

## **Revenue Manual Summary: Enterprise, Other and Fiduciary Funds**

Detail about enterprise funds and other funds is included in the department budget presentations. This section summarizes the most significant sources of the City's non-tax supported funds.

### **Enterprise Funds**

Enterprise funds are used to account for operations that are funded and operated in a manner similar to private business – costs of providing the service or goods to customers are to be covered through user charges.

The City maintains six (6) enterprise funds. Fund descriptions can be found in the Fund Review and the Financial Systems Overview.

- Airport Fund
- Sewer Fund
- Geothermal Fund
- Parking Garage Fund
- Solid Waste Fund
- Municipal Irrigation Fund

#### ▪ **User Charges**

The City charges fees, as authorized by Idaho State Code Sections 63-1311, and through relevant City Code sections and resolutions, to users of a particular service and/or good provide by the City. Rates for user fees are calculated by identifying the full cost of providing the service and/or good, adjusting to comply with legal and accounting requirements and by allocating the cost to the anticipated number of service users. By State Code, for all rate increases over 5%, City Council goes through a formal process including a noticed public hearing.

Airport Fund has a variety of user fees primarily related to passenger flights. These revenues include airline fees, ramp and landing fees, and advertising fees. The Airport and Transportation Department projects \$4.9 million and \$5.1 million in FY 2004 and FY 2005, respectively, primarily due to approved airline fee increases.



The City accounts for all wastewater operations in the Sewer Fund. The City charges users a rate based on the cost of collection, treatment of wastewater, and replacement of facilities and equipment. Five sewer districts and the City of Garden City collect wastewater within their jurisdictions, and contract with the City of Boise to treat and process it in one of the City-owned plants. The City charges land developers a hook-on fee to cover the cost of line and trunk extensions and treatment capacity demand. The City charges individual property owners for the cost to extend the trunk lines to a structure. The FY 2004 budgeted revenue of \$21.86 million and FY 2005 budgeted revenues of \$21.87 million for the Sewer Fund include a 5% rate increase in FY 2004 and an annual 1.1% growth in the customer base.

The City uses the Geothermal Fund to account for the operation of the delivery of hot water used for heating. The City's rate policy for geothermal service is to maintain rates 30% below natural gas rates. As the rates change for natural gas, the City's geothermal rates change accordingly. The Public Works Department projects level rates through the two-year budget period and 5.5% annual commercial customer growth. Projected user fee revenue for FY 2004 is \$345 thousand and for FY 2005 is \$377 thousand.

The City accounts for the operation for the collection of trash and recycling in the Solid Waste Fund. The City contracts this service with an independent firm. Landfill service is provided by Ada County. The Public Works Department projects user fee revenue of \$14.0 million for both FY 2004 and FY 2005. City Council approved a 5% rate increase for FY 2004, which is included in the revenue projections.

In FY 1997, the City established the Municipal Irrigation Fund to provide a non-potable, pressurized irrigation water system to users. The City assesses the users of the system for the service and delivery of irrigation water. There are several other entities operating irrigation systems within the city limits competing for the same customer base. The Public Works Departments projects a flat assessment rate during FY 2004 and FY 2005 to attract users to the City's system. The assessed rate will be sufficient to fund the direct operating costs of the system. For FY 2004 and FY 2005, City Council allocated funding from a 1% water franchise fee increase to support indirect and administrative costs and master planning costs for a citywide system. The structural balance of costs and revenues in the Municipal Irrigation Fund is a significant budget and policy issue in the 2YB.

### ▪ **Rental Income**

The City charges rent to private businesses that utilize space at and around the Airport. Through City Zoning ordinances and the Federal Aviation Administration (FAA), the City purchases land around the Airport to ensure compliance with all regulations. The City develops the infrastructure of the land around the Airport facility and negotiates each lease with compatible industries based on the permitted use of the space.

Airport rent is derived through 200 leases with varied terms. Periodically, the City re-negotiates the leases to capture rental income increases to offset airport cost increases. The Airport and Transportation Department has projected rental income of \$5.5 million for FY 2004 and \$5.7 million for FY 2005.



### ▪ **Parking and Concessions**

The City charges parking and concession fees to direct users of these services at the Airport parking garage, other parking lots and areas, and Grove Street Parking Garage, as authorized by Idaho State Code Sections 63-1311, and relevant City Code sections and resolutions. The basis for the charges for parking vary depending on the location and the amount of time the space is occupied. Short-term parking is for parking less than four hours with a daily maximum rate. Concession fees charged at the Airport are based on the gross sales of the concession vendor or based on a contracted amount. The City's downtown on-street parking fees are entirely within the General Fund.



