

# Open Session

## Board of Governors Meeting

November 14, 2014  
Washington, DC

# **Preliminary Financial Results**

## **Fiscal Year 2014**

### **Board of Governors**

### **Open Session**

**November 14, 2014**

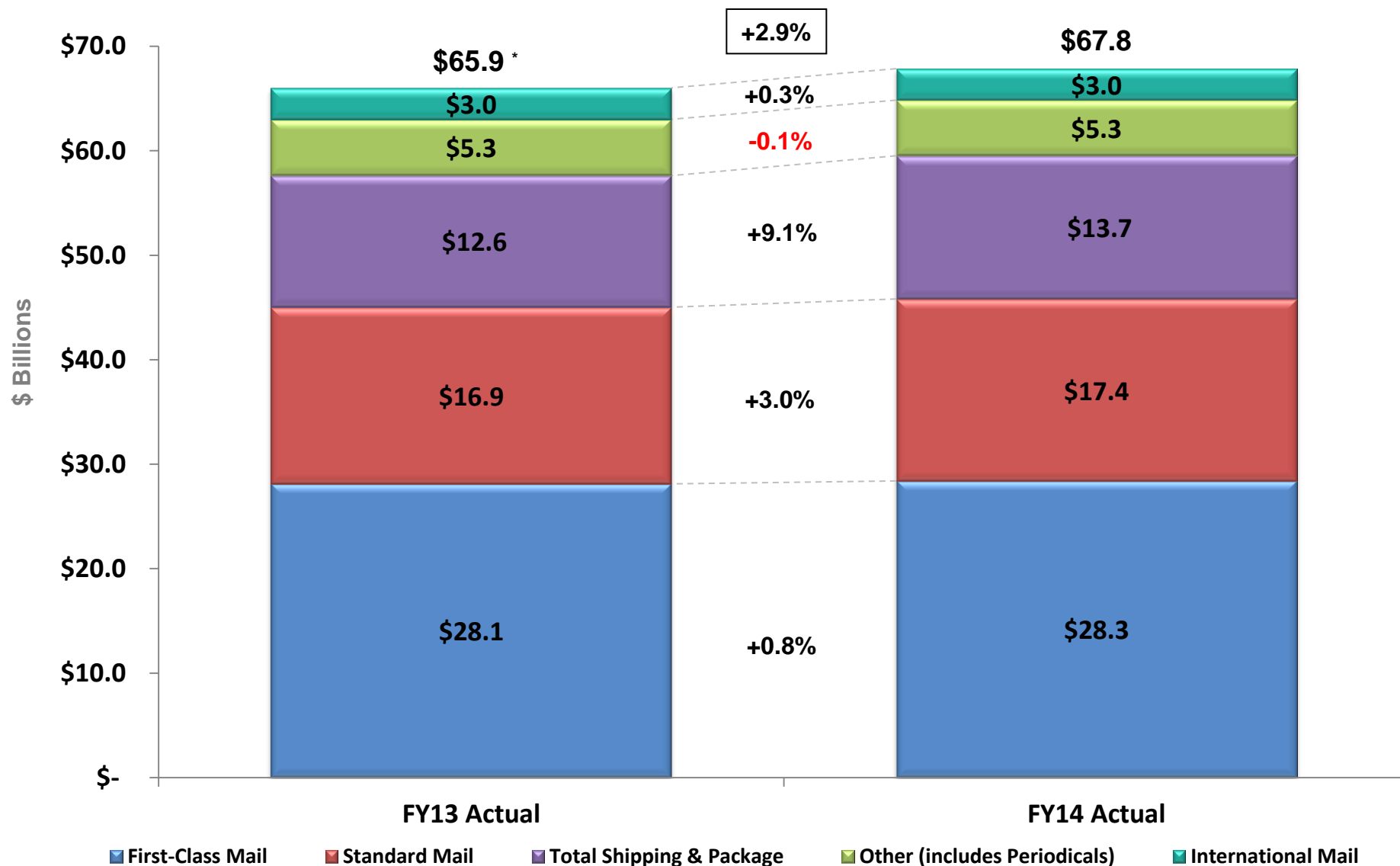
<b>September YTD (12 Months) (Billions)</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>Revenue <sup>1</sup></b>	<b>\$67.8</b>	<b>\$65.9</b>
<b>Expenses <sup>1, 2</sup></b>	<b>66.3</b>	<b>66.8</b>
<b>Other Income (Expense), Net</b>	<b><u>(0.1)</u></b>	<b><u>(0.1)</u></b>
<b>Controllable Income (Loss) <sup>2</sup></b>	<b>1.4</b>	<b>(1.0)</b>
<b>Changes in Accounting Estimate <sup>3</sup></b>	<b>-</b>	<b>1.3</b>
<b>Retiree Health Benefits Pre-Funding</b>	<b>(5.7)</b>	<b>(5.6)</b>
<b>Workers' Comp. Fair Value Adj.</b>	<b>(0.5)</b>	<b>1.7</b>
<b>Workers' Comp. Other Non-Cash Adj.</b>	<b><u>(0.7)</u></b>	<b><u>(1.4)</u></b>
<b>Net Income (Loss)</b>	<b><u>(\$5.5)</u></b>	<b><u>(\$5.0)</u></b>
<b>Liquidity Days (of oper. cash)</b>	<b>19</b>	<b>9</b>

1 - Revenue excludes investment income and gain on sale of assets. Expenses exclude interest expense and loss on sale of assets.

2 - Before RHB pre-funding and non-cash adjustments to workers' compensation liabilities.

3 - Newly available data in 2013 on forever stamp usage resulted in a \$1.3B reduction in Deferred Revenue – Prepaid Postage in 2013.

• Retail and delivery days were equal compared to FY2013.



