

Open Session

Board of Governors Meeting

November 15, 2013
Washington, DC

Financial Results

Fiscal Year 2013

Board of Governors
Open Session

November 15, 2013

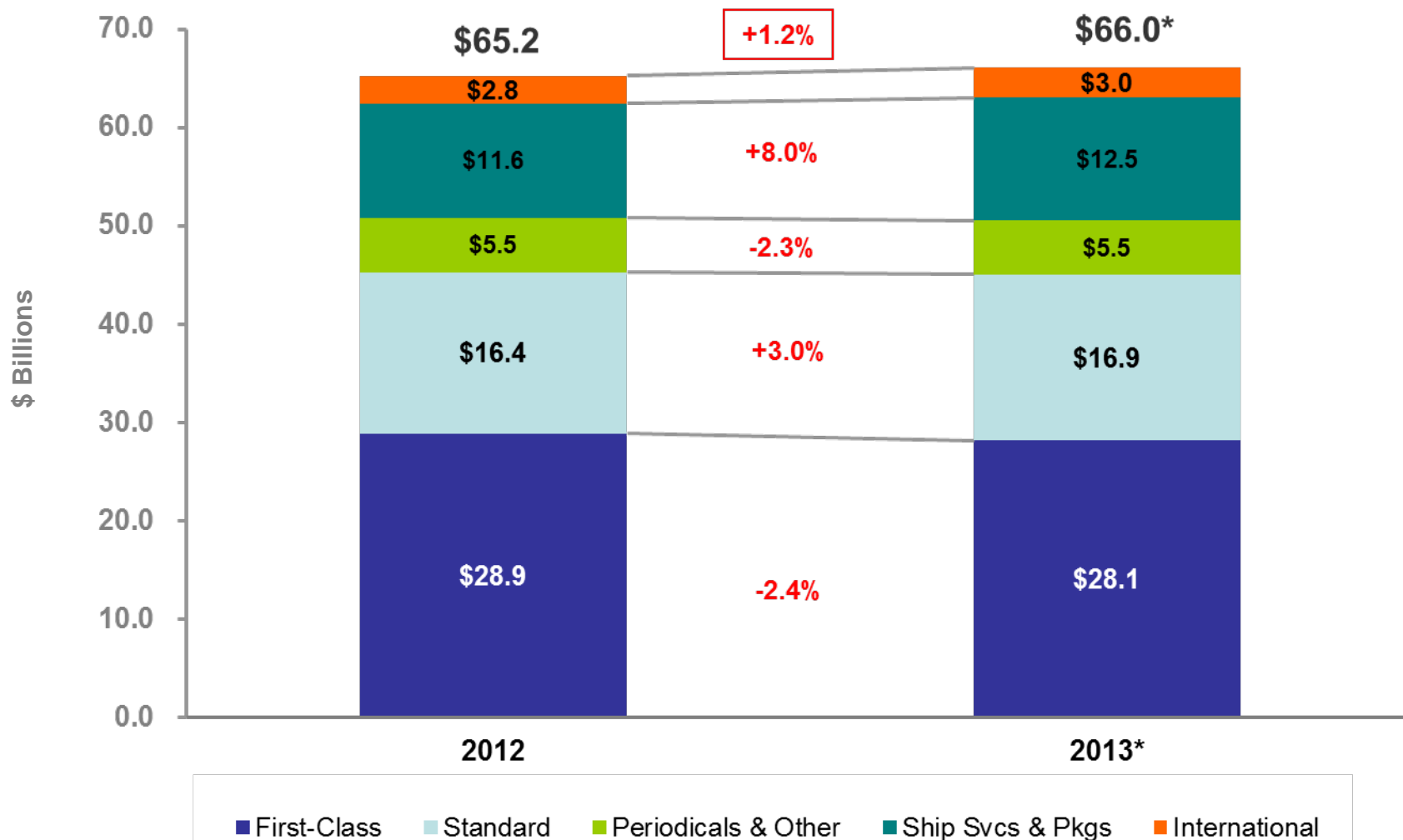
September YTD - 12 months (Billions)	FY 2013	FY 2012
Revenue (excl. accounting est. change)	\$66.0	\$65.2
Expenses*	66.7	67.5
Separation Incentive Costs	0.3	0.1
Operating Income (Loss)**	(1.0)	(2.4)
Changes in Accounting Estimate***	1.3	-
Retiree Health Benefits Pre-Funding	(5.6)	(11.1)
Workers' Comp. Fair Value Adj.	1.7	(0.4)
Workers' Comp. Other Non-Cash Adj.	(1.4)	(2.0)
Net Income (Loss)	(\$5.0)	(\$15.9)
Liquidity Days (of oper. cash)	9	8
Volume (Pieces)	158	160

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

** Before accounting estimate change, RHB pre-funding, and non-cash adjustments to workers' compensation liabilities.

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

Note: Delivery days were equal to FY2012. Retail had one additional weekday in FY2013 vs. FY2012.



* Excludes \$1.3B impact of change in accounting estimate for Deferred Revenue-Prepaid Postage.

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September YTD - 12 months (Billions)	FY 2013	FY 2012
Compensation	\$ 35.3	\$ 36.1
Benefits	15.3	15.4
Transportation	6.7	6.6
Depreciation	1.9	2.1
Supplies & Services	2.4	2.3
Rent & Utilities	1.6	1.6
Vehicle/Maint., Interest & Other	3.5	3.4
Operating Expenses*	\$ 66.7	\$ 67.5
Workhours (millions)	1,110	1,122

* Excludes RHB pre-funding, non-cash adjustments to workers' compensation liabilities, and separation incentive costs.

