

****This record is a claimed trade secret, confidential and permanently exempt from disclosure as a public record pursuant to section 119.0715, Fla. Stat.****



WMS Development
Group, LLC

November 30, 2023

Ms. Tricia Wisner, MBA

Assistant Director, Public Works
1100 North Chamberlain
North Port, FL, 34286

Re: Warm Mineral Springs

Ms. Wisner,

As you know, WMS Development Group, LLC (“WMSDG”) has been actively engaged with the Negotiation Team concerning financial terms and conditions for WMSDG to manage the daily operation of the Warm Mineral Springs facility (“Springs”), construct the necessary infrastructure and building renovations currently needed for the Springs, and for WMSDG to develop complementary uses adjacent to the Springs.

During our continued due diligence of the Springs, the existing economics of the Springs are materially different than we had originally anticipated. The availability of lifeguards has proven to be difficult in the current labor effort. To continue to provide quality lifeguards and maintain the existing standards, we are proposing for the lifeguards to remain employees of the City in the long-term agreement, with reimbursement to the City for such services.

Additionally, the property insurance rates have skyrocketed 200% to 300% since Hurricane Ian making property insurance cost prohibitive for this type of property. In this updated proposal, the insurance for property and casualty costs would remain with the City, which self-insures the Springs. The liability insurance which has also been difficult to even quote and significantly higher than any budgeted number will be paid and absorbed by WMSDG.

To continue to move negotiations forward, WMSDG proposes the following terms. This structure will allow all parties to continue to determine the best final deal terms while transferring the day-to-day management of the Springs to WMSDG. The Post-Transitional Period deal terms delineate the ongoing structure following the execution of the ground lease and development agreement between the City and WMSDG.

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INTERIM PERIOD

Transition of Services to WMSDG: March 1, 2024 (assuming January 9, 2024 Commission Approval)

Monthly Management Fee to WMSDG: \$40,000.00

Term: One year and may be extended by the City for one additional year.

Expenses: WMSDG to pay for the following expenses: sewer, water plant monitoring, surface water testing, DOH permits, phone/internet, software for POS, cleaning, mowing, tree trimming, pest control, WMSDG general liability insurance, management fee, accounting fees, WMSDG overhead, staffing, and supplies. All other expenses to be borne by the City to be paid out of operating cash flow from the Springs. See proposed exhibit to the interim agreement attached.

Insurance: WMSDG to provide general liability insurance. City to self-insure for property, casualty, automobile, employer liability, worker’s compensation insurance, and any umbrella/excess insurance for the Springs.

Additional Services: WMSDG shall pay to the City a fee equal to ten percent (10%) of any Additional Services provided at the Springs.

Scope of Services: During the transitional period, WMSDG shall provide the following:

- One (1) on-site manager from Elite One service to provide day-to-day management of the Springs.
- One (1) off-site maintenance engineer on call with 2-hour response time.
- Clerical staff for bookkeeping.

POST-TRANSITIONAL PERIOD

Commencement Date: Upon finalization of a definitive lease agreement and with an effective date as of the approval of the ULDC agreeable to WMSDG the following terms shall apply.

Rental Rate: Same as proposed.

Term: Same as proposed.

Expenses: Same as proposed except:

City to provide lifeguards, which expense shall be reimbursed by WMSDG.

City shall either provide property insurance or self-insure as they have done in the past.

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Insurance: City to self-insure for property, casualty, and any other insurance/self-insurance desired by the City, along with employer liability and worker's compensation for the lifeguards.

WMSDG to provide and pay for general liability, automobile, and umbrella/excess insurance for the Springs, along with employer liability, worker's compensation insurance for all non-lifeguard employees at the Springs.

Infrastructure Improvements: WMSDG shall complete the construction of the infrastructure and building renovation of the Springs. So long as the overall construction costs exceed \$18,000,000, the City shall reimburse WMSDG pari passu to WMSDG's costs (i.e. 50% CONP / 50% WMSDG). The City's maximum reimbursement of costs for the infrastructure and building renovation of the Springs shall not exceed \$9,000,000. The work will be completed within 24 months of the Commencement Date.

Bond: WMSDG shall provide a performance bond in the amount of \$9,400,000 to be reduced pro-rata as work is completed.

This letter does not constitute a binding contract between the City of North Port and WMS Development Group, LLC but is rather intended to outline the economic terms and conditions under which the definitive agreement could be entered into between the parties. If the above economic terms and conditions are acceptable, please acknowledge by signing below.

Respectfully,
WMS Development Group, LLC

Acknowledged & Agreed
City of North Port

Michael Alessio
Managing Member

Name: _____
Title: _____