



Report of the Standing Committee on Finance and Administration February 17, 2017

The Standing Committee on Finance and Administration met on several occasions throughout 2016 (on September 29, October 6, and December 12), as well as 2017 on January 12 (Post-Season Meeting), on February 6, and on February 16 (Annual Meeting). The Committee addressed a number of issues and made recommendations for the Commission's consideration as noted below.

Budget proposal for FY 2017/2018 and forecast through FY 2019/2020

The Committee reviewed the proposed budget for FY 2017/2018 and forecast budget for FY 2018/2019 and 2019/2020. It was agreed that certain costs (Test Fishing Manager's partial salary, seasonal test fishing field staff, and shipping) would be permanently re-incorporated into the ordinary budget, after a temporary allocation of these to test fishing budgets from 2014 to 2016.

Accordingly, the Committee recommends that the Commission adopt the proposed budget for FY2017/2018 as shown in Attachment 1.

Unfunded pension liability

In 2015, the Parties worked with the Secretariat to identify supplementary funding for FY 2016/2017, 2017/2018 and 2018/2019 to mitigate the unfunded pension liability and relieve budgetary pressure on the Commission. To date, Canada has contributed \$330,000 (\$110,000 for each of the three years), while the U.S. has contributed \$110,000 for FY 2016/2017. The U.S. has been invoiced \$110,000 for FY 2017/2018.

The next actuarial valuation of the pension will be made available in April 2017 and the Secretariat expects to see higher unfunded pension liability payments beginning January 1, 2018 as a result of the new valuation. Pending the results of the April 2017 actuarial valuation, the Secretariat has included its best estimate of higher liability payments for budget planning in 2017/2018 and beyond.

The Secretariat will inform the Committee of the results of the new actuarial valuation and will work with the members to determine whether increased supplementary funding for the unfunded pension liability will be required beyond 2017/2018.

Test fishing

Test fishing finances continue to be a significant issue for the Parties, after extremely low returns of Fraser River sockeye and pink salmon in 2015 and 2016. Those low returns precluded the capture and sale of adequate fish to recover test fishing costs in those years and lowered the Test Fishing Revolving Fund (TFRF) to a balance of \$467,000 CAD (after supplemental contributions from each Party in early 2016).

The addition of supplemental funds remains an outstanding question between the Parties with regard to whether each Party is in a position to contribute additional funds to the TFRF to support an agreed upon test fishing schedule. This issue will need further discussion within each government and between the Parties in order to understand the level of investment each Party might be able to supplement the TFRF.

The Committee has coordinated with the Fraser River Panel and the Secretariat to discuss a test fishing schedule for 2017. The Panel is expected to approve this schedule and retain flexibility to adjust it in season in accordance with run size and evolving assessment needs. The Committee has provided the caveat that the Panel cannot incur operational deficits greater than \$467,000 CAD (the TFRF balance) without prior consultation with the Committee.

The Committee recognizes that test fishing finances should not be handled through ad hoc yearly agreements, and is hopeful that the PSC test fishing workshops underway will offer guidance or solutions in the near term.

In order to better understand drivers of inter-annual budget variability, including test fishing expenses, the Executive Secretary will liaise with national contacts to develop a discussion paper on the topic. This paper will describe drivers of expense variability and offer options for controlling them in the near term. The Committee expects to discuss this paper in May 2017 via teleconference, and will report any findings to the Commission at the 2017 Fall Meeting.

TABLE I
PACIFIC SALMON COMMISSION
FORECAST BUDGETS

	Forecast results 2016/2017	Proposed Budget 2017/2018	Forecast Budget 2018/2019	Forecast Budget 2019/2020	NOTES
	(none)	(pink)	(Adams)	(pink)	
1 INCOME					
A. Contribution from Canada	1,879,636	1,879,636	1,879,636	1,879,636	
Special contribution pension CA	110,000	110,000	110,000	148,000	1
B. Contribution from U.S.	1,879,636	1,879,636	1,879,636	1,879,636	
Special contribution pension U.S.A.	110,000	110,000	148,000	148,000	
Sub total	3,979,272	3,979,272	4,017,272	4,055,272	
D. Interest	22,000	22,000	22,000	20,000	
E. Other income	183,000	175,000	175,000	175,000	
Carry-over from previous fiscal year	710,720	938,988	501,118	93,151	
F. Total Income	4,894,992	5,115,260	4,715,390	4,343,423	
2 EXPENDITURES					
A. 1. Permanent Salaries and Benefits	2,525,174	2,680,973	2,730,122	2,804,938	
2. Unfunded pension liability payments	221,412	240,162	296,412	296,412	
3. Temporary Salaries and Benefits	172,446	267,004	285,780	260,774	
4. Total Salaries and Benefits	2,919,032	3,188,139	3,312,314	3,362,124	
B. Travel	82,766	117,307	99,883	99,530	
C. Rents, Communications, Utilities	123,632	229,527	154,123	154,346	
D. Printing and Publications	4,000	4,800	4,800	4,800	
E. Contractual Services	623,211	775,180	779,435	760,345	
F. Supplies and Materials	31,807	76,189	48,684	47,730	
G. Equipment	171,556	223,000	223,000	223,000	
H. Total Expenditures	3,956,004	4,614,142	4,622,239	4,651,876	
3 BALANCE (DEFICIT)	938,988	501,118	93,151	(308,453)	2
Carry-over generated (expended) in the year	\$228,268	(\$437,870)	(\$407,967)	(\$401,604)	

NOTE

1. To date, Canada has contributed \$330,000 (\$110,000 for each of the years 2016/17, 2017/18 and 2018/19).

As the unfunded pension liability payments may increase based on the next actuarial valuation, additional contributions may be required.

2017/2018: Special contributions for unfunded pension liability \$110K/ per Party, as invoiced and/or received by the Secretariat.

2018/2019: Special contribution - Canada: \$110,000 received. Additional contribution may be required, depending on actuarial valuation.

- USA: assume \$148,000 will be required. Actual amount will be based on actuarial valuation as of Jan1/17

2019/2020: Special contribution for Canada and USA assumed to be 50% each of the unfunded pension liability payments.

Actual amount will be determined by the actuarial valuation as of January 1, 2017.

2. Cumulative deficit presented at the January meeting was \$150,930 at the end of FY 2019/2020. Adding test fishing expenses back into the budget would result in an increase of \$157,523 in the cumulative deficit. The increase comprises of:

2017-2018 TF expenses	58,923
2018-2019 TF expenses	48,700
2019-2020 TF expenses	49,900
	<u>157,523</u>