

2017 Business Plan and Budget

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2017 Statutory Budget Overview

- **Total budget increase 3.2% or \$377K.**
- **Assessment Increase .4% or approximately \$35,000.**
- **Staffing remains constant with 60 FTEs.**
- **Maintain Operating Reserve and Working Capital \$2,000,000 based on approved policy.**

Texas RE 2017 Assessments

- **Total Assessments are increasing \$35k or 0.4% in 2017.**
- **Factors impacting assessment change:**
 - Decrease in penalty revenue \$287K or -85.2%
 - Decrease in 2016 budget under-run \$636K or -33.7%
 - Increase in other funding \$2k or 100%
 - Increase in 2017 expense budget \$385K or 3.3%
- **Penalty money received July 1, 2015 to June 30, 2016 will offset 2017 assessments.**
- **Statutory funds are not used for State (Non-Statutory) activities.**

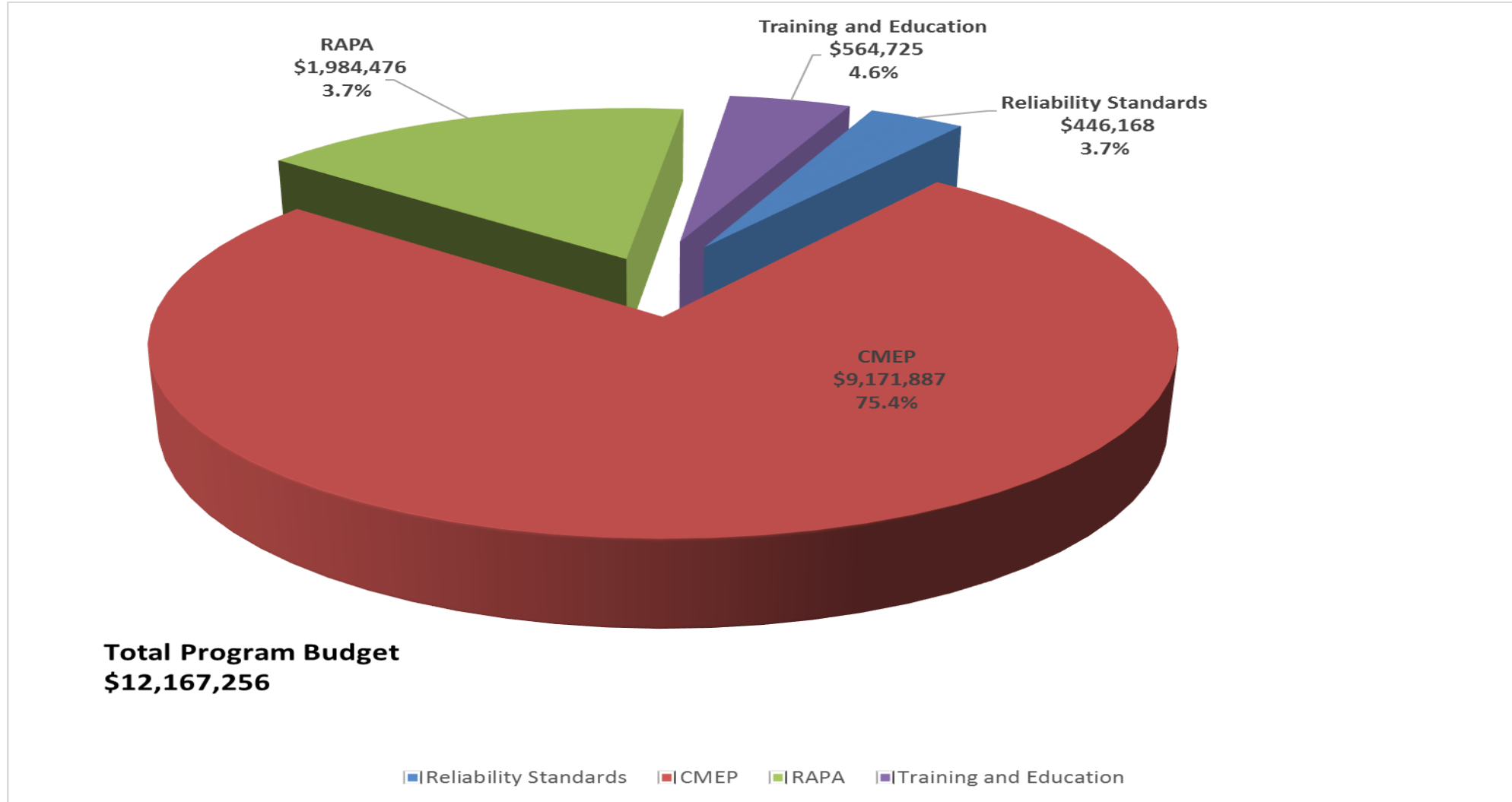
2017 Key Factors/Budget Assumptions

- **The number of FTEs is remaining constant for 2017.**
- **The average available salary adjustment is 3%.**
- **Vacancy assumption is 2%.**
- **Health Benefits are projected to increase 18%.**

- **Perform approximately 40 engagements, including all aspects of 693 and CIP risks identified through risk-based CMEP processes.**

- **The Texas RE Strategic Plan is structured around the ERO Strategic Plan.**
- **Texas RE Corporate goals are mapped directly to the ERO goals.**
- **There is no duplication of costs for NERC initiatives.**

2017 Budget by Functional Area



2016 – 2017 Budget Comparison

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2016 Budget & Projection, and 2017 Budget

STATUTORY

	2016 Budget	2017 Budget	Variance Over(Under)	% Var.	Primary Drivers
Funding					
NERC Assessments	\$ 9,560,448	\$ 9,595,256	\$ 34,808	0.4%	Budget over/under runs offset assessments
Penalty Sanctions	337,000	50,000	(287,000)	-85.2%	
Interest	1,000	2,000	1,000	100.0%	
Total Funding	\$ 9,898,448	\$ 9,647,256	\$ (251,192)	-2.5%	
Expenses					
