

# Secretary of State Report

Kate Brown, Secretary of State

Gary Blackmer, Director, Audits Division



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## Oregon's Counties: 2014 Financial Condition Review

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### Summary

The objective of this report is to analyze the financial condition of county governments within the State of Oregon. The primary source of data in this report was obtained from each county's audited financial statements of fiscal years 2004 through 2013. This report is an update to our report issued in May 2012. We looked specifically at federal timber revenue to counties, which are scheduled to end, to identify added financial strain. We did not propose solutions for counties because decisions about county taxes and the level of services are based upon local priorities, within practical and legal requirements and limitations.

For purposes of our analysis of Oregon's 36 counties, we selected 10 indicators that provide a general assessment of the financial condition of Oregon's counties. For each indicator we present a detailed discussion and analysis. Since our first report in 2012 many counties have improved their financial condition. For example, every county experienced increases in per capita income and the unemployment rates declined in many counties. About two-thirds of the counties indicate a strong liquidity position, whereas in our 2012 report only about half the counties had a ratio of at least \$5 of cash on-hand for each \$1 of short-term obligations.

Not all counties have rebounded equally well. This report includes seven of the eight identified in 2012 and adds two more whose financial condition may indicate a higher risk of distress. We performed additional analysis on these nine counties, which are individually portrayed in the *Counties to Monitor* section of this report:

- Columbia
- Coos
- Curry
- Douglas
- Jackson
- Josephine
- Lane
- Linn
- Polk

Many of the counties have initiated various strategies to address their situation. We summarized and included their actions and plans and within this report.

Early identification of financial problems enables a government to introduce remedies sooner. State monitoring of local governments can provide assurance that key partners in service delivery are financially sound, and if warning trends appear, can also prompt action. One of the key challenges facing several states and their local governments is the right solution when a government is in severe financial distress. Our previous report included actions taken by other states to monitor the financial condition of their local governments.

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## Background

### County and State Interrelationships

Counties play a key role in providing government services, and even precede Oregon’s statehood. Once *Oregon Country* and its counties were carved into states, Oregon transitioned from having a provisional government to a territorial government, and finally to a state government. This evolution was mirrored at the county level, starting with four counties in 1843, with further dividing through the years becoming the current 36 counties in 1917.

Originally, all counties functioned almost exclusively as agents of state government; all their activity had to be either authorized or mandated by state law. Under the provisional government, they were responsible for tracking property, probating estates, overseeing minor judicial functions, enforcing laws, operating jails, and conducting elections. The territorial government added some responsibility for “poor relief”, public health, and agricultural services.

In 1958 an amendment to the Oregon Constitution authorized counties to adopt *home rule* charters, and a 1973 state law granted all counties the power to exercise broad home rule authority. Nine have adopted home rule charters wherein voters have the power to adopt and amend their own county government organization.

Today’s counties provide a wide range of public services including:

- public health
- mental health
- community corrections
- juvenile services
- criminal prosecution
- hospitals
- nursing homes
- airports
- parks
- libraries
- land-use planning
- building regulation
- refuse disposal
- elections
- air-pollution control
- veterans services
- economic development
- urban renewal
- public housing
- vector control
- county fairs
- museums
- animal control
- civil defense
- senior services

Some of these services are supported with local taxes, whereas others rely in part upon state and federal revenue for support such as public health and senior services. As shown in the following chart, the Association of Oregon Counties (AOC) has identified major services provided by the state, counties, and by both entities.

# SHARED STATE-COUNTY SERVICES

## SERVING THE CITIZENS OF OREGON

HEALTH & HUMAN SERVICES	PUBLIC SAFETY	NATURAL RESOURCES & RECREATION	TRANSPORTATION, LAND USE & ECONOMIC DEV.	OTHER COMMUNITY SERVICES
Child Protection	Appellate Court	State Parks	State Highways	Administrative Services
Housing	State Police	State Lands	State Fair	Assessment & Taxation
Mental Health Hospital	State Prison	Water Regulation	Land Use Planning & Coord.	PERS
Aging/Senior Services	Attorney General	Wildlife Regulation	Land Use Permitting	Employee/Labor Relations
Alcohol/Drug Treatment	Trial Courts	County Forest Trust Lands/ State Forest Management	Highway & Road System	Elections
Alcohol/Drug Prevention	District Attorney	Habitat Restoration	Senior & Disabled Transport.	Extension Service
Children & Families Svcs.	911/Emerg. Communications	Wildlife/Predator Control	Energy Development	Telecommunications
Dev. Disabled Services	Emergency Management	Federal Land Policy	Engineering	Administrative Services
Mental Health Services	Homeland Security	Noxious Weed Control	Building Permits & Inspection	Procurement
Oregon Health Plan Svcs.	Community Corrections	Watermaster	Economic Development	Recording Public Documents
Veterans Services	Court Security	County Forest Management	County Fair	County Library
Public Health Services	Juvenile Services	County Parks	Infrastructure Development	County Museums
Environmental Health	Marine Patrol	Vector Control	Surveying	County Service Districts
Housing Services	Drug Courts	Soil & Water Conservation	County Transportation System	
Medical Examiner	County Law Library			
Emergency Planning and Response	Sheriff Patrol			
Solid Waste Management	Animal Control			
Recycling Programs	Justice Courts			
	Search and Rescue			
	County Jail			

Green = State-Provided Services    Red = State/County-Shared Services    Blue = County-Provided Services



Directly supports schools/education

4-30-10

## Financial and Demographic Indicators

The ability to evaluate the financial condition of a local government, whether by key decision makers within the government, taxpayers, rating agencies, bondholders or other parties, is critically important in today's economic environment.

Cities and counties around the country with long-term problems have found themselves pushed over the edge by the recession and its lingering aftermath. In Michigan, the City of Detroit filed the largest Chapter 9 bankruptcy in American history, which is estimated to be between \$18-20 billion. Other notable bankruptcies include Jefferson County, Alabama (\$4 billion), Stockton, California (\$26 million), and San Bernardino, California (\$46 million).

Counties in Oregon are not immune to similar financial troubles. Public attention has been directed to counties including Curry, Josephine, and Polk, which are reported to be facing financial hardship. Revenues from local sources such as property taxes and interest income, as well as intergovernmental revenues from state and federal agencies, have declined since 2008. Oregon, more than some other states, is further impacted by the anticipated loss of federal timber payments. How each county has addressed the current situation has varied. Some have held back prior year receipts in reserve with plans to allocate out over the next few years when sources are no longer available. Some have tried to pass local tax levies to support programs such as public safety. Some have explored alternative sources of revenues such as wind farms and local sales taxes. The counties are examining and considering changes to expenditures through staff reductions and program restructuring. Some have also looked to outsourcing services such as libraries. The 2012 legislature passed legislation that allows counties to use road funds to help with

the costs associated with sheriff's patrols. A few counties have made use of interfund borrowings of dedicated funds to support ongoing services. This last practice has potential implications if a county is unable to repay these loans. So far none have issued long-term debt to support current services.

Financially stressed local governments are not new; economic conditions threatened local governments in the past and many states have developed mechanisms to monitor financial condition and respond when necessary.

Evaluating financial condition involves a number of factors including the national and local economies, population and composition of the community, and the internal finances of the local government.

Our research of how other states assess the financial condition of local governments found there are a number of different approaches taken, as well as differing definitions of what constitutes distress. Despite the differences, one thing is certain, a combination of carefully selected indicators can provide a valuable tool for assessing the overall health of a local government.

The term *financial condition* can have many meanings. In a narrow accounting sense, financial condition means a government's ability to generate enough cash over 30 or 60 days to pay its bills. In a broader sense, it can mean a government's ability to generate enough revenues over its normal budgetary period to meet its expenditures and not incur deficits.

## Analysis of Financial Condition of Oregon Counties

The objective of this report is to analyze the financial condition of county governments within the state of Oregon. We looked closely at federal timber revenues to counties. We did not propose specific solutions because the decisions about county taxes and the level of services are based upon local priorities, within practical and legal requirements and limitations.

We first prepared a financial condition report for the State of Oregon in 2011 based upon the methodology developed by the International City and County Managers' Association (ICMA: *Evaluating Financial Condition: A Handbook for Local Governments, 1985*) and our research of efforts undertaken by other states. We applied the same general methodology to this effort, but because it involves 36 counties, we first developed a means of identifying counties warranting particular attention.

For purposes of this report, we define *financial condition* as a local government's ability to maintain existing service levels, withstand local and regional economic disruptions, and meet the demands of natural growth, decline, and change.

We included timber revenues as an indicator due to the expected end of federal timber payments, which many counties rely upon for their daily operations.

For purposes of our analysis, we selected the following 10 indicators that we feel provide a general assessment of the financial condition of Oregon's counties:

- Local Support
- Timber Revenue Dependence
- Debt Burden
- Liquidity
- Fund Balance
- Retirement Benefit Obligation
- Public Safety
- Personal Income
- Population Trends
- Unemployment

For each indicator, we present a detailed discussion and analysis. Much of the data included in this report was obtained from each county's audited financial statements. In addition, our analysis focused on the financial condition of each county's governmental funds, which includes the General Fund. Unless otherwise noted, the data is presented on a fiscal year basis (e.g., 2013 represents the fiscal year beginning July 1, 2012 and ending June 30, 2013).

Using the results of our analysis, we identified the counties whose financial condition may indicate a higher risk of distress. These counties were selected for additional analysis, and are presented in the *Counties to Monitor* section of this report.

# County Indicators Overview

## Local Support

Locally generated revenues need to be sufficient to meet a county’s current and future service needs. The ability to generate local revenues is dependent on several factors including property values, taxable property, and population.

Property taxes are one of the most important sources of locally generated revenues for a county. Property taxes are composed of three primary parts: 1) permanent rate and gap bond levies, 2) local option levies, and 3) bond levies. Most taxing districts can utilize any of these three sources of revenue. The passage of statewide constitutional tax limitations in the 1990s (Measures 5, 47, and 50), established permanent rates for each taxing district. A county’s permanent tax rate is the maximum rate it can impose without approval by voters. Taxes from the permanent rates are discretionary and fund the general operating budgets of the taxing districts. They account for the single largest component of property taxes. The property tax rate chart does not include rates for special taxing districts created to fund specific county services such as enhanced law enforcement or libraries.

Between 2009 and 2013, most counties generated an average of at least \$300 per capita in local revenues. Gilliam and Sherman counties, on average, generated the largest local revenues per capita, which were four times greater than the next highest county. Revenues generated from wind farms and/or landfill and recycling centers contributed to the high averages in these counties.

**Local Revenue per Capita**  
5-year average, FY 2009-2013

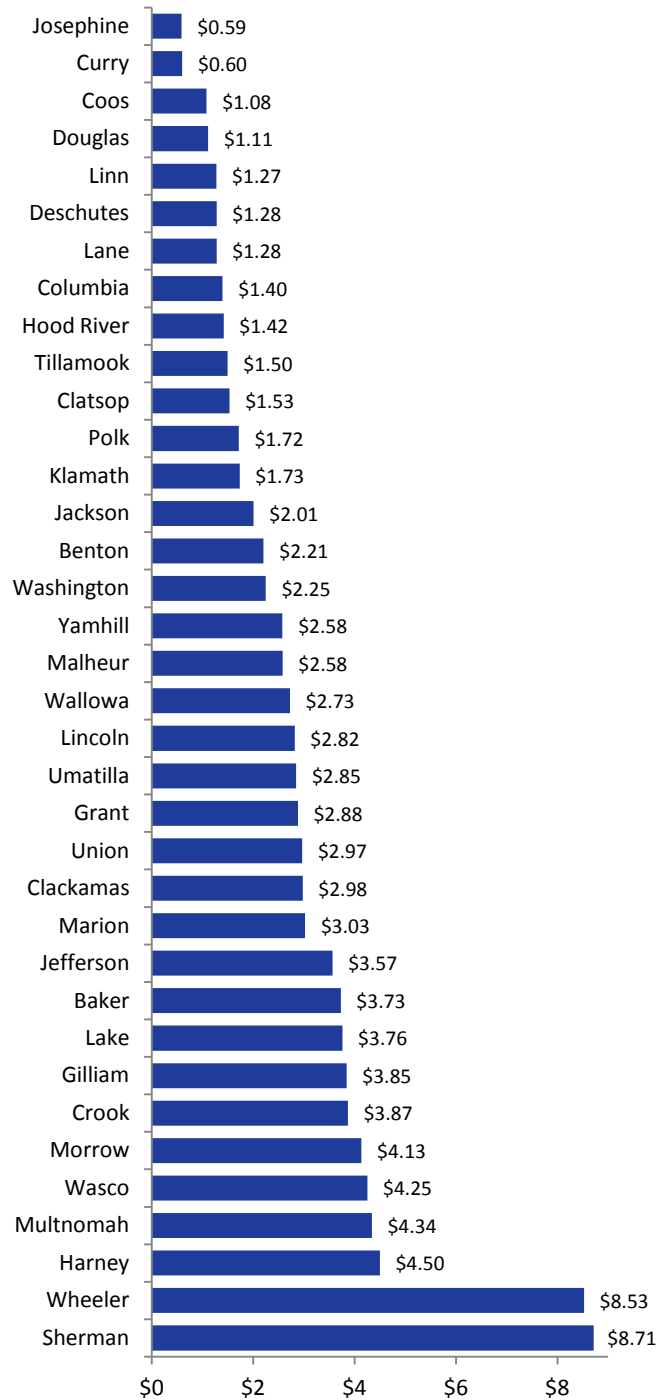




The average permanent tax rate among Oregon counties is \$2.82 per \$1,000 of assessed property value. Josephine and Curry counties have the lowest permanent tax rates and are the only counties with rates below \$1.00. Low permanent rates combined with limited taxable property can constrain a county's ability to raise revenues. To illustrate, Josephine County, with the lowest permanent tax rate of \$0.59 and 62% of its area in non-taxable federal lands, generated the least amount of local revenues at \$174 per capita in 2013, down from its previous low of \$191 in 2011.

### Property Tax Rates

Permanent rate per \$1,000, FY 2012-13



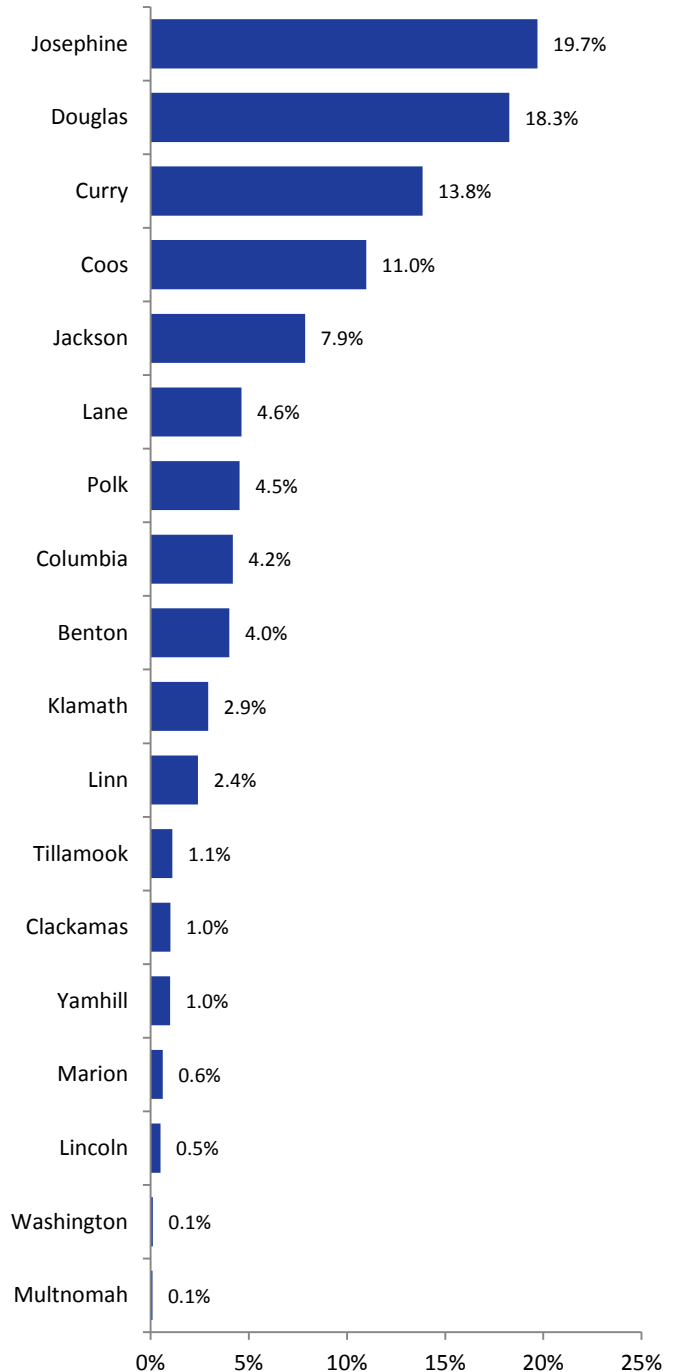
## Timber Revenue Dependence

Revenues determine the capacity of a government to provide services to citizens and are affected by economic and policy changes. Oregon counties generate revenues from a number of sources, including other governments. The federal government provided timber revenue to eligible counties for 1) loss of property tax revenue, which results from an inability to impose taxes on federally owned forest lands, and 2) reduction in the amount of logging allowed on federal forest lands. Federal timber revenues are often restricted for specific purposes such as funding schools or road maintenance. The portion of the timber revenues that are not restricted can be used by the county for general operating expenditures.

For purposes of our analysis, we focused this indicator solely on the portion of the federal timber revenues provided through the Department of Interior’s Bureau of Land Management (BLM) to 18 Oregon counties. These timber revenues, known as Oregon and California (O&C) and Coos Bay Wagon Road (CBWR) payments are generally not restricted and the availability of these moneys greatly impacts a county’s General Fund. For counties that depend heavily on timber payments, the loss of this revenue source may result in cash flow problems and fewer services provided to its citizens. Over the five-year period between 2009 and 2013, the average federal timber revenues in four counties ranged from 11% to 20% of their respective governmental fund revenues.

### Percent of Governmental Fund Revenue from Federal BLM Timber Payments

5-year average, FY 2009-2013  
Only includes recipient counties



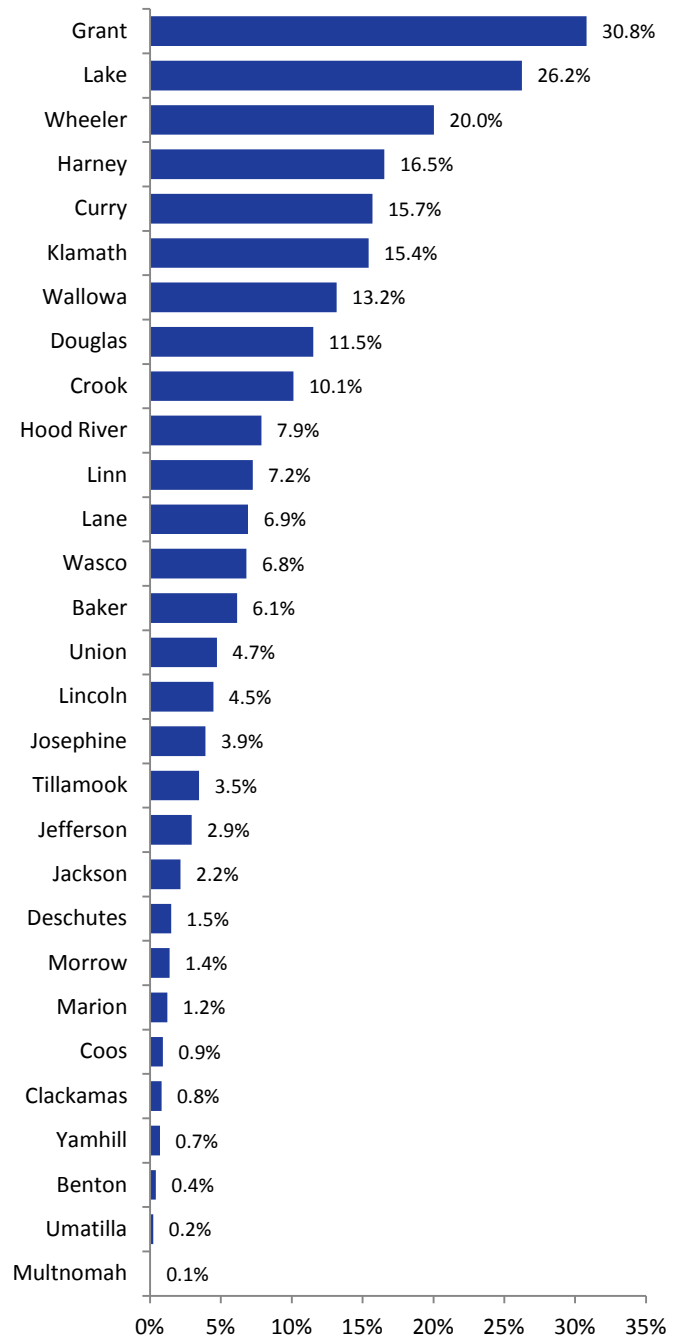
Counties also receive and depend upon funding for roadways from the United States Forest Service (USFS) and the State of Oregon. We did not include these transportation funds in our analysis of counties to monitor because they are restricted for specific purposes and not available for general operations. Oregon counties received about \$46 million in federal funding directed to roads in FY 2012-13. This funding, which was based upon past timber revenues to Oregon counties, is not expected to be received in future years. In addition to federal funding, the counties also received about \$214 million from the State of Oregon in FY 2012-13, which was based upon different factors such as their number of registered motor vehicles. The Oregon Constitution restricts the use of these federal and state revenues to roadway improvements.

For many of the larger counties with more miles of roads but fewer registered motor vehicles, the federal funds were a substantial supplement to their state road funds. These counties will now only receive state revenue related to their registered vehicles, adversely affecting their transportation programs. Collectively, Oregon's counties have lost nearly half of their road maintenance funding since 2009. Inadequate spending on road maintenance could have immediate consequences for many counties, though some have built substantial reserves in an effort to delay its impact. The extent of the loss, the restricted use of the funds, and the difficulty in determining the timing and magnitude of economic impact make it difficult to assess the effect on financial conditions. The chart shows the reliance of Oregon counties on federal road funds to help pay the cost of road maintenance. Counties receive other federal revenue such as payments in lieu of taxes and state forest payments, but the amounts have less impact on the county's government funds.

