

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

In the Matter of Adopting the)
2019 Final Report for Fiscal Sustainability) Order No. 81 -2019
In Columbia County)
_____)

WHEREAS, the County began an initiative to review the County's fiscal sustainability in January, 2019, to assist the County in its strategic decision-making process to meet capital and operations/maintenance funding needs into the future; and

WHEREAS, a Final Report has been prepared establishing a framework for fiscal sustainability for the County, with the input of the County Board of County Commissioners, staff, and an ad hoc Advisory Committee made up of economic development, business, city, and citizen representatives; and

WHEREAS, the Final Report serves as a resource to continue and expand the conversation to a broader audience and to support a series of actions that bring new revenue to the County over a number of years;


NOW, THEREFORE, IT IS HEREBY ORDERED that the 2019 Final Report entitled "Fiscal Sustainability in Columbia County: A Path Forward", which is attached hereto as Exhibit "A", and is incorporated herein by this reference, is hereby adopted.

Dated this 06 day of November, 2019.

BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

BY: 
Henry Heimuller, Chair

BY: 
Margaret Magruder, Commissioner

BY: 
Alex Tardif, Commissioner

Approved as to form

By: 
Office of County Counsel

Exhibit "A"



Fiscal Sustainability in Columbia County: A Path Forward

September 2019

Prepared for: Columbia County

FINAL REPORT

ECONorthwest
ECONOMICS • FINANCE • PLANNING

KOIN Center
222 SW Columbia Street
Suite 1600
Portland, OR 97201
503-222-6060

This page intentionally blank

For over 40 years ECONorthwest has helped its clients make sound decisions based on rigorous economic, planning, and financial analysis. For more information about ECONorthwest: www.econw.com.

ECONorthwest prepared this report for Columbia County. It received substantial assistance from Columbia County staff, an ad-hoc Advisory Committee, and Columbia County Commissioners. Other firms, agencies, and staff contributed to research that this report relied on. In particular, we'd like to thank the County Commission, individuals who served on the Advisory Committee, and the Staff Committee:

County Commission

Alex Tardif
Henry Heimuller
Margaret Magruder

Advisory Committee

Alex Tardif, Columbia County Commissioner
Chip Bubl, Columbia County Extension Services
Craig Campbell, Oregon Manufacturing Innovation Center
Julia Jackson, Columbia County Mental Health
Kathy Engel, Columbia County Budget Committee
Robert Blumberg and Chuck Daughtry, Wauna Credit Union
Simon Date, South County Chamber of Commerce
Susan Wagner, Vernonia community member

Columbia County Staff Committee

Holly Miller, Director of Information Technology Department
Karen Kane, Public Information Coordination
Michael Russell, Director of Road Department
Nancy Merlette, Finance Department
Sarah Hanson, County Counsel
Steve Pegram, Director of Emergency Management Department
Todd Wood, Director of Transit Department

For more information about this report:

Lorelei Juntunen, Partner and Vice President of Operations
Juntunen@econw.com

KOIN Center
222 SW Columbia Street
Suite 1600
Portland, OR 97201
503-222-6060

Photo Credit on Cover Page: (Left) Secretary of State, Oregon Scenic Images. (Right) Columbia County Facebook.

This page intentionally blank

Table of Contents

1	INTRODUCTION	1
2	WHAT'S THE PROBLEM?	5
3	A PATH FORWARD	14
4	CONCLUSION	34

In addition to the chapters presented in the table of contents, several appendices comprising technical details are available upon request. These appendices are:

Appendix A. Existing Conditions describes Columbia County's existing fiscal situation and provides revenue and expense trend details. It describes the nature of Columbia County's fiscal challenges.

Appendix B. High-Priority Unmet County Needs provides information about Columbia County's most critical funding needs.

Appendix C. Revenue Tool Evaluation provides information about the evaluation of potential new funding tools considered by Columbia County and the Advisory Committee. It explains the process of narrowing down a comprehensive list of funding tools to a short-list of more feasible funding tools for near-term action.

Appendix D. Revenue Capacity Projections presents estimates of revenue capacity for the short-listed funding tools as well as assumptions and methods.

Appendix E. County Competitiveness compares Columbia County's existing and future taxing landscape to nearby jurisdictions in the greater region.

This page intentionally blank

1 Introduction

In the 1990s, Oregon enacted Measures 5 and 50, changing the state's property tax laws and hampering the ability of local governments to raise one of the most important revenue sources that they can access. Measures 5 and 50 created structural limitations on the growth of property tax revenues, even as statewide infrastructure and service needs continue to increase. In the intervening years, Columbia County and every other Oregon community seek solutions to fund needed services for growing communities. As long as Oregon's property tax laws remain as they are (and they cannot be changed without statewide reform), Columbia County will not be alone in its struggle to address funding gaps.

As Columbia County's funding gap becomes harder to reconcile each year, the County must make increasingly tough choices. Does the County cut more services? Defer more maintenance on key infrastructure? Invest more effort in pursuing limited one-time only grant funds and state allocations? Reduce human resources, even at the risk of straining the team? This chronic underfunding of services affects everyone in the county: cities must step up their own resources to cover gaps, residents of unincorporated communities drive to and from work on poorly maintained roads, and the county's citizens have limited access to fundamental transit, public safety, and other services that counties provide.

Increasing local government funding is never an easy conversation, and the Columbia County Commission has not entered into it lightly. To reconcile Columbia County's funding gap, the County has made layoffs, initiated furloughs, conducted programmatic restructuring, and deferred capital maintenance. The result of these necessary decisions is reduced quality of life for many County residents.

The County recognizes that status quo (disinvestment in County services) will harm the County's competitive position in the long run. At the same time, the Commission understands that new revenue sources will impact County businesses and residents, and is focused on ensuring that the County remains competitive and that revenues are fairly sourced. The Commission is committed to a transparent and data-informed conversation about fiscal needs in the County.

This report, and the funding framework that it presents, is the first step along a path to fiscal sustainability for Columbia County. In December of 2018, Columbia County asked ECONorthwest to help identify ways to address the County's most pressing fiscal challenges and break this cycle that leads to chronic underfunding of key County services. The County contracted ECONorthwest to conduct analyses to provide a fact-base for County Commissioner and staff discussions regarding potential new revenue sources that could improve the County's fiscal sustainability. The County described the desire to have a funding strategy that the community can get behind, that is sustainable, and that meets needs that are impactful county-wide – from Clatskanie to Scappoose to Vernonia.

The purpose of the project is to aid in Columbia County's strategic decision-making processes to meet capital and operations / maintenance (O&M) funding needs into the future.

The framework for action presented in this report grew out of conversations with staff, Commissioners, and an Advisory Committee of economic development, business, city, and citizen representatives. It serves as a resource to continue and expand the conversation to a broader audience and to support a series of actions that bring new revenue to the County over a number of years. Because the *community* must choose this path, this report provides a framework to an improved fiscal situation while describing the tradeoffs it requires.

County Commissioners look forward to vetting this product with the rest of the community.

1.1 Advisory Process

Columbia County and ECONorthwest solicited public and stakeholder input from an **ad-hoc Advisory Committee**. The Advisory Committee met four times¹ to provide local context and input on key assumptions, analyses, and revenue tool evaluations. The project relied on the Advisory Committee to review draft products and provide input at key points (e.g., before recommendations and decisions were made and before draft work products were finalized). The project required many assumptions that the committee needed to vet and agree upon, as these choices may affect current and future residents. In short, *local* review and community

Terms Defined:

Framework is a supporting structure for a potential funding strategy.

Funding Strategy is a plan that outlines funding needs with identified actions and funding resources to address the needs.

Capital Costs are expenditures for purchases of equipment, improvements to real or personal property, or development of new infrastructure that has a cost greater than \$5,000 and a useful life of more than two years, excluding normal maintenance parts purchased for existing equipment or property.

Operations and Maintenance (O&M) Costs include the expenditures associated with the maintenance and administration of Columbia County's daily operations (staff salaries and benefits, program costs, equipment or building upgrades under \$5,000, etc.).

¹ Advisory Committee meeting dates: February 14, 2019; March 14, 2019; April 25, 2019; and May 30, 2019.

input were essential to developing *locally* appropriate and politically viable funding recommendations.

The **Revenue Project Staff Team** also provided fundamental support in ensuring recommendations were locally appropriate and politically viable. The team consisted of department heads and staff who helped guide the project, coordinate data requests, and prioritize county funding needs. The team met bi-weekly to discuss the project. In addition, the team attended three meetings² with ECONorthwest to vet details of the technical analyses and provide direction.

ECONorthwest met with the **Columbia County Commission** at two Commission meetings.³ At the first meeting, ECONorthwest presented a fiscal situation assessment and facilitated a discussion that informed the draft framework recommendations. The Commission emphasized the importance of a phased approach that builds on the past success of passing a jail operating levy. The Advisory Committee vetted the recommendations after the first Commission meeting. Then, ECONorthwest brought the vetted recommendations back to the Commission at the second meeting for confirmation.

1.2 Research Approach and Report Organization

This report is the product of months of technical work and deliberation about revenues and expenditures, funding needs, and funding principles. The project had two major phases of work, which generally reflect the flow of this report:

Phase 1. *What's the problem? (Chapter 2 of this report)*

To support development of a framework for action, ECONorthwest analyzed budget and general ledger data and conducted interviews with department heads to establish a generalized comparison of estimated funding needs (existing expenditures) with funding capacity (existing revenue). While not a comprehensive cash flow analysis or line item assessment of need, the method did allow us to answer these foundational questions:

- (1) Over the next five years, if nothing changes in the County's fiscal situation (no major, new investments and no new funding sources), how much additional revenue would be needed to maintain the existing level of service provision, given increasing operating/maintenance costs and the likely growth of the County's current revenue sources?

² Staff Team meeting dates: January 11, 2019; April 22, 2019; and June 14, 2019.

³ Commission meeting dates: May 1, 2019 and June 12, 2019.

(2) What are the greatest areas of additional need for projects, programs, and personnel resources within the County? Note: Columbia County staff provided information about projects, programs, and personnel resources that are most needed.

