



Norristown

Presentation on Potential Sale of the Sanitary Sewer System

Agenda

- Tonight's meeting is for informational purposes only
- Future public meetings on this topic will allow for and encourage public participation
 - Residents will be allowed to ask questions to understand more about the potential transaction
- If you have questions in the meantime, please send them to PIO@norrictown.org
 - Questions and answers will be posted to the Municipality's website

Introduction – Sewer Sale Exploration

- Since mid-2017, Norristown has been exploring the potential sale of its sanitary sewer system
- On January 3, 2020 the Municipality issued a Request for Bids to the 2 pre-qualified firms interested in purchasing the system
- On February 10, 2020, bids were received from both firms with the highest bid of \$82,000,000 coming from Aqua Pennsylvania



**HIGH BID:
\$82,000,000**

Aqua Pennsylvania



OUR CORE VALUES:

Integrity, Respect and the Pursuit of Excellence

OUR MISSION:

Protecting and providing Earth's most essential resource.



OUR VISION:

At Aqua America, we know that water is a precious resource – one that plays a critical role in sustaining life. We take seriously our responsibility to protect and provide this essential resource. We are committed to sustainable business practices; excellent customer service; attracting and developing top talent; the strategic growth of our company; delivering shareholder value; investing in technology and infrastructure; and giving back to the communities in which we operate. We do all these with integrity and transparency.



Aqua Pennsylvania At A Glance

as of February 2020

Water



443K WATER CONNECTIONS



116 MILLION GALLONS DAILY



~300 WELLS



11 SURFACE WATER TREATMENT PLANTS



5,924 MILES OF PIPE



576 EMPLOYEES



33 COUNTIES



1.4 MILLION PEOPLE SERVED



296 MONTHLY DEP PRESCRIBED COMPLIANCE SAMPLING SITES IN SEPA

Wastewater



38K WASTEWATER CONNECTIONS
(DELCORA will add 197,000 EDU's)



10MGD PERMITTED CAPACITY
(DELCORA will add 44 MGD Capacity)



