



Providing Natural Resource Leadership

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Budget Message for 2019- 2020 Fiscal Year Budget Committee Meeting Scheduled for May 21, 2019

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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 12, 2019), and approve the final budget prior to June 30, 2019.

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
2. Special Projects Fund
3. Miller Woods Fund
4. Chegwyn Farm Fund
5. Conservation Easement Fund
6. Muddy Valley Fund
7. Yamhela Property Fund
8. Turner Creek Property Fund
9. Yamhill Oaks Property Fund (Formerly Gopher Valley Property Fund)
10. Masonville Property Fund (to be discontinued)

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. \$2,557,000
- **Restricted Funds** – Potential income and expenditures associated with grants. \$385,000
- **Committed Funds** – Committed to a specific contractual use including resources used to manage and defend conservation easements held by the district. \$61,000
- **Assigned Funds** – Includes funds assigned to specific purposes such as land stewardship, property ownership, and contingency. \$766,500
- **Unassigned Funds** – The remaining portion of the General Fund after subtracting Assigned and Non-Spendable Funds. \$575,000

The composition of fund types found in the 2019-2020 budget are detailed in Table 1.

Table 1. Classes of Funds and Budgeted Expenditures for 2019- 2020:

Fund	Non-Spendable Funds	Restricted Funds	Committed Funds	Assigned Funds	Unassigned Funds	Total Funds
General Fund	\$ 90,000	0	0	\$ 85,000	\$ 575,000	\$ 750,000
Special Projects	0	385,500	0	0	0	\$ 385,500
Miller Woods	105,000	0	0	285,500	0	\$ 390,500
Chegwyn Farms	925,000	0	0	41,500	0	\$ 966,500
Conservation Easement	144,000	0	61,000	0	0	\$ 205,000
Yamhela Property	268,000	0	0	156,500	0	\$ 424,500
Muddy Valley	1,025,000	0	0	60,000	0	\$1,085,000
Turner Creek Property		0	0	15,000	0	\$ 15,000
Yamhill Oaks Property (formerly Gopher Valley)	0	0	0	73,000	0	\$ 73,000
Masonville Property	0	0	0	0	0	\$ 0
Total Budget	\$2,557,000	\$ 385,500	\$ 61,000	\$ 716,500	\$ 575,000	\$4,295,000

How are District Programs Funded? Programs and services are funded by the following methods:

1. Permanent Tax Rate Collections **See Attachment “A”**

2. Grants (Federal, State and Local)

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.

3. Revenue Sources and Enterprises

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

- Annual Native plant sale, and sale of other materials
- Miller Woods Nursery (native plant grow-out contracts)
- Forest products and harvest (when scheduled as part of a sustainable forest rotation)
- 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, Donations, and Stewardship Resources

The District receives revenue from donations provided by various individuals and entities. Revenue, donations and other contributions may be received for general use, specific uses such as education programs or volunteer support, dedicated land stewardship on specific protected parcels, administration of conservation easements, or other dedicated purposes. Line items are included in each 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 for grants but are not considered revenue in the budget. 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 Farm Fund | E. Conservation Easement Fund | F. Muddy Valley Fund |
| G. Yamhela Property Fund | H. Turner Creek Property Fund | |
| I. Yamhill Oaks Property Fund (formerly Gopher Valley Property Fund) | | |
| J. Masonville Property Fund (to be discontinued) | | |

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 2019-2020.

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 generated from the District’s permanent rate limit (property tax levy). Other revenue includes a small grant from the Oregon Department of Agriculture used to cover a percentage of costs associated with the financial audit, board meetings and annual meeting, public notices, minutes, insurance, and other operational costs. The resource section of the General Fund also 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 \$380,000. The carryover represents:

- Unexpended funds budgeted in Contingency (\$85,000)
- Revenues received in excess of budget estimates (estimated at \$40,000)
- Funds budgeted for Unappropriated Ending Balance in the 2018-2019 budget (\$80,000)
- Unspent budget resources from various categories
 - No rent expense (carryover of \$20,000)
 - No Capital Outlay expenditure (carryover of \$37,000)
 - No hiring of Operations Manager (carryover of \$70,000)
 - Vacancy of Senior Conservation Technician (\$25,000)
 - Savings on other operational costs (\$23,000)

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 2019-2020 is estimated at \$314,000, an increase of \$14,000 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 \$24,868 which is accounted for in the General Fund. The line item for Sale of Materials is decreased. The district has less potential administrative income from grants that can be billed for and credited to the General Fund this year.

