

# **CITY OF NEW PORT RICHEY**

## **UTILITY VALUATION for the ORANGEWOOD LAKES UTILITY SERVICES**



### **FINAL VALUATION**



1365 Hamlet Ave  
Clearwater, Florida 33756  
Ph: 727/442-7196  
Fax: 727/461-3827



## 1.0 PURPOSE and BACKGROUND

The City of New Port Richey (City) is currently evaluating the potential to acquire Orangewood Lakes Services, Inc., a privately held water and sewer utility that services the Orangewood Lakes Mobile Home Park (MHP), the Orangewood Apartment Complex, Lakewood Estates, and Cypress Knolls<sup>1</sup>. The Orangewood Lakes Services, Inc. service area is located west of Osteen Road and south of Massachusetts Avenue (see attached **Figure No. 1**).

The Orangewood Lakes MHP consists of 251 single family mobile homes constructed in the early 1970's. The Orangewood Apartment Complex consists of 72 units, each with separate utility service connections. Lakewood Estates and Cypress Knolls consist of 113 and 46 single family homes, respectively. It should be noted that Orangewood Lakes Services, Inc. does not currently own the water and sanitary sewer infrastructure in the Orangewood Apartment Complex; however Orangewood Lakes Services, Inc. does own the water meters.

The mobile homes in the Orangewood Lakes MHP are not equipped with individual water meters. As such, the MHP is billed on a bulk rate for potable water. The single family homes and apartments in Lakewood Estates, Cypress Knolls and the Orangewood Apartment Complex have individual meters and as such, are individually billed. Potable water is provided to the residences via an onsite well and water treatment facility (disinfection only).

As noted previously, the mobile homes are not equipped with individual water meters and as such, the MHP is billed on a bulk sewer rate. The single family homes and apartments have individual water meters and as such, are individually billed for sanitary sewer service. Sewage from the MHP, Orangewood Apartment Complex and Lakewood Estates is treated via an onsite wastewater treatment facility. Cypress Knolls is not billed for sanitary sewer service through Orangewood Lakes Services, Inc. since sanitary sewer service for Cypress Knolls is provided by the adjacent Hacienda Utilities.

Both the water and wastewater systems owned and operated by Orangewood Lakes Services, Inc. are currently permitted by the Florida Department of Environmental Protection and neither show violations or open consent orders.

The following report provides information on the Orangewood Lakes Services, Inc. including revenue, expense and maintenance history, regulatory requirements and the utility valuation which is based on three (3) main approaches, an asset valuation approach, an income valuation approach, and a comparable sales valuation approach.

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<sup>1</sup> Orangewood Lakes Services, Inc. provides water service to Cypress Knolls. Sanitary sewer service is provided by Hacienda Utilities.



## **2.0 ASSET VALUATION**

The asset valuation approach determines the current value of the infrastructure installed and includes the development of an infrastructure inventory and a condition assessment of the infrastructure.

### **2.1 EXISTING UTILITY INFRASTRUCTURE**

The following information is based on data provided by Orangewood Lakes Services, Inc. and the City.

The existing water and sanitary sewer infrastructure includes the following:

#### Potable Water System

The potable water distribution system that serves the Orangewood Lakes MHP includes approximately 7000 lf of 2-inch diameter and 4700 lf of 4-inch diameter PVC pipe, valves and fittings. There are 251 water services, one to each mobile home; however the water services do not include individual water meters. The potable water supply includes one 8-inch diameter water supply well and 500 gpm well pump, a 5000 gal pneumatic tank, and a sodium hypochlorite chemical feed system for disinfection. This potable water supply is located within the MHP and serves all properties served by the Orangewood Lakes Services, Inc.

The potable water distribution system that serves the Orangewood Apartment Complex includes approximately 1800 lf of 4-inch diameter and 900 lf of 6-inch diameter PVC pipe, valves and fittings. However as noted previously, Orangewood Lakes Services, Inc. does not own the water distribution pipe in the Orangewood Apartment Complex. As such, the potable water distribution system that serves the Orangewood Apartment Complex is not included in the totals reflected below. The utility however does own the individual water meters for each of the 72 apartment units. These are reflected in the totals listed below.

The potable water distribution system that serves Lakewood Estates includes approximately 1100 lf of 2-inch diameter, 1100 lf of 4-inch diameter, and 3100 lf of 6-inch diameter PVC pipe, valves and fittings. There are also five (5) fire hydrant assemblies within the subdivision and 113 residential water meters.

