

# **Fiscal Year 2016 General Business Unit Annual Budget**



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### Summary

Presented within the General Business Unit Fiscal Year 2016 budget are the costs for Benefits, Corporate Programs, Organizational Overhead and General Purpose Projects.

The total Fiscal Year 2016 General Business Unit cost is estimated to be \$96,043,000 (Table 1).

Corporate Program costs and staffing are shown separately to identify the services being provided to each business unit as opposed to employee related benefits. Fiscal Year 2016 Corporate costs are estimated to be \$14,945,000 (Table 2).

Benefits which include health care, personal time/holidays, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other related costs are estimated to be \$64,901,000 (Table 3).

Organizational Overhead which includes at-risk compensation, tuition and relocation reimbursements as well as other related costs is estimated to be \$12,249,000 (Table 4).

General Purpose Projects are composed of Corporate IT Projects and the Capital Development Corporation (CDC) facility. The Corporate IT Projects are estimated to be \$4,044,000 (Table 5). The CDC facility is estimated to have \$337,000 in revenue and \$241,000 in costs for a net income of \$96,000 (Table 5). The CDC facility estimated net income of \$96,000 (Table 8) will be deposited into the Performance Fee Account.

The General Business Unit costs are allocated to each Business Unit as explained on page 10. Also, the allocation process is depicted in a diagram on Table 7.

The Performance Fee account has been established for the purpose of depositing monies related to fees earned by Energy Northwest. Monies within this account are used to fund start-up expenses related to Business Development Fund projects, and for other purposes as directed by the Chief Executive Officer (Table 8).

The Fiscal Year 2015 Budget has been adjusted to reclassify certain costs for comparison purposes to the Fiscal Year 2016 Budget.

**Table 1**  
**Summary of Costs**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2016</u> <u>Budget</u>	<u>Original</u> <u>FY 2015</u> <u>Budget</u>	<u>Variance</u>
Corporate Programs	\$ 14,945	\$ 14,765	\$ 180
Benefits/Personal Time	64,901	61,277	3,624
Organizational Overhead	12,249	11,312	937
General Purpose Project - O&M	(96)	89	(185)
<b>Total O&amp;M Costs</b>	<b>\$ 91,999</b>	<b>\$ 87,443</b>	<b>\$ 4,556</b>
 General Purpose Project - Capital	 \$ 4,044	 \$ 4,532	 \$ (488)
 <b>Total Costs</b>	 <b>\$ 96,043</b>	 <b>\$ 91,975</b>	 <b>\$ 4,068</b>

**Table 2**  
**Corporate Program Costs**  
(Dollars in Thousands)

<u>Description</u>	FY 2016	Original	Variance
	Budget	FY 2015 Budget	
Information Services	\$ 5,668	\$ 5,415	\$ 253
Public Affairs	2,535	2,279	256
Asset Management	1,689	1,626	63
Human Resources	1,433	1,635	(202)
Senior Management	1,307	1,449	(142)
Finance/Treasury	1,038	903	135
Legal	625	634	(9)
Records Information Management	247	119	128
Training	206	319	(113)
Environmental & Regulatory Programs	183	252	(69)
Other	14	134	(120)
<b>Total</b>	<b>\$ 14,945</b>	<b>\$ 14,765</b>	<b>\$ 180</b>

**Table 2A**  
**Corporate Program Full Time Equivalent Positions**

<u>Description</u>	FY 2016	FY 2015	Variance
	Budget	Budget	
Information Services	29	30	(1)
Finance/Asset Management	17	14	3
Human Resources	12	13	(1)
Public Affairs	10	7	3
Senior Management	3	4	(1)
Legal	4	4	-
Environmental & Regulatory Programs	2	3	(1)
Records Information Management	2	1	1
Training	-	1	(1)
Other	1	2	(1)
<b>Total</b>	<b>80</b>	<b>79</b>	<b>1</b>

**Table 3**  
**Employee Benefit Costs**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2016</u> <u>Budget</u>	<u>Original</u> <u>FY 2015</u> <u>Budget</u>	<u>Variance</u>
Medical Benefits	\$ 16,753	\$ 15,913	\$ 840
F.I.C.A.	9,090	8,853	237
Retirement:			
WA PERS Contribution	15,201	12,382	2,819
401(k) Match	3,517	3,407	110
Personal Time/Holidays	17,260	16,136	1,124
Unemployment/Disability/Other	3,080	2,982	98
<b>Subtotal</b>	<b>\$ 64,901</b>	<b>\$ 59,673</b>	<b>\$ 5,228</b>
Outage	\$ -	\$ 1,604	\$ (1,604)
<b>Total</b>	<b>\$ 64,901</b>	<b>\$ 61,277</b>	<b>\$ 3,624</b>

