

# Executive Directors Report

September 2023

# What this presentation covers

- Audit summary
- 2023 expenses and EOY outlook
- Initial 2024 budget
  - What our budget would look like with pre-COVID practices
  - History of expenses over time
  - The initial proposed 2024 budget
- IRA funding
  - Update
  - How IRA funding may impact proposed 2024 budget
- Next grant cycle
  - Committee-of-the-whole agenda concepts

# Decisions/recommendations for this committee to make and when

## September

- Review and approve audit
- Provide guidance on provisional budget, committee-of-the-whole, IRA as appropriate

## November

- Adopt provisional budget
- Final recommendations on committee-of-the-whole agenda
- Guidance on IRA funding

# Major questions for this meeting

- 2024 Pre-Provisional budget
  - Is the budget reasonable given A) the Council's 2024 agenda, B) expected income, C) status of delayed spending account?
  - Does the BC recommend any additional changes for staff to explore/analyze ahead of November and the adoption of the provisional budget?
- Next grant cycle
  - What are issues that should be explored and considered for the committee-of-the-whole agenda?
- IRA funding
  - Review process and provide guidance on possible topics for funding

# Audit and 2023 budget status

# Audit summary

- See attachment

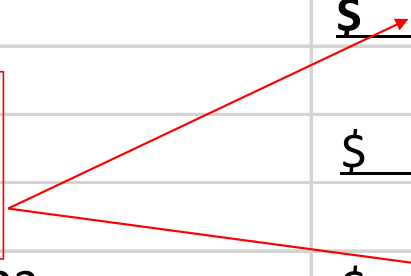
# 2023 Budget Status

Prior Calendar Year Funds remaining at end of 2022	\$ 3,119,197
CY 2023 Funds received	\$ 4,956,972
SWFSC (ISC Rappetour)	\$ 3,701
Trawl Cost Project (Phase 2)	\$ 170,000
Funds on hand (as of August 15, 2023)	<b><u>\$ 8,249,870</u></b>
Anticipated expenses	<u>\$ 5,898,632</u>
Expected funds remaining at end of CY 2023	<u>\$ 2,351,238</u>



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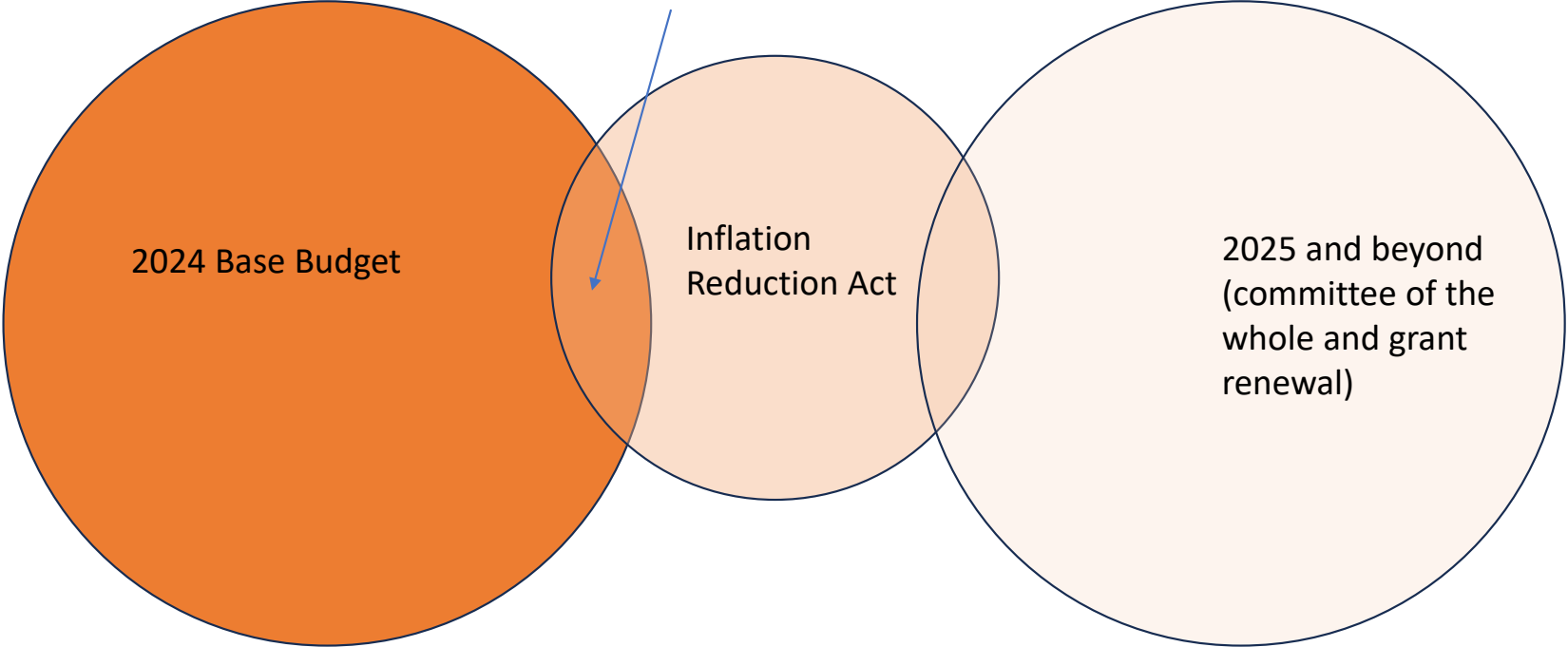
IRA funding is still coming into focus and may affect these numbers by the end of the year