The potable water distribution system that serves Cypress Knolls includes approximately 515 lf of 2-inch diameter, 500 lf of 4-inch diameter, and 2800 lf of 6-inch diameter PVC pipe, valves and fittings. There are also five (5) fire hydrant assemblies within the subdivision and 46 residential water meters.

In summary, the potable water distribution system owned and maintained by Orangewood Lakes Services, Inc. includes:

- 8615 lf of 2-inch diameter PVC pipe, fittings and valves
- 6300 lf of 4-inch diameter PVC pipe, fittings and valves
- 5900 lf of 6-inch diameter PVC pipe, fittings and valves
- 10 fire hydrants
- 482 water services
- 231 water meters
- 1 potable water supply and treatment system

#### Sanitary Sewer Collection System

The sanitary sewer collection system that serves the Orangewood Lakes MHP includes approximately 6000 lf of 4-inch and 6-inch diameter and 3200 lf of 8-inch diameter PVC pipe<sup>2</sup>, 29 manholes, 1 lift station, 2 pump stations, and approximately 640 lf of 3-inch PVC force main. There are 251 service laterals. There is an extended aeration wastewater treatment plant (WWTP) located within the MHP which serves all properties served by the Orangewood Lakes Services, Inc., except the Cypress Knolls subdivision. The WWTP is permitted for 75,000 gpd. The WWTP has two permitted disposal options, onsite rapid infiltration basins, or RIBs and a subsurface absorption field.

The sanitary sewer collection system that serves the Orangewood Apartment Complex includes approximately 55 lf of 6-inch diameter and 2650 lf of 8-inch diameter VCP, 10 manholes, 1 pump station, and approximately 1300 lf of 4-inch PVC force main. There are 72 service laterals. However as noted previously, Orangewood Lakes Services, Inc. does not own the sewer collection system in the Orangewood Apartment Complex. As such, the sanitary sewer collection system that serves the Orangewood Apartment Complex is not included in the totals reflected below.

The sanitary sewer collection system that serves Lakewood Estates includes approximately 4900 lf of 8-inch and 10-inch diameter PVC pipe, and 19 manholes. There are 113 service laterals.

In summary, the sanitary sewer collection system owned and maintained by Orangewood Lakes Services, Inc. includes:

- 6000 lf of 4-inch and 6-inch diameter VCP<sup>2</sup>
- 3200 lf of 8-inch diameter VCP<sup>2</sup>
- 4900 lf of 8-inch and 10-inch diameter PVC pipe
- 48 manholes
- 3 pump stations (one is located at the WWTP)
- 640 lf of 3-inch diameter PVC force main
- 364 sewer lateral
- 1 WWTP

<sup>2</sup> The drawings provided by the utility owner, which were used to determine length of pipe, indicate the sanitary sewers to be VCP; however, the utility owner has stated that the existing sanitary sewers are PVC pipe. City staff checked the pipe material at several manholes and reported that "...every manhole they checked had 6" white PVC for [the] gravity lines."

## **2.2 CONDITION OF EXISTING INFRASTRUCTURE**

As the existing potable distribution and sanitary sewer collection systems are below grade, the condition assessment is limited to a review of available data, including maintenance history, age of the infrastructure, and estimated useful life remaining.

Information obtained regarding system maintenance pertained to the WWTP. Maintenance and repair data pertaining to the distribution and collection systems were not provided by Orangewood Lakes Services, Inc. The utility owner stated that they do not currently have scheduled replacement of water meters so the frequency of replacement is "as needed". City staff observed several manholes, noting that some were in need of minor maintenance, as well as the presence of infiltration into the some manholes.

Drawings provided for the MHP indicate the sanitary sewer collection system was constructed in the early 1970's. The age of the water distribution system is assumed to be similar. However, the latest annual report indicates that the water supply well was constructed in 1959.

Drawings provided for the Orangewood Lakes Apartment Complex indicate that complex was constructed in the late 1970s. Drawings provided for Lakewood Estates also indicate that the subdivision was constructed in the 1970's. The drawings, dated 1979, show construction was completed in two phases, with Phase 1 completed prior to 1978 and Phase 2 constructed in 1979 or later. Drawings provided for Cypress Knolls indicate that the water distribution system was constructed in 1978.

