

To: Clackamas County SWCD Budget Committee  
From: Tom Salzer, Budget Officer  
Date: March 28, 2014  
Re: FY 2014-2015 Budget Message



## Budget Message Summary

**The District is primarily funded by a property tax levy.** In 2006, voters authorized a property tax levy to fund our services to Clackamas County constituents.

**We are doing the things we promised voters we would do.** We are helping more people and we are investing more funds in on-the-ground conservation actions. The combination of stable funding, dedicated professional staff, solid management, and a deeply engaged Board of Directors assures continued delivery of high-quality and meaningful service to our customers.

**We are recognized as a regional leader in conservation.** Our work is recognized through several statewide awards received by the District and by landowners who have worked closely with us. Our people participate at all levels in Oregon's conservation delivery system.

**Our financial operations are sound and transparent.** Audits of the District have identified no significant problems. Our internal controls help assure the safety of public funds under our stewardship. We operate transparently: meetings of the Board of Directors are public and minutes are published regularly. We also publish monthly financial transactions so our constituents can see where we are spending money.

**Budgeting balances revenue and expenditures in order to meet the District's goals.** The budget shows what it costs to operate the District and to deliver services to our residents. It shows where we plan to invest funds in on-the-ground conservation actions, and it does so in a way that demonstrates our conservation priorities.

**We add a fund to support the long-term conservation of working lands.** We have used three funds to capture anticipated revenues and expenditures: the General Fund, the Conservation Fund, and the Building Reserve Fund. For the proposed budget, we add a new fund to conserve working lands. The new Working Lands Legacy Fund will support long-term protection of working lands (farms, fields, and forests) and the habitat associated with those lands. We propose a new department for managing easements and lands held by the District.

**We focus more effort on conservation opportunities related to horse operations.** The District works continually toward improving service delivery to our customers. People who own horses represent a group that has significant impact on natural resources, so we plan to focus more resources on conservation opportunities on these operations.

On behalf of the Clackamas County Soil and Water Conservation District, I'm pleased to present the budget proposed for fiscal year 2014-2015.

A handwritten signature in blue ink that reads "Tom Salzer".

## Purpose

This Budget Message is provided to explain the budget proposed for fiscal year 2014-2015, covering the period from July 1, 2014 through June 30, 2015. This document is a supplement to the proposed budget.

## Structure of the Budget Message

Sections 1, 2, and 3 provide background information to help readers more easily understand the budget explanation in Section 4. Additional background information about the District is provided in Appendix A.

Abbreviations used throughout this document include: District (for Clackamas County Soil and Water Conservation District); FY (for Fiscal Year); and ORS (for Oregon Revised Statute).

### SECTION 1: BUDGETING

This section identifies the Budget Officer and talks about why we have a Budget Message, including what must be included in the Message. Budget Committee members and functions are described. An overview of the Committee's duties is provided.

### SECTION 2: POLICIES AND PERFORMANCE

The District's financial policies and program performance are discussed in Section 2.

### SECTION 3: ECONOMIC CONDITIONS AND MANAGEMENT

Section 3 describes the economic conditions faced by the District as the proposed budget was being developed, and discusses management strategies for dealing with those conditions.

### SECTION 4: BUDGET SCENARIO FOR FISCAL YEAR 2014-2015

Section 4 is where we provide an overview of programs and describe the basis for assumptions in the proposed budget. More detailed descriptions of each fund are presented.

### SECTION 5: PAGE-BY-PAGE BUDGET NOTES

Each page of the proposed budget is discussed.

### APPENDIX

Appendix A provides background information about the District, land uses in Clackamas County, and existing District programs.

# Section 1: Budgeting

## THE BUDGET OFFICER

As a taxing entity subject to Oregon Local Budget Law, the District must appoint a budget officer to prepare (or supervise the preparation of) the budget document, as described in Oregon Revised Statute (“ORS”) chapter 294.331:

*... The budget officer...shall prepare or supervise the preparation of the budget document. The budget officer shall act under the direction of the executive officer of the municipal corporation, or where no executive officer exists, under the direction of the governing body.*

For the fiscal year 2014-2015 budget, the District’s Board of Directors appointed District Manager Tom Salzer to serve as Budget Officer.

### Overview

- ✓ Budget Officer appointed
- ✓ This Budget Message communicates the proposed budget
- ✓ Budget Committee established
- ✓ Budget Committee approves (or modifies and approves) proposed budget
- ✓ Board of Directors adopts (or modifies and adopts) approved budget

## THE BUDGET MESSAGE

A cornerstone of the public budgeting process is communicating the annual budget to the Budget Committee and to the public. The budget message identifies significant changes from the previous budget and identifies significant new initiatives and changes in District programs and operations. The budget message also communicates how the District will continue to implement the District’s Master Plan in the coming fiscal year.

According to ORS 294.403:

*A budget message shall be prepared by or under the direction of the executive officer of the municipal corporation or, where no executive officer exists, by or under the direction of the presiding officer of the governing body. The budget message shall be delivered at a meeting of the budget committee as provided in ORS 294.426 (1). The budget message shall:*

- (1) Explain the budget document;*
- (2) Contain a brief description of the proposed financial policies of the municipal corporation for the ensuing year or ensuing budget period;*
- (3) Describe in connection with the financial policies of the municipal corporation, the important features of the budget document;*
- (4) Set forth the reason for salient changes from the previous year or budget period in appropriation and revenue items;*
- (5) Explain the major changes in financial policy; and*

*(6) Set forth any change contemplated in the municipal corporation's basis of accounting and explain the reasons for the change and the effect of the change on the operations of the municipal corporation.*

## **THE BUDGET COMMITTEE**

Oregon Revised Statute chapter 294 requires public taxing entities to prepare a budget consistent with Oregon Local Budget Law.

### **District is a special district with a voter-approved tax base**

The Clackamas County Soil and Water Conservation District is a special district of the State of Oregon and a local unit of government, formed under the authority of ORS chapter 568, and with the powers and duties described in that law.

The District recently celebrated 40 years as the Clackamas County Soil and Water Conservation District. The current district was formed by combining the North Clackamas and South Clackamas district boards on March 22, 1974.

In 2006, Clackamas County voters granted a permanent property tax rate limit to the District, making the District a public taxing entity that must comply with Oregon Local Budget Law.

### **District must establish a Budget Committee**

The District must establish a Budget Committee and must hold at least one public meeting to review and approve the upcoming year's budget. The Budget Committee consists of the District's governing body and an equal number of local registered voters appointed by the governing body.

## Budget Committee members

This year, the Budget Committee consists of 14 members: the seven-member Board of Directors and seven electors. This group provides wide representation on natural resources issues and opportunities throughout the District.

Name	Board or Elector	Status
Dave Albrecht	Elector	Appointed in 2013, in second year of term
John Borden	Elector	Appointed in 2013, in second year of term
Mike Dillard	Elector	Appointed in 2012, in third year of term
Steve Fedje	Elector	Appointed in 2014 to fill remainder of term, term ends 2014
P.K. Melethil	Elector	Appointed in 2014, in first year of term
Rennie Squier	Elector	Re-appointed in 2013, in second year of term
Jim Toops	Elector	Appointed in 2012, in third year of term
Jeff Becker	Board	Serves while a Board member
Roger Fantz	Board	Serves while a Board member
Don Guttridge	Board	Serves while a Board member
Jan Lee	Board	Serves while a Board member
Jesse Nelson	Board	Serves while a Board member
Ron Oberg	Board	Serves while a Board member
Joan Zuber	Board	Serves while a Board member

## Term of service

Citizen members are appointed by the District Board of Directors to serve three-year terms. Terms of citizen members are staggered to help provide continuity from year to year, and to allow new ideas and perspectives to be part of the Committee's deliberations.

## Duties of the Budget Committee

The role of the Budget Committee is to review the proposed budget submitted by the Budget Officer, and either approve it as proposed or modify it. The Committee elects a presiding officer to help the Committee reach an affirmative vote in approving the budget.

Specifically, the Budget Committee:

1. Receives the budget document
2. Hears the budget message
3. Considers public comment
4. Discusses and revises the budget as needed
5. Approves the budget
6. Approves the property taxes to be levied

All meetings of the Budget Committee are subject to Oregon's Public Meetings Law (ORS 192.610 through ORS 192.690). A quorum of the Committee is required to conduct business

and a majority of the Committee members is required to take action. This year, for this Budget Committee, a quorum and simple majority are the same: eight Committee members.

The Committee may request and receive additional information from District officials.

The District anticipates two meetings of the Budget Committee, both in April 2014. The proposed budget and budget message will be presented by the Budget Officer at the first Budget Committee meeting. At the second meeting, any changes requested by the Committee will be presented, and public testimony on the proposed budget will be accepted. The Budget Committee is scheduled to vote on the proposed budget at the second meeting.

## Duties of the Board of Directors

Following approval of the budget by the Budget Committee, the District's Board of Directors holds a budget hearing on the budget as approved by the Committee. Any person may comment on the approved budget at the hearing.

After the hearing, the Board of Directors can change the budget estimates and the tax levy approved by the Budget Committee. However, if the Board increases the tax by any amount, or if the Board increases expenditures in any fund by 10% or more, the District must republish the amended budget summary and hold another budget hearing.

The deadline for the Board of Directors to enact a resolution that adopts the budget, makes appropriations, imposes tax levies, and categorizes each tax is June 30, 2014.

