

NCPA Operating Budget for FY16/17 Process, Directions and Overview



Facilities Committee Meeting
February 17, 2016

Budget Process & Timeline



- Receive Commission Direction in October



- November/December
- Management review in January



- Facilities Committee (January, February, April (if needed))
- Lodi Energy Center Participants Committee (February, March, April)
- Legislative and Regulatory Committee (February)
- Utility Directors (March Retreat, April meeting)
- Commission Preview (March)



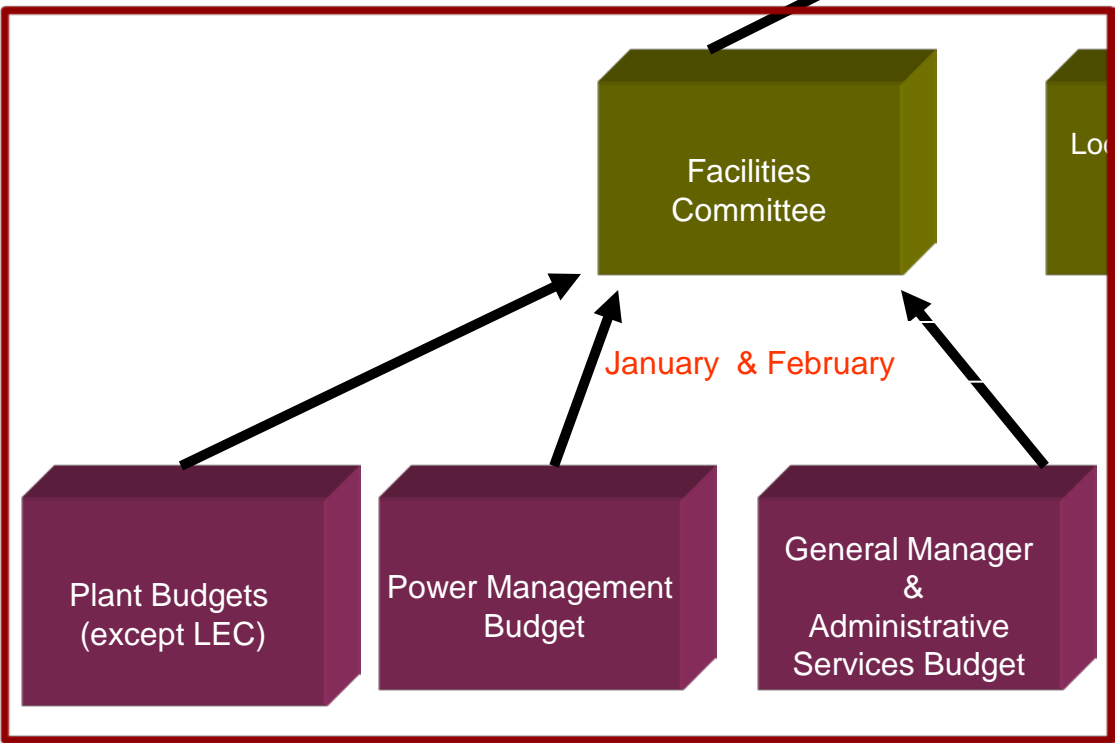
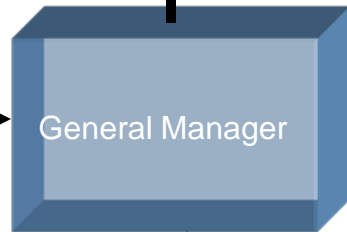
- April, 2016



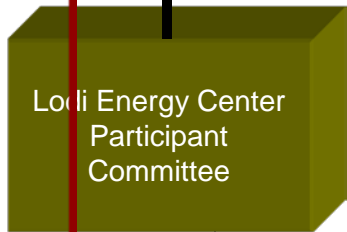
Budget Review Process



Overview at Retreat in March



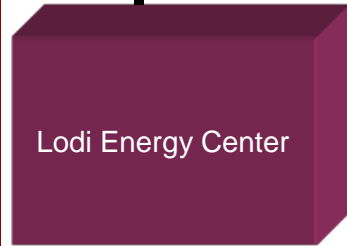
January & February



February/March



February



Proposed Budget Process for 2016/17

- Budget is prepared on a project/program basis
- Allocation for all allocated costs (Power Management, Legislative & Regulatory, Judicial Action, Administrative and General and direct allocations) will use previously approved methods – no changes proposed
 - Review of Power Management Cost Allocation Methodology (Nexant) is underway; depending on timing of review, results may not apply until FY 2017/18 budget
- Overall strategic direction based on approved strategic plan
- Continued focus on NCPA controllable costs and additional sharing of costs (economies of scale)

Specific Budget Direction for 2016/17

Pass-through items

- All of the following will be as based on information from outside entities
 - TANC, Western, CAISO, Market Resources, Member Resources, APPA dues, SEPA, BAMX, other special pass through items, etc.

