

NCPA Operating Budget for FY18/19 Proposed Process and Recommendations

Budget



Commission Meeting
October 26, 2017

STRATEGIC PLAN 2016 - 2021

MISSION

To provide our members cost effective wholesale power, energy-related services, and advocacy on behalf of public power consumers through joint action.

VISION

To be the premier provider of energy services to public entities.

STRATEGIES

- Attract, develop and retain professional, high quality staff.
- Maintain position as credible, solution-oriented coalition builder and leader in state and federal legislative and regulatory policy arenas.
- Develop and maintain diverse generation resource portfolio in accordance with renewable portfolio standard and capacity obligations.
- Protect, utilize and build on the strengths and unique aspects of JPA structure to benefit NCPA's members.
- Develop/maintain strategies to control costs and minimize risks while maximizing the value of assets.
- Grow new revenue and/or reduce member costs by exploring new members/participants and expansion of current services.
- Help articulate and promote the value of NCPA and public power utilities to member communities.

Proposed Budget Process

- Continued approach to review draft budgets through Facilities and L&R Committees, UD meetings, etc.
- 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
- Continued focus on NCPA controllable costs and additional sharing of costs (economies of scale)

Issues Impacting FY2018/19 Budget

- Union contracts end December 2018
 - Looking to control future OPEB costs
 - ½ year impact for any salary adjustments

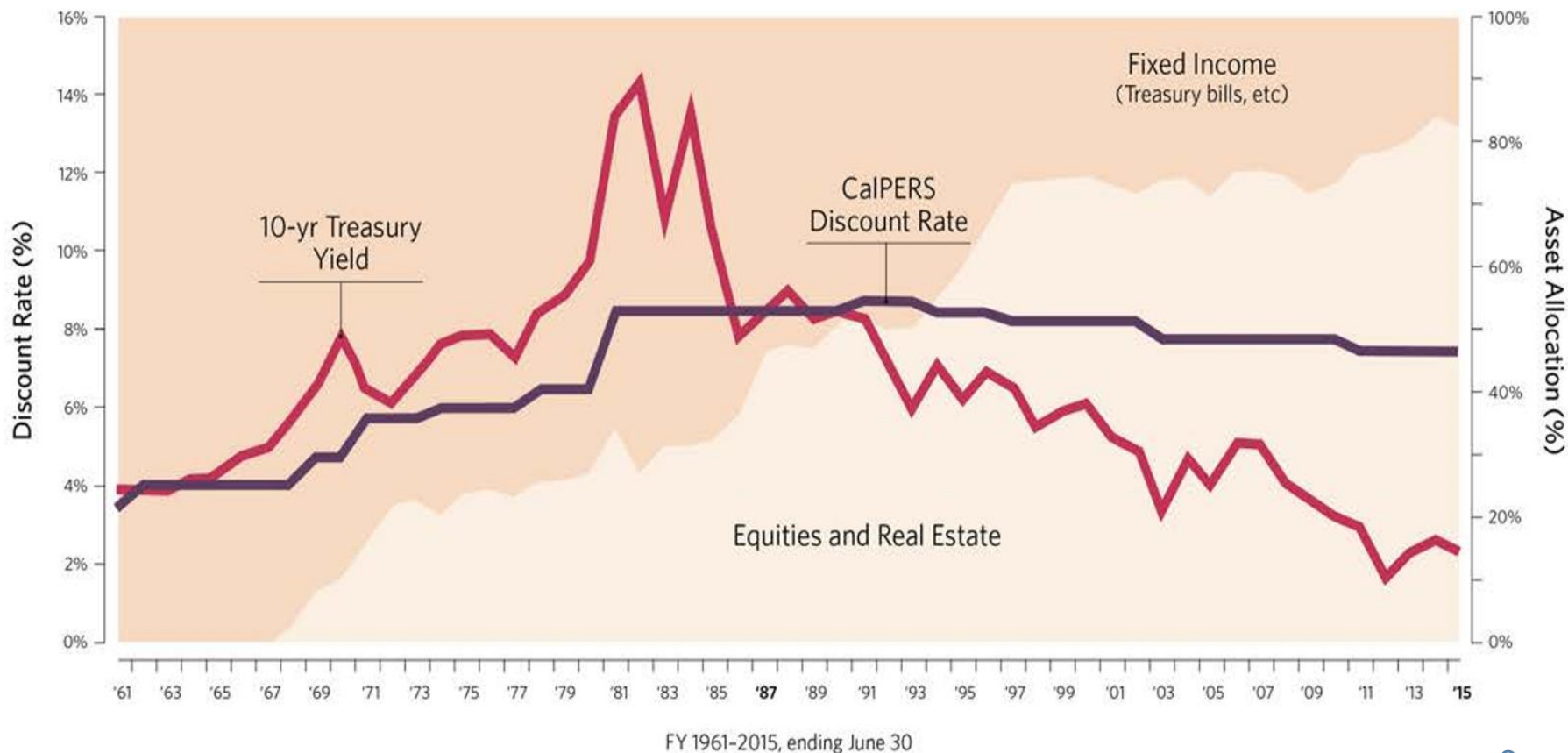
- Additional PM business?
 - Added MEID, PCWA, Pioneer, South Feather?
 - Update to the control room?
 - Additional staff?

