

**PDM UTILITY CORPORATION  
TREASURER'S REPORT  
For year ended December 31, 2024  
(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 .That includes almost 800 units endorsed but not built, which have their space already reserved on the water/sewer system. 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 in 2024 YTD was 3,757 (22 new units in year 2024 compared to 25 new additions from year 2023). In the past 11 years the total accumulated connections increased by 227 units, or an annual average increase of 9 percent. For the past 6 years the total increase in connections was 151 units, or an annual average increase of approximately 17 percent.

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 & 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 a timeframe of 5 years starting year 2023 (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 & 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.

To mitigate the major challenges presented for PDMU in the long-term there was a necessity for an increase in water and sewer rates which was approved by DTOP (Dept. of Transportation and Public Works) and DEDT (The Directorate of Excavation, Demolition and Pipelines) reference to case No. Misc.386. A public notice was announced to all subscribers of the community of Palmas Del Mar For a public Hearing that took place last May 23rd, 2024. Approval from DTOP-DEDT was received on August 6th, 2024 New rates were effective on Sep 1st 2024.

**FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024**

The external audit firm, CPA Jorge L. Rodriguez Velázquez, is in the process of complete their audit of our Financial Statements ending December 31, 2024, and you can find the Unaudited Financial Statements in our Website. Most of our comparisons and explanations are based on actuals per internal financial statements and our 2023 and 2024 Budgets approved by the Board. Final report is expected to be received by April/2025. At that moment, report will be posted on the PDMU's webpage.

## **SURPLUS \ (DEFICIT) - STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

In 2024 we budgeted a decrease in net assets (Deficit or Net Loss) by (\$530K). Due to new tariffs rates applied the actual figures resulted an increase in net assets (Surplus or Net Income) by \$178K. 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, 2024.

Main reasons were: (000's omitted):

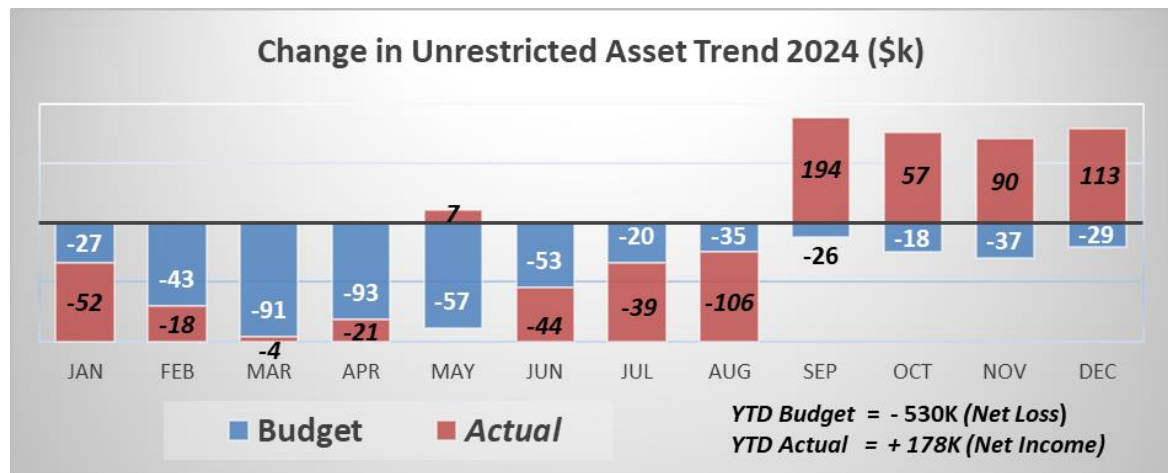
\$522K	Water Revenue, net - due to the new tariffs applied that boost Revenue Favorably
135K	Savings in salaries (pending to fulfill position for the WWTP)
87K	Utilities- Electricity – actual cost per kWh rate decreases vs. budget plan
50K	Hook-Up Fees (Developer Fees equivalent to 20 properties)
44K	Decrease in Bad Debt Expense
34K	Savings in Professional Fees
27K	Connection Fees related to additional subscribers
13K	FEMA obligated funds received for closeout of Hurricane Maria (2017)
2K	Miscellaneous income- Compost, tipping, reconnection fees
(76K)	Repair & maintenance – (16K) water distribution; (60K) WWTP & Sewer
(71K)	Increase depreciation expense due to capitalized projects(Ex. Remote Reading Meters -2 <sup>nd</sup> phase)
(58K)	Increased in water purchase mainly driven by water loss due to several repair events incurred.
( 19K)	Gen & Adm and Operating expenses, net
18K	Other Income (expense), net

