

EXECUTIVE DIRECTOR'S BUDGET REPORT

NOVEMBER 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 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

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 |
| 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 | | \$ | <u>2,481,635</u> |
| | | | |
| Estimated 2022 Surplus | | \$ | 476,194 |
| | | | |
| <i>Estimated balance on hand - Dec 31, 2022</i> | | \$ | <u>2,957,829</u> |

Expected
Drawdown of
\$344,573
Our 2022 budget
allowed for a
drawdown of
over \$700K

Why are we coming in below our 2022 budget?

CY 2022 OPERATIONAL BUDGET AND EXPENDITURES

| Category | Operational 2022 Budget | Expenditures as of 9/30 | Anticipated Expenditures Remaining | Projected Budget Surplus or (Deficit) | % of Category |
|------------------------------------|-------------------------------|----------------------------|--|--|---------------|
| Staff Wages & Benefits | \$ 2,590,998 | \$ 1,807,314 | \$ 704,004 | \$ 79,680 | 96.9% |
| Travel | \$ 922,200 | \$ 417,004 | \$ 335,113 | \$ 170,083 | 81.6% |
| Supplies & Services | \$ 661,395 | \$ 433,957 | \$ 182,323 | \$ 45,115 | 93.2% |
| Contractual | | | | | |
| Council Member Compensation | \$ 260,215 | \$ 173,042 | \$ 71,681 | \$ 15,492 | 94.0% |
| Advisory Body Stipends | \$ 69,499 | | \$ 69,499 | \$ - | 100.0% |
| Liaison (State, PSMFC) | \$ 892,745 | \$ 172,441 | \$ 720,304 | \$ - | 100.0% |
| Other (Salmon SAFE, GF Spex, etc.) | \$ 401,819 | \$ 100,656 | \$ 140,794 | \$ 160,368 | 60.1% |
| Total 2022 | 5,798,871 | \$ 3,104,415 | \$ 2,223,718 | 470,738 | 91.9% |



2023 PROVISIONAL BUDGET (MAINTAIN STATUS QUO)



2023 Provisional Budget (maintaining status quo)

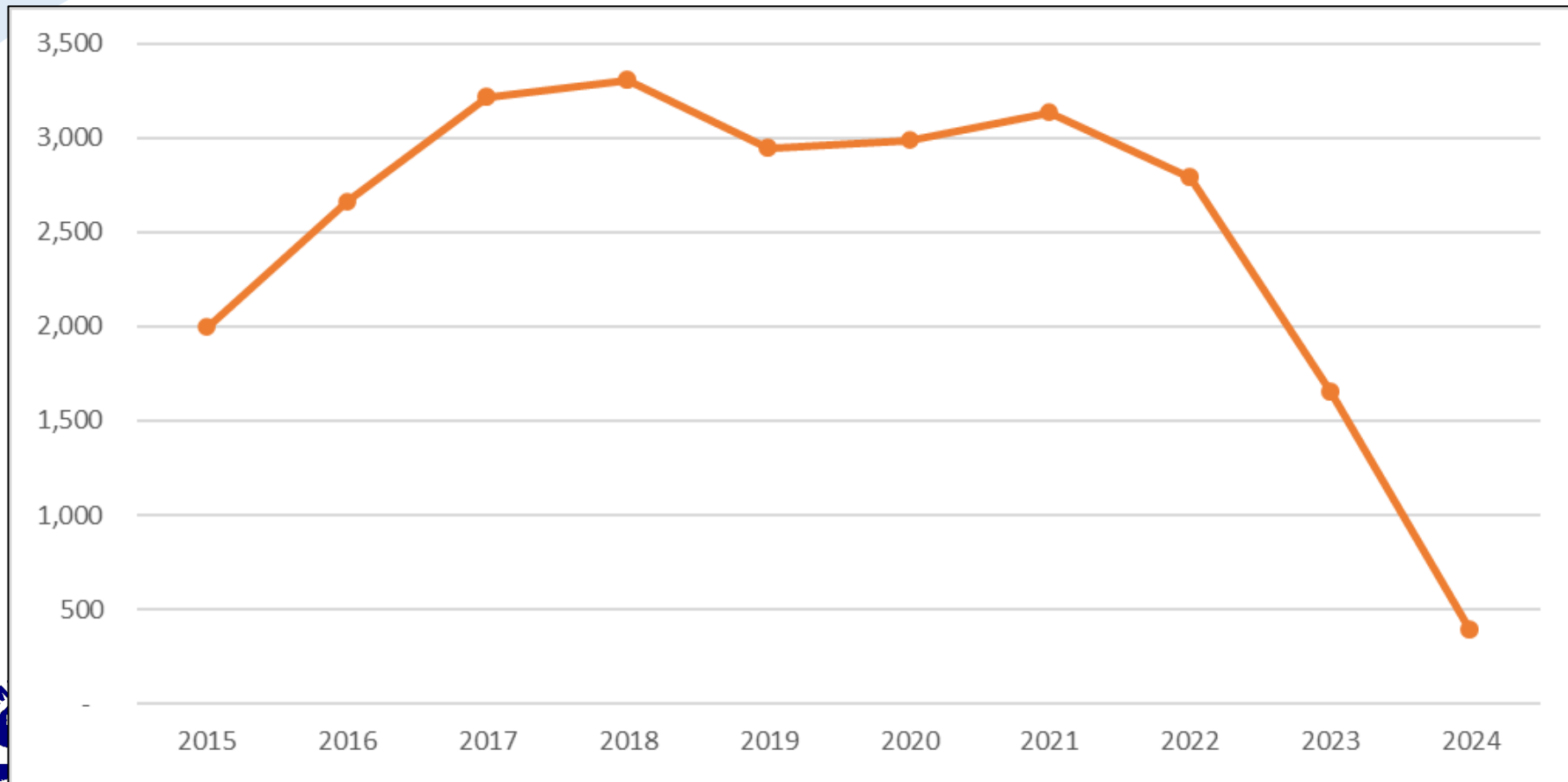
| Category | Operational Budget 2022 | Proposed Provisional Budget 2023 | % increase decrease |
|-----------------------------------|----------------------------|--|------------------------|
| Staff Wages & Benefits | \$ 2,590,998 | \$ 2,668,162 | 3.0% |
| Travel | \$ 922,200 | \$ 1,261,462 | 36.8% |
| Supplies & Services | \$ 661,395 | \$ 755,895 | 14.3% |
| Contractual | | | |
| Council Member Compensation | \$ 260,215 | \$ 271,606 | 4.4% |
| Advisory Body Stipends | \$ 69,499 | \$ 69,499 | 0.0% |
| Liaison (State, PSMFC) | \$ 892,745 | \$ 719,235 | -19.4% |
| Other (Salmon SAFE, SaMTAAC etc.) | \$ 401,819 | \$ 345,219 | -14.1% |
| Total | \$ 5,798,871 | \$ 6,091,078 | 5.0% |

