



UDSA Annual Report

UDSA Board of Trustees Meeting

March 26, 2024

Presented by: Donna Mongiardo, Vice President — Controller

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Discussion Topics

-  Annual PARIS Filing
-  Financial Statements
-  Summary of Financial Statements
-  Management's Discussion & Analysis (Unaudited)
-  Notes to the Financial Statements (Audited)

Annual **PARIS** filing

Submission to the Public Authority Reporting Information System (PARIS):

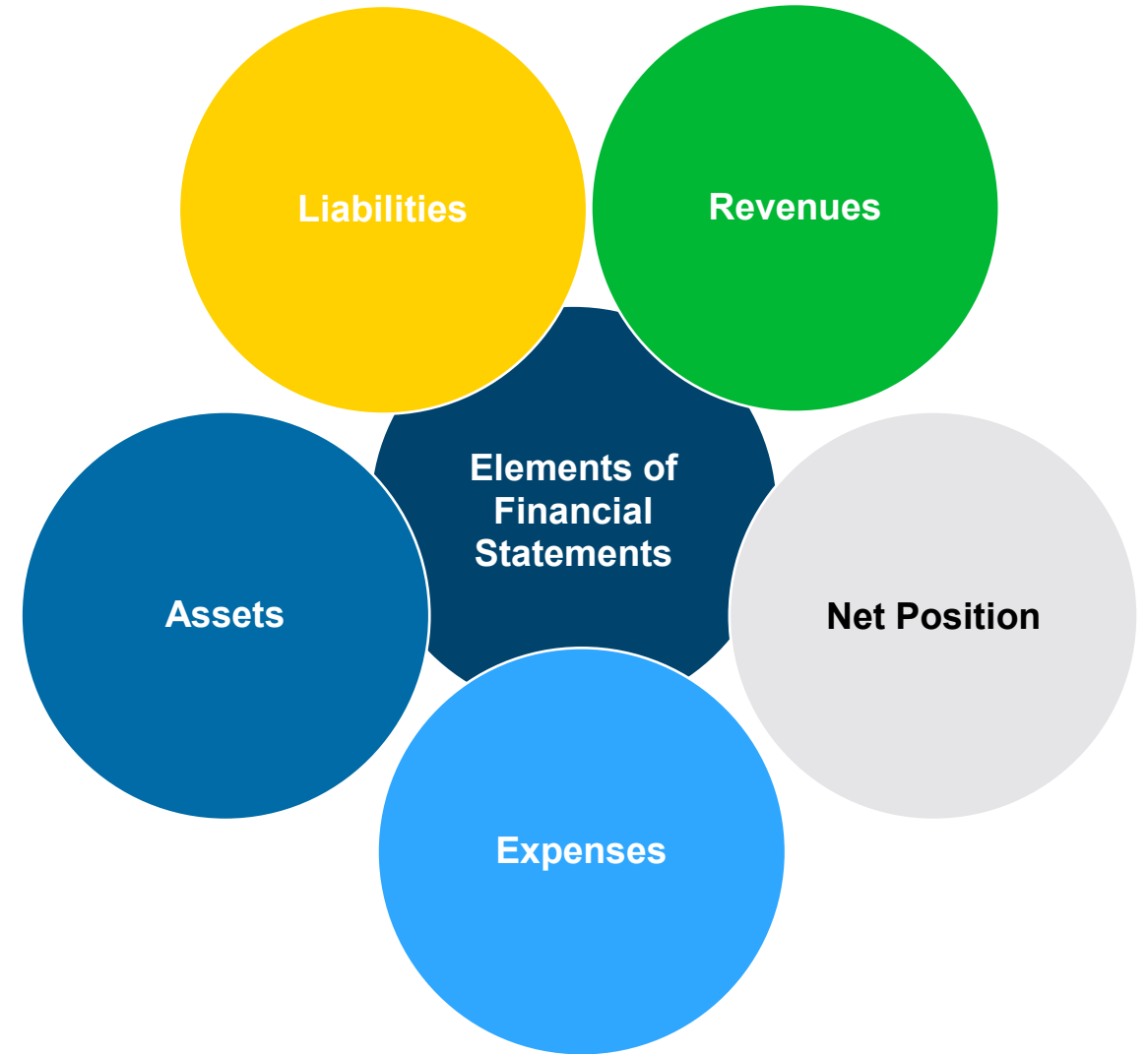
- Statement of Net Position
- Statement of Revenue, Expenses, and Net Position
- Schedule of Debt

