

Austin Energy Quarterly Financial Report

2nd Quarter FY 2020 (January – March 2020)

Mark Dombroski
Chief Financial Officer



May 11, 2020

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Disclaimer

This information is unaudited and should be read in conjunction with the audited Comprehensive Annual Financial Reports for the City of Austin, when published on:

<http://austintexas.gov/service/current-comprehensive-annual-financial-report>



Agenda

QUARTERLY Financial Report



Executive Summary



Financial Policy Compliance



Financial Performance Measures



Actual to Budget Analysis



Financial Statements



Market and Industry Analyses



Austin Energy Quarterly Financial Report

Executive Summary



Executive Summary



Substantially compliant with all financial policies. Capital Reserve balance below minimums but total cash above minimum of \$414m.



Meeting financial metrics supporting AA credit rating. Received credit upgrade from *Fitch Ratings* in May 2019.



\$ 629 Million Revenues

Operating revenues trended close to budget through March.



\$ 515 Million Expenses

Operating expenses exceed forecast by 2.7% primarily due to higher costs in power production and electric service delivery.



Balance sheet is liquid and adequately capitalized. Cash balances are stable through the second quarter.



City Council approved a \$35 million bill reduction effort in April. This includes a reduction in regulatory charges, increase in CAP discounts, increase in Plus 1 funding and reductions in tiers 4 & 5.

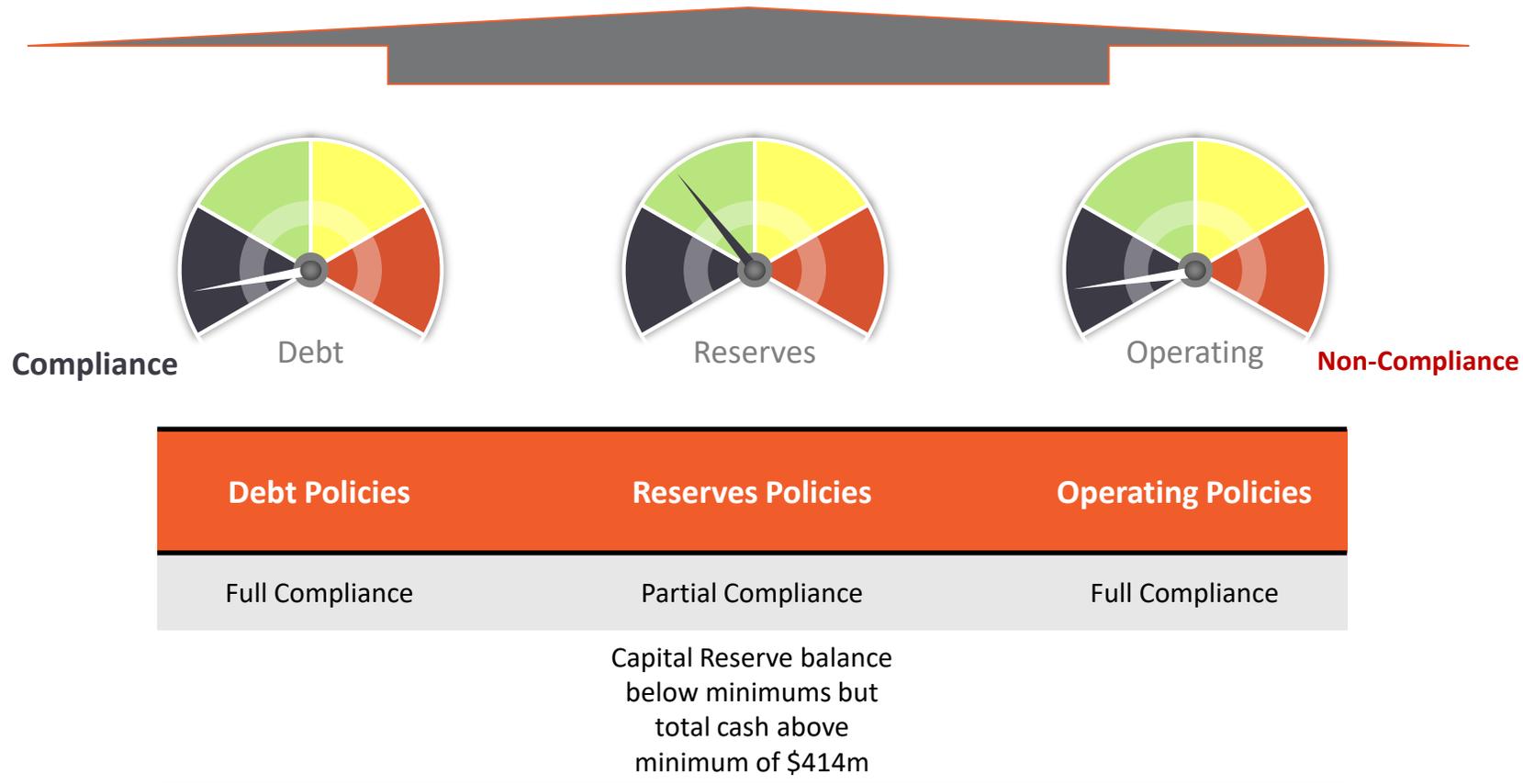


Austin Energy Quarterly Financial Report

Financial Policy Compliance



Financial policies are memorialized and adopted by ordinance each year during the budgeting process