• FY2013 revenue excludes \$1.3B reduction in Deferred Revenue – Prepaid Postage.  
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<b>September YTD (12 Months) (Billions)</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>Compensation &amp; Benefits</b>	<b>\$50.4</b>	<b>\$50.9</b>
<b>Transportation</b>	<b>6.6</b>	<b>6.7</b>
<b>Depreciation</b>	<b>1.8</b>	<b>1.9</b>
<b>Supplies &amp; Services</b>	<b>2.6</b>	<b>2.4</b>
<b>Rent, Utilities &amp; Other</b>	<b>4.9</b>	<b>4.9</b>
<b>Controllable Expenses<sup>1</sup></b>	<b>\$66.3</b>	<b>\$66.8</b>

1 - Before RHB pre-funding, non-cash adjustments to workers' compensation liabilities.

• Delivery days were equal compared to FY2013.

Note - Expenses exclude interest expense and loss on sale of assets.

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<b>Other Income (Expense), Net</b>	<b><u>(0.1)</u></b>	<b><u>(0.1)</u></b>
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# Unaudited--A Deep Financial Hole

## As of September 30, 2014

- **Liabilities exceed assets by approximately \$45 billion.**
- **The USPS has only 34 cents of assets to cover each dollar of its liabilities.**

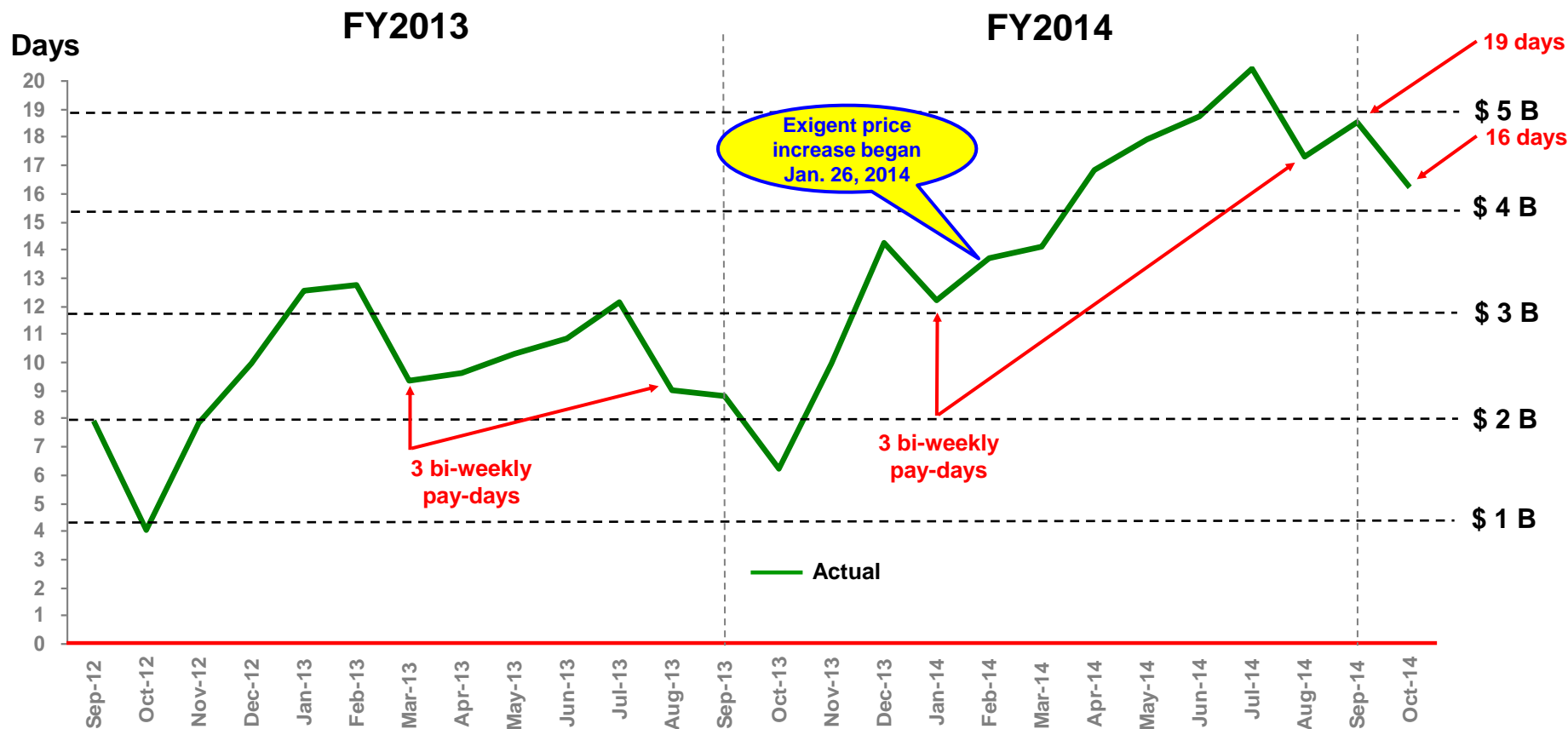
Unrestricted Cash	\$ 4.9B	Retiree Health Benefits	\$22.4B
Buildings & Equipment, net of depreciation	\$16.3B	Workers' Compensation	\$18.4B
Other Assets	\$ 1.8B	Debt	\$15.0B
		Accrued Compensation, benefits, and leave	\$ 3.5B
		Prepaid Postage	\$ 3.1B
		Other	\$ 5.9B
<b>Total Assets</b>	<b>\$23.0B</b>	<b>Total Liabilities</b>	<b>\$68.3B</b>

- Under multi-employer accounting rules, there are approximately \$46B in obligations not shown on the balance sheet.
- Significant profits over years and legislation are needed to recover.



