



**CFO/Director, Finance**  
*Efren Chavez*

# Financial Status: May 2020



# Financial Results Summary

*Month of: April 2020*

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- April 2020 month-end financial statements reflect a negative change in net assets of \$0.2M, driven by increased operating expenses and lower capital contributions
- April YTD month-end financial statements reflect a positive change in net assets of \$1.2M, driven by increased operating expenses and lower capital contributions
- April 2020 capital expenditures were approximately \$1.1M, which is \$0.5M less than March 2020. April YTD capital spend is \$6.0M (additional information follows).

# Budget and Business Results Summary

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- April 2020 capital expenditures were approximately \$1.1M, which is \$0.5M less than March 2020.
  - April expenditures primarily reflect \$0.3M annual projects and \$0.8M of major projects:
    - \$0.3M annual projects consist primarily of Overhead and Underground extensions and Electric pole replacements
    - \$0.8M major projects consist of Smyrna Substation Expansion and Wastewater Sanitary Sewer Systems 10 and 11 work

# Budget and Business Results Summary

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- April YTD capital spend is \$6.0M
  - April YTD expenditures primarily reflect \$2.5M annual projects and \$3.5M major projects:
    - \$2.5M annual projects primarily consisted of SCADA upgrade, Overhead and Underground extensions, switchgear installation, Electric new services, pole replacements, and Water meters
    - \$3.5M major projects primarily consisted of Admin/IT/Central Services Western Utility Complex (WUC), Electric Smyrna Substation expansion and transformers and Wastewater Sanitary Sewer Systems 10 and 11 work

# of Days	31	30	31	31	29	31	30		Var. to Apr-19
<b>Combined - FY 2020</b>	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	<b>Apr YTD</b>	
Electric	3,697	2,859	2,389	2,811	2,926	2,756	3,285	<b>20,723</b>	<b>(868)</b>
Water	721	682	651	598	618	656	774	<b>4,700</b>	85
Reclaimed	820	849	825	803	814	874	946	<b>5,931</b>	211
<b>Operating Revenues</b>	<b>5,238</b>	<b>4,390</b>	<b>3,864</b>	<b>4,212</b>	<b>4,358</b>	<b>4,286</b>	<b>5,006</b>	<b>31,354</b>	<b>(573)</b>
Operating Expenses	4,625	4,380	4,511	5,081	4,610	4,520	5,468	<b>33,194</b>	(270)
<b>Income before contributions</b>	<b>703</b>	<b>7</b>	<b>(619)</b>	<b>(942)</b>	<b>(221)</b>	<b>(179)</b>	<b>(432)</b>	<b>(1,681)</b>	<b>(1,052)</b>
Capital Contributions	618	179	379	175	794	527	235	<b>2,907</b>	(4,958)
Change in Net Assets	1,321	186	(240)	(767)	573	348	(197)	<b>1,225</b>	(6,010)
Utility plant, net	192,284	191,825	192,108	192,149	193,503	194,581	195,039	<b>195,039</b>	10,975
Total assets	237,908	237,131	236,748	236,141	236,701	237,685	237,366	<b>237,366</b>	3,717
Long-term debt, net	13,560	13,560	13,560	13,560	13,560	13,560	13,560	<b>13,560</b>	3,665
Net assets	204,011	203,747	203,508	202,530	203,103	203,451	203,254	<b>203,254</b>	7,544
Purchased Power (MWh)	\$ 40.81	\$ 40.09	\$ 42.11	\$ 44.78	\$ 47.19	\$ 38.56	\$ 39.60	\$ <b>41.77</b>	\$ (7.16)
Cooling Degree Days (CDD) TOTAL	424	112	94	85	82	210	247	<b>1,253</b>	174.5
Cooling Deg. Days (CDD) Avg. FY '20	13.7	3.7	3.0	2.7	2.8	6.8	8.2	<b>5.9</b>	0.8
Heating Degrees Day (HDD) TOTAL	-	56	75	157	112	24	9	<b>432</b>	(95.5)
Heating Deg. Days (HDD) Avg. FY '20	-	1.9	2.4	5.0	3.9	0.8	0.3	<b>2.0</b>	(0.46)
TOTAL Electr Sales (kWh)	39,862,466	35,287,487	31,509,827	31,802,950	29,483,156	30,163,923	32,302,642	<b>230,412,451</b>	7,892,842
Electrical Commercial Sales (kWh)	12,260,129	11,848,747	10,990,105	10,751,124	9,568,514	10,159,864	9,613,336	<b>75,191,819</b>	2,056,547
Water Sales (kilogallons)	135,307	128,905	139,947	139,335	131,422	140,923	155,882	<b>971,721</b>	19,373
Wastewater Sales (kilogallons)	72,187	71,320	80,595	84,612	80,437	86,530	89,749	<b>565,430</b>	23,562
Reclaimed Sales (kilogallons)	62,869	56,051	60,078	49,387	47,338	64,261	69,347	<b>409,331</b>	45,226
<b>Capital Spend - FY 2020</b>									
Annual & Major Projects	987	533	628	579	825	1,436	1,019	<b>6,007</b>	(1,135)
Prior Year Projects	282	33	46	47	8	36	64	<b>516</b>	1,784
TOTAL	1,269	566	675	626	833	1,471	1,083	<b>6,523</b>	649
<b>Difference Incr / (Decr)</b>									
Purchased Power (MWh)	\$ (9.15)	\$ (10.74)	\$ (7.61)	\$ (5.08)	\$ (8.66)	\$ (4.61)	\$ (4.10)	\$ <b>(7.16)</b>	-14.6%
TOTAL Electr Sales (kWh)	(2,056,862)	1,590,086	(241,829)	367,339	2,571,695	940,339	4,722,075	<b>7,892,842</b>	3.5%
Electrical Commercial Sales (kWh)	(437,381)	371,041	59,350	213,103	1,543,836	63,548	243,051	<b>2,056,547</b>	2.8%
Water Sales (kilogallons)	(4,089)	(8,070)	(2,854)	3,118	15,712	(117)	15,673	<b>19,373</b>	2.0%
Wastewater Sales (kilogallons)	(406)	(1,754)	2,308	5,716	11,653	656	5,389	<b>23,562</b>	4.3%
Reclaimed Sales (kilogallons)	(35)	(697)	10,801	2,771	8,014	13,805	10,567	<b>45,226</b>	12.4%

