

# **Budget vs. Actual Summary: April 2005**

**Budget, Standards & Performance subcommittee**

**June 1, 2005**

# Summary Results

(\$ in millions, except RS#1 charge)

<u>Cost Category</u>	<u>2005 Annual Amounts</u>				<u>YTD through 4/05 Amounts</u>		
	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Variance</u>	<u>Revised Budget</u>	<u>Actuals</u>	<u>Variance</u>
Baseline	\$106.5	\$106.1	\$103.6	(\$2.5)	\$35.7	\$32.4	(\$3.3)
Projects (excl. New Building Acquisition)	\$14.6	\$14.6	\$16.9	\$2.3	\$4.6	\$4.1	(\$0.5)
New Building Acquisition	\$2.3	\$16.8	\$16.8	-	\$0.8	\$0.8	-
Debt Service	\$26.5	\$26.5	\$25.7	(\$0.8)	\$8.9	\$8.6	(\$0.3)
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$163.0</b>	<b>(\$1.0)</b>	<b>\$50.0</b>	<b>\$45.9</b>	<b>(\$4.1)</b>
Less: Net proceeds on 2005 budget debt	(\$19.9)	(\$19.9)	(\$19.9)	-	(\$5.0)	(\$5.0)	-
Less: Net proceeds on mortgage	-	(\$13.2)	(\$13.2)	-	-	-	-
Less: Misc. Revenues	(\$1.0)	(\$1.9)	(\$2.7)	\$0.8	(\$0.3)	(\$0.4)	(\$0.1)
<b>Rate Schedule #1 Revenue Req.</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.2</b>	<b>(\$1.8)</b>	<b>\$44.7</b>	<b>\$40.5</b>	<b>(\$4.2)</b>
<b>Rate Schedule #1 Charge (\$/MWH)</b>	<b>\$0.788</b>	<b>\$0.788</b>					

*Note: The significant differences between Original and Revised Budgets reflect updated estimates (since 2005 budget preparation) related to the new building acquisition.*

# Detailed Results

(\$ in millions)

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Year-End Projection</u>	<u>Year-End Variance</u>	<u>Budget thru 4/05</u>	<u>Actual thru 4/05</u>	<u>Variance thru 4/05</u>
Capital	\$5.9	\$21.8	\$20.7	(\$1.1)	\$2.5	\$1.5	(\$1.0)
Salaries & Benefits	47.4	47.4	47.4	-	15.8	15.7	(0.1)
Consultants	24.3	24.3	26.8	2.5	8.1	6.6	(1.5)
Legal	5.0	5.0	6.3	1.3	1.7	2.1	0.4
Building Services	6.0	4.2	4.4	0.2	1.3	1.3	-
Computer Services	11.5	11.5	10.2	(1.3)	3.9	3.1	(0.8)
Insurance	6.8	6.8	4.2	(2.6)	2.3	1.4	(0.9)
Telecommunications	4.2	4.2	4.5	0.3	1.4	1.5	0.1
BOD	0.9	0.9	1.3	0.4	0.3	0.4	0.1
Training, Meetings, Travel	2.7	2.7	2.8	0.1	0.9	0.8	(0.1)
NPCC Fees	1.7	1.7	1.7	-	0.6	0.6	-
FERC Fees	7.0	7.0	7.0	-	2.3	2.3	-
Debt Service	<u>26.5</u>	<u>26.5</u>	<u>25.7</u>	<u>(0.8)</u>	<u>8.9</u>	<u>8.6</u>	<u>(0.3)</u>
<b>Cash Budget</b>	<b>\$149.9</b>	<b>\$164.0</b>	<b>\$163.0</b>	<b>(\$1.0)</b>	<b>\$50.0</b>	<b>\$45.9</b>	<b>(\$4.1)</b>
Less: Revenues	(1.0)	(1.9)	(2.7)	(0.8)	(0.3)	(0.4)	(0.1)
Less: Proceeds from 2005 Budget Debt	(20.4)	(20.4)	(20.4)	-	(5.0)	(5.0)	-
Less: Proceeds from Mortgage	-	(15.9)	(15.9)	-	-	-	-
Add: Interest on 2005 Budget Debt	0.5	0.5	0.5	-	-	-	-
Add: Principal & Interest on Mortgage	<u>-</u>	<u>2.7</u>	<u>2.7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Rate Schedule #1 Revenue Requirement</b>	<b>\$129.0</b>	<b>\$129.0</b>	<b>\$127.2</b>	<b>(\$1.8)</b>	<b>\$44.7</b>	<b>\$40.5</b>	<b>(\$4.2)</b>

*For Discussion Only*

# Variance Explanations

**Capital** – This line item is under budget, both in the year-to-date results and year-end projections, primarily because significant modifications planned for the PCC will be lower than anticipated. \$2.1M was budgeted for such improvements, but the projected year-end spending on this item is likely to be significantly less.

**Consultants** – This line item is currently under budget due to timing differences on the spending for certain consultants (HR studies and surveys, internal audits, research and development, and certain project costs), which are all spent more heavily in later months of the year. The current projection for consultants indicates a 10% overrun by year-end. These assumptions will be re-evaluated in July, as NYISO reviews anticipated budgetary needs for the remainder of 2005.

**Legal** – Annualized from March invoices, the legal budget is trending over budget due primarily to litigation, AMP, TCC and new building costs. The trend is being monitored closely, and NYISO is taking any available steps to reduce further 2005 legal invoice levels.

**Computer Services** – This line item is currently under budget and is projected to remain so by year-end, primarily due to lower hardware and software maintenance costs than budgeted.

**Insurance** – Credit insurance was not renewed, which will result in annual savings of \$1.7M. Other insurance policies were renewed lower than budget: \$465K savings in Property insurance and \$468K savings in D&O insurance, resulting in a projected 2005 budget underrun of \$2.6M.

