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February 4, 2020

MEMORANDUM

TO: Committee Members

FROM: Staff

SUBJECT: Update on Cost Savings

BACKGROUND:

Presenters: Lynn Palensky and Andrea Goodwin

Summary: Staff will present a high-level summary on the status of cost savings work.

The 2014 Fish and Wildlife Program identified a set of emerging program priorities and called for Bonneville to implement these priorities and to fund any new fish and wildlife objectives first from identifying savings within the current program, and, then, as necessary, from additional expenditures. With this directive, the Council and Bonneville worked together to develop a methodology (later coined the “mechanistic approach”) and policy review process for identifying savings within the Program, both of which yielded savings that were used to advance work in the emerging program priority areas. However, as the cost savings effort continued, concerns were raised that it was not conducted with enough public review or transparency in terms of both finding and directing the savings. As a result, the Council agreed in March 2018 to pause the effort of the workgroup.

In this amendment cycle, the Council received several comments that generally supported continuing the effort to find program savings and efficiencies, but with additional public participation. Accordingly, in the recently adopted Part II of the 2020 Addendum to the 2014 Program, the Council reiterated its expectation that Bonneville implement the emerging priorities identified in the 2014 Program and to fund any new

activities required to implement these priorities from program savings if possible and, then, as necessary, from additional expenditures. Further, the Council directed Bonneville to develop with the Council an improved public process to find cost savings in the existing budget, stating the Council's expectation that at least most of the savings be reinvested in the Program in a manner subject to Council recommendations.

Council and Bonneville staff met recently to begin exploring a path forward for cost savings. While there remain several elements to be resolved, a preliminary approach has been proposed by Bonneville staff. This approach would not utilize the mechanistic approach or the policy review process, and instead Bonneville would establish a cost savings placeholder in the budget based on the level of savings previously identified. The mechanics of how savings would be identified, reported to the Council, and applied to the cost savings placeholder needs further consideration and discussion. This proposed approach is very much a preliminary approach and the process for directing the funds has not been discussed in detail. However, as our discussions continue, three primary considerations persist:

1. the extent to which the Council wants to be or wants staff to be involved in identifying savings and the appropriate amount of time to devote to the effort;
2. the criteria or a process for directing and reinvesting savings back into the Program;
3. ensuring a sufficient amount of public review and transparency is provided in whatever process is selected for finding and directing savings

Finally, there are cost savings available from the previous efforts that could be made available in FY2020 for short term work on emerging priorities. Thus, determining a process for directing these funds could be near-term priority for staff.

More Info: <https://nwcouncil.box.com/s/9tlssm0tlb100mtsxmftaqiaqwls9d5n>