120 LIFT STATIONS



39 WASTEWATER TREATMENT PLANTS

J.D. Power 2019 Water Utility Residential Survey

J.D. Power Survey Index Criteria



Key
Factors

26%

Delivery



15%

Billing and
Payment



15%

Conservation



21%

Price



15%

Communications



8%

Customer
Service



J.D. Power Survey Scope

33,212

YTD RESPONSES
NATIONALLY

4TH

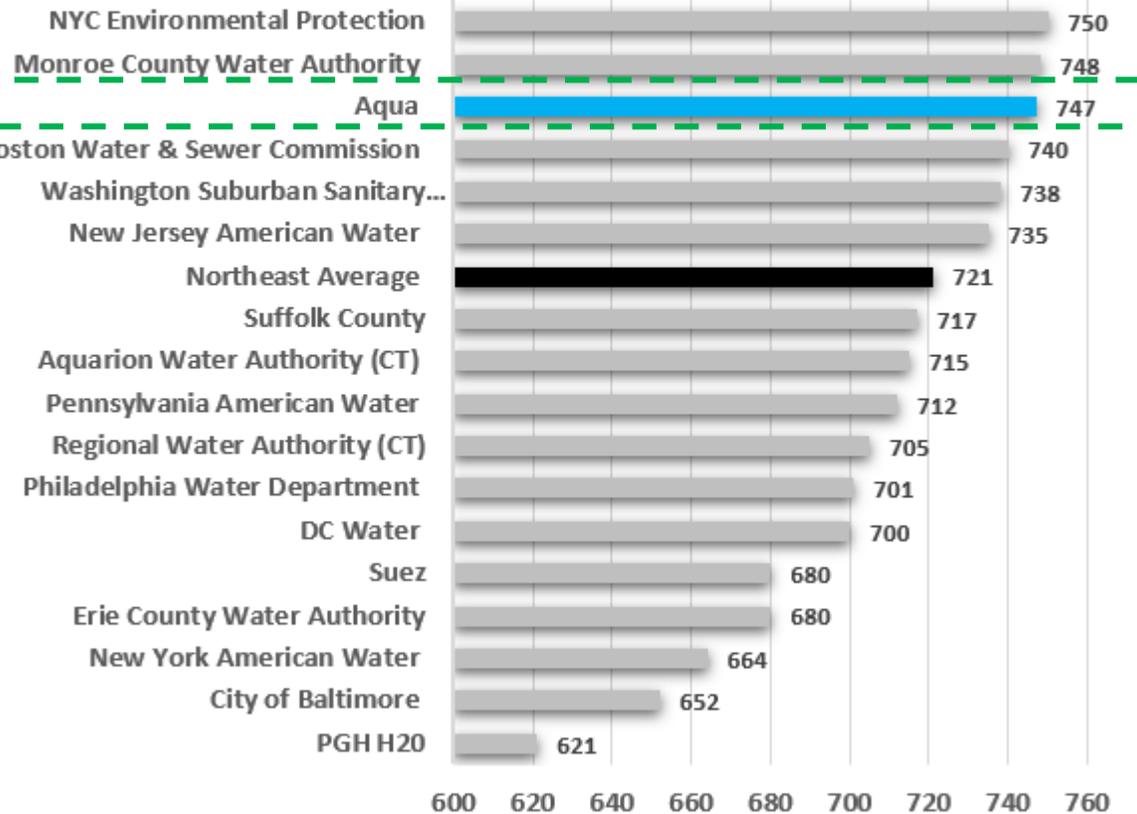
YEAR OF THE STUDY

89 BRANDS

WITH 400,000+
RESIDENTIAL
CUSTOMERS

J.D. Power Results for Northeast

J.D. Power Results for Northeast



By customer satisfaction, according to J.D. Power's survey, Aqua is the top-rated private utility in the Northeast region

Rates Information

- If a transaction occurs, Aqua will adopt the Municipalities current wastewater rates
- Heavily regulated - Aqua does not set customer rates; Pennsylvania Public Utility (“PUC”) philosophy - *Gradualism*
- Only the PA Public Utility Commission (PUC) can approve and determine customer rates
 - Expenditures must be deemed *prudent*
- Rates can only change as a result of a legal rate proceeding which includes:
 - Public hearings
 - Review by Office of Consumer Advocate and other advocates
 - Analysis of expenditures to ensure prudence



Customer Service and Care



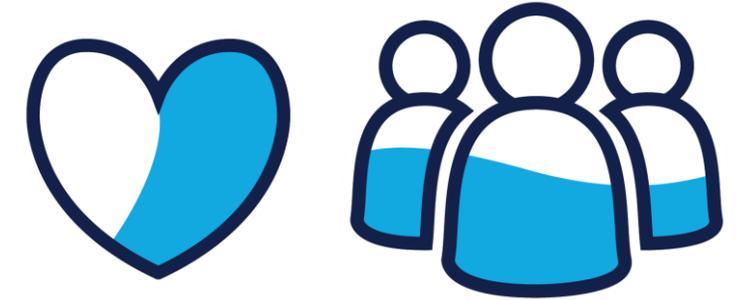
Customer Service

- Maintain PA Emergency Operations Plan
- Outstanding Customer service during Severe Weather Events
- U.S. based 24/7/365 Aqua-owned customer service call centers
- Extensive data management system to protect customer information



Convenient Bill Pay

- Convenient bill pay options on our website
- WaterSmart also provides outage alerts and tips to help with water conservation, leak identification, pipe protection, etc.



Helping Hand Program

- Helping Hand Program can assist ratepayers who may have encountered some financial difficulties
- Norristown residents can speak with the same employees they see now to handle billing inquiries

Aqua Employees are Our Most Important Asset



DAVE MAROZZI
PA, PICKERING SUPERINTENDENT

I had worked for the Bristol Borough Water Authority for 19 years as a union employee when I learned it was going to be sold. Needless to say, I was afraid of what a sale would mean for my job as a foreman. Aqua Pennsylvania was one of the companies bidding for the sale. I knew they had a good reputation, but I didn't know how things would change after the sale.

