

EXECUTIVE DIRECTOR'S BUDGET REPORT

JUNE 2022



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PFMC's fiscal management cycle and activities (COP 9 schedule 7)

Five Year Grant Process

First Meeting Every fifth year (following 2014), Council staff prepares for the Council's Budget Committee consideration of a draft comprehensive five-year grant application that documents proposed Council priorities to be pursued in the first year of the grant together with detailed, first-year fiscal implications, and which proposes broader Council priorities to be pursued in the succeeding four years.

Second Meeting Budget Committee considers, approves, and forwards the five-year grant application for Council consideration. Council adopts its five-year grant application and submits to National Marine Fisheries Service for approval.

As Appropriate Council staff prepares and submits any necessary application for extension of the five-year grant with information related to financial balances and performance obligations remaining within the grant, immediately informing the Chair of the Budget Committee of the application, and briefing the Budget Committee of the circumstances at its next meeting.

PFMC's fiscal management cycle and activities (COP 9 schedule 7)

Annual Budget Process

September 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.

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.

When Appropriate At the first opportunity following Congressional appropriations, confirmation of fiscal assumptions, updates, and resolution of uncertainties contained in the preliminary annual budget, Council staff prepares updated final annual budget for Budget Committee review, approval, and forwarding to the Council for approval at the earliest opportunity, including potentially at the same meeting.

PFMC's fiscal management cycle and activities (COP 9 schedule 7)

Independent Audit

September Council Staff provides a report to the Budget Committee which summarizes findings of an annual, independent audit of the Council's financial practices, together with a summary of the Council's response to the audit's findings.

OUR ORIGINAL PLAN FOR THIS GRANT PERIOD



Current grant period proposed expenditures vs actual and forecasted income

| Category | 2020 | 2021 | 2022 | 2023 | 2024 | Total Grant |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| Staff Wages & Benefits | \$1,915,327 | \$2,630,036 | \$2,741,932 | \$2,852,004 | \$2,981,169 | \$13,120,468 |
| Travel | \$ 728,926 | \$1,208,775 | \$1,253,464 | \$1,316,137 | \$1,381,944 | \$ 5,889,246 |
| Supplies & Services | \$ 530,172 | \$ 748,894 | \$ 767,757 | \$ 794,733 | \$ 823,977 | \$ 3,665,533 |
| Contractual | | | | | | |
| Council Member Compensation | \$ 151,115 | \$ 258,773 | \$ 266,537 | \$ 274,533 | \$ 282,769 | \$ 1,233,727 |
| Advisory Body Stipends | \$ 50,847 | \$ 70,000 | \$ 70,000 | \$ 70,000 | \$ 70,000 | \$ 330,847 |
| Liaison & Pln (State, PSMFC) | \$ 621,304 | \$ 652,369 | \$ 684,988 | \$ 719,237 | \$ 755,199 | \$ 3,433,097 |
| Outside Consultants and Projects | \$ 587,500 | \$ 162,500 | \$ 182,500 | \$ 182,500 | \$ 202,500 | \$ 1,317,500 |
| Total by Year (planned not actuals) | \$4,585,191 | \$5,731,347 | \$5,967,178 | \$6,209,144 | \$6,497,558 | \$28,990,418 |
| Income (actual and forecast) | \$4,600,577 | \$4,889,642 | \$5,064,147 | \$5,209,321 | \$5,129,496 | \$24,893,183 |

Our 2022 proposed operating budget has us roughly in line with this figure



2022 FISCAL SNAPSHOT

Where are we today, and what is our
forecast for the year?



| | | |
|--|-----------|-------------------------|
| Prior Calendar Year Funds remaining at end of 2021 | \$ | 3,302,042 |
| CY 2022 Funds received as of May 25, 2022 | \$ | 2,444,821 |
| Funds on hand (as of May 25, 2022) | \$ | <u>5,746,863</u> |
| Expected income in 2022 | | |
| TBD on timing | \$ | 2,394,326 |
| Tentative funding | \$ | 50,000 |
| Tentative funding | \$ | 5,000 |
| Possible funding | \$ | 170,000 |
| Total expected funds available | \$ | <u>8,366,189</u> |
| Anticipated expenses | \$ | <u>5,798,871</u> |
| Expected funds remaining at end of CY | \$ | <u>2,567,318</u> |

Expected Drawdown of \$735K. In March we were estimating \$1.25 million drawdown



2021 FISCAL SUMMARY

How did we do last year?