(3) Over the next five years, to meet these additional needs, how much additional revenue would Columbia County need to improve or expand services and invest in new capital projects? ECONorthwest conducted analysis to estimate the amount of revenue that would be needed to fund investments in infrastructure, programs, and human resources.

Phase 2. Columbia County's Path Forward (Chapter 3 of this report)

With help from County staff and the Advisory Committee, we evaluated 15 potential new revenue tools across five criteria (legality, efficiency, proportionality, political feasibility, and magnitude of additional funding). Based on that evaluation, the Advisory Committee narrowed down the revenue tools to a short-list of tools with the most near-term viability. Then, ECONorthwest projected funding capacity for those tools and built funding scenarios to meet the Counties unmet funding needs.

With assistance from County Commissioners and the Advisory Committee, ECONorthwest developed a framework for next steps. The framework serves as a play book to address the county's fiscal challenges over the next several years.

This product was developed and packaged for the community, so they may have resources to continue the conversation.

Implications

A final chapter outlines next steps and clarifies the role of the community in making any funding strategy of the County possible. Additional appendices include technical analysis and details that informed the recommendations of this report and are available upon request. A description of available appendices follows:

- **Appendix A. Existing Conditions** describes Columbia County's existing fiscal situation and provides revenue and expense trend details. It describes the nature of Columbia County's fiscal challenges.
- **Appendix B. High-Priority Unmet County Needs** provides information about Columbia County's most critical funding needs.
- **Appendix C. Revenue Tool Evaluation** provides information about the evaluation of potential new funding tools considered by Columbia County and the Advisory Committee. It explains the process of narrowing down a comprehensive list of funding tools to a short-list of more feasible funding tools for near-term action.
- **Appendix D. Revenue Capacity Projections** presents estimates of revenue capacity for the short-listed funding tools as well as assumptions and methods.
- **Appendix E. County Competitiveness** compares Columbia County's existing and future taxing landscape to nearby jurisdictions in the greater region.

2 What's the Problem?

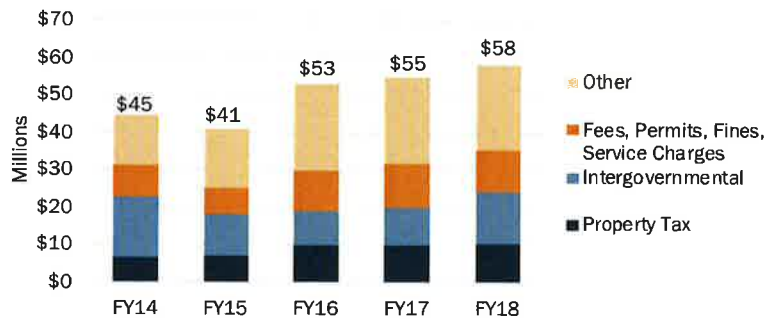
This chapter takes stock of Columbia County's current fiscal situation. It provides details and context to support the framework for action that the report recommends.

Columbia county is mandated by the state to perform and provide a range of services for the community. Columbia County has hundreds of mandated services as well as non-mandated services that the county offers (e.g. transit service) to contribute to quality of life in the county. Increasingly, it is becoming difficult for Columbia County to meet all service provisions because expenses are growing faster than revenues (see Exhibit 1 and Exhibit 2) – resulting in the need to cut discretionary services and / or put the quality of mandated services at risk.

Between fiscal year 2016 and 2018, revenues increased by 9%.

Exhibit 1. Historical Revenue Trend Details, Columbia County, Fiscal Year 2014 to 2018

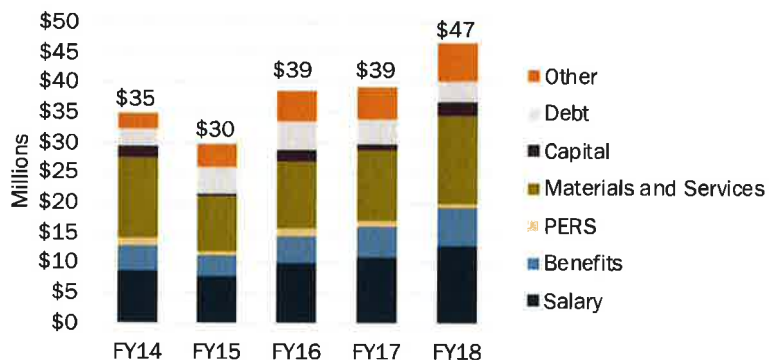
Source: Columbia County budget documents. Note: "Other" includes the County's beginning balance, bond or debt proceeds, transfers, and special payments from components units.



Between fiscal year 2016 and 2018, expenses increased by 20%.

Exhibit 2. Historical Expense Trend Details, Columbia County, Fiscal Year 2014 to 2018

Source: Columbia County budget documents.



While the County aims to maintain a cushion of revenue for unforeseen expenses each year, as expenses grow faster, that cushion shrinks.

In addition to the cost of expenditures outpacing revenues, Columbia County has several known liabilities:

- **Personnel costs.** Population growth in Columbia County, coupled with the need for ongoing maintenance, increases the County's personnel costs. More staff capacity is needed to meet service requests which prompts increased health care and pension costs. For example, PERS is Oregon's retirement and disability fund for public employees. PERS expenses are forecast to grow at a rate of 20% every two years.
- **Unfunded capital projects.** Between FY2019 and 2023, Columbia County's existing Capital Improvement Plan describes \$23.6m of unfunded, but needed, capital projects. Development of these projects prompts the need for additional labor to maintain new systems. For example, building roads may require additional staff to maintain those roads into the future. Implementing new programs, requires additional staff capacity to operate those programs

Upcoming sections provide more details about *why* there are so many challenges on balancing the revenue and cost side of the County's fiscal situation.

2.1 State-wide Limitations and Other Challenges

Over the last several decades, municipalities across Oregon have experienced unprecedented challenges in their ability to pay for services. Municipal governments find themselves facing tough choices as available revenues fall short of growing need. As expenditures continue to grow faster than revenues, communities must grapple with the reality of having to cut services, raise taxes/fees, or develop policies to alleviate budgetary discrepancies. All options come with tradeoffs that benefit some and cost others.

This section describes the various issues that Columbia County faces which has led them to their current fiscal situation.

State-wide Limitations

Municipalities (counties and cities) rely on property taxes as their primary means of revenue to pay for projects and services for the community. Most revenue sources are tied to specific expenditures, but property taxes are valuable in that they are flexibly available to fund a range of capital and operating expenses. Property taxes are typically the largest source of revenue for municipalities as well, meaning they are a core component to any funding strategy.

In Oregon, property taxes have substantial limitations. Measure 5 and Measure 50 were ballot measures enacted in the 1990s which drastically reduced the amount of revenue that municipalities can collect. These measures (1) froze property tax rates at the rate they were in the 1995-1996 fiscal year, (2) linked the frozen rate to Assessed Value of a property rather than the Real Market Value of a property, (3) compressed taxes to no more than \$10 per \$1,000 of Real Market Value for general government, and (4) limited growth of Assessed Value to 3% rather than the general rate of inflation or changes in real market value. In practice, these

limitations mean that each year costs (which have grown faster than inflation) outpace revenues. This leaves a notable gap in funds that require strategic budgeting.

Near-term reform at the state-level is unlikely. Therefore, the structural challenges created by Measure 5 and Measure 50 means that municipalities must rely on a variety of other resources to pay for the services their constitutions rely on and expect. Municipalities must consider new taxes or fees or must raise the rates of existing taxes and fees. If municipalities cannot raise revenues by these other means they **must** cut services.

Regional and Local Challenges

Columbia County is a short commute away from Oregon’s major metropolitan area, but with a population of about 50,000, the county’s character is primarily rural. Comparatively, Columbia County’s housing is more affordable than the larger region, which makes it a choice location for households looking to locate in the region. As the county grows, balancing these needs will be increasingly challenging. The County will need to address the needs of households that prefer the rural lifestyle (and do not need urban amenities) and the needs of households that rely on urban-levels of municipal services to meet their daily needs. This creates unique fiscal pressures and increases the burden on County staff and infrastructure.

Columbia County also faces additional pressures:

- Like counties across Oregon, Washington, and Idaho, Columbia County previously received federal timber dollars to use flexibly to meet a range of county needs. Columbia County’s extensive timber industry ensured that these revenues were substantive. This revenue source is no longer available, meaning funds previously relied upon need to be replaced with other sources. While federal timber funds fluctuate yearly (by amount of timber harvested), in fiscal year 2018-19, Columbia County’s federal timber payment was about \$524,000.

Property Tax Rate Comparison:

Columbia County’s permanent property tax rate was frozen at the rate it was in the 1995-1996 fiscal year.

That rate was \$1.40 per \$1,000 in Assessed Value.

For more context, ECONorthwest reviewed budgets to see how neighboring counties’ permanent property tax rates* compare. Here’s what we found:



*Rates are per \$1,000 of Assessed Value.

- State and federal resources are increasingly scarce and competitive, requiring more upfront work to pursue grants and other programmatic funds. In the event that these resources are pursued and received, the additional compliance and regulatory requirements means that more staff capacity is needed to manage the funds and work through the red tape.
- Columbia County may not impose certain taxes and fees in city limits without first getting approval from those cities. Imposition of taxes and fees in unincorporated areas of the county only, result in substantially less revenues considering most households and businesses locate within city limits.
- In 2016, Columbia County voters renewed a local option levy, which is a temporary property tax to fund operations at the Columbia County Jail. This levy is set to expire in fiscal year 2020. If this levy expires, the County will have insufficient funds to operate the jail (approximately \$2.8m per year). If new revenue cannot be reallocated to the jail, Columbia County will need to release offenders (when the jail reaches its limited capacity) or close the jail in its entirety.

Local Revenue Comparison:

Between 2011, and 2015, Columbia County generated \$343 per capita in local revenues—slightly above the average for all counties, but below the average of neighboring counties. Lower local revenue per capita means that Columbia County is more reliant on state / federal resources.