### Percent of Governmental Fund Revenue from Federal USFS Timber Payments (Road Fund Portion Only)

5-year average, FY 2009-2013

Only includes recipient counties



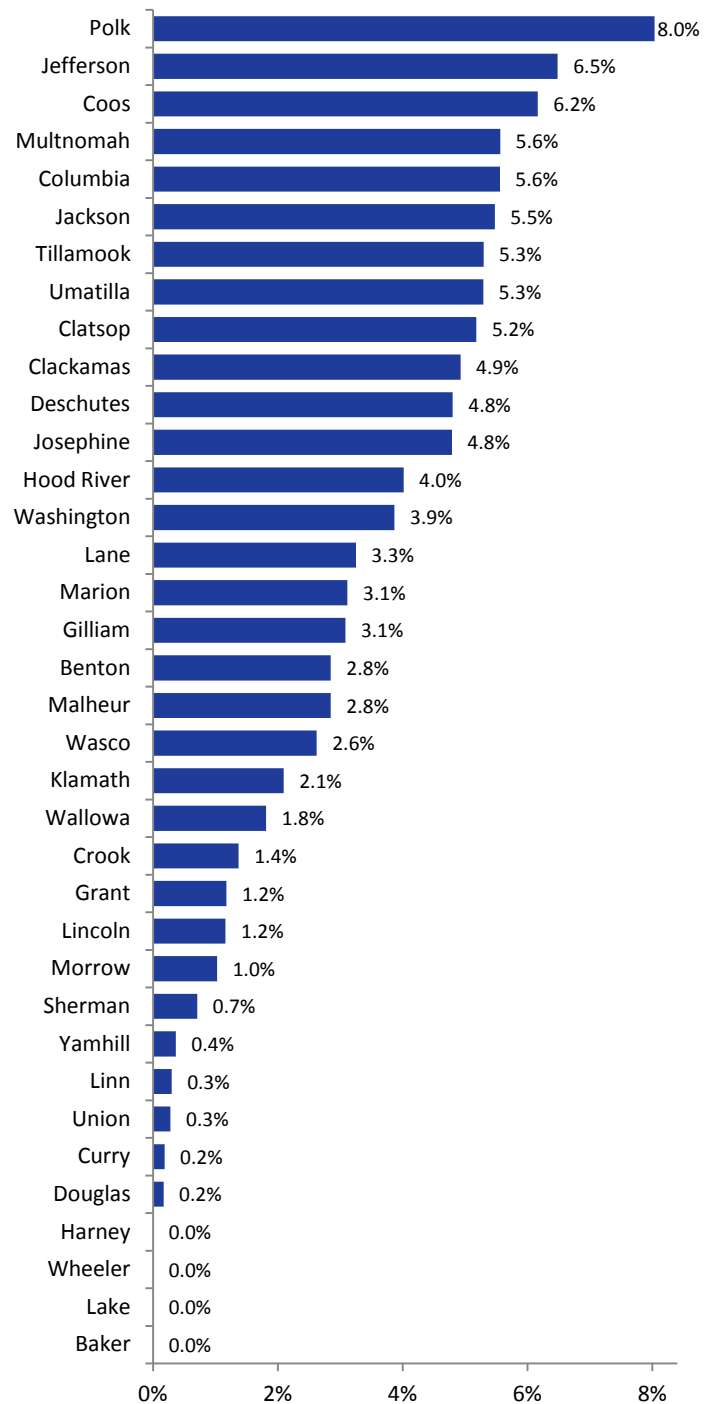
## Debt Burden

The issuance of debt is one strategy a county can use to provide cash to fund expenditures. However, increasing debt service (principal and interest payments on outstanding debt) reduces expenditure flexibility by adding to a county's obligations. It can be a major part of a county's fixed costs, and its increase may indicate excessive debt and fiscal strain. A key indicator that can be used to evaluate a county's debt burden is the percentage of debt service to revenues. States recognized as having sound debt management practices typically use a range between 5 and 8% of revenues. The State of Oregon uses a target of 5%.

From 2009-2013, nine counties had an average debt service to governmental fund revenues percentage that exceeded 5%; however, all 36 counties remain within the range recognized as sound debt management.

### Debt Service as a Percentage of Governmental Fund Revenues

5-year average, FY 2009-2013



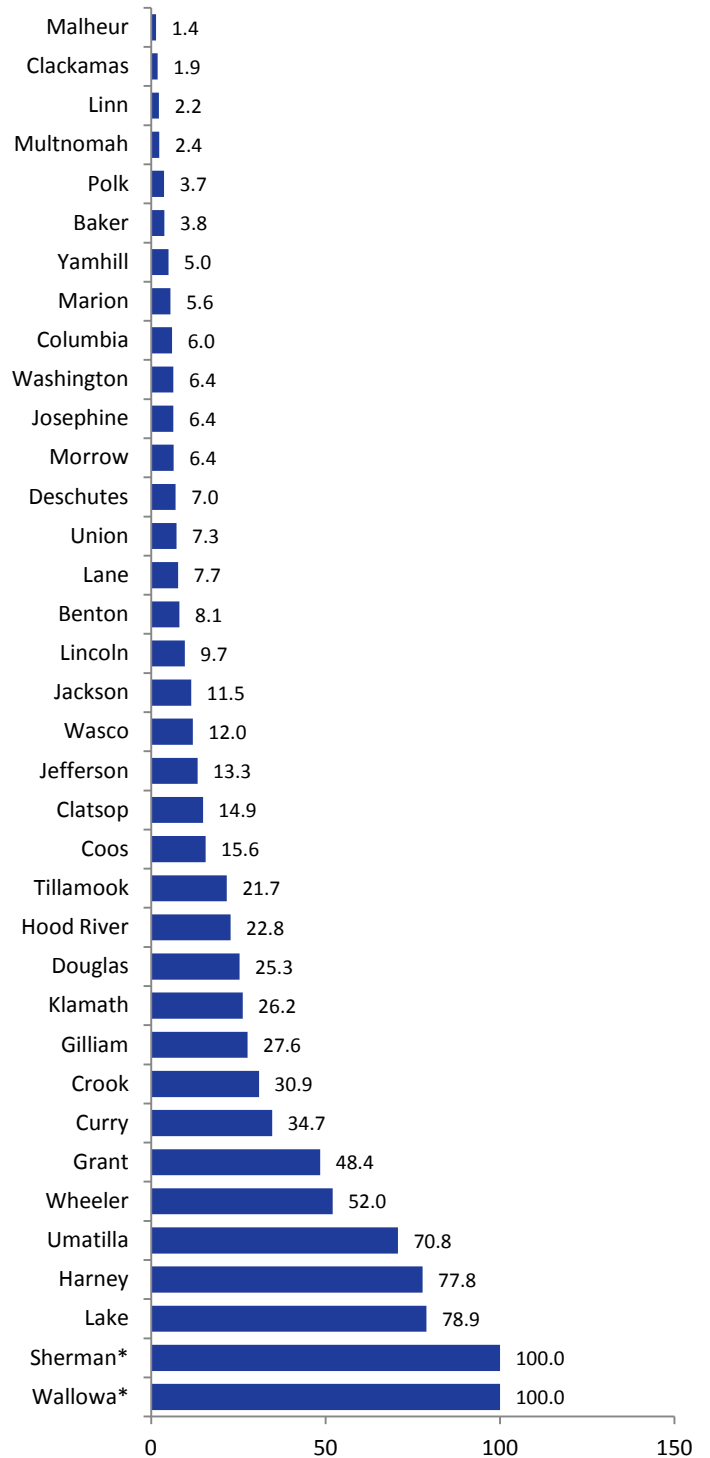
## Liquidity

A good measure of a county's short-term financial condition is its liquidity or cash position. Cash position determines a county's ability to pay its short-term obligations by measuring the amount of cash on hand at the end of the year in relation to the amount of current liabilities. A ratio of less than one indicates the county's cash position is not sufficient to meet its short-term obligations.

During 2009-2013, all counties maintained an average cash position that was sufficient to meet their short-term liabilities. About 80% of the counties showed a favorable cash position of at least 5:1, indicating the counties had a minimum of \$5 available to cover each \$1 obligated, compared to only half of the counties two years ago.

### Liquidity Ratio

5-year average, FY 2009-2013



\*These counties reported no liabilities in their governmental fund; ratio of 100 represents perfect liquidity.

## Fund Balance

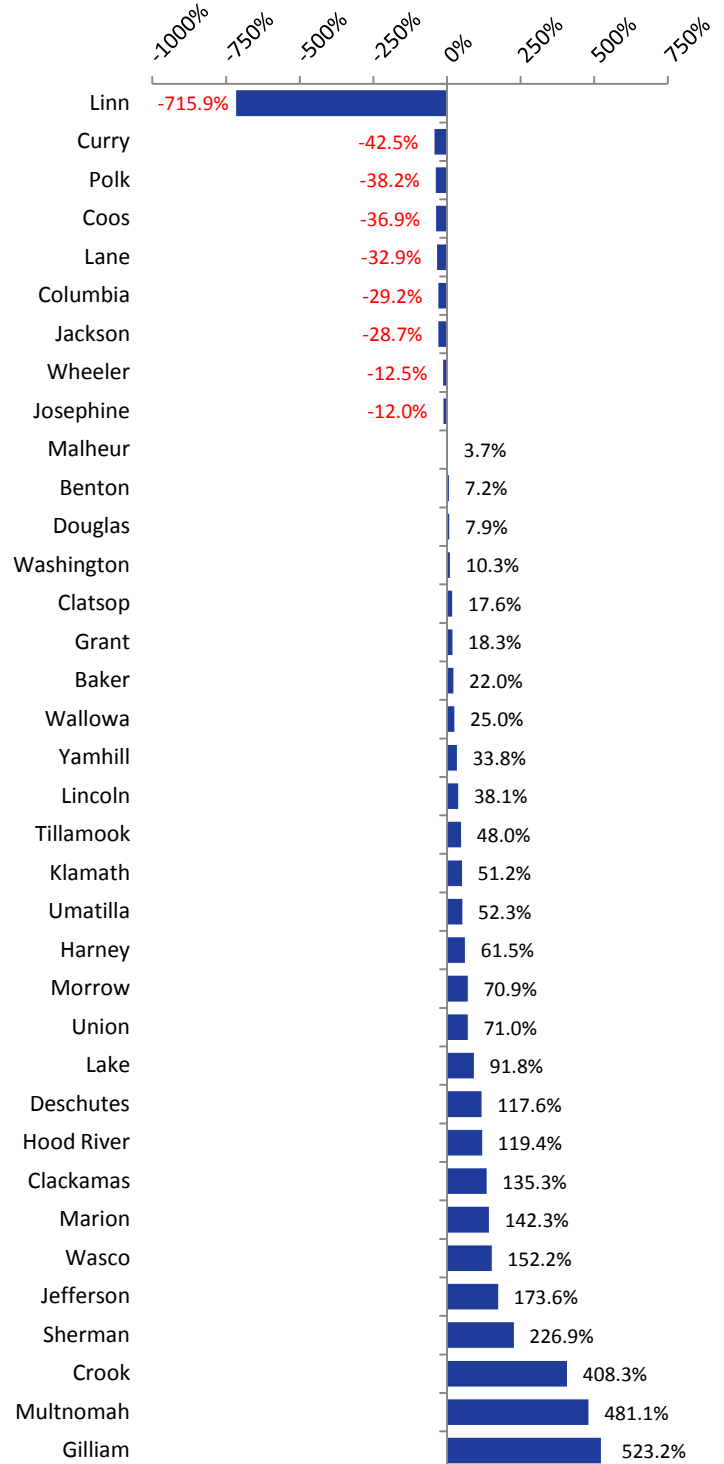
Most counties rely upon property tax revenue as a primary source of income for the general fund to cover operating costs for the year. The General Fund unrestricted fund balance helps counties cover costs from July until November, when property taxes are generally collected. A positive fund balance provides a cushion to help with revenue shortfalls or expenditure overruns. Continuous reductions in fund balance could lead to problems in the future, even if the current fund balance is positive.

In 2011, professional reporting standards changed fund balance classifications from reserved and unreserved to nonspendable, restricted, committed, assigned, and unassigned. The last three classifications are similar to the previous unreserved fund balance and are considered unrestricted because they are within the government's authority to determine how those funds are spent. As a result, this indicator includes each of the five years from 2009 to 2013. During this period, a total of nine counties experienced decreases in their respective General Fund unrestricted fund balance.

Linn County experienced the sharpest decrease of about \$5 million and reported a negative General Fund balance in each year analyzed. County officials reported that the negative balances were the result of extensive use of interfund loans from the county's Road Fund. Eight other counties experienced decreases ranging from 12-42% during this period.

### Percent Change in General Fund Unrestricted Fund Balance

FY 2009-2013



## Retirement Benefit Obligation

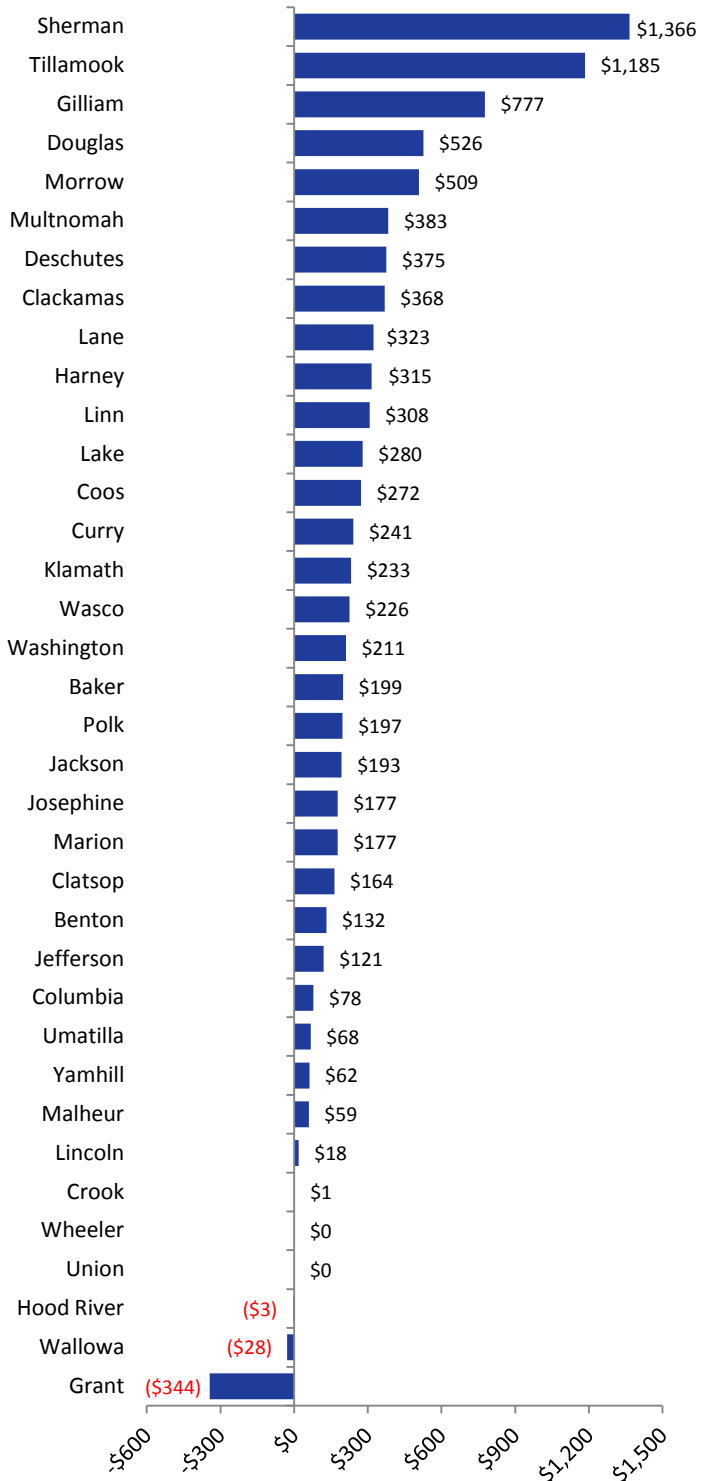
An unfunded liability is one that has been incurred during the current or a prior year that does not have to be paid until a future year, and for which reserves have not been set aside. It is similar to long-term debt in that it represents a legal commitment to pay at some time in the future. If such obligations are permitted to grow over a long period of time, they can have a substantial effect on a county's financial condition. This indicator measures the burden of each county's unfunded actuarial liability associated with its pension and other post-employment benefit plans (OPEB) on its citizens.

The average obligation in 2013 was \$255 per capita. Pension plans in five counties were fully funded. Fully funded plans are those without an outstanding liability. Counties with retirement benefit obligations per capita of \$0 or less are considered fully funded. A negative amount indicates a county that is more than 100% funded. This generally occurs when pension bonds were issued to reduce the county's retirement obligation.

In 2013, Sherman and Tillamook counties had the highest retirement benefit obligations per capita. Although Sherman County is making 100% of its annual required contribution payments, its unfunded liability is \$2.4 million. The cumulative effect of prior investment losses and a declining population to about 1,700, results in a higher retirement obligation per capita. Tillamook County is a non-PERS covered employer. About two-thirds of its \$30 million unfunded liability is for OPEB health benefits.

### Retirement Benefit Obligation per Capita\*

FY 2013



\*\$0 or less indicates fully funded

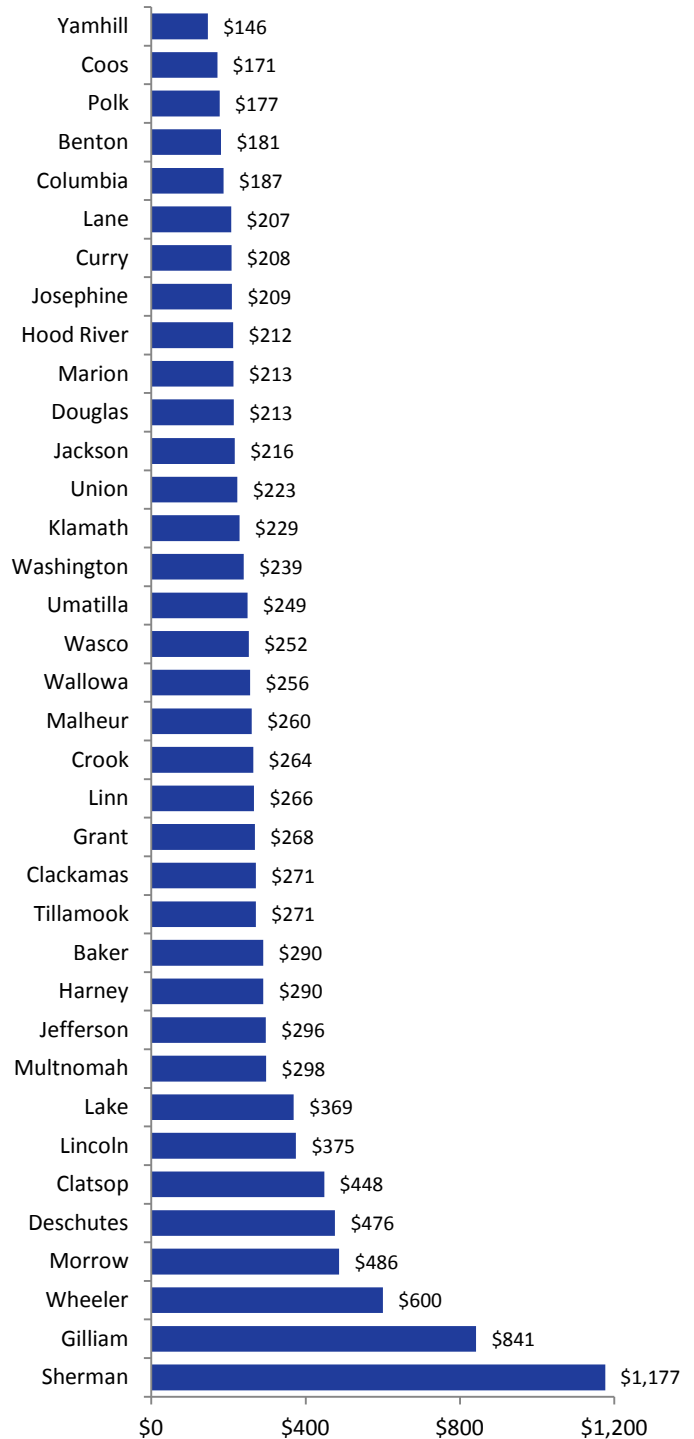
## Public Safety

Public safety is a primary responsibility of a county to ensure that its citizens are protected. Between 2009 and 2013, Sherman and Gilliam counties significantly out-spent all other counties for public safety related activities. On the other hand, Yamhill, Coos, and Polk counties spent the least on public safety during these years. In Polk County for example, road patrols were reduced from 24 to 10 hours per day. Overall, the average public safety expenditures for each county remained about the same amount as presented in our last report.

Public safety programs are supported with discretionary funds. When resources are constrained, public safety is one of the first areas impacted with expenditure reductions. Some counties turned to the Oregon State Police to help supplement needed patrols. Other counties are getting creative by looking into the possibility of volunteer crime scene investigators and park patrols, or strategically placing unmanned patrol cars throughout the area to create the impression of a higher level of police presence.

Counties have attempted to reverse recent cuts in public safety by passing property tax levies which must receive a majority vote from the local citizens to pass. Lane and Columbia counties recently passed levies to maintain their jail operations. Elsewhere in the state, the voters in Curry and Josephine counties rejected multiple proposed ballot measures to fund public safety.

