

# Austin Energy Quarterly Financial Report

3<sup>rd</sup> Quarter FY 2021 (April - June)

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Certain information set forth in this presentation contains forecasted financial information. Forecasts necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance.

Although the forecasted financial information contained in this presentation is based upon what Austin Energy management believes are reasonable assumptions, there can be no assurance that forecasted financial information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forecasts.

In addition, this presentation contains unaudited information and should be read in conjunction with the audited Comprehensive Annual Financial Reports for the City of Austin, which was published on March 18, 2021:

[https://assets.austintexas.gov/financeonline/downloads/comprehensive annual financial report/comprehensive annual financial report 2020.pdf](https://assets.austintexas.gov/financeonline/downloads/comprehensive_annual_financial_report/comprehensive_annual_financial_report_2020.pdf)



# 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



Generally compliant with all financial policies. Contingency and Capital Reserve balances below minimums but total cash above minimum of \$457m.



Generally meeting financial metrics supporting AA credit rating.



**\$ 843** Million Revenues

Operating revenues at June are 14% under budget due to decreased Power Supply Revenue due to the February winter storm.



**\$ 645** Million Expenses

Operating expenses are 17% under budget due to lower Power Supply costs due to the February winter storm.



Balance sheet is liquid and adequately capitalized. Working Capital increased \$11M primarily due to changes in PSA recovery, offset by decreased Base Revenue.



Austin Energy's credit rating was affirmed by S&P in July. S&P removed Negative Watch but replaced with Negative Outlook.

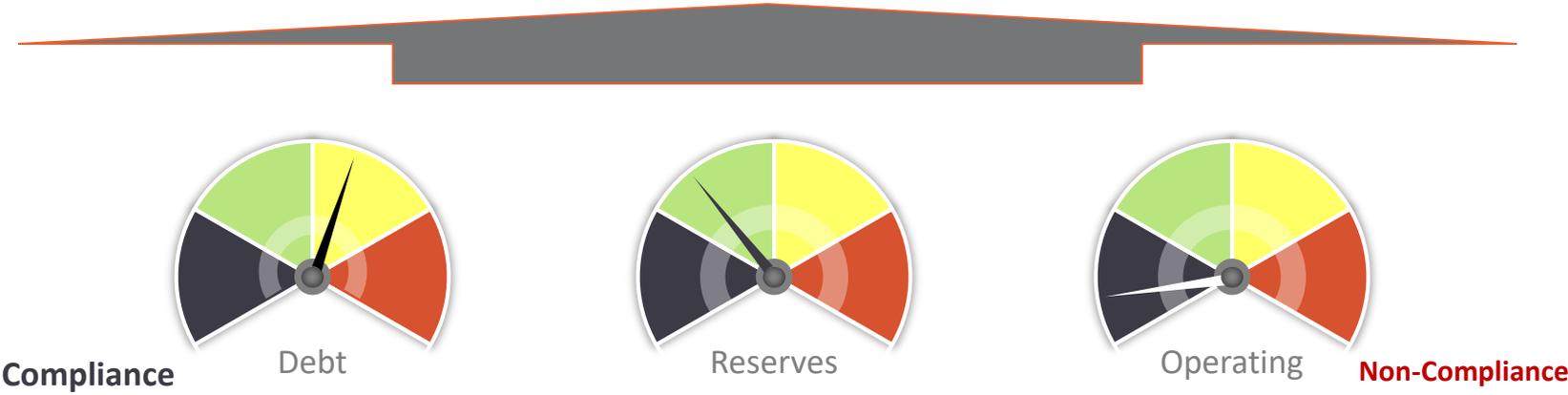


# Austin Energy Quarterly Financial Report

## Financial Policy Compliance



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



Debt Policies	Reserves Policies	Operating Policies
Partial Compliance	Partial Compliance	Full Compliance
Debt Service Coverage 1.9x at June	Contingency and Capital Reserve balance below minimums but total cash above minimum of \$457m	



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# 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 239 Days	Actual 1.9	Actual -4%	Actual 54%
Excludes General Fund Transfer			



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# Austin Energy's Affordability Goal has Two Metrics



Affordability Metric	Competitiveness Metric
Full Compliance Since 2013	Full Compliance Since 2019
<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>



