
SOUTH FLORIDA WATER MANAGEMENT DISTRICT



Audit of The Land Management Program

Audit # 02-21

Prepared By

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

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Mr. Michael Collins, Member
Mr. Patrick J. Gleason, Member

RE: Audit of the Land
Management Program-
Audit # 02-21

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. The audit focused on the control environment over the District's land leasing programs. Our audit covered all leases managed by the Interim Land Management and Land Stewardship Divisions. Fieldwork was conducted September 2002 through December 2002. This report was prepared by Dan Sooker.

Sincerely,

Allen Vann
Inspector General

AV/DS
Enclosure

c: Henry Dean

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INTRODUCTION Land purchased by the District for restoration projects or conservation and preservation are sometimes leased to third parties. Often times, project lands are acquired prior to their intended use and leased back to the seller or offered to the highest bidder for a stated period of time, depending on future project timetables. During the acquisition process, Real Estate staff keeps the Interim Land Management Division apprised of potential acquisitions in which a leaseback or reservation is contemplated as part of the purchase. However, determination of whether the acquired land will be leased and for how long is a collaborative decision made by the Project Manager, Real Estate and Interim Land Management Divisions with approvals from the Executive Office and Governing Board.

To ensure that the acquired land is available for a restoration project, the District's boilerplate lease agreement contains a termination provision in case the land is needed prior to the lease expiration. Because in many acquisitions the land will later be used for restoration projects, lease agreements also contain environmental provisions that prohibit the use of certain pesticides, limit the lessee to growing acceptable crops, holding the lessee responsible for exotic plant control and maintaining the property free of debris.

The District's Interim Land Management and Land Stewardship Divisions are primarily responsible for managing these leases. Land Management administers leases associated with land acquired for future projects. Land Stewardship operates autonomously from Interim Land Management and oversees cattle grazing leases on District land purchased for conservation and preservation.

Organizationally, the Interim Land Management Division is currently situated in the Land Resource Business Group and has six employees managing approximately 100,000 acres. Over the previous five years, the Division has been moved four times and has been under four different departments. Initially, the Interim Land Management Division was under the Construction and Land Management Department but was moved to the Operations and Maintenance Department. Shortly thereafter, the Division was transferred again; this time to the CERP. Finally in FY03, the Division was moved to

the Land Resource Business Group and a property management department was created solely dedicated to managing District land. The Land Stewardship Division also experienced a similar plight as the Interim Land Management Division and was moved three times over the same period. Land Stewardship oversees approximately 18,000 acres with two employees assigned project management responsibility. The adjacent table is the combined Interim Land Management and Land Stewardship acres managed by land use.

Land Use	Number of Acres
Sugar Cane	53,058
Cattle Grazing	41,206
Groves	10,584
Sod Farms	6,165
Row Crops	3,276
Other	3,471
Total	117,760

The mission of the Interim Land Management Division is to provide high quality management services in support of the District's overall mission. Tangible benefits of the interim lease management program are reduced land management expenses, lease revenues to offset expenses and protection of the land resource. Cost avoidance, particularly from exotic plant control, can be substantial. According to the District's Vegetation Management Division the cost to initially eradicate Melaleuca and Brazilian Pepper infestation is estimated at \$500 an acre.

As recommended in Florida House Bill 1119, the District has delegated some of its land management responsibilities to Soil and Water Conservation Districts. This Bill contains language for the District to consider using soil and water conservation districts to manage leased land. Currently, the District has master lease management agreements with Palm Beach, St. Lucie and South Dade Soil and Water Conservation Districts. These districts are assigned individual leases to manage through contract amendments. Although Palm Beach has managed individual leases, South Dade is currently the only District presently managing individual leases. The District also has agreements with other governments to manage land.

