



**WILLISTOWN
TOWNSHIP**
CHESTER COUNTY
Pennsylvania



Willistown Township

Recap of the Sewer Monetization Exploration Process

April 8, 2021

Prepared by:

PFM Financial Advisors LLC

PFM Financial Advisors
LLC

213 Market Street
Harrisburg, PA 17101

717.232.2723
pfm.com



Timeline – Up to Bid Receipt

◆ The exploration process has progressed well since the beginning of 2020

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

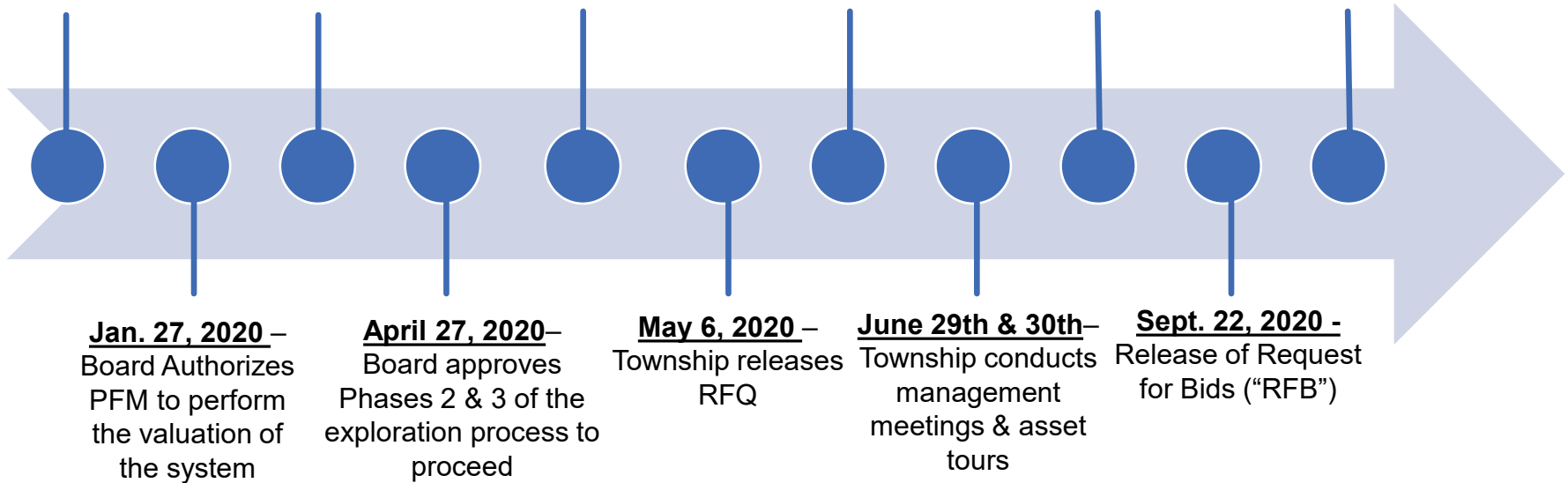
April 15, 2020–
PFM presents
limited scope
valuation

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

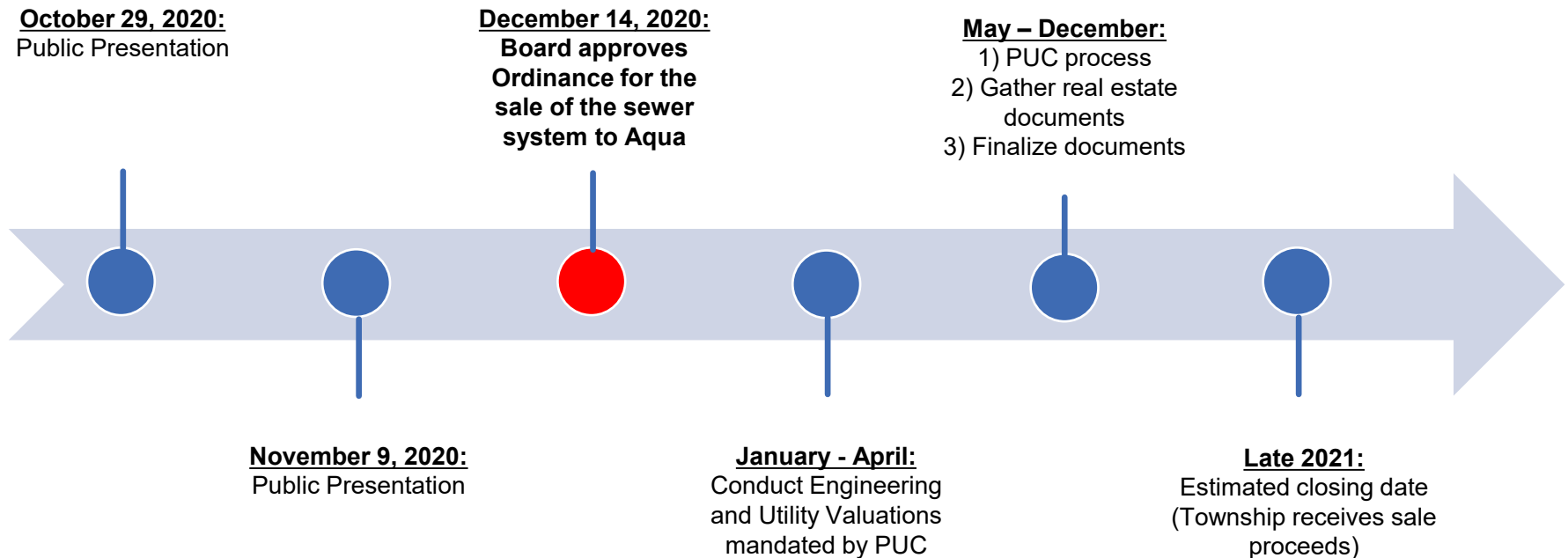
Oct. 12, 2020 –
Receive RFB
responses &
review with
Township





Estimated Timeline – After Bid Receipt

- ◆ Since the Ordinance has been approved, the process continues to compile and complete documents to be submitted to the PUC.





