

**\$35,000,000\***  
**CHESTER WATER AUTHORITY**  
**WATER REVENUE BONDS, SERIES OF 2019**  
*DATE OF RFP: MAY 23, 2019*

**REQUEST FOR PROPOSALS**

**I) GENERAL INFORMATION**

<b>ISSUER/OBLIGOR</b>	Chester Water Authority (“Authority”)
<b>OBLIGATION</b>	Chester Water Authority \$35,000,000* Water Revenue Bond, Series of 2019 (the “2019 Bonds”)
<b>PURPOSE</b>	Proceeds from the 2019 Bonds will be used to (i) fund Capital Projects to be undertaken by the Authority with respect to the Water System, including, but not limited to, the acquisition, construction and equipping of various alterations, additions, extensions, replacement, rehabilitations and/or improvements to the Water System, and (ii) fund the costs and expenses associated with the issuance of the 2019 Bonds.
<b>RFP RESPONSE DATE</b>	Responses to this Request for Proposals (“RFP”) are due via email or fax by <b>June 7, 2019 at 3:00 pm</b> as provided below.
<b>SETTLEMENT DATE</b>	Settlement on the 2019 Bonds will be on or about June 20, 2019.
<b>TRUSTEE</b>	Wells Fargo Bank, N.A.

**II) TERMS/STRUCTURE**

**PRINCIPAL AMORTIZATION** Principal on the 2019 Bonds will be repaid annually on December 1 as follows:

2020	\$900,000*
2021	930,000*
2022	965,000*
2023	995,000*
2024	31,210,000*

\*Preliminary, subject to change. See “**Modification to 2019 Bond Sizing and Amortization**” herein.

<b>INTEREST</b>	Interest will be payable semi-annually on June 1 <sup>st</sup> and December 1 <sup>st</sup> commencing on December 1, 2019. Interest, if in a fixed rate mode, shall be calculated on the basis of a 360-day year consisting of twelve 30-day months (e.g. 30/360 day count). Interest, if in a variable rate mode, shall be calculated on the basis of an actual day count (e.g. actual/actual count).
<b>CUSIP</b>	The Authority does not intend to apply for CUSIP for the 2019 Bonds
<b>DTC</b>	The Authority is amenable to DTC delivery or registered only bonds at the Purchaser's preference.
<b>TRANSFER/RESALE</b>	Purchasers shall be required to represent that they are purchasing for their own account without the intent to redistribute.
<b>TAX EXEMPTION</b>	Bond Counsel to the Authority, Eckert Seamans Cherin & Mellott, LLC, will provide an opinion to the Purchaser to the effect that the interest on the 2019 Bonds will be exempt from gross income for Federal income and Commonwealth tax purposes.
<b>REDEMPTION</b>	The 2019 Bonds will be subject to optional redemption prior to their stated maturities at the option of the Authority subject to 30 days written notice by the Authority, in whole or in part, on any date prior to maturity in \$1,000 increments at 100% of the principal amount thereof, together with accrued interest on the amount to be redeemed to the redemption date.
<b>AUTHORIZATION</b>	The 2019 Bonds are being issued as Additional Bonds pursuant to (i) a Trust Indenture by and between the Authority and Wells Fargo Bank, N.A. as trustee (the "Trustee") dated as of December 1, 2014 (the "Original Indenture") as it shall be amended and supplemented by a Supplemental Trust Indenture by and between the Authority and the Trustee to be dated the date of issuance of the 2019 Bonds (the "Supplemental Indenture" and together with the Original Indenture, the "Indenture") and (ii) a resolution of the Authority authorizing, among other things, the issuance of the 2019 Bonds adopted on May 16, 2019 (the "Bond Resolution").

***The below descriptions of Other Matters, Security, and Additional Bonds do not purport to be comprehensive or definitive and reference is made to the Authority website for further information regarding the Other Matters and to the full Original Indenture and a draft Supplemental Indenture for complete details of all terms, conditions, covenants and otherwise.***

The Authority intends to issue the 2019 Bonds as Balloon Indebtedness as defined under the Indenture.

#### **OTHER MATTERS**

In re CWA Trust, Delaware County Court of Common Pleas, Orphans' Court Division, No. 217-2019

On March 1, 2019 the Chester Water Authority filed a Petition with the Orphans' Court division of the Court of Common Pleas, Delaware County ("Petition"), seeking approval to transfer certain of its generational, transmission and storage-related assets into an express Trust for the benefit of the Authority's ratepayers. The Authority created the Trust to memorialize its role as a fiduciary in the conservation and maintenance of the public's natural resources under Pennsylvania's Constitution, and to protect and preserve these assets for the Trust beneficiaries. With the approved transfer of these assets to the Trust, the Authority, through a lease agreement with the Trust, proposes to continue the operation of these assets comprising the water system in order to provide quality, clean and safe water to all of its ratepayers at a reasonable cost, in accordance with its mission. No transfer to the Trust will occur without the Orphan's Court approval and the Receipts and Revenues from the Water System of the Authority which are pledged under the Original Indenture to secure Bonds issued thereunder will continue to be pledged under the Original Indenture.

