

EXECUTIVE DIRECTOR'S REPORT TO THE BUDGET COMMITTEE September 2017



BUDGET COMMITTEE TASKS

At this meeting the Budget Committee needs to:

- Approve Results of the 2016 Audit*
- Recommend a 2017 Operational Budget to the Council for use during the remainder of the 2017 Calendar Year**
- Consider a preliminary draft 2018 budget and recommend priorities***



* COP 9: Council Staff provides a report to the Budget Committee which summarizes findings of an annual, independent audit of the Council's financial practices, together with a summary of the Council's response to the audit's findings.

** COP 9: At the first opportunity following Congressional appropriations, confirmation of fiscal assumptions, updates, and resolution of uncertainties contained in the preliminary annual budget, Council staff prepares updated final annual budget for Budget Committee review, approval, and forwarding to the Council for approval at the earliest opportunity, including potentially at the same meeting.

*** COP 9: Council Staff prepares for consideration by the Budget Committee a proposed preliminary annual budget for Council operations which documents all major aspects of the Council's fiscal affairs and identifies balances, performance obligations, potential amounts and sources of current and future fiscal year funding, current and projected costs of activities, and addresses multi-year cash-flow needs, staffing stability and other contingencies while generally associating higher priority Council activities with secure funding sources.

CY 2016 Audit Results

- Financial Statements

- Type of Auditor's Report Issued: Unmodified
- Material Weakness or Significant Deficiencies: No
- Noncompliance Materials: No

- Federal Awards

- Type of Auditor's Report Issued: Unmodified
- Material Weakness or Significant Deficiencies: No
- Reportable Audit Finding: No

- Identification of Major Programs:

- CDFA 11.441: Low-Risk Auditee
- Regional Fishery Management Councils
- Type B Program (>\$750,000)

- Financial Statement Findings: None

- Federal Award Findings and Questioned Costs: None

PERFECT AGAIN



CY 2017 Funding and Budget Summary

Source of Funds or Designated Use	Dollars	Comments
New CY 2017 Funds		
Base and Ongoing Soft Funds Received:		
Received (1/12/17)	\$672,173	Base PPA
Received (3/22/17)	\$1,037,935	Base PPA
Received (7/31/17)	\$1,884,860	Base PPA
Received (7/31/17)	\$615,375	Ongoing Soft (NEPA, ACL, RSL, Peer Review)
Received (7/31/17)	<u>\$69,498</u>	Stipends
Subtotal	\$4,279,841	
Designated Supplemental Funding Received		
National SCS	\$125,000	<i>Requested \$125K</i> 2018
HMS International Travel	\$3,500	<i>Requested \$3.5K for ISC Rappatour</i> 2017
Fishery Ecosystem Plan Initiatives	\$90,000	<i>Partially funded thru 2017 \$276 full request</i> 2017-2019
Intersector QP Trading	\$125,000	<i>IFQ Omnibus Request CSR Follow-on</i> 2017-2018
Annual Catch Limit Implementation and Flexibility	\$149,125	<i>Requested \$149K</i> 2017-2018
EFH/RCA	\$150,000	<i>Requested \$150K</i> 2017-2018
Swordfish Management	<u>\$54,000</u>	<i>Non-specific request</i> 2018
Subtotal	\$696,625	
Additional Supplemental Funding Requested but Not Received		
Fishery Ecosystem Plan Initiatives	\$186,000	<i>2018-2019 Remaining Portion Expected in Future FY</i>
Lingcod/Sablefish Discard Survival Credit	\$83,095	<i>2017-2018 Possibly Included in '19-'20 Spex</i>
Advanced Electronic Technology Plan Implementation	\$140,000	<i>2017-2019 Placeholder in WCR ET Plan</i>
CCC Habitat Workgroup	\$45,126	<i>2017-2019</i>
Subtotal	\$454,221	
Total New Funds	\$4,976,466	
Remaining Funds from 2016	\$2,670,054	<i>355K Obligated for Catch Share Review in 2017</i>
(Including Special Projects/Funds not utilized in prior year.)		
Total Funds On Hand (or expected as of Sept 1)	\$7,646,520	



