

# GENERAL FUND DISCUSSION

Prepared by Lisa Ailport, City Administrator

# AGENDA

Introductions

The Problem

How are General Services Funded?

Solutions

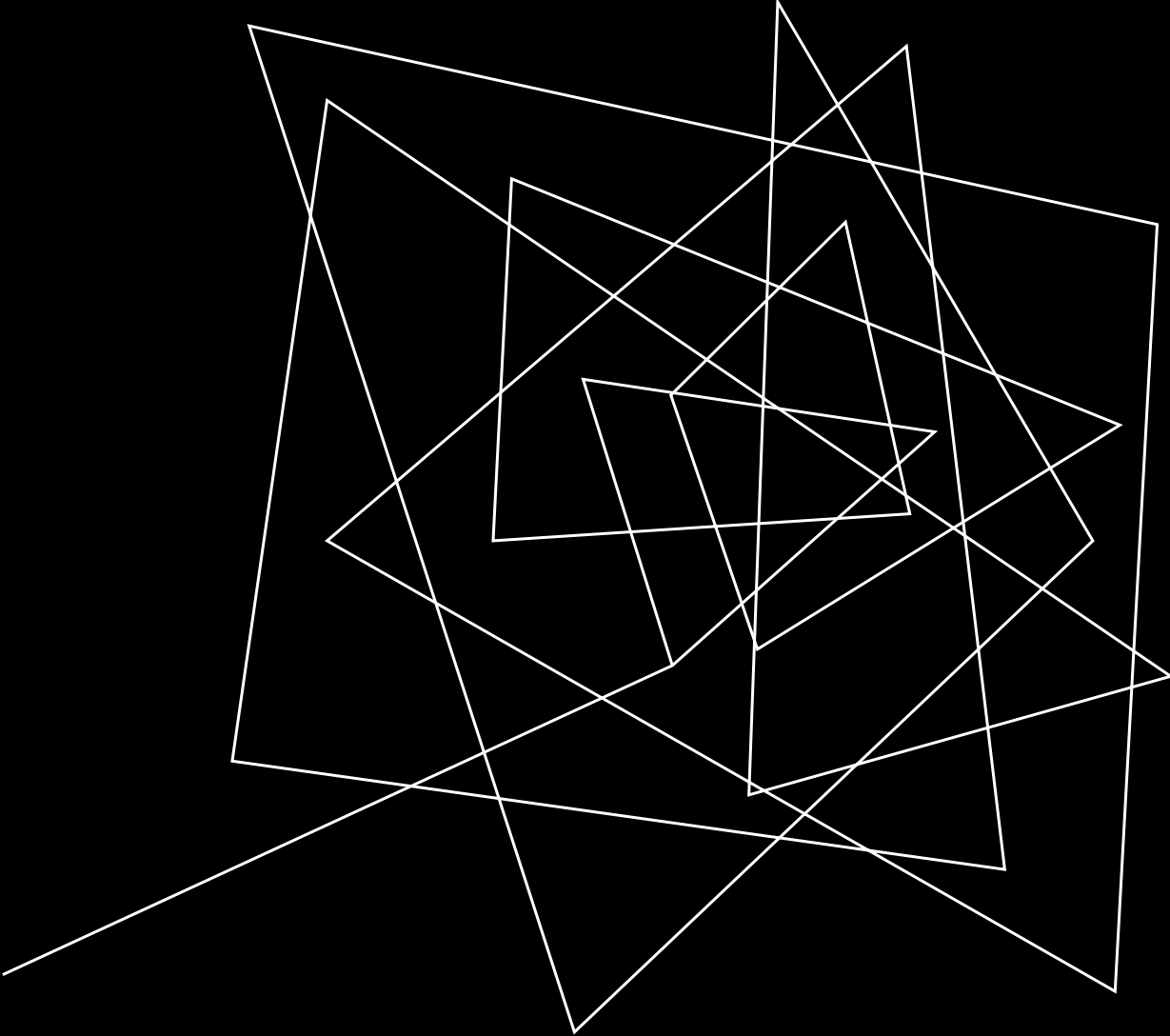
Summary

# INTRODUCTION

Please Introduce yourself

Are you Resident, Business Owner, County Resident or ???

What is something you'd tell a stranger is wonderful about the area where you live?



# THE PROBLEM

Funding the City's General Services



# THE PROBLEM- GENERAL FUND SERVICES

What are General Fund Services?