| Category | Combined 2021 Budget | Final Expenditures 12/31/2021 | Projected Budget Surplus or (Deficit) | % of Total Budget |
|-----------------------------------|-------------------------|-------------------------------------|--|----------------------|
| Staff Wages & Benefits | \$ 2,390,484 | \$ 2,627,723 | \$ (237,238) | 110% |
| Travel | \$ 388,118 | \$ 38,051 | \$ 350,066 | 10% |
| Supplies & Services * | \$ 616,776 | \$ 615,548 | \$ 1,227 | 100% |
| Contractual | | | | |
| Council Member Compensation | \$ 263,427 | \$ 233,884 | \$ 29,543 | 89% |
| Advisory Body Stipends | \$ 69,499 | \$ 69,230 | \$ 269 | 100% |
| Liaison (State, PSMFC) | \$ 932,195 | \$ 885,404 | \$ 46,791 | 95% |
| Other (Salmon SAFE, SaMTAAC etc.) | \$ 379,931 | \$ 328,680 | \$ 51,251 | 87% |
| Total 2021 | \$ 5,040,430 | \$ 4,798,520 | \$ 241,910 | 95% |

This number is nearly \$1 million lower than the corresponding amount from our grant proposal



2022 PROVISIONAL AND PROPOSED OPERATIONAL BUDGET



| Category | Provisional | | Balance | Expenditures | Proposed | Increase (Decrease) from Provisional Budget |
|--------------------------------------|---------------------|----------------------------|---------------------|------------------------------|-------------------------------|---|
| | 2022 Budget | Expenditures as of 4/30 | Remaining | as a % of Total Budget | 2022 Operational Budget | |
| Staff Wages & Benefits | \$ 2,662,325 | \$ 750,155 | \$ 1,912,170 | 12.4% | \$ 2,590,998 | \$ (71,327) |
| Travel | \$ 1,100,159 | \$ 62,829 | \$ 1,037,330 | 1.0% | \$ 922,200 | \$ (177,958) |
| Supplies & Services | \$ 743,880 | \$ 166,553 | \$ 577,327 | 2.8% | \$ 661,395 | \$ (82,485) |
| Contractual | | | \$ - | | | \$ - |
| - Council Member Compensation | \$ 264,089 | \$ 54,237 | \$ 209,852 | | \$ 260,215 | \$ (3,874) |
| - Advisory Body Stipends | \$ 69,499 | | \$ 69,499 | | \$ 69,499 | \$ - |
| - Liaison (State, PSMFC) | \$ 892,745 | \$ - | \$ 892,745 | 0.0% | \$ 892,745 | \$ - |
| - Other (Salmon SAFE, GF Spex, etc.) | \$ 323,331 | \$ 54,806 | \$ 268,525 | 0.9% | \$ 401,819 | \$ 78,488 |
| Total 2022 | \$ 6,056,028 | \$ 1,088,579 | \$ 4,967,449 | | \$ 5,798,871 | \$ (257,158) |

After subtracting pass-thru funding, this figure is \$176,819



What's changed between our provisional budget and our proposed operating budget?

- Travel expenses reduced by \$177K:
 - two lightly attended Council meetings reduced projected travel expenses
- Staff expenses reduced by \$70K:
 - Earlier work contained a calculation error that overestimated staff expenses
 - We did not use the majority of funding set aside for temporary administrative hire
- Contracts reduced by \$146K (not including pass thru expense):
 - Several proposed contracts struck from our budget (GIS mapping, etc)
 - Movement of one contractor to staff
 - Other contracts projected to come in below provisional budget levels
- Services reduced by \$82K:
 - Two light council meetings reduced meeting-related service needs
 - We anticipate a lesser need for other services

Re-cap of proposed operational budget vs provisional budget

- Staff proposed operational budget: \$5,798,871
 - This compares to a provisional budget of \$6,056,028
- Proposed operational budget reduces base expenses from the provisional budget by roughly \$500K, but includes pass-thru funds for several projects
 - Reduction in expenses comes from reductions in staffing, travel, contracts, and services



FUTURE OUTLOOK

How does our financial status look beyond this year?

