

HOW DID WE GET HERE?



Hood River County's funding has diminished due to several causes, while County population and visitation to the area continue to grow.

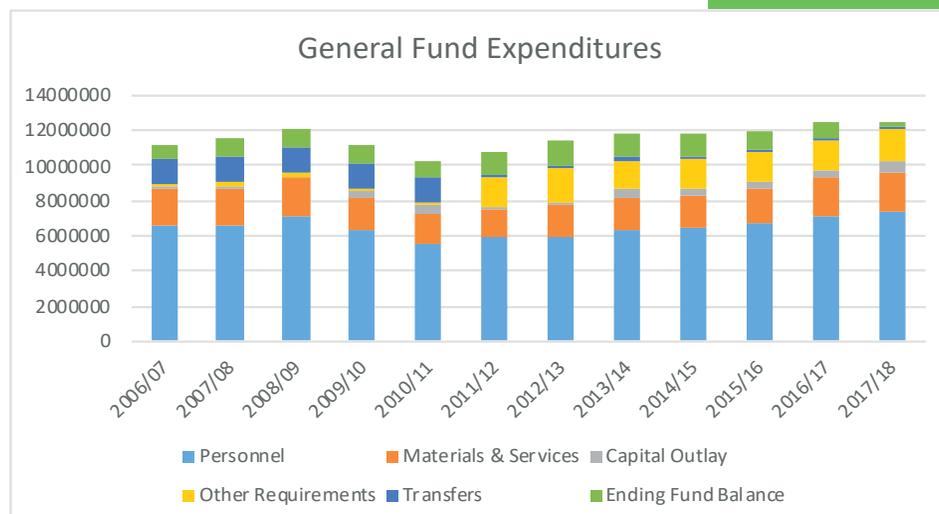
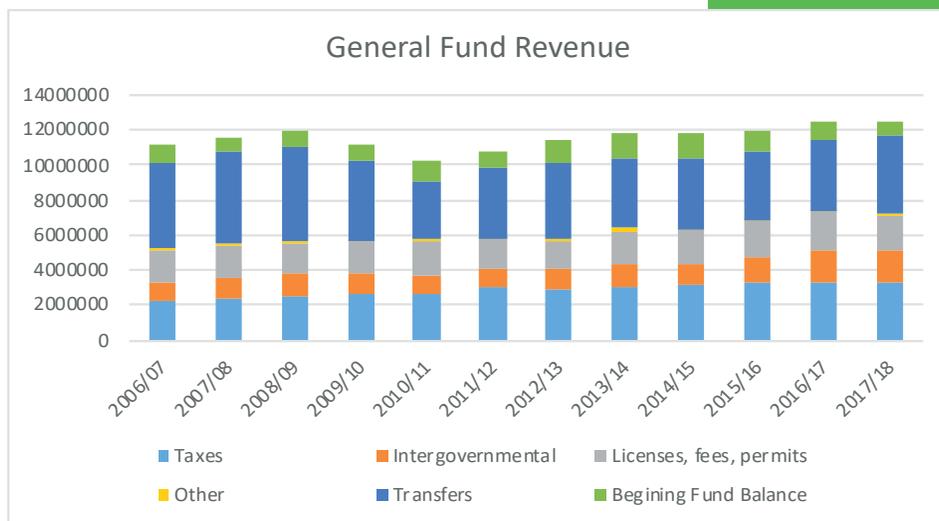
A few key reasons funding has diminished:

- Federal funds from forest activity and SRS have gone from \$2 million to \$480,000.
- Property tax limitations have restricted value increases and limited growth of revenue.
- County Transient Room Tax receipts were greatly reduced after Westcliff Drive lodging was annexed by the City.

For several years Hood River County has operated with a deficit of Expenditures exceeding Revenue. Since 2006, the County has drawn over \$7 million from its Reserve Fund to balance each year's budget, despite significant budget cuts. In Fiscal Year 2018/19, the deficit of \$1.46 million is approximately 12% of the General Fund Budget. For the current year, cuts have been made in staff, programs and services in order to reduce the draw from reserves to \$721,000 and balance Hood River County's budget.

County departments have cut budgets, staff and services over more than a decade, yet challenges remain and will continue without solutions toward sustainability.

Since 2006, the County has drawn over \$7 million from its Reserve Fund to balance each year's budget



WHERE DOES THE MONEY GO?



