

A Review of Conditions in Curry County, Oregon

Issues of Fiscal Health & Economic Development

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A. EXECUTIVE SUMMARY

The purpose of this project has been to review the social, political, fiscal and economic variables at play in Curry County with the goal being to recommend options that the county government can take to stabilize their fiscal condition and improve economic development outcomes in the region.

This project was initiated as a result of conversations between Curry County, the Association of Oregon Counties and Portland State University's Center for Public Service in the Hatfield School of Government. Given the structural challenges that many counties in Oregon are facing, the current recession and the long-standing reliance on federal timber payments in much of rural Oregon it was suggested that Portland State University along with Oregon Solutions may be able to provide some value to the discussion and development of possible solutions. Work required for this project was completed in ten weeks by an Executive Leadership Institute (ELI) fellow at Portland State University.

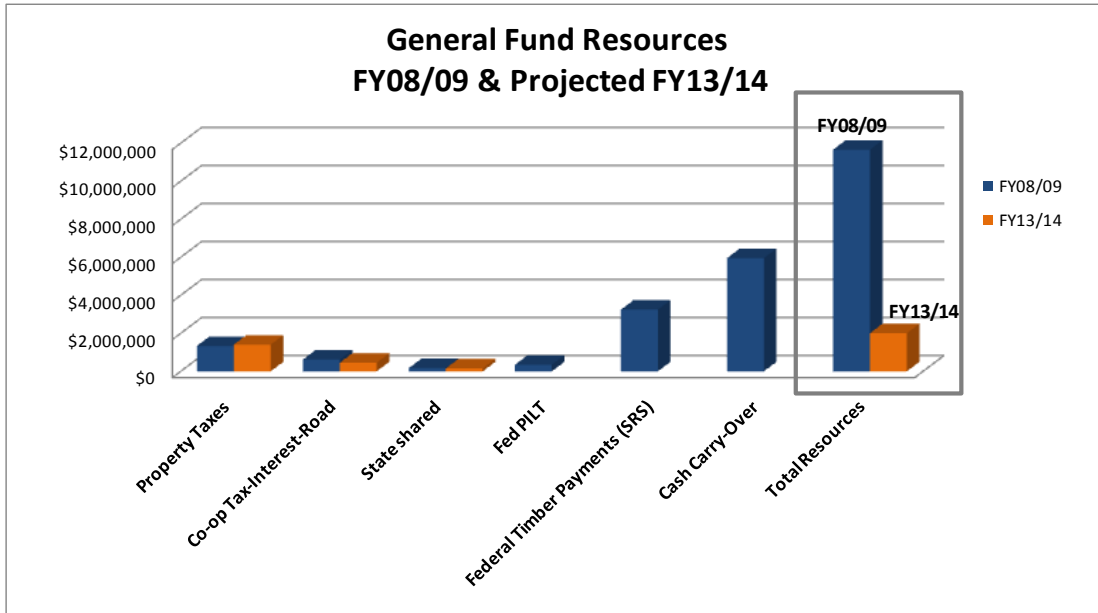
Included within the scope of this project was a review of the issues surrounding Sudden Oak Death Syndrome (SOD) in Curry County. Of specific importance was the impact of the pathogen on the region's nursery and forest products industries. A summary of SOD research findings can be found in Section D of this report.

Summary of Fiscal Distress

For years, Curry County has been faced with the realities of dwindling timber revenue, a constrained property tax system and limited economic development opportunities. Regardless of the county's best efforts to reduce public safety costs and implement other efficiency improvements the organization may become insolvent. Representatives of Curry County feel service levels have been cut so dramatically that any additional cuts would require complete closure of necessary departments. In an effort to increase revenue for the general fund, the county attempted to pass an operating levy to fund public safety services. It was overwhelmingly rejected by voters in November of 2010, 72% to 28% with a participation rate of approximately 63% of registered voters (Curry County Pilot).

A projected general fund deficit has forced the county to balance the fund by cutting services and by using reserves set aside in prior budget years. However, that available balance is being drawn down quickly and the possibility of a complete end of all timber payments after the fall of 2011 means that Curry County may use up all available fund balance as early as FY12/13. Graph #1 shows how total general fund yearly resources will drop from about \$12 million in FY08/09 to about \$2 million in FY13/14 as federal timber payments come to an end and as the fund reserve (cash-carryover) is drawn down to pay for existing services. Based on projections, expenditures will exceed resources in the general fund by over \$350 thousand in FY 12/13. In FY 13/14 and beyond, if timber payments are no longer available, the deficit could be more than \$3 million per year. With this looming yearly deficit, the commissioners have taken increasingly severe steps to overcome the situation but have expressed concern regarding their ability to connect effectively with the community on tough issues.

Graph #1



Data Source: Curry County Staff

The county is actively pursuing efforts to restructure the organization and facilitate economic development which will help to reduce expenses and bring in much needed revenue to the organization. However, statements made by the commissioners and community members indicate that a need exists for a coordinated public education/public relations strategy meant to facilitate understanding and collaboration among the many stakeholders in the community.

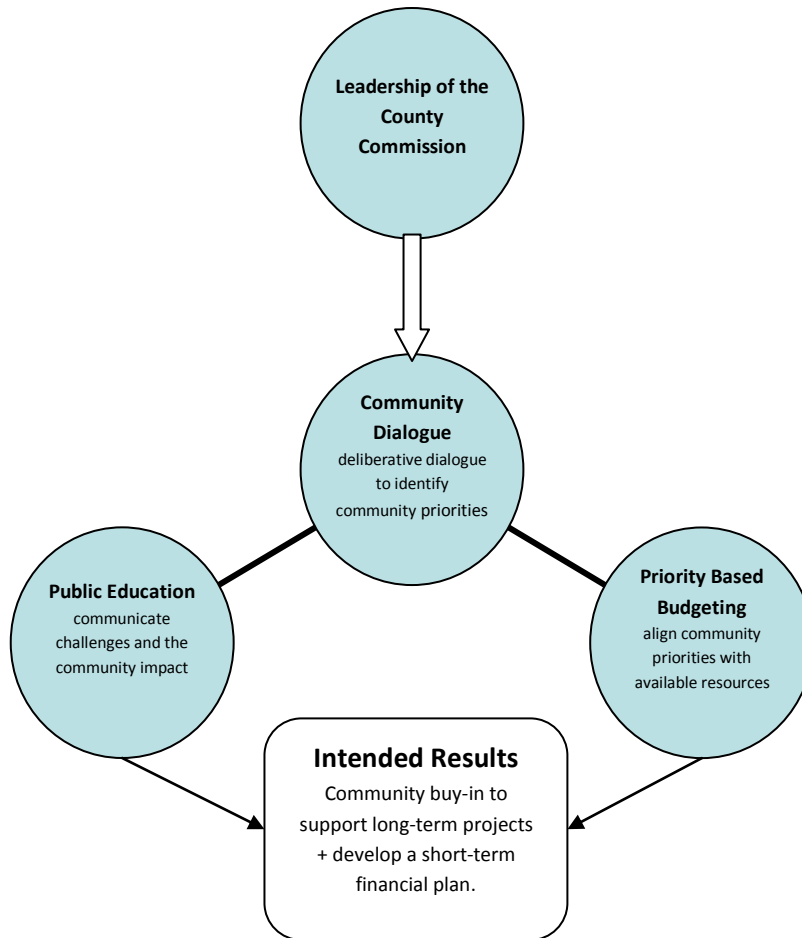
Consequences of Continued Underfunding of Public Safety

County public safety departments may end up receiving oversight from the State of Oregon if revenues continue to decline and the county is forced to cut additional services. Since public safety services account for about 73% of all general fund costs it is likely that any additional service cuts would mean dramatic reductions for public safety departments that are already at bare bones levels. There is the potential that if public safety service levels continue to deteriorate, the county commissioners or the governor can ask for a comprehensive service review by the Oregon Criminal Justice Commission to determine whether a public safety services emergency exists. The panel would determine whether a public safety services emergency exists in the county by examining whether or not “minimal” levels of service are being provided. If emergency status is granted, the process would focus the efforts of a panel of state experts towards determining how the county might be able to stabilize services. However, there are no provisions allowing for the allocation of state gap funding to pay for any recommended changes in service structure. The lack of gap funding was pointed out by county officials as a major weakness in the state response.