Leasing revenues are a significant funding source for the interim land management program. For FY02 revenues derived from leasing totaled \$1.8 million and are to be used exclusively for land acquisition and management. All funds derived after FY01 from the Water Management Land Trust Fund are dedicated for land stewardship costs. For land acquired using federal funds, the lease revenues spent for land management must meet more narrowly defined cost requirements.

During FY02, the Division expended approximately \$800,000 for interim land management costs. Major items consist of staff salaries \$575,000 and vegetation management and on-site costs of \$165,000.

**OBJECTIVES,
SCOPE AND
METHODOLOGY**

Our primary objective of the audit was to verify that there is an adequate system of controls to ensure compliance with lease terms and conditions. Other objectives include determining how District properties are selected for this type of management and reviewing the propriety and cost benefit of interim leases.

In order to accomplish our objectives, we performed the following procedures:

- Reviewed laws, regulations and District policies and procedures specific to leasing District land.
- Reviewed leasing documents.
- Interviewed staff responsible for implementing the lease program and external individuals.
- Visited selected properties.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Results in Brief

Strengthen Internal Controls over the Lease Revenue Cycle The sizeable growth in the District's leasing program requires a more formalized process to manage the leasing revenue cycle. Establishing a system of procedures and responsibilities among the many participating divisions would improve the process and create a coordinated system to manage the expected volume increase of leases. Currently, there is no formal procedure in place to verify billing completeness. Procedures that ensure completeness and verify billing accuracy would improve the process. Lessees are aware of lease terms and conditions through the lease agreement but the current practice is to invoice lessees for amounts due except for certain lessees who are verbally reminded. This practice should be discontinued and Treasury should invoice all leases.

Also, the process for following up on delinquent lease receivables could also be improved. Standard procedures should be adopted to include additional invoicing, second requests, telephone follow-up, informing of legal action and finally lease termination.

Improve Controls over Leaseback Renewals Our review of three leases managed by the Land Stewardship Division revealed that two of the leases were renewed at below market rates without competitive solicitation. Renewal of these leases without adequate competition weakens the control environment and by-pass the tenets of an open procurement process. The customary checks and balances within the originating division and Procurement were not present. Procurement management was not involved in the decision-making process of whether to competitively solicit the leases or renew them. This strongly suggests that current controls over revenue contracting are not sufficient. We are recommending that leaseback renewals be discontinued unless approved through a formally approved waiver of competition.

***Implement
Consistent Lease
Monitoring
Procedures***

While our own limited site inspections did not reveal problems, our examination of inspection reports prepared by soil and water conservation districts and other land managers revealed that the reports did not always document whether the lessee was in compliance with lease provisions. Reports need to sufficiently document tenant adherence to lease terms, especially in matters relating to protecting the land.

Based on our review, the report template used by the Interim Land Management Division is best over the others and should be the standard. To facilitate inspections, Interim Land Management may want to consider a checklist format and providing Palm Pilots to the limited number of inspection staff to facilitate the documentation process.

***Re-Evaluate The
Partnership With
South Dade Soil &
Water
Conservation
District***

Overall, farming the Frog Pond area has proven beneficial to the District. Without farming revenues to offset exotic vegetation control costs, funding for the control effort would likely require using ad valorem tax dollars. However, the District should re-evaluate its options of whether to continue its partnership with South Dade Soil and Water Conservation District (SDSWCD) to manage the property or pursue other alternatives. A comparison of property management costs on a per acre basis indicates that SDSWCD oversight of the Frog Pond appears unusually high when compared to per acre rates of other government entities. In addition, assessments conducted by the Institute of Food and Agricultural Sciences (IFAS), indicate that the SDSWCD has not implemented the vegetation management work plan outlined in its agreement.

We recommend that the District restructure any future renewal of the SDSWCD management agreement to incorporate similar terms and conditions included in contracts with other soil and water conservation districts or move the lease monitoring in-house. Upon agreement expiration the District should request the remaining cash balance, currently over \$200,000 be remitted.

