

EXECUTIVE DIRECTOR'S REPORT TO THE BUDGET COMMITTEE November 2016



CY 2016 Funding and Budget Summary

CURRENT FUNDING FOR CY 2015-2019 COOPERATIVE AGREEMENTS

Attachment 1

Source of Funds or Designated Use	Dollars	Comments
New CY 2016 Funds		
Base and Ongoing Soft Funds:		
Received (1/12/16)	\$651,392	
Received (6/2/16)	<u>\$3,548,471</u>	
Total	\$4,199,863	2.5% Increase from Nov Assumption of \$4,096,000
Designated Supplemental Funding Received		
Groundfish Essential Fish Habitat Amendment (6/2)	\$165,547	<i>funded through December 2016</i>
Fishery Ecosystem Plan Initiatives (6/2)	\$61,768	<i>funded through March 2017</i>
Catch Share Program 5 year Review (6/14)	\$516,286	<i>funded through June 2018</i>
HMS Travel (SWFSC)	\$9,600	<i>funded through December 2016</i>
Sacramento River Winter Chinook (7/27)	<u>\$35,265</u>	<i>funded through December 2017</i>
Subtotal New Funds	\$4,988,329	\$35,265 Increase in Special Project Funds since June
Remaining Funds from 2015	<u>\$1,994,550</u>	
(Including Special Projects)		
Total Funds (On hand or expected as of Sept 1)	\$6,982,879	

APPROVED CY 2016 OPERATIONAL BUDGET

Item	Dollars	Comments
Approved CY 2016 Budget	\$4,831,268	Adopted in June
Projected Delayed Spending Account at Year End 2016	\$2,151,611	



Expenditures for CY 2016 through September

Attachment 2

PFMC CY 2016 OPERATING BUDGET AND EXPENDITURES

Category	Total Budget 2016	Expenditures thru 9/30/16	% of Total Budget	Anticipated Expenditures Remaining	Projected Budget Surplus or (Deficit)	% of Total Budget
Staff Wages & Benefits	\$ 2,151,329	\$ 1,485,890	69.07%	\$ 582,106	\$ 83,332	96.13%
Travel	\$ 1,054,718	\$ 484,118	45.90%	\$ 427,541	\$ 143,060	86.44%
Supplies & Services	\$ 589,799	\$ 347,910	58.99%	\$ 197,423	\$ 44,466	92.46%
Contractual						
Council Member Compensation	\$ 227,366	\$ 171,522	75.44%	\$ 62,682	\$ (6,838)	103.01%
Advisory Body Stipends (2016)	\$ 69,499	\$ -	0.00%	\$ 69,499	\$ -	100.00%
Liaison & Plan (State, PSMFC, Other)	\$ 738,557	\$ 218,938	29.64%	\$ 469,893	\$ 49,726	93.27%
Total 2016	\$ 4,831,268	\$ 2,708,378	56.06%	\$ 1,809,144	\$ 313,746	93.51%

Detail of State and PSMFC Liaison and Planning, and Other Contractual for 2016

Contract	2016 Budget	Billed thru 9/30/16	Balance Remaining	Anticipated Expenditures Remaining	Projected Budget Surplus or (Deficit)
Alaska - Liaison & Planning	\$ 22,527	\$ -	\$ 22,527	\$ 9,011	\$ 13,516
California - Liaison & Planning	\$ 145,691	\$ 76,561	\$ 69,130	\$ 69,130	\$ -
Idaho - Liaison & Planning	\$ 42,814	\$ 30,009	\$ 12,805	\$ 12,805	\$ -
Oregon - Liaison & Planning	\$ 146,619		\$ 146,619	\$ 146,619	\$ -
Washington-Liaison & Planning	\$ 136,619	\$ 33,831	\$ 102,788	\$ 102,788	\$ -
PSMFC-Liaison & Planning	\$ 41,537	\$ 26,907	\$ 14,630	\$ 14,630	\$ -
Subtotal	\$ 535,807	\$ 167,308	\$ 368,499	\$ 354,983	\$ 13,516
Other Contractual (e.g., GF Spx, CPS, IQ)	\$ 202,750	\$ 51,630	\$ 151,120	\$ 114,910	\$ 36,210
Grand Total	\$ 738,557	\$ 218,938	\$ 519,619	\$ 469,893	\$ 49,726



2017 PROVISIONAL BUDGET: BEGINNING WITH THE END IN MIND:

- The primary charge to the Budget Committee at this meeting is to:
 - Recommend a 2017 Provisional Budget to the Council
 - Recommend the pursuit of funding for Special Projects not currently or expected to be funded absent additional requests.
- There will be staff recommendations for both items above.



