



**WILLISTOWN  
TOWNSHIP**  
*CHESTER COUNTY  
Pennsylvania*



# Willistown Township

## Results of Sewer Monetization Exploration Process

October 29, 2020

Prepared by:

**PFM Financial Advisors LLC**

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LLC

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# Sewer Exploration Team\*

## ◆ Township Administration

- Sally Slook - Township Manager
- Bill Hagan – Public Works Director
- Martin McKenzie – Finance Director,  
Treasurer

## ◆ Township Special Local Counsel

- Tim Sullivan, Esq.

## ◆ Consulting Engineer

- Khal Hassan, Pennoni
- Mike Ellis, Pennoni

## ◆ Special Transaction Counsel

- Tom Wyatt, Obermayer
- Kim Farmer, Obermayer

## ◆ Financial Advisor

- Scott Shearer, PFM
- John Frey, PFM
- Ben Kapenstein, PFM
- Garrett Moore, PFM

\*Represents the main parties involved from each entity, however others not listed contributed to the process



## Township Goals

- ◆ Township desires to exit the sanitary sewer business and instead focus its resources on other core government functions while ensuring safe, reliable, and professional service at affordable rates for its residents.
- ◆ The Township has systems with aging infrastructure which over time will require additional investment.
  - Due to this needed investment, it is projected that rates will rise regardless if the system remains with the Township or is sold.
- ◆ Generate significant up-front proceeds to be used for Township purposes
  - Over the course of the next 9 – 12 months, the Township will be discussing during public meetings.



## Summary of Key Events

- ◆ Expert outside engineering, financial and legal counsel were enlisted to provide an objective assessment .
- ◆ Potential buyers/investors were solicited via a Request for Qualification based on industry established criteria for the possible execution of an Asset Purchase Agreement.
- ◆ Two bidders were pre-qualified and participated in a rigorous vetting, full disclosure and collaborative assessment process.
- ◆ A Request for Bid, due Oct 12, 2020, was issued by the Township.



# Timeline of Events

◆ The exploration process has progressed well since the beginning of the year

**Jan. 10, 2020** – Initial Presentation regarding the sewer sale process

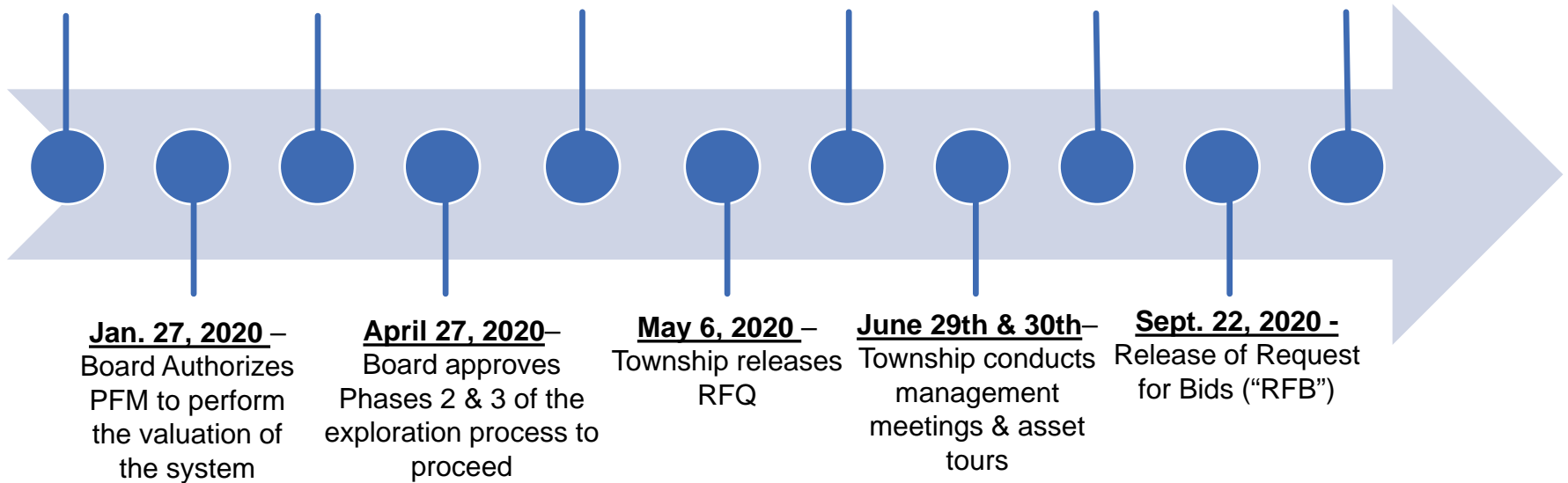
**April 15, 2020**– PFM presents limited scope valuation

