

**MINUTES**  
**FINANCE COMMITTEE MEETING**  
**FEBRUARY 12, 2020**

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Attendants: Messrs. Boland, Cherico, Kester, Knapp, Lucas, Monaghan, Pileggi, Willert and Mesdames Amadio, Caulk, and Cummings.

Tom Wyatt of Obermayer and Courtney Mulholland of PFM were present.

1. ROLL CALL: Five members of the DELCORA Board of Directors were present constituting a quorum.

2. PLEDGE OF ALLEGIANCE: The Pledge of Allegiance was recited by all parties present.

3. MONTHLY FINANCIAL REVIEW: Mr. John Pileggi, Director of Finance, provided the Board with a written summary report of the January Interim Statements. Given that only one month of the year has passed, there are no meaningful variances between the budgeted and actual numbers to report on. Mr. Pileggi stated that the Audit will be performed in February, with a Draft of the Audit to be completed for the April Finance meeting. Mr. Pileggi had no additional comments to the written report. The Committee had no questions on the written report.

4. CONSIDERATION OF AMENDMENTS TO CERTAIN DISCLAIMERS BY DELCORA AND REPRESENTATIONS AND WARRANTIES OF BUYER IN THE ASSET PURCHASE AGREEMENT WITH AQUA PENNSYLVANIA WASTEWATER, INC.: Mr. Wyatt reported to the Board that he will be requesting at the February Board meeting to make an amendment to the Asset Purchase Agreement with Aqua. Mr. Wyatt stated that this revision is minor and will allow the process with the PUC to go more smoothly, potentially with the Investigation and Enforcement Department. Mr. Wyatt reported that a certain Uniform Commercial Code related provision will be amended to remove certain implied warranties prior to closing. Mr. Wyatt stated that removing certain language presents no risk to the Asset Purchase Agreement and no risk to DELCORA due to DELCORA's assets and because the implied warranties would apply post-closing. Mr. Wyatt reported that making this revision could possibly remove certain objections that have been previously made in the PUC process. Mr. Wyatt had nothing further to report and the Committee had no questions regarding the amendment.

5. PRESENTATION BY COURTNEY MULHOLLAND OF PFM: Ms. Mulholland gave a presentation to the Committee regarding the investments that DELCORA makes through PFM. PFM has managed PLGIT since 1981. DELCORA has been with PFM/PLGIT since 1986. PFM/ PLGIT has over 500 authorities in the state of Pennsylvania that utilize their services. Ms. Mulholland stated that there are three portfolios and programs that DELCORA utilizes. PLGIT/ARM, PLGIT/TERM, and PLGIT-CD Purchase Program. Ms. Mulholland reported that PLGIT investment operate similarly to a money market. Ms. Mulholland reported on several permitted investments

in PA allowed by the Pennsylvania Municipal Authority Act and the DELCORA Trust Agreement. Ms. Mulholland stated that when ACT 10 was passed in 2016 it allowed schools, municipalities and authorities to invest in Commercial Paper, Negotiable Certificates of Deposit, and Bankers' Acceptance. Mr. Knapp asked Ms. Mulholland what DELCORA is not allowed to invest in through PLGIT, Ms. Mulholland stated that DELCORA can not invest in Stocks, Hedge Funds, or Junk Bonds. Ms. Mulholland had nothing further to report. The Committee had no additional questions on the presentation.

ADJOURNMENT: It was moved by Mr. Lucas, seconded by Mr. Monaghan, and unanimously carried to adjourn the regular meeting at 3:57 p.m.



## Inter - Office Memorandum

**To:** Robert Willert, Executive Director  
**From:**  John J. Pileggi, Director of Finance / Mike Cherico, Accounting Manager *mc*  
**Subject:** Monthly Finance Report – JANUARY 2020  
**Date:** February 12, 2020

I will be offering written comments as highlights to the financial information that you and the Finance Committee are receiving for January 2020.

### 1. Revenue and Expenses

Approximately \$ 11.5 million is budgeted for a combined Reserve for Capital Replacement and Reserve for the LTCP. These funds would go toward the capital plan and LTCP expenses planned for 2020 and beyond. At this early point of the year, there are no variances to report between budget and actual.

