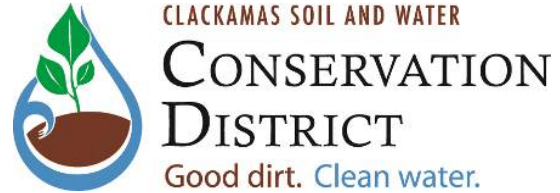


To: Clackamas SWCD Budget Committee
From: Tom Salzer, General Manager
Date: March 30, 2018
Re: FY 2018-2019 Budget Message



Budget Message Summary

Clackamas Soil and Water Conservation District is 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 and welcome public participation.

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.

We face fewer unknowns than in prior budget cycles. The proposed budget for fiscal year 2018-2019 has more certainty about some costs.

Staffing level is maintained to assure high-quality service delivery. Additional staff were hired last year to improve service delivery, and we maintain this level of staffing.

Indebtedness related to long-term conservation and service investments increases compared to prior years. Debt service on a loan to acquire a working forest and on a loan to construct a new office, meeting, and education facility will begin in FY 2018-2019. The District expects to move into the new building by January 2020.

We hold the line on other program areas. In other areas of the budget, we maintain support for 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 the proposed budget for fiscal year 2018-2019 (July 1, 2018 through June 30, 2019).

A handwritten signature in blue ink that reads "Tom Salzer". The signature is written in a cursive, flowing style.

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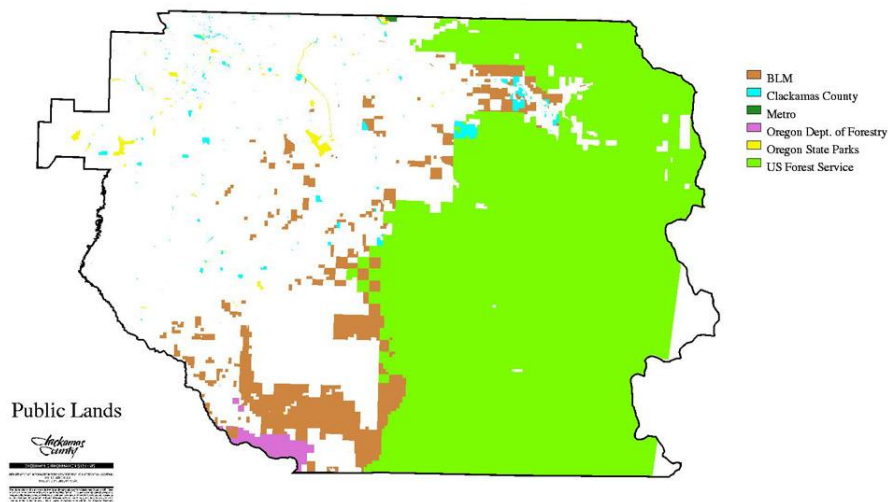
Purpose

This budget message is provided to explain the Budget Officer's proposal for a fiscal year 2018-2019 budget, covering the period from July 1, 2018 through June 30, 2019. By policy, the Budget Officer is the Clackamas Soil and Water Conservation District's General Manager.

The Clackamas County Assessor provides a good summary of what the District does:

Clackamas County Soil and Conservation - Oregon's Soil and Water Conservation Districts provide technical assistance, educational outreach, and other conservation services to landowners, managers, and citizens. The district provides leadership in delivery of state water quality programs, watershed enhancement programs, and local conservation efforts that contribute to the Oregon Plan for Salmon and Watersheds. The Districts coordinate and partner with state and federal natural resource agencies, private organizations, and local governments.

The Clackamas Soil and Water Conservation District's legal boundary is identical to that of Clackamas County. Because the eastern part of the County is primarily public land, most of the District's work occurs on private lands in the western half of the County.



Summary of Significant Changes

Individual work groups become departments

In the fiscal year 2017-2018 budget, the Conservation Services Department contained several work groups. In the proposed budget for fiscal year 2018-2019, the Conservation Services Department is replaced by those work groups. Thus, for FY 2018-2019 the General Fund contains these departments:

- District Operations
- Conservation Planning

- WeedWise
- Education and Outreach
- Land Management
- Not Allocated to Any Department

This change more clearly reflects the way the District actually functions and the way in which expenditures are tracked in the District’s accounting system.

