



Providing Natural Resource Leadership

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Budget Message for 2017/2018 Fiscal Year Budget Committee Meeting Scheduled for May 24, 2017

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Introduction/Overview and Background Information

The Yamhill Soil and Water Conservation District (District) is a local unit of government established under Oregon Revised Statutes Chapter 568, and has been in existence since 1953. The District is governed by seven directors who serve four-year terms, and are elected by county voters at the General Election in even-number years.

The District implements the annual work plan utilizing a variety of resources, including grants, volunteers, and tax revenues. In 1986, voters approved a permanent tax rate for the District, which allowed the District to assess an ad valorem tax within the District's boundaries, which includes all lands within Yamhill County. As a local taxing district that levies local property taxes, the District is required to develop, present, and administer its budget in compliance with Oregon Local Budget Law. This requires the District to provide public notice and hold one or more budget committee meetings, use standardized budget detail sheets and budget categories, receive approval from the budget committee, and hold a final budget hearing prior adopting the final budget.

The District budget committee consists of the seven elected directors and seven citizen members. The committee has the responsibility to review and approve the budget. As part of this process, all committee members have the ability to ask questions, request clarification or additional information if needed, and suggest deletions, additions, and changes to the proposed budget. All committee members have the same voting authority. The 14-member committee must obtain a minimum of eight affirmative votes (simple majority) to approve the budget.

The committee reviews the budget presented by the budget officer, discusses questions, hears public comment, makes final adjustments and modifications if necessary, and takes final action to approve the budget and certify a tax rate or budget amount. Once the budget is approved by the budget committee, a *Notice of Budget Hearing and Financial Summary* is published in the newspaper and presented for adoption at the District Budget Hearing. The District must hold the budget hearing (scheduled for June 14, 2017), and approve the final budget prior to June 30, 2017.

Budget Message Purpose and Structure

The purpose of the budget message is to explain the proposed budget, outline significant changes in the District's financial position and programs, and provide information about anticipated revenues, expenses, and other budget requirements such as transfers, contingency, reserve funds, and unappropriated ending balances.

The budget is structured and managed using eight fund categories. Each fund will be described in further detail later in the budget message.

1. General Fund
2. Special Projects Fund
3. Miller Woods Fund
4. Chegwyn Farms Fund
5. Conservation Easement Fund
6. Yamhela Property Fund
7. Muddy Valley Fund
8. Turner Creek Property Fund (proposed new fund)

Compliance with GASB 54

The Oregon Governmental Accounting Standards Board issued Statement 54 (GASB 54) which impacts how special districts in Oregon must maintain and present their accounting records. Districts in Oregon are required to present their books according to GASB 54 requirements.

Budget Classification

GASB 54 requires fund balances to be reported in five classifications as follows:

- **Non-Spendable Funds** – Amount budgeted for unappropriated ending balances. \$1,720,000
- **Restricted Funds** – Potential income and expenditures associated with grants. \$630,100
- **Committed Funds** – Committed to a specific contractual use including resources used to manage and defend conservation easements held by the district. \$131,500
- **Assigned Funds** – Includes funds assigned to specific purposes such as land stewardship, property ownership, and contingency. \$497,400
- **Unassigned Funds** – The remaining portion of the General Fund after subtracting Assigned and Non-Spendable Funds. \$555,500

The composition of fund types found in the 2017-2018 budget are detailed in Table 1.

Table 1. Classes of Funds and Budgeted Expenditures for 2017- 2018:

Fund	Non-Spendable Funds	Restricted Funds	Committed Funds	Assigned Funds	Unassigned Funds	Total Funds
General Fund	\$ 70,000	0	0	\$ 85,000	\$ 555,500	\$ 710,500
Special Projects	0	\$ 636,100	0	0	0	\$ 636,100
Miller Woods	75,000	0	0	248,300	0	\$323,300
Chegwyn Farms	175,000	0	0	40,100	0	\$ 215,100
Conservation Easement	140,000	0	131,500	0	0	\$ 271,500
Yamhela Property	260,000	0	0	31,500	0	\$ 291,500
Muddy Valley	1,000,000	0	0	72,500	0	\$1,072,500
Turner Creek Property		0	0	20,000	0	\$20,000
Total Budget	\$1,720,000	\$ 636,100	\$ 131,500	\$ 497,400	\$ 555,500	\$ 3,540,500

How are District Programs Funded?

Programs and services are funded through the following methods:

1. Permanent Tax Rate Collections See Attachment “A”

2. Grants (Federal, State and Local) See Attachment “B”

On average, the District manages between 6 and 10 grants and agreements each year. Grants and agreements range in size and duration and can be for specific projects that are completed within one year, or support programs and projects over several years. The Special Project Fund and other funds in the budget provide adequate budget authority for all anticipated revenue and expenditures. Details are provided in Attachment B.