Possible Steps Forward

As a means through which to fulfill the need for a public relations/ communication process it may be of value to consider the use of a community conversation/public education process along with a priorities focused budgeting process. This report outlines the components for a potential process to develop a community dialogue centered on the prioritization of spending and education of the public regarding the nature of current community challenges.

Graph #2
Model of Possible Public Involvement Process



A public dialogue/priority-based budgeting process could serve multiple purposes as a component of a public relations and education campaign. First, it will provide a structure through which to educate the public on the current fiscal condition of the county and the value of county services. If it becomes apparent that a deficit still persists into future fiscal years, this process could provide the basis through which to discuss additional cuts in a way that rationally prioritizes necessary reductions while protecting community priorities to the degree possible.

Potential Role for Oregon Solutions

Given the comments made by the commissioners and the community regarding interest in developing a common agenda for the future of the organization and the community there also may be a role to play for Oregon Solutions in fostering a community conversation. Based on the interest of the commissioners and the community, Oregon Solutions could be available to discuss the possibility of helping to engage community members in a dialogue about relevant challenges/opportunities faced in Curry County.

Possible Long-term Solutions

The goal of these recommendations is to outline components of a potential process to provide for effective decision making that will lead to development of long-term solutions. Interviewees discussed several needs in the community including; public education, strategic planning and improved public relations. These categories are not solutions in and of themselves. However, they provide a place from which to start a dialogue which may lead to lasting solutions. From the interview process it was apparent that inspiration exists within the community to clear this hurdle. The following list of possible projects were cited by interviewees as potentially contributing to a long-term solution.

Potential actions identified by interviewees as providing the basis of a long-term solution:

- Community conversation
- Economic development initiatives, including; park development, small internet-based business recruitment
- Development of a Council of Governments with some or all of the following services: emergency mgmt, community/economic development, public safety
- Economic & community development intergovernmental district
- Re-evaluate public safety service district with permanent tax levy
- Create three separate police patrol districts (north, central, south) and contract sheriff patrol out to the cities or vice versa
- Shared back-office services and/or shared city-county government center

It is likely that no single action will completely stabilize the county's financial and economic situation. The issues faced in Curry County stem from a range of factors that are both local and national in scope. The current commissioners have made tough, but necessary decisions relating to the structure of the organization and the economic development of the community. Regardless of the steps they have taken, there is a considerable amount of uncertainty still ahead. The recommendations listed in Section C of this report will provide the county with practical steps that they can use as they lead the community through this challenging period.

The county is faced with the real possibility of a public safety services emergency and the associated negative externalities of such an event. The future will be challenging for Curry County. However, with continued leadership by the commission and active education and engagement of the public there are opportunities to develop a real and lasting solution.

B. PROJECT BACKGROUND & ANALYSIS

Project Process & Timeline

This project was completed between June 27th and September 2nd of 2011. Interviews were conducted with local leaders and community members during two trips to Curry County, the first of which was conducted during the week of July 11th, 2011 while the second interview set was completed during the week of August 8th, 2011. Phone interviews were also used to contact interviewees throughout the project period. In addition, the ongoing support and guidance of academic professionals at Portland State University, University of Oregon, along with staff from the Association of Oregon Counties and Oregon Solutions was crucial in the process.

Federal timber payments

Curry County will be one of the hardest hit Oregon counties by the end of federal timber payments. According to the 2009 Governor's Task Force Report on Timber Payments and County Services, about 61% of the discretionary general fund revenue and 65% of the road fund revenues came from timber payments. As of 2011, because timber payments have decreased they make up a smaller percentage of their budget. However, as of FY 11/12 Federal Timber payments still make up about 34% of Curry County's discretionary general fund revenue and about 25% of the road fund.

The process of revenue sharing with county governments goes back to the early 1900's. There are two categories of federal lands in Curry County which provide the source of revenue transfers from the federal to the county level. These two categories are O&C lands managed by the Bureau of Land Management and National Forest lands which are managed by the US Forest Service. O&C lands were originally given to the Oregon and California Railroad in 1866 to provide the foundation for a rail line. However, due to the railroad's inability to meet certain obligations set forth in the terms of the grant, the lands were taken back by the federal government. The status of the O&C lands is unique in that by act of congress they are to be managed for "permanent forest production in conformity with the principal of sustained yield." The act structuring management of the O&C system also stated that the counties within the O&C boundaries are to receive 75% of the harvest receipts from the timber harvest. In 1957 the formula was reduced to 50%.

In the 1990s logging on federal lands was severely constrained in western Oregon states due to the listing of the spotted owl on the endangered species list. According to a Special Report by the Oregon Forest Resources Institute on Federal Forestland in Oregon, the reduction of harvest receipts by more than 90% by the end of the 1990s pushed local economies into severe decline. This decline in timber cutting also severely reduced the amount of federal timber payments to counties. As can be seen in Table #1, starting in 1990 revenues began to decline dramatically with almost every FY showing a decline in timber related revenue to Curry County. Then in FY 2001-02 the revenue associated with the passage of the Secure Rural Schools and Community Self Determination Act (SRS) can be seen with a 63% increase in revenue.

Table #1

Federal Timber Payments to Curry County (1977-2003)				
Fiscal Year	Federal Forest Total Receipts	O&C Total Receipts	Total Received	Percent Increase/ Decrease
1977- 1978	3,445,446	3,870,658	7,316,104	
1978- 1979	4,652,800	3,149,575	7,802,375	7%
1979- 1980	6,278,586	3,532,256	9,810,842	26%
1980- 1981	3,860,511	3,562,656	7,423,167	-24%
1981- 1982	3,045,758	3,542,015	6,587,773	-11%
1982- 1983	1,009,451	1,431,250	2,440,702	-63%
1983- 1984	1,706,393	1,723,318	3,429,712	41%
1984- 1985	2,049,794	2,408,313	4,458,107	30%
1985- 1986	3,347,895	2,231,009	5,578,904	25%
1986- 1987	3,499,899	2,605,792	6,105,692	9%
1987- 1988	4,129,787	2,477,389	6,607,176	8%
1988- 1989	4,901,474	3,921,045	8,822,520	34%
1989- 1990	6,420,748	4,011,755	10,432,503	18%
1990- 1991	4,676,776	3,767,844	8,444,620	-19%
1991- 1992	4,802,176	3,526,006	8,328,182	-1%
1992- 1993	4,252,958	3,308,795	7,561,754	-9%
1993- 1994	2,886,065	2,868,406	5,754,471	-24%
1994- 1995	4,019,558	2,868,406	6,887,964	20%
1995- 1996	3,882,652	2,767,168	6,649,820	-3%
1996- 1997	3,738,405	2,665,930	6,404,335	-4%
1997- 1998	3,596,205	2,564,692	6,160,897	-4%
1998- 1999	3,447,881	2,463,762	5,911,643	-4%
1999- 2000	3,306,646	2,362,217	5,668,863	-4%
2000- 2001	3,172,230	2,260,979	5,433,209	-4%
2001- 2002	4,929,797	3,938,951	8,868,748	63%
2002- 2003	4,493,031	3,400,396	7,893,427	-11%
2003- 2004	4,635,519	3,805,563	8,441,082	7%
	\$ 104,188,443	\$ 81,036,148	\$ 185,224,592	

Source: O&C Lands Funding Analysis Completed by Richard Hill & Associates (2004)

Table #2 shows the 1 year extension of the SRS legislation in 2007 followed by a four year reauthorization starting in 2008. However, the reauthorizing legislation called for a declining payment structure with year four payments at only 45% of the total received in 2007.

