

Open Session

Board of Governors Temporary Emergency Committee Meeting

November 13, 2015
Washington, DC

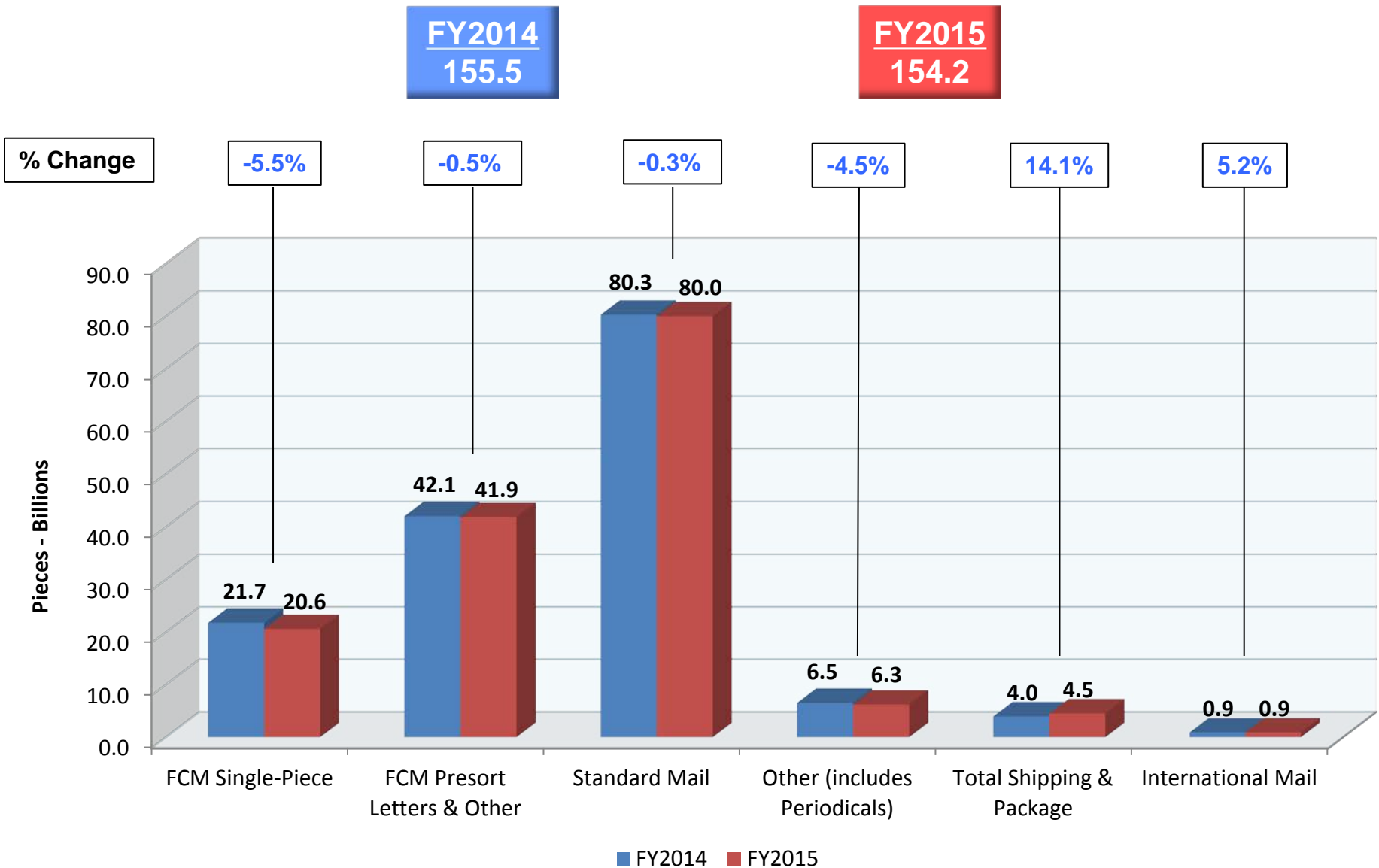
Financial Results Fiscal Year 2015

**Open Session
Temporary Emergency Committee
November 13, 2015**

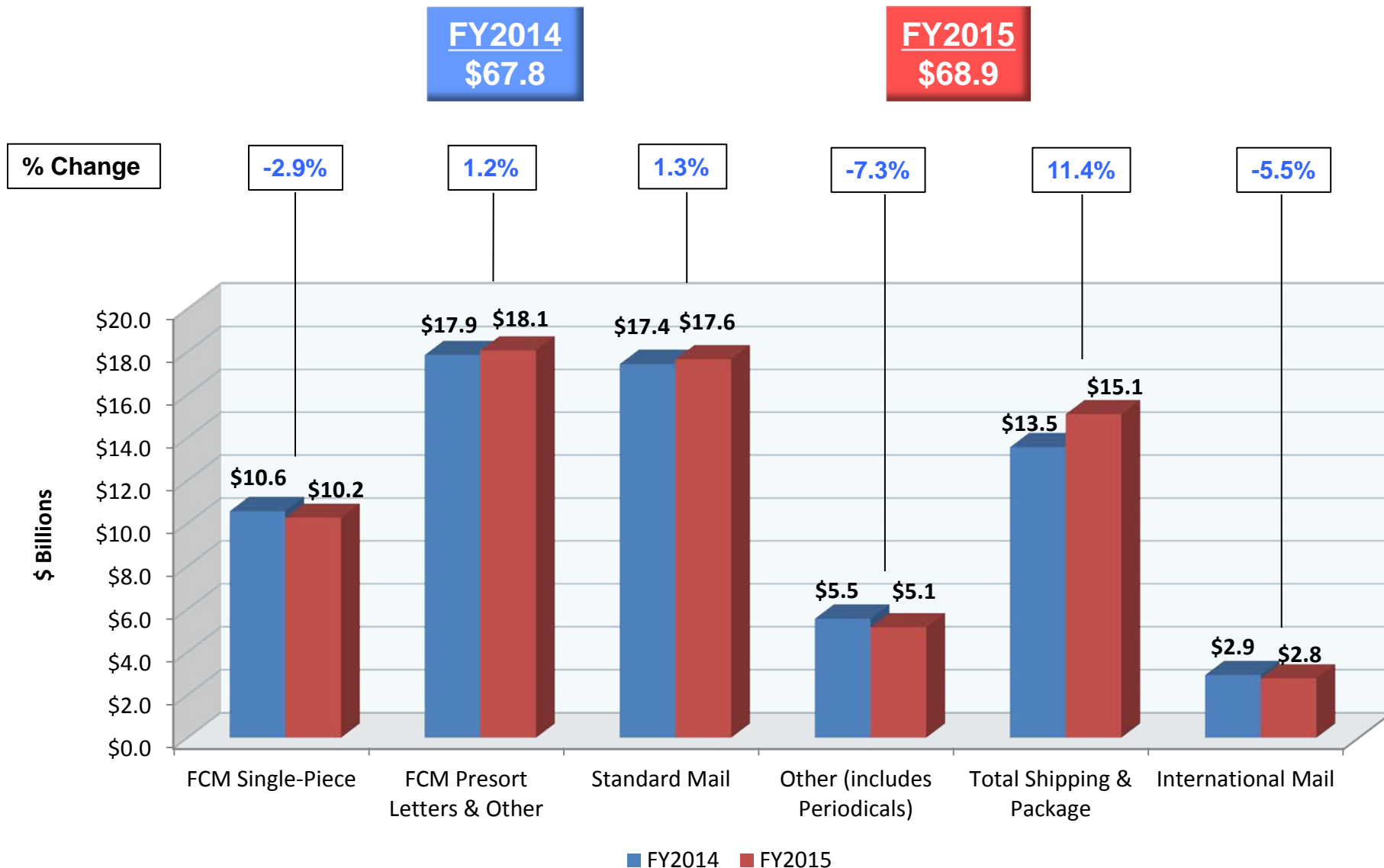
September YTD (12 Months) (Billions)	FY 2015	FY 2014
Revenue (Excluding Temporary Exigent Surcharge)	\$ 66.8	\$ 66.4
Temporary Exigent Surcharge ¹	<u>2.1</u>	<u>1.4</u>
Total Revenue	68.9	67.8
Expenses ²	<u>67.7</u>	<u>66.4</u>
Controllable Income (Loss) ²	1.2	1.4
Retiree Health Benefits Pre-Funding	(5.7)	(5.7)
FERS Unfunded Liability Amortization	(0.2)	-
Workers' Comp. Fair Value Adj.	(0.8)	(0.5)
Workers' Comp. Other Non-Cash Adj.	<u>0.4</u>	<u>(0.7)</u>
Net Income (Loss)	\$ (5.1)	\$ (5.5)

1 - Estimated.

2 - Before RHB pre-funding, FERS unfunded liability amortization, and non-cash adjustments to workers' compensation liabilities.



➤ YTD FY2015 has the same number of weekdays, Saturdays, & Sundays as compared to YTD FY2014.



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- Includes Exigent Surcharge

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September YTD (12 Months) (Billions)	FY 2015	FY 2014
Compensation & Benefits^{1, 2}	\$51.8	\$50.4
Transportation	6.6	6.6
Depreciation	1.8	1.8
Supplies & Services	2.7	2.6
Rent, Utilities & Other	<u>4.8</u>	<u>5.0</u>
