

CITY OF POCA TELLO CITY COUNCIL BUDGET DEVELOPMENT MEETING

June 7, 2018 · 10:00 AM
Council Chambers | 911 North 7th Avenue

City Hall is accessible to persons with disabilities. Program access can be provided upon three (3) days' notice by contacting Skyler Beebe at sbeebe@pocatello.us; 208-234-6248 or 5815 South 5th Avenue, Pocatello. **POSSIBLE WORKING LUNCH:** Members of the Council may choose to participate in a working lunch to discuss budget development topics during the Budget Development meeting in the Paradise Conference Room. No formal action will be voted on.

1. ROLL CALL

2. FISCAL YEAR 2019 BUDGET DEVELOPMENT OVERVIEW

Finance staff will give a brief overview of budget development items related to creation of the City's Fiscal Year 2019 Budget.

3. FISCAL YEAR 2019 REVENUE FORECAST

Finance staff will give a presentation on the revenue forecast for Fiscal year 2019.

Documents:

[REVENUE.PDF](#)

4. FIVE YEAR CAPITAL PLAN

The presentation will review a Capital Plan covering Fiscal Years 2018 to 2023.

5. ADJOURN

FY2019 Revenue Estimates & Selected Other Topics

City Council Budget Development Session

June 7, 2018

Agenda

- ▶ Major non-property tax revenues
 - ▶ Sales Tax, Highway User, Franchises, etc. (11 items)
- ▶ Property Tax situation
- ▶ Inflation and Real Growth

Major 6-figure Tax Fund Revenue

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|---------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|----------------------------|---------------------|
| Sales Tax | \$3,918,803.14 | \$4,067,130.86 | \$4,233,210.29 | \$4,370,160.22 | \$4,493,587.84 | \$4,583,094.83 | \$4,649,540 |
| Highway User | \$1,802,459.49 | \$1,804,708.00 | \$1,899,603.18 | \$2,491,762.33 | \$2,537,589.80 | \$2,556,076.21 | \$2,475,000 |
| Road & Bridge | \$390,173.87 | \$365,921.29 | \$599,732.75 | \$1,054,306.01 | \$898,066.43 | \$883,286.49 | \$750,000 |
| Building Permits | \$456,143.86 | \$422,899.29 | \$631,230.25 | \$861,598.82 | \$815,815.34 | \$555,191.86 | \$675,000 |
| Nat. Gas Franchise | \$366,141.54 | \$385,107.79 | \$353,410.63 | \$367,787.60 | \$364,576.38 | \$340,926.09 | \$365,000 |
| Liquor Tax | \$600,015.00 | \$576,433.00 | \$570,235.00 | \$604,618.00 | \$641,665.00 | \$658,413.00 | \$600,000 |
| Gen Fund Interest | \$25,596.19 | \$165,925.40 | \$171,154.54 | \$247,302.97 | \$369,151.18 | \$478,510.61 | \$225,000 |
| Cable Franchise | \$289,730.63 | \$292,102.00 | \$267,161.00 | \$246,259.82 | \$226,671.12 | \$212,921.81 | \$230,000 |
| Magistrate Court | \$249,337.86 | \$274,701.97 | \$320,344.75 | \$243,525.41 | \$217,045.21 | \$224,542.10 | \$243,525 |
| Electric Franchise | \$402,479.19 | \$430,716.75 | \$424,396.39 | \$432,227.74 | \$451,028.98 | \$453,885.41 | \$440,000 |
| Cemetery Charges | \$284,105.00 | \$330,955.00 | \$273,190.00 | \$332,420.00 | \$364,838.00 | \$383,950.00 | \$340,000 |
| Total For FY | \$8,784,985.77 | \$9,116,601.35 | \$9,743,668.78 | \$11,251,968.92 | \$11,380,035.28 | \$11,330,798.41 | \$10,993,065 |

We'll discuss each one

State-Collected City Sales Tax Revenue: Understanding the Basics



For each dollar sale subject to state sales tax...

The state collects 6 cents in revenue...



...Approximately seven-tenths of a cent is distributed to local governments...

56.4% through the State Distribution

43.6% through the County Distribution



State Distribution

County Distribution

28.2% Cities 28.2% Counties 35.9% Cities & Counties 7.7% Special Districts

State Distribution: the cities' portion is allocated based on assessed market value (50%) and population (50%).