Source: Atkins, Jeanne P and Wenger, Mary. "Oregon's Counties: 2016 Financial Condition Review." Oregon Secretary of State and Audits Division.

2.2 Evolving Needs⁴

Columbia County’s growing communities require the County to transition to a more urban level of service while also maintaining the rural quality of life that makes the County an attractive place to live. Demands on the County are increasing, and its fiscal challenges are evolving. To better understand these issues, we evaluated the status quo fiscal situation, worked with staff to understand likely additional needs, and estimated the amount of additional revenue that would be needed to meet existing and additional needs.

To understand the magnitude of *existing* funding in Columbia County, ECONorthwest conducted analyses to understand what a five-year funding gap may look like, should nothing change in Columbia County’s existing workplan or operational structure. With guidance from the County’s finance department, we used the rates at which project, program, and personnel costs have historically grown and the rates at which various revenue streams have historically grown to extrapolate revenue and expense trends out several years. This provided a baseline

⁴ All expenditures listed in the report are estimates and subject to change as more cost estimation occurs over time.

estimate of funding needs: **about a \$30m gap to cover existing needs over the next five years.** These revenues are required to allow Columbia County to serve residents and businesses at the same level they are served today.

ECONorthwest interviewed the department heads of the departments with the largest budgets and one County Commissioner to understand everyday budgetary concerns that could not be understood solely by looking at financial spreadsheets. In that, ECONorthwest received first-hand commentary about how department needs are changing, where danger is looming (e.g. what services are at risk), and what operational tasks or projects cannot occur due to insufficient revenues. To quantify these discussions, ECONorthwest initiated a prioritization process for County staff to organize needs by priority. Highest-priority needs were items that were needed in the next five-years (where implementation could not wait).⁵ The high-priorities are defined as funding needs that will help the County improve or expand service provisions. This added to the baseline estimate of funding needs: **about \$42m of additional need over the next five years.**

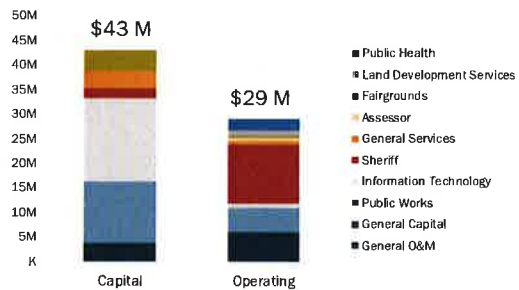
The remainder of this chapter describes the funding needs that comprise the \$72m gap over the five-year analysis period (FY2019-FY2023).

Summary of Revenue Needs:

Because the cost of providing services is rising faster than revenues, and many identified transportation and other capital projects remain unfunded, the County would need about \$30m of additional revenue to maintain current service levels and implement known capital improvements.

If the County would like to serve its citizens by increasing service needs and implementing other high priority projects, including bringing broadband to residents, improving public health and police services, and improving road maintenance, an additional \$42m in revenue is needed.

This brings the total potential new revenue need to \$72m. The graphic below shows how that breaks down into capital and operating expenses.



⁵ A need is higher priority if it is needed in the next five-years and implementation cannot wait. A need is higher priority if it is maintenance of an existing facility or asset (and lower if it is a need to build something new). A need is higher priority if it is a critical service (i.e. public health and safety). A need is higher priority if State or Federal funding sources are not likely available.

Transportation⁶

Columbia County's Capital Improvements Plan outlines a range of capital projects needed for a five-year analysis period. The plan lists roads projects that are needed, but currently unfunded due to insufficient funds to cover implementation. About \$12 million of roads capital projects are listed as unfunded projects needed in the next five years. In addition to those needs, the Public Works Department needs equipment upgrades (also capital costs) of about \$550,000. Further, they need additional staff capacity (O&M cost) to address routine and preventative maintenance of about \$1m annually (10 FTE).

Examples of unfunded transportation projects, per Columbia County's Capital Improvement Plan (Roads Fund), include:

- Adding guardrails along S-V, Pebble Cr, Hankey, and other roads where the County received requests from the community. Areas are specific to locations of serious accidents and fatalities (estimated cost: \$800,000).
- Total replacement of bridge on Scappoose-Vernonia Highway at MP 2.0 as the bridge does not meet current roadway standards. The project was selected for funding through the Local Highway Bridge Replacement Program (estimated cost: \$3.6m – with 90% of funding paid for by federal grant).

Why fund roads and transportation needs?

1. **Connection.** All households require workable networks to access their families and friends, employers, goods and services, nature, and entertainment. Therefore, the County considers transportation network needs a high-priority that impacts the entire county. Focusing on the road connectors that are in most critical need of repair and/or that connects the most people is a county-priority.
2. **Safety.** Deferred maintenance creates crumbling infrastructure and other vulnerabilities in the existing transportation network. Timely repairs are critical to be able to support existing and growing travel demands.
3. **Short-term impact, long-term gains.** The cost to build or maintain the transportation network is costly, but those costs grow each year. If needed work is postponed, the cost of that work can grow by the thousands each year.

⁶ Prior to this study, Columbia County analyzed opportunities to address funding needs for Columbia County Rider, the county's public transit department. The transit department does not receive any tax revenue from the county and relies on Federal and State grants as well as ridership fares to pay for costs. Driving the department's current funding deficit is dwindling dollars received through grants and decreased ridership. The lack of funds for the department make it highly vulnerable to service cuts. It has previously cut services and will continue to experience cuts through 2021.

Broadband

The digital divide between rural and urban America is closing,⁷ but not (yet) in Columbia County. As more rural communities invest in broadband, the benefits become more apparent. Broadband is an infrastructure investment (capital cost) that expands the availability of high-speed internet access to consumers. Columbia County has studied the need for broadband for some time now and was recently awarded a grant from Oregon Business Development Department to study current availability and need for high-speed internet access across the county. The estimated up-front cost to implement broadband county-wide is about \$17 million. Over time, the County anticipates that users of the system would pay to access it, creating a revenue source to repay a loan or fund other needs.⁸

Why invest in broadband?

1. **Modernization.** Access to high-speed internet is becoming a necessity in our modern world. Increasingly, our lives and daily needs are met online. It is more common today to attend online-classes, work remotely, socialize, and research (e.g. job searching, seeking national or international news, etc.) using technology and the internet.
2. **Economic Development.** Broadband enables entrepreneurship and business attraction / expansion. As our world globalizes, most businesses require access to high-speed internet. Access to broadband will increase the likelihood that new businesses will want to locate in Columbia County as most corporations expect this service. Broadband will make Columbia County a more competitive place in the region.

Exposition Center

Columbia County identified the development of an exposition center at the County Fairgrounds as a needed capital investment that is currently unfunded. The estimated cost to implement the exposition center is \$3.5m. The exposition center can also serve as an event center and as a “ground-zero shelter” in the case of a disaster.

Why invest in an Exposition Center?

1. **Economic and Community Development.** An exposition center can generate revenue through facility rentals by hosting large-scale events. The exposition center can serve as a small business / vendor incubator during county-wide events, such as the annual fair. Local organizations, clubs, and school groups can also rent the exposition center to host events and programs.

⁷ Federal Communications Commission. (2019). Draft 2019 Broadband Deployment Report.

⁸ At this time, the County has not completed an analysis to identify potential end users, willingness to pay, or rate structures. Depending on the results of this analysis, it may also be possible that the County will not need to entirely fund the estimated \$17m in upfront capital costs to install lines but will instead work with partners.

2. **Disaster Preparedness.** In the event of a natural disaster (or other threat), members of the community may be displaced from their homes, possessions, jobs, and incomes. An exposition center can serve as a ground-zero shelter of last resort while restoration from the disaster or threat occurs.
3. **Tourism Promotion.** Fairground events attract tourists and visitors to the County. An exposition center can improve visitor experiences and keep tourists coming back.

Public Safety

Public safety is an inclusive term to describe the needs of the Sheriff's Office and enforcement, corrections, animal control, and support service needs. The Sheriff's Office requires additional deputies (O&M costs) to keep up with population growth and new equipment and other upgrades (capital costs). Columbia County has an operating levy to pay for Columbia County jail operations, however, this levy is set to expire in FY2020. Public Safety need about \$5m to cover the cost of capital and O&M needs over the next five-years. If the jail levy expires, an additional \$3m annually would be needed to sustain operations of the County Jail.

Why invest in Public Safety?

1. **Improve Operations.** Columbia County ranks 5th from the bottom in public safety spending per capita (at \$189 per capita in FY2011-2015).⁹ Funding to support Columbia County Sheriff's Office may improve operations allowing the County to do more to protect persons and property.
2. **Secure Vulnerable Revenue Sources.** It is a county priority to find a permanent funding source for jail operations in the future. While the County's local option levy for jail operations has been renewed twice before, jail operations become vulnerable to a successful public vote every three to five years. Securing operations with permanent funding sources is seen as highly valuable.
 - a. **Retain Corrections Applications.** The County views the permanent source of revenue for jail operations as additionally valuable from an employee retention perspective as the jail currently struggles to attract and retain job applicants because prospective-applicants view the positions as non-permanent.

Public Health

The Public Health Department is in dire need of additional operations and maintenance revenues for additional personnel (three FTE). Capacity of existing personnel barely allows the County to meet its mandated public health requirements. Additional revenue is desired to address drug safety and chemical dependency, safety from violence and abuse, food and

⁹ Atkins, Jeanne P and Wenger, Mary. "Oregon's Counties: 2016 Financial Condition Review." Oregon Secretary of State and Audits Division.

drinking water safety, emergency preparedness (biochemical disasters and other threats), tobacco prevention, and communicable disease outreach.

Why invest in Public Health?