**Strengthen
Internal Controls
Over The Lease
Revenue Cycle**

Overall, internal controls over the revenue leasing cycle could be improved. Internal controls, including policies and procedures, are intended to provide the organization with reasonable assurance that transactions are processed accurately and errors will be prevented or will be detected in the ordinary course of business. The concept of reasonable assurance suggests that the cost of such controls should not exceed the benefits expected to be derived. In our opinion, implementing formal procedures to the District's leasing revenue cycle would improve the control environment without adding additional cost.

Over the past few years, District leasing activities have increased considerably with the acquisition of land intended for future restoration projects. In FY01, the District leased out 101,472 acres. In FY02, leased acres increased to 117,760 which represents a 16% rise in leasing activity. To better manage the workload, the District's Interim Land Management Division has developed a lease database and other improvements. Although these and other improvements have significantly upgraded the process, the sizeable growth requires a more formalized leasing revenue system. More specifically, a review of leasing cycle components, invoicing, recording lease transactions in the District's general ledger financial system and cash receipts revealed that it is currently an informal process strongly in need of procedures and policies.

Employees involved in the lease cycle include staff from Interim Land Management, Land Stewardship, Procurement, Treasury and Accounting. Establishing a system of procedures and responsibilities among the participating divisions would improve the process and create a coordinated system to manage the expected volume increase of leases.

Lease terms vary dramatically, from lease reservations with a seller that are built into the acquisition price and require no invoicing to annual,

quarterly and monthly lease payment terms. Although the lease agreement contains the payment terms, the Treasury Division invoices most lessees and receives payments. However, leases assigned to a project manager in the Interim Land Management Division are not invoiced but lessees are informed verbally of lease payments due. Without an invoice, the accounting system is not updated. Assignment of the billing and collection functions to one area without compensating controls weakens the system. Likewise, leases that are not recorded in the District's general ledger accounting system also weaken the control environment.

Currently, the lease revenue system has no formal procedure in place to verify billing completeness. Lease agreements are recorded in ICMS and copies are provided to Treasury. However, Treasury or Procurement has no procedures to ensure that all leases have been provided. A reconciliation of lease amounts recorded in the ICMS to the schedule in Treasury would correct this shortcoming. Also, the practice of verbally informing lessees of amounts due should be discontinued and Treasury should invoice all leases. These changes are essential to the completeness and accuracy of the subsidiary accounts receivable ledger, which is updated from the Treasury schedule. The Accounts Receivable subsidiary ledger is a stand-alone Excel spreadsheet that ages leases receivable and manually records it by fund and account, which the District financial system is incapable of doing.

Our review of the leasing cycle indicated that procedures for following-up on delinquent lease receivables need consistency. According to the schedule maintained by Treasury, there were four leases in which payments were outstanding for over one year but no structured follow-up was evident. Lessee non-payment needs to be dealt with promptly. Ordinarily, as receivables become progressively more delinquent, follow-up procedures should strengthen. Standard procedures should include additional invoicing, second requests, telephone follow-

up, informing of legal action and finally lease termination. After the invoice is sent and payment is delinquent for thirty days, the matter should be handed over from Treasury to Procurement for follow-up. An element of time should be added to other collection effort procedures.

Communicating the status of leases receivable to staff involved in the leasing cycle could also prove beneficial. A copy of the aged leases receivable schedule should be sent either electronically or interoffice on a monthly basis to Procurement's Contract Specialist, the project manager and others involved in the process for collection assistance or termination.

Another efficiency measure that can be taken is for Real Estate to obtain lease insurance certificates, agricultural exemption and other administrative documents when the lessee is motivated at closing for leasebacks and reservations. Often times lessee annual lease payments remitted to the District do not include sales tax, even though the lessee has not provided an agricultural exemption and is therefore subject to tax. This practice results in the District remitting sales tax to the State and billing the lessee again for the deficient payment. A checklist that includes the agricultural exemption, and insurance certification and other needed items could be developed and provided to the lessee prior to closing.

