



NEW PORT RICHEY

5919 MAIN STREET • NEW PORT RICHEY, FL 34652 • 727.

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November 4, 2018

Mr. Al Heiler
President Owner
Orangewood Lakes Services, Inc.
7602 Congress Street, Suite 4
New Port Richey, Florida 34653

Re: Notice of Intent – Orangewood Lakes Utility Purchases

Dear Mr. Heiler,

On October 3, 2018, at a public noticed work session, the City of New Port Richey City Council directed staff to begin the financial and the legal process to purchase the Orangewood Lakes Utility. As you may recall, in March of 2015 preliminary discussions began between you and myself about the possible purchase of the private utility by the publicly owned City of New Port Richey utility. During subsequent discussions, it was agreed by both parties the City would perform a valuation report of the utility using the firm of McKim & Creed, Incorporated located at 1365 Hamlet Avenue, Clearwater, Florida 33765. Mr. Mitchel A. Chiavaroli, P.E., Director of Engineering was the lead consultant tasked with creating the valuation report. The methodology used in the report was based on three categories. The value of physical infrastructure or asset valuation, income valuation and recent sales of similar utilities in the region known as the comparable sales valuation. The final value was based on a weighted value of the three criteria's. With the need to make various assumptions during the valuation process, it was determined a reasonable purchase price for the utility system was between \$800,000 and \$900,000. Subsequent to the completion of the report, 60 additional units have requested sewer utility hook ups and were not included in the valuation cost. In addition, the valuation report identified Capital costs of \$1,161,000 for the City to construct tie-ins for water and sewer into the Orangewood Lakes system. During our June 14, 2018 meeting it was agreed that \$950,000.00 was a fair and equitable offer for the purchase of the utilities based upon the following conditions:

1. New Port Richey City Council approval of a notice of intent to purchase the Orangewood Lakes Services, Inc. utility system for an amount not to exceed \$950,000.00.
2. The purchase includes all of the utility's customers and future customers located in the Orangewood Lakes Services, Inc. utility service area. Real property and well with existing lift station located at 7820 Sun Runner Dr. New Port Richey, Fl. 34653.
3. The purchase includes a lease agreement to operate the existing wastewater treatment plant located at 7820 Sun Runner Dr. for \$3,000 a month for 24 months or until such time construction of the utility tie-in by the City is completed.
4. The utility purchasing process follows the 2017 Florida Statute 180.301 **Purchase, sale, or privatization of water, sewer, or wastewater reuse utility by municipality.**



NEW PORT RICHEY

PAGE 2

5. Prior to the purchase date, the existing owner shall be permitted to pursue past due receivable customers in whatever legal fashion they wish and keep all moneys recovered for service the utilities provided to them.
6. Accounts delinquent as of the closing/purchase date become the property of the City of New Port Richey.
7. Any funds collected from the accounts subsequent to the closing/purchase date become the property of the City of New Port Richey.
8. Prior to the closing/purchase date the existing utility owner shall transfer all existing customer deposits to the City of New Port Richey.
9. The City of New Port Richey Finance Director and the current 2018 Utility Revenue Sufficiency Analysis (RSA), has recommended borrowing for the securement of funds used to purchase the utility. This proposed purchase has been included and approved by City Council in the City's current Capital Improvement Program.
10. New Port Richey City Council approval to accept funding agreement recommended by the City's Finance Director and RSA and approve the purchases of the utility.
11. It has been agreed to by all parties the purchase of the Utility will conclude by May 1, 2019 unless an extension is approved by both parties in writing 30 days prior to the May 1, 2019 date called out in this NOI agreement.

ORANGEWOOD LAKES SERVICES, INC.

CITY OF NEW PORT RICHEY, FLORIDA

Al Heiler, Owner

Rob Marlowe, Mayor – Councilmember

ATTEST:
(SEAL)

Judy Meyers, Interim City Clerk