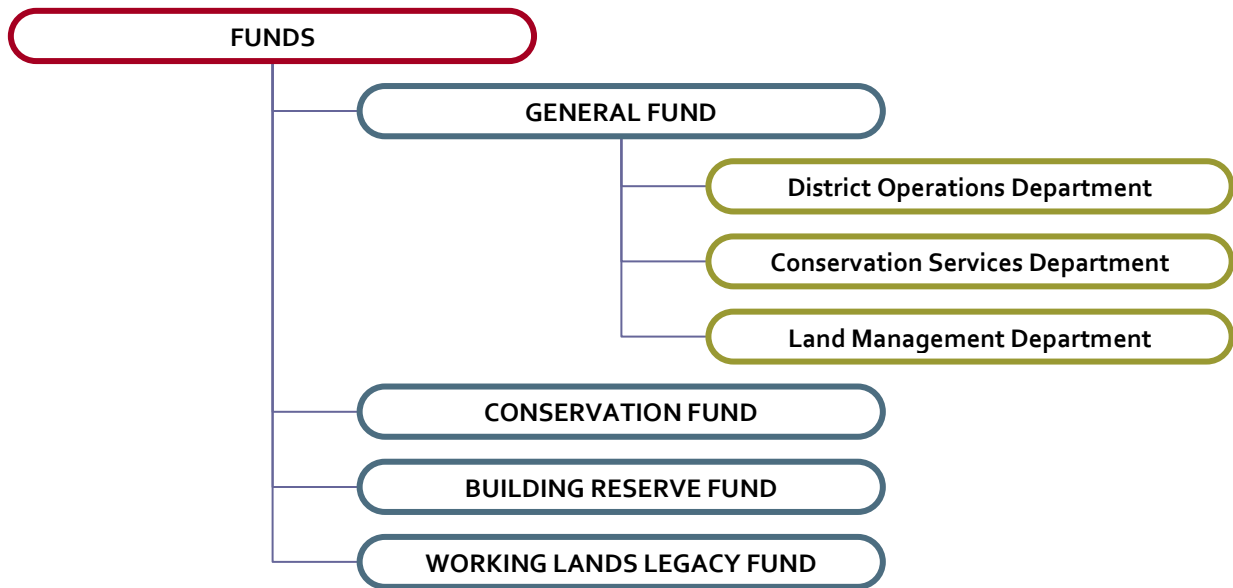
## BUDGETING

Oregon Revised Statute chapter 294 requires public taxing entities to prepare a budget consistent with Oregon Local Budget Law. The budget is a one-year financial plan that balances needs and resources to help accomplish the District's mission and goals. Appropriations identified in the adopted budget are spending limits.

The budget is prepared by fund. The District has had three funds: General Fund, Conservation Fund, and Building Reserve Fund. The General Fund has had two organizational units within it: the District Operations Department and the Conservation Services Department.

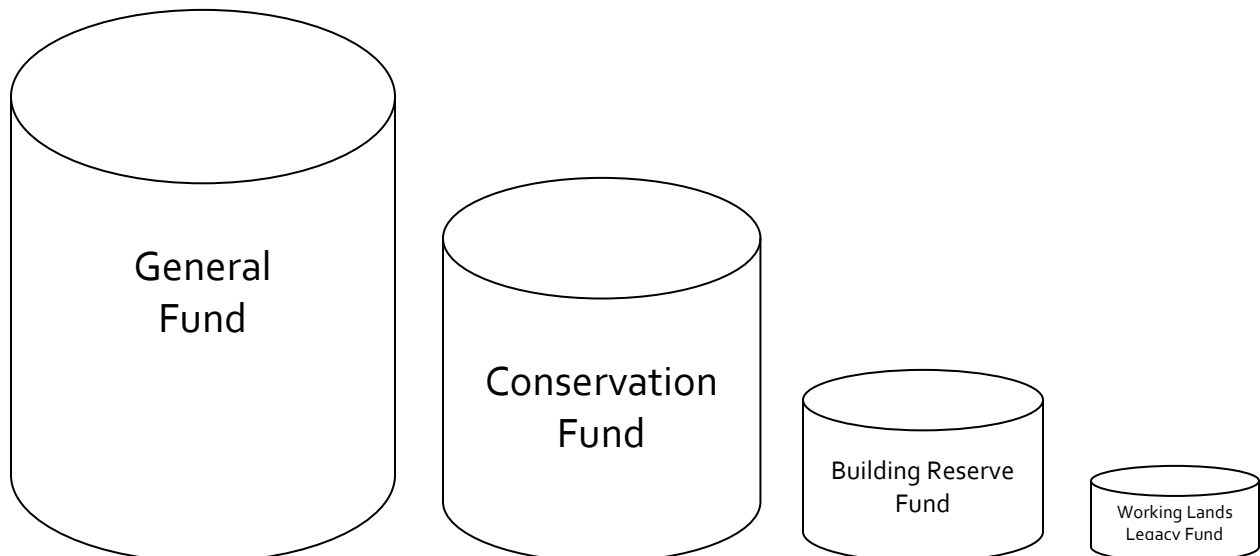
For FY 2014-2015, the Land Management Department is proposed to be included in the General Fund. The Land Management Department captures costs related to managing easements and lands held by the District.

For FY 2014-2015, a new fund is proposed for the long-term preservation of working lands, and that fund is called the Working Lands Legacy Fund. Working lands are considered to be farms, fields, and forests.



The highest level of activity occurs in the General Fund, followed by the Conservation Fund. Very little activity is expected in the Building Reserve Fund and Working Lands Legacy Fund in FY 2014-2015.

Graphically, the General Fund is the largest fund, followed by the Conservation Fund. The Building Reserve Fund and the Working Lands Legacy Fund are smaller and see relatively little activity.



## Section 2: Policies and Performance

### POLICIES

#### Basis for accounting has changed

In recent years, the District has operated on a modified cash basis. Cash basis means revenue is recorded when received, and expenses are recorded when money is spent.

Loans became a more significant part of our fiscal operations in FY 2013-2014 and are expected to continue for the foreseeable future. Accounting on a cash basis made it difficult to show loans made by the District and loans received by the District.

In FY 2013-2014, the District changed to a modified accrual basis of accounting because of loan activity. Using a modified accrual basis, loan transactions and liabilities are more easily seen in District financial reports. For most purposes, there is little difference between cash and accrual at the scale at which the District operates. The major differences are in tracking loans, and in the way the District treats transactions occurring at the beginning and end of the fiscal year.

The footnote in the budget spreadsheet reads as follows: "CCSWCD's accounting and audit for FY 2011-2012 were done on a modified cash basis. The accounting and audit for FY 2012-2013 and forward are done on a modified accrual basis. All of our budgets were prepared on a cash basis. Modified cash basis accounting recognizes revenues when received and expenses when paid for. It also uses accruals for long-term balance sheet elements. Modified accrual accounting recognizes revenues when they become available and measurable, and recognizes expenditures when liabilities are incurred."

#### Funds held in approved institutions

All District funds are held in Qualified Public Depositories approved by the Oregon State Treasury. For FY 2013-2014, those institutions were Citizens Bank, the Oregon State Treasury's Local Government Investment Pool (LGIP), and Wells Fargo. In general, long-term savings are held in LGIP accounts, while short-term operating capital is held in bank accounts.

#### Expenditures monitored

The District Manager, Financial Administrator, and Board Treasurer regularly monitor accounts and compare expenditures to limits authorized in the budget. Each month, the Board of Directors reviews proposed expenditures to make certain that expenditures are necessary and appropriate.

#### Overview

- ✓ Accounting changed to modified accrual basis
- ✓ Our accounting and controls are robust
- ✓ We've expanded our services and programs
- ✓ Staffing remained level in FY 2013-2014
- ✓ We completed a dam removal project
- ✓ Our partnerships remain healthy and productive



## District audited annually; internal controls protect public funds

The District is audited by a Certified Public Accountant once each year. Audits of the District have been issued without qualifying statements. A strong and effective system of internal controls is employed to protect the public funds entrusted to the care of the District.

## PROGRAM AND SERVICE CHANGES

Over the past three fiscal years, the District has been successful in expanding District services and programs. The number of people receiving service has increased and more investments have been made in on-the-ground conservation actions compared to prior years. The budget proposed for FY 2014-2015 continues this trend.

### More transparency

Like many local governments, the District regularly posts the agenda for public meetings and the minutes of those meetings online. The District also posts the list of expenditures authorized by the Board of Directors so citizens can see where public funds are being spent.

To help citizens stay informed about the activities of their soil and water conservation district, the District's revised website was launched in FY 2011-2012 and continues to be actively maintained. Find our website at <http://conservationdistrict.org>

### More focus on technical assistance

Technical assistance includes farm visits by conservation planners, site visits by WeedWise program staff, and more comprehensive conservation planning with landowners.

The District continued to engage more customers in FY 2013-2014. An administrative assistant position that had been vacant for two years was filled to help the District deliver better service. Our focus on team-oriented service delivery has helped the District provide consistent, high-quality conservation services.

At the beginning of FY 2013-2014, the District deployed a new database application to speed the process of conservation planning and allow more complete tracking of the needs and status of each customer. While more improvements to the system are planned, the new database has already allowed staff to serve more customers than before.

Last year, the District projected the number of people helped in FY 2012-2013 at 378 people. For FY 2013-2014, the projected numbers are 150 people assisted with conservation plans, and at least 500 people assisted with invasive weeds.

## More focus on providing financial assistance

The District is able to provide a number of tools to help people conserve natural resources.

- The temporary easement tool developed in FY 2012-2013 continues to be available for installing conservation practices on private land that protect and restore public natural resources, while simultaneously reducing the financial impact on private landowners.
- More loans were made in FY 2013-2014 than in prior years. Conservation loans help resolve cash-flow challenges faced by many landowners. Loans are not considered taxable income to landowners. Combining grants with loans has been well received by a number of customers.
- Small grants of up to \$2,500 continue to be made available for some water quality practices and for treating priority invasive weeds. These small grants require less formal conservation planning and increase the timely implementation of practices.

## More focus on reaching customers

The District invested more heavily in reaching specific communities facing high-priority conservation issues, and in gathering feedback from constituents. For example, in the first six months of calendar year 2013, the District directly contacted 535 individuals about specific conservation needs or situations.

## CONSERVATION PERFORMANCE

The District experienced a very productive and eventful year. Our regular work involves providing advice to private landowners. At their invitation, we evaluate their situation and work with them to develop action plans to resolve problems with natural resources and to improve the quantity and quality of the resources under their stewardship.

The District's new Conservation Activity Tracking System (CATS) went online on July 1, 2013. In the first six months of operation, we recorded 75 site visits by conservation planners to 38 unique landowners with 920 acres under management. These numbers are less than actual results because of software errors and the availability of staff to receive training on the system. It's reasonable to believe these numbers will approximately double by the end of the current fiscal year on June 30, 2014. Please note that these tracking metrics are independent of the work done by our WeedWise program staff; those results are reported separately below.

All programs combined have resulted in 83 funding agreements with people and partners to date in FY 2013-2014.

## Priorities: water, wildlife, and weeds

For FY 2013-2014, our top conservation priorities were water quality and water quantity, wildlife habitat, and invasive species management. Our conservation professionals always have these priorities in mind when they visit a site and work with a landowner.

## Water and Wildlife

Several irrigation projects on commercial nurseries were initiated in FY 2013-2014. We expect most of this work to be completed before the end of the fiscal year. Irrigation system improvements use less water for crop production compared to older, less efficient delivery systems. More efficient delivery of water often results in less soil loss, and this helps protect water quality. Using less water also means more water is available for other uses.

A significant project completed this year was removal of the Corral Creek dam in October 2013. Removal of this in-stream dam restored natural stream processes and re-established 2.5 miles of stream habitat for native fish including cutthroat trout that live year-round in Corral Creek.

