



# **2020 Business Plan and Budget**

**July 18, 2019**

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Treasurer**

# 2020 Budget Highlights

## ➤ Total 2020 Budget: \$24,525,013

- Budget Increase vs 2019 35.2% \$6.4M

## ➤ Total 2020 Assessment: \$22,459,123

- Assessment increase 29.3% \$5.1M
- Funds used to decrease assessment \$2.1M

## ➤ Total 2020 FTEs: 98

- FTE Increase 20 FTEs

## ➤ 2021 Projections

- Budget 1.9% Assessments 4.5%

## ➤ 2020 Projections

- Budget 2.7% Assessments 4.6%

# 2020 Budget Overview

## ➤ Total 2020 Budget: \$24,525,013

<b>Total 2020 Budget Change vs 2019</b>	<b>35.2%</b>	<b>\$6.4M</b>
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- FRCC functions for transferring entities \$5.0M
- Legacy SERC operations \$1.4M

## ➤ Total 2020 Assessment: \$22,459,123

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|-----------------------|-------|--------|
| • Assessment increase | 29.3% | \$5.1M |
|-----------------------|-------|--------|

## ➤ Total 2020 FTEs: 98

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|---------------------|---------|
| • 2020 FTE Increase | 20 FTEs |
|---------------------|---------|
- To administer functions for transferring FRCC entities

# 2019 - 2020 Budget Comparison

## STATUTORY

	<b>2019 Budget</b>	<b>2020 Budget</b>	<b>Variance Over(Under)</b>	<b>Variance % Over(Under)</b>
<b>Funding</b>				
NERC Assessments	\$ 17,372,215	\$ 22,459,123	\$ 5,086,908	29.3%
Penalty Sanctions	83,000	1,900,000	1,817,000	2189.2%
Services & Software	34,500	-	(34,500)	-100.0%
Workshops & Misc.	126,050	165,000	38,950	30.9%
Interest	1,000	60,000	59,000	5900.0%
<b>Total Funding</b>	<b>\$ 17,616,765</b>	<b>\$ 24,584,123</b>	<b>\$ 6,967,358</b>	<b>39.5%</b>
<b>Expenses</b>				
Personnel Expenses	\$ 13,526,323	\$ 18,831,496	\$ 5,305,173	39.2%
Meeting Expenses	985,622	1,326,972	341,350	34.6%
Operating Expenses	3,413,003	4,036,545	623,542	18.3%
Non-Operating Expenses	-	-	-	
<b>Total Expenses</b>	<b>\$ 17,924,948</b>	<b>\$ 24,195,014</b>	<b>\$ 6,270,066</b>	<b>35.0%</b>
<b>Fixed Assets</b>				
Fixed Asset Purchases	220,000	330,000	110,000	50.0%
<b>Inc(Dec) in Fixed Assets</b>	<b>\$ 220,002</b>	<b>\$ 330,000</b>	<b>\$ 109,998</b>	<b>50.0%</b>
<b>TOTAL BUDGET</b>	<b>\$ 18,144,950</b>	<b>\$ 24,525,014</b>	<b>\$ 6,380,064</b>	<b>35.2%</b>
<b>FTEs</b>	<b>78.00</b>	<b>98.00</b>	<b>20.00</b>	<b>25.6%</b>

# Key Factors/Budget Assumptions

## Personnel costs and assumptions

- 98 FTEs
  - Increase of 20 FTEs related to transfer of FRCC entities
- 8% vacancy rate
- 3% average merit increase
- 5% increase in health insurance

## Meeting and Travel Expense

- 35% increase related to the addition of FRCC entities
  - Increased audit related travel
  - Higher meeting expenses reflecting larger Board, and increased attendance at workshops and System Operator Conferences

# Key Factors/Budget Assumptions

## Operating costs and assumptions

- Consultants and Contracts increasing \$391K, reflecting search fees for recruitment of independent directors expected to be added to SERC's Board of Directors in 2021
- Office Costs increase of \$176K is due additional staff, and planned upgrades of laptops and equipment
- Professional Services increasing \$56K, primarily for legal fees to review corporate bylaws

