

*Utilities Department*

# Wedgfield Water

November 28, 2017



# Presentation Overview

- **Background**
- **Acquisition Considerations**
- **Acquisition Process Overview**
- **Next Steps**



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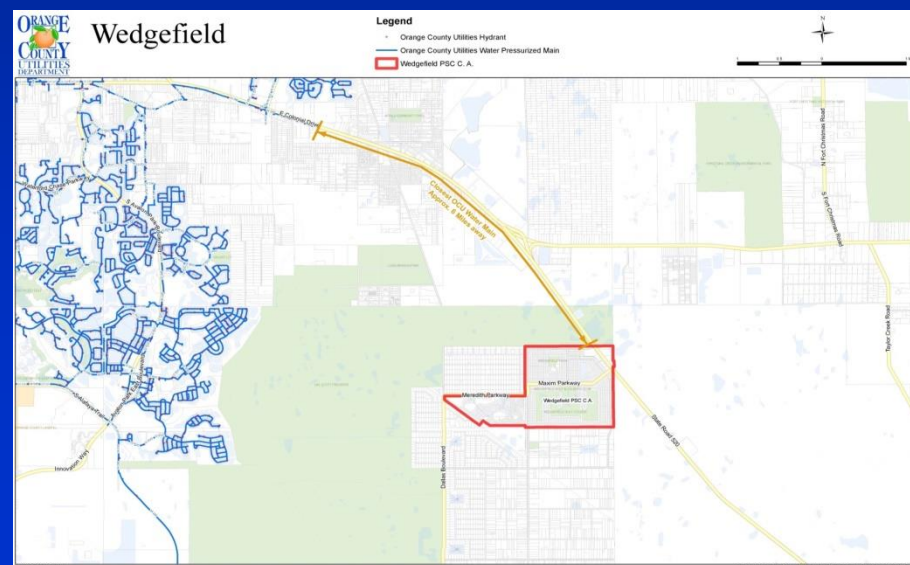


# Background

- **Two work sessions being conducted as follow-up to the September 2017 District 5 discussion item:**
  - **November 14**
    - **Invited FDEP to address regulatory status of Pluris Wedgefield**
    - **Invited Pluris to attend and address their operations**
    - **Reviewed the process to assume PSC jurisdiction**

# Background

- **Pluris Wedgefield, Inc. currently provides water and wastewater services to approximately 1,800 parcels**
  - Rates regulated by the Florida PSC
  - Operations and water quality regulated by the FDEP
- **Ongoing concerns voiced by Wedgefield residents:**
  - Water quality
  - Water aesthetics
  - High rates/pricing
  - Lack of responsive customer service





# Background

- **Water Quality (Primary and Secondary Standards)**
  - Currently in compliance with applicable water quality standards
  - FDEP plans to monitor compliance and supplement Pluris Wedgefield samples with periodic audits
  - FDEP will investigate and respond to complaints
- **Pricing**
  - Currently remains under the jurisdiction of the PSC
  - Application for limited proceeding rate increase is currently open with the PSC (Docket 20170166)
- **Customer Service/Aesthetics**
  - Managed between the customers and Pluris



# Background

- **October 2016 – HOA Boards formally requested Orange County pursue acquisition of Pluris Wedgefield**
- **January 2017 – BCC work session defined sequence of activities to consider acquisition**
- **January 2017 to Current**
  - **Residents securing non-binding letters of support to demonstrate level of community interest**
    - **Community meetings**
    - **Door-to-door gathering of letters**
    - **According to the HOA, approximately 1,270 letters collected (over 70%)**



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# Acquisition Considerations

## ▪ OCU Utility Retrofit Policy

- Applicable to retrofit of new utilities to existing development
- OCU is an enterprise fund, no funding by tax dollars
- New customers bear cost of constructing the infrastructure and connecting to OCU
- Policy ensures equity with customers who paid for construction and connection to new infrastructure as part of the development process
- Affected property owners are polled via ballot to determine if the project will proceed
- Approval threshold for the retrofit policy is 67%
- Discussed and understood by HOAs



