

EXECUTIVE DIRECTORS BUDGET REPORT

SEPTEMBER 2022



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Overview

1. COP 9 Section 7: Our fiscal cycle
2. 2022 Fiscal snapshot
3. 2023 Budget options
4. Financial risks
5. Priorities for expense trimming
6. Next steps



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 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 NMFS 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.

2022 FISCAL SNAPSHOT



CY 2022 Funding and Budget Summary

Prior Calendar Year Funds remaining at end of 2021	\$ 3,302,042
CY 2022 Funds	\$ 2,444,821
Base Funds Received (Aug 4, 2022)	\$ 2,358,279
ISC Rappetour	\$ 5,364
Catch Shares Cost Review	\$ 170,000
Funds on hand (as of August 4, 2022)	<u>\$ 8,280,506</u>
Anticipated expenses	<u>\$ 5,798,871</u>
Expected funds remaining at end of CY	<u>\$ 2,481,635</u>

CY 2022 OPERATIONAL BUDGET AND EXPENDITURES

Category	Operational 2022 Budget	Expenditures as of 7/31	Balance Remaining	% of Expense Paid to Date
Staff Wages & Benefits	\$ 2,590,998	\$ 1,341,987	\$ 1,249,011	51.8%
Travel	\$ 922,200	\$ 275,071	\$ 647,129	29.8%
Supplies & Services	\$ 661,395	\$ 324,057	\$ 337,338	49.0%
Contractual				
Council Member Compensation	\$ 260,215	\$ 116,222	\$ 143,993	44.7%
Advisory Body Stipends	\$ 69,499		\$ 69,499	0.0%
Liaison (State, PSMFC)	\$ 892,745	\$ -	\$ 892,745	0.0%
Other (Salmon SAFE, GF Spex, etc.)	\$ 401,819	\$ 82,756	\$ 319,062	20.6%
Total 2022	5,798,871	\$ 2,140,094	3,658,777	36.9%



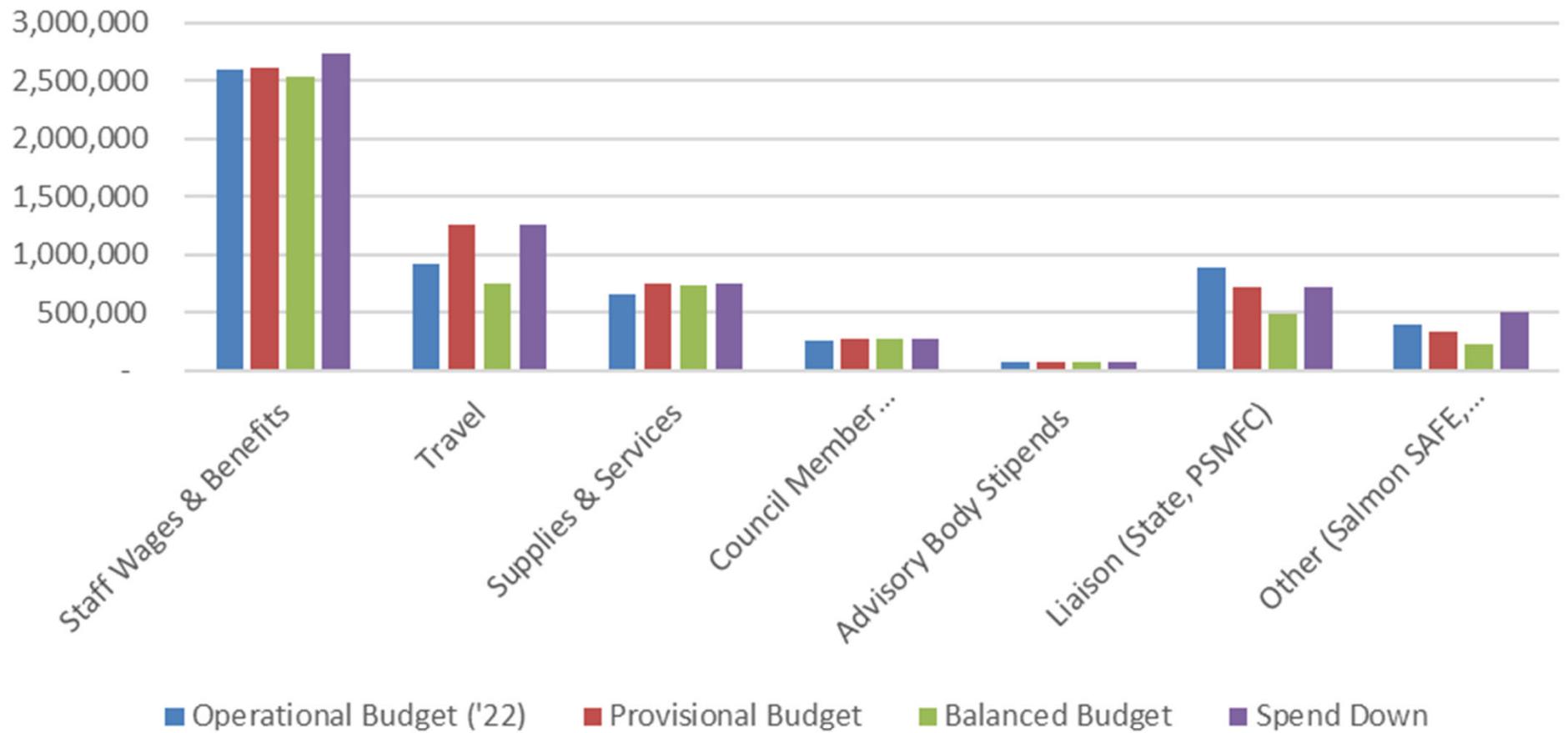
2023 BUDGET OPTIONS AS REQUESTED AT THE JUNE MEETING