Austin Energy Quarterly Financial Report

Financial Performance Measures



AA Standard & Poor's Global Ratings Achieved November 2018



Days Cash on Hand	Debt Service Coverage Ratio	Operating Margins	Debt to Capitalization
Minimum > 150 Days	Minimum > 2.0	Minimum > 10%	Minimum < 50%
Actual 225 Days	Actual 2.7	Actual 5%	Actual 51%
Excludes General Fund Transfer			



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Austin Energy's Affordability Goal has Two Metrics



Affordability Metric	Competitiveness Metric
Full Compliance Since 2013	Non-Compliance Since 2016
<p>Maintain system average rates at or below 2% annual compound growth rate that began October 2012.</p>	<p>Maintain an average annual system rate in the lower 50% of all Texas utilities serving residential, commercial and industrial customers as measured by published data from the Energy Information Administration (EIA) Form 861.</p>



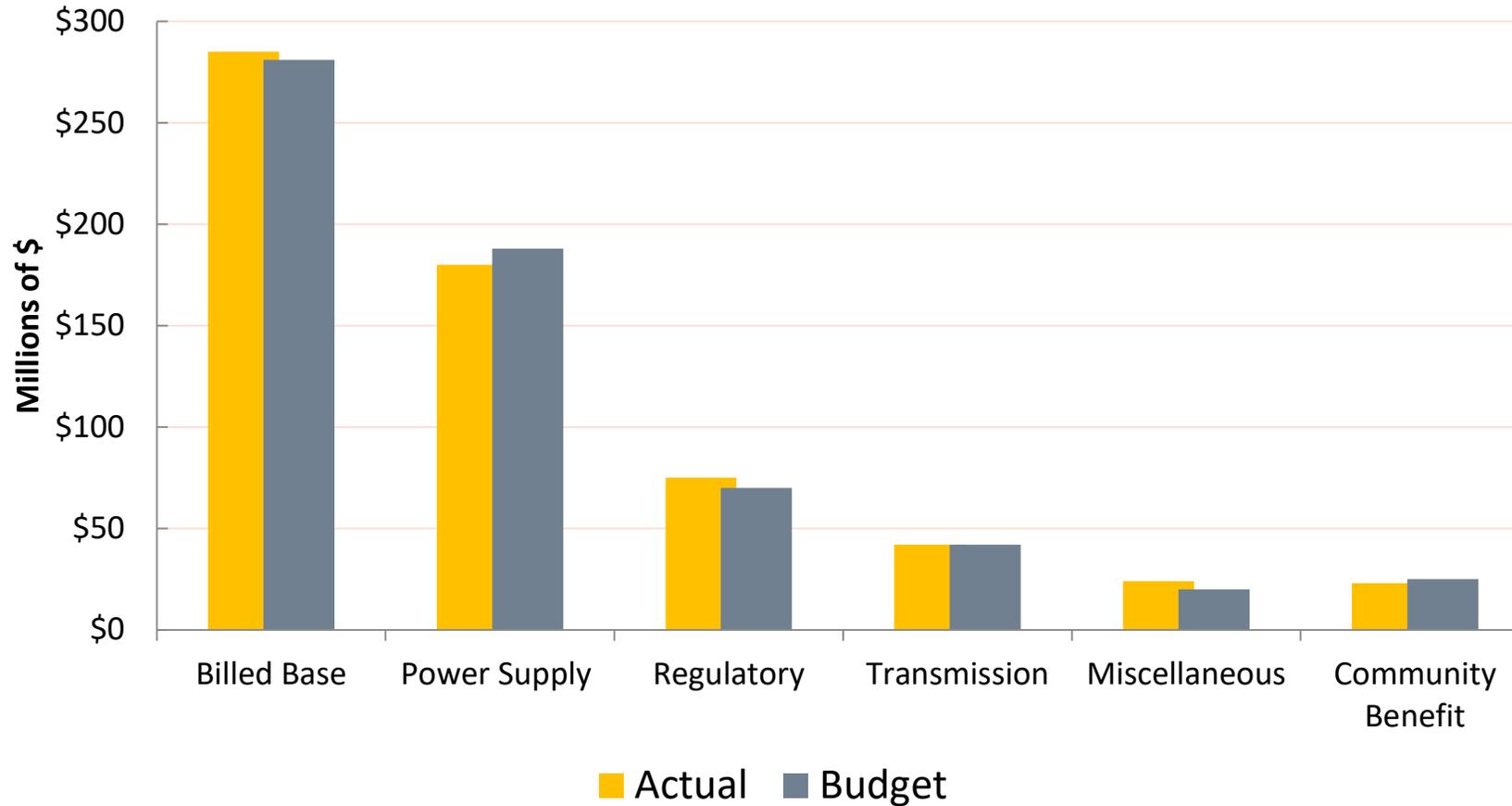
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Actual to Budget Analysis



