

November 2024

Executive Director's Presentation

Outline

- 2024 status and end of year forecast
- Projected no cost extension balance on Jan 1 2025
- Proposed 2025 provisional budget
 - Differences between proposed 2025 budget and prior years
 - Areas of uncertainty in proposed 2025 budget
 - Available capacity and resources
- Financial outlook

How 2024 is playing out

2020-2024 Grant Funds	
Prior Calendar Year Funds remaining at end of 2023	\$ 2,897,034
CY 2024 Funds received	\$ 4,982,932
SWFSC (ISC Rappetour)	\$ 3,878
Funds on hand (as of August 31, 2024)	<u>\$ 7,883,844</u>
Planned expenditures through December 31, 2024	<u>\$ 5,944,921</u>
Expected funds remaining at end of CY 2024	<u>\$ 1,938,923</u>
2024-2027 IRA Grant Funds	
CY 2024 IRA Funds Received (Aug 29)	\$ 375,000
CY 2024 IRA Funds Received (Aug 29)	1,269,185
2024 IRA Funds Remaining (expected December)	759,873
Funds on hand or expected (as of August 31, 2024)	<u>\$ 2,404,058</u>
Budgeted Expenditures (Operational)	<u>\$ 188,305</u>
Expected IRA funds remaining at end of CY 2024	<u>\$ 2,215,753</u>

2024 status and
EOY forecast

2024 Budget and EOY forecast

Category	Combined 2024 Budget	Expenditures as of 9/30	Anticipated Expenditures Remaining	Total Anticipated Expenditures for CY 2024	Projected Budget Surplus or (Deficit)	% of Category
Staff Wages & Benefits	2,820,978	\$ 1,915,394	\$ 852,689	\$ 2,768,083	\$ 52,895	98%
Travel	1,217,225	\$ 696,530	\$ 500,804	\$ 1,197,333	\$ 19,892	98%
Supplies & Services	776,300	\$ 498,069	\$ 250,971	\$ 749,040	\$ 27,260	96%
Contractual						
Council Member Compensation	295,148	\$ 176,378	\$ 97,790	\$ 274,168	\$ 20,980	93%
Advisory Body Stipends	74,559		\$ 74,559	\$ 74,559	\$ -	100%
Liaison (State, PSMFC)	718,235	\$ 172,066	\$ 546,169	\$ 718,235	\$ -	100%
Other (Salmon SAFE, GF Spex, etc.)	662,509	\$ 290,540	\$ 61,331	\$ 351,871	\$ 310,638	53%
Total 2024	6,564,954	\$ 3,748,977	\$ 2,384,313	\$ 6,133,289	431,665	93%

