



# ReliabilityFirst 2023 Business Plan and Budget Overview

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# 2023 Budget Drivers

## ➤ Security Related FTE's

- IT
- G&A Reporting to CSO

## ➤ Security Related Initiatives

- Contractors and Consultants, Computer Supplies and Maintenance, Fixed Assets

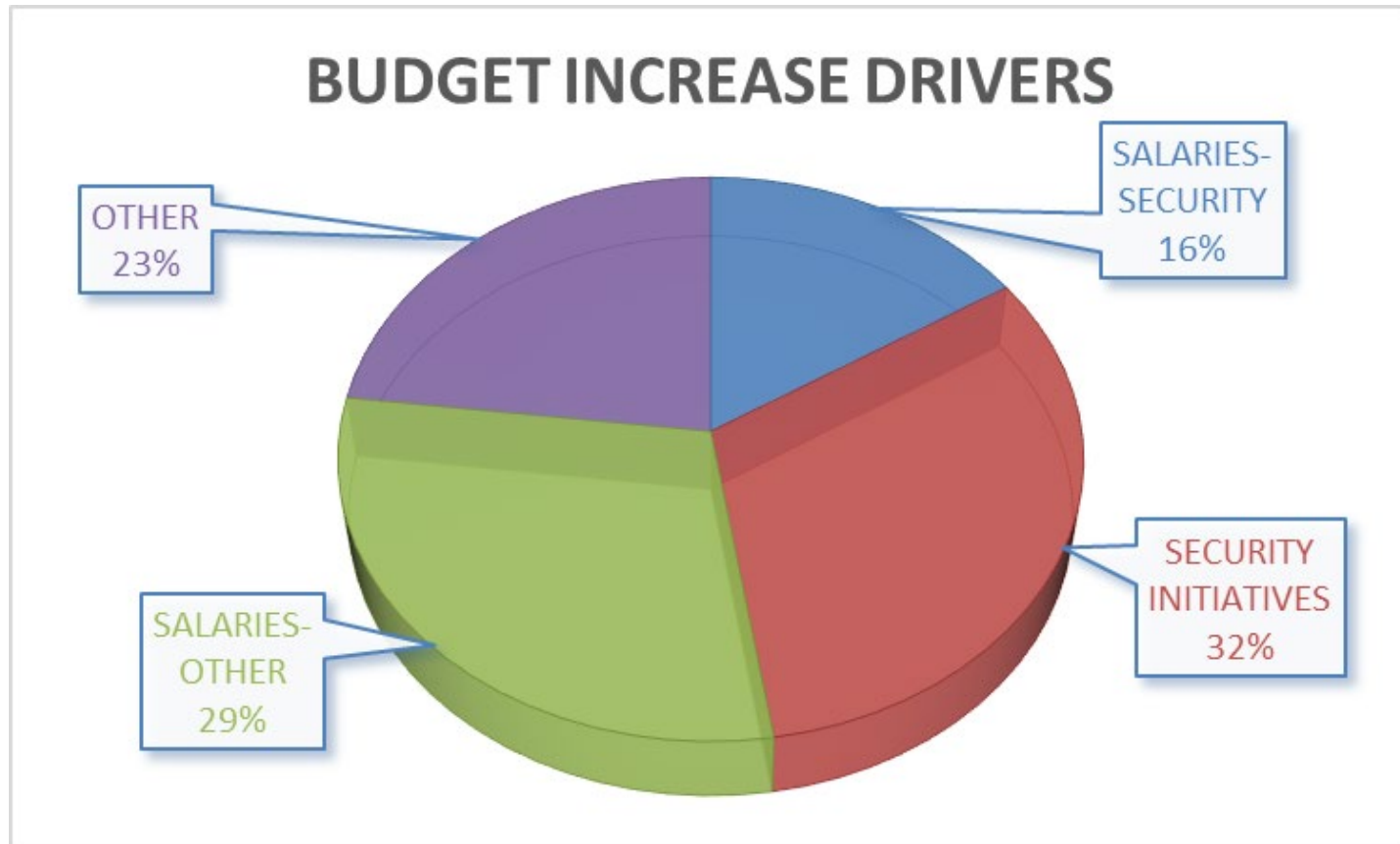
## ➤ Inflation

- 4% Merit Increase
- Meetings and Travel



# 2023 Budget Drivers

- Of the 6.7% overall budget increase, security related items account for 48% of the increase



# Budget Development Process

- **Step One-Staff develops a preliminary budget.**
  - Activities are guided by the ERO Enterprise Long-Term Strategy.
- **Step Two-BP&B first draft is presented to the ReliabilityFirst FAC and Board.**
- **Step Three-Comment Period and Board Approval:**
  - BP&B posted for 30 day comment
    - No stakeholder comments (last day was May 29)
  - Second draft of budget is approved by Board
- **Step Four-Final Approval and Filing**
  - NERC submits final BP&B to FERC

