

Brookings Annexation Project Executive Summary

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Contents

Executive Summary	3
Key Issue Questions and Answers	7
Alternative Comparison Tables	16
CPS Recommendations	20
Inter-dependence in South Curry Government:	20
Utilize a Range of Techniques to Provide Public Services:	21
Resolve Ongoing Issues	22
Public Works Infrastructure Liabilities.....	22
Varying State Law Protections for the Special Districts:	23
Establish Joint Working Relationships Special Districts Whenever Possible	23
Alternative I: Limited Revenues Only Support Police Services:	24
Alternative II: Major Changes to the City:	25
Variation on Alternative II: Full Assumption of the Harbor Sanitary District:.....	26
Demonstrate the Benefits of Annexation to All Parties:	27
Build Community Trust and Confidence in the City.....	28
Annexation Strategic Plan.....	28
Interviewee and Contact List: Thank you	30

Executive Summary

The City of Brookings and the community of Harbor are the largest urban communities on the Oregon coast south of Coos Bay. The two communities are interconnected economically and rely on similar regional resources. However, the two communities have very different situations for providing municipal services and governance.

In early 2015, the City of Brookings asked the Center for Public Service (CPS) at Portland State University to explore options for annexation of portions of the unincorporated community of Harbor. This study and report are the results of that request. The goals of this study were: 1) to assess what services the City of Brookings (City) is currently providing to the residents of Harbor, 2) to develop and analyze the options for annexation in the Harbor service area, 3) to assess the effects of annexation on City government programs and organization, 4) to assess the potential for annexation in other areas within the Urban Growth Boundary (UGB), and 5) to recognize and evaluate the implications of an annexation effort. The end goal of the study was to develop a fact base that would help the City Council and community structure their deliberations and decision-making on the annexation issue.

The CPS study team analyzed current service demands on public safety, utilities and capital investments, municipal administration, and parks and recreation. The team also reviewed revenues and potential costs for hypothetical scenarios to understand opportunities and risks associated with any effort to annex. The team examined two primary annexation scenarios. These were a small annexation of the Port of Brookings-Harbor commercial and marina area (Alternative I), and a larger scenario that includes all of the area served by the Harbor Sanitary District (Alternative II and options). The team also reviewed additional options that might improve the level of service provision in Harbor and fund the City for services it currently provides to Harbor with little reimbursement.

Any potential annexation of a portion of Harbor is both a technically and politically complex endeavor. The residents of Harbor are served by a number of overlapping special districts that provide municipal services. These special districts do not share common boundaries or governance. They also have varied levels of funding and liabilities that make consolidation into annexation legally and technically complex. We find that Harbor benefits from public safety services provided by the City of Brookings Police Department (BPD).

This is the primary public service that the City extends to Harbor with little reimbursement.

We also find that the Harbor Water PUD and the Harbor Sanitary District face infrastructure issues that are not being fully addressed. Similar to the City's situation, aging water delivery and sanitary sewer pipes are raising uncertainties of future dependable performance. In particular, groundwater is penetrating sewer lines, increasing the amount of treatment required and affecting rates for Harbor residents. The PUD's water system has a backbone of pipes first installed in the 1970s, which are now in the backside of their service life. Additionally, the Water PUD repeatedly has been impacted by low flows on the Chetco River, resulting in salinity contamination of drinking water. These infrastructure issues represent a possible liability for the City if annexation is accomplished. In the event these systems fail, the City could ultimately become responsible for the repair and reconstruction of the sewer system, and it may have to step in to help support the water system if the County is unable to replace services. Historically, representatives of Sanitary and Water districts, and the City have not easily come to agreement on how to jointly manage these municipal issues. Intergovernmental coordination would be an important challenge under an annexation.

For these reasons, we recommend the City not pursue annexation at this time. Rather, we encourage the City to educate the Curry County Commission on the Harbor service and cost situation, consider supporting the establishment of an enhanced Sheriff's patrol district in Harbor, and develop stronger partnerships and working relationships with the Harbor service districts.

In our interviews with staff in both the City and Harbor, we believe that there is a large potential for improved cooperation and collaboration that has been hindered by historical relationships. With leadership from the City, these partnerships can be developed to improve service provision and collaboration. In addition to these efforts to develop better governmental relations, we also recommend the two communities engage in joint planning efforts. The goals for joint planning would be: to develop a shared understanding of the challenges the region faces together; to share tools each community can bring to address these challenges; and to craft a vision of what the greater Brookings and Harbor communities want to see in the coming decades. The services of an independent, outside process facilitator will be critical to successful visioning and planning.

If the City does decide to pursue annexation, we do not recommend the smaller Port commercial and marina area annexation

(Alternative I) due to the lack of potential revenue and the increased service responsibilities. If the Port wishes to increase service levels, such as increased police patrols, this is best provided by contracting with the Brookings Police Department (BPD) or the County Sheriff for services.

Alternative II scenario would annex the area consistent with the Harbor Sanitary District service area. This alternative would retain the Harbor Water PUD, Harbor Fire, and Harbor Sanitary districts as operating entities. The Alternative reaches a positive general fund balance with property tax revenues at about 75% of the City's current adjusted tax rate (\$2.64 per \$1,000 assessed value vs current rate of \$3.52 per \$1,000).

By remaining unincorporated, the residents of Harbor retain lower taxes, but by not being incorporated, the residents are forgoing up to approximately \$239,000 annually in state revenue sharing that Harbor would receive if it were part of a city. These foregone funds would total about \$1 million every five years. These funds are allocated by city population, which means that larger cities such as Portland, Beaverton, Gresham, Hillsboro, Salem and Eugene currently receive the bulk of these funds. Annexation of Harbor into the City of Brookings would open access to these new funds. Alternatively, Harbor could also incorporate as its own city and take advantage of these revenues. However, self-incorporation would bring numerous new responsibilities and land use planning requirements. Any incorporation would need to be done in consultation with the City of Brookings and the Curry County Commission.

