

Mt. Penn Borough



DRAFT Water Rate & Lease Payment Projection Study

January 20, 2026

Prepared by:

PFM Financial Advisors LLC





Introduction

- The Borough engaged PFM Financial Advisors to prepare a water rate projection study to evaluate what future rates may be required to fund projected operating and capital needs.
- PFM received timely, detailed financial information from the Borough and the Authority and worked collaboratively with the administration to develop and refine the key assumptions used in the financial projections.
- The objective of this analysis is to illustrate the likely trajectory of water rates based on current expectations of revenues, expenses, and capital investment.
 - *These projections are estimates and rely on multiple assumptions; actual results may differ materially as conditions change.*
- **This first draft is for discussion purposes only and will likely be refined after further conversations with Borough/Authority leadership.**





Water System Highlights, Major Modeling Assumptions, & Initial Findings

Water System Highlights

- Mt. Penn Borough Municipal Authority provides water service to the communities of Mt. Penn, Lower Alsace, St. Lawrence and a portion of Exeter Township.
- The system serves a total of approximately **4,300 EDUs** (*needs refined*).
 - *EDU stands for Equivalent Dwelling Unit.*
 - Lower Alsace (37%), Mt. Penn (31%), St. Lawrence (23%), Others (9%).
- The **2026 Budget is essentially balanced** (projected \$2,393 surplus) and includes **\$700,000 in capital spending**.
- Projected **strong Water Fund Balance of \$3.7 million** on 12/31/2026.
 - **769 Days Cash on Hand**
- **2026 debt service is \$71,500.**
- **No customer growth** projected.

Major Modeling Assumptions

- Rate Structure Remains the Same – Customers pay a **fixed quarterly charge** based on meter size, plus a **volumetric fee per 1,000 gallons**.
- Operating Expense Inflation – assumed at **2.50%**.
- Capital – The capital plan is modeled at **\$800,000 per year to be conservative** (could be as low as \$500,000).
- Potential Lease Payment to Borough
 - PFM estimated a high-level Fair Annual Rental Payment, with a **maximum of approximately \$550,000** per year. While payments at this level are evaluated, the Borough has indicated a **more practical target of approximately \$320,000** annually (escalated for inflation) to help maintain a more **moderate long-term rate trajectory**.
- Scenarios
 - PFM evaluated **five scenarios** to illustrate the rate increases needed to support projected operating and capital needs under **varying lease payment and financing approaches**.
 - More scenarios can be developed.

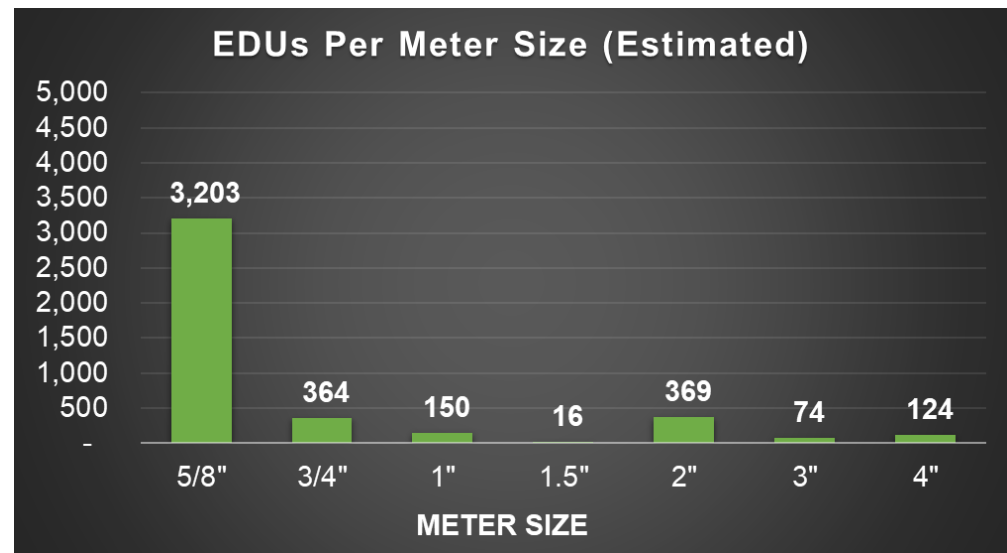
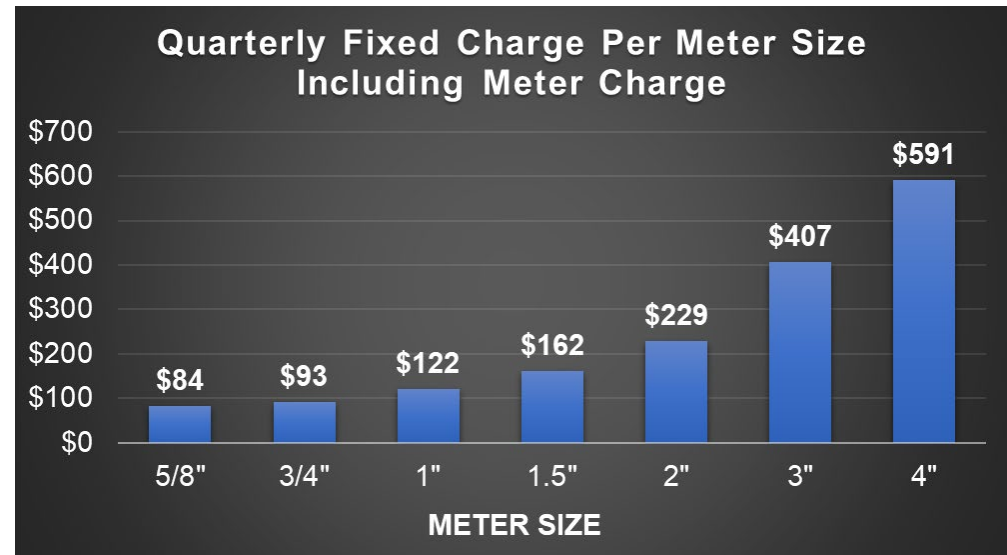
Initial Findings

- Initial Findings – Overall, projected rate **increases appear manageable**. Even without a lease payment (Scenario 1), **rates must rise over time to keep pace with cost growth**. Scenarios 2–5 incorporate lease payments and demonstrate that financing a portion of capital can help support higher reserves (Days Cash on Hand) while keeping **overall customer impacts gradual and manageable**. With the Authority's **current rates below market**, there is capacity to absorb gradual increases.
 - The estimates show a maximum potential lease payment of \$550,000, but **\$320,000 is viewed as the more practical target to help limit rate impacts**. Under the \$320,000 lease scenarios, average residential quarterly **bills increase from about \$112 in 2026 to roughly \$142–\$160 by 2036**, with financing a portion of capital helping keep increases toward the lower end of that range.
- Rates Compared to PA Market – The Authority's current water rates are **meaningfully below the peer system average**. Even under the **highest modeled rate** of approximately \$160 per quarter, rates would be **only slightly above the current peer average**, assuming peer systems do not raise rates, which is unlikely.



Current Water Rates

- Fixed quarterly charges rise with meter size and are shown here inclusive of the Meter Charge ranging from \$84 for 5/8" meters up to \$591 for 4" meters.
- Volumetric charge is \$2.63 per 1,000 gallons.
- Based on initial information, total of approximately 4,300 EDUs (need to refine).





Calculating Current Average Bills

Current Average **Quarterly** Residential Water Bill
(12,000 Gal)

= **\$112**



| Average User Quarterly Bill Calculation | |
|---|--------------|
| | <u>2026</u> |
| Quarterly Fixed Fee | \$83.50 |
| Volumetric Rate per 1,000 Gal | \$2.36 |
| Quarterly Usage (Gal.) | 12,000 |
| Quarterly Volumetric Charges | \$28.32 |
| Avg. Quarterly Bill | \$112 |



Water System 2026 Budget – Base Financials

- PFM used the Authority's **FY 2026 Water Budget** as its base financials for the rate projection model.
- The 2026 **Budget is essentially balanced** (projected \$2,393 surplus) and includes **\$700,000 in capital spending**.
- Current Water **Fund balance totals \$3.7 million**, representing approximately **769 Days Cash on Hand**.

