

***APPRAISAL REPORT ON
CITY OF BUFFALO, IOWA
WATER DELIVERY & WASTEWATER SYSTEMS***



BY

***PATRICK D. KIRCHNER, MAI, SRA
THE DASCHER COMPANY, INC.
1919 HAMPSHIRE AVENUE
ST. PAUL, MINNESOTA***



THE DASCHER COMPANY, INC.
REAL ESTATE VALUATION
1919 Hampshire Avenue
St. Paul, MN 55116
Phone: 651-698-1998 Cell: 612-270-3565
Email: patrick.kirchner@daschercompany.com

May 13, 2024

Ms. Sally Rodriguez
Mayor
City of Buffalo, Iowa
329 Dodge Street
P.O. Box 557
Buffalo, IA 52728

Dear Ms. Rodriguez:

At your request, I have completed an appraisal intended to comply with Standard 1 of the Uniform Standards of Professional Appraisal Practice (USPAP) requirements. This is an appraisal type report prepared under Standards Rule 2-2(a). I have made a physical viewing of the property on March 5, 2024 of the facilities and real estate that comprise the City of Buffalo, Iowa delivery and wastewater systems, located in Buffalo, Iowa. I have viewed most of the property, researched data, and considered matters pertinent to its value.

The purpose of this appraisal assignment is to arrive at an opinion of market value of the city water and wastewater systems as private systems to be sold to a private end-user. The market value relates to the Fee Simple Interest and easements assuming no liens or encumbrances.

FINAL OPINION OF VALUE:

The final market value of the subject property is **\$5,045,000** “as proposed” as of June 30, 2024. The allocated fair market value to the systems are as follows:

The final market value of the subject property relating to the Water Delivery System “as proposed” as of June 30, 2024 is:

TWO MILLION FIVE HUNDRED FIFTEEN THOUSAND DOLLARS
\$2,515,000

Appraisal of a Water Delivery and Wastewater System
The City of Buffalo, Iowa
May 13, 2024

The final market value of the subject property relating to the Wastewater Treatment System “as proposed” as of June 30, 2024 is:

TWO MILLION FIVE HUNDRED THIRTY THOUSAND DOLLARS
\$2,530,000

The final market value of the subject property relating to the Water Delivery System “as is” as of March 5, 2024 is:

TWO MILLION ONE HUNDRED FIFTY FIVE THOUSAND DOLLARS
\$2,155,000

The final market value of the subject property relating to the Wastewater Treatment System “as is” as of March 5, 2024 is:

TWO MILLION FIVE HUNDRED THIRTY THOUSAND DOLLARS
\$2,530,000

This is an appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice. As such, this report presents summary discussions of the data, reasoning and analyses that are used in the appraisal process to develop a credible opinion of value. Supporting documentation concerning the data, reasoning and analyses are retained in the appraisal file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

The following report describes my method of approach, contains data gathered in my investigations, and demonstrates my analysis in arriving at a credible opinion of market value for the subject property. In compliance with the ethics rule I have performed other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.

Respectfully submitted,



Patrick D. Kirchner, MAI, SRA
Iowa Certified General Appraiser #CG03568
THE DASCHER COMPANY, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
<i>EXECUTIVE SUMMARY.....</i>	<i>1</i>
<i>PURPOSE OF APPRAISAL</i>	<i>2</i>
<i>DEFINITION OF MARKET VALUE</i>	<i>2</i>
<i>FUNCTION OF APPRAISAL</i>	<i>2</i>
<i>INTENDED USE OF REPORT</i>	<i>3</i>
<i>DATE OF INSPECTION.....</i>	<i>5</i>
<i>SCOPE OF APPRAISAL.....</i>	<i>6</i>
<i>APPRAISAL PROCESS</i>	<i>6</i>
<i>CITY DATA.....</i>	<i>13</i>
<i>SALES HISTORY.....</i>	<i>19</i>
<i>ASSESSED VALUATION AND TAXES</i>	<i>19</i>
<i>ZONING.....</i>	<i>19</i>
<i>SITE ANALYSIS</i>	<i>26</i>
<i>IMPROVEMENT ANALYSIS</i>	<i>32</i>
<i>HIGHEST & BEST USE ANALYSIS</i>	<i>46</i>
<i>VALUATION</i>	<i>48</i>
<i>COST APPROACH</i>	<i>60</i>
<i>SALES COMPARSION APPROACH</i>	<i>65</i>
<i>INCOME APPROACH.....</i>	<i>96</i>
<i>CORRELATION OF VALUE ESTIMATES</i>	<i>96</i>
<i>FINAL ESTIMATE OF VALUE.....</i>	<i>97</i>
<i>ESTIMATED EXPOSURE TIME</i>	<i>98</i>
<i>ASSUMPTIONS AND LIMITING CONDITIONS</i>	<i>99</i>
<i>CERTIFICATION.....</i>	<i>102</i>
<i>QUALIFICATIONS.....</i>	<i>103</i>
<i>Addendum</i>	
<i>Appraiser's License</i>	

EXECUTIVE SUMMARY

Location:	City of Buffalo, Iowa
Property Type:	Water Delivery & Wastewater System
Land Size Breakdown:	29,839 square feet – Water Treatment Site 40,249 square feet – Wastewater Treatment Site 31,799 square feet – Water Tower Site
Water Treatment Plant:	Filtration Plant - 1,416 square feet built in 1950-1997
Ground Storage Tank:	Elevated Steel 120' Height with 250,000 gallon capacity built in 1997
Wastewater Plant:	Sludge System – 1,026 SF built in 1983
Year Built:	Various stages 1958 - 1997
Zoning:	The sites are zoned with multiple zoning districts including Heavy Industrial, Local Business and Two Family Residential.
Date of Valuation:	March 5, 2024 “As Is” June 30, 2024 “As Proposed”
Date of Inspection:	March 5, 2024

CORRELATION OF VALUE ESTIMATES:

Cost Approach:	\$5,470,000
Sales Comparison Approach:	\$3,770,000
Income Approach:	Not Applicable

The final market value of the subject property relating to the Water Delivery System “as proposed” as of June 30, 2024 is:

TWO MILLION FIVE HUNDRED FIFTEEN THOUSAND DOLLARS
\$2,515,000

The final market value of the subject property relating to the Wastewater Treatment System “as proposed” as of June 30, 2024 is:

TWO MILLION FIVE HUNDRED THIRTY THOUSAND DOLLARS
\$2,530,000

**APPRAISAL REPORT ON
CITY OF BUFFALO, IOWA
WATER DELIVERY & WASTEWATER SYSTEMS**

CLIENT: CITY OF BUFFALO, IOWA

APPRAISER: THE DASCHER COMPANY, INC.
Patrick D. Kirchner, MAI, SRA
1919 Hampshire Avenue
St. Paul, MN 55116

SUBJECT: WATER DELIVERY AND WASTEWATER SYSTEMS
City of Buffalo, Iowa
P.O. Box 79
Buffalo, IA 52728

PURPOSE OF THE APPRAISAL:

The purpose of this appraisal is to provide the appraiser's best estimate of the market value of the subject real property as of the effective date. *Market value* is defined by the federal financial institutions regulatory agencies as follows:

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) buyer and seller are typically motivated;
- (2) both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) a reasonable time is allowed for exposure in the open market;
- (4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [ff].)

INTENDED USE OF REPORT:

The intended use of this appraisal report is to assist the client the City of Buffalo, Iowa and the Iowa Utilities Board with the potential acquisition of the City of Buffalo water and wastewater systems by private company.

INTENDED USER OF REPORT:

The intended users of this appraisal report include the client (for potential acquisition purposes), the City of Buffalo (for asset disposition), and the Iowa Utilities Board with jurisdiction over the transfer of the water delivery and wastewater collection system assets from the City of Buffalo to a Private for profit company.

Over the last year the city has updated various parts of the systems as detailed below:

Water tower painting is \$359,850.00 signed agreement on 11-6-2023 work is scheduled for completion in June 30, 2024.

Installation of 9 new fire hydrants at a cost of \$153,712 were completed recently in early 2024.

Water plant plc upgrade was \$51,170.00 on 8-4-2023.

Well # 1 re-lining \$83,405.00 on 10-10-2023.

Well # 1 rehab \$52,350.00 on 1-9-2024.

The city paid for the hydrants and insertion valves separately from the installation labor.

Hydrants were \$52,817.86.

Insertion valves were \$61,074.24.

Labor was \$39,819.55.

All hydrants have been installed and road patching and curb repair are currently underway as of the date of this appraisal.

The client has requested the “as is” and “as proposed” values assuming the completion of the water tower upgrades and final updates relating to the fire hydrants. The remaining costs relating to the planned improvements are estimated at \$360,000.

The client has requested the “as is” and “prospective” values for the subject property.

The Dictionary of Real Estate Appraisal, 7th Edition, defines "as is" market value as follows:

“ The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the “as is” phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The assessor 11 concept of an “as is” value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards.”

The Dictionary of Real Estate Appraisal, 7th Edition, defines "prospective" market value as follows:

"A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy."

INTEREST VALUED:

The purpose of this appraisal is to estimate the market value of the subject property "as is" in the fee simple interest subject to the assumptions and limiting conditions herein. I have requested legal descriptions from the city regarding easements of record. I did not receive detailed legal descriptions for the rights and interests relating to the individual sewer lines and residential/commercial users in the City of Buffalo. I assume that various easements relating to access to the well and lift stations, easement rights for the water and sewer lines and equipment will transfer to a typical buyer. I do not consider these easements to have value to an independent purchaser of this type of asset.

The subject property consists of the Water Delivery and Wastewater Systems within the city of Buffalo, Iowa.

Water treatment

The Source is Ground water from primarily one of two wells. Treatment consists of aeration utilizing a cascade aerator to oxidize iron for removal followed by some detention directly below the aerator. The water is treated with gas chlorine for further oxidation of iron and on to 300 gpm gravity sand filter, where the iron is filtered out. Following treatment water is stored in a 10,000 gallon clear well. Water is moved by high service pumps to move the water to the 250,000 gallon elevated storage tower. There are approximately 426 customers connected to the water system. There are approximately five miles of water service lines.

Waste water treatment

The collection system is an activated sludge system to treat wastewater. Wastewater is initially settled and screened, sent through aeration and final clarification, and is then disinfected. A digester and sludge storage tank are utilized for bio solids processing. The collection system has two lift stations, one that is a canned style that pumps all of the waste water from the collection system to the treatment facility. The other lift station pumps wastewater from the west side of town. The system provides service to approximately 421 customers and there are approximately five miles of 8" and 10" sanitary sewer mains.

Table 1 summarizes the water systems and the length, material and size.

City of Buffalo Water Inventory						
Description	Type	Size	Year Built	Age	Quantity	Units
Water Line	DI	4"	1958	66	15018	LF
Water Line	DI	6"	1958	66	11058	LF
Water Line	PVC	6"	1974	50	8788	LF
Water Line	DI	8"	1958	66	1262	LF
Water Line	PVC	8"	1974	50	2018	LF
Water Valve	DI		1958	66	43	EA
Water Valve	DI		1974	50	16	EA
Fire Hydrant Assembly			1958	66	31	EA
Fire Hydrant Assembly			1974	50	13	EA
Pressure Relief Vaults					4	EA
Water Treatment Plant & Elev. Tank*			1997	27	1	EA
Aerator & Detention Tank @ Well #2*			1989	35	1	EA
Well #2 & Pump Building*			1975	49	1	EA
Upgrade PLC at Water Treatment Plant			2023	1	1	EA
Replace Fire Hydrants			2023	1	9	EA
Well #1*			1958	66	1	EA
Well #1 Rehabilitation			2023	1	1	EA
Totals						

Table 2 summarizes the wastewater systems and the length, material and size.

City of Buffalo Sanitary Sewer Inventory							
Description	Type	Size	Year Built	Age	Quantity	Year Updated	Units
Gravity Sewer	Conc.	8"	1960	64	18,186		LF
Gravity Sewer	Conc.	8"	1981	43	8139		LF
Gravity Sewer	Conc.	10"	1960	64	5916		LF
Sewer Lining					1		LS
Force Main	DI	8"	1981	43	441		LF
Force Main	DI	10"	1960	64	2062		LF
Manholes	Conc.	4	1960	64	81		EA
Manholes	Conc.	5	1981	43	32		EA
East Lift Station			1981	43	1		EA
West Lift Station			1960	64	1	1983	EA
Wastewater Treatment Plant			1983	41	1		EA
Total							

The fee simple interest is determined to be applicable in the valuation of the property “as is” and “as proposed”.

For the purpose of this report, the following definition of Fee Simple is used:

fee simple estate. Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Source: The Dictionary of Real Estate, 7th Edition, Published by: The Appraisal Institute)

EFFECTIVE DATE OF VALUE:

The subject “as is” is based on the date of inspection on March 5, 2024 and “as proposed” relating to the improvements to the water tower and completion of the new fire hydrants is June 1, 2024.

DATE OF REPORT:

May 13, 2024

SCOPE OF WORK:

I have reviewed the State of Iowa Chapter 1024 relating to the sale of the city utilities and acquisition of public utilities.

The scope of work includes a number of independent investigations and analysis including an observation of the subject property. Research sources utilized to gather information regarding the subject property and market data include the Scott County Register of Deeds and Treasurer Offices, office data, assessor’s land records and sales, publications, the internal records database of this appraisal office, Marshall & Swift, and data from the city.

I have relied on management relating to the age and configuration of the systems. Management has also provided replacement costs relating to the systems. I have relied on the city engineer and IMEG Corporation relating to replacement costs new and the system inventories. If the information provided by the client and management is deemed to be untrue or inaccurate would render my value opinion unreliable.

In my opinion, the research sources used are sufficient for the discovery of comparable market data, and the sales recited and analyzed are sufficient to provide a reliable value opinion for the property being appraised. However, because of the diversity of the information discovery process, there may be other data which may be more comparable, more recent, or more suitable to the subject property, which was not discovered, and which was, therefore, not included in this analysis.

An appraisal is defined as "A definite, written, detailed opinion of a qualified appraiser as to the market value of property." The appraisal is designed to assist in decision making regarding a particular property.

In professional appraisals, three approaches to value are considered and usually applied: (1) Cost Approach, (2) Sales Comparison Approach, (3) Income Approach. All approaches apply data that are derived from the market.

In the Cost Approach, the component parts of the subject property are analyzed and an estimate of what it would cost in the market to replace them with property of like utility and value is made. Land is broken into use classes, each evaluated on its value in the market. The value of the improvements is estimated based on cost new, less depreciation. Depreciation is defined as loss in value from any cause and may be physical wear, functional and/or external obsolescence.

I have relied on replacement costs supplied by the client. In addition, I have consulted and reviewed other engineering reports and data relating to water delivery and wastewater treatment facilities. Based on these additional sources the city's report and IMEG Corporation replacement costs of the plants and infrastructure are considered accurate, thorough and credible relating to this assignment.

The Sales Comparison Approach involves market analysis of properties that have been sold. Each property is compared with the subject property (the property being appraised) on numerous factors; some being time of sale, size location, quality, and improvements. Since no two properties are alike, each factor is given a dollar value in comparison to the subject. This is the concept of "comparable sales," which is based on the economic principle of substitution and state: "One will not pay more for an item than for another item of equal utility."

There are very limited potential investors of municipal utilities. Currently there are ten states that have enacted Fair Market Legislation regarding water utilities. Iowa recently passed legislation to allow local governments to sell their municipal water and sewer systems. There are few potential purchasers of this type of asset. Typical investors have been Aqua Illinois, Inc, Illinois American Water and in Iowa the entity that has shown interest in various systems is Iowa American Water Company.

I have been able to uncover sales of water delivery and wastewater systems that have occurred in the State of Illinois and Iowa. The sales have been extensively researched from state dockets and personal viewing of some of the systems.

The Income Approach usually involves the capitalization of net income. The appraiser outlines annual income under typical use and management using market income and expenses. The capitalization rate is derived from the market, using actual data from similar properties and similar investment criteria.

The Income Approach was not found applicable relating to this assignment. The subject is a municipal utility. There is limited to scarce market data to support and formulate a reliable rental rate, operating expenses and Overall Capitalization Rate.

The final process is correlation of the approaches and selection of the approach or approaches that most accurately represent market value.

This appraisal report is a brief summary of the data, analysis, and conclusion. All supporting documentation is retained in the appraisal file.

The subject property is appraised “as is” and “as proposed”.

CUSTOMER COUNTS:

According to officials from the City of Buffalo, the subject property water delivery system serves 426 customers and the subject property wastewater system serves 421 customers. This appraisal assumes the customer counts provided by city officials are accurate and are relied throughout this appraisal assignment.

ENVIRONMENTAL ISSUES:

This report has not taken into consideration the possibility of the existence of any environmental hazards or substances, including but not limited to asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof.

Should the client have concern over the existence of such substances or any other hazardous items on the subject properties, the appraiser consider it imperative for the client to retain the services of a qualified, independent engineer or contractor to determine the existence and extent of any hazardous materials, as well as the cost associated with any required or desirable treatment or removal thereof. Under such circumstances, the valuation stated herein would be void.

SOILS AND SUBSOILS:

This appraisal report gives no consideration to the potential impact on the subject property regarding any archeological findings; in addition, the cost of preparing any archeological studies/reports for the subject property is not incorporated into this valuation. It is assumed for purposes of this appraisal that there are no hidden or unapparent conditions of the property or subsoils that render the subject property more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them. It is also assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.

USPAP Standard Rule 1-2(g) requires the identification of all hypothetical conditions that are necessary for a credible value opinion.

DEFINITION OF HYPOTHETICAL CONDITION:

A hypothetical condition is defined as follows:

hypothetical condition 1. A condition that is presumed to be true when it is known to be false. (SVP) 2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.)

(Source: The Dictionary of Real Estate Appraisal, 7th Edition, Appraisal Institute)

Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

No Hypothetical Conditions apply for this appraisal relating to the municipal systems.

DEFINITION OF EXTRAORDINARY ASSUMPTION:

An extraordinary assumption is defined as follows:

extraordinary assumption. An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property, or conditions external to the property, such as market conditions or trends, or about the integrity of data used in an analysis. (USPAP, 2020-2021 ed.) See also special assumption.

(Source: The Dictionary of Real Estate Appraisal, 7th Edition, Appraisal Institute)

The following extraordinary assumptions are detailed as follows:

This appraisal is performed made subject to the following extraordinary assumptions:

- 1.) Information provided by management, the client and the city engineer pertaining to the water delivery and wastewater systems including the physical, legal, replacement costs, overall age is relied on throughout this assignment. I reserve the right to revise all opinions and conclusions presented in this report if upon receiving or becoming aware of any information that is inconsistent with and/or contradicts the information provided by the client.
- 2.) The replacement costs of the systems as provided are relied on throughout this assignment and any deviation relating to the costs would render my market opinion

unreliable.

- 3.) I have relied on the City Engineering Report. I reserve the right to revise all opinions and conclusions presented in this report if upon receiving or becoming aware of any information that is inconsistent with and/or contradicts the information provided by the client.
- 4.) The city has provided the legal descriptions of the parcels that are owned in fee simple by the city, located in public rights-of-way, and assets located on private property. I assume with regards to the sale of the systems to private companies, permanent easements will be in place. I assume that various easements will transfer to a private entity upon sale of the asset. I assume that permanent easements for the applicable properties will transfer to a private entity to allow for future use of the systems, the continued ability to maintain the services in regards to repair, replace and updates as required.
- 5.) I have relied on information provided by management and the city in regards of the specifics relating to the systems. In addition I did not inspect the systems that are underground.
- 6.) I assume that permanent easements that are or will be in place if the property were to be sold to a private entity.

The client has requested the “as is” and “as proposed” values assuming the completion of the water tower upgrades and final updates relating to the fire hydrants. The remaining costs relating to the planned improvements are estimated at \$360,000. I assume that the elevated storage tank will be upgraded and updated on or before June 30, 2024.

An easement is a right to use another person’s property for a specific purpose. Almost every property has an easement.

The most common easement on a residential lot is a drainage and utility easement. This type of easement is needed for stormwater runoff and underground utilities such as water, sanitary sewer, electric, gas, telephone or cable, and storm water sewer lines. Easements typically run along each property line and differ in width and length from one property to the next and can range anywhere from 5 to 50 feet wide. Easements may also be established from maintenance access to stormwater ponds, roadways, trails and sidewalks, wetland protection or other private use (gas, cable, electric, utilities , etc.).

Easements need to remain accessible to provide utility companies and City staff access for maintenance and work on infrastructure. Here is what you should know about what you can and cannot do within an easement:

Allowed at owner's risk :

- Irrigation systems
- Some types of surface landscaping
- Fences in areas that do not contain underground city utilities or will not impede drainage.