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- **Liabilities exceed assets by approx. \$40 billion**
- **The USPS has only 35 cents of assets to cover each dollar of its liabilities**

ASSETS		LIABILITIES	
Unrestricted Cash	\$ 2.3B	Retiree Health Benefits	\$16.8B
Buildings & Equipment, net of depreciation	\$ 17.5B	Workers' Compensation	\$17.2B
Other assets	\$ 1.8B	Debt	\$15.0B
		Accrued Compensation, benefits and leave	\$ 3.5B
		Deferred Revenue*	\$ 3.6B
		Other	\$ 5.4B
Total Assets	\$21.6B	Total Liabilities	\$61.5B

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➤ Significant profits over years and legislation are needed to recover.

Request approval of the following:

2013 Form 10-K and Financial Statements



FY2014 Integrated Financial Plan

Board of Governors
Open Session

November 15, 2013

Request approval of the following:

- 1. FY2014 Integrated Financial Plan**
- 2. FY2014 Capital Plan**
- 3. FY2014 Financing and Borrowing Resolution**
- 4. FY2015 Congressional Reimbursement
(Appropriations Request)**

- ☐ **FY2014 Integrated Financial Plan (IFP) Financials**
- ☐ **FY2014 Capital Plan**
- ☐ **FY2014 Borrowing Authority**
- ☐ **FY2015 Congressional Reimbursement**



Profit & Loss Comparison

(IFP Reflects Exigent + CPI Price Increase)

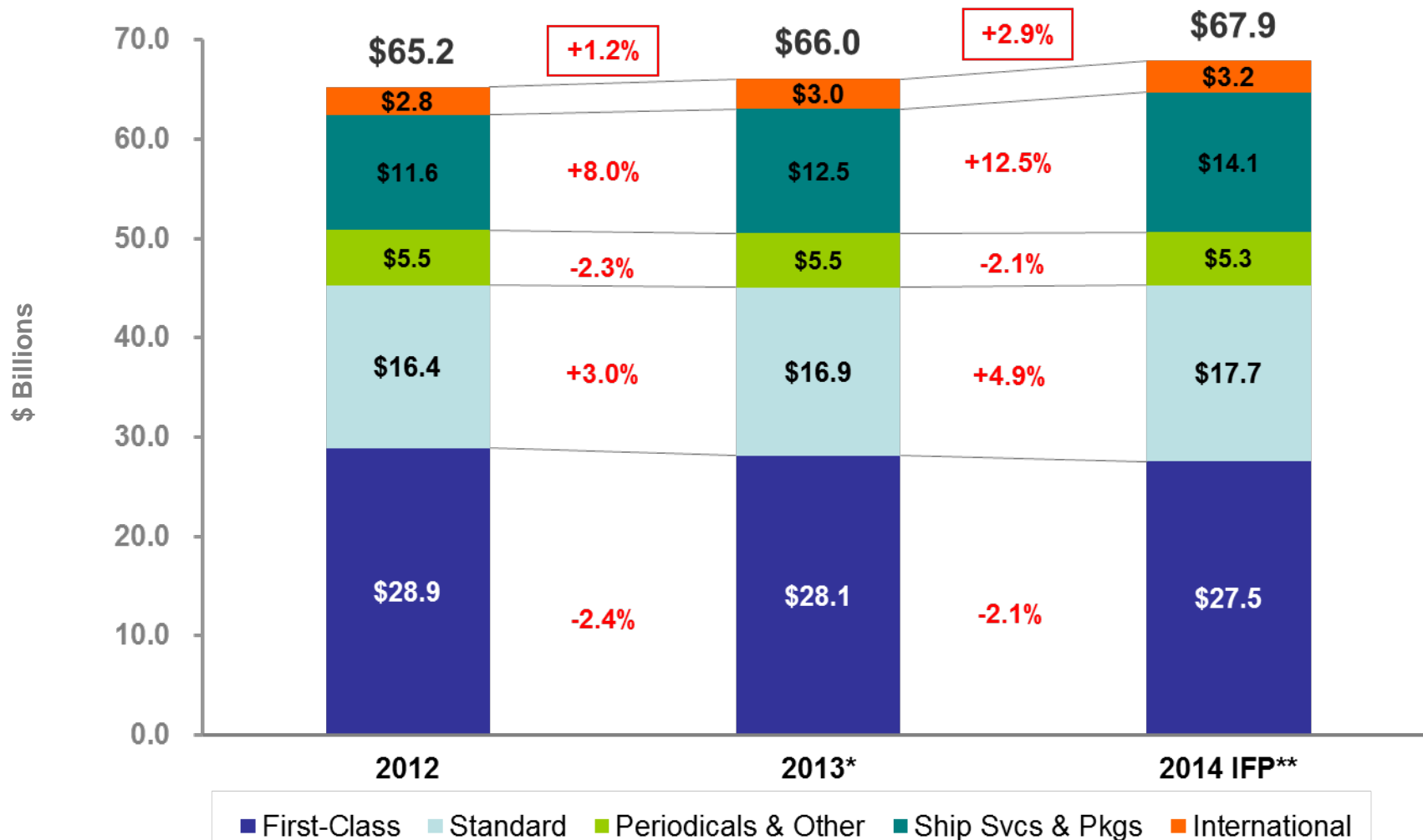
FY 2012	September YTD - 12 months (Billions)	FY 2013	IFP 2014
\$65.2	Revenue (excl. accounting est. change)	\$66.0	\$67.9
67.5	Expenses*	66.7	66.8
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(2.4)	Operating Income (Loss)**	(1.0)	1.1
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(11.1)	Retiree Health Benefits Pre-Funding	(5.6)	(5.7)
(0.4)	Workers' Comp. Fair Value Adj.	1.7	-
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Revenue Trend 2012-2014



* Excludes \$1.3B impact of change in accounting estimate for Deferred Revenue-Prepaid Postage.

