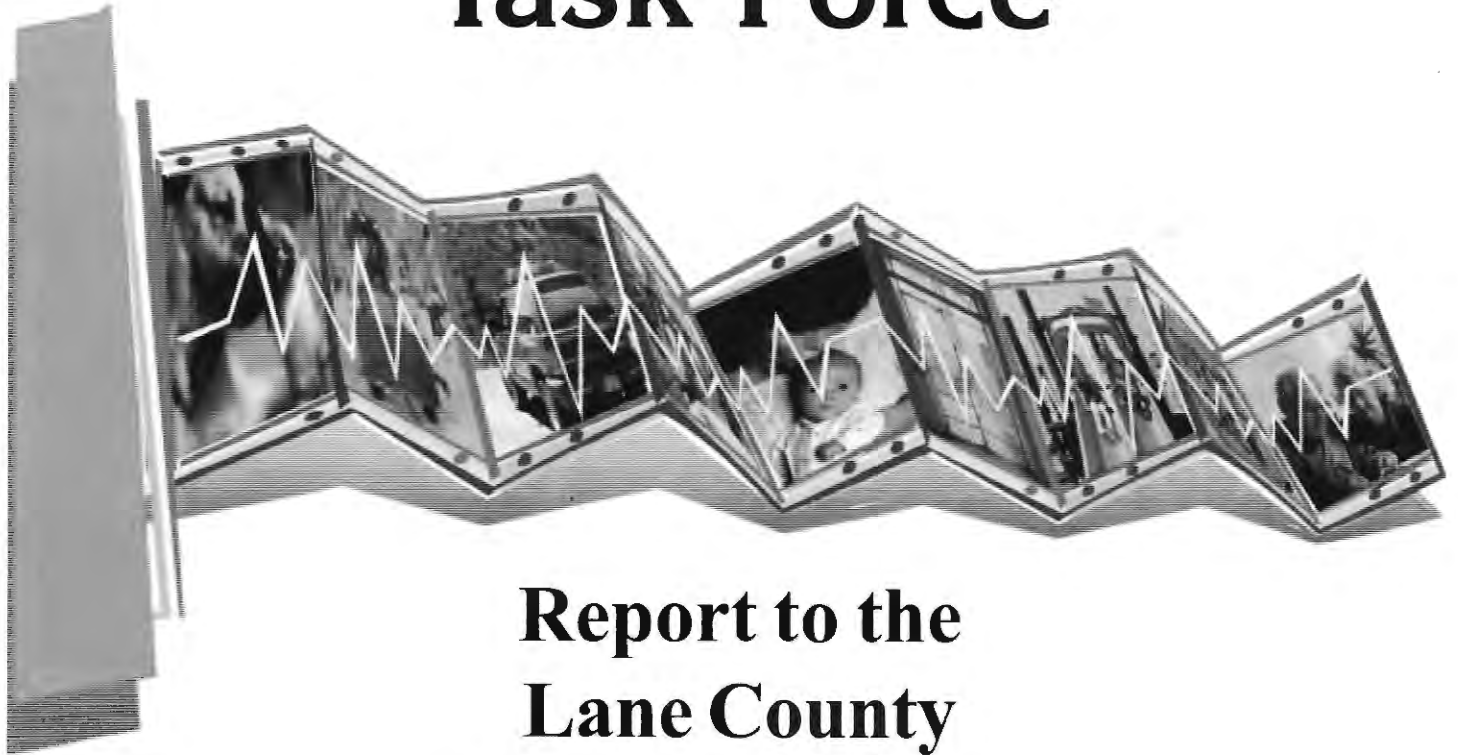


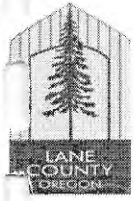
LANE COUNTY
Service Stabilization
Task Force



Report to the
Lane County
Board of County
Commissioners



November 3, 2004



Lane County Board of Commissioners

Bill Dwyer
Bobby Green, Sr.
Don Hampton
Anna Morrison
Peter Sorenson

November 3, 2004

Bobby Green, Sr., Chair
Lane County Board of Commissioners
125 E. 8th Avenue
Eugene, OR 97401

Dear Commissioner Green and Members of the Board:

The Service Stabilization Task Force is pleased to transmit our final report and recommendations to you. The Task Force was given two short months to consider the financial situation that faces Lane County and to respond to your request that we study and recommend strategies on how the County might address the structural deficit that exists within its General Fund. We met a total of nine times.

