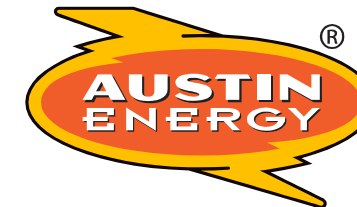


Austin Energy Quarterly Financial Report

3rd Quarter FY 2019 (April – June)

Mark Dombroski
Chief Financial Officer



August 14, 2019

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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 \$417m.



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



\$ 976

Million
Revenues

Operating revenues exceed forecast by 2.2% due to higher power supply revenue offset by lower retail sales due to mild weather.



\$777

Million
Expenses

Operating expenses exceed forecast by 3.7% due to higher ERCOT market prices from congestion coupled with planned outages.



Balance sheet is liquid and adequately capitalized. Cash balances trending downward due to energy sales lower than forecasted.



Power Supply Adjustment increase expected in FY20 due mostly to the return of \$21M in over-recovery to customers in FY19 and higher load zone costs for power.

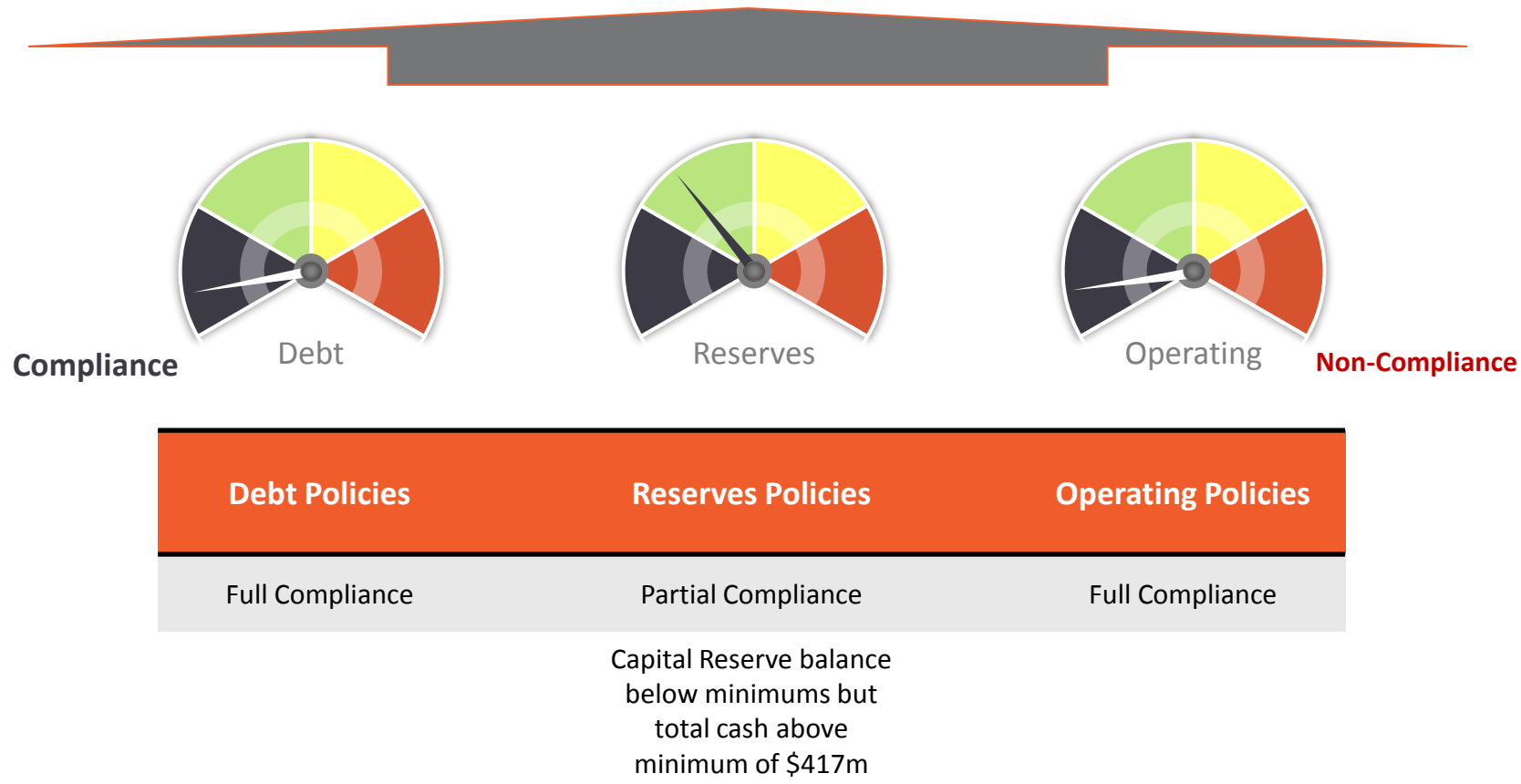


Austin Energy Quarterly Financial Report

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 215 Days	Actual 3.5	Actual 6.1%	Actual 51.0%
Excludes General Fund Transfer			



Austin Energy's Affordability Goal has Two Metrics



Affordability Metric	Competitiveness Metric
Full Compliance Since 2013	Non-Compliance Since 2015
Maintain system average rates at or below 2% annual compound growth rate that began October 2012.	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.



