

WILLISTOWN TOWNSHIP BOARD OF SUPERVISORS
November 9, 2020 AT 7:00 PM via Zoom

The Regular Meeting of the Willistown Township Board of Supervisors came to order at 7:00 PM. Supervisors William R. Shoemaker and Robert T. Lange were present. Also present were Township Manager Sally Slook, Police Chief Robert Klinger, Finance Director Martin McKenzie, Director of Public Works William Hagan, and Solicitor Bill Christman.

Supervisor Shoemaker led a moment of silence for military personnel, first responders, and all front-line workers in the current pandemic.

Announcements

The Board of Supervisors met in Executive Session on November 4th, 2020, to discuss Legal Matters.

New Business

Minutes – Supervisor Lange moved to approve the minutes of the meeting of October 26, 2020. Supervisor Shoemaker seconded the motion. There were no comments from the Board or the public, and the motion carried 2-0. Supervisor Lange moved to approve the minutes of the special meeting of October 29, 2020. Supervisor Shoemaker seconded the motion. There were no comments from the Board or the public, and the motion carried 2-0.

Expenditures - Supervisor Lange moved to approve the list of expenditures and interfund transfers dated November 6, 2020. Supervisor Shoemaker seconded the motion. There were no comments from the Board or the public, and the motion carried 2-0.

Resolution No. 17 of 2020 - Supervisor Lange moved to adopt Resolution No. 17 of 2020 - an amendment to the Willistown Township Deferred Compensation Plan to permit installment payments for plan holders and beneficiaries. Supervisor Shoemaker seconded. Supervisor Shoemaker explained the deferred compensation plan's current structure allows the beneficiary to take their balance out only in one lump sum. The amendment will allow them to take out partial payments. There were no further comments from the Board or the public, and the motion carried 2-0.

Appointment of Helen Alderson to the Historical Commission – Supervisor Lange moved to appoint Helen Alderson to an unexpired vacancy on the Historical Commission. Supervisor Shoemaker seconded. There were no comments from the Board or the public, and the motion carried 2-0.

Appointment of Bart Van Valkenburgh to the Bartram Bridge Commission – Supervisor Lange moved to appoint Bart Van Valkenburgh to the Bartram Bridge Commission for the remainder of a 2-year term set to expire on 12/31/21. Supervisor Shoemaker seconded. There were no comments from the Board or the public, and the motion carried 2-0.

Advertising of an Ordinance - Supervisor Lange moved to advertise a public hearing and ordinance authorizing the execution by Willistown Township of an asset purchase agreement between the Township and the purchaser, Aqua Pennsylvania Wastewater, INC. Supervisor Shoemaker seconded. Supervisor Shoemaker explained this only allows the advertisement of the hearing. There were no further comments from the Board or the public, and the motion carried 2-0.

Citizens' Comments

Ms. Slook introduced PFM Managing Director Scott Shearer. PFM is the consulting firm the Township hired earlier in the year to assist the Township with the sewer evaluation process.

Mr. Shearer conducted the presentation. The presentation is attached to the minutes and on the [Township website to review](#).

Fred Haack, 486 E. King Road, asked who paid for the sewer system initially. Supervisor Shoemaker replied the system was built in 1970 from public bonds issued to the Township, the cost of which has been borne by the ratepayers. Mr. Haack asked why the sewer couldn't be given to Aqua Pennsylvania so the company would not have to recoup the purchase price by increasing rates. Supervisor Shoemaker replied the Township couldn't justify giving Aqua Pennsylvania a \$16-17 million asset, and it is probably not legal to do so. Discussion ensued. Mr. Haack also asked about downsizing the Public Works Department due to selling off the sewers. Supervisor Shoemaker commented there is no employee dedicated to the sewer system. If the sewer system is sold, public works employees can focus on other Township currently activities contracted out to third parties. Finally, Mr. Haack commented he does agree the Township should get out of managing and maintaining the sewer system, but the process of how it will be sold needs to be looked at further.

Henry Yordan, 152 Grubb Road, asked whether all the \$16 million proceeds would go to the Customer Benefit Fund and the Capital Replacement Fund. Supervisor Shoemaker commented no decision had been made on where the proceeds will go, but these are two important examples of using the proceeds. He also mentioned indirect benefits to the sewer ratepayers because the Township is looking at spending some of the proceeds on stormwater management, which will decrease infiltration and inflow into the system. Mr. Yordan asked how many households are on the system. Mr. Shearer responded around 2300. Supervisors Shoemaker pointed out the majority of the system customers are on the north side of the Township, and that's where they are planning to direct the proceeds. Discussion ensued. Mr. Yordan asked if the decision to direct the proceeds happens after the sale or if they happen simultaneously. Supervisor Shoemaker said the decision to sell will happen between now and the end of 2020. The proceed allocation discussions will occur throughout 2021. Discussion ensued.

Elizabeth Jekot, 18 Applewood Road, asked if this discussion was over selling the sanitary sewer and stormwater sewer system. Supervisor Shoemaker replied it is just the sanitary sewer system. Ms. Jekot also commented when she moved to the Township 17 years ago, she was told her area would have sewers installed within five years. Supervisor Shoemaker explained the Township has a 537 Plan through the Department of Environmental Protection, and it requires that all Commonwealth municipalities develop and implement comprehensive official plans that provide for the resolution of existing sewage disposal problems, provide for the future sewage disposal needs of new land development and provide for the future sewage disposal needs of the municipality. The Township will continue to be in charge of the 537 Plan even if Aqua Pennsylvania purchases the system. Discussion ensued.