Recommendations

- 1. Reconcile lease amounts recorded in ICMS to the billing schedule maintained by Treasury.**

Management Response: Management concurs that to the extent that all leases are entered into the ICMS system, a reconciliation between ICMS and the Treasury records will be done quarterly with any discrepancies reported to Procurement and Land Management.

Responsible Division: Accounting

Estimated Completion Date: April 15, 2003

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- 2. Invoice all leases. Discontinue, as the primary billing method, the practice of verbally informing lessees of amounts due.**

Management Response: Management concurs. All lessees will be sent invoices 30 days prior to the due date of the payment.

Responsible Divisions: Interim Land Management and Treasury

Estimated Completion Date: April 1, 2003

- 3. Provide a copy of the aged leases receivables schedule electronically or interoffice on a monthly basis to Procurement, and Interim Lease Management and Land Stewardship Divisions.**

Management Response: Management concurs. A redesigned Aged Receivable Report in an acceptable design and format for procurements and land management's use will be sent to Procurement and Land Management monthly.

Responsible Division: Treasury

Estimated Completion Date: April 1, 2003

- 4. Establish standard and follow-up procedures, which should include additional invoicing, telephone follow-up, second requests, informing of legal action and finally lease termination and close-out. After the initial invoice is sent and payment is delinquent for thirty days, the matter should be handed over to Procurement for follow-up. An element of time should be added to other collection effort procedures.**

Management Response: Management concurs and will develop standard and follow-up procedures regarding lease payments in concert with Treasury and Procurement Divisions. Procedures will be coordinated and documented between Accounts Receivable, project management and procurement departments to clarify responsibilities of each group, time frames, and ultimate legal actions.

Responsible Divisions: Treasury, Interim Land Management and Procurement

Estimated Completion Date: September 30, 2003

5. **Develop a checklist to obtain lessee insurance information, agricultural exemption and other essential documents at closing.**

Management Response: Management concurs. Real Estate will add these items to the Closing Documents List. Procurement will provide a standard insurance form to Real Estate for their use in closing. Currently, real estate closings are not reported to procurement and procurement does not track these items. Only those leases competitively bid throughout the formal procurement process are entered into ICMS and tracked. Procurement will extend whatever assistance Real Estate requires in identifying standard leasing agreement requirements. Procurement extends the use of ICMS to the Real Estate Division to track its leaseback situation and will provide the Real Estate Division's personnel with ICMS training if requested.

Responsible Divisions: Procurement and Real Estate

Estimated Completion Date: March 31, 2003

**Improve Controls
Over Leaseback
Renewals**

Our review of three leases managed by The Land Stewardship Division indicated that two of the leases were renewed without competitive solicitation. The renewal of these leases falls within the competitive thresholds of the Procurement Policy. These transactions weaken the control environment and bypass the tenets of an open procurement process.

The original cattle grazing lease term for C91-2295 was January 1991 through January 2001 with an option to renew for another 10-year period at the discretion of the District. The option was exercised and this lease for 1,090 acres was renewed for a five-year period. The other lease, C-3261 was also a cattle-grazing lease for 10-year term with a 10-year renewal option. The original lease stipulates that at expiration, the District would compete the renewal and allow the lessee to match the highest bid. This lease for 687 acres was renewed for two years. The initial transactions were leasebacks to the original owners at a bargain price of \$1 per acre.

According to the Project Manager, the renewal of lease C91-2295 is related to a District proposed acquisition of other property belonging to the lessee within the same approximate area. The lease extension was intended to allow the lessee to move his cattle to the leased property in the event that the District acquisition is consummated. The renewal agreement was an informal letter to the lessee from the Contract Specialist extending the original for an additional five years. The C-3261 two-year lease extension was granted to coincide with the start of a restoration project. Due to the short timeframe, it was decided to apply the lease's renewal provision. Both leases were renewed at the same \$1 per acre rate.

