



# 2021 Business Plan and Budget Overview

**DRAFT April 23, 2020**

# 2021 Statutory Budget and Assessment Overview

- Draft 2021 budget \$25,829,079 (5.3% increase from 2020)
- Draft 2021 assessment \$23,513,887 (4.7% increase from 2020)
  - Includes release of \$1,745,000 from the Assessment Stabilization Reserve, and a \$365,190 release of excess working capital reserves
  - Total FTEs 100 (increase of 2)

# Budget Development Process

- As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate.
- SERC's Board of Directors approved draft 2021 Business Plan & Budget on April 23
  - Human Resources and Compensation Committee reviewed personnel assumptions
  - Finance and Audit Committee reviewed and endorsed Business Plan & Budget
- Business Plan & Budget posted for 30 day stakeholder comment period on May 1
- Final approval by Board Executive Committee expected June 24

# 2021 Budget Drivers

- Budgeted vacancy rate decreased from 8% to 5%
  - Reflects improvements in recruiting and retaining key talent
- 3% merit increase
- Addition of 3 Independent Directors
- Increase of 2 FTEs in IT (offset by decreases in 3<sup>rd</sup> party support providers)

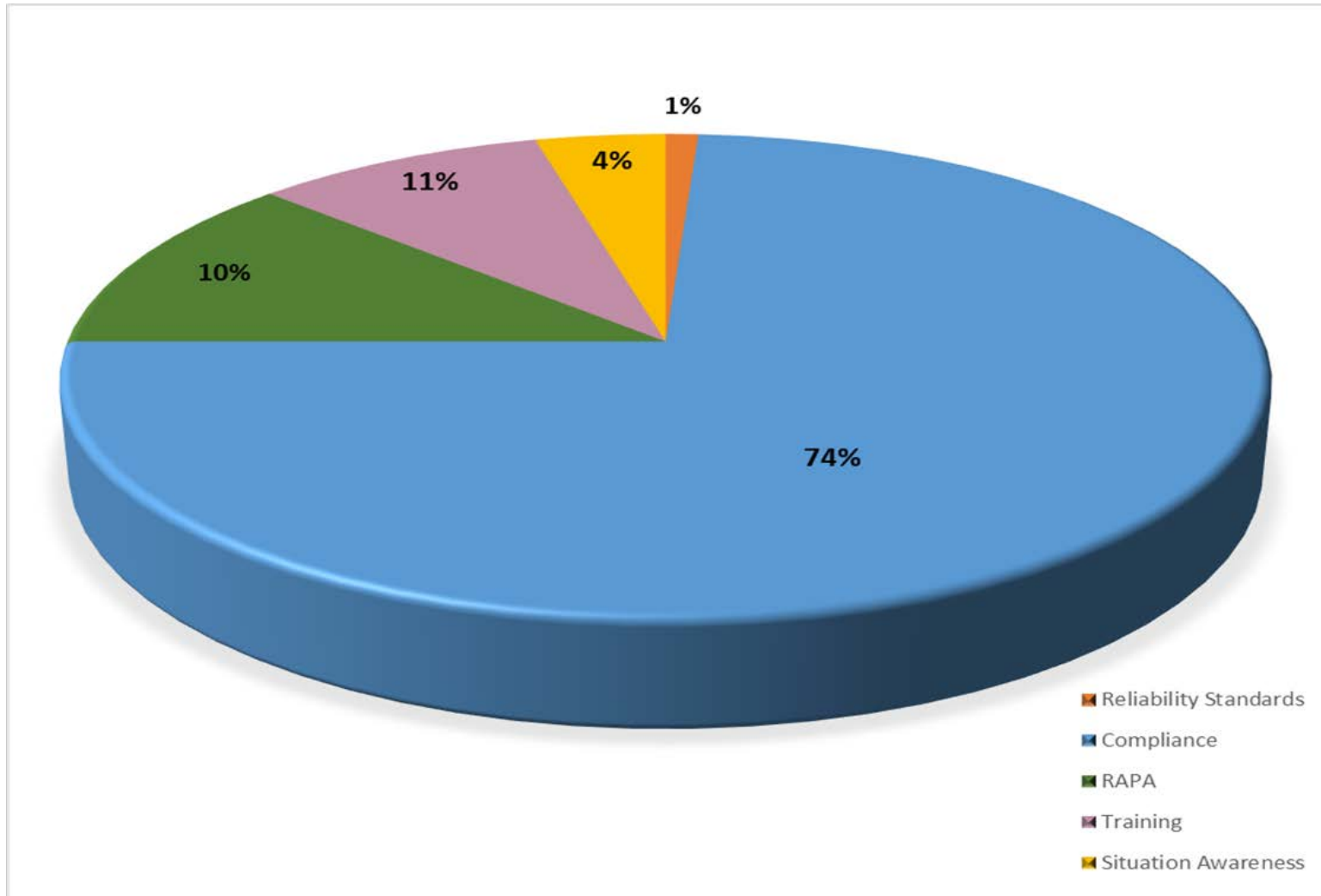
# 2021 Budget by Category

- Personnel \$20,060,580 (6.5% increase)
  - Approved staffing level of 100 Full-Time Equivalents (FTEs)
  - Vacancy rate of 5% applied to all Personnel Expenses (decrease from 8%)
  - 3% merit increase
- Meetings and Travel \$1,400,940 (5.6% increase)
  - Increase of \$73,968 reflects additional audits and increased stakeholder outreach efforts.

# 2021 Budget by Category

- Operating Expenses \$4,167,559 (3.25% increase)
  - Addition of three Independent Directors
- Fixed Assets \$200,000 (39.4% decrease)
  - Member Portal Consolidation upgrade.

# 2021 Budget by Program Area



# 2021 Assessment Details

- 2021 Assessment \$23,513,887 (4.7% increase)
- SERC's proposed 2021 budget reflects the release of \$1,745,000 from the Assessment Stabilization Reserve as an offset to assessments, and a \$365,190 release of excess Working Capital Reserves



# Projected Reserve Balances

- Working Capital Reserve
  - The Working Capital Reserve is used to manage cash flow for daily operations, and as a contingency for unbudgeted expenses
  - The Reserve Policy allows for a reserve of up to 10% of the total annual budget
  - Projected Reserve Balance
    - 12/31/2020 - \$1,915,935
    - 12/31/2021 - \$1,549,745
    - \$1.5 million line of credit if needed

# Projected Reserve Balances

- Assessment Stabilization Reserve
  - The Assessment Stabilization Reserve is used to mitigate annual assessment volatility
  - Penalty sanctions are added to the reserve, and released to offset assessments in future years, subject to approval of the SERC Board of Directors
  - Projected Reserve Balance
    - 12/31/2020 - \$3,745,000
    - 12/31/2021 - \$2,000,000

# Preliminary 2022 and 2023 Projections

## 2022

- Budget 2.2% increase over 2021
- Assessment 5.1% increase over 2021

## 2023

- Budget 1.4% increase over 2022
- Assessment 4.9% increase over 2022

## Assumptions

- 3% annual merit
- Completion of Member Portal Consolidation in 2022
- Decreasing Assessment Stabilization Reserve release

# Questions and Answers