

*Utilities Department*

# Pluris Wedgefield, LLC Water & Wastewater System

February 11, 2020



# Presentation Overview

- **Background**
- **Timeline**
- **Current Assumptions**
- **Consultant Phase I Findings**
- **Homeowner Cost Estimate**
- **Process Phases**
- **Summary & BCC Direction**

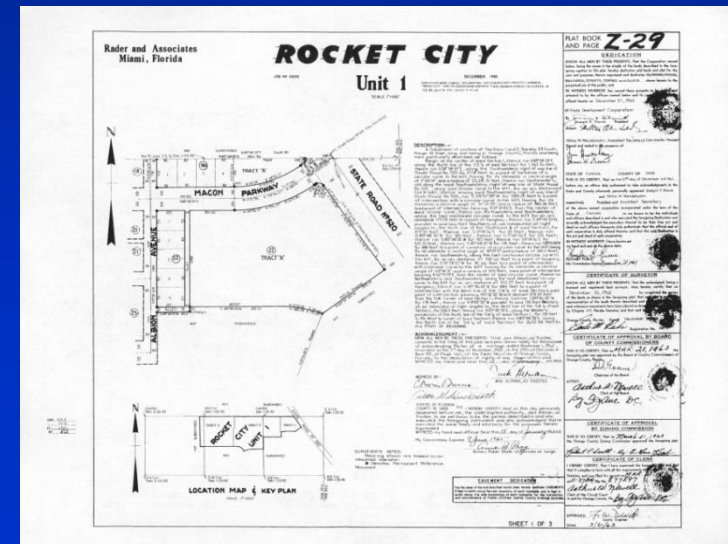


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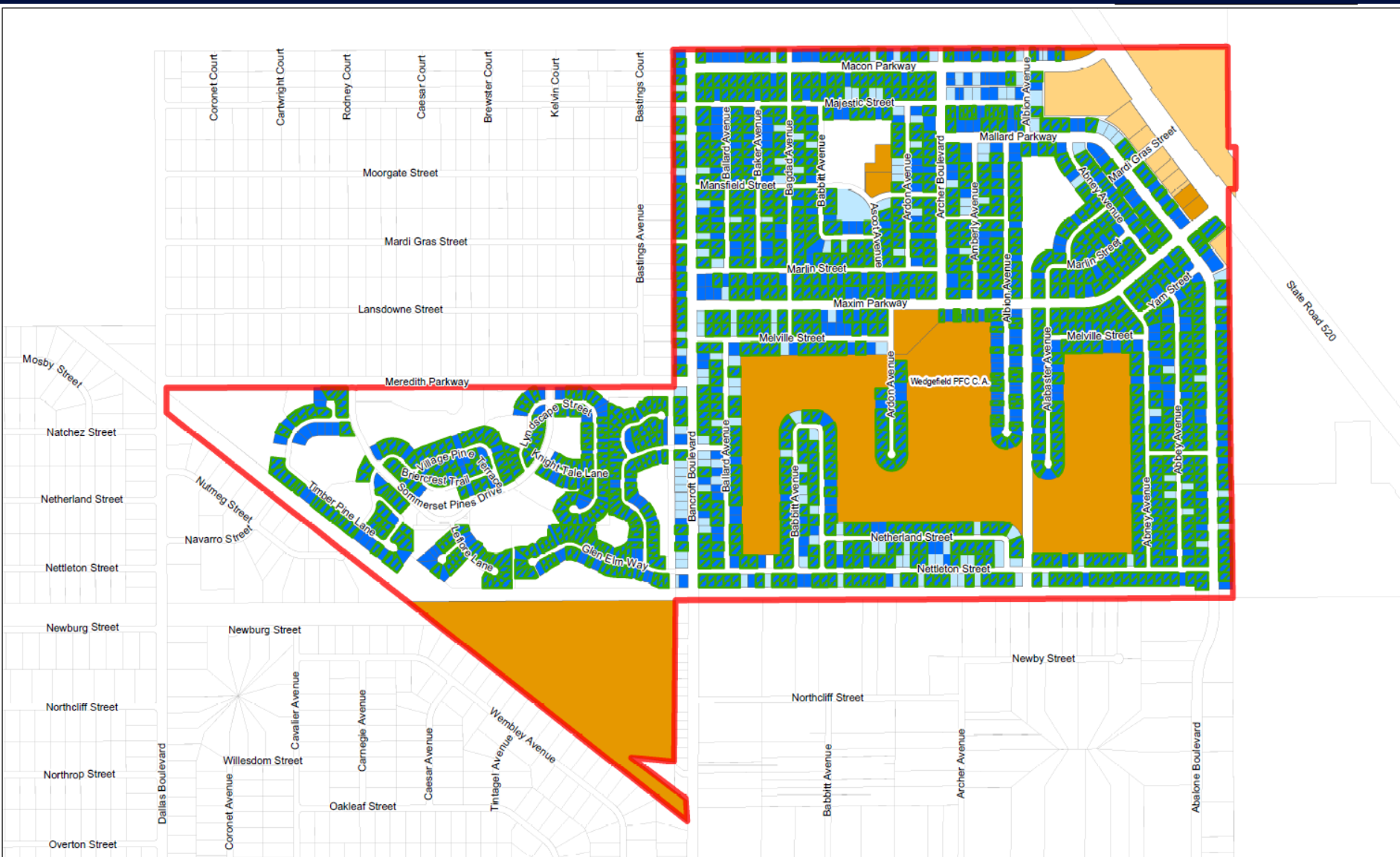
# Background