3. Income Generating Enterprises

The District produces revenue from several income-generating enterprises. Funds from these enterprises are used to support implementation of the District’s long-range and annual work plans, complete agreed-to work identified in grant agreements, maintain District property, oversee conservation easement stewardship responsibilities, and fulfill other legal and contractual obligations: Income-generating enterprises include:

- Native plant sale, and sale of other materials
- Miller Woods Nursery (native plant grow-out contracts)
- Forest products and harvest
- Rental income from Miller Woods residence
- Rental income from Chegwyn Farm, Muddy Valley Habitat Reserve, and other properties
- Contract management (Yamhela Property, Mt. Richmond, Chegwyn Farm, and others)
- Contract services through Intergovernmental Agreements, landowner agreements, or other contracts.

4. Local Contributions and Donations

The District receives revenue from donations provided by various individuals and entities. Revenue is used to support District programs and services, volunteer involvement and expenses, and other purposes such as administration of conservation easements. Each fund includes a line item in the Resource Section (*Local Sources and Donations*) to allow for receipt of donations, grants and other contributions.

5. Volunteer Resources

The District receives a significant volunteer support for projects at Miller Woods, the annual native plant sale, educational and outreach events, and for on-the-ground conservation projects. Volunteer contributions are often considered match funding for purposes of grant reporting and accounting. The value of volunteer resources is not considered in this budget document. The costs of supporting volunteers are accounted for in budget categories of the General Fund, Miller Woods Fund, and Special Projects Fund. Typical costs include insurance, food, supplies, training, travel, and staff oversight.

Budget Detail Sheets (LB 10)

The budget document includes budget detail sheets for the following funds:

- | | | |
|-----------------------|--|--------------------------|
| A. General Fund | B. Special Projects Fund | C. Miller Woods Fund |
| D. Chegwyn Farms Fund | E. Conservation Easement Fund | F. Yamhela Property Fund |
| G. Muddy Valley Fund | H. Turner Creek Property Fund (new fund) | |

Budget Detail Sheets provide a financial history of actual income and expenses for two prior years, the adopted budget amounts for the current year, and the proposed budget for 2017-2018.

A. GENERAL FUND

The General Fund accounts for revenue generated from property tax, grants, administrative income, and other sources that do not require the use of a special or specific fund. Requirements and expenditures in the General Fund are used to support various costs and programs that are difficult to fund with special grants, such as District operations and management, administrative and legal costs, materials and services for general programs, rent, computers and infrastructure, and other expenses not typically charge to grants.

The primary source of revenue in the General Fund is local property tax from the District’s permanent rate limit (property tax levy). The General Fund also accounts for small operational grants from Oregon Department of Agriculture that pay a portion of the District’s legal requirements including the financial audit, board meetings and annual meeting, public notices, minutes, insurance, and other costs relating to District operations. The resource section of the General Fund provides for previously levied taxes, interest income, local income and donations, administrative income, and transfers from other funds.

General Fund – Resources

The projected cash carry-over in the General fund is estimated at \$300,000. The carryover represents:

- Unexpended funds budgeted in Contingency (\$75,000)
- Revenues received in excess of budget estimates (estimated at \$30,000)
- Funds budgeted for Unappropriated Ending Balance in the 2016-2017 budget (\$60,000)
- Estimated remaining balances from various categories during the current budget year (\$135,000).

The District receives the majority of tax revenues in November of the budget year, when landowners typically begin paying property taxes to the county. The district will use cash carryover, income from transfers, and other revenues that become available during the first four months of the fiscal year to cover budget requirements in the General Fund until tax revenues are received.

Property tax revenue for 2017-2018 is estimated at \$283,000, an increase of \$9,000 from the estimate of \$274,000 in the previous year’s budget (see Attachment “A”).

The district anticipates continuation of the District Operations grant from the Oregon Department of Agriculture (ODA) for a total of \$23,546, and accounts for this revenue and associated expenditures in the General Fund. The line item for Sale of Materials is increased. The district is transferring income for administrative earnings to the General Funds through an internal billing process (per the recommendation of the auditor). Income from transfers remain to allow the district to move resources from different funds as grants allow.

Transfers from the other funds are budgeted as follows, to allow for the transfer of administrative earnings and for other charges allowed for in grants or intergovernmental agreements.

Special Projects Fund	\$58,000
Miller Woods	5,000
Conservation Easement	2,000
Yamhela Property	2,000
<u>Muddy Valley Property</u>	<u>\$10,000</u>
Total	\$77,000

No other significant changes are anticipated for the resources section of the General Fund.

General Fund – Requirements

Personnel Services

The Personnel Services category is increased by \$52,500 in total. The District board is exploring alternatives to increase dedicated staffing for the district's long-term land protection program. The board may modify the Executive Director position to increase work responsibilities associated with this program. If so, the District will develop plans to transfer some administrative and operational responsibilities to a different position. No new position has been created or approved by the board. However, the budget is drafted to include additional resources for this potential transition. The District is seeking grant funding and other donations to support lands protection, allowing General Fund resources to be directed to administrative and operational work.