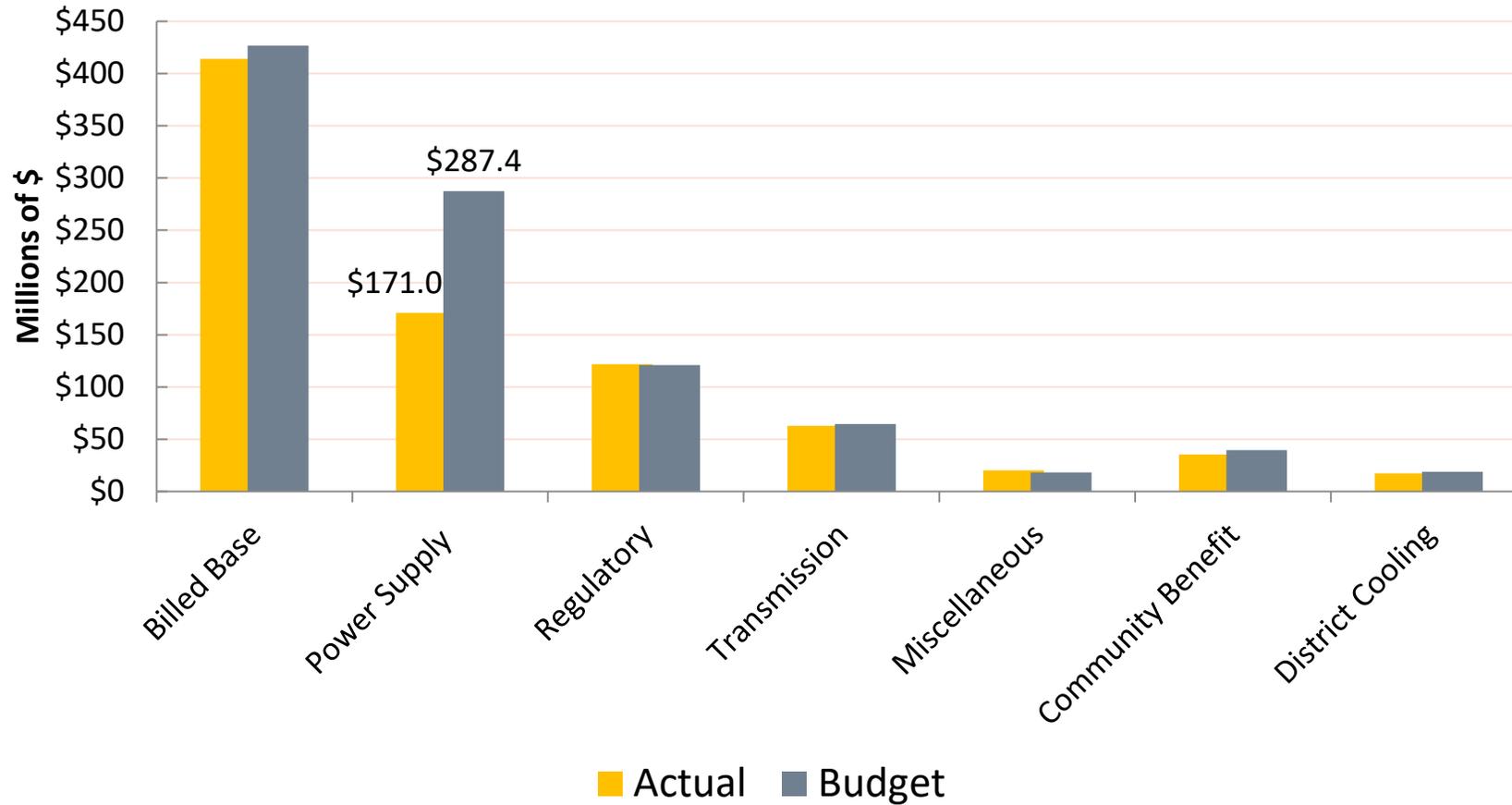
# Austin Energy Quarterly Financial Report

