

Exhibit No. 3

Exhibit No.:
Issues: Eureka Acquisition
Witness: Joseph E. Batis
Exhibit Type: Direct
Sponsoring Party: Missouri-American Water Company
Case No.: WA-2021-0376
Date: November 05, 2021

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. WA-2021-0376

DIRECT TESTIMONY

OF

JOSEPH E. BATIS


ON BEHALF OF

MISSOURI-AMERICAN WATER COMPANY

Exhibit No. 3
Date 1/20/22 Reporter Bjt
File No. _____

AFFIDAVIT

I, Joseph E. Batis, under penalty of perjury, and pursuant to Section 509.030, RSMo, state that I am President of Edward J. Batis & Associates, Inc., that the accompanying testimony has been prepared by me or under my direction and supervision; that if inquiries were made as to the facts in said testimony, I would respond as therein set forth; and that the aforesaid testimony is true and correct to the best of my knowledge and belief.



Joseph E. Batis

November 5, 2021
Dated

**DIRECT TESTIMONY
JOSEPH E. BATIS
MISSOURI AMERICAN WATER COMPANY
CASE NO.: WA-2021-0376**

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DIRECT TESTIMONY

JOSEPH E. BATIS

I. INTRODUCTION

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Q. Please state your name and business address.

A. Joseph E. Batis. My business address is 313 N. Chicago Street, Joliet, Illinois 60432.

Q. Are you associated with a business?

A. Yes. I am the President of Edward J. Batis & Associates, Inc., which provides real estate valuation and consulting services, and the President of Utility Valuation Experts, Inc., which provides valuation and consulting services specific to public and private utility systems, including water and wastewater systems.

Q. Are you a professional Appraiser?

A. Yes. I am a member of the Appraisal Institute, maintaining an MAI designation. I currently hold general certification appraisal licenses from the states of Illinois, Missouri, Texas, Arizona, Iowa, Tennessee, Virginia, and North Carolina.

Q. Generally, what is your experience in this field?

A. I have provided real estate valuation services since 1983 for residential, agricultural commercial, industrial, and special purpose properties throughout the states of Illinois and Missouri. Please see Schedule JEB-1 for a more detailed description of my experience and training.

Q. Have you any experience in teaching and/or developing educational material pertaining to the valuation of water and wastewater utility systems?

A. Yes. I developed a seminar that had multiple offerings in multiple states in 2021 that deals with the valuation of water and wastewater systems. The seminars were offered by local

1 (state) chapters of the Appraisal Institute.

2 **Q. Other than the educational material that you developed and taught, does the**
3 **Appraisal Institute have (or have they had) any seminars, courses, publications, or**
4 **other instructional material pertaining to the valuation of water and wastewater**
5 **utility systems?**

6 **A. No.**

7 **Q. Have you been invited as a guest speaker or panel member to discuss valuation issues**
8 **pertaining to the valuation of water and wastewater systems?**

9 **A. Yes.** In 2019, I was asked to participate as a panel member for a presentation at the annual
10 meeting of the Illinois Municipal League Conference. And, in March 2021, I was asked to
11 be a presenter at the annual conference of Illinois Assessment Officials. For both
12 presentations, the topic was the valuation of water and wastewater utility systems.

13 **II. VALUATION REPORT**

14 **Q. Did you participate in the preparation of a Valuation Report concerning the City of**
15 **Eureka (“Eureka” or “City”) water and wastewater systems?**

16 **A. Yes.** In early August of 2019, I was asked to participate in providing a Valuation Report
17 in regard to these systems. I was the appraiser selected by Missouri-American Water
18 (MAWC).

19 **Q. Were you the only appraiser that participated in this Valuation Report?**

20 **A. No.** Edward W. Dinan, CRE, MAI; and Elizabeth Goodman-Schneider, ASA, also
21 participated. Each of us is a disinterested person who is a certified general appraiser under
22 chapter 339 of the Missouri Code.

1 **Q. How did they become involved?**

2 A. Mr. Dinan was selected by the City of Eureka to participate, and Ms. Goodman-Schneider
3 was selected by me and Mr. Dinan.

4 **Q. What was your understanding of the appraisers' task?**

5 A. We were to develop an opinion of market value of the subject property - water and
6 wastewater systems "as is" as of the date of our inspection of the subject property.

7 **Q. When did you begin your work on this matter?**

8 A. My work on the assignment began on August 20, 2019, when the three appraisers received
9 documents related to the systems.

