

To: Clackamas County SWCD Budget Committee  
From: Tom Salzer, Budget Officer  
Date: March 22, 2015  
Re: FY 2015-2016 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 people conserve our vital natural resources, 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 allows us to consistently deliver high-quality service within Clackamas County.

**We are recognized as a regional leader in conservation.** Our work is widely recognized through participation in local and regional forums and by our many partners. 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, to deliver services to our constituents, and to invest in long-term conservation actions. It shows how we plan to invest funds in on-the-ground conservation actions that align with the District's conservation priorities.

**We add staff to better serve our constituents.** For this proposed budget, we add a conservation planner to increase our ability to serve our farm constituents, and we add an education specialist to increase the quantity and quality of information we provide to the public.

**We hold the line on other services.** In other areas of the budget, we maintain the technical help we provide and our financial assistance program. We focus more on loans this year and we anticipate a new program to help people in the Clackamas River watershed repair failing septic systems.

On behalf of the Clackamas County Soil and Water Conservation District, I'm pleased to present the budget proposed for fiscal year 2015-2016.

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

## Purpose

This budget message is provided to explain the budget proposed for fiscal year 2015-2016, covering the period from July 1, 2015 through June 30, 2016.

## Structure of the Budget Message

Sections 1, 2, and 3 of the budget message provide background information to help readers more easily understand the how the District operates. The budget explanation is contained 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 2015-2016

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.

### APPENDIX

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

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# Section 1: Budgeting

## 1.1 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 2015-2016 budget, the District’s Board of Directors appointed General 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

## 1.2 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.*

## 1.3 THE BUDGET COMMITTEE

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

### 1.3.1 District is a special district with a voter-approved property tax levy

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; the two original districts go back to 1958.

In 2006, Clackamas County voters passed Measure 3-221, granting a permanent property tax rate limit to the District, making the District a public taxing entity subject to Oregon Local Budget Law. The language of Measure 3-221 as approved by voters is shown below:

This permanent rate limit will enable Clackamas Soil and Water Conservation District to provide education and technical assistance to urban and rural residents, farmers, businesses, municipalities, and others to meet rising legal and public expectations for healthy and sustainable management of our land, air and water. The District does not make or enforce regulations.

The permanent rate limit will support current District programs including conservation technical assistance, help for landowners navigating regulations, and cost-share funding for conservation projects to improve the quality of our streams, working lands and natural habitat for fish, wildlife, and people. The District is also responding to citizen demands to implement a countywide weed program focused on education and sustainable control methods.

This measure establishes a permanent rate limit of \$0.05 per \$1,000 assessed valuation. It will cost a property owner a maximum of \$10.00 per year on property valued at \$200,000 and yield an estimated \$1,400,000 to the District. The District may levy a lower rate. This permanent rate is an upper limit that by law can never be raised.

### 1.3.2 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.

### 1.3.3 Budget Committee members

The Budget Committee consists of 14 members: seven electors and the seven-member Board of Directors. 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 third year of term
John Borden	Elector	Appointed in 2013, in third year of term
Mike Dillard	Elector	Re-appointed in 2015, in first year of term
Steve Fedje	Elector	Re-appointed in 2015, in first year of term
P.K. Melethil	Elector	Appointed in 2014, in second year of term
Rennie Squier	Elector	Re-appointed in 2013, in third year of term
Jim Toops	Elector	Re-appointed in 2015, in first 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

### 1.3.4 Term of service for Budget Committee members

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.

### 1.3.5 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 in 2015. 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.

### 1.3.6 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, 2015.

## 1.4 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.

### 1.4.1 What are funds?

The budget is prepared by fund. The District has three kinds of funds: general fund, special revenue fund, and reserve fund.

The Oregon Department of Revenue describes a general fund as shown below:

The purpose of a general fund is to record financial transactions relating to all activities for which specific types of funds are not required. It is the general operating fund for the local government. Most local governments have a general fund. Many small districts have only a general fund.

The Oregon Department of Revenue describes a special revenue fund as shown below:

Special revenue funds should be set up for dedicated local option tax levies, specific purpose grants and other revenues when required by statute, charter provision, or the terms of a grant. The number of such funds depends upon the activities of the local government and how it is funded... The general requirement is that dedicated revenues must be used for the specific purpose authorized, and separate funds should be established for them (ORS 311.350).

The Oregon Department of Revenue describes a reserve fund as shown below:

A local government may set up a reserve fund to accumulate money for financing the cost of any service, project, property or equipment that the district can legally perform or acquire (ORS 294.346, renumbered from 294.525). Under Local Budget Law, a reserve fund is a way to save money from year to year. Expenditures can be appropriated and made directly from a reserve fund.

The resolution or ordinance creating a reserve fund should state the purpose for which the money in the fund can be spent. At least every 10 years after the establishment of a reserve fund, the governing body must review the fund to decide if it should be continued or abolished. Any unexpended or unobligated balance left in the fund when it is abolished can be transferred to the general fund or any other fund designated by the governing body.

Money in a reserve fund can only be used for the purpose for which the fund was established. Expenditures for that purpose may be budgeted and appropriated directly from the reserve fund. Transfers may not be made from a reserve fund unless the fund that receives the transfer uses the money for a purpose consistent with the purpose of the reserve fund. Interfund loans can be made from a reserve fund under ORS 294.468 (renumbered from 294.460).