The District Procurement Policy emphasizes dollar thresholds with respect to guidance for revenue agreements. This area needs strengthening. Based on the competitive thresholds established for expenditures in the Policy, the District was not required to compete these renewals. The extended leases payments of \$5,450 and

\$1,374 for C91-2295 and C-3261, respectively, falls below the \$10,000 threshold requiring competition.

However, the \$1 per acre rate does not represent the market value of a grazing lease in this area. Based on the District's current grazing leases in the approximate region, market value appears to be in the \$10 per acre range. If market value were used, the total value of C91-2295 would be \$54,500, which would require competitive solicitation.

In our opinion, these renewals weaken the control environment. It appears that the renewal of C91-2295 bypass the tenets of fair and open competition. While it may help the District negotiator acquire the parcel owned by the lessee, the renewal transaction appears hidden from view. The customary checks and balances within the originating division and Procurement were not present. Based on file documentation and discussions with Procurement Staff, procurement management was not involved in the decision-making process of whether to competitively solicit the leases or renew them, which strongly suggests that current controls over revenue contracting are not sufficient.

An adequate control environment over revenue contract extension should require Procurement management approval or a signed waiver of competition. Using only a dollar value competitive threshold for these extensions does not appear adequate since the initial leaseback to the original property owner is often at below market rates. Competition will determine market value and therefore the leases should be competed.

Recommendation

- 6. Discontinue leaseback renewals unless approved through a formally approved waiver of competition. Develop lease renewal procedures and establish competitive thresholds that are based on market values.**

Management Response: Management partially agrees. A formal Waiver of Competition is a complex and specialized procedure requiring Governing Board approvals at certain levels of expenditure. Leases with renewal options are approved by the Governing Board initially and exercising those renewal options should be a management decision. We do agree that a degree of business analysis, performance evaluation and land management objectives should be considered before a renewal is granted, and we will establish a review process within the Land Resources Business Group. Procurement will work with Land Stewardship to include policies on leaseback renewals and waivers of competition.

Responsible Divisions: Procurement and Land Stewardship

Estimated Completion Date: September 30, 2003

Auditors Comment: In our opinion, at the expiration of a lease, all renewals should be brought before the Governing Board and the business case of whether to renew the lease or compete it can be evaluated.

**Implement
Consistent Lease
Monitoring
Procedures**

The Interim Land Management and Land Stewardship Divisions are responsible for monitoring lease compliance and protecting the land resource. Four District employees conduct site inspections. Soil and Water Conservation Districts have been delegated some of this responsibility through agreements with the South Florida Water Management District to perform lease oversight functions.

Our review of lease agreements over a ten-year period indicates that the District's boilerplate lease agreement has vastly improved. The lease provisions now contain stipulations that place a premium on preserving the land resource. Although environmentally beneficial, the added compliance requirements likely leads to reductions in lease revenue. In summary, significant lease terms and conditions are as follows:

- Crops planted are environmentally friendly
- Lessee's remove trash expeditiously
- Adherence to Best Management Practices (BMPs) i.e. pesticide usage
- Lessee is not altering the property i.e. digging water retention canals or installing water facilities
- Cattle grazing is not depleting or damaging the land resource

We conducted site visits at five farming and cattle grazing properties with staff from the Interim Land Management Division to view the condition of the leased properties. During our site visits nothing came to our attention which would indicate that the lessee is out of compliance with lease terms and conditions.

For farm leases, the crops planted were on the environmentally acceptable list, mostly malanga and boniata. The properties appeared free of debris and exotics. However, monitoring pesticide usage is difficult. District staff can not be on-site all the time, but as the Project Manager explained, site inspections include monitoring procedures meant to check pesticide usage. First, the District includes the approved pesticides listing as an addendum to the lease agreement. This

information is also orally communicated to the lessee. District project managers explained that they make a point of conducting unannounced inspections to observe the pesticides being applied during likely application periods. Another procedure is to examine empty containers and applicators to identify chemical usage paying particular attention to the staging areas where chemicals are sometimes mixed to ensure there is no residue or obvious spills that could have environmental impact. Although the monitoring techniques as explained by District project managers do not provide absolute assurance that the lessee is in compliance with BMPs, they do provide a reasonable level of comfort.