- **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**
  - 1996 - Wedgefield Utilities, Inc.
  - 2009 - Pluris Holdings, LLC
  - 2019 - Pluris Wedgefield, LLC





# Background





# Background

## Pluris Holdings, LLC

- Private, For-Profit Utility Company
- Corporate Headquarters in Dallas, TX
- 6 Utilities in 3 States - AL (1), FL (2), NC (3)



ORLANDO, FL

Pluris Wedgefield, LLC

20449 Mansfield St.  
Orlando, FL 32833



# Background

- **Pluris Wedgefield, LLC**
  - Water and wastewater services to approximately 1,800 parcels
  - Regulatory Oversight
    - Rates - Florida Public Service Commission (PSC)
    - PSC approved return on equity is 8.3%
    - Operations/Water Quality - Florida Department of Environmental Protection (FDEP)
- **Ongoing concerns voiced by Wedgefield residents:**
  - Water quality
  - Water aesthetics
  - High rates/pricing
  - Lack of responsive customer service



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# Timeline

## 2016

- April** EPD conducts water sampling
- June** OC releases Wedgefield FAQ's  
Pluris releases remedy plan of action  
FDEP holds open house at Wedgefield
- August** OCU prepares customer cost analysis  
Joint meetings with OCU, HOA Boards & past District 5 Commissioner
- September** HOA Community Meetings commence
- October** HOA Boards request BCC for formal review into acquisition
- November** District 5 discussion item at BCC

## 2017

- January** BCC meeting to discuss Wedgefield acquisition, next steps
- December** Wedgefield HOA's turn in over 1,200 non-binding letters of support for further research into acquisition

## 2018

- August** RFP issued for Opinion of Value for Pluris Wedgefield, Inc. Water and Wastewater System
- November** RFP Y19-801-TA awarded to Hartman Consultants LLC

## 2019

- May** Hartman Consultants LLC completes Phase I Value Consulting Report for Pluris Wedgefield, Inc.
- July** Update with District 5 Commissioner
- October** Reviewed Phase I findings with County Administration
- December** Reviewed draft presentation with Mayor



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# Current Assumptions

- OCU would own, operate, and upgrade existing facilities
- Significant cost uncertainty exists in both acquisition and upgrades
- Complete system condition assessment required to fully determine costs above and beyond acquisition
- Subject to balloting, costs of system acquisition and upgrades borne by homeowners, assessed via Municipal Services Benefit Unit (MSBU)
- RFP requires board approval for all subsequent phases
- Pluris Wedgefield LLC has not been formally engaged by OCU; may not be a willing seller



