

To: Clackamas County SWCD Budget Committee

From: Tom Salzer, Budget Officer

Date: April 3, 2015

Re: Responses to Budget Committee questions following the first Committee meeting



Overview

This year, the first meeting of the Budget Committee was held on March 24, 2015. At that meeting, and through individual communications following that meeting, Budget Committee members asked additional questions and provided feedback to the Budget Officer.

Questions and feedback are listed below along with Budget Officer responses.

The District's budget team has produced a revised proposed budget based on Budget Committee member input. The revised proposed budget also factors in new information received from the County Assessor about projected tax revenues for the coming fiscal year.

Section 1 covers questions and feedback from Budget Committee members and responses by the Budget Officer.

Section 2 discusses the revised proposed budget, including a revised tax revenue estimate and page-by-page changes.

Section 1: Questions/Feedback and Responses

Q&A #1

Budget Committee member: "That was a great meeting and we are at the point where we are going to need to make some hard decisions."

Response: Thank you.

Q&A #2

Budget Committee member: "What if we didn't hire another conservation planner this year? With the CATS system up and working it sounds like efficiency has improved greatly ...Exploring other ways of streamlining or making efficiency improvements to the current staff would maximize employee time ...I think the funds could be directed somewhere else. Is this a scenario that could be explored?"

Response: The Conservation Activity Tracking System began to produce efficiency benefits this year, just in time for an unexpected influx of new customers. While CATS can significantly decrease the amount of time it takes to create a conservation plan, all of the other time-consuming aspects of planning remain. One benefit of CATS is the ability to track progress of plans. Another is the system allows other planners to assist team members in the planning

process. The ability to quickly view the past activity and supporting documents for a landowner means we can provide seamless service as we work with more and more customers.

The District's conservation planners are at or near maximum capacity now. One planner is expecting a child in September, and that means workload will need to shift to the other planners for some period of time. Planning staff are all stressed with the number of people they are helping and the complexity of some of the projects.

At present, we have five planners available for farm and riparian projects. Two of these people only work one-half time on conservation planning. Between them, they have 137 active customers as I write this. This workload does not include 56 urban conservation customers that I have not yet assigned to our planners. Some customers require extraordinary effort from planners to reach positive conservation outcomes.

We've added to our workload through the success of our outreach and education efforts. By being more present in our communities, we've generated quite a few new customers who are expecting to receive service. Welcoming new customers is a great challenge, and it is definitely a better situation than a decline in the number of people wanting our service. Our ongoing challenge is to continue to provide superior service as we face increasing numbers of landowners who want to work with us.

Management's goals are to increase our operating efficiency and only hire new planners when the efficiency gains are insufficient to provide high quality, timely service. We are at that point now.

Q&A #3

Budget Committee member: "Rather than hiring a receptionist could we use an automated phone directory? ...This is another place I could see saving some money. Or do we need someone to physically do this position?"

Response: Yes, our phone system can operate as an automated attendant.

The District's Board of Directors has previously directed that we have a person to help callers reach the right people, and to improve the efficiency of our professional and technical staff. Many callers are referred to other organizations, and in those situations, an automated attendant does not perform well.

Having the front desk staffed also makes it easier for our people to be "in the field" helping customers. The administrative assistant position also helps staff accomplish more high-value work by handling many time-consuming tasks such as: phone and visitor routing; preparing mailings; preparing and setting up meetings, workshops, and events; arranging for meeting locations; taking and preparing meeting minutes; and more.

Q&A #4

Budget Committee member: "I like that we are putting almost \$700,000 in dollars on the ground. That is a huge accomplishment and when I describe what the District does to my peers, they are impressed. I don't think having a staff of 14 or 15 FTEs is the best use of funds. I don't think the payroll should exceed money we spend on the ground. We are going to get to a point where we are limited with our regular funding and to do more we will have to cut back on what we are doing."

Response: The idea that we will reach a point where we are limited by available funding is valid: it has arrived. What the District wants to do exceeds our financial resources, making this budget cycle a particularly difficult balancing act.

