



2014 Business Plan and Budget Review

(Unapproved)

Presented to FERC
May 15, 2013

2014 Budget Overview

- **58.5% decrease in revenue (other than Assessments)**

Fines and Penalties	59.1%
Memberships	14.1%
Workshops	100.0%
Interest	4.0% increase

- **Staffing remains flat with 60 Statutory & 5 Non-Statutory employees**

- **Maintain 60 day cash reserve based on policy**

- **Overall personnel expense increase 5%**

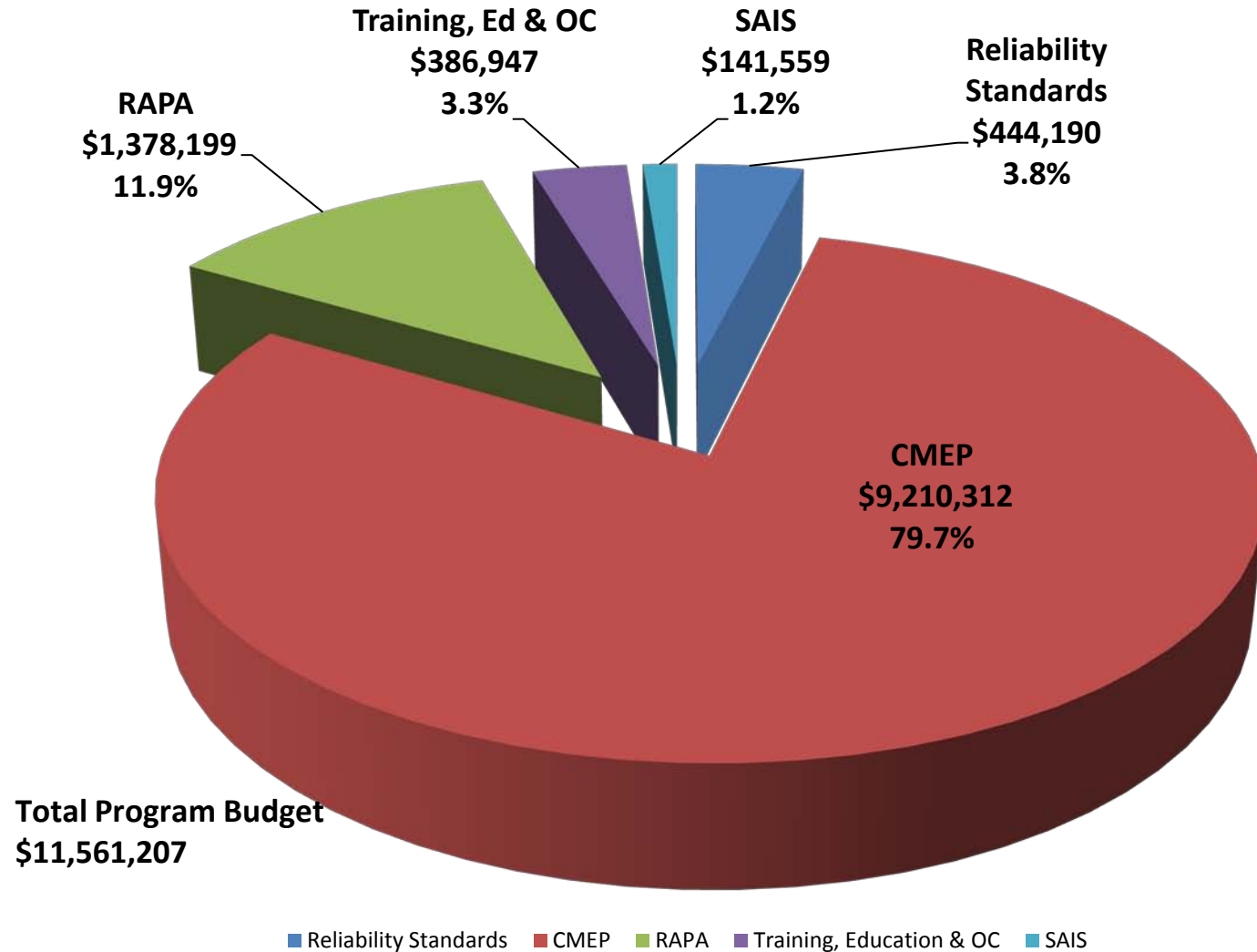
Merit increases 4% with personnel vacancy assumption of 2%

Insurance increase 9% (based on current information)

