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Headline	Date	Outlet	Reporter
Restored Everglades and Kissimmee River Lands as Wall Street Collateral?	07/17/2009	Palm Beach Post	Quinlan, Paul
Courtroom Drama Over Crist's Environmental Deal	07/17/2009	Sun Sentinel - West Palm Beach Bureau	Reid, Andy
 Water managers may offer public lands as collateral for U. S. Sugar land buy	07/16/2009	Scripps Treasure Coast Newspapers	PAUL QUINLAN The Palm Beach Post

Restored Everglades and Kissimmee River Lands as Wall Street Collateral?

[Return to Top](#)

07/17/2009

Palm Beach Post

Quinlan, Paul

Several people including Carol Wehle, executive director at the South Florida Water Management District, reacted to this week's story about a quarter-million acres of state-owned lands being offered to Wall Street as collateral to finance Gov. Charlie Crist's land deal with U.S. Sugar and other environmental restoration projects.

The story originated from an internal district e-mail and attached spreadsheet passed among administrators that listed \$1.5 billion in restored Everglades, Kissimmee River lands and other property that could be used to secure a \$2.2 billion loan for the deal and future projects.

Wehle said Thursday that SFWMD was in the "very early stages of exploring whether something might be feasible" when the document was generated. By a computer. When no one was looking. (See the internal district e-mail and spreadsheet here.)

"We haven't sat down to go through that list," Wehle said. "But now that I'm aware the list existed...I don't see anything on that list that I'd recommend to the governing board" be used as collateral.

But Wehle also said she would not rule out using any specific properties listed, except maybe the state's stormwater treatment areas — filter marshes the state built to meet court-ordered deadlines to cut pollution flowing to the Everglades.

Others don't think it's such a bad idea, such as Thom Rumberger, general counsel for the powerful Everglades Foundation. After all, as the story says, it would save taxpayer dollars and the state would not risk losing the lands, according to district officials.

"Good business requires that," Rumberger said of the collateral plan. "You try to diminish the

debt.”

Audubon lobbyist Eric Draper (and candidate for for state agricultural commissioner) said the plan made “tremendously good sense and is a common business practice.”

See Draper's full comments:

Audubon: Revenue Bonds Will Save Money Everglades Restoration

To benefit the environment and the economy of Florida, the South Florida Water Management District (District) has made a major commitment to fund Everglades restoration. Everglades projects are public works that require land and construction. It is common for government agencies to issue bonds to pay for public works projects. Bonds allow costs to be spread over many budget cycles, reducing impacts to current budgets and allowing future beneficiaries, as taxpayers, to help with the costs.

For the Everglades the District is committing ad valorem or property tax revenue. In order to get better bond ratings and rates, the District may use some existing land and built projects as collateral to secure the restoration bonds. Using them as collateral does not put those lands and projects at risk, as the main guarantor of revenue bonds is revenue and no responsible lender would lend without a commitment of revenue for repayment.

Using collateral makes tremendously good sense and is a common business practice. Banks rarely loan money without collateral, and when they do rates are usually higher. The District is operating in a business-like way when it uses land and built projects as collateral to secure and save interest costs on bonds.

The Legislature anticipated that the District would use existing assets as collateral when 373.584 was amended this year. In setting specific limits on the use of revenue bonds the Legislature expected that the District would use certificates of participation, which typically require collateral.

Since Governor Jeb Bush first proposed the use of bonds to finance Everglades restoration projects Audubon has applauded this useful financial tool. Florida has strict laws limiting government agencies from borrowing money and those rules protect Florida taxpayers and save dollars.

Everglades restoration, with its huge costs for land acquisition and construction could not proceed without the use of bonds. Government is obligated to get the best rates it can for taxpayers. That means using collateral.