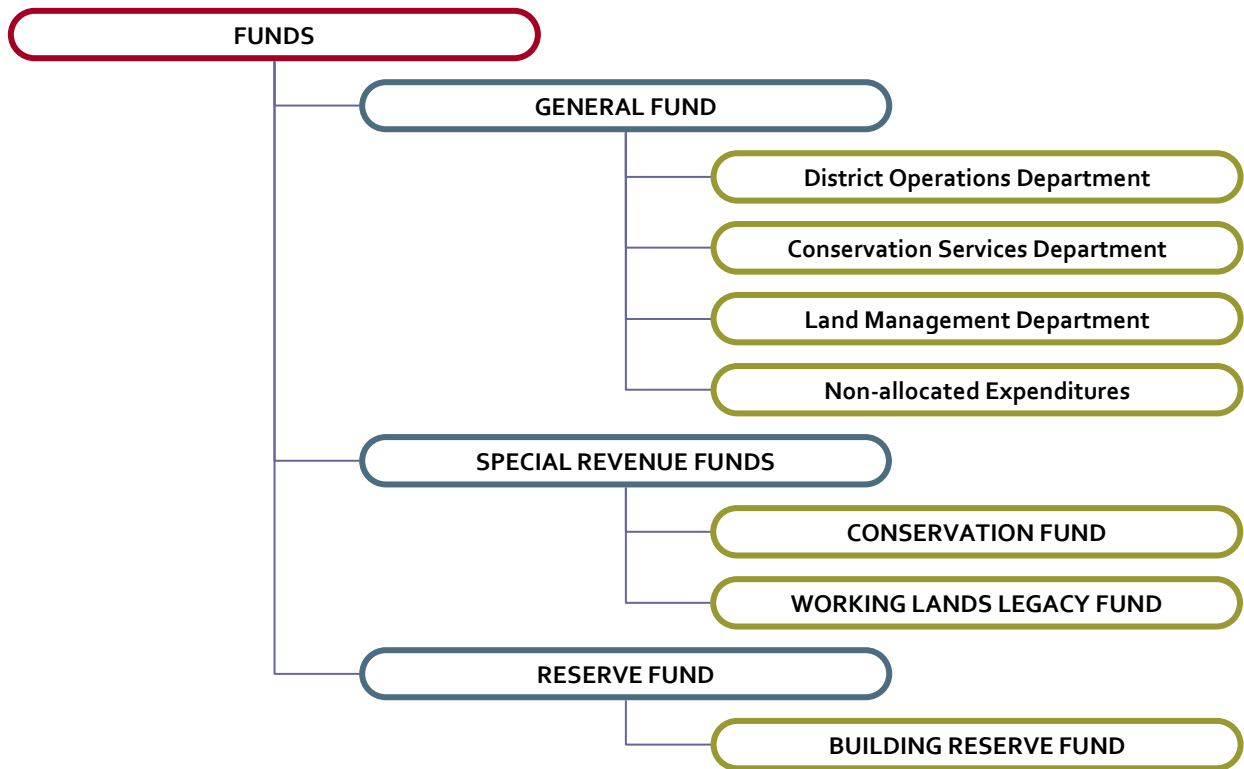
### 1.4.2 Organization of the District's funds

The District has established four funds: General Fund, Conservation Fund, Building Reserve Fund, and Working Lands Legacy Fund.

Three organizational units or departments exist within the General Fund: the District Operations Department, the Conservation Services Department, and the Land Management Department. This year, we add another unit to the General Fund called General Fund Non-allocated Expenses. This change was made in response to guidance from the Oregon Department of Revenue. The non-allocated unit is where we show expenditures that are not allocated to a department or within another fund.

Two funds – the Conservation Fund and the Working Lands Legacy Fund – are special revenue funds.

The Building Reserve Fund is a reserve fund.



The highest level of activity occurs in the General Fund, followed by the Conservation Fund. Relatively little activity is expected in the Building Reserve Fund and Working Lands Legacy Fund in FY 2015-2016.

## Section 2: Policies and Performance

### 2.1 POLICIES

#### 2.1.1 Basis for accounting has changed

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

During the year ended June 30, 2013, the District changed from the modified cash basis of accounting to the accrual basis of accounting under generally accepted accounting principles (GAAP) as applied to government units. Under the accrual method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied and grants are recognized as revenue as soon as all eligibility requirements have been met.

The District believes that using the accrual method of accounting will improve financial reporting. The loan program that began to grow in FY 2013-2014 continued to expand in FY 2014-2015, and the accrual basis of accounting makes these transactions more transparent.

#### 2.1.2 Funds held in approved institutions

All District funds are held in Qualified Public Depositories approved by the Oregon State Treasury. For FY 2015-2016, 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.

The District also owns two properties.

#### 2.1.3 Expenditures monitored

All expenditures require approval by the General Manager. The General 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 and approves expenditures to make certain that expenditures are necessary and appropriate. Periodically during the fiscal year, the Board of Directors reviews a budget-to-actual report.

#### Overview

- ✓ *Accounting changed to accrual basis*
- ✓ *Our accounting and controls are robust*
- ✓ *We've expanded our services and programs*
- ✓ *Staffing remained level in FY 2014-2015*
- ✓ *We completed a dam removal project*
- ✓ *Our partnerships remain healthy and productive*

### 2.1.4 District audited annually; internal controls protect public funds

The District is audited by a Certified Public Accountant / Certified Municipal Auditor once each year. Audits of the District have been issued without qualifying statements. The District uses a robust system of internal controls to protect the resources entrusted to the care of the District. In our control system, no one person can perform all financial functions.

### 2.1.5 Transparency

Like many local governments, the District regularly publishes the agenda for public meetings. The District posts approved meeting minutes 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 utilizes newspapers and a website to provide information to the public. Find our website at <http://conservationdistrict.org>

## 2.2 PROGRAM AND SERVICE CHANGES

Over the past several years, the District has expanded 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 2015-2016 continues this trend.

### 2.2.1 Technical assistance

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

The District continued to engage more customers in FY 2014-2015. The addition of an administrative assistant in FY 2013-2014 has helped the District reach more potential customers, resulting in increased workload for technical staff. Our focus on team-oriented service delivery has helped the District provide consistent, high-quality conservation services.

The database developed by the District a few years ago has increased our ability to provide efficient, effective service to constituents. For example, in calendar year 2014, the District:

- Assisted 289 individuals with conservation needs. This does not include individuals referred to other organizations.
- Made 182 site visits to assist constituents.
- Developed 39 approved conservation plans.
- Received 15 referrals from the Oregon Department of Agriculture.

These interactions resulted in numerous conservation practices covering a wide range of landscapes and land uses.

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.

### 2.2.2 Financial assistance

The District is able to provide other mechanisms to help people conserve natural resources, from easements to grants and loans.