## Actual to Budget Analysis



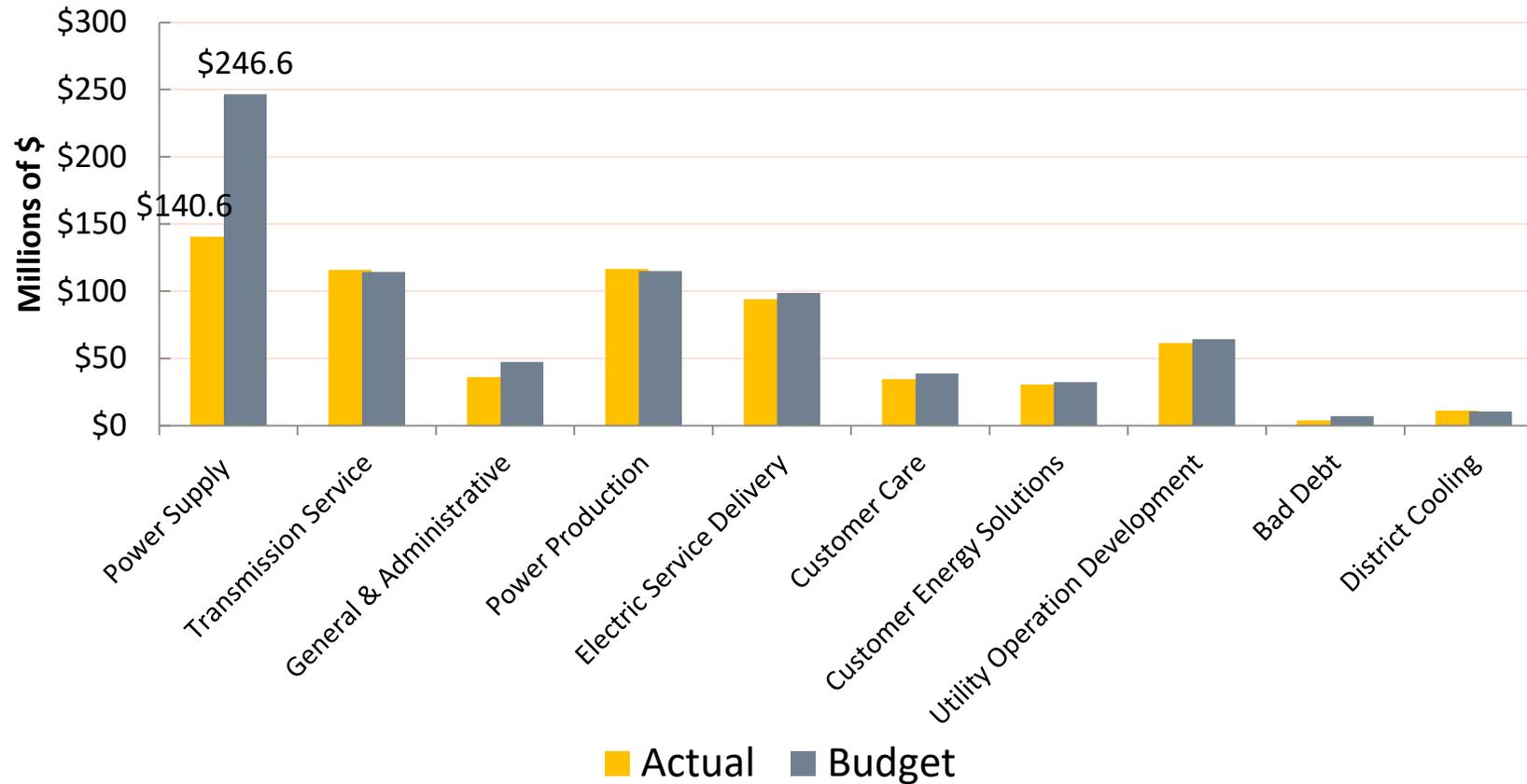
# Actual to Budget Analysis

## Budget Based Operating Revenues Fiscal Year Through June 30, 2021



# Actual to Budget Analysis

## Budget Based Operating Expenses Fiscal Year Through June 30, 2021



# Actual to Budget Analysis

## Budget Based Fund Summary

Fiscal Year Through June 30, 2021

### Variance to Budget

### Variance to Prior Year

Favorable (Unfavorable)

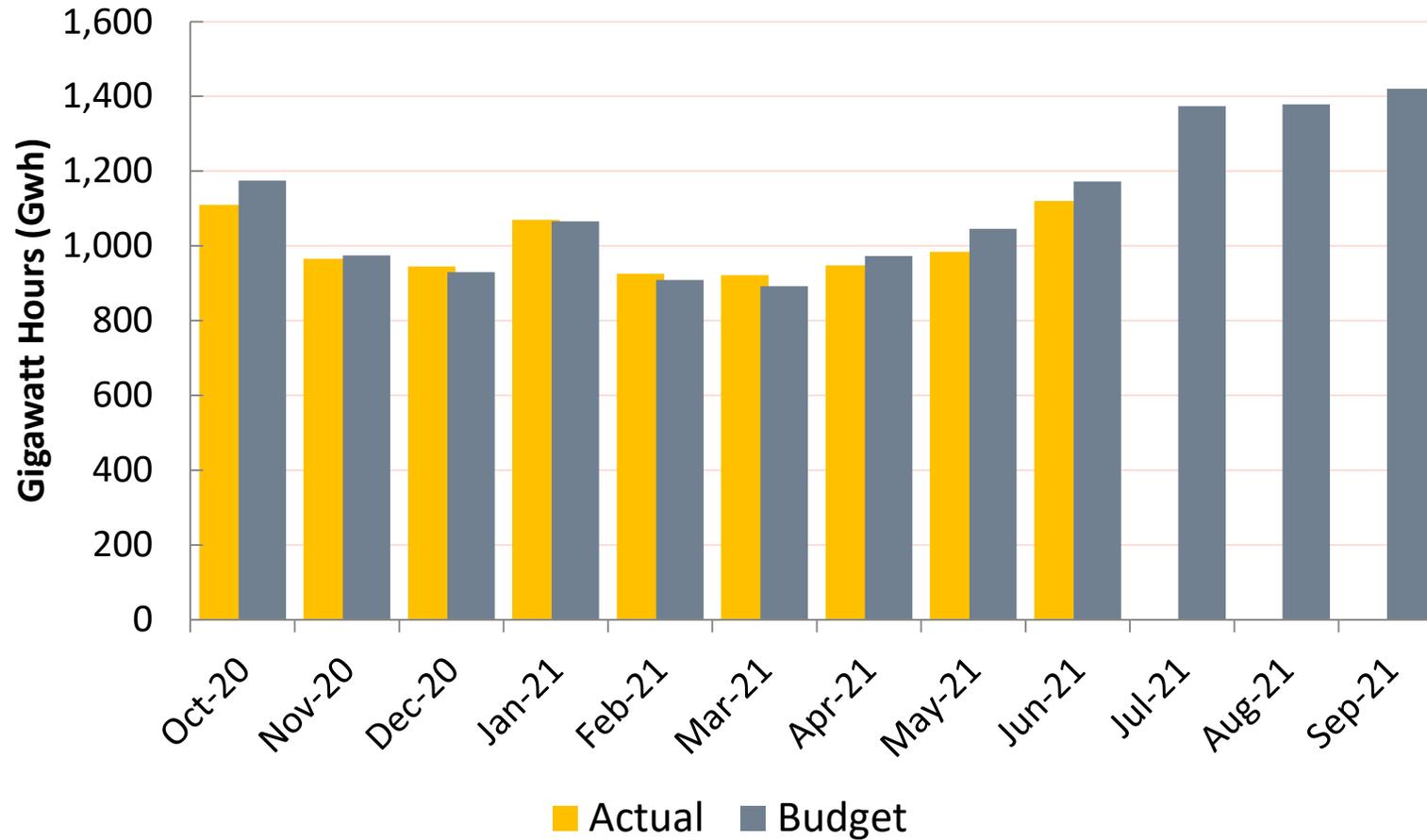
Favorable (Unfavorable)