Table #2

Federal Timber Payments to Curry County (2004-2011)						
Date Received	Percent of Total	General Fund	Road Fund	T-III*	Pass Through to Schools	Total
10/29/2004	100%	3,485,936	3,455,746	399,720	1,151,915	8,493,317
10/25/2005	100%	3,566,116	3,539,706	744,786	1,171,590	9,022,198
10/24/2006	100%	3,601,774	3,574,334	664,482	1,191,445	9,032,035
11/26/2007	1 year extension	3,594,382	3,561,482	751,079	1,187,161	9,094,104
12/22/2008	Pmt 1 90%	3,241,597	3,211,926	619,637	1,070,642	8,143,802
11/22/2009	Pmt 2 81%	2,917,437	2,890,733	557,673	963,578	7,329,421
11/2/2010	Pmt 3 73%	2,629,295	2,605,229	502,594	868,410	6,605,528
Expected	Pmt 4 45%	1,079,053	1,427,498	309,819	535,321	3,351,691
Total		\$ 24,115,590	\$ 24,266,654	\$ 4,549,790	\$ 8,140,062	\$ 61,072,096
<i>Source: Curry County Budget Document</i>						
<i>*Title III funds are allocated through Secure Rural Schools legislation but must be used for county services that relate to federal forest lands.</i>						
<i>Title III services include rural fire protection + search & rescue.</i>						

Limited tax base & special district mix

Curry County has worked to maintain services using the second lowest county property tax rate in Oregon (\$0.5996). A property tax rate this low was possible only when federal timber revenue was available to provide for the majority of general fund spending. Now that this revenue has been dramatically reduced there is a substantial hole in the county budget. In an effort to bridge this gap, the county put forth a measure to levy additional tax support for county public safety services. The measure, which would have boosted funding for public safety services for five years, failed 72% to 28% with a participation rate of approximately 63% of registered voters (Curry County Pilot). Belief that the county will be bailed out through re-authorization of timber payments, lack of education about the county’s situation and a popular belief among some residents that smaller government is better were cited during interviews as the primary reasons for the failure. The same reasons will likely continue to be the major barriers to passing any future property tax increase.

The interview process revealed that the lack of political support for increasing tax rates is amplified by public perception that additional taxes are paying for the status-quo. Interviewees indicated that the public may be willing to support an increase in tax rates if they feel that they are paying for changes that will result in more efficient service delivery.

There is sufficient available capacity within the tax rate to accommodate a considerable increase in Curry County revenue. Every taxing area within the county has room to increase the general government rate by at least \$6.00 per 1000 assessed. As can be seen from table #3, Gold Beach has the highest combined rate at \$8.86 with the lowest being Brookings-Harbor at \$7.58. The average county-wide combined tax rate is \$8.01 leaving \$6.99 left in average available capacity.

Table #3

Area Averages, Total Property Tax Rates - Curry County 2010-11			
Area	Education	Government	Total
<i>Port Orford-Langlois</i>	5.10	2.52	8.12
<i>Agness</i>	5.06	2.11	7.69
<i>Ophir-Neika Beach</i>	5.06	2.55	8.22
<i>Gold Beach</i>	5.06	3.25	8.86
<i>Pistol River</i>	5.06	2.08	7.66
<i>Brookings-Harbor</i>	4.36	2.23	7.58
<i>Source data is from Curry County Assessors Office</i>			

Table #4

County-wide Average, Total Property Tax Rates - Curry County 2010-11			
	Education	Government	Total
County-wide average	4.86	2.48	8.01
Average available tax capacity	0.14	7.52	6.99
Highest Rate	5.10	5.47	11.64
Lowest Rate	4.09	0.70	5.81
<i>Source data is from Curry County Assessors Office</i>			

If it were politically feasible to increase the tax rate either through a temporary levy or a permanent district this available capacity could help to fill at least some of the current budget deficit. Table #5 shows that with the lowest rate increase recommended by the Governor’s Task Force (10%) revenues would increase by only \$146,916. However, if a \$1 increase was successfully integrated into a special service district the over \$2 million in additional revenue could be helpful in stabilizing public safety services in the county.

Table #5

Potential New Revenue From Tax Rate Adjustment						
	Current	10% increase	20% increase	30% increase	267% increase (\$1 increase)	469% increase (state avg.)
New rate	0.5996	0.65956	0.71952	0.77948	1.5996	2.81
Tax imposed	\$ 1,469,164	\$ 1,616,080	\$ 1,762,996	\$ 1,909,913	\$ 3,919,403	\$ 6,885,173
New Revenue	\$ -	\$ 146,916	\$ 293,833	\$ 440,749	\$ 2,303,323	\$ 5,122,177
2011 Tax Base						
M5 Value	\$ 3,352,301,683					
Assessed Value	\$ 2,450,239,569					
<i>Source data was compiled from Curry County Assessors Office Reports</i>						

Aging population

During the interview process respondents indicated that the higher than average age of residents in Curry County has acted as both an asset and a challenge. As a percent of the total population, 30% of county residents are 65 and older, compared to the state average of 13%. Many see the large population of retirees as an asset to the community as they bring substantial wealth to the county in the form of entitlement income. However, respondents also indicated that the older than average population has been a barrier to the passage of tax levies.

The aging population was described as relatively disconnected from civic life. Specifically, their children did not go to school in Curry County and they do not have a long history of connection to the place and its institutions. It was indicated that many of the elderly who live in Curry County do not have extended family in the region and their retirement earnings were accumulated elsewhere. This disconnection makes it all the more difficult to build the community support necessary for the county or other local jurisdictions to increase funding for local government services.

