



2016 Business Plan and Budget Review

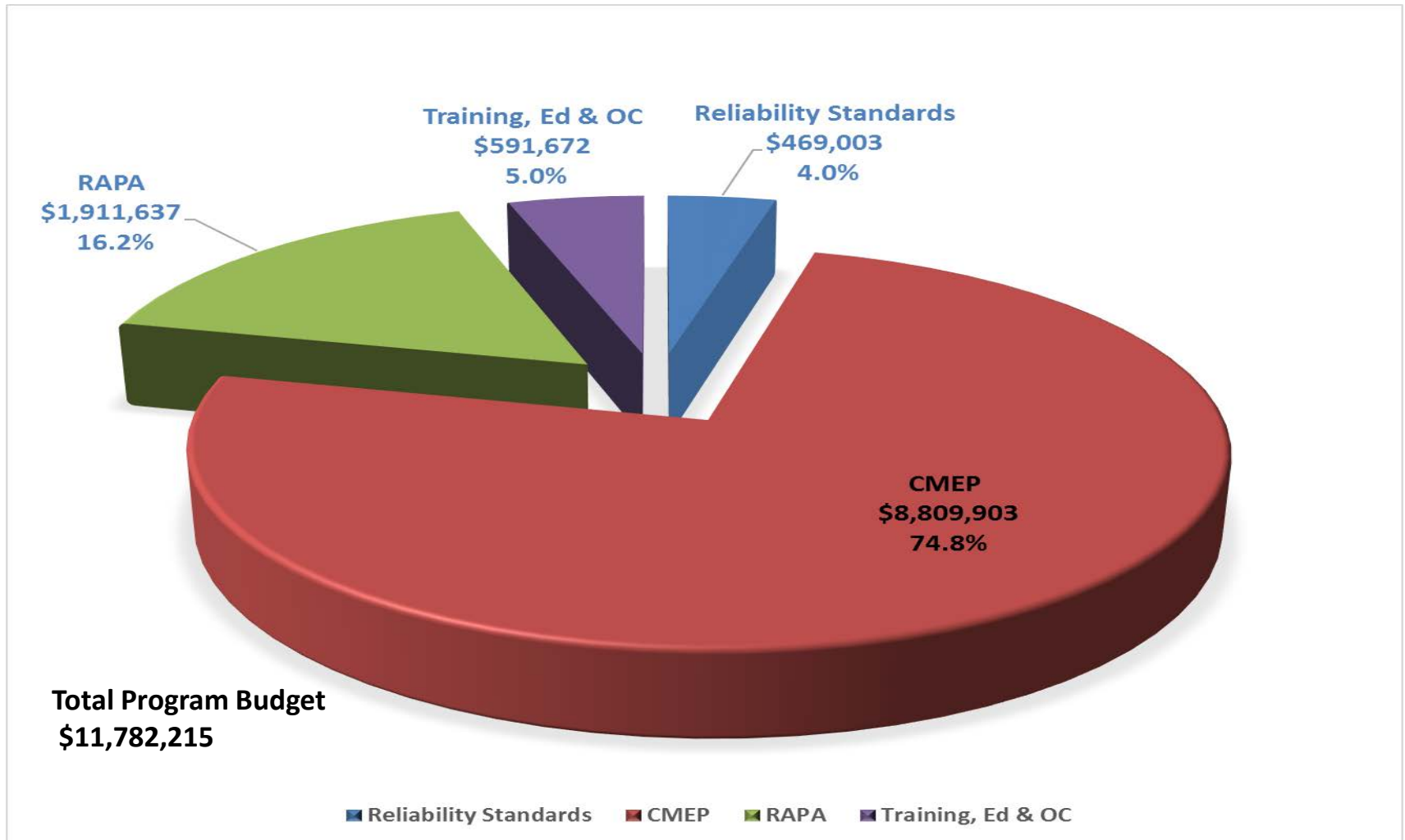
NERC Finance and Audit Committee
July 22, 2015

