Littlestown Borough

Introduction to PFM's Utility Strategies Group

September 8, 2026

Prepared by:
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PFM Financial Advisors LLC Overview [1]

PFM's #1 Rankings for 2025 [2]

Type

- Overall
- Tax-exempt
- Negotiated
- Revenue
- Bank Qualified
- New Money
- Refunding
- Fixed Rate

Sector

- Primary/Secondary Education
- Transportation
- Higher Education
- Public Power
- Water & Sewer
- Utilities

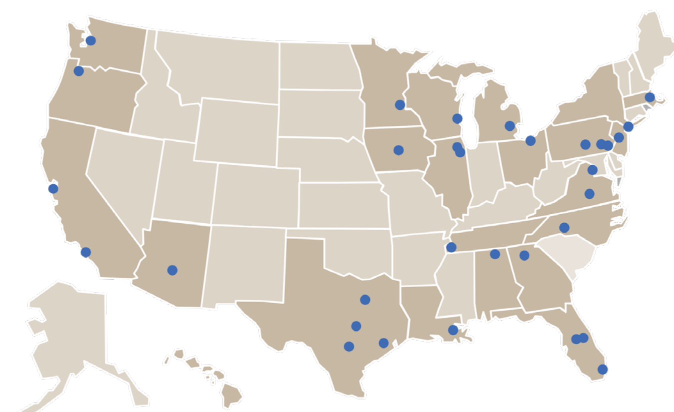
Region

- Pennsylvania
- Mideast
- Midwest
- Southeast
- West

Nation's #1 ranked Independent Municipal Advisor [2]

- Leading municipal advisor to state and local governments in the nation and advised on over $102 billion of bond issuance in 2025. [2]

32 PFM locations across the U.S.



*According to PFM Internal Resources as of June 1, 2023

PFM's First Place Ranking Overall Long Term 1998 - 2025

	Par Amount (millions)	# of Transactions
2025	102,779	751
2024	88,038	736
2023	71,891	648
2022	59,813	652
2021	71,889	951
2020	76,160	924
2019	76,313	1,005
2018	63,557	796
2017	84,286	928
2016	94,660	1,193
2015	81,973	1,042
2014	70,048	855
2013	68,045	824
2012	79,032	957
2011	56,072	804
2010	90,501	1,067
2009	87,986	984
2008	69,794	842
2007	65,301	779
2006	53,572	803
2005	51,123	979
2004	43,693	892
2003	46,013	961
2002	37,904	902
2001	35,111	905
2000	21,003	585
1999	12,265	410
1998	13,963	424

Source: Ipreo

[1] *PFM Financial Advisors LLC and our former affiliate Public Financial Management, Inc.*
[2] *Ranked by Ipreo for calendar year 2025, based on principal amount*

Local Presence

- **PFM serves over 500 clients across the Commonwealth, including numerous clients near Littlestown (listed below).**

- Adams County
- Antrim Township
- Bear Valley JA
- Chambersburg, Borough of
- Conewago Township SA
- Cumberland County
- Cumberland County IDA
- Delta Borough MA
- Dillsburg Area Authority
- Dover Township
- Dover Township SA
- East Pennsboro Township
- Eastern York SA
- Franklin County
- Franklin Township
- Glen Rock Sewer Authority
- Glen Rock Water Authority
- Greencastle Area Water Authority
- Greencastle Borough
- Hamiltonban Township
- Hampden Township
- Hanover Borough
- Jackson Township Sewer Authority
- Jefferson Codorus Joint Sewer Authority
- Lemoyne Municipal Authority
- Lower Allen Township Authority
- Mechanicsburg Borough
- Middlesex Township Municipal Authority
- Monroe Township
- Newberry Township
- North Codorus Township
- Northeastern York Sewer Authority
- Silver Spring Township
- South Middleton Township
- Spring Garden Township
- Spring Grove Borough
- Upper Allen Township
- Waynesboro Borough Authority
- Wrightsville Borough
- York City & County

The PFM Utility Strategies Group Team

PFM TEAM MEMBERS

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The PFM Utility Strategies Group (USG)

What We Do

- **Rate studies** — multi-year forecasts that give elected officials, administrators, and the public a transparent, defensible outlook on future water and sewer rates.
- **Asset sale & monetization advisory** — independent analysis of whether selling or transferring a utility system serves ratepayers and the community, from initial feasibility through transaction close.

Why PFM?

- All team members are certified Series 50 independent municipal advisors — **fiduciary duty to you, not to buyers or investors**
- **20+ years as the #1 advisor** for water & sewer transactions nationwide

40+
rate studies performed for utilities nationwide

60+
municipalities advised on potential utility sales

PFM Rate & Financial Projection Studies

Introduction to PFM Rate/Financial Projection Studies

- Drawing on our work with water and sewer systems across the region, we produce **clear, multi-year rate projections** that give elected officials and administrators a credible, on-the-record outlook, and give the public a **transparent view of where rates are headed.**

Multi-year rate forecasts
Scenario-based projections tied to capital needs, debt service, and operating costs.

Public-ready transparency
Plain-language outputs designed for council presentations and stakeholder communication.

