

# SARASOTA COUNTY GOVERNMENT

## *Public Utilities*

**TO:** Sarasota County Commission  
**THROUGH:** Jonathan R. Lewis, County Administrator  
**FROM:** Michael J. Mylett, Interim Director, Public Utilities  
**DATE:** June 5, 2019  
**SUBJECT:** **Utility Agreement with Lakepark Estates Florida, LLC, FY2019 Budget Amendment, and Fruitville Road Water Improvements Project**

### **RECOMMENDED MOTION(S) OR ACTION(S):**

- A. (Not a public hearing) To approve a water, reclaimed water and wastewater system utility agreement with Lakepark Estates Florida, LLC, a Michigan Limited Liability Company;
- B. (Not a public hearing) To adopt a resolution amending the Fiscal Year 2019-2023 Capital Improvement Program (Resolution No. 2018-154) to add the Fruitville Road Water Improvements as Project No. 88055;
- C. (Public hearing) To adopt a resolution, Budget Amendment No. B2019-031, amending the Fiscal Year 2019 Budget to appropriate the funding for the Fruitville Road Water Improvements, in the amount of \$5,200,000.00.

### **BACKGROUND/ANALYSIS:**

Lakepark Estates Florida LLC, a Michigan Limited Liability Company, (Lakepark) is developing a parcel of land located on the north side of Fruitville Road, approximately 3.5 miles east of the intersection of Fruitville Road and Lorraine Road. The development has been approved for 400 homes.

Lakepark previously entered into a Water, Reclaimed Water and Wastewater System Utility Agreement (Contract No. 2016-090), dated December 8, 2016. However, Contract No. 2016-090 called for Lakepark to construct in an easterly direction 23,700 lineal feet (LF) of 16-inch potable water line along Fruitville Road from the terminus of the Utilities System's existing 16-inch potable line installed on Fruitville Road to the entrance of the proposed Lakepark development. In addition, Contract No. 2016-090 required Lakepark to construct 18,700 LF of four-inch parallel potable water return line in a westerly direction along Fruitville Road from the Lakepark development to the intersection of Fruitville and Lorraine Road. Per Contract No. 2016-090, Utilities had a right to oversize the potable return line from a four-inch diameter pipe to a 16-inch diameter pipe at an estimated cost of \$1.6 million. Lakepark's estimated cost for the off-site 16-inch potable water main and the four-inch parallel potable water return line was \$3.0 million.

Due to water quality concerns at the point of delivery (the water meter) of the individual residential units within the Lakepark development, as well as, any other residential units which may be served along Fruitville Road, especially those that may be located to the east of the Lakepark development, coupled with the potential of having to waste millions of gallons of potable drinking water by blowing off water from the mains in order to keep the water quality in the water mains up to standards, Lakepark and

Utilities staff met to further discuss the issues associated with the construction of the 16-inch potable water main and the four-inch parallel potable water return line, as set forth in Contract No. 2016-090. It was determined a better alternative would be the construction of a single 12-inch potable water line that would terminate at a water treatment facility which would include high service pumps and a ground water storage tank, to be constructed on a five-acre tract, located just to the west of the proposed Lakepark development. The five-acre tract will be contributed by Lakepark to the Utilities System.

Assuming the properties are rezoned in accordance with 2050, staff is aware that approximately 1,600 residential units might be developed on the 4,000 acres of land lying east of the Lakepark development. Staff is also aware that those potential future residential units will use the potable water lines, water treatment facilities, high service pumps and ground water storage tanks that are proposed to be installed to serve the 400 residential units at the Lakepark development. As a result, it is staff's opinion the better approach would be to void Contract No. 2016-090 and enter into a new Water, Reclaimed Water and Wastewater System Utility Agreement with Lakepark (Utility Agreement).

In the Utility Agreement, Lakepark agrees to design, permit and construct in an easterly direction along Fruitville Road approximately 3,500 lineal feet (LF) of 16-inch potable water main from the termination point of the Utilities' existing 16-inch water main located on the west side of the intersection of Fruitville Road and Bethel Lane to connect to the County's existing 16-inch water main located on the east side of the intersection of Fruitville Road and Lorraine Road, and then to construct in an easterly direction along Fruitville Road approximately 18,200 LF of 12-inch potable water main from the existing 16-inch water main, located on the west side of the intersection of Fruitville Road and Lorraine Road, to the east entrance of the Lakepark development, located on Fruitville Road. In addition, Lakepark also agrees to design, permit and construct, on a five-acre tract of land to be dedicated to the County, a water treatment facility with high service pumps and a ground water storage tank. Per the Utility Agreement, the estimated total cost of the 16-inch and 12-inch potable water mains, the water treatment facility, high service pumps and a ground water storage tank is \$5.2 million.