OVERVIEW

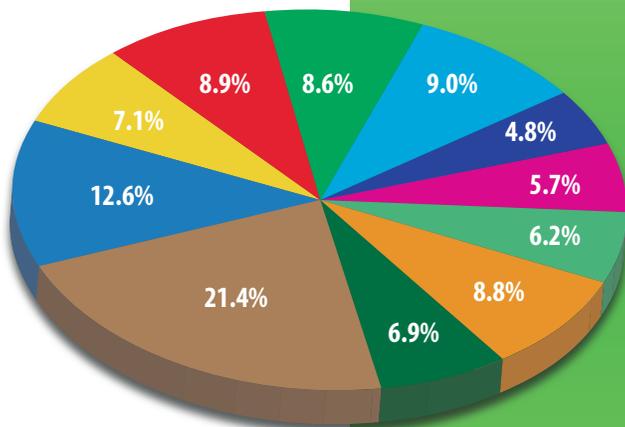
Hood River County's General Fund total is about \$12.8 million. Personnel costs comprise 62% of Expenditures, capital outlay (to acquire, maintain or replace assets like land, facilities or equipment) has been substantially deferred due to lack of resources and is only 2.6% of the Expenditures, with a balance in Materials, Services and other categories.

Significant deferred capital asset improvements, maintenance or replacements are not included in the current budget.

GENERAL FUND EXPENDITURES FISCAL YEAR 2018/2019

- SHERIFF \$2,750,965
- NORCOR \$1,619,400
- CORRECTIONS - ADULT & JUVENILE \$1,150,573
- ADMINISTRATION \$1,141,763
- PUBLIC WORKS (PARKS & BUILDINGS) \$1,125,958
- BUDGET & FINANCE \$1,102,842
- RECORDS & ASSESSMENTS \$910,193
- COMMUNITY DEVELOPMENT \$888,024
- FORESTRY \$730,506
- HEALTH \$793,119
- JUSTICE - DISTRICT ATTORNEY & COURT \$617,037

TOTAL \$12,830,380

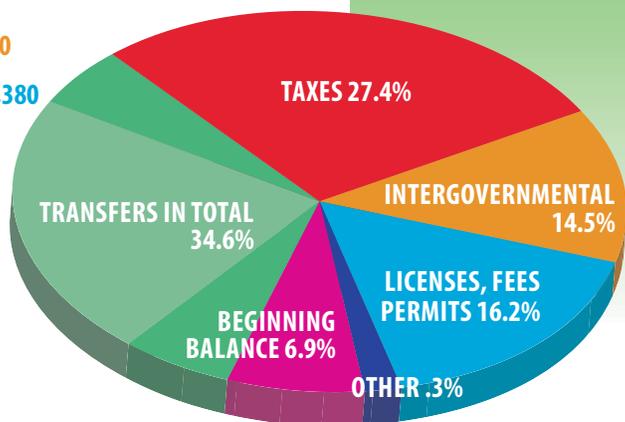


County payment to NORCOR for jail services is about 12.6% of General Fund expenditures

GENERAL FUND REVENUE 2018/2019

- TAXES \$3,517,600
- INTERGOVERNMENTAL \$1,864,370
- LICENSES, FEES, PERMITS \$2,072,380
- OTHER REVENUE \$40,600
- BEGINNING BALANCE \$885,700
- TRANSFERS IN \$4,449,730
 - RESERVES TRANSFERS IN \$721,000
 - TIMBER SALES TRANSFERS IN \$2,902,200
 - OTHER TRANSFERS IN \$826,700

TOTAL \$12,830,380



Since 2006, despite significant budget cuts, over \$7 million in reserves has been used to balance Hood River County's budget



WHY IS OUR TAX RATE FIXED?



A MEASURED RESPONSE

Property Tax Limitations have stunted revenue growth. Two pieces of legislation passed in the 1990s affect how much Property Tax can be collected in Oregon. **Measure 5** limits the total amount of taxes that taxing districts can impose on property. **Measure 50** established a separate Taxable Assessed Value (TAV) and limits its growth to 3% in most cases. As a result most properties are taxed way below their Real Market Value (RMV).

