

Executive Director's Report to the Budget Committee

March 2022



Process for budget decision- making

- March 2022: Strategic budget considerations and a review of the provisional budget
- June 2022: Specific budget considerations and adoption of 2022 operational budget
- September 2022: Pre-2023 budget outlook
- November 2022: Adopt provisional 2023 budget

Three major topics for consideration from this presentation

1. Why have deferred spending, and what have we done in the past? Should we have objectives related to financial deferred spending, and if so, how large should those objectives be?
2. Our financial outlook and impact upon our deferred spending: What impact will our provisional budget have upon our deferred spending?
3. High level review of our 2022 provisional budget: A high level overview of our interim budget and comparison to other time periods

Purpose and intention of this information

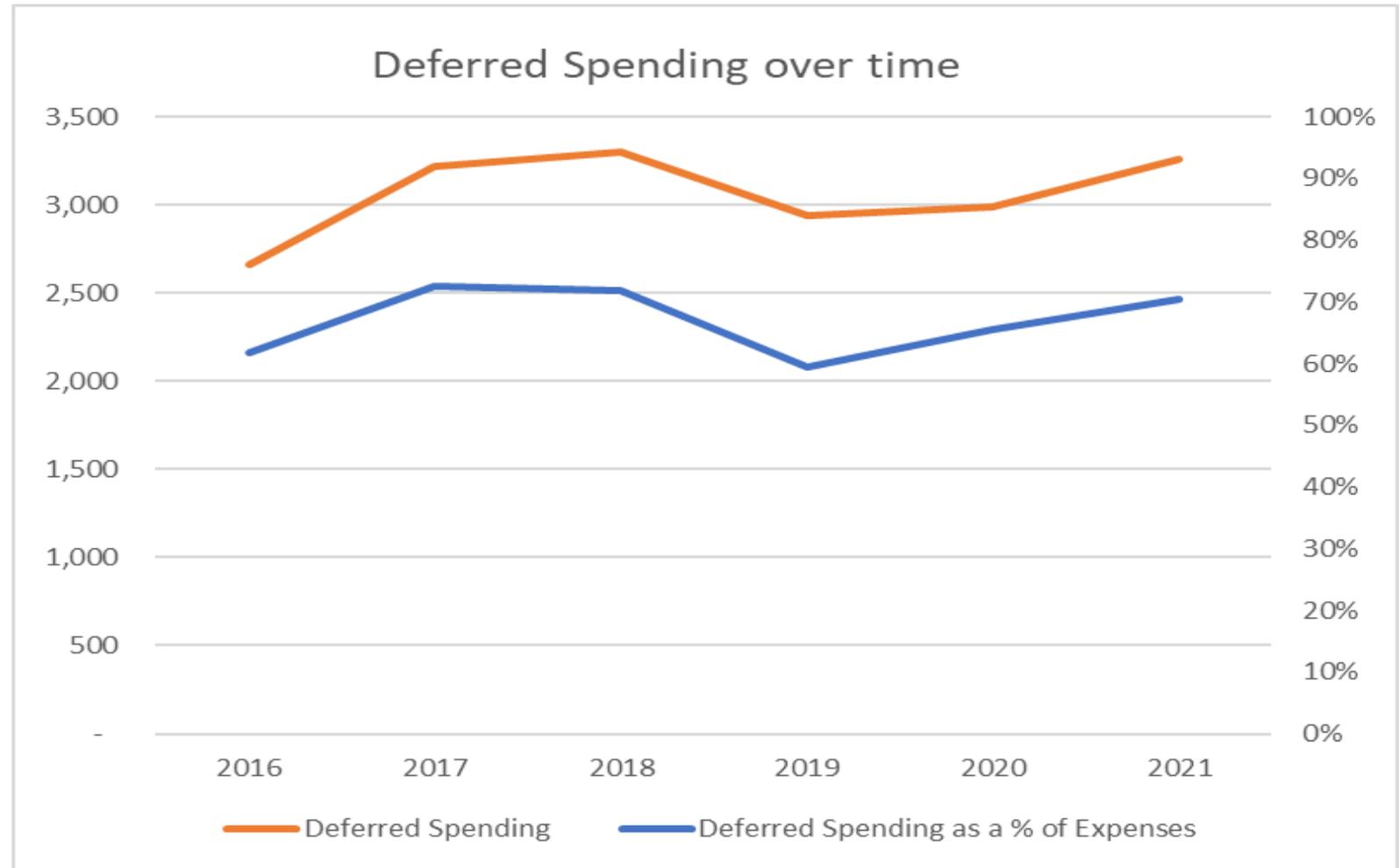
- A handle on our income, spending, and deferred spending helps us to understand what is possible and fiscally responsible as we contemplate spending reserve funds on various strategic and operational considerations
- One important consideration when contemplating deferred spending is how much should be on-hand to cover unexpected circumstances. In the past, the Council has aimed to have deferred spending funds that could cover roughly the first half of the year (~\$2 million)
- Expenditures during the pandemic have deviated somewhat from earlier practice. We are now at a juncture where we will need to make some financial decisions for a post-COVID world
- The information presented here is intended to provide for a common understanding regarding the Council's financial position and to support a clear-eyed discussion about how best to move forward with financial decisions, including the possible strategic use of deferred spending