** Includes effect of CPI price increase of 1.6%, plus exigent price increase of 4.3% effective January 26, 2014, and Competitive growth initiatives.



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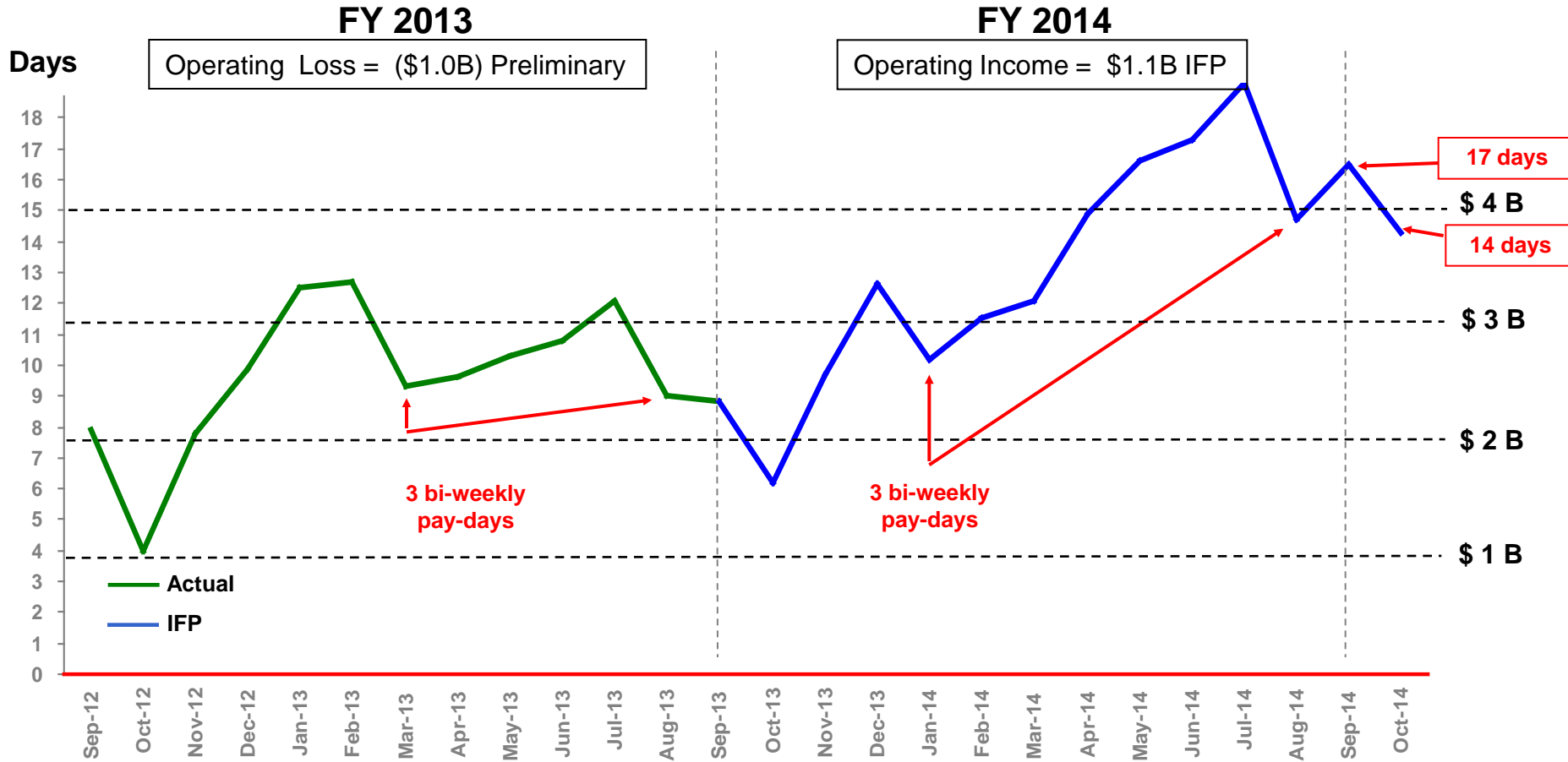
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2013 - 2014 Liquidity Days of Operating Cash Available

No payments for Retiree Health Benefits (RHB) Pre-Funding are included (\$5.6 B 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

- ❑ **FY2014 Integrated Financial Plan (IFP) Financials**
- ❑ **FY2014 Capital Plan**
- ❑ **FY2014 Borrowing Authority**
- ❑ **FY2015 Congressional Reimbursement**



FY2014 Capital Commitments Plan

Capital Commitments					
in Billions	5-Yr Avg. ('07 - '11)	FY2012 Actual	FY2013 Estimated	FY2014 Prelim IFP	
Facilities	\$ 0.7	\$ 0.3	\$ 0.4	\$ 0.4	
Equipment	0.4	0.1	0.2	\$ 0.4	
Infrastructure and Support	0.3	0.1	0.2	0.4	
Total	\$ 1.4	\$ 0.5	\$ 0.8	\$ 1.2	



