

Utilities Department

**Pluris Wedgefield
Water & Wastewater System Update**

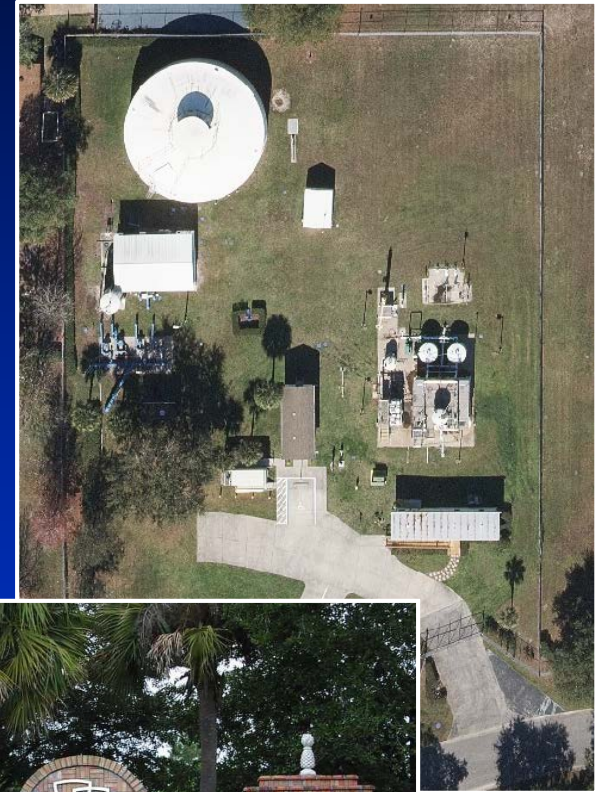
Work Session

September 12, 2023



Presentation Overview

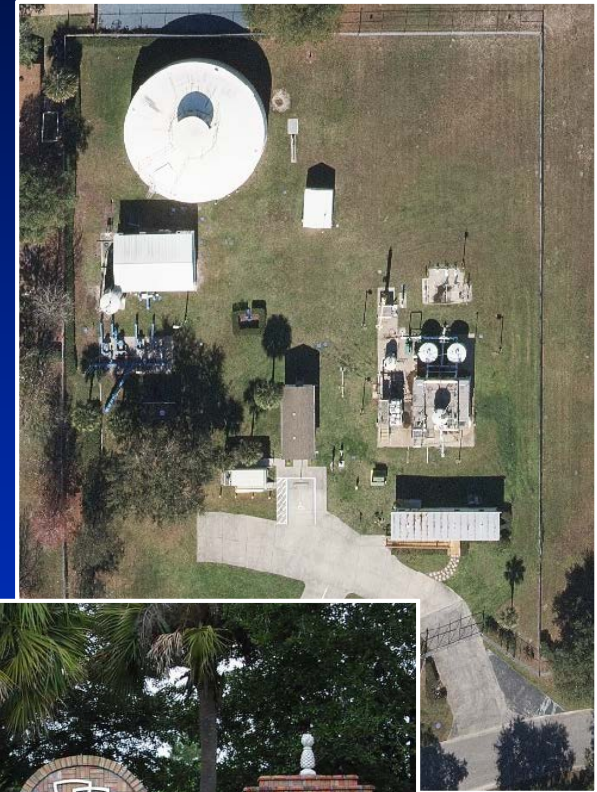
- Purpose
- Background
- Timeline and Analysis
- Public Outreach & Feedback
- Staff Findings
- Summary
- Board Direction





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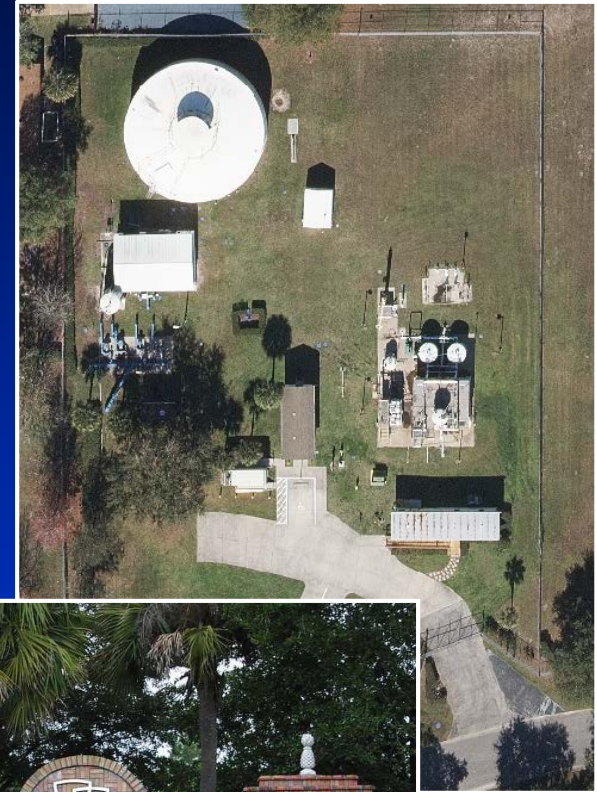
Purpose

- Provide an update on the evaluation of the Pluris Wedgefield potential acquisition and public engagement efforts
- Support policy discussion on public benefits and costs to Orange County ratepayers
- Request Board direction regarding next steps