Table #6

Estimates of Population Age Groups, Oregon & Curry County - July 1, 2010							
	Total Population	Ages 0-17	Ages 0-17 as % of Total Population	Ages 18-64	Ages 18-64 as % of Total Population	Ages 65 and over	Ages 65 and over as % of Total Population
OREGON	3,844,195	884,078	23%	2,441,331	64%	518,786	13%
CURRY	21,160	3,296	16%	11,477	54%	6,387	30%
<i>Source: Population Research Center, Portland State University, December 2010.</i>							

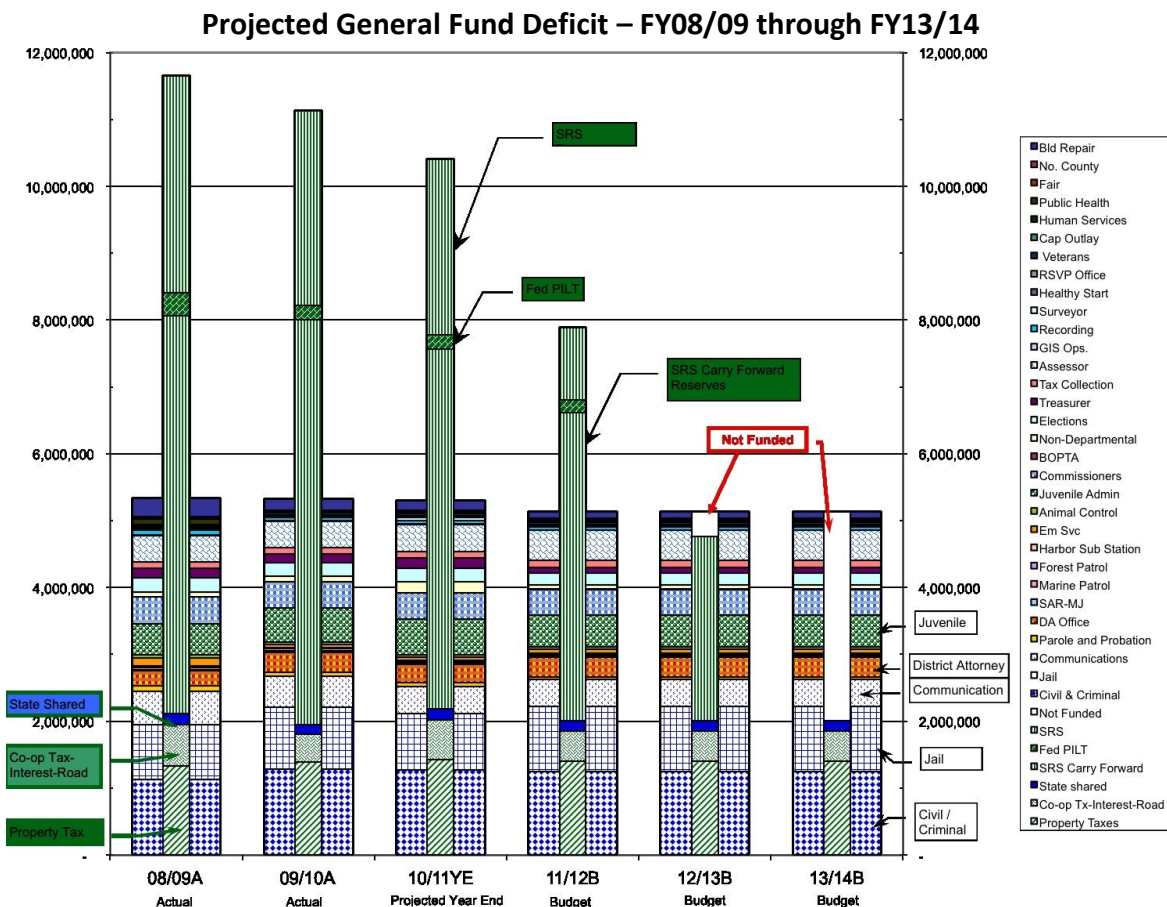
The Curry County Organization

Most Curry County departments do not rely on federal timber payments or property taxes for funding. However, many of the statutorily mandated services are housed in the general fund, which is funded primarily through property taxes and timber payments. The general fund contains all of the elected county departments, including the commissioner’s office, assessor, county recorder, treasurer and surveyor.

In Graph #3, the center bar shows revenue decreasing over time from a high of near \$12 million to a low of around \$2 million. This is due to the decreasing and projected end of federal timber payments along with the depletion of available reserves. It is projected that in the FY 12/13 the county will draw down reserves to a point at which they will no longer be able to meet projected requirements, leaving about a \$350 thousand deficit. In FY 13/14 when reserves are completely depleted the only resources available to the general fund revenue will be a projected \$1.4 million in property taxes and \$600k in other revenue. In FY 13/14, this projected \$2 million in resources will not be sufficient to cover the approximately \$5 million in expected requirements, leaving an un-funded total of about \$3 million.

The vast majority of general fund is for public safety. This includes; road patrol, jail, juvenile justice, emergency communications/911, district attorney, parole/probation, emergency services, animal control, Harbor sub-station, forest patrol, marine patrol and search & rescue. In total, expenses linked to public safety services equal about 73% of the total general fund expenditures for FY 11/12 (excluding transfers-out of the general fund). Of the fourteen public safety departments, five are responsible for over 55% of total general fund expenditures. These include civil & criminal, jail, juvenile, communications and district attorney.

Graph #3



Source: Curry County Staff

Even if it were legally possible to completely cut all non-public safety expenditures it would still not take care of the projected deficit because they only account for about 27% of total general fund expenditures. This means that if another solution is not proposed, public safety will need to be dramatically reduced from its already limited staffing levels. The possibility of additional public safety cuts worries local leaders and business owners who cite that tourism and new business recruitment will be negatively impacted by the perception of “lawlessness” in the unincorporated areas of the county, further degrading the economic capacity of the region.

Mandated County Services

A 2009 review by the Oregon Legislature's legal counsel identified the services that are mandated by state law for Oregon counties to provide. The report stated that the only mandated public safety services are the provision of a Sheriff, working jail, community corrections, juvenile justice, district attorney and an emergency management agency. This suggests that the county could technically discontinue providing road patrol services, communications, forest patrol, marine patrol, and search/rescue while still meeting all statutory public safety mandates. Even though these services may not be legally mandated, road patrol is considered a component of county services which is viewed by the Oregon Criminal Justice Commission as contributing to the provision of a "minimal" level of public safety services. Also, regardless of their legal mandate, many of these services are normally considered in public opinion as a standard county service.

Taskforce Report on Federal Timber Payments and County Services

The expiration of the Secure Rural Schools Act and Community Self-Reliance Determination Act in 2006 and the extended period of time prior to re-authorization of the payments forced many counties to enact major budget reductions and cut service levels. In response to this and the uncertainty of future payments Governor Kulongoski issued an executive order creating a task force whose purpose was to develop recommendations meant to ensure continuation of essential county services in the event of an end to timber payments.

The governor appointed eight state agency directors/deputy directors to the panel along with five representatives from affected counties. The Speaker of the House and President of the Senate appointed two representatives from each chamber.

The report listed affected counties into categories depending upon the degree of impact that the loss of timber payments would have on their general fund and/or road fund. There were 24 counties state-wide that were reported as being "hard hit," meaning that they faced shortfalls of 20% or more in their general fund as of FY08/09. Also listed were six "crisis" counties which were expected to experience severe general fund shortfalls within 1-2 years after a loss of the timber payments. Due to shifting fiscal conditions the local level the Association of Oregon Counties has updated list of "crisis" counties in Oregon.

2011 "Crisis" Counties in Oregon (Source: Association of Oregon Counties):

- Curry
- Coos
- Josephine
- Klamath
- Lane

The report provided substantial background on the source and nature of the coming fiscal deficiencies at the county level. However, of most relevance are the recommendations on how the state/counties might work to overcome the gap. Below are some of the main recommendations and conclusions reached through the task force process:

- Communities cannot build or develop themselves into solvency
- Communities can use county service districts along with local option tax levies to increase revenue
- Based on the difficulty of getting voter approval for large increases to tax rates, increases of 10%, 20% or 30% are realistic objectives
- Creation of a joint county-state planning council to coordinate fiscal planning for the counties to manage through the end of the timber payments
- The state should work to develop legal mechanisms that allow counties to declare and then manage “fiscal distress”

The Governor’s Taskforce recommended that county officials focus on utilizing the substantial tax capacity available in most timber dependent counties. Curry County, has more than enough capacity available to overcome the roughly \$3 million projected general fund deficit. However, it is apparent on the ground that the political will to support much increase above the current rate is limited. Knowing this, the Governor’s report recommended that counties could effectively try for between a 10% and 30% increase through a tax levy. However, given the current restrictions on the property tax system any increase would be a temporary stop-gap. The Taskforce also recommended that counties should look into creation of service districts that have their own permanent rate for long-term fiscal stability.

