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Conclusion:

The Grand Jury found that Plumas County operates safe and effective facilities at no cost to the county. The Grand Jury is appreciative of our airport management. Considering our four seasons and all the tasks in the planning and execution of our airfields' services, our Director of Facilities Services has performed well. Our pilots who base their craft here may be comparatively small in number, yet the county as a whole benefits in the services that our airports provide. The Grand Jury recognizes the potential role the airports can play for the economic growth of Plumas

Economic Development in Plumas County

Specific Issue:

Plumas County is a wonderful place to live because of its surrounding forests, its many stunning lakes, abundant clean water, and pristine air quality. It is such a wonderful place that we want to preserve its natural beauty for our enjoyment and that of the many visitors who come here every year. At the same time, we realize that we must have a healthy economy. Our country is suffering through an unusually deep and long lasting recession, and Plumas County is certainly feeling the impact of America's struggling economy. County revenues are down, our tourism industry is struggling to maintain momentum, our schools are experiencing declining enrollments, and recent layoffs at local mills and in the timber industry have contributed to increased unemployment in the county. Because the state of the economy is on everyone's minds these days, the Grand Jury decided that it was time to look into what the county has done in the past and can do in the future to improve and diversify the economy in Plumas County.

For purposes of the investigation, the Grand Jury defined economic development as sustaining a viable economy that benefits the whole of the citizens of Plumas County to include:

- Employing an economic development program that emphasizes continued support of our current businesses and our local tourism industry
- Striving to create a diversified economic base by attracting a variety of new businesses to our area which are compatible with our desire to preserve the rural environment and natural beauty of Plumas County
- Maintaining the moderate economic growth necessary to sustain a balanced community made up of young people, a viable workforce, and retirees.

Summary of the Investigation:

The Grand Jury investigated Plumas County and the City of Portola (the only incorporated city in the county) to assess the effectiveness of their actions to promote a healthy economy. While the city uses its staff for its economic development programs, the county relies solely upon local non-profit agencies: Plumas Corporation, the Plumas County Visitors Bureau, and the Chambers of Commerce: Chester/Lake Almanor, Eastern Plumas, Indian Valley, and Quincy. The Grand Jury also investigated these agencies to confirm that they are effectively spending funding provided by the county. Both the city and county have economic development plans in place; however, the Grand Jury discovered that neither has adequately funded nor fully carried out their plans. Our investigation concluded that there is room for improvement. A strong commitment on the part of both Plumas County and Portola to follow through on their economic development plans and to collaborate with one another would go a long way in helping our citizens build a stronger, more resilient economy in the coming decade.

Commendation to Plumas Corporation, the Visitors Bureau and the Chambers of Commerce

The Grand Jury found that these organizations are very valuable and effective contributors to planning and promoting economic development in Plumas County, and we commend them for their achievements.

Findings and Recommendations:

Plumas County

Finding 1: The County is not focused on economic development, as defined by the Grand Jury. The Board of Supervisors relies entirely on Plumas Corporation and the local Chambers of Commerce to set priorities and direction for economic development and tourism marketing.

Recommendation 1: The Board of Supervisors should take a leadership role by defining and implementing an economic development policy and program to include planning, funding, implementing, and monitoring economic development in the county. The Grand Jury recommends that the county employ an economic development coordinator to focus on business recruitment and follow through on an economic development plan.

Finding 2: The County is not providing stable or enough funding to support ongoing economic development. There is a tendency to decrease funding for economic development and tourism promotion when the economy is in a downturn. This is evidenced by recent across-the-board budget cuts.

Recommendation 2: The Board of Supervisors should recognize that economic development is a **high priority** for Plumas County and fund it accordingly to ensure resilience as the economy improves.

Finding 3: Plumas County has no contractual obligations attached to its use of public funds for economic development. In the 2009-2010 Plumas County budget, Plumas Corporation received over \$230,000. There is no formal accountability mechanism in place.

Recommendation 3: The County should execute an annual contract with Plumas Corporation for each year's economic development program. A formal contract should include a detailed scope of work and benchmarks for success which can be validated.

Finding 4: Because of the unique geography in Plumas County, regional economic centers exist: Almanor Basin, Blairsden-Graeagle, Eastern Plumas, Greenville, and Quincy. Each center has its own distinctive qualities and economies but all fall under the jurisdiction of the county.

Recommendation 4: Any updated economic development plan completed by the county should take into account the differences between our economic centers and provide specific objectives to assist them in developing and growing their economies.

Finding 5: The Board of Supervisors has hired consultants and the General Plan update is moving toward completion in 2011. Yet Plumas County has not contracted with the current General Plan consultants to include the optional Economic Development Element.

Recommendation 5: Plumas County should ensure that economic development is an **essential** component of the General Plan update. This critical element must be a **high priority**.

City of Portola

Finding 6: The City of Portola has an Economic Development Element in its General Plan, and the city documents the status of each implementation measure. However, there are measures listed for which no progress is shown.

Recommendation 6: The City should set priorities and employ an economic development professional to recommend implementation strategies.

