



Township of East Whiteland

Overview of Sewer System Sale to Date

June 10, 2020

Prepared by:

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Sewer System Sale Team*

◆ Township Administration

- John Nagel, Manager
- Catherine Kleponis, Director of Finance
- Steve Brown, Assistant Manager
- John Neild, Acting Public Works Director

◆ Township Solicitor

- Joe McGrory, Hamburg Rubin Mullin Maxwell & Lupin, PC
- Dan Maschi, Hamburg Rubin Mullin Maxwell & Lupin, PC

◆ Township Engineer

- Chuck Faulkner, Pennoni

◆ Special Transaction Counsel

- Tom Wyatt, Obermayer
- Kim Farmer, Obermayer

◆ Financial Advisor

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

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

As of June 10, 2020



Timeline of Current Events

◆ Work on this transaction has progressed over the past several months:

December 11, 2019 –
Board Authorizes the
release of the RFQ

February 20, 2020 –
Township receives
responses to RFQ

January 31, 2020 –
Township releases RFQ

February – July
Township's financing team begin
drafting bidding docs (APA/ALA)



How We Got Here – Process to Date

- Over the past several months the Township has been working with its financing team to explore the possibility of exiting the wastewater business and selling the Township's wastewater assets in exchange for other assets that would best benefit the community
- After the initial consultation with PFM regarding what the Township's assets could be worth to a buyer the Township decided to move forward in the transaction process by releasing a Request for Qualifications ("RFQ") to gauge the interest in the market.
- On January 31st, 2020 the Township released its RFQ to over 100 market participants to gauge the interest in the Township's system.
 - In the RFQ respondents were asked to answer questions pertaining to the capabilities and history in operating wastewater systems and their financial capabilities to name a couple
- During the interim between release of the RFQ and receiving the responses, the Township and its team conducted extensive due diligence regarding a possible transaction and began drafting the legal docs that would be required, should a transaction take place



Pre-Qualified Bidders

- On February 20th, 2020 the Township received four responses to the RFQ from the following firms:
 - PA American – Regulated by the PUC
 - Aqua – Regulated by the PUC
 - Bucks County Water & Sewer Authority – Regulated by the PA Municipal Authorities Act
 - VICO – Interested in a concession lease arrangement
- The Township has decided to qualify all four bidders to move forward in the due diligence process until such time that Request for Bids (“RFB”) are released or the Township, at its discretion, decides that one or more of the bidders should no longer continue on in the process.



Pre-Qualified Bidders Continued...

- Of the firms pre-qualified to move forward in the bidding process, three are interested in an outright sale of the Township's system (PA American, Aqua, & BCWSA).
- Should a sale to any of the aforementioned firms be the outcome, the winning bidder would be regulated by, either the PA PUC, in the case of PA American or Aqua, or the PA Municipal Authorities Act, in the case of BCWSA.
- VICO, on the other hand, is interested in a concession lease model through which, the Township would lease its system to VICO for a period of up to 50 years in exchange for an upfront payment
- Note that in any asset lease agreement the lessee is not regulated by any public agency/authority, rather they are "regulated" by the lease agreement documents, enforcement and supervision of which falls on the Township
- **Any type of transaction, lease or sale, have pros and cons and for that reason the Township has decided to keep all firms involved in the process in order to learn more about each respective transaction type.**

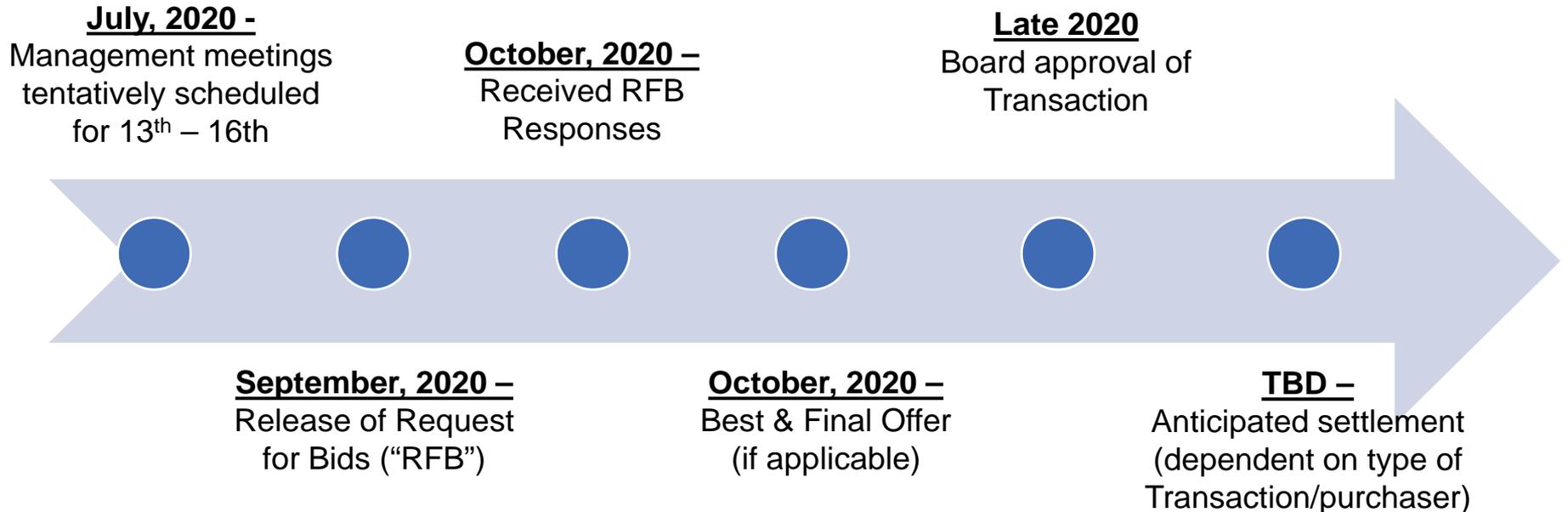


Next Steps – Management Meetings/Asset Tours

- ◆ Following the pre-qualification process the bidders will be asked to attend a management meeting and asset tour at the Township
 - Meetings have tentatively been scheduled for July 13th – 16th
- ◆ The purpose of the management meetings are to help facilitate conversation between the Township and prospective bidders
 - The meetings typically begin with an overview of the Township's system, goals, and desires, followed by a brief presentation by the bidders
 - These meetings are typically informal and meant to encourage dialogue
- ◆ Following the management meetings the bidders typically go on a tour of the System's assets to better understand the system and what they ultimately would be bidding on.
 - Another aspect of the tours is to help illustrate any development that is, or might be, occurring within the Township
 - This typically requires assistance from the Township and its employees to facilitate



Timeline of Upcoming Events





Possible Use of Proceeds

- 1) **Debt Reduction:** Paying off outstanding debt.
 - Three different borrowings are outstanding from 2012 and 2013 and are scheduled to mature by 2038. These borrowings were authorized before the terms of the current governing body and administration.
- 2) **Fund Additional Projects of the Township:**
 - Design and construction of a stand alone police station, with secure access to Mill Lane, as well as, existing public access to Conestoga Road, a secure area for processing arrests (sallyport and restrooms), and more secure access for police officers and support personnel.
 - Also, much needed renovations to existing municipal facility built over 60 years ago.
- 3) **Acquisition of Open Space:** Currently, public and protected land (over 650 acres) represents 9% of the Township footprint. East Whiteland is focused on preserving parcels which meet the community's needs, through evaluation by Board of Supervisors, Township staff, Open Space Subcommittee, Natural Lands and our residents.



Disclosure

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Thank You



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