No additional changes or new positions are proposed in the Personal Services category. The category for the 2017-2018 General Fund also includes adequate resources to accommodate cost of living adjustments and performance awards for personnel, subject to the recommendations of the Employee Relations Committee, and approval of the District board. The budget continues to provide for a part-time employee administrative assistant for up to 32 hours per week, and a part-time technical support position to assist the District with the maintenance of the website.

The District renewed its contract for health insurance in November 2016, securing a new premium rate, effective January 1, 2017 to December 31, 2017. Health insurance costs increased by approximately 25%. However, only two employees are currently covered under the health plan, so the fiscal impact to the budget is minor. All other eligible District employees are covered by alternative insurance coverage. The budget includes adequate resources to cover additional increases after January 1, 2018, should rates increase. The District will continue to monitor requirements, conditions, and potential fiscal impacts that may result from health reforms under the new federal administration. There are no proposed changes to district-paid contributions rates to the 401 (a) retirement plan.

Materials and Services

Minor adjustments are made to line items in this category. Contract Services is budgeted at the same level as the previous year, (\$22,000), though actual expenditures in this line item have been traditionally low. Resources are budgeted under Contract Services to cover potential costs associated with IT, should the District need to establish its own computer network and/or upgrade equipment. Funds may also be used to pay for professional services associated with property ownership, conservation easements, District operations, and various legal costs.

As discussed in previous years, the Natural Resources Conservation Service (NRCS) is no longer able to maintain the same level of support and provide office space for all District employees. Going forward, NRCS intends to provide computers, telephones, and IT services, but the District will need to cover an increasing percentage of office rent. Fortunately, NRCS was able to provide a similar level of support during fiscal year 2016-2017 (to date). With proposed changes in USDA structure, potential consolidation of agencies, and administrative streamlining, it is inevitable that USDA support will be reduced in the future, thus requiring the District to fill the cost gaps. To accommodate increases in rent, the Rent line item is budgeted at \$20,000. The District will continue to explore ways to reduce General Fund expenses by covering a portion of rent expense through grants when feasible.

Capital Outlay

The budget for Capital Outlay is reduced from previous years. The district secured a long-term lease on a pick-up truck from the Oregon Department of Agriculture in 2016, reducing its need for an additional heavy-duty tow vehicle. The budget provides for capital purchases of other vehicles, equipment or other expenditures, to a limit of \$37,000.

The previous year's Budget Message provided information detailing the purchases of equipment (track loader, mower, and grapple) utilizing resources from the General Fund, Special Projects Fund, Conservation Easement Fund, and Miller Woods Fund. Equipment is used for restoration and management activities on properties owned and managed by the District, including Miller Woods, Mt. Richmond, Yamhela Oaks, Muddy Valley, and Chegwyn Farms.

Equipment Costs and Reimbursements to the General Fund.

The District charges a typical market rate for its equipment use and restoration work and includes this rate in grant proposals and funding agreements when possible. The equipment rate provides adequate revenue to:

1. Cover variable costs (fuel, repairs, maintenance, etc.)
2. Pay amortized equipment costs (debt service)
3. Dedicate a portion of revenue as future reserves allocated for future capital outlay needs.

The District has successfully secured grants and revenues from cooperative agreements to fund the hourly costs of its equipment use on stewardship and restoration projects for the past two years. Revenues generated from rental charges and custom work performed by the District will allow full reimburse to the General Fund for past capital expenditures of \$16,000. Additionally, the District will be able to transfer \$16,800 to the General Fund in 2017-2018 from earnings and grant administration. These revenues are represented in the budgeted “transfers in” line item provided up to \$58,000 of budget authority. In the coming year, \$16,800 will be transferred to the Conservation Easement Fund to fully reimburse the fund for past capital outlay expenditures (district equipment).

Going forward, the District will continue to track revenues and expenditures associated with its restoration work, and dedicate a portion of the grant funding (the rental rate) to cover the cost of equipment use and build reserves for future capital expenditures.

Transfers

The budget provides ability to transfer funds from the General Fund, subject to board approval. Budgeted transfers include:

- \$ 16,800 from General Fund to the Conservation Easement Fund (described above).
- \$ 5,000 from General Fund to Special projects Fund to support Noxious Weed Programs.
- \$ 5,000 from General Fund to Turner Creek Property Fund to support potential legal or transaction costs associated with a possible property donation.
- \$ 1,000 from General Fund to Miller Woods

Contingency

Contingency is budgeted at \$85,000 to provide for unanticipated expenses or requirements. The District can legally transfer up to 15% of the total amount appropriated within the fund. The total appropriation in the General Fund is \$710,500; therefore, a transfer from Contingency of \$85,000 is well within the limits allowed per the Oregon Revised Statutes and Oregon Department of Revenue’s administrative rules.

Unappropriated Ending Balance

The unappropriated ending balance is budgeted at \$70,000. In 2016-2017, the Budget Committee supported an Unappropriated Ending Balance of \$60,000, an increase of \$10,000 from the previous year. The proposed Unappropriated Ending Balance of \$70,000 represents an additional increase of \$10,000, and demonstrates the District’s intent to increase the amount of dedicated funding budgeted for the subsequent years.

