



# Business & Financial Conference

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# Transforming the Budget Process at Lincoln Electric System

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APPA Business & Finance Conference  
September 17, 2018

# Lincoln, NE is a great place to live and work!



- Nebraska is the only 100% public power state
- Lincoln is the capital city of Nebraska
  - Population ~ 273,000
- Lincoln's unemployment has remained steady at 3.6% or less for 4 years
- Lincoln named #1 city for Economic Development (*Site Selection Magazine – 2017*)
- Major industries include government, health care, education and national and international headquarters for insurance and manufacturing companies
- Lincoln offers more than 126 parks and 132 miles of public trails

# Lincoln Electric System (LES) *Fast* Facts

- Municipally-owned, vertically integrated electric utility
- Governed by semi-autonomous 9 member board
- 500+ Employees
- City Council retains rights to approve budgets, rates, and debt
- ~140,000 Customers (88% Residential)

Averaging ~1% annual growth in customer

- \$1.7B in capital assets
- \$321M in Operating Revenues
- 3,200 MWh in annual retail sales

Averaging 0-1% annual energy growth

- Peak Demand 786 MW (August 2011)
- LES is proud to have the lowest residential rates in the Big 10! (*Three-peat!*)



## 2018 BIG TEN ELECTRIC POWER RANKING

RANK	STATE	UNIVERSITY	AVG. BILL*
1	Nebraska	Lincoln, NE	\$96.42
2	Illinois	Urbana, IL	\$104.02
3	Iowa	Iowa City, IA	\$107.19
4	Penn State	University Park, PA	\$113.44
5	Indiana	Bloomington, IN	\$118.76
(Tie)	Purdue	West Lafayette, IN	\$118.76
7	Ohio State	Columbus, OH	\$125.78
8	Northwestern	Evanston, IL	\$130.75
9	Maryland	College Park, MD	\$143.79
10	Minnesota	Minneapolis, MN	\$144.57
11	Wisconsin	Madison, WI	\$153.21
12	Michigan	Ann Arbor, MI	\$160.92
13	Rutgers	New Brunswick, NJ	\$161.77
14	Michigan State	East Lansing, MI	\$174.78

\*Source: EEI.org or published rate schedules as of Jan. 1, 2018.



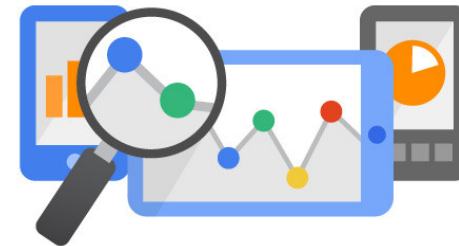
# LES Budget *Bio*

- 2018 Budget = \$363.4M  
(Operating \$273.4M + Capital \$90.5M)
- 80+ Budget Preparers (Executives, Managers, Staff)
- Budgeting & Financial Planning staff of 4 coordinates budget work
- 5,000+ Line Items
- 8 month process
- High engagement of Budget & Rates Committee in the budget and rate process



## The Challenge:

*How do we transform the budget process from  
transactional to analytical?*



# Let's go back to *2016* . . .

- **Budget Lean event**
  - Minimize non-value add tasks
  - Complete process re-engineering
  - Cross-divisional team
- **Current Process Issues**
  - Efficiency
    - More time spent cleaning & consolidating data than analyzing
  - Data quality and reporting
    - Analysts used ever-changing Excel and Access files
  - User experience
    - System locked down to prevent data corruption



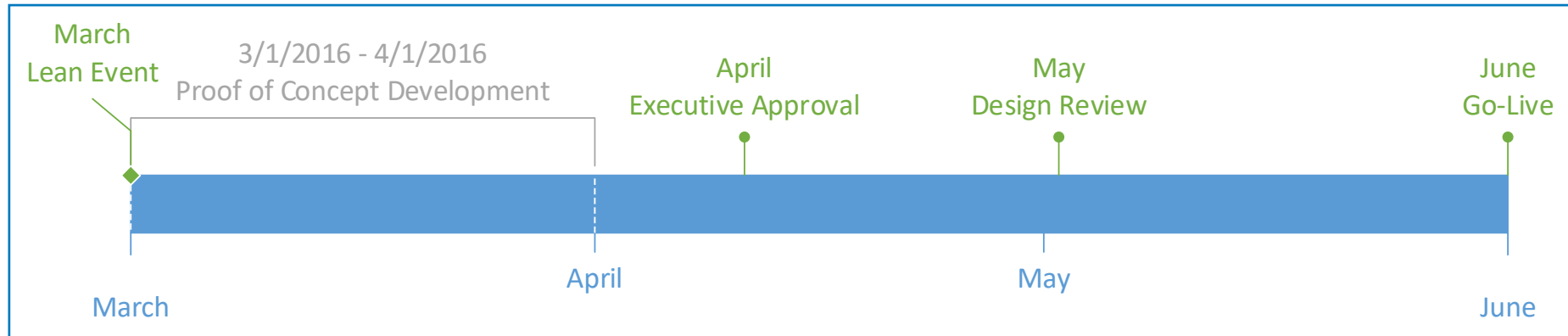
# A new budget system is born . . .