County Distribution: the base is distributed based on the fourth quarter 1999 distribution plus 5%. The excess is distributed 50% to cities and 50% to counties. The cities' portion of the excess is distributed by population.

Revenue
Sharing
Formula

Sales Tax

- ▶ Replacement \$, not state aid
- ▶ 11.5% of tax (0.7 cents of the 6 cent tax) = Revenue Sharing

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|-----------|----------------|----------------|----------------|----------------|----------------|-------------------------|--------------------|
| Sales Tax | \$3,918,803.14 | \$4,067,130.86 | \$4,233,210.29 | \$4,370,160.22 | \$4,493,587.84 | \$4,583,094.83 | \$4,649,540 |

- AIC FY19 estimate = \$4,641,305, increase of \$92,877
- Prior 12 mo actual supports AIC FY18 forecast, AIC estimates have been reliable
- Council Guidance _____

Highway User

- ▶ Local portion of 32 cent gas fee & registration fees
- ▶ 32.33% local; of which 70% to counties & Highway Districts
- ▶ Remaining 30% to cities based on population

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|--------------|----------------|----------------|----------------|----------------|----------------|-------------------------|--------------------|
| Highway User | \$1,802,459.49 | \$1,804,708.00 | \$1,899,603.18 | \$2,491,762.33 | \$2,537,589.80 | \$2,556,076.21 | \$2,475,000 |

- 7 cent increase in Highway User Tax in July 2015
- Prior 12 months - \$2,556,076 realizing excess of budget of \$81,076
- AIC estimate for FY19 = \$2,576,170, increase of \$126,096
- Council Guidance _____

Bannock County Road and Bridge

- ▶ Remitted to the City through the Bannock County Property Tax remittance

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|-----------------|--------------|--------------|--------------|----------------|--------------|-------------------------|------------------|
| Road and Bridge | \$390,173.87 | \$365,921.29 | \$599,732.75 | \$1,054,306.01 | \$898,066.43 | \$883,286.49 | \$750,000 |

- Bannock County controls the amount levied for this revenue and also included are Highway User monies
- Recommendation: \$800,000 - realistic expectation
 - If additional revenues come in, we can use for one time capital needs
- Council Guidance _____

Building Permits

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|------------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Building Permits | \$456,143.86 | \$422,899.29 | \$631,230.25 | \$861,598.82 | \$815,815.34 | \$555,191.86 | \$675,000.00 |

| Building & Construction Activity | | | | | | | |
|----------------------------------|----------|----------|----------|-----------|-----------|-----------|-----------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 5 Year % Change |
| Permits Sold | 2,259 | 2,294 | 2,391 | 2,515 | 2,824 | 2,859 | 26.56% |
| Licenses & Permit Fees Collected | \$417 | \$493 | \$460 | \$669 | \$899 | \$816 | 95.68% |
| Permit Valuation | \$32,555 | \$34,590 | \$30,069 | \$118,834 | \$150,656 | \$123,873 | 280.50% |
| New 1-2 Family | 44 | 59 | 51 | 79 | 99 | 90 | 104.55% |
| Inspections | 5,663 | 5,387 | 4,747 | 4,927 | 4,727 | 5,140 | -9.24% |

dollar amounts expressed in thousands

- Building Permit numbers are slightly up, but valuation has remained steady over the last few years
 - No large projects are expected at this time
- Recommend staying with FY 18 amount of \$675,000 to be conservative
- Council Guidance _____

Natural Gas Franchise

- ▶ 3% of gross revenues; fee for use of public right of way
- ▶ Revenue goes to General Fund
- ▶ Influenced by natural gas commodity prices as well as growth & severity of winter season

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|--------------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Nat. Gas Franchise | \$366,141.54 | \$385,107.79 | \$353,410.63 | \$367,787.60 | \$364,576.38 | \$340,926.09 | \$365,000.00 |

- FY19 cost adjustment unknown as is weather.
- Recommend keeping \$365,000 due to unknowns and recent history
- Council Guidance _____

State Liquor Tax

- ▶ After operating costs:
 - ▶ In FY17: 50% to the state; 50% remains
 - ▶ Of which 40% to counties, distribution based on sales
 - ▶ Of which 60% to cities; 90% to cities with liquor stores, based on sales
- ▶ Goes to the General Fund FY2018 budget \$600,000
- ▶ AIC does not make an estimate here; some influence of local sales
- ▶ New Legislation will be taking 15% of the Cities Liquor Tax over the next five years to fund Magistrate Court fees.
 - ▶ Would be conservative to not expect an increase in Liquor Tax over the next 5 years