CY 2017 Funding and Budget Summary

NOVEMBER 2016 COUNCIL GUIDANCE REGARDING CY 2017 OPERATIONAL BUDGET

Adopted November Financial Recommendations	Provisional Budget
<ul style="list-style-type: none"> Approved Provisional CY 2017 Operational Budget Approved SCS Meeting 	<p>\$4,759,362</p> <p><u>\$125,000</u> <i>Scheduled January 2018</i></p> <p>4,884,362 <i>November 2016 Approved Provisional Budget</i></p>
<p>Direct Council staff to work with NMFS to pursue special supplemental funding for the following projects, in priority order: 1) Fishery Ecosystem Plan initiatives , 2) Individual Fishing Quota (IFQ) Trailing Actions/Omnibus Projects, 3) Swordfish Management, 4) National Standard 1 Guideline Revision, 5) Electronic Technologies, and 6) CCC Habitat Workgroup.</p>	

PROPOSED CY 2017 OPERATIONAL BUDGET

Item	Dollars	Comments
Provisional CY 2017 Budget	\$4,884,362	Adopted November 2016
Proposed Adjustments to Projects & Expenses:		
SCS Meeting	-\$125,000	SCS meeting now scheduled for 2018
Special Projects	\$88,366	State Contract funding will occur in 2018 budget
Other Adjustments	-\$104,975	Primarily updates due to reduction in travel and actual
Subtotal Adjustments	-\$141,610	staff and benefit levels for 2017.
Updated CY 2017 Provisional Budget	\$4,742,753	
Projected Delayed Spending Account at Year End 2017	\$2,903,767	Includes \$534K funding for projects continuing in 18-19.



2017 Provisional Budget Update

Category	Final Approved Budget 2016	Approved Provisional Budget 2017	Proposed Operational Budget 2017
Staff Wages & Benefits	\$ 2,151,329	\$ 2,289,722	\$ 2,189,503
Travel	\$ 1,054,718	\$ 976,428	\$ 975,184
Supplies & Services	\$ 589,799	\$ 572,425	\$ 598,255
Contractual			
Council Member Compensation	\$ 227,366	\$ 228,688	\$ 236,711
Advisory Body Stipends	\$ 69,499	\$ 69,499	\$ 69,499
Liaison & PIn (State, PSMFC, Other)	\$ 738,557	\$ 622,600	\$ 673,601
Total 2017	4,831,268	4,759,362	4,742,753

For Comparison; Does Not Include SCS-6

Contract	Final Approved Budget 2016	Approved Provisional Budget 2017	Proposed Operational Budget 2017
Alaska - Liaison & Planning	\$ 22,527	\$ 22,527	\$ 22,527
California - Liaison & Planning	\$ 145,691	\$ 133,212	\$ 133,212
Idaho - Liaison & Planning	\$ 42,814	\$ 37,527	\$ 37,527
Oregon - Liaison & Planning	\$ 146,619	\$ 141,524	\$ 141,524
Washington-Liaison & Planning	\$ 136,619	\$ 131,524	\$ 131,524
PSMFC-Liaison & Planning	\$ 41,537	\$ 41,537	\$ 41,537
Subtotal	\$ 535,807	\$ 507,850	\$ 507,851
Other Contractual (e.g., GF Spx, Sal, IQ)	\$ 202,750	\$ 114,750	\$ 165,750
Grand Total	\$ 738,557	\$ 622,600	\$ 673,601



Expenditures for CY 2017 through August

Category	Total Budget 2017	Expenditures thru 8/31/17	% of Total Budget	Expenditures Remaining
Staff Wages & Benefits	\$ 2,189,503	\$ 1,367,781	62.47%	\$ 821,722
Travel	\$ 975,184	\$ 542,521	55.63%	\$ 432,663
Supplies & Services	\$ 598,255	\$ 370,439	61.92%	\$ 227,795
Contractual				
Council Member Compensation	\$ 236,711	\$ 123,299	52.09%	\$ 113,412
Advisory Body Stipends	\$ 69,499	\$ -	0.00%	\$ 69,499
Liaison & PIn (State, PSMFC, Other)	\$ 673,601	\$ 124,656	18.51%	\$ 548,945
Total 2017	4,712,753	2,528,717	53.32%	\$ 2,214,036

