

FOR CONSIDERATION

December 11, 2023

TO: Board of Trustees of the Utility Debt Securitization Authority

FROM: Thomas Falcone

SUBJECT: Approval of the UDSA 2024 Budget and Authorization to Adopt GASB No. 65, Items previously reported as Assets and Liabilities related to Debt Issuance Costs

Requested Action

The Board of Trustees (“Board”) is being requested to adopt a resolution attached hereto as **Exhibit “A”**: (i) approving the UDSA 2024 Budget as more particularly shown on **Exhibit “B”**; and (ii) approving the adoption of GASB No. 65, Items previously reported as Assets and Liabilities as it relates to the accounting treatment of Debt Issuance Costs for all future UDSA bond issuances.

2024 Budget

The proposed 2024 Budget totals \$378 million (**Exhibit “B”**). The proposed 2024 Budget funds general and administrative expenses and debt service related to the UDSA Restructuring Bonds.

GASB No. 65, Items previously reported as Assets and Liabilities as it relates to the accounting treatment of Debt Issuance Costs

On April 2, 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities, which requires debt issuance costs be expensed in the current financial period as opposed to the previous deferral treatment. However, UDSA elected to follow GASB Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements. GASB No. 62 outlines regulatory accounting for entities which are rate regulated and allowed UDSA to record costs related to debt issuances as a regulatory asset and amortize these costs over the life of the related debt. As such UDSA deferred debt issuance costs for bonds issued from 2013 through 2022. However, effective with 2023 and thereafter, the proposal as described in this memorandum is to follow GASB No. 65 and expense debt issuance costs in the financial period incurred. This is consistent with the accounting treatment being utilized for LIPA debt.

Recommendation

Based upon the foregoing, it is recommended that the Board adopt a resolution in the form attached hereto as **Exhibit “A”**.

Exhibit "A" Resolution

Exhibit "B" 2024 Budget

APPROVAL OF THE UTILITY DEBT SECURITIZATION AUTHORITY’S 2024 BUDGET AND ADOPTION OF GASB NO. 65 ACCOUNTING TREATMENT FOR DEBT ISSUANCE COSTS

RESOLVED, that the proposed 2024 budget of the Utility Debt Securitization Authority (“UDSA”), which is attached hereto as **Exhibit “B”**, is hereby approved; and

RESOLVED, that the Board of Trustees hereby approves the adoption of GASB No. 65 accounting treatment as it relates to bond issuance costs for all future UDSA bond issuances, in the form presented at this meeting.

Dated: December 11, 2023

Long Island Power Authority
2024 Proposed and 2025 Projected Budgets

Utility Debt Securitization Authority

The UDSA was created by Part B of Chapter 173, Laws of New York, 2013 (the "Securitization Law"), allowing for the retirement of certain outstanding indebtedness of LIPA through the issuance of securitized restructuring bonds (Restructuring Bonds) by the UDSA. UDSA (rated triple-A) provides a lower cost of financing than issuing LIPA bonds. The Restructuring Bonds are to be repaid by an irrevocable, non-bypassable restructuring charge on all LIPA customer bills.

The Securitization Law permitted issuance of UDSA Restructuring Bonds in an amount not to exceed \$4.5 billion. LIPA's Board adopted Financing Order No. 1 through Financing Order No. 5 reaching the statutory capacity. Each financing order authorized Restructuring Bonds secured by a separate restructuring charge created pursuant to that financing.

On August 2, 2021, changes to the Securitization Law were authorized to permit the issuance of additional securitized bonds for refinancing LIPA and UDSA bonds and to fund LIPA transmission and distribution system resiliency investments. With these legislative changes, the UDSA may issue an initial par amount of up to \$8.0 billion of securitized bonds (inclusive of the bonds already issued).

A total of \$5.4 billion of UDSA Restructuring Bonds have been issued through October 2023. However, on November 8, 2023, UDSA priced \$833 million Series 2023 Restructuring Bonds. The Series 2023 Bonds are scheduled to be issued in December 2023 and will refund the remaining 2013 UDSA Restructuring Bonds, producing an additional \$44.6 million in net present value savings. In addition, approximately \$136 million of those bonds will fund LIPA resiliency investments. After this transaction, the remaining statutory capacity will be approximately \$1.7 billion.

Since 2013, UDSA Restructuring Bonds have generated total net present value debt service savings of \$579 million for LIPA's customers.

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

Long Island Power Authority
2024 Proposed and 2025 Projected Budgets
(\$ in thousands)

Utility Debt Securitization Authority							
Description	2022	2023		2024		2025	
	Actual	Approved	Projected	Proposed	Change from Prior Year	Projected	Change from Prior Year
Revenues	\$ 391,366	\$ 422,222	\$ 401,876	\$ 378,366	\$ (43,856)	\$ 400,785	\$ 22,419
Operating Expenses							
Uncollectible Accounts	1,536	3,196	3,301	2,781	(415)	2,793	12
General and Administrative Expense							
Ongoing Servicer Fee	2,417	2,718	2,718	2,125	(593)	2,125	-
Administration Fees	525	600	600	600	-	600	-
Bond Administration Fees	323	380	495	507	128	520	13
Directors and Officers Insurance	306	347	347	347	-	364	17
Accounting, Legal & Misc. Fees	198	105	209	194	89	204	10
Total General and Administrative Expense	3,768	4,149	4,369	3,773	(376)	3,813	40
Amortization of Restructuring Property	215,566	308,490	301,406	238,348	(70,142)	256,800	18,452
Interest Expense	181,112	184,040	184,040	177,858	(6,182)	174,475	(3,382)
Amortization of Premium	(41,324)	(45,189)	(46,694)	(42,231)	2,958	(37,406)	4,825
Amortization of Deferred Debt Issuance Costs	2,031	2,318	2,320	2,149	(169)	2,018	(130)
Total Interest Expense	141,819	141,169	139,666	137,775	(3,394)	139,087	1,312
Reserve Fund Earnings	2,306	1,481	9,398	7,036	5,555	5,629	(1,407)
Change in Net Position	\$ 30,982	\$ (33,301)	\$ (37,469)	\$ 2,725	\$ 36,026	\$ 3,921	\$ 1,196