- Services that are partially, mostly or solely paid for by tax dollars generated.
- City of Bonners Ferry has the following general fund services
  - 7-person city police department
  - Volunteer Fire Department
  - 4-person Street Department
  - Contracted Planning and Zoning Department
  - City Pool
  - City Golf Course
  - City Administration (clerk/treasurer, engineer, attorney, city administrator, Mayor and Council)



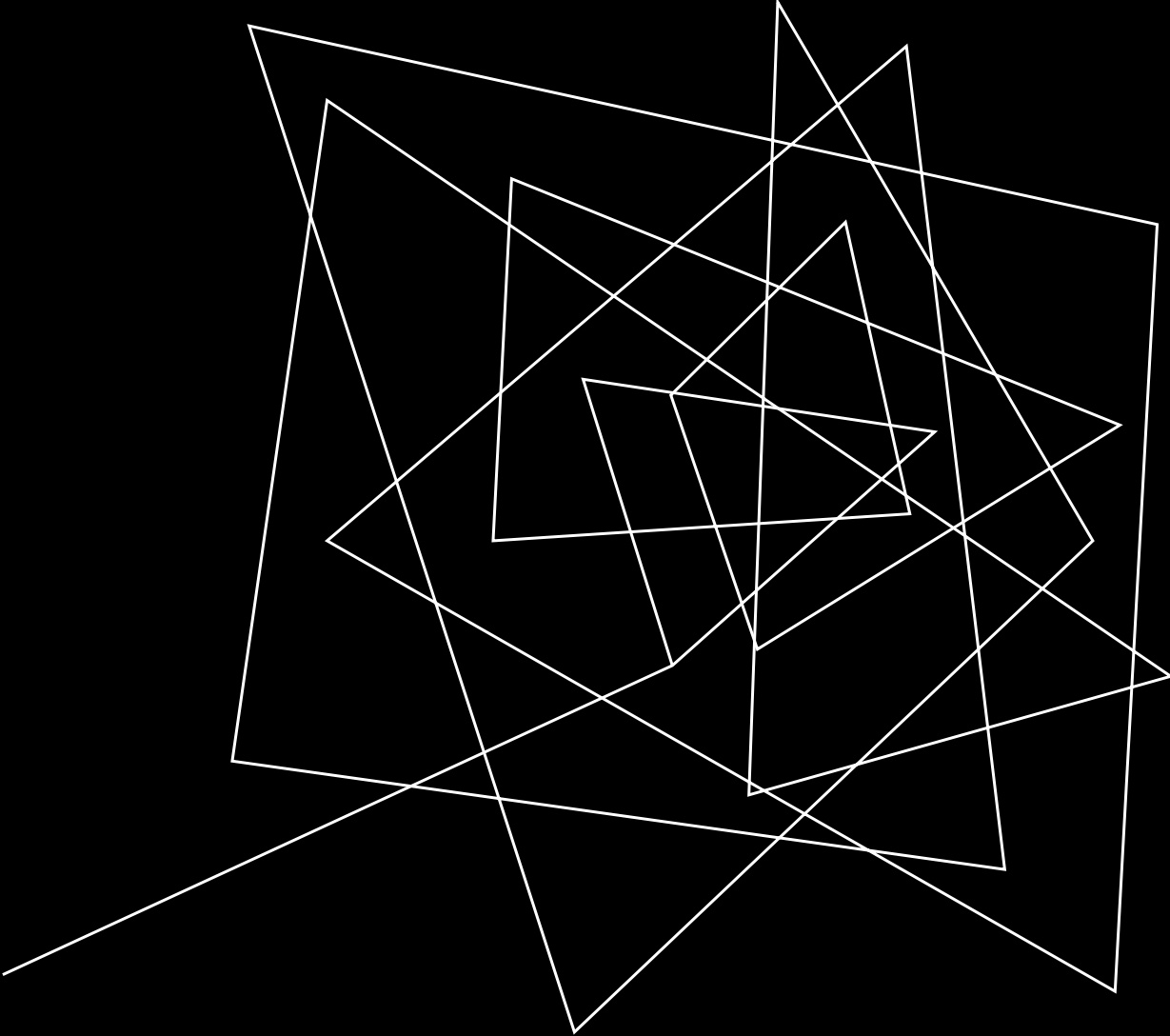
# THE PROBLEM-CITY ENTERPRISE FUNDS

## What are Enterprise Funds?

- City services which are funded by rates and fees. They do not require tax dollars to operate.
- City Enterprise funds include:
  - Electricity
  - Water
  - Sewer
  - Garbage

# THE PROBLEM- IDAHO SUPREME COURT DECISION

- The city transfers each fiscal year 5% gross sales of its enterprise accounts (not including garbage) to the general fund.
- This was done as far back as the 1950's, when the enterprise funds were created.
- A 2017 supreme court decision on general fund transfers caused the city's legal counsel to advise city council that this type of transfer could no longer occur.
- This advice was given shortly after the city council adopted the 2023 fiscal year budget, leaving this year's budget as well as future budgets ±\$450,000 short.
- In short- the following transfers were anticipated this fiscal year but will not occur:
  - Electric Fund contributions: \$299,335.00
  - Water Fund Contributions: \$70,000.00
  - Sewer Fund Contributions: \$69,571.00
  - Interest on Funds: \$50,000.00



HOW ARE GENERAL  
SERVICES FUNDED?