MEASURE 5

1990 limits on property taxes

MEASURE 50

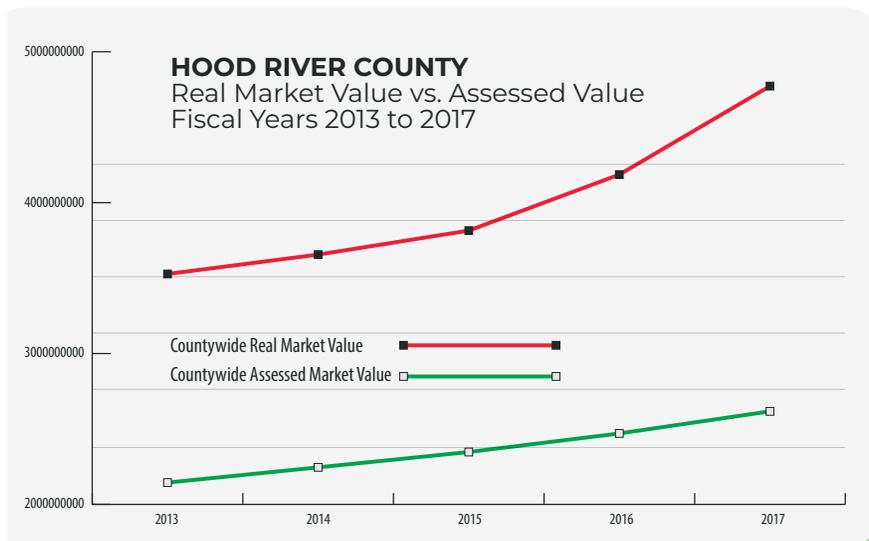
1997 limits on growth of assessed value

\$4,772,225,165

Current Countywide **Real** Market Value

\$2,616,820,775

Current Countywide **Assessed** Market Value



PRIMER ON TAX VALUE LIMITATIONS

- The Oregon Constitution limits the rate of growth of property value subject to taxation.
- The Maximum Assessed Value (MAV) can't rise by more than 3% per year (except under certain circumstances).
- The Taxable Assessed Value (TAV) is determined by taking the lesser of Real Market Value and Maximum Assessed Value.
- If the taxes calculated exceeds the Measure 5 limits for that property, the taxes are reduced or "compressed" to meet the limit.
- New residential construction comes on the tax rolls at 53% of the RMV for the 2018-19 tax year.

Measure 5 passed with 574,833 votes in favor, 522,022 votes against. It was one of the most contentious measures in Oregon election history.

PROPERTY TAXES



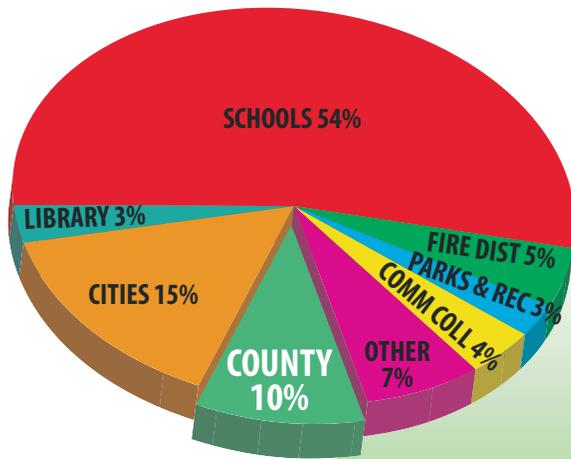
REVENUE OVERVIEW

WHERE DO YOUR TAX DOLLARS GO?

Hood River County retains only 10% of Property Taxes assessed. The remaining 90% of taxes are collected for and distributed to other entities such as cities, schools, parks, fire and library districts.

That means if your total Property Tax is \$2,500, the amount Hood River County receives is about \$250.

HOOD RIVER COUNTY TAX DISTRIBUTION 2017-18 TAX YEAR



HOOD RIVER COUNTY VS. OTHER OREGON COUNTIES

The primary reason Hood River County's permanent tax rate is so low is due to the County's previously strong timber revenue. This revenue has decreased substantially in recent decades for a variety of reasons, yet Measures 5 and 50 limit the County's ability to increase property tax revenue.

Hood River County permanent property tax rate 9th Lowest of 36 Oregon counties

\$1.42 / \$1,000 assessed property value

Wasco County permanent property tax rate 5th Highest of 36 Oregon counties

\$4.25 / \$1,000 assessed property value

With a permanent tax rate of \$4.25 per \$1,000 assessed property value, neighboring Wasco County receives 3 times the rate Hood River County receives.

Hood River County's low property tax collections are out of step with other socio-economic factors.

