

Lewes Board of Public Works
Financial Finance Committee Minutes
February 3, 2025, 10:00am
BPW Conference Room

Welcome, call meeting to order.

Mr. Nichols called the meeting to order at 10:02 am.

Roll Call

Members

Richard Nichols, BPW Treasurer, Co-Chair
Bob Heffernan, Asst BPW Treasurer, Co-Chair
Robin Davis, BPW Interim General Manager
Kimberly Bellere, Finance Manager
Amy Marasco, Ex-Officio City Council
Mike Hogan, Committee Member
Calvin Jaber, Committee Member
Carolyn Jones, Committee Member

Others

Sharon Sexton, BPW Special Projects Coordinator
Jennifer Daisey, BPW Finance Assistant/Accounts Payable- Zoom
Joshua Gritton- BPW IT Manager- Zoom

The Finance Committee reviewed the September 11, 2024, finance committee minutes.

ACTION: Ms. Jones motioned to accept and send the minutes to the BPW Board for approval. Mr. Hogan seconded the motion, which passed unanimously.

Presentation of Financial Committee and staff financial framework for review and discussion.

Mike Hogan reviewed his education and work background and presented a financial framework. The financial decision-making structure that is proposed is a tool to express, evaluate and inform organizational decision making. Every organization requires information to make value-adding decisions. Ultimately, information is derived from processing enormous amounts of data elements and news that are available to business decision makers.

The document is not complete but demonstrates how the framework features are to be used. Building a model of this complexity requires a thorough understanding of the organization's intricate details.

Goal of the Financial Architecture

- Organize a diverse set of information received from consultants, operating managers and other input sources
- Facilitates communicating recommendations to the BPW Board
- Facilitates communicating with the BPW Finance Committee
- Facilitates communicating with the BPW Auditors
- Facilitates interactions between BPW Finance staff and the utility's operating managers
- Supports communications of rate decisions with BPW Customers
- Allows for a better assessment and understanding of critical consultant recommendations.
- Improves financial planning and decision making with "what-if" analysis
- Supports the development and tracking of the annual budget
- Supports the development and monitoring of the BPW's financial policies

Accounting vs Finance Discussion

- Every organizational decision impacts its financial position.
- Accounting is about organizing historical financial data, while finance focuses on future business concerns and decision-making.
- Accounting uses accrual methods, recognizing transactions when they are economically complete, while finance emphasizes cash flow accounting, recognizing transactions when cash is exchanged.
- Finance offers a set of principles, techniques, models and structures to translate data into information, ultimately supporting value-adding decision making.
- Cash flow accounting is preferred for business decisions due to its emphasis on the timing of cash flow and its impact on solvency.

Cash Flow and Accrual Discussion

- Cash flow accounting recognizes transactions when cash is exchanged.
- Accrual accounting records income and expenses when there are incurred, not when cash is exchanged.
- The presented framework is based on cash flow accounting.
- Currently BPW utilizes the accrual method.

Budgeting and Forecasting Discussion

- Budgeting should account for long-term planning, extending the viewpoint to 10 years to anticipate future projects and needs.
- Forecasting models are necessary to predict future revenues and expenses, considering factors like residential and capital projects growth and electricity usage.

Reserves and Policies Discussion

- Required reserves for operations are established by policies created by the BPW boards in the past.
- A policy that overly restricts the board's ability to make decisions could hinder effective governance and operational flexibility.
- Operating and capital reserves are broken down by utility, with each having specific policies and requirements.
- Policies for reserves should be reviewed and possibly updated to ensure they meet current business needs and risks.

Items to note about the financial framework

- Regulatory entities have a big impact on the utilities.
- It was suggested that the reserve policies need to reflect the financial framework.
- Financial framework is a tool that will allow staff to compare and challenge what consultants offer. May eventually replace the consultant.
- Mr. Heffernan requested that spreadsheets be shown in thousands to make them more readable.
- Mr. Jaber is concerned that the framework needs validation. Mr. Hogan stated that the validation can be done through audit statements, historic figures, the consultant (who uses a different framework), and the budget, which is updated quarterly.
- The financial framework is a living document, to be updated on a regular basis as may be needed.

Discussion of potential future agenda topics.

- Mr. Jaber would like to review the Board Resolution establishing the Finance Committee.
- The impact of the potential city increases to building inspections on the BPW plumbing inspections budget.

Investment Policy discussion and 2024 BPW investment performance summary.

- Mr. Heffernan would like to further discuss the investment policy.
- BPW currently utilizes UBS as their investment broker. Mr. Heffernan is concerned about getting better returns for our portfolios.
- Mr. Jaber stated that typically a public utility invests conservatively and feels that the investment was good.
- The committee would like to hold a meeting with UBS, to provide a tailored update on what is going on how to better provide financial services to match Lewes BPW needs.
- Mr. Hogan suggested that the operating funds should be in a money market account.
- Discussed the possibility of an investment committee.

Set the next Finance Committee Meeting.

The next Finance Committee meeting will be held on Tuesday February 18, 2025, at 10am to discuss the BPW 2025/2026 Capital and Operating/Maintenance budget.

Adjournment

The meeting was adjourned at 12:22pm.

Respectfully Submitted
Sharon Sexton
Special Projects Coordinator