# REVENUES

	2021 Actuals	2022 Actuals	2023 Budgeted
Property Tax	\$691,365.42	\$680,201.47	\$719,685.00
Sales Tax	\$287,540.56	\$305,322.09	\$250,000.00
Liquor Tax	\$182,695.00	\$147,332.00	\$135,000.00
Fuel Tax	\$159,293.57	\$191,716.53	\$125,000.00

# REVENUE

## Other Revenue Includes

### Franchise Fees:

- Natural Gas, Cable

### Property Leases/rentals

- Cell Towers, Pole Use

### Fees for service

- Golf, Pool, P/Z, Building, Events

### Grants for specific projects:

- Transportation, parks, planning, Safety

### Property or Junk sales

### Licenses and Fines

- Business licenses, traffic tickets etc.

### Federal revenue sharing

- ARPA

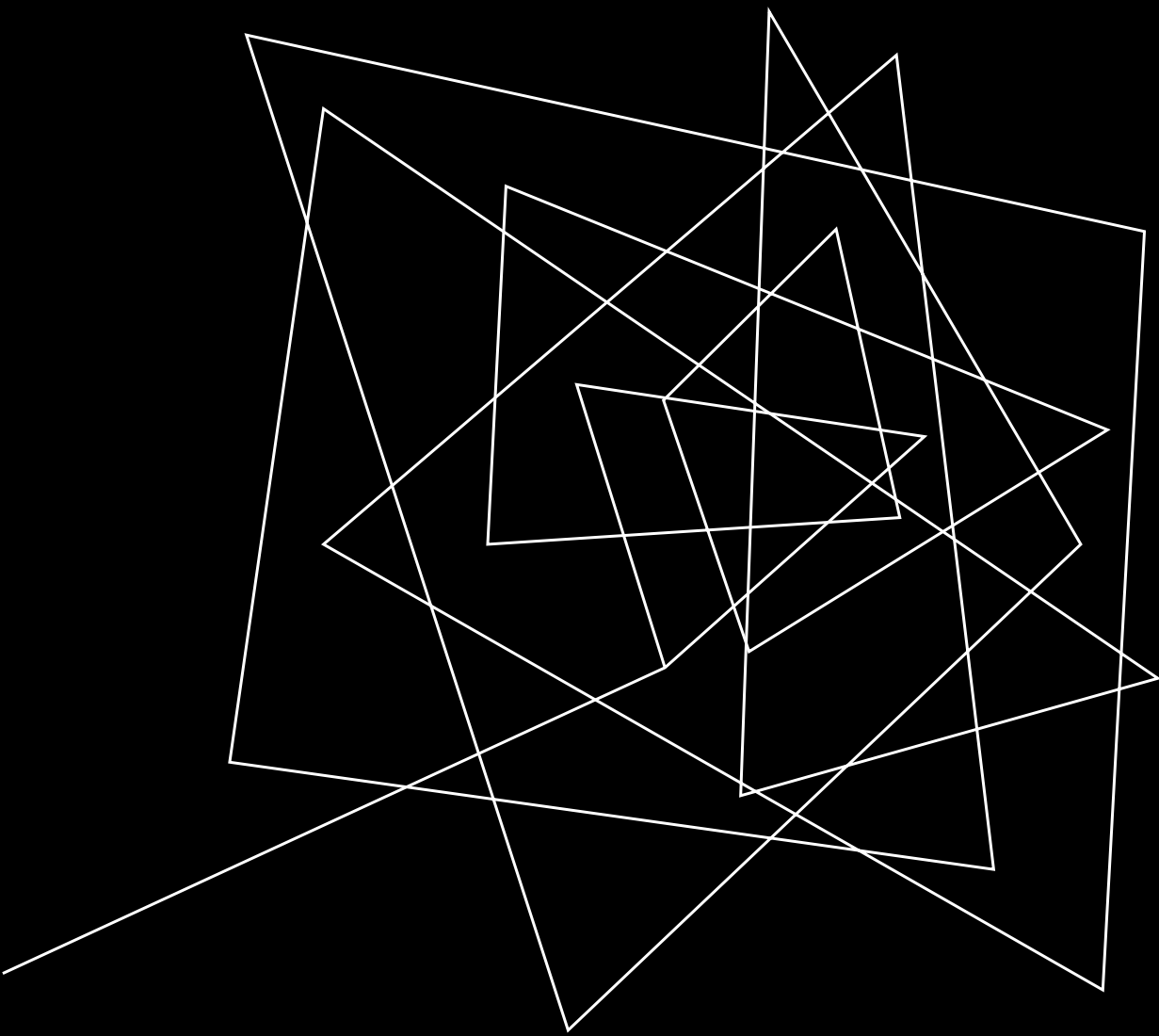
# EXPENSES

	2021 Actuals	2022 Actuals Minus 1-time funds	2023 Budgeted Minus 1-time funds
Police	\$750,992.46	\$734, 111.57	\$841,707.00
Fire	\$179,459.21	\$207,264.65	\$196,454.00
Streets	\$467,108.79	\$430,854.83	\$570,158.00
Parks, pool, golf	\$283,642.82	\$282,034.77	\$285,127.00
Other (P/Z, Admin etc)	\$186,959.96	\$158,061.63	\$233,843.00

\* 1-time grant/federal dollars to be added back into budget

## KEY TAKE-A-WAYS

- Property tax revenue does not even cover the cost to run the Police Department.
- Sales, liquor and fuel tax revenue ranges between 35-40% of revenue for the city.
- The city has no control over state allocation rations.
- City cannot make up the difference in charging fees for these services.
- Grants, while helpful, are usually for specific projects, not covering General Fund services.



**SOLUTIONS**

# SOLUTIONS

## OPTION#1

### Cutting Services

To make up the  
±450,000.00  
shortfall the city  
could cut services.