Total General Fund resources and requirements are \$710,500, up from \$640,000.

SPECIAL PROJECTS FUND

The Special Projects Fund accounts for District programs that require little or no General Fund money, and for grants or projects that require separate budgets and independent tracking. The District maintains several categories (jobs) in the QuickBooks accounting system that are within the Special Projects Fund. The jobs are used to track grants and/or projects and facilitate grant management. The Special Projects Fund utilize revenues from federal, state and local sources. A summary of current and anticipated grants can be found in *Attachment "B"*. Carry-Over for the Special Projects Fund is estimated at \$20,000. The cash position is lower than previous years because of the following:

- The district will not receive full grant reimbursement for work performed during the current fiscal year.
- Resources and administrative earnings in the fund were used to purchase a no-till drill (\$15,750).

Resources

A \$5,000 transfer is proposed to fund noxious weed control activities. The budgeted amount is consistent with previous years. The transfer will be made if the board determines grant funds are inadequate to fund weed program activities. A minimum of \$375,000 in grant revenue is expected in 2017-2018. Information on specific grants is provided in *Attachment "B"*. The fund provides adequate budget authority for receipt of additional grant funds, donations other resources if available.

Requirements

Personnel Services is budgeted at \$296,000 to fund personnel costs for three full-time employees (Habitat Conservationist, Conservation Planner, and Riparian Specialist), and costs for other staff that complete work on projects financed by grants or other agreements. The category provides adequate budget authority to fund additional personnel services from potential grants, even with the \$20,000 reduction in the category from the previous year.

Total Materials and Services is budgeted at \$250,100 with significant percentages of this category allocated to Contract Services and Project Supplies for the large riparian project (OWEB) and other restoration projects.

Capital Outlay is budgeted at \$32,000 for purchase of equipment needed to manage District properties and projects, such as a heavy duty equipment trailer, small track hoe, tree shear, or straw blower. Purchases are subject to available grant funding and board approval. The District will continue to pursue opportunities for donations, and will utilize purchasing options through state and federal surplus avenues as a method to reduce costs.

The district purchased a no-till drill in 2016. The drill will be made available to landowners under a rental agreement, and be used on grant-funded projects. Revenues from drill rentals will be used to cover variable expenses and repay capital costs.

Transfers from the Special Project Fund to the General Fund are budgeted at \$58,000 to allow for transfer of administrative earnings or other qualified reimbursements.

A total of \$636,100 is budgeted in the Special Projects Fund for resources and requirements.

C. MILLER WOODS (MW) FUND

This fund is used to manage resources related to the Miller Woods property, a 130-acre parcel owned the District. The property is managed for multiple uses including sustainable forestry, hay production, environmental education, demonstrations, studies and research, and outdoor activities. The property includes a small native plant nursery that generates income from native plant sales, and from “grow-out” contracts with partners and agencies. Revenue supports the nursery and MW operations including labor costs, upkeep and maintenance, supplies, portable restroom facilities, costs of educational activities, and property improvements. The District employs one part-time employee who oversees operations at the property, manages the native plant nursery, and coordinates volunteers.

The District continues to explore additional opportunities to produce native plants for other agencies and partners, with the goal of maintaining the property and nursery as a self-sustaining enterprise. The District has completed "grow-out" contracts for the US Fish and Wildlife Service, local conservation districts, and other conservation partners for the past several years. The nursery also produced plants for grant-funded conservation projects, the annual native plant sale, and the annual Earth Day event. The residence at Miller Woods generates rental income and is currently rented to the part-time property caretaker.

The District completed a Forest Management Project in 2015 which generated a positive margin and improved cash carryover at the end of fiscal year 2015-2016. The financial position of the fund continues to improve because of the past Forest Management Project revenue, successful native plant sales in 2016 and 2017, increased “grow-out” contracts, receipt of donations, and regular volunteer contributions. The fund is projected to have beginning balance of \$ 67,000, a sharp improvement over the \$1,838 beginning balance stated just two years ago (2015-2016).

Resources

Going forward, revenue is anticipated from the 2017 Native Plant Sale, “grow-out” contracts, donations, sale of materials (shirts, books, etc.), and grant income. Revenues from the grow-out contracts should exceed \$80,000 (Federal Sources), and native plant sales and other conservation sales are expected to top \$90,000 (Sale of Materials). There are no plans for additional timber harvest in the coming year. Installation of new restrooms and new septic system are a high priority for 2017-2018. The District and its conservation partners will be seeking donations and grants to complement the District’s investment in the project.

Requirements

Personnel Services is budgeted at \$52,000 for continuation of the part-time position at Miller Woods, and support of regular staff or seasonal employees working on the native plant sale, nursery grow-outs, and other special projects.

Materials and Services is budgeted at \$171,300 to cover costs of plant materials, potting soil, supplies, nursery improvements, and installation of a new septic system and drain field at Miller Woods. The Contract Services category is budget at \$61,000 to cover costs of work crews (nursery work and seedling planting), and for a contractor to oversee installation of the septic system. As previously stated, the District will actively seek grants, donations, and other sources of community support to offset costs of the septic installation and construction of restrooms.