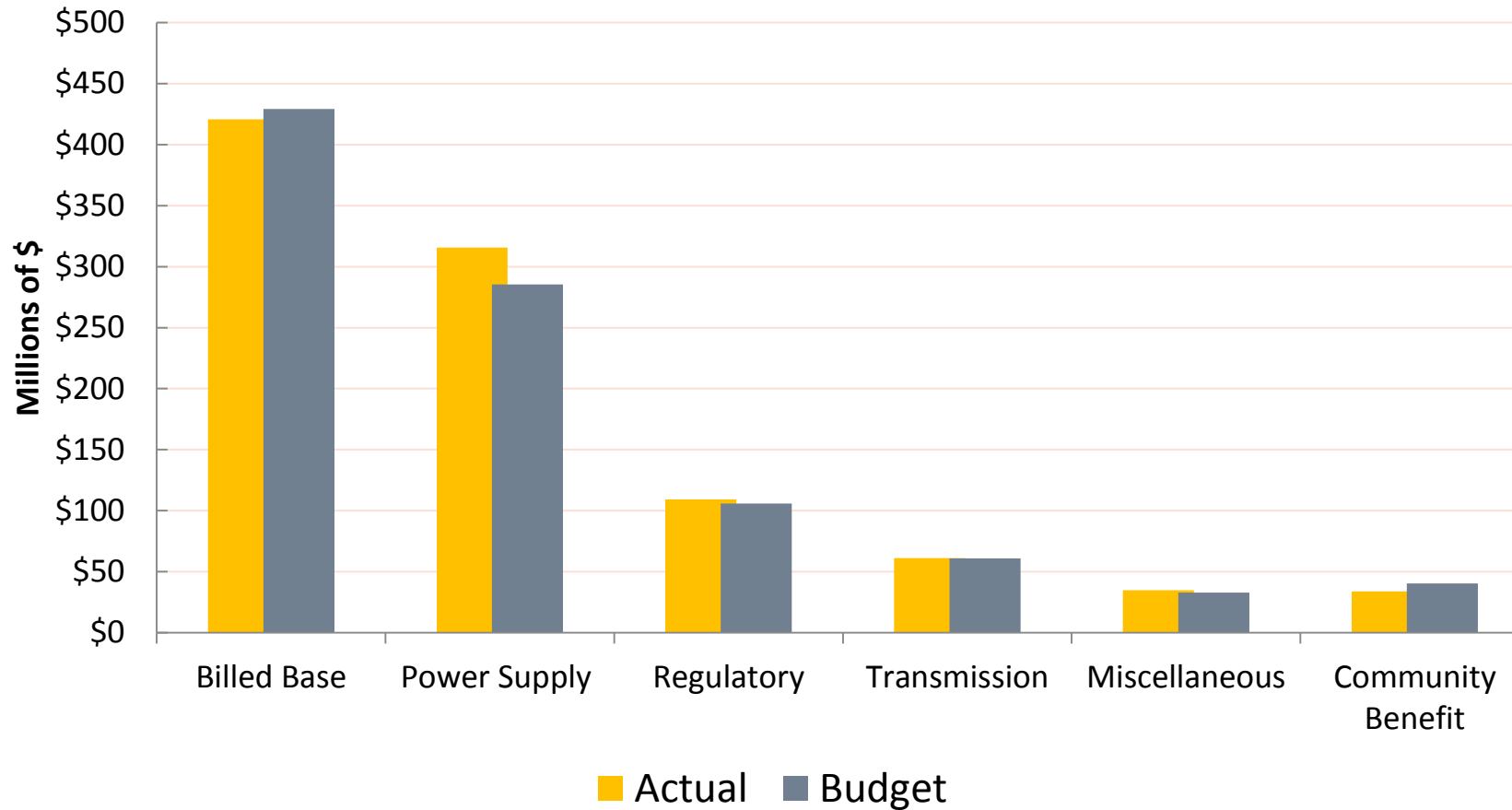
Austin Energy Quarterly Financial Report