# Unaudited FY2013-FY2014 Liquidity Days of Operating Cash Available

No payments for Retiree Health Benefits (RHB) Pre-Funding are included (\$5.6B in 2013 and \$5.7B in 2014)



- Liquidity includes unrestricted cash plus available borrowing, up to \$15B limit
- Days of Operating Cash – based on average operating costs disbursed per day ~\$265M

Mid-October Balances shown - Low points after annual Workers' Compensation payments to DOL



# **FY2015 Integrated Financial Plan**

**Board of Governors  
Open Session  
November 14, 2014**

## **Request approval of the following:**

- 1. FY2015 Integrated Financial Plan (IFP) Financials**
- 2. FY2015 Capital Plan**
- 3. FY2015 Borrowing and Financing Resolution**
- 4. FY2016 Congressional Reimbursement  
(Appropriations) Request**

- ☐ **FY2015 Integrated Financial Plan (IFP) Financials**
- ☐ **FY2015 Capital Plan**
- ☐ **FY2015 Borrowing Authority**
- ☐ **FY2016 Congressional Reimbursement**

<b>FY 2013</b>	<b>(Billions)</b>	<b>FY 2014</b>	<b>IFP 2015 <sup>(1)</sup></b>
<b>\$65.9</b>	<b>Revenue</b>	<b>\$67.8</b>	<b>\$69.6</b>
<b>66.8</b>	<b>Expenses *</b>	<b>66.3</b>	<b>69.0</b>
<b>(0.1)</b>	<b>Other Income (Expense), Net</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>(1.0)</b>	<b>Controllable Income (Loss) *</b>	<b>1.4</b>	<b>0.5</b>
<b>1.3</b>	<b>Changes in Accounting Estimate **</b>	<b>-</b>	<b>-</b>
<b>(5.6)</b>	<b>Retiree Health Benefits Pre-Funding</b>	<b>(5.7)</b>	<b>(5.7)</b>
<b>1.7</b>	<b>Workers' Comp. Fair Value Adj.</b>	<b>(0.5)</b>	<b>-</b>
<b>(1.4)</b>	<b>Workers' Comp. Other Non-Cash Adj.</b>	<b>(0.7)</b>	<b>(0.9)</b>
<b>(\$5.0)</b>	<b>Net Income (Loss)</b>	<b>(\$5.5)</b>	<b>(\$6.1)</b>

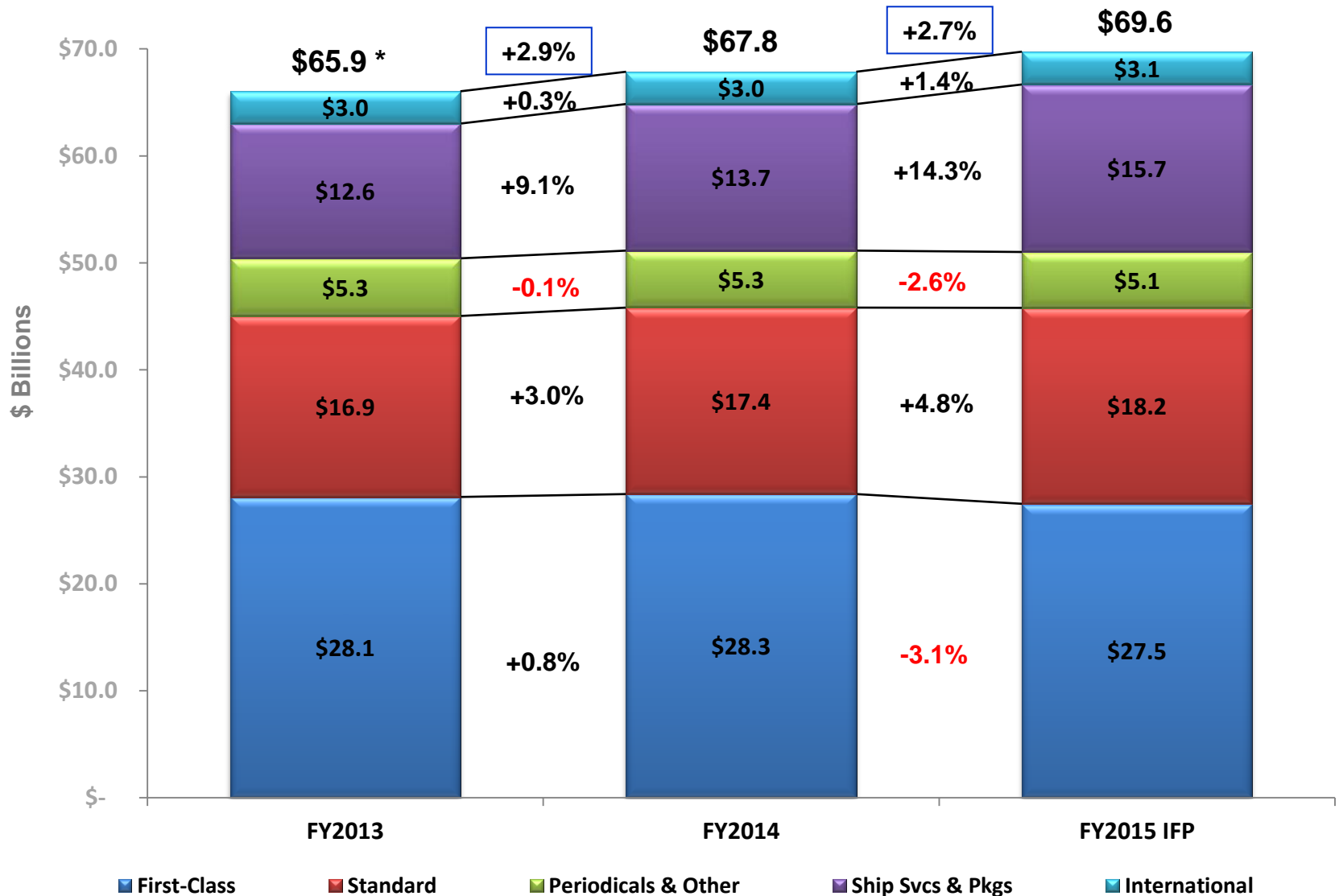
1 - No exigent rollback, April CPI (2.2%) price increase.

