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April 3, 2008

## DECISION MEMORANDUM

**TO:** Council members

**FROM:** Mark Fritsch, project implementation manager

**SUBJECT:** Fish and Wildlife Program Budget Tracking

**PROPOSED ACTION:** The Council approve adjustments to the budget-tracking process, including a threshold to contract management, as defined and conditioned by staff.

**SIGNIFICANCE:** This mid-course adjustment to the criteria used to screen within-year budget adjustments is intended to reduce the number of requests that would be brought forward by BOG to decision-makers.

## BACKGROUND

Late in Fiscal Year 2004 Bonneville, the Council and the Columbia Basin Fish and Wildlife Authority formed a Budget Oversight Group (BOG) to conduct a budget tracking process for the fiscal year. It was anticipated that this process would be used to track budget adjustments and modification requests through the fiscal year (Attachment 1).

The BOG has met monthly since September 2004 on the Wednesday prior to regularly scheduled Council meetings. A principle role of the BOG was to validate whether the requests were a reschedule or a within-year request (i.e., Scope Change, Budget Change, Scope/Budget Change, Reschedule, and New Request). Reschedules were forwarded to Bonneville for assessment and funding as funds become available, and within-year and scope-change requests were forwarded to Bonneville for recommendation on the availability of funds. Since 2004 the BOG process has been updated numerous times to be more proactive, coordinated (internally and externally), and to provide a more rigorous review of the requests. Most recently this occurred as part of the Fiscal Year 2007 - 2009 recommendations.

## ANALYSIS

It has come to the attention of the BOG that there is a need to provide additional mechanisms to minimize the number of requests that are brought forward to Bonneville and Council decision-

makers. In addition, there is a need to reinforce the criteria that are currently used and to confirm decisions that are made in the original funding recommendation.

In Fiscal Year 2007, the BOG reviewed 51 within-year budget-adjustment requests. Thus far in Fiscal Year 2008 the BOG has reviewed 13. Of these 64 requests, 10 have been addressed through an emergency action. This number of requests averages 13 per quarter that are brought forward to the Council for a recommendation.

To assist the BOG in providing a more thorough review and consideration of requests, the request form was modified in February 2008 to reflect and provide province and subbasin context and documentation of past actions prior to bringing budget requests to the decision-makers. This was accomplished by including links on the request form to CBFWA's Status of the Resource website and Bonneville's report center associated with PISCES websites.

To further minimize requests that would be brought forward by BOG to decision-makers, the following criteria are proposed to provide additional screening of within-year budget adjustments:

**Optional new criteria for BOG (no priority intended):**

1. Only true emergencies (defined in the BOG process as Category 1) will be handled through an expedited process. "Urgent" (but not "Emergency") should no longer be a criteria for getting expedited treatment outside of the quarterly sequence.
2. If more than one request from a single project is made during the funding recommendation cycle, the additional requests may be denied.
3. Requests denied by the Council and Bonneville should not be brought forward again for reconsideration of the decision during the current funding cycle.
4. Requests that propose work elements and or actions that address an item that is similar to a previously denied request by Council and Bonneville should not be brought forward (e.g., education).
5. Threshold for contract management - If the BOG determines the sponsor's project budget adjustment request is within the scope<sup>1</sup> of the recommended project and is within 10 percent<sup>2</sup> of the approved budget and less than \$75,000, the adjustment can be made at Bonneville's discretion. This threshold would only be applied once for a project during the funding recommendation cycle. If a request does qualify for the use of this criteria approval would be reviewed by the BOG Management Group.

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<sup>1</sup> As part of the current contracted project (i.e., task or work element)

<sup>2</sup> The Washington SRF Board's Salmon Recovery Grants Manual: *Policies and Project Selection*, uses a 20 percent of total project cost to guide increases in grant funds.

**Effect of using these criteria:**

For example, if the Council had used the threshold criteria outlined above at the start of Fiscal Year 2006, of the 112 requests reviewed by BOG from 2006 through the first quarter of 2008 approximately 65 of the requests would still have come before the Council for a decision. The remaining 47 requests would have been dealt with by the BOG.