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	\$2,000
<u>Muddy Valley Property</u>	<u>\$5,000</u>
Total	\$7,000

Total resources budgeted in the General Fund are \$750,000.

GENERAL FUND – REQUIREMENTS

Personnel Services

The Personnel Services category increased by \$10,000 primarily due to increases in the district's contribution to health insurance premium costs. The District board continues to explore alternatives to increase staff resources for the District's long-term land protection program. This could be accomplished by shifting administrative and operational work load to an operations manager position, allow the Executive Director to budget additional time to the land protection program. No new position was created or filled in 2018-2019. The budget provides funding for a transition should the board decide to shift responsibilities.

In February 2019, the Senior Conservation Technician (SCT) left the district. This position was partly supported with General Funds. The District created and filled a Stewardship Technician position to take on land protection responsibilities previously performed by the SCT. Going forward, the District will budget more funding from dedicated stewardship resources available to support district-owned lands. This will allow the District to shift costs from the General Fund, realize savings, and budget General Fund savings to other priorities and purposes. This change will result in an estimated \$30,000 annual savings to the General Fund.

The General Fund (and grants) provide adequate resources to accommodate cost of living adjustments and performance awards for personnel, subject to recommendations of the Employee Relations Committee, and board approval. Positions covered primarily by General Fund resources include the Executive Director, Office Manager, part-time Administrative Assistant, part-time Webmaster, and other temporary appointments.

The District renewed its contract for health insurance in November 2018, securing a new premium rate, effective January 1, 2019 to December 31, 2019. In May 2019, the board changed its policy and increased the district-paid insurance contribution for health insurance premiums. The annual costs for employees covered under the new policy could range between \$9,000 to \$14,400 per year depending on dependent status. The budget includes adequate resources to cover insurance costs for employees who qualify for insurance. Currently, over 50% of employees are covered by alternate insurance coverage, which provides significant savings, that could be realized as cash carryover at the end of next year. The District will continue to monitor requirements and potential fiscal impacts relating to health reforms. There are no changes to district-paid contributions rates in the 401 (a) retirement plan.

Materials and Services

Minor adjustments are made to this category. Contract Services is increased to cover potential legal and professional costs associated with contracts, real estate transactions and estate planning, conservation easements, or other professional services. The District also needs to plan for costs associated with IT should it be required to establish its own computer network and/or upgrade equipment.

Rent costs and computer support continued to be paid by the USDA Natural Resources Conservation Service (NRCS) this past year, although USDA has informed the District that continued support will eventually be eliminated. The continued support allowed the District to forego rent charges and other IT charges, which contributed to a stronger cash carryover position. It is highly likely USDA support will be reduced in the future. Therefore, Rent remains 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 is budgeted similar to the previous year, to provide for the purchase of an additional vehicle or other equipment if necessary, subject to board approval.

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 continuation of the Invasive Species Program Coordinator position and noxious weed program.
- \$ 3,000 from General Fund to Turner Creek Property Fund to support potential legal or transaction costs associated with a possible property donation.
- \$ 2,000 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 \$750,000; 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 \$90,000. In 2018-2019, the Budget Committee supported an Unappropriated Ending Balance of \$80,000, an increase of \$10,000 from the previous year. The proposed Unappropriated Ending Balance of \$90,000 represents an additional increase of \$10,000 and demonstrates the District's intent to increase the amount of dedicated funding budgeted for the subsequent year.