For cattle grazing leases, compliance monitoring is principally to ensure that the pasture is not overgrazed. To avoid overgrazing, the newer cattle grazing leases contain a BMP provision that divides the property into quadrants and rotates grazing from one quadrant to another. In addition, the leases have a provision that limits the animal units permitted to graze on leased property. Our site visit indicated that testing lessee compliance with this provision primarily entailed field observations to ensure that overgrazing is not occurring. The project manager does not count animal heads. At the two cattle grazing leased properties visited, we found that the leased properties did not appear to be overgrazed.

At a minimum, site inspections are conducted semi-annually and reports are prepared to document their inspections. Our review of inspection reports prepared by the three different groups managing the current leases revealed that the report's content was not consistent. The South Dade Soil and Water Conservation District monthly reports emphasized research activities while little attention was paid to exotic plant infestation which was present in the reserve area. The inspection reports prepared by the Interim Land Management and Land Stewardship Divisions are also different. Based on our review, the report template used by the Interim Land Management Division is best over the others and should

be the standard. To facilitate inspections, Interim Land Management may want to consider a checklist format.

Our discussions with project managers revealed that not all site visits are documented. Although the project managers have detailed knowledge of lessee farm activities and communicate regularly with their supervisor, it is a good practice that project managers document all site visits. Within the last couple of years, the Regulation Division started using Palm Pilots to document site visits in the field. It has improved efficiency and effectiveness. They use a checklist format to document their regulatory site inspections. In total, Interim Land Management and Land Stewardship Divisions would need four palm pilots.

Recommendations

7. Document all site visits.

Management Response: Management concurs with documenting a minimum of semi-annual inspection site visits.

Responsible Divisions: Interim Land Management and Land Stewardship

Estimated Completion Date: Interim Property Management
Immediately

Auditors Comment: It is our opinion that all site visits, meetings with the lessee etc. should be documented.

8. Consider providing Palm Pilots to inspection staff to facilitate the documentation process.

Management Response: Management concurs and will consider the utilization of palm pilots based upon the budget development process. We will test the concept with an individual palm pilot and land manager immediately.

Responsible Divisions: Interim Land Management and Land Stewardship

Estimated Completion Date: September 30, 2003

9. **Develop consistent lease monitoring procedures for Land Stewardship and Soil and Water Conservation Districts. Consider revising the site inspection reporting to a checklist format to document lease site inspections.**

Management Response: Management concurs and will consider revising the existing property inspection format to include a checklist to document lease site inspections and will implement the procedures within District Land Management Department and will recommend its use to outside land managers, including Soil and Water Conservation Districts.

Responsible Division: Interim Land Management

Estimated Completion Date: September 30, 2003

Re-Evaluate The Partnership With South Dade Soil And Water Conservation District

The District has entered into three separate agreements with the South Dade Soil and Water Conservation District (SDSWCD), the St. Lucie Soil and Water Conservation District (SLSWCD) and the Palm Beach Soil and Water Conservation District (PBSWCD). Currently, SDSWCD is the only Soil and Water Conservation District actively managing property. Either party may terminate the agreement but one year or one crop cycle notice is required.

The District's relationship with soil and water conservation districts originated from House Bill 1119 wherein, it is suggested that the District consider contracting with soil and water conservation district boards to manage or monitor those acquisitions that are or will be used for agriculture. However, House Bill 1119 does not statutorily obligate the District to contract with soil and water conservation districts to manage land but suggests consideration to supplement land management staff and provide coordinated and cost-effective land management. Accordingly, renewal of the relationship with the SDSWCD should be based on their past performance and their cost effectiveness in providing land management services.