By Preliminary Decree dated April 1st 2019 the Court required the Authority to provide notice of the action to potentially interested parties, and set a hearing date on the Petition for July 18, 2019.

The Petition is available for review on the Authority's website ([www.chesterwater.com](http://www.chesterwater.com)) under "Information on CWA Legal Proceeding".

Aqua PA v CWA & City of Chester, Delaware County Court of Common Pleas, No. CV-2019-002924:

On April 3, 2019, Aqua Pennsylvania filed a lawsuit against the Chester Water Authority and the City of Chester ("City") in the Civil Division of the Court of Common Pleas of Delaware County (the Lawsuit"). As background, in May 2017 Aqua made an unsolicited offer to buy the Authority's assets for approximately \$320,000,000. The Authority considered the offer but rejected it as not in the best interests of the Authority's ratepayers, given that a sale to Aqua could ultimately result in water rates

increasing by as much as 100% in in comparison to the Authority's current and foreseeable rates. Five months later, the City of Chester notified the Authority that, in an effort to raise desperately needed money, it was considering an attempt to dissolve the Authority and sell off the Authority's assets. The Authority challenged the City's legal basis for such a proposed action. To resolve the dispute, the City and the Authority have been negotiating a potential settlement agreement that would protect the Authority from any attempted dissolution by the City for a period of 40 years in exchange for a \$60 million lump sum payment from the Authority to the City. To finance this payment, the Authority has proposed a 10% rate increase, which the Authority considers to be a much more favorable outcome than litigation with the City over an attempted dissolution of the Authority, and a possible 100% rate increase if the Authority is sold or dissolved and Aqua take over water supply in the area. The Authority contemplates issuing Additional Bonds to make the payment if a settlement is reached with the City.

Aqua has certain contracts to purchase a quantity of the Authority's water. In the complaint, Aqua claims to use its status as a purchaser of water from the Authority to challenge the Authority's 10% rate increase. The Authority intends to vigorously defend against Aqua's claims. A four-week trial term commences on October 7, 2019.

The Lawsuit is available for review on the Authority's website ([www.chesterwater.com](http://www.chesterwater.com)) under "Potential Sale of CWA?".

## **SECURITY**

The 2019 Bonds shall be issued as Water Revenue Bonds of the Authority under the Indenture (all bonds issued thereunder being referred to as "Bonds") and shall be equally and ratably secured together with the previously issued Water Revenue Bonds, Series of 2014 currently outstanding in the principal amount of \$53,165,000 and any subsequently issued parity Bonds, by the Authority's pledge under the Indenture to all Receipts and Revenues from the Water System (hereinafter defined).

A 2019 Bond Account (or similar account) shall be created in the Bond Fund established under the Indenture, which is held by the Trustee, in the name of the Authority, in trust, for the benefit of the holder of the 2019 Bonds. Under the terms of the Indenture, amounts in the 2019 Bonds Account may be used solely to pay principal and interest on the 2019 Bonds. Under the terms of the Supplemental indenture, the Authority shall be obligated to

deposit into the 2019 Bonds Account (i) on the 25<sup>th</sup> day in each of the six months preceding a scheduled Interest Payment Date (as such term is defined in the Indenture) an amount equal to 1/6<sup>th</sup> of the interest becoming due on the next Interest Payment Date and (ii) on the 25<sup>th</sup> day in each of the twelve months preceding a scheduled Principal Payment Date (as such term is defined in the Indenture) an amount equal to 1/12<sup>th</sup> of the principal becoming due on the next Principal Payment Date.

**ADDITIONAL BONDS**

The Authority is permitted to issue “Additional Bonds” as parity debt as well as Subordinated Debt under the Indenture pursuant to requirements, covenants and representations enumerated therein.

The Authority currently anticipates issuing long term, fixed rate Water Revenue Bonds to permanently refinance the 2019 Bonds prior to the final maturity date of the 2019 Bonds.

**RATING**

The Authority will not be obtaining a rating for the 2019 Bonds.

**DIRECT PURCHASE/  
LIMITED OFFERING**

The 2019 Bonds will be issued in authorized denominations of \$1,000 or increments of \$1,000 in excess thereof. As a condition of submitting a proposal, each proposer agrees that it will not sell or transfer the 2019 Bonds to more than thirty-five (35) persons, each of whom the proposer believes: (i) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the 2019 Bonds; and (ii) is not purchasing for more than one account or with a view toward distributing the 2019 Bonds. Each transferee will be required to execute a certificate to this effect. No Official Statement or Continuing Disclosure Agreement will be prepared in connection with the offering of the 2019 Bonds pursuant to exemption available under Rule 15c2-12.

Each proposer may sell one or more participations in the 2019 Bonds; provided however, at all times, the Authority shall only be required to deal with the proposer.

