

# **2016 Business Plan and Budget (Draft 1)**

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Services**

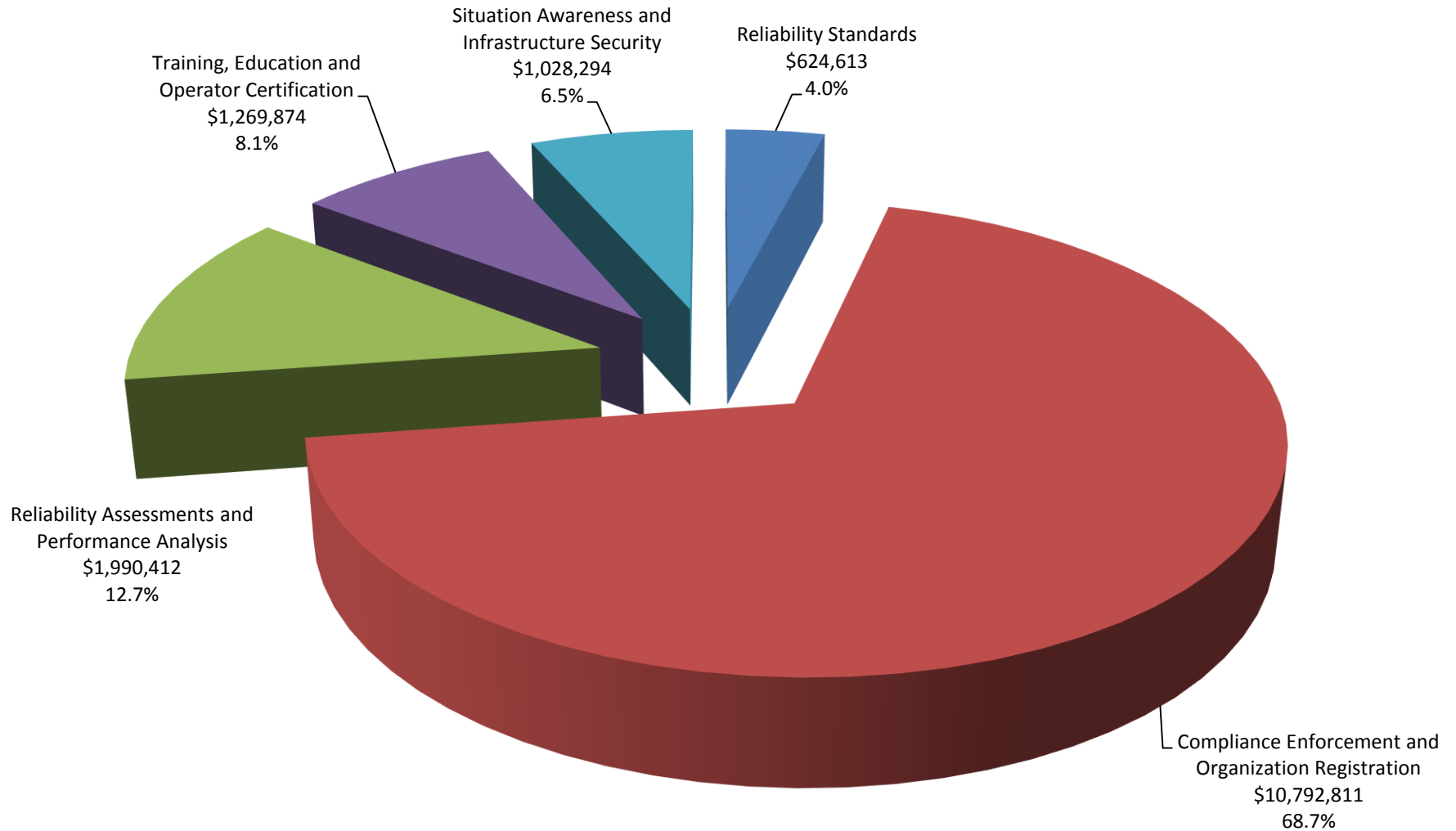
## 2016 Budget Overview

- Assessments held flat (decrease of 0.0 percent or \$63)
- Operating expenses decreased 1.8 percent
- Staffing
  - Reduction of 1.58 full time employees (FTEs) compared to 2015 budget (headcount remaining flat)
  - Budgeted pay increase – 3 percent
  - Vacancy rate applied to total personnel expenses – 10 percent

