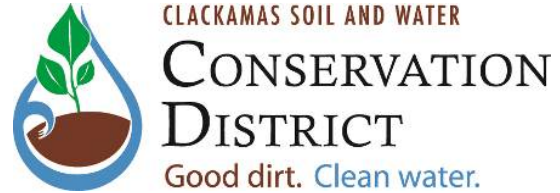


To: Clackamas SWCD Budget Committee
From: Jason Faucera, Budget Officer
Date: March 27, 2020
Re: FY 2020-2021 Budget Message



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.

Large projects challenge our flexibility. Purchase of a working forest and the construction of a new headquarters facility are unusual but positive long-term investments for the District.

Staffing level is maintained to assure high-quality service delivery. Additional staff will be added to address a programmatic need while maintaining existing staff levels to ensure service delivery.

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 began in FY 2019-2020. The District has moved all operations into the new building and we are managing the working forest.

We have rebalanced our investments to ensure long term viability. In other areas of the budget, we maintain support for the technical help we provide while continuing to seek grant dollars to leverage our property tax revenue 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 2020-2021 (July 1, 2020 through June 30, 2021).

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Contents

Contents.....	2
Purpose	4
Summary of Significant Changes.....	4
Individual work groups become departments.....	4
Departmental budgets simplified	5
Leasehold Improvements line added to District Operations Department	Error! Bookmark not defined.
Structure of the Budget Message	5
Abbreviations and Phrases	5
Appendices.....	6
Specific appendices.....	6
Budget Scenario for Fiscal Year 2019-2020	7
A – Priorities.....	7
A.1 – Top Priorities.....	7
A.2 – Other Priorities	8
B – Budget Has Five Funds	8
B.1 – Overview	8
B.2 – General Fund.....	8
B.3 – Conservation Grants Fund	9
B.4 – Conservation Loans Fund.....	10
B.5 – Working Lands Legacy Fund.....	10
B.6 – Building Reserve Fund.....	11
C – Changes for Fiscal Year 2019-2020	11
C.1 – General Fund.....	11
C.2 – Conservation Grants Fund	12
C.3 – Conservation Loans Fund.....	12
C.4 – Working Lands Legacy Fund.....	12
C.5 – Building Reserve Fund.....	12
D – Tax Rate Determination and Amount to Levy	13

D.1 – Tax Rate Proposed in Budget.....	13
D.2 – Method for Estimating Tax Revenues.....	13
D.3 – Property Tax to Levy	14
E – Budget Detail Sheets	15
F – Recent Programs Shown	15
G – General Fund	15
G.1 – Resources.....	16
G.2 – Other resources	16
G.3 – Requirements	16
G.4 – Personnel services	18
G.5 – Cost of living adjustment (COLA).....	18
G.6 – Pay matrix	18
G.7 – Merit raises.....	20
G.8 – Materials and Services.....	21
G.9 – Capital outlay	21
G.10 – Debt service	21
G.11 – Transferred to other funds	21
G.12 – Contingency	22
G.13 – Unappropriated ending fund balance and Reserved for Future Expenditure.....	22
H – Conservation Grants Fund	22
I – Conservation Loans Fund	23
J – Working Lands Legacy Fund.....	24
K – Building Reserve Fund.....	24