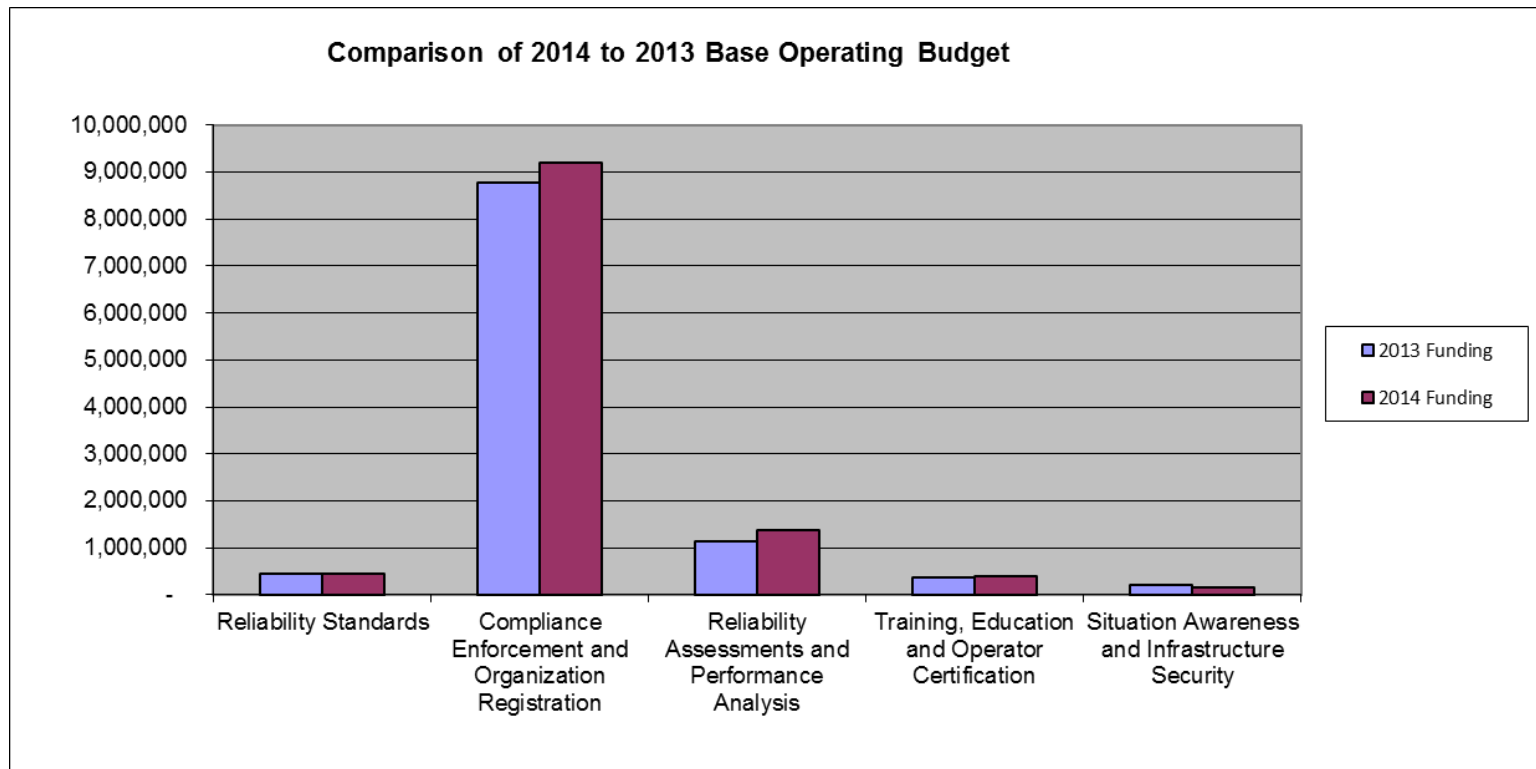
2014 Other Key Assumptions

- Office costs increase for the shift to leasing IT equipment instead of purchasing new equipment, which is offset by a reduction in depreciation
- Penalty money received between July 1, 2012 to June 30, 2013 will offset 2014 assessments
- Total statutory budget increase of 5.72% over 2013 budget