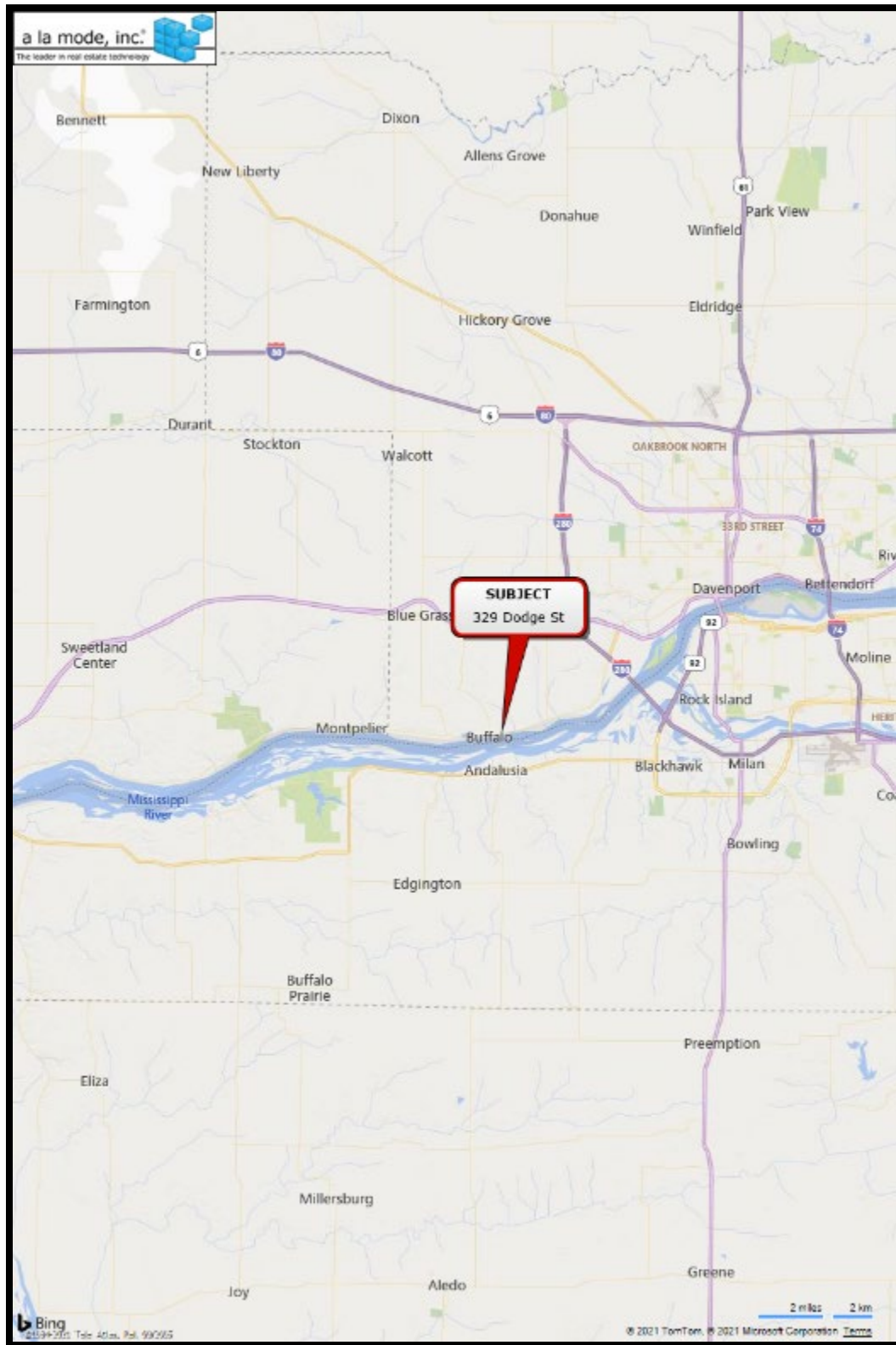
NOTE: It is assumed that the City or utility company is entitled to remove any of these or similar obstructions if access is needed.

Improvements typically not allowed:

- Retaining walls or berms
- Paver patio
- Driveways
- Decks, gazebos
- Stairs
- Fire pits
- Pools
- Storage sheds/playhouses or similar structures

This appraisal, presented in an appraisal report is intended to comply with the reporting requirements outlined under the USPAP for an appraisal report. The report was also prepared to comply with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

AREA MAP



REGIONAL & SITE DATA:

Buffalo is a city in Scott County, Iowa, United States. The population was 1,270 at the 2010 census. Buffalo is located on the Mississippi River. The city is a part of the Quad Cities Metropolitan Area.

Buffalo's longitude and latitude coordinates in decimal form are 41.459231, -90.721244.

According to the United States Census Bureau, the city has a total area of 6.49 square miles (16.81 km²), of which 6.45 square miles (16.71 km²) is land and 0.04 square miles (0.10 km²) is water. This is the only place where the Mississippi River runs chiefly from east to west instead of south or southwesterly.

The following is a market profile surrounding the subject property within a 1.0, 3.0, and 5.0 mile radius. The source of this data was gathered from the U.S. Bureau of the Census Forecasts for 2023 and 2028.

Population Trends

Radius	1 Mile		3 Mile		5 Mile	
Population						
2028 Projection	1,301		5,250		10,135	
2023 Estimate	1,304		5,285		10,226	
2010 Census	1,313		5,514		10,741	
Growth 2023 - 2028	-0.23%		-0.66%		-0.89%	
Growth 2010 - 2023	-0.69%		-4.15%		-4.79%	
2023 Population by Age	1,304		5,285		10,226	
Age 0 - 4	63	4.83%	247	4.67%	479	4.68%
Age 5 - 9	69	5.29%	270	5.11%	522	5.10%
Age 10 - 14	79	6.06%	303	5.73%	585	5.72%
Age 15 - 19	83	6.37%	326	6.17%	623	6.09%
Age 20 - 24	77	5.90%	312	5.90%	590	5.77%
Age 25 - 29	73	5.60%	292	5.53%	558	5.46%
Age 30 - 34	69	5.29%	273	5.17%	530	5.18%
Age 35 - 39	72	5.52%	272	5.15%	533	5.21%
Age 40 - 44	77	5.90%	291	5.51%	568	5.55%
Age 45 - 49	78	5.98%	302	5.71%	586	5.73%
Age 50 - 54	84	6.44%	338	6.40%	656	6.42%
Age 55 - 59	90	6.90%	378	7.15%	736	7.20%
Age 60 - 64	97	7.44%	417	7.89%	808	7.90%
Age 65 - 69	94	7.21%	406	7.68%	783	7.66%
Age 70 - 74	83	6.37%	354	6.70%	683	6.68%
Age 75 - 79	58	4.45%	247	4.67%	479	4.68%
Age 80 - 84	34	2.61%	146	2.76%	285	2.79%
Age 85+	25	1.92%	112	2.12%	222	2.17%
Age 65+	294	22.55%	1,265	23.94%	2,452	23.98%
Median Age	44.40		45.90		46.10	
Average Age	42.70		43.50		43.60	

Household Income

Radius	1 Mile	3 Mile	5 Mile
2023 Population by Occupation	1,242	5,178	9,983
Real Estate & Finance	71 5.72%	246 4.75%	435 4.36%
Professional & Management	304 24.48%	1,187 22.92%	2,229 22.33%
Public Administration	24 1.93%	85 1.64%	171 1.71%
Education & Health	139 11.19%	603 11.65%	1,101 11.03%
Services	63 5.07%	304 5.87%	620 6.21%
Information	7 0.56%	50 0.97%	115 1.15%
Sales	140 11.27%	636 12.28%	1,149 11.51%
Transportation	6 0.48%	12 0.23%	18 0.18%
Retail	54 4.35%	225 4.35%	453 4.54%
Wholesale	31 2.50%	115 2.22%	171 1.71%
Manufacturing	139 11.19%	578 11.16%	1,102 11.04%
Production	120 9.66%	500 9.66%	954 9.56%
Construction	91 7.33%	356 6.88%	737 7.38%
Utilities	32 2.58%	164 3.17%	393 3.94%
Agriculture & Mining	10 0.81%	36 0.70%	102 1.02%
Farming, Fishing, Forestry	0 0.00%	3 0.06%	29 0.29%
Other Services	11 0.89%	78 1.51%	204 2.04%
2023 Worker Travel Time to Job	645	2,668	5,099
<30 Minutes	490 75.97%	1,959 73.43%	3,832 75.15%
30-60 Minutes	149 23.10%	664 24.89%	1,177 23.08%
60+ Minutes	6 0.93%	45 1.69%	90 1.77%
2010 Households by HH Size	502	2,134	4,189
1-Person Households	90 17.93%	378 17.71%	759 18.12%
2-Person Households	206 41.04%	902 42.27%	1,784 42.59%
3-Person Households	84 16.73%	349 16.35%	694 16.57%
4-Person Households	77 15.34%	319 14.95%	587 14.01%
5-Person Households	33 6.57%	134 6.28%	254 6.06%
6-Person Households	8 1.59%	37 1.73%	77 1.84%
7 or more Person Households	4 0.80%	15 0.70%	34 0.81%
2023 Average Household Size	2.60	2.60	2.60
Households			
2028 Projection	498	2,023	3,941
2023 Estimate	499	2,038	3,979
2010 Census	503	2,134	4,190
Growth 2023 - 2028	-0.20%	-0.74%	-0.96%
Growth 2010 - 2023	-0.80%	-4.50%	-5.04%

Household Trends

Radius	1 Mile	3 Mile	5 Mile
2023 Households by HH Income	499	2,038	3,981
<\$25,000	49 9.82%	196 9.62%	487 12.23%
\$25,000 - \$50,000	62 12.42%	250 12.27%	515 12.94%
\$50,000 - \$75,000	98 19.64%	371 18.20%	628 15.77%
\$75,000 - \$100,000	64 12.83%	265 13.00%	609 15.30%
\$100,000 - \$125,000	96 19.24%	419 20.56%	773 19.42%
\$125,000 - \$150,000	41 8.22%	206 10.11%	443 11.13%
\$150,000 - \$200,000	59 11.82%	184 9.03%	275 6.91%
\$200,000+	30 6.01%	147 7.21%	251 6.30%
2023 Avg Household Income	\$102,622	\$104,581	\$99,182
2023 Med Household Income	\$90,820	\$94,056	\$89,798
2023 Occupied Housing	499	2,038	3,980
Owner Occupied	440 88.18%	1,807 88.67%	3,521 88.47%
Renter Occupied	59 11.82%	231 11.33%	459 11.53%
2010 Housing Units	543	2,205	4,273
1 Unit	512 94.29%	2,097 95.10%	4,107 96.12%
2 - 4 Units	10 1.84%	42 1.90%	96 2.25%
5 - 19 Units	18 3.31%	57 2.59%	61 1.43%
20+ Units	3 0.55%	9 0.41%	9 0.21%
2023 Housing Value	440	1,807	3,521
<\$100,000	55 12.50%	203 11.23%	493 14.00%
\$100,000 - \$200,000	133 30.23%	635 35.14%	1,179 33.48%
\$200,000 - \$300,000	154 35.00%	513 28.39%	855 24.28%
\$300,000 - \$400,000	86 19.55%	372 20.59%	694 19.71%
\$400,000 - \$500,000	2 0.45%	26 1.44%	95 2.70%
\$500,000 - \$1,000,000	10 2.27%	32 1.77%	54 1.53%
\$1,000,000+	0 0.00%	26 1.44%	151 4.29%
2023 Median Home Value	\$220,779	\$212,768	\$210,351
2023 Housing Units by Yr Built	544	2,262	4,493
Built 2010+	19 3.49%	49 2.17%	117 2.60%
Built 2000 - 2010	48 8.82%	177 7.82%	369 8.21%
Built 1990 - 1999	104 19.12%	372 16.45%	649 14.44%
Built 1980 - 1989	35 6.43%	187 8.27%	343 7.63%
Built 1970 - 1979	139 25.55%	561 24.80%	1,125 25.04%
Built 1960 - 1969	59 10.85%	311 13.75%	619 13.78%
Built 1950 - 1959	34 6.25%	165 7.29%	310 6.90%
Built <1949	106 19.49%	440 19.45%	961 21.39%
2023 Median Year Built	1974	1973	1972

Consumer Spending

2023 Annual Spending (\$000s)	1 Mile	3 Mile	5 Mile
Total Specified Consumer Spending	\$18,236	\$74,765	\$144,124
Total Apparel	\$877	\$3,576	\$6,839
Women's Apparel	345	1,417	2,705
Men's Apparel	188	770	1,476
Girl's Apparel	59	236	449
Boy's Apparel	45	181	344
Infant Apparel	38	152	294
Footwear	203	822	1,571
Total Entertainment & Hobbies	\$2,736	\$11,302	\$21,797
Entertainment	305	1,306	2,636
Audio & Visual Equipment/Service	570	2,331	4,480
Reading Materials	47	193	369
Pets, Toys, & Hobbies	506	2,076	3,978
Personal Items	1,309	5,396	10,334
Total Food and Alcohol	\$4,744	\$19,417	\$37,144
Food At Home	2,470	10,099	19,440
Food Away From Home	1,932	7,918	15,044
Alcoholic Beverages	342	1,399	2,660
Total Household	\$3,003	\$12,369	\$23,709
House Maintenance & Repair	753	3,107	6,042
Household Equip & Furnishings	1,146	4,698	8,971
Household Operations	793	3,279	6,272
Housing Costs	311	1,284	2,424
Total Transportation/Maint.	\$4,822	\$19,638	\$38,583
Vehicle Purchases	2,641	10,686	21,317
Gasoline	1,154	4,721	9,185
Vehicle Expenses	105	427	774
Transportation	380	1,572	2,956
Automotive Repair & Maintenance	543	2,233	4,351
Total Health Care	\$975	\$4,033	\$7,763
Medical Services	570	2,347	4,514
Prescription Drugs	304	1,264	2,440
Medical Supplies	102	422	809
Total Education/Day Care	\$1,078	\$4,428	\$8,288
Education	685	2,818	5,248
Fees & Admissions	392	1,611	3,040

NEIGHBORHOOD MAP



OWNERSHIP HISTORY

The owner of the subject property is the City of Buffalo, Iowa who has owned the systems for the last 5+ years. There is no pending agreement relating to the water delivery and wastewater systems. I was told that the city is in the process of negotiations with Iowa American Water Company regarding a potential sale of the systems.

LEGAL DESCRIPTION

Parcel Number 7221230061 is legally described as Sec:21 Twp:77 Rng:2SEC 21-77-2 PT SE NECOM 1362' E & 20' NSW COR SW NE-E 50' TOBEG: E 145'-N 160'-W 145'-S 160' EX 2700 SQ FT TRI TRACT PER QCD 08-5481 .047AC. This represents the water treatment plant.

Parcel Number 722141002 is legally described as Sec:21 Twp:77 Rng:02PT SE NE SE COM SWCOR LOT 9 BLK 4 OFHECKLE & KAUTZ SD:SELY ALG SD. TO N/L DAV-BUF RD WLY ALG N/L RD 381.3'-NLY 498.95' TO ALLEY-NELY ALG S/L ALLEY TO PT OF BEG. This parcel represents the larger parcel that is subject to an easement for the East Lift Station.

Parcel Number 722201201 is legally described as BUFFALO SCHOOL SUBD Lot: 001 BUFFALO SCHOOL SUBDLOT 1. This parcel represents the water tower site.

Parcel Number 722239001 is legally described as Sec:22 Twp:77 Rng:02PT NE SE PT LOT 9 DODGE ESTATE TRACT100' X 200' ADJ TORR DEPOT GROUNDS & SEWAGE DISPOSAL PLANT. This parcel represents the wastewater treatment plant site.

PROPERTY TAX SECTION – ASSESSED VALUE ONLY

PID#	Use	Land Size - SF	Land Value	Building Value	Total Value
7221230061	Water Treatment Plant	29,839	\$59,700	\$60,600	\$120,300
722239001	Wastewater Treatment Plant	40,249	\$80,500	\$1,008,100	\$1,088,600
722201201	Water Tower	31,799	\$60,400	\$387,600	\$448,000
Total		101,887	\$200,600	\$1,456,300	\$1,656,900

The subject parcels are tax exempt.

ZONING DESCRIPTION:

The subject property relating to PID#7221230061 is zoned Two-Family Residential relating to the water treatment plant.

The subject property relating to PID#722201201 is zoned Two-Family Residential relating to the water tower.

The West Lift Station is zoned in the Local Business District.

The Dodge Street Lift Station is zoned Two Family Residential.

The subject property relating to PID#722239001 is zoned Heavy Industrial District relating to the wastewater treatment property.

Conclusion:

No formal study was performed in regards to deed restrictions. However, it is recommended that a lawyer or title company be consulted regarding any deed restrictions associated with subject site.

The appraiser is not an expert in the interpretation of complex zoning ordinances but the subject property appears to be a conforming use based on a review of public information. Please note that the determination of compliance is beyond the scope of a real estate appraisal. It is recommended that local planning and zoning personnel be contacted regarding more specific information that might be applicable to the subject.

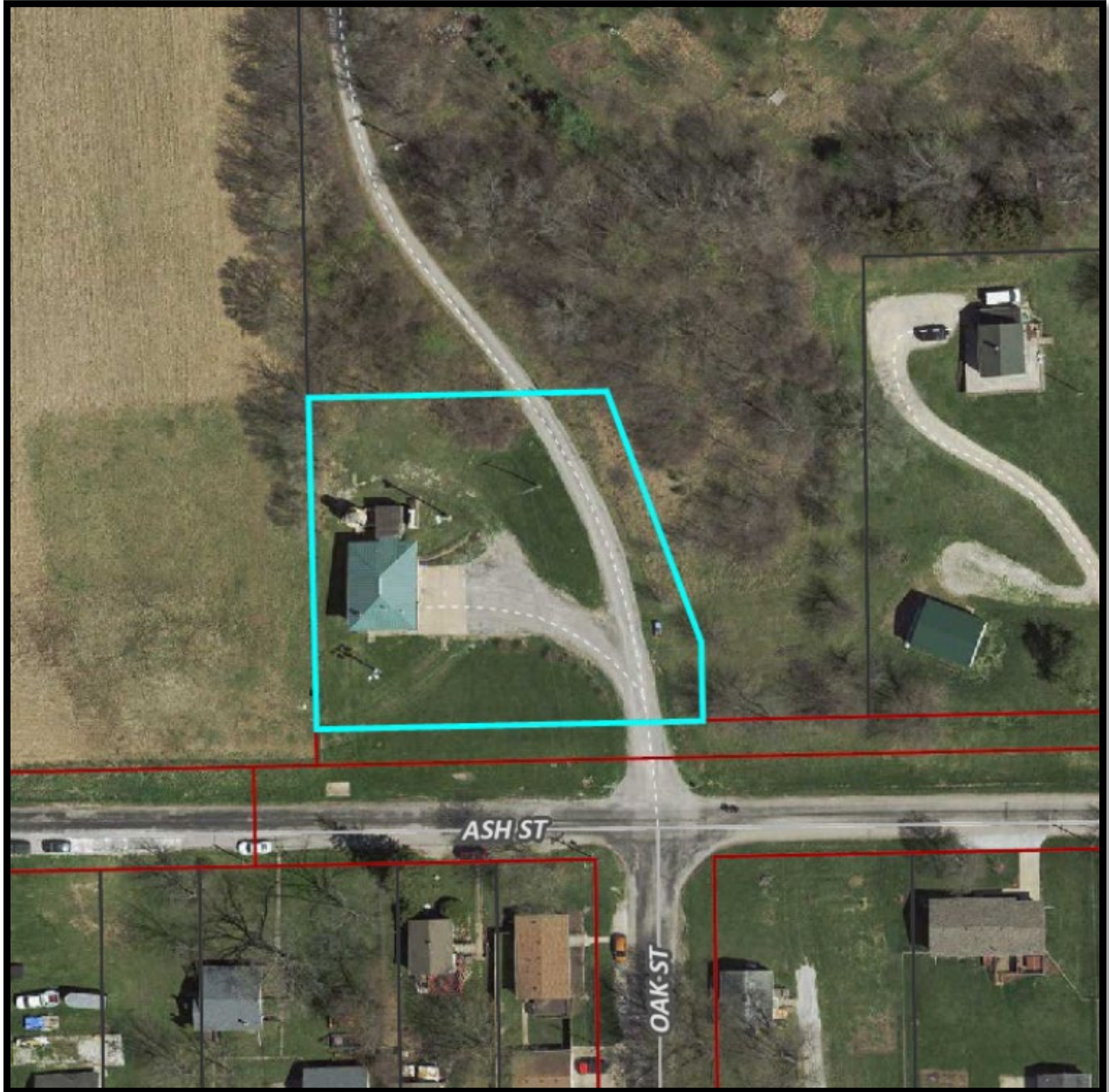
In addition, we know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or a title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist. I have requested a zoning map and code from the city. The city code was provided. I received only an email from the city clerk regarding the zoning districts of the two systems.

AERIAL MAP



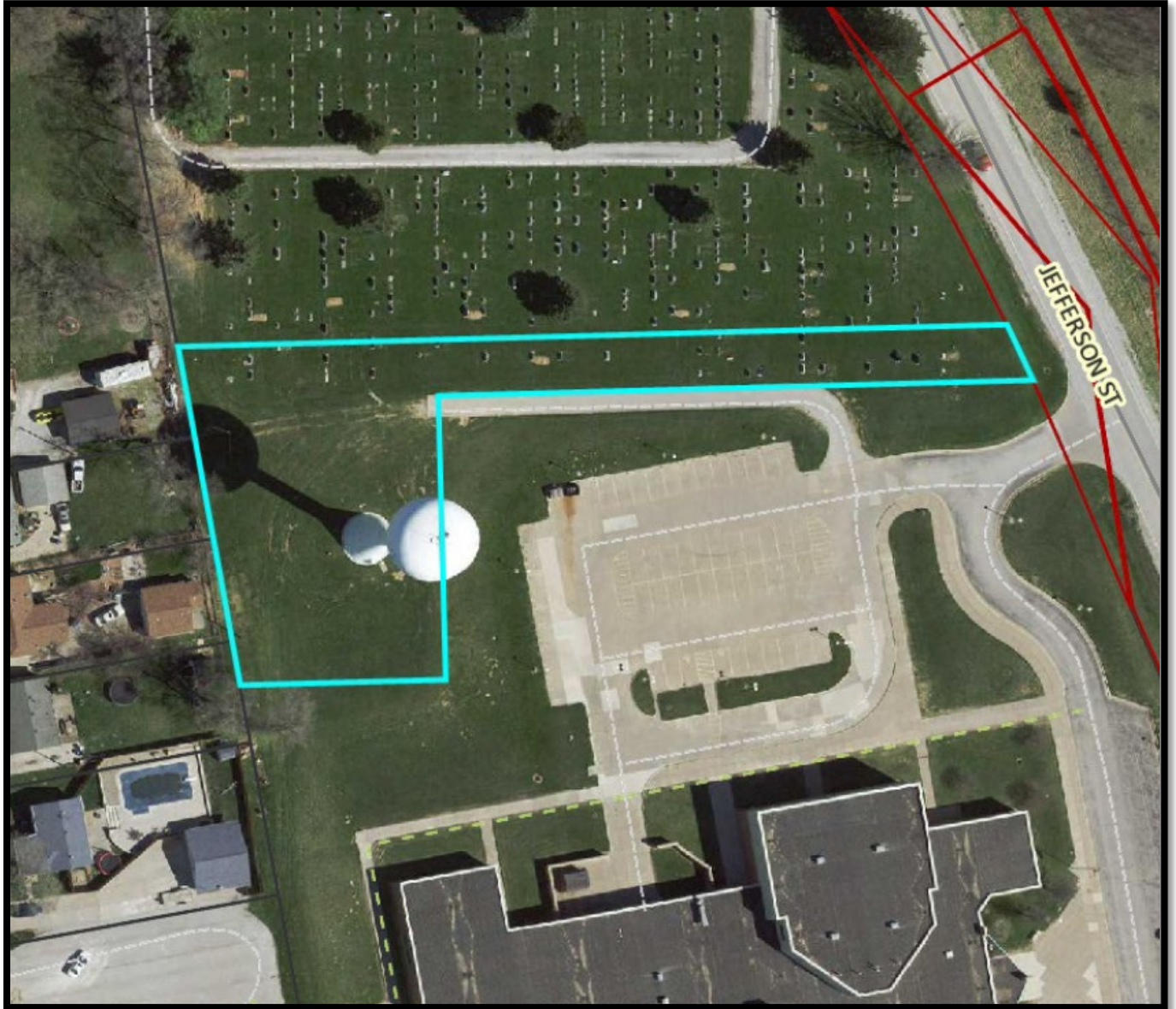
The above aerial relates to PID #722239001 and coincides with the wastewater treatment plant located in the Town of Buffalo.