Population Growth **10%** Since 2012

Personal Income **8th** Highest of 36 Oregon counties

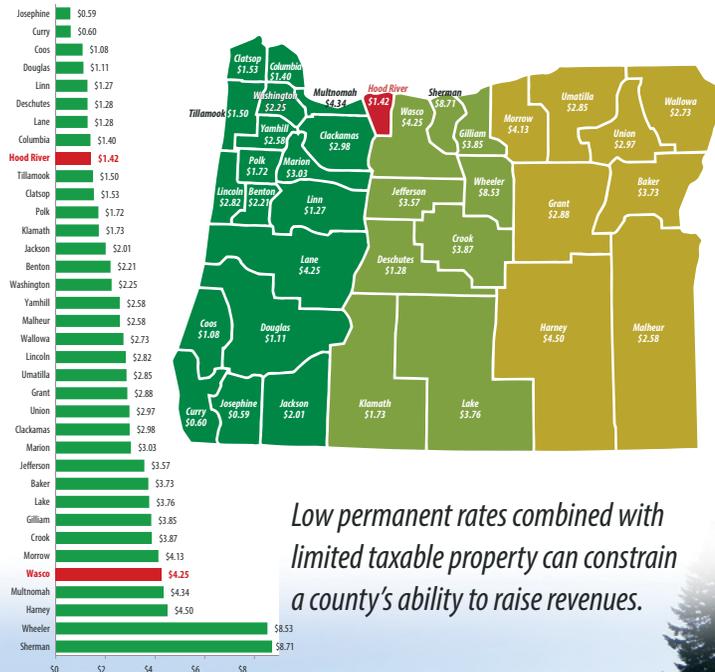
Unemployment Rate **2nd** Lowest of 36 Oregon counties

Labor Force Participation* **#1** of all 36 Oregon counties

*79% of residents are employed or unemployed but looking for work

Median Home Sale Price **38%** higher than 2013
\$289,500 2013 \$467,500 2018

COMPARATIVE PERMANENT TAX RATES FOR ALL 36 OREGON COUNTIES



Low permanent rates combined with limited taxable property can constrain a county's ability to raise revenues.

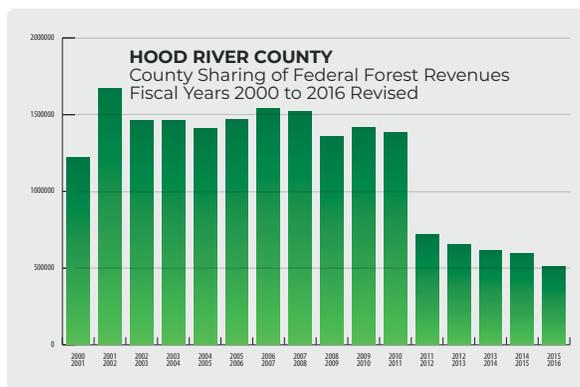


WHAT IS SHARED REVENUE?



SHARED REVENUE

Shared Revenue from the Federal Government recognizes losses from timber production on tax exempt lands. When logging was restricted, Secure Rural Schools (SRS) funding filled the gap. As harvests have dramatically declined on federal/state lands, so have the shared revenue from those sales. SRS funding has also been greatly reduced leaving another hole to fill.



SRS FUNDS IN STEADY DECLINE

1990 \$2 million
2018 \$498,000
expected

Secure Rural Schools is a federal program that provides payment in lieu of taxes to compensate counties that had federal forest income in the past. SRS was discontinued in 2007, but has been extended each year with significant reductions. SRS was reinstated in this year's federal budget at a still lower level. The County can not count on this revenue due to its uncertainty.

SRS funds are divided into three categories: **Roads and schools (85%), public land restoration/infrastructure projects (8%), and (7%) emergency services.** Federal law requires this revenue must be used in these three categories in the stated percentages.

In Hood River County only **9%** of land is owned by the County

62% of county land is owned by State & Federal govt. and is exempt from property taxes.

Staffing to maintain county roads has declined **46%** since 2006.



HOW IS HOOD RIVER COUNTY FUNDED?



