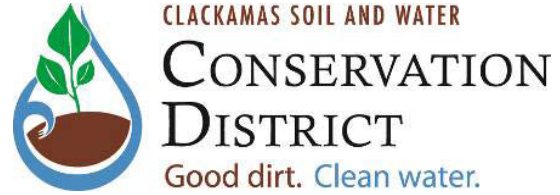


To: Clackamas SWCD Budget Committee
From: Tom Salzer, General Manager
Date: March 22, 2016
Re: FY 2016-2017 Budget Message



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 in many different landscapes in Clackamas County.

We are recognized as a regional leader in conservation. Our work is widely recognized throughout the region by citizens, elected officials, agencies, and 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 been good and our internal controls assure the safety of public funds under our care. We operate transparently, publishing notices and minutes of meetings of the Board of Directors.

Budgeting balances revenue and expenditures 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.

More unknowns than usual this budget cycle. With several new initiatives on the horizon, projected revenues and expenditures are less easy to predict this budget cycle.

We add staff to improve services. For this proposed budget, we add staff to accommodate increasingly complex financial transactions and reporting.

We increase loans. For the proposed fiscal year 2016-2017 budget, we include a new septic system repair loan program to fix failing septic systems in the Clackamas River watershed. We include additional loan funds we anticipate receiving from the Oregon Department of Environmental Quality to support other conservation actions on private lands.

We hold the line on other program areas. In other areas of the budget, we maintain the technical help we provide and continue to fund financial assistance for important conservation actions.

On behalf of the Clackamas Soil and Water Conservation District, I'm pleased to present a proposed budget for fiscal year 2016-2017.

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

Purpose

This budget message is provided to explain the budget proposed for fiscal year 2016-2017, covering the period from July 1, 2016 through June 30, 2017.

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 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 2016-2017

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 development of the fiscal year 2016-2017 budget, the District’s Board of Directors appointed the District’s General Manager 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 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 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	Re-appointed in 2016, in first year of term
John Borden	Elector	Re-appointed in 2016, in first year of term
Mike Dillard	Elector	Re-appointed in 2015, in second year of term
Steve Fedje	Elector	Re-appointed in 2015, in second year of term
P.K. Melethil	Elector	Appointed in 2014, in third year of term
Rennie Squier	Elector	Re-appointed in 2016, in first year of term
Jim Toops	Elector	Re-appointed in 2015, in second 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's 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 included in 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 2016. 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, 2016.

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 resources and needs 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.

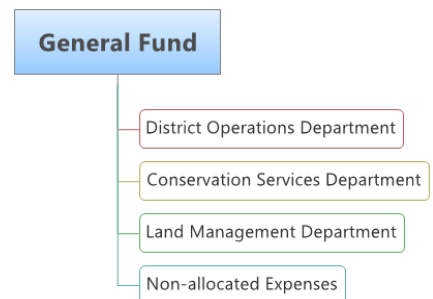
Money in a reserve fund can only be used for the purpose for which the fund was established. Expenditures for that purpose may be budgeted and appropriated directly from the reserve fund. Transfers may not be made from a reserve fund unless the fund that receives the transfer uses the money for a purpose 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. For the proposed FY 2016-2017 budget, the District modifies the Conservation Fund by moving conservation loans to a separate fund.

GENERAL FUND

Three organizational units or departments exist within the General Fund: the District Operations Department, the Conservation Services Department, and the Land Management Department. The Non-allocated Expenses portion of the General Fund is used to show transfers from the General Fund to other funds.

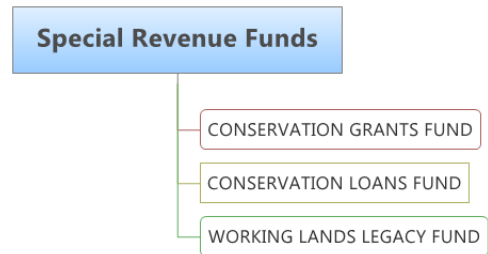


SPECIAL REVENUE FUNDS

For FY 2015-2016 the District had two special revenue funds – the Conservation Fund and the Working Lands Legacy Fund.