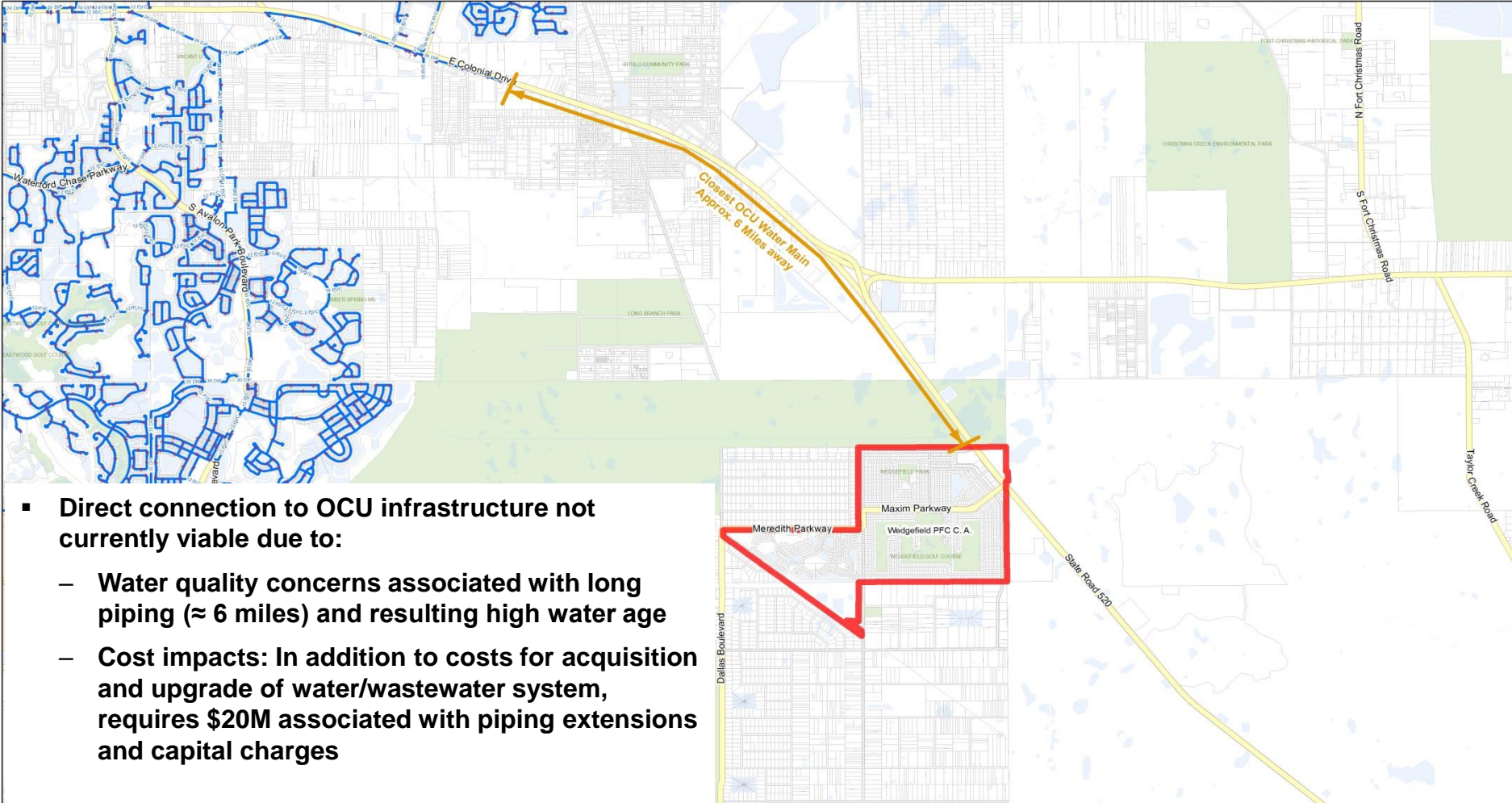
# Current Assumptions



## Wedgefield

### Legend

- Orange County Utilities Hydrant
- Orange County Utilities Water Pressurized Main
- Wedgefield PFC C. A.



- **Direct connection to OCU infrastructure not currently viable due to:**
  - **Water quality concerns associated with long piping (≈ 6 miles) and resulting high water age**
  - **Cost impacts: In addition to costs for acquisition and upgrade of water/wastewater system, requires \$20M associated with piping extensions and capital charges**



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# Consultant Phase I Findings

- **Opinion of Value using three (3) approaches of: Cost, Income, and Comparable Sales**

| Approach                               | Range                        | Weighting | Weighted Result     |
|--|------------------------------|-----------|---------------------|
| Cost                                   | \$20,300,000                 | 65%       | \$ 13,200,000       |
| Income                                 | \$15,700,000 to \$17,800,000 | 25%       | \$ 4,200,000        |
| Comparable Sales                       | \$15,900,000 to \$16,700,000 | 10%       | \$ 1,600,000        |
| Phase I Value Consulting Maximum Price |                              |           | \$ 19,000,000       |
| <b>Market Opinion Consulting</b>       |                              |           | <b>\$17,500,000</b> |

- **Preliminary Costs of Acquisition – using purchase price of \$17.5M**
- **10 buckets of funding**