Based on the above, the age of the water distribution and wastewater collection systems range from 38 to 46 years. Water distribution pipe has a useful life that ranges from 15 to over 100 years, depending on the type of material, proper installation, and the environment<sup>3</sup>. Sanitary sewers and manholes have a useful life that range from 40 to over 80 years, also dependent on the type of material, proper installation, and the environment. For the purpose of this valuation, we have used a useful life of 50 years for both the water distribution and sanitary collection systems. Therefore, the remaining useful life of the distribution pipe and sanitary sewers is ranges from 4 to 12 years.

As previously noted, the residential water meters are not replaced on routine basis. Therefore a remaining useful life of zero will be used in this valuation.

<sup>3</sup> USEPA *The Facts about Sustainable Water Infrastructure*

## 2.3 REPLACEMENT COSTS

Replacement cost for the existing infrastructure is calculated as follows. Note that the replacement cost for the water supply and treatment system and the WWTP are not included in the table below as the City has stated that they do not want to purchase these systems. Should the City acquire Orangewood Lakes Services, Inc.'s utility system, the City would extend a water transmission main from Massachusetts Avenue. to provide potable water to the service area. Likewise, the City would install a pump station at the site of the existing WWTP and extend a force main to Massachusetts Avenue. The current utility owner would be responsible for decommissioning the existing on site water supply and treatment system and the WWTP.

Description	Units	Unit Cost	Extended Cost
2" PVC water main/fittings/valves	8615 lf	\$20 per lf	\$ 172,300
4" PVC water main/fittings/valves	6300 lf	\$30 per lf	\$ 189,000
6" PVC water main/fittings/valves	5900 lf	\$45 per lf	\$ 265,500
Water services (not including water meter)	482 ea	\$600 each	\$ 289,200
Water service meter	231 ea	\$300 each	\$ 69,300
Fire hydrant assembly	10 ea	\$800 each	\$ 80,000
4" and 6" PVC sanitary sewer <sup>4</sup>	6000 lf	\$45 per lf	\$ 270,000
8" and 10" PVC sanitary sewer <sup>4</sup>	8100 lf	\$48 per lf	\$ 388,800
Precast concrete manholes	48 ea	\$5000 each	\$ 240,000
3" PVC force main	640 lf	\$45 per lf	\$ 28,800
Small (< 5 hp) pump station <sup>5</sup>	2 ea	\$30,000 each	\$ 60,000
Sewer lateral	364 ea	\$200 each	\$ 72,800
<b>Total</b>			<b>\$ 2,125,700</b>

<sup>4</sup> The replacement cost used is for PVC pipe even though the existing pipe may be VCP. VCP would not be installed today.

<sup>5</sup> The pump station located at the WWTP is part of the WWTP and as such will not be included in the valuation since the City would not be purchasing the WWTP.

## 2.4 DEPRICIATED VALUE

A straight line depreciation was used to calculate the current value of the existing Orangewood Lakes Services, Inc.'s infrastructure. The calculation for the potable water infrastructure is based on the asset cost of \$996,000 for the distribution pipe and water services, no salvage value, a 50 year useful life, and an average placed in service date of January 1975. The resulting depreciated value for the distribution pipe and water services at the end of year 2017 is \$139,440. Since the current utility owner does not have a program in place to regularly replace the water service meters and the age of the majority of these meters is more than likely beyond there anticipated useful life, a depreciated value of zero (\$0) will be used for the water service meters.

The calculation for the sanitary sewer infrastructure is based on the asset cost of \$1,000,400 for the gravity sewers, manholes, sewer laterals, and force mains, no salvage

value, a 50 year useful life, and an average placed in service date of January 1975. The resulting depreciated value for the collection system pipe, manholes, and laterals at the end of year 2017 is \$140,056. An asset cost of \$60,000 was used for the pump stations. As these pump stations do not comply with City standards, the City would need to replace, at a minimum, the pumps and pump bases, guide rails, and pump controls as soon as possible to bring them up to City standards. Therefore, a remaining useful life of 2 years was used to determine the depreciated value of \$6,000. The 2 year period would allow the City the time needed to perform the necessary upgrades.

The total depreciated value for the Orangewood Lakes Services, Inc.'s infrastructure at the end of year 2017 is \$285,496.

## **2.5 OTHER CONSIDERATIONS**

There are several other items that the City should consider in its decision on whether or not to acquire the Orangewood Lakes Services, Inc.'s utility system.

