

**MINUTES**  
**FINANCE COMMITTEE MEETING**  
**DECEMBER 14, 2022 (VIRTUAL)**

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

The following were present: Scott Shearer of PFM and Skye Nickalls of Ballard Spahr. 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. BANK LOAN UPDATE: Mr. Shearer of PFM provided a review of the search process. Three banks were being considered but two of them were not comfortable with moving forward. He stated that FNB Bank submitted a proposal. After some negotiating, FNB decided to move forward with a \$30 million loan with a variable interest rate. The Authority will need to transfer \$25 million for deposits and will receive a decent investment rate. Closing will take place the first week of January 2023. In six months, it's expected that there will be more clarity concerning the potential Aqua acquisition. At that point, if the Authority remains as is, DELCORA would transfer all of its accounts to FNB and have a full banking relationship with FNB. Also in six months, FNB would issue another \$30 million loan for projects in 2023. Mr. Shearer also stated that the bank will issue a term sheet in the next few days so it will be available for the Board meeting. He noted that DELCORA's Bond Counsel will be providing the legal documents to move forward with the loan and the Board will approve the loan at the December Board meeting.

Ms. Nichols questioned the amount of the loan as initially it was supposed to be \$60 million. Mr. Willert stated that half will be borrowed in January then the remainder will be borrowed in June after there is more clarity on the situation with the Aqua acquisition.

Ms. Skye Nickalls of Ballard Spahr stated that she will be serving as Council for this transaction. She noted that there will be a draw-down feature to the loan so the money won't all be delivered at once. The Authority can draw down as it needs over the first few years and there is no prepayment penalty so that whatever happens going forward, the Authority reserves its option to repay the debt at the time of closing with Aqua. She also noted that there is a Bond Resolution on the agenda today for consideration that summarizes the project descriptions that the proceeds will be spent on.

Mr. Knapp requested that Item No. 6, Resolution No. 2022-27, be considered at this time. Discussion followed regarding why the amount is \$30 million now instead of \$60 million, the timeline of the tunnel project and the permits required for the tunnel project, and that the single bond is parity debt secured by the bond indenture. Ms. Nickalls also

noted that the resolution will be revised to reference the term sheet when it is received from FNB and that it will be ready for the Board meeting. Mr. Knapp stated the revised resolution and the term sheet will be included in the Board meeting package.

It was the consensus of the Committee to recommend approval of Resolution No. 2022-27. This item will be placed on the agenda for the December 20<sup>th</sup> Board meeting.

4. CHIEF FINANCIAL OFFICER REPORT: In Mr. Cherico's absence, Mr. Garner provided the Board with a written summary report of the November Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Garner stated that the trend continues to raise \$19,500,000 for replacing capital assets and the trends for revenue variances are the same. Tapping fees are up to \$500,000, interest income is up \$750,000, and other revenue is down somewhat resulting in a total revenue variance of \$1,200,000 as opposed to a negative variance of \$1,175,000 with expenses, the net variance being a negative \$25,000. Some of the reasons for the variances in utilities are the increase in electricity rates per kilowatt hour and increased costs for chlorine and polymer. Employee Benefits remain a favorable variance due to health care costs staying the same over the last few years. Regarding Cash Generated, Mr. Garner stated that this time last year there was about \$92 million available but through November 30, 2022, there is about \$77 million available, a decrease of about \$15 million. Reasons for this include the \$36 million spent for capital projects; however, about \$21 million in cash was generated from operations. Mr. Garner had no additional comments to the written report. The Committee had no questions on the written report.

Regarding Residential Accounts Receivables, Mr. Garner reported that about \$1,587,000 was collected in November 2022 compared to about \$1,509,000 in November 2021, indicating a favorable difference of approximately \$78,000. Year-to-date collections are still doing very well at about \$932,000 higher than 2021 so the trend continues and the same thing is expected in December. Mr. Garner had no additional comments to the written report. The Committee had no questions on the written report.

5. RATE RESOLUTIONS – ADOPTION OF RATE RESOLUTIONS FOR ESTABLISHING SEWER SERVICE FOR THE YEAR 2023:

- Rate Resolution 2022-09 - For Chester City Users
- Rate Resolution 2022-10 - For Upland Borough Users
- Rate Resolution 2022-11 - For Parkside Borough Users
- Rate Resolution 2022-12 - For Chester Township Users
- Rate Resolution 2022-13 - For Trainer Borough Users
- Rate Resolution 2022-14 - For Marcus Hook Borough Users
- Rate Resolution 2022-15 - For Western Wholesale Users
- Rate Resolution 2022-16 - For EDU Wholesale Users
- Rate Resolution 2022-17 - For Retail Industrial Users

- Rate Resolution 2022-18 - For Wholesale Industrial Users
- Rate Resolution 2022-19 - For Eastern Wholesale Users
- Rate Resolution 2022-20 - For Pocopson-Riverside-Chadds Ford Users
- Rate Resolution 2022-21 - For Pocopson-Preserve-Chadds Ford Users
- Rate Resolution 2022-22 - For Rose Valley Borough Users
- Rate Resolution 2022-23 - For Edgmont Township Users
- Rate Resolution 2022-24 - For SWDCMA Users
- Rate Resolution 2022-25 - For Middletown Twp. Sewer Authority Users
- Rate Resolution 2022-26 - For Springhill Farms WWTF Users

A copy of the rate resolutions was provided to all Board members for their review.

It was the consensus of the Committee to recommend Board approval of all the above rate resolutions for 2023. These items will be placed on the agenda for the December 20<sup>th</sup> Board meeting.

6. RESOLUTION NO. 2022-27 – RESOLUTION AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF SEWER REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000 FOR THE PURPOSE OF FUNDING VARIOUS CAPITAL PROJECTS: This item was discussed earlier in the agenda and will be placed on the Board agenda for approval.

Prior to adjournment, there was general discussion concerning if any notification was sent to Aqua regarding the loan. Mr. Willert stated that the loan would be paid off at the closing with Aqua. Ms. Billings will follow up with attorney Mike Clarke of Rudolph Clarke as to any communication sent to Aqua regarding the loan.

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