

JUDI DANIELSON
CHAIR
Idaho

Jim Kempton
Idaho

Frank L. Cassidy Jr.
"Larry"
Washington

Tom Karier
Washington

Steve Crow
Executive Director



MELINDA S. EDEN
VICE-CHAIR
Oregon

Gene Derfler
Oregon

Ed Bartlett
Montana

John Hines
Montana

March 30, 2004

MEMORANDUM

TO: Fish and Wildlife Committee Members

FROM: Doug Marker and Mark Fritsch

SUBJECT: Capital Plan Update

At the Committee meeting on April 6th we will provide a summary of the current activities of the Council and Bonneville staffs regarding the capital plan.

Attached is a draft of budgeting rules for capital projects developed by Bonneville. The intent of these rules are to manage capital projects as close to the expense rules as possible, and allow for as much flexibility as possible, while working within the constraints BPA has in terms of its capital budgeting and borrowing authority.

Once these rules are agreed to it is anticipated that they would be folded into the capital plan that Council staff presented to you in November 2003. As you may recall the document covers project types, categories and developmental phases. The associated spreadsheet attempts to demonstrate the application of the developmental phase of a particular project to provide a level of certainty of cost for decision makers.

Draft

Budgeting Guidelines for the Capital Portion of BPA's Fish and Wildlife Program

Overview

For the FY 2004-2006 period, the Northwest Power and Conservation Council (Council) will develop a multi-year project budget for BPA's Fish and Wildlife Program. The project budget will reflect an amount of work that each project can accomplish between October 1 and September 30 of each year, and the associated spending plan for that year. The capital portion of this budget will not exceed an average of \$36 million per year, or \$108 million for the three-year period.

These guidelines define how BPA and the Council will budget and manage investments that meet capital criteria. They do not define the capitalization policy or criteria.

Identification/Confirmation of Capital Projects

The Council will provide its recommendations for a capital budget, averaging \$36 million per year and not to exceed \$108 million for the three-year period. These recommendations are based on a regional project prioritization process. Upon receipt of those recommendations, BPA F&W staff will provide BPA Corporate Finance staff with the recommendations. Corporate Finance staff will review the list of projects, and confirm those projects that meet the criteria for capitalization based on current information, identify those that do not, or ask for additional information if they deem it necessary. This information will be communicated back to the Council.

Rescheduling

To the extent work and associated funding does not get accomplished in one year, BPA will allow work to be rescheduled. However, because of constraints imposed by BPA's capital budgeting requirements, BPA cannot commit to allowing rescheduled work to move from one fiscal year to the subsequent fiscal year; it may have to be moved beyond the subsequent year. This is because Congress sets the capital spending threshold for BPA for the upcoming year through the federal budget process. Subsequent year capital budgets are included in the President's Budget submitted to Congress in February of each year, and BPA will not increase its capital expenditures beyond those submitted to and reviewed by Congress in the President's Budget. (For example, the FY 2005 Budget document is submitted to Congress in February 2004.)

If rescheduling of capital work and expenditures is requested, there are two alternatives.

- 1) If other categories of BPA capital expenditures, i.e., for PBL or TBL, concurrently recognize their capital expenditures for the upcoming year will be lower than that included in the Congressional budget, the Fish and Wildlife capital budget may be

allowed to increase in that year. It may only increase up to the lower of: a) the amount by which F&W capital is underspent in the current year or b) the amount that gets the subsequent year's total BPA capital budget up to the total included in the Congressional budget.

- 2) If other categories of BPA capital do not propose to decrease their budgets for the subsequent year, the Fish and Wildlife capital budget for that year cannot be increased to exceed \$36 million. However, BPA could choose to reschedule the amount underspent in the current year into the year after the upcoming fiscal year (e.g., from FY 2004 to FY 2006).

As an example, if BPA recognized in June of FY 2004 that it would only spend \$30 million of the \$36 million capital budget for the year, there are the following alternative approaches: If other parts of the agency determine their capital expenditures in FY 2005 will be at least \$6 million lower than the amount included in the Congressional budget or other legislatively determined threshold, the FY 2005 F&W capital budget could be allowed to be as high as \$42 million for FY 2005, subject to available borrowing authority. Otherwise, the \$6 million would be added to the FY 2006 budget.

If the first of these occurs, the Council will provide recommendations for an FY 2005 budget that is \$36 million plus the amount by which the F&W capital budget is expected to underspend in FY 2004. If the FY 2004 capital actual expenditures are higher than the amount assumed in the FY 2005 recommendations, the recommendations must be revised accordingly.

BPA will work with Council and contractors to maximize achievement of capital investment during the year.

Available Contract Funds: Funds not used for a project, or not yet committed to a project, may be made available to fund other projects. They could be spent on other projects in the current or future years, as long as the annual program budget remains within the \$36 million average and \$108 million for the three-year period, and the projects are included in BPA's Congressional budget.

Quarterly Program Status Review Meetings: A key part of managing the Fish and Wildlife Program budget effectively will be holding Quarterly Program Status Review meetings. These meetings will provide the opportunity for BPA, Council and CBFWA staff to discuss the progress of projects, with BPA's Project Managers/COTRs and contractors attending as necessary. It may be determined that these meetings should be held more often than quarterly. The meetings will be used to:

- discuss projects that appear to be considerably ahead of or behind schedule;
- report rescheduling or changes to project budgets that COTRs have approved within their authorization parameters;
- consider requests for rescheduling outside COTR authorized parameters;
- decide on the appropriate process and level of review for requests for additional funding or changes in scope;
- identify the amount of Available Contract Funds;
- identify and discuss other budget-related issues.

These actions will be identified and reported at Quarterly Program Status Review meetings, and necessary action to maximize performance in the Program will be taken. The expectation is that through this process, projects will be managed such that the combination of Available Contract Funds and Rescheduled Funds applied to the following year will be managed within \$36 million average annual budget. In support of this process, BPA will provide project-level reports on a regular basis showing project budgets and accrued expenditures to date.