2015 – 2016 Personnel Comparison

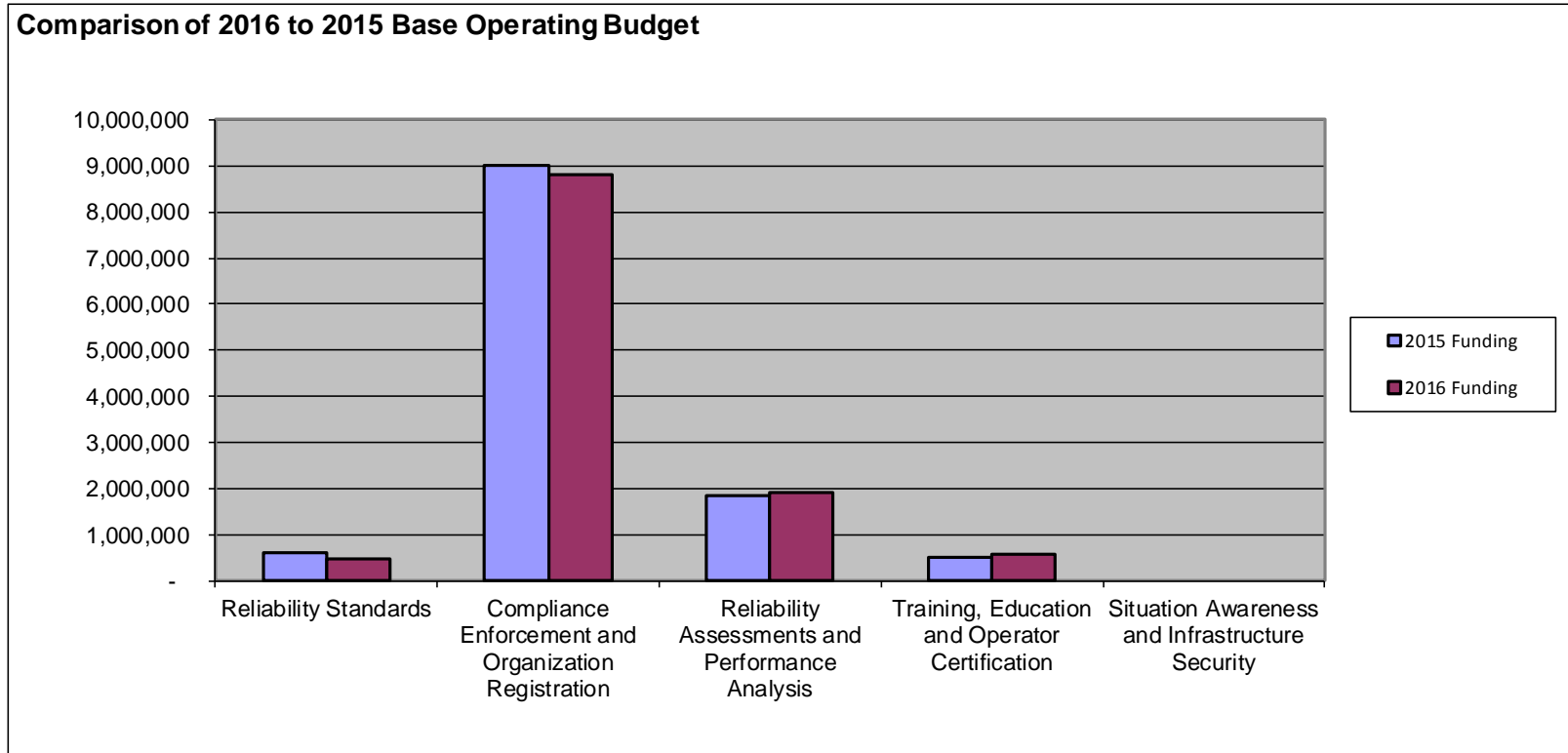
Total FTEs by Program Area	Budget	Direct FTEs	Shared	Total FTEs	Change
	2015	2016 Budget	FTEs 2016 Budget	2016 Budget	from 2015 Budget
STATUTORY					
Operational Programs					
Reliability Standards	2.25	1.75	-	1.75	(0.50)
Compliance and Organization Registration and Certification	33.50	35.75	-	35.75	2.25
Training and Education	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.50	6.50	-	6.50	-
Situation Awareness and Infrastructure Security	-	-	-	-	-
Total FTEs Operational Programs	44.50	46.25	-	46.25	1.75
Administrative Programs					
Technical Committees and Member Forums	-	-	-	-	-
General & Administrative	2.00	3.00	-	3.00	1.00
Legal and Regulatory	4.50	2.75	-	2.75	(1.75)
Information Technology	4.00	5.00	-	5.00	1.00
Human Resources	1.00	-	-	-	(1.00)
Finance and Accounting	4.00	3.00	-	3.00	(1.00)
Total FTEs Administrative Programs	15.50	13.75	-	13.75	(1.75)
Total FTEs	60.00	60.00	-	60.00	-