Departmental budgets simplified

The budget for each department has been simplified. In each department, the total for salaries, wages, and benefits is shown on one line rather than on separate lines. In the materials and services section of departmental budgets, 14 lines were reduced to four lines. Many materials and services costs are not particularly meaningful at the departmental level. Accordingly, costs such as insurance and vehicles have been incorporated into the Not Allocated to Any Department sheet because spreading these costs across individual departments was not meaningful.

This change presents the similarities and differences between departmental costs more simply.

Grants to partners moved to General Fund

For the proposed FY 2018-2019 budget, grants to partners and other organizations are moved to the General Fund. Previously, these grants to other entities were captured in two places in the budget: the Conservation Grants Fund and the General Fund. Managing various commitments was more difficult than it needed to be. This change will facilitate better management of projects and tracking of contract performance throughout the fiscal year.

Structure of the Budget Message

Abbreviations and Phrases

Abbreviations used in this document and appendices include:

- **AV** – for Assessed Valuation
- **District** – for Clackamas Soil and Water Conservation District
- **FY** – for Fiscal Year
- **ORS** – for Oregon Revised Statute

When used in this document, “**last year**” means FY 2016-2017, “**this year**” means FY 2017-2018, and “**next year**” means FY 2018-2019.

Appendices

In previous versions of the Budget Message, contextual and explanatory information was provided before the discussion of the proposed budget. While this presented a logical sequence to help prepare readers to better understand the Budget Message, it also contributed to a rather voluminous document. In this Budget Message, those topics are relegated to appendices, making the core Budget Message less overwhelming for readers.

Specific appendices

The appendices to this Budget Message are:

- Appendix 1 – Budgeting Processes and Requirements
- Appendix 2 – Policies and Performance
- Appendix 3 – Economic Conditions and Management
- Appendix 4 – About the Clackamas SWCD

A convenient starting point for budget documents and related information is the District's website at this link: <https://conservationdistrict.org/tag/budget>

Appendix 1: Budget Processes and Requirements

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

Appendix 2: Policies and Performance

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

Appendix 3: Economic Conditions and Management

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

Appendix 4: About the Clackamas SWCD

Appendix 4 provides background information about the District, land uses in Clackamas County, and existing District programs.

Budget Scenario for Fiscal Year 2018-2019

The District's proposed budget for next year (FY 2018-2019, which is July 1, 2018 through June 30, 2019) reflects the continued commitment of the District to implement core components of the District's annual and five-year conservation priorities adopted by the Board of Directors. The latest annual plan was developed within a five-year context and is available on the District's website at: <http://bit.ly/CSWCD-Plans>

A – Priorities

A.1 – Top Priorities

Conserve Key Natural Resources

The District's top priority is to implement policies and programs that lead to the conservation of natural resources in Clackamas County. In particular, the District focuses on:

- Water quality
- Water quantity
- Wildlife habitat
- Invasive species
- Working lands
- Soil health

The District's projects often impact more than one of the District's natural resource priorities. For example, an irrigation efficiency project will reduce water consumption and may improve water quality and soil health.

Due to the continuing fragmentation and conversion of working lands in Clackamas County, the District seeks to preserve our best farms, fields, and forests so that they are available for future generations. We focus on educating constituents and decision makers, supporting actions by elected officials and agencies that protect working lands, and acquiring land and conservation easements to protect specific parcels of land.

Maintain Service to Constituents

The District strives to deliver timely, consistent, fair, and professional service to residents of Clackamas County. We work cooperatively with willing landowners to assure that natural resources are available for use today and tomorrow.

We provide assistance in two forms: technical assistance/consultation, and when warranted and available, financial assistance to help with implementing conservation practices that protect or improve natural resources.

Construct a Permanent Service Center

Our third priority is constructing a central office, meeting, and education space that will better serve the needs of our organization and our customers for the foreseeable future. We expect that the Conservation Resource Center will be completed by January 2020.



