



1610 Moorland Road • Madison, WI 53713-3398 • P: (608) 222-1201 • F: (608) 222-2703

September 28, 2018

Yahara WINS Member:

The Executive Committee is pleased to present the DRAFT 2019 Operating Budget for Yahara WINS. As we enter another full year of full implementation 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 2019 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 11, 2018 Yahara WINS meeting beginning at 1:30 PM at the Madison Metropolitan Sewerage District Maintenance Facility Training Center. 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 Martye Griffin and he 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 2019 brings.

Thank you and have a great day.

Sincerely,

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

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



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## **Proposed Yahara WINS 2019 Budget for Presentation to the Yahara WINS Group**

### **Background**

The Yahara WINS Executive Committee is tasked with preparing a detailed annual budget for 2019 and presenting it to the Yahara WINS Group no later than September 30<sup>th</sup> for review and comment. The proposed 2019 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 2019 annual budget is currently scheduled for October 11, 2018.

## 2019 Draft Proposed Budget (Rounded to the nearest \$100)

<b><u>Unencumbered carryover from 2018</u></b>	<b>\$0</b>
<b>REVENUE</b>	
IGA participants	\$1,433,900
Income from grants, other MOUs, etc.	\$50,000
MGE Foundation	\$5,000
Savings account interest	\$2,500
<b>Total Revenue plus unencumbered carryover</b>	<b>\$1,491,400</b>
<b>EXPENDITURES</b>	
<b><u>Phosphorus reduction</u></b>	
Dane County phosphorus reduction services agreement	\$540,000
Columbia County phosphorus reduction services agreement	\$55,000
Rock County phosphorus reduction services agreement	\$250,000
Yahara Pride Farms phosphorus services agreement	\$150,000
Yahara Pride Manure Composting Grant	\$31,600
Phosphorus Reduction Innovative Grant Program	\$24,000
<b>Subtotal</b>	<b>\$1,050,600</b>
<b><u>Water Quality Monitoring</u></b>	
Water quality monitoring analytical services (MMSD)	\$55,000
USGS joint funding agreement	\$75,000
Rock River Coalition water quality monitoring	\$25,000
<b>Subtotal</b>	<b>\$155,000</b>
<b><u>Supporting Services</u></b>	
WINS staffing	\$5,000
Financial audit	\$7,500
Communications	\$5,000
Miscellaneous	\$2,300
Legal services agreement	\$4,000
<b>Subtotal</b>	<b>\$23,800</b>
<b><u>Transfer of funds to designated operating reserve</u></b>	<b>\$262,000</b>
<b>Total Expenditures</b>	<b>\$1,491,400</b>
<b>REVENUE MINUS EXPENDITURES</b>	<b>\$0</b>

## Budget Narrative for the 2019 Draft Proposed Yahara WINS Budget

### A. Unencumbered Carryover from 2018

2018 anticipated expenses (including encumbered expenses to be paid out in 2018) appear to be at or more than anticipated, resulting in no anticipated unencumbered carryover to 2019.

### B. Revenue

Sources of revenue include:

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

Charges to IGA members are approximately \$4,500 less in the 2019 budget than the amount budgeted in 2018. One MS4 (City of Stoughton) submitted updated stormwater modeling information in 2018, resulting in their allocated costs being reduced. Per the IGA, the City of Stoughton will also receive credit for overpayments made in 2017 and 2018. These credits will be paid over the next 4 years. Partially offsetting these decreases is the revenue generated through additional interest income.

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 2019 Yahara 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 Yahara WINS transfers to the designated operating reserve in 2019 may be necessary. If the revenue generated in this category is greater than anticipated, this could allow for increased funding for phosphorus reduction efforts including additional grant funding or new phosphorus reduction agreement opportunities. The level of funding for the MG&E Foundation remains unchanged and follows the same caveat as the previous category.