Financial snapshot and deferred spending implications

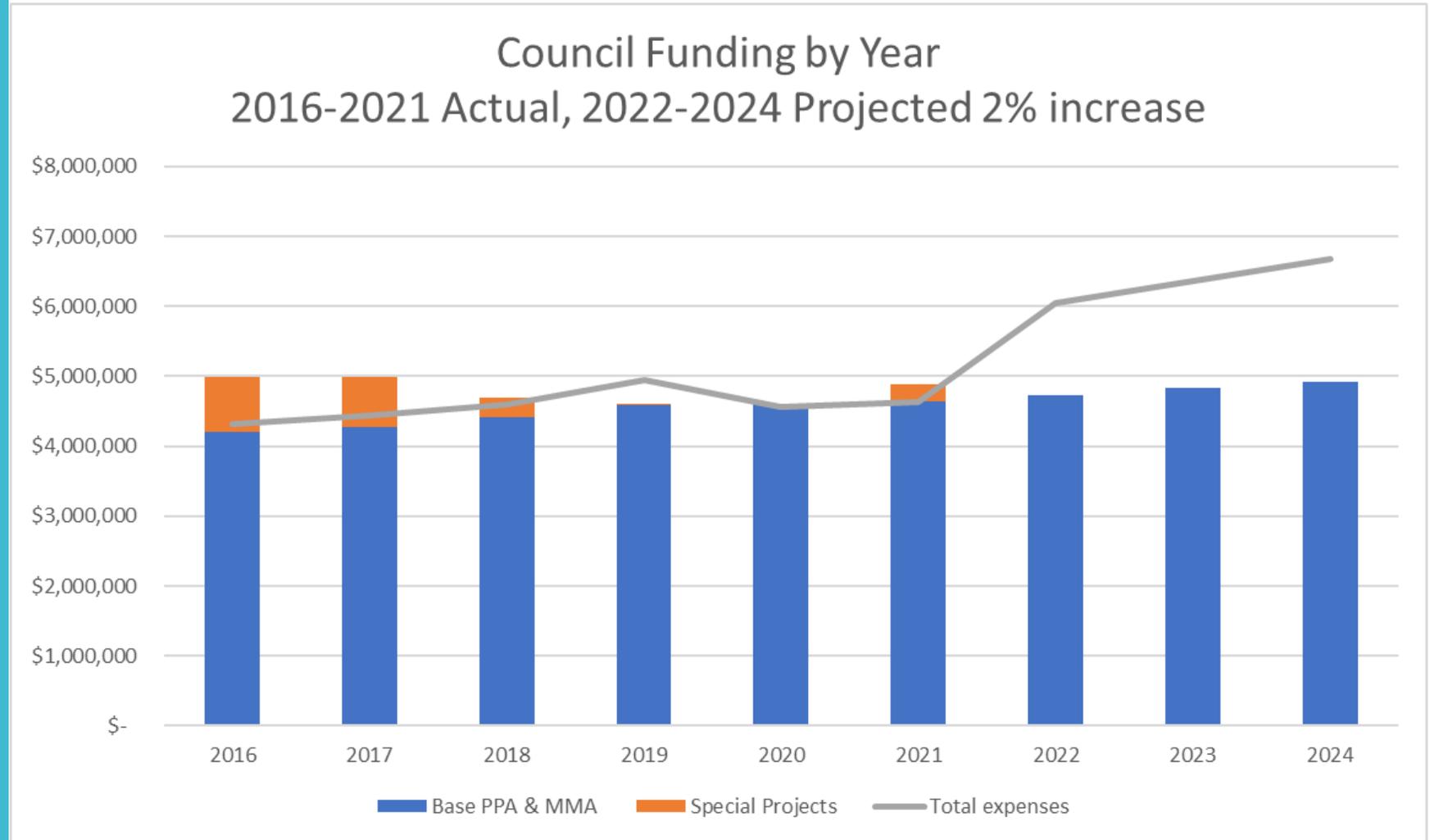
Current status, recent budget history, and big-picture forecast