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
Total Sources	\$21,200,000

*Estimated, may fluctuate until closing occurs.

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

*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



Capital Replacement Fund and Customer Benefit Fund

- **Two of those potential uses of net proceeds include:**
 - Establishing a **Customer Benefit Fund** in which a portion of the proceeds (approx. \$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. The goal is to provide a rate trajectory similar to what it would be if the Township kept the system.
 - 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.
 - These direct benefits to the wastewater customers are similar in value to the net book value of the system (cost of system less depreciation).



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
Annual Average	\$763.60	\$963.60	\$751.84	\$615.48
Number of Customers	1,716	362	195	20
Source	Township			

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



Future Sewer Rates – (If Township Kept System)

- 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

- After the time period shown above, the Twp would expect to see similar increases in sewer rates (approx. 2.5%-3%) but very long-range projections on utility systems can be speculative.



Future Sewer Rates – (If Township Sold System)

- If the Township sold the system to Aqua, approximately \$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%

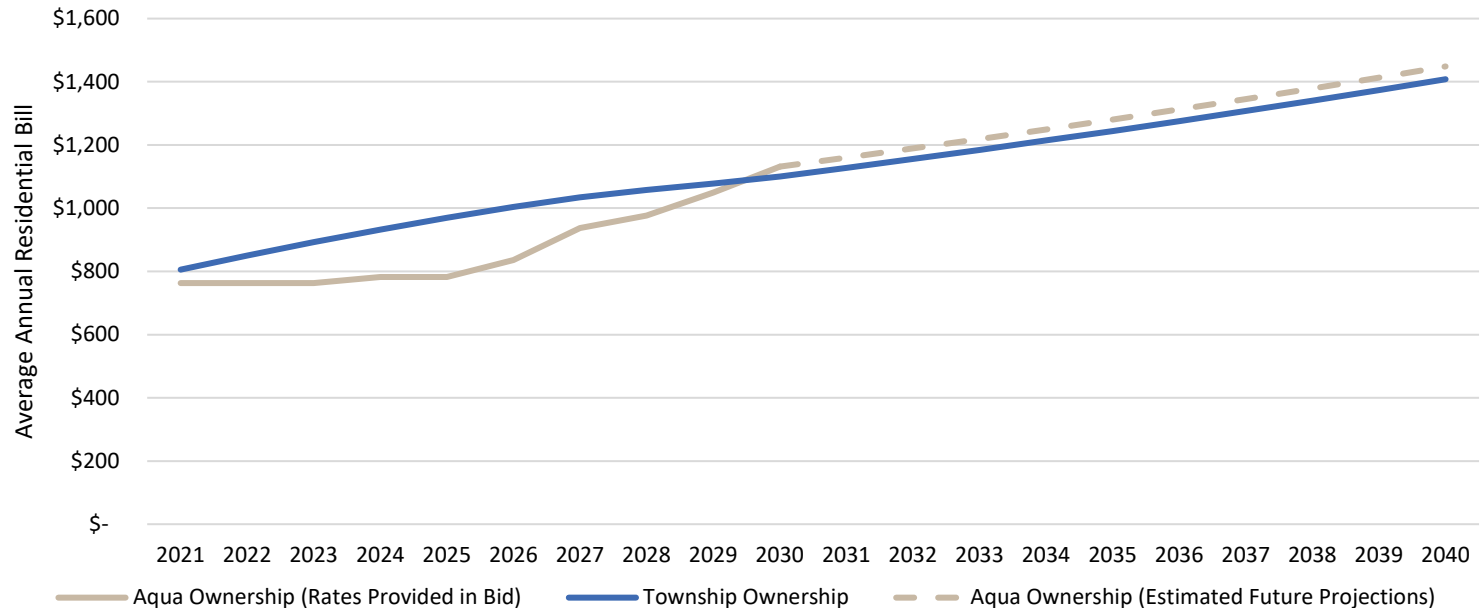
- The table above projects an average monthly bill after the Customer Benefit in year 10 of approximately \$94/mth or an approximate 4% increase per year.
- After the time period shown above, increases of 2.5% -3% could be expected but very long-range projections on utilities can be speculative.



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 in 2030 – approx. \$92/mth vs \$94/mth or approx. \$1,100/year vs \$1,131/year.**
- **After 2030, both ownership structures track very similar to each other.**





Disclosure

The information and any analyses contained in this presentation are taken from, or based upon, information obtained from the recipient or from publicly available sources, the completeness and accuracy of which has not been independently verified, and cannot be assured by PFM. The information and any analyses in these materials reflect prevailing conditions and PFM's views as of this date, all of which are subject to change. To the extent projections and financial analyses are set forth herein, they may be based on estimated financial performance prepared by or in consultation with the recipient and are intended only to suggest reasonable ranges of results. Opinions, results, and data presented are not indicative of future performance. The printed presentation is incomplete without reference to the oral presentation or other written materials that supplement it. To the extent permitted by applicable law, no employee or officer of PFM's financial advisory business, nor any of PFM's affiliated companies, accept any liability whatsoever for any direct or consequential loss arising from negligence or from any use of this presentation or its contents. The ultimate decision to proceed with any transaction rest solely with the client.

Thank You



pfm