



# 2024 Business Plan and Budget Overview

# 2024 Budget Drivers

- Inflation and market pressure on salaries
- Addition of 3 FTEs
- Stronger IT & Security Platform
  - Strengthen security and cyber posture
  - Network and data security tools

# 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 2024 Business Plan & Budget on March 29
  - 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 April 6
  - No comments received
- Final approval by Board of Directors expected on June 21

# 2024 Statutory Budget and Assessment Overview

- 2024 Total Budget \$31,047,613 (10.0% increase)
- 2024 Total Assessment \$28,385,346 (8.4% increase)
  - Includes release of \$2,296,449 from the Assessment Stabilization Reserve, and a \$82,318 release of excess working capital reserves
  - Total FTEs 109 (increase of 3)

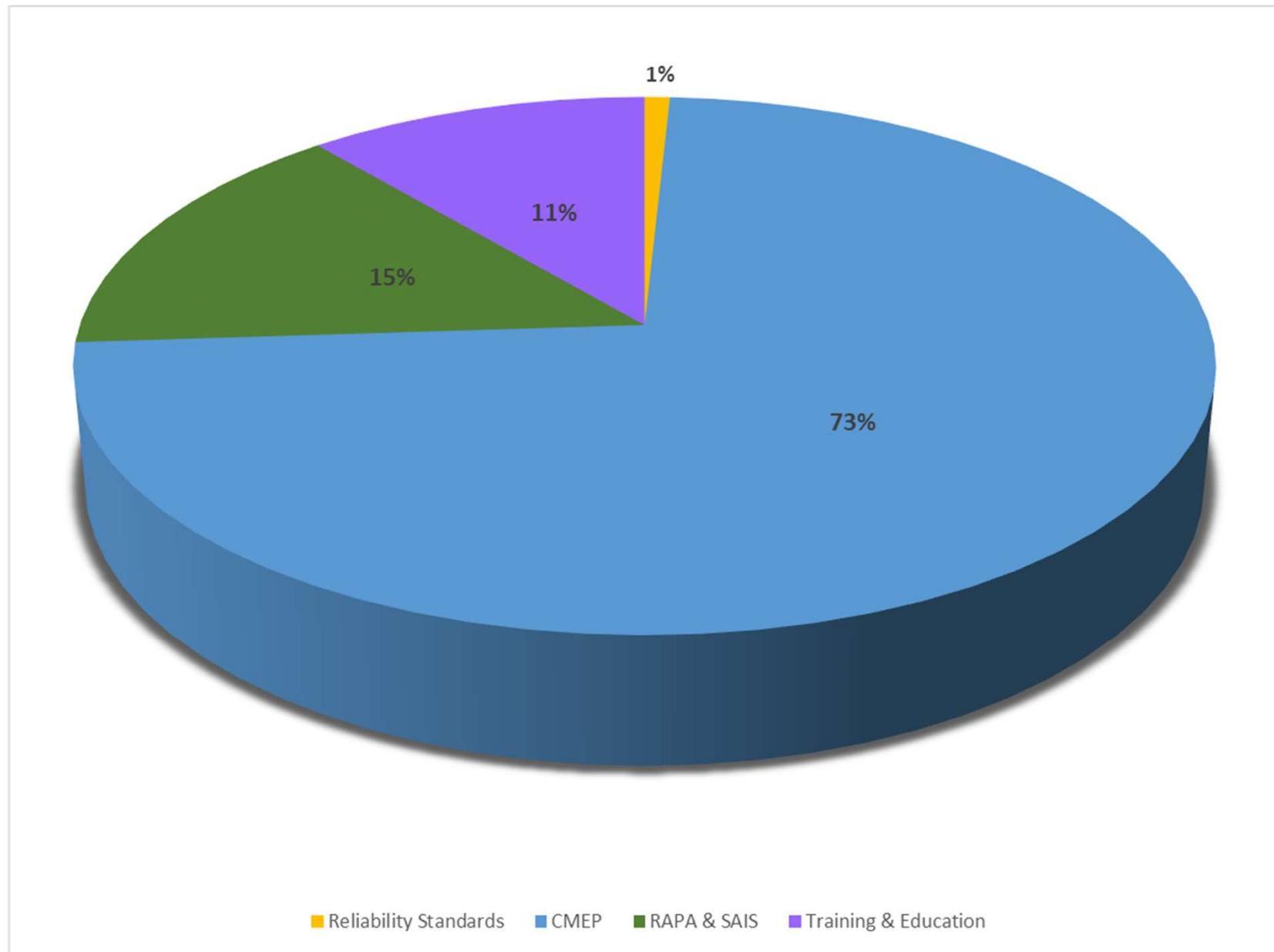
# 2024 Budget by Category

- Personnel \$25,098,097 (9.3% increase)
  - Approved staffing level of 109 Full-Time Equivalents (FTEs)
  - 5.7% wage increase (4% merit + 1.7% market adjustments)
  - Vacancy rate of 5% applied to all Personnel Expenses
- Meetings and Travel \$1,410,653 (6.3% increase)
  - Combined impacts from inflation and a modest increase in travel

# 2024 Budget by Category

- Operating Expenses \$4,153,863 (7.0% increase)
  - Increased spending on security related hardware and software tools, and higher commercial insurance rates
- Fixed Assets \$385,000 (816.7% decrease)
  - Increase of \$343,000 due to anticipated leasehold improvements and cyber security enhancements including server and network storage refresh

# 2024 Budget by Program Area



# 2024 Assessment Details

- 2024 Assessment \$ 28,385,346 (8.4% increase)
- SERC's 2024 budget reflects the release of \$ 2,296,449 from the Assessment Stabilization Reserve as an offset to assessments, and a \$82,318 release of excess Working Capital Reserves



# Reserve Overview

- **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
- **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 Balances

- Total Projected Reserves 12/31/2023 - \$12,683,610
  - Working Capital Reserve \$1,987,161
  - Assessment Stabilization Reserve \$10,696,449
- Total Projected Reserves 12/31/2024 - \$10,304,843
  - Working Capital Reserve \$1,904,843
  - Assessment Stabilization Reserve \$8,400,000

# Preliminary 2025 and 2026 Projections

## 2025

- Budget 8.7% increase over 2024
- Assessment 7.5% increase over 2024

## 2026

- Budget 4.5% increase over 2025
- Assessment 6.2% increase over 2025

## Assumptions

- FTE addition of 5-8 in 2025, 0-3 in 2026
  - Projecting 50%-75% increase in registered entities
  - Evolving grid impacting RAPA, CMEP and State Outreach
- 3.5% annual merit/market adjustments
- New office lease in 2025
- Continued focus on strengthening security profile

# Questions and Answers