Controllable Expenses^{1, 2}	\$67.7	\$66.4
Workhours (Millions)	1,128	1,107

1 - Delivery days were even compared to SPLY.

2 - Excludes RHB pre-funding, FERS unfunded liability amortization, and non-cash adjustments to workers' compensation liabilities.

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As of September 30, 2015

- **Total liabilities, including retirement obligations exceed assets by \$101 billion.**
- **It would take RHB legislative change and decades of annual profits to remedy this level of excess liabilities and unfunded retirement obligations.**

CSRS Fund Balance	\$179.2B	CSRS Actuarial Liability	\$199.6B
FERS Fund Balance	\$107.6B	FERS Actuarial Liability	\$111.3B
RHB Fund Balance	<u>\$50.3B</u>	Retiree Health Benefits Obligation	<u>\$105.2B</u>
Total Retirement-Fund Assets	\$337.1B	Total Retirement-Related Liabilities	\$416.1B
		Workers' Compensation	\$18.8B
		Debt	\$15.0B
Unrestricted Cash	\$6.6B	Accrued Compensation, benefits, and leave	\$3.9B
Land, Buildings & Equipment, net	\$15.7B	Deferred Revenue	\$3.3B
Other Assets	<u>\$1.7B</u>	Other	<u>\$5.3B</u>
Total Assets	\$361.1B	Total Liabilities	\$462.4B

- This slide includes all assets and liabilities of pension and post-retirement health benefits obligations.
- Items highlighted in yellow are not shown on our balance sheet under GAAP multi-employer rules and are the OPM's projected valuation as of September 30, 2015.