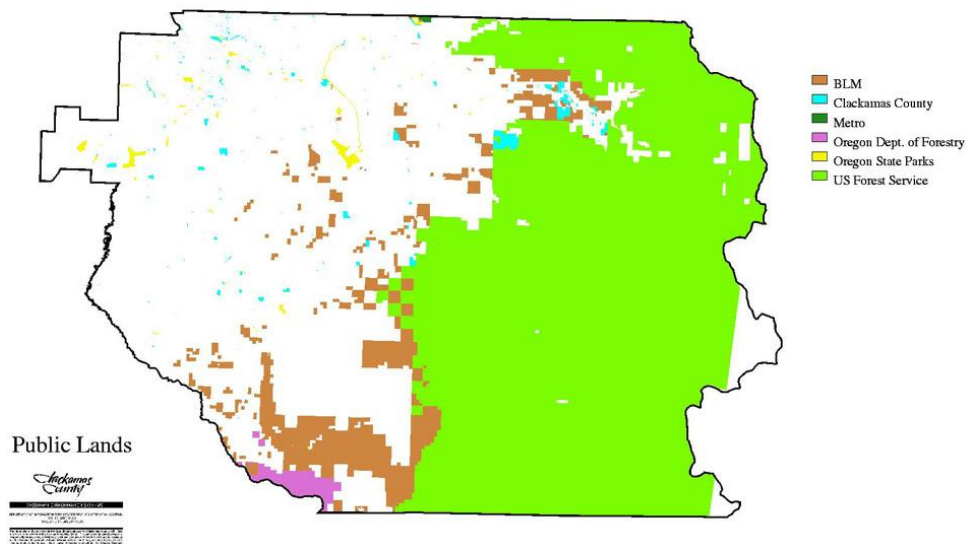
Purpose

This budget message is provided to explain the Budget Officer's proposal for a fiscal year 2020-2021 budget, covering the period from July 1, 2020 through June 30, 2021. The board has appointed its Conservation Initiatives Manager to fulfill the role of Budget Officer for the FY 2020-2021 budget.

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 fiscal year 2018-2019, we replaced the Conservation Services Department with those work groups. This departmental structure continues in fiscal year 2020-2021 with these departments in the General Fund:

- District Operations
- Conservation Planning
- WeedWise
- Education and Outreach
- Land Management
- Not Allocated to Any Department

The first four departments (District Operations, Conservation Planning, WeedWise, and Education and Outreach) each have a departmental manager to help maintain progress toward achieve the District’s goals.

Departmental budgets simplified

The budget for each department was simplified last year and we continue that practice this cycle. 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, higher level categories are shown to help reduce congestion in the budget.

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.

Leasehold Improvements line added to District Operations Department

To facilitate a discussion of whether to continue use of the Building Reserve Fund now that the Conservation Resource Center building project is substantially completed, a line for Leasehold Improvements has been added to the capital outlay section of the District Operations department.

This allows for funding capital improvements in the General Fund.

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 2018-2019, “this year” means FY 2019-2020, and “next year” means FY 2020-2021.

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 to help make the core Budget Message less overwhelming.

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 2020-2021

The District's proposed budget for next year (FY 2020-2021, which is July 1, 2020 through June 30, 2021) 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 occasionally 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.

To better serve the needs of our organization and our customers for the foreseeable future, we moved into our new base of operations in Conservation Resource Center in November 2019.

This facility enables us to provide onsite services such as consultations, demonstrations, equipment rental, tool checkout, and workshops while providing better accessibility to our customers.



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:

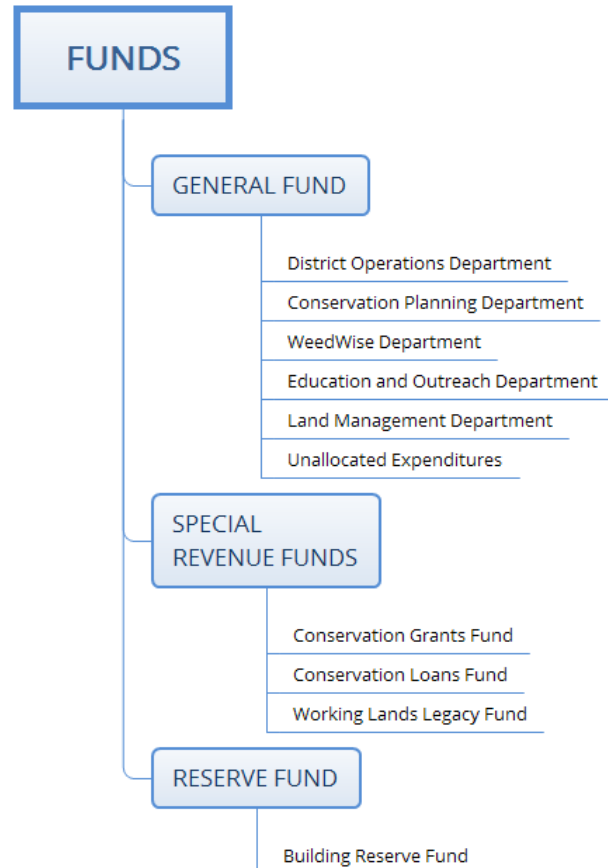
- General Fund
- Conservation Grants Fund
- Conservation Loans Fund
- Working Lands Legacy Fund
- Building Reserve Fund

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.



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. Expenditures 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. In 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

In 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.

