

From: Roberts, Jim
Sent: Monday, November 09, 2009 10:20 AM
To: Charlotte Butler-Nelson
Cc: Otero, Teresa; Chan, Sandy
Subject: CONE RANCH--BOND INCOME (ACR #4534)

Ms. Butler-Nelson,

Your October 27 inquiry to Commissioner Sharpe's office regarding Cone Ranch bonding and revenues was referred by the County Administrator's Office to Water Resource Services for response.

The only enterprise system bonds outstanding at this time (Series 2001) encompass all system assets—not just the Cone Ranch property—in that those assets generate the revenues pledged to the bondholders for repayment of the debt. The system's Series 1991B bonds had referenced the purchase of the Cone Ranch as the purpose of their issuance, but that series was refunded or retired through the issuance of subsequent series—similar to the refinancing of a debt secured by a mortgage. The Series 2001 bonds reach maturity on August 1, 2015.

The County does not escrow monies for the retirement of its debt. The debt is amortized over its stated term through periodic payments of interest and principal (debt service)—similar to the repayment of a mortgage. Those payments are funded from the monthly user charges collected for enterprise system services and from the water and wastewater impact fees collected from applicants for those services that are initiating connections to the enterprise system.

A spreadsheet of the income derived from Cone Ranch activities during the past three years is attached. Between FY93 and FY07 (the last year for which expenses related to Cone Ranch operations were accounted for separately), expenses incurred by the enterprise for maintaining the property (primarily for engineering and security-related purposes) averaged approximately \$40,000 per year. However, the annual cost to the enterprise for Cone Ranch far exceeds the property's revenues when a pro rata share of the annual interest paid by the enterprise on its outstanding debt is allocated to that property. In FY09, the enterprise paid approximately \$5,615,000 in debt-service interest. Of that amount, approximately \$347,000 would be allocated to Cone Ranch.

The conditions of the outstanding bonds specify that all enterprise system revenues not designated for any other purpose (such as reserves or debt service) may only be used for lawful purposes that benefit the system. To that end, all revenues from Cone Ranch operations are deposited in the general revenue accounts of the enterprise along with the revenues from other enterprise operations, and all enterprise expenses attributable to that property would be paid from those accounts. This guarantees that Cone Ranch-related expenses are always covered when the actual revenues derived from the Cone Ranch operations are insufficient.

Regarding questions asked in May and August, an inquiry from you to the Commissioners on or about May 26 was assigned to the County Attorney for response (AR #55438). The following clarifications are provided regarding issues in that inquiry that are related to the utility enterprise system.

With respect to Tampa Bay Water's pumping rights interfering with the sale of Cone Ranch, those rights would not preclude the sale of the property. They do of course represent an encumbrance that may diminish the property's value if it were to be sold with those rights intact.

Water Resource Services is not actively pursuing the sale of the property. Although the Cone Ranch property could be considered a non-performing asset of the enterprise, the department feels that the sale of the property at this time may not be in the best interests of the enterprise due to current economic conditions.

If the enterprise leases its property, it must receive fair market value for the lease as well. A long-term lease of Cone Ranch for a nominal rental would not appear to meet that condition. Also, all rental payments received for the lease of enterprise property must be used for enterprise purposes only. Enterprise accounts and funds are maintained separately from the general funds of the County.

An expanded discussion of the enterprise, its assets, and the potential sale of Cone Ranch is attached. Please contact me if additional information or clarification is desired.

Jim Roberts, General Manager II
Hillsborough County Water Resource Services
925 East Twiggs Street
Tampa, Florida 33602
Phone: 813-272-5977 (x43204)
Fax: 813-272-5589
Email: RobertsJ@HillsboroughCounty.org