**Public Safety Spending Per Capita**  
5-year average, FY 2009-2013



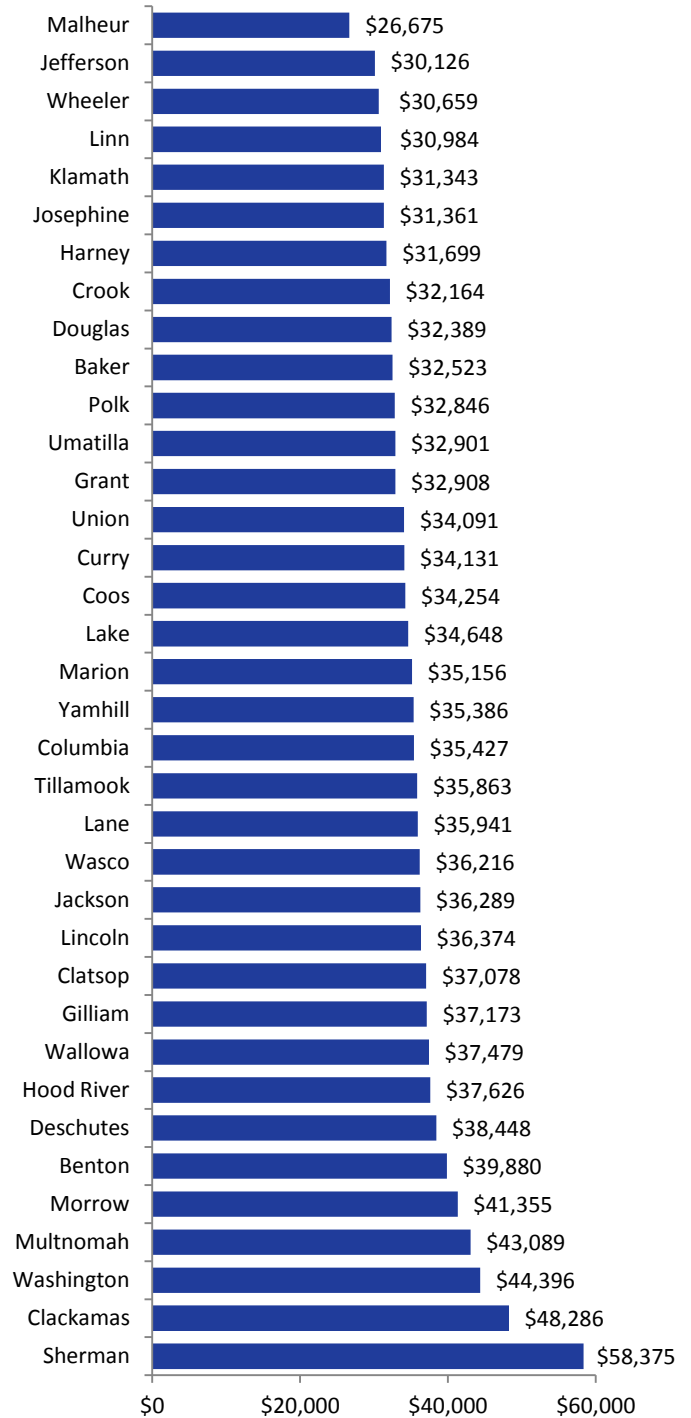


## Personal Income

Personal income per capita is one measure of a county's ability to raise taxes: the higher the per capita income, the more property tax, income tax, and business tax the county can generate. If income is evenly distributed, a higher per capita income will usually mean a lower dependency on government services such as transportation, health, recreation, and public assistance. A decline in per capita income causes a drop in consumer purchasing power and can provide advance notice that businesses, especially in the retail sector, will suffer a decline that can ripple through the rest of the county's economy.

Income data for 2012 is the latest available, and based on those figures the per capita personal income among Oregon's 36 counties ranged from about \$26,000 to \$58,000. Every county experienced increases in per capita personal income since our previous report, which included 2009 data. Morrow, Wheeler, and Sherman counties had the largest increases of over 20%.

### Personal Income per Capita FY 2012\*



\* Income data for 2013 was not available.

## Population Trends

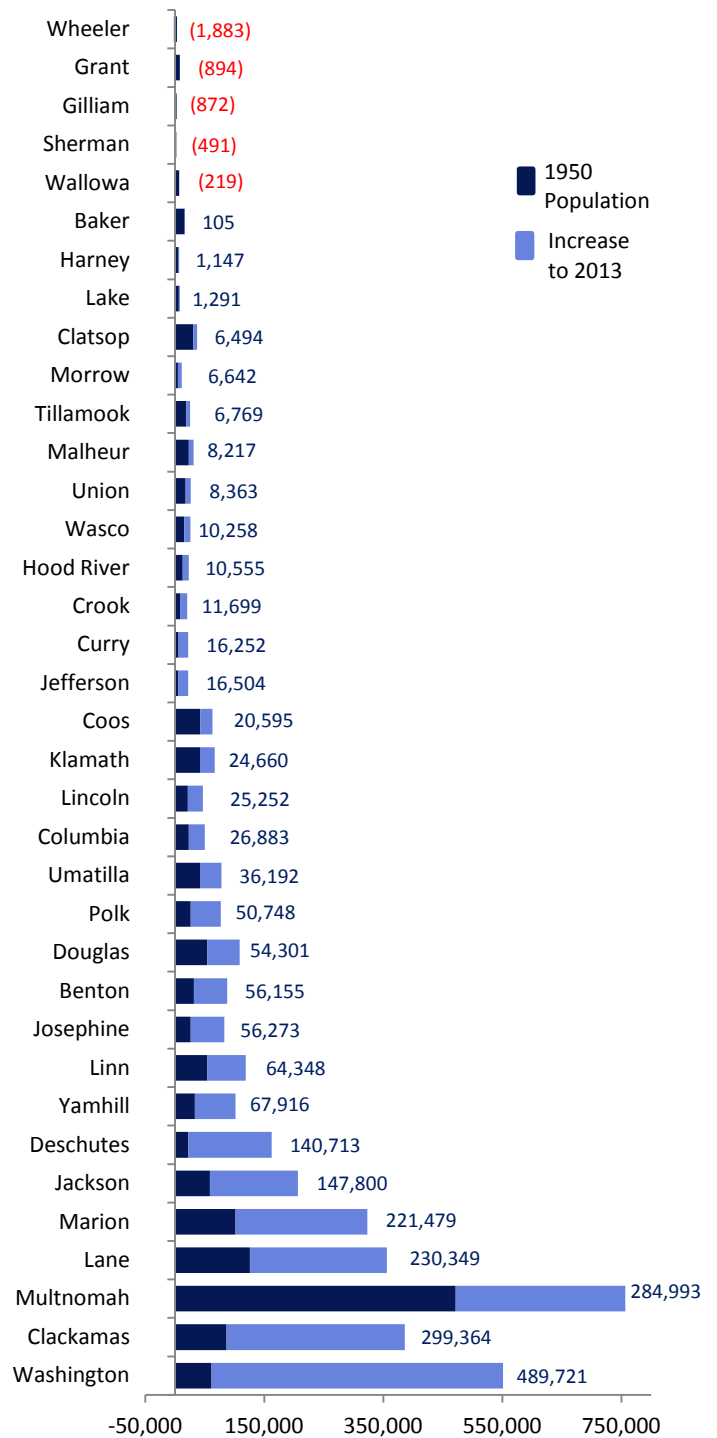
Population change can directly affect governmental revenues. For example, some taxes are collected on a per capita basis, and many intergovernmental revenues and grants are distributed according to population. A decline in population would, at first glance, appear to relieve the pressure for expenditures, because the population requiring services is smaller. In practice though, a county faced with population decline is rarely able to make reductions in expenditures that are proportional to the population loss.

From 1950 through 2013, most counties experienced an overall growth in population. Populations more than doubled during this period in 17 counties, while an additional six counties saw an increase of over 50% in their respective populations. Deschutes and Washington Counties experienced the largest percentage increases in population with increases of 140,713 or 645% and 489,721 or 799%, respectively.

A number of counties, however, experienced declines in total population during this period. Wheeler, Gilliam, Sherman and Grant counties all experienced declines greater than 10%. Wheeler and, Gilliam counties were impacted the most with decreases of 1,883 (57%) and 872 (31%), respectively.

Between 2010 and 2013, a majority of the population increase in Oregon occurred in Washington (21,280) and Multnomah (21,196) Counties. The next two largest increases were in Clackamas (10,088) and Marion (7,545) Counties. The remaining counties either increased by fewer than 5,000 or decreased in population. The counties that have experienced a population decrease between 2010 and 2013 are Crook, Coos, Harney, Curry, Wheeler, and Grant, which range from a loss of 10 to 288 persons.

Population Change, 1950 to 2013

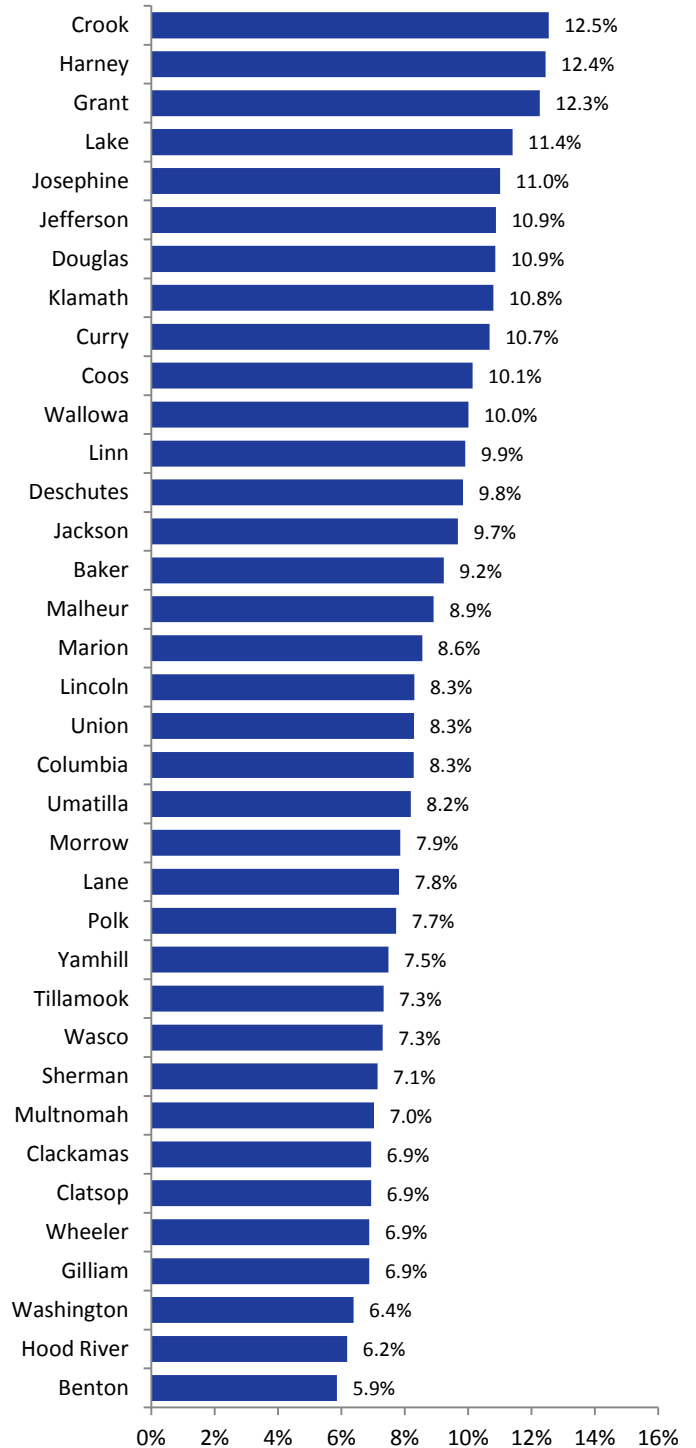


## Unemployment

A county's unemployment rate is a key indicator of the health of its economy, as well as the county's long-term financial prospects. During 2013, the average county unemployment rates ranged from a low of 5.9% to a high of 12.5%. The State's unemployment rate during this period was 7.9%. Unemployment in 22 counties had the same or exceeded the State rate.

### Unemployment Rate

FY 2013



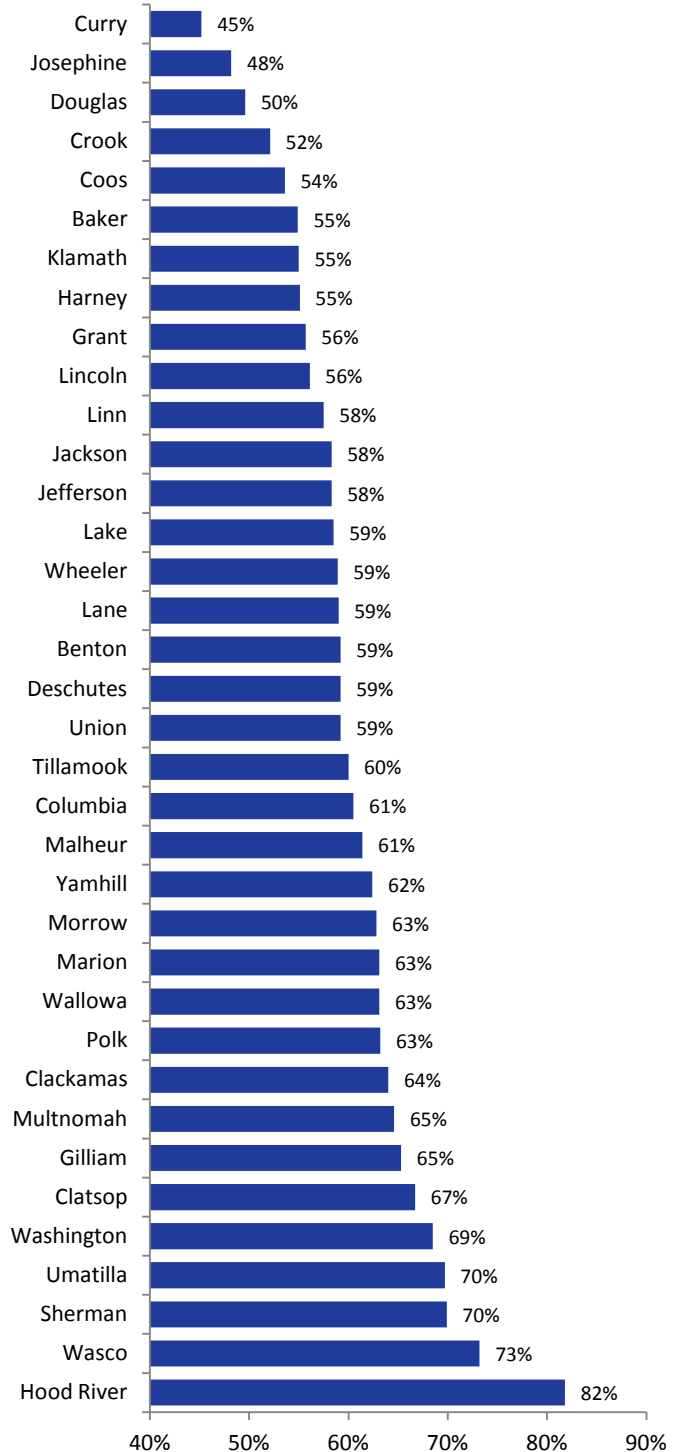
Another way to gauge the local economy is by measuring whether people are participating in the workforce. The labor force is the number of employed persons or unemployed and looking for work. The participation rate is calculated by dividing that number by the total population age 16 and older. The Oregon Department of Employment produces an annual analysis of the labor force participation rate.

The rate varies from a low of 45% in Curry County with a higher than average unemployment rate and relatively older population, to a high of 82% in Hood River County with a high concentration of younger prime-age workers. The statewide average rate is 61%.

A much higher percentage of the population is participating in the workforce for the counties along the Columbia Gorge, such as Wasco, Sherman, Hood River, and Gilliam.

High unemployment and relatively older populations affect the counties with relatively low participation rates.

### Labor Force Participation Rate 2013 Estimate



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## Counties to Monitor

As presented in the previous section, for the purposes of our analysis of Oregon's 36 counties, we selected 10 indicators that provide a general assessment of the financial condition of Oregon's counties. We included timber revenues as an indicator since some counties are heavily reliant on timber monies.

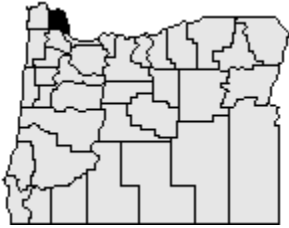
The results of our analysis indicated the following nine counties may be at a higher risk of distress than other counties. Of the eight counties, seven remain from our previous report with the addition of Columbia and Linn counties this year. Klamath County is no longer included as its General Fund unrestricted fund balance has more than tripled and personal income per capita has increased. The counties to monitor are presented in alphabetical order. Because the circumstances of each county are different, much more information is needed to rank them in order of severity, and to draw a clear distinction between those with a weaker financial condition.

- Columbia
- Coos
- Curry
- Douglas
- Jackson
- Josephine
- Lane
- Linn
- Polk

We performed additional analysis of these counties and contacted county officials to determine what action they are taking to address the financial condition of their county. Their responses are presented within their individual sections of this report.

We did not propose any specific solutions because the decisions about county taxes and the level of services are based upon local priorities, within practical and legal requirements and limitations.

# Columbia County



## ***Overview***

Columbia County covers 687 square miles and is the third smallest county behind Hood River and Multnomah. The county's major industries include timber, fishing, water transportation, dairying, horticulture, and recreation.

The county has experienced significant growth in population over the last three decades due to its proximity to the Portland metropolitan area. Some of its financial indicators are positive, such as strong liquidity, sound debt management, and a low retirement obligation per citizen. In addition, the county is not overly reliant on federal timber revenues.

However, it's a county to monitor for several reasons: Columbia County's spending on public safety is among the lowest in the state; in May 2014 voters passed a levy to keep the county jail from shutting its doors; its local revenue per capita income has declined in each of the previous three years; and its General Fund balance has continually decreased due to operating at a deficit in five of the previous seven years.

## ***County Response***

The County's strategy to address the loss of timber revenues has been to treat it as a short-term problem managed on a year to year basis. To maintain staffing levels required to fulfill mandated services and keep the budget in balance, the County has employed a number of cost-cutting measures. Since fiscal year 2008-2009, the County has reduced staff by 25% through lay-offs and leaving open unfilled positions. The County froze cost of living pay increases, instituted mandatory furloughs, and closed the County Courthouse to the public on Fridays. The County remains confident that a permanent solution to the current funding shortfall will be crafted. Furthermore, two of the County's three significant lines of debt are being repaid with specific revenue streams other than General Fund dollars.

## Local Support

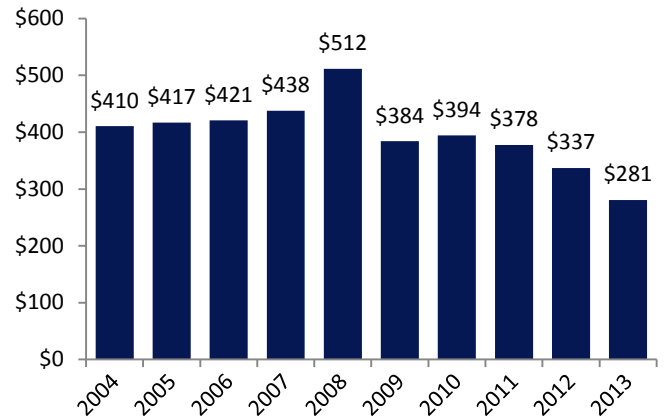
With the exception of 2008, the county's local revenue per capita has been in a general decline. Local revenues totaled \$13.9 million in 2013, representing a decrease of 31% from the average of \$19.6 million of the past nine years. In 2013, local revenues per capita were the eighth lowest in the state. The county's permanent tax rate of \$1.40 per \$1,000 assessed property value is the eighth lowest in Oregon.

## Timber Revenue Dependence

In 2013 Columbia County received about \$0.7 million in federal timber revenues, which represents about 2% of the county's total governmental fund revenues. The county's timber revenues have continued to decline since 2004, when timber revenues were \$2.8 million or about 9% of total governmental fund revenues. The county's 2013 federal timber revenues provided \$14 in revenues per capita compared to \$62 in 2004 and ranks eighth among all counties in dependence upon federal timber revenues.

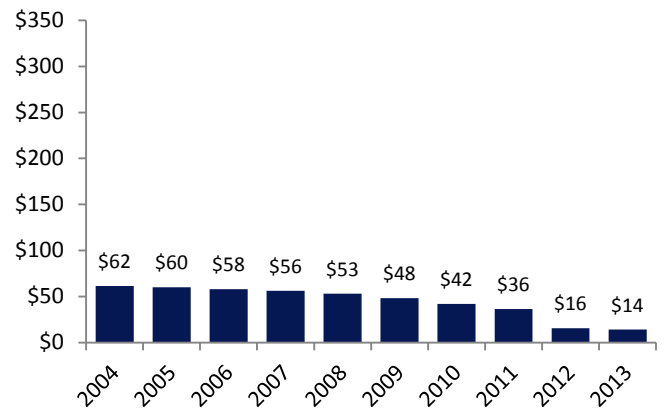
## Local Revenue per Capita

Adjusted for inflation



## Timber Dependence per Capita

Adjusted for inflation



## Debt Burden

With the exception of 2007, Columbia County's debt service payments range between \$1.7 million and \$2.3 million over the past 10 years. The 40.8% spike in 2007 is due to an advanced refunding of 1999 general obligation bonds. However, due to total revenues decreasing, the debt service percentage still remains above 5%. At 6% of 2013 total revenues, the county's debt service level ranks fifth highest among Oregon's counties but still remains within the range recognized as sound debt management.

## Liquidity

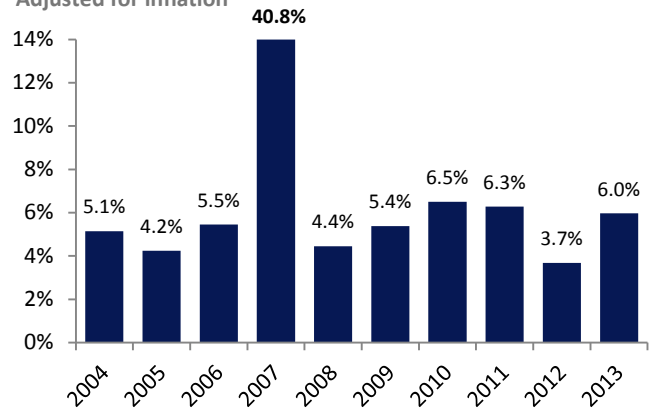
The county's liquidity ratio has fluctuated between 2.7 and 9.0 from 2004 to 2013. At its current level, the county has sufficient cash to meet its short-term liabilities.

## Fund Balance

The county's General Fund unrestricted fund balance was \$3.7 million in 2013, up slightly from \$2.7 million in 2004. This represents a 34.6% decrease from its highest amount of \$5.7 million in 2009. At the same time, General Fund expenditures have decreased from \$16 million in 2004 to \$13.4 million in 2013.

