



Providing Natural Resource Leadership

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Budget Message for 2022- 2023 Fiscal Year Budget Committee Meeting Scheduled for May 19, 2022

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Introduction/Overview and Background Information

The Yamhill Soil and Water Conservation District (District) is a local unit of government established in 1953 under Oregon Revised Statutes Chapter 568. 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 its 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. This includes all lands within Yamhill County. As a local taxing District, 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 to 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 as 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 will hold a budget hearing on May 19, 2022 to receive public comment and make final changes to the budget, if necessary. The District will provide public notice of the budget hearing, and a special board meeting on June 8, 2022, which allows the board to approve the final budget prior to June 30, 2022.

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

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|-------------------------------|--|
| 1. General Fund | 6. Muddy Valley Fund |
| 2. Special Projects Fund | 7. Yamhela Property Fund |
| 3. Miller Woods Fund | 8. Turner Creek Property Fund (proposed to delete) |
| 4. Chegwyn Farm Fund | 9. Yamhill Oaks Property Fund |
| 5. Conservation Easement Fund | 10. Seven H Property Fund |

Compliance with GASB 54

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

Budget Classification

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

- **Non-Spendable Funds** – Amount budgeted for unappropriated ending balances. \$2,511,000
- **Restricted Funds** – Potential income and expenditures associated with grants. \$425,000
- **Committed Funds** – Committed to a specific contractual use including resources used to manage and defend conservation easements held by the District. \$32,200
- **Assigned Funds** – Includes funds assigned to specific purposes such as land stewardship, property ownership, and contingency. \$2,090,000
- **Unassigned Funds** – The remaining portion of the General Fund after subtracting Assigned and Non-Spendable Funds. \$765,000

The composition of fund types found in the 2022-2023 budget are detailed in Table 1.

Table 1. Classes of Funds and Budgeted Expenditures for 2022- 2023:

Fund	Non-Spendable Funds	Restricted Funds	Committed Funds	Assigned Funds	Unassigned Funds	Total Funds
General Fund	\$ 150,000	0	0	\$ 100,000	765,000	\$ 1,015,000
Special Projects	0	425,000	0	0	0	\$ 425,000
Miller Woods	70,000	0	0	312,000	0	\$ 382,000
Chegwyn Farms	200,000	0	0	1,025,000	0	\$ 1,225,000
Conservation Easement	140,000	0	32,200	0	0	\$ 172,200
Yamhela Property	268,000	0	0	27,000	0	\$ 295,000
Muddy Valley	1,180,000	0	0	410,000	0	\$1,590,000
Turner Creek Property		0	0	0	0	\$ 0
Yamhill Oaks Property	3,000	0	0	184,000	0	\$187,000
Seven H Property Fund	500,000	0	0	32,000		\$ 532,000
Total Budget	\$2,511,000	\$ 425,000	\$32,200	\$ 2,090,000	\$ 765,000	\$5,823,200

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

- **Permanent Tax Rate Collections** See Attachment “A”

- **Grants (Federal, State and Local)**

On average, the District manages between five and eight 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.

- **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.
- Revenue from endowments established by donation and held with Pioneer Trust Bank and McMinnville Community Foundation.

- **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.

- **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 to support 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:

- General Fund
- Special Projects Fund
- Miller Woods Fund
- Chegwyn Farm Fund
- Conservation Easement Fund
- Muddy Valley Fund
- Yamhela Property Fund
- Turner Creek Property Fund (proposed to delete)
- Yamhill Oaks Property Fund
- Seven H Property 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 2022-2023.

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 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 charged 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 estimated cash carry-over in the General Fund is \$600,000. The increase over the previous year is due to the repayment of a \$300,000 transfer (internal loan) made to the Muddy Valley Property Fund in the previous budget for the purchase of the Dupee Valley Reserve property. The District was reimbursed from Bonneville Power Administration for the acquisition in February 2022. Transfers were made to the General Fund according to 2021-2022 budget. The carryover balance also improved because of savings in personnel costs due to gaps in service from the Office Assistant, Operations Manager, and Office Administrator positions.