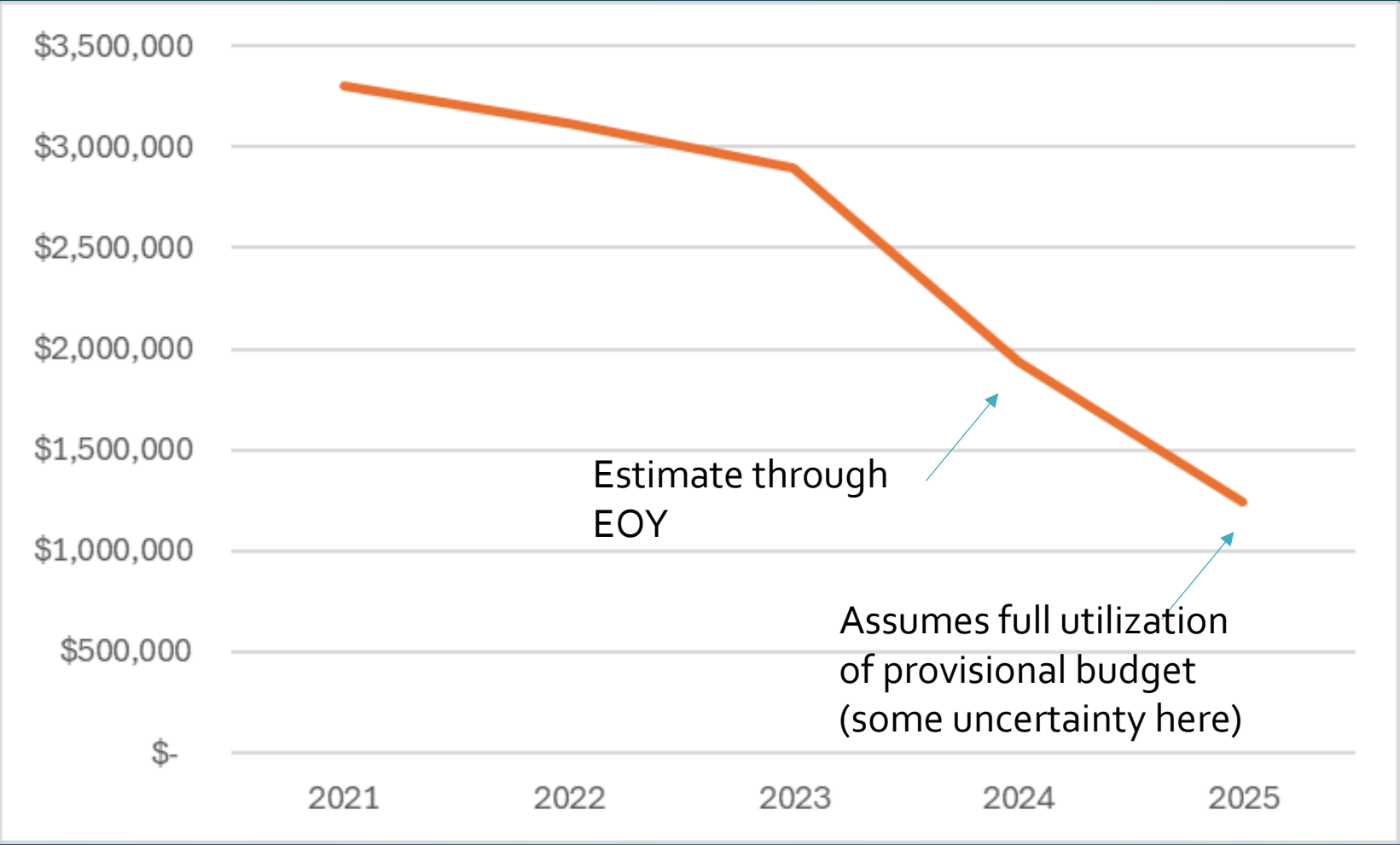
Planned IRA contracts have not yet been executed due to delays in funding

Our proposed 2025 budget

2025 Budget by Funding Source versus 2024

Category	Operational 2024 Budget	Proposed 2025 Budget from Grant Funds	Proposed 2025 Budget from Ext. Funds	Proposed 2025 Budget from IRA Funds	Proposed Operational Budget	Increase (Decrease) from 2024 operational
Staff Wages & Benefits	2,820,978	1,638,081	688,646	403,009	2,729,735	(91,243)
Travel	1,217,225	861,593	285,679	95,858	1,243,130	25,905
Supplies & Services	776,300	563,984	227,460	36,385	827,829	51,529
Contractual					-	-
Council Member Compensation	295,148	191,468	75,205	8,283	274,955	(20,193)
Advisory Body Stipends	74,559	47,633	21,866	5,060	74,559	-
Liaison (State, PSMFC)	718,235	539,426	179,809	-	719,235	1,000
Other (Salmon SAFE, GF Spex, etc.)	662,509	31,663	365,494	206,250	603,407	(59,102)
Total	6,564,954	3,873,847	1,844,158	754,845	6,472,850	(92,104)

