

ITEM #:	<u>24</u>
DATE:	<u>08-27-24</u>
DEPT:	<u>W&PC</u>

COUNCIL ACTION FORM

SUBJECT: PURCHASE OF FARM PROPERTY FOR BIOSOLIDS APPLICATION (WPC)

BACKGROUND:

The Water Pollution Control Facility (WPCF) utilizes a two-stage digestion process to break down the solids removed during the wastewater treatment process. It uses anaerobic bacteria to convert the organic matter into biogas in an oxygen-free environment. The remaining biosolids are less odorous and have substantially reduced pathogens. These biosolids can be safely applied to agricultural ground as a fertilizer and soil conditioner. The WPCF applies the biosolids to 330 acres of City-owned farm ground adjacent to the WPCF. The materials are typically applied in the fall at a rate to match the agronomic uptake rate of nitrogen by the crop that will be planted the following spring.

A project is currently underway at the WPCF to convert the facility to an enhanced nutrient removal process. **The additional nutrients that are removed from the liquid stream will end up in the solid stream, generating as much as 20% additional solids each year that will need to be land-applied.**

The FY 2016/17 Capital Improvements Plan (CIP) included funds to purchase additional ground for biosolids application as a part of the Residuals Handling Improvements project. No suitable ground was available at the time, and for several years the funds were simply carried over from year to year. In FY 2020/21, staff deleted the carryover funds during the budget amendment process, and inserted placeholder funds in FY 2029/30 of the ten-year financial plan that was used when preparing the Sewer Fund rate model. In doing so, the purchase of additional ground was accounted for in the rate projections, but funds were not tied up in the current year.

The owner of property immediately adjacent to the WPCF's existing farm has recently approached the City with a potential sale of approximately 133 gross acres (approximately 119 tillable acres) of farm ground. A map of the property is attached, with the WPCF shown in the lower left corner. The property owner has entered into a sales contract with Realty Gift Fund, a non-profit organization that accepts charitable donations of real property, then sells the property and disburses the proceeds to qualifying charitable entities as directed by the original donor of the land.

The property owner had the ground appraised at a value of \$1,197,000, and Realty Gift Fund has agreed to sell the property to the City for the appraised value. A copy of the purchase agreement is attached. The City had an independent appraisal of the ground performed that returned a value of \$1,171,000. With the two appraisals being within 2%, staff is agreeable to the offered price. The sequence of events would be for the landowner to sign over the title to the land to Realty Gift Fund, and then the City and Realty Gift Fund would immediately close on the purchase. The parties anticipate that the closing could be completed in September or October of this year. Once the City has ownership, the farm would be managed by the same tenant farmer who has partnered with the City for decades on the existing farm ground.

In the ten-year rate projections shared with Council in April 2024, the future year capital expenses included placeholder funds of \$1,600,000 in FY 2029/30 to purchase additional farm ground. To finance the transaction described above, staff is recommending that Council

authorize the use of the undesignated available Sewer Fund balance, and staff would remove the planned \$1,600,000 expense from the future CIP projections. Staff has performed a comparative analysis of the rate impact of accelerating the purchase at the agreed-on price. With all other assumptions in the rate model remaining unchanged, this transaction would have a very slight positive benefit to the fund balance, with an improved fund balance at the end of ten years of approximately \$60,000.

Land application of stabilized biosolids has been approved in Iowa for several decades and is an environmentally sustainable disposal method. There would be no anticipated adverse impact on the environment. There would be no environmental assessment or permitting changes required, as these fields are already included in the WPCF biosolids management plan that has been previously approved by the Iowa Department of Natural Resources.

Upon Council's approval of the purchase agreement, staff would proceed with closing on the purchase of the ground from Realty Gift Fund.

ALTERNATIVES:

1. Approve the Purchase Agreement with Realty Gift Fund for 133.04 acres, more or less, of agricultural land adjacent to the Water Pollution Control Facility for the amount of \$1,197,000 using the available Sewer Fund balance.
2. Direct staff to negotiate different terms.
3. Do not approve the Purchase Agreement.

CITY MANAGER'S RECOMMENDED ACTION:

The need for additional farm ground was first identified in the FY 2016/17 Capital Improvements Plan. When staff was unable to identify suitable ground, the funds were pushed back several years. The current Sewer Fund rate model includes placeholder funds of \$1.6 million that were just outside the five-year CIP. A willing seller has offered to sell ground immediately adjacent to the Water Pollution Control Facility, and at a price that is both mutually agreeable and within the placeholder funds. This additional ground is needed to accommodate the increased disposal of biosolids produced as a result of the nutrient reduction modifications. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1 as described above.

ATTACHMENT(S):

[City of Ames Offer - 07 31 24 RGF SIGNED.pdf](#)

[Addendum 1 to Ames Offer - 07 31 24 RGF SIGNED.pdf](#)

[Self Rep - City of Ames.pdf](#)

[Attachment - Parcel Map.pdf](#)