<b>Category</b>	<b>Operational 2023 Budget</b>	<b>Expenditures as of 7/31</b>	<b>Balance Remaining</b>	<b>% of Budget Spent as of 7/31</b>
Staff Wages & Benefits	2,664,521	\$ 1,406,087	\$ 1,258,434	52.8%
Travel	1,184,808	\$ 436,373	\$ 748,435	36.8%
Supplies & Services	749,962	\$ 345,544	\$ 404,418	46.1%
Contractual			\$ -	
Council Member Compensation	286,454	\$ 118,230	\$ 168,224	41.3%
Advisory Body Stipends	69,499		\$ 69,499	0.0%
Liaison (State, PSMFC)	710,235	\$ 7,483	\$ 702,752	1.1%
Other (Salmon SAFE, GF Spex, etc.)	233,203	\$ 152,681	\$ 80,522	65.5%
<b>Total 2023</b>	<b>5,898,682</b>	<b>\$ 2,466,398</b>	<b>3,432,284</b>	<b>41.8%</b>

# Three future budgets discussed at this meeting

The Council has identified several agenda items for 2024 that would appear to qualify for IRA funding



# 2024 Pre-Provisional Budget

This section will cover the rationale and details behind  
the pre-provisional 2024 budget

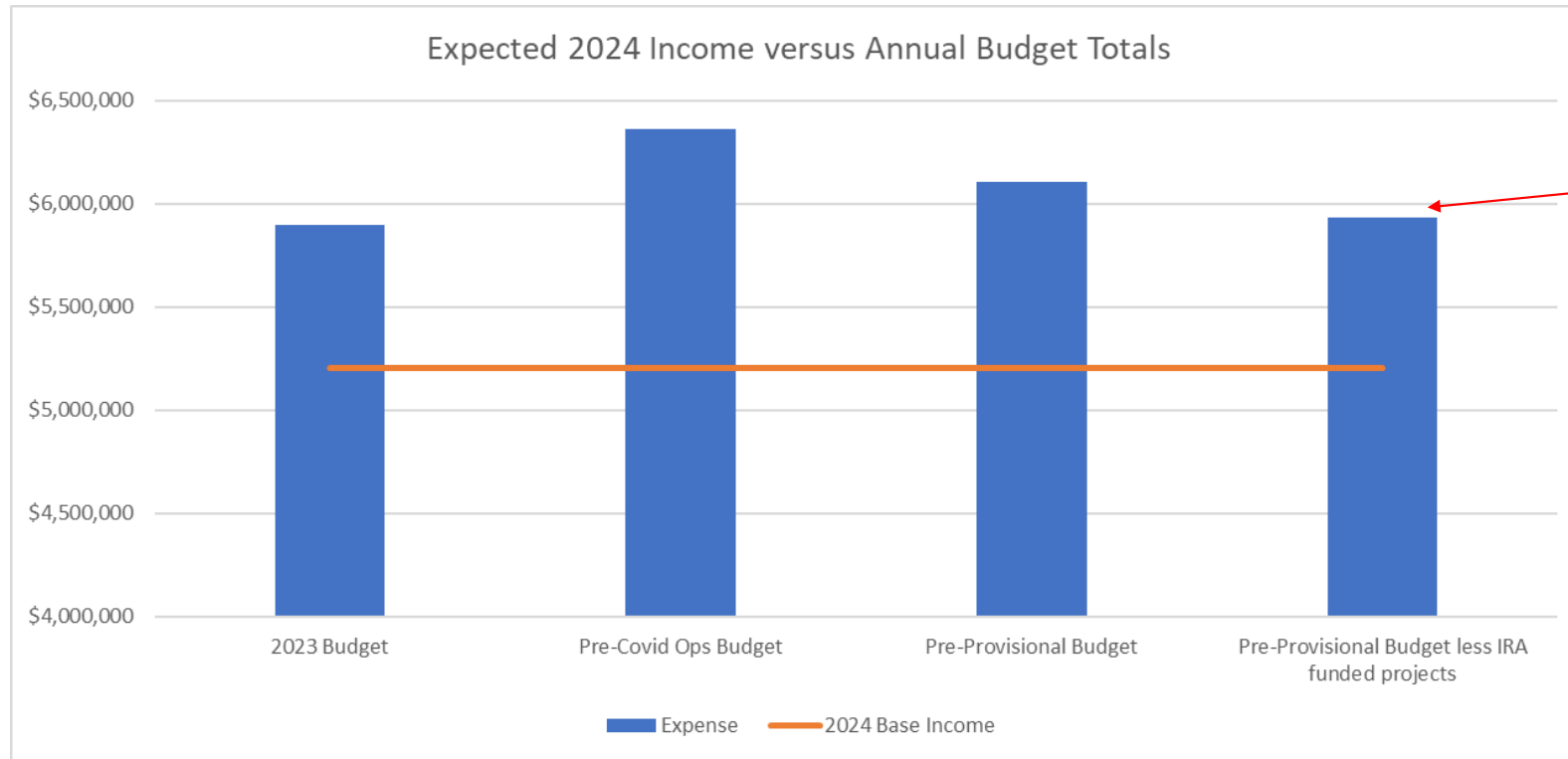
# Rationale behind 2024 pre- provisional budget

- Cause minimal disruption to the current way of business, while easing in to more remote and hybrid meeting formats
- Limit the size of budget so that a reasonable draw down of our delayed spending account occurs
- Budget for ongoing and future agenda topics

# Summary of 2024 Budget – Top Line Messages

- Costs are increasing rapidly, largely due to:
  - Inflation
  - The simultaneous increase of several cost categories
- This is making it increasingly difficult to keep expenses in line with expected income, which has led to the need to:
  - Rein in requested meetings
  - Plan remote meetings in lieu of in-person meetings, among other steps

# Top Line Summary of 2024 Budget – Income and Expense Comparison



If we acknowledge that several future agenda items qualify for IRA funding, this has the effect of reducing the base budget

# Top Line Summary of 2024 Budget

What would it look  
like if we followed  
pre-COVID  
practices?