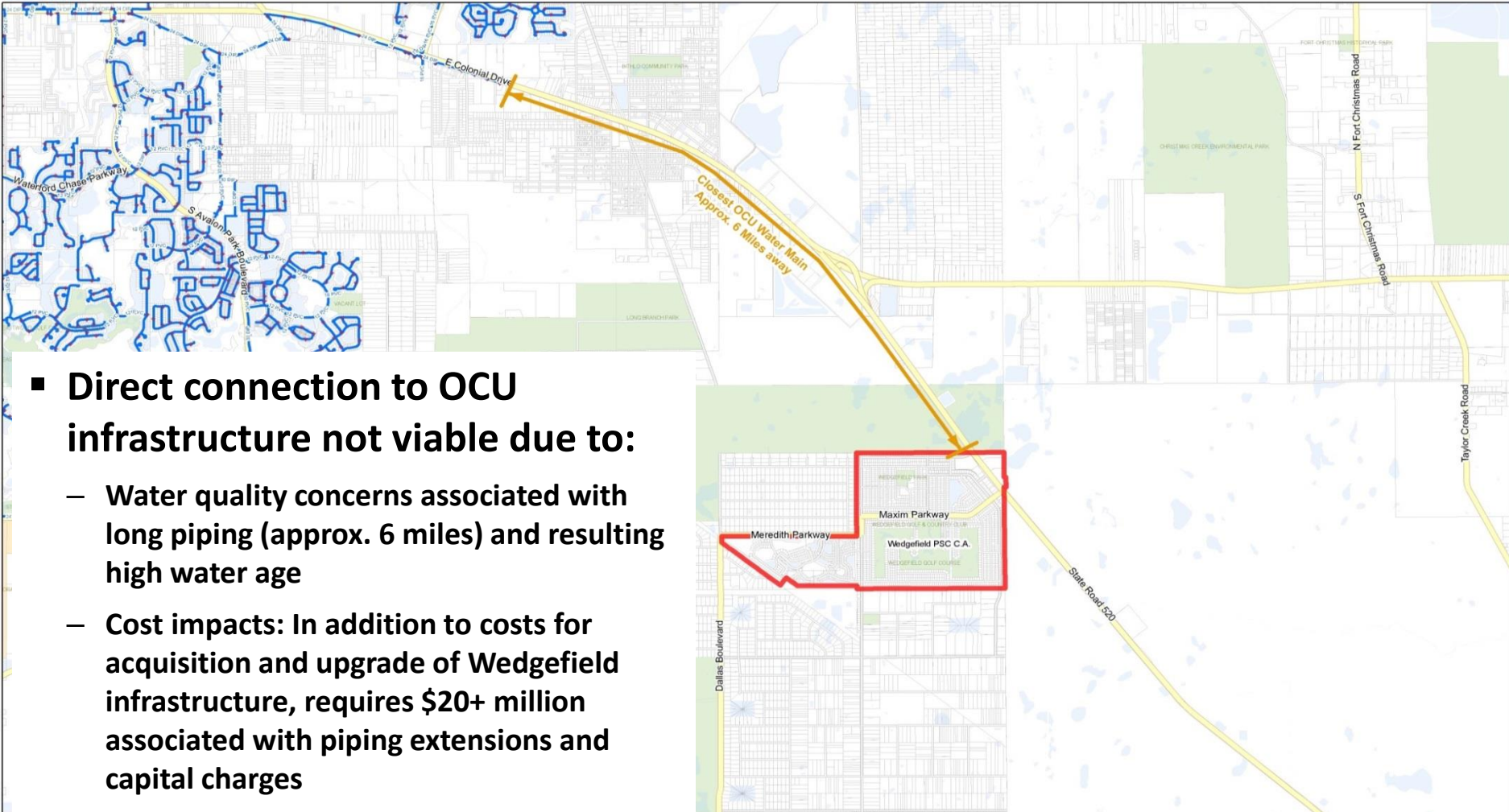
# Acquisition Considerations



## Wedgefield

### Legend

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



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



# Acquisition Considerations

## ▪ Key Assumptions

- OCU would own, operate, and upgrade the existing water and wastewater facilities
- Multi-year process consisting of:
  - Negotiations, infrastructure assessment, asset transfer, and post-transfer capital improvements
- Condition assessment of plants and infrastructure would need to be completed to determine costs above and beyond acquisition
- Acquisition and upgrade costs would:
  - Be borne by the residents and recovered through an MSBU
  - Require funding of the MSBU through a 20 year bond
- Pluris Wedgefield would become a willing seller
- Subject to balloting, each parcel owner would receive the MSBU bill annually concurrent with their tax assessment



# Acquisition Considerations

- **Key Considerations Affecting Process**
  - Significant cost uncertainty exists in both acquisition and upgrades
  - If acquired, customers would pay two bills
    - MSBU billed as part of the annual tax bill – recovers the cost of acquisition plus improvements
    - Monthly utility bill – OCU rates plus 15% (reflects increased cost of operating these non-contiguous systems)
  - Customer cost benefit
    - Highly dependent upon acquisition and upgrade costs
    - Varies with usage rate plus various intangible factors
    - Likely that some customers will benefit, others will be impacted



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# Acquisition Process Overview

- **Community Education and Engagement**
  - HOA boards have led this effort
  - Confirming interest through non-binding commitment letters (preliminary results provided by the HOA indicate that approximately 1,270 letters collected)



# Acquisition Process Overview

## ▪ Acquisition Process

- Engage Pluris Holdings, LLC regarding acquisition
- Procure outside consultants (engineering, financial, legal)
- Due diligence process to determine final costs (acquisition and valuation support, treatment process improvements, infrastructure rehabilitation)
- Seek grants or other supplemental funding options



# Acquisition Process Overview

- **Final Community Balloting**
  - Conducted through the Comptroller's Office
  - All property owners are included in the ballot process and eligible to vote
  - Non-responsive ballots are considered "No" votes
  - Majority of 67% support required for all property owners
  - If supported, the formal acquisition and upgrade process would continue, but takes substantial time to complete





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# Next Steps

- **Discussion and direction regarding next steps**
  - Validation of signatures on non-binding letters
  - Procure outside consultants for due diligence
  - Engage Pluris regarding acquisition

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