1. **Return on Investment.** The Public Health Department does not have staff capacity to address preventive public health approaches. Prevention is a cost-effective solution in both the short- and long-term. In that, the best way to reduce costs of treating disease and other illnesses is to keep people healthy in the first place.
2. **Youth Safety.** Columbia County Public Health would like to do more than staff capacity allows. Ideas include implementing a health center in local public schools and implementing a substance abuse fund. Particular attention is needed in the sexually transmitted disease realm—Public Health does not currently offer any prevention program(s) for these communicable diseases.
3. **Environmental Health.** Public Health would like to implement a program to address environmental health issues. This would require collaboration with other County Departments, but staff capacity is too limited at this time.
4. **Improvements to emergency on-call system.** Columbia County is required to have an emergency, 24/7, on-call phone line. Because the department has limited staff capacity, the department head is required to be on-call at all times in case of emergency and to uphold the mandate.

All Other Needs

Should the funding categories listed above get addressed, the following are additional high-priority needs that require consideration:

- **All Other Operations and Maintenance (O&M) Costs.** New staffing capacity concerns were shared by the Sheriff's office, Public Health department, IT department, Land Development Services department, General Services department (Facilities and Forest, Parks, and Recreation), Public Works department, and the Assessor's office. Collectively, these requests total an estimated 22.5 FTE). Monies to cover the growing cost of PERS for existing staff, and other departmental revenue shortfalls, are also on the list of high-priority funding needs. Altogether, and after deducting staffing / operational needs previously mentioned in this section, costs to cover "all other O&M" is approximately \$6m.
- **All Other Capital Costs.** Columbia County's Capital Improvement Plan has quantified unfunded capital needs to the tune of \$8.5m, after deducting capital needs for roads and the exposition center, and after including other high-priority capital investment needs described in department head interviews.

3 A Path Forward

Columbia County’s leadership understands that the status quo fiscal situation (annual budget deficits and service cuts) will, over time, lead to a reduced competitive position for the County and declining quality of life for County residents.

This chapter presents a funding framework that provides a foundation for action and informs continued conversations among the community, Columbia County staff, and County Commissioners.

3.1 Funding Principles

Stakeholders, staff, and Commission members described and committed to several foundational funding principles that guided decision-making regarding potential new revenue sources. The principles will continue to guide the implementation process.

The County seeks to advance a funding strategy that the community can get behind, that is sustainable over time, and that meets current and future capital and operations / maintenance needs that are impactful county-wide. To achieve this vision, the strategy must include additional and new revenue sources.

Principle 1. Ask for What’s Needed, but Nothing More

Not all payers benefit from (or perceive benefit from) the use of tax dollars. Many households and businesses struggle to remain financially stable under their existing tax commitments. Many businesses have limited margin for increased overhead costs. Other jurisdictions within the County (including cities) have equally important funding gaps to fill that may require tax payer support. Columbia County understands that any additional foregone income is a sacrifice. Any new fee or tax requested in the County (i.e. in the form of a ballot measure) will serve the broadest range of County residents with the smallest impact practical to household and business income.

Principle 2. Maintain Transparency in all Phases of Implementation

Columbia County will be transparent about their objectives as they implement any funding strategy or framework. To promote transparency, Columbia County will ensure that information and continued work is *accessible* to the public and *usable* by the public. Columbia County will be clear in their agenda. Columbia County will seek input at all stages of implementation so they may redirect their energies as needed.

Principle 3. Add Value

The right set of tools can provide value to the community by delivering services and resources not previously available, or by safeguarding existing services and resources that may become fiscally impractical. Any new fee or tax will be calibrated to cover the costs for the projects, programs, and capacity needs that are most important to the county and that have the largest county-wide impact.

Principle 4. Establish an Outreach Process that Reaches the Entire Community

A successful funding strategy requires buy-in from the community. Columbia County will develop a process to discuss this framework and next steps with its constituents: the residents, jurisdictional partners, businesses, and service providers that call the County home. Columbia County will strive to engage all residents and businesses in the conversation about new revenue tools.

3.2 Evaluation and Criteria for New Funding Sources

The evaluation described in Chapter 2 of this document lays bare one key fact: unless something substantial changes in the County's fiscal picture, new revenue sources are necessary just to maintain current service levels, let alone achieve the County's fiscal and service provision goals and support quality of life for the growing County.

To begin to imagine what those revenue sources might look like, ECONorthwest developed a long list of possible funding sources and, together with staff, the Commission, and the Advisory Committee, evaluated them against the following criteria:

- **Legality.** Does enabling legislation for the tool exist at the state or federal level? Are there legal constraints to implementation?
- **Efficiency.** Does the tool create and net revenues (net of collection costs)? Is the tool a stable, flexible (i.e., can be used for any capital expense or operations and maintenance expense), and inexpensive to administer?
- **Proportionality.** Is the tool fair or equitable in its distribution of benefits and burdens? This criterion has several dimensions:
 - *Impacts to households at different income levels.* Tax systems that require lower-income households to pay a larger share of their income than higher-income households are typically considered less equitable.
 - *Distribution across Columbia County community.* One perspective on proportionality is to strive for a fair distribution of costs across people who live, work, or travel in Columbia County. Using this definition, a tax burden that falls solely on the business community is less equitable.
 - *"User pays" principle.* One definition of proportionality is that those that pay the imposed fee, tax, or charge are the ones that benefit from the fee, tax, or charge.
- **Political Acceptability.** Is the tool politically acceptable? Would adopting / implementing the tool be strongly opposed by the public?
- **Magnitude of Additional Funding.** How much revenue can the tool potentially generate? Note: the amount any mechanism can raise is directly tied to the rate imposed,

and the rate imposed is always, at least partially, determined by legality and political acceptability.

With this analysis in hand, staff, the Advisory Committee, and the Commission worked to reduce the list of tools to those that have the greatest potential to meet the needs in Columbia County. The short-listed revenue tools included in the framework are outlined and defined below. They derive from a range of sources that include visitors to the County, businesses, and residents.

Revenues paid by property owners:

- **Service District.** A permanent property tax to improve a specific set of public services within the county boundary. All tax moneys levied and collected by the district are kept as a special fund for the district's operations.
- **Renewal of the existing jail Local Option Levy.** A temporary property tax increase, approved by voters, to fund operations of local government services or capital investments. Local option levies cannot exceed five years for operations (or 10 years for capital projects), though they can be reviewed and extended indefinitely at five-year intervals, if the public continues to vote in favor of the levy.
- **General Obligation Bond.** State law allows local governments to issue general obligation debt for infrastructure improvements. The bond is paid for by increased property taxes over the life of the bond. General obligation bond levies typically last for 20 to 30 years and must be approved by a public vote.

Revenues paid by new growth (developers / builders):

- **System Development Charge (Rate Increase).** Fees paid by land developers which are assessed on new development must be used to fund growth-related capital improvements. System development charges are intended to reflect the increased capital costs incurred by a municipality as a result of the development and are charged only on new development in unincorporated areas of Columbia County.

Revenues paid by visitors to the County:

- **Transient Lodging Tax:** A fee charged to customers for overnight lodging generally for periods of less than 30 consecutive days. The fee is a percentage of lodging charges incurred by the customer.

Revenues paid by businesses:

- **Timber Tax.** A tax on the volume of timber harvested or sold. The tax is paid by the owner of woodlands when the harvested timber is first measured.

Other:

- **Vehicle Registration Fee.** A recurring charge on individuals or businesses that own cars, trucks, and other vehicles which are registered in the county. In Oregon, counties

(but not cities) can implement a local vehicle registration fee, but 40% of revenues are shared with cities.

For each of these tools, ECONorthwest completed an initial projection of likely revenue. ECONorthwest tied the funding projection to prioritized projects and then identified unanswered questions and next steps.

3.3 Recommended Framework

This section presents recommended revenue tools that Columbia County may implement over the next five or more years to address major funding needs (see Section 2.2 for a recap). The recommendations offer flexibility to respond to a changing fiscal environment. For example, should a large sum of state or federal revenue be allocated to Columbia County or should a new industry locate in Columbia County and produce unexpected revenue, aspects of this framework may become irrelevant. Further, the framework recognizes that it is impractical to implement all of these tools (and associated projects) at once and identified a preliminary sequence that logically addresses need over time.

Recommendations are organized into three phases, as defined in Exhibit 3 and shown in Exhibit 4. All new revenue tools described below require a public vote (with the exception of an SDC rate change). Thus, this phasing is subject to change and will need to be evaluated as the timeline progresses. In an event that a revenue tool is not voted in by the electors of the County, the implementation schedule will require modification.

Exhibit 3. Recommended Phases

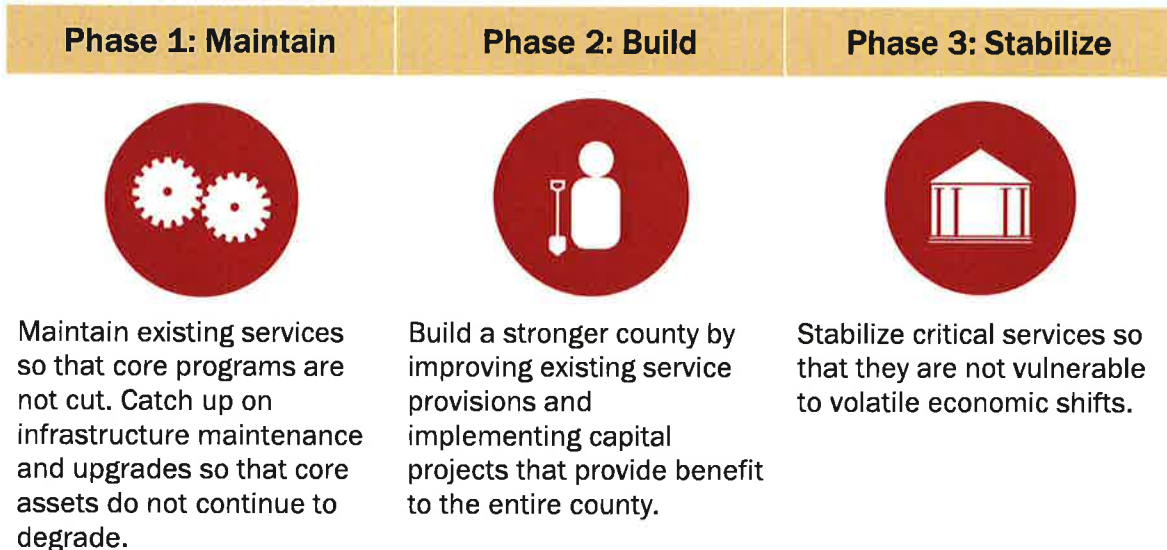


Exhibit 4. Proposed Timeline for New Revenue Tool Implementation

Note1: Modifying Columbia County's system development charge (SDC) rate does not require a public vote; therefore, its implementation date is flexible. Note2: The timeline in its entirety is subject to change. Note3: Additional details on each of these tools are included in the tables that follow.



