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December 2, 2003

MEMORANDUM

TO: Fish and Wildlife Committee Members

FROM: Patty O'Toole

SUBJECT: 2004 - 2006 Fish and Wildlife Program Update

Purpose: This is an informational update and no action is requested.

Council staff reviewed fiscal year 2003 budget information with the Fish and Wildlife Committee at the November meeting. Staff will present an update of the 2003 actual expenses to date, and the outlook for the 2004 budget and the outcome of the November Program Status Review.

Implications of fiscal year 2003 expenses on 2004 and beyond

In August, Council and CBFWA staff anticipated that the program would accrue approximately \$124 million in expense for FY 2003. This was based on slow reported project spending through August 2003. The FY 2004 budget of \$154 million was developed with the dual goals of maintaining the integrity of the existing Council Fish and Wildlife Program recommendations and allowing catch up through implementation of the rescheduling concept, and managing the Program to an annual average of \$139 million for the remainder of the rate case.

Bonneville expects to have *most* of the FY 2003 invoices in by December 31, 2003. In January, we will know if "actual" expenditures for FY 2003 came in less than the estimated \$140.5 million. Approximately \$112.4 million was reported for actual expenditures and approximately \$29 million was reported for year-end accrual estimates. Of the \$29 million estimate, Bonneville has received invoices for \$15.3 million to date. We anticipate that the difference between \$139 million and the actual expenditures will be credited to the available budget for FY 2004. Right now, the Council recommended budget for 2004 stands at \$154 million. If the total actual expenses come in near \$139 million and our recommended budget for FY 2004 stands at \$154 million with no credit available from FY 2003, the FY 2005 and FY 2006 budgets would need to be reduced below \$139 million in order for the four year annual average to total \$139 million. I have described two possible scenarios below.

Strategy	FY 2003	FY 2004	FY 2005	FY 2006	Total
Average of \$139 million	\$139,000,000	\$139,000,000	\$139,000,000	\$139,000,000	\$556,000,000
Split difference of average into 2005 and 2006	\$140,500,000	\$154,000,000	\$130,750,000	\$130,750,000	\$556,000,000
Catch up to average in 2006	\$140,500,000	\$154,000,000	\$139,000,000	\$122,500,000	\$556,000,000

First quarterly Program Status Review meeting report

The first Program Status Review meeting for FY 2004 occurred on November 13, 2003. Council, Bonneville and CBFWA have been working to assess the information collected at the meeting. The meeting focused primarily on budget adjustment requests. We did not review 2004 fiscal year pace of project spending as the fiscal year has just begun. Many project sponsors have requested budget adjustments. These requests have been sorted into three groups: projects that are candidates for “rescheduling”, projects that are candidates for “within year modifications” and projects that need budget adjustments for other reasons. “Rescheduling” requests (beyond those included in the Council recommendations) total approximately \$1.6 million, within-year adjustment requests total approximately \$4.7 million and the other requests total approximately \$6.3 million.

The “other” requests for budget adjustments include several categories of needed budget adjustments. First, there are corrections to the FY 2004 start-of-year budget. These corrections are due either to errors in the start of year budget or due to incomplete information at the time of budget development. Council staff considers these corrections as urgent needs for adjustment. Also in this “other” group of projects, are those that have an active contract with Bonneville, but don’t have a FY 2004 Council recommended budget. This includes projects such as the NATURE’S project and the conservation enforcement projects. The Council did not recommend these projects for continued funding in 2004, but there are active contracts for these projects that began in FY 2003 and expire in FY 2004, resulting in expenses accruing in FY 2004. This group of projects also includes projects that the Council assumed would be capitalized in 2004, but Bonneville reports that they do not meet the capital definition and must be incorporated into the expense budget.

Next steps:

Council staff will work with Bonneville and CBFWA staff to review the 2003 actual expenses after the end of December, when Bonneville expects to have reviewed most of the invoices for work completed in FY 2003. This will allow staff to determine if the assumption that the Program would under-spend the \$139 million spending target for FY 2003 was realized. Council staff will then determine if it is possible to maintain the existing Fish and Wildlife Program recommendations for FY 2004 and still manage Program spending to an average of \$139 million

per year. Council staff will also consider the budget adjustment requests reviewed at the November Program Status Review meeting and develop an implementation strategy based on available funding.