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Liquor Tax | \$600,015.00 | \$576,433.00 | \$570,235.00 | \$604,618.00 | \$641,665.00 | \$658,413.00 | \$600,000.00 |

- Recommended range: \$650K (Prior 12 months) to \$600K (FY18 budget)
- Council Guidance _____

General Fund Interest

- ▶ Earnings from invested cash
- ▶ Most is in the state pool or bank money market funds
- ▶ Rates have increased over the last few years
- ▶ Utility interest income will go to general fund; prior years not comparable
- ▶ Capacity fee lawsuit prompted allocation change
 - ▶ No State law to support this approach
 - ▶ Association of Idaho Cities supports the allocation

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|-------------------|-------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Gen Fund Interest | \$25,596.19 | \$165,925.40 | \$171,154.54 | \$247,302.97 | \$369,151.18 | \$478,510.61 | \$225,000.00 |

- Recommended range: \$475K (Prior 12 months) to \$370K (FY 17 actual)
- Council Guidance _____

Cable Franchise

- ▶ 5% of gross earnings
- ▶ General Fund will now receive the revenue

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|-----------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Cable Franchise | \$289,730.63 | \$292,102.00 | \$267,161.00 | \$246,259.82 | \$226,671.12 | \$212,921.81 | \$230,000.00 |

- FY 2018 budget - \$230,000
- The last four quarterly payments have average around \$53,000. Recommended range: \$200,000 to \$210,000
- Council Guidance _____

Magistrate Court

- ▶ City fines from court system
- ▶ Sent to General Fund-Police Division

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|------------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Magistrate Court | \$249,337.86 | \$274,701.97 | \$320,344.75 | \$243,525.41 | \$217,045.21 | \$224,542.10 | \$243,525.00 |

- FY 17 actual was only \$217,045 (lowest on system since FY 98)
- County collection issues and # of citations
- Some improvement noted, but hard to predict.
- Recommended range: around \$225K (Prior 12 months)
- Council Guidance _____

Electric Franchise

- ▶ 1% of gross revenues
- ▶ Fee for use of right of way
- ▶ General Fund starting in FY 2017

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|--------------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Electric Franchise | \$402,479.19 | \$430,716.75 | \$424,396.39 | \$432,227.74 | \$451,028.98 | \$453,885.41 | \$440,000.00 |

- Revenues have remained consistent since FY 2014 actual
- Recommended range: \$450k (prior 12 months)
- Council Guidance _____

Cemetery Charges

- ▶ Charges for open, close services and plot sales
- ▶ Sent to Cemetery Fund

| Item | 2013 actual | 2014 actual | 2015 actual | 2016 actual | 2017 actual | Prior 12 mo (FY17/FY18) | FY18 Budget |
|------------------|--------------|--------------|--------------|--------------|--------------|-------------------------|--------------|
| Cemetery Charges | \$284,105.00 | \$330,955.00 | \$273,190.00 | \$332,420.00 | \$364,838.00 | \$383,950.00 | \$340,000.00 |

- Impacted by rates, interments, plot vs. ash choices
- Impacted during recession, some rebound since
- FY 2018 budget \$340,000
- Recommended range: \$380k (prior 12 months) to \$365k (FY 17 actual)
- Council Guidance _____

Property Tax

| FY | Valuation | % Change |
|-------|------------------|----------|
| FY 08 | \$ 1,909,894,762 | 12.66% |
| FY 09 | \$ 2,088,224,783 | 9.34% |
| FY 10 | \$ 2,272,990,731 | 8.85% |
| FY 11 | \$ 2,259,654,740 | -0.59% |
| FY 12 | \$ 2,403,997,633 | 6.39% |
| FY 13 | \$ 2,481,067,665 | 3.21% |
| FY 14 | \$ 2,468,721,742 | -0.50% |
| FY 15 | \$ 2,481,593,484 | 0.52% |
| FY 16 | \$ 2,460,126,522 | -0.87% |
| FY 17 | \$ 2,456,810,996 | -0.13% |
| FY 18 | \$ 2,513,634,960 | 2.31% |

