

MINUTES
FINANCE COMMITTEE MEETING
JULY 10, 2024 (VIRTUAL)

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

The following was present: Mr. Pat Seymour. There were no other members of the public present.

1. ROLL CALL: Nine 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 June Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mr. Cherico stated that halfway through the year, we are still on target to achieve our budgeted goal of \$6.6 million for reserve for replacing capital assets and also to put aside \$12 million for future Long Term Control Plan costs. Mr. Cherico noted that there were some variances from the annual budget but not much as changed in the past few months. He noted that Residual Waste Revenue is projected to be \$2.5 million ahead of budget and expect that to continue if the current monthly amounts continue. Also, Interest Income is expected to be \$500,000 ahead of budget due to the continued higher rates on invested funds. Therefore, Total Favorable Revenue Variance is about \$3 million. Reporting on the Expense Variances, Mr. Cherico stated that Repairs and Maintenance costs have been running higher than budgeted but costs for the Solicitor, Consulting, and Engineering related to the Aqua sale and the bankruptcy have not been as high as expected. Overall, we are about \$2.8 million ahead of our budgeted net.

Mr. Martin asked about Mr. DiSantis' financial report regarding Overtime Expenses showing a budget of \$1.425 million and a year-to-date amount of slightly more than \$1 million, indicating an expense of 7% over budget. Mr. Martin asked if it was budgeted as something other than Straight Line Monthly. Mr. Cherico responded that he will check with Mr. DiSantis on that but that overtime was running a little over budget but not to that extent. Mr. DiSantis stated that expenses are 7% over budget year-to-date mainly because of one department but he may have used the wrong number from the spreadsheet that Mr. Cherico provides him and he may have entered what is left in the budget instead of what was spent. He will research that and provide a response before the Board meeting. Mr. Martin asked if there is more overtime in the summer or in the winter. Mr. DiSantis responded that it does ebb and flow, and really depends on the department. For example, in the summertime, in Operations, if someone is off on the night shift, they need to be replaced. Also, during winter storm events, there is usually an increase of call-ins and responses by Sewer Maintenance and Central Maintenance. Mr. DiSantis stated that he will verify what has been spent to date. Mr. Cherico added

that overtime expenses are somewhat offset by being under budget on salaries and wages of open positions.

Regarding Cash Generated, Mr. Cherico reported that cash generated over the last twelve months is about \$20 million. The cash balance is about \$3 million higher but about \$16.5 million of that internally generated cash was used towards capital projects. He also noted that we paid down \$5 million of the debt we borrowed in 2023 so the balance of that loan is \$7.1 million of the \$30 million we had borrowed. 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 collections in June were lower than June 2023 by about \$9,000. Year-to-date collections in 2024 were about \$330,000 lower than in 2023 because of the significant amount of delinquent collections received in 2023. Collection efforts were resumed in March of 2023. Mr. Cherico also reported that he received a notice on Monday from the City of Philadelphia concerning their 2025 rates. Beginning on November 1, 2024 through October 31, 2025, the overall rate increase will be about 4.4%. DELCORA's contribution to their Long Term Control Plan remains at \$109,000. The year before last, we paid \$2.4 million. Mr. Cherico had no additional comments to the written report. The Committee had no questions on the written report.

Prior to adjournment, Mr. Kern stated there were a few updates regarding the Rate Stabilization Trust Fund ("Trust") and Univest's desire to resign as Trustee of the Trust. He stated that there has been a search made to find another bank that would be willing to replace Univest. Mr. Seymour of Rudolph Clarke reported that he has been working with Mike Cherico on this search. Providing some background information, Mr. Seymour stated that Univest Bank and Trust Company is the current Trustee of the Trust that will be financed with the completion of the Asset Purchase Agreement ("APA") with Aqua so until there are funds added to the Trust, it is virtually an unpaid position. Univest resigned as Trustee and when DELCORA was not able to promptly find a successor, they petitioned Delaware County Orphans Court to have a successor appointed. Mr. Seymour stated that a resolution was reached on that case wherein DELCORA would do one final good faith effort to find a Trustee. Working with Mike Cherico, they contacted several banks; TD Bank, F&B, Wilmington and US Bank, all of which declined. The last bank still reviewing the offer is Fulton Bank. Fulton Bank has expressed some interest in the position to serve as Trustee but if that were their only involvement with DELCORA, then they would not be interested since the position is unpaid until the Trust is funded. However, Fulton stated that if there were other business opportunities available with DELCORA, then they may be interested in taking the Trustee position. Fulton requested some financial information so Mr. Seymour directed them to our website. He was hoping to convey specific banking arrangements today but it is still too early in their review. Fulton Bank expects to make their decision in another two weeks. If they decline, he stated that the next step would be to go to the

Delaware County Orphans Court and ask them to appoint a successor. Other issues addressed and discussed:

- There is no income opportunity for serving as Trustee until the Trust is funded.
- The Trustee has been named in a number of current lawsuits so the opportunity to pay legal bills is ample but the opportunity to earn income is nominal at this point.
- The Trust is not included in the APA. It is a side agreement wherein any money left over from the sale was to be deposited into the Trust.
- Aqua would be paid out of the Trust for any rate increases in excess of the 3% promised.
- The Trust was opened and funded with a minimum of \$1,000.
- The Trust cannot be dissolved. It lasts in perpetuity. Because of the wording of the Trust and since it already has some funds in it, it cannot be undone so it will sit as is even though it is not currently functional.
- The Chester bankruptcy Stay does not affect searching for another Trustee to the Trust agreement.
- DELCORA still needs to find a successor Trustee per the requirement of the Orphans Court.
- The search for a successor Trustee will continue in spite of any action by the PUC.
- To date, not much money has been spent in search of another Trustee.
- Fulton Bank noted that the Trust Agreement does not contain language for a “sunset” provision to wind itself down.
- Mr. Seymour will review the Trust Agreement for what needs to be done when the funds are exhausted at some point in the future.
- When the purpose of the Trust becomes moot, all of the principal parties would need to petition the court to approve its dissolution.
- If the APA is extinguished either by mutual agreement or because the PUC does not approve it, the Trust becomes an unnecessary appendage and DELCORA could seek its termination without the approval of Aqua.

Mr. Seymour stated that he will advise Mr. Kern of any progress made with Fulton Bank.

ADJOURNMENT: It was moved by Mr. Martin, seconded by Ms. Nichols, and unanimously carried to adjourn the regular meeting at 4:00 p.m.