

Tom Karier
Chair
Washington

Frank L. Cassidy Jr.
"Larry"
Washington

Jim Kempton
Idaho

W. Bill Booth
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Melinda S. Eden
Oregon

Bruce A. Measure
Montana

Rhonda Whiting
Montana

June 28, 2007

MEMORANDUM

TO: Council Members

FROM: Council Staff

SUBJECT: FY 2008 Start-of-Year Budget

At the July Council meeting, staff will discuss the fiscal year (FY) 2008 start-of-year budget (expense and capital) that will be used to manage the Fish and Wildlife budget in the next fiscal year. The start-of-year working budget tables for the FY 2008 will be posted soon to the Bonneville website and printed copies will be available at the July Council meeting.

No action is necessary at this meeting as the Council has already made recommendations for FY 2008 as part of the FY 2007-2009 recommendation to Bonneville. We anticipate action may be necessary to reconsider *interim* budget recommendations in coming months, but not at the July meeting.

In October 2006, the Council recommended FY 2008 and 2009 projects and budgets to Bonneville, along with its recommendations for FY 2007. Bonneville then issued their FY 2007-2009 decision in February, 2007. Since that time, after discussion with Council members, sponsors and others, Bonneville made some adjustments to their project budget decision. In addition, Bonneville has worked to correct some budget errors that existed in their original decision.

Presented here is a discussion of key issues to track as we move into FY 2008 and a summary of the FY 2008 budget.

I. Expense budget issues

A. Draft Proposed Action

The recent draft proposed action (PA) identifies a total of \$33.5 million of tributary and estuary habitat protection and improvement work in the Bonneville FY 2007-2009 decision (the PA calls these "initial actions") that are focused on improving survival of ESA listed species. The PA also describes a further suite of actions beyond those funded in the Bonneville FY 2007-2009

decision (PA calls these “additional actions for FY 2008 and 2009”) that will increase spending in these areas by a total of \$14.6 million over FY2007-2009. These “additional actions” are not included in the FY 2008 start-of-year budget.

For the Research, Monitoring and Evaluation (RM&E) and the Hatchery PA, it is less clear as to what actions are currently adequately covered in Bonneville’s FY 2007-2009 budget decision and which actions would require additional funding.

Bonneville has stated that it will address the "additional actions", and any additional RM&E and Hatchery funding needs at a later date, once the PA becomes final and the timeframe for implementation more certain. Bonneville has indicated that some additional funding will likely become available to offset costs of the new work proposed in the PA.

B. FY 2007 operations agreement projects

Last December, Bonneville negotiated a series of agreements with area tribes regarding the summer spill operations for 2007. For a set of projects, the agreements included increasing the project budgets beyond the amount the Council recommended or beyond the amount that Bonneville would have funded without an agreement, or entirely funding some projects that the Council did not recommend (Conservation enforcement). Currently the budget reflects that these were one-year (FY 2007) agreements. The FY 2008 start-of-year budgets for these projects reflects either the Council recommended (or Bonneville original) funding level for 08, and projects that were not recommended for funding by the Council are not currently funded in FY 2008 or are set for transition to close-out. These agreements expire on September 30, 2007 with the intent that there would be a new BiOp in place by that time. We now know that the final BiOp won’t be in place until late January, 2008. Staff anticipates that there will likely be discussions this fall about rolling these agreements over for FY 2008, or until a final BiOp is in place.

C. Interim recommendations

When the Council made its recommendations to Bonneville in October of 2006, the Council made “interim” budget recommendations for several categories of projects. Additional work is needed to review these categories of projects before the budget recommendations become final. Presented below are brief summaries of those categories and the status of their review.

1. Coordinated Data Management: A new framework for coordinated program data management will be presented at the July Council meeting. Some project-specific budget adjustments may be necessary for FY 2008, and those project-specific adjustments will likely be presented to the Council at the August Council meeting. Bonneville has indicated that they will be able to modify contracts for these projects if the Council recommends adjustments and Bonneville concurs with those recommendations.

The Council identified two projects with an interim funding recommendation for data management. They are Streamnet (#198810804, recommended at \$2.315 million) and Habitat and Biodiversity Information System for Columbia River Basin (#200307200, recommended at \$157,831).

2. Regional Coordination: The Council identified regional coordination as another category of projects that would benefit from additional discussion. A work group is meeting regularly to discuss the topic and staff anticipates having a recommendation for these projects in the fall. The Council's FY 2008 and 2009 recommendations for these projects are currently \$0; however, there is an annual placeholder of \$2,351,044 for 2008 and 2009. There are five projects in this category; funding for CBFWA (#198906201), CRITFC (199803100), the Spokane Tribe (200710600), UCUT (200710800) and the Kalispel Tribe (200716200).

The contracts for these projects will expire in March and June, so a fall recommendation by the Council still provides Bonneville necessary time to prepare the new FY 2008 contracts.

