

**APPROVAL OF THE UTILITY DEBT SECURITIZATION AUTHORITY'S 2021 BUDGET**

---

**RESOLVED**, that the proposed 2021 budget of the Utility Debt Securitization Authority ("Authority"), which is attached hereto as **Exhibit "A"**, is hereby approved.

Dated: November 16, 2020

**Exhibit "A"** – 2021 Budget



# UTILITY DEBT SECURITIZATION AUTHORITY

(A Component Unit of Long Island Power Authority)

UDSA Board Meeting  
November 16, 2020

# 2021 PROPOSED AND 2022 PROJECTED OPERATING BUDGET

## Utility Debt Securitization Authority

The LIPA Reform Act 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 LIPA's debt at a lower cost. The issuance of Restructuring Bonds allowed LIPA to retire a portion of its outstanding indebtedness and provide savings to LIPA's customers on a net present value basis.

LIPA'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.

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

# 2021 PROPOSED AND 2022 PROJECTED OPERATING BUDGET

Long Island Power Authority  
2021 Proposed and 2022 Projected Budgets

## Utility Debt Securitization Authority (Thousands of Dollars)

Description	2019	2020		2021		2022	
	Actual	Approved	Projected	Proposed	Change from Prior Year	Projected	Change from Prior Year
<b>Revenues</b>	\$ 308,807	\$ 320,482	\$ 339,416	\$ 349,589	\$ 29,107	\$ 361,539	\$ 11,949
<b>Operating Expenses</b>							
Uncollectible Accounts	1,407	1,850	1,672	1,790	(60)	1,742	(47)
<b>General and Administrative Expense</b>							
Ongoing Servicer Fee	2,065	2,250	2,250	2,250	-	2,250	-
Administration Fees	685	500	500	500	-	500	-
Bond Administration Fees	392	360	389	390	30	390	-
Directors and Officers Insurance	245	339	271	362	23	380	18
Accounting, Legal & Misc. Fees	121	205	155	155	(50)	155	-
<b>Total General and Administrative Expense</b>	<b>3,508</b>	<b>3,654</b>	<b>3,565</b>	<b>3,657</b>	<b>3</b>	<b>3,675</b>	<b>18</b>
<b>Amortization of Restructuring Property</b>	<b>169,341</b>	<b>170,316</b>	<b>170,503</b>	<b>221,742</b>	<b>51,426</b>	<b>216,389</b>	<b>(5,353)</b>
Interest Expense	196,248	192,041	192,807	187,619	(4,422)	179,694	(7,925)
Amortization of Premium	(44,779)	(45,706)	(45,706)	(45,119)	587	(42,050)	3,069
Amortization of Deferred Debt Issue Costs	2,268	2,175	2,169	2,039	(136)	1,886	(153)
<b>Total Interest Expense</b>	<b>153,737</b>	<b>148,510</b>	<b>149,271</b>	<b>144,539</b>	<b>(3,971)</b>	<b>139,530</b>	<b>(5,009)</b>
<b>Reserve Fund Earnings</b>	<b>3,812</b>	<b>4,011</b>	<b>1,283</b>	<b>1,441</b>	<b>(2,569)</b>	<b>1,441</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ (15,373)</b>	<b>\$ 164</b>	<b>\$ 15,689</b>	<b>\$ (20,697)</b>	<b>\$ (20,860)</b>	<b>\$ 1,644</b>	<b>\$ 22,341</b>

# 2021 PROPOSED AND 2022 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. Revenue is budgeted to be \$350 million for 2021, which is a \$29 million increase compared to 2020 budgeted revenue. This increase is directly related to the scheduled increase in debt service payments associated with the securitization bonds of approximately \$49 million. Due to the securitization charge rate-setting mechanism, if there is an increase in the subsequent year debt service it will begin to be billed and collected beginning in mid-year rate reset from the prior year. As a result of the 2020 collections due to the mid-year rate reset, the 2021 securitization rate produces lower budgeted revenues than budgeted debt service.

The UDSA change in net position is forecasted at approximately \$15.7 million due to the higher revenues resulting from the mid-year rate reset mechanism discussed above. These excess revenues are provided as a credit in the subsequent year's restructuring charge.

The amortization of restructuring property is amortized relative to scheduled debt service, and as the debt service will be higher in 2021 than in 2020, the budgeted amortization was increased accordingly.

Budgeted debt service reserve fund earnings are budgeted at \$1.4 million due to lower interest rates.