

MINUTES
FINANCE COMMITTEE MEETING
NOVEMBER 12, 2020 (VIRTUAL)

Attendants: Messrs. Boland, Cherico, DiSantis, Hurst, Kern, Knapp, Lucas, Monaghan, Mullen, Pisani, Pileggi, 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. MONTHLY FINANCIAL REVIEW: Mr. Pileggi provided the Board with a written summary report of the October Interim Statements. Under Revenue and Expenses, he noted that there was a significant unfavorable difference of approximately \$635,000 in collections as of October 2020 compared to October 2019. This can be attributed to the current COVID virus situation and the fact that DELCORA has not been charging late fees or issuing delinquency or shut-off notices during this pandemic. The expected second surge of this virus may also negatively affect the amount of collections. He also reported that the Customer Service Department has been closed all week due to an employee testing positive for the virus. The entire office area was sanitized. The Customer Service Department is scheduled to re-open next week. Mr. Pileggi stated that the problem with the reduced collections is that it affects the expected cash flow for capital projects, etc. The payments expected in late November from the most recent billing in October should improve the unfavorable difference in collections. Mr. Willert requested a list of major retail customer delinquencies. Mr. Pileggi will provide that list next month. Mr. Pileggi had no additional comments to the written report. The Committee had no questions on the written report.
4. DISCUSSION OF 2021 BUDGET AND RECOMMENDATION FOR APPROVAL AT THE NOVEMBER BOARD MEETING: Mr. Pileggi stated that due to a variety of factors, a draft of the 2021 Budget was not available for Committee review today. A decision on the amount of the rate increase is necessary to finalize the budget. A proposed rate increase of 12 percent was presented to the Board last month. At that meeting, several Board members raised concerns about the suggested high increase and a rate amount was not established at that time. Once the rate increase is determined, the 2021 Budget can be finalized. It will then be presented to the Board for approval. Discussion followed concerning the EPA review of DELCORA's Long Term Control Plan Update and the lack of feedback from them. A suggestion was offered to use reserve funds to mitigate a high rate increase. The expected increased expenditures to the Philadelphia Water Department next year, the current litigation issue with Delaware County, and increasing the Customer Assistance Program fund to offset anticipated delinquencies were justifications for the increase. Mr. Willert requested an Executive Session on November 17th to further discuss this item.

It was the consensus of the Committee to recommend that this item be placed on the agenda for the November 17th Board meeting.

5. LEITZELL & ECONOMIDIS, PC – CONTINGENT APPROVAL AS AUDITOR FOR YEAR 2020 AND PRELIMINARY WORK IN DECEMBER 2020. Mr. Pileggi advised the Committee that the auditor comes in every year in December to start preliminary work for the annual audit in February. Formal approval of the Auditor will be done in January. Mr. Pileggi requested contingent approval of the auditor to begin audit work in December.

Following discussion, it was the consensus of the Committee to recommend Board approval of the contingent appointment of Leitzell & Economidis, PC as auditor for fiscal year 2020. This item will be placed on the agenda for the November 17th Board meeting.

ADJOURNMENT: It was moved by Mr. Lucas, seconded by Mr. Mullen, and unanimously carried to adjourn the regular meeting at 4:00 p.m.



INTER-OFFICE MEMORANDUM

TO: Robert Willert, Executive Director

JJP

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

SUBJECT: Monthly Finance Report October 2020

DATE: November 12, 2020

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

1. Operations during the Pandemic

The Accounting Department had to work remotely from November 4 to 6 due to an employee testing positive. As of this writing, he reports that he is fine.

The Customer Revenue Department was closed from November 4 to November 13, returning on November 16.

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

In general, both departments are operating on a reduced schedule with reduced staffing. Generally, 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.

2. Revenue and Expenses

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

In 2020, DELCORA collected \$6,101,344 over the first ten months. Over the same time period in 2019, DELCORA collected \$6,737,134 **an unfavorable difference of \$635,790.**

JJP:bab

cc: File