

Application Score Sheet

Proposed Project: Florida Community Services Corp. of Walton County d/b/a Regional Utilities (#9)

Proposed Project/Program County: Walton

Board of County Commission Support: Yes

Total Projected Project Cost: \$9,000,233.47

Match Provided: \$4,590,119.70

Triumph Funds Requested: \$4,410,113.77 (49%)

Triumph Funds Recommended by Staff:

Score: C

Date: January 7, 2019

Economic Impact Analysis and Score

Florida Community Services Corp. of Walton County d/b/a Regional Utilities requests \$4,410,113.77 of Triumph funds to construct an 11-mile 30" water transmission line from the Choctawhatchee Bay to the existing Owl's Head wellfield, north of Freeport, Florida. The construction will take place in the existing east right of way of U.S. Highway 331 and will consist of placing 11 miles of 30-inch ductile iron and high-density polyethylene (HDPE) pipe. Regional Utilities will commit \$4,590,119.70 of matching funds for this project derived from impact fees. The project time frame of both Phase I and Phase II (the matching component of the project) will be completed in approximately 12 months. Triumph funding is intended to provide 49 percent of total project costs

As is noted in the application, the proposed project is part of Walton County's larger economic development plan for US 331 and US 90 corridor development. To date, Walton County and the State of Florida invested approximately \$200 million in the US Highway 331 improvement infrastructure project, which has been a key factor in the economic development of the county. The county will soon complete a four-lane widening and bridge expansion project along the US 331 corridor. Developing and enhancing the water and wastewater availability is the next step in realizing the economic development potential along the US 331 and US 90 corridor in Walton County. According to the economic analysis of this project, the water and wastewater expansion project has the potential to create thousands of jobs.

Walton County recorded the highest annual growth among all 67 counties in gross domestic product for the most recent data year, according to the U.S. Bureau of Economic Analysis. It usually ranks among the top counties nationally in terms of population growth. However, it appears that the proposed project supplants spending that would normally be financed by local sources, including revenue bonds (to be paid off by charges to water users), impact fees (also paid by users, and the source of the 51 percent local match), or other local sources. Thus, it appears that the Triumph funding would simply be used to offset costs that would otherwise be

funded elsewhere. The proposal does not identify job creation that can be attributed specifically to the installation of these assets.

For these reasons, staff assign the project a grade of “C” and do not recommend moving it forward for Triumph Board consideration.

Project Summary (based on information provided by the applicant)

Florida Community Services Corp. of Walton County d/b/a Regional Utilities requests \$4,410,113.77 of Triumph funds to construct an 11-mile 30” water transmission line from the Choctawhatchee Bay to the existing Owl's Head wellfield, north of Freeport, Florida. The construction will take place in the existing east right of way of U.S. Highway 331 and will consist of placing 11 miles of 30-inch ductile iron and high-density polyethylene (HDPE) pipe.

Regional Utilities leases and operates the public utility for South Walton County (see additional information at end of summary.) As a partner of Walton County all infrastructure and assets will revert to the County once revenue bonds are paid, currently extending to 2031. Regional Utilities is the designated public water provider in Walton County, south of the Intracoastal Waterway.

Regional Utilities has two transmission lines that reach across the Choctawhatchee Bay that connect to one transmission line extending north to the Owl's Head wellfield north of Freeport, FL. Adding the additional transmission line from just north of Choctawhatchee Bay to the wellfield will provide two complete and independent lines that will provide redundancy, as well as ample capacity for the growing franchise area. The utility services approximately 21,000 water customers.

According to the US Census, Walton County is the 6th fastest growing county in the nation. Walton County indicates the Regional Utilities project is a key to providing the infrastructure necessary to accommodate the influx of people and industry moving to the area.

Walton County is situated between three major military installations that are all expected to expand in the near future. These military expansions are expected to draw defense industry to South Walton due to its proximity to the bases.