Capital Outlay is budgeted at \$20,000 for potential equipment purchases such of a trailer, small excavator, or other needed equipment (subject to grant funding or available donations).

An **Unappropriated Ending Balance** of \$75,000 has been established for this fund to budget dedicated carryover for the subsequent year, and reserve earnings from the past Forest Management Project.

A total of \$323,300 is budgeted in the Miller Woods Fund for resources and requirements.

D. CHEGWYN FARM FUND

This fund has a projected cash carryover of \$209,000. Funds are carried over from previous years when the District received revenue from the lease of four acres to the McMinnville Parks Department for Chegwyn Park. The District owns Chegwyn Farm, subject to a life estate arrangement with Charlie Chegwyn. Under the arrangement, Charlie resides on and maintains the property, pays the property taxes, and is responsible for management decisions. He receives the majority of the rental income from the property.

Resources

The District receives \$3,000 in annual rental income under a 5-year lease agreement approved in 2015. Additional revenue is budgeted from grants, interest, donations, and grant administration, should grants become available for restoration projects.

Personnel Services is budgeted at \$9,500 to fund employee costs associated with a potential grant, and for maintenance work performed on the property. Without additional dedicated revenue from grants or other sources, the projected personnel services costs to assist with regular maintenance activities on the property will be in the range of \$1,000 to \$2,000 for the year.

Materials and Services is budgeted at \$20,600. The District does not anticipate a high level of expenditure in this category unless outside grants can be secured to leverage local funds (e.g., for a special project). Expenditures in these categories are budgeted to cover costs of property maintenance, repairs, weed control, boundary and fencing costs, irrigation development, water rights transfers, and other projects as needed.

Capital Outlay is budgeted at \$10,000, should funding become available to purchase irrigation equipment. Unappropriated ending balance is budgeted at \$175,000. The balance will be available for future uses such as a property purchase or future investments on Chegwyn Farm. A total of \$215,100 is budgeted in the Chegwyn Farm Fund for all resources and requirements.

E. CONSERVATION EASEMENT FUND

This stand-alone fund was established in 2001-2002 to manage funds that are used to conduct monitoring and enforcement of conservation easements. Currently the District holds conservation easements on Crown Hill Farms, Friedman property, Hutchison property, and the Mt. Richmond property.

Resources

Cash carryover is estimated at \$137,000. No significant grant income is anticipated this year. The budget provides for the receipt of up to \$18,600 in transfers from the General Fund. This transfer will be made to restore resources to the fund that were previously allocated for capital purchases (conservation equipment). Local Sources are estimated at less than \$10,000, which includes rental income from the Mt. Richmond hay field of \$4,000 per year, \$1,000 for CREP program payments, and approximately \$5,000 for payment of conservation services performed by the district (mowing and spraying). Grants may be available to support restoration or project work on lands already protected with easements, or provide funding to compensate landowners for the purchase of new conservation easements.

Requirements

The budget includes allocation of \$13,000 for Personnel Services, and \$106,500 for Materials and Services. The District tracks spending in this fund according to specific property and grant. The District's goal is to increase resources in the fund to ensure it has the capacity necessary to monitor, manage, and defend the easements it holds into the future. Available funds for administration will be transferred to the General Fund (if warranted) for up to \$2,000.

Capital Outlay of \$10,000 has been included to allow for the purchase of equipment that supports operation and maintenance of conservation properties. Resources will be used to cover annual inspections and reporting costs, and be used to cover costs of operations and maintenance on the Mt. Richmond property, utilizing funds received from Bonneville Power Administration in 2013-2014.

Resources from the Conservation Easement Fund may also be used to support the District's long-term obligations to oversee and defend conservation easements, and oversee maintenance and stewardship of certain properties under the management of the District (i.e., Mt. Richmond).

Unappropriated Ending Balance is budgeted at \$140,000. A total of \$271,500 is budgeted in the Conservation Easement Fund for all resources and requirements.

F. YAMHELA PROPERTY FUND

This fund was added to the budget in 2014-2015. The Yamhela Property Fund (Short for the Yamhela Oak Conservation Overlook Property) was established to manage finances associated with a property the District acquired through the Willamette Wildlife Mitigation Fund, funded by Bonneville Power Administration (BPA). The District partnered with the Trust for Public Land (TPL) and received approval of a grant in 2014 for the acquisition of 173 acres in the Yamhill area. The property includes oak savanna, woodland, and other important wildlife habitat. The property transfer was completed on March 31, 2016. The District received revenue of \$276,000 from BPA for future stewardship and maintenance responsibilities on the property.

Resources.

The beginning fund balance is estimated at \$272,000. A modest amount of revenue is budgeted for potential grant funds that might be obtained through cooperative agreements with US Fish and Wildlife Service or other grant sources.