**III) PROPOSALS**

**FORM**

Each proposal submitted must offer to purchase all of the 2019 Bonds being offered.

Proposers shall be permitted to offer either (i) a fixed rate of interest that all of the 2019 Bonds shall bear, (ii) a variable rate of interest that all of the 2019 Bonds shall bear, or (iii) either a fixed rate of interest and a variable rate of interest that all of the 2019 Bonds shall bear whereupon the Authority shall be permitted to select either the fixed or variable rate offered.

If proposing in the fixed rate mode, Proposers shall specify a fixed interest rate as a single rate of interest that all the 2019 Bonds will bear expressed in multiples of 1/100th of 1%.

If proposing in the variable rate mode, Proposers shall specify a fixed spread (i.e. basis points) to Prime Rate to which interest shall accrue on the 2019 Bonds. The 2019 Bonds in variable rate mode shall reset its interest rate on a monthly basis.

Proposers must utilize the attached Proposal Sheet. In addition to the proposed interest rate(s), proposers should clearly identify any additional fees or expenses of the proposer to be borne by the Authority (bank commitment fees, counsel fees, etc.).

**MODIFICATION TO 2019 BONDS  
SIZING AND AMORTIZATION**

After submission of proposals, the Authority reserves the right to reduce the par amount of the 2019 Bonds to be issued to a par sizing of not less than \$30,000,000 in multiples of \$1,000 denomination. Any reduction of the par amount of the 2019 Bonds in connection with this section shall result in the according pro-rata reduction in each of the proposed respective maturity amounts (rounded to \$1,000). Proposers shall be required to maintain the terms of their proposal in the event of any change in the sizing of the 2019 Bonds.

**PROPOSAL COMMITMENT**

Proposers will be required to hold the proposed interest rate(s) until the settlement date (on or about June 20, 2019).

**DUE DATE/ATTENTION**

Written proposals are due **June 7, 2019 at 3:00 pm** and should be faxed (856-234-6697) or emailed to Pete Nissen ([pnissen@acaciafin.com](mailto:pnissen@acaciafin.com)).

Acacia Financial Group, Inc.  
6000 Midlantic Drive, Suite 410 North  
Mt Laurel, NJ 08054  
Phone: 856-234-2266  
Fax: 856-234-6697

**IV) OTHER INFORMATION**

**AVAILABLE UPON REQUEST**

1. Authority FY 2017 Audited Financial Statements
2. Authority FY 2018 Draft Financial Statements
3. Authority 2019 Adopted Operating Budget
4. Authority 2017 Operating Information
5. Original Indenture
6. Draft Supplemental Indenture
7. Bond Resolution adopted May 16, 2019 (including List of Capital Projects to be financed with 2019 Bonds)

Request for the above information may be made by email to Peter Nissen (email: [pnissen@acaciafin.com](mailto:pnissen@acaciafin.com)).

**DOCUMENTATION**

Documentation will be prepared by Bond Counsel to the Authority.

**FEES & EXPENSES**

Fees and expenses associated with the issuance of the 2019 Bonds (i.e. Bond Counsel, Financial Advisor and other professionals of the Authority) shall be paid from 2019 Bond proceeds. Purchasers will be responsible for any internal fees (counsel or other) not included on the Proposal Sheet.

**NOTES**

The Authority reserves the right to reject any and all proposals, to waive minor errors and inconsistencies, and to negotiate with any proposer upon terms that differ substantially from those set forth herein.

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**CHESTER WATER AUTHORITY**  
**WATER REVENUE BONDS, SERIES OF 2019**

PROPOSAL SHEET

We hereby confirm our offer to purchase the 2019 Bonds (for a purchase price equal to the par amount of the 2019 Bonds) subject to all the terms and conditions stated in the foregoing Request for Proposal, provided that the 2019 Bonds bear interest at the interest rate(s) indicated below. We hereby confirm that credit approval for this offer to purchase has been achieved and that this offer is not contingent upon subsequent internal credit approvals. The undersigned represents that this offer is valid and binding until the proposed settlement date which is scheduled for on or about June 20, 2019.

Proposal submission due date and time: June 7, 2019 by 3:00 pm  
Fax or Email submission to the attention of Peter Nissen (fax: 856-234-6697) or (email: pnissen@acaciafin.com)

If proposing a Fixed Rate, please provided the offered Rate on the 2019 Bonds \_\_\_\_\_%

If proposing a Variable Rate, please provided the offered Spread above/below Prime Rate on the 2019 Bonds (monthly reset) \_\_\_\_\_%

Total Amount of 2019 Bonds bid for: \$35,000,000\* (must bid for full amount of 2019 Bonds)

Other Proposer Fees or Expenses (e.g. Proposer counsel) to be paid by the Authority (if any): \_\_\_\_\_

For information purposes, please complete following:

Purchaser: \_\_\_\_\_

Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Phone Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

\*Preliminary, subject to change. See "Modification to 2019 Bond Sizing and Amortization" herein.