

**MINUTES**  
**FINANCE COMMITTEE MEETING**  
**NOVEMBER 9, 2022 (VIRTUAL)**

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

The following was present: Peggy Ries Alter. There were no other 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. Mike Cherico, Chief Financial Officer, provided the Board with a written summary report of the October Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated that ten months into the year, we continue to be on pace to hit our bottom line in revenue over expenses of about \$19.5 million. There were similar variances, as in prior months, in tapping fees and interest income, and similar negative variances in utilities, chemicals, repairs and maintenance, as discussed in prior months, so that expense variances and the two revenue variances about offset, so that again will be close to the \$19.5 million of revenue over expenses for the year. He stated that we continue to generate cash from operating and about \$35 million was used in the past twelve months towards capital so that about \$21 million in operating was generated less the \$35 million used for capital so the overall cash balance decreased about \$14 million over the past twelve months. 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 \$477,000 was collected in October 2022 compared to about \$493,000 in October 2021, indicating an unfavorable difference of approximately \$15,000. Year-to-date collections are still doing very well at about \$854,000 higher than 2021. He stated that the revenue being generated is going as planned. Mr. Garner had no additional comments to his written report. The Committee had no questions on the written report.

4. DISCUSSION OF 2023 BUDGET AND RECOMMENDATION FOR APPROVAL AT THE NOVEMBER BOARD MEETING: Mr. Cherico provided highlights of the 2023 budget a draft of which was provided to all Board members. Mr. Cherico stated that there is an overall 5% rate increase and that total revenue in some rate categories is slightly more or less than 5% due to some adjustments to projected flow. Also, even though there is a 5% rate increase, the total operating revenue only increased by 3.8%.

Total revenue will increase a bit more than 5% because of the significant favorable variance in the budget year over year in interest income. While the increase in interest rates has made borrowing a little more challenging than expected, we are getting a positive result on the funds we have available to invest. On the expense side of the budget, Mr. Cherico stated that the debt service increased about \$5.4 million from last year's budget due to the projected new borrowing. Utilities and chemicals increased about \$1,850,000 due to significant increases in the cost of those two areas. Other expenses also increased resulting in about \$13 million of revenue over expenses for 2023. That is less than the \$19.5 million in 2022 mostly because of the significant increase in debt service. Most of the \$13 million will be added to the cash balance to be used as a cushion against future borrowing.

Following discussion, it was the consensus of the Committee to recommend Board approval of the 2023 Budget. This item will be placed on the agenda for the November 15<sup>th</sup> Board meeting.

5. UPDATED BUDGET PROJECTION TO 2028: Mr. Cherico reviewed the budget projection worksheets provided to the Board members. He stated that when this process started two months ago, an interest rate of 4% was used for future borrowings but that needed to be increased to 5% due to current borrowing conditions resulting in close to \$60 million in our cash balance at the end of 2028. Ms. Billings requested that discussion of this item be included on the Board agenda along with the approval of the 2023 Budget.

6. UPDATE ON LOAN PROPOSALS: Mr. Kern stated that one bank proposal was received from FNB Bank with an initial rate of 3.9% but they require a deposit minimum of \$25 million. Other potential lenders expressed concern about the potential sale of the Authority. He stated that the Indenture will be reviewed to determine if we could redirect funds to use for that required minimum deposit at FNB. Also, he stated that Scott Shearer is researching Key Bank since they recently made loans at 6.34% and he will request a formal proposal from them. Another source to pursue is TD Bank since they are our Trustee. Other sources will also be explored. Currently, a good portion of DELCORA's funds are invested in PLGIT, earning a little over 4% for a 90-day term. The short term investments are beneficial since rates are going up. Mr. Kern stated that negotiations with FNB will continue to get clarification on the loan terms. Mr. Kern stated that a final recommendation will be made next month and the loan closing is expected by the end of the year.

7. LEITZELL & ECONOMIDIS, PC – APPROVAL AS AUDITOR FOR YEAR 2022 DUE TO PRELIMINARY WORK IN DECEMBER 2022 (fee: \$38,000.00). Mr. Cherico stated that the auditor is appointed in November so they can begin preliminary field work in December, and then the audit is completed in February.

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Following discussion, it was the consensus of the Committee to recommend Board approval of the appointment of Leitzell & Economidis, PC as auditor for fiscal year 2022. This item will be placed on the agenda for the November 15<sup>th</sup> Board meeting.

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