I've been at Aqua 13 years now. As a former Authority union employee, as a current Aqua employee, and as an Aqua customer, I honestly couldn't be happier.



Frank Rodden
Formerly Limerick Wastewater
PA, Limerick Field Supervisor
1 year with Aqua



Greg Nessor
Formerly West Chester Authority
PA, Operator IV
21 years with Aqua



Alicia Roberto
Formerly Superior Water
PA, Financial Analyst I
3 years with Aqua



Tony Marino
Formerly Bristol Borough Authority
PA, Utility Worker
23 years with Aqua

We offer employment to all employees in an acquisition. Many of our employees joined our Aqua family through an acquisition

Community Engagement

Aqua Pennsylvania is deeply entrenched within the local communities where we operate. After all, our employees not only work in local communities, but live there too.

Aqua's corporate giving and volunteer program, the Ripple Effect, provides employees the opportunity to volunteer during the workday for events like tree plantings, stream clean-ups, food banks and activities sponsored by Habitat for Humanity, the American Red Cross and many others.



Our core values guide and inspire our work as we interact with each other and our customers.



How We Got Here

Timeframe	Event
August 2017	-Norristown begins exploration of sewer system sale
January 2018	-PFM presents valuation and analysis of system
August 2018	-Municipality sends out Request for Qualifications (“RFQ”) to determine market interest in system
October 2018	-2 teams are determined to be pre-qualified allowing them to be involved in the bidding process
October 2018 – January 2020	-Due diligence (negotiation of transaction documents, bidder meetings, asset tours, legal review of agreements etc.)
January 3, 2020	-Municipality released a Request for Bids (“RFB”) to 2 pre-qualified teams
February 10, 2020	-2 bids received (1 from each pre-qualified team)
April 7, 2020	-Executive Session to discuss bids
April 21, 2020	-Executive Session to discuss next steps
May 12, 2020	-First public presentation on potential sewer sale

Reasons for Exploring a Sale



1. Provide residents with quality sewer service by an experienced operator while eliminating the long-term risk of owning a utility system

2. Ensure a bright financial future for the residents of Norristown in ways such as:

- a. Reducing debt
- b. Promoting economic development
- c. Improving deteriorating infrastructure
- d. Providing funds for property tax stabilization
- e. Providing funds for sewer rate stabilization

3. Ensure reasonable sewer rates for sewer customers

Estimated Sources & Uses of Sale Proceeds

SOURCES	
Purchase Price	\$82,000,000
Cash on Hand*	<u>\$0</u>
Total Sources	\$82,000,000

*Assumes \$0 for illustrative purposes only

USES	
Payoff of Sewer Debt*	\$21,000,000
Est. Transaction Fees	\$1,300,000
Real Estate Escrow**	<u>\$1,000,000</u>
Total Uses	\$23,300,000

*Estimated as of 1/1/21. includes the Series A, B, and C of 2013 plus an estimated amount for the 2020 loan of \$9,000,000.

**Actual amount TBD depending on status of easements at closing. May be \$0.

EST. PROCEEDS AVAILABLE FOR USE

\$58,700,000

-If the transaction is approved, Norristown will have 9-12 months before closing that can be used to develop a plan for the use of proceeds. During this time, Council will encourage public input.