10 **Q. What steps were taken by the appraisers?**

11 A. The three appraisers reviewed the documents provided for the assignment and inspected
12 the subject property facilities on August 23, 2019. Once we received the report prepared
13 by Flinn Engineering, we consulted, completed our research and analysis, and
14 communicated our opinions in an appraisal report dated January 20, 2020. On March 16,
15 2020, we received an updated report from Flinn Engineering ("the Flinn Report"). As a
16 result of the revised findings and conclusions in the Flinn Report, the three appraisers
17 consulted with each other and concluded that it was appropriate and necessary to revise our
18 January 2020 appraisal report.

19 **Q. What changed in the report provided by Flinn Engineering?**

20 A. The revised Flinn report included changes to reflect current/updated information that was
21 not available at the time the original Flinn report was completed.

22 **Q. What impact did that change have on the appraisal?**

1 A. In accordance with our professional obligations mandated by USPAP, we revised our
2 appraisal to reflect the most current, relevant, and accurate information.

3 **Q. When was this work completed?**

4 A. Our work was completed with the completion of the Valuation Report on March 23, 2020,
5 and its delivery to the City Administrator of the City of Eureka. A copy of that Valuation
6 Report is attached hereto as Schedule JEB-2.

7 **Q. What standard was used in the preparation of the Valuation Report?**

8 A. The Valuation Report was prepared in conformance with Standards Rule 2-2(a) of the
9 2020-2021 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP).
10 In addition to being prepared in compliance with USPAP, the Valuation Report was
11 prepared in accordance with the Code of Ethics and Standards of Professional Practice of
12 the Appraisal Institute.

13 **Q. What market value was determined for the subject property water and wastewater
14 systems?**

15 A. The report opines that the market value of the water delivery system is \$18,000,000, and
16 the market value of the wastewater collection system is \$10,000,000.

17 **III. APPRAISAL STANDARDS**

18 **Q. What is the significance of the USPAP standards?**

19 A. All appraisal assignments completed by state-certified real estate appraisers must comply
20 with the applicable Uniform Standards of Professional Appraisal Practice (USPAP), which
21 would be the 2020-2021 Edition of USPAP in this situation. By design, USPAP provides
22 the general framework for an appraiser's conduct but leaves the ultimate decisions and
23 discretion to the appraiser regarding the application of the approaches to value, the scope

1 of work decisions that impact the extent and type of research and analysis, and ultimately
2 the development of the report communicating the opinion(s) of the appraiser.

3 **Q. What is the goal of the USPAP's scope of work rule?**

4 A. The objective of USPAP's scope of work rule is to assure that the valuation research and
5 analysis result in credible assignment results. According to USPAP, a scope of work is
6 acceptable when it meets or exceeds: (1) the expectations of parties who are regularly
7 intended users for similar assignments; and, (2) what an appraiser's peers' actions would
8 be in performing the same or similar assignment.

9 **Q. How do you assess the expectations of intended users?**

10 A. As a start, the appraisers rely on their own experience. The three appraisers that
11 participated in the Eureka valuation assignment collectively have extensive experience in
12 the valuation of water and wastewater utility systems. Their individual and collective
13 experiences include providing appraisal and/or valuation consulting services for buyers and
14 sellers in multiple states and for valuation assignments that required similar state regulatory
15 compliance that mandates appraisal services comporting with USPAP.

16 In addition to our own experiences, we review valuation reports prepared by other
17 experienced valuation experts as part of our customary research and analysis, which
18 provides us further understanding of industry standards and typical client expectations.

19 If the client and/or intended users of the subject assignment require additional analysis,
20 explanation, clarification, etc., the appraisers will comply with the request and provide
21 supplemental data/analysis.

22 **Q. Was there any request in this situation for additional analysis, explanation, or**

1 **clarification?**

2 A. No. Accordingly, based upon the extensive experience of the three appraisers and
3 considering the intended users and the intended use of the subject assignment, the final
4 Valuation Report sufficiently meets or exceeds “the expectations of parties who are
5 regularly intended users for similar assignments,” as mandated by USPAP and the appraisal
6 licensing board of the State of Missouri.

7 **Q. How do you assess what an appraiser’s peers’ actions would be in performing the**
8 **same or similar assignment?**

9 A. In this situation, the mere fact that the three appraisers provided a single narrative report
10 communicating their collective analysis and opinions provides significant support that the
11 report “meets or exceeds what an appraiser’s peers’ actions would be in performing the
12 same or similar assignment.” Additionally, my ongoing review of valuation reports for
13 valuation assignments similar to the Eureka project provides support for the position that
14 our work is not only objective and credible but completed in a manner that exceeds the
15 level of work typically completed by our peers.