For FY 2016-2017 the Conservation Fund is renamed the Conservation Grants Fund and a new fund named the Conservation Loans Fund is added.

In FY 2016-2017 we expect more activity in the Working Lands Legacy Fund than in FY 2015-2016. This is based on an expectation of being awarded one of two land acquisition grants in the fall of 2016.

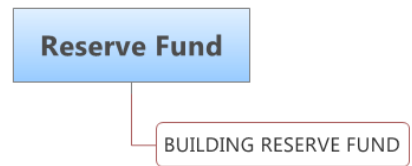


RESERVE FUND

The Building Reserve Fund is a reserve fund.

The highest level of activity occurs in the General Fund, followed by the two Conservation funds (the Conservation Grants Fund and the Conservation Loans Fund).

For FY 2016-2017 we expect more activity than in FY 2015-2016 in the Building Reserve Fund due to preparations necessary to begin construction of a new office and meeting facility.



Section 2: Policies and Performance

2.1 Policies

2.1.1 Basis for budgeting 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 fiscal year ended June 30, 2013, the District changed from the modified cash basis of accounting to the modified 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 when all eligibility requirements have been met. Using the modified accrual method of accounting allows greater transparency with regard to the District's loan programs.

On July 1, 2015, the District changed from budgeting on a cash basis to using a modified accrual basis. This aligns the District's accounting method with annual budgeting.

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.

At the time this budget message was written, the District owned two properties. The District expects the sale of one property to be completed before the beginning of FY 2016-2017.

2.1.3 Expenditures monitored

Expenditures follow a three-step process:

1. The Board of Directors authorizes kinds of expenditures in the adopted budget;
2. The Board of Directors authorizes specific expenditures or delegates that authority to the General Manager; and

Overview

- ✓ *Accounting and budgeting changed to modified accrual basis*
- ✓ *Our accounting and controls are robust*
- ✓ *We've expanded our services and programs*
- ✓ *Staffing remained level in FY 2015-2016*
- ✓ *We completed a dam removal project*
- ✓ *Our partnerships remain healthy and productive*

3. All expenditures and supporting documents are reviewed and approved by the General Manager prior to spending money.

Expenditures are also reviewed by accounting staff when recording transactions in the District's accounting software, and when filing documentation in support of each transaction.

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.

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 <https://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 2016-2017 continues this trend with increases in technical assistance capacity and financial assistance for landowners.

2.2.1 Technical assistance

Technical assistance consists of advice provided by District employees, and includes farm visits by conservation planners, site visits by WeedWise program staff, and the development of conservation plans for better natural resource management.

The District continued to engage more customers in FY 2015-2016. Our focus on team-oriented service delivery has helped the District provide consistent, high-quality conservation services.

At the beginning of FY 2013-2014, the District deployed a new database application to speed the process of conservation planning and allow more complete tracking of the needs and status of each customer. The Conservation Activity Tracking System ("CATS") has been continuously improved. In FY 2015-2016 the District began to integrate the WeedWise program database into CATS to help make service to customers more timely and seamless.

The CATS database has increased our ability to provide efficient, effective service to constituents. For example, in calendar year 2015, District staff:

- Received requests from many constituents, including 342 people or organizations desiring specific technical help;
- Made 136 visits to private property; and
- Developed 21 conservation plans affecting 1,458 acres of land.

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

2.2.2 Financial assistance

The District is able to provide other mechanisms to help people conserve natural resources.

- The District continued to emphasize conservation loans to help landowners implement conservation practices. Combining grants with loans has been well received by a number of customers.
- Small grants of up to \$2,500 continue to be made available for some water quality practices and for treating priority invasive weeds. These small grants require less formal conservation planning work 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 quantity and kinds of outreach materials.

In FY 2015-2016 the District significantly increased outreach efforts by increasing staffing in this area. As a result, the District was represented at more events and meetings than in prior years. The District also invested more time and energy to drive increased engagement through social media channels. These efforts are resulting in a more visible profile of the District and improved public understanding of what we do to help our communities and creatures thrive.