We concluded that the County has a significant gap between the resources that are likely to be available to it for the foreseeable future and the cost of continuing to operate as a general-purpose government. We believe that it is critical for the Board to establish a clear set of priorities on which to base future funding decisions. The funding priorities should be responsive to what the citizens of Lane County consider to be most beneficial, and they should be clear and understandable to the public and county staff.

We very much appreciate the able support we received from your staff. We could not have completed our work without the help of Dave Garnick, John Arnold, and Bill VanVactor, and the assistance of several note takers.

We sincerely hope that this report and our recommendations will be of assistance to you.

Thank you for asking us to participate in the process.

Sincerely,



Kate O'Donnell (Chair)



David Piercy (Vice-Chair)

Mary Ann Holser
Jeff Miller
Gary Shearer
Lorraine Still

Erik Jensen
Jack Radabaugh
Dennis Shine

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EXECUTIVE SUMMARY

On August 25, 2004, the Lane County Board of Directors appointed a nine member Service Stabilization Task Force charged with recommending whether and how to pursue certain strategies to address a structural deficit that exists within the County's General Fund Budget. The Task Force was instructed to complete its deliberations by October 31, 2004.

The Task Force met nine times and concluded that there is a significant gap between the resources that are likely to be available to the County for the foreseeable future and the cost of continuing to operate as a general-purpose government.

Specifically, the Task Force made the following recommendations, which are explained in more detail in the report that follows.

1. The Board of County Commissioners live within its means on an annual basis. To assist with this, the Task Force also recommended that the Board:
 - a. Immediately determine the service priorities and desired results for Lane County Government;
 - b. Prioritize its goals and establish outcome measures; and
 - c. Finalize its service priorities, outcome goals, and outcome measures in time for preparation of the 2006-07 budget.
2. The Board use the following strategies to reduce costs:
 - a. Approach the governing bodies of all public agencies within the county, with the exception of schools, to propose pooling the health care benefits provided by each agency to its employees;
 - b. Audit departments;
 - c. Explore making more County programs self-supporting, as the Board currently does with planning and building permits and waste management;
 - d. Budget to outcomes not departments to ensure that a department's efforts are directly related to the priorities that have been established by the Board;
 - e. Manage competition by having internal departments compete with private business and non-profits for the provision of service;
 - f. Enter into a dialogue with other agencies to discover ways to consolidate services; and
 - g. Work with the Association of Oregon Counties, and other appropriate groups, to lobby the Oregon Legislature to adequately fund state mandates that deal directly with the operation of government, such as jails, courts, and elections.

3. The Board pursue new revenue options in order to meet its long-term policy choice to remain a general-purpose government. Specifically, establish a public process that would include a Revenue Task Force to complete an in-depth analysis of revenue options and consider the implications of each of those options.
4. The Board consider the barriers to the creation of a Public Safety District before deciding whether to proceed.

The Task Force encouraged the Board of County Commissioners to provide the leadership necessary to overcome the current budget crises so it does not become permanent and so that it can meet its goal of truly being a general-purpose government. Such leadership, the Task Force concluded, will require a high degree of cooperation with city mayors, councils, and administrators, and with the various special districts in the county so they can assess their needs together, and decide on how to move toward inter-jurisdictional cooperation, consolidation, and, maybe even the creation of a metro area service district.

