



June 1, 2023

Mr. Rick Powers
Director
City of Peoria
3505 N Dries Lane
Peoria, Illinois 61604

Re: City of Peoria, Illinois – Water System Purchase Considerations

Dear Mr. Powers:

Thank you for this opportunity to support the City of Peoria by providing technical professional services including the identification and report of general factors for the City's consideration as the city evaluates its own options with respect to the water distribution system.

We understand that the City must notify Illinois American Water of its intent to consider purchasing the utility by November 3, 2023, six months prior to the anniversary of the agreement which is May 4, 2024.

Listed below is a summarized scope of services describing the work elements to be included in the work, prior to the City deciding whether to start the purchase process outlined in the franchise agreement.

Phase 1 – Develop operations and engineering considerations of owning a water system

Task 1: Review background information of the franchise agreement and develop information detailing the steps and timeline of a water system buyout. This task includes:

- Summarizing the history and results of past attempts to buyout the water system
- Background information about Illinois American Water Company and the demographics of Peoria's system

Task 2: Review economic considerations and the impacts to control of the water system under a buyout scenario, which includes:

- Research and summarizing benefits and impacts of municipal owned versus investor owned utilities



- Research of American Water Company's (and operating subsidiary IL American Water) public financial statements, including SEC forms 10-K and 10-Q, to inform the City.
- Review similar public water system purchases from private owners to determine potential impacts to City residents
- Summarize the impacts to control and responsibilities of the controlling entity

Task 3: Determine and develop operations, engineering, regulatory, and staffing considerations of purchasing the water utility, which includes:

- Estimating demand projections to ensure existing infrastructure is properly sized to accommodate population growth in the service area
- Evaluate and discuss regulatory requirements for wholesale and intermunicipal agreements to take into consideration
- Describe the current conditions of the water system which may include desktop assessment of the storage capacity, distribution system, treatment facilities, and other integral components of the water system leveraging electronic records and planning documents of Illinois American Water if made available
- Summarize typical operations processes and level of effort involved in maintaining system assets, developing capital improvement programs, creating asset management practices, and performing preventive and corrective maintenance including current supply chain challenges
- Summarize the regulatory requirements involved with owning and operating a water utility (such as the Lead & Copper Rule, PFAS, UCMR3 and UCMR5)
- Review current staffing levels at the water company, if made available, and anticipated staff required under a buyout scenario, including categories and qualifications of staff and estimation of comparable wages

Phase 2 – Summarize buyout process considerations – cost to perform valuation and range of cost to purchase

Task 1: Summarize the process of a water system buyout and related considerations, requirements, and preparation needed. This includes:

- Preparing a timeline of milestones and requirements that must be followed if the purchase option right is exercised
- Development of potential/suggested areas of due diligence and estimated cost for consideration
- Estimated City staffing requirements related to administration, documentation review, and input from stakeholders for the duration of the due diligence period

Task 2: Provide anticipated range of costs for professional services, which includes:



- Range of cost the City should anticipate for conducting and preparing the valuation of the asset
- Estimated range of cost the City should anticipate to spend to purchase the water system, discuss potential financing mechanisms available, and metrics to assess affordability concerns
- Indication of additional categories of cost the City should anticipate, such as
 - Professional legal services
 - Professional services for public outreach and communication
 - Investment in land and buildings for offices, garages, etc (including potential purchase of IL American's properties)
 - Investment in rolling stock and equipment

Phase 3 – Presentations to City Council

To assure adequate time ahead of the November 3, 2023 deadline to notify Illinois American Water Company of any intent to exercise the City's purchase option, we propose the following dates for meetings with both City staff and Council members to review deliverables and assure Council members are informed prior to voting on this measure. Additionally, monthly status reports detailing progress and key milestones will be provided to City Staff and Council.

September 26, 2023 – Review draft deliverable with City and receive feedback/comments to incorporate in final report.

October 3, 2023 – Submit final deliverable to City for approval.

October 10, 2023 – Presentation of final deliverable to City Council

October 24, 2023 – Clarify Council questions following presentation and provide support, as needed, ahead of November 3rd deadline

PROPOSED SCHEDULE

The process summarized in the phases previously described is estimated to take approximately five to six months to complete, therefore the evaluation should be initiated in June 2023 to allow adequate time for completion of the process, City review and approval prior to the November 3, 2023 deadline for City to notify Illinois American Water Company of any intent to exercise the City's purchase option.



Task	Anticipated Completion
Scope of work presentation - Council	June 13, 2023
Data gathering & assessment	July 7, 2023
Check-in meeting 1 (clarify questions and any data concerns) with key City Staff	July 21, 2023
Check-in meeting 2 – 50% completion of draft deliverable with key City Staff and Council	August 11, 2023
Check-in meeting 3 – present draft deliverable for comment from City Staff and Council	September 26, 2023
Incorporate feedback and update deliverable	October 3, 2023
Check-in meeting 4 – submit final deliverable	October 3, 2023
Presentations to City Council	October 10, 2023
Remain available for follow up discussions from Council	October 24, 2023

PROPOSED BUDGET

Compensation for the consulting services described herein will be based upon the lump sum of \$99,550 to complete the phases discussed above.

We appreciate the opportunity to present you with this information and this opportunity to offer our services. If you have any questions or would like to discuss this information in more detail, please feel free to contact me at (314) 330-0242.

Sincerely,

WOODARD & CURRAN INC.

A handwritten signature in black ink that reads "Jennifer Birger".

Jennifer Birger, PE
Senior Client Manager