Millions of \$	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$843	\$977	(\$134)	(14%)	\$958	(\$115)	(12%)
Operating Expenses	645	775	130	17%	758	113	15%
<b>Operating Income (Loss)</b>	<b>\$198</b>	<b>\$202</b>	<b>(\$4)</b>	<b>(2%)</b>	<b>\$200</b>	<b>(2)</b>	<b>(1%)</b>
Interest Revenue	2	7	(5)	(71%)	9	(7)	(78%)
Debt Service	(105)	(109)	4	4%	(99)	(6)	(6%)
<b>Income (Loss) Before Transfers</b>	<b>\$95</b>	<b>\$100</b>	<b>(\$5)</b>	<b>(4%)</b>	<b>\$110</b>	<b>(\$15)</b>	<b>(15%)</b>
Administrative Support	(23)	(23)	0	0%	(22)	(1)	(6%)
General Fund	(86)	(86)	0	0%	(83)	(2)	(3%)
Economic Development	(6)	(6)	0	0%	(7)	0	8%
CTM Fund	(11)	(12)	0	0%	(13)	(1)	9%
Voluntary Utility Assistance Fund	(3)	(3)	0	0%	0	(3)	0%
Other City Transfers	(2)	(2)	0	0%	(2)	0	(2%)
Internal Transfers / CIP	(79)	(40)	(39)	(97%)	(62)	(17)	(27%)
<b>Excess (Deficiency) of Revenues</b>	<b>(\$115)</b>	<b>(\$72)</b>	<b>(\$43)</b>	<b>(59%)</b>	<b>(\$79)</b>	<b>(\$36)</b>	<b>(45%)</b>