- **SharePoint**
  - Out of the box functionality
  - Nintex Forms and Workflow
  - PowerPivot and Excel Services
- **Agile development methodology**
  - Work started in parallel with requirements
  - OneNote to collaborate with business owners

# Let's not waste any time

New System ready for 2017 Budget??





# Let's see how this works

## LES Budget System Demonstration

# How did it turn out?

- **Efficiency**

- Division coordinator 90% time reduction
- Budget preparer 80% time reduction
- Increased value added work for financial analysts

- **User Feedback**

- SharePoint survey



- “Went much smoother than the old budgeting process”
- “Positive. Quick learning curve.”
- “Great!, been waiting for something like this for a long time!!!”

# An Analysts Perspective

- **Access to Data**

- More time for analytical work
- Allows analysts to better understand department and division budgets and overall impact to LES as a whole
- Better communication with all stakeholders
- Additional ad-hoc analysis can be done
- Real-time data, both for analysts, and budget preparers

- **Automation of Reports**

- Budget comparisons
- Recap documents
- Pro Forma
- Financial Model

- **Audit trail of SharePoint**



DATA



KNOWLEDGE



ACTION

# What did we do with all this extra time....

- **Performed detailed analysis on the following:**
  - Payroll & Benefits
  - Transportation
  - Travel & Training
- **This analysis has helped make LES more efficient**
  - Managers spend less time on tedious tasks for their budgets, which ultimately means they can spend more time working on core responsibilities
  - Vice Presidents & Managers have additional data to make further informed decisions
  - More accurate budgeting



# Less Transactional, More Analytical

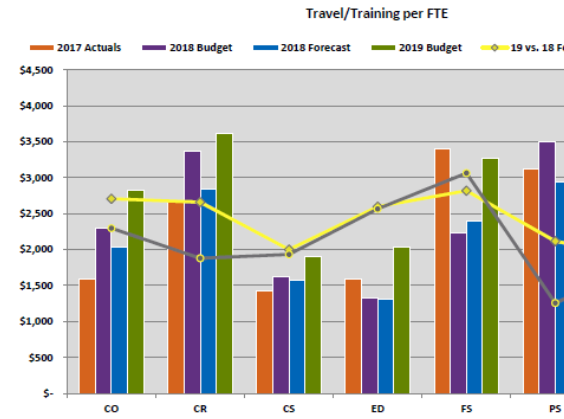
## LES 2019 Operating Budget Travel & Training Analysis

Div.	2017 Actuals	2018 Budget	2018 Forecast	2019 Budget	Variance by D	
					19 vs. 18 Budget	19 vs. 18 Forecast
AD	\$79,266	\$131,850	\$107,440	\$130,870	(\$980)	-0.7%
CO	90,265	135,655	119,520	169,846	34,191	25.2%
CCR	31,927	40,455	34,190	45,480	3,025	7.5%
CS	90,141	104,430	101,465	126,840	22,410	21.5%
ED	297,782	252,345	248,204	397,550	145,205	57.5%
FS	67,979	48,970	52,568	71,919	22,949	46.9%
PS	215,457	242,019	202,460	230,780	(11,239)	-4.6%
TS	170,188	179,860	176,416	202,719	22,859	12.7%
<b>Total</b>	<b>\$1,043,005</b>	<b>\$1,135,584</b>	<b>\$1,042,263</b>	<b>\$1,374,004</b>	<b>\$238,420</b>	<b>21.0%</b>

Note: Figures exclude tuition reimbursement and overtime meal allowance.  
Calculations differ from previous years as figures now include Lincoln Chamber Sponsorship, economic devel