FY2016 Integrated Financial Plan

Open Session Temporary Emergency Committee

November 13, 2015

Request approval of the following:

- 1. FY2016 Integrated Financial Plan and Capital Plan**
- 2. FY2016 Borrowing and Financing Resolution**
- 3. FY2017 Congressional Reimbursement
(Appropriations) Request**

- ☐ **FY2016 IFP Financials including Capital Plan**
- ☐ **FY2016 Borrowing Authority**
- ☐ **FY2017 Congressional Reimbursement**

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FY 2014	(Billions)	FY 2015	IFP 2016
\$ 66.4	Revenue (Excluding Temporary Exigent Surcharge)	\$ 66.8	\$ 68.2
<u>1.4</u>	Temporary Exigent Surcharge	<u>2.1</u>	<u>1.1</u>
67.8	Total Revenue	68.9	69.3
<u>66.4</u>	Expenses ¹	<u>67.7</u>	<u>69.2</u>
1.4	Controllable Income (Loss) ¹	1.2	0.1
(5.7)	Retiree Health Benefits Pre-Funding	(5.7)	(5.8)
-	FERS Unfunded Liability Amortization	(0.2)	(0.2)
(0.5)	Workers' Comp. Fair Value Adj.	(0.8)	-
<u>(0.7)</u>	Workers' Comp. Other Non-Cash Adj.	<u>0.4</u>	<u>-</u>
\$ (5.5)	Net Income (Loss)	\$ (5.1)	\$ (5.9)
156	Volume (Pieces)	154	151
1,107	Workhours (Millions)	1,128	1,121

¹ Before RHB pre-funding, FERS unfunded liability amortization, and non-cash adjustments to workers' compensation liabilities.

