

*Utilities Department*

# Wedgefield Utility Acquisition

January 24, 2017



# Presentation Overview

- **Background**
- **Recent Timeline**
- **Process Overview**
- **Next Steps**

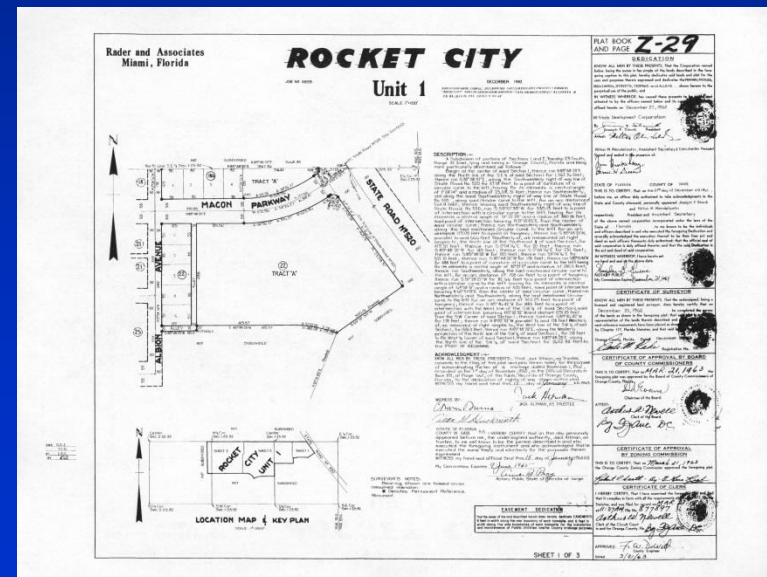


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# Background

- **Rocket City – started by All State Development Corporation in 1962**
  - Billed as a 20,000 acre development that would supply housing for Kennedy Space Center employees
  - Rocket City renamed to Cape Orlando Estates in 1970 and Wedgefield Golf & Country Club in 1983
- **Utilities provided privately since inception**
  - 1996 - Wedgefield Utilities, Inc.
  - 2009 - Pluris Holdings, LLC



# Background

## Pluris Holdings, LLC

- Private, for-profit utility company
- Corporate headquarters in Dallas, TX
- Six locations in three states



ORLANDO, FL

Pluris Wedgefield, Inc.

20449 Mansfield St.  
Orlando, FL 32833



# Background

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



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# Recent Timeline

- **April 2016**
  - EPD conducts water sampling event at Wedgefield
  
- **June 2016**
  - Orange County releases frequently asked questions document
  - Pluris releases plan of action for TTHM and HAA reduction
  - FDEP holds open house at Wedgefield
  
- **August 2016**
  - OCU prepares customer impact analysis for multiple cost scenarios
  - OCU staff/Commissioner Edwards meet with Wedgefield HOA Boards to review steps required to consider acquisition





# Recent Timeline

- **September 2016**
  - Wedgefield HOA holds first of multiple community meetings to gauge community-wide interest in pursuing an acquisition
  
- **October 2016**
  - Wedgefield HOA Boards formally request BCC to begin negotiations and due diligence for acquisition of Pluris Wedgefield, Inc.
  
- **November 2016**
  - District 5 discussion item at BCC – decision to schedule BCC work session in early 2017