INTRODUCTION

On June 30, 2004 the Board of County Commissioners adopted Order No. 04-6-30-5, which states,

WHEREAS, the Lane County General Fund has a structural deficit as expenses rise on average 6% per year and revenue rises only 3% per year, and

WHEREAS, the Board of Commissioners has made a long term policy choice to remain a general-purpose government, and

WHEREAS, the Board has determined that a citizen-led Service Stabilization Task Force should be appointed to recommend strategies on how the County might address the structural deficit,

NOW, THEREFORE IT IS HEREBY ORDERED a Service Stabilization Task Force shall be established....

TASK FORCE MEMBERSHIP

Order No. 04-6-30-5 went on to state,

...and it is further

ORDERED the Service Stabilization Task Force shall consist of 9 members, one appointed by each commissioner and 4 at-large, with the at-large appointments occurring after a 30 day recruitment period and upon due consideration by the Board of an appropriate balance of various elements of diversity, including but not limited to geographic area and political party affiliation...

Through the open 30-day recruitment period, the Board received 21 applications for the four at-large positions.

On August 25, 2004, the Board Adopted Resolution 04-8-4-2 appointing the following members to the Task Force:

- | | |
|-----------------------|-----------------|
| North Eugene District | Jeff Miller |
| South Eugene District | Kate O'Donnell |
| Springfield District | Jack Radabaugh |
| West Lane District | Erik Jensen |
| East Lane District | Lorraine Still |
| At-large | Mary Ann Holser |
| At-large | David Piercy |
| At-large | Gary Shearer |
| At-large | Dennis Shine |

TASK FORCE CHARGE

ORDER NO. 04-6-30-5 established the charge for the Task Force:

ORDERED that the charge to the task force is as follows:

In view of the circumstances and policy choice described above, the Task Force shall recommend to the Board of County Commissioners whether and how to pursue one or more of the following strategies to address the structural deficit, including short and long-term implications of each option.

- 1. Live within its means on an annual basis*
- 2. Reduce the cost factors which drive the deficit*
- 3. Right size the organization so that the service delivery system is stable for a number of years. Include as part of the recommendation how many years the County should engage in this strategy.*
- 4. Pursue revenue.*
- 5. If pursuit of revenue is selected, the Task Force shall also evaluate the wisdom of advancing a law enforcement district proposal to the citizens in November, 2006, in addition to any other recommendation it has regarding revenue pursuit.*
- 6. Any other strategies available to address the structural deficit, and it is further*

ORDERED that the Service Stabilization Task Force report shall be completed by October 31, 2004 so that the recommendations, if adopted, can be incorporated into the FY 05-06 budget...

TASK FORCE PROCESS

Board Chair Bobby Green, Sr. convened the Task Force on August 31, 2004. Commissioner Green briefed the Task Force on its charge and the staff provided members with an overview of the County's budget, reviewed the budget document, the County's Strategic Plan, and a number of related documents. Task Force members selected Kate O'Donnell as chair, and David Piercy as vice-chair.

The Task Force met once each week during the months of September and October, received several staff reports and reviewed a great deal of information about the County's budget. See appendices.

The Task Force's deliberations and conclusions were influenced by the work of David Osborne and Peter Hutchinson, The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis (New York, Basic Books, 2004). We recommend that the Board of County Commissioners become familiar with this resource if it has not already done so.

The Task Force's report and recommendations were agreed upon by consensus.

Our timeline was short, and as a result we did not have time to articulate all the implications of our recommendations, to give specific recommendations regarding new revenue sources, or to go through a more thorough consideration of what funding priorities the Board should adopt.

RECOMMENDATIONS

1. Live Within Means by Reestablishing Service Priorities; Right Size the Organization

The Stabilization Task Force recommends that the Board of County Commissioners live within its means on an annual basis.

We understand and concur that it is desirable for Lane County to remain a general-purpose government. This is an important goal, but the Board of County Commissioners is legally required to live within its means on an annual basis.