2.3 Performance

The District experienced a productive and eventful year. Our regular work involves providing advice to private landowners who wish to work with us. 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.

2.3.1 Conservation priorities: water, wildlife, weeds, worms (soil health), and working lands

Our top conservation priorities in FY 2015-2016 have been related to water quality and water quantity, wildlife habitat, invasive species management, soil health, and conservation of working lands.

2.3.2 Water quality

Several projects focused on water quality were completed in calendar year 2015. Significant projects included the construction of a manure composting facility and the installation of 4,440 feet of livestock exclusion fencing.

2.3.3 Water quantity

The District invested more time and money in improving irrigation systems to reduce water usage. In calendar year 2015 we completed eight irrigation efficiency projects:

- Eight projects cover 394 acres of irrigated land used to grow caneberries, blueberries, hazelnuts, and nursery crops.
- We calculate a 43 percent reduction in water use, derived through the use of more efficient distribution systems and through better monitoring of soil moisture. (The District requires the use of irrigation water management practices as a condition of receiving financial assistance on irrigation improvements.)
- We estimate more than 400 acre-feet of water will be saved over the next 15 years due to these improvements.

2.3.4 Wildlife

Many of the wildlife-focused projects completed in calendar year 2015 also provide water quality benefits. Projects completed include:

- Installation of 2,000 feet of hedgerow plantings.
- Enhancement of 5.5 acres of early successional forest habitat.
- One acre of wetland enhancement.
- 19 acres of forest stand improvement.

- 22.5 acres of forest site preparation.
- Five acres of riparian forest buffer.
- 89.5 acres of tree and shrub establishment.
- Removal of a fish-blocking concrete weir.
- Three acres of upland wildlife habitat enhancement.

2.3.5 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 targeted invasive weeds.

The staffing increase made in FY 2014-2015 expanded the District's participation in invasive species activities and initiatives in the region and has helped the District increase the level of service provided to constituents.

WeedWise program performance for calendar year 2015 demonstrates continued expansion of our work to manage invasive weeds:

- Targeted mailings were sent to 684 households regarding garlic mustard, spurge laurel, knotweed, policeman's helmet, and *Carex pendula*.
- 2,219 acres were surveyed for invasive plants on 334 properties.
- 2,875 gross acres were treated for invasive plants on 212 properties.
- Staff tracked 38,226 mapped weed observations.
- The District targeted 78 weed species as priorities for rapid response and early detection efforts.
- The WeedWise program has 891 cooperating landowners.
- The gross acreage of cooperating landowners totals 33,704 acres.

2.3.6 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.

The District focused extra effort on the following conservation issues in FY 2015-2016:

- Irrigation efficiency and irrigation water management projects.
- Removal of a weir that was a partial fish passage barrier, where removal restored natural hydrological processes and habitat to the stream.

- Streambank restoration and protection.
- Promoting community support through outreach events at our Demonstration Farm where attendees could learn about district services and conservation opportunities, and interact with the author of the book Barnyards and Birkenstocks.
- Oak and mixed forest restoration to improve habitat and protect water quality.
- Improve efficiency of pesticide sprayers to reduce pesticide use, improve efficacy of pesticide applications, and reduce labor and chemical costs for producers while protecting water quality.
- Promote soil and crop health with outreach regarding conservation cover and beneficial insects.

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.

2.3.7 Conservation investments

Most investments in conservation actions made by the District are funded from the District's Conservation Fund. These investments have been increasing:

- \$657,405 in FY 2013-2014
- \$713,112 in FY 2014-2015
- \$992,600 budgeted in FY 2015-2016

2.4 Financial and Operations Performance

The District has done a good job of increasing service and activity while controlling costs. We served several hundred customers and assisted many constituents and groups with financial support including grants, loans, and combinations of these financial assistance tools.

2.4.1 Operating costs controlled

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

2.4.2 Financial assistance continued

In FY 2015-2016, the District continued to increase investments in conservation actions and programs. 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.