REVENUE OVERVIEW

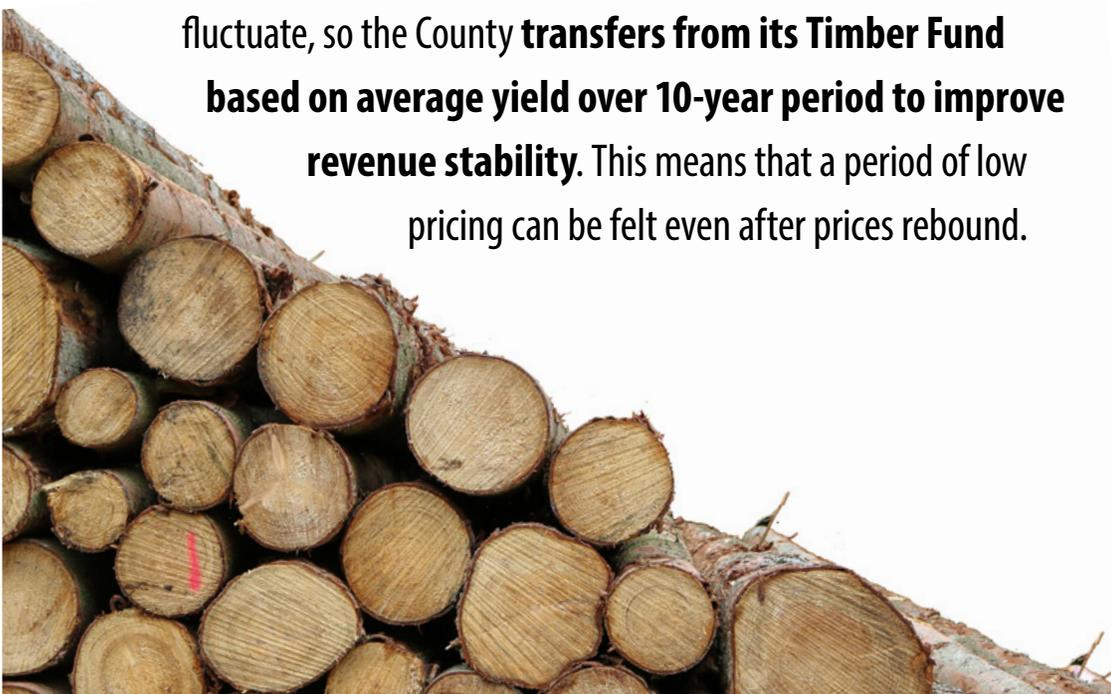
COUNTY BUDGET SWINGS WITH TIMBER REVENUES

Timber represents the largest single source of revenue for Hood River County. The County contains nearly 34,500 acres of County forest lands, with just over 30,000 acres suitable for timber production. These lands are managed for optimum revenue for present and future needs of the residents of Hood River County.

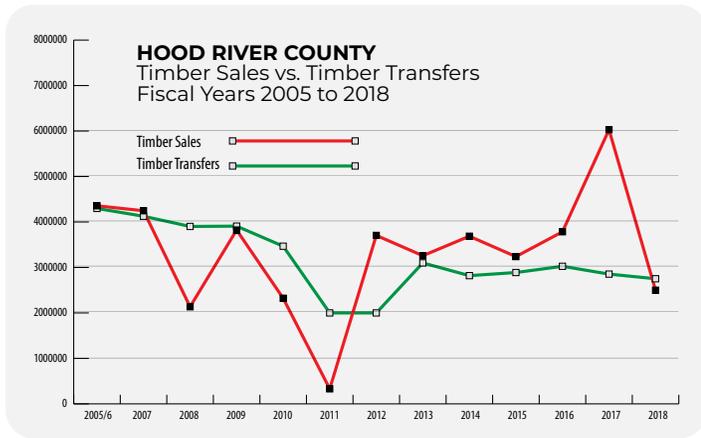
The Forestry Department operates several funds and interacts with the General Fund by depositing a portion of sales revenue after Forestry Department expenses. Each year log prices fluctuate, so the County **transfers from its Timber Fund based on average yield over 10-year period to improve revenue stability.** This means that a period of low pricing can be felt even after prices rebound.

Timber revenue is down 36% compared to 2006.

Timber lands provide sustainable revenue. They are like a savings account for the future.



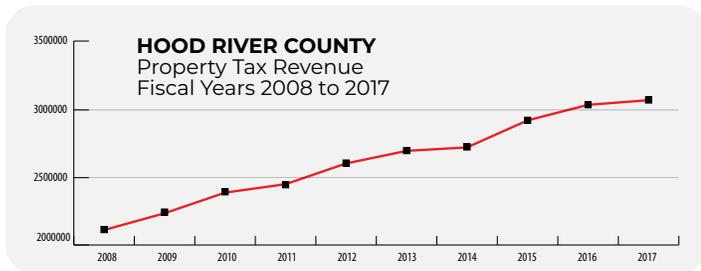
HOW IS HOOD RIVER COUNTY FUNDED?