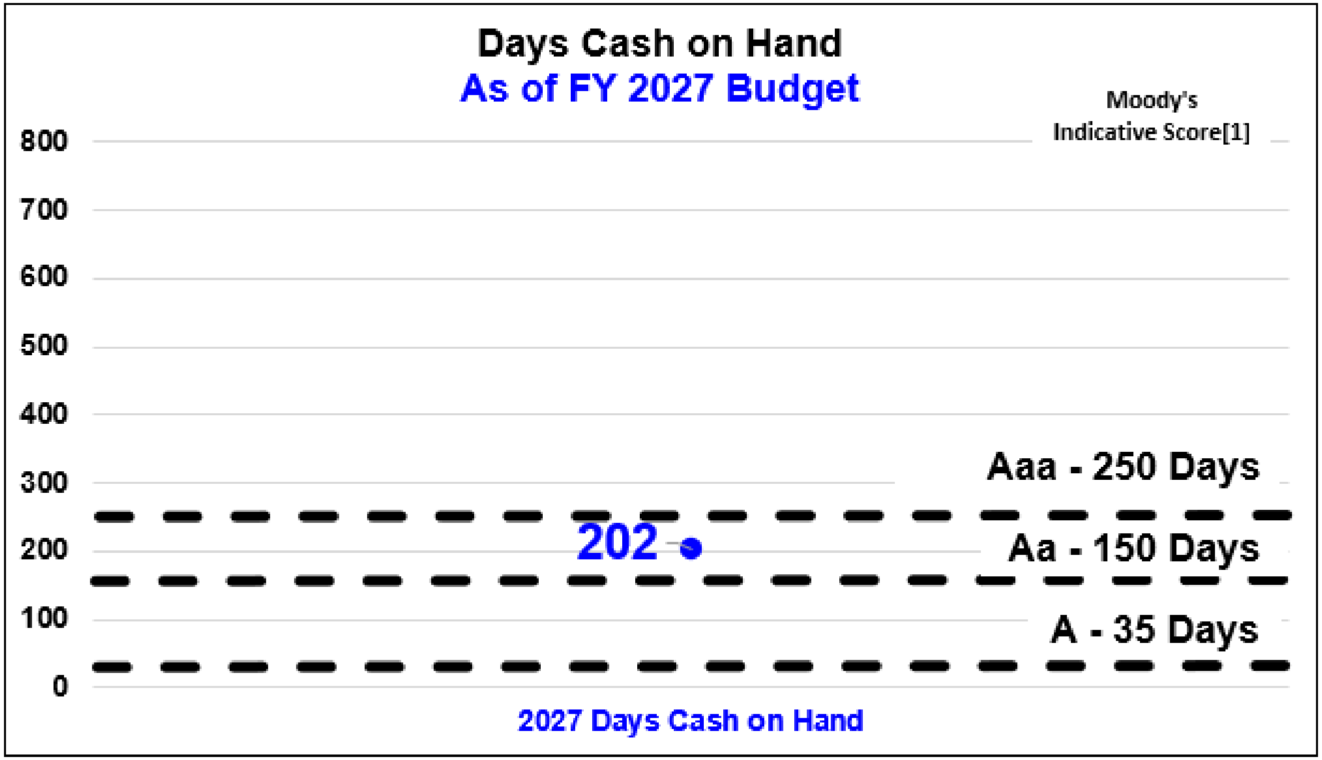
A defensible record
A documented study on file protects leadership when rate decisions are questioned.

A rate study also serves as a natural foundation for broader strategic conversations — including long-term capital planning, regional partnerships, or evaluating whether a system sale or authority transfer might better serve ratepayers.

Sample Rate Study Slides

Days Cash Rating Score Categories

- The FY2027 Budget projects the Water Fund will have **202 Days Cash on Hand** as of 6/30/2027, which ranks in the **Moody's Aa score category** (over 150 days but below 250 days).