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\$708K Increase in Net Assets  
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### Summary:

(\$530K) 2024 Full Year Budget in Net Asset (Deficit or Net Loss)  
\$178K 2024 Full Year Actual in Net Asset (Surplus or Net Income)

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\$708K Change in Net Asset  
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## **STATEMENT OF FINANCIAL POSITION**

As of December 31, 2024, PDMU cash and cash equivalents is \$3.2M for a minor increase of \$10K compared to Year-End of 2023. However, the Accounts Receivable, net of allowance for doubtful account is equivalent to \$1.2M for an increase of \$400K compared to Year-end 2023 based on Revenue Recognition mainly due to an increase in tariffs and expected cash Inflow. Total cash equivalents includes \$1.8M in BPPR for 30% to 40% to support day to day operations.

For year 2024, the Capital investments is around \$394K equivalent to 11 capital projects approved that includes the project of the Remote Reading System Meters Replacement (phase 2) for \$225K that represent 57% of the total project approved in 2024. The remote reading meter replacement as well as other projects carryforward from previous years has been fully completed and capitalized for depreciation expense recognition. The depreciation expense amounts to \$634K as of December 31, 2024 compared 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 2025 reflects a net increase in Net assets (surplus) of \$898K compared to **\$530K (deficit)** as a net decreases projected in 2024. An increase in Net Assets between budget plan 2025 vs 2024 is equivalent to \$1,428K.

<b><u>Totals for:</u></b>	<b><u>2025 Budget</u></b>	<b><u>2024 Budget</u></b>	<b><u>2024 Actuals</u></b>
Revenues	\$5,856	\$4,333	\$4,856
Operating Expenses	\$4,041	\$3,736	\$3,756
G&A Expenses	\$1,198	\$1,221	\$1,124
Other Income	\$ 281	\$ 94	\$ 202
<b>Net (Decr.)/Incr. in Assets</b>	<b>\$ 898</b>	<b>(\$ 530)</b>	<b>\$ 178</b>

The major difference between budget to budget are due to:

- + \$1,523K Revenue, net - Increase in water consumption mainly due to new tariffs applied.
- 305K Operating Exp, net – Increase in water purchase (\$127K), Depreciation (\$88K), All Others (\$91K)
- + **23K** G&A Exp, net – Decrease in professional fees by \$69K offset an increase in salary (35k), All Others (\$13K)
- + 187K Other Income (Expense) - Increase in FEMA grant funds \$140K, Tap-In-Fees \$28K (22 subscribers), All others \$19K
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- \$1,428K Increase (**Decrease**) in Net Asset between Budget Plan 2025 vs 2024

## **CAPITAL INVESTMENT PLAN**

The total Capital Investment plan for the year 2025 is approximately \$502K equivalent to 4 capital projects. The most significant project in cash flow from investing activities is the Remote Reading System Meter Replacement (phase 3) equivalent to \$316K (63% of the total capital investment plan in 2025).

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 on long-term Capital Investment Plan or a Capex Reserve to serve exclusively to set aside funds approximately \$646K/year to cover future capital expenditures, such as major repairs, renovations and/or replacement of property assets located at the Palmas Del Mar community. That reserve fund was part of the New rate program presented to the Regulatory agency, which looks to build \$ 2.8 M fund on a 5 years period