Multi-year contracts with vegetation management contractors ended on December 31, 2015. The District issued a request for proposals in spring 2016 and is awarding five-year contracts to

11 well-qualified vendors. These contracts help assure rapid and effective treatment of targeted weeds, and also assist our conservation planners in securing services to restore native vegetation on project sites.

2.4.3 Staffing remained level in FY 2015-2016

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

2.4.4 Partnerships maintained

The District provides limited support funding to several organizations whose work helps to 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.

In FY 2015-2016, the District invested more energy in building working relationships with the Confederated Tribes of Warm Springs, the Confederated Tribes of Grand Ronde, and the Confederated Tribes of Siletz Indians. The District's long-term land preservation goals often align with natural resource and cultural goals of our tribal partners.

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

Section 3: Economic Conditions and Management

3.1 Economic Conditions

This is a challenging time for developing a budget because current economic conditions are unsettled. While the pundits continue to debate whether we are or were in a recession, or whether we are or are not in a bear market, the District continues to increase its capacity to serve the public.

During FY 2015-2016 we saw some costs unexpectedly decrease, primarily due to lower fuel costs in the second half of the fiscal year.

Employee benefit costs remained level for the first half of the current fiscal year (July through December 2015) but rose about 10 percent for the second half of the year (January through June 2016).

Over the past three years, the assessed valuation of real property in Clackamas County has rebounded. Property tax revenue has increased by about three percent annually. Some of this increase is due to recovering real estate values and some is the result of new construction in Clackamas County.

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. To provide the maximum level of service possible, the District assesses the full tax of five cents per thousand.

Long-term debt is increasing due to the acquisition of property and due to providing more loan funding to landowners. However, the long-term debt associated with making loans to landowners represents money that will come back to be used by other customers.

The District is caught in a slowly developing financial squeeze consisting of rising costs and a capped revenue stream that is increasing very slowly. Management choices have helped reduce operating costs in the current fiscal year. The District believes that normal attrition and careful management will allow adequate control of operating costs for the foreseeable future.

District management is particularly challenged in the development of a proposed budget this fiscal cycle because several substantial grant applications are pending. Currently, grant applications submitted to various funders total more than \$3.5 million in requested funds. The District will not learn whether these grants will be awarded until after the FY 2016-2017 budget is adopted. However, based on the conservation needs identified in the applications and the quality of the District's submissions, we have a reasonable expectation of receiving two grants totaling \$1.3 million in project-focused revenue.

Overview

- ✓ *Economy remains unsettled*
- ✓ *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. The Oregon State Constitution limits the annual increase in assessed property value for a property to three percent. The tax revenue received by the District has increased at more than three percent a year for the past several years because of a rebound in property values and because of new construction in Clackamas County. Based on local economic conditions and historical performance, the District believes a conservative rate of growth in tax revenue of 3.5 percent is appropriate for budgeting purposes.

3.2.2 Manage costs while increasing services

The District carefully manages expenditures and continually seeks more efficient service delivery methods to improve service, improve safety, and reduce cost. Management's challenge is to improve services while managing costs so that costs remain less than the expected growth in revenues.

Staffing is the District's greatest single cost center but it is also the primary way that conservation help is provided 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 2016-2017 budget continues to make expanding our technical and educational assistance to constituents a priority, in the following ways:

- **Add conservation planning staff.** We budget for a slight increase in staffing to help the conservation planning team respond effectively to an increasing number of customers.
- **Add financial management staff.** With more grants being received and more grants being made, the accounting needs of the District are quickly becoming more complex. The District will make and receive more loans. There is a possibility of acquiring additional long-term debt if the District moves ahead with construction of an office and meeting facility.

For FY 2015-2016, the District aligned the accounting basis and the basis for the budget, using the modified accrual method for both. While this provides much needed transparency to the District's loan program activities, it also increases the complexity of

managing activities and accounts within budgeted spending limits. The increasing complexity of the District's financial activities requires the addition of accounting staff.

- **Use contractors.** The District continues to contract for work to increase effectiveness without hiring full-time employees. We obtain the services of an engineering technician through an intergovernmental agreement with another special district. We contract for engineering services as needed for specific projects. We utilize contractors to control targeted weeds. We also utilize a contractor to assist with grant writing.