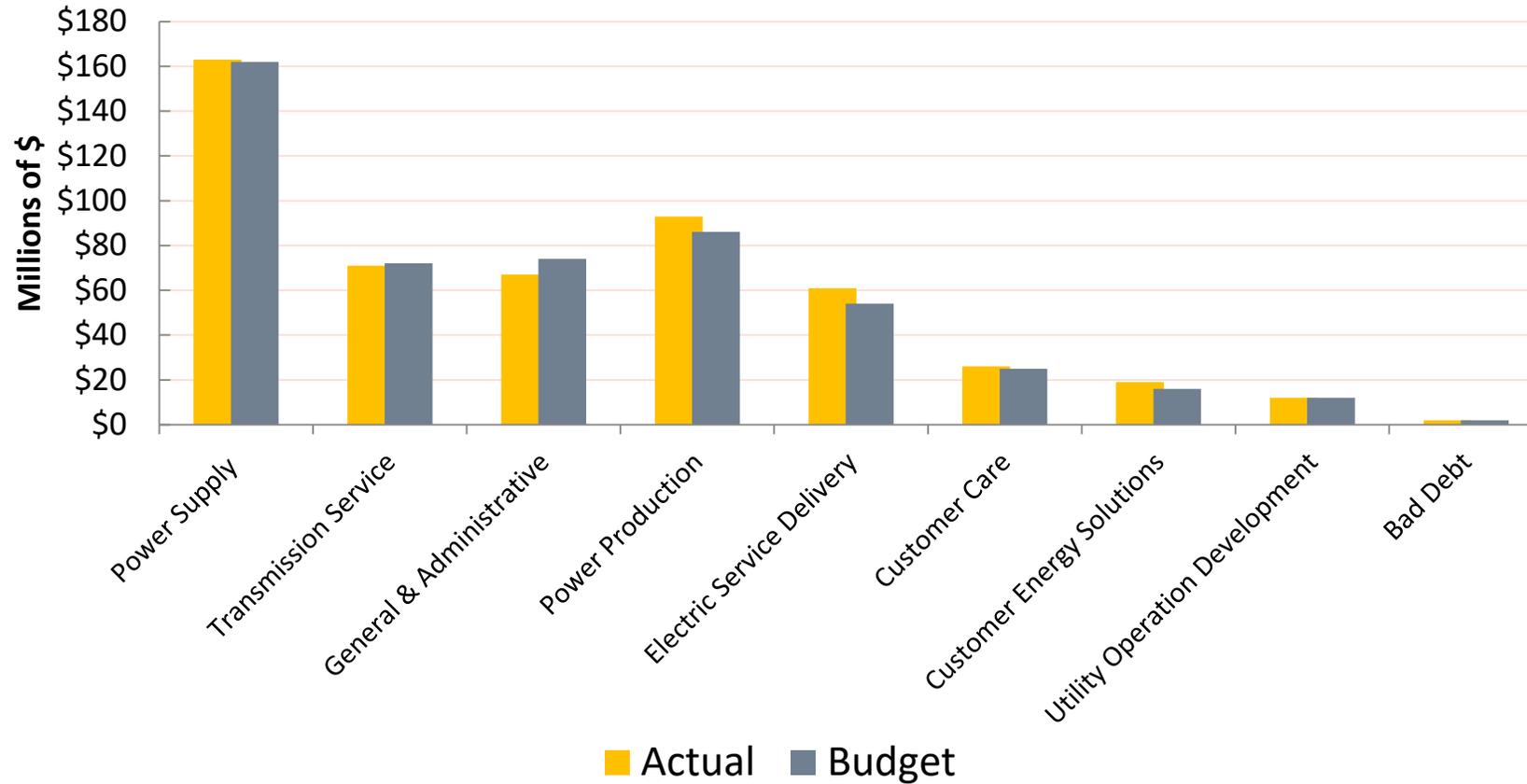
Actual to Budget Analysis

Budget Based Operating Revenues Fiscal Year Through March 31, 2020



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through March 31, 2020



Actual to Budget Analysis

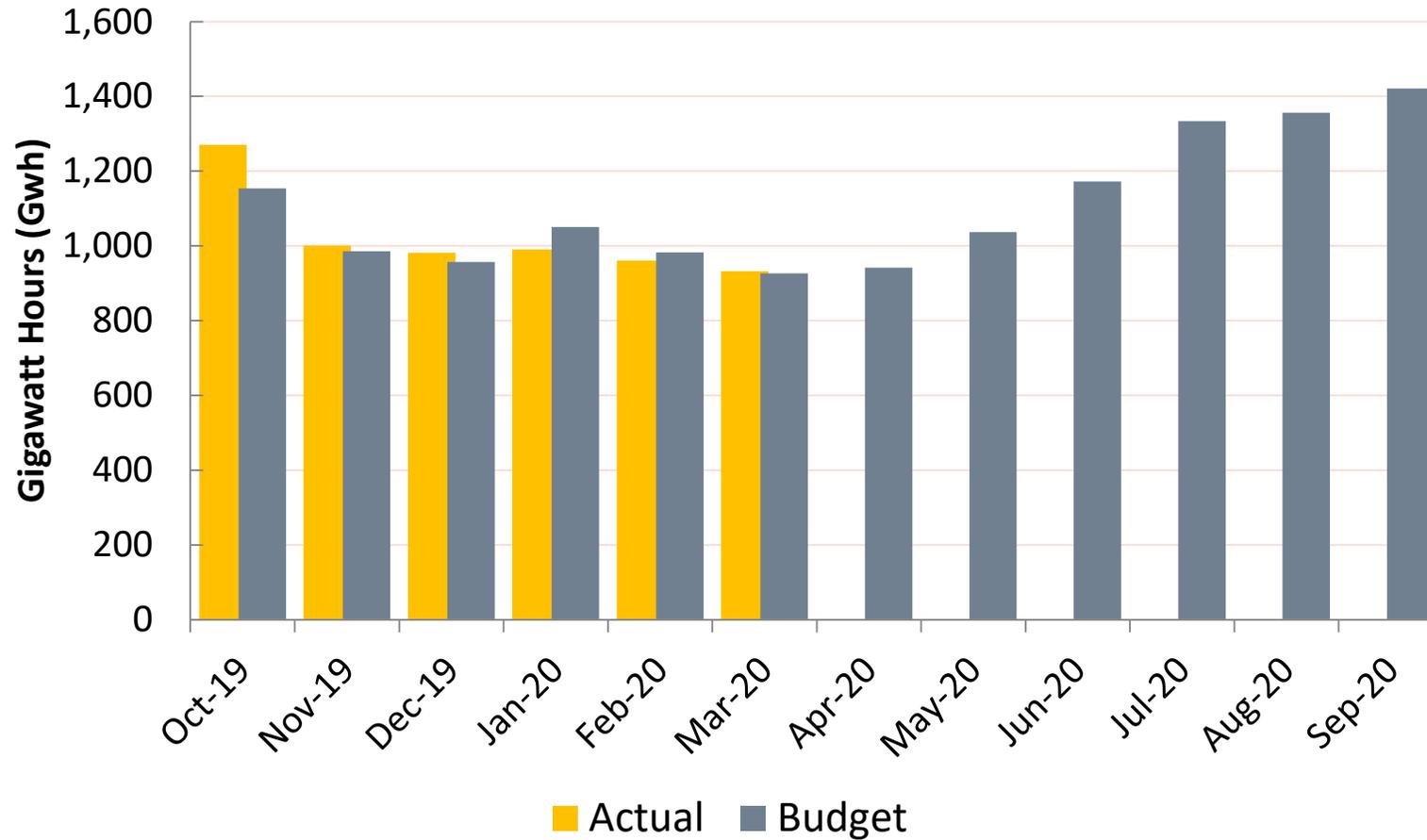
Budget Based Fund Summary Fiscal Year Through March 31, 2020

Millions of \$			Variance to Budget Favorable (Unfavorable)		Variance to Prior Year Favorable (Unfavorable)		
	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$629	\$628	\$1	0%	\$631	(2)	0%
Operating Expenses	515	502	(13)	(3%)	523	8	1%
Operating Income (Loss)	\$114	\$126	\$(12)	(10%)	\$108	\$6	5%
Interest Revenue	7	7	0	5%	8	0	(9%)
Debt Service	(60)	(60)	0	0%	(42)	(18)	(44%)
Income (Loss) Before Transfers	\$61	\$73	\$(12)	(17%)	\$74	\$(13)	(18%)
Administrative Support	(15)	(15)	0	0%	(14)	0	(2%)
General Fund	(56)	(56)	0	0%	(55)	0	(1%)
Economic Development	(5)	(5)	0	0%	(4)	0	(6%)
CTM Fund	(6)	(6)	0	0%	(5)	0	(12%)
Other City Transfers	(0)	(0)	0	0%	(1)	0	23%
Internal Transfers / CIP	(44)	(44)	0	0%	(73)	29	41%
Excess (Deficiency) of Revenues	\$(65)	\$(53)	\$(12)	(24%)	(78)	13	20%



