

## REPORT OF THE BUDGET COMMITTEE

The Budget Committee met on Friday, September 11, 2009 and received the Executive Director's Budget Report. The report included a review of the calendar year (CY) 2008 audit, current status of CY 2009 funding and expenditures under the 2005-2009 Award which includes both the base and trawl rationalization (TR) budgets, expectations for a no cost extension of projects into CY 2010 and expectations for future funding, options for Council member pay for travel-only days, and payment of stipends to eligible persons under the language of the Magnuson-Stevens Act (MSA). The following Budget Committee members were present:

Mr. Jerry Mallet, Chairman  
Mr. Mark Helvey  
Mr. Rod Moore

Mr. Dave Ortmann  
Mr. Dan Wolford

Absent: Mr. Phil Anderson  
Dr. Dave Hanson  
Mr. Frank Lockhart

Others Present: Dr. John Coon, Mr. Don Hansen, Dr. Don McIsaac, Ms. Carolyn Porter

### **CY 2008 Audit Report**

Dr. John Coon provided a brief overview of the audit report for CY 2008. The auditor's findings for the Council's financial affairs were an unqualified approval with no reportable conditions or material weaknesses.

### **Current Status of Approved CY 2009 Budgets and Expenditures**

Dr. McIsaac reviewed the approved CY 2009 budget and expenditures by major category as of July 31, 2009. He reported that expenditures for base operations are proceeding within normal expectations for the first seven months of the year. With regard to the TR program, Dr. McIsaac reported that the travel and contractual categories would likely be overspent somewhat due to the extra meetings and work required this year in trying to finish up the amendment. However, projections for the base budget indicate a likelihood of sufficient funds remaining to cover such an overage.

### **Expectations for a No Cost Extension through 2010 and Future Funding**

Dr. McIsaac reported that 2009 marks the end of our current five-year funding award. However, the Council has reserved funding in recent years to carry-over into the next year for purposes of program continuity under untimely and uncertain levels of funding received from Congress. For that reason and for the purpose of continuing ongoing projects, we need to specifically request a one year no cost extension to expend remaining funds received in the five-year grant. A no cost one-year grant extension is particularly important given the late timing in the receipt of much of our funding (e.g., Ecosystem Fishery Management Plan development) and in view of the uncertainty of future appropriations.

With regard to future funding expectations, under the President's proposed Federal fiscal year (FY) 2010 budget, the Council could expect to receive about \$4 million in dedicated line-item funding and NMFS discretionary allocations. This is about the same as our CY 2009 total operational budget. However, if budget considerations are less favorable and the Council is unable to get the additional soft funding in addition to the Regional Council line item that it has received in recent years, our Council funding might be as little as \$2.6 million. This uncertainty, plus the usual delay in receiving funds makes carrying funding forward into 2010 via a grant extension imperative to prevent disruption of the Councils work and ongoing programs.

Given the uncertainty at this time, Dr. McIsaac asked the Budget Committee to approve dedicating any funds remaining at year end to the no cost extension for 2010. When the CY 2010 appropriation for our Council is known, hopefully no later than late November, staff can review the numbers and determine recommendations for how the 2010 budget should be adjusted. Council staff will make its submission for the 2010-2014 grant by October 1 based on a status quo operational level and projected increases over the next 5 years.

### **Council Member Compensation on Travel-only Days**

Dr. McIsaac outlined the issue regarding the Council's policy on paying Council member compensation on travel-only days (Closed Session Situation Summary page 4 and Closed Session A.1.a, Attachment 8). The MSA allows payment for travel-only days under certain stipulations; however, under our current practices, Council members have generally not requested or received compensation on travel-only days.

Dr. McIsaac suggested three possible options for the Budget Committee to consider with regard to the budget impacts:

- Option I:** the current expected expenditures for Council member compensation which has not included payment for travel-only days.
- Option II:** allows payment for travel-only days when the travel significantly disrupts the daily routine to the extent that income from a private business work day is lost to the member, if such loss is verified in writing by the Council member.
- Option III:** allows payment for all travel-only days.

The options provided budget impact estimates from September to the end of the year and for all of 2009.

### **Payment of Advisory Panel Stipends**

Dr. McIsaac reported that the Council received \$73,375 from NMFS to pay for stipends in 2009 for those parties eligible under the Magnuson-Stevens Act to receive stipends, subject to availability of appropriations (members of the SSC and advisory panels not employed by the federal government or a state marine fishery agency). Staff proposes three primary options for paying stipends to SSC and advisory panel members:

- Option I:** \$250 per day to eligible SSC members only—estimated budget impact of \$18,750.
- Option II:** \$250 per day to eligible SSC and advisory panel members—estimated budget impact of \$220,500.
- Option III:** Stipends based on an equal daily meeting rate to eligible SSC and advisory panel members limited by the total amount specified for stipend payment in the Council’s appropriation—estimated budget impact of \$73,350.

### **Budget Committee Action and Recommendations**

The Budget Committee discussed its role in making recommendations to the Council regarding the issues of Council member compensation for travel-only days and stipend payments. The consensus was that the primary role of the committee is to assess the issues with regard to the budget impacts and secondarily to provide the committee’s best assessment of what seems the most reasonable or correct action to take.

With the turnover of members, the Budget Committee intends to discuss committee protocol at its November meeting to assure a common understanding of the role and membership of the committee.

The Budget Committee recommends the Council approve:

1. Advancing all remaining funds available at the end of the budget year for expenditure in 2010 via the submission of a one year no cost extension of the 2005-2009 Pacific Council Grant to protect the operational continuity and capacity of the Council in 2010;
2. Option III for Council member compensation payments for travel-only days to begin with this September 2009 meeting—estimated budget impact of \$5,404; and
3. Option III for paying stipends to eligible SSC and advisory panel members for CY 2009 on the basis of the individual’s daily attendance—estimated budget impact of \$73,375.

The Budget Committee believes adequate funds are available in the CY 2009 budget to provide for the impacts of the proposed Council member compensation and stipend payment options without negatively impacting other ongoing Council programs. The recommendation for the payment of stipends is for CY 2009 only. Any future stipend payments are dependent on availability of appropriations specifically for that purpose.

PFMC  
9/17/09