Actual to Budget Analysis



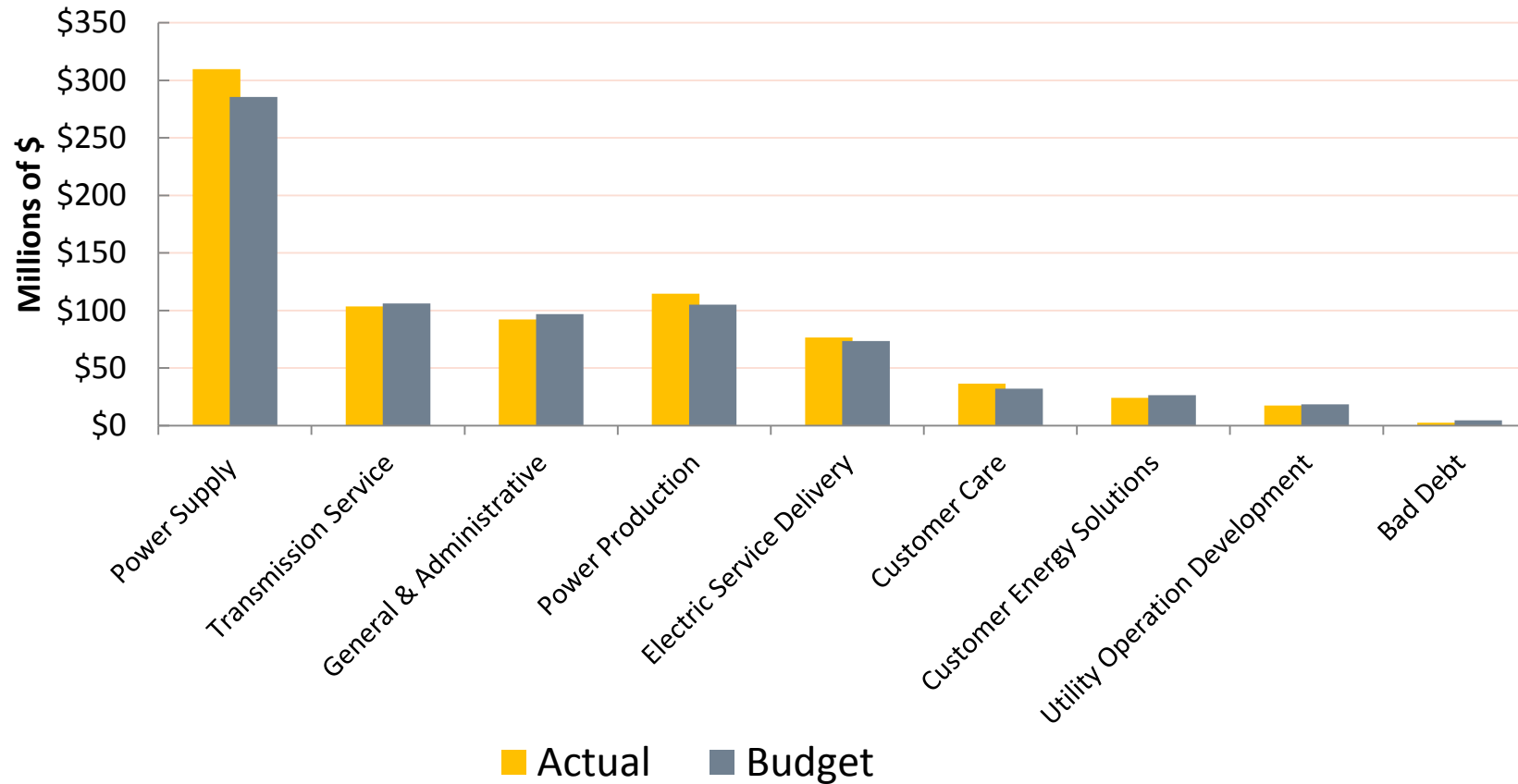
Actual to Budget Analysis

Budget Based Operating Revenues Fiscal Year Through June 30, 2019



Actual to Budget Analysis

Budget Based Operating Expenses Fiscal Year Through June 30, 2019



Actual to Budget Analysis

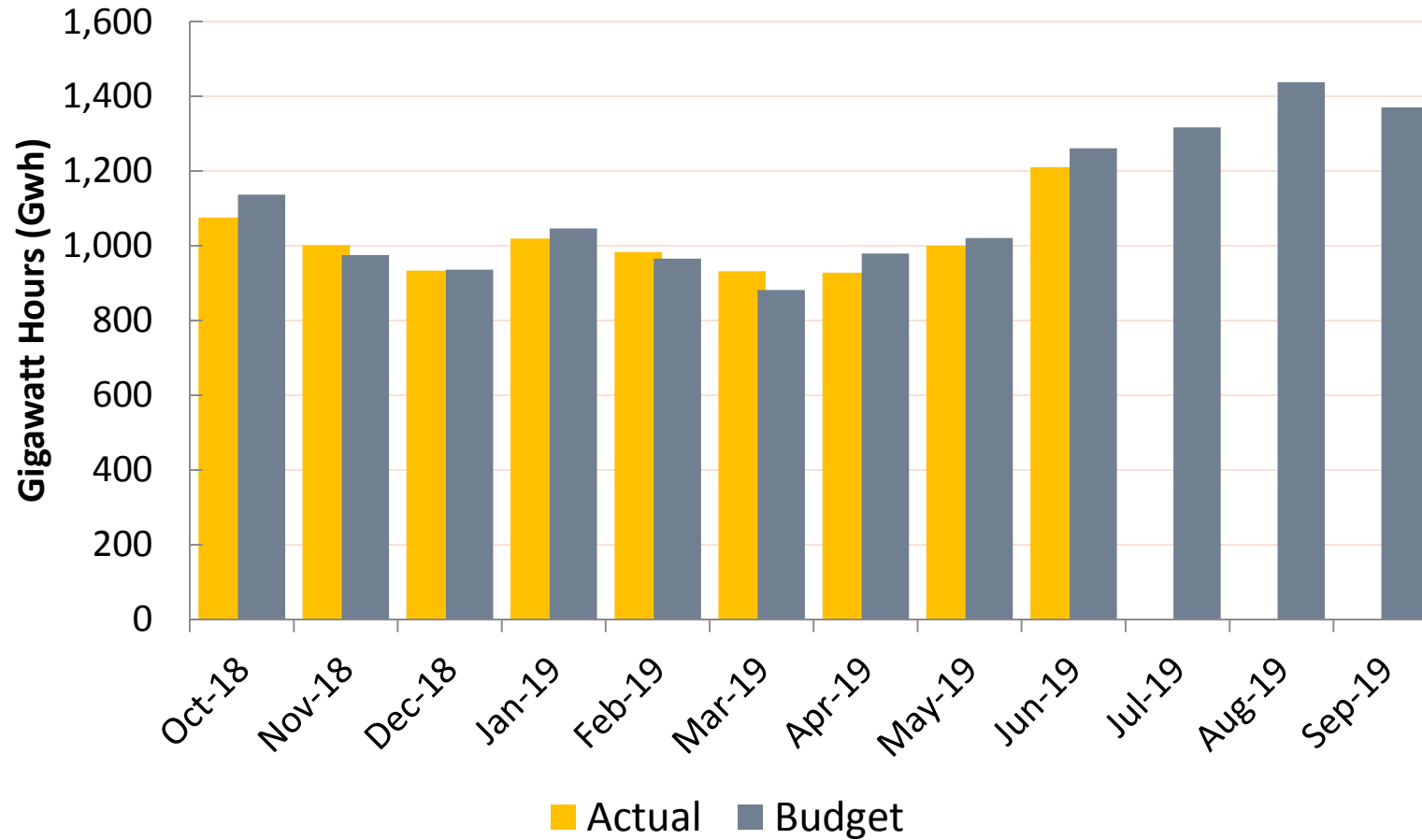
Budget Based Fund Summary Fiscal Year Through June 30, 2019