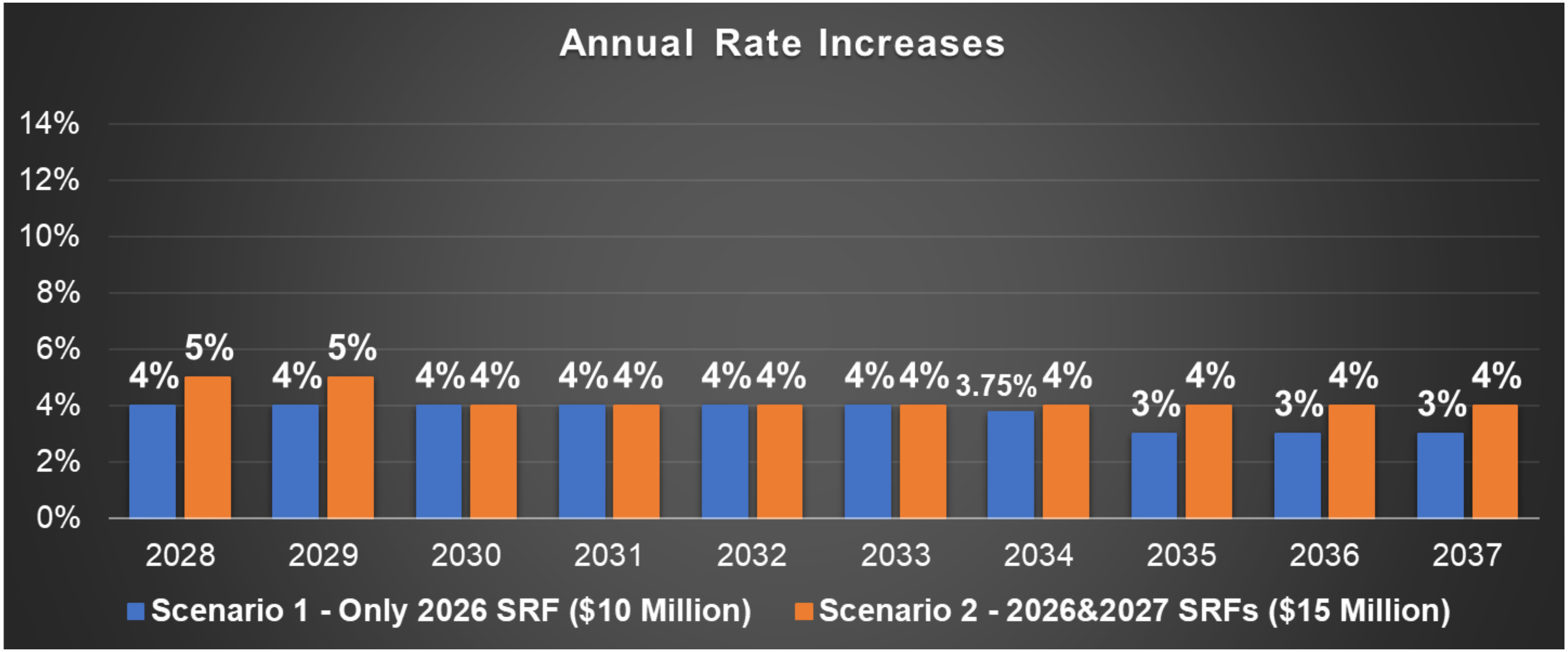


Important Note

While the Town's cash balance metrics are strong and align with Moody's top-tier (Aaa) medians, this is **only one input to the overall Moody's scorecard**. A high liquidity score alone does not guarantee an Aaa rating, since the final rating also reflects other factors such as debt burden, rate flexibility/affordability, operating performance, service area trends, and governance/management.

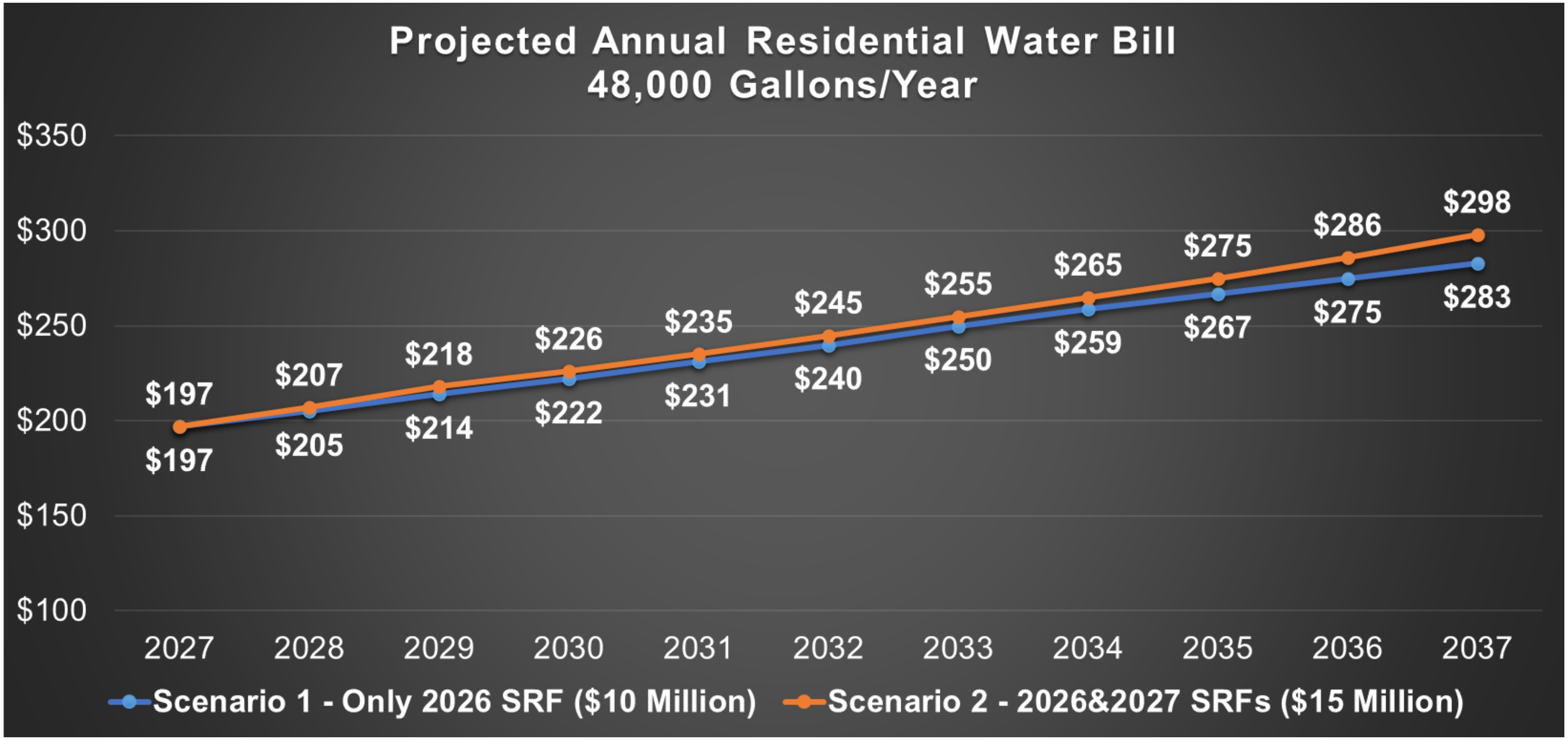
Projected Rate Increases

▪**Scenario 2's slightly higher rate increases** (5% vs. 4% in early years) reflect the additional $5M borrowed through the 2027 SRF.