Beginning in FY 2017-2018, the District launched a program to provide loans to repair or replace failing septic systems in the Clackamas River watershed. In September 2019, the service area of the Residential Septic Program was expanded to include the entire District (all of Clackamas County). 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 septic system loan program at <https://conservationdistrict.org/programs/septic-system-repair-loans>

Sources of loan funds may 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 2020-2021

C.1 – General Fund

Trend

General Fund spending next year (FY 2020-2021) will see an overall decrease due to prior investment in our Conservation Resource Center facility and Eagle Creek Community Forest property.

Employment

Employment is slightly higher, increasing from 16.0 full-time equivalents (FTEs) to 17.0 FTEs with the addition of a grant funded position for Riparian improvements.

Materials and services

Materials and services costs decrease despite higher contracted services costs and higher occupancy costs because of investment in our Conservation Resource Center and our Eagle Creek Community Forest property. The District will incur occupancy expenses at the Conservation Resource Center that were previously included in our lease costs. Much of the program related increases in materials and services are offset by grant funding for those expenses.

Debt service

Next year the District's debt will remain steady as it continues payments for its acquisition of the Eagle Creek Community Forest property near Estacada and construction of the District's new headquarters in Beavercreek.

Special Payments

Special Payments will be significantly decreased next fiscal year as a result of resources invested in the Conservation Resource Center and Eagle Creek Community Forest. Investment in partner support for other conservation and working lands related projects and entities within Clackamas County make up the bulk of the expenses in this object classification. These investments have been greatly reduced from prior investment levels.

C.2 – Conservation Grants Fund

Next year, resources coming into the Conservation Grants Fund and requirements from the Fund are significantly lower than the budget shows for this year. Much of the requirements are to be used for existing contractual obligations, such as with Clackamas River Invasive Species Partnership (CRISP) or our existing conservation project agreements with landowners. New project work has been greatly reduced as a result of heavy investment in the Conservation Resource Center and Eagle Creek Community Forest.

C.3 – Conservation Loans Fund

Next year, the resources available to the Conservation Loans Fund are higher than for this year. We begin next year with a lower beginning fund balance, but a similar level of borrower repayment resources from this year to next.

Requirements have been increased as we continue to encourage landowners to borrow to address critically failing septic systems and practices that protect or improve water quality.

C.4 – Working Lands Legacy Fund

The Working Lands Legacy Fund shows significant changes between this year and next year in the budget. The District acquired the Eagle Creek Community Forest this year and will focus on paying down debt for this investment before investing in new working lands opportunities with remaining resources. As a result this fund will carry far fewer resources while debt payments are in progress.

The Eagle Creek Community Forest is a long-term investment. In addition to the environmental and public benefits the Forest will provide, the forest will eventually provide intermittent revenue from timber harvests. The District commissioned a timber cruise and preparation of a forest management plan this year to help inform the timing of future expenditures such as thinning, as well as the timing of future harvests.

Next year we do not plan acquisitions funded from the Working Lands Legacy Fund.

C.5 – Building Reserve Fund

Similar to the Working Lands Legacy Fund, the Building Reserve Fund shows substantial changes between this year and next year. Construction of the Conservation Resource Center began in February 2019 and is substantially complete.

The Conservation Resource Center is a long-term investment for which we have received loan funds with an interest rate below 3% payable over 20 years. Operating costs will be higher during the 20 years of the loan due primarily to debt service, but after that, costs will be much lower than the District would incur from renting or leasing office space.

At some point during the life of the loan, the District should consider providing a “sinking fund” as a set aside for significant repair and maintenance costs such as re-roofing. The Building

Reserve Fund could be used for this purpose if it is not discontinued by the Board of Directors. The Fund is a savings account for the “leasing, acquiring, constructing, remodeling, or making capital improvements to” property of the District.

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 2020-2021), 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.

