

MINUTES
FINANCE COMMITTEE MEETING
NOVEMBER 13, 2024 (VIRTUAL)

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

There were no 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 at the Human Resources and Administration Committee meeting held prior to the Finance Committee meeting today.
3. MONTHLY FINANCIAL REVIEW: Mrs. Lindsey Amadio, Controller, provided the Board with a written summary report of the October Interim Statements and highlighted items contained in the written report. Regarding Revenue and Expenses, Mrs. Amadio stated that we still have a favorable variance for hauled waste even though we did not budget for the price increase and interest income continues to be more than what we had expected. She stated that there continues to be a few small expense variances under Repairs & Maintenance, Minor Equipment, and Supplies which can always vary year to year depending on what needs to be fixed. Also, under Solicitor and Consulting, she noted that we expected a higher expense in these areas because we were not sure what would happen with the Aqua litigation so we continue to be under budget there. Mrs. Amadio stated that, overall, we anticipate total expenses to be slightly below budget for 2024. Mrs. Amadio had no additional comments to the written report. The Committee had no questions on the written report.

Regarding Residential Accounts Receivables, in Mr. Garner's absence, Mrs. Amadio reported that slightly over \$1 million was collected in October 2024 compared to this time last year. Mr. Martin asked if the expected insurance payment of \$457,000 on the claim relating to the PennDOT incident was used to reimburse the contractors or were the contractors already paid and that money will essentially be unanticipated or additional cash flow. Mr. Cherico responded that the contractors had already been paid so that money is just a reimbursement of funds that were sent out but it would offset some capital that was spent in previous months. Mr. Cherico added that it would not affect the Profit and Loss because it went through capital and was not an operating expense. There were no additional comments to the written report. The Committee had no other questions on the written report.

4. DISCUSSION OF 2025 BUDGET AND RECOMMENDATION FOR APPROVAL AT THE NOVEMBER BOARD MEETING: Mr. Cherico provided highlights of the 2025 budget, a draft of which was provided to all Board members. Mr. Cherico stated that an overall 4% rate increase was budgeted. As an example, a residential customer using 70,000 gallons would see their annual bill go from \$538 to \$560, about \$22 higher, and

since we bill quarterly, that would be about \$5.40 higher per quarter. Also, overall Operating Revenue will increase about 4.5% due to some high flow forecasts from several of our large industrial customers, mainly Kimberly-Clark and Energy Transfer (Sunoco). We also budgeted \$12 million to be set aside for the future Chester Long Term Control Plan costs and, after that, it leaves a bottom line of about \$8 million that will be used for other non-long term capital projects. Mr. Cherico stated that we assumed we would have to borrow about \$15 million on our existing loan facility and, if we do, we have budgeted for capital next year slightly more than \$30 million. Therefore, if we do borrow those funds, that is accounted for in our debt service expense. We also budgeted \$3 million on a contingency line in case we have any expenses associated with the City of Chester bankruptcy situation.

Mr. Kern asked about Overtime going up 17%. Mr. Cherico responded that item was under-budgeted in the current year. Based on budget year to budget year, it is up 17% but the actual so far this year is about 6% so there has been a significant increase in overtime in the current year. Mr. Cherico will research as to the reason for the increase in overtime. He also stated that the Profit and Loss report indicates that the total Salaries and Wages are actually under budget which offsets the Overtime being over budget. Ms. Nichols requested a breakdown of the Salary and Wages category into Administrative versus Union employees as any potential salary increases may have an implication with the current contract negotiations. Mr. Cherico stated that he would provide that breakdown of salaried and hourly tomorrow. Ms. Nichols also asked what is the expected COLA for 2025. Mr. Cherico responded that a 6% wage increase was budgeted for union employees and a 4% wage increase was budgeted for non-union employees. Mr. Kern added that, historically, the union increases have been smaller compared to the salaried increases. Mr. Cherico also stated that our union wage increase over the last three years has been 3% per year; however, other current labor agreements recently negotiated substantial increases, such as UPS, UAW, and Boeing. Mr. Martin asked Mr. Cherico to explain the Salary and Wages line item that shows a 6.29% change. Mr. Cherico responded that there are several additional positions that were not in the budget last year which is causing the overall to go up slightly. Mr. Martin also asked about the more than 7% increase in benefits. Mr. Cherico responded that our insurance carrier notified us that our health insurance rates would be increasing about 6.5% in 2025 which is the first increase we have had in six years. Ms. Nichols asked if we are in a DCIU Trust. Mr. Cherico responded that 'yes' we are, similar to many municipalities and school districts within Delaware County but we are not self-insured. We pay one monthly premium. Ms. Nichols also asked if the Solicitor line item included the in-house solicitor and all outside legal consultants. Mr. Cherico responded 'yes', that line item includes all legal fees. She suggested that it be separated out as in-house legal and other outside legal consultants. Mr. Willert said the legal line item can be separated. Referencing the Expenses by Department, Mr. Martin questioned the increase in Customer Revenue Billing. Mr. Cherico responded that it was under-budgeted this year and costed us more than what was anticipated. Just recently, we

outsourced the posting of 10 day notices due to a safety issue of performing this internally. The committee had no further questions on the 2025 budget.

Following discussion, it was the consensus of the Committee to recommend Board approval of the 2025 Budget. This item will be placed on the agenda for the November 19th Board meeting.

5. LEITZELL & ECONOMIDIS, PC – APPROVAL AS AUDITOR FOR YEAR 2024 DUE TO PRELIMINARY WORK IN DECEMBER 2024 (fee: \$41,000.00). Mr. Cherico stated that the auditor is appointed in November so they can begin preliminary work in December. In response to a question from Mr. Martin as to how long this firm has been the Authority auditor and what their fee was last year, Mr. Cherico stated that Leitzell & Economidis has been the Authority auditor for about eight years and their fee last year for the 2023 audit was \$39,000. Ms. Keffer asked if the position of Auditor is ever put out for bid. Mr. Cherico responded that a Request for Proposals was sent out about eight years ago when Leitzell & Economidis was chosen.

Following discussion, it was the consensus of the Committee to recommend Board approval of the appointment of Leitzell & Economidis, PC as auditor for fiscal year 2024. This item will be placed on the agenda for the November 19th Board meeting.

ADJOURNMENT: It was moved by Mr. Martin, seconded by Mr. Schuster, and unanimously carried to adjourn the regular meeting at 4:08 p.m.