- More loans were made in FY 2014-2015 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.
- Irrigation system improvements to reduce water use grew in volume during FY 2014-2015. Our assistance to improve irrigation efficiencies always included a loan component so that these funds could be used again for other 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.

### 2.2.3 Reaching customers

The District invested heavily in reaching specific communities facing high-priority conservation issues, and in gathering feedback from constituents. Our printing and publication costs went up as we increased the number and kinds of outreach materials. We are also trying techniques not normally employed by many conservation districts, such as sponsoring events and using billboards.

In late spring 2014, we employed a billboard for two months to reach people driving on Highway 99E.



## 2.3 CONSERVATION PERFORMANCE

The District experienced a 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 improve the protection of 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. In calendar year 2014, we recorded 182 site visits and 289 unique landowners assisted, resulting in 39 conservation plans. Please note that these tracking metrics are independent of the work done by our WeedWise program staff; those results will be made available at the first Budget Committee meeting.

### 2.3.1 Conservation priorities: water, wildlife, weeds, worms, and working lands

Last fiscal year, our top conservation priorities were water quality and water quantity, wildlife habitat, and invasive species management. The fourth priority – worms – refers to soil health; the conservation of soil is always a priority for a soil and water conservation district. As a result of strategic planning work performed by the Board of Directors, a fifth priority was added: conservation of working lands.

Our conservation professionals always have these priorities in mind when they visit a site and work with a landowner:

- Water quality
- Water quantity
- Riparian and terrestrial wildlife habitat
- Invasive species management
- Soil health and soil conservation
- Working farms and forests

### 2.3.2 Water and Wildlife

Several irrigation projects on commercial agricultural operations were initiated in FY 2013-2014 and were completed in FY 2014-2015. 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, including more water in streams for fish.

### 2.3.3 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 2014-2015, 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.

In FY 2014-2015, the District increased staffing for the WeedWise program to improve service to constituents. This position also coordinates the work of the 4-County Cooperative Weed Management Area (CWMA) and the Columbia Gorge CWMA. The CWMAs contribute funds to the District to offset some of the cost of this employee; in return, we achieve better coordination of strategies and activities throughout the region, directly benefiting land and constituents in Clackamas County.

### 2.3.4 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 2014-2015:

- Pollinator habitat improvement.
- Demonstration of rain gardens for urban stormwater control and water quality protection.
- Streambank restoration and protection.
- 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. In several instances the District also completed conservation projects using a portion of fines levied by the Oregon Department of Environmental Quality.



### 2.3.5 Highlights from FY 2014-2015

The District implemented additional improvements to the Conservation Activity Tracking System (CATS) to streamline internal processes for planning, designing, getting project approval, and implementing projects.

Several irrigation system projects were completed. These projects save water and reduce erosion, plus they often reduce operating costs. Recognizing that these projects often provide a mix of benefits to public resources as well as benefits to the private operation, we generally include a loan component as part of our financial assistance offer.

We reached out in new ways to customers, including a billboard about tansy ragwort.

Planning and constructing manure composting facilities continued to be a significant part of our workload. We added a program to provide tarps to cover small manure piles as a way to temporarily protect water quality while we work with landowners on permanent solutions.

We resuscitated our equipment rental program, including making repairs to the most used equipment. The Tye-brand no-till drill was used more this year than ever.

Our partnerships with other organizations grew in number and strength, helping us (and them) to be more successful. The District continued to work very closely with watershed councils to spread conservation awareness and actions throughout Clackamas County. We provided support grants to watershed councils and farmers markets, and assisted several other organizations in conservation projects that align with the District's goals. The District regularly hosts meetings with representatives of the ten watershed councils in Clackamas County to seek alignment of priorities and strategies.

Weed control and planting occurred on a 30-acre parcel where we are restoring oak habitat. The District holds a 10-year temporary easement to protect our investment while the trees become established.

We designed and helped install a pollinator garden at the Boeckman School. At a production farm, staff also designed a rain garden to catch and clean wash water from a produce washing facility, an innovative way to handle process water.

To celebrate our Milk Creek project work, we held a celebration that was very well attended.

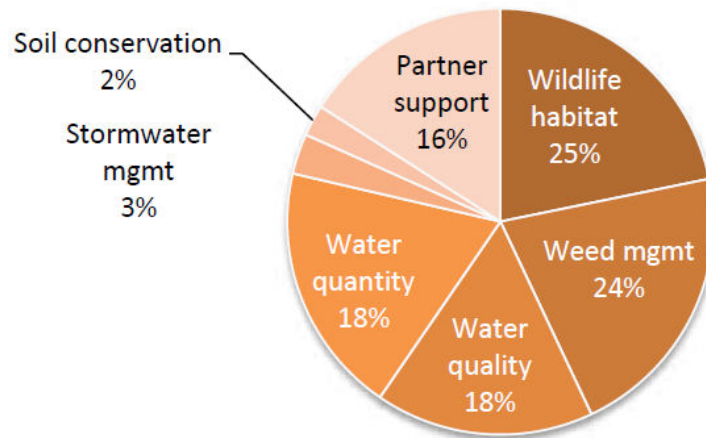
Soil health was the focus of our work at the Beaver Creek Demonstration Farm, plus we made some significant repairs.

We co-hosted a farm succession planning workshop to help small farm owners learn approaches to keeping their farm in the family and operating as a farm.

We co-hosted a TEDxManhattan viewing party titled "Changing the Way We Eat" to bring attention to food-related issues. This event was well attended and generated very positive feedback from participants.

### 2.3.6 Investments

In FY 2013-2014, the District invested more than \$600,000 in on-the-ground conservation actions and support of partner programs and projects. The distribution of FY 2013-2014 investments is shown in this pie chart:



FY 2014-2015 results will not be available until summer 2015, but we expect to see similar results.

## 2.4 RECOGNITION

Riparian Specialist Jenne Reische was recognized by the Special Districts Association of Oregon with a statewide Outstanding Special District Service Award.

