



2020 Business Plan and Budget

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2020 Statutory Budget Overview

- **Total budget increase is 5.8% or \$762K.**
 - Main drivers for increases:
 - Health Benefits are projected to increase 14%.
 - Office Lease extension increases Rent and Utilities.
 - Proposed Reliability Summit and an annual meeting with the Board of Directors and stakeholders.
- **Assessment Increase is 0.7% with \$710k Penalty money applied.**
- **Staffing remains constant with 60 FTEs.**
- **2021 total budget increase of 5.1% and 2022 total budget increase of 4.2%.**
 - Full year at new lease rate causes higher increase in 2021.
 - Assessments are projected to increase 4.0% for both 2021 and 2022.
- **No changes have been made to this BP&B since last presentation.**

2019 - 2020 FTE Comparison

Total FTEs by Program Area	Budget 2019	Budget 2019	Direct FTEs 2020 Budget	Shared FTEs 2020 Budget	Total FTEs 2020 Budget	Change from 2019 Budget
STATUTORY						
Operational Programs						
Reliability Standards	1.25	1.25	1.25	-	1.25	-
Compliance and Organization Registration and Certification	35.75	35.75	35.75	-	35.75	-
Training and Education	2.25	2.25	2.25	-	2.25	-
Reliability Assessment and Performance Analysis	6.00	6.00	6.00	-	6.00	-
Total FTEs Operational Programs	45.25	45.25	45.25	-	45.25	-
Administrative Programs						
General & Administrative	4.00	4.00	4.00	-	4.00	-
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	14.75	14.75	14.75	-	14.75	-

2019 – 2020 Budget Comparison

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2019 Budget & Projection, and 2020 Budget

STATUTORY

	2019 Budget	2020 Budget	Variance Over(Under)	% Var.
Funding				
NERC Assessments	\$ 13,248,000	\$ 13,344,128	\$ 96,128	0.7%
Penalty Sanctions	114,449	710,000	595,551	520.4%
Interest	15,000	40,000	25,000	166.7%
Total Funding	\$ 13,377,449	\$ 14,094,128	\$ 716,679	5.4%
Expenses				
Personnel Expenses	\$ 10,302,794	\$ 10,743,621	\$ 440,827	4.3%
Meetings & Travel	389,570	394,345	4,775	1.2%
Operating Expenses, excluding depreciation	2,347,234	2,643,160	295,926	12.6%
Total Expenses	\$ 13,039,598	\$ 13,781,126	\$ 741,528	5.7%
Fixed Assets, excluding Right of Use Assets	30,000	50,000	20,000	66.7%
Total Budget	\$ 13,069,598	\$ 13,831,126	\$ 761,529	5.8%
Change in Working Capital	\$ 307,851	\$ 263,002	\$ (44,849)	

- **Total Assessments are increasing 0.7% in 2020.**
- **Factors impacting assessment change:**
 - Increase in 2020 expense budget 5.8%.
 - \$710,000 penalty revenue to reduce 2020 assessments.
 - Anticipating larger interest income due to the type of account -- U.S. End of Day Money Market Mutual Fund Sweep Account.
 - A certain amount of the 2019 budget under-runs were also used to offset assessments.

2020 Key Factors/Budget Assumptions

Personnel Costs and Assumptions

- The number of FTEs is remaining constant for 2020 with 60 FTEs.
- The average available salary adjustment is 3.5%.
- Market analysis and compensation studies are requiring compensation adjustments.
- Health Benefits are projected to increase 14%.
- Retirement costs are driven by payroll and based on actual participation.
- Total Personnel Costs increasing 4.3%.

Meeting and Travel Expense

- Proposed Reliability Summit and an annual meeting with the Board of Directors and stakeholders are causing increase in meeting costs.
- Travel and On-line meetings are decreasing slightly to align with actual costs.
- Total increase is 1.2%.

