COON CREEK WATERSHED DISTRICT
Request for Board Action

MEETING DATE:  June 12, 2017
AGENDA NUMBER:  14
ITEM:  MAWD Succession & Strategic and Dues Structure Changes

AGENDA:  Policy

ACTION REQUESTED
Discuss and establish a position on:
1. MAWD By-Laws concerning dues
2. Method of calculating dues amount

BACKGROUND
The Minnesota Association of Watershed District’s (MAWD) is the statewide organization for watershed districts.

At the 2016 MAWD Annual meeting, the MAWD Membership approved a Strategic Plan for the organization. The Strategic Plan contemplates an increase in dues to fund future activities of MAWD. Dues are a component of the MAWD Bylaws and the Bylaws require an amendment to change the dues. Bylaw changes can only occur at the Annual Meeting or a Special Meeting (planned for the Summer Tour), and a call and request for a special meeting was made at the annual meeting.

Currently the MAWD Bylaws Committee and Finance Committee are drafting Bylaw Amendments for consideration by the Membership at the Summer Tour (Special Meeting). One third (or 15 Districts) of the membership are required to request a Special Meeting. The Draft dues structure and Bylaw changes are expected to be distributed in March at the Legislative Breakfast and Briefing.

The dues structure is not the only Bylaw amendment that will be under consideration. Amendments to the bylaws requested include:
1. A revised dues structure to increase revenue;
2. Provide for hiring staff;
3. Align the association fiscal year with the calendar year.

At February 27, 2017 meeting the Board officially requested a special meeting of the Minnesota Association of Watershed District’s (MAWD). The requested meeting will be held as part of the MAWD Summer Tour June 21-23, 2017. The meeting is scheduled for Wed. evening, June 21st.
On May 26, 2017 the District received an email from MAWD with additional information on the proposed budget and dues structure that is being recommended for the future.

**Last Dues Increase**: 2015

**Current Annual Dues Amount**: $4,000

**Timing**: Taking action on a dues change in June of 2017 will allow Districts to incorporate any changes to dues in time for their 2018 budget.

**Coon Creek 2016 Taxable Market Value**: Each year the Board of Water and Soil Resources (BWSR) publishes the Taxable Market Value of all of the Watershed District’s within the State of Minnesota. Coon Creek’s TMV of 2016 is $12,132,421,066 (2016 Abstract of Tax Lists). We are the seventh highest in the State.

**MAWD Current Dues Formula**: It is important to note that while the By-Laws currently use a 0.005 multiplier on the Maximum Levy amount, actual MAWD dues statements use 0.003 instead. We are not sure why the 0.003 multiplier is used but we are recommending use of the 0.005 multiplier with a cap of $12,500 to achieve the projected 2018 dues.

**ISSUES/CONCERNS**

MAWD By-Law Amendment to remove the dues structure and provide that the membership dues be annually set by the Board of Directors

Four options were presented to address this issue:

1. **Budget and dues set by the Board of Directors** provides the flexibility for MAWD to adopt and provide stable funding to the organization MAWD Dues have historically been set by the Membership in the By-Laws. The current Dues section in the By-Laws reads:

   “6.2) Dues, Regular Members. Commencing January 1, 2010, dues structure shall be revised as follows: A District’s dues shall be based upon the total market value of real estate multiplied by .00048 to determine the maximum levy. Then multiply the maximum District levy amount by up to .005 to determine MAWD dues - not to exceed $4,000.”

There is a considerable effort underway in early 2017 to just get the membership to consider changes to the Bylaws. This current process of setting dues into the Bylaws is inefficient and out of step with similar organizations. **MASWCD and AMC dues are set by their respective Board of Directors.**
If the dues structure were to remain in the Bylaws MAWD would have to project budgets and revenue into the future from dues or again go through the arduous process to amend the Bylaws. MAWD is about to undergo considerable change in the next few years, greater flexibility will be required to weather and adapt to these changes.

As of March 15, 2017, draft Dues section being proposed by the By-Laws Committee removes the dues structure from the By-Laws and reads:

“6.3) Annual Dues. Annual dues shall be payable in advance during the month of January of each year. If a member’s dues are not paid on or before April 30 of each year, such member’s name may be stricken from the membership roll. Reinstatement shall be upon such terms and conditions as prescribed by the Board of Directors. The Board of Directors shall have the authority to suspend or defer dues of any newly organized watershed district that joins this association until such member watershed district is in actual receipt of its first authorized fund. The Board shall send out the Annual dues statement with payment directed to the Authorized District Accounting firm. The Board of Directors may consider deferring, suspending, or reducing dues on an individual case basis when an appeal is made by a Watershed District because of hardship or funding problems.”

This is the question and language being voted on at the meeting Wed. evening, June 21st during the Summer Tour.

2. Dues based on MAWD budget developed by Executive Director: With an Executive Director coming on board, drafting a budget for the Board of Directors, identifying new revenue and ultimately recommending dues, for Board approval, would be the role and responsibility of this person.

3. Board of Directors, representing the Membership, sets budget and dues: If the MAWD Board of Directors set the annual dues they may very well use the current or a better formula to set dues. By not codifying the dues into the Bylaws the Board of Directors would have greater flexibility to come up with an approach that provides certainty to MAWD of supporting its mission through dues. It would also allow the MAWD Board of Directors more readily adapt a new dues structure that could better reflect the diversity in size and capacity of watershed districts in Minnesota.