## 2.5 FINANCIAL AND OPERATIONS PERFORMANCE

Financially, the District has done a good job of increasing service and activity while controlling costs. We served several hundred customers in FY 2013-2014 and that trend continues in FY 2014-2015. We assisted many constituents and groups with financial support including grants, loans, and combinations of these tools.

### 2.5.1 Operating costs controlled

Budget-to-actual reports demonstrate the District effectively managed expenditures within the limits established by the adopted budget.

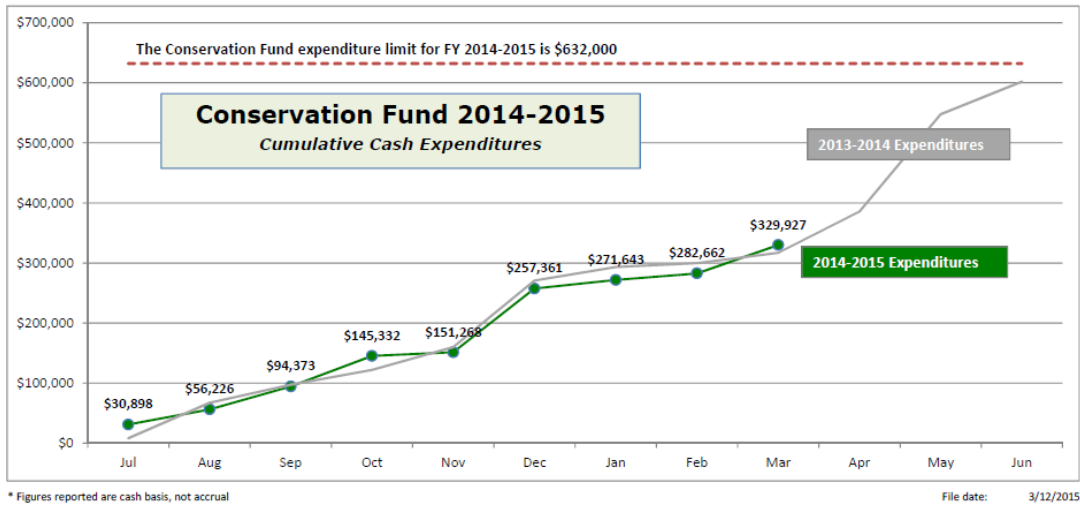
### 2.5.2 Financial assistance continued

In FY 2014-2015, the District continued to make investments in conservation actions and programs from the Conservation Fund. Costs related to District employees and operations are not included in Conservation Fund expenditures; these funds go directly to conservation implementation and support of partner projects and programs.

In the following line graph, FY 2014-2015 (the green line) cumulative expenditures from the Conservation Fund are displayed against the FY 2013-2014 results (the gray line):

## Conservation Fund Monthly Expenditures: FY 2014-2015

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Expended 2014-2015:	\$30,898	\$56,226	\$94,373	\$145,332	\$151,268	\$257,361	\$271,643	\$282,662	\$329,927			
Expended 2013-2014:	\$7,934	\$67,157	\$97,136	\$122,098	\$160,048	\$270,551	\$293,383	\$299,585	\$316,749	\$385,627	\$547,669	\$602,031



### 2.5.3 Staffing remained level in FY 2014-2015

Staffing remained at about the same level as the previous year.

### 2.5.4 Partnerships maintained

As noted above in section 2.3.4, we work with a variety of partners to achieve positive conservation outcomes.

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

## 3.1 ECONOMIC CONDITIONS

The District is not immune from the economic conditions that have affected all of us for the past several years. Overall, costs for services, fuel, and goods have risen, as have costs for employee benefits such as medical and dental insurance.

Over the past two years, the assessed valuation of real property in Clackamas County has started to rebound, yielding small increases in revenue that were not entirely anticipated.

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 may increase revenue, but many funders have reduced the amount or availability of grant funds. Competition for this shrinking pool of grant funds has increased significantly in the last several years.

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 increase our use of conservation loans so that local tax dollars can be re-used to install conservation practices. District employees will be directed to seek more grants to help support some project costs.

### 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*

## 3.2 MANAGEMENT RESPONSES TO ECONOMIC CONDITIONS

### 3.2.1 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 increase services while managing costs so that they don't exceed the growth revenues to be 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. Based on local economic conditions, the District believes this same approximate growth rate will occur in FY 2015-2016, but we use a more conservative growth rate of 3.0% in our proposed budget calculations.

### 3.2.2 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 primary mechanism used to provide technical assistance to constituents. Providing technical assistance to customers was a commitment made in the very first sentence of Measure 3-221 adopted by voters in 2006:

This permanent rate limit will enable Clackamas Soil and Water Conservation District to provide education and technical assistance to urban and rural residents, farmers, businesses, municipalities, and others to meet rising legal and public expectations for healthy and sustainable management of our land, air and water.

### 3.2.3 Increase services to constituents

The FY 2015-2016 budget makes expanding our technical and educational assistance to constituents a priority, in the following ways:

- **Add conservation planning staff.** We propose actions to not only increase staff but also to offset some costs associated with technical staff. The workload being documented in the Conservation Activity Tracking System (CATS) shows that customer contacts are increasing. With current staffing, some customers are unable to be helped immediately.
- **Increase education program staff.** A staff promotion made by the Board of Directors effective April 1, 2015 will double our education and outreach program staff. We expect this will result in a significant increase in the number of workshops and other educational events the District is able to provide and support.
- **Use contractors.** The District has used 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. We also utilize the services of an engineering technician through a memorandum of agreement with another conservation district, an arrangement that benefits both districts. We expect to contract for additional services related to engineering services needed by conservation planners, and for design and installation services suitable for practices in the urban landscape.

### 3.2.4 Build sustainable financial assistance mechanisms

- **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 are used to fund new loans to other landowners, sustaining growth of the Conservation Fund. The District made

several loans in FY 2014-2015 and anticipates continuing this activity for the foreseeable future.

- ***Use land to advance our mission.*** In FY 2012-2013, 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.