- The City will need to replace the existing water service meters with the City's standard smart meter in order for the water services to be connected to the City's automatic meter reading (AMR) program.
- The City will need to upgrade the existing pump stations to meet City standards.
- The sanitary sewer collection system that serves the Orangewood Lakes MHP is VCP which has a greater potential for increased infiltration and inflow with system age.
- The City has stated that it has no desire to purchase the existing on site water supply and treatment system or the utility's WWTP. Instead, the City will construct a water transmission main and force main along Massachusetts Avenue and on Osteen Road south to the service area, plus construct a pump station at the site of the existing WWTP. However, should the City proceed with the acquisition of the Orangewood Lakes Services, Inc.'s utility system, the City would need to operate both facilities until this new infrastructure is in place. Once connected to the City's water and sanitary sewer systems, the two on site facilities will need to be decommissioned.

### 3.0 INCOME VALUATION

The income valuation approach estimates the value of the potential earnings from the existing infrastructure, taking into account the annual operation and maintenance costs.

#### 3.1 HISTORIC REVENUE INFORMATION

The water and sewer revenues for Orangewood Lakes Services, Inc. for the past five (5) years are shown in the table below. Information reflected in this table was obtained from the Annual Reports for Class C Water and/or Wastewater Utilities submitted to the Public Services Commission by the utility owner.

BILLING PERIOD	GALLONS USED (x1000) <sup>6</sup>	WATER REVENUE	SEWER REVENUE
2012	23919	\$66,475	\$162,526
2013	24945	\$68,368	\$166,373
2014	26682	\$77,656	\$192,035
2015	29749	\$74,290	\$174,356
2016	28081	\$75,993	\$161,976

<sup>6</sup> Gallons used equals “water sold to customers” per the Annual Reports

#### 3.2 HISTORIC OPERATION AND MAINTENANCE INFORMATION

The operation and maintenance expenses for Orangewood Lakes Services, Inc., as reported in the utility’s Annual Reports for the past five (5) years, are summarized below.

BILLING PERIOD	OPERATION EXPENSES for WATER	OPERATION EXPENSES for SEWER
2012	\$81,839	\$136,418
2013	\$86,943	\$133,645
2014	\$77,515	\$137,339
2015	\$96,223	\$148,596
2016	\$89,500	\$138,180

#### 3.3. PROJECTED REVENUE INFORMATION

Projected revenue was determined using the City’s FY 2018 standard outside residential rate for a <sup>5</sup>/<sub>8</sub>-inch water service connection with an annual 4% increase in the base charge and the consumption charge (per the City, the billing charge and the “TBW charge” are not subject to the annual increase).

- Monthly base charge of \$11.39 for water, \$14.54 for sewer
- Billing charge of \$1.05 for water, \$1.05 for sewer

- Tampa Bay Water (TBW) charge of \$0.49/1000 gal for water
- Tiered consumption charge
  - Tier 1 water – up to 5000 gallons at \$3.63 per thousand
  - Tier 2 water – 5001 to 10,000 gallons at \$4.66 per thousand
  - Tier 3 water – 10,001 to 15,000 gallons at \$6.41 per thousand
  - Tier 1 sewer – up to 15,000 gallons at \$5.81 per thousand

The average monthly water usage per metered customer is less than 5000 gallons; therefore, the Tiered 1 consumption rates for water and sewer will be used for calculating revenue. Note that the revenues for water and sewer are calculated separately since Orangewood Lakes Services, Inc. does not provide sanitary sewer service to the Cypress Knolls subdivision.

The average annual water use for Orangewood Lakes Services, Inc. for the period 2012 – 2016 as reported in utility’s Annual Reports was 26,675,200 gallons. Using this average annual water use through FY 2024 (based on the remaining useful life of the water distribution pipe), the projected revenue for water is calculated at \$1,348,277.

Since Orangewood Lakes Services, Inc. does not provide sanitary sewer service to the Cypress Knolls subdivision, the projected revenue for sewer is calculated on a reduced average annual water use of 24,129,400 gallons. This reduced usage was determined by taking a ratio of the number of units that receive both water and sewer service (436 units) to the number of units that receive water (482). Using this reduced average annual water use through FY 2024, the projected revenue for sewer is calculated at \$1,747,234.