Other factors that contributed to the positive ending balance in the General Fund include:

- Unexpended funds budgeted in Contingency (\$100,000)
- No transfers made from General Fund
- No significant expenditures from Capital Outlay
- Savings in rent expense
- Saving in various categories within Materials and Services

The district continues to manage the budget in a manner that has a positive trend in the General Fund ending balance over the past several years as follows:

<u>Ending Balance</u>	<u>Date</u>
\$ 276,517	June 30, 2017
\$ 353,769	June 30, 2018
\$ 373,401	June 30, 2019
\$ 412,072	June 30, 2020
\$ 206,241 (\$506,241 proforma with \$300,000 loan repayment)	June 30, 2021
\$ 600,000 (estimated)	June 30, 2022

By diversifying funding sources and shifting operational and program costs to grants, endowment income, stewardship funds, income-generating enterprises, and other sources, the district has been very successful in strategically leveraging the local funds it receives from the permanent rate limit (property taxes). Going forward, the Budget Officer recommends a similar strategy to allow for adequate budgeting in Contingency, adequate funding for operations, and for a strong Unappropriated Ending Balance.

Timing of Revenue

The District receives the majority of tax revenue in November when landowners typically begin paying property taxes to the county. The District will use cash carryover, income from transfers, and other revenue 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 2022-2023 is estimated at \$369,000, an increase of \$19,000 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 approximately \$25,000. Interest income is reduced because of the low rates being paid by the Oregon Local Government Investment Pool (current rate is approximately 0.50%). With a rising interest rate environment, the budget estimates interest income based on a 0.75% annual earnings rate.

Transfers from the other funds were reduced from the previous year. The district budgeted for a donation from a protected lands transaction, which did not occur. Therefore, the line item was reduced in this budget.

Total Resources budgeted in the General Fund are \$ 1,015,000.

GENERAL FUND – REQUIREMENTS

Personnel Services

The budget for the Personnel Services category remains the same. The District has a current recruitment for a District Manager and anticipates filling the position by the beginning of the new fiscal year. The District will be in transition over the first half of the new year with the hiring of the District Manager and with the transition of the Executive Director leaving the District before the end of the calendar year. The Personnel Services category provides adequate funds for this transition, funding of the Office Administrator, and for additional part-time administrative staff, should the board determine a need for this support. The previous year's budget allocated resources for a part-time position to implement website and IT services. Going forward these services will be provided by a contractor, and paid through Contract Services.

In addition to funding replacement positions, the General Fund provides adequate resources for cost of living adjustments and performance awards for personnel, subject to recommendations of the Employee Relations Committee, and board approval.

The District renewed its contract for health insurance in November 2021, securing a new premium rate, effective January 1, 2022 to December 31, 2022. The budget includes adequate resources to cover insurance costs for employees who select insurance. The annual costs for employees covered under the new policy could range between \$9,000 to \$14,500 per year depending on an employee's dependent status. This amount is reduced substantially when employees have alternate insurance covered. Currently, over 50% of employees are covered by alternate insurance coverage, which provides significant savings. 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

The total category of Materials and Services increased by a modest \$10,000, with small adjustments made in a few line items. The budget includes \$50,000 for Contract Services to allow for payment of appraisals, surveys, legal fees, and other costs associated with property purchases, and for the new charges relating to website and IT management. Most costs associated with property acquisitions are reimbursed by Bonneville Power Administration.

Rent costs and computer support continued to be paid by the USDA Natural Resources Conservation Service (NRCS) this past year. USDA continues to advise the District of possible future changes in rent support. Therefore, Rent is budgeted at \$20,000 for this potential expense. Vehicle expense is increased to cover the repairs needed on the aging fleet of vehicles. The District will continue to shift expenses from the General Fund to grants and other funding sources when feasible.

Capital Outlay

Capital Outlay is increased by \$5,000 to \$55,000 to provide for purchase of equipment or vehicles, should the board deem the purchases necessary. The District needs a newer additional heavy-duty truck for hauling equipment and for other purposes, and needs for a newer vehicle for regular travel needs. Funds in this category could be paired with grant funds, should a grant become available.

Transfers Out

The budget provides for several transfers as follows:

- \$100,000 from General Fund to Yamhill Oaks Fund to provide resources for the repairs and upgrades to the Gopher Valley home. This transfer would serve as a short-term loan and be repaid to the General Fund (through future budget transfer), in subsequent years.
- \$ 10,000 from General Fund to Special projects Fund to support cost-share for erosion control practices associated with USDA conservation programs, and for support of weed control work.
- \$ 5,000 from General Fund to Miller Woods Fund to support operations if needed.