\$0.9 unfavorable variance to Apr YTD 2019 is due to \$1.8M incremental purchased power adjustments vs. PY

Purchased power cost per MWhr 14.6% lower than prior year (PY)

# April 2020 Operational Statistics

Total Apr YTD electric and water sales slightly higher than PY driven by Yr. over Yr. Customer growth:

Elec 2.7%  
Water 3.0%  
Wwater 3.5%  
Reclaimed 20.1%



# UCNSB Bond Update

## *Sale Executed*

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- On Wednesday (5/20), based on the bond market sentiment and the relatively “calm” macroeconomic pre-holiday week, overall markets were stable and somewhat positive which provided the UC an excellent opportunity to enter the bond market on Thursday (5/21)
  - Immediately prior to our Thursday sale date, the market All-in Total Interest Costs (All-In-TIC) was 3.36% on 4/28/20 and had improved by **35 basis points (bps) to 3.01% on 5/19/20**
  - High quality ('AA'/Stable) essential service municipal bonds were also in relatively high demand by the bond market

# UCNSB Bond Update

## *Sale Executed*

- The Thursday (5/21) bond sale commenced around 10:30 am and by the close around 12:30 pm, all the Series 2020 bonds were oversubscribed. UC's bond offering received a lot of interest as evidenced by the total of ~\$644.0M in purchase offers on the ~\$70.0M par value- over 9X oversubscribed vs. par value.
  - **UC obtained an overall outstanding final All-In TIC of 2.76%**
    - *This reflected the lowest All-In TIC since we started tracking in Nov 2019*
  - This rate will save over \$1.0M on financing costs associated with refunding the legacy UC bonds of ~\$15M, approx. \$0.3M in additional savings than previous estimate
  - By obtaining \$65M in new capital for the 10-year UC Capital Improvement Plan (CIP) at these historically low rates, the UC will save millions in additional future avoided financing costs
  - The 2.76% is a historically low rate for the 30 year muni bond market for an AA rated, approx. 0.6% lower than when we were originally discussing entering the market in late 2019

# UCNSB Fiscal Year 2021 Budget

## *2021-2030 Budget Key Points; Overall Approach*

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- The 2021 Budget is driven by the Vision, Mission, and Values created in 2019
- The 2021 Operating Budget and Capital Improvement Plan (CIP) are supported by a detailed prioritized risk assessed capital plan incorporating the Master Plans; existing electric, water, and wastewater systems (wastewater includes reuse/reclaimed water system), projected growth, expected usage, initial electric and water systems optimization study results, and criticality of the project to the UC's infrastructure
  - The 2021 CIP reflects the 2<sup>nd</sup> year of the new and enhanced capital budgeting methodology. The budgeting approach developed during 2019 incorporates each project's risk profile [impact to the UC's existing infrastructure and probability of occurrence], work category (i.e. preventative and corrective maintenance, reliability performance, interagency, etc.) along with a monthly spend forecast for the first two years, and annual spend projections for projects longer than 2 years in duration.