### 2. 2019 Audit Update

- Audit will take place next week
- Draft of audit is due at the April 2020 Finance meeting

JP:mc

# DELCORA

## Permitted Investments Overview

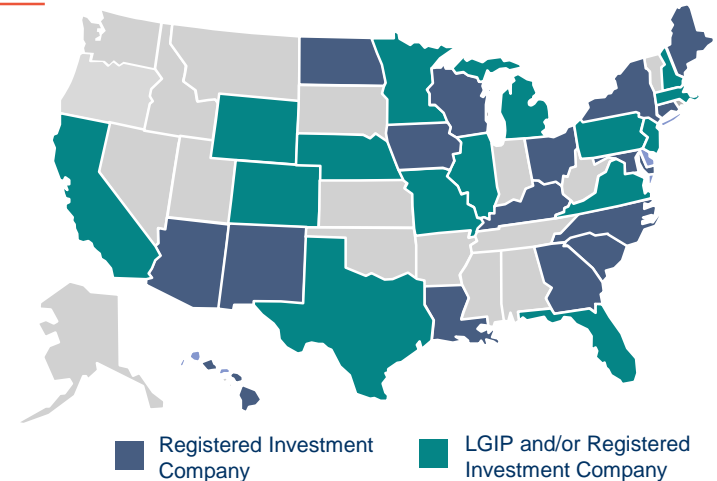
Courtney Mulholland, Director  
February 12, 2020



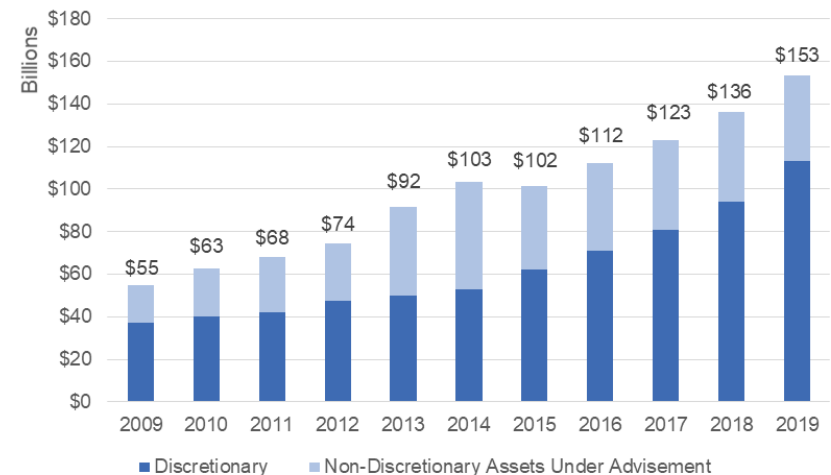
1.800.572.1472  
[csg-eastregion@pfm.com](mailto:csg-eastregion@pfm.com)  
[www.plgit.com](http://www.plgit.com)

# PFM's Asset Management Business

- Our asset management business has 39 years' experience in managing high-quality portfolios.
- \$153.1 billion in total assets, including \$113.1 billion in discretionary assets under management and \$40.0 billion in assets under advisement as of December 31, 2019.
- Relative value manager with a focus on downside protection.
- Specialist in high-quality, short- and intermediate-duration fixed-income portfolios.
- Successfully navigated the markets during the credit crisis.
- Culture of transparency and risk management
- PFM's asset management business has helped pioneer the development of local government investment pools (LGIPs). The first grass roots LGIP was established in Pennsylvania in 1981 and is still managed by our team of professionals.
- We provide investment advisory and administrative services to 17 pooled investment programs and one registered investment company whose series or classes are registered in multiple states, as shown below (as of December 31, 2019). These programs have more than \$39 billion in combined total assets from over 5,400 participants.\*



**PFM's Assets Under Management and Advisement  
(in billions)**  
Total Assets



\*Source: PFM Asset Management LLC as of December 31, 2019.