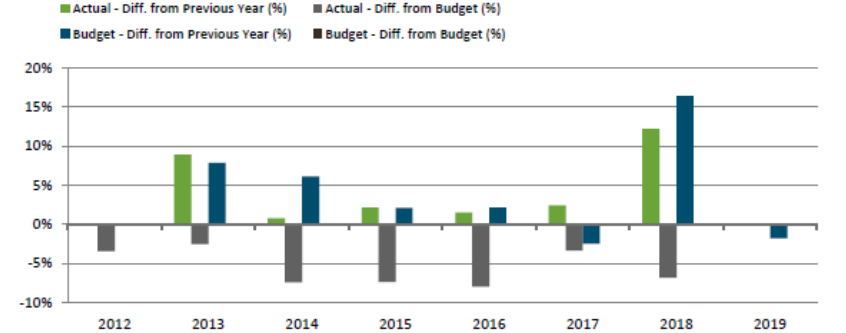
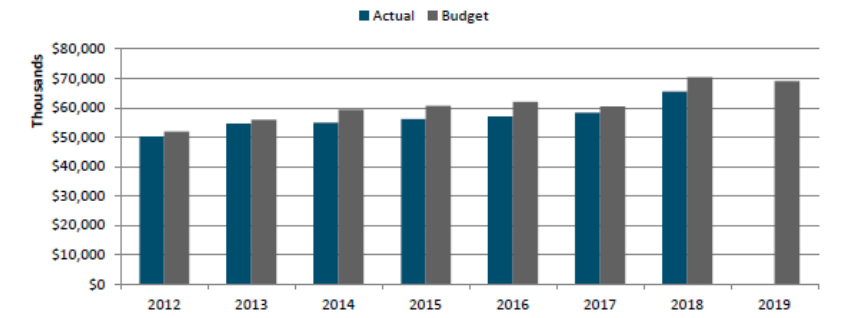
### Travel/Training Per FTE

Div.	2017 Actuals	2018 Budget	2018 Forecast	2019 Budget	Variance per	
					19 vs. 18 Budget	19 vs. 18 Forecast
CO	1,584	2,299	2,026	2,831	532	23.1%
CR	2,661	3,371	2,849	3,623	252	7.5%
CS	1,417	1,617	1,571	1,905	288	17.8%
ED	1,592	1,328	1,306	2,039	711	53.5%
FS	3,399	2,226	2,389	3,269	1,043	46.9%
PS	3,123	3,508	2,934	3,345	(163)	-4.6%
TS	2,618	2,684	2,633	2,896	212	7.9%
<b>Avg.</b>	<b>2,342</b>	<b>2,433</b>	<b>2,244</b>	<b>2,844</b>	<b>411</b>	<b>16.9%</b>

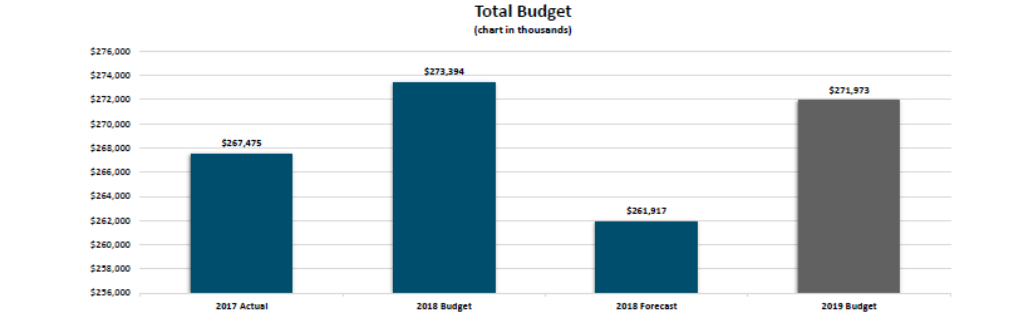


## LES A&G and O&M expenses excluding Transmission Actual versus Budget Comparison, Historical

Year	Actual			Budget		
	Total Expense	Diff. from Previous Year (%)	Diff. from Budget (%)	Total Expense	Diff. from Previous Year (%)	Diff. from Budget (%)
2012	50,141,810		-3.43%	51,923,426		
2013	54,594,298	8.88%	-2.51%	56,002,561	7.86%	
2014	55,002,705	0.75%	-7.42%	59,411,258	6.09%	
2015	56,186,218	2.15%	-7.37%	60,654,251	2.09%	
2016	57,034,137	1.51%	-7.96%	61,966,091	2.16%	
2017	58,404,526	2.40%	-3.34%	60,424,107	-2.49%	
2018	65,522,792	12.19%	-6.84%	70,332,018	16.40%	
2019				69,057,621	-1.81%	