The District entered into a five-year agreement with the SDSWCD on May 14, 1998 to manage approximately 4,730 acres of the area referred to as the Frog Pond of which 2,455 acres represents the agriculture portion and 2,175 acres a preserve area. The agreement requires that the SDSWCD lease the agricultural property for a minimum of \$202,950 per year. Of this amount, the District is paid a flat fee of \$40,000 per year for project management oversight with SDSWCD retaining the balance for monitoring agriculture leases, vegetation management, and research. The SDSWCD agreement is silent as to whether they would have to return the unused cash balance at its expiration whereas agreements with other soil and water conservation districts clearly state that 80% of the lessee payments are to be remitted to the District within 10 working days. Currently lessee payments are deposited directly in a SDSWCD account.

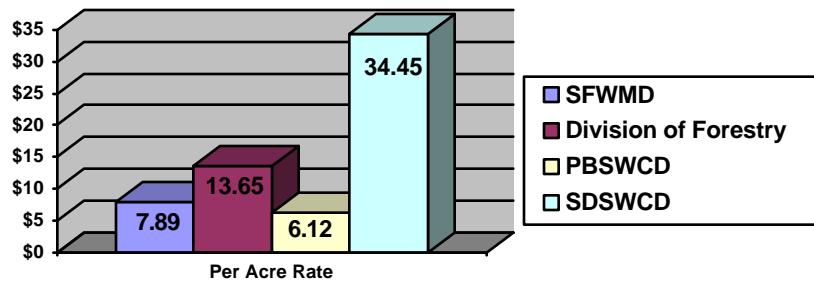
As of August 31, 2002, the outstanding cash balance held by SDSWCD from Frog Pond lease proceeds was \$205,502.

In 1998, the District also renewed the Frog Pond agricultural leases and entered into a five-year lease with the seven original Frog Pond lessees. On a per acre basis, the leases now generate a below market rate of \$94 per acre. The Frog Pond area is wet and susceptible to flooding, thus, lessees absorb considerable inherent risk farming under these conditions. Nevertheless, similar land conditions exist in the Rocky Glades area where the District also leases farmland at more than \$200 per acre.

Both the SDSWCD management agreement and farm leases expire in 2003. Overall, farming the area has proven beneficial to the District. By farming the Frog Pond, exotic vegetation in agricultural areas of the property has been controlled at no cost to the District while at the same time helping the local economy. Without farming revenues to offset exotic vegetation control costs, funding for the control effort would be through ad valorem taxes or other revenue sources.

But with the onset of the water retention project, known as C-111 project, in the Frog Pond, the District must reconsider whether farming is appropriate in light of long-term plans. Construction was started in 2002 that required the District to certify 730 acres of leased farmland to the United States Army Corp of Engineers (USACE). The remaining 1,865 acres will eventually be needed to finish the project at some future date.

The District must also re-evaluate its options of whether to continue its partnership with SDSWCD to manage the property or pursue other alternatives. A comparison of property management costs on a per acre basis for entities that manage land are as follows:



As the graph illustrates, SDSWCD’s property management costs for Frog Pond oversight appears unusually high when compared to per acre rates of other government entities particular the PBSWCD. If the relationship with SDSWCD is continued, the new contract should be consistent with terms and conditions in other soil and water conservation district agreements for land management services. Similarly, these agreements require District approvals for land management plans, annual budgets and mandatory quarterly project monitoring. The PBCSWD per acre rate of \$6.12 represents a 20% lease management fee. The SLSWCD agreement stipulates the same management fee. The 20% fee was a negotiated price and presumably covers the soil and water control districts cost. In comparison, the current SDSWCD’s lease management fee for the Frog Pond represents 80% of lease payments.

