

Appendix 2: Policies and Performance

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2.1 Policies

2.1.1 Basis for budgeting is modified accrual

Before July 1, 2014, the District operated on a modified cash basis. Cash basis means revenue is recorded when received and expenses are recorded when money is spent.

On July 1, 2014, 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.

On July 1, 2015, the District changed from budgeting on a cash basis to a modified accrual basis. This aligned the District's budgeting method with the method used for accounting. Using the modified accrual method allows greater transparency with regard to the District's loan programs and debt.

Overview

- ✓ *Accounting and budgeting changed to modified accrual basis*
- ✓ *Accounting and fiscal controls are robust*
- ✓ *Services and programs expanded*
- ✓ *Staffing levels maintained*
- ✓ *Our partnerships remain healthy and productive*

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 2017-2018, those institutions were:

- Citizens Bank
- Oregon State Treasury's Local Government Investment Pool (LGIP)
- 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 one property at 22055 S. Beaver Creek Road, Beaver Creek, Oregon.

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2.1.3 Expenditures monitored

Expenditures follow a three-step process:

1. In the adopted budget, the Board of Directors authorizes the kinds of expenditures expected to be incurred.
2. For expenditures during the fiscal year, the Board of Directors authorizes specific expenditures or delegates that authority to the General Manager.
3. All expenditures and supporting documents are reviewed and approved by the General Manager prior to expending funds.
4. The Board of Directors also monitors spending throughout the year.

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, Fiscal 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 budget-to-actual reports.

2.1.4 District audited, internal controls robust

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 sound 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 that citizens can see where public funds are being spent. Audits are also published annually.

To help citizens stay informed about the activities of their soil and water conservation district, the District's utilizes newspapers and a website (<https://conservationdistrict.org>) to provide information to the public. In addition, information is regularly communicated through social media services including Facebook and Twitter.

2.2 Program and service changes

Over the past several years, the District has expanded services and programs to the level of investment allowed by the revenue received by the District. Thus, the number of people receiving service is now about the same as in prior years, and the same is true for investments

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in on-the-ground conservation actions. The budget proposed for FY 2018-2019 maintains a strong focus on assisting constituents.

Financial assistance options for landowners remain in place to help them implement conservation practices that align with the District's conservation priorities.

In FY 2017-2018, the District initiated a septic system repair loan program for homeowners in the Clackamas River watershed. The District is not aware of any other soil and water conservation district in Oregon providing this kind of assistance.

2.2.1 Technical assistance

Technical assistance consists of advice and planning help provided by District employees. Assistance 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's focus on team-oriented service delivery has helped the District provide timely, consistent, high-quality conservation services to landowners.

At the beginning of FY 2013-2014, the District deployed a new database application – the Conservation Activity Tracking System (CATS) – to improve the process of conservation planning and allow more complete tracking of the needs and status of each customer. CATS has been continuously improved since then. 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. Major strides were achieved in integrating these two systems in FY 2016-2017, with smaller updates implemented in FY 2017-2018.

2.2.2 Financial assistance

The District is sometimes able to provide financial help to landowners who wish to implement conservation practices. Financial help can be in the form of a grant or a loan, or a combination of both.

LOANS

The District continues to build a loan fund to help landowners implement conservation practices. The Conservation Loans Fund is intended to become a self-sustaining revolving account. The District's goal is for the fund to become a stable long-term resource.

Please note that few soil and water conservation districts provide loan to cooperating landowners. The use of this tool to help cooperators implement conservation practices sets Clackamas Soil and Water Conservation District apart from other SWCDs.

A loan can be a helpful tool for landowners, particularly in two situations:

1. **When conservation costs cannot be deducted** – A loan is generally not considered to be taxable income, whereas a grant may result in additional tax liability. For landowners not operating a commercial enterprise on their land, they may not have

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enough deductions to offset the tax liability created by receiving a grant. Thus, loans may be particularly attractive to residential homeowners and non-commercial agricultural operators.

2. **When sufficient landowner cash is not available to fully fund the project** – When a landowner prefers not to front the full cost of the project and then wait for partial reimbursement from the District, a loan can help move the project to implementation. When the District combines a grant and a loan, the District can cover 100% of the up-front project cost with the landowner's sharing provided as a loan. Combining a grant with a loan has been well received by a number of customers.

GRANTS

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, reduce District overhead, and speed the implementation of practices.

In addition, some projects may qualify for a larger grant from the District. External funding is often sought for larger projects, usually in the form of grants such as those provided through the Oregon Watershed Enhancement Board.

It is important to note that every customer receiving financial assistance has a basic conservation plan recorded in the Conservation Activity Tracking System (CATS). This allows the District to understand the context of the practices implemented, and supports a more seamless approach to providing future service.

2.2.3 Reaching customers

The District continues to work proactively to reach specific communities facing high-priority conservation issues.

In FY 2015-2016 the District increased program staffing for outreach and education. As a result, the District has been 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, including targeting key messages to specific zip codes. Focusing key messages continued in FY 2017-2018.

These efforts are resulting in a more visible profile of the District, more public engagement, and greater 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.

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2.3.1 Conservation priorities

Our top conservation priorities for the July 1, 2017 through June 30, 2018 time period centered around:

- water quality;
- water quantity;
- wildlife habitat;
- invasive species management;
- soil health; and
- working lands.

The District's activities cover several different geographic and time scales, ranging from individual practices with a landowner to the perpetual preservation of working landscapes.

2.3.2 Conservation practices implemented

As this budget message is written, the current fiscal year has not ended. Thus, data from fiscal year 2016-2017 are reported.

Staff in the Conservation Services Department provided:

- technical resources and assistance to 207 landowners;
- walked and visited with landowners on 124 properties;
- prepared 23 conservation plans to help guide land management; and
- implemented 14 conservation projects.

