

Utilities Department

**Pluris Wedgefield
Water & Wastewater System Update**

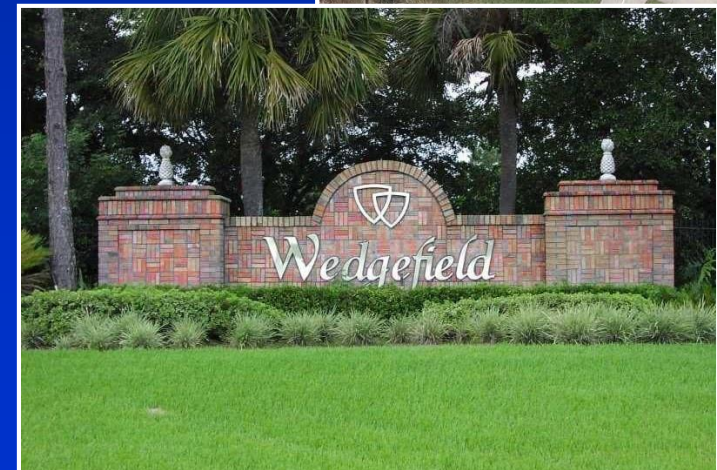
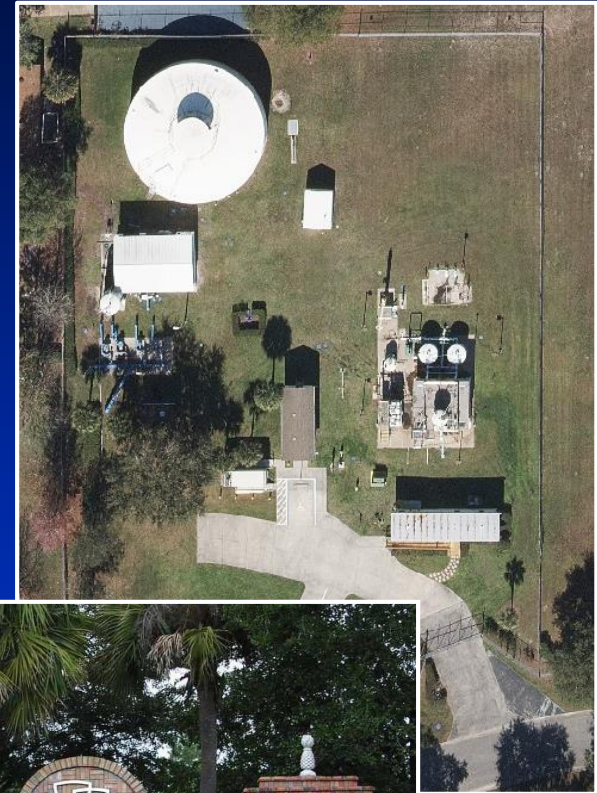
Work Session

July 30, 2024



Presentation Overview

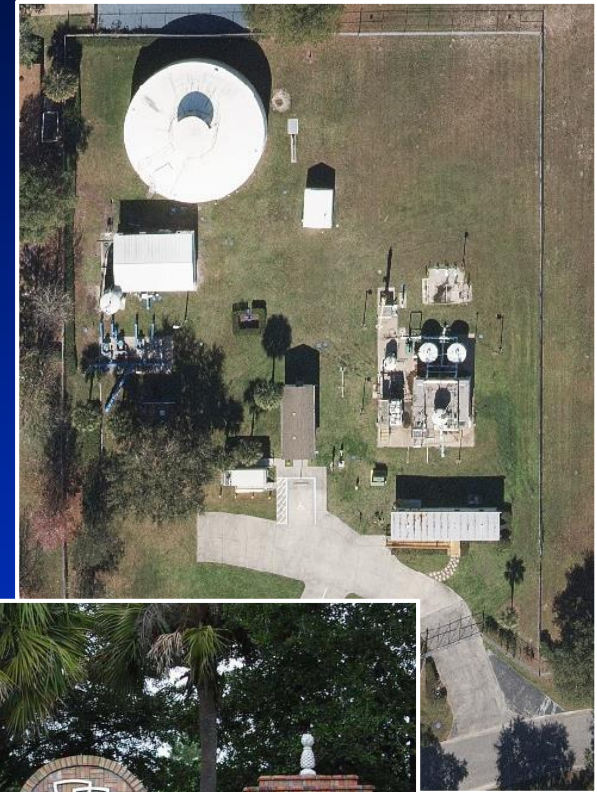
- Purpose
- Background
- Timeline & Analysis
- Phase III Findings
- OCU Assessment Findings
- Options
- Next Steps
- Summary
- Board Direction





Presentation Overview

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Purpose

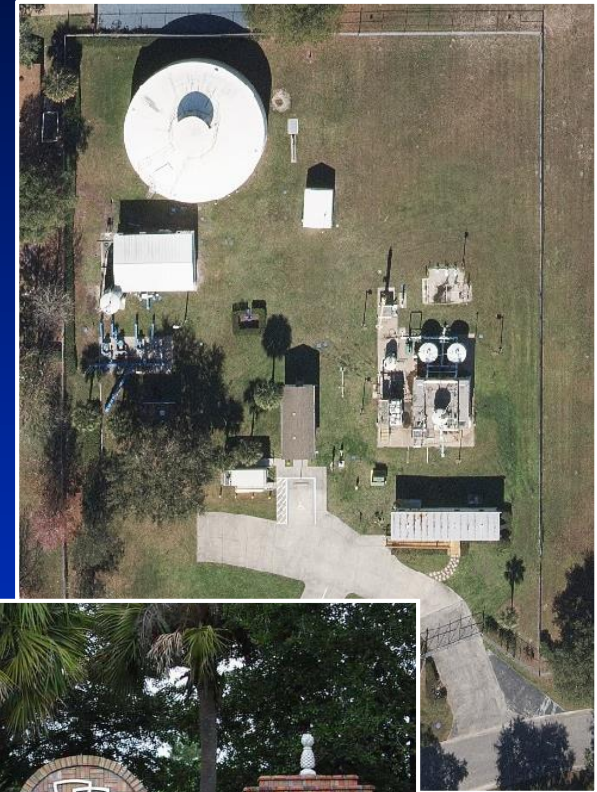
- Provide background, timelines and analysis, Phase III evaluation findings, and the OCU assessment findings
- Support policy discussion on public benefits and costs to Orange County and OCU ratepayers
- Discuss funding options
- Discuss next steps
- Summary
- Board direction





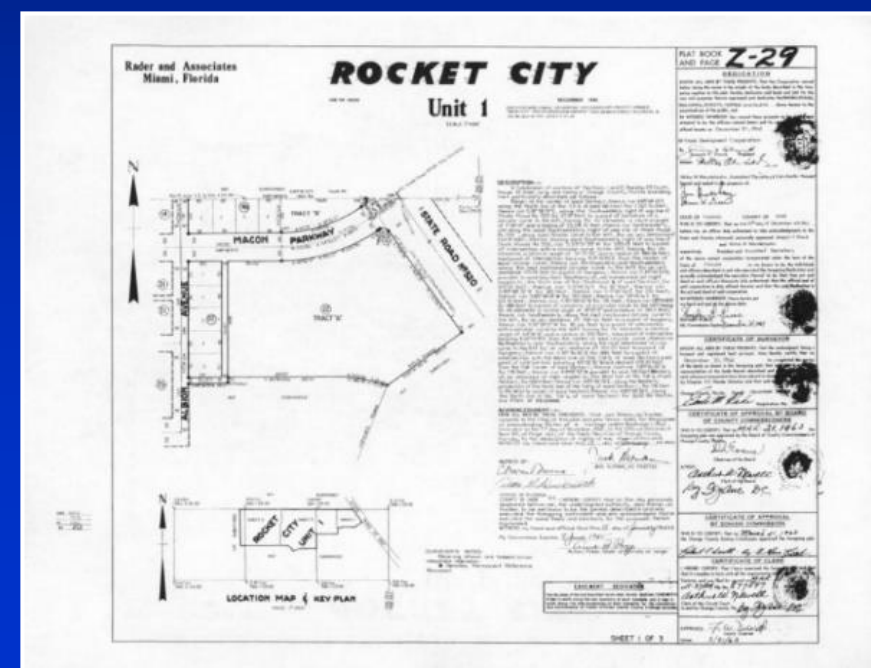
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Background