- If we were to assume everything currently on the Council's agenda stays + develop a budget consistent with pre-COVID practices, our total budget would be \$6.4 million
  - *This would result in a deficit of roughly \$1.2 million*
- Returning to pre-COVID operations is thus not responsible
  - *Over the past 1.5 years we have been trimming various expenses – and changing some of our operations – to maintain a more manageable deficit*
  - *This also allows us to move to practices in a post-COVID, tighter budget environment in an orderly fashion*



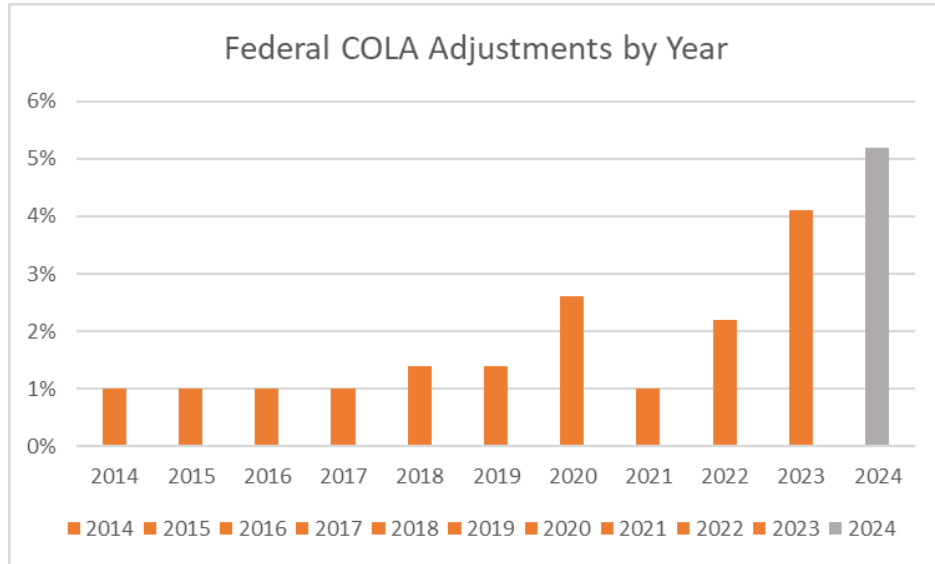
# Top Line Summary of 2024 Budget Pre-Provisional Budget

- Our pre-provisional budget is structured to largely maintain existing operations while supporting the 2024 agenda with minimal disruption
  - *This does not appear to be sustainable over the long term*
- Our initial proposed budget for 2024 equals \$6.1 million
  - *Before accounting for IRA funding, this results in a deficit of roughly \$900,000, which is still a substantial sum*
    - *We will continue to look for cost savings between now and November, so this is not final*
  - *This pre-provisional budget is marginally higher than our 2023 budget*
- Based on conversations with NMFS staff, several initiatives the Council has planned for 2024 would appear to qualify for IRA funding
  - *Assigning these initiatives to IRA funding rather than base funding effectively reduces our base budget. The effective base budget total may be on the order of \$5.9 to \$5.7million, (maybe more or less)*
  - *This is roughly in line with the 2023 budget, with a deficit of \$500K to \$700K*

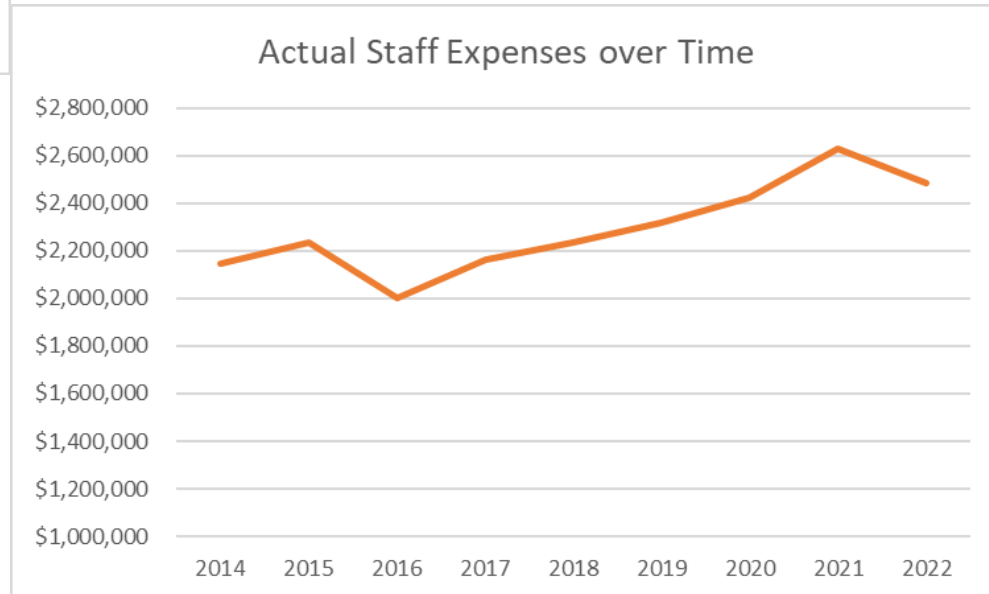
How did we  
get here?

