



# **2014 Business Plan and Budget Draft 1**

Jen Kelly

Director of Finance & HR



## 2014 Budget Overview

- Increase in penalty sanctions (\$915,500 vs. \$51,000)
- Staffing
  - Addition of .88 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 \$400,000
- Budget assumptions
  - 2.5% merit increase
  - 10% increase in insurance rates



## Other Key Factors/Assumptions

### Relocation costs

- Current leases expire in January 2015
  - Assess options and make decision during 2013.
  - Move in 2014.
- Will consider early proposals to re-aggregate offices.
- Utilization of public meeting space for more SERC meetings
- Proposed 2014 budget includes \$158,250 for relocation
  - Includes furniture, equipment, tenant improvements, moving co.



## Other Key Factors (cont'd)

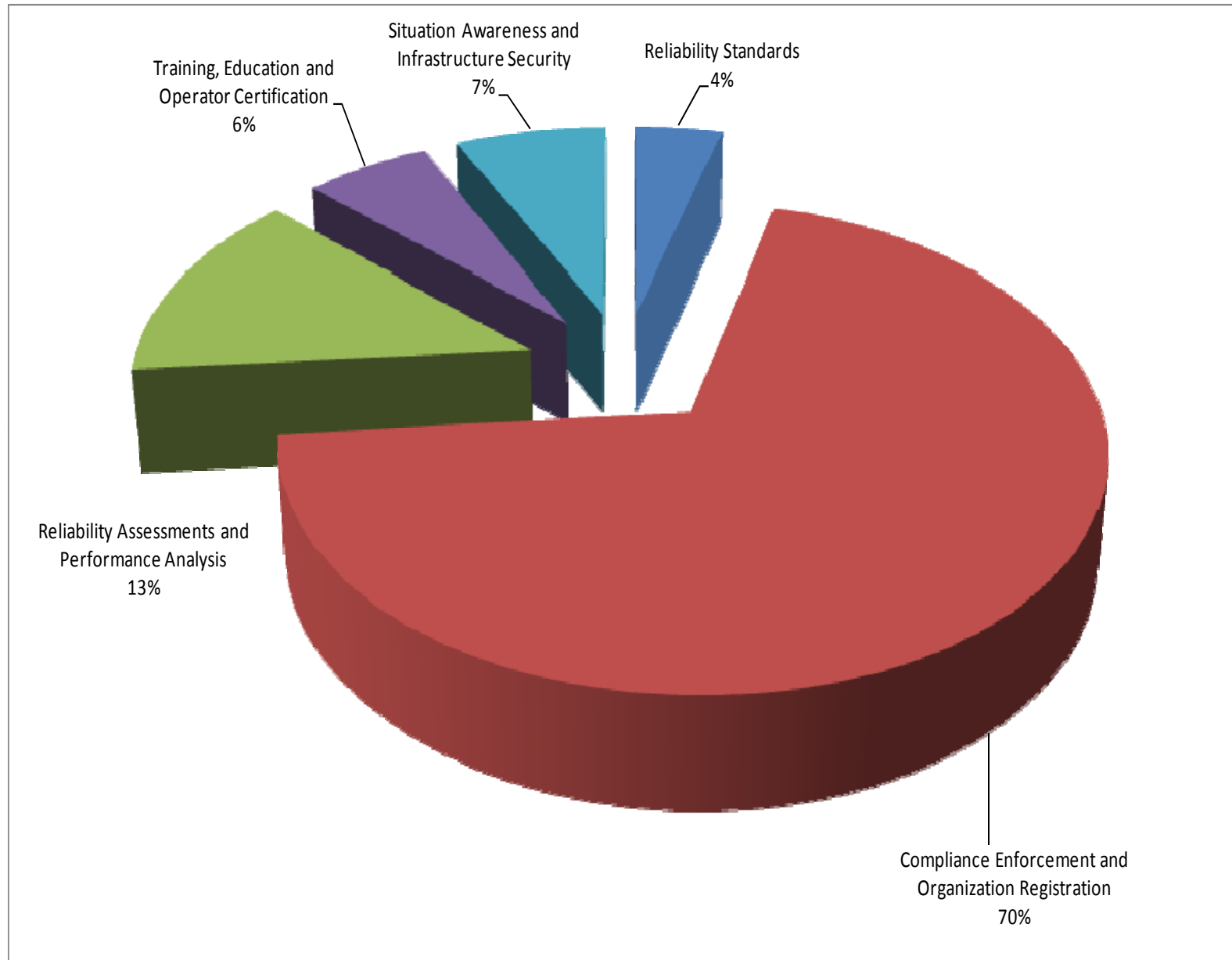
### Penalty Funds

- Penalties collected from July 1 through June 30 applied to current budget development.