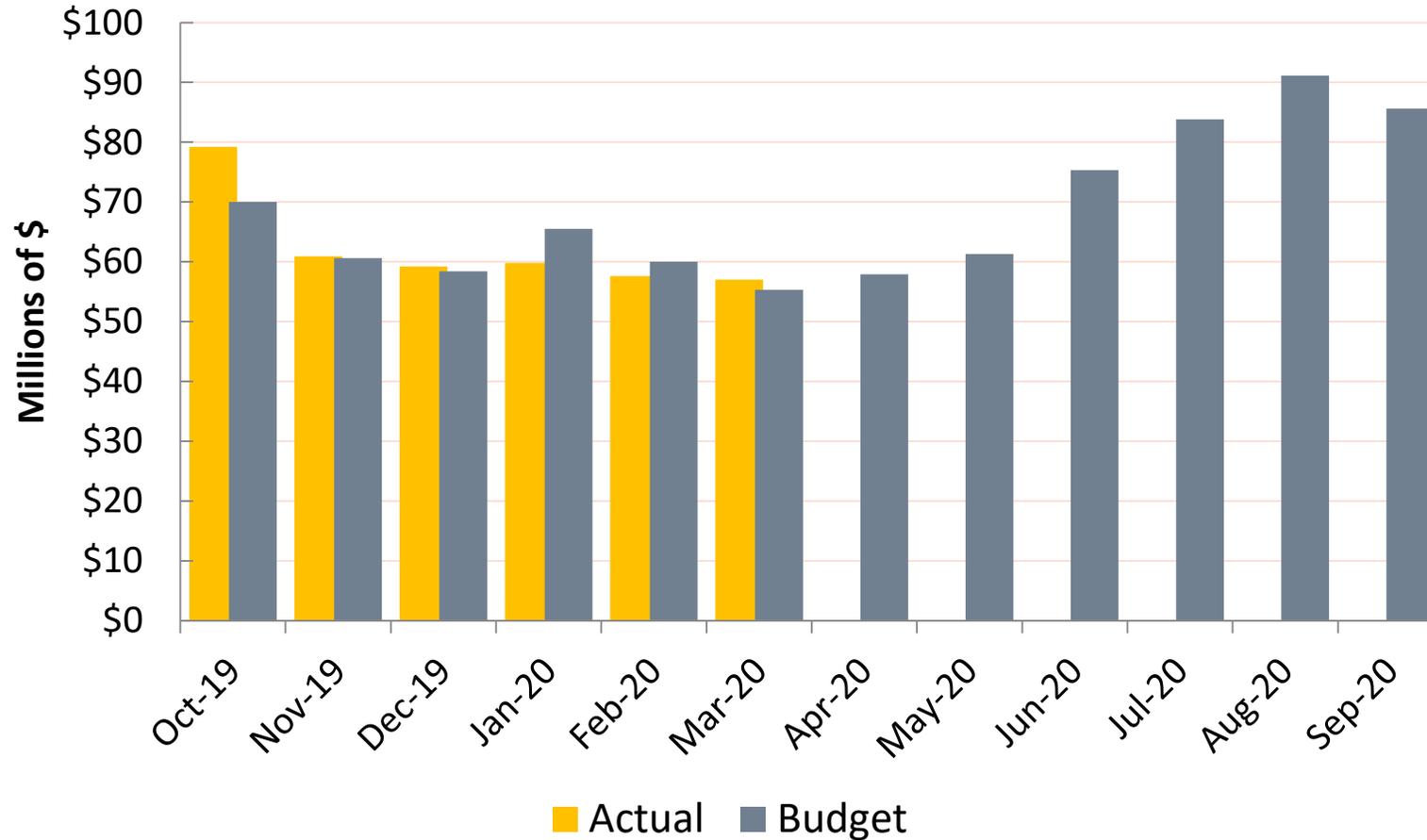
Actual to Budget Analysis

Actual to Budget Retail Energy Sales



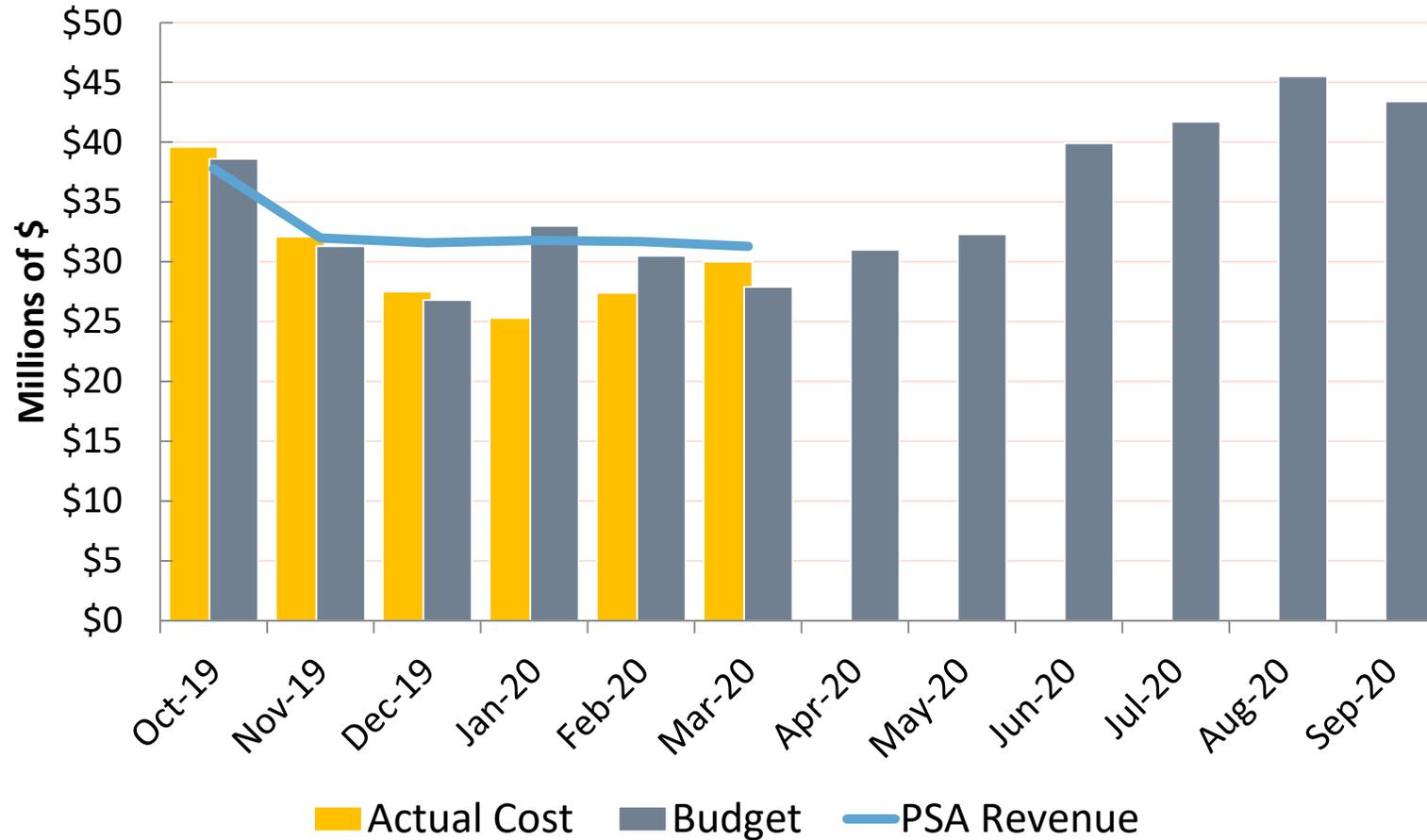
Actual to Budget Analysis

Actual to Budget Non-Power Supply Revenues



Actual to Budget Analysis

