

TOWNSHIP OF LOWER MAKEFIELD
BOARD OF SUPERVISORS
SPECIAL MEETING
MINUTES – AUGUST 12, 2020

A special meeting of the Board of Supervisors of the Township of Lower Makefield was held remotely on August 12, 2020. Dr. Weiss called the meeting to order at 7:10 p.m. and called the Roll.

Those present:

Board of Supervisors: Frederic K. Weiss, Chair
 Daniel Grenier, Vice Chair
 James McCartney, Secretary
 Suzanne Blundi, Treasurer
 John B. Lewis, Supervisor

Others: Kurt Ferguson, Township Manager
 David Truelove, Township Solicitor

Mr. Truelove stated on August 6, 2020, the Township received a letter dated August 5, 2020 from the Bucks County Water and Sewer Authority expressing an interest in revising one or more of the two binding Bids that they had submitted in May, 2020 in accordance with the requirements of the Township's Request For Bids (RFB). He stated that even though the Bucks County Water and Sewer Authority knows that the Bidding process is closed and the rules of the Bidding process in which they had already participated in do not permit modification of binding Bids after they had been opened and publicly discussed, Bucks County Water and Sewer Authority stated it might want to submit a modified Bid at an increased price subject to certain contingencies. He stated by this time Bucks County Water and Sewer Authority already knew the terms and amounts of the other Bids since they had been publicly discussed at the Board of Supervisors' June 15, 2020 meeting.

Mr. Truelove stated because the procedure set forth by the Township by which all Bidders, including Bucks County Water and Sewer Authority, had up to that point complied, did not allow for a new or substantially modified Bid so late in the process, because the expression of interest from Bucks County Water and Sewer Authority was contingent and not a valid or binding offer or commitment, because Bucks County Water and Sewer Authority already knew the amounts of the other Bidders who had Bid, and because the letter submitted by Bucks County Water and Sewer Authority was not in the format and did not contain the detailed

information that Bucks County Water and Sewer Authority knew was required for actual Bids, the August 5, 2020 expression of interest by Bucks County Water and Sewer Authority was not considered by the Board as it is neither valid, permissible, nor fair.

Mr. Truelove stated the frustration level of many once this was received was very high. He stated this is something that could create substantial litigation, cost to the Township, delay the process, and perhaps impair the value of the system itself in terms of its marketability. He stated this was vetted by several different attorneys and reviewed in many different ways, and the advice given was not given lightly.

Mr. Grenier stated when they went through the RFP process for engineers they had requirements for submission including lawsuits, political donations, etc.; and a few of them did not submit everything that they were supposed to so they were disqualified. He stated he feels that this probably goes beyond that. Mr. Truelove stated while that is a fair analogy, the magnitude of what they are now discussing dwarfs that. He stated they are talking about a process which was voted on by the Board of Supervisors unanimously, followed rigorously, and participated in by those who indicated an understanding of the rules and the process. Mr. Truelove stated it was clear to a number of those reviewing this, that if this were to be accepted as a Bid and acted upon, it would not have been without substantial challenge.

DISCUSSION OF CONCESSION LEASE OPTION/CONCEPT FOR SEWER SYSTEM CONVEYANCE TRANSACTION

Mr. Truelove stated at the end of June/early July an Injunction Petition was filed, and one of the Claims in that Injunction Petition was that a Sunshine Act violation occurred on April 1 when one of the proposed Bidders, a proposed Concession Lease Bidder, had been eliminated in the Executive Session discussion. Mr. Truelove stated in the past certain professionals had been voted on and not considered to proceed to the next level in the same fashion that this was done. Mr. Truelove stated he will take responsibility as he was the attorney who advised the Board it was appropriate to do so, and this was defended at the Injunction Hearing based on that advice and other information included in the Injunction Petition.

Mr. Truelove stated on August 5 the Hearing occurred before Judge Mellon and several Witnesses testified, and the Sunshine Act issue was vigorously discussed, testified to, and argued; and at the conclusion of the Hearing Judge Mellon made a specific determination that no Sunshine Act violation had occurred. Mr. Truelove stated the Transcript from that Hearing will hopefully become available shortly, and the Township requested it. Mr. Truelove stated Judge Mellon made statements both in Court and in consultation with the attorneys and the Petitioner, Mr. Hall-Gale, about “clean-up” language. Mr. Truelove stated he had suggested at that time that there be an Agenda item tonight to address the issue which was raised. He stated the challenge is that because of the RFIB process, the information that was submitted by the specific vendors at that time, including the Concession Lease proposer, was submitted in confidence; and that means that they still cannot reveal the specifics of those proposals. Mr. Truelove stated it was indicated to the Judge that perhaps if they did it as an Agenda item with only an “up or down” on the concept of the Concession Lease that would at least address the issue raised as a Sunshine Act violation even though it was found not to have occurred.

Mr. Truelove stated he recommended that this be included on the Agenda tonight. Mr. Truelove stated Mr. Lachance had asked him about the word “conveyance;” and Mr. Truelove stated the word “conveyance” here does not refer to the conveyance of sewage, rather it refers to a conveyance in the legal sense which is a Lease, purchase, etc. Mr. Truelove stated if the Board wishes to consider the Concession Lease option, and there is a majority vote to consider the option, the Bid process they have been through to this point would stop, and they would consider this concept.

Mr. Grenier moved and Mr. Lewis seconded to consider a Concession Lease.

Mr. Grenier stated he does not feel this was something that was fully considered up front. He stated a Concession was proposed similar to a Public-Private Partnership. He stated at a “very high level,” the concept of a Concession Lease is “intriguing” in that the up-front payment is generally similar to the purchase Bids they were getting. He stated it would be a long-term Lease of approximately forty years depending on the Lease; and at the end of that term, it reverts back to the Township in ownership. He stated theoretically it would come back to the Township in at least as good shape if not better; and the Township would have received money and hopefully have an improved asset that they could do something with long-term in the future. Mr. Grenier stated there are risks with a Concession Lease depending on the Terms and Conditions.

Mr. Grenier stated Public-Private Partnerships are “often the way to go” today for utility infrastructure because of the cost of infrastructure improvements and available funds for infrastructure improvements in the public sector versus the private sector. He added the feedback on the Lease that was proposed was negative. He stated he feels that the Concession Lease may not be the best option because of the risk associated with the terms; however, he feels that if the Township were to write the Contract Terms and Conditions, the risk would be less. Mr. Grenier stated he would be in favor of reviewing a potential Concession Lease to see if it is possible to write a Lease with Terms and Conditions that are more favorable and more risk-averse relative to the Township than what was proposed. Mr. Grenier stated it seemed that the option came in “as a surprise;” and while the number was a “big number,” the Terms were concerning. He stated if they “flipped it,” it might present a realistic option to move forward.

Mr. McCartney asked with regard to the Concession Lease offer that was discussed in Executive Session was there a significant amount of litigation associated with those types of deals as that was the reason he recalls that they decided not to consider it.

Mr. Scott Shearer, PFM, stated there were four responders to the RFQ which was sent out last summer, and one of those was the team that was interested in a Concession Lease; and that was part of the mix that was considered at the start of the process, and they came to the management meetings that were conducted in August. He stated they were glad to see the mix of Bidders which included two Regulated companies, one Municipal Authority, and one interested in a Concession Lease. Mr. Shearer stated there have not been many Concession Leases done in Pennsylvania, and his firm did the first one in recent time with the City of Allentown approximately eight years ago. He stated there have been some litigation issues related to that as well as with another one done in the center of Pennsylvania a few years after that.

Mr. Tom Wyatt, counsel, stated there are many unquantifiable, operational, and financial risks associated with a long-term Lease. He stated in an Asset Purchase sale, the assets are sold, and that is that. He stated in an Asset Lease, it is an on-going relationship which can be forty to fifty years long. He stated there are oversight responsibilities on the part of the Municipality; and given the length of the arrangement and the significant financial obligations involved, to date it has resulted in litigation in the situations where they have taken place.

Mr. McCartney stated with regard to the specific oversight required by the Municipality he understands that would require additional staff at the Municipal level, and Mr. Wyatt agreed. Mr. Wyatt stated one of the issues that was thoroughly examined by the Board was the lack of an independent Regulator. He stated in the case of a Regulated utility, you have the PUC looking at the operator as well as the Consumer Advocate who is taking up for the residents so that the Township's job of administering the Sewer system is at an end.

Mr. McCartney stated he assumes that the litigation would come in when there are disagreements as to how certain things are being monitored and taken care of, and whether that falls on the Municipality or the private entity; and Mr. Wyatt agreed. Mr. Wyatt stated in any long-term relationship there could be misunderstandings; and when you are putting Capital into the ground over the course of forty to fifty years if it is in any way unclear as to who is responsible for paying for that Capital, that can lead to disagreements, and that is what has happened to date. He stated the Concession Lease did not seem to be a fit for Lower Makefield.

Dr. Weiss stated that at the Public meeting held on June 17 when PFM gave their presentation to the Board, there were four issues that caused the Board to decide not to go forward with the Concession Lease. He stated one was that there were too many unquantifiable financial risks including but not limited to litigation and guarantee of future rates, Capital, etc. The second was the ultimate desire of the Township to exit the wastewater business and not wanting the Township to be burdened with the annual administrative requirements. The third was the lack of an independent, third-party regulator, and the fourth was the cost to form a draft Lease Agreement which could cost tens of thousands of dollars before they could further consider this option.

Mr. Lewis asked if the Board ever made a statement or a vote that stated that they wanted to exit the wastewater business. Dr. Weiss stated they are considering a sale; and if they decide to sell the system, they are getting out of the wastewater business. Mr. Lewis stated there was no Board Resolution on that, and Dr. Weiss agreed. Mr. Lewis asked if that was included in the documents adding that although he does not recall, his understanding is that the Bid documents included the phrase that Lower Makefield was interested in exiting the wastewater business and that was never voted on as a priority of the Board.

Ms. Blundi stated she agrees with Dr. Weiss that there was not a Resolution. She stated she would like to make sure they are all being the stewards they are sworn to be, and not “purposely misdirecting conversations.” Ms. Blundi stated there was a very thoughtful process in terms of this step-by-step evaluation with many hours spent in Executive Session and many opportunities to provide feedback. She stated she feels she was greatly benefitted by the discussions with the professionals as well as one of the Supervisors who does a lot of work in this field and who helped craft the whole process to make sure that it met the Board’s intentions. Ms. Blundi stated if Mr. Lewis was unhappy with something that happened a year ago, she wishes that he would have stated this sooner.

Mr. Lewis stated he was asking the Chair whether the Board made a decision to exit the wastewater business. Ms. Blundi stated Mr. Lewis is now asking about comments in a document that he had sufficient time to look at, and he is now indicating he was not sure that it “was in there, and is asking for clarification.” Mr. Lewis stated he is not sure he understands Ms. Blundi’s concern. Ms. Blundi asked that they move the process along at this time.

Ms. Blundi asked Mr. Wyatt to provide more detail about the solicitations which were received from the RFB process. Mr. Wyatt stated the RFB process was undertaken and three formal Bids were received. He stated the way PFM organized the process it contained various different options for the Board to consider. He stated they received three compliant, timely Bids.

Mr. Lewis stated he feels a willingness to consider a Concession Lease and better explore that helps the Board make a better decision in the long run and to properly value the estimates. He stated they do not have a metric as to how to compare the Bids that they did receive which he finds troubling. He stated he is “not sure if we got a good deal.” He stated the specific question he wanted to ask was about comparable deals in the past. He stated he was told that he would get those answers; however, he never received them so he does not have a benchmark upon which to review whether they have a good or bad deal going forward.

Mr. Grenier stated his main concern is that the presentation they got on the Concession Lease on April 1 was in Executive Session where they did not have video as it was over the phone. He stated the presentation was difficult to hear, and when they tried to ask questions they were told they had “thirty seconds to ask questions,” which was very disconcerting since he is very interested in this although he recognizes the pitfalls of it.

Mr. Grenier stated he does not feel they were able to more deeply consider this option. Mr. Lewis asked if that was the meeting “he got yelled at by the Chair;” however, Mr. Grenier stated he could not hear well, but he himself was told that he only had thirty seconds to ask questions at the end of the meeting. Mr. Grenier stated it was not a very productive meeting from a discussion standpoint to get questions asked on this particular issue.

Mr. Peter Lachance (does not provide address) stated he believes Mr. Lewis is correct in that there was no Resolution by the full Board on Record that the Township did not want to be in the business of owning Sewer assets, yet this was placed in the Bid document as a Condition. Mr. Lachance stated this is why he takes umbrage to PFM’s statements in the past where they indicated that they did not get any Bids for O & M Contracts and there were not “too many people doing it,” which is untrue. Mr. Lachance stated that when there is a statement that the Township does not want to own the assets any more no one “would waste their time and Bid” on that option.

Mr. Lachance stated the process was “incredibly sloppy and there was no participation by the public of any real measure, it was not transparent, and even Board members were left in the dark until the last minute about stuff.” He stated Mr. Lewis is also correct when he stated that there was a statement in the Bids that the Township did not want to have Sewer assets. He stated the first time that everyone learned that was in June at a Public session, and even some of the Supervisors did not know that. He stated the Board did not vote on a Resolution to do so.

Mr. Lachance stated with regard to the Lease option, it was stated that there was oversight responsibility, time, and effort. Mr. Lachance stated the public would like to see us maintain control of our assets. He stated there was no list of Terms and Conditions in the Bid if someone wished to submit a Lease. Mr. Lachance stated that is on the Board and not on the Public, and he does not feel the Bids were done in a correct fashion. He stated with regard to a Lease, you do get the asset back after some measure of time; and at that point the Sewer system would be worth even more because it would be in better shape and due to inflation. He stated he has calculated very conservatively that the Lease Bid would be worth an extra \$5 million in net present value which any engineer would have advised. He stated PFM never brought up in public that they should account for the fact that they would get the asset back, and therefore there is some value in that in dollars and cents today. He stated they could have written the Contract for having the ability to transfer the responsibility for those assets in fifty years to some other entity; and they could

exercise that between years twenty and fifty or some other term and get money for that since someone would “buy the opportunity to get a \$100 million system back.” He stated he feels this whole process was “sloppy.”

Mr. Shearer stated he is not 100% sure what is meant that the “Bid documents stated that the Township wanted to exit the Sewer business or stipulated that.” He stated in the RFQ last summer it stated that the Township was considering a transaction and/or restructuring of its Municipally-owned Sanitary Sewer system. He stated it goes on to say that the purpose of the RFQ is to provide proposers an opportunity to formally express their interest in Bidding on a sale, a Lease, or a long-term Management Contract for the system. He stated it also stated that Lower Makefield is considering exiting the sanitary sewer business, but it does not say that is what they are going to be doing. He stated it was worded in such a way that it would allow interested Parties that are looking at O & M Contracts, Concession Leases, and sales to respond to the RFQ.

Mr. Robert Abrams, 652 Teich Drive, stated he has “never seen such a fiasco.” He stated this is unprofessional and it started with the Township Manager on up. He stated someone wants to “burden the Township and the taxpayers with unbelievable debt.” Mr. Abrams stated initially they promised that they would “leave no stone unturned, and every option would be discussed and investigated,” and they have not done that. He stated he would like to know if anyone or their family members will benefit directly or indirectly from the sale of the Sewer system including “Mr. Ferguson’s new job with the winner.” Mr. Abrams stated as Mr. Lachance just advised in the future in a thirty or forty-year Lease, the Sewer system would be “worth ten times as much.” He stated they are going to “grab some fast cash, and throw it out to friends, and we will have nothing and no control over the Sewer system.” Mr. Abrams stated this what happened with the cell tower.

Mr. Abrams thanked Mr. Lewis for “standing up for him;” but he will go “head to head with the Township Manager anytime.” He stated the Township Manager should not give people what he wants to give them on Right-To-Know requests. Mr. Abrams stated if Mr. Ferguson does not have something to give or does not want to, he should cite the Regulation and not say he is denying it in part.

Mr. Abrams stated he may get “thrown out of his house one day,” because they are going to raise the Sewer bills, and he has no control over it. He stated if they want to “bail out the Golf Course, they should get a developer and develop some over-fifty-five communities overlooking the Golf Course. He stated they could also “shut down across from Shady Brook and go with that idea, put money up front, and put it in the Sewer system.”

Mr. Abrams stated they should “throw the Bids out,” and re-write it with a Management Contract included, and entertain every Bid “on both sides.” He stated it needs to be financially analyzed, and should then be presented to the public to see what the public wants to do. He stated he looked into how many Pennsylvania communities are happy with their Sewer systems being sold, and he got zero responses. He stated he knows a number are “up in arms about what happened,” and this is going to be the next one.

Mr. Abrams stated they are getting “Wegmans rammed down their throats because of COVID and the sewer rammed down their throats because of COVID, and after that Dr. Weiss can go to Florida and sign his Homestead Agreement to get his taxes reduced.”

Ms. Blundi stated asked how they reached out to get interest. Mr. Shearer stated the RFQ went out last summer. He stated his firm has a list of close to two hundred participants that they have put together over the years, and the RFQ went out to a very wide net of interested Parties. He stated it included a lot of nearby Municipal Authorities as well. Mr. Lewis asked how they were contacted, and Mr. Shearer stated the RFQ went out via e-mail.

Ms. Blundi asked if this is the process they have used in the past, and Mr. Shearer agreed. He also stated when an RFQ goes out, it frequently gets forwarded to others who are not on the list. Ms. Blundi stated in response to that, the Township received the four Bids back that they are now discussing; and Mr. Shearer agreed.