The proposed long-term management plan for the property allows the District to manage timber resources and use revenue from timber thinning to support restoration work, operations, and maintenance. Revenue categories are included to allow receipt of income from these sources. Other revenue from interest earnings, state grants, and local sources are also anticipated and provided for in the budget.

Requirements

The budget includes allocation of \$9,000 for Personnel Services, and \$20,500 for Materials and Services. Funding from these categories will be used for property management and maintenance, and for completing work on the development of a management plan in cooperation with BPA. The District does not anticipate a high level of expenditures in this fund unless outside grants can be secured to leverage local funds. However, the District is likely to utilize \$2,000-\$3,000 of the BPA stewardship funds each year for property maintenance, repairs, weed control, boundary and fencing costs, road maintenance, and other projects as needed.

The budget also allows for a transfer of \$2,000 to the General Fund for administration (if warranted), and allocates \$260,000 as an Unappropriated Ending Balance. A total of \$291,500 is budgeted in the Yamhela Property Fund for all resources and requirements.

G. MUDDY VALLEY PROPERTY FUND

The Muddy Valley Property Fund was established in 2015-2016 to manage finances associated with the acquisition of 540 acres in the Muddy Valley area. The District secured the property through a successful grant award from the Willamette Wildlife Mitigation Program (WWMP). Bonneville Power Administration (BPA) funded the purchase and allocated stewardship funding. The District completed all due diligence requirements, negotiated terms of a conservation easement with BPA, and successfully completed the property transaction on September 30, 2016. Through the closing process, BPA compensated the previous landowners directly for the purchase of the property. Therefore, no resources were included in the District's budget for the property purchase.

At closing the District received \$867,870 of stewardship funding from BPA, for future property operations, maintenance and stewardship. The District also received a donation of \$162,000 from the former owners to support the District's long-term lands protection program, and future stewardship of the Muddy Valley Habitat Reserve. The stewardship funding and the donation represent the majority of the beginning fund balance of \$1,026,000.

Resources

The District anticipates minimal income in the fund in the coming year. The budget provides for additional income from grants and donations from conservation partners who support restoration and land protection. Revenue from grants and donations is budgeted at \$40,000 (dependent on availability). The budget provides line items for interest income, revenue from sale of materials, rental income on the hay fields (\$3,000), and potential administrative earnings.

Requirements

The budget includes allocation of \$16,000 for Personnel Services and \$31,500 for Materials and Services. The District anticipates modest expenditures in these two categories with approximately \$6,500 in Personnel Services and \$6,000 for Materials and Services. These expenditures are associated with property management and stewardship, and completion of the management plan required by BPA (in progress). If donations or grants become available, the budget allows for additional expenditures in both categories.

A transfer up to \$10,000 is budgeted for the General Fund, providing resources to support additional lands protection work, grant writing, or contract services associated with land protection. A new line item for Capital Outlay was added to the fund and includes a budget of \$15,000 for potential purchase of equipment that may be needed for property management and maintenance.

The Unappropriated Ending Balance is budgeted at \$1,000,000. A total of \$1,072,500 is budgeted in the Muddy Valley Property Fund for all resources and requirements.

H. TURNER CREEK PROPERTY FUND

The District is currently working with property owners in the Yamhill area who have expressed interest in donating land to the District. A new Turner Creek Property Fund is being established to accommodate receipt of potential donations and grants dedicated towards future property stewardship, and to allow for potential expenditures associated with due diligence requirements or other property transactions.

Resources

The budget provides for donations and grant revenue should it become available. The District is working with several conservation partners and seeking resources to support the acquisition. Total revenue is budgeted at \$20,000. A transfer of up to \$5,000 is budgeted from the General Fund, subject to board approval.

Requirements

Expenditures in Personnel Services, Supplies and Contract Services are budgeted at \$20,000 to cover potential costs associated with the planned donation and property transfer.

SUMMARY

The budget message and detail sheets provide a breakdown of resources and requirements associated with various funds and programs. Resources from local tax revenue, grants, donations, fees for service, and sales of materials will allow the District to:

- Continue delivery of current conservation services and programs and existing staff positions (including agricultural water quality, RCPP, CREP, noxious weed control, etc.).
- Continue employment of staff at Miller Woods and the Miller Woods Nursery.
- Consider alternatives to increase staffing for work associated with conservation easements and the long-term land protection program, and evaluate options to transfer administrative and operations responsibilities.
- Budget funds for property management and stewardship on the Yamhela property, Mt., Richmond property, Miller Woods, Chegwyn Farm, and Muddy Valley Habitat Reserve as needed.
- Utilize conservation equipment such as the no-till drill, tunnel sprayer, and straw blower to conduct demonstrations, and implement an equipment rental program.
- Explore opportunities to increase production of native plants grown under contract at the Miller Woods Nursery, and increase native plant sales to new customers and partners. Utilize funds generated through “grow-out” agreements with US Fish and Wildlife Service, conservation districts, and others to support costs of managing and maintaining Miller Woods.
- Implement infrastructure developments at Miller Woods, including the installation of a septic system, drain field, and restrooms using resources from grants, donations, timber revenues, and local contributions.
- Implement responsibilities associated with conservation easements.
- Establish a new Turner Creek Property Fund to accommodate a potential land donation.
- Implement budgeted transfers to fully realize available administrative income for future budget purposes.
- Maintain adequate budget capacity in Contingency and Materials and Services categories in the General Fund to provide for potential increases in rent, computer, IT systems, legal costs, and unanticipated expenses.
- Utilize grant funding from the Oregon Watershed Enhancement Board and Oregon Department of Agriculture for various conservation project, such as the 33-acre riparian planting along the Yamhill River.
- Provide technical assistance and outreach to complement USDA’s Conservation Implementation Strategy.