Since additional revenue will not be available to the Board during FY 2005-06 and perhaps into the foreseeable future, the Board will need to establish a clear set of priorities that are comprehensible to the public and county staff. Prioritizing service outcomes and strategies that are of most value to the public will assist the Board as it determines which services to keep or enhance, and which services to reduce or eliminate. This will lead directly to decisions that will "right size the organization."

A. Immediately determine the service priorities and desired results for Lane County Government.

The Board should not make "across-the-board reductions," but using the resources available to it, fund its highest priorities. Those priorities should be based on what the citizens of Lane County consider to be most beneficial. Services that cannot be funded can be restored as additional funding becomes available either through additional revenue or program efficiencies. The Task Force understands that if revenue continues to decline, important and popular programs may require reduction, reorganization, or elimination.

B. The Board should prioritize its goals and establish outcome measures. Table 1 shows the priorities and outcome measures recommended by the Task Force.

Based on the revenue projections available to the Task Force, in FY 2005-06, the county will not be able to fund all of its goals so should make its funding decisions based upon its highest priorities. The Board may want to consider making even further reductions in 2005-06 to help begin to make the reductions that will be necessary in the future.

Table 1
Prioritized Goals and Outcomes Recommended by the Service Stabilization Task Force

LC Goal Statement	Outcome Goal	Outcome Measure	Rank
Ensure the public's safety with regard to adult and juvenile crime, emergency preparedness and regional cooperative policing through law enforcement, intervention, prosecution, incarceration, and parole and probation, while protecting individual's constitutional rights.	Decrease violent crime and property crime	Decreased recidivism rate Reduced preventable injury and loss Increased emergency response	1
Ensure the provision of basic social support in the areas of health care, disease prevention, protection, poverty reduction and independent living.	Improve condition of vulnerable children and adults Improve health of Lane County residents	Increased % living above poverty line Increased % living in permanent, safe home or community setting Increased % who make progress toward self-sufficiency Improved access to care Improved self-assessment on health Improved index of epidemiological measures	2
Maintain a healthy environment with regard to air quality, water quality, waste management, land use and parks.	Improve quality of natural resources	Improved % of days with healthy air Improved % of water bodies/sources that meet quality standards Reduced rate of land converted to urban area Increased participation in cultural programs Increased participation in recreational programs Increased availability and access	3
Contribute to appropriate community development in areas of transportation and telecommunications infrastructure, housing, growth management, and land development.	Improve the mobility of people, goods, information, energy	Sufficient capacity to meet demand Minimized delay and downtime Fair and reasonable pricing	4
Work for a strong regional economy to expand the number of family wage jobs available in Lane County.	Improve quality and productivity of workforce Improve economic vitality of business and individuals	Increased possession of skills and abilities required by employees Increased employment rate Increased earnings levels Increase % of people employed Increased % of family living wage jobs Increased % of profitable business	5
Protect the public's assets by maintaining, replacing or upgrading the County's investments in systems and capital infrastructure.	Improve the public's assets	Increased quality of infrastructure Increased quality of systems	6
Provide Opportunities for citizen participation in decision-making, voting, volunteerism and civic and community involvement.	Increase opportunities for citizen participation in civic affairs	Increase participation in decision-making Increased voter registration and turnout Increased part. in volunteer ops, civic, community involvement	7

In establishing the priorities in Table 1, the Task Force did not prioritize the county's goal that deals with "efficient and effective financial and administrative support" because we believe that this is a given and should be included in the cost of implementing each of the other goals. We also discussed but did not reach consensus on adding an additional goal dealing with educational, cultural, and recreational opportunities. It is unfortunate that library services are not readily available to all citizens of Lane County.

- C. If the Board feels that the recommendations provided by the Task Force need additional discussion, input, and/or analysis, the Task Force recommends that the Board finalize its service priorities, outcome goals, and outcome measures in time for preparation of the 2006-07 budget.

In the meantime for FY 2005-06, the Board has projected a substantial shortfall that will need to be reconciled. The Task Force recommends that any reductions in 2005-06 not be "across the board," but based on a determination of priority outcomes.

