

WILLISTOWN TOWNSHIP SEWER CUSTOMER BENEFIT FUND COMMITTEE
APRIL 15, 2021 AT 7:00 PM via Zoom

Committee members Supervisor Barbara Handelin, Molly Perrin, Norman MacQueen, Martin Kenney, Brian Everts, and Gerry Bucaccio were present. Township Manager Sally Slook and Finance Director Martin McKenzie were also present.

Announcements – Supervisor Handelin announced the meeting would end at 9:00 PM and asked residents to limit comments to 5 minutes or less when it was time for citizens' comments.

Introduction of Committee Members -Supervisor Handelin introduced the committee members and the other panelists. Panelists included Scott Shearer with PFM Financial Advisory, Bill Packer, Vice President of Regulatory Accounting and Regional Controller of PA and NJ, Krista Weeks with Aqua Business Development, Mark Bubel with Aqua PA Wastewater Engineering Department, Marc Lucca, President of Aqua PA Wastewater, Township Solicitor Bill Christman, and Tom Wyatt with Obermayer Rebmann Maxwell & Hippel LLP.

Minutes - Mr. MacQueen moved to approve the minutes of April 8, 2021. Ms. Perrin seconded the motion. There were no comments from the Board or the public, and the motion carried unanimously.

Presentation by PFM (Public Financial Management) – Scott Shearer with PFM presented a 75-minute PowerPoint presentation with commentary by Bill Packer, Marc Lucca, and Tom Wyatt. Topics included a recap of the April 8th meeting, the proposed amount to be set aside for rate stabilization and grinder pump replacements, estimated future sewer rate projections, answers to questions from the April 8th meeting, the next steps in the sewer sale timeline, and examples of what other municipalities have done with the proceeds from their sewer sales.

Committee Member Comments – Mr. MacQueen asked what the immediate expected repair cost the Township faces to repair the system. Ms. Slook commented the Township has reached out to Carroll Engineering, the Township's sewer engineer, for a final report but has not yet received it. An early estimate is \$5 million, but the figure only includes parts of the system and not Township-wide. Discussion ensued.

Citizens' Comments

Jerry Childers, 8 Colonial Way
Julie Frissora, 34 Chetwynd Road
Robin Flavelle, 2 Arlington Road
Victor Evangelist, 568 Sugartown Road
Robert Swift, 13 Devon Road
Joseph Havrilla, 570 Sugartown Road
Claudia Kapustin, 1304 Weatherstone Drive
Bill Lordan, 112 Spruce Lane

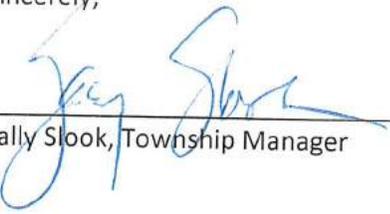
Next Meeting

The next meeting of the Willistown Township Sewer Customer Benefit Fund Committee will be on Thursday, April 22, 2021, at 7:00 PM via Zoom.

Adjournment

Seeing no further business, the meeting adjourned at 9:15 PM.

Sincerely,



Sally Slook, Township Manager



**WILLISTOWN
TOWNSHIP**
CHESTER COUNTY
Pennsylvania



Willistown Township

Committee Meeting #2

April 15, 2021

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Recap From April 8th Committee Meeting

- ◆ Once the transaction closes, the Township is considering setting aside approximately \$4 million of the net sale proceeds to directly benefit the current sewer customers with rate stabilization and grinder pump replacement.

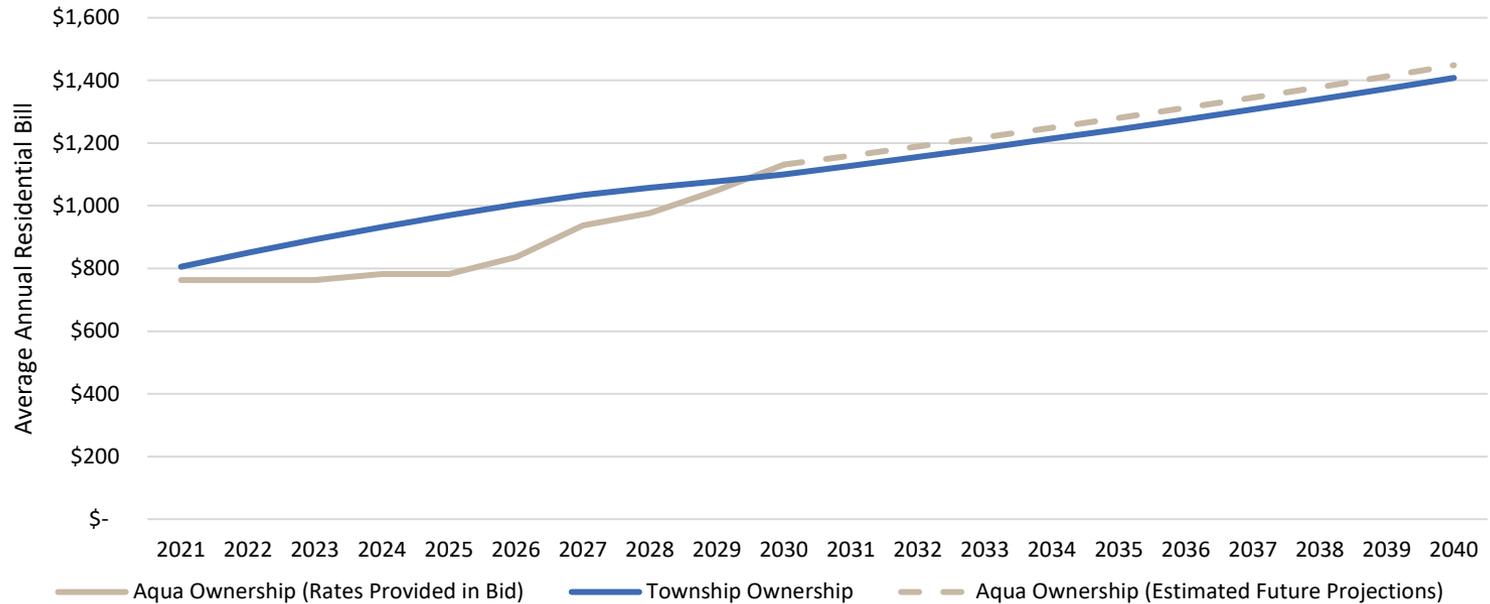
◆ Why \$4 million?