According to Measure 3-221 adopted by voters in 2006, our primary deliverable is providing technical assistance, and that happens through the work of staff. Providing financial assistance is described as something other than a core responsibility in Measure 3-221, placing it in second place compared to providing technical assistance.

A handful of years ago we were only spending one-tenth of what we now invest from the Conservation Fund in on-the-ground conservation actions. The District has taken a huge step forward in implementing conservation practices. However, what may not be entirely obvious is that our financial assistance funds could not be invested in conservation actions without the technical work done by our conservation planners. Good technical assistance builds a foundation for effective and responsible financing of conservation actions.

The District could follow the Yamhill Soil and Water Conservation District model where they provide only technical assistance; Yamhill SWCD does not have a financial assistance program. Our Board has strongly supported increasing our financial assistance program and the District has been quite successful in expanding our financial aid to landowners. It is truly remarkable, especially when compared to financial assistance programs offered by our sister SWCDs in Oregon. Maintaining a strong program of financial assistance is one of the District's highest operating priorities.

Management's goal is to grow the Conservation Fund to at least match what the District spends on providing technical assistance. The revised proposed budget comes close to this goal when you compare our Conservation Services Department personnel costs to the total Conservation Fund. Specifically, the revised proposed budget shows \$901,266 for total personnel costs in the Conservation Services Department, and \$894,735 in the requirements section of the Conservation Fund.

Q&A #5

Budget Committee member: "The district is doing great work and I want to keep it up."

Response: Thank you.

Q&A #6

Budget Committee member: "The work that went into the presentation made our review much easier."

Response: Thank you. We invest time and effort in preparing information for the Budget Committee to help the Committee as it deliberates and makes decisions.

Q&A #7

Budget Committee member: "\$30K for dues and subscriptions? Seems like a lot."

Response: The \$30,000 is the \$16,000 for this dues and subscriptions in the District Operations Department worksheet plus the \$14,000 for dues and subscriptions in the Conservation Services Department worksheet.

The last two audited figures for dues and subscriptions are \$13,892 for fiscal year 2012-2013 and \$21,620 for fiscal year 2013-2014, and these figures indicate a rising trend in the cost of dues and subscriptions.

It is instructive to look at what we are currently spending in fiscal year 2014-2015 on dues and subscriptions:

\$619	Government Ethics Commission
\$480	RLIS subscription
\$10,000	iMapInvasives subscription
\$497	DEQ water quality
\$6,645	Land Trust Alliance, OCEAN, SDAO/SDIS, NACD, OACD
\$5,812	Various information technology subscriptions (licensing)
\$470	Telephone system software subscription
\$572	Membership dues
\$25,505	TOTAL YEAR TO DATE

Following are more details about each of these expenditures:

- The Government Ethics Commission charge is not optional – as a public entity, we are required to pay it.
- The Regional Land Information System (RLIS) is a compilation of more than 100 Geographic Information System data layers that serve as the spatial data infrastructure for the Portland metropolitan area. This subscription gives us access to maps and data we import into our GIS system to support the work of our conservation planners. Conservation planning efficiency would be significantly impaired without this service.

- iMapInvasives is a key tool in our WeedWise program. Our work to manage 78 targeted invasive species would be impaired without this service. Learn more at <http://www.imapinvasives.org/>
- The Department of Environmental Quality fee is for the National Pollution Discharge Elimination System permit that we use in our WeedWise program. This NPDES permit requires careful monitoring of where we apply pesticides and we produce a report each year to document our compliance. This is one way we can substantiate that our use of pesticides is both appropriate and responsible.
- With the addition of working lands as a priority, the District joined the Land Trust Alliance as a governmental partner to give us access to their extensive library of tools. We are members in good standing with the Special Districts Association of Oregon and their sister group Special Districts Insurance Services. We pay our annual dues to the National Association of Conservation Districts, Oregon Association of Conservation Districts, and Oregon Conservation Education and Assistance Network because strong associations are vital to our long-term success. All of these organizations provide short-term and long-term benefits that facilitate the success of the District.
- Much of the software the District uses is subscription based, greatly simplifying the challenge of keeping up with licenses and maintaining infrastructure. For example, our email system is not hosted by the District; instead, we subscribe to a service so that we don't have to maintain licenses and specialized equipment. This also means we don't have to spend additional time and money to repair such systems when they fail.
- Similarly, a computer drives our telephone system, and we pay an annual fee to have access to system updates.
- A relatively small amount is spent on dues to organizations such as the Soil Conservation Society so that employees have access to job-related professional and technical journals. We also pay for staff to renew their pesticide certification when this credential is required by the District.