**The combined revenue from all of the above sources is \$1,491,400. With \$0 of unencumbered carryover (See Section A above) the total amount of anticipated operating funds available in 2019 is \$1,491,400.**

## C. Expenditures

### ) **Dane County Phosphorus Reduction Service Agreement**

The Yahara WINS service agreement with Dane County 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 the performance reported by Dane County in 2017, it is anticipated that Dane County will receive the maximum pay for performance amount of \$240,000 in 2019 for their 2018 performance. **The 2019 budget reflects a \$540,000 expenditure associated with the Dane County Service Agreement.**

### ) **Columbia County Service Agreement**

Yahara WINS executed a service agreement with Columbia County in February, 2018, which called for Yahara WINS to provide \$50,000 in funding for 2018 and \$55,000 in funding for 2019. **The 2019 budget reflects a \$55,000 expenditure associated with the Columbia County Service Agreement.**

### ) **Rock County Service Agreement**

Yahara WINS executed a three year service agreement with Rock County in April, 2017. Rock County was very successful in finding willing land owners to work with. Two contract amendments, one in June of 2017 and one in June 2018 resulted in Yahara WINS making a total of \$590,000 available in funding available to Rock County from 2017-2020. The service agreement calls for Rock county to provide Yahara WINS a list of projects anticipated to be completed for the upcoming year to assist Yahara WINS with budget decisions related to the amount of funding provided for the year. Rock County has provided Yahara WINS with anticipated ‘shovel ready’ projects for 2019 that will achieve phosphorus reductions to those stream reaches in the lower part of the watershed. **The 2019 budget reflects a \$250,000 expenditure associated with the Rock County Service Agreement which is a \$70,000 increase over the 2018 budgeted amount.**

### ) **Yahara Pride Farms Phosphorus Reduction Agreement**

Yahara WINS has a long history of working collaboratively with Yahara Pride Farms (YPF), providing financial support that allows YPF to implement phosphorus reduction cost share programs, test innovative practices, and develop/implement a farmer led certification program. The 2018 Yahara WINS budget included \$130,000 in funding to support these efforts. **The 2019 budget reflects a \$150,000 expenditure to Yahara Pride Farms which is a \$20,000 increase over the 2018 budgeted amount and in line with the Yahara WINS 5-Year budget plan for YPF.**

### ) **Yahara Pride Manure Composting Project**

In 2018 Yahara Pride Farms received funding from Dane County, Clean Lakes Alliance and Yahara WINS to expand a manure composting evaluation project by assisting farms to undertake windrow composting of solid heifer dairy manure, and the subsequent management

of that manure. Composting manure reducing the amount of phosphorus in the water soluble form and could have a significant impact on reducing the risk of phosphorus loss when manure is land applied. In 2018 Yahara WINS provided \$42,800 to fund the operational cost of this project. **The 2019 Yahara WINS budget reflects a \$31,600 expenditure to support operational costs associated with this project. An additional \$25,000 will be directed to this effort using funds carried over from the 2018 Memorandum of Understanding between Clean Lakes Alliance and Yahara WINS.**

) **Innovative Phosphorus Reduction Grant Program**

Yahara WINS has traditionally administered a phosphorus grant program in which entities can submit funding proposals for innovative or conventional phosphorus reduction practices. In 2018 the amount allocated in the budget for the grant program was \$34,200. In April 2018 the executive committee voted to allocate \$25,000 from the 2018 Clean Lakes Alliance MOU to be made available as part of the Yahara WINS grant program, increasing the 2018 Yahara WINS Grant allotment to \$59,200. In 2018 Yahara WINS received \$80,000 in requests to fund conventional projects and \$20,000 to fund innovative projects. The current direction for 2019 is to narrow the focus of the grant program to place an emphasis on innovative phosphorus reduction practices vs. conventional practices. **The 2019 budget reflects a \$24,000 expenditure to fund the innovative phosphorus reduction grant program. This is \$10,200 less than what was budgeted for the grant program in 2018.**

) **USGS Joint Funding Agreement**

In 2017, a five-year Joint Funding Agreement (JFA) was executed with USGS. This agreement provides for continued operation and sampling at the four USGS gaging stations installed in the Dorn Creek/Six Mill Creek watershed as part of the adaptive management pilot project, plus sampling at on the Yahara River at Fulton that provide important information for the Yahara WINS effort. The total annual cost for the JFA is \$100,000, with USGS contributing \$25,000 and Yahara WINS providing the remaining \$75,000. **The 2019 budget reflects a \$75,000 expenditure associated with the USGS Joint Funding Agreement.**

) **Rock River Coalition Volunteer Citizen Monitoring**

The monitoring done by USGS has been aided by monitoring conducted throughout the Yahara Watershed by citizen volunteer monitors coordinated and administered by the Rock River Coalition (RRC). Monitoring at these sites began in 2013 as part of the pilot project and has been expanded as part of the full scale project. Funds provided to the RRC support equipment purchase, training, planning and other related administrative services. Yahara WINS anticipates a continued monitoring role for the RRC and the citizen volunteer monitoring program in 2019. In 2018, Yahara WINS budgeted \$25,000 to support the RRC monitoring program. **The 2019 budget reflects a \$25,000 expenditure associated with the anticipated 2019 contract with the RRC.** (Note-the final amount included in the 2019 budget may be adjusted depending on the outcome of the 2019 contract request amount from RRC and executive committee approval).