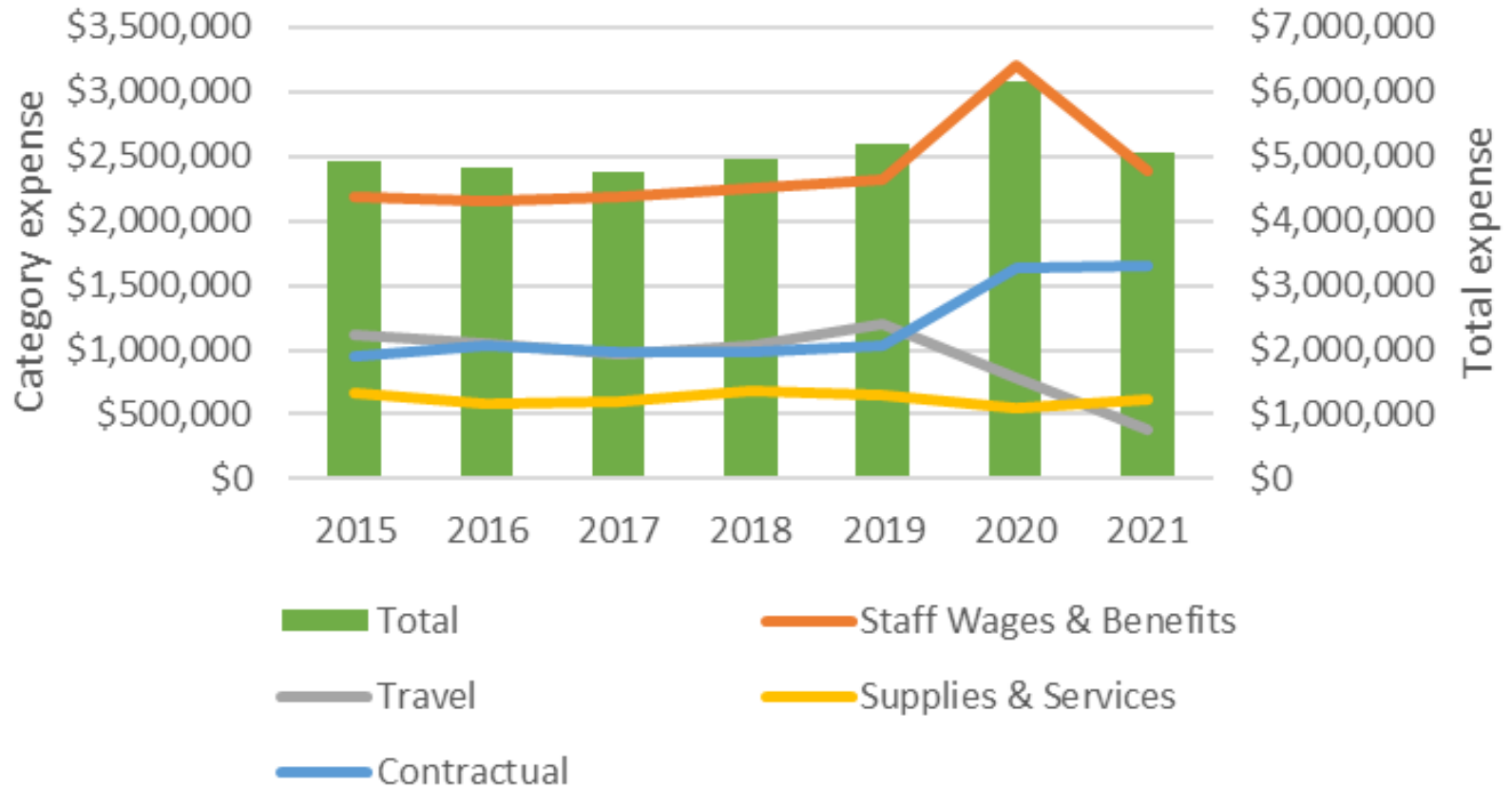
What risks should we consider as we plan for our financial future?