#### What Services?

City Pool- \$80,000.00

City Parks - \$50,000.00

City Planning/Zoning - \$22,000

Employee Benefits- Unknown

City Departments- Police, Fire,  
Streets?

#### Quality of Life

Any one of the major  
services, if cut would  
affect businesses,  
residents and county  
residents' quality of life.

# SOLUTIONS

## OPTION #2

### Property Tax Increases

To make up the  
±450,000.00  
shortfall the city  
could raise  
property tax

#### Who would pay?

City Residents  
City Businesses  
Seniors, those on fixed  
incomes etc.  
Renters

#### How Much?

Across the board, all  
property owners in the  
city would likely see  
about a 63% increase in  
taxes, just to pay for the  
services they already  
have.

# SOLUTIONS

## Property Tax Increases

Quick Math- \$300,000.00 Net home value in city limits currently pays around \$700.00 annual property tax to the City.

A 63% increase would increase the taxes approximately \$441.00.

New Taxes would be \$1,141.00 annually

- **REQUIRES A SUPER MAJORITY VOTE OF 66%**



# SOLUTIONS

## OPTION #3

### Local Option Tax

To make up the  $\pm 450,000.00$  shortfall the city could raise revenue through local option tax

#### Who would pay?

Visitors, Tourists etc.

County Residents

City Residents

#### How Much?

Early estimates indicate that a 1% sales tax on all sales subject to sales tax could generate \$500,000.00

# SOLUTIONS

## Local Option Tax

Quick Math-

If the average family of four spends roughly \$10,000 dollars a year on taxable goods, they would pay and extra:

- \$100.00  
vs. the property taxpayer at \$441.00
- **REQUIRES A MAJORITY VOTE OF 60% TO PASS**

