



**ENERGY
NORTHWEST**

General Business Unit (A&G) Fiscal Year 2012 Budget Review

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A&G Cost Definition

- ✦ Costs not Specific to a Business Unit
- ✦ Four Separate Allocation Pools
 1. Employee Benefits
 2. Organizational Overhead
 3. Corporate Programs
 4. General Purpose Projects

FY 2012 A&G Budget Compared to FY 2011 Long Range Plan

(Dollars in Thousands)

| <u>Description</u> | FY 2012 | FY 2011 LRP | <u>Variance</u> |
|--------------------------|-------------------|-------------------------------|-----------------|
| | <u>Budget (1)</u> | <u>for FY 2012 Budget</u> | |
| Corporate Programs | \$ 13,408 | \$ 13,458 | \$ (50) |
| Employee Benefits | 56,517 | 53,888 | 2,629 |
| Organizational Overhead | 8,300 | 5,239 | 3,061 |
| General Purpose Projects | 1,968 | 2,312 | (344) |
| Total Cost | \$ 80,193 | \$ 74,897 | \$ 5,296 |

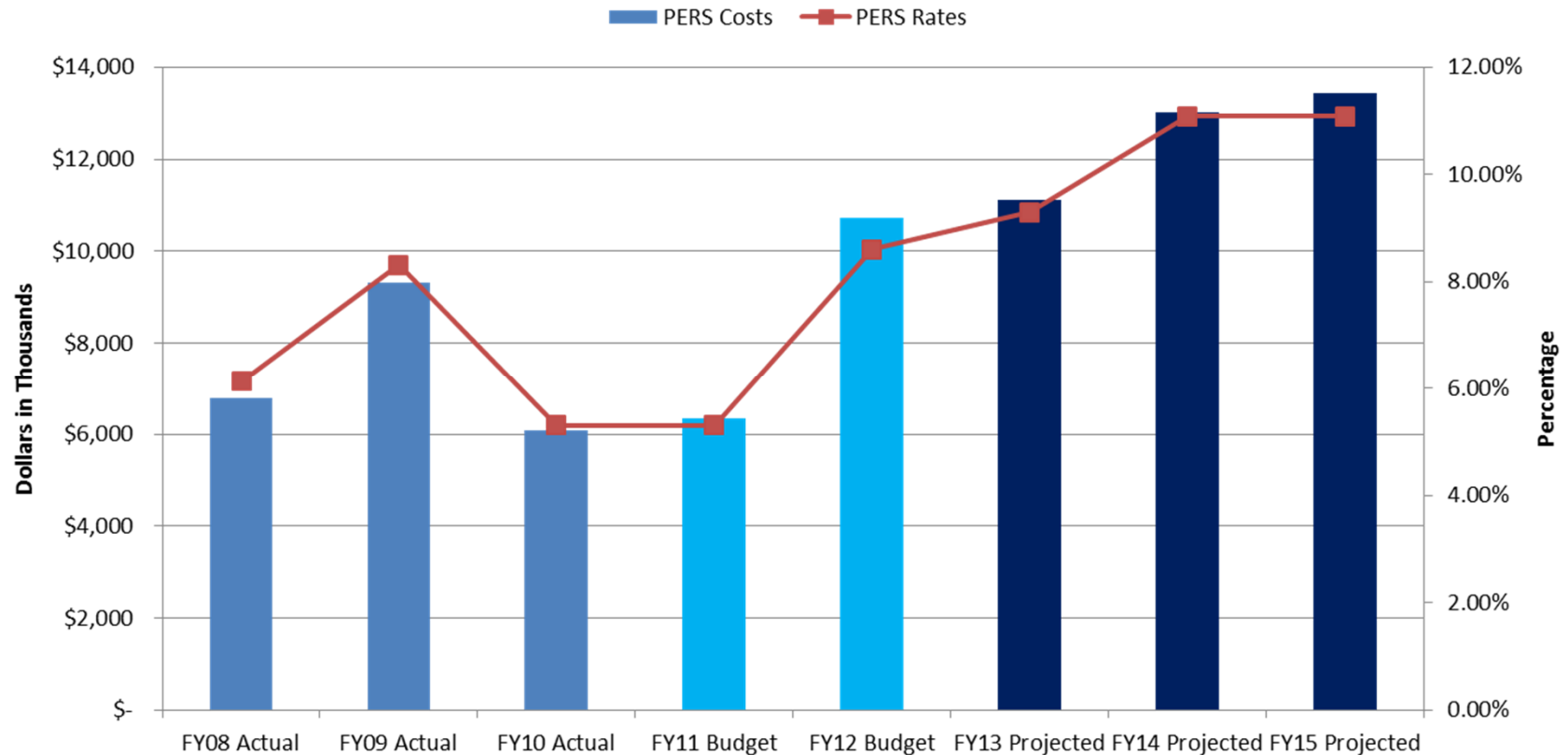
(1) General Business Unit tab, Table 1, Page 4

FY 2011 LRP amounts have been adjusted for comparison purposes.

