

Lewes BPW Finance Committee

BPW Conference Room

February 20, 2026

10:00 am

1. Welcome, Mr. Nichols called the meeting to order at 10:02 am.
2. Roll Call

Members

Richard Nichols, BPW Treasurer, Co-Chair
Bob Heffernan, Asst BPW Treasurer, Co-Chair
Robin Davis, BPW General Manager
Kimberly Bellere, BPW Finance Manager
Mike Hogan, Committee Member
Carolyn Jones, Committee Member

Absent

Trina Bown-Hicks, Ex-Officio City Council
Calvin Jaber, Committee Member

Others Present

Sharon Sexton, Asst. General Manager
Kris Keller, Office Manager
Jen Daisey, Finance Asst.

3. Review Finance Committee Minutes from January 23, 2026.

Minor corrections had previously been submitted and incorporated. The minutes were accepted as corrected. Motion to accept the minutes from January 23, 2026, as corrected. **Moved by Bob Heffernan. Seconded by Richard Nichols. Motion Passed unanimously.**

4. Review Fiscal Year 2027 (April 2026 – March 2027) Operations & Maintenance and Capital Budgets and receive questions, comments, and possible acceptance to present to the Board.

Kimberly Bellere, BPW Finance Manager, presented the updated FY2027 budget framework, covering the period April 1, 2026, through March 31, 2027. The following key topics were discussed and resolved:

New Customers and Staffing: Kim Bellere noted new customers coming online across service areas. Planned new hires include a position in the electric department for two-thirds of the year, a water department hire for the full year, and an admin hire for half the year.

Cost of Service Study: The cost of service study was included in professional services estimates for each utility, with bids to be solicited by the end of February or early March, targeting an April start. Kim Bellere confirmed that prices received from one bid were used

as placeholders pending the remaining bid results. The study will cover FY2028 through the following five-year period, as FY2027 represents the final year of the current study cycle.

Industrial Rate Adjustment: A small increase to the electric industrial rate is proposed to bring it closer to residential and commercial rates. Kim Bellere noted this falls outside the approved rate track and will require Board approval.

Wastewater – Sussex County Flow Agreement: Following an 81.2 percent rate increase to Sussex County in the current fiscal year, no increase is planned for FY2027. Starting in FY 2027, the rate will increase yearly by CPI-U. The current rate is \$5.31 per 1,000 gallons.

Capital Expenditures: Capital expenditures increased substantially from the prior year due to deferred maintenance now requiring urgent attention. The committee acknowledged this was a significant figure and briefly discussed whether the organization could manage the volume of projects, noting that the finance portion of that question was within scope for this meeting.

Stormwater Rate Increase Recommendation: Kim Bellere identified that stormwater cash flow was negative in FY2027 under the current rate structure. The current annual projected increase had been \$3.00 residential, \$9.00 commercial, and \$15.00 industrial. Kim Bellere recommended increasing those figures to \$12.00, \$24.00, and \$48.00, respectively — a 9.5 percent overall increase — which would bring monthly residential bills from \$10.50 to \$11.50, commercial from \$21.00 to \$23.00, and industrial from \$42.00 to \$46.00. This would bring stormwater to approximately neutral cash flow and address a projected deficit of approximately \$29,000. The committee agreed with the rationale that each utility should be independent and economically viable, and that a small correction now was preferable to a larger problem later.

Wastewater Long-Term Outlook and Sussex County Revenue Tracking: Kim Bellere noted that wastewater cash flows are projected to go negative beginning in FY2031, driven by anticipated rate needs tied to the wastewater treatment plant investment.

Bob Heffernan raised the point that the rate differential benefit from the Sussex County agreement represents a temporary benefit associated with a \$40,000,000 long-term obligation, and suggested creating a separate general ledger account to track Sussex County revenue — specifically the incremental difference between the original rate and the increased rate — as well as any operational savings from improved plant performance.

Kim Bellere agreed to create this tracking account. The committee noted this would be a valuable transparency and communications tool when future rate increases are needed. Kim Bellere confirmed that FY2028 is still expected to be the start of the \$3,000,000 annual payment to Sussex County, per confirmation with the relevant staff contact.

Budget Document and Reporting Framework Transition: A substantive discussion was held regarding the transition from accrual-based budget presentations to the cash flow-based framework Kim Bellere and Mike Hogan have developed. The committee, with significant input from Hogan, affirmed that cash flow accounting is the more appropriate method for budgeting and forward-looking financial planning, as it reflects the actual timing of cash needs, debt service capacity, and economic viability of the organization — particularly relevant given the \$40,000,000 Sussex County obligation and significant upcoming capital projects.