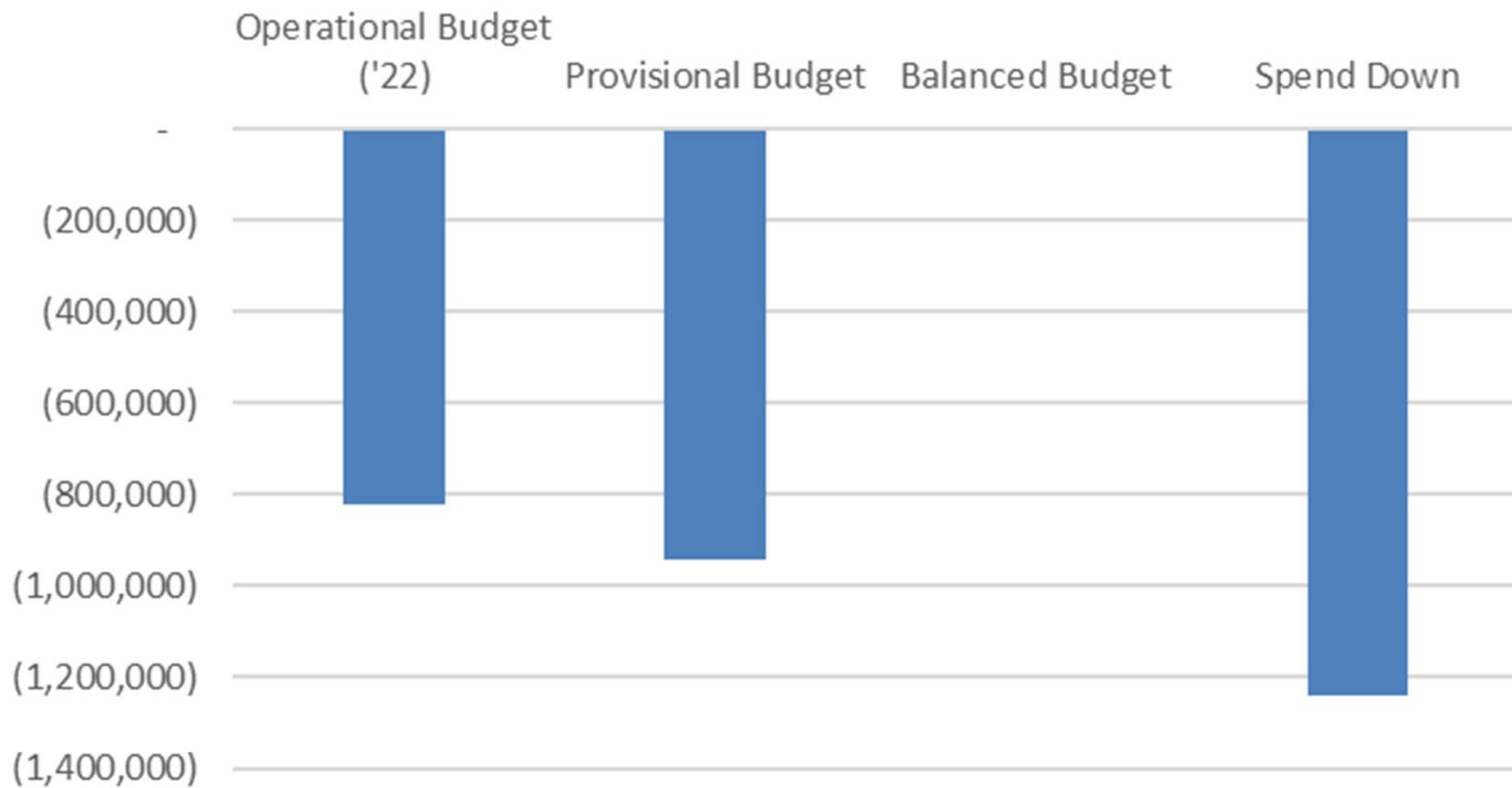
Staff 2023 Advance Provisional Budget

Category	Operational Budget 2022	Advance Provisional Budget 2023	Balanced Budget 2023	Spend Down 2023
Staff Wages & Benefits	\$ 2,590,998	\$ 2,617,705	2,527,705	2,739,025
Travel	\$ 922,200	\$ 1,253,158	751,787	1,253,675
Supplies & Services	\$ 661,395	\$ 753,914	725,964	753,914
Contractual				
Council Member Compensation	\$ 260,215	\$ 271,606	271,606	271,606
Advisory Body Stipends	\$ 69,499	\$ 69,499	69,499	69,499
Liaison (State, PSMFC)	\$ 892,745	\$ 719,235	493,083	719,235
Other (Salmon SAFE, SaMTAAC etc.)	\$ 401,819	\$ 326,819	229,519	503,027
Total	\$ 5,798,871	\$ 6,011,935	5,069,162	6,309,980

Expense comparison by budget item



Deficit by budget option



What is different between the two 2023 book-end budget options?

Balanced Budget

- *Suspends staff incentive pay*
- *No funding of PFMC leave account*
- *De-minimus travel (no outside CM travel, CM participation by ABs cut in half, CMs reduced by one day)*
- *No equipment purchases*
- *State liaison contracts revert to 2018 level*
- *Core contracts retained (Salmon, trawl cost project, int'l contracts)*

“Spend Down” Budget

- *Maintains staff incentives and advancement and adds one $\frac{3}{4}$ FTE*
- *Travel accounts for regular council meetings, AB meetings, inflation*
- *State liaison contracts revert to pre-COVID plan*
- *Contracts expanded (xtra communications, GIS)*



Possible implications of 2023 budget options

Balanced budget

- May necessitate a narrowing of Council agenda topics
- May compromise Council support, related process, and deliberation by ABs and Council