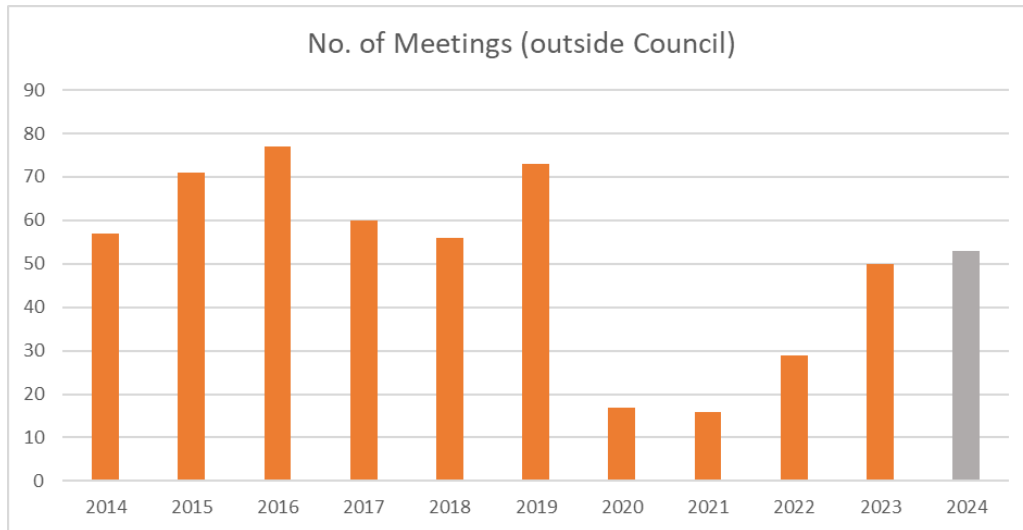
Our finances  
over time and  
how they have  
been changing

- Inflation has been playing a large part in driving cost increases over the last couple of years
  - This effects travel, per diem, staff salaries and Council member compensation
- Contract expenses have increased over the last handful of years
  - Much of the changes in this expense category are driven by changes in state liaison contract amounts—in 2020 large adjustments were made to this category
- Hotel and meeting venue spaces are increasingly charging for items that were once included as part of our contract
  - AV equipment, internet and higher rental fees
  - We have limited hotel options due to CM space requirements, which affects the bidding process
- The number and size of our meetings greatly influences our expenditures.
  - These have fluctuated over time, and are now on the upswing
- Several segments of the Council's budget have historically offset one another (one is down while another is up). Now they are all up or increasing.



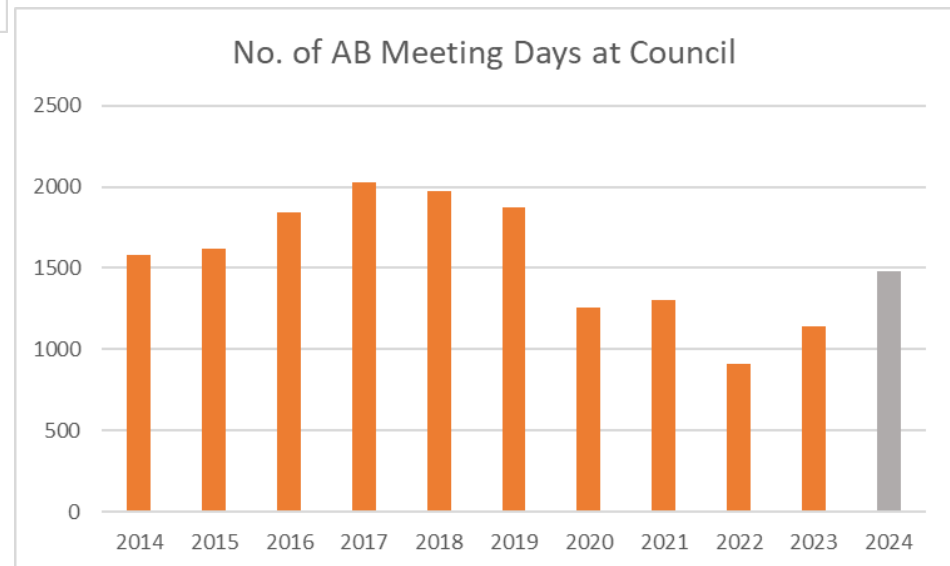
Federal COLAs have been increasing rapidly over the last two years. When combined with staff performance raises, this has driven increases in total staff expense over time. Staff leadership have been able to keep changes in the costs of benefits at a manageable rate of increase over time

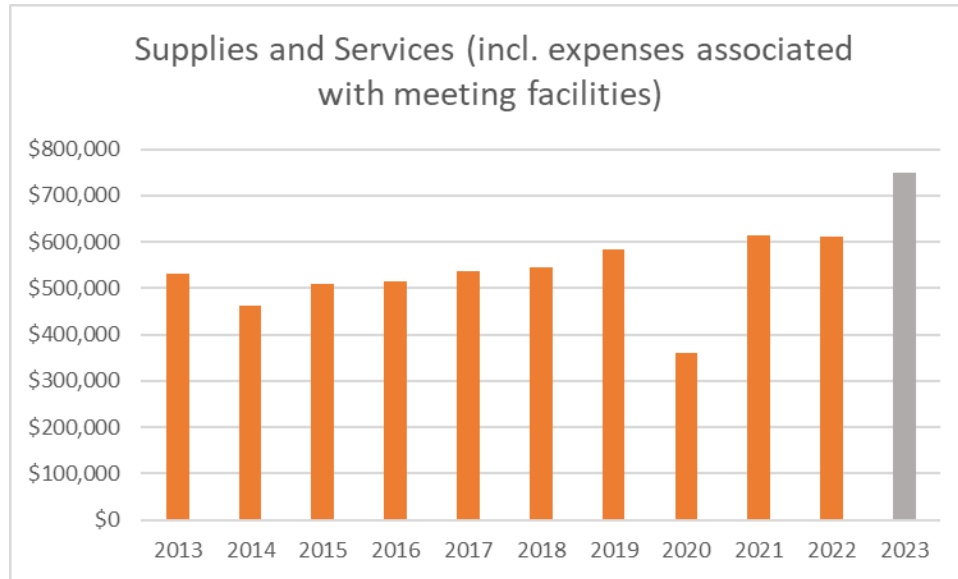




The number of meetings that incur travel expenses have changed over time. Meetings which incur travel costs declined in the early 2020s, but are on the increase in a post COVID era.