3. Research, monitoring and evaluation: Given the approaching Program amendment process and RM&E discussions that are part of the PA, staff anticipates that RM&E will likely remain at interim levels and will be addressed during the Program Amendment process

4. Wildlife Mitigation operation and maintenance: A review of wildlife land operation and maintenance issues is underway by the agencies and tribes that manage wildlife projects and the Independent Economic Advisory Board (IEAB). A report by the IEAB is anticipated by September, 2007. Staff anticipates that reconsideration of the wildlife operation and maintenance interim budget recommendations could occur later this fall.

D. Project Specific issues:

In the Council's recommendations, funding for the CSS project, Pit Tagging Spring/Summer Chinook (#199602000) was limited to FY 2007, and the Council recommendation comment was "Funding in 07 to produce a ten-year retrospective report for ISAB and Council review and for tagging consistent with tagging in FY06". That report has been produced and is now undergoing public comment. Following public comment, the report will be reviewed by the Independent Scientific Advisory Board. We are on schedule to have a Council decision for FY 08 and 09 funding in November, 2007. The Council recommendation included an annual Comparative Survival Studies placeholder of \$765,000 for FY 2008 and 2009. The Bonneville FY 2008 start-of-year budget does not include any funding for this project nor does it contain a placeholder, but indications are that should the Council recommend funding the project in FY 2008 and 2009, Bonneville would fund it.

In the Council's recommendations, funding for the functions associated with fish passage were reserved in a basinwide placeholder, pending the outcome of litigation associated with the Fish Passage Center. The Council received four proposals that address the functions associated with the Fish Passage Center and these projects all were noted with the comment "A portion of the unallocated balance will be available for the Council to make final project funding recommendations for fish passage science and analysis". The Ninth Circuit's decision in the Fish Passage Center case reinstated the status quo contract arrangement for the FPC administered through the PSMFC. The Council could simply allow that status quo to continue or it could revisit the proposals and make a recommendation.

E. Expense Start-of-Year budget summary for FY 2008

The expense start-of-year budget for projects and placeholders for FY 2008 is \$144,726,146 and the early projected budget for FY 2009 is \$136,125,066. Bonneville program support is projected to be \$12,000,000 for both FY 2008 and 2009 which reflects an overall total Fish and Wildlife Program budget of \$156,726,146 in FY 2008 and \$148,125,066 in FY 2009.

II. Capital budget issues

The Fish and Wildlife Program operates generally through multi-year project budgets. The capital portion of these budgets is targeted to average \$36 million per year, not to exceed \$108 million for the three-year period. The current working budgets associated with the capital in FY 2007 - 2009 stand at \$47,288,565 in FY '07, \$74,649,085 in FY '08 and \$54,717,396 in FY '09.

Previously, the capital portion of the annual budget was not closely managed, mainly due to its low spending and low risk for approaching the \$36 million target. More recently, with more accountability and pressures from the growth and complexity of the program there is a need to manage more efficiently the \$36 million portion of the budget. If capital construction projects align in any particular fiscal year, the capital target could be surpassed, especially in context to other capital needs in the basin. This possibility as it relates to the dynamics and prominence of land acquisitions in the capital budget demonstrates the need for responsible capital budget management. The capital budget needs greater attention and tighter management to avoid overspending.

Capital tracking over a multi-year period is challenging due to the unknowns associated with implementation, and can be difficult to manage without tracking tools that provide a level of certainty for any particular time. For this reason, and to provide more efficient use of the capital budget, there is a need to create a capital plan. In an effort to manage the capital budget, there is a need to establish categories (e.g., Habitat, Major Construction and Tributary Passage), allocations to categories, and monitoring/tracking and forecasting tools necessary to ensure the capital budget is not overspent but also to ensure efficient use of the \$36 million target in any particular fiscal year.

Allocations need to be defined and could be based on several different alternatives (e.g., 70-15-15, spending histories weighed by projected needs, or simply an even split). The intent of the categories and allocation is to establish a foundation on which the implementation of a particular capital budget could be tracked. The BOG could be used to provide this oversight on a monthly or quarterly basis and provide guidance to the program (i.e., capital projects) to track expenditures and needs, so adjustments can be presented for policy decisions for particular categories as the particular fiscal year progresses. Allocation between the particular categories could be appropriately adjusted based on the performance during that particular fiscal year. The expectation is that through this process, projects will be managed such that the combination of available contract funds will be managed within the \$36 million budget. In support of this process, BPA will provide project-level reports on a regular basis showing project budgets and accrued expenditures to date.

Fish and Wildlife Program Budget Summary - FY 2008 Start-of-Year working budget

	BPA Working Budgets					
	07 Budget Expense	08 Budget Expense	09 Budget Expense	07 Budget Capital	08 Budget Capital	09 Budget Capital
Total	\$ 148,728,836	\$ 144,726,146	\$ 136,125,066	\$ 47,288,565	\$ 74,649,085	\$ 54,717,396
BPA overhead	\$ 11,500,000	\$ 12,000,000	\$ 12,000,000			
Total Budget	\$ 160,228,836	\$ 156,726,146	\$ 148,125,066	\$ 47,288,565	\$ 74,649,085	\$ 54,717,396

Total includes all projects in solicitation, plus the innovative and coordination placeholders