# 2020 Preliminary Assessments

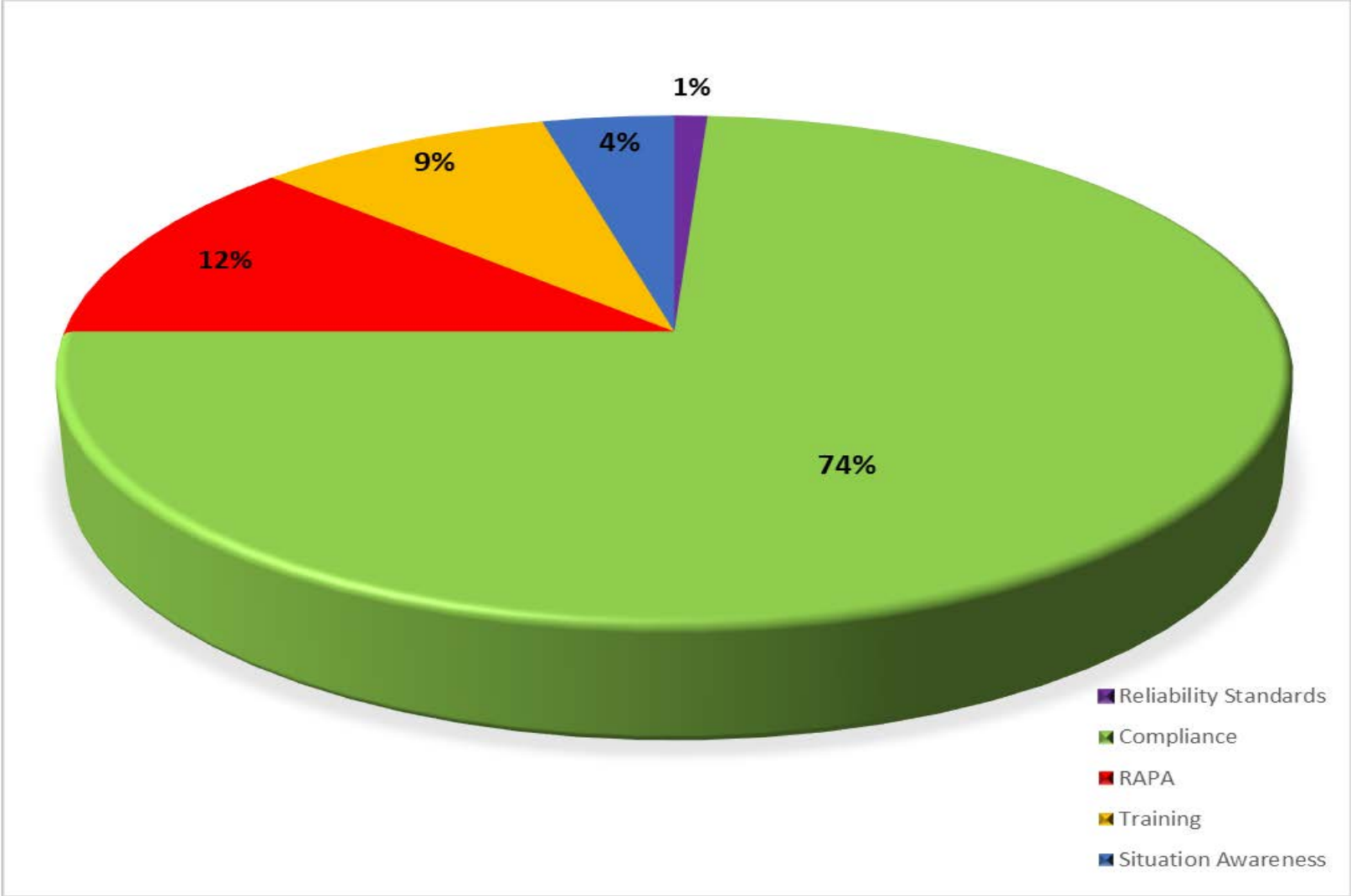
- Total Assessments are increasing \$5.1M, or 29.3% in 2020
  - Total assessments to legacy SERC entities expected to increase 5.4%
  - Total assessments to transferring FRCC entities expected to decrease approximately 29% from 2019 assessments
- Factors impacting 2020 assessments
  - Budget of \$24.5M
  - Penalty revenue of \$1.9M (increase from \$0.1M in 2019)

# 2019 - 2020 FTE Comparison

Total FTEs by Program Area	Budget 2019	Budget 2020	Increase (Decrease)
<b>STATUTORY</b>			
<b>Operational Programs</b>			
Reliability Standards	0.45	1.00	0.55
Compliance Monitoring and Enforcement; Organization Registration and Certification	34.00	49.50	15.50
Reliability Assessment and Performance Analysis	4.90	6.00	1.10
Training, Education and Stakeholder Outreach	3.30	6.00	2.70
Situation Awareness and Infrastructure Security	2.20	2.00	(0.20)
<b>Total FTEs Operational Programs</b>	<b>44.85</b>	<b>64.50</b>	<b>19.65</b>
<b>Corporate Services</b>			
Technical Committees and Member Forums	4.70	4.00	(0.70)
General & Administrative	8.75	11.00	2.25
Legal and Regulatory	4.45	3.70	(0.75)
Analytics & Information Technology	9.45	8.00	(1.45)
Human Resources	2.90	3.40	0.50
Finance and Accounting	2.90	3.40	0.50
<b>Total FTEs Corporate Services</b>	<b>33.15</b>	<b>33.50</b>	<b>0.35</b>
<b>Total FTEs</b>	<b>78.00</b>	<b>98.00</b>	<b>20.00</b>



# 2020 Budget by Functional Area



# Working Capital Reserves

- The 2020 Working Capital Reserve will be utilized to manage cash flow for daily operations and to stabilize and minimize large fluctuations in the annual assessments
- Reserve policy
  - Targeted Working Capital Reserve is up to 10% of the total annual budget
  - \$1.5M line of credit if needed
- Projected 2020 ending balance of \$1.2M

# 2021 and 2022 Projections

- Personnel Assumptions
  - No proposed changes in FTEs
  - 3% compensation increase
  - Applied vacancy rate of 8% in 2021 and 2022
- 2021
  - Total assessment increase \$1.0M (4.5%)
  - Total budget increase \$0.5M (1.9%)
- 2022
  - Total assessment increase \$1.1M (4.6%)
  - Total budget increase \$0.7M (2.7%)

# Questions?