



# **FRCC 2014 Business Plan & Budget**

**(Approved by the FRCC Board of Directors, June 26, 2013)**

**NERC Finance & Audit Committee**  
**July 19, 2013**  
**Linda Campbell**

# Change in RE Budget 2013 vs. 2014: Expenses Only

	2013	2014	\$ Change	% Change
Total Personnel Expenses	\$ 5,042,261	\$ 5,306,366	\$ 264,105	5.2%
Total Meeting Expenses	334,969	266,910	(68,059)	(20.3)%
Total Operating Expenses	<u>1,218,806</u>	<u>1,249,332</u>	<u>30,526</u>	2.5%
Total Expenses	\$ 6,596,036	\$ 6,822,608	\$ 226,572	3.4%
Change in Fixed Assets	<u>\$ 64,254</u>	<u>\$ 27,676</u>	<u>\$ (36,578)</u>	(56.9)%
Total Budget	\$ 6,531,782	\$ 6,794,935	\$ 263,150	4.0%

# 2014 RE Division Total Funding by Program Area

	2013	2014	% Change 2014:2013	\$ Change 2014:2013
<b>Statutory</b>				
Reliability Standards Development	400,675	409,591	2.2%	8,916
Compliance Monitoring and Enforcement	4,289,553	4,702,351	9.6%	412,798
Reliability Assessment & Performance Analysis	1,399,000	1,391,299	-0.6%	(7,701)
Training, Education and Operator Certification	378,953	272,310	-28.1%	(106,643)
Situational Awareness & Infrastructure Security	63,601	19,380	-69.5%	(44,221)
<b>Total Statutory Expenses &amp; Net Fixed Assets</b>	<b>6,531,782</b>	<b>6,794,931</b>	<b>4.0%</b>	<b>263,149</b>
<b>Funding:</b>				
<b>Total Statutory Funding Assessment</b>	<b>5,957,970</b>	<b>5,488,056</b>	<b>-7.9%</b>	<b>(469,914)</b>
<b>Pass Thru Training &amp; Education</b>	90,000	90,000	0.0%	-
<b>Pass Thru Software Maintenance</b>	22,000	24,000	9.1%	2,000
<b>Cash Reserve Refund</b>	157,312	849,875	440.2%	692,563
<b>Penalty Assessment Allocation</b>	304,500	343,000	12.6%	38,500
<b>Total Statutory Funding (Equals Total Expenses)</b>	<b>6,531,782</b>	<b>6,794,931</b>	<b>4.0%</b>	<b>263,149</b>

# 2014 RE Budget Drivers & Risks

- Addition of one (1) position for a Manager of CIP Audit.
- Personnel Costs include:
  - 3% Increase in Salaries,
  - 10% increase in Medical Benefit costs,
  - an attrition factor of approximately 2% of total RE salaries,
  - a four month delay in hiring due to historical hiring delays,
  - a revised classification of training related travel from Travel Expenses to Personnel Costs and some additional training of current staff,
  - the introduction of an executive retirement benefit plan (457(b) Plan) to offset the effects created by the limits the IRS on 401(k) contributions for the officers of the FRCC.
- Maintenance and Software Enhancements on the Compliance Portal System.
- Uncertainty of impact of new CIP Version 5 on Monitoring & Enforcement
- Uncertainty of the timing, development and implementation of the RAI
- Uncertainty of CEA contract costs

# FRCC Working Capital and Operating Reserve Policy

- Policy was approved by the FRCC Board of Directors June 26, 2013
- Working Capital and operating reserve requirement (Reserve) shall be one (1) month of the total annual budget.
- In addition, a \$1.5 Million line of credit will be secured to be used for short term and other risks that may be needed to bridge budget cycles and approved assessments.
- Approval by the Board of Directors will be required should it be recommended by the President and Chief Executive officer that the Reserve requirement be adjusted.
- The amount of the Reserve shall be identified and quantified each year in the business plan and budget submitted to and approved by the Board of Directors.
- Reserves shall:
  - *be utilized to satisfy projected annual cash flow and cash balance requirements and to satisfy contingencies where the specific timing and amount is uncertain.*
  - *be reviewed annually by the President and Chief Executive Officer to evaluate whether the level is sufficient.*

# Guidelines and Authorities Applicable to Expenditures

- The Controller has authority to draw on Reserves to the extent necessary to satisfy daily cash flow requirements consistent with the approved aggregate annual budgeted expenses and budgeted capital expenditures.
  - *Any such draws of Reserves shall to the extent possible be promptly replenished from future available cash flow.*
- For expenditures of Reserves in excess of, or projected to be in excess of the RE approved aggregate annual budgeted expenses and budgeted capital expenditures:
  - *the FRCC's President and Chief Executive Officer is authorized to expend such Reserves up to \$250,000.*
  - *an amount exceeding \$250,000 requires the prior approval of the Board of Directors.*
- All expenditures of Reserves are subject to other applicable RE policies and procedures, and shall be separately reported in the budget variance reports prepared by management
  - *also included in the quarterly Board of Director agenda materials, which are posted on the FRCC's member website.*
- The procedures set forth in Section 1108 of the Rules of Procedure, including Board of Trustees and FERC approval, shall continue to apply in circumstances where the RE requires funding between normal annual budget cycles in excess of amounts available through approved assessments and reserve resources.

# Other Guidelines

## **Guidelines and Authorities Required to Reallocate Budgeted Expenditures on an Intra-year Basis**

During the course of the year events may unfold such that some approved budget areas may run below budget, making funds available to satisfy other resource needs based on changing priorities. In the event such under-runs occur, the funds shall be added to the reserve and the President and Chief Executive Officer shall have the authority to expend such funds.

## **Addition of Unbudgeted FTE or Headcount Additions**

Any FTE or headcount additions, which are in excess of the total FTEs or total headcount set forth in the FRCC's approved business plan and budget for the applicable budget year shall require approval of the Board of Directors.

# FRCC

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**QUESTIONS?**