Millions of \$			Variance to Budget Favorable (Unfavorable)		Variance to Prior Year Favorable (Unfavorable)		
	Actual	Budget	Amount	%	Prior Year Actual	Amount	%
Operating Revenues	\$975.6	\$954.9	\$20.7	2.2%	\$970.3	\$5.3	0.6%
Operating Expenses	776.6	748.7	(27.9)	(3.7%)	744.9	(31.7)	(4.3%)
Operating Income (Loss)	\$199.0	\$206.2	\$(7.2)	(3.5%)	\$225.4	\$(26.4)	(11.7%)
Interest Revenue	12.3	6.6	5.7	85.0%	7.7	4.6	59.5%
Debt Service	(76.4)	(65.3)	(11.1)	(17.1%)	(64.8)	(11.6)	(17.9%)
Income (Loss) Before Transfers	\$134.9	\$147.5	\$(12.6)	(8.6%)	\$168.3	\$(33.4)	(19.8%)
Administrative Support	(21.7)	(21.7)	0	0%	(19.5)	(2.2)	(11.2%)
General Fund	(82.5)	(82.5)	0	0%	(81.8)	(0.7)	(0.9%)
Economic Development	(6.4)	(6.4)	0	0%	(5.2)	(1.2)	(24.2%)
CTM Fund	(7.5)	(7.5)	0	0%	(6.5)	(1.0)	(15.9%)
Other City Transfers	(2.2)	(2.2)	0	0%	(2.4)	0.2	6.0%
Internal Transfers / CIP	(90.0)	(90.0)	0	0%	(79.0)	(11.0)	(13.9%)
Excess (Deficiency) of Revenues	\$(75.4)	\$(62.8)	\$(12.6)	(20.2%)	\$(26.1)	\$(49.3)	(190.0%)