Given the lack of past support in Curry County for increasing property taxes the likelihood of implementing even the 10-30% increase is questionable.

The legal mechanisms for fiscally distressed counties and declaring a public safety services emergency

At the time of the Governor’s taskforce report there was no legal mechanism through which a county could deal with fiscal distress. In response, recommendation #53 in the 2009 Governor’s Task Force on Federal Forest Payments and County Services listed a suggested process through which counties can declare a “fiscal emergency.” The Task Force put forth a recommended process in their final report that would enable a recovery plan for distressed counties. They recommended against allowing municipal bankruptcy, given the potentially negative effect that one city/county bankruptcy could have on the credit worthiness of all other Oregon cities/counties. Recommendation #53 stated that a county should be able to declare a state of “fiscal distress” if they become unable to meet certain minimally required service levels.

In addition, the first and most urgent recommendation of the taskforce was for the development of a coordinated state-county planning council to prepare for and manage through the expected phase-out of the federal timber payments. The recommendation focused on the need to work with crisis counties to develop a plan that would allow them to maintain solvency through the end of timber payments. The idea was for the council to assist affected counties by reviewing, prioritizing and identifying local and state funding. Also, it was hoped that they would help counties to identify essential service needs and potentially recommend some or all of the following:

- The elimination of county services
- Return of county services to the state
- Efficiencies in service delivery that can be achieved by the county and in partnership with the state
- Appropriate levels of support from county taxpayers
- A prioritization of proposals for increased support from state taxpayers

In response to the task force recommendation calling for a state-county planning council a bill was introduced (HB 2920) and signed into law in 2009. HB 2920 created a Government Service Planning Taskforce directed to do the following:

- Review opportunities to provide services in the most effective and cost-efficient manner
- Consider the ability of intergovernmental agreements, existing or new service districts and technology to achieve cost savings
- Encourage effective fiscal planning for counties managing the phase-out of federal forest safety net payments
- Recommend to the Governor and the Legislative Assembly an appropriate level of state fiscal support to counties
- The task force was to analyze, at a minimum, the following categories of services:
 - Assessment and taxation
 - Elections
 - Human services
 - Criminal justice

As a product of the Government Service Planning Taskforce, HB 2475 was enacted and meant to provide a legal mechanism to declare a public safety services emergency. The passage of HB 2475 created ORS 203.095 & 203.100. These statutes state that if the governing body of a county or the governor believe that a county's state of fiscal distress impedes their ability to provide minimally necessary levels of public safety services either party can ask the Oregon Criminal Justice Commission (board) to conduct a review to analyze the adequacy of the public safety services provided by the county. The board shall then develop a set of guidelines to determine the minimal level at which services must be provided in a county.

According to the statute, if the board finds through their review that the county is indeed providing a less than minimal level of services they shall recommend that the governor declare a public safety services emergency. If the governor reviews the recommendation and declares an emergency, a fiscal

review board will be created for the distressed county and will develop a recovery plan. The recovery plan can include recommendations to:

- Reallocate funds
- Cut Services, lay off employees or otherwise reduce expenditures
- Sell or lease real or personal property of the county
- Issue bonds
- Renegotiate payment terms of the county's legal and moral indebtedness
- Refer measures to the voters
- Request an emergency election
- Authorize the state to take over services

If the governing body of the county approves the recovery plan, the board shall provide technical assistance in support of the governing body's implementation of the plan. If the county governing body rejects the plan the board shall monitor the governing body's efforts to restore services to adequate levels.

Shown below are some significant points that were listed in the initial version of HB 2475 but were **NOT** included in ORS 203.095/100:

- In the recovery plan there must be a gap-funding package based on the revenue necessary to restore or maintain minimally adequate public safety services
- The governing body of the county and the governor may request an appropriation from the legislative assembly to fund the gap funding package if the governing body of the county:
 - Establishes a law enforcement district and authorizes a permanent tax, or
 - Imposes a local option ad valorem property tax

In response to the creation of ORS 203.095 the Oregon Criminal Justice Commission has developed administrative rule, OAR 213-070-0000. This OAR outlines the specific measures and process which will be used to determine whether a county is providing a minimal level of necessary public safety services. In summary, the OAR states that the commission will send staff to the county to gather and analyze five years of performance data for the following service categories: jail operations; law enforcement, investigation and patrol, community corrections; juvenile justice; emergency operations and emergency response including search & rescue; criminal prosecution; court facility operation.

It is important to note that in the description of required data, the commission will collect information on the total number of patrol officers on-duty in the county. Within this description they indicate that they would include both city and state patrol officers in addition to the total for the county in determining whether patrol services are at a minimally adequate level. It was suggested during some interviews that, given the limited staffing available for sheriff patrol and other services, there is already grounds for the declaration of emergency status in Curry County. However, there is no specific information available to indicate whether no/low patrol staffing would, on its own, necessitate a declaration of a public safety services emergency.

C. POSSIBLE STEPS FORWARD

The interview and research process brought to light several tools which may be helpful in managing through this challenging period. This report suggests that in the short-term Curry County may review the options of initiating a public education campaign/community dialogue and/or spearheading a contingency financial planning process for the county organization.

In addition, intergovernmental collaboration may be an effective means of reducing long-term expenditures. The commissioners could facilitate a dialogue with leaders of all government jurisdictions in the county as a way of developing long-term strategies for how to work together as a community.

Interviews in Curry County with the commissioners and community members suggest that effective resolution of the financial constraints of the county will be aided by efforts to engage the community as partners in a strategic planning process (see Appendix B for interview summary). It has been shown in other communities that also face major financial and service delivery challenges that the development of strategic goals using community input can provide structure and vision through which to inform major decisions about the county's financial future. By working in partnership with the community to develop strategic guidelines for budget allocations, county and city leaders often find that both groups develop a better understanding of the others needs/goals and city+county leaders become better equipped with the information and partnerships necessary to lead through tough times.

The issues at play in Curry County are structural in nature and will not be overcome easily or without some level of support in the community. Interviewees discussed several needs in the community, including; public education, strategic planning of community initiatives and a platform for reliable public relations. Underlying these needs was interest in increased local self-sufficiency and problem solving at the local level. However, the suggestions in this report are meant to interlink the identified needs in the community with potential actions that, with time, may help to build the resources necessary for lasting fiscal stability.

Potential actions identified by interviewees as providing the basis of a lasting solution:

- Community conversation
- Economic development initiatives, including; park development, small business recruitment
- Development of a Council of Governments with some or all of the following services: emergency management, community/economic development, public safety
- Economic & community development intergovernmental district
- Re-evaluate public safety service district with permanent tax levy
- Create three separate police patrol districts (north, central, south) and contract sheriff patrol out to the cities or vice versa
- Shared back-office services
- Shared city/county government center

Public Education/Community Conversation

Goal: develop strategic guidance for managing through a short-term budget shortfall, build foundation for comprehensive public involvement process, foundation for economic development initiatives.