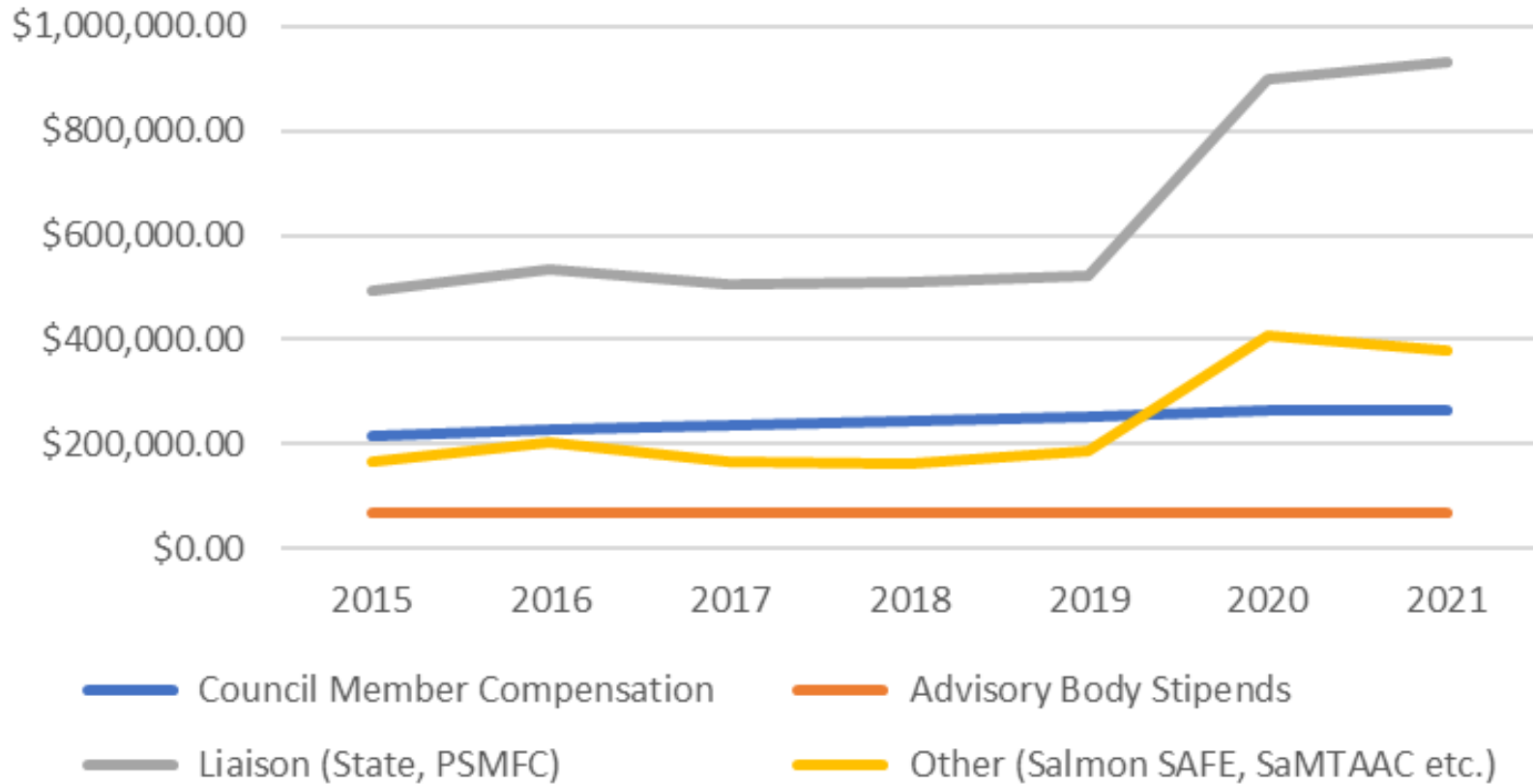
Some context: how has our budget evolved over time?

| Category | Operational Budget 2015 | Operational Budget 2016 | Operational Budget 2017 | Operational Budget 2018 | Operational Budget 2019 | Operational Budget 2020 | Operational Budget 2021 | Prop. Operational Budget 2022 | Provisional Budget 2022 |
|------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------------|-------------------------|
| Staff Wages & Benefits | 2,178,081 | 2,151,329 | 2,189,197 | 2,245,243 | 2,315,217 | 3,203,639 | 2,390,484 | 2,590,998 | 2,662,325 |
| Travel | 1,125,140 | 1,054,718 | 975,184 | 1,028,145 | 1,208,285 | 778,596 | 388,118 | 922,200 | 1,100,159 |
| Supplies & Services | 663,568 | 589,799 | 598,255 | 683,456 | 647,833 | 552,621 | 616,776 | 661,395 | 743,880 |
| Contractual | | | | | | | | | |
| -Council Member Compensation | 216,616 | 227,366 | 236,711 | 244,694 | 252,975 | 263,932 | 263,427 | 260,215 | 264,089 |
| -Advisory Body Stipends | 69,499 | 69,499 | 69,499 | 69,499 | 69,499 | 69,499 | 69,499 | 69,499 | 69,499 |
| -Liaison (State, PSMFC) | 493,083 | 535,807 | 507,851 | 511,367 | 522,364 | 898,195 | 932,195 | 892,745 | 892,745 |
| -Other (Salmon SAFE, SaMTAAC etc.) | 168,250 | 202,750 | 165,750 | 164,750 | 187,500 | 407,075 | 379,931 | 401,819 | 323,331 |
| Total | 4,914,237 | 4,831,268 | 4,742,447 | 4,947,154 | 5,203,673 | 6,173,557 | 5,040,430 | 5,798,871 | 6,056,028 |

