



# **2014 Business Plan and Budget FINAL**



## 2014 Budget Overview

- Increase in penalty sanctions (\$554,500 vs. \$51,000, in 2013)
- Staffing
  - Addition of 1.75 FTEs compared to 2013 budget
  - Continue funding 3 entry level engineering positions budgeted in 2013 to assist in information transfer and succession planning.
- Operating Reserve
  - 2014 Budget will fully fund the reserve, increasing the reserve by approximately \$600,000
- Budget assumptions
  - 2.5% merit increase
- Proposed 2014 budget includes \$158,250 for relocation

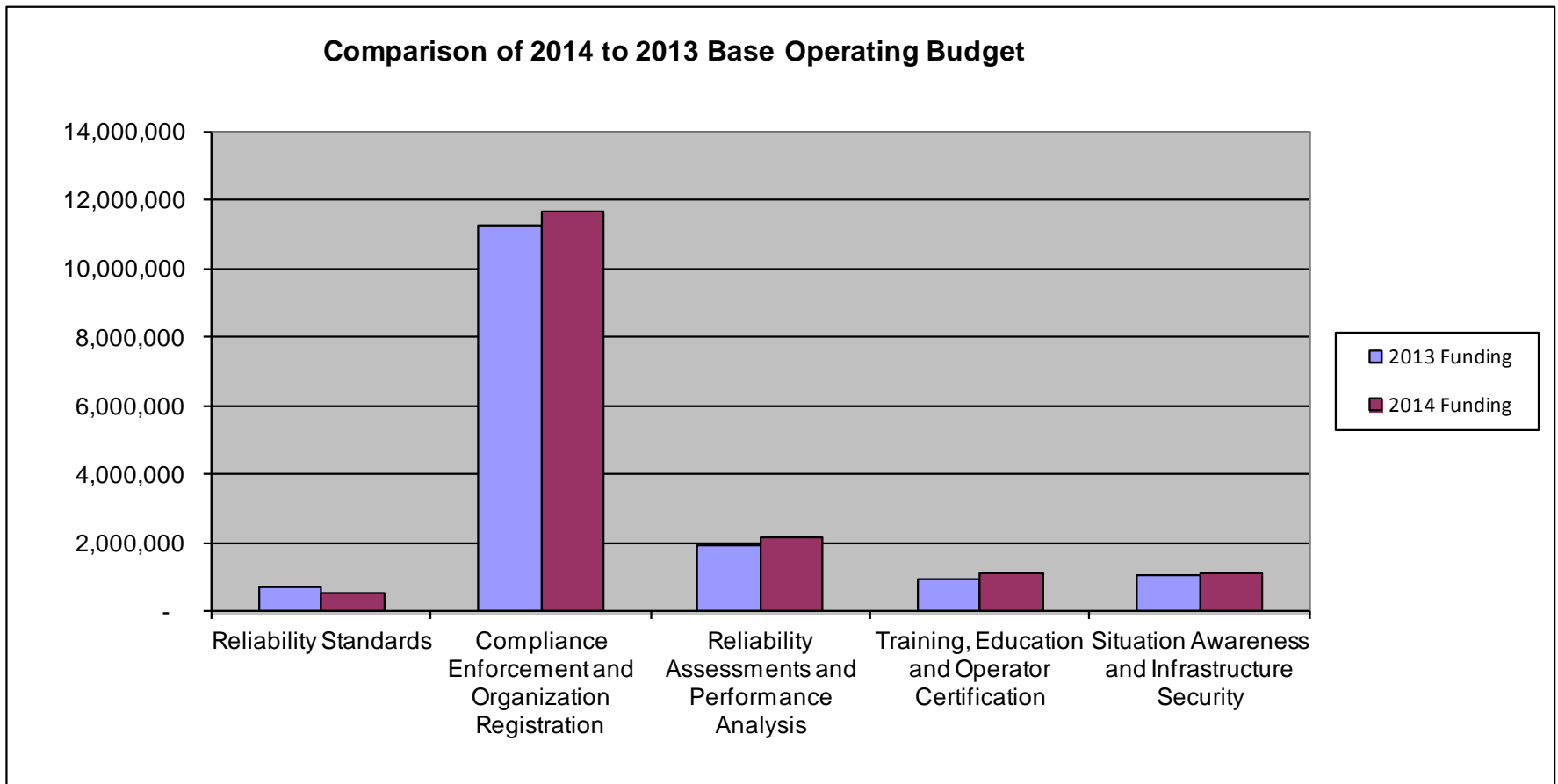


## Other Key Factors

### Penalty Funds

- Penalties collected from July 1 through June 30 applied to current budget development.
- Total penalties collected through June 30, 2013 \$2,054,500
  - If applied in full, Assessments would decrease approximately 11.5%
- Applying \$554,500 towards 2014 budget
  - Remainder included as a temporary increase to operating reserves

# Program Comparison





## Working Capital & Operating Reserve Policy

- Operating Reserve:
  - Approved by the BoD on April 23, 2008
  - Equal to up to 10% of its budgeted annual statutory operating costs.
- Working Capital:
  - Approved by the BoD on July 10, 2013
  - In the event that SERC's working capital is greater than 2 months of statutory operating costs, SERC will treat this excess as temporary operating reserves to be used for significant unexpected contingencies in the current year, or as an offset to future budget periods.
- Additionally, SERC has a line of credit available to be used as a supplement to, and in conjunction with, the working capital.



## **Working Capital & Operating Reserve Policy (cont'd)**

- All expenditures of reserves are subject to other applicable policies and procedures, including approval limits and signature authorities included in SERC's Internal Control Procedures, and shall be reported in the quarterly budget variance reports reviewed by SERC's Board of Directors.
- SERC has not done a formal cash flow analysis in preparation of its Working Capital and Operating Reserve policy
- 2013 excess operating reserves over and above 2013 budgeted levels applied as a reduction to future assessments



**Questions?**