Financial status: deferred spending over time

note: our deferred spending have hovered in the range of 60% to 70% of annual expenses. Prior budget decisions have aimed to hold enough in deferred spending to fund PFMC operations through June ~\$2 mil at current cost levels

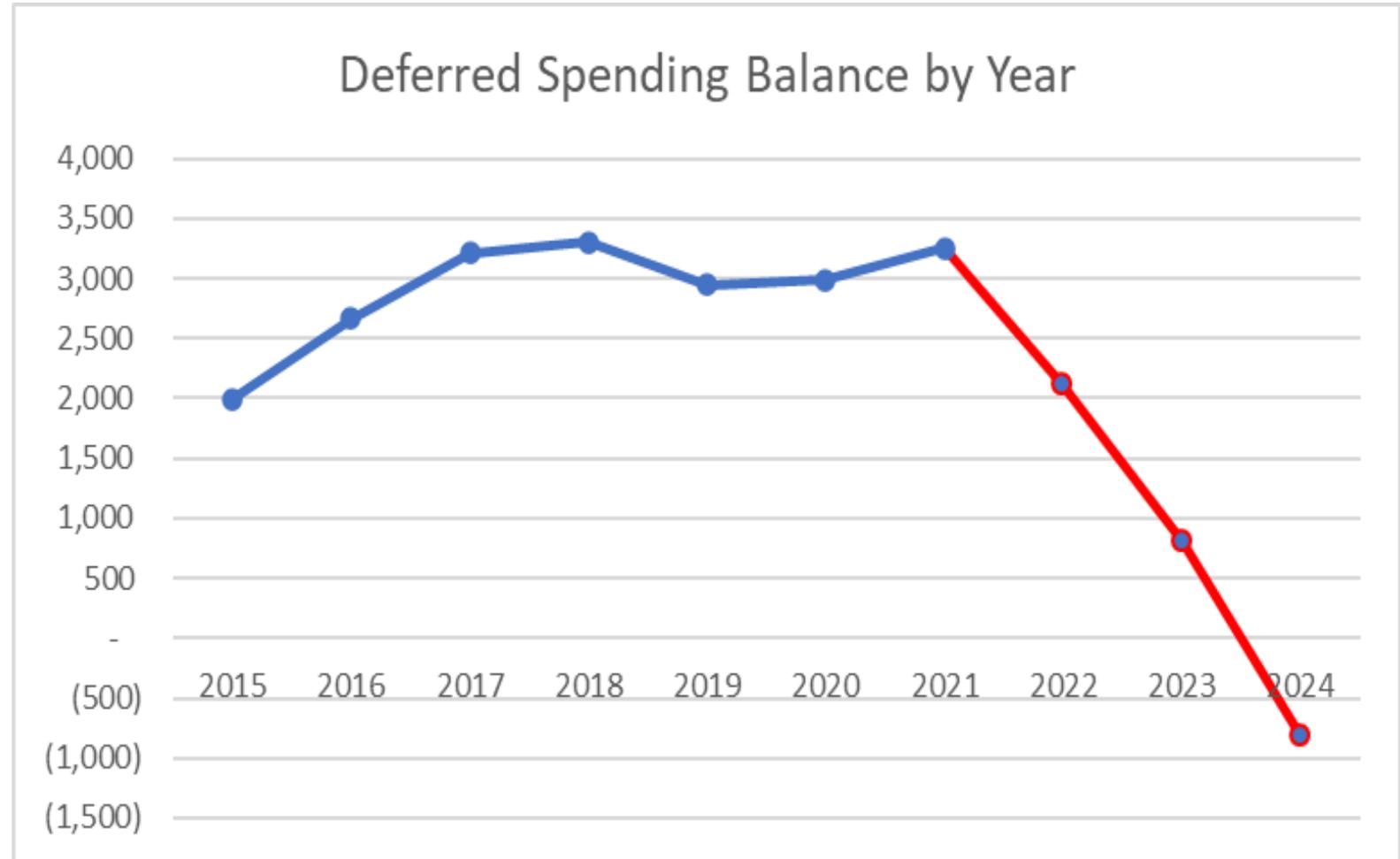


Historic and forecasted funding and expenses



