

PDM UTILITY CORPORATION
TREASURER'S REPORT
For year ended December 31, 2023
(000's omitted)

INTRODUCTION

The primary purpose of the Treasurer's Report is to provide PDM Utility Corporation ("PDMU") subscribers with an overview of its current financial status, and provide insight of future financial needs and viability. As we all know, PDMU's economic growth and leverage of billing rates is highly dependent of the continued development of Palmas del Mar and increase in new subscribers. Our current organization and installed infrastructure financial breakeven point is projected at a subscriber base of 4,500 connections. For the past decade, the increase in water service connections were extremely low, and this is not under the control of PDMU. The total connections at the end of 2023 was 3,734 (25 new units in year 2023). In the past 11 years the total accumulated connections increased by 227 units, or an annual average increase of 9%. For the past 6 years, the total increase in connections was 151 units, or an annual average increase of approximately 17%.

Besides the fact that 2020 and 2021 were atypical years affected by COVID-19 Pandemic, 25 additional units were added on the last 12 months. PDMU continue implementing cost reduction initiatives, productivity improvements, reduction in water losses, and a very tight investment program to assure we maintain a positive cash flow. As needed, we repair and/or replace old infrastructure and systems to maintain a secured and efficient water and sewer service for our Subscribers.

These are some major challenges that we will address to minimize the impact to our financial structure:

1. PRASA plan to increase potable water costs for the next 5 years (2% increase annually until year 2027), as presented and approved by the Financial Oversight Board.
2. Constant reduction of our cash reserves due to annual inflation on our operational and administration costs and expenses, including the subsidy of the annual operational losses.
3. Major capital projects to assure we comply with current and future needs in the areas like regulatory requirements, aged infrastructure and equipments, productivity and innovation, and Subscribers service needs.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The external audit firm, CPA Jorge L. Rodríguez Velázquez, is in the process of complete their audit of our Financial Statements ending December 31, 2023, and you can find the Unaudited Financial Statements in our Website (www.pdmutility.org). Most of our comparisons and explanations are based on actuals per internal financial statements and our 2022 and 2023 budgets approved by the Board. Final report is expected to be received by mid-April. At that moment, report will be posted on PDMU's webpage www.pdmutility.org.

SURPLUS /(DEFICIT) - STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

In 2023 we budgeted a decrease in net assets (deficit) of \$485K, and our actual deficit results were a decrease in net assets of \$167K. There were some significant variances shown in our actual Revenues, Operating, and General and Administrative expense accounts when compared to the approved budget for the year ended on December 31, 2023. Main reasons were: (000's omitted)

\$187K	Savings in salaries,
105K	FEMA funds received on hurricane Fiona permanent project claim,
73K	Utilities- Electricity – actual cost per kWh rate decreases after May 2023,
46K	Connection fees related to additional subscribers,
13K	Professional fees,
(33K)	Water purchase- deduction aligned with less sales. ** Note: High bill (2) disputed with AAA,
(33K)	Repair and maintenance – (19K) water distribution; (14K) WWTP and sewer,
(17K)	Water (revenue, net) - less water sold to subscribers,
(17K)	Contracted service – CTS,
(14K)	General and administrative, repair and maintenance,
(11K)	Miscellaneous income- compost, tipping, reconnection fees,
19K	Other income (expense), net.

\$318K	Decrease in Deficit Net Assets

** NOTE: Present claims to PRASA totalizing \$80K for overbilling in April and August, will offset water purchase deficit (\$33K) shown above.

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STATEMENT OF FINANCIAL POSITION

As of December 31, 2023, PDMU cash and cash equivalents is \$3.4M for an increase of \$157K compared to Year-End of 2022. Total cash equivalents includes \$1.8M in BPPR to cover working capital and support day to day operations. The remaining will support strategic replacements included on our Capex Plan.

For year 2023, the capital investments are around \$184K equivalent to nine (9) capital projects approved and the depreciation expense amounts to \$578K as of December 31, 2023.

Note: Statement of Activities as well as Statement of Financial Position figures presented here are financial reports unaudited that requires examination and verification for accuracy and completeness by an external auditor.

BUDGET FOR THE YEAR 2024

The approved budget for the year 2024 reflects a net decrease in assets of \$530K compared to \$485K net decrease projected in 2023.

<u>Totals for:</u>	<u>2024 Budget</u>	<u>2023 Budget</u>	<u>2023 Actuals</u>
Revenues	\$4,333	\$4,309	\$4,272
Operating Expenses	\$3,736	\$3,699	\$3,615
G&A Expenses	\$1,221	\$1,186	\$1,037
Other Income	\$ 94	\$ 91	\$ 213
Net (Decr.)/Incr. in Assets(\$ 530)		(\$ 485)	(\$ 45)

The major items that make the differences between budget to budget are:

+\$ 24K	Revenue, net - increase in water consumption by subscribers,
- 47K	Operating exp, net – increase for salaries,
(\$24K)	Repair/Maintenance (\$11K), all others (\$12K),
25K	G&A exp, net – consultants services by PJ Sun \$35K offset a decrease in vehicle repair (10K),
+ 3K	Other income (expense)- no major change as expected 22 new subscribers for 2024.

(\$45K)	Increase (Decrease) in Net Asset between Budget Plan 2024 vs. 2023

CAPITAL INVESTMENT PLAN

The total Capital Investment Plan for the year 2024 is approximately \$372K equivalent to nine (9) capital projects. All capital investment projects require the approval of the Board of Directors in allocating the necessary resources to acquire, upgrade or overhaul existing machinery and equipment's for long-term operation for the PDMU facilities. The estimated minimum Annual Capital Investment Plan requires approximately a range between \$200K to \$300K per year. This does not include strategic long term and emergency capital replacements and/or major maintenance.

Otto Nadal

Treasurer
PDM Utility Corp.