



2019 Business Plan and Budget

George Krogstie
Director of Finance

2019 Budget Overview

➤ Total 2019 Budget: \$18,144,949

Total 2019 Budget Change vs 2018	5.6%	\$962K
• CMEP functions for transferring SPP entities	2.7%	\$459K
• Legacy SERC operations	2.9%	\$503K

➤ Total 2019 Assessment: \$17,372,215

• Assessment increase	1.0%	\$167K
-----------------------	------	--------

➤ Total 2019 FTEs: 78.0

• 2019 FTE Increase	3.0 FTEs
• To administer CMEP functions for transferring SPP entities	

2018 - 2019 Budget Comparison

STATUTORY					
		2018	2019	Variance	Variance %
		<u>Budget</u>	<u>Budget</u>	<u>Over(Under)</u>	<u>Over(Under)</u>
Funding					
	NERC Assessments	\$ 17,205,136	\$ 17,372,215	\$ 167,079	1.0%
	Penalty Sanctions	727,978	83,000	(644,978)	
	Workshops	176,025	126,050	(49,975)	
	Interest	1,000	1,000	-	
	Miscellaneous	86,000	34,500	(51,500)	
Total Funding		<u>\$ 18,196,139</u>	<u>\$ 17,616,765</u>	<u>\$ (579,374)</u>	<u>-3.2%</u>
Expenses					
	Personnel Expenses	\$ 12,937,388	\$ 13,526,324	\$ 588,936	4.6%
	Meeting Expenses	917,569	985,622	68,053	7.4%
	Operating Expenses	3,435,978	3,784,691	348,712	10.1%
	Non-Operating Expenses	-	-	-	
Total Expenses		<u>\$ 17,290,935</u>	<u>\$ 18,296,637</u>	<u>\$ 1,005,702</u>	<u>5.8%</u>
Fixed Assets					
	Depreciation	\$ (453,068)	\$ (371,688)	\$ 81,381	
	Fixed Asset Purchases	345,000	220,000	(125,000)	
Inc(Dec) in Fixed Assets		<u>\$ (108,067)</u>	<u>\$ (151,688)</u>	<u>\$ (43,621)</u>	<u>40.4%</u>
TOTAL BUDGET					
		\$ 17,182,868	\$ 18,144,949	\$ 962,081	5.6%
FTEs		75.00	78.00	3.00	4.0%

Key Factors/Budget Assumptions

Personnel costs and assumptions

- 78 FTEs
 - Increase of 3 FTEs to administer CMEP functions for transferring SPP entities
- 10% vacancy rate
- 3% average merit increase
- 6% increase in medical insurance

Meeting and Travel Expense

- Increasing 7.4% due to administration of CMEP functions for transferring SPP entities, and to better reflect actual costs

Key Factors/Budget Assumptions

Operating costs and assumptions

- Consultants and Contracts increasing \$122K, reflecting NERC technology initiatives and increased contract administrative support
- Office Rent increasing \$156K due to lease of additional office space
- Office Costs increase of \$100K reflects reclassification of computers previously budgeted as fixed assets
- Professional Services increasing \$53K, primarily for legal fees to review corporate bylaws