## Other Key Factors or Assumptions

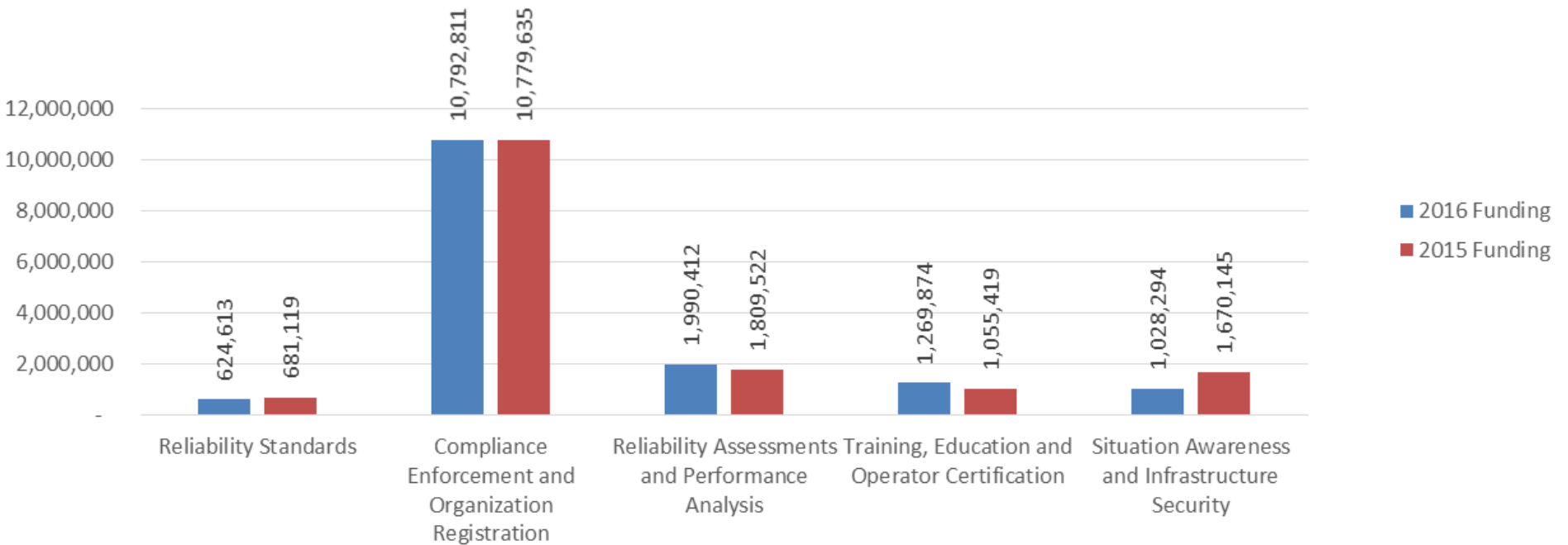
- Cross Regional Monitoring – budgeted \$150,000
  - Planned Operations and Planning and Critical Infrastructure and Protection audits of Florida Reliability Coordinating Council (FRCC) and Southwest Power Pool (SPP)
  - No anticipated enforcement activities
  - SERC will continue to perform all necessary duties related to compliance monitoring
- Meeting Expenses
  - Scheduling most meetings in-house or at Members' facilities, substantially reducing the hotel hosting costs and staff travel requirements