- Total penalties collected included in Draft 1 is \$1,915,500
  - If applied in full, Assessments would decrease approximately 10%
- To levelize Assessments, applying \$915,500 towards 2014 budget
  - 2015 BP&B - \$750,000
  - 2016 BP&B - \$250,000

# 2015-2016 Projection

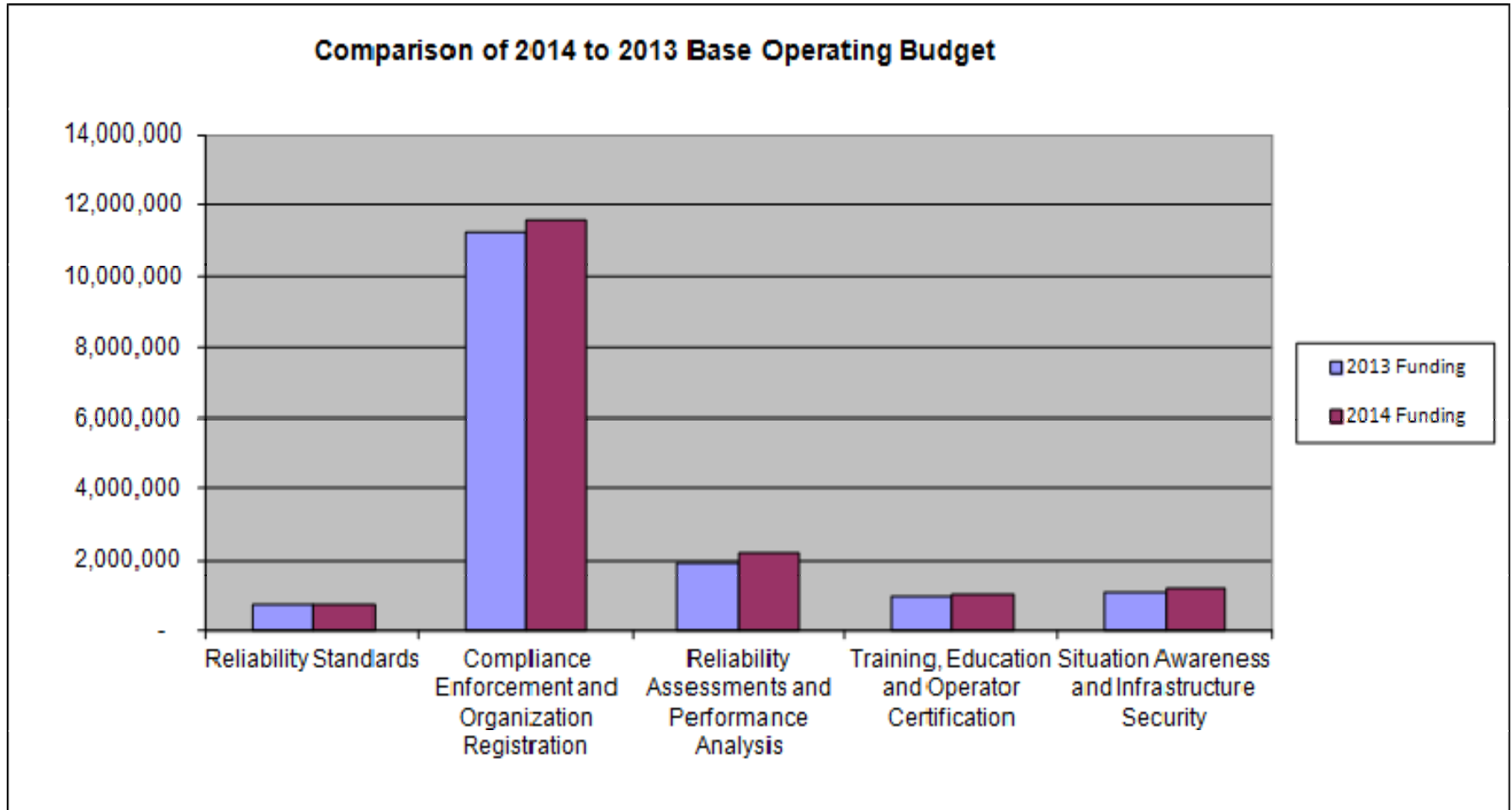
Assumptions	2015	2016
Revenue	Consistent with previous year	Increase in Miscellaneous income due to Cross Regional Monitoring costs
Personnel Costs	Increase 2.8% (no additional FTEs)	Increase 2.8% (no additional FTEs)
Meetings Expense	Increase 3%	Increase 3%
Consultants & Contractors	Decrease 25%	Increase 6%
Rent	Increase 52%, due to expanded office space	Increase 2.75%
Office Costs	Decrease 25%, due to furniture & equipment purchased in 2014 for expanded office space	Increase 3%
Depreciation	Increase 39%	Decrease 13%
Utilization of Penalty Funds and ERO Assessment	\$750,000; increase in Assessments of 7%	\$250,000; increase in Assessments of 8%