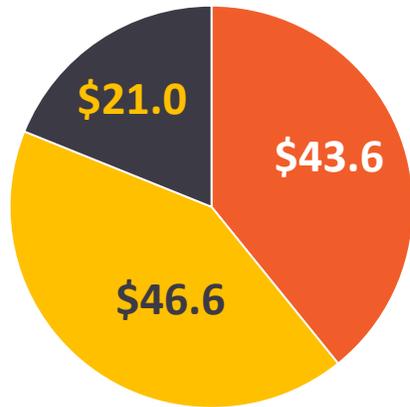
Actual to Budget Power Supply



Capital Improvement Plan Summary

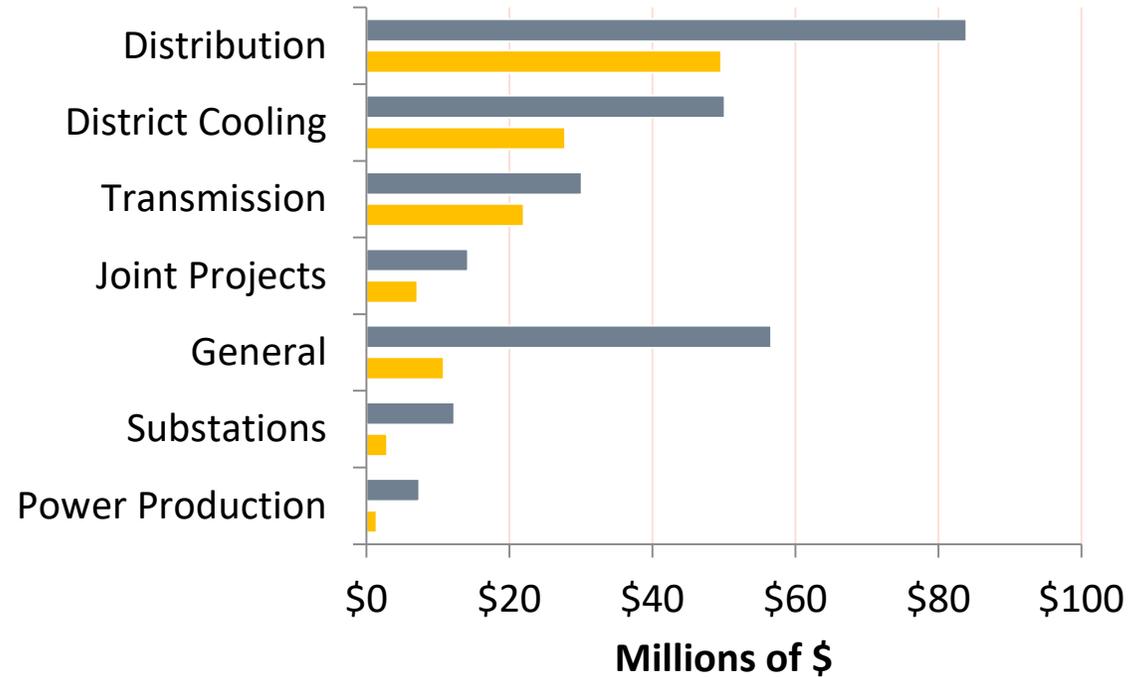
Fiscal Year Through March 31, 2020

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project