Contingency

Contingency remains the same as the previous year at \$100,000. Through board action, the District may transfer budget authority from Contingency to other categories for unanticipated expenses or requirements. The District can legally transfer up to 15% of the total amount appropriated within the General Fund; the recommended level of \$100,000 is 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 increased to \$150,000, a 50% increase from the previous year. The intent of an adequate unappropriated Ending Balance is to provide dedicated funds for the subsequent budget year, in advance of tax revenue deposits that typically start in November. The proposed amount, combined with a substantial Contingency, and the positive growth trend of the General Fund, accomplishes this.

Total General Fund resources and requirements are \$1,015,000, up from \$882,000, in the previous year.

SPECIAL PROJECTS FUND

The Special Projects Fund accounts for District programs that require little or no General Fund support, 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 \$5,000. The decrease is due to:

- Completion of grant-funded projects and depletion of previous carry over
- Pending receipt of grant funds that are approved by grant agreement, but not yet received.

RESOURCES

The Special Projects Fund will be used to manage several grants in the coming year, including:

- USDA Regional Conservation Partnership Program (RCPP)
- USDA Conservation Innovation Grant
- Oregon Watershed Enhancement Board Grants (various)
- Oregon Department of Agriculture Noxious Weed Grants
- US Fish and Wildlife Service Grants for native plant grow-outs and restoration projects
- Other grants from tribes, Yamhill County, and other conservation partners

The fund provides somewhat of a placeholder for potential grants, up to \$400,000 total. Secured grants include the RCPP grant, ODA Noxious Weed Grants (2), and closing out of the USDA Conservation Innovation Grant. Because of the uncertainty of grant amounts and timing, revenue and expenditure categories are budgeted adequately to accommodate receipt of grant funds, donations from other resources, and for needed expenditures within the fiscal year. A transfer of \$10,000 from the General Fund to the Special Projects Fund is budgeted to support a local cost-share incentive for the USDA conservation program, and weed control.

REQUIREMENTS

Personnel Services is budgeted at \$210,000 to fund personnel costs for the Habitat Conservationist position, Conservation Planner position, and partial support of the Protected Lands Stewardship positions. Available grant funds may also be used for temporary or seasonal positions needed for specific grants and projects. This category is reduced from the previous year's level, but remains adequate for the district's needs.

Total **Materials and Services** is budgeted at \$194,000. The line item for Contract Services is the largest line item in the category, which is budgeted for work associated with noxious weed grants, the RCPP grant, support of a multi-county CREP technician employed by Clackamas SWCD, and other project needs.

Interfund Services remains in the budget to account for administrative charges. The District's accountant recommended using Interfund Services to document journal entries associated with closing out grants and moving administrative earnings and internal charges to other job classes within the Special Projects Fund.

Capital Outlay is budgeted at \$20,000 for possible purchase of a conservation equipment. However, purchases are subject to available grant funding. The District will continue to pursue grants and donations and 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 \$1,000 to allow for transfer of administrative earnings or other qualified reimbursements from grants. A total of \$425,000 is budgeted in the Special Projects Fund for resources and requirements.

MILLER WOODS FUND

This fund is used to manage resources related to the Miller Woods (MW) property, a 130-acre parcel owned by the District. The property is managed for multiple uses including sustainable forestry, 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, coordinates volunteers, and implements work on the native plant nursery. Other seasonal, part-time employees, and contract workers are hired to assist with the nursery or special projects as needed.

The District continues to operate the native plant nursery and supplies planting stock for US Fish and Wildlife Service, local conservation districts, and other conservation partners. The nursery also produces plants for grant-funded conservation projects and annual native plant sale. The goal is to operate the nursery as a self-sustaining enterprise. The residence at Miller Woods generates rental income which supports Miller Woods operations.

The financial position of the fund remains strong because of the past Forest Management Project in 2015-2016, revenue from successful native plant sales, revenue from “grow-out” contracts, donations, and cost savings from volunteer worker contributions. The fund is projected to have beginning balance of \$100,000. The decrease from the previous year is attributed to expenditure associated with construction of a new restroom at Miller Woods. A contract was executed in April 2022, with an anticipated completion date of mid-June, 2022. Depending on the completion date, the final payments to the contractor may not occur until within the current budget year. If payments are made to the contractor before July 1, 2022, the cash carryover will be higher than estimated in the budget.