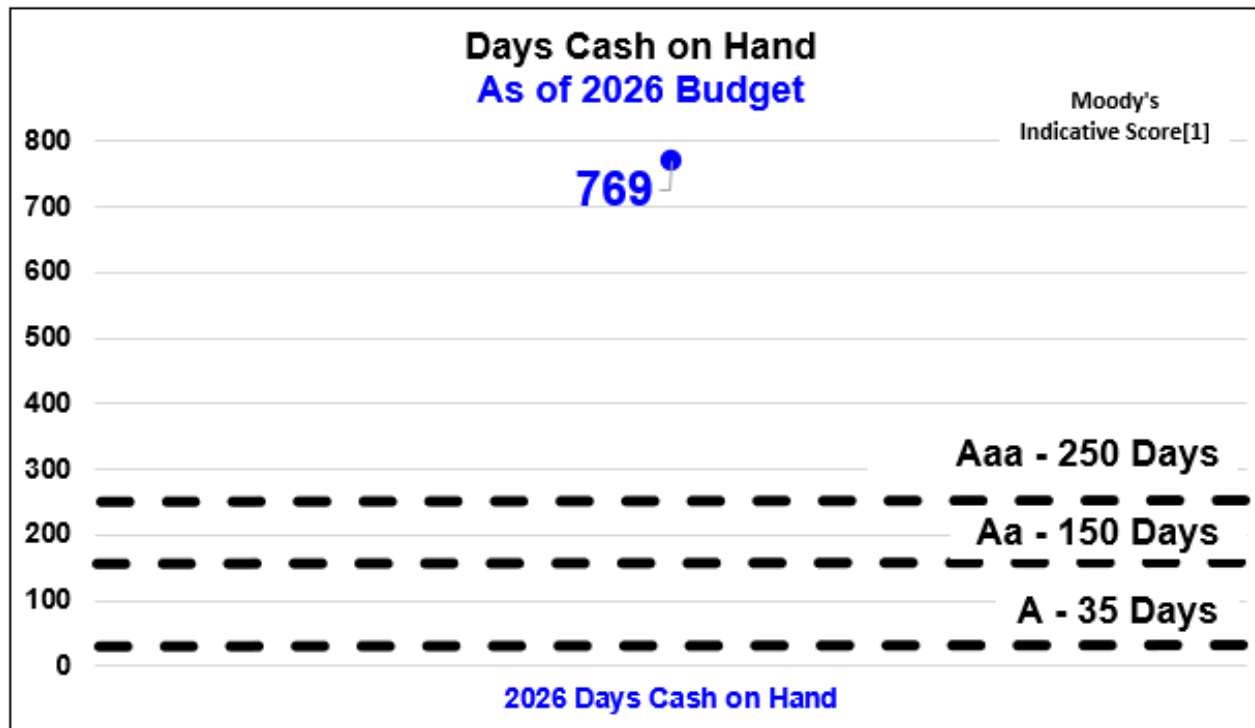
| 2026 WATER FUND BUDGET | |
|------------------------------------|--------------------|
| | No Rate Increase |
| Total Operating Revenues | \$2,490,491 |
| Tapping Fees | \$0 |
| Total Operating Expenses | \$1,716,598 |
| Operating Surplus (Deficit) | \$773,893 |
| Paygo Capital Projects | \$700,000 |
| Total Debt Service | \$71,500 |
| Surplus (Deficit) | \$2,393 |
| Fund Balance | \$3,767,800 |
| Days Cash on Hand | 769 |

Days Cash on Hand is a financial metric that measures how many days a utility can cover its operating expenses using only its available cash. It's a way to assess liquidity and the ability to meet financial obligations.



Fund Balance (Days Cash) Rating Score Categories

- The 2026 Budget projects the Water Fund will have approximately **769 Days Cash on Hand** as of December 31, 2026, **well above the Moody's Aaa-category benchmark** of 250 days, reflecting the **Authority's forward-looking approach to building reserves** in anticipation of significant upcoming PFAS treatment / filtration investments that will require substantial capital spending.



Important Note

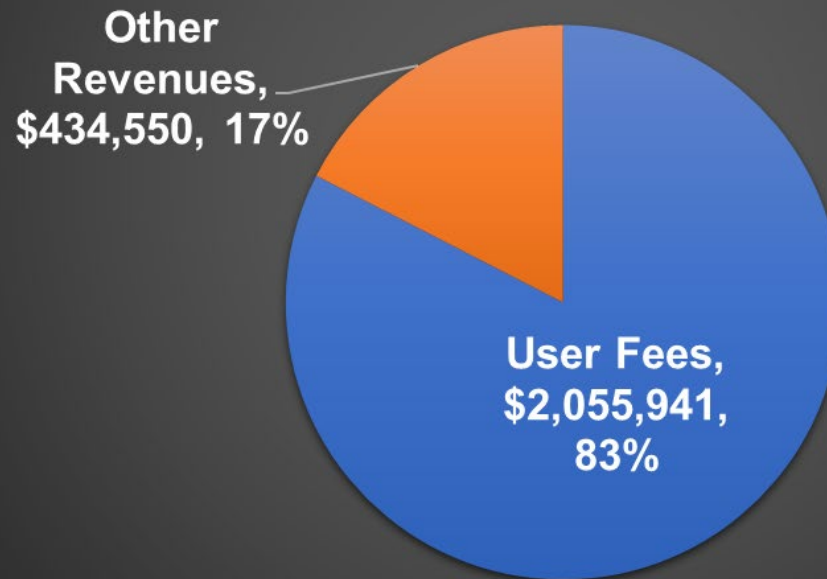
While the Authority's fund balance metrics are very strong and align with Moody's top-tier (Aaa) medians, this is only one input to the overall Moody's scorecard. A high liquidity score alone does not guarantee an Aaa rating, since the final rating also reflects other factors such as debt burden, rate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



2026 Budgeted Revenues

- The 2026 Budget is primarily funded by **user fees (83%)**.

How Are Expenses Funded? (2026 Budget)





Where Does a Customer's Dollar Go? (2026 Budget)