## Debt Service as Percentage of Governmental Fund Revenues\*

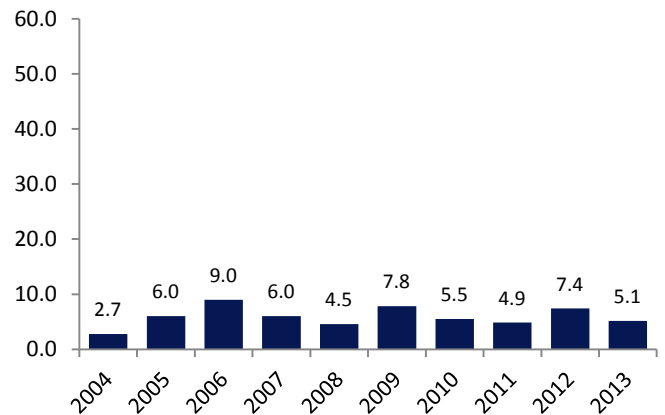
Adjusted for inflation



\*Highest percentage significantly exceeds chart maximum

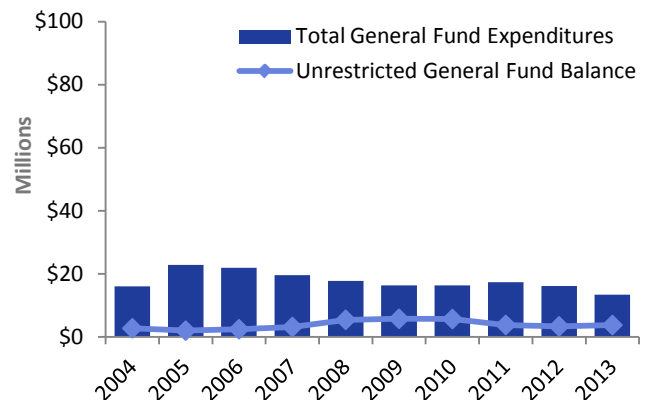
## Liquidity Ratio

Adjusted for inflation



## Fund Balance

Adjusted for inflation



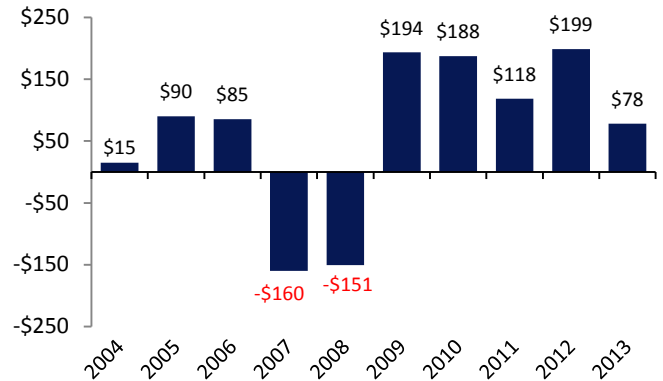


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability, and resulting per capita obligation, associated with these benefits dropped significantly in 2013. This is due to pension reform and improved returns on state investments.

## Retirement Benefit Obligation Per Capita\*

Adjusted for information



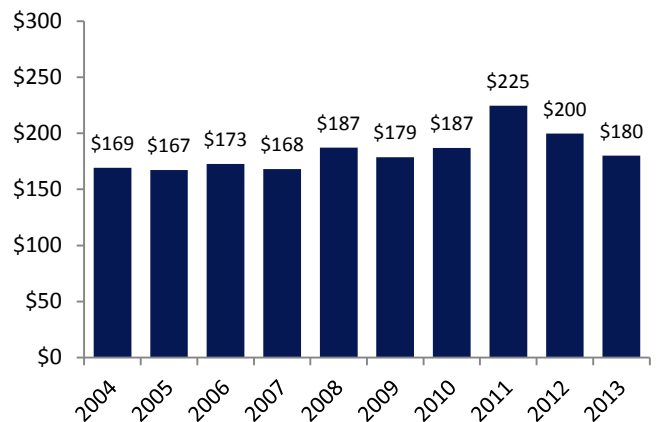
\*\$0 or less indicates fully funded

## Public Safety

Columbia County's public safety expenditures have remained relatively stable the past 10 years, ranging from \$7.7 million in 2004 and \$169 per capita to \$8.9 million in 2014 and \$180 per capita. The \$180 spent on public safety per capita in 2013 is the fifth lowest among Oregon counties.

## Public Safety Expenditures Per Capita

Adjusted for inflation

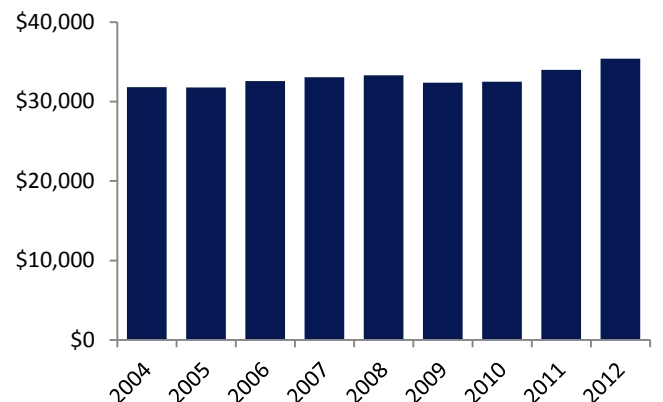


## Personal Income

Per capita personal income levels in Columbia County have increased over the past 10 years. The county ranks in the middle among Oregon counties for personal income.

## Personal Income per Capita

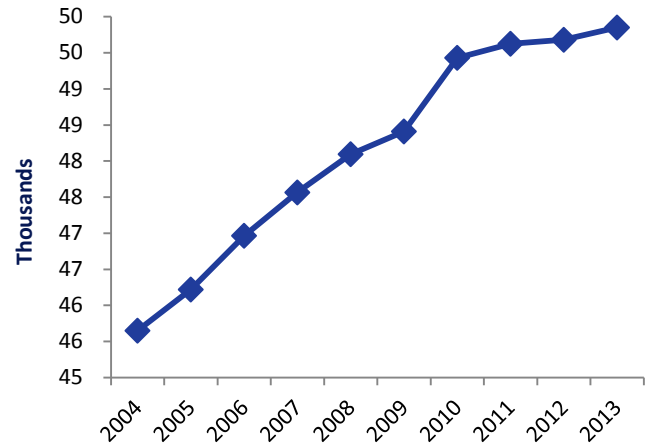
Adjusted for inflation based on 2012 dollars



## Population Trends

Columbia County is 17<sup>th</sup> among Oregon counties, with an estimated population of 49,850 in 2013. The county's population has been continually increasing, in part, due to its proximity to the Portland metro area.

## 10-Year Population Trend

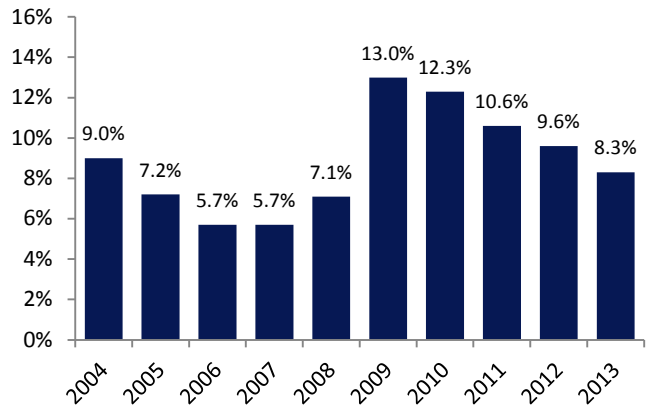


## Unemployment

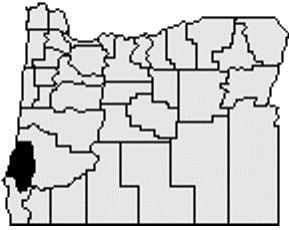
The unemployment rate in the county was relatively low until the recession began in 2008. It has decreased each year since due to the improving economy. The 2013 rate is slightly above the state's average. Columbia County had a labor force participation rate of 61% in 2013, the same as the statewide average.

## County Unemployment Rates

Seasonally adjusted average



# Coos County



## **Overview**

Coos County has an area of 1,629 square miles, with timber and fishing as the foundation of its economy. About 61% of the county's land is publicly owned. As a result, the county is heavily reliant on federal timber revenues, while it levies the third lowest property tax rate among the counties. Some financial management indicators are positive, such as good debt management, strong liquidity, and a healthy fund balance at year end.

However, county spending on public safety is already among the lowest in the state and achieving a balanced budget will become more difficult with further reductions in discretionary revenues. While per capita income has shown some growth, Coos ranks 21<sup>st</sup> among the counties. Longer term, its population has shown only modest growth with the possibility of a shrinking work force and an increasingly older population to serve.

## **County Response**

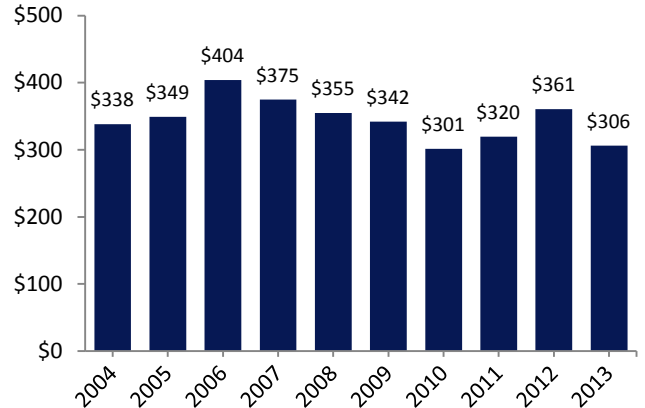
The County did not submit a response.

## Local Support

The county's ability to support itself through locally generated revenues has declined from \$21.2 million in 2004 to \$19.3 million in 2013. In 2013, local revenues per capita were the 12<sup>th</sup> lowest in the state. The county's permanent tax rate of \$1.08 per \$1,000 of assessed property value is the third lowest rate in Oregon.

## Local Revenue Per Capita

Adjusted for inflation

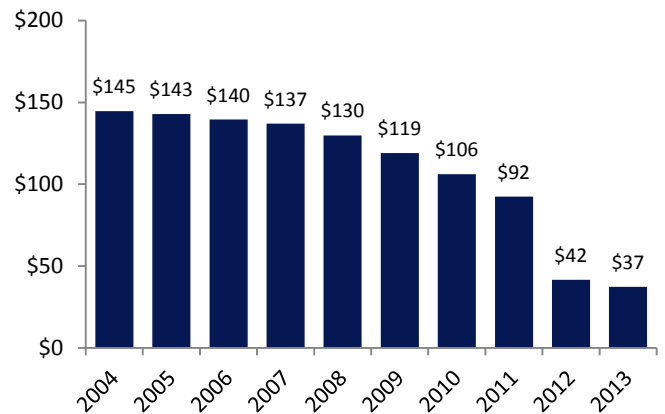


## Timber Revenue Dependence

In 2013 Coos County received about \$2.3 million in federal timber revenues, which represented about 6% of the county's total governmental fund revenues. In 2004, these revenues were over \$9 million or about 17% of total governmental fund revenues. The county's 2013 federal timber revenues provided roughly \$37 in revenues per capita, which ranks it fourth among all counties in dependence on federal timber payments.

## Timber Dependence Per Capita

Adjusted for inflation

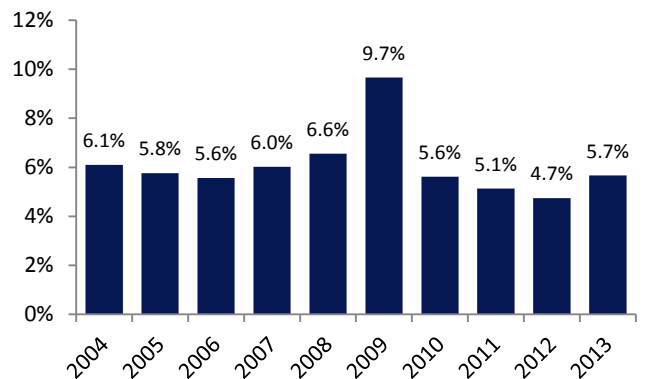


## Debt Burden

Coos County's long-term debt is primarily general obligation bonds issued after voters passed a measure authorizing its natural gas pipeline project in 1999. In 2013 debt service payments were \$2.3 million and represented 5.7% of the county's 2013 total revenues. The county's debt service level ranks third highest among Oregon's counties, but is within the range recognized as sound debt management.

## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation

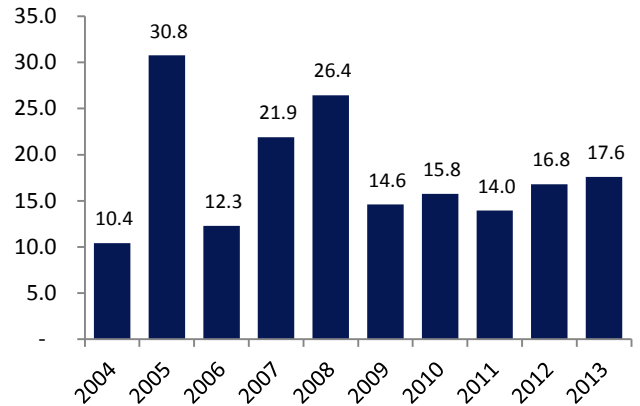


## Liquidity

The county's liquidity ratio increased from 10.4 in 2004 to 17.6 in 2013. At its current level, the county has sufficient cash to meet its short-term liabilities.

## Liquidity Ratio

Adjusted for inflation

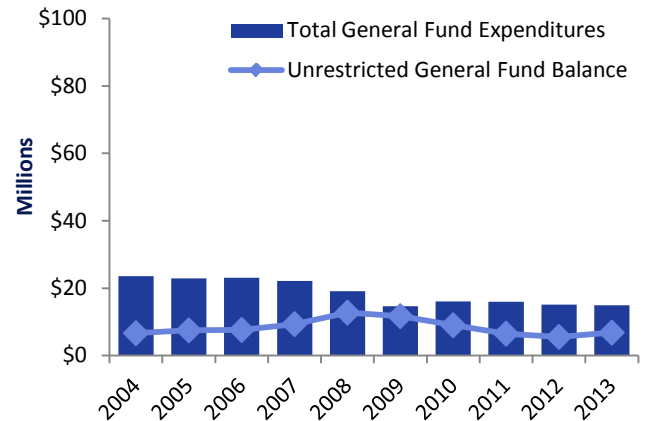


## Fund Balance

Coos County's total General Fund expenditures have decreased about \$8.6 million or 37% since 2004. As a result, the General Fund unrestricted fund balance as a percentage of total general fund expenditures increased about 17% over the same period.

## Fund Balance

Adjusted for inflation

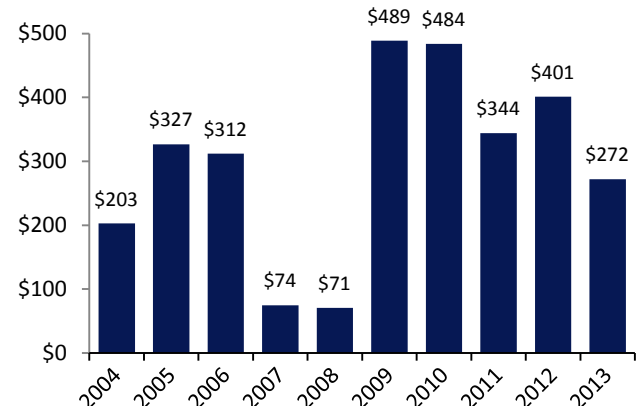


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability, and resulting per capita obligation associated with these benefits have declined significantly since 2009 mainly due to improved returns on state investments. Coos County has the 13<sup>th</sup> largest retirement obligation per capita.

## Retirement Benefit Obligation Per Capita

Adjusted for inflation

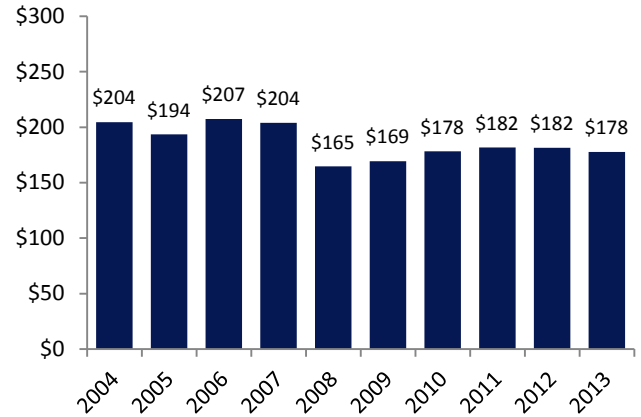


## Public Safety

Historically, Coos County has one of the lowest rates of public safety spending per capita. During the past 10 years, spending has decreased from \$12.8 million in 2004 to \$11.1 million in 2013. The county remains the second lowest in public safety expenditures per capita among Oregon counties.

## Public Safety Expenditures Per Capita

Adjusted for inflation

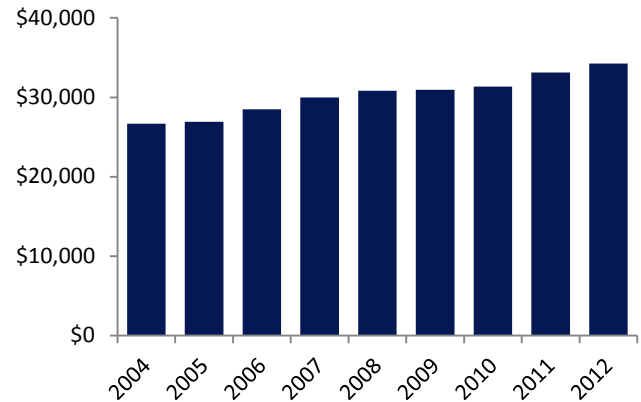


## Personal Income

Per capita personal income levels in Coos County grew steadily between 2004 and 2012. Despite this growth, the county's 2012 per capita personal income level of about \$34,250 remains in the bottom half among Oregon counties.

## Personal Income per Capita

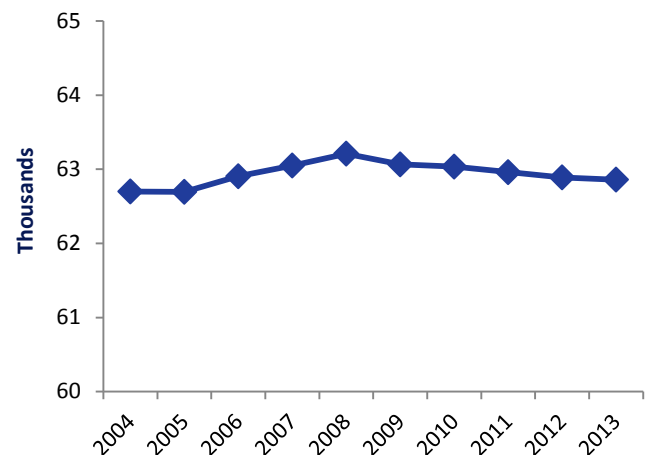
Adjusted for inflation based on 2012 dollars



## Population Trends

Coos County is 16<sup>th</sup> among Oregon counties, with an estimated population of 62,860 in 2013. The county's population has remained about the same over the past 10 years.

## 10-Year Population Trend

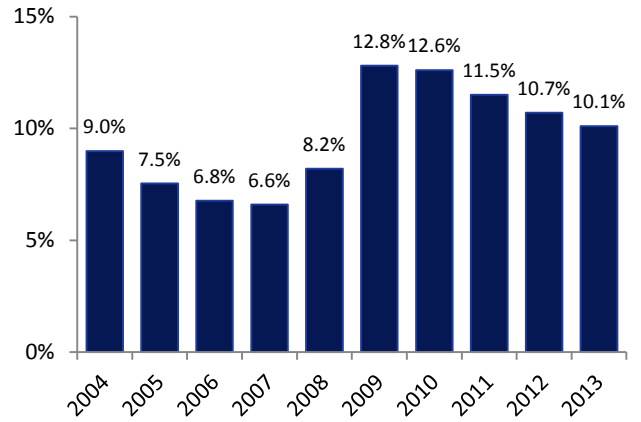


## **Unemployment**

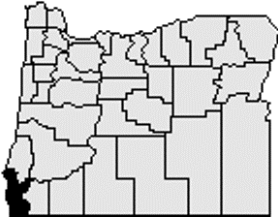
Since spiking in 2009, Coos County's unemployment rate has decreased each year due to an improving economy. In 2013, the county's unemployment rate of 10.1% was about 2% above the State's unemployment rate.

## **County Unemployment Rates**

Seasonally adjusted average



# Curry County



## **Overview**

Curry County is approximately 1,648 square miles, of which about 61% is publicly owned. The county's major industries are agriculture, forest products, and mining. Curry has the second lowest property tax rate in Oregon and is heavily reliant on federal timber revenues. The county's unemployment rate has remained high, and spending on public safety is in the bottom 10 among counties. Despite these trends, the county has shown good debt management practices and has strong liquidity.

## **County Response**

The County did not submit a response.

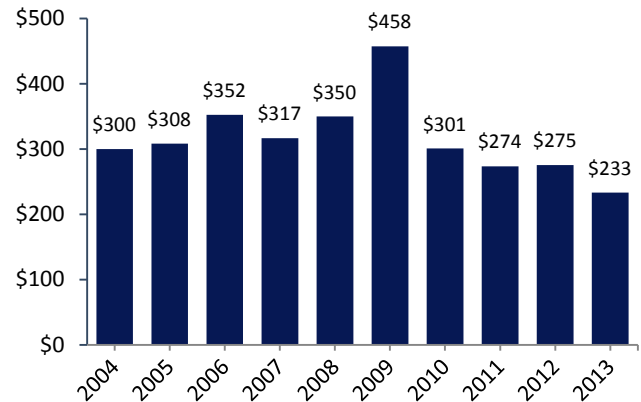


## Local Support

Local revenues per capita have slowly declined the past 10 years. From 2004 to 2013 local revenues decreased from \$6.3 million to \$5.2 million while the county's population increased by about 1,150. The county's permanent tax rate of \$0.60 per \$1,000 of assessed property value is the second lowest rate in Oregon.

## Local Revenue Per Capita

Adjusted for inflation

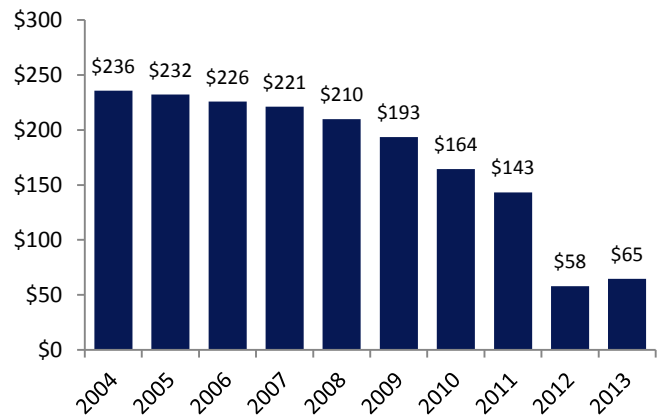


## Timber Revenue Dependence

In 2013 Curry County received about \$1.4 million in federal timber revenues, which represents about 9% of the county's total governmental fund revenues. The county's reliance on timber revenues has declined since 2004, when timber revenues were \$5 million or about 18% of total governmental fund revenues. Curry is one of 18 counties dependent on federal timber revenues. The county's 2013 timber revenues provided about \$65 in revenues per capita.

## Timber Dependence Per Capita

Adjusted for inflation

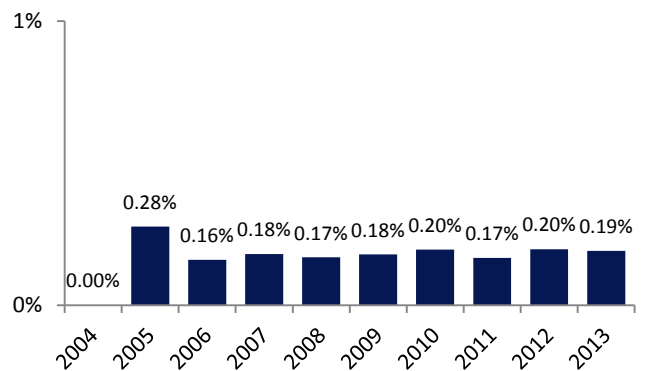


## Debt Burden

The county's debt service payments remained stable from 2004 to 2013. At less than a 0.25% of 2013 total governmental fund revenues, the debt service level is one of the lowest of the Oregon counties and indicates that the county has implemented sound debt management practices.

## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation

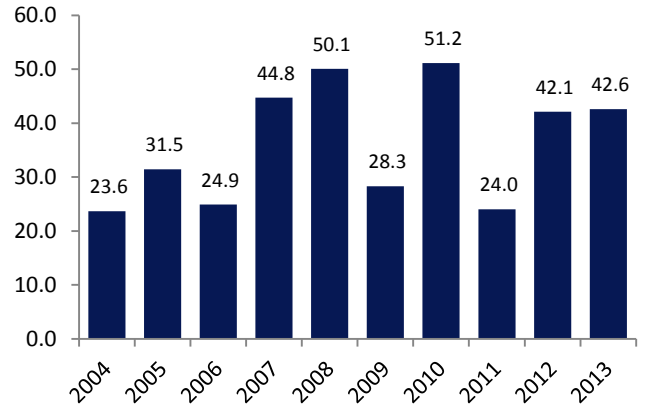


## Liquidity

Curry's liquidity ratio has varied over the past 10 years but has consistently maintained a ratio greater than 23. At this level, it has more than enough cash to meet its short-term liabilities. County officials reported that the liquidity level is a result of efforts to put general fund monies into reserves in anticipation of the loss of federal timber revenues.

## Liquidity Ratio

Adjusted for inflation

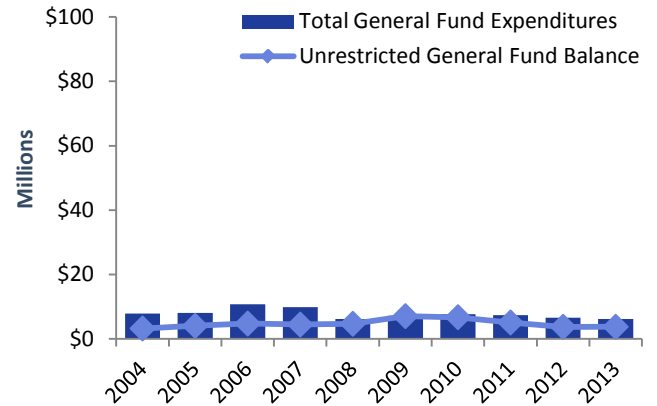


## Fund Balance

The county's General Fund unrestricted fund balance as a percentage of total General Fund expenditures has fluctuated between a low of 41% in 2004, to a high of 99% in 2009, to its current 60% in 2013. The percentages are indications of adequate reserves.

## Fund Balance

Adjusted for inflation

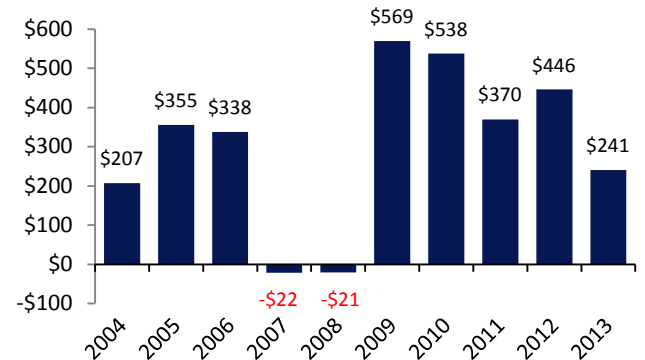


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. Its unfunded actuarial liability has fluctuated each year since 2004. The current liability of \$5.3 million in 2013 is close to the \$4.3 million amount in 2004. The decrease in 2013 is mainly attributed to the economic recovery that increased the value of the retirement plan investments.

## Retirement Benefit Obligation Per Capita\*

Adjusted for inflation



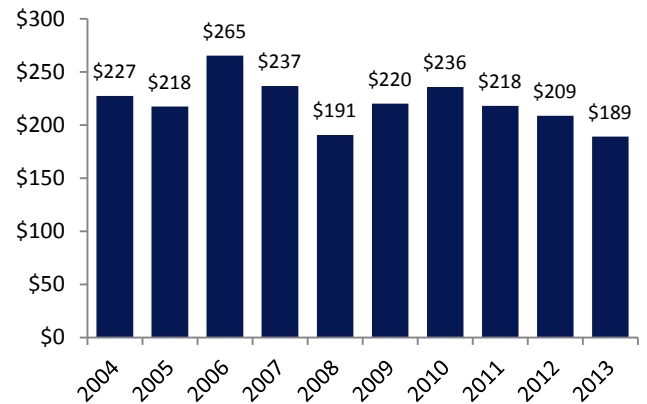
\*OPEB obligation is not included and \$0 or less indicates fully funded

## Public Safety

Public safety expenditures per capita have decreased about 17% since 2004. The county remains one of the lowest in public safety spending per capita.

## Public Safety Expenditures Per Capita

Adjusted for inflation

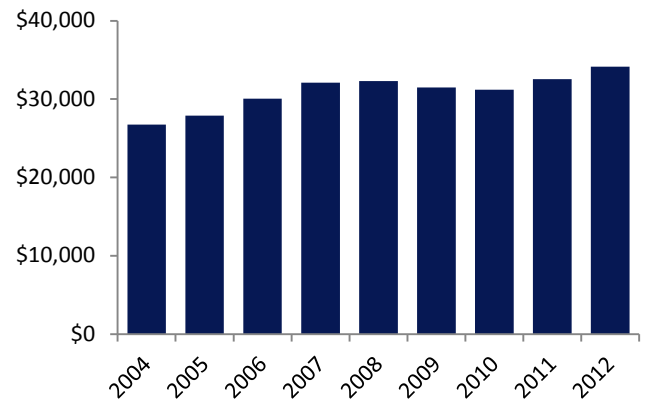


## Personal Income

Personal income per capita steadily increased from 2004 to 2007 where it has remained relatively stable. The county's 2012 per capita personal income level of \$34,131 is 22<sup>nd</sup> among Oregon counties.

## Personal Income Per Capita

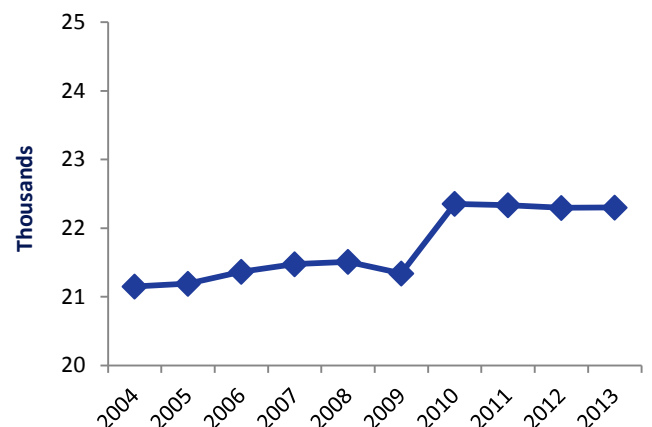
Adjusted for inflation based on 2012 dollars



## Population Trends

Curry had an estimated population of 22,300 in 2013, which ranks 25<sup>th</sup> among Oregon counties. The county's population has increased slowly since 2004.

## 10-Year Population Trend



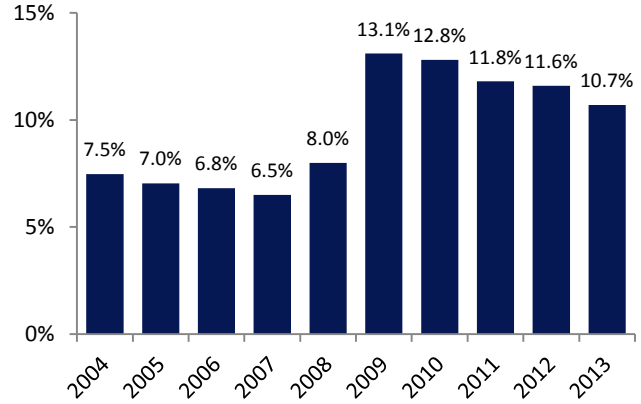
# Curry County

## **Unemployment**

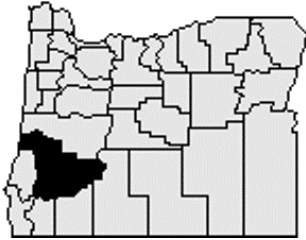
Since spiking in 2009 the county's unemployment rate has decreased due to the improving economy. The county's unemployment rate in 2013 was in the top third among Oregon counties and was about 2.5% higher than the State's unemployment rate for the year.

## **County Unemployment Rates**

Seasonally adjusted average



# Douglas County



## **Overview**

Approximately 50% of Douglas County's 5,071 square miles is public land, with forest products and agriculture being key to its economy. The selected financial management indicators show that the county has sound debt management practices and one of the largest fund balances among counties. The indicators also show that Douglas County has strong liquidity and has experienced steady population growth over the past several decades.

The county levies the fourth lowest property tax rate in Oregon, which limits its ability to generate local revenues. It is the most dependent among counties on federal timber payments, has high unemployment, and a high pension obligation per capita.

## **County Response**

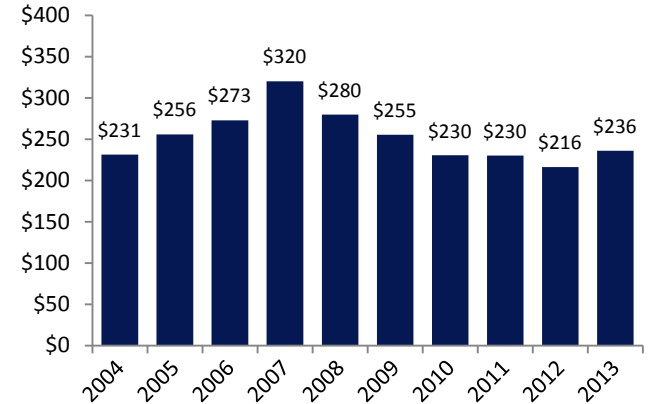
Douglas County has responded to the loss of a safety net by reducing budgets, service levels and personnel services until a permanent revenue solution is found. The County continues to budget the use of reserves at levels that are not sustainable. Based on current spending patterns, in approximately two years, the County's General Fund will need to reduce service levels and expenditures to balance the budget with current revenues. Minimum reserve levels needed for operating cash requirements will be reached near that time.

## Local Support

The county's local revenues of \$25.7 million in 2013 is up slightly from \$23.7 million in 2004, resulting in a slight increase of local revenues per capita of \$236 in 2013 compared to \$231 in 2004. Local revenues per capita in 2013 were the fifth lowest per capita total in the state. Its permanent tax rate of \$1.11 per \$1,000 of assessed property value is the fourth lowest rate in Oregon.

## Local Revenue Per Capita

Adjusted for inflation

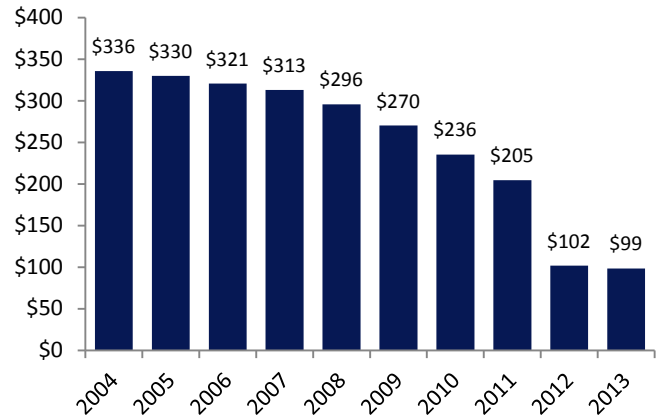


## Timber Revenue Dependence

Douglas County is one of the most dependent on federal timber revenues. Those resources contributed an average of 22% of the county's total governmental fund revenues between fiscal years 2004 and 2013. In 2013, payments were \$10.7 million or about 14% of total governmental fund revenues, and provided roughly \$99 in revenues per capita.

## Timber Dependence Per Capita

Adjusted for inflation

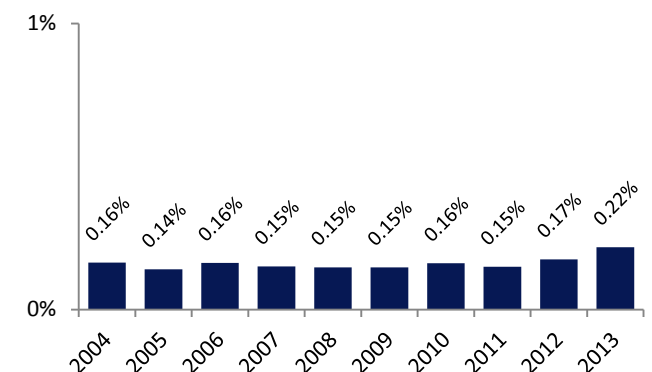


## Debt Burden

The county's debt service payments remained stable from 2004 to 2013. At less than 0.25% of 2013 total governmental fund revenues, the debt service level is one of the lowest of the Oregon counties and indicates that the county has implemented sound debt management practices.

## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation

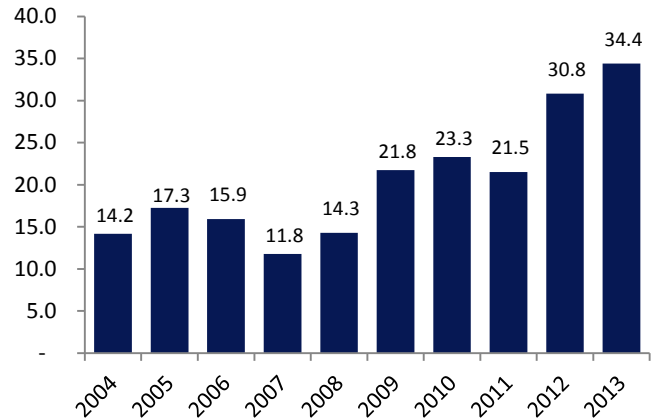


## Liquidity

Douglas County has consistently maintained a liquidity ratio greater than 11 from 2004 to 2013. At its current level, the county has sufficient cash to meet its short-term liabilities.

## Liquidity Ratio

Adjusted for inflation

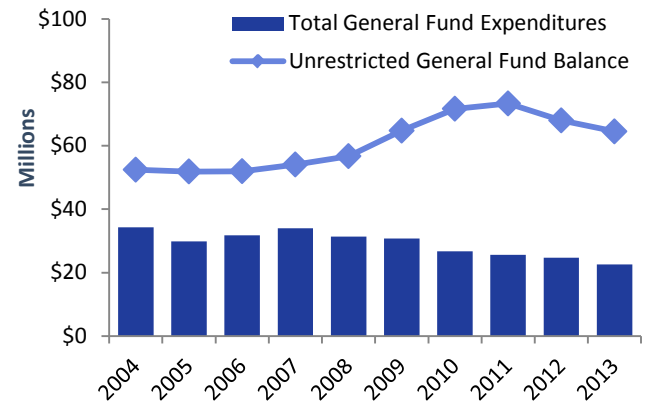


## Fund Balance

The county's General Fund unrestricted fund balance increased from \$52.4 million in 2004 to \$64.5 million in 2013. During this same period, total fund expenditures decreased from \$34.3 million to \$22.6 million. As a result, the General Fund unrestricted fund balance has remained sufficient to meet its current needs. The county's 2013 unrestricted fund balance is the largest among Oregon counties.

## Fund Balance

Adjusted for inflation

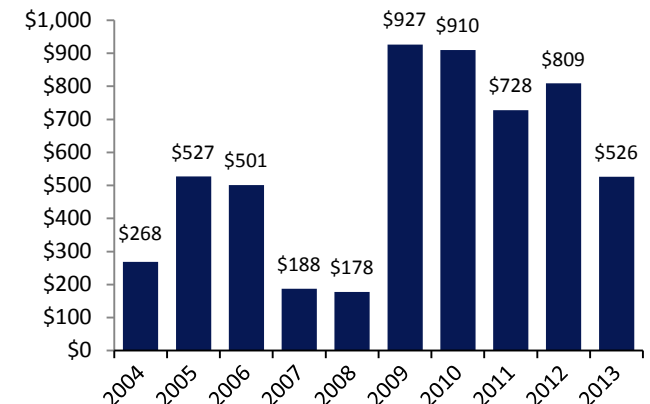


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability associated with these benefits has fluctuated over the past 10 years. Douglas's retirement obligations declined significantly from 2009 to 2013 due to pension reform and improved returns on investments. In 2013, the retirement benefit obligation ranked fourth highest in Oregon.

## Retirement Benefit Obligation Per Capita

Adjusted for inflation

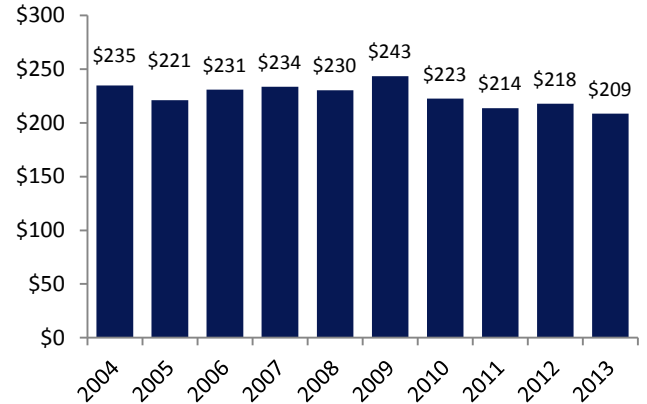


## Public Safety

Spending per capita on public safety programs decreased slightly over the past 10 years. Public safety expenditures decreased about 11% since 2004. At its current funding level, the county is in the bottom third for public safety spending per capita.

## Public Safety Expenditures Per Capita

Adjusted for inflation

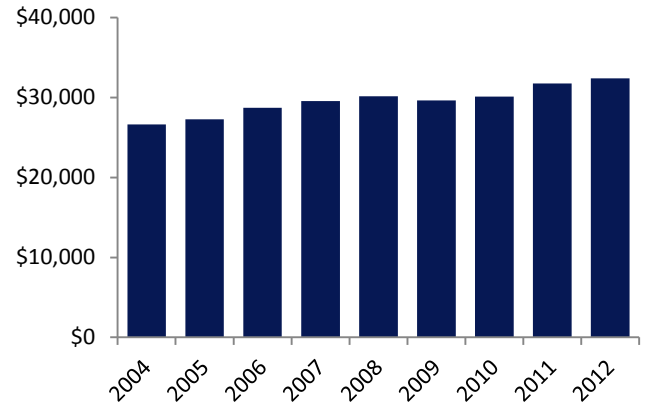


## Personal Income

Per capita personal income levels in Douglas County have risen from about \$26,700 in 2004 to about \$32,400 in 2012, an increase of about 21%.

## Personal Income Per Capita

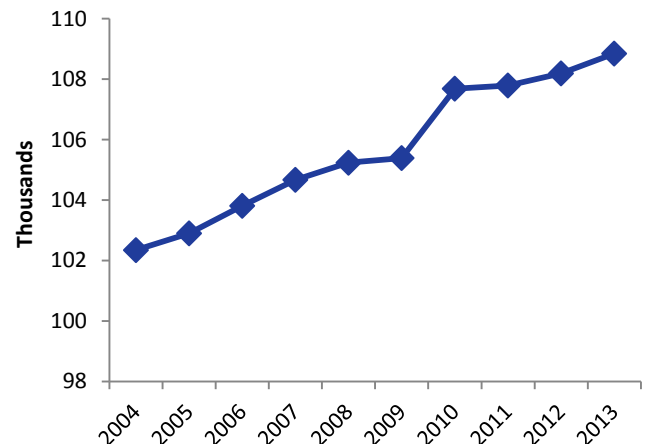
Adjusted for inflation based on 2012 dollars



## Population Trends

Douglas ranks ninth among Oregon counties with an estimated population of 108,850 in 2013. The population has continued to grow during the last 10 years.

## 10-Year Population Trend



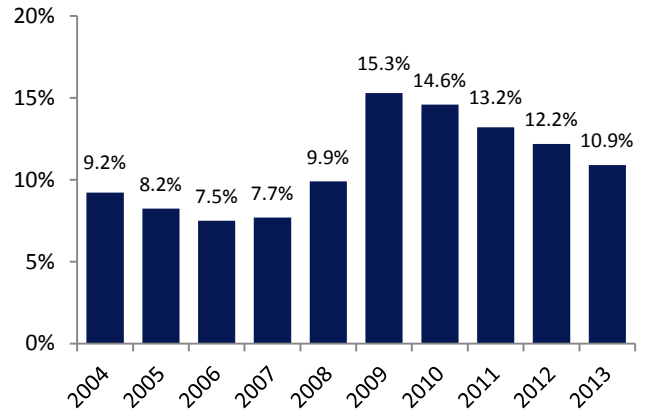


## **Unemployment**

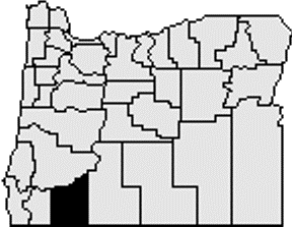
Although Douglas County's unemployment rate has declined each year since 2009 due to an improving economy, its 2013 rate was the seventh highest of the Oregon counties. It was almost 3% higher than the State's unemployment rate.

## **County Unemployment Rates**

Seasonally adjusted average



# Jackson County



## ***Overview***

Jackson County is 2,801 square miles (47% is publicly owned), with agriculture, manufacturing, and recreation as its primary industries. Some of the positive financial management indicators include good debt management, strong liquidity, and high personal income per capita. Jackson County also had the second largest fund balance among counties as of the 2013 fiscal year-end, but this balance has decreased substantially since 2009. The county also ranks in the bottom 10 for local revenue per capita in the state.

## ***County Response***

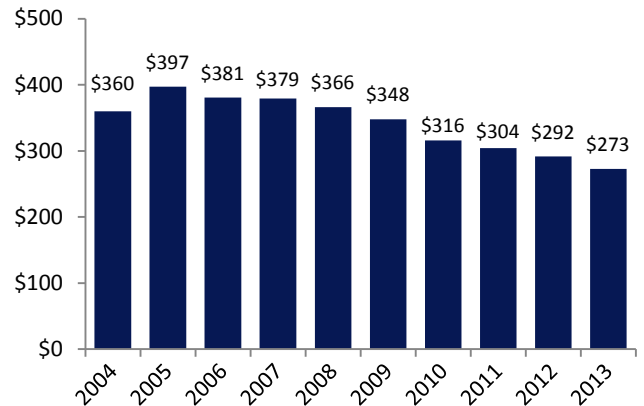
The County used its substantial “rainy day” reserves to weather the decline in federal timber revenues and the impact of the recent recession. Reserves were also used as part of the County’s strategic plan to invest in projects that will produce revenues and decrease operating expenses in coming years. Those projects include a new Health and Human Services building with multiple leasing agreements; a remodeled jail with additional cells for lease to other enforcement agencies; and a County facility remodel to be used as a medical clinic. Currently, the County has approximately \$1.33 in reserve for every dollar of the General Fund operating budget. To further control costs the County reduced its staff from 1,075 FTE in 2006-07 to a low of 830 FTE in fiscal 2013-14.