2013 Summary by Statutory Program



2014 – 2013 Program Comparison



2013 – 2014 Budget Comparison

	2014	2013	Variance	% Variance	Explanation
Funding					
Assessments	10,347,268	8,152,520	2,194,748	26.9%	2013 decrease in assessments was attributable to underspent funds for prior years. 2012 ended close to budget so in order to continue 60-day cash reserve amount, the 2014 assessment will increase.
Penalties	347,833	849,000	(501,167)	-59.0%	Based on fines collected as of 4/30/2013.
Other Income	32,716	67,260	(34,544)	-51.4%	Workshops hosted by registered entities; entities not paying dues for affiliates.
Total Funding	10,727,817	9,068,780	1,659,037		
Expenses					
Personnel Expenses	8,476,567	8,068,952	407,615	5.1%	4% increase for merit increases, market adjustments & promotions; health insurance appx. 9% increase.
Meetings	95,213	38,316	56,897	148.5%	Off-site meetings for contested cases and outreach.
Travel	388,796	348,000	40,796	11.7%	Properly reflects necessary travel for 2014.
Conference Calls	3,500	18,540	(15,040)	-81.1%	IT initiatives to reduce hosting fees by having services on premise & being maintained by Texas RE staff.
Consultants and Contracts	420,366	415,000	5,366	1.3%	Consistent with 2013.
Rent & Improvements	555,287	533,930	21,357	4.0%	Escalation clause in the rent agreement.
Office Costs	621,954	359,684	262,270	72.9%	Shift to lease IT equipment instead of purchasing new equipment.
Professional Services	1,090,400	888,225	202,175	22.8%	Contingency for outside counsel for one contested case.
Depreciation	296,186	888,000	(591,814)	-66.6%	Anticipated shift to leasing IT equipment.
Indirect Expenses	(132,876)	(223,856)	90,980	-40.6%	More expenses are being charged as direct expenses.
Total Expenses	11,815,393	11,334,791	480,602	4.2%	
Increase(Decrease) in Fixed Assets	(254,186)	(399,012)	144,826	-36.3%	Reflects the shift to leasing IT equipment
Total Budget	11,561,207	10,935,779	625,428	5.7%	
Change in Working Capital	(833,390)	(1,867,000)	1,033,610		

2013 – 2014 Personnel Comparison

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2013	2013	2014 Budget	FTEs 2014 Budget	2014 Budget	from 2013 Budget
STATUTORY						
Operational Programs						
Reliability Standards	2.00	2.00	2.00	-	2.00	-
Compliance and Organization Registration and Certific	40.00	40.00	40.00	-	40.00	-
Training and Education	1.75	1.75	1.75	-	1.75	-
Reliability Assessment and Performance Analysis	4.75	4.75	4.75	-	4.75	-
Situation Awareness and Infrastructure Security	0.75	0.75	0.75	-	0.75	-
Total FTEs Operational Programs	49.25	49.25	49.25	-	49.25	-
Administrative Programs						
Technical Committees and Member Forums	0.50	0.50		0.50	0.50	-
General & Administrative	1.75	1.75		1.75	1.75	-
Legal and Regulatory	3.00	3.00		3.00	3.00	-
Information Technology	2.50	2.50		2.50	2.50	-
Human Resources	1.00	1.00		1.00	1.00	-
Finance and Accounting	2.00	2.00		2.00	2.00	-
Total FTEs Administrative Programs	10.75	10.75	-	10.75	10.75	-
Total FTEs	60.00	60.00	49.25	10.75	60.00	-

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

Resource Adequacy

- **Continuing evaluation of staff level, organizational structure and information technology.**
- **Current staffing levels are expected to meet known program needs. Predicted efforts associated with Bulk Electric System Definition processes and Reliability Assurance Initiative are included, although full impact is uncertain.**

Process Improvements

- **Continue to reduce the enforcement violation caseload – increase productivity and reduce time to complete.**
- **Refocus on risk-based reliability aspects of compliance efforts.**
- **Continue integration of internal and external feedback realized from increased communication efforts.**
- **Continue implementation of Reliability Assurance Initiative.**
- **Implementation of SharePoint.**
- **Increase engagement in reliability assessments and associated data collection to assure consistency of results and provide outreach to stakeholders.**

Alignment of RE and ERO

- **Texas RE's Strategic Plan has been structured around the ERO Strategic Plan.**
Texas RE corporate goals are mapped directly to ERO goals.
- **Texas RE will be more engaged in NERC standard development activities with less emphasis placed on regional standards.**
- **Texas RE resources will provide significant support of the Reliability Assurance Initiative.**
- **Texas RE will be more engaged in NERC and Regional Entity Management Groups consistency efforts such as the BES definition exception process.**

Efficiency & Controlling Costs

- **Market analysis on salary structures**
- **Shift to leased IT equipment to reduce cost and produce consistent expense projections.**
- **Security Awareness Training Program-teaches users best security practices which will reduce IT time spent repairing computers, etc.**
- **Fully utilize in-house resources to offset external costs**
- **Reduce related costs by establishing “train the trainer” programs.**

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, unanticipated loss in funding, or uninsured losses.
- Texas RE will maintain a Working Capital and Operating Reserve which is approximately two (2) months of Texas RE's operating costs.
- Monthly operating costs include all recurring, predictable expenses. Depreciation, in-kind, and other non-cash expenses are *not* included in the calculation.
- 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.

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