
Coquille Watershed Association
Restoration Enterprise Business Strategy
2007

Prepared by:



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Executive Summary

The Coquille Watershed Association (CWA) represents the leading edge in grass-roots, non-profit watershed restoration groups in the Pacific Northwest. This Restoration Enterprise Business Strategy is part of our strategy to maximize the CWA's mission impacts over the long term. It is our hope that an increased emphasis on earned income generation will result in improved self-sufficiency of the restoration crew and contribute to long-term sustainability for the CWA. Overall, the CWA considers this effort to be supportive of a longer-term effort to establish a diversified, sustainable funding base for the organization.

Specific Strategic Initiatives:

- **Staffing:** Implement a revised staffing approach that creates needed increases in efficiency and flexibility within the organization to respond to fee-based contracts.
- **Staffing:** Expand staff capacity through capitalization of a REC Manager with a portion of their FTE devoted to marketing and relationship management.
- **Operations:** Refine contracts management system to deliver professional level contracts and invoicing.
- **Fundraising:** Obtain grant funding target specifically on support the start up phase of the REC.
- **Market:** Pursue state and local agencies and tribes as initial market; build business to work with private land managers and federal agencies in the mid to long term.

Financial projections provided in this document are based on an expected decline in grant funded restoration projects, and an increase in contract funded projects. As a result, the REC will become less dependent on grant funding (e.g. OWEB) over time. However, in order to achieve this shift in revenue sources, personnel must be re-directed and added to cover the expected work items in the start-up phase of the REC.

Background

The Coquille Watershed Association (CWA) represents the leading edge in grass-roots, non-profit watershed restoration groups in the Pacific Northwest. Now 12 years old, we have established ourselves as a trend-setter in developing innovative strategies to accomplish long term watershed restoration goals in this critical coastal Oregon watershed.

The Coquille watershed retains one of the most diversified land ownership patterns of Oregon Watersheds. While the U.S. Forest Service and the Bureau of Land Management manage substantial tracts of land in the basin, over half of the watershed is in private ownership, with a healthy mix of large, industrial land owners and small woodlot and farm operations. As a result, we have developed partnerships with both public and private landowners interested in watershed restoration, wildlife habitat improvement and improved stewardship practices.

Currently operating with 11 staff members and 20 board members, the CWA offers a broad range of watershed restoration services. Our primary focus has been riparian and wetland conservation and restoration, with core service competencies in fencing, planting, in-stream habitat enhancements, erosion control, culvert repair and replacement, and weed control. All projects are linked with a growing monitoring system.

In 2006 the CWA elected to enter into a business planning process with the goal of researching and evaluating opportunities to expand earned-income generation through the sale of restoration-related services. It is the CWA's hope that an increased emphasis on earned income generation will result in improved self-sufficiency of the restoration crew and contribute to long-term job stability for CWA staff. Overall, the CWA considers this effort to be supportive of a longer-term effort to establish a diversified, sustainable funding base for the organization.

Current Operating Environment

While the CWA continues to build a waiting list of high impact watershed restoration projects within the Coquille basin, access to funding support for projects and the organization remains a challenge. Currently, funding support from the Oregon Watershed Enhancement Board (an Oregon State agency) comprises a significant but declining portion of the CWA budget.

In 2004 the Oregon Watershed Enhancement Board published a “Sustainability Plan,”¹ a document focused on the long-term sustainability of the watershed restoration industry in Oregon. Two of the three goals in the Plan speak directly to the importance of developing restoration enterprises that achieve mission impacts while improving the financial bottom line of watershed organizations:

- Job creation in the restoration economy
- Increasing the long-term viability of groups that are critical delivery mechanisms for watershed restoration and protection.