# PLGIT Foundations

- Prior to PLGIT, there were limited options for local government investments
- The **Pennsylvania Local Government Investment Trust** was formed in May 1981 as an instrumentality of local governments and schools for the purpose of jointly investing funds
- Solely comprised of Pennsylvania governmental entities
- The Trust's investment policy follows PA codes for permitted investments
- Since inception, PFM Asset Management LLC ("PFM") has served as PLGIT's investment advisor

**PLGIT is the Sponsored Short-Term Investment Option  
of Seven Statewide Associations**



# PLGIT's Impact in Pennsylvania

***3,070\* public entities in Pennsylvania are PLGIT Investors***

<b>Authorities</b>	<b>566</b>	School Districts	483
Boroughs	603	School Intermediate Units	28
Cities	47	Townships of the 1 <sup>st</sup> Class	85
Counties	51	Townships of the 2 <sup>nd</sup> Class	905
Other	255	Area Vocational Technical Schools	47

***\$6.5 Billion\* in assets under management***

## Types of Funds Typically Invested in PLGIT

Operating Funds	Payroll	Escrowed Funds
Short-term Reserves	Debt Service Reserves	Liquid Fuels
Capital Reserves	Bond Proceeds	Act 13 Funds

*\*As of December 31, 2019.*

# PLGIT Portfolios & Programs

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## **PLGIT/ARM**

- For proceeds of tax-exempt borrowings
- Wire and checkwriting
- Arbitrage rebate tracking and reporting services



## **PLGIT/TERM**

- Fixed-rate, fixed-term investment
- Investments can be made from \$100,000 and up
- Principal and dividend paid at maturity
- Customized maturity dates available



## **PLGIT – CD Purchase Program**

- Fixed-rate investment in FDIC-insured CDs
- CDs in banks meeting PLGIT's minimum capitalization standards
- Investments from \$95,000 and up



# PLGIT Investment Options

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- The core PLGIT investment options operate similarly to money market funds, where each Investor purchases shares of a beneficial ownership in a portfolio of securities
- PLGIT was created to meet the short term investment needs of public entities. PLGIT investors' accounts are not managed against a benchmark or total return portfolio approach as may be the case for pension funds or longer term reserve funds.
- Funds deposited directly into PLGIT begin earning interest on the day of deposit
  - Dividends declared for PLGIT-Class and PLGIT/ARM shares are paid monthly and are reinvested automatically in additional shares
- PLGIT CD and TERM investments earn a fixed rate of interest paid upon the maturity date
- All PLGIT yields are quoted net of fees and expenses
- Since PLGIT is not a bank, Act 72 does not apply to investments in the Trust

*For more details on investment options and interest calculations, please see the PLGIT Information Statement available on [plgit.com](http://plgit.com)*

# Permitted Investments – Trust Indenture

- Per the Authority's Trust Indenture dated July 15, 2001 and its supplements, the following investments are permitted.

Security Type	Details
U.S. Government Securities	U.S. Treasuries and other obligations guaranteed by the U.S. government
Government-Sponsored Enterprises (GSEs)	Senior debt obligations of FNMA, FHLMC, FHLB, and other GSEs
Negotiable Certificates of Deposit	Rated in one of the two highest rating categories by both Moody's and S&P
Non-negotiable CD or Time Deposit	Collateralized/uncollateralized
Repurchase Agreements	Collateralized by U.S. Treasury or Federal Agency securities
Banker's Acceptances	Rated in one of the two highest rating categories by both Moody's & S&P
State Municipal Obligations	Rated in either of the two highest rating categories by both Moody's and S&P
Commercial Paper	Maximum maturity of 270 days with a rating of at least "A" by a NRSRO
Money Market Funds	Rated in any of the three highest rating categories by any NRSRO
Investment Contracts	Long-term rating of at least "A+" by S&P or "A1" by Moody's

# Permitted Investments in PA

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- U.S. Government Securities
- Federal Agency or Instrumentality
- PA General Obligation Municipal Bonds
- FDIC Insured Certificates of Deposit
- Collateralized Certificates of Deposit
- ***Commercial Paper***
- ***Negotiable Certificates of Deposit***
- ***Bankers' Acceptances***
- Repurchase Agreements
- Government and Prime Money Market Funds
- Local Government Investment Pools