Total General Fund resources and requirements are \$750,000, up from \$720,00, 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. Carry-Over for the Special Projects Fund is estimated at \$10,000. The estimated cash carryover is similar to actual cash carry of \$13,322 on July 1, 2018. Carryover remains relatively low due to the following:

- The District did not receive all grant reimbursement for work performed during the current fiscal year.
- Administrative earnings and cash carryover from previous years have been used for capital expenditure such as the no-till drill, mowers, track loader, and other conservation equipment.

RESOURCES

Several grants are anticipated for the coming year. A minimum of \$300,000 in grant funding and other revenue is expected in 2019-2020. A transfer of \$5,000 from the General Fund to Special Projects Fund is budgeted to support the Invasive Species Program Coordinator position. Additional budget authority is included within the fund to accommodate receipt of grant funds, donations other resources if available.

REQUIREMENTS

Personnel Services is budgeted at \$256,000 to fund personnel costs for three full-time employees (Habitat Conservationist, Conservation Planner, and Invasive Species Program Coordinator, and costs for other temporary staff that complete work on projects financed by grants or other agreements. The Riparian Specialist position is being phased out. The District is exploring options to transfer this position to a neighboring district and provide support through an intergovernmental agreement.

Total **Materials and Services** is budgeted at \$123,500, a significant decrease from the previous year. The total budget need for Contract Services will be reduced starting in January 2020 when the two grants expire (Regional Conservation Partnership Program, and Conservation Reserve Enhancement Program Technical Assistance Grant). The line item for project supplies was reduced by \$16,000 from the previous year, with costs for the North Yamhill Riparian project decreasing each year.

Capital Outlay remains at \$8,000 for possible purchase of conservation equipment such as a trailer or straw blower. Purchases are subject to available grant funding and/or sale of the district tunnel sprayer equipment. 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 \$2,000 to allow for transfer of administrative earnings or other qualified reimbursements. A total of \$383,500 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, 2018, and 2019, increased “grow-out” contracts, receipt of donations, and regular volunteer contributions. The fund is projected to have beginning balance of \$170,000. This is encouraging considering the District was able to cover all variable costs (operating expenses), allocate resources for home repairs and installation of a new septic transfer line, and make other improvements and upgrades to the property.

RESOURCES

Going forward, revenue is anticipated from several sources, including the 2020 Native Plant Sale, “grow-out” contracts, donations, sale of materials (shirts, books, etc.), and grant income. Revenue from the 2019 Native Plant Sale increased again this past year, which helped create a strong cash position. Revenue estimates from plant sales going forward remain similar. Gross revenue from agreements with federal conservation partners for “grow-out” contracts will increase by approximately \$24,000 this year. District staff are working with other conservation districts and partners to explore possibilities of more grow-out contracts in the future. Adequate revenue should be generated to cover operational costs and modest property improvements.

Installation of new restroom facilities remains a priority for 2019-2020. The District will actively seek grants, donations, and other sources of community support to offset costs of construction. It will use funds previously collected donations, grants and donations (as available), to complement the District's investment in the project.

REQUIREMENTS

Personnel Services is budgeted at \$69,000 to fund the part-time position at Miller Woods and support other temporary or seasonal employees working on the native plant sale, nursery grow-outs, and other projects.

Materials and Services is budgeted at \$206,500 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 \$100,000 to support installation of new restrooms and other contract work. The district will continue gathering information and estimates, and work with partners to explore funding strategies for the new building.

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 \$105,000, up from \$95,000 to provide dedicated carryover and reserve revenue from the past Forest Management Project. A total of \$390,500 is budgeted in the Miller Woods Fund for resources and requirements.

D. CHEGWYN FARM FUND

This fund has a projected cash carryover of \$205,000. 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 lower this year due to expenses incurred this year to remove part of the old walnut orchard and implement other maintenance work on the property.

Chegwyn Farm is owned by the District, 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 anticipates 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, for the total amount of \$750,000.

REQUIREMENTS

Personnel Services is budgeted at \$7,500 to fund employee costs associated with stewardship, weed control, homestead and farmstead maintenance and orchard clean-up, and staff time to work on a potential real estate sale, trade, or other negotiation.