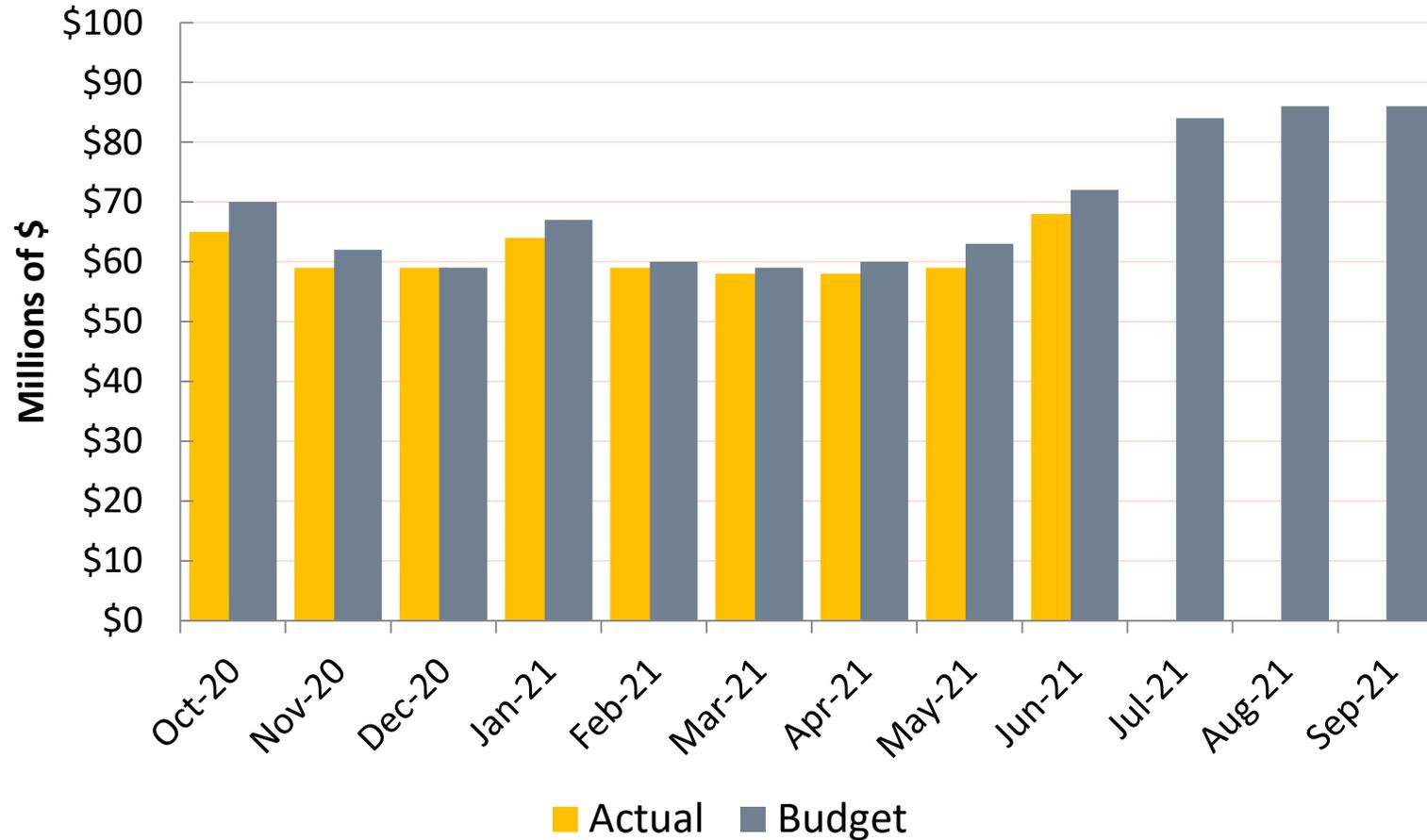
# Actual to Budget Analysis

## Actual to Budget Retail Energy Sales



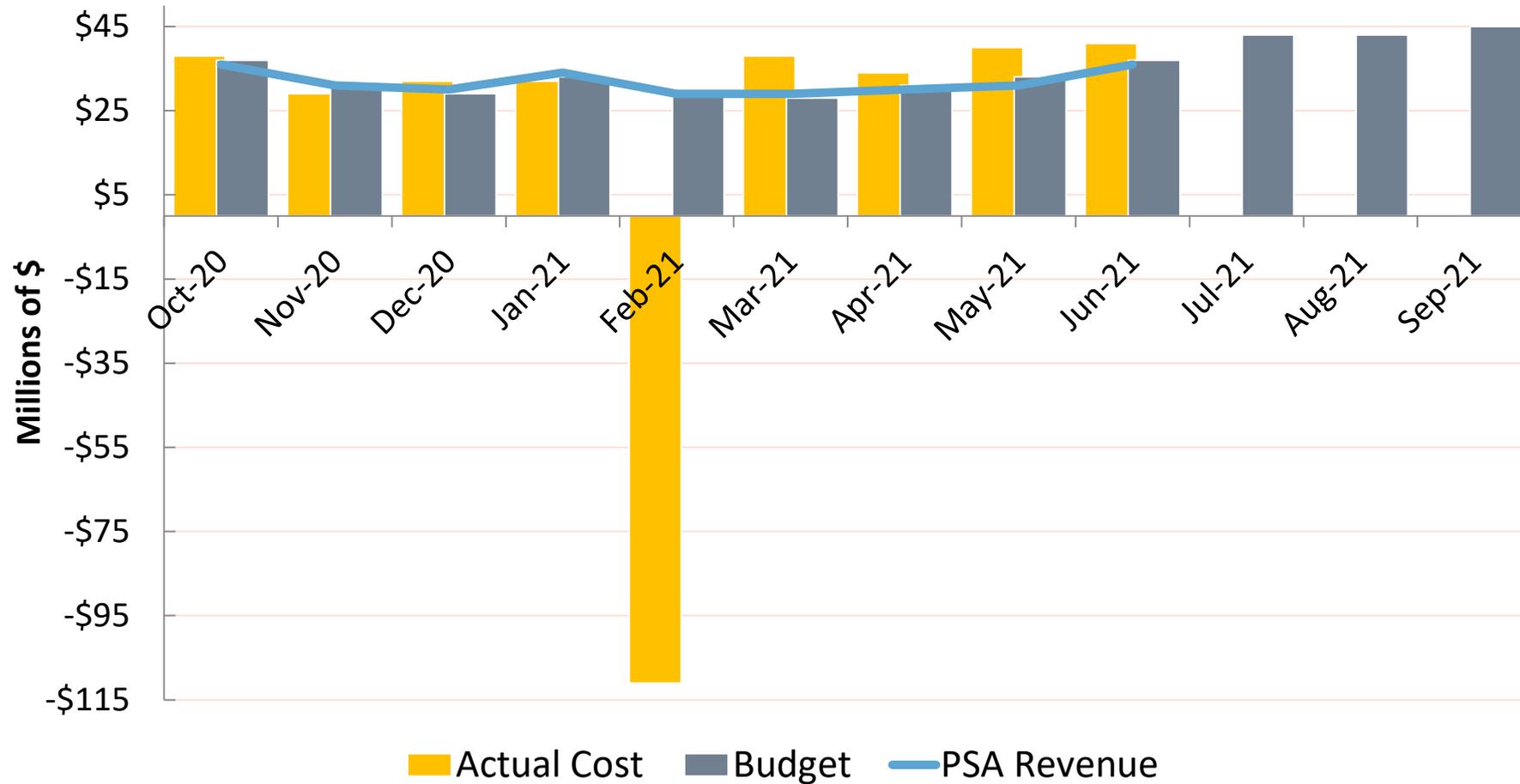
# Actual to Budget Analysis

## Actual to Budget Non-Power Supply Revenues



# Actual to Budget Analysis

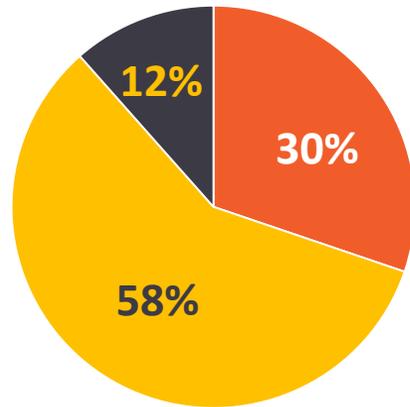