Delayed spending account balance & forecast

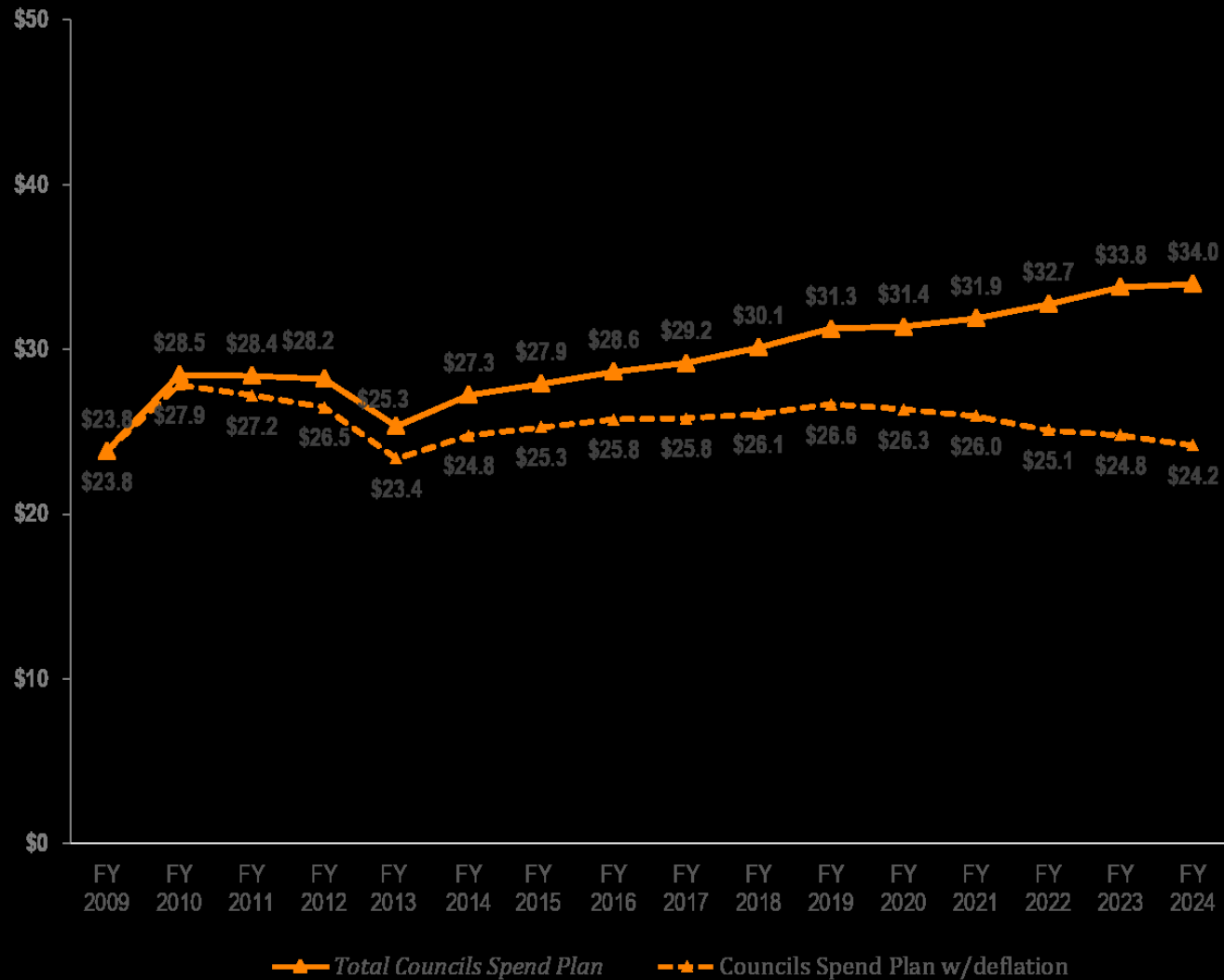


Recent and relevant financial history

How did we get here?

- Several considerations, which include:
 - Inflation and decline in “real” inflation adjusted income to the Councils
 - 2021 expansion in staff FTE in response to marine planning work
 - Increase in contract expenses

Councils Spend Plan (\$ millions)



Council funding over time (nominal and real)

- Since 2019 Council funding has declined in inflation adjusted terms

Staff Expenses

Staff Expenses over Time ('25 and '26 estimated)