Mr. Lewis asked of the two hundred e-mails that went out, how many acknowledged receipt; and Mr. Shearer stated although he does not have the exact count, there were “a lot.” Mr. Lewis asked if he received a response that they were not interested, and Mr. Shearer they got a lot of those. Mr. Lewis asked if was greater than ten, less than fifty. Mr. Shearer stated he cannot recall for this exact transaction. Mr. Lewis stated the reason he asked is that the more people that responded would show that at least they had received it and reviewed it. Mr. Lewis stated Mr. Shearer had stated that four responded that they were interested; and Ms. Blundi stated Mr. Shearer had indicated that four actually submitted Bids. Mr. Lewis asked how many “people were interested.” Ms. Blundi stated she believes Mr. Lewis is assuming things that have not been stated. She stated Mr. Shearer advised that he does not recall how many people acknowledged receipt, and now Mr. Lewis is asking a slightly different

question. Mr. Lewis stated he apologizes if his questions are offensive to Mr. Shearer, and Ms. Blundi stated she feels they are unclear, and she is trying to understand. Mr. Shearer stated they received four responses. He added that the team that was interested in the Concession Lease was made up of a half dozen different firms with different disciplines – legal, financial, engineering, etc., and they grouped together. He stated they all individually received the RFQ, and then that group must have talked with each other to form the team to submit one Bid.

Mr. Lewis stated the intent of his questions were not to be accusatory, and it was just to get insight as to how many people were engaged and interested in the Bidding process. Mr. Shearer stated the number of responses was very normal given the size of the asset. He stated when they are dealing with an asset of \$200 million plus, they get more interested Parties including private equity firms that want to participate. He stated dealing with a \$10 million to \$50 million asset of this type, typically they only see a few responses to the RFQ.

Mr. Grenier asked Ms. Blundi when she was referring to the Supervisor who set up the process was she referring to him, and Ms. Blundi stated she was. She stated she was referring to his stewardship and the guidance he gave her personally through the process which he had helped put together last year. Mr. Grenier stated he appreciates that, and that is why he has been so “frustrated this year because of the deviation from that process.” Mr. Grenier stated the key to the process was doing a full-scale alternatives analysis to look at all the options, and “not dive head first into just the sale.” He stated the concept was in a parallel path to review the potential sale, which he is not against. He stated he has indicated that a sale may well be necessary. He stated Mr. Ferguson laid out many financial issues which he is sensitive to and appreciates, and he will continue to review that as part of his responsibility as a Supervisor.

Mr. Grenier stated he does not feel they have done the “homework” to understand whether or not a new Municipal Authority with our neighbors could possibly be the best alternative for Lower Makefield Township residents.

Dr. Weiss asked that Mr. Grenier make these comments at a later time as at this point they are only considering a Motion on a Concession Lease. Mr. Lewis stated he feels Mr. Grenier’s comments are germane to the topic at hand. Dr. Weiss stated he is making a point of order. He asked

that Mr. Grenier relate this to the Concession Lease that is the Motion on the Table or make his comments during the next Agenda item. Mr. Grenier stated as part of the process he believes that fully vetting a Concession Lease written from the Township's perspective, considering the overall process that he helped put together last year, is something that he would urge the Board to consider.

Mr. Grenier stated the estimate that he was given is that it would cost about \$50,000 to write a "good, solid Concession Lease," and that would be \$50,000 on a \$50 million plus deal; and he feels that is "intriguing," which is why he made the Motion.

Mr. McCartney asked if the private entity lays the framework as part of their Bid or is it up to the Township to provide them with the framework of the Bid. Mr. Shearer stated it is typically up to the Township to lay out the Terms. He stated with regard to the Terms that the team had submitted to the Township in the RFIT, there had been a lot of communication and information provided; and if this were to go to a full Bid for a Concession Lease, many times the actual document is jointly written between both the Township and the Concessionaire. Mr. McCartney stated the difference between the Concession Lease and the two other Bids is that the two other Bids are what they are offering, and with the Concession Bid, we would basically be negotiating what the Terms of the Bid would be; and Mr. Shearer agreed.

Motion did not carry as Ms. Blundi, Mr. McCartney, and Dr. Weiss were opposed and Mr. Grenier and Mr. Lewis were in favor.

SEWER UPDATE AND CONSIDERATION

Mr. Grenier stated he understood that when the Board voted previously to extend the Bids that included all three of the Bidders – PA Water, Aqua, and Bucks County Water and Sewer Authority. Dr. Weiss stated the reason why they only have Pennsylvania American and Aqua giving presentations is because of questions from those two organizations, and they need to clarify some things. He stated he understands that because the nature of the Bucks County Water and Sewer Authority's Bid was so different from Pennsylvania American and Aqua, they were not invited to participate.

Mr. Grenier asked who made that decision. Mr. Truelove reminded Mr. Grenier of his recusal obligation at this point. Mr. Grenier stated he will not ask any questions of any Bidders. Dr. Weiss stated he believes

that this was the consensus at the time, a few months ago. Mr. Ferguson stated the date of the presentation was June 17, and PFM analyzed the three Bids that were received. He stated it was outlined by PFM to the Board that in review of rates and sell price, that the two most viable Bids were PA Water and Aqua; and it was from there that there were some questions and clarifications as there were some differences between those two Bids. He stated it was agreed that since those were the two most-viable Bids, they would be put on the Agenda. He stated that was originally what was done for July 1.

Mr. Grenier asked if that means that there was not a vote by the Board for this, rather it was an Agenda set up by the Chair. Mr. Grenier stated he never voted to remove anyone from consideration. Mr. Ferguson stated he does not believe anyone was removed. He stated Bucks County Water and Sewer's Bid was "so far beneath the other two," the presentation was put on for the two most-viable Bids proposed. He stated he does not believe that there was a vote on that. Dr. Weiss stated Bucks County Water and Sewer's Bids are not disqualified, and they can be discussed and voted on for or against; and this is just a presentation by the two top Bidders.

Mr. Lewis stated he feels that the Board would benefit from having all three of the Bidders that are still under consideration. He stated his concern is that the Board never voted to remove Bucks County Water and Sewer from consideration. Dr. Weiss noted as he just stated Bucks County Water and Sewer have not been removed from consideration. He stated these are presentations from the top two Bidders. Mr. Truelove stated technically all three are still on the Table, and they have two presentations tonight. Mr. Truelove stated the Board can vote for any one of the three or none of them, and this is still an open process. Mr. Truelove stated technically there are three Bids all submitted before June 1 that are before the Board for consideration.

Mr. McCartney asked if they open it up for Bucks County Water and Sewer to present, is it going to be the offer they presented or will it be "weighed down with the other hand-written note." Mr. Truelove stated if it is to be considered in terms of a vote, it would have to be the Bid that was received before June 1 as that is the only Bid that was received from them. Mr. McCartney stated he is not interested in hearing from them about that Bid. Mr. Truelove stated a presentation is one thing, and considering a Bid

is another. Mr. McCartney asked if Bucks County Water and Sewer was looking to make a presentation based on the original Bid. Mr. Truelove stated that was technically their only Bid. Mr. Lewis asked if the Township reached out to Bucks County Water and Sewer to offer them the chance to present to the Board, and Mr. Ferguson stated they did not.

Mr. Ferguson stated Bucks County Water and Sewer Authority's Bid was for \$1. He stated their other Bid was for \$35 million, but they were not willing to give any guarantee on rates because of issues at the MMA facility. Mr. Ferguson stated the \$1 Bid would not allow the Township to even resolve the Debt to close out the Sewer system, and the \$35 million Bid had no guarantees on rates so that did not satisfy the other requirements so that the Township could quantify the rates. Mr. Ferguson stated he believes when PFM made the presentation there was a clear distinction between PA Water and Aqua to present the details since they were fairly close in value versus Bucks County Water and Sewer which was many "rungs below" either of those two proposals.

Mr. Grenier asked who made that decision. Mr. Shearer stated he believes that it was a combination. He stated they had discussions on June 3 when PFM presented a lot of information in Executive Session, and they then presented it again on June 15 in Executive Session where there was a lengthy discussion about all the proposals, and then the Public Meeting on June 17. He stated he feels it was during those three extensive meetings where the direction was to bring in the top two. Mr. Lewis stated there was never a vote by the Board on that either in Executive Session or in a regular Session. Mr. Truelove stated the Board could vote on that tonight if they wish.

Mr. McCartney asked Mr. Lewis if he is interested in the Bid by Bucks County Water and Sewer, and Mr. Lewis stated he has a fiduciary responsibility to the Township. He noted the revised Bid by Bucks County Water and Sewer. Mr. McCartney stated he is not talking about the revised Bid. Ms. Blundi stated it was not a revised Bid. Dr. Weiss stated there is no revised Bid. Dr. Weiss stated he feels by Mr. Lewis mentioning that, he is putting them in an "interesting situation." He stated there are three Bids – one from Pennsylvania American, one from Aqua, and one from Bucks County Water and Sewer Authority. He stated the reason why Aqua and Pennsylvania American are giving a presentation is because after the June 17 meeting, Pennsylvania American had some questions about the other top Bid. He stated they met with staff, and it was determined that they should come to a meeting which was originally scheduled for July 1, but is now taking place this evening, so that each of them could clarify their Bids.

Mr. Lewis stated he continues to be interrupted, and what he has stated is being misrepresented. Dr. Weiss stated he understands what Mr. Lewis is trying to say but he was mentioning a revised Bid and “it does not exist.”

Mr. Lewis stated Bucks County Water and Sewer Authority met yesterday and had Board approval of a Bid that the Board of Supervisors does not deem a valid Bid at this time. Mr. Lewis stated while he acknowledges that, he has a fiduciary responsibility to analyze the quality of that Bid in comparison to other Bids.

Dr. Weiss asked Mr. Truelove to comment on this. Mr. Lewis asked why he is being interrupted, and Mr. Truelove stated he would like to give a legal opinion so that we do not possibly cause liability for the Township. Mr. Truelove stated he acknowledged at the start of the meeting the frustration with what they received from Bucks County Water and Sewer; however, it is an expression of interest and not a Bid. He stated if that is considered in any way on an equal level with either the American or Aqua Bids that were received before June 1 in a timely manner, consistent with the process that everyone, including Bucks, agreed to participate in, the Township will very likely find itself involved in some very expensive litigation.

Mr. Lewis stated he has not made any of the claims that Mr. Truelove just said. Mr. Lewis stated he wanted to speak about a public document about something that Bucks County Water and Sewer Authority published. He stated he is allowed to speak about a public document, and he has not made any representations about what the Board should do with that. He stated he is allowed to suggest that “might encourage analysis as to the proper public policy approach that we might take.” Mr. Lewis stated as it relates to potential litigation, since he is not a lawyer, he cannot say that if they do something there will be litigation; and that is why they hire someone to do that. He stated in his analysis what he has heard was that there is potential litigation regardless of who is chosen “from a number of different angles.”

Mr. Lewis stated Mr. McCartney had asked if he wanted to consider Bucks County Water and Sewer’s Bid, and he believes that Mr. McCartney’s intent was to ask him if he wanted to consider the \$35 million Bid which is the Bid that is a valid Bid. Mr. McCartney stated it would be the \$1 Bid or the \$35 million Bid. Mr. Lewis stated the \$35 million Bid in comparison to one of the other Bids which a situation where we would give back \$20 million of the \$50 million we get, is “not that far off the realm of possibility, and there are some tradeoffs.”

Mr. Lewis stated he does acknowledge that the Bid does have issues with it, and he also acknowledges that “they looked at that based on what they had heard and seen, and said the conveyance system is worth a significant amount more than they Bid; and more than other Bidders Bid.” Mr. Lewis stated he would be negligent in his fiduciary responsibility and would be inviting the Pennsylvania Consumer Advocate’s “wrath” if he did not consider what was in the public’s interest. He stated the two Bids that they might consider tonight are contingent on PUC approval. Mr. Lewis stated if he does not provide a fair assessment and analysis of all options and what the true value of the system is, he runs the risk of incurring the Township not getting approval for the two Bids that “some on this Board like.” He stated that is why it is incumbent on him to ask these questions and to do the proper analysis. He stated in good conscience he “cannot vaporize \$14.8 million.”

Mr. Truelove stated as he indicated at the beginning of the meeting, he shares their frustration; however, if they discuss the specifics of that expression of interest, it runs the risk of “wreaking havoc on any vote that the Board may take.” He stated his analysis and that of other attorneys with experiences in this area, was that what was received was a non-compliant submission. He stated he cannot speak to what the PUC may do, and that may have to be considered in the future; however, we are not at that point. He stated at this point, there are three Bids all submitted before June 1 – Aqua, Pennsylvania American Water, and the Bids from Bucks County Water and Sewer Authority for \$1 and \$35 million.

Mr. Lewis stated his intent is to minimize potential risk for the Township, and he does not feel anyone wants to engage in a transaction that would yield potential litigation that would cost the Township money or the chance that it would get rejected by the PUC.

Mr. Wyatt stated the PUC has no jurisdiction over this process right now. He stated if a majority of the Board makes a decision to sell the asset, neither the PUC, the Consumer Advocate, or anyone else “can bring wrath” on the Township for any purpose. He stated they do not have jurisdiction on the Board’s decision-making process. Mr. Lewis stated they do have the capability to change the outcome of it. Mr. Wyatt stated any transaction that gets sent to the PUC will be looked at and determined to be in the public’s interest or not; and that does not bring any liability, and it is a typical process for the PUC. He stated they are not going to look back into this discussion and say the Board should have done something. Mr. Lewis asked if they will argue that

the Board did not do their job. Mr. Wyatt stated they have no jurisdiction to tell the Board they did not do their job. Mr. Lewis stated he is being told that regardless of what they do, they have no risk with the PUC “that the deal would get altered or not approved.” Mr. Wyatt stated the Application will get sent to the PUC and will proceed through a professional process.

Mr. Lewis stated as a Second Class Township, the Township has options as to how it reviews its assets; and it does not have to go through a Bidding process.

Dr. Weiss stated unless he hears that a majority of the Board opposes having the presentations as listed on the Agenda, he feels it is time to move on. He stated when a Motion is made, there could be further discussion. Mr. Lewis stated Mr. McCartney had asked “that we step out from there.” Dr. Weiss asked Mr. McCartney if he wishes to change the way “we are doing things and invite Bucks County Water and Sewer to have a presentation of their current Bid,” and Mr. McCartney stated he does not at this time. Dr. Weiss asked Ms. Blundi if she would like to change the way the presentations are being done and invite Bucks County Water and Sewer, and Ms. Blundi stated she would not. Dr. Weiss asked Mr. Grenier if he would like to change the way they are going and delay the proceeding to hear Bucks County Water and Sewer’s presentation on their \$35 million or \$1 Bid.

Mr. Grenier stated he would like to know the number of Bidders, and Ms. Blundi stated there are three Bidders. Mr. Grenier stated there are three Bidders and six Bids, and he wanted to let everyone know what they were actually talking about since whenever they talked about “who has an active Bid, he could never get a straight answer.” Dr. Weiss stated there are technically six Bids on the Table. Mr. Grenier stated it was not clear whose Bid was extended. Dr. Weiss stated all the Bids were extended until Friday. Mr. Grenier stated he would like to hear from Bucks County because the \$35 million Bid is “actually intriguing considering the give-back that would be required for the other two to keep rates stable. Dr. Weiss stated it is three to two, so they will continue as the Agenda is listed.

Pennsylvania American Water Company – Questions and Discussion

Mr. Mike Doran, President of Pennsylvania American Water, introduced Mr. Jim Gable, Senior Manager Southeast Operations, Ms. Laura Martin, Director of Communications and External Affairs, and Mr. Bernie Grundusky, Senior Director of Business Development.

Mr. Doran stated Pennsylvania American values the partnership they have with Lower Makefield Township as their drinking water provider, and they would consider it a privilege if they were selected to operate the wastewater system. He stated they feel their offer is superior because it represents the best value for the Township and its residents. He stated incorporating the Township's wastewater system into the Pennsylvania American system would provide customers with a seamless transition and "one-stop shop" for their water and wastewater service, and the customers will also benefit from the economies of scale that they can provide as Pennsylvania's largest water and wastewater utility.

Mr. Doran stated he understands that rates are a concern, and they have been transparent about what they intend to invest in the system, and what impact those investments could have on rates. He stated while the Pennsylvania American offer provides indicative guidance on potential future rates based on what they know today, no utility whether a Municipal Authority or a PUC-regulated utility can predict exactly what their rates will be ten years from now. He encouraged the Board to be cautious when considering this information.

Mr. Doran stated American Water is the largest publicly-traded water and wastewater provider in the United States; and in Pennsylvania, they are the largest investor-owned water utility in the Commonwealth providing water and wastewater service to approximately 2.4 million people or nearly 20% of the State. He stated they are in 408 communities in multiple Counties including Bucks County. A map was shown of their service area across the Commonwealth, and he noted their presence as the Township's local water provider. Mr. Doran showed a map noting the location of their Operations Center across the street from the Lower Makefield Township Building.

Mr. Jim Gable stated Pennsylvania American Water is already invested in Lower Makefield with public water, and they serve just over 10,000 connections in the Township. He stated they have eleven employees serving 12,700 customers from the Lower Makefield location. He stated they get their water from the Delaware River as well as from four wells

that are in the community. He stated their Capital investment was \$7 million over the last five years, and they intend to invest over \$30 million in the next five years.

Mr. Gable stated if they are successful in this Bidding process, they will add jobs to the community, and will hire from within and around the Townships surrounding Lower Makefield. He stated their notification system is one that the customers already use through calls, the Web page, or the text message alert system. Mr. Gable stated they have an on-going relationship with the Township coordinating paving schedules to make sure that they leave a “great product at the end of replacing water mains, etc.” He stated their staff will be cross trained in water and wastewater so that if staff goes out to a house for an issue, it will be a one-time resolution. He stated they will also purchase equipment that will be housed in the Township at their building across the street, and they will be able to deal with routine maintenance and emergencies.

