

MINUTES
FINANCE COMMITTEE MEETING
OCTOBER 9, 2024 (VIRTUAL)

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

The following was present: Mike Ewall. There were no other 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: Mrs. Lindsey Amadio, Controller, provided the Board with a written summary report of the September Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mrs. Amadio stated that we are anticipating more revenue than budgeted for hauled waste due to the price increase in January 2024. She also stated that our interest rates on invested income continued to increase, and we expect to be at least \$750,000 over budget in this category. Repairs and Maintenance, and Minor Equipment & Supplies are some negative variances. These expenses can vary depending on the year and what repairs are needed. Mrs. Amadio reported that since cash balances have increased while capital requisitions have decreased, we have paid off 5 million of our debt that was borrowed in 2023. The loan balance is now \$7.1 million. Mrs. Amadio had no additional comments to the written report. The Committee had no questions on the written report.

Regarding Residential Accounts Receivables, Mr. Shep Garner, Accounting & Customer Service Manager, reported that \$422,060 was collected in September 2024 compared to about \$405,156 collected in September 2023, indicating a favorable difference of approximately \$16,904. Year-to-date collections are lower in 2024 compared to 2023 by \$942,134. March of 2023 is when collection efforts began after being stopped for three years. Mr. Garner had no additional comments to the written report. The Committee had no questions on the written report.

4. DISCUSSION OF 2025 BUDGET: Mr. Cherico provided the Board with two schedules regarding the 2025 budget. One compares the 2024 budget with the 2025 budget at a 3% rate increase, 3.5% rate increase, a 4% rate increase, and a 4.5% rate increase. Mr. Cherico explained that in the 2025 budget, the expense will stay the same while the revenue increases. Mr. Cherico stated that each 1 percentage point increase in the rates is about \$800,000 in total revenue. Mr. Cherico added that a 3% rate increase for a residential customer using 70,000 gallons will reflect an increase of

\$16.15 a year. A 4% rate increase will reflect an increase of \$21.53. Mr. Cherico reported that on the second schedule he provided to the Board, it shows a ten-year schedule of cash balances at the end of each year as well as the total capital being spent in this ten-year time frame. Mr. Cherico reported that we have a capital budget of \$600 million through 2033 which includes cash generated as well as borrowing. Mr. Cherico added that we can keep our capital budget at \$600 million with rate increases of 4% through 2027, 4.5% through 2028, and 5% from 2029 through 2033. Mr. Cherico stated that he recommends a rate increase of 4% for 2025.

Mr. Martin had a few questions. His first question was what the traditional process was for budget approval. Mr. Cherico answered that the budget is usually approved at the November board meeting. His second question was what the embedded assumption in the draft budget regarding salary increases for 2025, and how would a 1% increase in the salary affect the budget. Mr. Cherico replied that the salary increase in the draft budget for non-union employees is 4%, while the union employees hourly increase assumption in the draft budget is 6%. Mr. Cherico added that a 1% increase would be \$150,000. Mr. Martin also asked if any of the decisions by the board members were influenced by the pendency of the asset purchase agreement. The board answered no. Ms. Nichols added that we wanted to prove that we could be financially solvent, which rushed need for the asset purchase agreement.

Mr. Nagle asked about the budget for total Operating expenses. Mr. Cherico replied that the Operating budget for 2024 is \$85 million. This budget includes the \$17 million reserved for the LTCP, as well as \$14.5 million for debt service. After deducting both of those, we are left with \$73 million for our operating expenses.

Ms. Billings asked about the \$20 million that we borrowed in 2024. She asked if the borrowing in 2025 would be commercial borrowing again. Mr. Cherico answered that according to the APA, it will have to be commercial borrowing.

Discussions continued regarding the rates, as well as the LTCP, but there was no decision made regarding the rate increases for 2025.

5. ADJOURNMENT: It was moved by Ms. Keffer, seconded by Mr. Martin, and unanimously carried to adjourn the regular meeting at 4:01 p.m.