OWEB’s emphasis on the development of sustainable, locally-based restoration enterprises was established as an important criteria in the creation of the 2005-2006 Local Innovation Fund grant program (LIF). The LIF specifically requested projects that would demonstrate opportunities to develop long-term, quality watershed restoration jobs in Oregon. In response to the challenge of becoming both more self-sufficient, and contributing to the development of the local Coquille Basin economy, we have evolved to this REC approach. It is clear to our Executive Council and staff that an entrepreneurial, market-based approach is required to ensure success and sustainability for the organization. We believe the key is ***to market a set of products and services that appeal to the self-interest of our constituency. To create an approach that supported local investment in restoration and conservation activities and resulted in measurable returns on that investment.***

¹ OWEB Sustainability Plan, 2004,
http://www.oregon.gov/OWEB/docs/pubs/OWEB_Sustainability_Plan_2004.pdf

REC Business Strategy

The REC Business Strategy is a staged approach that moves the entrepreneurial REC effort from depending on grant subsidy to an increasingly self supported program of the CWA. Based on the 3-year pro forma developed for this Business Strategy, we project that fee for service (i.e. non-grant funded service contract) projects will generate 50% of the REC's operating costs by year three. This model delivers an integrated mechanism to accomplish restoration on private lands beyond that mandated by regulation. Start up subsidy through grant funding is key to our strategy, but, this investment in local community capacity provides a pathway for long-term local support. We believe that a robust restoration services business line for our organization will ultimately result in a net gain in local participation in species recovery and water quality improvement efforts. Local, defuse funding of restoration work is a necessary component in order to make significant progress toward sustainability.

The following bullets detail the key elements of the REC business strategy:

- **Deliver watershed restoration services to a broader audience**

Communication with potential clients (detailed in the Appendix) indicates that initial fee for service contracts that cover the full cost of REC activities (i.e. non-subsidized restoration services) will be generated primarily through the CWA's existing relationships. Existing CWA contacts at federal and local government agencies, private industrial timber land owners and tribal entities all indicated substantial willingness to engage the CWA on specific fee-for-service contracts.

- **Fee for service activities, not limited to watershed boundaries**

All potential customers consulted indicated willingness to contract with the CWA for restoration services. All of the customers contacted in the preliminary market assessment have operations and property under management both within and outside of the CWA particular watershed boundaries. A reasonable geographic range for the CWA REC, based on customer relationships and logistical and cost considerations (e.g. fuel costs) includes northern Curry County, Coos County and western Douglas County.

- **Long-term job stability for CWA restoration crew staff plus full 12 month employment w/ benefits**

The CWA currently offers living wage rates as well as health insurance to all employees, including members of the Restoration Enterprise Crew. The preliminary market assessment suggests that the projected hourly rate for fee-for-service REC services (\$25-\$29 per person) matches the expectations of potential customers. The hourly rate projected by the CWA is sufficient to support competitive wages and benefits. It should be noted that significant variation in the structure of service contracts is expected. Potential contract opportunities range from standard fee-for-service relationships with private timberland managers to stewardship services contracts with federal agencies. The variety of customers will result in on-going variability in service fees, both below and above the projected “retail” rate of \$25-\$29/hour.

- **Improved self-sufficiency and diversified funding sources**

The calculated “retail” wage rate for CWA contract services is designed to provide full cost-recovery for staff assigned to the REC, i.e. fee-for-service contracts will not be directly subsidized by grant funding. Further, it is anticipated that revenue earned above the internal cost recovery margin will flow back into the CWA’s unrestricted funds, providing support for programmatic watershed restoration activities.

- **Fee for service projects must be linked to the CWA mission of watershed restoration and economic development**

During the preliminary market survey, it was clearly indicated to potential customers that, although the REC would be available to do work outside of the CWA “home” watershed, contract services projects would need to fall within the CWA’s mission of watershed restoration. Broadly speaking, this preclude such activities as commercial tree planting and road building, or, put another way, activities generally associated with commercial timber management.

- **Conservation and rational economic self interest can be reinforcing goals**

The interest sustainability, both environmental and economic, is growing on the south coast. “Stewardship” both as an organizing concept and a day to day practice is emerging as a popular term to characterize the place where good environmental practices translate

to good business practices. Our preliminary market research indicates that potential REC customers are not only exploring new ways to be sustainable land stewards, they are actively seeking opportunities to fund restoration work. Fisheries, tourism and clean water all represent economic opportunities that benefit from restoration activities. It appears that the REC could be a key tool in supporting the emergence of stewardship practices across the region.