FY2014
\$67.8

FY2015
\$68.9

FY2016 IFP
\$69.3

% Change

-2.9%

-5.5%

1.2%

-3.1%

1.3%

-2.7%

-7.3%

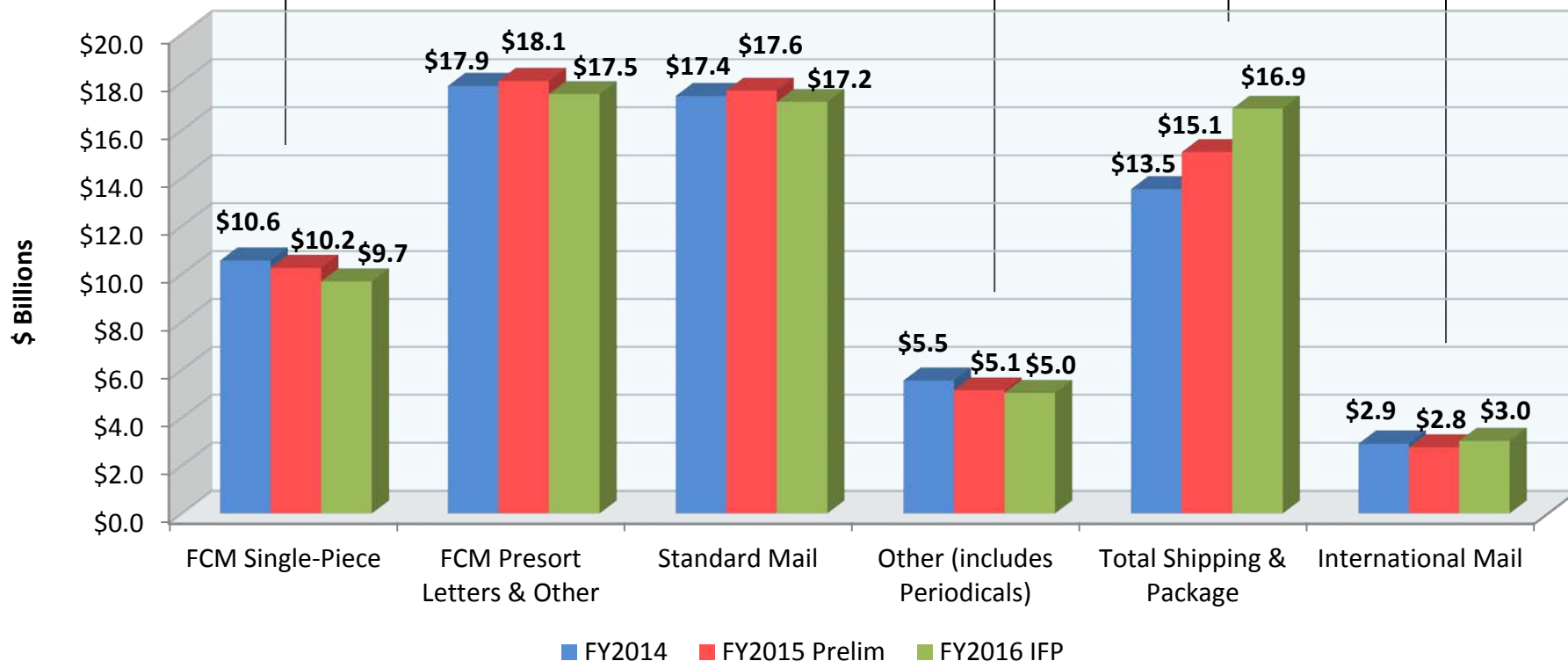
-2.1%

11.4%

12.0%

-5.5%

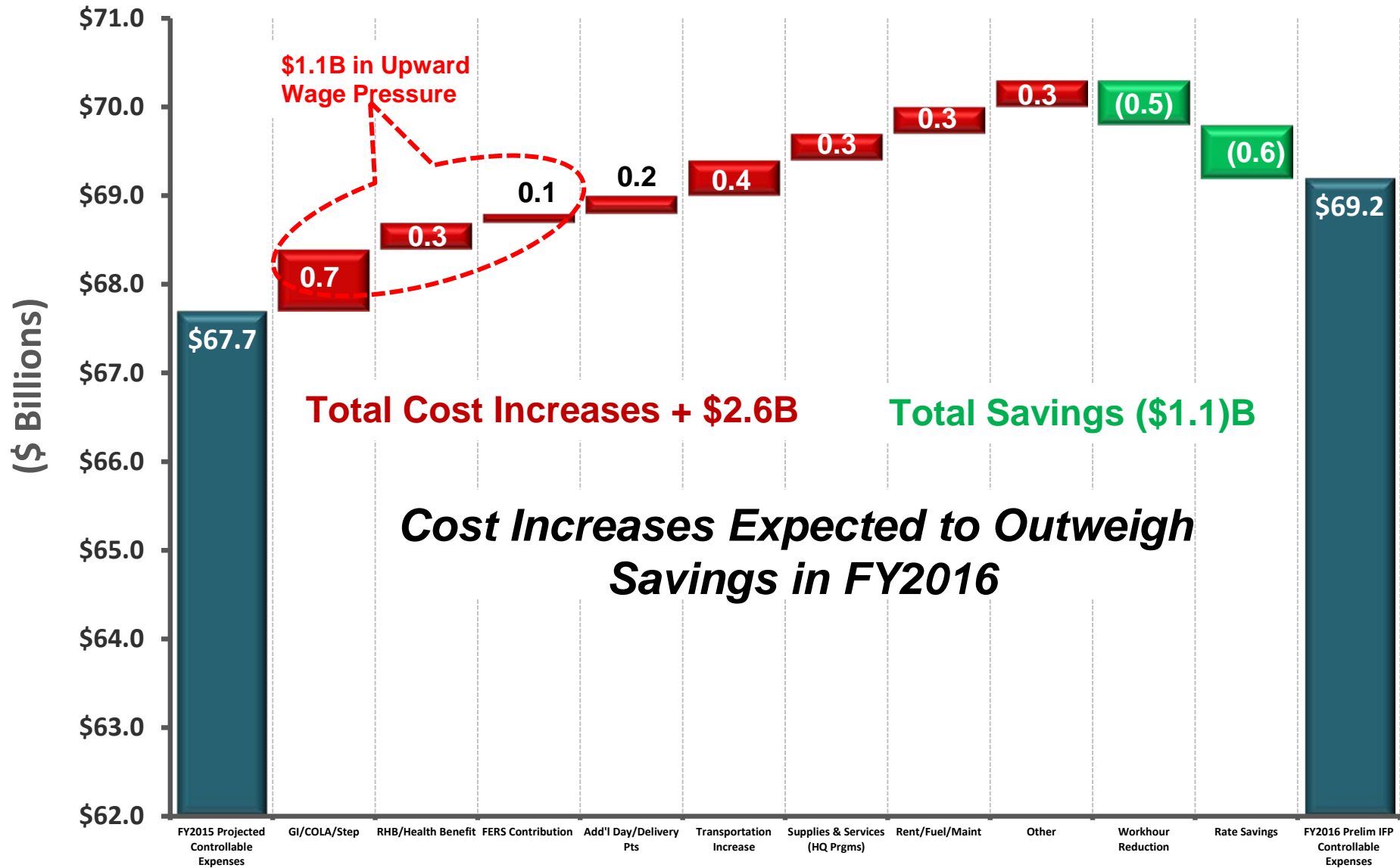
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- Exigent Rollback March/April 2016 negative impact \$1.0B (FY2015 vs FY2016)
- Exigent Surcharge amounts – FY2014 \$1.4B / FY2015 \$2.1B / FY2016 \$1.1B