Annexation would bring new funding and policy options to Harbor. An important funding option is access to urban renewal resources. If the City and Harbor decided to extend urban renewal into the annexed area, it could potentially provide funding to update utility infrastructure, to help rebuild blighted and decaying buildings, to address substandard housing, and to develop parks, recreation and open space. It is possible for Harbor to engage independently in local improvements, but without annexation, these efforts would draw on a smaller tax and revenue base.

Annexation under Alternative II would also require a reassessment of the form and structure of the Brookings City Council. The structure of Council representation may need modification to assure that Harbor residents have adequate and apparent representation.

CPS developed a variation on Alternative II (Alternative II Option), which may result in more effective and efficient service

delivery. Under this scenario, the City would assume the ownership and operation of the Harbor Sanitary District at the time of annexation. Under this option, the City would also negotiate with the County to assume ownership and responsibility for some of the local roads and streets in Harbor. This action would allow the City to focus City motor fuels tax and state shared revenues, and urban renewal funds on local road and sewer projects. This arrangement would also reduce project planning and coordination costs.

Key Issue Questions and Answers

The following are a series of issues that have been raised as the project developed. The responses summarize findings detailed further in the body of the main Final Report.

I live in Harbor and pay county property taxes for Sheriff's law enforcement services. For the few times I call 9-1-1, why should I pay more?

- The Curry County Sheriff's Office (CCSO, Sheriff) provides law enforcement services to the Harbor community as part of Countywide service. Limited funding and limited staffing often prevents the Sheriff from providing more than a reactive response to crimes. This level of service does not guarantee consistent, 24/7, rapid response to 9-1-1 calls.
- The Harbor community is an urbanized, densely populated service area with over 2,800 residents and businesses. CPS estimates that in an average year, the Harbor service area made over 1,164 calls for police services. About one-third (32%) of these calls were for crimes against persons, property or behavioral issues.
- Though not a high crime area, Harbor does have a steady law enforcement service demand because of the number of residents and visitors. There is a moderate "hotspot" of call activity along the Highway 101 commercial area of Harbor. (See map in Exhibit 2.3 in the Final Report document).
- CPS estimates that the Sheriff responded to 1,053 of the average annual 9-1-1 calls in Harbor, about 90%. The Brookings Police Department (BPD) handled an additional 109 calls, about 9%. Oregon State Police handled the remainder. Additionally, officers on patrol see situations and violations and react in "officer self-initiated" incidents. The BPD generated an additional 112 annual self-initiated incidents of which about 87 were traffic incidents. Limited data prevented CPS from estimating the number self-initiated calls made by the Sheriff or the OSP.
- The Harbor community has its own set of law enforcement demands and needs. CPS finds that there is room to improve policing services in Harbor. The community needs consistent

and responsive service to meet all of its routine needs. There is little preventative policing nor is there a deterrent police presence. An enhanced sheriff patrol district at a very modest cost could improve law enforcement services in Harbor and the South Curry County region.

Is the City of Brookings providing free police services to the community of Harbor?

- Faced with limited service capacity from the Sheriff, the Brookings Police Department (BPD) increased its staffing to provide 24/7 service with two-deep officer staffing. This was to ensure consistent and sufficient backup for officer safety and citizen safety, and for mutual aid to other departments. The BPD is the only department in the South Curry region to provide 24/7 service.
- As noted above, the BPD responds to a small share of dispatched calls in the Harbor Sanitary and Port service areas. The BPD also responds to calls throughout the unincorporated areas within the Brookings Urban Growth Boundary (UGB).
- Unlike in most Oregon counties where the county sheriff provides the backup staffing and expertise for law enforcement, the BPD provides the officer backup and mutual aid capacity for the South Curry region. Residents living outside the City of Brookings receive a subtle subsidy from the City for law enforcement services.

In Harbor, we receive good service from Harbor Water, Harbor Fire, Harbor Sanitary and the County. Why should we pay much higher Brookings taxes for the same services?

- Harbor is an urban area of high population and dense development, which requires a higher level of services than rural areas. Examples in other Oregon counties demonstrate that combinations of special districts can serve unincorporated urban areas, e.g. Washington County west of Portland. A success factor in Washington County is the very strong, consistent support of the county commissioners for special service districts and extensive inter-governmental coordination.
- However, for the special district approach to work, each service must have a consistent, dedicated revenue stream to support the provider district or government. Revenue may be in the form of property taxes (e.g. the Harbor Fire district), or charges for service/ fees (e.g. the Harbor Water PUD water rates, or the

Harbor Sanitary rates). These revenue streams are only partially in place in Harbor. Law enforcement, and street and road maintenance do not receive dedicated revenue for an urban level of service.

- Harbor residents enjoy the benefits of access to the City of Brookings parks and recreation facilities as well as the economic development activity in the City. These are more difficult to assign a value to, but do represent a benefit that is paid for by City of Brookings residents but not Harbor residents.

The City wants to annex just to raise revenue to pay their bills.

- By several financial measures and criteria, the City is solvent and financially sustainable. The City of Brookings does not need annexation revenues to support itself.
- The General Fund budget is balanced with revenues equaling program expenses. By several financial ratios, the City is well within tolerances. The City actively manages its debt and has recently refinanced a major bond to an extremely low interest rate.
- The City has, in recent years contributed funds to infrastructure replacement and reconstruction programs to slow the decay and depreciation on its water, wastewater and roads infrastructure. However, it faces a major problem with infrastructure decay and pipe failure events. The City will very likely need to develop additional revenue to meet growing infrastructure replacement demands.
- The City has a substantial property tax base and a relatively strong per capita income. City of Brookings and Brookings community financial resources would provide a strong support for a larger City under annexation.
- The Harbor Sanitary, Harbor Water PUD, and Harbor Fire districts each have substantial cash reserves. If the City assumed control of a district under annexation, these cash assets would be transferred to the City. The City could account for these inherited funds in separate budget funds. Separate funds would allow transparency and ensure that the resources are spent on infrastructure and capital purchases for their respective service areas. These separate funds are somewhat like an escrow account during a house purchase.

