

To: Clackamas County SWCD Budget Committee
From: Tom Salzer, Budget Officer 
Date: April 27, 2013
Re: FY 2013-2014 Proposed Budget Revision



This memo updates the Budget Message

Please refer to the Budget Message dated March 27, 2013 for background information about the proposed budget received by the Budget Committee at the first Committee meeting on April 3, 2013.

This memo explains changes made to the proposed budget. A revised proposed budget is available and will be approved, or modified and approved, by the Budget Committee at their second meeting on May 1, 2013. The May 1st meeting is also when public comment will be accepted.

About budget pages

Page 1 of the revised proposed budget identifies General Fund resources (revenue). The General Fund covers the staffing and operation of the Clackamas County SWCD, and also provides resources for the Conservation Fund and the Building Reserve Fund. Pages 2 through 5 provide various views of requirements (expenditures) projected from the General Fund:

- Page 2 summarizes expenditures at a high level by each General Fund department.
- Page 3 summarizes expenditures for both departments combined.
- Page 4 shows detail for the District Operations department.
- Page 5 shows detail for the Conservation Services department.

Resources (revenue) and requirements (expenditures) outside of the General Fund are addressed on pages 6 through 9:

- Page 6 covers the Conservation Fund. This special revenue fund is active.
- Page 7 covers the Building Reserve Fund. This is special fund is active.
- Page 8 covers the Equipment Reserve Fund. This fund has been discontinued.
- Page 9 covers the Agency Fund. This special fund has been discontinued.

About worksheets

Worksheets are included in the proposed budget revision but as with the first proposed budget, they are placed after the main budget pages. Not all budget pages have worksheets. Specifically, worksheets only exist for budget pages 1, 6, 7, 8, and 9.

Key changes from the first proposed budget

Proposed Budget Revision 1 incorporates these changes from the original budget proposal:

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|------------------------------------|-----------------|-----------------|-------------|------------|
| Cash on hand | Page 1, line 1 | \$1,573,900 | \$1,626,960 | + \$53,060 |
| Taxes necessary to balance | Page 1, line 18 | \$1,827,146 | \$1,790,500 | - \$36,646 |
| Transfer to Conservation Fund | Page 2, line 12 | \$618,600 | \$590,000 | - \$28,600 |
| Unappropriated ending fund balance | Page 2, line 21 | \$1,094,871 | \$1,144,205 | + \$49,334 |
| Cost of living adjustment | Page 3, line 6 | 3.0% | 2.5% | - \$4,320 |
| Conservation Fund resources | Page 6 | \$797,550 | \$865,232 | + \$67,682 |
| Conservation Fund requirements | Page 6 | \$747,550 | \$815,232 | + \$67,682 |

CASH ON HAND

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|--------------|----------------|-----------------|-------------|------------|
| Cash on hand | Page 1, line 1 | \$1,573,900 | \$1,626,960 | + \$53,060 |

Staff have revised projected revenues and expenditures through June 30, 2013. Compared to a month ago, we expect to see \$53,060 more cash on hand on July 1, 2013 (the start of the 2013-2014 fiscal year).

Much of the increase in projected cash on hand results from completing a few projects next fiscal year (July 1, 2013 through June 30, 2014) instead of this year. This causes some expenses we had expected to pay in the current fiscal year to be delayed to next year.

This situation creates four changes in the revised budget proposal for fiscal year 2013-2014:

- (1) We start the year with more cash on hand.
- (2) Resources (revenue) for the Conservation Fund increase.
- (3) Requirements (expenditures) for the Conservation Fund increase.
- (4) Because our resources for the Conservation Fund increase, we can reduce the amount transferred from the General Fund into the Conservation Fund.

TAXES NECESSARY TO BALANCE

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|----------------------------|-----------------|-----------------|-------------|------------|
| Taxes necessary to balance | Page 1, line 18 | \$1,827,146 | \$1,790,500 | - \$36,646 |

The first proposed budget incorporated a property tax levy rate of 5.0 cents per thousand dollars of assessed value, an increase from our current tax levy rate of 4.9 cents. After the first Budget Committee meeting, some Committee members expressed concern about increasing the levy rate during this time of economic uncertainty. The revised budget drops the levy rate back to 4.9 cents, avoiding an increase to taxpayers in the levy rate.

The difference between a nickel per thousand dollars of assessed value and 4.9 cents is projected to be \$36,646 for the fiscal year. This projected reduction in revenue is more than offset by the projected increase in our cash on hand.

TRANSFER TO CONSERVATION FUND

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|-------------------------------|-----------------|-----------------|------------|------------|
| Transfer to Conservation Fund | Page 2, line 12 | \$618,600 | \$590,000 | - \$28,600 |

As explained above in the CASH ON HAND section, the delayed completion of some projects has several impacts. When we have grant-funded projects, we must complete that work before we can request reimbursement of eligible expenses from the granting agency. Delaying completion of a few projects means we will receive more reimbursements in the 2013-2014 fiscal year than previously projected. In turn, this allows us to transfer less from the General Fund to the Conservation Fund, because the Conservation Fund will have more revenue than expected.

