

# 2019 Business Plan and Budget

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# 2018 - 2019 FTE Comparison

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2018	2018	2019 Budget	FTEs 2019 Budget	2019 Budget	from 2018 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	1.50	1.50	1.25	-	1.25	(0.25)
Compliance and Organization Registration and Certificat	36.25	36.25	35.75	-	35.75	(0.50)
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.25	6.25	6.00	-	6.00	(0.25)
<b>Total FTEs Operational Programs</b>	<b>46.25</b>	<b>46.25</b>	<b>45.25</b>	<b>-</b>	<b>45.25</b>	<b>(1.00)</b>
<b>Administrative Programs</b>						
General & Administrative	3.00	3.00	4.00	-	4.00	1.00
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
<b>Total FTEs Administrative Programs</b>	<b>13.75</b>	<b>13.75</b>	<b>14.75</b>	<b>-</b>	<b>14.75</b>	<b>1.00</b>
<b>Total FTEs</b>	<b>60.00</b>	<b>60.00</b>	<b>60.00</b>	<b>-</b>	<b>60.00</b>	<b>-</b>

# 2018 – 2019 Budget Comparison

## Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2018 and 2019 Budget Comparison

	2018 Budget	2019 Budget	Variance Over(Under)	% Var.
<b>Funding</b>				
NERC Assessments	\$ 11,271,986	\$ 13,248,000	\$ 1,976,014	17.5%
Penalty Sanctions	275,000	114,449	(160,551)	-58.4%
Interest	2,000	15,000	13,000	650.0%
<b>Total Funding</b>	<b>\$ 11,548,986</b>	<b>\$ 13,377,449</b>	<b>\$ 1,828,463</b>	<b>15.8%</b>
<b>Expenses</b>				
Personnel Expenses	\$ 9,958,815	\$ 10,302,794	\$ 343,979	3.5%
Meetings & Travel	423,650	389,570	(34,080)	-8.0%
Operating	2,412,988	2,451,508	38,520	1.6%
<b>Total Expenses</b>	<b>\$ 12,795,453</b>	<b>\$ 13,143,872</b>	<b>\$ 348,419</b>	<b>2.7%</b>
<b>Increase (Decrease) in Fixed Assets</b>	<b>(138,500)</b>	<b>(74,273)</b>	<b>64,227</b>	<b>-46.4%</b>
<b>Total Budget</b>	<b>\$ 12,656,953</b>	<b>\$ 13,069,599</b>	<b>\$ 412,645</b>	<b>3.3%</b>
<b>Change in Working Capital</b>	<b>\$ (1,107,967)</b>	<b>\$ 307,850</b>	<b>\$ 1,415,818</b>	

# 2019 Statutory Budget Overview

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- **Total budget increase is 3.3% or \$413K.**
- **Assessment Increase is 17.5%**
  - In 2018 Texas RE used \$725k from operating reserve to reduce assessments.
  - The 2019 assessment includes returning a portion to the operating reserve.
- **Staffing remains constant with 60 FTEs.**

# Texas RE 2019 Assessments

- **Total Assessments are increasing 17.5% in 2019.**
- **Factors impacting assessment change:**
  - \$114,449 penalty revenue to reduce 2019 assessments.
  - Increase in 2019 expense budget 3.3%.
  - Adding back a portion of the \$725k borrowed from the Operating Reserve 2018.
  - Anticipating larger interest income due to changing the style of accounts to U.S. End of Day Money Market Mutual Fund Sweep Account.

# 2019 Key Factors/Budget Assumptions

## **Personnel Costs and Assumptions**

- The number of FTEs is remaining constant for 2019 with 60 FTEs.
- The average available salary adjustment is 3%.
- Promotions, market analysis and compensation studies were done in 2017 resulting in salary adjustments not considered in the 2019 budget.
- Health Benefits are projected to increase 15%.
- Retirement costs are driven by payroll and based on actual participation.
- Total Personnel Costs increasing 3.5%.

## **Meeting and Travel Expense**

- Decreasing 8.0% to reflect actual costs.
- New webinar provider causing the on-line meeting costs to decrease.