# 2014 Preliminary Budget





# Program Comparison



# 2013-2014 Budget Comparison

	2014	2013	Variance	% Variance	Explanation
<b>Funding</b>					
Assessments	13,753,138	13,829,878	(76,740)	-0.6%	
Penalties	915,500	51,000	864,500	1695.1%	Increase in penalties applicable to 2014
Other Income	309,605	321,000	(11,395)	-3.5%	
<b>Total Funding</b>	<b>14,978,243</b>	<b>14,201,878</b>	<b>776,365</b>		
<b>Expenses</b>					
Personnel Expenses	13,017,716	12,790,281	227,435	1.8%	Increase in FTES by .88: FTEs added in the 2013 BP&B that are now included in the budget for a full year and a position to coordinate for regional activities. Additionally, merit increase and projected increase in benefit costs.
Meetings	317,195	309,160	8,035	2.6%	
Travel	605,484	595,023	10,461	1.8%	
Conference Calls	40,800	60,000	(19,200)	-32.0%	Decrease to be more in line with historical costs.
Consultants and Contracts	1,149,030	1,166,947	(17,917)	-1.5%	Decrease to be more in line with historical costs.
Rent & Improvements	419,861	405,407	14,454	3.6%	
Office Costs	477,400	361,552	115,848	32.0%	One time costs related to the relocation of office space, including furnishings, equipment and software.
Professional Services	120,400	105,900	14,500	13.7%	Includes leadership training.
Miscellaneous	-	-	-	0.0%	
Depreciation	216,380	300,389	(84,009)	-28.0%	Increase in the capital assets purchased in previous years are now fully depreciated, causing less depreciation expense. Additionally, there has been a decrease in the assets capitalized over the past budget year which would now incur a full year of depreciation.
Other Non-Operating Expenses	65,000	-	65,000	100.0%	Office relocation expenses
<b>Total Expenses</b>	<b>16,429,266</b>	<b>16,094,659</b>	<b>334,607</b>		
Increase(Decrease) in Fixed Assets	243,620	(187,056)	430,676	-230.2%	Less assets purchased. Additionally, see explanation under Depreciation
<b>Total Budget</b>	<b>16,672,886</b>	<b>15,907,603</b>	<b>765,283</b>	<b>4.8%</b>	
<b>Change in Working Capital</b>	<b>(1,694,643)</b>	<b>(1,705,725)</b>	<b>11,082</b>	<b>-0.6%</b>	