Potential Uses of Proceeds to Benefit Residents

Sewer Rate Stabilization Fund

- To lessen the impact of future rate increases for residents

Economic Development Initiatives

- Strategic property acquisition and economic development incentives
- Supports a primary Economic goal established by Council

Property Tax Stabilization Fund

- To reduce the need to raise taxes in future years

Various Park Improvements

- To continue infrastructure and equipment enhancements in Municipal parks
- Supports primary Parks & Recreation goal established by Council

Pay Down Debt

- To support Council's goal to reduce long-term debt interest costs to residents
- Supports primary recommendation of the National Resource Network Sustainability recommendations

Public Works Operations and Storage Facility

- To provide a safe work environment for PW staff
- To protect Municipality's investment in millions in equipment by protecting it from harsh weather conditions
- To free up much-needed parking space for residents

Potential Uses of Proceeds to Benefit Residents (Cont.)

Renovation/Expansion of the Recreation Center

- Supports Council's goal to expand recreation and leisure opportunities for residents by redeveloping the entire recreation department footprint on Harding Blvd.

Municipal Hall Renovation

- Pay off the debt for renovation of the Municipal Hall, saving millions of dollars in interest payments over 30 years

Fire Department Consolidation

- Match RACP authorization sought by Council to consolidate fire departments to 2 stations
- Will reduce operating costs vs. 4 stations and capital costs by eliminating the need buy and maintain marginally used equipment at multiple stations

Contribute to unfunded pension liability

- Reduce the tax burden on residents to pay for pension benefits

Scholarship Endowment for Norristown resident high school students

- Supports Council's goal of partnering with the NASD and supporting higher education for Norristown youth

National Resource Network Report

- The National Resource Network (“NRN”) is a core component of the federal government’s Strong Cities, Strong Communities initiative
 - They develop innovative solutions for American municipalities to help them address economic challenges
- In March of 2019, NRN completed a 94 page report for Norristown that incorporated input from businesses and residents
 - The report highlighted some of the financial challenges that Norristown is facing and discussed potential solutions
- Among the solutions, the report mentions the potential sale of the sewer system to help eliminate the structural deficit



Municipality of Norristown Five-Year Financial Plan

Final Report

March 2019



Norristown Rate Scenarios

Scenario 1 – Rate projections without use of Act 11

Norristown Residential Sewer Rates (monthly bill) – Based on \$82M bid

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate	\$27.27	\$66.18	\$66.18	\$66.18	\$69.74	\$69.74	\$69.74	\$74.70	\$74.70	\$74.70

Scenario 2 – Rate projections with the use of Act 11, which Aqua intends to include in our filing with the PUC

Norristown Residential Sewer Rates (monthly bill) – Based on \$82M bid

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate	\$27.50	\$49.64	\$49.64	\$49.64	\$52.46	\$52.46	\$52.46	\$56.18	\$56.18	\$56.18

Current Employees Will Be Protected

- Norristown Municipal Waste Authority currently has about 17 employees dedicated to running the sewer system
 - 14 unionized employees (Teamsters Local Union No. 463)
 - 3 non-union employees
- Norristown has **mandated** as a part of the sale that all employees are offered employment with Aqua Pennsylvania
- These employees will be offered substantially comparable benefits and compensation to what they currently receive

Potential Closing Timeline

April 2020-June 2020

Board Consideration of Aqua's proposal

Summer 2020

Conduct Engineering and Utility Valuations mandated by PUC

Mid 2021

Estimated closing date (Norristown receives sale proceeds)

June 2020

Board Considers Ordinance accepting Aqua's bid

Fall 2020 – Mid 2021

- 1) PUC Process
- 2) Gather real estate Documents
- 3) Finalize Documents

Wrap-Up

- Norristown began this exploration to determine the potential benefits that the residents of Norristown could experience from the sale of the sewer system
 - With the \$82,000,000 purchase price being offered, funds will be available for the Municipality to accomplish many if not all of its goals
- The key components of the sale are that:
 - The system will be sold to an experienced local operator that will be heavily regulated
 - Future rates will be set by the PUC
 - Employees will be protected in the contract
 - Up-front funds will be used to benefit the residents of Norristown

Reminder – Contact for Questions

- Reminder - If you have questions, please send them to PIO@norristown.org
 - Questions and answers will be posted to the Municipality's website