AERIAL MAP



The above aerial relates to PID #7221230061 and coincides with the water treatment plant located in the City of Buffalo.

AERIAL MAP



The above aerial relates to PID #722201201 and coincides with the water tower located in the City of Buffalo.

AERIAL MAP



The above aerial relates to PID #722141002 and coincides with the larger parcel which contains the west lift station.

AERIAL MAP



The above aerial relates to location of the East Lift Station.

SITE DATA:

Dimensions and Size:

The various sites are irregular in shape. The following are the summary of land sizes.

PID#	Use	Land Size - SF	Land Value	Building Value	Total Value
7221230061	Water Treatment Plant	29,839	\$59,700	\$60,600	\$120,300
722239001	Wastewater Treatment Plant	40,249	\$80,500	\$1,008,100	\$1,088,600
722201201	Water Tower	31,799	\$60,400	\$387,600	\$448,000
Total		101,887	\$200,600	\$1,456,300	\$1,656,900

Topography:

The subject parcels are generally level to gently rolling topography.

Utilities:

Public utilities that are available include water, sewer, electricity, natural gas, internet, and telephone.

Floodplain:

According to the Federal Emergency Management Agency (FEMA) the area is not participating in the program.

Environmental Conditions:

I am not aware, at the time of my observation, of any conditions in the soil or buildings that would suggest environmental hazards on the property. However, I am not qualified to detect such conditions or substances. No environmental study by a qualified party has been made available for my review. If environmental hazards are suspected, the client is urged to have an independent study completed by a qualified party to determine if environmental hazards do exist.

Easements, Encroachments, or Encumbrances:

As of the date of this appraisal, we have not received any documentation regarding the existence of permanent easements that reportedly convey to the City of Buffalo limited real property rights, including the right to operate, maintain, inspect, repair and replace the components of the respective water and wastewater systems. There are easements in place regarding the west lift station and water tower. This appraisal assumes the City of Buffalo has permanent and legal means of access to the various sites, as well as the property rights necessary for the continued use and maintenance/repair/replacement of the facilities as necessary for its water delivery and wastewater operations.

PRESUMED EASEMENTS FOR WATER AND WASTEWATER COLLECTION MAINS

I have interviewed the city engineer regarding to easements of record. There is an easement in place relating to the west lift station. All of the other land parcels are owned in fee simple and in public rights-of-way. The consideration of the subject property regarding land interests pertains to the underground pipelines associated with the water delivery and wastewater system.

Based upon information provided by the city engineer, it is reasonable to presume the following with respect to the valuation of the real property rights for the mains.

(1) There are approximately 72,888 linear feet of water and sewer mains relating to the systems. Approximately 95% of the total distance is public rights-of-way and 5% is located on privately-owned land that is assumed to be permanently encumbered as part of the water and wastewater system. Most of the mains are in the street or public right-of-way. The East Lift Station is located in a public right-of-way.

(2) There are (or will be) permanent easements in place for the mains that are on private property, and that the easement rights conveyed to the city of Buffalo are typical and similar to easements granted to other communities for their wastewater collection systems.

(3) The easements across private property for the mains are assumed to be 10 feet wide.

(4) The easements are not exclusive.

(5) The private owners' rights in the encumbered areas do not restrict the reasonable crossing of the easement area with any foreign lines or utility services, including, but not limited to, utility services, telephone, cable, and fiber optic lines/services, interstate and intrastate natural gas, petroleum, refined products, or oil pipelines, or overhead power transmission lines.

(6) That the private owners' rights in the encumbered areas do not restrict the reasonable use of the surface of the area of the easement, including the use of the easement strips for driveways, access points for ingress/egress, and the construction of any non-permanent structures (fences, sheds, above-ground swimming pools, etc.), so long as such use does not interfere with the safety and operation of the water delivery and wastewater systems.

Based upon this information, the calculated area of the presumed permanent easements for the water and wastewater mains is approximately 3,644 SF plus the West Lift Station Site estimated at 750 SF for a total of 4,395 SF.

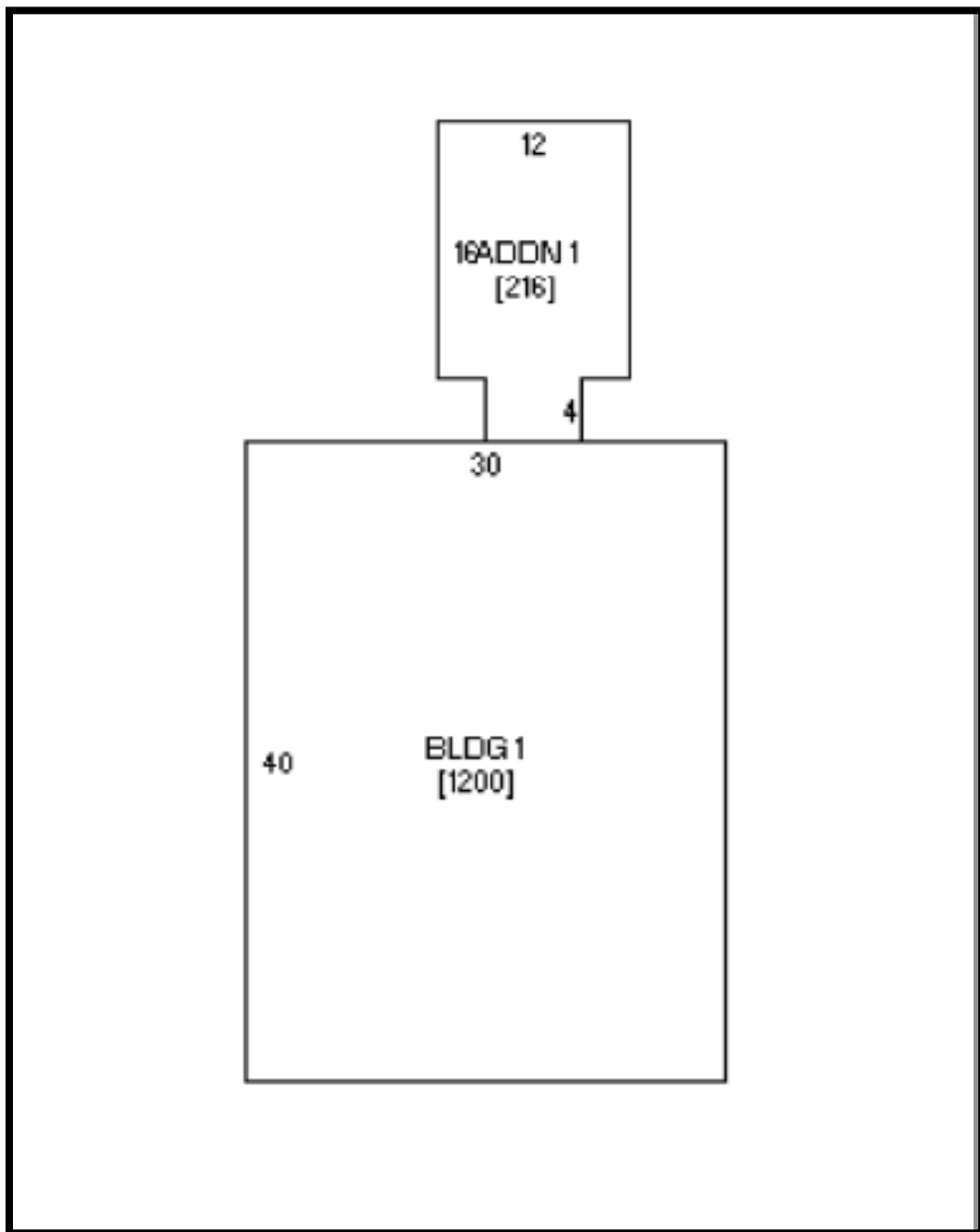
The estimated length for the presumed permanent easements for the water and wastewater collection system is estimated based upon information provided by officials from the City of Buffalo, Iowa.

Typically in a public utility purchase, the assets that typically are not included are the following:

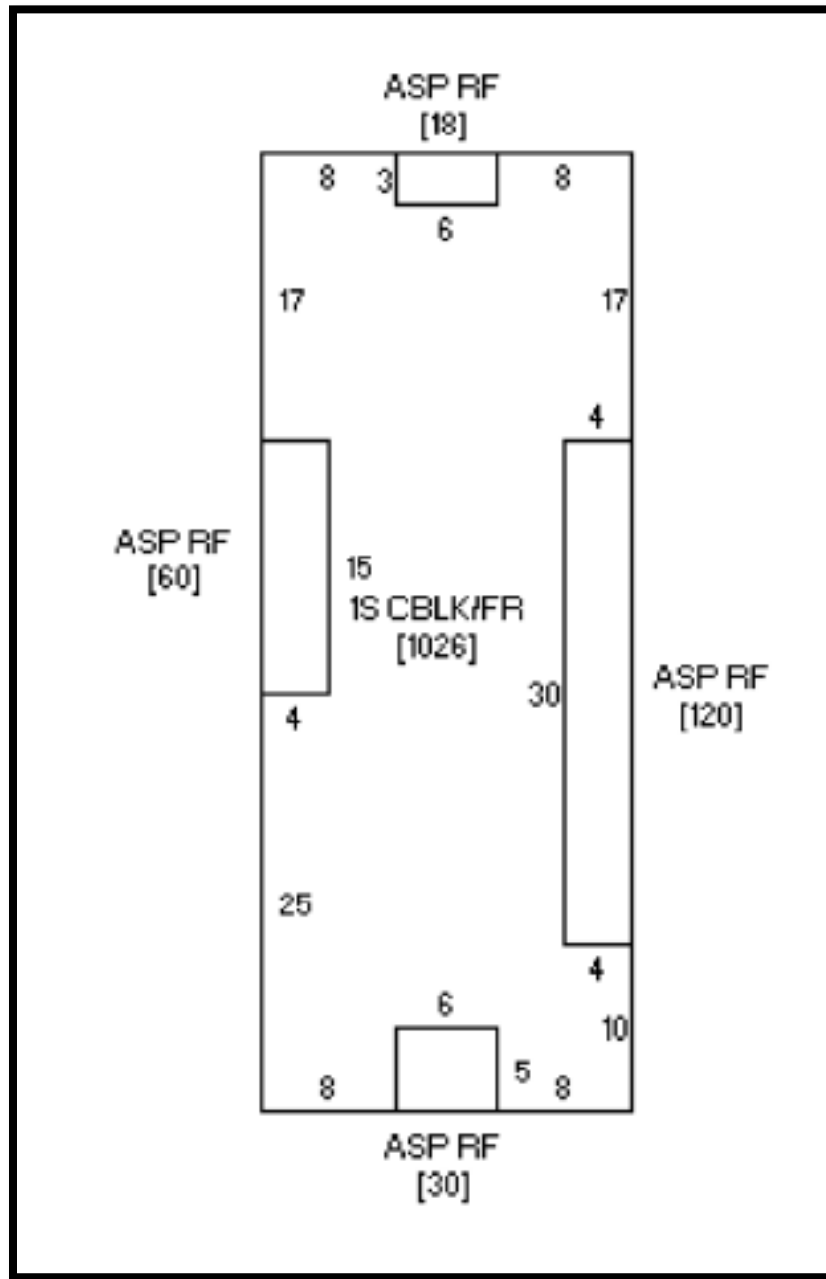
Excluded Assets Notwithstanding the foregoing, the Assets shall not include any of the following:

- (a) Any and all customer water service lines that run from outside the meter box or curb stop (or property line if no meter box or curb stop) to each individual residence, commercial or industrial structure served by the Assets;
- (b) All piping and fixtures internal to each individual customer's structure;
- (c) Any and all customer wastewater service lines or laterals that run from outside the connection to the main sewer line, including tap, to each individual residence, commercial or industrial structure served by the Assets as these are owned by the customer;
- (d) Any appurtenances to the customer sewer service lines or laterals, including any grinder pumps;
- (e) Village's cash;
- (f) All accounts receivables of the City related to the Systems outstanding as the date of the Closing;
- (g) All trucks and other vehicles currently used in whole or in part relative to the City's ownership, maintenance or operation of the Systems, except as otherwise specifically set forth herein.

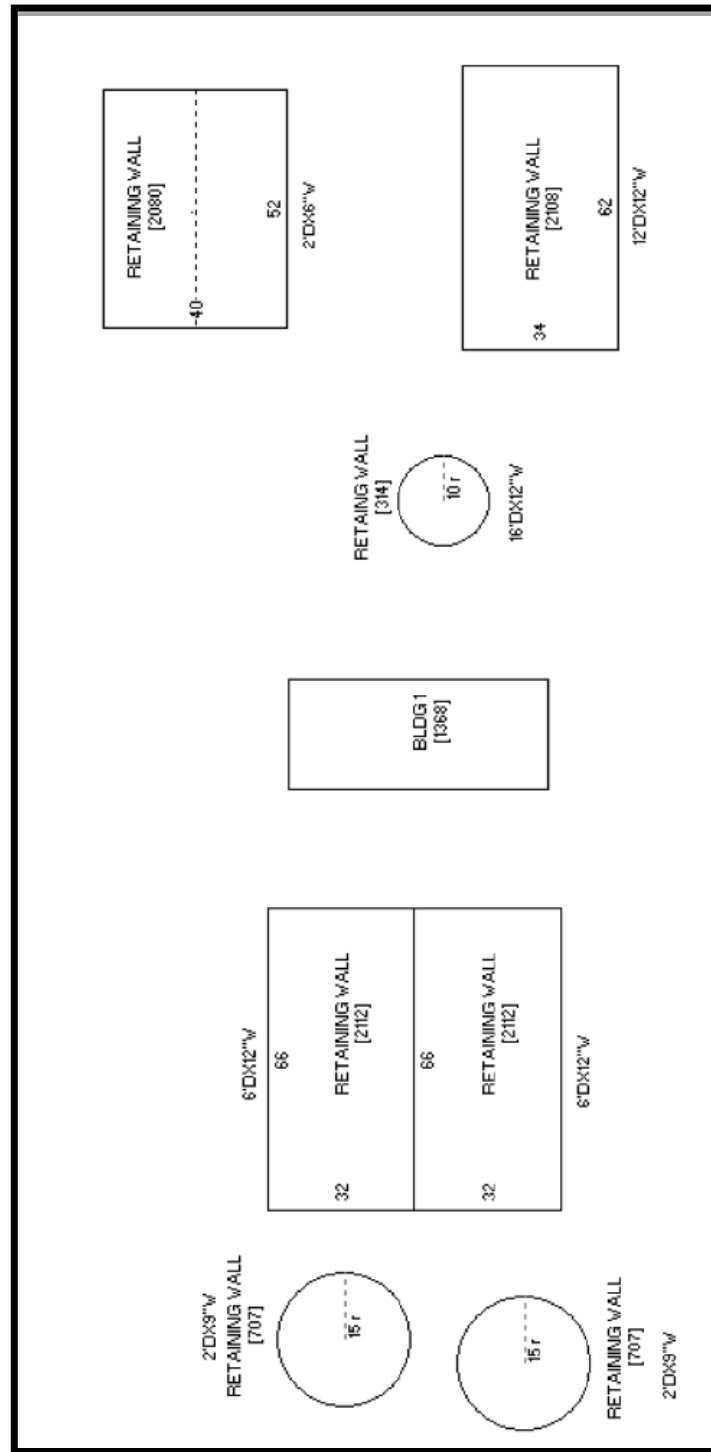
WATER TREATMENT SKETCH



WASTEWATER TREATMENT SKETCH



WASTEWATER TREATMENT SKETCH



IMPROVEMENT ANALYSIS:

The subject property consists of a water delivery and wastewater systems. The following is a summary of the systems:

The subject property consists of the Water Delivery and Wastewater Systems within the city of Buffalo, Iowa.

Water treatment

The Source is Ground water from primarily one of two wells. Treatment consists of aeration utilizing a cascade aerator to oxidize iron for removal followed by some detention directly below the aerator. The water is treated with gas chlorine for further oxidation of iron and on to 300 gpm gravity sand filter, where the iron is filtered out. Following treatment water is stored in a 10,000 gallon clear well. Water is moved by high service pumps to move the water to the 250,000 gallon elevated storage tower. There are approximately 426 customers connected to the water system. There are approximately five miles of water service lines.

Waste water treatment

The wastewater system consists of wastewater services, gravity collection system, two lift stations, force mains and a wastewater treatment plant. The collection system is an activated sludge system to treat wastewater. The subject is classified as a Grade 3 wastewater treatment plant including grit removal system, 2 aeration tanks, two clarifiers lift station and 3 Hoffman blowers. Wastewater is initially settled and screened, sent through aeration and final clarification, and is then disinfected. A digester and sludge storage tank are utilized for bio solids processing. Air is supplied to the process by three Hoffman blowers controlled from the treatment building. The collection system has two lift stations, one that is a canned style that pumps all of the waste water from the collection system to the treatment facility. The other lift station pumps wastewater from the west side of town. The system provides service to approximately 426 customers and there are approximately five miles of 8" and 10" sanitary sewer mains.

Table 1 summarizes the water systems and the length, material and size.

City of Buffalo Water Inventory						
Description	Type	Size	Year Built	Age	Quantity	Units
Water Line	DI	4"	1958	66	15018	LF
Water Line	DI	6"	1958	66	11058	LF
Water Line	PVC	6"	1974	50	8788	LF
Water Line	DI	8"	1958	66	1262	LF
Water Line	PVC	8"	1974	50	2018	LF
Water Valve	DI		1958	66	43	EA
Water Valve	DI		1974	50	16	EA
Fire Hydrant Assembly			1958	66	31	EA
Fire Hydrant Assembly			1974	50	13	EA
Pressure Relief Vaults					4	EA
Water Treatment Plant & Elev. Tank*			1997	27	1	EA
Aerator & Detention Tank @ Well #2*			1989	35	1	EA
Well #2 & Pump Building*			1975	49	1	EA
Upgrade PLC at Water Treatment Plant			2023	1	1	EA
Replace Fire Hydrants			2023	1	9	EA
Well #1*			1958	66	1	EA
Well #1 Rehabilitation			2023	1	1	EA
Totals						

Table 2 summarizes the wastewater systems and the length, material and size.

City of Buffalo Sanitary Sewer Inventory							
Description	Type	Size	Year Built	Age	Quantity	Year Updated	Units
Gravity Sewer	Conc.	8"	1960	64	18,186		LF
Gravity Sewer	Conc.	8"	1981	43	8139		LF
Gravity Sewer	Conc.	10"	1960	64	5916		LF
Sewer Lining					1		LS
Force Main	DI	8"	1981	43	441		LF
Force Main	DI	10"	1960	64	2062		LF
Manholes	Conc.	4	1960	64	81		EA
Manholes	Conc.	5	1981	43	32		EA
East Lift Station			1981	43	1		EA
West Lift Station			1960	64	1	1983	EA
Wastewater Treatment Plant			1983	41	1		EA
Total							

Functional Utility

The current design characteristics of the subject meet modern standards and are adequately suited to their current use. Based on our inspection and consideration of its current and future use, there do not appear to be any significant items of functional obsolescence.

ADA Compliance

The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made, nor are we qualified by training to make, a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey and a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Based on the overall plans the proposed project appear to adhere to the requirements.

Furniture, Fixtures and Equipment (Personal property)

The systems include fixtures and equipment as detailed throughout this assignment. Please see system breakdown per actual costs.

Environmental Issues

I was not provided a Phase I Environmental Assessment for preparation of this report. I did not observe any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. However, it is noted that I did not search for such materials and are not qualified to detect such materials. The existence of said hazardous materials (if any) may have an effect on the value of the property. Therefore, for the purpose of this appraisal, I have specifically assumed that the property is not affected by any hazardous materials that may be present on or in the improvements. We strongly recommend that a qualified environmental engineering firm be retained by the Client prior to making a business decision.

Conclusion

A typical user of the subject property would be an owner-operator to utilize as a water delivery and wastewater system as warranted by market demand. There are limited investors of this type of asset. There are very limited potential investors of municipal utilities. Currently there are ten states that have enacted Fair Market Legislation regarding water utilities. Iowa recently passed legislation to allow local governments to sell their municipal water and sewer systems. There are few potential purchasers of this type of asset. Typical investors have been Aqua Illinois, Inc, Illinois American Water and in Iowa the entity that has shown interest in various systems is Iowa American Water Company. The most likely purchaser of this asset would be a public or private entity of water delivery and wastewater systems.

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Water Treatment Plant



Water Treatment Plant

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Water Treatment Plant



Pumps

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Power Station



Back-Up Well Location within Plant

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Interior of the Treatment Plant



West Lift Station

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Water Tower



Main Well – Located in City Maintenance Building

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Interior – East Lift Station



East Lift Station

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Wastewater System



Wastewater System

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Wastewater System and Wastewater Plant



Wastewater System

SUBJECT PROPERTY
Water & Wastewater Systems
Buffalo, Iowa



Wastewater System



Interior - Wastewater Plant

MARKET ANALYSIS:

For many small municipalities, these for-profit water utilities have recently shown interest in acquiring municipal utilities.