We expect to spend an additional \$3,000 in the last quarter of the current fiscal year for dues, subscriptions, and licenses, bringing the real-plus-projected total to \$28,505 for the current year.

We don't expect these costs to go down, and historically we've seen these costs increase in year after year. We reached the \$30,000 figure in the proposed budget by adding a little bit to our projected costs to cover anticipated cost increases.

Q&A #8

Budget Committee member: "Does the District have money set aside for emergencies?"

Response: For this FY 2015-2016 budget, the District is not proposing setting aside funds for operating contingencies. Minor situations can be absorbed by revising planned spending

during the fiscal year. We protect against large, adverse financial exposures through training, strong management, and comprehensive insurance coverages.

Local Budget Law allows certain exceptions in which the District's Board of Directors can change the adopted budget without going through the supplemental budget process. See <http://www.oregonlaws.org/ors/294.338> for more information.

The most common examples include (a) receiving an unexpected grant for a specific purpose and (b) an unforeseen occurrence that requires the expenditure of nontax monies.

Other likely solutions available to the District include transferring an appropriation (Oregon Revised Statute 294.463), responding to a natural disaster (ORS 294.481), and making an interfund loan (ORS 294.468).

Q&A #9

Budget Committee member: "Is the District prepared to respond to damage caused by wildfire?"

Response: The short answer is that the District has no formal program in place to respond to wildfire damage. However, the Board of Directors has previously discussed the need to offer assistance on private lands affected by wildfire to stabilize soil and protect water quality.

As noted in the response to Q&A #8 above, the District does have authority (ORS 294.481) to expend funds in response to a public emergency including natural disasters. This is an important authority in that it allows the District to respond much more quickly than might be the case if the District had to use the supplemental budget process to appropriate funds in response to an emergency.

Strategically, the District could set aside money to be used in the event of a natural disaster like wildfire. However, doing so might reduce the amount of financial assistance available to private landowners through the District's Conservation Fund. As previously noted, maintaining substantial financial assistance resources is one of the District's highest operating priority.

Since the Conservation Fund operates largely on a first-come, first-served basis, and since the most likely time period for wildfire events in the first half of the District's fiscal year, and since the District has authority to expend funds in response to natural disasters, management feels that planned spending from the Conservation Fund could be quickly and effectively redirected if such a situation occurs.

Section 2: Revised Proposed Budget

Summary of changes

We received additional information from the Clackamas County Tax Assessor, resulting in an increase in the estimate of tax revenue to the District in fiscal year 2015-2016. The Assessor estimates growth in assessed valuation between 4.25 and 4.75 percent. We use the mid-point of 4.5 percent growth in this revised proposed budget.

The Assessor estimates collections at 94 to 96 percent of the tax levied, and reports that current collections are averaging about 96 percent. Accordingly, we use 96 percent as the projected collection rate.

The combination of a higher assessed valuation than expected and a high collection rate work to ease some pressure on the budget. The increase in projected revenue allows the District to hire an additional farm planner after October 1, 2015. Accordingly, the total staffing for the District is increased in the revised proposed budget to 14.5 full-time equivalent employees for the year.

All changes discussed below are relative to the budget proposed by the Budget Officer. We refer to the new proposed as the revised proposed budget. No discussion of budget worksheets is provided below, but the worksheets are included in the revised proposed budget.

