

October 28, 2017

To: TRWC Council Members

From: Karlene McCabe, Transition Manager for TRWC

Re: Background materials for November Council meeting

I am looking forward to our discussions at the Council meeting on November 1. As you are aware an organizational assessment was completed for TRWC in November 2016. I have attached a copy for your review and reference. My work as a transition manager is guided by the findings in this report and additional information gathered from Council members, watershed partners and agencies who fund the work of TRWC.

As noted by Mr. Hazen, "The interviews conducted for the initial assessment produced many shared views. There was general agreement among most Board members with the following statements: (but to be clear: not everyone agreed with everything and some felt more strongly, both for and against, than others.

My role as Transition Manager is to help the Council continue these discussions, help to surface and discuss any concerns, encourage your questions and chart a path forward. To help keep our discussion focused and forward looking I believe we should use two primary guideposts. The first is the vision, mission and strategic priorities for the TRWC. The second are the roles and responsibilities of non profit boards and organizations. I have attached documents with information on both of these important points of reference.

- The vision, mission and strategic priorities of the Tualatin River Watershed Council.
- The roles and responsibilities of non profit boards and organizations.
- The Tualatin River Watershed Council is an incorporated 501c3 organization and as such is subject to both federal and state regulations on how non profits must operate. For an easy reference on these topics I have attached a copy of a Guide to Non Profit Board Service that is published by the Oregon Department of Justice. Please review and bring any questions you might have regarding the operating roles and responsibilities of non profit organizations. We will spend time at future Council meetings to discuss where TRWC is meeting these operating principles and where there is room to improve.

Roles and Responsibilities of Non Profit Boards

The principal role of board members is stewardship of resources to achieve your mission. The directors of the corporation are ultimately responsible for the management of the affairs of the charity. This requires active participation of all board members. The

board must insure that the organization is operated for a charitable/public purpose; it may not be operated for private benefit. Proper stewardship requires that the organization's assets be held "in trust" to be applied to its charitable mission.

One of the most important functions of the board is keeping the resources and efforts focused on the charity's mission. This requires the board to have an adequate understanding of the organization's programs, people and resources available to achieve the organization's goals.

My work with the steering committee and staff over the last two months has been focused on gaining a better understanding of the mission, programs and resources at TRWC and whether the organization has adequate resources and is managing their resources in a way that is focused on your mission. Both my work and the work of the board should be focused on any threat to the short and long term stability of these resources.

The ability to easily obtain some of this data has been difficult as you currently operate under a cash basis for accounting purposes. Will this is not uncommon when organizations first form they normally migrate to an accrual based accounting system after a few years in operation. Accrual accounting allows for better tracking of income and expenses from multiple sources. It also allows you to more easily track income received in one year and expensed in future years and gives you more ability to extract data to see how individual programs are performing for income versus expenses.

While I feel staff and the board treasurer have been diligent in their efforts to account for income and expenses of TRWC I feel it is important to upgrade to an accrual system to bring the Council up to standard financial operating practices for non profits. While this will involve an investment of time and financial resources by TRWC this is a critical step in board governance and financial oversight.

Summary of Findings of the Organizational Assessment

I have used the Organizational Assessment to guide my work as a transition manager for TRWC. I think it is important to highlight some of the major findings of the assessment.

- *Most Board members feel the Council is in a bit of a rut, and is not being as effective or influential as it could be, and many would like to see the Council play a more robust role.*
- *Most Board members are of the opinion that if they don't make some significant changes, funding will decline and the Council may be forced to greatly reduce operations or close its doors, probably within 2-3 years.*
- *Council Coordinator, as the only staff, has been clear that she feels she has no room to do more than she is currently doing and needs help to effectively do all that is on*

her plate right now.