Legal

- Judicial action and all other legal expenses will be rolled over based on previous year budget
- Any additional legal budget will be specifically requested via budget augmentation for specific purposes

Capital Outlay

- Capital projects for plants and Headquarters/Information Services to be specifically reviewed by Facilities Committee/LEC Participants

Specific Budget Direction for 2016/17

Plant costs

- Debt service as scheduled plus trustee & administrative costs
- Fuel, as required for estimated plant operations
- Regular operating & maintenance – target **2.4%** increase
- Special maintenance projects – reviewed specifically with participants (Facilities Committee & LEC Participants)

Salaries and Benefits

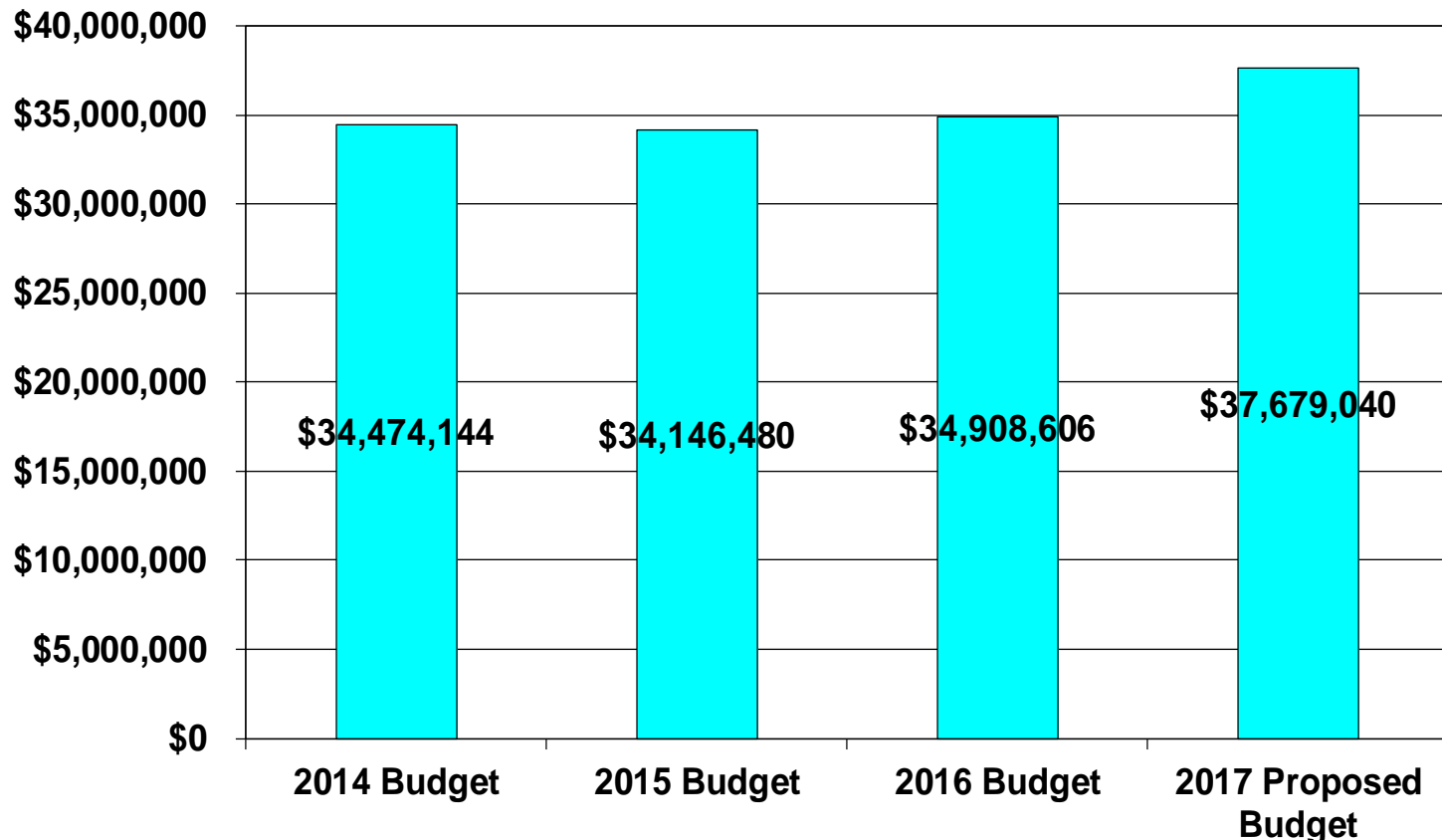
- Salary & benefits budget will be based on union contracts. Will include 2.5% for broadbanding adjustments, merit, promotions, upgrades, certifications, etc.
- Pension and OPEB expenses will be based on actuarially determined amounts to fund ongoing obligations (**Finance Committee is considering a long term funding plan for OPEB that may impact this item**)

All other operating expenses

- Target **2.4%** increase from previous year base budget.

Salaries and Benefits

Salaries and Benefits are above prior year budget (8.0%) based on negotiated salaries with unions (2.3%), and large increases for CalPERS Pension contributions, Retiree Medical contributions and a 15% increase in health care costs



Benefit Increases from 2016

