



**WILLISTOWN
TOWNSHIP**
*CHESTER COUNTY
Pennsylvania*



Willistown Township

Recap of the Sewer Monetization Exploration Process

December 14, 2020

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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 broadly disseminated Request for Qualification 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.
- ◆ Public meeting held on Oct 29th to present the results of the process.
- ◆ Public meeting held on Nov 9th to review results again and clarify certain points.
- ◆ If the Ordinance is approved today, closing would likely occur late 2021.



Aqua Proposal

- ◆ **Bid Price** - Purchase price of **\$17.5 million** (indicative 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]									
2021	\$63.63	2022	\$63.63	2023	\$63.63	2024	\$65.22	2025	\$92.69
2026	\$95.00	2027	\$97.38	2028	\$94.64	2029	\$97.00	2030	\$99.43

[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 allocation, 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.



Follow Up from October 29th and Nov 9th Public Presentation

◆ *How will this potential sale impact current grinder pump customers regarding annual maintenance and repairs to the grinder pump?*

- Township Response - If this transaction is approved, current grinder pump customers will receive multiple communications until the transaction closes (anticipated 4th qtr 2021) which will highlight the following topics:
 - Homeowners will no longer be billed the \$50 quarterly maintenance fee once the transaction closes.
 - Homeowners will now have freedom of choice to select their own provider (i.e. PreDoc) for grinder pump maintenance. This will enable the homeowner to achieve cost savings and overall greater customer satisfaction.



Follow Up from October 29th and Nov 9th Public Presentation

◆ *How will this potential sale impact grinder pump customers that have a private well?*

- Township Response - If this transaction is approved, prior to closing, the Township will develop a flat rate for those wastewater customers and then at closing, Aqua will adopt that new flat rate.
 - Aqua and the Township Team are currently in discussions regarding the calculation of the flat rate.



Follow Up from October 29th and Nov 9th Public Presentation

◆ *Will current wastewater customers realize a direct benefit from this transaction?*

- Township Response – As mentioned during the prior public meetings, the use of the proceeds from this sale will be discussed and analyzed over the next year.
 - Two of those potential uses include:
 - Establishing a **Customer Benefit Fund** in which a portion of the proceeds (approx. \$2.6mm- \$3mm) would be set aside to more gradually phase in over a 5 year period the expected rate increase currently estimated to occur in 2025.
 - Establishing a **Capital Replacement Fund in the approximate of \$500,000-\$700,000**, which would be set aside for the grinder pump customers(that pay the \$50/qtr maintenance fee) for the replacement of their existing grinder pump.
 - The depreciated original cost of the system is approx. \$3.1mm to \$3.4mm which is the approximate amount that is estimated to be deposited into the two funds.



Future Sewer Rates – (If Township Kept System)

- Historically, the Township has on average raised sewer rates about 3.6% per year with a few exceptions.
- If the Township kept the system, rate increases would be necessary to maintain operations and provide for sufficient capital needs.
 - Rate model is assuming an average rate increase in the future of approx. 3.6% per year over the next 10 years if the Township kept the system.
 - Would result in an average sewer bill of approx. \$1,100 per year or approx. \$92/month.

	ESTIMATED PROJECTED RATES ASSUMING TOWNSHIP KEEPS THE SYSTEM									
Years	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Monthly Twp Rate	\$67.13	\$70.83	\$74.37	\$77.71	\$80.82	\$83.65	\$86.16	\$88.10	\$89.86	\$91.66



Future Sewer Rates – (If Township Sold System)

- If the Township sold the system to Aqua, approximately \$2.6mm - \$3mm would be set aside in a Customer Benefit Fund to more gradually phase in the impact from the projected rate increase in 2025.
- Table below illustrates the impact to projected average monthly bill with the Customer Benefit Fund.

Years	NONBINDING MONTHLY RATES PROVIDED BY AQUA PER RFB									
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
GROSS: Aqua Rates (per RFB)	\$63.63	\$63.63	\$63.63	\$65.22	\$92.69	\$95.00	\$97.38	\$94.64	\$97.00	\$99.43
NET: Average Bill AFTER Twp's CBF Contribution	\$63.63	\$63.63	\$63.63	\$65.22	\$65.22	\$69.69	\$78.08	\$81.40	\$87.47	\$94.30
Difference	\$0.00	\$0.00	\$0.00	\$0.00	\$27.47	\$25.31	\$19.30	\$13.24	\$9.53	\$5.13
Annual Increase (keeping 2024 as base year)					\$27.47	\$29.78	\$32.16	\$29.42	\$31.78	\$34.21
Approximate subsidy from CBF					100.00%	85.00%	60.00%	45.00%	30.00%	15.00%

- The table above projects an average monthly bill after the Customer Benefit in year 10 of approximately \$94/mth or an approximate 4% increase per year.