***PA Municipal Authorities Act § 5611. Investment of authority funds***

# Act 10 of 2016

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- **Act 10 of 2016 (“Act 10”) enables, but does not require:**
  - Additional investment types for operating funds
  - Unification of the different investment codes
  - Aligns PA local government investment opportunities with most other states
- **Act 10 requires important safeguards:**
  - Credit quality and maturity criteria, which we believe are valuable risk management tools
  - High credit quality standards
  - Relatively short maturity standards

# Permitted Investment Overview

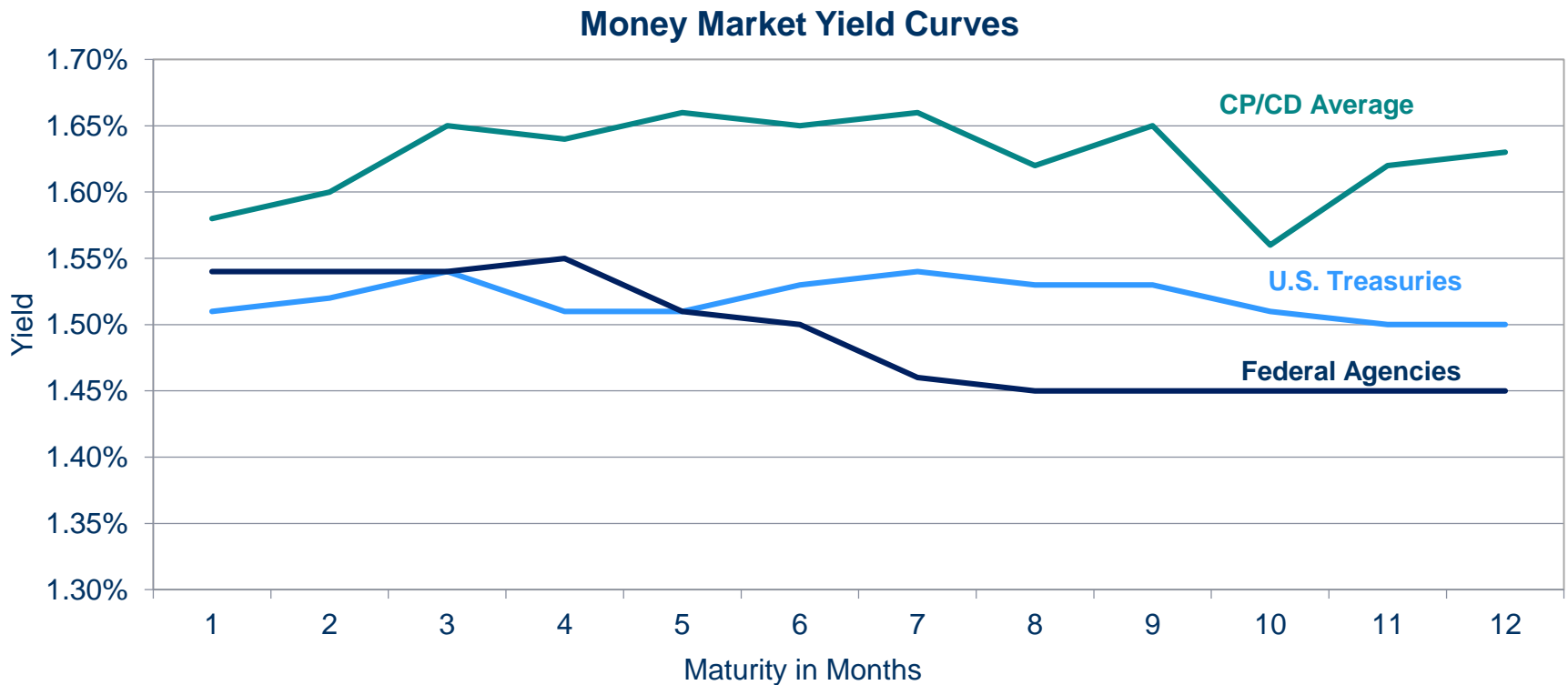
- Under prior law, local government and school investment codes vary by entity type and class.
- Act 10 enables all PA local governments, municipal authorities, and schools to have the same opportunities and aligns permitted investments with best practices.