**Table 4**  
**Organizational Overhead**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2016</u> <u>Budget</u>	<u>Original</u> <u>FY 2015</u> <u>Budget</u>	<u>Variance</u>
At-Risk Compensation/Retention/ Employee Recognition	\$ 10,960	\$ 9,491	\$ 1,469
Indirect Labor	564	824	(260)
Relocations	525	780	(255)
Tuition	<u>200</u>	<u>217</u>	<u>(17)</u>
<b>Total</b>	<b><u>\$ 12,249</u></b>	<b><u>\$ 11,312</u></b>	<b><u>\$ 937</u></b>

**Table 5**  
**General Purpose Projects**  
(Dollars in Thousands)

<u>Description</u>	<u>FY 2016 Budget</u>	<u>Original FY 2015 Budget</u>	<u>Variance</u>
<b><u>Capital Projects</u></b>			
Information Technology (1)	\$ 4,044	\$ 4,532	\$ (488)
<b>Total Capital Projects</b>	<b>\$ 4,044</b>	<b>\$ 4,532</b>	<b>\$ (488)</b>
<b><u>Expense Projects</u></b>			
Information Technology (1)	\$ -	\$ -	\$ -
CDC - Downtown Building (2)	(96)	89	(185)
<b>Total Expense Projects</b>	<b>(96)</b>	<b>89</b>	<b>(185)</b>
<b>Total General Purpose Projects</b>	<b>\$ 3,948</b>	<b>\$ 4,621</b>	<b>\$ (673)</b>

- (1) Information Technology costs are managed centrally within Energy Northwest for the benefit of all Business Units. Items must have a useful life greater than one year, and have a procurement cost of greater than \$1,000. Internally developed software projects must be greater than \$250,000 to be capitalized.
- (2) CDC Building is an asset of the General Business Unit and is revenue producing. The net revenues or losses are transferred to the Performance Fee Account.



**Table 6**  
**Business Unit Allocation of Costs**  
(Dollars in Thousands)

<b><u>Business Unit Allocations (Dollars)</u></b>	<b>FY 2016</b>	<b>Original</b>	<b>Variance</b>
	<b>Budget</b>	<b>FY 2015</b>	
	<b>Budget</b>	<b>Budget</b>	
Project 1	\$ 323	\$ 255	\$ 68
Columbia	87,865	87,617	248
Project 3	62	59	3
Packwood	336	303	33
Nine Canyon Wind Project	786	781	5
Business Development Fund	2,586	2,680	(94)
<b>Total Allocations</b>	<b><u>\$ 91,958</u></b>	<b><u>\$ 91,695</u></b>	<b><u>\$ 263</u></b>

<b><u>Business Unit Allocations (Percentages)</u></b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>Variance</b>
	<b>Budget</b>	<b>Budget</b>	
	<b>Budget</b>	<b>Budget</b>	
Project 1	0.35%	0.28%	0.07%
Columbia	95.55%	95.55%	0.00%
Project 3	0.07%	0.06%	0.01%
Packwood	0.37%	0.33%	0.04%
Nine Canyon Wind Project	0.85%	0.85%	0.00%
Business Development Fund	<u>2.81%</u>	<u>2.93%</u>	<u>(0.12%)</u>
<b>Total Allocations</b>	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>	<b><u>0.00%</u></b>

**Note:**

Total Business Unit Allocation dollars shown exclude CDC/Other non-allocated costs, thus, will not agree with Table 1.

### **Overview of Indirect Cost Pools**

Energy Northwest makes use of four indirect cost pools. Allocation of these pools is conducted in four sequential steps. A graphical depiction of allocation steps are provided on the following page (Table 7).

#### **Step 1 - Employee Benefits (Resource Category 703)**

All costs incurred by Energy Northwest for medical and dental benefits, employer portion of social security and Washington State Employees' Retirement System, 401(k) matching, and other costs associated with employee wellness. Employee benefit costs are allocated to business units and other intermediate cost pools based on regular labor costs. Overtime, temporary and special pay costs receive a reduced rate.

#### **Step 2 – Personal Time (Resource Category 701)**

All costs of labor while employees are on Personal Time (e.g., vacation, holiday, sick, etc.) and a pro rata allocation of employee benefits. These costs are allocated to business units and other intermediate cost pools based on regular labor costs.

