

REPORT OF THE BUDGET COMMITTEE

The Budget Committee (BC) met on September 12, 2017 to discuss the 2016 audit and the current status of 2017 budget, approve a 2017 operational budget, and identify potential updates to the provisional budget for 2018. The BC attendance was as follows:

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

Non-Members Present: Mr. Chuck Tracy, Mr. Mike Burner, Ms. Theresa Labriola, Ms. Gilly Lyons, Mr. Marc Gorelnik, Ms. Patricia Crouse, Mr. David Crabbe, and Mr. Donald Hansen.

After approving the meeting agenda, the BC held elections for Chair and Vice Chair. Ms. Dorothy Lowman was elected as Chair and Mr. Phil Anderson was elected as Vice Chair for the ensuing year. The BC then received information from the National Marine Fisheries Service and Executive Director as summarized below.

National Marine Fisheries Service (NMFS) – Sustainable Fisheries Division Budget Update

Mr. Ryan Wulff presented information regarding the NMFS FY17 funding and informed the BC that appropriations bills for 2018 are still under deliberations in the U.S. House and Senate and that the government will be operating under a Continuing Resolution until December 8, 2017. The President's proposed budget for 2018 includes level funding for regional councils and commissions. The Senate mark for regional councils and commission includes a moderate increase but specifies that the increase is earmarked for the Interstate Marine Fisheries Commissions and International Fisheries Commissions. Mr. Wulff noted the West Coast Region was able to fund several special projects in 2017 (Fishery Ecosystem Plan, Essential Fish Habitat/Rockfish Conservation Area, Intersector Quota Pound Trading, Annual Catch Limits Implementation and Flexibility, Swordfish Management, and funding to host the Scientific Coordination Subcommittee meeting).

Mr. Wulff reviewed the NMFS budgeting process and noted that budget constraints have contributed to a decrease in the WCR workforce and WCR travel budgets. Mr. Wulff reviewed the current WCR organizational chart and reported that existing vacancies are planned to be filled before the end of 2017.

Executive Directors Report

Mr. Chuck Tracy presented information on the results of the 2016 audit, the 2017 budget, and planning for the 2018 budget (Agenda Item H.2, Supplemental Attachment 1).

2016 Audit

Mr. Chuck Tracy presented information from the 2016 Financial Audit which shows the Council continues to have an unmodified report of its financial statements and report of Federal awards.

The BC discussed the results and noted that again the report by our auditors found no material weaknesses, non-compliant materials, or reportable audit findings, and the Council maintained its status as a low-risk auditee. Committee members recognized and expressed their appreciation for the strong staff work that results in the continued very positive audit findings.

2017 Budget

Mr. Tracy reviewed the current financial information which included: (1) status of funding for calendar year (CY) 2017, and (2) a summary of budget and expenditures for CY 2017 through August 2017. The status of funding for CY 2017, which is the third year of the 2015-2019 grant, included funds received to total \$4.279M. In November 2016, Council directed staff to pursue special project funding from NMFS. In July, NMFS approved the majority of the Council's special project requests and the Council received funds totaling \$696,625 in support of work on the following projects; Fishery Ecosystem Plan, Essential Fish Habitat/Rockfish Conservation Area, Intersector Quota Pound Trading, Annual Catch Limits Implementation and Flexibility, Swordfish Management, and the hosting of the January 2018 meeting of the Scientific Coordination Subcommittee of the Council Coordinating Committee.

The staff-recommended 2017 operational budget of \$4,742,753 was presented, and Mr. Tracy explained the differences between the provisional budget approved by the Council in November 2016 and the current operational budget. Expenses and spending for the first 8 months of 2017 are tracking within expectations.

2018 Budget

The BC discussed the process and Council staff preliminary expectations for the 2018 budget, including staffing and performance obligations as discussed in our grant. Base funding expectations were shown for 2018 including special projects that have been currently funded. Mr. Tracy noted that given the projects currently funded in addition to routine obligations, Council staff will be fully subscribed in 2018. While the BC is not expected to make a recommendation at this meeting, staff requests that the BC and Council provide details on priority activities to be highlighted or addressed for the November BC Meeting. At the request of the BC, Council staff presented the Council's year-at-a-glance summary to highlight funded and unfunded 2018 special projects (Agenda Item H.2, Supplemental Attachment 1).

2018 funding is expected to be within the range of the 2016 and 2017 enacted budget and there is an open request to NMFS for the remainder of the Fishery Ecosystem Plan funding request to finalize the work in 2018-2019.

In November, the BC will meet to recommend a 2018 provisional budget, provide recommendations and considerations on the utilization of the special project funds (Swordfish Management, Quota Pounds Trading), and to discuss additional priorities for special projects as identified by the Council and the BC. The BC requested Council staff provide additional information regarding the base funding levels for State contracts. Based on the breadth of information to be discussed and the workload associated with 2018 provisional budget development, the BC recommends scheduling additional time for the November BC meeting.

BC Recommendations

The BC recommends:

1. The Council approve the 2016 audit results
2. The Council approve adoption of the 2017 operational budget of \$4,742,753
3. The Council provide guidance on priorities for 2018 budget development

PFMC

09/17/17