Government Type	Fixed Income Investments					Act 10 Permitted Investments – “Prime” Securities		
	US Treasuries	Fed Agy*	Bank Deposits & Bank CD's	G.O. Debt of Comm. And PA Local Govt's	MMF and LGIPs	Commercial Paper	Bankers' Acceptance	Negotiable CD's
Boroughs	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Cities, 1 <sup>st</sup> & 2 <sup>nd</sup> Class	✓	✓	✓	✓	✓	✓	Act 10	Act 10
Cities, 3 <sup>rd</sup> Class	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Counties –2 <sup>nd</sup> & 2A Class	✓	✓	✓	✓	✓	✓	Act 10	Act 10
Counties 3 <sup>rd</sup> – 8 <sup>th</sup> Class	✓	✓	✓	✓	✓	✓	Act 10	Act 10
Municipal Authorities	✓	✓	✓	✓	✓	Act 10**	Act 10	Act 10
School Districts	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Twps of 1 <sup>st</sup> Class	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10
Twps of the 2 <sup>nd</sup> Class	✓	✓	✓	✓	✓	Act 10	Act 10	Act 10

✓ – Previously Permitted    **Act 10** – Act 10 Permitted

# Money Market Yields – January 31, 2020

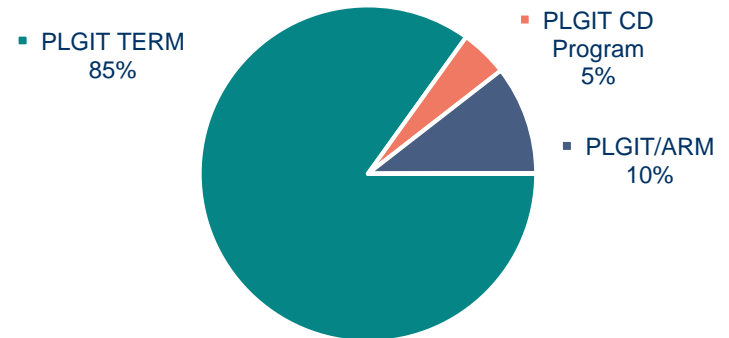
- Yields on Commercial Paper and Negotiable CD's remain attractive alternatives to Treasury Bills and short-term Agencies where yields are constrained by Fed policy.
- CP/CD rates vary significantly by issuer.



