

Section 7

**SECTION 7
RECONCILIATION OF APPRAISAL APPROACHES**

The cost, income and comparable sales approaches for the Utility System assets to be acquired are considered in this Section. The numeric results for each approach are presented below in **Table 7-1**.

**Table 7-1
Results of TPP and IP Appraisal Approaches**

<u>Appraisal Approach</u>	<u>Ransom Water System</u>
Cost	\$502,000
Income	N/A ⁽¹⁾
Comparable Sales	\$287,000

Note: ⁽¹⁾ Income approach not applicable due to those reasons, as described in **Section 5**.

The cost approach provides a specific valuation for the properties. Based upon discussions with professional staff and photographs taken by them during the site inspections provide the basis for producing the cost approach. This approach includes the adjustments to the system and the loss of the value from physical, functional and external depreciation, when applicable. This approach includes the documented value/cost of the properties and is an accurate representation of the complex, special purpose property. Using this approach, I have partially valued the Village of Ransom Water System at \$502,000. I have quantified the weight for this approach at 90%. Presently, in the marketplace, the cost approach is the most determinate of value. However, due to the uniqueness of this System and potential transaction, and the variability in determination of value of the other approaches, this approach has been given the greatest weight.

The income approach values the utility based on the present value of the available cash flows anticipated to be generated from the ongoing operation of the system. However, in this particular instance there are several unique and mitigating factors which would tend to diminish the importance of the income approach in the determination of value, such that the weighting applied to this approach would be zero. As such this approach was considered but was not quantified, and this I have assigned this approach a 0% weighting.

There are numerous sales of water systems in a variety of contexts. Due to this data, I have included the comparable sales approach on this exclusive (monopoly) special purpose property at \$287,000 for the Village of Ransom Water System. Based on our consideration of the comparable sales approach, I have quantified the weight of the approach at 10%. In the real-estate marketplace, this approach is more determinative of value. However, given

the uniqueness of these systems and the potential transaction, the comparable sales approach has been weighted accordingly.

Based on the analyses conducted for this assignment, my experience and training, and facts known to me, I conclude the reconciliation with an opinion of value for the Ransom Water System TPP and IP as of September 23, 2015 is \$480,000 or Four Hundred and Eighty Thousand Dollars.

Appendix A

APPRAISAL CERTIFICATION

I certify that, to the best of my knowledge and belief, the statements of fact contained in this Report are true and correct. I further certify that the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions and conclusions.

I have no present or prospective interest in the property which is the subject of this Report, and I have no personal interest or bias with respect to the parties involved. My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

My 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 Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.

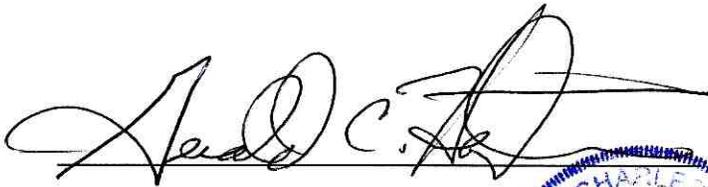
The use of this Report is subject to the requirements of the American Society of Appraisers and the State of Louisiana relating to review by its duly authorized representatives. As of the date of this Report, Mr. Gerald C. Hartman, P.E., BCEE, ASA has completed the requirements of the continuing education program and testing of the American Society of Appraisers for public utility Accredited Senior Appraisers and the State of Louisiana Board of Professional Regulation as applicable to engineers.

For this Report, I have made a personal inspection of the property that is the subject of this Report. Moreover, I have relied upon documentation provided by American and the Client, and conversation with operational staff as well. All of the above was relied upon for this

Report. Except as noted herein, no other person provided significant professional assistance to the person signing this Report.

I have not performed previous assignments within the past three (3) years concerning the Village of Ransom water systems. I have performed three (3) assignments for Goodman Appraisal Consultants, LLC. I have not performed any assignments for the purchaser (American) in the past three (3) years. I have performed three (3) other assignments for sellers where American wished to purchase the utility in the past three (3) years.

I do not authorize the out-of-context quoting from or partial reprinting of this Partial Appraisal Report. Further, neither all nor part of this Report shall be disseminated to a third party without prior written consent of Goodman Appraisal Consultants, LLC and Hartman Consultants, LLC. Note that this Report was prepared for a specific use and no other use is authorized.



Gerald C. Hartman, P.E., BCEE, ASA
Illinois P.E. No. 062-053100
ASA No. 0621053100



10/13/2015

Date

Appendix B

Gerald C. Hartman, PE, BCEE, ASA

Education

M.S. Duke University, 1976

B.S. Duke University, 1975

Registrations/Certifications

Arizona No. 28939

Colorado No. 31200

Florida No. 27703

Georgia No. 17597

Illinois No. 062-053100

Indiana No. 10100292

Kentucky No. 22463

Louisiana No. 30816

Maine No. 10395

Maryland No. 12410

Mississippi No. 12717

Nevada No. 20259

New Mexico No. 15990

New York No. 088623-1

North Carolina No. 15264

Ohio No. 70152

Pennsylvania No. 38216

South Carolina 15389

Tennessee No. 105550

Virginia No. 131184

Wisconsin 32971-6

NCEES National P.E.