## Actual to Budget Power Supply



# Capital Improvement Plan Summary

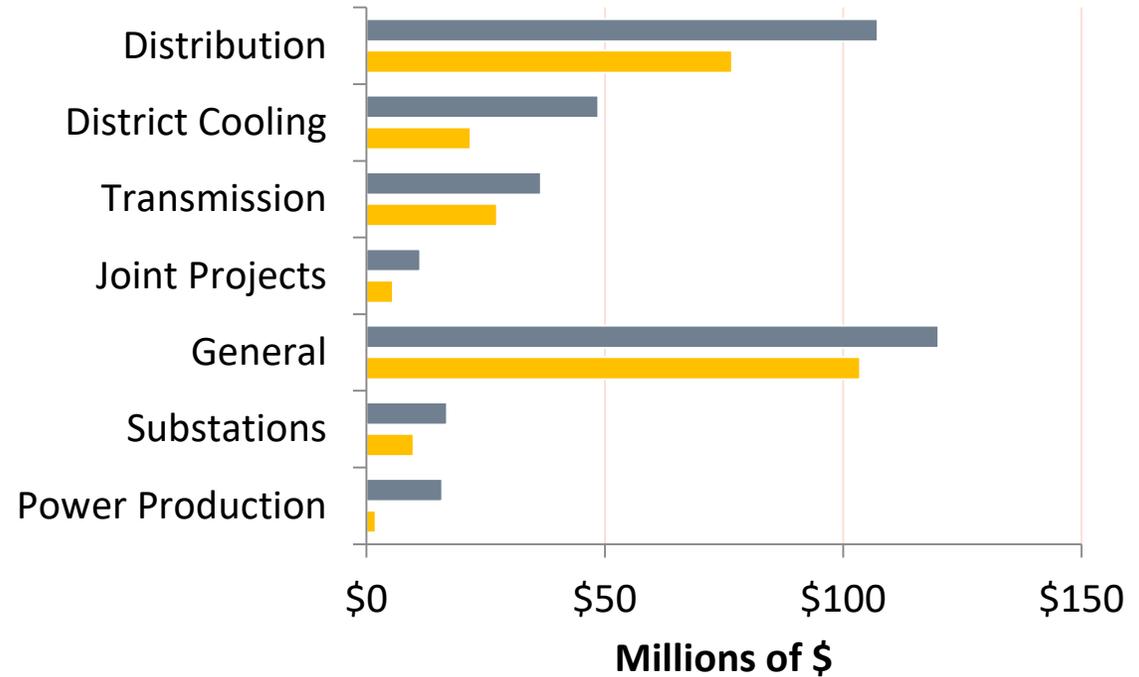
Fiscal Year Through June 30, 2021

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project

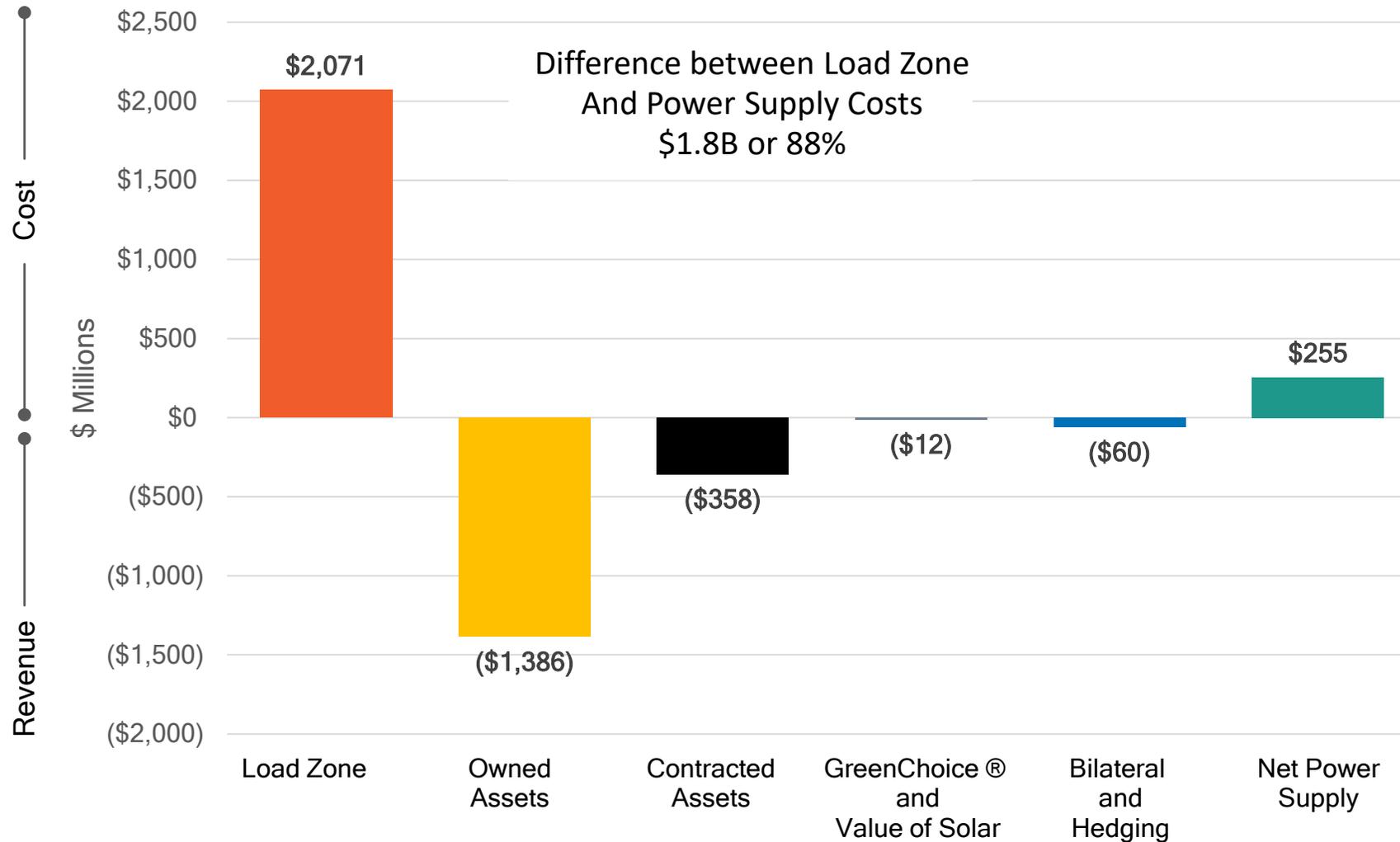


■ FY 2021 Spend Plan    ■ Year-to-Date



# Power Supply Adjustment Cost Components

Twelve Months Ending June 2021



