

**MINUTES**  
**FINANCE COMMITTEE MEETING**  
**MAY 15, 2024 (VIRTUAL)**

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Attendants: Messrs. Cherico, DiSantis, Hurst, Kern, Martin, Moss, Mullen, Nagle, Schuster, Willert, Mesdames Billings, Bonnett, Caulk, B. Garner, and Nichols.

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. MONTHLY FINANCIAL REVIEW: Mr. Mike Cherico, Chief Financial Officer, provided the Board with a written summary report of the April Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated that we are still on target to hit the \$6.6 million budgeted for reserve for replacing capital assets and the \$12 million budgeted to be set aside for future Long Term Control Plan costs. In fact, based on a couple of positive variances on the revenue side, we expect to be about \$2.5 million ahead of that. The two favorable revenue variances are about \$2 million in the sludge revenue because we did not factor in the price increase when the budget was prepared. The budget was \$6 million but he predicts that will be about \$8 million or closer to \$10 million. Mr. Cherico stated that interest income continues to run high so we are expecting our interest income to be at least \$500,000 over budget. Those two together give us a favorable overall of about \$2.5 million. He reported that on the expense side, year-to-date, that there are some expense variances, both favorable and unfavorable. Although it is still early in the year, he expects expenses to be either at or slightly below the budget.

Regarding Cash Generated, Mr. Cherico reported that in the twelve month period ending April 30<sup>th</sup>, we generated close to \$23 million. Since cash balances have increased in recent months and capital requisitions have been relatively low in the past four to five months, a decision was made to pay down \$5 million of the debt that was borrowed in 2023. The actual payment was made on May 1<sup>st</sup>. He stated that we make debt service payments on May 1<sup>st</sup> and November 1<sup>st</sup> of each year. The loan amount was \$30 million but we only borrowed \$12.1 million, so the outstanding balance is now \$7.1 million. In response to Mr. Kern about the interest rate on that loan, Mr. Cherico stated that it is a variable rate but right now it is about 6.1% so it is in our best interest to pay that down. We are currently earning in the low five percent on the interest income side. Ms. Billings asked if the payment was based on the principal. Mr. Cherico said that it is similar to a home equity loan in that the actual principal payments are not required to start until later. He believes that is in 2026. Also, we could pay the entire balance now but we are choosing to retain a balance in case we need it at some point. Mr. Cherico noted that at that time, we were expecting significant capital expenditures in the next few years so we borrowed \$30 million with the anticipation of borrowing another \$30

million but the situation has changed since then so we only borrowed \$12 million, and now that balance is down to \$7.1 million. Mr. Cherico had no additional comments to the written report. The Committee had no other questions on the written report.

Regarding Residential Accounts Receivables, in Mr. Garner's absence, Mr. Cherico reported that about \$550,000 was collected in April 2024 compared to about \$1.4 million collected in April 2023 indicating an unfavorable variance of approximately \$850,000. Year-to-date collections of about \$660,000 are lower in 2024 compared to 2023. He stated the reason for that is in March of 2023, collection efforts on delinquent accounts began after being dormant for three years. There were some significant delinquent account collections in April of 2023 which are not being duplicated in April 2024. We are still collecting on all the current accounts but the delinquent account collections will be significantly lower in 2024. Mr. Cherico had no additional comments to the written report. The Committee had no questions on the written report.

4. REVIEW OF THE 2023 AUDITED FINANCIAL STATEMENTS: Mr. Cherico provided a draft copy of the 2023 Audit to all Board members for their review and comment. He stated that the auditors had no comments and found no issues with our internal controls or accounting procedures. He stated that there was only one adjustment made to the actuarial component of the Pension Plan wherein they adjust to the actual expense. This is an accounting book entry only. He also noted that we generally show a pension liability but, this year, we have a pension asset due to being over funded; meaning our net income was almost \$20 million in 2023 compared to \$18.5 million in 2022. DELCORA continues to maintain a strong financial position. Mr. Cherico had no additional comments on the draft audit. The Committee had no questions on the draft audit. Mr. Nagle congratulated Mr. Cherico and his staff on a job well done.

Following discussion, it was the consensus of the Committee to recommend Board approval of the 2023 Audit. This item will be placed on the agenda for approval at the May 21<sup>st</sup> Board meeting.

5. RESOLUTION NO. 2024-05 – DISPOSITION OF RECORDS – MISC. ACCOUNTING FILES: Mr. Cherico stated that this resolution is on the agenda every year due to the Authority only having to keep 7 years' worth of documents and papers per the Municipal Records Act. Therefore, every year we dispose of the outdated documents.

Following discussion, it was the consensus of the Committee to recommend Board approval of Resolution No. 2024-05. This item will be placed on the agenda for approval at the May 21<sup>st</sup> Board meeting.

6. ADJOURNMENT: It was moved by Mr. Schuster, seconded by Mr. Martin, and unanimously carried to adjourn the regular meeting at 3:45 p.m.