A.2 – Other Priorities

The District also works on other priority concerns. We call these the District W's. Find them at: <https://conservationdistrict.org/about/the-district-ws>

B – Budget Has Five Funds

B.1 – Overview

The proposed budget is structured around five funds:

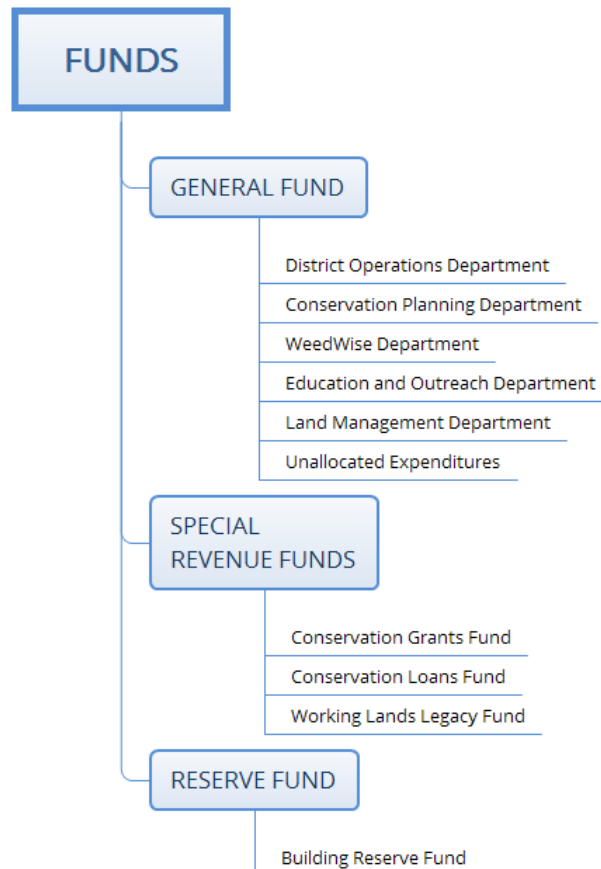
- General Fund
- Conservation Grants Fund
- Conservation Loans Fund
- Working Lands Legacy Fund
- Building Reserve Fund

The District's projects often impact more than one of the District's natural resource priorities. Accordingly, funding of projects and activities may come from more than one fund.

B.2 – 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.



The District is committed to fulfilling promises we made to voters in Measure 3-221. The services described in this voter-approved measure are the reason for the District's property tax levy. Program delivery costs come primarily from the General Fund which is largely funded by the District's tax levy.

Measure 3-221 said:

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.

What is a general fund?

According to the Oregon Department of Revenue:

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

Revenues are described in Oregon Local Budget Law as resources. Expenditure are described as requirements. Once the budget is adopted, requirements represent the maximum expenditures that can be made from a fund. In the simplest possible terms, budgeting balances resources available against requirements of the District.

To help in connecting discussion items with the proposed budget spreadsheets, individual spreadsheet page numbers are shown in this format: page X.

Resources (revenues) for the General Fund are shown on page 1 of the proposed budget. Requirements (expenditures) are summarized in two ways: by department on page 2 and by object classification on page 3.

B.3 – Conservation Grants Fund

This fund was established as the Conservation Fund in fiscal year 2012-2013 to help the District support conservation actions on private lands and to support other programs that aligned with the District's mission. Last year (FY 2016-2017) this fund was renamed the Conservation Grants Fund and conservation loans were moved to a separate fund to more clearly show loan activities.

The Conservation Grants Fund ([page 10](#)) is a special revenue fund focused on projects that implement conservation practices where the District is managing all or part of the project, usually in coordination with the landowner. Some grant funds the District receives are restricted to specific projects, so those revenue sources should not be mixed into the 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."

While the District's General Fund is primarily focused on costs spent internally for the operation of the organization and to enable the delivery of services, the Conservation Grants Fund is externally focused, investing in on-the-ground conservation actions with our primary customers. Another way to view this difference is that the General Fund covers the cost of fulfilling our primary commitment to voters: providing technical assistance and consultation throughout Clackamas County. While providing technical assistance is required, providing financial assistance is a more discretionary activity.

Anticipated investments from the Conservation Grants Fund echo the conservation priorities of the District.

B.4 – Conservation Loans Fund

Last year (FY 2016-2017) the District created the Conservation Loans Fund ([page 11](#)) 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.

This year (FY 2017-2018) the District launched a program to provide 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. Learn more about the new septic system loan program at: <https://conservationdistrict.org/2017/residential-septic-system-repair-loan-program.html>

Sources of loan funds include: (a) repayments of earlier loans; (b) interest earned; (c) new funds provided by the Oregon Department of Environmental Quality; and (d) property taxes.

B.5 – Working Lands Legacy Fund

The Working Lands Legacy Fund ([page 12](#)) 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. This fund is focused primarily on acquiring land and conservation easements.

