



Internal Audit Report

Third-Party Management Services Agreement

for

Bell Harbor International Conference Center

January 1, 2010, through December 31, 2011

Issue Date: April 2, 2013

Report No. 2013-03

Table of Contents

Transmittal Letter	3
Executive Summary.....	4
Background.....	6
Highlights and Accomplishments	6
Audit Scope and Methodology	7
Conclusion.....	8
Schedule of Findings and Recommendations.....	9
1. Port Management Monitoring Could Be Strengthened.....	9

Transmittal Letter

Audit Committee
Port of Seattle
Seattle, Washington

We have completed a third-party management services agreement audit of Bell Harbor International Conference Center (BHICC).

We reviewed information relating to the period January 1, 2010, through December 31, 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the management and staff of Real Estate Portfolio Management, Columbia Hospitality Inc., Seaport Finance and Budget, and Accounting and Financial Reporting staff for their assistance and cooperation during the audit.



Joyce Kirangi, CPA, CGMA
Director, Internal Audit

Executive Summary

Audit Scope and Objective The purpose of the audit was to:

1. Evaluate and assess whether Port management monitoring controls are working effectively to ensure:
 - a. Billings are complete and accurate.
 - b. Expenses are proper and in accordance with the agreement terms and conditions.
2. Determine whether Columbia Hospitality, Inc. complied with the terms of the agreement.

We reviewed information for the period January 1, 2010, through December 31, 2011.

Background The Port of Seattle owns and operates the Bell Harbor International Conference Center (BHICC) as a trade and meeting place for local and international businesses. The BHICC's goals "...are to maintain the highest quality international conference center, which supports the Port mission of fostering international trade and commerce..."

BHICC derives most of its revenues from a full range of conference services including, but not limited to, - food and beverage, meeting room rental, and catering for private and social events. The Port is responsible for all operating costs, including maintenance and labor related to the facility.

The Port has outsourced the day-to-day operations and management of BHICC to Columbia Hospitality, Inc. (Columbia Hospitality hereinafter) under a third-party management services agreement. The agreement provides a 3% Base Management Fee, based on gross revenue, and an Incentive Management Fee up to 27.5% of the Net Operating Profit.

Audit Result Summary Port management monitored the third-party management agreement to provide reasonable assurance relating to the achievement of agreement objectives. However, we identified an opportunity for management to strengthen its monitoring controls to ensure proper support and reasonable allocations of labor costs.

Columbia Hospitality, Inc. materially complied with the terms of the Management Services Agreement. However, as reported in the finding, we identified instances of noncompliance with allocated payroll reimbursements and related party billings as follows:

- I. Unreasonable and Inadequately Supported Columbia Hospitality Employee Cost
 - For the audit period 2010 and 2011, the Port paid \$387,700 and \$399,941, respectively, as reimbursements for Columbia Hospitality Human Resources and Accounting corporate services. Columbia Hospitality invoiced the Port based on budgeted figures, as opposed to the actual costs incurred. Reimbursement based on the budget is contrary to the terms of the agreement, which require reimbursement to Columbia Hospitality be based on actual costs incurred.
 - Considering the relative size of the Port Facility (BHICC) to the Columbia Hospitality property portfolio and the size of BHICC workforce, we determined that the percentage of Columbia Hospitality corporate services cost (i.e., Columbia Hospitality Accounting and Human Resources) allocated to the Port is unreasonable. For example, while BHICC employs approximately a

seventh (100 of 700) of the Columbia Hospitality workforce, it was responsible for 54% of the total 2010 payroll corporate services.