Recruit a Leadership Advisory Team – the Leadership Advisory Team could be the intermediaries between the county and the community and can help to provide the human resources necessary to run the process. Graduates of the Ford Leadership Institute and other community leaders could provide an ideal pool of talent. This advisory team would help in reaching out to the rest of the community, ensuring high turnout at community meetings and would work to assist with the engagement process.

Workshops -

- **Education** – work to describe the problem, source of the problem, what has been done already, but wait to discuss solutions. Important information would include background regarding tax rate, tax base, governmental fund accounting.
- **Priority Setting** – engage each group in a mapping process to layout their vision for the future of the community. Put the community values on paper to use as a road-map for future planning.

Possible questions could include;

- What are the service areas of most importance to citizens?
 - What specific outcomes would be experienced if county services are effective at achieving their goals?
 - What are the service levels that the community feels are appropriate for each of the major service areas?
 - What are the major needs in the community right now and in 10-20 years?
 - What is going well, what are the major community assets and what can be done to build off of those assets?
- **Problem solving** – use each group’s priority map and begin to help allocate resources to match their priority set. Show each group that there is \$X in resources and based on their priority map, determine how they want to allocate those resources to each service area.

Possible questions could include;

- If we know that we have \$X dollars to allocate, how much should we spend on each general fund service.
- Given our projected budget deficit, how do you think that we should adjust services/spending to balance the budget?

Communications – once the summary of the communities’ vision for the future is set, it will be important to communicate the message out to those who were not involved. This could take the form of newspaper inserts, public access/web video summary, community meetings, surveys, etc.

Integrate community input into budget decisions - Use the community priority map and allocation preferences in the budget process. By developing a map of service priorities the county should have a defensible and community-supported guide with which to make strategic decisions about the future of the organization.

By allowing the community to participate in the deliberation process they should better understand the difficulty of making these decisions and have the process knowledge necessary to communicate with the rest of the community about the details of the situation. In the graph below, we see a visual output of a community conversation about priorities and how it can then be tied to strategic goals/results.

Once the community goals have been translated into strategic goals for the organization they can be further refined to create strategy maps that will allow you to evaluate how effectively each county service meets community priorities. Once priority maps are developed to guide spending decisions the county can use them as a tool in a priorities based budget process and as a public relations tool.

Priority Based Budgeting Process

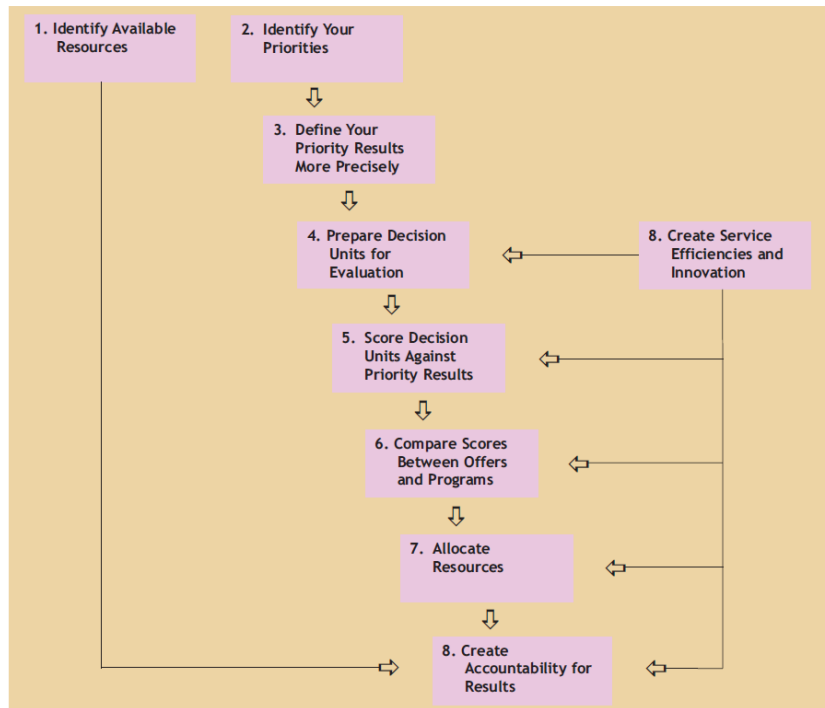
Goal: develop concrete contingency plan for short-term budget shortfall, build foundation for comprehensive public involvement process.

It may be beneficial to use a priorities based budgeting (PBB) process in coordination with a public education process and dialogue. Such a process could be a means through which to educate the public about the state of affairs, motivate community action in support of the county and, if necessary, provide a process through which to structure service cuts using a strategic approach. Traditional budgeting involves incremental increases/decreases across the board. PBB involves the development of strategic goals for the organization's provision of services that can be used to guide increases/decreases in allocations depending upon commissioner vision and community direction.

This process helps to address four specific needs brought up during interviews;

- Need to communicate financial information in a way that the average citizen can relate to easier (community services instead of general departments)
- Show the community that the county is not continuing with the status-quo
- Involve the community in the process
- Generate a strategic direction for the community

Once the priorities of the commission and the community have been documented and efforts have been made to educate the public on the fiscal situation of the county those priorities can be used to guide the budget process. A priority based budgeting process can vary greatly depending upon the needs of a specific community. However, there are specific steps that are consistent within the process. Below is an outline of the process as provided by the Government Finance Review, *Anatomy of a Priority-Based Budget Process*.



Source: GFOA's Anatomy of a Priority Driven Budget Process

Step #1 Determine Available Resources – This is the first fundamental shift from the standard incremental approach to budgeting. The standard method of budgeting involved taking prior year spending and applying across the board cuts depending upon revenue availability. PBB requires that you determine the amount of reasonably expected income and that all budgets start with zero initial allocation.

Step #2 Identify Your Priorities – The process relies on the development of a series of mission statements that describe why the organization exists. The key in the development of priorities is to outline what results the organization provides that are of most value to the community. For example Mesa County, CA has defined the following organizational priorities:

- Economic Vitality: “I want Mesa County to have a variety of industries that will promote a healthy and sustainable economy”
- Well-Planned and Developed Communities: “I want plans and infrastructure that maintain quality of life”
- Self-Sufficient Individuals and Families: “I want a community where citizens have opportunities to be self-sufficient”
- Public Safety: “I want to feel safe any time, anywhere in Mesa County.”
- Public Health: “I want a healthy Mesa County”
- Public Resources: “I want Mesa County to have well-managed resources”

It would be ideal to utilize the priorities developed during a community workshop process. The specific priorities would depend on the community needs.