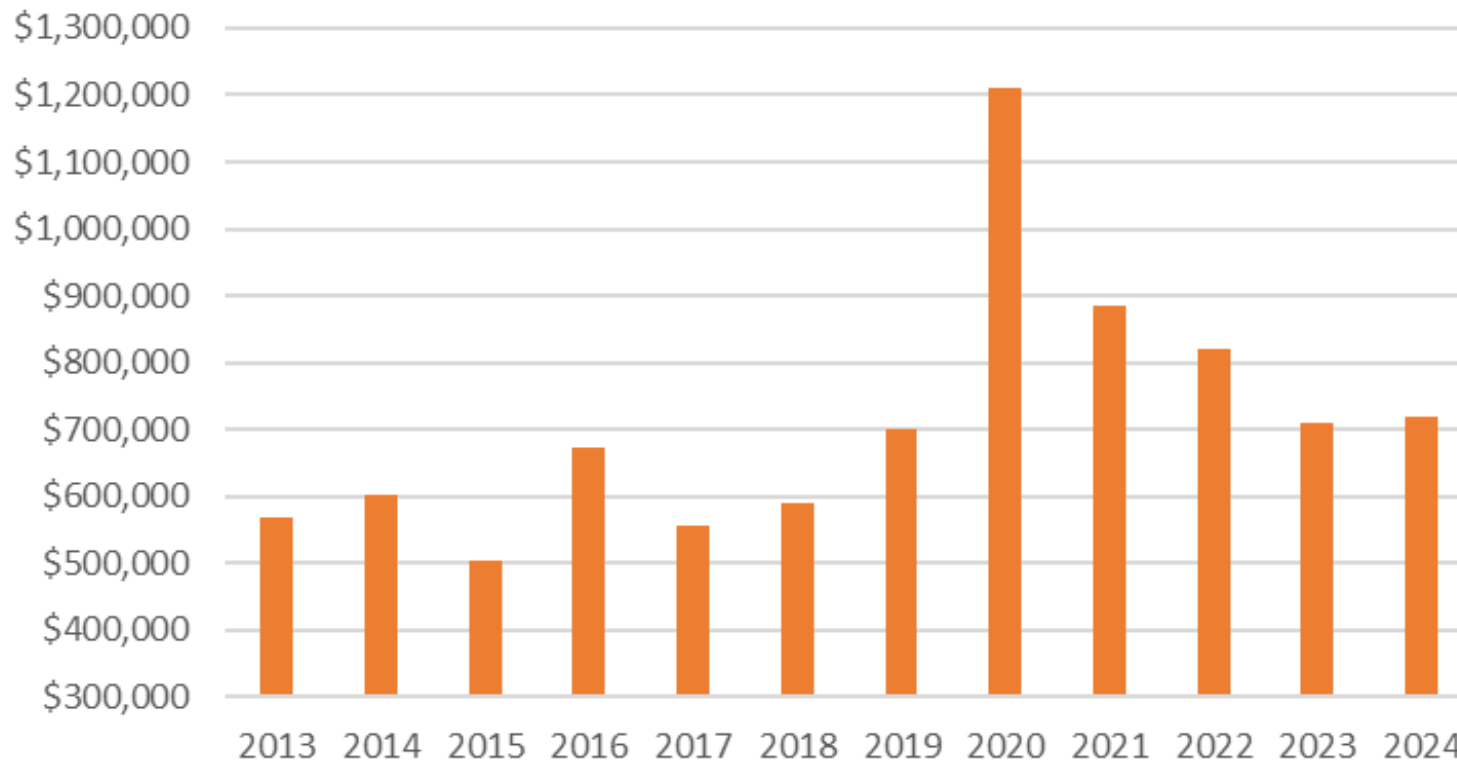
Expenses climbed throughout the early portion of the chart due to step increases, COLA adjustments

-Expenses climbed somewhat in latter years due to COLA adjustments, retirement leave pay, overlap of retiring/new staff

-Expenses should be flat or may decline somewhat over next couple of years

-Expenses covered in part by IRA funding in near term

State Liaison Expense



State liaison
budgeted
expense:

-prior to COVID, state liaison expenses ranged from \$500K to \$700K, averaging around \$600K

-in more recent years state liaison expenses have ranged from \$700K to \$1.2million, with recent years near \$700K