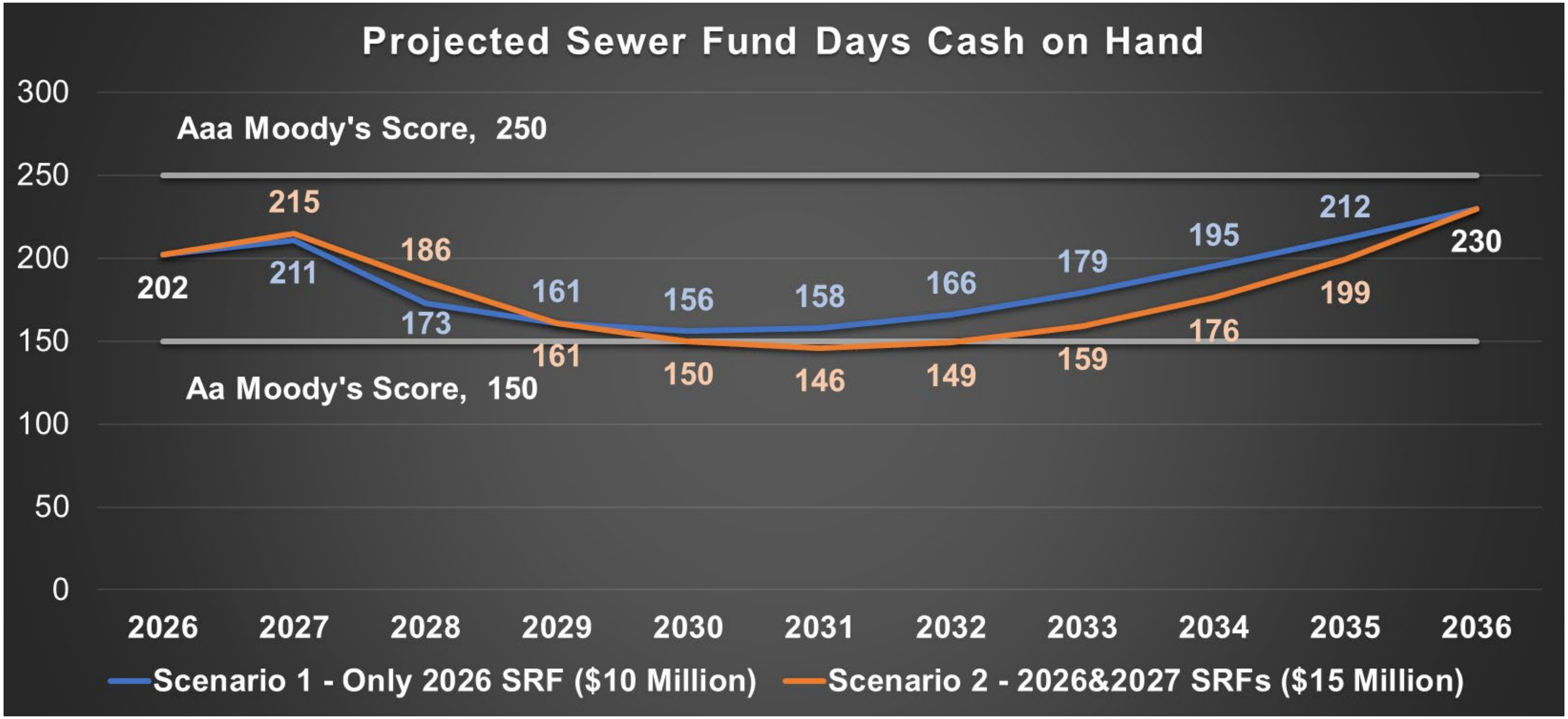
Projected Annual Residential Bill (48,000 Gal)

- A typical residential customer using 48,000 gallons/year would see their annual bill grow **from $197 today to $283–$298 by 2037**, depending on the scenario.