Sell, and the community gets an influx of extra revenue from the sale, but ratepayers often end up with higher bills. According to data released in a 2017 Chicago Tribune expose, Illinois American and Aqua Illinois were slapping Chicagoland customers with rates *20 to 70 percent higher* than the rates of publicly-managed water systems using the same Lake Michigan water (Keeping a system municipally-owned does not mean there will never be a rate increase, but public water is cheaper in the long run, especially when private profit is involved.)

But if local governments want to keep the system public, the municipality (read, ratepayers) has to fork out money to pay for expensive system upgrades and maintenance on a depreciating water system. According to a 2017 report from the American Society of Civil Engineers, most of the water pipes across the US were installed in the early- to mid-20th century, and their time is almost up; the pipes were projected to last about 75 to 100 years.

Four types of privatization considered representative of the range of privatization arrangements available in the United States are considered in this report. In order of private responsibility and risk assumption, they are (1) “outsourcing” of the performance of specific public utility support services to private companies; (2) full-service contract operation and management by private companies of publicly owned treatment works; (3) coupling design and construction services with comprehensive operating agreements for new, expanded, or upgraded facilities under design-build-operate (DBO) contracts; and (4) the sale of government-owned water/ wastewater assets to private water companies.

Only the fourth option fully transfers risks and responsibilities of asset ownership, operation, maintenance, and replacement to the private sector. Private companies that operate as tax-paying corporate entities currently collect about 14 percent of the revenues and own about 11 percent of the assets providing drinking water in the United States (EPA, 1997). They typically operate under long-term franchises granted by local municipalities. State commissions regulate their rates and charges.

Source: Citizens Utility Board/The National Academies of Sciences Engineering Medicine

Privatization Pros and Cons

Supporters of privatization say it provides a great way to maintain and update pipes, filters and technology in order to make water safer. “The advantage is that you get the political meddling out of it and the source of finance becomes more stable,” says Chris Edwards, a fiscal expert at the Cato Institute, a libertarian-leaning think tank. “When something is run by the government, there's always fighting over appropriations and micromanagement.”

Communities with smaller or older public water systems are increasingly turning to private-sector partners to make up for service gaps and their own limited budgets. One recent example is Salem,

N.J., where residents voted last November to sell their water and sewer systems to New Jersey American Water. The city is deep in debt and can't afford the cost of cleanup of PFAS chemicals.

Sales of water systems appeal to smaller towns or cities as a way to offload the cost of water infrastructure projects. About a dozen states — most recently Florida — have encouraged sales by passing so-called fair market value legislation, which makes utilities more attractive to buyers. Traditionally, the value of water and wastewater systems has been determined by calculating their original cost, minus depreciation. Fair market value legislation allows water and wastewater utilities to use alternative valuations, such as purchase price or an average of appraisals.

Critics complain that this leads to artificial inflation of systems' value in a way that ultimately hurts customers. Private water companies "have been very successful at pushing that legislation through legislatures," says Mary Grant, who works on water issues for Food and Water Watch, an environmental advocacy group. "I think that we're going to see more privatization in states that have fair market value legislation on the books. That's their goal."

Protests and Pushback

Companies such as Essential Utilities, which owns more than 1,500 public water systems nationwide, have lobbied for fair market value legislation. "There's both a political and a marketing machine driving outsourcing privatization," says Donald Cohen, co-author of *The Privatization of Everything*.

Throughout American history, ownership of water systems has swung back and forth between the public and private sectors. Despite the recent growth in privatization, there have been examples of municipalities taking back control and ownership.

Residents served by the Chester Water Authority in southeastern Pennsylvania have been fighting a takeover of the system by an Essential Utilities subsidiary. Last spring, Jackson water maintenance workers staged a protest against the city's contract with a private company. Even in Salem, which voted heavily in favor of privatization, Food and Water Watch worked with community activists to get the question on the ballot and give residents a say in the matter.

A Pennsylvania court ruled last year that the Public Utility Commission should not have allowed the sale of a municipal sewer system, because the deal could have led rates to double. The finding ran against a prior trend in favor of consolidation of utilities.

Nationwide, publicly owned water systems remain the primary source of water for Americans. That likely won't change.

"The key concern with the privatization of water is that loss of local control over the projects," says Grant, of Food and Water Watch. "Companies may be offering large sums of money to entice local officials to sell assets, but that's not free money. That's just a debt that your constituents are going to have to pay through their water bills."

Source: Governing Magazine

HIGHEST AND BEST USE:

The Dictionary of Real Estate, 7th Edition published by the Appraisal Institute, defines highest and best use as:

Highest And Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)
4. [For fair value determination] The use of a nonfinancial asset by market participants that would maximize the value of the asset or the group of assets and liabilities (for example, a business) within which the asset would be used. (FASB Glossary) The highest and best use of a nonfinancial asset takes into account the use that is physically possible, legally permissible, and financially feasible. (FASB 820-10-35-10B). The highest and best use of a nonfinancial asset establishes the valuation premise used to measure the fair value of the asset, as follows: (a) The highest and best use of a nonfinancial asset might provide maximum value to market participants through its use in combination with other assets as a group (as installed or otherwise configured for use) or in combination with other assets and liabilities (for example, a business). (b) The highest and best use of the asset might provide maximum value to market participants on a standalone basis. (FASB 820-10-35-10E)

The above definition indicates that an improved property be analyzed for its highest and best use first as though the site is vacant, and second as it is presently improved. The highest and best use of the vacant site may be different from the existing use. The existing use will continue until land value in its highest and best use exceeds the total value of the existing property.

In each highest and best use analysis, four criteria must be met. The highest and best use must be (1) legally permissible, (2) physically possible, (3) financially feasible, and (4) maximally productive.

HIGHEST and BEST USE - As Vacant

Legally Permissible

Legally permissible considers the uses, which are permitted by public and private restrictions on the site. Intended uses of the subject site must comply with local laws, zoning ordinances, and deed restrictions of the City of Buffalo.

The potential uses that meet the requirements of the legal permissibility test include agricultural and residential uses per zoning. An alternative use would be institutional and the current use as a municipal utility.

Physically Possible

One of the first constraints imposed on the possible use of a site, as if vacant, is dictated by its physical characteristics. Size, shape, topography, access, frontage and availability to utilities have an influence affecting the uses for which a site may be developed. Utility of a parcel may depend on its frontage and depth. Consideration must also be made of its future or potential use rather than its actual use. The maximum use of the land must be determined.

Access to the various sites are considered average.

Financially Feasible

In determining which uses are legally permissible and physically possible, an appraiser eliminates some uses from consideration. Then the uses that meet the first two criteria are analyzed further to determine which are likely to produce income or return equal to or greater than the amount need to satisfy operating expenses, financial obligations and capital amortization. All uses that are expected to produce a positive return are regarded as financially feasible.

Maximally Productive

Maximum profitability is obtained from that use among those financially feasible which provides the highest present worth to the property. A correlation of the three previous tests for the site, as if vacant, indicates that the current development would be the highest and best use for the subject sites.

HIGHEST and BEST USE - As Improved

The use that produces the highest price, or value, consistent with the rate of return warranted by the market for that use is the maximally productive or Highest and Best Use. Based on the current system components, age, and overall functional utility the Highest and Best Use of the property is the present use as a water delivery and wastewater system. This use is legally permissible, physically possible, financially feasible and is the maximally productive use.

ANALYSIS AND VALUATION:

This report considers the three standard approaches to value in the valuation process; the cost approach, sales comparison approach, and the income approach. Each approach complements and confirms the conclusions reached through the other two methods of valuation. Each of these approaches to the opinion of market value is explained at the beginning of its respective section. The income approach is based on the gross building area of the building. The sales comparison approach is based on the gross building area of the building since, that is what investors purchase as indicated by the comparable sales. The cost approach is based on the gross building area since the function of the cost approach is to estimate a replacement cost for the improvements.

Land Value:

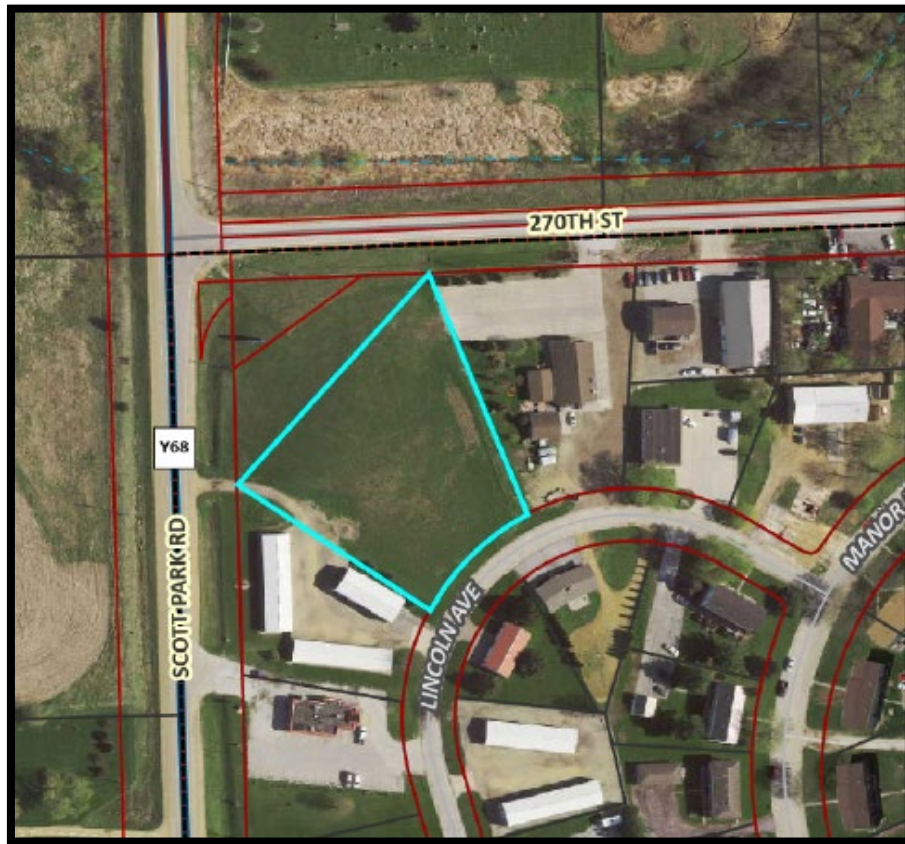
In this approach, sales of similar unimproved land are analyzed, compared and adjusted to derive an indication of value for the land being appraised. In applying the sales comparison approach, the appraiser follows a systematic procedure. The appraiser must always compare like properties. That is, the appraiser must adjust each comparable to the subject to impute an indicated value to the property. The steps of the procedure are as follows:

1. Research the market to obtain information about transactions and listings of other properties similar to the subject property.
2. Verify the information by considering whether the data is factually accurate and the transaction reflects an arm's length market consideration.
3. Determine relevant units of comparison such as acres, square foot and front foot, and develop a comparative analysis for each unit.
4. Compare the subject and comparable sales according to the elements of comparison and adjust the sales price of each comparable as appropriate.
5. Reconcile the multiple value indications that result from the adjustments into a single value indication.

Over the last several years there have been limited sales of residential land in the city of Buffalo, Iowa. Therefore, I have had to go outside of the usual parameters in terms of size and location.

The following land sales have been researched and are considered to be most applicable in establishing a reliable estimate of market value of the subject's land relating to the water delivery and wastewater treatment facilities as of the date of this appraisal.

LAND COMPARABLE #1



Sale Information

Intended Use of Site:	Vacant Commercial Land
Location:	12xx Lincoln Avenue, Park View, IA
Legal Description:	PID#0431011A0, Scott County, IA.
Date of Sale:	June 17, 2022
Grantee:	North Scott Storage, Inc.
Grantor:	Kent L. Gehrls
Zoning:	Community Area Development
Utilities:	All available to the site
Topography:	Generally level
Size:	61,725 square feet
Sale Price:	\$170,000
Unit Price:	\$2.75/SF
Source:	Assessor/County Records
Comments:	Land that will be developed with additional mini storage with the adjacent lot to the south.

LAND COMPARABLE #2



Sale Information

Intended Use of Site:	Vacant Residential Land
Location:	706 Hacker Street, Buffalo, IA
Legal Description:	PID#722217403, Scott County, IA.
Date of Sale:	August 27, 2021
Grantee:	Eric Mart
Grantor:	Jaxks Properties, LLC
Zoning:	Residential
Utilities:	All available to the site
Topography:	Generally level
Size:	15,245 square feet
Sale Price:	\$23,000
Unit Price:	\$1.51/SF
Source:	Assessor/County Records
Comments:	To be developed with a single family residence.

LAND COMPARABLE #3



Sale Information

Intended Use of Site:	Vacant Residential Land
Location:	323 Oak Street, Buffalo, IA
Legal Description:	PID#7221391061, Scott County, IA.
Date of Sale:	December 6, 2022
Grantee:	McKenzie Moeller
Grantor:	Budget Builders & Properties, Inc.
Zoning:	Residential
Utilities:	All available to the site
Topography:	Generally level
Size:	11,980 square feet
Sale Price:	\$15,000
Unit Price:	\$1.25/SF
Source:	Assessor/County Records
Comments:	Land that was developed with a single family residence.

LAND COMPARABLE #4



Sale Information

Intended Use of Site:	Vacant Residential Land
Location:	608 Hacker Street, Buffalo, IA
Legal Description:	PID#722217108-2, Scott County, IA.
Date of Sale:	November 18, 2022
Grantee:	Jeremy Novitske
Grantor:	Midwest Homebuyers, LLC
Zoning:	Residential
Utilities:	All available to the site
Topography:	Generally level
Size:	9,650 square feet
Sale Price:	\$25,000
Unit Price:	\$2.59/SF
Source:	Assessor/County Records
Comments:	The home was in fair condition and the sale was essentially for the land only. Costs associated with removal of the existing improvements are estimated at \$5,000.

LAND COMPARABLE #5



Sale Information

Intended Use of Site:	Vacant Residential Land
Location:	516 4th Street, Buffalo, IA
Legal Description:	PID#722231010, Scott County, IA.
Date of Sale:	June 30, 2023
Grantee:	Tracie Rogiers
Grantor:	Trent L. Adams
Zoning:	Residential
Utilities:	All available to the site
Topography:	Generally level
Size:	12,285 square feet
Sale Price:	\$30,000
Unit Price:	\$2.44/SF
Source:	Assessor/County Records
Comments:	Land that was developed with a single family residence. Parcel last sold in 2020 for \$24,000.

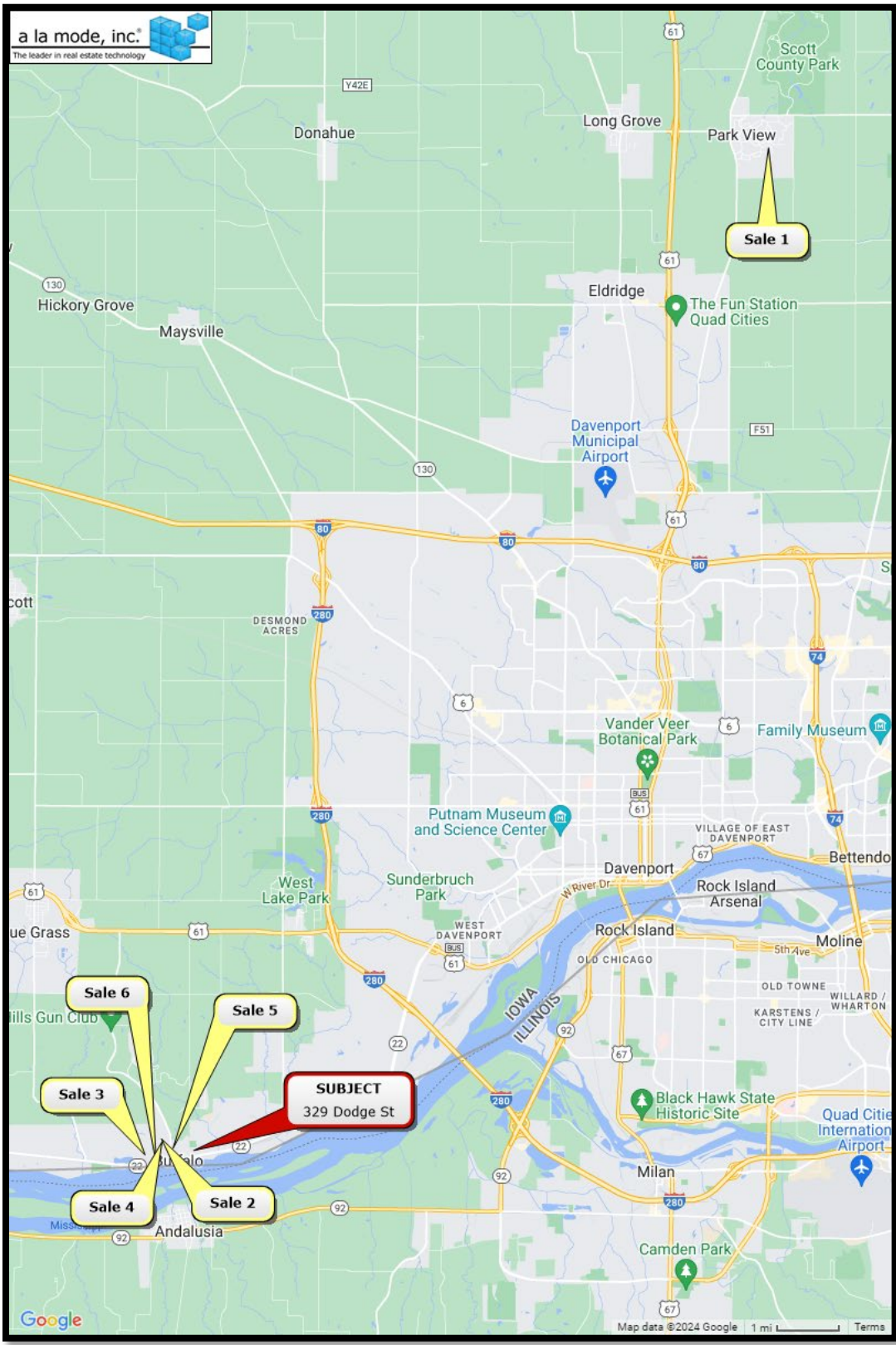
LAND COMPARABLE #6



Sale Information

Intended Use of Site:	Vacant Residential Land
Location:	708 Front Street, Buffalo, IA
Legal Description:	PID#72224810502, Scott County, IA.
Date of Sale:	July 7, 2020
Grantee:	Wendy S McKeever
Grantor:	Ruby I. McCullough
Zoning:	Residential
Utilities:	All available to the site
Topography:	Generally level
Size:	9,240 square feet
Sale Price:	\$13,000
Unit Price:	\$1.41/SF
Source:	Assessor/County Records
Comments:	Land that will be developed with a single family residence

COMPARABLE LAND SALES MAP



SUMMARY OF LAND SALES:

The preceding comparables all require adjustments for differences to the subject. Adjustments are given both for quantitative and qualitative differences. Those adjustments found pertinent to the quantitative valuation of land are those for differences in property rights conveyed, financing, sale terms, and expenditures after purchase, size of the parcel, non-realty components, and economic conditions that would affect the sales price.

Property Rights Conveyed Adjustments

This adjustment accounts for differences in the type of interest held. This generally applies when the interest being valued, or that sold, is less than full fee simple. Leasing conditions of the sale, such as leasehold or leased fee, are compared to market conditions and appropriate adjustments are made. Other types of property interests include life estate, easement (servient or dominant estate), or undivided interests. No adjustments are necessary if the interest being valued is equivalent to that of the comparables.

Financing

Adjustments for differences in financing refer to terms of sale that are not equivalent to cash. Examples would include seller financing, seller buy-down of buyer's mortgage, assumed financing, buyer paying transaction costs that are normally paid by the seller (or vice versa), installment sale contract, or a lease with the option to buy. All of the comparables have been adjusted to cash equivalent sale prices in order to account for differences in financing terms. No further adjustment is warranted.

Conditions of Sale

This adjustment is given when a sale includes possible circumstances in which a buyer or seller is not typically motivated. Examples would include sales determined not to be of arm's length, typically those involving family members, friends or related corporations or partnerships, assemblages, financial necessity to sell or buy, or inadequately informed parties. None of the comparable sales require an adjustment for this aspect of comparison.

Expenditure after Purchase

In some instances sales of land require that the buyer extend additional monies to develop the land. Some of these circumstances include soil remediation, wetland containment, or the cost of razing an existing structure. Demolition costs are estimated relating to sale #4 for removal of the existing improvements. All other sales sold as is and no adjustment is warranted.

Market Conditions

This adjustment accounts for the effect of changes in general property values over time due to inflation, deflation, changing investor perceptions, and fluctuations in supply and demand.

The most reliable method of determining a credible adjustment is to analyze properties which have sold and re-sold over the last several years. Based on experience within this market, sales which have occurred after January 2020 are not adjusted. It is my opinion that the market has been relatively flat during this period with no real marked gains or losses.

Size

This adjustment is given with attention to the market phenomenon wherein larger quantities of a given entity tend to sell for less on a per-unit basis than do smaller quantities of a similar entity. Weight is given in the reconciliation process regarding the subject's various land parcels.

Location

This adjustment accounts for differences in overall location. Further adjustments will follow relative to this larger issue, addressed with additional consideration to issues of site visibility, access, commercial density, and traffic flow. Sales #2 - #6 are located in similar locations as the subject and no adjustment is warranted. Sale #1 is considered superior in terms of proximity to complimentary uses and is adjusted downward.

Zoning

This area of comparison accounts for differences in permitted land uses as dictated by existing zoning ordinance. All sales are considered similar and no further adjustment is necessary. The following grid analysis summarizes the land comparable sales.