No. 20481

American Society of
Appraisers Accredited Senior
Appraiser No. 7542

BCEE from American
Academy Certificate No. 88-
10034

Professional Summary

Management Consulting/Appraisal/Expert Testimony

Mr. Hartman is an experienced utility engineer and appraiser specializing in utilities and systems. He is a qualified expert witness in the area of utility system valuation and financing, facility siting, certification/service area/franchises and formation/creation, management and acquisition projects. Mr. Hartman is accepted in various Federal Courts, Circuit Courts, Division of Administrative Hearings, Public Service Commissions, arbitration, and quasi-judicial hearings conducted by cities and counties, as a technical expert witness in the areas of utility systems (water, wastewater, stormwater, solid waste, gas and electric), certification/service area/franchises, facility planning, utility conveyance, transmission and distribution, utility resources, utility treatment, engineering, permitting and regulations, utility system design and construction, and utility systems valuation (water, wastewater, stormwater, solid waste, gas, and electric systems), costing and damages.

Professional Experience

Machinery and Technical Specialties, ASA – Public Utilities

Public Utilities Appraisal Specialty Certified, ASA
Tangible Personal Property – VAB, Magistrate
Orange County, FL (2009 and 2010)
Tangible Personal Property – Special Magistrate Osceola
County, FL (2011, 2012, and 2013/2014) Hendry
County, FL (2012 and 2013/2014)

Financial Reports

Mr. Hartman has been involved in over 300 capital charge, impact fee and installation charge studies involving water, wastewater and fire service for various entities. He also has participated in over 150 user rate adjustment reports. Mr. Hartman assisted in the development of over 70 revenue bond issues, 20 short-term bank loan systems, 10 general obligation bonds, numerous grant/loan programs, numerous capacity sale programs, and 20 privatization programs. Mr. Hartman has been involved in over \$3 billion in utility bond and commercial loan financings for water and wastewater utility, and over \$4 billion in utility grants, matching funding, cost-sharing; SRF loans and Federal Loans (R.D., etc.), assessments and CIAC programs.

Utility Appraisals, Valuations and Evaluations

Mr. Hartman has been involved in over 500 utility negotiations, appraisals, fairness opinions and review appraisals, and has been a qualified expert witness by the courts with regard to utility arbitrations and condemnation cases. He has participated in the valuation of numerous utility systems. His experience includes:

Skills

Management Consulting
 Utility System Valuation
 Expert Witness Services
 Rates, Fees, and Charges
 Funding and Financing
 Utility Certifications,
 Franchises, Service Areas
 Economic Evaluations
 Creditworthiness Analysis
 Environmental Engineering
 Water/Wastewater Systems
 Engineering
 Stormwater Systems
 Water Resource Services
 Electric System Appraisals

Relevant Training/Courses

Numerous AWRA, AWWA,
 ASCE, WEF, AASE, ASA,
 NSPE, PE Seminars,
 Courses, Ethics, Continuing
 Education (multiple states)
 USPAP Exams 2003, 2004,
 2009/10, 2015
 ASA ME201, ME202,
 ME203, ME204 Mach. &
 Technical Specialties,
 BV201 Public Utilities,
 PP201.
 ASA Public Utilities Specialty
 Designation Exam Parts I,
 II, and III Numerous
 Technical Appraisal
 Courses/Exams in personal
 property (tangible &
 intangible), business
 valuation, and other areas
 Appraisal Review &
 Management ARM 201 and
 204