## Local Support

Jackson's local revenues per capita have gradually declined since 2004. Local revenues totaled \$56.2 million in 2013 compared to \$68.8 million in 2004, a decrease in local revenues per capita of about 24% and is the eighth lowest per capita total in the state. The decline in local revenues is likely due to a combination of factors, including economic conditions. The county's permanent tax rate is \$2.01 per \$1,000 of assessed property value.

## Local Revenue Per Capita

Adjusted for inflation

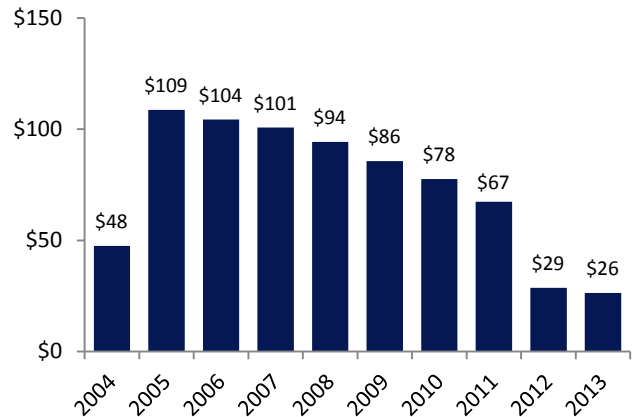


## Timber Revenue Dependence

In 2013, Jackson County received \$5.5 million in federal timber payments, which represented about 4% of the county's total governmental fund revenues. Federal timber payments have steadily declined each year. They contributed about \$26 in revenues per capita during 2013, which ranks it fifth among all counties in dependence.

## Timber Dependence Per Capita

Adjusted for inflation

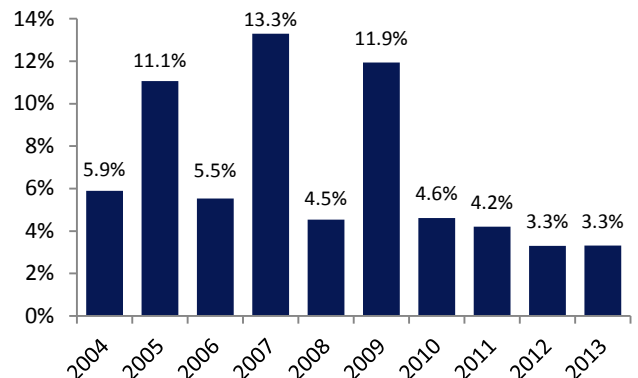


## Debt Burden

The county's debt burden has hovered between 3%-6% each year except for the spikes in 2005, 2007, and 2009 that were the result of the county issuing and repaying short-term urban renewal bonds in the same year. At 3.3% of 2013 total governmental fund revenues, the county's debt service level is at the range recognized as sound debt management.

## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation



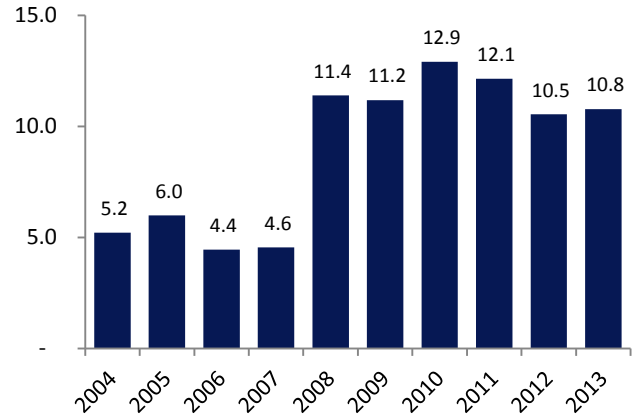
# Jackson County

## Liquidity

The county has consistently maintained a liquidity ratio sufficient to meet its short-term liabilities.

## Liquidity Ratio

Adjusted for inflation

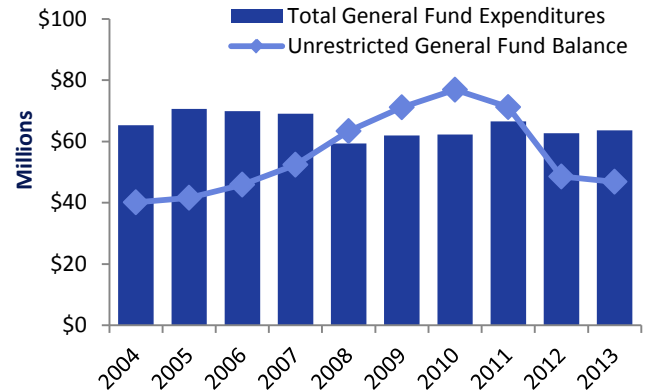


## Fund Balance

At \$46.9 million, Jackson County had the 2<sup>nd</sup> largest unrestricted General Fund balance among counties in 2013. In spite of its 39% decrease since 2010, it is still higher than the \$40.1 million fund balance in 2004.

## Fund Balance

Adjusted for inflation

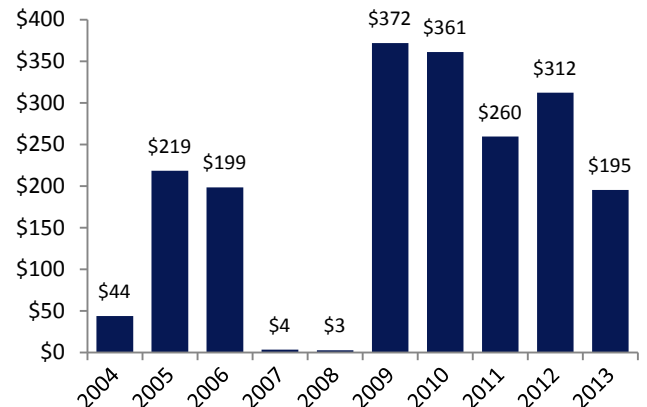


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability, and resulting per capita obligation, associated with these benefits has fluctuated each year. The decrease of about 48% between 2009 and 2013 is attributable to pension reform and increased returns on investments.

## Retirement Benefit Obligation Per Capita

Adjusted for inflation



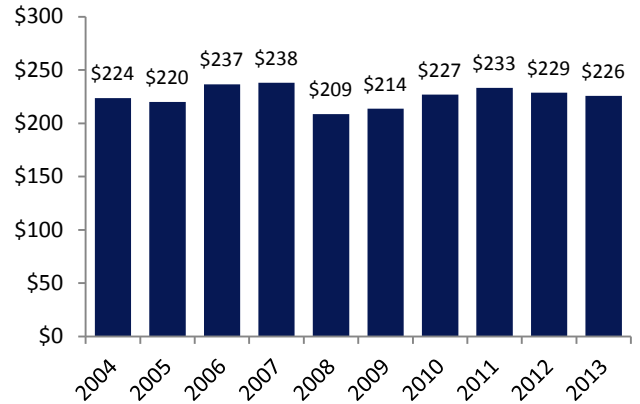
# Jackson County

## Public Safety

Spending per capita on public safety increased marginally between 2004 and 2013. Jackson County ranked 14<sup>th</sup> among counties in public safety spending per capita in 2013.

## Public Safety Expenditures Per Capita

Adjusted for inflation

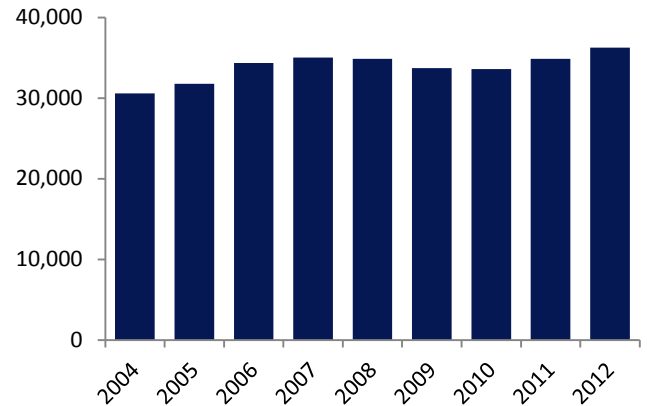


## Personal Income

Since 2004 Jackson County's personal income per capita has increased 18.5% to \$36,300. The county's level ranks 13<sup>th</sup> highest among Oregon counties.

## Personal Income per Capita

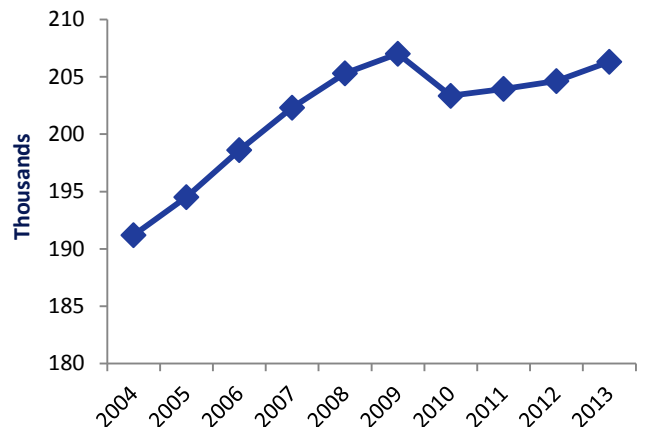
Adjusted for inflation based on 2012 dollars



## Population Trends

Jackson ranks sixth among Oregon counties with an estimated population of 206,310 in 2013. The population has grown about 6% since 2004.

## 10-Year Population Trend

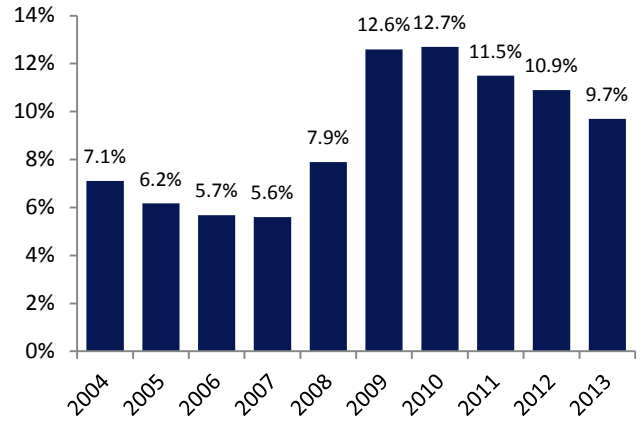


## **Unemployment**

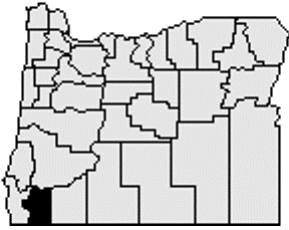
The county's unemployment rate has gradually decreased since 2010. The rate in 2013 was about 2% higher than the State's rate for the year.

## **County Unemployment Rates**

Seasonally adjusted average



# Josephine County



## **Overview**

Josephine County is the last county created before statehood and relies on lumber, tourism, and agriculture. Roughly 62% of its 1,641 square miles is publicly owned.

Josephine is one of the most dependent on federal timber payments, and levies the lowest property tax rate. While a number of financial management indicators, such as the county’s debt burden and liquidity are positive, the majority indicate a high degree of risk. For example, the county’s low property tax rate limits its ability to generate local revenues. In addition, unemployment is high and per capita personal income ranks in the bottom third among counties. Josephine’s population, while steadily growing, is also aging, which could place even more financial pressure on the county’s available resources.

## **County Response**

The County requires that the majority of its programs be self-sustaining through fees, grants, state contracts, and other revenue sources that don’t rely on property taxes or General Fund support. The County is able to maintain essential services in most programs, although at reduced levels, because of policies put in place by the Board of County Commissioners in the last few years. The Public Safety Fund, which includes the Sheriff, DA, and Juvenile programs, has relied on General Fund transfers and federal timber payments. These programs will face additional reductions in fiscal year 2015-16 unless other revenue sources become available.

## Local Support

Local revenues have decreased by 52% since 2004, to \$14.4 million in 2013. Local revenues per capita in 2013 was the lowest of the counties. The decline is likely due to a combination of factors, including population change and economic conditions. The county's permanent tax rate of \$0.59 per \$1,000 of assessed property value is the lowest rate in Oregon.

## Timber Revenue Dependence

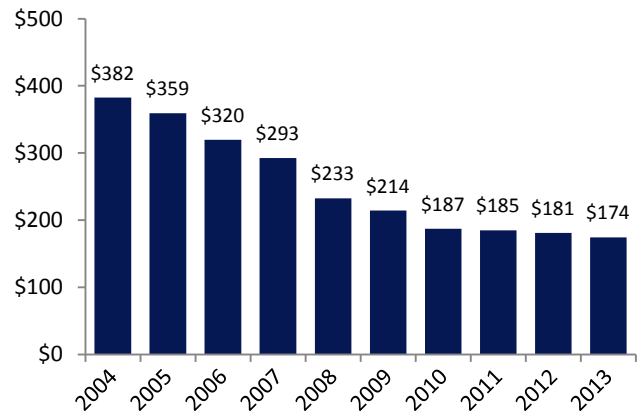
Federal timber payments decreased about 67% over the last 10 years going from \$16.5 million in 2004 to \$5.5 million in 2013. About 14% of the total revenues came from timber payments in 2013.

## Debt Burden

The county's debt service payments, as a percentage of total governmental fund revenues, has gradually increased over the past 10 years. However, the percentages still fall within the range of sound debt management.

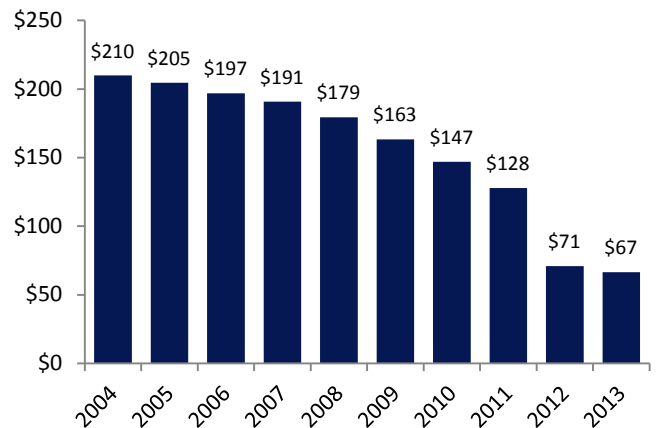
## Local Revenue Per Capita

Adjusted for inflation



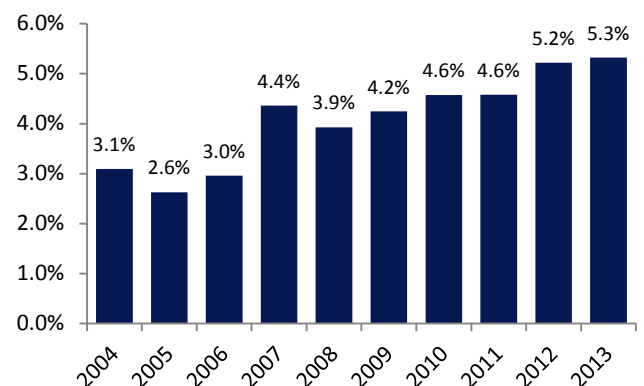
## Timber Dependence Per Capita

Adjusted for inflation



## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation



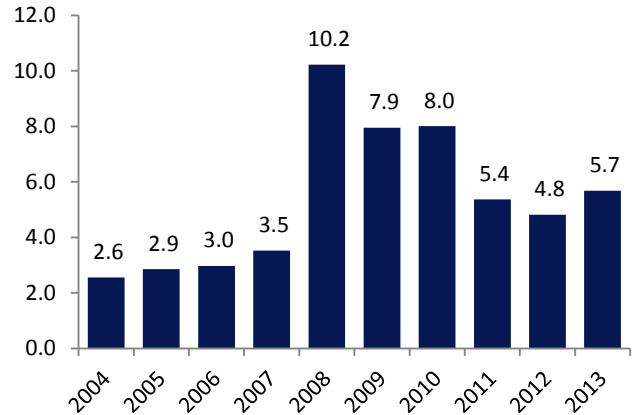


## Liquidity

The county consistently maintains a sufficient amount of cash to meet its short-term liabilities and has strengthened its liquidity ratio to above 4.5 the last six years. At its current level, the county has sufficient cash to meet its existing short-term liabilities.

## Liquidity Ratio

Adjusted for inflation

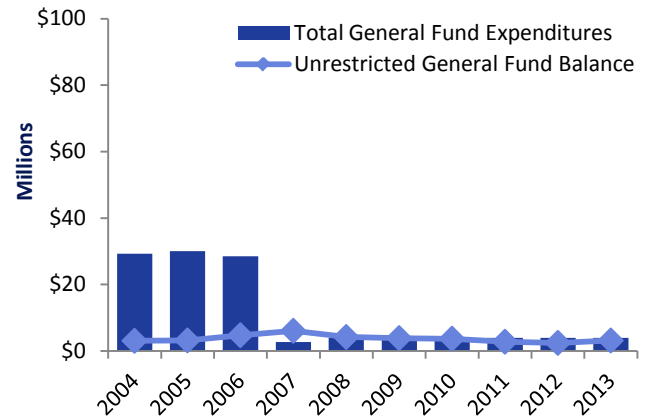


## Fund Balance

The county's unrestricted General Fund balance was about \$3.1 million in both 2004 and 2013. At the same time total General Fund expenditures decreased \$25 million or 87% from 2004 to 2013. As a result, the unrestricted fund balance as a percentage of total General Fund expenditures increased 70% between 2004 and 2013. The main decrease in General Fund expenditures starting in 2007 was recording public safety expenditures in the new Public Safety Fund rather than in the General Fund.

## Fund Balance

Adjusted for inflation

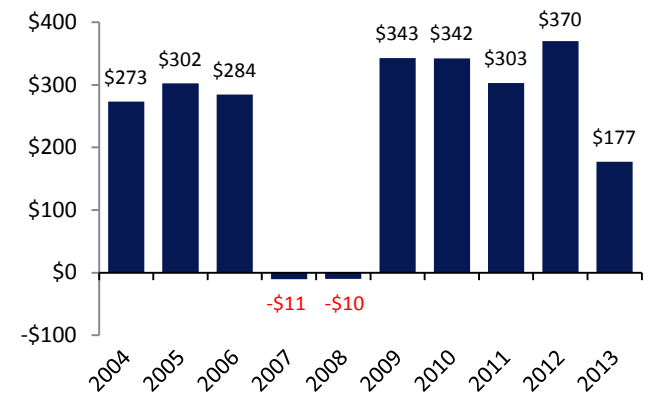


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The unfunded liability and resulting per capita obligation associated with these benefits dropped significantly in 2013. This is due to legislative pension reform and improved returns on investments. At \$177 per capita, the county retirement obligation is in the middle range of all Oregon counties.

## Retirement Benefit Obligation Per Capita\*

Adjusted for inflation



\*\$0 or less indicates fully funded

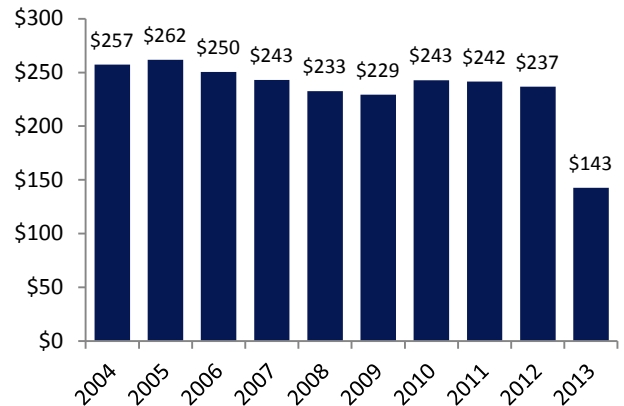
# Josephine County

## Public Safety

County per capita spending on public safety related programs was relatively stable each year until 2013 when it decreased about 40% from \$19.6 million in 2012 to \$11.8 million. This decrease led to the county having the lowest public safety expenditure per capita in the state in 2013.

## Public Safety Expenditures Per Capita

Adjusted for inflation

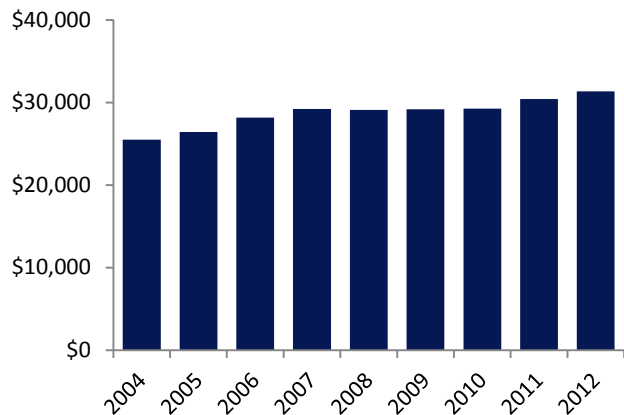


## Personal Income

Per capita personal income levels have increased about 23% since 2004. Even with these increases the county was sixth lowest among Oregon counties in 2012.

## Personal Income Per Capita

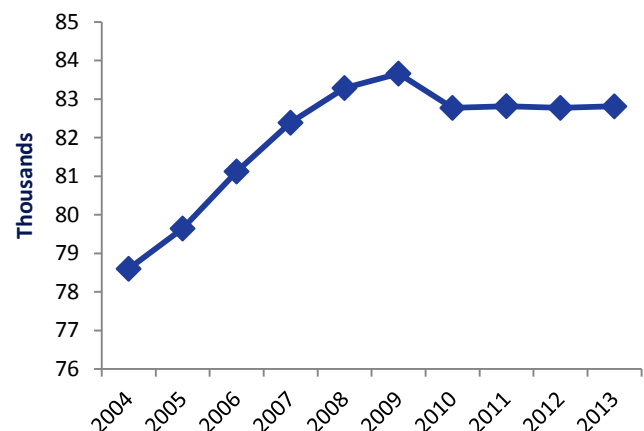
Adjusted for inflation based on 2012 dollars



## Population Trends

In 2013, Josephine County was 12<sup>th</sup> largest among Oregon counties with an estimated population of 82,815. The population has more than tripled since 1950. The county's population increased between 2004 and 2009, but has remained steady since 2010.