UNAPPROPRIATED ENDING FUND BALANCE

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|------------------------------------|-----------------|-----------------|-------------|------------|
| Unappropriated ending fund balance | Page 2, line 21 | \$1,094,871 | \$1,144,205 | + \$49,334 |

We use a simple formula to calculate how much money we expect to need for the six months after the end of the fiscal year and before most of our tax revenue arrives. The amount we need is called the unappropriated ending fund balance, or UEFB. We calculate it by adding 50% of one year of expenses for our departments to a similar percentage of Conservation Fund expenses.

The percentage we use for Conservation Fund expenses is less than 50%. Our experience over the last two years is that our actual cash expenditures from the Conservation Fund is around 70 to 75% of the amount we have committed at that time. Factoring 50% of costs by our 75% experience rate results in a factor of 37.5% for calculating the UEFB, and that's what we used in the first proposed budget.

But we also know that a few projects we expected to complete in fiscal year 2012-2013 will actually be completed early in fiscal year 2013-2014, so we may have a higher rate of expenditure earlier in the fiscal year than we've seen before. In the revised proposed budget, we have increased that factor to 44.5% to reflect our expectation that Conservation Fund spending will occur at a higher rate early in the fiscal year.

The UEFB increases because (1) we are spending more from the Conservation Fund and (2) we are increasing the factor we use to calculate UEFB.

COST OF LIVING ADJUSTMENT

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|---------------------------|----------------|-----------------|------------|-----------|
| Cost of living adjustment | Page 3, line 6 | 3.0% | 2.5% | - \$4,320 |

The first proposed budget included a maximum cost of living adjustment (COLA) of 3.0% of salaries and wages. Some Committee members asked me to evaluate the effect of a lower COLA rate. For this revised proposed budget, the COLA is reduced from 3.0% to 2.5%. This reduces projected costs by \$4,320 for both departments. On a monthly basis, this reduction from 3.0% to 2.5% would reduce the average COLA by \$28.80 per full-time-equivalent employee.

CONSERVATION FUND RESOURCES

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|-----------------------------|-------------|-----------------|------------|------------|
| Conservation Fund resources | Page 6 | \$797,550 | \$865,232 | + \$67,682 |

Resources (revenue) for the Conservation Fund are increased by \$67,682 in this revised budget proposal. Specific changes made in the Conservation Fund:

- We reduce the transfer from the General Fund to the Conservation Fund, helping in keeping the current levy rate in place instead of raising it.
- We slightly increase revenue related to the Milk Creek project, reflecting our revised calculations of payments expected to be received during the 2013-2014 fiscal year.
- We significantly increase revenue from the DEQ loan program. Disbursements to us from DEQ are increased, in anticipation of additional loans made to borrowers. The amount of loan principal payments and loan interest from borrowers is increased, because we increase the total amount of loans made to borrowers.
- A reimbursement for the Mt. Scott Creek is shifted from the current fiscal year to FY 2013-2014, reflecting our expectation that this project won't be reimbursed until then.

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|---|-----------------|-----------------|--------------|-------------------|
| Transferred from General Fund | Page 6, line 3 | \$618,600 | \$590,000 | - \$28,600 |
| Milk Creek project grants | Page 6, line 4 | \$11,200 | \$11,457 | + \$257 |
| Disbursements from DEQ CWSRF program | Page 6, line 6 | \$132,000 | \$177,000 | + \$45,000 |
| Conservation Loan principal received from borrowers | Page 6, line 7 | \$25,000 | \$42,600 | + \$17,600 |
| Conservation Loan interest received from borrowers | Page 6, line 8 | \$750 | \$2,875 | + \$2,125 |
| Mt. Scott Creek project grants | Page 6, line 12 | \$0 | \$31,300 | + \$31,300 |
| | | | TOTAL | + \$67,682 |

CONSERVATION FUND REQUIREMENTS

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|--------------------------------|-------------|-----------------|------------|------------|
| Conservation Fund requirements | Page 6 | \$747,550 | \$815,232 | + \$67,682 |

With more funds coming into the Conservation Fund, some reductions in expenditures are restored.

Habitat conservation spending is increased, reflecting our belief that this program area will continue to see increased participation by landowners.

In anticipation of more participation in our Conservation Loan program, water quality and water quantity expenditures are increased.

Spending is increased for stormwater management and for soil conservation, reflecting improving performance in these areas of district work.

Spending is reduced to zero for payments made to the Department of Environmental Quality, based on a recent consultation with DEQ program staff about the repayment schedule in our grant agreement.

Specific changes are shown below.

| Item | Budget page | Proposed budget | Revision 1 | \$ change |
|-------------------------------|-----------------|-----------------|--------------|-------------------|
| Habitat Conservation | Page 6, line 19 | \$147,500 | \$190,000 | + \$42,500 |
| Weed Management | Page 6, line 20 | \$163,000 | \$163,000 | \$0 |
| Water Quality | Page 6, line 21 | \$185,050 | \$192,619 | + \$7,569 |
| Water Quantity | Page 6, line 22 | \$35,000 | \$42,613 | + \$7,613 |
| Stormwater Management | Page 6, line 23 | \$55,000 | \$60,000 | + \$5,000 |
| Soil Conservation | Page 6, line 24 | \$45,000 | \$60,000 | + \$15,000 |
| Partner Programs | Page 6, line 25 | \$107,000 | \$107,000 | \$0 |
| Payments to DEQ CWSRF program | Page 6, line 26 | \$10,000 | \$0 | - \$10,000 |
| | | | TOTAL | + \$67,682 |

BUILDING RESERVE FUND

No change is made to the Building Reserve Fund.