# UCNSB Fiscal Year 2021 Budget

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- UC Management conducted several O&M and capital challenge sessions to ensure that the underlying business functions continue to operate in the most cost-effective manner and will continually identify ways to operate more efficiently and to reduce costs, whenever possible



# UCNSB Fiscal Year 2021 Budget

## *2021-2030 Budget Key Points; Series 2020 Bonds*

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- In late 2019, the UC determined that the municipal finance markets reflected a historically low interest rate environment. This low rate environment could provide an opportunity for the UC to refund (refinance) its existing debt for interest cost savings and provide additional required capital through the issuance of municipal bonds in 2020 (“Series 2020 Bonds”) to ensure sufficient capital funding for the UC to continue to provide low cost and reliable utility services.
- UC received ratings from both Moody’s Investor Services and Fitch Ratings. Moody’s issued a rating of ‘Aa2’, and Fitch issued a ‘AA’/Stable to the UC – both ratings reflect a high-quality municipal utility provider with minimal risk.



# UCNSB Fiscal Year 2021 Budget

## *Series 2020 Bonds Continued*

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- The UC Financing Team successfully executed the sale of the Series 2020 Bonds on Thursday, May 21<sup>st</sup> for an All-In Total Interest Cost (All-In TIC) of 2.76% scheduled to close on June 4<sup>th</sup>
  - **\$1.0M in interest savings** associated with the refunding of the legacy UC bonds of ~\$15M, about \$0.3M in additional savings than the previous estimate
- The 2021 Budget reflects the updated debt costs

# UCNSB Fiscal Year 2021 Budget

## *2021-2030 Budget Key Points; Optimization Studies*

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- Starting in FY 2020, the UC embarked on a grid and water modernization and optimization studies to evaluate where the UC can make strategic process and infrastructure and systems investments to improve electric and water operations, reduce costs and to facilitate capabilities to better serve our customers- “Utility of the Future” services
- The 2021-2030 CIP Budget is \$180.8M versus the 2020 – 2029 CIP total of \$150M.
  - Includes \$19.0M modernization projects for 2021-2026, to be revisited annually as the Modernization Plan is finalized, approved and implemented and \$0.3M in 2021 to begin development of the Western Utility Complex (WUC)
  - Additional WUC project costs anticipated as UC moves forward with future building plans
  - Williamson Blvd. construction costs expected to be borne by others

# UCNSB Fiscal Year 2021 Budget

## *Optimization Studies Continued*

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- The UC is in the process of consolidating the studies into a long-term cohesive strategy and multi-year “Modernization Roadmap” implementation plan
  - As we formulate the plan, the long-term strategic goals will be incorporated into subsequent UC capital budgets in a cost conscious and methodical manner
  - Prior to proceeding with any implementation plan, will review and obtain approval for the overall Modernization Roadmap and associated project portfolio from the UC Commission in a Workshop to be scheduled in the fall of 2020
- The 2021 Budget reflects electric reliability improvement projects (approximately \$1.9M over three years) which will provide incremental needed technology and equipment improvements that target the reduction in customer outage frequency and duration
  - Future system hardening and selective undergrounding projects to follow, driven by standards development
  - Supporting system and technology costs funded through Modernization

# UCNSB Fiscal Year 2021 Budget

## *2021-2030 Budget Key Points; O&M and Capital*

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- Revenue projections are based on actual historical data and forecasted future customer consumption. The current approved utility rates were used. The Commission approved a rate study to ensure the rates and associated revenue streams support the vision and obligation to continue to provide reliable utility services and support planned CIP.
  - This rate study began in April 2020 and is scheduled to be completed in the fall of 2020
  - The 2021 Budgeted Revenue is 1.8% higher than the 2020 Budget
- Several challenge sessions were held to ensure that the team focused on a realistic cost-effective operating and expense budget and the right capital to ensure the long-term reliability of the system



# UCNSB Fiscal Year 2021 Budget

## *O&M and Capital Continued*

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- Operating expenses, including purchased power, are budgeted to **decrease** in 2021 by approximately 2.1% from the previous year's UC 2020 Budget, driven by lower purchased power partially offset by normal cost escalation and related costs, such as an annual 2.5% wage escalation and approximately 10.0% increase in employee pension and benefits
  - Historically, the current year's budget typically **increased 3% to 6%+ over the prior year's budget**
  - During these challenging economic times due to the COVID-19 pandemic impacting the U.S. in varying degrees, our 2021 Budget reflects a decrease from the prior year's budget focusing on providing reliable utility services in a cost-conscious manner