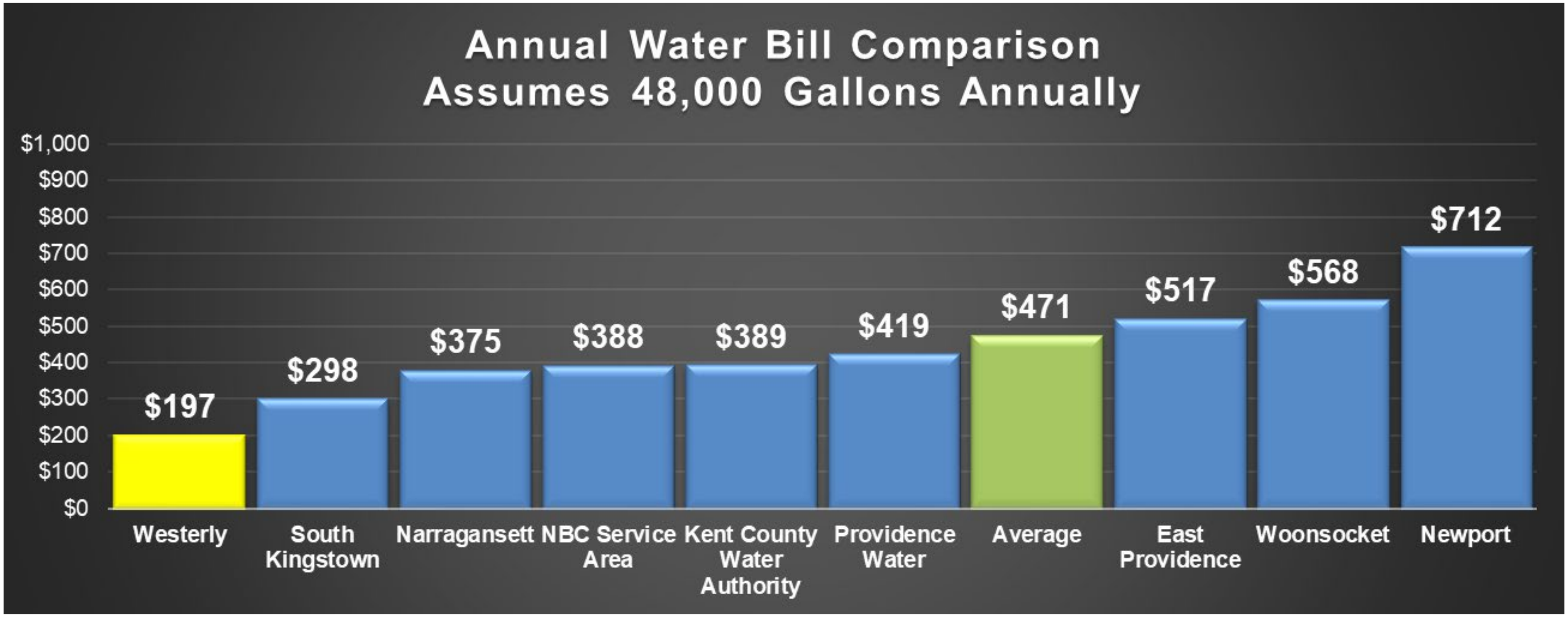
Projected Days Cash on Hand

▪Days cash on hand **dips briefly** below the Aa Moody's threshold (150 days) in 2031 of Scenario 2, but **recovers to 230 days by 2036**, remaining well-managed and trending back toward Aaa territory.



Current Water Bill Comparison

- Westerly's annual water bill is **by far the lowest among the peer systems evaluated**, at less than half the cost of several neighboring communities.



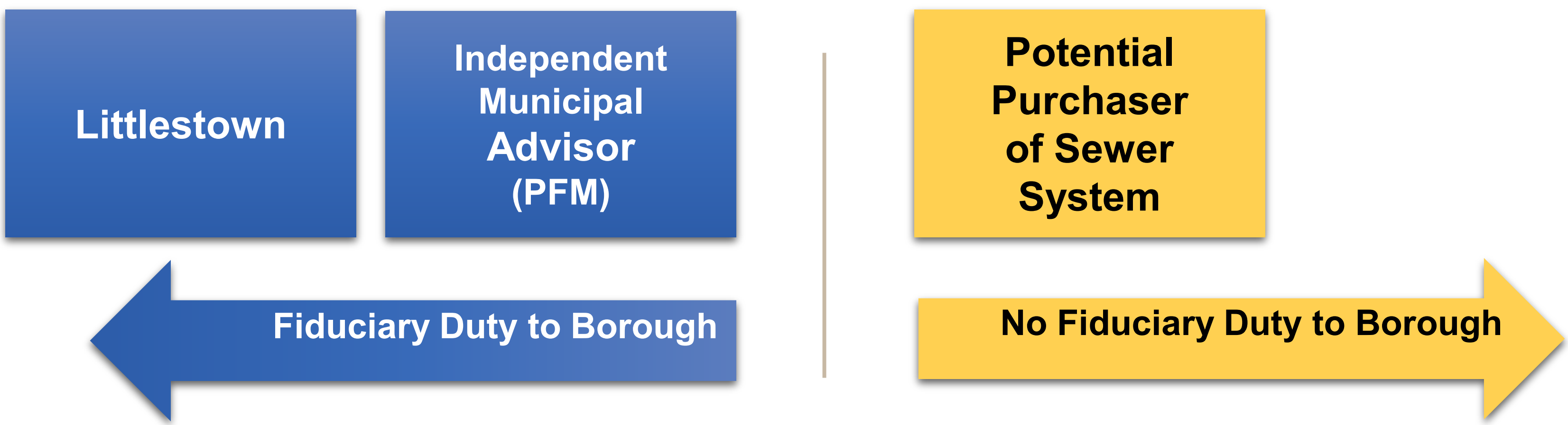
Annual bills are calculated using the best available publicly accessible rate information and have not been independently verified by PFM. All comparisons assume 48,000 gallons of annual residential usage. Rankings and averages may vary at different consumption levels. Source: Publicly available utility rate schedules and websites.

Exploring a Utility Sale

Why Engage an Independent Municipal Advisor (PFM)?

- **Highly specialized transaction** where an **experienced independent municipal advisor can add significant value to the Borough.**

- Independent Municipal Advisors are **required to act in their client's best interests.**
    - PFM has a **fiduciary duty solely to the Borough**.



How Can PFM Help?