## LES 2019 Operating Budget Total Recap



Expenditure Type	2017 Actual	2018 Budget	2018 Forecast	2019 Budget	19 vs. 18 Budget (\$)	19 vs. 18 Budget (%)	19 vs. 18 Forecast (\$)	19 vs. 18 Forecast (%)
Credit *	(\$199,811)	(\$407,190)	(\$270,092)	(\$564,456)	(\$157,266)	38.6%	(\$294,364)	109.0%
Depreciation & Amortization	\$49,795,704	\$50,441,500	\$50,373,395	\$52,207,800	\$1,766,100	3.5%	\$1,834,005	3.6%
Generation	\$19,044,786	\$18,627,932	\$20,880,914	\$22,945,892	\$4,317,960	23.2%	\$2,064,978	9.9%
Materials	\$730,228	\$706,243	\$362,935	\$730,144	\$23,901	3.4%	\$367,209	101.2%
Memberships & Publications	\$1,072,032	\$1,133,903	\$1,181,124	\$1,203,744	\$69,841	6.2%	\$22,620	1.9%
Outside Services	\$54,224,995	\$62,064,476	\$56,743,929	\$61,945,615	(\$118,861)	-0.2%	\$5,201,686	9.2%
Payroll & Benefits	\$42,605,342	\$47,076,362	\$47,187,687	\$49,531,967	\$2,455,605	5.2%	\$2,344,280	5.0%
Power Cost Allocated	(\$94,128)	(\$103,500)	(\$108,809)	(\$126,300)	(\$22,800)	22.0%	(\$17,491)	16.1%
Purchase Power	\$82,176,839	\$74,569,673	\$72,728,244	\$72,007,079	(\$2,562,594)	-3.4%	(\$721,165)	-1.0%
Purchases	\$8,523,979	\$7,055,673	\$6,582,747	\$7,008,960	(\$46,713)	-0.7%	\$426,213	6.5%
Transmission	\$10,137,776	\$13,276,798	\$7,173,999	\$5,991,674	(\$7,285,124)	-54.9%	(\$1,182,325)	-16.5%
Transportation	(\$1,692,832)	(\$2,364,124)	(\$2,141,484)	(\$2,439,340)	(\$75,216)	3.2%	(\$297,856)	13.9%
Travel & Training	\$1,150,266	\$1,315,754	\$1,222,021	\$1,530,620	\$214,866	16.3%	\$308,599	25.3%
<b>Grand Total</b>	<b>\$267,475,176</b>	<b>\$273,393,500</b>	<b>\$261,916,610</b>	<b>\$271,973,199</b>	<b>(\$1,420,301)</b>	<b>-0.5%</b>	<b>\$10,056,389</b>	<b>3.8%</b>

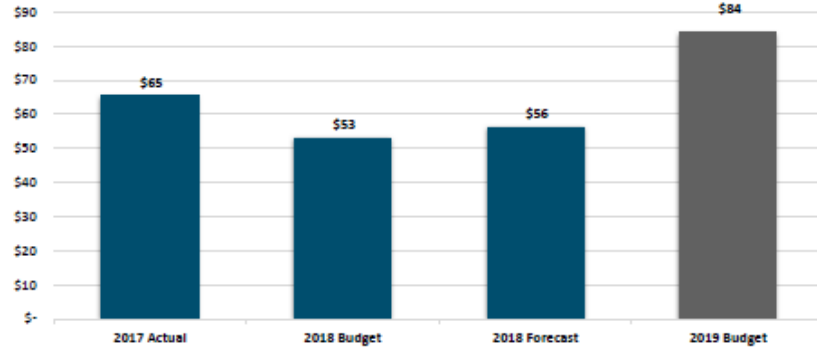
\*Credit is for Transformer and Meter Installation Credits, subsequent to the 2019 budget preparation it was decided to discontinue using standard installation credits for meters.  
Note: In order to display impacts to LES only, DEC & NUCorp are not included in the total recap  
2019 Total Recap Page 1 of 25 8/13/2018