Mr. Gable stated with regard to replacement of underground facilities, if they are the provider of water and wastewater, there would be less disruptions to the customers as they would replace utilities at the same time. Mr. Gable stated another benefit would be with regard to line extensions; and if a developer needed to extend water and wastewater, they would deal with just one company. Mr. Gable stated there would also be one monthly bill for water and wastewater, and there would be a seamless transition since most of the residents are already their customers. He stated it would also be a “one-stop shop” for customer service and emergencies. Mr. Gable showed a slide showing a recent notification that went out to the customers in Lower Makefield showing their \$24 million investment at the Water Treatment Plant, and he reviewed the specifics of that investment including an added a layer of protection against viruses. He stated it also included a new chemical building to convert gas to liquid chlorine and ammonia.

Ms. Laura Martin stated they also make significant investments in the local community in other ways. She stated in recent years, they have provided Grants. She stated this spring they donated \$100,000 to COVID-19 relief efforts across the Commonwealth including to the Bucks County Opportunity Council. She stated this month they made a \$1,000 donation toward the Yardley foot bridge replacement project. Ms. Martin stated the year before last they also helped the Township fill the Community Pool so that the Pool could be opened for the season on time. Ms. Martin stated they also offer Grants to Fire Departments, scholarships to Seniors pursuing careers related to their industry, and do School presentations, Plant tours and open houses.

Ms. Martin stated they know that excellent customer service is a priority, and they put their customers first in everything that they do. She stated they also offer financial assistance to customers in need and payment options. She stated if they were to become the wastewater provider, all of these would be available for the sewer service as well with one phone number, one Web portal, and one bill. Ms. Martin stated they strive for continuous improvement and seek feedback on how they could make their customers' experiences better. She stated one way to compare utilities is through the Better Business Bureau ratings, and Pennsylvania American's is A-. She stated the PUC Bureau of Consumer Services puts out an Annual Report on utilities, and that shows that for the past year, their average response time was better than the average time by the State's major water utilities. She stated that Report also showed that so far in 2020, they have had zero justified Residential consumer complaints. Ms. Martin also noted the J.D. Powers Customer Satisfaction Study which is helpful in providing high-level impressions of customer satisfaction, and their company has demonstrated improvements year after year over the three years that they have been included in the Study beginning in 2018. Ms. Martin stated they use the feedback provided by the customers to drive improvements. She stated they received lower J.D. Powers scores related to on-line customer service, and they have been working on a total Website re-design project for the past year; and they will be launching an improved Website later this month as a response to what they heard from their customers.

Mr. Bernie Grundusky stated that Pennsylvania American appreciates the opportunity to present this evening. He stated they have been a long-time water provider in the Township for decades. He stated the Yardley/Lower Makefield system has been a high-growth operation, and they continue to strive to make sure they have the facilities in place to meet the planned growth in this part of the State.

Mr. Grundusky stated they understand that potentially selling the wastewater system is a very important decision that is a permanent decision, and the way they operate their water system is the way they would operate the wastewater system. He stated there are challenges with an RFP as it does not address the quantitative aspects which is what they are trying to bring out tonight which are the other meaningful aspects of Pennsylvania American owning the wastewater system in the Township.

Mr. Grundusky stated they did Bid to the four options under two different rate scenarios – the \$35 minimum Bid with no freeze and a two-year freeze, and they also Bid an option where there was a no freeze

and a two-year freeze and in both cases that Bid was \$56.1 million. He stated the result of that is the highest Bid under both options, and they feel that they were the only Bidder to Bid under the two-year options. He stated they are \$3.1 million higher than the other Bids. He stated as it relates to rates, the Township asked within the Bid to commit to a no-freeze or a two-year rate freeze. He stated their Bid would include within the two-year rate freeze that they could hold rates until at least through 2023.

Mr. Grundusky stated Bidders were also asked to provide non-binding indicative rates from the period of 2021 through 2030. He stated they provided a rate projection for that period which they would classify as a “fully-loaded rate projection;” and what that means is rather than providing what base rate increases could be based on prior Filing cycles, they included what the potential rate increases could be and also what potential surcharges could be. He stated they have the ability to charge interim surcharges to recover specific investments for collection system and distribution system improvements. He stated part of the Bid documents was an APA, and under the Rate Section the APA provided language that stated that the Bidders would have the ability to charge their surcharges after Closing. He stated to be fully transparent in their rate projections, they included the potential surcharges that could come along with a Rate Filing cycle.

Mr. Grundusky stated future rates are completely set by the Public Utility Commission. He stated the deal is being structured as a fair market value deal under the recently-passed Act 12 Legislation. He stated that this means that a company can pay fair market value prices, but they are also required by Law to adopt the Township’s rates as their rates as Closing. He stated they have also committed to at least a two-year rate freeze or a rate freeze through 2023. He stated as far as future rates, they are projections and are indicative, and they cannot be guaranteed; and only the PUC can approve rates, and any effort to guarantee rates is not allowed. He noted some recent litigation with regard to a recent acquisition that resulted in an outcome where it was determined that rates cannot be guaranteed without the caveat that the PUC can approve it.

Mr. Grundusky stated they have 742,000 customers and are one and a half times the size of the next-largest utility in the State, and that provides tremendous economies of scale in terms of rates and buying power. He noted Act 11 which allows investor-owned companies to take a portion

of their Revenue requirement for the wastewater system and put it toward the water customer base. He stated their water customer base is 667,000 customers. He stated it may be felt the Township would be paying twice on the water and wastewater side; and while they are, it is an example of the economies of scale. He stated they ran the numbers on a \$56 million purchase price, and the impact to a Residential customer is \$.12 a month. He stated that is about 25% of the cost of a stamp which goes away if Pennsylvania American owns the system because they will bill water and wastewater on the same bill.

Mr. Grundusky stated the other impact is the economies of scale. He stated when they leverage their purchasing the power and the purchasing power of American Water, which is the largest publicly-traded water system in the United States, any cost savings they realize through equipment purchases, vehicle purchases, and chemicals, those cost savings directly pass to the rate-payer. He stated they do not charge a mark-up for O & M unlike a Lease or Concession where part of that structure included Bidders marking up expenses. Mr. Grundusky stated they spend a lot of time and effort trying to manage expenses because for every dollar of Operation expense they save, it represents about \$8 in Capital that they can invest without impacting rates.

Mr. Grundusky stated they agreed, and the process was clear that the winning Bidder would “step into the shoes of Lower Makefield; and that includes the obligation that is coming relative to the new upgraded bulk treatment facility which as indicated could be Morrisville or something else in the area. He stated that would be a liability that would transfer to Pennsylvania American, but that cost would be shared among 700,000 customers versus 11,000 customers.

Mr. Grundusky stated they have looked at the Township’s system, and they have planned for another \$14 million in investment in the Township’s system with a focus on the pump stations and collection systems. He stated their effort is to drive down I & I in the system since if they drive down I & I that is less expense they will have for the bulk costs. He stated 2018 was a particularly wet year, and the due diligence review indicated that many of the Township’s pump stations were at or above hydraulic overload conditions. He stated their plan would be to focus efforts on those pump stations to put them in a position to meet the flow requirements, and avoid the potential of back-flows into the community or customer homes.

Mr. Grundusky stated they meet with the Township when they coordinate their collection system improvements, and where the Township is considering paving they look to see if there is a water or wastewater line

that should be replaced; and they will either share or take on the whole cost of the paving restoration. He stated this drives value back to the Township in terms of expenses that the Township could use for other purposes. Mr. Grundusky stated in terms of Capital, their company has one of the most favorable investment tariff provisions, and they will provide the first \$15, 000 toward an extension to existing homes and more toward an extension of water or sewer to existing businesses. He stated this is an effort to provide water and wastewater services to areas of the community that do not have it, but need it and want it.

Mr. Grundusky stated they have a combined Bid that provides value of over \$120 million between the purchase price of \$56.1 million which is \$3 million higher than the next-highest Bid, and \$64 million in identified Capital improvements, and which they can spread that cost over the State's largest customer base. He stated they will leverage their economies of scale. He stated they are members of the community, and they want to continue that relationship. He stated they have a building right in the middle of the Township, and response time and recovery time will be met with existing employees, and they will "stand up another work force for wastewater systems in the Township." He stated the Lower Makefield wastewater customers are already Pennsylvania American customers, and this creates a seamless transition and one-stop shopping. He stated they would consider it a privilege if the Township would select them as their wastewater provider.

Mr. Lewis stated PA American sent a letter to the Township and Mr. Shearer on June 24 stating that PFM had incorrectly analyzed the indicative Bids for Pennsylvania American Water, and that their Bid was superior in the analysis. Mr. Lewis asked if they were informed that the Township had already drafted a Resolution indicating Aqua was the highest Bidder before that letter was sent, and he asked if they are aware that the Supervisors never received an updated analysis to reflect Pennsylvania American's concerns over the indicative Bid. Mr. Lewis stated the Board does not have a metric to understand how Pennsylvania American's Bid compares with Aqua's Bid or other Bids.

Mr. Grundusky stated they did send a letter indicating that there were some differences in the way the Bids were analyzed. He stated typically Bids are looked at on a quantitative basis in terms of price. He stated they understand that the Township also had considerations for rates, and had asked PFM to do an analysis to try to create an apples-to-apples comparison utilizing the additional \$3.1 million difference to offset a

rate difference in the non-binding indicative, non-guaranteed rate profiles. He stated Pennsylvania American's offer would have included a fully-loaded rate profile to include surcharges which are Contractually-allowed for in the Agreement whereas it appeared that the other Bids were flat during interim years between Cases such that it would indicate based on that review that there was no intent to charge a DSIC surcharge. He stated if that was not the case, the likelihood is that those rates would be higher than what was represented. He stated he understands how PFM analyzed the \$3.1 million difference, and they did their best to try to make it apples-to-apples, but there are many other factors that come into play. He stated that \$3.1 million could be used as a matching fund which would turn it into \$6.2 million that could be used to offset other Township expenditures.

Mr. Grundusky stated they were concerned about the difference between the two comparisons, and felt it was important that the Township have additional information including the qualitative aspects of Pennsylvania American owning the system; and they appreciate the opportunity to have presented that this evening.

Mr. Grundusky stated as far as Mr. Lewis' question about the Resolution, he was not aware of any Resolution.

Mr. Lewis asked if they knew that the Board had not received an updated analysis that included the DSIC information. Mr. Lewis stated it is hard for the Board to know whether the Pennsylvania American Bid is higher or not because they have not received the analysis back that compares the difference between the DSIC that Pennsylvania American included but that Aqua did not so they are unable to make a fair assessment. Mr. Lewis asked if that is troubling to Pennsylvania American.

Mr. Grundusky stated it is important that the Township know that there were differences in what was utilized to compare and ultimately create an outcome that was essentially based on a gap analysis between what rates could be. He stated he would continue to stress that those are indicative, and they are non-binding. He stated the future rates are potential rates. He stated for the Township to only look at those two factors, Pennsylvania American felt it was important to indicate that there were potential differences and to let the Township know that in addition to the rates being non-binding and non-guaranteed, there are other factors that add value to the Municipality which they have discussed in their presentation.

Mr. Lewis stated he feels that if Pennsylvania American had the higher Bid, they would feel that they were not getting a fair analysis, and that would be troubling.

Mr. Lewis stated he understands that Pennsylvania American's intent is to assume the Contract that Lower Makefield has with MMA, and Mr. Grundusky agreed adding their intent is to take assignment of that Agreement and any other Agreements. He stated as the water provider in the Municipality, they have existing business relationships with many of the communities that are tied to the regional plant. He stated they provide water to Lower Makefield and Yardley, and they are in Falls Township and they have a connection with Morrisville. He stated that they feel that through those relationships with their water business, there already exists a platform to have discussions and to work with those communities on future improvements. He stated as it relates to wastewater systems, they own twenty in Pennsylvania; and they are investing hundreds of millions of dollars into plant improvements and I & I reduction. He stated between Pennsylvania American and American Water, they have a vast experience with all types of plants, working with the communities that own plants, and doing I & I reduction and pump station improvements.

Mr. Lewis asked if their intent is to take the assigned Contract for MMA; and Mr. Grundusky agreed that pursuant to the RFP and the draft APA, the winning Bidder will take assignment of those Contracts and step into the shoes of the Township. Mr. Grundusky stated that does not mean that at that point or some other point they could not have discussions to try to lend their purchasing power and value to the other Municipalities to come up with a regional solution.

Mr. Lewis stated they made very strong arguments about I & I, but he asked how they would drive down the costs that Morrisville would incur for wastewater aside from I & I since that the actual treatment is about 65% to 70% of their costs. Mr. Lewis asked if they would be marking that up in any way to rate-payers other than the percent that they have to give the PUC. Mr. Grundusky stated the do not "margin expense." He stated the way investor-owned utilities are regulated is that they get a return dollar for dollar for expenses. He stated they have a Revenue requirement based on the amount of Capital that is invested in the system, and that Capital is earned and returned on which drives the Net Income of the business. He stated the Net Income drops to a divided, and 75% of that goes to the parent company who funds 50% of their Capital costs, and the other 25% goes back into the business. He stated investor-owned utilities do not markup expenses

Mr. Grundusky stated they would conduct a system study. He stated with regard to Morrisville the lower the flows that go to Morrisville, the lower the cost per thousand they will pay to treat so it is important to drive down those costs from an operating standpoint. He stated initially they would use the synergies available from their existing water employees and their existing building structure, and they would be adding onto their billing of customers as opposed to creating something additional. He stated they would utilize all of this to drive down the expenses.

Mr. Lewis asked if they would consider moving flows from one entity to another or moving to another treatment facility in the future. Mr. Grundusky stated typically they would step into the shoes as is; however, their company conducts Comprehensive Planning Studies, and they would do a regionalized analysis of what is the best alternative. He stated if the best alternative is to continue status quo and drive efficiencies, that is what they will do; however, if the best alternative is to create a regional solution which might involve shifting flows, a new plant, or partnering with others, they will conduct that overall analysis with the outcome to try to minimize the impact to the rate-payer.

Mr. Lewis stated Pennsylvania American has done recent transactions similar to the one they are considering with Lower Makefield; and Mr. Grundusky stated they have bought wastewater system plants and wastewater systems that have both plant and conveyance; and also have Agreements to buy two systems that are conveyance only right now. Mr. Lewis asked about the prior deals that were conveyance only and what they paid per EDU, how much they paid for the facility, and how many EDUs they had. Mr. Grundusky asked if he is asking for purchase price, and Mr. Lewis agreed. Mr. Grundusky stated two of them were similar to Lower Makefield in that they were structured as fair market value opportunities. He stated they were able to pay a purchase price based on the fair market value versus the depreciated original cost of the asset. He stated it drives a higher purchase price as a result of paying an appraised value versus a depreciated value. He stated on the two systems they are acquiring, he would estimate the purchase price was from \$4,000 to \$5,000 a customer to \$6,000 plus per customer; however, he does not have that information available right now.

Mr. Lewis stated that would be helpful. He stated he had asked for comparisons of other conveyance system sales. He stated he would want the highest per customer pay out possible, and he would also want to understand how ratepayers end up post the sale. Mr. Lewis asked Mr. Grundusky

with regard to some of their recent transactions, if he would advise what people experienced in terms of increases in rates that were PUC-approved rate increases. Mr. Grundusky stated the model for an acquisition, particularly fair market value, under State Law, is that they will take the sellers' rates at Closing. He stated they have done transactions where they have had success in the ability to implement the Contractual rate hold, and that is usually timed with the timing of Rate Cases. He stated when a system is acquired, they typically stay at their rates until the company's next Base Rate Filing at which point the rates would be included in the Case, and the rates would be modified based on the cost to provide service to those facilities. He stated they have single-tariff pricing, and so they are driving toward a State rate for all systems. He stated if the system had significantly lower rates at Closing, the expectation would be that those rates would head up toward the State-wide rate. He stated over the years the Commission has realized they do not want to institute "rate shock" on systems that are bought with artificially-lower rates so they have experienced a time period over which rates are adjusted, and that might be over a couple of Rate Cases which could be two, four, or six years depending on the Rate Filing cycle. Mr. Grundusky stated it is a case-by-case basis depending on variables including rates and investments.

Mr. Lewis asked if Lower Makefield's rate structure is higher or lower than Pennsylvania American's existing average rate structure, and Mr. Grundusky stated the Lower Makefield rate structure for the average customer is about \$6 a month higher than their current rate structure for wastewater. Mr. Lewis stated he assumes that Mr. Grundusky would not feel that Lower Makefield would experience the kinds of rate shock that those in Limerick experienced since Pennsylvania America has already raised rates there significantly. Mr. Grundusky stated the starting point is different for Lower Makefield, and Limerick was in the \$30 to \$40 range.

Mr. Lewis asked if Pennsylvania American participated in Norristown's recent Bid process, and Mr. Grundusky stated they did. Mr. Lewis asked where they came in, and Mr. Grundusky stated they were not the winning Bidder. Mr. Lewis asked how far off they were from the winner on that. Mr. Grundusky stated he feels that is a proprietary number. Mr. Lewis asked if Pennsylvania American was involved in the Bidding for DELCORA, and Mr. Grundusky stated that transaction was structured as a sole-source which is an individual transaction between two entities so there was no Bidding process for them to participate in. Mr. Lewis stated they were not invited into that, and Mr. Grundusky again stated there was no Bidding process. Mr. Lewis asked if Mr. Grundusky recalls who managed those two

processes, and Mr. Grundusky stated he would defer to Mr. Shearer and Mr. Wyatt as he believes that they came in on the back end of it, although he is not sure as to what their involvement was.