\* Before RHB pre-funding and non-cash adjustments to workers' compensation liabilities.

\*\* Newly available data in 2013 on forever stamp usage resulted in a \$1.3B reduction in Deferred Revenue – Prepaid Postage in 2013.



# Operating Revenue FY2013-FY2015



**FY2014 Numbers are Preliminary & Unaudited \*** FY2013 revenue excludes \$1.3B reduction in Deferred Revenue – Prepaid Postage.

<b>FY 2013</b>	<b>(Billions)</b>	<b>FY 2014</b>	<b>IFP 2015 <sup>(1)</sup></b>
\$65.9	<b>Revenue</b>	\$67.8	\$69.6
66.8	<b>Expenses *</b>	66.3	69.0
<u>(0.1)</u>	<b>Other Income (Expense), Net</b>	<u>(0.1)</u>	<u>(0.1)</u>
<b>(1.0)</b>	<b>Controllable Income (Loss) *</b>	<b>1.4</b>	<b>0.5</b>
1.3	<b>Changes in Accounting Estimate **</b>	-	-
(5.6)	<b>Retiree Health Benefits Pre-Funding</b>	(5.7)	(5.7)
1.7	<b>Workers' Comp. Fair Value Adj.</b>	(0.5)	-
<u>(1.4)</u>	<b>Workers' Comp. Other Non-Cash Adj.</b>	<u>(0.7)</u>	<u>(0.9)</u>
<b><u>(\$5.0)</u></b>	<b>Net Income (Loss)</b>	<b><u>(\$5.5)</u></b>	<b><u>(\$6.1)</u></b>

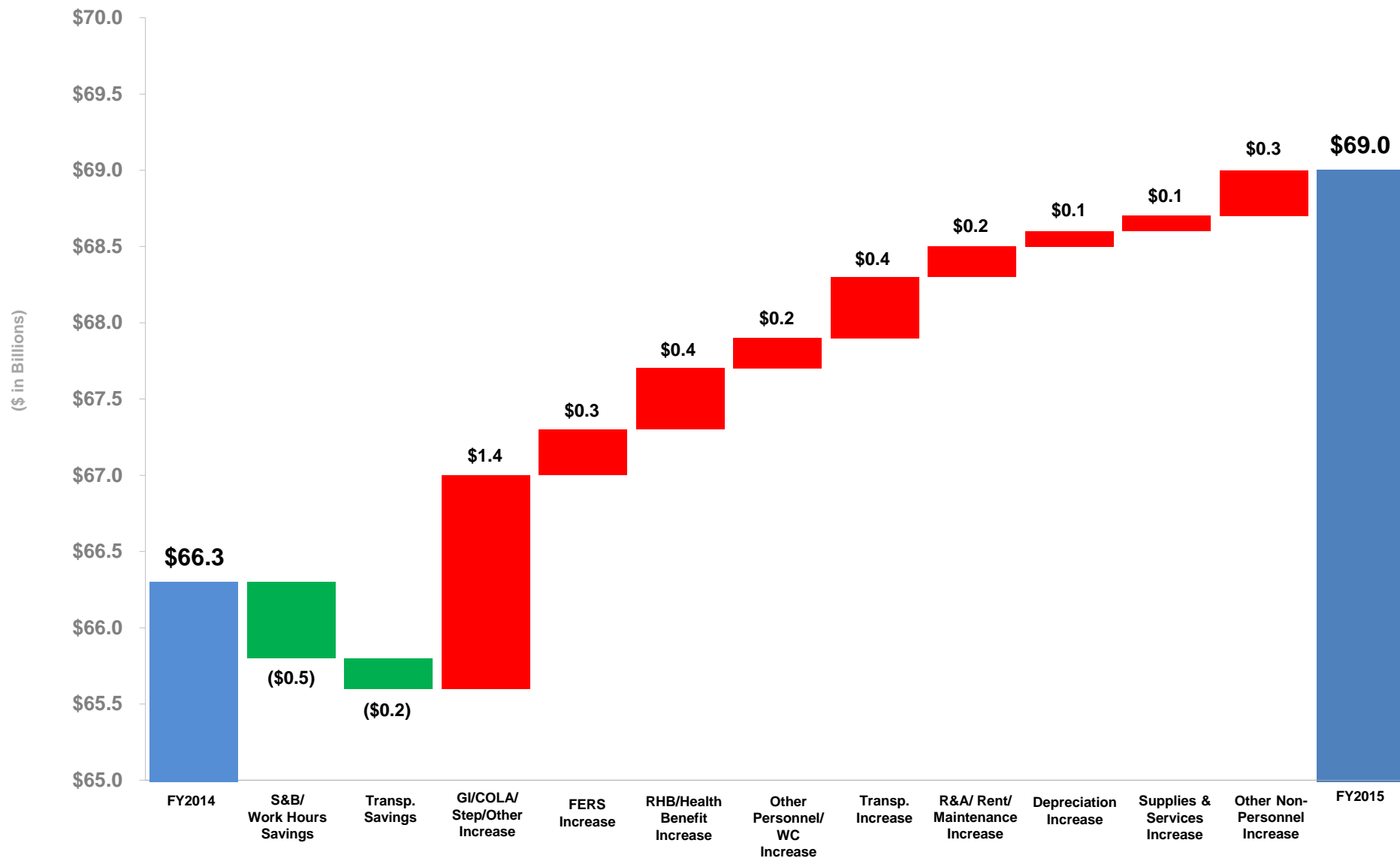
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# Expense Reconciliation FY2014 vs. FY2015 IFP