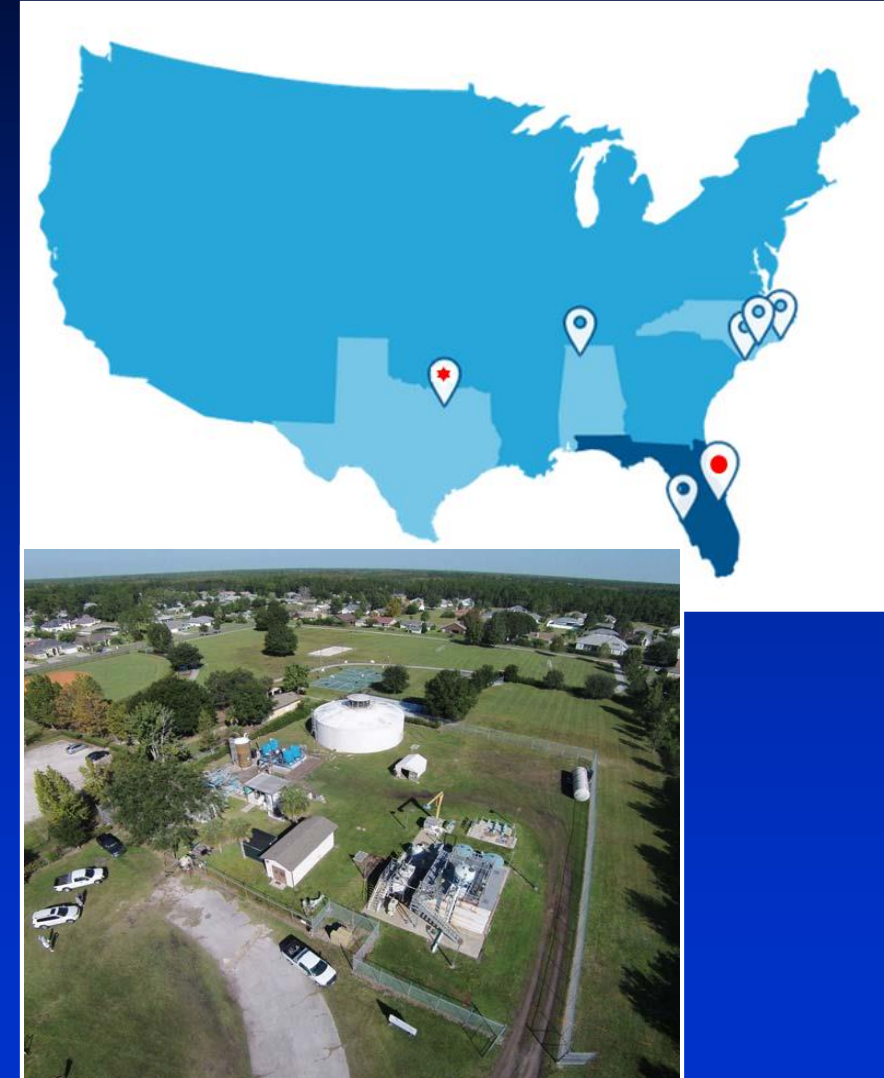
- **Rocket City – started by All State Development Corp. in 1962**
 - Billed as a 20,000-acre development that would supply housing for Kennedy Space Center staff
- **Utilities privately owned since inception**
 - Early 1960s – Econ Utilities Corp.
 - 1996 – Wedgefield Utilities, Inc.
 - 2009 – Pluris 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:
Florida (2), Alabama (1), North Carolina (3)
 - Wedgefield, FL
 - Sarasota, FL
 - Killen, AL
 - Hampstead, NC
 - Sneads Ferry, NC*
 - Hubert, NC*
 - *Two wastewater systems (7,900 connections) acquired by Onslow Water & Sewer Authority in Nov. 2023 via a \$50M bond issue



Background

- **Pluris Wedgefield, LLC**

- Water and wastewater services to 1,766 parcels

- Regulatory oversight

- Rates – FPSC
- FPSC approved return on equity – over 8%
- Operations/water quality – FDEP

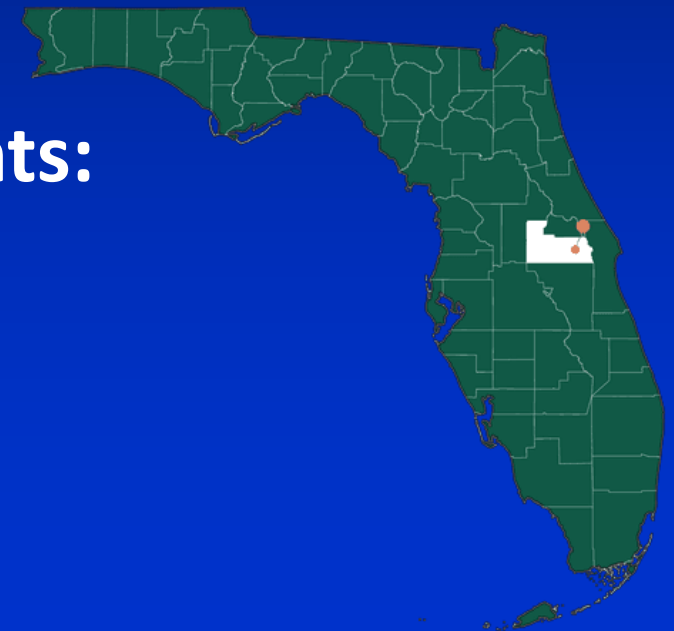
- **Historic concerns voiced by Wedgefield residents:**