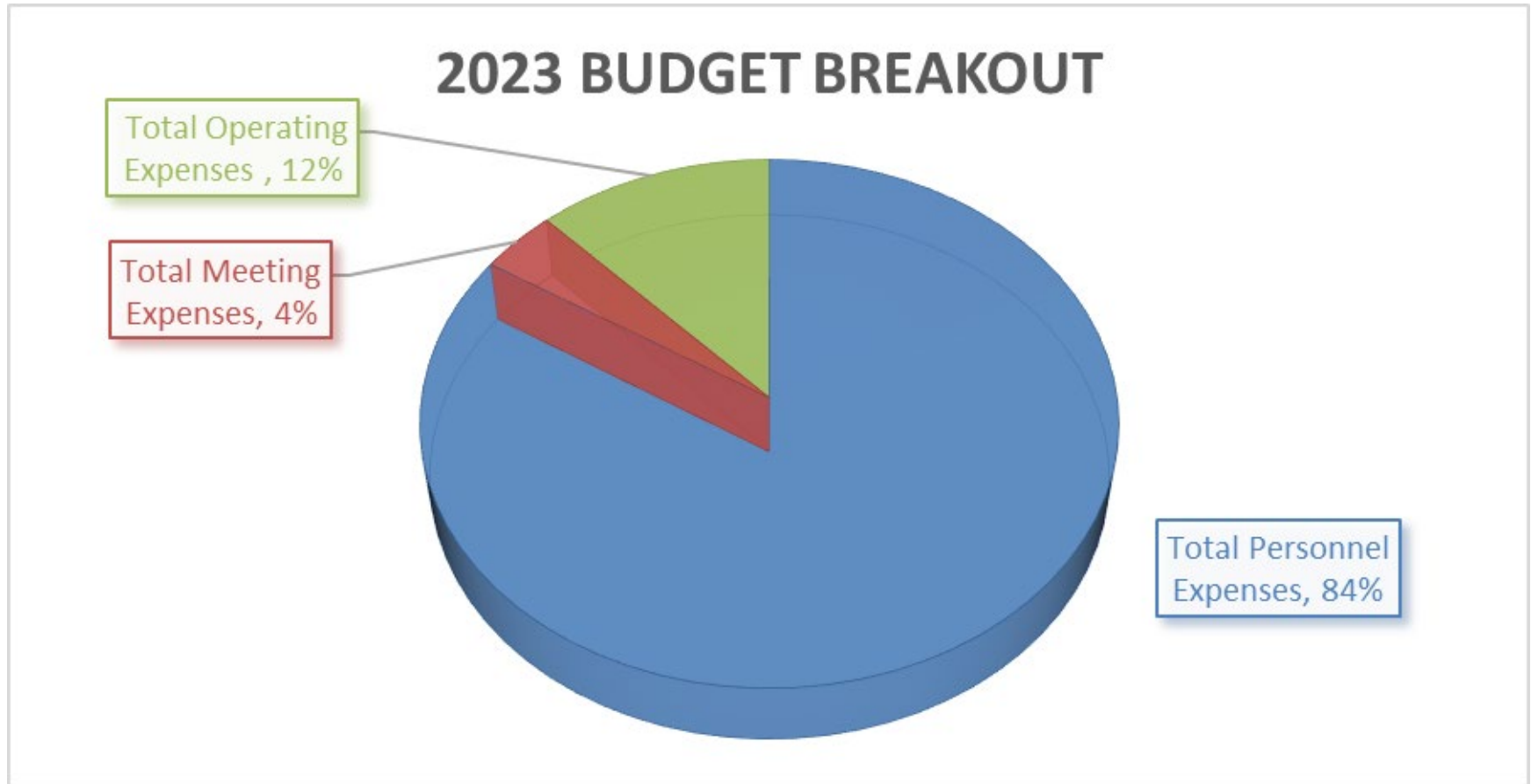


# 2023 Statutory Budget and Assessment Overview

- **2023 budget \$27,975,420 (6.7% increase from 2022)**
- **2023 assessment \$24,620,339 (5% increase from 2022)**
  - Releasing approximately \$3.2M in penalties and \$0.2M in reserves
- **Total 2023 FTEs 90.6 (2 FTE change from 2022)**