### ) **MMSD Laboratory Analytical Services**

Water quality monitoring is a critical part of the adaptive management project. Samples are collected by USGS and the RRC citizen volunteer monitoring program. All samples are analyzed by the Madison Metropolitan Sewerage District (MMSD) laboratory, with MMSD being reimbursed for laboratory analytical services. The amount spent for laboratory services in 2018 is expected to exceed the budgeted amount due to the heavy rainfall in the spring and late summer of 2018. Additional samples are collected following significant rainfall events in the watershed. For 2018 we have seen an unprecedented number of rainfall events resulting in a large increase in samples. Although it is impossible to accurately predict sample loads and associated costs for 2019, it makes sense to increase the budget for this category based on past experience of wet years in 2017 and 2018. **The 2019 budget reflects a \$55,000 expenditure to support MMSD contract laboratory services which is a \$15,000 increase over the 2018 budgeted amount.**

### ) **Yahara WINS Staffing**

After Dave Taylor's retirement In 2017, the Executive Committee entered into a contract with Nemoa Environmental, Inc., to retain Dave's services as a consultant with the goal of providing technical and administrative support during the transition to new leadership. The terms of the contract expire in November 2018, therefore, funds have not been included in the 2019 budget for this purpose. Yahara WINS may consider part-time staffing or potentially an intern type position to assist Yahara WINS with operations in 2019. **Therefore the 2019 budget reflects a \$5000 expenditure for part-time staffing to provide administrative support to Yahara WINS. This is a \$41,000 decrease to the 2018 budgeted amount.**

### ) **Legal Services Agreement**

In 2018, Yahara WINS extended the 2016 legal services agreement with the law firm of Stafford Rosenbaum LLP for two years through 2020. The agreement contains an annual cap of \$20,000, which cannot be exceeded without the express authorization of the Yahara WINS Executive Committee. Actual expenses to date for legal services are much lower and that trend is expected to continue in 2019. **The 2019 budget reflects a \$4000 expenditure to support the legal services agreement which is a decrease of \$4,000 compared to the 2018 budget.**

### ) **Annual Financial Audit**

Section 10a of the IGA requires an audit of the Yahara WINS financial records be conducted on an annual basis by an independent accounting firm using generally accepted accounting principles. Yahara WINS has contracted with Clifton Larson Allen for the 2017 fiscal year audit with an option to continue that contract for the 2018 fiscal year audit. **The 2019 budget reflects a \$7500 expenditure to support a financial audit in 2019 for the 2018 fiscal year.**

### ) **Communications**

The Adaptive Management Plan has a communications component that includes outreach to different stakeholder groups. A variety of communication tools and approaches are being used to accomplish this. In 2018 we developed a periodic newsletter, informational brochures that

partners can use, and a strategic communications plan. **The 2019 budget reflects a \$5000 expenditure for communications support in 2019, a decrease of \$7,000 from the approved 2018 budget.**

) **Miscellaneous**

We have historically included some level of funds for miscellaneous expenditures and/or contingency purposes. Although miscellaneous expenses to date have been relatively low and we expect this trend to continue, it seems prudent to include a limited amount of funding for the miscellaneous category in the 2019 budget. As it relates to contingency, it is worth noting that the ultimate contingency fund is the Yahara WINS designated operating reserve fund. **The total amount allocated for the miscellaneous category in 2019 is \$2,300.**

