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September 28, 2017

Yahara WINS Member:

The Executive Committee is pleased to present the DRAFT 2018 Operating Budget for Yahara WINS. As we enter the second full year of full implementation following the pilot project, we are optimistic that the efforts being made by WINS and its partners are creating a long lasting and effective change in reducing phosphorous loading and its effects in the Yahara Watershed.

The 2018 draft budget represents our best understanding of the revenue and expenses anticipated for the upcoming calendar year. As always, the Executive Committee will continue to evaluate revenue and spending throughout the year and will provide updates and requests to the group as things progress.

We believe that the draft budget strongly shows our commitment to phosphorus reduction in the watershed by dedicating a large majority of funding directly to phosphorous reduction practices and implementation, while keeping operating expenses low.

In accordance with our organizing structure, this budget will be discussed in a public forum at the October 17, 2017 Yahara WINS meeting beginning at 1:30 PM at the MMSD Shop One facility. We encourage all members to have their designated representative at this meeting so we can have quorum for voting on the budget.

Please direct any questions you may have to Kathy Lake and she will distribute to the Executive Committee. On behalf of all of the Executive Committee members, we thank you for your dedication and commitment to this important project and we look forward to what 2018 brings.

Thank you and have a great day.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey S. Rau". The signature is written in a cursive style with a long horizontal line extending to the left.

Jeffrey S. Rau, P.E.  
Executive Committee Treasurer  
Yahara WINS

## **Proposed Yahara WINS 2018 Budget Modifications for Presentation to the Yahara WINS Group**

### **Background**

The Yahara WINS Executive Committee is tasked with preparing a detailed annual budget for 2018 and presenting it to the Yahara WINS Group no later than September 30<sup>th</sup> for review and comment. The proposed 2018 annual budget and the accompanying budget narrative are presented in the following pages.

Per the Intergovernmental Agreement, the annual budget shall be approved no later than October 31<sup>st</sup> by a majority of the Member Representatives present at the meeting in which action on the annual budget is taken. The budget approval meeting for the 2018 annual budget is currently scheduled for October 17, 2017.



## 2018 Draft Proposed Budget (Rounded to the nearest \$100)

<b>Unencumbered carryover from 2017</b>	<b>\$14,500.00</b>
<b>Revenue</b>	
IGA participants	\$1,438,400
Income from grants, other MOUs, etc.	\$50,000
MGE Foundation	\$5,000
Savings account interest	\$1,200
<b>Total Revenue plus unencumbered carryover</b>	<b>\$1,509,100</b>
<b>Expenditures</b>	
<b><u>Phosphorus reduction</u></b>	
Dane County phosphorus reduction services agreement	\$540,000
Columbia County phosphorus reduction services agreement	\$50,000
Rock County phosphorus reduction services agreement	\$180,000
Yahara Pride Farms phosphorus services agreement	\$130,000
Yahara Pride Manure Composting Grant	\$21,400
General P reduction practice funding	\$20,000
Phosphorus reduction grant program	\$34,200
<b>Subtotal</b>	<b>\$975,600</b>
<b><u>Water Quality Monitoring or modeling</u></b>	
Water quality monitoring analytical services (MMSD)	\$40,000
USGS joint funding agreement	\$75,000
Rock River Coalition water quality monitoring	\$25,000
<b>Subtotal</b>	<b>\$140,000</b>
<b><u>Supporting Services</u></b>	
WINS staffing	\$46,000
Financial audit	\$7,500
Communications	\$12,000
Miscellaneous	\$5,000
Legal services agreement	\$8,000
<b>Subtotal</b>	<b>\$78,500</b>
Transfer of funds to designated operating reserve	<b>\$315,000</b>
<b>Total Expenditures</b>	<b>\$1,509,100</b>
<b>Revenue minus expenditures (potential unencumbered carryover to 2019)</b>	<b>\$0</b>

## Budget Narrative for the 2018 Draft Proposed Yahara WINS Budget

### A. Unencumbered Carryover from 2017

2017 anticipated expenses (including encumbered expenses to be paid out in 2018) appear to be slightly less than anticipated, resulting in an anticipated unencumbered carryover to 2018 in the amount of \$14,500.