The MAWD Board currently sets all other revenue items in the annual budget, i.e. what to charge for the annual meeting, vendor charges for booth space, training fees, etc. It makes sense that the MAWD Board also be charged with this revenue item as well. MAWD is about to under considerable change in the next few years, greater flexibility may be required to manage and adapt to these changes.
4. **Memorialize dues structure in Manual of Policy and Procedures**: If the Membership approves of removing the dues structure from the Bylaws, the Board of Directors should establish a policy for setting dues and place that policy within the Manual of Policy and Procedures. As part of the development of new Bylaws, the Bylaws Committee has drafted a Manual of Policy and Procedures for consideration by the MAWD Board of Directors.

**Dues Calculation Method**: The MAWD work group is recommending that 2018 dues, set by the Board of Directors, should be based on the formula existing in the current By-Laws. That formula uses the 0.005 multiplier and increases the cap on the maximum dues to $12,500.

**MAWD Recommendation**: The MAWD Board of Directors keep the same basic formula for 2018 with some adjustments.

**MAWD’s Rationale**:
1. This approach is familiar to districts today, it is a minimal change although removed from the By-Laws and many smaller districts would see little change while shifting much of the increase to larger, better funded districts.
2. Uses the same basic formula that starts with Taxable Market Value (TMV) is that each June BWSR distributes a list of all watershed districts and the TMV. This objective, third party report can continue to be a consistent guide for both MAWD and individual watershed districts to estimate dues.
3. TMV are also consistent year to year while other methods such as annual budgets and levies, as a basis for dues, can vary significantly year to year creating uncertainty for both MAWD and local districts on dues revenue or dues as an expense.

Again, the current dues formula in the By-Laws states:

> “A District’s dues shall be based upon the total market value of real estate multiplied by .00048 to determine the maximum levy. Then multiply the maximum District levy amount by up to .005 to determine MAWD dues - not to exceed $4,000.”

The following is an analysis of the seven dues options considered by MWAD and the resultant dues for the District.

<table>
<thead>
<tr>
<th>Coon Creek WD</th>
<th>Current</th>
<th>Dues Options</th>
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<tbody>
<tr>
<td>TMV</td>
<td>2016 Dues (Max Levy x 0.00048)</td>
<td>1</td>
</tr>
<tr>
<td>$12,132,421,066</td>
<td>$5,823,562</td>
<td>$29,118</td>
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An analysis of these dues option relative to MAWDs goals is as follows

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<tr>
<th>MAWD Goals</th>
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<tbody>
<tr>
<td></td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td>$</td>
<td>202,000</td>
<td>247,000</td>
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**District Annual Dues**

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<tr>
<th>Effect on MAWD Goals</th>
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<tr>
<td>$</td>
<td>(5,574)</td>
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<td>$</td>
<td>10,000</td>
<td>229,546</td>
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<td>27,546</td>
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<tr>
<td>$</td>
<td>12,500</td>
<td>258,796</td>
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<tr>
<td>$</td>
<td>56,796</td>
<td>11,796</td>
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**PRIOR DECISIONS**

**12/3/16**: At the MAWD Annual meeting, the membership approved succession/strategic plan for the organization.

1. Hire an Executive Director, and contract staff per the plan Transition Media and Government Affairs’ present duties into an Executive Director as of January 1, 2018.
2. Adopt a budget and generate revenue to implement the plan. The 2018 Budget would be developed by the Executive Director and MAWD Board of Directors for presentation for approval at the 2017 Annual Meeting.
3. 2019 Budgets and beyond would be developed by the Executive Director.
4. Membership dues are one of the primary sources of funding. Cumulative 2018 MAWD dues will increase to the range of $202,000 to $247,000 (2017 dues totaled $118,600). The Executive Director should recommend a budget and dues required in addition to other revenues to implement 2018 transition plan. Any dues increases would start in the 2018 fiscal year budget.

**2/27/17**: Board supported the request for a special meeting of the MAWD membership to discuss the proposed changes to the organizations by-law at the Summer Meeting

**OPTIONS**

The following options depend on the District making its position known at the June 21st meeting. Staff has identified the following options:

1. **Drop membership in MAWD**: Not recommended
2. **Leave dues the same ($4,000/yr)**: Leaving dues as is does not adequately address or solve MAWDs near future fiscal needs, or allow the association to hire an
executive director capable of dealing with watershed issues amongst the State and Federal agencies or at the legislature.

3. **$5,000 per year max**: A maximum dues of this amount does not adequately address or solve MAWDs near future fiscal needs, or allow the association to hire an executive director capable of dealing with watershed issues amongst the State and Federal agencies or at the legislature.

4. **$7,500 per year max**: Of all of the options analyzed, this alternative come closest to MAWDs minimum goal producing $16,251 more than the minimum goal and $28,750 less the maximum goal

5. **$10,000 per year max**: This level of dues produces over $8,000 more than MAWD’s stated goal and $53,000 over the minimum goal

6. **$12,500 per year max**: Provides more revenue over the next 3 to 5 years than the projected need by the association

7. **$15,000 per year max**: Provides more revenue over the next 3 to 5 years than the projected need by the association

8. **A combination of increases over a two to four year period**:

**RECOMMENDATION**

1. Discuss issues
2. Support an option where the Board of Directors, representing the MAWD Membership, setting the annual budget and dues recommended by the Executive Director. This should be in draft form by the summer meeting, any changes in dues should be noticed to the membership by the August 1 and the final approval at the winter meeting in December
3. Support an option where MAWD phases-in dues increases over a three year period not to exceed $9,000 by year 3.