- Lack of responsive customer service

- Water quality

- Water aesthetics

- **High rates**



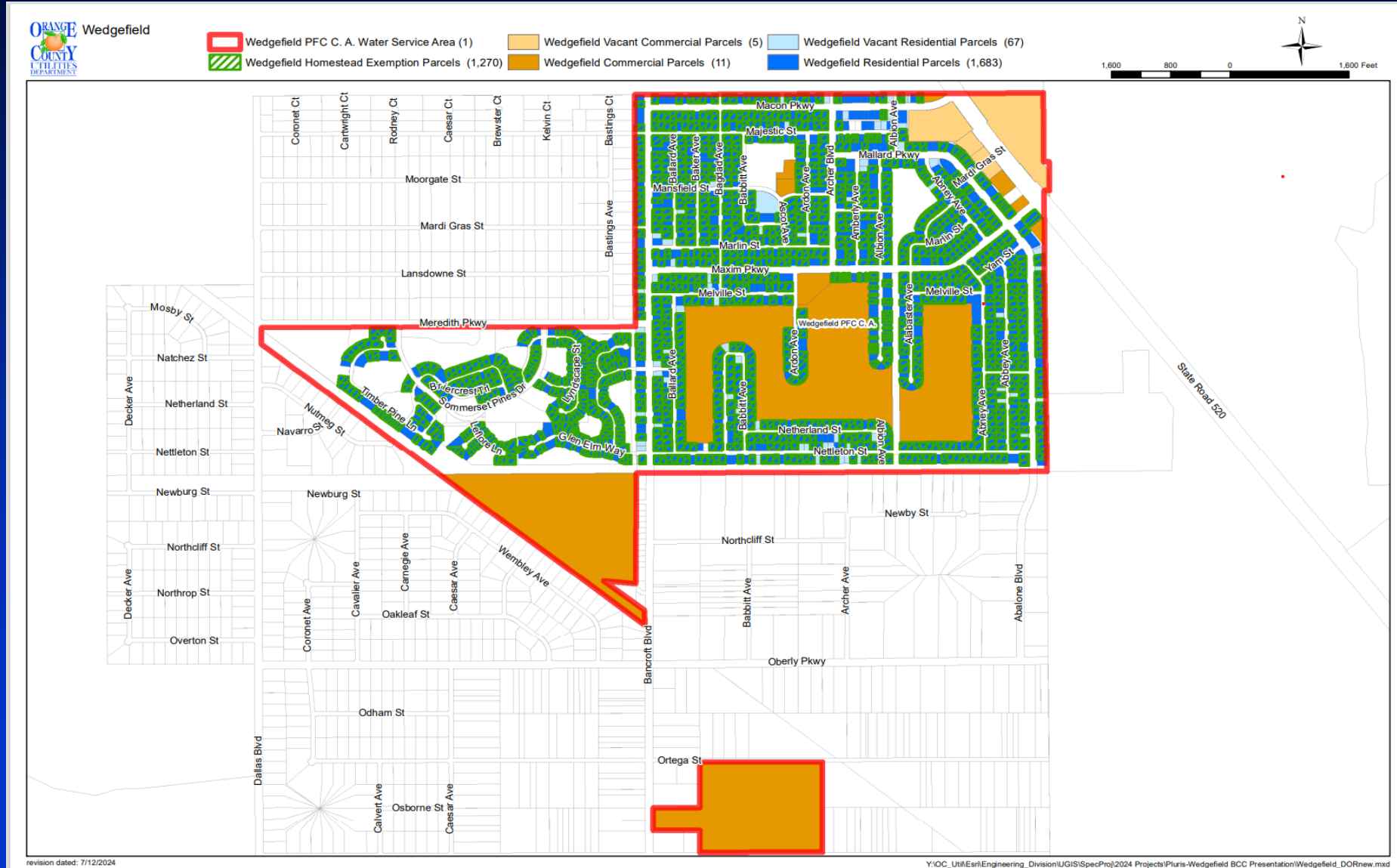


Background

Residential
1,750 parcels

Commercial
16 parcels

Total
1,766 parcels



▪ 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 through the development process
- Property owners polled via ballot to determine if project proceeds
 - Approval threshold for retrofit policy is 67% (1,183) of all ballots
 - Policy was revised in May 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



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 Wedgefield, LLC to determine interest in sale, negotiations, public meeting(s)

Phase III (\$107K) + \$104K Assessment

Uniform Standards of Professional Appraisal Practice Report

- **Memo of Understanding depicting deal points, draft agreement, tangible and 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)

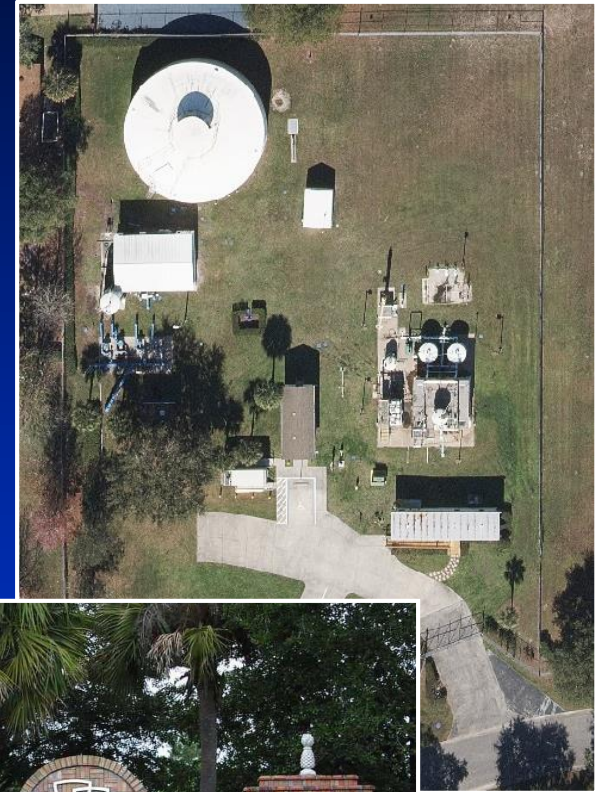
Acquisition Implementation

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



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Timeline & Analysis

Approval to explore interest in acquisition

Phase I Report completed

Drafted residential letter
Developed straw poll
Analyzed parcels

Lawsuit settled
Phase II resumes
Straw poll to 1,766 owners

2017

2018

2019

2020

2021

2022

2023

2024

RFP awarded to consultant

Phase II authorized

Notified of class action lawsuit

Phase III appraisal
Utilities assessment



Timeline & Analysis

▪ Acquisition Costs

- Subject to balloting, cost of system acquisition would be borne by affected property owners through a Municipal Services Benefit Unit (MSBU)
 - 20-year repayment schedule at 6.75% interest (as of July 1, 2024)

▪ Usage Costs

- OCU rate assumptions (+15% reflects increased cost of stand-alone operations)
- Pluris Wedgefield, LLC rates are over 171% higher than OCU rate assumption
- Pluris (\$184.55) vs. OCU (\$68.07) at 5 Kgal combined W/WW monthly usage



Timeline & Analysis

- **Pluris Wedgefield, LLC has been engaged by OCU contract consultants and is willing seller for right price**
- **Regulatory Outlook:**
 - **Water quality and aesthetics**
 - **Customer service**
 - **High rates**
 - **Quote from most recent FPSC rate case: “Pluris is meeting all Department of Environmental Protection (DEP) primary and secondary standards and has been responsive to customer complaints. Therefore, the quality of service provided by Pluris should be considered satisfactory.”**



Timeline & Analysis

Estimated Acquisition Costs – Phase I Preliminary Value Consulting

Description	Estimate (2019)
Purchase Price – from Phase I Consultant Report	\$ 18,500,000
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
Total Estimated Acquisition Cost	\$ 25,700,000

*Phases I-V costs are included here

No full assessment completed

- Consultant System Condition Ratings (Best to Worst)
 - New
 - Very Good
 - **Good**
 - Average
 - Fair
 - Poor

 CIP Dollars Estimated



Timeline & Analysis

▪ Estimated Acquisition Costs – \$30M

Description	Estimate (2021)
Purchase Price – lowest price to date from Pluris	\$ 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 Estimated Acquisition Cost	\$ 30,000,000

*Phases I-V costs are included here

No full assessment completed

- Consultant System Condition Ratings (Best to Worst)
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 CIP Dollars Estimated