**April 27, 2020**– Board Authorizes the release of the RFQ

**May 27, 2020** – Township receives responses to RFQ

**June, 2020** – Township continues its due diligence and begins drafting bidding docs

**Oct. 12, 2020** – Receive RFB responses & review with Township





## Key Business Terms of the Potential Transaction

- ◆ The transaction that is being considered can be summarized as follows:
  - The sanitary sewer system and related equipment would be sold to Buyer.
  - Service would continue as usual only under different ownership.
  - No employees would lose their jobs.
  - Rates will be governed by the PUC after the mandatory 2-year rate freeze.
    - Rates will be discussed in greater detail later in presentation.
  - The Township will maintain control of its Act 537 Planning.



# Rates

- ◆ The Buyer will initially adopt the Township current rates.
- ◆ The Pennsylvania PUC will ultimately set rates .
- ◆ There will be a mandatory 2-year rate freeze, per the Agreement, however actual rate freeze could be longer.
- ◆ Township currently bills its customers one of four ways outlined in the table below:

Willistown Township - Current Sewer Rate Comparison				
	Valley Forge	Low Pressure Customers	Penns Preserve	East Goshen
Fixed Fee (per quarter)	\$124.66	\$124.66	\$187.96	\$153.87
Pump Maintenance Fee (per quarter)	N/a	\$50.00	N/a	N/a
Rate per gallon	0.00552	0.00552	N/a	N/a
Assumed Annual Gallons	48,000	48,000	48,000	48,000
Average Quarterly Bill	\$190.90	\$240.90	\$187.96	\$153.87
<b>Annual Average</b>	<b>\$763.60</b>	<b>\$963.60</b>	<b>\$751.84</b>	<b>\$615.48</b>
<b>Number of Customers</b>	<b>1,716</b>	<b>362</b>	<b>195</b>	<b>20</b>
Source	Township			

NOTE: East Goshen Municipal Authority customers would not be included in any sale.

- ◆ Over the past several years, the Township has had a policy of raising sewer rates almost annually in order to keep pace with inflation and rising costs – approx. 3.6%/yr.



## Bid Results – Aqua

### Option 1: 2 Year Rate Freeze Option

- Option 1: 2 Year Rate Freeze Option
  - Bid Price** - Purchase price of \$17.5 million (rate table below)
  - Rate table below are indicative monthly sewer rates assuming 4,000 gallons per month of usage

Indicative rates for next 10 years [1][2]									
<b>2021</b>	\$63.63	<b>2022</b>	\$63.63	<b>2023</b>	\$63.63	<b>2024</b>	\$65.22	<b>2025</b>	\$92.69
<b>2026</b>	\$95.00	<b>2027</b>	\$97.38	<b>2028</b>	\$94.64	<b>2029</b>	\$97.00	<b>2030</b>	\$99.43

### Option 2: No Rate Freeze Option

- Option 2: No Rate Freeze Option
  - Aqua did not submit an official response but later told PFM that the amount and rates would be the same as Option 1 so they didn't find it necessary to submit.

[1] indicative rates for illustrative purposes. Aqua cannot guarantee rates as that is done at the discretion of the PUC

[2] The Company's 10-year projection of rates for the costs associated with the acquisition of the Willistown Wastewater system assume base rate increases in 2025 and 2028, assume approximately 30% cost a/location, and a DSIC surcharge beginning no sooner than 2023. These projections are for illustration purposes and reflect reasonable expectations of the Company based on current industry trends, however, are subject to changes and the approval of the PA Public Utility Commission.





## Bid Results – PA American

### ◆ Option 1: 2 Year Rate Freeze Option

#### ◆ Bid Price –

Indicative rates for next 10 years									
2021		2022		2023		2024		2025	
2026		2027		2028		2029		2030	

### ◆ Option 2: No Rate Freeze Option

#### ◆ Bid Price-

Indicative rates for next 10 years									
2021		2022		2023		2024		2025	
2026		2027		2028		2029		2030	



## Estimated Sources & Uses of Proceeds

◆ Shown below are the estimated sources and uses of proceeds resulting from the transaction

SOURCES	
Purchase Price	\$17,500,000
Cash on Hand*	\$3,700,000
<b>Total Sources</b>	<b>\$21,200,000</b>

\*Estimated, may fluctuate until closing occurs.

USES	
Payoff of Debt*	\$4,000,000
Est. Transaction Fees/Contingency	\$1,000,000
Real Estate Escrow**	\$0
<b>Total Uses</b>	<b>\$5,000,000</b>

\*Estimated.