2. Reduce the Cost Factors that Drive the Deficit

The Task Force recommends that the Board use the following strategies to reduce costs.

Some of these can be implemented without regard to service priorities and others may need the Board to be clear about its strategic priorities and the criteria it uses to justify these priorities. The Board may want to refer to United Way of Lane County's most recent need's assessment to help determine the County's funding priorities. The Task Force recommends that those strategies that are independent of a service priority, be implemented within one year, or as soon as possible.

- A. Approach the governing bodies of all public agencies within the county, with the exception of schools, to propose pooling the health care benefits provided by each agency to its employees.

By pooling the number of employees and having greater control over the benefit package, the agencies could reasonably set a goal of reducing the annual increase in insurance costs to under 10% (from the typical 15 to 20%) while still maintaining a comprehensive benefit package to staff. We chose not to include schools because we understand that the state may already be considering pooling their health care benefits.

- B. Audit departments to:

- (1) Evaluate what department services are necessary to meet the prioritized outcomes determined by the Board;
- (2) Determine which services in the department are being done by another department or agency and justify why those services should be continued or duplicated;
- (3) Determine the consequences of eliminating or reducing services;

- (4) Review whether the department is implementing required or mandated services and of those that are not required or mandated whether they are secondary to meeting the prioritized outcomes desired by the Board; and
- (5) Evaluate whether employee overtime is being appropriately used.

These audits can be completed either internally or by contracting with independent outside auditors, but decisions about which departments to audit should be made without regard to “political influence,” and there must be documented follow-up to whatever recommendations result from the audits.

- C. Explore making more County programs self-supporting, as the Board currently does with planning and building permits and waste-management.

By charging more of the cost of some programs to the users, the General Fund will have resources available to fund high priority services. If the Board pursues this strategy, fee structures will need to be transparent, understandable, and allow for enforcement. One downside of this strategy is that it could make those departments that are self-sufficient more powerful, even if the services they provide are not of the highest priority.

- D. Budget to outcomes not departments to ensure that a department’s efforts are directly related to the priorities that have been established by the Board.

Such an effort will require a complete look at all departmental budgets and justification for continued spending. We encourage the County to continue its movement toward budgeting to outcomes, not outputs.

In their book, The Price of Government, Osborne and Hutchinson state, “Budgeting for outcomes starts with the results most important to citizens, then purchases programs and activities from all corners to achieve these results. It takes no existing programs as givens; it asks all programs to compete with other public and private organizations to deliver results at the best price. It combines program budgeting’s focus on programs rather than organizations, performance budgeting’s focus on the results of those programs, zero-based budgeting’s habit of reexamining priorities every budget cycle, and managed competition’s method of letting all kinds of organizations, public and private, compete to deliver programs.” (New York, Basic Books, 2004, p. 85)

- E. Manage competition by having internal departments compete with private business and non-profits for the provision of service.

Behind this concept, is the idea that internal departments should operate as efficiently as possible, and when more efficient than private business or non-profits they can continue to provide services, or, when unique, even market and sell their services to the public and other governmental jurisdictions. On the other-hand, when internal departments cannot provide a service as efficiently as external groups, the Board may consider contracting-out a service.

It should go without saying that some services such as public safety should never be contracted-out either because the County can provide them more efficiently or because they provide extremely sensitive and/or core functions.

This strategy will require early and open conversations with employees and their formal bargaining representatives. It is desirable for employee groups to be involved in identifying problems and solutions, and to understand the full extent of the budgetary issues that are being faced by the Board.

One tactic that is used effectively by some businesses is a concept referred to as “mock bidding.” That is, the Board would contract with an expert in the provision of a certain service, and ask that expert to independently determine what the cost of doing business should be. The department then can submit a bid. If the department is within the range recommended by the expert, then it should continue doing business as usual. If the department, on the other hand, exceeds the cost, the Board, working with its employees, can determine how to reduce the cost, or justify the higher cost.

