Fiscal Year 2024

Integrated Financial Plan

United States Postal Service

508-4/24/24-mh

EXECUTIVE SUMMARY

In fiscal year 2023,[1] Net Income (Loss) was $6.5 billion, compared to a planned loss of $4.5 billion. In addition to net loss, we track controllable loss, a non-GAAP measure, which is calculated by excluding certain expenses which are highly sensitive to changes in actuarial assumptions and management has little or no control over them in the short term. Controllable loss for 2023 was $2.3 billion, $2.8 billion worse than the planned $0.5 billion controllable income. This variance is primarily due to lower mail volume than planned, inflationary pressures, and efforts to improve service.

We currently plan for a net loss of $6.3 billion and a controllable loss of $0.8 billion in 2024. The table below shows our results for FY 2023 and our plan for FY 2024.

Statement of Operations

In Billions	FY2023 Actual	FY2023 Plan	FY2024 Plan
Total Revenue [1]	$ 79.3	$ 81.2	$ 81.7
Controllable Expenses [1,2]	81.6	80.7	82.5
Controllable Income [1,2]	**$ (2.3)**	**$ 0.5**	**$ (0.8)**
Workers' Comp. Fair Value Adj. and Other Non-Cash Adj.	0.9	-	-
FERS Unfunded Liabilities Amortization [3]	(2.1)	(1.9)	(2.3)
CSRS Unfunded Liabilities Amortization [3]	(3.0)	(3.1)	(3.2)
Net Income (Loss)[1]	**$ (6.5)**	**$ (4.5)**	**$ (6.3)**
Mail Volume (Pieces)	**116.1**	**120.9**	**107.2**

1 - September YTD FY2023 has one more delivery day and 0.75 less retail days than September FY2022. FY2023 actual interest income is $0.9B (FY2024 projection - $1.0B).
2 - Before Federal Employee Retirement System (FERS) and Civil Service Retirement System (CSRS) unfunded liability amortization payments and non-cash adjustments to w orkers' compensation liabilities. FY2023 actual interest expense is $0.4B (FY2024 projection - $0.6B).
3 - This represents the OPM amortization expense related to the FERS and CSRS unfunded liabilities.

[1] Unless otherwise stated, all references to years refer to the postal fiscal year, which runs from October 1 of the preceding calendar year to September 30. References to fiscal quarters refer to quarters of that year.

2024 OPERATING PLAN – VOLUME AND REVENUE

A. Volume

Volume, revenue, and expense projections take account of many factors, including multi-year trends in product sales, the impact of increased competition, planned price changes, projected rates of inflation, the expected rate of migration of hard-copy mail to digital media, and the expected state of the economy.

The 2024 IFP projects total mail and package volume of 107.2 billion pieces, a decline of 8.9 billion pieces (7.7%) from 2023.

Volume In Billions	FY2023 Actual	FY2024 Plan
First-Class Mail	46.0	43.5
Marketing Mail	59.4	53.2
Periodicals	3.0	2.7
Shipping and Packages	7.0	7.2
International	0.3	0.3
Other	0.4	0.3
Total Volume	**116.1**	**107.2**

We project a decline for First-Class Mail, reflecting the ongoing migration of communications and transactions out of First-Class Mail into electronic media. USPS Marketing Mail volume is also expected to decline as marketers continue to leverage technology to target customers and increase their investment in digital advertising at the expense of hard-copy media. Periodicals volume is expected to decline as newspaper and magazine readership continues to migrate to online media; while Market Dominant mail and periodical volumes are expected to decline, as shown in the revenue table below.

Package volume is expected to increase due to our aggressive efforts to grow our market share. Our network improvements and streamlined product line (including the launch of USPS Ground Advantage) are expected to result in improved service. Our sales team has been reorganized to capitalize on these advantages to grow our package business.

B. Revenue

Revenue in 2024 is expected to increase by $2.4 billion (3.0%) compared to 2023. This increase is the net impact of price increase for Market Dominant and Competitive products and decreasing volumes. Market dominant price increases use price cap authority based on CPI and additional price cap authority authorized by the Postal Regulatory Commission. This order added price authority related to our amortization expenses and declining mail density. Competitive product prices are set according to market forces.

Revenue from domestic mail products is expected to be flat in 2024. First-Class Mail revenue is expected to increase, Marketing Mail revenue is expected to decrease, and Periodicals revenue is expected to remain approximately the same.

Domestic shipping and package revenue is expected to account for approximately 41% of total revenues in 2024. Revenue from this category is expected to increase due to increased volume and modest price increases.

International mail revenue is expected to decrease slightly. Revenue from other products and services is expected to increase by about $0.4 billion (7.0%), primarily due to services and other miscellaneous revenue growth.

Revenue In Billions	FY2023 Actual	FY2024 Plan
First-Class Mail	$ 24.5	$ 25.0
Marketing Mail	15.1	14.6
Periodicals	0.9	0.9
Shipping and Packages	31.6	33.7
International	1.6	1.5
Other	5.6	6.0
Total Revenue	**$ 79.3**	**$ 81.7**

2024 OPERATING PLAN – WORK HOURS & EXPENSES

The 2024 IFP projects total work hours of 1,130 million, a reduction of 24 million (2.1%) compared to 2023, driven by initiatives to improve efficiency and by work hour management efforts in response to lower volumes. Controllable expenses are projected to increase by $0.9 billion (1.1%).