Market Approach

The ultimate availability of high value contracts (both in terms of revenue and mission) is difficult to determine lacking a designated marketing approach and manager for the REC. That said, several opportunities are gaining momentum in the immediate ‘work-shed’ of the CWA and should be pursued in the start up phase of this effort:

- **Stewardship Contracting**

This is not uncharted territory for non-profit restoration groups, but success in acquiring and / or participating in a USFS or BLM stewardship contract will require the CWA to navigate a complex process that, at the out-set, has a high risk of not yielding a viable contract project. However, Lomakatsi, a non-profit restoration firm based in Ashland has had success in pursuing a stewardship contract and is willing to coach a CWA staff member in the process.

- **Federal agency contracts**

85% of U.S. Forest Service contracts are set aside for small business, which excludes small non-profit businesses. One possible approach would be to use a intermediary private contractor that would secure the USFS contract, and then proceed to sub-contract with CWA. However the USFS has indicated that a private firm sub-contracting with a non-profit would not be approved with controller general.

- **State and local agencies and tribal governments**

In the near-term, these are the customers that should be targeted in a start up marketing approach. Based on preliminary research, these entities have both viable, large projects and more flexible funding (compared to federal agencies). The key to building a state and local agency client base will be regular relationship management with key contacts in

each agency. Without an REC Manager to maintain regular contact, it is likely that possible contracting opportunities will pass the CWA by.

- **Expanding existing landowner relationships**

In a mid to long term approach, client relationships with both large and small private landowners will likely be the most lucrative and stable source of restoration contracts. Large woodland management companies such as Plum Creek and Weyerhaeuser have substantial and growing needs for restoration work on their lands and are moving toward contracting for work rather than completing it in house.

Staffing and Operations

We believe the key innovation for launching an enhanced REC capable of performing effectively on a fee-for-service basis will be the establishment of a new management position. Historically, Oregon watershed associations have acted as community-based NGO's, or more passively, as pass through organizations funneling money to private restoration contractors. All though there are hundreds of examples of entrepreneurial non-profits delivering services at market rates, watershed associations have not necessarily performed as "entrepreneurial organizations," i.e. seeking and serving market opportunities on a fee-for-service basis.

In order to develop a successful fee-for-service component of the REC, the CWA will need to develop increased entrepreneurial capacity. We propose the creation of a new position to manage the expanded REC. The REC Manager will be responsible for day to day contract management, financial management, marketing and product development for the REC. Most importantly, the REC Manager must be adept at small business management and marketing. The REC Manager would report directly to the CWA Director, but should be expected to manage the REC as a discreet program, focused on delivering fee-for-service based products that meet mission goals and deliver earned income to the CWA's bottom line.

Additional operational changes we intend to pursue in preparation for launching the REC:

- Spread responsibilities and accountabilities across the organization;
- Centralize administration and operations in a new management position, freeing up Executive Director's time to focus on organizational development, program development, and fundraising;
- Upgraded systems to accommodate for growth;
- Enhanced staff capacity and tenure through professional development training and performance management systems;
- Enhanced Board capacity to govern through increased involvement; and
- Efficient and responsive operating systems that result in cost savings and instill confidence in funders and clients.