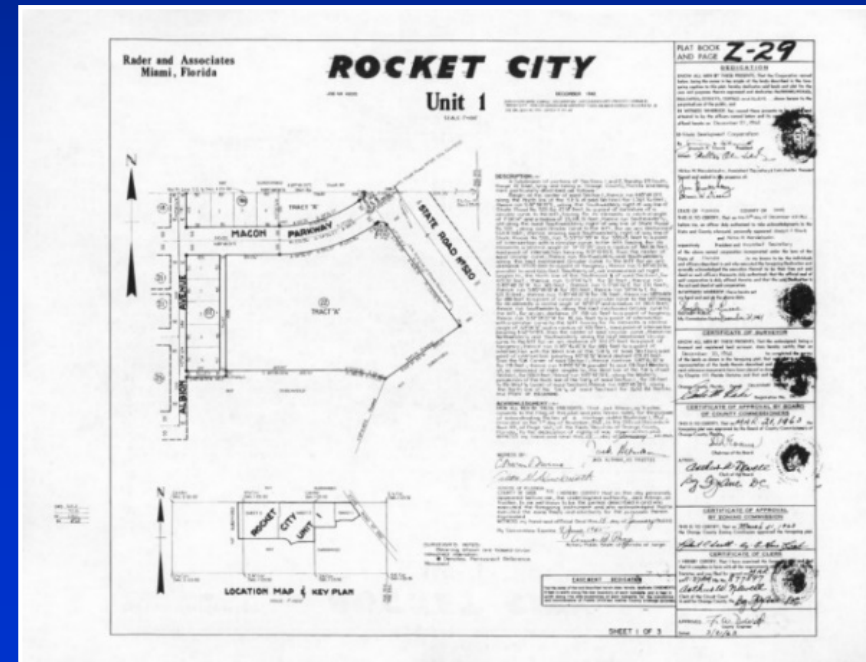
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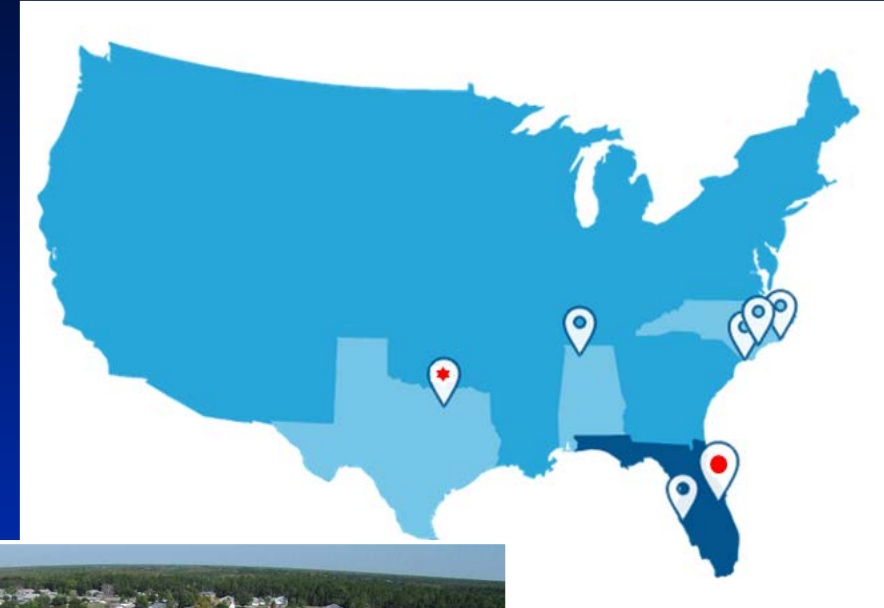
Background

- **Rocket City – started by All State Development Corp. in 1962**
 - Billed as a 20,000-acre development that would supply housing for Kennedy Space Center staff
- **Utilities provided privately since inception**
 - Early 1960’s - Econ Utilities Corp.
 - 1996 - Wedgefield Utilities, Inc.
 - 2009 - Pluris Holdings, LLC
 - 2018 - Pluris Wedgefield, LLC



Background

- **Pluris Wedgefield, LLC**
 - Private, for-profit utility company
 - Corporately headquartered in Dallas, TX
 - Six utilities in three states:
FL (2), AL (1), NC (3)





Background

- **Pluris Wedgefield, LLC**
 - Water and wastewater services to approximately 1,800 parcels
 - **Regulatory Oversight**
 - Rates - Florida Public Service Commission (FPSC)
 - PSC approved return on equity
 - Operations/Water Quality - FL Department of Environmental Protection (FDEP)
- **Historic concerns voiced by Wedgefield residents:**
 - Lack of responsive customer service
 - Water quality
 - Water aesthetics
 - High rates/pricing