Walton County can expect more growth due to expansion of the military's hypersonic weapon systems testing program. County officials in both Walton and Okaloosa County have been alerted to anticipate an influx of both military officials and contractors as the Gulf of Mexico area is set aside for weapons testing and is greater utilized for this growing mission.

This proposed project is anticipated to facilitate continued economic growth within Walton County. Historical figures for the utility have averaged a growth rate of 5.26% and continue to be sustained on a month-to-month basis. Economic development projects are under construction in Walton County, including the St. Joe Company Bay/Walton Sector plan, industrial parks and the U.S. Highway 331 corridor expansion. The planned build out for the St. Joe Company Bay/Walton Sector plan will double the current customer base of the utility.

The South Walton County service area and the Industrial Commerce Parks are strategically located in the Florida panhandle to access many modes of transportation including Interstate 10, US Highways 90, 98 and 331, the Intracoastal and Gulf of Mexico, Port of Panama City, and Northwest Florida Beaches International Airport and Destin-Fort Walton Beach Airport.

Recent industries doing site visits in South Walton include a new brewery and a vodka distillery, both of whom would depend on safe, clean, quality water for their businesses. Access to quality water is necessary for luring new industry and economic diversification, allowing the County to leverage current investment at the Commerce Park and provide a catalyst for even more high quality sustainable growth.

Walton County has seen successes and disappointments due to infrastructure issues. Due to a lack of access to water, the Owl's Head development has languished for several years.

As a comparison, infrastructure that was put in place in the last few years for the Mossy Head Industrial Park area in Walton County has led to investments in jobs, industries, developments by Federal Express, Loves, Empire Truck Sales, Southern Tire, Dixie RV, I-10 Truck Center, Waffle House, and Frito Lay. In all, 350 acres of the 425 acres have been developed following a state of Florida investment of \$7.3 for water, wastewater and infrastructure resulting in over 400 new jobs and \$50 million in private investment money. Mossy Head was a success specifically because the infrastructure funded by state dollars served as a catalyst for development allowing for job creation that otherwise would not have happened.

Regional Utilities and Walton County propose that just as the Mossy Head infrastructure investments yielded jobs, industries, and developments that hadn't even been on the drawing board or been conceived, the new water line will give the 120-acre South Walton Commerce Park and the 10-acre Blue Mountain Beach Industrial Park the infrastructure they need to secure new tenants in the industrial parks that will create well-paying, meaningful long-term employment in Walton and surrounding counties.

The St. Joe Company's West Bay Sector Plan and supporting policies create a long-range planning framework for 110,500 acres, 97,216 acres (or 88 percent) are located in Bay County and 13,284 acres (or 12 percent) are located in Walton County. The 50-year build out land use assumptions for the Walton portion of the Sector Plan includes 24,706 residential, 510,000 sf retail/commercial, 113,000 sf office/light industrial/manufacturing, 530 hotel rooms, and 81 holes of golf.

Regional Utilities is dedicated to providing service to existing and future customers with minimal impact to the current rates. Regional Utilities will commit \$4,590,119.70 of matching funds for this project derived from impact fees. The project time frame of both Phase I and Phase II (the matching component of the project) will be completed in approximately 12 months. No additional economic impact will be imposed on the citizens and businesses of Walton County.

Regional Utilities proposes to track measurable outcomes by:

- Tracking customer growth numbers based on equivalent residential connections
- Tracking customer growth numbers based on industrial connections

- Tracking daily water usage by customers and flows from the wellfield
- Tracking wastewater process numbers

Regional Utilities employs a crew that completes all construction and installation of the utility's primary infrastructure, in addition a fully staffed maintenance crew that provides 24/7 support to the utility. Currently, Regional Utilities employs 99 full time employees and expects to add an additional 8-12 within the next two-year period due to growth and expansion.

The proposed project will provide new jobs within the water and wastewater utility industry of approximately 15-17 employees with an average wage of \$18-\$25 per hour. The additional jobs that will be produced by the growth of industry and additional development in the area will be exponential.