16 **Q. Could there be multiple valuation opinions (reports) for a particular property**
17 **/assignment that result in differing opinions that are all reliable and credible as**
18 **measured by USPAP standards?**

19 A. Yes. Real estate appraising is an art, not a science. Factors that impact the analysis,
20 development of opinions, and communication of the opinions include the property type,
21 location, market conditions, availability of market data, quality of the market data, ability
22 to verify and confirm market data, and, most importantly, the understanding by the
23 appraiser of the assignment’s intended use of the intended users.

1 **Q. Are there other standards to which appraisers must seek to comply?**

2 A. Yes. In addition to requiring competency, USPAP demands ethical, independent, and
3 objective behavior by appraisers in developing valuation opinions. The ultimate test of
4 credibility and acceptable conduct is, as clearly stated by USPAP as noted above, how
5 other professional appraisers would perform the same or similar assignment.

6 **Q. Are there examples of this compliance in the Valuation report?**

7 A. Yes. As an example of the how the appraisers in the subject case have met or exceeded
8 the standards of the profession is found in the Sales Comparison Approach section (“SCA”)
9 of the Eureka Valuation Report. The SCA is found on pages 46-73 of the report and
10 includes extensive descriptions and analysis of the relevant market data relied on
11 collectively by the three appraisers in developing their opinion of the market value of the
12 Eureka property.

13 **Q. How does that analysis compare to appraisals performed for similar purposes in other
14 states?**

15 A. Attached as Schedules JEB-3 are examples taken from appraisal reports prepared by
16 licensed professionals and submitted to state commissions regarding similar fair market
17 value legislation.

18 **Q. What do these schedules represent?**

19 A. These schedules represent the *entire* sales comparison approach for the respective
20 assignments as submitted to the respective state commissions. In most cases, the cited
21 examples include nothing more than a few elements of the purported transaction; but
22 certainly no thorough description and analysis of the elements of comparison and factors
23 that impact value.

1 **Q. How would you summarize the appraisal work that was performed in arriving at the**
2 **Valuation Report?**

3 A. The analysis performed by myself, Mr. Dinan, and Ms. Goodman-Schneider contains 28
4 pages of relevant information concerning market data along with a thorough analysis and
5 explanation of the data.

6 The tests of reliability and credibility are not whether the client and intended users can
7 replicate the methods used by the appraiser. Credible valuation opinions require 1)
8 professional education and formal training, 2) competency in the areas of market, property
9 type, and technical issues, 3) relevant professional experience, and 4) judgement.

10 The appraisers' work in the subject case, as compared to "what an appraiser's peers' actions
11 would be in performing the same or similar assignment", clearly exceeds the professional
12 standards established by USPAP.

13 **IV. USE OF WELLS**

14 **Q. In performing this appraisal, did you take into account any future uses of individual**
15 **portions of the plant assets?**

16 A. No. The Valuation Report provides an opinion of value for the subject property
17 system/assets "as is" as of March 18, 2020 (the effective date of value for the appraisal
18 assignment). The appraisal opinion presented in the Eureka report is not based upon future
19 or speculative changes, additions, modifications, etc.

20 **Q. Is there a term for such future conditions?**

21 A. Yes. A valuation assignment that is completed based upon some condition that does not
22 exist as of the effective date of value for the assignment is referred to as a "hypothetical
23 condition." The 2020-2021 Edition of the Uniform Standards of Professional Appraisal

1 Practice (USPAP) defines a hypothetical condition as follows:

2 A condition, directly related to a specific assignment, which is contrary to what is
3 known by the appraiser to exist on the effective date of the assignment results, but
4 is used for the purpose of analysis.

5 **Q. Were you asked to take into account any hypothetical condition, such as future use of**
6 **the Eureka wells?**

7 A. No. For the subject assignment, the appraisers were not instructed to provide an opinion
8 of value based upon any hypothetical condition, such as future use, or non-use of the
9 Eureka wells.

10 **Q. Were those wells being used at the time of the completion of the Valuation Report?**

11 A. Yes.

12 **Q. Do you have an opinion as to the propriety of considering such a hypothetical**
13 **condition in an appraisal?**

14 A. Yes. It is improper and misleading for an appraiser to assume, for valuation purposes, the
15 occurrence of some act, event, or change in the future when developing a market value
16 opinion for a property "as is" (as it actually is known to exist) as of the effective date of
17 value.

