

MINUTES
FINANCE COMMITTEE MEETING
MARCH 12, 2025 (VIRTUAL)

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

The following was present: Mike Ewall. 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. CHIEF FINANCIAL OFFICER REPORT: Mrs. Amadio, Controller, provided the Board with a written summary report of the February Interim Statements and highlighted items contained in the written report. She noted that she will be reporting on variances at the May meeting relative to the April financial reports. Regarding Revenue and Expenses, Mrs. Amadio stated that cash generated from operations is \$22,230,454. Mr. Cherico added that the actual cash balance only increased by about \$400,000 but we have used almost \$22 million for capital projects, all out of internally generated operating cash. We have not borrowed any money in the past twelve months. Mrs. Amadio had no additional comments to the written report. The Committee had no questions or comments on the written report.

Regarding Residential Accounts Receivables, Mr. Garner, Accounting & Customer Service Manager, reported that about \$1.9 million was collected in February 2025 compared to about \$2.1 million in February 2024 indicating an unfavorable difference of approximately \$210,000. However, collections through 2025 were \$32,000 higher than 2024. Mr. Garner stated that the first quarter billing was sent out in January and that 30 day notices were sent out in February. He also noted that the 10 day shut off notices will be sent out in late March or early April.

Regarding Crozer Hospital, owned by Prospectus, Mr. Garner stated that a few months ago, the Customer Service Department heard the rumors of the bankruptcy and decided to do a quick analysis of Crozer to make sure DELCORA was protected as far as our billing and costs to treat their sewer service. Crozer has about fifteen accounts. There is one big account that has an unpaid balance of about \$400,000, including the smaller accounts, the total due through our first quarter billing is \$450,000. Last week, we received a payment of \$135,000, so the balance that they now owe is \$315,000. Mr. Garner stated that we have put liens on all of their accounts to protect DELCORA and, since they did actually file for bankruptcy, DELCORA is protected through the first quarter billing. Mr. Garner noted that Tracy Harris spearheaded that effort. She and the Customer Service team have been working with Crozer. Crozer informed us that they intend to pay the \$315,000 that they owe.

Ms. Billings stated that since the amount that might be budgeted is different every year, she thought it would be more useful if the residential accounts receivable comparisons in collections were shown as percentages. For example, the report could show that this year, we are at 24% of budget and last year, we were at 23% of budget. It was decided that Mr. Garner would provide the percentages every quarter. Ms. Billings also thanked him for following up on the Crozer issue.

Regarding Crozer, Mr. Martin stated that he monitored a hearing held yesterday in the Bankruptcy Court and noted the articles in the paper reported that the interim resolution kept it from closing immediately. He stated that the facts are a bit more discouraging. The Foundation for Delaware County has agreed to provide cash sufficient enough to handle two weeks of expenses. If they don't come to a more complete resolution then they are going to file to close. Those filings would be put before the court in about two weeks. If they receive permission to close, it would then have to be determined how long they would have to stay open for moving patients out and transitioning. That period probably would only be between two and four weeks. Regarding Crozer's promise to pay DELCORA, Mr. Martin believes that if they shut down, DELCORA won't get paid. But, if they come to a resolution at some point, DELCORA may be requested to compromise on the remaining amount owed. He stated that the resolution under discussion involves a non-profit taking over the system and other components taken over by other local medical systems. They would also have to get cash infusions, presumably from the state. Mr. Martin suggested that Mr. Garner should try to get a firm commitment on when they expect to pay DELCORA. Mr. Garner said he would contact Crozer to try and get a payment date for the balance due.

Ms. Nichols asked if we have any information regarding the Crozer account with the Chester Water Authority (CWA) and if Crozer is paying CWA. Mr. Garner responded that he would look into that. Mr. Martin added that our solicitor could request the Schedule of Debts that Crozer had at the time they filed for bankruptcy. That should have been filed with the court and somewhere in those court documents would be information pertaining to CWA. Ms. Nichols also asked about the liens on Crozer. Mr. Garner responded that the lien fees are \$35.18 per account, therefore, the total lien fee on their fifteen accounts is about \$562.00. Mr. Garner confirmed that the liens are placed against the folio numbers where the service is provided.

In response to a question from Ms. Billings regarding what happens to the Crozer property since it is owned by a different entity, Mr. Martin stated that if there is a resolution to keep the hospital open then that would have to be determined as part of that resolution. However, if they don't have a way to keep the hospital open, it would then be auctioned off by the Bankruptcy Court and the liens will be eliminated pursuant to the Bankruptcy Order so it will be auctioned off free and clear. So, who ever buys it would have to establish an account with DELCORA but they would not have liability for any past due amounts. Mr. Nagle suggested an Executive Session with the solicitor after the Board meeting next week to get more clarity on this situation. Mr. Garner had

no additional comments to the written report. The Committee had no other questions or comments on the written report.

4. UPDATE ON PENSION PLAN FUNDING: Mr. Cherico reported that as part of our audit each year, the Actuary does an evaluation of the Pension Plan and, as of December 31, 2024, the Pension Plan funding is 115.94% of the liabilities, which is very good. He expects this to result in a lower Minimum Municipal Obligation (MMO) in 2026. There is another valuation done later in the year, governed by State rules, that is used to calculate the MMO. Mr. Martin provided a brief history of the Pension Plan funding. He stated that end of 2020, it was 81%; end of 2021, it was 66%; end of 2022, it was 90%; end of 2023, it was 105%; and now close to 116%. So, it has been tracking very positively over the last four years. Ms. Billings noted that the valuation was done 1/1/2025 and we won't be evaluated again until the next odd numbered year so we don't have to fund or not fund as the market goes up and down in the meantime. Mr. Cherico confirmed that the valuations are done every two years.