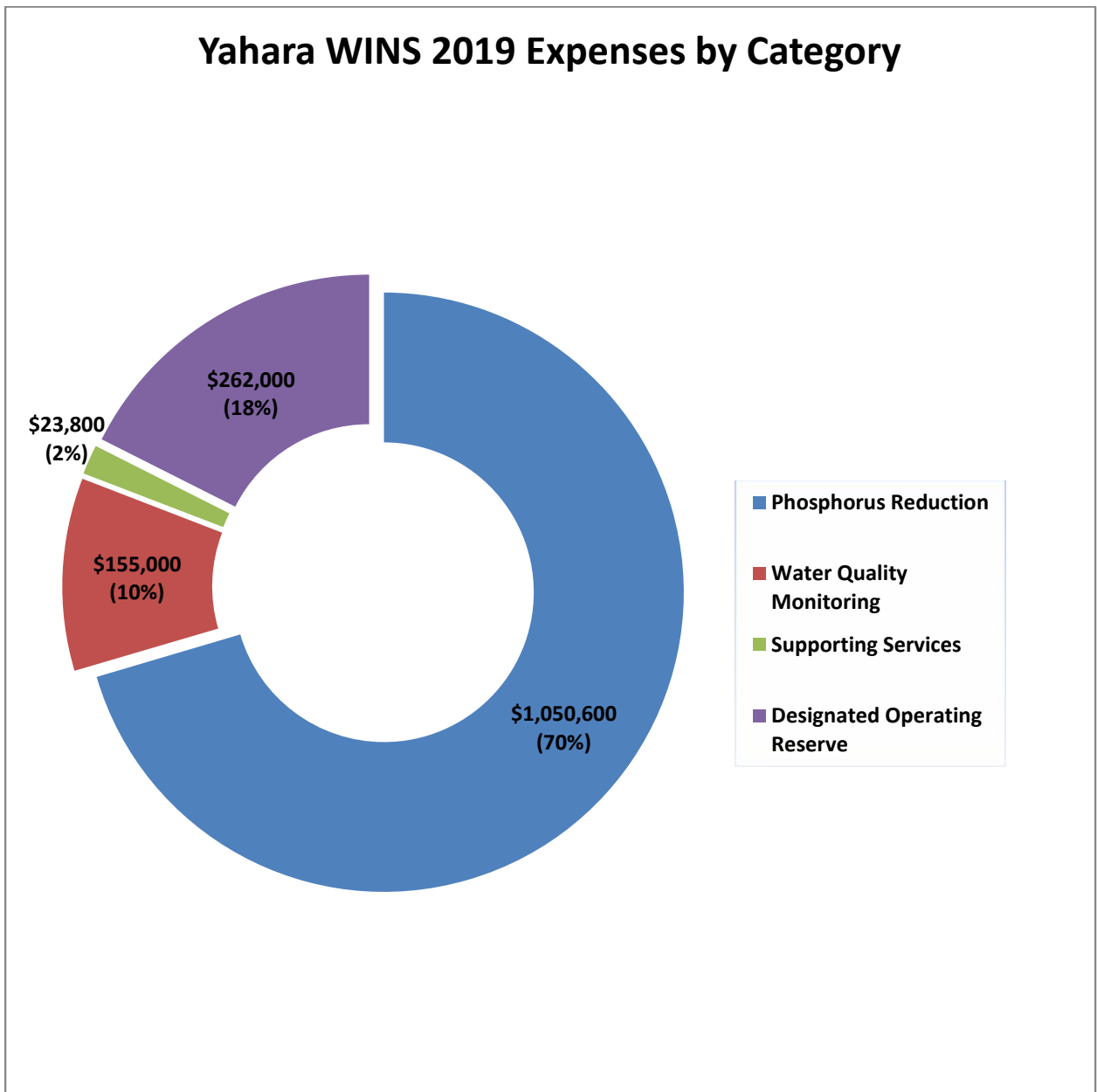
) **Designated Operating Reserves**

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 \$262,000 contribution in 2019. **Per the policy, the total amount allocated for the designated operating reserve fund in the 2019 budget is \$262,000. 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 Yahara WINS effort.**



### D. Expenditures Summarized By Category

The chart below summarizes proposed expenditures by category. Seventy percent of the 2019 expenditures will be used to directly support phosphorus reduction activities in the watershed. This percentage would be significantly higher if one considers that the majority of funds temporarily placed in the designated operating reserve fund will ultimately be used to support future phosphorus reduction activities. Ten percent of the expenditures support water quality monitoring and related activities, while two percent support administrative and related services.



## **E. 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 remaining years (2019-2021) of the initial five-year budget have been reviewed as a part of this year's annual budget cycle resulting in anticipated budget revisions for the remaining years of the five-year budget.

The revised 5 year budget is shown below and the following narrative explains the items highlighted in yellow which have changed since the initial creation of the budget plan in 2016. The amounts shown reflect more accurately with what we are seeing at this point.

### **) IGA participant revenue**

The 5 year budget has been revised to reflect the updated revenue projections from IGA participants based on updated payment calculations. It should be noted that there may be some MS4's who may submit updated modeling information in the future which could impact future revenue amounts.