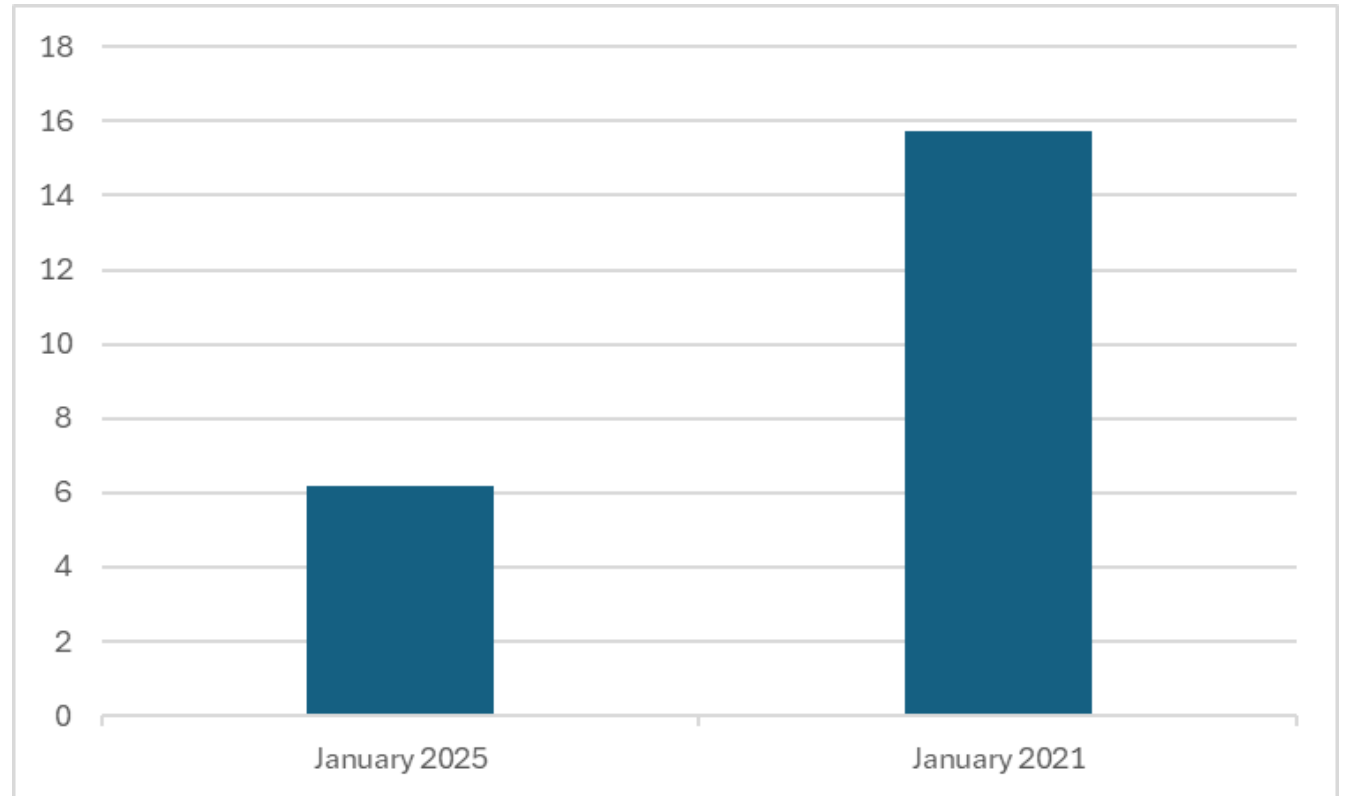
A dive into recent and near-term
considerations

Why the acceleration in Council expenses in 2024?

- Ramp up in expenses this year was planned in order to cover a few matters:
 - Overlap in new/retiring staff
 - Committee of the whole
 - Contracts to support initiatives
- Increase in other contract expenses has been necessary to carry out Council initiatives
 - New staff, new management/technical team members has meant a (temporary) decline in capacity
 - To complete Council initiatives we have had to use more contractors

Average tenure of staff by year

- In January of 2025 the average tenure of a PFMC staff person will be approximately 6 years
- In January of 2021 the average tenure of a PFMC staff person was nearly 16 years
- Our new hires are talented and extraordinarily capable individuals, but this decline in average tenure means that many things have necessarily slowed down
- Many of our advisory groups have gone through similar degrees of change recently



Staff transition timing

[illegible]

Complex income streams	Three major income streams, each with a need for clear budget delineation, makes accounting and forecasting for 2025 complex
Staff	Staffing overlap will continue through the first third of 2025 and then will cease. IRA funds are covering some staff expenses, including fully supporting one staff officer
Stipends	No major change to stipends, except adjustments due to annual change in Federal GS scale
Travel	Inflation continues to increase travel and hotel expenses. Budgeted for one fewer in person groundfish meeting. Continuing to lean on remote capabilities. Slight tick upward in non-council meeting travel
Services and supplies	Some infrastructure has come to the end of functional life and needs replacement. Other expenses made part of NCE budget
Contracts	State liaison contracts remain steady. Increase in other contracts compared to recent years to supplement staff and advisory group capacity for carrying out Council initiatives. Additional contracts to support IRA projects.

What's different about the 2025 Budget?

Longer term outlook

What's our long-term outlook?

(we're trying to bring our expenses down and in for a smooth landing)