- During the audit period, BHICC payroll expenses included approximately ten positions (excluding positions reimbursed based on budget), for which the Personnel Action Form (PAF) could have documented support for the costs allocated to the Port. However, we noted five instances where the PAF was absent to support the payroll costs charged to the Port. Included in the exceptions was the position of Director Sponsorship for WTCS, which was charged 80%, or approximately \$110,607, to the Port.
- During the audit period, we identified 24 instances where the Port reimbursed Columbia Hospitality for Paid-Time-Off (PTO) that employees had earned from non-Port facilities. Columbia Hospitality should not commingle Public Funds with private activities.
- Columbia Hospitality has a dedicated workforce for BHICC Facility in areas such as Sales, Food & Beverage, and Conference Services. We determined that allocating almost 100% of executive positions in Sales and Food & Beverage to the Port is unreasonable, given:
 - Columbia Hospitality recruited the Sales position as a non-BHICC position, and we noted no objective evidence to suggest any subsequent changes in the job responsibilities.
 - The positions provide high-level direction and oversight in their respective areas for all properties managed by Columbia Hospitality. As such, the benefit extends beyond one particular property, and the Port should not bear most of the costs.
- We determined that allocations for Executive Chef positions in Food & Beverage weren't fully supported:
 - Mileage reimbursement claims by the positions for travel to and from other non-Port properties under Columbia Hospitality management demonstrate that the positions benefited more than BHICC.
 - Publicly available information in social media and websites - which have become an additional source of audit evidence - indicates that these positions work at multiple Columbia Hospitality-managed properties.
 - The positions received incentive payouts in 2010 and 2011 for having contributed to accomplishing performance measures related to non-Port facilities/properties under Columbia Hospitality management. The positions could not have been eligible to receive the incentive payouts unless they worked at those non-Port properties.

II. Related-Party Transactions

- We observed Columbia Hospitality had not disclosed to the Port some of its related-party transactions, as required by the agreement. We also observed other instances where deep discounts had been granted to Columbia Hospitality and its affiliates.

Background

The Port of Seattle owns and operates the Bell Harbor International Conference Center (BHICC) as a trade and meeting place for local and international businesses. The Facility has been in operation since 1995. The BHICC's goals "...are to maintain the highest quality international conference center, which supports the Port mission of fostering international trade and commerce..."

BHICC derives most of its revenues from a full range of conference services including, but not limited to, food and beverage, meeting room rental, and catering for private and social events. The Port is responsible for all operating costs, including maintenance and labor related to the facility.

The Port has outsourced the day-to-day operations and management of BHICC to Columbia Hospitality, Inc. (CHI), under a third-party management services agreement. Columbia Hospitality is a hospitality management and consulting company whose portfolio includes facilities in Washington, California, Montana, Idaho, as well as global consulting. Columbia Hospitality employs approximately 750 employees and assigns 110 full and part-time employees to the Port's BHICC operations.

The management agreement provides a 3% Base Management Fee, based on gross revenue, and an Incentive Management Fee up to 27.5% of the Net Operating Profit.

Financial Highlights (in thousands)

	2011	2010
Revenue		
Food & Beverage	\$2,770	\$2,936
Conference and Meeting Room	2,729	1,841
Audio Visual	1,358	1,052
Other	1,719	1,593
Gross Revenue	\$8,576	\$7,422
Expense		
Cost of Sales	\$1,272	\$1,133
Direct Expenses	2,695	2,647
Operating Expenses	1,952	1,787
Fixed Expenses	261	234
Management Fee	257	222
Incentive Management Fee	351	142
Maritime Event Center net income/(loss)	(2)	(2)
Operating Expenses	\$6,790	\$6,167
Net Income/(Loss)	\$1,786	\$1,255

Data source: BHICC Profit & Loss Statements.

Highlights and Accomplishments

During the course of the audit, we observed the following highlights and best practices:

- Columbia Hospitality submits a detailed annual budget for the Port's approval. The budget includes monthly budgeted amounts by detailed categories of expense types and the details of assumptions used in preparing the budgeted expenses.

- On a monthly basis, representatives from the Port's Real Estate and Seaport Finance & Budget departments meet with Columbia Hospitality management to review BHICC reports and activities, which include the following items:
 - Analyses of operating performance forecast for two quarters.
 - A summary financial statement line item review including an explanation for the variances.
 - A review of a monthly disbursement list (i.e., vendors and payroll), from which a sample of checks is randomly selected for Port management review in detail – improvement since the last review.
 - A review of sales and marketing activity reports.
- Through its hospitality business, Columbia Hospitality creates jobs in the Puget Sound region. This is in line with the Port's strategy for creating additional jobs in the region.

Audit Scope and Methodology

We reviewed information for the period January 1, 2010, through December 31, 2011. We utilized a risk-based audit approach in planning and testing. We gathered information through research, interviews, observations, analytical reviews, and obtained a complete understanding of the Bell Harbor International Conference Center (BHICC) management agreement. We assessed significant risks and identified controls to mitigate those risks. We evaluated whether the controls were functioning as intended.

