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March 9, 2018

01174-0030 (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 – Orangewood Lakes Utility Services

Dear Mr. Rivera:

Enclosed please find a copy of the utility valuation for the Orangewood Lakes Utility Services.

Three methods were considered to calculate the value of Orangewood Lakes Utility Services, an asset valuation approach and an income valuation approach, and a comparable sales valuation approach. The final value is based on a weighted value of all three methods.

The utility valuation determined for the Orangewood Lakes Utility Services is \$854,975. With the need to make various assumptions during the valuation process, a reasonable purchase price for the utility system is between \$800,000 and \$900,000.

Note too that the City should consider the initial capital cost that will be incurred to connect the Orangewood Lakes Utility service area to the City's water distribution and wastewater collection systems, as well as the capital cost to install new water meters, when determining the total cost to acquire Orangewood Lakes Utility Services. These capital costs are estimated at approximately \$1,161,000, which brings the total cost to acquire Orangewood Lakes Utility Services to approximately \$2,016,000.

If the City was to take out loan at a 1.5% interest rate, it will take the City six (6) years to pay off the loan using the net revenues gained from the sale of water and wastewater collection for the existing Orangewood Lakes Utility Service's customers.

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Clearwater, FL 33765

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Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

McKim & Creed, Inc.

A handwritten signature in blue ink, appearing to read "Mitchel Chiavaroli".

Mitchel A. Chiavaroli, PE  
Director of Engineering

Enclosures

cc: Mr. Gary Peterson, w/ encl.