The implementation timeline relies on a phased approach because bringing all new revenue tools to a public vote at once is neither practical nor advisable. The Columbia County Commission wants to describe the series of steps that the County will pursue so that voters can see a leadership vision grounded in fact that moves incrementally toward solutions that meet the most pressing needs.

Exhibit 5. Transit Service District

PHASE 1	Transit Service District to Fund Transit
What is a Service District?	A permanent property tax to improve a specific set of public services within the county boundary. All tax moneys levied and collected by the district are kept as a special fund for the district's operations.
Rationale	Through a separate process, Columbia County has already recognized a pressing need for changes to transit funding and taken initial steps toward the implementation of a transit service district. That process will continue with a ballot measure planned for November of 2019 for a new County service district to sustainably fund transit.
Major Unmet Needs	Columbia County Rider (CC Rider) provides a Fixed Bus Route, Dial a Ride, and a Flexible Fixed Bus Route. CC Rider does not receive tax revenue and relies on Federal and State grants as well as ridership fares to maintain services. Given the state of Federal/State funds and the fact that ridership is declining, department expenditures have outpaced revenues each year. The funding deficit has resulted in service cuts. If the County does not reconcile the funding gap, the department will no longer provide transit services and all community members will face the challenge of being without public transportation.
Additional Considerations	The benefit of a service district is that Columbia County would govern the district, the County would share administrative functions with the district, and the boundary would be contiguous with the County's. County staff estimate that to maintain basic services, the department would need to operate with a budget of about \$1m annually. Columbia County is developing the service district levy rate outside of this process.
Assumptions and Revenue Projections	Columbia County is developing assumptions and revenue projections through a separate process. The assumed rate is currently \$0.20 per \$1,000 of Assessed Value.
Next Steps	<p>Columbia County has received consent of all of the cities except the City of Prescott, which declined to be within the District. The County adopted the order initiating the service district formation and adopted the ballot title on August 7. The ballot title was filed with the County Clerk.</p> <p>The expected boundary of the transit district is the entire County except for the boundaries of Prescott.</p>
Unanswered Questions	<ul style="list-style-type: none"> ▪ To what extent will a new permanent rate increase the risk of compression in the County and the cities? ▪ If the levy fails, what will the alternatives be for the reducing services?

Exhibit 6. Local Option Levy (Renewal)

PHASE 1	Local Option Levy to Fund Jail Operations
What is a Local Option Levy?	A temporary property tax increase, approved by voters, to fund operations of local government services or capital investments. Local option levies cannot exceed five years for operations (or 10 years for capital projects), though they can be reviewed and extended indefinitely at five-year intervals, if the public continues to vote in favor of the levies.
Rationale	Columbia County voters established a local option levy for jail operations in 2014 (the levy previously failed in 2013). Local option levies for operations require a renewal by public vote. The levy was renewed by voters in 2016 and the levy is due for renewal again in FY 2020.
Major Unmet Needs	Without renewal, the County will not have sufficient funds to operate the jail, resulting in a need to limit services (capacity), release offenders (when the jail reaches its limited capacity), or close the jail in its entirety.
Additional Considerations	The existing jail operations levy rate is \$0.58 per \$1,000 of Assessed Value. The staff team indicated that the current levy rate may not be adequately meeting operational needs; it is possible Columbia County would pursue a higher rate.
Assumptions and Revenue Projections	A \$0.60 levy rate per \$1,000 of assessed value generates an estimated \$3.3m dollars per year.
Next Steps	Local option levies for operations require renewal, at minimum, every five years. A public vote is required by ballot measure. Columbia County electors have approved its jail levy twice before. Columbia County will need to conduct public outreach, prior to the ballot measure, to communicate the purpose of the levy renewal (and the purpose for the potential increased rate).
Unanswered Questions	<ul style="list-style-type: none"> ▪ Will the County maintain its existing levy rate of \$0.58 per \$1,000 of Assessed Value or raise the existing rate? Why? ▪ What renewal period (e.g. five years or fewer than five years) will the County pursue? ▪ What other options, beyond temporary levies, will the County pursue for future funding? Note: a service district is suggested in Phase 3 of this framework.

Exhibit 7. System Development Charge (rate change)

PHASE 1	System Development Charge (SDC) Rate Change to Fund Transportation Capital Projects
What is a System Development Charge?	Fees paid by land developers which are assessed on new development and must be used to fund growth-related capital improvements. System development charges (SDCs) are intended to reflect the increased capital costs incurred by a municipality as a result of the development. SDCs in Columbia County are charged only on new development in unincorporated areas.
Rationale	Columbia County is currently working on a study to update the County's existing Transportation SDC rate. SDCs are assessed on new development and must be used to fund growth-related capital improvements. The fee rates are set in ordinances to reflect the increased capital costs incurred by a municipality as a result of a development. The fee rates cannot exceed those incurred costs. Preliminarily, the County's analysis finds that the maximum rate that could be charged for a Transportation SDC is \$10,176. Changing the County's SDC rates does not require a public vote.
Major Unmet Needs	Roadway capital projects on the SDC-eligible list which are needed to support growth in the County.
Additional Considerations	The County has not yet determined the new fee rates. Columbia County may choose to modify their SDC rates after their existing study is completed. SDC rates require regular updates, so modifying the rate will need to occur again in the future. Columbia County's SDCs are imposed in unincorporated areas only.
Assumptions and Revenue Projections	Assuming SDCs follow past trends, a \$10,176 Transportation SDC rate would generate an estimated \$1.6m.
Next Steps	Local jurisdictions may modify their SDC rate to reflect the actual cost of the needed capital improvements to which the fee is related. A public vote is not required, rather, an SDC rate change is established by ordinance or resolution. Before establishing the new SDC rate, Oregon requires municipalities to have: (1) a Capital Improvement Plan, (2) a Public Facilities Plan, and (3) cost and timing estimates for each capital improvement.
Unanswered Questions	<ul style="list-style-type: none"> ▪ What Transportation SDC rate will the County select? The max rate or something less? ▪ How might higher rates affect new residential and commercial development? ▪ Should the rates be phased in or implemented all at once? ▪ Columbia County also imposes a Parks SDC. A parks SDC rate study has not been conducted; therefore, a rate increase for a Parks SDC is unknown. Should Columbia County evaluate increasing its Parks SDC rate as well?

Exhibit 8. Vehicle Registration Fee

PHASE 1	Vehicle Registration Fee to Fund High-Priority Unmet Needs.
What is a Vehicle Registration Fee?	A recurring charge on individuals or businesses that own cars, trucks, and other vehicles which are registered in the county. In Oregon, counties (but not cities) can implement a local vehicle registration fee, but 40% of revenues are shared with cities.
Rationale	A vehicle registration fee or a fuel tax was considered politically feasible, but not necessarily both at this time. From the Commission's perspective, the vehicle registration felt more appropriate, as it would be a fee paid once every two-years rather than a tax that many households would pay weekly (in the case of a fuel tax). A vehicle registration fee also benefits the cities within Columbia County and is more stable, flexible, and revenue-producing than a fuel tax.
Major Unmet Needs	The County may use vehicle registration fees to fund transportation / roads capital and operation and maintenance costs. The County may choose to allocate revenues toward a specific purpose or fund the most pressing, high-priority funding needs in the budget cycle.
Additional Considerations	<p>Statute does require that vehicle registration fees are split 60/40 between the county (60%) and the cities within the county (40%). Therefore, by implementing this fee the County would provide financial resources to cities as part of an intergovernmental agreement. Columbia County's cities that receive vehicle registration fee revenue may be more inclined to approve other taxes / fees that the County would like to implement in city limits (e.g. transient lodging tax).</p> <p>Per ORS 803.420 and 803.442, the statutory limit for the vehicle registration fee rate is \$56.00 per year (or \$112 per biennium).</p>
Assumptions and Revenue Projections	The fee rate proposed is \$43.00 every two-years (below the statutory limit). A \$43 biennial vehicle registration fee (\$21.50 per year) would generate an estimated \$1.5m per year. Of this revenue, 40% is allocated to cities (\$622k per year) and 60% is retained by the County (\$933k per year). The \$43 biennial rate would generate an estimated \$4.5m over five years for the county (i.e. county allocation).
Next Steps	Counties, with a population of less than 350,000, may enact an ordinance establishing vehicle registration fees after submitting the ordinance to the electors of the county for their approval. Thus, a public vote is required in Columbia County. Ultimately, Columbia County's vehicle registration fee would operate similar to the state's vehicle registration fee, but a portion of the county's fee would be allocated to local jurisdictions. Therefore, Columbia County will need to establish intergovernmental agreements with each city to outline revenue allocation.
Unanswered Questions	<ul style="list-style-type: none"> ▪ Will Columbia County impose different registration fee rates for different types of vehicles? ▪ How will the County coordinate with the cities to allocate the 40% of revenues received through the fee?