# SOLUTIONS

## Local Option Tax

### **STATE LAW REQUIRES: (IC. 50-1044-50-1049)**

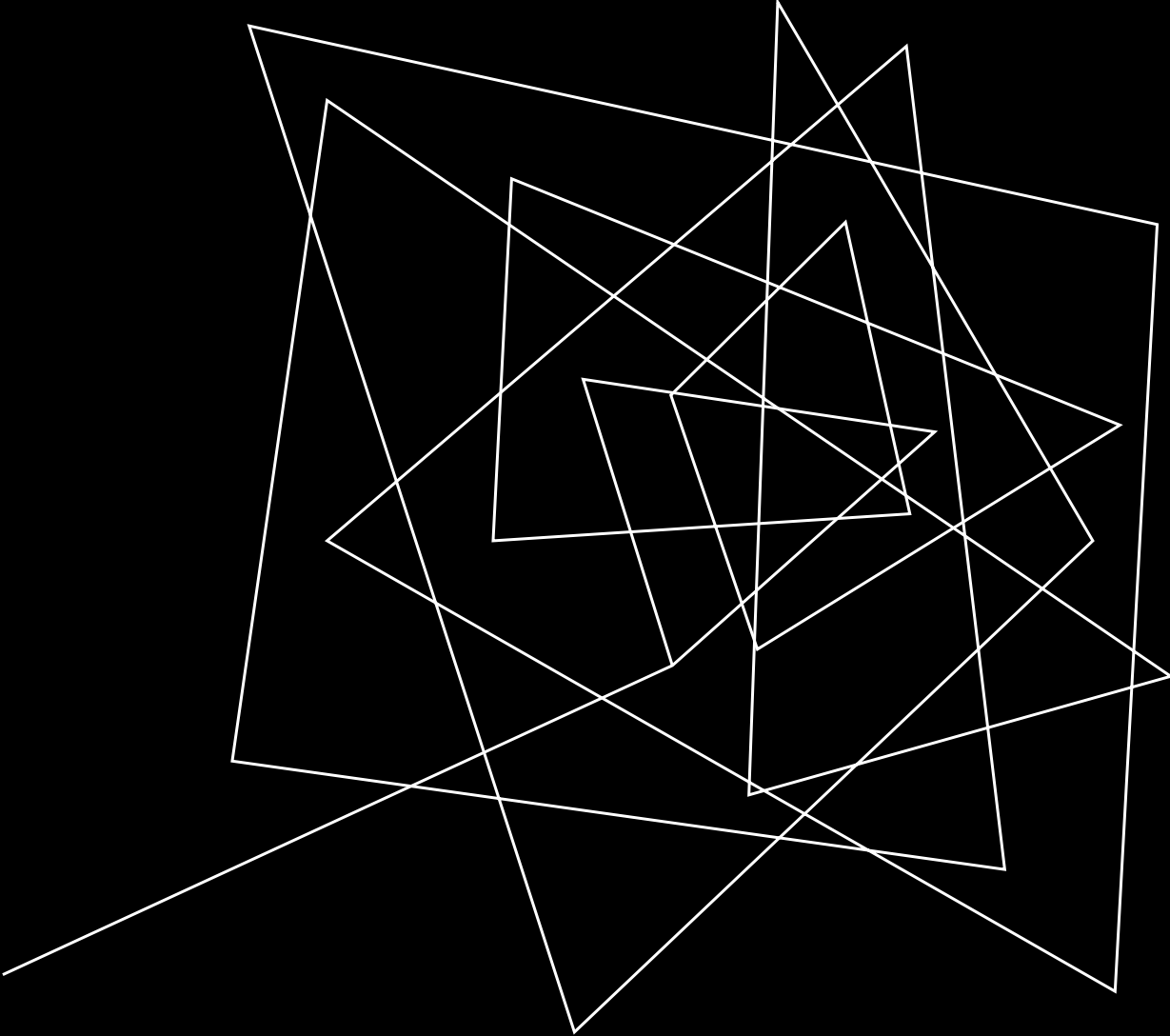
- Term must be set (can't be forever).
- State the exact rate of the tax to be assessed (1% vs. another, exemptions etc.)
- State the exact purpose or purposes for which the revenue derived from the tax shall be used (Have to state what the money raised will be used for- for example: streets, sidewalks, police, fire etc.)

# SOLUTIONS

## Local Option Tax


### Example Cities

- Ponderay 1% Sales Tax
- Sandpoint 14% Occupancy Tax
- Cascade 1% Sales Tax
- Salmon 4% Occupancy Tax
- Riggins 2% Tax on occupancy & Liquor by the drink; 1% sales tax on all other sales.



# SUMMARY

# PLAN FOR COMMUNITY LAUNCH

Problem	Challenge	Strategy	 Community	Next Steps
The City GF will be short this FY and future years 5% of gross sales of enterprise funds	City is restricted on how it can raise revenue or cut services-	Cut services or raise revenue. Property Tax Increases vs. LOT	Community that local government serves, must decide on how to proceed forward	Stand ready to serve what the community wants!

# ELECTION TIMELINE

MARCH \_\_\_\_\_ MUST HAVE BALLOT LANGUAGE TO COUNTY CLERK FOR PREPARATION.

APRIL \_\_\_\_\_ EDUCATE THE COMMUNITY, PLAN FOR FY 2024

MAY \_\_\_\_\_ VOTE!

LATER \_\_\_\_\_ PLAN FOR FUTURE!



# FLOOR IS OPEN FOR DISCUSSION