

DELAWARE MUNICIPAL ELECTRIC CORPORATION
Regular Finance Committee Meeting
November 11, 2021
Smyrna, Delaware

A meeting of the Finance Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on November 11, 2021 via Zoom.

The meeting was called to order at 1:59 p.m.

The following roll call was presented:

Committee Present:

Charles Anderson
City of Seaford, City Manager
Tyler Reynolds
Town of Middletown, Finance Director
David Del Grande
City of Newark, Finance Director

DEMEC Staff Present:

Kimberly Schlichting, President & CEO
Stephanie Dove, CFO

Special Guests: None.

APPROVAL OF MINUTES – September 21, 2021

Upon motion by Mr. Del Grande and second by Mr. Reynolds, the September 21, 2021, Regular Finance Committee Meeting minutes were approved by the Committee.

FOLLOW UP ON ACTION ITEMS

DEMEC Rate Study

Ms. Dove gave an update that DEMEC will be coordinating a January workshop with the Board and the Rate Consultant to review the study. Mr. DelGrande noted that it may be good that DEMEC have a mandatory requirement that the DEMEC members undergo a rate study every “X” years.

Investment Services RFP

Ms. Dove reported no new activity on this item, and it is staff’s intent to bring this forward in 2022.

Financial Advisor RFP

Ms. Dove reported no new activity on this item, and it is staff’s intent to bring this forward in 2022.

The Finance Committee is an advisory-only committee of the DEMEC Board of Directors and has no power to finally approve or order any action. The power to act rests exclusively with the DEMEC Board of Directors.

AUDIT

Mr. Anderson reported that he has a phone conference with the Auditor next week and can update the group after the discussion. Ms. Dove reported that Prelim Audit work will begin the week of November 29th. Final fieldwork has been scheduled for February. Ms. Dove will follow up with Baker Tilly to get the Audit Calendar from them for the Committee.

TREASURER'S REPORT

Mr. Anderson had no formal report and appreciated the Committees input during the Budget workshop and DEMEC staff's work in putting together Options requested.

2022 BUDGET

Ms. Schlichting noted that the Budget Options were a good idea to present to the Board and that there will be a presentation to the Board by ACES during the next Board meeting. The Committee and staff discussed the budget options presented by staff and the effect on the Rate Stabilization Reserve Fund. The Committee recommends Option #1 to continue to fund the RSR at the same level as 2021 as approved by Mr. DelGrande and seconded by Mr. Reynolds.

ACCOUNTING POLICIES & PROCEDURES

Purchasing Policy

Ms. Dove noted that this policy still needs to be updated.

Accounting Policies & Procedures

Ms. Dove noted that this policy still needs to be updated and hopes to bring the policy to the Committee early in 2022.

Capital Asset Maintenance O&M Reserve Policy

Ms. Dove explained that this is an update to a previously adopted policy and is for planned repairs or upgrades to the Beasley plant that have been approved in the adopted budget.

Beasley Operating Reserve Policy

Ms. Dove explained that this policy is for unplanned repairs or upgrades to the Beasley plant. Ms. Dove discussed that when speaking with other industry generation owners that there does not seem to be written policies in place for the unplanned expenses. DEMEC staff and the Committee discussed how the Reserve has been used, the floor of the reserve and what the ceiling should be. Ms. Schlichting noted that DEMEC staff will continue to evaluate and discuss the ceiling. The Reserve is already at a floor and would not need additional funding to meet any floor recommended by staff. Mr. Anderson asked how much the reserve is funded annually and Ms. Dove said she would get back to the Committee with an actual number.

DEMEC staff would like to bring to the Committee all Reserve policies in Draft form and so all Reserves can be reviewed together in the beginning of 2022.

Mr. Del Grande asked if the Beasley Operating Reserve fund is budgeted in the Beasley participants budget and Ms. Dove explained how the Reserve is funded.

REVIEW OF FINANCIAL REPORTS

3Q 2021

Ms. Dove highlighted the financial results for the period ending September 30, 2021. Demand in KWh through September increased over the prior year. Cash is down over the prior year but up over the prior month and is expected to increase. DEMEC has credited more to the Rate Stabilization Reserve fund than September of the prior year. Revenues are greater than last year due to market revenue, however power supply expenses are higher which results in a decrease in Net Income.

Ms. Dove reviewed the September Investment portfolio with the Committee. Ms. Dove spoke to PNC about adherence to the Investment Policy and how can we make more income while preserving principal. Ms. Dove will speak to PNC April 2022 to review the portfolio with them so there will be an entire year of compliance to the new Investment Policy. Mr. DelGrande recommends having a Financial Advisor review the portfolio for a second opinion on the portfolio. Mr. DelGrande and Mr. Reynolds will send DEMEC the name of the advisor that they both use, and Ms. Schlichting said we would reach out to the advisor for a quote.

BUSINESS FROM THE FLOOR

The Committee and Ms. Schlichting discussed budget projections and the importance of the Load Forecast on the budget, as well as how DEMEC works with ACES.

EXECUTIVE SESSION

None.

NEXT MEETING DATES

DEMEC staff will distribute calendar invites to the committee members for the upcoming meetings set for:

- a. Tuesday, February 15, 2022 at 9:00am
- b. Tuesday, May 17, 2022 at 9:00am
- c. Tuesday, August 16, 2022 at 9:00am

ADJOURNMENT

The Finance Committee adjourned at 3:07 p.m.