



Providing Natural Resource Leadership

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Budget Message for 2018 - 2019 Fiscal Year Budget Committee Meeting Scheduled for May 23, 2018

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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 presented budget, 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 13, 2018), and approve the final budget prior to June 30, 2018.

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. The following funds will be described in further detail later in the budget message.

- | | |
|-------------------------------|--|
| 1. General Fund | 6. Yamhela Property Fund |
| 2. Special Projects Fund | 7. Muddy Valley Fund |
| 3. Miller Woods Fund | 8. Turner Creek Property Fund |
| 4. Chegwyn Farm Fund | 9. Gopher Valley Property Fund (new 2018-2019) |
| 5. Conservation Easement Fund | 10. Masonville Property Fund (new 2018-2019) |

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. \$3,487,000
- **Restricted Funds** – Potential income and expenditures associated with grants. \$577,000
- **Committed Funds** – Committed to a specific contractual use including resources used to manage and defend conservation easements held by the district. \$85,000
- **Assigned Funds** – Includes funds assigned to specific purposes such as land stewardship, property ownership, and contingency. \$607,000
- **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 2018-2019 budget are detailed in Table 1.

Table 1. Classes of Funds and Budgeted Expenditures for 2018- 2019:

Fund	Non-Spendable Funds	Restricted Funds	Committed Funds	Assigned Funds	Unassigned Funds	Total Funds
General Fund	\$ 80,000	0	0	\$ 85,000	\$ 555,000	\$ 720,000
Special Projects	0	577,000	0	0	0	\$ 577,000
Miller Woods	95,000	0	0	270,000	0	\$ 365,000
Chegwyn Farms	925,000	0	0	50,000	0	\$ 975,000
Conservation Easement	140,000	0	85,000	0	0	\$ 225,000
Yamhela Property	258,000	0	0	159,000	0	\$ 417,000
Muddy Valley	1,021,000	0	0	59,000	0	\$1,080,000
Turner Creek Property		0	0	15,000	0	\$ 15,000
Gopher Valley Property	575,000	0	0	50,000	0	\$ 625,000
Masonville Property	393,000	0	0	17,000	0	\$ 410,000
Total Budget	\$3,487,000	\$ 577,000	\$ 85,000	\$ 705,000	\$ 555,000	\$5,409,000

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. 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 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 other related funds. 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 | |
| I. Gopher Valley Property Fund (new fund) | J. Masonville 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 2018-2019.

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 \$325,000. The carryover represents:

- Unexpended funds budgeted in Contingency (\$85,000)
- Revenues received in excess of budget estimates (estimated at \$35,000)
- Funds budgeted for Unappropriated Ending Balance in the 2017-2018 budget (\$70,000)
- Unspent budget authority from various categories
 - No rent expense (carryover of \$20,000)
 - Minimal Capital Outlay (carryover of \$35,000)
 - No hiring of Operations Manager (carryover of \$55,000)
 - Savings on other operational costs (\$25,000)

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 2018-2019 is estimated at \$300,000, an increase of \$17,000 from 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 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	\$ 5,000
Miller Woods	1,000
Conservation Easement	2,000
Yamhela Property	2,000
<u>Muddy Valley Property</u>	<u>\$10,000</u>
Total	\$20,000

Total resources budgeted in the General Fund are \$720,500.

GENERAL FUND – REQUIREMENTS

Personnel Services

The Personnel Services category increased by \$20,000. The District board continues to explore alternatives to increase staffing for the District's long-term land protection program. The board may modify the Executive Director position to increase responsibilities associated with this program and transfer administrative and operational responsibilities to a different position. The budget includes resources for this potential transition. The District is seeking grants and donations to support lands protection, and shifting costs for lands stewardship work (Senior Conservation Technician) from General Fund to other funds with designated stewardship resources. This shift allows the District to budget additional General Fund resources to administrative and operational work.