GRID ANALYSIS OF LAND COMPARABLE SALES							
SALE #	SUBJECT PROPERTY	SALE #1	SALE #2	SALE #3	SALE #4	SALE #5	SALE #6
DATE OF SALE	March-24	Jun-22	Aug-21	Dec-22	Nov-22	Jun-23	Jul-20
PRICE		\$170,000	\$23,000	\$15,000	\$25,000	\$30,000	\$13,000
SIZE (SF)	29,839 - 40,249 SF	61,725	15,245	11,980	9,650	12,285	9,240
PROPERTY RIGHTS CONVEYED		0%	0%	0%	0%	0%	0%
FINANCING		0%	0%	0%	0%	0%	0%
ADJUSTMENTS: %							
SALES CONDITIONS		0%	0%	0%	0%	0%	0%
EXPENDITURES AFTER PURCHASE		0%	0%	0%	20%	0%	0%
NORMAL PRICE:		\$170,000	\$23,000	\$15,000	\$30,000	\$30,000	\$13,000
MARKET CONDITIONS		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED PRICE:		\$170,000	\$23,000	\$15,000	\$30,000	\$30,000	\$13,000
LOCATION	Buffalo, IA	-5%	0%	0%	0%	0%	0%
SIZE	19,994 - 40,249 SF	0%	0%	0%	0%	0%	0%
VISIBILITY	Good	0%	0%	0%	0%	0%	0%
ZONING	Residential	0%	0%	0%	0%	0%	0%
TOPOGRAPHY	Generally level - Rolling	0%	0%	0%	0%	0%	0%
SHAPE	Irregular	0%	0%	0%	0%	0%	0%
ACCESS	Good	0%	0%	0%	0%	0%	0%
UTILITIES	Municipal	0%	0%	0%	0%	0%	0%
NET ADJUSTMENT		-5%	0%	0%	0%	0%	0%
ADJ SALE PRICE:		\$161,500	\$23,000	\$15,000	\$30,000	\$30,000	\$13,000
/SF		\$2.62	\$1.51	\$1.25	\$3.11	\$2.44	\$1.41
Mean		\$2.06					
Standard Deviation		\$0.77					
Range		\$1.25 - \$3.11/SF					
Median		\$1.98					
Mode		#N/A					

Conclusion of Value

Most weight is given to the most recent sales #3 - #5 which indicated an adjusted mean near \$2.25/SF.

CONCLUSION OF MARKET VALUE FOR LAND:

I have also researched other commercial/industrial sales in the general area. The following is a summary of these sales:

Sale #	Date	Price	Size (SF)	Location	Access	Topography	Utilities	\$/SF
1	8/24/2020	\$110,000	40,816	xxx East Price Street, Eldridge, Iowa	Average	Level	Available	\$2.70
2	6/3/2022	\$145,000	44,867	x N 13th Avenue, Clinton, IA	Average	Level	Available	\$3.23
3	2/17/2023	\$510,000	138,085	20800 N Brady Street, Davenport, IA	Average	Level	Available	\$3.69
4	12/28/2020	\$160,000	126,324	xxx Industrial Dr, Blue Grass, Iowa	Average	Level	Available	\$1.27
5	4/27/2020	\$320,000	139,392	3214 16th Avenue So, Eldridge, Iowa	Average	Level	Available	\$2.30
Average		\$249,000	97,897					\$2.64

I have researched recent land sales as similar as possible to the subject. The subject is considered to be appropriately represented within the range evidenced by the comparable sales. The market data throughout this report suggests that the estimated value of the land at the subject sites are valued as follows:

PID#	Use	Land Size - SF	Market Value/SF	Total Value
7221230061	Water Treatment Plant	29,839	\$2.25	\$67,138
722239001	Wastewater Treatment Plant	40,249	\$2.25	\$90,560
722201201	Water Tower	31,799	\$2.25	\$71,548
Total		101,887	\$2.25	\$229,246

The fair market value of the easements relating to the private mains and West Lift Station are estimated at \$2,200. The land value estimate is therefore the sum of the land owned in fee by the city reconciled at \$229,246 and the easement value of \$2,200 for a total of \$231,446.

Total market value rounded to \$230,000.

VALUATION BY COST APPROACH:

Underlying the theory of the Cost Approach to Value is the principle of substitution which suggests that no prudent person will pay more for a property than the amount for which he can obtain, by purchase of a site and construction of improvements without undue delay, a property of equal desirability and utility. Consequently, current reproduction cost, prior to any deduction for accrued depreciation, plus land value, plus entrepreneurial profit, provide a measure against which prices for already improved properties may be judged. For the Cost Approach to produce a valid indication of market value, it is necessary to consider the accrued depreciation evident in the property being appraised due to all causes; physical, functional, and external.

The steps taken by the appraiser in deriving an indication of value through application of the Cost Approach are:

1. Estimate the value of the land as though vacant and available to be developed to its highest and best use.
2. Estimate the reproduction or replacement cost of the improvement on the effective appraisal date.
3. Estimate the amount of accrued depreciation of the improvements, categorized by three major types:
 - a. Physical Deterioration
 - b. Functional Obsolescence
 - c. External Obsolescence
4. Deduct the appropriate estimated depreciation from the reproduction or replacement cost of the improvements to derive an estimate of the improvements' contribution to total value.
5. Add the depreciated reproduction or replacement cost of the improvements to obtain an estimated value by the Cost Approach.

The following are the replacement costs of the systems provided by the city and IMEG Corporation. The updated costs includes the proposed elevated storage tank upgrade estimated at \$360,000.

Water Treatment Facility

CITY OF BUFFALO, IOWA									
Water Treatment Plant Valuation									
May 3, 2021									
Revised May 6, 2024									
<u>Well #1 - Current Estimate to Replace Well *</u>									
Well was constructed in 1958, but completed construction cost was not available.									
Current replacement cost estimate is \$400,000.									
<u>Well #2 & Well #2 Pump Building Cost Adjusted for Inflation to Current Dollars*</u>									
Original Cost (October 1975) = \$90,565									
Engineering New Record (ENR) Construction Cost Index (CCI) (1975 = 2,212									
ENR CCI (April 2024) = 13,532									
To adjust original WTP Cost for Inflation to current dollars have:									
$\$90,565 \times 13,532 / 2,212 = \$554,035$									
<u>Aerator & Detention Tank at Well #2 Adjusted for Inflation to Current Dollars*</u>									
Original Cost (July 1989) = \$64,000									
Engineering New Record (ENR) Construction Cost Index (CCI) (1989) = 4,615									
ENR CCI (April 2024) = 13,532									
To adjust original WTP Cost for Inflation to current dollars have:									
$\$64,000 \times 13,532 / 4,615 = \$187,660$									
<u>Original Water Treatment Plant (WTP) Cost Adjusted for Inflation to Current Dollars*</u>									
Original WTP Cost (March 1996) = \$1,082,235*									
Engineering New Record (ENR) Construction Cost Index (CCI) (March 1996) = 5,593									
ENR CCI (April 2024) = 13,532									
To adjust original WTP Cost for Inflation to current dollars have:									
$\$1,082,235 \times 13,532 / 5,593 = \$2,618,417$									
*Note: These costs did not include engineering fees which were not available.									
Prepared By:	Donald W. Balas, P.E.								
	IMEG Corporation								
	1138 Columbus St.								
	Ottawa, IL 61350								
	donald.w.balas@imegcorp.com								

Wastewater Treatment Facility

Estimated Construction Replacement Cost of Wastewater Treatment Plant				
Buffalo, Iowa				
May 3, 2021				
Revised May 6, 2024				
System Components and Description	Estimated Service Life (Years)	Construction Cost (Millions of Dollars)		
		Sept, 1976 ^a	Apr, 2024 ^b	
1) Lift Station	15	0.083 ^c	0.454	
2) Preliminary Treatment	30	0.018	0.098	
3) Activated Sludge Treatment	40	0.303 ^d	1.657	
4) Final Clarifiers	40	0.081 ^e	0.443	
5) UV Disinfection	15	0.050 ^f	0.273	
6) Sludge Pumping	10	0.008 ^g	0.044	
7) Sludge Holding Tanks (Aerobic Digester)	40	0.060	0.328	
8) Sludge Drying Beds	20	0.029	0.159	
9) Misc. Structures	50	0.040	0.219	
Subtotal 1, Cost of WWTP Structures		0.672	3.674	
Piping -10%, electrical -8%, instrumentation -5% and site preparation -5% (Total = 28%)		0.188	1.029	
Subtotal 2		0.861	4.703	
Engineering and construction supervision -15%, contingencies 15% (total = 30%)		0.258	1.411	
Subtotal 3		1.119	6.114	
4,800 Gallon Sludge Applicator (Balzer 4800)		0.016	0.087	
Tractor for pulling sludge applicator (JD 6150R with 150 HP engine, front wheel assist with duals)		0.037	0.202	
Total Replacement Cost of WWTP (Millions of Dollars)		1.172	6.404	
Notes:				
a. Capital costs for treatment plant units are obtained from cost curves in Appendix C of "Wastewater Treatment Plants, - Planning, Design and Operation", by Syed Qasim, 1994, based on a design average wet weather flow of 0.2937 MGD. Costs are based on September 1976 dollars.				
b. April, 2024 Capital Costs = September 1976 Cost x Engineering News Record (ENR) Construction Cost Index (CCI) of April 2024/ENR CCI of September 1976; ENR CCI-April 2024 = 13,532. ENR CCI - Sept. 1976 = 2,475.				
c. Adjusted cost by 0.90 since lift station does not have mechanical bar screen.				
d. BOD ₅ /1000 ft ³ instead of 35.				
e. Adjusted cost by 600/700 = 0.857 due to higher surface overflow rate of 700 instead of 600 gpd/ft ³ .				
f. Used chlorination cost curve and assumed a 50% increase in capital cost for UV disinfection.				
g. Adjusted cost by 4/2 = 2.0 due to lower sludge thickness of 2% solids instead of 4%.				
Prepared By:				
Donald W. Balas, PE				
IMEG Corporation				
1138 Columbus Street				
Ottawa, IL 61350				

I have relied on the City of Buffalo Engineering report relating to the replacement value of the systems. The depreciation schedules are based on industry standards and checked with other data contained in my office. The findings are summarized on the following page.

City of Buffalo Water Inventory															
Description	Type	Size	Year Built	Age	Quantity	Units	Unit Price (May 2021)	Inflation Adjusted Unit Price	Cost	Effective Age	Avg Service Life	Depreciation %	Depreciation Amount	RCNLD** (May 2024)	
Water Line	DI	4"	1958	66	15018	LF	\$60.00	\$69.00	\$1,036,242.00	58	75	0.7733	\$801,360.48	\$234,881.52	
Water Line	DI	6"	1958	66	11058	LF	\$70.00	\$80.50	\$774,060.00	58	75	0.7733	\$598,606.40	\$175,453.60	
Water Line	PVC	6"	1974	50	8788	LF	\$50.00	\$57.50	\$439,400.00	48	100	0.4800	\$210,912.00	\$228,488.00	
Water Line	DI	8"	1958	66	1262	LF	\$80.00	\$92.00	\$100,960.00	58	75	0.7733	\$78,075.73	\$22,884.27	
Water Line	PVC	8"	1974	50	2018	LF	\$60.00	\$69.00	\$121,080.00	48	100	0.4800	\$58,118.40	\$62,961.60	
Water Valve	DI		1958	66	43	EA	\$1,000.00	\$1,150.00	\$43,000.00	58	75	0.7733	\$33,253.33	\$9,746.67	
Water Valve	DI		1974	50	16	EA	\$1,000.00	\$1,150.00	\$16,000.00	53	75	0.7067	\$11,306.67	\$4,693.33	
Fire Hydrant Assembly			1958	66	31	EA	\$6,000.00	\$6,900.00	\$186,000.00	48	50	0.9600	\$178,560.00	\$7,440.00	
Fire Hydrant Assembly			1974	50	13	EA	\$6,000.00	\$6,900.00	\$78,000.00	43	50	0.8600	\$67,080.00	\$10,920.00	
Pressure Relief Vaults					4	EA	\$10,000.00	\$11,500.00	\$40,000.00	43	50	0.8600	\$34,400.00	\$5,600.00	
Water Treatment Plant & Elev. Tank*			1997	27	1	EA	See Attachment	\$2,618,417.00	\$2,618,417.00	27	45	0.6000	\$1,571,050.20	\$1,047,366.80	
Elevated Tank Upgrade			2024	1	1				\$360,000.00	0	30	0.0000	\$0.00	\$360,000.00	
Aerator & Detention Tank @ Well #2*			1989	35	1	EA	See Attachment	\$187,660.00	\$187,660.00	35	50	0.7000	\$131,362.00	\$56,298.00	
Well #2 & Pump Building*			1975	49	1	EA	See Attachment	\$554,035.00	\$554,035.00	49	70	0.7000	\$387,824.50	\$166,210.50	
Upgrade PLC at Water Treatment Plant			2023	1	1	EA	\$55,000.00	\$56,250.00	\$56,250.00	1	25	0.0400	\$2,250.00	\$54,000.00	
Replace Fire Hydrants			2023	1	9	EA		\$6,900.00	\$62,100.00	1	50	0.0200	\$1,242.00	\$60,858.00	
Well #1*			1958	66	1	EA	See Attachment	\$400,000.00	\$400,000.00	66	85	0.7765	\$310,588.24	\$89,411.76	
Well #1 Rehabilitation			2023	1	1	EA		\$50,000.00	\$50,000.00	1	20	0.0500	\$2,500.00	\$47,500.00	
Totals									\$7,123,204.00				\$4,478,489.95	\$2,644,714.05	

City of Buffalo Sanitary Sewer Inventory															
Description	Type	Size	Year Built	Age	Quantity	Year Updated	Units	Unit Price (March 2021)	Unit Price (May 2024)	Cost (May 2024)	Effective Age	Avg Service Life	Depreciation %	Depreciation Amount	RCNLD** (May 2024)
Gravity Sewer	Conc.	8"	1960	64	18,186		LF	\$55.00	\$63.25	\$1,150,264.50	53	75	0.7067	\$812,853.58	\$337,410.92
Gravity Sewer	Conc.	8"	1981	43	8139		LF	\$55.00	\$63.25	\$514,791.75	38	75	0.5067	\$260,827.82	\$253,963.93
Gravity Sewer	Conc.	10"	1960	64	5916		LF	\$60.00	\$69.00	\$408,204.00	53	75	0.7067	\$288,464.16	\$119,739.84
Sewer Lining					1		LS	\$186,000.00	\$213,900.00	\$213,900.00	38	50	0.7600	\$162,564.00	\$51,336.00
Force Main	DI	8"	1981	43	441		LF	\$70.00	\$80.50	\$35,500.50	35	75	0.4667	\$16,566.90	\$18,933.60
Force Main	DI	10"	1960	64	2062		LF	\$80.00	\$92.00	\$189,704.00	53	75	0.7067	\$134,057.49	\$55,646.51
Manholes	Conc.	4	1960	64	81		EA	\$4,000.00	\$4,600.00	\$372,600.00	33	35	0.9429	\$351,308.57	\$21,291.43
Manholes	Conc.	5	1981	43	32		EA	\$4,500.00	\$5,175.00	\$165,600.00	23	35	0.6571	\$108,822.86	\$56,777.14
East Lift Station			1981	43	1		EA	\$200,000.00	\$230,000.00	\$230,000.00	23	30	0.7667	\$176,333.33	\$53,666.67
West Lift Station			1960	64	1	1983	EA	\$150,000.00	\$172,500.00	\$172,500.00	23	30	0.7667	\$132,250.00	\$40,250.00
Wastewater Treatment Plant			1983	41	1		EA	\$5,589,000.00		\$6,404,000.00	33	50	0.6600	\$4,226,640.00	\$2,177,360.00
Total										\$9,857,064.75				\$6,670,688.72	\$3,186,376.03

DISCUSSION:

The cost new of the improvements is based on the actual costs, the depreciated cost new based on the Flinn Engineering Analysis and checked with various cost guides. Site improvements include items such as the paved areas and fencing.

DEPRECIATION

Physical

Physical depreciation is measured using a modified age/life method. This technique estimates physical depreciation as a percentage of current replacement cost, with adjustments for short-lived items. The percentage used reflects the ratio of estimated effective age to the anticipated physical life of the improvements.

There is physical deterioration associated with the systems. Incurable obsolescence is the normal wear and tear on the systems.

Functional obsolescence is the impairment of capacity or efficiency due to overcapacity, inadequacy, and changes in construction standards inherent in the property itself, that cause a commensurate loss of value to the property.

External obsolescence is an impairment of desirability or useful life caused by factors external to the property itself. Included in this category are economic forces which affect demand for properties similar to the subject, as well as land use changes in the subject neighborhood. The subject does not exhibit external obsolescence.

SUMMARY

Sum of Depreciated Value of Water Delivery System:	\$2,644,714
Sum of Depreciated Value of Wastewater System:	\$3,186,376
<u>Plus Land Value:</u>	<u>\$230,000</u>
Total:	\$6,061,090
Rounded to,	\$6,060,000

VALUATION BY SALES COMPARISON APPROACH:

The application of this approach produces an estimate of value of a property by comparing it with similar properties of the same type and class which have been sold recently or are currently offered for sale in the same or competing areas. The comparative processes utilized in determining the degree of comparability between two properties involves judgment as to their similarity with respect to many factors such as location, construction, age and condition. The sale price of these properties deemed most comparable tends to set the range in which the value of the subject property will fall. Further consideration of the comparative data will indicate to the appraiser a figure representing the value of the subject property; that is, the probable price at which it could be sold by a willing seller to a willing buyer as of the date of the appraisal.

The purpose of this appraisal is to derive a credible opinion of the fair market value of the subject properties water delivery and wastewater systems. I have researched recent sales of public municipal systems to private for profit companies. The system sales are generally viewed between motivated sellers and interested and informed buyers. There are very few buyers of this type of system assets and could be viewed as competitive market or monopoly.

The unit comparison that is most applicable is price per residential/commercial connection. This unit of comparison is one of the most widely used common indicators of fair market value as demonstrated by the 17 sales utilized in this analysis. In estimating the value of the property by this approach, other water delivery and wastewater treatment facilities which have sold are compared to the subject property. I have researched national press releases, reviewed filings and final orders of closed sales to the transactions relating to the various systems. A summary of these is as follows:

Total System Sales

Utility Sale	Location	Date of Sale	Sale Price Water	Sale Price Wastewater	Water Connections	Wastewater Connections	Price per Connection
Sale #1	Donahue, Iowa	12/7/2023		\$785,000		118	\$6,653
Sale #1	Donahue, Iowa	12/7/2023	\$965,000		140		\$6,893
Sale #2	Blue Grass, Iowa	7/12/2022		\$2,000,000		750	\$2,667
Sale #3	Mt. Pulaski, IL	4/1/2021		\$1,850,000		800	\$2,313
Sale #3	Mt. Pulaski, IL	4/1/2021	\$3,400,000		849		\$4,005
Sale #4	Hardin, IL	6/11/2021		\$1,200,000		405	\$2,963
Sale #4	Hardin, IL	6/11/2021	\$2,100,000		435		\$4,828
Sale #5	Grant Park, IL	5/31/2018		\$2,300,000		540	\$4,259
Sale #6	Andalusia, IL	7/10/2019		\$1,700,000		460	\$3,696
Sale #6	Andalusia, IL	7/10/2019	\$1,600,000		490		\$3,265
Sale #7	Glasford, IL	9/11/2018		\$1,100,000		482	\$2,282
Sale #7	Glasford, IL	9/11/2018	\$800,000		492		\$1,626
Sale #8	Leonore, IL	8/28/2019	\$100,000		68		\$1,471
Sale #9	Sidney, IL	6/6/2019	\$2,300,000		560		\$4,107
Sale #10	Shiloh, IL	10/22/2019		\$3,600,000		1,245	\$2,892
Sale #11	Blue Grass, IA	9/18/2016	\$1,300,000		650		\$2,000
Sale #12	Rosiclare, IL	5/29/2020		\$120,000		377	\$318
Sale #12	Rosiclare, IL	5/29/2020	\$480,000		508		\$945
Sale #13	Fisher, IL	3/1/2018		\$3,100,000		890	\$3,483
Sale #13	Fisher, IL	3/1/2018	\$3,700,000		890		\$4,157
Sale #14	Skyline, Kane County, IL Water and Sewer	4/10/2018	\$3,550,000		752	Water & Sewer	\$4,721
Sale #15	Farmington, IL	5/15/2017	\$3,750,000		1,060		\$3,538
Sale #16	Peotone, IL	7/7/2017		\$7,170,900		1,589	\$4,513
Sale #16	Peotone, IL	7/7/2017	\$5,129,100		1,598		\$3,210
Sale #17	Manteno, IL	9/18/2017		\$25,000,000		3,816	\$6,551

Utility Comparable Sale #1

Sale Information

Type of Property:	Donahue, Iowa Water & Wastewater
Location:	106 North Main Street P.O. Box 186 Donahue, IA 52746
Date of Sale:	December 7, 2023
Buyer:	Iowa American Water
Seller:	City of Donahue, Iowa

System Information

Wastewater Connections:	118
Water Connections:	140

Terms of Sale

Sale Price:	\$1,750,000 Allocated purchase was estimated based on a previous appraisal to be \$965,000 for water and \$785,000 for wastewater.
Price Per Wastewater Connection:	\$6,653/Connection
Price Per Water Connection:	\$6,893/Connection
Source:	Application/Press Release/Appraisal/Mayor

Description of the Systems:

The subject property consists of the Water Delivery and Wastewater Systems within the city of Donahue, Iowa. Water Treatment

The source—2 wells
Treatment system—chlorine, phosphate, potassium permanganate added
Ground storage tank-1

Wastewater Treatment

Collection system—gravity and pressure

The water system includes one storage tank, a pump station, and the water distribution system. The wastewater system includes a three cell lagoon, lift station, and the sewer collection system.

Water Pump Station

The water filtration plant and pump station is located at the north end of 8th Court East near the water storage tank. The pump station includes two (2) high service pumps with VFD – 75 gallons per minute each. There is one 500 gpm high service pump. The plant was

constructed in 2006-2007 and is in good condition. The plant measures 32x38 = 1,216 SF and is constructed with concrete panel with flat roof.

Water Storage Tank

The water system includes one ground storage tank and has a storage capacity of 78,000 gallons. The water is collected from two wells. Well #1 has a 125 gpm capacity in service since 1960 and Well #2 has a 150 gpm capacity in service since 1991.

Water Distribution System

The water distribution system was not observed for condition. It is assumed that a majority of the water main was installed in the 1960's and 1990's and updated in 2006-2010. Based on the condition of the assets that were observed, it is assumed that the water distribution system is also well-maintained and is assumed to be in good condition.