## 10-Year Population Trend



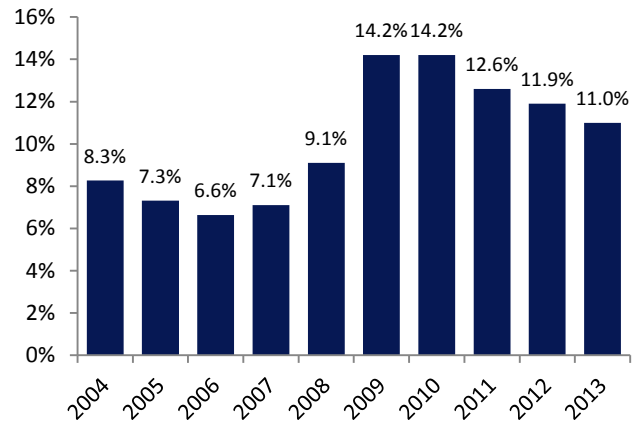
# Josephine County

## **Unemployment**

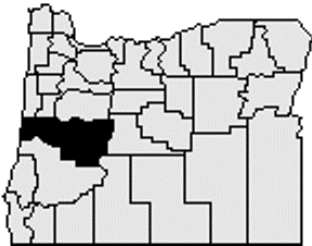
The county's unemployment rate has decreased since 2009 with the improved economy. In 2013 the county's unemployment was one of the 10 highest rates in Oregon and was 3% higher than the State's rate that year.

## **County Unemployment Rates**

Seasonally adjusted average



# Lane County



## ***Overview***

Lane County has an area of 4,620 square miles, of which 55% is publicly owned. Agriculture, higher education, high technology, and forest products are the foundation of the county's economy. Lane County has a low debt burden indicating good debt management. It also has good liquidity and the sixth highest fund balance in 2013.

Lane County is one of the more reliant counties on federal timber revenues and has the seventh lowest property tax rate in Oregon, which limits its ability to generate local revenues. The county also has a high pension obligation per capita and the seventh lowest public safety spending per capita among counties in 2013. In May 2013 the county passed a five-year jail levy for continuation of jail operations.

## ***County Response***

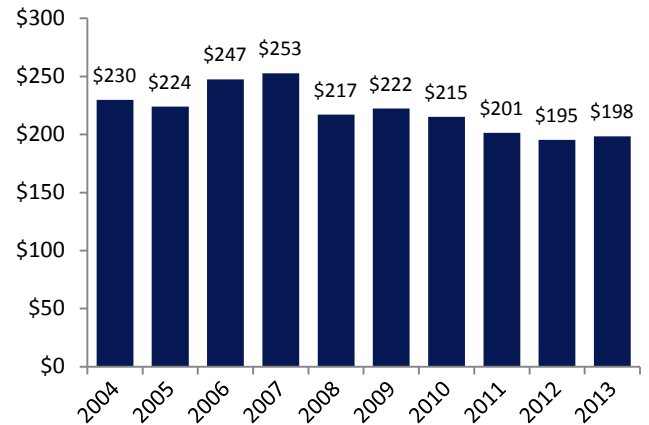
The County is working towards solutions that provide stable funding for critical services. County leaders and public safety officials are working on a 10 year public safety plan. In addition, the Board of Commissioners has continued to show a commitment to designate General Funds towards coordination of public safety agencies while coordinating resources countywide to have the biggest impact on health and safety. The County also launched an effort to seek additional local funding for maintenance of roads, as a result of the decline in federal timber payments. In 2013, voters approved a 5-year public safety local option levy to provide a minimum level of jail beds and additional funds for treatment and detention in the juvenile program.

## Local Support

Locally generated revenues have gradually decreased from \$76.6 million in 2004 to \$70.6 in 2013. In 2013, local revenues accounted for 36% of the county's total governmental fund revenues. At the 2013 level, the county ranked next to last in per capita local revenues. The decline in local revenue per capita is due to a combination of factors including an increasing population and economic conditions. The county's permanent tax rate of \$1.28 per \$1,000 of assessed property value is the seventh lowest rate in Oregon.

## Local Revenue Per Capita

Adjusted for inflation

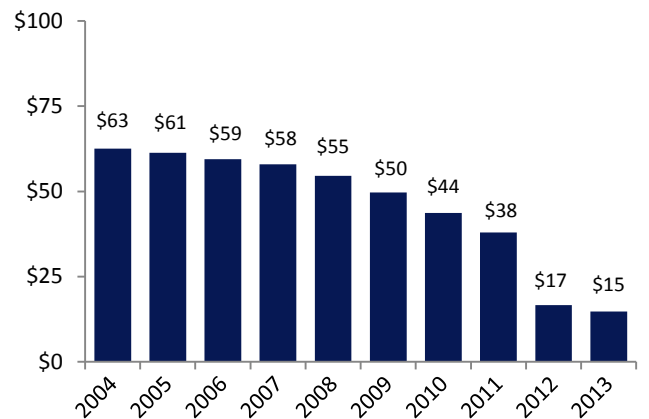


## Timber Revenue Dependence

In 2004, Lane County received about \$20.8 million in federal timber revenues, which represented 8.1% of its total governmental fund revenues. In 2013, the county received \$5.2 million in timber revenues, which accounted for 2.7% of total Governmental Fund revenues. The county's 2013 federal timber revenues provided \$15 in revenues per capita, placing it sixth among counties in dependence on federal timber payments.

## Timber Dependence

Adjusted for inflation

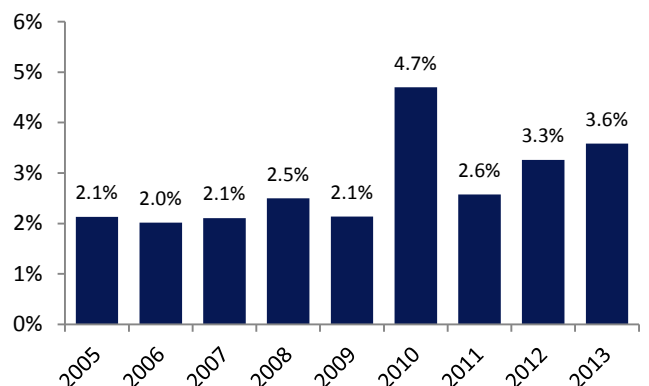


## Debt Burden

With one exception in 2010, the county's debt services payments have remained stable the past 10 years. In 2010, the county's percentage of debt service to total governmental fund revenues more than doubled from the previous year due, in part, to the payoff of a bank loan. Our analysis shows that Lane County follows sound debt management practices.

## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation

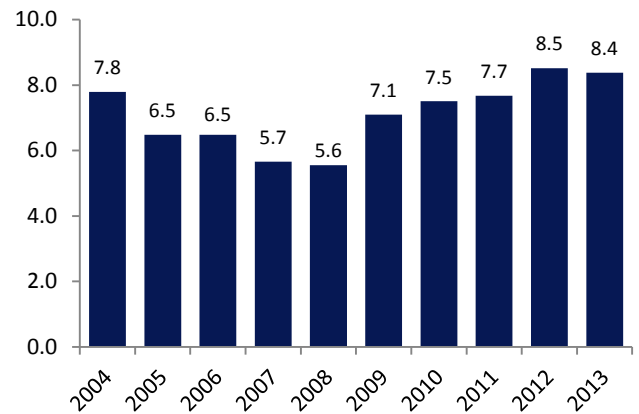


## Liquidity

Lane County consistently maintains an adequate liquidity ratio to meet current needs. At its current level, the county has sufficient cash to meet its existing short-term liabilities.

## Liquidity Ratio

Adjusted for inflation

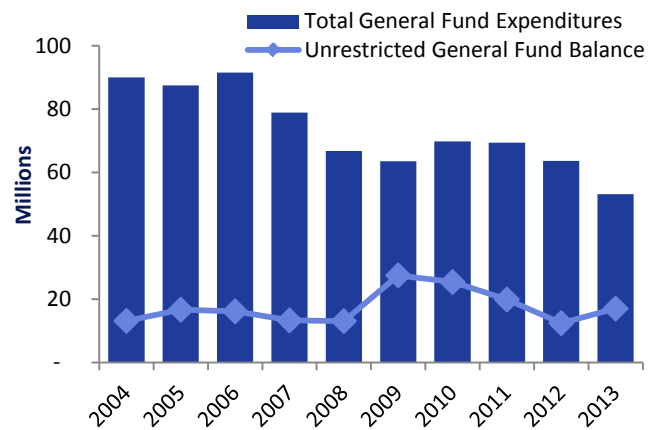


## Fund Balance

Lane County's General Fund unrestricted fund balance fluctuates yearly and had a balance of \$17 million in 2013. The county maintains the sixth highest fund balance among Oregon counties as of 2013.

## Fund Balance

Adjusted for inflation

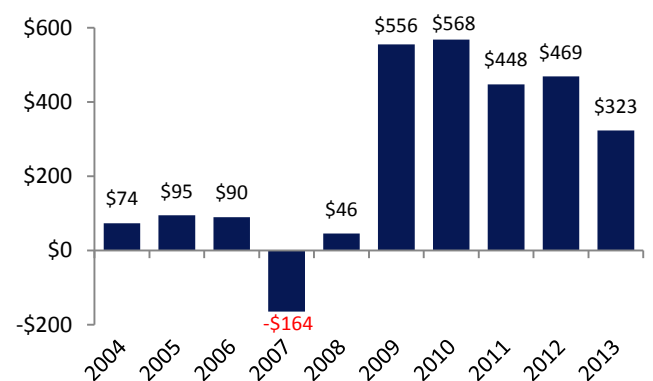


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The significant increase beginning in 2008 is the implementation of new financial reporting standards requiring the disclosure of other postemployment retirement benefits. In 2013, the decrease in pension obligation per capita is due to pension reform and increased return on investments. The retirement benefit per capita obligation ranked ninth highest among Oregon counties in 2013.

## Retirement Benefit Obligation Per Capita\*

Adjusted for inflation



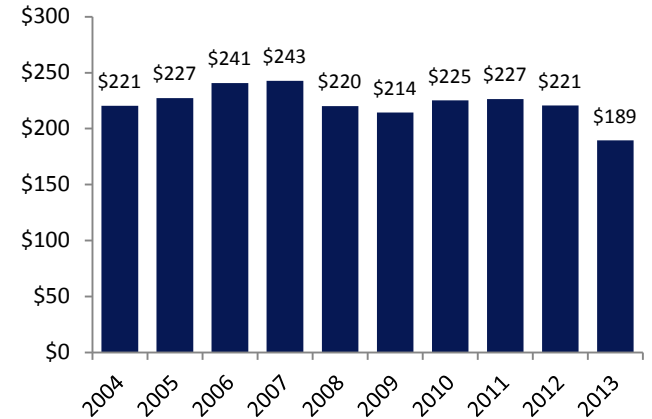
\*\$0 or less indicates fully funded

## Public Safety

Lane County's annual public safety spending per capita ranks as the seventh lowest among Oregon counties in 2013. The \$67.4 million spent by the county in 2013 is the smallest amount since \$73.5 million in 2004.

## Public Safety Expenditures Per Capita

Adjusted for inflation

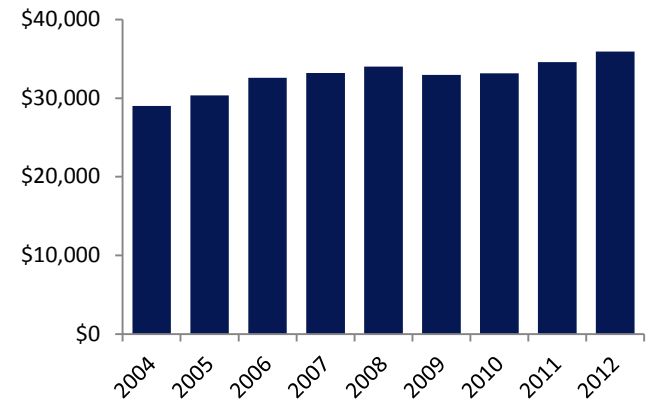


## Personal Income

Per capita personal income levels have gradually increased since 2004. In 2012, the county had the 15<sup>th</sup> highest personal income per capita among counties.

## Personal Income Per Capita

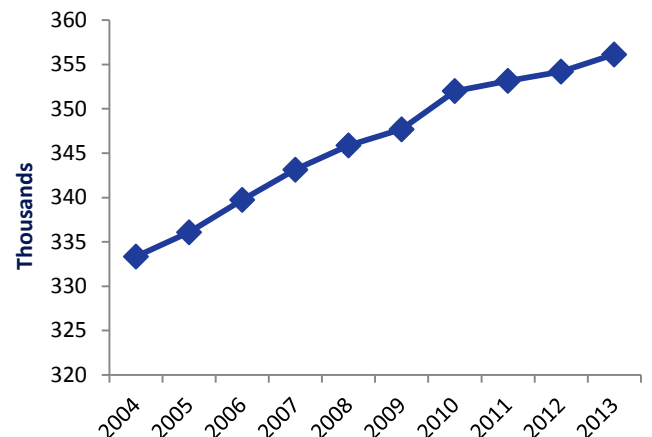
Adjusted for inflation based on 2012 dollars



## Population Trends

Lane County has the fourth largest estimated population of 356,125 in 2013. The population continues to grow. During the past decade the population increased by 6.8%.

## 10-Year Population Trend

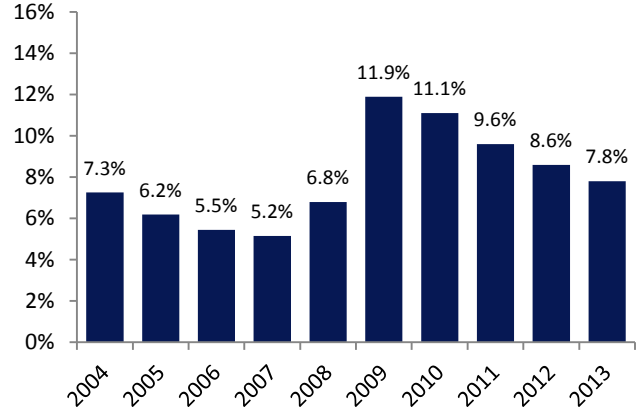


## **Unemployment**

The county's unemployment rate has declined the past four years consistent with the State's improving economy. In 2013 the county's unemployment rate equaled the State's rate for the year.

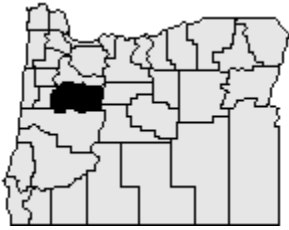
## **County Unemployment Rates**

Seasonally adjusted average





# Linn County



## ***Overview***

Linn County covers 2,308 square miles. The county's major industries include agriculture, forest products, rare metals, manufacturing, and recreation.

The county has experienced continual population growth in recent years. Recently, the county completed a medical school located in Lebanon and is currently building a neighboring Veterans' home. It is projected to be completed during 2014. The county is not overly reliant on federal timber payments and is reporting no bonded debt.

The county's liquidity ratio coverage is small. The General Fund's unrestricted balance has steadily declined and in 2013 it was the only county that reported a deficit unrestricted General Fund balance.

## ***County Response***

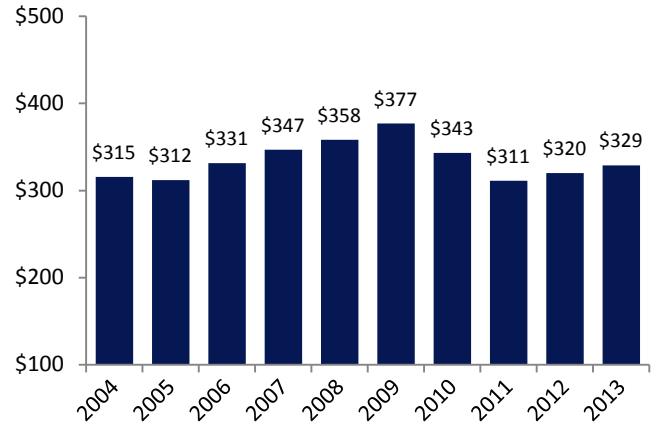
In May 2014, the County passed another four-year law enforcement levy. The County has had a law enforcement levy for more than thirty years.

## Local Support

Locally generated revenues have remained fairly consistent the past 10 years and even increased from \$33.6 million in 2004 to \$39.0 million in 2013. The county's permanent tax rate of \$1.27 per \$1,000 of assessed property value is the fifth lowest in Oregon.

## Local Revenue per Capita

Adjusted for inflation

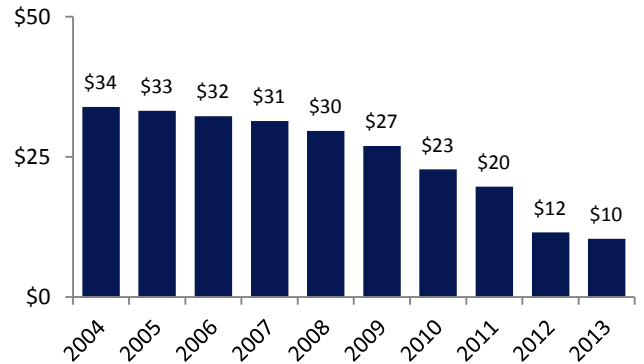


## Timber Revenue Dependence

In 2004, Linn County received about \$3.6 million in federal timber revenues, which represented about 4% of its total governmental fund revenues. In 2013, these revenues were about \$1.2 million or about 2% of its total governmental fund revenues. The county's 2013 federal timber payments provided \$10 in revenues per capita, placing it 11<sup>th</sup> among the 18 counties that receive federal O&C timber revenues.

## Timber Dependence per Capita

Adjusted for inflation

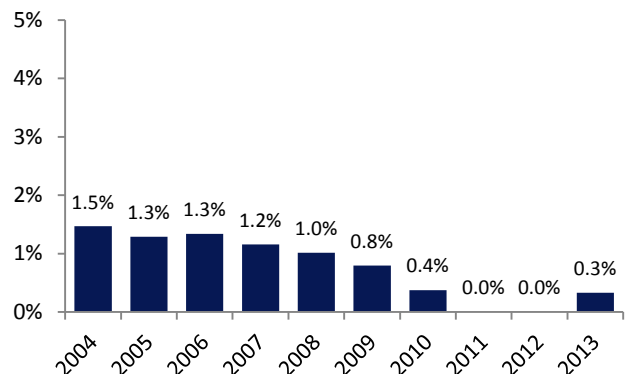


## Debt Burden

The county carries little to no bonded debt and has a low debt service to total revenues. This may be due in part to the county's practice of using interfund loans to pay General Fund expenditures.

## Debt Service as Percentage of Total Governmental Fund Revenues

Adjusted for inflation

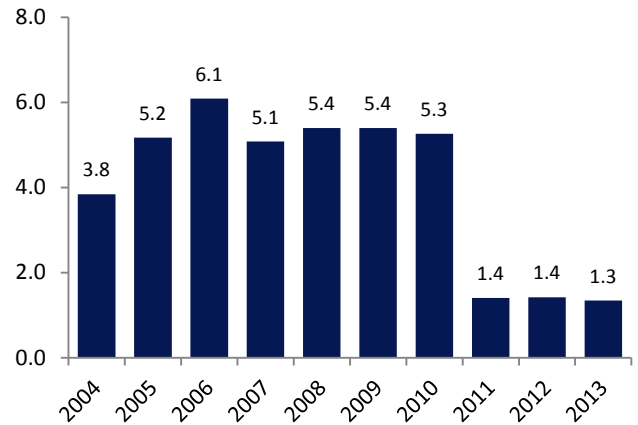


## Liquidity

The county maintained a stable liquidity ratio above 3.0 each year until its decline in 2011. Although the county has sufficient cash to meet its existing short-term liabilities, its 2013 liquidity ratio of 1.3 is low and is second lowest of the counties.

## Liquidity Ratio

Adjusted for inflation

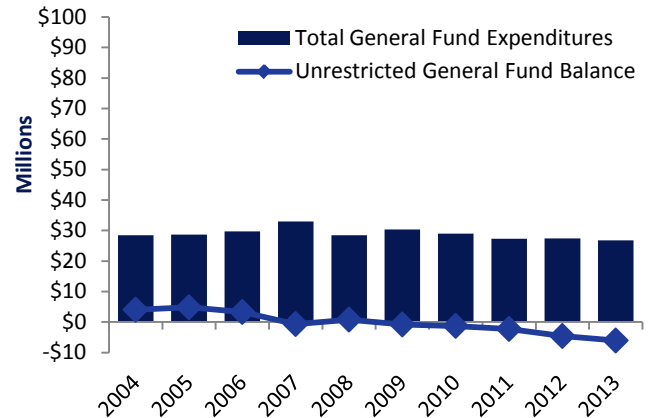


## Fund Balance

Linn County has reported a General Fund deficit balance since 2007. General Fund balances have decreased \$10 million or 250% since 2004 when fund balance was a positive \$4 million to a deficit \$6 million in 2013. During this same period total fund expenditures decreased \$1.7 million or 6%. Linn is the only county to report a deficit General Fund balance in 2013.

## Fund Balance

Adjusted for inflation

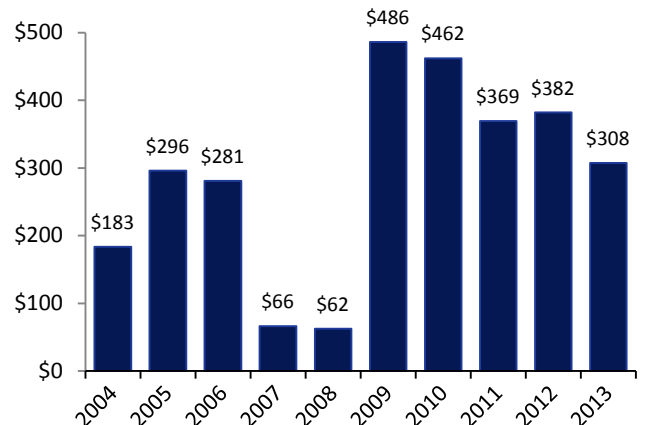


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. The recent decline in the obligation per capita is due to pension reform and improving returns on the State's investments.

## Retirement Benefit Obligation Per Capita

Adjusted for information

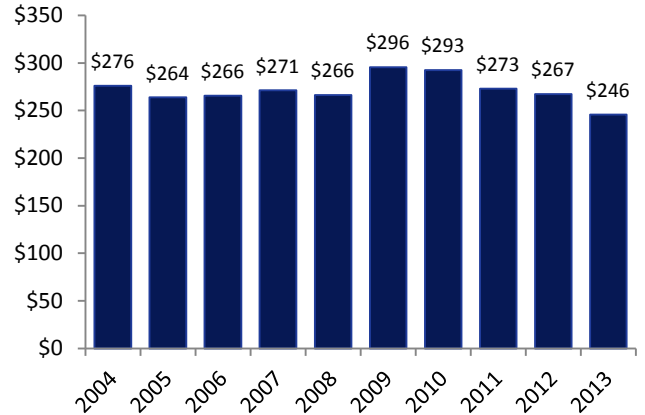


## Public Safety

Linn County's annual public safety expenditures of \$29 million in 2013 is about the same as it was in 2004. County spending in this program area is in the middle third among counties.