Plumas County and City of Portola--Collaboration

Finding 7: The Grand Jury saw little evidence in our investigation that Plumas County and the City of Portola have made an effort to collaborate on economic development.

Recommendation 7: The timing is right for the county to make sure the Economic Development Element of its General Plan is compatible with the city's updated element. The city and the county should collaborate to develop compatible economic development plans and provide countywide leadership to attract new businesses and industry. Both should consider sharing the cost of an economic development professional for mutually beneficial projects.

Finding 8: As defined by the Government Code, "Sphere of Influence" is a plan for the probable physical boundaries and service area of a local agency. The City of Portola is in the process of updating and redefining its Sphere of Influence and needs cooperation and support from the county to get this done.

Recommendation 8: The Grand Jury feels that much can be gained by the two governments working together on the city's Sphere of Influence. Plumas County and the City of Portola must come together to agree upon an updated Sphere of Influence for the city. Advance sales tax and hotel tax sharing agreements between the two governments should be considered to facilitate moving forward on development projects which could help our economy grow.

Background Information:

In researching economic development in Plumas County, the Grand Jury determined that all of the following governments and agencies are involved in promoting the economy and use some local public funds to accomplish their programs:

- Chambers of Commerce: Chester/Lake Almanor, Eastern Plumas, Indian Valley and Quincy
- City of Portola
- Plumas Corporation/Plumas County Visitor's Bureau
- Plumas County

There are no statutes on the books requiring governments to get involved in economic development. It is not a core service, such as, police protection, road maintenance, or social services; however, city and county officials can play an important role in fostering and maintaining a diversified economy. They can shore up the local economy by

funding economic development programs, improving infrastructure, i.e., roads, water and sewer services, devising clear, concise and timely land use policies, and creating a business-friendly atmosphere.

Plumas County

The Chair of the Board of Supervisors informed the Grand Jury that the county does not have a countywide economic development plan; however, our research indicates that there is a plan which was completed by Plumas Corporation and approved by the Board of Supervisors on October 22, 2002.

Instead of systematically implementing their plan, the Board of Supervisors promotes economic development in other ways. They participate in organizational meetings related to economic development within and outside of the county. Periodically, the Board approves economic incentives to help stimulate the economy. Recently, for example, the county waived the development impact fee that was imposed on all building permits. The Board also supports various development projects which benefit their constituents. A variety of mixed commercial/residential subdivisions have been approved by the Board of Supervisors throughout the county in the last decade. Some of these projects are not built out as planned, and with the downturn in the economy, some are struggling to stay afloat.

The county does not have clearly defined land use policies in place for potential developments because its 1981 General Plan is outdated. The State has granted a two-year extension of the Plan, and the county has hired consultants to implement the updating process. Some development projects have been placed on hold until that process is completed in 2011. In addition to the seven required elements of the General Plan, there are three additional elements which the county can contract with the consultants to complete. One of those is the Economic Element.

Plumas Corporation

Our research indicates that the Board of Supervisors relies solely upon Plumas Corporation for promotion of tourism and strategic economic development planning. This non-profit was first incorporated in 1983 as a lobbying entity with the specific purpose of promoting the expansion of the county's economic base. According to the 2007 revision of its bylaws, in addition to promoting economic vitality, it now also promotes good land stewardship. Eighty percent of the agency's 2009 budget was dedicated to erosion control and fire safe programs.

Plumas Corporation does some long range planning for economic development and provides economic indicators and other data each year for the Board of Supervisors. The agency produced a sixty-eight page Economic Development Strategy plan in 2002 for the county and currently is in the process of updating that document. The agency also uses some of the county funding to apply for grants and to interface with other agencies involved in economic development inside and outside of the county. There is no contract in place between the county and Plumas Corporation. The non-profit files an annual independent auditor's report with the County Administrator's Office.

Plumas County Visitors Bureau

The Plumas County Visitors Bureau, which is under the umbrella of Plumas Corporation, receives a major share of the county's funding for economic development. According to the Plumas Corporation Director, it is the county's official destination marketing organization. Essentially, the staff promotes tourism by marketing Plumas County's tourist events, recreational opportunities, and natural resources all over the country through electronic and print advertising. Their annual report and strategic marketing plan, available on their website, give a comprehensive view of what they do. They are housed in the same building as Plumas Corporation.

Chambers of Commerce

The county contributes funds each year to the Chambers of Commerce: Chester/Lake Almanor, Eastern Plumas, Indian Valley, and Quincy. These are non-profit dues paying associations. They support local businesses through advertising and the production of local events which draw customers for their members. The Chambers' events bring out-of-towners into the county, thus increasing the levels of hotel and sales tax revenues and generating profits for local businesses. Their focus on supporting local businesses and promoting tourism contributes to the overall economic health of the county. The businesses they support create and sustain local jobs and are an important component of economic development.

City of Portola

Although there are several economic centers in the county with which we are all familiar, such as Chester, Greenville, Blairsden-Graeagle, and Quincy, the City of Portola is the only incorporated city with its own municipal government. The city is responsible for its own economic development plan. The city's General Plan was completed in 2001 with land use projections valid to 2020. The Planning Commission is currently completing a ten-year update.