Mr. McCartney stated there was a discussion about a \$15,000 credit for customers for existing homes to tie into the system with no Tap-In Fee, and he asked that they elaborate on that. Mr. Grundusky stated there is a calculation within their tariff that will produce an amount of Revenue that the company can fund per customer. He stated for Residential customers on water and wastewater, they can fund approximately \$15,000 toward the cost of an extension. He stated if there was a Township road with ten houses on it which did not have either water or wastewater, and the ten homes agreed to take service, by their tariff they could invest ten times \$15,000 or \$150,000 for the cost of running the line up the street to the extent that if that covered the costs, there would be no other necessary funding for the extension. He stated for those residents, there would be no Tap-In Fee, and they would just have to run the lateral and the water line to the main. He stated if there is an instance where it is a business, the calculation will be based on the Revenue that the business would create which drives up a higher investment. He stated the Commission's policy is to try to encourage public water and wastewater in communities, and this is a tool by which their utility can do this, and it has been used in a lot of parts of the State to get infrastructure out to communities that need it.

Dr. Weiss asked if the cost of providing the ten homes was \$500,000 where would the difference come from. Mr. Grundusky stated the company's investment would be the \$150,000, and they would work with the community or the residents to try to find means to fund the difference. He stated they have done transactions with Municipalities where the Township borrowed money and was able to institute a special surcharge to those customers, and it was put on the bill. He stated there are also Grant programs using Pennsylvania American's money as the matching fund. He stated in instances where there is a problematic area or a contaminated area, there are opportunities for State Grant funding to assist with that.

Ms. Blundi stated Ms. Martin discussed the feedback they have received from customers, and she had indicated that there were no substantiated complaints. She asked Ms. Martin if she was speaking specifically about Lower Makefield residents or all of their customers State-wide; and Ms. Martin stated she was talking about all customers State-wide.

Mr. Blundi stated there are renters in the Township who, because they do not have the accounts in their name, they are struggling with a way to find out when there are water issues; and she asked if Pennsylvania American could work on that. Ms. Martin stated they have a project to upgrade their customer notification system hopefully in the next few months to address that tenant/ landlord issue.

Mr. Doran stated with regard to reference contacts, they recently acquired McKeesport which is a large wastewater system and Scranton's system; and he suggested they reach out to their Mayors and ask them questions about the process and if Pennsylvania American did what they stated that they were going to do now that they have been there for a couple of years. He stated they would be willing to provide those contacts.

Mr. Peter Lachance stated on the Agenda there was nothing listed about having presentations from just two Bidders, otherwise the public would have "complained that Bucks County Water and Sewer Authority was not included." He stated it was a "sleight of hand to have this process." He stated on the Agenda it says this would be Pennsylvania American Water Company Questions and Discussion and Aqua Questions and Discussions. He asked how would the public know that this was going to be a presentation by the utilities. He stated the Board has to do a better job, and this is part of the lack of transparency that has gone on through this whole Bid process. He stated the Agenda "does not mean anything," and how was he to understand that this was going to happen.

Mr. Truelove stated he does not feel there is a legal answer to what Mr. Lachance has raised, and he feels it is a process question. He stated if you consider how the process started, they had Mr. Ebert in 2015/ 2016 start reviewing the system. He stated from a legal perspective, he does not feel there is any violation. Mr. Truelove stated if there are questions about what is on the Agenda, residents can contact Supervisors or the Administration to ask for clarifications; and that has happened in the past.

Dr. Weiss asked when the Agenda went out to the Board and the public, and Mr. Ferguson stated this Agenda was put on-line late Thursday or Friday. He stated this Agenda for the most part mimics the Agenda that was from July 1, although the July 1 Agenda originally had Mr. Ebert presenting some

alternatives that the Board is aware of. He stated that the July 1 Agenda was put out June 27, but then they had the Injunction. Dr. Weiss stated there was significant time for anyone who wished to question the Agenda to do so.

Mr. Lewis stated that Mr. Truelove had encouraged residents to provide “public comment;” and while he welcomes public comment he prefers it through e-mail rather than text. He stated he saves all of his e-mails.

Mr. Truelove stated he received an inquiry about the Agenda on Friday from Mr. Lachance, and he had explained to him about the conveyance language as he discussed earlier in the meeting. Dr. Weiss stated if anyone has a question about an Agenda item, they can e-mail him or any member of the Board.

Mr. Tim Malloy, 1902 Makefield Road, stated he attended the 5:00 p.m. Sewer Sub-Committee meeting; and at that meeting it was his understanding that the members wanted the Bucks County Water and Sewer Authority Bid considered. Dr. Weiss stated at this point they are taking Public Comment related to Pennsylvania American’s presentation; and Mr. Malloy stated he has no comment related to that, and he will hold his comments to the next segment.

Ms. Marilyn Huret, 484 Kings Road, asked if either of these Bidders are aware that many in the Township have auxiliary water meters on their homes that have been used either for underground sprinkler systems or pools. She stated this is water that does not go into the sanitary sewers. She stated at the end of the year, the reading is sent in so that they are not charged a sewage charge for that amount of water that is used. Ms. Huret stated they discussed not raising the rates for a period of time, and she asked if this was the reason that the rates have been increased to double the rate that it has been in the past. Dr. Weiss stated Pennsylvania American would not be able to ask her last question, but the Board could answer that later on in the discussion.

Dr. Weiss stated Pennsylvania American could address the other issue with regard to the water going into a pool or used by a sprinkler system.

Ms. Huret stated to her knowledge, no one has a sewer meter; and the sewer bills are based upon the water usage. Mr. Grundusky stated they will have to look into this as it seems that there is an arrangement where there is a “de-duct situation” for filling swimming pools, and they would need to look into how that works. Mr. Grundusky stated they would need to get the specifics from Ms. Huret and would be willing to have a discussion with her directly. Ms. Huret stated there are a number of people that would be concerned about this.

Mr. Ferguson stated they get readings once a year, and the credit is put on a subsequent bill based on that reading. He stated the sewage is a per thousand gallon charge, and if there was 6,000 to 8,000 used for those uses that would be applied as a credit. He stated he believes currently the reading is due by September 1 every year, and it is then credited on a subsequent bill.

Ms. Huret stated she is not the only person involved with this situation. She stated when she had a water system installed, the Township suggested she do this. Mr. Ferguson stated this is also true for someone who is filling their pool. He stated they have told them that the meter may cost \$400 to \$500; however, filling a pool could take 30,000 of gallons of water, so that in time the meter would pay for itself. Mr. Ferguson stated he believes that Lower Makefield is one of the only Towns in Bucks County that still has this program to benefit the residents.

Dr. Weiss stated if they decide to sell the sewer system the new entity might install sewer meters which would be different. Dr. Weiss stated Mr. Grundusky now has the information, and he asked if Pennsylvania American would be willing to continue that practice. Mr. Grundusky stated subject to checking if that is in compliance with their tariff and to the extent that it is a practice in the Township, in past practice of taking over systems like this, they would follow the existing practice; however, he needs to make sure that it does not violate a provision of the Public Utility Code before he commits to saying yes. He stated if it does not, he feels that they can commit to following that past practice.

Ms. Patty Piech, 2 Sandy Run Road, stated they mentioned potential surcharges; and she asked what those might be and how often would they occur generally. Mr. Grundusky stated the Public Utility Commission allows for utilities to charge a Distribution System Improvement Charge in between Rate Cases. He stated it is a recovery in between Cases of investment made for specific types of assets, typically non-expense reducing, non-Revenue producing assets. He stated it would be something like pipe replacement. He stated it is an incentive for utilities to continue to replace the infrastructure in between Cases with an outcome to extend the Filing of Cases for a larger period. He stated the DISC rate can go up 5% in between Cases, and it will gradually go up based on the amount of investment.

Mr. Robert Abrams stated Pennsylvania American is currently looking for rate increases of 12% this year and 5% next year with the PUC, and there are five dates for Public Comment. He stated he feels the reason that there are five dates is because of the number of complaints they are getting about it. Mr. Abrams stated they are asking to upgrade \$136 million over two years. He stated he has looked at the useful replacement life of that equipment being about thirty-five years. He stated if they were to take the \$135 million that they are asking the users for and multiply it by thirty-five years that is \$4.760 billion that they will collect over the next thirty-five years from the customers for their \$136 million investment. He stated there was a discussion held on-line on one of the local community forums, and one of the people on the forum noted a shareholder meeting where Pennsylvania American's CEO guaranteed 10% "to the bottom line year over year, and they would have no problem making those numbers." Mr. Abrams expressed concern with the cost to the ratepayers that will be 5% every year plus PUC increases.

Mr. Abrams stated the Bid has "been a disaster from the very beginning and there is nothing Lower Makefield Township resident-friendly about it." He stated the Bids need to be thrown out, and the Board needs to do what they were elected to do. He stated he still wants to know that none of them or their friends or families will take anything directly or indirectly if the Sewer system is sold.

Aqua – Questions and Discussion

Mr. Mark Lucca, President, was present with Mr. Bill Packer, Vice President/ Controller, and Mr. Alex Stahl, Regulatory Counsel. Mr. Lucca stated as noted by Pennsylvania American, Aqua is not the biggest water utility in the State nor in the Country, and they are not the Township's water provider; but that gives them reason to want to work harder to get the Township's business. Mr. Lucca stated their core values are integrity, respect, and the pursuit of excellence as they seek to serve their customers. He stated their mission is to protect and provide Earth's most essential resource.

Mr. Lucca stated they have 443,000 water connections in the State and approximately 43,000 wastewater connections. He showed a slide of deals that they have in progress including DELCORA and New Garden that will add about 20,000 EDUs (Equivalent Dwelling Unit). He stated this will put them at approximately 690,000 connections across Pennsylvania.

A slide was shown of Counties in Pennsylvania where they currently serve water or wastewater service. He stated there are numerous communities where they do the water service and not the wastewater, others where they do wastewater and not the water, and others where they do both. He stated they are efficient in any of those three circumstances because of the way they do their business and because they are so-singularly focused on customer service.

Mr. Lucca showed a slide as to how they deal with emergency operations and customer service during severe weather events. He stated while the PUC manages their rates, they also conduct periodic management audits which audit everything that they do including customer service, billing, operations, safety, and Emergency Operations Plans. He stated they also do focused inspections where they go out to the treatment plants and construction sites. He stated this holds Aqua accountable to its Emergency Operations Plans and how they function during severe weather events. He stated that is tied to their Customer Service Call Centers of which there are two – one in Illinois and one in North Carolina strategically located so that they are not susceptible to the same regional storms.

Mr. Lucca discussed how they maintain data security interacting with the FBI, State Police, and other organizations to make sure that all data is protected at all times. Mr. Lucca noted the various options for bill paying.

Mr. Lucca discussed their Helping Hand Program, which upon meeting certain criteria, would benefit customers who may be financially-challenged.

Mr. Lucca showed a slide related to the J. D. Power 2020 Water Utility Residential Survey which shows that they are the top-rated private Utility in the northeastern part of the United States. He stated this survey included six different criteria as shown on the slide.

Mr. Lucca stated with regard to emergency equipment and resources, they utilize the most up-to-date technology to inspect proactively, televise sewer lines, and clear sewer lines to remove blockages. He showed some pieces of equipment which were recently purchased and are housed in Willow Grove to serve southeastern Pennsylvania clearing areas that they know are trouble spots for clogs in the sewer lines.

Mr. Lucca discussed an incident that happened in Glenside where there was a large sink hole and even though they were not certain as to whether it was their responsibility, they immediately worked on this situation to get the homeowner back on water the same day. He stated it was determined that

the problem was caused by local homeowners and excessive rain that tore their water pipe. He stated Aqua fixed the problem and repaired the sink hole and road within three days. He stated as the President of Aqua he spent the day on site interviewing with the media and talking directly with local officials and regulators. He stated when there are problems like this, there will always be someone who is very high ranking from their company on site to address these issues.

Mr. Packer stated with regard to the rates if they were to proceed with the acquisition they would adopt the existing Township rates as memorialized by Resolution at the date of Closing. Mr. Packer stated when the Public Utility Commission looks at rates, they have a philosophy of looking at gradualism and trying to avoid rate shock for any one customer. He stated they look to utilize the company's customer base to spread the costs and ameliorate the rate increases over time. Mr. Packer stated Aqua has a long history of doing that both on water and on their most-recent wastewater Rate Case effective 2019. He stated any rate projections are subject to review and determination at the PUC. He stated their rates are therefore indicative. He stated there is a long Public Hearing process, which is a nine-month statutory process, with Consumer Advocates representing the customers as well as an investigation of enforcement by the PUC; and their job is to represent all sides in any Rate Case to substantiate the company's claims when they establish the rates. He stated the rates in existence when the Closing happens will go into the company's tariff at Closing.

Mr. Packer stated they submitted a rate projection on the base rates, but it did not include any DSIC surcharges. He stated they started with the base rates of Lower Makefield and projected them out for a period of ten years. He stated the ten-year projection included the assumption that they would be in for rates sometime around 2025 with a Rate Case and also sometime around 2028. He stated the increase in rates from 2024 to 2025 is a 21% increase, and in 2028, there is a 12% increase. He stated over the ten-year period the assumption of their rate analysis of the cost of service just for the Lower Makefield system represents a composite annual growth rate of about 3.41% adding that does not include a DSIC surcharge which is up to 5% as noted by Pennsylvania American, and that can be implemented between Rate Case. He stated they do not have a Rate Case in the earlier years of this analysis due to the timing of the company's expected Rate Case schedule, so a Rate Case would not be available for a 2022 Rate Case as their

last effective Rate Case was filed in 2018, and the rate took effect in 2019. He stated they are projecting that they will be on a three-year rate cycle with their investment and DSIC structure.

Mr. Parker stated a lot has changed in DSIC over the twenty years that it has been in place for water and most recently in 2013 they allowed wastewater to participate in a DSIC. He stated Aqua Wastewater has a 5% DSIC surcharge available for sewer; however, you are not automatically allowed to turn on a DSIC. He stated you have to have a long-term Structural Approval Plan which gets reviewed; and after it is Filed and ultimately approved, the company can then start assessing a DSIC surcharge. He stated a DSIC surcharge that might be present in 2023 and 2024 would not change the calculation of the rate that the company submits in 2025 or 2028. He stated that is the fundamentals of the investment that the company has in Lower Makefield at that time, and the expenses that they deem prudent and necessary to run that system. Mr. Parker stated if they were to look at the DSIC at its largest form at 5%, even at the tail end of the rate projection, which in this case is 2030, they projected a \$96 bill; and applying a 5% DSIC to that would result in a bill of approximately \$101 which would change the compound annual growth rate from about 3.41% to about 3.98%.

Mr. Parker stated the rate proposal is a stand-alone cost of service analysis of Lower Makefield; and it considers the company's purchase price, the future Capital that they deem prudent to invest in the system, and the cost to operate the system. He stated those three components are what go into the cost of service in any system. He stated they looked at rates based on a 4,000 gallon average bill, and the indicative rates also include an allocation pursuant to Act 11 which allows them to utilize the company's existing customers to spread the costs of any one system over time. He stated they have experience in this; and in the most Recent Case, they achieved an allocation percentage of approximately 25% for their wastewater business as a whole, and they would look to employ similar rate strategies to help ameliorate the effects of any increase on the system as they make investments in it.

Mr. Parker stated the Distribution System Improvement Charge was discussed by Mr. Grundusky, and it is a surcharge – not a change in the base rate. He stated the company can file quarterly, and that quarterly calculation looks at the investments across the entire State. They are allowed to recover that surcharge between Rate Cases. He stated when you do go in for a Rate Case, the DSIC surcharge is reset to zero and is

incorporated into the rate analysis. Mr. Parker stated they had been asked if they had included the DSIC, and they responded that they had not included the DSIC in the analysis because of the analysis that they would do normally to update a long-term infrastructure improvement plan and assess the Capital needs of the system, not just for here, but also for the entire company.

Mr. Parker stated with regard to connecting to their systems, they do not charge a Tap Fee to connect to their systems, and they do not have any Capacity Reservation Fees. He stated if they have a main that runs down the street, they can contribute toward a customer who wishes to connect to that main if they are not already connected. He stated the Pennsylvania Public Utility Code has a mathematical formula which is in their tariff. Mr. Parker stated they do not have that in their own tariff since for their wastewater business, they have not had the need to put that in their tariff yet, although they do have it in their water tariff and have used that in the past to extend water mains to a system that was looking to get on public water. He stated the PUC does promote that as a matter of policy. He stated they could apply that on the wastewater side pursuant to the Public Utility Code, and their mathematics would demonstrate that their customer contribution would also be in the \$10,000 to \$15,000 range depending on the mathematics and the tariff they would apply that to. He stated while that is currently not in their tariff, the process to get it in the tariff is a sixty-day process; and given that this a long-standing principle in Pennsylvania, this could easily be done should they need to do that in this or any other system.

Mr. Lucca stated they closed on the Limerick system in 2017, and he showed a slide indicating the benefits of that sale. He stated Limerick is in the third consecutive year without a tax hike, their milages remain the same, and they have been able to pay off debt. He stated they have also been able to combine Fire Companies and build new Public Administration buildings. He stated this has been a “win/win” for Limerick and the customers. Mr. Lucca stated he has provided contact information if the Township would like to speak to Limerick about their experience. Mr. Lucca showed a slide of additional references the Township could reach out to.

Mr. Lucca stated this is a challenging decision for the Township to make. He stated Aqua wants to be the Township’s wastewater provider. He stated Lower Makefield residents would become Aqua wastewater customers upon Close. He stated they would hire people locally and use local vendors as well so there would be opportunities to put money back into the community.

Mr. Lucca stated they know that Municipalities thrive where there are solid utilities in place. He stated their goal is to help the Township and its residents succeed through the acquisition. He stated if the Township sees an opportunity where it can grow, Aqua would help the Township do that.

Mr. Lucca stated the team that worked with the Township through this process will be the same team that they would work with during the transaction. He stated they want to be the solution.

