

DELAWARE MUNICIPAL ELECTRIC CORPORATION
Regular Finance Committee Meeting
May 24, 2022
Smyrna, Delaware

A meeting of the Finance Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on May 24, 2022 via Zoom.

The meeting was called to order at 10:04 a.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, Interim COO
Charles Santo, Accounting Analyst

Special Guests: None.

APPROVAL OF MINUTES – February 24, 2022

Upon motion by Mr. Del Grande and second by Mr. Reynolds, the February 24, 2022, Regular Finance Committee Meeting minutes were approved by the Committee.

FOLLOW UP ON ACTION ITEMS

DEMEC Rate Study

Ms. Dove gave an update that the study is on hold while DEMEC goes into a deeper review of the Milford data with the Rate Consultant.

Investment Services RFP & Financial Services RFP

Ms. Dove reported that the PFM proposal is ready for the committee to review. Mr. DelGrande asked for additional time for review and Ms. Dove responded yes, that she also asked for edits to ask for experience in Joint Action Agencies, as well as edits from the Committee. Mr. Reynolds and Mr. Anderson also discussed the issues that we are having with PNC and how to be proactive in the future about not having these issues arise. Ms. Dove suggested that the Committee meet with PFM to discuss the proposals that are received, and Mr. Reynolds suggested that the full Board be given input as well.

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.

FINANCE COMMITTEE LEADERSHIP

Chairperson/DEMEC Treasurer Position

Ms. Dove mentioned that the full Board will appoint a new Finance Committee chairperson and committee members at the Annual Meeting in September 2022, as well as the DEMEC Treasurer, who typically holds both roles. Mr. Anderson stated that he desires to continue in his current position as Finance Committee chairperson/Treasurer if appointed by the full Board.

TREASURER'S REPORT

Mr. Anderson had no formal report but mentioned that he continues to work with Ms. Dove to answer any questions he has regarding reports provided by staff on a monthly basis.

ACCOUNTING POLICIES & PROCEDURES

Capital Asset Maintenance O&M Reserve Policy

Ms. Dove noted that this policy still needs more time to be researched and updated.

Beasley Operating Reserve Policy

Ms. Dove noted that this policy still needs more time to be researched and updated.

Rate Stabilization Policy

Ms. Dove noted that this policy still needs more time to be researched and updated.

MRPS Reserve Policy

Ms. Dove noted that this policy still needs more time to be researched and updated.

Cash Flow Policy

Ms. Dove noted that this policy still needs more time to be researched and updated.

Accounting Policies & Procedures

Ms. Dove noted that this policy still needs more time to be researched and updated.

Purchasing Policy

Ms. Dove noted that this policy still needs more time to be researched and updated.

REVIEW OF FINANCIAL REPORTS

1Q 2022

Ms. Dove highlighted the financial results for the period ending March 31, 2022, including new items for the 2022 financial statements. There are two new accounts: Generation AVC revenue and Deposits from Suppliers, the latter is used to record, and track calls on collateral as well as returns on collateral. Net losses

to date have resulted from Unrealized Losses on Investments, as well as making Quarterly adjustments to depreciation, instead of at year-end.

Ms. Dove also gave an update on the Collateral Call activity to date as well as collateral posted to PJM for the FTR Auction.

BUSINESS FROM THE FLOOR

Ms. Dove reported that Moody's re-affirmed our A1 Stable Outlook rating. Ms. Schlichting thanked Ms. Dove for working successfully with Moody's and being able to explain the Beasley project reserve balances and repairs.

Ms. Dove also mentioned that the Continuing Disclosure Agreement for the 2021 bonds is due on June 30th but that Milford's 6/30/2021 financial statements are not yet completed, which will result in DEMEC filing an incomplete disclosure statement for the first time. She noted that she has spoken with bond counsel and DEMEC will need to file the Continuing Disclosure Agreement twice, once with a footnote that Milford data is not available and file again once it is available. Mr. Anderson will reach out to Milford.

Ms. Dove reported that the Final Financing for Middletown and New Castle AMI should be issued by the end of July as the RFP is being sent out.

Ms. Schlichting spoke about the extra time needed for the Rate Design study and that DEMEC staff does not have the time to review the logic of the formulas in the model, further, at this time. Mr. DelGrande suggested a list of DEMEC priorities that could be brought to a future executive session. Ms. Schlichting stated that a list can be brought forward.

EXECUTIVE SESSION

None.

NEXT MEETING DATES

(Third Tuesday of the second month following the quarter end; subject to change)

- a. Tuesday, August 16, 2022 at 9:00 am
- b. Tuesday, November 15, 2022 at 9:00 am
- c. Tuesday, February 21, 2023 at 9:00 am

ADJOURNMENT

The Finance Committee adjourned at 11:28 a.m.