5. UPDATE ON BALANCE DUE FROM CROZER HOSPITAL: This item was discussed earlier in the agenda under Mr. Garner's Residential Accounts Receivables report.

6. DISCUSS DRAFT OF DELCORA PROCUREMENT/PURCHASING POLICY: Mr. Kern stated that about two years ago, he was getting feedback from the county that people were complaining about our procurement policies. Back then, he noted that the Board did not have the chance to look at the policy so, since then, he and Mr. Nagle have been involved in reviewing the procurement policies. Mr. Kern noted that the draft of the policy was provided to all Board members via email. He stated that the Authority does have a Procurement Handbook but he wanted to add a chart to the back of it that outlines dollar values for both construction supplies and professional services that outline what process we would take to advertise and award various types of contracts. He had asked the staff to fill in the numbers to whatever they felt would be comfortable to work with. This has been about a year and a half in the making. Mr. Kern stated that he was not in a rush to get this approved this month since he wanted to give the Board ample time to review it and make comments and/or suggestions; however, he would like to get it approved no later than next month. Mr. Kern commended Pam Caulk and the staff for their efforts in compiling the policy.

Mr. Nagle noted that when they started this review, they expected to find some problems but, at the end of the review, he and Mr. Kern just wanted to make it an ironclad policy as protection from the kind of issues that were coming from the outside. He was very happy with the end result.

Ms. Billings stated that she had three comments.

- On page 3, regarding bid advertisements in the newspaper, maybe add something there since it is possible that the newspaper requirement will no longer be required; municipal organizations have been pushing for that due to the expense of advertising; perhaps just say that we will be in compliance with the

Municipal Authorities Act or state law. Mr. Kern stated that the purchasing contracts are already advertised on DELCORA's website. After discussion, consensus was to add language such as "as required by the Act".

- On page 12, there was a statement made some time ago that the DELCORA Board of Directors supports and encourages the use of PennBid and CoStars, and some other things as approved by the solicitor; she was not sure if it was needed there if it is already included elsewhere in the body of the report.
- In Appendix B, regarding professional services, for contracts above \$500,000 that the staff is evaluating at least three qualified bids; she suggested the Board be able to see the staff and solicitor's review of those bids so the Board could respond if any questions were asked. Mr. Hurst stated he would do that.

Mr. Schuster commented that it would also be helpful to know the amounts of current or past contracts so the Board would know if the new bids were higher or lower. The staff will do that.

Mr. Martin requested clarification on Appendix B, the first 15 or 16 pages, is this something that already existed or is it the staff's effort to formalize the policies that have been in place? Mr. Kern remarked that we were getting criticized and we needed to make sure that we had a good procurement policy in place and that the Board adopts it so if there was any criticism, it would come to the Board and not the staff. Mr. Kern also said that the first 15 pages were existing but there were some tweaks made and he noted that the chart in Appendix A is new. The chart shows what is needed for each level of service. Mr. Martin had several other comments but it was the consensus of the committee that the Board members submit their questions or comments to Mr. Willert.

Mr. Kern requested that the Board members submit their comments before the next set of committee meetings so they can be addressed and the policy revised as needed. The revised policy will be placed on the April Finance Committee agenda for consideration and then placed on the April Board agenda for approval.

Following up on a question Ms. Nichols had yesterday on the procurement process, she stated that Mr. Hurst clarified the process. She stated that it would be beneficial for the Board to know that when three quotes are received that they are scored and the chosen one is not just based upon the recommendation of the staff or the consulting engineer. Also, she requested the Board be provided the scoring sheet when items are placed on the Board agenda for approval so they can see how the proposals compare to one another. Acknowledging Mr. Schuster's earlier comment, Ms. Billings also suggested it would be helpful to know how much these contract costs were before since many of these are repeat contracts and to include the distribution of contracts to various engineering firms or others who get professional services contracts. Mr. Martin stated that we do see who gets paid in the monthly reports but we don't know how much firms are getting paid over a period of time. He suggested that perhaps once or twice a year, a list be provided of the top five or ten engineering firms and the amounts they have received over a certain period of time. Mr. Hurst stated that the requisition sheet does

show the percentage complete but we could also sort that by vendor which would show how large some of these contracts are. Mr. Willert stated that he will discuss this further with Mr. Hurst and provide an update at the Board meeting.

Ms. Nichols suggested a report that is categorized to show if it's a capital project or a design project and to classify it in such a way that the Board sees the full scope of work. In addition to knowing what a previous contract cost, especially if it is a repeat contract, she also thought it would be helpful to know the typical or median unit costs, if there are any as there were in yesterday's bid opening. Mr. Schuster agreed with Ms. Nichols and also thinks it would be helpful to know the gross amount in comparison to the prior year. Mr. Hurst said he understood what was being requested.

Ms. Nichols also suggested that perhaps certain services that are used each year, such as the AI video service that was on the O&E agenda yesterday, be built into operations as an operational cost and as an adopted practice of the department instead of having it on the agenda each year. This would only apply to vendors deemed credible and reliable. Mr. Martin stated that if the money is going to an outside vendor and is above certain limits set forth in these policies, then he believes the Board should review the expenditures. He is a proponent of trying to figure out a way to streamline things.

ADJOURNMENT: It was moved by Ms. Billings, seconded by Mr. Martin, and unanimously carried to adjourn the regular meeting at 4:09 p.m.