18 V. FLINN REPORT

19 **Q. The Valuation report references the Flinn Report in regard to the Eureka assets.**
20 **What significance did that report have regarding the Valuation Report?**

21 A. As is customary in the valuation profession for assignments pertaining to water and
22 wastewater system assets, an engineering report provides the valuation experts two primary

1 components: (1) an inventory of the system assets; and, (2) an assessment of the condition
2 and functionality of the system assets. In the subject case, the Flinn Report provided the
3 three appraisers the necessary foundation to credibly assess the value-influencing factors
4 of the subject property systems, and provided the basis for competently applying the sales
5 comparison approach.

6 **Q. When valuation experts rely on engineering reports prepared by licensed professional
7 engineers, what is the relevance of the engineer's assessment of the condition and
8 functionality of the system(s) assets to the valuation expert's analysis?**

9 A. Depending on the level of the assessment developed by the engineer and based upon the
10 availability of information for the engineer to rely on in the development of the assessment,
11 the engineer's report provides the valuation experts the basis for comparing the subject
12 property system to other comparable systems that have sold. The comparison process by
13 the valuation experts may take into account factors such as the amount of accrued
14 depreciation experienced by a system, the original cost of the system, the ratio of the
15 original cost to current cost, the ratio of the current cost to current depreciated cost, etc.
16 All of this information might not be available for every assignment and for every system;
17 however, the final analysis and the development of the market value opinion ultimately
18 weighs the information that is available.

19 **Q. Is there professional guidance for how appraisers should treat reports prepared by
20 others?**

21 A. Yes. The Appraisal Institute has supplemental professional standards, rules, and guidelines
22 for its members that exceed the requirements established by state licensing bodies for state-
23 certified appraisers. I note that two of the participating appraisers, myself and Mr. Dinan,

1 hold the MAI designation from the Appraisal Institute.

2 **Q. Does Appraisal Institute provide guidance in regard to such reports?**

3 A. Yes. The Appraisal Institute's Guide Note 4 (Reliance on Reports Prepared by Others),
4 which is a publication dealing specifically with the criteria for proper reliance by an
5 appraiser on the work of another, identifies four major classifications of reports. One of
6 the report classifications, Reports Prepared by Licensed or Certified Non-Real Estate
7 Appraisal Professionals, lists reports for engineering services as one of its examples.

8 **Q. In what situations may appraisers rely on reports of others?**

9 A. Guide Note 4 includes a list of 6 items the appraiser(s) must satisfy before relying on the
10 third-party report. The items are:

- 11 (1) Have a reasonable basis for believing the individuals preparing the report
12 are competent;
- 13 (2) Have no reason to doubt the credibility of the work of the work preparer;
- 14 (3) Consider the criteria under which the report was prepared;
- 15 (4) Consider the source and extent of the instructions given to the preparer of
16 the report;
- 17 (5) Determine how the appraiser might rely on this information in making
18 decisions and preparing his or her report; and,
- 19 (6) Determine the process and procedures used to evaluate the reports prepared
20 by others.

21 **Q. Do any of those items require that a report for engineering services be sealed, signed**
22 **and dated?**

1 A. No.

2 **Q. How did the appraisers take into account the Flinn Report?**

3 A. In the process of completing the Eureka Valuation Report, the three appraisers relied on a
4 report prepared by Flinn Engineering and considered the conditions of the Flinn
5 assignment, including the lack of a property inspection. It is my opinion, and I believe the
6 collective opinion of all three appraisers, that reliance on the Flinn Report is appropriate
7 and was done in accordance with applicable professional appraisal standards based upon
8 our review of other reports prepared by other engineering professionals, including
9 assignments that did not include property inspections.

10 **Q. Does this conclude your direct testimony?**

11 A. Yes, it does.

Professional Profile
Joseph E. Batis, MAI, AI-GRS, R/W-AC

EMPLOYMENT HISTORY

Owner and President of Utility Valuation Experts, Inc.

Real Estate Appraiser and Consultant since 1983

PROFESSIONAL AFFILIATIONS, MEMBERSHIPS, AND CERTIFICATIONS

Member of the Appraisal Institute

MAI designation, AI-GRS designation (Member #63637)

Member of the International Right of Way Associations

R/W-AC certification (Member #7482)

Member of the American Water Works Association

(Member #03666505)

Member of the Illinois Chapter of the National Association of Water Companies (NAWC)

Approved Instructor

Appraisal Institute - multiple continuing education and qualifying education courses

DEVELOPMENT OF STATE-ACCREDITED CONTINUING EDUCATION SEMINARS

- *The Valuation of Water of Wastewater Systems (2020)*
- *Pipeline and Corridor Easements – Aren't They All the Same? (2020)*
- *Understanding Easements – What is Being Acquired? (2003)*
- *Pipelines and Easements – Can They Co-Exist? (2003)*

