

DELAWARE MUNICIPAL ELECTRIC CORPORATION
Regular Finance Committee Meeting
May 23, 2023
Smyrna, Delaware

A meeting of the Finance Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on Tuesday, May 23, 2023, via WebEx.

The meeting was called to order at 2:00 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 DelGrande
City of Newark, Finance Director

DEMEC Staff Present:

Stephanie Dove, Vice-President & CFO
Willie Marshall, Director of Finance
Tara LaGrassa, Accounting Analyst

Absent: None

APPROVAL OF MINUTES – February 21, 2023

Upon motion by David DelGrande and second by Tyler Reynolds, February 21, 2023, Regular Finance Committee Meeting minutes were approved by the Committee.

FOLLOW UP ON ACTION ITEMS

DEMEC Rate Study

Mrs. Dove stated that both she and Ms. Schlichting are still working on this with ACES and there will be more to come on this at the Board Retreat.

Investment Services RFP

Mrs. Dove stated that PNC was sent a Termination notice on April 25, 2023. PNC will still be the Custodian as US Bank custodial fee was higher. PNC and PFM have been working together to make sure we don't have losses with the move of the portfolio. Mr. DelGrande asked if they require us to liquidate into cash before transferring out. Mrs. Dove stated they are not.

Cash Reserves Study

DEMEC Staff had a kickoff meeting on April 6, 2023. A meeting will be scheduled next week with PFM to discuss where they currently are with the study.

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.

PNC Bank Account

Mrs. Dove stated PNC contacted DEMEC to inquire if we wanted to open a new bank account to take advantage of higher interest income for our sweep account versus the current Money Market account. As of March, we were earning 285 bps with the current sweep account and we could earn up to 425 bps, approximately \$10K more per month. DEMEC Staff are currently looking to review the account options and see where the best fit would be to open a new account to increase the interest income amounts.

Mr. Del Grande stated that Newark has been in and out of the sweeps and presently they are out of the sweep and in some type of governmental account where they are getting a return without doing the sweep.

Mrs. Dove stated in 2019, the sweep was turned off because the fees for sweeping were becoming more than what DEMEC was making. Money was then being manually moved back and forth to make a little bit more income. Mrs. Dove stated that DEMEC recently turned their sweep back on. Mr. Reynolds stated he recently had a similar conversation with PNC. He stated that Middletown had also stopped sweeps for a while due to the fees. He stated that PNC claimed it is easy to turn it on and off going forward if the fees start to approach any earnings and that PNC will be following up with Middletown regarding the analysis that was presented to them. Mr. Anderson stated that due to the bps being offered, he agrees we should do it. Per Mrs. Dove, in the past when we needed to turn it off and on, it was done within a day or so. Mr. Anderson stated Seaford was also contacted by their bank regarding the sweeps, but they haven't acted on anything yet until they do more research. Mrs. Dove stated she would keep the two accounts that are currently open, open another account and just sweep back and forth between that and the operating account.

AUDIT

Baker Tilly's contract has ended. We are looking to extend it for another 3-year term with Baker Tilly and to begin negotiations. The committee suggested two one-year terms with services same as current contract. Staff will advise the board in the June meeting and work with Baker Tilly for a new engagement for two one-year terms.

TREASURER'S REPORT

Mr. Anderson had no formal report.

ACCOUNTING POLICIES & PROCEDURES

Capital Asset Maintenance O&M Reserve Policy

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

Beasley Operating Reserve Policy

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

Rate Stabilization Policy

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

MRPS Reserve Policy

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

Cash Flow Policy

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

Accounting Policies & Procedures

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

Purchasing Policy

Mrs. Dove noted that this policy is on hold until after the cash reserves study in 2023.

Investment Policies Updates

PFMAM provided updates to the current investment policy to reflect best practices language and add back in some items that are in the State of DE policy and not the DEMEC policy. These updates also include a suggestion to increase the maximum maturity limit to 5 years or something greater than 2 years and removing the weighted average language to allow for more flexibility. This is being held off and revisited in the August meeting for the Committee to have time to review.

REVIEW OF FINANCIAL/INVESTMENT REPORTS

1Q 2023 - INVESTMENT REPORT

Per Mrs. Dove, we have made some money back that we had lost, and she has let PFM know they are not to sell investments off at a loss and those investments can be reinvested once they mature. The transition with PFM and PNC seems to be going smoothly. When the investment reports come in the next quarter, Mrs. Dove will work PFM to make sure we are getting what we usually give to the Board. Mrs. Dove asked if the Finance Committee wanted PFM to come in and meet with them or the Board and Mr. Del Grande suggested having them come to a Board meeting twice a year. Mr. Anderson suggested once they are all caught up, to have them come in and speak with the Finance Committee. Mrs. Dove stated she will reach out to PFM and ask them to attend the Finance Committee meeting in August. The Finance Committee agreed that the Fall will be better to speak to them and then the Springtime is better for the Board to meet with them.

1Q 2023 - FINANCIAL REPORT

Financial statements for 1Q, we have reduced demand due to not having winter weather. Demand through March is down by 4.5%. The market is also down. Our PJM revenues and our PJM market revenues are down because the LMP prices have continued to decrease as natural gas prices have decreased and are starting to level off. We had cash collateral deposits in March of 2022 that were \$10M higher than what we have right now. The large decrease in cash over the prior March is collateral, that is market driven. Currently, we are below the \$30M target of unrestricted cash and we had a charge to the RSR through the beginning of the year of \$4.4M, which is what is driving cash to be down. Mrs. Dove stated although it looks dismal, it's still what we were budgeting. The RSR is down because of the charges. We do have money tied up in PJM and with the market dropping, we are able to take some of it back, but we won't see it come back on the balance sheet for a couple of months because we just called it back. The money sitting with PJM does accrue interest. Mr. Anderson stated that with natural gas prices being down and Indian River payback being caught up in 2023, we should think about if there is any recommendation, we can make to increase that RSR contribution.

Finance Committee Meeting (continued)
May 23, 2023

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

None.

NEXT MEETING DATES

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

- a. Tuesday, August 15, 2023, at 9:00 a.m.
- b. Tuesday, November 21, 2023, at 9:00 a.m.
- c. Tuesday, February 20, 2024, at 9:00 a.m.

ADJOURNMENT

The Finance Committee adjourned at 2:43 p.m.