

Nevada County Resource Conservation District: Real Estate Acquisition Trumps Mission

Summary

The Nevada County Resource Conservation District was established in 1943 to help landowners in Nevada and western Sierra Counties establish a balance between a rural environment, a biologically diverse landscape and a healthy economy.

The Nevada County Grand Jury found that the Nevada County Resource Conservation District office has been co-located with the Natural Resources Conservation Service, a branch of the U.S. Department of Agriculture. That office space has been provided by the Natural Resources Conservation Service rent-free.

In the course of its review, the Nevada County Grand Jury also found that the Nevada County Resource Conservation District purposefully increased its monetary reserves (cash and other assets) over a period of many years to approximately \$750,000, almost four times its annual average expense budget. The increase in its reserves was primarily used to fund the purchase of office space that could house a number of local agricultural-related agencies (e.g., the Natural Resources Conservation Service, the Agriculture Commissioner, the Fire Safe Council, the Farm Bureau, the Farm Advisor, etc.). The intent was to create an agricultural resource center to make it more convenient for people who needed to visit more than one of the agencies and that would accommodate attendees at their monthly seminars.

In February 2011 the Nevada County Resource Conservation District purchased office space for \$455,000 in cash, hoping to establish it as the intended agricultural resource center. However, the General Services Administration has not granted permission to the Natural Resources Conservation Service to relocate, and many of the other related agencies decided to remain in their current locations due to financial considerations. As a result, the office space, purchased in February 2011, remains vacant, and the Nevada County Resource Conservation District continues to pay associated costs. If the other agencies co-locate with the Nevada County Resource Conservation District as planned, the office space would not be large enough to hold monthly seminars.

The Nevada County Grand Jury recommends that the Nevada County Resource Conservation District spend its financial resources on activities and programs that support its mission and on increasing the public's awareness of its services. The Nevada County Grand Jury also recommends that the Nevada County Resource Conservation District not allow its financial resources to increase beyond a reasonable percentage of its average annual expense budget, and certainly no more than an amount equal to its expected average annual expenditures.

Reasons for Investigation

The Nevada County Grand Jury (Jury) received a complaint about the purchase of an office condominium (Building) located in the Whispering Pines Subdivision purchased by the Nevada County Resource Conservation District (NCRCD) in 2011.

Background

The NCRCD, established pursuant to Division 9 of the California Public Resources Code, works to restore and conserve the natural resources in Nevada and western Sierra Counties. It partners with landowners and other organizations to promote a balance between environmental concerns and the economic use of natural resources. NCRCD is funded by local property taxes and successful grant applications. The NCRCD is governed by a five-member Board of Directors (Board), appointed by the Nevada County Board of Supervisors.

Procedures Followed

The Jury interviewed members of the Board and NCRCD staff, reviewed financial statements from fiscal years 2002-03 to 2011-12, examined NCRCD's web site and reviewed Board meeting minutes from 2007 to date.

Facts

- F.A.1.** NCRCD's mission is to help landowners establish a balance between a rural environment, a biologically diverse landscape and a healthy economy for the community.
- F.A.2.** NCRCD is governed by a five-member Board appointed by the Nevada County Board of Supervisors.
- F.A.3.** NCRCD's budget for fiscal year 2011-12 is \$202,550.
- F.A.4.** The Nevada County office of the Natural Resources Conservation Service (NRCS), a part of the U.S. Department of Agriculture, provided office space located on Presley Way, Grass Valley to NCRCD, free of charge.
- F.A.5.** NRCS pays rent of \$23,000 per year on the Presley Way office.
- F.A.6.** The Board intended to acquire office space to serve as an agricultural resources center (Center) to house the NCRCD, NRCS, the Farm Bureau, the Fire Safe Council, the UC Davis Farm Advisor, the Master Gardeners, the 4H Club and the Nevada County Agricultural Commissioner in one location.

- F.A.7.** NCRCD told the Jury that they had letters of intent from the Farm Bureau and the Agricultural Commissioner to join them in the Center but were unable to produce them.
- F.A.8.** The NCRCD purchased the Building to serve as the Center on February 15, 2011, for \$455,000 in cash.
- F.A.9.** The Board's decision to purchase the Building was based, in part, on an assumption that NRCS would occupy a portion of the Building and pay rent to NCRCD.
- F.A.10.** NCRCD proceeded to purchase the Building without knowing whether NRCS would be permitted to co-locate with them.
- F.A.11.** After purchasing the Building the Board learned that NRCS was not able to relocate with NCRCD.
- F.A.12.** The NRCS has not received authorization from the U.S. General Services Administration (GSA) to move from its current office space located on Presley Way. The Jury was told authorization to move could take approximately two years from the date of the purchase agreement.
- F.A.13.** NCRCD pays ongoing condominium association fees of \$500 per month and other expenses to maintain the Building.
- F.A.14.** As of May 1, 2012, the Building remains vacant.
- F.A.15.** The NCRCD holds public seminars on topics related to its mission with an annual attendance of approximately 1,500 people (1,200 attend during the County Fair).
- F.A.16.** The Board intended to hold public seminars in the Center.
- F.A.17.** Only after purchasing the Building, the Board determined the space was inadequate to hold public seminars.
- F.A.18.** The NCRCD collects \$5 to \$10 per person attending the public seminars.
- F.A.19.** According to records of the Local Agency Formation Commission (LAFCo), the population served by NCRCD is approximately 100,000 residing in Nevada County and western Sierra County.
- F.A.20.** The NCRCD mailing list consists of approximately five-hundred people (0.5% of the population).
- F.A.21.** NCRCD's budget for publications, communications and educational materials averaged less than \$2,000 per year, over the last ten years.