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, thus recycling these dollars for conservation activities. For FY 2016-2017, the District creates a Conservation Loans Fund to more clearly track resources and requirements for loan activities.
- **Use land to advance our mission.** In FY 2015-2016 the District anticipates selling a one-acre property in Oregon City. A covenant was executed with the City of Oregon City to provide long-term protection of a mature oak tree on the property. The selling price of the property is expected to be significantly more than the District's cost basis. The FY 2016-2017 proposed budget anticipates that the District will use the proceeds from this sale to extinguish long-term debt incurred by purchasing the Beavercreek Demonstration Farm.

The 15-acre Beavercreek Demonstration Farm was purchased by the District in FY 2013-2014. This property had been marketed as an opportunity for residential development for more than a year at a price approaching \$1,000,000. At the present time, the District is utilizing the Beavercreek Demonstration Farm as a laboratory to highlight conservation practices. Long-term, this property could become a building site for a future District office and conservation education center while also providing a central location in the County to demonstrate conservation practices. Consolidation of our service center with the room to host educational events will improve District efficiency and effectiveness.

- **Seek more outside funding.** In FY 2015-2016, the District invested more resources in seeking grant funding. This work was successful, resulting in more than \$400,000 in additional funding awarded to the District over the next five years.

Recently, two grant applications totaling more than \$3,000,000 were submitted to funders by the District.

As the District's engagement in the region has increased and as our reputation for effective, efficient work has continued to grow, our grant seeking efforts have become more successful. We have positioned the District to be more competitive in seeking

grant funding for conservation and restoration work.

- **Continue working toward building a District-owned office.** In FY 2014-2015 the District issued a request for qualifications (RFQ) for architectural design services to obtain help in developing conceptual designs for an office and conservation education facility. In FY 2015-2016 the District worked closely with an architect to develop a conceptual design and to estimate building costs.

The current office lease expires in February 2019. Ongoing lease payments do nothing to build the financial resources of the District. The District will continue to work toward building an office and meeting facility. This strategy is expected to eventually reduce our operating costs while improving our service to customers.

- **Increase investments in conserving working lands.** In 2006, Measure 3-221 stated: *"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."*

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 2015-2016, the District applied for funding to acquire two significant working lands parcels. If one or both grants are awarded, the District will need to revise the FY 2016-2017 budget during the fiscal year.

Donations to the District are tax deductible if made for a public purpose. The District can accept bequests. In FY 2015-2016, staff began work to focus more attention on donations and bequests of land in FY 2016-2017. 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.

In FY 2016-2017 we expect to increase our outreach efforts around the topic of conserving working lands.

3.2.5 Hold the line on existing programs

- **Maintain the WeedWise program.** In 2006, Measure 3-221 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, and as noted in the Performance section of this document, the WeedWise program is quite successful. The District remains strongly committed to helping constituents control invasive weeds.
- **Maintain financial assistance to constituents.** 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.

Section 4: Budget Scenario for Fiscal year 2016-2017

The District's budget for fiscal year 2016-2017 (July 1, 2016 through June 30, 2017) 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 Five Funds

The proposed budget is structured around five funds:

- General Fund
- Conservation Grants Fund
- Conservation Loans Fund
- Working Lands Legacy Fund
- Building Reserve Fund

The District's top priority is to assure consistent, timely, 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 use today and for future generations. Staff work is funded from the General Fund.

