



**TEXAS RE**  
Ensuring electric reliability for Texans

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# **2023 Business Plan and Budget**

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**Corporate Services**

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# 2023 Budget Drivers

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- Increasing the FTE count from 66 to 67 (Network Administrator in the IT Department).
- The average available salary adjustment is 3.0%.
- Health plan expense is projected to increase 9%.
- 2023 is the first full year of rent expense in the new office space. The larger space and higher market rates are causing an escalation in rent and utilities.
- Assessments are reduced by releasing penalties.

# 2023 Budget Development Process

- **April 20**                      **Board of Directors Conference Call to Review Budget**
- **April 26**                      **MRC Conference Call to Review Budget**
  - » The MRC voted to recommend that the Texas RE Board approve the proposed 2023 Business Plan and Budget.
- **May 11 – May 17**            **2023 Business Plan and Budget posted for member comments**
  - » There were no comments submitted from the members
- **May 19**                      **Texas RE Board of Directors vote to approve the 2023 Business Plan and Budget**
- **All statutory activity in the 2023 Business Plan and Budget aligns with the ERO Enterprise Long-Term Strategy.**

# 2023 Statutory Budget & Assessment Overview

- **Total 2023 budget \$17,710,391**
  - 3.2% increase from 2022
- **Total 2023 Assessment \$17,132,202**
  - 14.2% increase from 2022
  - \$576,188 Penalties applied to reduce assessment
- **67 Total FTEs**
  - Increase of 1 FTE from 2022
- **2023 Business Plan and Budget approved by Board of Directors May 18, 2022**

# 2023 Budget by Category

## **Personnel \$13,160,575 – 3.1% increase over 2022**

- Includes 1 additional FTE and full benefits in the IT department.
- The average available salary adjustment is 3.0%.
- Total Benefits expense is decreasing 0.08%. Health plan expense did not increase as projected in 2022; however, health plan expense is projected to increase 9% for 2023 over actual 2022 cost, which is lower than the 2022 budgeted cost. Benefits include employee training and education, relocation if needed for new employees, and Diversity and Inclusion training for all employees.

## **Meeting and Travel Expense \$433,635 – 2.2% decrease over 2022**

- An annual meeting with Board of Directors and stakeholders, one outside workshop and possible reliability summit is included in the budget. The 2022 budget allowed for two outside workshops.
- Travel is increasing 1.4% over 2022. Since there was no travel the past two years, this allows for price increases and the additional FTE.

## **Operating Expenses \$4,016,181 – 28.8% increase over 2022**

- Contract and Consultants expense is increasing. 2023 Budget allows for three comp studies and a salary structure study.
- Rent cost is increasing 50%. 2022 is the first full year of rent for larger space at a higher rate. Utilities and office maintenance increase along with the larger space.
- Professional Services are increasing 12% due to higher rates for risk insurance and for outside legal counsel.

# 2023 Budget by Category

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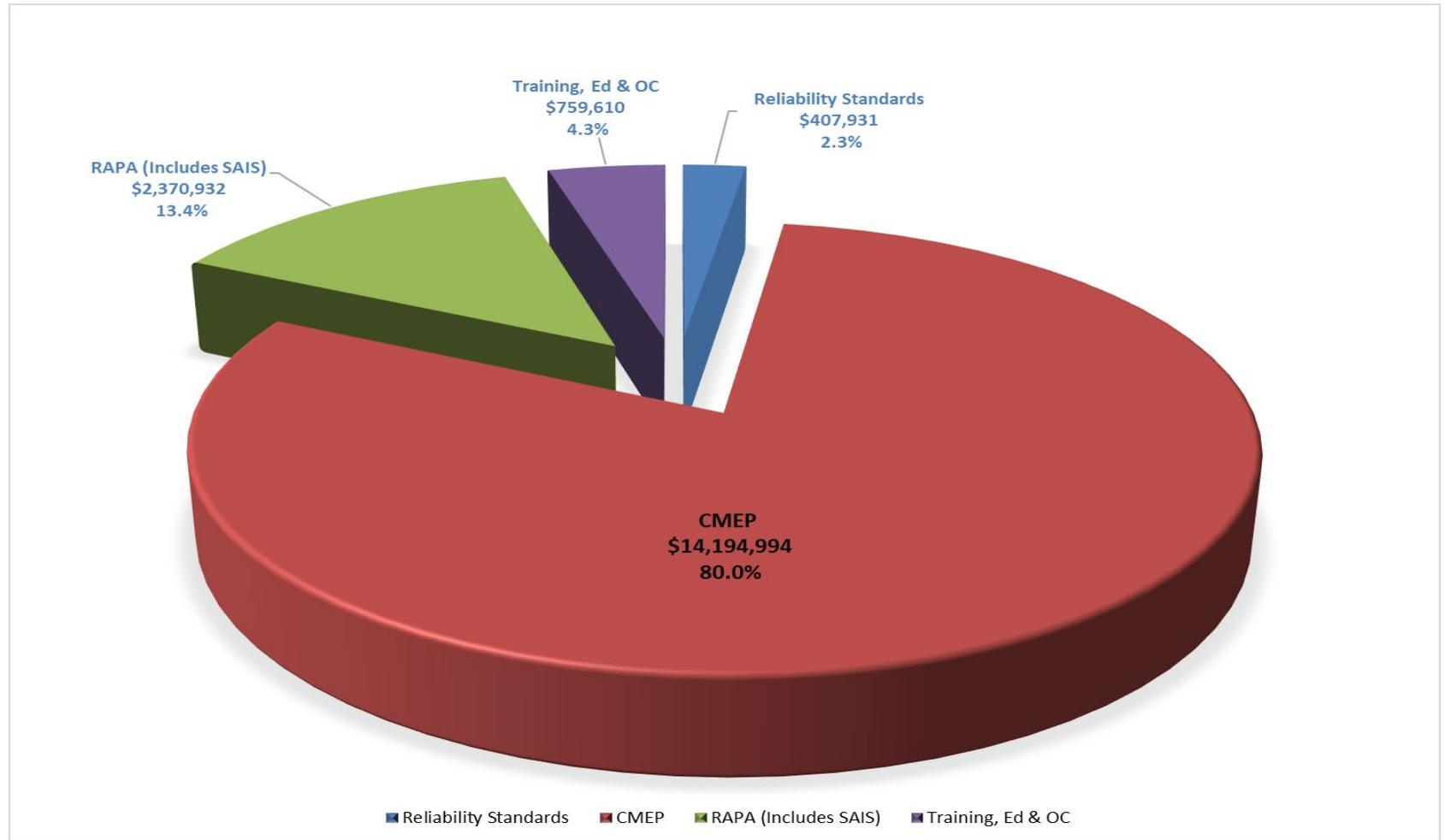
## Other Non-Operating Expense