STATE – GENERAL CERTIFICATION APPRAISAL LICENSES

Illinois - Missouri - Tennessee - Virginia - Iowa - Texas - North Carolina - Arizona

PRIVATE AND PUBLIC UTILITY ASSET VALUATION (2013-PRESENT)

Valuation and consulting services of public water treatment and distribution assets, public wastewater collection and treatment assets, shared assets (treatment plants), natural gas delivery systems, and other public infrastructure and assets for acquisition, disposition, allocation, or resolution of value disputes for more than 125 assignments during the last 7 years. Services include development of market value opinions, review and rebuttal services, original cost and book value determinations, and exert testimony for litigation, hearings, dispute resolution.



SPECIALIZED VALUATION SERVICES AND EXPERIENCE

- Right of Way / Energy Transmission Lines / Fiber Optic Corridors / Railroad Corridors
- Power Transmission Line Corridors / Solar Energy Fields / Underground Gas Storage Fields
- Public and Investor-Owned Utility Systems (water distribution and wastewater collection)
- Valuation of Permanent and Temporary Easements
- Market Impact Studies for Corridors (Power Transmission Lines, Underground Pipelines)
 - Remainder Properties / Proposed Projects / Expansion of Infrastructure Systems

LITIGATION, ARBITRATION, AND CONSULTING SERVICES

- Expert Testimony (Federal and Circuit Courts, Commerce Commission Hearings)
- Value Dispute Resolution Services - Review and Rebuttal Services
- Litigation Consultation and Support Services

IMPACT STUDIES – SOLAR FIELD PROJECTS (2018)

Market impact studies pertaining to the proposed development of solar energy fields in several counties in the Chicago metropolitan area. Each market study included a site analysis and “before and after” analysis to determine the impact from the proposed solar projects to properties in the immediate and general market areas of the proposed facilities.

IMPACT STUDIES – PROPERTY VALUES AFFECTED BY INTERMODAL FACILITIES (2020)

Market impact studies pertaining to 15 warehouse, industrial, and intermodal facilities developed from 1988-2020 and their impact on more than 6,000 residences. Analysis included a review of traffic reports, proposed infrastructure developments, and independent study of proximity impacts. Scope of work included multiple appearances in front of multiple village and city committees to provide testimony.

MARKET STUDY AND APPRAISAL REVIEW - CONTAMINATION (2018)

Appraisal review services and market data research pertaining to the impact to the market values of numerous properties resulting from the contamination of underground water sources. Scope of work included technical reviews of multiple appraisals, independent market research, and consultation with clients to assist with settlement strategy.

MARKET IMPACT STUDY – CONTAMINATION FROM UNDERGROUND LEAK AT NUCLEAR POWER GENERATING STATION (2007)

Coordinated the market research, analysis, and valuation services pertaining to the impact of more than 500 properties affected by an underground leak of tritium from the Braidwood Nuclear Power Plant. Market Study included a before and after statistical analysis including market development patterns and value trends in 20 communities during a five-year time frame.



ANALYSIS AND ALLOCATION OF THE CONTRIBUTORY VALUES OF MULTIPLE PERMANENT EASEMENTS CO-LOCATED IN A TRANSMISSION CORRIDOR (2019-2020)

An analysis and valuation of the easement values for multiple contiguous and overlapping permanent easements within a right-of-way corridor, including gas pipeline easements, power transmission lines, public utility (water line) easements, and recreational easements. Scope of work included preliminary valuation, consultation, and technical reviews of multiple appraisal reports to assist client in settlement strategy.

MANAGEMENT AND SUPERVISION OF VALUATION SERVICES FOR SIMULTANEOUS ACQUISITION OF EASEMENTS FOR MULTIPLE OIL PIPELINES (2012-2020)

Valuation and consulting services including the coordination and management of preliminary land value studies, market impact studies to support "good-faith" offers, appraisal services for acquisition and condemnation hearings, appearance and testimony at Illinois Commerce Commission hearings, expert testimony at trial, appraisal review services, preparation of rebuttal reports and appearance for rebuttal testimony, and preparation for settlement conferences. Project involved acquisition of permanent and temporary easements for the simultaneous construction of three interstate oil transmission lines. Market research included an analysis of statistical data pertaining to 18 residential subdivisions impacted by underground pipelines. Responsible for management of the projects' valuation services pertaining to more than 2,000 properties in 22 counties including the managing, training, and supervising of 35 appraisers, consultants, and researchers that participated in the acquisition projects.

