



MIDWEST
RELIABILITY
ORGANIZATION

MRO 2024 Business Plan and Budget Overview

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CLARITY

ASSURANCE

RESULTS

MRO Budget Process Summary

1

Staff Develops a Preliminary Budget

- “Bottoms-up/Zero-based” budget developed with program managers and executives
- “Tops-down” expectations from president and chief executive officer
- Reconcile “bottoms-up” to “tops-down”

2

Present Budget to MRO FAC

- Detailed review and justification of all line items, contracts, etc.
- MRO FAC hosts board conference call to review budget, recommends approval

3

Comment Period and Board Approval

- Budget is circulated for comment to all stakeholders
- Budget is considered at the second quarter board meeting

4

Final Approval and Filing

- NERC Board approves (or may have questions, concerns to address)
- Final approval of NERC and RE BP&Bs are filed with FERC



Budget Highlights

- **Budget – \$24.9 million (\$1.8 million or 7.8 percent increase from 2023)**
 - 4% of increase is year-over-year general operations (excludes FTE additions and one-time capital asset purchases)
 - 2024 budget is 1.6% less than projected as MRO reevaluated its needs for the upcoming year
- **FTEs – 80 (increase of 2 from 2023)**
 - FTE additions in the CMEP and RA programs



2024 Budget Impacts

Budget Investments

- **Personnel (+8.4%)**
 - Reflects the addition of 2 FTEs
 - Includes salary increase of 3%, promotions and market adjustments of 2%, and benefit cost increase of 9%
- **Meetings & Travel (-6.3%)**
 - Decreasing trend in travel for staff and stakeholders but recognition of inflation
 - One offsite workshop planned
 - Co-host of GridSecCon
- **Operating Costs (-1.6%)**
 - Decrease in consulting and vendor contracts
 - Increase in rent as tenant allowance reduction ends, increased lease costs as result of inflation
 - Increase in training expenses
- **Fixed Assets (+169%)**
 - Replacement of end-of-life assets



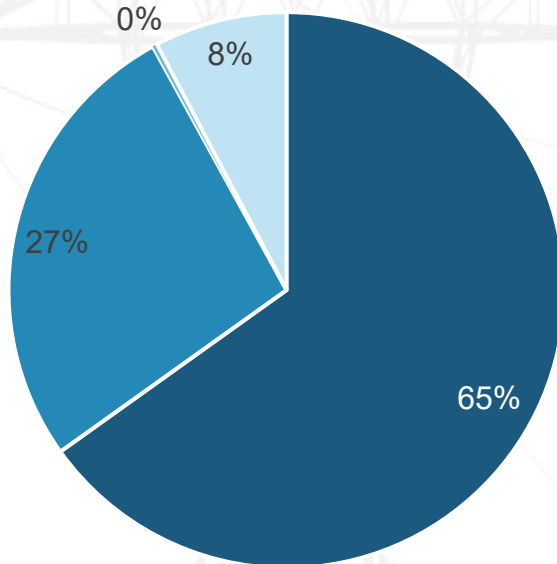
2024 Budget by Category

Statement of Activities, Fixed Assets Expenditures and Change in Working Capital 2023 Budget and 2024 Budget

	2023 Budget	2024 Budget	\$ Variance 2024 to 2023 Budget Over(Under)	% Variance 2024 to 2023 Budget Over(Under)
Expenses				
Total Personnel Expenses	\$ 17,860,160	\$ 19,355,876	\$ 1,495,716	8.4%
Total Meeting Expenses	\$ 760,547	\$ 712,925	\$ (47,622)	-6%
Total Operating Expenses	\$ 4,213,162	\$ 4,147,644	\$ (65,518)	-1.6%
Total Direct Expenses	\$ 22,833,869	\$ 24,216,445	\$ 1,382,576	6.1%
Fixed Assets	\$ 248,500	\$ 668,000	\$ 419,500	169%
TOTAL BUDGET	\$ 23,082,369	\$ 24,884,445	\$ 1,802,076	7.8%
FTEs	78.00	80.00	2.00	2.6%



Budget by Program Area



- Compliance Monitoring and Enforcement
- Reliability Analysis, ORC, & SAIS
- Reliability Standards
- Training and Education



2024 Assessment Details

- **Assessments – \$23.6 million (\$3 million or 15 percent increase from 2023)**
 - Assessment stabilization adjustment of \$1.3 million
 - includes penalties assessed prior to June 30, 2023
 - Assessment stabilization reserves balance down to \$1.2M
 - ASR projected to be \$0 by 2026



Reserve Policy

- **Policy and Procedure 13: Reserve Policy**
 - MRO's reserves are identified and quantified each year in the Business Plan and Budget
 - Reserves are held for future budget stabilization; significant, short-term, operating, or capital spending needs; or for unforeseen changes that materially impact the organization's ability to meet its functions under delegated authority
- **Operating reserve capped at \$1M for the start of the budget year**



Projected Reserves Balances

- **Projected reserves balance at end of 2023 \$4.6 million**
 - \$2.1M in working capital and operating reserve
 - \$2.5M in Assessment stabilization and penalty reserves
- **Projected reserves balance at end of 2024 is \$3.3 million**
 - \$2.1M in working capital and operating reserve
 - \$1.2M in assessment stabilization and penalty reserve
- **2025-2026 Projections include use of \$2.3 million of total reserves available**



Projections

2025 and 2026 Projections

- **2025**
 - Total budget increase of \$2.4M or 9.9 percent
 - Headcount increase of 5
 - Assessment increase of 10 percent
- **2026**
 - Total budget increase of \$2.6M or 9.5 percent
 - Headcount increase of 4
 - Assessment increase of 12 percent



Questions?