Preliminary engineering designs and material plans have been completed, as well as all preliminary permitting required to begin the construction phase. The project plan is finalized, and the project is shovel ready at this time.

According to Regional Utilities, if the project is not funded by Triumph it will eventually be built. However, they are unable to predict how long it would be before the project would be completed but note it would be "years" and could result in lost opportunities for economic development planners and professionals to sell the site ready parcels in South Walton.

Funding and Budget (as provided by the applicant)

5. Please provide a Project/Program Budget. Include all applicable costs and other funding sources available to support the proposal.

A. Project/Program Costs:

Example Costs (Note: Not exhaustive list of possible Cost categories.)

Construction	\$ <u>7,840,402.89</u>
Reconstruction	\$ _____
Design & Engineering	\$ <u>270,006.99</u>
Land Acquisition	\$ _____
Land Improvement	\$ _____
Equipment	\$ <u>included in construction</u>
Supplies	\$ <u>included in construction</u>
Salaries	\$ <u>844,823.59</u>
Other (specify)	\$ <u>45,000.00</u> (environmental)

Total Project Cost \$9,000,233.47

B. Other Project Funding Sources:

Example Funding Sources (Note: Not an exhaustive list of possible Funding Sources.)

City/County	\$ _____
Private Sources	\$ <u>4,590,119.70</u>
Other (e.g., grants, etc.)	\$ _____

Total Other Funding \$ 4,590,119.70

Total Amount Requested: \$ 4,410,113.77

At week 26, Phase 1 would be completed and paid for by Regional Utilities. Phase 2 would then begin, Regional would be reimbursed by Triumph Gulf Coast once that work has been certified to the satisfaction of the Board. Projected timeline for Phase 2 is 6 months. If project costs are less than projected, the Triumph request will be the total project cost less the 4,590,119.70. committed by Regional.

Letters of Support

Walton County Board of Commissioners
Walton County Economic Development Alliance
St. Joe Company
Grayton Beer
Emerald Coast Association of Realtors
The Building Industry Association of Okaloosa and Walton Counties, Inc.
Choctawhatchee Electric Cooperative, Inc.
Walton County Chamber of Commerce
Idyll Hound Brewing

Additional Information

Regional Utilities is a not-for-profit corporation that operates public water and wastewater utilities for Walton County. It is funded by revenue bonds, monthly revenue and impact fees. It is the governmentally designated public utility for South Walton County.

In 1983, due to uncontrolled growth and the lack of a comprehensive plan to govern by, Governor Bob Graham appointed the 380 Committee to access the growth problems in South Walton and South Okaloosa Counties. Upon the conclusion of this study, several recommendations were made to ensure that growth was controlled in an orderly manner.

The Cabinet approved these recommendations. Failure to comply with these recommendations would result in a complete moratorium, whereby no building permits would be issued. Included in the recommendations, was a mandate that a regional water and sewer system be implemented along the coastal area of Walton County. A portion of this mandate also required consolidation of existing water and sewer systems.

Walton County advertised a Request for Proposals and received a proposal with a plan to create a not-for-profit company which would finance, design, construct, own and operate the Regional Utilities System. Walton County granted Regional Utilities a franchise in August 1985. The utility construction and consolidation were funded through revenue bonds. Currently, there are three outstanding bonds issues totaling \$24.8 million that will be defeased March 2031.

The franchise agreement states that *“The parties hereto agree that the acquisition and construction of the System was and is on behalf of Walton County and that legal title to all assets of the System shall vest automatically in the County as provided in Section 27 hereof. It is specifically agreed that the entire intent of this contract is to afford to the Board of County Commissions of Walton County a vehicle by which financing of the System shall be accomplished on behalf of the county by a private non-profit corporation for the use and benefit of the County and after retirement of bonded indebtedness and satisfactory completion of such construction for the ultimate ownership, maintenance, operation and control of the County. The Franchisee’s obligations shall be discharged upon retirement of the Bonds and the Franchisee’s delivery to the County of its bill of sale and/or deeds which shall be free and clear of all encumbrances to the System.”*