\*\*Each missing easement will result in \$2,000 deposited into the escrow at closing. Once easements are satisfied, monies released back to Twp.

**EST. PROCEEDS AVAILABLE FOR USE**

**\$16,200,000**



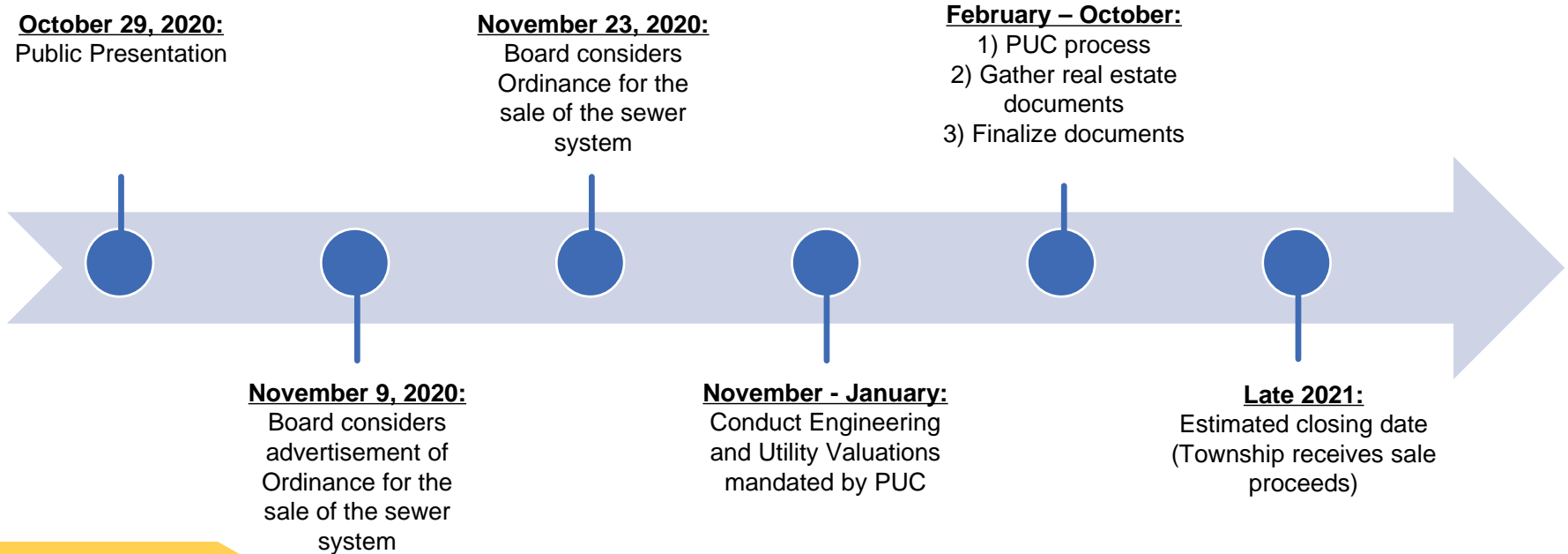
# Use of Proceeds – How could the proceeds potentially be used to benefit residents?

- ◆ Land preservation initiatives
- ◆ Various park improvements
- ◆ Trail improvements
- ◆ Public Works operations, including but not limited to:
  - Stormwater projects
  - Bridge and road repairs
- ◆ Provide for General Fund reserves
- ◆ Pension and/or OPEB funding
- ◆ Debt reduction
- ◆ Other ideas?
- ◆ **If the transaction is approved, Willistown Township will hold a series of public meetings over the 9-12 months following approval to develop a plan for the use of proceeds.**



# Estimated Closing Timeline

- ◆ Prior to closing, an application would have to be submitted to the PA PUC.
- ◆ Township would be required to obtain an Engineering Assessment report, as well as retain a Utility Valuation Expert (“UVE”).
- ◆ Should the Township decide to pursue a sale, settlement would likely occur in Late 2021 (this assumes the Township makes its decision in the near term).





## Closing Remarks

- ◆ Willistown began this exploration to determine the potential benefits that the residents could experience from the sale of the sewer system.
  - With the \$17,500,000 purchase price being offered, funds will be available for the Township to accomplish many of its goals.
  
- ◆ The key components of the sale are that:
  - The system will be sold to an experienced local operator that will be heavily regulated by the PA PUC and will provide improved customer service 24/7.
  - Future rates will be set by the PUC.
  - Aqua already provides water service to portions of the Township.
  - Up-front funds will be used to benefit the residents of Willistown over the long term.



## Disclosure

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# Thank You



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