This property hosts a mature oak tree. In FY 2015-2016, the District will seek to protect the oak tree by petitioning the City of Oregon City to designate it as a heritage tree, and then the District will seek buyers of the property. The low acquisition cost and anticipated growth in value make this purchase a sound long-term investment. This is potentially a long-term model for conserving key habitat features: acquire property, improve it, protect certain habitat values, and sell the property.

The District closed on a farm property in the Hamlet of Beavercreek 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 may 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. Consolidation of our service center with the room to host educational events will improve District efficiency and effectiveness.

Conserving working lands is a key segment of the District's priorities. Farms, fields, and forests that are at risk of permanent loss 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 applied for grant funding to acquire a 200-acre property at risk of being logged. This particular property along the Molalla River contains forest that has never been logged, and forest that was logged in the 1930s that now has old growth characteristics. Potentially, this property would be a combination of a fee-title acquisition in which the District owns much of the forested land, and a conservation easement in which the landowner holds some of the land near a stream and near the Molalla River.

In FY 2015-2016, the District will continue looking for opportunities to conserve working lands by holding easements and acquiring lands, including actively seeking donations and bequests.

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.** In FY 2014-2015, the District has issued a request for qualifications (RFQ) for architectural design services to obtain help in developing conceptual designs for an office and conservation education facility. The District may escape our current office lease as early as summer 2017 without incurring penalties, and the lease expires in February 2019. Ongoing lease payments 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 eventually reduce our operating costs.
- **Seek more grants.** We have been collecting water quality data for several years. Our work with local and regional partners has raised our profile, and our accomplishments support our credibility. District staff will seek more grants to help support specific projects.

### 3.2.5 Hold the line on existing programs

- **Maintain the WeedWise program.** In 2006, Measure 3-221 also stated: "*The District is also responding to citizen demands to implement a countywide weed program focused on education and sustainable control methods.*" That work continues. In FY 2014-2015, we added a staff person who also works with two Cooperative Weed Management Area groups. While we would like to increase staffing in this area, limited revenues prevent us from doing so at this time. The District remains strongly committed to helping constituents control invasive weeds.
- **Maintain the Conservation Fund.** Providing financial assistance was also described in Measure 3-221: "*The permanent rate limit will support current District programs including conservation technical assistance, help for landowners navigating regulations, and cost-share funding for conservation projects to improve the quality of our streams, working lands and natural habitat for fish, wildlife, and people.*" While assuring continued technical assistance to constituents is our top priority, providing incentives to help people implement practices that protect public resources is also a top priority. Note that the measure language also speaks to the need to conserve working lands and habitat.

## Section 4: Budget Scenario for Fiscal Year 2015-2016

The District's budget for fiscal year 2015-2016 (July 1, 2015 through June 30, 2016) reflects the continued commitment of the District to implement core components of the Master Plan and pursue the conservation priorities adopted by the Board of Directors. The Master Plan and latest annual plan are available on the District's website.

### 4.1 PRIORITIES ADDRESSED BY FOUR FUNDS

The proposed budget reflects a simplified structure that revolves around four funds: the General Fund, the Conservation Fund, the Working Lands Legacy Fund, and the Building Reserve 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 willing private landowners to conserve natural resources for today and for future generations. Staff 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.

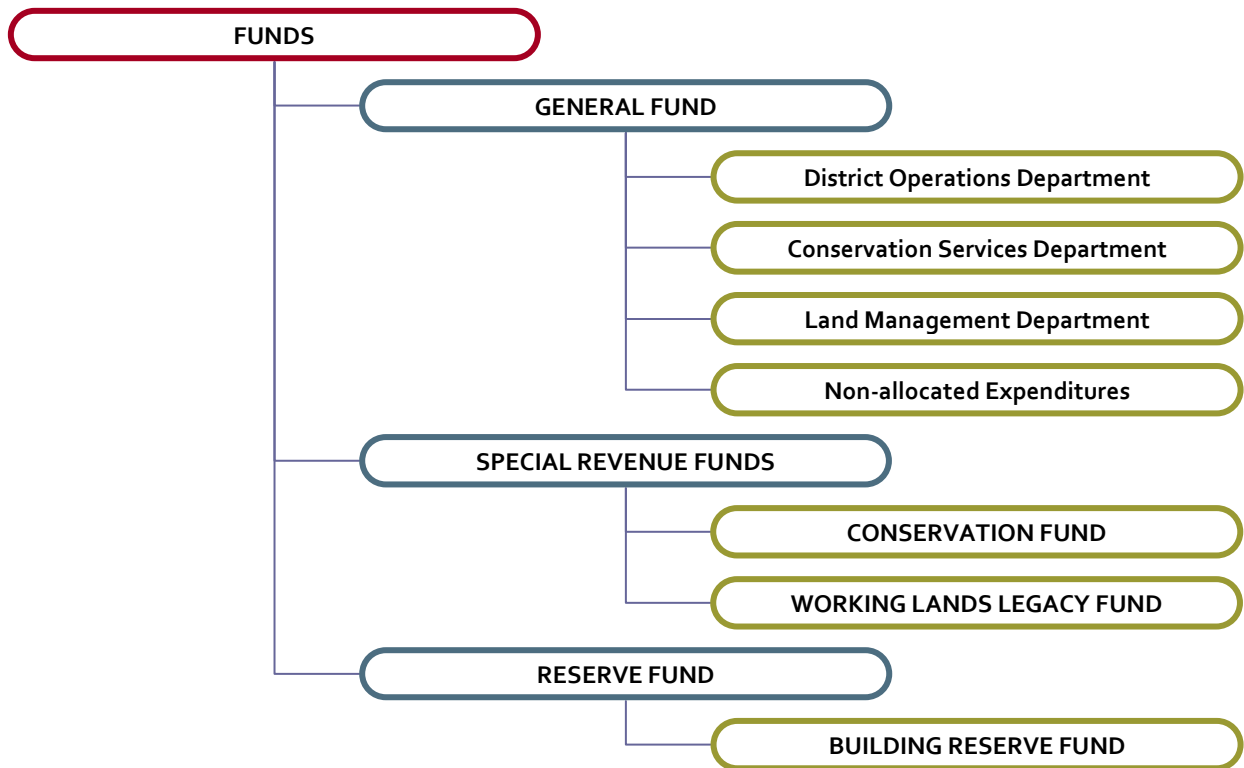
Our third highest priority is saving for a facility that will better serve the needs of our organization and our customers. The Building Reserve Fund is the savings account for this priority.

