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May 3, 2007

MEMORANDUM

TO: Council Members

FROM: Patty O'Toole, Program Implementation Manager

SUBJECT: Update FY 2008 start of year budget process

Typically, prior to the start of each fiscal year, the Council staff, Bonneville and Columbia Basin Fish and Wildlife Authority (CBFWA) work together to confirm a Fish and Wildlife Program starting budget that can be used as a reference point for the year. Recently, Council staff met with representatives from Bonneville and CBFWA to discuss an approach to confirm fiscal year project budgets for 2008 and 2009. Bonneville noted that they will soon have a revised budget decision that reflects recent adjustments based on informal agreements between Bonneville and others to preserve funding in regions that were impacted by policy decisions from Bonneville's initial budget decision.

The revised budget will also include project budget implementation corrections from discussions with Bonneville project managers and contracting officer technical representatives. Bonneville has been working to verify that project work can be achieved at the established budget and some adjustments are being made for fiscal years 2008 and 2009 based on this effort.

After some discussion, Council, Bonneville and CBFWA staff agreed as in past years, that the revised budget will become the "working budget" for fiscal year 2008, for tracking program and project spending. Bonneville is developing a three year table that includes revised project budgets and descriptions of the revisions.

In March, Bonneville identified approximately \$17-20 million that were unallocated and available for project funding. A portion of this funding (estimated at approximately \$6 million) will address the adjustments described above, in areas that were heavily impacted by Bonneville's initial funding decision.

The remainder of the unallocated funding, estimated by Bonneville to be around \$11-12 million, is available for fiscal years 2008 and 2009. These funds are available for:

- Interim Council recommendations that are ready to be adjusted and recommended to Bonneville for funding

- BiOp needs

Out-year funding for fiscal year 2007 operations agreement projects is anticipated to be added to the current program funds from outside sources should these projects be continued, so these projects should have minimal impact on the currently available funds. In instances where some of the 2007 operations agreement projects have out-year funding identified in the current program, funding will come from the existing program budget and those amounts are already identified within the current program budget.

Bonneville developed criteria for using the available funds, based on their fiscal years 2007-2009 decision enclosure document, and expect that the criteria be used to evaluate projects that are forward for funding/funding adjustment.

The Council recommended *interim* funding for several categories of project in their recommendations to Bonneville. These are: regional coordination, coordinated data management, monitoring and evaluation and operation and maintenance. As reviews of these categories and projects are completed by workgroups and recommendations developed, they will be presented to the Council for review and recommendation. Upon Council recommendation and an affirmative decision by Bonneville, revised project budget will be incorporated into the fiscal year 2008 and 2009 budgets.

Interim recommendations - update:

- Coordinated data management: This category is under review by a work group that includes Council, Bonneville and CBFWA staff. Recommendations may be ready by *July*.
- Regional Coordination: This category is under review by a work group that includes Council, Bonneville and CBFWA staff. A recommendation from the group is expected around October, which is after the target of July for any adjustments in recommendations, but acceptable by Bonneville as this group of projects renews their contracts later in the fiscal year.
- Research, monitoring and evaluation: A review of this category of work will probably follow the coordinated data management work, and *could* be ready for recommendation in October.
- Operation and maintenance: A review of wildlife land operation and maintenance issues is underway by the wildlife managers and the IEAB. Wildlife operation and maintenance projects may be ready for recommendation in October, probably not by July. The timing of other the program operation and maintenance project review is uncertain.

Council, Bonneville and CBFWA staff recognize the fact that although FY 2009 budgets are preliminary and will need the flexibility to be adjusted as we move forward, it is important to present and track the effects of fiscal years 2007 and 2008 on the 2009 budgets.

For the Capital budget and projects, there is a need to build and maintain a capital plan in the near future.