

DELAWARE MUNICIPAL ELECTRIC CORPORATION
Regular Finance Committee Meeting
August 24, 2023
Smyrna, Delaware

A meeting of the Finance Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on Thursday, August 24, 2023, via WebEx.

The meeting was called to order at 9:02 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 DelGrande
City of Newark, Finance Director

DEMEC Staff Present:

Stephanie Dove, Chief Financial Officer
Willie Marshall, Director of Finance
Tara LaGrassa, Accounting Analyst

Absent: None

Special Guests: Chris Lover, PFM Managing Director
Joseph Visalli, PFM Senior Analyst
Katia Frock, Director, PFMAM
Zachary O’Grady, Senior Managing Consultant, PFMAM

APPROVAL OF MINUTES – May 23, 2023

Upon motion by Tyler Reynolds and second by Charles Anderson, May 23, 2023, Regular Finance Committee Meeting minutes were approved by the Committee.

PRESENTATIONS

PFM Asset Management

Ms. Katia Frock, Director, PFMAM, and Mr. Zachary O’Grady, Senior Managing Consultant, PFMAM, presented a market and investment portfolio update. A discussion ensued.

Mr. Reynolds stated that any market information that can be passed to us would be beneficial.

PFM Cash Reserves 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.

Ms. Dove stated that staff has been working with PFM Financial Advisors to bring forward the recommendations for what the cash balance and reserve account should look like, and they will take their presentation in a condensed version to the Board in September.

Mr. Chris Lover, Managing Director, PFM, and Mr. Joseph Visalli, Senior Analyst, PFM, presented the cash reserve study. A discussion ensued.

Mr. Anderson asked Ms. Dove if she had given any thought to whether we were to try to implement this plan over the three years, what that would relate to in a wholesale cost increase. Ms. Dove responded that she agrees with Mr. DelGrande in that she doesn't think we can get there in three years.

FOLLOW UP ON ACTION ITEMS

DEMEC Rate Study

Ms. Dove stated the Rate Study was discussed at the Board Retreat and is on hold for now.

Cash Reserves Study

PFM and team discussed in their presentation where they currently are with the study. A condensed version will be brought to the Board in September.

PNC Bank Account

Ms. Dove stated we have done the paperwork for PNC to open a new bank account to take advantage of higher interest income for our sweep account versus the current Money Market account. PNC has opened a new money market sweep with a higher rate than our current account. That account stays with PNC and all the funds within the money market accounts we have fully collateralized.

FINANCE COMMITTEE LEADERSHIP

Mr. Anderson stated that he was asked by Morris Deputy to consider serving another term and Mr. Anderson kindly agreed to continue serving as Chairperson/DEMEC Treasurer.

TREASURER'S REPORT

Mr. Anderson had no formal report

ACCOUNTING POLICIES & PROCEDURES

Ms. Dove stated that one thing that is not listed under Accounting Policies & Procedures because it is currently being worked on, is the Disbursement Policy. The policy is currently in draft form and under review internally and will be brought to the Finance Committee at a later date. Ms. Dove stated that as they are learning, Willie & Tara have been working diligently documenting procedures to eventually create an internal procedures manual.

Capital Asset Maintenance O&M Reserve Policy

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

Beasley Operating Reserve Policy

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

Rate Stabilization Policy

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

MRPS Reserve Policy

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

Cash Flow Policy

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

Accounting Policies & Procedures

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

Purchasing Policy

Ms. 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. Ms. Dove stated she doesn't have a problem with the updates being suggested and that it gives us a little more flexibility but doesn't mean that we must adhere to any upper or lower limit that they proposed in those policies. Some limits have changed to what the state has, however, it is still up to us to tell them what we want. A discussion on the maturity restrictions ensued. A motion was made by David DelGrande and second by Tyler Reynolds to approve and recommend the changes in the policy to the Board. Mr. Anderson stated that once the policy is updated to please send it to the Finance Committee.

REVIEW OF FINANCIAL/INVESTMENT REPORTS

2Q 2023

Ms. Dove presented the second quarter financial reports. A discussion ensued.

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

Motion was made by Mr. Reynolds and seconded by Mr. Del Grande to go into Executive Session at 10:46 am to discuss the following:

1. Disbursement Policy
2. Finance security measures

Finance Committee Meeting (continued)
August 24, 2023

The Finance Committee ended the executive session at 10:56 am.

NEXT MEETING DATES

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

- a. Tuesday, November 14, 2023, at 9:00 a.m.
- b. Tuesday, February 20, 2024, at 9:00 a.m.
- c. Tuesday, May 21, 2024, at 9:00 a.m.

ADJOURNMENT

The Finance Committee adjourned at 11:00 a.m.