Timeline & Analysis

Financial Impacts to Affected Property Owners – \$30M Estimate

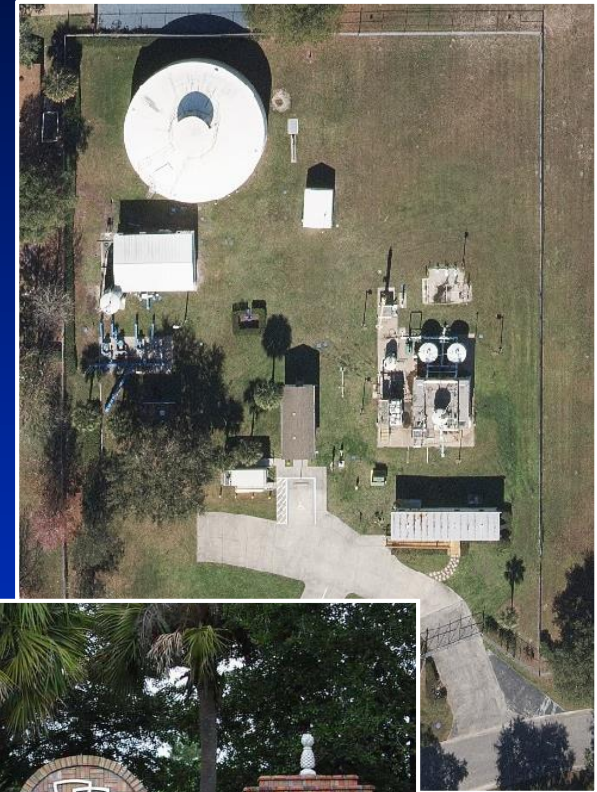
	MSBU	Annual Tax Assessment \$1,550.04 would be added to tax bill (trim notice) and paid annually (\$129.17 x 12 months)
	OCU BILL	Transition from Pluris Bill to OCU Billing \$68.07* for OCU 5Kgal instead of \$184.55 for Pluris, saving \$116.48 per month
	OVERALL	Net financial impact is \$12.69 more per month ($\$129.17 - \$116.48 = \12.69) 20-year MSBU overall impact is approximately \$3,045

* Reflects OCU's current water/wastewater rates + 15%
20-year MSBU @ 6.75% interest for 1,766 affected property owners



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Timeline & Analysis

Estimated Acquisition Costs – Phase III Without CIP

Description	Estimate (2024)
Purchase Price – from Phase III Consultant Report	\$ 25,900,000
Transactional Cost*	\$ 430,000
Financing Cost	\$ 750,000
Renewal & Replacement Fund	\$ 1,500,000
Rate Stabilization Fund	\$ 250,000
Transitional Cost	\$ 200,000
Working Capital	\$ 400,000
Five (5) Year CIP	\$ TBD
Deferred Maintenance	\$ 100,000
Debt Service Reserve Fund	\$ 2,500,000
Total Estimated Acquisition Cost	\$ 32,030,000

*Phases I-V costs are included here

No full assessment completed

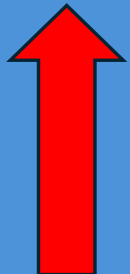
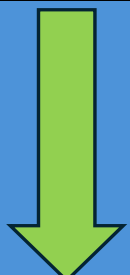
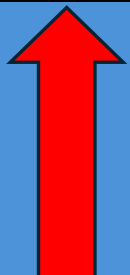
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← 5-year CIP - OCU Assessment



Phase III Findings

Financial Impacts to Affected Property Owners – **\$32M Estimate Without 5-year CIP**

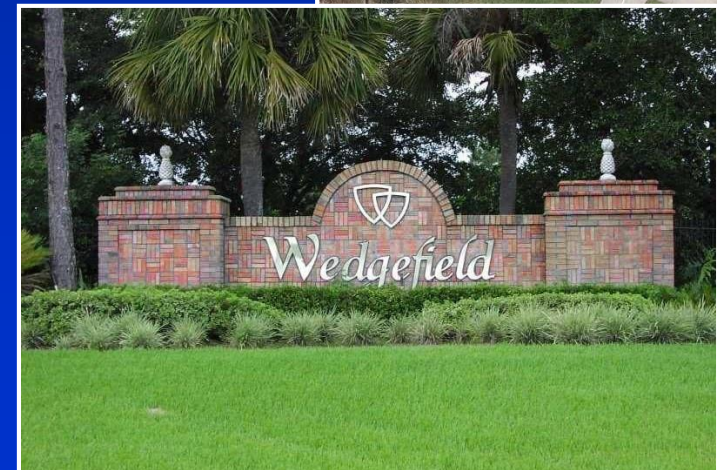
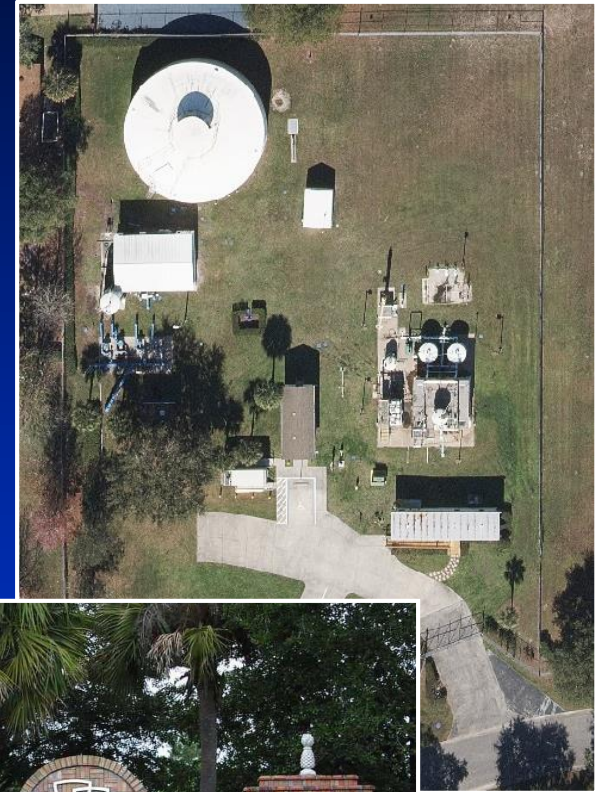
	MSBU	Annual Tax Assessment \$1,654.92 would be added to tax bill (trim notice) and paid annually (\$137.91 x 12 months)
	OCU BILL	Transition from Pluris Bill to OCU Billing \$68.07* for OCU 5Kgal instead of \$184.55 for Pluris, saving \$116.48 per month
	OVERALL	Net financial impact is \$21.43 more per month ($\$137.91 - \$116.48 = \21.43) 20-year MSBU overall impact is approximately \$5,143

* Reflects OCU's current water/wastewater rates + 15%
20-year MSBU @ 6.75% interest for 1,766 affected property owners



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OCU Assessment Findings

▪ Facilities Assessments

- Water treatment plant, wastewater treatment plant, all 10 pump stations
- Gravity and force main systems
- Reclaimed water infrastructure, cross connection control inspections
- Rear-lot wastewater collection system
- Fire hydrants
- Full engineering assessment not recommended due to time and cost
 - Estimated to take 13 months at a cost of \$1.1M
- Approximately 700 hours of staff/consultants/equipment effort totaling \$104,000
 - Evidence of significant and prolonged deferred maintenance
 - No CIP program



OCU Assessment Findings

▪ Pluris Wedgefield Assessment Photos – Water Treatment Plant

– 350,000 Gallon GST

- Last inspected 2021
 - Similar findings
- Deferred maintenance
- Inner and outer coatings degraded and compromised
- Access hazards
- Required safety upgrades
- Inadequate redundancy
- Limited storage capacity





OCU Assessment Findings

Pluris Wedgefield Assessment Photos – Water Treatment Plant

– Potable Water Well

- Equipment deteriorated by elements
- Deferred maintenance
- Significant corrosion
- Visible leaks





