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Washington

April 29, 2014

DECISION MEMORANDUM

TO: Council Members

FROM: Sharon Ossmann

SUBJECT: Decision to release Fiscal Year 2016 and Fiscal Year 2015
Revised budget

PROPOSED ACTION: Staff is recommending that the Council approve the release of its draft Fiscal Year 2016 and Fiscal Year 2015 Revised budget for public comment.

SIGNIFICANCE: As part of its annual budget development process, the Council provides for a 30-60 day public comment period on its draft budget. Interested parties will be given an opportunity to request consultations with staff and submit written comments on the draft budget between May 8, 2014 and June 27, 2014. An opportunity for oral comment will be provided at the June 10-11 Council meeting in Missoula, Montana.

BUDGETARY/ECONOMIC IMPACTS

The funding necessary for the Council to carry out its activities and responsibilities under the Northwest Power Act is provided by the Bonneville Power Administration based on the Council's adopted budget. Following public comment, the Council adopts its budget in July or August of each fiscal year and forwards the adopted budget to Bonneville for inclusion in its budget transmittal to Congress.

BACKGROUND

In 2011, the Council entered into an agreement with Bonneville to hold the budget at reduced levels for the fiscal years 2013-2015 rate case period. The Fiscal Year 2015

Revised budget is \$10,784,000, an amount under the level proposed in that agreement. The projected FY2016 budget is \$11,236,000. Council and Bonneville staff have discussed the need for a new three-year budget agreement for fiscal years 2016-2018 and plan to incorporate a level for 2016 that would accommodate this proposed budget amount into that new agreement. All these proposed budget levels are below the calculation of the Council budget cap based on the forecast of firm power sales as specified in the Northwest Power Act.

ANALYSIS

The Council's FY2015 revised budget of \$10,784,000 is \$9,000 lower than the FY2015 budget level adopted last year. This budget reflects an increase of \$220,000 (2.1%) from the FY2014 current operating budget. The increase represents the addition of one temporary staff position in the power division to overlap with existing conservation staff in anticipation of upcoming retirements in the division, a temporary reduction in staffing levels for the Oregon office, and inflationary increases in the cost of personal services and benefits. The revised budget also anticipates some increased cost associated with redevelopment of the regional portfolio model in the power division.

The proposed FY2016 budget of \$11,236,000 is \$452,000 (4.2%) higher than the revised FY2015 budget. This increase reflects anticipated higher costs for programing and licensing fees associated with the new regional portfolio model, the anticipated return to previous staffing levels for the Oregon office, forecasted increases in personal services and benefits costs, and a reduction in anticipated contracting expenditures.

ALTERNATIVES

1. Approve the release of the draft budget document for public comment. This is the recommended action.
2. Prepare alternative budget adjustments for Council consideration at the June Council meeting. During the public comment period, the Council will have an opportunity to consider additional adjustments to the budget numbers and narrative sections of the document. Delaying the release of this draft document is not recommended.

ATTACHMENTS

A copy of the web-version of the Fiscal Year 2016 Budget and Fiscal Year 2015 Revisions budget document is attached.