Taxable Valuation



New Construction

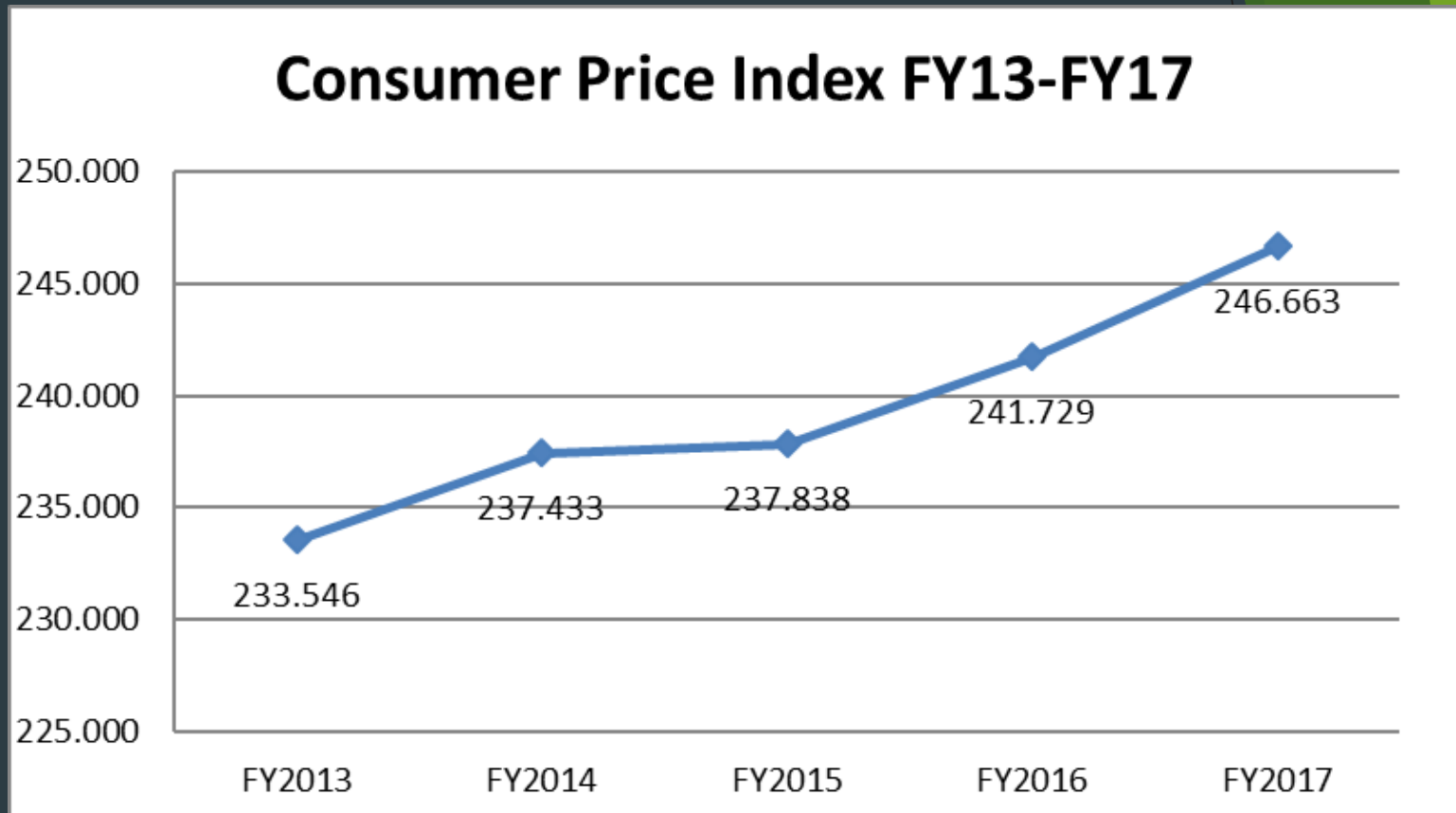
| FY | New Construction |
|-------|------------------|
| FY 06 | \$ 25,531,668 |
| FY 07 | \$ 36,090,100 |
| FY 08 | \$ 33,765,647 |
| FY 09 | \$ 57,921,962 |
| FY 10 | \$ 76,213,085 |
| FY 11 | \$ 19,374,010 |
| FY 12 | \$ 21,073,323 |
| FY 13 | \$ 111,685,203 |
| FY 14 | \$ 10,744,871 |
| FY 15 | \$ 26,187,318 |
| FY 16 | \$ 20,771,093 |
| FY 17 | \$ 19,050,035 |
| FY 18 | \$ 28,879,927 |

Portneuf Medical Center

Central Corridor TIF District

New Construction - \$20,000,000 - value at \$222,231

Inflation



CPI growth for FY 2018 is 2.041%.

