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# 2016 Business Plan and Budget Review

May 27, 2015

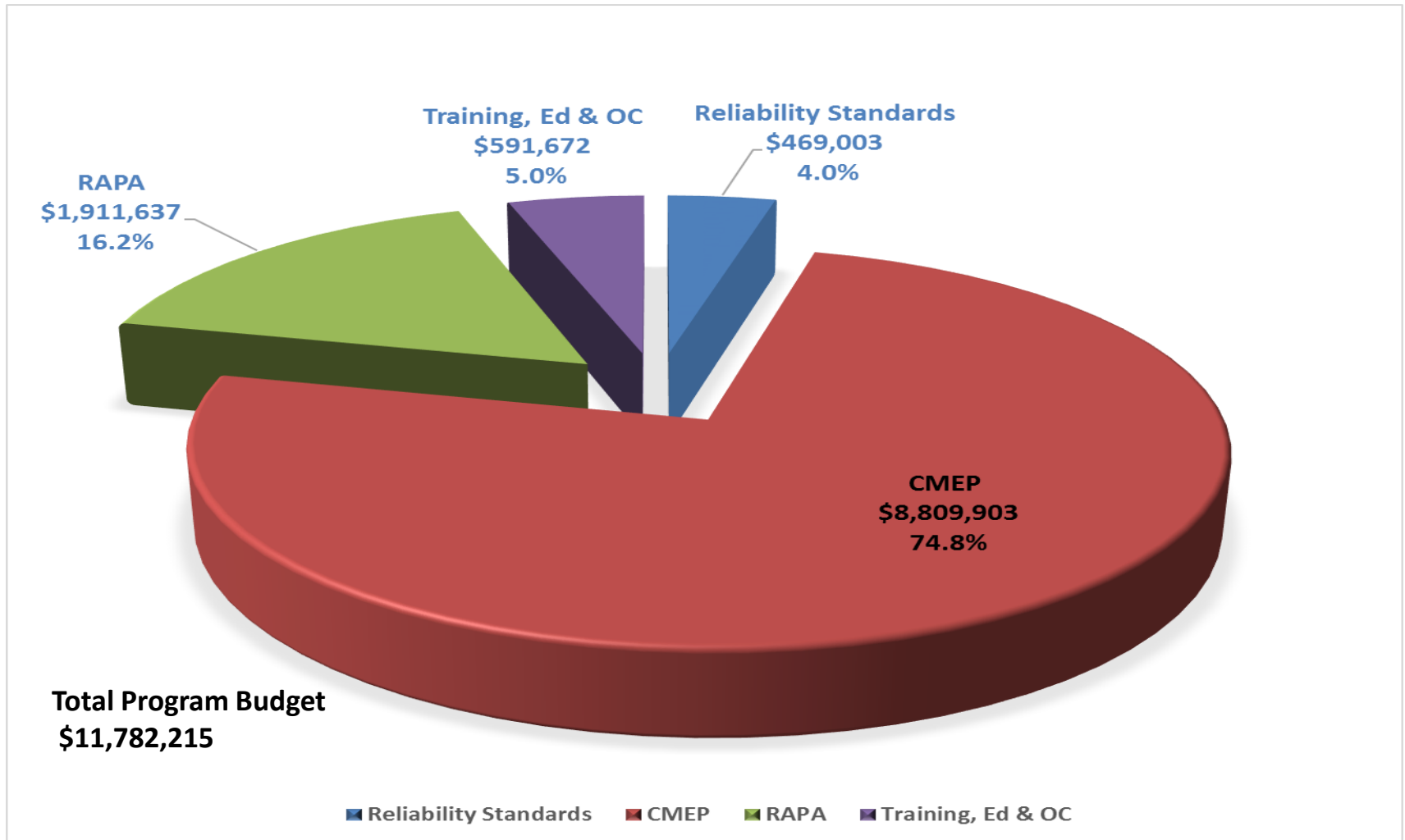
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# 2015 – 2016 Personnel Comparison

Total FTEs by Program Area	Budget	Direct FTEs	Shared	Total FTEs	Change
	2015	2016 Budget	FTEs 2016 Budget	2016 Budget	from 2015 Budget
<b>STATUTORY</b>					
<b>Operational Programs</b>					
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	-	-	-	-	-
<b>Total FTEs Operational Programs</b>	<b>44.50</b>	<b>46.25</b>	<b>-</b>	<b>46.25</b>	<b>1.75</b>
<b>Administrative Programs</b>					
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)
<b>Total FTEs Administrative Programs</b>	<b>15.50</b>	<b>13.75</b>	<b>-</b>	<b>13.75</b>	<b>(1.75)</b>
<b>Total FTEs</b>	<b>60.00</b>	<b>60.00</b>	<b>-</b>	<b>60.00</b>	<b>-</b>