# FTE Comparison

Total FTE's by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014	FTEs <sup>1</sup> 2014	2014	from 2013
	Budget	Budget	Budget	Budget	Budget	Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards	2.66	2.25	2.91	-	2.91	0.25
Compliance Monitoring and Enforcement and Organization Registration and Certification	41.50	41.00	42.50	-	42.50	1.00
Training and Education	2.41	1.75	2.41	-	2.41	-
Reliability Assessment and Performance Analysis	7.20	9.50	7.70	-	7.70	0.50
Situation Awareness and Infrastructure Security	3.75	2.50	4.25	-	4.25	0.50
<b>Total FTEs Operational Programs</b>	<b>57.52</b>	<b>57.00</b>	<b>59.77</b>	<b>-</b>	<b>59.77</b>	<b>2.25</b>
<b>Administrative Programs</b>						
Technical Committees and Member Forums	4.93	2.75	4.43	-	4.43	(0.50)
General & Administrative	15.00	14.00	14.13	-	14.13	(0.88)
Legal and Regulatory	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	-	-	-	-	-	-
<b>Total FTEs Administrative Programs</b>	<b>19.93</b>	<b>16.75</b>	<b>18.56</b>	<b>-</b>	<b>18.56</b>	<b>(1.38)</b>
<b>Total FTEs</b>	<b>77.45</b>	<b>73.75</b>	<b>78.33</b>	<b>-</b>	<b>78.33</b>	<b>0.88</b>

<sup>1</sup>A shared FTE is defined as an employee who performs both Statutory and Non-Statutory functions.



## Resource Adequacy

- SERC anticipates performing all delegated functions by using FTEs and contractors.



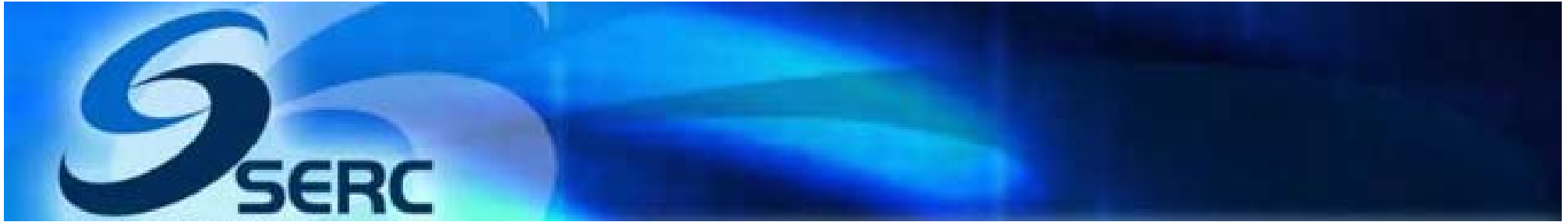
## Process Improvements

- Improve Situation Awareness Events Analysis reports
- Improve seasonal and long-term assessment reports
- Implementation of a common audit checklist
- Development of an audit management tool
- Improvements to registration and certification forms
- Develop a consolidated Annual CMEP Implementation Plan



## Alignment of RE and ERO

- In development of its corporate goals, SERC used, as a primary resource document, the ERO Strategic Plan.
- Therefore, SERC's corporate goals are highly aligned with the ERO Strategic Plan



## Efficiency & Controlling Costs

- SERC continues to perform the following as a mechanism for efficiency and controlling costs:
  - Webex
  - In-house meetings
- Reduced 2014 budget based on historical actuals
  - Conference Calls
  - Consultants/Contractors



## Working Capital – Still Developing

- Operating Reserve policy, approved by the BoD on April 23, 2008: equal to up to 10% of its budgeted annual statutory operating costs.
- Working Capital Policy: Operating Reserve policy, plus excess penalty funds to be used in future budget periods with the intention of levelizing assessments. Additionally, SERC has a line of credit available to be used as a supplement to, and in conjunction with, the working capital.
- 2013 excess operating reserves over and above 2013 budgeted levels applied as a reduction to 2014 Assessment



**Questions?**