Mr. Lewis stated they mentioned Limerick, and he asked what the purchase price was for that per EDU. Mr. Lucca stated it was approximately \$13,000 per customer. Mr. Parker stated per EDU it was approximately \$9,000 to \$10,000. Mr. Lewis stated the Bid before the Township indicates that they would get \$4,569 per EDU which is \$52 million. Mr. Lewis stated it was stated that Limerick was a “great case study.” He stated they filed a PUC rate increase with them, and he asked what was the percentage rate that they are seeking. Mr. Parker stated they did not file a rate increase for Limerick. Mr. Lewis stated they purchased it in 2018. He asked when they plan to file a PUC rate increase for them. Mr. Parker stated that will not likely be Filed until next year.

Mr. Lewis noted an article in the Pottstown Mercury on September 7, 2018 which indicated the following: “The deal to sell the system includes a rate freeze for the next three years, but after the three-year rate freeze, a hike of as much as 84% in the base rate of Limerick Sewer customers is possible records indicate.” Mr. Lewis asked for a comment on this. Mr. Lucca stated the Limerick deal was their first fair market value deal. He stated the price per customer and the information they learned from the Public Utility Commission and their response, is such that they “will not see those numbers again.” He stated what they are doing now is seeing numbers more in line with what is being shown to the Township with what they Bid as well at Cheltenham and East Norriton which are all within the \$5,000 per customer range. He stated when they look at Limerick, he asked that they look at it as an “outlier” and consider the benefits of their experience now in managing the process associated with fair market value deals. Mr. Lucca stated that process has allowed them to become more efficient, and there is discussion about rate freezes and things that get included in Asset Purchase Agreements. He stated they understand from talking with the Public Utility Commission that they have pushed back hard on certain aspects of Asset Purchase Agreements. He stated as a result they will not see the types of things in Limerick in future deals.

Mr. Lewis asked if the PUC called back some of the pay-out or changed the structure of it any way; and Mr. Packer stated the PUC did not change the Asset Purchase Agreement. Mr. Lewis stated the base rates for Limerick are much lower than Lower Makefield's already. He stated in Lower Makefield they have already done the "hard work of ratcheting up rates pretty significantly" which means that in acquiring our system, their discount cash flow will be much stronger with our system yet the Township's pay-out is not that compelling compared to Aqua's typical deals. Mr. Packer stated they looked at the assets that are in the ground in Limerick just as they did with those in Lower Makefield. He stated it is a collection system that goes to treatment, which is similar to the system they acquired in Cheltenham and East Norriton where they had similar prices and similar characteristics. He stated with every deal it is not a foregone conclusion that you will end up at the same value per customer. He stated rates come into the equation as well.

Mr. Lewis stated he understands that every deal is different, but he is curious about benchmarks as to how to grade a particular deal. He stated he recognizes that Limerick may be an "outlier;" however, he would still expect that Lower Makefield would get somewhat closer to the median as they have indicated that it is \$5,000 to \$6,000 per customer, but they have indicated Lower Makefield is at around \$4,000 per customer. Mr. Lucca stated one of the big differences at Limerick was that they had two wastewater treatment plants that Aqua now owns and operates, and it was not just a collection system. Mr. Lewis stated that is important to know since he has been unable to get good benchmarks on these deals.

Mr. Lewis asked if Aqua is involved in the Norristown arrangement, and Mr. Lucca stated they are. Mr. Lucca stated the Borough Council has awarded it to Aqua. He stated there was a meeting tonight of their Sewer Authority although he has not received an update on that, but they expect that to go forward in short order. Mr. Lewis stated Norristown has approximately the same number of people as Lower Makefield, but a much older infrastructure as well as a plant. He asked how Aqua values the plant and the conveyance system. Mr. Lucca stated they have a plant of close to 10 million gallons per day. He stated the question Mr. Lewis is asking is how Aqua structures deals and how they model them which is "their secret sauce." He stated when they go to the Public Utility Commission the value of the asset is

determined by the Public Utility Commission through the fair market value process when it is then vetted through the OCA and others, and that is when you see the value tested.

Mr. Lewis asked if they were the winning Bidder on DELCORA, and Mr. Lucca stated they are the under Contract with DELCORA currently to own and operate that system. He stated the Application has been submitted to the Public Utility Commission. Mr. Lewis asked how many Bidders “they beat out” to get that, and Mr. Lucca stated that was a negotiated sale. He stated he is not sure if they communicated with others although he does not believe that they did. He stated they felt it was a better transaction by negotiating only with Aqua.

Mr. Lewis asked who were the representatives for the sellers as Sewer counsel and marketing agent/financial service providers for the deals. Mr. Lucca stated for DELCORA, PFM was involved although he is not sure they were initially involved, and they may have come in later. Mr. Shearer stated PFM was the financial advisor for Norristown for the general process, and for DELCORA they were brought in after the Agreement to move forward.

Mr. Lewis asked if the DELCORA arrangement engendered any litigation, and he asked the status if there has been litigation recognizing that they cannot get into particulars. Mr. Lucca stated that is something that they are not able to communicate about; however, there is active litigation right now.

Mr. Lewis stated the “nominal Bid that Aqua has offered is less than Pennsylvania American Water,” and the up-front price is lower. Mr. Lewis stated he is not sure if they are the winning Bidder since he does not really know what the rates are, and he has not done a fair analysis. He stated assuming the Board is in favor of going with Aqua there might be litigation from a “jilted Pennsylvania American Water.” Mr. Lewis asked if Aqua would consider as part of their Bid that they would hold Lower Makefield harmless from litigation from Pennsylvania American. Mr. Lucca stated negotiating the terms of the Asset Purchase Agreement at a public meeting is difficult.

Mr. Wyatt apologized to Mr. Lucca and his team for that question. He stated there is an Asset Purchase Agreement that the different teams have Bid on, and they are not indemnifying Lower Makefield for a “mismanaged or risk related to a Bid process.” Mr. Lewis stated he never received the Asset Purchase Agreement details.

Mr. McCartney asked what would be the plan Aqua has as far as tying in non-existing customers to the Sewer system, and he asked what they are offering to residents and businesses that are not currently tied in. Mr. Parker stated where there is a main running down the road, they can contribute a “couple thousand dollars for a typical lateral running to a customer’s premises.” He stated with regard to providing new sewer he had noted that they do have an Extension of Service Provision in their water tariff, and for the wastewater that would be allowed. He stated it is a mathematical formula based on the Revenues, the cost of Capital, and depreciation, etc. He stated if they were to need that and would put it into their sewer tariff, it would be in the \$10,000 to \$15,000 range. Mr. McCartney asked if it is money toward a lateral or a Tap-In Fee. Mr. Parker stated there is no Tap-In Fee, and it is just the contribution to get the lateral from the main to the curb line with a clean-out. Mr. McCartney stated the homeowner/business would be responsible for the lateral from the house, and Mr. Parker agreed that a local plumber would be running the piping from the lateral to the house.

Ms. Blundi stated a resident had called in earlier about a situation unique to Lower Makefield where people who have sprinkler systems or pools may have a second meter which allows them not to be charged a sewer charge for the water that is not going into the sewer system. Mr. Lucca stated while that is unusual, it is not unheard of. He stated they have seen it elsewhere and accommodated it in certain communities where they requested that be done, but in other communities it was not a major point and it was treated “as such.” He stated they would be happy to talk about that with the team and address it accordingly.

Mr. Robert Abrams stated he was not able to see the slides put up by Aqua, and he would like the slides from both presentations to be posted on the Township Website. Mr. Abrams stated he is very concerned about the 89% increase after two to three years. He stated they just had the Township Manager raise the prices here 70%, and they will want another 90% on top of that in three years which is 30% a year. Mr. Abrams stated it is up to the Board to do their due diligence. He stated they were promised that this situation would be analyzed by the Township and the Board of Supervisors,

and so far the residents of the Township have gotten nothing but pushing this through. He stated everything that was put up from Aqua with the increases, etc. needs to be analyzed dollar for dollar and backed into the purchase price and have that match that up against what it would cost Lower Makefield and what type of increases we would need to do. He asked if PFM is supposed to be doing this as he would like to know what PFM is being paid for. He stated there needs to be an analysis to prove to the residents that the Board is acting in the residents' best financial interest. He stated both of these companies are for-profit companies, and their first responsibility is to their shareholders and not to the residents of Lower Makefield.

Mr. Abrams stated he would like from Aqua and Pennsylvania American a complete list of acquisitions that they have done for the last ten years. He stated he is aware of individuals who were very angry about their rates and increases from Warminster. Mr. Abrams stated no one is doing an analysis or giving numbers or information to the residents. He stated there is no public meeting to go over the numbers and to see what is in the best interest of the people who are paying the bill. He stated Mr. Ferguson does not live here so he is not paying the bill. Mr. Abrams stated this needs to be put on hold until the Board, the Township Manager, and his staff can put real numbers together over a ten to twenty-year period of what it will cost the Township. He stated if this cannot be done, a management company should be brought in temporarily.

Mr. Abrams stated Dr. Weiss wants to rush this through as does Mr. Truelove, and no one wants to indicate that they have no direct or indirect interest in the sale of the Sewer system. Mr. Truelove stated he has no direct or indirect interest in any of the entities who have submitted and neither does his family. He stated if the Sewer system is sold his firm will actually lose money since they will not be doing some of the work that they have been doing for the Township for the last several years on behalf of the Sewer Authority. He stated Mr. Abrams' accusations have no basis in fact.

Mr. Abrams thanked Mr. Truelove for his response. He stated Mr. Grenier has recused himself since he might have a Conflict of Interest so he does not have to ask him. Mr. Abrams stated he would like everyone else to answer as well. Mr. Truelove stated as far as he knows none of the individuals that he is aware of has those potential conflicts. He stated Mr. Grenier advised him several weeks ago and informed him of his potential conflict and he has no doubt that every member of the Board would do the same if they

had that situation. Mr. Abrams asked that the other three Board members step up. Mr. Ferguson stated he has no vested interest in anything as far as any company purchasing the Sewer system, and he has no aspirations to be hired by any company that is picked or any company that bids. He stated that would violate the credential that he has as the Township Manager to pursue anything for personal interest. He stated he has no interest other than the financial wellbeing of the Township.

Dr. Weiss asked Mr. Abrams if he has anything for Aqua at this time, and Mr. Abrams stated he would like them to submit something on the Website that the residents can read. He stated it is the Township's responsibility to the taxpayers to thoroughly analyze what has been presented and then present it to the taxpayers to prove that they are acting in the taxpayers' best interest and not the "cheaper, easy way out." Mr. Ferguson stated that has been done.

Mr. Larry Borda, 508 Heritage Oak Drive, stated he is confused as to why the Bid from Bucks County is not being considered, and he asked if the Township is concerned that they are somehow committed to either accepting or not accepting just the two Bids. Dr. Weiss stated while this is a valid question, what is being discussed at this time is just the Aqua presentation. He stated they can handle that question at a later time.

PFM – Summary and Review of Other Recent Sales

Mr. Shearer thanked the team that has been working on this for well over a year, and he particularly noted Mr. Ferguson and his staff, Mr. Truelove and those in his office, the Authority engineer, Mr. Wyatt and his staff and the rest of the PFM team. Mr. Shearer also thanked the Board for their time during the meetings and for the discussions that have taken place.

Mr. Shearer stated in July, 2019 they were authorized to proceed with Phases 2 and 3 of the process. He stated shortly thereafter they released the RFQ, received the RFQs in late August, and pre-qualified the four different Bidding teams that have been discussed. He stated they had a few days of management meetings held at the Township along with tours where a lot of Township team was involved and the Bidding teams brought in a number of people as well. Mr. Shearer stated a lot of work was done after that by the legal team in drafting the Asset Purchase Agreement as well as vetting the Concession Lease documents. He stated in early January, the RFIB (Request for Indicative Bids) for the sale and a Request for Indicative Terms for the Concession were released;

and they received those responses back in late February. He stated on May 5 they released the RFB, and the 29th is when they received those responses. He stated since then they have had more meetings, more due diligence, and more analysis of the Bids to get to this point.

Mr. Shearer stated there were close to twelve different presentations that PFM has been part of over the past year with the Board, and he thanked them for their time and patience going through the process.

Mr. Shearer showed a slide that was part of their public presentation on June 17. He stated they have heard from American and Aqua about their purchase price, and the graph shows those purchase prices. He stated American bid on both as they heard from Mr. Grundusky - the two-year rate freeze and the no rate freeze; and Aqua Bid on the no rate freeze for the amounts shown. Mr. Shearer stated what they feel is one of the most important metrics when doing a sewer exploration is to compare not only the purchase price and the rates of the those participating in the Bidding, but also comparing the rates under one of the new ownership structures versus if the Township kept the system. He stated what is being shown tonight was also shown previously. He stated at the bottom of the graph, the two different blue lines were the proposals from Pennsylvania American, the yellow line was the proposal from Aqua, and the green line shows the rates projected under Lower Makefield's continued ownership. He stated they went out ten years to give the Board and the public a general idea as to how things look under the various ownership structures.

Mr. Shearer stated over the past year the Township conducted a very thorough Bidding process including looking at a Concession Lease, a sale, Regulated companies, and Municipal Authorities. He stated they got well-qualified entities that ultimately submitted responses to the RFB, and he acknowledged their time, resources, and capital as well throughout the process. He stated it is a credit to the Township that they had such a good group of interested parties in this potential transaction.

Mr. Shearer stated he feels they met the goal that they set out to achieve to look at getting a competitive purchase price and to combine that with reasonable rates for the future. He stated the question was asked about comparable deals but it is not "a one size fits all." He noted a slide showing two deals which were recently closed – one for Cheltenham Township which closed in December, 2019 and East Norriton Township that closed earlier this summer. He stated both of those transactions were collection systems only

similar to what they are dealing with in Lower Makefield and both had substantial Capital required in the future either for the collection system or a treatment plant that the system contributes to. Mr. Shearer stated while they are not perfect comparisons, this provides a general idea although those two Townships were Bidding to the highest purchase only. He stated the slide shows that their price per customer came out - a little under \$5,000 for Cheltenham Township and E. Norriton was a little under \$4,300. He stated for Lower Makefield depending on who they ultimately go with if they decide to sell it would be \$4,500 to \$4,800 per customer. He stated that was not bidding to the highest price, rather it was the best overall package. Mr. Shearer stated he feels that the proposals that were received were indicative of the current marketplace. He feels the goals set out by the Township at the beginning of process were accomplished.

Mr. Lewis stated on August 7, 2019 he wrote an e-mail to Mr. Ferguson and his fellow Board members requesting specific information. He stated what he was looking for was more than two data points in order to assess the rates and the prices that were received. Mr. Lewis stated at first the Township Manager was “not too excited about it;” however, on August 7 Mr. Shearer stated that he would be able to provide a fair amount of data or information although he indicated “some of it was difficult to find.” Mr. Lewis stated the last time Mr. Shearer came before the Board he felt he was going to get answers to his questions. Mr. Lewis stated he is being given only two data points to compare. He stated he asked his questions a year ago, and he asked “why he is not allowed to get good answers to those.” He stated he knows that last month Ms. Blundi “thought he did not deserve an answer to the questions, but they are extraordinarily relevant.” He stated they lead to the question as to whether the Board is making the best decision in the public interest.

Ms. Blundi stated at the beginning of this evening’s discussion, she asked Mr. Lewis to try not to categorize what other people have stated, and not use the word “we.” She asked Mr. Lewis to ask his questions without “igniting attitudes or using language that is incendiary.” Ms. Blundi stated she does not agree with the way he has repeatedly categorized what she said to Mr. Lewis at the last meeting.

Mr. Lewis stated he asked questions, and he was told that he was not allowed to get the answers. Mr. Lewis asked why he had to wait a year to get reasonable data which he feels is a fair question.

Mr. Shearer stated a lot of the information is not easy to find. He stated PMS had indicated that they felt that the terms that came in and the purchase prices that came in were very reasonable based on other comparable data. He stated for a collection system only, the \$4,500 to \$4,600 per customer is in line. He stated when there is a treatment plant involved, it will be higher at possibly \$6,000 to \$8,000 per customer on average; however, that is not relevant for this transaction. He added that there are a lot of Capital assumptions that go into the price per customer and a lot of rate issues. He stated there are also timing issues – pre Act 12 and post Act 12. Mr. Shearer stated they heard from Mr. Lucca from Aqua how things have evolved throughout the process with regard to Act 12 and that prices have come down. Mr. Shearer stated there are not a lot of true comparables which is why traditionally with their clients, PFM focuses on the rates and looking forward selling the system versus keeping the system; and they have done that here.

Mr. Lewis stated Mr. Shearer gave him two data points, and there is no “historical understanding around this.” He stated they are asking the Supervisors to make a \$50 million plus decision, and he is sorry that he is asking “too many difficult questions, but these are fair questions to ask” when they are talking about these sums of money.

Mr. Lewis stated the Resolution provided by Bucks County Water and Sewer has an EDU price of \$4,742 so it is higher than Aqua but lower than Pennsylvania American. He stated the question is the overall value, and he cannot state that they have a truly good valuation for the asset. He stated there were things that were done in the Bidding process that would inflate the value, and things that would deflate the value; and he “cannot sort that out and does not have enough analysis to do that.” He stated in the absence of the data, he does not know what the answer is as to who is the better Bidder.

Mr. Shearer stated they did a Limit of Scope evaluation, and the Bids that came in were higher than that. He stated the Bids that came in are what the fair market value is of the system. He stated that is what someone is willing to pay for the system.

Mr. Lewis stated someone is “willing to pay a lot more, but their Bid is not active or valid,” and that is why he is having difficulty. He stated there is approximately a \$15 million difference between “that Bid” and the Bids that they are looking at. Mr. Lewis stated he is not sure which Bid is the highest Bid, and he asked if it is Pennsylvania American Water’s Bid or Aqua’s Bid.

Mr. Truelove stated the expression of interest by Bucks indicated that “they were prepared to offer,” and there was also a financing Condition that did not conform to the APA that was part of their prior submission. Mr. Truelove stated while the raw numbers Mr. Lewis is noting may be accurate, some of other factors could possibly diminish that value. He stated there is also the timing problem.