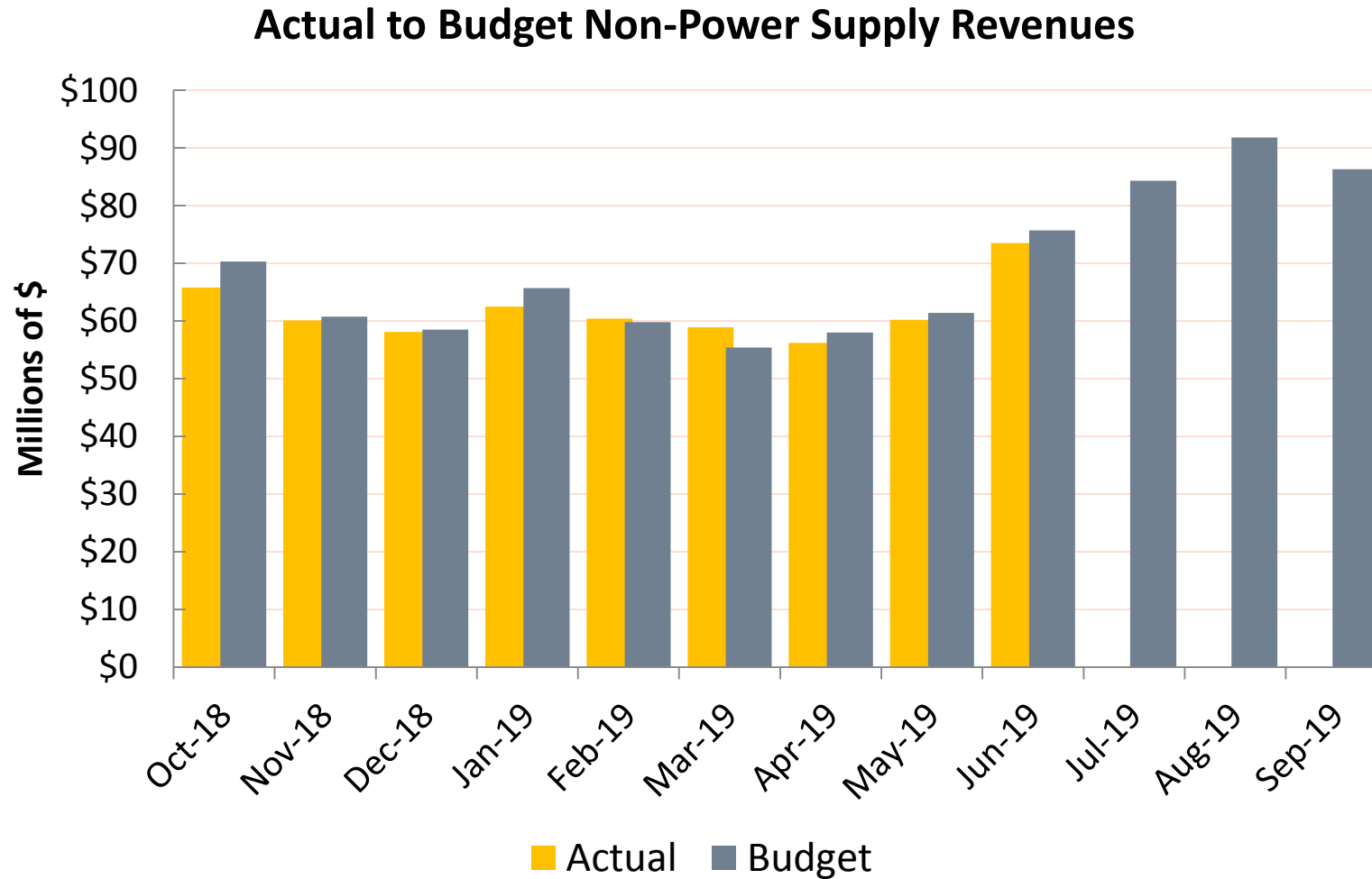


Actual to Budget Analysis

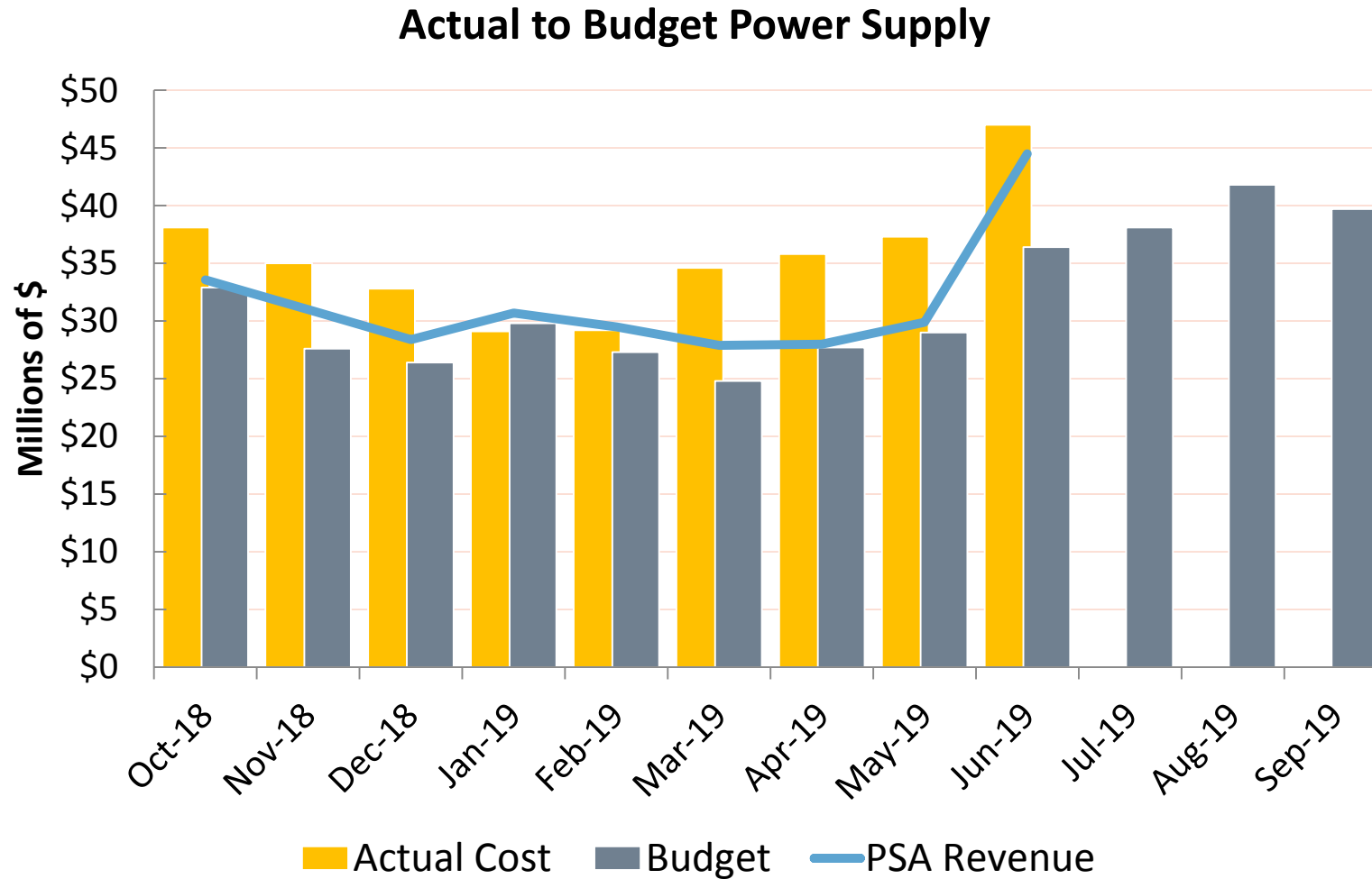
Actual to Budget Retail Energy Sales



Actual to Budget Analysis



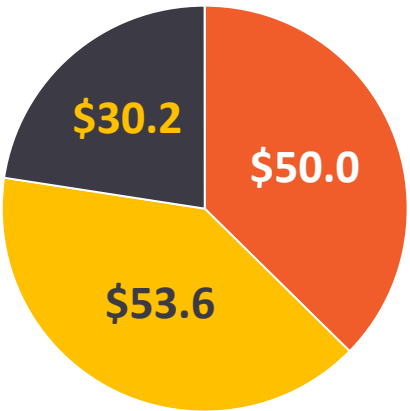
Actual to Budget Analysis



Capital Improvement Plan Summary

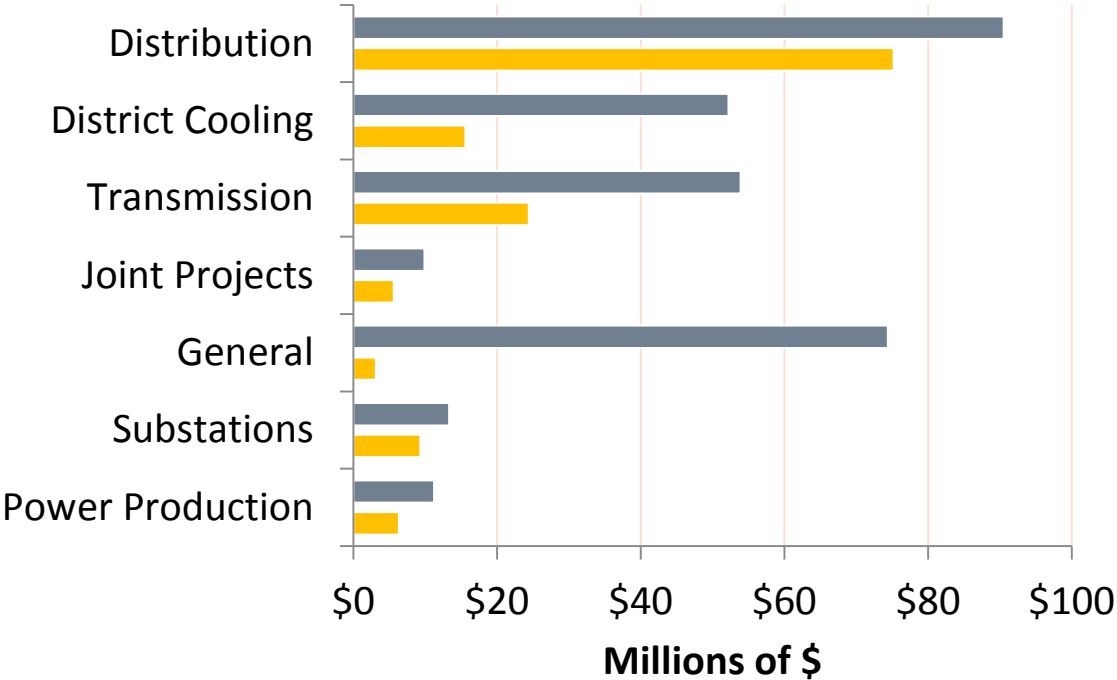
Fiscal Year Through June 30, 2019

Type of Financing