Approval Process and Recommendations

Budget Committee Approval - Tax Rate Levy or Amount of Total Levy:

Oregon Budget Law allows taxing districts to approve the budget by an amount, or by permanent rate. The District normally certifies the permanent rate. By certifying the rate, the District is allowed to collect the total property tax generated by the Assessed Value certified by the county assessor. If an amount is approved, revenue is limited to the amount approved under the resolution, and the District is not allowed to collect additional revenue that may be available if the Assessed Value is higher than projected. The budget officer recommends the budget committee certify the permanent rate of 0.0354/\$1000 when approving the 2017-2018 budget.

Attachment “A” Permanent Tax Rate Collections

The district established its original tax base rate under the 1986 ballot measure. This “tax base” was converted to a permanent rate limit in 1997 as a result of ballot measures 47 and 50. The District’s permanent rate limit is 0.0354 / \$1000 of Assessed Land Value within the District boundaries, which include all of Yamhill County.

The law allows a maximum of 3% growth in Assessed Value (AV) on property, assuming the Real Market Value (RMV) remains higher than the AV. Based on current trends, it is probable that property tax collections will be close to the 3% allowed under law, with few properties assessed below RMV. The proposed budget provides for an estimated 3% increase in property tax revenue. The district is allowed to collect all tax revenue generated by its permanent rate if it certifies its taxing rate in the budget resolution, regardless of the budget

Current Year Certified Tax Collections

The actual amount of property tax certified by Yamhill County for the District in 2016-2017 is \$293,962.75. This is an increase of \$12,669.24 over the previous year’s certified amount of \$281,293.51, and an approximate increase of 4.5%. At total of \$271,158.73 of current tax revenue was collected as of May 3, 2017.

To estimate the property tax for 2017-2018, a 4% increase is assumed over the actual 2016-2017 certified assessed value. Based on the increase, the total projected tax revenue for this budget is estimated at \$ 305,543 (see calculations below). After discounting the amount for 5 % estimated uncollected taxes, and a potential loss of \$7,000 for the McMinnville and Dundee Urban Renewal Projects, the District estimates tax revenue of \$283,266 in 2017-2018 (amount rounded to \$283,000 for the budget).

Estimating tax revenues for 2017-2018 budget: (numbers rounded)

Multiply 2016-2017 Assessed Value x 1.03 = Projected 2017-2018 Assessed Value

Based on 4% increase.

2016-2017 Assessed Value (AV)			\$8,299,206,770
Multiply by 4 %			<u>331,968,270</u>
Projected 2017-2018 (AV) =			\$8,631,175,040
Multiplied by SWCD permanent rate (.0354/1000 assessed value)	x		<u>0.0000354</u>
Total projected property tax revenue for 2017-2018	=	\$	305,543
Less the estimated un-collectable taxes for 2017-2018 @ 5.0 %	=	\$	15,277
Less potential losses from McMinnville and Dundee Urban Renewal Plans	=	\$	<u>7,000</u>
Total anticipated tax collections in 2017/2018 budget	=	\$	283,266*

* Note - a rounded estimate of \$283,000 was used for Taxes Necessary to Balance:

Table 2. Predicted and Actual Revenues from District’s Permanent Rate Levy:

	FY 10/11	FY11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	*FY 16/17
Predicted <i>Taxes Necessary to Balance the Budget</i>	222,815	229,349	232,142	241,109	247,000	259,000	274,000
Actuals Current Taxes	233,535	227,884	232,695	242,121	249,229	265,433	*271,158
Previous Taxes	---	8,279	9,307	8,944	10,226	8,544	*8,871

(*FY 2016/17 taxes received as of 5/03/17)

Attachment “B”

Summary of Grants and Agreements (Federal, State and Local)

- 1. Cooperative Agreement with the US Fish and Wildlife Service (USFWS). Miler Woods Fund**
The District maintains a Cooperative Agreement with USFWS under the Partners for Wildlife Program. The agreement provides funding to support on the ground conservation projects that help USFWS implement its conservation recovery objectives in the region. The conservation priorities within the District are oak and prairie habitat and restoration work that benefits protected and endangered species (i.e. Fenders blue butterfly). The work performed through this agreement complements the conservation work being implemented under the Regional Conservation Partnership Program, which also focuses on oak and prairie conservation systems. The District anticipates revenue of approximately \$93,000 in the next fiscal year. Funds under the agreement will be used to:

