

APPROVAL OF THE UTILITY DEBT SECURITIZATION AUTHORITY'S 2020 BUDGET

RESOLVED, that the proposed 2020 budget of the Utility Debt Securitization Authority ("Authority"), which is attached hereto as **Exhibit "A"**, is hereby approved.

Dated: November 13, 2019

Exhibit "A" – 2020 Budget

Exhibit "A"

UTILITY DEBT SECURITIZATION AUTHORITY

(A Component Unit of Long Island Power Authority)

UDSA Board Meeting
November 13, 2019

Utility Debt Securitization Authority

(A Component Unit of Long Island Power Authority)

2020 Proposed and 2021 Projected Operating Budget

Utility Debt Securitization Authority

The LIPA Reform Act, as amended, created the Utility Debt Securitization Authority (UDSA) to issue restructuring bonds in an aggregate amount not to exceed \$4.5 billion to refinance a portion of the Long Island Power Authority's (Authority) existing debt at a lower cost. The issuance of Restructuring Bonds allowed the Authority to retire a portion of its outstanding indebtedness and provide savings to the Authority's utility customers on a net present value basis.

The Authority's Board adopted Financing Order No. 1 on October 3, 2013, Financing Orders No. 2, No. 3 and No. 4 on June 26, 2015 and Financing Order No. 5 on September 29, 2017, each authorizing the UDSA to issue Restructuring Bonds. Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing order. A total of \$4.5 billion of UDSA Restructuring Bonds have been issued, with no statutory capacity remaining.

The operations of the UDSA are presented as a proprietary fund following the accrual basis of accounting in order to recognize the flow of economic resources. Revenue which is based on the UDSA's Restructuring Charge is set at an amount sufficient to recover the debt service payments and other cash operating expenses that the UDSA incurs in any given year.

The UDSA is considered a blended component unit of the Authority. The results of operations are consolidated with the Authority for financial reporting purposes.

Utility Debt Securitization Authority

(A Component Unit of Long Island Power Authority)

2020 Proposed and 2021 Projected Operating Budget

2020 Proposed and 2021 Projected Budgets

Utility Debt Securitization Authority
(Thousands of Dollars)

Description	2018	2019		2020		2021	
	Actual	Approved	Projected	Proposed	Change from Prior Year	Projected	Change from Prior Year
Revenues	\$ 339,072	\$ 332,694	\$ 331,848	\$ 320,482	\$ (12,213)	\$ 369,132	\$ 48,650
Operating Expenses							
Uncollectible Accounts	2,722	2,029	1,419	1,850	(180)	2,127	277
General and Administrative Expense							
Ongoing Servicer Fee	2,250	2,250	2,250	2,250	-	2,250	-
Administration Fees	500	500	500	500	-	500	-
Bond Administration Fees	285	300	367	360	60	360	-
Directors and Officers Insurance	267	325	245	339	14	353	14
Accounting, Legal & Misc. Fees	192	150	154	205	55	205	-
Total General and Administrative Expense	3,495	3,525	3,516	3,654	129	3,668	14
Amortization of Restructuring Property	173,696	174,401	173,574	170,316	(4,085)	221,742	51,426
Interest Expense	200,495	196,248	196,248	192,041	(4,207)	187,643	(4,398)
Amortization of Premium	(46,136)	(44,779)	(44,779)	(45,706)	(927)	(45,119)	587
Amortization of Deferred Debt Issue Costs	2,518	2,361	2,274	2,175	(187)	2,035	(140)
Total Interest Expense	156,876	153,831	153,744	148,510	(5,321)	144,558	(3,951)
Reserve Fund Earnings	2,952	1,164	3,884	4,011	2,846	4,011	-
Excess of Revenues Over Expenses	\$ 5,235	\$ 73	\$ 3,480	\$ 164	\$ 91	\$ 1,047	\$ 883

Utility Debt Securitization Authority

(A Component Unit of Long Island Power Authority)

2020 Proposed and 2021 Projected Operating Budget

Utility Debt Securitization Authority Year-over-Year Changes

Revenue is set annually at an amount sufficient to recover debt service and other cash operating expenses. The \$12 million decrease in budgeted revenue is directly related to the scheduled decrease in debt service payments associated with the securitization bonds of approximately \$9 million plus higher interest earnings on the reserve accounts of approximately \$3 million.

Uncollectible accounts: the decrease reflects the improved realization associated with customer collections and the slight reduction in revenue noted above.

General and Administrative expense: the slight increase is due to a scheduled increase in the auditing fees and increases in bond administration fees.

Amortization of Restructuring Property: the restructuring property is amortized relative to scheduled debt service, and as the debt service will be lower in 2020 than in 2019, the budgeted amortization was reduced accordingly.

Interest expense: the reduction is directly related to the lower outstanding debt balances.

Reserve Fund Earnings: the increase is due to higher reserve balances and slightly higher assumed interest rates.