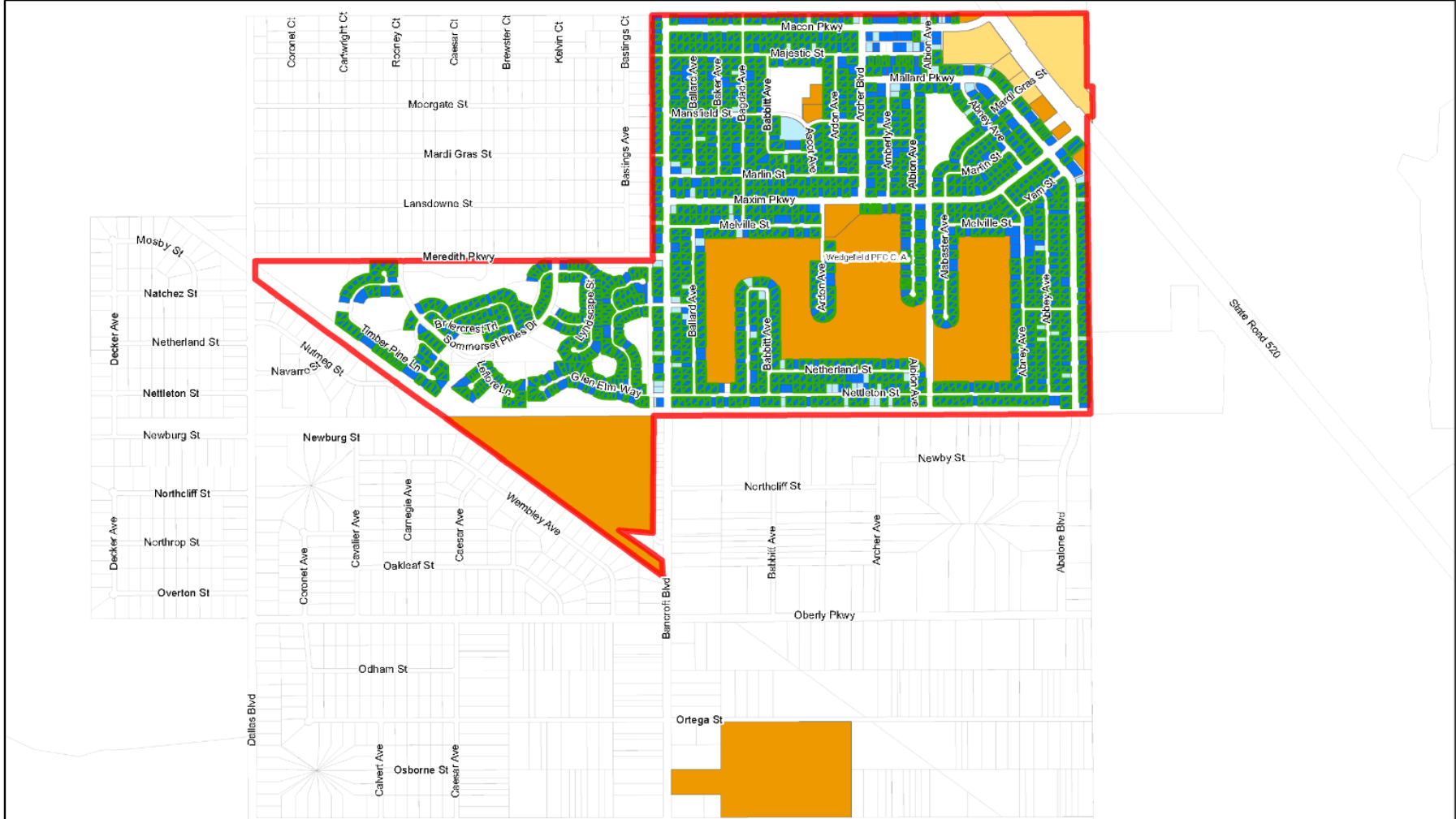


Background



Wedgefield

- Wedgefield PFC C. A. Water Service Area (1)
- Wedgefield Vacant Commercial Parcels (5)
- Wedgefield Vacant Residential Parcels (71)
- Wedgefield Homestead Exemption Parcels (1,259)
- Wedgefield Commercial Parcels (11)
- Wedgefield Residential Parcels (1,679)



▪ OCU Retrofit Policy

- Applicable for new utilities to existing developments
- New customers bear cost of connecting to OCU systems
 - OCU is an enterprise fund, funded by customer rates/fees for utility services provided
 - Policy ensures equity with customers who paid for construction and connection to new infrastructure as part of the development process
- Property owners are polled via ballot to determine if the proposed project will proceed
 - Approval threshold for retrofit policy is 67% of all ballots
 - Policy was revised in May of 2022 to allow for a retrofit project with 50% or more public funding to be considered if 67% of the returned ballots from the property owners are in favor

MSBU

Project Type	Authority	Department	Balloting Requirements	Balloting Timeframe
Wekiwa Springs Septic Retrofit Project	OCUD Septic Tank and Private Well Retrofit Program Policy	OCU	Requires 67% of <u>all ballots</u> in favor.	Thirty (30) days of the mailing of the ballots.
Wekiwa Springs Septic Retrofit Project	OCUD Septic Tank and Private Well Retrofit Program Policy	OCU	Requires 67% of the <u>returned ballots</u> in favor (with ≥50% publicly funded)	Thirty (30) days of the mailing of the ballots.
Pluris Wedgefield Project Property Owners Straw Poll Ballot	OCUD Septic Tank and Private Well Retrofit Program Policy	OCU	Requires 67% of <u>all ballots</u> in favor.	Thirty (30) days of the mailing of the ballots.
Street Lighting	Admin Regs 6.13	BCC	Requires 66 2/3% of the <u>returned ballots</u> in favor.	The minimum balloting period shall be 14 days.
Common Areas	Admin Regs 6.13.01	BCC	Requires 67% of <u>all ballots</u> in favor.	Forty-five (45) days from the mailing of the ballots.
Wall Construction	Admin Regs 6.13.02	BCC	Requires at least sixty percent (60%) of the total property owners in the proposed MSBU and one hundred percent (100%) of property owners adjacent to the wall respond favorably.	Thirty (30) days of the mailing of the ballots.
County Maintenance of Retention Pond(s)	Admin Regs 6.13.03	Public Works	Requires 66 2/3% of the <u>returned ballots</u> in favor.	The minimum balloting period shall be 14 days.
Lake Maintenance (MSBU)	Admin Regs 6.13.04	EPD	Requires 66 2/3% of the <u>returned ballots</u> in favor.	The minimum balloting period shall be 14 calendar days.
Lake Maintenance (MSTU)	Admin Regs 6.13.05	EPD	Requires 66 2/3% of the <u>returned ballots</u> in favor.	The minimum balloting period shall be 14 calendar days.



Background

Phase I (Complete - \$53K)

Preliminary Value Consulting

- Opinion of Value, Project Feasibility, Initial Negotiations/Due Diligence

Phase II (Complete - \$31K)

Initial Approach & Negotiations

- Execute contract for Outside Legal Counsel, Engage Pluris Wedgfield, LLC to determine interest in sale, negotiations, public meeting(s)

Phase III (\$83K)

Uniform Standards of Professional Appraisal Practice Report

- Memo of Understanding depicting deal points, draft agreement, tangible & intangible property valuation, complete appraisal report

Phase IV (\$18K)

Community Presentation, MSBU Balloting

- Multiple Community Meetings, Engage Comptroller for formal property owner balloting

Phase V (\$37K)