District staff managed the Frog Pond prior to the SDSWCD agreement and currently manages the Rocky Glades and other properties in the area. We went on site visits to five properties that are managed by District staff. Our observations indicate that in-house staff is capable, thorough and competent.

Included under SDSWCD property management is a preserve area highly susceptible to invasive plants. Based on the *Assessment of Invasive Vegetation Management on SFWMD Property Reports* conducted by the Institute of Food and Agricultural Sciences, the SDSWCD has not implemented the vegetation management work plan outlined in the agreement. This

plan recommends annual treatments and follow-up herbicide application. As of the date of the most recent assessment dated December 3, 2002, the SDSWCD eradication program is marginally effective. Scattered Brazilian Pepper plants, some 6 to 8 feet tall were observed. IFAS stated that there was no evidence of recent control operation. Prior IFAS assessments indicate that eradication efforts were observed for Brazilian Pepper, Melaleuca, and Australian Pine but no control efforts were observed for Burma Reed, Napier Grass, and taro which are listed as a priority in Attachment A of the agreement, and are threatening the Everglades National Park. The District should ensure that the SDSWCD eradicate the invasive plants and grasses prior to contract expiration.

Recommendations

- 10. Determine whether farming is appropriate considering the wet conditions and if so, reevaluate the relationship with SDSWCD. Restructure any renewal agreement incorporating similar terms and conditions included in contracts with other soil and water conservation districts or move the lease monitoring in-house.**

Management Response: Management concurs. Based upon the March 2003 Governing Board discussion item relating to the Frog Pond Management, a leasing strategy will be developed depending on the direction of the Governing Board on long-term project use of the property and whether agriculture stays in the Frog Pond. We will consider South Dade Soil & Water Conservation District as land managers if a revised agreement similar to Palm Beach Soil & Water Conservation District's current agreement can be negotiated.

Responsible Division: Interim Land Management

Estimated Completion Date: September 30, 2003

11. Compete farm leases upon expiration if farming is deemed appropriate.

Management Response: Management concurs.

Responsible Division: Interim Land Management

Estimated Completion Date: September 30, 2003

12. Ensure that the invasive plants and grasses on the property have been eradicated prior to contract expiration.

Management Response: Interim Property Management will prepare a letter to South Dade Soil & Water Management District and request that they meet the terms and conditions of their Management Agreement regarding invasive plants and grasses on leased property prior to the expiration of the lease agreements.

Responsible Division: Interim Land Management

Estimated Completion Date: February 28, 2003

13. Request the remaining cash balance, if any, held by SDSWCD to be returned upon agreement expiration.

Management Response: Management concurs. Interim Property Management will prepare a letter requesting that South Dade Soil and Water Conservation District return all remaining funds to the District upon the expiration of the Management Agreement. It is anticipated that all funds will be committed to the Highway Beautification Project leading to the entrance of the Everglades National Park, therefore no funds are anticipated to be returned to the District.

Responsible Division: Interim Land
Management

Estimated Completion Date: February 28, 2003

Interim Land Management
 Unaudited Five-Year Schedule of Leasing Activities
 FY98-FY02

	<u>FY98</u>	<u>FY99</u>	<u>FY2000</u>	<u>FY2001</u>	<u>FY2002</u>	<u>Total</u>
Acres Leased	12,177	23,687	89,544	93,730	102,214	
Staff	6	6	6	6	6	
Leasing Revenue	\$675,863	\$1,191,306	\$770,242	\$2,591,497	\$1,848,270	\$7,077,178
Cost Avoidance: Mgmt (\$25/Acre)	304,425	592,175	2,238,600	2,343,250	2,555,350	8,033,800
Total Contribution	\$980,288	\$1,783,481	\$3,008,842	\$4,934,747	\$4,403,620	\$15,110,978

Note: Financial Information was provided by Interim Land Management and is presented for informational purposes. The totals included in this schedule are unaudited and contain negligible differences from totals included in the audited report.