Financial Projections

REC Three Year Expense Projection

Restoration Enterprise Crew Program Budget EXPENSES							
<i>Employee (salaries, wages, benefits, taxes)</i>	2007	2008	2009	<i>Wage</i>	<i>Internal Rate</i>	<i>% allocated to REC</i>	Notes
FT Executive Director*	\$6,912	\$7,119	\$7,333	19	24	15%	3% annual increase for all positions
FT REC Manager	\$43,200	\$44,496	\$45,831	17.5	22.5	100%	
FT Crew Member	\$44,160	\$45,485	\$46,849	15	23	100%	
FT Crew Member	\$44,160	\$45,485	\$46,849	15	23	100%	
FT Crew Member	\$44,160	\$45,485	\$46,849	15	23	100%	
FT Crew Member	\$44,160	\$45,485	\$46,849	15	23	100%	
FT Crew Member	\$44,160	\$45,485	\$46,849	15	23	100%	
Total Wage/Salary Expenses	\$272,919	\$281,107	\$289,540				
*Full time hourly allocations based on 1920 hours/year							
Advertising	\$2,000	\$2,000	\$2,000				Media buys, publications (brochures), advertising, attending trade shows and customer events
Communication and Events	\$500	\$500	\$500				
Conferences, Meetings, Workshops	\$1,000	\$1,000	\$1,000				
Professional Development	\$4,000	\$3,000	\$3,000				
Internships							
Dues and memberships	\$200	\$200	\$200				
Office equipment rental							
Insurance	\$3,000	\$3,000	\$3,000				
Rent	\$1,000	\$1,000	\$1,000				
Licenses and Permits	\$2,000	\$2,000	\$2,000				
Bank fees	\$500	\$500	\$500				
Maintenance							
Equipment Maintenance	\$2,000	\$2,000	\$2,000				
Professional fees							
Accounting	\$1,000	\$1,000	\$1,000				
Legal							
Supplies							
Software	\$1,000	\$1,000	\$1,000				
Subscription and Publications	\$100	\$100	\$100				
Project supplies and material							Project supplies and materials considered as direct expense for fee-based customers, not included in annual budget projections
Office supplies	\$500	\$200	\$200				
Equipment Rental							
Mileage							Project and contract mileage not included in program budget
Taxes (internet/telephone)							
Travel	\$3,500	\$2,000	\$2,000				Marketing travel, travel to trainings and conferences.
Utilities							
Total Operating Expenditures	\$295,219	\$300,607	\$309,040				
Capital Expenses							
Restoration Equipment (crew vehicle, equipment)	\$5,000	\$3,000	\$3,000				
Computer hardware and software	\$2,500	\$500	\$1,000				
Total Capital Expenditures	\$7,500	\$3,500	\$4,000				
Total Expense	\$302,719	\$304,107	\$313,040				
Operating Reserve (proposed)	\$1,000	\$5,000	\$5,000				

REC Three Year Revenue Projection

REC REVENUE	2007	2008	2009		
Grant Supported Restoration Projects	\$350,000	\$90,000	\$75,000		Crew costs only, does not include direct costs (mileage, materials, consultants related to restoration projects)
Contract Services					
Plum Creek	\$30,000	\$40,000	\$55,000		
Federal Stewardship contracts	\$25,000	\$35,000	\$40,000		
Tribal entities	\$10,000	\$15,000	\$15,000		
Coos County	\$10,000	\$15,000	\$15,000		
Coos Watershed Association	\$10,000	\$7,000	\$7,000		
Un-identified	\$5,000	\$15,000	\$20,000		
Total Contract Revenue	<u>\$90,000</u>	<u>\$127,000</u>	<u>\$152,000</u>		
Total Revenue	\$440,000	\$217,000	\$227,000		
<i>Contract Income Generated as % of</i>					
<i>Operating Cost</i>	30.5%	42.2%	49.2%		
<i>Subsidy</i>	(\$137,281)	\$87,107	\$86,040		

Appendices

REC Manager Position Description

Job Title: Restoration Enterprise Manager
Reports To: CWA Director

POSITION PURPOSE

Responsible for managing Restoration Enterprise Crew activities in coordination with CWA Director. Lead responsibility for managing REC marketing strategy, relationships, contracts, product development, and financial and employee management.

ESSENTIAL DUTIES AND RESPONSIBILITIES include some or all of the following. Other duties may be assigned.