Illustration of Estimated Future Sewer Rates

Chart below illustrates potential difference under Township ownership versus Aqua ownership with the Township applying the CBF.

- **Average bill under Aqua ownership or Township is very similar – approx. \$92/mth vs \$94/mth or approx. \$1,100/year vs \$1,131/year.**
- Both scenarios assume similar capital needs. Under Aqua ownership, certain assumptions are being made regarding spreading the costs across a much larger customer base than if Township continued to own.

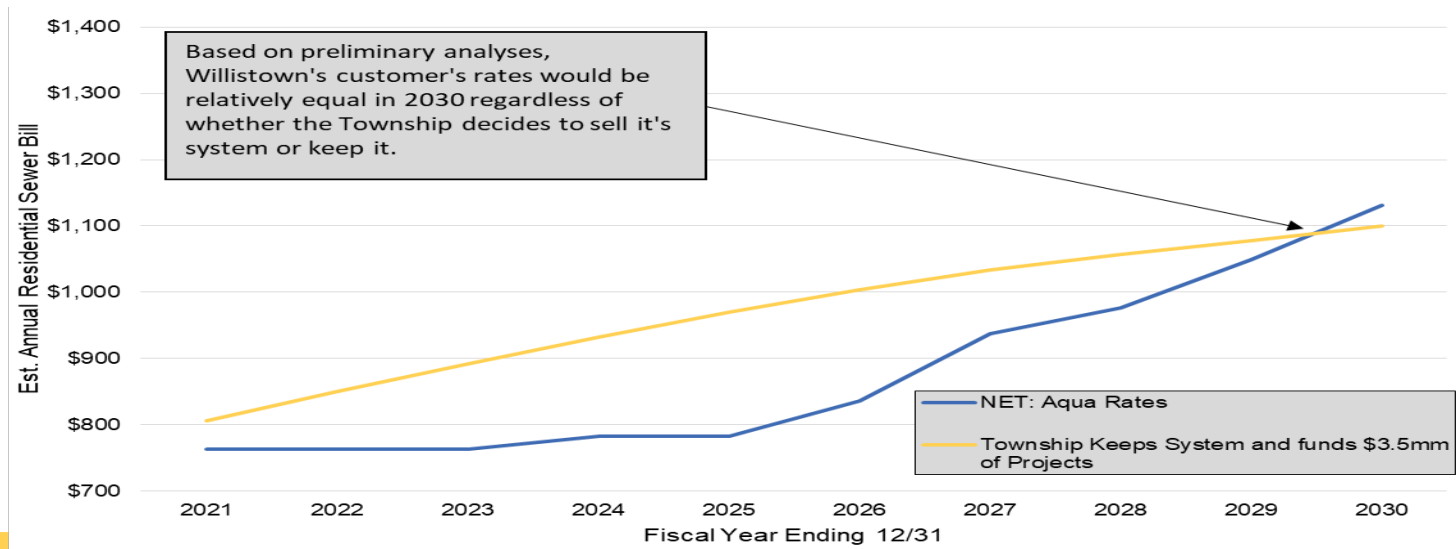




Illustration of Estimated Future Sewer Rates (cont'd)

Table below illustrates the cumulative impact to an average ratepayer over the next 10 years under Aqua ownership and Township ownership.

Average Bill	1 2021	2 2022	3 2023	4 2024	5 2025	6 2026	7 2027	8 2028	9 2029	10 2030	Average Homeowner Impact Years 1-10
Aqua Ownership	\$ 764	\$ 764	\$ 764	\$ 783	\$ 783	\$ 836	\$ 937	\$ 977	\$ 1,050	\$ 1,132	\$ 8,787
Twp Ownership	\$ 806	\$ 850	\$ 892	\$ 933	\$ 970	\$ 1,004	\$ 1,034	\$ 1,057	\$ 1,078	\$ 1,100	\$ 9,723
Difference*	\$ (42)	\$ (86)	\$ (129)	\$ (150)	\$ (187)	\$ (168)	\$ (97)	\$ (80)	\$ (29)	\$ 32	\$ (936)

*Negative # represents annual savings to average ratepayer under Aqua Ownership

Conclusion: Over the next 10 years, the average ratepayer may realize a benefit of approximately \$936 under Aqua ownership.



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 many of the sewer customers.
 - Up-front funds will be used to benefit the residents of Willistown over the long term in addition to the current sewer customers.
 - The leverage, efficiencies and economies of scale from a large operation will be able to keep rates at reasonable levels in the future.



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Thank You



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