

City of Low Moor
Notice of Proposal to Discontinue Municipal Waterworks Utility and
Dispose of Municipal Waterworks Utility By Sale

The City of Low Moor hereby proposes to sell its water utility to Iowa-American Water Company pursuant to Iowa Code Section 388.2A. The City of Low Moor provides the following notice and information:

1. The City has received two appraisals from independent appraisers, Utility Valuations Experts, Inc. and The Dascher Company, Inc. The average fair market value of the two appraisals is \$625,000. The depreciated replacement cost of the land and improvements is \$649,550 which establishes the fair market value of the utility. The fair market value of \$649,550 includes the value of the water wells and city hall/pump house building which the city would retain and not sell to Iowa American Water.
2. An inventory of the water utility assets is attached as Exhibit A.
3. A current financial statement of the utility and a projection of the utility's financial statements for the next five years is attached as Exhibit B.
4. The city has explored alternates to the sale of the utility. The council concluded that water rates would need to be increased annually to put money aside for capital improvement projects. Water rates would need to increase at least 8% each year for at least the next 20 years.
5. The proposal from Iowa American Water includes purchasing the water utility (without the wells or city hall/pump house building) for \$450,000. Iowa American Water would pump water from Clinton and use the current water tower for water storage. Closing of the sale would happen in conjunction with the connection to water being pumped from Clinton is made.
6. The appraisals, Fair Market Value, Inventory, Financial Information, Projected Rates and additional information regarding the Iowa American proposal can be found on the "Water Utility" tab on the city's website: www.cityoflowmoor.com.
7. It is the city's intention to hold a special election on March 1, 2022 where the voters can vote to approve or not approve the proposition of disposing the City's Municipal Waterworks Utility System by sale to Iowa America Water.

The City of Low Moor will hold public forums to ensure that factual information is circulating amongst the public with the dates, time and locations to be announced at a later date. All questions and comments regarding the potential sale should be submitted in writing to: City of Low Moor, PO Box 130, 323 3rd Ave, Low Moor, IA 52757. This Notice shall be posted for 60 days beginning December 31, 2021.

Mayor Thomas Goldensoph
City of Low Moor
PO Box 130, Low Moor, IA 52757
mayor@cityoflowmoor.com

City Clerk Joyce Lanning
City of Low Moor
PO Box 130, Low Moor, IA 52757
clerk@cityoflowmoor.com

Exhibit A

City of Low Moor Real and Personal Property	
Water System	Real Property
	Item # Description
	1 City Hall/Pump House
	2 Well #1
	3 Well #2 (Including Pump, Piping & Electrical)
	4 Generator
	5 Chemical Feed System
	6 30,000 Gallon Water Tower
	7 10,000 ft of 4" Cast Iron Distribution Pipe
	8 125 Residential Water Meters
	9 125 Residential Services
	Personal Property
1 The cities water utility system does not have any personal property.	

Exhibit B
City of Low Moor – Current Financial Statement
July 2020 through June 2021

	Jul '20 - Jun 21
Income	
Charges for Services	
45000 · Charges/Fees for Service	
45003 · Water	35,018.51
Total 45000 · Charges/Fees for Service	35,018.51
Total Charges for Services	35,018.51
Total Income	35,018.51
Gross Profit	35,018.51
Expense	
6800 · Business Type Activites	
6801 · Water Utility	27,496.33
Total 6800 · Business Type Activites	27,496.33
Total Expense	27,496.33
Net Income	<u>7,522.18</u>

Exhibit B

City of Low Moor
5-Year Budget Projection
No Sale of Water System

	Fiscal Year Ending <u>6/30/2022</u>	Fiscal Year Ending <u>6/30/2023</u>	Fiscal Year Ending <u>6/30/2024</u>	Fiscal Year Ending <u>6/30/2025</u>	Fiscal Year Ending <u>6/30/2026</u>	Fiscal Year Ending <u>6/30/2027</u>
Total Base Water Revenue	\$35,000.00	\$35,000.00	\$38,430.00	\$41,505.00	\$44,825.00	\$48,410.00
Required Water Rate Increase	<u>\$0.00</u>	<u>\$3,430.00⁽¹⁾</u>	<u>\$3,075.00⁽²⁾</u>	<u>\$3,320.00⁽²⁾</u>	<u>\$3,585.00⁽²⁾</u>	<u>\$3,870.00⁽²⁾</u>
TOTAL Water REVENUE	<u>\$35,000.00</u>	<u>\$38,430.00</u>	<u>\$41,505.00</u>	<u>\$44,825.00</u>	<u>\$48,410.00</u>	<u>\$52,280.00</u>
Total Base Water Expenditures	\$25,000.00	\$15,000.00	\$40,000.00 ⁽³⁾	\$16,000.00	\$20,000.00	\$40,000.00 ⁽⁴⁾
TOTAL Water EXPENDITURES	<u>\$25,000.00</u>	<u>\$15,000.00</u>	<u>\$40,000.00</u>	<u>\$16,000.00</u>	<u>\$20,000.00</u>	<u>\$40,000.00</u>
NET PROFIT (LOSS) FROM Water	\$10,000.00	\$23,430.00	\$1,505.00	\$28,825.00	\$28,410.00	\$12,280.00

Notes:

(1) Assumes 9.8% increase in quarterly Water rates to cover wage increase

(2) Assumes 8% increase annually in quarterly water rates to cover future water system capital improvements

(3) Assumes \$20,000 increase due to 7 year water tower maintenance

(4) Assumes borrowing \$200,000 at 3% to drill new well for better water quality. Assumes estimated \$20,000 loan payment for next 19 years after 2027.