# Austin Energy Quarterly Financial Report

## Financial Statements



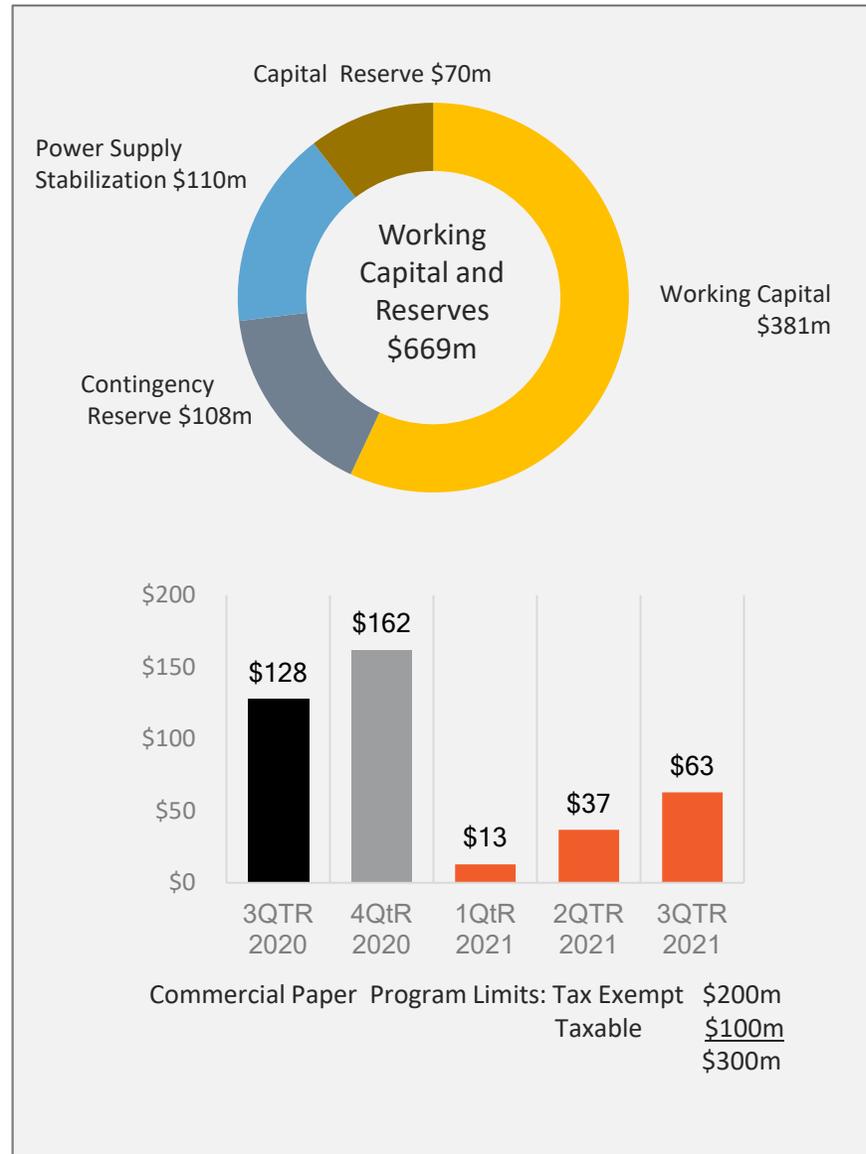
# Balance Sheet Snapshot

\$ in Millions

Assets	Jun 2020	Jun 2021
Cash	\$370	\$381
Current Assets	336	408
Capital Assets	2,961	3,054
Long-Term Assets	1,894	2,107
<b>Total Assets</b>	<b>\$5,561</b>	<b>\$5,950</b>