City of Grand Island's Goals

Quality of Life Programs/Facilities
Community Beautification
Energy efficiency/environmental stewardship
Sanitary/Storm Water
Groundwater Mitigation/ Maintenance/Expansion
Integrated Solid Waste Management
Public Safety – posture
Code compliance mission/adequacy
Infrastructure Growth/Strategic & Sustainable
(Community) Build out & Expansion
Affordable Housing/impact costs
Long range focus planning
State Fair resource needs /management
CIP Funding- Adequacy
Prioritizing resources
Financial Stability to Sustain City Programs
Operational funding for programs/facilities
Customer Improved Government
Technology for Efficiency
Transparent
Citizen Participation
No Cash Deficits

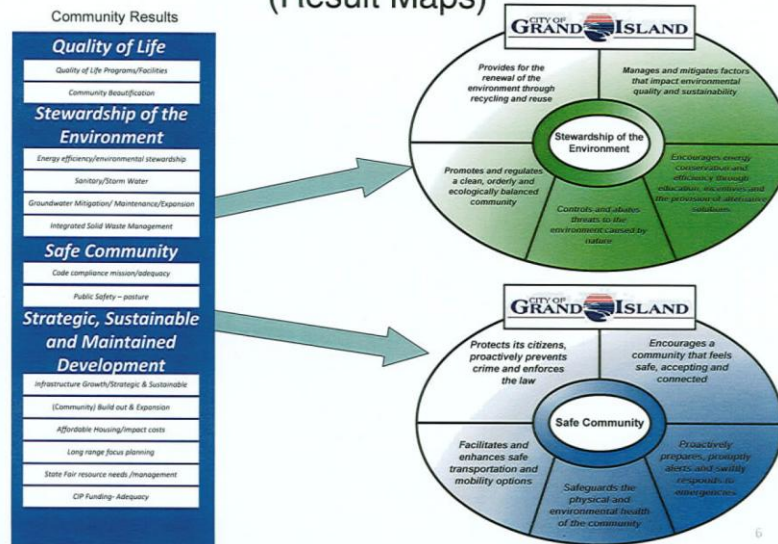
Community Results

Quality of Life
Quality of Life Programs/Facilities
Community Beautification
Stewardship of the Environment
Energy efficiency/environmental stewardship
Sanitary/Storm Water
Groundwater Mitigation/ Maintenance/Expansion
Integrated Solid Waste Management
Safe Community
Code compliance mission/adequacy
Public Safety – posture
Strategic, Sustainable and Maintained Development
Infrastructure Growth/Strategic & Sustainable
(Community) Build out & Expansion
Affordable Housing/impact costs
Long range focus planning
State Fair resource needs /management
CIP Funding- Adequacy

Source: City of Boulder, CO

Step #3 Develop Definitions for Priority Results – This process requires development of specific steps/strategies for how to implement the priority areas. Simply put, the goal is to develop descriptive statements that will be the basis for evaluating whether you are making progress towards fulfilling a community priority. Often, this results in the development of a strategy map that outlines a series of results that, if completed, would mean that community priorities are being fulfilled.

(Result Maps)



Source: City of Boulder, CO

Step #4 Prepare Decision Units for Evaluation – This step involves categorizing county departments and services into units that can be evaluated on how well they meet the needs of the priority map. Often communities simply align decision units with their existing programs. The key is to make sure that the programs are not so large or so small that they cannot be effectively evaluated.

Step #5 Score County Services Against Results – This step requires application of the strategy definitions created in Step #3 to score county programs. There are a couple ways to score the programs. Departments who house the programs can rank them, however, care must be taken to review their rankings and ensure objectivity. Another option is to develop teams of employees and community members who are mostly not connected to the program to review the offers being submitted.

Step #6 Compare Scores Between County Services – This step requires the top to bottom priority ranking of programs depending upon the score they received in Step #5.

Step #7 Allocate Resources – Using the top to bottom ranked list from Step #6 the county will allocate resources to the programs. One method is to draw a line at the point at which the sum of the expenses equals the expected available revenue. Everything below the line is defunded. Another method is to organize programs into quartiles with those programs in the highest priority quartiles receiving little or no funding decreases, with each subsequent quartile receiving larger cuts until the expected revenues equal expenses.

Community Leaders Dialogue + Intergovernmental Collaboration

Goal: build relationships, develop service delivery efficiencies that could provide base for long-term financial savings, develop cohesive economic development strategy for the entire county

Another option for the county to consider is to initiate a dialogue with representatives from each government agency in the county. Collaboration across jurisdictions has been identified by many communities as a way to reduce cost, improve service quality and enhance communication. Curry County commissioners have keyed in on this trend in their recent efforts to reduce expenses. However, as a way to fast track progress it may be helpful to initiate a dialogue with representatives from each government agency in the county. This could function as a way to build communication structures necessary for future collaborative relationships. The focus could be on building relationships and connections that could set the foundation for future collaborative arrangements. From the interview process it was brought up that in the past there had been regular conversations between all of the major public agencies in the county. Reviving regular informal dialogues among the county commissioners, port managers, USFS, Oregon State Police, school superintendents and city managers could be step one in developing a county-wide communications strategy.

It may be helpful to formalize the process by working to identify key areas that are ripe for collaborative arrangements and initiating applicable projects. The Dakota County, MN High Performance Partnership

(HIPP) project could be a model to strive towards. Dakota County, MN understood that all jurisdictions could realize efficiency and financial benefits through increasing collaborative agreements. So, with a long-standing history of informal arrangements as a foundation they initiated a structured process to research and implement intergovernmental arrangements. They were able to effectively identify and implement some key collaboratives that saved jurisdictions money and time. Dakota County has shown with their development of a “High Performing Partnerships Project,” tangible benefits can be realized through collaborative service partnerships. In time, Curry County could work to develop a process through which all jurisdictions work together to identify opportunities and apply relevant collaborative agreements.

D. SUMMARY OF SUDDEN OAK DEATH IN CURRY COUNTY

Sudden Oak Death (SOD) is a fungal pathogen that attacks Tanoak trees along with a range of other species of trees and plants. The disease is caused by the pathogen *Phytophthora ramorum* and has been found in many woody plant species in redwood/mixed ever-green forests ranging from central California to Southern Oregon. Though 28 species in 12 plant families can act as hosts for the pathogen, Tan Oak is the primary species in which the disease is lethal. *P. ramorum* has resulted in the death of tens of thousands of trees in central California.

A primary concern for Curry County and the entire state of Oregon is the potential negative impact that the disease quarantine area may have on the nursery industry. Though nursery plants are left largely unaffected by the disease, if a nursery becomes contaminated with the pathogen they are subject to a rigorous series of inspections and quarantine. Nurseries within the quarantine zone are already subject to additional annual inspections to test for the presence of the disease. If the pathogens are found to be present in the soil or on the plants of nurseries within the inspection/quarantine zone the nursery is quarantined until all infected plants are destroyed, delimitation surveys are completed along with a host of other requirements (Oregon Department of Agriculture). Though the Oregon Department of Agriculture indicates that analysis of the pathogens at all previously infected nurseries show that they were not infected by trees within the quarantine zone the potential expansion of the pathogen beyond the current boundaries increases the likelihood of nursery infection.

Summary of interview responses

Information compiled during interviews suggests that state and federal agencies have been working together in a very effective process to help control the spread of SOD beyond the current quarantine area. A state-wide SOD taskforce has been active for nearly a decade trying to coordinate efforts to eliminate the pathogen from Oregon. Members of the taskforce include members of the following state and federal agencies: United States Department of Agriculture, United States Department of Forestry, Oregon Department of Agriculture and Oregon Department of Forestry. For the past decade the taskforce has been coordinating efforts to eradicate the pathogen from the forests and nurseries in Oregon. However, in January of 2011 the statewide SOD taskforce changed focus from trying to eliminate the disease to containing the current quarantine zone. They will now attempt to only remove new infection sites that pop-up outside of the existing quarantine zone. By treating outlier infections they hope to maintain the current quarantine zone, best utilizing the limited available funds. The change in strategy stems largely from the increasing limitations created by lack of financial resources to fund removal activities, along with the agreement that entirely eliminating the disease may not be feasible. Interviewees stated that there have never been any effective efforts to entirely eliminate a plant disease from the wild.