### **3.4 OPERATIONAL COSTS**

Operational costs were estimated based on City’s annual operating budget for the water treatment plant (\$3.2 million), the water distribution division budget (\$975,000), operating budget for the wastewater treatment plant (\$1.32 million), and the sewer collections division budget (\$450,000). With the total water production for fiscal year 2015 at 1896.52 million gallons, the operational cost per gallon treated and distributed water was calculated to be \$2.201 per 1000 gallons. With the total inflow to the wastewater treatment plant for fiscal year 2015 at 1873.60 million gallons, the operational cost per gallon to treat wastewater was calculated to be \$0.705 per 1000 gallons. To determine the operational cost to collect and transport wastewater, only the City’s flow contribution to the wastewater treatment plant, or 1164.59 million gallons, will be used since the flow from the county is pumped directly to the plant. The operational cost to collect and transport wastewater was calculated to be \$0.386 per 1000 gallons. To estimate operating costs for subsequent years, the operational cost per gallon was increased in proportion to the projected cash outflow increase in the Water and Sewer Revenue Sufficiency Analysis Report prepared for the City by Burton & Associates, or approximately 3% per year.

With an average annual water use for Orangewood Lakes Services, Inc. of 26,675,200 gallons, the projected operational cost for water through FY 2024 is calculated at

\$476,625. The projected operational cost for wastewater through FY 2024 is calculated at \$216,137. Note that projected operational cost for wastewater is based on a reduced average water use of 24,129,400 gallons to account for the fact that the sanitary sewer service for Cypress Knolls is provided by a different utility company.

### **3.5 CAPITAL COSTS**

In addition to the operational costs, the income valuation needs to consider capital costs that will be incurred by the City when acquiring Orangewood Lakes Services, Inc.

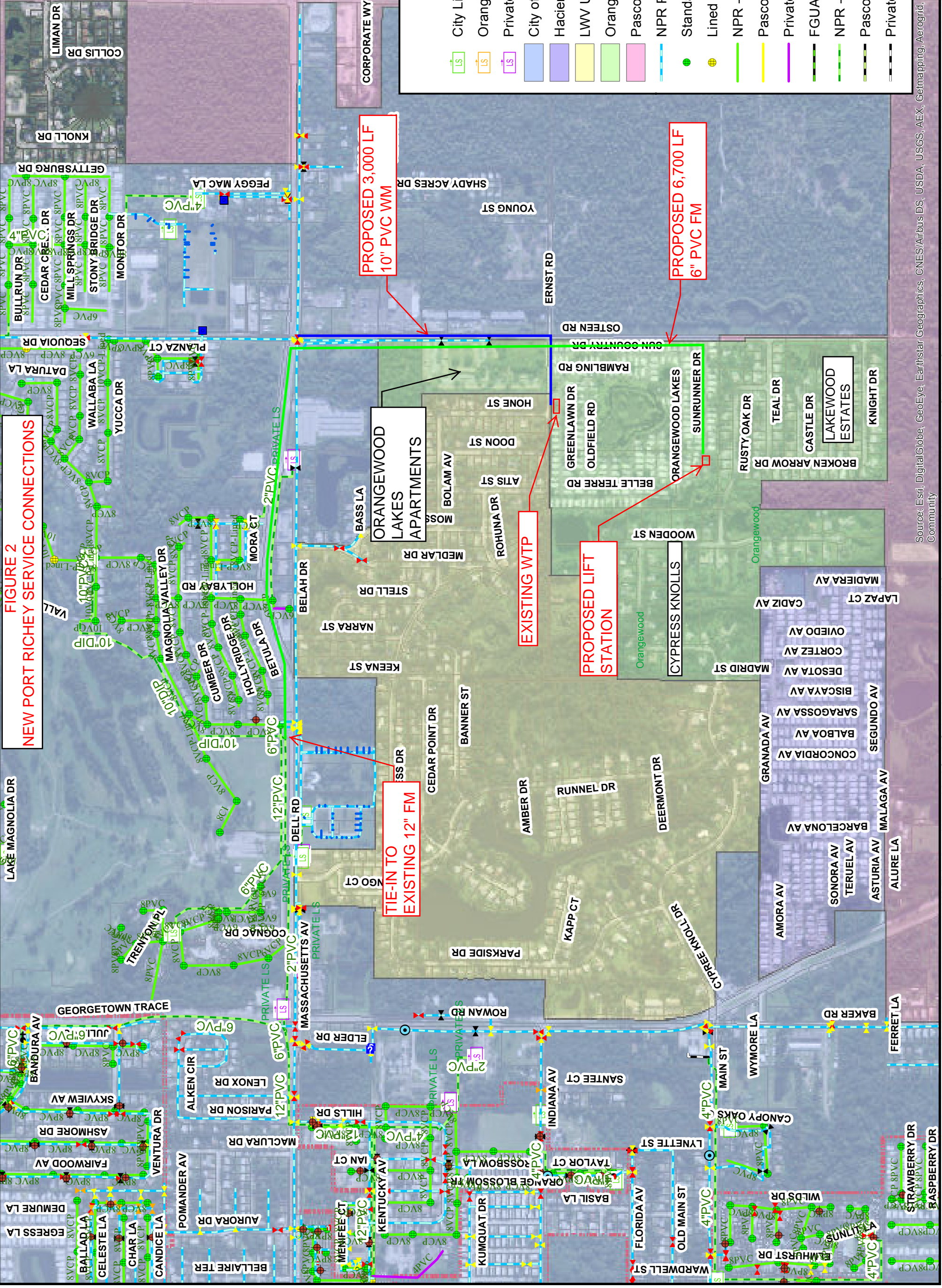
As previously noted, the City will need to install water service meters at the MHP and replace the existing meters at the other locations with the City's standard smart meter in order for the water services to be connected to the City's automatic meter reading (AMR) program. With an estimated installed cost of \$500 per smart meter, the cost to install/replace 482 meters is estimated at \$241,000. In addition, the City will need to construct a water transmission main on Osteen Rd. from Massachusetts Avenue south to the service area (see **Figure No. 2**). For estimating purposes, we used 3000 lf of 10-inch water main at an installed cost of \$300,000.