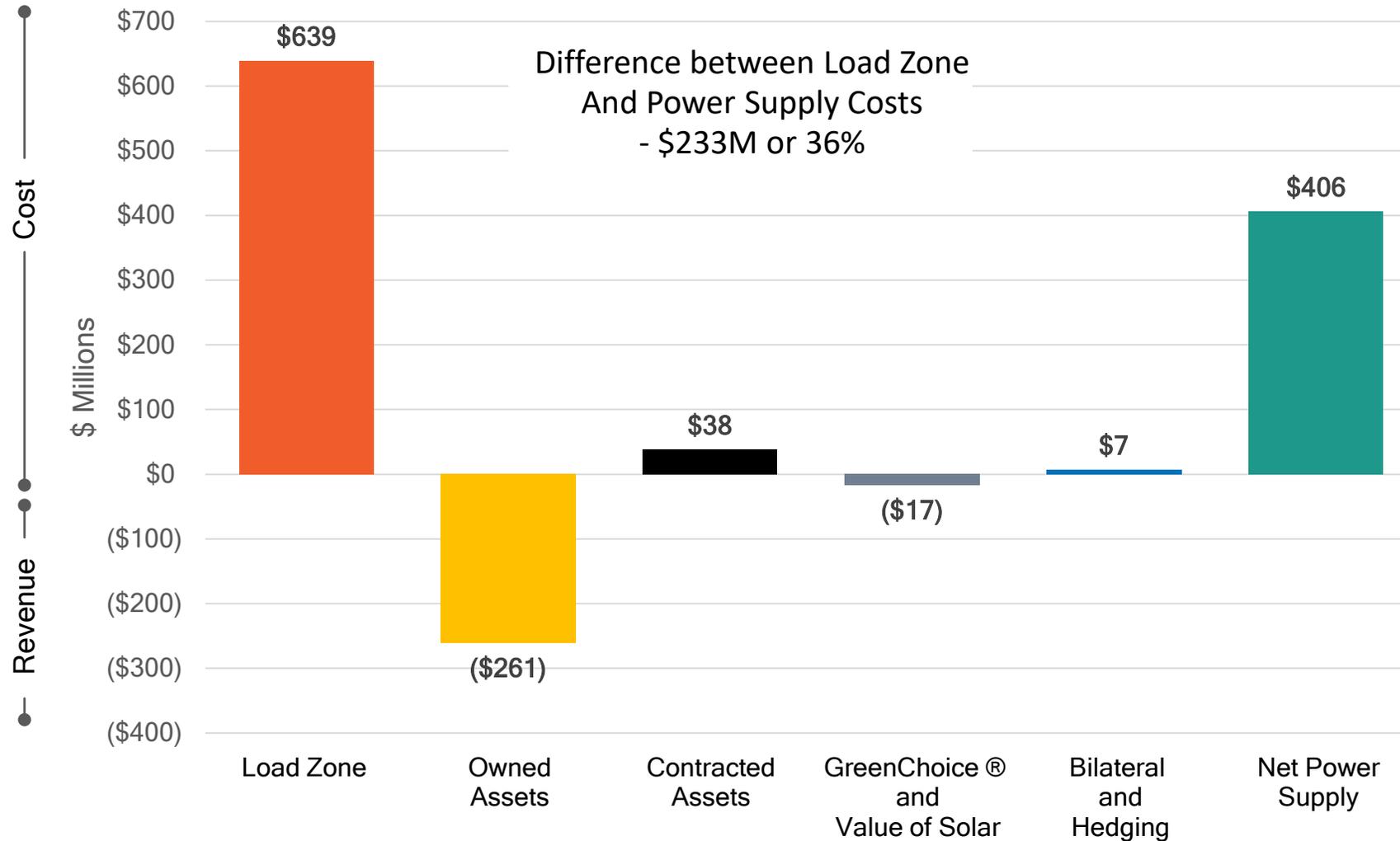


■ FY 2020 Spend Plan ■ Year-to-Date



Power Supply Adjustment Cost Components

Twelve Months Ending March 2020



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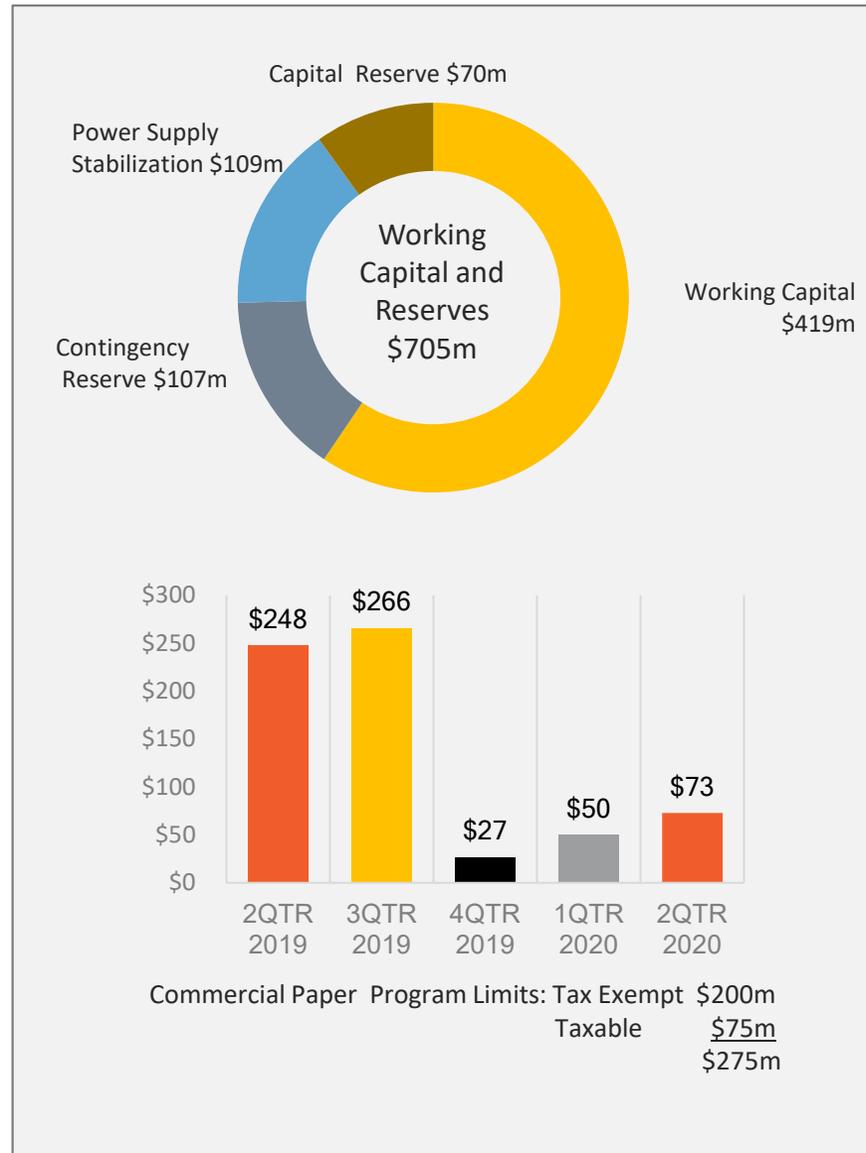
Financial Statements