## Public Safety Expenditures Per Capita

Adjusted for inflation

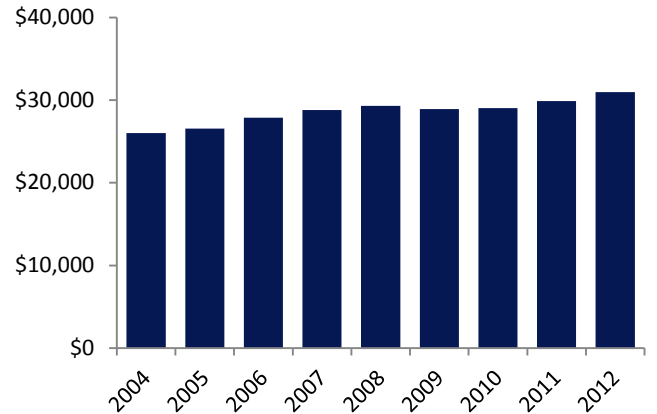


## Personal Income

Per capita personal income levels have gradually increased the past 10 years. The county has the fourth lowest income per capita among counties.

## Personal Income per Capita

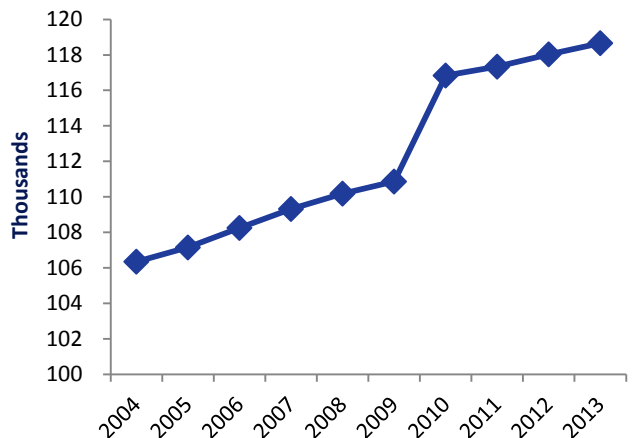
Adjusted for inflation based on 2012 dollars



## Population Trends

Linn County has the eighth largest population in the state estimated at 118,665 in 2013.

## 10-Year Population Trend

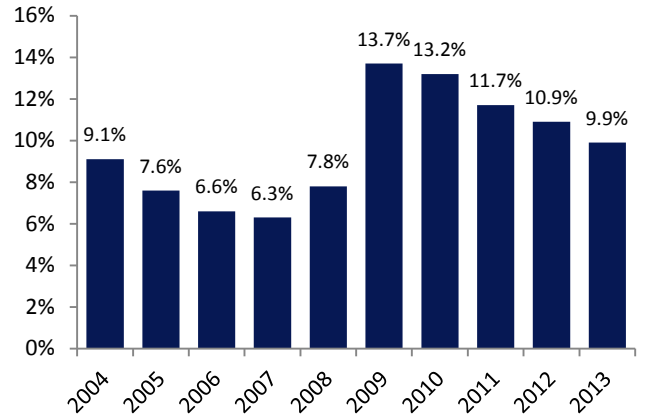


## Unemployment

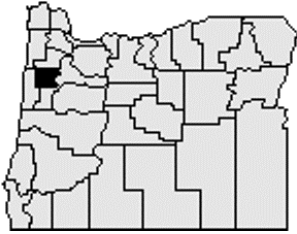
The unemployment rate has declined since its high in 2009 due to an improving economy. In 2013 the rate remains about 2% higher than the State's average.

## County Unemployment Rates

Seasonally adjusted average



# Polk County



## **Overview**

Polk County covers approximately 745 square miles (11.3% is publicly owned). Its major industries are agriculture, forest products, manufacturing, and education.

The county is not overly reliant on federal timber revenues and enjoys the 13<sup>th</sup> lowest unemployment rate in Oregon. County spending on public safety is among the lowest in the state and its per capita income has declined, ranking Polk County 26<sup>th</sup> among counties. Although it has the highest debt burden, it is still within the range recognized as sound debt management. The county has experienced significant growth the last two decades.

Its population is showing signs of aging, which could increase financial pressure with the possibility of a shrinking work force and an increasingly older population to serve. The county's liquidity has deteriorated in recent years. Subsequent to the end of fiscal year 2013 the county borrowed \$2 million in short-term loans for the purpose of covering short-term cash needs.

## **County Response**

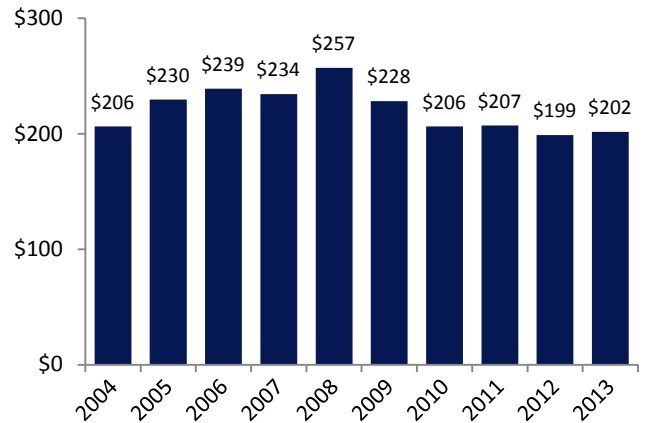
The County continues to reduce public safety and other General Fund services as required due to funding constraints, while continuing to maintain mandated services. Even though public safety expenditures have been reduced substantially, these services are a high priority for the County. Over the past five years, 87% of the County's local revenues are spent for public safety. The County will continue to monitor and revise expenditures in response to available funding while attempting to maintain a sufficient fund balance.

## Local Support

Locally generated revenues have increased slightly from \$13.4 million in 2004 to \$15.5 million in 2013. For 2013, local revenues per capita were the third lowest in the state. The county's permanent tax rate of \$1.72 per \$1,000 of assessed property value is the 12<sup>th</sup> lowest in Oregon.

## Local Revenue per Capita

Adjusted for inflation

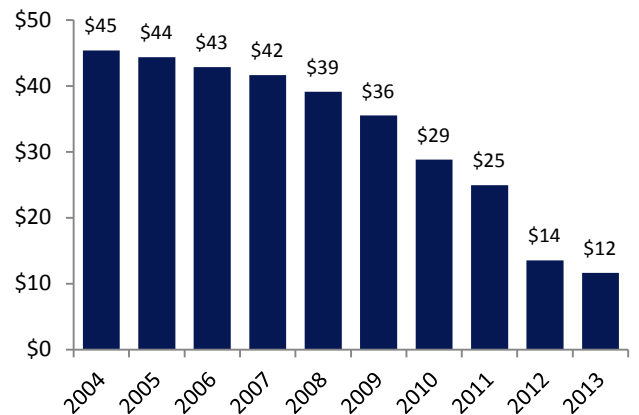


## Timber Revenue Dependence

In 2004, Polk County received about \$2.9 million in federal timber revenues, which represented 7% of the county's total governmental fund revenues. In 2013, these revenues were roughly \$0.9 million or about 2% of total governmental fund revenues. The county's 2013 federal timber revenues provided about \$12 in revenues per capita.

## Timber Dependence per Capita

Adjusted for inflation

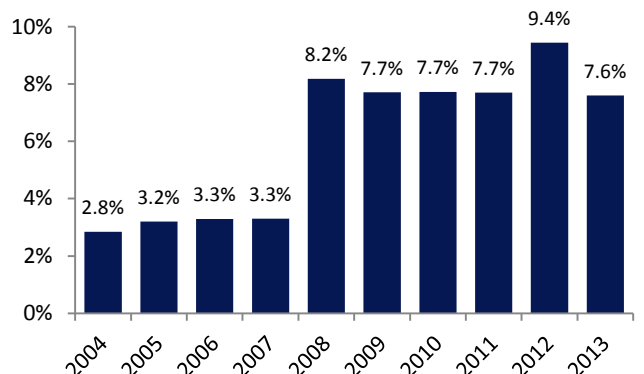


## Debt Burden

At about 8% of its 2013 total governmental fund revenues, the county's debt service ranks the highest among Oregon's counties. However, its level of debt service is still within the range recognized as sound debt management.

## Debt Service as Percentage of Governmental Fund Revenues

Adjusted for inflation



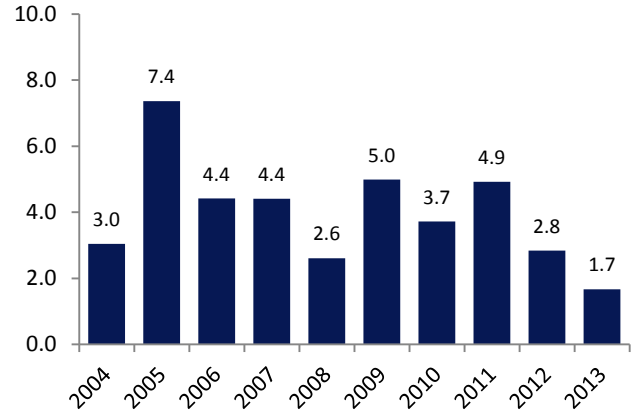
# Polk County

## Liquidity

The county has maintained an adequate liquidity ratio each year to meet its current needs. Although the county has sufficient cash to meet its existing short-term liabilities, its 2013 liquidity ratio of 1.7 is low and is third lowest of the counties.

## Liquidity Ratio

Adjusted for inflation

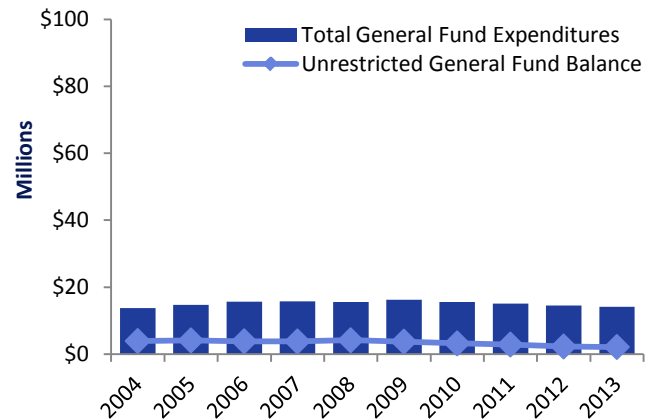


## Fund Balance

The county's General Fund unrestricted fund balance has decreased from \$3.9 million in 2004 to \$2.1 million in 2013. During this same period expenditures increased from \$13.8 million in 2004 to \$14.2 million in 2013.

## Fund Balance

Adjusted for inflation

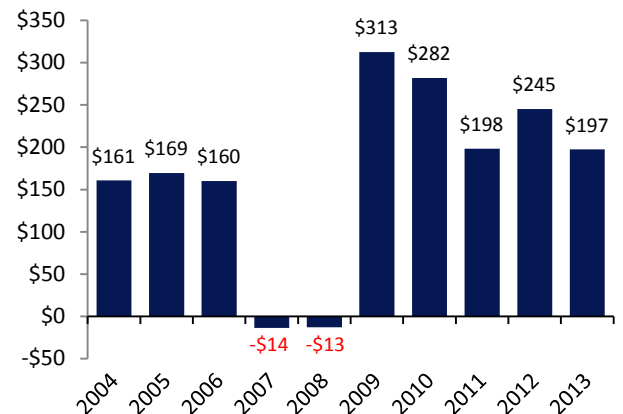


## Retirement Benefit Obligation

The county provides pension and other retirement benefits to its employees. In recent years, the retirement obligation per capita has gradually decreased due in part to pension reform and improved returns on the State's investments. When compared with other counties, Polk's retirement obligation is in the middle.

## Retirement Benefit Obligation Per Capita

Adjusted for information



\*\$0 or less indicates fully funded



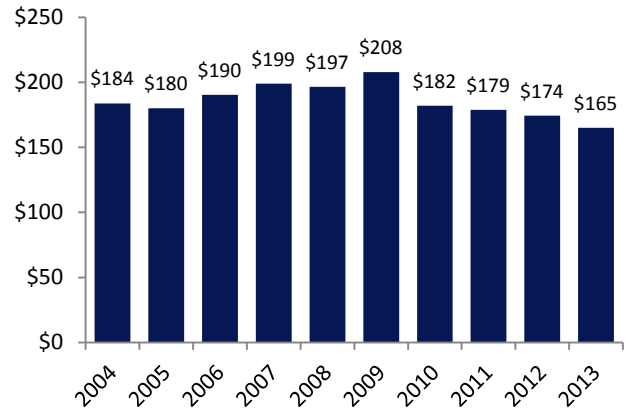
# Polk County

## Public Safety

Polk County's public safety expenditures per capita have remained fairly stable since 2004. Public safety program expenditures increased slightly from \$11.9 million in 2004 to \$12.7 million in 2013. Polk County is one of the five lowest counties for public safety spending per capita.

## Public Safety Expenditures Per Capita

Adjusted for inflation

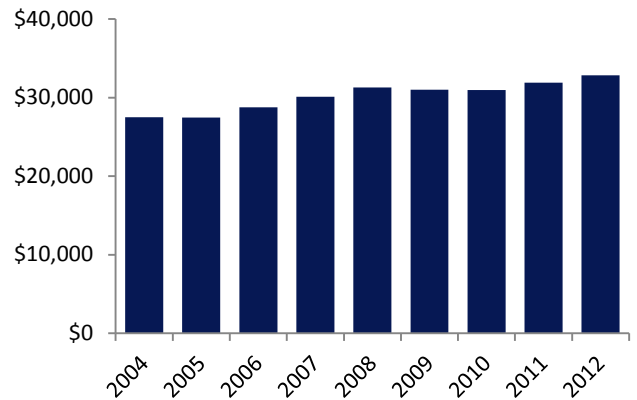


## Personal Income

Although personal income per capita in Polk County has steadily increased since 2004, it is ranked in the bottom third among Oregon counties.

## Personal Income per Capita

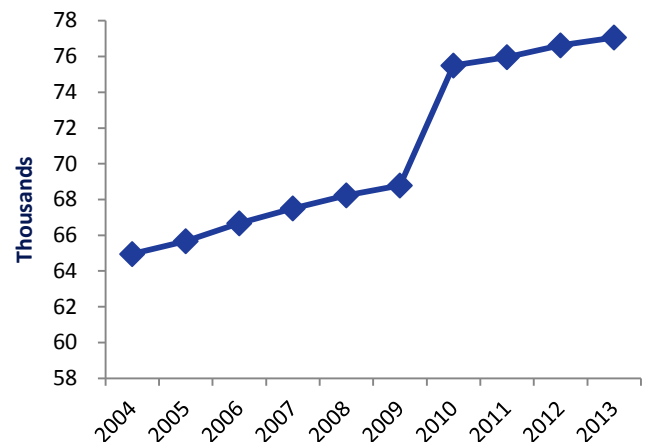
Adjusted for inflation based on 2012 dollars



## Population Trends

Polk County ranks 14<sup>th</sup> among Oregon counties with an estimated population of 77,065 in 2013. The population has continued to grow the past decade.

## 10-Year Population Trend

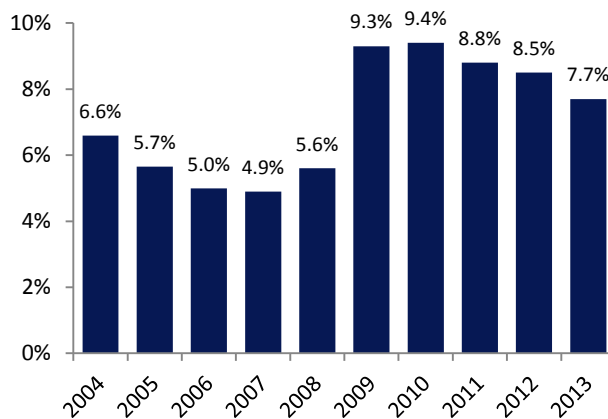


## **Unemployment**

The county's unemployment rate has gradually decreased since 2009 due to an improving economy. In 2013, the unemployment rate is close to the State's average rate.

## **County Unemployment Rates**

Seasonally adjusted average



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## Oregon's Approach to Financial Monitoring and Intervention

Until recently, Oregon had few laws associated with local government financial condition. During the 2012 legislative session, Oregon enacted laws to address financial distress among its counties; the legislation (House Bills 4175, 4176, and 4177) is designed to assist troubled counties that were impacted by the recent loss of federal timber revenues.

The purpose of House Bill 4176 is to provide assistance to counties that had received federal timber revenues through the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS) and are now facing a financial crisis. Under this law, counties whose SRS revenues exceeded 10% of their property tax revenue qualify to declare distress and seek state assistance and intervention. House Bill 4175 allows several of the timber impacted counties to use road funds for sheriff patrols without repayment until January 2016 and all counties may transfer road funds for public safety costs, but the road funds must be repaid within three years.

During the 2013 session, Oregon's legislature passed House Bill 3453, which allows the Governor to determine if a public safety fiscal emergency exists within one or more counties. The purpose of this law is to reduce the loss of life, injury to persons or property and suffering that could result from a public safety fiscal emergency. Once an emergency is declared, the state will bear 50% of the cost of public safety and the county will bear the remaining 50% through income tax, tax on telecommunications services, any assessment the county is lawfully capable of imposing, or existing sources of county revenues.

If assistance is requested, the law allows for the establishment of a fiscal assistance board with the power to, among other things, reallocate funds, cut services, lay off employees, reduce expenditures, sell or lease real or personal county property, issue bonds, and renegotiate debt repayment. However, implementation of the governor's board actions require a majority vote of its members and a majority vote of the county's governing board.

Unfortunately, counties that do not qualify under the new law have few remedies at the state level. While Oregon does allow Irrigation and Drainage Districts to file bankruptcy, it does not allow counties to file for bankruptcy. Other than these few measures, local governments are responsible for managing their own financial problems.

### **Best Practices**

Dr. Charles Coe, a professor in the School of Public and International Affairs at North Carolina State University, has studied local government financial monitoring. Based on his research, he recommends the following best practices to prevent fiscal crises:

- Utilize a system that provides early warning of fiscal distress. The ideal system analyzes the most current financial reports; states that use budgets or interim financial information are able to identify problems earlier than those that use annual financial reports. However, audited financial reports may contain more accurate information. The system also needs to carefully consider which indicators to use. Some indicator systems may tend to produce false warnings or false assurances. In order to be effective, the system must accurately predict distress.
- Assist troubled local governments when evidence of possible distress is detected. States that are successful in assisting local governments also have adequate staff to provide the technical assistance. This assistance could also be achieved through referral systems or other means to help the local government help itself.
- Strongly intervene if a crisis occurs. For the state to protect its interests, it must be able to mandate action. States with a strong ability in this area can take the extreme action of local government takeover for the duration of the crisis.

Our 2012 report includes an appendix of laws existing in other states related to local government financial oversight and state intervention.

<http://sos.oregon.gov/Documents/audits/full/2012/2012-17.pdf>

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## Objectives, Scope and Methodology

The objective of this report is to evaluate the financial condition of Oregon's county governments using the Financial Trend Monitoring System developed by the International City and County Management Association (ICMA). In addition, we sought to identify general strategies used by other states to monitor and address counties with financial problems.

Generally accepted government auditing standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. This report was produced for informational purposes and does not constitute an audit, though our procedures followed many, but not all requirements of these standards.

The primary source of data in this report was obtained from each county's audited financial statements of fiscal years 2004 through 2013. In addition, our analysis focused on the financial condition of each county's governmental funds, which includes its General Fund. Unless otherwise indicated, data are presented on a fiscal year basis (e.g., 2013 represents the fiscal year beginning July 1, 2012 and ending June 30, 2013). In order to account for inflation, we expressed financial data in constant dollars. We adjusted dollar amounts for each prior year to equal the purchasing power of money in fiscal year 2013. We used the Consumer Price Index – All Urban Consumers U.S. city Average, as reported by the Bureau of Labor Statistics, U.S. Department of Labor. Charts that have been adjusted for inflation will be indicated in the chart title.

Financial indicators used in this report were derived primarily from information contained in the ICMA *Evaluating Financial Condition: A Handbook for Local Governments*. However, additional factors were considered and, in some cases, the indicators were modified to fit Oregon's unique situation. For example, differences in accounting principles employed by counties made it difficult to identify discretionary operational spending.

Counties selected for additional analysis were identified using a number of criteria including: 1) the county's dependence on federal timber revenue, 2) the number of indicators in which the county was identified as high risk of distress, and 3) our general understanding of the counties (i.e. publicly known financial troubles).

We reviewed information for reasonableness and consistency. We did not, however, audit the accuracy of source documents or the reliability of the data in computer-based systems. Our review of data was not intended to give absolute assurance that all information was free from error. Rather, our intent was to provide reasonable assurance that the reported information presented a fair picture of the financial condition of county governments in the State of Oregon. In addition, while the report offers financial highlights, it does not thoroughly determine the reasons for negative or positive performance. More analysis is needed to provide such explanations.

Additional information, such as economic and demographic indicators, was obtained from the following sources:

- Oregon Employment Department
- Oregon Department of Administrative Services
- Oregon Department of Revenue
- Oregon Public Employees Retirement System
- Oregon Secretary of State, Archives Division
- Portland State University Population Research Center
- United States Department of the Interior, Bureau of Land Management
- United States Department of Labor, Bureau of Labor Statistics
- Columbia County Officials
- Coos County Officials
- Curry County Officials
- Douglas County Officials
- Jackson County Officials
- Josephine County Officials
- Klamath County Officials
- Lane County Officials
- Linn County Officials
- Polk County Officials
- ICMA *Evaluating Financial Condition: A Handbook for Local Governments*
- Other State Governments (Florida, Maryland, Michigan, Nevada, New Jersey, New York, North Carolina, Pennsylvania, and Washington)

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## About the Secretary of State Audits Division

The Oregon Constitution provides that the Secretary of State shall be, by virtue of her office, Auditor of Public Accounts. The Audits Division exists to carry out this duty. The division reports to the elected Secretary of State and is independent of other state agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division audits all state officers, agencies, boards, and commissions and oversees audits and financial reporting for local governments.

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### **Audit Team**

Mary Wenger, CPA, Deputy Director

Phil Hopkins, CPA, Audit Manager

Kari Mott, MBA, Senior Auditor

Joseph Flager, CPA, Staff Auditor

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This report, a public record, is intended to promote the best possible management of public resources. Copies may be obtained from:

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phone: 503-986-2255

mail: Oregon Audits Division  
255 Capitol Street NE, Suite 500  
Salem, OR 97310

The courtesies and cooperation extended by officials and employees of Oregon counties and the Association of Oregon Counties during the course of this review were commendable and sincerely appreciated.