Reconciliation of FY 2012 to FY 2011 LRP

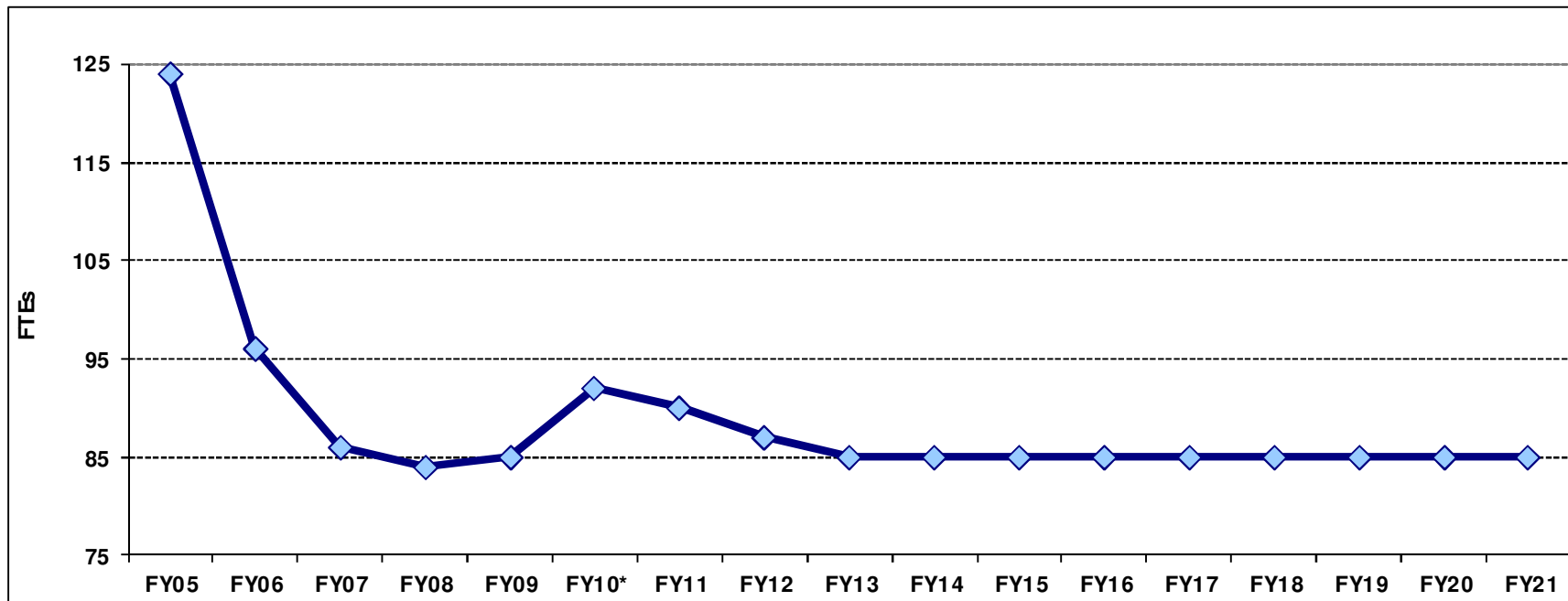
| | | |
|---------------------------------------|----------|-------------------------|
| FY 2008 LRP for FY 2012 | | \$ 74,897 |
| At-Risk Compensation Supv | \$ 1,000 | |
| New 457f retentions | 1,000 | |
| PERS Rate Changes | 3,500 | |
| Misc Benefits/Other | (457) | |
| Total Change | | <u>5,043</u> |
| FY 2009 LRP for FY 2012 | | \$ 79,940 |
| Staff increase 37-related benefits | \$ 1,400 | |
| Flex Benefits Increases | 1,250 | |
| 401k match increase | 1,000 | |
| Misc Benefits/Other | (388) | |
| Total Change | | <u>3,262</u> |
| FY 2010 LRP for FY 2012 | | \$ 83,202 |
| Relocations | \$ (490) | |
| ITPRC Capital | (54) | |
| PERS Rate Changes | 408 | |
| Misc Benefits/Other | 206 | |
| Total Change | | <u>70</u> |
| FY 2011 LRP for FY 2012 | | \$ 83,272 |
| Staffing reduction impact to benefits | \$ (639) | |
| FY12 reductions-baseline | (1,167) | |
| IT capital reduction | (1,338) | |
| PERS Rate Changes | 462 | |
| Risk Reserve Reduction | (300) | |
| Inflation reduction/other | (97) | |
| Total Change | | <u>(3,079)</u> |
| FY 2012 Budget | | <u>\$ 80,193</u> |