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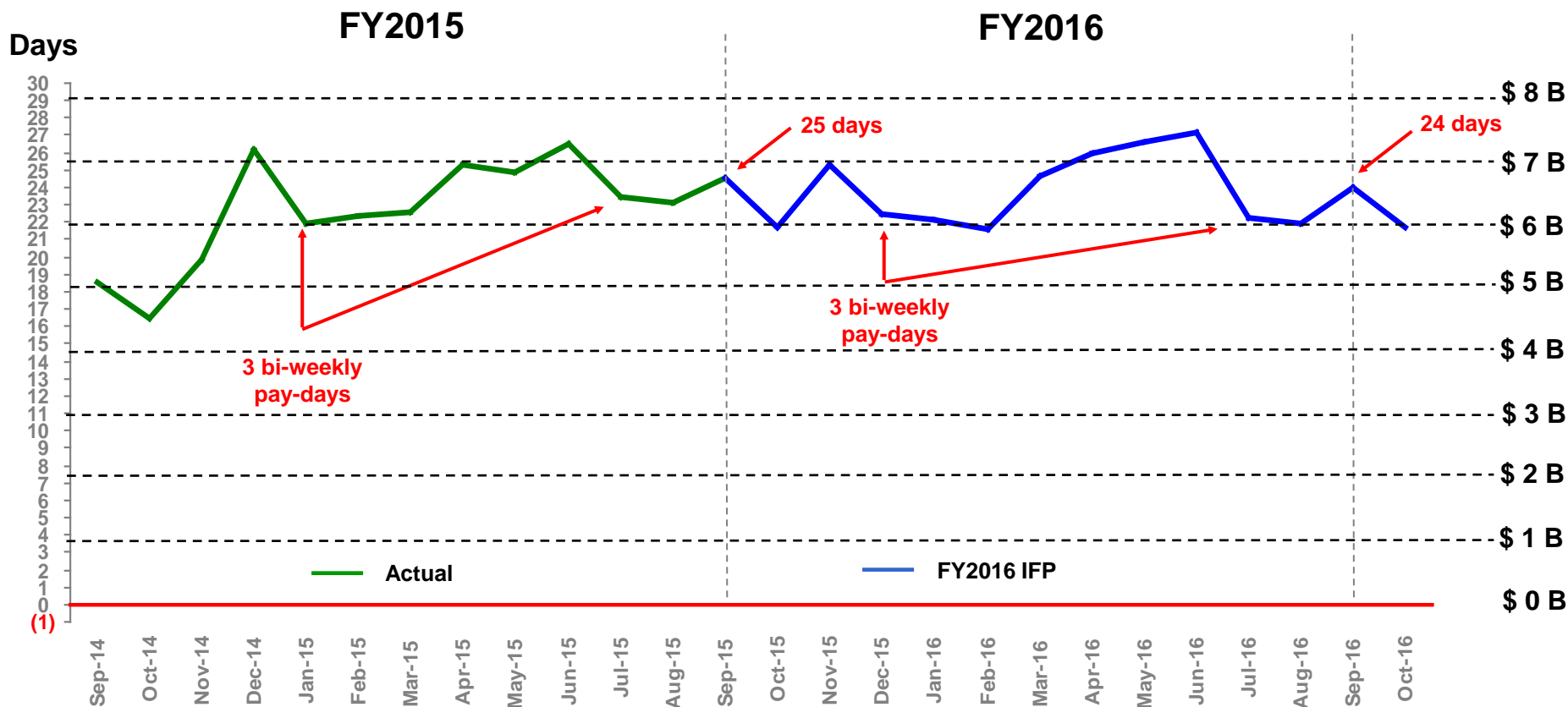
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Capital Commitments					
In Billions	5 - Year Avg. ('10-'14)	FY2014 Actual	FY2015 Plan	FY2015 Actual	FY2016 Plan
Facilities	\$0.4	\$0.3	\$0.4	\$0.4	\$0.4
MP Equipment	\$0.2	\$0.3	\$0.8	\$0.6	\$0.5
Vehicles	\$0.0	\$0.1	\$0.5	\$0.6	\$0.2
IT & Other	\$0.1	\$0.2	\$0.5	\$0.2	\$0.7
Total	\$0.7	\$0.9	\$2.2	\$1.8	\$1.8

Capital Cash Outlays					
In Billions	5 - Year Avg. ('10-'14)	FY2014 Actual	FY2015 Plan	FY2015 Actual	FY2016 Plan
Facilities	\$0.5	\$0.4	\$0.5	\$0.4	\$0.4
MP Equipment	\$0.4	\$0.3	\$0.7	\$0.5	\$0.5
Vehicles	\$0.0	\$0.0	\$0.4	\$0.1	\$0.4
IT & Other	\$0.1	\$0.1	\$0.4	\$0.2	\$0.5
Total	\$1.0	\$0.8	\$2.0	\$1.2	\$1.8

Without Retiree Health Benefits (RHB) Pre-Funding for 2015 (\$5.7B) and no payment in 2016 (\$5.8B)



- Liquidity includes unrestricted cash plus available borrowing, up to \$15B limit
- FY2015 Days of Operating Cash – based on average operating costs disbursed per day ~\$270M
- FY2016 Days – based on ~\$275M

- ❑ **FY2016 IFP Financials including Capital Plan**
- ❑ **FY2016 Borrowing Authority**
- ❑ **FY2017 Congressional Reimbursement**

Management Recommendation:

- Approve resolution authorizing issuance of debt through November 30, 2016, within statutory limits and up to a maximum of \$15B.

- ☐ **FY2016 IFP Financials including Capital Plan**
- ☐ **FY2016 Borrowing Authority**
- ☐ **FY2017 Congressional Reimbursement**

(\$Millions)	FY2016 USPS Request	FY2016 OMB Proposal	FY2017 Preliminary Request
Reimbursements to cover:			
Free Mail for the Blind ^{1,2}	\$49.2	N/A	\$51.3
Overseas Voting ^{1,2}	0.8	N/A	0.8
Reconciliation Adjustments (prior years) ³	<u>-23.8</u>	N/A	<u>-14.6</u>
Total Reimbursements: Free Mail for Blind & Overseas Voting	26.1	67.2	37.4
Revenue Forgone 1993 Act Installments ⁴	<u>162.2</u>	<u>---</u>	<u>162.2</u>
Total Appropriation Requested	188.3		199.7
Total Appropriation Expected October 2016		67.2	

- (1) Forward funded to FY2017 (funds due to be available October 2016). Congressional committee recommendation set pending amount at \$67.2M. FY2016 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 Forgone Reform Act not received in prior years.