Staff assisted with these practices:

- 1,410 feet of fencing;
- 4 gutters and downspout systems;
- 15,575 square feet of heavy use areas;
- 150 feet of underground outlet;
- 6 acres of tree and shrub establishment;
- 4 acres of forest stand improvement;
- 7.6 acres of forest site prep;
- 1 irrigation tail water recovery system;
- 23,460 feet of irrigation pipeline;
- 200.3 acres of micro-irrigation and integrated water management;

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- 1 irrigation pumping plant;
- 5.6 acres of brush management;
- 5 acres of prescribed grazing;
- 2 livestock watering systems

An example of the District's irrigation focus in FY 2016-2017 is highlighted by our work with five growers. That work will yield a cumulative annual water savings of 327 acre-feet (equivalent to 106 million gallons) of water on more than 200 acres of irrigated land producing nursery stock, hazelnuts, and berries. These improvements also reduce energy and labor costs for the operators.

Urban conservation efforts were bolstered by a significant investment of District funds for the expansion of the popular Backyard Habitat Certification Program (BHCP). This expansion brings the BHCP into West Linn, Milwaukie, Oak Grove, Johnson City, and Jennings Lodge. The BHCP assists urban residents in restoring wildlife habitat by addressing: invasive weeds; native plants; pesticide use; stormwater manager; and wildlife stewardship.

2.3.3 Invasive species management

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

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

WeedWise program performance for fiscal year 2016-2017 demonstrates continued success in our work to manage invasive weeds:

- evaluated and updated the Clackamas Weed List with 217 weeds and 90 priority weeds;
- provided assistance to 2,888 residents;
- maintained permissions with 1,862 landowners for 109,338 acres of property;
- surveyed 230 properties totaling 3,809 acres;
- carried out 287 weed treatments on 283 infested acres;
- sent targeted mailings to 2,101 households;
- partnered with 54 public and nonprofit organizations;
- administered 2 Cooperative Weed Management Areas; and
- tracked 42,902 weed observations.

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The WeedWise program has also been working on a number of large-scale projects, including:

- a County-wide *Rapid Response* weed control effort that targets all high-priority Oregon Class A noxious weeds in Clackamas County;
- development of the *Clackamas River Invasive Species Partnership* (CRISP) for weed control efforts in the Clackamas River Basin;
- continuation of the *Weed Smackdown* in conjunction with the Sandy River Basin Watershed Council to survey and control priority weeds in the Sandy River basin; and
- coordinating and sponsoring the expansion of the *Backyard Habitat Certification Program* to help target invasive weeds in urban areas.

2.3.4 Outreach and education 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 reach people by direct mailings and participating in a wide range of events and activities, and we teach using workshops and outreach events.

In fiscal year 2016-2017, the District provided outreach on these topics:

- mud and drainage for horse owners;
- introduction to soil and water conservation districts for realtors;
- soil health workshop for school and community garden educators; and
- taking advantage of beneficial insects to control crop pests.

The District also participate in Small Farmer and Rancher Day at the state capitol with local high school students.

New outlets for circulation conservation information were developed, including space in:

- Oregon Horse Country
- Forest-Tree Leader
- Citizen News

2.4 Financial and Operations Performance

2.4.1 Operating costs controlled

The District effectively managed expenditures within the limits established by the adopted budget. A higher end-of-year cash balance is projected, and this comes about partly due to effective control of spending.

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2.4.2 Financial assistance continued

In FY 2016-2017, the District continued to invest in conservation actions and programs. (Costs related to District employees and operations are not included in Conservation Grants Fund and Conservation Loans Fund expenditures.)

Last year, the District utilized a competitive procurement process that led to establishing contracts with 11 well-qualified vegetation management vendors. These five-year contracts help assure rapid and effective treatment of targeted weeds. Our conservation planners also use these contractors to help restore native vegetation on project sites.

Most investments in conservation actions made by the District have been funded from the District's Conservation Grants Fund. Recent history shows a high level of investment each year:

- \$657,405 in FY 2013-2014
- \$713,112 in FY 2014-2015
- \$626,619 in FY 2015-2016
- \$867,786 budgeted in FY 2016-2017

Beginning in FY 2015-2016, these investments included making loans to landowners. In FY 2016-2017, loans made up \$134,000 of the total budgeted for conservation practice implementation. Those loans now reside in a separate fund. Subtracting that amount leaves \$733,786 budgeted for implementing conservation actions, more than in recent years.

The current year (FY 2016-2017) budget anticipates total tax revenue of \$2,119,195. The \$867,786 budgeted for to be returned to the community in the form of conservation implementation costs represents 41% of the District's tax revenue.

2.4.3 Staff vacancies filled in FY 2016-2017

Vacancies occurred in FY 2015-2016 and in FY 2016-2017. These vacancies were filled in FY 2016-2017. Providing technical assistance to constituents requires having trained, experienced staff. Management considers the District to be fully staffed at this time.

2.4.4 Partnerships maintained

The District provides funding to several organizations – particularly watershed councils and farmers markets – whose work helps to advance the District's conservation goals. Watershed councils pursue actions that directly improve watershed health and water quality. Farmers markets support local farmers who are directly responsible for management of productive, high-value agricultural land in Clackamas County. When we help partners with work that addresses the District's conservation goals, everyone wins.

In fiscal year 2016-2017, the District continued to work 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

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cultural goals of our tribal partners.

The District also helped the Sandy River Basin Watershed Council fund a large project on the Sandy River. This project reconnects the river to the floodplain to help reduce flooding and property damage downstream and to provide more fish habitat.

The District's directors and employees participate in a wide variety of other organizations interested in natural resources.