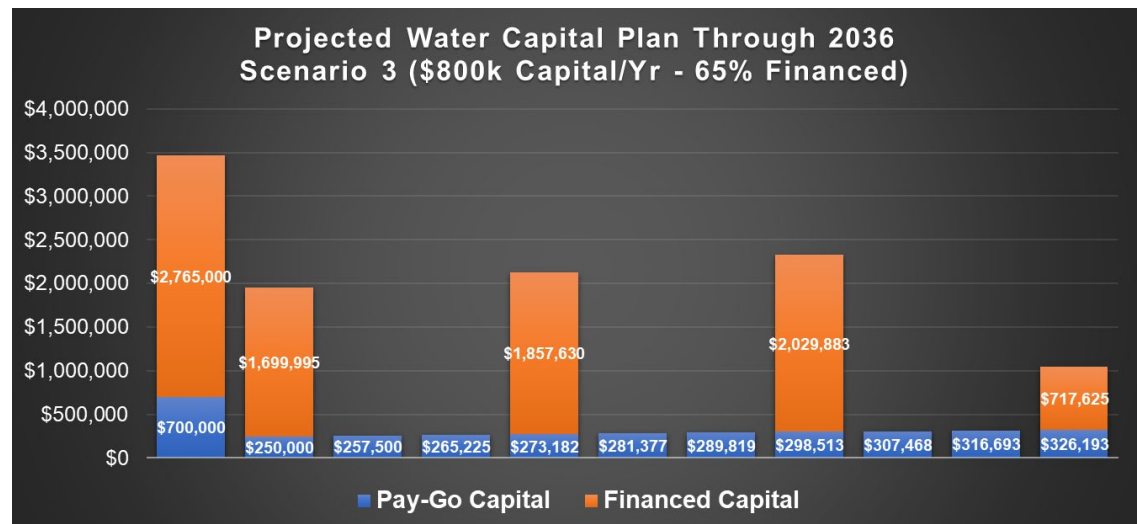
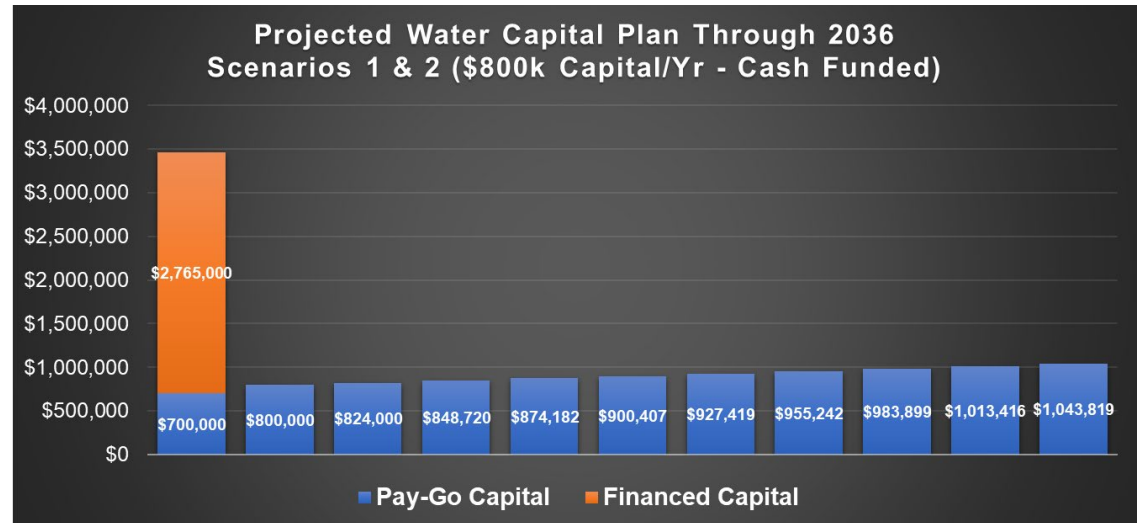
- 69% of each dollar goes to day-to-day operations.
 - 28% is used for current year capital and 3% is used to pay debt service.





Water Capital Plan – Scenarios 1-4

- Capital spending is modeled at **\$800,000 per year (growing at 2.50% inflation)**, cash-funded in **Scenario 1 & 2**, with a one-time financed capital investment in 2026.
- Scenario 3** assumes **65% of the capital plan is financed** for illustrative purposes, using 20-year, level debt service at an assumed 4.50% interest rate.





Scenario Analysis

Scenario 1

- **No Lease Payment**
- \$800k Capital/Yr. (Cash Funded)

Scenario 2

- **\$320k Lease Payment**
- \$800k Capital/Yr. (Cash Funded)

Scenario 3

- \$320k Lease Payment
- \$800k Capital/Yr. (**65% Financed**)

Scenario 4

- \$320k Lease Payment
- \$800k Capital/Yr. (65% Financed)
- **Higher Ending Days Cash on Hand**

Scenario 5

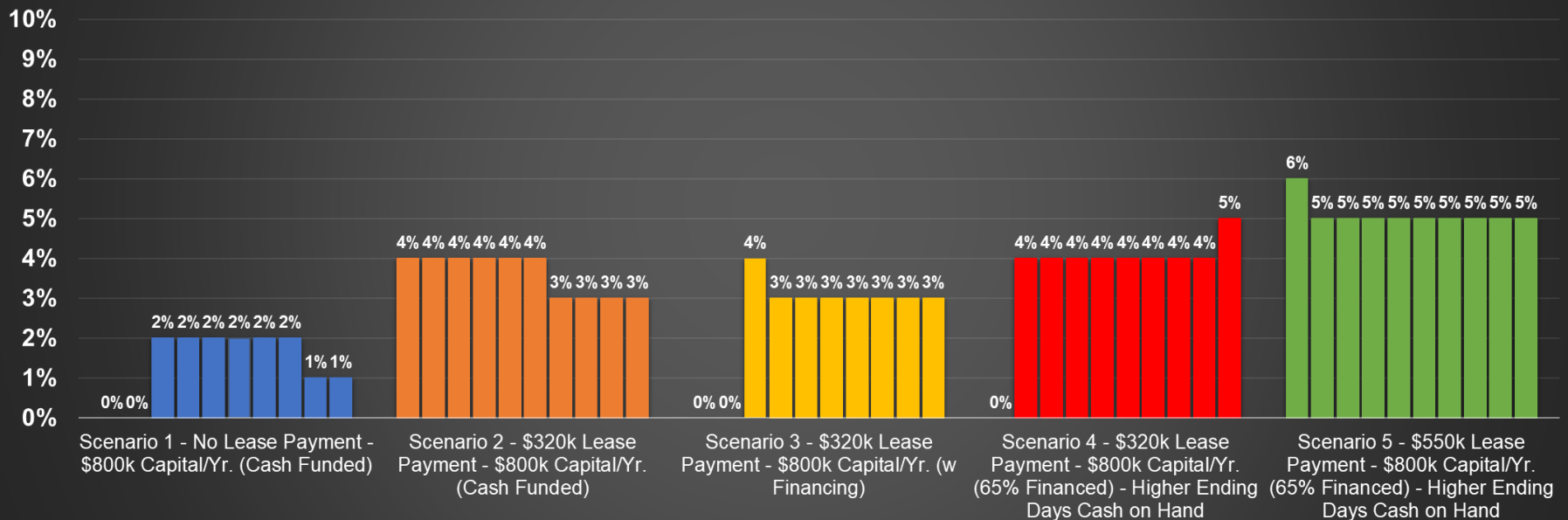
- **\$550k Lease Payment**
- \$800k Capital/Yr. (65% Financed)
- **Higher Ending Days Cash on Hand**



Projected Annual Rate Increases

- Rates are projected to **increase even without a lease payment** due to ongoing capital needs and operating expense growth. Overall **increases remain moderate**, with lease payment scenarios requiring slightly higher adjustments, while the **financing scenarios help support the lease payment** and end with higher Days Cash on Hand.