Because of economies of scale, costs should be less under annexation. The City wants to annex to lower the costs to its current residents.

- We did not find any potential benefits from economies of scale in annexation. Any cost savings from efficiency are likely to be lost due to higher labor rates as a larger city.
- Typically, the larger the City population, the higher the labor rates for public employees. An implication of annexation is that the comparable rates used to set wages and benefits for employees would stay the same or be higher.
- There may be some opportunities for enhanced cost sharing on specialized equipment, police reserve and shift relief capacity, and administrative costs.
- Personnel costs are 75 to 80 percent of total government operating costs. Equal or increased labor costs could outweigh other cost savings.

Is annexation the only option?

- No. This report recommends the negotiation and use of intergovernmental agreements to collaborate on providing public services and sharing costs. This would not involve annexation.
- Another non-annexation option for Harbor would be the creation of a new county-authorized public safety service district to provide enhanced law enforcement for Harbor and the unincorporated areas south of it. The level of law enforcement services could be carefully tailored to seasonal, weekly and daily needs.
- A final non-annexation option would be for the Harbor area to incorporate as a new city. This would allow the new city to craft the service levels and revenue expectations solely for Harbor. Incorporation would require consultation and coordination with the City of Brookings under Oregon law.

What is an Intergovernmental Agreement (IGA) and how would it work to help provide services and share revenue?

- Oregon law allows for local governments to contract with other units of government for a broad set of services. Intergovernmental agreements (IGA's) provide the terms and structure for sharing responsibilities for governmental services. In the case of Brookings and Harbor, IGA's can allow for each

jurisdiction to remain independent yet still coordinate and share municipal services, costs and revenues. These agreements can be structured for various durations and can include contingencies that terminate or extend the agreement based on agreed upon provisions.

- IGA's provide a flexible way to resolve many of the issues identified in this project but without creating large changes in tax rates, assumptions of liability, or unintended consequences from annexation.

Can the City annex areas of Harbor without a citizen vote?

- Generally, annexations require consent from the residents of the affected territory. This can be accomplished through an election where a majority of electors in the affected city and a majority of electors in the territory to be annexed vote on annexation. The proposal can be put on the ballot for a general election or a special election [ORS 222.111(5)].
- However, there are circumstances where no election is required. These include: if a majority of electors in the affected territory vote for annexation [ORS 222.120(4)], if the City obtains the consent of all property owners and a majority of electors in the affected territory (ORS 222.125), if a majority of landowners who own a majority of real property representing a majority of the assessed value of the land within the affected territory consent [ORS 222.170(1)], and if the consent of a majority of electors and a majority of landowners in the territory object to annexation [ORS 222.170(2)].
- All of these options require public notice, and all are subject to referendum.
- A large annexation such as the scenario described in Alternative II would require a vote of consent by the citizens of the City of Brookings and of the Harbor residents in the annexed territory.

What procedures would the City need to follow to present the community with a proposal to annex areas of Harbor?

- Any annexation the City proposes must be in compliance with its own land development code, along with ORS 222.111 to 222.180 and 222.840 to 222.915.
- An application may be filed with the City along with a filing fee as established by the City Council. The application must include maps of the proposed annexation area, completed consent to

annex forms, specific information on the territory features and assessed value, addresses of all affected buildings, and detailed land use and zoning plans. An annexation impact analysis is also required.

- A request for a city zoning designation for territory proposed for annexation shall be considered in the proposal. Whatever zoning is chosen for the annexed territory must be specified in the annexation ordinance.
- The planning commission is required to conduct a public hearing to consider the application request. Their recommendation is then forwarded to the city council, which will consider the recommendation and decide whether to approve or deny the requested annexation.
- There are numerous procedural steps to propose, adopt and complete an annexation.

What would happen to the Harbor Sanitary District, Harbor Water PUD, and Harbor Rural Fire and Rescue District under annexation?

- Under annexation, each of these districts would be impacted differently. Each district is authorized under different provisions of Oregon law, and the law gives protections or opens vulnerabilities to each district.
- The Harbor Water PUD is a people's utility district, which under Oregon law has protections to serve its defined service area. These protections would allow it to remain the water provider in the annexed area. However, the City may be able to set the terms and conditions, and fees under which the Water PUD may operate within the City.
- The Harbor Fire and Rescue District would only partially be covered by the annexed area. Oregon law requires the remaining portion of the district outside the annexed area be able to continue to provide services at the same level of performance as before the annexation. This means the Harbor district must continue to provide services at an ISO 3 rating (Insurance Service Office fire department rating, highest rating=1, lowest = 10). For rapid response and service coverage reasons, and to maintain the service rating, we propose keeping the Fire District intact and active.
- The Harbor Sanitary district is vulnerable to assumption by the City under Oregon law. The City may 1) assume ownership,

operations and liabilities of the district at annexation. Alternatively, the City may 2) allow the District to function as an independent service provider. Lastly 3), the City and the district may enter into a joint operating agreement. Alternative II considers the second and third options; and the Alternative II Option considers the first option.

What would a larger City of Brookings-Harbor look like under the hypothetical annexation scenario, what would the costs and revenues be?