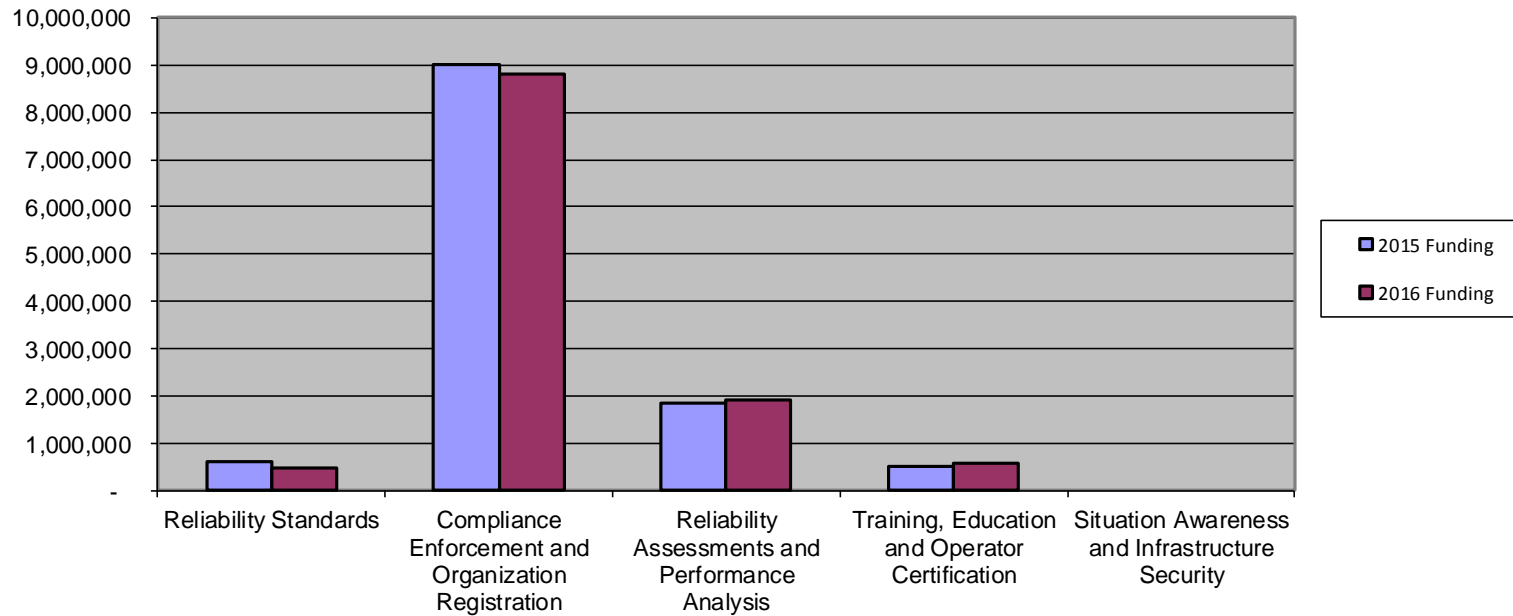
A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.

# 2016 Summary by Statutory Program



# 2015 – 2016 Program Comparison

Comparison of 2016 to 2015 Base Operating Budget



# 2016 Key Assumptions

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- 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.
- Additional conference room space has been leased.

# Texas RE 2016 Budget Overview

- NERC Assessments are decreasing 8.5%.
- Revenue other than assessments is decreasing 44.7%:

Fines and Penalties	41.1%
Membership and Dues	100.0%
Interest	93.4%
- Staffing remains constant with 60 Statutory & 5 Non-Statutory employees.
- Maintain \$2,000,000 cash reserve pursuant to Board-approved policy.
- Overall Statutory budget expense is decreasing 1.7%.

# 2016 Budget Overview

- Total Statutory Expense Budget for 2016 is decreasing 1.7% from the 2015 budget.
- 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).
- Meeting expense is increasing 15.1% due to more on-site meetings anticipated with new conference room space.
- Travel expenses are decreasing 18.4% primarily due to cost saving efforts.
- The Consultants and Contract category is decreasing 18.8% due to work previously assumed to be completed by consultants being performed by in-house personnel.
- 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.
- Penalty money received between July 1, 2014 to June 30, 2015 will offset 2016 assessments.

# 2015 – 2016 Budget Comparison

	2015	2016	Variance	% Variance
<b>Funding</b>				
NERC Assessments	\$ 10,500,446	\$ 9,612,448	\$ (887,998)	-8.5%
Penalty Sanctions	483,500	285,000	(198,500)	-41.1%
Membership Dues & Interest	33,545	1,000	(32,545)	-97.0%
<b>Total Funding</b>	<b>\$ 11,017,491</b>	<b>\$ 9,898,448</b>	<b>\$ (1,119,043)</b>	<b>-10.2%</b>
<b>Expenses</b>				
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%
<b>Total Expenses</b>	<b>\$ 12,152,761</b>	<b>\$ 11,897,248</b>	<b>\$ (255,514)</b>	<b>-2.1%</b>
<b>Change in Assets</b>	<b>\$ (1,135,270)</b>	<b>\$ (879,757)</b>	<b>\$ (863,530)</b>	<b>76.1%</b>
<b>Increase (Decrease) in Fixed Assets</b>	<b>(169,060)</b>	<b>(115,033)</b>	<b>(54,027)</b>	
<b>Total Budget</b>	<b>\$ 11,983,701</b>	<b>\$ 11,782,215</b>	<b>\$ (201,487)</b>	<b>-1.7%</b>
<b>Change in Working Capital</b>	<b>\$ (966,210)</b>	<b>\$ (764,724)</b>	<b>\$ (917,557)</b>	



# 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.
- 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

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- 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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