**Board of Directors** – Board fees were increased late in 2004, the first increase in 5 years, resulting in a budgetary overrun for 2005.

**Debt Service & Bank Fees** – Interest expense will be lower than budget, as interest rates have remained lower than the 5% budgeted rate. The 2003 and 2004 budget debt was also refinanced in April, which will result in 2005 savings approximating \$150K (total of \$425K over the remaining life of the loans).

**Misc. Revenues** – Interest income is expected to be \$784K higher than budget, due to rising interest rates.

# Projects Summary

(\$ in millions)

Project Name	Original Budget			Year-End Projection		
	Labor	Non-Labor	Total	Labor	Non-Labor	Total
Billing Automation & Enhancements: TCC Settlement	\$0.2	\$0.0	\$0.2	\$0.0	\$0.0	\$0.0
Billing Automation & Enhancements: Rate Schedule 1 Allocation	\$0.2	\$0.2	\$0.4	\$0.2	\$0.0	\$0.2
Billing Automation & Enhancements: NTAC & TSC Rate Mgt.	\$0.2	\$0.0	\$0.2	\$0.2	\$0.3	\$0.5
Billing Automation & Enhancements: BAS Replacement Strategy / Billing Sim.	\$0.7	\$1.1	\$1.8	\$0.7	\$1.5	\$2.2
Billing Automation & Enhancements: DSS Customer Settlements Expansion	\$0.4	\$1.6	\$2.0	\$0.8	\$1.6	\$2.4
TCC & UCAP Auction Automation	\$0.7	\$1.1	\$1.8	\$1.0	\$1.1	\$2.1
Controllable Tie Lines Scheduling and Pricing	\$0.3	\$0.6	\$0.9	\$0.3	\$0.6	\$0.9
15 Minute Scheduling	\$0.1	\$0.3	\$0.4	\$0.1	\$0.3	\$0.4
Scheduling of Combined Cycle Units	\$1.0	\$0.5	\$1.5	\$1.0	\$0.3	\$1.3
Self Supply of Reserves	\$0.4	\$0.5	\$0.9	\$0.2	\$0.0	\$0.2
SMD Feature Extensions (SMD 2.1)	\$0.7	\$0.2	\$0.9	\$0.7	\$0.7	\$1.4
MIS Enhancements: Comprehensive Bid Mgt. System	\$0.5	\$0.1	\$0.6	\$0.5	\$0.1	\$0.6
MIS Enhancements: Oracle Forms Replacement	\$0.2	\$0.1	\$0.3	\$0.2	\$0.0	\$0.2
Outage Schedule Reporting	\$0.5	\$0.3	\$0.8	\$0.5	\$0.0	\$0.5
Intra-Hour Transaction Scheduling (previously named VRD)	\$0.1	\$0.5	\$0.6	\$0.1	\$0.5	\$0.6
Market Data Exchange Enhancements (Portal)	\$0.1	\$0.7	\$0.8	\$0.1	\$0.5	\$0.6
Documentum Expanded Implementation	\$0.3	\$0.2	\$0.5	\$0.3	\$0.2	\$0.5
SMD 2.0 and Related Projects	\$0.0	\$0.0	\$0.0	\$0.9	\$0.7	\$1.6
E-Tagging 2.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.5	\$0.7
<b>Total – Projects (excluding New Building Acquisition)</b>	<b>\$6.6</b>	<b>\$8.0</b>	<b>\$14.6</b>	<b>\$8.0</b>	<b>\$8.9</b>	<b>\$16.9</b>

*For Discussion Only*

# New Facility Recap

(\$ in millions)

	Original Budget	Revised Budget	Budget thru 4/05	Actual thru 4/05	Variance thru 4/05	Revised Budget Components
Capital	\$ -	\$15.9	\$0.7	\$0.7	\$ -	~\$15M building purchase + ~\$1M retrofit in 2005
Salaries & Benefits**	-	0.4	0.1	0.1	-	Internal employee hours reallocated from Baseline
Building Services	<u>2.3</u>	<u>0.5</u>	-	-	-	Building Costs (utilities, taxes, etc.); most reimbursed from Phoenix & captured under "Revenues"
<b>TOTAL BUDGET</b>	<b>\$2.3</b>	<b>\$16.8</b>	<b>\$0.8</b>	<b>\$0.8</b>	<b>\$ -</b>	
Less: Revenues	-	(0.9)	-	-	-	Lease revenue from Phoenix: base rent and reimbursement of building costs
Less: Proceeds from Mortgage	-	(15.9)	-	-	-	~\$15M building purchase + ~\$1M retrofit in 2005
Add: Principal & Interest on Mortgage	-	<u>2.7</u>	-	-	-	P&I payments for building purchase; Interest only for retrofit
<b>Required Cash via Rate Schedule #1</b>	<b>\$2.3</b>	<b>\$2.7</b>	<b>\$0.8</b>	<b>\$0.8</b>	<b>-</b>	
** <i>Note: An estimate of salaries &amp; benefits related to the new building was not prepared during the budget approval process.</i>						

## Recap / Action Plan

- Credit Insurance: \$1.7M budget will remain in budget until mid-year budget vs. actual results are compiled; will be utilized for paydown of outstanding debt.
- Watch List Items: Trends for such items, primarily Legal costs, will be closely monitored. After mid-year budget vs. actual results are compiled, VPs will be expected to update year-end projections and will revisit need for potential transfers.
- New Facility: Budget projections will be updated once closing date is finalized.
- MWH for RS#1: Volume of transactions will be monitored until after summer peak period. If recoveries are “on budget”, NYISO will likely refund \$2.0M from 2004 overcollection.