Exhibit 9. Transient Lodging Tax

PHASE 1	Transient Lodging Tax to Fund High-Priority Unmet Needs
What is a Transient Lodging Tax?	A fee charged to customers for overnight lodging generally for periods of less than 30 consecutive days. The fee is a percentage of lodging charges incurred by the customer.
Rationale	Transient lodging taxes (TLTs) derive funding from visitors to the County that impose costs on the system. While there are limited hotels in the County at this point, as the accommodations industry grows, putting in place a TLT now will position the County for revenue growth.
Major Unmet Needs	Statute requires that 70% of revenue derived from TLT goes toward tourism promotion (the remaining 30% are discretionary funds). Columbia County can use the non-discretionary revenue for needs with a nexus to tourism, such as the development of the exposition center at the Fairgrounds. Columbia County can use the 30% discretionary revenue for a range of needs – from capital investments to operating and maintenance costs.
Additional Considerations	The Project recommends an 8% tax on lodging facilities. The Project recommends more evaluation of a tax-exemption structured for non-profits who use transient lodging facilities to house individuals experiencing homelessness.
Assumptions and Revenue Projections	An 8% TLT rate, imposed county-wide, would generate an estimated \$2.1m over five years. Seventy percent of revenue would be restricted to tourism-related funding needs (roughly \$1.5m) and the remaining 30% of revenue is discretionary (roughly \$636k).
Next Steps	A transient lodging tax requires a public vote through a ballot measure. Public outreach is needed to ensure a successful vote. Columbia County would also need to work with cities within Columbia County to confirm that they may impose this tax in city limits. Prior to implementation, Columbia County will need to evaluate the possibility of tax exemptions for non-profits using lodging establishments for homeless services. The Advisory Committee felt an exemption of this kind was essential.
Unanswered Questions	<ul style="list-style-type: none"> ▪ Specific program parameters need to be defined. Non-profits and housing service providers sometimes use hotels as emergency housing and should be exempted from paying the TLT. ▪ Where will Columbia County charge the TLT? How will Columbia County vary the rate to ensure that TLT rates are not too high in cities which already levy their own TLT? <p>Unanswered questions related to a potential exemption for non-profits who use hotels as emergency lodging when shelters are not available:</p> <ul style="list-style-type: none"> ▪ Would the tax exemption waive the tax entirely or reduce the tax? ▪ What non-profits would receive the exemption (e.g. those located in Columbia County or any 501(c)3)? ▪ What might the long-term impact of the exemption be? ▪ How would administration of the exemption work, and how would it be enforced?

Exhibit 10. General Obligation Bond

PHASE 2	General Obligation Bond to Fund Transportation Capital Costs, Broadband, and an Exposition Center.
What is a General Obligation Bond?	State law allows local governments to issue general obligation debt for infrastructure improvements. The bond is paid for by increased property taxes over the life of the bond. General obligation bond levies typically last for 20 to 30 years and must be approved by a public vote.
Rationale	A general obligation bond offers an opportunity to fund specific capital costs (over 20- or 30-years). The County could not issue general obligation bonds that exceed \$167.7m due to statutory limitations.
Major Unmet Needs	Several projects, prioritized by the staff team, seemed appropriate to pair with a general obligation bond. These projects are: road capital projects (especially those identified in the County's Capital Improvements Plan but currently unfunded), broadband, and the Fairground's exposition center. The full cost of these projects is approximately \$32m. The total costs are under the statutory limit and under what the Advisory Committee and Staff Team considered a reasonable total bond amount (about \$50m).
Additional Considerations	<p>We recommend that the County consider using general obligation bond revenue to leverage additional funds (from potential partners or grantors) to implement the broadband project and the exposition center.</p> <p>It is also worth evaluating the extent to which the County could implement a revenue bond to pay for the broadband project.</p>
Assumptions and Revenue Projections	A \$32m general obligation bond (with a 30-year amortization period, a 1.07 debt coverage ratio, a 5% interest rate, and bond insurance costs of 1.2%), would require a levy rate of \$0.45 per \$1,000 of assessed value in the first year. This amount would result in an additional tax burden of about \$90 for the average Columbia County home (a home assessed at \$201,826).
Next Steps	General obligation bonds require a public vote; they must be approved by a simple majority, through a ballot measure. Columbia County will need to evaluate the types of capital projects they wish to include on the ballot (and their costs) to determine a bond rate. The County should vet projects with the general public to gauge acceptability. They should also educate the public about the proposed projects' value. In addition, general obligation bonds are issued with long-term, fixed rates. Columbia County should evaluate the type of bond it will pursue (20-year or 30-year).
Unanswered Questions	<ul style="list-style-type: none"> ▪ What projects will comprise the bond and what will its final amount be? ▪ What would the impact of the bond be for homeowners and business owners around the County? ▪ What are the terms of the bond? <p>Unanswered questions regarding the broadband project specifically:</p> <ul style="list-style-type: none"> ▪ Clarify the role of 5G in the need for broadband, especially in the rural parts of the County. ▪ Clarify the structure for investing in and repaying broadband, and the specific amount that the County will fund. Are there partners that could co-invest?

Exhibit 11. Timber Tax

PHASE 2	Timber Tax to Fund Existing Operations Deficit and Other High-Priority Unmet Needs.
What is a Timber Tax?	A tax on the volume of timber harvested or sold. The tax is paid by the owner of woodlands when timber is harvested and measured.
Rationale	<p>A timber tax is paid by the property owner of woodlands that are harvested. Funding source is flexible and may be used for a range of purposes including operating and maintenance costs.</p> <p>Very few discretionary revenue sources are available, making the timber tax an important revenue tool to consider.</p>
Major Unmet Needs	<p>Columbia County departments identified a range of personnel staffing needs. Timber tax revenues can help alleviate departmental revenue shortfalls and the growing cost for existing staff. Departments that shared staff capacity concerns are the Sheriff's office, Public Health department, IT department, Land Development Services department, General Services department (Facilities and Forest, Parks, and Recreation), Public Works department, and the Assessor's office. Collectively, these requests total an estimated 22.5 FTE.</p> <p>Existing and new programs as well as maintenance needs are also suitable expenditures for timber tax revenues.</p>
Additional Considerations	<p>The recommended fee rate is \$5.98 per Million Board Feet (MBF), which matches Oregon's Small Tract Forestland (STF) Severance Tax rate for Western Oregon. In addition, this framework recommends that Columbia County structure a tax waiver for smaller operations. The waiver may be structured after Oregon's Forest Products Harvest Tax program, of which the first 25 MBF of timber is exempted per year.</p> <p>Some individuals shared concerns about taxing a renewable industry but were more comfortable with the tax if smaller operations were given exemptions. Some individuals shared concerns that no other municipality in Oregon has imposed a timber tax.</p>
Assumptions and Revenue Projections	A tax rate of \$5.98 per MBF, generates an estimated \$5.5m over five years. Since 2001, timber harvest has declined at an average annual growth rate of -0.5%. The revenue projection accounts for this trend.
Next Steps	Columbia County will need to evaluate whether the state would establish a shared collection mechanism (via intergovernmental agreement) with them. If the state is unwilling, Columbia County will need to establish their own tax collection mechanism. After tending to these details and conducting industry outreach to communicate the purpose of the tax, Columbia County may seek a public vote by ballot measure. Columbia County should speak to industry representatives.
Unanswered Questions	<ul style="list-style-type: none"> ▪ The most important unanswered questions for this tool relate to administering the timber tax. If the State cannot assist with revenue collection for Columbia County, the tax would be dependent on self-reporting (similar to the County's depletion fee). ▪ How will the County engage the timber industry in discussions about a timber tax? ▪ To what extent is the timber tax a stable, reliable source? ▪ How would the timber tax impact competitiveness of Columbia County timber harvesters?

Exhibit 12. Public Safety Service District

PHASE 3	Public Safety Service District to Fund the Sheriff's Office Funding Needs, Jail Operations, and Public Health Funding Needs.
What is a Service District?	A permanent property tax to improve a specific set of public services within the county boundary. All tax moneys levied and collected by the district are kept as a special fund for the district's operations.
Rationale	<p>The Sherriff's Office requires additional deputies to keep up with population growth as well as equipment and capital upgrades. A separate fund via a service district for public safety would alleviate the steady decline in Sheriff's Office personnel and jail staff.</p> <p>A public safety service district could become the new collection mechanism for jail operations (replacing the need for a local option levy and allowing jail operations to receive funding from a permanent source). If successful, the County would no longer need to go out for a public vote every three to five years to renew the existing jail operations levy. This removes the risk of having to cut services or release offenders in the future.</p> <p>The County would like to continue to gain the public's trust as careful stewards of tax dollars received through the existing local option levy. To confirm their trust, Columbia County would seek renewal of the local option levy one more time before pursuing a public safety district (Phase 1). Hence, Columbia County would not implement the public safety service district until Phase 3.</p> <p>The County views the permanent source of revenue for jail operations as additionally valuable from an employee retention perspective as the jail currently struggles to attract and retain job applicants because prospective-applicants view the positions as non-permanent.</p> <p>Columbia County should consider implementing the public safety service district with a dual purpose. The nexus between public safety and public health (another department with high-priority, unmet needs) would allow the County to tackle two, important public needs. Both entities benefit the community by improving quality of life by keeping families and individuals safe and informed. It would allow the County to further improve service provisions to address drug safety and chemical dependency, safety from violence and abuse, food and drinking water safety, emergency preparedness (biochemical disasters and other threats), tobacco prevention, and communicable disease outreach.</p>
Major Unmet Needs	Public safety and public health operating costs and capital needs (equipment, vehicles, and building upgrades) for the Sheriff's office.
Additional Considerations	The opportunity for a public safety and health district, is not suggested for implementation in Phase 3 because public health or safety are not pressing needs. Rather, Phase 3 aligns better with re-upping the jail levy. In the interim, other revenue sources will need to meet the public health and safety need.

Note: continued on next page.

PHASE 3	Public Safety Service District to Fund the Sheriff's Office Funding Needs, Jail Operations, and Public Health Funding Needs.
Assumptions and Revenue Projections	A permanent rate of \$0.87 per \$1,000 of assessed value would generate an estimated \$4.7m in one year or about \$25m over five years. This rate would replace the existing jail levy, for a net increase of \$0.29 per \$1,000 of assessed value, or an additional \$58 on the average Columbia County home (a home assessed at \$201,826).
Next Steps	A service district requires a public vote to implement. A service district may apply to portions of the County or the entire County. If the boundary is contiguous with County limits, city governments become key stakeholders. The County should evaluate the degree to which a new permanent rate would increase the risk of compression in the County and the cities. A service district and levy rate are implemented through a ballot measure, meaning substantial public outreach is desirable.
Unanswered Questions	<ul style="list-style-type: none"> ▪ What rate will the County pursue to cover costs? ▪ How much additional general fund revenue might be freed up through providing a service district, and what services and investments might the County prioritize with this funding? ▪ Should Columbia County consider implementing the public safety service district that is also inclusive of emergency management?

