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October 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
Utility Valuation - Barbara Ann Acres, Silver Oaks and Lakewood Villas

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. The utility valuations have been revised as follows:

- Used the same number of years to calculate both the asset valuation and the income valuation that was used in the previous determination. This gives a more accurate comparison between the valuation performed in January 2016 to this revised version.
- Applied revised billing rates and a 4% annual rate increase to determine revenue generation from the sale of water to the utility customers.
- Applied an annual increase to the City's operational cost to produce and distribute water.
- Applied a weighting factor to the asset valuation and income valuation approaches based on the assumptions made with each approach.
- Discounted the comparable sales approach due to the significant difference in the size of the Barbara Ann Acres, Silver Oaks, and Lakewood Villas utility systems relative to the recent Tampa Bay area utility acquisitions.

The utility valuations for the three utility systems are listed below.

1365 Hamlet Avenue
Clearwater, FL 33765

Barbara Ann Acres Utility System	\$ 59,274
Silver Oaks Utility System	\$ 42,518
Lakewood Villas Utility System	\$ 506,215

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The sum for the three utility systems is approximately \$608,000. With the need to make various assumptions during the valuation process, a reasonable purchase price for the three utility systems is between \$580,000 and \$610,000.

Note too that the City should consider the initial capital cost to replace the water meters in each utility system and decommission the existing Lakewood Villas Water Treatment Plant in determining the total cost to acquire these three utility systems.

Should you have any questions regarding the revised 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.