# UCNSB Fiscal Year 2021 Budget

## *O&M and Capital Continued*

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- 2021 **O&M** reflects the following major initiatives:
  - Projected operational staffing level of 180 is six (6) FTEs less than the approved 2020 Budget headcount of 186. The team reconfirmed its targeted operational headcount.
    - The UC team will focus on filling its vacant positions to maintain operational performance
  - Transmission and Distribution (T&D) reflects increased supplemental contracted workforce to complete maintenance activities during 2020 until permanent lineman staffing is increased
  - 2021 Purchased Power Budget is \$20.6M which is 3.6% lower than the 2020 Budget driven by continued favorability in the power markets (i.e. driven by continued natural gas favorability in the forward markets)
  - The Water Treatment Plant reflects lower operations expense driven by lower lime sludge disposal in 2021 since lagoon cleanup is complete



# UCNSB Fiscal Year 2021 Budget

## *O&M and Capital Continued*

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- 2021 **O&M** reflects the following major initiatives (cont.):
  - Reductions achieved through the centralization of technology, reinforced by standardization, process controls, and consolidation and/or elimination of software, hardware, and related IT services for appropriate cost control and optimization
    - Approximately \$0.4M in annual ongoing O&M savings driven by vendor contract synergies
  - Central Services reflects the centralization of fleet and facilities costs to maximize cost efficiencies and asset optimization
    - Eliminated old vehicles, reduced vehicle fleet by seven (7) with an additional two (2) scheduled and standardized vehicle design
      - Approximately \$0.5M in capital savings on five (5) year vehicle plan purchases

# UCNSB Fiscal Year 2021 Budget

## *O&M and Capital Continued*

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- 2021 **CAPITAL** reflects the following major initiatives:
  - 2021 Annual Projects total \$7.5M reflecting normal annual capital work such as pole and meter installations, vehicles, etc.
  - 2021 Major Projects total \$12.1M include the following
    - \$4.5M Electric major projects include 115 kV Smyrna / Field Switch and Pole Replacements, 115 kV Transmission Tie (Airport to Field Street), etc.
    - \$0.5M Modernization Roadmap initial planning and implementation
    - \$3.2M Water major projects include Barracuda Bridge Utility Improvement, South Beach Pump Station
    - \$2.8M Wastewater projects include Lift Station #5 Reconstruction, 10<sup>th</sup> Street Road Realignment
    - \$0.8M Common (Enterprise) projects include Mobile Radio System Replacement, Facilities Security
    - \$0.3M Western Utility Complex (WUC) Phase 1 Fleet & Water Field Ops Relocation
      - Continued coordination with the City of NSB on a joint-use fleet building

# 2021-2023 Electric System Reliability

## *Improvement Plan*

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- Previously approved as, “Just Do It”
  - Currently prioritizing Feeders/Area specific plans developed by Burns and McDonnell
  - 3 Year Reliability Improvement Program, approx. \$1.5Mil in proposed budget
  - Sectionalizing feeders to reduce outage impacts on customers
  - Pole-mounted Reclosers on overhead feeder mains
  - TripSavers on feeder taps
  - Reconductoring
  - Load Transfer and Feeder Balancing to accommodate restoration switching schemes

# 2021-2023 Electric System Reliability

## *Improvement Plan Continued*

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- Additional Reliability Projects – Planning Underway
  - Distribution Automation, and integration SCADA for improved remote monitoring and control (Coordinate with Grid Modernization)
  - System Hardening and Selective Undergrounding projects to be recommended
    - Where it makes sense- based on best practice standards and reliability history
    - Projects will be identified later in the year and in an ongoing basis as part of improvements in how we manage ongoing system reliability
- New Vegetation Management (Tree Trimming) Plan
  - Transition from per-hour contractor and targeted hotspot to trimming a 3 year cycle (mains and laterals)
  - Leveraging industry best practices and comparing to Florida peer utilities
  - “per-mile” contract currently out for bid, to implement Q3/4

# FY20 Capital Projects

## *COVID-19 Impacts*

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- Project Schedule Days
  - Contractor/Consultant Employee No Travel Orders
  - Processing contract documents
  - Contractor design deliverables
- Project Cash Flow Impacts
  - Invoice timelines slowed considerably
- New Bid Submittals and Reviews
  - Increased timelines from No Travel Orders/Shelter In Place directives