## Invasive species management

A major emphasis of the District's overall program involves invasive species. We teach others about the damage caused by invasive plants and we train people to identify these invaders. We visit many properties throughout the year and we treat (or have contractors treat) outbreaks of invasive weeds.

In FY 2013-2014, the District's WeedWise program continued to expand outreach and treatment efforts. Targeted outreach translated into more assistance to landowners and more acres of weeds treated. Performance numbers reported below for the program are on a calendar year basis because that timeframe more clearly covers the seasonal nature of managing and treating invasive species.

WeedWise program performance for calendar year 2013 includes these metrics:

- Staff tracked 21,185 mapped weed observations
- The District targeted 78 weed species as priorities for rapid response and early detection efforts
- Targeted mailings were sent to 1,866 households regarding garlic mustard, knotweed, policeman's helmet, gorse, and tansy ragwort
- Permission to survey and treat priority weeds was given by 688 landowners
- A total of 178 treatments were carried out on 269 parcels
- Invasive weeds were treated on 244 acres of land

The District also works closely with two Cooperative Weed Management Area (CWMA) organizations to coordinate activities and treatments. The Four County CWMA has 25 active signatories on the operating memorandum of understanding (MOU), and the Columbia Gorge CWMA has 23 active signatories.

## Outreach, education, and general activities

Helping our landowners and resource stewards to conserve water, improve habitat, and guard against invasive weeds requires constant outreach and education work. We lead by demonstrating practices, we teach using workshops and outreach events, and we reach people by direct mailings and participating in a wide range of events and activities.

At a high level view, the District focused effort on the following conservation issues in FY 2013-2014:

- Pollinator habitat improvement
- Rain gardens for urban stormwater control and water quality protection
- In-stream habitat to help fish
- Repair of failing septic systems to protect water quality
- Oak and mixed forest restoration to provide habitat and protect water quality
- Efficient water and pesticide use, and pesticide collection, to protect water quality and conserve soil quality

We used property tax revenue for all of these activities, but some costs were offset by grants received from other entities. We were also able to use the amount of three fines levied by the Oregon Department of Environmental Quality to assist with collecting pesticides and improving manure management practices.

## Monthly highlights

Monthly highlights of outreach, education, and general District activities for FY 2013-2014 (July 1, 2013 through June 30, 2014) are listed below.

- July 2013
  - Purchased a 15-acre demonstration farm in Beavercreek, Oregon
  - Display at the Oregon Lavender Festival
  - Presented to the Oak Grove Homeowners Association (45 attendees)
- August 2013
  - Participated in the Clackamas County Fair and won a ribbon for our booth
  - Partnered in the Clackamas County Water Education Team (CCWET) teacher training, a two-day event (17 teachers participated)
  - Supported the Natural Resources Conservation Service booth at the Farwest Trade Show
  - Held the District's annual dinner at the new farm (133 attendees)

- September 2013
  - Supported and participated in the second annual Small Farm School (190 attendees)
  - Staffed booth at the Damascus Farmers Market
  - Staffed booth at the Oregon Fleece and Fiber Festival
  - Held rain garden workshop (27 attendees)
  - Removed the Corral Creek dam
  - Board authorized \$50,000 for a loan program to support repair of septic systems that impact water quality
  
- October 2013
  - Staffed Shade Our Streams event by Clackamas River Basin Council
  - Held an employee appreciation dinner
  - Participated in a septic system workshop in Estacada (28 attendees)
  - Held a workshop on greywater (7 attendees)
  - One employee received award from the Special Districts Association of Oregon
  - Staff booth at the Oak Lodge Watershed Event
  - Presented information to an oak savannah neighborhood group (15 attendees)
  - Gave workshop on bees and native plants (32 attendees)
  - Held Corral Creek neighborhood event (55 attendees)
  - Met with representatives of the Beaverlake Homeowners Association and the Greater Oregon City Watershed Council
  - Rain garden installation (12 participants)
  - Planting in native plant garden (480 students participated)
  - Stormwater presentation to mobile home park residents (8 attendees)
  - Rain garden presentation to elementary school (12 teachers participated)
  - Mailed 345 flyers to landowners in the Doane-Dolan-Deep Creek focus area
  
- November 2013
  - Planting in native plant garden (17 participants)
  - Deconstructed buildings and mitigated hazards on a 1-acre commercial property purchased by the District in 2012. Of all the materials removed, 400 yards representing 81.3% of the total were salvaged for reuse or recycling. We mitigated asbestos prior to demolition, and removed an abandoned septic system. A hand-dug well was discovered, and as it represented a hazard on the site, the well was decommissioned following guidance from the State's Water Resources Department.

- December 2013
  - Staff met with representatives of the Sandy Farmers Market to brainstorm outreach ideas
  - Planned for Clackamas Pesticide Stewardship Partnership workshops
  - Awarded grants to watershed councils and farmers markets. With ten watershed councils in Clackamas County, we have a unique opportunity to coordinate activities and provide support in ways that advance the District's goals. Farmers markets help support local production of food, and that means our local farmland remains actively managed and economically viable instead of being lost to other uses.
  - Awarded scholarships to two students in natural resources or agricultural fields of study
- January 2014
  - Held a Pony Club pasture management workshop for adults, with a manure management segment for kids (10 adults and 9 children)
  - Published the District's first calendar on soil health/quality (250 distributed)
  - Participated in the Tualatin Local Advisory Committee biennial review
  - Filmed a video on weather and land management
  - Completed our annual risk assessment with Special Districts Association of Oregon
  - Attended North Willamette Horticultural Society meetings
  - Participated in the NW Ag Show
  - Planting in native plant garden (32 participants)
- February 2014
  - Held a pesticide workshop for nurseries at J. Frank Schmidt and Son Nursery (54 attendees)
  - Planting event for the Trolley Trail (50 participants)
- March 2014
  - Met with five farmers markets to discuss successful market strategies
  - Attended the Women in Ag conference (30 attendees)
  - Staff taught classes at Tree School, and staff and board members attended various sessions
  - Initiated the "What is hitchhiking on your boot?" invasive species campaign
  - Staff received American Heart Association training on first aid, CPR, and automatic external defibrillator
  - Presentation to the Stafford Hamlet
  - Restoration plantings along the Trolley Trail in Oak Grove
  - Budget Committee members appointed
  - Hedgerow installation (14 participants)

- We co-sponsored a pesticide collection event that removed 15,822 pounds of pesticides and contaminated waste material. Proper disposal means this material can never leak or spill to pollute surface and ground water.

Coming up:

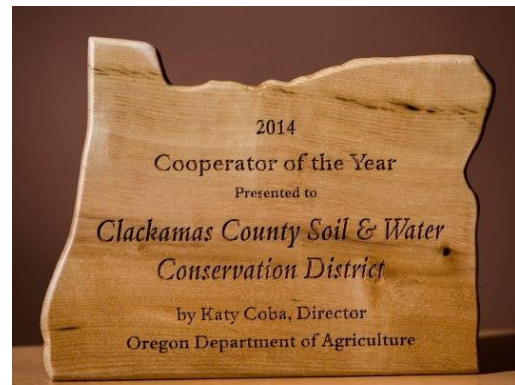
- April 2014
  - Staff attend and teach at CONNECT, an annual training event for soil and water conservation district employees
  - Support the Children’s Water Festival (approximately 500 children)
  - Staff receive training on tractor safety and use of tractor implements
- May 2014
  - Participate in the Tualatin Bird Fest
- June 2014
  - Workshop about pesticide management on nurseries

The District utilized direct mailings for some campaigns, and the response rate to these personalized mailings was nearly 30%. While direct mailings are labor-intensive to produce, the high response rate we’ve experienced indicates our constituents are interested in the services and help we can provide once they know what we offer.

## RECOGNITION

The District has received special recognition four times in FY 2013-2014.

- Cooperator of the Year – Awarded by the Oregon Department of Agriculture.
- Special Districts Service Award – Awarded to staff member Jenne Reische by the Special Districts Association of Oregon.
- Partnership Award – Awarded by the USDA Natural Resources Conservation Service.
- Cooperator of the Year, Small Acreage – Awarded by the Oregon Association of Conservation Districts to our cooperators Carroll and Pete Haushalter.



## FINANCIAL PERFORMANCE

Financially, the District has done a good job of substantially increasing activity while controlling costs. We served several hundred customers in FY 2013-2014 and assisted many with financial support including grants, loans, and combinations of these tools.

## Operating costs controlled

Budget-to-actual reports demonstrate the District effectively managed the rising cost of operating the District in FY 2013-2014.

## Financial assistance continued

In FY 2011-2012, financial assistance provided to landowners totaled \$16,692.

In FY 2012-2013, financial assistance provided totaled \$668,973.

At the time this budget message was written, the District had provided financial assistance in FY 2013-2014 totaling \$316,749. Several larger projects are expected to be completed in spring 2014. While the total amount of financial assistance may not reach the extraordinary level accomplished in FY 2012-2013, the amount of aid provided will be substantially greater than in periods prior to FY 2012-2013. To date, the District has committed \$640,443 for specific projects and partner activities.

## No net change in staffing in FY 2013-2014

The adopted budget for FY 2013-2014 provided for 12.5 full-time equivalent (FTE) staff. An employee retired, and a new employee was hired to fill that vacancy.

## Partnerships maintained

We work with a variety of partners to achieve positive conservation outcomes. Two years ago, the District began meeting quarterly with representatives of the ten watershed councils in Clackamas County. This work has helped coordinate resources, bring forward additional resources for projects, and increase knowledge among participants. We plan to continue this effort.

We provide limited support funding to several organizations that help advance our conservation goals, particularly watershed councils and farmers markets. Watershed councils pursue actions that directly improve watershed health and water quality. Farmers markets support local farmers who are directly responsible for management of prime agricultural land in Clackamas County.

Board Directors, Associate Directors, and District employees also participate at various levels in a wide variety of other organizations.



# Section 3: Economic Conditions and Management

## ECONOMIC CONDITIONS

The District is not immune from the economic factors that have affected our region, state, and country. Costs for services, fuel, and goods have risen, as have costs for employee benefits such as health and dental insurance.

Recently, growth in the assessed valuation of real property in Clackamas County has started to rebound.

For a tax-based public entity such as the District, opportunities to increase revenue are limited. The District's permanent tax rate is capped at five cents per thousand dollars (5¢/\$1,000) of assessed property value.

Increasing the District's efforts in seeking grants could increase revenue, but many funders have reduced the amount or availability of grant funds. Competition for this shrinking pool of grant funds has increased.