B.6 – Building Reserve Fund

The Building Reserve Fund ([page 13](#)) is a reserve fund that the District uses to save 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.

C – Changes for Fiscal Year 2018-2019

C.1 – General Fund

Individual work groups become departments

In this year's (FY 2017-2018) budget, the Conservation Services Department contained several work groups. In the proposed budget for next year (FY 2018-2019), those work groups become individual departments, replacing the Conservation Services Department. Thus, next year the General Fund contains six departments:

DEPARTMENT	DESCRIPTION	PEOPLE
District Operations page 4	Includes staff and related costs associated with operating the District, supporting work as a public entity, holding meetings of the Board of Directors, maintaining an office, maintaining proper control and stewardship of public funds, insurance, and other administrative costs.	4.0 FTEs (an FTE is one full-time equivalent employee)
Conservation Planning* page 5	Includes staff and related costs associated with providing conservation planning and natural resources consultation to customers and partners, except for invasive species issues.	5.4 FTEs
WeedWise* page 6	Includes staff and related costs associated with the District's extensive invasive weed management services.	4.0 FTEs
Education and Outreach* page 7	Includes staff and related costs associated with organizing, publicizing, and providing various workshops, meetings, events, and educational activities. This department also provides services to some other departments, helping them with outreach initiatives and educational activities.	2.0 FTEs
Land Management page 8	Includes costs associated with managing conservation easements and lands held by the District. Equipment Rental Program expenses are included in this department because that equipment is directly related to managing land.	No FTEs
Not Allocated page 9	Includes costs that cannot be allocated to other departments. We show the Unallocated Expenditures area as a department to maintain consistency with the rest of the General Fund.	No FTEs
<i>* These departments are new in FY 2018-2019. They were previously part of the Conservation Services Department.</i>		

This change more clearly reflects the way the District functions and the way in which expenditures are tracked in the accounting system.

While the Not Allocated requirements are shown as if this is a department, no staff are assigned to this area. Not Allocated expenditures are those costs that are not assigned to another department. We show it as a department so that the format is consistent with the other parts of the General Fund.

Departmental budgets simplified

The budget for each department has been simplified. For each department, the total for salaries, wages, and benefits are shown on one line rather shown on separate lines. In materials and services section of the departmental budget, 14 lines have been reduced to four lines.

Grants to partners moved to General Fund

For next year, grants to partners and other organizations are moved to the General Fund. This change is made to facilitate better management of projects and tracking of contract performance throughout the fiscal year. Previously, these grants lived in two places in the budget: the Conservation Grants Fund and the General Fund.

C.2 – Conservation Grants Fund

Next year, the Conservation Grants Fund is limited to implementation activities directly managed by the District through the Conservation Planning and WeedWise departments. Grants that support the programs and activities of other entities remain in the General Fund.

C.3 – Conservation Loans Fund

This year, the District began a shift in the way loan funds are provided to achieve conservation goals. This shift continues to occur on two tracks. The first track is to offer loan funds to landowners who wish to implement conservation practices without significant consideration of natural resource priorities. Doing so puts the financial responsibility for conserving natural resources on the landowner and preserves capital for projects that address the District's top priorities. Because loan amounts are low, these loans pose relatively little risk to the District.

The second track is to construct funding offers that address the public benefits derived from a practices or projects vs. the degree to which landowners may benefit. A useful example is converting an irrigation system from overhead sprinkling to drip irrigation on a commercial farm. In this example, the public benefits because less water is consumed, water quality may improve, and soil health is better protected. Often the landowner will return a portion of the unused water right as part of the project. At the same time, the farm operation may be benefited through: lower pumping costs; reduced labor costs after installation of the drip system; reduced soil compaction; and increased quantity or quality of the crop. Financial assistance for projects that include a significant public and private benefit may be a combination of a grant, a loan, and some level of landowner investment.

C.4 – Other: Perspective is extending farther into the future

Short-range investments

Much of the District's work focuses on implementing conservation practices that produce rapid results. For example, a livestock exclusion fence immediately removes livestock from surface water, making water cleaner. Financial support received from the State of Oregon is focused on achieving results in a short timeframe.

Mid-range investments

The District also invests in educating landowners and resource managers to change their behaviors with a desired outcome of better management of natural resources. Sometimes this work results in immediate changes, and sometimes it takes longer. We consider these to be short-range to mid-range investments of time, money, and human capital.