The General Fund includes adequate resources to accommodate cost of living adjustments and performance awards for personnel, subject to 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 website management.

The District renewed its contract for health insurance in November 2017, securing a new premium rate, effective January 1, 2018 to December 31, 2018. Fiscal impact to the budget is minor with only two employees currently covered under the health plan. All other eligible District employees are covered by alternative insurance coverages. The budget includes adequate resources to cover additional increases after January 1, 2019, should rates increase. The District will continue to monitor requirements and potential fiscal impacts relating to health reforms under the new federal administration. There are no changes to district-paid contributions rates in 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 associate 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 USDA Natural Resources Conservation Service (NRCS) has informed the district it will be no longer able to maintain the same level of support and provide office space for all District employees. In the previous budget, the District allocated \$20,000 for potential increases rent. Fortunately, NRCS has been able to provide the same level of support during fiscal year 2017-2018 as previous years.

With ongoing changes in USDA structure 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 again this year. The District will to continue to explore ways to reduce General Fund expenses by covering a portion of rent expense through grants when feasible.

Capital Outlay

Capital Outlay remains the same as the previous year to allow purchase of an additional vehicle or other equipment if necessary, upon approval of the board.

Transfers

The budget provides for transfers from the General Fund, subject to board approval, including:

- \$ 5,000 from General Fund to Special projects Fund to support the new Invasive Species Program Coordinator and noxious weed programs.
- \$ 3,000 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 (if needed)

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 \$720,000; 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 \$80,000. In 2017-2018, the Budget Committee supported an Unappropriated Ending Balance of \$70,000, an increase of \$10,000 from the previous year. The proposed Unappropriated Ending Balance of \$80,000 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 \$720,000, up from \$710,500, the previous year.

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 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 \$5,000. The cash position is lower than previous years because of the following:

- The district did not receive full grant reimbursement for work performed during the current fiscal year.
- Cash carryover from previous years was used to purchase a no-till drill (\$15,750).
- Cash carryover from previous grants has been expended as projects have been completed.

RESOURCES

Several grants are anticipated for the coming year. A minimum of \$380,000 in grant funding and other revenue is expected in 2018-2019. Information on specific grants is provided in *Attachment "B"*. A transfer of \$5,000 from the General Fund to Special Projects Fund is budgeted to support the new Invasive Species Program Coordinator position. Additional budget authority is available to accommodate receipt of grant funds, donations other resources if available.

REQUIREMENTS

Personnel Services is budgeted at \$314,000 to fund personnel costs for four full-time employees (Habitat Conservationist, Conservation Planner, Riparian Specialist, and the newly hired Invasive Species Program Coordinator), and costs for other staff that complete work on projects financed by grants or other agreements.

Total **Materials and Services** is budgeted at \$250,000 with significant percentages of this category allocated to Contract Services for payment to contractors assisting with the RCPP grant, riparian restoration project (OWEB) and the cultural resource review work (with USDA). The line item for project supplies was reduced by \$35,000 from the previous year, as a majority of the riparian planting work was completed.

Capital Outlay is budgeted at \$8,000 for possible purchase of equipment needed to manage District properties and projects, such as a trailer 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.

Transfers from the Special Project Fund to the General Fund are budgeted at \$5,000 to allow for transfer of administrative earnings or other qualified reimbursements. A total of \$577,000 is budgeted in the Special Projects Fund for resources and requirements.

C. MILLER WOODS FUND

This fund is used to manage resources related to the Miller Woods (MW) 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, 2017, and 2018, increased “grow-out” contracts, receipt of donations, and regular volunteer contributions. The fund is projected to have beginning balance of \$150,000. This is encouraging considering the District was able to cover all variable costs (operating expenses), and allocate resources for installation of a new septic system, house improvements and other upgrades to the property.