Initial Assessment

- Valuation
- High-level rate assessment

Transaction Impact Analysis

- Pros/Cons
- Keep vs. Sell analysis

Transaction Advisory

- Proven, market-tested competitive process
- Provides rate visibility
- Ensures comfort with selected service provider

Important Issues to Consider When Exploring a Monetization

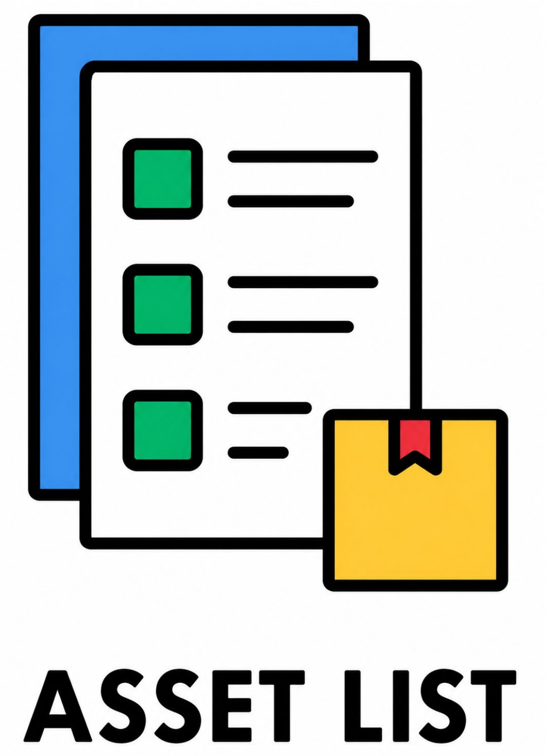
Rates	Employees	Public Outreach	Purchase Price
• Compare current rates vs. bidder projections • Understand short and long-term rate impacts	• Prioritize protections for existing staff • Typically includes employment offers from buyer	• Clear communication with stakeholders • Planning for presentations, hearings & public meetings	• Evaluate impact of upfront proceeds • Analyze breakeven vs. potential rate increases

Recent Important Issue – Outside Service
If the system serves customers outside municipal boundaries, **additional filings and negotiations may be required, making early review and planning important before bidding.**

Why the Asset List is Critical to Driving Value

- In 2024, the Pennsylvania PUC implemented changes to the utility asset sale approval process, including adoption of a new non-binding **“Reasonableness Review Ratio” (RRR)**, which currently sets a benchmark value of **1.63x Net Book Value** as a key reference point in evaluating whether a proposed sale price is considered reasonable.

- Because the PUC’s Reasonableness Review Ratio is directly tied to Net Book Value, **establishing an accurate and defensible asset inventory before bidding is critical** to ensure the system is properly valued and to avoid understating the benchmark sale threshold.



PFM's Typical Asset Monetization Exploration Process

1-3 Months

Phase 1:

Analysis & Valuation

- Determine **range of value**
- Research **interest**
- Explore **high level impacts**

4-6 Months

Phase 2:

Due Diligence Development

- Analyze **keeping vs. selling**
- Develop & Release Request for Qualifications ("**RFQ**")
- Finalize preferred procurement process & **legal documents**
- Release Request for Bids ("**RFB**")
- **Evaluate proposals** and **select winner** (if proceeding)
- Initiate **stakeholder outreach**

1-15 Months

Phase 3:

Transaction Execution

(if Proceeding)

- **Initiate closing process**
- Further due diligence
- **Regulatory process** (if required)
- **Close transaction**

Reasons a Sale Was Explored – What We've Heard From Others

- **Bringing in an established utility provider** – Experienced operator focused exclusively on sewer systems.

- **Focus on other core services** – Allows the Borough to concentrate resources on other municipal services.

- **Increase future financial flexibility** – Provides additional financial capacity for future priorities.

- **Generate upfront proceeds** – Creates a significant one-time revenue source for capital projections and financial stabilization.

- **Tax Stabilization Fund** – Proceeds could help offset or limit future property tax increases.

- **Paying Down Debt & Funding Pensions/ Healthcare** – Proceeds could superfund pensions and pay down debt.

Rate Study Case Studies

Case Study – Ontelaunee Township Lowers Sewer Rate with the help of PFM.

•**Challenge**: The Township faced constant concerns from residents about its high sewer rates. While the Township administration sympathized with customers, it also didn't want to arbitrarily lower sewer rates, knowing it could have consequences.

•**Solution**: The Township hired PFM Financial Advisors to conduct a comprehensive rate study to assess the capital needs, operational costs, and future growth projections to ultimately determine if a rate decrease was achievable while still ensuring future financial success. PFM also conducted a rate comparison to other sewer systems in the area and across the state to show how the Township's rates matched up.

•**Results**:
•Enhanced affordability for residents while maintaining the fiscal health of the utility system.
•Strengthened the Township's relationship with its sewer customers (residents).

GOOD NEWS COMING JANUARY 1, 2025!!

SEWER RATE REDUCTION

Residents of the Township can look forward to a reduction in sewer rates starting January 1, 2025. The Board of Supervisors has announced a decrease in the monthly flat charge for sewer services from $115 to $110 per Equivalent Dwelling Unit (EDU), as part of Resolution #2024-10, adopted during their August meeting.

The decision follows a comprehensive rate projection study commissioned by the Township. This study was conducted to assess future sewer rate requirements to cover anticipated operating and capital expenses. The analysis, which relied on both historical and current data provided by the Township administration, aimed to forecast the financial trajectory of sewer rates.

The study's projections, while detailed, are based on a range of assumptions and are subject to change. The Township has emphasized that these projections are intended for planning purposes and that the budget and rate structure will be reviewed annually to ensure alignment with actual financial needs.

The rate reduction represents a positive shift in the Township's financial planning, reflecting careful consideration and investigation by the Supervisors. As part of ongoing fiscal management, the Township will reassess rate projections towards the end of 2025 to determine the sewer rate structure for 2026 and beyond.