Projected Annual Rate Increases Under Each Scenario 2027 - 2036

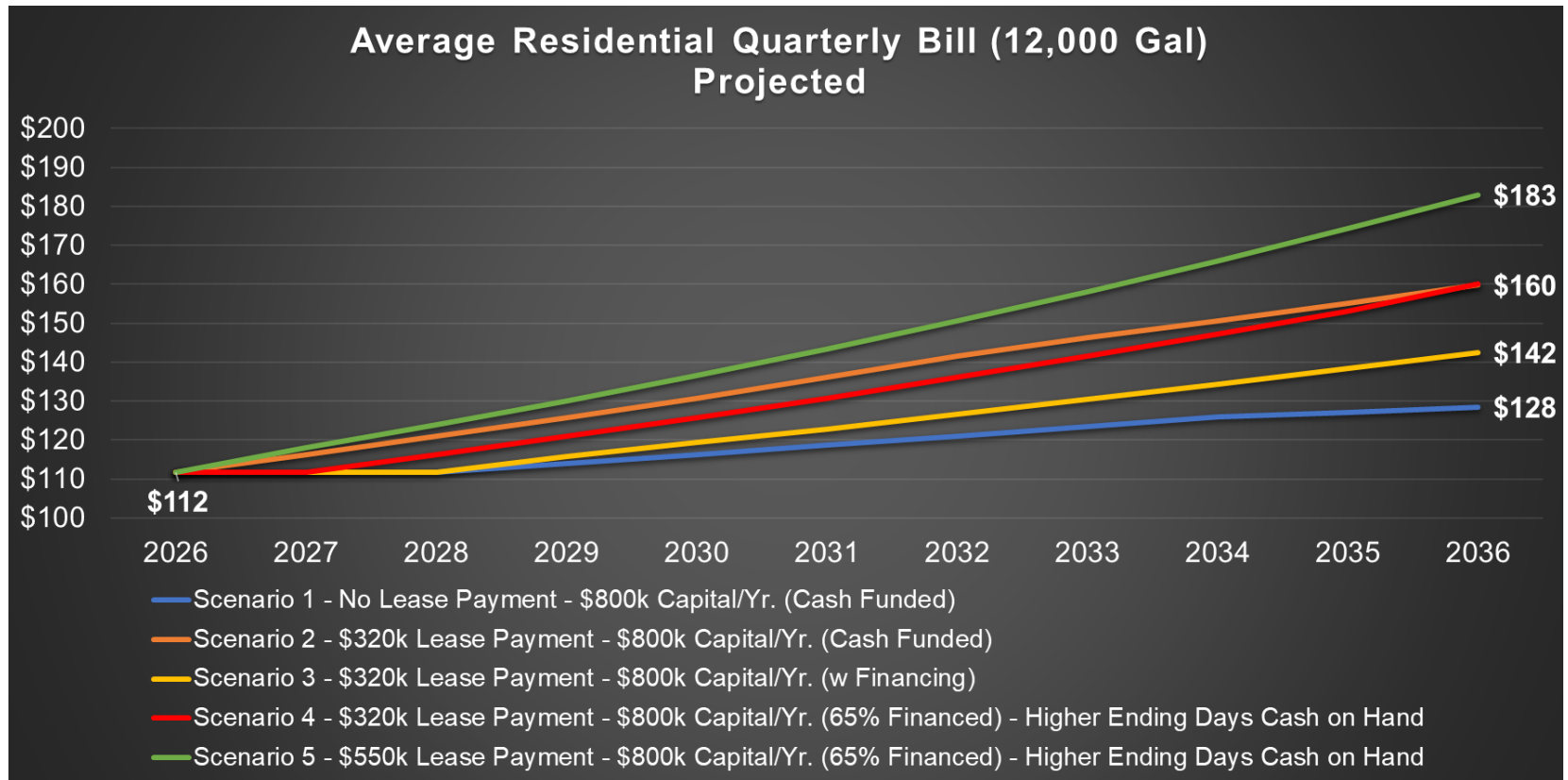


Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results.



Projected Avg. Residential Quarterly Bill (12,000 Gal)

- Scenario 5 (\$550,000 lease payment) is included as a high-end benchmark for illustrative purposes, with average residential bills reaching approximately \$183 per quarter by 2036. Under the **more likely \$320,000 lease payment scenarios**, projected bills remain more moderate, ending around **\$142–\$160 per quarter by 2036**.

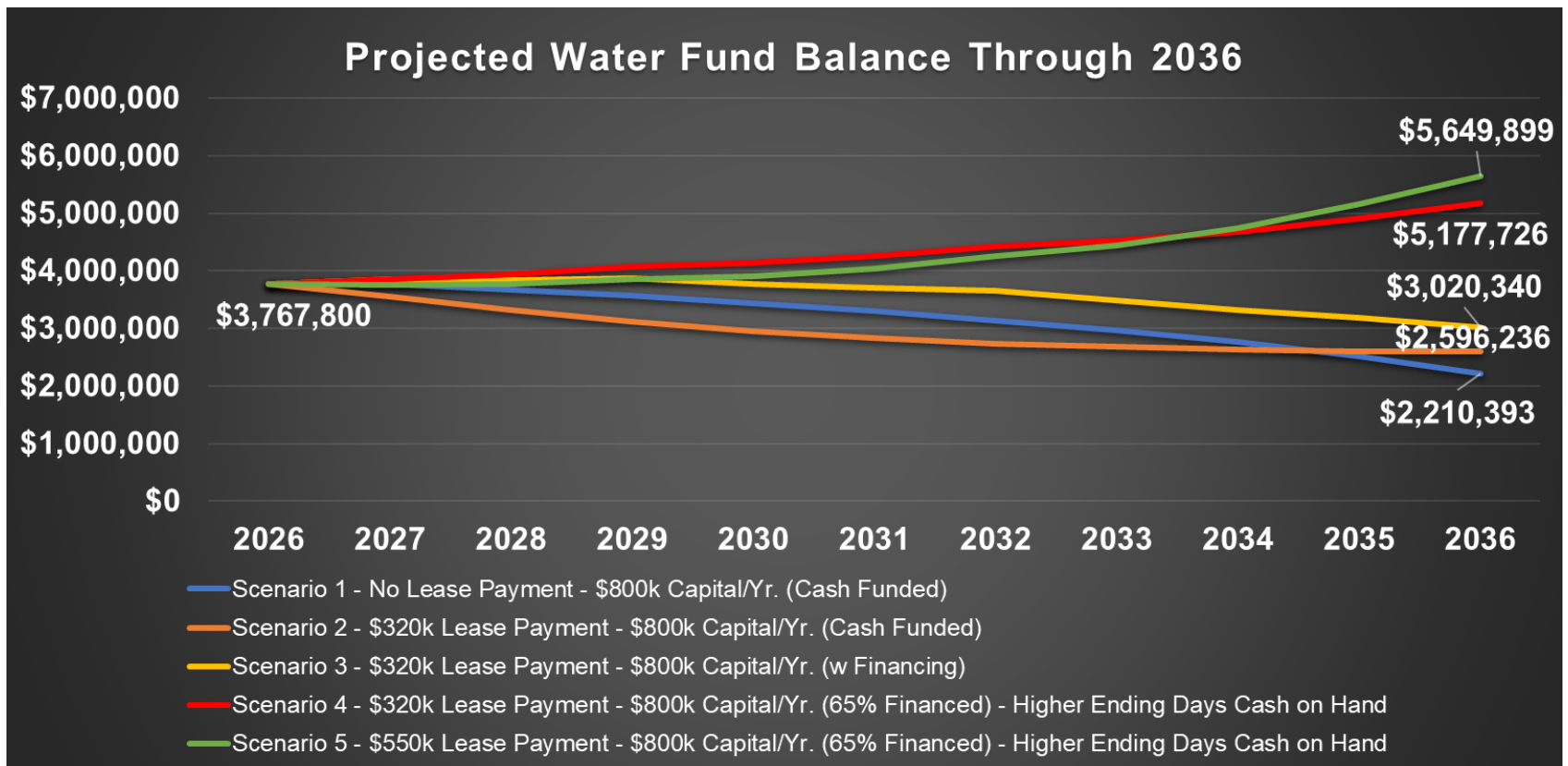


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Projected **Fund Balance** Under Various Scenarios

- The Water Fund **balance remains stable to growing** across most scenarios, ending between approximately **\$2.2 million and \$5.6 million by 2036**. Differences between scenarios primarily reflect the timing and level of rate adjustments, resulting in different ending reserve levels **depending on the Authority's preferred target fund balance**.