We applied additional detailed audit procedures to areas with the highest likelihood of significant negative impact as follows:

1. To evaluate and assess whether Port management monitoring controls are working effectively to ensure compliance with the agreement terms:
 - We reviewed the monthly disclosure on related-party transactions for the audit period.
 - We analyzed payroll reimbursement requests for three months in 2010 and 2011.
 - We reviewed controls related to a prior audit issue concerning employee costs.
 - We reviewed the Port's management analysis of Columbia Hospitality Inc.'s financial information, which is used to verify the accuracy of its management fees.
 - We re-performed the management control over vendor disbursements. We traced one month in 2010 and 2011 from the reimbursements to the original records, and verified the validity of randomly selected disbursement checks.
 - We analyzed monthly and quarterly expenses for significant budget variances, which normally trigger additional management follow-up.
2. To determine whether Columbia Hospitality complied with the terms of the agreement:
 - We validated BHICC's accounting information, including financial statements.
 - We analyzed asset accounts and tested risk-based samples of related bad debt, prepaid expenses, and accruals.
 - We analyzed the financial statements by line-item for significant outliers.
 - We analyzed the Banquet Event Order for completeness and appropriateness. We tested a risk-based sample of 69, which included 53 of 282 events related to Columbia Hospitality and its

affiliates. Banquet Event Order is a document that itemizes event room, equipment, food & beverage, and labor.

- We tested risk-based samples of the detailed payroll records and identified some staff compensations that were likely unrelated to BHICC.
- We traced January 2010 payroll reimbursements to the source documents for reasonableness.
- We reviewed promotional hosting expenses for appropriateness.
- We analyzed and tested risk-based samples of contractual payments for procurement compliance.
- We tested risk-based samples of inter-company expenses for reasonableness and appropriateness.
- We reconciled insurance requirements to the coverage reflected in the certificate of insurance in force for the audit period.

Conclusion

Port management monitored the third-party management agreement to provide reasonable assurance relating to the achievement of agreement objectives. However, we identified an opportunity for management to strengthen its monitoring controls to ensure proper support and reasonable allocations of labor costs.

Columbia Hospitality, Inc. materially complied with the terms of the Management Services Agreement. However, as reported in the finding, we identified instances of noncompliance with allocated payroll reimbursements, and related-party billings.

Schedule of Findings and Recommendations

1. Port Management Monitoring Could Be Strengthened

Port management has sufficient knowledge of the Bell Harbor International Conference Center (BHICC) operations. Management has implemented monitoring processes to ensure compliance with agreed-upon terms and conditions. Following a review by Internal Audit in 2009, management made further improvements in monitoring procedures, especially over vendor disbursements. However, we observed that management monitoring over areas of high risk (e.g., payroll cost allocation and reimbursements) were not effectively focused to ensure compliance. We identified additional opportunities to improve monitoring controls as follows:

a. Unreasonable Employee Cost Allocated To The Port

The Management Service Agreement, as amended, with Columbia Hospitality, under Section 4, states that the Port is responsible for all operating costs including the cost to compensate Columbia Hospitality employees who work at the Port Facility (BHICC).

Columbia Hospitality operates in multiple states and overseas regions. In Washington alone, Columbia Hospitality manages 15 properties, including two properties for the Port of Seattle – Bell Harbor International Conference Center and the World Trade Center Seattle. Columbia Hospitality website states (Retrieved from: <http://www.columbiahospitality.com/about.php>, Last Accessed: 2/11/2013):

“The company has steadily grown its portfolio, employing more than 1,200 team members at properties in Washington, Oregon, Idaho, Montana, and California... In addition to expanding our management portfolio, Columbia has consulted on over 80 hospitality projects worldwide.”

Company-wide, Columbia Hospitality employs over 750+ employees. Some are corporate employees who provide central services (e.g., Human Resources Dept.) to all properties under Columbia Hospitality management. Columbia Hospitality assigns the rest of its employees to specific facilities (e.g., Bell Harbor), where they provide services to the assigned (home) property.