# 2023 Budget Overview



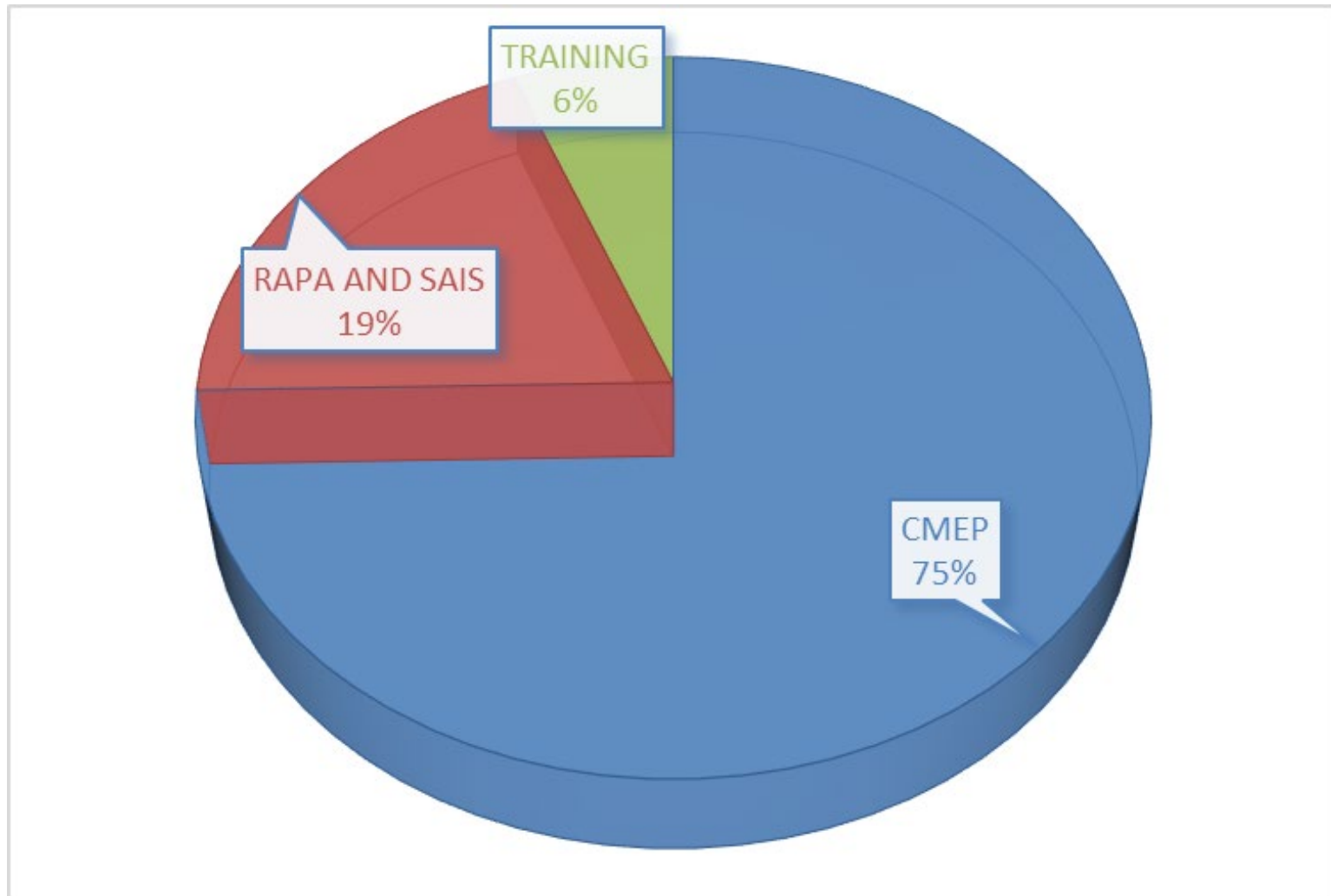
# 2023 Budget by Category

2023 BUDGET INCREASE (DECREASE) FROM 2022				
	Total 2023 Budget	Total Change from 2022		% of Total Budget Increase
<b>Personnel Expenses</b>				
Salaries	\$ 16,913,744	\$ 639,498		36%
Payroll Taxes	\$ 1,052,888	\$ 60,606		3%
Benefits	\$ 2,773,918	\$ 361,112		21%
Retirement Costs	\$ 2,706,562	\$ 104,456		6%
<b>Total Personnel Expenses</b>	<b>\$ 23,447,112</b>	<b>\$ 1,165,673</b>		
<b>Operating Expenses</b>				
Meetings	\$ 432,855	\$ 75,180		4%
Conference Calls	\$ 15,000	\$ (6,960)		0%
Travel	\$ 648,100	\$ 47,100		3%
Consultants & Contracts	\$ 837,549	\$ 388,675		22%
Office Rent	\$ 682,584	\$ 84,492		5%
Office Costs	\$ 1,066,747	\$ (43,640)		-2%
Professional Services	\$ 685,915	\$ 54,150		3%
Miscellaneous	\$ 49,559	\$ 824		0%
Fixed Asset Additions	\$ 110,000	\$ (10,000)		-1%
<b>Total Operating Expenses</b>	<b>\$ 4,528,309</b>	<b>\$ 589,820</b>		
<b>Totals</b>	<b>\$ 27,975,420</b>	<b>\$ 1,755,493</b>		

