarifications for your analysis of Cone Ranch regarding the enterprise system.

*The analysis refers to a "surplus property" status since 1999 and states that continued "ownership" by the enterprise is inconsistent with that status.*

Only two of the three bond covenant requirements were met in 1999 to achieve surplus status. The BOCC did not complete the process and declare it surplus. Since the BOCC did not act on the approvals given by the then-director of WRS and the then-engaged bond engineer, those approvals are presumed to have expired upon expiration of the respective County tenures of that director and consultant in such capacity.

*The analysis refers to the presumed maturity of the Series 2001 bonds in 2012 and states that new bonds need not include Cone Ranch within their control.*

The Series 2001 bonds mature in 2015. New bonds must be issued this year before an appropriate valuation of the Cone Ranch property could be reasonably completed. The exclusion of individual system assets appears to have no precedent. In fact, the Series 1991B bonds issued solely to refinance the Cone Ranch acquisition subjected all system assets to its covenants. Assuming that such an exclusion was legally available to the County, it would have to be disclosed with the offering and would presumably limit competition or interest for the new bonds, thereby increasing the cost to the enterprise through a higher interest rate.

*The analysis refers to $500,000 annual carrying costs for the property and the elimination of that cost upon a sale or transfer of Cone Ranch.*

The interest paid on outstanding enterprise bonds for FY09 was approximately $5,615,000. Of that amount, approximately $347,000 would be allocated to Cone Ranch. A transfer of the property would not reduce enterprise interest payments which are fixed by the amortization schedule until the bonds mature. The proceeds from the sale would be placed in the enterprise renewal and replacement reserve for capital improvements.

*The analysis refers to a requirement for two independent appraisals of Cone Ranch.*

The bond covenants do not specify the number of appraisals required. However, the Real Estate Department recommends a minimum of three or four appraisals based on the size of the property.

*The analysis refers to a cessation of ranching activities upon transfer of property to ELAPP.*

The lease renews automatically each year but may be cancelled by the County giving the prescribed notice in the prior year. However, cancellation would not be automatic upon a transfer to ELAPP or a third party.

Please contact me if additional information is desired.

Jim Roberts, General Manager II
Hillsborough County Water Resource Services
925 East Twiggs Street
Tampa, Florida 33602
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WRS is committed to quality service. Please visit the link below to rate the level of service you received from the author. Thanks!
http://hcbocc.websurveyor.net/wsb.dll/13/WRS_Q1_2010.htm?WSB28=BUSSVC

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**From:** Wesley Bailey [mailto:wkb@baileyandson.com]
**Sent:** Thursday, November 05, 2009 4:05 PM
**To:** Stewart, Edith
**Cc:** Denise Layne; Felix T. Haynes; Heidi McCree; Hugh Gramling; Pamela (Pam) Jo Hatley; Rosanne Clementi; Vivienne Handy; Alligator Bob Young; Barbara D. Aderhold; Bev Griffiths; Bill Roberts; Charlotte Butler-Nelson; Cori Cuttler; Dennis Carlton; Diana Ferguson; Jack Berlin; Jane Gibbons; John McGrath; joyce Newnam; Kristin Bennett; Marcella O'Steen; Mariella Smith; Neil Cosentino; Pam Clouston; Scott Emery; Shawn College; Gran, Stephen; Terry Flott; Vivia Bacca; Andrew Zodrow; Bethany R. Leytham; Stetler, Bob; Michel, Carol; Helvenston, Edward; Eric Sutton; Ennis, Hank; Morgan, Jean; Roberts, Jim; Sheahen, John; Keith R. Fountain; Ken Jones; Hudson, Lori; Garsys, Lucia; Jones, Maria; Mark-David Adams; Kelly, Mike; Merrill, Mike; Vanderploog, Paul; Harvey, Paula; Fowler, Peter; Lee, Renee - CAT; Richard Miller; Pinol, Sandra; Steven Blaschka; Fernandez, Susan; McElroy, Terry; Simon, Timothy; Will Bissett; Higginbotham, Al; Norman, Jim; Hagan, Ken; Beckner, Kevin; White, Kevin; Sharpe, Mark; Ferlita, Rose
**Subject:** Request for Agenda time at Cone Ranch Advisory Panel meeting on November 16, 2009

Dear Ms. Stewart:

I would like to request an opportunity to present this analysis of the Cone Ranch question at the November 16, 2009 meeting of the Cone Ranch Advisory Panel. Ideally, I would like up to an hour for this presentation and the opportunity to answer questions from the panel, or as long as is permissible.

Please let me know when the agenda for this meeting is formalized and if I am confirmed.

Sincerely,

Wesley Bailey

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