**Attachment 1: Fish and Wildlife Program FY 2007 - 2009 Budget Tracking and Adjustment Process ( <http://www.cbfwa.org/mods/FY07Process.cfm> ).<sup>3</sup>**

## **Fish and Wildlife Program FY 2007–2009 Budget Tracking and Adjustment Process**

### **Project Level Start of Year Budgets**

- a. NPCC SOY - the Council approves a Start of Year Budget that includes planned expense and capital projects. When this Program budget is adopted, it resolves all pending within year budget adjustments for the previous fiscal year. Any future modifications to project budgets must submit a Project Modification Request Form as described in this document.
- b. BPA SOY - BPA will use the Council recommendations to create the BPA SOY Budget. After refining the Council SOY budget for any errors, omissions, or changes, the BPA SOY Budget will be created. The BPA SOY budget will not change once adopted and will be used as the basis for the BPA Working Budget. The BPA working budget will change throughout the FY to reflect changes made to project budgets as determined through the budget modification process described below. The working budget comprises spending plans, the project level non-contract costs and any adjustments made throughout the year. A record will be kept of all modifications to project budgets.
- c. SOY tracking - BPA project budgets, variance reports, and spending will be available on their F&W Website under the fiscal information section. BPA will provide that information to CBFWA for placement on their website <http://www.cbfwa.org/mods/> per the process outlined below.

### **Monthly Budget Oversight Group (BOG) - Tracking Project Budgets through the Fiscal Year**

- a. The Budget Oversight Group (BOG) consists of Council state and central staff, BPA staff, CBFWA staff and others tasked with coordination functions.
- b. The BOG will meet monthly to review budget adjustment requests and to track the fiscal year budget.
  - i. This meeting will be held on the Wednesday prior to regularly scheduled, current month's NPCC meetings.
  - ii. BPA COTRs and project sponsors should work together to ensure the appropriateness and accuracy of the project modification request. Project sponsors must attend BOG meetings either in person or via phone to discuss their requests. Otherwise, their requests will not be considered at that particular BOG meeting and will be deferred to the next BOG meeting. All project modification requests

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<sup>3</sup> FY 2007–2009 Budget Tracking and Adjustment Process. NPCC, November 2006

- must be submitted no later than one week prior to the BOG meeting for consideration in that month.
- iii. All requests received will be reviewed, sorted and categorized. A report of these actions will be posted monthly to the [BOG web page](#) on the CBFWA web site.
  - iv. The BOG meetings will be open to the public and announced on the CBFWA web site.
- c. BPA will provide a monthly budget-to-actuals report that will show all project budget adjustments during the Fiscal Year by province. BPA should report the reason for the budget adjustment for each project in its report. These reports will be updated monthly and are posted on the [BPA web site](#).

### **Quarterly Review**

The Quarterly Review meetings will occur near the beginning of each quarter at the regularly scheduled BOG meeting. The purpose of these meetings will be to provide the current FY status of contracting and spending for the Program. BPA will provide a summary of the Program budget to identify available funding for re-allocation. BPA will provide a complete list of current budget modification requests, with the BOG-assigned categories, to align the requests with the available funding.

BPA will initiate a prioritization process by holding meetings the first (January) and second (April) and third (July) quarterly reviews of the fiscal year to establish funding priorities for budget adjustment requests received during the fiscal year quarter.

- First Quarter includes requests reviewed in October, November, and December BOG meetings.
- Second Quarter includes requests reviewed in January, February, and March BOG meetings.
- Third Quarter includes requests reviewed in April, May, and June BOG meetings.
- Fourth Quarter includes requests reviewed in July, August, and September. Requests submitted in the fourth quarter will be treated as an amendment to the Council's start of year budget for the following fiscal year.

The quarterly review process will include a 14-day public comment period.