Materials and Services is budgeted at \$25,200. 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. Expenditures are budgeted to cover costs of property maintenance, additional removal and clean-up of an old walnut orchard, repairs, weed control, irrigation development, water rights transfers, and other projects as needed.

Capital Outlay is budgeted at \$5,500, 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 \$966,500 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 \$151,000, similar to the previous year. Sources of revenue include interest income of \$3,000, 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. \$41,000 is budgeted for potential grant revenue (various).

REQUIREMENTS

The budget includes allocation of \$9,500 for **Personnel Services**, and \$52,500 for **Materials and Services**. 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. No funds were budgeted for transfer to the General Fund this year.

Capital Outlay of \$5,000 was eliminated from the previous year. Other funds will be utilized to fund equipment purchases. 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 \$144,000. A total of \$205,000 is budgeted in the Conservation Easement Fund for all resources and requirements.

F. 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 donation, along with interest earned, represent the majority of carryover and estimate of \$1,035,000 for the beginning balance.

RESOURCES

Revenue is anticipated from rent on the hay field (\$4,000) and from interest earning of \$20,000. 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.

REQUIREMENTS

The budget includes allocation of up to \$20,000 for **Personnel Services** and \$30,000 for **Materials and Services**. Annual expenditures are likely to be lower than budgeted levels. However, if donations or grants become available, or if priority maintenance activities or projects need implementing, the district will have the resources available to complete the work.

A **transfer** up to \$5,000 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 \$5,000 for potential purchase of equipment that may be needed for property management and maintenance. The **Unappropriated Ending Balance** is budgeted at \$1,025,000. A total of \$1,085,000 is budgeted in the Muddy Valley Property Fund for all resources and requirements.

G. 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 used for stewardship and maintenance on the property.

RESOURCES

The beginning fund balance is estimated at \$267,000. 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. Thinning work

planned for this fiscal year has been postponed to next year. Revenue from Sale of Timber and Wood Products is estimated and budgeted at \$150,000. The District will be working to secure a contractor 2020. The budget also includes estimates for interest and grants.

REQUIREMENTS

The budget provides for \$6,900 in **Personnel Services**, and \$149,600 in **Materials and Services**, which includes \$140,000 of Contract Services for a potential 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 for transfers to the General Fund for administration was eliminated from the previous year. The budget for **Unappropriated Ending Balance** is 268,000. A total of \$424,500 is budgeted in the Yamhela 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. YAMHLL OAKS PROPERTY FUND (FORMERLY GOPHER VALLEY PROPERTY FUND)

The **Gopher Valley Property Fund** and the **Masonville Property Fund** were added to 2017-2018 budget in anticipation of two property donations and future receipt of stewardship funding from The Nature Conservancy (TNC). In January 2018, TNC completed the transfer of two properties:

1. 318 acres located on Gopher Valley Road, approximately seven miles north of Highway 18.
2. 310 acres located adjacent to Masonville Road and Muddy Valley Road.

Both properties were transferred to the district at no cost. TNC also agreed to donate funds for long-term stewardship of the two properties.

The District originally anticipated receiving the stewardship donation within its account, and budgeting for the stewardship funds within the two property funds. As transfer plans and donation agreements were finalized, TNC and the District agreed the donation needed to be managed by a third party as an endowment for the future benefit of the two donated properties. Upon closing of the property transfer in January 2019, a donation agreement was exercised, naming the District as the beneficiary of two endowments: 1) a \$900,000 endowment established with Pioneer Trust Bank in Salem, Oregon, and 2) a \$100,000 endowment established with McMinnville Area Community Foundation, in McMinnville, Oregon. The District receives earnings and distributions from the two endowments as stipulated in the endowment agreements.

Funds received by the District are managed within the **Yamhill Oaks Property Fund** for the benefit of both donated properties.

RESOURCES

The estimated beginning fund balance of the **Yamhill Oaks Property Fund** is estimated at \$30,000, which represents funding provided by TNC to cover costs of property clean-up and repairs. Annual revenue from endowment earnings and distributions is conservatively estimated at \$34,000. Line items for grants and local donations are included should funding become available for restoration and conservation work on the two properties. Revenue from rental income is included as the District may consider renting the home after repairs and updates are completed on the Gopher Valley property. Total revenue is budgeted at \$73,000.

