

MINUTES
FINANCE COMMITTEE MEETING
OCTOBER 12, 2022 (VIRTUAL)

Attendants: Messrs. Cherico, Garner, Hurst, Kern, Knapp, Monaghan, Mullen, Nagle, Willert, Mesdames Amadio, Billings, Cummings, Nichols, and Sage.

The following was present: Scott Shearer from PFM.

There were no 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 September Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated that we continue to be on target to reach our reserve for replacing and paying for capital assets of about \$19.5 million. There are a few variances listed on the report. Tapping fees and interest income continue to be favorable. That is offset by utilities and chemicals but the inflationary effects on facilities and chemicals have been significant this year. Repairs and maintenance are slightly above budget offset somewhat by employee benefits. Regarding Cash Generated in Prior 12 Months, Mr. Cherico stated that cash generated from operations continues at about \$22 million and we spent about \$32.5 million on capital projects, so the net cash position is down about \$9.5 million for the year. We continue to generate enough cash from operations to cover 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 \$257,000 was collected in September 2022 compared to about \$148,000 collected in September 2021, indicating a favorable difference of approximately \$109,000. Year-to-date collections are doing very well at about \$870,000 higher than 2021. We continue to go through the peaks and valleys of the quarter but at the end of each quarter, it's our hope to be ahead like we have been. Mr. Garner had no additional comments to his written report. The Committee had no questions on the written report.

4. PRELIMINARY DISCUSSION OF 2023 BUDGET: Mr. Cherico stated that this is just a preliminary budget. The final budget will be presented at the November meeting. Mr. Cherico reported that, as discussed previously, we are adding about \$4.3 million dollars in debt services. Mr. Cherico reported that there are other operating expenses

increasing in the budget, one being electricity. Mr. Knapp asked if it is strictly a rate increase or usage increase. Mr. Cherico reported that is simply a rate increase. Mr. Cherico reported that for the 4th year in a row we have not had an increase in the health insurance premiums. Regarding the pension funding, there was a decrease of \$130,000 in the Minimum Municipal Obligation (MMO) for 2023. Mr. Cherico reported that we are still expected to produce about \$14 million towards capital expenditures.

Mr. Shearer reported that regarding capital borrowing for 2023, it is still expected to move forward. He reported that pending approval PFM would send out an RFP regarding a bank loan for capital borrowing. Once requests have been received, the proposals will be reviewed, and Board approval will be requested to move forward. Mr. Shearer stated that there could be a higher interest rate due to tax exemption vs. nontax exemption loans.

Mr. Mullen asked what the rate could be if it was taxable. Mr. Shearer reported that it was assumed 4% for tax exempt but he is assuming that the taxable loan could be around 5% interest rate. Mr. Knapp asked if there would be a rebate if it was switched to a tax-exempt loan. Mr. Shearer reported that there is not a rebate but they could refinance the loan as tax exempt. Mr. Shearer and Mr. Cherico had no additional comments regarding the preliminary 2023 Budget. The committee had no additional questions.

5. THE APPOINTMENT OF BALLARD SPAHR/SKYE NICKALLS AS BOND COUNSEL, REPLACING DILWORTH PAXSON: Mr. Kern reported that Skye Nickalls moved from Dilworth Paxson law firm to Ballard Spahr law firm. Mr. Kern reported that it will be needed to remove Dilworth Paxson as Bond Counsel and appoint Ballard Spahr as Bond/Note Counsel at the Board meeting. Following discussion, it was the consensus of the committee to add this to the October Board agenda.

The committee discussed authorizing PFM Financial Advisors to solicit requests for proposals to lending institutions to pursue loan financing. Following discussion, it was the consensus of the committee to add this to the October Board agenda.

ADJOURNMENT: It was moved by Mr. Mullen, seconded by Ms. Kern, and unanimously carried to adjourn the regular meeting at 4:05 p.m.