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Quarterly Service Performance Report

Temporary Emergency Committee Meeting
Open Session
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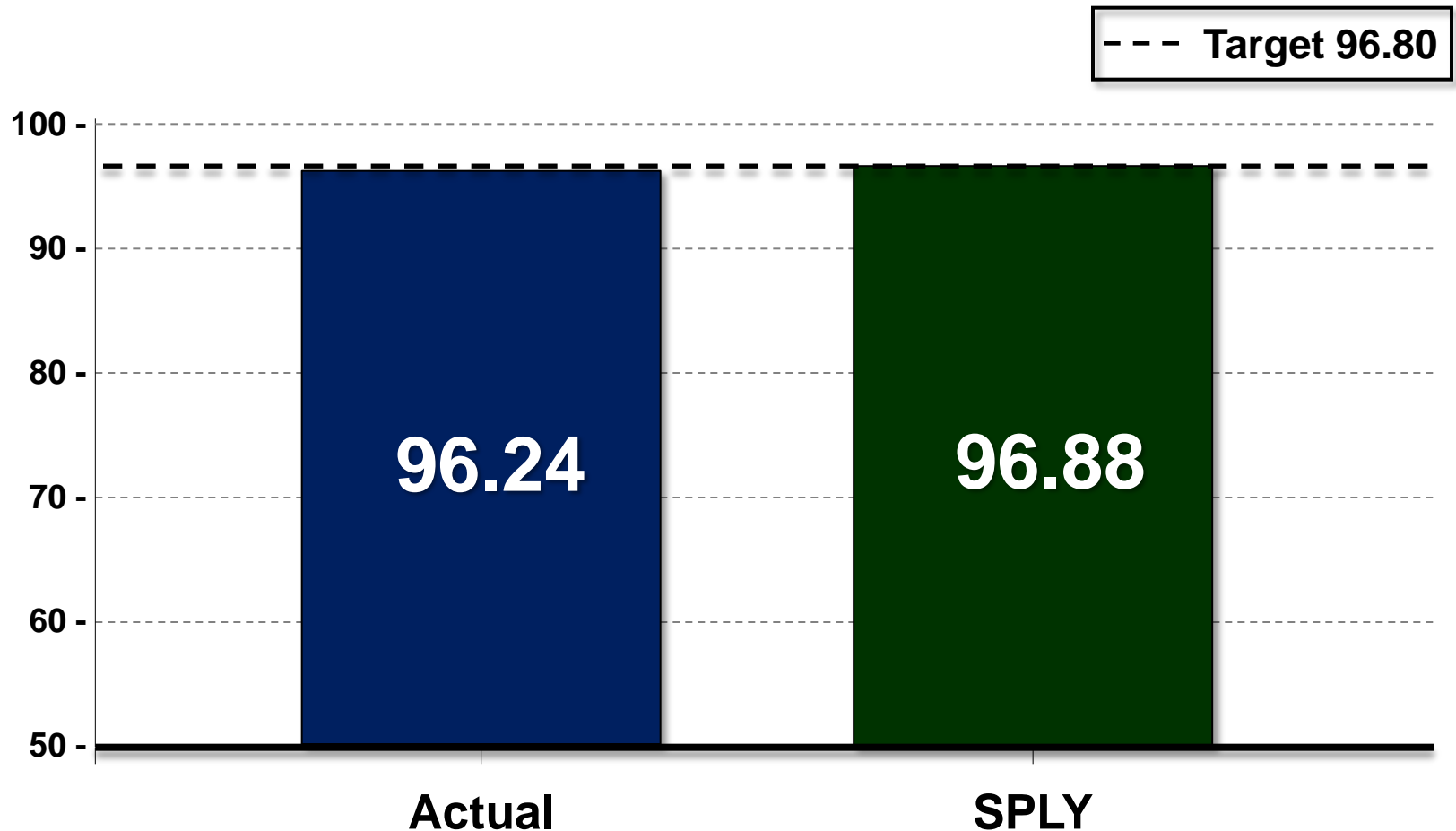
David E. Williams
Chief Operating Officer

