



2021 Business Plan and Budget Overview

**Approved By Board of Directors
June 24, 2020**

Business Plan and Budget Changes

Expenses

- Reduced 2020 Meeting and Travel expenses by \$563k

Reserves

- Increased release of excess Working Capital Reserves to \$930k
 - No change to 2021 budgeted Working Capital
- Decreased release from Assessment Stabilization Reserve to \$1,180k
 - 2021 budgeted reserve increased \$600k to \$2.6M (includes recent \$35k enforcement action payment received)

2021 Statutory Budget and Assessment Overview

- Final 2021 budget \$25,829,079 (5.3% increase from 2020)
- Final 2021 assessment \$23,513,886 (4.7% increase from 2020)
 - Includes release of \$1,180,000 from the Assessment Stabilization Reserve, and a \$930,191 release of excess working capital reserves
 - Total FTEs 100 (increase of 2)
- No comments received on final budget

Budget Development Process

- As part of the business planning and budgeting process, NERC and the Regional Entities identify and discuss departmental goals and activities to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate.
- SERC's Board of Directors approved draft 2021 Business Plan & Budget on April 23
 - Human Resources and Compensation Committee reviewed personnel assumptions
 - Finance and Audit Committee reviewed and endorsed Business Plan & Budget
- Business Plan & Budget posted for 30 day stakeholder comment period on May 1
- Final approval by Board Executive Committee on June 24

2021 Budget Drivers

- Budgeted vacancy rate decreased from 8% to 5%
 - Reflects improvements in recruiting and retaining key talent
- 3% merit increase
- Addition of 3 Independent Directors
- Increase of 2 FTEs in IT (offset by decreases in 3rd party support providers)

2021 Budget by Category

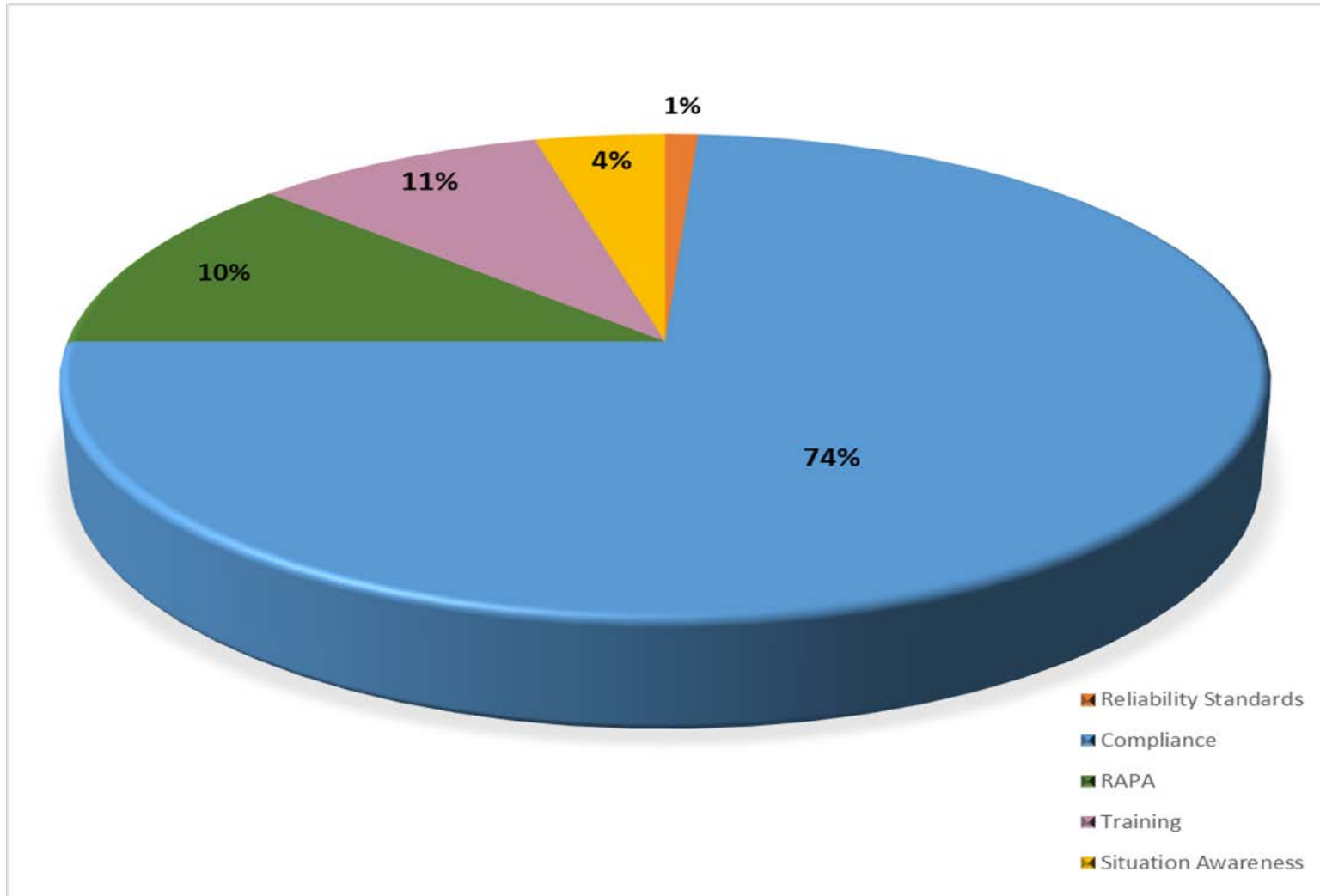
- Personnel \$20,060,580 (6.5% increase)
 - Approved staffing level of 100 Full-Time Equivalents (FTEs)
 - Vacancy rate of 5% applied to all Personnel Expenses (decrease from 8%)
 - 3% merit increase