OCU Assessment Findings

Pluris Wedgefield Assessment Photos – Water Treatment Plant

– Potable Water Well

- CUP 3302 expires in July 2033 – 1.037 MGD
- Very close to exceeding allocation
- Unlikely to gain full capacity allocation
- New permit conditions
- Chlorite approaching regulatory limit
- Chlorate likely to be regulated as contaminant in the future





OCU Assessment Findings

Pluris Wedgefield Assessment Photos – Water Treatment Plant

– High Service Pumps

- Deteriorated by elements
- Deferred maintenance
- Some pumps in poor condition
- Significant corrosion
- Visible leaks





OCU Assessment Findings

▪ Pluris Wedgefield Assessment Photos – Wastewater Treatment Plant

– Chlorine Contact Chambers

- Outdated equipment
- Deferred maintenance
- Poor effluent quality, clarity
- Heavily corroded equipment
- Beyond useful life
- Full replacement required
- History of complaints from golf course operators



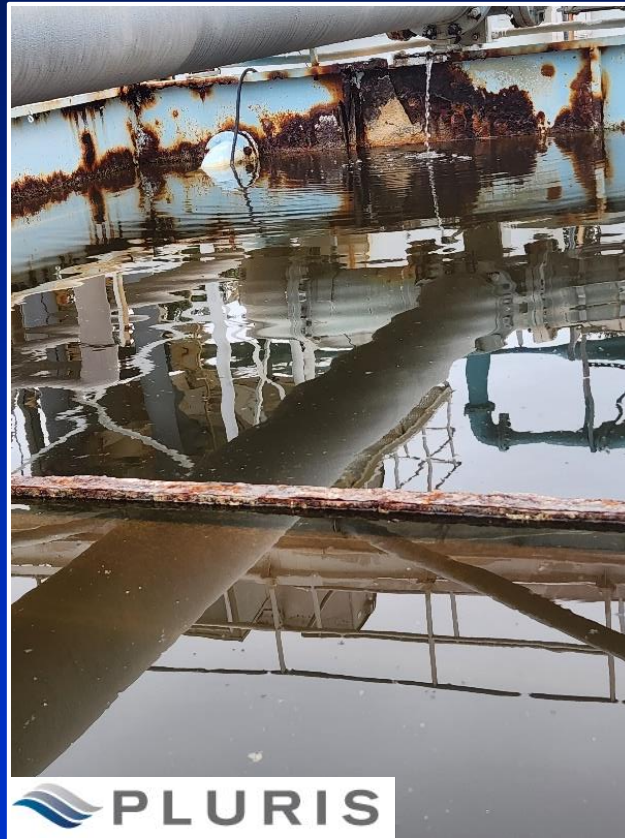


OCU Assessment Findings

Pluris Wedgefield Assessment Photos – Wastewater Treatment Plant

– Steel Tanks at WWTF

- Outdated equipment
- Deferred maintenance
- Poor effluent quality, clarity
- Heavily corroded equipment
- Beyond useful life
- Full replacement required





OCU Assessment Findings

Pluris Wedgefield Assessment Photos – Reclaimed Water

- Reclaimed Water Pumps
- Electrical Junction Boxes





OCU Assessment Findings

▪ Pluris Wedgefield Assessment Photos – Pump Stations

– Pump Stations

- Safety and security
- Access
- No SCADA
- 6 of 10 pump stations on private property
 - Requiring easements
 - Significant real estate costs
- Very little odor control





OCU Assessment Findings

Facility Assessments

Cost Estimates (Millions)	Factor	Plants		Distribution & Collection					TOTAL
		Pluris WTP	Pluris WWTP	Water Mains & Fire Hydrants	Pump Stations	Gravity Collection System	Force Main System	Rear WW Collections Relocations	
Subtotal		\$ 5.5	\$ 10.6	\$ 5.6	\$ 5.2	\$ 3.2	\$ 0.5	\$ 12.9	\$ 43.5
Engineering	0.15	\$ 0.8	\$ 1.6	\$ 0.8	\$ 0.8	\$ 0.5	\$ 0.1	\$ 1.9	\$ 6.5
Contingencies*	0.20	\$ 1.1	\$ 2.1	\$ 1.1	\$ 1.0	\$ 0.6	\$ 0.1	\$ 2.6	\$ 8.7
TOTAL		\$ 7.5	\$ 14.3	\$ 7.5	\$ 7.0	\$ 4.3	\$ 0.7	\$ 17.4	\$ 58.8

* Not including likely cost escalations over multiple year projects.