Historical/Projected State Retirement Costs



Note: FY13-FY15 Projected includes a 3.5% inflation rate each year

Corporate Programs Long Range Staffing Plan



*Increase in FY10 FTEs was due to Strategic Communications Plan and EMS

FY08 target of 85 was established by MCR benchmarking effort

A&G Budget Summary

(Dollars in Thousands)

| Program | FY 2012 Budget | Original FY 2011 Budget | Variance |
|--------------------------|---------------------------|--|-----------------|
| Corporate Programs | \$ 13,408 | \$ 14,077 | \$ (669) |
| Employee Benefits | 56,517 | 51,316 | 5,201 |
| Organizational Overhead | 8,300 | 7,180 | 1,120 |
| General Purpose Projects | 1,968 | 3,694 | (1,726) |
| | \$ 80,193 | \$ 76,267 | \$ 3,926 |
| Outage | - | 1,789 | (1,789) |
| Total Cost | \$ 80,193 | \$ 78,056 | \$ 2,137 |

Budget Book Reference: General Business Unit tab, Table 1 Page 4

Budget Assumptions

- ✦ Estimating a 16% Increase to Medical Benefits Starting in 2nd Half of Fiscal Year
- ✦ Merit Escalation of 3% for 75% of the Year
- ✦ PERS Rate @ 8.61%, Up 3.3%
- ✦ At Risk Compensation @ 70% Payout

FY 2012 A&G Budget Variances

- ✦ Corporate Staffing Down 3 Positions
- ✦ State Retirement Increased \$4.2 Million
- ✦ At Risk Compensation Increased \$1.8 Million (70% Non-outage vs. 50% Outage)
- ✦ Tuition and Relocation Reduced \$610K
- ✦ IT Capital Reduced \$1.7 Million
- ✦ Reduced Risk Reserves

A&G Budget Summary

(Dollars in Thousands)

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Budget Book Reference: General Business Unit tab, Table 1 Page 4

Corporate Program Functions

- ✦ Information Technology
- ✦ Accounting & Finance
- ✦ Human Resources
- ✦ Legal
- ✦ Insurance
- ✦ CEO/Executive Staff
- ✦ Public Affairs
- ✦ Board Relations
- ✦ Environmental Management System

Corporate Programs by Organization

(Dollars in Thousands)

| | 2012 Budget | Original FY 2011 Budget | Variance |
|----------------------|-----------------|-------------------------------|-----------------|
| Information Services | \$ 4,980 | \$ 4,960 | \$ 20 |
| Public Affairs | 2,284 | 2,380 | (96) |
| Finance | 1,811 | 1,820 | (9) |
| Human Resources | 1,772 | 1,805 | (33) |
| Senior Management | 1,766 | 2,045 | (279) |
| Other | 421 | 524 | (103) |
| Legal | 374 | 293 | 81 |
| Risk Reserve | - | 250 | (250) |
| Total | \$13,408 | \$14,077 | \$ (669) |

Budget Book Reference: General Business Unit tab, Table 2, Page 5

Corporate Programs Key Changes

(Dollars in Thousands)