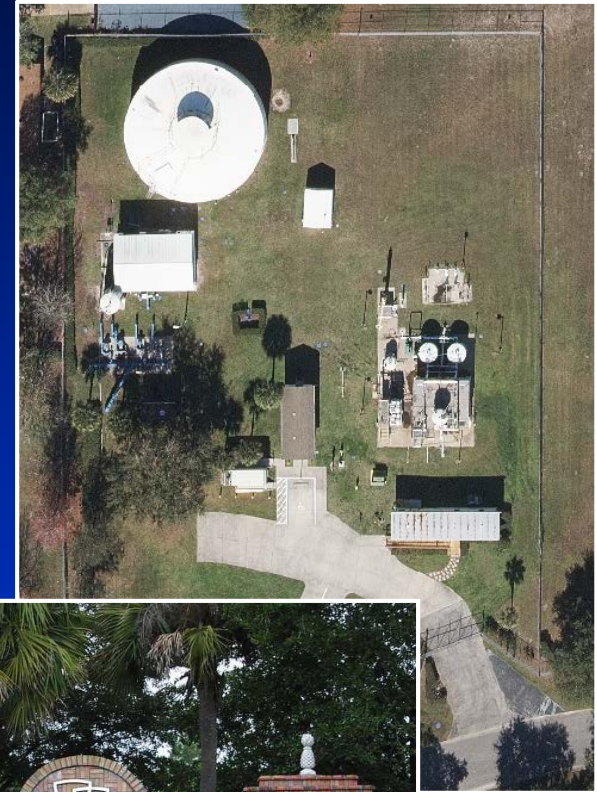
Acquisition Implementation

- Final agreement, Chapter 125.3401 Hearing, funding applications, closing services



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Timeline and Analysis

▪ 2017

- BCC Work Session on Wedgefield Water and Sewer System acquisition
- BCC direction to gauge residents' interest and hire consultant
- Wedgefield HOA turns in over 1,200 non-bindings letters of support

▪ 2018

- RFP for opinion of value awarded to Hartman Consultants LLC

▪ 2019

- Hartman Consultants, LLC completes Phase I Value Consulting Report

▪ 2020

- BCC authorized Phase II after presentation on Phase I findings



Timeline and Analysis

▪ 2021

- Executed contract for outside legal counsel
- Wedgefield Homeowners Association Meeting (June)
- Resident letter drafted, straw poll development, parcel analysis of ownership (December)

▪ 2022

- Notified of class action lawsuit (Kohl vs. Pluris) (February)
 - Placed any work/evaluation on hold until conclusion of lawsuit
- Suit orally settled (October)
 - Slow to finalize due to complexity and number parties involved



Timeline and Analysis

▪ 2023

- Final settlement hearing April 3, 2023
- Settlement documents provided via outside counsel
 - Pluris paying \$3.3M to resolve claims
 - Post settlement water quality monitoring for three years
 - If purchased by third party, monitoring requirements cease
 - Expenses from litigation and monitoring cannot be used in a rate case with FPSC
- Resumed Phase II efforts (Public Outreach)



Timeline and Analysis

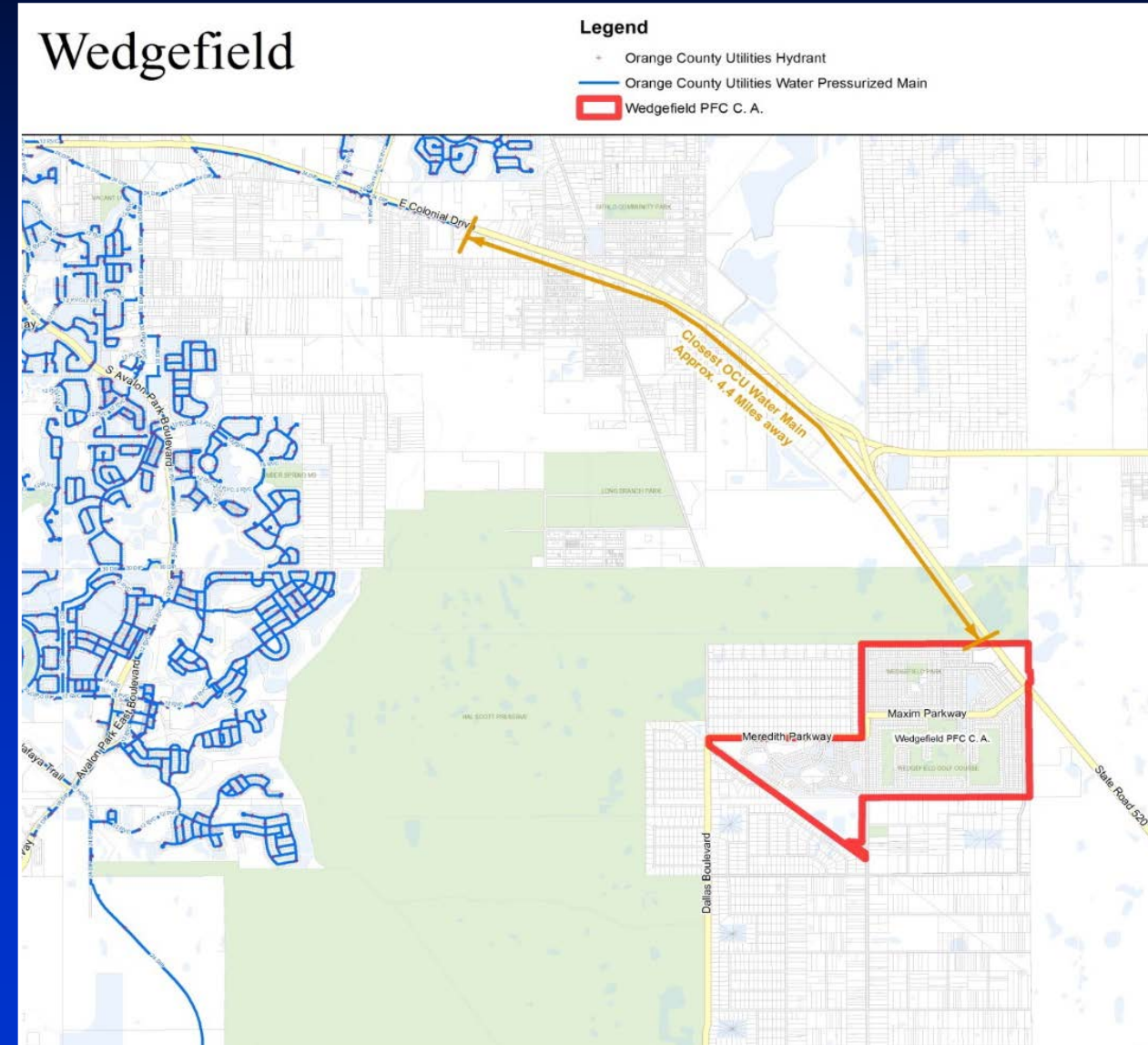
- **Pluris Wedgefield LLC has been engaged by OCU contract consultants and is willing seller for right price**
- **Market-driven factors affect valuation and purchase price**
- **Homeowner/Customer benefits:**
 - **Customer Service - Complaints have been responded to pursuant to FPSC regulatory standards**
 - **Water Quality & Aesthetics - Pluris Wedgefield, LLC currently meeting all regulatory standards**
 - **High Rates - varies with final acquisition costs and usage rate**