Quarter 4 Performance

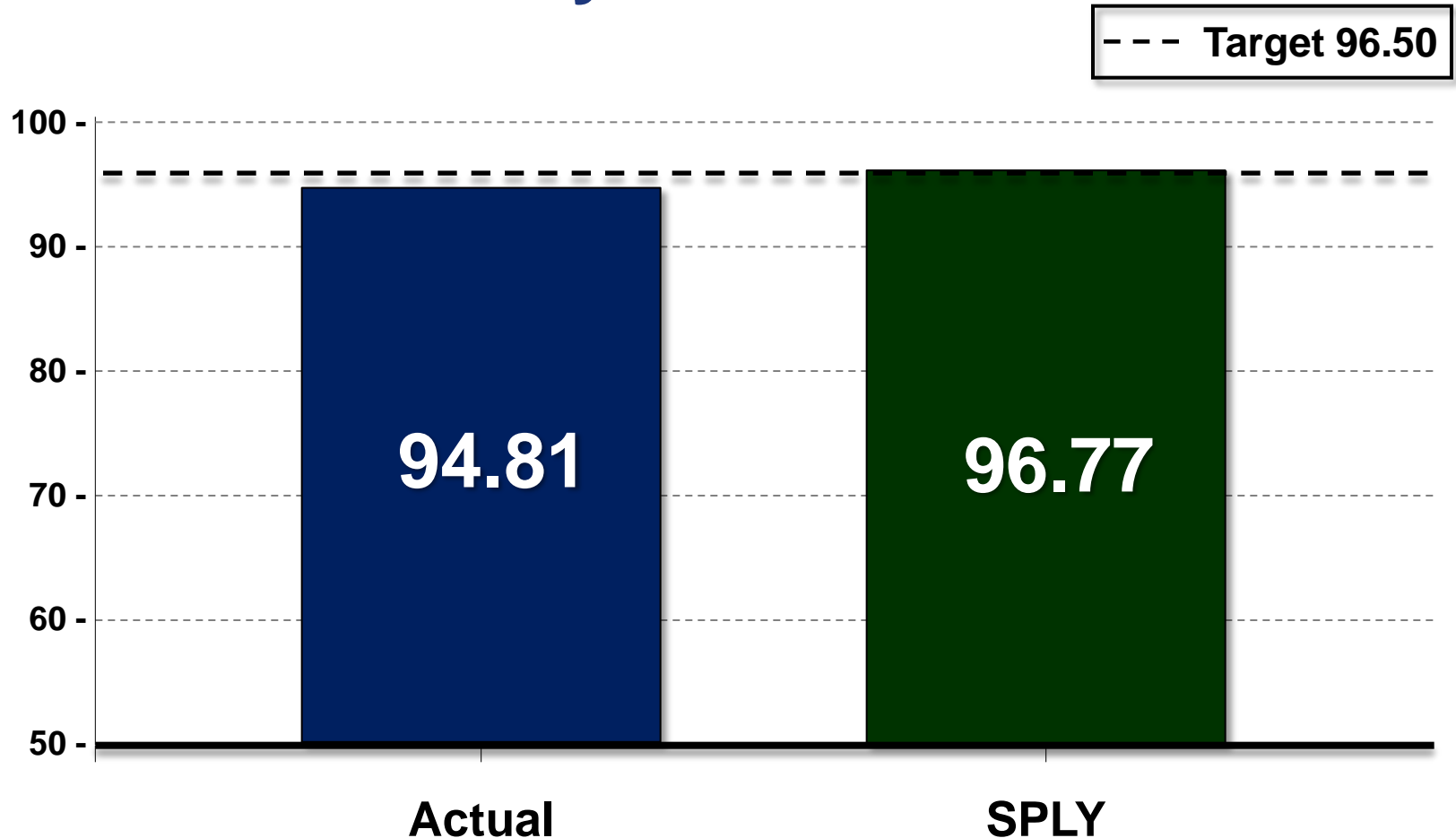
- ❑ Employee Commitment
- ❑ Leverage our Infrastructure
- ❑ Predictable Service