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# Process Overview

## ■ 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%



# Process Overview



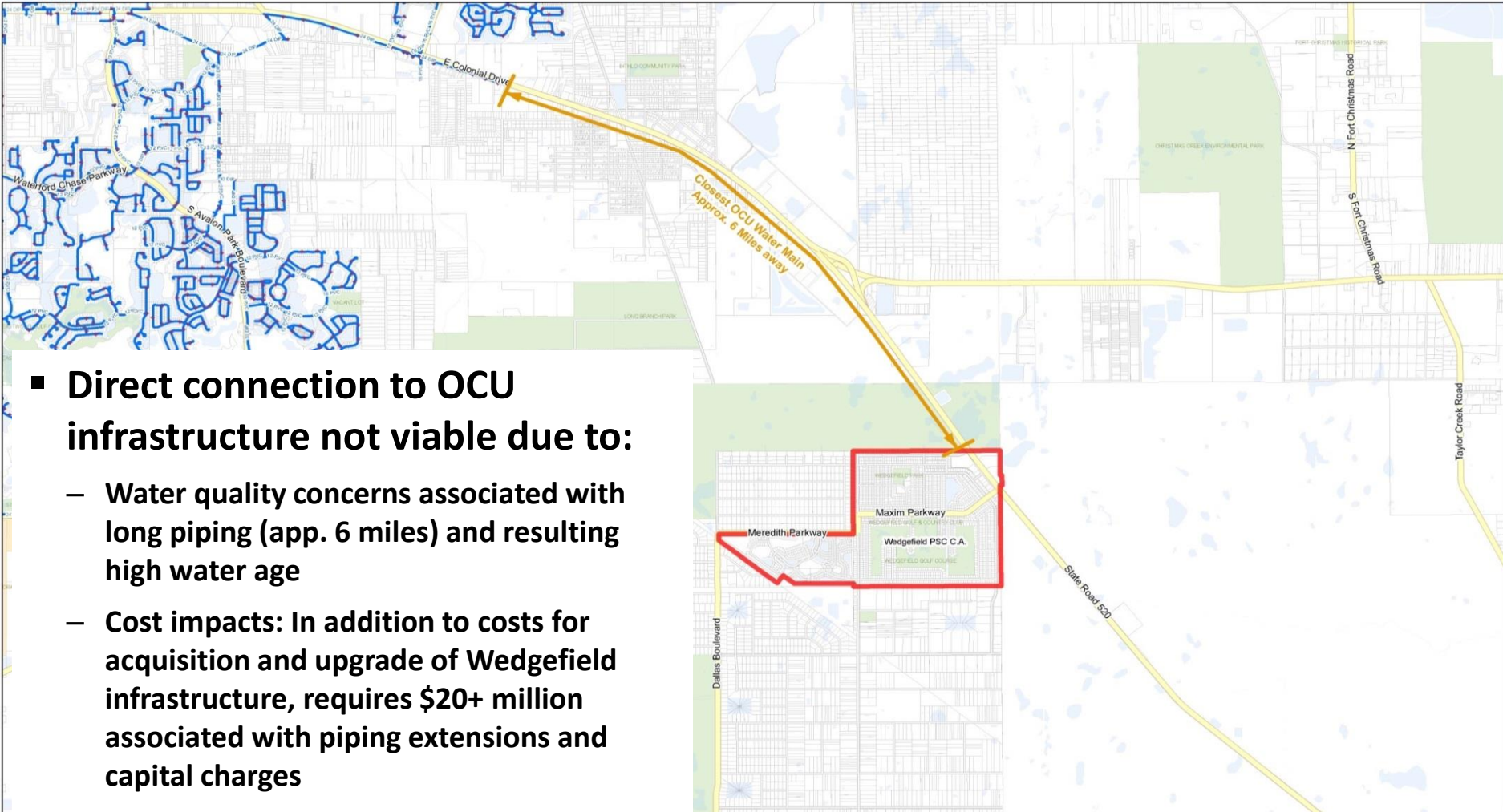
## Wedgefield

### Legend

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



1 0.5 0 1 Miles



- **Direct connection to OCU infrastructure not viable due to:**
  - Water quality concerns associated with long piping (app. 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



# Process Overview

## ■ 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
- Cost of an acquisition and upgrades to the system would be borne by the residents and recovered through a Municipal Services Benefit Unit (MSBU)
- Subject to balloting, each parcel owner would receive the MSBU bill annually concurrent with their tax assessment



# Process Overview

- **Key Considerations Affecting Process**
  - Significant cost uncertainty exists in both acquisition and upgrades
  - Customer costs based upon MSBU cost plus OCU rates including a 15% escalation (reflects increased cost of operating these systems)
  - Customer benefit varies with usage rate plus various intangible factors
  - Costs for the MSBU are estimated based upon a 20-year repayment at 3% interest



# Process Overview

- **Cost Outcomes for Residents Depend On:**
  - Acquisition price, upgrade costs, individual water use
- **Example Scenarios:**
  - **EXAMPLE #1 - Total Acquisition & Upgrade Cost = \$20 million**
    - Monthly Consumption = 3,000 gallons, **Additional Monthly cost is \$11.53**
    - Monthly Consumption = 6,000 gallons, **Monthly savings is \$10.98**
    - Monthly Consumption = 10,000 gallons, **Monthly savings is \$38.00**
  - **EXAMPLE #2 - Total Acquisition & Upgrade Cost = \$25 million**
    - Monthly Consumption = 3,000 gallons, **Additional Monthly cost is \$27.27**
    - Monthly Consumption = 6,000 gallons, **Additional Monthly cost is \$4.76**
    - Monthly Consumption = 10,000 gallons, **Monthly savings is \$22.26**
  - **EXAMPLE #3 Total Acquisition & Upgrade Cost = \$30 million**
    - Monthly Consumption = 3,000 gallons, **Additional Monthly cost is \$43.02**
    - Monthly Consumption = 6,000 gallons, **Additional Monthly cost is \$20.51**
    - Monthly Consumption = 10,000 gallons, **Monthly savings is \$6.51**



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# Next Steps

## Community Education and Engagement

- HOA boards are leading this effort
- Confirming interest through non-binding commitment letters
- Goal is to continue process if sufficient community support is indicated



# Next Steps

## Acquisition Process

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

## Final Community Balloting

- Conducted through the Comptroller's Office
- All property owners are included in the ballot process and eligible to vote

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