# 2016 Preliminary Budget



# Program Comparison

Comparison of 2016 to 2015 Base Operating Budget



	2015	2015	Variance	2016	Variance
	Budget	Projection	Over(Under)	Budget	Over(Under)
<b>Funding</b>					
NERC Assessments	\$ 13,731,034	\$ 13,731,034	\$ -	\$ 13,730,971	\$ (63)
Penalty Sanctions	1,787,000	1,787,000	-	648,500	(1,138,500)
Workshops	259,355	197,625	(61,730)	210,075	(49,280)
Interest	1,000	1,200	200	1,000	-
Miscellaneous	294,000	325,500	31,500	444,000	150,000
<b>Total Funding</b>	<b>\$ 16,072,389</b>	<b>\$ 16,042,359</b>	<b>\$ (30,030)</b>	<b>\$ 15,034,546</b>	<b>\$ (1,037,843)</b>
<b>Expenses</b>					
Personnel Expenses	\$ 12,565,389	\$ 12,174,152	\$ (391,237)	\$ 12,311,841	\$ (253,548)
Meeting Expenses	906,749	455,056	(451,693)	846,912	(59,837)
Consultants & Contracts	1,177,609	1,870,977	693,368	1,349,444	171,835
Office Rent	464,809	542,271	77,462	517,917	53,108
Office Costs	430,551	439,367	8,816	312,379	(118,172)
Professional Services	111,400	136,500	25,100	155,200	43,800
Miscellaneous	-	5,000	5,000	5,000	5,000
Depreciation	418,070	366,475	(51,595)	483,480	65,410
<b>Total Expenses</b>	<b>\$ 16,074,577</b>	<b>\$ 15,989,798</b>	<b>\$ (84,779)</b>	<b>\$ 15,982,173</b>	<b>\$ (92,404)</b>
<b>Inc(Dec) in Fixed Assets</b>	<b>(78,737)</b>	<b>22,858</b>	<b>101,595</b>	<b>(276,169)</b>	<b>(197,432)</b>
<b>TOTAL CHANGE IN WORKING CAPITAL</b>	<b>\$ 76,549</b>	<b>\$ 29,703</b>	<b>\$ (46,846)</b>	<b>\$ (671,458)</b>	<b>\$ (748,007)</b>

# Staffing Changes

Program	2015 Budget	Change	2016 Budget
Reliability Standards	2.61	(0.50)	2.11
Compliance	37.5	(0.58)	36.92
Reliability Assessments	5.9	1.00	6.90
Training	2.61	(0.25)	2.36
Situation Awareness/Events Analysis	5.95	(2.25)	3.70
Technical Committees	5.13	1.00	6.13
General & Administrative	<u>19.0</u>	<u>0.00</u>	<u>19.0</u>
Total	<u>78.7</u>	<u>(1.58)</u>	<u>77.12</u>

- Reclassifications/repurposing of FTEs
- Supplement resources through use of contractors
- SERC anticipates performing all delegated functions by using FTEs and contractors.

## Process Improvements

- Utilize consistent audit practices and focus on higher target reliability risks to increase efficiency of compliance monitoring and mitigate overall compliance costs.
- Implementation of inherent risk assessments.
- Continue to work with others to identify best practices that may result in or contributed to reliability improvements within the Bulk Electric System.
- Continue to invest in technology and innovation to allow efficient collaboration.
  - No redundant investments with Enterprise IT investment NERC is making on behalf of ERO Enterprise



## 2017-2018 Projections

- No changes in personnel
- 3 percent escalation rate applied to most expense categories
- Total budget increase of \$150,000 in 2017
- Total budget increase of \$256,000 in 2018
- Assessments remain relatively flat
  - Zero penalties budgeted – penalty collections will impact assessments and working capital reserves

## Alignment of Regional Entity and ERO

- SERC will continue to support the joint ERO Enterprise initiatives, to ensure successful implementation.
- SERC will work collaboratively with NERC and the Regional Entities on the development, operation and maintenance of enterprise architecture, software and data systems.

## Efficiency and Controlling Costs

- Vacancy rate applied to personnel costs
- SERC's new office location has a large meeting space
  - Most meetings will be scheduled in-house or at Members' facilities, substantially reducing the hotel hosting costs
  - Continue use of WebEx
- Reduced 2016 budget based on historical actuals

## Working Capital and Operating Reserve

- Operating Reserve policy: equal to up to 10 percent of its budgeted annual statutory operating costs.
  - Current budgeted operating reserve – \$2.9 million
    - 10 percent operating reserve - \$1.6 million;
    - Temporary increase to reserve approximately \$1.3 million.
- Line of credit available to be used as a supplement to, and in conjunction with, the working capital.
- 2015 excess operating reserves over and above 2015 budgeted levels applied as a reduction to 2016 Assessment.
- Q1 variance report projected an over run at year-end.
  - First quarter projection high for contractors and consultants.

**Questions?**