RESOURCES

Going forward, revenue is anticipated from several sources, including the annual Native Plant Sale, “grow-out” contracts, donations, sale of materials (shirts, books, etc.), and grants. Revenue from future native plant sales is likely to increase in the future with the return of “in-person” events. Projected revenue from agreements with federal conservation partners for “grow-out” contract will increase for the new budget year because of an approximate 40% increase in the “grow-out” amount. Adequate revenue should be generated to cover operational costs and realize a profit that can be used for property maintenance and improvement.

Transfers from the General Fund are not included this year. If needed, the District will allocate funds for Miller Woods projects directly from the General Fund (such as completion of the restroom), with the intention of reimbursing the General Fund in the future through budget transfers.

REQUIREMENTS

Personnel Services is budgeted at \$60,000 to fund a 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 \$227,000 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 \$110,000 to support any remaining costs associated with the construction of the new restroom and other contract work.

Capital Outlay is budgeted at \$25,000 for potential equipment purchases, subject to grant funding or available donations.

An **Unappropriated Ending Balance** is budgeted lower than previous year at \$70,000 due to the reduction of available funds and expenses associated with the new restroom. The dedicated carryover is a result of revenue generated through the past Forest Management Project. A total of \$382,000 is budgeted in the Miller Woods Fund for resources and requirements.

CHEGWYN FARM FUND

Chegwyn Farm is owned by the District, subject to a life estate arrangement. Under the arrangement, Agnes Betty Chegwyn resides on the property and is responsible for costs associated with the primary residence and surrounding area. The district has rights and responsibilities to the remainder of the property and receives revenue from leasing farmland to two operators. The district is responsible for the management decisions on the farm, for expenses associated with the care and maintenance of the farmstead and farmland, and for the annual property taxes. The majority of cash carryover in the Chegwyn Fund represents revenue received from a previous 75-year lease agreement between the District and the City of McMinnville, for the land developed as Chegwyn Park.

Projected cash carryover is project at \$210,000 which is much higher than the previous year due to the repayment of the internal short-term loan used for the purchase of the Dupee Valley Reserve. Upon closing of the property purchase, the district received funds from Bonneville Power Administration, which were used to reimburse the Chegwyn Fund, per provisions in the 2021-2022 budget.

RESOURCES

The District anticipates rental income, interest income, and potential revenue from the land located adjacent to Grandhaven School. The district-owned land consists of approximately seven acres which includes approximately three acres of older hazelnut orchard, and approximately four acres encumbered by Chegwyn Neighborhood Park.

The Resources section includes a line item to accommodate revenue from a property sale, should it occur, for \$1,000,000. The board has communicated its interest in utilizing proceeds from a property sale for future purchase of real estate. The Budget Officer included budget authority in the Requirements section for Capital Outlay and for Contract Services which could fund future improvements on Chegwyn Farm (see details in Requirements section).

REQUIREMENTS

Personnel Services is budgeted at \$25,000 to fund anticipated increases in personnel costs associated with stewardship, weed control, homestead and farmstead maintenance, and orchard clean-up. Personnel costs will also increase as the district works to implement a real estate sale or trade, and work with legal counsel.

Materials and Services is budgeted at \$160,000, a substantial increase over the previous year. The increase is recommended to fund repairs and maintenance, clean-up of an old walnut orchard, tree removal, weed control, and other improvements such as upgrades to the machine shed, a new well, fencing, new electrical service, and other related improvements. The district also anticipates increased costs for legal and professional services associated with a property sale or trade.

Capital Outlay is budgeted at \$840,000, to provide the option for the District to utilize proceeds from a property sale to purchase other lands. There are no definitive plans to do so currently.

The **Unappropriated Ending Balance** is budgeted at \$200,000 which aligns roughly with the historic carryover in the fund generated from the park lease. The proposed amount ensures there are dedicated resources available for the next budget year. A total of \$1,225,000 is budgeted in the Chegwyn Farm Fund for all resources and requirements.

CONSERVATION EASEMENT FUND

This stand-alone fund was established 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 \$153,000, similar to the previous year. Sources of revenue include interest income of \$1,200, 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). Potential grant revenue was reduced as the District anticipates less focus in the near future on seeking and/or holding conservation easements.

REQUIREMENTS

The budget includes allocation of \$11,000 for **Personnel Services**, and \$21,200 for **Materials and Services**. Resources in this fund are used for two primary purposes:

1. Cover annual inspection, monitoring, and reporting costs of conservation easements held by the district. The objective is to incur modest expenses for this purpose and ensure the fund maintains adequate resources for future responsibilities. If required, resources in this fund could be allocated for costs associated with the defense of, or enforcement of conditions of conservation easements held by the District. This has never happened in the District’s history of holding conservation easements.

