

MINUTES
FINANCE COMMITTEE MEETING
OCTOBER 14, 2020 (VIRTUAL)

Attendants: Messrs. Boland, Cherico, DiSantis, Hurst, Kern, Knapp, Lucas, Monaghan, Mullen, Pileggi, Pisani, Willert, Mesdames Amadio, Bonnett, Caulk, Nichols, and Sage.

There were no members of the public present.

1. ROLL CALL: Nine 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. CHIEF FINANCIAL OFFICER REPORT: Mr. Pileggi provided the Board with a written summary report of the September Interim Statements. He summarized his report for the Committee. He noted that there is no significant change from last month's report and that approximately \$11.5 million is budgeted for a combined Reserve for Capital Replacement and Reserve for the Long Term Control Plan. Mr. Pileggi had no additional comments to his written report. The Committee had no questions regarding the written report.
4. 2021 BUDGET REVENUES AND EXPENSES: Mr. Pileggi stated that included in the meeting package was a 2020 vs. 2021 Budget summary with a projected retail customer rate increase of 12%. The reasons for this increase are: 1) the exorbitant capital costs of complying with the Consent Order over the next ten to twelve years regarding the Chester Long Term Control Plan (LTCP) and if the EPA approves DELCORA's LTCP proposal presented to them; 2) the uncertainty around the almost \$600 million cost that DELCORA is projecting to pay to Philadelphia for their LTCP, five years ago that expected cost was \$170 million and it could still go up between now and 2028; and 3) the unknown outcome of the current court case that Delaware County has initiated against DELCORA and the undetermined costs associated with that.

Mr. Boland expressed concern over the amount of the increase and asked if there was any way to reduce it. Mr. Willert stated that he will meet with Staff to discuss that and try to determine if there is any way to minimize the expected capital outlay, and he will report back to the Board. He also mentioned that public presentations were held to explain the projected capital costs associated with the EPA-mandated Long Term Control Plan and the expected rate increases to pay for these costs.

Mr. Kern also expressed his concern over the amount of the increase and requested the list of the 2021 capital projects which would help explain the 2021 budget and support the reasons for the increase. Mr. Hurst stated he will provide that information and Mr. Willert stated that he will schedule a time to meet with any Board member to review this information. Mr. Kern stated that the Central Delaware County Authority (CDCA) had anticipated a 6% increase and the CDCA municipalities have already expressed concern that they predict a shortfall even if the rate increase was 6% for 2021, and he

added that the municipalities would not be able to pay a 12% increase. He stated that payment to DELCORA is 81% of the CDCA budget and he expects that the amounts invoiced to member municipalities in 2021 won't all be collected. Mr. Willert stated that this issue was brought to the attention of the EPA and Philadelphia five years ago that the local communities would not be able to afford the increases necessitated by compliance with the Consent Order.

Ms. Nichols expressed the same concern regarding the Darby Creek Joint Authority's member municipalities not being able to afford a 12% rate increase. She also asked if it was necessary to do all of these capital projects in 2021. Mr. Hurst responded that the list of capital improvement projects for 2021 is just a portion of the overall program and that there are required projects for each year thereafter which will necessitate more rate increases each year.

Mr. Pileggi had no additional comments to the report. The Committee had no other questions regarding the proposed 2021 rate increase. This item will be discussed further next month.

5. APPROVAL OF THE AMENDED AND RESTATED AGREEMENT FOR CALCULATION AGENT SERVICES WITH PFM FINANCIAL ADVISORS LLC FOR THE IRREVOCABLE TRUST FOR A QUARTERLY FEE OF \$11,500.00: Mr. Knapp stated that the agreement was part of the meeting package for the members to review and asked if there were any questions. The committee had no questions regarding the Amended and Restated Calculation Agent Agreement with PFM.

It was the consensus of the Committee to place this item on the agenda for the October 20th Board meeting.

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



INTER-OFFICE MEMORANDUM

TO: Robert Willert, Executive Director

FROM: John J. Pileggi, Chief Financial Officer / Mike Cherico, Accounting Manager

SUBJECT: Monthly Finance Report –September 2020

DATE: October 14, 2020

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

1. Revenue and Expenses

Approximately \$11.5 million is budgeted for a combined Reserve for Capital Replacement and Reserve for the LTCP. As of August 31, we are projecting to meet our budget. The funds would go toward the capital plan and LTCP expenses planned for 2020 and beyond.

DELCORA did receive \$400,000 in tapping fees due to development throughout the county. Tapping fees, by their nature, are not anticipated and are not budgeted.

In 2020, DELCORA collected \$5,922,587 over the first nine months. Over the same time period in 2019, DELCORA collected \$6,172,859 an unfavorable difference of \$250,272.

During the pandemic, DELCORA is not sending out delinquency notices, charging penalty or interest for nonpayment or shutting off any water for nonpayment.

We began collecting payments at the office's lobby window on September 8, 2020. We collected \$14,478 during the month; in 2019, \$92,466.

2. Operations during the Pandemic

The Finance Department is operating on a reduced schedule with reduced staffing. The basic functions of the department are still being done. Employees and vendors are getting paid. Bills are being sent out. Sewer fees are being collected and deposited. Financial reporting is still being done,

JJP:bab

cc: File