Future Revenue Options

Other tools that were not recommended for implementation in the first three phases of work are still of interest to the Advisory Committee and Staff team because they could supplement and compliment the tools provided in the framework. The following tools deserve additional consideration in the coming years as the County focuses on major funding sources to stabilize the County's revenue picture.

- **Local Improvement District.** Local improvements districts (LIDs) require property owners to 'opt in' to receive an additional property tax levy (to fund capital improvements that directly benefit the owners). The Advisory Committee was generally supportive of this tool but understood its value on a situational-basis only. Columbia County may evaluate opportunities to encourage property owners to opt into an LID, such as through implementation of a cost-sharing incentive. The County may also consider implementing an education program or creating literature to describe the benefits of capital improvements (e.g. property value growth).
- **Franchise Fee.** The Advisory Committee and Staff Team favored this tool, but continued evaluation and implementation would occur outside the scope of this project.
- **Utility Fee.** The Advisory Committee and staff team recognized the difficulty in administering a utility fee in the county as multiple service providers exist per utility (making administrative coordination burdensome). The County should revisit the implementation of this tool once the County's broadband project is developed.
- **Grants.** Several department heads described the need for a grant writer. Investing in a grant writer / administrator (that could flex time between different departments) could

allow Columbia County to seek additional state/federal monies for projects and programs. For example, if the exposition center serves as a ground-zero shelter, could the County go after FEMA dollars to help subsidize the cost of implementation?

- **Personnel Efficiency Measures.** Columbia County may choose to conduct a study to find out the extent to which opportunities exist to reduce human resource costs over time. It is possible that certain staff members could work flexibly across multiple departments. For example, a grant writer could assist multiple departments.
- **Ongoing Strategic Planning.** Columbia County may choose to better align service needs at the department level through ongoing strategic planning efforts to more clearly articulate need and opportunities for focusing services on highest priority actions. Columbia County departments should continue to revisit and refine their unmet funding needs (as part of the Capital Improvements Planning process and/or other strategic planning process).

3.4 Impacts of additional revenues on County residents and other payers

The framework presented here includes revenue sources that derive from a range of payers. While these represent an increase that will affect households and businesses in the County, even with that increase, the overall burden is in line with rates in adjacent jurisdictions that would compete with Columbia County. This subsection summarizes the final tax / fee impact, should the recommended funding tools be implemented.

Revenues paid by property owners:

Recommended funding tools that impact property owners are the service districts (the transit district proposed in Phase 1 and the Public Safety District proposed in Phase 3), renewal of the local option levy for jail operations, and the general obligation bond for capital projects. Exhibit 14 compares the impact of these new tools using Columbia County's existing property tax rate (baseline) and the property tax rates of neighboring counties.

The tax rate of each tool is preliminarily:

- Transit Service District: \$0.20 per \$1,000 of Assessed Value
- Jail Local Option Levy (renewal): \$0.58 per \$1,000 of Assessed Value
- General Obligation Bond: \$0.45 per \$1,000 of Assessed Value
- Public Safety Service District: \$0.87 per \$1,000 of Assessed Value¹⁰

¹⁰ The rate of the public safety district (\$0.87), proposed in Phase 3, is inclusive of the \$0.58 jail local option levy.

Should the electors of the County vote these taxes in (at the rates presented above), Columbia County's new property tax rate would increase from \$2.11 to \$2.99 per \$1,000 of Assessed Value (an increase of \$0.88 per \$1,000 of Assessed Value). Exhibit 13 walks through the math to show how Columbia County's property tax rates would fluctuate across Phases. Note that, as the general obligation bond debt is paid off over time, its property tax rate would decline.

Exhibit 13. Change in the Total Estimated Property Tax Rate per \$1,000 of Assessed Value, Columbia County

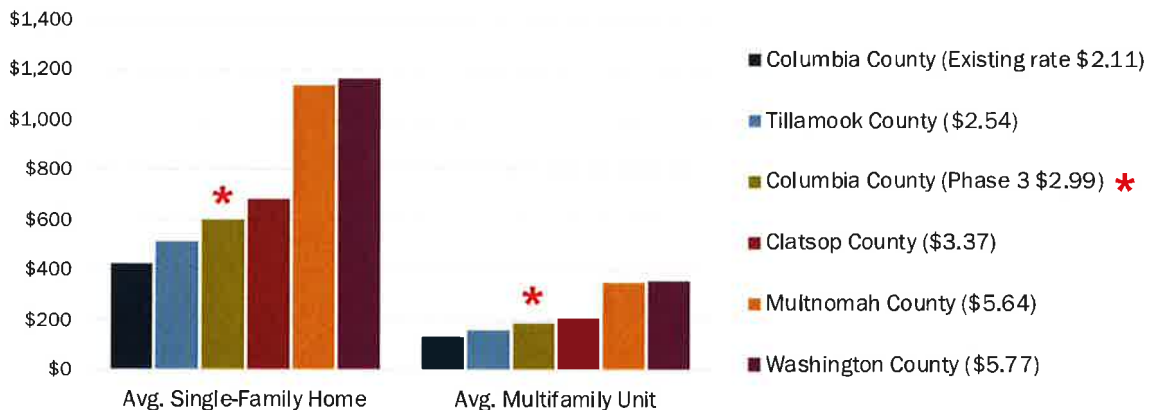
Source: ECONorthwest.

	Existing Property Tax Rate	Phase 1	Phase 2	Phase 3	Phase 3 (Upon Bond Repayment)
Perm Rate	\$1.40	\$1.40	\$1.40	\$1.40	\$1.40
Jail Levy	\$0.58	\$0.58	\$0.58	-	-
Urban Renewal	\$0.13	\$0.13	\$0.13	\$0.13	\$0.13
Transit Service District	-	\$0.20	\$0.20	\$0.20	\$0.20
General Obligation Bond	-	-	\$0.45	\$0.39	-
Public Safety District	-	-	-	\$0.87	\$0.87
Total	\$2.11	\$2.31	\$2.76	\$2.99	\$2.60

With a \$2.99 property tax rate (Phase 3), the property owner of an average home in Columbia County would pay about \$603 in property taxes per year, as opposed to \$426 per year at the County's existing rate, (an increase of \$177). However, the general obligation bond is not a permanent property tax. Thus, once the general obligation bond debt is repaid, Columbia County's property tax rate would decrease to \$2.60 per \$1,000 of Assessed Value. At \$2.60, a property owner of an average home in Columbia County would pay \$524 in property taxes per year.

Exhibit 14. Revised Impact of Property Taxes in Columbia County Relative to Comparison Jurisdictions

Source: ECONorthwest. Note: Impact was normalized based on the Assessed Value of Columbia County's average home (\$201,826 of Assessed Value).



Revenues paid by new growth (developers / builders):

The recommended funding tool that would impact developers / builders is a rate increase of Columbia County’s transportation system development charge (T-SDC). Columbia County currently imposes a \$2,250 T-SDC per peak hour trip on all development. Columbia County’s proposed new rate is \$10,176 per peak hour trip. Using sample prototypes, ECONorthwest compared the impact of Columbia County’s existing Transportation SDC rate to the proposed Transportation SDC rate. Results are displayed in Exhibit 15.

Exhibit 15. Baseline and Proposed New Impact on Sample Prototypes of New Development, Unincorporated Columbia County

Data Source: FCS Group. (January 2019). “Transportation System Development Charge Methodology,” Draft Report. Image sources: (left to right) Brandon Turner, BiggerPockets.com; oneunited.com; and mylocalnews.us.

	Single-Family Detached Home	Mid-Rise Multifamily Unit	Supermarket
Trips Generated:	0.99	0.44	9.24
Impact (Existing Rate):	\$2,228	\$990	\$20,903
Impact (Proposed Rate):	\$10,074	\$4,477	\$94,535

Washington County also imposes a T-SDC; their rates change depending on the type of residential or commercial use. In addition, some of the cities in Columbia County impose a T-SDC:

- **Vernonia:** \$858 per four EDU
- **St. Helens:** \$2,383 per trip
- **Scappoose:** \$2,447 per single-family detached unit, \$1,718 per apartment unit, \$1,498 per townhome or condominium unit, and \$1,276 per manufactured dwelling unit
- **Columbia City:** \$4,575 per trip

While Columbia County and comparison jurisdictions have different methodologies for imposing their T-SDC rates, Exhibit 16 offers a comparison of impact on like development.

Exhibit 16. Transportation System Development Charge Impact on Selected Development Types, Columbia County relative to Comparison Jurisdictions

Source: City and County jurisdictions.

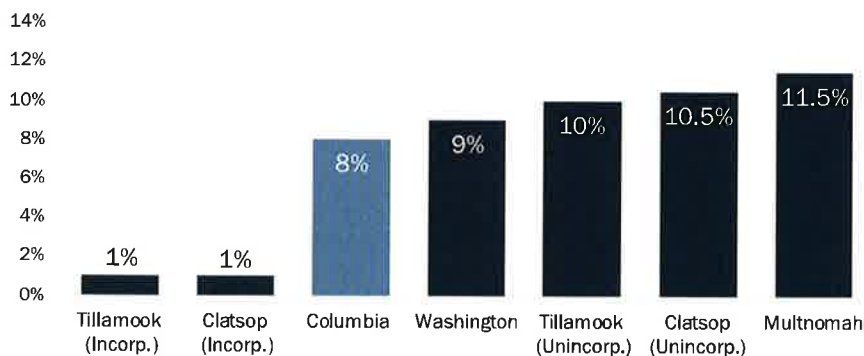
	Columbia County - <u>Proposed</u> Rate	Washington County	St. Helens	Scappoose	Columbla City
Single-Family Detached	\$10,074	\$8,968	\$2,359	\$2,447	\$4,529
Mid-rise Multifamily Unit	\$4,477	\$5,867	\$1,049	\$1,718	\$2,013
Supermarket (30,000 Sq. ft)	\$94,535	\$744,750	\$22,138	N/A	\$42,502

Revenues paid by visitors to the County:

The recommended funding tool that impacts visitors is the transient lodging tax. Columbia County is proposing an 8% transient lodging tax, slightly less than the jurisdictions in the region, but about average for jurisdictions in Oregon. An 8% lodging tax on a \$150 hotel stay in Columbia County is a \$12 tax impact, compared to (for example) a \$17 tax impact in Multnomah County (at 11.5%).