The District is caught in a slowly developing financial squeeze consisting of rising costs, relatively flat revenue, and reduced availability of external grant funds. Reducing costs would be a normal short-term response to these conditions. We believe strong management and normal attrition will allow us to hold the line on our overall cost of operating the District.

The District intends to continue offering conservation loans so local tax dollars can be re-used to install conservation practices.

### Overview

- ✓ *Economy creates funding challenges*
- ✓ *Increase use of temporary employees and contractors*
- ✓ *Make more loans*
- ✓ *Invest in efficiency*
- ✓ *Save for permanent facility*
- ✓ *Seek more grants and donations*

## MANAGEMENT RESPONSES TO ECONOMIC CONDITIONS

### Growth in property values

The District assumes the value of assessed real property will continue to increase. Increases in assessed values are limited. Management's challenge is to manage cost increases so they don't exceed the growth in tax revenue received by the District.

For FY 2014-2015, the County Assessor anticipates growth in assessed value of 4.25% to 4.75% over FY 2013-2014.

## Managing costs while increasing services

The District carefully manages expenditures and seeks more efficient service delivery methods to improve service, improve safety, and reduce cost. Staffing is the District's greatest single cost center, but it is also the mechanism used to provide technical assistance to constituents. Using contractual help and seeking efficiency improvements help the District achieve more without incurring additional long-term expenses.

- **Use contractors.** The District utilizes contractors to accomplish more work without hiring regular employees. The remarkable success of the WeedWise program in the last two years is a testimonial to this approach. The District also utilizes the services of an engineering technician through a memorandum of agreement with another conservation district, an arrangement that benefits both districts.
- **Utilize data-driven decision making.** In FY 2012-2013, we began development of a knowledge management system to help us work more efficiently with customers. The Conservation Activity Tracking System (CATS) became operational at the beginning of the 2013-2014 fiscal year. While the District has encountered some hiccups in this new system, it is streamlining our conservation planning steps and allowing us to serve more people in less time. The system has also allowed the District to report more quickly and efficiently to the Oregon Department of Agriculture each calendar quarter.

## Sustaining future funding

- **Lend more money.** The District has access to funds from the Department of Environmental Quality, awarded for us to address water quality and water quantity issues using loans. Loan repayments from landowners can be used to fund new loans to other landowners, sustaining growth of the Conservation Fund. The District made several loans in FY 2013-2014 and anticipates continuing this activity for the foreseeable future.
- **Use land to advance our mission.** Last year, the Budget Message stated: *"Real estate prices are beginning to rebound after a period of value declines. The District should remain alert to opportunities to invest funds in real estate. We assume that our constituents would prefer we leverage opportunities to create more resources that can be used to improve our service and to implement more conservation actions."*

The District purchased one bank-foreclosed commercial property in FY 2012-2013. In FY 2013-2014, all structures were removed, a septic tank was removed, and an abandoned well was filled in. Invasive weeds were removed. In general, the property has been substantially improved since the District acquired it. Over the past four months, several unsolicited inquiries have been received from companies interested in purchasing the one-acre parcel. The low acquisition cost and anticipated growth in value make this purchase a sound long-term investment.

The District closed on a farm property in the Hamlet of Beaver Creek on July 7, 2013, just

a few days after the beginning of FY 2013-2014. This 15-acre farm had been on the market for more than a year at a price approaching \$1,000,000. It had been marketed as an opportunity for residential development. At the present time, the District is utilizing the Beavercreek Demonstration Farm as a laboratory to highlight particular conservation practices. Long-term, this property could become a building site for a future District office and conservation education center, while also providing a central location in the County to demonstrate conservation practices.

Conserving working lands is a key segment of the District's priorities. Farms, fields, and forests that are at risk of permanent loss due to development represent a focal point for our working lands strategy. Preserving our best agricultural soils is an important aspect of this effort. In FY 2014-2015, the District will be looking for opportunities to conserve working lands by holding easements and acquiring lands.

Donations to the District are tax deductible if made for a public purpose. The District can also accept bequests. Lands received by gift or bequest could be preserved, improved, leased, harvested, or sold, depending on the wishes of the parties involved and the characteristics of individual parcels. In some cases, it may be advisable to preserve all or part of such working lands with easements.

- ***Continue saving toward a District-owned office.*** The District renegotiated key lease terms at renewal in 2013, including an option to cancel our lease early without penalties. Lease payments are ongoing costs that do nothing to build the financial resources of the District. The District will continue to save for the time when a facility can be built or purchased. This strategy is expected to reduce our operating costs.
- ***Gather meaningful data to support grant applications.*** As grant funds have become more difficult to obtain, we believe that data-driven funding requests are more likely to be funded in the future. The District plans to continue the existing water quality monitoring program, and the data collected from that work should help the District produce competitive grant applications.

## Section 4: Budget Scenario for Fiscal Year 2014-2015

The District's budget for fiscal year 2014-2015 (July 1, 2014 through June 30, 2015) reflects the continued commitment of the District to implement core components of the Master Plan, maintain and adopt program strategies consistent with the Master Plan, and perform tasks and activities as directed by the elected Board of Directors. The Master Plan and latest annual plan are available on the District's website.

### PRIORITIES ADDRESSED BY FOUR FUNDS

The proposed budget reflects a simplified structure that revolves around four funds: the General Fund, the Conservation Fund, the Building Reserve Fund, and a new fund called the Working Lands Legacy Fund.

The District's top priority is to assure consistent, professional service to residents of Clackamas County. That's what taxpayers expect, and that's what we strive to deliver. We work cooperatively with private landowners to conserve natural resources for today and for future generations. This work is funded from the General Fund.

The District's second highest priority is to provide financial assistance to help install or implement conservation practices that improve natural resources. This assistance is provided through the Conservation Fund.

Our third highest priority is saving for a facility that will better serve the needs of our organization and our customers. The Building Reserve Fund is the savings account for this priority.

Our fourth highest priority is conserving working lands. Holding conservation easements and lands is a long-range strategy to protect against the loss of our best farms, fields, and forests.

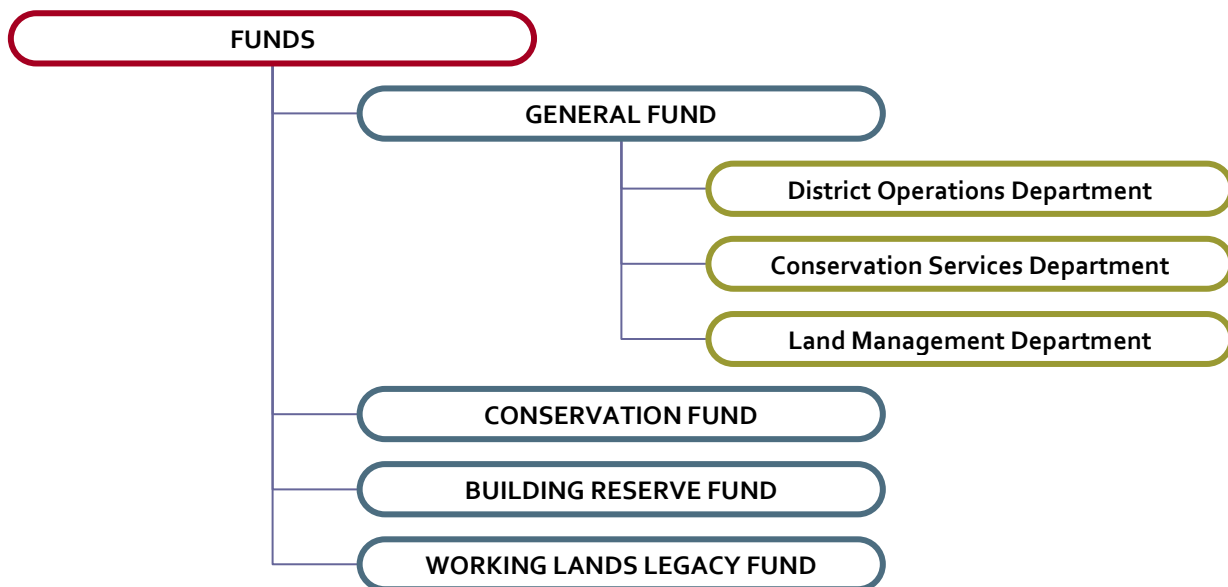
- **General Fund**

- District Operations Department – Supports the cost of operating the District organization and facilities, including board support, governance, accountability, and administration
- Conservation Services Department – Supports the cost of providing services to customers

### Overview

- ✓ *Four funds*
- ✓ *New department added to capture costs of managing easements and lands*
- ✓ *Initiatives similar to last year, but more emphasis on horse-related operations.*
- ✓ *More resources allocated to long-term preservation of working lands*
- ✓ *Conservation Fund level slightly reduced*
- ✓ *Building Reserve Fund contribution maintained*
- ✓ *Working Lands Legacy Fund created*
- ✓ *Proposed budget calls for levying maximum tax rate*

- Land Management Department – Supports the cost of managing and maintaining easements and lands held by the District, except for the District’s main office location
- **Conservation Fund** – This fund provides for financial assistance to private landowners and partner organizations. This is a special revenue fund. Restricted grant revenues are a key part of this fund.
- **Building Reserve Fund** – This fund is where the District saves money for an office facility. This is a reserve fund.
- **Working Lands Legacy Fund** – This is a new fund where the District will save money toward conserving our best working lands. This is a special revenue fund.



## General Fund

The District is a service organization. Clackamas County voters approved a permanent tax levy to ensure that District services would be provided without interruption. First and foremost, the District seeks to improve the quantity and quality of technical assistance provided to the public. The budget reflects this commitment to service delivery, funded by the General Fund.

According to the Oregon Department of Revenue: "*A general fund contains the estimates of the revenues and expenditures needed to run the daily operations of the local government such as wages, supplies, rent, and utilities.*"

Within the General Fund are three departments: District Operations, Conservation Services, and Land Management.

- The District Operations Department includes the cost of operating the District, supporting our work as a public entity, holding meetings of the Board of Directors,

maintaining an office and associated infrastructure, and other administrative costs. Four full-time-equivalent (“FTE”) positions are budgeted in the District Operations department.

- The Conservation Services Department represents costs associated with providing services to customers and partners. Conservation planning, invasive weed management, urban conservation, and educational activities are all part of this department. We propose budgeting 9.5 FTEs in the Conservation Services department.
- A new department is proposed. The Land Management Department captures the costs to manage and service conservation easements and lands held by the District. Revenues and expenses for the Equipment Rental Program have been moved to this department.

## Conservation Fund

The Conservation Fund is the vehicle the District uses to fund conservation actions on private lands and to support programs of organizations when those programs help advance the District’s mission.

