

MINUTES
FINANCE COMMITTEE MEETING
MARCH 11, 2020

Attendants: Messrs. Boland via telecommunications, Cherico, Kester, Knapp, Lucas, Mullen, Pileggi, Willert, Mesdames Amadio, Bonnett, and Caulk.

There were no members of the public 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, Chief Financial Officer, provided the Board with a written summary report of the February Interim Statements. Regarding Revenue and Expenses, Mr. Pileggi stated that as we are only two months into the new year, it is too soon to study for trends but we appear to be on track. He noted that \$375,000 was received in tapping fees but these fees are not budgeted because they are unpredictable. Mr. Cherico also stated that when a developer starts a project, they are required to pay a tapping fee of \$1500 per EDU. If the project is not completed, the developer can get that money reimbursed. However, once the project is completed, that money is taken out of escrow and transferred to revenue. Concerning the 2019 Audit, Mr. Pileggi reported that the auditors were in on February 21st and no adjustments, corrections, or comments were noted by the auditors.

Regarding Springhill Farms, Mr. Pileggi stated that Springhill Farms is a homeowners association in Chadds Ford comprised of almost 300 homes, the Glen Eagle shopping center and the MacKenzie Brew Pub. DELCORA has been performing contract services on the treatment plant for a number of years. The PADEP recently required many upgrades to the plant. It was determined that it would be more cost-effective to decommission the plant and build a new pump station and force main to the Concord Township Treatment Plant. The design and construction are now underway, and should be completed by September/October of this year. Upon completion, the Accounting Department will begin billing those customers. Rates will be determined for residential and commercial users. Also, at that time, the Board will adopt a resolution approving DELCORA's ownership of the pump station and force main. In response to a question from Mr. Kester, Mr. Willert noted that the Agreement of Sale was executed months ago and no action needs to be taken at this time.

Continuing his report, Mr. Pileggi noted that DELCORA has been providing bookkeeping and administrative duties for the Muckinipates Authority and the Darby Creek Joint Authority for a number of years, and storing their documents in our Administration Building. For the past few months, DELCORA has been reviewing and sorting these documents. Mr. Shep Garner is the contact person for this project. Permanent records will be scanned for retention. The services of Mr. Garner and the scanning, to be done by MTS, will be paid for by those authorities. MTS was previously

used for scanning Customer Service, Human Resources, and Engineering documents. DELCORA will also continue to perform the accounting duties for both authorities after DELCORA's acquisition by Aqua.

In conclusion, Mr. Pileggi stated that TD Bank recently conducted a workshop to give an overview on how to establish security measures against fraud. He noted that a policy will be drafted to address cyber-security issues in the Finance Department. As an example, he noted an email recently received by Mrs. Amadio from a known vendor requested a change in instructions for wire transfers. Upon further investigation, the email was found to be fraudulent. Another email was received by Mr. Cherico from a "John Pileggi", requesting a wire transfer and was also found to be bogus. Mr. Pileggi had requested advice from A.J. Gallagher, TD Bank, and the auditor to create a cyber-security policy. In response to a question from Mr. Lucas concerning cyber insurance, Mr. Pileggi stated that DELCORA does have this insurance coverage. Mr. Kester inquired as to liquidating bonds. Mr. Pileggi responded that all bonds will be liquidated upon closing with Aqua in November or December.

Given the recent coronavirus situation, Mr. Willert asked Mr. Pileggi to review procedures in place for disaster situations. Mr. Pileggi stated that the ability to process payroll checks is already in place at the plant for printing and storing them in a safe in Mr. Lenton's office. Accounts Payable checks will also be there so payments to vendors can be processed. Regarding customer bill payments, Mr. Pileggi noted that customers can pay their bills online, via phone, via mail to a lockbox and those are taken directly to the bank, and via a box located outside our building (checks only, no cash accepted). He also noted that those who pay in cash would not be charged interest or penalty if the office is closed. In response to a question from Mr. Knapp concerning cash payments, Mr. Pileggi stated that approximately \$2,000 to \$10,000 is paid at the window each day. Mr. Pileggi also stated that all systems are backed up automatically every night to the 'cloud' as an extra security measure. Mr. Pileggi had no additional comments to the written report. The Committee had no further questions on the written report.

General discussion followed concerning delinquent payers, methods of collecting, water shut-offs, and illegal turn-ons. Mr. Willert requested a list of the largest delinquencies. Mr. Pileggi stated that he will provide that information next month.

Prior to adjournment, Mr. Willert provided an update on the Eastern Services Area project. He stated that a proposal to acquire the easements necessary for the project was requested from Mike Maddren, former County Solicitor and a former DELCORA solicitor. In the past, Mr. Maddren was very involved in other easement projects for DELCORA and is quite familiar with the process. A proposal was received from another company to perform that work but, after review, it was determined to be over-priced. Mr. Maddren's proposal will be placed on the Board agenda for approval.

ADJOURNMENT: It was moved by Mr. Kester, seconded by Mr. Lucas, and unanimously carried to adjourn the regular meeting at 3:50 p.m.



Inter - Office Memorandum

To: Robert Willert, Executive Director *JJP*
From: John J. Pileggi, Chief Financial Officer / Mike Cherico, Accounting Manager *MC*
Subject: Monthly Finance Report – FEBRUARY 2020
Date: March 11, 2020

I will be offering written comments as highlights to the financial information that you and the Finance Committee are receiving for February 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. DELCORA did receive \$375,000 in tapping fees due to development throughout the county. Tapping fees, by their nature, are not anticipated and are not budgeted.

2. 2019 Audit Update

The auditors were on site from February 21st to 27th reviewing the financial and other documents pertaining to the fiscal condition of the Authority in 2019. Everything seemed to be in order – there were no findings or adjustments to the DELCORA books. The draft audit report will be issued in April for Finance Committee review.

3. Springhill Farms

Springhill Farms (SHF) is a mixed-use development located in Chadds Ford, PA with 282 residences, the Glen Eagle Shopping Center, and the MacKenzie Brew Pub sending flow to the plant. DELCORA has been performing contract operations on the wastewater treatment plant for a number of years. The accounting for the sewer-related revenues and expenses has been contracted out by SHF to Penco Management.

In 2020, DELCORA is coordinating the construction of a pump station and a force main to the Concord Township treatment plant. DELCORA will then decommission the SHF treatment plant. Upon completion, DELCORA intends to take ownership after DELCORA Board approval.

The Finance department is working with SHF and Penco Management on computing the new rates for SHF and assuming responsibility for the accounting sometime in 3Q 2020.

4. Muckinipates and Darby Creek Joint Authority

For at least 20 years, DELCORA has done the bookkeeping and administrative duties for the two eastern authorities. For the past several months DELCORA, with the approval and cooperation of the authorities, has been reviewing the archives stored in the basement of the DELCORA Administration Building. The goal is to receive approval from them for:

- the shredding of certain documents based on the appropriate legal guidelines.
- The scanning of the remaining permanent records.

5. TD Bank Workshop

On February 27, TD Bank's Cash Management conducted a workshop entitled "*Fraud and Security Controls – Detection and Prevention Insights*" for certain members of the Finance Department. Over the years, TD has been working with DELCORA to educate the DELCORA staff on the latest measures needed to mitigate the risk of cyber-fraud and the implementation of best practices.

JJP:bab