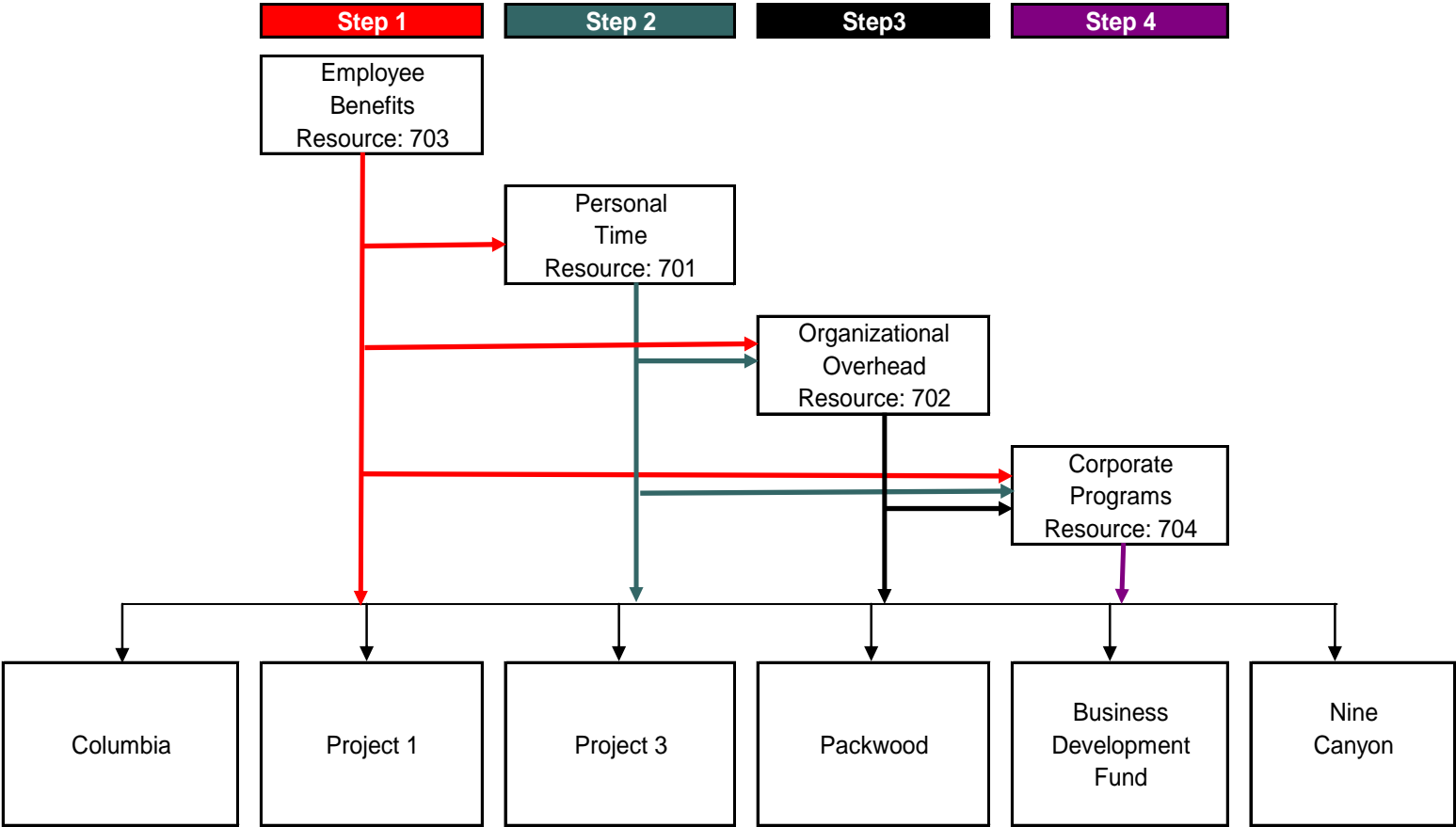
#### **Step 3 – Organizational Overhead (Resource Category 702)**

Contains costs for education reimbursement, new employee relocation, employee labor supporting corporate sponsored initiatives and labor costs determined when goals are evaluated. Also, included is a pro rata allocation of employee benefits and personal time. These costs are allocated to business units and the Corporate Programs cost pool based on regular labor costs.

#### **Step 4 – Corporate Programs (Resource Category 704)**

Contains all costs associated with management of Energy Northwest's corporate activities. These costs include costs of finance, legal, administration, human resources, procurement, and information technology. Also, included is a pro rata allocation of employee benefits, personal time, and Organizational Overhead. These costs are allocated over Total Operating and Capital costs.

**Table 7**  
**Indirect Cost Allocation Diagram**



**Table 8**  
**Performance Fee Account**  
**Statement of Funding Requirements**  
(Dollars in Thousands)

	FY 2016 Budget	Original FY 2015 Budget	Variance
<b><u>Beginning Balance</u></b>	<b><u>\$ 4,450</u></b>	<b><u>\$ 4,440</u></b>	<b><u>\$ 10</u></b>
<b><u>Use of Funds</u></b>			
Transfer to Bus Dev Fund (BDF)	\$ -	\$ -	\$ -
<b>Total Use of Funds</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b><u>Source of Funds</u></b>			
CDC Margin	\$ 96	\$ (99)	\$ 195
Transfer from BDF	-	-	-
Investment Income	<u>9</u>	<u>9</u>	<u>-</u>
<b>Total Funding Sources</b>	<b><u>\$ 105</u></b>	<b><u>\$ (90)</u></b>	<b><u>\$ 195</u></b>
<b>Ending Balance (1)</b>	<b><u>\$ 4,555</u></b>	<b><u>\$ 4,350</u></b>	<b><u>\$ 205</u></b>

(1) Internal policy allows portions of the Performance Fee account balance to be either transferred or encumbered by other Business Units.