Only includes major expenses



# 2023 Budget by Program Area





# 2023 Assessment Details

- **2023 assessment \$24,620,339 (5% increase from 2022)**
  - Releasing approximately
    - \$3.2M in penalties
    - \$0.2M in reserves



# Reserve Overview

## ➤ Objective

- Stabilize annual assessments to minimize large fluctuations.
- Provide stakeholders with a pragmatic expectation of future assessment changes.

## ➤ Assumptions

- Penalty dollars released on average (without anomalies) \$1M
- 2024 and 2025 budgets increase based upon projections.
- The Working Capital Reserve does not include the \$1M Operating Reserve.



# Reserve Overview

- **It is the policy of ReliabilityFirst to maintain 10% of the budgeted year's expenses, or a minimum of \$1,000,000, as the Operating Reserve.**
- **For 2023, ReliabilityFirst Board approved a \$1,000,000 operating reserve.**
- **The Operating Reserve Fund is set aside each year with the intention of providing for unbudgeted or unexpected expenditures.**



# Projected Reserve Balances

- **The 2023 Working Capital Reserve will be utilized to manage cash flow for daily operations and to stabilize and minimize large fluctuations in the annual assessments.**
  - Developed a multi-year plan that provides stakeholders with a pragmatic expectation of future assessments.
- **The Targeted Working Capital balance of approximately \$8.6M will be used to stabilize assessments in future years.**

Projected Reserve Balances		
	December 31, 2022	December 31, 2023
Working Capital	\$8.9M	\$8.6M
Operating Reserve	\$1M	\$1M
Unreleased Penalties and Ending Assessment Stabilization Reserve	\$3.2M	-



# Preliminary 2024 Projections

**Projected Range for 2024: 4.5% to 7.8%**

<b>Budget Projections</b>		
<b>Personnel Expense</b> <ul style="list-style-type: none"> <li>• Wages: 3%</li> <li>• Medical/Dental Premiums: 6%</li> <li>• Hire 2 additional FTEs</li> </ul>	4.3%	
<b>Meeting Expense</b>	2.0%	
<b>Travel Expense</b>	3.0%	
<b>Operating Expense</b>	7.1%	
<b>Fixed Assets</b> <ul style="list-style-type: none"> <li>• \$110K Hardware/Software replacement</li> </ul>		
<b>Projected 2024 Budget Low Range</b>		<b>4.5%</b>
<b>Additional Budget Items</b>		
<b>Personnel Expense</b> <ul style="list-style-type: none"> <li>•Wages 5%</li> <li>•Medical/Dental Premiums: 10%</li> <li>•Hire 3 additional FTEs (in addition to 2 FTEs from low range)</li> </ul>	8.0%	
<b>Meeting Expense</b>	7%	
<b>Travel Expense</b>	7%	
<b>Operating Expense</b>	7.4%	
<b>Projected 2024 Budget High Range</b>		<b>7.8%</b>



# Preliminary 2025 Projections

**Projected Range for 2025: 3.7% to 9.3%**

<b>Budget Projections</b>		
<b>Personnel Expense</b> <ul style="list-style-type: none"> <li>• Wages: 3%</li> <li>• Medical/Dental Premiums: 6%</li> <li>• Hire 0 additional FTEs (in addition to 2 FTEs from 2024 low range)</li> </ul>	3.3%	
<b>Meeting Expense</b>	2.0%	
<b>Travel Expense</b>	3.0%	
<b>Operating Expense</b>	7.1%	
<b>Fixed Assets</b> <ul style="list-style-type: none"> <li>• \$110K Hardware/Software replacement</li> </ul>		
<b>Projected 2025 Budget Low Range</b>		<b>3.7%</b>
<b>Additional Budget Items</b>		
<b>Personnel Expense</b> <ul style="list-style-type: none"> <li>•Wages 5%</li> <li>•Medical/Dental Premiums: 10%</li> <li>•Hire 2 additional FTEs (in addition to 5 FTEs from 2024 high range)</li> </ul>	9.7%	
<b>Meeting Expense</b>	7%	
<b>Travel Expense</b>	7%	
<b>Operating Expense</b>	7.4%	
<b>Projected 2025 Budget High Range</b>		<b>9.3%</b>



# Questions & Answers

Forward Together  **ReliabilityFirst**