Also as previously noted, the City will need to upgrade the two existing pump stations to City standards. This will include new pump control panels with an estimated installed cost of \$20,000. A new 180 gpm duplex pump station, installed at the existing WWTP site, and associated 6700 lf long 6-inch force main to pump to City's existing 12-inch force main on Massachusetts Avenue is required to replace the WWTP<sup>7</sup>. The estimated cost for the pump station is \$200,000; while the estimated installed cost for the force main is \$400,000.

<sup>7</sup> September 28, 2017 Hydraulic Modeling Evaluation prepared for the City by Stroud Engineering Consultants

### **3.6 INCOME VALUATION**

In order to calculate the income valuation a time period needs to be selected for which the potential income from operating the utility is calculated. For the income valuation of Orangewood Lakes Services, Inc., a period of 7 years was selected which correlates with the 7 years of remaining useful life of the water distribution and sanitary sewer collection systems. The income value was determined from the summation of the present worth of the projected annual revenues minus the projected annual operating costs minus the capital expenditures required to take integrate the Orangewood Lakes Services, Inc.'s utility system in with the City's utility system (i.e. new meters, pump station upgrades, new water transmission main, new pump station and force main).



**FIGURE 2**  
**NEW PORT RICHEY SERVICE CONNECTIONS**

### Legend

- City Lift Stations
- Orangewood Lift Stations
- Private Lift Stations
- City of New Port Richey Utilities
- Hacienda Village Utilities
- LWV Utilities
- Orangewood Lakes Services
- Pasco County Utilities
- NPR Potable Water
- Standard Manhole
- Lined Manhole
- NPR - Gravity Sewer Lines
- Pasco - Gravity Sewer Lines
- Private - Gravity Sewer Lines
- FGUA - Force Mains
- NPR - Force Mains
- Pasco - Force Mains
- Private - Force Mains

Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AEX, Getmapping, Aerogrid, IGN, IGP, swisstopo, and the GIS User Community

(\*\* This map is provided for information purposes only. All features included are subject to field verification and survey.\*\*)

The calculated income valuation is \$1,065,084.

Present Value of Annual Income - Water & Sewer Service to Orangewood Lakes

<b>Year</b>	<b>Annual Revenue<sup>8</sup></b>	<b>Operating Cost<sup>9</sup></b>	<b>Present Value<sup>10</sup></b>
2018	\$393,559	\$89,916	\$294,735
2019	\$408,726	\$92,755	\$302,168
2020	\$424,499	\$95,698	\$309,791
2021	\$440,903	\$98,749	\$317,608
2022	\$457,963	\$101,914	\$325,622
2023	\$475,705	\$105,180	\$333,853
2024	\$494,157	\$108,551	\$342,307
		Sum	\$ 2,226,084
		minus Capital Cost	\$ 1,161,000
		Income Value	\$ 1,065,084

<sup>8</sup> Annual water and sewer revenue

<sup>9</sup> Annual water and sewer operation cost

<sup>10</sup> Combined present value for water and sewer

Note that the above valuation assumes that Orangewood Lakes Services, Inc. is debt free and that the current utility owner will assume all delinquent charges.

