

Brevard County

Half Cent Sales Tax – Save the Lagoon Project Status Report

November 07, 2018



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Transmittal Letter

November 07, 2018

The Audit Committee of
Brevard County, Florida
2700 Judge Fran Jamieson Way
Viera, Florida 32940-6699

Pursuant to the approved Brevard County 2017/2018 internal audit plan, we hereby present a progress update report of the Half Cent Sales Tax – Save the Lagoon Project. We will be presenting this report at the next scheduled Audit Committee meeting on November 7, 2018, and a copy will be provided to the independent Save Our Indian River Lagoon (SOIRL) Citizen Oversight Committee (COC).

Progress reports are presented to include the progress of the implementation of the Project Plan and the use of the tax, as described within Next Steps at periodic intervals, and presented to the Audit Committee at least semi-annually.

We would like to thank the staff and all those involved in assisting the Internal Auditors in connection with this review.

Respectfully Submitted,

RSM US LLP

INTERNAL AUDITORS

Ordinance 2016-15



- The Brevard County Board of County Commissioners (BOCC) adopted Ordinance 2016-15 on August 23, 2016. The ordinance placed a Tax Referendum on the upcoming election ballot for voter consideration.
- On November 8, 2016 within the territorial limits of Brevard County, the Tax Referendum was voted on and passed with 62% favorable vote, to allow for a half-cent sales tax on sales within the County.
- This legally restricted tax will help pay to restore the IRL over a 10-year period by implementing the approved Save Our Indian River Lagoon Project Plan, as amended.
- The Ordinance authorizes the use of the half cent sales tax to provide restoration services to improve the quality of the water and the lagoon through methods such as:
 - Waste Water Treatment Facility Upgrades for Reclaimed Water,
 - Fertilizer Education,
 - Storm-water Outfall Treatment,
 - Septic to Sewer Integration,
 - Septic Upgrades,
 - Muck Removal and Dredging,
 - Oysters and Restoring Living Shorelines and
 - Monitoring, Reporting and Adapting.



SOIRL Committee

The Oversight Committee

The Ordinance requires the creation Brevard County Save Our Indian River Lagoon (SOIRL) Citizen Oversight Committee (COC). The COC is made up of seven members and seven alternates across seven different fields including:

- Finance
- Science
- Tourism
- Real Estate
- Technology
- Education / Outreach
- Lagoon Advocacy

Additionally, the COC meetings usually include the following County Staff at each meeting:

- Natural Resources Management (NRM) Director
- Boating & Waterways Program Coordinator
- Assistant County Attorney
- Executive Secretary
- SOIRL Program staff, as appropriate

The role of the SOIRL COC per the Bylaws adopted on February 17, 2017, is to review monitoring data on timeliness of project delivery, actual and updated project costs and actual nutrient removal effectiveness; review new literature and local studies on the types of projects included in the plan and potential alternative project types; evaluate alternative project proposals received from the community; and recommend adjustments to the Project Plan to be approved by the Board of County Commissioners.



The SOIRL COC meets on a monthly basis starting on December 16, 2016. As of October 2018 there have been 22 meetings held, the latest on October 19, 2018. Meeting minutes and agenda are available at the website below.

<http://www.brevardfl.gov/SaveOurLagoon>

Project Plan

The original Project Plan (Plan) was developed in partnership with scientists, economists, environmentalists and multiple government agencies. The first annual plan update was recommended by the COC in February, and approved by the BOCC in March 2017. The second annual plan update was recommended by the COC in March 2018, and was approved on April 10, 2018, by the BOCC.

The plan was estimated to go for a timeline of 10 years. The Committee will expedite the process by allowing for spending on approved projects earlier than the schedule in the plan as revenues continue to exceed expectations, to-date. The flow path to success was updated in the second annual plan update, to include public education outreach for the life of the project.