- No cost for 2023. The \$320k for office relocation in 2022 is not needed for 2023.

## Fixed Assets \$100,000

- Fixed Asset cost is decreasing 80.5%
- Furniture, fixtures, equipment, software needed in new office in 2022 are not needed in 2023

# 2023 Budget by Program Area



# Texas RE 2023 Assessments

- **Total 2023 Assessments \$17,132,202**
  - 14.2% change from 2022
- **Factors impacting assessment change:**
  - Increase in 2023 expense budget 3.2%
  - \$576,188 penalty revenue to reduce 2023 assessments

# Reserve Overview

- **The purpose of the Board-approved Operating Reserve policy for Texas RE is to ensure the stability of the ongoing operations of the organization.**
- **The \$2,000,000 Operating Reserve is a contingency reserve intended to provide funds for contested Enforcement matters or sudden unanticipated expenses. Any use of the Operating Reserve must be approved by the Board of Directors.**
- **\$1,330,000 Operating Reserve balance at year end 2023.**
  - \$670,000 of the operating reserve reduced the 2022 Assessments. The Operating Reserve will be reimbursed as funds are available (any budget under-runs).
- **Zero balance for Assessment Stabilization.**
  - All funds were used to reduce the 2022 assessment.
  - Once the Operating Reserve is fully replenished, any available funds will be used for Assessment Stabilization.

# Projected Reserve Balances

- **Total Operating Reserve at end of 2022**
  - \$1,330,000 Operating Reserve Balance
- **Total Operating Reserve at the of 2023**
  - \$1,330,000 Operating Reserve Balance
    - The Operating Reserve will be reimbursed as funds become available.
- **Total Assessment Stabilization and Contingency Funds at end of 2022**
  - Zero balance
    - All funds were used to reduce 2022 assessments
- **Total Assessment Stabilization and Contingency Funds at end of 2023**
  - Zero balance going forward

**Any budget under-runs will be used to reimburse the Operating Reserve. Once the Operating Reserve is back to \$2,000,000, any available funds will be for Assessment Stabilization.**

**Texas RE does not hold Penalty monies in the reserve accounts. To date, all penalty money received is released to appropriate budget year based on the FERC requirements.**

# Preliminary 2024 and 2025 Projections

- **2024 Projections**
  - Budget 4.3% increase from 2023
    - Increasing employee increases to 4%
    - Includes 6% increase for Rent and Utilities
    - All other categories 4.0% increase
  - Assessments 7.7% increase over 2022 budget, which included reduction for fines and penalties
- **2025 Projections**
  - Budget 4.2% increase over 2024
    - Includes 6% increase in Rent and Utilities
    - All other categories 4.0% increase
  - Assessments 4.0% increase over 2023 does not include any fine and penalty revenue

**Assessment projections are based on expense budget with no consideration for fines and penalties. If penalty money becomes available it will be used to reduce the assessment.**

**Any budget under-runs will be used to reimburse the Operating Reserve. Once the Operating Reserve is fully reimbursed, any additional money will be added to Assessment Stabilization.**

# Questions?

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