

MINUTES
FINANCE COMMITTEE MEETING
MARCH 15, 2023 (VIRTUAL)

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

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. CHIEF FINANCIAL OFFICER REPORT: Mr. Mike Cherico, Chief Financial Officer, provided the Board with a written summary report of the February Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated that we still expect to be on budget to generate about \$13 million to be used for replacing capital assets, funding current capital assets, and funding the Capital Plan and future Long Term Control Plan expenses. He stated that it is too early in the year to report on any variances in the budget. He did mention that Edgmont paid about \$70,000 in tapping fees; however, this type of revenue is not included in the budget since we cannot plan on it. Mr. Cherico also reported that about \$34 million was used for capital projects resulting in about \$22 million of operating cash generated in the past twelve months. Mr. Cherico had no additional comments to the written report. The Committee had no questions on the written report.

Addressing Item #4 at this time, Mr. Cherico provided an Update on the Pension Plan Funding Percentage. He stated that at the time of the Pension Committee meeting in February, we did not have the Actuarial Study to provide the funding percentage as of December 31st. That study has since been completed in conjunction with the audit and, as of the end of December, the Plan is 89.86% funded which is the highest it's been in the past ten years. In the past, the typical funding percentage has been between 70% to 80%. Mr. Cherico added that the 89.86% is based on the Plan terminating as of December 31, 2023 and assuming that the sale to Aqua is finalized, which is a more conservative approach than the ongoing Plan. If we were valuing the Plan as an "ongoing Plan", the funding percentage would be even higher.

Regarding Residential Accounts Receivables, Mr. Garner, Accounting & Customer Service Manager, reported that about \$1,753,000 was collected in February 2023 compared to about \$1,789,000 in February 2022 indicating an unfavorable difference of approximately \$35,000. This is mainly due to timing and to the financial problems that Crozer is having. Crozer owes about \$400,000. He stated that we are in the process of placing a lien on that property so if and when that property is sold, DELCORA will be in line to collect something on that debt. Mr. Garner also mentioned that he recently spoke with the Chester Water Authority and was told that they will begin

water shut-offs at the end of April so DELCORA will be able to issue shut-off notices again to delinquent customers. In response to a question from Mr. Knapp about the amount of revenue that could be expected from shut-offs, Mr. Garner stated that there is about \$2 million in Accounts Receivable that we can collect; however, he estimated about 70% of that would actually be collected.

Mr. Knapp referenced Crozer's delinquent account (Item #5). The following points were addressed and discussed in response to several questions and comments posed by Board members:

- Crozer has not paid DELCORA since April 2022;
- Crozer pays the same rate whether considered a non-profit or a for-profit entity;
- the collection of Crozer's debt has not yet been given to GRB (the agency that DELCORA uses for collections) but will be;
- it was hoped that Crozer would make a payment but given the current dire financial status of Crozer, that seems unlikely;
- Solicitor John Rice is currently reviewing this issue;
- since 2019, the property is owned by a venture capitalist firm and Crozer leases the building;
- typically, the property owner is responsible for paying the sewer bill; however, in Crozer's case, that all depends on the terms of the lease agreement that was made between the new owner and Crozer;
- the Crozer bills have been sent to the new owner, Medical Properties Trust;
- the lien would be placed against the property owner;
- suggestion was made to send the threat of shut-off unless they make payment arrangements;
- Crozer should be treated the same as our other larger residential customers, such as owners of apartment buildings;
- not sure if Crozer has one main connection or multiple connections; this will be investigated;
- are they paying their other utility bills and property taxes?
- we get no response when we call Crozer, numerous messages have been left; our phone calls are ignored;
- does Crozer receive local, state or federal government subsidies?

In conclusion, Mr. Willert stated that we will contact GRB and request that they start the collection process on Medical Properties Trust/Crozer. He will provide the Board with an update on this issue as soon as possible.

Mr. Garner had no additional comments to the written report. The Committee had no other questions or comments on the written report.

4. UPDATE ON PENSION PLAN FUNDING PERCENTAGE: This item was discussed earlier in the agenda during Mr. Cherico's report.

5. ACCOUNTS RECEIVABLE STATUS OF CROZER HOSPITAL: This item was discussed earlier in the agenda during Mr. Garner's report.

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