Long-range investments

A component that has been largely missing from the District's program is investments in long-range outcomes. This year, we embrace more investments in long-range actions. For example, by October 1, 2018, the District expects to hold a perpetual easement on a forest near Colton, Oregon.

The District is currently working with a partner to negotiate the acquisition of a 318-acre working forest. We expect this acquisition to close by December 31, 2018.

The District is also taking steps to proceed with the construction of a new office, meeting, and education meeting facility to better serve constituents for the foreseeable future.

D – 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 taxing 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 taxing district certifies a rate, the district is allowed to receive the total amount generated by that rate. In the past, the Clackamas SWCD has certified a rate, not an amount.

D.1 – Tax Rate Proposed in Budget

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.

For next year (FY 2018-2019), 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 annually by the District for the past several years.

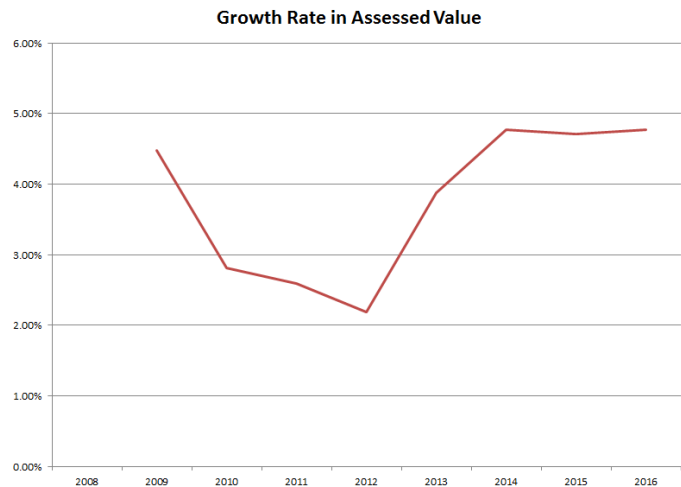
D.2 – Method for Estimating Tax Revenues

As this budget message is being written, no new information has been received from the Clackamas County Assessor regarding estimated property tax revenue for next year (FY 2018-2019). Previous communications from the Assessor indicate an expectation that the District will receive more tax-based revenue than we had budgeted for this year (FY 2017-2018).

We anticipate receiving updated information from the Assessor around the time of the second Budget Committee meeting that is scheduled for May 1, 2018.

Assessed valuation growth estimated at 5.0%

For next year (FY 2018-2019), we project 5.0-percent growth in the assessed valuation (AV) of taxable property over this year's (FY 2017-2018) AV. Graphing the growth rate in Clackamas County over the last several years supports using a five percent increase as the basis for next year's proposed budget.



Calculating property tax revenue

In preparing an estimate of property tax revenue for FY 2018-2019 to be received by the District, we incorporated a variety of factors, including:

- Assessed valuation of property for the prior fiscal year
- Nonprofit housing value
- Urban renewal increment and division of tax rate
- Tax levy rate for Clackamas SWCD
- Urban renewal division of tax rate truncation
- Compression loss
- Additional taxes received
- Collection rate

For the purposes of the proposed budget, we used values for this year (FY 2017-2018) as reported to us by the County Assessor, except we increased the assessed valuation of property by five percent. All other non-calculated values from this year were carried over with no adjustments when making the estimates for next year.

			<i>AV increased by 5%</i>	
Description	Operation	FY 17-18	FY 18-19	
Assessed valuation (AV) of property:	Enter #	\$48,627,250,122	\$51,058,612,628	
Nonprofit housing value:	Add	\$4,242,342	\$4,242,342	
	<i>RESULT</i>	\$48,631,492,464	\$51,062,854,970	
Urban renewal increment:	Subtract	\$1,848,430,220	\$1,848,430,220	
	<i>RESULT</i>	\$46,783,062,244	\$49,214,424,750	
Tax rate of 5 cents per \$1,000 AV:	X by .00005	\$2,339,153	\$2,460,721	
UR division of tax rate truncation:	Add	\$2,708	\$2,708	
Actual tax extended for district:	<i>RESULT</i>	\$2,341,861	\$2,463,429	
District's compression loss:	Subtract	\$584	\$584	
	<i>RESULT</i>	\$2,341,277	\$2,462,845	
Additional taxes received:	Add	\$5,303	\$5,303	
Estimated revenue at 100% collection:	<i>RESULT</i>	\$2,346,580	\$2,468,148	
Revenue at collectible rate of 95%:	<i>RESULT</i>	\$2,229,251	\$2,344,740	

D.3 – Property Tax to Levy

The amount of property tax for Clackamas SWCD to levy for next year (FY 2018-2019) is projected to be \$2,344,740.