Expenses by category and total over time



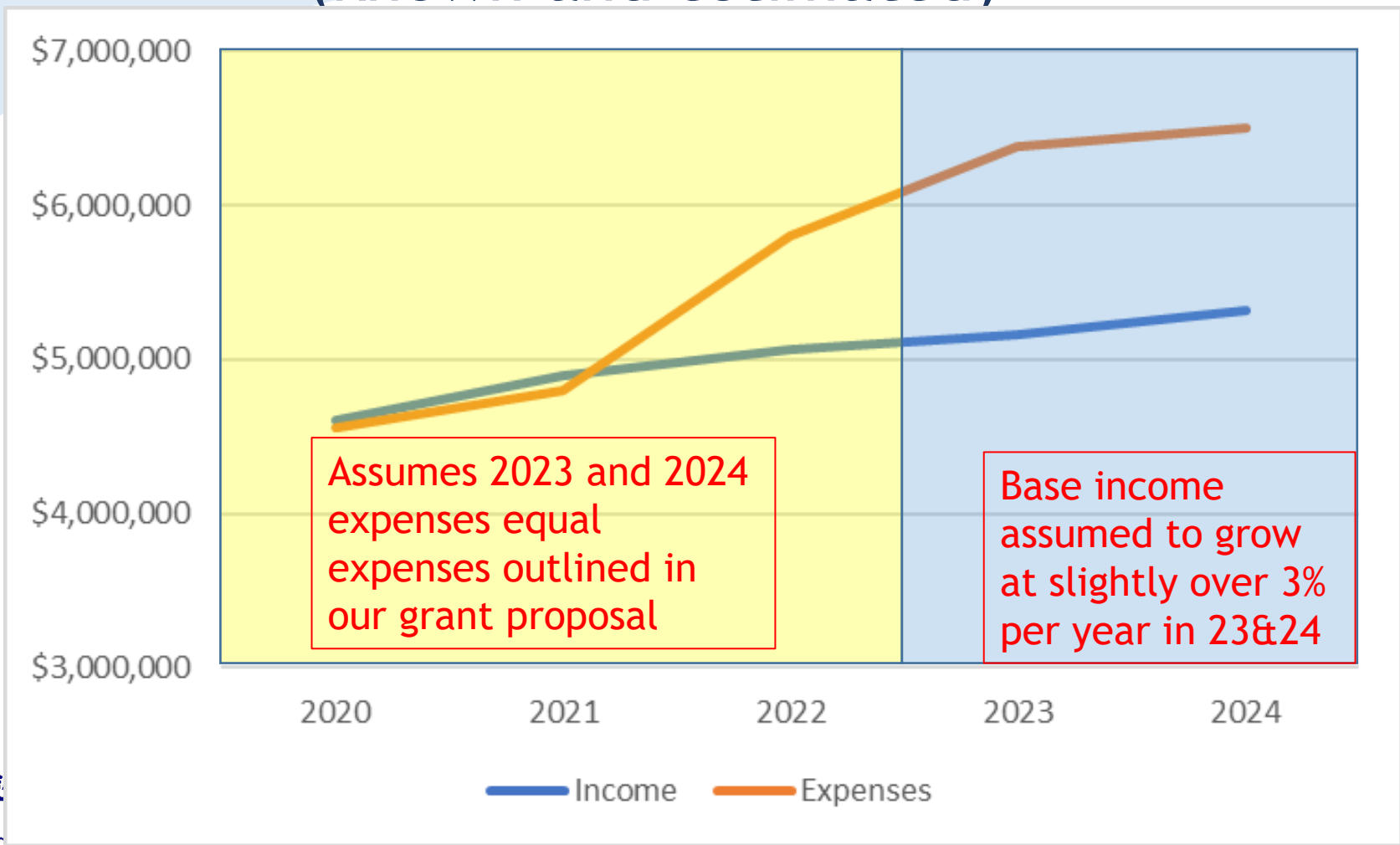
Detailed contract expenses over time



FUTURE FORECASTS

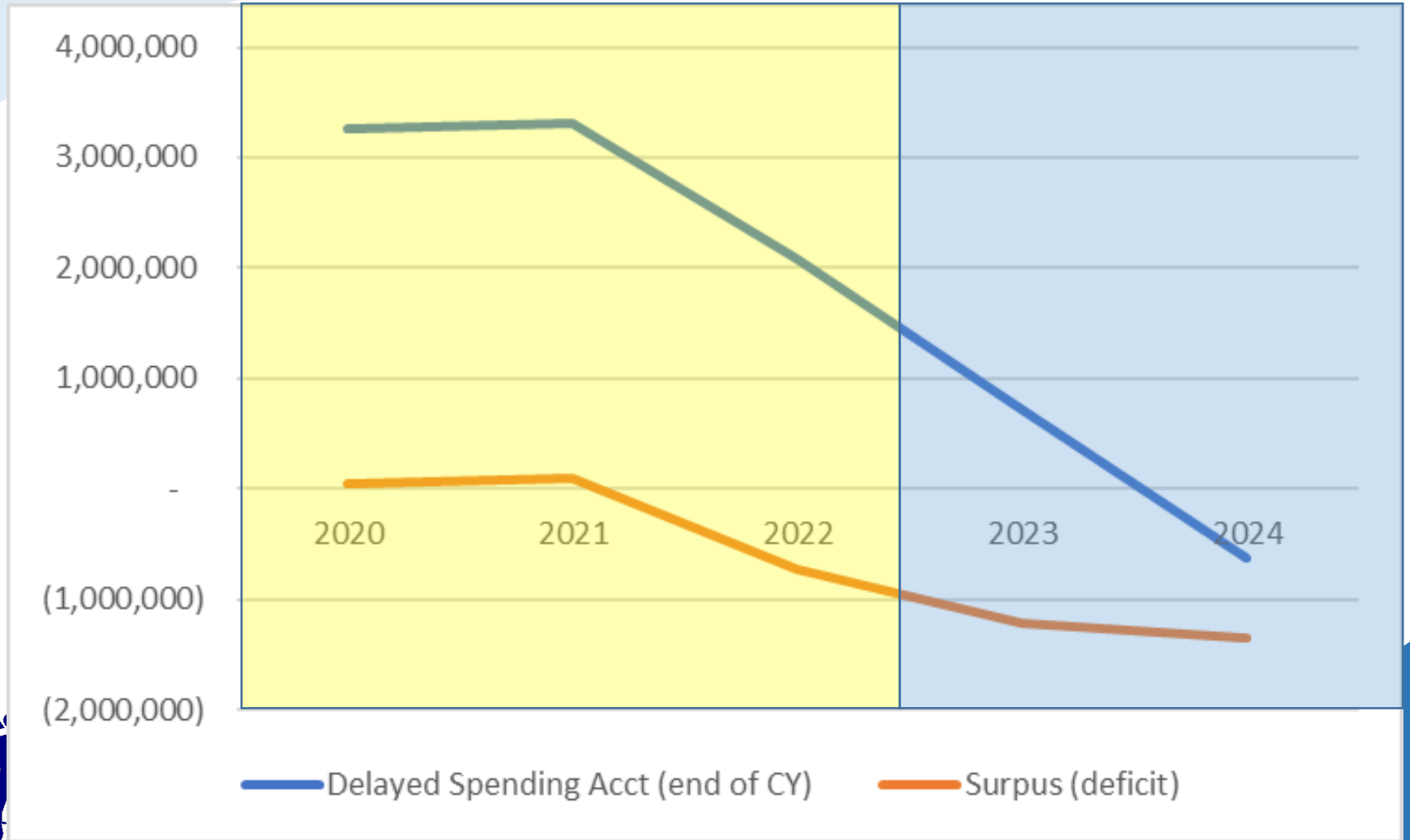


Income vs Expenses over Time (known and estimated)



Budget Surplus (Deficit) and Delayed Spending Account Balance over time

(assuming expenses = grant proposal expenses in '23 and '24)



What are our long-term financial goals?

- We obviously cannot run the PFMC accounts into a negative balance
- It is wise to be able to manage financial risks to ensure the consistent and effective operations of the Council and development of timely fisheries policy
- Identifying our pathway forward may benefit from more strategic budget planning by the budget committee during the summer and fall of 2022
 - This may entail an additional one or two meetings between June and November (in addition to regular budget committee meetings)



Conclusions

- Tasks for the Budget Committee include:
 1. Recommend a 2022 Operating Budget
 2. Provide guidance strategizing on budget priorities for remaining of grant period
 3. Provide guidance on future meetings and other matters

