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Many risks still could sour deal to purchase U.S. Sugar

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The South Florida Water Management District says it won't raise taxes to pay for the U.S. Sugar land deal. It also can back out of the deal if the $1.34 billion price tag jeopardizes the district's core mission.

Figures delivered to the district governing board before its Dec. 16 vote to buy 180,000 acres of U.S. Sugar land reveal just how difficult it will be to come up with the money, continue meeting the needs of the 16-county district and avoid a tax hike.

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First of all there's the bad economy. Property values are falling. Just two years ago, the district projected that taxes would bring in $900 million by 2018. Now that figure is a third lower, at $600 million. That's under the district's "more likely" scenario, as opposed to its "optimistic" and "pessimistic" scenarios.

The downturn could effect core operations, which already cost $490 million a year. Under the "more likely" scenario, the U.S. Sugar buyout would cost the district an additional $108 million a year. By 2010, the "more likely" scenario would spell an $88 million deficit that would be resolved only if the free fall in property values becomes a steady rise.

But that's not all.

The Legislature meets in special session Monday to cut $2.3 billion from the current-year budget. It will have to find more cuts during its regular session. Florida Forever financing and Everglades restoration cash, always the subject of legislative horse-trading, could be on the chopping block. If the district loses state money, it will have to generate more from its dwindling local supply.

That could mean cuts in core programs, which include flood control, permitting, water-supply research and Everglades restoration.

The district's share of property taxes won't be estimated until June, with final figures due July 1. Finally, the district won't know until it goes to the bond market, sometime before the land sale closes in September, how high a rate it will have to pay to borrow money in this moribund economy. The "more likely" interest rate is 7 percent. Just to have the court-sanctioned right to go to the bond market, the district has to overcome a challenge from rival sugar grower Florida Crystals, which argues the land buy does not have a public purpose.

The district has a realistic option to raise more money so it can keep up with its core needs and buy the land. It's called a tax increase. But Gov. Crist, who has engineered the land deal, doesn't want to be tagged as a tax-and-spend governor. Still, the district's current tax rate, at 62 cents per $1,000 of taxable value, has room to rise. An increase to just 80 cents, which the district can do without legislative approval, would add $36 to the tax bill on a $200,000 home and raise about $150 million.

The district has given itself a financial reason to back out of its deal with U.S. Sugar. But it has to weigh all of its options, including a tax increase, before taking that consequential step.