

Financial Strategy Update

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Financial strategies

- Reserve balances strategy progress
- Transparency update
- Fiscal Year 2021 strategic budget guidance

Reserve balances strategy

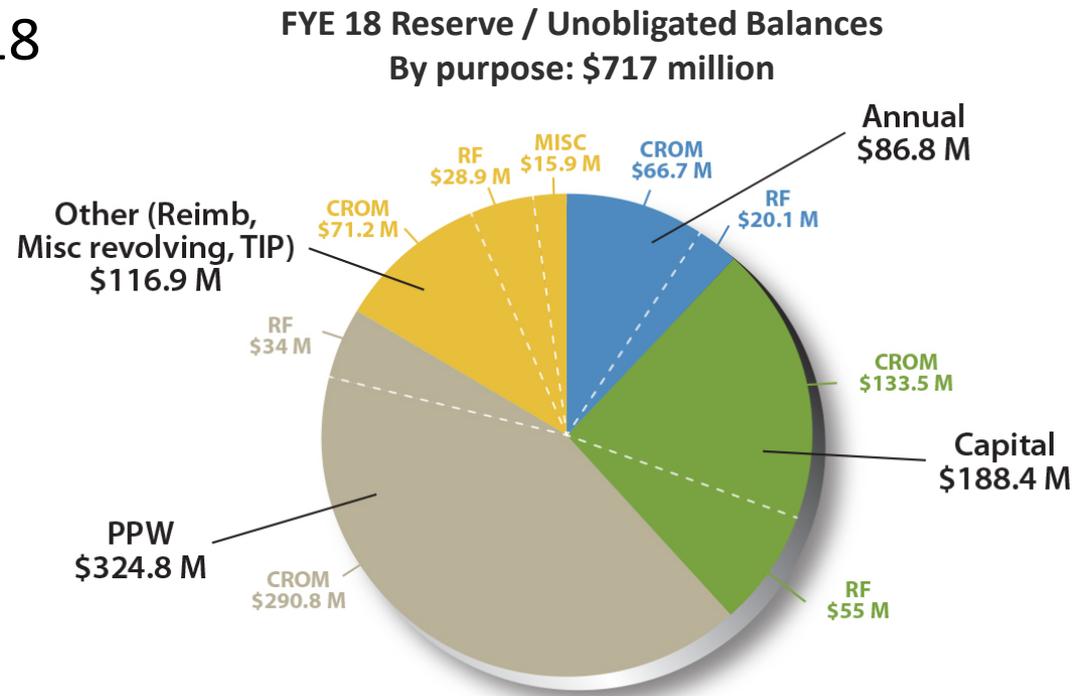
Sustainable funding tool in support of WAPA’s mission

	Annual O&M	Capital funding	Purchase power & wheeling
Example	Salaries, supplies and equipment	Building new transmission lines and related structures	Buying power on behalf of customers when water conditions require it
Purpose	Allows WAPA to sustain operations during emergencies, continuing resolutions or lapses in appropriations	Provides funding in advance of starting capital construction projects and flexibility with schedule / priority changes in collaboration with customers	Improves both WAPA and customer cash management, allowing for continued funding of critical capital construction and maintenance projects
Strategy	Retain 31% of annual funding need	Retain sufficient funding to cover up to 3 years of capital investments	Retain 3 years estimated funding during drought

Carrying reserve balances does not impact power rates

Fiscal year-end 2018 reserve balances summary of all accounts

- Strategy progress: 2016-18
 - Annual: Reduced ~ \$64M
 - Capital: Reduced ~ \$182M
 - PPW: Increased ~ \$142M
- Returns to U.S. Treasury Reclamation Fund
 - 2016: \$328M
 - 2017: \$338M
 - 2018: \$266M



Planned FYE 18 targets/actions CROM account strategies**

Program	FYE 18 Balance	Strategy Target
Annual O&M <ul style="list-style-type: none"> FY18 enacted budget authorized ~\$44M use of PY balance Target changes annually based on program year Use of PY balances through budget formulation as needed 	\$66.7M	\$68.5M
Capital <ul style="list-style-type: none"> Regions collaborate with customers on amount to retain Target changes annually based on rolling 10-year plans Returns to Treasury as needed 	\$133.5M	\$166.1M
Purchase Power & Wheeling <ul style="list-style-type: none"> Executed incremental increase of ~\$45M Reach target by FYE 2020 Requires solution to CBO budget authority “scoring” issue 	\$290.8M	\$393.0M

** Does not include CROM “Other,” CRBPMF, TIP, Falcon-Amistad, Emergency Fund

Transparency

- Created “The Source” in 2016
- Expanded financial data in May 2018
- Ongoing enhancements to capital and annual “work plan” reviews
- Programmatic insight



FY21 Administrator's budget guidance

- Investment drivers
- Assumptions / constraints

Read more:

[The Source – Budget Allocation](#)

Investment drivers



- Tactical Action Plan
- Strategic Target Areas
 - Mission-critical Customer Services in Evolving Industry
 - Asset Management 2.0
 - Grid Resilience
 - People and Organization

Assumptions / constraints

- Investment drivers must be offset
- FTE neutral
- Inflation at 2% for labor / non-labor
- Training and leadership development at 2% of payroll
- Increases over FY 2020 work plan require Administrator approval
- Physical security to meet risk assessments and remediation plans

Budget Timeline