BHICC payroll expense between direct and allocated charges for the audit period are as follows:

Bell Harbor International Conference Center Payroll Expenses

For the audit period Jan. 1, 2010 – Dec. 31, 2011(rounded to thousands)

Payroll Source	2010	2011
Direct - based on automate time tracking system	\$1,800	\$1,830
Allocated - indirectly charged	1,400	1,400
Total	\$3,200	\$3,230

Data Sources: Bell Harbor International Conference Center Trial Balance and Ceridian Payroll Register.
 Data Note:* Includes salaries and wages only.

Through a timekeeping system, Columbia Hospitality tracks the time (labor) spent directly on each facility and charges the facility accordingly. The time tracking system seems to work effectively. However, we determined that the additional payroll costs indirectly charged the Port through an allocation methodology are not adequately supported and reasonable as follows:

i. Port Reimbursed Columbia Hospitality Based on Budget

The Port reimbursed Columbia Hospitality for its corporate Accounting and Human Resources services attributable to BHICC based on the budgeted figures as opposed to the actual costs incurred by Columbia Hospitality.

Annually, Columbia Hospitality submits a budget to the Port for BHICC operations. Port management approves the budget as early as three months prior to the operating year. The approved budget establishes revenue and expense expectations, and serves as a guiding document during the year. The budget provides a basis for variance analysis to identify cause and impact of significant budget departures, which enables management to make informed decisions.

The budget is an important monitoring tool, but it does not reflect the actual cost of operations. A payment based on the budget is not a reimbursement of the actual cost incurred, but rather a reimbursement of expectations that could be significantly different from reality. Further, to the extent that the budget exceeds actual costs, reimbursement based on budget is a Gift of Public Funds, as the Port cannot demonstrate what it received in return. Thus, the validity of reimbursements based on budget estimates is questionable, and the practice is contrary to the terms of the agreement, which require the Port to reimburse Columbia Hospitality based on actual costs. For the period 2010 and 2011, the Port reimbursed Columbia Hospitality \$387,700 and \$399,941, respectively, based on budgeted figures, not actual costs. We learned that this practice of reimbursing Columbia Hospitality based on the budget has been the practice for a number of years.

When we compare the Port approved budget (for two of the Columbia Hospitality departments), to the actual reimbursements for demonstration purposes, the calculation results in a potential over reimbursement of approximately \$58,000 for the calendar year 2010 (See **Attachment A on page 14 of this report**). This demonstrates the possible shortcomings of budget-based reimbursement.

ii. Unreasonable Cost Allocations to the Port Facility (BHICC)

- As stated above, the Port reimbursed Columbia Hospitality for its corporate Accounting and Human Resources costs for the calendar year 2010 as follows:

Columbia Hospitality Department	Total Columbia Hospitality Payroll Expenses*	Port Payroll Reimbursement for BHICC	% of BHICC Payroll to Columbia Hospitality's Total Payroll
Accounting	\$349,459	\$167,157	48%
Human Resources	362,236	219,543	61%
Total	\$711,695	\$386,700	54%

Data Source: Columbia Hospitality Budget, Worksheets, and general ledger.
 Data Note: * Includes salaries and wages only.

Considering the relative size of BHICC to the Columbia Hospitality property portfolio and the size of BHICC workforce, the percentage of Columbia Hospitality corporate services costs allocated to BHICC is unreasonable. For example, while BHICC employs approximately a seventh (100 of 700) of the Columbia Hospitality workforce, it was responsible for 54% of the total 2010 corporate services payroll cost for the two departments. Even in consideration of the BHICC's unique personnel needs and seasonal ups and downs in workloads, the allocation seems disproportional and unreasonable.

- Columbia Hospitality has hired a dedicated workforce for BHICC Facility in areas such as Sales, Food & Beverage, and Conference Services. During the audit period, the Port reimbursed 100% of BHICC actual compensation for employees (approximately 18 positions) in the above groups.

In analyzing Port reimbursements to Columbia Hospitality and the supporting documents, we determined that the Port reimbursed almost 100% of the following Columbia Hospitality corporate positions:

Corporate Position	2010	2011
Vice President of Sales	87%	88%
Director of Operations - Food & Beverage	83%	100%

Data Source: Bell Harbor International Conference Center General Ledger and Payroll Record

Our review of the Offer of Employment Letter for the above positions indicated that Columbia Hospitality recruited and hired the VP of Sales as its employee (not dedicated to any of its managed properties). Accordingly, the Port should not have been responsible for the almost entire compensation for the VP of Sales. When asked, Columbia Hospitality could not provide objective evidence for any changes in job responsibilities that would have supported the allocation to the Port.

