

## **Interim Process Agreement Proposal June 3, 2003**

### **Overview**

For the near term, the Columbia Basin Fish and Wildlife Authority (CBFWA) Members recommend that the Northwest Power and Conservation Council (Council) return to the planning and budget management process patterned after the 1996-2001 Bonneville Power Administration (BPA) Fish and Wildlife Memorandum of Agreement (MOA). This would include: 1) developing a regionally approved Start of Year (SOY) budget and project list in advance of the fiscal year, 2) monitoring implementation of the Fish and Wildlife Program (Program) through a quarterly review process, 3) establishing unallocated placeholders to insure maximum implementation and flexibility of the Program budget within each fiscal year, 4) modifying project budgets through a CBFWA/Council Within-Year Process, and 5) providing sufficient project funding for uncompleted tasks in successive fiscal years.

### **1) Develop a SOY budget prior to the beginning of the Fiscal Year**

The annual SOY budget will be developed in two parts: Capital Plan and Annual Implementation Work Plan for Expense projects. Although project contracts may have origination and termination dates throughout the calendar year, the SOY budgets should provide spending plans for discrete federal fiscal years for each project (an amount that the project can spend between October 1 and September 30 each year).

#### **Capital Plan**

The CBFWA recommends that a Five-Year Capital Plan be developed to determine which specific projects will be capitalized by BPA, or will be available each year to be capitalized by BPA. This capital plan could be initially developed by Council, CBFWA, and BPA staffs based on recommended projects from the first Rolling Provincial Review Process and sent to CBFWA for regional prioritization and approval. The Council could then provide a public participation process and present a formal recommendation to BPA to implement the five year plan. The Capital Plan should include land and water acquisition opportunities as defined in the Safety Net Cost Recovery Adjustment Clause hearings and BPA's report to Congress on use of borrowing authority.

#### **Annual Implementation Work Plan for Expense Projects**

An expedited interim Rolling Provincial Review update, with BPA involvement, should be initiated so each province can construct a revised fiscal year spending plan based on their three-year budget allocation. Each province should also develop a Phase II budget to determine what additional needs and opportunities are available. In this way, the province level work plans could not only establish what should be funded with the limited amount of funds being provided by the BPA, but could also identify Biological Opinion critical projects within each province and demonstrate exactly how much additional funding is necessary to adequately protect, mitigate, and enhance fish and wildlife populations in the Columbia River Basin based on the most current information.

For this expedited funding update, all project budgets should be initially based on the results from the first Rolling Provincial Review as approved by the Council. These budgets should be reviewed and validated by the project sponsors. Since the Program budget has been reduced, no new solicitations should be initiated. Only proposals that were submitted and recommended during the Rolling Provincial Review Process would be eligible for funding during the 2004-2006 period. The CBFWA has developed a within-year budget modification process that allows for new start proposals to be reviewed and prioritized based on available unallocated placeholder funding (see Within-Year Budget Modification Process below).

The CBFWA would provide a review and comment on the proposed province level work plans through a three-year Draft Implementation Work Plan recommendation to the Council. The CBFWA work plan will focus on the needs of the fish and wildlife. Since only projects approved during the Rolling Provincial Review will be included, ISRP review will probably not be necessary for this expedited action.

Finally, in August of each year in coordination with the final quarterly meeting, the Council, BPA, and CBFWA staffs will present a SOY budget for the following fiscal year including potential project specific carry-over needs. This SOY budget will be sent to all project sponsors for review and comments, and then approved and adopted by the Council.

**2) Reinstate a quarterly review process**

The quarterly review meetings are intended to identify the available funds and direct any within-year project request through the appropriate process. The meetings should be scheduled for each quarter of the fiscal year. At the quarterly meetings, the Council, BPA and CBFWA staffs would track the accrual rates of project implementation and identify the unallocated placeholder funds available for potential within-year requests. This process allows project sponsors in danger of exceeding their spending caps to notify the region early and seek solutions that the region will support. The project representatives would present any budget modification requests. The group would then perform an administrative review of the requests in order to determine urgency and eligibility for review.

**3) Establish unallocated placeholders for redistributing un-obligated funds**

During the course of contracting, implementation and closing out projects, savings are incurred to the Program. Historically, these savings were collected in an integrated unallocated placeholder. In this way, as other projects established a need for additional funding, an avenue was available for augmenting budgets of ongoing projects to meet unanticipated needs. In the past a placeholder existed for Resident Fish, Wildlife, and Anadromous Fish projects. These “Unallocated Placeholders” should be re-initiated and monitored through the quarterly review process.

#### **4) Within-Year Budget Modification Process**

The within-year budget modification process was developed to allow all project sponsors an opportunity to modify, outside the funding cycles, existing projects that have been funded through the Program and new projects that meet specific criteria. The intent of the within-year budget modification process is to provide project sponsors with an opportunity to secure funds from the Program “Unallocated Placeholders” to 1) address emergency situations, 2) modify existing objectives/tasks, 3) change the scope of the project, and/or, 4) address increased costs (e.g., equipment cost increases since initial quote) that are beyond the control of the project sponsor.