INTERSTATE NATURAL GAS PIPELINE PROJECT (2000-2003)

Valuation and consulting services including the coordination and management of appraisal services for acquisition and condemnation hearings in federal court, appraisal review services, rebuttal report/testimony, and settlement conferences. Project involved acquisition of permanent and temporary easements for the construction of a natural gas transmission line. Responsible for management of the project's valuation services including more than 600 properties in 4 counties.

VALUATION REVIEW SERVICES AND EXPERT TESTIMONY FOR 1,000+ MILE RAILROAD CORRIDOR

In 2019, provided valuation and consulting services including the review of appraisals and consulting reports pertaining to the valuation of a 1,000+ mile fiber optic corridor within a railroad corridor extending through Virginia, North Carolina, South Carolina, Tennessee and Illinois.



RECENT AND PENDING PRESENTATIONS, DISCUSSION PANEL APPEARANCES, AND OFFERINGS OF SELF-DEVELOPED SEMINARS

Appraisal Institute - Chicago Chapter

The Valuation of Water and Wastewater Utility Systems
Chicago, IL; 2021

Appraisal Institute - Tennessee Chapter

The Valuation of Water and Wastewater Utility Systems
Virtual; 2021

Appraisal Institute - Chicago Chapter

Midwest Easements - Aren't They All the Same?
Springfield, IL; 2021

Appraisal Institute - Tennessee Chapter

Pipeline Easements - Aren't They All the Same?
Virtual; 2021

Appraisal Institute - Louisiana Chapter

Pipeline Easements - Aren't They All the Same?
Virtual; 2021

Appraisal Institute - Chicago Chapter

Midwest Easements - Aren't They All the Same?
Chicago, IL; 2020

Illinois Municipal League Association - 2019 Annual Conference

What's the Value of Your Public Utility System?
Chicago, IL; 2019

Appraisal Institute - Chicago Chapter

The Valuation of Water and Wastewater Systems
Chicago, IL; 2021

Will County Estate Planning Council

Valuation and Regulatory Issues - Updates
Lockport, IL; 2018

Appraisal Institute - 2019 National Conference

Valuation of Easements - Litigation Issues
Denver, CO; 2019

International Right of Way Association - Chapter 12

Valuation of Easements for Pipelines
Aurora, IL; 2020

Southwest Suburban Water Coalition

Valuation of Easements within Easements in Right-of-Way Corridors
Orland Park, IL; 2019

Illinois Property Assessment Institute - 2021 Annual Conference

Highest and Best Use Analysis
Bloomington, IL; 2021

Illinois Property Assessment Institute - 2021 Annual Conference

The Valuation of Privately-Owned Water and Wastewater Utility Systems
Bloomington, IL; 2021