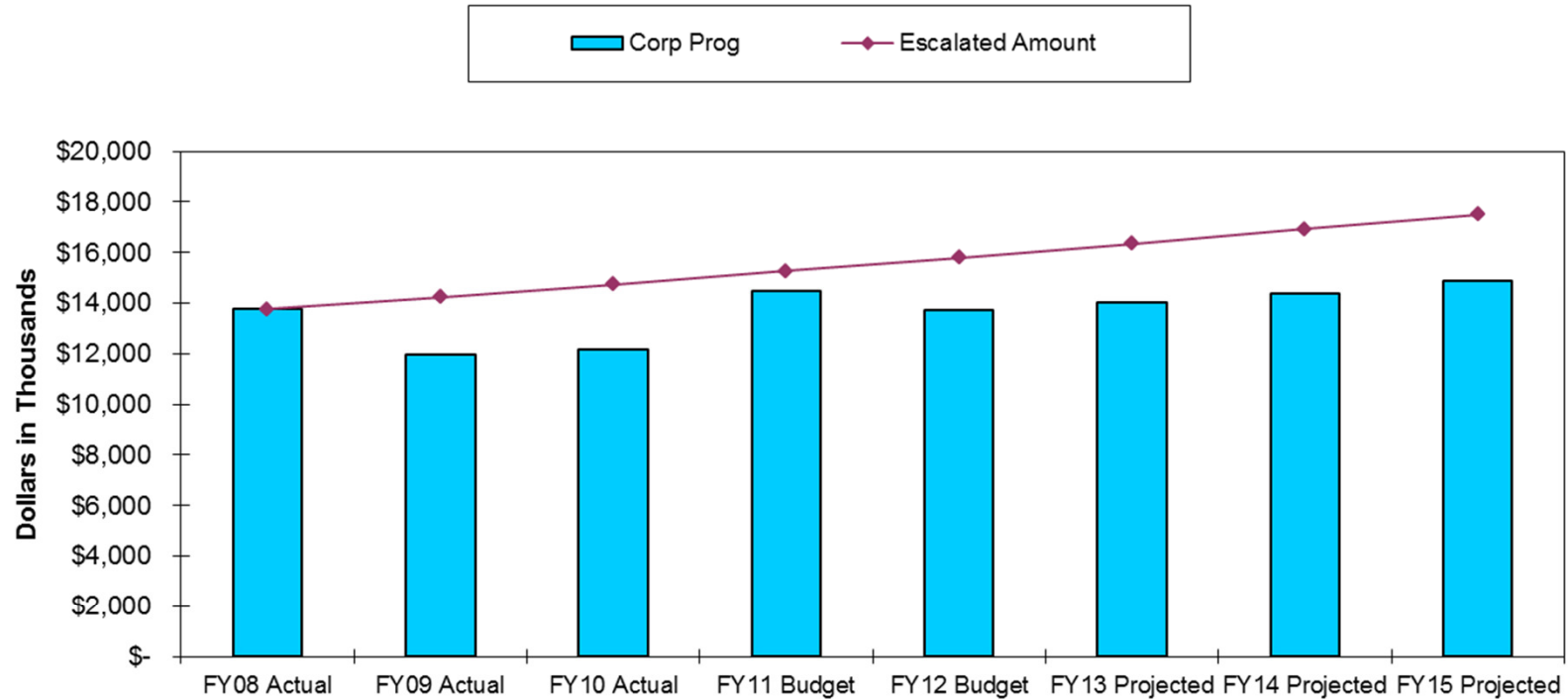
| | |
|---|-----------------|
| Labor Escalation offset by 3 less positions | \$ - |
| Reduced Temp Labor and Overtime | (30) |
| Direct Labor Decrease | (55) |
| Reduced Materials and Supplies | (81) |
| Reduced Insurance | (85) |
| Reduced Outside Services | (88) |
| Reduced Risk Reserve/Other | (163) |
| Reduced Travel/Training | (167) |
| Total Change | \$ (669) |

Corporate Programs/ITPRC Full Time Equivalent Positions

| | FY 2012 | Original FY 2011 | |
|----------------------|-----------|---------------------|------------|
| | Budget | Budget | Variance |
| Information Services | 29 | 30 | (1) |
| Finance | 16 | 16 | - |
| Human Resources | 16 | 16 | - |
| Public Affairs | 11 | 12 | (1) |
| Senior Management | 5 | 6 | (1) |
| Other | 10 | 10 | - |
| Total | 87 | 90 | (3) |

Budget Book Reference: General Business Unit tab, Table 2A, Page 5

Corporate Programs Historical Graph



Note: Escalated Amount is calculated by taking the FY08 Actual Costs and increasing by 3.5% per year vs. 1.0% real increase.

