

## REPORT OF THE BUDGET COMMITTEE

The Budget Committee (BC) met on June 7, 2018 and received reports from West Coast Region, and the Executive Director's Budget Report for Fiscal Year 2018 and staff proposed 2018 Operational Budget (Supplemental Attachment 1). 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, and Ms. Marci Yaremko. Mr. Ryan Wulff and Dr. David Hanson were absent

Non-Members Present: Mr. Marc Gorelnik, Mr. David Crabbe, Ms. Kelly Ames, Mr. Chuck Tracy, Mr. Mike Burner, Ms. Patricia Crouse, Ms. Gilly Lyons, and Mr. Gerry Richter.

After approving the meeting agenda, the BC received information from National Marine Fisheries Service (NMFS) and the Executive Director as summarized below.

### **National Marine Fisheries Service – Sustainable Fisheries Division Budget Update**

Ms. Kelly Ames informed the BC on the status of Federal budgeting for 2018 and 2019. The current forecast is that final release of FY 18 funding should be sent to Council once the Office of Management and Budget has submitted its final allocation/allotment procedures.

The final FY 2018 funding release will include part of \$1 Million in funding for all the Regional Councils to work on deregulations under Executive Orders 13771/13777. Listing of potential regulations will be presented and discussed under Agenda Item C.5, and determination on how to incorporate deregulation funding will be discussed under future workload planning.

Ms. Ames discussed a new Council fund reporting requirement that requires NMFS to submit a list of Council funding activities in the last 5 years. This report is due 90 days after enactment of appropriations. The BC requested more information from NMFS regarding the timeline of this report, the committee that requested the reporting information, clarification on some of the requested content of the report, and if the current audit and grant reporting requirements meet this new reporting requirements for Regional Councils.

### **Executive Director's Report**

Mr. Chuck Tracy presented the results of the 2017 Council audit. The audit results show we are currently in compliance with an unmodified opinion, and remain considered a "low-risk auditee" The BC commended Ms. Crouse with her continued efforts in compliance requirements for the Council financial reports. The CY 2017 review of financial activities were in line with the 2017 budget, with 93 percent of budget funds being used.

It is anticipated that the Council will receive approximately \$4.587 Million in new funds in CY 2018. These funds represent mostly base PPA and Management Programs and Services funds (MPS), including the Council's share of the \$1 Million for deregulation (\$146,750). In addition,

the above total includes approximately \$141,000 in expected or received discretionary special project funds.

Staff recommended an operational budget for 2018 of \$4,947,154 and includes expending funds received for multi-year special projects received in the prior year. Based on the proposed budget, the Council spending is line with the first four months of the year. The proposed 2018 operational budget and expenditures to date includes spending for the sixth meeting of the Council Coordination Committee's Scientific Coordination Subcommittee held in January, with only spending on the proceedings publication still to be completed.

Mr. Tracy reviewed the process for 2019 budget planning. In September, Council staff will prepare a budget utilizing the current year-at-a-glance and priorities already identified by the Council. In November, the staff will adjust the budget with consideration of Council priority activities and any potential special projects that the Council has identified for possible funding by NMFS. The 2019 President's budget is similar to the enacted budget but adds a cumulative \$176,000 Council's PPA increase. At this time actual funding is unknown and staff will provide information at future BC meetings as information comes available.

Staff identified potential special projects to be considered by both the BC and Council for 2019.

Lastly, Mr. Tracy updated the Council on the status of grant applications. The 2020-2024 grant process will likely require a spring 2019 BC meeting to meet the Council Operating Procedure requirements. Council staff will start the process for the grant applications this winter and will bring a draft budget to the first meeting for discussion by the BC and Council. The final spending plan for the 2015-2019 grant (2020 no cost extension) will be taken up concurrently with the next grant plan.

### **Budget Committee Discussion on Activities**

The BC discussed staff workload capacity for 2018 and 2019. Mr. Tracy indicated staff would be fully subscribed in 2018 as they completed the routine Council business and the special project commitments associated with funding received in 2017, although those projects are scheduled for completion by the end of this year. Workload capacity is likely to be available to consider some special projects in 2019.

In September 2018, the BC should identify priority of 2019 special projects for the Executive Director to work with the Region and Science Centers to prepare budgets and work plans, which will facilitate CY 2019 budget development for consideration by the BC in November, as well as the next five-year grant process.

The BC elected Mr. Pete Hassemer Chair beginning August 2018 and Mr. Phil Anderson agreed to continue as Vice-Chair.

## **BC Recommendations**

The BC recommends that the Council:

1. Approve the 2017 Audit Results as presented in the Executive Directors Report
2. Adopt a 2018 operational budget of \$4,947,154.
3. Direct staff to discuss with NMFS and prepare special project details identified in the ED Report (Supplemental Attachment 1) as modified by the BC.
4. Consider guidance for routine and special project priorities at the September meeting of the BC and Council. BC to review and prioritize the list for special projects at the November BC meeting.

PFMC

06/12/18