# 2021-2030 Budget Key Points Capital Summary

(\$ in thousands)	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	TOTAL
<b>Annual Projects</b>											
Electric	\$ 3,919	\$ 3,727	\$ 3,116	\$ 2,987	\$ 2,767	\$ 2,832	\$ 2,617	\$ 2,737	\$ 2,696	\$ 2,736	\$ 30,132
Electric - Vehicles Only	943	566	325	-	300	640	650	350	300	-	4,074
Wastewater	416	468	411	422	374	379	418	426	468	503	4,283
Wastewater - Vehicles & Heavy Equipment Only	771	-	-	-	75	400	-	225	310	110	1,891
Water	881	804	811	803	814	915	954	935	919	783	8,615
Common (primarily facility items, Digital Transformation, etc.)	310	221	341	247	549	260	200	194	222	234	2,775
Common - Vehicles Only	125	-	-	-	-	35	155	105	35	-	455
Reuse	184	170	160	165	185	165	170	170	194	175	1,738
<b>AP Total</b>	<b>7,548</b>	<b>5,955</b>	<b>5,163</b>	<b>4,622</b>	<b>5,063</b>	<b>5,626</b>	<b>5,163</b>	<b>5,141</b>	<b>5,143</b>	<b>4,539</b>	<b>53,962</b>
<b>Major Projects</b>											
Electric	3,959	3,130	2,645	263	238	400	-	300	-	-	10,934
Electric Reliability	820	625	500	500	500	-	-	-	-	-	2,945
Modernization Roadmap	200	764	3,024	5,000	5,000	5,000	-	-	-	-	18,988
Water	3,254	3,584	4,831	4,124	6,547	2,325	750	1,750	1,000	2,000	30,164
Wastewater	2,824	4,622	4,132	7,483	3,775	7,558	9,578	4,832	4,552	4,190	53,543
Common	769	-	-	1,056	1,070	-	-	-	-	-	2,895
Common - WUC only	285	1,300	3,690	250	-	-	-	-	-	-	5,525
Reuse	-	-	-	900	900	-	-	-	-	-	1,800
<b>MP Total</b>	<b>12,110</b>	<b>14,024</b>	<b>18,822</b>	<b>19,575</b>	<b>18,029</b>	<b>15,283</b>	<b>10,328</b>	<b>6,882</b>	<b>5,552</b>	<b>6,190</b>	<b>126,793</b>
<b>TOTAL (Excluding Infrastructure)</b>	<b>\$ 19,658</b>	<b>\$ 19,979</b>	<b>\$ 23,985</b>	<b>\$ 24,197</b>	<b>\$ 23,091</b>	<b>\$ 20,908</b>	<b>\$ 15,491</b>	<b>\$ 12,023</b>	<b>\$ 10,695</b>	<b>\$ 10,729</b>	<b>\$ 180,755</b>
<i>Infrastructure</i>	<i>2,869</i>	<i>912</i>	<i>4,000</i>	<i>4,113</i>	<i>2,688</i>	<i>950</i>	<i>-</i>	<i>250</i>	<i>950</i>	<i>2,500</i>	<i>19,231</i>



# 2021-2030 Budget Key Points

## Summary

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- The current Operating Budget and CIP are supported by a detailed prioritized risk assessed capital plan
  - 2021 O&M budget is 2.1% under the 2020 Budget
  - 10 Year \$180.8M CIP funds capital project portfolio, begins development of WUC, electric reliability improvements and '21-'26 Modernization projects will deliver Utility of the Future capabilities to our customers
- UC Departments continue to budget for their O&M expense in a prudent manner, focusing on maintaining the system's integrity while continuing to provide excellent customer service in a cost-conscious manner
- The UC Financing Team successfully executed the sale of the Series 2020 Bonds on Thursday, May 21<sup>st</sup> for an All-In TIC of 2.76% scheduled to close on June 4<sup>th</sup>
  - ***\$1.0M in interest savings*** associated with the refunding of the legacy UC bonds of ~\$15M, about \$0.3M in additional savings than the previous estimate

# 2021-2030 Budget Key Points

## *Summary Continued*

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- Review and request approval for the overall Modernization Roadmap and associated project portfolio from the UC Commission in a fall 2020 Commission Workshop
- The UC team will continue to implement the strategic long-term plans to improve and maintain the existing infrastructure and continue to provide low cost and reliable utility services for many years to come



# 2021-2030 Budget Key Points

## *Next Steps*

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- UC Commission approves the 2021 Budget
- UC submits the 2021 Budget to the City of New Smyrna Beach by end of day Friday, May 29<sup>th</sup>
  - The UC is required to submit the subsequent year's budget by May 31<sup>st</sup> of each year
- In August and September 2020, the City of NSB will have two (2) readings of the UC Budget and will be approved at that time