- Cash
- Debt
- Contributions in Aid of Construction

Type of Project



■ FY 2019 Spend Plan ■ Year-to-Date

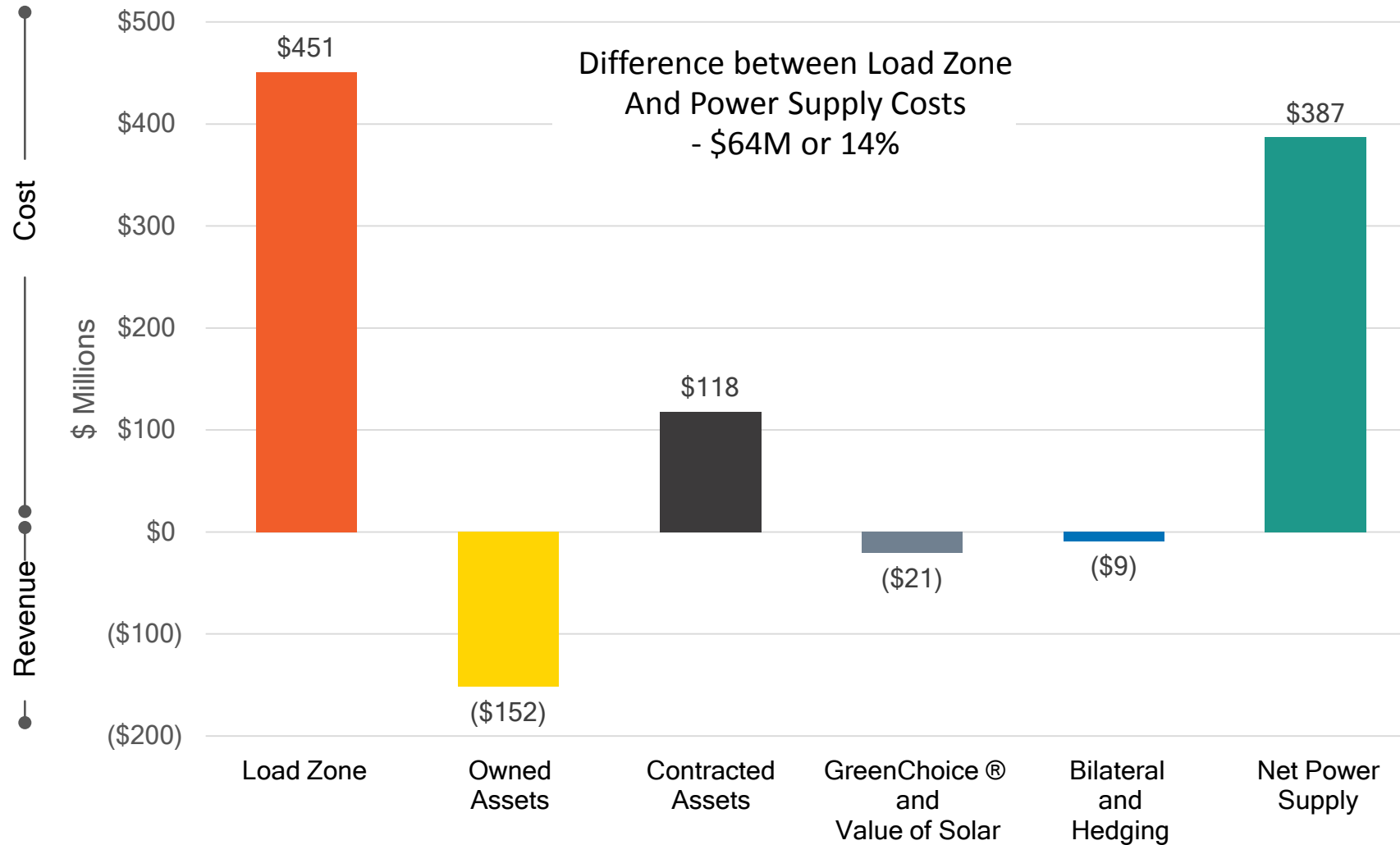


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Power Supply Adjustment Cost Components

Twelve Months June 2019

MD Updated



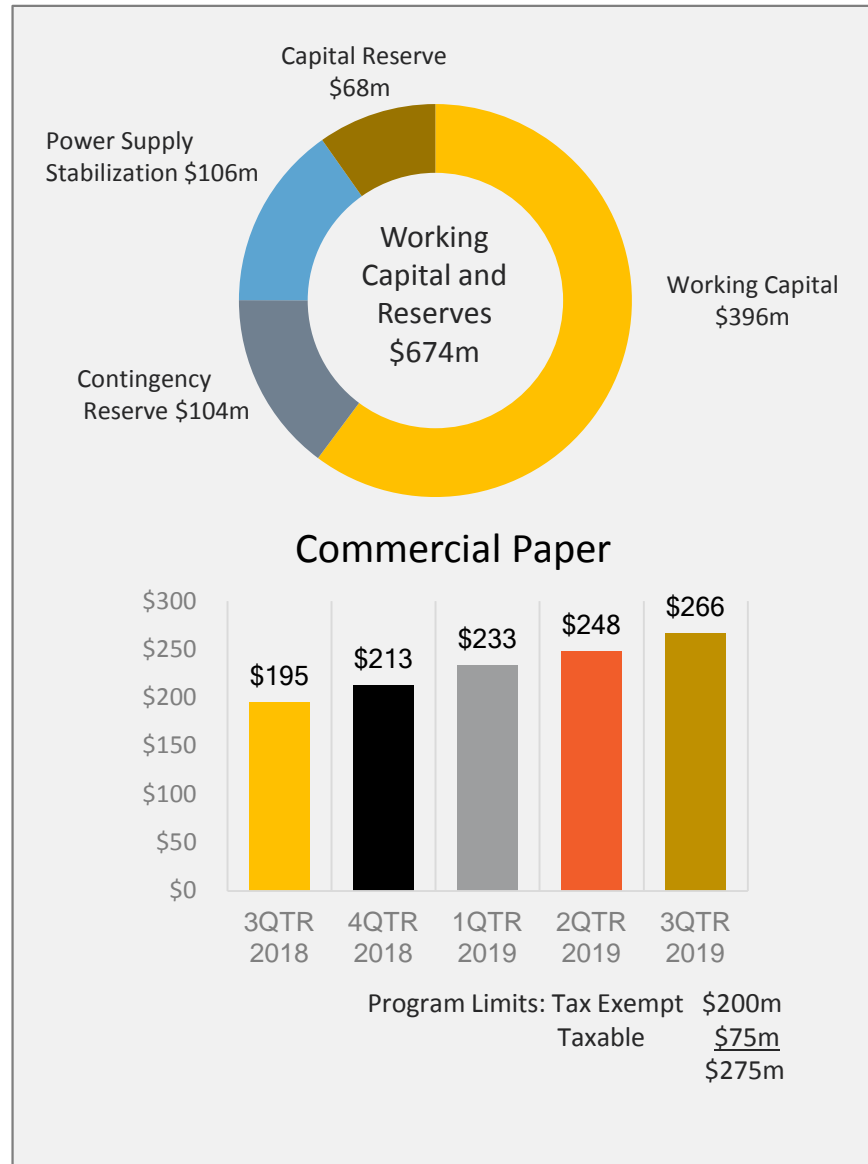
Austin Energy Quarterly Financial Report