The Conservation Fund is a special revenue fund focused on the financial assistance we provide to others. Some grant funds the District receives are restricted to specific projects and uses, so those revenue sources should not be mixed into our General Fund. According to ORS 294.311(39), a special revenue fund is *“...a fund properly authorized and used to finance particular activities from the receipts of specific taxes or other revenues.”*

The General Fund is focused on costs spent internally for the operation of the organization and the delivery of services. The Conservation Fund is externally focused, investing in on-the-ground conservation actions, and supporting organizations with conservation projects and programs that support the District’s mission.

Anticipated investments from the Conservation Fund should echo the conservation priorities of the District. The District’s top three priorities are: water quality and water quantity; wildlife habitat; and invasive weed management. A new, fourth priority is conserving working lands, and this is addressed through the new Working Lands Legacy Fund. In many cases, activities in one category also yield benefits in other categories.

## Building Reserve Fund

The third fund is the Building Reserve Fund. It is a reserve fund in which the District saves money toward property or a facility that will allow the District to provide better service to our customers. ORS 294.346 says, in part: *“Any municipal corporation, by ordinance or resolution of its governing body, may establish one or more reserve funds to hold moneys to be accumulated and expended for the purposes specified in ORS 280.050...”*

Money in the Building Reserve Fund may be appropriated and spent for any purposes established when the Fund was formed. The purposes are: leasing, acquiring, construction, remodeling, or making capital improvements to property of the District.

### **Working Lands Legacy Fund**

The fourth fund is the Working Lands Legacy Fund. It is a special revenue fund used to save money for the long-term conservation of farms, fields, and forests that are at risk of permanent loss, as well as the wildlife habitat components associated with such lands. Expenditures related to managing and maintaining these easements and lands are captured in the Land Management Department.

## **INITIATIVES FOR FISCAL YEAR 2014-2015**

### **Continue the District's water quality testing program**

The District increased investment in this work in FY 2012-2013. In FY 2013-2014, we retained a part-time employee to assist in this effort. For FY 2014-2015, we anticipate continuing as in FY 2013-2014. This continues to be a long-term investment to help improve the District's ability to compete regionally and nationally for grant funds. Data collected also help guide the District's decisions about investing in specific conservation actions.

Horse-related operations incorporate a variety of situations, from small facilities for a few working or hobby animals to large businesses for stabling, training, and exercising numerous animals. These operations are far more common than most people realize. Finding funding to address natural resource issues related to horse operations can be difficult because much public funding is limited to livestock operations, and horses are not considered to be livestock by the United States Department of Agriculture. For FY 2014-2015, the District intends to increase outreach to horse owners through direct contact and by sponsoring workshops. We will also devote more staff time to horse operations.

### **Convene focus groups to obtain customer guidance**

Late in FY 2012-2013, the District began holding meetings with small groups of customers to find out how best to help them. As we continue to work with more people, it is important that we seek out feedback from people affected by our work.

### **Continue to plan for a permanent headquarters facility**

The District currently leases office space in Oregon City. In February 2013, the District signed a lease amendment renewing our lease from 2014 through 2019. However, the District also negotiated several changes in lease terms, including a cancellation clause after three-and-a-half years. The District could terminate the lease without penalty by June 2017.

Early in July 2014, the District closed on the purchase of a 15-acre farm in the Hamlet of Beavercreek, about six miles from Oregon City. Planning for this property is underway. Under

current zoning, the District would be able to build an office facility at this site, but that decision has not been made by the Board of Directors.

The Building Reserve Fund continues in the proposed budget. This fund acts as a restricted savings account to help the District develop a more effective conservation education presence in the community, as well as provide a District office facility and a meeting facility available for use by the public. The Building Reserve Fund has a designated life of ten years and must be reviewed by 2017.

### **Long-term conservation of working lands**

The District recognizes that our best working lands are at risk of permanent loss as people and businesses push out from our cities and towns into the surrounding countryside. Clackamas County has some of the best farmland left in the lower Willamette Valley, and we are located close to major markets. The District creates the Working Lands Legacy Fund in the FY 2014-2015 budget to begin saving toward program actions that can help conserve our best farms, fields, and forests for future generations.

## **TAX RATE DETERMINATION AND AMOUNT TO LEVY**

Current law allows taxing districts to establish their property tax revenue for a given budget period by either requesting a specific dollar amount or by certifying a rate to be levied. If a specific dollar amount is requested, the maximum the district can receive for that budget period is that dollar amount, even if new growth exceeds expectations and the assessed value of real property rises. If the district certifies a rate, the district is allowed to receive the total amount generated by that rate.

### **Maximum tax rate approved by voters**

The District's permanent rate limit was established by voters in 2006 at five cents per thousand (5¢/\$1,000) of assessed value of property in Clackamas County.

### **Tax rate proposed in budget**

For FY 2014-2015, the proposed budget uses a tax levy rate of five cents per thousand dollars of assessed valuation (5.0¢/\$1,000), which is the maximum levy rate allowed for the District. Although the rate adopted for FY 2013-2014 was 4.9¢/\$1,000, the addition of working lands as a priority calls for levying the maximum rate to accomplish the District's long-term land conservation goals.

### **Method for estimating of tax revenues for 2014-2015 budget**

For FY 2014-2015, the Clackamas County Assessor estimates growth in assessed property value of 4.25% to 4.75%. For the FY 2014-2015 budget, we project the assessed value of property by the lower value of 4.25%. We estimate the reduction in tax revenue from Measure 5 tax compression as \$2,000. We use a 6% uncollectible rate.



## Variables

Change in assessed value (projected)	4.25%
Uncollectible rate (projected)	6.00%
Assessed value, 2013-2014 (actual)	\$39,034,494,217

## Calculated values

Assessed value, 2014-2015 (projected)	\$40,693,460,221
CCSWCD tax revenue at 4¢/\$1000 (projected)	\$1,530,074
CCSWCD tax revenue at 4.5¢/\$1000 (projected)	\$1,721,333
CCSWCD tax revenue at 5¢/\$1000 (projected)	\$1,912,593

For the FY 2014-2015 budget, we project a tax levy rate of 5¢/\$1,000 of assessed value, yielding expected collectible tax revenue of \$1,912,593.

## BUDGET DETAIL SHEETS

Budget documents are provided to the Budget Committee and to the public for their review. The District is required to submit the final budget on standardized budget forms prescribed by the Oregon Department of Revenue.

The proposed budget for fiscal year 2014-2015 is categorized by a General Fund containing two departments, one special revenue fund (the Conservation Fund) to hold resources for implementing conservation actions, and a reserve fund (the Building Reserve Fund) established to help the District develop a permanent, sustainable conservation education and office center.

All funds have a budget that includes a resources (revenue) section and a requirements (expenditures) section, and the totals for both sections must balance for each fund. This budget data is organized using the following Local Budget (LB) forms:

- General Fund: LB-20 form (resources) and LB-30 form (requirements)
- Conservation Fund: an LB-10 form listing that fund's resources and requirements on the same page
- Working Lands Legacy Fund: an LB-10 form listing that fund's resources and requirements on the same page
- Building Reserve Fund: an LB-11 form listing resources and requirements

Budgets include a variety of categories and line items specific to the needs of each fund.

NOTE: Zeroes shown on budget detail sheets are the result of formulas. A zero in a spreadsheet cell indicates the cell value is a calculation using information from other places in the budget.

## RECENT PROGRAMS SHOWN

We are required to show programs and funds from the past few budget years, even when those programs or funds have been eliminated or superseded. This helps show enough history to identify changes between budget cycles.

## GENERAL FUND

The primary source of revenue for the General Fund is the District's permanent taxing authority established by voters in the 2006 General Election. Other anticipated revenue sources include grants and contracts from federal, state, and local entities, as well as interest earned from funds in the District's accounts. We also anticipate receiving donations and rental income relating to the use of our conservation equipment.

Within the General Fund are three departments (Oregon Local Budget Law uses the term "organizational units," and our usage of departments means the same thing). In general, the District Operations Department, Conservation Services Department, and Land Management Department cover the regular activities of the District. (Financial assistance to help with installing or implementing conservation practices on property owned or managed by others is shown in the Conservation Fund. Revenues and expenses to support the long-term conservation of working lands are shown in the Working Lands Legacy Fund.)

## Resources

The LB-20 Resources page of the General Fund begins with the projected cash carry-over from FY 2013-2014, conservatively estimated to be \$1,473,836. This figure is made up of: the unappropriated General Fund ending fund balance projected in the FY 2013-2014 budget and income we hadn't anticipated receiving; and money that was budgeted in the General Fund but not spent.

## Other resources

Other revenue comes from a variety of grants and contracts, as well as District-earned income, administrative fees (from grants), fiscal agent fees, and interest generated from investment accounts. We also anticipate receiving donations. Generally, the District applies for grants to leverage its tax revenue and bring in supplemental funds to provide technical services and outreach to residents and landowners. By increasing the District's efforts to implement conservation actions, additional staff time to spend developing grant applications has been limited.

## Requirements (Expenditures)

The detailed department pages (District Operations Department, Conservation Services Department, and Land Management Department) are combined into a program-based summary (LB31 form) and then are rolled up into a General Fund Expense Summary (LB30

form) to meet public budget reporting and Governmental Accounting Standards Board (GASB) category requirements.

Categories for requirements in the General Fund include:

- Personnel services
- Materials and services
- Capital outlay
- Contingency
- Transfers to other funds
- Unappropriated ending fund balance

## Personnel services

The proposed budget for salaries and wages reflects 13.5 full-time employees. The total for Personnel Services, which includes gross wages, benefits, and payroll liabilities, is budgeted at \$1,284,238 for fiscal year 2014-2015. Costs increase due to cost of living adjustments, merit raises, and the addition of one full-time employee.

The District's health insurance plan is managed by Clackamas County under an intergovernmental agreement (IGA). Benefits (and costs) remain consistent with those of Clackamas County employees. In recent years, medical and dental insurance plan costs have increased annually. The District pays 90% of the premiums for the plans selected by employees, and employees pay 10% of the premiums.

For each of the past two fiscal years, health and dental insurance premiums increased about 10%, on average. Insurers will tell the County and District about rate changes in fall 2014, and those changes will take effect in January 2015. For the second half of FY 2014-2015, we predict the premium increase will be 9%.

## Cost of living adjustment (COLA)

Two years ago, the District's Board of Directors chose to use a consumer price index (CPI) figure developed by the Local Government Personnel Institute (LGPI) as the basis for considering a cost-of-living adjustment (COLA) to be applied to employee wages. Specifically, the Board of Directors chose to use CPI-W for the Portland-Salem area as the basis for discussing a COLA.