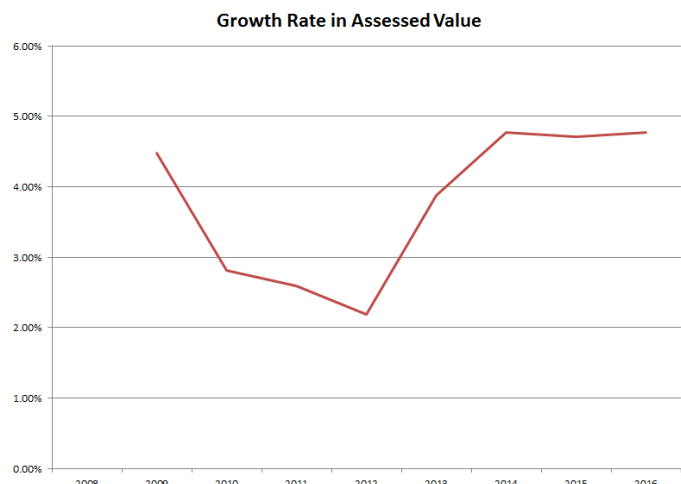
D.2 – Method for Estimating Tax Revenues

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. With uncertainty about the state of the economy going into next year (FY 2020-2021), the District will take a more conservative approach to estimating property tax revenue.

We anticipate receiving updated information from the Assessor around the time of the second Budget Committee meeting that is scheduled for April 28, 2020.

Assessed valuation growth estimated at 3.0%

This year, we projected a 4.0-percent growth in the assessed valuation (AV) of taxable property. For next year’s proposed budget, we used a more conservative figure of 3.0-percent for the increase in AV. While we expect to see AV increase, estimating revenue conservatively provides some buffering against economic uncertainty as we approach next year.



Calculating property tax revenue

In preparing an estimate of property tax revenue for FY 2020-2021 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 2019-2020) as reported to us by the County Assessor, except we increased the assessed valuation of property by three percent. All other non-calculated values from this year were carried over with no adjustments when making the estimates for next year.

Description	Operation	AV increased by 3%	
		FY 19-20	FY 20-21
Assessed valuation (AV) of property:	Enter #	\$53,136,861,081	\$54,730,966,913
Nonprofit housing value:	Add	\$4,500,700	\$4,500,700
	RESULT	\$53,141,361,781	\$54,735,467,613
Urban renewal increment:	Subtract	(\$2,150,014,984)	(\$2,150,014,984)
	RESULT	\$50,991,346,797	\$52,585,452,629
Tax rate of 5 cents per \$1,000 AV:	X by .00005	\$2,549,567	\$2,629,273
UR division of tax rate truncation:	Add	\$4,555	\$4,555
Actual tax extended for district:	RESULT	\$2,554,122	\$2,633,828
District's compression loss:	Subtract	(\$764)	(\$764)
	RESULT	\$2,553,358	\$2,633,064
Additional taxes received:	Add	\$6,525	\$6,525
Estimated revenue at 100% collection:	REST	\$2,559,883	\$2,639,589
Revenue at collectible rate of 95%:	RESULT	\$2,431,889	\$2,507,609

D.3 – Property Tax to Levy

The amount of collectible property tax for Clackamas SWCD for next year (FY 2020-2021) is projected to be \$2,507,609.

The projected revenue calculation used these assumptions:

- Three percent growth in assessed valuation of taxable property in Clackamas County
- Same adjustments as made for this year (FY 2019-2020) 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 2020-2021) 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 2020-2021), the simplified departmental detail and new departments means that history is not easily derived for individual 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 2020-2021) proposed budget begins with the projected working capital carry-over from this year (FY 2019-2020). This is an estimated figure that may change between now and July 1, 2020.

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 2020-2021), the District proposes to maintain employment with 18 people working 17 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 \$1,687,730.

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.

Last fiscal year, medical and dental insurance premiums increased 2-3%, on average. We are buffered against large cost increases to some extent by participating in a larger group.

The District has also sought to limit exposure to health care cost increases by providing an incentive to employees who choose to obtain their health insurance elsewhere. The incentive program is beneficial to employees and reduces the overall cost of coverage to the District.

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.

However, the Local Government Personnel Institute stopped tracking the CPI-W for the Portland area in 2018. Instead, they now report the CPI-W for B/C-class cities in the western United States (cities with less than 2,500,000 population in 13 western states). Accordingly, we use the CPI-W "West – Size Class B/C" rate. For calendar year 2019, that rate averaged 2.4%.

For budgeting purposes, we used 2.4% to develop the maximum personnel costs for next year's budget.

G.6 – Pay matrix

In FY 2018-2019, the District completed a pay equity analysis to make certain that wages were provided without regard to membership in a protected class. The District adjusted pay rates for all employees to help assure that pay was being provided equitably, in accordance with Oregon's Equal Pay law.