TIMBER & PROPERTY TAXES

The County's two largest sources of funding (totalling 62%) are **Timber Revenue** and **Property Taxes**.

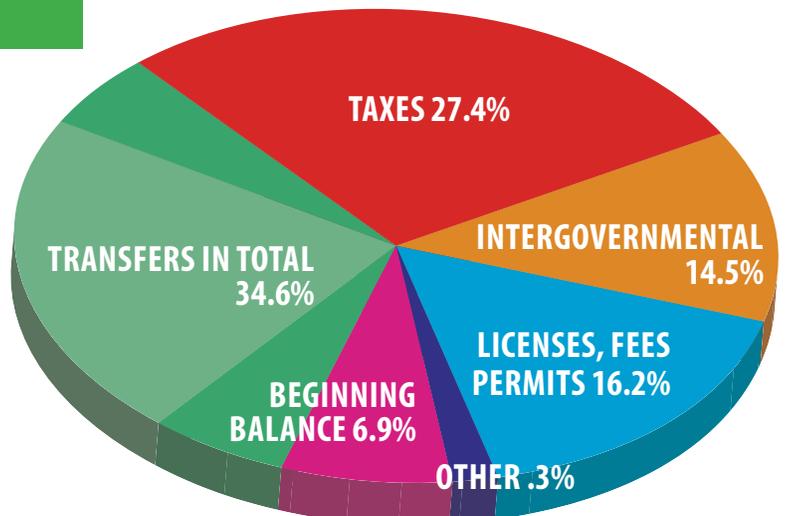
Other revenue sources include funds from permits, fees and licenses attached to services, and other government funding for services, such as State-mandated programs.



GENERAL FUND REVENUE 2018/2019

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STAFF AND SERVICES LOSSES



EMPLOYEE CHANGES AS REVENUE HAS DECLINED

Hood River Country Employees	2006	2016
General Government:	26	22
Sheriff:	21	21
Public Safety and Justice:	24	19
Public Works/Parks:	27	21
Health Services:	23	21
Forestry:	6	6
Community Services:	7	11
Library (1):	4	0
Total Full-Time Equivalents:	138	121

The county has 9% fewer General Fund employees now than in 2006



Public Works/Parks has seen a 30% decrease in employees since 2006

PERSONNEL IS HOOD RIVER COUNTY'S GREATEST EXPENSE



Compensation for staff who provides services to residents and visitors continues to be tightly managed. Employee salary and benefits comprise 62% of the General Fund budget this Fiscal Year.

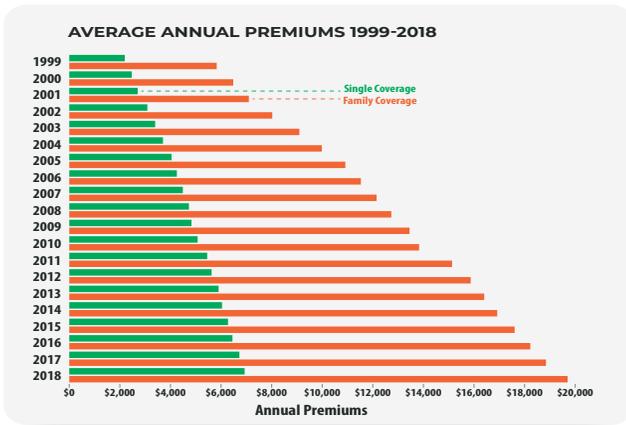
Increases in personnel costs have occurred despite reductions in staff. **(More reductions are planned for January 2019.)**

Hood River County is currently faced with challenges in attracting quality personnel to fill numerous important positions. The County is unable to offer salaries comparable to equivalent positions, especially when candidates face the high costs of living locally.

County government does not have the ability to maintain existing levels of service or withstand economic downturn with current revenue sources.

RIISING HEALTH INSURANCE PREMIUMS

Premiums are a well-known factor in increasing employer costs. Hood River County manages this expense as best it can by shopping plans and benefits annually.



PERS COSTS CONTINUE TO RISE

The **Public Employees Retirement System** incurred significant unfunded liabilities after the Great Recession of 2008. PERS rates fluctuate with rates applied by PERS and are updated every two years. In FY 2016-17 PERS costs was \$754,000; in 18/19 PERS expense was \$1.1 million. PERS rates are forecast to increase an average of 5.22% in the next biennium — or about \$240,000 increased PERS cost in the county's next budget year.