Annual Report:

- Independent Auditors Report (KPMG unmodified opinion)
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Financial statements

- **Independent Auditors' Report**
- **Unaudited Management's Discussion and Analysis (MD&A)**
- **Financial Statements**
 - Statements of Net Position (Balance Sheet)
 - Statements of Revenues, Expenses and Changes in Net Position (Income Statement)
 - Statements of Cash Flows
- **Notes to Financial Statements**
- **Independent Auditors' Report on internal control over financial reporting and on compliance and other matters**



Summary of financial statements

Summary Statements of Net Position:

| | 2023 | 2022 |
|--|---------------------|------------------|
| Assets and Deferred Outflows of Resources | | |
| Current assets | \$ 168,414 | 223,211 |
| Noncurrent assets | 3,902,830 | 4,032,258 |
| Deferred outflows of resources | 8,554 | 10,059 |
| Total assets and deferred outflows of resources | <u>4,079,798</u> | <u>4,265,528</u> |
| Liabilities, Deferred Inflows of Resources and Net Position | | |
| Current liabilities | 212,768 | 273,993 |
| Noncurrent liabilities | 3,773,546 | 3,872,915 |
| Deferred inflows of resources | 21,908 | — |
| Total liabilities | 4,008,222 | 4,146,908 |
| Net position-restricted | 71,576 | 118,620 |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 4,079,798</u> | <u>4,265,528</u> |

Summary Statements of Revenue, Expenses and Changes in Net Position:

| | 2023 | 2022 |
|---|------------------|----------------|
| Operating revenues, net of uncollectible accounts expense | \$ 390,914 | 389,830 |
| Operating expenses | (301,570) | (219,003) |
| Operating income | 89,344 | 170,827 |
| Interest income | 10,745 | 2,306 |
| Interest charges and credits, net | (147,133) | (142,151) |
| Change in net position | (47,044) | 30,982 |
| Restricted net position, beginning of year | 118,620 | 87,638 |
| Restricted net position, end of year | <u>\$ 71,576</u> | <u>118,620</u> |

Statements of Cash Flows:

| | 2023 | 2022 |
|---|-------------------|----------------|
| Cash flows from operating activities: | | |
| Operating revenues received | \$ 407,194 | 374,033 |
| Servicing, administrative and other fees | (4,911) | (2,935) |
| Net cash provided by operating activities | 402,283 | 371,098 |
| Cash flows from investing activities: | | |
| Interest income | 10,745 | 2,306 |
| Net cash provided by investing activities | 10,745 | 2,306 |
| Cash flows from financing activities: | | |
| Interest paid | (184,539) | (173,395) |
| Proceeds from the issuance of long-term debt | 894,630 | 1,046,780 |
| Early defeasance of UDSA long-term debt | (713,513) | (702,279) |
| Redemption of long-term debt | (264,660) | (177,511) |
| Payments to bond escrow agent to refinance LIPA bonds | (36,277) | (217,804) |
| Payments to LIPA System Resiliency Fund | (141,000) | (100,000) |
| Other interest costs | (418) | (331) |
| Debt issuance costs | (5,450) | (7,408) |
| Net cash used in financing activities | (451,227) | (331,948) |
| Net (decrease) increase in cash and cash equivalents | (38,199) | 41,456 |
| Restricted cash and cash equivalents, beginning of year | 153,150 | 111,694 |
| Restricted cash and cash equivalents, end of year | <u>\$ 114,951</u> | <u>153,150</u> |

Management's discussion & analysis (unaudited)

Operational Highlights

- On May 18, 2022, LIPA's Board adopted additional Financing Orders (No. 6-9).
- On December 15, 2023, UDSA issued \$833M Series 2023 Restructuring Bonds (including Green Bonds).
- The proceeds of Restructuring Bonds,
 - refunded \$750M of LIPA and UDSA debt, generating NPV savings of \$45M
 - funded \$141M of LIPA resiliency investments
- \$6.3B of UDSA Restructuring Bonds have been issued resulting in \$1.7B in remaining statutory capacity
- UDSA refinancings have produced NPV savings of \$579M since 2013