RESOURCES

Going forward, revenue is anticipated from several sources, including the 2019 Native Plant Sale, “grow-out” contracts, donations, sale of materials (shirts, books, etc.), and grant income. Revenue from the 2018 Native Plant Sale was higher than expected, helping with the increased revenue in the current fiscal year. The District is planning for similar sales and revenue going forward. Gross revenue from agreements with federal conservation partners for “grow-out” contracts will decrease by approximately \$50,000 this year. District staff are working with other conservation districts and partners to secure additional grow-out contracts in the future. Even with the reduction with grow-out contracts, the District anticipates adequate income to cover operational costs at Miller Woods, and invest in additional property improvements.

The District hopes to install new restroom facilities at Miller Woods in 2018-2019. It is actively seek grants, donations, and other sources of community support to offset costs of construction. The District will use funds previously collected as donations at Miller Woods, and new grants and donations (as available), to complement the District's investment in the project.

REQUIREMENTS

Personnel Services is budgeted at \$60,000 to fund the part-time position at Miller Woods, and support other regular or seasonal employees working on the native plant sale, nursery grow-outs, and other special projects.

Materials and Services is budgeted at \$184,000 for expenses associated with the annual native plant sale and grow-out contracts, including purchase of nursery stock, potting soil, supplies, and costs of nursery maintenance and improvements. The Contract Services line item is budgeted at \$90,000 for installation of new restrooms and other contract work. No firm bids for restroom facilities were obtained as of the date of this budget message. The district will continue gathering information and estimates, and work with partners to explore funding strategies for the new building. The Contract Services also provides resources for work crews who assist with nursery work and planting.

Capital Outlay is budgeted at \$10,000 for potential equipment purchases such of a trailer, (subject to grant funding or available donations).

An **Unappropriated Ending Balance** is budgeted at \$95,000 to dedicate carryover for subsequent years, and reserve revenue from the past Forest Management Project. A total of \$365,000 is budgeted in the Miller Woods Fund for resources and requirements.

D. CHEGWYN FARM FUND

This fund has a projected cash carryover of \$215,000. The majority of resources carried forward were received from a previous long-term lease agreement between the District and McMinnville Parks Department, for the land developed as Chegwyn Park. The projected cash carryover is higher this year due to receipt of farm rental income, and other income received for a dedication of district-owned land owned adjacent to McDonald Lane. The District owns Chegwyn Farm, subject to a life estate arrangement with Charles Chegwyn. Under the arrangement, Mr. Chegwyn 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. As the owner of Chegwyn Farm, the District is party to lease agreements and helps facilitate the renter/landowner relationship to ensure all liability issues are properly addressed.

RESOURCES

The District will receive \$3,000 in rental income, interest income, and potential revenue from grants. Going forward, the District may consider trading or selling an isolated land holding of approximately three acres located adjacent to Chegwyn Park and McDonald Lane. No definitive plans have been made for a future sale or trade. However, the budget includes a line item in the Resources section to accommodate revenue from a property sale, should it occur.

REQUIREMENTS

Personnel Services is budgeted at \$9,500 to fund employee costs associated with property negotiations and transactions, potential grants, 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 \$2,000 to \$2,500 for coming year.

Materials and Services is budgeted at \$30,500. Modest levels of expenditure are anticipated in this category, unless the District is required to secure legal or professional assistance (contract services) for work associated with a property sale/transfer, or a grant is secured for a special project. Expenditures in these categories are budgeted to cover costs of property maintenance, removal of an old walnut orchard, repairs, weed control, 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 \$925,000 to be available for a future property purchase or other investment. A total of \$975,000 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 \$148,000. The estimated beginning balance is higher than the previous year because of incoming transfers budgeted in 2017-2018. The transfers were made to restore resources to the fund that were previously allocated for capital purchases (conservation equipment). Sources of revenue include interest income of \$2,000, Local Sources of approximately \$5000, (\$4,000 rental income from the Mt. Richmond, \$1,000 for CREP program payments), and approximately \$5,000 for payment of conservation services performed by the district (mowing and spraying). Grant sources may be available to support restoration or project work on protected lands, or to provide funding to compensate landowners for the purchase of new conservation easements. \$65,000 is budgeted for potential grant revenue (various).