Exhibit 17. Lodging Sales Tax Comparison, Relative to the Region

Source: County websites.



Both Scappoose and St. Helens have their own transient lodging tax, 9% and 10% respectively. A county imposed transient lodging tax on top of these city’s existing rate would make visitors’ lodging tax total 17% in Scappoose and 18% in St. Helens. A \$150 hotel stay, would amount to a \$26 tax impact in Scappoose and a \$27 tax impact in St. Helens.

Revenues paid by businesses:

The recommended funding tool that impacts businesses is the timber tax. Columbia County is preliminarily considering a \$5.95 per Million Board Foot (MBF) tax on timber harvests which matches the states' rate for western counties (per their Small tract Forestland (STF) Severance Tax). Columbia County is also considering a tax exemption of 25 MBF to protect small woodland harvesters. Exhibit 18 outlines the tax impact on hypothetical timber harvests.

Exhibit 18. Tax Impact on Hypothetical Timber Harvest, Columbia County

Source: ECONorthwest. Note: One board foot is 12" x 12" x 1" and one million board feet (MBF) is 1,000 board feet. About 164,500 MBF was harvested from Columbia County in 2017 (from private entities).

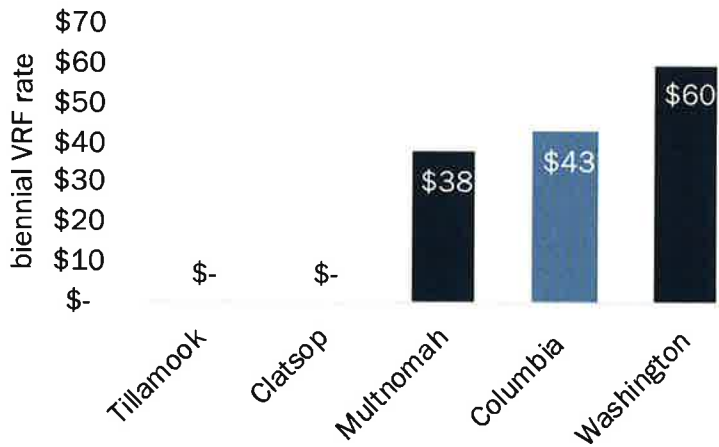
Hypothetical Harvest	30 MBF	500 MBF	5,000 MBF
Less 25 MBF Exemption	5 MBF	475 MBF	4,975 MBF
Columbia County Rate	\$5.98/MBF	\$5.98/MBF	\$5.98/MBF
State Rate for Western Counties	\$5.98/MBF	\$5.98/MBF	\$5.98/MBF
Est. Total Tax	\$60	\$5,700	\$59,500

Other:

The other recommended funding tool is the vehicle registration fee, which is paid by individuals / businesses that own a vehicle registered in the county. The proposed rate for the vehicle registration fee is \$43 (paid every two years). Two of Columbia County's neighboring / comparison counties (Multnomah County and Washington County) impose a vehicle registration fee. The \$43 per biennium fee rate is below the statutory maximum in Oregon for passenger vehicles. Columbia County proposed rate would be less than Washington County's rate but slightly higher than Multnomah County's rate. However, residents and businesses of Washington and Multnomah County are additionally impacted by fuel taxes levied in those counties.

Exhibit 19. Vehicle Registration Fee Rate and Impact Comparison, Columbia County and Comparison Counties, 2019

Source: Washington County and Multnomah County.



4 Conclusion

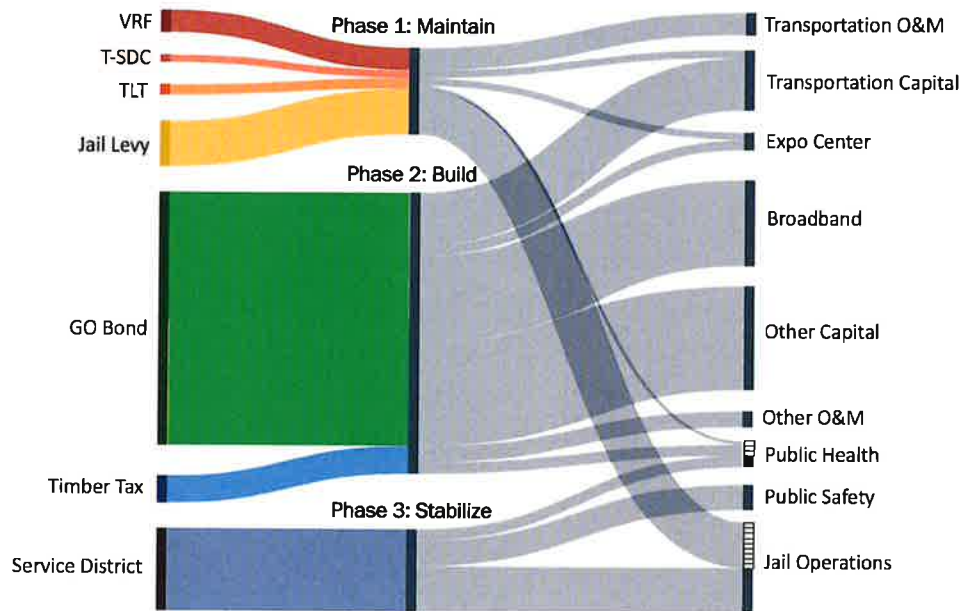
The Commission has a mandate from voters to provide for quality of life and to provide services to county residents. This framework, described in Chapter 3 and illustrated on the following page, summarizes one way that the County could accomplish this over time, with resident support.

If the framework is implemented, the ambitious steps would result in: (1) initial new revenue sources to **maintain** funding for departments and services that most need immediate support and would otherwise require cuts; (2) mid-term actions to **build** needed new infrastructure and add services; and (3) a final phase to **stabilize** revenue sources so that needed new infrastructure can be operated / maintained and so that services may be provided for reliably over time.

Additionally, to the extent that is possible with existing staff, the County should continue to take steps to find efficiencies with existing staff through consolidating roles across departments and focusing staff efforts on grant writing and administration. These efforts may supplement the new funding resources and potentially reduce the need for (or magnitude of) some of the revenue sources described for the later years of the framework. Similarly, the County should take steps to evaluate the extent that new capital projects (e.g. broadband, the exposition center, etc.) will bring additional dollars to the County as the proposed projects will encourage economic development, a larger tax base, and likely more visitation.

Per this framework, the County's next steps are to focus on implementing the transit district and to seek renewal of the local option levy for jail operations. These are both critical steps to maintain some of the County's core services that may otherwise be terminated. In tandem, Columbia County should begin a conversation with the community about meeting additional needs to maintain, build, and stabilize the county. Columbia County should work with jurisdictional partners to understand which of the major funding needs they most support. Commissioners may consider engaging with a communications or public relations firm before they begin collaboration with jurisdictional partners and the community at large.

Exhibit 20. Sankey Illustration of Paired Projects to Revenue Tools



Key:

VRF	Vehicle Registration Fee
T-SDC	Transportation System Development Charge (Rate Increase)
TLT	Transient Lodging Tax
Jail Levy	Local Option Levy (Renewal)
GO Bond	General Obligation Bond
Timber Tax	Timber Tax
Service District	Public Safety Service District

How to Read the Sankey Diagram:

The left (colored) column shows recommended funding tools. Each tool is connected to a Phase (center node). The size of the connector (i.e. colored bars) corresponds to the amount of revenue that the tool may generate.

The right (grey) column represents unmet, prioritized funding needs. Funding needs are connected to a particular phase to illustrate when the project would ideally be implemented. The size of the grey connectors corresponds to the total cost to implement the particular funding priority.

The phases (center nodes) represent a bridge to show how funding tools and priority projects are linked. The magnitude of funding potential (left column) matches the cost of priority projects (right column) as we assumed rates to achieve the correct dollar amount.

Some nodes in the right column have hash marks (black and white dash lines). The hash marks represent priority projects that rely on one funding source in an initial phase – which is then replaced by a different funding source in a future phase.

Disclaimer

The information provided in this report has been obtained or derived from sources generally available to the public and believed by ECONorthwest to be reliable, but ECONorthwest does not make any representation or warranty, express or implied, as to its accuracy or completeness. The information is not intended to be used as the basis of any investment decision by any person or entity. This information does not constitute investment advice, nor is it an offer or a solicitation of an offer to buy or sell any security.

ECONorthwest provides this financial analysis in our role as a consultant to Columbia County for informational and planning purposes only. Specifically: (a) ECONorthwest is not recommending an action to the municipal entity or obligated person; (b) ECONorthwest is not acting as an advisor to the municipal entity or obligated person and does not owe a fiduciary duty pursuant to Section 15B of the Exchange Act to the municipal entity or obligated person with respect to the information and material contained in this communication; (c) ECONorthwest is acting for its own interests; and (d) the municipal entity or obligated person should discuss any information and material contained in this communication with any and all internal or external advisors and experts that the municipal entity or obligated person deems appropriate before acting on this information or material.

ECONorthwest is responsible for the content of this report. The staff at ECONorthwest prepared this report based on their general knowledge of revenue collection mechanisms, and on information derived from government agencies, private statistical services, the reports of others, interviews of individuals, or other sources believed to be reliable. ECONorthwest has not independently verified the accuracy of all such information and makes no representation regarding its accuracy or completeness. Any statements nonfactual in nature constitute the authors' current opinions, which may change as more information becomes available.