The projected revenue calculation used these assumptions:

- Five percent growth in assessed valuation of taxable property in Clackamas County
- Same adjustments as made for this year (FY 2017-2018) by the Clackamas County Assessor
- Same tax rate (five cents per \$1,000)
- Same collectible rate (95%)

E – 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 provided by the Oregon Department of Revenue.

Budget sheets

The proposed budget for next year (FY 2018-2019) is categorized by a General Fund containing six departments, three special revenue funds to hold resources for restricted purposes, and a reserve fund established to help the District develop a permanent, sustainable conservation office, meeting, and education center.

All funds have a budget that includes a resources section and a requirements section. 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 requirements for a particular fund.

F – 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. Prior budget years are shown in three columns on the left side of each budget sheet.

In the proposed budget for next year (FY 2018-2019), simplifying the departmental detail and creating new departments means that history is not easily derived for departments. We provide available historical detail behind the worksheets in the proposed budget.

One way to compare the proposed budget for the General Fund with historical values is to compare [page 3](#) (General Fund requirements by object classification) with [page 3H](#) (historical data on General Fund requirements by object classification).

G – 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 and state entities, and from partners. Interest earned from General Fund money is revenue to the General Fund.

Within the General Fund are six departments (Oregon Local Budget Law uses the term "organizational units," and our usage of departments means the same thing). In general, the General Fund covers the regular activities of the District, including maintaining the District office, providing technical assistance and consultation to constituents, and producing education and outreach actions.

Expenses not allocated to a department are shown on a budget sheet described as "Not Allocated to Any Department" [page 9](#). This page also shows transfers from the General Fund to other funds.

G.1 – Resources

The LB-20 Resources page of the General Fund on [page 1](#) of next year's (FY 2018-2019) proposed budget begins with the projected working capital carry-over from this year (FY 2017-2018). This is an estimated figure that may change between now and July 1, 2018.

G.2 – Other resources

Other revenue comes from interest income, a variety of grants and contracts, and from support from partners.

From time to time, the District may apply for grants to support our work. In recent years the District has invested significant time in seeking grants, and subsequently received awards

totaling more than \$1.5 million. This year and next year we are performing work required by grant contracts.

G.3 – Requirements

The department pages are combined into a program-based summary shown on [page 2](#) of the proposed budget. These same expenditures are rolled up by line category for a different view of proposed expenditures on [page 3](#) of the proposed budget.

Pages 4 through 9 of the proposed budget are essentially worksheets for each organizational unit (department) in the General Fund:

- District Operations ([page 4](#))
- Conservation Planning([page 5](#))
- WeedWise([page 6](#))
- Education and Outreach ([page 7](#))
- Land Management([page 8](#))
- Not Allocated to Any Department ([page 9](#))

Each organizational unit (department) has a manager responsible for maintaining progress toward the District’s goals and monitoring expenditures.

Categories for requirements in General Fund departments include:

- Personnel services
- Materials and services
- Capital outlay

In addition, the “Not Allocated to Any Department” sheet also includes:

- Debt service
- Special payments
- Interfund transfers
- Operating contingency
- Unappropriated ending fund balance
- Reserved for future expenditure

G.4 – Personnel services

On [page 2](#) and [page 3](#) the totals for personnel costs are summarized. Next year (FY 2018-2019), the District proposes to maintain employment with 16 people working 15.4 full-time equivalent hours. (A full time equivalent, or FTE, is 2,080 hours worked in a year.) The maximum appropriation for Personnel Services, which includes gross wages, benefits, and payroll liabilities, is budgeted at \$1,392,595.

The District’s health insurance plan is managed by Clackamas County under an intergovernmental agreement. 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; employees pay 10% of the premiums.

In two of the past three fiscal years, medical and dental insurance premiums increased about 10%, on average. We are buffered against large cost increases to some extent by participating in a larger group. Still, much uncertainty revolves around health care insurance costs. At this time, we project no increase in premiums for next year (FY 2018-2019).