Timeline and Analysis

- OCU would own, operate, and upgrade existing facilities as a stand-alone system versus connections to existing OCU services
 - Significant cost uncertainty exists in both acquisition and upgrades absent complete system condition assessment
 - Operational costs will be more expensive as a stand-alone system

Potable Water

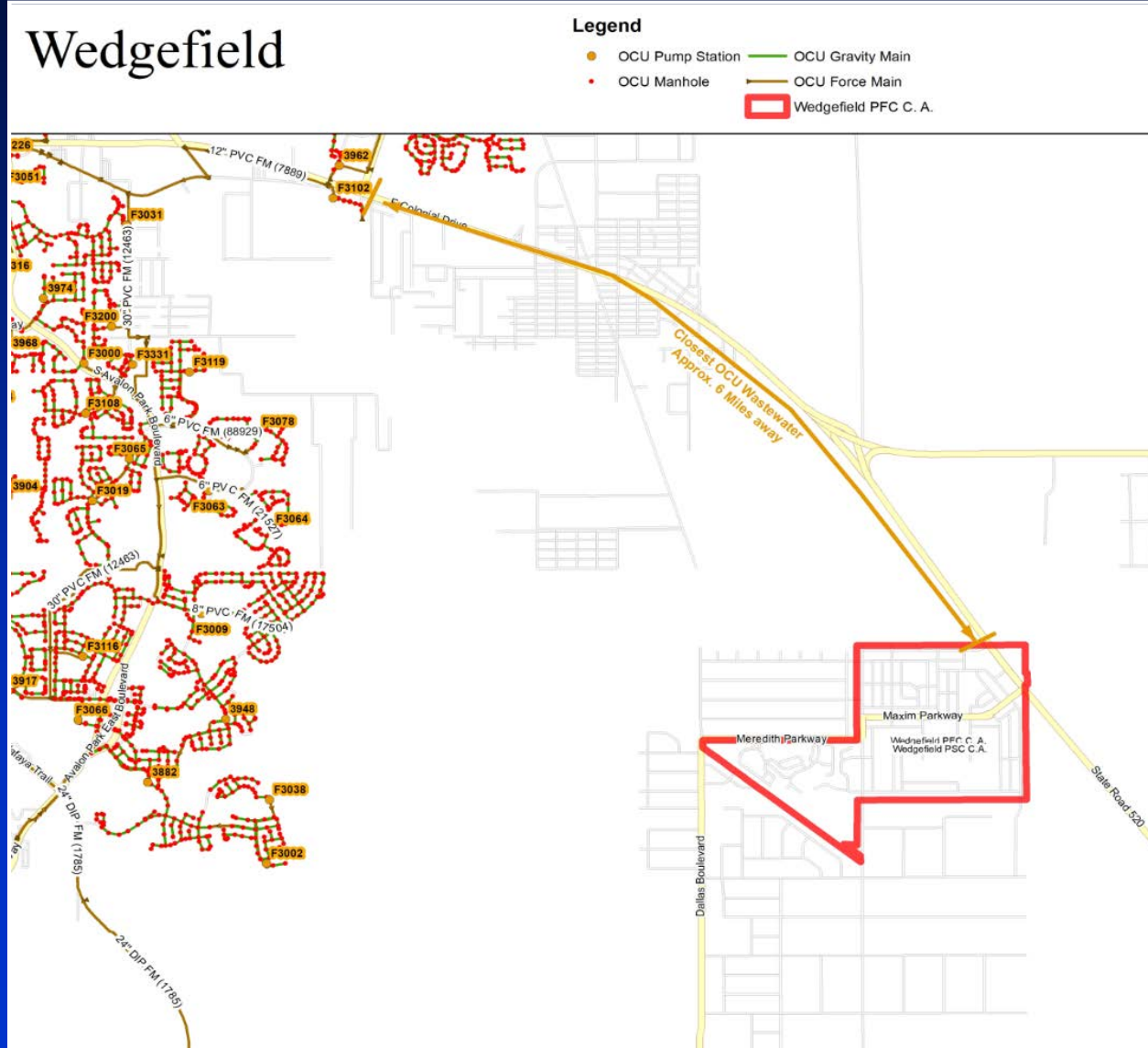




Timeline and Analysis

Wastewater

- OCU would own, operate, and upgrade existing facilities as a stand-alone system versus connections to existing OCU services
 - Significant cost uncertainty exists in both acquisition and upgrades absent complete system condition assessment
 - Operational costs will be more expensive as a stand-alone system