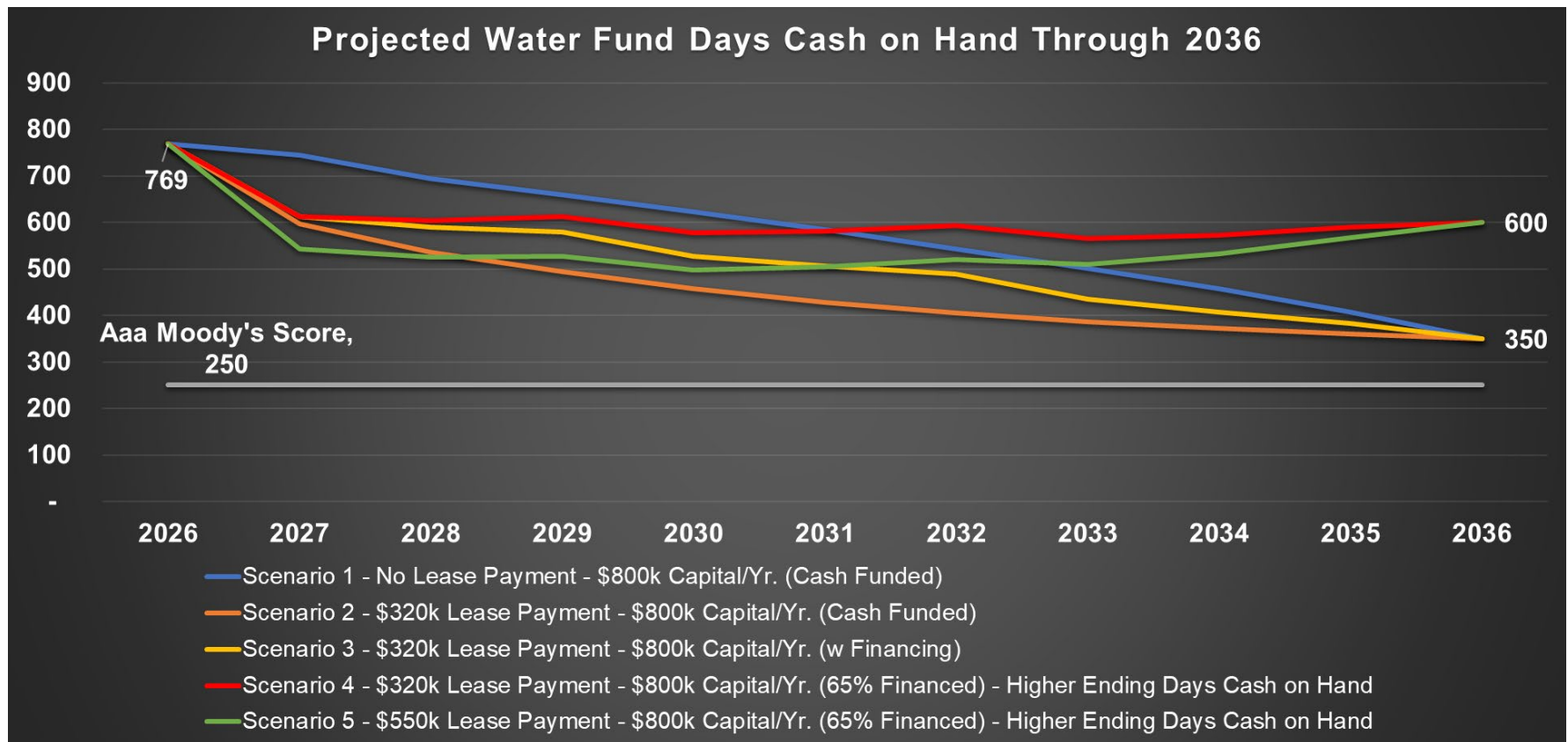


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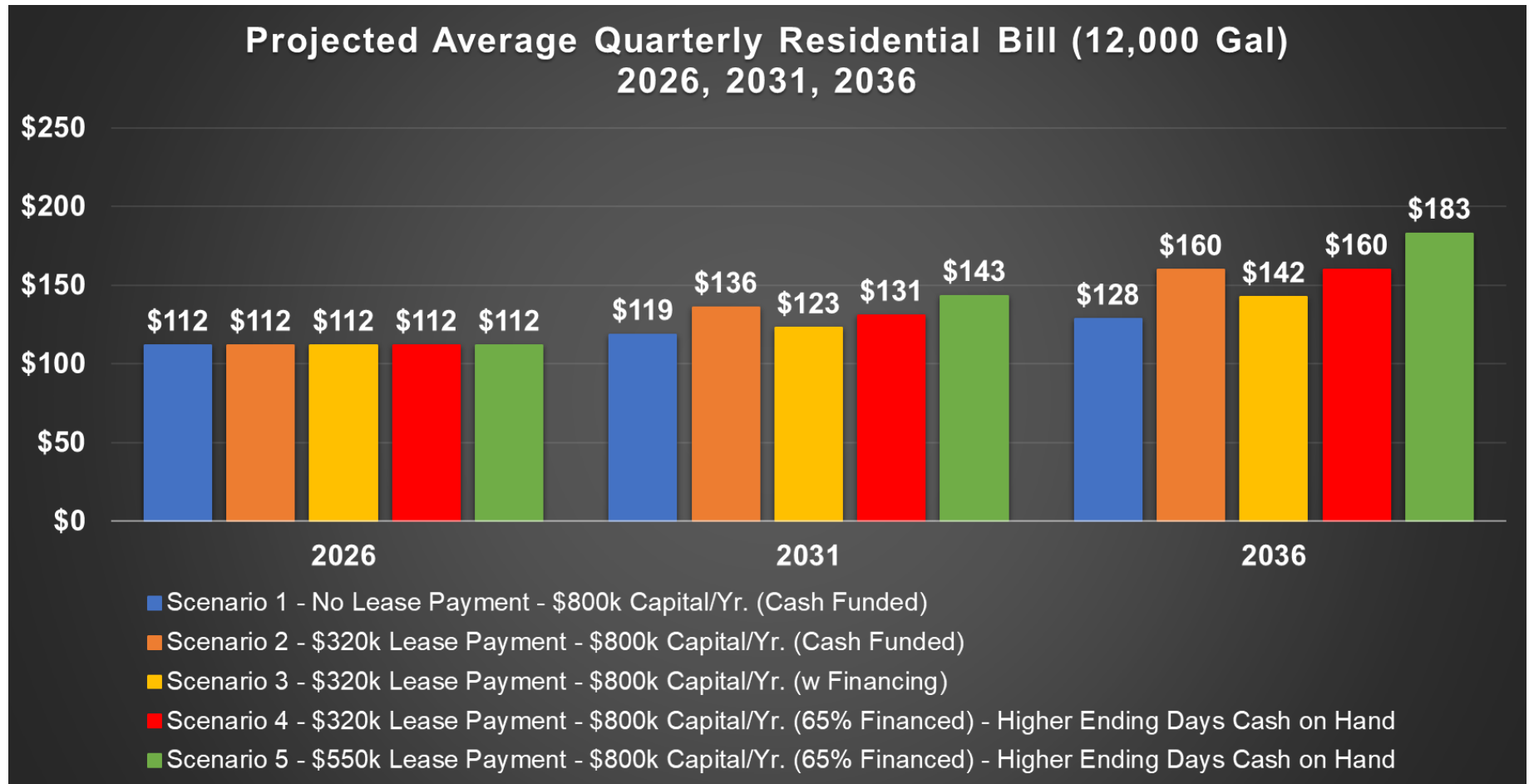
Projected **Days Cash on Hand** Under Various Scenarios

- Days Cash on Hand declines from the current ~769 days as capital spending and operating costs grow, but **remains well above the Moody's Aaa benchmark** of 250 days in all scenarios. By 2036, **liquidity ranges from roughly 350 to 600 days**, depending on the lease payment level and financing approach.





Projected **Average Quarterly Bill** in 2026, 2031, & 2036



Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results.



