



# **Draft 2019 Business Plan and Budget**

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# 2019 Statutory Budget Overview

- Budget decrease of \$818K (10.9%)
- Assessments
  - 12.5% decrease
  - Using \$775K excess reserves towards assessments
- Headcount
  - 6 open RE positions, 1 new RAPA position budgeted in 2018 not to be filled, 2 assumed additional reductions associated with expected attrition
  - 9.88 Decreased FTE's (Change in methodology for FTE calculation is inflating this variance)

# 2019 Preliminary Budget by Category

	2018 Budget	2019 Budget	Variance \$ Over(Under)	Variance % Over(Under)
Personnel Expense	\$ 5,878,791	\$ 4,810,290	\$ (1,068,501)	-18.2%
Meeting Expense	252,241	225,407	(26,834)	-10.6%
Operating Expense	1,368,924	1,673,432	304,508	22.2%
Total Expense	\$ 7,499,956	\$ 6,709,129	\$ (790,827)	-10.5%
Inc(Dec) in Fixed Assets	14,156	(13,342)	(27,498)	
Total Budget	\$ 7,514,112	\$ 6,695,787	\$ (818,325)	-10.9%
FTEs <sup>1</sup>	30.63	20.75	(9.88)	-32.3%

<sup>1</sup>2019 FTEs are calculated using a new method that captures attrition assumptions; in 2018 attrition assumptions were captured in the salary expense but not reported FTEs

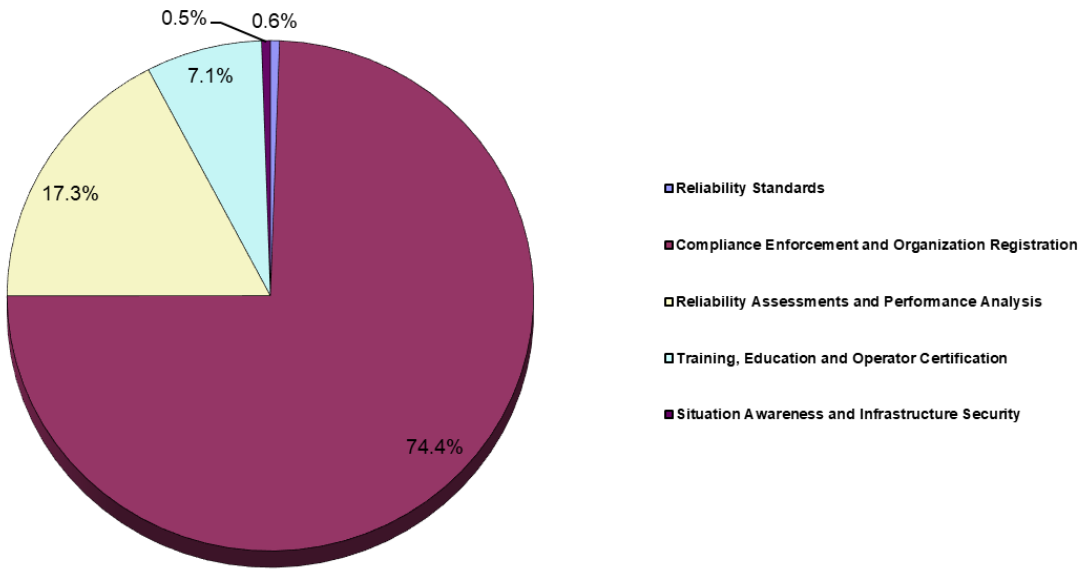
# 2018 - 2019 FTE Comparison

Total FTE's by Program Area	Budget 2018	Projection 2018	Direct FTEs 2019 Budget	Shared FTEs <sup>1</sup> 2019 Budget	Total FTEs 2019 Budget	Change from 2018 Budget
<b>STATUTORY</b>						
<b>Operational Programs</b>						
Reliability Standards Development	0.94	0.35	0.10		0.10	-0.84
Compliance Monitoring & Enforcement and Org Reg	19.65	14.36	12.18		12.18	-7.47
Reliability Assessment and Performance Analysis	4.31	3.09	1.21	1.71	2.92	-1.39
Training, Education and Operator Certification	1.07	1.04	1.07		1.07	0.00
Situation Awareness and Infrastructure Security	0.04	0.04	0.10		0.10	0.06
<b>Total FTEs Operational Programs</b>	<b>26.01</b>	<b>18.88</b>	<b>14.66</b>	<b>1.71</b>	<b>16.37</b>	<b>-9.64</b>
<b>Administrative Programs</b>						
General & Administrative	4.62	4.76		4.38	4.38	-0.24
<b>Total FTEs Administrative Programs</b>	<b>4.62</b>	<b>4.76</b>	<b>0.00</b>	<b>4.38</b>	<b>4.38</b>	<b>-0.24</b>
<b>Total FTEs</b>	<b>30.63</b>	<b>23.64</b>	<b>14.66</b>	<b>6.09</b>	<b>20.75</b>	<b>-9.88</b>

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

<sup>2</sup> 2019 FTEs are calculated using a new method that captures attrition assumptions; in 2018 attrition assumptions were captured in the salary expense but not reported FTEs. 2018 FTEs calculated using the new methodology would have resulted in a total FTE count of 28.17. This results in a reduction of 7.42 FTEs from 2018 to 2019.

# 2019 Budget by Functional Area



# Major Budget Impacts

- Personnel Costs and Assumptions
  - 20.75 FTEs
    - 9.88 FTE decrease driven by 6 current unfilled positions, 1 RA position budgeted and not to be filled, and 2 additional FTE reductions associated with expected attrition
  - Vacancy Rate 13%- same as prior year
  - 3% Merit Increase
  - Incentive compensation- no changes to prior year assumptions
  - Health Benefits- assumed 5% increase
  - Retirement- no changes to prior year assumptions

# Major Budget Impacts, continued

- **Contracts & Consultants**

- Additional consultant work necessary to assist during time of high vacancies and partially offsetting this is compliance software maintenance needs have continued to decrease

- **Rent**

- The effect of reduction in heads is reducing rent for statutory departments although Common Area Maintenance charges continue to increase

- **Fixed Assets**

- Fewer enhancements to the compliance software are needed

# 2019 Preliminary Assessments

- 12.5% assessment decrease
- No separate assessment stabilization reserve
- All funds are managed in one reserve



# Projected Reserve Balance

- Excess reserve of \$775K to reduce 2019 assessments
- No change to reserve policy
  - Working capital and operating reserve requirement is one month of the total annual budget
  - \$1.5 million line of credit if needed
- 2018 beginning balance was \$1.3M
- 2019 beginning balance projected to be \$1.3M

# Preliminary 2020 and 2021 Projections

## 2020

- Total budget decrease of \$137K or 2.0%
- Total assessments of \$6,467,104
- No additional staff
- Salary increases of 3%

## 2021

- Total budget decrease of \$162K or 2.4%
- Total assessments of \$6,305,416
- No additional staff
- Salary increases of 3%

# Questions?