FY2014 Numbers are Preliminary & Unaudited



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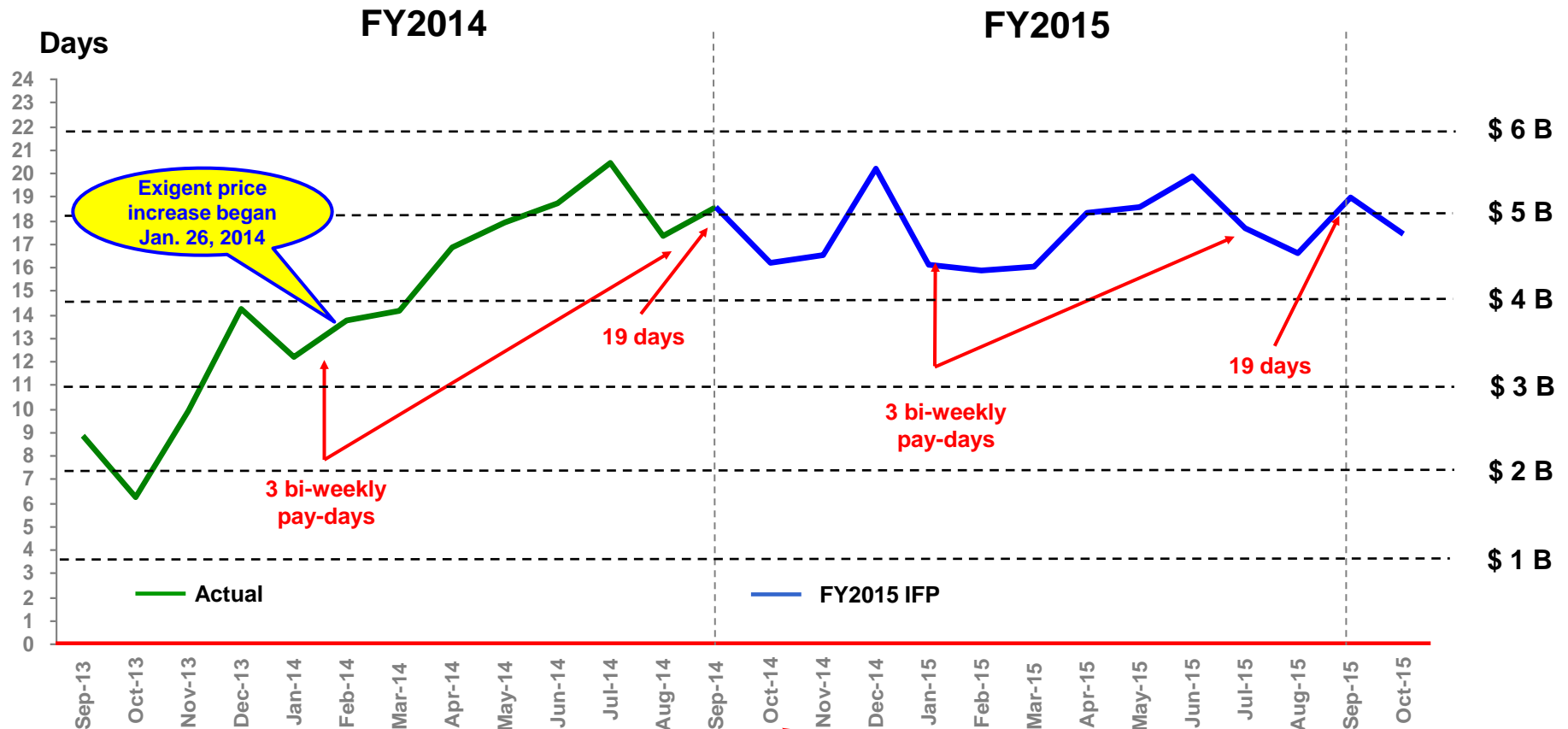
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# FY2014-FY2015 Liquidity

## Days of Operating Cash Available

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- FY2015 Days of Operating Cash – based on average operating costs disbursed per day ~\$275M (FY2014~\$265M)

**Mid-October Balances shown - Low points after annual Workers' Compensation payments to DOL**

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- ❑ **FY2016 Congressional Reimbursement**

# FY2015 Capital Commitments

Capital Commitments							
(\$ Billions)	5-Yr Avg. ('04 - '08)	5-Yr Avg. ('09 - '13)	FY2013 Actual	FY2014 Plan	FY2014 Actual	FY2015 IFP	
Facilities	\$ 0.9	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.3	\$	0.4
MP Equipment	0.9	0.2	0.2	0.3	0.3		0.8
Vehicles	0.1	0.0	0.0	0.1	0.1		0.5
CS & Support Equipment	0.5	0.1	0.2	0.4	0.2		0.5
<b>Total</b>	<b>\$ 2.4</b>	<b>\$ 0.8</b>	<b>\$ 0.8</b>	<b>\$ 1.2</b>	<b>\$ 0.9</b>	<b>\$</b>	<b>2.2</b>

# FY2015 Cash Outlays

Cash Outlays							
(\$ Billions)	5-Yr Avg. ('04 - '08)	5-Yr Avg. ('09 - '13)	FY2013 Actual	FY2014 Plan	FY2014 Actual	FY2015 IFP	
Facilities	\$ 0.8	\$ 0.6	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.5	
MP Equipment	0.8	0.4	0.2	0.2	0.2	0.7	
Vehicles	0.1	0.0	0.0	0.1	-	0.4	
CS & Support Equipment	0.5	0.2	0.2	0.4	0.1	0.4	
<b>Total</b>	<b>\$ 2.2</b>	<b>\$ 1.2</b>	<b>\$ 0.7</b>	<b>\$ 1.0</b>	<b>\$ 0.7</b>	<b>\$ 2.0</b>	

- ❑ **FY2015 Integrated Financial Plan (IFP) Financials**
- ❑ **FY2015 Capital Plan**
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- ❑ **FY2016 Congressional Reimbursement**



# Borrowing and Financing Resolution

## Management Recommendation:

- Approve resolution authorizing issuance of debt through November 30, 2015, within statutory limits and up to a maximum of \$15B.