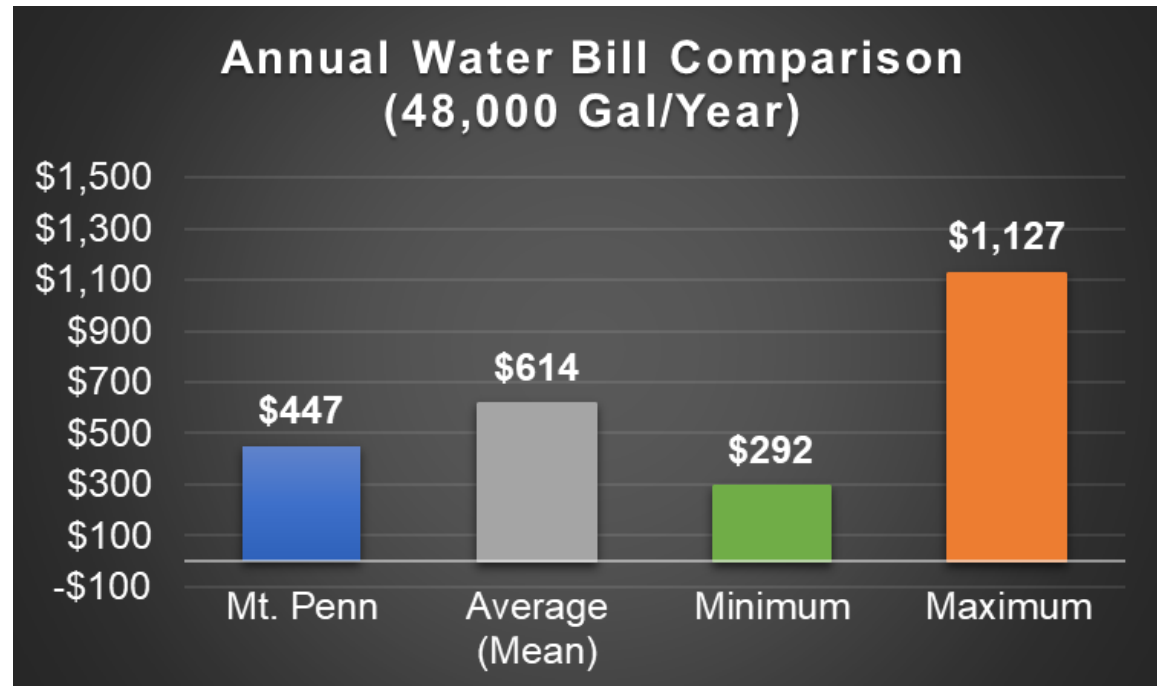
Water Rate Comparison





Comparison of Authority's Water Rates to Others in PA

- PFM compared the Authority's **current** water rates and average annual bill to 50 different water rate zones across Pennsylvania.
 - Municipal water providers, authorities, & investor-owned utilities.
- The Authority's rates are **below the average** of the comparison group.



Note – All bills are calculated using public information that cannot be confirmed by PFM. All annual bills shown assume 48,000 gallons/year of usage. The ranking and averages of other usage amounts may differ.



Closing Thoughts

- Overall, **projected rate increases appear manageable** even with a \$320,000 annual lease payment to the Borough, and with the Authority's **current rates below market**, there is **capacity to absorb gradual increases** while maintaining system stability.
- Thoughts on Capital - Funding **\$800,000 of capital** on a **cash basis** places **upward pressure on rates** for a system of this size. By **financing a portion of larger**, long-term capital projects, **rate increases can be moderated** while maintaining the Authority's financial stability and its ability to make a fair lease payment to the Borough.
- Any other scenarios you'd like us to evaluate at this point?





Backup Summary of Financial/Rate Projections



SCENARIO 1

No Lease Payment - \$800k Capital/Yr. Cash Funded Capital

| | Budget 2026 | Proj. 2027 | Proj. 2028 | Proj. 2029 | Proj. 2030 | Proj. 2031 | Proj. 2032 | Proj. 2033 | Proj. 2034 | Proj. 2035 | Proj. 2036 |
|--|----------------------|---------------|---------------|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Beginning Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| New EDUs Assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| Qtr. 5/8" Customer - Qtr. Fixed Charge | \$83.50 | \$83.50 | \$83.50 | \$85.17 | \$86.87 | \$88.61 | \$90.38 | \$92.19 | \$94.03 | \$94.97 | \$95.92 |
| Volumetric Charge Per 1,000 Gal | \$2.36 | \$2.36 | \$2.36 | \$2.41 | \$2.46 | \$2.50 | \$2.55 | \$2.61 | \$2.66 | \$2.68 | \$2.71 |
| Quarterly 5/8" Bill (12,000 Gal) | \$112 | \$112 | \$112 | \$114 | \$116 | \$119 | \$121 | \$123 | \$126 | \$127 | \$128 |
| Est. Annual Rate Increase(Decrease) | | 0% | 0% | 2% | 2% | 2% | 2% | 2% | 2% | 1% | 1% |
| Total Capital Funded (2026-2036) | New Debt for Capital | | Cash | | Total Capital Funded | | | | | | |
| | \$2,765,000 | | \$9,662,705 | | \$12,427,705 | | | | | | |
| | 22% | | 78% | | | | | | | | |
| Revenues | | | | | | | | | | | |
| User Charges | 2,355,941 | 2,456,018 | 2,456,018 | 2,505,138 | 2,555,241 | 2,606,346 | 2,658,473 | 2,711,642 | 2,765,875 | 2,793,534 | 2,821,469 |
| Tapping Fee Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenues | 134,550 | 199,698 | 202,000 | 201,396 | 200,398 | 198,977 | 197,104 | 194,746 | 191,871 | 188,445 | 183,600 |
| Total Revenues | 2,490,491 | 2,655,716 | 2,658,018 | 2,706,534 | 2,755,639 | 2,805,323 | 2,855,577 | 2,906,389 | 2,957,747 | 2,981,979 | 3,005,069 |
| Expenses | | | | | | | | | | | |
| Operating Expenses | 1,716,598 | 1,678,263 | 1,720,220 | 1,763,225 | 1,807,306 | 1,852,489 | 1,898,801 | 1,946,271 | 1,994,928 | 2,044,801 | 2,095,921 |
| Lease Payment to Borough | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service - Existing | 71,500 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 |
| Debt Service - New Capital | 0 | 117,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 |
| Pay-Go Capital | 700,000 | 800,000 | 820,000 | 840,500 | 861,513 | 883,050 | 905,127 | 927,755 | 950,949 | 974,722 | 999,090 |
| Total Expenses | 2,488,098 | 2,651,210 | 2,752,167 | 2,815,672 | 2,880,765 | 2,947,486 | 3,015,874 | 3,085,972 | 3,157,823 | 3,231,470 | 3,306,958 |
| Surplus (Deficit) | 2,393 | 4,506 | (94,149) | (109,138) | (125,126) | (142,162) | (160,297) | (179,584) | (200,076) | (249,491) | (301,889) |
| Fund Balance | 3,767,800 | 3,772,306 | 3,678,157 | 3,569,019 | 3,443,893 | 3,301,730 | 3,141,433 | 2,961,850 | 2,761,773 | 2,512,282 | 2,210,393 |
| Days Cash on Hand | 769 | 744 | 695 | 660 | 623 | 584 | 543 | 501 | 457 | 406 | 350 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |
| Debt Service Coverage | 10.82 | 5.65 | 4.42 | 4.45 | 4.47 | 4.50 | 4.51 | 4.53 | 4.54 | 4.42 | 4.29 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |

Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results. [1] Per Moody's, Financial Strength Category listed above equal approximately 15% of the total credit rating. Rating Scale from best to worst is AAA, Aa, A, Baa, Ba, B and below. Source: Moody's Rating Methodology.

SCENARIO 2

\$320k Lease Payment - \$800k Capital/Yr. (Cash Funded)