Balance Sheet Snapshot

\$ in Millions

Assets	Mar 2019	Mar 2020
Cash	\$420	\$419
Current Assets	266	310
Capital Assets 	2,597	3,005
Long-Term Assets 	1,420	1,845
Total Assets	\$4,703	\$5,579
Liabilities and Fund Equity		
Current Liabilities	\$198	\$250
Long-term Liabilities 	2,224	2,967
Deferred Inflow of Resources	397	457
Retained Earnings	1,884	1,905
Total Liabilities & Fund Equity	\$4,703	\$5,579



GAAP Financial Summary

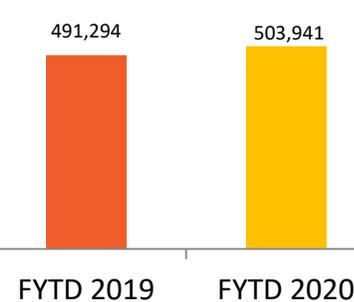
Comparative Statement of Net Position

\$ in Millions	03/31/2019	03/31/2020	Change
Cash	\$420	\$419	(\$1)
Accounts Receivable (net)	105	121	16
Power Supply Under-Recovery	0	7	7
Non-PSA Under-Recoveries	2	1	(1)
Debt Service	24	34	10
Contingency Reserve	103	107	4
Power Supply Stabilization Reserve	106	109	3
Capital Reserve	68	70	2
Nuclear Decommissioning Reserve	226	233	7
Other Restricted Assets	115	146	31
Other Assets	937	1,326	389
Capital Assets	2,597	3,006	409
Total Assets	\$4,703	\$5,579	\$876
Other Current Liabilities	\$132	\$143	11
Power Supply Over-Recovery	17	0	(17)
Non-PSA Over-Recoveries	24	43	19
Revenue Bonds	1,238	1,941	703
Commercial Paper	248	73	(175)
Other Long-Term Liabilities	1,159	1,474	314
Retained Earnings	1,884	1,905	21
Total Liabilities and Fund Equity	\$4,703	\$5,579	\$876

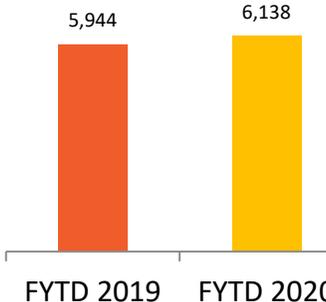
Income Statement

\$ in Millions	12 Months Ending	
	03/31/2019	03/31/2020
Operating Revenues	\$951	\$968
Power Supply Revenues	463	478
Power Supply Expenses	468	434
Non-Power Supply Expenses	684	711
Depreciation Expense	167	228
Operating Income/(Loss)	\$95	\$73
Other Revenue (Expense)	\$45	\$59
General Fund Transfer	(110)	(111)
Net Income/(Loss)	\$30	\$21
Debt Service Coverage	3.5	2.7
Debt Equity Ratio	44%	51%

Average Number of Customers



Total Sales in Gigawatt Hours



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Austin Energy Quarterly Financial Report

COVID-19 Response: \$35 million Bill Relief



\$35 Million in Electric Bill Relief



Increase CAP Discount from 10% to 15%



Expand Plus 1 assistance program funding and eligibility



usage

Reduce all residential billing for Tiers 4 and 5 to Tier 3 in city rate for over 1000kwh



Reduce Regulatory Charge for all customers

Identified Relief Strategies

- Estimate \$35 million in electric bill relief through September 30, 2020
 - Rates expected to remain in effect until adoption and implementation of FY 2021 budget
- Changes address both financial needs and increased usage
- Additional assistance to CAP customers and to others experiencing financial hardship or loss of income
- Reduces impact to residential customers using more energy due to Stay Home-Work Safe



Strategies Consider Implementation Speed

- Structural changes to billing system take minimum 90 days
- Adjusting value inputs of existing tiers and discounts are not structural changes and can be implemented quickly
- Implementation details for Plus 1 enrollment will continue to be developed – may need other means beyond current partners
- Continuing with no disconnects, no late fees, and enhanced payment arrangements



\$35 million in Electric Bill Relief for FY 2020

\$5M

- Transfer \$5M to the Plus 1 financial aid program from the discount program balance

\$1M

- Increase the CAP Discount from 10% to 15%

\$25M

- Reduce the Regulatory Charge for residential and commercial customers now rather than during the FY21 budget process

\$4M

- Set all residential rates for Tiers 4 and 5 to the current Tier 3 rates for use over 1000 kwh to the inside city Tier 3 rate to reduce premium pricing for those using more energy under Stay Home – Work Safe



Ongoing Activities

- Monitor COVID-19 impacts on customers needs
- Monitor customer consumption by class to understand impacts to customers and Austin Energy
- Monitor Bond covenant – we are required to set rates to cover operating costs and 1.5 times debt service
- Work with our partner agencies to address immediate and ongoing challenges to enrolling more participants in CAP or Plus 1
- Provide a flexible qualification path for customers who have a Covid-19 related need





**Customer Driven.
Community Focused.**