- Supervise REC staff to ensure maximum efficiency and high quality performance.
- Identify customer needs and business opportunities and work with CWA Director to develop appropriate products.
- Develop marketing strategies, promote product offerings, conduct client visits, and establish referral relationships.
- Manage client contracts, negotiate terms of engagement.
- Manage relationships with a wide array of entities including local, state and federal government agencies, private timberland owners, tribal entities, sub-contractors.
- Prepare, monitor and administer REC budget.
- Review and adjust REC business plan as needed.
- Implement financial procedures for accurate records, reporting, and invoicing of customers.
- Ensure compliance with all financial and contract reporting requirements.
- Develop and maintain operating policies and procedures, including training, communications and reporting.
- Train staff to perform current jobs well and to become promotable to other positions.
- Share information and knowledge with watershed industry colleagues to enhance the knowledge base and productivity of restoration enterprises across the industry.

MINIMUM EDUCATION REQUIREMENTS

Bachelor's degree, four years college, or equivalent experience.

MINIMUM WORK EXPERIENCE

Five years relevant work experience, with specific emphasis on watershed restoration work and small business management.

OTHER SKILLS AND ABILITIES

- Demonstrated ability to negotiate effectively and firm understanding of contract principles.
- Understanding of the principles of watershed restoration work in western Oregon.
- Demonstrated ability to efficiently manage small business operations while maintaining quality of product and high level of customer satisfaction.
- Strong customer orientation
- Demonstrated commitment to CWA mission and values

CERTIFICATES, LICENSES, REGISTRATIONS

Not completed.

PHYSICAL DEMANDS

Not completed

Market Information

Customer Description	Products / Services (CWA services)	Potential Projects (specific projects)	Projected Start Date and duration (Date and Months)	Amount available (\$)	Bid required (y/n)	Special Notes	
Coos County Forest - Owns and manages 15,000 acres of forest land. Primary activities include tree planting, limited pruning and thinning, and commercial harvest. Previously completed road and landing surveys (Coos Waterhshed Assc.) and some stream survey work.	Fencing	Currently uses professional reforestry firms for commercial planting. Very little non-commercial planting	Summer work	\$23/hour	Y	Primary contractor relationships are with re-forestry firms (e.g. Professional Reforestation of Oregon, Honer Timberland Management). "Hack and Squirt" contract requires that contractors have a Farm/Reforestation Labor Contractors Liscense, bonded to \$5000 and have a Commercial Chemical Applicators Liscense. Much of Coos Co. Forests day to day maintenance work is done by inmate crews from Shutter Creek. Coos Co. Forest operates on a "last in line" relationship with Shutter Creek, meaning that they get crews on occasions when other jobs are not available. As a result they receive a cut rate of \$150/day for 1-2 10 man crews. Regular rate is +/- \$300. May be some short term oppotunity to replace Shutter Creek contracts due to loss of saw operation privileges, but probably would not pay \$25/hour CWA rate. Certify crew as wildlands firefighters in order to provide first response services for local wildfire emergencies	
	Tree planting						
	Erosion Control						
	In-stream enhancements						
	Small culvert work	Occassional contracts for "hack and squirt" operations to control weed and unwanted plant growth.					
	Noxious weed treatment and removal						
	Road inventories						Have completed most road inventory work.
	Road decommissioning						
	Wildlife surveys / projects						
Monitoring							
U.S. Forest Service, Powers Ranger District - Manages timber sales, restoration projects, road work, trail work and other forest management work in the Roque-Siskiyou National Forest.	Fencing	No	Stewardship contract timber sales have a 3-year window to complete the contract. Cash flow is tied to portion of the contract complete. This element of the timber sales makes the timing of cash availability for service contracts unpredictable. However, the District expects that a consistent level of annual sales will be available for the foreseeable future			Primary oppoturnity is Stewardship Contracts. The Powers District will sell timber sales, retain receipts and use a portion of the receipts for service contracts. District expects that total timber sales contracts available for retained receipts on an annual basis to be \$1 million with \$300,000 available for non-road related service contracts. Service contracts may include: P.O. Cedar treatment, noxious weed treatments, trail maintenance, riparian thinning, specialty riparian and understory planting, tree-topping for habitat trees. Future stewardship contract sales will be designed in part by the Coastal Healthy Forests Project, a collaboration between the District and area high schools, training students in high level forestry. Bidding for contracts will provide preference to local (e.g. Coos County) Contractors.	
	Tree planting	Port Orford Cedar treatment					
	Erosion Control	Limited - probably will be bundled as separate road work contracts					
	In-stream enhancements	Yes					
	Small culvert work	Yes					
	Noxious weed treatment and removal	riparian thinning and replanting with other species					
	Road inventories	No					
	Road decommissioning	Yes					
	Wildlife surveys / projects	Yes					
Monitoring	No						