Mr. Lewis stated he asked questions to get comparables, and he feels that two comparable data points is insufficient for him to make an assessment on the largest transaction in the Township’s history. He stated he is also not sure which of the two Bids that were provided tonight is considered the better Bid. He stated the original Resolution was pre-written for Aqua, and he does not know how that occurred.

Mr. Shearer stated they have had a number of discussions over the several months in Public Meetings and in Executive Sessions, and they clearly know what the Bid prices were. He stated American’s was \$56.1 million and Aqua’s was \$53 million. He stated they then spent time with the Board in various meetings going through various presentations considering the qualitative and quantitative aspects of both Bids. Mr. Shearer stated both are very good companies, and they both have great reputations, do great work, and are very well respected in the industry. He stated they both participate in a lot of transactions, some of which they win through a competitive process and some which are negotiated. He stated there is a not a “one size fits all,” and it is up to the Board to decide which one they want to proceed with, if they want to proceed, looking at the overall total package including purchase and indicative rates. He stated the Board should remember that the rates are indicative and not guaranteed which was stated by both companies tonight, and which he had stressed many times as well over the last several months.

Mr. Lewis asked Mr. Shearer which one is the better Bid. Mr. Shearer stated PFM does not make recommendations for this, rather they supply the information which they have done over the past months; and it is up to the Board to decide recognizing that they are both good offers if the Board wishes to sell.

Mr. Lewis asked Mr. Truelove why the original Resolution was written for Aqua, and he asked who decided that. Mr. Truelove stated he does not recall. He stated the draft Resolution tonight is blank and there is no name or number inserted in the Resolution tonight.

Mr. Lewis asked if now is an acceptable time for him to relay what the Sewer Sub-Committee's recommendation was when they meet. Dr. Weiss stated he feels that should be done once a Motion has been made.

Mr. Grenier stated there was confusion some time ago as to the Contract with PFM about a .4 versus a .8; and he is not sure where they are at this point. Mr. Shearer stated he remembers when they re-negotiated the Contract at the Public Meeting on July 3, that some changes were made, one of which he believes was that the phrase "up to" was added. Dr. Weiss stated it was up to .85%. Mr. Grenier asked what is the algorithm for determining where they fall at or below that ceiling. Mr. Shearer stated the way the Contract is written, Phase 2 hours go through the acceptance of a Bid which is what is being considered now. He stated they have been on an hourly schedule up till now. He stated Phase 3 is the percentage/basis point fee which goes from signing of a Resolution to Closing. He stated a lot depends on what transpires between now and the Closing of the transaction; and if it proceeds very smoothly and less work is put in, they will "give breaks on Fees/reduce the Fees to below the cap," but if it turns out to be a very lengthy process, it will be closer to the cap. He stated for a number of Townships, they have discounted their Fees accordingly; and he is happy to do that.

Mr. Grenier stated on a \$56 million proposal based on 85 basis points, that would be \$476,000; and he asked if that would be the ceiling in total. Mr. Shearer stated the Phase 2 hours were capped at \$60,000, but they went past that a long time ago and they are probably \$40,000 to \$50,000 over that at a minimum; however, they will honor the \$60,000 since that is what is in the Contract. He stated it would be that plus the basis point Fee.

Mr. Grenier stated Mr. Wyatt is hourly, and Mr. Wyatt agreed. Mr. Wyatt stated he bills monthly based on hours worked. Mr. Grenier asked if he bills through Mr. Shearer or directly to the Township; and Mr. Shearer stated his client is Lower Makefield, and he bills Lower Makefield. Mr. Grenier asked Mr. Ferguson how much has been paid to Mr. Wyatt's firm to date, and he asked the anticipated total recognizing that there is a long process ahead. Mr. Ferguson stated he does not have that exact number available this evening but estimates at this point it is at \$70,000. He noted that the proceeding on Wednesday that they had involving four attorneys and staff probably cost about \$40,000 so that changes the numbers compared to what the original Budget would have been. He stated at the beginning they broke out the numbers the best they could during the RFP process when they hired

Mr. Wyatt, and he believes that they assumed the full process cost would be approximately \$750,000. Mr. Shearer stated that may have been on a lower purchase price; and Mr. Ferguson agreed adding that originally they were looking at \$35 million. Mr. Ferguson stated he does not feel that there would be anything out of order from what they had originally anticipated other than the costs of the Injunction. Mr. Wyatt stated there have been “some bumps in the road” as there are in every transaction; but he feels the Budget he submitted for the Board was in the range of \$175,000. He stated there have been some things that took more time such as the Concession issue and some which were not anticipated such as the Hall-Gale situation. Mr. Wyatt stated he believes that what Mr. Ferguson has stated is accurate, and they do keep an eye on it every month. Mr. Wyatt added he is held accountable to what he is doing, and Mr. Ferguson scrutinizes his bills.

Mr. Shearer stated about a year ago they gave an estimate as to what the total fees would be including the financial advisor, special counsel, engineering, etc. recognizing that things can change as you go through the process. He stated if there is a Resolution approved, they would update that estimate again based on the new purchase price, what has occurred to date, and looking ahead.

Mr. Grenier stated in the past there had been issues with Change Orders getting approved without Board consent, although that was not the case with the present Board or Mr. Ferguson. He asked what is the process now, and how do they address change order type situations. Mr. Ferguson stated he and Mr. Wyatt speak regularly as to where he is, and Mr. Wyatt provided updates. Mr. Ferguson stated there are bills which are submitted; and they are sent to the Board of Supervisors for approval once a month or whenever they come in. He stated Mr. Wyatt was clear during the RFP process that this was a best guestimate on a typical transaction which he had outlined, but that things could change where it could be less time or more time. Mr. Ferguson stated there is not a change order process. He stated when the Proceeding came up Wednesday, there was no question that they had to send everyone in for that; and it did not go to the Board to approve defending ourselves. He stated he tracks the numbers as they go.

Mr. Ferguson stated PFM’s costs at this point are capped at \$60,000; and if there is not a sale, the subsequent costs do not come in. He stated with regard to Mr. Wyatt’s costs, they were outlined as to what they would be pre-sale. Mr. Ferguson stated there will be bigger dollar amounts due to Mr. Wyatt if there is a sale to get to the point of Closing, and that would come out of the proceeds and not directly from the Township.

Dr. Weiss stated he does not feel this is germane to PFM's analysis. He stated there is a Contract with Mr. Wyatt, and the more time it takes to close the deal, the more Mr. Wyatt is going to get paid.

Mr. Grenier stated he has questions as to PFM's analysis. Dr. Weiss stated PFM has made an analysis, and Mr. Wyatt has commented on the legalities. He asked Mr. Grenier if his questions are germane to the topic at hand. He stated if the questions are about how much money they are spending, he feels that could be discussed after a Motion is made and either passes or fails. Dr. Weiss stated he would like to keep things on track. He stated there has been over a year of discussion.

Mr. Grenier stated one of the major issues he has had with the process is that he was never comfortable with setting a base price of \$35 million because he feels that signaled a distressed asset, and he feels that set an artificially-low price. He stated he would have preferred not setting a base price, and to have just focused on rate stabilization and getting the best overall deal. He stated he believes that Mr. Shearer had indicated that was a "unique approach compared to what he had done."

Dr. Weiss stated this process began in 2019, and they specifically stated a base price of \$35 million; and Mr. Shearer gave an actual valuation range. Dr. Weiss asked Mr. Shearer when they set the price last year of a base of \$35 million and he gave a valuation of the system, was \$35 million low, medium, or high. Mr. Shearer stated their Limit of Scope valuation looked at both the income approach, the cost approach, and the market approach; and it came in at approximately \$35 million. Dr. Weiss asked Mr. Shearer if the \$35 million was too low and was it "out of reality;" and Mr. Shearer stated it is not. Dr. Weiss stated he is hearing from Mr. Grenier that he is uncomfortable with the fact that we gave Mr. Shearer the \$35 million amount. Dr. Weiss asked if that was a number that skewed the valuation, and Mr. Shearer stated it did not although he added that they did not even take that into consideration when they did their own valuation. He stated they did a parallel track Bidding process through the RFIB and the RFB to see what things looked like at \$35 million and what they looked like with the best offer that was out there. Dr. Weiss stated \$53 million to \$56 million are numbers that are market based, and are the numbers that the Bidders came up with which was a fair market value of the system according to the Bidders, and Mr. Shearer agreed. Dr. Weiss stated the \$35 million number, had nothing to do with whether they got the best Bid as far as the Bidders were concerned; and Mr. Shearer stated he does not feel the \$35 million number had a negative impact at all on the final Bid results.

Mr. Ferguson stated when they started this process, the idea was that if they were going to evaluate the sale of the system there had to be certain benchmarks that would need to be met. He stated one of those was what was the sale price for the system that would help achieve their goals, and at one of the discussions the number was \$35 million. He stated at that time they discussed that there were PUC-regulated companies who tend to bid higher than a Municipal Authority. He stated they discussed running this on a dual track where they would indicate that \$35 million was the amount of the sale they would have to have. Mr. Ferguson stated on the active Bid that we have from Bucks County Water and Sewer they did Bid on the \$35 million flat rate, and their “at-large Bid was \$1.” Mr. Ferguson stated this would allow the Township to account for rates since one of the discussions they had early on was that the Authorities’ rates would be far less because they would not over-pay. He stated this was a means by which to run two tracks to compare a base level amount that we would need to satisfy Debt, boost our fund balance, and other things that they had discussed throughout the process and to be able to account for rates. He stated in the end if they had someone that Bid a lower dollar amount, the decision would not just be made on who bid the highest amount of money. He stated if they were factoring in someone who Bid \$35 million such as an Authority and their rates were substantially less, that is something that the Board would consider since one of the stated goals all along was rate control understanding that we have had big increases to satisfy all of the sewer-related expenses that were talked about.

Mr. Lewis stated he feels it is important to realize from an analysis perspective that some things this process has done have artificially suppressed the price and some things have artificially inflated the price. Mr. Lewis stated there are points related to auction theory. Dr. Weiss stated Mr. Shearer is their professional in analysis. He stated while he understands Mr. Lewis’ objections to the process at this point as well as Mr. Grenier’s objections, he would like to open the matter up to Public Comment because of the time.

Ms. Blundi noted the slide with the summary of the Bid price results. She stated when she looks at this even though Aqua is \$3 million less than the American Bid, over time it represents what they expect will be lower rates; and Mr. Shearer agreed. Mr. Shearer stated there is a note at the top of that page. He stated

while the Board has not decided what they may do with the proceeds, if there were some amount of money set aside in a Customer Benefit Fund to subsidize rates, that is not reflected in the line charts at all. Ms. Blundi stated these are their best projections based on past experience as to how rates could go.

Mr. Ferguson stated if you look at the proposals, it looks like Aqua, the way they put in the indicative rates, has a rate freeze that is even longer than the Township asked for at four years where Pennsylvania American's was three years; and he asked if that has to do with the timing before the PUC. Mr. Shearer agreed that it is the timing of when they expect to go back to the PUC to request a rate increase. He stated Aqua will more than likely be going into the PUC in the spring of 2021, and they heard that process takes six to nine months so they would expect the rate to become effective in January, 2022. He stated if the Township decides they want to move forward with the Aqua proposal, the transaction will not Close prior to Aqua submitting all of their paperwork to the PUC for that next rate Filing. He stated the Township would therefore miss that rate increase request to be effective 2022, and the Township would not be involved in their next rate Filing until 2026 to be effective 2027. Mr. Shearer stated they heard from American that they have their paperwork into the PUC now for potentially their new rate to be effective, January, 2021 so there is about one year's difference between the two companies and their rate Filing expectations.

Mr. McCartney asked if it is safe to say that if American's deal were \$3 million less, their line would look similar to the Aqua line on the graph. Mr. Shearer stated at one of his prior presentations he laid out the indicative rates that they had submitted between American's \$56.1 million Bid versus the \$35 million, and those indicative rates for 2026 to 2030 were similar between the \$56.1 million Bid and the \$35 million Bid.

Mr. McCartney stated he understands the difference in subsidizing sewers to additional users is based on the amount of ratepayers that each of the two programs have and it is not a flat rate. He stated one seems to be about \$15,000 and the other seems to be \$10,000 to \$12,000. Mr. Shearer stated he would say they are both comparable.

Mr. McCartney asked if there is an advantage to having water and sewer with one company. Mr. Shearer stated he does feel that is an advantage as was heard from Pennsylvania American this evening and should be considered. He stated there would be one bill and there would be other synergies with some work that would be done. He stated they also heard

from Aqua that when there are two different providers, those companies work together and there are still synergies although there would not be one bill that the customers would get. Mr. McCartney asked Mr. Shearer if that adds any value to the one offer over the other in his opinion. Mr. Shearer asked Mr. McCartney if he as a ratepayer sees value in getting one bill versus two. Mr. Ferguson stated one concern that had been expressed was with a quarterly bill which is sometimes harder for people to absorb, and both of the companies would be issuing monthly bills. He stated a monthly bill would be much harder for the Township to do.

Mr. Lewis stated based on what was discussed previously it seems that the analysis between 2026 and 2030 is “useless” in that they have no idea what the PUC will approve for either of the private companies in terms of what the rates would be; and he asked Mr. Shearer is that his assessment. Mr. Lewis stated those numbers are not reliable. Mr. Shearer stated he would not say that they are “useless,” and it is a projection which is a forecast but not a guarantee. He stated both companies have indicated that the indicative rates that they included were their cost of service for the Lower Makefield system and a subsidation factor. He stated projections are just that, and there is no guarantee. He stated there is also no guarantee for the three-year rate either.

Mr. Lewis stated to analyze this, he would have to “seriously de-value and not rely on those as much,” and look at it between now and 2025 and put some emphasis on that. He stated he feels the “out years” are hard to estimate. Mr. Shearer agreed that they are hard to estimate but “the models are the models.” He stated from a business standpoint, he would assume that they have models that go out quite bit longer. Mr. Shearer stated they also have to factor in that the MMA project, if it happens in some form, will probably not happen until after the five year period so they would need to factor that into the equation.

Dr. Weiss stated he also feels they need to factor in the economies of scale of selling versus keeping the system, and it would be 11,000 customers versus 200,000 to 400,000 which would dilute the number. Mr. Shearer stated that is one of the advantages of going with one of those two companies as they have a much larger rate basis than within the boundaries of Lower Makefield. Dr. Weiss stated over the last years, our rates have gone up 75%; and if there is a freeze over the next three years versus having to worry about the DEP or changing our 537 Plan, and Morrisville emergencies that Lower

Makefield cannot afford right now looking at the holistic value of selling versus not selling, it makes it clearer for him especially with what has been brought forth over the last sixteen months.

Mr. Robert Abrams stated he does not see a lot of value going out twenty-five to thirty years, but he does see value between now and 2025. He stated the numbers will intersect at the same point in 2030. He stated this gives credence about Mr. Lachance's comments about management. He stated what they are doing is taking the taxpayer's money which is the "same money in the first five years," and investing it in the infrastructure of the system. He stated at the end of the five year period, the system would be worth more; and in the event that the Township cannot handle it, the fact is that they have just improved the system for the next thirty-five years. He stated if they want to extend that out to 2030, they have invested back into the system again which will probably double its value ten years from now. He stated the taxpayers are going to pay for it one way or the other. Mr. Abrams stated the question is do they want to pay for it and not own it and be at the mercy of these two Public companies or do they want to pay for it, own it, and control their own destiny. He stated they could have taken the \$1 million that they are going to pay the experts and done a lot of improvements to the system to make it very workable.

Mr. Abrams stated he is still waiting for three Board members to indicate that they do not directly or indirectly have an interest, and he wants that answered publicly. Dr. Weiss stated he does not have any direct or indirect relationship with any of the Parties, other than getting lower rates if we sell and not having to worry about our tax situation.

Mr. McCartney stated he has no direct or indirect interest in either of the companies that are Bidding on the Sewer system. Dr. Weiss stated he does not believe anyone on the Board has a direct or indirect interest.

Mr. Lewis stated he does not have any direct ownership of any of the entities that have been discussed; and he does not own any individual stocks as a person, but he does have Index Funds that may or may not invest in Pennsylvania American Water and/or any subsidiaries or in Aqua or whatever they are re-naming themselves. He stated he does not know what percentage of his portfolio that Index Fund owns. He stated he has no personal stake in any of the entities.

Mr. Jeff Skinner, 853 Weber Drive, stated he is a Civil Engineer and Surveyor working for a consulting company that deals with water and sewer utilities. He stated he has done work for both PA American and Aqua as well as a number of Municipal Authorities in the area. He stated as a Township taxpayer he believes that it is in the best interest to sell the system. He stated it is something that we do not really have control over. He stated what we can see as the foreseeable costs much of that goes to the Sewer plant, which the Township is not fully in control of. He stated the regulations that DEP has created are continuing to increase which will increase the cost of maintenance and improving the system. He added that statements have been made that the system will double in value in a certain number of years; however, that cannot be guaranteed although he can guarantee that they would have to keep putting in more and more money into the system. He stated he does not believe that we would get more money by continuing to hold onto the system. He stated he has dealt with systems over the years, and he feels we should divest ourselves of this and get the money that we can get out of it now. He stated he believes that the higher Bid would be the best choice because there is no guarantee about the rate structure five years in the future.

Mr. Scott Phillips, stated he is a resident of Lower Makefield. He asked PFM about the Capital cost estimates that the Bidders included in their indicative Bids. He stated he believes that PA American included \$14.2 million in its presentation, but he does not recall if Aqua provided an estimate. He asked if the Bidders included that number in their Bids, and he asked how that compared to the Capital costs that were included in the Township's rates. Mr. Shearer stated he believes that they are all fairly comparable. He stated in the RFIB they made assumptions for the Bidders to consider which was the cost of the MMA project as well some costs of rehabbing the collection system itself. He stated he feels they are all fairly similar in nature.