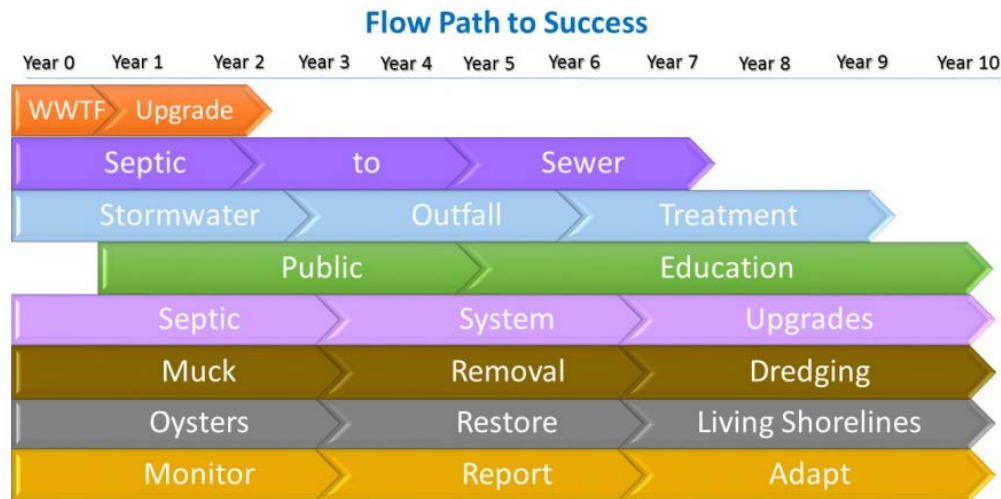


Figure ES-1: Save Our Indian River Lagoon Project Implementation Schedule

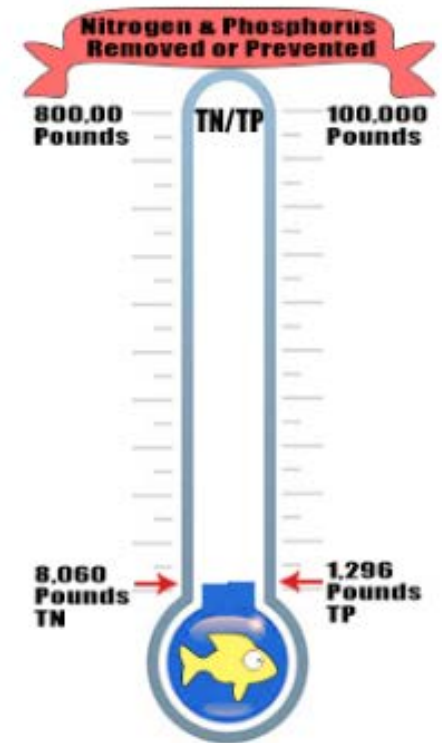
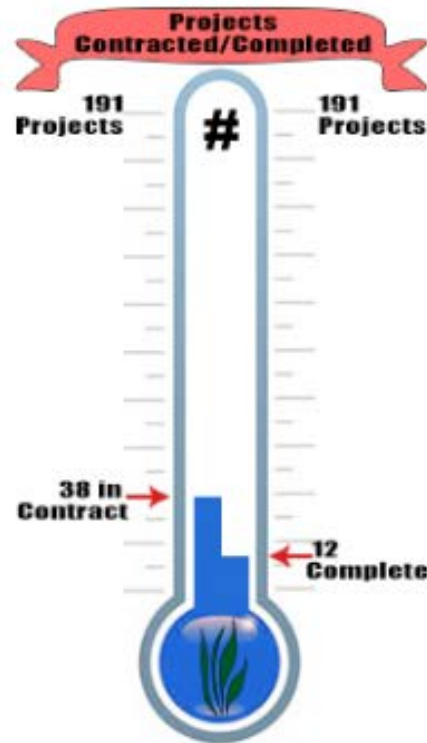
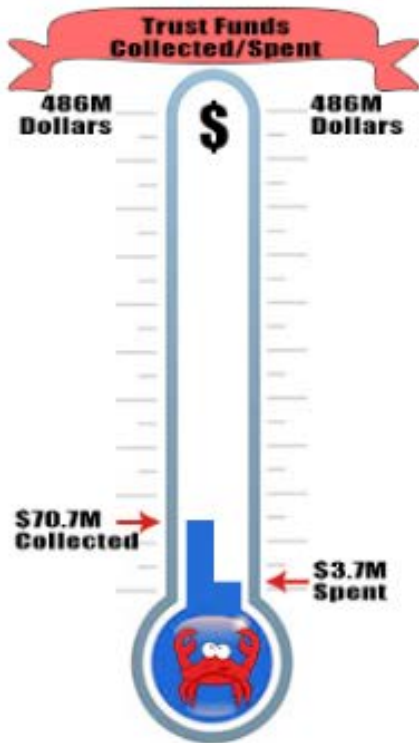
Project Plan - Continued

The table below is a summary of the Project Types, Costs and planned Nutrient Reductions in the 2018 Update of the Save our Indian River Lagoon Project Plan, as approved by the BOCC and will be funded through a budget amendment. The 10-year estimated project costs increased from \$302M in the original plan to \$380M in the 2018 Update per Table ES-1 page XI of the project plan, not including inflation. Projects were added in 2018 due to higher than anticipated sales tax revenues. The blue line on the graph on slide 7 shows total anticipated revenues for FY 16-17 and 17-18, based on actual collections for the first 12 months and 2.13% inflation budgeted for the next 9 months.