Courtroom Drama Over Crist's Environmental Deal

07/17/2009

Sun Sentinel - West Palm Beach Bureau

Reid, Andy

[Return to Top](#)

The months-long legal fight over Gov. Charlie Crist's blockbuster Everglades land deal finally delivered a "Law & Order" moment Thursday during a tense courtroom standoff between South Florida's top water official and one of Big Sugar's toughest attorneys.

Carol Wehle, executive director of the South Florida Water Management District, faced off against Florida Crystals' attorney Joe Klock in a contentious exchange over the district's plan to borrow as much as \$2.2 billion for Crist's Everglades restoration plan.

Palm Beach County Circuit Judge Donald Hafele at one point stopped Klock's pointed questioning of Wehle and warned the attorney he could be held in contempt of court if he continued to interrupt Wehle's answers.

"Do not interrupt the witness," Hafele warned Klock in the West Palm Beach courtroom. "It will not be tolerated."

Wehle repeatedly refused to give a direct answer to Klock's question about the estimated value of the U.S. Sugar land planned for purchase – even though she heads the agency that leads Everglades restoration.

Unsatisfied with Wehle's answers, Klock kept asking and she kept prefacing her responses with qualifiers such as: "To the best of my recollection ..."

Crist's plan calls for the district to spend \$536 million to buy 73,000 acres, with an option to buy 107,000 acres more, from U.S. Sugar Corp. The farmland would be used for a multi-billion-dollar effort to build reservoirs and treatment areas intended to restore flows of water from Lake Okeechobee to the Everglades.

Florida Crystals, U.S. Sugar's main sugar-producing rival, and the Miccosukee Tribe are in court fighting the deal. They question the cost and the value to taxpayers and warn that the deal will take money away from other long-stalled Everglades restoration projects.

Testimony during the months of on-again, off-again hearings finally ended Thursday. The two sides return to court Aug. 6 for closing arguments. However Hafele rules, the case is expected to end up before the Florida Supreme Court.

Water managers may offer public lands as collateral for U.S. Sugar land buy

[Return to Top](#)

07/16/2009

Scripps Treasure Coast Newspapers

PAUL QUINLAN The Palm Beach Post

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South Florida water managers may offer Wall Street more than a quarter-million acres of state-owned lands, including thousands of acres of Everglades restoration tracts, as collateral to finance Gov. Charlie Crist's land deal with U.S. Sugar Corp. and future environmental projects, records show.

The South Florida Water Management District has identified 283,000 acres worth \$1.5 billion — including preserve lands, filter marshes and Everglades-area wetlands — that could be used to guarantee some of the \$2.2 billion they intend to borrow to buy the U.S. Sugar land and recreate the historic flow of water from Lake Okeechobee to the Everglades.

The collateral might also include 2.8 acres under the Herbert Hoover Dike.

The proposal, which water managers say remains under consideration, emerged in internal agency e-mails and other documents that opponents of the U.S. Sugar deal have cited in their legal battle to block financing for what would be the state's most expensive conservation land purchase ever.

Water managers say using the land as collateral would, at little risk to taxpayers, enable the district to obtain tax-free financing, which would translate to savings of tens of millions of dollars over the 30-year loan.

"We're pursuing this as an option," said Paul Dumars, the water district's chief financial officer. "At the end of the day, we would save taxpayer dollars."

But opponents of the U.S. Sugar deal say the proposal is reckless and illustrates the extraordinary financial strain that the deal would place on the South Florida water agency and its taxpayers in all or part of 16 Florida counties.

"It would be stupid to do it," said Joseph Klock, who represents chief U.S. Sugar competitor Florida Crystals, one of the deal's opponents. "It would be political suicide."

The complex financing scheme would involve "certificates of participation," similar to bonds but which circumvent the need for voter approval.

The water agency would use property taxes collected in its 16 counties to make 30 years of annual debt payments to trustee Deutsche Bank, which would in turn repay investors in the certificates. If the district defaulted, Deutsche Bank could use the land to generate a return for investors — for example, by leasing land to farmers.

Everything would revert to state ownership and control at the end of the 30-year term, according to agency officials.