- ❑ **FY2015 Integrated Financial Plan (IFP) Financials**
- ❑ **FY2015 Capital Plan**
- ❑ **FY2015 Borrowing Authority**
- ❑ **FY2016 Congressional Reimbursement**



# FY2016 Congressional Reimbursement

(\$Millions)	FY2015 OMB Proposal	FY2016 USPS Request
<b>Reimbursements to cover:</b>		
Free Mail for the Blind <sup>1,2</sup>	\$69.7	\$49.2
Overseas Voting <sup>1,2</sup>	0.7	0.7
Reconciliation Adjustments (prior years) <sup>3</sup>	<u>0.0</u>	<u>-23.8</u>
<b>Total Reimbursements: Free Mail for Blind &amp; Overseas Voting</b>	<b>70.4</b>	<b>26.1</b>
<b>Revenue Forgone 1993 Act Installments <sup>4</sup></b>	<b><u>---</u></b>	<b><u>162.2</u></b>
<b>Total Appropriation Requested</b>		<b>188.3</b>
<b>Total Appropriation Expected October 2015</b>	<b>70.4</b>	

- (1) Forward funded to FY2016 (funds due to be available October 2015). Congressional committee recommendation set pending amount at \$70.4M. FY2015 President's Budget not yet enacted.
- (2) OMB proposal based on 5-year rolling average. USPS request based on forecasted volume and cost.
- (3) Reconciliation adjustment due to OMB/Congressional appropriation exceeding actual volume.
- (4) Requesting Congress to reimburse USPS for annual appropriations authorized by 1993 Revenue Foregone Reform Act not received in prior years.

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# **Quarterly Service Performance Report**

**Board of Governors**

Open Session

November 14, 2014

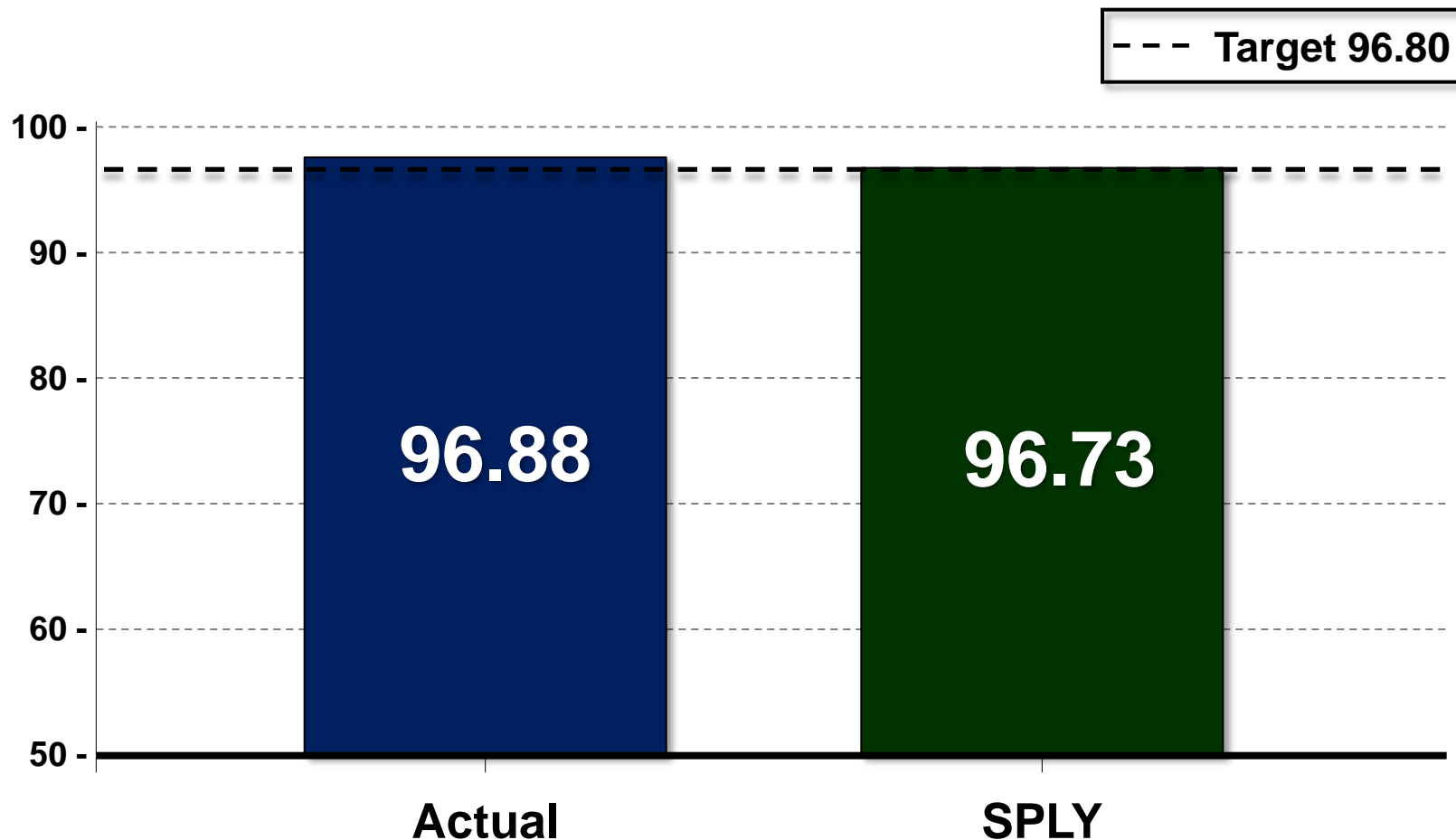
**Megan J. Brennan**  
**Chief Operating Officer**

# Quarter 4 Performance

- ❑ Employee Commitment
- ❑ Leveraging the Infrastructure
- ❑ Predictable Service