- Meetings and Travel \$1,400,940 (5.6% increase)
 - Increase of \$73,968 reflects additional audits and increased stakeholder outreach efforts
 - Savings due to continued Covid-19 impacts on Q1 travel will be returned to stakeholders

2021 Budget by Category

- Operating Expenses \$4,167,559 (3.25% increase)
 - Addition of three Independent Directors
- Fixed Assets \$200,000 (39.4% decrease)
 - Member Portal Consolidation upgrade.

2021 Budget by Program Area



2021 Assessment Details

- 2021 Assessment \$23,513,886 (4.7% increase)
- SERC's proposed 2021 budget reflects the release of \$1,180,000 from the Assessment Stabilization Reserve as an offset to assessments, and a \$930,191 release of excess Working Capital Reserves

Projected Reserve Balances

- Working Capital Reserve
 - The Working Capital Reserve is used to manage cash flow for daily operations, and as a contingency for unbudgeted expenses
 - The Reserve Policy allows for a reserve of up to 10% of the total annual budget
 - Projected Reserve Balance
 - 12/31/2020 - \$2,477,698
 - 12/31/2021 - \$1,547,507
 - \$1.5 million line of credit if needed

Projected Reserve Balances

- Assessment Stabilization Reserve
 - The Assessment Stabilization Reserve is used to mitigate annual assessment volatility
 - Penalty sanctions are added to the reserve, and released to offset assessments in future years, subject to approval of the SERC Board of Directors
 - Projected Reserve Balance
 - 12/31/2020 - \$3,780,000
 - 12/31/2021 - \$2,600,000

Preliminary 2022 and 2023 Projections

2022

- Budget 2.2% increase over 2021
- Assessment 5.1% increase over 2021

2023

- Budget 1.4% increase over 2022
- Assessment 4.9% increase over 2022

Assumptions

- 3% annual merit
- Completion of Member Portal Consolidation in 2022
- Decreasing Assessment Stabilization Reserve release

Questions and Answers