Spend down budget

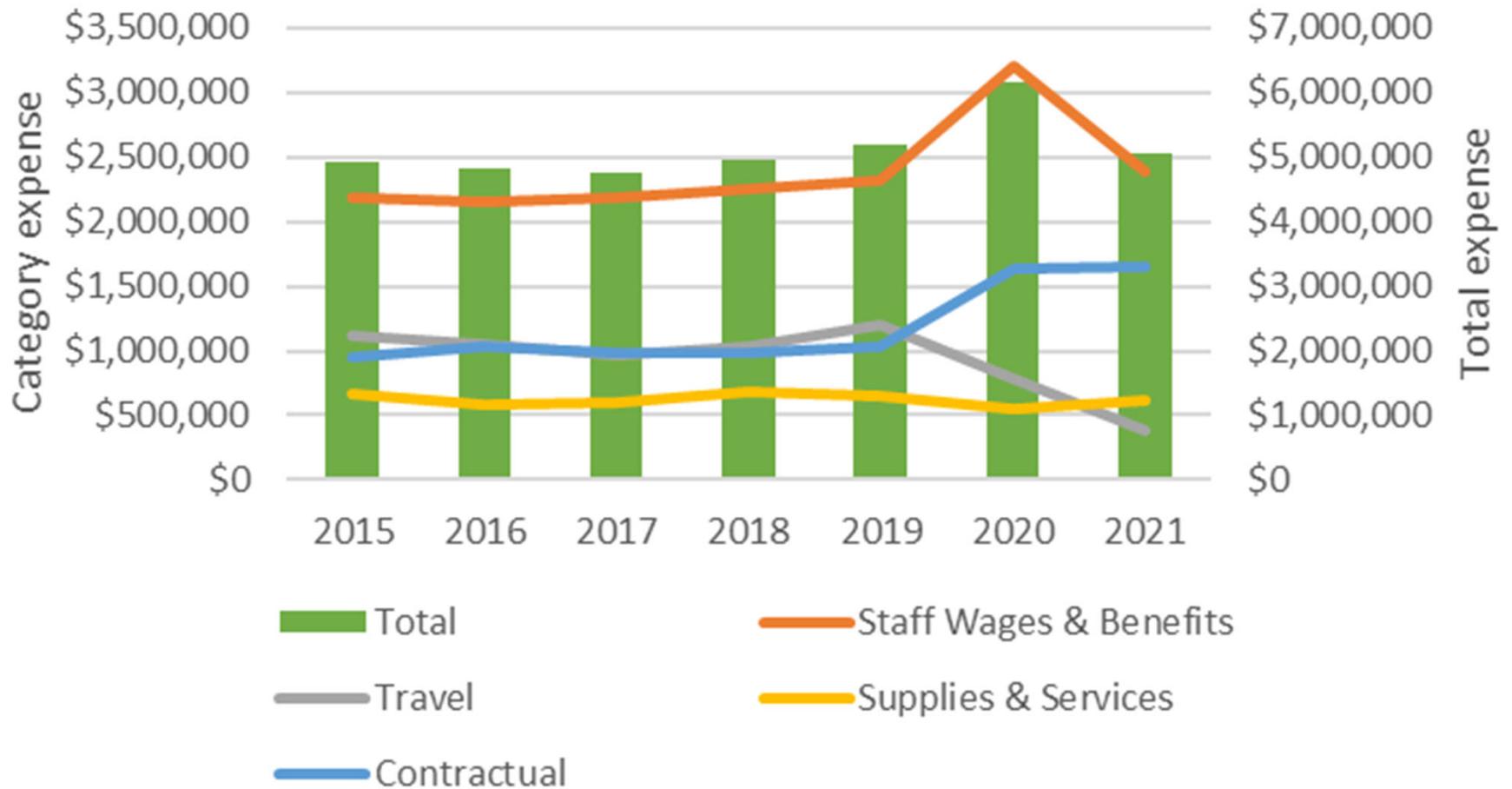
- May enable a temporary “surge” on some agenda topics
- At the end of the spend down period, a large contraction in Council function would be necessary - likely to be quite disruptive