2020 Key Factors/Budget Assumptions

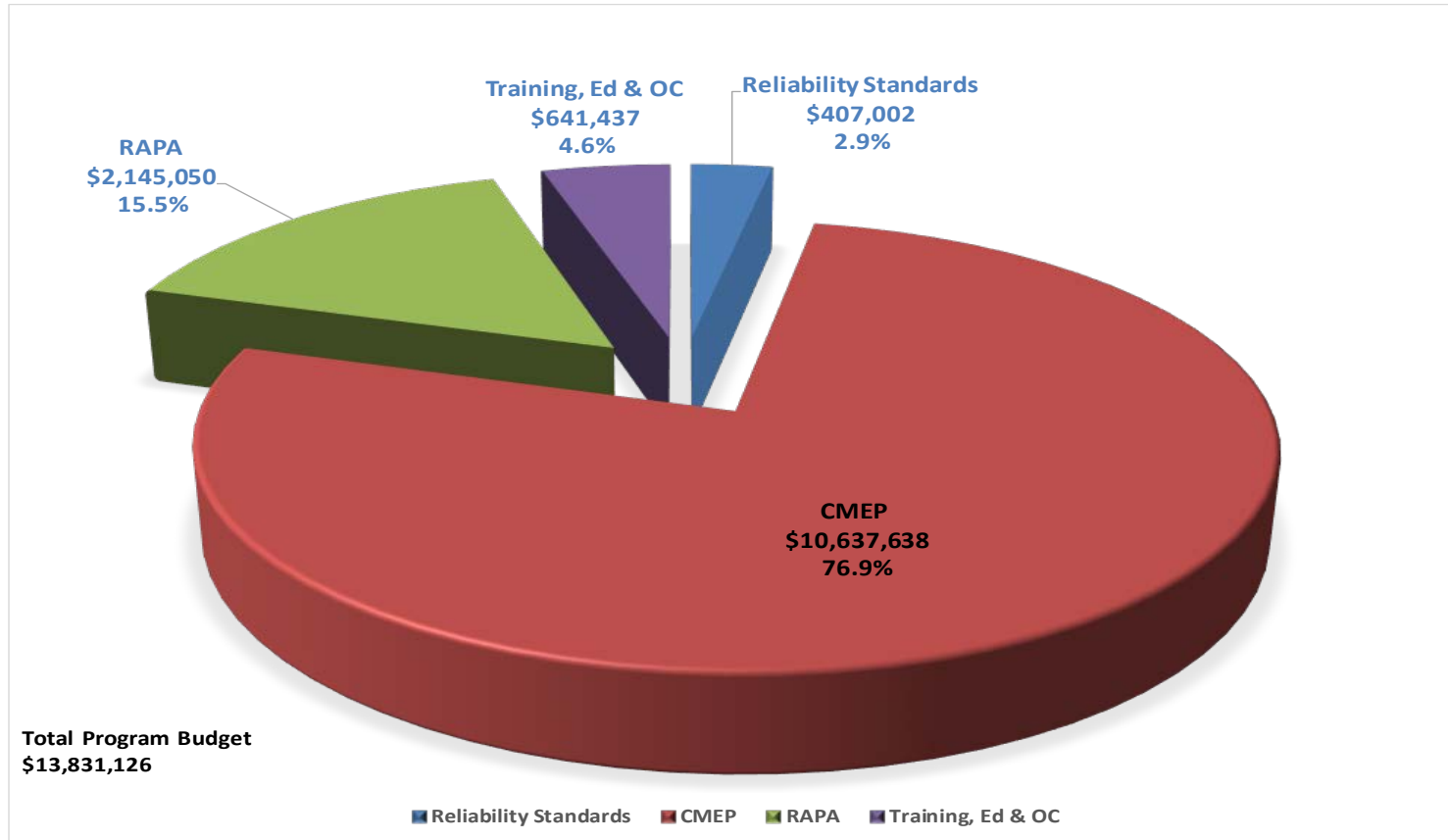
Operating Expenses

- Contract and Consultants includes unified communications system and a search fee to replace an independent director who will be term limited causing 22.3% increase.
- Lease extension with current office increases Rent and Utilities 27.8%. The current expires September 2020. There are 9 months at current rates and 3 months at higher rate.
- Office costs are decreasing 3.6%.
- Increased costs for external audit firm and potential increases for Independent Director's fees are increasing Professional Services 6.3%.
- Total Operating Expenses are increasing 12.6%.

2020 Key Factors/Budget Assumptions

- **To accommodate the implementation of Align, Texas RE is projected to perform approximately 15-20 engagements, including all aspects of 693 and CIP risks identified through risk-based CMEP processes. Some engagements may include Coordinated Oversight entities. The number of engagements is subject to change as Texas RE, the registered entities, and the ERO Enterprise in general build experience with the new systems.**
- **There is no duplication of costs for NERC initiatives.**
- **Texas RE reflects the collaborative development of the Electric Reliability Organization (ERO) Enterprise Long-term Strategy and the ERO Enterprise Operating Plan.**
- **Statutory funds are not used for State (Non-Statutory) activities.**

2020 Budget by Functional Area



Operating Reserve and Working Capital

- **The purpose of the Board-approved 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 a contingency reserve intended to provide funds for contested Enforcement matters or sudden unanticipated expenses.**
- **\$725k of this reserve was used to reduce assessments in 2018. Due to 2018 Budget under-runs the reserve was fully replenished at the end of 2018.**
- **An additional \$700k has been set aside for future asset stabilization.**

2020 – 2021 Budget Projections

- **Assume overall workload will remain consistent.**
- **Reflects no additional FTEs.**
- **4% escalation rate applied to all expense categories except Rent and Utilities. The current lease for Texas RE's office space ends on September 30, 2020. The lease has been extended causing a 21.6% increase.**
- **2021 - Total budget increase of 5.1%**
 - Assessments increase 4.0%.
- **2022 - Total budget increase of 4.2%.**
 - Assessments increase 4.0%.

Questions?