 - Purchase native plants from the Miller Woods nursery (**\$83,000**) through a cooperative intergovernmental agreement. These funds will support personnel, materials and services, and other related costs of producing approximately 75,000 plants.
 - Project costs (**\$10,000**) associated with Oak Restoration and Maintenance Projects (e.g., mowing and invasive weed control).
- 2. Regional Conservation Partnership Program Special Projects Fund**
The District is in the third year of a five-year project under this grant. The grant provides funding to landowners (financial assistance) to implement conservation practices on oak and prairie habitat lands. The grant also provides funding to the district to cover the cost of technical assistance (staffing) and contract services. The District anticipates approximately \$100,000 of technical assistance funds in 2017-2018.
- 3. USDA/NRCS Cultural Resources Cooperative Agreement Special Projects Fund**
This agreement provides funding to secure archeological services that are required on USDA-fund projects. The District agreed to secure services of licensed contractors to conduct cultural resource inventories and site visits. Approximately \$29,000 will be managed through the Special Projects Fund. Work will be completed by the end of June 30, 2018.
- 4. USDA Contribution Agreement Special Projects Fund**
The District receives support through an intergovernmental agreement with USDA-NRCS to provide office space and Information Technology (IT) support in consideration of district staff services that contribute to USDA projects. This current agreement is being reviewed and modified for the future. As mentioned in the General Funds section, the District anticipates reductions in USDA’s budget due to potential consolidations, restructuring and administrative streamlining. A total of \$20,000 is budgeted in the General Fund to cover anticipated increases.
- 5. Oregon Department of Agriculture (ODA) - District Operations Grant General Fund**
This grant provides funding up to \$23,546 per year to cover a portion of costs associated with administrative and legal requirements, including the financial audit, annual meeting costs, director elections and legal notices, annual reports, minutes, and legal compliance.
- 6. ODA - Technical Assistance Grant Special Projects Fund**
Under agreement with the Oregon Department of Agriculture, the District anticipates annual funding of \$54,942 to support technical assistance and its work in Agricultural Water Quality. Funds are used for personnel costs, materials and services, and other projects costs.

- 7. Oregon Watershed Enhancement Board (OWEB) CREP Grant** **Special Projects Fund**
 The district was awarded a grant agreement in 2016 to fund continuation of the technical assistance for the Conservation Reserve Enhancement Program (CREP). The grant will conclude on December 31, 2017. The District has been successful in implementing this program, and is optimistic a subsequent grant agreement will be secured in January 2018. The current grant covers the majority of project costs and is complemented by an annual \$5,000 contribution from the Marion SWCD, and a local \$7,000 contribution from the District's General Fund. Annual grant revenue of \$75,000 is anticipated.
- 8. OWEB and ODA Enhanced CREP Grant** **Special Projects Fund**
 The district successfully secured a grant from OWEB and ODA to implement a 33-acre Enhanced Riparian Buffer project along the North Yamhill River. The grant of \$177,000 provides funding for plant materials, contractor services, noxious weed control, five years of project maintenance, and a financial incentive payment to participating landowners. The grant is managed through the Special Projects Fund. Adequate budget authority for revenue and expenditures are included in the budget.
- 9. OWEB Small Grants (3-5 per year)** **Special Projects Fund**
 OWEB small grants provide funding up to \$10,000 (per applicant) to help landowners fund conservation and restoration work. The district expects to secure and manage three to five small grants each year.
- 10. OWEB Grant – Trappist Abbey and Trout Mountain Forestry (Fiscal Agent)** **Special Projects Fund**
 The District is completing its obligations to administer this grant in partnership with Trout Mountain Forestry, and will receive approximately \$1,500 in administrative income in the coming year.
- 11. Donations** **Accounted For In Various Funds**
 The District receives donations in varying amounts each year to support its conservation programs and services. Interest in long-term land protection is increasing and the District has been fortunate to secure donations of conservation properties, conservation easements, and cash resources. Financial donations support stewardship on specific properties, implementation of the District's long-term land protection program, Miller Woods, wildlife habitat, working lands protection, and other conservation efforts. Each fund provides budget provisions and authority to receive donations. Donations typically support expenditures in Personnel, Materials and Services and Capital Outlay categories.

Summary

The preceding list provides a summary of the major grants and agreements anticipated in 2017-2018. The District also manages several small grants and agreements that have minor fiscal impact on the budget, and therefore are not described in detail. Information and details on all grants and agreements is available to interested citizens if requested.

The District actively seeks grants, donations, and other sources of revenue on an ongoing basis. It is probable that the District will secure unanticipated resources through the course of the next fiscal year that support program priorities such as noxious weed control, conservation easements, fish and wildlife habitat, agricultural water quality, riparian projects, district infrastructure, or for stewardship on properties owned or managed by the District. The Special Projects Fund provides adequate budget authority to account for small grants and unanticipated revenue and expenditures for 2017-2018.