#### 4.0 COMPARABLE SALES

The comparable sales approach looks at recent sales of similar utilities in the region. A search for recent sales of utility system yielded several in the Tampa Bay region, including a couple in Pasco County. Several of the utility system sales are summarized below.

Leigh Acres – valued at \$34,000,000

- 12,866 water customers, 10,321 wastewater customers
- 16 wells, 2 WTPs, 6 storage tanks, 196 miles of water mains
- 1 WWTP, 64 lift stations, 103 miles of gravity sewers, 49 miles of force mains
- 10 miles of reclaimed water distribution mains

Lindrick Utility – valued at \$16,800,000

- 2,825 water customers, 2,550 wastewater customers
- 8 wells
- 19 lift stations
- Service area 3.24 sq. miles

Consolidated (Anclote, Angus Valley, Colonial Manor, Dixie Groves, Virginia City, Westwood) – valued at \$4,250,000

- 2,378 water customers, 0 wastewater customers
- 6 wells, 6 hydropneumatic tanks, 24 miles of water mains

Barbara Ann Acres Utilities, Silver Oaks Utilities, and Lakewood Villas Utilities – valued at \$850,000 (combined purchase of all three utilities)

- 522 water customers, 0 wastewater customers
- 2 wells, 1 WTP (disinfection only), 1 hydropneumatic tank (serving Lakewood Villas)
- 7 miles of water mains (combined)

Indian Rocks Beach Sanitary Sewer System – valued at \$2,000,000

- 0 water customers, 1815 wastewater customers
- 7 lift stations
- 17 miles of gravity sewers and force mains

Several key factors need to be considered when comparing the sale of the above utilities to the potential sale of the Orangewood Lakes Services, Inc. These include:

- The Leigh Acres utility sale was for a system with almost 25 times as many customers as the Orangewood Lakes Services utility system.
- With the exception of the combined Barbara Ann Acres, Silver Oaks, and Lakewood Villas utility systems, the other utility systems are also significantly larger than Orangewood Lakes Services utility system.
- A majority of the utility customers served by Orangewood Lakes Services, Inc. are either mobile homes or apartments. The density of the customers significantly

- reduces the amount of infrastructure (i.e. length of pipe) installed on a per customer basis.
- Orangewood Lakes Services, Inc. includes both water and sewer. One of the above listed utility sales included water, sewer and reclaimed water, one included both water and sewer, two included water only, and one included sewer only.<sup>11</sup>

<sup>11</sup> Orangewood Lakes Services, Inc. provides water service to Cypress Knolls. Sanitary sewer service is provided by Hacienda Utilities

Comparing the sale of the utility on a per customer basis results in the following.

Utility	Value	# of Customers	Value per Customer
Leigh Acres	\$34,000,000	11,594 <sup>(12)</sup>	\$ 2,933
Lindrick	\$16,800,000	2,688 <sup>(12)</sup>	\$ 6,250
Consolidated	\$ 4,250,000	2,378 <sup>(13)</sup>	\$ 1,787
Barbara Ann Acres, Silver Oaks, and Lakewood Villas	\$ 850,000	522 <sup>(13)</sup>	\$ 1,628
Indian Rocks Beach	\$ 2,000,000	1,815 <sup>(14)</sup>	\$ 1,102

<sup>12</sup> # of customers is average of water customers and sewer customers

<sup>13</sup> water customers only

<sup>14</sup> sewer customers only

From the above table, it is evident that the “value per customer” varies significantly. This is likely due to the varying utility services provided. As previously noted, Leigh Acres includes water, sewer and reclaimed water services. Consolidated and the Barbara Ann Acres, Silver Oaks, and Lakewood Villas utility acquisitions included water only. The Indian Rocks Beach utility acquisition included sewer only. And while the Lindrick acquisition included both, water and sewer services, the value per customer is not comparable to any of the other utilities.

