



2022 Business Plan and Budget Overview

**Final Approved By Board of Directors
June 24, 2021**

2022 Statutory Budget and Assessment Overview

- Final 2022 budget \$26,708,260 (3.4% change from 2021)
- Final 2022 assessment \$24,798,934 (5.5% change from 2021)
 - Includes release of \$1,200,000 from the Assessment Stabilization Reserve, and a \$513,326 release of excess working capital reserves
- Total FTEs 104 (increase of 4 from 2021)
- No changes since version shared during June 3 webinar
- No comments received
- Approved by Board of Directors June 24, 2021

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 2022 Business Plan & Budget on March 31
 - 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 April 13
- Final approval by Board of Directors on June 24

2022 Budget Drivers

- 3% merit increase
- Enhanced Security Profile
 - One incremental FTE
 - Three budget neutral FTE adds (offsetting decrease in Consultants and Contracts for 3 positions shifting from third-party to in-house resources)
- Reduced Travel

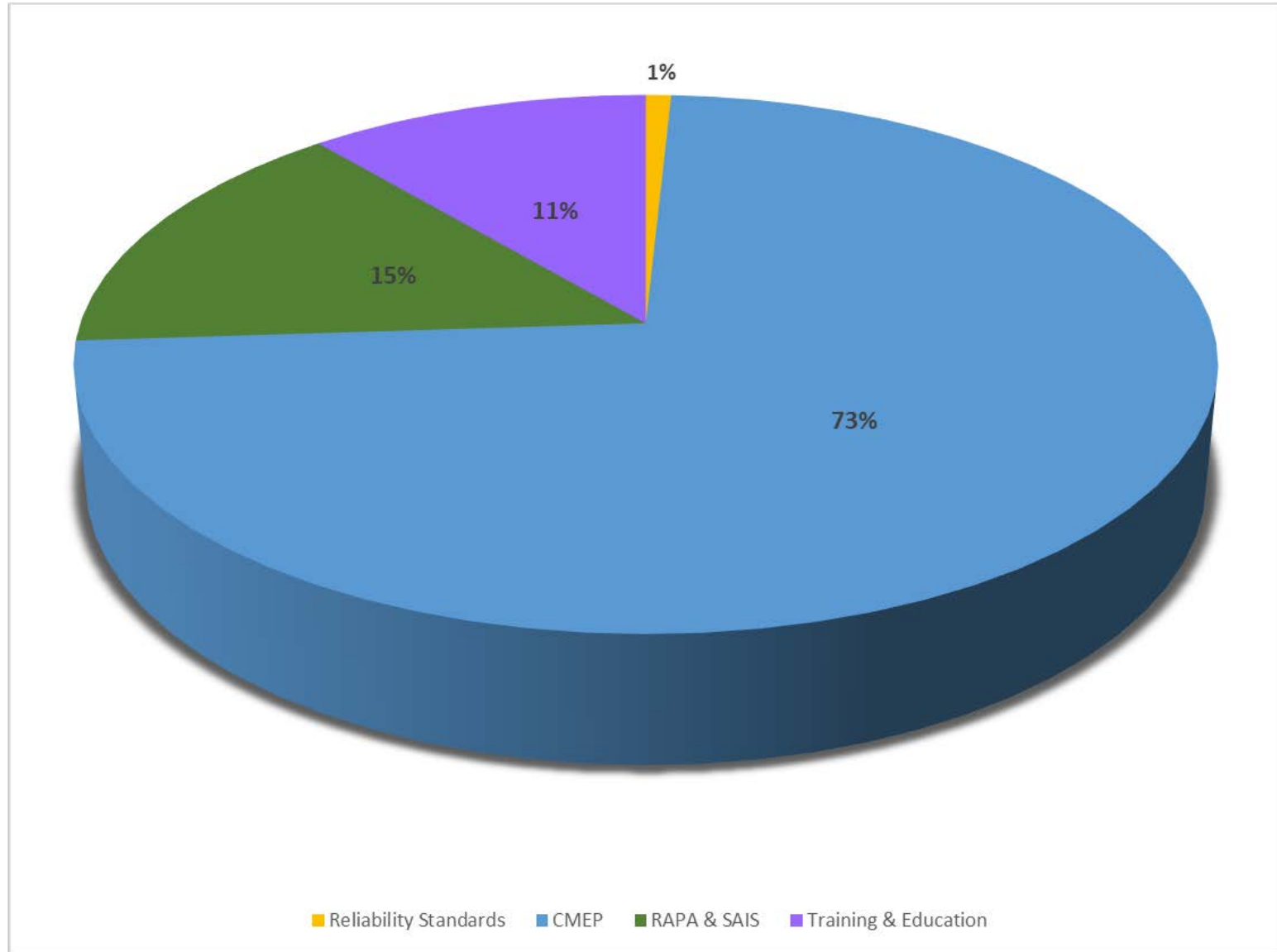
2022 Budget by Category

- Personnel \$21,255,049 (6.0% increase)
 - Shift from third-party to in-house resources
 - Approved staffing level of 104 Full-Time Equivalents (FTEs)
 - Vacancy rate of 5% applied to all Personnel Expenses
 - 3% merit increase
- Meetings and Travel \$1,298,647 (7.3% decrease)
 - Decrease of \$102,293 reflects efficiencies realized in SERC's Compliance Monitoring audit process

2022 Budget by Category

- Operating Expenses \$3,890,564 (6.6% decrease)
 - Decrease in consultants and contracts.
- Fixed Assets \$264,000 (32.0% increase)
 - An overall increase of \$64,000 is due to cyber security enhancements and new corporate services software.

2022 Budget by Program Area



2022 Assessment Details

- 2022 Assessment \$24,798,934 (5.5% increase)
- SERC's proposed 2021 budget reflects the release of \$1,200,000 from the Assessment Stabilization Reserve as an offset to assessments, and a \$513,326 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
 - 12/31/2021 - \$2,113,703
 - 12/31/2022 - \$1,600,377
 - \$1.5 million line of credit available

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
 - 12/31/2021 - \$3,365,000
 - 12/31/2022 - \$2,165,000

Preliminary 2023 and 2024 Projections

2023

- Budget 3.5% increase over 2022
- Assessment 4.9% increase over 2022

2024

- Budget 2.6% increase over 2023
- Assessment 4.6% increase over 2023

Assumptions

- 3% annual merit
- Addition of two FTEs in 2023 to support continued implementation of enhanced data security initiatives
- Decreasing Assessment Stabilization Reserve release

Questions and Answers