Discuss 2023 and 2022 comparison year-over-year analysis

- Lower cash and accounts receivable balances due to lower restructuring charge rates effective November 15, 2023
- Lower noncurrent assets and liabilities due to refundings and scheduled debt maturities offset by the issuance of Series 2023
- Higher revenue in 2023 due to an increase in restructuring charge rates and due to 2022 Bond Issuance

Cash and Liquidity

- \$115M in cash which includes \$60M in reserve balances

Notes to the financial statements (audited)

1. Summary of Accounting Policies

- General update for new Series 2023 Financing Order No. 7 Bond Issuance
 - Net present value savings of \$45M
 - Green Bonds funded LIPA resiliency projects
- Accounts receivable – disclose uncollectible expense
 - Bad debt expense at 12/31/2023 totaled \$4M compared with \$2M at 12/31/2022 – increase due to LIPA Arrears forgiveness program
- Restructuring property - eliminated Series 2013 and added Series 2023

2. Restricted Cash – Annual update

- UDSA's restricted cash accounts totaled \$115M and \$153M as of December 31, 2023 and 2022, respectively
- Lower balance is due to the higher redemptions of bonds required in 2023

3. Long-term Debt – Annual update- see page 8

4. Significant Agreements and Related-Party Transactions – No changes

5. Subsequent Events – No subsequent events

Note 3 | Debt outstanding December 31, 2023

| | Beginning balance | Additions | Maturities | Refundings | Ending balance | Years of Maturity | Interest Rate (%) |
|--------------------------|----------------------|-----------|------------|------------|-------------------|----------------------|----------------------|
| Restructuring bonds: | | | | | | | |
| Series 2013T | 72,660 | — | 72,660 | — | — | — | — |
| Series 2013TE | 715,100 | — | 680 | 714,420 | — | — | — |
| Series 2015 | 967,710 | — | 12,455 | — | 955,255 | 2024-2035 | 3.00-5.00 |
| Series 2016A | 636,770 | — | 82,965 | — | 553,805 | 2024-2033 | 5.00 |
| Series 2016B | 153,695 | — | 26,185 | — | 127,510 | 2025-2033 | 4.00-5.00 |
| Series 2017 | 320,620 | — | 36,715 | — | 283,905 | 2024-2039 | 5.00 |
| Series 2022T | 53,585 | — | 20,945 | — | 32,640 | 2029-2037 | 4.65-4.95 |
| Series 2022TE-1 | 787,290 | — | 12,055 | — | 775,235 | 2024-2037 | 5.00 |
| Series 2022TE-2 | 94,780 | — | — | — | 94,780 | 2038-2050 | 5.00 |
| Series 2023T | — | 36,200 | — | — | 36,200 | 2039 | 5.67 |
| Series 2023TE-1 | — | 661,500 | — | — | 661,500 | 2024-2039 | 5.00 |
| Series 2023TE-2 | — | 135,515 | — | — | 135,515 | 2034-2051 | 5.00 |
| Subtotal | 3,802,210 | 833,215 | 264,660 | 714,420 | 3,656,345 | | |
| Less: Current maturities | (264,660) | | | | (204,790) | | |
| Total Long-term debt | <u>\$ 3,537,550</u> | | | | <u>3,451,555</u> | | |

Annual Debt Service Requirements

| | Due | Principal | Interest | Annual Debt Service Requirements |
|-----------|-----|------------------|------------------|-------------------------------------|
| 2024 | \$ | 204,790 | 179,181 | 383,971 |
| 2025 | | 223,965 | 168,697 | 392,662 |
| 2026 | | 231,310 | 157,409 | 388,719 |
| 2027 | | 222,120 | 145,957 | 368,077 |
| 2028 | | 222,595 | 134,845 | 357,440 |
| 2029-2033 | | 1,280,125 | 491,128 | 1,771,253 |
| 2034-2038 | | 823,000 | 228,826 | 1,051,826 |
| 2039-2043 | | 307,945 | 54,414 | 362,359 |
| 2044-2048 | | 90,905 | 25,359 | 116,264 |
| 2049-2051 | | 49,590 | 3,537 | 53,127 |
| Total | \$ | <u>3,656,345</u> | <u>1,589,353</u> | <u>5,245,698</u> |

Questions?

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Vice President —Controller

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