

PFM FINANCIAL ADVISORS LLC
AGREEMENT FOR FINANCIAL ADVISOR SERVICES

This Agreement, made and entered into this 23rd day of September, 2020, by and between Towamencin Township (hereinafter called the "Client") and PFM Financial Advisors LLC, (hereinafter called "PFM") sets forth the terms and conditions under which the Financial Advisor shall provide services.

WHEREAS, Client is desirous of obtaining the financial advisory services of an advisor to assist in performing an analysis to determine an estimated value of Towamencin Township's sanitary sewer system ("Phase 1").

WHEREAS, PFM is capable of providing the necessary financial advisory services.

NOW, THEREFORE, in consideration of the above mentioned premises and intending to be legally bound hereby, Client and PFM agree as follows:

I. SCOPE OF SERVICES

PFM shall provide financial advisory services including but not limited to the items set forth in Exhibit A of this Agreement.

II. WORK SCHEDULE

PFM's services shall commence as soon as practicable after the execution of this Agreement and a request by the Client for such service.

III. FINANCIAL ADVISORY COMPENSATION

For the services described, PFM's professional fees and expenses shall be paid as follows:

PFM shall apply a flat fee as listed below for the initial analysis including value indication. Services will be billed at the conclusion of the Phase 1 engagement.

The Financial Advisory compensation for this Agreement will be \$9,500.

If the Client decides to pursue a monetization of the sanitary sewer system after the completion of the Phase I services, PFM will provide a separate proposal for such services.

Reimbursable Expenses

In addition to fees for services, PFM will be reimbursed for necessary, reasonable, and documented out-of-pocket expenses incurred, including: travel, meals, telephone, mail, and other ordinary cost and any actual extraordinary cost for graphics, printing, data processing and computer time which are incurred by PFM.

IV. TERMS AND TERMINATION

This Agreement shall remain in effect unless canceled in writing by either party upon thirty (30) days written notice to the other party. Should the Client wish to terminate this Agreement prior to the completion of Phase 1, PFM would not be entitled to any compensation.

V. NON-ASSIGNABILITY

PFM shall not assign any interest in this Agreement or subcontract any of the work performed under the Agreement without the prior written consent of the Client.

VI. INFORMATION TO BE FURNISHED TO THE FINANCIAL ADVISOR

All information, data, reports, and records in the possession of the Client necessary for carrying out the work to be performed under this Agreement shall be furnished to PFM and the Client shall cooperate with PFM in all reasonable ways. PFM shall maintain all information, data, reports and records that it obtains from the Client in order to complete the scope of services described by this Agreement as confidential information which shall not be disclosed to a third party unless required to complete the scope of services.

VII. NOTICES

All notices given under this Agreement shall be in writing, sent by registered United States mail, with return receipt requested, addressed to the party for whom it is intended, at the designated below. The parties designate the following as the respective places for giving notice, to-wit:

TOWAMENCIN TOWNSHIP

1090 Troxel Road
Lansdale, PA 19446
Attention: Robert Ford, Township Manager

PFM FINANCIAL ADVISORS LLC

213 Market Street
Harrisburg, PA 17101
Attention: Scott Shearer, Managing Director

VIII. TITLE TRANSFER

All materials prepared by PFM pursuant exclusively to this Agreement shall be the property of the Client. Upon termination of this Agreement, PFM shall deliver to the Client copies of any and all material pertaining to this Agreement.

IX. FINANCIAL ADVISOR'S REPRESENTATIVES

The Client has the right for any reason to request PFM to replace any member of the advisory staff. Should the Client make such a request, PFM shall promptly suggest a substitute for approval by the Client.

X. INSURANCE

PFM shall maintain insurance coverage with policy limits not less than as stated in Exhibit B.

XI. INDEPENDENT CONTRACTOR

PFM, its employees, officers and representatives at all times shall be independent contractors and shall not be deemed to be employees, agents, partners, servants and/or joint venturers of Client by virtue of this Agreement or any actions or services rendered under this Agreement.

XII. ENTIRE AGREEMENT

This Agreement represents the entire agreement between Client and PFM and may not be amended or modified except in writing signed by both parties.


IN WITNESS THEREOF, the Client and PFM have executed this Agreement as of the day and year herein above written.

ATTEST: **TOWAMENCIN TOWNSHIP**

By: 
(Witness) Name, Title

DATE: 9/23/2020

ATTEST: **PFM FINANCIAL ADVISORS LLC**

BY: 
(Witness)

DATE: 9/23/2020

EXHIBIT A

PFM Financial Advisors LLC (“PFM”) will perform an analysis to determine an estimated value of Towamencin Township’s (hereinafter called the “Client”) sanitary sewer system. The project scope is limited in that the project team will not be performing a full utility enterprise valuation. The project team will utilize available operating and fixed capital asset data to arrive at a reasonable range of values that a willing buyer may offer to acquire the utility assets from the Client.

Define Program Objectives and Feasibility.

In consultation with Client officials and supported by the work of consultants with expertise in the requisite areas of service, PFM will:

- Review documents, financial reports and data associated with any of the Client operations or assets being considered as sale candidates
- Analyze the potential impacts of any proposed monetization on the General Fund
- Oversee the engagement of consultants (if necessary) and the preparation and delivery of a limited scope business enterprise valuation analysis
- Define achievable financial and operational goals that represent a threshold value and purpose that the Client should expect from any redeployment of Client’s assets

Utility Enterprise Valuation

A utility enterprise valuation typically employs three (3) approaches to arrive at a range of values for a utility system or utility assets. Those commonly used valuation approaches are as follows:

- Cost Approach
- Income Approach
- Market Approach

The *cost approach* utilizes the book value of the fixed capital assets of the utility system being studied. The book value would be the original costs of the fixed capital assets depreciated to the date of the study utilizing life expectancies for utility assets. The project team will not be performing an original cost study for the purpose of this study. Another approach under this method would be the development of a Reproduction Cost New Less Depreciation (RCNLD) study. This approach could be explored but not be required for the purpose of this limited scope study if the book value can be readily determined.

The *income approach* would calculate the net income available for capitalization over a reasonable period of time or over the future life expectancies of the assets. This approach utilizes the systems revenues, expenses, and capital requirements to determine the present value of the income stream. There are numerous variables that impact the results of this method including, but not limited to, capital investments and any capital or operating costs necessary to correct operating deficiencies.

The *market approach* employs comparable sales of similar utility systems. It is unlikely that information for an exact comparable sale will be available for this project. This is not unusual since there are no two utility systems alike in operating requirements and capital investment per customer.

The project team will utilize available data for all three (3) methods to develop an indicated value under each approach, as appropriate. The team will then weight the results of the analysis to arrive at an indicated range of values for the sanitary sewer system. As mentioned previously, in the absence of data the project team will use alternative approaches to produce a reliable indicated business enterprise valuation. The indicated value will provide the Client with sufficient data to consider next steps with the potential sale of its sanitary sewer system.

EXHIBIT B