In pursuing this strategy, the Board may control for the cost of public employees. For example, the cost of retirement plans or medical benefits may not be considered when evaluating efficiency, but staffing levels, support personnel, and other costs would be. As a public agency, the Board needs to be concerned about providing living wage jobs for its employees.

If a decision is made to pursue the contracting-out of services, the Board will need to comply with legal requirements and the provisions of collective bargaining agreements, and also be committed to protecting existing employees to the extent possible. For example, the County could use the following strategies:

- use attrition rather than layoffs;
- encourage early retirement;
- create internal opportunities for those whose jobs may disappear;
- require, as a part of a contract, that employees be given an opportunity for employment by the contractor;
- offer severance packages; and/or
- when making layoffs ensure that they are necessary.

There are potential drawbacks to using this strategy: employees will see it as threatening and it could result in labor unrest. The County is accountable and ultimately will not be able to delegate its program and fiscal responsibilities for certain services. There is also risk that some services, if contracted-out, will not be done to the standards expected by the County and its citizens. Therefore, decisions about which services to contract-out, need to be made carefully.

F. Enter into a dialogue with other agencies to discover ways to consolidate services.

This is difficult to do, but all agencies are “hurting” financially and need to make careful budget decisions and might be able to consolidate some services such as, but not limited to health, patrol officers, SWAT, and cultural and library services. For

this strategy to work, the Board needs to enter the discussion with no preconceived notions of what can be done more efficiently through consolidation.

- G. Work with the Association of Oregon Counties, and other appropriate groups, to lobby the Oregon Legislature to adequately fund state mandates that deal directly with the operation of government, such as jails, courts, and elections.

3. Pursue Revenue

The Task Force recommends that the Board of County Commissioners pursue new revenue options in order to meet its long-term policy choice to remain a general-purpose government. Specifically, we recommend that the Board establish a public process that would include a Revenue Task Force to complete an in depth analysis of revenue options and consider the implications of each of those options.

The Task Force did not have adequate time to complete an in depth analysis of the revenue options available to the Board or to consider their implications. Therefore we are unable to make a recommendation about the sources of revenue that the Board should consider. We do believe, however, that the County does need to acquire new revenue if it is going to continue as a general-purpose government.

The public process to explore new revenue should include a Task Force (ad hoc or ongoing), procedures for testing the public's perception, and the development of strategies for positive communication with citizens about the funding dilemma the County finds itself in. If the board undertakes such an effort, the Task Force recommends that each potential revenue source be given a cost/benefit analysis. That is, the cost of collections, the amount collected, and the potential receptivity of the public should be considered.

The Task Force identified a number of revenue options that the Board or a new Revenue Task Force could consider.

1. Seek Voter Approval for a Personal Income Tax
2. Liquidate Excess County Assets
3. Review Existing System Development Charges and Establish Additional Charges, if Appropriate
4. Expand Taxation of Tourism
5. Recover the Full Cost of Services For Which the County Currently Charges
6. Seek Voter Approval for a Levy for Sheriff and District Attorney Services
7. Establish a Pollution Tax
8. Assess a Telecommunication Tax
9. Assess a Gas Tax
10. Seek Voter Approval for a Corporate Income Tax
11. Seek Legislative Relief From the Cost of Unfunded Mandates
12. Seek Voter Approval to Establish a County Sales Tax with a Corresponding Reduction in County Property Taxes
13. Establish a Business License Fee
14. Establish a Transportation Tax
15. Seek Voter Approval for a Payroll Tax

16. Assess a Tax on Tobacco and Alcohol Sales
17. Explore a Tax on the Value of Land
18. Consolidate Governmental Services and/or Jurisdictions
19. Assess an Entertainment Tax
20. Halt Tax Benefits for Large Corporations and Provide Incentives for Smaller Business
21. Market and Sell Unique County Services to the Public and Other Governmental Jurisdictions

4. Consider the Barriers to Establishing a Public Safety District

The Task Force recommends that the Board of County Commissioners consider the barriers to the creation of a Public Safety District before deciding whether to proceed.