- Under Alternative II, the Harbor Sanitary District service area would be the new area added to the City. This would increase the total acreage of the City by 30% and increase the population by an estimated 42%.
- Under Alternative II, the combined City would have about 9,500 residents. Its comparable peer cities would be Monmouth, Cottage Grove, Baker City, North Bend, or Astoria among others. The proposed annexed area (the Harbor Sanitary district service area) is largely urbanized and developed. This means that future development values and property tax revenues may be limited without extensive redevelopment of existing properties.
- Under Alternative II, city staff would increase by 8 full time equivalent (FTE) staff positions, or a 14% increase in staff. Staff increases would include one patrol officer, and several positions to eliminate the double-staffed positions the City currently uses. By staffing each position fully, the City would gain the capacity needed to service the newly annexed area responsively.
- Alternative II would see City General Fund expenses increase by approximately \$718,000 per year in current dollars. Revenues from property tax, state revenue sharing, and other fees would cover this increase in expenses and leave a positive net fund balance of about \$389,000 for operations and infrastructure capital projects.
- Most of the current land uses in the annexed area could continue under annexation. The large number of manufactured homes that are smaller than current City standards (44% of manufactured houses in Harbor are single-wides) would need to be resolved.
- To cover the widespread use of single-wide manufactured homes in Harbor, the City would either rezone the area to allow this type of residential structure, or revise the City code to allow

nonconforming existing homes in the Harbor area. The City does not have the authority to condemn nonconforming housing.

What are the benefits or challenges to the City of Brookings with annexation?

- With annexation, the City would be able to capture revenue to pay for the law enforcement services being shared with Harbor and the unincorporated service areas. However, there is a potential for liability for sanitary sewer infrastructure failure, which may outweigh the benefits. The City might also need to support the Water PUD should it fail to perform.
- The City, Harbor and the South Curry region would gain a unified service population that would generate more state shared revenue, and a larger, clearly identified consumer base for business and economic development purposes.
- The combined property tax assessed value for a combined city would total about \$930.3 million. This would equal the current assessed property values from Harbor Sanitary District (\$264.4 million) and the City of Brookings (\$665.9 million).
- The City may need to rethink its governance structure to ensure full representation from all neighborhoods in the enlarged City. The City may wish to consider electing councilors by zone or precinct.
- The City staff would need to spend much more time and build more skills at intergovernmental coordination. Rather than focus on narrow, single-issues, the City staff will need to coordinate at the program and project levels with the special districts. Successful public administration performance would reflect the ability to build and sustain external relationships.

What are the benefits or challenges to the residents of Harbor with annexation?

- Harbor residents would benefit from increased levels of service across several municipal services. These would include consistent, responsive public safety services, potentially other services such as parks and recreation, and street and road maintenance.
- The Harbor area could also access financing tools available to the larger City that are not options currently as a smaller unincorporated area. State funds shared with cities would now

- become available to benefit Harbor residents (about \$239,000 annually).
- Annexation could bring additional resources to address the long-term issues of sewer and water infrastructure decay and depreciation. Harbor residents would leave dependable systems for future generations of residents.
 - If annexed, Harbor residents would see an increase in property tax rates to the Brookings City rate of \$3.5286 per \$1,000 of assessed value (about \$706 on a \$200,000 house; \$141 on a \$40,000 house). This would be a substantial change in tax bills depending on the type of property and status of the taxpayer.
 - Annexed residents would also pay property taxes to contribute to fund the urban renewal program (\$0.2344 per \$1,000 of assessed value).

Alternative Comparison Tables

(Reproduced from Exhibit 8.1 in Final Report.)

Alternative Comparison Table Program Features					
Program/ Criteria	Current Situation	Alternative I	Alternative II	Alternative II Phase-In	Alternative II Option
City Population	6,535	6,535	9,335	9,335	9,335
City Acreage	2,435	2,510	3,259	3,259	3,259
Law Enforcement Number of Sworn Deputies/ Officers	10 patrol + 4 command = 14 sworn	10 patrol + 4 command = 14 sworn (1040 hrs dedicated to Port area)	11 patrol + 4 command = 15 sworn	11 patrol + 4 command = 15 sworn	11 patrol + 4 command = 15 sworn
Law Enforcement Service Area	Current City limits (2,435 acres)	Current City limits + 75 acres (Port commercial area)	Current City limits + 824 acres	Current City limits + 824 acres	Current City limits + 824 acres
Law Enforcement Coverage Standard	24/7 single-minute response within City limits	24/7 single-minute response to incidents in Port area; proactive presence to deter	24/7 single-minute response anywhere in full City area	24/7 single-minute response anywhere in full City area	24/7 single-minute response anywhere in full City area
Law Enforcement First Year Start Up Costs	None	None—All costs absorbed	\$70,000 vehicle, kit and training	\$70,000 vehicle, kit and training	\$70,000 vehicle, kit and training
Fire and Rescue Services: provider	City of Brookings Fire and Rescue Department	Annexed area: Harbor RFPD with joint agreement	Annexed area: Harbor RFPD with joint agreement	Annexed area: Harbor RFPD with joint agreement	Annexed area: Harbor RFPD with joint agreement
Fire and Rescue Services: annual payment to HRFD	None; mutual aid as necessary	\$1000 annual tax reimbursement; mutual aid	\$57,825 annual tax reimbursement (adjstd for urban renewal)	\$57,825 annual tax reimbursement (adjstd for urban renewal)	\$57,825 annual tax reimbursement (adjstd for urban renewal)
Land Use Planning	Brookings Planning Services current Staffing	Brookings Planning Services all costs absorbed by current staffing level	Brookings Planning Services, expanded staffing	Brookings Planning Services, expanded staffing	Brookings Planning Services, expanded staffing