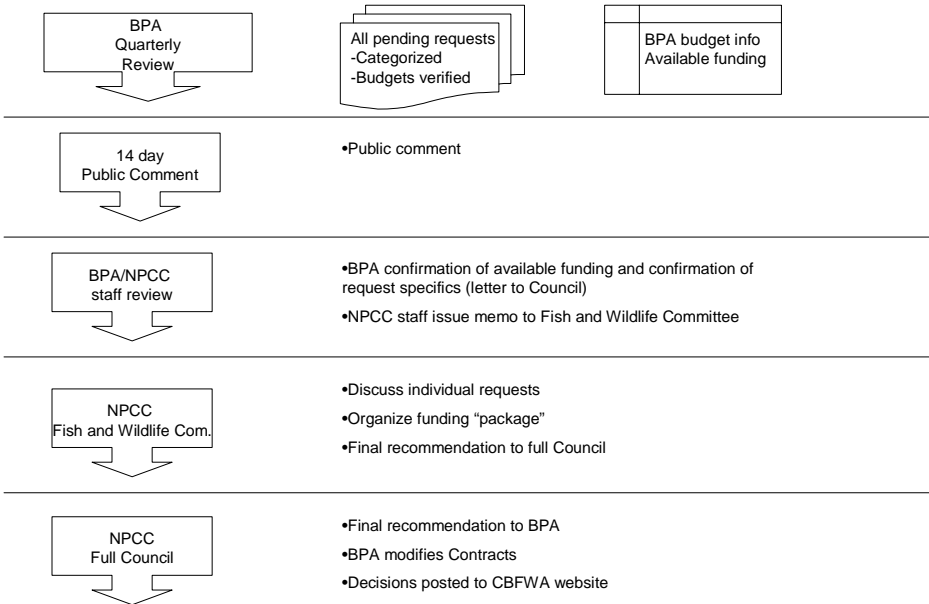


Figure 1. Quarterly review process.

## Project Modification Request Process

- a. Project sponsors can request modifications to their projects by submitting a project modification request form (available on CBFWA website). There are three possible adjustments for ongoing projects: (1) scope change, (2) budget change, and (3) scope/budget change. Moving from one step to another in the Three-Step Review Process is considered a scope and budget change. Project sponsors can also request a Reschedule or New Start project using the funding request form.
  - i. All project modification requests must be submitted through the CBFWA web site for consideration by the BOG.
- b. All requests will be tracked and received via the [BOG web page](#); a copy of those requests, including the BOG agendas and supporting material, will be forwarded to the BOG members.
- c. The BOG members will determine whether the request is (1) a request for a Scope change; (2) a request for a Budget Adjustment (either rescheduled work or additional work within scope); or (3) a request for a Budget Adjustment and Scope change (includes new proposals) and place the requests into the appropriate categories (see Figure 2).
  - i. Depending on the circumstances, category 1 and category 3a projects may be forwarded to the BOG Management Group for action (this group is made up of the F&W Directors for Council, BPA and CBFWA). The BOG Management Group may forward requests directly to Council for decision or return to the BOG for consideration at the Quarterly Review. Depending on sequence to the next Council meeting, these requests will be addressed as quickly as possible.

- ii. Reschedules are forwarded to BPA. As part of the reschedule request, BPA and the sponsor will provide a written account identifying the following two items: 1) confirmation of money available in the project budget to cover the rescheduled tasks, 2) a timeline for expected task completion. BPA will have the discretion to make necessary project budget modifications that are determined to be reschedules. BPA-denied requests will be sent back to the BOG for categorization.
- iii. All other requests will be reviewed by the BOG and placed into the appropriate adjustment categories. Scope Change and New Requests (*e.g.*, ESA needs) may need to have ISRP and CBFWA reviews.
- d. Recommendations regarding any action will be updated monthly at BOG meetings and provided to Council staff one week prior to packet day.
- e. For actions deemed “Emergency” by the BOG-Council, BPA and CBFWA staffs will seek a recommendation from the BOG Management Group and present the requests to the Council’s Fish and Wildlife Committee for recommendation to the full Council at the same meeting. The Council will then make a recommendation to BPA regarding funding the requests.
- f. All other actions (*i.e.*, scope changes and new requests), after completing the necessary reviews as part of the quarterly review, will be presented to the Council’s Fish and Wildlife Committee for recommendation to the full Council at the next Council meeting. The Council will then make a recommendation to BPA regarding funding the requests.

