

MINUTES
FINANCE COMMITTEE MEETING
SEPTEMBER 13, 2023 (VIRTUAL)

Attendants: Messrs. Cartafalsa, Cherico, S. Garner, Hurst, Kern, Knapp, Monaghan, Nagle, Willert, Mesdames Amadio, Billings, Bonnett, B. Garner, Nichols, and Sage.

The following were present: someone identified as “JB” and Traci (no last name). There were no other 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. MONTHLY FINANCIAL REVIEW: Mr. Mike Cherico, Chief Financial Officer, provided the Board with a written summary report of the August 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 the budget of approximately \$13 million to the bottom line to be used for current and future capital assets, and Long Term Control expenses. There are a few variances listed on the report. This month, Mr. Cherico stated that he included a negative variance of about \$525,000 for the wholesale customers which was due to a lower flow than was budgeted, particularly for the eastern wholesale customers such as Darby Creek, Muckinipates, and Central authorities, and also for the Southern Delaware County Authority. However, that negative variance was more than offset by the positive variances in tapping fees and \$1 million of interest income due to interest rates remaining high, resulting in a favorable total revenue variance of about \$600,000. Regarding Expenses, Mr. Cherico noted the Debt Service is still favorable and we did not borrow any funds on our loan facility in August. Capital expenditures in August were less than \$500,000, relatively low compared to other months, and were paid out of existing Renewal and Replacement funds. He also stated the net variance between revenue and expenses is about \$300,000 positive and we expect to continue like that for the remainder of the year.

Regarding Cash Generated in Prior 12 Months, Mr. Cherico stated that cash generated from operations is favorable at approximately \$8 million and about \$16 million of operating cash was used for capital projects. That was mostly at the end of last year before we started borrowing. In the past twelve months, about \$23 million of operating cash was generated. In response to a question from Mr. Kern about the Philadelphia cost being on budget, Mr. Cherico stated that he expects it to be somewhat under budget but the anticipated increase in operating expense of 18%-19% in the fourth quarter will be offset by the lower Long Term Control Plan cost. Also, the flow to Philadelphia is directly related to the flow coming from the Eastern authorities and is expected to be on budget. Mr. Cherico is also anticipating that the Eastern authorities

will receive refunds because of the lower flow. Mr. Cherico had no additional comments to the written report. The Committee had no other questions on the written report.

Regarding Residential Accounts Receivables, Mr. Shep Garner, Accounting & Customer Service Manager, reported that about \$2 million was collected in August 2023 compared to about \$1.6 million collected in August 2022, indicating a favorable difference of approximately \$400,000. Year-to-date collections are doing very well at about \$2.2 million higher than 2022. He also stated that billing will go out in October for the 4th quarter and he anticipates the same positive variance. Mr. Cherico added that sending out the 10-day notices and shut-off notices also had a positive impact after not doing that for about three years. Mr. Willert mentioned that an insert concerning the Long Term Control Plan will be included with the next billing. Mr. Garner stated that the insert will be provided by Mr. DiSantis. Mr. Garner had no additional comments to his written report. The Committee had no questions on the written report.

Prior to adjournment, Mr. Kern asked if the committee would agree to table the proposal from DLueckenhoffTBL LLC that was discussed at the Operations and Engineering Committee. The proposal was sent to all Board members for their review. Mr. Kern feels that it needs closer evaluation since it does not meet DELCORA's objectives. He thinks there may be some positive aspects in it that could be incorporated into the Long Term Control Plan but not the way it is currently presented. Mr. Kern also stated that his original understanding was that this proposal was to help DELCORA find grants for projects but this proposal, as written, is designed to find funding for a very specific project not necessarily tied into our Long Term Control Plan. He suggested that we find other organizations with experience to help us find grant funding, assist with the applications and guide us through the process.

It was moved by Mr. Kern, seconded by Mr. Nagle, and unanimously carried to table this proposal and not place this item on the Board agenda for approval at this time.

ADJOURNMENT: It was moved by Ms. Sage, seconded by Ms. Nichols, and unanimously carried to adjourn the regular meeting at 3:42 p.m.