Staff believes to be fair and equitable, every residential unit that connects to the proposed water facilities being constructed pursuant to the Utility Agreement with Lakepark should pay a water line extension fee associated with the cost of constructing the water improvements to serve the residential unit whether those units are located in the Lakepark development or in another development along Fruitville Road. Furthermore, staff believes that the planning of the necessary facilities to serve such a large area and the recommendation of the allocation of those costs in a fair, reasonable and nondiscriminatory manner among the users of those facilities are responsibilities of Utilities. Therefore, staff is recommending that Utilities invest in the facilities by reimbursing Lakepark for the \$5.2 million cost of the improvements for the 16-inch and 12-inch potable water mains, the water treatment facility, high service pumps and the ground water storage tank. Furthermore, in order to meet the requirement of fiscal neutrality as set forth 2050, Utilities intends to recover 100% of the \$5.2 million cost of the 16-inch and 12-inch potable water mains, the water treatment facility, high service pumps and a ground water storage tank by establishing a water line extension fee for the residential units that will utilize the water infrastructure constructed pursuant to the Utility Agreement.

As a result, initially the Utility Agreement sets forth a water line extension fee of \$7,500 per residential unit to be paid by every residential unit to be constructed within the Lakepark development. The initial \$7,500 water line extension fee was based on the estimated \$3.0 million cost to serve the Lakepark development with the 16-inch potable water main and the four-inch parallel potable water return line (\$3.0 million divided by 400 residential units). Given the poor potable water quality from on-site water wells and the need for fire flow, it is likely that properties that develop along Fruitville Road will be served with central water. Therefore, given other property owners or developers will propose

connection to the water facilities being constructed pursuant to the Utility Agreement, staff will bring back to the Board in the near future a request to approve a new line extension fee in the Utilities rate resolution to be paid by those residential units in the Fruitville area which will be served by the proposed facilities. In addition, staff will bring back to the Board a recommendation to establish a Municipal Services Benefit District to recover an opportunity cost for providing the funding associated with the construction of the proposed water improvements. The Municipal Services Benefit District will include the lands of property owners who intend to rezone their property for future developments that will utilize the proposed water facilities.

Finally, per the Utility Agreement, Lakepark will be entitled to a refund of a portion of the \$7,500 water line extension fee, if the water line extension fee is reduced, pursuant to a resolution of the Board, within seven years. The refund will be given in the form of prepaid water line extension fees for the Lakepark development for the difference between the previous water line extension amounts paid on the building permits within the Lakepark development and the revised water line extension fee approved by resolution of the Board. Any refund, as set forth above, will be reduced by the imputation of a 3% annual interest rate on \$3.0 million of the improvements associated with Lakepark's initial responsibility to construct the off-site 16-inch potable water main and the four-inch parallel potable water return line improvements.

If the prepaid water line extension fees calculated as a refund, as set forth above, exceeds the total of the remaining water line extension fees that would be due for all the projected lots in the Lakepark development which have not applied for a building permit, Lakepark would be entitled to a refund of the amount of prepaid water line extension fees that exceed the balance of the water line extension fees due for the remainder of the lots to be constructed within the Lakepark development which have not applied for a building permit.

**RELEVANT PRIOR BOARD ACTION:**

1. December 8, 2016 - The Board approved Contract No. 2016-090, the Water, Reclaimed Water and Wastewater System Utility Agreement with Lakepark Estates Florida LLC, a Michigan Limited Liability Company (5-0 vote).

**OUTREACH:**

N/A.

**PROCUREMENT ACTION:**

N/A.

**FUNDING:**

Funding for the agreement will be provided through the adoption of Budget Amendment No. B2019-031 to transfer \$5,200,000.00 from the Utility System Operation and Maintenance Fund Balance to the Fruitville Road Water Improvements (CIP No. 88055).

### **STRATEGIC PLAN ALIGNMENT:**

**Goal:** Exceptional County Services Aligned with Resources

**Objective:** Plan and fund water quality.

**Action Item:** Utility Rates

### **NEXT STEPS:**

Staff will bring back to the Board by mid-2020 a request to approve a new line extension fee in the Utilities rate resolution to be paid by those residential units in the Fruitville area which will be served by the proposed facilities. In addition, staff will bring back to the Board a recommendation to establish a Municipal Services Benefit District to recover the cost associated with the funding of the proposed water improvements. The Municipal Services Benefit District would include the lands of property owners who seek or intend to seek rezoning of their property for future developments that will utilize the proposed water facilities.

### **STAFF RECOMMENDATION(S):**

Staff recommends the Board approve the Water, Reclaimed Water and Wastewater System Utility Agreement with Lakepark Estates Florida, LLC; adopt a resolution amending the Fiscal Year 2019-2023 Capital Improvement Program, to add the Fruitville Road Water Improvements as Project No. 88055; and adopt the resolution for Budget Amendment No. B2019-031, amending the Fiscal Year 2019 Budget, to appropriate \$5,200,000.00 in funding for the Fruitville Road Water Improvements (CIP No. 88055).

### **ATTACHMENTS:**

1. Proposed Utility Agreement with Lakepark Estates
2. Contract No. 2016-090, Utility Agreement with Lakepark Estates
3. Resolution amending Resolution No. 2019-154 to add Project No. 88055
4. Budget Amendment No. B2019-031
5. Public Hearing Notice