Financial Statements



Balance Sheet Snapshot

\$ in Millions		
Assets	Jun 2018	Jun 2019
Cash	\$377.9	\$396.2
Other Current Assets	293.3	286.7
Capital Assets	2,584.0	2,974.7
Other Long-Term Assets	1,225.6	1,518.4
Total Assets	\$4,480.8	\$5,176.0
Liabilities and Fund Equity		
Current Liabilities	\$191.2	\$230.8
Long-term Liabilities	2,056.1	2,680.9
Deferred Inflow of Resources	384.7	388.8
Retained Earnings	1,848.8	1,875.5
Total Liabilities & Fund Equity	\$4,480.8	\$5,176.0



GAAP Financial Summary

Comparative Statement of Net Position

\$ in Millions	06/30/2018	06/30/2019	Change
Cash	\$378	\$396	\$18
Accounts Receivable (net)	132	127	(5)
Non-PSA Under-Recoveries	3	1	(2)
Debt Service	15	26	11
Contingency Reserve	98	104	6
Power Supply Stabilization Reserve	96	106	10
Capital Reserve	43	68	25
Nuclear Decommissioning Reserve	220	228	8
Other Restricted Assets	131	113	(18)
Other Assets	781	1,032	251
Capital Assets	2,584	2,975	391
Total Assets	\$4,481	\$5,176	\$695
Other Current Liabilities	\$147	\$144	(\$3)
Power Supply Over-Recovery	27	0	(27)
Non-PSA Over-Recoveries	8	26	18
Revenue Bonds	1,263	1,683	420
Commercial Paper	195	266	71
Other Long-Term Liabilities	992	1,182	190
Retained Earnings	1,849	1,875	26
Total Liabilities and Fund Equity	\$4,481	\$5,176	\$695

Income Statement

\$ in Millions	12 Months Ending	
	06/30/2018	06/30/2019
Operating Revenues	\$933	\$946
Power Supply Revenues	440	459
Power Supply Expenses	440	459
Non-Power Supply Expenses	616	688
Depreciation Expense	166	173
Operating Income/(Loss)	\$151	\$85
Other Revenue (Expense)	(5)	52
General Fund Transfer	(109)	(110)
Net Income/(Loss)	\$37	\$27
Debt Service Coverage	4.0	3.5
Debt Equity Ratio	44%	51%

Average Number of Customers

482,663 493,320



Q3 2018

Q3 2019

Total Sales in Gigawatt Hours

9,250 9,084



Q3 2018

Q3 2019



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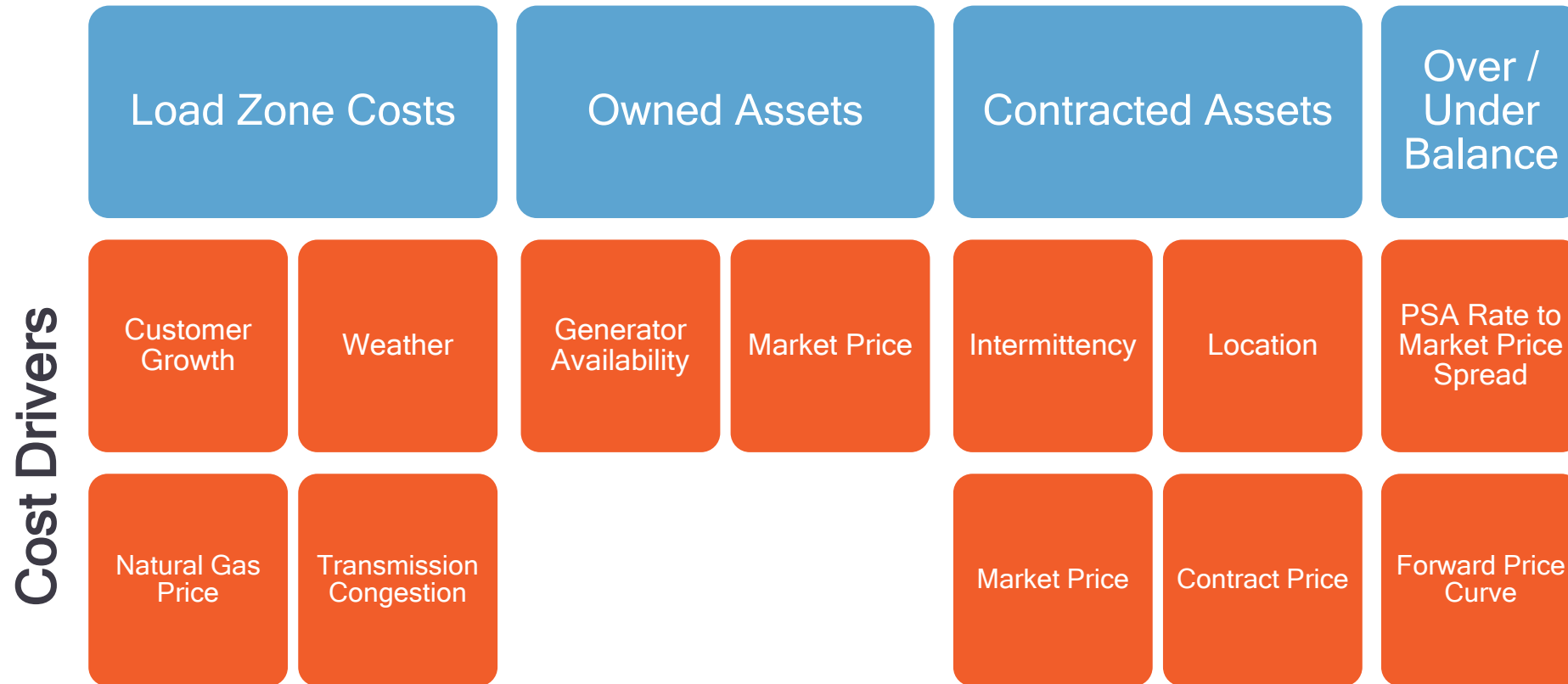
Austin Energy Quarterly Financial Report

