



Towamencin Township

Sewer Sale Update

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Estimated Sources & Uses of Proceeds

- Shown below are the estimated sources and uses of proceeds resulting from the transaction assuming the new PAWC offer is accepted.

SOURCES	
Purchase Price	\$104,000,000
Cash on Hand*	\$3,000,000
Total Sources	\$107,000,000

*Estimated, may fluctuate until closing occurs.

Estimated Proceeds Available for Reserves
\$76,200,000

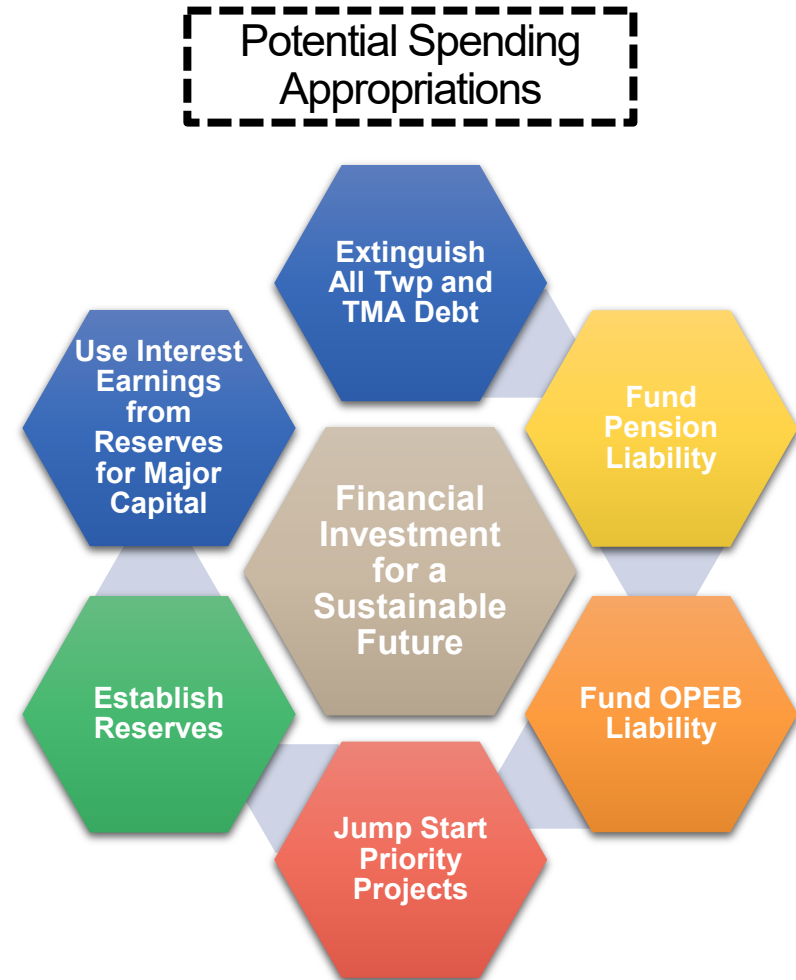
USES	
Payoff of Sewer Debt*	\$7,600,000
Payoff of All Other Debt*	\$9,400,000
Pension/OPEB Funding	\$7,000,000
Jump Start Priority Projects	\$5,000,000
Transaction Fees & Contingency*	\$1,800,000
Total Uses*	\$30,800,000

*Estimated, may fluctuate until closing occurs.



How Could a Monetization Benefit Residents?

- ◆ In addition to providing residents with quality sewage service performed by an experienced operator, the transaction could also fund many Township initiatives to reinvest in the community.
- ◆ The plan would target investment in the Township that would enhance the lives of residents.
 - Some of the potential spending appropriations are shown in the graphic to the right.





Possible Use of Proceeds

- ◆ **Elimination of Debt** ^[1]: Approximately \$17 million
- ◆ **Fund Pension & OPEB Liabilities**: Approximately \$7 million
- ◆ **Jump-Start Key Township Capital Projects**: Approximately \$5 million
- ◆ **Establish Various Capital Reserves to Fund Township wide projects**:
 - Facilities and Major Equipment: Approximately \$13 million
 - Fire Services Infrastructure/Equipment: Approximately \$9 million
 - Parks and Open Space: Approximately \$17 million
 - Stormwater Upgrades/MS4 Compliance Requirements: Approximately \$17million
 - Transportation Projects: Approximately \$20 million

[1] IRS regulations require debt to paid off instead of investing the sale proceeds at a higher rate.



Reinvesting Proceeds Back Into the Community – *Use of the Budgetary Savings*

- The Township would realize significant annual budgetary savings by paying off debt and funding pension and OPEB liabilities.
- **The net savings impact to the budget with these initiatives is estimated to be \$1,480,000 annually.**
- Residents may realize a benefit from this budgetary savings through:
 - An increase in the Homestead/Farmstead Exemption to the maximum.
 - This equates to an additional \$574,000 annually, **or \$130 in additional tax reduction per applicant.**
 - An increase in Park & Recreation funding by reallocating debt millage (\$171,000 annually).
 - An increase in Volunteer Fire Company funding by reallocating debt millage (\$150,000 annually).
 - An increase in general fund revenues by reallocating debt millage to offset future cost increases/build a general fund balance (\$585,000 annually).