AMITY TOWNSHIP
~ BERKS COUNTY, PA ~

Case Study – Supporting Amity Township's Large Sewer Project and Rate Adjustments with PFM's Flexible Modeling Tool

•**Challenge**: The Township had been planning a large sewer project since before 2022, originally estimating the project cost at $20 million. However, by 2024, the cost of the project had increased to $35 million, significantly impacting the Township's rate projections. The Township needed to adapt its financial strategy and rate plan to reflect the rising project costs while maintaining transparency with residents and decision-makers.

•**Solution**: PFM Financial Advisors, who had conducted the Township's original rate study in 2022, utilized its rate modeling tool to quickly update the rate projections as the project evolved which enabled PFM to easily incorporate the revised $35 million project cost into the rate structure, showing how the increased expenses would directly impact rates.

•PFM's updated projections helped the Township's decision-makers better understand the financial implications and provided clear, transparent communication to residents about the necessary rate increases tied to the growing project costs.

•The updated plan provided the Township with a clear path forward, ensuring both the successful completion of the sewer project and the long-term financial health of the utility system.

Quarterly Flat Bill Required (Projected)
Comparison of Historical Scenarios Modeled

	Assumed Cost	Other Assumptions		2022	2023	2024	2025	2026	2027	CAGR
Rate Projection Timeframe		Grants	Reimbursements	Quarterly Flat Bill Required (Projected)						
June 2022 - No Grant	$20,000,000	$0	$3,820,000	$140	$170	$170	$196	$196	$196	6%
September 2023 - No Grant	$20,000,000	$0	$3,820,000	$140	$140	$142	$200	$200	$203	6%
September 2023 - $7mmGrant	$20,000,000	$7,000,000	$3,820,000	$140	$140	$142	$180	$180	$180	4%
September 2023 - $14mm Grant	$20,000,000	$14,000,000	$3,820,000	$140	$140	$148	$158	$158	$158	2%
Jan 26 w/Muni Reimb - PENNVEST	$20,000,000	$1,750,000	$3,200,000	$140	$140	$145	$189	$203	$212	7%
Jan 26 w/Muni Reimb - 30 YR BOND	$20,000,000	$1,750,000	$3,200,000	$140	$140	$145	$195	$195	$195	6%
Jan 26 w/Muni Reimb - 25 YR BOND	$20,000,000	$1,750,000	$3,200,000	$140	$140	$145	$201	$201	$201	6%
Jan 26 w/Muni Reimb - 20 YR BOND	$20,000,000	$1,750,000	$3,200,000	$140	$140	$145	$207	$207	$208	7%
June 2024 - Final Plan - PV with Bank Loan	**$26,900,000**	**$1,750,000**	**$5,785,000**	**$140**	**$140**	**$145**	**$171**	**$201**	**$236**	**9%**

Note - All projection shown are estimated and subject to material change based on a variety of factors.

Case Study
Financial Advisory Partnership with Altoona Water Authority

- **Overview:**
  PFM has served as Altoona Water Authority’s financial advisor for over a decade, supporting borrowing strategies, rate planning, and utility system acquisitions.

- **Key Milestones & Services:**

- **2022:** Conducted first full financial and rate study for AWA’s water and sewer systems
- **2023–Present:** Engaged annually to provide financial and rate projections aligned with AWA’s budget/rate-setting cycle
- **Acquisition Support:** Develop financial purchase models to evaluate acquisition of neighboring systems

- **Impact:**

✓ Strengthened financial and rate planning
✓ Data-driven budgeting decisions
✓ Strategic growth through informed acquisitions
✓ Trusted, long-term partnership

Case Study

PFM as Financial Advisor to Schuylkill County Municipal Auth.

- **Overview:**
  PFM has served as SCMA's financial advisor since 2019, providing expert guidance on debt transactions, rate modeling, and acquisition analysis. In response to concerns about fairness and billing complexity across seven municipal sewer systems, SCMA engaged PFM to evaluate—and ultimately implement—a unified flat-rate structure.

- **Key Milestones & Services:**

  - Structured funding through both private bank loans and public bond issues
  - Participated in capital planning initiatives and provided comprehensive financial modeling
  - Led the conversion to a single-rate sewer system across seven municipalities
  - Supported evaluation of potential acquisitions of neighboring systems

- **Impact:**

  - ✓ Simplified and standardized customer billing
  - ✓ Increased rate equity across municipalities
  - ✓ Minimized rate shock through planning and phased implementation
  - ✓ Strengthened SCMA's financial position and long-term planning capacity

Asset Sale Case Studies

Case Study – City of Pittston Sells to PA American

Transaction Overview

•Buyer: Pennsylvania American Water
•Value: $26 million
•Status: Approved by Council, pending PUC review

Key Benefits

•$20M+ net proceeds after debt repayment
•$5.1M in infrastructure upgrades (5 years)
•Ratepayer relief fund established
•Downtown revitalization funding (new theater, mixed-use development)

PFM's Role

•Led Sale Exploration Process
•Valuation, feasibility & financial modeling
•Market outreach & buyer engagement
•Negotiations & public communications

Quote from the Mayor of Pittston

"I'm willing to put my name on this deal. … I feel very comfortable this is another really good decision. And I think down the road you'll see some benefits."
-Mayor Michael Lombardo

Case Study - City of McKeesport Private Sale

- In 2017, the City of McKeesport, Pennsylvania, **faced severe financial challenges** that had built up over many years, putting it at **risk of bankruptcy**. To explore potential solutions, the City **engaged PFM to assess the possibility of monetizing its regional sewer system.**

- Over the course of two years, PFM worked closely with city officials to **evaluate various options**. Ultimately, McKeesport **decided to sell its sewer system to Pennsylvania American Water for $158 million**, a move that **enabled the City to avoid municipal bankruptcy and achieve financial stability.**

- Mayor Michael Cherepko emphasized the significance of the decision in a statement to the local press: "The crux of this transaction is **bringing financial stability to the City of McKeesport and saving our taxpayers from Act 47 municipal bankruptcy,"** said Mayor Cherepko. "When we think about it, the privatization of local sewage services truly makes sense. The City isn't involved in other utility businesses, gas, electric, water, and this is a final step in providing consistent, regulated utility services to our community."