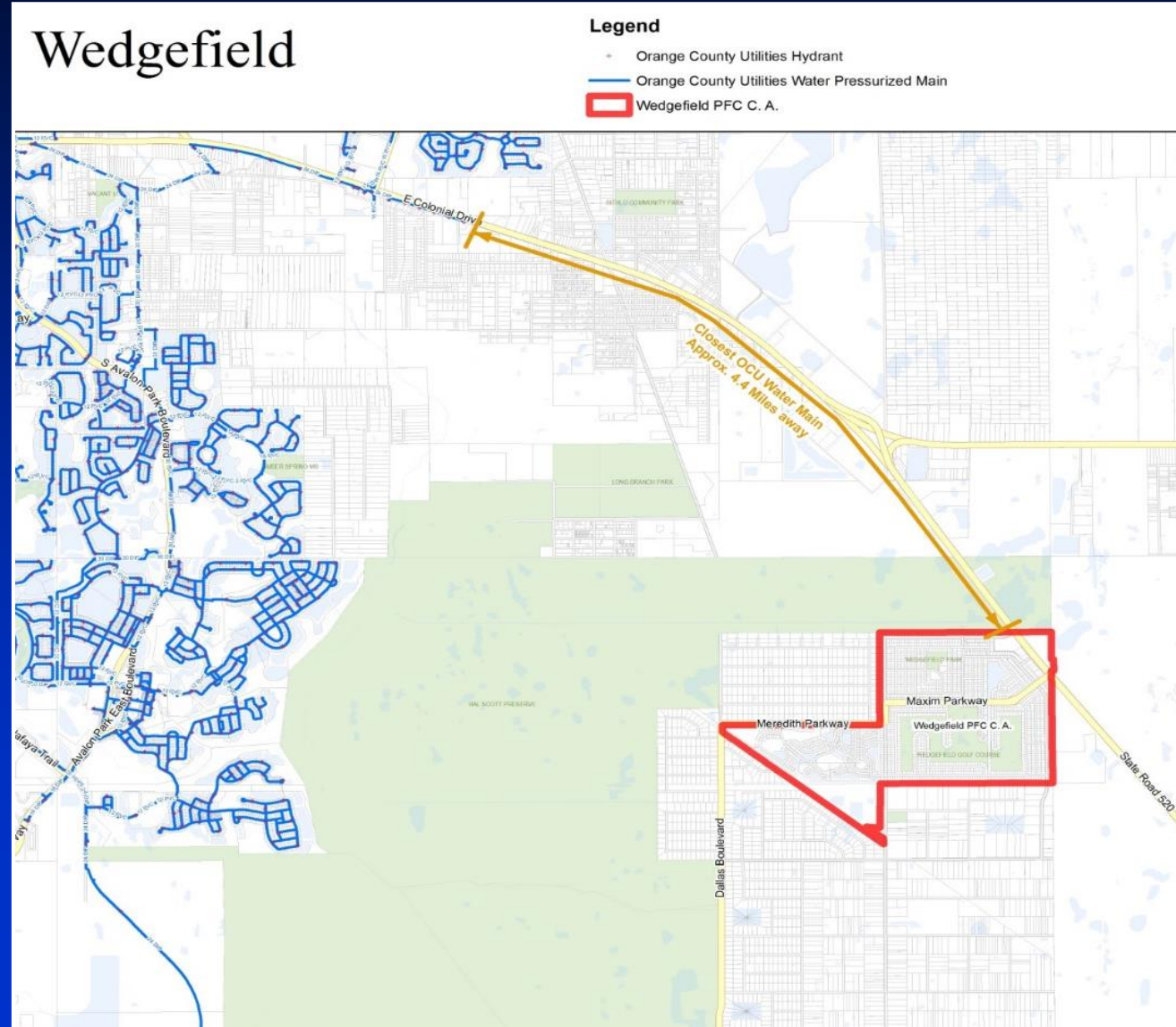
Phase III w/o CIP \$ 32.0M

Assessed 5-yr. CIP \$ 58.8M

Total Cost \$ 90.8M



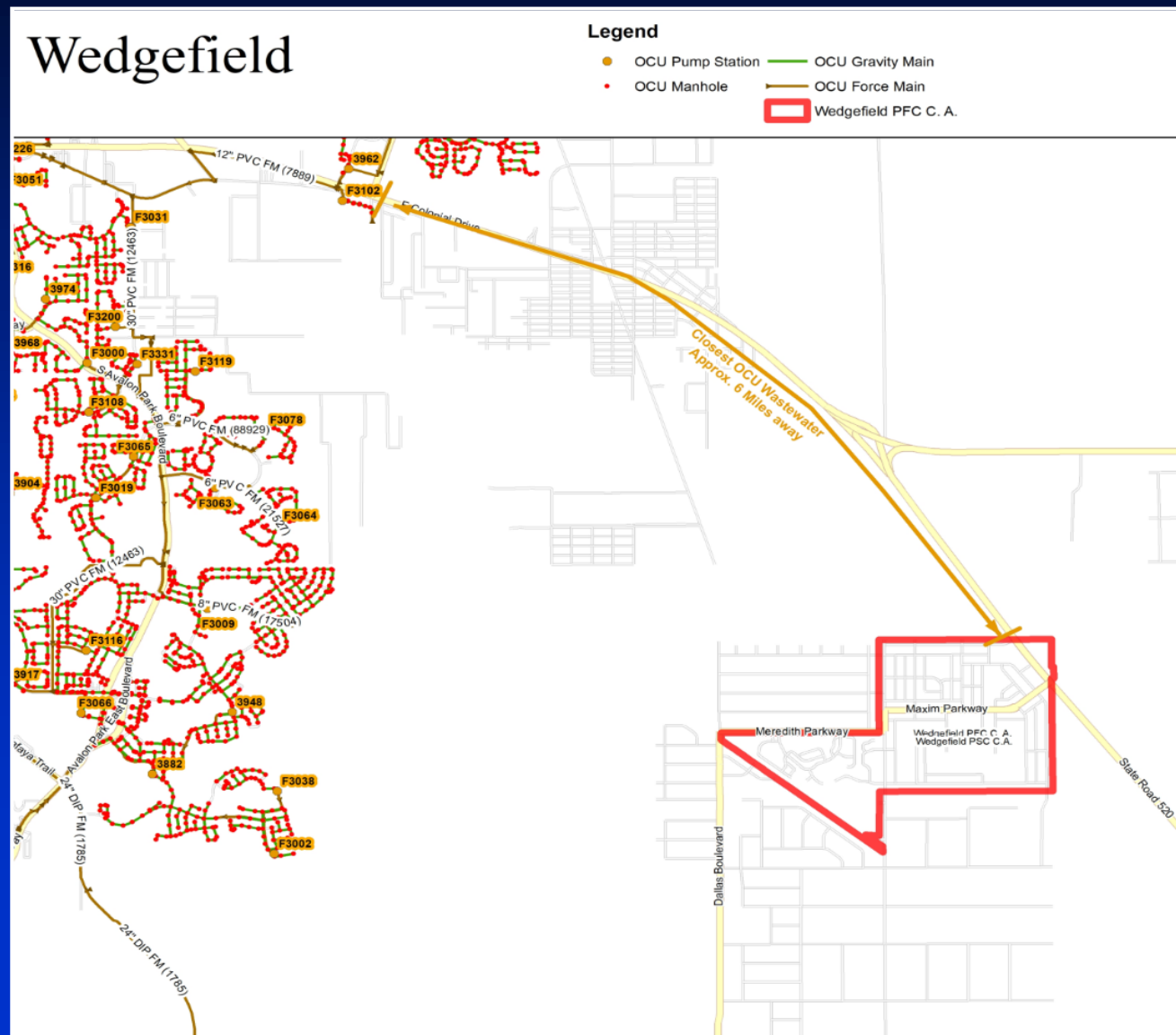
- OCU would own, operate, and upgrade existing facilities as a stand-alone system, versus connections to existing OCU system
 - Updated preliminary planning cost estimate to connect OCU water to Wedgefield is \$18.6M
 - Connection would only address water treatment plant CIP costs, not the distribution and collection systems





- OCU would own, operate, and upgrade existing facilities as a stand-alone system, versus connections to existing OCU system

- Updated preliminary planning cost estimate to connect OCU wastewater to Wedgefield is \$22.5M
- **Connections would only address wastewater treatment plant CIP costs, not the distribution and collection systems**





OCU Assessment Findings

Facility Assessments

Cost Estimates (Millions)	Factor	Plants		Distribution & Collection					TOTAL
		OCU Water Line Extension	OCU Waste Water Line Extension	Water Mains & Fire Hydrants	Pump Stations	Gravity Collection System	Force Main System	Rear WW Collections Relocations	
Subtotal				\$ 5.6	\$ 5.2	\$ 3.2	\$ 0.5	\$ 12.9	\$ 27.4
Engineering	0.15	\$ 18.6	\$ 22.5	\$ 0.8	\$ 0.8	\$ 0.5	\$ 0.1	\$ 1.9	\$ 4.1
Contingencies*	0.20			\$ 1.1	\$ 1.0	\$ 0.6	\$ 0.1	\$ 2.6	\$ 5.5
TOTAL				\$ 7.5	\$ 7.0	\$ 4.3	\$ 0.7	\$ 17.4	\$ 78.2

* Not including likely cost escalations over multiple year projects.

Phase III w/o CIP \$ 32.0M

Assessed 5-yr. CIP \$ 78.2M

Total Cost \$110.2M

OCU line extensions result in the most expensive option at \$110.2M



Timeline & Analysis

Estimated Acquisition Costs – Phase III with 5-year CIP

Description	Estimate (2024)
Purchase Price – from Phase III Consultant Report	\$ 25,900,000
Transactional Cost*	\$ 430,000
Financing Cost	\$ 750,000
Renewal & Replacement Fund	\$ 1,500,000
Rate Stabilization Fund	\$ 250,000
Transitional Cost	\$ 200,000
Working Capital	\$ 400,000
Five (5) Year CIP	\$ 58,768,000
Deferred Maintenance	\$ 100,000
Debt Service Reserve Fund	\$ 2,500,000
Total Estimated Acquisition Cost	\$ 90,798,000

*Phases I-V costs are included here

OCU assessment completed

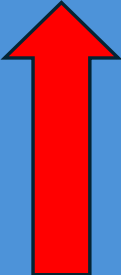

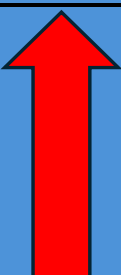
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 - **Poor**