Use of Proceeds - Establishment of Various Reserves & Funding Capital

- ◆ In addition to realizing budgetary savings, a large portion of the proceeds from a sale could go into various reserves for capital projects that would generate annual interest income to avoid any need for near term tax increases or a new stormwater fee imposed.
- Assuming estimated investment rates over the term of the reserves, the funds could generate an average of approximately \$2,300,000 of additional **annual** income to the Township over the long term to contribute to various capital initiatives and leverage grant opportunities.
- The reserves are proposed to be **perpetual**.
 - The reserves created may be:
 - Facilities and Major Equipment
 - Fire Services Infrastructure/Equipment
 - Parks and Open Space
 - Stormwater Upgrades/MS4 Compliance Needs
 - General Capital Reserve
- ◆ A further \$5,000,000 could be set aside to jump start other projects until interest earnings are accumulated on the reserves above including: playing field improvements, road program catch up, fire apparatus and facilities, basketball and pickleball courts and playground improvements.





Reinvesting Proceeds Back Into the Community – *Use of the Interest Earnings from Reserves*

◆ **Open Space and Parks Reserve:** \$17 Million (est. annual interest earnings of \$510,000 per year). The Township will continue to seek additional funding sources including grants.

- Implement Parks and Trails Evaluation (adopted - 2020) over the next 10 years
- Update Open Space Needs Analysis (last update 2006)
- Open Space acquisitions
- Towamencin Youth Association annual capital requests for athletic field improvements - \$50,000 per year
- Community Pool infrastructure – Average \$50,000 per year



Reinvesting Proceeds Back Into the Community – *Use of the Interest Earnings from Reserves*

◆ **Fire Service Infrastructure/Equipment:** \$9 Million (est. annual interest earnings of \$270,000 per year). The Township will continue to seek additional funding sources including grants.

- Main Fire Station upgrade/replacement to meet current & future needs and standards
- Replace Pumper Trucks (2) every 10 years
- Replace Rescue Truck every 25 years
- Replace Tanker Truck as needed
- Replace Support Vehicles every 5 - 10 years
- Replace Other Equipment as needed



Reinvesting Proceeds Back Into the Community – *Use of the Interest Earnings from Reserves*

◆ **Facilities and Major Equipment:** \$13 Million (est. annual interest earnings of \$390,000 per year). The Township will continue to seek additional funding sources including grants.

- Fund Township vehicle and equipment replacement schedule
- Capital repairs and upgrades to Township facilities (non-park) as needed



Reinvesting Proceeds Back Into the Community – *Use of the Interest Earnings from Reserves*

◆ **Stormwater Upgrades/MS4 Requirements:** \$17 Million (est. annual interest earnings of \$510,000 per year). The Township will continue to seek additional funding sources including grants.

- Fund Towamencin share of Skippack Creek Alliance Pollution Reduction Plan over the next 5 years
- Fund Towamencin share of additional 5-year cycles
- Complete Strategic Stormwater Management Plan (adopted March 2021) over the next 5 – 10 years
- Replacement of 150,000 linear feet of corrugated storm sewer pipe over the next 15 years

◆ **Creation of this reserve eliminates the need for a separate storm water fee in the future.**



Reinvesting Proceeds Back Into the Community – *Use of the Interest Earnings from Reserves*

◆ **Transportation Projects:** \$20 Million (est. annual interest earnings of \$600,000 per year). The Township will continue to seek additional funding sources including grants.

- Fund Township share or match of planned and anticipated intersection improvements, such as:
 - a) Welsh and Orvilla Roads
 - b) Sumneytown Pike and Valley Forge Road
 - c) Sumneytown Pike and Troxel Road
 - d) Sumneytown Pike and Kriebel Road



Illustration of Impact to Township Taxpayer and Ratepayer

Main Assumptions:

- Assumes a \$150,000 assessed value home that receives the homestead exclusion.
- New debt borrowings assume current market rates of approximately 3.9%.
- For the System Sold scenario, assumes reserves funds held in perpetuity with investment rate of 3%.
- Same capital amounts assumed for both scenarios.

Year 1		Retain Ownership	System Sold
Est. Household Impact	Sewer Fees	\$590	\$450
	Real Estate Taxes**	\$820	\$326
	Homestead Exemption	\$50,000	\$76,000
Est. Budgetary Impact	Outstanding Debt*	\$17,000,000	\$0
	Annual Debt Service Expense	\$2,700,000	\$0
	Capital Reserves	\$2,000,000	\$78,000,000

Year 10		Retain Ownership	System Sold
Est. Household Impact	Sewer Fees	\$920	\$1,344
	Real Estate Taxes**	\$933	\$326
	Homestead Exemption	\$50,000	\$76,000
Est. Budgetary Impact	Outstanding Debt*	\$46,000,000	\$0
	Annual Debt Service Expense	\$5,000,000	\$0
	Capital Reserves	\$2,000,000	\$78,000,000

Est. Cumulative Net Impact to Household over 10-Year Period		\$17,000	\$14,000
Est. Average Per Year		\$1,700	\$1,400

*Outstanding debt in year 1 does not include interest cost of approximately \$2,000,000 over the remaining life and the outstanding debt in year 10 does not include interest cost from the new borrowings of approximately \$30,000,000.

**Real estate tax reduction under the System Sold scenario reflects the additional homestead exclusion described in the presentation as well as a rollback of taxes closer to the 2022 millage rate.



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Thank You