FY2014 Capital Cash Outlay Plan

Capital Cash Outlays					
in Billions	5-Yr Avg. ('07 - '11)	FY2012 Actual	FY2013 Estimated	FY2014 Prelim IFP	
Facilities	\$ 0.8	\$ 0.4	\$ 0.3	\$ 0.4	
Equipment	0.7	0.3	0.2	\$ 0.3	
Infrastructure and Support	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>	<u>\$ 0.3</u>	
Total	\$ 1.8	\$ 0.8	\$ 0.7	\$ 1.0	

- ❑ **FY2014 Integrated Financial Plan (IFP) Financials**
- ❑ **FY2014 Capital Plan**
- ❑ **FY2014 Borrowing Authority**
- ❑ **FY2015 Congressional Reimbursement**



FY2014 Borrowing Authority

Management Recommendation:

Approve resolution authorizing issuance of debt through November 30, 2014, within statutory limits and up to a maximum of \$15B.

- ❑ **FY2014 Integrated Financial Plan (IFP) Financials**
- ❑ **FY2014 Capital Plan**
- ❑ **FY2014 Borrowing Authority**
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FY2015 Congressional Reimbursement

(\$Millions)	FY2013 OMB Proposal (1)	FY2014 OMB Proposal (2)	FY2015 USPS Request (3)
Reimbursements to cover:			
Free Mail for the Blind	\$69.5	\$70.6	\$48.8
Overseas Voting	1.3	1.2	0.7
Reconciliation Adjustments (prior years)	<u>18.3</u>	<u>-1.0</u>	<u>-15.6</u>
Total Reimbursements: Free Mail for Blind & Overseas Voting	89.2	70.8	33.9
Revenue Forgone 1993 Act Installments	<u>---</u>	<u>---</u>	(4) <u>133.2</u>
Total Appropriation Expected	89.2	70.8	167.1
Total Appropriation Received (Oct. 1, 2013)	78.2		
Total Appropriation	<u>\$78.2</u>	<u>\$70.8</u>	<u>\$167.1</u>

- (1) Forward funded to FY2014 (funds received 10/1/2013). With no budget being enacted, the Continuing Resolution Act 2014 set the amount at the FY2013 base amount received (\$78.2M), subject to rescission and sequestration reduction. Final amount to be received subject to Congressional approval.
- (2) Forward funded to FY2015 (funds due to be available 10/1/2014). Amount to be received subject to Congressional approval.
- (3) Expected to be forward funded to FY2016 (funds due to be available 10/1/2015). Amount to be received subject to Congressional approval.
- (4) Includes a reduced payment for FY2011 and unpaid amounts for FY2012—FY2014 in addition to the FY2015 requested amount.

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(Appropriations Request)**

Quarter 4, Fiscal Year 2013

Service Performance and Customer Experience

Board of Governors

Open Session

November 15, 2013

Megan J. Brennan
Chief Operating Officer

Quarter 4 Performance

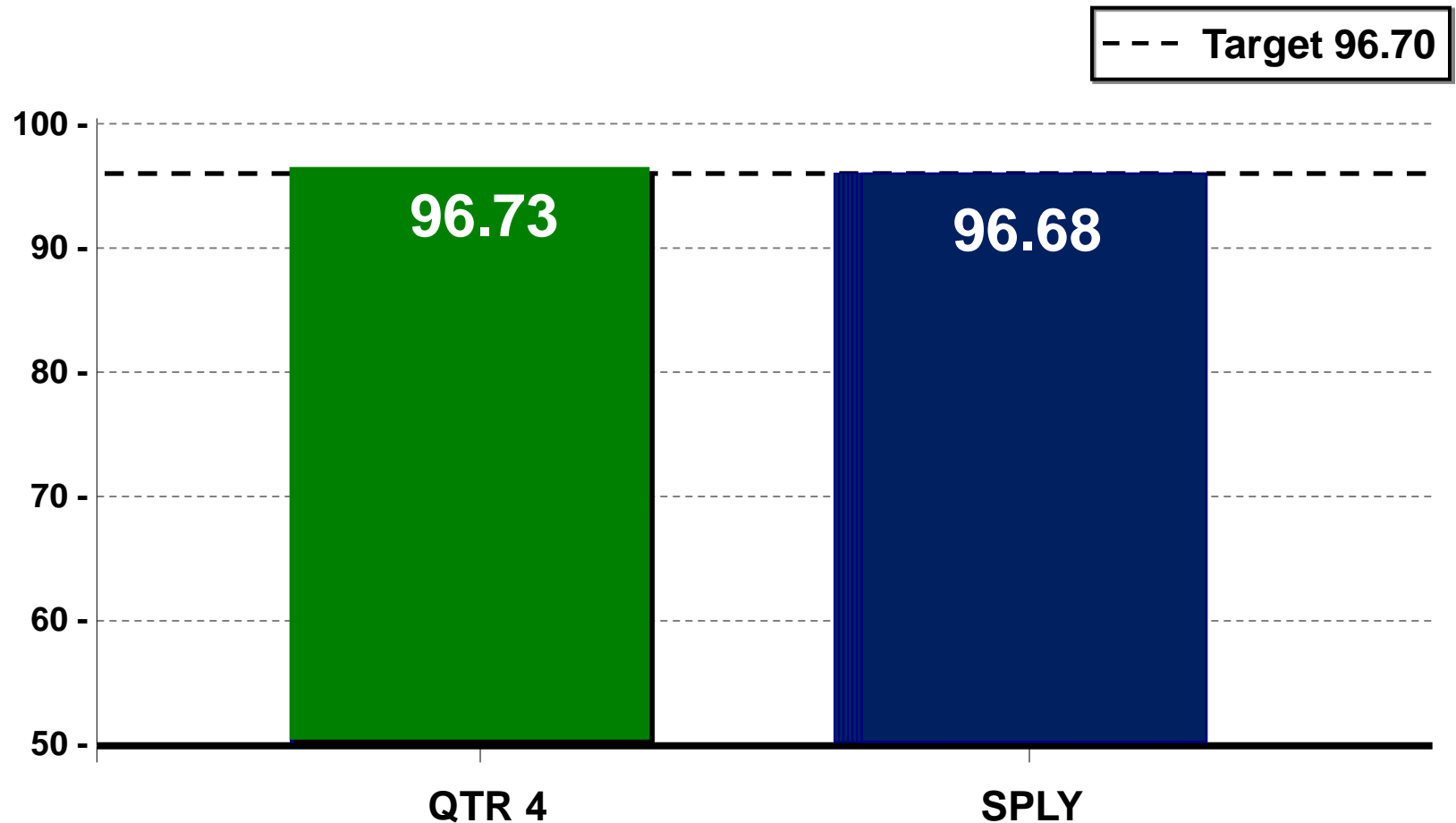
- ❑ Employee Commitment
- ❑ Optimization Efforts Exceeded Plan
- ❑ Predictable Service