- F.A.22.** NCRCD receives revenue from a percentage of the General and Special Property Tax bills paid by each property owner annually. Occasionally, NCRCD solicits and receives grant income from various organizations.
- F.A.23.** NCRCD is unable to change its percentage of the General and Special Property Tax directly.
- F.A.24.** At the end of the 2010-11 fiscal year, NCRCD had assets of approximately \$750,000, including the Building and cash reserves accumulated during the previous seven years.
- F.A.25.** A Board member told the Jury that spending on programs supporting NCRCD's mission has been inadequate.

Findings

- F.I.1.** The Board's decision to spend \$455,000 to purchase the Building does not further the stated mission of NCRCD.
- F.I.2.** The Board's decision to purchase the Building in early 2011 was not well-planned, because:
- prior commitments were not obtained from other potential tenants;
 - the space is not large enough to house multiple agencies and host public seminars.
- F.I.3.** NCRCD allowed its reserves (real estate and cash) to grow to an excessive level, nearly four times its average annual budget.
- F.I.4.** NCRCD expenditures on public outreach have been inadequate.
- F.I.5.** NCRCD expenditures on programs have been inadequate in recent years.

Recommendations

- R.1.** The Nevada County Resource Conservation District should devote more effort and financial resources to increase public awareness of its services.
- R.2.** The Nevada County Resource Conservation District should spend its resources to accomplish its mission rather than allowing its financial reserves to accumulate to an unreasonable level.

- R.3.** The Nevada County Resource Conservation District Board of Directors should ensure that all of the Nevada County Resource Conservation District's goals support its mission.

Responses

Nevada County Resource Conservation District Board of Directors: Findings 1,2,3,4 and 5 and Recommendations 1, 2, and 3 – Due Date: September 12, 2012



**Nevada County
Resource Conservation District**

113 Presley Way, Suite One, Grass Valley, CA 95945 530.272.3417 fax 530.477.8055 www.ncrcd.org

September 12, 2012

The Honorable Thomas Anderson
Presiding Judge of the Grand Jury
201 Church Street
Nevada City, CA 95959

Re: Nevada County Resource Conservation District response to Grand Jury findings

Findings:

1. The Board's decision to spend \$455,000 to purchase the Building does not further the stated mission of NCRCD.

Disagree

- *The ultimate goal for the NCRCD was to generate a return on the investment through rental revenues, thus allowing continued programming to further our mission.*

2. The Board's decision to purchase the Building in early 2011 was not well-planned, because:

- prior commitments were not obtained from other potential tenants;
- the space is not large enough to house multiple agencies and host public seminars

Disagree

- *The NCRCD went through the process to secure potential tenants who wanted to know which building would be available before committing to a move.*
- *The NCRCD believed the space was large enough for other agencies; hosting public seminars was not the primary intent of the NCRCD in the purchase of a building.*

3. NCRCD allowed its reserves (real estate and cash) to grow to an excessive level, nearly four times its average annual budget.

Disagree

- *The NCRCD had conserved their reserves and grant administration monies, over many years, for a possible, future Agriculture and Natural Resources Building. This building had been part of the NCRCD Strategic Plan since 2005. Under Division 9 of the Public Resources Code, districts have the "right to own and manage land, easements, and property...Division 9 allows districts to purchase office space as well...they may also purchase land and a building to house the district."*

4. NCRCD expenditures on public outreach have been inadequate.

Disagree

- *The NCRCD has implemented a large number of public outreach events each year, using staff, volunteers, and directors to achieve that goal. Publications, printing, and outreach were done in house as much as possible. Ultimately, the NCRCD worked toward any project in the most cost efficient manner available.*

5. NCRCD expenditures on programs have been inadequate in recent years.

Disagree

- *The NCRCD has consistently maintained very cost effective programming to further the mission and vision of the NCRCD. Many of our programs were funded by grants that were efficiently managed by the NCRCD.*

Recommendations:

1. The Nevada County Resource Conservation District should devote more effort and financial resources to increase public awareness of its services.

The recommendation is being implemented presently

The NCRCD has begun an ad campaign in the Union newspaper, radio ads on KNCO, and implemented numerous seminars throughout the year, and expanded funding to cover these costs.

2. The Nevada County Resource Conservation District should spend its resources to accomplish its mission rather than allowing its financial reserves to accumulate to an unreasonable level.

The recommendation is being implemented

The NCRCD believes a responsible level of financial reserves is a minimum of 1-year operating reserves and reserves for dedicated categories for specific projects.

3. The Nevada County Resource Conservation District Board of Directors should ensure that all of the Nevada County Resource Conservation District's goals support its mission.

The recommendation is being implemented

The NCRCD operates under a 5-year strategic plan that is developed by the NCRCD Board of Directors, NCRCD/NRCS staff, and is frequently assisted by an outside facilitator.

Lynn Laranson
NCRCD Board President