### B. Revenue

Sources of revenue include:

- Charges to IGA members (including those having Memoranda of Understanding)
- Income from grants, other MOUs, etc.
- MG&E Foundation contribution
- Interest income

Charges to IGA members are approximately \$41,000 less than the amount budgeted in 2017. Two MS4s (City of Middleton and Village of DeForest) submitted updated stormwater modeling information in 2017, resulting in their allocated costs being reduced. Per the IGA, these MS4s will also receive credit for overpayments made in 2017. Partially offsetting these decreases is the revenue generated through the addition of the Town of Burke as a new IGA member. It should also be noted that actual 2017 revenue from IGA members was approximately \$22,000 less than budgeted revenue due to allocation corrections made after the 2017 budget was developed.

We have budgeted \$50,000 in revenue derived from grants, other MOUs (i.e. MOUs with non-IGA members) and other sources. We believe that this is a reasonably conservative estimate, but note that we will not have firm commitments until after the 2018 WINS budget is adopted. If for some reason the revenue generated from this category is less than anticipated, adjustments in expenditures and/or changes in the amount that WINS transfers to the designated operating reserve in 2018 may be necessary. If the revenue generated in this category is greater than anticipated, this could allow for increased funding for phosphorus reduction efforts. The level of funding for the last two categories remains unchanged.

**The combined revenue from all of the above sources above sources is \$1,494,600. When this total is added to the unencumbered carryover (see section A above) the total amount of operating funds available in 2018 is \$1,509,100.**

## C. Expenditures

- **Dane County Phosphorus Reduction Service Agreement**

The Yahara WINS service agreement with Dane County Service Agreement calls for a base payment of \$300,000 for staff, and a graduated “pay for performance” payment based on Dane County’s performance relative to established phosphorus reduction goals. The maximum possible payment for the pay for performance component is \$240,000. Based on performance reported by Dane County for the last year on record (2016), it is anticipated that Dane County will receive the maximum pay for performance amount of \$240,000 for reductions achieved in 2017. It is also anticipated that Dane County will receive the maximum possible pay for performance payment for work conducted in 2018. **The 2018 budget reflects \$540,000 expenditure associated with the Dane County Service Agreement.**

- **Columbia County Service Agreement**

Funds were included in the 2017 WINS budget for a service agreement with Columbia County. However, at the request of Columbia County, efforts to develop a service agreement between WINS and Columbia County were temporarily put on hold, with a goal of developing a service agreement for 2018. The 2017 budget funds anticipated to be spent on the Columbia County Service Agreement were reallocated to the Rock County Service Agreement. Kathy Lake and Dave Taylor have recently engaged in discussions with Columbia County and it is expected that a service agreement for 2018 will be developed. **The 2018 budget reflects \$50,000 expenditure associated with a Columbia County Service Agreement.**

- **Rock County Service Agreement**

Yahara WINS executed a service agreement with Rock County in April, 2017, which called for WINS to provide \$40,000 in funding for 2017 and \$50,000 in funding for 2018. Rock County was very successful in finding willing land owners to work with, which led to a contract amendment in June of 2017. That contract amendment called for WINS to make \$124,125 in funding available to Rock County in 2018.

Since the June 2017 contract amendment, Rock County has been able to identify additional landowners willing to put phosphorus reducing practices in place. Rock County estimates that it would take an additional \$250,000 of funding in 2018 if practices were installed for all of the interested landowners that Rock County has contacted. However, Rock County has also indicated that that phosphorus reduction practices could be phased over a couple of years, reducing the amount of additional funds needed for 2018.

The adaptive management plan, which is designed to achieve compliance with the phosphorus allocations in the TMDL, requires that phosphorus reductions be achieved in all stream reaches in the Yahara Watershed, including those stream reaches in the lower part of the watershed. The WINS budget needs to support activities targeted in this area. However, a phased

approach to achieving these reductions makes sense, given budget constraints. **The 2018 budget reflects a \$180,000 expenditure associated with the Rock County Service Agreement. A contract amendment will likely be needed to reflect this increased level of funding.**

- **Yahara Pride Farms Phosphorus Reduction Agreement**

Yahara WINS has a long history of working collaboratively with Yahara Pride Farms, providing financial support that allows Pride to implement phosphorus reduction cost share programs, test innovative practices, and develop/implement a farmer led certification program. The 2017 WINS budget included \$110,000 in funding to support these efforts.