A&G Budget Summary

(Dollars in Thousands)

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| General Purpose Projects | 1,968 | 3,694 | (1,726) |
| | \$ 80,193 | \$ 76,267 | \$ 3,926 |
| Outage | - | 1,789 | (1,789) |
| Total Cost | \$ 80,193 | \$ 78,056 | \$ 2,137 |

Budget Book Reference: General Business Unit, Table 1 Page 4

Employee Benefits

✧ Medical Benefits Program (Health & Welfare)

- Medical, Dental, Vision
- Life Insurance
- ST/LT Disability

✧ Retirement Programs

- Employer FICA Contribution
- State Retirement - PERS
- Employer 401(k) Match

✧ Personal Time/Holidays

✧ Other

- Bargaining Unit VEBA Contribution
- Unemployment/Worker's Compensation

Benefit Highlights

- ✦ Higher State Retirement Rate (8.61%)
- ✦ Lower Benefits due to Reduction in 48 Full Time Equivalents
- ✦ Estimating a 16% Increase to Medical Benefits in 2nd Half of Fiscal Year
- ✦ Risk Reserve at \$0.45 Million
- ✦ Maintained Benefit Attrition at 35 Positions

Employee Benefit Costs

(Dollars in Thousands)

| Description | FY 2012 | Original FY 2011 | Variance |
|-------------------------------|-------------------------|-------------------------|------------------------|
| | Budget | Budget | |
| Medical Benefits | \$ 15,091 | \$ 14,170 | \$ 921 |
| F.I.C.A. | 8,371 | 8,335 | 36 |
| Retirement: | | | |
| WA PERS Contribution | 10,731 | 6,501 | 4,230 |
| 401k Match | 3,565 | 3,465 | 100 |
| Personal Time/Holidays | 15,595 | 15,464 | 131 |
| Unemployment/Disability/Other | 3,164 | 3,381 | (217) |
| | <u>\$ 56,517</u> | <u>\$ 51,316</u> | <u>\$ 5,201</u> |
| Outage | - | 1,789 | (1,789) |
| Total | <u>\$ 56,517</u> | <u>\$ 53,105</u> | <u>\$ 3,412</u> |

Budget Book Reference: General Business Unit tab, Table 3, Page 6

Employee Benefits Key Changes

(Dollars in Thousands)

| | |
|---|-----------------|
| PERS Rate Increase | \$ 4,230 |
| Medical Benefits Increase | 921 |
| Unemployment Rate Increase | 87 |
| Interest Income Decrease on PTB Account | 97 |
| Other/PTB Decrease | (134) |
| | <hr/> |
| | \$ 5,201 |
| Outage Overtime/Temp Decrease | (1,789) |
| | <hr/> |
| Total Change | \$ 3,412 |

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Budget Book Reference: General Business Unit tab, Table 1 Page 4

Organizational Overhead

(Dollars in Thousands)

| Description | FY 2012 Budget | Original FY 2011 Budget | Variance |
|---|---------------------------|--|-----------------|
| At-Risk Compensation/Retention/ Employee Recognition | \$ 6,033 | \$ 4,424 | \$ 1,609 |
| Relocation | 1,102 | 1,462 | (360) |
| Indirect Labor | 692 | 563 | 129 |
| Tuition | 473 | 731 | (258) |
| Total | \$ 8,300 | \$ 7,180 | \$ 1,120 |

Budget Book Reference: General Business Unit tab, Table 4, Page 7

A&G Budget Summary

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Budget Book Reference: General Business Unit tab, Table 1 Page 4

General Purpose Projects

(Dollars in Thousands)

| <u>Description</u> | <u>FY 2012 Budget</u> | <u>Original FY 2011 Budget</u> | <u>Variance</u> |
|---------------------------------------|---------------------------|--|-------------------|
| <u>Capital Projects</u> | | | |
| Information Technology | \$ 1,990 | \$ 3,626 | \$ (1,636) |
| <u>Expense Projects</u> | | | |
| Information Technology | \$ - | \$ - | \$ - |
| CDC - Downtown Buildings | (22) | 68 | (90) |
| Total Expense Projects | (22) | 68 | (90) |
| Total General Purpose Projects | \$ 1,968 | \$ 3,694 | \$ (1,726) |

Budget Book Reference: General Business Unit, Table 5, Page 8

Corporate IT Projects

(Dollars in Thousands)

| | <u>Amount</u> |
|--------------------------|------------------------|
| PeopleSoft Financials | \$ 905 |
| PS Person Model | 330 |
| Electronic Archive | 325 |
| Storage Life Cycle | 240 |
| Workstation Life Cycle | 130 |
| PC Replacement Equipment | 60 |
| Total | <u><u>\$ 1,990</u></u> |

Basis for Risk Reserve

- ✦ Exceeding At-Risk Compensation Estimate
- ✦ Higher Workers' Compensation Claims
- ✦ General Employee Legal Matters
- ✦ Performance Audit for Executive Board
- ✦ Higher Medical Costs
- ✦ Higher Insurance Premiums