Detail of State and PSMFC Liaison and Planning, and Other Contractual for 2017

Contract	2017 Budget	Billed thru 8/31/17	Balance Remaining
Alaska - Liaison & Planning	\$ 22,527	\$ -	\$ 22,527
California - Liaison & Planning	\$ 133,212	\$ -	\$ 133,212
Idaho - Liaison & Planning	\$ 37,527	\$ 27,409	\$ 10,118
Oregon - Liaison & Planning	\$ 141,524	\$ 23,536	\$ 117,988
Washington-Liaison & Planning	\$ 131,524	\$ -	\$ 131,524
PSMFC-Liaison & Planning	\$ 41,537	\$ 22,031	\$ 19,506
Subtotal	\$ 507,851	\$ 72,976	\$ 434,875
Other Contractual (e.g., GF Spx, Sal, IQ)	\$ 165,750	\$ 51,680	\$ 114,070
Grand Total	\$ 673,601	\$ 124,656	\$ 548,945



CY 2018 Budget Process

- COP 9 Requirements for Preliminary Annual Budget in September that Considers:
 - Performance Obligations
 - Staffing Stability
 - Projected Costs
 - Balances and Current Costs
 - Current Funding Sources
 - Future Funding Sources
 - Multi-year Cash Flow Needs
 - Contingencies
 - Higher Priority Council Activities



Performance Obligations

- The 2015-2019 5-Year Grant allows for all proposed activities and tasks to be performed by the Council, but is contingent on funding levels identified in the grant actually being received to do them.
 - Thus, the word “obligations” is only associated with funded activities.
- Funding has been received and/or is expected to be received to conduct a portion of the tasks in the grant proposal.
 - To accomplish “routine” base functions and certain “special” projects identified in the 5-Year Grant.
 - Absent funding for particular obligations, it is up to the Council to prioritize which “obligations” are conducted.



Performance Obligations

- Special Projects Funded for 2018
 - SCS-6 Meeting
 - \$ 125,000 January-December 2018
 - ACL Implementation Flexibility Including Carryover
 - \$ 149,000 July 2017 through December 2018
 - Intersector Quota Pounds Trading - **Catch Share Review Follow-on Actions?**
 - \$ 125,000 November 2017 through December 2018
 - Fishery Ecosystem Plan Implementation
 - \$ 90,000 April 2017 through December 2017
 - **Additional \$ 186,000 requested for January 2018 through March 2019**
 - Swordfish Management Planning
 - \$ 54,000 August 2017 through December 2018
 - GF EFH Amendment Completion
 - \$ 150,000 April 2017 to **Completion (in 2018)**



Staffing Stability

- The Preliminary Draft Provisional Budget provides for staffing and benefits at the 2017 level.
 - Maintains current staff level
 - Provides for incremental salary increases and decreased* ~~increased~~ health care and life insurance costs.

*Budgeting expectation, all else being equal.

- Staff is fully subscribed in 2018 given routine and currently funded special projects.



CY 2018 Draft Budget

For Comparison;
Does Not Include
SCS-6

	<u>2017 Tentative</u>	<u>2018 Draft</u>
• Staff Wages and Benefits	\$2,189,503	\$2,270,342
• Travel	\$ 975,184	\$ 922,712
• Supplies and Services	\$ 598,255	\$ 606,285
• Contractual		
• Council Member Compensation	\$ 236,711	\$ 242,952
• Advisory Body Stipends	\$ 69,499	\$ 69,499
• Liaison and Plan	\$ 673,601	\$ 654,313
• Total	\$4,742,753	\$4,766,103
• Detail of State/PSMFC Liaison Contracts		
• Alaska	\$ 22,527	\$ 22,527
• California	\$ 133,212	\$ 139,152
• Idaho	\$ 37,527	\$ 40,587
• Oregon	\$ 141,524	\$ 139,240
• Washington	\$ 131,524	\$ 129,720
• PSMFC	\$ 41,537	\$ 43,337
• Total	\$ 507,851	\$ 514,563
• Plan Contracts (CSR, Spex, etc)	\$ 165,750	\$ 139,750



CY 2018 DRAFT BUDGET

Category	Total Operational 2017	Draft Provisional 2018	% increase decrease	SCS Budget 2018	Combined Budget 2018	% of Total Budget
Staff Wages & Benefits	\$ 2,189,503	\$ 2,270,342	3.6%		\$ 2,270,342	0.0%
Travel	\$ 975,184	\$ 922,712	-5.7%	\$ 47,910	\$ 970,622	5.2%
Supplies & Services	\$ 598,255	\$ 606,285	1.3%	\$ 77,090	\$ 683,375	12.7%
Contractual					\$ -	
Council Member Compensation	\$ 236,711	\$ 242,952	2.6%		\$ 242,952	0.0%
Advisory Body Stipends (2018)	\$ 69,499	\$ 69,499	0.0%	\$ -	\$ 69,499	0.0%
Liaison & Plan (State, PSMFC, Other)	\$ 673,601	\$ 654,313	-2.9%	\$ -	\$ 654,313	0.0%
Total	\$ 4,742,753	\$ 4,766,103	0.5%	\$ 125,000	\$ 4,891,103	2.6%