Year	Project	Party Represented
2015	Crystal Clear Water Company (Ongoing)	Buyer
2015	5-Service Areas Mustang SUD & 1 Water System (Ongoing)	City Consultant
2015	OTUC Donation WW&IW Systems (IRS) (Ongoing)	Owner
2015	Bayou Cove Peaking Power Plant 1/1/2015 TPP Appraisal	Parish
2015	Bayou Cove Peaking Power Plant 1/1/2014 TPP Appraisal	Parish
2015	Bayou Cove Peaking Power Plant 1/1/2013 ARM-TPP	Parish
2015	Peoples Condemn (Hold)	Owner
2015	Kessler AFB	Private
2015	Eglin AFB	Private
2015	Eastwood Manor	Private
2015	NUNDA Utilities	Private
2015	Manalapan/Hypoluxo	City
2015	Royal Manor W/WW	City
2015	BH Waste Management Co.	Bank
2015	O'Fallon Utilities, Value Consulting	Private
2015	Mt. Vernon Utilities, Value Consulting	Private
2015	Tupelo/Verona Water	Both Cities
2015	Confidential (On-Going) Condemnation	Confidential
2015	Rolling Oaks Utilities	Bank
2015	Village of Arthur (On-Going)	Village
2015	NFP (On-Going)	NFP
2015	MS Water System Annex	City
2015	Value Consulting	Confidential/Investor
2015	KWRU – Wastewater Utility	Owner
2015	New River Light & Power (Electric)	Owner
2014	Power System Value Consulting	Confidential
2014	Citrus County/Duke Energy 1/1/13 TPP	County
2014	Minto Prop./SID W&WW&RU	District
2014	North Maine Utilities Transaction Adv. F.O.	Village
2014	3 Appraisals Review	Glenview
2014	Eastlake W&WW (Condemn)	County
2014	Pebble Creek Utilities W&WW (Condemn)	County
2014	Mooresville Water (Condemn) ARM	Attorney
2014	Heritage Hills W&WW (NY) to Corix	Owner
2014	Cauley Creek WRF (IRS)	Owner
2013	Tega Cay Water and Wastewater	Both
2013	Harrison, Ohio Water	City
2013	Water Management Services	Bank
2013	North Lee Rural Water Association, Tupelo, MS (Partial)	City
2013	NPUC (Cost/Comp) Wastewater	Bank
2013	Progress Energy Florida (Citrus County) TPP 1/1/12	County
2013	Village of Oakwood Water/Wastewater System	Village
2013	Richmond Generation Station (Review)	City
2013	Peru Generation Station (Review)	City
2013	Dover, Delaware Electric System	City
2013	C-51 Reservoir	Owner
2013	C-25 Reservoir	Owner
2013	Eglin Air Force Base	Proposer
2013	Duke Energy (Citrus County) TPP Electric #3	County
2012	Beverly Hills Waste Management	Owner
2012	Town of Belleair	Town
2012	Orchid Springs Utilities	City

Affiliations

American Society of
Appraisers
American Society of Civil
Engineers
American Water Works
Association
Florida Engineering Society
National Society of
Professional Engineers
Water and Environment
Federation

<u>Year</u>	<u>Project</u>	<u>Party Represented</u>
2012	Tymer Creek Utilities – Stock Transfer	Owner(s)
2012	Senoia Water System	County
2012	Peoples of Balstrup – (Condemnation)	Owner
2011	Town of Franklinton Water/Wastewater System/County	Both
2011	Pine Island Utility System	Owner
2011	Town of Franklinton Water/Wastewater System/County	Both
2011	Kill Devil Hills Wastewater Treatment Plant	Bank
2011	Chesapeake Electric Utility – Marianna, Florida	City
2011	City of South Daytona Electric Utility	City
2011	On Top of the World Communities Water, Wastewater, and Reuse System – Marion County, Florida (Bay Laurel Center Community Development District)	District
2011	City of Vero Beach Electric Utility	City
2011	City of Vero Beach Water, Wastewater, and Reuse System	City
2010	Fearington Utilities	Own
2010	Rolling Oaks Water and Wastewater System,	Owner/Bank
2010	Liberty Water – Tall Timbers Wastewater (Condemn)	Owner
2010	Heritage Hills Water and Sewer System, NY - City	Owner
2010	Waterside Villages of Currituck Waste Water	District
2010	Tindall Hammock Irrigation and Soil	District
2010	Great Wolf Resort Utilities, PA	Owner
2010	Town of Indian River Shores Water and Sewer System Assets	Town
2010	City of Vero Beach Water and Sewer System Assets, Town of Indian River Shores (Partial)	City
2010	City of Griffin Water System Assets, GA	Water Authority
2010	Golden Beach Water and Wastewater Assets	City
2010	Thunder Enterprises, Inc. Water System Assets, AL (Condemnation)	Owner
2010	River Forrest, S.C., Spartanburg	Both
2010	Stonecreek, S.C., Spartanburg	Both
2009	On Top of the World Communities Water, Wastewater, and Reuse System – Marion County, Florida (Bay Laurel Center Community Development District)	District
2009	Aquarina Water and Wastewater	Bank
2009	Cocoa Beach (electric)	City
2009	Parkland Utilities	Owner
2009	GISTRO	NFP
2009	Fruitland Park (electric)	City
2008	Park Water Company	City
2008	Crooked Lake Sewerage Company	City
2008	Vanguard Wastewater System	City
2008	Traxler Enterprises	City
2008	Louisiana Land and Water Company	Owner
2008	Sandy Creek Water and Wastewater	Coun
2008	Bayside Water and Wastewater	Coun
2008	Fern Crest Utilities, Inc.	Buyer
2008	Turnpike Utilities, LLC – W/S North Carolina (IRS)	Owner
2008	Nags Head, Moneray Shores, Currituck Sewer, Corollo #1 & #2	Buyer
2008	Service Management Systems, Inc.	Bank
2008	Slash Creek Utility System	Owner
2008	Kill Devil Hills Utility Company	Owner
2008	Orchid Springs Utilities	City