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January 28, 2016

01174-0027 (11)

Mr. Robert Rivera
Public Works Director
City of New Port Richey
6132 Pine Hill Road
Port Richey, Florida 34668

Re: City of New Port Richey
Task Order No. 8
Utility Valuation-Lakewood Villas, Barbara Ann Acres and Silver Oaks
Utilities

Dear Mr. Rivera:

Enclosed please find the revised utility valuations for the, Barbara Ann Acres Utility System, the Silver Oaks Utility System, and the Lakewood Villas Utility System. We want to thank the City and the owners of these utilities, Mr. Jim Weeks and Mr. Rick Miller, for their assistance during the valuation process.

While it is understood that both parties are considering the purchase of the three utility systems as a single acquisition, separate utility valuations were prepared for each of the three utility systems in accordance with McKim & Creed's scope of services.

Each utility system serves a relatively small community of primarily single family homes within the City limits. Two of these systems, the Barbara Ann Acres Utility System and the Silver Oaks Utility System purchase water from the City through a bulk meter as the water source. The Lakewood Villas Utility System has its own water supply wells, but has a connection to the City's water system as an emergency backup water supply source. As such, the cost to connect these utility systems to the City's existing water distribution system is negligible.

The infrastructure that makes up the three utility systems primarily consists of the distribution system (i.e. 2" to 6" diameter PVC pipe and valves, water services and water meters). The infrastructure for the Lakewood Villas Utility System also includes two wells, a treatment system (i.e. disinfection), and a 2000 gallon hydropneumatic tank. The age of these utility systems appears to range from 45 to 48 years.

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The utility valuations were determined as an average of the asset valuation, income valuation and the comparable sales valuation. For the asset valuation, the condition assessment was limited to a review of available data, including available maintenance history, age of the infrastructure, and estimated remaining useful life since the existing distribution system infrastructure is below grade and subsurface exploration of the system was not included in the project scope. For the income valuation, current average water use, water billing rates, and City operational costs were used without projecting increases. For the comparable sales valuation, a per connection value was calculated and projected to each utility system; again assuming no change in the number of connections. The utility valuations for the three utility systems are listed below.

Barbara Ann Acres Utility System	\$ 40,910
Silver Oaks Utility System	\$ 53,578
Lakewood Villas Utility System	\$ 512,999

The sum for the three utility systems is \$607,487. With the need to make various assumptions during the valuation process, a reasonable purchase price for the three utility systems is between \$560,000 and \$610,000.

Should the City choose to proceed with the acquisition of the Barbara Ann Acres, Silver Oaks, and the Lakewood Villas utility systems, the City will need to replace the existing water service meters with the City's standard smart meters and incorporate these new accounts into its billing system. While the conversion of the water meters does not have to be done immediately, any delay in converting to the City's water meters will require manual meter reading at a cost to the City.

Acquisition of the Lakewood Villas Utility System will also result in the need for the City to decommission the existing water supply wells and treatment facility. However, once the existing facilities are decommissioned, the City could have an available lot that may be sold or converted to green space if the land that the existing wells and treatment facility is included in the acquisition.

An evaluation was done to estimate the payback period should the City choose to proceed with the acquisition. The payback periods for the three utility systems is estimated between 11 and 12 years under the current City's water rates. The adequacy of the payback period is a City decision and may impact the City's determination of the final purchase price.

Other factors that may impact the City's decision to acquire the Barbara Ann Acres, Silver Oaks, and the Lakewood Villas utility systems include the potential to extend sanitary sewer service into these neighborhoods in the future, the desire to provide a necessary service to residents of the City, i.e. the delivery of quality water, and the potential to provide improved fire protection in the future to the Lakewood Villas community by installing fire hydrants.

Should you have any questions regarding the utility valuations for the Barbara Ann Acres, the Silver Oaks, or the Lakewood Villas utility systems, please do not hesitate to contact me.

Sincerely,

McKim & Creed, Inc.



Mitchel A. Chiavaroli, PE
Director of Engineering

Enclosures

cc: Mr. Gary Peterson, w/ encl.