REQUIREMENTS

Expenditures for **Personnel Services** are budget at \$32,000 to cover costs of stewardship work on the two properties, and personnel costs to oversee repairs and maintenance on buildings and infrastructure. Expenditures of up to \$41,000 in **Materials and Services** are budgeted for repairs, contractor work, maintenance, land stewardship work, property tax liability, insurance, and other related expenditures. The total requirements for the fund are \$73,000. The budget includes no Unappropriated Ending Balance this year because of the high expenses anticipated in the first year of property clean up. However, it should be noted that revenue from recurring quarterly endowment payments provides assurance the District will have regular cash flow to carry on annual operations and stewardship work. In the coming years as the annual budget gets normalized, the District will have a better understanding of regular annual expenses and rental income potential and be better positioned to budget for unappropriated ending fund balances.

J. MASONONVILLE PROPERTY FUND

As mention in the previous section, the Masonville Property Fund was included as a new fund in 2017-2018. The fund has not been utilized (no deposits or financial transactions) since being formed. The fund will be discontinued and removed from the budget in 2021.

RESOURCES

Not Applicable

REQUIREMENTS

Not Applicable

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 continuation of the 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 Yamhill Oaks (Masonville and Gopher Valley properties) and utilize recurring income from stewardship endowments and other sources.
- Continue assisting landowners of the Turner Creek Property interested in a potential land donation.
- Utilize conservation equipment such as the no-till drill and straw blower to conduct demonstration projects and implement an equipment rental program.
- Continue production of native plants grown under contract at the Miller Woods Nursery. 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 for 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 2019-2020 budget.

Attachment “A” Permanent Tax Rate Collections

The district established its original tax base with voter approval of a 1986 ballot measure. The “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 boundary, which includes 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. However, total property tax revenue in the county will often exceed 3% growth because properties with new construction or improvements become taxable and increase the overall assessed value in the county.

Current Year Certified Tax Collections

The Yamhill County Tax Assessor certified the actual amount of property tax levy for the District in 2018-2019 at \$319,610. This represents an increase of \$13,767 over the previous year’s certified amount of \$305,843, and an approximate increase of 4.5% over the previous year’s levy.

To estimate the property tax for 2019-2020, a 4.00 % increase is assumed over the actual 2018-2019 certified Assessed Value (entire county), and calculated as follows:

Estimating tax revenues for 2019-2020 budget: (numbers rounded)

2018-2019 County Assessed Value (AV)		\$9,023,496,200
Multiply by 4 % (projected increase in AV)		360,939,848
Projected 2019-2020 County Assessed Value =		\$9,384,436,048
Multiplied by SWCD permanent rate (.0354/1000 Assessed Value)	x	0.0000354
Total estimated property tax revenue for 2019-2020	=	\$ 332,209
Less the estimated un-collectable taxes for 2019-2020 @ 5.0 %	=	\$ (16,610)
Estimated reduction in revenue from Urban Renewal Plans	=	(1,500)
Total anticipated tax collections in 2019/2020 budget	=	\$ 314,099*

Summary: The total estimated tax revenue is \$ 332,209 (see calculations above). After discounting 5% for estimated uncollected taxes and reducing projections by \$1,500 for urban renewal plans, the estimated tax collection for 2019/2020 is \$314,099. *** (\$314,000 is used for Taxes Necessary to Balance):**

Note: The district is allowed to collect all tax revenue generated by its permanent rate if it certifies its permanent rate in the budget resolution.

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	FY 18/19
Predicted Taxes Necessary to Balance the Budget	222,815	229,349	232,142	241,109	247,000	259,000	274,000	283,000	300,000
Actuals Current Taxes	233,535	227,884	232,695	242,121	249,229	265,433	278,612	287,267	*295, 132
Previous Taxes	---	8,279	9,307	8,944	10,226	8,544	9,674	8,311	*12,963

(*FY 2018/2019 taxes received as of 5/06/19)