<p>BLM Coos Bay District - Manages a variety of land types in Coos, Curry and Douglas Counties. Previous arrangement with CWA allowed for no-bid contracting for projects using Jobs in the Woods funding. Current procurement rules require bidding.</p>	<p>Fencing Tree planting Erosion Control In-stream enhancements Small culvert work Noxious weed treatment and removal Road inventories Road decommissioning Wildlife surveys / projects Monitoring</p>	<p>Yes Limited opportunities for beach grass and noxious weed removal</p>	<p>The BLM is currently working on a second round of stewardship contracts, exact date of release is unclear. Previous contract was maintenance for the Dean Creek Elk Preserve.</p>		<p>Possible emerging opportunities in Stewardship contracts - potential to collaborate with other contractors in a "bundled services" approach. CWA would provide restoration work and other services and a logging firm and/or road maintenance firm would provide the timber harvesting "services"/bid. Timber harvest aspect has to be secondary to the restorative purpose of removing the wood - clear cut alder, plant it to conifer. Several of the CWA's existing relationships may be suitable for collaboration on stewardship contracts (e.g. Blue Ridge Timber). Curry county Weed Board is starting to develop weed management areas on the Sixes River, may need contractor assistance for weed treatments. Crew members could train for in-stream design expertise. Currently using Youth corps - noxious weed removal, tidegate and culvert</p>
<p>Coos County Road Department - The Road Department manages a variety of culvert replacement and erosion control projects on an annual basis, also has managed some mitigation of the Coos County Natural Gas Pipeline impacts.</p>	<p>Fencing Tree planting Erosion Control In-stream enhancements Small culvert work Noxious weed treatment and removal Road inventories Road decommissioning Wildlife surveys / projects Monitoring</p>	<p>Yes, limited Yes Maybe</p>			<p>The Road Department's budget is in limbo until the fall. Has several projects that the CWA could bid on, primarily related to erosion control and culverts. Also sees an opportunity to link the CWA with road building sub-contractors to perform erosion control services on road projects.</p>

<p>John Moore, Plum Creek Timber - With recent acquisitions (international paper and georgia pacific) have become the largest timberland owner in US - 9 million acres. All land is SFI certified. Holdings in Coquille are approx 110,000 acres. Likes watershed council and is interested in supporting as long as they are competitive. Implied he would rather it not be subsidized. Theie budget cycle is in the fall (Sept) so discussions for planning and budgeting for 2007 projects woulod need to occur in summer 2006. They usually put larger projects out to bid and give smaller ones to companies they know and trust and who have performed. Said he would consider CWA in this category. Appeared geniune about willingness to establish a relationship and liked the idea of them generating revenue and diversifying income stream. Was unable to give specifics on volume and duration of projects - said they varied too much.</p>	Fencing	No			No	
	Tree planting	Maybe - on smaller scale, site specific			No	
	Erosion Control	Maybe - on smaller scale, site specific			No	
	In-stream enhancements	Yes			No	
	Small culvert work	Yes			No	
	Noxious weed treatment and removal	Yes			No	
	Road inventories	yes			No	
	Road decommissioning	yes			No	
	Wildlife surveys / projects	maybe - on smaller scale, site specific			No	
	Monitoring	Maybe - on smaller scale, site specific			No	They do their own GIS