Personnel Expenses	\$ 9,290,238	\$ 9,374,519	\$ 84,281	0.9%	Merit, health benefits, retirement, education, training
Meetings & Travel	428,465	438,875	10,410	2.4%	
Operating	2,178,545	2,581,141	402,596	18.5%	Rent, utilities & maintenance, professional fees, depreciation
Total Expenses	\$ 11,897,248	\$ 12,394,535	\$ 497,287	4.2%	
Increase (Decrease) in Fixed Assets	(115,033)	(227,279)	(112,246)	97.6%	
Total Budget	\$ 11,782,215	\$ 12,167,256	\$ 385,042	3.3%	
Change in Working Capital	\$ (1,883,767)	\$ (2,520,000)	\$ (636,233)		

2016 - 2017 FTE Comparison

Total FTEs by Program Area	Budget	Projection	Direct FTEs	Shared	Total FTEs	Change
	2016	2016	2017	FTEs 2017	2017	from 2016
	Budget	Budget	Budget	Budget	Budget	Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.75	1.75	1.50	-	1.50	(0.25)
Compliance and Organization Registration and Certificat	35.75	35.75	36.25	-	36.25	0.50
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.50	6.50	6.25	-	6.25	(0.25)
Total FTEs Operational Programs	46.25	46.25	46.25	-	46.25	-
Administrative Programs						
General & Administrative	3.00	3.00	3.00	-	3.00	-
Legal and Regulatory	2.75	2.75	2.75	-	2.75	-
Information Technology	5.00	5.00	5.00	-	5.00	-
Human Resources	-	-	-	-	-	-
Finance and Accounting	3.00	3.00	3.00	-	3.00	-
Total FTEs Administrative Programs	13.75	13.75	13.75	-	13.75	-
Total FTEs	60.00	60.00	60.00	-	60.00	-

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

Operating Reserve and 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 pursuant to Board-approved policy.
- 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.

2018 – 2019 Budget Projections

- **4% escalation rate applied to expense categories.**
- **No changes in personnel.**
- **2018 - Total budget increase of \$487k.**
 - Assessments increase \$384K or 4.0%.
- **2019 - Total budget increase of \$516k.**
 - Assessments increase \$399K or 3.8%.

Assessments will to be offset by any penalty revenue or budget under/over-runs from prior year.

Otherwise, assessments will equal budget.

Questions?

