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August 5, 2003

DECISION MEMORANDUM

TO: Council Members

FROM: Jim Tanner
Sharon Ossmann

SUBJECT: Council decision to adopt FY 2005 and FY 2004 Revised Budgets

PROPOSED ACTION

Staff is recommending that the Council adopt the draft Fiscal Year 2005 budget of \$8,689,000 and the Fiscal Year 2004 revised budget of \$8,499,000. Staff also recommends that the Council authorize reprogramming of available FY 2003 funds for unanticipated FY 2003 costs, such as personnel actions and increased medical claims costs.

SIGNIFICANCE

As a part of its annual budget development process, the Council provided a 90-day public comment period on its draft budget. Interested parties were given an opportunity to provide written comments on the draft budget between April 30, 2003 and August 12, 2003. The Council received no oral comments, and one written comment from Bonneville regarding the proposed budget.

The Council adopts its budget in July or August of each fiscal year and then forwards the adopted budget to Bonneville for inclusion in its budget transmittal to Congress.

BUDGETARY IMPACT

The Council's proposed FY 2005 budget is .093 mills per kilowatt-hour of Bonneville's forecasted firm power sales for FY 2005. The Council will have an opportunity to re-examine and revise its FY 2005 budget when it develops its FY 2006 budget next April.

BACKGROUND

Last year, the Council entered into a 4-year budget agreement with Bonneville. That agreement capped the Council's budget at \$8,500,000 for FY03 and FY04, and capped the FY05 and FY06 budgets at \$8,700,000.

In Bonneville's comments to the Council regarding the budget, they note that the out year budget projection for fiscal year 2006 (\$8,846,000) exceeds the budget agreement amount of \$8,700,000. The Council will address this difference when the process for developing the FY 2006 budget begins next spring. The cuts necessary to achieve the target budget level have not yet been selected, as the best area for reduction will be determined based on staffing, contracting, and operational cost projections. Those needs will be more clearly defined when we enter into that year's budget preparation cycle.

ANALYSIS

The Council's Fiscal Year 2004 revised budget of \$8,499,000 is \$6,000 higher (.07%) than the current year 2003 budget of \$8,493,000. As outlined in the budget document, these numbers reflect the Council's efforts to absorb the inflationary effects of cost of living adjustment increases in personal services, offset in part by reductions in contracting, temporary staffing and data processing costs.

The proposed Fiscal Year 2005 budget is \$190,000 higher (2.2%) than the revised Fiscal Year 2004 revised budget. This increase reflects inflationary effects on personal services, benefits costs, and office operations projected for FY 2005.

ALTERNATIVES

1. Adopt the draft FY 2005 and FY 2004 revised budgets. This alternative is recommended.
2. Defer adoption until the September Council meeting and direct staff to identify additional reductions for consideration and/or new requirements for considering increased funding.