Mr. Phillips stated American mentioned \$14.2 million, and he assumes that was a ten-year projection. Mr. Ferguson stated he believes that was for seven years. Mr. Ferguson stated it was seven years and \$14 million which is the current Seven-Year Capital Plan that the Township is on. He stated they had conveyed that Capital Plan over to all of the Bidders so that they could evaluate it and look at the system themselves and use the number that the Township gave them that the Township was anticipating based on our 537 Plan which was approved by DEP as the level of investment that was outlined in last year's Budget, with this year being the first year. Mr. Phillips stated that excludes the payment to MMA that the Township would have to make, and Mr. Ferguson agreed.

Mr. Joe Lingle, 1201 Waterwheel Drive, noted the graph which had been shown and stated he understands if the rate increases do not take hold until after the PUC agrees in 2025/2026 for Aqua, during that time period there is going to be growth in the proceeds of anything not allocated to pay down debt. He stated he recognizes that this is more than just a Sewer decision, and it is a broader Township decision. He asked if there is any indication of how much potential growth there might be in that residual money if it were earmarked into a “CBF of sorts.” Mr. Shearer stated to date they have discussed the use of the proceeds at a high level only. He stated there are definitely some plans to pay off some debt; and they have to pay off the Sewer debt, and there may also be some other debt-reduction plans as well. Mr. Shearer stated they have run some preliminary models where they have assumed various interest rates in a Customer Benefit Fund as to how long it would last at 1% or 2%. He stated if the Board decides to move forward with a sale to one of the firms, it would be about a one-year process through the PUC, and there will be more discussion on the use of the funds between now and then.

Mr. Lingle stated he understands that there is concern across the Township that if we do get proceeds of a significant lump sum, that it will be “consumed in other ways as it has been in the past;” and he asked if there is a desire to use that money specifically for subsidizing and paying down future increases for the sewer. Ms. Blundi stated she would be in favor of that.

Mr. Lingle stated with regard to the “Bucks County Sewer statement of interest,” like a prior caller he is a professional engineer and has done a lot of Capital work; and from his experience, he is surprised that “non-Bid” was even opened since it was received after the “rules of engagement.” He stated in his experience that would have been sent back to the submitter without consideration.

Mr. Lingle stated as a resident and from following this situation over the past several years, he feels that there has been an inordinate amount of information available through the Board of Supervisors meetings, Township meeting Minutes, presentations from PFM, from the Township Manager, and the Yardley Council Minutes. He stated there was also the Sub-Committee that was carved out by Mr. Grenier and Mr. Lewis that has gone on for more than two years at this point. He stated when he hears people say that this is “being pushed through, rushed through, and information is not available” that is disappointing. He stated as a resident he has spent hours making sure he is informed about this issue since the information is there. He stated he does not appreciate the attacks in this

type of public dialogue. Mr. Lingle stated Mr. Abrams' comments were pointed toward Supervisors and whether they have a direct or indirect interest in the sale of this, but he would be more interested in knowing if there is an interest in the opposite of that which would be the creation of a joint Bucks County Sewer Authority; and if anyone on the Board of Supervisors would have a vested interest in taking a significant, paid position on an option like that. He stated he feels that kind of potential conflict should be considered for anyone who is making a decision on the behalf of the Township.

Dr. Weiss stated Mr. Lingle is on the Sewer Authority, and Mr. Lingle stated he has been for the past six months. Dr. Weiss asked Mr. Lingle since the Injunction was lifted did anyone on the Sewer Authority ask for a meeting to make a recommendation on the potential sale of the Sewer system. Mr. Lingle stated as far as he is aware the meetings he has attended as a Sewer Authority member have not related to the sale, rather they related to Capital improvements and other maintenance items related to the system. He stated he understands that there was a Sub-Committee meeting, of which he is not a member, which took place earlier this evening; and he did listen to that.

Mr. Shearer stated with regard to the prior question about the Capital, and he did get a clarifying note from PA American that they were assuming \$14 million for five years.

Consider Resolution to Sell the Lower Makefield Township Sewer System and to Direct Staff and Professionals to Take All Necessary and Appropriate Steps to Effectuate Said Sale

Ms. Blundi moved and Mr. McCartney seconded to approve the sale of the sanitary sewer system to Aqua Pennsylvania Wastewater Incorporated per the terms of their Bid submitted 5/29/20 for \$53.1 million.

Ms. Blundi stated she feels they can agree or disagree but should do it in a respectful fashion. She stated when she was interviewed by the Supervisors when she applied for the open position on the Board, they discussed the Sewers, and she indicated at that time that she did not know enough to comment on what she felt the path forward was; however, since that time in 2018 she has learned a significant amount about the sewers. She stated as a Candidate when she had the pleasure of meeting many voters, the two things they wanted to talk about were the sewers and warehouses; and she has had discussions with a lot of different residents about the sewers.

Ms. Blundi stated the starting point for her is the condition of the Sewer system. She stated for years there had been very good Sewer rates; however, they had those because the Sewer system had not been maintained. She stated since she has been on the Board they have had to raise the rates so they could start doing the maintenance, construction, and repairs that they had not been doing to bring ourselves in line with ever-growing State and Federal regulations on sewer treatment. She stated that will continue into the future for the system that we own. She stated they also need to consider the treatment plant. Ms. Blundi stated residents have been upset about the rate increases, but they have not yet begun to deal with whatever the treatment plant solution looks like which by all accounts will not be inexpensive.

Ms. Blundi stated they also have to consider the overall position of the Township debt since we are not in a good position which was “startling” to her. She stated she felt she was a very-aware resident; and since she had moved here in 1995, she felt she had been following issues and understood our Bond Debt ratio and the implications as to how the Golf Course was purchased, what that did to our economic position, and what our options were with it. Ms. Blundi stated her Motion to consider the sale of the Sewer system is not just based on the poor maintenance of the pipes or the impending processing Fees that will be coming in excess of \$40 million; but also a big part of it is the overall structure of our current Debt. She stated it is her commitment tonight that after we pay down the Sewer Debt which is part of what we would have to do if we move forward with the sale, that we continue to reduce our Township Debt and secure a large portion of the sale so that we can help stabilize rates through the creation of a Customer Benefit Fund. She stated at the end of this she feels the Township will be in a much better fiscal position going forward.

Mr. Lewis stated the Sewer Sub-Committee met today for an hour starting at 5:00 p.m. and all members were in attendance and made the following Resolution:

- 1) The Board of Supervisors should reject all Bids
- 2) The Board should complete discussions with State and Federal officials regarding strategies to finance Sewer conveyance improvements and treatment facilities as was unanimously approved in a Resolution on June 10, 2020

- 3) The Board should complete discussions with neighboring Municipalities and Service Authorities to discuss options for Regional Authority/Authorities that could serve Lower Makefield residents for the next thirty years or any other viable options such as becoming a Retail customer or redirect flows
- 4) If the results of the discussions with Federal, State, and neighboring Municipalities are unsuccessful or do yield a result not favorable to the Township, the Board should consider re-Bidding the conveyance system at a later date.

Mr. Lewis stated what Board members were saying was that they were disappointed that the Board of Supervisors did not do the steps that they hoped that we would do. He stated this was not a decision that there should never be a sale, and one Board member does think that the ultimate solution is a sale; but they believed that the Bids that were received were not in the long run in the best interest of the Township. He stated Mr. Grenier was there, and he would like to make sure that he represented what was stated at that meeting, and he asked Mr. Grenier if that was a fair assessment.

Mr. Grenier stated he feels that the summary Mr. Lewis put out is a fair assessment of the collective of the Sewer Sub-Committee.

Mr. Truelove stated he does not want them to “cross the line where they are starting to advocate.” Mr. Grenier stated he was just going to add that what was put forth by Mr. Lewis was the “middle ground;” and he feels that people had varying opinions on varying aspects of that.

Ms. Blundi stated the Sewer Sub-Committee is not the Sewer Authority. She stated the Sewer Sub-Committee has existed for approximately two years, and she has never been able to find Minutes for any of those meetings. Ms. Blundi asked who sits on the Sewer Sub-Committee. Mr. Grenier stated the current members of the Sewer Sub-Committee are Scott Ferrante and Phil Tyler from the Sewer Authority, himself and Mr. Lewis. Ms. Blundi asked when is the last time that the Sewer Sub-Committee met. Mr. Grenier stated with regard to the Minutes question, Mr. Fred Ebert prepares all of the presentations for the Sewer Sub-Committee so that the presentation that he gave on July 1

was a collection of the presentations that he had provided to the Sewer Sub-Committee over the course of about one year to a year and a half. Mr. Grenier stated he believes that the last meeting of the Sewer Sub-Committee was in mid-2019. Mr. Grenier stated that the Report that Mr. Ebert gave was “the collection of Minutes effectively from those meetings” with a couple-page memo “on top of it that was not reviewed or had any input from the Sewer Sub-Committee as part of that Report; and most of that information was a year or more out of date.” Mr. Grenier stated they had not been able to meet.

Mr. Grenier stated it is “interesting” that Mr. Phillips and Mr. Lingle were the two last callers. He stated both are members of the Sewer Authority, which is a different entity. Mr. Grenier stated that when they attempted to appoint Mr. Phillips, the e-mail he got from Dr. Weiss was “that we will have an Executive Summary analysis shortly, and I am very comfortable with moving forward as a Board without further Authority input.” He stated this was dated March of this year from Chairman Weiss. Mr. Grenier stated the Sewer Authority was never allowed to review any of these items. He stated the Sewer Sub-Committee only reviewed the items after they were made public.

Ms. Blundi stated her question was only about the Sewer Sub-Committee which she knew existed, but she had not able to find their Minutes. She stated that was the question she asked, and she feels it is “disingenuous for Mr. Grenier to co-mingle in there Sewer Authority facts and then implying something about Dr. Weiss not appointing someone to the Sewer Authority.” She stated she just wanted to talk about the Sewer Sub-Committee.

Mr. Grenier stated he wants to talk about all of it. He stated Ms. Blundi had indicated earlier that he had provided a very thoughtful process, but what has occurred this year has “diverged so far from the process that he was thoughtful about last year, that it is no longer that process.” He stated the Sewer Sub-Committee was cut out of that process. Ms. Blundi stated last year when Mr. Grenier was in charge of the process and was on the Sewer Sub-Committee the last time they met was in mid-2019 when he was running the process. Mr. Grenier stated the Sewer Sub-Committee was originally set up to review treatment options, and that process was stopped about this time last year because we entered into the Agreement with PFM to evaluate the sale of the Sewer conveyance system. He stated that information was supposed to be finalized by November/December of last year. He stated they were then supposed to evaluate everything holistically, evaluate the option of potentially developing a new Authority, which may or may not have been successful, and then move on. He stated unfortunately, where we are now is where we were

supposed to be in December of last year. He stated he was no longer in charge of the process then, and he would argue that he was “mostly cut out of the process at that point.” He stated the process that he set up was not followed “to the T, and it was actually circumvented,” and all of the items that the Sewer Sub-Committee wanted to see which was part of the goal all along, they were never able to see.

Mr. Grenier stated he does not feel that anyone would argue that a sale is not at the very minimum “very intriguing and at best a great idea once all of the analyses are done.” Mr. Grenier stated Mr. Lingle had asked a question which he will answer, and he stated he has no interest in joining any Authorities; and the only person he knew of on the Board who was asked to be part of an Authority, which was the Bucks County Water and Sewer Authority, was when Dr. Weiss had asked about potential inclusion on “one of those Authorities in the past which is perfectly fine.” Mr. Grenier stated he himself has never asked for that, and he would never want that.

Mr. Grenier stated he has also found that this process has “brought out some very bad things in people, and he is very disappointed.” He noted what Dr. Weiss had to go through earlier this year with regard to his residency which was uncalled for and was “stupid.” Mr. Grenier stated once they posted the documents on Facebook, it took only five minutes to go to the Hillsborough County Appraiser’s Office and see that Dr. Weiss does not have a Homestead, and that he was a legitimate Pennsylvania resident. He added that he had called the Chief of Police and Mr. Truelove to advise them that they should go to the Website which would clear Dr. Weiss. He stated he was very upset that they put Dr. Weiss through this; however, he added that he has also been attacked “behind the scene.” He stated while he will not name any names, there is someone who is a vendor for the Township who sent him some very threatening and harassing text messages in the past. He stated spouses of people “on the screen” have also sent him threatening Facebook messages in the past. He stated he has also had calls from reporters indicating that certain Supervisors had made “salacious claims about him on the Record.”

Ms. Blundi stated she is “startled” by this, and it is “ridiculous what they have all had to endure for the price of wanting to help our neighbors.” Ms. Blundi stated she had not heard this about Mr. Grenier.

Mr. Grenier stated he gets numerous text messages like Mr. Lewis does and he gets subpoenaed. He stated he loves the Township, and he is disheartened by this process and how people have come out and attacked everyone. He stated there is a lot more information and other issues that have come up around this that they may have to discuss in Executive Session. He stated very serious allegations were put out that the Board has to deal with. He stated he believes that certain people should start apologizing.

Mr. Truelove stated he is not going to apologize for the subpoenas, and he asked for those because of text messages that were displayed on the screen at a Public Meeting including the Petitioner and the Affiant. He stated he has an obligation to the Township to do what he has to do in those situations. Mr. Grenier stated Mr. Truelove sent him an e-mail at 1:02 a.m. Mr. Truelove stated that was because he could not sleep because of how “disturbed he was.”

Dr. Weiss stated while he appreciates the sentiments, this is not germane to the Motion on the Table. He stated they can deal with those other issues in due time.

Mr. McCartney stated he would reiterate a lot of what Ms. Blundi had indicated. He stated he is new on the Board and recognizes that a lot of work was put into this by others over the last two years. He stated the financial state of the Township is something that he takes very personally. He stated a decision like this is not a light-hearted decision, and it is very serious. He stated he has relied a lot on the professionals in the Township including feedback from Mr. Ferguson and information he has provided with regard to the financial picture of the Township. He stated he feels it is in the best interest of the Township short-term and long-term if they can guarantee certain things over the future although he recognizes that there are no guarantees. He stated he stands behind the Motion, and he wishes that the other Supervisors, specifically Mr. Lewis since Mr. Grenier has recused himself, would have “conformity on the vote,” although he understands that everyone has their own opinion.

Mr. Lewis stated he is “profoundly disturbed by the Motion.” He stated he believes that this will “singularly be the worst Public policy decision the Board of Supervisors has made in the last thirty years. He stated the last decision this bad was the decision to use eminent domain to acquire the Makefield Highlands Golf Course. He stated people have expressed concern with the debt, and he had sent Mr. McCartney the Debt Schedule, and the Debt Service declines over time. Mr. Lewis stated that Golf does

become a larger portion of it; however, it is not “out of whack” with where the Township is at, and the auditor stated that last year, when he was asked directly. Mr. Lewis stated if the case for selling the Sewer system is because they want to pay off the Golf Course quickly or they are concerned about Debt, he does not feel that is a good case for him to sell the Sewer system because once the Sewer system is gone, it is gone.

Mr. Lewis stated if they sell the Sewer system to a private entity, they are in a situation where the only check on the private entity is the PUC. Mr. Lewis stated when the power goes out or “Comcast wipes out a sprinkler system,” he gets those calls. Mr. Lewis stated he does not want to deal with another PUC-regulated entity where we have no power and no future chance “to steer things.”

Mr. Lewis stated those who are concerned about MMA and the treatment plant, what they are doing is abdicating their role, and saying that Aqua or Pennsylvania American Water will be in control of the relationship with MMA. Mr. Lewis stated the incentive is not going to be there to “be tough in terms of figuring out a strategy” to lower our total costs of treatment. He stated 65% to 70% of the sewer bill is the actual treatment and 35% to 40% is the conveyance. He stated they are discussing just selling the pipes that move the water to MMA. He stated he understands the frustration that people have that we cannot control MMA’s rates. He stated for twenty years, they were significantly less than Bucks County Water and Sewer, and now that has “come home” in terms of upgrading the plant. Mr. Lewis stated he has visited the plants, and Mr. Ebert’s analysis indicates that the best option is actually for MMA to build a new plant, and for Lower Makefield to be a part of it. Mr. Lewis stated he has a difficult time with people mixing issues together; and he is frustrated about that since this is a Public Asset, and if we sell it, we will never get it back.

Mr. Lewis stated ten years from now he does not want people coming to him and saying they cannot believe the Township sold this because they are getting “crushed” with Sewer rates. Mr. Lewis stated he is more comfortable telling people exactly what things cost and raising taxes accordingly. He stated he has done that in the past, and he wants to be honest with people about how things are paid for. He stated there is a choice with this, and what they are doing is abdicating that choice and saying “they want to get a large bunch of money and make everybody happy and say they are not raising taxes, but really what is happening is that the ratepayers are going to get crushed.”

Mr. Lewis stated typically companies like Pennsylvania American Water and Aqua “prey on working-class and lower-income communities that are distressed communities.” He stated Lower Makefield is not a distressed community, and there is no case for selling our system to a private entity.

Mr. Lewis stated he feels they can make a case that selling to Bucks County Water and Sewer is a good decision, although he is “not excited by it.” He stated they could still make that case because there are more checks and balances and ratepayers will pay less. He stated while he knows he is “not allowed to say it,” the revised offer that is not technically a Bid and that they “should have thrown away and never answered,” is \$15 million better than what they are getting from Aqua or Pennsylvania American Water.