Parks and Recreation/ Pool	Brookings Parks & Recreation; current staffing	Brookings Parks & Recreation— same as current	Brookings Parks & Recreation, +0.5FTE dedicated division director	Brookings Parks & Recreation, +0.5FTE dedicated division director	Brookings Parks & Recreation, +0.5FTE dedicated division director
Finance/HR	Brookings Finance & HR current Staffing	Brookings Finance & HR— same as current, costs absorbed	Brookings Finance & HR; current + 1.0 FTE HR/ accountant	Brookings Finance & HR; current + 1.0 FTE HR/ accountant	Brookings Finance & HR; current + 1.0 FTE HR/ accountant
Governance and Council Structure	4 City Councilors and Mayor elected at large	4 City Councilors and Mayor elected at large; Port constituents absorbed	City Council number and representation structure may change.	City Council number and representation structure may change.	City Council number and representation structure may change.
Intergovernmental Coordination	Informal and issue-specific limited relationships	Formal joint IGAs with Harbor Fire, Water PUD & Sanitary for Port area coordination	Formal joint IGAs with Harbor Fire, Water PUD & Sanitary. Hire Design Engineer for project coordination	Formal joint IGAs with Harbor Fire, Water PUD & Sanitary. Hire Design Engineer for project coordination	Formal joint IGAs with Harbor Fire and Water PUD; extinguish Sanitary. Hire Design Engineer for project coordination
Streets and Roads & Surface Water	Brookings Public Works Division; one road/ utility maintenance crew	Curry County & Port of Brookings-Harbor	Negotiate transfer of some local Harbor streets from County to the City; use gas taxes for maintenance	Negotiate transfer of some local Harbor streets from County to the City; use gas taxes for maintenance	Negotiate transfer of some local Harbor streets from County to the City; use gas taxes for maintenance
Water Services	Brookings Public Works Division; one road/ utility maintenance crew	Joint agreement with Harbor Water PUD; Terms & Conditions on Port area	Joint agreement with Harbor Water PUD; Terms & Conditions	Joint agreement with Harbor Water PUD; Terms & Conditions	Joint agreement with Harbor Water PUD; Terms & Conditions

Sanitary Sewer Service	Brookings Public Works Division; current staffing; rate agreement with Sanitary District	Harbor Sanitary District; current treatment plant staffing; joint agreement on policies and rates for Port area	Harbor Sanitary District; current treatment plant staffing; joint agreement on policies and rates	Harbor Sanitary District; current treatment plant staffing; joint agreement on policies and rates	Brookings Public Works Division; District extinguished; current plant staffing; two road/ utility maintenance crews
Urban Renewal	Brookings Urban Renewal Agency; downtown UR zone	BURA tax diversion (\$1,000 annually); no UR zone in Port commercial area	BURA tax diversion; establish UR zones in annexed area for infrastructure & housing; \$62,000 annual city payment	BURA tax diversion; establish UR zones in annexed area for infrastructure & housing; year 7-9 annual city payment \$46,500	BURA tax diversion; establish UR zones in annexed area for infrastructure & housing; \$62,000 annual city payment
Economic Development	City Manager shared duty	City Manager shared duty	Hire Economic Development Mgr (1.0FTE)	Hire Economic Development Mgr (1.0FTE)	Hire Economic Development Mgr (1.0FTE)

Alternative Financial Comparisons (Reproduced from Exhibit 8.3 of the Final Report)

Fund Net Balances and Key Transactions Comparison Table for Annexed Areas					
Fund/ Transaction/ Balance	Current City of Brookings FY 2014- 2015 Adopted Budget	Alternative I (Port Owned Commercial & Marina)	Alternative II Full Rate Property Tax	Alternative II Property Tax Phase-In with 75% Rate Years 7-9	Alternative II Option Full Rate Property Tax
City Permanent Rate	3.7630	3.7630	3.7630	3.7630	3.7630
City Urban Renewal Adjusted Rate	3.5286	3.5286	3.5286	2.64645	3.5286
Aggregate Tax Rate / \$1,000 in annexed area	10.2103	10.2103	10.2103	9.32815	10.2103
	Harbor 17.9 = \$6.6805/ \$1,000	No collection for HRFPD	No collection for HRFPD	No collection for HRFPD	No collection for HRFPD
General Fund					
Revenues Increment	\$ -	\$ 37,937	\$ 1,045,000	\$ 811,728	\$ 1,045,000
Total Revenues	\$ 4,422,900	\$ 4,460,837	\$ 5,467,900	\$ 5,234,628	\$ 5,467,900
Expenditure Increment	\$ -	\$ -	\$ 655,875	\$ 655,875	\$ 655,875
<i>Harbor Fire PD Reimbursement</i>	\$ -	\$ 1,000	\$ 61,667	\$ 61,667	\$ 61,667
Total Expenditures	\$ 4,422,900	\$ 4,422,900	\$ 5,078,775	\$ 5,078,775	\$ 5,078,775
General Fund Balance	\$ -	\$ 37,937	\$ 389,125	\$ 155,853	\$ 389,125
		Partial reimbursement for 1040 hrs policing			
Street Fund					
Revenue Increment	\$ -	\$ -	\$ 224,598	\$ 224,598	\$ 224,598
Total Revenues	\$ 1,043,800	\$ 1,043,800	\$ 1,268,398	\$ 1,268,398	\$ 1,268,398
Expenditure Increment	\$ -	\$ -	\$ 237,075	\$ 237,075	\$ 237,075
Total Expenditures	\$ 1,043,800	\$ 1,043,800	\$ 1,280,875	\$ 1,280,875	\$ 1,280,875
Street Fund Balance	\$ -	\$ -	\$ (12,477)	\$ (12,477)	\$ (12,477)
		No new ODOT revs	ODOT revenue sharing by population + City fuels tax	ODOT revenue sharing by population + City fuels tax	Second road/ utility crew +3.5 FTE from wastewater collection fund revenues
Tourism Fund					
Tourism Revenue Increment	\$ -	\$ 6,856	\$ 6,856	\$ 6,856	\$ 6,856
Tourism Fund Balance	\$ 44,000	\$ 50,856	\$ 50,856	\$ 50,856	\$ 50,856
		Port RV park only	Port RV park only	Port RV park only	Port RV park only
Urban Renewal					
Urban Renewal Increment	\$ -	\$ 1,000	\$ 62,000	\$ 46,500	\$ 62,000
City Share UR Total Contribution	\$ 156,199	\$ 157,199	\$ 218,199	\$ 202,699	\$ 218,199

CPS Recommendations

This report provides a summary of many complex aspects of local governance and service provision in the South Curry County region. As we have indicated, this study and report was commissioned to support the Brookings City Council on the issues of annexation and growth management within the Brookings UGB. Accordingly, our recommendations are offered to the Council, with additional summaries to address key community issues.