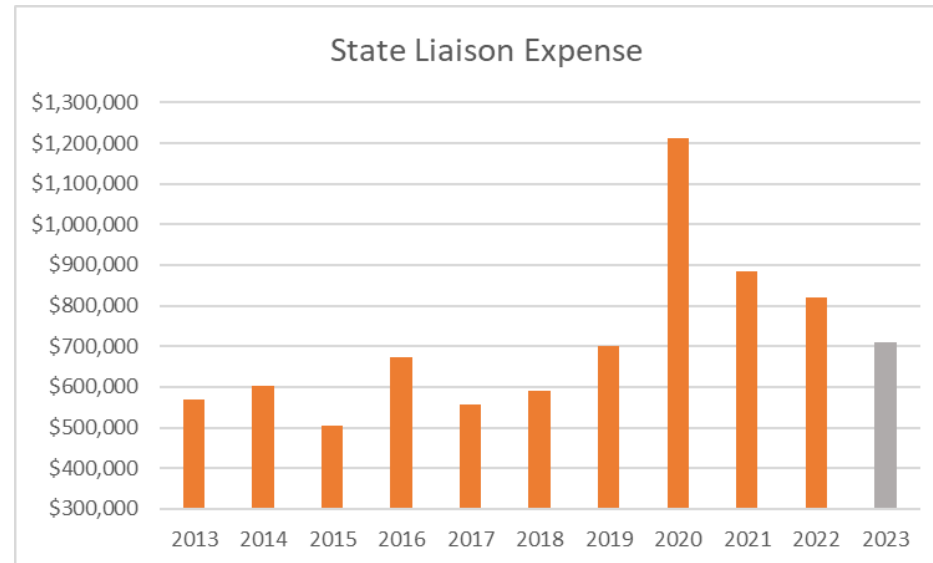
The figures below do not account for the dramatic increase in remote meetings which have occurred in the post-COVID era. These meetings can incur substantial time and resources of staff, as well as incur stipend expenses.





Both supplies&services and state liaison expenses are higher now than they were earlier in the 2000s. Staff have trimmed and cut supplies and services over the past several years in an attempt to balance cost increases in this category. We are now no longer able to trim these expenses without jeopardizing operations.

State liaison expenses have declined since the COVID era, but are still notably higher than in pre-COVID years. Prior to COVID, state liaison contracts were partially funded by supplemental Council funding.



What is  
happening  
within 2024  
budget  
categories?

- The following slides outline what is taking place within major expense categories, including actions taken to keep expense increases down

# Staff expenses

- Staff expenses are constructed to retain current staff and continue to make the Council an attractive place to work
  - Staff pay, benefits, and performance incentives are largely maintained

Advisory Body  
travel

Council  
meetings

Proposed in-person and remote meeting plans for select Advisory Bodies/Teams/Committees

- Several advisory bodies have remote meetings where there used to be in-person meetings.
- The decision to have a committee go remote or be in person is based on criteria established for 2023 (complexity of issues, need for iteration with Council or other groups)
  - Habitat committee: *three remote meetings, two in-person*
  - SSC: *remote meeting in April, four in-person meetings*
  - MPC: *all meetings done remotely*
  - CPS: *one in-person meeting, others remote*
  - HMS: *one remote meeting, others in person*



## External travel/meetings

- Several meetings that have traditionally involved travel are proposed for remote attendance or cancellation
  - IPHC: *remove travel expenses for a Council funded representative*
  - Catch share review hearings: *hold remotely*
  - Groundfish project meetings: *hold remotely*



# Contracts

- Contractual arrangements are structured largely along status quo lines, while anticipating Council needs for 2024
  - State liaison contracts remain at current levels
  - Trawl cost project continues (and receives dedicated funding)
  - Contracts for groundfish spex support, MREP/newsletter, and others are retained

# Select 2024 pre-provisional budget details

Efforts to keep expenses manageable in 2024  
largely focus on travel and meetings

# Travel outside of Council meetings

<b>Pre-Provisional Budget (Non-Council Meeting Travel)</b>	<b>by meeting</b>	<b>by FMP</b>
<b>Council Member Travel (CCC, Orientation)</b>		15,834
<b>Council Staff Travel (PSMFC, NMFS Regional Meetings, Hotel Site Visits, Staff CCC)</b>		22,629
<b>CPS Travel</b>		9,564
Trinational Sardine Forum	1,366	
Special Workshops (2 Workshops)		
CPS STAR	<b>8,198</b>	
CPSMT		
<b>Ecosystem Travel</b>		1,772
EAS (0 Meetings)	-	
EWG (0 Meetings)	-	
Staff Ecosystem Related (TNC Workshop, Offshore Wind)	<b>1,772</b>	
MPC (1 Meetings)	-	
<b>ESA Travel (Staff Travel if in person meeting held)</b>		-
<b>Groundfish</b>		10,801
GMT (1 Meetings)	10,801	
Special Workshops (2 Workshops)	-	
STAR Panels (5 +mop-up)	-	
Staff Pre-Specs meeting with NMFS	-	
GEMTAC/PAC (2 Meetings each group)	-	
Trawl Rationalization Hearings	-	
Trawl Rational Cost Analysis	-	
<b>HMS Travel</b>		44,924
HMSMT (1 Meeting)	6,621	
HMS Workshop	17,978	
WCPFC/NC	14,909	
IATTC/WCPFC Joint Meeting	3,975	
IATTC International Meeting & Transition Meeting	1,441	
<b>Salmon</b>		65,573
STT (January/February)	<b>10,240</b>	
Salmon Hearings	2,437	
Salmon SSC & MEW	21,644	
Salmon MEW	925	
KFRC/SRCW	30,328	
<b>Meeting of the Whole</b>		11,399
<b>MREP</b>		<b>11,770</b>
<b>Contract Travel (CDFW/WDFW)</b>		48,002
<b>Total</b>		242,268