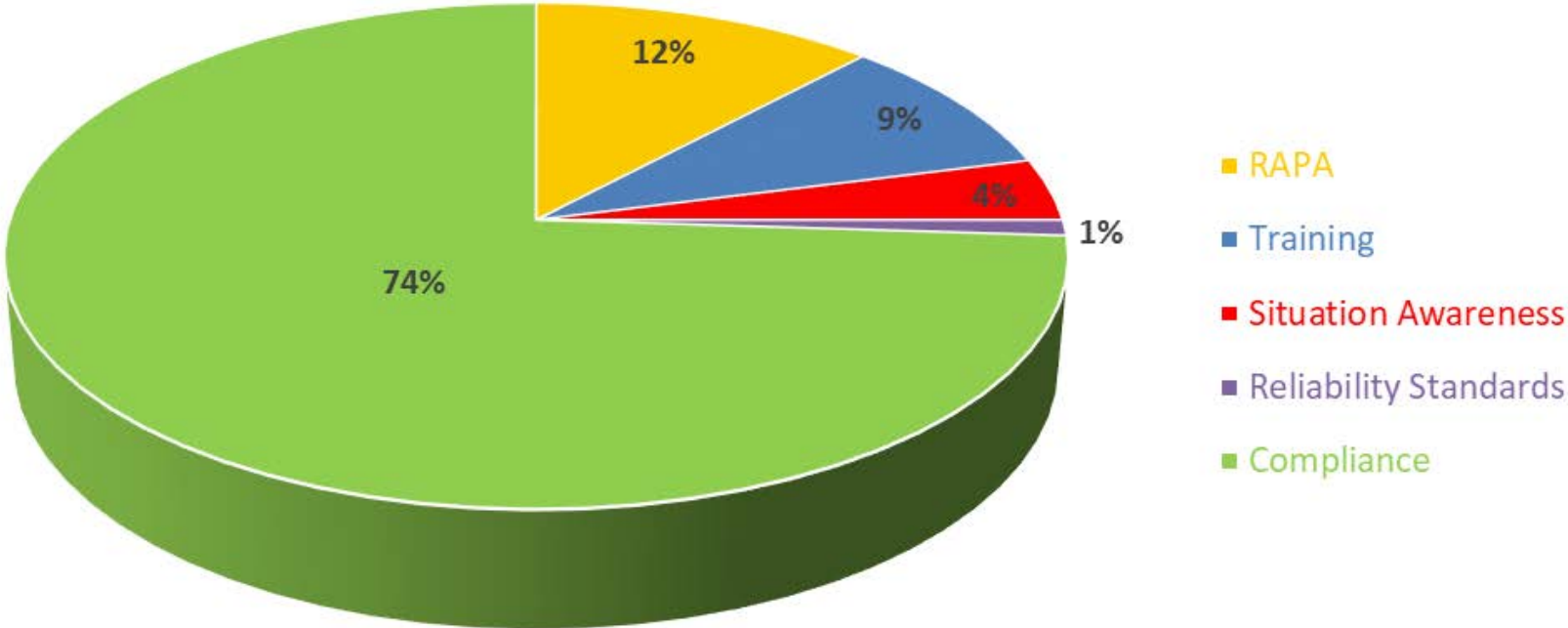
2019 Preliminary Assessments

- Total Assessments are increasing \$167K, or 1.0% in 2019
 - Assessments to legacy SERC entities expected to decrease by 1.7%
 - Transferring entities from SPP will realize a reduction of approximately 60% from 2018 assessments
- Factors impacting 2019 assessments
 - Budget of \$18,145K
 - Penalty revenue of \$83K (decrease from \$727K in 2018)
 - Release of excess working capital reserves reducing assessments by \$528K

2018 - 2019 FTE Comparison

Total FTE's by Program Area	2018 Budget	2019 Budget	Increase (Decrease)
STATUTORY			
Operational Programs			
Reliability Standards	1.70	0.45	(1.25)
Compliance Monitoring and Enforcement and Organization Registration and Certification	32.56	34.00	1.44
Reliability Assessment and Performance Analysis	6.37	4.90	(1.47)
Training, Education and Stakeholder Outreach	1.70	3.30	1.60
Situation Awareness and Infrastructure Security	2.37	2.20	(0.17)
Total FTEs Operational Programs	44.70	44.85	0.15
Administrative Programs			
Technical Committees and Member Forums	4.70	4.70	-
General & Administrative	11.25	8.75	(2.50)
Legal and Regulatory	2.55	4.45	1.90
Analytics and IT	7.00	9.45	2.45
Human Resources	1.90	2.90	1.00
Finance and Accounting	2.90	2.90	-
Total FTEs Administrative Programs	30.30	33.15	2.85
Total FTEs	75.00	78.00	3.00

2019 Budget by Functional Area



Working Capital Reserves

- The 2019 Working Capital Reserve will be utilized to manage cash flow for daily operations and to stabilize and minimize large fluctuations in the annual assessments.
- No change to reserve policy
 - Targeted working capital and operating reserve is 10% the total annual budget
 - \$1.5M line of credit if needed
- Projected 2019 beginning balance of \$2.3M
- Reserves decrease by \$0.5M to \$1.8M in 2019

2020 and 2021 Projections

- Personnel Assumptions
 - No proposed changes in FTEs
 - 3% compensation increase
 - Applied vacancy rate of 8% in 2020 and 2021
- 2020
 - Total assessment increase \$817K (4.7%)
 - Total budget increase \$801K (4.4%)
- 2021
 - Total assessment increase \$1,180 (6.1%)
 - Total budget increase \$585K (3.1%)

Questions?