MOST RECENT APPRAISAL INSTITUTE EDUCATIONAL AND INSTRUCTOR EXPERIENCE

APPRAISAL REVIEW THEORY-GENERAL (AUDIT)
OCTOBER 2020, PITTSBURGH, PA

THE APPRAISER AS AN EXPERT WITNESS (AUDIT)
SEPTEMBER 2020, PITTSBURGH, PA

**MIDWEST PIPELINE AND CORRIDOR EASEMENTS
(DEVELOPER & PRESENTER)**
SEPTEMBER 2020, CHICAGO, IL

VALUATION OF CONSERVATION EASEMENTS
MARCH 2020, FT. LAUDERDALE, FL

**GENERAL APPRAISAL INCOME PART II
(INSTRUCTOR AUDIT)**
OCTOBER 2019, CHICAGO, IL

BASIC APPRAISAL PRINCIPLES (INSTRUCTOR)
MARCH 2019, CHICAGO, IL

GENERAL INCOME APPROACH (CO-INSTRUCTOR)
FEBRUARY 2019, CHICAGO, IL

**GENERAL SALES COMPARISON APPROACH
(INSTRUCTOR AUDIT)**
FEBRUARY 2019, CHICAGO, IL

**GENERAL APPRAISER INCOME APPROACH PART I
(INSTRUCTOR AUDIT)**
NOVEMBER 2018, NASHVILLE, TN

GENERAL APPRAISER PROCEDURES (CO-INSTRUCTOR)
OCTOBER 2018, CHICAGO, IL

INSTRUCTOR QUALIFYING CONFERENCE
SEPTEMBER 2018, CHICAGO, IL

ADULT LEARNING – EFFECTIVE CLASSROOM LEARNING
SEPTEMBER 2018, ONLINE WEBINAR

**LITIGATION APPRAISING:
SPECIALIZED TOPICS AND APPLICATIONS**
JULY 2018, ROSEVILLE, MN

**THE APPRAISER AS AN EXPERT WITNESS:
PREPARATION AND TESTIMONY**
MAY 2018, WOBURN, MA

QUANTITATIVE ANALYSIS
MARCH 2018, CHICAGO, IL

NATIONAL USPAP UPDATE COURSE
FEBRUARY 2018, CHICAGO, IL

EMINENT DOMAIN AND CONDEMNATION
SEPTEMBER 2017, ONLINE SEMINAR

**RATES AND RATIOS: MAKING SENSE OF
GIMS, OARS, AND DCF**
SEPTEMBER 2017, ONLINE SEMINAR

NATIONAL USPAP UPDATE COURSE
MAY 2016, CHICAGO, IL

NATIONAL USPAP UPDATE COURSE
JULY 2015, COLUMBUS, OH

INSTRUCTOR WEBINAR
MAY 2015, ONLINE WEBINAR

BUSINESS PRACTICE AND ETHICS
MARCH 2015, ONLINE SEMINAR

INSTRUCTOR WEBINAR
MAY AND OCTOBER 2014, ONLINE WEBINAR

**GENERAL APPRAISER MARKET ANALYSIS
AND HIGHEST AND BEST USE**
JANUARY 2014, CHICAGO, IL

INSTRUCTOR WEBINAR
APRIL AND OCTOBER 2013, ONLINE WEBINAR

KNOWLEDGE CENTER FOR INSTRUCTORS
OCTOBER 2012, ONLINE WEBINAR

CANDIDATE FOR DESIGNATION PROGRAM
JULY 2012, ONLINE WEBINAR

NATIONAL USPAP UPDATE COURSE
JUNE 2012, CHICAGO, IL

GENERAL APPRAISER INCOME APPROACH PART I
OCTOBER 2011, CHICAGO, IL

NATIONAL USPAP UPDATE COURSE
SEPTEMBER 2011, CHICAGO, IL

VALUATION REPORT

City of Eureka, Missouri Water Delivery and Wastewater Systems

Prepared for:

Mr. Craig E. Sabo
City Administrator
CITY OF EUREKA
100 City Hall Drive, P.O. Box 125
Eureka, MO 63025-0125

Prepared by:

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Joseph E. Batis, MAI, R/W-AC
Edward J. Batis & Associates, Inc.
313 N. Chicago Street
Joliet, Illinois 60432

Elizabeth Goodman Schneider, ASA
Goodman Appraisal Consultants, LLC
6260 S. Lake Drive, #718
Cudahy, WI 53110

DINAN REAL ESTATE ADVISORS, INC.
2023 South Big Bend Boulevard
St. Louis, Missouri 63117

EDWARD J. BATIS & ASSOCIATES, INC.
313 N. Chicago Street
Joliet, Illinois 60432

GOODMAN APPRAISAL CONSULTANTS, LLC
6260 S. Lake Drive, #718
Cudahy, Wisconsin 53110

March 23, 2020

Mr. Craig E. Sabo
City Administrator
CITY OF EUREKA
100 City Hall Drive, P.O. Box 125
Eureka, MO 63025-0125

Re: **Valuation Report - City of Eureka, Missouri
Water Delivery and Wastewater Systems Appraisal**

Dear Mr. Sabo:

In accordance with your request, we have made physical inspections on December 10, 2019, and March 18, 2020, of the facilities and real estate that comprise the City of Eureka water delivery and wastewater systems, located in Eureka, Missouri.¹

The water delivery and wastewater collection systems (referred to herein as "the subject property") are owned by the City of Eureka, Missouri, and are located in St. Louis County, Missouri. The customer count includes 4,009 water customers and 3,957 wastewater customers.

The purpose of the appraisal report was to arrive at an opinion of market value of the subject property water and wastewater systems as private systems (the intended use) as of the date of our inspection of the subject property.

This Appraisal Report is prepared in conformance with Standards Rule 2-2(a) of the 2020-2021 Edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP). In addition to being prepared in compliance with USPAP, this appraisal has been prepared in accordance with the *Code of Ethics and Standards of Professional Practice* of the Appraisal Institute.