The City typically charges a contract amount for concession services at the Airport. However, if a contract amount is not charged, then the City charges a negotiated percentage ranging 10% to 15% of gross sales. Concession revenue at the Airport is expected to increase 20% in FY 2004 to \$596 thousand due to the expanded terminal building completed in FY 2003. The Airport and Transportation Department anticipates a 12% increase in FY 2005 to \$666 thousand due to increased customer demand.

At the Airport, parking rates are \$.75 per half-hour for short-term, up to a daily maximum ranging between \$6.75 for the economy lot and \$8.75 for the garage.

The short-term parking rate at the Grove Street Parking Garage is \$0.75 per hour up to 4 hours, with each additional hour amounting to \$0.75, with a daily maximum of \$7.50. Monthly parking is also available with rates ranging from \$48 to \$58. Special event evening rates are \$5.00.

The City plans to construct a second multi-level parking garage at the Airport to facilitate the increased customer demand. In addition to the parking fee revenue, the City will charge a "Customer Facility Charge" to help support the cost of the new garage. The garage is expected to be full operational by the end of FY 2005. Debt funding for the planned facility will be sought through judicial validation in 2004. Parking revenue is projected to be \$5.4 million in FY 2004, and then increase by 24% to \$6.6 million in FY 2005 upon completion of the new garage.

The City leases the Grove Street Parking Garage from the Capital City Development Corporation (CCDC). Under this agreement the City gives CCDC the net revenues from the garage's operation. However, should CCDC meet its bond covenants, it must return net revenues to the City (gross revenue less costs). CCDC has met or exceeded its bond covenants over the past several years and has been able to return all of the Grove Street Garage's net operating revenues to the City. This trend is projected to continue during FY 2004 and FY 2005. Parking revenue is projected to remain flat during the two-year budget period.

### ▪ **Passenger Facility Charges**

The Federal Aviation Administration (FAA) has authorized the City to collect a Passenger Facility Charge (PFC) for each enplaning passenger, accounted for in the Airport Fund. PFC's are based on the number of enplaning tickets and the approved FAA rate per ticket. A maximum of two airports can collect a passenger facility charge on a single one-way ticket. For each round trip ticket a fee may be collected only at the first two and the last two enplaning airports. The fee is up to a maximum of \$4.50 per ticket and can only be used for FAA-approved capital projects.

The Airport and Transportation Department projects a modest 2.2% increase in the annual base collection for FY 2004 to \$5.8 million and then 3% for FY 2005 in the amount of \$6.0 million based on the increased number of passengers.

The FAA has approved the use of PFC's to fund a portion of the cost of the expanded terminal completed in FY 2003, and several smaller capital projects. The PFC's collected in FY 2004 and FY 2005 will primarily fund the debt service payments on the bonds issued for the terminal expansion project.



## **Other Funds**

The City maintains other funds used to account for special services. Fund descriptions are provided in the Fund Review and the Financial Systems Overview.

- Community Development Fund
- Debt Service Fund
- City Shop Fund
- L.M. Cunningham Fund
- Risk Management Fund
- Workers Compensation Fund

All of these funds have one primary revenue source as described in the following section.

### ▪ **Community Development Fund**

The primary source of revenue for this fund is the Federal Community Development Block Grant (CDBG). CDBG funds have been the backbone of improvement efforts for the City of Boise devoted to serving the City's development priorities that (1) benefit low- and moderate-income persons; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs.

Each year, the City is allocated CDBG funds by U.S. Department of Housing and Urban Development according to the relative need on the basis of the higher of two formulas. The first considers the presence of overcrowded housing in the locality, its population, and poverty rate. The second uses housing age, population growth lag, and poverty rate.

The anticipated grant amount for FY 2004 and FY 2005 is \$1.5 million each year. Expenditures are reimbursed from the grant proceeds; therefore, a fund balance is not maintained.

- **Debt Service Fund**

The City uses the Debt Service Fund to account for the debt service payment on bonds issued to raise capital improvement funds and the refinancing of short-term revenue anticipation notes (RAN's) with long-term debt for general government purposes. All required funding to cover the net cost of outstanding debt issues is provided through transfers from the General Fund.