Wastewater Treatment Plant

The wastewater treatment plant is a three-cell lagoon system. The county indicates that a land purchase for a portion of the lagoon in June of 2020. It is assumed that this purchase was for an expansion of the treatment plant and that the original plant dates back to the 1960's when the system began operation.

According to the city, the maximum design flowrate is 0.158 MGD and the actual flowrate is 0.068 MGD. Actual flow rate as of 2018 indicated 0.026 MGD. This leaves 57% of the design capacity available for future growth.

Sewer Lift Stations

The wastewater system includes a sewer lift station with a force main including 2,000 linear feet of pipeline. The below ground equipment was not observed at the lift station. The above ground equipment includes the access hatch, electrical equipment, and control equipment.

Sewer Collection System

There are 40 manholes.

Population growth appears to be declining at -1.06% annually.

Table 1 summarizes the water systems and the length, material and size.

ITEM DESCRIPTION	ESTIMATED QUANTITY	UNITS	Age	
Well #1-125 gpm	407	ft	13	2008
Well #2-150 gpm	429	ft	31	1990
Tank - 70,000 gal	70000	gal	30	1991
6" PVC (including valves and fittings)	4800	ft	40	1981
Hydrants	8	ea	40	1981
6" PVC (including valves and fittings)	650	ft	40	1981
6" PVC (including valves and fittings)	1750	ft	40	1981
Hydrants	3	ea	40	1981
6" PVC (including valves and fittings)	2800	ft	30	1991
Hydrants	2	ea	16	2005
6" PVC (including valves and fittings)	1330	ft	5	2016
Hydrants	3	ea	5	2016
6" PVC (including valves and fittings)	800	ft	12	2009
Hydrants	3	ea	12	2009
6" PVC (including valves and fittings)	1650	ft	10	2011
Hydrants	5	ea	10	2011
4" CI (including valves and fittings)	2500	ft	52	1969
6" PVC Raw (including valves and fittings)	2300	ft	12	2009
8" Sewer	10000	ft	30	1991
Manholes	12	ea	10	2011
Manholes	28	ea	30	1991

Table 2 summarizes the wastewater systems and the length, material and size.

	Age (yrs)		
3 Cell Stabilization Lagoon	10		
- Design Capacity			
Avg Flow (MGD)	0.058		
Max Flow (MGD)	0.158		
- Actual Flow - 2018			
Avg Flow (MGD)	0.026		
Max Flow (MGD)	0.068		
Lift Station	10		
Force Main	10		
Collection System			
Material	Age (yrs)	Length (ft)	
8" Concrete ?		10000	estimated
Manholes		40	estimated

Utility Comparable Sale #2



Sale Information

Type of Property:	City of Blue Grass, Iowa Wastewater
Location:	Blue Grass, Iowa
Date of Sale:	July 12, 2022, closed October 26, 2022
Buyer:	Iowa American Water Company
Seller:	City of Blue Grass

System Information

Wastewater Connections:	750
Type of System:	Three Lagoon Stations

Terms of Sale

Sale Price:	\$2,000,000
Price Per Wastewater Connection:	\$2,667/Connection
Source:	Application/Docket Nos : SPU-2021-0014 Report/City

Comments: Iowa American Water plans to invest \$4 million in the first five years to update the sewer.

Population growth appears to be declining at -0.23% annually.

Utility Comparable Sale #3

Sale Information

Type of Property:	Mt. Pulaski, Illinois Water and Wastewater
Location:	City of Mt. Pulaski, IL
Date of Sale:	Entered in April 1, 2021
Buyer:	Illinois American Water Company
Seller:	City of Mt. Pulaski

System Information

Wastewater Connections:	800
Water Connections:	849
Type of System:	Report to include plant and lagoon

Terms of Sale

Sale Price:	\$5,250,000 Allocated purchase was reported to be \$3,400,000 for water and \$1,850,000 for wastewater.
Price Per Wastewater Connection:	\$2,313/Connection
Price Per Water Connection:	\$4,005/Connection
Source:	Application/Final Report/ICC Document #21-0309

The water system includes three parcels of land owned in fee, one water treatment plant, three active wells, one water tower, meters, hydrants, and approximately 68,000 linear feet of water mains. The wastewater system includes four wastewater lift stations, a wastewater treatment plant, and approximately 71,600 linear feet of mains. The wastewater system comprises of a lagoon system.

Illinois American Water plans to invest approximately \$13.8 million in the first five years of ownership to upgrade the City of Mt. Pulaski water and wastewater systems. Work will include replacing water meters, water main, sewer main, manholes and lateral main connections. Generators will be installed for increased resiliency and continued service in the event of a power outage. Upgrades to the water treatment and wastewater treatment plants will support safe, reliable service. Safety and security upgrades will be completed to implement automation and improve operational efficiency.

Population growth appears to be declining at -1.31% annually.

Utility Comparable Sale #4

Sale Information

Type of Property: Village of Hardin, Calhoun County, Illinois Water & Wastewater
Location: Hardin, IL
Date of Sale: June 11, 2021
Buyer: Illinois American Water Company
Seller: Village of Hardin

System Information

Wastewater Connections: 405
Water Connections: 435
Type of System: Report to include plant and lagoon

Terms of Sale

Sale Price: \$3,300,000 Allocated purchase was reported to be \$2,100,000 for water and \$1,200,000 for wastewater.
Price Per Wastewater Connection: \$2,963/Connection
Price Per Water Connection: \$4,828/Connection
Source: Application/Final Report/ICC Document #21-0511

Hardin is located close to American Water's Jerseyville operations, which Illinois American Water acquired in 2020.

The water system includes five parcels of land owned in fee, one water treatment plant, two active wells, one water storage tank, one pressure reducing station, one booster pump station, meters, hydrants, and approximately 49,800 linear feet of water mains. The land parcels owned in fee include 1 Lions Lane (a water treatment plant), Dripping Springs Hollow Road (a water storage tank), the east side of County Hwy 1 (two wells), S County Road (booster pump station), and W Main St and Stone Hill Road (pressure reducing station).

The wastewater system includes a lagoon system, six parcels of land owned in fee, five wastewater lift stations, a wastewater treatment plant, and approximately 57,400 linear feet of mains. The land parcels owned in fee include 21415 Illinois River Road (wastewater treatment plant), 2 Braun St (lift station #1), South of North Side Grocery on Rt 100 (lift station #2), North of North Side Grocery on Rt 100 (lift station #3), South of Calhoun Auto on Rt 100 (lift station #4), East of Water Treatment Plant on Rt 100 (lift station #5).

Illinois American Water plans to invest approximately \$3 million in the first five years of ownership to upgrade the Village of Hardin water and wastewater systems. Work will include replacing water meters, installing a sanitary pump station and force wastewater main. Generators will be installed for increased resiliency and continued service in the event of a power outage. Upgrades to the water and wastewater treatment plants will support safe, reliable service. In addition, Safety and security upgrades will be completed including the implementation of automation for operational efficiency. Population growth appears to be declining at -11.14% annually.

Utility Comparable Sale #5

Sale Information

Type of Property:	Grant Park, Illinois Wastewater
Location:	106 West Taylor Street, Grant Park, IL
Date of Sale:	May 31, 2018
Buyer:	Aqua Illinois, Inc.
Seller:	Village of Grant Park

System Information

Wastewater Connections:	540
Water Connections:	Unknown
Type of System:	Activated sludge treatment plant

Terms of Sale

Sale Price:	\$2,300,000
Price Per Wastewater Connection:	\$4,259/Connection
Price Per Water Connection:	Unknown
Source:	Application/Final Order/ICC Document #18-1093

Legal: The area consists of 540 sewer connections and a population of approximately 1,500. The customer composition is a mix of residential, commercial, and industrial, with the majority being single-family residential customers. The wastewater system consists of a 350,000 gallon per day (MGD) activated sludge treatment plant, one lift station, and approximately 56,000 lineal feet of gravity and force main sewer ranging from 4" – 36". Aqua Illinois Grant Park Wastewater System Certificated Area defined as follows: Sections 17, 19, 20, 21, 28, 29, 30, Township 32N, Range 14E (of the 3rd Principal Meridian); South 1/4 of Section 16, Township 32N, Range 14E (of the 3rd Principal Meridian); South 1/2 of the Southeast 1/4, Section 18, Township 32N, Range 14E (of the 3rd Principal Meridian); Encompassing an Area of 4,771 Acres.

Population growth appears to be declining at -0.11% annually.

Utility Comparable Sale #6

Sale Information

Type of Property:	Andalusia, Illinois Water and Wastewater
Location:	Andalusia, IL
Date of Sale:	July 10, 2019, closed May 27, 2020
Buyer:	Illinois American Water Company
Seller:	Village of Andalusia

System Information

Wastewater Connections:	460
Water Connections:	490
Type of System:	Include plant and lagoon

Terms of Sale

Sale Price:	\$3,300,000 Allocated purchase was reported to be \$1,600,000 for water and \$1,700,000 for wastewater.
Price Per Wastewater Connection:	\$3,696/Connection
Price Per Water Connection:	\$3,265/Connection
Source:	Application/Final Report/ICC Document #19-0732

Comments: Illinois American Water plans to invest \$2 million in the first five years to update the water main and the sewer main also will be lined throughout the village. The source of water supply includes two wells. Well #1 is 150 feet deep and well #3 is 170 feet deep. The wells pump 159 and 150 gallons per minute. The wells utilize a shallow bedrock aquifer overlain by a mixture of permeable gravel, sand, silt, and clay, varying in composition and thickness. The water system includes one water treatment plant, two active wells, a 310,000 gallon standpipe. The treatment plant has an annual average daily flow of 0.067 MGD and capacity of .445 MGD. The wastewater system includes one 3-cell lagoon, an overflow lagoon and three lift stations. The treatment facility has a rated design flow average capacity of approximately 0.23 MGD and a design maximum flow capacity of 0.826 MGD. Source: IAWC Documentation.

Population growth appears to be declining at -0.45% annually.

Utility Comparable Sale #7

Sale Information

Type of Property:	Glasford, Illinois Water and Wastewater
Location:	Glasford, IL
Date of Sale:	Entered in September 11, 2018
Buyer:	Illinois American Water Company
Seller:	Village of Glasford

System Information

Wastewater Connections:	482
Water Connections:	492
Type of System:	Report to include plant and lagoon

Terms of Sale

Sale Price:	\$1,900,000 Allocated purchase was reported to be \$800,000 for water and \$1,100,000 for wastewater.
Price Per Wastewater Connection:	\$2,282/Connection
Price Per Water Connection:	\$1,626/Connection
Source:	Application/Final Report/ICC Document #18-1498

Glasford Water System - IEPA PWSID IL _____

- Water Treatment Plant
- Well #1 – 876 ft deep
- Well #2 – 1,750 ft deep
- Well #3 – 1,000 ft deep
- Elevated water storage tank – 125,000 gallons
- Ground water storage tank – 50,000 gallons
- Hydrants -- 65
- Water distribution system

	<u>Quantity</u>
▪ 8" water main	11,000 linear feet
▪ 6" water main	30,000 linear feet
▪ 4" water main	7,300 linear feet
▪ Valves	58

Glasford Wastewater System

- Wastewater treatment plant
- Lagoon
- Wastewater collection system

	<u>Quantity</u>
▪ Manholes	120
▪ Customer services	15,000 linear feet
▪ Lift stations	2
▪ 8" main	16,000 linear feet
▪ 4" main	10,500 linear feet
▪ 3" main	5,300 linear feet

Population growth appears to be declining at -0.41% annually.

Utility Comparable Sale #8

Sale Information

Type of Property: Leonore, Illinois Water
Location: Leonore, IL
Date of Sale: August 28, 2019
Buyer: Illinois American Water Company
Seller: Village of Leonore

System Information

Water Connections: 68
Type of System: See below

Terms of Sale

Sale Price: \$100,000
Price Per Water Connection: \$1,471/Connection
Source: Application/Final Report/Docket #19-0854
Legal: System includes 10,000 and 7,500 gallon hydropneumatic water storage tanks, groundwater supply well and water treatment plant.

Water System Name: Leonore
IEPA Water System Facility No. 0990400
Principal County Served: LaSalle
Primary Source Water: GW

- **Water Treatment Plant (1)**
 - Chlorine, fluoride, and phosphate chemical feeds
- **Groundwater Supply Well (1)**
 - 62 feet deep, 25 gpm capacity
- **Hydropneumatic Water Storage Tanks (2)**
 - 10,000 gallons
 - 7,500 gallons
- **Water Distribution System**
 - 4-inch water mains -- _____ feet
 - 16 flushing hydrants
 - 68 meters (50 inside sets, 18 outside meter pits)
 - 68 curb stops
 - 68 service connections from main to b-box/property line

IAWC explains that Leonore is the only municipality whose corporate boundaries lie within one and one-half miles of the proposed area to be certificated. IAWC further states that the System includes one water treatment plant with an annual average daily flow of 0.009 MGD and capacity of 0.028 MGD, one active well, and two hydro pneumatic storage tanks.

Population growth appears to be minimal with no change annually.

Utility Comparable Sale #9

Sale Information

Type of Property:	Sidney, Illinois Water System
Location:	Sidney, IL
Date of Sale:	June 6, 2019
Buyer:	Illinois American Water Company
Seller:	Village of Sidney

System Information

Water Connections:	560
Type of System:	See below

Terms of Sale

Sale Price:	\$2,300,000 for water system.
Price Per Water Connection:	\$4,107/Connection
Source:	Application/Final Report/Docket No #19-0653
System Information:	

Water System Name: Sidney**IEPA Water System Facility No. _____****Principal County Served: Champaign****Primary Source Water: Purchased water from Illinois American Water**

- Booster pump station and building
- Elevated water storage tank – 150,000 gallons
- 567 meters and service connections
- 62 valves
- 62 hydrants
- Meter vault
- Pressure reducing valve vault
- Water mains:

1 ½-inch	204 linear feet
2-inch	7,461 linear feet
4-inch	26,053 linear feet
6 inch	15,685 linear feet
8 inch	45,260 linear feet

Population growth appears to be increasing at 1.08% annually.

Utility Comparable Sale #10

Sale Information

Type of Property:	Shiloh, Illinois Wastewater System
Location:	Shiloh, IL
Date of Sale:	October 22, 2019
Buyer:	Illinois American Water Company
Seller:	Village of Shiloh

System Information

Wastewater Connections:	1,245
Type of System:	See below

Terms of Sale

Sale Price:	\$3,600,000 for wastewater system.
Price Per Wastewater Connection:	\$2,892/Connection
Source:	Application/Final Report/Docket #19-1002
System Information:	

Gravity Mains

	<u>Linear Feet</u>	<u>Miles</u>
8"	83,000	15.7
10"	9,800	1.8
12"	8,300	1.6
15"	4,500	0.8
 Total		 19.9

Force Mains

3"	1,000	0.2
4"	16,800	3.2
6"	8,440	1.6
8"	4,000	0.7
10"	12,000	2.3
 Total	 Total	 8

Service Laterals

1,230

Manholes

200

Lift Stations

13

Population growth appears to be declining at -0.18% annually. Based on testimony, Shiloh currently has a wastewater treatment agreement with the City of O'Fallon, Illinois, which

provides wastewater treatment for Shiloh. As a condition of closing the acquisition, there will be an assignment of the O'Fallon wastewater treatment agreement to IAWC. IAWC is planning specific improvements to the Shiloh collection system and treatment facilities, including the construction of improvements to the Archview lift station and the associated forcemain within six months after the closing of the acquisition, and construction of improvements to the Church Street lift station within one year of closing. Improvements for the Archview lift station include the replacement of two pumps and the installation of approximately 5,000 feet of 12" forcemain to increase capacity. The Church Street lift station improvements will also include the replacement of pumps for improved capacity as well as the addition of a new generator and automatic transfer switch for improved reliability. Estimated overall costs for these two improvements at \$950,000. IAWC anticipates ongoing capital investment as is typical for this type and size of wastewater collection system.

Utility Comparable Sale #11

Sale Information

Type of Property:	Blue Grass Water System
Location:	City of Blue Grass, Iowa
Date of Sale:	September 28, 2016
Buyer:	Iowa American Water
Seller:	City of Blue Grass, Iowa

System Information

Water Connections:	650
Type of System:	Well with tower and pump station

Terms of Sale

Sale Price:	\$1,300,000 was reported to be for water.
Price Per Water Connection:	\$2,000/Connection
Source:	Public record/City Clerk
Appraisal Record:	Older sale of a water system located south of the subject property. According to press releases the system requires substantial repairs that could run \$5,000,000 to \$6,000,000.

Population growth appears to be declining at -0.23% annually.

Utility Comparable Sale #12

Sale Information

Type of Property:	Rosiclare, Illinois Water and Wastewater
Location:	Rosiclare, IL
Date of Sale:	July 10, 2019 filed with the Illinois Commerce Commission Closed in May of 2020
Buyer:	Illinois American Water Company
Seller:	City of Rosiclare

System Information

Wastewater Connections:	377
Water Connections:	508
Type of System:	See below

Terms of Sale

Sale Price:	\$600,000 Allocated purchase was reported to be \$480,000 for water and \$120,000 for wastewater.
-------------	--

Price Per Wastewater Connection:	\$318/Connection
----------------------------------	------------------

Price Per Water Connection:	\$945/Connection
-----------------------------	------------------

Source:	Application/Final Report/Docket #19-0733
---------	--

Comments: The Rosiclare Water System includes, among other assets, one water treatment plant, two active wells, and a 150,000 gallon elevated tower. The treatment plant (IL-0690150) has an annual average daily flow of 0.01 MGD, 93 and capacity of 0.15 MGD. The Rosiclare wastewater system includes, among other assets, one treatment plant, two sludge tanks, two holding tanks, and two lift stations. The treatment facility (IL-0034207) has a rated design average flow capacity of approximately 0.35 MGD and a design maximum flow capacity of 0.875 MGD. Source: IAWC Documentation The sale occurred in June of 2019 and closed in May 29, 2020.

Population growth appears to be declining at -1.24% annually.

Utility Comparable Sale #13

Sale Information

Type of Property:	Village of Fisher, Illinois Water and Wastewater
Location:	Village of Fisher, IL
Date of Sale:	August 4, 2017 – Transaction closed in March 2018
Buyer:	Illinois American Water Company
Seller:	Village of Fisher

System Information

Wastewater Connections:	890
Water Connections:	890
Type of System:	See Below

Terms of Sale

Sale Price:	\$6,800,000 Allocated purchase was reported to be \$3,700,000 for water and \$3,100,000 for wastewater.
Price Per Wastewater Connection:	\$3,483/Connection
Price Per Water Connection:	\$4,157/Connection
Source:	Application/Final Report/ICC Docket #17-0339

Comments: Illinois American Water plans to invest \$2.9 million in the first five years to update the water utility and the wastewater utility. Most of the expenditures will be made to the wastewater system. The upgrades will include \$610,000 to the water delivery system and \$2,300,000 to the wastewater system. The Fisher water system includes one water treatment plant and two elevated water storage tanks. The water treatment facility (IL-0190150) has a rated capacity of approximately 0.32 million gallons per day (MGD) based on filter capacity. The average daily production is reported to be approximately 135,000 gallons per day and maximum daily production reported to average approximately 215,000 gallons per day with a single max day reported as 271,000 gallons per day although this max flow is reportedly not normal for the system.

The Fisher wastewater system includes one treatment plant. The treatment facility (IL-0021016) has a rated design average flow capacity of approximately 0.2 MGD and a design maximum flow capacity of 0.5 MGD. The actual average daily flow is reported to vary between 170,000 and 180,000 gallons per day and peak wet weather flows are reported to vary between 500,000 and 700,000 gallons per day. Source: IAWC Documentation

Population growth appears to be increasing at 0.44% annually.

Utility Comparable Sale #14

Sale Information

Type of Property: Skyline Systems, Kane County, Illinois Water and Wastewater
Location: Skyline Systems, Kane County, IL
Date of Sale: April 10, 2018 – August 27, 2019 Draft Order
Buyer: Aqua Illinois, Inc.
Seller: Fox River Water Reclamation District

System Information

Wastewater Connections: 376
Water Connections: 376
Type of System: See Below

Terms of Sale

Sale Price: \$3,550,000 for water and wastewater (Not Allocated).
Price Per Connection: \$4,721/Connection
Source: Application/Final Report/ICC Docket #18-0785

- All water system Tangible Personal Property including approximately:
 - 377 meters and services
 - 12,180 linear feet of 6" mains
 - 5,439 linear feet of 8" mains
 - 560 linear feet of 12" mains
 - 38 hydrants
 - 2 wells and raw water piping
 - 1 water treatment plant with building and support facilities
 - 1 elevated storage tank of 600,000 gallon volume
- All wastewater system Tangible Personal Property including approximately:
 - 1 sewage pumping station
 - 151 manholes
 - 3,284 linear feet of 10" force mains
 - 14,796 linear feet of 8" gravity sewers
 - 3,155 linear feet of 10" gravity sewers
 - 2,527 linear feet of 12" gravity sewers
 - 569 linear feet of 15" gravity sewers
 - 2,786 linear feet of 18" gravity sewers
 - 2,286 linear feet of 20" gravity sewers
 - 376 sewer services

Population growth appears to be increasing at 0.16% annually.

Utility Comparable Sale #15

Sale Information

Type of Property:	Water Delivery System
Location:	City of Farmington, IL
Date of Sale:	May 15, 2017
Buyer:	Illinois American Water Company
Seller:	City of Farmington, IL

System Information

Water Connections:	1,060
Type of System:	See Below

Terms of Sale

Sale Price:	\$3,750,000 for water
Price Per Connection:	\$3,538/Connection
Source:	Application/Final Report/ICC Docket #17-0246

The water delivery system includes two wells reported to be 1,743' and 1,710' depth with the capacity of 350 and 385 gpm. There are two elevated storage tanks with capacity of 156,000 gallons/each put into place sometime in 1992-1997. Regarding system improvements following the acquisition, IAWC states that capital improvements for the Water System in the first five years of IAWC ownership will be approximately \$5,540,000. The improvements contemplated include security and safety improvements, SCADA systems integration (supervisory control and data acquisition), customer meter replacements, water main replacement and dead end elimination, and miscellaneous water treatment plant related capital expenditures such as reverse osmosis membrane replacement and conversion from gas to liquid chlorine. Population growth appears to be decreasing at -0.12% annually.