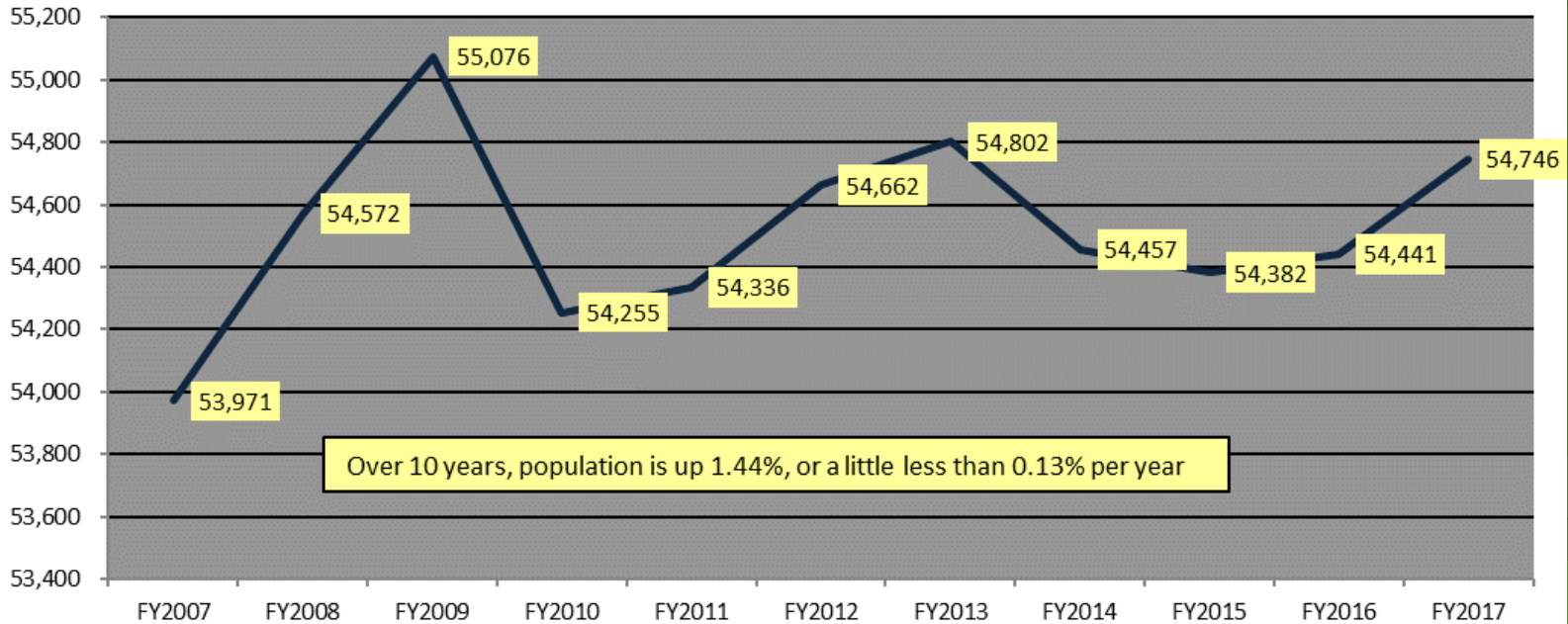
Higher growth in comparison to previous years

Population

City of Pocatello, Idaho Population Estimates FY2007-FY2017

Census estimate as of July 1*

*Estimates are typically released about 1 year in arrears; so the most recent data point for FY16 is the July 2016 estimate



FY19 Budget Development

▶ Decision Sessions

- ▶ June 14 (9:00 am) follow-on to regular study session
- ▶ June 28 (9:00 am)
- ▶ July 5 (if needed)
- ▶ July 12 (9:00 am) follow-on to regular study session (final review)