## Travel to Council meetings

	Total	Average
Travelers (# Days @ Mtg)	Cost	Cost/Meeting
Council Members, including EEJ	211,795	42,359
Council Staff/Contractors	166,902	33,380
SSC	63,331	12,666
Enforcement	21,048	4,210
Habitat	25,918	5,184
Groundfish	270,816	54,163
Salmon (including MEW)	98,497	24,624
Ecosystem	25,448	12,724
Coastal Pelagic	22,546	5,636
Highly Migratory	84,387	21,097
Marine Planning Committee	-	-
<b>Total</b>	<b>990,688</b>	<b>198,138</b>

<b>Category</b>	<b>Operational 2023 Budget</b>	<b>Pre- Provisional Budget</b>	<b>Increase (Decrease) from 2023 operational</b>
Staff Wages & Benefits	2,664,521	\$ 2,739,754	\$ 75,233
Travel	1,184,808	\$ 1,232,956	\$ 48,148
Supplies & Services	749,962	\$ 781,295	\$ 31,333
Contractual			\$ -
Council Member Compensation	286,454	\$ 286,648	\$ 193
Advisory Body Stipends	69,499	\$ 69,499	\$ -
Liaison (State, PSMFC)	710,235	\$ 710,235	\$ -
Other (Salmon SAFE, GF Spex, etc.)	233,203	\$ 285,963	\$ 52,760
<b>Total</b>	<b>5,898,682</b>	<b>\$ 6,106,350</b>	<b>207,668</b>

# Questions for the BC on 2024 Pre- Provisional Budget

- Is the pre-Provisional budget reasonable given expected income, our delayed spending account, and the Council's future agenda?
- Are there any further suggestions/request for trimming expenses ahead of the November adoption of the provisional budget?

# Inflation Reduction Act and Council Funding

“We are building the plane while flying it” - NMFS leadership



# Funding goals

Actions funded under IRA contribute to the goals of:

- *Implementation of fishery management measures necessary to advance climate ready fisheries by improving climate resiliency and responsiveness to climate impacts; and*
- *Development and advancement of climate-related fisheries management planning and implementation efforts in support of underserved communities*

# Example topics for IRA funding

Topics may take the form of:

- *Operationalize fish climate vulnerability assessments or other scientific products (e.g., ecosystem status reports, Integrated Ecosystem Assessments, etc.)*
- *Operationalize recommendations from climate scenario planning efforts*
- *Implement management changes to address climate vulnerability or improve climate resiliency of fisheries, including those that are important to underserved communities*
- *Implement measures that increase responsiveness of allocations or other management measures to climate impacts*
- *Develop and advance climate-related fisheries management planning and implementation efforts in support of underserved communities*

To qualify for funding, proposed topics would need to be complete and implemented – or have implementation imminent – by 2027

# IRA Council funding amounts and timelines

- \$20 million in total funding for all Councils from FY 2023 to FY 2026, with opportunity for a one year no cost extension
- At least two proposals required from each Council
  - *First tranche intended for building capacity needs related to second tranche*
    - *\$375K to each Council*
    - *Due fall 2023, with funding received shortly thereafter*
  - Second tranche of funding to be linked to specific actions/agenda topics
    - *\$17 million divided among 8 Councils*
    - *Due early 2024*
  - There may be a need for a third proposal round if the full \$20 million is not spent in the first two rounds
    - *Fall 2024/early 2025*

# Integrating the Council timeline with the IRA funding timeline

- September 2023 Council meeting: *initial feedback on IRA funded Council projects*
  - Staff recommends we first consider items that are on our docket
    - Many of these items are – or can be – considered in the context of climate change. This view ensures incorporation of climate change considerations into management
- October 2023 CCC meeting: *further clarity regarding IRA funding opportunity and process*
- November 2023 Council meeting: *further refinement of IRA funded agenda topics*
  - Staff bring forward a proposed list of agenda topics and how IRA funding can be used to fund travel, staff/contractors, and other operational requirements to see these matters through to completion
  - Depending upon the financial size of this initial view, we may want to make specific note to NMFS as to whether we envision the need to seek further funding in the fall of 2024

→ *For consideration: If we make the January committee-of-the-whole meeting a decision-making meeting, this would allow the Council to have another chance to specify projects/topics for IRA funding before proposal submission*

# Implications of IRA funding on our budget in 2024 and beyond

- The Council currently has more work on its plate than can be accomplished with existing staff and financial resources
- IRA funding has the potential to help close this gap
  - *Preliminary discussions with NMFS indicates some of our planned activities should qualify*
- Staff's initial review of scheduled agenda topics leads us to estimate that somewhere on the order of \$200K to \$400K (more or less) could be folded under IRA funding
- Beginning in 2024 we will need to use IRA funds to hire a contractor to help manage IRA projects (this is in addition to the \$200K to \$400K)
  - *This is the main purpose of the first tranche of IRA funding*
- Additional IRA funds are available for additional projects in 2024 and beyond

# Potential topics for IRA funding in 2024

- Klamath and Sacramento fall chinook workgroups
  - *Climate change is a major driver of salmon survival and appears increasingly responsible for abundance and fishery opportunities*
- HMS roadmap
  - *Highly migratory species are very sensitive to sea surface temperature, among other matters, and a shift in their location and abundance may necessitate new ways of management*
- Gear marking
  - *Worldwide, shifting migratory routes of whales and other marine mammals are leading to conflicts with fishing gear, including off the Pacific coast*
- Queets spring/summer chinook rebuilding
  - *This stock status appears substantially driven by environmental factors, necessitating a strategy for rebuilding in the face of climate change*
- Equity and Environmental Justice
  - *Climate change may most impact those communities that are marginalized and have few resources to address it*
- Climate risk tables
  - *Identifying risks associated with climate change during specifications and season setting processes may help foster climate-related decision making*
- FEP Initiatives

## Questions for the committee

- Does the committee agree with staff's suggestion to consider whether currently planned items can be covered with IRA funding?
  - If not, we will need to consider dropping some items from the Council's future agenda
- Does the committee have any feedback on the process for determining the scope of our IRA funding proposal?
  - For example, should we use part of our committee-of-the-whole meeting to consider IRA funding?