The Task Force reached consensus that it could not take a position on the creation of a Public Safety District at this time. We believe that there are a number of barriers and issues that need to be resolved before the Board determines how to proceed. The ones we identified are listed below:

1. There is lack of clarity over what services would be included in a public safety district. Until the public and other governmental agencies are clear on what would be included, it is difficult to determine whether to be supportive or not.
2. If funding for drug and mental health treatment is included in a Public Safety District, they need to be managed independently of, but cooperatively with law enforcement.
3. It is unclear about how services within local jurisdictions would be affected if a special district is formed.
4. The Board would need to have support from the cities that will be affected before it proceeds, or ask the legislature for a change in law. Both of these could lead to conflicts with city partners.
5. If cities do not agree and the boundaries within a special district are not contiguous, it may be difficult to obtain Boundary Commission approval.
6. The Board will need to determine if pursuit of a special district will be revenue neutral or raise replacement funds that can be used to fund other critical county services. There is question about whether the pursuit of a special district is cost effective if no additional revenue becomes available.
7. The citizens of Lane County have not been generous in taxing themselves to fund services, even public safety services.
8. There are questions about whether there should be a separate governing board or whether the current Board of County Commissioners should have authority over such a special district.

9. There may be some ways for the Board to work with other jurisdictions to consolidate certain public safety services short of creating a Public Safety District. See Recommendation 2F.

CONCLUSION

The Task Force encourages the Board of County Commissioners to continue to provide the leadership necessary to overcome the current budget crises so it does not become permanent, and so that the Board can meet its goal of truly being a general-purpose government.

We believe that such leadership will require a high degree of cooperation with city mayors, councils, and administrators, and with the various special districts in the county. This cooperation is necessary if we are to truly assess our needs together, and decide together on how we can move toward inter-jurisdictional cooperation, consolidation, and, perhaps even the creation of a metro area service district.

The Task Force commends the Board on the hard work it has already done and for publicly acknowledging its budget crisis by appointing a group of citizens to advise on how to proceed. In our report we recommend that the Board:

- (1) Immediately determine outcome priorities for the County so that the Board can move toward funding for outcomes not outputs (Recommendation 1);
- (2) Complete a thorough analysis of how the County might reduce some of the costs of doing business (Recommendation 2);
- (3) Pursue new revenue so all the citizens of the county have the safety, recreational, cultural, and health and human benefits that only a general-purpose government can provide (Recommendation 3).

All of these are necessary if the County wishes to remain a general-purpose government and keep up with the projected population growth of an additional thirty-two thousand residents in ten years. We encourage the Board to continue an open discussion with the community on the controversial subject of how to gain new revenue.

APPENDICES

I. Complete Minutes of Task Force Meetings (attached)

II. List of materials reviewed by Task Force

Board Order 04-6-30-5

Lane County Home Rule Charter

Lane County Strategic Plan

Lane County Proposed Budget Summary

Population Trend Data

Future Focus Task Force Report

Updated Revenue Task Force Report

Recent History of Oregon Property Taxation

Multnomah County Income Tax Proposals

Lane County Tax Rates by District

Oregon Tax Rates by County

Primer on Telecommunications or Utility Taxes

Public Safety Service District Agenda Memo of Aug. 25, 2004

Region 2050 Report

Lane Manual Section 60.812

The Price of Government *Getting The Results We Need In An Age of Permanent Fiscal Crisis*: Osborne and Hutchinson.

Basic Books; Cambridge, MA. 2004

Tax Shift: Durning and Bauman.

Northwest Environmental Watch; Seattle, WA. 1998

III. Departmental Presentations

Alex Gardner, Lane County District Attorney

Jan Clements, Lane County Sheriff

Rob Rockstroh, Health and Human Services Director

Jim Gangle, Lane County Tax Assessor

David Garnick, Sr. Management Analyst/Budget Manager

Karen Artiaco, Risk and Benefits Manager

Frank Forbes, Lane County Labor/Employee Relations Manager