The new pay matrix consists of pay bands and steps within each band. Positions that are substantially similar in character are grouped in the same band: Band A = General Labor; Band B = Operations; Band C = Administration; Band D = Specialist; and Band E = Management.

The approved wage rate table for FY 2019-2020 is shown below:

BANDS >	BAND A	BAND B	BAND C	BAND D	BAND E
STEP 20	\$19.87	\$28.90	\$37.93	\$46.96	\$55.99
STEP 19	\$19.29	\$28.06	\$36.82	\$45.59	\$54.36
STEP 18	\$18.73	\$27.24	\$35.75	\$44.26	\$52.78
STEP 17	\$18.18	\$26.45	\$34.71	\$42.97	\$51.24
STEP 16	\$17.65	\$25.68	\$33.70	\$41.72	\$49.75
STEP 15	\$17.14	\$24.93	\$32.72	\$40.51	\$48.30
STEP 14	\$16.64	\$24.20	\$31.76	\$39.33	\$46.89
STEP 13	\$16.15	\$23.50	\$30.84	\$38.18	\$45.52
STEP 12	\$15.68	\$22.81	\$29.94	\$37.07	\$44.20
STEP 11	\$15.23	\$22.15	\$29.07	\$35.99	\$42.91
STEP 10	\$14.78	\$21.50	\$28.22	\$34.94	\$41.66
STEP 09	\$14.35	\$20.88	\$27.40	\$33.92	\$40.45
STEP 08	\$13.93	\$20.27	\$26.60	\$32.94	\$39.27
STEP 07	\$13.53	\$19.68	\$25.83	\$31.98	\$38.13
STEP 06	\$13.13	\$19.10	\$25.08	\$31.05	\$37.02
STEP 05	\$12.75	\$18.55	\$24.34	\$30.14	\$35.94
STEP 04	\$12.38	\$18.01	\$23.64	\$29.26	\$34.89
STEP 03	\$12.02	\$17.48	\$22.95	\$28.41	\$33.87
STEP 02	\$11.67	\$16.97	\$22.28	\$27.58	\$32.89
STEP 01	\$11.33	\$16.48	\$21.63	\$26.78	\$31.93

If the Board of Directors approves applying the 2.4% CPI-W rate as the cost-of-living adjustment (COLA) to FY 2020-2021 wages, the wage table for FY 2020-2021 would be:

BANDS >	BAND A	BAND B	BAND C	BAND D	BAND E
STEP 20	\$20.34	\$29.59	\$38.84	\$48.09	\$57.33
STEP 19	\$19.75	\$28.73	\$37.71	\$46.69	\$55.66
STEP 18	\$19.18	\$27.89	\$36.61	\$45.33	\$54.04
STEP 17	\$18.62	\$27.08	\$35.54	\$44.01	\$52.47
STEP 16	\$18.08	\$26.29	\$34.51	\$42.72	\$50.94
STEP 15	\$17.55	\$25.53	\$33.50	\$41.48	\$49.46
STEP 14	\$17.04	\$24.78	\$32.53	\$40.27	\$48.02
STEP 13	\$16.54	\$24.06	\$31.58	\$39.10	\$46.62
STEP 12	\$16.06	\$23.36	\$30.66	\$37.96	\$45.26
STEP 11	\$15.59	\$22.68	\$29.77	\$36.85	\$43.94
STEP 10	\$15.14	\$22.02	\$28.90	\$35.78	\$42.66
STEP 09	\$14.70	\$21.38	\$28.06	\$34.74	\$41.42
STEP 08	\$14.27	\$20.75	\$27.24	\$33.73	\$40.21
STEP 07	\$13.85	\$20.15	\$26.45	\$32.74	\$39.04
STEP 06	\$13.45	\$19.56	\$25.68	\$31.79	\$37.90
STEP 05	\$13.06	\$18.99	\$24.93	\$30.86	\$36.80
STEP 04	\$12.68	\$18.44	\$24.20	\$29.97	\$35.73
STEP 03	\$12.31	\$17.90	\$23.50	\$29.09	\$34.69
STEP 02	\$11.95	\$17.38	\$22.81	\$28.25	\$33.68
STEP 01	\$11.60	\$16.88	\$22.15	\$27.42	\$32.70

A pay parity analysis was completed last year (FY 2019-2020). Where the pay equity analysis was about paying employees without regard to protected classes, pay parity is about paying employees wages that are competitive with similar enterprises in our region.