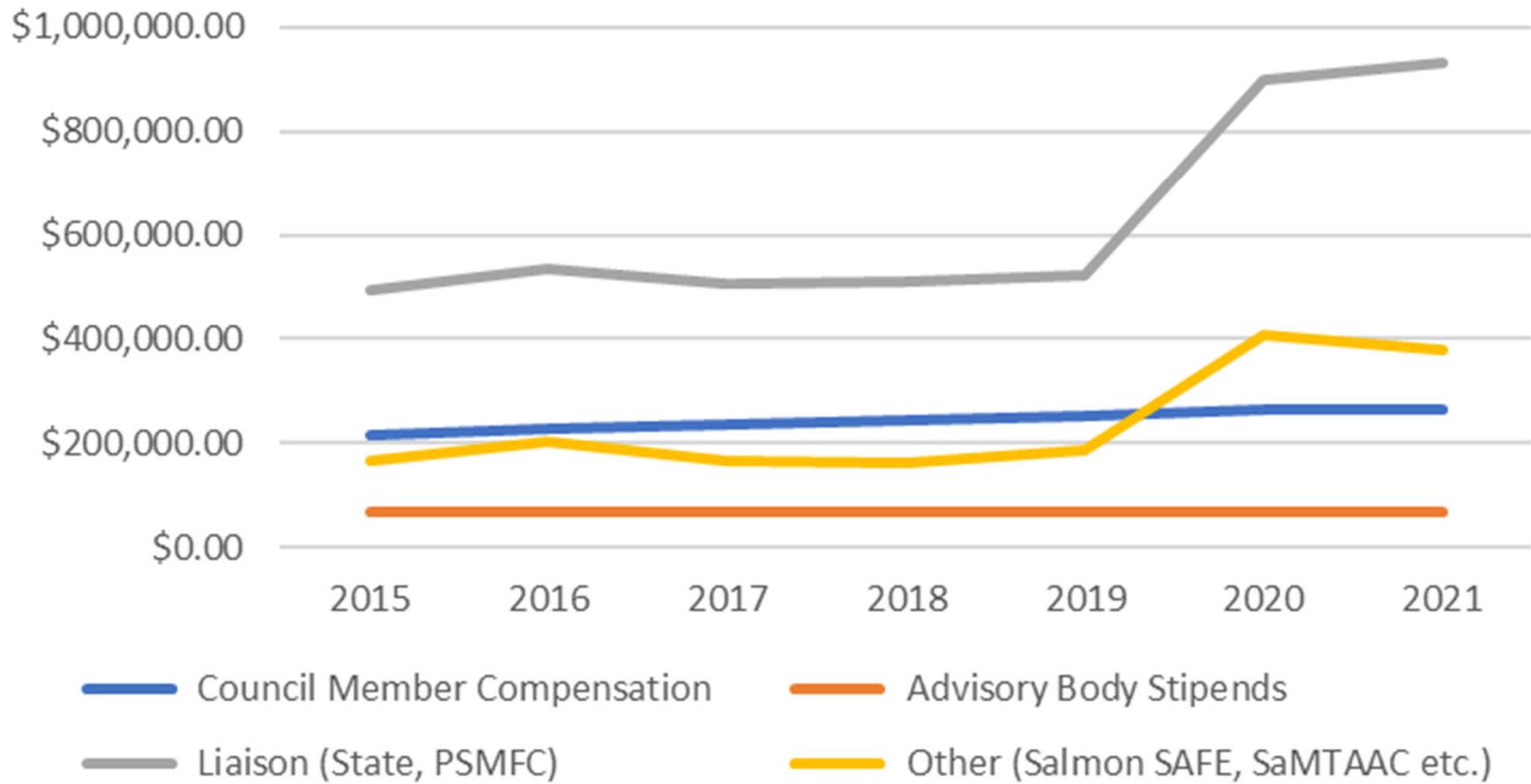
BRIEF RE-CAP OF RECENT BUDGET HISTORY



Expenses by category and total over time



Detailed contract expenses over time

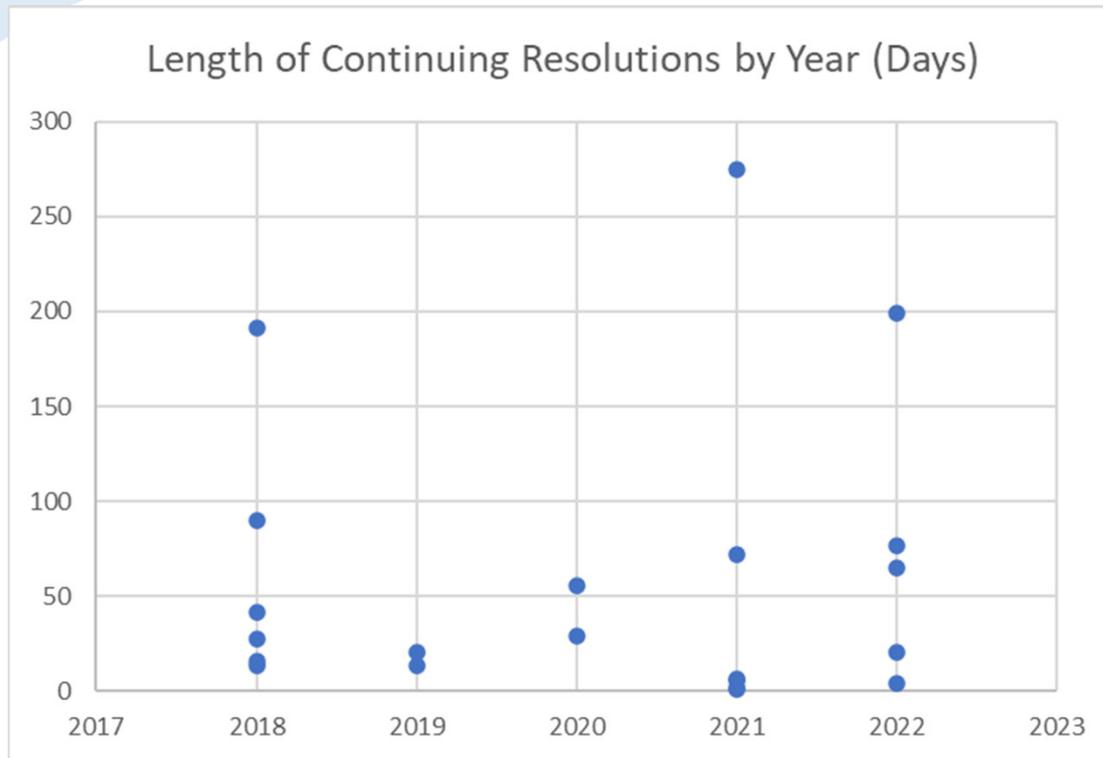


Key questions for moving forward

1. Do we want to plan on having a certain level of funds in our delayed spending account?
 - If so, what is that level?
 - When do we want to get there? 2 years? 3 years?
2. We are likely to need to trim expenses across several categories. What should we prioritize?



1. Managing for fiscal risk



- *Managing for fiscal risks is generally sound organizational management*
- *Spring BC meeting request that staff examine risk of Congressional delays in funding*
- *Available information makes it difficult to determine that level of risk*
- *Chart to the left plots length of continuing resolutions in recent years - this may shed some limited light on earlier request*



2. How to prioritize trimming of expenses

Some key considerations include:

- Trimming expenses that are the least disruptive to the Council
- Managing expenses in a way that gets to desired financial status, and does so at an acceptable and manageable rate

Executive Director recommendations for prioritization:

- Contract expenses: some expenses not considered core to Council function
- Travel expenses: we can lean on remote meeting formats
- Size of Council meetings: we can trim the size of Council meetings to reduce expenses and remain effective (some remote ABs)



Conclusions for 2023 Budget Setting

1. Consider the 2023 budget options
2. Assuming neither book end option is palatable, then:
 1. Identify target funding level for delayed spending account
 2. Identify preliminary timeline(s) for getting to that level
 3. Identify priority categories for trimming expenses
 4. Decide whether to have an October meeting prior to the November 2022 Budget Committee meeting