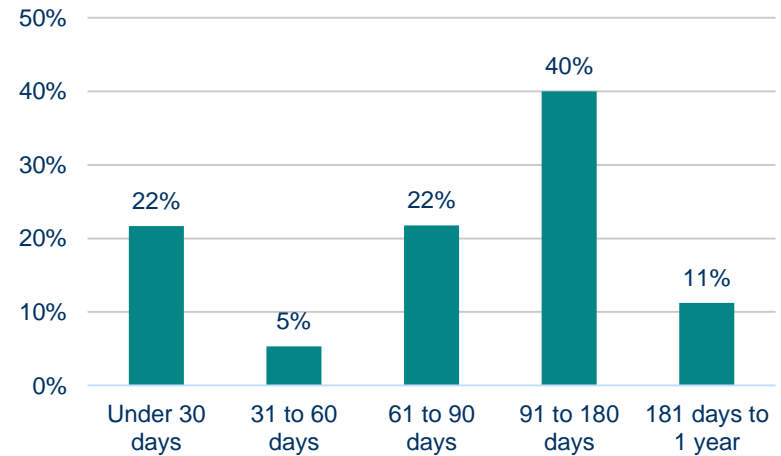
# Current PLGIT Relationship Summary

00003021015 - GENERAL FUND	
PLGIT – Class	\$40,893.89
<b>Subtotal</b>	<b>\$40,893.89</b>
411-02 - DELCORA, REVENUE FUND	
PLGIT/ARM	\$4,376,392.84
TERM	\$27,977,352.34
<b>Subtotal</b>	<b>\$32,353,745.18</b>
411-04 - DELCORA, DEBT SERVICE RESERVE	
PLGIT/ARM	\$6,067.07
CD	\$247,144.59
TERM	\$10,799,954.44
<b>Subtotal</b>	<b>\$11,053,166.10</b>
411-12 - TD BANK, DELCORA, RENEWAL & REPLACEMENT	
PLGIT/ARM	\$199,071.67
CD	\$2,474,230.58
TERM	\$29,514,319.40
<b>Subtotal</b>	<b>\$32,187,621.65</b>
411-18 - DELCORA, SEWER R&R FUND	
PLGIT/ARM	\$251,445.20
CD	\$739,550.44
TERM	\$3,076,105.39
<b>Subtotal</b>	<b>\$4,067,101.03</b>
411-24 - DELCORA, SEWER RESERVE FUND	
PLGIT/ARM	\$2,145.68
CD	\$495,996.38
TERM	\$2,078,911.00
<b>Subtotal</b>	<b>\$2,577,053.06</b>
411-28 - TD Bank Sewer Revenue Bonds Series 2015	
PLGIT/ARM	\$0.00
<b>Subtotal</b>	<b>\$0.00</b>
411-30 - TD Bank Sewer Revenue Bonds Series 2016	
PLGIT/ARM	\$4,212,378.87
<b>Subtotal</b>	<b>\$4,212,378.87</b>
<b>Grand total</b>	<b>\$86,491,959.78</b>

Sector Allocation



Maturity Distribution



Allocations less than 1% not shown. Current yield for PLGIT TERM and CD programs calculated as the weighted average net yield of current fixed-rate holdings. All holdings as of February 3, 2020.

# DELCORA's Monthly Cash Balances

Summary	
Average Balance	\$114,685,544.45
Total Interest Income	\$2,595,280.46
Average Interest Rate	2.26%

Cash Balance by Month	
Dec-18	123,997,789.00
Jan-19	119,217,326.39
Feb-19	121,501,552.17
Mar-19	124,956,754.17
Apr-19	121,157,311.65
May-19	111,998,707.74
Jun-19	113,872,808.39
Jul-19	108,640,264.58
Aug-19	107,305,240.77
Sep-19	112,288,790.95
Oct-19	108,832,401.17
Nov-19	105,935,219.96
Dec-19	111,207,910.95



# Disclaimer

*This information is for institutional investor use only, not for further distribution to retail investors, and does not represent an offer to sell or a solicitation of an offer to buy or sell any fund or other security. Investors should consider the investment objectives, risks, charges and expenses before investing in any of the Trust's portfolios. This and other information about the Trust's portfolios is available in the current Information Statement, which should be read carefully before investing. A copy of the Information Statement may be obtained by calling 1-800-572-1472 or is available on the Trust's website at [www.plgit.com](http://www.plgit.com). While the PLGIT, PLGIT/ARM and PLGIT/PRIME portfolios seek to maintain a stable net asset value of \$1.00 per share and the PLGIT/TERM portfolio seeks to achieve a net asset value of \$1.00 per share at its stated maturity, it is possible to lose money investing in the Trust. An investment in the Trust is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Shares of the Trust's portfolios are distributed by **PFM Fund Distributors, Inc.**, member Financial Industry Regulatory Authority (FINRA) ([www.finra.org](http://www.finra.org)) and Securities Investor Protection Corporation (SIPC) ([www.sipc.org](http://www.sipc.org)). PFM Fund Distributors, Inc. is a wholly owned subsidiary of PFM Asset Management LLC.*

*A description of the PLGIT CD Purchase Program is contained in the PLGIT Information Statement. The Information Statement contains important information and should be read carefully before investing. Investors may purchase Certificates of Deposit through the PLGIT CD Purchase Program only by executing an investment advisory agreement with the Program's Investment Adviser, PFM Asset Management LLC.*

*<sup>SM</sup>PLGIT, PLGIT-Class Shares, PLGIT/PLUS-Class Shares, PLGIT/I-Class Shares, PLGIT/TERM, PLGIT-CD, PLGIT/ARM, PLGIT/PRIME, PLGIT/SAM, and PLGIT-CAP are service marks of the Pennsylvania Local Government Investment Trust.*

*The Pennsylvania Powercard Program (the "Program") offers a Procurement Card (a "P-Card"), issued by Harris Bank, N.A., and marketed by PFM Financial Services LLC. PLGIT is a Program sponsor and the Program is marketed to PLGIT Investors. PLGIT receives no compensation for its sponsorship and the Trust is indemnified against any liabilities or costs relating to the Program.*