Case Study – City of Beaver Falls

- PFM advised Beaver Falls on the strategic sale of its regional wastewater system to unlock long-term value from a challenged public asset.

- Directed the **valuation, competitive bid process, purchaser negotiations, and transaction financial structuring.**

- Sale to Aqua Pennsylvania closed at **$37.75 million in 2025.**

- Buyer committed **$10 million of follow-on capital investment**, delivering infrastructure certainty while generating significant proceeds for the City.

Case Study – West Conshohocken Sells to It's Treatment Provider

- Borough of West Conshohocken engaged PFM to explore the **sale of its sewage collection-only system.**

- PFM provided guidance and financial analysis which led to a competitive process that **included both private and public buyers.**

- Ultimately, the borough **chose to sell to the Borough of Conshohocken Authority, its existing sewage treatment provider, keeping the system under public ownership.**

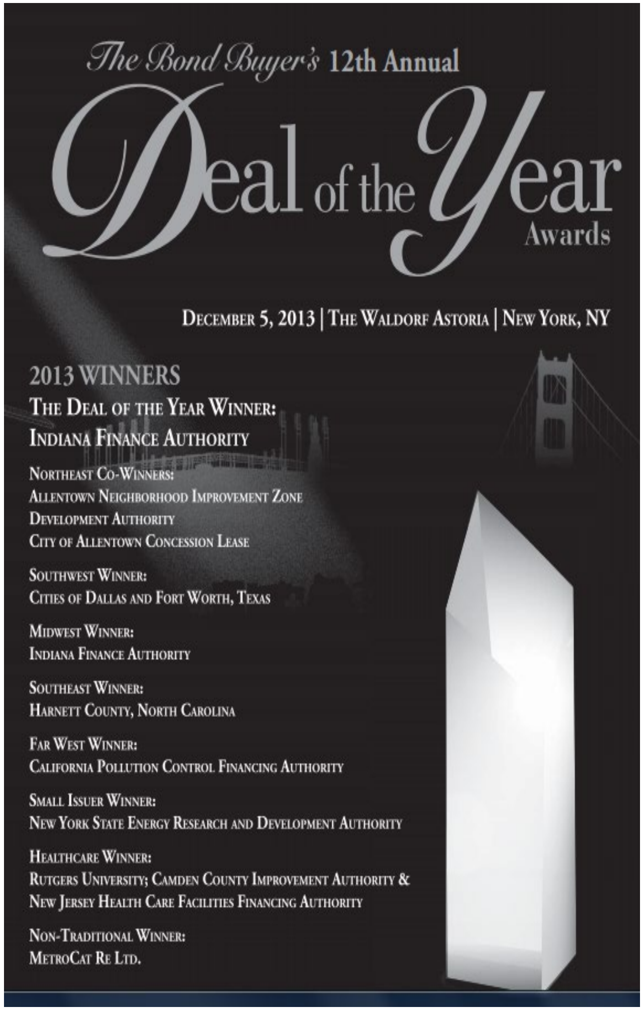
- The borough **secured a substantial upfront payment and transferred the operating and capital responsibilities of its aging sewer system to a specialized public authority.** This transition allowed the borough to prioritize essential government services for its residents while ensuring the system's long-term efficiency and reliability.

Case Study - City of Allentown Public Lease

- PFM served as **Team Leader** and financial advisor to the City of Allentown, who leased their water/sewer systems to a nearby County Authority for a 50-year term.
  - City received $220 million up-front + $500K annually
  - The money was used to **stabilize the city's rapidly growing unfunded pension liability and provide a foundation and path for fiscal stability.**

- The Deal was named the **2013 Bond Buyer Deal of the Year for the Northeast Region.**

- “Nearly two years after Allentown approved a lease of its water and sewer systems, ratings agency Standards & Poors [sic] has further increased the city's bond rating. On Wednesday, Standards & Poors [sic] announced that Allentown will now be rated A+ with a stable outlook. That's a three-notch increase from the previous BBB+ rating. **The upgrade reflects the city's “improved budgetary flexibility”** due to the lease, according to a news release from the company.”
  - February 18, 2015 news article from “The Morning Call”



Case Study – Plymouth Township Keeps Ownership

- In 2018, PFM was hired by Plymouth Township, Pennsylvania to explore options for their sewer system. The Township **was not in financial difficulty but was instead considering getting out of the sewer business**, handing the operations over to a professional firm, and using the proceeds to fund other township capital projects.

- PFM led an exploration process where **multiple options were considered that included selling to a private and public buyer.**

- In the end after thoroughly vetting these options, the **township decided it was in its best interest to keep the system under municipal ownership.**

- After the process concluded, **PFM was hired by the township again**, this time to assist with borrowing for capital projects.

- **Today, the system is still under municipal ownership and the capital projects have been fully funded with two capital borrowings.**

Thank You

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