



Draft 2019 Business Plan and Budget

Nicole Warren – Senior Accountant

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 ¹	30.63	20.75	(9.88)	-32.3%

¹2019 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

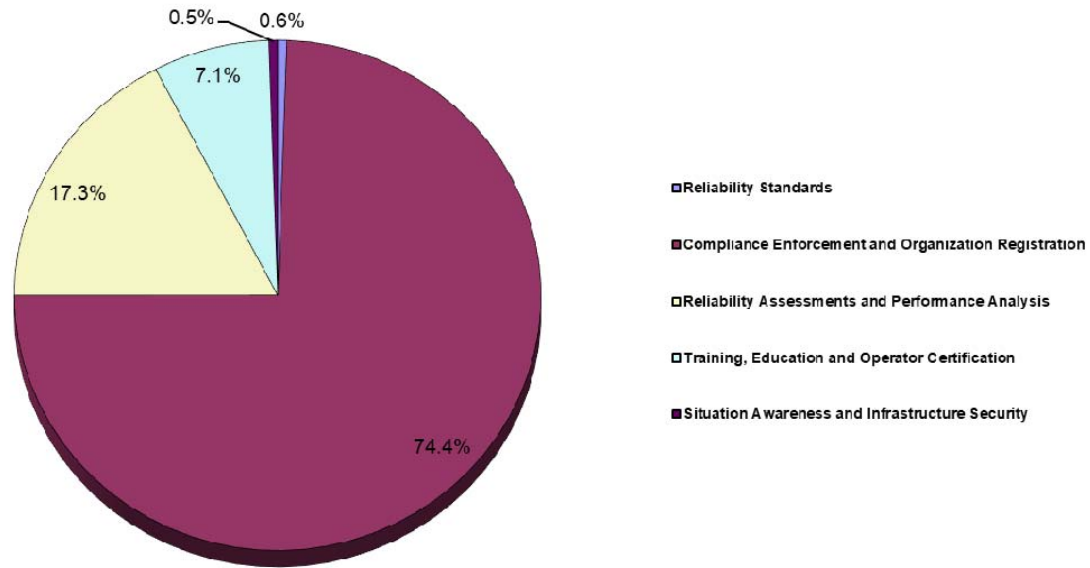
2018 - 2019 FTE Comparison

Total FTE's by Program Area	Budget 2018	Projection 2018	Direct FTEs 2019 Budget	Shared FTEs ¹ 2019 Budget	Total FTEs 2019 Budget	Change from 2018 Budget
STATUTORY						
Operational Programs						
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
Total FTEs Operational Programs	26.01	18.88	14.66	1.71	16.37	-9.64
Administrative Programs						
General & Administrative	4.62	4.76		4.38	4.38	-0.24
Total FTEs Administrative Programs	4.62	4.76	0.00	4.38	4.38	-0.24
Total FTEs	30.63	23.64	14.66	6.09	20.75	-9.88

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

² 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?