A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

2016 Summary by Statutory Program



2015 - 2016 Program Comparison



2016 Key Assumptions

- **The number of FTEs is remaining constant for 2016.**
- **The average available salary adjustment is 4%.**
- **Vacancy assumption is 2%.**
- **Health benefits is projected to increase 12%.**
- **Costs for potential contested case have been removed from professional services.**
- **Lease has been extended and includes additional conference room space.**

2015 – 2016 Budget Comparison

	2015 Budget	2016 Budget	Variance Over(Under)	% Var.
Funding				
NERC Assessments	\$ 10,500,446	\$ 9,560,448	\$ (939,998)	-9.0%
Penalty Sanctions	483,500	337,000	(146,500)	-30.3%
Membership Dues & Interest	33,545	1,000	(32,545)	-97.0%
Total Funding	\$ 11,017,491	\$ 9,898,448	\$ (1,119,043)	-10.2%
Expenses				
Personnel Expenses	\$ 9,002,199	\$ 9,290,238	\$ 288,038	3.2%
Meetings	57,366	50,350	(7,016)	-12.2%
Travel	451,108	378,115	(72,993)	-16.2%
Consultants & Contracts	288,070	342,148	54,078	18.8%
Rent & Improvements	427,080	489,557	62,477	14.6%
Office Costs	636,958	672,307	35,349	5.5%
Professional Services	1,077,240	515,500	(561,740)	-52.1%
Depreciation	212,740	159,033	(53,707)	-25.2%
Total Expenses	\$ 12,152,761	\$ 11,897,248	\$ (255,514)	-2.1%
Change in Assets	\$ (1,135,270)	\$ (1,998,800)	\$ (863,529)	76.1%
Increase (Decrease) in Fixed Assets	(169,060)	(115,033)	(54,027)	
Total Budget	\$ 11,983,701	\$ 11,782,215	\$ (201,487)	-1.7%
Change in Working Capital	\$ (966,210)	\$ (1,883,767)	\$ (917,556)	

Texas RE 2016 Budget Overview

- NERC Assessments are decreasing 9.0%.
- Revenue other than assessments is decreasing 34.6%:

Fines and Penalties	30.3%
Membership and Dues	100.0%
Interest	93.4%
- Reduced Assessments reflect budget under runs from 2013 and 2014.
- Penalty money received between July 1, 2014 to June 30, 2015 offset 2016 assessments.
- Statutory funds are not used for State (Non-Statutory) activities.

2016 Budget Overview

- Personnel expenses are increasing 3.2%. This increase assumes anticipated annual merit increases of 4% and personnel vacancy of 2%. Employee benefits also include training and professional development and a 12% Insurance increase (based on current information).
- Meetings and Travel expense is decreasing 15.7% due to more on-site meetings anticipated with new conference room space and cost saving efforts by employees.
- The Consultants and Contract category is increasing 18.8% due to anticipated Board of Director's compensation study.
- Rent cost is increasing 14.6% due to additional conference room space.
- Professional Services costs are decreasing 52.1% due to the elimination of the contingency for the anticipated costs of outside legal counsel for one contested Enforcement case.
- Depreciation is decreasing 25.2% to reflect fully depreciated assets.
- Total Statutory Expense Budget for 2016 is decreasing 1.7% from the 2015 budget.

2016 Objectives

- **Participation in the development of NERC Reliability Standards, or modifications, and facilitation of developing needed regional variances through Texas RE's Standards Development Process.**
- **Risk based registration of responsible entities with NERC and, as needed, certification of such entities within the ERCOT Interconnection.**
- **Risk based monitoring and enforcement of compliance with approved Standards and regional standards, in accordance with the NERC ROP, in the ERCOT Interconnection.**
- **Analysis and assessment of system events and disturbances.**
- **Assessment of the present and future reliability, adequacy, and security of the BPS.**
- **Promotion of effective training and education of personnel, and assistance in the certification of personnel in various areas of expertise.**
- **Promotion of situation awareness and the protection of critical infrastructure.**

Working Capital

- **The purpose of the 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.**
- **Texas RE will maintain an Operating Reserve of \$2,000,000 pursuant to Board-approved policy.**
- **Excess monies greater than the operating reserve will be applied in the calculation to reduce assessments for the following budget year.**
- ***Not* a part of our Working Capital policy, but Texas RE maintains a \$500,000 Line of Credit with Chase Bank for emergency use only.**

2017 and 2018 Projections

- **4% cost escalation applied to all expense categories.**
- **No significant changes in personnel.**
- **No significant cost changes in any program areas.**
- **Penalty and budget over/under runs impact assessments; otherwise, assessments will equal budget.**

Contact information



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