In addition to the above, WINS and Yahara Pride have recently begun to explore a longer term “pay for performance” program. The details still need to be worked out, but the goal would be to develop and begin pilot testing a small scale pay for performance program starting in 2018. **The 2018 budget reflects a \$130,000 expenditure to Yahara Pride. This level of support would allow Yahara Pride to expand its phosphorus reduction programs and related activities, and provide “seed money” for a pay for performance pilot project. If the pay for performance pilot project is successful, this could result in increased funds being directed to Yahara Pride in future budget years.**

- **Yahara Pride Manure Composting Project**

In 2015, Yahara Pride Farms received a United States Department of Agriculture (USDA) grant to begin to evaluate the benefits and economic opportunities of windrow composting solid heifer dairy manure, and the subsequent management of that manure. Preliminary results were promising. One key finding was that composting appears to have a binding effect on phosphorus, reducing the amount of phosphorus in the water soluble form. This could have a significant impact on reducing the risk of phosphorus loss when manure is land applied. Yahara Pride is now looking to expand this composting evaluation project and has submitted a proposal to Dane County, Clean Lakes Alliance and Yahara WINS. The proposal includes a total funding request of \$148,400, with \$50,00 designated for the capital investment of purchasing a custom made compost turner, and \$98,400 to cover two years of operating expenses. This project is a worthwhile project to support. Discussions will be needed with other potential funders to coordinate funding levels. Dane County traditionally has far easier time funding capital expenses, but difficulty funding the operating portion of a grant. **The 2018 WINS budget contains \$21,400 to support operational costs associated with this project. This represents 50% of the 2018 operating expenses identified in the proposal. Some level of support should also be anticipated in the 2019 budget.** (Note-the final amount included in the 2018 budget may be adjusted depending on the outcome of discussions with other potential funders).

- **General Phosphorus Reduction Practice Funding and Supporting Evaluations**

This expense category is intended to provide a flexible source of funds that are available to take advantage of opportunities for phosphorus reduction that are not specifically known at the time the budget is developed but may arise throughout the course of the year. For 2018, this pool of money is significantly reduced relative to the amount contained in the 2017 budget

(\$120,000), given that a number of more defined projects have emerged. **The total amount allocated for general phosphorus reduction practice funding is \$20,000.**

- **Phosphorus Reduction Grant Program**

Yahara WINS has traditionally administered a phosphorus grant program in which entities can submit funding proposals for phosphorus reduction practices. In 2017 funds (\$100,000) for this grant program were designated for both traditional and innovative phosphorus reduction projects. The 2017 program was undersubscribed. The current thought heading into 2018 is that this grant program would place an emphasis on innovative phosphorus reduction practices. **Based on past experience, the amount allocated for this program in 2018 has been reduced to \$34,200.**

- **USGS Joint Funding Agreement**

Four USGS gaging stations were installed in the Dorn Creek/Six Mill Creek watershed during the pilot project, with both flow being measured and water quality samples being collected at all four locations. USGS provided partial funding for the installation and ongoing operation of these stations under a series of joint funding agreements (JFAs). MMSD entered into the JFAs on behalf of Yahara WINS and has been reimbursed for those costs by Yahara WINS. In 2017, a new five-year JFA was executed with USGS. This new agreement provides for continued operation and sampling at the four USGS gaging stations installed as part of the adaptive management pilot project, plus sampling at two other locations (Spring Harbor and Fulton) that provide important information for the WINS effort. The total annual cost for the JFA is \$100,000, with USGS contributing \$25,000 and WINS providing the remaining \$75,000. **The total amount allocated for the USGS Joint Funding Agreement in the 2018 budget is \$75,000.**

- **Rock River Coalition Volunteer Citizen Monitoring**

USGS monitoring has been supplemented by monitoring conducted throughout the Yahara Watershed by citizen volunteer monitors coordinated and administered by the Rock River Coalition (RRC). Funds provided to the RRC support equipment purchase, training, data management and other related administrative services. An on-going role is anticipated for the RRC and the citizen volunteer monitoring program in 2017. **The total amount allocated for the RRC volunteer citizen monitoring program in 2018 is \$25,000.**