Market and Industry Analyses



Power Supply Adjustment Drivers

Major Elements Impacting PSA



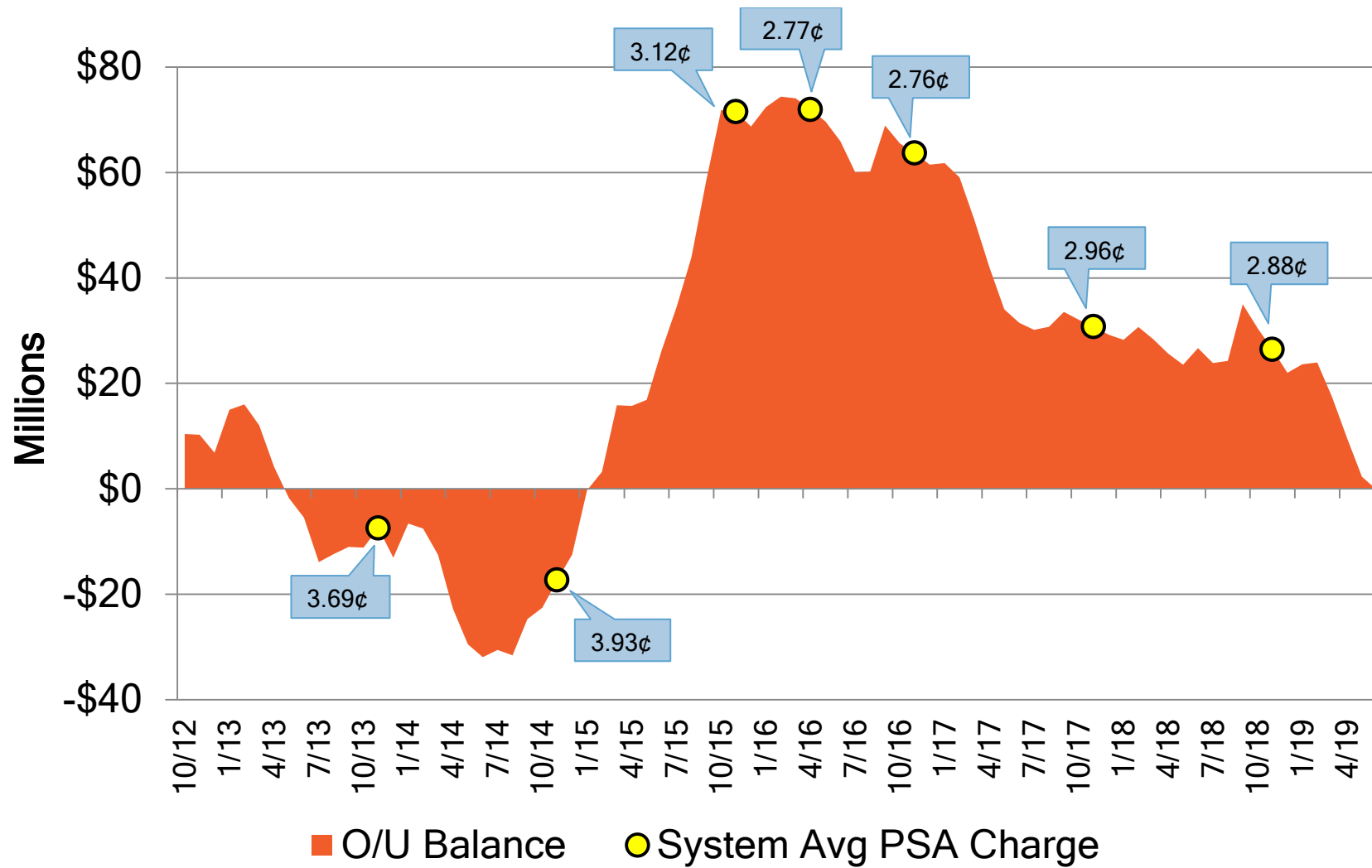
Future power prices are inherently uncertain

Power Supply Adjustment

- PSA will be adjusted upward between 6-9% on November 1, 2019
- Approximately 75% of the adjustment is a result of a \$21M over-collection at the beginning of FY 2019 being returned to customers
- Cost of purchasing power from ERCOT (load zone costs) trended higher in 2019 causing upward pressure on PSA – partially offset by generation revenues
- Final PSA for FY 2020 will be presented to City Council August 29th



Historical PSA Over (Under) Balance





**Customer Driven.
Community Focused.**



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