- **City Shop Fund**

The City Shop Fund accounts for the cost of operating a maintenance facility for automotive equipment used by other City departments. Revenue is derived through charges to the City departments based on cost of parts and an hourly labor rate. During FY 2003, the City Shop revised its billing policy so that City departments were charged for the cost of all parts and charged an hourly rate of \$55.00 per hour for labor. Special lower rates are charged for routine oil changes with the exception of Police and Fire department vehicles. The Airport and Transportation Department manages the City Shop and projects FY 2004 revenues to increase more than 11.5% to \$1.5 million – the first full year after the rate change, and FY 2005 to remain at the same FY 2004 level.



- **L.M. Cunningham Fund**

The L.M. Cunningham Fund supports the operating costs of the City arboretum, whereby City departments purchase trees and plant material at a predetermined rate based on size and condition of the plants. Donations and tree sales account for the largest portion of revenue and fluctuate from year to year. The Parks and Recreation Department projects a conservative projection of \$18 thousand for FY 2004 and \$19 thousand for FY 2005.

- **Risk Management Fund**

The Risk Management Fund accounts for the operation of the City's comprehensive liability and insurance programs and the Occupational Safety and Industrial Hygiene program. The City purchases required liability, property, and fiduciary bonds through this fund. Revenues are derived through direct billing to City departments calculated on the basis of loss exposure, actual losses and services provided. For FY 2004 and FY 2005, reimbursement revenue of \$1.8 million and \$2.0 million, respectively, is projected to increase over 9.5% each year from the prior year. At year-end, actual costs are compared to the billed costs and adjustments are made, if appropriate, in the following year's assessment to departments.

- **Workers Compensation Fund**

In FY 1999, the City established the Workers Compensation Fund to account for the operation of the City's self-insured workers compensation insurance program. Costs are billed directly to City departments on the basis of exposure, actual losses and services provided. FY 2004 reimbursement revenue of \$1.4 million is projected to increase 4.7% over FY 2003, followed by a 10.0% increase in FY 2005. At year-end, actual costs are compared to the billed costs and adjustments are made, if appropriate, in the following year's assessment to departments.

## **Fiduciary Funds**

The City maintains several fiduciary and agency funds to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds.

A description of the funds is provided in the Fund Review and the Financial Systems Overview.

- Deferred Compensation Fund
- Cemetery Perpetual Care Fund
- Humane Society Fund
- Housing Funds
- Boise City Trust Fund

### ▪ **Deferred Compensation Fund**

This fund accounts for the assets in the deferred compensation plans of the City held in trust for the exclusive benefit of employees. Revenues are derived from investment income and employee contributions. The City projections for FY 2004 and FY 2005 are conservative and relatively flat compared to prior years.

### ▪ **Cemetery Perpetual Care Fund**

This fund accounts for the maintenance of the Rose Hill Cemetery. The two primary revenue sources are interest revenue on prior perpetual care payments and net revenue from lot sales, after costs for services are deducted. For FY 2004 and FY 2005, both interest revenue and lot sale net revenue is projected to remain fairly constant from prior years.

### ▪ **Humane Society Fund**

This fund was established with a donation in which the principal amount was to be held in trust and all interest proceeds were to be given to the Humane Society. Investment revenue is the only revenue source and is a function of current economic conditions. For FY 2004 and FY 2005, revenues are projected to remain stable.

### ▪ **Housing Funds**

The City's five housing funds account for several revolving loan programs that provide low interest housing loans and support the operation and maintenance of low-income rental housing units. The revenue stream from the loans is used to fund the program and make new loans to qualified citizens. The City owns hundreds of affordable housing rental units and collects rental income to maintain the facilities and fund the property management costs.

Over the past several years, the City has purchased additional rental facilities including the Boulevard Motel and The Quality Inn, which have been renovated to provide single-person rental units. The City does not plan to add more rental units to the inventory and expects rental revenue to remain flat during FY 2004 and FY 2005. Total housing revenue is projected to be nearly \$5.0 million in each of the two budget years.



### ▪ **Boise City Trust Fund**

This fund accounts for items that must be held in trust for any reason. The City projects interest earnings in the amount of \$3 thousand for FY 2004 and \$4 thousand FY 2005. The main source of revenue is interest income, which is dependent on economic factors. The interest revenue is placed in a revolving loan fund to be used to fund loans for future Local Improvement District projects.