REQUIREMENTS

The budget includes allocation of \$13,000 for **Personnel Services**, and \$65,000 for **Materials and Services**. However, modest spending in these categories is expected unless granting becomes available to offset higher levels of expenditures. The District tracks income and spending in this fund according to specific properties and/or 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 \$5,000 has been included to allow for the purchase of equipment that supports operation and maintenance of conservation properties. Resources in this fund will be used to cover annual inspections, reporting costs, and costs of operations and maintenance on the Mt. Richmond property, utilizing funds previously received from Bonneville Power Administration. Resources in this fund may also be used to cover costs associated with defending provisions of, and enforcing conditions of conservation easements held by the District. **Unappropriated Ending Balance** is budgeted at \$140,000. A total of \$225,000 is budgeted in the Conservation Easement Fund for all resources and requirements.

F. YAMHELA PROPERTY FUND

The Yamhela Property Fund (Yamhela Oak Conservation Overlook Property) was established in 2014-2015 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, which established the initial stewardship fund. These funds are available for maintenance responsibilities on the property.

RESOURCES

The beginning fund balance is estimated at \$264,000. Modest revenue is budgeted for 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. Revenue from Sale of Timber and Wood Products is budgeted at \$150,000 for revenue that may be realized from a forest thinning operation. The budget provides for revenue from interest earnings, state grants, and local sources d for in the budget.

REQUIREMENTS

The budget includes allocation of \$7,500 for **Personnel Services**, and \$149,500 for **Materials and Services**, which provides for \$140,000 of Contract Services if the District implements a forest thinning project. Funds allocated for other expense categories will be used for restoration work, weed control, road maintenance, travel expenses, property taxes, and other projects identified the management plan.

The budget also allows for a transfer of \$2,000 to the General Fund for administration (if warranted), and allocates \$258,000 as an **Unappropriated Ending Balance**. A total of \$417,000 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 grant award from the Willamette Wildlife Mitigation Program (WWMP). Bonneville Power Administration (BPA) funded the purchase and allocated stewardship funding. The transaction was completed 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, along with interest earned, represent the majority of carryover and estimate of \$1,035,000 for the fund's beginning balance.

RESOURCES

Revenue is anticipated from rent on the hay field (\$4,000) and from interest earnings (a minimum of \$17,000). The budget provides for additional grant income and donations from conservation partners who support restoration and land protection. The budget provides additional line items for grants and donations, sale of materials, and potential administrative earnings in the total of \$24,000.

REQUIREMENTS

The budget includes allocation of up to \$10,500 for **Personnel Services** and \$23,500 for **Materials and Services**. The annual level of expenditures are likely to be lower than budgeted levels. However, if donations or grants become available, or if staff identify priority maintenance activities or projects that need implementing, the district will have the resources available to complete the work.

A **transfer** up to \$10,000 is budgeted for the General Fund, to support additional lands protection work, grant writing, or contract services associated with land protection. **Capital Outlay** 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 \$1,021,000. A total of \$1,080,000 is budgeted in the Muddy Valley Property Fund for all resources and requirements.

H. TURNER CREEK PROPERTY FUND

The District is working with property owners in the Yamhill area who have expressed interest in donating land to the District. The Turner Creek Property Fund was 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 continues to work with several conservation partners and seek resources to support the acquisition. Total revenue is budgeted at \$15,000. A transfer of up to \$3,000 is budgeted from the General Fund, subject to board approval.

REQUIREMENTS

Total expenditures in **Personnel Services, Supplies and Contract Services** are budgeted at \$15,000 to cover potential costs associated with the planned donation and property transfer.