G.5 – Cost of living adjustment (COLA)

The District’s Board of Directors uses a consumer price index (CPI) figure developed by the Local Government Personnel Institute (<http://www.lgpi.org/lgpi/page/consumer-price-index-cpi>) as the basis for considering a cost-of-living adjustment (COLA) to be applied to employee wages. Specifically, the Board of Directors uses the CPI-W rate calculated for the Portland-Salem area as the basis for a COLA.

For calendar year 2016, the calculated CPI-W Portland rate was 1.7%. We used this 2016 rate in calculating the cost-of-living adjustment for personnel for this year (FY 2017-2018).

For calendar year 2017, the calculated CPI-W Portland rate was 3.9%. We use this 2017 rate in calculating the cost-of-living adjustment for personnel for next year (FY 2018-2019).

Portland-Salem, OR-WA

	CPI-U Portland			CPI-W Portland		
	2017	2016	2015	2017	2016	2015
1st half	4.4%	1.7%	1.3%	4.2%	1.2%	0.6%
2nd half	3.9%	2.6%	1.1%	3.6%	2.2%	0.3%
Annual	4.2%	2.1%	1.2%	3.9%	1.7%	0.4%

G.6 – Merit raises

Exemplary employee performance may be rewarded with a merit raise. The District may also provide occasional 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.

For next year (FY 2018-2019), no merit raises or performance bonuses are included in the budget. The Board has expressed a desire to reassess wage schedules and policies. This work will occur in calendar year 2018 with a targeted completion date of December 31, 2018.

G.7 – Materials and Services

Materials and Services in the General Fund is the broad expense category that supports District operational and program requirements. Based on a detailed review of actual spending this year (FY 2017-2018), materials and services estimates were changed to more closely reflect actual performance. The proposed budget decreases the amount available for materials and services.

G.8 – Capital outlay

Capital Outlay typically describes larger purchases of \$1,000 or more with a useful life of more than one year. Purchases generally become listed as assets of the District. For next year (FY 2018-2019) there are two capital outlay categories: equipment and vehicles.

The only department with projected capital outlay expenditures for next year is the Land Management department on [page 8](#). The Equipment Rental Program is part of the Land Management department, and the capital outlay is for equipment to be rented to constituents to help conserve natural resources.

G.9 – Debt service

Debt service means repayment of loans received by the District. The General Fund has no debt service for next year (FY 2018-2019).

G.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.

Interfund transfers are detailed on the "Not Allocated to Any Department" sheet on [page 9](#). For next year (FY 2018-2019) transfers from the General Fund are anticipated to help fund the Conservation Grants Fund [page 10](#) and the Working Lands Legacy Fund [page 12](#).

G.11 – Contingency

The Contingency category is allowed 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. The District does not usually budget contingency funds and for next year (FY 2018-2019) no contingency is included in the budget.

G.12 – Unappropriated ending fund balance

The unappropriated ending funding balance is 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, 2019 (after the end of FY 2018-2019) until tax revenue is received in November 2019. 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 additional funds to meet expenses for the July-through-November 2019 period.

The unappropriated ending fund balance for a given fiscal year is carried forward as a resource that is included in the cash on hand or working capital available at the beginning of the following fiscal year.

For next year’s (FY 2018-2019) budget, the unappropriated ending fund balance is shown on [page 2](#), [page 3](#), and [page 9](#). The unappropriated ending fund balance figures on pages 2 and 3 come from the Not Allocated to Any Department sheet on [page 9](#).

H – Conservation Grants Fund

The Conservation Grants Fund on [page 10](#) is a special revenue fund focused on the financial assistance we provide to help customers implement conservation practices. Fund resources must balance fund 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.”

Some grants received by the District 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 Grants Fund to hold these resources.

Expenditures from the Conservation Grants Fund are investments in conservation actions. Examples include installing conservation practices and contracting with vendors to install or implement particular practices.

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 complete conservation projects. Sometimes those commitments extend into future years. In general, we capture those commitments in the Unappropriated Ending Fund Balance item for the July-to-November-2018 period, and remaining funds are kept in the General Fund until needed in the Conservation Grants Fund.

Since we don’t keep a high balance in the Conservation Grants Fund, we show no interest earned. Funds are kept in the District’s main savings account until needed.