Utility Comparable Sale #16

Sale Information

Type of Property:	Village of Peotone Systems, Peotone, Illinois Water and Wastewater
Location:	Peotone, IL
Date of Sale:	July 7, 2017
Buyer:	Aqua Illinois, Inc.
Seller:	Village of Peotone, Illinois

System Information

Wastewater Connections:	1,589
Water Connections:	1,598
Type of System:	See Below

Terms of Sale

Sale Price:	\$12,300,000 Allocated purchase was reported to be \$5,129,100 for water and \$7,170,900 for wastewater.
Price Per Wastewater Connection:	\$4,513/Connection
Price Per Water Connection:	\$3,210/Connection
Source:	Application/Final Report/ICC Docket #17-0314

The customer composition is a mix of residential and commercial, with the majority being single-family residential customers. The potable water production facilities include three potable water wells, one 250,000 gallon elevated Docket No. 17-0314 5 storage tank, a 150,000 gallon elevated storage tank, 300 fire hydrants and 145,000 lineal feet of water main pipe ranging from 2" to 12" in diameter. Metering appears to consists of 1,300 3/4" meters, 150 meters ranging in size between 1" and 2", and 50 meters greater than 2" in size. The average daily pumpage is approximately 300,000 gallons with maximum day around 550,000. The wastewater system consists of an 850,000 gallon per day activated sludge treatment plant, five lift stations, nearly 100,000 lineal feet of gravity sewer ranging from 6" to 30", and 5,000 feet of force main ranging in size from 4" to 8". Capital improvements in the first five years after sale are estimated at \$2,000,000 for the wastewater system and \$600,000 for the water delivery system.

Population growth appears to be increasing at 0.15% annually.

Utility Comparable Sale #17

Sale Information

Type of Property:	Village of Manteno System, Peotone, Illinois Wastewater
Location:	Manteno, IL
Date of Sale:	September 18, 2017
Buyer:	Aqua Illinois, Inc.
Seller:	Village of Manteno, Illinois

System Information

Wastewater Connections:	3,816
Type of System:	See Below

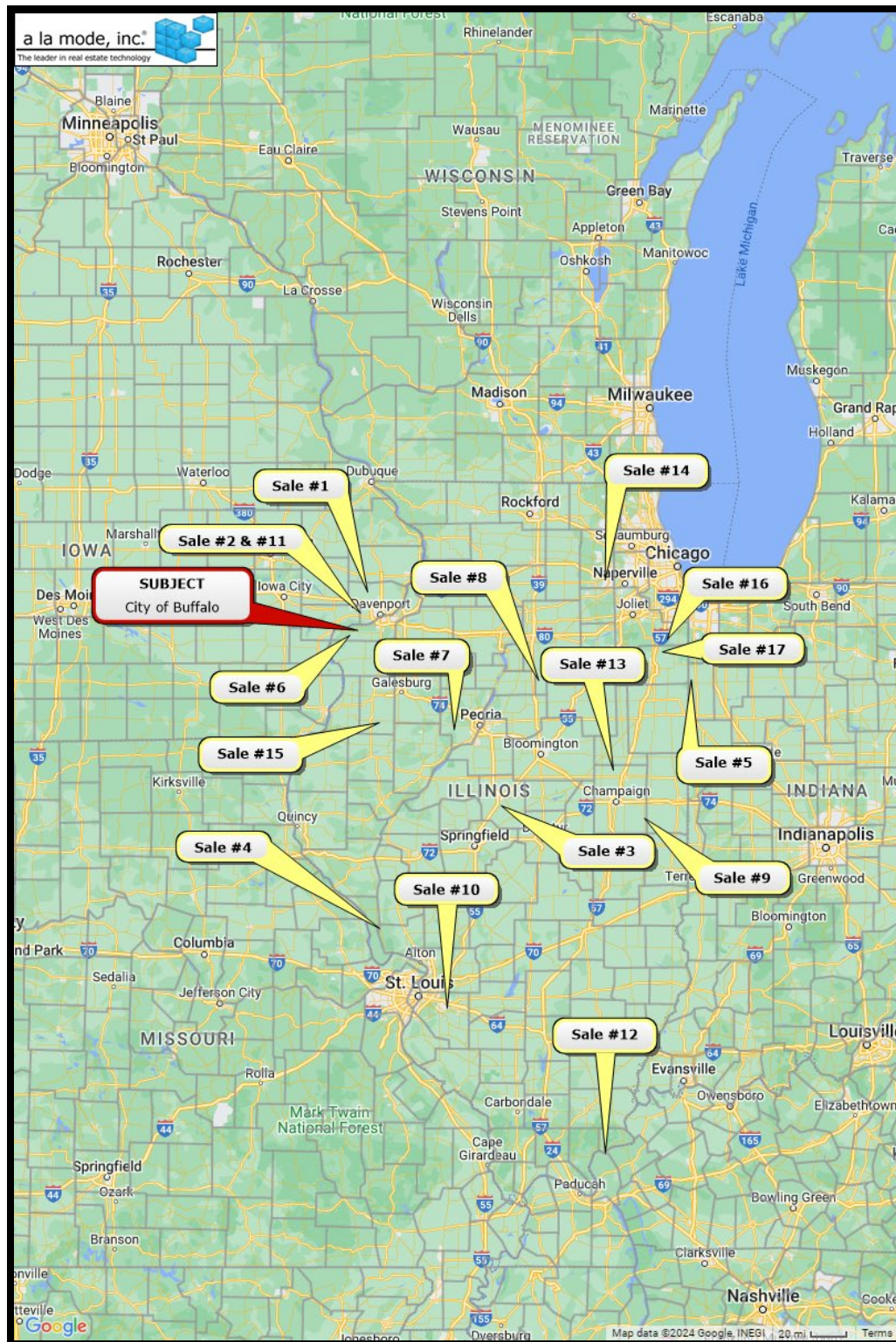
Terms of Sale

Sale Price:	\$25,000,000
Price Per Wastewater Connection:	\$6,551/Connection
Source:	Application/Final Report/ICC Docket #17-0813

The wastewater system includes a wastewater treatment plant, seven wastewater lift stations, and approximately 288,000 linear feet of mains. The Manteno System is a municipal wastewater operation, consisting of wastewater collection and treatment. The area served (the "Area") by the System is located entirely within Kankakee County, Illinois. The Area consists of 3,816 sewer customers, and a population of approximately 9,300 people. The customer composition is a mix of residential, commercial, and industrial, with the majority being single-family residential customers. The wastewater system consists of an 1.15 million gallon per day ("MGD") activated sludge treatment plant, seven lift stations, more than 257,000 lineal feet of gravity sewer ranging from 6" to 24", and 31,500 feet of force main ranging in size from 4" to 12". The subject property includes four parcels of land owned in fee, easements, facilities and buildings, and the wastewater system personal property assets. The sludge system is in average condition. Capital improvements in the first five years after sale are estimated at \$4,300,000 for the wastewater system.

Population growth appears to be decreasing at -0.09% annually.

IMPROVED COMPARABLE MAP



SUMMARY OF ADJUSTMENTS:

Adjustments for differences are considered and include adjustments for overall location; physical aspects of the water delivery and wastewater systems such as condition, system configuration, capacity (Connections), and age. Additional consideration is given to location in regards to access, utility of the systems and growth potential. It should be noted that most of the sales are located in the State of Illinois. The State of Iowa recently passed legislation to allow for the transfer of non-profit utilities to for profit companies. There are very few sales that have occurred in the State of Iowa. The State of Illinois has similar legislation in place as Iowa has with utility acquisitions based on three independent appraisals. The sales located in Illinois are considered representative of the market for these types of assets.

Property Rights Conveyed Adjustments

This adjustment accounts for differences in the type of interest held. This generally applies when the interest being valued, or that sold, is less than full fee simple. Leasing conditions of the sale, such as leasehold or leased fee, are compared to market conditions and appropriate adjustments are made. Other types of property interests include life estate, easement (servient or dominant estate), or undivided interests. No adjustments are necessary if the interest being valued is equivalent to that of the comparables.

Financing

Adjustments for differences in financing refer to terms of sale that are not equivalent to cash. Examples would include seller financing, seller buy-down of buyer's mortgage, assumed financing, buyer paying transaction costs that are normally paid by the seller (or vice versa), installment sale contract, or a lease with the option to buy. None of the comparable sales require an adjustment for this aspect of comparison.

Conditions of Sale

This adjustment is given when a sale includes possible circumstances in which a buyer or seller is not typically motivated. Examples would include sales determined not to be of arm's length, typically those involving family members, friends or related corporations or partnerships, assemblages, financial necessity to sell or buy, or inadequately informed parties. None of the comparable sales require an adjustment for this aspect of comparison.

Expenditure After Purchase

A quantitative number can be added to sales that require additional expenditure beyond the sales price. Examples of items of expenditure may be the cost of bringing the structure to compliance

in terms of legislative codes, fire codes, , or environmental codes, to list just a few. Information gathered during review of the sales indicates that improvements have been planned to Sale #6, #11 and #13 relating to water delivery systems and sale #2, #6, #10 and #13 regarding wastewater systems. I have considered the present value of the expenditures after purchase relating to these systems. All other systems sold as is.

Market Conditions

This adjustment accounts for the effect of changes in general property values over time due to inflation, deflation, changing investor perceptions, and fluctuations in supply and demand. The ten sales have occurred from 2018 – 2024. Overall property values have fluctuated up and down with no real market gains or losses.

Location

As is true of virtually all types of real estate, location is the premier value influence factor. Properties located in well-established, higher density, higher traffic and more easily accessible areas tend to sell for higher per unit prices than otherwise equal properties located in less developed areas. A locational adjustment is typically measured via a rental rate comparison (i.e. superior located properties command higher rents than inferior properties, all other things being equal).

It should be noted that most of the sales are located in the State of Illinois. The State of Iowa recently passed legislation to allow for the transfer of non-profit utilities to for profit companies. There are very few sales that have occurred in the State of Iowa. The State of Illinois has similar legislation in place as Iowa has with utility acquisitions based on three independent appraisals. The sales located in Illinois are considered representative of the market for these types of assets.

All other sales are located in similar markets or similar locations in terms of proximity to complimentary uses and no further adjustment is necessary.

Size

This adjustment is given with attention to the market phenomenon wherein larger quantities of a given entity tend to sell for less on a per-unit basis than do smaller quantities of a similar entity. The subject property is a water delivery and wastewater treatment system in the City of Buffalo, Iowa. The previous sales are considered representative of the market for municipal systems. Based on the array of sales systems with the greater number of connections generally sell at a higher price per connection in relation to smaller systems. More weight is applied in the reconciliation process.

Condition

The age of the improvements can contribute to aspects of physical depreciation that would affect the value of the improvements, but this is not an aspect of comparison that alone would indicate a substantial difference between a given subject system and comparable sales. Issues of quality and condition must be included in judging whether the age of the improvements is a salient point of comparison. The city engineer states that the system is older but is functional and considered good quality. The water system has been substantially updated/upgraded over the last 2-3 years. Minor improvements have been performed to the wastewater system.

Demographics – Potential for Growth

Based on the community profile for Buffalo population growth appears to be declining. The comparable utility sales differ slightly in terms of growth and varying adjustments are applied.

System/Facility Make up

The subject property comprises of water delivery and wastewater systems. Sales of water and wastewater systems are given the most weight in the final analysis. Still I have valued the systems based on water delivery and wastewater systems. Permitted design capacity is also considered. More weight is applied in the reconciliation process.

The subject property consists of the Water Delivery and Wastewater Systems within the city of Buffalo, Iowa.

Water treatment

The Source is Ground water from primarily one of two wells. Treatment consists of aeration utilizing a cascade aerator to oxidize iron for removal followed by some detention directly below the aerator. The water is treated with gas chlorine for further oxidation of iron and on to 300 gpm gravity sand filter, where the iron is filtered out. Following treatment water is stored in a 10,000 gallon clear well. Water is moved by high service pumps to move the water to the 250,000 gallon elevated storage tower. There are approximately 426 customers connected to the water system. There are approximately five miles of water service lines.

Waste water treatment

The collection system is an activated sludge system to treat wastewater. Wastewater is initially settled and screened, sent through aeration and final clarification, and is then disinfected. A digester and sludge storage tank are utilized for bio solids processing. The collection system has two lift stations, one that is a canned style that pumps all of the waste water from the collection

system to the treatment facility. The other lift station pumps wastewater from the west side of town. The system provides service to approximately 421 customers and there are approximately five miles of 8" and 10" sanitary sewer mains.

Table 1 summarizes the water systems and the length, material and size.

City of Buffalo Water Inventory						
Description	Type	Size	Year Built	Age	Quantity	Units
Water Line	DI	4"	1958	63	15018	LF
Water Line	DI	6"	1958	63	11058	LF
Water Line	PVC	6"	1974	47	8788	LF
Water Line	DI	8"	1958	63	1262	LF
Water Line	PVC	8"	1974	47	2018	LF
Water Valve	DI		1958	63	43	EA
Water Valve	DI		1974	47	16	EA
Fire Hydrant Assembly			1958	63	31	EA
Fire Hydrant Assembly			1974	47	13	EA
Pressure Relief Vaults					4	EA
Water Treatment Plant			1997	24	1	EA
Water Tower			1996	25	1	EA
Water Well					2	EA
Buildings					1	LS
Land					1	LS

Table 2 summarizes the wastewater systems and the length, material and size.

City of Buffalo Sanitary Sewer Inventory							
Description	Type	Size	Year Built	Age	Quantity	Updated	Units
Gravity Sewer	Conc.	8"	1960	61	18,186		LF
Gravity Sewer	Conc.	8"	1981	40	8139		LF
Gravity Sewer	Conc.	10"	1960	61	5916		LF
Force Main	DI	8"	1981	40	441		LF
Force Main	DI	10"	1960	61	2062		LF
Manholes	Conc.	4	1960	61	81		EA
Manholes	Conc.	5	1981	40	32		EA
East Lift Station			1981	40	1		EA
West Lift Station			1960	61	1	1983	EA
Land							LS
Treatment Plant			1983	38	1		EA

The following is the adjustment grid detailing the appropriate adjustments as warranted by the market relating to the subject property “as proposed”.

The summary of the systems are as follows:

Water Delivery Systems

Utility Sale	Location	Date of Sale	Sale Price	Water Connections	Price per Connection
Sale #1	Donahue, IA	12/7/2023	\$965,000	140	\$6,893
Sale #3	Mt. Pulaski, IL	4/1/2021	\$3,400,000	849	\$4,005
Sale #4	Hardin, IL	6/11/2021	\$2,100,000	435	\$4,828
Sale #6	Andalusia, IL	7/10/2019	\$1,600,000	490	\$3,265
Sale #7	Glasford, IL	9/18/2018	\$800,000	492	\$1,626
Sale #8	Leonore, IL	8/28/2019	\$100,000	68	\$1,471
Sale #9	Sidney, IL	6/6/2019	\$2,300,000	560	\$4,107
Sale #11	Blue Grass, IA	9/18/2016	\$1,300,000	650	\$2,000
Sale #13	Fisher, IL	3/1/2018	\$3,700,000	890	\$4,157
Range	\$1,471 - \$6,893				
Mean	\$3,595				
Median	\$4,005				

GRID ANALYSIS OF WATER DELIVERY COMPARABLE SALES										
SALE #	SUBJECT PROPERTY	SALE #1	SALE #3	SALE #4	SALE #6	SALE #7	SALE #8	SALE #9	SALE #11	SALE #13
DATE OF SALE	June-24	Dec-23	Apr-21	Jun-21	Jul-19	Sep-18	Aug-19	Jun-19	Sep-16	Aug-17
PRICE		\$965,000	\$3,400,000	\$2,100,000	\$1,600,000	\$800,000	\$100,000	\$2,300,000	\$1,300,000	\$3,700,000
SIZE (CONNECTIONS)	426 Connections	140	849	435	490	492	68	560	650	890
PROPERTY RIGHTS CONVEYED		0%	0%	0%	0%	0%	0%	0%	0%	0%
FINANCING		0%	0%	0%	0%	0%	0%	0%	0%	0%
ADJUSTMENTS: %										
SALE COND'S		0%	0%	0%	0%	0%	0%	0%	0%	0%
EXPENDITURES AFTER PURCHASE		0%	0%	0%	15%	0%	0%	0%	301%	16%
NORMAL PRICE:		\$965,000	\$3,400,000	\$2,100,000	\$1,832,000	\$800,000	\$100,000	\$2,300,000	\$5,213,000	\$4,310,000
MARKET COND'S		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ADJUSTED PRICE:		\$965,000	\$3,400,000	\$2,100,000	\$1,832,000	\$800,000	\$100,000	\$2,300,000	\$5,213,000	\$4,310,000
LOCATION	Buffalo, Iowa	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
SIZE	426 Water Connections	Pos +	Neg -	Similar	Similar	Similar	Pos +	Similar	Similar	Neg -
CONDITION	Average - Good	Neg -	Pos +	Pos +	Pos +	Pos +	Pos +	Pos +	Neg -	Neg -
DEMOGRAPHICS/POP GROWTH	Decreasing	Similar	Similar	Similar	Pos +	Pos +	Similar	Neg -	Similar	Neg -
SYSTEM	Water Delivery	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
NET ADJUSTMENT		x	x	Pos +	Pos +	Pos +	Pos +	x	Neg -	Neg -
SALE PRICE:		\$965,000	\$3,400,000	\$2,100,000	\$1,832,000	\$800,000	\$100,000	\$2,300,000	\$5,213,000	\$4,310,000
/SF		\$6,893	\$4,005	\$4,828	\$3,739	\$1,626	\$1,471	\$4,107	\$8,020	\$4,843

Conclusion of the Fair Market Value of the Water Delivery System

Most weight is given to sale #1, #4, #6, #7, #9 and #11 in terms of use and connection indicating a fair market connection rate near \$4,869/Connection. The most recent sales #1, #3, #4, #6, #8 and #9 reflecting \$4,174/Connection. The two systems located in Iowa reflect a range of \$6,893 - \$8,020.

Over the last 2-3 years the system has been substantially updated with improvements in excess of \$850,000. The subject property as proposed would reflect a market rate near the upper end of the range.

Based on the above analysis, a market value for the subject property of \$5,900/connection is considered reasonable. Therefore, the value of the subject property, based on the Sales Comparison Approach utilizing a value per connection basis, is estimated as follows:

Water Delivery System – 426 Connections @ \$5,900/Connection = \$2,513,400

Rounded to \$2,515,000

Wastewater Delivery Systems

Utility Sale	Location	Date of Sale	Sale Price Waste water	Wastewater Connections	Price per Connection
Sale #1	Donahue, IA	12/7/2023	\$785,000	118	\$6,653
Sale #2	Blue Grass, IA	7/12/2022	\$2,000,000	750	\$2,667
Sale #3	Mt. Pulaski, IL	4/1/2021	\$1,850,000	800	\$2,313
Sale #4	Hardin, IL	6/11/2021	\$1,200,000	405	\$2,963
Sale #5	Grant Park, IL	5/31/2018	\$2,300,000	540	\$4,259
Sale #6	Andalusia, IL	7/10/2019	\$1,700,000	460	\$3,696
Sale #7	Glasford, IL	9/18/2018	\$1,100,000	482	\$2,282
Sale #10	Shiloh, IL	10/22/2019	\$3,600,000	1,245	\$2,892
Sale #12	Rosiclare, IL	5/29/2020	\$120,000	377	\$318
Sale #13	Fisher, IL	3/1/2018	\$3,100,000	890	\$3,483
Range	\$318-\$6,653				
Mean	\$3,152				
Median	\$2,927				

GRID ANALYSIS OF WASTEWATER TREATMENT FACILITY COMPARABLE SALES												
SALE #	SUBJECT PROPERTY	SALE #1	SALE #2	SALE #3	SALE #4	SALE #5	SALE #6	SALE #7	SALE #10	SALE #12	SALE #13	
DATE OF SALE	June-24	Dec-23	Jul-22	Apr-21	Jun-21	May-18	Jul-19	Sep-18	Oct-19	May-20	Mar-18	
PRICE		\$785,000	\$2,000,000	\$1,850,000	\$1,200,000	\$2,300,000	\$1,700,000	\$1,100,000	\$3,600,000	\$120,000	\$3,100,000	
SIZE (CONNECTIONS)	421 Connections	118	750	800	405	540	460	482	1,245	377	890	
PROPERTY RIGHTS CONVEYED		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
FINANCING		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
ADJUSTMENTS: %												
SALES CONDITIONS												
EXPENDITURES AFTER PURCHASE		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
NORMAL PRICE:		\$785,000	\$3,748,437	\$1,850,000	\$1,200,000	\$2,300,000	\$2,161,950	\$1,100,000	\$4,550,000	\$120,000	\$5,400,000	
MARKET CONDITIONS												
ADJUSTED PRICE:		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
LOCATION	Buffalo, Iowa	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar	
SIZE	421 Wastewater Connections	Pos +	Neg -	Neg -	Similar	Similar	Similar	Similar	Neg -	Similar	Neg -	
CONDITION	Average	Neg -	Neg -	Pos +	Pos +	Pos +	Neg -	Pos +	Neg -	Pos +	Neg -	
DEMOGRAPHICS/POP GROWTH	Decreasing	Similar	Similar	Similar	Similar	Pos +	Pos +	Pos +	Pos +	Pos +	Neg -	
SYSTEM	Wastewater Treatment/Sludge	Pos +	Similar	Pos +	Similar	Similar	Similar	Similar	Similar	Similar	Similar	
NET ADJUSTMENT		Pos +	Neg -	Pos +	Pos +	Pos +	x	Pos +	Neg -	Pos +	Neg -	
SALE PRICE:		\$785,000	\$3,748,437	\$1,850,000	\$1,200,000	\$2,300,000	\$2,161,950	\$1,100,000	\$4,550,000	\$120,000	\$5,400,000	
/SF		\$6,653	\$4,998	\$2,313	\$2,963	\$4,259	\$3,696	\$2,282	\$3,655	\$318	\$6,067	

Conclusion of the Fair Market Value of the Wastewater Systems

In terms of connections the subject is most similar to sale #1, #4, #5, #6, #7 and #12 indicating an adjusted mean near \$3,362/Connection. The subject property is most similar to sale #5, #12 & #13 in terms of overall system and functional utility indicating an adjusted mean near \$3,548/connection. The most recent sales #1, #2, #3 and #4 indicating a fair rate near \$4,231/Connection. The subject would generally fall within this range of \$2,313 - \$6,653/connection. Based on the above analysis, a market value for the subject property of \$4,700/connection is considered reasonable. Therefore, the value of the subject property, based on the Sales Comparison Approach utilizing a value per connection basis, is estimated as follows:

Wastewater System – 421 Connections	@	\$4,700/Connection =	\$1,978,700
-------------------------------------	---	----------------------	-------------

Rounded to, \$1,980,000

Conclusion of the Fair Market Value of the Complete System

Water Delivery System – 426 Connections	@	\$5,900/Connection =	\$2,515,000
---	---	----------------------	-------------

Wastewater System – 421 Connections	@	\$4,700/Connection =	\$1,980,000
-------------------------------------	---	----------------------	-------------

Total Market Value of the Subject Property		\$4,495,000	
--	--	-------------	--

Note the overall fair market value for the combined systems equates to \$5,844/Connection. The indicated unit price is within the range of the comparable combined utility systems detailed in this report. Most weight is given to the Sales Comparison Approach.