Forecast deferred spending through 2024

*If current budget is carried
beyond 2022:
-our deferred spending will
drop below the level that
can sustain 6 months of
operations in 2023
-we will fully deplete our
deferred spending in the
latter half of 2024*



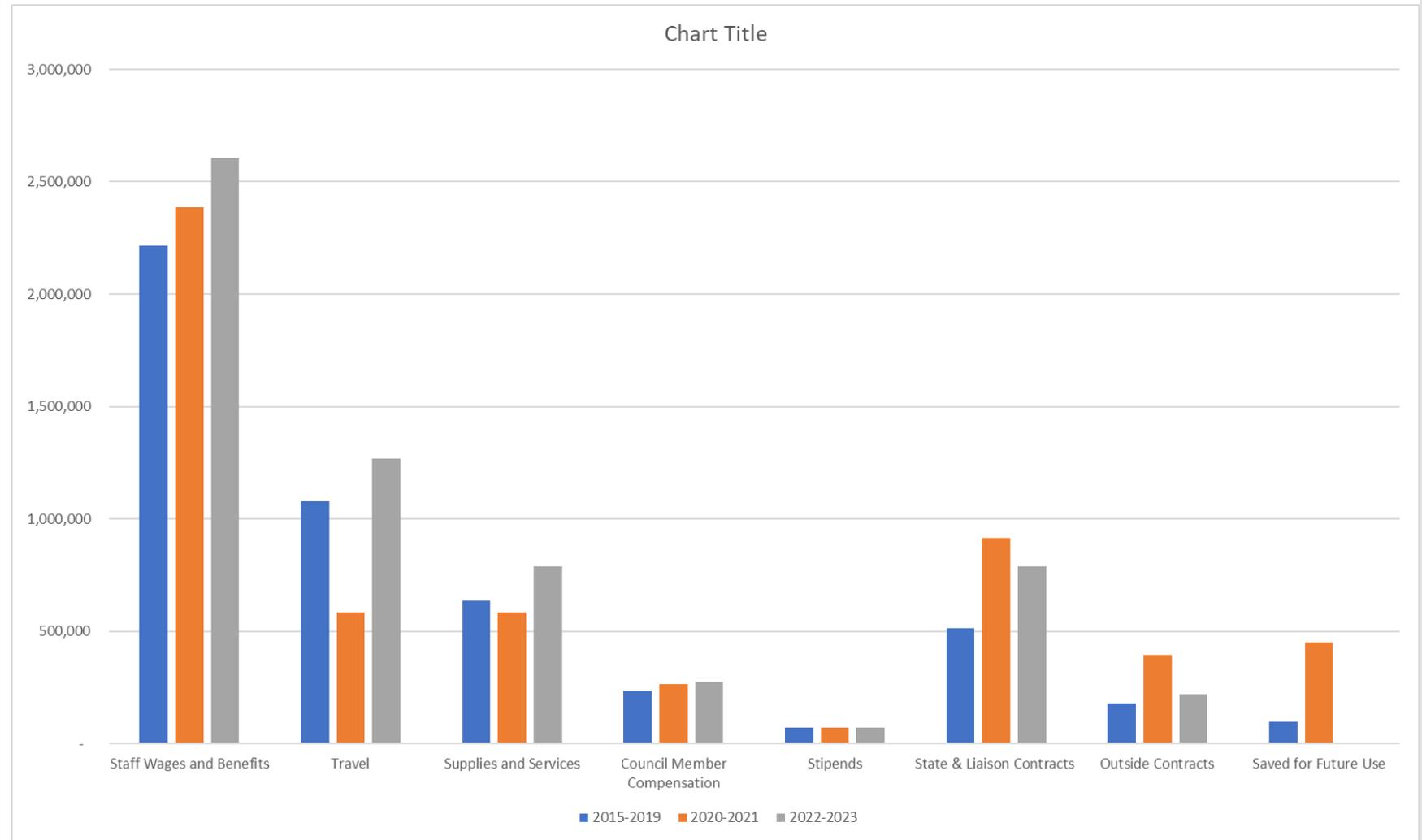
Strategic use of deferred spending account