For next year (FY 2018-2019) requirements (expenditures) for the Conservation Grants Fund include entries associated with the Conservation Planning department and the WeedWise department. The Conservation Planning entry of \$232,550 represents the total estimated cost of cost-sharing and grants to constituents next year.

The WeedWise entry of \$428,000 is the total estimated cost of contracting for weed control and to continue actions to implement Clackamas River Invasive Species Partnership activities. Learn more about the CRISP at: <https://weedwise.conservationsdistrict.org/partnerships/crisp>

I – Conservation Loans Fund

For next year (FY 2018-2019) we project a beginning fund balance in the Conservation Loans Fund on [page 11](#) of \$166,548 on July 1, 2018.

Additional resources for the fund are shown from the Oregon Department of Environmental Quality (DEQ) and from repayments expected during FY 2018-2019 from borrowers.

Please note the “Reserved for Future Expenditure” amount of \$150,000. This represents the bulk of borrower repayments outside of the loans provided by the Oregon Department of Environmental Quality. Unlike funds provided directly by Oregon DEQ, these funds are largely unrestricted in how the District may choose to use it in making loans. We anticipate that most borrowers will qualify for the more restrictive DEQ loan funds, so at this time we have set aside the less restricted money to save it for future use.

Debt service in the Conservation Loans Fund on [page 11](#) is zero, but that will change in future years. The District is using loans from Oregon’s Department of Environmental Quality (DEQ) to help fund financial assistance to landowners. The new septic system repair program in the Clackamas River watershed is also funded through a DEQ loan. Management anticipates that beginning in FY 2019-2020, repayment of at least one DEQ loan will begin.

J – Working Lands Legacy Fund

As the District looks to 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 filter the water that feeds our rivers and groundwater supplies, helping to provide healthy habitat for fish and wildlife.

To support the long-term conservation of working lands in Clackamas County, the District established the Working Lands Legacy Fund in FY 2014-2015.

Shown on [page 12](#) of the proposed budget, we anticipate increased activity next year (FY 2018-2019).

A supplemental budget adopted this year (FY 2017-2018) includes receiving a loan to purchase a 318-acre working forest property. We expect to close this fee-title acquisition in calendar year 2018. Debt service on this loan would begin next year (FY 2018-2019).

The District also plans to begin holding a conservation easement on another working forest property. The grant income of \$100,000 shown on page 12 is intended to be an endowment to fund the District's annual monitoring of the easement. We set aside these funds as "reserved for future expenditure."

K – Building Reserve Fund

The Building Reserve Fund is where the District saves money toward acquiring property and/or building 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 was reviewed by the Board of Directors in March 2017; the Board voted to renew the fund for another 10 years.

Resources and requirements for next year (FY 2017-2019) are shown on page 13 of the proposed budget.

Resources (revenue) are a combination of funds carried over (working capital), transfers from the General Fund, interest, and a loan. The loan is for the construction of a new, permanent office, meeting, and education facility (the Conservation Resource Center) on the District's property in Beaver Creek, Oregon.

A supplemental budget adopted this year (FY 2017-2018) has the District receiving a loan for the construction of the Conservation Resource Center before the next fiscal year (FY 2018-2019) begins. Some of that income is expended by July 1, 2018, and the balance is added to unspent funds to create the beginning fund balance available for next year.

The District anticipates earning significant interest on these funds while construction proceeds. This income helps to offset the debt service that begins next year (FY 2018-2019) on this loan.

The construction of the Conservation Resource Center will place an unusual financial burden on the District because we will be occupying our leased office space while the new Center is being constructed. That means we will be paying for our regular lease and related utilities totaling about \$100,000 while we are also beginning to repay about \$250,000 against the loan to construct the Center.

Management anticipates extending the existing office lease by a year; it would then expire after February 2020. We anticipate moving into the new Center by January 2020. The District will need to cover current occupancy costs and debt service on the loan for the new Center next year (FY 2018-2019) and for eight months of the following year (FY 2019-2020).

During planning discussions, the District's Board of Directors looked 50 years forward. The Board realized that leasing costs for an office and meeting space would continue to rise. Management projects that the current office space will cost approximately the same amount as the loan payment in about 15 years; after that time, it will be less costly to own and operate the Conservation Resource Center than it would be to lease space. Over the long term, this investment will allow more revenue to be used to assist constituents and conserve natural resources. We may also have extra space that can be rented to a partner, thus offsetting some of the loan repayment, utilities, and maintenance costs.