¹ Throughout the attached appraisal report, any reference to the appraisers' "inspection", "subject property inspection", "inspection of the subject property", "inspection of the subject water and wastewater systems", etc., refers to the appraisers' customary task of viewing the subject property for purposes of observing the condition, layout, design, and utility of the real property (land and building), as is typical in the appraisal profession and in the framework of completing the appraisal process. The reference to the term "inspection" in the context of the appraisers' work should not be interpreted to suggest the appraisers have any expertise and/or qualifications in the assessment of the condition and functionality of any mechanical and non-mechanical components of the subject property water delivery and wastewater systems. The appraisers refer the client and intended users of the attached appraisal report to the engineer's report for an assessment of the water and wastewater systems' infrastructure components. The three professional real estate appraisers co-signing the attached appraisal report are not qualified to independently detect and assess the condition and functionality of the water and wastewater systems' infrastructure components. However, the three professional real estate appraisers co-signing the attached appraisal report assume that the water and wastewater delivery systems' components (including the plant, pumps, and all related facilities) are in proper working order and have been maintained adequately to meet all pertinent codes and regulatory requirements.

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In completing our analysis of the subject property water system, we relied on a report prepared by Flinn Engineering, dated March 16, 2020. The Flinn Engineering report is attached to this appraisal report.

Based upon our analysis of the subject property system and taking into consideration the independent report prepared by Flinn Engineering, dated March 16, 2020, it is our opinion the market value of the City of Eureka water and wastewater systems was as follows:

Market Value of Water Delivery System	Market Value of Wastewater Collection System
\$18,000,000	\$10,000,000

This appraisal report is prepared subject to the Special Assumptions and Limiting Conditions found on Pages 11-13. The Special Assumptions and Limiting Conditions address several significant issues that impact the analysis and conclusions presented in the attached report, including:

- Information provided by the client
- Water and sewer mains presumed to be located in public rights of way
- Identification of the parcels owned in fee
- The Flinn Engineering Report
- The term "Inspection"
- Customer counts
- Presumed permanent easements
- Environmental issues
- Soils and subsoils

Each of the three appraisers co-signing this appraisal report (Mr. Dinan, Mr. Batis, and Ms. Goodman Schneider) participated in the assignment by collecting and analyzing relevant data, and forming the opinions and final conclusions. While each of the appraisers performed different tasks and were responsible for different parts of this assignment, the three appraisers consulted throughout the assignment with each other, the client, and representatives from the City of Eureka.

We certify that we personally have no undisclosed interest, either present or contemplated, in the real estate described herein as the subject property; furthermore, neither the procurement of this appraisal assignment nor the negotiated compensation was contingent upon a predetermined conclusion of value, a value estimate which advocates the client's position, or the occurrence of any subsequent event.


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On behalf of Dinan Real Estate Advisors, Inc., Edward J. Batis & Associates, Inc., and Goodman Appraisal Consultants, LLC, we appreciate the opportunity to prepare this appraisal report for the City of Eureka. Please feel free to contact the undersigned should you have any questions regarding the assignment.

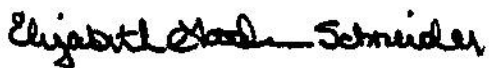
Sincerely,



Edward W. Dinan, CRE, MAI
Dinan Real Estate Advisors, Inc.
State Certified General Real Estate Appraiser RA001300



Joseph E. Batis, MAI, RW-AC
Edward J. Batis & Associates, Inc.
General Certification Lic. #553.000493 (IL; Expires 09/21)
General Certification Lic. #2016044083 (MO; Expires 06/20)
General Certification Lic. #CG03684 (IA; Expires 06/20)
General Certification Lic. #7895 (SC; Expires 06/20)
General Certification Lic. #5660 (TN; Expires 06/21)
General Certification Lic. #4001017857 (VA; Expires 06/21)
General Certification Lic. #A8416 (NC; Expires 06/20)



Elizabeth Goodman Schneider, ASA
Goodman Appraisal Consultants, LLC
Colorado Certified General Appraiser No. CG.200001080
Illinois Certified General Real Estate Appraiser No. 553-001973
Indiana Certified General Appraiser No. CG41700036
Iowa Certified General Appraiser No. CG02980
Kentucky Certified General Real Property Appraiser No. 5262
Michigan Certified General Real Estate Appraiser No. 1201073697
Minnesota Certified General Real Property Appraiser No. 40232088
Missouri State Certified General Real Estate Appraiser No. 2016042105
Ohio Certified General Real Estate Appraiser No. ACGO.2017003680
Pennsylvania Certified General Appraiser No. GA004327
Rhode Island Certified General Appraiser No. CGA.0020068
Wisconsin Certified General Appraiser No. 1586-010
Florida State-Certified General Real Estate Appraiser No. RZ4093