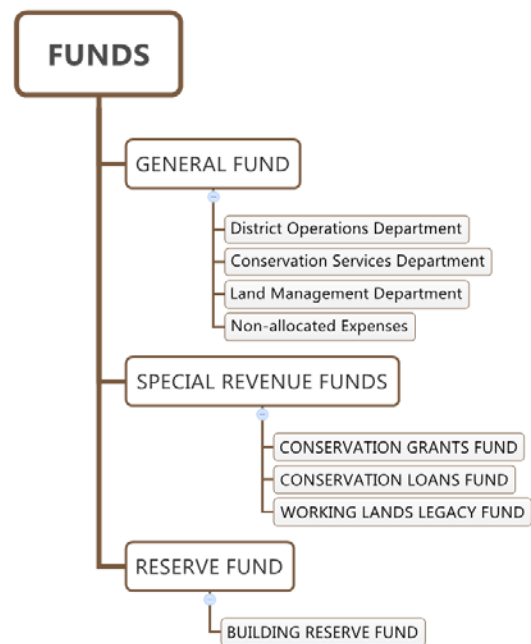
The District's second highest priority is to provide financial assistance to help install or implement conservation practices that improve natural resources. This assistance is provided through the Conservation Fund.

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

- ✓ *Five 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 retitled Conservation Grants Fund*
- ✓ *Conservation Loans Fund created*
- ✓ *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.

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 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 include 10.5 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 Grants Fund

The Conservation Fund was established in fiscal year 2012-2013 as the primary vehicle for the District to fund conservation actions on private lands and to support programs that align with the District's mission. For FY 2016-2017, the proposed budget renames this fund as the Conservation Grants Fund, and as will be seen in the subsection 4.1.3, a new fund is created to track resources and requirements for loan activities.

The Conservation Grants Fund is a special revenue fund focused on the grants the District provides 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 Grants 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 Grants 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 will also yield benefits in other categories.

4.1.3 Conservation Loans Fund

New for FY 2016-2017 is the Conservation Loans Fund, included in the proposed budget to more clearly show loan-based activities of the District. Loan activities continue to grow with more loan funds being made available for a wider variety of purposes. Loans, and combinations of grants and loans, are popular with some customers.

Loans for traditional conservation actions such as building a manure composting facility continue to be offered. For FY 2016-2017, the District will also offer loans to repair or replace failing septic systems in the Clackamas River watershed. Failing septic systems threaten people, pets, and wildlife, and can significantly impact water quality. The Clackamas River is the primary source of drinking water for more than 300,000 people.

4.1.4 Working Lands Legacy Fund

The Working Lands Legacy Fund 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.

4.1.5 Building Reserve Fund

The Building Reserve Fund is a reserve fund in which the District saves money toward acquiring property or for acquiring or building 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 that were established when the Fund was formed. Those purposes are: leasing, acquiring, construction, remodeling, or making capital improvements to property of the District.

4.2 Initiatives for Fiscal Year 2016-2017

The District's initiatives for fiscal year 2016-2017 are summarized in sections 3.2 above as management's response to economic conditions.

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 2016-2017, 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 and FY 2015-2016.

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 2016-2017. Previous communications from the Assessor indicate an expectation that the District will receive more tax-based revenue than we had budgeted for FY 2015-2016. Over the past few years, the District has realized more than three percent annual growth in tax revenue. For FY 2016-2017, we project tax revenue at 3.5% above the FY 2015-2016 expected revenue.

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.

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 2016-2017 is categorized by a General Fund containing three departments plus a sheet for unallocated expenses, three special revenue funds (the Conservation Grants Fund, Conservation Loans 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 section and a requirements section, and the totals for both sections must balance for each fund. Budgets include a variety of categories

and line items specific to the needs of each fund. Some funds also have worksheets that provide somewhat more detail about resources and/or requirements for a particular fund.

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.

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) and a page for unallocated expenditures. 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." This fourth page shows transfers from the General Fund to other funds.

4.6.1 Resources

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 2015-2016. This value is particularly challenging to estimate this year because of so many unknown factors in seasonal project work and grant funds that may be awarded to the District.

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. From time to time, the District may apply for grants to leverage its tax revenue by bringing in supplemental funds to support our work with constituents. In prior years the District increased efforts to implement conservation actions, reducing time available to craft grant applications. In FY 2015-2016 we invested much more heavily in applying for outside grants.

4.6.3 Requirements

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 \$1,391,000 for fiscal year 2016-2017. Costs increase due to cost of living adjustments, merit raises, and increases in the cost of benefits.

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. This changed on January 1, 2016 with a 10% increase in medical and dental insurance premiums.