FIRST-CLASS MAIL SERVICE PERFORMANCE



Quarter 4 Performance

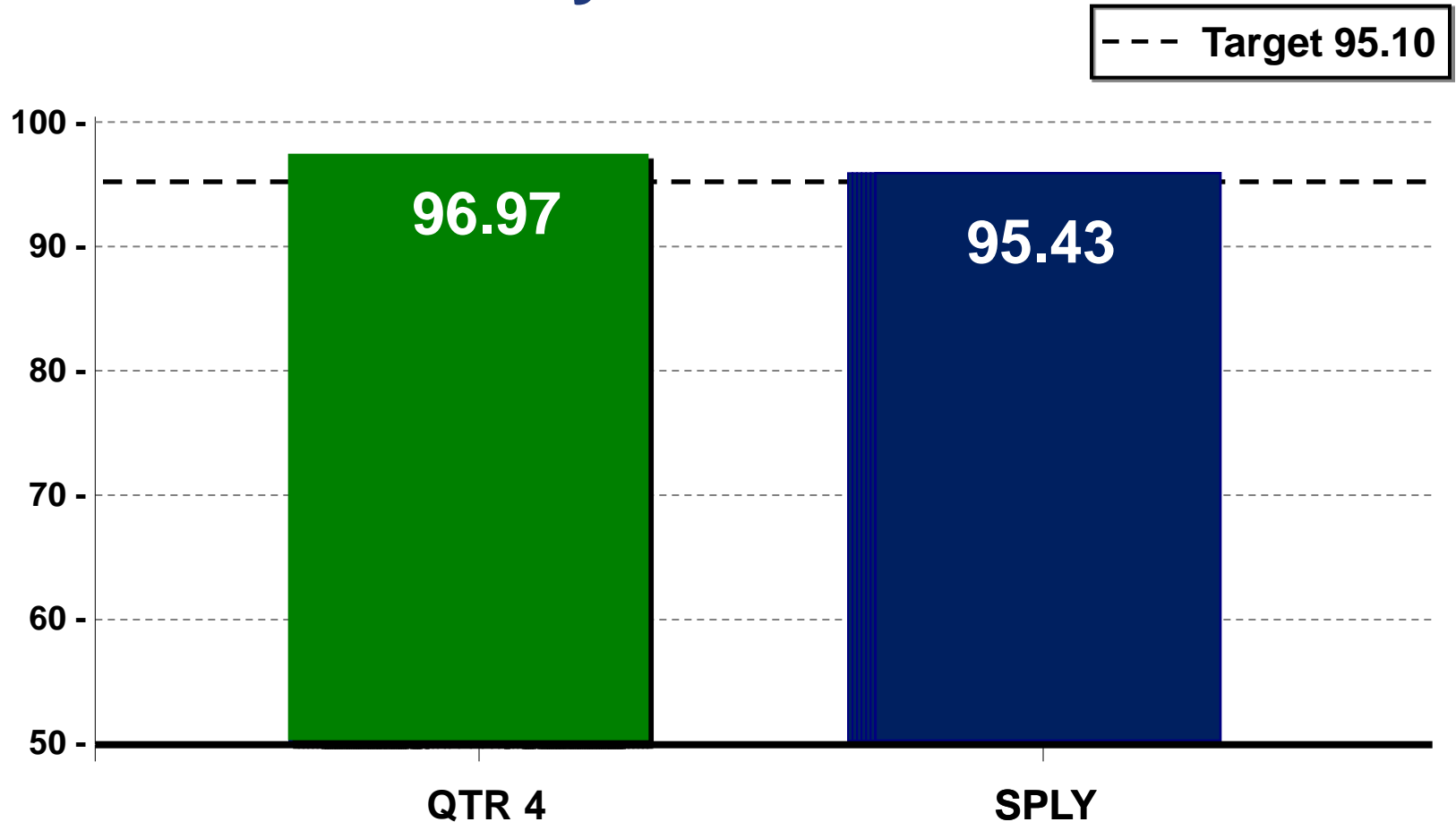
First-Class Overnight





Quarter 4 Performance