Project Category	Project Type	Estimated Total Project Cost	Nitrogen Reductions (lbs/yr)	Average Cost/lb/yr of TN	Phosphorus Reductions (lbs/yr)	Average Cost/lb/yr of TP
Reduce	Public Education	\$1,725,000	35,253	\$49	2,413	\$715
	WWTF Upgrades for Reclaimed Water	\$15,319,837	51,114	\$300	9,671	\$1,584
	Sewer Lateral Rehabilitation	\$840,000	\$988	\$850	\$188	\$4,468
	Septic System Removal by Sewer Extension	\$38,009,069	46,744	\$813	N/A	N/A
	Septic System Removal by Sewer Connection	\$7,764,000	\$17,530	\$443	N/A	N/A
	Septic System Upgrades	\$22,293,854	27,786	\$802	-	-
	Stormwater Projects	\$13,530,863	142,983	\$95	20,408	\$663
Remove	Muck Removal	\$209,288,690	481,491	\$435	72,324	\$2,894
	Treatment of Muck Interstitial Water	\$32,541,107	186,466	\$175	244	TBD
Restore	Oyster Reefs	\$9,985,260	24,991	\$400	1,178	\$8,476
	Vegetative Living Shorelines	\$1,382,459	7,234	\$191	2,483	\$557
Respond	Projects Monitoring	\$10,000,000	-	-	-	-
	Contingency	\$17,905,769	-	-	-	-
Total	Total	\$380,585,908	1,022,580	\$372 (average)	108,909	\$3,495 (average)



Project Plan – September 2018



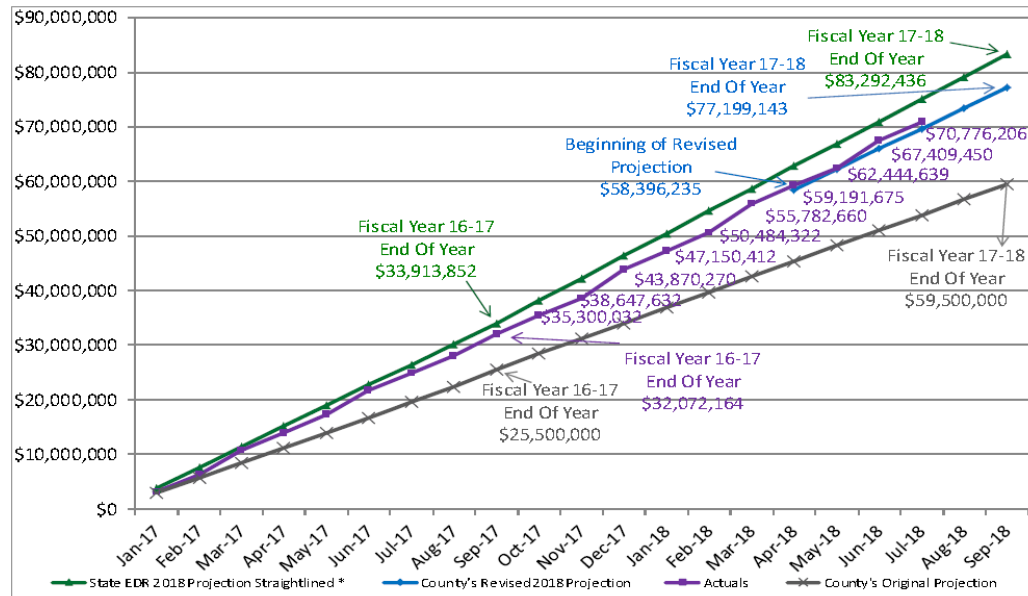
Note: The \$486M shown above is the revenue projection included in the 2018 Update of the Project Plan, which is based on actual collections during the first year of the tax plus an inflationary factor for years 2-10. When Inflation is also applied to project costs in years 2 through 10, the project cost of \$380M, per Table ES-1, page XI of the project plan, from Slide 5 becomes \$427M. This leaves a cumulative total of \$59M in anticipated revenue in the out years that is not yet assigned to projects. Actual anticipated revenues may vary, and will be budgeted accordingly each year. See page 8 for actual collections to-date.

Revenue Status

Current and Future Revenue Projections

The SOIRL Project started earning sales tax revenue in January 2017. As is customary with sales tax, the first payment is received 2-3 months after being earned, starting with January collections being paid in March 2017. Fiscal Year 2018 budgeted revenues, as amended, are \$45M. As of September 2018, for sales/collections as of July 2018, the project received a total of \$39M; with two months remaining on fiscal year 2018 sales. The below graphic is for all actual collections to date.