COP 9 Considerations Discussed in September

- Performance Obligations
- Staffing Stability
- Current Balances
- Current and Future Funding Sources
- Current and Projected Costs (Staff Proposed Provisional Budget)
- Multi-year Cash-Flow Needs
- Contingencies
- Associating Higher Priority Council Activities with Secure Funding

"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."



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 proposed tasks.
 - 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 addressed.



Performance Obligations

What are funded “routine” performance obligations?

“Routine” and “Special” Projects

“Routine”

- March/April salmon season setting
- Salmon methodology reviews
- Groundfish biennial specs process
- STAR Panel reviews
- CPS & HMS season setting processes
- Pacific Halibut season setting
- Minor FMP Amendment processes
- EFP processes
- Council Coordination Committee

“Special”

- Groundfish trawl IFQ trailing actions
- Electronic Monitoring in IFQ fisheries
- Groundfish EFH Amendment
- Fishery Ecosystem Plan
- Major litigation responses and specific settlement obligations



Source: June, 2015 Budget Workshop

Performance Obligations

- Special Projects Funded for 2017
 - Electronic Monitoring and Electronic Technology Plan
 - \$ 351,900 July 2015 through July 2017
 - EFH Groundfish Amendment
 - \$ 500,500 April 2015 through December 2016
 - Fishery Ecosystem Plan Implementation
 - \$ 166,800 April 2015 through March 2017
 - Catch Share Program Review
 - \$516,286 June 2016 through May 2018
 - Sacramento River Winter Chinook Control Rule Review
 - \$ 35,256 January 2016 through December 2017
 - Endangered Species Work Group
 - \$ 30,000 June 2013 - until expended



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Staffing Stability

The Staff Recommended Provisional Budget provides for full staffing at the 2015 level.

- Maintains current staff.
- Fills vacancies for Salmon Staff Officer and Executive/Administrative Support positions.
- Provides for incremental salary increases and increased health care and life insurance costs.



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Current Balances

- Projected CY 2016 Year-End Balances:

• Delayed Spending Account:	\$ 2,151,611
• CY 2016 Budget Surplus:	<u>\$ 313,746</u>
• Expected DSY available for 2017+	\$ 2,465,457



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Potential Amounts and Sources of Current and Future Funding for 2017 Activities

Current Funding

- Attachment 1
- Attachment 2

Future Funding

- FY 17 "Routine" appropriation expect to be ~\$4.2 M, same as 2016
- SCS-6 - \$125,000



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What is in the Staff Budget?

- 5.5 day Council Meetings (YAG)
- Full staffing at ~2015 level (16 employees)
- Routine Obligations (Slide 7)
 - Salmon methodology
 - CCC participation
 - DGN permit amendment
- Remaining Special Project Obligations
 - FEP Implementation (ends March 31, 2017)
 - GF EFH/RCA (original ending December 31, 2016)
 - EM/ET (ends July 31, 2017)
 - Winter Chinook Control Rule (ends December 31, 2017)
 - Catch Share Program Review (ends May 2018)
 - SCS-6 ("Nat'I SSC") Meeting (occurs in late 2017)
- CCC Legislative Contractor: \$7,500



What is not in the Budget? Attachment 4

Budget Committee Project Planning Calendar

Please note: For Budget Committee discussion purposes only. BLUE shaded items are candidates for rescheduling, (either advanced or postponed; no implied prioritization). RED shaded items are not currently funded in the staff recommended provisional