Hood River County employs 9% fewer people now than did in 2006.

PERS is currently about 13% of total County personnel compensation.

COUNTY DEPARTMENT SUMMARIES



HOOD RIVER COUNTY OFFERS A BROAD RANGE OF SERVICES.

Public Safety / Law Enforcement – HRC SO, Justice Court, D.A., Juvenile & related programs

Includes patrol; search & rescue; animal control; emergency management; prosecution of criminal cases; victim assistance; adult & juvenile corrections (NORCOR); parole & probation; criminal investigations; civil division; court ordered juvenile supervision, probation and specialized youth counseling; concealed handgun licensing; off highway vehicle & marine patrol; and administration of 911.

Public Health, Prevention & Extension Office

Includes drinking and wastewater safety, food and lodging safety, immunizations, reproductive health, disease control, birth and death records, health and social referrals, and emergency preparedness. The County also supports related programs including the Prevention Program and a contribution to the County Extension Office.

Public Works

Includes engineering, surveying, road improvements, maintenance & snow plowing; maintenance of eight buildings, maintenance and operations of seven parks including two campgrounds; equipment maintenance.

Forestry – forests, trails

Over 34,000 acres of County forest requires careful management for timber production (to maintain a revenue stream), protection of water quality, reduction of wildfire risk, and recreational opportunities. Forestlands in Hood River County are a certified tree farm.

Community Development

Land use planning; building code and inspection; building permits; veterans services; information systems and the County's web map.

Records, Assessments, Elections

Property recordings, passports, marriage licenses, elections and property assessment.

Budget & Finance, Administration

These areas work with every department, program or function of the County, and include auditing, tax collection, budgeting, payroll, accounts payable, financial management, administration of county government.

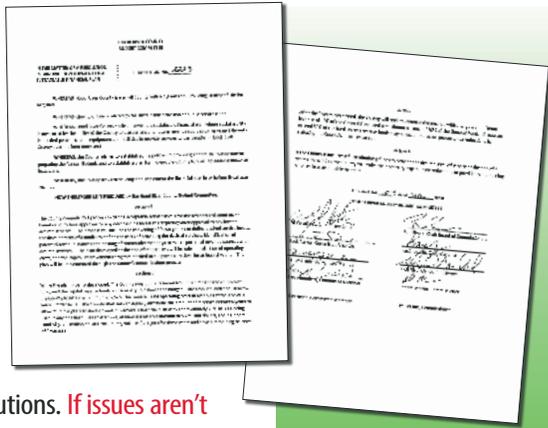


WHAT DOES BUDGET SUSTAINABILITY MEAN?



After years of dipping into Reserves, the County Budget Committee and Board of Commissioners committed to a three-year strategy of withdrawing no more than \$750,000 per Fiscal Year to balance the budget. After that time, County Reserves would be close to depletion.

Three years gives the community a timeframe to evaluate the county's deficit issues, and offer input on implementing solutions. **If issues aren't resolved and new revenue streams are not identified, the County expects vast reductions in services and staff.**



SUSTAINABILITY TO YOUR HOOD RIVER COUNTY COMMISSIONERS MEANS...

The **SUSTAINABLE** provision of public services.

A **SUSTAINABLE** financial plan where sustainability is measured by the ability of the County to use current and future revenue sources to make investments in staff, capital equipment and facilities in order to provide services to the people in Hood River County over the long term.

THIS MEANS:

- Sustainable revenue resources to cover annual costs of important programs and services, recognizing various priorities, interests and needs of our diverse community.
- Revenue for capital assets: to acquire, repair and maintain.
- Funds dedicated to Reserves for future stability and unpredictable expenses or opportunities.

IT'S IMPORTANT TO REMEMBER:

Hood River County has been operating at a deficit for over a decade. As a result, much deferred maintenance on County buildings and infrastructure has occurred, as well as postponed purchases for new vehicles or equipment.