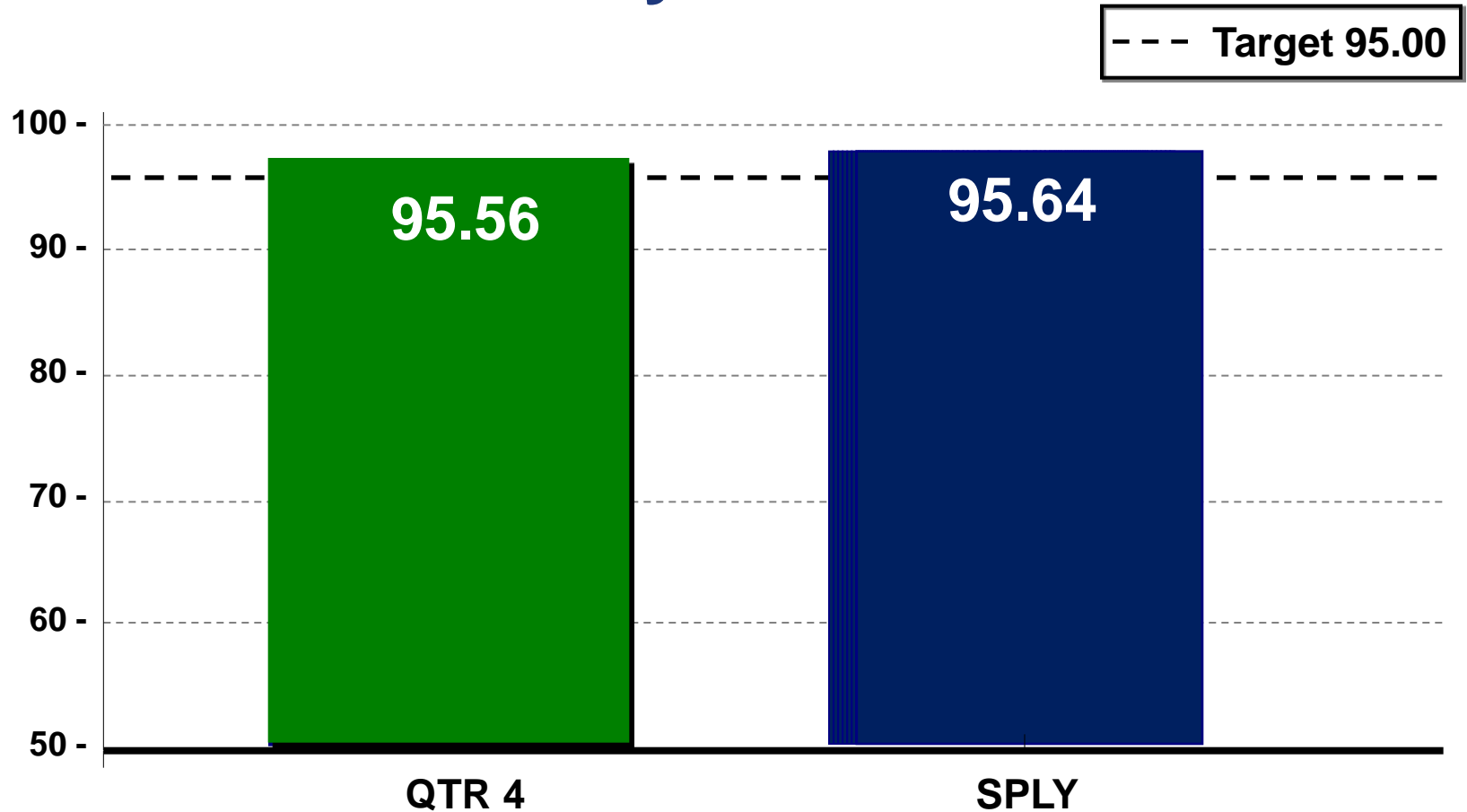
First-Class 2-Day





Quarter 4 Performance

First-Class 3-5 Day



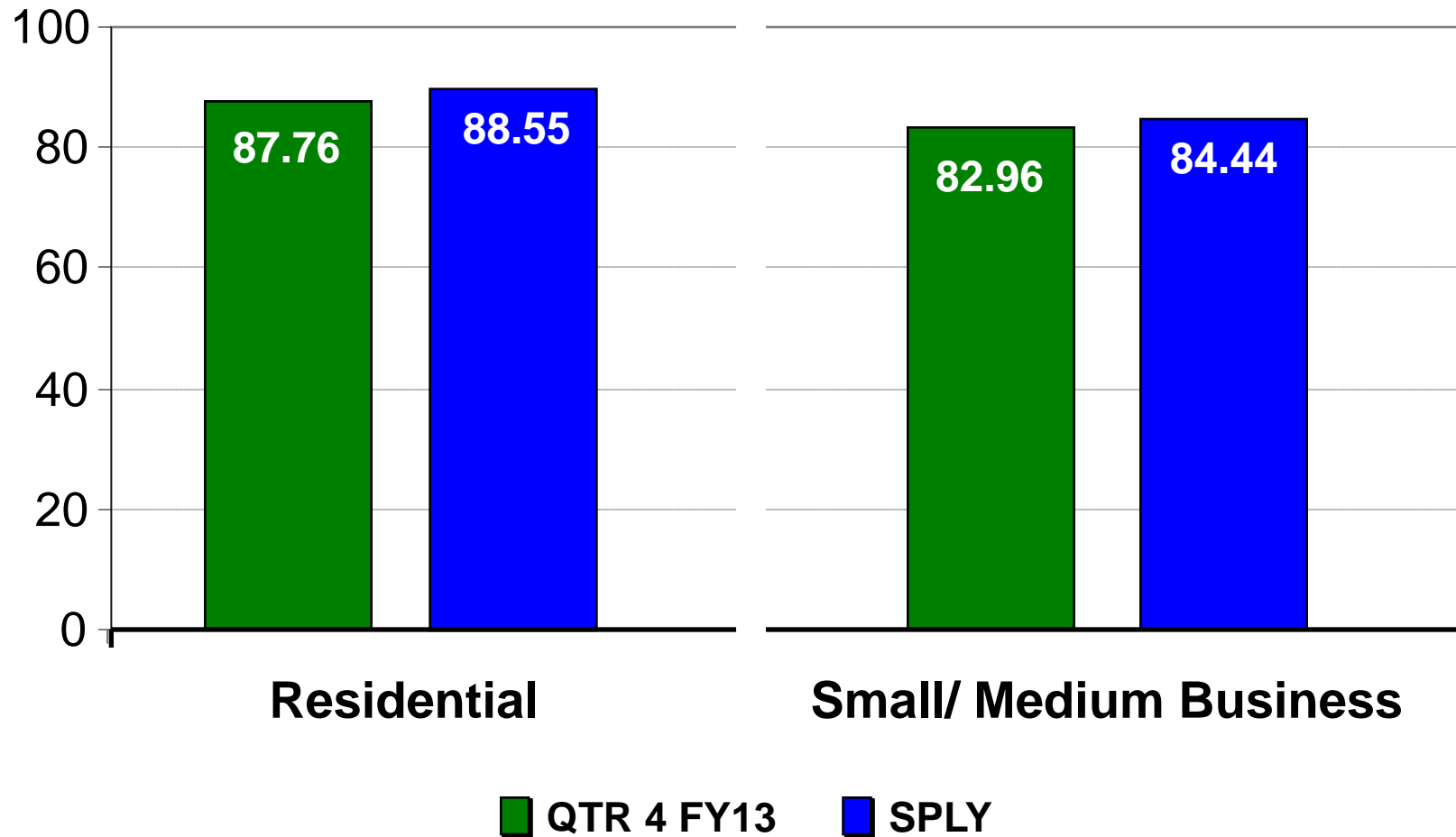


CUSTOMER EXPERIENCE MEASUREMENT (CEM)