# Next grant renewal and committee-of-the-whole

An initial view of possible agenda topics for the  
committee-of-the-whole

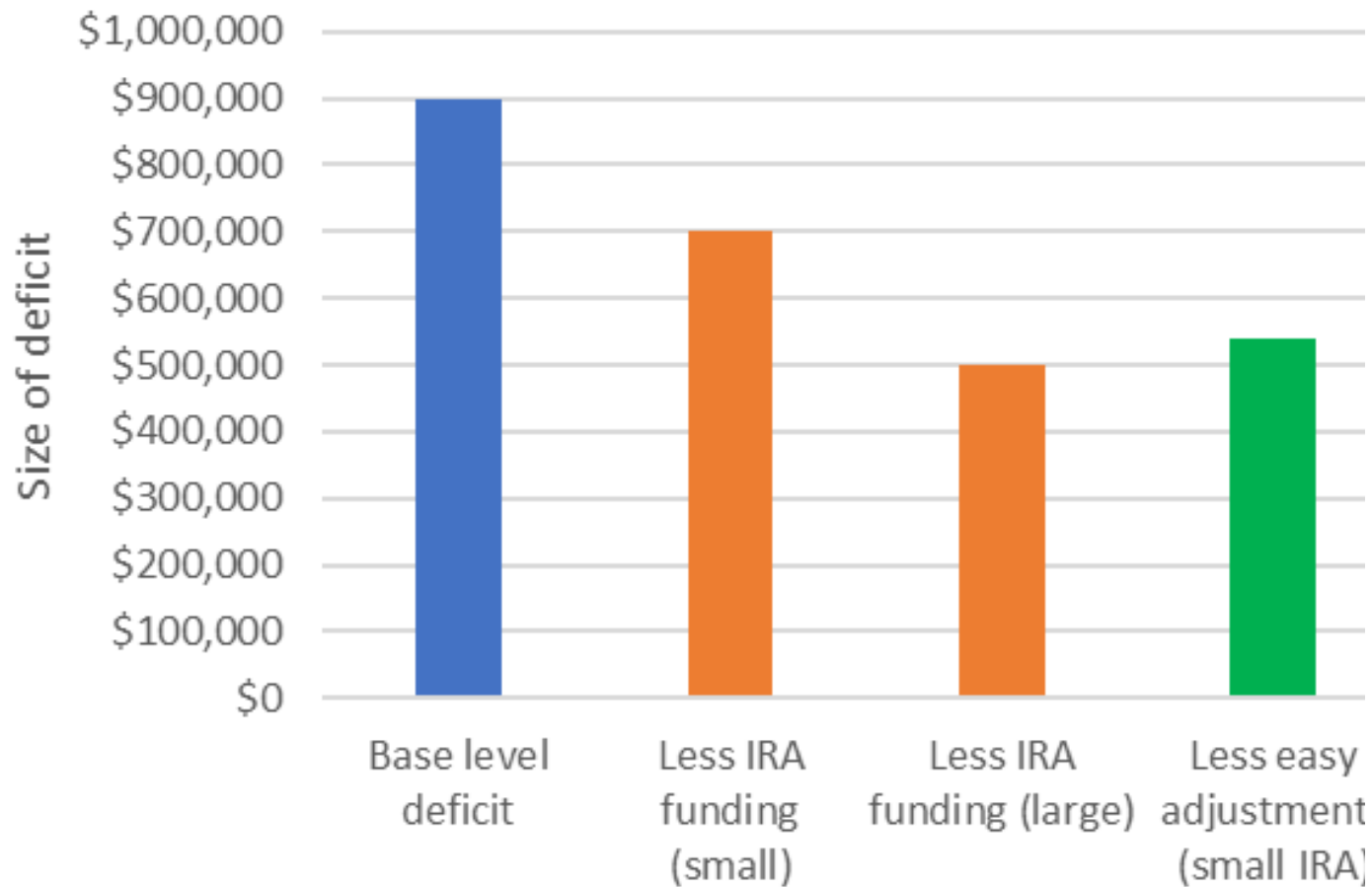


# Overview

- The committee-of-the-whole is being planned to provide critical input into our next grant cycle
- This is being done because:
  - *The Council is currently on an unsustainable financial path*
  - *We have learned new ways of doing business over the past few years that we can capitalize upon to help us move forward*
  - *In order to achieve long-term financial sustainability, some of the changes required of our operations may be substantial and require full Council consideration*
- The task at this meeting is to provide initial input to staff on the committee-of-the-whole agenda
  - *A list of agenda topics is planned for review by the Council in November*



## Estimated deficit size by scenario



## Estimated deficit size by scenario (the scale of the issue)

- This chart should be read left to right.
- If we take the pre-provisional 2024 budget, we have a deficit of nearly \$900K
- If we assume we can attribute some 2024 expenses to IRA funds, our deficit drops to \$700 to \$500K.
- If we then implement some reasonably easy cuts to our budget, we may get our deficit down to \$550K to \$350K

# Organizing our questions

There is an overarching need is to address our long-term financial sustainability. We can work through this matter systematically

- First matter is to establish the book-ends:
  - How much does it cost to fund our core activities (spex, EFH, ESA, etc)?
  - What are we spending now?
  - What's the difference between the two?
- Second matter to consider is that there is good reason for our current scope of activities
  - Are there measures we can take, activities we can strike, that don't substantially affect our current agenda?
- Third matter is the remaining distance we need to cover to close the budget gap. How do we want to do it?
  - Do we want to change operations?
  - Do we want to change the scope of our agenda topics?
  - Some combination of both?