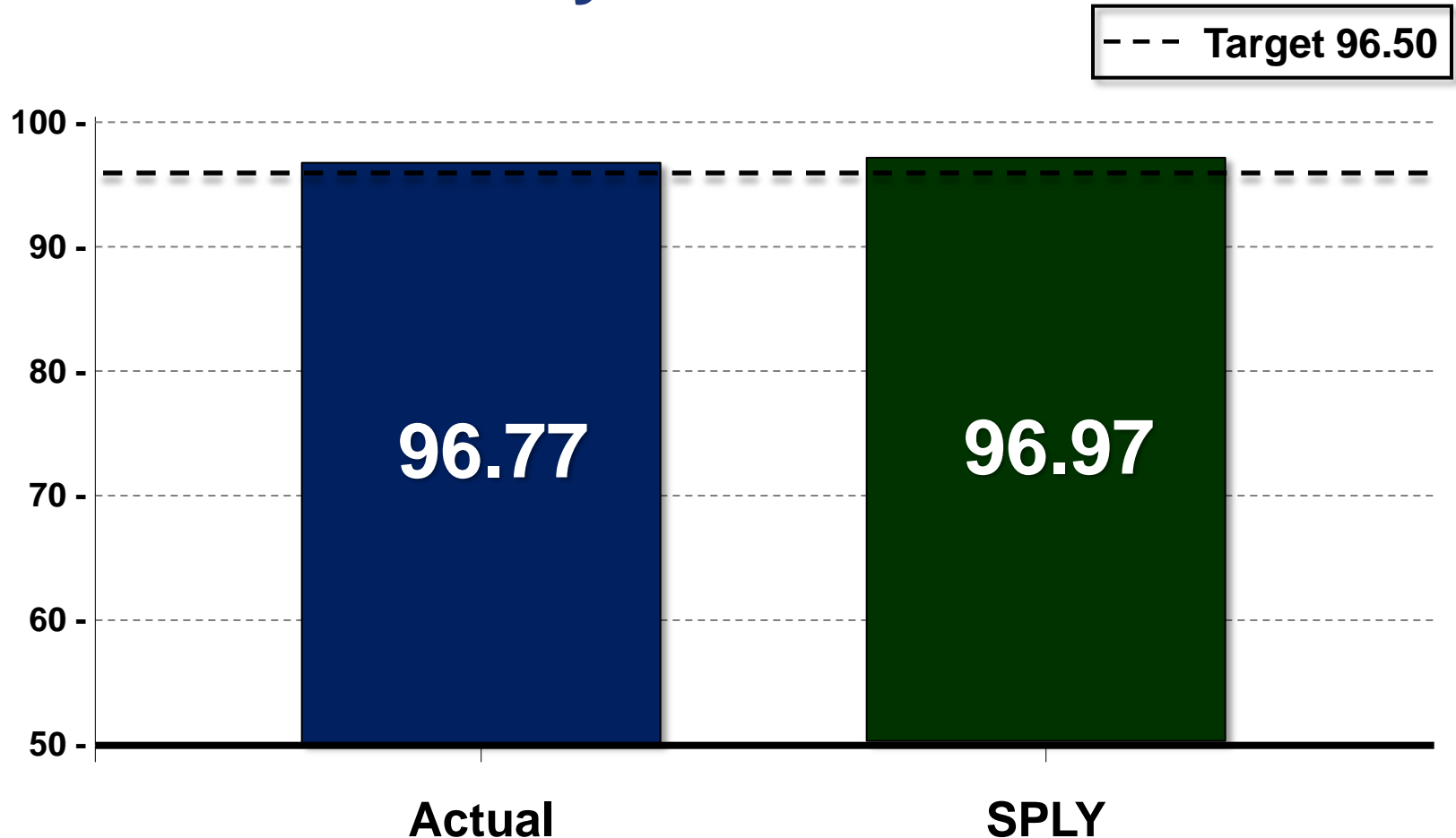
## **FIRST-CLASS MAIL SERVICE PERFORMANCE**