Extensive information gathering and data analysis has led the CPS team to a set of conclusions, implications and potential downstream outcomes related to annexation and regional governance. These study results impose a variety of benefits and costs on the City, on the Harbor area residents, on Curry County, and on the residents of the unincorporated UGB. We have organized these study results into the following recommendations.

Inter-dependence in South Curry Government

- The challenges before the City of Brookings and the South Curry community are twofold: (1) to recognize legitimate needs and costs for public services; and (2) to weave the County government, City of Brookings government, and the Harbor special districts together to meet service needs at very low cost.
- The County Commissioners have the jurisdiction and legal authority to make important contributions to resolve the Harbor area public service puzzle. The County Commissioners are key actors on these issues, and they should be educated and consulted on these issues.
- With 2,800 residents densely packed into a small service area, the Harbor Sanitary District service area is an urban area. It has an urban intensity of service needs that cannot be met by a rural, extensive level of service provision. Because of extremely limited financial resources, Curry County can only provide a minimal level of services to the Harbor service area. The Harbor Sanitary, Water PUD, and Fire special districts provide effective services, but law enforcement remains minimally staffed and under-funded.
- The Curry County Sheriff provides police services to Harbor, but often delivers poor response times. Harbor residents must sometimes turn to the Oregon State Police (OSP) or the City of Brookings police for coverage. Neither the OSP nor the City receives reimbursement for their services. When a Harbor resident calls on these agencies, he or she is in essence receiving a subsidy from the taxpayers in another jurisdiction.

Utilize a Range of Techniques to Provide Public Services

- Annexation is a complex action with many immediate reactions and downstream consequences for the annexed service areas, for the City and for the entire South Curry region. This is especially so with large annexations such as the hypothetical annexation of the entire Harbor Sanitary District area in Alternative II. We encourage the City to take great caution on many levels before moving to a large annexation.
- We recommend that the Council and City make every effort to use the full range other intergovernmental coordination techniques before turning to annexation.
- The City, County and the Harbor service area community should consider the establishment of a county service district for enhanced law enforcement services. For example, the district could include Harbor and the unincorporated areas within the UGB south to the California state line. The County Commissioners hold the authority over procedures to establish a county service district.¹
- Critically, any special district arrangement must provide sufficient, dedicated funding to support enhanced patrol coverage. Shifting police services to a special district would take pressure off the Sheriff and possibly free-up County general fund resources.
- As an example of enhanced Sheriff patrol services, based on a similar small Oregon city, annual funding for one patrol officer is about \$183,000. Using the Harbor Sanitary District total assessed property value, this service would cost about 70 cents per \$1000 assessed value. This is about 65 dollars per person per Sanitary District resident per year. This would provide one 8-hour shift per day during late morning to early evening.
- For other urban services, we encourage interagency informal coordination with staff, and revisiting and re-energizing existing intergovernmental operating agreements (IGA's). We understand that using these techniques has been challenging and sometimes ineffective.

¹ O.R.S. 451.010(3)(c) County law enforcement district

Resolve Ongoing Issues

- To build trust between the City and the Harbor community and service districts, we recommend that the Council encourage staff to re-negotiate and resolve the sewage treatment pricing issue with the Harbor Sanitary District. We encourage the City to provide the necessary data and information, in understandable formats, to the district. We understand that there is uncertainty as to the degree of groundwater infiltration into the Harbor wastewater system, which affects the volume of flow to the treatment plant. We encourage the Harbor Sanitary District staff and board to be responsive to the City's efforts to address and reach agreement on this issue.

Public Works Infrastructure Liabilities

- The staffs and engineers with the Harbor Water PUD and the Harbor Sanitary districts work hard to operate, maintain and reconstruct their district's infrastructure. However, the Harbor Water PUD distribution pipe system and the Harbor Sanitary District collector pipe systems are aging and suffer from leaks and groundwater inflow. The comprehensive annual financial reports (CAFRs) for both districts indicate that the pipe and infrastructure systems are well into their depreciation schedules and service lives. A brief technical review of the public works infrastructure by CPS confirms aging pipe systems in both districts.
- Any annexation decision should reflect a full awareness of depreciated infrastructure, and the potential for future performance failures and financial liabilities for reconstruction and reimbursements. As part of the service planning and proposal development for annexation, the City should conduct a comprehensive, detailed engineering analysis of the Harbor Sanitary District system, and if needed of the Harbor Water PUD system.
- The City has a similar problem with aging water and wastewater infrastructures. The City has taken some steps to begin a replacement and reconstruction program by funding the City's Water System and Wastewater System Replacement Funds. However, the level of funding allocated to date has been inadequate to the size of the reconstruction and replacement needs. After assuming ownership of the Water PUD or Sanitary District, the City would need immediately to begin system pipe and infrastructure

replacement activities. The City might need to increase water and wastewater rates to cover the reconstruction.

Varying State Law Protections for the Special Districts

- Each of the special districts in the Harbor service area has a different level of legal protection under annexation.
- CPS believes that the Public Utility District (PUD) status of Harbor Water PUD limits the ability of the City to assume ownership and to extinguish the district through annexation (Rockwood PUD with City of Gresham in 1990 and *Springfield Utility Board v. Emerald People's Utility District* (2004)).² The territory currently served by the district may define a protected service area that must be honored in an annexation. Harbor Water must also be able to continue service to its customers outside the City boundary. Upon annexation of part of the PUD's service area, the City may set terms and conditions under which the PUD may operate within the City boundary.
- The Harbor Fire Protection District also has legal protections. The City may annex part of the Fire district's territory, but it must ensure that the district can continue to provide services to the remaining portion of the district at the same insurance rating (e.g. ISO 3) that was in effect prior to annexation.
- The Harbor Sanitary District is authorized under ORS 198 and ORS 450. The City could assume ownership of the Sanitary District by annexation. Assumption could extinguish the Sanitary District, and the City would gain the district's assets, operations, revenues and liabilities.