Mr. Lewis stated he is frustrated that he got two data points to compare the two Bids. He stated he understands when people say he is “tenacious and asks too many questions, pushes the edge, and wants too much detail;” however, he asked a year ago for comparisons. He stated fact is that he was “stiff-armed for a year.” He stated he would have liked to have received six to ten comparisons as that is part of the analysis. He stated as a Supervisor he gets to ask those questions, and he has a fiduciary and moral responsibility to the community; and he cannot make a decision to “incinerate \$15 million and base it on two data points. Mr. Lewis stated he is sorry if his analysis on a \$50 million deal “is too intense for some folks.”

Mr. Lewis stated he has spent a lot of time with previous Supervisors, and the regret they have about voting for eminent domain for Makefield Highlands is “palpable.” He stated it is something that they know was wrong and that they made a bad decision. He stated they feel guilty about it, and he does not want his fellow Supervisors to “bear the burden of a bad decision that they will carry with them for many, many years.”

Mr. Lewis stated he cannot “express how passionate he feels about this.” He stated once you sell a public asset like this, you never get it back. He stated he gets the sense that people are saying “this is tough and they have to learn about sewers, invest every year, and track projects, and hire people;” but there are options that do not involve selling to a private entity. Mr. Lewis stated there is nothing forcing anyone to vote in favor of this tonight, and they can reject all of the Bids. Mr. Lewis stated that he would argue that would reduce the litigation risks; and if they reject all the Bids now, they will have the least litigation risk of all the options. Mr. Lewis stated while he is not a lawyer, he knows there are many of

them on-line, and he feels they might argue that we might “get away with the selection of one of the two that have been suggested tonight without litigation risk.” He stated he does not know how to quantify that, but he stated if they pick the company “that no one wants to talk about, he does not believe that there would be a \$15 million verdict against the Township,” although he is not a lawyer, and he does not want to presume any of that.

Mr. Lewis stated it is “extraordinarily frustrating to think that they are going to incinerate that large sum of ratepayer and taxpayer money, and it is beyond the pale. He added that he is “sorry that he is passionate about it, but it makes such a difference in people’s lives.” Mr. Lewis stated he takes the calls from people whose water has been turned off and they need help with Pennsylvania American Water, and he takes the calls from people when Comcast rips their sprinkler system up, and he takes the calls from people who cannot get power because “PECO is inept.” Mr. Lewis stated that is his job, and he is honored to serve; but he does not want to take another utility on. He stated he does not want to have to fight with the PUC to get reasonable fixes for our community. He stated this is a time when he can say no that he does not want to do that, and he wants to have full control about where we go forward as a community.

Mr. Lewis stated he has tried to be “relatively restrained this evening, but he has significant passion over this issue.” He stated he feels it is “Public policy malpractice.” He stated there are a lot of lawyers here, and there are rules about how lawyers work; but in “Public policy school, there is a policy analysis process and an objective analysis of the facts, and who wins and who loses.” He stated in this case the “ratepayers are going to get crushed.” He stated it may not be five years from now, but it will be ten years from now. He stated if the Board members had looked at the analysis and were “willing to dig in further, and push, and run the numbers, they would see things differently.” Mr. Lewis stated he knows tonight that he is not going to persuade the other Board members, and that he will lose the vote. He stated there is no way that he would ever vote to sell the Sewer system to a private entity; and if they are asking for uniformity, he will not and he is “not ready to make nice.” He stated he has taken abuse which is not as bad as Mr. Grenier’s, but that does not matter, and he is “not ready to make nice.” He stated this is a “horrible, wretched decision,” and he is “profoundly disappointed” that the Township would make this decision. Mr. Lewis stated all “you need to know is they would not give him answers to rudimentary questions.” He stated he asked

for information a year ago which is not unreasonable, and he has the right to be “disappointed in both the Township Manager, PFM, and the process.” He stated his “PFM Yelp review will not be positive.”

Mr. Lewis stated it can be seen that he has a “defined opinion about this and a passion;” and while he may be wrong “in their eyes, that is 100% fine, but if they are not willing to engage on objective reality of facts and run a process, that will only make him more angry.” He stated he would have “loved to have been proven wrong and to had a richer debate about the valuations.”

Mr. Lewis stated he feels that the company they are picking is probably not the best choice in the near term, “but he cannot say that because he cannot tell them what he feels the valuation should be as they will not believe it from him.” He stated their own advisor “flip-flops a little bit with them and says, he likes Aqua.” Mr. Lewis stated they “wrote the thing for Aqua before the July 1 meeting, so you know that is who was recommended.” Mr. Lewis stated when it came time for PFM to deliver an analysis, Mr. Shearer stated “it is up to you.” Mr. Lewis stated they are trusting the professionals, but asked “which decision makes that trust, as he does not see it.” He stated if PFM had stated that “Company A is significantly better, and this why that is the case, they could hang their hat on their analysis;” however, they did not do that.

Mr. Lewis stated the concept of a Customer Benefit Fund is “beyond the pale.” He stated they are taking \$50 million or \$55 million in and then giving it back to the company that paid it to them in terms of buying rates which is “preposterous.”

Mr. Lewis stated he does not want to get into the details of whether this was properly analyzed as he has already repeatedly stated that there are elements that tell us that we do not have the correct price here – some inflate and some deflate that price, and he cannot parse that out; however, he knows that we do not have a valid price.

Mr. Lewis stated if he were to buy a house and get an appraisal, he would get three comps; and he only got two comps tonight. He stated they do not have the same rules as appraisers, and they have only been provided two comps. Mr. McCartney stated usually the opinion of the appraiser is based on market data; but at the end of the day, the market dictates what the

valuation is. Mr. McCartney stated if there are two Bidders, and two Bidders are “at X, the valuation is X.” Mr. Lewis stated hypothetically if a more recent “person is willing to Bid higher, that tells you the value of the asset is increasing.” Mr. McCartney stated that is not the case when you ask those Bidders to give an offer, and then one Bidder finds out what the other offers are, and then comes back in. Mr. McCartney stated if he was one of the other Bidders, he would be concerned that this other Bidder knew the offer; and now that other Bidder is coming back in with something else.

Mr. Lewis stated he understands that. He stated a sale was explored previously in 2008; and at that time the conveyance system was worth \$17 million to \$18 million, and it is now worth \$55 million to \$56.1 million. He stated that is a huge run up in twelve years, and they do not know what it will be in another twelve years. Mr. McCartney stated he believes that the deal in 2008 which was closer to \$14 million also included having one of the Supervisors serve on the Bucks County Water and Sewer Authority. Mr. Lewis stated Pete Stainthorpe was already on that Authority. Mr. Lewis stated the winning Bidder in 2008 was Aqua. Mr. Lewis stated he believes that Mr. Stainthorpe recused himself from the vote because he was on the Board of a competitor.

Mr. Lewis stated he is sorry to “have frustrated them with some degree of passion over a public asset that we will never get back.” He stated he cannot relay enough “how bad a decision this is.” He stated in five to ten years, they will regret this decision; but he will not regret his decision.

Mr. McCartney stated he feels they should remember that the paid professionals that are part of the Township might be the ones regretting the decision if it is not the right one, since they will be held accountable to it. Mr. Lewis asked if he will go back to those paid professionals in five to ten years. Mr. McCartney stated if it turns out in five years that he will be on the Board that all the things the Board is being told as far as the financial status of the Township and where the money is going to be allocated does not work out, there will be repercussions for that.

Dr. Weiss stated as far as who is going to be accountable in the future, it will be the Board as they are the officials who are making the decision; and the voters will decide whether they were successful or not. He stated if the Board is wrong, they will know on Election Day. He thanked Mr. Lewis for his comments.

Mr. Larry Borda thanked Mr. Lewis for his comments, and he stated he agrees with him. Mr. Borda stated he does not understand what the rush is. He stated if the Bids that were submitted were not submitted on the basis of “we guarantee you confidentiality and we guarantee you an award,” he asked why there is a concern about whether or not we actually make an award at this juncture and risk litigation. Mr. Truelove stated while he is not going to get into “litigation science,” there was an expression of interest from an entity; and as he noted earlier this evening, there was frustration in getting it when they did and in the form that they did. Mr. Borda stated it is a \$15 million issue.

Mr. Truelove stated the way the document was phrased it was Conditional or Contingent, and it said “prepared to offer.” He stated it also stated that “financing would be necessary.” He stated that entity was aware of this because they went through the process and submitted something on May 29, and that is why there is frustration. He stated everything was used in conformity with the process that they had agreed to engage in; and then after the other Bids were released, that entity came back in for some reason, and they submitted something very late in the process that was not in conformity with what they had submitted before which they were familiar with. Mr. Truelove stated without getting into all the details, the litigation risk was substantial. He stated this was analyzed by not only himself, but also other lawyers as well who actually weighed in before he did. Mr. Truelove stated after discussing this with others, he does not doubt that there would have been a claim that would have tied up the entire process, and there is no guarantee that the expression of interest or Bid that had been previously submitted could still have been counted on after whatever time it would be when the Injunctive process would have been concluded. He stated that is the risk that the Township would take. He stated he has a fiduciary responsibility to the Township and its residents to get the best deal, but more importantly to not get embroiled in something that would make it “no deal;” and that is the risk they ran. He stated this was very frustrating, and this is not something that was taken lightly.

Mr. Borda stated there is a litigation risk in everything that is done, and anyone can sue anyone for anything. He stated it is incumbent on them to make an assessment as to whether that risk will come to fruition and cost the Township money. Mr. Borda stated if he has someone come in to give a cost for doing work on his house, and he does not tell them that it will be confidential or tell them for sure that he is going to award them the job, he is free “to shop that number around.” Mr. Borda stated he agrees that it is frustrating to get

this at the last minute and they were “sloppy in how they did it;” but the other two Bids are not going to go away. He stated all they have to do is exactly what Mr. Lewis said which is to indicate that they are not going to award the Bid now. He stated they can then change the criteria that they are going to base a future Bid on, and then indicate that they are re-considering using different criteria. Mr. Borda stated they would then be fine and have the potential to pick up another \$15 million in remuneration.

Dr. Weiss advised Mr. Borda he has gone well over his three to five minutes.

Mr. Borda stated he has waited five hours to make comment on this very serious issue and he gets cut off every time he makes a substitutive point. He stated Mr. Truelove is not doing his job, and he should be doing a detailed analysis and thinking creatively about how to allow Bucks County Water to come in and renew that effort in a manner that can be responsibly accepted. Mr. Borda stated the other two Bids are not going to go away.

Mr. Truelove stated Mr. Borda is making a lot of assumptions that they did not do exactly what he said they should do. He stated Mr. Borda is also making the assumption that the Bids will not go away, and he does not think they can say that. Mr. Truelove stated Mr. Wyatt was part of these discussions, and he has more experience in this than either he himself or Mr. Borda do together. Mr. Truelove stated to suggest that they did not think creatively is incorrect, and Mr. Borda has no idea of the kind of in-depth analysis and review that they did in the last several days. Mr. Borda stated he has not heard what that analysis was.

Dr. Weiss advised Mr. Borda that he has made his point.

Mr. Borda stated this is a split decision by the Board where “two responsible people are stating this is not a good idea for a decision like this to sell a huge asset with there not being a consensus that this is a good idea to be handled in the manner that it is being handled and it is simply not appropriate.”

Dr. Weiss stated while he appreciates that, under the Second Class Township Code with five Supervisors, three Supervisors can make a decision.

Mr. Peter Lachance stated Mr. Grenier is the Vice Chair, but Ms. Blundi has “cut in a lot on this conversation which is perplexing to him.” Mr. Lachance stated since they did not give Bucks County Water and Sewer a Hearing to date on their old Bids, there might be litigation, and that should

be taken into account. Mr. Lachance stated when they get responses from perspective Bidders saying that they are not interested that is a “very bad sign.” He stated he has been involved with a lot of public Bids, and when you get people saying they are not interested, that is a bad sign. He stated he would recommend that they reject the Bids and start over. He stated this was a “very sloppy process with a lack of transparency.” He stated the Lower Makefield Sewer Sub-Committee makes the same recommendation, which he hopes the Board will hear. Mr. Lachance asked what happened to the “indicative Bid process” where these are indicative Bids and not final Bids. He stated “this whole thing has been a farce.” He stated they are going to vote on awarding this to somebody, and there is supposed to be an indicative Bid process, which he had to remind them of last Wednesday in Court. He stated he does not know what “indicative Bids mean because they are going to give someone this Sewer system forever.”

Mr. Zachary Rubin, 1661 Covington Road, stated he is opposed to this Motion. He stated the Township should not sell the Sewer system to any for-profit corporation. He stated in 2019 Aqua America had a net profit of over a quarter of a billion dollars. He stated rates equal expenditures which are operational and Capital plus profit. He asked what does Aqua America do with the profit, and he advised that a percentage of the company’s profit is distributed to its shareholders. He stated in 2019 the dividend rate was 2.13% yield, therefore the LMT ratepayers will be “enriching the coffers of the Aqua America shareholders and that is not in the best interest of our ratepayers. He implored the Board to reject all the Bids and start the Bidding again.

Dr. Weiss called the question for the Motion made as follows:

Moved to approve the Resolution to sell the Lower Makefield Township Sanitary Sewer system to Aqua Pennsylvania Wastewater, Incorporated per the terms of the Bid submitted 5/29/20 for \$53.1 million and to direct staff and professionals to take all necessary and appropriate steps to effectuate said sale.

Motion carried with Ms. Blundi, Mr. McCartney, and Dr. Weiss in favor, Mr. Lewis opposed, and Mr. Grenier abstained.

Dr. Weiss asked Mr. Truelove to read the Resolution which he did as follow:

Whereas the Township of Lower Makefield by its Board of Supervisors, staff and consultants has engaged in a process of evaluation of the Township Sanitary Sewer system and potential disposition of the system;

And Whereas on April 3, 2019, the Board publicly entered into an Agreement with PFM Financial Advisors LLC for a Phase 1 Evaluation to perform an analysis of estimated values of the Township's Sanitary Sewer system;

And Whereas on June 27, 2019 PFM presented the Phase 1 Evaluation results to the Township Authority Board;

And Whereas on July 3, 2019 PFM presented the Phase 1 Evaluation results to the Board and the Board publicly entered into an Agreement with PFM for Phase 2 and Phase 3 Evaluation and Services in which PFM agreed to undertake outreach to potential investors and/or wastewater utility system operators to confirm market interest in the Township's Sanitary Sewer system, establish a transaction timeline, and identify key issues related to the marketability of the asset;

And Whereas on July 26, 2019, PFM distributed a Request for Qualifications to over one hundred potentially-qualified investors and/or wastewater utility system operators;

And Whereas on August 9, 2019 the Township received responses to the RFQ from four investors and/or wastewater utility system operators;

And Whereas on August 27-28, 2019 the Township Management and PFM met in person and separately with each of the four RFQ respondents to interview the respondents, discuss the substance of a potential transaction, and to provide in response with a tour of the Township's Sanitary Sewer system;

And Whereas on October 19, 2019 the Board publicly entered into an Agreement with Special Regulatory Legal Counsel to assist in the evaluation and transactional phases and with forward-looking Public Utility Commission assistance as may be needed;

And Whereas from December 29, 2019 to February, 2020, the Township, PFM, and the Special Regulatory Counsel coordinated a Request for Indicative Bids/Terms with the four qualified respondents in order to enable the Board to thoroughly understand the key terms of any potential transaction including Indicative Purchase Price and Indicative customer rates;

And Whereas on May 5, 2020, following pre-qualifications of interested purchasers, solicitation of Indicative Bids and Terms, PFM released a Request for Bids for the potential sale of the Township Sanitary Sewer system;

And Whereas on May 29, 2020 the Township received compliant Bids collectively known as “the Bids,” for the purchase of the Township’s Sanitary Sewer system from Pennsylvania American Water Company, Aqua Pennsylvania Wastewater, Inc., and Bucks County Water and Sewer Authority;

And Whereas on June 17, 2020, the Board conducted a Public Meeting regarding the reasons for and alternatives considered for the sale of the Township’s Sanitary Sewer system including presentations by the Township Manager and PFM, and several comments from the public;

And Whereas on June 29, 2020, the Township conducted additional and final discussions with PAWC and Aqua to insure that all questions raised then and after the June Public Meeting were addressed;

And Whereas the Board after careful consideration of the Bids in consultation with PFM, Special Regulatory Counsel, and after Public participation, determines that the sale of the Township's Sanitary Sewer system in accordance with the Bids is in the best interest of the Township, its residents, taxpayers, and ratepayers;

Now therefore be it resolved this 13th day of August, 2020 that the Township of Lower Makefield Board of Supervisors accepts and awards the Bid to Aqua Pennsylvania Wastewater, Inc. for the purchase of the Township's Sanitary Sewer system in a total amount of \$53.1 million as detailed in this Resolution and in accordance with the Bid and Bid documents and enters into the Asset Purchase Agreement set forth in the Bid documents;

And now therefore be it resolved that the Township of Lower Makefield Board of Supervisors authorizes PFM, the Township staff, Special Regulatory Counsel, the Township solicitor and Township engineer, and related consultants to take all steps necessary to effectuate the award of Bid, execute, deliver, and perform the Asset Purchase Agreement, and all related Agreements and documents necessary to close the Sale transactions in an efficient and expeditious manner and to proceed with all necessary Regulatory and related submissions necessary to effectuate the Sale;

And now therefore be it further resolved that the Township Bid package and the Bids submitted by Aqua Pennsylvania Wastewater Inc. and the Asset Purchase Agreement all as referenced in this Resolution are incorporated by reference and fully set forth herein, Resolved this 13th day of August, 2020.

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Ms. Blundi stated while it would not be appropriate to discuss it at this time, she would like to have on the next Agenda the discussion about the Customer Benefit Fund. She stated this would be some kind of set-aside so that we can help with stabilization of the rates. Dr. Weiss stated that will be on the Agenda for the next meeting on August 19.

Dr. Weiss stated there will also be a Special Meeting of the Board of Supervisors on August 17.

There being no further business the meeting was adjourned at 12:40 a.m.

Respectfully Submitted,

James McCartney, Secretary