	<u>March 7-14, 2017</u> (Vancouver)	<u>April 6-12, 2017</u> (Sacramento)	<u>June 7-14, 2017</u> (Spokane)	<u>September 13-18, 2017</u> (Boise)	<u>November 13-20, 2017</u> (Costa Mesa)
CPS		Sardine Assessment & Management Measures FPA Anchovy Stock Assessment & Management Measures Small Scale Fishery FPA	Pacific Mackerel Assessment & Biennial Management Measures		NMFS Rpt EFP Notice of Intent for 2017 Method Rev.--Identify Topics
Groundfish	Inseason Management Bmsy Stock Productivity, Historical Catch Reconstruction Workshop Rpts	NMFS Report Inseason Management Trawl Cost Recovery Report Elec Monitoring Non-whiting Midwater & Bottom Trawl EFP Update & FPA Mid-Biennium Harvest Specifications Adjustments FPA	NMFS Report Inseason Management Adopt Updated Stock Assessments & Cowcod Catch Report 2019-2020 Harvest Specifications & Management Measures Planning Lingcod/Sablefish IFQ Discard Survival Credits: Scoping	NMFS Report Inseason Management Approve Stock assessments Stock Assessment Methodology Rev. Off-Year Science Improvements Initial Actions for 2019-2020 Spex. Coastwide MWT Non-whiting EFP, Prelim	NMFS Report Inseason Management Stock Assessment Clean-up & Rebuilding Analyses Fisheries in 2019-2020 Biennial Spex PPA Mgmt Measures ROA Preliminary EFP Approval
	EFH-RCA Amendment FPA Salmon Consultation Update	Whiting Update & Set-aside Salmon Consultation Final Rec. Endangered Species Workgroup Rpt. 5-Yr. Catch Share Rev. Progress Rpt	Coastwide MWT Non-whiting EFP, Final Multi-Year Avg. Catch Policy: Scoping Between Trawl Sector Quota Pounds Trading: ROA	LE Fixed Gear Sablefish Issues	Between Trawl Sector Quota Pounds Trading: FPA
		5-Yr. Catch Share Rev. Progress Rpt	5-Yr. Catch Share Rev. Public Rev. Draft	5-Yr. Catch Share Rev. Init. ROA	5-Yr. Catch Share Rev. Final & ROA
HMS	NMFS Report International Issues EFP Init. Review/Final Approval Update on DSBG EFP results FMP Amend/SDC Preliminary Action Amendment ROA: Authorizing SS-Longline Fishery Outside EEZ Amendment FPA: Authorizing Federal DGN Permit		NMFS Report International Issues EFP Init. Review/Final Approval Report on Ongoing EFPs FMP Amend/SDC Final Action Amendment PPA: Authorizing SS-Longline Fishery Outside EEZ	International Issues EFP Init. Review/Final Approval	NMFS Report International Issues
			DSBG Authorization-Permit: ROA	DSBG Authorization-Permit: FPA	
Salmon	NMFS Rpt Approve Review (SAFE), Forecasts, SDC, & ACLs	2017 Method Rev.--Identify Topics SRWC Control Rule Review		Method Rev. Adopt Priorities SRWC Control Rule Prelim. Recomm.	NMFS Rpt Method Rev. Final Approval SRWC Control Rule Final Recomm.
	2017 Season Setting (5)	2017 Season Setting (3)			2018 Preseason Mgmt Schd
Ecosystem	FEP Identify New Init & Focal Topics Sablefish Ecosystem Indicators CA Current Ecosystem Rpt Incl. IEA Rpt			FEP Indicators Initiative Update	
Other	Routine Admin (9) Habitat Issues NMS Coordination Report Annual USCG Fishery Enf. Rpt P. Halibut: Prelim Incidental Regs P. Halibut: IPHC Meeting & Data Request	Routine Admin (8) Habitat Issues ET Plan Implementation Update P. Halibut: Final Troll Incidental Regs MP Update	Routine Admin (11) Habitat Issues CCC Meeting Update Comments on Policy/Action Plans P. Halibut: CSP Change Scoping	Routine Admin (11) Habitat Issues P. Halibut: CSP Change-Preliminary	Routine Admin (11) Habitat Issues Tri-State Enforcement Report P. Halibut: CSP Change Final
Approximate Floor Time	6.5 days	5.1 days	6.7 days	4.4 days	5.0 days