# 2019 Key Factors/Budget Assumptions

## Operating Expenses

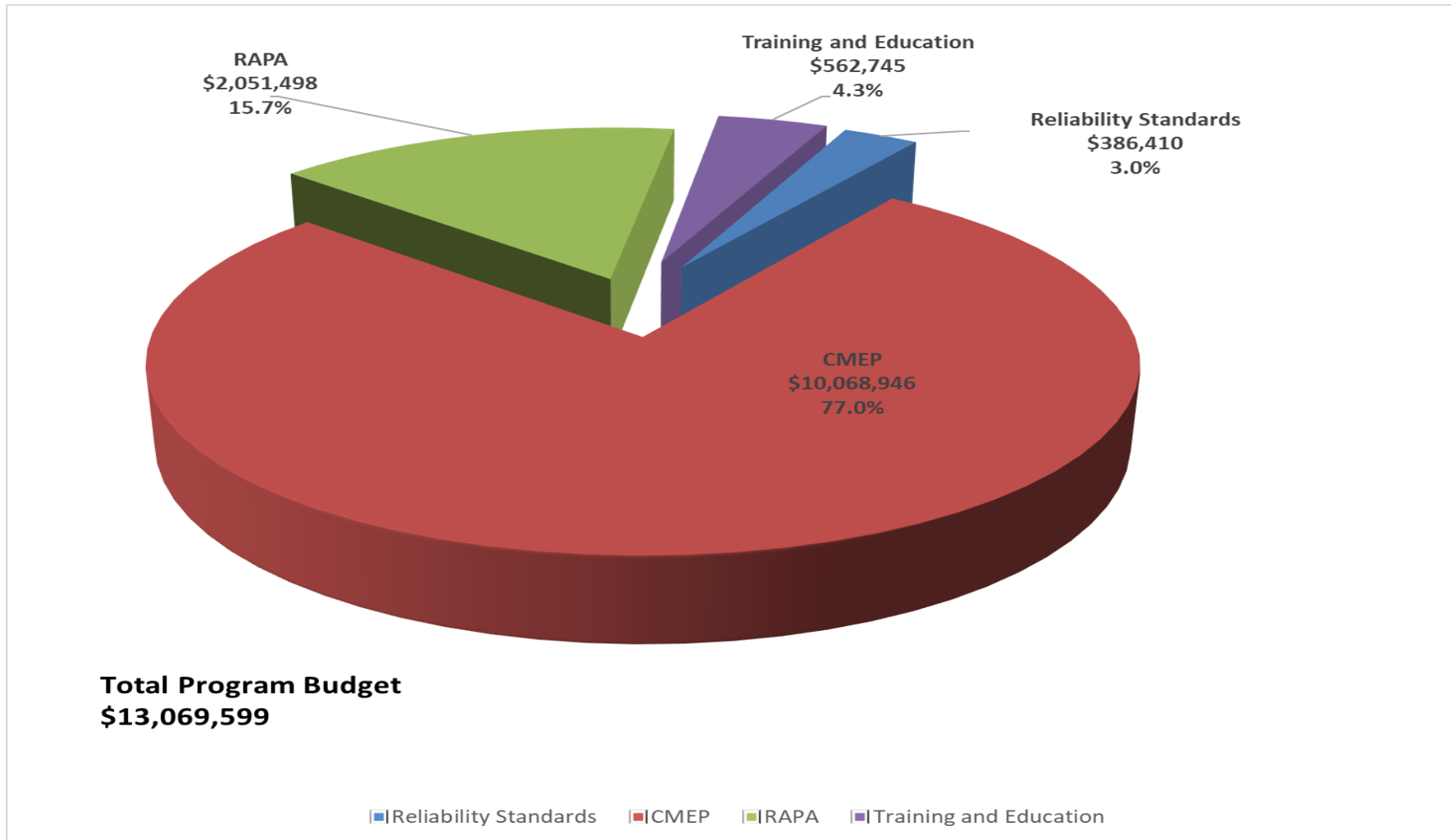
- Contract and Consultants includes three compensation studies and penetration testing.
- Utilities are increasing to accommodate utility charges allocated by the property manager based on prior year usage, price, and square footage.
- Office costs is increasing due to price increases for leased equipment and copiers, service contracts for IT services, and property taxes.
- Professional services are decreasing slightly to reflect actual usage.
- Depreciation is decreasing due to certain assets fully depreciating.
- Total Operating Expenses are increasing 1.6%.

# 2019 Key Factors/Budget Assumptions

- **Texas RE will perform approximately 35-40 engagements, including all aspects of 693 and CIP risks identified through risk-based CMEP processes. Some engagements will be more complex as they may include Coordinated Oversight entities.**
- **There is no duplication of costs for NERC initiatives.**
- **Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-term Strategy and the ERO Enterprise Operating Plan.**
- **Statutory funds are not used for State (Non-Statutory) activities.**



# 2019 Budget by Functional Area



# Operating Reserve and Working Capital

- **The purpose of the Board-approved Working Capital and Operating Reserve policy for Texas RE is to ensure the stability of the ongoing operations of the organization.**
- **The Working Capital and Operating Reserve is intended to provide funds for situations such as a sudden unanticipated increase in expenses, one-time unbudgeted expenses, uninsured losses, or contested Enforcement matters.**
- **\$725k of this reserve was used to reduce assessments in 2018. A portion of the amount is being replenished in the 2019 budget with the balance replenished in 2020.**

# 2020 – 2021 Budget Projections

- 4% escalation rate applied to expense categories.
- No changes in personnel.
- 2020 - Total budget increase of \$523k.
  - Assessments increase 4.0%.
- 2021 - Total budget increase of \$547k.
  - Assessments increase 4.0%.

2020 assessments will include an amount to reimburse operating reserve for 2018 offset in assessments. Any penalty revenue will follow the FERC requirement to offset assessments. Otherwise, assessments will equal budget.

# Questions?

