

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

SPECIAL FINANCE AND BUDGET COMMITTEE

Tuesday, March 28, 2023, 9:30 AM

SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ 85288

Committee Members: Keith Woods, Chairman; Stephen Williams, Vice Chairman; and Robert Arnett, Nick Brown, Mario Herrera, Kevin Johnson, Kathy Mohr-Almeida, and Larry Rovey

Call to Order

Roll Call

1. Request for Approval of the Operating Budget for Fiscal Year 2024 (FY24)
..... JON HUBBARD
 - A. Multi-year contracts identified in the FY24 Operating Budget
 - B. Depreciable lives and cost of removal regulatory liability (see proposed resolution)
 - C. FY24 Water Function Budget, including the falling water allocation
2. Report on Current Events by the General Manager and Chief Executive Officer or Designees..... MIKE HUMMEL
3. Future Agenda Topics..... CHAIRMAN KEITH WOODS

The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-805(B), for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



THE NEXT FINANCE AND BUDGET COMMITTEE MEETING
IS SCHEDULED FOR THURSDAY, APRIL 20, 2023

03/21/2023

FY24 Proposed Operating Budget

Finance & Budget Committee

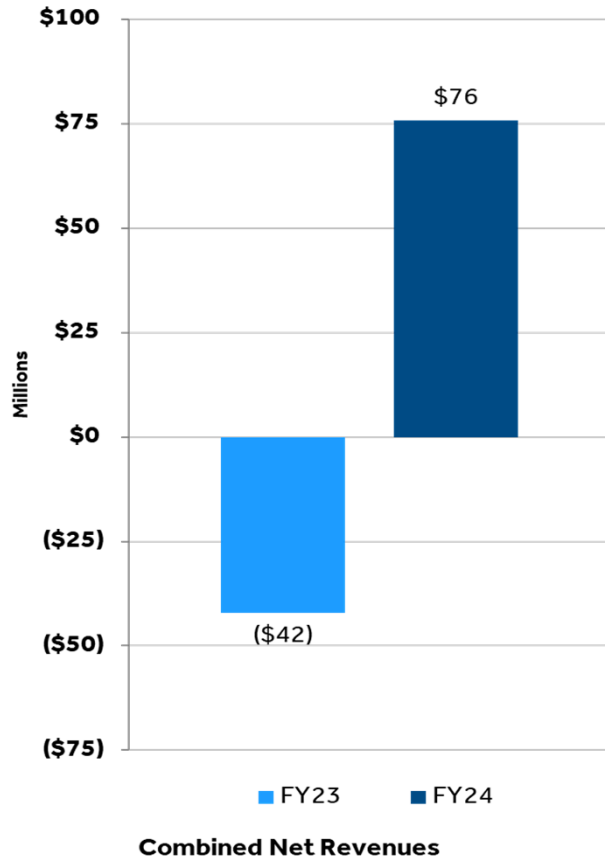
Jon Hubbard

March 28, 2023

FY24 Budget Highlights

FY23 Budget vs. FY24 Budget with F&B Committee FPPAM Recommendation

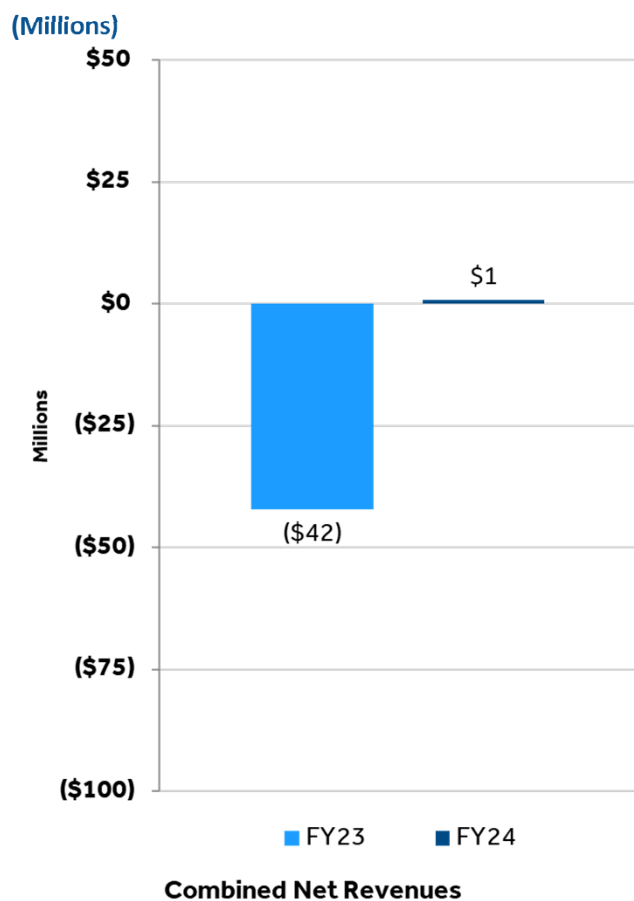
(Millions)