- That is the estimated amount needed to subsidize rates in the near term so that that sewer customer's average bill would be very similar to what rates would be if the Township continued to own the system. This is the Customer Benefit Fund.
- In addition, for those 300+ customers with grinder pumps, the Township will replace 1 pump for every customer. This is the Capital Replacement Fund.
- The current book value of the sewer system is around \$4 million. Prior to recent legislation, municipal sewer systems were typically sold for book value.



Recap of Estimated Future Sewer Rate Projections

- Average bill under Aqua ownership or Township is very similar in 2030
- Approximately \$92/month vs \$94/month or \$1,100/year vs \$1,131/year
- After 2030, both ownership structures track very similar to each other





Follow Up Items from April 8th Committee Meeting

◆ *Question:* -Is the \$17.5million purchase price spread only among Willistown customers?

- *Answer -No*, the acquisition price will likely be spread among all of Aqua' s customers (including Willistown). The precise allocation of costs spread is not known for certain, however, PUC principles on the design of rates support gradualism, avoidance of rate shock, and reasonableness. The rate projections on slide 3 anticipate these principles being applied to Willistown Township customers consistent with longstanding PUC precedent.
- Upon filing of the application to the PUC, the current customers of Willistown will be officially noticed, along with the existing customers of Aqua, as to the potential impact to rates assuming different levels of allocation (amongst the Company's existing customer base) to zero allocation of costs (all borne by Willistown). The intent of this notice is to inform all customers affected as to the possible range of outcomes possible in any transaction.
- The likelihood of a final outcome at either ends of the extreme scenario is low and not supported by facts and precedent. Nonetheless, the PUC has ultimate oversight as to the final determination of rates and cost of service.



Follow Up Items from April 8th Committee Meeting

- **Statement - Aqua's economies of scale benefit only to the shareholders of the Company.**
 - **Response - This is incorrect.** The rates of the Company are based on Cost of Service. To the extent that cost savings are realized in the operation of the system, those costs are passed on to customers directly through lower rates.
- **Other Considerations – Township**
 - As both the water and sewer utility, the Company and the Township will coordinate construction activities that impact streets and roads. The Company is responsible for typically 50% of road restoration to return them to pre-construction condition. When activities are coordinated with the Townships own road repair activities, the cost savings that are realized by the Township are equal to 50%.
 - As a result of the sale and time saved on the operations of a collection sewer system, the Township public works department can be redirected to address other areas of importance such as: stormwater collection/maintenance, parks/recreation, and streets/roads.



Follow Up Items from April 8th Committee Meeting

- ◆ **No rate increase for 6 years, then sliding scale of increase**
 - ◆ **Most Utilities experience 2.5% TO 3% average increases**
- ◆ **Willistown's historical average increases have been 3.6% annually**
- ◆ **Township debt issued previously for portions of the system was pledged with the creditworthiness all taxpayer assessed value**
- ◆ **Other portions of the system was implemented by the developer and then contributed/dedicated to the Township**
 - ◆ **Aqua's credit rating is A from S&P**



Next Steps in the Timeline:

- ◆ Engineering Assessment to be completed in the very term (a PUC requirement)
- ◆ Utility Valuation Expert will be engaged very soon to complete their report (a PUC requirement)
- ◆ PUC application will be submitted upon the completion of those two reports in addition to other extensive information gathering
- ◆ The PUC will then use this information to make their own determinations regarding the sale in addition to how much of the acquisition price will be able to recoup in its rate base



Disclosure

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Thank You



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