Liabilities and Fund Equity	Jun 2020	Jun 2021
Current Liabilities	\$252	\$294
Long-term Liabilities	3,011	3,243
Deferred Inflow of Resources	453	615
Retained Earnings	1,845	1,798
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$5,561</b>	<b>\$5,950</b>



# GAAP Financial Summary

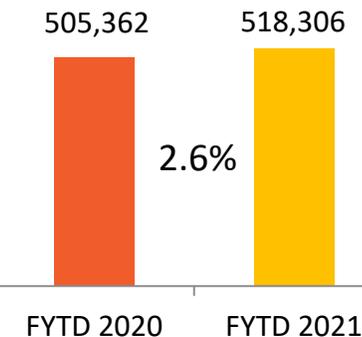
## Comparative Statement of Net Position

\$ in Millions	6/30/2020	6/30/2021	Change
Cash	\$370	\$381	\$11
Accounts Receivable (net)	154	191	37
Power Supply Under-Recovery	5	0	(5)
Non-PSA Under-Recoveries	0	21	21
Debt Service	27	28	1
Contingency Reserve	107	108	1
Power Supply Stabilization Reserve	110	110	-
Capital Reserve	70	70	-
Nuclear Decommissioning Reserve	235	240	5
Other Restricted Assets	168	143	(25)
Other Assets	1,354	1,604	250
Capital Assets	2,961	3,054	93
<b>Total Assets</b>	<b>5,561</b>	<b>5,950</b>	<b>389</b>
Other Current Liabilities	163	198	35
Power Supply Over-Recovery	0	121	121
Non-PSA Over-Recoveries	32	18	(14)
Revenue Bonds	1,912	2,070	158
Commercial Paper	128	63	(65)
Other Long-Term Liabilities	1,481	1,682	201
Retained Earnings	1,845	1,798	(47)
<b>Total Liabilities and Fund Equity</b>	<b>5,561</b>	<b>5,950</b>	<b>389</b>

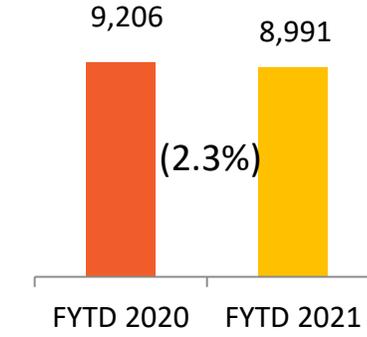
## Income Statement

\$ in Millions	12 Months Ending	
	6/30/2020	6/30/2021
Operating Revenues	\$967	\$949
Power Supply Revenues	462	308
Power Supply Expenses	413	254
Non-Power Supply Expenses	733	769
Depreciation Expense	281	287
<b>Operating Income/(Loss)</b>	<b>\$2</b>	<b>(\$53)</b>
Other Revenue (Expense)	\$79	\$119
General Fund Transfer	(111)	(113)
<b>Net Income/(Loss)</b>	<b>(\$30)</b>	<b>(\$47)</b>
Debt Service Coverage	2.3	1.9
Debt Capital Ratio	53%	54%

### Average Number of Customers



### Total Sales in Gigawatt Hours



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# Austin Energy Quarterly Financial Report

## Market and Industry Analysis



# Standard & Poor's Credit Rating Update

## Winter Storm Uri Financial Summary

- Net revenue position
- Resilient generation fleet
- Wholesale market over recovery
- Rating actions post-Uri update



### FINANCIAL HEALTH

**GOAL STATEMENT:** We are financially resilient and provide community value through responsive leadership, prudent planning and market competitiveness.

**GOAL MEASURES:**

- Standard & Poor's Bond Rating



# Standard & Poor's Rating Action Summary

## March 2021

Rating Action	<ul style="list-style-type: none"><li>Placed on Credit Watch (most ERCOT utilities)</li><li>Maintained AA credit rating</li></ul>
Factors	<ul style="list-style-type: none"><li>Market uncertainty</li><li>Regulatory environment</li></ul>

## July 2021

Rating Action	<ul style="list-style-type: none"><li>Removed Credit Watch</li><li>Reaffirmed AA credit rating</li><li>Moved from Stable Outlook to Negative Outlook</li></ul>
Factors	<ul style="list-style-type: none"><li>Limited exposure to ERCOT market price volatility this summer</li><li>Current - dispatchable generation tempers sizable intermittent renewable portfolio</li><li>Future operating risk – greater reliance on renewable resources</li></ul>



# Austin Energy Credit Strengths

## Austin Energy Credit Summary

- Healthy liquidity and stable coverage metrics
- Competitive, adjustable rates
- Robust Austin economy
- Continued coordination with Market Ops and Power Production
- AA credit rating = low borrowing rates for customers





**Customer Driven.  
Community Focused.**

