



# ***FY2020 FINANCIAL UPDATE AS OF SEPTEMBER 30, 2019***

*PRESENTED BY:*

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Chief Financial Officer & Treasurer (CFO)

October 28, 2019

*Informational Update*



# OBJECTIVES



- REVIEW FINANCIAL RESULTS FORECAST
- REVIEW KEY DRIVERS IMPACTING FINANCIAL PERFORMANCE & METRICS
- HIGHLIGHT KEY FINANCIAL PROJECTS

# AGENDA



- **NET INCOME FORECAST**
- **NET INCOME KEY DRIVERS**
- **FLOW OF FUNDS & CAPITAL EXPENDITURES**
- **KEY FINANCIAL METRICS**
- **SUMMARY**

# NET INCOME

## SEPTEMBER FY 2020 FORECAST<sup>1</sup>



(in millions)	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast <sup>1</sup>	\$	%
<b>Description</b>				
<b>Revenue available for nonfuel expenses</b>				
Electric	\$ 2,392.1	\$ 2,445.3	\$ 53.2	2.2%
Gas	171.9	148.8	(23.1)	(13.4%)
<b>Total operating revenue</b>	<b>2,564.0</b>	<b>2,594.1</b>	<b>30.1</b>	<b>1.2%</b>
<b>Less:</b>				
Electric fuel, distribution gas & regulatory	925.9	871.5	54.4	5.9%
Payments to the City of San Antonio	343.9	345.1	(1.2)	(0.3%)
<b>Net operating revenue</b>	<b>1,294.2</b>	<b>1,377.5</b>	<b>83.3</b>	<b>6.4%</b>
Nonoperating revenue	53.6	57.2	3.6	6.7%
<b>Total revenue available for nonfuel expenses</b>	<b>1,347.8</b>	<b>1,434.7</b>	<b>86.9</b>	<b>6.4%</b>
<b>Nonfuel expenses</b>				
Operation & maintenance	673.7	661.8	11.9	1.8%
Depreciation, amortization & decommissioning	444.5	438.1	6.4	1.4%
Interest & debt-related	227.5	210.7	16.8	7.4%
<b>Total nonfuel expenses</b>	<b>1,345.7</b>	<b>1,310.6</b>	<b>35.1</b>	<b>2.6%</b>
<b>Net income</b>	<b>\$ 2.1</b>	<b>\$ 124.1</b>	<b>\$ 122.0</b>	<b>5809.5%</b>

### Highlights:

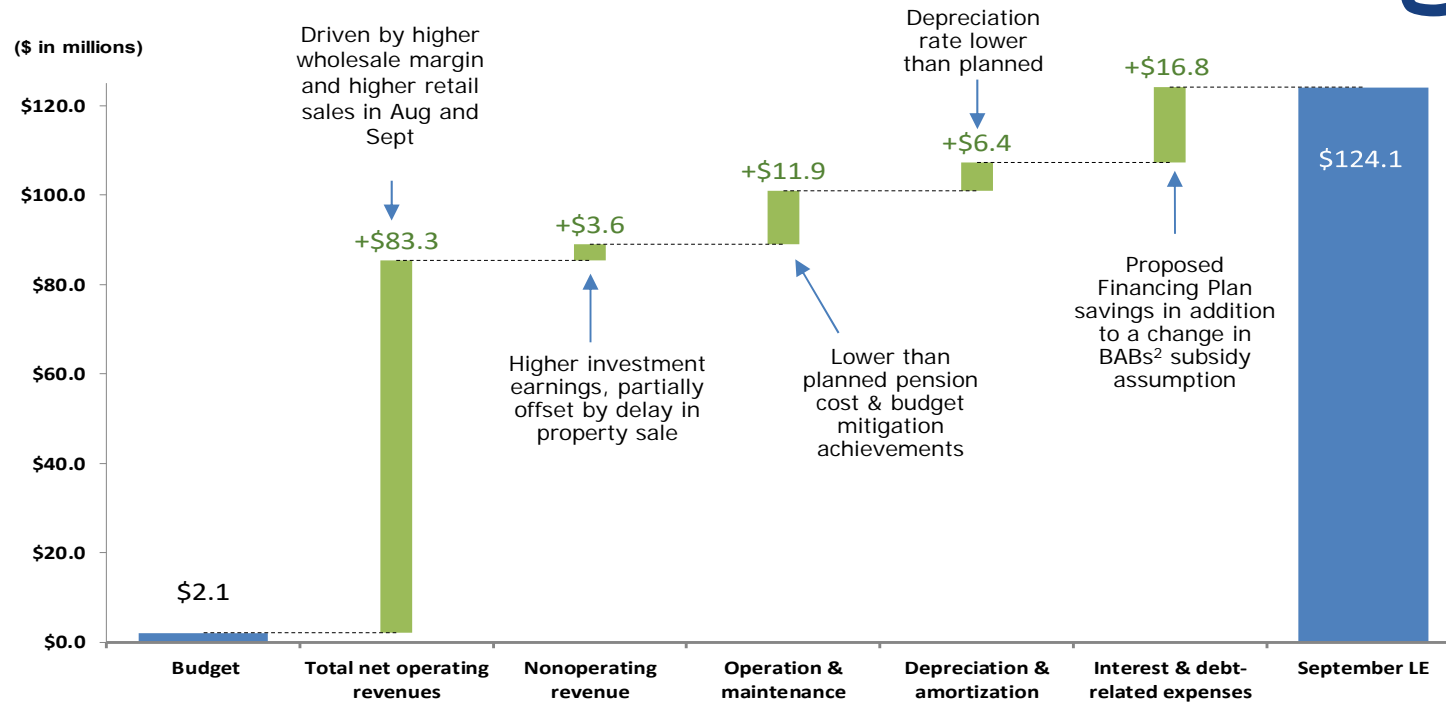
- **Net operating revenue** – Driven by higher net wholesale revenues and retail sales.
- **Nonoperating revenue** – Driven by increased fair value of investments and higher interest earnings, partially offset by a delay of property sale.
- **O&M** – Favorable due to lower than planned pension costs and achieved budget mitigations.
- **Depreciation** – Favorable due to lower average depreciation rate than planned.
- **Interest & debt-related** – Favorable primarily due to Financing Plan savings.