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 was 2.4%. For 2015, the calculated rate was 0.4%. We use this 2015 rate in calculating the cost-of-living adjustment for personnel in FY 2016-2017.

Portland-Salem, OR-WA

	CPI-U Portland			CPI-W Portland		
	2015	2014	2013	2015	2014	2013
1st half	1.3%	2.6%	2.2%	0.6%	2.4%	1.9%
2nd half	1.1%	2.3%	2.8%	0.3%	2.1%	2.7%
Annual	1.2%	2.4%	2.5%	0.4%	2.3%	2.3%

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, primarily due to increases in contracted services, the Districts office lease, dues and subscriptions, and staff training. The cost for dues and subscriptions includes software licenses. The District expects to fill vacant positions; additional training is typical in the first year or two of employment with the District.

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 no longer included in the General Fund. Instead it is described in special funds where necessary.

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, 2017 until tax revenue is received in November 2017. 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 Grants Fund

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

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).

On page 8 of the proposed budget we show a larger beginning fund balance than in past years. Also included in the resources section is \$300,000 expected to be awarded from the Oregon Water Resources Department. These funds will support three irrigation efficiency projects and a streambank protection project with a significant habitat improvement component.

New this year is removal of loan activities from the Conservation Grants Fund. Those activities are now shown in the Conservation Loans Fund.

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 possible to implement effective conservation practices.

4.8 Conservation Loans Fund

The FY 2016-2017 proposed budget includes a new fund designed to transparently capture loan-based activities. The Conservation Loans Fund is opened with a transfer of \$130,964 from the Conservation Grants Fund. This is the amount of loan funds previously repaid to the District.

Additional resources are shown from the Oregon Department of Environmental Quality and from repayments expected during FY 2016-2017 from borrowers.

The District may establish a separate Local Government Investments Pool account to better segregate Conservation Loans Fund resources from other District accounts.

4.9 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.

Shown on page 10 of the proposed budget, there is an entry of \$1,030,735 for grants to acquire land. This represents one of two land acquisition grants recently submitted by the District. In the proposed budget, we appropriate the expected purchase price of the property, and set aside the long-term operation-and-maintenance stipend on the “reserved for future expenditure” line.

4.10 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.

Repairs to the century-old barn at the District’s Beaver Creek Farm property are proposed for FY 2016-2017.

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.

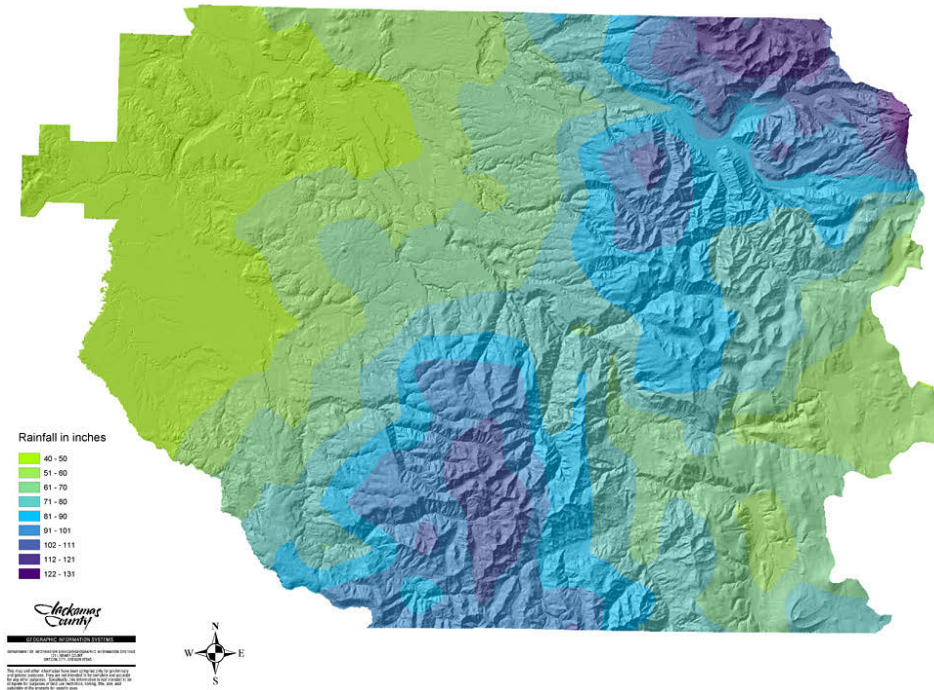


Figure 1: Average rainfall in Clackamas County

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.