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.

#### Overview

- ✓ *Four funds*
- ✓ *Initiatives similar to last year, but more emphasis on education and outreach.*
- ✓ *More resources allocated to long-term preservation of working lands*
- ✓ *Conservation Fund level maintained*
- ✓ *Building Reserve Fund contribution maintained*
- ✓ *Working Lands Legacy Fund contribution maintained*
- ✓ *Proposed budget calls for levying maximum tax rate*





#### 4.1.1 General Fund

The District is a service organization. Clackamas County voters approved a permanent tax levy in 2006 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. A fourth detail sheet in the budget shows expenditures that are not allocated to any department.

- 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 and one-half 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 10 FTEs in the Conservation Services department.

- 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.

#### 4.1.2 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 priorities are: water quality and water quantity; wildlife habitat; invasive weed management; soil health; and working lands. In many cases, activities in one category also yield benefits in other categories.

#### 4.1.3 Working Lands Legacy Fund

The third 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 currently captured in the Land Management Department.

In the future, some lands owned or controlled by the District may also have individual funds established for the purpose of segregating and managing funds dedicated to the perpetual management of those lands. To date, the District has not received such dedicated funds, so no dedicated fund other than the Working Lands Legacy Fund has been established.

#### 4.1.4 Building Reserve Fund

The fourth 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.

## **4.2 INITIATIVES FOR FISCAL YEAR 2015-2016**

The District’s initiatives for fiscal year 2016-2016 are summarized in sections 3.2.3 through 3.2.5 above as part of management’s response to economic conditions.

In summary, the District proposes to:

- Increase service to constituents, by:
  - Adding conservation planning staff.
  - Adding education program staff.
  - Using contractors.
- Make funding more sustainable, by:
  - Increasing the use of loans so that funds can be reused in the future.
  - Investing in land, protecting key values on those parcels, and selling them once improved and protected.
  - Seeking to build a permanent office and conservation education facility.
  - Seeking donations and bequests of working lands.
- Hold the line on existing programs, by:
  - Maintaining the WeedWise Program to help constituents control the most damaging invasive weeds.
  - Maintain adequate revenue for the Conservation Fund to help constituents implement needed conservation practices and to support partner projects.

## **4.3 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.

### 4.3.1 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.

### 4.3.2 Tax rate proposed in budget

For FY 2015-2016, 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. This is the same rate levied by the District in FY 2014-2015 in response to adding the long-term conservation of working lands as a primary goal of the District.

### 4.3.3 Method for estimating of tax revenues for 2015-2016 budget

As this budget message is being written, no new information has been received from the Clackamas County Assessor regarding estimates for FY 2015-2016. Over the winter, the Assessor advised the District that our actual tax revenue for FY 2014-2015 would be more than anticipated, giving us a range from \$1,927,358 to \$1,947,862. The average of the top and bottom of this range is \$1,937,610. Accordingly, we use 3.0% growth over that average value our baseline estimate for tax revenue for FY 2015-2016 of \$1,995,738. We believe this to be a conservative revenue estimate.

For context, we include the information on estimating tax revenues from last year's budget message below. Once we receive estimates of growth in assessed value from the Assessor, we will follow this methodology to refine the property tax revenue estimate for FY 2015-2016.

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.

## 4.4 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 2015-2016 is categorized by a General Fund containing three departments plus a sheet for unallocated expenses, two special revenue funds (the Conservation Fund and Working Lands Legacy Fund) to hold resources for restricted purposes, 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). We also use form LB-31 as worksheets for each department (and the unallocated expenses sheet) within the General Fund.
- Conservation Fund: an LB-10 form showing that fund's resources and requirements on the same page.
- Working Lands Legacy Fund: an LB-10 form showing that fund's resources and requirements on the same page.
- Building Reserve Fund: an LB-11 form listing resources and requirements on the same page.

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.

## 4.5 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.

For FY 2015-2016, two funds (Equipment Reserve Fund and Agency Fund) that were shown last year are not included, because they were discontinued by FY 2012-2013 and no activity was reported since then. Per Local Budget Law, we no longer show these discontinued funds.

## 4.6 GENERAL FUND

The primary source of revenue for the General Fund is the District's permanent taxing authority established when voters passed Measure 3-221 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). New this year is a fourth sheet for unallocated expenditures. We treat that as a fourth organizational unit, with identical page formatting to make it easier for readers to recognize it is part of the General Fund group.

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.) Expenses not allocated to a department are shown on a fourth sheet described as "Not Allocated to Any Department."

#### **4.6.1 Resources (Revenues)**

The LB-20 Resources page of the General Fund (page 1 of the proposed budget) begins with the projected working capital carry-over from FY 2014-2015, estimated to be \$1,050,491. Please note the declining trend of the "cash on hand" or "working capital" carry-over amount from FY 2012-2013 to the present proposed budget. The District had significant reserves that were not being utilized, and the Board of Directors chose to use those funds to expand services. The result of this is our beginning fund balance is lower than it has been.

#### **4.6.2 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.

New this year is a line item described as "support from partners." The hourly wage for two employees is partly reimbursed by partners who use their services. These revenues help offset our labor cost.

#### **4.6.3 Requirements (Expenditures)**

The detailed department pages (District Operations Department, Conservation Services Department, and Land Management Department) and the Non-allocated Expenditures page are combined into a program-based summary (page 2 of the proposed budget). These same

expenditures are rolled up by line category for a different view of proposed expenditures (page 3 of the proposed budget).