FIRST-CLASS MAIL SERVICE PERFORMANCE

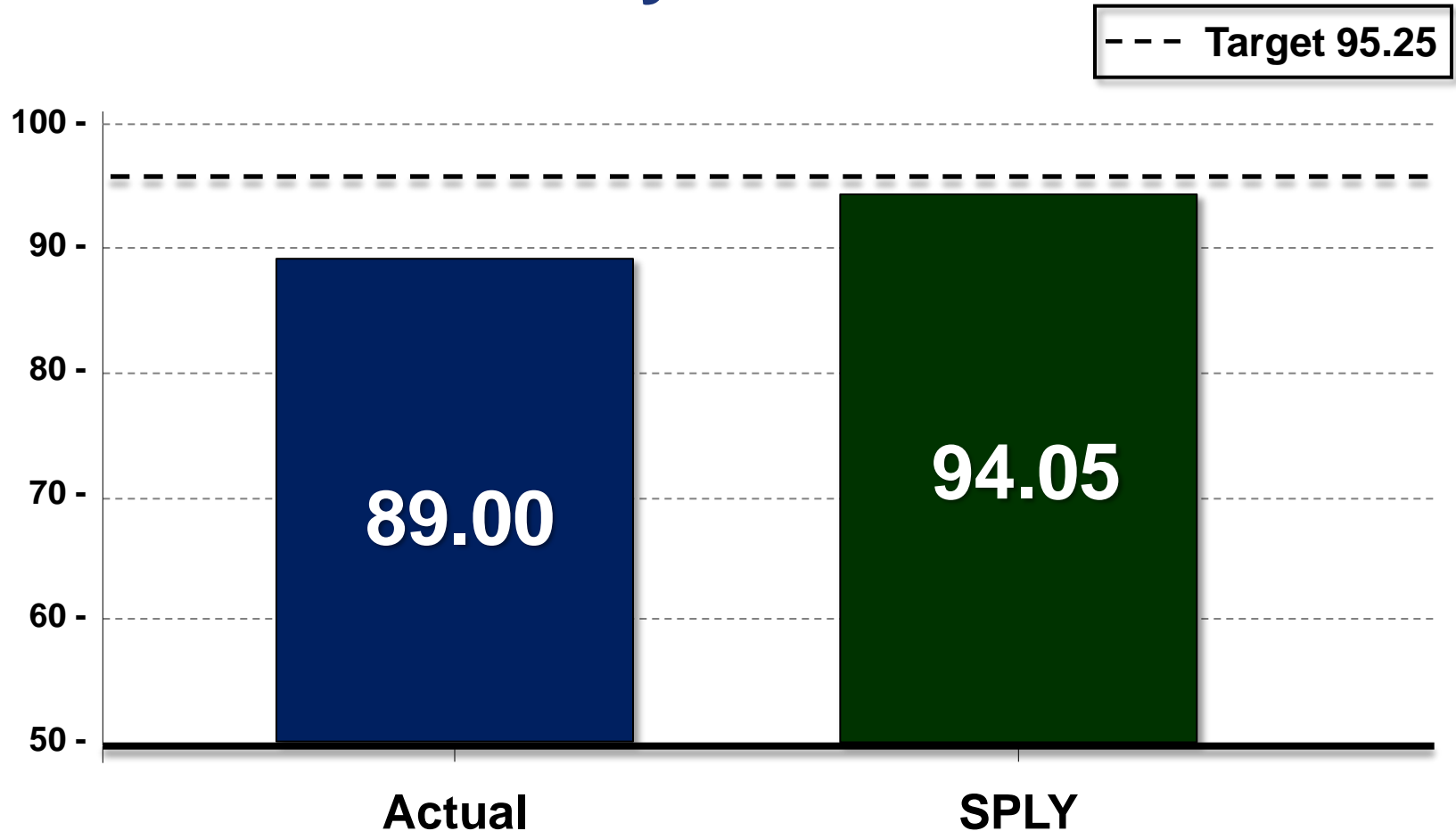
First-Class Overnight



First-Class 2-Day

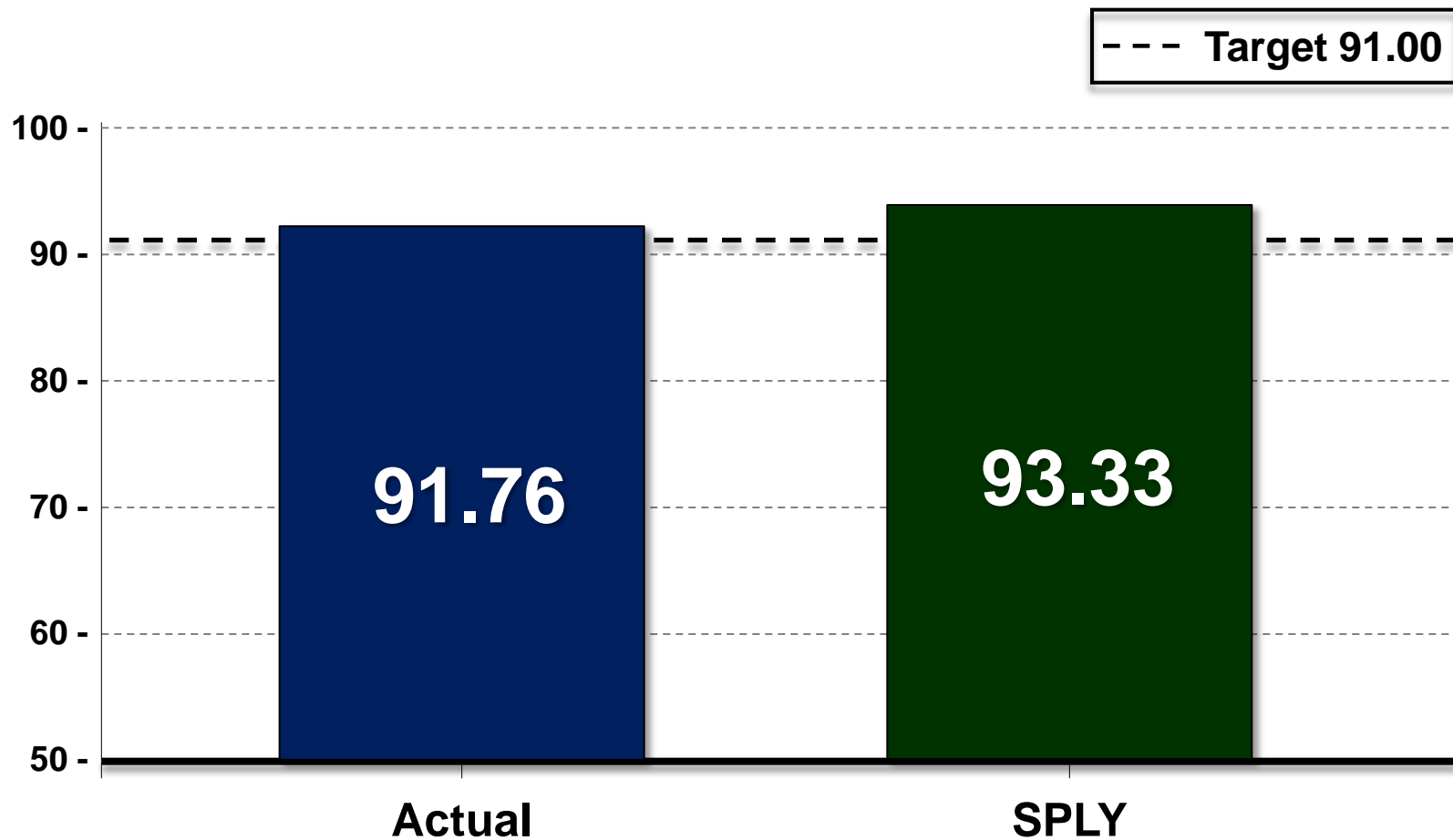


First-Class 3-5 Day



STANDARD MAIL SERVICE PERFORMANCE

Standard Mail Composite



- ☐ **Drive Process Improvement**
- ☐ **Employee and Industry Engagement**
- ☐ **Predictable Service**