- Operating budgets reduced over last two years
 - CPI Index as of August 2017 was 1.9%

Issues Impacting FY2018/19 Budget

- Capital & Maintenance of Assets
 - Purpose to keep assets in great, working condition
 - Need to consider some growth for previously delayed ancillary items
- FY17 results are not the norm
 - Refund due to: salary vacancies, insurance premium savings, interest income, staff being prudent with their budgets
- Pension Costs
 - OPEB
 - Should be relatively flat/small growth
 - PERS
 - Reduction of discount rate from 7.50% to 7.375%...then to 7.00%!
 - \$1.1 million increase or 14% from FY18 budget

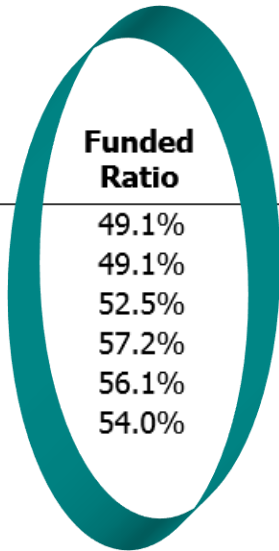
Interest Rates vs CalPERS Investment Mix



Funding History

The table below shows the recent history of the actuarial accrued liability, the market value of assets, the funded ratio and the annual covered payroll.

Valuation Date	Accrued Liability	Market Value of Assets (MVA)	Unfunded Liability	Funded Ratio	Annual Covered Payroll
06/30/11	\$ 100,528,265	\$ 49,383,313	\$ 51,144,952	49.1%	17,682,597
06/30/12	106,400,959	52,231,911	54,169,048	49.1%	16,805,905
06/30/13	118,304,984	62,063,208	56,241,776	52.5%	17,083,944
06/30/14	130,733,429	74,802,107	55,931,322	57.2%	17,830,382
06/30/15	138,917,719	77,970,925	60,946,794	56.1%	17,593,485
06/30/16	146,696,486	79,154,505	67,541,981	54.0%	18,032,208