Pages 4 through 7 of the proposed budget are worksheets for each organizational unit in the General Fund:

- Page 4 – District Operations Department
- Page 5 – Conservation Services Department
- Page 6 – Land Management Department
- Page 7 – Not Allocated to Any Department

Categories for requirements in the General Fund include:

- Personnel services
- Materials and services
- Capital outlay
- Debt service
- Transferred to other funds
- Operating contingency
- Reserved for future expenditure
- Unappropriated ending fund balance

#### **4.6.4 Personnel services**

The proposed budget for salaries and wages reflects 14.5 full-time employees. The total for Personnel Services, which includes gross wages, benefits, and payroll liabilities, is budgeted at \$1,371,099 for fiscal year 2015-2016. Costs increase due to cost of living adjustments, merit raises, and the addition of (net) one full-time equivalent employee.

The District's health insurance plan is managed by Clackamas County under an intergovernmental agreement (IGA). Benefits (and costs) are aligned 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, medical and dental insurance premiums increased about 10%, on average. Since adoption of the Affordable Care Act, however, premium increases have been less than this amount for our group.

#### **4.6.5 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.

For calendar year 2014, the calculated CPI-W Portland rate is 2.4%. We use this rate in calculating personnel costs for FY 2015-2016.

### Portland-Salem, OR-WA

	CPI-U Portland			CPI-W Portland		
	2014	2013	2012	2014	2013	2012
1st half	2.6%	2.2%	2.5%	2.4%	1.9%	2.2%
2nd half	2.3%	2.8%	2.1%	2.1%	2.7%	1.8%
<b>Annual</b>	<b>2.4%</b>	<b>2.5%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.0%</b>

#### 4.6.6 Merit raises

To provide recognition of exemplary service and assure uninterrupted service to District customers, a nominal amount for merit raises and performance bonuses is included in the proposed budget. Not all employees may receive merit raises in any given year.

The District also provides performance bonuses in recognition of superior performance. The General Manager reviews recommendations with the Personnel Committee before proposing performance bonuses to the Board of Directors for approval.

#### 4.6.7 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 \$438,535. This cost increase is largely attributable to additional training costs for staff and directors.

#### 4.6.8 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.

#### 4.6.9 Debt service

Debt Service is now included in the General Fund on the "Not Allocated to Any Department" sheet. We have no debt in the General Fund. We were paying for the purchase of the Beavercreek Demonstration Farm property from the General Fund but we move that expense in the FY 2015-2016 proposed budget to the Building Reserve Fund, on the advice of the District's auditor.



#### 4.6.10 Transferred 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.

We detail these transfers on the Not Allocated to Any Department sheet.

#### 4.6.11 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 need contingency funds so we do not include any funds set aside for this purpose.

#### 4.6.12 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, 2016 until tax revenue is received in November 2016. 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 2016 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.

### 4.7 CONSERVATION FUND

The Conservation Fund is a special revenue fund focused on the financial assistance we provide to others. As a fund, resources (revenues) must balance requirements (expenditures).

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).

#### **4.7.1 Highlights**

On page 8 of the proposed budget we show "Disbursements from DEQ CWSRF program" as a resource. We expect to utilize more loan funds from the Clean Water State Revolving Fund program in FY 2015-2016. Our agreement with DEQ provides for 30% forgiveness of the principal on loans we receive under this contract if certain conditions are met. We expect repayment of CWSRF funds to begin in FY 2016-2017, and we've included a line for that expense in the Requirements section.

We also show significant funds coming in from loans we've previously made.

#### **4.7.2 Changes this year**

New this year is the use of an unappropriated ending fund balance for the Conservation Fund. In prior years, we included this amount in the General Fund unappropriated ending fund balance. Since the Conservation Fund has a restricted purpose, the proper place to show funds needed after the end of the 2015-2016 fiscal year and before November 2016 tax revenue arrives is an unappropriated ending fund balance in the Conservation Fund.

Also new this year is to elimination of the conservation priorities in the Requirements section. This system was designed to help demonstrate that the District was spending funds in alignment with District priorities. The system proved to be too cumbersome for auditing purposes, so we go back to grouping expenditures by type of expenditure instead of by conservation priority. The District is audited against the adopted budget. We hope to be able to continue reporting by conservation priority even though the budget doesn't show this detail.

We appropriate the entire fund except for the unappropriated ending fund balance and except for funds reserved for future expenditure, because it is the intent of the District to provide as much financial assistance as needed to implement effective conservation practices.

### **4.8 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. Healthy working lands also provide filtration of water that feeds our rivers and groundwater supplies.

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

#### 4.8.1 Highlights

Shown on page 9 of the proposed budget, there is relatively little activity expected in the Working Lands Legacy Fund. As noted in section 3.2.4 of the budget message, we applied for a grant to acquire a 200-acre property with old-growth forest and a salmonid-bearing stream. If that grant is awarded, we will need to perform additional due diligence work including surveying and an appraisal. We also expect to incur costs related to acquiring a conservation easement on part of this property. Those costs are including in the requirements section of the Working Lands Legacy Fund.

#### 4.9 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 or construct a building for its use in future years instead of renting office space. The Building Reserve Fund is due to be reviewed by 2017.

#### 4.9.1 Highlights

On page 10 we show significant expenses in the Building Reserve Fund. We expect to have architectural fees plus a substantial repair to the century-old barn at the Beaver Creek Demonstration Farm. Also, the roof of the garage needs to be replaced, but we will most likely try to patch it this year and put off a replacement until next year.

# Appendix A: About the Clackamas County SWCD

## A.1 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.

## A.2 ASSISTANCE PROVIDED BY TECHNICAL AND PROFESSIONAL STAFF

The District has 12.5 full-time equivalent (FTE) positions. These people work to assure the proper management and administration of the District, to educate and inform our constituents, and to provide 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 general manager. All work occurs under the supervision of a general manager who reports to the Board of Directors.