The consumer price index (CPI) is based on retail pricing for goods and services, and such purchases generally are made using after-tax dollars. Since a COLA is applied before the eroding effect of taxation on usable income, a COLA should be greater than the CPI in order for wages to keep pace with inflation.

For calendar year 2013, the calculated CPI-W Portland rate is 2.3%. In consideration of this rate, and taking into account that the CPI doesn't incorporate the erosion of taxes on wages, we propose a COLA of 2.5% for FY 2014-2015 employee wages.

## Portland-Salem, OR-WA

	CPI-U Portland			CPI-W Portland		
	2013	2012	2011	2013	2012	2011
1st half	2.2%	2.5%	2.6%	1.9%	2.2%	2.7%
2nd half	2.8%	2.1%	3.1%	2.7%	1.8%	3.3%
<b>Annual</b>	<b>2.5%</b>	<b>2.3%</b>	<b>2.9%</b>	<b>2.3%</b>	<b>2.0%</b>	<b>3.0%</b>

### Merit raises

To provide recognition of exemplary service and assure uninterrupted service to District customers, an amount for merit raises and performance bonuses is included in the proposed budget at 2.5% of all employee wages. Not all employees may receive this monetary recognition this year.

### Materials and Services

Materials and Services is the broad expense category that supports District operational and program requirements. The proposed budget increases the amount available for materials and services to \$406,215. This cost increase is attributable to allocating more funds for contracted services.

#### Contracted services

Generally, this category is intended to retain and utilize professional contracted services in support of District operations and administration (e.g. legal, accounting, audit), program technical services (e.g. design, permitting, engineering, implementation), and marketing (e.g. web, advertising, media), as well as outreach and training needs.

For fiscal year 2014-2015, the proposed budget includes \$110,000 for contracted services. The budget for contracted services in FY 2013-2014 was \$90,000. For FY 2014-2015, we decreased contracted services cost for the District Operations department, and increased contracted services for the Conservation Services department, reflecting the desire to provide more service through the use of contractors. Contracted services costs are also allocated in the new Land Management Department.

### Capital outlay

Capital Outlay typically describes larger purchases of \$1,000 or more with a useful life past one year. Purchases generally become listed as assets of the District. Capital outlay requirements are divided into office equipment, field equipment, and vehicles.

The District purchased a vehicle in FY 2012-2013. In FY 2014-2015, the District proposes to hire an additional full-time employee to increase capacity in the highly effective WeedWise program, and this creates additional demands on our small fleet of four vehicles. A new field

vehicle is therefore proposed for purchase. For safety, we also propose purchasing GPS-enabled two-radio radios for the vehicles.

## Contingency

The Contingency category is supported by Oregon Local Budget Law to manage for unforeseen or unexpected operating situations. Contingency funds can be used to cover shortfalls in any of the General Fund budget categories described above. We don't expect to use contingency funds, but a small amount is included to offset unforeseen events.

## Transfer to other funds

In order to allocate resources from the General Fund that are needed by another fund (such as a special fund or a reserve fund), a transfer of money is budgeted from the General Fund to the receiving fund. The transfer is shown as a requirement of the General Fund.

## Unappropriated ending fund balance

This category denotes the amount of money the District needs to cover expenses after the new fiscal year ends, and before substantial tax revenue is received. This period is from July 1, 2015 until tax revenue is received in November 2015. It is called "unappropriated" because we cannot appropriate funds beyond the end of the fiscal year, but we know we will need to have those funds to meet expenses for the July-through-November 2015 period.

The unappropriated ending fund balance for a given fiscal year is carried forward as a Resource (cash on hand or working capital) to begin the following fiscal year. For the General Fund, the unappropriated ending balance for FY 2014-2015 is budgeted at \$1,060,801 based on cash flow requirements and anticipated expenditures.

## CONSERVATION FUND

The Conservation Fund is a special revenue fund focused on the financial assistance we provide to others.

The Oregon Department of Revenue says, *"A special revenue fund accounts for money that must be used for a specific purpose. You must set up a special revenue fund when required by law, or by other agreement. If you receive a special purpose grant or impose a special purpose local option tax, you probably need a special revenue fund."*

The District receives grants that can only be used for restricted purposes. Rather than mix those revenues into the District's General Fund, the District uses a special revenue fund named the Conservation Fund to hold these resources.

Expenditures from the Conservation Fund are investments in conservation actions. Examples include installing conservation practices, supporting the programs of other organizations that help the District achieve its mission, and making conservation action loans. Grants and cost-

sharing awards to landowners are paid out on a reimbursement basis after the work is completed to the District's standards.

The District makes commitments to perform actions like install conservation practices, and those commitments are made out of the Conservation Fund. When work is completed to our standards, the District pays expenses from the Conservation Fund.

We also make commitments that may extend into future years. In the budget, we include amounts needed to fulfill those promises of future financial assistance from appropriate sources (local taxes, grants, and loan proceeds).

As in FY 2013-2014, in FY 2014-2015 we group anticipated expenditures from the Conservation Fund into categories that reflect the most significant benefits expected from those investments.

## Wildlife Habitat Conservation

The District's top four conservation priorities are wildlife, weeds, water, and working lands.

The wildlife habitat conservation category is about improving, restoring, and protecting fish and wildlife habitat.

Anticipated activities include:

- Enhancing fish passage
- Streambank restoration
- Riparian zone restoration
- Establishment of native trees and shrubs
- Establishing hedgerows and plants that support pollinators
- Increasing diversity of native plant species

## Weed Management

Controlling invasive species was one of the focal points of voter approval of the District's property tax base. We have increased staffing over the past two years to reflect this commitment.

In FY 2013-2014, we completed a new request for proposals and awarded several multi-year contracts for vegetation management services. These contracts allow us to accomplish more weed control than our staff could directly support.

We also hire a third person for the WeedWise program. That person will work half-time for the District and half-time for two Cooperative Weed Management Areas.

Anticipated activities include:

- Manual control of priority or abundant weed species, including mowing, hand pruning, and hand pulling
- Chemical control of priority or abundant weed species

- Targeted outreach regarding specific species

## Water Quality

Water quality is at the top of our list of top conservation priorities. Our goal is fishable, swimmable, drinkable water suitable for use by people and animals.

Anticipated activities include:

- Soil erosion management, including streambank protection
- Pesticide reduction
- Well decommissioning and wellhead protection
- Septic system repairs to detect, correct, and prevent system failures
- Establishing filter strips, grassed waterways, and streamside buffers
- Installing heavy use areas to allow appropriate management of animal waste
- Fencing livestock and horses out of surface waters
- Developing off-channel watering facilities for livestock and other animals
- Temporarily covering manure piles while we work with customers for more permanent solutions to protect water quality

## Water Quantity

Conserving existing water resources means that water will be available for other important uses, today and for future generations.

Anticipated activities include:

- Developing rainwater harvesting facilities
- Improving the efficiency of irrigation watering systems
- Promoting groundwater recharge

## Working Lands

The District's new priority to support long-term conservation of working lands is not directly contained in the Conservation Fund budget. Rather, a new fund is created. The Working Lands Legacy Fund is discussed below.

## Stormwater Management

Developed landscapes change the way water moves. Stormwater management activities are aimed at restoring as much natural function as possible in the urban or developed environment.

Anticipated activities include:

- Installing bioswales and rain gardens (may include disconnecting downspouts from stormwater systems)
- Converting impermeable surfaces to permeable surfaces

- Redirecting gutters and downspouts
- Installing green roofs

## Soil conservation

Soil conservation is at the heart of our mission. This is true on farm fields as well as along streambanks.

Anticipated activities include:

- Conservation tillage
- Streambank shaping and associated protection
- Planting cover crops
- Improving irrigation water delivery to reduce erosion
- Relocating farm roads and drainage away from streams

## Partner support

The Master Plan identifies the District's ongoing commitment to lead and support conservation, restoration, innovation, and sustainability efforts with local partners.

Anticipated activities include:

- Conservation projects by partners
- Sponsoring activities that promote conservation actions on the landscape

## Payments to DEQ

Our loan program is expected to be partly funded by a grant received from the Oregon Department of Environmental Quality. That grant requires the District to pay back funds received, but if we fully comply with the contract, 30% of the amount we receive will be forgiven.

## BUILDING RESERVE FUND

The Building Reserve Fund is a reserve fund in which the District saves money toward property or a facility that will allow the District to provide better service to our customers.

The Oregon Department of Revenue says, *"A reserve fund accumulates money to pay for any service, property, or equipment that your local government can legally perform or acquire. It functions as a savings account. A resolution or ordinance of the governing body is needed to set up a reserve fund. The reserve fund must have a specific purpose, such as the purchase and repair of road maintenance equipment. Once money is placed in a reserve fund, it can only be spent for the specific purpose of the fund. Purchases are made directly out of the reserve fund. At least every 10 years, the governing body must review the fund and declare whether or not the fund is still needed."*



Established in 2007, the District's Building Reserve Fund is used to accrue monies for the benefit of leasing, acquiring, constructing, remodeling or making capital improvements to real property of the District. This reserve fund may enable the District to purchase a building for its use in future years instead of renting office space. The Building Reserve Fund is due to be reviewed by 2017.

For FY 2014-2015, contributions to the Building Reserve Fund are maintained at a relatively low level as the District engages in detailed planning for a future office facility. All funds in the Building Reserve Fund are fully appropriated in FY 2014-2015.

## **WORKING LANDS LEGACY FUND**

As the District looks into the past, we see a pattern of encroachment on good farmland, fields, and forests. Looking toward the future, we see a need to help assure the continued availability of our best working lands. These lands form the core of the character we associate with Clackamas County, and they provide substantial economic contributions.

To support the long-term conservation of working lands in Clackamas County, the District establishes a new special revenue fund called the Working Lands Legacy Fund.

An initial transfer from the General Fund is included in the proposed budget to "seed" the fund, and we appropriate the fund because of anticipated activity in acquiring and holding conservation easements.

## Section 5: Page-by-page budget notes

Sections 1 through 4 provide context for the budget proposed for fiscal year 2014-2015 (July 1, 2014 through June 30, 2015). Section 5 provides additional detail for each page in the proposed budget. The proposed budget is arranged with the final sheets on top (pages 1 through 11), followed by worksheets for page 1 and pages 7 through 11. Each of the final sheets is discussed below.

We have four funds: the General Fund, the Conservation Fund, Building Reserve Fund, and the new Working Lands Legacy Fund. Under Oregon Local Budget Law, each fund's resources (income) and requirements (expenses) must balance.