Establish Joint Working Relationships Special Districts Whenever Possible

- Relying on and supporting existing special districts provides the least community disruption and may lower the sense of uncertainty of caused by annexation. ORS 222.510 and accompanying laws provide three options for a City annexing territory from a portion of

² *Springfield Utility Board v. Emerald People's Utility District*, 191 OR App 536, 84 P3d 167 (2004), affd 339 Or 631, 125 P3d (2005).

a special district. These include (1) a City assumption of infrastructure within the annexed area, (2) continuing to allow the district to provide services, and (3) negotiating a joint agreement on joint service provision. CPS recognizes that relations between the City and the districts have been uneven. The districts have provided services with varying degrees of quality, but the rates have been economical. Should the City move forward with annexation, we recommend that the City make every effort to follow the third option by negotiating and concluding joint service agreements with the three Harbor service districts (PUD Water, Sanitary and Fire Protection).

Alternative I: Limited Revenues Only Support Police Services

- Alternative I describes a hypothetical annexation of the Port-owned properties in the Port commercial and marina area. The annexed area is very narrowly drawn with no privately owned lands involved. The alternative assumes the continued successful function of the Harbor Fire, Sanitary and Water PUD districts under joint agreements with the City.
- Alternative I would generate about \$38,000 annually in discretionary revenues from property taxes on business property and improvements, transient taxes on visitors in the Port RV park, business licenses on about 30 businesses, and franchise fees. This very minimal level of revenues would cover only a portion (about 40%) of the costs of providing 1040 hours of police patrol services to the Port area. The revenue would also include enough to reimburse the Harbor Fire district for lost property tax revenue, and to make a revenue diversion to the Brookings Urban Renewal Agency.
- The City would absorb all other program costs of services without revenue. These costs would include land use planning, permitting and code enforcement.
- With uniform treatment of all City residents, Port businesses would need to contribute to the City's urban renewal agency. However, there would be no benefit provided to Port taxpayers unless the urban renewal district was expanded.
- Should the Port of Brookings-Harbor and the City wish to improve public safety in the Port commercial and marina area, we recommend returning to some variation of the 2013 proposal to establish a Port police department, which would contract with either

the Brookings Police Department or the Curry County Sheriff for services using an intergovernmental agreement (IGA). This approach would limit the City's service responsibility to a defined level of police services with a defined reimbursement.

Alternative II: Major Changes to the City

- Alternative II models an annexation of the Harbor Sanitary District service area. Annexation of this area would result in a 34% acreage increase and a 43% population increase over the City of Brookings' current size and population. This would be a major increase in the City's governance and service responsibilities. The combined new city would have about 9,500 residents. Its peer cities would include, Monmouth, Cottage Grove, Baker City, North Bend, Astoria, Independence and Silverton.
- Alternative II assumes and encourages the continued function of the Harbor Sanitary, Water PUD, and Fire Protection districts. The districts would operate under negotiated joint agreements with the City. Currently, all Brookings city residents contribute to the Brookings Urban Renewal Agency (BURA). The alternative assumes that the annexed area would be subjected to property tax diversion to support the Brookings Urban Renewal Agency (BURA).
- Alternative II recommends creatively using urban renewal as a benefit to the Harbor community. This includes establishing urban renewal zones in the newly annexed Harbor service area. Urban renewal resources could be used to contribute to infrastructure repair and replacement, repair and replace housing, and to develop parks and recreation facilities.
- Annexation of 2,800 new residents would trigger a major increase in Oregon State revenue sharing to cities. This is new State revenue would total in the magnitude of \$239,000 annually. This would be new money to the South Curry region, which is currently diverted to other Oregon cities. This money is currently unavailable to Harbor residents. The increase in State revenue sharing would help make an annexation scenario financially possible.
- State law allows the City to use a property tax phase-in over 10 years in newly annexed areas. The full City tax rate with urban renewal adjustment is \$3.52860 per \$1,000 assessed value. For Alternative II, we modeled a phase-in with a reduced tax rate that climbs over nine years back to the full rate. The rates would increase as follows (see Exhibits 7.11, 7.14 and 7.15 for details):

Years	Percent of Full Rate	Rate per \$1,000 AV
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1, 2 & 3	25%	\$0.88215
4, 5 & 6	50%	\$1.76430
7, 8 & 9	75%	\$2.64645
10	100%	\$3.52860

With this pattern and rate schedule, the City would face an operating loss up to year 6, after which General Fund revenues exceed the expanded operating expenditures. If the City applied the full tax rate beginning in year 1, revenues would immediately exceed the expanded operating expenditures.

- On balance of estimated revenue, finance and program factors, CPS recommends Alternative II as a positive option.

Variation on Alternative II (Alternative II Option): Full Assumption of the Harbor Sanitary District

- An option on Alternative II (Alternative II Option) would be for the City to assume ownership and operation of the Harbor Sanitary District at annexation. Such an assumption would be part of the annexation proposal placed before the voters. The Harbor Water PUD and the Harbor Fire districts would remain active to provide services. The City would assume the infrastructure assets, revenues, operational and administrative responsibilities, and liabilities of the Sanitary District. The district would be “extinguished.” Several features of Alternative II support this approach.
- State (ODOT) shared motor fuels tax revenues and City motor fuels taxes will generate revenue from the Harbor service area. However, this money is reserved to road and street reconstruction and repair, and bicycle pathways. With annexation, the City would receive and allocate these revenues.
- The City could negotiate with Curry County to transfer ownership of a portion of the local roads and streets in the Harbor area. This would relieve the County of a set of local road maintenance expenses, which would free up County resources.
- Under Alternative II and Alternative II Option, the City would control the allocation and use of urban renewal funding. After the designation of urban renewal zones in the annexed area, some of this funding could be used on infrastructure projects including the replacement and repair of the sanitary system infrastructure.
- Alternative II is designed to bring enhanced City coordination to joint projects with the County and the special districts. Assumption

of the Sanitary District into the City would relieve one major set of inter-agency coordination tasks.