2. Manage funds and projects associated with the conservation plan on the Mt. Richmond property, primarily using funds previously received from Bonneville Power Administration (BPA). The objective is to assist the landowner with implementing stewardship activities to help realize the conservation goals and purposes defined in the conservation easement held by BPA.

Unappropriated Ending Balance is budgeted at \$140,000, similar to the previous year. A total of \$172,200 is budgeted in the Conservation Easement Fund for all resources and requirements.

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 using funding from the Willamette Wildlife Mitigation Program (WWMP). Past revenue from dedicated stewardship funding, donations, rental income from the hay field, interest earnings, and repayment of an internal loan of \$450,000 to the fund represent the majority of carryover. The estimated beginning balance of \$1,255,000.

RESOURCES

Revenue is anticipated for a final year of rent on the hay field (\$4,000), interest earnings (\$9,500), and grant income for a new wetland enhancement project schedule for the new fiscal year. The budget provides for grant income from the Oregon Watershed Enhancement Board (OWEB), and for donations from conservation partners who support restoration and land protection and for grants and donations.

REQUIREMENTS

The budget includes allocation of up to \$52,000 for **Personnel Services** and \$308,000 for **Materials and Services**. These increases are associated with ongoing stewardship work, and the planned work associated with the OWEB restoration grant.

Capital Outlay includes a budget of \$50,000 for purchase of equipment needed for stewardship and property management, subject to board approval.

The **Unappropriated Ending Balance** is budgeted at \$1,180,000, up from the previous year due to the repayment of the internal loan. A total of \$1,590,000 is budgeted in the Muddy Valley Property Fund for all resources and requirements.

YAMHELA PROPERTY FUND

The Yamhela Property Fund (Yamhela Oak Conservation Overlook Property) is used to manage finances associated with a 173-acre conservation property acquired in 2016 through the Willamette Wildlife Mitigation Fund (BPA funding). The property includes oak savanna, woodland, and other important wildlife habitat. Resources in the fund are attributed to the initial stewardship funding provided by BPA, revenue produced from forest thinning, grants, and interest income.

RESOURCES

The beginning fund balance is estimated at \$290,000. The carryover results from a combination of stewardship money provided by BPA when the property was acquired, and revenue from a recent forest thinning operation. Modest revenue is budgeted for grant funds that may be obtained through cooperative agreements with US Fish and Wildlife Service or other grant sources.

REQUIREMENTS

Personnel Services is budgeted at \$12,000 for stewardship and restoration work. **Materials and Services** is budgeted at \$15,000 to implement additional clean up, weed control, and restoration work following the thinning operation. Funds are also budgeted for property taxes, and other expenses associated with the management plan.

Unappropriated Ending Balance is budgeted at \$268,000 for operations in subsequent years. A total of \$295,000 is budgeted in the Yamhela Property Fund for all resources and requirements.

TURNER CREEK PROPERTY FUND

This fund was established to accommodate receipt of revenue and grants associated with a land donation. The project has been put on hold. The Budget Officer recommends eliminating the fund due to inactivity. If the project becomes active, the district can establish a new fund, or consider managing funds in an existing fund.

YAMHLL OAKS PROPERTY FUND

The **Yamhill Oaks Property Fund** is used to manage finances and stewardship funding associated with the following two properties transferred to the District from The Nature Conservancy (TNC) in January 2019.

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

Both properties were transferred to the District at no cost. TNC provided a donation of \$1,000,000 for long-term stewardship of the two properties. Upon closing of the property transfers, 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 properties.

RESOURCES

The estimated beginning fund balance of the **Yamhill Oaks Property Fund** is estimated at \$10,000. Endowment revenue (earnings and distributions) is estimated at \$60,000. The District continues to implement stewardship and restoration work on both parcels and implement repairs and renovation work on the home located on the Gopher Valley parcel.

A Transfer of \$100,000 from the General Fund is budgeted to provide resources for repairs and upgrades needed to make the home ready for occupancy. The transfer will serve as an internal loan to the Yamhill Oaks fund, and will be repaid to the General Fund in subsequent years through budget transfers. Line items for grants and local donations are included should funding become available for restoration and conservation work on the two properties, or for home renovation. Future revenue from rental income will be realized when the home is leased or rented. Rental income is budgeted for the fiscal year at \$15,000. Total Resources are budgeted at \$187,000.