### PAGE 1 – GENERAL FUND: RESOURCES

The District operates on a modified accrual accounting basis. The beginning fund balance on line 1 is the same as we would have under the modified accrual method, so we show beginning cash on line 1.

Line 1 shows the unrestricted cash we expect to have available on July 1, 2014. Other resources include interest income from savings, grants we expect to receive, and donations.

Line 19 shows the tax revenue required to meet all proposed expenditures. This amount is \$1,912,588. As described on pages 24 and 25 of the Budget Message, we estimate collectible tax revenue of 1,912,593 based on levying 5 cents per thousand dollars of assessed valuation. This is the maximum levy rate allowed by our permanent tax rate as authorized by voters. In FY 2013-2014, the District levied 4.9 cents per thousand.

### PAGE 2 – GENERAL FUND: SUMMARY OF EXPENDITURES – BY DEPARTMENT, SHOWING TOTALS

Page 2 is a roll-up of expenditures from the General Fund, shown by department. We have three departments: the District Operations Department, the Conservation Services Department, and the Land Management Department.

Lines 1, 2, and 3 show the total cost of personnel services for each department.

Similarly, lines 6, 7, and 8 show the total cost of materials and services budgeted for each department.

Capital expenditures are shown on lines 10, 11, and 12. Significant capital outlays include these purchases: GPS-enabled two-way radios for vehicles; a plant cooler; a dissecting microscope; a new irrigation pump and sprinkler; a utility trailer; and a new field vehicle.

Most of the District's revenue comes into the General Fund and we make transfers to support activities in other funds. Line 15 shows we anticipate a transfer of up to \$490,000 to the Conservation Fund.

Line 16 shows an anticipated transfer of up to \$75,000 into the Working Lands Legacy Fund, and line 17 shows a \$100,000 transfer into the Building Reserve Fund.

The unappropriated ending fund balance – the amount needed to meet anticipated expenses between July 1, 2015 and November 2015 – is shown on line 25.

## **PAGE 3 – GENERAL FUND: SUMMARY OF EXPENDITURES – BY OBJECT CLASSIFICATION, SHOWING DETAILS**

Page 3 shows more detail about proposed expenditures from the General Fund. The line-by-line structure on this page is identical to the detailed departmental budgets shown on pages 4, 5, and 6. Page 3 is the rollup of those three departmental pages.

In the page 3 rollup, costs of each line in each departmental budget are combined. This page gives you a view of the line totals for all General Fund departments combined.

Line 1 shows an increase in salaries and wages for FY 2014-2015 compared to FY 2013-2014. This is primarily due to the addition of one full-time staff position in the WeedWise program.

Payroll liabilities (line 2), employee benefits (line 3), and deferred compensation (line 4) all increased. These costs (except for benefits such as health insurance) are directly related to the amount of salaries and wages paid.

We anticipate somewhat higher expenditures for temporary employees and interns (line 5).

Line 6 addresses cost-of-living adjustments (COLAs) and merit raises for employees. The budget assumptions for these figures are COLAs of 2.5% of wages, and merit raises average 2.5% of wages, as discussed on pages 27 and 28 of the Budget Message.

Line 9 shows an overall increase in personnel services cost. In summary, the increase is 9.9% higher than in the budget adopted for FY 2013-2014. Without the addition of a full-time staff position, the increase would calculate to about 5%.

In the Materials and Services section, note the following changes in the FY 2014-2015 budget compared to the FY 2013-2014 budget:

- Line 11, the budget for contracted services is increased.
- Line 13, rent and utilities cost is increased.
- Line 16, the cost of insurance is increased, primarily due to the ownership of real property and the addition of a vehicle to the District's fleet.
- Line 17, the cost of office supplies and non-capitalized equipment is increased significantly. This increase occurs in the Land Management Department, primarily for hand tools to be used at the farm and for use on projects by volunteers.

In the Capital Outlay section:

- Line 31, office equipment expenses are decreased.

- Line 32, field equipment is increased. Included in this line is a dissecting microscope to aid in plant and weed identification, GPS-enabled two radio systems for all vehicles, a plant cooler, a new irrigation pump system for the Beaver Creek Demonstration Farm, and a utility trailer.
- Line 33, vehicles jumps from zero to \$34,000 in anticipation of purchasing a new field vehicle, expanding the District fleet from four to five vehicles.

## **PAGE 4 – GENERAL FUND: DETAILED EXPENDITURES – DISTRICT OPERATIONS DEPARTMENT**

Where page 3 shows costs for all three departments, page 4 shows costs for just the District Operations department.

Most costs are comparable to those in the budget adopted for FY 2013-2014. A significant exception is the amount for scholarships on line 29. This will be explained in the discussion about page 6, below.

Line 32 in the Capital Outlay section captures the pro-rated cost of GPS-enabled two-way radios for District vehicles. Many areas of Clackamas County are so remote that cellular coverage is not available; these location-enabled two-way radios are intended to improve employee safety.

## **PAGE 5 – GENERAL FUND: DETAILED EXPENDITURES – CONSERVATION SERVICES DEPARTMENT**

Page 5 shows costs for the Conservation Services department.

The cost of salaries and wages (line 1) are increased to accommodate one additional employee for the WeedWise program. Lines 2, 3, and 4 are similarly increased to accommodate the additional employee.

The lines in the Materials and Services section are comparable to those for FY 2013-2014. Dollar amounts were adjusted based on recent experience and historical trends.

Line 32 in the Capital Outlay section carries the pro-rated cost of GPS-enabled two-way radios for District vehicles. A plant cooler is included to help the District achieve better outcomes from restoring native plants by maintaining the viability of these plant materials. (We expect to purchase a surplus cooler previously used by a federal agency, and install it at the Beaver Creek Demonstration Farm.) A dissecting microscope is also included in line 32, to be used for plant identification.

Line 33 in the Capital Outlay section captures the maximum cost of acquiring a new field vehicle to be used primarily by Conservation Services Department staff.

## **PAGE 6 – GENERAL FUND: DETAILED EXPENDITURES – LAND MANAGEMENT DEPARTMENT**

Page 6 shows anticipated costs for the new Land Management Department.

No staff time is allocated to this department, so no personnel services costs are shown. At some future time when the District holds numerous easements and lands, a staff position may be needed to manage those easements and lands. When that happens, those costs will be captured in this section.

In the Materials and Services section, we anticipate using contracted services for landscape maintenance, control of rodents, surveying, and design work (line 11).

Line 13 captures repair costs for the District's farm, utilities, and monthly radio service for GPS-enabled radios in vehicles.

Line 14 reflects repair costs related to conservation equipment in the District's Equipment Rental Program.

Line 16 reflects an estimate of our insurance premiums related to the two properties we hold.

Line 17 captures the cost of hand tools for use at the farm and on District projects. We expect to be utilizing volunteers and students more than in prior years, and providing proper tools and personal protective equipment will help assure positive outcomes.

Line 27 anticipates purchasing some signage.

Line 29 shows scholarships of \$4,000. This cost was previously in the District Operations Department. For FY 2014-2015, the District is asking equipment users to consider donating in support of the District's scholarships to students majoring in agriculture or natural resources fields of study. Those anticipated donations are shown on page 1 line 15.

In Capital Outlay, line 32 reflects replacement of the failing irrigation pump system and a new sprinkler for the Beaver Creek Demonstration Farm. We also include a utility trailer for transporting smaller equipment.

## **PAGE 7 – SPECIAL REVENUE FUND – CONSERVATION FUND**

Resources (income) and requirements (expenses) for the Conservation Fund are detailed on page 7. This is a special revenue fund, so resources in the Conservation Fund are restricted to certain purposes.

We detail revenues in the Resources section, and expenses in the Requirements section.

We expect to transfer less into the Conservation Fund in FY 2014-2015 than was budgeted in FY 2013-2014. The total available in the Conservation Fund remains remarkably high compared to investments made just a few years ago.

In the Resources section, we also estimate grants the District expects to receive. Because we had a large project underway when we crafted the FY 2013-2014 budget, we were certain of

significant grant revenues committed to the District for that time period. We concluded that large project in the current fiscal year, and we are in the early stages of scoping additional large projects that could generate significant grant revenue.

Lines 6, 7, and 8 detail revenues related to our relatively young loan program. The District expects to continue building this program in the years to come.

In the Requirements section, please notice that the categorization of conservation investments was new in FY 2013-2014. We have adjusted our expectations based on recent experience and shifted where we focus funding for FY 2014-2015, specifically:

- Line 19, wildlife habitat conservation funding decreases
- Line 20, weed management funding decreases slightly
- Line 21, water quality funding decreases
- Line 22, water quantity funding decreases
- Line 23, stormwater management funding decreases
- Line 24, soil quality and soil conservation funding decreases
- Line 25, partner programs funding decreases slightly

The decreases reflect fewer resources available to provide in the form of financial assistance to constituents, but reasonably reflect recent experience. The District's workload in servicing customers continues to increase as our constituents become more aware of what we offer and as our reputation grows as effective partners in conservation.

## **PAGE 8 – SPECIAL REVENUE FUND – WORKING LANDS LEGACY FUND**

This new fund reflects the addition of conserving working lands as a significant priority in the District's overall program. We provide "seed" money to start the fund through a transfer from the General Fund as shown on line 4. Find the matching entry on page 2 line 16.

With no history to guide our cost estimates, the District estimates costs for acquiring conservation easements, making improvements on these lands, and costs associated with surveying, recording easements, and legal fees.

## **PAGE 9 – RESERVE FUND – BUILDING RESERVE FUND**

The District's "savings account" for District-owned properties and facilities is the Building Reserve Fund, described on page 9 of the proposed budget.

We expect to transfer the same amount into the Building Reserve Fund as was adopted in the FY 2013-2014 budget.

We appropriate the full fund to support the cost of engineering, design, and permitting for a new office and conservation education facility.

### **PAGE 10 – SPECIAL FUND – EQUIPMENT RESERVE FUND**

Page 10 details the Equipment Reserve Fund. This fund has been dissolved, so the proposed budget shows no expenditures.

### **PAGE 11 – SPECIAL FUND – AGENCY FUND**

Page 11 details another defunct fund. This was previously used when the District acted as a fiscal agent for another organization. After ceasing that activity, the District discontinued this fund.

# Appendix A: About the Clackamas County SWCD

## Governed by seven-member Board of Directors

The District is governed by a seven-member Board of Directors. Individual directors are publicly elected in county-wide elections administered by Clackamas County. Five directors are elected to represent specific zones in the District, and two directors are elected “at large,” meaning they do not represent a particular zone.