As noted before, Columbia Hospitality operates in multiple states and overseas regions. These positions provide high-level direction and oversight in their respective areas for all properties managed by Columbia Hospitality. As evidenced by mileage reimbursement claims, the benefit of the positions extends beyond one particular property. While BHICC received certain benefit from the positions, their dedication to BHICC services could not have been to the extent observed in reimbursements. Thus, for the Port to have reimbursed substantially all of the positions' compensation is unsupported and unreasonable.

- Positions Dedicated To BHICC May Not Be Fully Benefiting BHICC.

Columbia Hospitality has an incentive program to promote employee performance. When employees achieve certain defined performance measures, Columbia Hospitality awards them additional incentive pay. As the program is property- or facility-specific (e.g., gross receipts at BHICC), the incentive would not be available unless the employee contributed (i.e., working at the property) to the success of meeting that performance measure.

We observed that the Executive Sous Chef and the Executive Chef positions in Food & Beverage received incentive payouts in 2010 and 2011, from other non-Port facilities/properties that Columbia Hospitality manages. Considering how Columbia Hospitality formulates the incentive program, the above positions could not have been eligible to receive the incentive payouts unless they worked at those non-Port properties.

We also noted mileage reimbursement claims by the positions for travel to and from other non-Port facilities managed by Columbia Hospitality. Such mileage reimbursement claims demonstrate that the positions benefit more than BHICC. In addition, the review of publicly available information in social media and websites - which have become an additional source of audit evidence - indicates that these positions work at multiple Columbia Hospitality-managed properties. Thus, fully allocating the chefs' compensation cost mostly to the Port Facility - Bell Harbor Conference Center - is unreasonable.

- iii. Columbia Hospitality Standard Operating Procedures requires a Personnel Action Form (PAF) when designating a home facility or title, which serves as a basis for subsequent cost allocations:
- PAFs are used for new hires, rehires, terminations, wage changes, time-offs, etc.
 - The PAF "...**must list the property** the team member is currently working at or being hired or transferred to work at the top of the PAF".

During the audit period, BHICC payroll expenses included approximately ten positions (excluding positions reimbursed based on budget), for which the PAF could serve as support for the allocated costs. However, we noted five instances where the PAF was absent as support for the payroll costs charged to the Port. Included in the exceptions was the position of Director of Sponsorship for WTCS, which was charged 80%, or approximately \$110,607, to BHICC.

- iv. Columbia Hospitality designates a home facility for each employee. The designation is used to accrue and subsequently compensate Paid-Time-Off (PTO). The method does not consider the actual distribution of working hours; that is, the home facility where the benefit is wholly accrued/paid may not be the facility where the employee works all of his/her time. In cases where the employee worked at multiple facilities, Columbia Hospitality should have, but did not, assign PTO to facilities where the benefit was earned. BHICC PTO compensation was approximately \$176,000 and \$220,000 in 2010 and in 2011, respectively.

During the audit, we identified 24 instances where BHICC compensated for PTO hours accrued under non-Port facilities. Columbia Hospitality should not commingle Public Funds with private activities.

b. Related-Party Transactions

Section R of the Management Agreement states:

"Columbia Hospitality [Columbia Hospitality Inc.] shall not grant discounts (emphasis added) for any use of the Facility on the basis of any contractual or business affiliations the user may have with or any entity connected to Columbia Hospitality..."

In addition, Port management requires disclosure of related-party transactions as part of the monthly meeting information.

We observed the following instances of nondisclosure and noncompliance:

- i. There was no disclosure of any related-party transactions during the 24-month audit period. However, our testing noted 282 Banquet Event Orders (related to Columbia Hospitality and its affiliates).
- ii. We examined 53 of the 282 related transactions and determined:
- A total of 20 events had not been billed, as of December 31, 2012.

The Port compensates Columbia Hospitality fully for the services provided with the agreed-upon management fees. Additional benefits of utilizing the Facility for non-BHICC purposes do not appear to be the intent of the agreement.