The City's General Plan includes the Economic Development Element which clearly defines the city's plan for economic development and includes nine pages of policies and implementation guidelines. The Element includes such implementation measures as: developing an incentive program for industries, preparing an inventory of the local resources to assist in marketing the area to prospective new employers, preparing a target industries study, establishing a set of standards and "quality of life" criteria for attracting new businesses, working more closely with the schools to establish job training and vocational education programs, and appointing an economic development coordinator.

The city played the leadership role in the proposed development of the Woodbridge at Portola Project, a 400 acre master planned community with a village center, which will provide up to 945 high, medium, and low density residential units and 60 commercial/mixed use dwellings. The city purchased, prepared and then sold the land for the Woodbridge project to the developer which produced a net profit for the city of approximately \$3.8 million. The city also worked diligently to convince Nestlé's Bottled Water Company to take advantage of the city's five natural springs, located on city-owned property, by situating a bottling plant in Portola. If successful, up to 150 new jobs could be created.

Funding Streams:

Plumas County

As discussed above, the county accomplishes its economic development programs through local non-profits. The current budget for these programs totals \$350,112. The following information explains briefly who gets the money and how it is spent.

Plumas Corporation

Plumas Corporation received \$28,500 for economic development planning and activities administered by the Executive Director. This amount covers 10% of the Executive Director's salary and 20% of an administrative assistant. Non-personnel costs, such as technical assistance from Sierra Business Council, marketing through Upstate California EDC, and travel, make up the remaining 70%.

Plumas County Visitors Bureau

Plumas Corporation received \$208,990, which is dedicated to tourism activities carried out by one of its divisions, the Plumas County Visitors Bureau. This contribution pays for 2.75 staff positions, print advertising, internet marketing, publications, promotional supplies, mailers and general administration services provided by Plumas Corporation at a cost of \$36,239 budgeted for the current year.

Chambers of Commerce

The Chambers of Commerce - Chester/Lake Almanor, Indian Valley, Eastern Plumas and Quincy - each got an equal share of \$28,155.50 for fiscal year 2009/2010. The Chambers' income is generated by members' dues, fundraising events, and annual funding from the county. The county funding to these agencies supports part-time paid staff, except for the Chester/Lake Almanor Chamber which has no paid staff, basic operating costs, and some of the many activities that they sponsor. All of the Chambers depend on their dedicated volunteers to help keep costs down.

City of Portola

The city doesn't have a specific budget for economic development. They support individual projects as needed. They do have a \$3.8 million reserve which can be tapped for economic development. Additionally, the City Manager informed the Grand Jury that the city may receive up to \$3 million in settlement funds from the State for business and revenue losses due to the Pike Eradication Project. Some of those funds will be used to repair the economic damage done to Portola by the project.

Revenue

In researching how economic development programs might be financed, the Hotel Tax was identified as a related revenue source. Cities and counties have the authority to levy a tax on hotels, inns, tourist homes, motels, or other lodging. Plumas County levies a tax of 9% on tourists when they stay in local lodgings. This tax generated \$1,152,277 last year. Monies budgeted by the county for economic development programs and tourism promotion for the current fiscal year represent 30.7% of the anticipated Hotel Tax revenue. While the actual revenue from the Hotel Tax increased 16.8% from fiscal

year 2001-2002 to 2008-2009, the amount of funding for tourism promotion decreased 20.2% during that same time period.

The City of Portola also collects Hotel Tax, but it is not a significant revenue source as they have only one motel within the city limits.

Some grant revenues may also become available from time to time for specific projects for the county, the city and the economic centers located throughout the county. Most of those grant dollars are obtained by Plumas Corporation on behalf of the county and by the city manager and city staff on behalf of the city. The grants may fund such projects as landscaping downtown areas.

Procedure:

In researching this matter, the Grand Jury obtained information from the following sources and from their websites:

- Board of Supervisors/County Administrator's Office/County Planning Department
- Chambers of Commerce of Chester/Lake Almanor, Eastern Plumas, Indian Valley, and Quincy
- City of Portola
- Feather River Bulletin
- Plumas Corporation/Plumas County Visitors Bureau

Documents reviewed included:

- Chambers of Commerce Budget and Expenditure Reports
- City of Portola Budget, Audit Report, Economic Development Element, Special Project Reports and Studies
- Plumas Corporation Audits, Annual Reviews, Budget Requests, Economic Development Plans and Reports, Marketing Plans
- Plumas County Budgets, General Plan Consultant's Proposal and Contract

The Grand Jury interviewed:

- Chair of the Plumas County Board of Supervisors
- City Manager of the City of Portola
- County Administrator of Plumas County
- Directors and/or Members of Boards of Directors of the Chambers of Commerce
- Plumas Corporation's Executive Director

Conclusion:

This recession is a wakeup call for all of us. We need to start today to plan for a successful economic recovery. Tomorrow may be too late. It is time for Plumas County and the City of Portola to take the lead in economic development and to form a partnership for the common good of our citizens. No matter where economic development occurs, we will all benefit by increased revenues and taxes to support the services, infrastructure and economy in our county.