EAST COVENTRY TOWNSHIP
CHESTER COUNTY PENNSYLVANIA

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Sanitary Sewer Sale Exploration Process

January 9, 2023

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Introduction

1) At the July 11, 2022, Board of Supervisors meeting, the Township engaged a team in addition to local Counsel including PFM Financial Advisors, Dilworth Paxson LLP, Carroll Engineering and BagleyLaw, LLC to help explore the possible sale of its sanitary sewer system.
   a. PFM works with clients across the Commonwealth to help assess whether a sale meets the goals and objectives of the selling municipality.

2) The Township has advised the Team that it would like to run a procurement process that keeps the public involved as it considers the possibility of selling its sanitary sewer system.

3) To this end, the Township and PFM have prepared this presentation that lays out the process for exploring this possible sale.
   a. **It's important to note that the <u>Township is only exploring the possibility of selling</u> its system and has <u>made no definitive decision to do so</u>.**

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Important Issues to Consider When Exploring a Sale

1) Rates

   a. If the system is sold to a publicly regulated utility, rates will be governed and set by the Pennsylvania Public Utility Commission (arrangements can typically have a 1-2 year "rate freeze" period if desired).

   b. PFM can also help project estimated rates if the Township keeps the system and then compare to the indicative rates that the bidders are required to provide with their bid.

2) Employees – No Township employees will lose their jobs if the system is sold. Township employees that currently spend time working on the sanitary sewer system will be freed up to focus on other Township services.

3) Public Involvement – The Township intends to hold public information sessions to discuss the potential sale.

4) Purchase Price – How could the proceeds from the sale affect the Township? (Is there a balance between cash infusion/rate impacts) – Other municipalities that have sold their systems have used proceeds for a variety of items including large capital purchases such as an administration/police building, pension funding, real estate tax subsidization, paying off debt, etc.)

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Typical Sale Exploration Process

COMPLETE

Phase 1: Analysis & Valuation

- Determine confidential range of value for the system - **Complete**
- Research private sector/municipal authority interest and capabilities - **Complete**
- Release Request for Qualifications - **Complete**
- Pre-qualify bidding teams and initiate due diligence (mgmt. meetings) - **Complete**
- Finalize preferred procurement process & legal docs - **Complete**

IN PROCESS

Phase 2: Due Diligence Development

- Present Sale Exploration Process to Board at public meeting.
- Consider releasing Request for Bids ("RFB")
- Evaluate proposals and select preferred bid
- Analyze keeping the system vs. selling the system
- Initiate stakeholder outreach and education (public meetings)
- Board of Supervisors consider the sale of the sanitary sewer system

1-15 Months

Phase 3: Transaction Execution

- If sale is approved, initiate closing process
- Further due diligence
- Discussions with North Coventry MA
- Proceed through regulatory process (if required)
- Close transaction

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Highlights of the Request for Bids ("RFB")

1) Should the Board of Supervisors decide to move forward, then the RFB (and bid package) would be released only to potential bidders in late winter with responses due in early spring.

2) The bid package is comprised of the RFB and the Asset Purchase Agreement (APA).
   a. The RFB is the document that includes the various bidding forms in addition to defining the terms of submitting the bid, awarding the bid and timing of bid consideration.

3) The Bidders will have the option of bidding on multiple rate options.

4) Along with purchase price, bidders will be asked to provide their indicative, non-binding sewer rates through and including 2032.

5) **In evaluating the bids, the Township may choose to consider the best overall package, inclusive of all qualitative and quantitative aspects, as opposed to simply accepting the highest bid.**

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Anticipated Process Timeline

Date/Timeframe	Action
January 9, 2023	-Public presentation to Board of Supervisors to share the process to date and possible future timeline/events
February 13, 2023	-Board of Supervisors makes decision on proceeding
February 14, 2023	-Send out Request for Bids to prequalified interested parties, if authorized by the Board
March 17, 2023	-Bids Due
March/April 2023	-Review of bids and public information sessions
May 2023	-Decision on whether to proceed with sale
TBD	-Closing

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Wrap Up

1) The Township is exploring the potential sale of its sanitary sewer system.

2) It's important to remember that no decisions have been made and this is simply a process to explore whether a sale meets the goals and objectives of the Township.

3) The Township has advised PFM that it would like to run a procurement process that fairly considers the interests of sanitary sewer customers and all residents of the Township.

4) As more is learned about what a sale could look like for the Township, it will be relayed to the public via Board of Supervisors meetings and other announcements, special public information sessions, etc., as may be necessary.

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Thank You

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