**Save Our Indian River Lagoon Revenues Cumulative
Fiscal Year 16-17 to Current Fiscal Year Graph**



* Economic and Demographic Research Data is sourced from Florida's Office of Economic & Demographic Research using their Estimation of Realized and Unrealized Tax Revenues Table

- Projected and Actual Data is from Systems, Applications and Products program

- EDR-Economic and Demographic Research

- For Screen Readers use the Save Our Indian River Lagoon Revenues Cumulative Fiscal Year 16-17 to Current Fiscal Year Table



Inter-municipal Contracting Status

Cost Sharing Contracts

In order to carry out portions of the Project Plan, the County must enter into agreements with local municipal governments where the IRL shares jurisdiction. Based upon the current Project Plan, as amended, there are multiple municipal partners with whom the County will need to contract, on a reimbursement basis, to distribute the Trust funds. An agreement must be executed for each project, so there may be multiple agreements for one municipality. Government Agencies and Private Organizations with Year 0 – Year 2 projects in the approved plan include:

Agencies	Private Organizations
✓City of Cape Canaveral	✓Brevard Zoo
✓City of Cocoa	✓Marine Resources Council
✓City of Cocoa Beach	
✓City of Melbourne	
✓Merritt Island (MIRA)	
✓City of Palm Bay	
✓City of Rockledge	
✓City of Titusville	
✓City of West Melbourne	
✓Indian Harbour Beach	
✓SJRWMD	

Natural Resources Management worked with the County Attorney to develop an Inter-local Municipal Contract template, which was approved by the BOCC on May 23, 2017. The County works with each agency to negotiate terms and develop statements of work in order to establish accountability and compliance conditions. Currently, agreements have been fully executed with 11 municipalities, with 1 additional submitted for review and execution by the respective municipalities, 3 agreements with private organizations have been fully executed and completed plus 19 contracts issued directly to contractors for design or construction of county-led projects and several more in bidding or negotiation and 10 contracts / task orders issued directly to vendors for operating costs.

Accounting / Monitoring and Oversight

As of the October 2018 Lagoon meeting, there have been approximately \$3,700,000 spent on County-administered active projects, in various stages of the process. Of the active projects, we obtained support for a sample 12 projects, described below.

- We obtained copies of Contracts, any Amendments, Change Orders / Task Orders and any Memos. Additionally, the Reimbursement Package and cleared checks were obtained for Reimbursement associated with the projects.
- Project payments were tested, on a sample basis, for approval, including documentation and support in accordance with the approved Project Plan and the County Ordinance; along with County-administered project payments.
- We reviewed the items for approval and reasonableness based on the contracted terms, and updates of project status were also obtained at each Lagoon committee meeting.
- Starting in the October 2018 report, testing of projects to-date fully commenced from contracting through contractor payment and there were no identified issues in the accounting and contracting processes for County-administered projects tested.

Project Testing

- As of October 2018, there has been enough movement in the Lagoon projects that Testing of Expenditures and Reimbursement was able to be conducted.
- 12 samples were pulled from the overall expenditure listing provided by the County. Testing packages of all supporting documentation was obtained and reviewed. The 1st 6 projects represent Capital Projects and the last 6 represent Grants & Aids.
- The table shown below is the complied results of the testing procedures that were completed for the current round of testing.

Detailed Procedure	Flounders Creek	Micco Sewer	Oyster Reef	Sykes Creek	Turkey Creek - Gator (1)	Turkey Creek - IRMA/SOIRL (2)	Cape Canaveral Baffle Box	Cocoa Beach Muck	Gleason Park Reuse	Palm Bay WRF	Palm Bay Stormwater	Rockledge Breeze Swept Septic to Sewer
Approved Contract	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Set Contracted Values	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Assigned Task Order	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Invoice Supported and Reviewed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Re-Imbursement Package Reviewed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Proof of Payment Reviewed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Municipality Proof of Payment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	E1	✓
Expense Allowable per Program	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

*Turkey Creek was split out into 2 columns to represent the one project with two separate contractors.

E1 - See next slide for observation related to E1.

Observations / Recommendations

Observations

During the testing of expenditure reimbursements, we identified one selection that did not have payment support attached from the municipality. We noted that the municipality submitted the contractor's invoice but not proof of payment of the invoice. The County reimbursed the municipality without adequately obtaining proof of payment, though vendor invoices were provided. We also noted that procurement documentation for the purchase by the municipality was not requested nor submitted.

Recommendations

Reimbursement requests should be adequately supported with actual proof of payment to vendors/contractors, including check copies and/or bank statements, etc. Vendor invoices are not proof of payment, only proof of amounts due.

Further, Sections 23-26 of the inter-local municipal agreement includes procurement requirements. We recommend that a checkbox be added to the reimbursement request form for municipalities to certify that the required procurement process was followed in accordance with the agreement.

Next Steps / Role of Internal Audit

- ✓ Internal Audit (IA) will continue to attend the SOIRL COC meetings.
- ✓ As project payments are made and inter-local municipal reimbursement requests are submitted by partners, IA will continue to review management's monitoring for compliance, to determine that adequate controls are in place for the review and approval of payment prior to disbursement of funds.
- ✓ IA will review the project monitoring reports and periodically select samples for testing to determine whether project-related costs are properly accumulated and disbursed through the Trust.

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