## The previous slide has some important caveats

- Inflation and other expenses have been rising more quickly than our income.
  - If this continues, the estimated deficits in the previous slide would be larger
- Staff have assumed that the rather straightforward ways to reduce expenses further from today include:
  - Eliminating international travel expenses for HMS (commissioners are covered by State Dept, while staff and contractors are not)
  - Moving Council meetings out of Seattle and the Bay Area will save roughly \$100K per year
  - Hotel food&beverage expenses are trimmed (cancelling of banquet) and recaptured through per diem

Making up  
additional ground  
on our deficit  
requires much  
more substantial  
changes to our  
operations

#### Meetings

- Shorten duration (AB meetings, Council meetings)
- Reduce AB size (reduce the number of seats on some/all ABs)
- Reduce meeting frequency (change the number of times ABs meet throughout the year)

#### Contracts

- Reduce or eliminate contracts
  - Program work: HMS, spex, communications
  - Liaison contracts

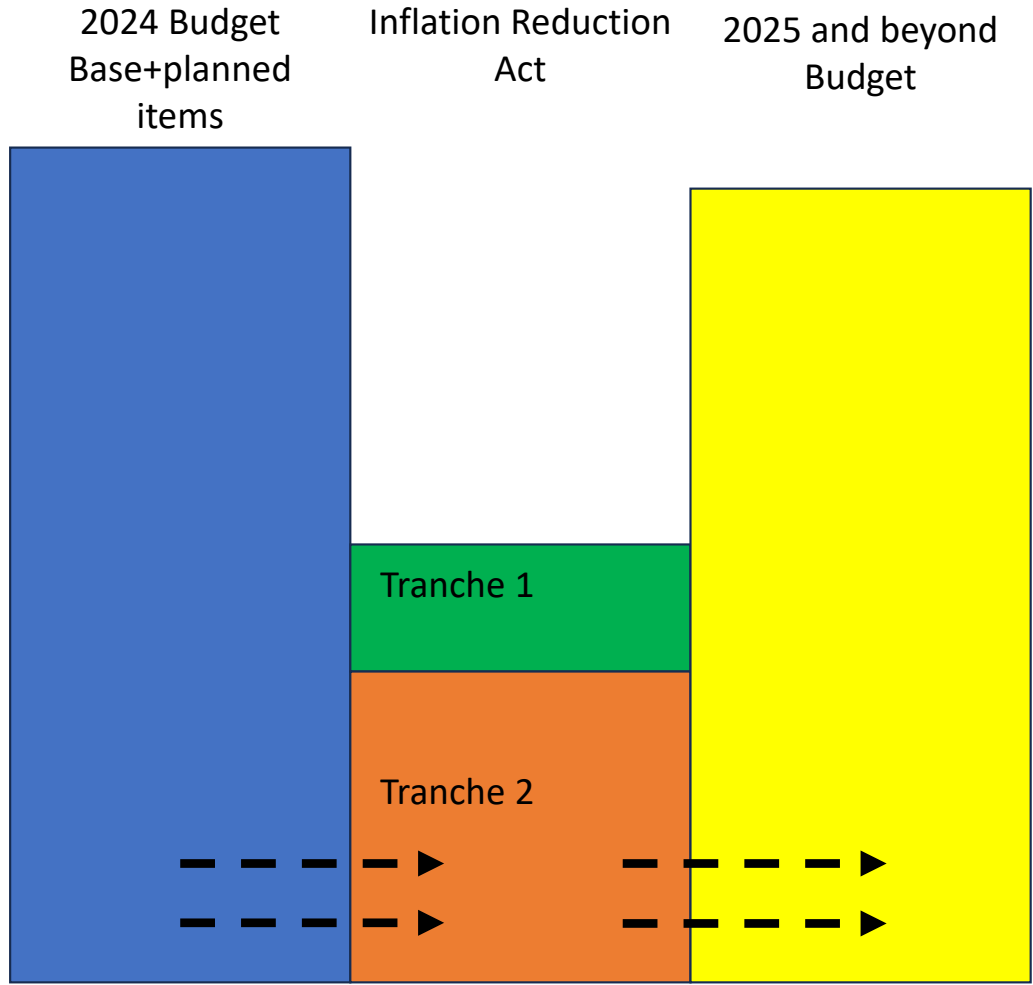
#### Staffing

→ Any reduction to these categories would effectively reduce Council capacity

- To successfully implement any of these changes would require a change in our operations, structure, and scope of agenda topics

## There are two strategic discussions to have, which may set the stage for the committee-of-the-whole agenda

1. How can we change operations while maintaining our current scope of activities?
    - *This is inherently a “whittle away from the top” approach, which maintains our agenda while trimming and restructuring activities and operations*
  2. What more can we afford to do beyond our core responsibilities?
    - *This is inherently a “stacking of building blocks” approach which first funds core responsibilities, and then adds additional priorities until our budget is fully spent*
- *The first approach is much easier to analyze since it aligns with the structure of our current financial systems and doesn't re-think the Council's current agenda*
- *The second approach may be more conducive to prioritization*



*Conceptual  
depiction of 3 major  
budget and expense  
categories and how  
they relate*



# Tasks for the committee

1. Pre-provisional budget:
  - Does the committee agree with the rationale behind the 2024 budget?
  - Does the committee agree with the resulting budget size?
2. IRA funding:
  - Does the committee agree with staff's proposed approach and process?
3. Committee-of-the-whole:
  - Does the committee agree with the general framing of a committee-of-the-whole agenda?
    1. Scale of the budget problem
    2. Two ways to strategically approach closing the gap
  - Does the committee have thoughts about whether to consider IRA funding proposals as part of this meeting