For new projects this process specifically applies to 1) proposals that were previously recommended for funding by the CBFWA and Council, but were not funded by the BPA, 2) expansions of scope necessitated by an unanticipated and urgent need of currently funded projects, and 3) new proposals that were not reviewed during the Rolling Provincial Review but address an unanticipated and urgent need that cannot be deferred until solicitation for the applicable province is open.

The CBFWA has adopted guidelines for their within year review process and they are available at <http://www.cbfwa.org/files/BudgetMods/Default.htm>. Each within-year modification request will be reviewed for 1) technical and management deficiencies, 2) ability to address needs identified in the subbasin summaries/plans, 3) consistency with the Council Fish and Wildlife Program and Endangered Species Act Biological Opinions/Recovery Plans, and 4) budget constraints, before it is submitted to the BPA with a “fund” recommendation. The CBFWA would forward their recommendations to the Council for consideration.

#### **5) Carry-Over Policy**

The Council and BPA should define a carry-over policy that secures funding for projects that do not complete tasks within a given fiscal year. During the development of the SOY budget, projects should be evaluated to determine how much of their current year budget would not be spent. Projects with significant unspent funds should be evaluated to determine what tasks or objectives would not be completed. For the following fiscal year, those projects deemed justified should be provided additional funding to allow completion of tasks in the following year. These carry-overs would be approved by the CBFWA, Council, and BPA through the annual SOY budget process.

#### **6) Schedule**

The following schedule should be implemented immediately to assure completion of a FY 2004 SOY budget prior to October 1, 2003 (see attached schedule and deliverables).

- May – The CBFWA, Council and BPA staffs would draft a description of the review process consistent with the above guidelines for review by the CBFWA, NWPPC, and BPA. The process should be reviewed and approved by CBFWA.

- June – The Council and BPA agree to adopt the SOY process and begin implementation. BPA identifies specific Biological Opinion needs for all provinces.
- Late June through July – The province teams meet and create three fiscal year spending plans based on budget allocation and province priorities.
- August – The CBFWA and Council Fish Four review the province level recommendations and the CBFWA approves a 2004-2006 Draft Implementation Work Plan based on the province level recommendations.
- September – The Council adopts FY 2004-2006 Work Plan.
- Quarterly – Implementation review meetings should be scheduled to provide an opportunity for within year budget modifications and review of the BPA's actual accruals. If accruals begin to show signs of exceeding BPA's cap, programmatic actions will be taken at a regional level to protect BPA's financial condition
- In June-August each year, the outyear SOY budgets will be reviewed and updated and the Capital Plan will be reviewed and updated. This process will also determine the level of carry-over necessary for individual projects.

### **Conclusion**

This process is proposed as an interim measure through the current rate case and to fill the gap until Subbasin Planning is complete. As better accounting is developed and implemented at the BPA and improved Program architecture and process is developed, modifications to this process will be adopted. All parties should increase efforts to redesign the entire implementation process for the Program based on a long term view considering the implications of Subbasin Planning, Recovery Planning, and the development of an implementation agreement that maximizes effectiveness and efficiency within the Program. During restructuring, it is imperative that the BPA and Council include representatives from the CBFWA and other project sponsors to insure that the solutions that are discussed meet the needs of all participants.

Interim Process Agreement Schedule and Deliverables:

Task Name	2003												2004											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
NWPCC Fish Four/Council meeting - approval of Interim Process Agreement with budget allocation, BPA provide statement of support for process						◆ 6/10																		
Rolling Province Review - province work groups (with BPA involvement) develop 3-Year Spending Plans based on budget allocation						■																		
CBFWA MMG meeting - review and comment on Province Work Group proposed 3-Year Spending Plans through development of a Draft FY 2004-2006 Draft Implementation Work Plan (DIMP)							◆ 7/29																	
NWPCC Fish Four meeting - review Province Work Group proposed 3-Year Spending Plans and CBFWA DIMP and prepare decision document							◆ 8/12																	
NWPCC Meeting (September) - Approve FY2004-2006 Spending Plans																								
Quarterly Review Meeting - 1st meeting, SOY corrections												◆ 12/17												
Quarterly Review Meeting - 2nd meeting, within year requests															◆ 3/17									
Quarterly Review Meeting - 3rd meeting, within year requests																			◆ 6/16					
Develop FY 2005 SOY Budget - NWPCC staff, BPA staff and CBFWA staff ground truth FY 2005 Start of Year budget																		■						
Quarterly Review Meeting - 4th meeting, determine carry-over needs for FY 05, within year requests																					◆ 8/18			
NWPCC adopt FY 2005 SOY Budget																					■			

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