I. GOPHER VALLEY PROPERTY FUND

This new fund is added to accommodate management of funds associated with a potential property transfer. The District is working with The Nature Conservancy (TNC) to explore transfer of conservation property in the Gopher Valley area, near Sheridan. At the time of publication of this budget message, the District has an agreement in principle with TNC to receive ownership of 318 acres of conservation property. TNC plans to transfer the property to the District at no-cost and include a stewardship endowment to support long-term care and maintenance of the property. The new fund will accommodate revenue of \$600,000 in stewardship funding, and potential grants that could be used for property stewardship, home repairs and other related expenditures associated with the transfer.

RESOURCES

The budget provides for an initial donation of \$600,000 in stewardship funding. Other potential revenue sources are interest earnings, rental income from a home located on the property, grants and administrative earnings. The District will be working with several agencies and partners to explore sources of support for future restoration and conservation work on the property. Total revenue is budgeted at \$625,000.

REQUIREMENTS

If the property transfer is completed, the District will need to invest in repairs and upgrades to the home. Expenditures are budgeted in **Personnel Services**, and **Materials and Services** to finance repairs and maintenance, contract services, land stewardship work, property tax liability, insurance, and other related expenditures. The **Unappropriated Ending Balance** is budgeted at \$575,000.

J. MASONVILLE PROPERTY FUND

This new fund is added in the budget to accommodate management of funds associated with a potential property donation. The District is working with The Nature Conservancy (TNC) to explore transfer of a second conservation property located on Masonville Road, directly adjacent to the District's Muddy Valley Habitat Reserve property.

At the time of publication of this budget message, the District has an agreement in principle with TNC to receive ownership of 310 acres of conservation property. TNC plans to transfer the property to the District at no-cost and include a stewardship endowment to support long-term care and maintenance of the properties. The new fund will accommodate revenue of \$400,000 in stewardship funding, and potential grants that could be used for property stewardship and maintenance, and expenses associated with due diligence and the property transfer.

RESOURCES

The budget provides for a donation of \$400,000 in stewardship funding and potential grant revenue. Other potential revenue sources are interest earnings, grants and administrative earnings. The District will be working with several agencies and partners to explore sources of support for future restoration and conservation work on the property. Total revenue is budgeted at \$410,000.

REQUIREMENTS

Expenditures for **Personnel Services and Materials and Services** are budgeted at \$17,000 to cover costs of land stewardship and management, property taxes, and other related expenditures. The **Unappropriated Ending Balance** is budgeted at \$393,000.

SUMMARY

The budget message and detail sheets provide a description 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.
- Support a new limited-duration Invasive Species Program Coordinator position.
- 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.
- Budget funds for the potential receipt of conservation properties and stewardship funding for the Masonville Property and Gopher Valley Property.
- Continue assisting landowners of the Turner Creek Property interested in a potential land donation.
- 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 new restroom facilities using resources from grants, donations, timber revenues, and local contributions.
- Implement responsibilities associated with conservation easements.
- 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, Oregon Department of Agriculture, and other grantors for various conservation projects.
- 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’s budget committee typically 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 2018-2019 budget.

Attachment “A” Permanent Tax Rate Collections

The district established its original tax base 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 levy certified in 2017-2018 by the Yamhill County Tax Assessor is \$305,843. This is an increase of \$11,881 over the previous year’s certified amount of \$293,962, and an approximate increase of 4.1% over previous year levy.

To estimate the property tax for 2018-2019, a 4.00 % increase (similar the previous year’s 4.1% increase) is assumed over the actual 2017-2018 certified assessed value. The total projected tax revenue for the budget is estimated at \$ 317,352 (see calculations below). After discounting 5% for estimated uncollected taxes, the projected tax revenue is \$300,485 in 2018-2019 (rounded to \$300,000 for the budget). Losses associated with McMinnville and Dundee Urban Renewal Projects were approximately \$800 in the previous year. Tax reductions associated with urban renewal for the coming year are estimated at approximately \$1,000.