← 5-year CIP - OCU Assessment



OCU Assessment Findings

Financial Impacts to Affected Property Owners – \$90.8M

	MSBU	Annual Tax Assessment \$4,691.28 would be added to tax bill (trim notice) and paid annually (\$390.94 x 12 months)
	OCU BILL	Transition from Pluris Bill to OCU Billing \$68.07* for OCU 5Kgal instead of \$184.55 for Pluris, saving \$116.48 per month
	OVERALL	Net financial impact is \$274.46 more per month (\$390.94 - \$116.48 = \$274.46) 20-year MSBU overall impact is approximately \$65,870

* Reflects OCU's current water/wastewater rates + 15%
20-year MSBU @ 6.75% interest for 1,766 affected property owners



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- 1. Do not purchase the Pluris Water & Wastewater System**
- 2. Purchase the Pluris Water & Wastewater System**
 - A. Wedgefield property owners/tenants fully fund acquisition costs via MSBU or combination of MSBU and rates**
 - B. Existing OCU customers subsidize acquisition through rate increases**
 - C. Orange County subsidizes acquisition through its General Fund**
 - D. Orange County subsidizes acquisition only if significant grants or other public funds become available**

1. Do not purchase the Pluris Water & Wastewater System

—Pros

- Pluris Wedgefield remains responsible to own, operate, and upgrade their aging systems
- No financial subsidies required from General Fund or existing OCU customers
- Focus OCU CIP dollars and rates on existing and growing CIP program needs
- OCU better positioned to fund and implement changing mandatory regulatory requirements

—Cons

- Pluris Wedgefield remains responsible to own, operate, and upgrade their aging systems
- Without appropriate capital investments, system will continue to deteriorate
- Wedgefield property owners will likely continue to experience escalating rates for the long-term future
- Current complaints from property owners and residents will likely continue
- System could experience catastrophic failure leaving Wedgefield property owners, residents, and businesses without basic water and wastewater services

2. Purchase the Pluris Water & Wastewater System

A. Wedgefield property owners/tenants fully fund acquisition costs via MSBU or combination of MSBU and rates

—Pros

- No financial subsidies required from the General Fund or existing OCU customers
- Benefit for Wedgefield property owners/tenants would occur over time with significant investment
- Future Pluris rate increases will be avoided
- Future rate decisions shift from FPSC to Orange County BCC

—Cons

- Wedgefield property owners/tenants will most likely not support given the high costs
- MSBU 67% of all ballots voting requirement will probably fail
- Portion of Pluris rate revenue should have been used to fund a CIP program

2. Purchase the Pluris Water & Wastewater System

B. Existing OCU customers subsidize acquisition through rate increases

–Pros

- Public benefit for Wedgefield property owners would occur over time with significant investment
- Future Pluris rate increases will be avoided
- Future rate decisions shift from FPSC to Orange County BCC
- Wedgefield property owners more likely to vote for MSBU as costs decrease

–Cons

- Current and future OCU CIP needs are already placing upward pressure on OCU rates. If existing customers subsidize the acquisition, it will compound this issue
- No current identifiable public benefit for current OCU customers
- Additional debt without corresponding rate increases could potentially impact AAA bond ratings
- Would need to identify which prioritized and budgeted OCU CIP projects to delay

2. Purchase the Pluris Water & Wastewater System

B. Existing OCU customers subsidize acquisition through rate increases

–Paid for by approximately 219,000 existing customers

- $\$90.8\text{M} / 219,000 \text{ customers} = \$414.60 \text{ per customer}$
- Current OCU W/WW bill @ 5,000 gallons is \$59.19 per month
- New bill would be \$93.74 per month
- Results in a 58.4% bill increase for one year
- Increases would require phasing in over multiple years

2. Purchase the Pluris Water & Wastewater System

C. Orange County subsidizes acquisition through its General Fund

—Pros

- Benefit for Wedgefield property owners would occur over time with significant investment
- Future Pluris rate increases will be avoided
- Future rate decisions shift from FPSC to Orange County BCC
- Wedgefield property owners more likely to vote for MSBU as costs decrease

—Cons

- Significant financial impact to general fund at approximately \$60M over 5-year CIP
- Impact of competing priorities and other financial demands need to be considered
- Funded priorities may need to shift to accommodate this significant unfunded cost

2. Purchase the Pluris Water & Wastewater System

D. Orange County subsidizes acquisition only if significant grants or other public funds become available

—Pros

- Benefit for Wedgefield property owners/tenants would occur over time with significant investment
- Future Pluris rate increases will be avoided
- Future rate decisions shift from FPSC to Orange County BCC
- If $\geq 50\%$ public funding level is met, MSBU threshold is reduced to 67% of returned ballots
- Wedgefield property owners more likely to vote for MSBU as costs decrease

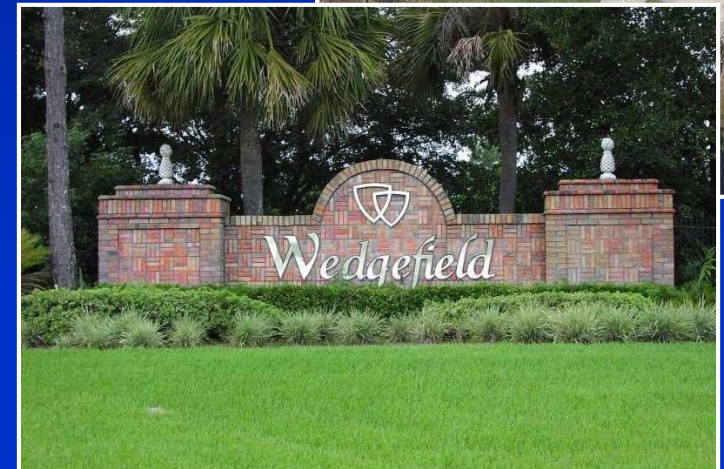
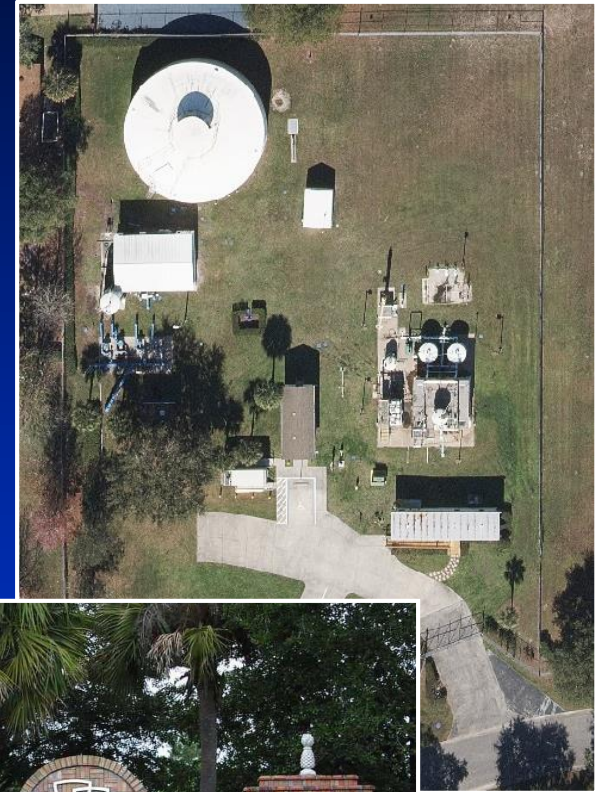
—Cons

