

WACD Plant Materials Center Report 2020

Introduction: Fiscal Year 2019-20 was challenging for the PMC. The year was divided by the March 23rd Stay-at Home order. Prior to that day the PMC was posting sales at a record pace, harvest was coming to an end and everything was working normally. The stay-at-home order was announced on March 23rd and permitted Ag to continue, which the PMC did. That allowed for the completion the of harvest, continue selling and shipping, and start the 2020 growing season. After that day the phones became quieter however, new sales slowed and some orders were cancelled. In spite of it all, it was a record year. Total revenues exceeded projections, expenses were close to budget and 1.9 million conservation seedlings and live stakes were sold and shipped to 309 customers that placed 510 orders. 30% of those sales went to Washington State Conservation Districts, with the balances going to other customers.

Fiscal Year 2019 – 20 Financials: The WACD financial reports are included in the meeting packet. The total revenues, expenses and net revenues for the last 7 fiscal years are below:

Fiscal Year	Revenue	Expenses	Net Revenue
'19-20	1,212,433	1,154,967	57,466
'18-19	1,194,607	1,004,091	190,500
'17-18	1,102,054	999,629	102,425
'16-17	1,160,241	968,439	191,802
'15-16	1,028,667	935,031	93,635
'14-15	1,014,805	885,807	128,950
'13-14	1,006,617	861,517	145,100

- Most revenue line items exceeded their budget projections for the year, for total revenue of \$1,212,433.
- Expenses were up for the year. A few items that noticeably increased were Bank / Credit Card Charges because more customers used credit cards to pay, Packaging Supplies because of a decreased need last year due to a surplus from previous years, an unprecedented \$20,000 income tax bill (more on that later), increased staff wages resulting from the addition of a Crew Supervisor and higher wages for seasonal wages due to a 12% increase in minimum wages.

Current Year:

Sales: As one might expect during a pandemic, sales are off from last year. As of November 13, \$805,000 in sales have been posted. There were \$894,000 in sales this time last year, which is a 10% decline. That is certainly concerning but not unmanageable. Sales are still the 2nd highest sales of all time for this time of year and there is always a chance that we can make up for lost sales. Of course, there is also a possibility that they could decline further if COVID becomes more of a problem. The number of orders is up but they are smaller on average. There has been strong demand for the forestry species but a decrease in deciduous trees and shrubs used in streamside and wetland projects. These cancellations have been largely attributed to COVID, either out of concern of safely running planting crews, or loss of funding.

Operations: Equipment and facilities are all in good working order there has not been any major equipment replacements or purchases this year. Of course, that could change in a moment. Two new strapping machines were purchased to replace a couple that had lived long, productive lives. The biggest change to operations is due to work-place COVID regulations (see below). The new forklift that was purchased last year has improved efficiency and provided much needed backup if the older one goes down. Overall, the PMC is ready to start harvest.

COVID: The PMC makes an effort to stay abreast of ag workplace COVID regulations, which is not easy. Thankfully the Washington State Farm Bureau has taken the lead on interpreting the rules and communication them to members. They have provided a COVID response plan, which we incorporated into our plan, signage for mask requirements, No Entry signs for visitors and regular updates as things change. They have provided free masks, hand sanitizer and disinfectant as well. Thanks, WFB.

The biggest challenge in remaining compliant with these regulations is yet to come and that is harvest. We require 20 seasonal employees to harvest 2 million plants during the dormant period. Maintaining 6' personal distancing has required reconfiguring the processing line and lunch room. Everyone is required to wear masks, wash hands frequently, use hand sanitizer liberally and surfaces are wiped down with a sanitizing solution daily. Temperatures will be taken in accordance with Farm Bureau recommendations and anyone who is sick will be sent home. COVID testing will be required if there is a fever and their work and break areas will be thoroughly cleaned. The most difficult part of this is not knowing what the coming weeks and months hold. Hopefully these precautions work and we can avoid an extended shutdown.

Other:

- Crop Insurance: There is a new USDA crop insurance program that is geared for diverse nursery operations. In the past we would have had to get a different policy for each species grown here which was not worth the expense. This one allows categorizing multiple species into larger groups. Three of the categories apply to PMC stock; conifers, deciduous trees and deciduous shrubs.
- IRS: A few years ago, the IRS mistakenly withheld backup withholding tax from the PMC, which was surprising since the PMC is not liable to pay backup withholding tax. What was more surprising was they refunded it twice. Even more surprising was that they did not want it back even when pressured stating, that they did not make a mistake and that it was ours.

Fast Forward to last September when we received a refund check from them for all taxes paid on the 2018 tax return, with interest. Our accountant felt that those taxes were owed and that we should contact them to see if they want it back. Once again considerable time was spent on the phone in a vain attempt to give it back. Once again, they held to their position that they did not make a mistake and the money was ours. Our accountant is looking into it further and advised us to deposit it in a separate account, just like the duplicated refund of the backup withholding tax. Those funds are deposited with Edward Jones in a money market secured by US treasuries. They are on the balance sheet as IRS Deposit (Edward Jones) \$ 53,291.

- New Crew Supervisor: The PMC lost a good crew supervisor when she returned to school full time this fall. An equally capable replacement was found with Maria Ramirez. She is a welcome addition to the team and we look forward to working with her in the years to come.
- Harvest: Harvest is scheduled to begin on December 1. A seasonal crew has been lined up with mostly outstanding returnees, which is one bright spot. Starting in the midst of the 3rd wave of COVID infections is not a bright spot. We will do our due diligence to avoid placing employees and customers at risk for COVID and try to maintain the pace necessary to complete it before the plants break dormancy, which is late March. Time will tell.

On Behalf of PMC staff, thanks go out to the many supporters of this endeavor. There are too many to mention but you know who you are and be assured that we do too.