Expenses

(in billions)	FY2023 Actual	FY2024 Plan
Salaries and Benefits	$ 54.4	$ 55.1
FERS Normal Cost	4.8	5.0
Transportation	10.1	9.6
Depreciation	1.8	2.0
Supplies & Services	3.4	3.3
Rent / Utilities / Other	7.1	7.5
Controllable Expenses [1]	**$ 81.6**	**$ 82.5**
Workers' Comp. Fair Value and Other Non-Cash Adj.	(0.9)	-
FERS Unfunded Liabilities Amortization [2]	2.1	2.3
CSRS Unfunded Liabilities Amortization [2]	3.0	3.2
Total Non-Controllable Expenses	**4.2**	**5.5**
Total Expenses	**$ 85.8**	**$ 88.0**

1 - Before Federal Employee Retirement System (FERS) and Civil Service Retirement System (CSRS) unfunded liability amortization payments and non-cash adjustments to workers' compensation liabilities.
2 - This represents the OPM amortization expense related to the FERS and CSRS unfunded liabilities.

Compensation and benefits expenses are projected to increase by $0.7 billion (1.3%), despite the planned reduction in work hours. This is largely due to increased inflation projections, resulting in high cost of living adjustments (COLAs). This is due to contractual salary increases and efforts to stabilize our workforce by converting more pre-career employees to career status. FERS normal cost, which is based to total salaries, is projected to increase by $0.2 billion (4.2%).

Transportation expenses are expected to decrease by $0.5 billion (5.0%) in 2024. This planned reduction is a result of our more efficient transportation network, increased use of our cheaper and more efficient surface network and insourcing of transportation operations.

Consequently, we plan for a $0.1 billion (2.9%) decrease in supplies and services in 2024. Rent, utilities, and other expenses are projected to increase by $0.4 billion (5.6%). This is in part to support investments in infrastructure and modernization for the Delivering for America strategic plan. Rents will increase due to the acquisition of additional buildings to process packages more efficiently. Inflationary pressures are also expected to continue impacting these costs, especially for fuel, utilities, and parts.

2024 CAPITAL PLAN

A. Capital Investments - Commitments

The 2024 capital plan calls for capital commitments of $6.3 billion to modernize and improve our mail processing, transport, and delivery system. Capital commitments provide a view of future capital obligations that ultimately lead to cash outlays, often over a period of years.

Capital Commitments In Billions	5 - Year Avg. (2018-2022)	FY2022 Actual	FY2023 Plan	FY2023 Actual w/o IRA	FY2024 IFP (Previously Approved Continuing Programs)	FY2024 IFP (Requested New & Ongoing Programs)
Facilities	$0.8	$0.9	$2.3	$1.0	$1.8	$1.4
Processing Equipment	$0.5	$0.5	$1.6	$1.2	$0.0	$0.8
Vehicles	$1.1	$3.4	$3.1	$1.4	$1.6	$0.2
IT, Postal Support Equipment & Other	$0.2	$0.3	$0.5	$0.2	$0.0	$0.5
Total	**$2.6**	**$5.2**	**$7.4**	**$3.8**	**$3.5**	**$2.8**

Facilities investments are primarily for building improvements, which include repairs and alterations to aging buildings, and facility modifications that are necessary to accommodate current deficiencies and future operational needs. In addition, funds are included for construction and building purchases.

Investments in processing equipment are focused on increasing capacity, increasing productivity, and reducing operating costs through the focused deployment of new equipment, improving existing equipment, or upgrading obsolete components. These investments will also support service performance for mailers, shippers, and package services customers.

Investments in vehicles are used to replace existing vehicles that are well past their expected useful lives and to expand the delivery fleet to cover additional rural routes with Postal Service vehicles. The new vehicles will have better fuel efficiency, higher safety standards and lower maintenance costs than those they are replacing, which will result in cost savings and safer vehicles.

The planned commitment for information technology and Postal support equipment includes Cybersecurity-related investments, enhancements to mail scanning and tracking systems, systems updates, as well as upgrades and enhancements to computer hardware, servers, storage systems, and software development. The plan also includes modernization of information technology infrastructure, including payroll budget systems and transportation and logistics management.

B. Capital Investments - Cash Outlays

Capital cash outlays are expected to increase by $0.2 billion compared to 2023, based on the expected timing of 2024 commitments and outlays on previously committed programs.

Capital Outlays In Billions	5 - Year Avg. (2018-2022)	FY2022 Actual	FY2023 Plan	FY2023 Actual	FY2024 Base IFP
Facilities	$0.7	$0.6	$1.0	$1.0	$1.0
Processing Equipment	$0.4	$0.6	$0.2	$1.1	$0.2
Vehicles	$0.4	$0.4	$1.2	$0.7	$1.6
IT, Postal Support Equipment & Other	$0.2	$0.2	$0.4	$0.3	$0.4
Total	**$1.7**	**$1.8**	**$2.8**	**$3.0**	**$3.2**

2024 DEBT LIQUIDITY AND FINANCING PLAN

We ended 2023 with $21.6 billion in cash ($8.0 billion in unrestricted cash, $1.6 billion in restricted cash, and $12.0 billion in short-term investments) and $13.0 billion of debt.

Our liquidity position in 2024 will be greatly impacted by the state of the economy, the sustainability of the package volume surge that began in the second half of 2020, and the success of our revenue growth and expense management initiatives. We estimate our year-end 2024 total cash and short-term investments will be $15.8 billion, assuming that we make the estimated year-end lump sum payments of approximately $5.5 billion for CSRS and FERS.