**Net income is forecasted to be favorable to budget due to higher wholesale margin, higher retail sales, lower than planned pension costs, O&M budget mitigations, and lower interest costs.**

<sup>1</sup> 8 months actual, 4 months forecast as of September 30, 2019

# NET INCOME KEY DRIVERS

## SEPTEMBER FY 2020 FORECAST<sup>1</sup>



Net income is forecasted to be favorable to budget due to higher wholesale margin, higher retail sales, lower than planned pension costs, O&M budget mitigations, and lower interest costs.

Favorable

Unfavorable

<sup>1</sup> 8 months actual, 4 months forecast as of September 30, 2019.

<sup>2</sup> BABs = Build America Bonds

# FLOW OF FUNDS & CAPITAL EXPENDITURES

## SEPTEMBER FY 2020 FORECAST<sup>1</sup>



(in millions) Description	FY 2020		Variance Fav (Unfav) Forecast to Budget	
	Budget	Forecast <sup>1</sup>	\$	%
Revenues, net of unbilled	\$ 2,599.0	\$ 2,604.2	\$ 5.2	0.2%
Less: city payment (CP) per flow of funds	343.9	345.1	(1.2)	(0.3%)
Revenues, net of unbilled & CP	2,255.1	2,259.1	4.0	0.2%
Less: fuel & regulatory expense	925.9	871.5	54.4	5.9%
Revenues, net fuel & regulatory	1,329.2	1,387.6	58.4	4.4%
Operation & maintenance	674.8	663.0	11.8	1.7%
Debt service	399.1	388.4	10.7	2.7%
Total expenses	1,073.9	1,051.4	22.5	2.1%
Total R&R fund additions	\$ 255.3	\$ 336.2	\$ 80.9	31.7%
Total capital expenditures	\$ 738.9	\$ 726.6	\$ 12.3	1.7%

### Highlights:

- **Revenues, net fuel & regulatory** – Favorable due to higher wholesale margin and higher retail sales, partially offset by lower fuel & regulatory recoveries.
- **O&M** – Favorable due to lower than planned pension costs and achieved budget mitigations.
- **Debt service** – Favorable due to Financing Plan savings.
- **Capital expenditures** – Favorable due to higher than planned external source funding and project deferrals.

**R&R Fund additions are projected to be favorable to budget due to higher wholesale margin, higher retail sales, lower than planned pension costs, O&M budget mitigations and interest cost savings.**

<sup>1</sup> 8 months actual, 4 months forecast as of September 30, 2019.

# KEY FINANCIAL METRICS

## SEPTEMBER FY 2020 FORECAST



Metric	Desired Direction	Prior Year	Forecast	Business Plan Threshold	Forecast v Business Plan Variance	Status
Adjusted Debt Service Coverage (ADSC)	↑	2.00	1.87	1.50	0.37	●
Days Cash on Hand (DCOH)	↑	246	268	150	118	●
Debt Capitalization (DC)	↓	61.8%	62.2%	60.0%	2.2%	●

### Highlights

- **ADSC** – Tracking to business plan threshold
- **DCOH** – Tracking to business plan threshold
- **DC** – Tracking slightly above business plan threshold

# SUMMARY



## Financial Health

- Strong Wholesale revenues, net of fuel in August
- Favorable Retail sales due to warmer weather in September
- Continued focus on capital and O&M optimization

## Update

- Refunded 2010 Build America Bonds on October 17
- Remarketing of 2015 Jr. Lien Bonds planned for November
  - Requesting Board approval at October 28 Board meeting
- FY21-25 Budget in progress
- Credit Ratings Meetings in December – S&P, Moody's & Fitch





*Thank You*