\$ -

Detail of State and PSMFC Liaison and Planning, and Other Contractual for 2018

Includes SCS-6

Contract	2017 Budget	2018 Budget	
Alaska - Liaison & Planning	\$ 22,527	\$ 22,527	0.0%
California - Liaison & Planning	\$ 133,212	\$ 139,152	4.3%
Idaho - Liaison & Planning	\$ 37,527	\$ 40,587	7.5%
Oregon - Liaison & Planning	\$ 141,524	\$ 139,240	-1.6%
Washington-Liaison & Planning	\$ 131,524	\$ 129,720	-1.4%
PSMFC-Liaison & Planning	\$ 41,537	\$ 43,337	4.2%
Subtotal	\$ 507,851	\$ 514,563	1.3%
Other Contractual (e.g., GF Spx, CPS, IQ)	\$ 165,750	\$ 139,750	-18.6%
Grand Total	\$ 673,601	\$ 654,313	-2.9%



MULTI-YEAR CASH FLOW NEEDS

What is the effect of baseline funding w/o special project funding on the delayed spending account through time?

	2016	2017	2018	2019	2020	2021	2022
Total budget	\$4,831,268	\$ 4,742,753	\$ 4,891,103	\$ 4,725,853	\$ 4,820,370	\$ 4,916,777	\$ 5,062,811
Actual or assumed income							
Base/reliable soft funding	\$4,199,809	\$4,279,841	\$4,279,841	\$4,279,841	\$4,279,841	\$4,279,841	\$4,279,841
Special Project Supplemental Funding	\$434,466	\$ 493,711	\$ 432,914	\$ -	\$ -	\$ -	\$ -
SCS-6 (National SSC Meeting)			\$ 125,000				
Funds from the DSA needed	\$196,993	\$0	\$178,348	\$446,012	\$540,529	\$636,936	\$782,970
Year end budget surplus/deficit Actual	\$545,202						
Year-end Delayed Spending Account balance	\$2,342,761	\$2,373,560	\$2,195,212	\$1,749,200	\$1,208,672	\$571,735	(\$211,234)
Total budget	\$4,831,268	\$ 4,742,753	\$ 4,891,103	\$ 4,941,478	\$ 5,035,995	\$ 5,132,402	\$ 5,278,436
Actual or assumed income							
Base/reliable soft funding	\$4,199,809	\$4,279,841	\$4,279,841	\$4,279,841	\$4,279,841	\$4,279,841	\$4,279,841
Special Project Supplemental Funding	\$434,466	\$ 493,711	\$ 432,914	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
SCS-6 (National SSC Meeting)			\$ 125,000				
Funds from the DSA needed	\$196,993	\$0	\$178,348	\$161,637	\$256,154	\$352,561	\$498,595
Year end budget surplus/deficit Actual	\$545,202						
Year-end Delayed Spending Account balance	\$2,342,761	\$2,373,560	\$2,195,212	\$2,033,575	\$1,777,422	\$1,424,860	\$926,266



Expectations for Future Funding

- Council Commissions Line Item
 - 2016 - \$33,470,000 Enacted
 - 2017 - \$34,245,000 Enacted
 - 2018 - \$33,407,000 - \$34,245,000 Proposed
 - 2019 - ?
- Special Project Requests
 - 2018 - \$186K for remainder of FEP temp funds proposal
Staff fully subscribed
 - 2019 - Depending on line Item, expect more requests based on Council Priorities



2018 Budget Planning

- November - Adopt Provisional 2018 Budget
 - COP 9: Budget Committee modifies/approves the proposed preliminary budget and forwards recommendations to the Council for approval and provisional use beginning January 1 of the next year.
 - Council should identify priority activities to guide staff in budget preparation.