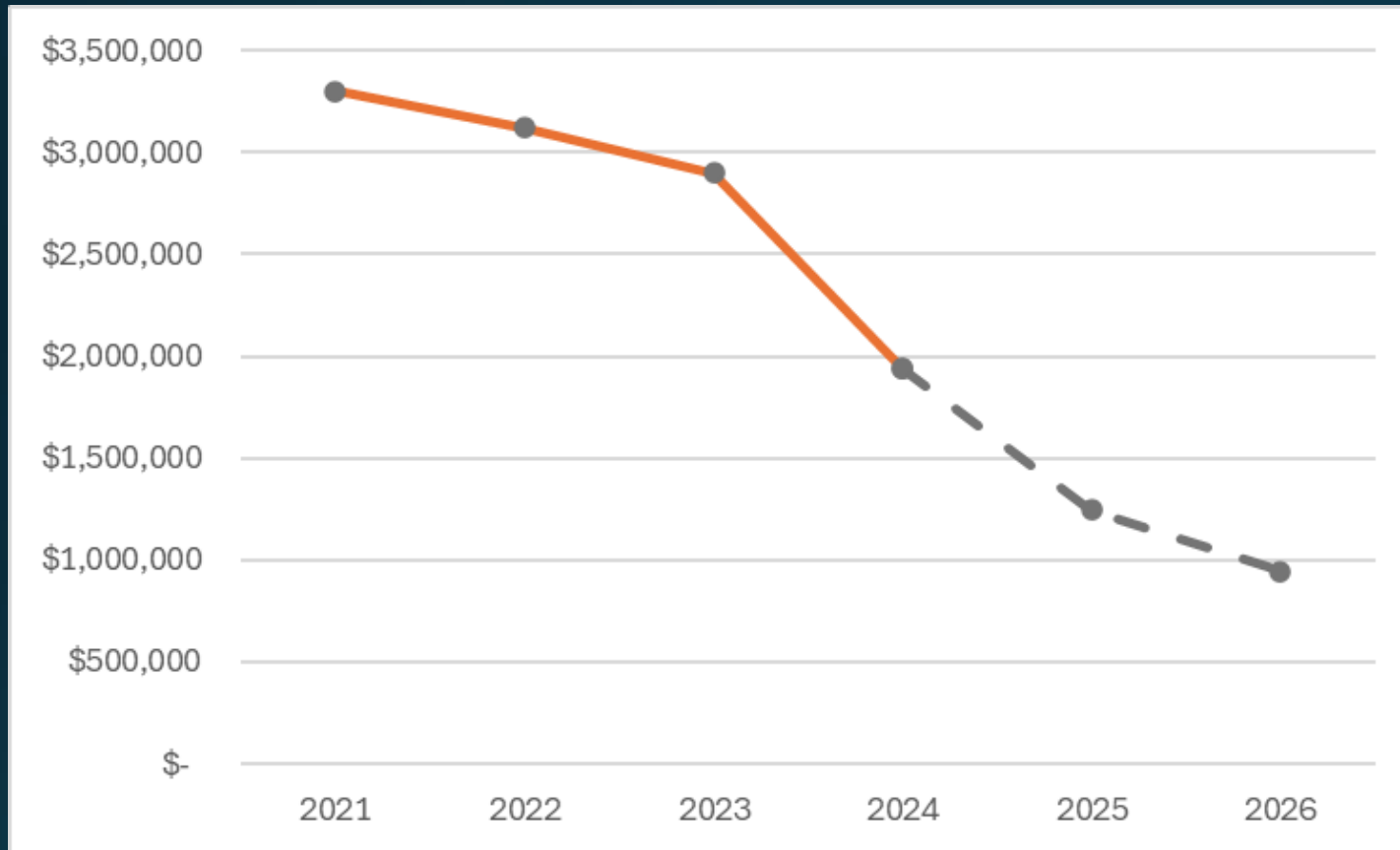


When we back out the complexities of IRA projects and NCE, we appear on track to bring expenses into closer alignment with income in 2026.

This outlook makes several assumptions:

- The capacity of our staff and advisors will increase over the next couple of years, diminishing the need for external contracts
- We will continue to be diligent with travel, including four in person council meetings for our groundfish groups
- Base income and base expenditures will roughly track one another over time (this is a highly uncertain assumption)
- IRA funds will supplement some of our typical expenses through the life of the IRA grant (e.g. supplement some staff expenses, stipends, services, and travel)

Delayed spending account outlook through 2026



- Estimate for 2025 is uncertain given the interplay between base funds, NCE, and IRA. It's possible 2025 will end with us on better footing than the figure shows
- 2026 should see us slowing our spending rate, though this is based in multiple assumptions regarding: income, inflation, travel, use of contracts

Conclusions and next steps

Conclusions

- We continue to be in good financial condition, but substantial draws on delayed spending account expected in 2024, and possibly 2025
 - Financial diligence will be necessary
- Three funding streams makes the 2025 budget much more complex than prior years
 - It is possible that 2025 expenses will be less than the currently proposed budget but complexities currently mask this possibility—further evaluation will continue leading up to final budget adoption

Tasks for the committee

- Adopt a 2025 provisional budget
 - staff proposed budget = \$6,472,850
- Provide appropriate guidance on future meetings and other matters