The District boundary is identical to that of Clackamas County, Oregon. The District office is located in Oregon City in an attempt to balance easy access by the majority of Clackamas County citizens with proximity to active farming areas.

## More than thirteen people employed

The District has 13.5 “full-time equivalent” positions, which really means more than 13 people are employed by the District. These people work in the proper management and administration of the District, and in providing conservation services to our customers.

The majority of the District’s employees are engaged in providing conservation services to the public, with specialized skills addressing large and small farms, streams and the health of streamside vegetation, conservation in the urban environment, wildlife needs, outreach and education services, and invasive plant species.

Four employees provide management and administration of the organization: a contracts specialist, a financial administrator, and administrative assistant, and a district manager.

All work occurs under the supervision of a district manager who reports to the Board of Directors.

## Some work is contracted

The District also utilizes specialized contractors to provide additional service. For example, vegetation management contractors are used to treat invasive species, and an engineering technician is utilized a few days a week to assist District staff in serving customer needs.

## How much land?

The District covers all of Clackamas County, with a total area of 1,879 square miles. Land covers 1,868 square miles and surface water covers 11 square miles. The 11 square miles of water exists as wetlands, ponds, lakes, creeks, streams, and rivers.

## Ten feet of precipitation in mountains, four feet in lowlands

The eastern part of the District is bounded by the Cascade Mountains where luxuriant forests help to capture snow and rain. Water is an abundant resource, but it is not evenly distributed, with some areas receiving far more than other regions. Some places end up with too much water and some have too little.



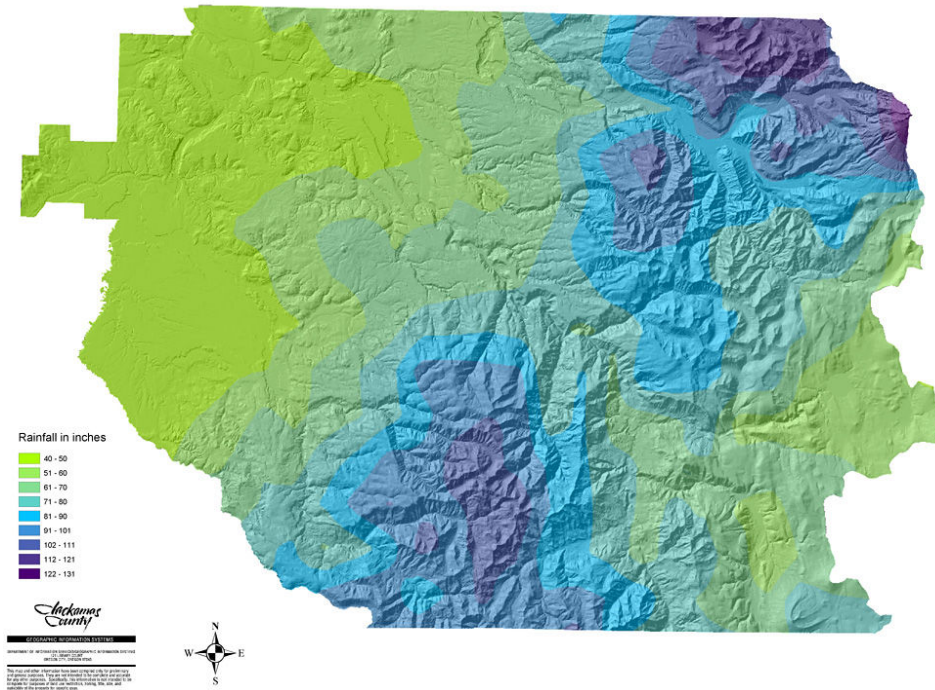


Figure 1: Average rainfall in Clackamas County

### More farms than any other county in Oregon

The District is in one of the most favorable farming locations in the United States: the Willamette River Valley. The combination of rich, deep soil with a moderate climate makes it possible for farmers to produce a diverse array of food crops, livestock, nursery products, and Christmas trees.

Farming activity occurs on 285 square miles of land, or 15 percent of the total area of land available in the District. In general, public lands are higher elevation landscapes not suitable for farming activities. It comes as no surprise that most farming activity is centered on fertile valley bottoms and nearby prairies.

Farming often involves disturbing soil for field preparation, weed control, planting, and harvesting. Clearly, farming is a major land disturbing activity, and with land disturbance comes increased potential for soil erosion, loss of native plant communities, invasion of weeds, and impacts to water quality.

Clackamas County also has more farms than any other county in Oregon, with 3,989 farms reported in the 2007 Census of Agriculture. The District contains about ten percent of the total number of farms statewide. Yet, the average size of a Clackamas County farm is only 46 acres, which is about one-tenth of the average size across the state.

Approximately one-quarter of farms in the District irrigate land. About one-quarter of the farms in the District are owned by women.

Farms in the District are important to the local, regional, and statewide economy, generating more total farm sales than any other county in Oregon except for Marion County.

### Urban land

Based on the 2010 U.S. Census, the District holds 375,922 people, or nearly ten percent of Oregon's total population. Most people live in the northwestern part of Clackamas County.

2000 Census Population Density

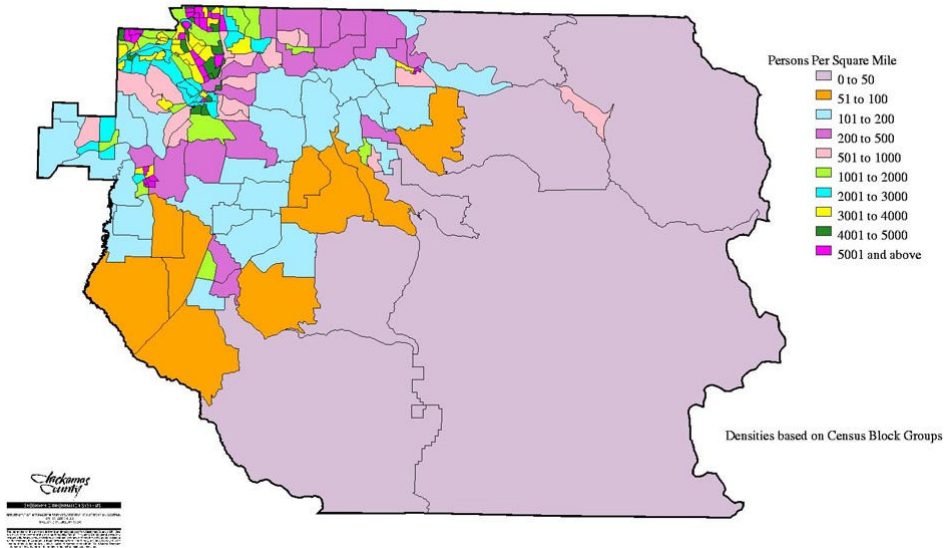


Figure 3: Population density in Clackamas County

Conditions in the urban environment challenge us in helping landowners conserve natural resources. In and around cities, native soil profiles have been disturbed through the building of roads, businesses, and homes. Our traditional conservation practices are based on having native soil profiles, and may not always work as expected in urban conditions. Some conservation practices suitable for urban landscapes are quite expensive compared to working on farm and forest land. Urban areas also present many more potential users of our services in a smaller area, compared to delivering services in our farming and forestry-based communities.

### Forest land

Forested land covers a large portion of the District. Figure 4 shows the distribution of public lands in Clackamas County, and in general, public lands are forested lands. In addition, private forest land occurs in a north-south strip between public lands to the east and farms to the west.

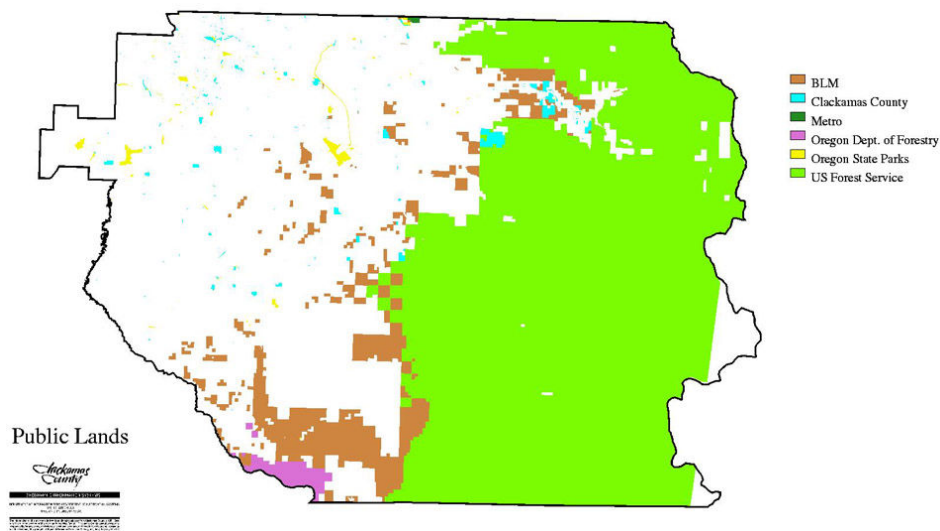


Figure 4: Public lands in Clackamas County

## District Programs

We help people use resources responsibly, for current and future generations. Protecting water quality in a non-regulatory, collaborative manner is a core mission of the District. With so much land draining to so little water, small changes in land-based practices can dramatically affect water quality.

Many of the District's core conservation programs revolve around land disturbance. Whenever land is disturbed, the potential increases for soil erosion, disruption of native plant communities, and invasion of foreign species. Whether in the forest, on the farm, or in an urban area, land disturbance is a central factor in determining the activities and support available through the District.

The District's conservation professionals are focused on conservation activities that roughly reflect the gross characteristics of the wide range of land uses on private lands in Clackamas County:

- More than four employees are focused on working with farms and fields.
- Three employees deal primarily with invasive plants.
- One employee concentrates on streamside plant communities.
- One employee is focused on conserving resources in the urban environment.

In addition to college-level education in various natural resource fields, and training in conservation planning systems, some staff have received training in wildlife conservation and rainwater harvesting. One staff member is certified by Oregon State University as an Oregon Master Naturalist. All staff work in a cross-functional manner, meaning they work not only within their core area but also extend their knowledge, skills, and abilities to other staff members when needed to address diverse natural resource needs and landowner interests on specific parcels of land.

The distribution of District staff skills outlined above occurred in response to the kinds of requests for help received by the District, in combination with the guidelines presented in the District's Master Plan that was developed in 2008, and based on direction from the District's elected Board of Directors. Changes in these skills sets are likely to occur in the future as the District continues to shape how it responds to evolving natural resource conditions and shifting community needs.