G.7 – Merit raises

Exemplary employee performance may be rewarded with a merit raise. Unlike the wage table, a structure for this has not yet been decided by the District. The current recommendation from District management is to award a step increase to an employee after three consecutive

annual evaluations in which the employee is rated as having exceeded expectations. A longevity factor is also under discussion, i.e., a step increase would be awarded after an employee completes a certain number of years, assuming that the performance has been acceptable or better throughout that period.

The District has not discontinued the use of performance bonuses to recognize and reinforce 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 2020-2021), no merit raises and performance bonuses are built into the budget. Such awards are only made when authorized by the Board of Directors.

G.8 – 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 2019-2020), and factoring in estimates of additional costs associated with contracts and occupancy, the proposed budget decreases the amount available for materials and services.

G.9 – 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, there are no capital expenditures planned for the General Fund budget. Similarly, there are no capital expenditures planned for the Conservation Grants Fund, the Conservation Loans Fund, or the Working Lands Legacy Fund.

The Building Reserve Fund shows planned capital outlay for improvements in the leasable space or area that were not addressed during construction.

G.10 – Debt service

Debt service means repayment of loans received by the District. Next year (FY 2020-2021), the General Fund has significant debt service associated with the Eagle Creek Community Forest acquisition, the construction of the Conservation Resource Center facility, and repayment of State Revolving Fund loans from the State of Oregon.

G.11 – 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 2020-2021) transfers from the General Fund are anticipated to help fund the Conservation Grants Fund [page 10](#).

G.12 – 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 2020-2021) no contingency is included in the budget.

G.13 – Unappropriated ending fund balance and Reserved for Future Expenditure

The unappropriated ending funding balance is a budget line that may be used to show 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, 2020 (after the end of FY 2019-2020) until tax revenue is received in November 2020. 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 2020 time 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.

Reserved for future expenditure is a line item that identifies funds to be “saved” for use in future fiscal years. It too functions similarly to the unappropriated ending funding balance in that it leaves money unappropriated in the budget so that it may be used in the year following.

The main difference between the lines is that reserved for future expenditure requirements can be revised and appropriated when creating a supplemental budget, while unappropriated ending fund balance requirements cannot.

For next year’s (FY 2020-2021) budget, the unappropriated ending fund balance and reserved for future expenditure lines are shown on [page 2](#), [page 3](#), and [page 9](#). The unappropriated ending fund balance and reserved for future expenditure 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 or Reserve for Future Expenditure line items for the July-to-November-2020 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 2020-2021), requirements (expenditures) for the Conservation Grants Fund include entries associated with the Conservation Planning department and the WeedWise department. The Conservation Planning entry of \$43,374 represents the total estimated cost of cost-sharing and grants to constituents next year.

The WeedWise entry of \$447,912 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.conservationdistrict.org/partnerships/crisp>

I – Conservation Loans Fund

For next year (FY 2020-2021) we project a beginning fund balance in the Conservation Loans Fund on page 11 of \$175,200 on July 1, 2020.

Additional resources for the fund are shown from the Oregon Department of Environmental Quality (DEQ) and from repayments expected during FY 2020-2021 from borrowers.

Please note the "Reserved for Future Expenditure" has been left empty as a result of investment in the Conservation Resource Center and Eagle Creek Community Forest. We have typically used these funds, representing the bulk of borrower repayments outside of the loans provided by DEQ, for making loans based upon District priorities outside those of DEQ. We anticipate that most borrowers will qualify for the more restrictive DEQ loan funds, so transferring the reserve funds back to the General Fund provides greater flexibility for the totality of our programs.

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 no activity next year (FY 2020-2021). Remaining funds that are not reserved for future expenditure have been transferred to the General Fund to provide greater flexibility for the totality of our programs.

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 2020-2021) are shown on [page 13](#) of the proposed budget.

Resources (revenue) are anticipated funds carried over (working capital) from last year (FY 2019-20). Beginning fund balance resources represent funds remaining from our construction loan for the Conservation Resource Center and related interest earned on those funds.

With construction of the Conservation Resource Center substantially completed and fully occupied, limited funds are remaining in the Building Reserve Fund. These funds must be used for purposes outlined during fund creation, which include making improvements to the newly constructed space.

During planning discussions for the Conservation Resource Center, 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. While this investment places short term pressure on our programs and resources, its long term impacts will free up resources to bolster our future work.