Timeline and Analysis

▪ Facility Assessment

- No major maintenance or operational items identified by FDEP during their last three Sanitary Survey Reports (2016, 2018, 2021)
- Requires full assessment to determine condition
- 24% of pipe inventory presumed to be asbestos cement
- Wastewater services located in rear of lots – not County standard
- Manholes may be under asphalt or otherwise inaccessible

▪ Operational costs will exceed typical OCU costs

- Expensive upgrades in addition to purchase price
- Remote system without integration value to OCU
- Water treatment system is incompatible with OCU



Timeline and Analysis

▪ Acquisition Costs

- Subject to balloting, cost of system acquisition would be borne by property owners through a Municipal Services Benefit Unit (MSBU) based on OCU policy
- MSBU cost assumptions (20-year repayment schedule at 5% interest)

▪ Usage Costs

- OCU rates assumption (+15% reflects increased cost of stand-alone operations)
- Pluris Wedgefield, LLC rates are over 98% higher than proposed OCU rates +15%
- Pluris (\$133.70) vs. OCU (\$67.49) at 5,000 gallons per month



Timeline and Analysis

▪ Financial Risk to Current Customers

- Full system assessment needed to better determine capital costs for required upgrades
 - Expected to be significantly higher than consultant's original estimate
- Rate assumption (+15%) may be insufficient for actual operating costs
- Acquisition will require a bond issue
 - Debt service funded by MSBU revenues
 - Reduces bonding capacity and may jeopardize AAA rating
- Current customers will subsidize acquired system where costs are higher than estimates
 - Additional rate increases beyond current 5-year plan



Timeline and Analysis

▪ Estimated Acquisition Costs

Description	Estimate
Purchase Price	\$ 21,000,000
Transactional Cost*	\$ 430,000
Financing Cost	\$ 500,000
Renewal & Replacement Fund	\$ 1,200,000
Rate Stabilization Fund	\$ 300,000
Transitional Cost	\$ 200,000
Working Capital	\$ 370,000
Five (5) Year CIP	\$ 4,300,000
Deferred Maintenance	\$ 250,000
Debt Service Reserve Fund	\$ 1,450,000
Total Acquisition Cost	\$ 30,000,000
* \$207,000 for Phases I-V costs are included here	



Timeline and Analysis

▪ Cost benefits for property owner/customer depends on total acquisition cost and individual water use

–Key Assumptions

- Total acquisition costs ≈ \$30M, 20-year MSBU @ 5% interest
- Monthly average consumption = 5 Kgal (current rates for Pluris, OCU rates +15%)

Monthly Customer Costs

OCU Bill	\$ 67.49
MSBU	\$ 112.17
Subtotal	\$ 179.66
Current Pluris Bill	\$ (133.70)
Bill Increase	\$ 45.96



Reflects anticipated additional OCU costs to operate



MSBU amount sensitive to final total acquisition costs



Amount sensitive to any future PSC-approved rate changes



Timeline and Analysis

▪ Potential Impacts of Rate Increases

	Current Rates	Interim Rates	Proposed Rates
OCU Bill	\$67.49	\$68.07*	\$68.07*
MSBU	\$112.17	\$112.17	\$112.17
Subtotal	\$179.66	\$180.24	\$180.24
Pluris Bill**	\$133.70	\$191.46	\$228.34
Bill Impact	\$45.96	-\$11.22	-\$48.10

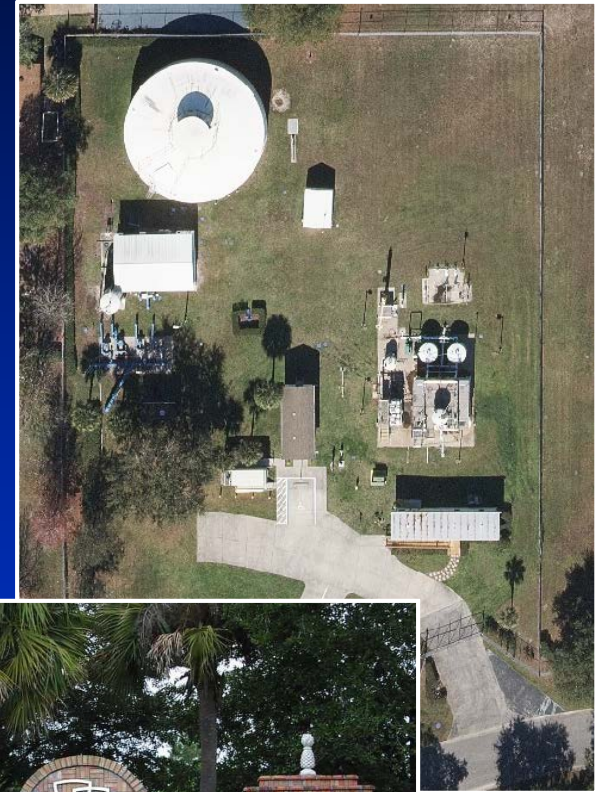
* Reflect OCU's planned water rate increase effective October 1, 2023

** Rates as announced to their customers by Pluris on September 6, 2023



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Public Outreach & Feedback

▪ Public Meetings

- Mailed public meeting notices to 1,768 property owners (April 21)
- Property Owner Meeting #1 – Wedgefield School (May 9)
- Property Owner Meeting #2 – Wedgefield School (May 15)
- Staff attended HOA Meeting (July 20)

▪ Project Information

- Provided narrated presentation to District 5 office for use via social media channels
- Collaborated on 2-page flyer with District 5 office



Public Outreach & Feedback

- Straw poll letter and ballot to 1,768 mailed to property owners on May 15, 2023
 - Provided self-addressed, postage prepaid envelope
 - Property owner obligation:
 - Read letter and ballot
 - Check one ballot option
 - Sign ballot
 - Mail ballot
 - Property owners given one full month to respond to letter & ballot
- On June 9, 2023, and again on September 6, 2023, Pluris mailed letter to Wedgefield residents regarding intended rate increase

PROPERTY OWNER STRAW POLL BALLOT

Interest in purchasing the Pluris-Wedgefield Water & Wastewater Utility System

I am/we are the owners of the property included in the boundaries of the Pluris-Wedgefield Water & Wastewater Utility System; parcel address of the property as follows:

OWNER NAME 1
OWNER NAME 2
WEDGEFIELD ADDRESS
PARCEL ID

I am/we are aware of the proposed purchase of the Pluris-Wedgefield Water & Wastewater Utility System. I am/we are a property owner within the boundary of said proposed project and I/we hereby cast my/our vote as follows:

PLEASE MARK YOUR CHOICE WITH A CHECK Please choose only one option. Sign your ballot.