Christian Spuckti, 6 Stoneybrook Lane, commented that he called PreDoc 3 or 4 times to look at his grinder pump over the last two years. PreDoc finally realized the issue was a blocked sewer main and not his grinder pump. Mr. Spuckti would like the Township to consider having one person or a party representing all 300+ grinder pump owners to help address issues and bargain on their behalf. In his second comment, he stated that the sewer sale was best for the Township's future. Still, he wanted to explore ways to make the sale equitable for all residents, especially the ratepayer who have paid into the system for years. His final question asked if the \$600,000 paid yearly to the Valley Forge Sewer Authority would still be paid by the Township. Supervisor Shoemaker said Aqua would pay the fee if the sale goes through and is already factored into the sewer customer's rates.

Henry Yordan, 152 Grubb Road, also commented he believes Mr. Spuckti brought up a good point regarding sewer issues at the main vs. the grinder pump. Mr. Yordan suggested Aqua should be in charge of the grinder pumps instead of the homeowner. Supervisor Shoemaker commented that since the grinder pump is located inside the resident's home, the homeowner can choose any company to service the equipment. Mr. Yordan stated he feels Bill Hagan, Director of Public Works, and the Township has done an excellent job helping residents manage the cost of service to the grinder pumps from PreDoc. PreDoc comes out to service an alarm for \$75, and most plumbers or other companies will charge much more to come out to his property. Supervisor Shoemaker commented the plan is to set up different funds to help residents cover some of those costs. Discussion ensued.

Next Meeting

The next regular meeting Board of Supervisors will be Monday, November 23, 2020, at 7:00 PM via Zoom.

Adjournment

Seeing no further business, the meeting adjourned.

Sincerely,



Sally Slook, Township Manager



**WILLISTOWN
TOWNSHIP**
*CHESTER COUNTY
Pennsylvania*



Willistown Township

Supplemental Information Regarding the Sewer Monetization Exploration Process

November 9, 2020

Prepared by:

PFM Financial Advisors LLC

PFM Financial Advisors
LLC

213 Market Street
Harrisburg, PA 17101

717.232.2723
pfm.com



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 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.



Bid Results – Aqua

◆ 2 Year Rate Freeze Option

- ◆ **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 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.



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.

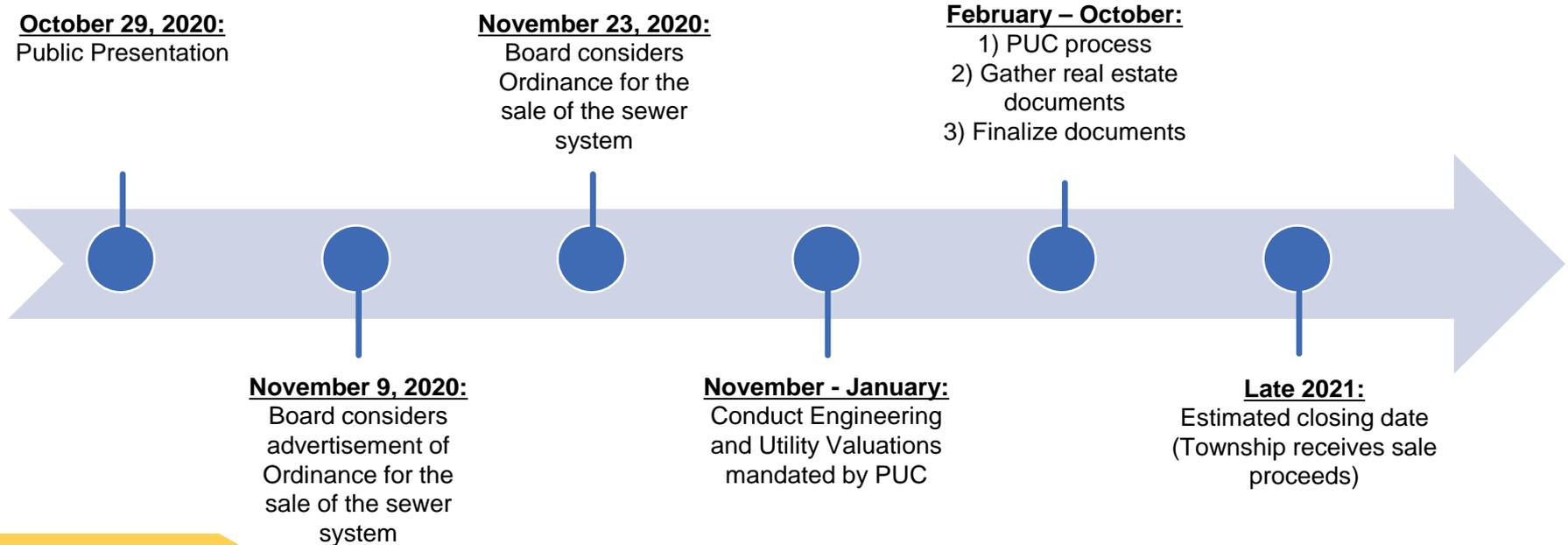
EST. PROCEEDS AVAILABLE FOR USE

\$16,200,000



Estimated Closing Timeline

- ◆ Prior to closing, an application would have to be submitted to the PA PUC.
- ◆ 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).





Follow Up from October 29th 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 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 Public Presentation

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

- Township Response – As mentioned during the prior public meeting, 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 would be set aside to more gradually phase in the expected rate increase currently estimated to occur in 2025. For instance, instead of the estimated rate increase occurring in 2025 as estimated on page 3, all or a portion of the impact could be phased in over a 5-year period by redeploying funds back to the customers.
 - Establishing a **Capital Replacement Fund** in which a portion of the proceeds would be set aside to assist current grinder pump customers with replacement of the existing grinder pump.



Disclosure

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Thank You



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