- **MMSD Laboratory Analytical Services**

Water quality monitoring is a critical part of the adaptive management project. Samples are collected by USGS or through the citizen volunteer monitoring program administered by the Rock River Coalition. To date, over 3,000 water samples have been collected and analyzed. All samples are analyzed by the MMSD laboratory, with MMSD being reimbursed for laboratory services. The amount spent for laboratory services in 2017 is expected to exceed the amount budgeted given rainfall conditions experienced in 2017. Although it is impossible to accurately predict sample loads and associated costs for 2018, it makes sense to increase the budget for this category based on past experience. **The total amount allocated for MMSD contract laboratory services in 2018 is \$40,000, which is a \$5,000 increase over the 2017 budgeted amount.**

- **Yahara WINS Staffing**

In June of 2017, WINS signed an agreement to hire Dave Taylor as a consulting director to provide administrative and technical support for the WINS effort. The agreement covers a one year period and may be renewed subject to terms and conditions mutually agreed upon by both parties. For the purpose of this budget, it is assumed that the agreement will be renewed. **The total amount allocated for administrative support in 2017 is \$46,000, which is the amount originally included in the second year (2018) the WINS five-year budget.**

- **Legal Services Agreement**

In August of 2016 Yahara WINS executed a legal services agreement with the law firm of Stafford Rosenbaum LLP. The agreement runs through June 30, 2018, subject to termination and renewal provisions. The current agreement contains an annual cap of \$20,000, which can not be exceeded without the express authorization of the Yahara WINS Executive Committee. Actual expenses to date for legal services have been far less than anticipated, and that trend is expected to continue in 2018. **The total amount allocated for the legal services agreement in 2018 is \$8,000, a decrease of \$12,000 relative to the 2017 budget.**

- **Annual Financial Audit**

Section 10a of the IGA requires that an audit of the Yahara WINS financial records be conducted on an annual basis by an independent accounting firm using generally accepted accounting principles. **The total amount allocated for the financial audit in 2018 is \$7,500.**

- **Communications**

The Adaptive Management Plan has a communications component that includes outreach to a number of different stakeholder groups. A variety of communication tools and approaches could be used to accomplish this. In 2017, the Yahara WINS Executive Committee approved spending \$15,000 for production of an informational video. The Executive Committee also supported development of a periodic newsletter. A more formal, strategic approach to communications going forward needs to be developed. **The total amount allocated for communications support in 2018 is \$12,000, a decrease of \$3,000 from the 2017 budget.**

- **Miscellaneous**

We have historically included some level of funds for miscellaneous expenditures and/or contingency purposes. Actual miscellaneous expenses to date have been relatively low and this trend is expected to continue. However, it seems prudent to include a limited amount of funding for the miscellaneous category in the 2018 budget. As it relates to contingency, it is worth noting that the ultimate contingency fund is the WINS designated operating reserve fund. **The total amount allocated for the miscellaneous category in 2018 is \$5,000.**

- **Designated Operating Reserves**

The Yahara WINS Designated Operating Fund Reserves Policy was developed to ensure that Yahara WINS has adequate working capital to meet expenditures throughout the 20 year



anticipated life of the Adaptive Management Project for the Yahara Watershed. The policy calls for a \$315,000 contribution in 2018. **Per the policy, the total amount allocated for the designated operating reserve fund in the 2018 budget is \$315,000. The Executive Committee believes it is important to make every effort to adhere to the schedule identified in the policy early in the 20 year WINS effort.**

#### **D. Five Year Budget**

The Yahara WINS Executive Committee is also tasked with preparing a five-year budget for approval by the Member Representatives. The initial five-year budget was approved at the October 10, 2016 Yahara WINS Group meeting. The Intergovernmental Agreement states that the five-year budget shall be updated no less frequently than once every five years. The Executive Committee recognizes the need to review the remaining years (2019-2021) of the initial five-year budget. However, it is recommended that this review be done as part of the next annual budget cycle. This will allow us to gain additional insight which can be used to inform potential budget revisions for the remaining years of the five-year budget.