Page 1 – General Fund Resources

Compared to the budget proposed by the Budget Officer, line 3 (beginning fund balance) of the revised proposal is increased because we moved the debt service for the Beaver Creek Farm out of the General Fund and into the Building Reserve Fund. This leaves more cash on hand in the General Fund.

Line 10 (other income) is changed because the proceeds from selling the Pleasant Avenue property are now shown as revenue to the Building Reserve Fund.

On line 16 we changed the description to more clearly indicate that it was a roll-up of values from the worksheet.

Line 17 is lower because of the changes made above.

Line 18 is increased after receiving estimates of growth in assessed valuation and collection rate from the Clackamas County Assessor's Office this week. Last year the estimate was more than 4% growth in valuation, and to be safe we used 3% for the FY 2015-2016 proposed budget. Now that we have new growth rate estimates ranging from 4.25% to 4.75%, we selected the middle value of 4.5% growth in assessed value of taxable property.

The Assessor also reports collections are currently coming in at 96% of the full tax levy, and they advise a range of 94% to 96% for budgeting purposes. We select the higher value of 96%

for the tax collection rate based on the Assessor's experience. We don't expect significant loss from tax compression. Based on these values and factors, we estimate the District will receive \$2,055,480 from a 5-cent per \$1,000 tax levy.

Line 20 is smaller because of the reduction in total resources available.

Page 2 – General Fund Summary of Expenditures by Departments

As this is a summary "rollup" page, you'll see many changes that echo changes made on budget pages 4, 5, 6, and 7.

Line 2 (District Operations department) changes because of modifications made on Page 4 for the District Operations department.

Line 3 (Conservation Services department) changes because we delay hiring a new farm planner until October 1, 2015 as shown on Page 5 for the Conservation Services department.

Line 6 (total personnel services) changes because of changes made above.

Line 9 changes because we reduce spending on materials and services in the District Operations department.

Line 13 changes because of changes made above.

Line 16 changes because we reduce capital outlay for the Conservation Services department.

Line 19 changes because of changes made above.

Line 21 is highlighted in anticipation of the Board of Directors moving our debt service for the Beaver Creek Demonstration Farm back to the Building Reserve Fund in the current budget. If the Board makes that change, the description for line 21 will become blank.

Line 27 changes because we reduce transfers into the Conservation Fund in order to balance the budget.

Line 29 changes because we eliminate the transfer from the General Fund into the Building Reserve Fund, instead using the sale of Pleasant Avenue to rebuild the fund.

Line 30 changes because of changes made above.

Line 33 changes because the costs for the departments changed. We don't need to carry over as much in the Unappropriated Ending Fund Balance to cover expenses from July 2016 through November 2016.

Line 35 changes because of changes made above.

Page 3 – General Fund Summary of Expenditures by Object Classifications

Explanations are similar to those for page 2, just rolled up differently. See the departmental budget worksheets on pages 4, 5, 6, and 7 for detail.

Page 4 – District Operations Department

Line 3 (payroll liabilities) changes because we refactored payroll liabilities for this department.

Line 4 (employee benefits) changes because we refactored employee benefits.

Line 10 (total personnel services) changes because of changes made above in personnel services.

Line 20 (program supplies) is reduced to help balance the budget.

Line 25 (staff training) is reduced to help balance the budget.

Line 32 (total materials and services) changes because of the changes made above in materials and services.

Line 50 (total expenditures) changes because of changes made above.

Line 54 (total requirements) changes because of changes made above.

Page 5 – Conservation Services Department

Line 2 (salaries and wages) changes because we hire a farm planner with a projected start date of October 1, 2015.

Lines 3 (payroll liabilities), 4 (employee benefits), and 5 (deferred compensation) are dependent upon line 2, so they change, too.

Line 6 (temporary employees) changes because we delay the addition of a seasonal field crew for the WeedWise program until a future budget cycle.