## First-Class Overnight

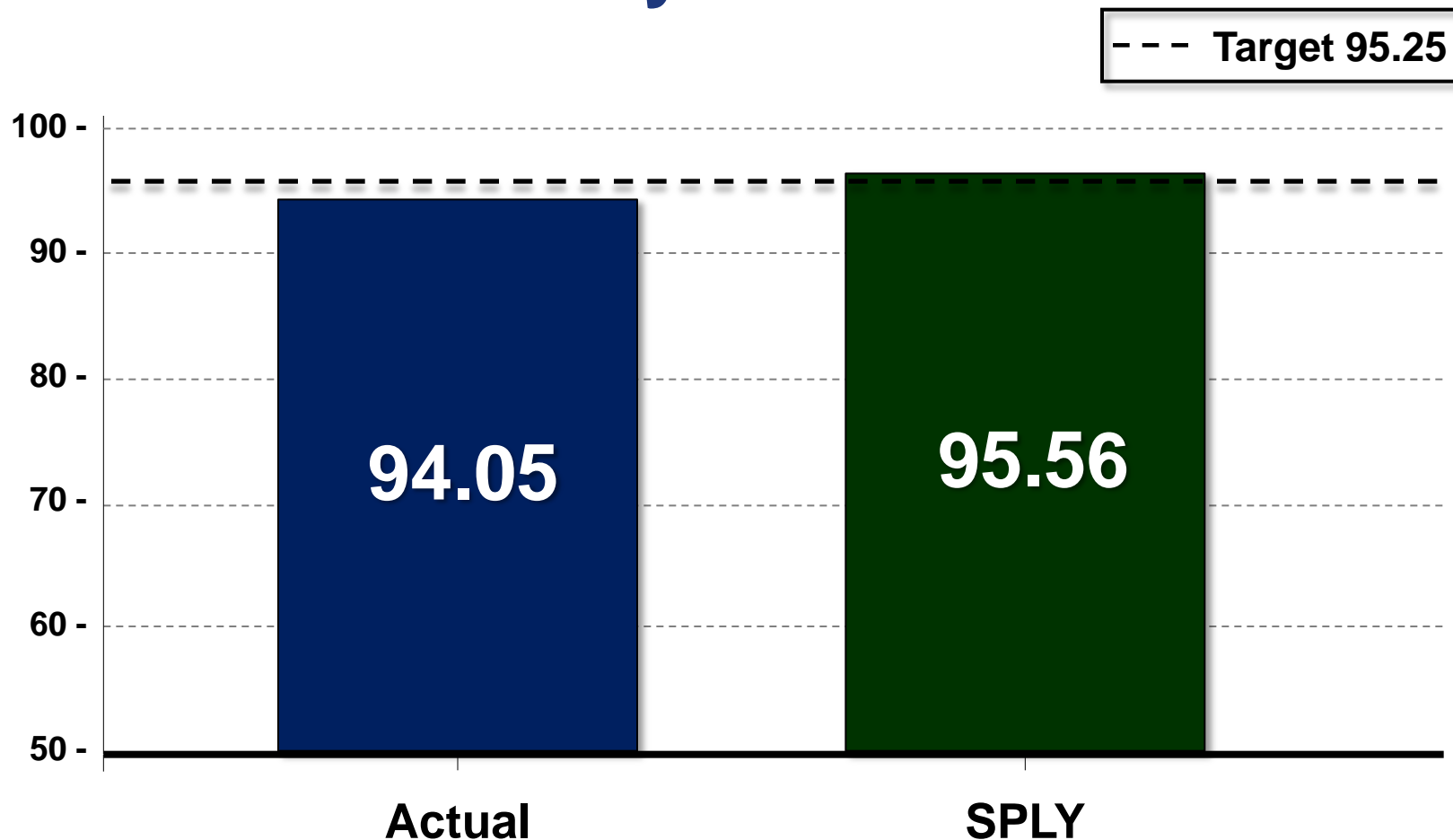




## First-Class 2-Day



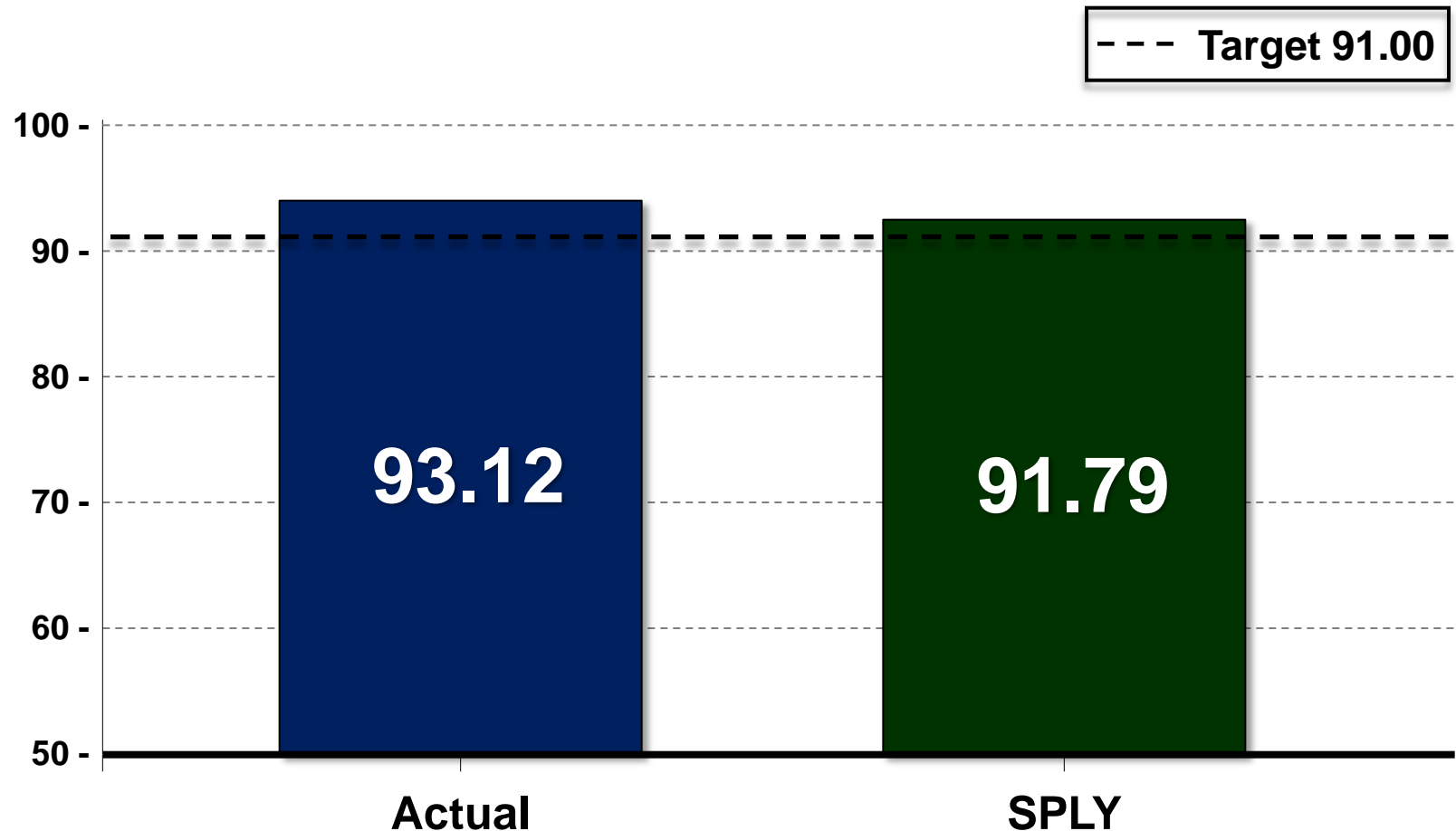
## First-Class 3-5 Day



## **STANDARD MAIL SERVICE PERFORMANCE**



## Standard Mail Composite



- ☐ **Drive Process Improvement**

- ☐ **Employee Engagement**

- ☐ **Predictable Service**