| | Budget 2026 | Proj. 2027 | Proj. 2028 | Proj. 2029 | Proj. 2030 | Proj. 2031 | Proj. 2032 | Proj. 2033 | Proj. 2034 | Proj. 2035 | Proj. 2036 |
|--|----------------------|---------------|---------------|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Beginning Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| New EDUs Assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| Qtr. 5/8" Customer - Qtr. Fixed Charge | \$83.50 | \$86.84 | \$90.31 | \$93.93 | \$97.68 | \$101.59 | \$105.65 | \$109.21 | \$112.49 | \$115.86 | \$119.34 |
| Volumetric Charge Per 1,000 Gal | \$2.36 | \$2.45 | \$2.55 | \$2.65 | \$2.76 | \$2.87 | \$2.99 | \$3.09 | \$3.18 | \$3.27 | \$3.37 |
| Quarterly 5/8" Bill (12,000 Gal) | \$112 | \$116 | \$121 | \$126 | \$131 | \$136 | \$141 | \$146 | \$151 | \$155 | \$160 |
| Est. Annual Rate Increase(Decrease) | | 4% | 4% | 4% | 4% | 4% | 4% | 3% | 3% | 3% | 3% |
| Total Capital Funded (2026-2036) | New Debt for Capital | | Cash | | Total Capital Funded | | | | | | |
| | \$2,765,000 | | \$9,662,705 | | \$12,427,705 | | | | | | |
| | 22% | | 78% | | | | | | | | |
| Revenues | | | | | | | | | | | |
| User Charges | 2,355,941 | 2,554,259 | 2,656,429 | 2,762,686 | 2,873,194 | 2,988,121 | 3,107,646 | 3,212,308 | 3,308,677 | 3,407,937 | 3,510,175 |
| Tapping Fee Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenues | 134,550 | 199,698 | 195,347 | 190,716 | 187,038 | 184,417 | 182,963 | 182,795 | 183,449 | 184,642 | 186,418 |
| Total Revenues | 2,490,491 | 2,753,957 | 2,851,776 | 2,953,402 | 3,060,232 | 3,172,538 | 3,290,610 | 3,395,103 | 3,492,126 | 3,592,579 | 3,696,593 |
| Expenses | | | | | | | | | | | |
| Operating Expenses | 1,716,598 | 1,678,263 | 1,720,220 | 1,763,225 | 1,807,306 | 1,852,489 | 1,898,801 | 1,946,271 | 1,994,928 | 2,044,801 | 2,095,921 |
| Lease Payment to Borough | 0 | 320,000 | 328,000 | 336,200 | 344,605 | 353,220 | 362,051 | 371,102 | 380,379 | 389,889 | 399,636 |
| Debt Service - Existing | 71,500 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 |
| Debt Service - New Capital | 0 | 117,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 | 156,000 |
| Pay-Go Capital | 700,000 | 800,000 | 820,000 | 840,500 | 861,513 | 883,050 | 905,127 | 927,755 | 950,949 | 974,722 | 999,090 |
| Total Expenses | 2,488,098 | 2,971,210 | 3,080,167 | 3,151,872 | 3,225,370 | 3,300,706 | 3,377,925 | 3,457,074 | 3,538,202 | 3,621,359 | 3,706,594 |
| Surplus (Deficit) | 2,393 | (217,253) | (228,391) | (198,470) | (165,139) | (128,167) | (87,315) | (61,971) | (46,077) | (28,780) | (10,001) |
| Fund Balance | 3,767,800 | 3,550,546 | 3,322,156 | 3,123,686 | 2,958,547 | 2,830,380 | 2,743,065 | 2,681,094 | 2,635,017 | 2,606,237 | 2,596,236 |
| Days Cash on Hand | 769 | 597 | 537 | 493 | 457 | 427 | 405 | 387 | 372 | 359 | 350 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |
| | | | | | | | | | | | |
| Debt Service Coverage | 10.82 | 4.37 | 3.79 | 4.03 | 4.29 | 4.56 | 4.86 | 5.08 | 5.27 | 5.46 | 5.67 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |

Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results. [1] Per Moody's, Financial Strength Category listed above equal approximately 15% of the total credit rating. Rating Scale from best to worst is AAA, Aa, A, Baa, Ba, B and below. Source: Moody's Rating Methodology.

SCENARIO 3

\$320k Lease Payment - \$800k Capital/Yr. (65% Financed)

| | Budget 2026 | Proj. 2027 | Proj. 2028 | Proj. 2029 | Proj. 2030 | Proj. 2031 | Proj. 2032 | Proj. 2033 | Proj. 2034 | Proj. 2035 | Proj. 2036 |
|--|----------------------|---------------|---------------|---------------|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Beginning Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| New EDUs Assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| Qtr. 5/8" Customer - Qtr. Fixed Charge | \$83.50 | \$83.50 | \$83.50 | \$86.49 | \$89.09 | \$91.76 | \$94.51 | \$97.35 | \$100.27 | \$103.28 | \$106.37 |
| Volumetric Charge Per 1,000 Gal | \$2.36 | \$2.36 | \$2.36 | \$2.44 | \$2.52 | \$2.59 | \$2.67 | \$2.75 | \$2.83 | \$2.92 | \$3.01 |
| Quarterly 5/8" Bill (12,000 Gal) | \$112 | \$112 | \$112 | \$116 | \$119 | \$123 | \$127 | \$130 | \$134 | \$138 | \$142 |
| Est. Annual Rate Increase(Decrease) | | 0% | 0% | 4% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Total Capital Funded (2026-2036) | New Debt for Capital | | Cash | | Total Capital Funded | | | | | | |
| | \$8,590,758 | | \$3,836,947 | | \$12,427,705 | | | | | | |
| | 69% | | 31% | | | | | | | | |
| Revenues | | | | | | | | | | | |
| User Charges | 2,355,941 | 2,456,018 | 2,456,018 | 2,544,039 | 2,620,360 | 2,698,971 | 2,779,940 | 2,863,338 | 2,949,239 | 3,037,716 | 3,128,847 |
| Tapping Fee Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenues | 134,550 | 199,698 | 204,357 | 206,331 | 209,310 | 209,006 | 209,271 | 210,145 | 207,452 | 205,336 | 203,845 |
| Total Revenues | 2,490,491 | 2,655,716 | 2,660,375 | 2,750,371 | 2,829,670 | 2,907,978 | 2,989,211 | 3,073,484 | 3,156,691 | 3,243,052 | 3,332,692 |
| Expenses | | | | | | | | | | | |
| Operating Expenses | 1,716,598 | 1,678,263 | 1,720,220 | 1,763,225 | 1,807,306 | 1,852,489 | 1,898,801 | 1,946,271 | 1,994,928 | 2,044,801 | 2,095,921 |
| Lease Payment to Borough | 0 | 320,000 | 328,000 | 336,200 | 344,605 | 353,220 | 362,051 | 371,102 | 380,379 | 389,889 | 399,636 |
| Debt Service - Existing | 71,500 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 |
| Debt Service - New Capital | 0 | 238,417 | 277,417 | 277,417 | 408,171 | 408,171 | 408,171 | 548,978 | 548,978 | 548,978 | 598,279 |
| Pay-Go Capital | 700,000 | 280,000 | 287,000 | 294,175 | 301,529 | 309,068 | 316,794 | 324,714 | 332,832 | 341,153 | 349,682 |
| Total Expenses | 2,488,098 | 2,572,627 | 2,668,584 | 2,726,964 | 2,917,558 | 2,978,894 | 3,041,763 | 3,247,011 | 3,313,064 | 3,380,767 | 3,499,465 |
| Surplus (Deficit) | 2,393 | 83,088 | (8,209) | 23,406 | (87,888) | (70,916) | (52,553) | (173,528) | (156,373) | (137,715) | (166,773) |
| Fund Balance | 3,767,800 | 3,850,888 | 3,842,679 | 3,866,085 | 3,778,198 | 3,707,282 | 3,654,729 | 3,481,201 | 3,324,828 | 3,187,113 | 3,020,340 |
| Days Cash on Hand | 769 | 613 | 589 | 580 | 527 | 507 | 490 | 435 | 407 | 383 | 350 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |
| | | | | | | | | | | | |
| Debt Service Coverage | 10.82 | 2.23 | 1.84 | 1.95 | 1.46 | 1.51 | 1.57 | 1.25 | 1.29 | 1.34 | 1.28 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aa | Aa | A | A | A | Baa | A | A | A |

Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results. [1] Per Moody's, Financial Strength Category listed above equal approximately 15% of the total credit rating. Rating Scale from best to worst is AAA, Aa, A, Baa, Ba, B and below. Source: Moody's Rating Methodology.