Another primary barrier to success noted by most interviewees is the lack of any marketable use for the infected tan oak trees. They indicated that the process of removing infected trees from the forest would be greatly advanced if the trees were able to “pay their own way out of the forest.” Up until this past year the USDA had funded a full-time position through the SW Regional Resource Conservation & Development (RC&D) Council which was largely dedicated to finding a marketable use for the infected tan oak. Interviewees cited that the loss of this position could prove detrimental to the long-term success of the process. In discussions with a representative from the Association of Oregon Counties, it was mentioned that a grant proposal had been submitted to fund a SOD coordinator position to take

over the duties of the previous RC&D staff person. In addition, there is no state money available to match federal funds that are available to pay for the removal of infected trees. There are federal funds available to pay for removal activities; however, they require local matching funds which have not been identified. One interviewee did indicate that there may be the potential to utilize county road maintenance activities as an in-kind match for federal grants. Moving forward, the burden will fall largely on individual land-owners to remove infected wood. However, there is also little if any financial incentive for land-owners to remove the trees from their property which is an expensive and labor intensive process.

Potential County Actions Related to SOD:

- County officials may benefit from reaching out to the state-wide task force in an effort to connect county efforts with state agency planning process and available state resources
- Continue existing efforts to support recruitment of industries in Curry County that would provide a marketable use for infected Tanoak
- Research grant opportunities which may help to fund a SOD coordinator
- Engage the Curry County Natural Resource Advisory Committee in the following actions:
 - Research possible marketable uses for Tanoak
 - Work with state taskforce to assist education/outreach efforts within the local community
- Need to further research the potential use of county road maintenance as an in-kind match to federal grants to fund removal efforts
- Work with the Southern Oregon Clean Energy Alliance to support biomass utilization of infected wood. For example, support field treatment and processing of infected biomass for use as boiler fuel.
- Work to support market development for biomass products using infected tanoak. As stated in a 2010 SOD related grant application submitted by the SW Oregon RC&D market development needs include;
 - Identifying possibilities to convert existing boilers in the region to wood-based energy (bricks or pucks).
 - Identifying local retail possibilities and residential markets
 - Identifying other community energy needs which could be met by woody biomass (i.e. smaller generating units).
 - Identifying possibilities for long term contracts to produce products for government, municipal facilities, and institutions (schools, nursing homes, prisons, etc);
 - Explore policy/legislative options for preferred sourcing to aid in the utilization and cost reduction of SOD treatment.

APPENDIX A: LIST OF INTERVIEWEES

Mike Murphy – City of Port Orford, City Manager
James Auburn – City of Port Orford, Mayor
Ellen Barnes – City of Gold Beach, City Manager
James Wernicke – City of Gold Beach, Mayor
Gary Miliman – City of Brookings, City Manager
Charles Kocher - Curry Coastal Pilot, Publisher
Jeff Griffin - State of Oregon, Regional Solutions Center Coordinator
Errol Roberts - Gold Beach Port, Director
Tom Gallagher - Ford Family Institute for Community Building, Director
Ted Fitzgerald – Port of Brookings Harbor, Director
Member Luncheon - Gold Beach Chamber of Commerce
Mary Wahl, Port Orford Area Resident
Rocky McVay – Association of O&C Counties, Executive Director
Frank Burris – Oregon State University Extension Service in Curry County, Watershed Educator
Jeff Davis – Central Curry School District, Superintendent
John Spicer – Gold Beach Attorney
Christine Stallard – Coos Curry Electric Cooperative, Marketing & Member Services Manager
Les Cohen – Brookings-Harbor Chamber of Commerce, Executive Director
Phil Colozzi – Port Orford Area Resident
Doug Morgan – Portland State University, Professor
Craig Shinn - Portland State University, Professor
Phil Keisling – Portland State University: Center for Public Service of the Hatfield School of Government, Director
Tim Hicks – University of Oregon, Professor
Rich Margerum – University of Oregon, Professor

Sudden Oak Death Contacts:

Stacy Savona – Oregon Department of Forestry
Dan Hibern – Oregon Department of Agriculture
Amy Wilson – Resource Conservation and Development District
Everett Hansen – Oregon State University, Professor Emeritus
Emily Ackland – Association of Oregon Counties, Environmental Policy Manager

APPENDIX B: INTERVIEW SUMMARY

Interviews were conducted during the weeks of 7/11/11 and 8/8/11 with local leaders and community members, including; local and county leaders, representatives from the news media and the State of Oregon. A complete list of all interviewees is shown as appendix A of this report. Included here is a brief summary of the main points discussed during the interview process. This is not meant to be a comprehensive report of all statements made during the interview process and only summarizes the main themes and topics that cross-cut multiple or all conversations.

A. The commissioners & the community expressed a desire for a strategic communications process.

Both a majority of interviewees and the county commissioners all expressed a desire to connect more effectively with each other on community issues. It was common to hear interviewees say that they had a difficult time understanding or connecting with the county decision making process. On the flip side, the commissioners expressed concern that they had not been able to effectively communicate with the community on major initiatives. Almost all local leaders stated that they would find it valuable to become part of an open dialogue with the county. Related to this stated need, the county has indicated that they are in the process of revisiting their public engagement process.

B. There is interest in supporting and engaging in collaborative relationships.

Nearly all of the local government contacts that I spoke with expressed interest in the possibility of working together across jurisdictional boundaries in a collaborative way. In fact, one interviewee made a statement to the effect that; the best thing we can do right now is look to see where services overlap and then determine how we cooperate. The service that was brought up most often within the context of collaboration was public safety. Community leaders know that sheriff patrol has been one of the hardest hit of all county services and will likely experience additional reductions with possible future revenue reductions. One interviewee stated that right now there are too many jurisdictions providing service; four jurisdictions provide patrol in a county of just over 21,000 residents. However, many also noted the political and organizational challenges of adjusting the service delivery strategy.

Most interviewees mentioned the benefits that come with improved communication and the development of strategic collaborations. However, no individual cited a clear process to initiate this or a group who could champion such an effort. The idea of developing a Council of Governments in Curry County was cited multiple times as a possibility that would be well supported within local government. However, there was concern about the ability to gain the support of the broader community.

C. There is the perception of a north/south divide in Curry County.

Almost all interviewees indicated that residents feel a strong sense of connection to their particular region of the county (North, Central and Southern). This sense of regionalism seems to hinder communication across the county and has limited solution development efforts. In addition to the connection to local community there is a perception of a North/South divide,

with Port Orford and Gold Beach making up the northern area and Brookings and Harbor making up the southern population. Interviewees indicated that this may be due to the belief that Brookings and Harbor have been the recipients of a large influx of residents who are not originally from the region, while the northern areas have not experienced large population growth with most residents having resided in the community for many years. This situation seems to help fuel a social divide within in the county that has made it difficult to develop strong consensus/trust around issues of county-wide scope.

D. Educating the public on the fiscal condition of the county organization is a needed next step.

Many interviewees relayed feelings that the average member of the public does not understand the current fiscal distress of the county organization. Many feel that this lack of understanding combined with a strong perception that the federal government will approve reauthorization of the county timber payments and the individual stress brought-on by the overall poor economic conditions are largely responsible for the lack of support for tax revenue development. Some interviewees stated that the county's only hope is to work with the community to build understanding and engagement around issues of county-wide importance. Most also indicated that there are many difficulties associated with conducting public finance education programs and that many citizens do not have any interest in learning about what is going on in the community.