Total Operating Revenues	
Total Fuel/ PP/ Water for Power	
Gross Margin	
Expenses	
O&M	
Depr/ Amort	
Taxes & Tax Equivalents	
Financing Costs	
Total Expenses	
Other Income (Deductions) Net	
CNR	

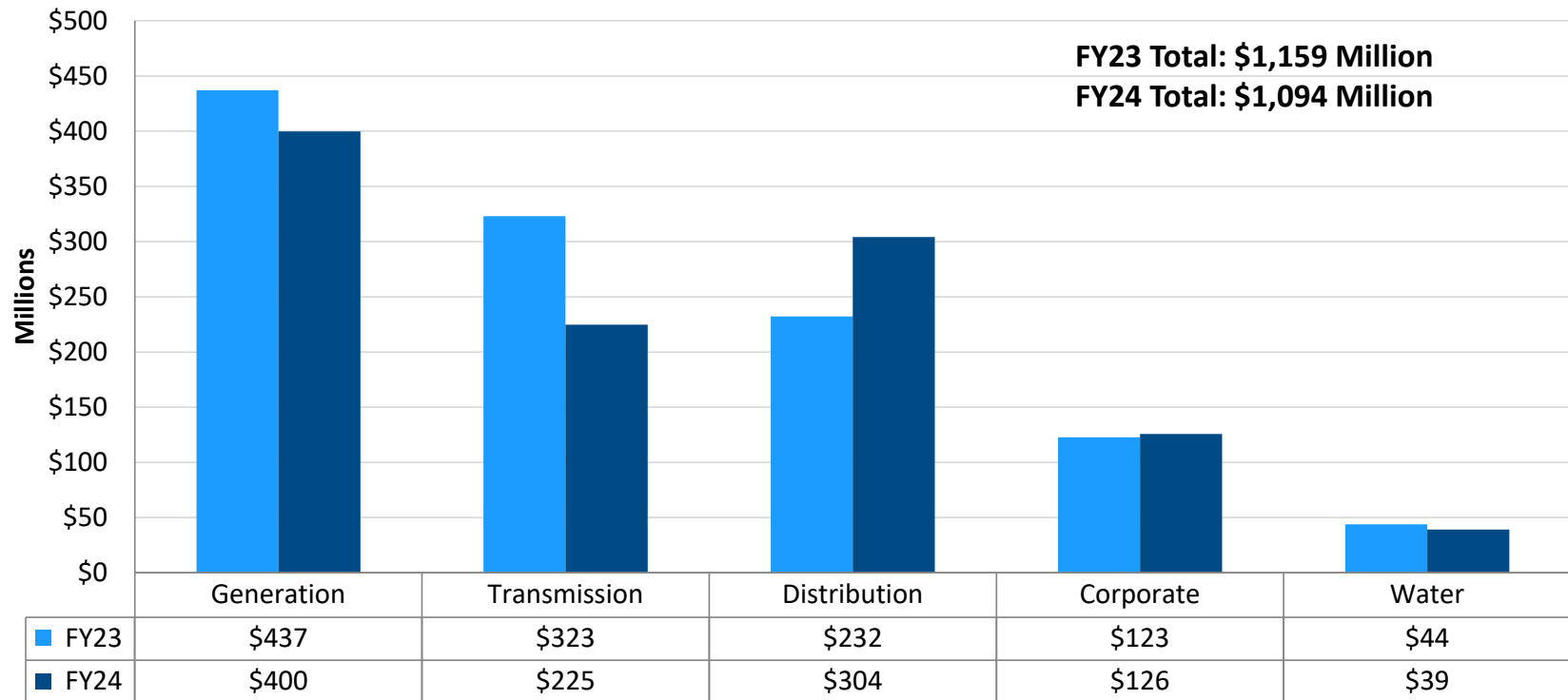
	FY23 Budget	FY24 Budget	Change
Total Operating Revenues	\$3,486	\$3,927	\$441
Total Fuel/ PP/ Water for Power	1,299	1,580	281
Gross Margin	\$2,187	\$2,347	\$160
Expenses			
O&M	\$1,270	\$1,373	\$103
Depr/ Amort	663	606	(57)
Taxes & Tax Equivalents	178	175	(3)
Financing Costs	134	159	25
Total Expenses	\$2,245	\$2,313	\$68
Other Income (Deductions) Net	16	42	26
CNR	(\$42)	\$76	\$118

FY23 Budget vs. FY24 Budget without F&B Committee FPPAM Recommendation



	FY23 Budget	FY24 Budget	Change
Total Operating Revenues	\$3,486	\$3,852	\$366
Total Fuel/ PP/ Water for Power	1,299	1,580	281
Gross Margin	\$2,187	\$2,272	\$85
Expenses			
O&M	\$1,270	\$1,373	\$103
Depr/ Amort	663	606	(57)
Taxes & Tax Equivalents	178	175	(3)
Financing Costs	134	159	25
Total Expenses	\$2,245	\$2,313	\$68
Other Income (Deductions) Net	16	42	26
CNR	(\$42)	\$1	\$43