Customer Experience Measurement

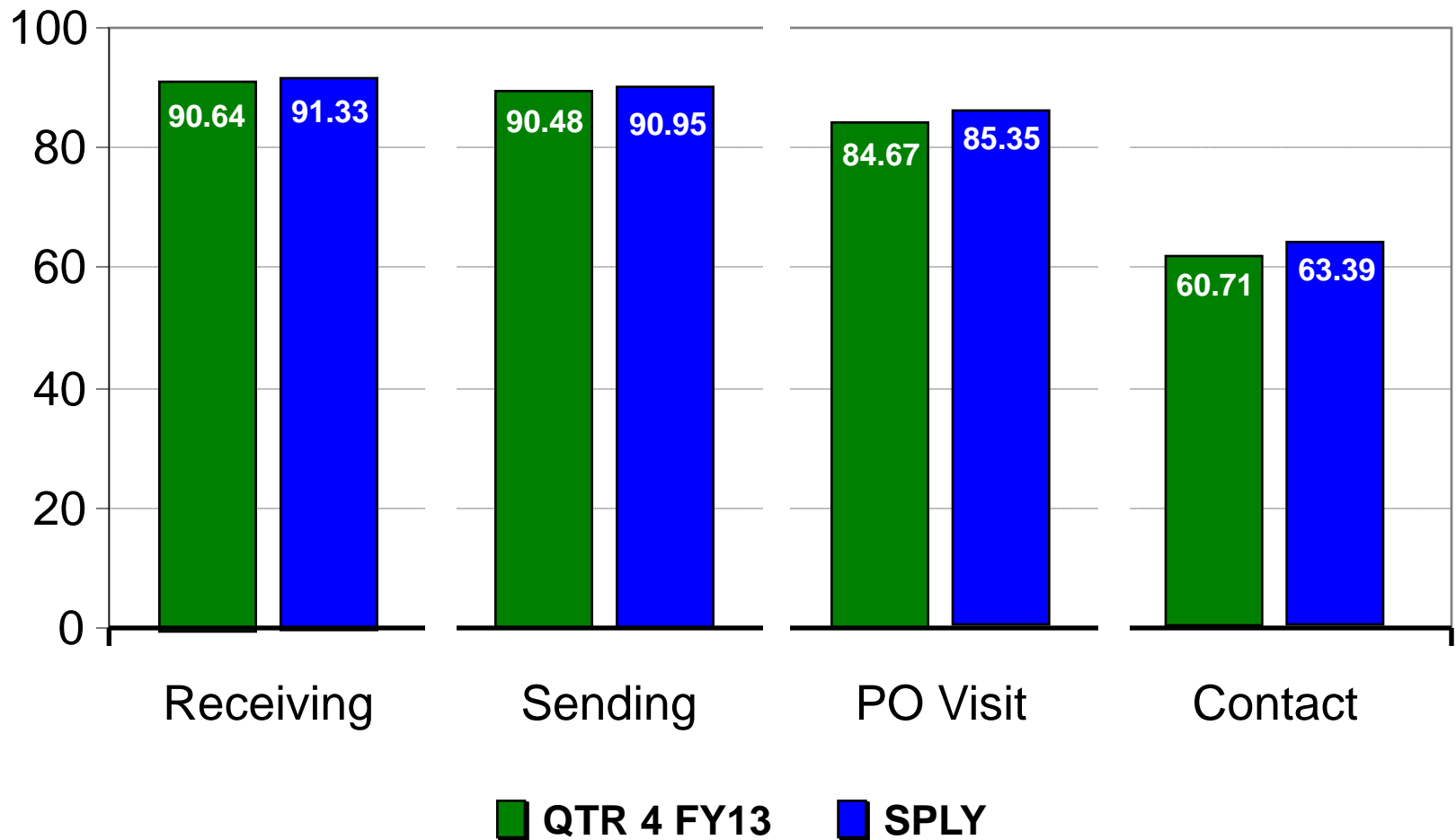
Overall Experience





Customer Experience Measurement

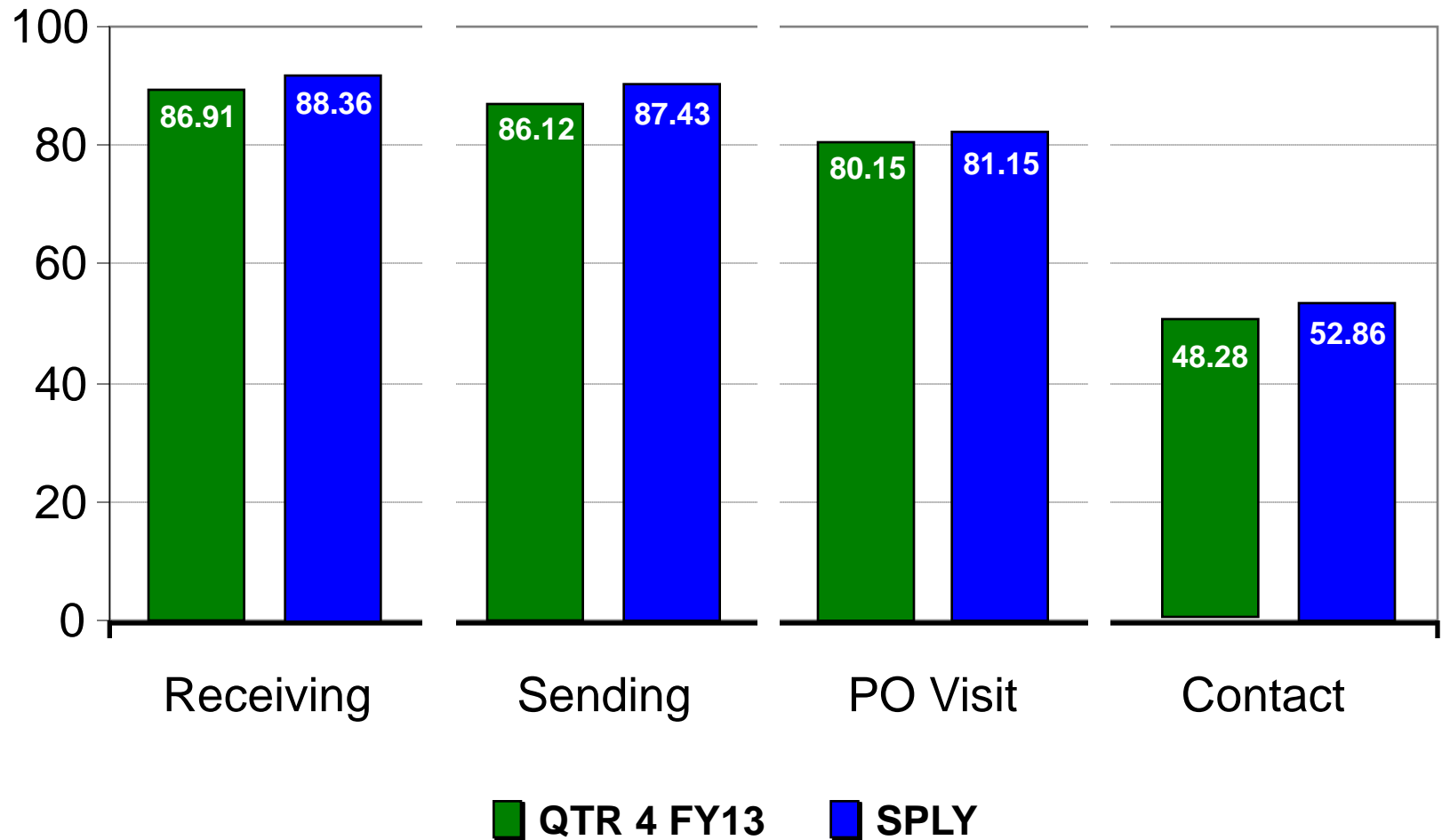
National - Residential





Customer Experience Measurement

National – Small Business





Improving Customer Experience

Areas of Focus

- **Process Improvements**
- **Refine Service Level Agreements**
- **System & Survey Enhancements for Improved Customer Insight Diagnostics**



Request approval of the following:

FY2013 Annual Report and Comprehensive Statement