OPTION 1: I am in favor of purchasing the Pluris-Wedgefield Water & Wastewater Utility System. Property owners would pay for the purchase of the system through a Municipal Service Benefit Unit (MSBU). An MSBU designation provides property owners the opportunity to pay for their share of the cost of the Pluris-Wedgefield Water & Wastewater Utility System over a 20-year period. A fixed amount assessment would be included on the annual property tax bill of all benefiting properties.

OPTION 2: I am not in favor of the purchase of the Pluris-Wedgefield Water & Wastewater Utility System.

PRINT NAME _____

SIGNATURE _____ DATE _____

PRINT NAME _____

SIGNATURE _____ DATE _____

Please note that only one property owner's signature per household is necessary. Please return this survey in the self-addressed return envelope provided. It must be postmarked by June 17, 2023, to be counted in the tabulation of straw poll ballots.



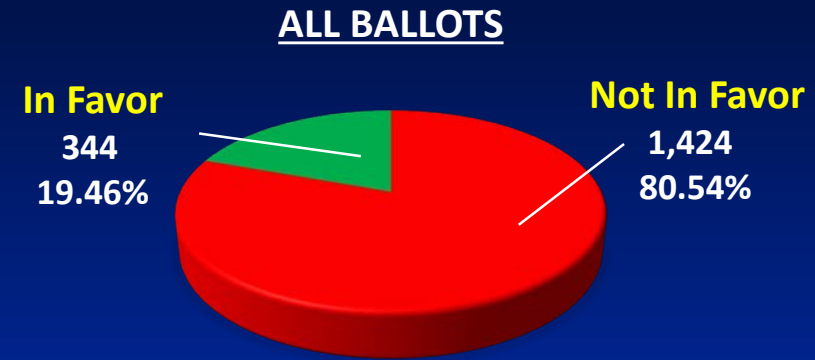
Public Outreach & Feedback

Pluris Wedgefield Straw Polling Results		In Favor	Not In Favor
Mailed	1,768	344	1,424
Returned Completed	552	344	208
<i>Returned Incomplete</i>	7	0	7
<i>Returned Mail Undeliverable</i>	24	0	24
Total Returned	583	344	239
Unreturned	1,185	0	1,185
	1,768	344	1,424



Public Outreach & Feedback

- Results based on **All Ballots (1,768)**
 - “In Favor” ballots were 344, or 19.46%
 - “Not in Favor” ballots were 1,424, or 80.54%
 - Unreturned ballots (1,185) counted as “Not in Favor”



- Results based on **Returned Ballots (583)**
 - “In Favor” ballots were 344, or 59.01%
 - “Not in Favor” ballots were 239, or 40.99%

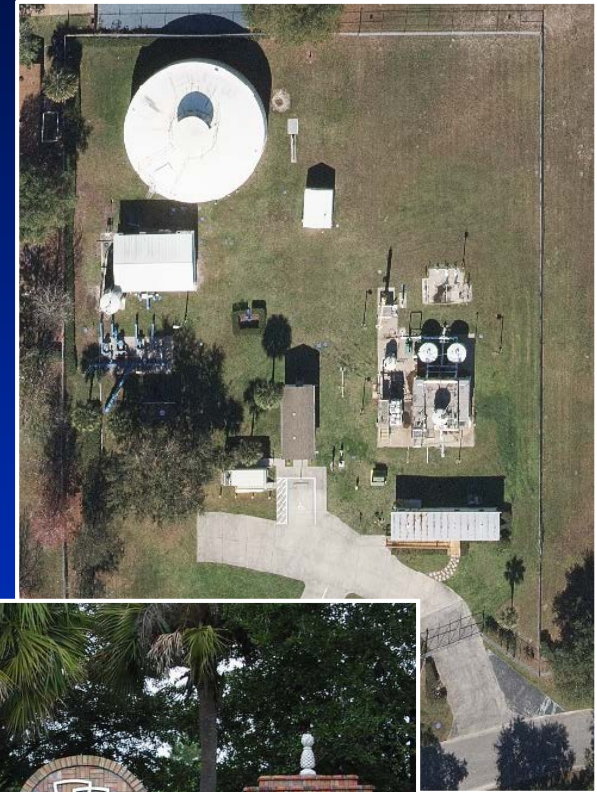


- **Both straw poll results fall short of required 67% “In Favor” votes for imposing an MSBU-levied tax on 1,768 property owners**