- Sound organizational management calls for considering risks that may impact operations in the event of unforeseen circumstances
- In the past, NOAA's grants division has taken as long as August before providing Council funding
- While we do not have a formal deferred spending policy, prior PFMC budget decisions have strived to have deferred spending on hand that can cover these sorts of circumstances
- Given the acrimonious environment in DC, considering related financial risks and having funds on hand to support our base operations for several months may be wise management

A finer scale look at our
expenses and budget

What's driving our expenses higher?

- As expected, staff wages and benefits are the highest expense category, with increases due to staff advancement and changes in GS pay scales
- Travel, our second largest expense has varied due to COVID situation
- State liaison contracts have increased due to several factors



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CY 2022 Funding and Budget Summary

Prior Calendar Year Funds remaining at end of 2021	\$ 3,134,918	<i>Estimate at this point</i>
CY 2022 Funds received as of January 31, 2022	\$ 2,444,821	
Funds on hand (as of January 31, 2022)	<u>\$ 5,579,739</u>	
Expected income in 2022		
TBD on timing	\$ 2,361,848	<i>Estimate based on 3.6% increase over 2021 funding level</i>
Total expected funds available	<u>\$ 7,941,587</u>	
Anticipated expenses	<u>\$ 6,056,028</u>	<i>2022 Provisional Budget</i>
Expected funds remaining at end of CY	<u>\$ 1,885,559</u>	
<i>Current Grant Period</i>		
<i>January 2020-December 31, 2024</i>		

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Council Adopted 2022 Provisional Budget

Category	Operational Budget 2021	Provisional Budget 2022	% increase decrease
Staff Wages & Benefits	\$ 2,390,484	\$ 2,662,325	11.4%
Travel	\$ 388,118	\$ 1,100,159	183.5%
Supplies & Services	\$ 616,776	\$ 743,880	20.6%
Contractual			
Council Member Compensation	\$ 263,427	\$ 264,089	0.3%
Advisory Body Stipends (2022)	\$ 69,499	\$ 69,499	0.0%
Liaison (State, PSMFC)	\$ 932,195	\$ 892,745	-4.2%
Other (Salmon SAFE, SaMTAAC etc.)	\$ 379,931	\$ 323,331	-14.9%
Total	\$ 5,040,430	\$ 6,056,028	20.1%

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

Contract	2021 Operational Budget	Provisional Budget 2022	% increase decrease
Alaska - Liaison & Planning			
California - Liaison & Planning*	\$ 275,601	\$ 246,151	-10.7%
Idaho - Liaison & Planning	\$ 70,519	\$ 70,519	0.0%
Oregon - Liaison & Planning	\$ 261,908	\$ 261,908	0.0%
Washington-Liaison & Planning*	\$ 250,144	\$ 240,144	-4.0%
PSMFC-Liaison & Planning	\$ 74,023	\$ 74,023	0.0%
Subtotal	\$ 932,195	\$ 892,745	-4.2%
Other (Salmon SAFE, SaMTAAC etc.)	\$ 379,931	\$ 323,331	-14.9%
Grand Total	\$ 1,312,126	\$ 1,216,076	-7.3%

Questions for the Budget Committee at this meeting

- Do we want a deferred spending policy?
- If so, what should its purpose be and what is the level?