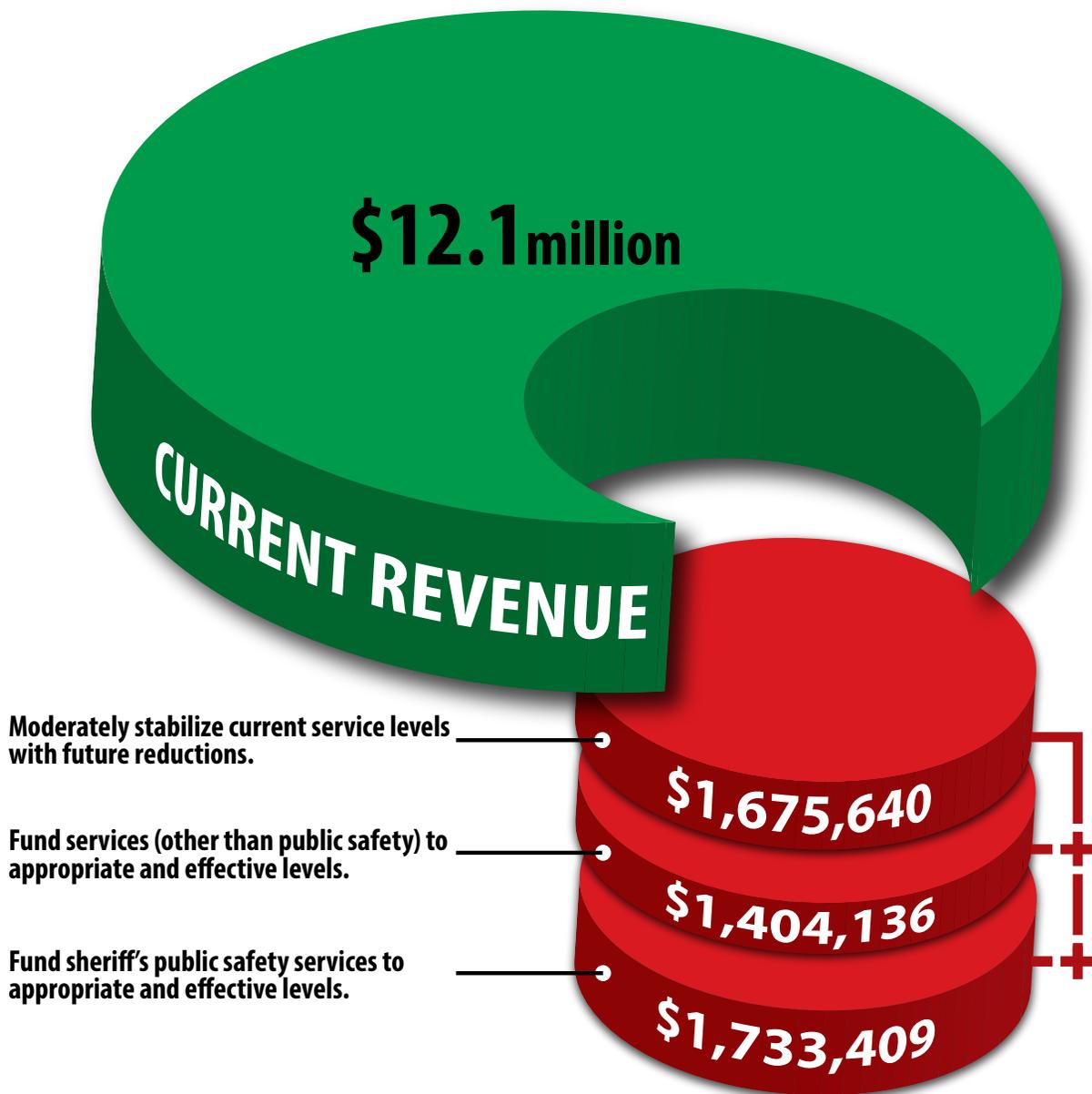
sus-tain-able:
of, relating to, or being a method of harvesting or using a resource so that the resource is not depleted or permanently damaged

It's important for YOUR County Commission to hear from YOU, county residents, about what's IMPORTANT TO YOU?



CAN WE MAINTAIN CURRENT SERVICES?

The definitive answer is **no**.
Despite over a decade of yearly department budget cuts, staff and services cuts, deferred maintenance and delayed equipment replacement, Hood River County has a very large budget hole to fill just to even maintain existing levels of service for County residents.



Filling the hole would allow the County to fund all services to appropriate and effective levels including:

- Building, vehicle and equipment upkeep
- Improve, maintain, plow county roads
- Maintain parks and trails
- Resolve personnel shortages
- Bolster capital reserves for future security
- Public safety - patrol
- Code compliance
- Mental health
- Museum
- Health inspections
- Veteran's services
- Passport Applications