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Staff Findings

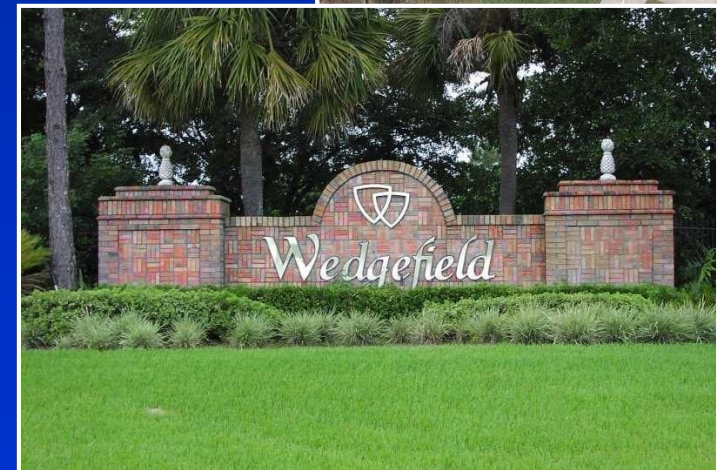
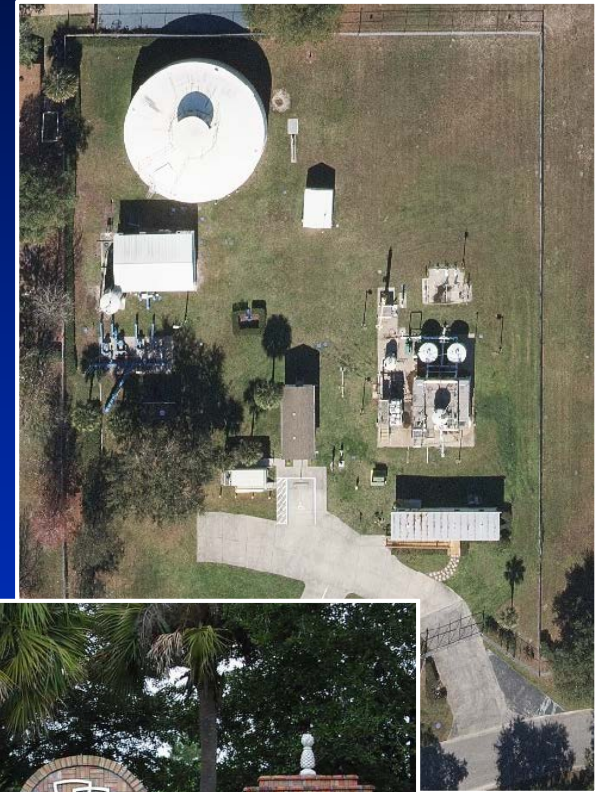
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- Acquisition is not financially feasible without MSBU and/or subsidies such as grants
- Pluris Wedgefield, LLC is meeting regulatory requirements for water quality, aesthetics, and customer service
- System is remote, without integration value to OCU and with incompatible water treatment process
- Operational costs will be more expensive as a stand-alone system
- From a business perspective, acquisition is not recommended



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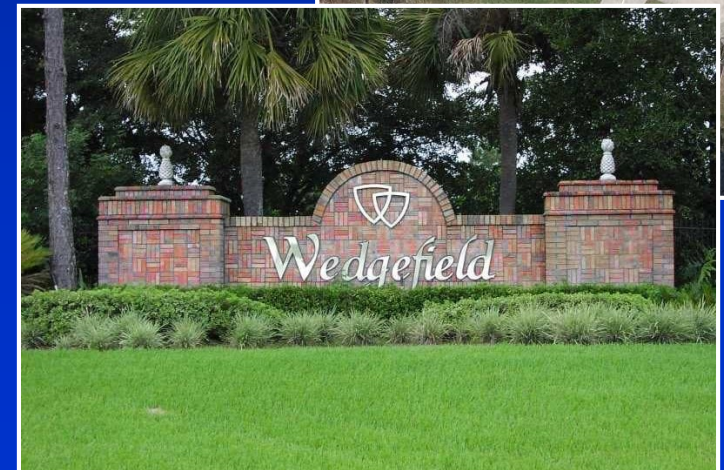
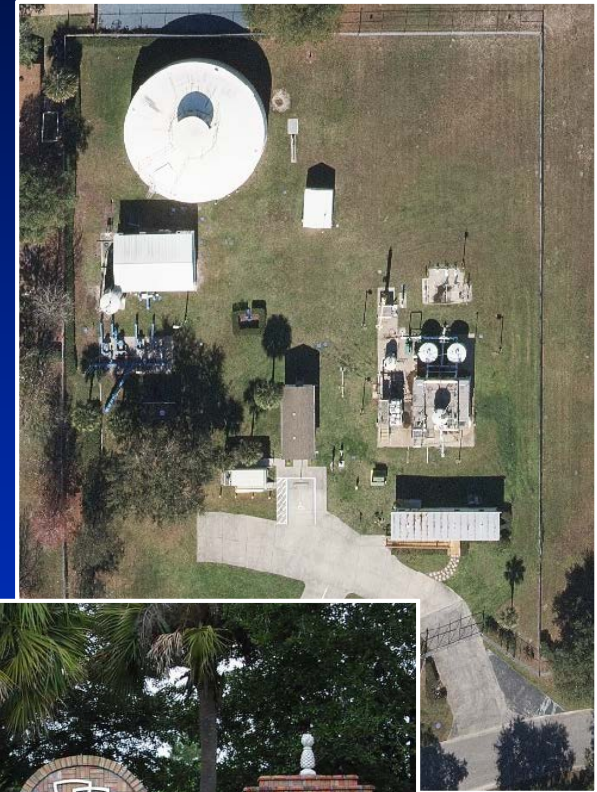
Summary

- **County initiated acquisition efforts due to historic concerns about water quality, aesthetics, customer service, and cost**
- **Total acquisition costs estimated at \$30M, with significant uncertainties for needed upgrades and operating costs**
- **Acquisition is not financially feasible without MSBU and/or subsidies such as grants**
- **Straw polling results not indicative of property owner support required to move project forward**
- **Next steps require Board direction**



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Board Direction

▪ Major policy considerations:

- Low overall response to straw poll (33%) and lack of community support (59% in favor for just returned ballots)
- Advancing would be inconsistent with adopted OCU Retrofit Policy (67% of all ballots)
- High MSBU cost per home (\$1,346 per year) resulting in increased costs to affected property owners
- Unclear public benefit to Wedgefield or Orange County residents
- Financial risk to existing system with upward rate pressure for current customers



Board Direction

- **Board options for direction:**

1. Cease acquisition efforts
2. Additional community engagement
3. Advance to Phase III (Uniform Standards of Professional Appraisal Practice Report) at a cost of \$83,095