

MINUTES
FINANCE COMMITTEE MEETING
JANUARY 11, 2023 (VIRTUAL)

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

There were no members of the public present.

1. ROLL CALL: Seven 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. CHIEF FINANCIAL OFFICER REPORT: Mr. Cherico provided the Board with a written summary report of the December Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated that about \$19,500,000 was budgeted for 2022 and it is expected that we will be favorable to that by amount \$1.7 million. The total revenue variances are about \$580,000. Much of that is from tapping fees, primarily from Edgmont, and interest income that was budgeted very low but as interest rates rose during the year, we received about \$950,000 of interest income that was not initially budgeted. Also, Sludge Revenue is about \$300,000 ahead of budget and there are Revenue True-Ups that are estimated at approximately \$1.3 million as a negative revenue variance so to the extent that we are under budget in operating expenses, we calculate a True-Up amount and return that to our customers in the form of a credit. The credit is based on how much flow is measured. In 2022, there was less rain resulting in lower flow reported by the larger Authorities. The True-Up credit would apply to the second quarter 2023 bill. To determine those credits exactly, we still have to go through the rate model process with all of the actual year-end figures.

Regarding expenses, Mr. Cherico stated that Utilities and Chemicals were over budget due to higher costs than were anticipated. Favorable variances include: Employee Benefits which were lower than budgeted because of the group insurance rates; Salary and Wages, net of overtime, were about \$500,000 under budget because of open positions left unfilled and several employees being out on disability; the budgets for the Solicitor and Consulting, and IT projects were determined based upon projected needs that did not materialize; and the Contingency budgeted funds of about \$590,000 were also not completely spent. Therefore, total expenses were about \$1,150,000 under budget and with the revenue variance of about \$580,000, resulting in the \$1,730,000 net variance. Under Cash Generated in Prior 12 Months, Mr. Cherico reported that the cash balance decreased about \$16 million in 2022 but we used \$38 million for capital projects so cash generated from operations is about \$21,800,000, so a good portion of the capital projects was funded by cash from operations. Mr. Cherico 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 \$257,000 was collected in December 2022 compared to about \$272,000 in December 2021, indicating an unfavorable difference of approximately \$15,000. Year-to-date collections are still doing very well at about \$917,000 higher than 2021. Mr. Willert asked if some of that December amount came in January. Mr. Garner responded 'yes' but Accounts Receivables still has quite a few accounts that haven't paid yet, such as Chester Upland but we anticipate receiving that in January. He stated that billing for the new year will begin this Friday or next Tuesday. Mr. Willert inquired as to the collection rate percentage for the year. Mr. Garner responded that the collection rate percentage is relatively high but it's somewhat inflated because some of the large vendors pay 100% all of the time, like Darby Creek and Muckinipates. The residential collection rate was 87-90% but it has been going down over the last two years because we no longer have the ability to shut off water since mid-2020 during the pandemic. Prior to that, we would aggressively pursue those customers with unpaid bills by following all the legal procedures to obtain payment, such as 10-day notices, 30-day notices, then water shut-off. We have not been able to do that and, probably, some customers have taken advantage of that. This quarter, penalties and interest will be charged on delinquent accounts. Mr. Cherico added that revenue from residential customers is about 10% of total revenue. Mr. Garner had no additional comments to the written report. The Committee had no questions on the written report.

4. UPDATE ON BANK LOAN: Mr. Cherico stated that the bank loan is proceeding and settlement is scheduled for next Wednesday, January 18th. He also mentioned that this is a draw-down loan which reduces overall interest expense. Funds will be drawn as needed for capital projects. The initial draw will be for \$3 million. Mr. Cherico had no additional comments concerning the FNB Bank loan. The Committee had no questions on the bank loan.

ADJOURNMENT: It was moved by Mr. Mullen, seconded by Ms. Billings, and unanimously carried to adjourn the regular meeting at 3:45 p.m.