VALUATION BY INCOME CAPITALIZATION APPROACH:

Investment property includes real estate which is bought primarily on the basis of the income which is produced. In dealing with such properties, the value tends to be set by the quantity, quality, and durability of the net income to the property.

In the valuation of fee simple rights, the appraiser begins by analyzing the existing and/or most probable gross income at the time of appraisal, plus miscellaneous and net service income, if any. Economic rental is based on prevailing rental rates for comparable space. This may be more or less than the actual or contract rent.

Prudent investors make a deduction for anticipated vacancy and/or collection losses, which leaves an effective gross income. The next claims upon income are the various operating expenses, such as taxes, insurance, administration, utilities, repairs, reserve for replacements, and any other appropriate out-of-pocket expense.

Capitalization is the process of converting net income into value, either by dividing the net income by an appropriate rate, or multiplying it by a factor. There is no single way to capitalize income. The most commonly used methods have variable built-in assumptions.

Various income approaches to value may be used in an appraisal since, if properly used, each analysis helps to explain the characteristics important to real estate investments; and also they help to illustrate how different points of view can still result in similar value estimates.

The subject property operates as a public utility. There is scarce to limited market data of leased utilities. The Income Approach was not found applicable relating to this assignment.

CORRELATION OF VALUE OPINIONS:

Market Value "As Proposed" as of June 30, 2024.

Valuation by Cost Approach.....	\$6,060,000
Valuation by Sales Comparison Approach.....	\$4,495,000
Valuation by Income Capitalization Approach.....	Not Applicable

FINAL RECONCILIATION:

In the Cost Approach, the component parts of the subject property are analyzed and an estimate of what it would cost in the market to replace them with property of like utility and value is made. Land is broken into use classes, each evaluated on its value in the market. The value of the improvements is estimated based on cost new, less depreciation. Depreciation is defined as loss in value from any cause and may be physical wear, functional and/or external obsolescence.

I have relied on replacement costs supplied by the client. In addition, I have consulted and reviewed other engineering reports and data relating to water delivery and wastewater treatment facilities. Based on these additional sources the city's report and IMEG Corporation replacement costs of the plants and infrastructure are considered accurate, thorough and credible relating to this assignment. After accounting for depreciation and the overall land values the indicated value is considerably higher in relation to the Sales Comparison Approach. The difference may be attributable to some form of obsolescence. Furthermore, the difference in this approach in the other approach to value is that the methods do not reflect the actual buyer of this type of asset. 35% weight is applied to this approach.

The Sales Comparison Approach analyzes sales of other municipal water delivery and wastewater systems in the general area which have recently sold. Adjustments are made to reflect differences between them and the subject. The sales chosen were recent and provided good market data to make supported adjustments for variance. There were 17 system sales which are considered applicable in bracketing the subject in terms of the functional use, condition, number of connections and future. Various sales are utilized in the valuation of the two systems. Therefore, this approach is a reliable indicator of the market value of the subject property. This approach to value actually reflects the actual buyer of this type of asset and given the most weight in the final reconciliation.

The Income Capitalization Approach to Value is predicated on the assumption that a definite relationship exists between the net income a property produces and total value. The subject property operates as a public utility. There is scarce to limited market data of leased utilities. The Income Approach was not found applicable relating to this assignment.

Thus reporting weight to the applicable approaches to value renders the following final fair market value of the water delivery and wastewater systems.

FINAL OPINION OF VALUE:

The final market value of the subject property is **\$5,045,000** "as proposed" as of June 30, 2024. The allocated fair market value to the systems are as follows:

The final market value of the subject property relating to the Water Delivery System "as proposed" as of June 30, 2024 is:

TWO MILLION FIVE HUNDRED FIFTEEN THOUSAND DOLLARS
\$2,515,000

The final market value of the subject property relating to the Wastewater Treatment System "as proposed" as of June 30, 2024 is:

TWO MILLION FIVE HUNDRED THIRTY THOUSAND DOLLARS
\$2,530,000

The “As Is” Fair Market Value

The “as is” value is estimated less the costs associated with the upgrades and updates to the elevated storage tank in the amount of \$360,000.

Therefore the “as is” value is calculated as follows:

Water Delivery System

Fair Market As Proposed -	\$2,515,000
Less Costs Associated w/Upgrades -	<u>\$ 360,000</u>
“As Is” Value of the Water System -	\$2,155,000

Wastewater Treatment System

“As Is” Value of the Wastewater System -	\$2,530,000
--	-------------

Total “As Is” Fair Market Value of the combined systems is \$4,685,000

ESTIMATED EXPOSURE AND MARKETING TIME:

EXPOSURE TIME: An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. The improved property sales indicated that exposure time (i.e., the length of time the subject property would have been exposed for sale in the market had it sold at the market value concluded in this analysis as of the date of this valuation) would have been approximately 12 months. The estimated marketing time (i.e., the amount of time it would probably take to sell the property if exposed in the market beginning on the date of valuation) is estimated to be 12 months.

ASSUMPTIONS AND LIMITING CONDITIONS

- 1. The "Scope of Work", as agreed upon by the client and appraiser, is the work the appraiser performed to develop the assignment results. Please refer to the "Scope of Work" section of this report.*
- 2. This is an Appraisal Report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.*
- 3. No responsibility is assumed for legal description, legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated in this report.*
- 4. The property is appraised free and clear of any or all liens and encumbrances unless otherwise stated in this report.*
- 5. Responsible ownership and competent property management are assumed unless otherwise stated in this report.*
- 6. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.*
- 7. All engineering is assumed to be correct. Any plot plans and illustrative material in this report are included only to assist the reader in visualizing the property.*
- 8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.*
- 9. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless otherwise stated in this report.*
- 10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined, and considered in this appraisal report.*
- 11. It is assumed that all required licenses, certificates of occupancy or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report are based.*
- 12. Any sketch in this report may show approximate dimensions and is included to assist the reader in visualizing the property. Maps and exhibits found in this report are provided for reader reference purposes only. No guarantee as to accuracy is expressed or implied unless otherwise stated in this report. No survey has been made for the purpose of this report.*

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

13. *It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless otherwise stated in this report.*
14. *The appraiser is not qualified to detect hazardous waste and/or toxic materials. Any comment by the appraiser that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The appraiser's value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. The appraiser's descriptions and resulting comments are the result of the routine observations made during the appraisal process.*
15. *Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.*
16. *Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications.*
17. *The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.*
18. *Possession of this report, or a copy thereof, does not carry with it the right of publication in whole or in part. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser.*
19. *Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the appraiser.*
20. *The valuation of the property (i.e., Cost Approach, Sales Comparison Approach and Income Capitalization Approach) is used in the appraisal to value only this property for the intended client. The appraised value, any parts of the appraisal, or valuation process must not be used for any other purpose or reason.*
21. *The client agrees that the appraisal firm does not by performing the services rendered, assume, abridge, abrogate, or undertake to discharge any duty of client to any other entity.*

ASSUMPTIONS AND LIMITING CONDITIONS (Continued)

22. *Any use of the appraisal report, by the client, is conditioned upon payment of all fees in accordance with the agreed terms.*
23. *In the future, if the appraisal firm is compelled to produce documents or testify with regard to work performed, the client shall reimburse appraiser for all costs and expenses incurred.*
24. *The Dascher Company, Inc. and/or the appraisers are not qualified to render expert opinions regarding structural issues, water damage, environmental assessments (such as mold), engineering/mechanical issues, ADA and/or building code compliance, land planning, architectural experts or soil conditions. If requested, The Dascher Company, Inc. will recommend qualified experts in these fields to assist the client and/or the appraisal process.*
25. *This appraisal report has been written for the intended use of the client listed in this appraisal. Possession of this report, or a copy thereof, does not carry with it the right of publication (either in whole or in part), nor may it be used for any purpose other than the one stated in the Letter of Transmittal and the Purpose of the Appraisal, without the express, written consent of the appraiser and client. Authorized copies of this report will be signed by the appraiser(s). Unsigned copies should be considered incomplete. All unauthorized or incomplete copies of this report should also be considered confidential, and as such, must be returned, in their entirety, to The Dascher Company, Inc.*

CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. *The statements of fact contained in this report are true and correct.*
2. *The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
3. *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
4. *I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.*
5. *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
6. *My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
7. *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
8. *I have made a personal inspection of the property that is the subject of this report. Inspection should be noted that I observed the water treatment facility and well location. I am not a professional inspector or engineer. I observed the physical attributes of the systems that were visible and not obscured by weather/snow cover and that were underground. I have relied on the city and management of the systems in regards to plans and photos of the system plans.*
9. *No one provided significant real property appraisal assistance to the person signing this certification.*
10. *The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.*
11. *The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.*
12. *As of the date of this report, I have completed the requirements of the continuing education program of the Appraisal Institute.*
13. *I have the appropriate knowledge of the specific market and relevant experience appraising properties similar in size and complexity to the property under consideration to complete this assignment with competence.*
14. *I have performed other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.*

Respectfully submitted,



Patrick D. Kirchner, MAI, SRA
Date of Signature – May 13, 2024
Iowa Certified General Appraiser #CG03568
THE DASCHER COMPANY, INC

**QUALIFICATIONS OF
PATRICK D. KIRCHNER, MAI, SRA**



MAI, SRA, Designated Member of the Appraisal Institute

Minnesota Certified General Real Property Appraiser License Number: 20049235

Illinois Certified General Real Property Appraiser License Number: 553-002997

Iowa Certified General Real Property Appraiser License Number: CG03568

Wisconsin Certified General Appraiser License Number: 1514-010

Minnesota Real Estate Broker License Number: 40756007

Primary Market Area

State of Minnesota, Illinois, Iowa and Wisconsin

Secondary Market Area

Montana, North & South Dakota and Nebraska

Scope of Business

Appraisal • Appraisal Review • Consulting • Estate/Trust • Portfolio Management • Development Valuation and Consultation • Easement Analysis • Eminent Domain Valuation and Consulting • Feasibility Studies • Foreclosure / REO • Highest and Best Use Studies • Land Use Studies and Planning • Litigation / Litigation Support • Market Analysis • Real Estate Tax Valuation and Consulting • Relocation Appraisal and Consulting • Retrospective Valuation • Sensitivity Analysis

Real Estate Appraisal/Business Experience

Agricultural

Crop ▶ • Dairy ▶ • Hog and Poultry/ Forest / Timber ▶ • Grain Elevator ▶ • Grove / Orchard ▶ • Livestock ▶ • Pasture / Range ▶ • Ranch ▶ • Vineyard

Residential

Condo, Multi-Family Project (Townhouse, Condo, Etc) • Timeshare • Farmette (Lifestyle farm, Hobby farm) • High End Residential • Low Income and/or Affordable Housing • Mixed Use (Residential / Commercial) • Mobile Home Park • Multi-family (2-4 units) • Multi-family (5+ units) • Ranchette (Hobby) • Single Family Appraisal (Conventional, Other) • Single Family Appraisal (Relocation) • Unique Property

Commercial

Assisted Living / Skilled Care Facility / Nursing Home • Automobile Dealership • Banquet / Reception Hall • Branch Bank / Financial Building • Condominium (Office / Retail / Etc.) • Convenience Store / Service station • Day Care • Dry Cleaner • Hotel / Resort • Medical Facility / Clinic • Motel • Office

Building (High Rise, over three stories) • Office Building (Low Rise, three stories or less) • Retail (Single Tenant or Free Standing) • Self Storage • Shopping Center (Local, Strip, Neighborhood, Community, Etc.) • Shopping Center (Power Center, Outlet Center, Lifestyle, Etc.) • Shopping Center

Industrial

Industrial (Heavy (Manufacturing) • Industrial (Small Office Warehouse / Mfg.) • Industrial Light (Distribution, Storage) • Research and Development Lab / Hi-Tech / Bioengineering • Truck Terminal / Hub / Transit Facility

Land

Acreage (Mixed Use) • Acreage (Non-Residential) • Acreage (Residential) • Lakeshore, Riverfront, Other Waterfront • Land, Rural • Land, Transitional • Land, Urban • Open Space / Public Park • Subdivided Land / Lot (Non-Residential) • Subdivided Land / Lot (Residential) • Subdivision (Commercial, Industrial, etc) • Subdivision (Residential) • Wetland, Swamp, Marsh

Special Properties

Municipal Water Delivery and Wastewater Systems
Baseball Stadiums
Golf Course/Clubs
Grain Elevators/Dairy/Horse/Pig Farms
Assisted Living/Memory Care
Self-Storage – Conversion Property
Marinas
Resorts

Property Rights Appraised

Access Rights • Air Rights • Fee Simple Interest • Ground Lease • Leased Fee Interest • Leasehold Interest • Life Estate • Partial Interest • Fractional Interest as it relates to Residences, Farms, Timeshare, Townhomes, Condominiums. In addition, Patrick D. Kirchner has appraised the fee simple, leasehold and fee simple estates; and has considerable experience in condemnation appraisals.

Specialized Education

All 500 level classes at the Appraisal Institute relating to requirements regarding the MAI & SRA professional designations.

Creighton University, B.S in Mathematics - 1986

Correspondence

Address – 1919 Hampshire Avenue, Saint Paul, Minnesota 55116

Telephone – 651-698-1998

Cell Phone – 612-270-3565

Email – patrick.kirchner@daschercompany.com

ADDENDUM

APPRAISER'S LICENSE



STATE OF IOWA
IOWA DEPARTMENT OF COMMERCE
PROFESSIONAL LICENSING AND REGULATION

This is to certify that the below named has been granted a certification
as: Certified General Appraiser.

Certification Number: CG03568 Expires: June 30, 2024

Status: Active

Patrick Daniel Kirchner
The Dascher Company, Inc.
1919 Hampshire Avenue
St. Paul, Minnesota 55116

CHAPTER 1024 STATE OF IOWA CODE

CHAPTER 1024
SALE OF CITY UTILITIES AND ACQUISITION OF PUBLIC UTILITIES
H.F. 2307

AN ACT relating to the sale or acquisition of certain utilities.

Be It Enacted by the General Assembly of the State of Iowa:

Section 1. NEW SECTION. 388.2A Procedure for disposal of city utility by sale.

1. A proposal to discontinue a city utility and dispose of such utility by sale, whether upon the council's own motion or upon the receipt of a valid petition pursuant to [section 388.2, subsection 1](#), paragraph "b", shall not be submitted to the voters of the city pursuant to [section 388.2](#) at any election unless the governing body of the city utility meets the requirements of [this section](#).

2. a. (1) The governing body of the city utility shall determine the fair market value of the utility system after obtaining two appraisals of the system's fair market value. One appraisal shall be obtained from an independent appraiser selected by the governing body, and the other appraisal shall be obtained from an independent appraiser approved by the Iowa utilities board. Both appraisals shall be conducted in conformance with the uniform standards of professional appraisal practice or substantially similar standards.

(2) Any appraisal obtained pursuant to this paragraph shall consider the depreciated value of the capital assets to be sold, the loss of future revenues to the city utility, including the right to generate surpluses, and the cost of any capital improvements reasonably necessary to provide adequate service and facilities to the city utility's customers.

b. After considering the appraisals obtained pursuant to paragraph "a", the governing body shall establish the city utility's fair market value. The fair market value shall be the greater of any of the following:

(1) The average of the two appraisals obtained pursuant to paragraph "a".

(2) The depreciated value of the capital assets to be sold.

(3) The amount necessary to retire all of the city's outstanding revenue and general obligations issued for purposes of the city utility.

c. The governing body's determination of a city utility's fair market value pursuant to [this subsection](#) shall not be dispositive of the city utility's system price, which shall be subject to negotiation by the governing body.

d. The governing body shall prepare an inventory of the city utility's real and personal property, and a statement of net position or balance sheet of the city utility, including all assets, liabilities, outstanding revenue and general obligations used to finance the city utility system.

e. The governing body shall prepare a financial information statement of the city utility that includes current and projected rate schedules for the next five fiscal years, as well as the five most recent fiscal year revenue statements, if such statements exist, and a projection of the city utility's revenue statements for the next five fiscal years.

f. The governing body shall consider alternatives to disposing of the city utility system by sale, including entering into an agreement pursuant to [chapter 28E](#), or into a finance agreement, purchase agreement, or lease agreement with another entity described in [section 476.1, subsection 5](#).

g. (1) The governing body shall make available on its internet site, at least sixty days prior to submitting a proposal for election pursuant to [section 388.2](#), a copy of each item listed in paragraphs "a" through "f" of [this subsection](#).

(2) If, at the time of posting information pursuant to subparagraph (1), the governing body has received any offers or appraisals of fair market value from any prospective purchasers of the city utility system in connection with a proposal to discontinue the city utility and dispose of such utility by sale, then the governing body shall make available on its internet site each offer and appraisal then in existence. Proprietary information of a rate-regulated public utility under [chapter 476](#) that is exempt from disclosure pursuant to [section 22.7](#) may be withheld from disclosure on the governing body's internet site. The governing body may continue to receive new or revised offers or appraisals thereafter.

Thu Sep 27 13:40:54 2018

1 / 3

(3) The governing body shall make a good-faith effort to provide, by regular mail to each property owner of the city and each ratepayer of the city utility, a notice of the proposal to dispose of the city utility by sale, a summary of the proposal, a summary of the information described in subparagraphs (1) and (2), and instructions for locating the information described in subparagraphs (1) and (2) on the governing body's internet site.

3. Upon the governing body meeting the requirements of [subsection 2](#), a city council may submit a proposal to discontinue and dispose of a city utility pursuant to [section 388.2](#).

4. If a proposal to discontinue and dispose of a city utility is to be submitted to voters following the receipt of a valid petition pursuant to [section 388.2, subsection 1](#), paragraph "b", the council shall submit the proposal at the next general election, regular city election, or a special election called for that purpose, within one hundred twenty days after the governing body of the city utility meets the requirements of [subsection 2](#).

5. A proposal to discontinue and dispose of a city utility by sale that is approved by the voters pursuant to [section 388.2, subsection 2](#), paragraph "a", shall not require the governing body or any purchasing entity to finalize a sale of the city utility.

6. No action may be brought which questions the legality of the election or the city and governing body's compliance with [this section](#), except as provided in [section 57.1](#), within twenty days of the canvass of votes for the election by the county board of supervisors.

Sec. 2. [Section 476.72, subsection 4](#), Code 2018, is amended to read as follows:

4. "Public utility" means a ~~gas or electric~~ rate-regulated public utility providing electric, gas, water, sanitary sewage, or storm water drainage service, or any combination thereof.

Sec. 3. NEW SECTION. 476.84 Water, sanitary sewer, and storm water utilities — acquisitions — advance ratemaking.

1. [This section](#) applies to the acquisition of water, sanitary sewer, and storm water utilities by rate-regulated public utilities. [This section](#) does not apply to the acquisition of such utilities by non-rate-regulated entities described in [section 476.1, subsection 5](#).

2. a. A public utility shall not acquire, in whole or in part, a water, sanitary sewer, or storm water utility with a fair market value of five hundred thousand dollars or more from a non-rate-regulated entity described in [section 476.1, subsection 5](#), unless the board first approves the acquisition. In addition, if the utility to be acquired is a city utility, then the public utility shall not acquire the city utility until the city has first met the requirements of [section 388.2A](#).

b. If a water, sanitary sewer, or storm water utility that is the subject of an acquisition meets the requirements of paragraph "a", then the acquiring public utility may apply to the board, prior to the completion of the acquisition, for advance approval of a proposed initial tariff for providing service to customers of the acquired utility.

c. As part of its review of the proposed acquisition, the board shall specify in advance, by order issued after a contested case proceeding, the ratemaking principles that will apply when the costs of the acquired utility are included in regulated rates. The lesser of the sale price or the fair market value of the acquired utility as established pursuant to [section 388.2A, subsection 2](#), shall be used in determining the applicable ratemaking principles. In determining the applicable ratemaking principles, the board shall not be limited to traditional ratemaking principles or traditional cost recovery mechanisms. Among the principles and mechanisms the board may consider, the board has the authority to approve ratemaking principles that provide for reasonable restrictions upon the ability of the public utility to seek an increase in specified regulated rates for a period of time after the acquisition takes place.

d. In determining the applicable ratemaking principles, the board shall find that the proposed acquisition will result in just and reasonable rates to all customers of the public utility, including but not limited to existing customers of the public utility. In making this finding, the board may consider any factor it reasonably concludes may affect future rates, including but not limited to the price paid for the acquired utility and the projected cost of reasonable and prudent changes to the acquired utility in order to provide adequate services and facilities to customers. The board shall consider whether there are ratemaking principles that will result in just and reasonable rates to all customers in determining whether to approve or disapprove a proposed acquisition.

e. Upon the approval of a proposal for acquisition by board order, the parties subject to the acquisition shall have the option of either proceeding with such acquisition or not, subject to any termination provisions contained in the acquisition agreement.

f. Notwithstanding any provision of [this chapter](#) to the contrary, the ratemaking principles established by the board pursuant to [this section](#) shall be binding with regard to the acquired utility in any subsequent rate proceeding.

Approved March 21, 2018

Thu Sep 27 13:40:54 2018

3 / 3