- *The full council has already voted to approve increasing staff capacity.*
- *TRWC is not as visible or as influential as it could be in the community. While all Watershed Councils are somewhat unique, there are helpful lessons and opportunities to be learned from other Councils in Oregon.*
- *Build relationships with other Councils, borrow ideas that are working for them, recognizing that all Councils are different.*
- *Map out a longer term (3-5 years) strategy for the most appropriate role for the Council, and build support within the community.*
- *There is probably a role for TRWC as a convener, though that role needs to be clearly defined.*
- *If changes are made, it appears that there is interest on the part of at least some of the funders to consider additional funds to support capacity building.*

Financial Stability and Sustainability of TRWC

Thanks to the hard work of Jan and April we have a good working relationship with the Oregon Watershed Enhancement Board (OWEB) and have received the full amount of funding allowed under Watershed Council Capacity grants. This amount was set at \$118,425 for most Councils in Oregon for the two year period July 1, 2017-June 30, 2019. OWEB requires that these funds be used to meet five criteria: *Effective Governance, Effective Management, Progress in Planning, Progress in On the Ground Restoration Work and Progress in Community Engagement.*

In order to achieve these criteria Council capacity grants can be used to fund a number of Council activities including staff and operational costs and hiring of contractors. Historically these funds have been used by TRWC to fund your Council Coordinator position as well as operational costs. TRWC has also used these funds to cover some of the costs of your restoration program for project planning, implementation and maintenance and monitoring.

As Council's grow and hire additional staff the OWEB funds typically have gone to support the work of the ED, associated administrative costs and operational costs. Restoration programs at watershed councils with more than one staff member are almost exclusively funded by restoration grant funds and agency contributions specifically given for restoration projects.

For fiscal year 2016/17 the OWEB Council capacity grant funded about 40% of your expenses. Remaining costs were covered by other grants, local partner funding, and indirect income from serving as the fiscal agent for two organizations.

The loss or reduction in funding from any of your local partners will have a significant impact on your ability to meet current operating costs and also impact the ability of the council to grow into a greater role in the basin.

Given the size, ecological resources and diverse and significant economic resources within the watershed it appears that TRWC has the potential to grow into a more significant partner in the basin and to secure the funding needed to support this growth. There are examples of other Councils within Oregon having achieved this growth and greater impact: Johnson Creek WC, Upper Deschutes WC, Long Tom WC, and Clackamas WC.

The DRAFT Vision and Strategy prepared by the transition manager and reviewed by the Steering Committee lays out a potential approach for this growth and expansion of the role of TRWC in the basin. My hope is that this DRAFT will get a conversation started that we can continue at future Council meetings. Our partner agencies have requested that we come to them with an outline of how we see an expanded role for the Council. A Vision and Strategy document can serve as this outline and can be refined as we receive further input from the Council and our partners in the basin.

Opportunities and Time Sensitive Actions

Initial interviews with partner agencies and individuals involved in watershed improvement and education activities revealed a number of time sensitive opportunities for the Council to expand their role within the watershed.

As you are aware the Tualatin Soil and Water Conservation District recently received voter approval of a bond measure to help fund activities within the district boundaries. Similar funding measures have been based in nearby SWCD's. In those cases the SWCD's

have developed Memorandum of Agreements and multi-year funding streams to assist watershed councils with their work within the District's boundaries. This could be a potential funding source for TRWC. However, the Council needs to pursue this opportunity within the next few months as decisions are being made on allocation of the initial funding received.

Clean Water Services and other local agencies are continuing to be thought leaders in how to creatively approach water supply, delivery and treatment challenges. These agencies welcome the input and assistance of non profits in helping to reach out to the residents of the watershed. Funds are available for this work if the Council is able to work constructively and consistently with these agencies and to identify value added projects that utilize the strengths of TRWC.

OWEB has funding available to assist Councils with working with partners agencies to develop collaborative efforts for greater impacts within the watershed and creative approaches to funding operations and staffing needs. There is still funding available for this work and there are some good examples of how other Councils and partners have utilized this funding.

Meyer Memorial Trust recently funded a study of the Financial Sustainability of seven different watershed councils. The findings of this study will help to assist TRWC and other Councils on how to address challenges of long term sustainability of their work.

Tualatin River Keepers is in the process of hiring a new ED. As is typical when a new leader joins and organization there is usually a review and adjustments to their areas of operations. Re-establishing a closer working relationship with TRK during this transition period would be helpful in defining the unique roles of TRK and TRWC.

The Tualatin Conservation Group and Wapato Lake National Wildlife Refuge are beginning to look more in-depth at the priority areas for conservation work within the watershed. TRWC needs to be present at these discussions and determine the most appropriate role for the Council in these efforts. The group is in the early stages so it is an opportune time to be part of this exciting work.

Equity and Inclusion work will be critical as the Council determines if they wish to play an expanded role in the basin. As you are aware the population of Washington County is expected to grow substantially over the next 20 years and it is important for the Council to reflect the diversity of voices of residents within the watershed.