FY24 Capital by Segment – Primary Cost



Multi-Year Contracts

FY24 Budget book contains a list of multi-year contracts of \$500,000 or greater

Multi-year contracts not approved by the Board during the budget process require individual Board approval, unless already approved by an existing Board authorization

Depreciation Recommended Changes to Lives and Recovery Periods

Property Life Estimates	Current	Recommended
	Average Life	Average Life
Transmission	50	53
Distribution	24	44
Gas Plants	35	40

Coal Plant Recovery Dates	Current	Recommended
	Recovery Date	Recovery Date
Coronado	08/31/28	12/31/28
Springerville Unit 4	12/31/29	12/31/35

Presented at 9/22/2022 F&B Committee

Statement of Revenues and Expenses

Association Budget

	FY23 Budget (000)	FY24 Proposed Budget (000)
<i>Operating Revenues</i>		
Stored and Developed	\$10,729	\$11,385
Additional Deliveries	\$2,110	\$2,213
Water Delivery Revenues	\$1,962	\$2,025
Other Service Revenues	\$3,951	\$4,329
Falling Water	\$5,362	\$9,206
<i>Total Operating Revenues</i>	\$24,114	\$29,158
<i>Operating Expenses</i>		
Operations & Maintenance	\$73,774	\$78,904
Power for Pumping	\$6,814	\$7,106
<i>Total Operating Expenses</i>	\$80,588	\$86,010
<i>Net Operating Revenues (Loss)</i>	(\$56,474)	(\$56,852)
<i>Other Income (Deductions) Net</i>	\$607	\$2,594
<i>Net Revenues (Loss)</i>	(\$55,867)	(\$54,258)

FY23 vs. FY24 Comparison: Summary with F&B Committee FPPAM Recommendation

	FY23	FY24	Change
Combined Net Revenues (\$ Millions)	(\$42)	\$76	\$118
Funds Available (\$ Millions)	\$458	\$508	\$50
Debt Service Coverage Ratio	3.13	3.03	(0.10)
Debt Ratio*	46.5%	47.7%	1.2%
General Fund Target (\$ Millions)	\$550	\$575	\$25

***Note:**

The debt ratio includes planned revenue bonds and commercial paper.

FY23 vs. FY24 Comparison: Summary without F&B Committee FPPAM Recommendation

	FY23	FY24	Change
Combined Net Revenues (\$ Millions)	(\$42)	\$1	\$43
Funds Available (\$ Millions)	\$458	\$432	(\$26)
Debt Service Coverage Ratio	3.13	2.81	(0.32)
Debt Ratio*	46.5%	48.1%	1.6%
General Fund Target (\$ Millions)	\$550	\$575	\$25

***Note:**

The debt ratio includes planned revenue bonds and commercial paper.

FY23 vs. FY24 Comparison: Summary

		Without F&B Committee FPPAM Recommendation	With F&B Committee FPPAM Recommendation
	FY23	FY24	FY24
Combined Net Revenues (\$ Millions)	(\$42)	\$1	\$76
Funds Available (\$ Millions)	\$458	\$432	\$508
Debt Service Coverage Ratio	3.13	2.81	3.03
Debt Ratio*	46.5%	48.1%	47.5%

***Note:**

The debt ratio includes planned revenue bonds and commercial paper.

Questions and Comments

FY24 Operating Budget

Requesting Approval of FY24 Operating Budget including:

- Multi-Year Contracts
- Depreciable Lives & Cost of Removal Regulatory Liability
- FY24 Water Function Budget including the Falling Water Allocation
- Incorporating the Board's FPPAM decision

thank you!



**RESOLUTION APPROVING ESTABLISHMENT OF A REGULATORY LIABILITY
FOR THE ESTIMATED FUTURE COST OF REMOVAL**

WHEREAS, the Salt River Project Agricultural Improvement and Power District (the “District”) has previously incorporated the actual cost of removal in the depreciation life rate and recorded the depreciation expense and actual Cost of Removal incurred as Accumulated Depreciation; and

WHEREAS, the Depreciation Study completed in Fiscal Year 2022 recommends the identification of a separate depreciation rate for the estimated Cost of Removal. For purposes of this Resolution, “Cost of Removal” is defined as costs related to the removal or decommissioning of Utility Plant that are not required to be accounted in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 410, *Asset Retirement Obligations* (“ASC 410”);

WHEREAS, as a regulated entity, under FASB ASC 980, *Regulated Operations*, the District may establish a separate Regulatory Liability for the Cost of Removal as amounts related to future Cost of Removal are collected in customer rates over the lives of the assets.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Salt River Project Agricultural Improvement and Power District hereby approves and directs that amounts collected in depreciation rates specific to estimated future Cost of Removal shall be accounted for as a Regulatory Liability beginning in Fiscal Year 2024.