- Under the Alternative II Option, the City would have greater control over capital improvement program (CIP) planning, scheduling of financial resources and project-level coordination, including any pipe system replacement program.
- The City should commission a detailed, comprehensive engineering evaluation of the Sanitary District facilities and infrastructure before any annexation action. With assumption of the Sanitary District, the City would need to hire a new utility maintenance crew. However, wastewater rates would provide the revenue to cover this expense.

Demonstrate the Benefits of Annexation to All Parties

- Should the Council and City wish to pursue annexation in the Harbor service area, it must clearly demonstrate the benefits and costs to the affected residents and businesses. This point seems self-evident, but the City must explain a clear case for annexation.
- From our interviews with Harbor community leaders and residents, there seem to be few identifiable and measurable benefits to joining the City. Benefits to the Harbor service area may be difficult to demonstrate. The Brookings Police Department provides a share of the call response and enforcement in Harbor. More importantly, the Brookings Police Department provides deep, dependable support to the County Sheriff through call backup, mutual aid, and major crimes support. Annexation would bring improved policing and a proactive policing strategy to Harbor.
- The major need for infrastructure reconstruction and replacement has a mid- to long-term time scale, which for many Harbor residents is a never received benefit. From our interviews, we understand that many Harbor residents view the cost of annexation as a major property tax increase they cannot afford, with no real benefits.
- If benefits can be made immediately and visibly evident, annexation may be better accepted. A trust fund to support low-income housing and housing rehabilitation across the enlarged City might provide such a visible benefit. Such a trust fund would have the added benefit of increasing compliance with a City planning code for manufactured housing and RV's. Nonprofit partners are available to support a housing rehabilitation effort.

- Though currently perceived as unnecessary and intrusive by Harbor community leaders, annexation may provide financial benefits that could help with water sourcing projects and infrastructure replacement issues. Careful due diligence of annexation proposals could reveal such potential benefits to the Harbor community. Annexation may be a potentially useful tool to the Harbor special districts and residents.
- Be aware of Harbor citizen concerns that the City wants to annex the Harbor service area just to capture the cash and liquid capital saved up by the Harbor Water, Harbor Sanitary and Harbor Fire districts. The City could establish separate budget fund accounts to provide assurances that these inherited resources are reserved to the Harbor service area for infrastructure repairs and capital purchases.
- Annexation of the Harbor Sanitary District service area under Alternative II would result in a city of 9,500 residents. The unified city would stand as a single voice for the South Curry community on state policy and legislative issues. A city with an advertised population 9,500 indicates a larger service population, which may be more attractive to business investors. This would be a broad, intangible and unquantifiable benefit of annexation.

Build Community Trust and Confidence in the City

- To support annexation, the Council and the City must demonstrate trustworthy intention and behavior. From our interviews and research, we understand that many Harbor residents strongly oppose annexation. We also learned that Harbor community leaders hold a reasoned skepticism of the City's intentions and behavior. Rightly or wrongly, the accumulation of past slights and ills focus into skepticism of and opposition to annexation. An annexation proposal must respond to this reasoned skepticism.
- The Council should realize that both the City and its residents, and the Harbor residents take a large risk on each other in an annexation. The City must demonstrate consistent beneficial intent, demonstrate transparency and openness, and work to minimize the risks to potential new City residents. Residents and businesses in areas proposed for annexation are about to become citizens, constituents and customers of the City. The City needs to take the lead in building a trustworthy relationship.

Annexation Strategic Plan

- We recommend that the City undertake a community listening and planning process to develop an Annexation Strategic Plan. An annexation plan would allow the City to take initiative and leadership on development and annexation issues in all parts of the UGB. Although many annexation actions are contingent on landowner request and action, the City could indicate and clarify a strategic priority of annexation across the UGB. Such a plan would outline City intentions and potential timing for the extension of urban services; coordinate existing service providers; identify service gaps and inconsistencies in service levels and quality; and indicate the priority areas for infrastructure re-development and new development. A primary purpose of such a plan is to lower risks and to provide as much certainty as possible to landowners and to the special districts operating in the UGB.
- Our analysis of property tax assessed value across the entire UGB in Task IV of this project provides one basis for annexation strategic planning. Additional detailed analyses are needed to forecast urban development rates and future assessed values in specific areas of the UGB

Interviewee and Contact List: Thank you

Completing this project was a major undertaking, which took the support of many subject experts, government managers, and community leaders in the South Coast community. We wish to extend our sincere thanks for time, expertise and advice as we gathered information and developed the project.

City of Brookings

Mr. Gary Milliman, City Manager

Ms. LauraLee Snook, Public Works Director

Ms. Janell Howard, Finance and HR Director

Chief Christopher Wallace, Public Safety Director

Lt. Donny Dotson, Brookings Police Department

Ops Chief, James Watson, Brookings Fire Department

Curry County

Mr. Jim Kohlen, County Assessor

Ms. Tracy Garner and the crew at the Assessor's Office

Mr. Doug Robbins, County Roadmaster

Harbor Special Districts

Mr. Dave Van Cleave, District Superintendent, Harbor Water PUD

Mr. George Rhodes, Interim General Manager, Harbor Sanitary

Chief John Brazil, Harbor Rural Fire Protection District

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Ms. Erin Doyle, League of Oregon Cities

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Mr. Steven Sparks, Principal Planner, City of Beaverton

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