REQUIREMENTS

Expenditures for **Personnel Services** are budget at \$54,000 to cover increasing demands for stewardship work on the two properties, work associated with contractors, and work relating to repairs and maintenance on buildings and infrastructure. Expenditures of up to \$130,000 in **Materials and Services** are budgeted for repairs, contractor work, maintenance, land stewardship work, property tax liability, insurance, and other related expenditures. The budget includes a small Unappropriated Ending Fund Balance of \$3,000. 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 becomes normalized, the District will have a better understanding of regular annual expenses and rental income potential and be better positioned to consider an unappropriated ending fund balance. A total of \$187,000 is budgeted in the Yamhill Oaks Property Fund for all resources and requirements.

SEVEN H PROPERTY FUND

The **Seven H Property Fund** is used to manage finances and stewardship funding associated with a conservation property acquired in December 2022 through the Willamette Wildlife Mitigation Program using BPA funds.

RESOURCES

The beginning fund balance of the fund is estimate at \$525,000, resulting from receipt of stewardship funding from BPA. Project revenue consists primarily of interest earning estimated at \$4,000. A placeholder is left for grant income, should it become available. Total resources are budgeted at \$532,000.

REQUIREMENTS

The budget provides for \$11,000 in **Personnel Services**, and \$21,000 in **Materials and Services**, to cover projected costs associated with stewardship, restoration, and property maintenance. This is a newly acquired property and no major projects or forest thinning operations are planned. Anticipated work will focus on maintaining and improving access, weed control, mowing, posting and monitoring boundaries, and other related work.

Unappropriated Ending Balance is budgeted at \$500,000, with a total of \$532,000 budgeted in the Seven H Property Fund for all resources and requirements.

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, etc.).
- Continue employment of staff at Miller Woods for general operations and Miller Woods Nursery.
- Implement two Oregon State Weed Board grants for invasive species management through contract service agreements and/or temporary employment agreements.
- Implement work associated with conservation easements and the long-term land protection program.
- Budget funds for property management and stewardship on the Yamhela property, Mt., Richmond property, Miller Woods, Chegwyn Farm, Muddy Valley Habitat Reserve, Seven H Reserve, and Dupee Valley Reserve.
- Use grant funding to implement a wetland restoration project at Muddy Valley Habitat Reserve.
- Provide assistance and facilitate work for the Cherryhill Ranch acquisition project (WWMP).
- Fund stewardship projects on Yamhill Oaks (Masonville and Gopher Valley properties) using recurring income from stewardship endowments, internal loans, and other sources.
- Utilize the District's no-till drill through its equipment rental program for conservation projects.
- Continue production of native plants grown under contract at the Miller Woods Nursery for conservation partners. Utilize funds generated through "grow-out" agreements with US Fish and Wildlife Service and others to support costs of managing and maintaining Miller Woods.
- Implement stewardship and project work at Miller Woods, and offer opportunities for educational activities, using resources from grants, donations, timber revenues, and local contributions.
- 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 US Department of Agriculture, Oregon Watershed Enhancement Board, Oregon Department of Agriculture, US Fish and Wildlife Service, and other grantors for various conservation projects.

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 District’s actual property tax levy in 2021-2022 as \$369,489, an increase of \$16,542 over the previous year’s certified amount of \$352,947. This represents an approximate increase of 4.68 % over the previous year’s levy.

To estimate the property tax for 2022-2023, a 4.00 % increase is assumed over the actual 2021-2022 certified Assessed Value (entire county), and calculated as follows:

Estimating tax revenues for 2022-2023 budget: (numbers rounded)

2021-2022 Taxable Value in county (Assessed Value less Exempt Value)	\$10,457,434,932
Multiply by 4.0% to project increase in Taxable Value	<u>418,297,397</u>
Total projected 2022-2023 Taxable Value	= \$10,875,732,329
Multiply by District’s permanent rate (.0354/1000 Assessed Value)	x <u>0.0000354</u>
Total estimated property tax revenue for 2022-2023	= \$ 385,001
Less estimated un-collectable taxes for 2022-2023 @ 3.0 %	= \$ <u>(11,550)</u>
Subtotal	\$ 373,451
Estimated reductions for Urban Renewal (based on previous years)	= \$ 4,500
Total anticipated tax collections in 2022/2023 budget	= \$ 368,951*

. * \$369,000 is used for Taxes Necessary to Balance

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 budget.