Estimating tax revenues for 2018-2019 budget: (numbers rounded)

2017-2018 Assessed Value (AV)		\$8,619,949,331
Multiply by 4 %		<u>344,797,973</u>
Projected 2018-2019 (AV) =		\$8,964,747,304
Multiplied by SWCD permanent rate (.0354/1000 assessed value)	x	<u>0.0000354</u>
Total estimated property tax revenue for 2018-2019	=	\$ 317,352
Less the estimated un-collectable taxes for 2018-2019 @ 5.0 %	=	\$ 15,867
Estimated loss of levy revenue from Urban Renewal Plans	=	1,000
Total anticipated tax collections in 2018/2019 budget	=	\$ 300,485*

*** Note - a rounded estimate of \$300,000 was used for Taxes Necessary to Balance:**

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

	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	*FY 17/18
Predicted Taxes Necessary to Balance the Budget	222,815	229,349	232,142	241,109	247,000	259,000	274,000	283,000
Actuals Current Taxes	233,535	227,884	232,695	242,121	249,229	265,433	278,612	*279,694
Previous Taxes	---	8,279	9,307	8,944	10,226	8,544	9,674	* 7,104

(*FY 2017/2018 taxes received as of 5/03/18)

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. 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 \$35,500 in the next fiscal year. Funds under the agreement will be used to:

 - Purchase native plants from the Miller Woods nursery (\$25,500) through a cooperative intergovernmental agreement. These funds will support personnel, materials and services, and other related costs of producing native plants for USFWS.
 - 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 fourth 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 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 2018-2019.

- 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 \$10,000 will be managed through the Special Projects Fund. Work will be completed by the end of June 30, 2019, and the grant will be completed.

- 4. USDA Contribution Agreement Relates To General 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 new grant agreement in January 2018 to fund continuation of the technical assistance for the Conservation Reserve Enhancement Program (CREP). The grant covers two years and concludes on December 31, 2019. The grant covers the majority of personnel and project costs and is complemented by an annual \$15,000 contribution from the Marion Soil and Water Conservation District. Annual grant revenue of \$82,000 is anticipated.
- 8. OWEB and ODA Enhanced CREP Grant** Special Projects Fund
 The district is in year #3 implementing a 33-acre Enhanced Riparian Buffer project along the North Yamhill River. Grants from the Oregon Watershed Enhancement Board and Oregon Department Agriculture provided \$177,000, with approximately \$20,000 remaining for 2018-2019. Funds will be used for contract services, noxious weed control, and project maintenance. The grant is managed in the Special Projects Fund. Adequate budget authority for revenue and expenditures are included in the budget.
- 9. Oregon State Weed Board Grants** Special Projects Fund
 The District secured two grants from the Oregon State Weed Board to support a one-year limited duration position. The new position (Invasive Species Program Coordinator) will begin employment at the end of May, 2018. The grants provide \$46,000 for the project. The Yamhill County Public Works Department is providing a cash contribution of \$15,300. The District is providing \$5,000 cash contribution, and other support (rent, computer, vehicle, etc.) This grant is managed through the Special Projects Fund.
- 10. 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.
- 11. Property Transfer and Stewardship Funding** Masonville and Gopher Valley Property Funds
 The district is working with The Nature Conservancy (TNC) on two potential property transactions. Dedicated stewardship funding of \$1 million transferred in accordance with a mutually agreed-to grant agreement will be utilized in two new funds. These funds will be used to cover long-term stewardship costs associated with managing the two properties.
- 12. Donations** Accounted For In Various Funds
 The District receives various donations each year to support its conservation programs and services. 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 2018-2019. The District also manages several small grants that have minor fiscal impact, 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 revenue sources. It is likely the District will secure unanticipated resources during the fiscal year for program priorities such as noxious weed control, conservation easements, fish and wildlife habitat, agricultural water quality, riparian projects, district infrastructure, or stewardship work on District-owned properties. The Special Projects Fund provides adequate budget authority to account for small grants and unanticipated revenue and expenditures.