### **) Rock County Phosphorus Service Agreement Expenditure**

The 5 year budget has been revised to reflect the updated amount Yahara WINS has committed to Rock County as part of the service agreement through 2020. It is anticipated that Yahara WINS and Rock County will enter into a subsequent service agreement for 2020-2023.

### **) General P Reduction Funding Expenditure**

The 5 year budget has been revised to eliminate this line item expenditure for the remaining years reflecting the executive committee decision to allow P reduction project proposals to be submitted to Yahara WINS for consideration but not have an 'earmarked line item.

### **) Phosphorus Reduction Grant Program**

Following the direction of the executive committee, the phosphorous grant program has been adjusted to consider only Innovative Phosphorus Grant Initiatives. This emphasis focuses on new and creative ideas for future phosphorus reduction practices.

### **) Analytical Services Expenditure**

The 5 year budget has been revised to reflect increasing analytical costs and increased sampling effort.

) **Rock River Coalition Expenditure**

The 5 year budget has been revised to more accurately reflect monitoring costs and expected increases necessary in 2020 and 2021 to maintain equipment and train additional volunteers due to volunteer turnover.

) **Monitoring**

The five-year budget included funds in 2019 to support installation of another USGS gaging station that was a placeholder in terms of year and amount and was intended to make sure that adequate funds were set aside to support any additional monitoring that may be needed. We have shifted support for the placement of another USGS gaging station to 2020.

) **General**

All legal and administrative items like communications, etc. have been modified to reflect a more accurate cost of these items based on expenditures the past 2 years.

## 2019 Updated 5 year budget (revised)

	2017	2018	2019	2020	2021
<b>UNENCUMBERED CARRYOVER</b>	\$87,000	\$0	\$0	\$0	\$0
<b>REVENUE</b>					
IGA participants	\$1,467,000	\$1,438,000	\$1,434,000	\$1,434,000	\$1,434,000
Contributions from non-IGA participants	\$17,300	\$17,300	\$17,300	\$17,300	\$17,300
Savings account interest	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
<b>Total Revenue</b>	\$1,572,500	\$1,456,500	\$1,452,500	\$1,452,500	\$1,452,500
<b>EXPENDITURES-GROUPED BY CATEGORY</b>					
<b><i>Phosphorus reduction</i></b>					
Dane County phosphorus reduction services agreement	\$450,000	\$450,000	\$450,000	\$450,000	\$500,000
Columbia County phosphorus reduction services agreement	\$40,000	\$50,000	\$55,000	\$60,000	\$65,000
Rock County phosphorus reduction services agreement	\$100,000	\$180,000	\$250,000	\$60,000	\$65,000
Yahara Pride Farms phosphorus reduction services agreement	\$110,000	\$130,000	\$150,000	\$150,000	\$150,000
General P reduction practice funding	\$120,000	\$20,000	\$0	\$0	\$0
Phosphorus reduction grant program	\$100,000	\$34,200	\$24,000	\$30,000	\$30,000
<b>Subtotal</b>	\$920,000	\$864,200	\$929,000	\$750,000	\$810,000
<b><i>Water Quality Monitoring or modeling</i></b>					
Water quality monitoring analytical services (MMSD)	\$35,000	\$40,000	\$55,000	\$55,000	\$55,000
USGS joint funding agreement	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
New USGS JFA for an additional gaging station	\$0	\$0	\$0	\$20,000	\$0
Rock River Coalition water quality monitoring	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000
SWAT modeling update	\$0	\$0	\$0	\$80,000	\$0

<b>Subtotal</b>	\$135,000	\$140,000	\$155,000	\$260,000	\$160,000
<b><i>General</i></b>					
Yahara WINS staffing	\$43,500	\$46,000	\$5,000	\$10,000	\$10,000
Financial audit	\$0	\$7,500	\$7,500	\$7,500	\$7,500
Communications	\$15,000	\$12,000	\$5,000	\$5,000	\$10,000
Miscellaneous	\$10,000	\$5,000	\$2,300	\$2,500	\$2,500
Legal services agreement	\$20,000	\$8,000	\$4,000	\$4,000	\$4,000
<b>Subtotal</b>	\$88,500	\$78,500	\$23,800	\$29,000	\$34,000
<b>Total Expenditures</b>	\$1,143,500	\$1,082,700	\$1,107,800	\$1,039,000	\$1,004,000
<b>Contribution to designated operating reserve fund</b>	\$480,000	\$315,000	\$262,000	\$184,000	\$197,000