

REPORT OF THE BUDGET COMMITTEE

The Budget Committee (BC) met on November 15, 2016 to review the 2016 funding and budget summary, to develop recommendations to the Council on a proposed preliminary budget for provisional use beginning January 1, 2017, and to recommend the pursuit of funding for special projects not currently or expected to be funded absent additional requests.

Members Present: Ms. Dorothy Lowman, Chair; Mr. Phil Anderson, Vice-Chair, Ms. Michele Culver, Dr. Steve Freese, Dr. David Hanson, Mr. Pete Hassemer, Mr. Herb Pollard, and Ms. Marci Yaremko.

Non-members Present: Mr. Don Hansen, Mr. Chuck Tracy, Mr. Mike Burner, Dr. Don McIsaac, and Ms. Corey Ridings.

Call to Order and Approval of Agenda

Chair Lowman called the meeting to order and reviewed the agenda. Following approval of the agenda, Mr. Tracy presented the Executive Director's Budget Report (Agenda Item C.3, Supplemental Attachment 1) as follows.

Executive Director's Budget Report

Mr. Tracy presented information on the 2016 funding sources and levels and presented information on current year expenditures which indicated they were tracking as expected through September. Projections indicate a 2016 budget surplus of approximately \$300,000.

Mr. Tracy reviewed performance obligations of the 2015-19 5-year grant and reported favorably on currently funded routine and special project completion or progress.

Mr. Tracy summarized the Council staff recommendations for the 2017 provisional budget, which maintains core Council obligations and the continuation of currently-funded special projects. The 2017 staff proposed provisional budget also provides Council staffing at 2015 levels (i.e., maintains existing staffing and fills vacancies for Salmon Staff Officer and Executive/Administrative Support positions), an extension of the Council Coordination Committee (CCC) Legislative Monitoring Contract for the 2017 calendar year, and an expectation of hosting a meeting of the Scientific Coordination Subcommittee of CCC in late-2017.

Mr. Tracy reviewed the Council's multi-year cash flow needs. Assuming a base funding level of \$4.2M in 2017 and beyond (same as 2016), the Council staff anticipates a substantial gap between base level funds and the projected future budgets, which would be necessary to fully implement the Council's obligations under the Magnuson-Stevens Act including currently funded special projects. To alleviate this financial gap, Mr. Tracy reviewed potential new special projects for BC consideration that are identified in Council workload planning documents, but are not currently funded. Council staff modeling of cash flow needs indicate that additional special project funding of \$475K could adequately offset the anticipated 2017 budget shortfall. In the absence of any

additional funding sources in 2017 and beyond, it is estimated that Council funds may fall below effective levels in 2019, the end of the current 5-year grant. This situation could expose the Council to the risk of not funding Council obligations in early-2020 if there are delays in the delivery of funds from the next grant period.

BC Recommendations

1. Adopt the staff proposed preliminary budget for provisional use beginning January 1, 2017 as shown in Agenda Item C.3.a, Supplemental Attachment 1, including an extension of the CCC Legislative Monitoring Contract for the 2017 calendar year and the expectation of \$125K of special project funds to host the Scientific Coordination Subcommittee of the CCC in late-2017.
2. Direct Council staff to pursue special project funding requests as follows:
 - Fishery Ecosystem Plan Implementation, 2017-19 (request was submitted to NMFS in early-November 2016)
 - Individual Fishing Quota (IFQ) Trailing Actions/Omnibus Projects, 2017-18
 - Swordfish Management, 2017-18
 - National Standard 1 Guideline Revisions, 2017-18
 - Electronic Technologies, 2017-18
 - CCC Habitat Workgroup, 2017-19

Further, the BC recommends providing the Council Executive Director the flexibility to refine special project funding estimates as appropriate and to pursue special project funding opportunities beyond the list above should such opportunities arise in the future.

3. Maintain a placeholder on the April 2017 Council agenda to convene the BC to review any new fiscal information and to revisit the list of special projects and revise as necessary.

PFMC
11/20/16