- Haven't identified any grants or public funding for acquisition to date



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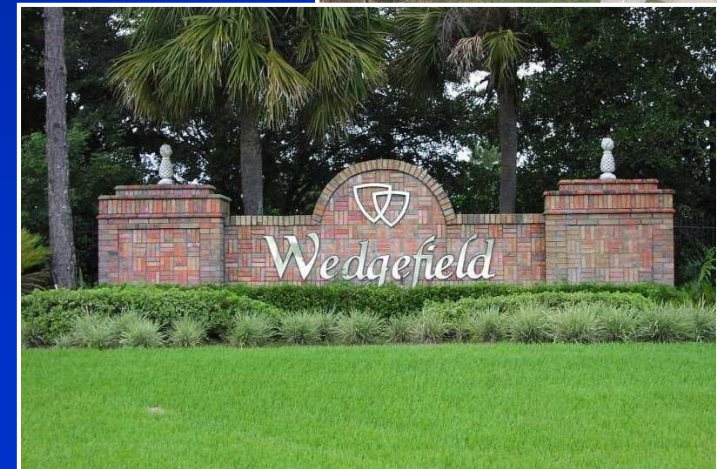
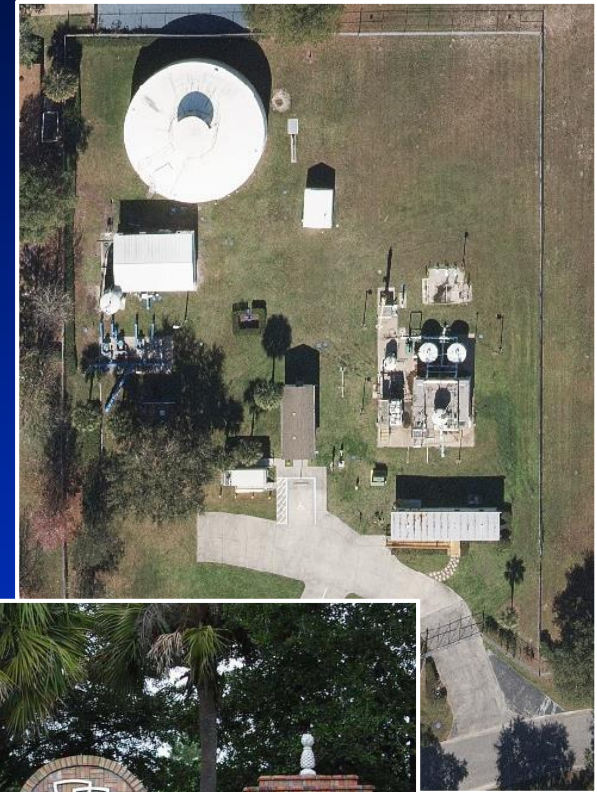
Next Steps

- **Board direction today**
- **Meet with Pluris**
- **Meet with community**
- **Continue to review grant funding opportunities**
- **Prepare specific funding proposal for board and community consideration**
- **Once final MSBU is determined, return to board for approval for Phase IV – MSBU balloting**



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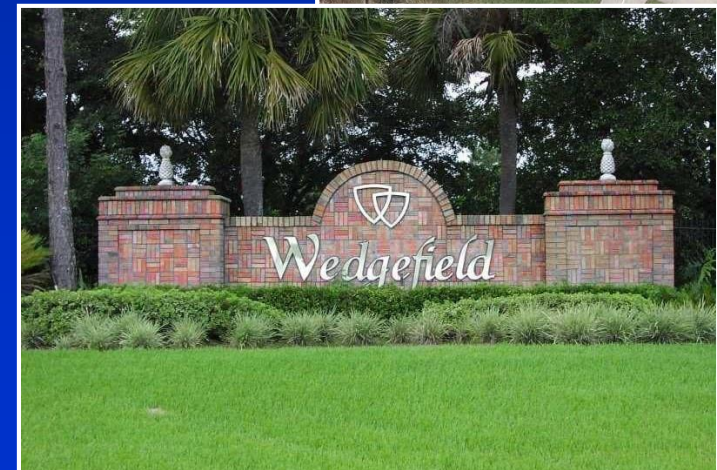
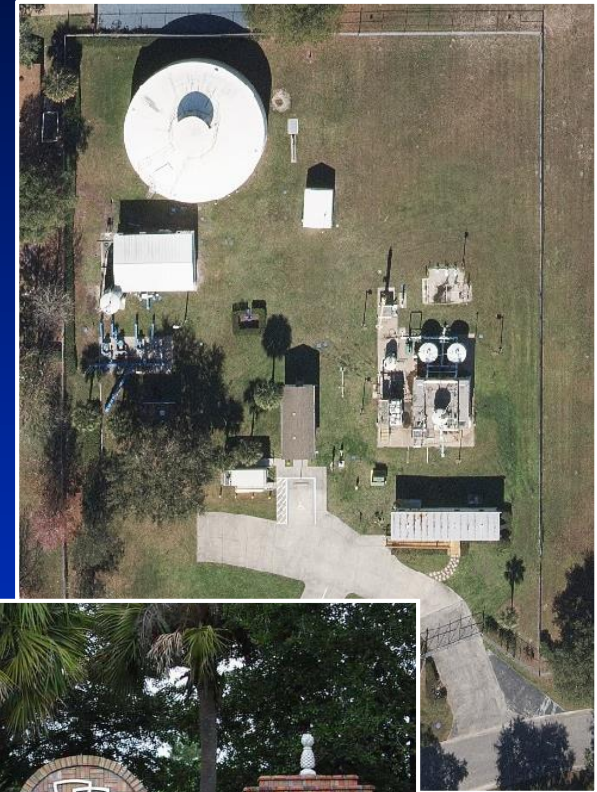
Summary

- Acquisition efforts initiated due to historic citizen concerns about water quality, aesthetics, customer service, and high rates
- System condition is indicative of prolonged deferred maintenance with little redundancy
- Phase III estimated purchase price of approximately **\$32.0M**, with **\$58.8M** in unfunded 5-year CIP costs for needed upgrades for a total estimated acquisition cost of **\$90.8M**
- Almost all options will require significant outside funding to garner required community support
- From an OCU business perspective, acquisition not recommended without significant funding from others



Presentation Overview

- Purpose
- Background
- Timeline & Analysis
- Phase III Findings
- OCU Assessment Findings
- Options
- Next Steps
- Summary
- **Board Direction**





Board Direction

- **Is there interest in moving forward with the acquisition of Pluris?**
 - This issue isn't likely to improve or go away
 - Is the board interested in paying Pluris the estimated \$32M for the system?
- **If so, total acquisition cost of ≈\$91M needs funding sources**
 - What is a fair expectation for cost sharing by the Wedgefield property owners?
 - \$32M results in a net monthly increase of \$21.43 with rates at OCU +15%
 - \$91M results in a net monthly increase of \$274.46 with rates at OCU +15%
 - How should the ≈\$91M get funded?
 - Wedgefield property owners/tenants
 - Current OCU customers
 - General Fund
 - Grants or other subsidies
 - Combination of all four?

Utilities Department

**Pluris Wedgefield
Water & Wastewater System Update**

Work Session

July 30, 2024



- **Potential purchaser of Pluris Wedgefield W/WW Systems**
 - Founded in 1999
 - Currently own over 80 utilities in 14 Florida counties
 - One in Orange County – Tangerine where they provide potable water to 321 customers in Mount Dora
 - Resolution and Interlocal Agreement approved by BCC for Tangerine System in 2012 for purchase from Aqua Utilities

- **FGUA Board made up of 8 utility professionals**
 - Executive Director is Utility Director at Polk County
 - Contacted her to discuss current situation
 - Would require their interest and subsequent due diligence
 - Negotiations with Pluris for an acquisition
 - Same purchase/no purchase decision
 - Would require Orange County to approve the purchase, similar to the Tangerine System