Staff Proposed CY 2017 Provisional Budget

Attachment 3

	<u>2016</u>	<u>2017 Draft</u>
• Staff Wages and Benefits	\$2,151,329	\$2,289,727
• Travel	\$1,054,718	\$ 976,428
• Supplies and Services	\$ 589,799	\$ 572,425
• Contractual		
• Council Member Compensation	\$ 227,366	\$ 228,688
• Advisory Body Stipends	\$ 69,499	\$ 69,499
• Agency Liaison and Misc.	\$ 738,557	\$ 622,600
• SCS-6 ("Nat'l SSC") Meeting		\$ 125,000
• Total	\$4,831,268	\$4,884,362
subtotal without SCS		\$4,759,362



2017 Provisional Budget Contracts Detail

- Detail of State/PSMFC Liaison Contracts

	<u>2014 (base)</u>		<u>2016</u>		<u>2017</u>
• ADFG	\$ 22,527	\$	22,527	\$	22,527
• CDFW	\$ 133,212	\$	145,691	\$	133,212
• IDFG	\$ 37,527	\$	42,814	\$	37,527
• ODFW	\$ 134,140	\$	146,619	\$	141,524
• WDFW	\$ 124,140	\$	136,619	\$	131,524
• PSMFC	\$ 41,537	\$	41,537	\$	41,537
• Total	\$ 493,083	\$	535,807	\$	507,850
• Misc Contracts	\$ 123,750	\$	202,750	\$	114,750

(Salmon and GF Spex, CSP review, IQ, etc.)



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MULTI-YEAR CASH FLOW NEEDS

- The Delayed Spending Account serves several purposes:
 - Insures funds are available when spending is scheduled to occur
 - Allows for orderly planning and decision-making
 - Provides for fiduciary safety net when delivery of current funding is delayed
 - 19% prior to September 2, 2014
 - 0% until April 21, 2015 (first year of 5-Year Grant)
 - 100% of base funds awarded by June 2, 2016
 - Provides for stability of the Council process in at least the next calendar year
 - Allows planning for anticipated shortfalls



Multi-year Cash Flow Needs

Assumptions: No additional Special Project funding (except SCS in '17); Complete EM, FEP, CSP ChW Projects in '17; Base funding is status quo; Staffing stability at 2015 level; 3% avg. annual budget inflationary increase

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

	2015	2016	2017	2018	2019	2020	2021
Total budget	\$4,914,237	\$4,831,268	\$ 4,884,362	\$ 4,956,118	\$ 4,981,603	\$ 5,131,051	\$ 5,284,982
Actual or assumed income							
Base/reliable soft funding	\$4,096,895	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863
Special Project Supplemental Funding	\$819,007	\$788,466	\$ -	\$ -	\$ -	\$ -	\$ -
SCS-6 (National SSC Meeting)			\$ 125,000				
Funds from the DSA needed	\$0	\$0	\$559,499	\$756,255	\$781,740	\$931,188	\$1,085,119
Year end budget surplus/deficit Actual	\$566,989	\$313,746					
Year-end Delayed Spending Account balance	\$1,994,552	\$2,465,359	\$1,905,860	\$1,149,606	\$367,866	(\$563,322)	(\$1,648,441)

End of Grant

\$559,500 "gap" between base funding and budget in 2017

End of Grant balance would only cover expenses through January 2020



Multi-year Cash Flow Needs

\$559,500 in special project funding to fill 2017 gap continues in the future; same assumptions as above

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

	2015	2016	2017	2018	2019	2020	2021
Total budget	\$4,914,237	\$4,831,268	\$ 5,143,862	\$ 5,206,618	\$ 5,222,833	\$ 5,362,733	\$ 5,506,830
Actual or assumed income							
Base/reliable soft funding	\$4,096,895	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863
Special Project Supplemental Funding	\$819,007	\$788,466	\$ 559,500	\$ 559,500	\$ 559,500	\$ 559,500	\$ 559,500
SCS-6 (National SSC Meeting)			\$ 125,000				
Funds from the DSA needed	\$0	\$0	\$204,217	\$447,255	\$463,470	\$603,370	\$747,467
Year end budget surplus/deficit Actual	\$566,989	\$313,746					
Year-end Delayed Spending Account balance	\$1,994,552	\$2,465,359	\$2,261,143	\$1,813,888	\$1,350,418	\$747,049	(\$418)

End of Grant

End of Grant balance would cover expenses through April 2020 if new award is delayed