The committee agreed to recommend that the Board direct staff to move forward using this framework for budget forecasting. The proposed presentation documents to the

Board would include pages 4 through 8 of the model (cash flow summaries and net income) plus the 10-year capital expenditure pages. Kim Bellere noted that the Board formally adopts a 5-year plan, but the 10-year view would be provided for context.

The committee also agreed that quarterly reviews — first by the Finance Committee and then presented to the Board — would replace the prior practice of monthly Board presentations using the old format. Kim Bellere confirmed that a separate interim meeting would be scheduled before the March Board meeting for a final budget review.

Board Education: Mike Hogan, Bob Heffernan, and others emphasized strongly that the Board be brought up to speed on the framework before being asked to act on it. The committee recommended against a blanket adoption vote without ensuring that Board members have genuine comprehension. Kim Bellere offered to meet individually with any Board member. Bob Heffernan suggested a group session may also be warranted, given quorum rules apply to public meetings. The goal is for Board members to be confident not only in Kim Bellere as the preparer but in the model itself. The committee noted that upcoming Board members running for reelection — identified as Barbara Curtis and Pres Lee — have had some prior exposure, while Tom Panetta has not yet seen the framework and was identified as a priority for outreach before the March Board meeting.

Motion to recommend that the Board direct staff to move forward with using the cash flow framework in the budget forecasting process, and to forward the FY2027 draft budget to the Board for consideration. Moved by Mike Hogan. Seconded by Bob Heffernan. Motion Passed unanimously.

Additional Items Raised for Future Action

PCA Audit: Kim Bellere expressed concern that the base number used in the Power Cost Adjustment (PCA) calculation for electric rates may be incorrect, as prior rate increases had not updated that base. Kim Bellere indicated a need to conduct an audit of the PCA before the final budget is approved. Mike Hogan raised a broader policy concern that the PCA mechanism is unnecessarily complex and recommended that the committee explore transitioning to a simpler markup model for electric rates. Kim Bellere noted that current rate consultants have been resistant to change, but that other consultants have shown more openness. This was identified as a topic for FY2028 planning, with the PCA audit to be completed for the current cycle. Action Item Assigned to Kim Bellere.

City Coordination: Kim Bellere noted ongoing coordination with the City regarding street and sidewalk projects to ensure BPW infrastructure work is scheduled concurrently. This was noted as a continued best practice.

January Data Update: The model currently runs through December. Kim Bellere will update with January data before the next Finance Committee meeting. Action Item Assigned to Kim Bellere.

Debt Structure and Capital Funding Philosophy: Mike Hogan introduced the topic of how capital projects are classified as debt-funded, grant-funded, or internally funded, noting the framework now makes this visible on the capital pages. He raised the philosophical question of who should bear the cost of different types of projects — current ratepayers versus future users — as a determinant of how projects should be financed. The committee agreed this warrants a dedicated future discussion.

Cash Reserves and Investment Policy: Mike Hogan raised serious concerns about how the organization's liquidity reserves are currently managed. He recommended that the large bank

account balance at Fulton Bank — estimated at approximately \$5,000,000 — should be reduced to an operationally necessary minimum, with the remainder moved into a government money market fund. He further recommended that the reserves currently managed by UBS should also be moved into a money market fund, eliminating advisory fees and variable NAV exposure. Kim Bellere confirmed the Fulton account is currently swept into a government account nightly, but agreed this should be revisited. The committee agreed this topic should be placed on the agenda for the next meeting, with Kim Bellere tasked with determining the minimum operational cash balance needed. Action Item Assigned to Kim Bellere.

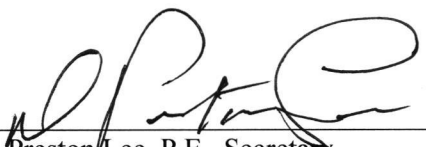
5. Schedule the Next Meeting and Agenda Topics.

The next Finance Committee meeting was scheduled for Friday, March 13, 2026, at 10:00 AM. Agenda items identified include: final review and approval of the FY2027 budget (incorporating the PCA audit findings, stormwater rate adjustment, updated January data, and any other changes); and an initial discussion of the cash reserves and investment policy, including the Fulton Bank balance and UBS reserves.

6. Adjournment

Motion to adjourn. Moved by Mike Hogan. Seconded by Carolyn Jones. Motion Passed unanimously.

Respectfully Submitted
Kristina Keller
Office Manager



D. Preston Lee, P.E., Secretary

3/25/26
Date