FUTURE OUTLOOK

How does our financial status look beyond this year, after taking account EOY 2022 estimates, and the provisional 2023 budget?



Delayed spending account balance (forecast EOY 2022 thru 2024 based on 2023 provisional budget)



How can we slow down spending?

A review of estimated travel expenditures

- See travel by meeting attachments



| | March | April | June | September | November | Total | Average |
|---------------------------|---------|-------------|-----------|-----------|--------------|---------|---------|
| | Seattle | Foster City | Vancouver | Spokane | Garden Grove | Cost | Cost |
| SSC | 12,214 | 0 | 2,042 | 13,778 | 15,679 | 43,713 | 8,743 |
| Enforcement | 4,067 | 0 | 5,196 | 3,927 | 5,448 | 18,638 | 3,728 |
| Habitat | 10,469 | 0 | 12,252 | 9,861 | 13,439 | 46,022 | 9,204 |
| Groundfish | 44,724 | 0 | 48,497 | 36,648 | 50,852 | 180,721 | 36,144 |
| Salmon (including MEW) | 37,745 | 43,245 | 0 | 659 | 18,806 | 100,455 | 20,091 |
| Ecosystem | 8,832 | 0 | 0 | 10,683 | 0 | 19,515 | 3,903 |
| Coastal Pelagic | 0 | 14,927 | 15,316 | 12,327 | 16,798 | 59,368 | 11,874 |
| Highly Migratory | 7,006 | 0 | 18,379 | 14,792 | 0 | 40,177 | 8,035 |
| Marine Planning Committee | 0 | 0 | 0 | 9,040 | 0 | 9,040 | 1,808 |
| Total | 125,057 | 58,172 | 101,682 | 111,716 | 121,022 | 517,649 | |



How can we slow down spending?

Other possible places to reduce spending

- Staff incentive pay (reduce by \$30K)
- State liaison contracts (reduce by \$196,871 - to 2019 level)
- Other contracts
 - Communications (reduce by \$10K)
 - Legislative liaison (reduce by \$7,500)



Conclusions

Our 2022 EOY forecast puts us in a better position financially than expected

We will still need to slow our spending rate through the current grant cycle

We have several ways to do so that include:

- Travel to Council meetings
- Travel outside Council meetings
- Contracts

We recommend making several decisions now to establish 2023 provisional budget, and planning for a holistic review of funding and priorities in middle of 2023