SCENARIO 4

\$320k Lease Payment - \$800k Capital/Yr. (65% Financed)

Higher Ending Days Cash on Hand

| | Budget 2026 | Proj. 2027 | Proj. 2028 | Proj. 2029 | Proj. 2030 | Proj. 2031 | Proj. 2032 | Proj. 2033 | Proj. 2034 | Proj. 2035 | Proj. 2036 |
|--|-------------------------------------|---------------|---------------------|---------------|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Beginning Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| New EDUs Assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| Qtr. 5/8" Customer - Qtr. Fixed Charge | \$83.50 | \$83.50 | \$86.84 | \$90.31 | \$93.93 | \$97.68 | \$101.59 | \$105.65 | \$109.88 | \$114.28 | \$119.58 |
| Volumetric Charge Per 1,000 Gal | \$2.36 | \$2.36 | \$2.45 | \$2.55 | \$2.65 | \$2.76 | \$2.87 | \$2.99 | \$3.11 | \$3.23 | \$3.38 |
| Quarterly 5/8" Bill (12,000 Gal) | \$112 | \$112 | \$116 | \$121 | \$126 | \$131 | \$136 | \$141 | \$147 | \$153 | \$160 |
| Est. Annual Rate Increase(Decrease) | | 0% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 5% |
| Total Capital Funded (2026-2036) | New Debt for Capital \$8,590,758 | | Cash \$3,836,947 | | Total Capital Funded \$12,427,705 | | | | | | |
| | 69% | | 31% | | | | | | | | |
| Revenues | | | | | | | | | | | |
| User Charges | 2,355,941 | 2,456,018 | 2,554,259 | 2,656,429 | 2,762,686 | 2,873,194 | 2,988,121 | 3,107,646 | 3,231,952 | 3,361,230 | 3,517,220 |
| Tapping Fee Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenues | 134,550 | 199,698 | 204,357 | 209,279 | 215,717 | 219,876 | 225,693 | 233,305 | 238,636 | 245,937 | 255,369 |
| Total Revenues | 2,490,491 | 2,655,716 | 2,758,616 | 2,865,708 | 2,978,404 | 3,093,070 | 3,213,814 | 3,340,952 | 3,470,588 | 3,607,168 | 3,772,589 |
| Expenses | | | | | | | | | | | |
| Operating Expenses | 1,716,598 | 1,678,263 | 1,720,220 | 1,763,225 | 1,807,306 | 1,852,489 | 1,898,801 | 1,946,271 | 1,994,928 | 2,044,801 | 2,095,921 |
| Lease Payment to Borough | 0 | 320,000 | 328,000 | 336,200 | 344,605 | 353,220 | 362,051 | 371,102 | 380,379 | 389,889 | 399,636 |
| Debt Service - Existing | 71,500 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 |
| Debt Service - New Capital | 0 | 238,417 | 277,417 | 277,417 | 408,171 | 408,171 | 408,171 | 548,978 | 548,978 | 548,978 | 598,279 |
| Pay-Go Capital | 700,000 | 280,000 | 287,000 | 294,175 | 301,529 | 309,068 | 316,794 | 324,714 | 332,832 | 341,153 | 349,682 |
| Total Expenses | 2,488,098 | 2,572,627 | 2,668,584 | 2,726,964 | 2,917,558 | 2,978,894 | 3,041,763 | 3,247,011 | 3,313,064 | 3,380,767 | 3,499,465 |
| Surplus (Deficit) | 2,393 | 83,088 | 90,032 | 138,743 | 60,846 | 114,176 | 172,051 | 93,940 | 157,525 | 226,401 | 273,124 |
| Fund Balance | 3,767,800 | 3,850,888 | 3,940,920 | 4,079,663 | 4,140,509 | 4,254,685 | 4,426,736 | 4,520,676 | 4,678,201 | 4,904,602 | 5,177,726 |
| Days Cash on Hand | 769 | 613 | 604 | 612 | 578 | 582 | 593 | 565 | 573 | 589 | 600 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |
| Debt Service Coverage | 10.82 | 2.23 | 2.13 | 2.30 | 1.78 | 1.91 | 2.05 | 1.69 | 1.81 | 1.94 | 1.95 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aa | Aa | Aaa | A | Aa | Aa | Aa |

Note - Projections shown are estimated for illustrative purposes only and contain a variety of assumptions that are subject to material change. The projections shown are not indicative of future results. [1] Per Moody's, Financial Strength Category listed above equal approximately 15% of the total credit rating. Rating Scale from best to worst is AAA, Aa, A, Baa, Ba, B and below. Source: Moody's Rating Methodology.

SCENARIO 5

\$550k Lease Payment - \$800k Capital/Yr. (65% Financed)

Higher Ending Days Cash on Hand

| | Budget 2026 | Proj. 2027 | Proj. 2028 | Proj. 2029 | Proj. 2030 | Proj. 2031 | Proj. 2032 | Proj. 2033 | Proj. 2034 | Proj. 2035 | Proj. 2036 |
|--|-------------------------------------|---------------|---------------------|---------------|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Beginning Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| New EDUs Assumed | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Total EDU Count | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 | 4,300 |
| Qtr. 5/8" Customer - Qtr. Fixed Charge | \$83.50 | \$88.07 | \$92.48 | \$97.10 | \$101.96 | \$107.05 | \$112.41 | \$118.03 | \$123.93 | \$130.12 | \$136.63 |
| Volumetric Charge Per 1,000 Gal | \$2.36 | \$2.49 | \$2.61 | \$2.74 | \$2.88 | \$3.03 | \$3.18 | \$3.34 | \$3.50 | \$3.68 | \$3.86 |
| Quarterly 5/8" Bill (12,000 Gal) | \$112 | \$118 | \$124 | \$130 | \$137 | \$143 | \$151 | \$158 | \$166 | \$174 | \$183 |
| Est. Annual Rate Increase(Decrease) | | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |
| Total Capital Funded (2026-2036) | New Debt for Capital \$8,590,758 | | Cash \$3,836,947 | | Total Capital Funded \$12,427,705 | | | | | | |
| | 69% | | 31% | | | | | | | | |
| Revenues | | | | | | | | | | | |
| User Charges | 2,355,941 | 2,590,539 | 2,720,065 | 2,856,069 | 2,998,872 | 3,148,816 | 3,306,257 | 3,471,569 | 3,645,148 | 3,827,405 | 4,018,776 |
| Tapping Fee Revenues | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Revenues | 134,550 | 199,698 | 201,493 | 204,230 | 209,257 | 212,877 | 219,136 | 228,290 | 236,386 | 247,813 | 262,880 |
| Total Revenues | 2,490,491 | 2,790,236 | 2,921,558 | 3,060,299 | 3,208,129 | 3,361,693 | 3,525,393 | 3,699,859 | 3,881,534 | 4,075,219 | 4,281,655 |
| Expenses | | | | | | | | | | | |
| Operating Expenses | 1,716,598 | 1,678,263 | 1,720,220 | 1,763,225 | 1,807,306 | 1,852,489 | 1,898,801 | 1,946,271 | 1,994,928 | 2,044,801 | 2,095,921 |
| Lease Payment to Borough | 0 | 550,000 | 563,750 | 577,844 | 592,290 | 607,097 | 622,275 | 637,831 | 653,777 | 670,122 | 686,875 |
| Debt Service - Existing | 71,500 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 | 55,947 |
| Debt Service - New Capital | 0 | 238,417 | 277,417 | 277,417 | 408,171 | 408,171 | 408,171 | 548,978 | 548,978 | 548,978 | 598,279 |
| Pay-Go Capital | 700,000 | 280,000 | 287,000 | 294,175 | 301,529 | 309,068 | 316,794 | 324,714 | 332,832 | 341,153 | 349,682 |
| Total Expenses | 2,488,098 | 2,802,627 | 2,904,334 | 2,968,608 | 3,165,243 | 3,232,771 | 3,301,987 | 3,513,741 | 3,586,461 | 3,661,000 | 3,786,703 |
| Surplus (Deficit) | 2,393 | (12,391) | 17,224 | 91,691 | 42,887 | 128,922 | 223,406 | 186,118 | 295,072 | 414,219 | 494,952 |
| Fund Balance | 3,767,800 | 3,755,409 | 3,772,633 | 3,864,324 | 3,907,210 | 4,036,132 | 4,259,538 | 4,445,656 | 4,740,728 | 5,154,947 | 5,649,899 |
| Days Cash on Hand | 769 | 543 | 526 | 527 | 498 | 504 | 521 | 509 | 532 | 567 | 600 |
| Indicative Moody's Score[1] | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa | Aaa |
| Debt Service Coverage | 10.82 | 1.91 | 1.91 | 2.16 | 1.74 | 1.94 | 2.16 | 1.84 | 2.04 | 2.25 | 2.29 |
| Indicative Moody's Score[1] | Aaa | Aa | Aa | Aaa | Aa | Aa | Aaa | Aa | Aaa | Aaa | Aaa |

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Thank You





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