# Less Transactional, More Analytical



## Financial Services 2019 Operating Budget Division Recap

### Travel & Training (chart in thousands)



## Financial Services Operating Budget Comparison

	2018	2019	Variance (\$)	
<b>Financial Services</b>	<b>4,020,725</b>	<b>4,103,988</b>	<b>83,263</b>	
<b>401 Financial Services Administration</b>	<b>1,001,801</b>	<b>734,561</b>	<b>(267,240)</b>	
Memberships & Publications	12,130	10,890	(1,240)	
Fitch Research Subscription	40110 515210-Publications	8,500	8,500	-
Kiplinger Tax Letter	40110 515210-Publications	100	100	-
Reference Books & Other	40110 515210-Publications	400	400	-
Risk Insurance Management Society Membership - Laura/Bryan	40110 515110-Employee Membership/Dues	615	645	30
Source Media Bond Buyer	40110 515210-Publications	1,295	-	(1,295)
Wall Street Journal	40110 515210-Publications	725	750	25
Association of Financial Professionals Membership - Bryan	40110 515110-Employee Membership/Dues	495	495	-
<b>Outside Services</b>	<b>36,380</b>	<b>36,380</b>	<b>-</b>	
Cell Phone Reimbursement - Bryan	40112 537010-Telephone	720	720	-
Cell Phone Reimbursement - Emily	40112 537010-Telephone	720	720	-
Cell Phone Reimbursement - Laura	40112 537010-Telephone	720	720	-
Consulting & Special Services	40110 538320-Consulting Fees	7,500	7,500	-
Financial Advisor Expenses (PFM)	40110 538322-Consultant's Expenses	1,000	1,000	-
Kutak Rock Legal Expenses	40110 538310-Legal	4,000	4,000	-
PFM Consulting Expenses - Arbitrage Reports	40110 538320-Consulting Fees	8,000	8,000	-
PFM Financial Advisory Services	40110 538320-Consulting Fees	2,500	2,500	-
Professional Development	40110 538322-Consultant's Expenses	-	10,000	10,000
Professional Development (Perspective Consulting) and Emergenetics	40110 538322-Consultant's Expenses	10,000	-	(10,000)
Shipping Expense - FedEx	40110 539048-Shipping Charges	500	500	-
Cell Phone Reimbursement - FA Mgr	40112 537010-Telephone	720	-	(720)
Cell Phone Reimbursement - Dustan	40112 537010-Telephone	-	720	720
<b>Payroll &amp; Benefits</b>	<b>891,864</b>	<b>595,456</b>	<b>(296,408)</b>	
Financial Services Labor	40110 505010-Labor - Regular	891,864	595,456	(296,408)
<b>Purchases</b>	<b>7,396</b>	<b>7,400</b>	<b>4</b>	
Miscellaneous Purchases	40110 520010-Purchases	2,000	2,000	-
Office Supplies - F5	40110 524010-Office Supplies	5,396	5,400	4
<b>Transportation</b>	<b>1,061</b>	<b>516</b>	<b>(545)</b>	
Personal Vehicle Mileage	40110 550110-Personal Vehicle Mileage	1,061	-	(1,061)
Financial Services Transportation	40110 550110-Personal Vehicle Mileage	-	516	516
<b>Travel &amp; Training</b>	<b>52,970</b>	<b>83,919</b>	<b>30,949</b>	
American Payroll Association - Orlando - BK	40110 510110-Meetings & Conferences	1,000	-	(1,000)
AP/PR/Sales&Use Tax Training - BD	40110 510110-Meetings & Conferences	640	-	(640)
AP/PR/Sales&Use Tax Training - DH	40110 510210-Schools & Seminars	640	-	(640)
AP/PR/Sales&Use Tax Training - TP	40110 510110-Meetings & Conferences	565	-	(565)
APPA & Other Webinars	40110 510210-Schools & Seminars	500	500	-
APPA Business & Finance Conference - Emily	40110 510110-Meetings & Conferences	2,200	2,200	-

Operating Budget Comparison

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## Financial Services 2019 Operating Budget Division Recap

### Budget vs. Budget Variances

### Budget vs. Forecast Variances

#### Travel & Training

#### Travel & Training

- 401
- FM Global training (new), +\$7K
- Professional designations (new), +\$5K
- Training courses (TBD) for Financial Accounting, +\$5K
- Travel reduction, +\$5K
- Tuition reimbursement (new), +\$8K

- 401
- FM Global training (new), +\$7K
- Professional designations (new), +\$5K
- Spring/Fall APPA Conferences for Financial Accounting, +\$2K
- Training courses (TBD) for Financial Accounting, +\$5K
- Tuition reimbursement (new), +\$8K



Lincoln Electric System

# If we knew then what we know now. . .

- Real-time dashboards
- Additional process improvements
- Master data management – integration with SAP
- Reporting needs - Some people still like paper



# Bonus Material *(that makes budget life easier)* . . .



- Early in the budget cycle LES utilizes:
  - Staffing Justification Process
  - Capital Business Cases
- Financial Services prepares the Payroll & Benefits and Transportation budgets for all of LES
- LES has recently integrated the budget system with a new 30-year financial model and a new cost of service model. *(Wow!)*
- LES is extremely transparent with customers and the community regarding budget and rates