Columbia Hospitality could not provide objective evidence (e.g., agenda distributed to meeting participants) to demonstrate that the 20 events were BHICC business related meetings. Thus, we consider these events non-BHICC uses, and they are billable revenues to the Port conference center as follows.

Years	Event Count	Amount
2010	1	\$600
2011	19	13,390
Total	20	\$13,990

Data Source: Bell Harbor International Conference Center Banquet Event Order and price listing

- For nine related-party transactions, we identified an average discount of 47%, ranging individually from 1% to 63%. Normally, BHICC grants a 10% discount to its preferred customers. The discount is the difference between the Banquet Event Order (BEO) and the payment. BEO is a document that itemizes negotiated, not retail, price for event room, equipment, food & beverage, and labor. BEO is, in essence, an invoice for the customer, to which a discount could apply.

Recommendation

We recommend Port management:

- Ensure Columbia Hospitality is reimbursed for actual compensation expenses (as opposed to budgeted figures) as required by the agreement terms.
- Obtain a better understanding of the methodology or criteria used by Columbia Hospitality to allocate its corporate employee costs to the Port Facility.
 - Re-evaluate the reasonableness of the allocation methodology.
 - Assess whether the costs reimbursed by the Port exceeded the actual payroll costs incurred for the audit period.
 - Ensure that Public Funds are not commingled with private activities.
- Establish written operating and monitoring procedures to ensure that management addresses the areas of high risks adequately, including identification of related party transactions.
- Clarify in the management agreement:
 - Who, if any, should receive discounts or be charged at cost for their events held at Bell Harbor International Conference Center.
 - That discounts, including no-charge uses, are equitably granted for the use of BHICC because it is a Public Facility.

Management Response

We appreciate the time and energy that the auditor has given to this audit. The management agreement that covered the period of this audit has expired. After a lengthy selection process, CHI was chosen to continue the management of the Port's waterfront Conference and Event Centers. The terms of the new agreement should provide some management efficiencies and should streamline the monitoring and accounting functions in the future.

We generally agree with the factual findings and recommendations of this audit with the following comments:

- *Port and CHI Management have met several times and are working on a more compliant approach to staff allocation expenses that will not significantly increase the operating costs of the facility.*
- *Management will expand review and understanding of the methodology of the allocation of CHI corporate costs with the next budget cycle.*
- *Management will look at the approach to monthly monitoring of the agreement to identify and focus on areas of high risk.*
- *Regarding "discounts" – in the hospitality industry there are often posted "rack rates" but the actual rates and fees charged are affected by the size, timing, and complexity of the specific event. Port and CHI Management are working on revising the event booking guidelines and negotiated package guidelines to ensure that the reasoning and purpose of reduced rates are more clearly documented.*

Attachment A

Calendar Year 2010 Allocation of Columbia Hospitality Corporate Employee Costs Based on Budget

	Allocation % from the Approved Annual Budget	Actual Earnings from Columbia Hospitality Payroll Records*	Auditor's Calculated Agreed-Upon Reimbursement	Actual Reimbursement Amount to Columbia Hospitality Based on Budget	(Over)/ Under
	(a)	(b)	(c) = (a) x (b)	(d)	(c) - (d)
Corporate Accounting					
CFO	50%	\$104,401	\$52,201	\$62,400	\$(10,200)
ASSISTANT CONTROLLER	100%	83,135	83,135	72,384	10,751
AR Clerk	100%	25,611	25,611	33,228	(7,617)
		\$213,146	\$160,946	\$168,012	\$(7,066)
Corporate Human Resources					
DIRECTOR OF T&D MGR	50%	\$80,686	\$40,343	\$41,004	(661)
VP HR	50%	75,921	37,960	57,996	(20,036)
HR GENERALIST	100%	66,725	66,725	59,892	6,833
RECRUITER	50%	2,679	1,340	24,000	(22,660)
HR/PAYROLL SPECIALIST	50%	40,782	20,391	21,048	(657)
HR ADMIN.	50%	3,924	1,962	15,600	(13,638)
		\$270,717	\$168,721	\$ 219,540	\$(50,819)
Potential Over Reimbursement					(\$ 57,885)

* Actual earnings include salaries/wages only for consistent comparison purposes with budget. We have excluded other compensations such as vacation, bonus, incentive pay, etc. from the above calculation because these are negotiated as separate line items in the budget.