

MEMORANDUM

Date: February 3, 2020
To: Chehalis Basin Board
From: Andrea McNamara Doyle, Director
Re: Chehalis Basin Board Capital Budget Spending Updates and Requests

Summary

At the February 6 Board meeting, OCB staff will present options and recommendations for the Board to consider: (1) How often the Board should review and adjust its budget allocation decisions during the biennium; (2) How requests for additional funding should be handled after the Board's budget allocations are made; and (3) How other adjustments to lower order budget categories should be reported to the Board.

Background

At the Board's January 9 meeting, the Board requested more information about when and how changes are made to the Office of Chehalis Basin's (OCB) biennial budget after the Board's initial allocation decisions were made at the start of the 2019-21 biennium.

In response to earlier discussions about this topic, staff prepared and the Board approved a July 11, 2019 memo providing general guidance on this topic. The memo states:

The 2019-2021 Capital Budget spending plan for the Chehalis Basin Strategy is based on the Board's previously approved priorities and recommendations. In the event material changes to the above allocations, or new work elements are needed during the biennium to advance the Long-Term Capital Strategy or implement On-the-Ground Actions (e.g., changes in cost/scope due to unanticipated requirements for the NEPA or SEPA EISs or other critical work elements, or revised costs estimates for construction projects), the OCB Director will apprise the Board. Board approval will be obtained prior to any action that would change the overall allocation between On-the-Ground Actions and Long-Term Strategy Development, or that would redirect funds in a manner that would prevent achieving the above-identified priorities.

This memo provides additional details about OCB's budget management procedures. The OCB's budgeting system has multiple levels of detail. The system is part of the state's administrative control of funds whose purpose is to keep obligations and expenditures from exceeding legislative appropriations.

At the highest level, OCB's budget begins with the legislature's total capital appropriation to OCB, which occurs through the Department of Ecology. The Ecology/OCB appropriation is then subdivided into increasingly detailed categories (subject to any restrictions or provisos identified by the legislature), which then correspond to who is authorized to incur obligations within the specified categories.

OCB budget subdivisions include, from the highest order to more detailed orders: (1) Board Allocations; (2) Allotments; (3) Objects; (4) Sub objects, etc... The Board's practice has been to approve the highest order allocations, and to delegate decisions related to lower order expenditures to the OCB Director and staff. The table below illustrates the current practice.

Appropriations <i>By Legislature</i>	Allocations <i>By Chehalis Basin Board</i>	Allotments <i>By OCB Director with *</i>	Objects, contracts, subcontracts, etc.
\$73.2 million total (plus carry forward)			
\$23.7 for Advancing Long-Term Strategy and	Long-Term Strategy Overall participation Long term Assessment Continue ASRP development SEPA/NEPA EIS Forest Practices Analysis	*state & local agencies & tribes *WDFW & ASRP Steering Comm *Ecy & USACE & FCZD	14 active contracts w/ agencies, tribes & contractors, including RCO, WDFW, DNR, WSCC, NOAA, QIN, Chehalis, FCZD, CDs, NSD, Ross, Anchor
\$49.5 for On-the- Ground Actions, including \$10 for North Shore Levee	On-The-Ground Actions ASRP projects North Shore Levee CFAR Approved Local Projects List	*WDFW & ASRP Steering Comm *Flood Authority	22 active contracts w/ RCO, 7 cities, 2 counties, WDFW, FCZD, Lead Entity, Fisheries Task Force, Forterra, Trout Unlimited, NSD, Inter-Flueve

Recommendations

OCB staff offers the following options for updating the Board on budget spending and recommendations for making financial management decisions on requests for additional work or funding during the biennium.

To keep the Board updated on progress and spending throughout the biennium, staff could provide:

- [Quarterly or bi-monthly] written reports of encumbrances & expenditures by allocation. These reports would be brief (1-2 pages), focused on rolling up information at the allocation level, and would highlight project progress and any emerging variances or issues. They could be discussed as needed at Board meetings.
- [Annual or semi-annual] review at Board meetings of allocations, major allotment categories, and new funding requests, with staff recommendations for adjusts as needed. These reviews would include a summary of any additional budget requests received for new work, or supplemental funds for on-going work, that were not part of the original estimates the Board used in allocating the biennial budget.
- Additional budget briefings more frequently if Board decisions are needed imminently, or when Board members request additional information.

Staff also recommends the Board approve the following procedures for decision-making on additional budget requests that were not part of the original estimates the Board used in allocating the biennial budget. These types of requests generally fall into two categories: (1) Requests for additional funds to continue on-going work due to unanticipated changes in schedules, tasks, or costs; and (2) Requests to fund new work that was not anticipated when the original biennial budget was built.

For both types of requests, staff recommends:

- The OCB Director continue to manage financial and contract decisions related to both types of requests (additional funds for existing work and new work) if they can be accommodated without changing the overall allocation between On-the-Ground Actions and Long-Term Strategy Development, or changing the priorities the Board included in its original budget allocations.
- The OCB Director bring options or recommendations for Board approval decisions that would require changing the overall allocation between On-the-Ground Actions and Long-Term Strategy Development, or changing the priorities the Board included in its original budget allocations.

Conclusion

The options and recommendations presented in this memorandum will provide greater transparency and predictability in budget management decisions related to the Chehalis Basin Strategy. As the Board and staff continue to gain additional experience overseeing the different types of work elements associated with developing and implementing the strategy, new procedures may further improve the information flow and decision-making.

These clarifying procedures will also help as staff and the Board begin building the next capital budget request for the 2021-23 biennium. They will help the Board select allocation categories in the manner, and at the level of detail, the Board is most interested in tracking, while still maintaining the appropriate management flexibility.