Lines 10 (total personnel services) and 11 (FTE count) change because of changes made above in personnel services.

Line 35 is reduced to help balance the budget. Some of the capital equipment was for use by temporary field crews, so without those crews, we don't need to purchase the equipment.

Line 37 changes because of the changes made above in capital outlay.

Lines 50 and 54 change because of changes made above.

Page 6 – Land Management Department

We made no changes.

Page 7 – Not allocated to any department

We anticipate removing the description for line 39 once the Board moves the Beaver Creek Farm debt service back into the Building Reserve Fund.

Line 45 (transfer to Conservation Fund) is reduced to help balance the budget, as shown in the Conservation Fund resources.

Line 47 (transfer to Building Reserve Fund) is reduced to help balance the budget, as shown in the Building Reserve Fund resources. We anticipate a substantial contribution to the Building Reserve Fund through the sale of the Pleasant Avenue property.

Line 48 changes because of the changes made above in Transfers.

Lines 50, 52, and 54 change because of changes made above.

Page 8 Conservation Fund

Summary

Maintaining the availability of financial assistance for landowners is a priority for the District, as is working to make the Conservation Fund more self-sustaining.

Description	Revised proposal	% of fund expenses
Grants and cost-share to Cooperators	\$120,000	17%
Conservation loans to cooperators	\$138,900	20%
Residential septic system repair loans	\$40,000	6%
Grants and contracts to Partners	\$175,000	25%
Contracted services	\$212,000	31%
Milk Creek project	\$7,500	1%
TOTAL	\$693,400	100%

Non-loan financial assistance to cooperators includes grants and cost-share contracts and contracted services (mainly weed management), totaling \$332,000, or 48% of the Conservation Fund expenses.

Loan assistance to cooperators and homeowners includes general conservation loans and septic system repair loans, totaling \$178,900, or 26% of the Conservation Fund expenses.

Grants and contracts to partners includes support for entities such as farmers markets, watershed councils, and some non-governmental organizations performing work within the District's boundary.

Line details for the Conservation Fund

Line 5 (transferred from General Fund) is reduced to help balance the budget.

The description on line 8 is clarified.

The line after line 8 is new and will be numbered later. We have added loan funds that we anticipate receiving from DEQ for a septic system repair loan program.

The line after line 9 is new and will be numbered later. This line will capture borrower repayments received under the septic system repair loan program.

The line after line 30 is new and will be numbered later. This line will capture the District's repayment of septic system repair loan funds to the Department of Environmental Quality.

Line 31 is reduced by the amount we expect to loan to homeowners for septic system repairs.

The line after line 32 is new and will be numbered later. This line captures septic system repair loans made to homeowners.

All these changes were made without altering the total expenses for the Conservation Fund, so the unappropriated ending fund balance and funds reserved for future expenditure also don't change.

Page 9 – Working Lands Legacy Fund

No changes made to resources or requirements.

Page 10 – Building Reserve Fund

Line 3 (beginning fund balance) is reduced because debt service for the farm loan payments made in Fiscal Year 2014-2015 is moved from the General Fund into the Building Reserve Fund. The amount of the reduction is exactly equal to the debt service amount shown on line 19.

Line 5 (transferred from General Fund) is reduced to zero because sale of the Pleasant Avenue property on line 8 is project to produce more revenue than the previously proposed transfer from the General Fund, and this helps to balance the budget.

Line 6 (interest) is increased to show interest income earned during the fiscal year.

Line 8 (other income) shows the estimated income to be received from the sale of the Pleasant Avenue property. This figure was previously shown on page 1, General Fund Resources.

Lines 9 and 12 change because of changes made above.

Line 14 (acquire/improve real property, build facilities) is increased because additional revenue may allow us to move forward more quickly on a new office facility.

Line 16 (capital outlay) is increased because of anticipated major repair costs at the Beavercreek Farm.

Line 22 (total expenses) changes because of changes made above in expenses.

Line 25 (total requirements) changes because of changes made above.