30-Year Amortization Schedule and Alternatives

Date	<u>Current Amortization Schedule*</u>		<u>Alternate Schedules</u>			
	Balance	Payment	20 Year Amortization		15 Year Amortization	
			Balance	Payment	Balance	Payment
6/30/2018	68,143,493	4,761,313	68,143,493	5,093,896	68,143,493	6,198,048
6/30/2019	68,235,312	5,277,769	67,890,683	5,246,713	66,746,539	6,383,990
6/30/2020	67,798,742	5,642,696	67,460,877	5,404,114	65,053,885	6,575,511
6/30/2021	66,951,830	5,999,824	66,836,271	5,566,238	63,037,940	6,772,775
6/30/2022	65,672,394	6,290,763	65,997,604	5,733,225	60,668,909	6,975,958
6/30/2023	63,997,126	6,479,486	64,924,051	5,905,221	57,914,620	7,185,237
6/30/2024	62,002,748	6,673,871	63,593,096	6,082,378	54,740,344	7,400,794
6/30/2025	59,659,859	6,405,036	61,980,411	6,264,849	51,108,600	7,622,818
6/30/2026	57,422,753	6,598,639	60,059,710	6,452,795	46,978,950	7,851,502
6/30/2027	54,820,044	6,796,598	57,802,604	6,646,379	42,307,771	8,087,047
6/30/2028	51,820,258	7,000,499	55,178,442	6,845,770	37,048,016	8,329,659
6/30/2029	48,387,952	6,197,902	52,154,134	7,051,143	31,148,956	8,579,549
6/30/2030	45,534,178	6,383,837	48,693,972	7,262,677	24,555,900	8,836,935
6/30/2031	42,277,269	5,479,344	44,759,428	7,480,558	17,209,896	9,102,043
6/30/2032	39,717,416	5,395,062	40,308,939	7,704,975	9,047,415	9,375,104
6/30/2033	37,056,108	5,251,275	35,297,681	7,936,124		
6/30/2034	34,347,524	5,062,909	29,677,322	8,174,207		
6/30/2035	31,634,370	4,858,515	23,395,755	8,419,434		
6/30/2036	28,932,919	4,637,300	16,396,814	8,672,017		
6/30/2037	26,261,464	4,686,707	8,619,970	8,932,177		
6/30/2038	23,341,792	4,734,908				
6/30/2039	20,156,846	4,876,955				
6/30/2040	16,589,820	5,023,263				
6/30/2041	12,608,117	4,623,701				
6/30/2042	8,746,799	4,144,010				
6/30/2043	5,097,773	4,012,195				
6/30/2044	1,316,221	635,149				
6/30/2045	755,139	327,277				
6/30/2046	471,700	384,734				
6/30/2047	107,820	111,725				
Totals		144,753,262		136,874,890		115,276,969
Interest Paid		76,609,769		68,731,397		47,133,476
Estimated Savings				7,878,372		29,476,293

Budget Recommendations for 2018/19

Pass Throughs

- All of the following will be as based on information from outside entities:
 - Membership dues, Subscriptions, Transmission Services, WREGIS, and other Member Services Projects, etc.

Legal

- Judicial action and all other legal expenses will be rolled over based on previous year budget.
- Special assessment regarding CVPIA (not yet defined) may need to be added

Capital Outlay

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

Budget Recommendations for 2018/19

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 - target **4.5%** increase. Will include additional **2.5%** for broad banding adjustments, merit, promotions, upgrades, certifications, etc.
- No new positions being considered

All other operating expenses

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

Salary and Benefits Overview

	FY18		FY18	FY18
	(budget)		Gross Budget	Net Budget
			\$619.70	\$361.70
	(in millions)		% of budget	% of budget
Salaries	23.3		3.76%	6.44%
PERS	7.9		1.27%	2.18%
Medical	3.2		0.52%	0.88%
Retiree Medical	2.7		0.44%	0.75%
Other	2.4		0.39%	0.66%
Total	39.5		6.37%	10.92%

Salary and Benefits FY2018/19 Estimate

	FY18	FY19		
	(budget)	(estimate)		
	(in millions)	(in millions)		Est Inc
Salaries	23.3	24.3		4.5%
PERS	7.9	9.0		13.9%
Medical	3.2	3.3		2.5%
Retiree Medical	2.7	2.8		2.5%
Other	2.4	2.5		2.5%
Total	39.5	41.9		6.0%
Target		41.3		4.5%
Variance		(0.6)		

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Recommendation

- Commission approval of the budget guidelines for FY2018/19 as outlined in this report