Taking the average value per customer, \$1,863 (not including Lindrick for the reason stated above) and applying this to the average number of customers served by the Orangewood Lakes Services, Inc., 459<sup>(15)</sup>, results in a calculated value of \$854,893

$$\text{\$1,863 per customer} \times 459 \text{ customers} = \text{\$854,893}$$

<sup>15</sup> average number of water customers (482) and sewer customers (436)

Comparing sale of the utility on a per lineal foot of pipe results in the following.

<b>Utility</b>	<b>Value</b>	<b>Length of Pipe (miles)</b>	<b>Value per foot of pipe</b>
Leigh Acres	\$34,000,000	162 <sup>(16)</sup>	\$ 40
Lindrick	\$16,800,000	N/A	N/A
Consolidated	\$ 4,250,000	24 <sup>(17)</sup>	\$ 34
Barbara Ann Acres, Silver Oaks, and Lakewood Villas	\$ 850,000	7 <sup>(17)</sup>	\$ 23
Indian Rocks Beach	\$ 2,000,000	17 <sup>(18)</sup>	\$ 22

<sup>16</sup> water, gravity sewers, force mains and reclaimed water mains

<sup>17</sup> water mains only

<sup>18</sup> gravity sewers and force mains

Similar to the comparison of value per customer, the value per lineal foot of pipe for the above listed utility acquisitions also varies significantly. While the value per lineal foot comparison attempts to account for the various utility services provided by totaling the length of all pipe, i.e. water, sewer, reclaimed water, the value per lineal foot of pipe does not account for density of the customers. A utility that serves more single family homes is going to have more infrastructure, i.e., pipe, manholes, etc., than a utility serving apartments, condos or a mobile home park. The value per lineal foot of pipe comparison also does not account for any treatment facilities that were included in the utility acquisition.

Taking the average value per lineal foot of pipe, \$26<sup>(19)</sup> and applying this to the length of pipe in the Orangewood Lakes Services, Inc. area, 7 miles, results in a calculated value of \$971,038

$$\text{\$26 per foot} \times 7 \text{ miles} = \text{\$971,038}$$

<sup>19</sup> Average does not include Leigh Acres since Leigh Acres included a significant amount of infrastructure that is not pipe; for example, 16 wells, 2 water treatment plants, 1 wastewater treatment plant, and 64 lift stations. Average also does not include Lindrick as the length of pipe included in the utility is not available.

Taking the average of the two comparison, the value per customer comparison and the value per lineal foot of pipe comparison, results in a comparable sale value for the Orangewood Lakes Services, Inc. utility of \$912,966.

## 5.0 SUMMARY UTILITY VALUATION

Three approaches were considered to determine the value of Orangewood Lakes Services, Inc., an asset valuation approach and an income valuation approach, and a comparable sales valuation approach.

Using the asset valuation approach, a value of \$285,496 was determined for the Orangewood Lakes Services, Inc. utility system. Using the income valuation approach, a value of \$1,065,084 was determined for the Orangewood Lakes Services, Inc. utility system. Using the comparable sales valuation approach, a value of \$912,966 was determined for the Orangewood Lakes Services, Inc. utility system.

The final value should be based on a weighted value of all three methods and depends on the assumptions made with each approach. For example, the asset valuation did not include a detailed examination of the buried infrastructure, instead relying on industry standard expected life of the material and equipment; the comparable sales valuation does not address density of the customers or the condition of the infrastructure. For Orangewood Lakes Services, Inc., we used the following weighted factors to determine the utility valuation.

- Weighted factor for the asset valuation approach used is 25%. The condition of the buried infrastructure, i.e. pipe, fittings, valves, service lines, etc. is based on the industry standard expected life of the material and equipment.
- Weighted factor for the income valuation approach used is 65%. The projected revenues are based on known water rates and historic water usage. The operating costs are also based on historic costs.
- Weighted factor for the comparative sales approach used is 10%. The size difference between the Orangewood Lakes Services, Inc. utility system and all but one of the recent sales of utilities in the region is substantial. There is also a difference in the type and number of utility services, i.e., water, sewer, reclaimed water, included in the various utilities. However, we attempted to equate the comparison by evaluating the purchase cost to the average of a per customer value and a per lineal foot of pipe value. Still, the differences between the utility systems make this the least reliable approach.

Using the above noted weighted factors, the summary utility valuation is \$854,975.00

$$(\$285,496 \times 0.25) + (\$1,065,084 \times 0.65) + (\$912,966 \times 0.10) = \$854,975$$