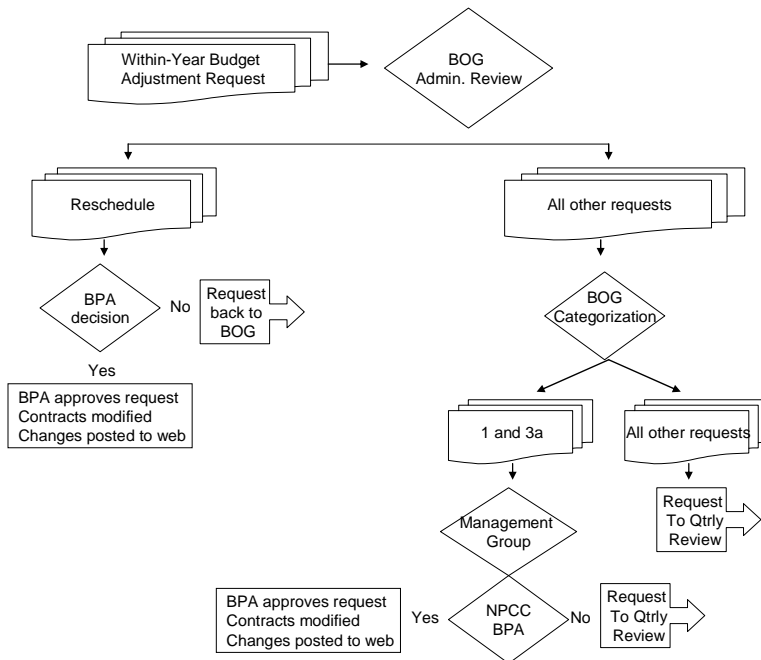


Figure 2. Within-Year Budget Modification Process.

## **Budget Adjustment Prioritization Criteria**

Within-Year project modification requests (not reschedules) will be placed into one or more of the following categories by the BOG:

### **Adjustment Categories**

1. Emergency – Acts of God or the unforeseen loss of mechanical infrastructure that necessitates an extraordinary action to avoid the imminent loss of fish and/or wildlife resources or to mitigate serious human health or safety issues.
2. ESA Obligation – A new or ongoing project that addresses actions committed to by the Action Agencies to implement biological opinions. New projects will be reviewed by the Independent Scientific Review Panel, BPA and the Council prior to BPA funding.
3. Threats to Project Integrity – Actions necessary for the project, though not of an emergency nature, to avoid the loss of a previous project investment, including major project review (i.e., step review) that would:
  - a. Jeopardize the performance of the entire project
  - b. Jeopardize the performance of a discrete task or objective of the project causing:
    1. adverse biological consequences to the project;
    2. the loss of monitoring and evaluation data.
4. Lost Opportunity – New or ongoing projects that respond to a limited opportunity to benefit the fish and wildlife resource and that opportunity will be permanently lost if the requested budget increase and associated work is not approved. “Lost opportunity” constitutes a highly scrutinized status and does not necessarily constitute an automatic approval.
5. Other – Any project not deemed by the BOG to fall into the four categories defined above. The loss of capability to administer the project also falls into this category. Examples of this type of request might include cost-of-living increases or increases in indirect rates. Because these costs should be addressed through project contracting, it is unlikely that these projects would receive a high priority in the quarterly review process.

## **New Start Projects**

New projects will be reviewed by the Independent Scientific Review Panel, BPA and the Council prior to BPA funding.

## **Glossary**

- Fiscal Year (FY) – October 1 through September 30
- Start of Year (SOY) planning budget
  - NPCC SOY – FY spending plans for each project as recommended by Council



- BPA SOY – FY spending plans for each project corrected for known contract commitments effective October 1.
- BPA Working Budget – current spending plans for each project as modified through budget adjustment process.
- Budget Oversight Group (BOG) – Staff level membership from BPA, NPCC, CBFWA and others tasked with a coordinating role for tracking program implementation and managing within-year budget adjustment requests.
- BOG Management Group (BPA Director of Fish and Wildlife, NPCC Director of Fish and Wildlife, and CBFWA Executive Director).
- Project Budget/Scope Adjustment Process – process for modifying Council project recommendations during the fiscal year.
- Within-Year Budget Adjustment – modification of scope and/or budget during FY
- Reschedules - rescheduling a task or tasks and the associated budget from one fiscal year to another.
- Budget-to-Actuals Report – report demonstrating NPCC SOY Budget, BPA SOY Budget, BPA Working Budget, and Actual Expenditures by project.
- [Three-Step Review](#) process—A sequenced review and decision process for large capital and complex projects.