# Consultant Phase I Findings

| Description  | Estimate             |
|--|----------------------|
| Purchase Price                                     | \$ 17,500,000        |
| Transactional Cost*                                | \$ 350,000           |
| Financing Cost                                     | \$ 420,000           |
| Renewal & Replacement Fund                         | \$ 1,000,000         |
| Rate Stabilization Fund                            | \$ 250,000           |
| Transitional Cost                                  | \$ 150,000           |
| Working Capital                                    | \$ 310,000           |
| Five (5) Year CIP                                  | \$ 3,320,000         |
| Deferred Maintenance                               | \$ 200,000           |
| Debt Service Reserve Fund                          | \$ 1,200,000         |
| <b>Total Acquisition Cost</b>                      | <b>\$ 24,700,000</b> |
| * \$207,000 for Phases I-V costs are included here |                      |



# Consultant Phase I Findings

- **Water Quality/Aesthetics**
  - Pluris Wedgfield, LLC currently meets all regulatory standards
- **High Rates/Pricing**
  - Pluris Wedgfield, LLC rates are over 147% higher than OCU rates
  - Pluris (\$132.60) vs. OCU (\$53.69) at 5,000 gallons per month
- **Facilities**
  - Considered to be in good condition
  - No major maintenance or operations items identified by FDEP during their 2016 and 2018 Sanitary Survey Reports
- **Customer Service**
  - Complaints have been responded to pursuant to PSC standards





# Consultant Phase I Findings

- Acquisition is not financially feasible without MSBU and/or subsidy such as grants
- From business perspective, acquisition not recommended
- Pluris Wedgefield, LLC systems are:
  - Remote without system integration value to OCU
  - Water system is incompatible with OCU
- Operational costs will be more expensive for OCU as a stand-alone system



# Consultant Phase I Findings

- **Pluris Pebble Creek & Eastlake – Hillsborough County**
  - 5,000 customer connections
  - Purchased by utility in 2014 for \$14.1 million
  - Cost per connection - \$2,820
  
- **City of Dunnellon – Florida Governmental Utility Authority (FGUA)**
  - 5,890 customer connections
  - Purchased by FGUA in 2017 for \$12.2 million
  - Cost per connection – \$2,071
  
- **Godfrey, IL – Illinois American Water**
  - 6,200 customer connections
  - Purchased by American in 2018 for \$13.5 million
  - Cost per connection - \$2,185



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# Homeowner Cost Estimate

- **Homeowner Costs Based Upon:**
  - MSBU costs
  - OCU prevailing rates +15% escalation factor (reflects increased cost of operations)
- **Cost Outcome for Homeowner Depends On:**
  - Acquisition price, upgrade costs, individual water use
    - Total Acquisition & Upgrade Costs ≈ \$25 million
    - Monthly Consumption = 5,000 gallons (Wedgfield average)

|                     |    |          |
|---------------------|----|----------|
| OCU Bill            | \$ | 61.74    |
| MSBU                | \$ | 93.48    |
| Subtotal            | \$ | 155.22   |
| Current Pluris Bill | \$ | (132.60) |
|                     | \$ | 22.62    |

Additional Monthly Cost: \$22.62



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# Process Phases

## **Phase I - Preliminary Value Consulting – \$53,000 (*Complete*)**

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

## **Phase II – Initial Approach & Negotiations – \$31,000**

Engage Pluris Wedgefield LLC to determine interest in sale, negotiations

## **Phase III – USPAP Appraisal – \$68,000**

MOU depicting deal points, draft agreement, tangible & intangible property valuation, complete appraisal report

## **Phase IV – Community Presentation, MSBU Balloting – \$18,000**

Multiple Community Meetings, Engage Comptroller for formal owner balloting

## **Phase V – Acquisition Implementation – \$37,000**

Final agreement, Chapter 125.3401 hearing, funding applications, closing services



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# Summary

## ■ Pluris Wedgefield, LLC

- Rates are over 147% higher than OCU rates
- Currently meet all regulatory standards
- Considered to be in good condition
- Complaints responded to pursuant to PSC regulatory standards
- Systems are remote without integration value to OCU
- Water system is incompatible with OCU
- Acquisition is not financially feasible without MSBU and/or subsidy such as grants
- From business perspective, acquisition not recommended
- Operational costs will be more expensive for OCU as a stand-alone system





# BCC Direction

- **Proceed with Phase II to finalize approach and engage Pluris Wedgefield, LLC to determine interest in sale, negotiations (\$31,000)**

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