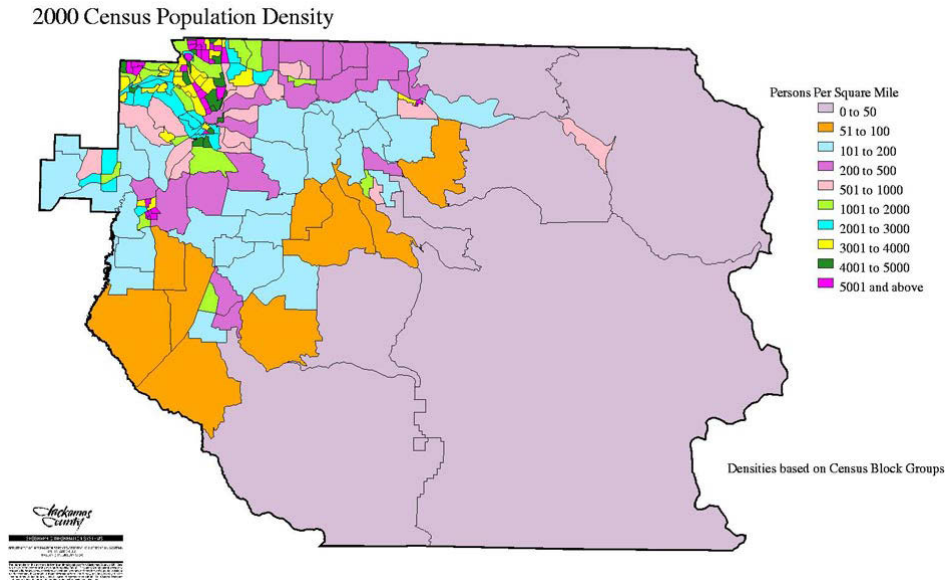


Figure 3: Population density in Clackamas County

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.

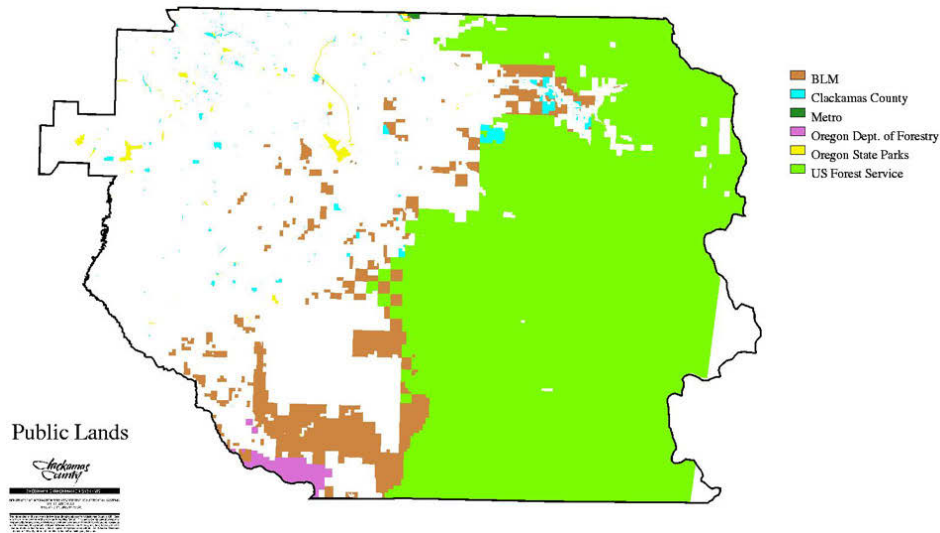


Figure 4: Public lands in Clackamas County

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.