Increased Base funds needed eventually



Multi-year Cash Flow Needs

Staff Recommendation of \$475,000 in special project funding annually; would fully fund staff in 2017; same assumptions as above

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

	2015	2016	2017	2018	2019	2020	2021
Total budget	\$4,914,237	\$4,831,268	\$ 5,059,362	\$ 5,122,118	\$ 5,138,333	\$ 5,278,233	\$ 5,422,330
Actual or assumed income							
Base/reliable soft funding	\$4,096,895	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863	\$4,199,863
Special Project Supplemental Funding	\$819,007	\$788,466	\$ 475,000	\$ 475,000	\$ 475,000	\$ 475,000	\$ 475,000
SCS-6 (National SSC Meeting)			\$ 125,000				
Funds from the DSA needed	\$0	\$0	\$257,874	\$447,255	\$463,470	\$603,370	\$747,467
Year end budget surplus/deficit Actual	\$566,989	\$313,746					
Year-end Delayed Spending Account balance	\$1,994,552	\$2,465,359	\$2,207,485	\$1,760,231	\$1,296,761	\$693,391	(\$54,076)

End of Grant

End of Grant balance would cover expenses through April 2020 if new award is delayed

Staffing Stability Achieved

Increased Base funds needed eventually



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Contingencies

- There is a need for Special Project funding for the CY 2017 budget
 - See next slide for list of candidate projects and staff recommendation
- A contingency for increased routine funding could be its application to the Special Projects need.
- Reductions in routine funding from what is expected, if minor, could come from the Delayed Spending Account.
 - Major reductions would need to be dealt with via an emergency Budget Committee meeting.



SPECIAL PROJECT CANDIDATES

- FEP Implementation 4/17 - 3/19 \$276,000 Submitted to HQ
 - New Initiatives, Sablefish Ecosystem based Assessment
- Swordfish Management 3/17-12/18 \$142,000
 - DSBG Permit, Linked Gear, SSLL outside EEZ
- Electronic Technology 8/17-7/18 \$140,000
 - EM for DGN, e-Logbooks, VMS
- IFQ Trailing Actions 6/17-9/18 \$240,000
 - IFQ discard survival credits, Multi-year average catch policy, Quota pounds trading
- NS1 Revisions \$240,000
 - Carry over, Multi-year OF'ing Satus,
- CCC Habitat Workgroup 2/17-12/19 \$ 15,000
- Anchovy Management Pending April 2017 outcome
- GF EFH/RCA Completion 3/17-9/17 If not completed by March 2017
- GF Allocation Review/Revision Pending November 2017 outcome



• No implied Priority, all funding levels approximate except FEP implementation

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Excerpt from COP 9 Fiscal management cycle and activities for the annual budget

Month

Management Activity

November

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.



Does the Proposed Provisional Budget Cover the “Higher Council Priorities”?

The Budget Committee can recommend, and the Council can adopt, funding for a different mix of activities or additional priorities.



Performance Obligations

What are funded “routine” performance obligations?

“Routine” and “Special” Projects

“Routine”

- March/April salmon season setting
- Salmon methodology reviews
- Groundfish biennial specs process
- STAR Panel reviews
- CPS & HMS season setting processes
- Pacific Halibut season setting
- Minor FMP Amendment processes
- EFP processes
- Council Coordination Committee

“Special”

- Groundfish trawl IFQ trailing actions
- Electronic Monitoring in IFQ fisheries
- Groundfish EFH Amendment
- Fishery Ecosystem Plan
- Major litigation responses and specific settlement obligations



Source: June, 2015 Budget Workshop

Council Staff Recommendations

- A Provisional 2017 Budget of \$ 4,884,362 (Attachment 3)
 - Includes SCS-6 \$125,000
 - Includes CCC Legislative Contractor \$7,500
 - Assumes no additional Special Projects at this time
- Authorization for meeting with NMFS staff to request funding the following Special Projects:

• FEP Implementation, 2017-19	\$276,000	Request Submitted
• IFQ Trailing Actions 2017-18	\$240,000	
• Swordfish Management 2017-18	\$142,000	
• Electronic Technologies 2017-18	\$140,000	
• CCC Habitat Workgroup 2017-19	<u>\$ 15,000</u>	
	\$803,000	



BUDGET COMMITTEE DISCUSSION AND RECOMMENDATIONS

