

MINUTES
FINANCE COMMITTEE MEETING
AUGUST 10, 2022 (VIRTUAL)

Attendants: Messrs. Cherico, Garner, Hurst, Kern, Knapp, Monaghan, Moss, Nagle, Willert, Mesdames Billings, Byrd, Caulk, Cummings, Nichols, and Sage.

Scott Shearer from PFM was present for a presentation. There were no other members of the public present.

1. ROLL CALL: Eight 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. Mike Cherico, Chief Financial Officer, provided the Board with a written summary report of the July Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated we continue to be on target to reach our reserve for replacing capital assets of about \$19.5 million. There are similar variances as stated last month with some positives in tapping fees and interest, and employee benefits offsetting some of the negative variances in utilities and chemicals. More detail is provided in the monthly interim report. Mr. Cherico stated that cash generated from operations continues at about \$22 million to go towards capital projects. Mr. Cherico had no additional comments to the written report. The Committee had no questions on the written report.

Regarding Residential Accounts Receivables, Mr. Shep Garner, Accounting & Customer Service Manager, reported that about \$352,000 was collected in July 2022 compared to about \$631,000 collected in July 2021, indicating an unfavorable difference of approximately \$279,000. Year-to-date collections are doing very well at about \$424,000 higher than 2021. Regarding the unfavorable difference, Mr. Garner stated that it is due to a timing issue on when bills were sent out. Mr. Garner had no additional comments to the written report. The Committee had no questions on the written report.

4. AUTHORIZATION FOR PROFESSIONAL SERVICES:

- Newgen Strategies & Solutions – Provide Rate Model Update For 2023 Rates – Total Amount Not To Exceed \$9,480.00 (Operating Funds)

Mr. Cherico reported that this is an annual proposal. He stated that this firm provides the rate model for DELCORA. Mr. Kern asked when the projected budget would be ready. Mr. Cherico stated that the official budget is typically adopted at the November Board Meeting.

Following discussion, it was the consensus of the Committee to recommend Board approval of the above proposal. This item will be placed on the agenda for the August 16th Board meeting.

5. DISCUSSION OF 2023 CAPITAL BORROWING:

- TIMELINE FOR BORROWING
- DISCUSSION OF POTENTIAL UNDERWRITER
- DISCUSSION OF POTENTIAL BOND COUNSEL

Mr. Scott Shearer from PFM provided a presentation for the Finance Committee. Mr. Shearer stated that conversations have been going well regarding capital borrowing for the upcoming projects. He reported that approximately 60 million dollars is needed to fund the projects through 2023. Typically, he stated that in the past they would do a long term fixed rate bond when borrowing was needed. Regarding the different circumstances that face DELCORA such as the potential purchase of DELCORA by AQUA, the long term fixed rate bond issue is not available. Due to the market changing, the commercial paper would not be as cost effective as a bank loan. This is prepayable and can be paid off easily if the purchase was to go through. Mr. Shearer stated that the rates are better for bank loans and there is less disclosure needed for a bank loan. Mr. Shearer stated that, at the current time, he suggests producing an RFP for the bank loan to gauge the interest and then compare to commercial paper rates. Mr. Shearer stated that DELCORA will need to bring a Bond Counsel on board for the loan. Ms. Billings asked if it would be favorable to have one of DELCORA's two solicitors take on this loan issue. Mr. Shearer stated that one of the current solicitors could represent DELCORA in the transaction. Ms. Billings stated that this way it would save DELCORA time on searching for a new solicitor. Mr. Shearer stated that he can move forward with contacting both solicitors and gauging their interest. Ms. Nichols asked with this \$60 million that we would be borrowing how would this affect the rate payer and the 2023 rates. Mr. Willert stated that he would meet with Mr. Cherico regarding how this will benefit the rate payers.

Following the discussion, the Committee had no further questions for Mr. Shearer regarding the 2023 Capital Borrowing.

ADJOURNMENT: It was moved by Ms. Billings, seconded by Ms. Nichols, and unanimously carried to adjourn the regular meeting at 4:07 p.m.