## A.3 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.

## A.4 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.

## A.5 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 too little.

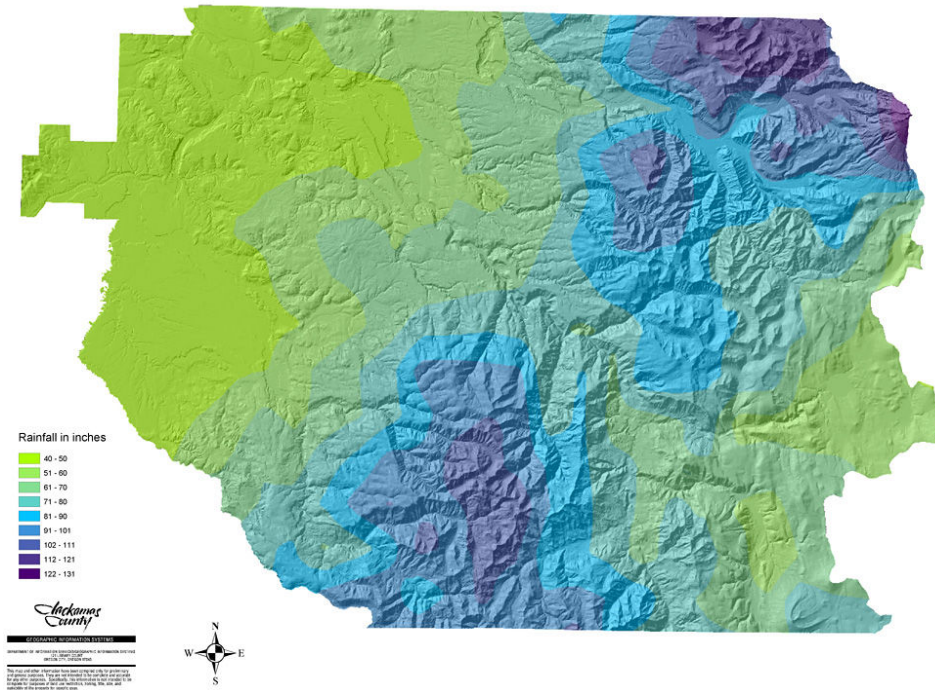


Figure 1: Average rainfall in Clackamas County

## A.6 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.

The 2007 Census of Agriculture was updated in 2012 and results are now available. In 2007, Clackamas County had more farms than any other county in Oregon with 3,989 farms reported. In 2012, we still have more farms than any county but the number has dropped to 3,745 on 162,667 acres. Our average farm size continues to be the smallest in Oregon.

The District contains more than ten percent of the total number of farms statewide. However, the average size of a Clackamas County farm is only 43 acres, which is less than 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.

## A.7 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.

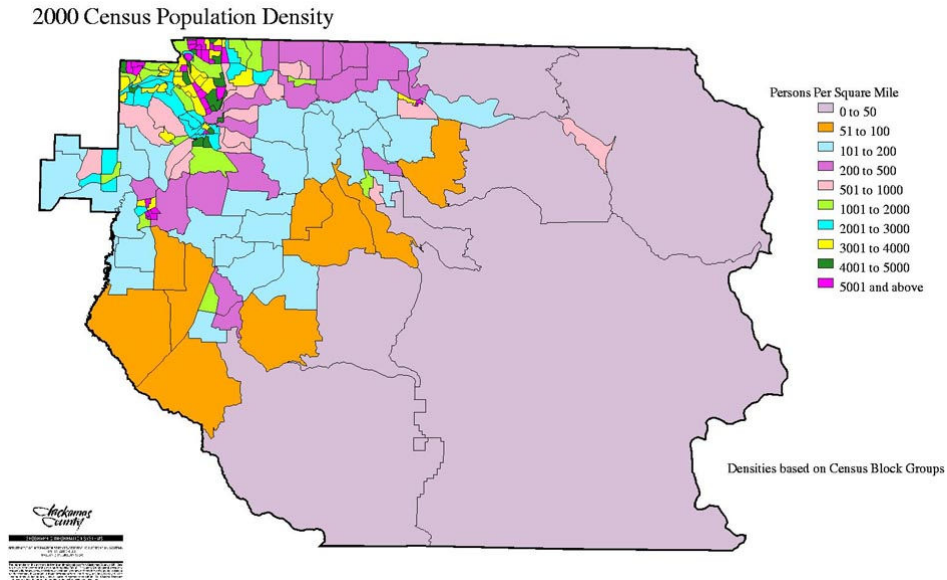


Figure 3: Population density in Clackamas County

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.

## A.8 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.

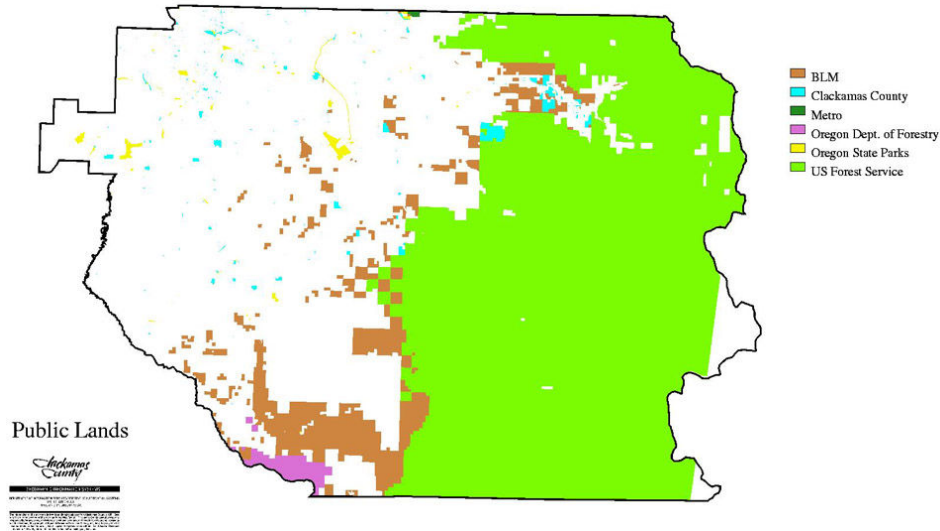


Figure 4: Public lands in Clackamas County

## A.9 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.

In addition to college-level education in various natural resource fields, and training in conservation planning systems, some staff received training in wildlife conservation and rainwater harvesting. Two employees are certified by NRCS as conservation planners. 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.