Priority Council Activities 2018

- Specifications and Management Measures
 - GF, CPS, and Salmon
- CPS Stock Assessments
- Inseason Management
 - Salmon, Halibut, and Groundfish
- Currently Funded Special Projects
 - Carryover, CSP Follow-on Actions (QP Trading), FEP Initiative, GF EFH
- Research and Data Needs Document Update
- FEP 5-Year Review
- DSBG Authorization
- Halibut CSP
- Methodology Reviews
 - GF, Salmon, CPS
- Comments on NMFS Policies, EFH impact comments
- Non-funded Special Projects
 - Additional ET Projects
 - SSSL Swordfish Gear
 - Catch Share Review Follow-on Action (besides Carryover and QP trading already funded)
 - GF Omnibus Issues



Pacific Council Workload Planning: Preliminary Year-at-a-Glance Summary

Lightly shaded items are currently funded special projects

Dark shaded items are unfunded special projects

Lighter shaded items are dependent on receipt of special project funding.

	<u>November 14-20, 2017</u> (Costa Mesa)	<u>March 8-14, 2018</u> (Rohnert Park)	<u>April 4-11, 2018</u> (Portland)	<u>June 6-14, 2018</u> (Spokane)	<u>September 5-12, 2018</u> (Seattle)
CPS	NMFS Rpt EFP Notice of Intent for 2018 Method Rev.-- Identify Topics	EFP Final Adoption for 2018	NMFS Report ATS Methodology Rev. Final Approval Sardine Assessment & Management Measures Final Anchovy Abundance and Reference Point Update		
Groundfish	NMFS Report Inseason Mgmt EM Halibut DMR & 3rd Party Rev, Final Adopt Remaining Stock Assessments & Rebuilding Analyses Fisheries in 2019-2020 Biennial Spex PPA Mgmt Measures ROA Preliminary EFP Approval EFH-RCA Amendment FPA 5-Yr. Catch Share Rev. Final and Follow On Issues ROA Cost Recovery Update Mid-Biennium Harvest Specifications Adjustments FPA GF/Salmon&Seabird ESA	NMFS Report Inseason Mgmt Initial Stk Assmnt Plan & TORs Fisheries in 2019-2020 Check-In Whiting Treaty Implement. & Set-aside 5-Yr. Catch Share Follow On PPA Flexibility in ACL Management Response ROA	NMFS Report Inseason Mgmt Fisheries in 2019-2020 Biennial Spex Adopt FPA Mgmt Measures PPA 5-Yr. Catch Share Follow On FPA	NMFS Report Inseason Mgmt Final Stk Assmnt Plan & TORs Fisheries in 2019-2020 Mgmt Measures FPA Final EFP Approval Omnibus Workload Considerations Flexibility in ACL Management Response FPA	NMFS Report Inseason Mgmt Methodology Review Planning (COP25) Preliminary Topic Selection
HMS	NMFS Report International Issues EFP Initial Review/Final Approval	NMFS Report International Issues EFP Initial Review/Final Approval Amendment Authorizing SS-Longline Fishery: Scoping Swordfish Mgmt Project DSBG Authorization-Revise ROA/PPA	NMFS Report International Issues DGN Performance Metrics Amendment Authorizing SS-Longline Fishery: ROA Swordfish Mgmt Project Scope Biennial Mgmt Measure Changes, SDC, & Ref. Pts. EFP Initial Review DSBG Authorization-Permit: FPA	NMFS Report International Issues Amendment Authorizing SS-Longline Fishery: PPA Final SDC & Ref Points and Prelim Management Measures EFP Final Approval	
Salmon	NMFS Rpt Method Rev: Final Approval SRWC Control Rule Final Recomm. 2018 Preseason Mgmt Schd	NMFS Rpt Approve Salmon Review (SAFE), Forecasts, SDC, & ACLs 2018 Season Setting (5)	2018 Method Rev.--Identify Topics 2018 Season Setting (4)		Method Rev: Adopt Priorities
Ecosystem		FEP 5-Year Review FEP Initiatives Update CA Current Ecosystem Rpt Incl. IEA Rpt			
Other	Routine Admin (11) Habitat Issues Tri-State Enforcement Report P. Halibut: CSP Change Final	Routine Admin (9) Habitat Issues CCC Meeting Update NMS Coordination Report MP Update P. Halibut: Prelim Incidental Regs P. Halibut: IPHC Meeting	Routine Admin (9) Habitat Issues Annual USCG Fishery Enf. Rpt P. Halibut: Final Troll Incidental Regs	Routine Admin (11) Habitat Issues CCC Meeting Update P. Halibut CSP Change Scoping Research and Data Needs, Prelim.	Routine Admin (11) Habitat Issues P. Halibut: CSP Change-Preliminary Research and Data Needs, Final.
Approximate Floor Time	6.3 days	7 days	5.1 days	6.2 days	3.3 days