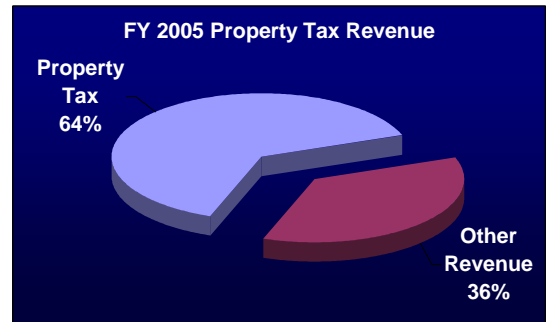
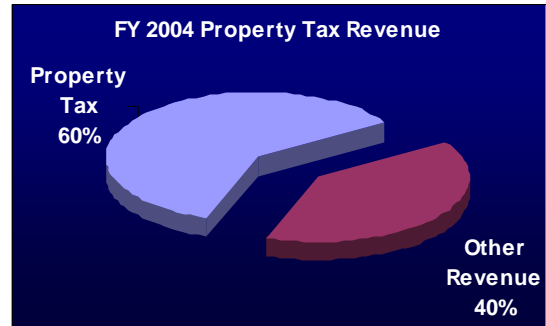


Revenue Manual Summary: Tax Funds

The City tax supported funds (General Fund and Capital Fund) support services and facilities including police, fire, library, planning and development, parks and recreation programs. See [Budget At a Glance](#) for quick overview on use of funds.

Property Tax Revenue

- The slowdown in construction activity that began in 2002 is projected to result in a lower assessed value on the “new construction roll” for both FY 2004 and FY 2005 than in each of the previous three years. This translates to an estimated \$1.4 million in property taxes from new construction for both FY 2004 and FY 2005, compared to over \$2.0 million in FY 2003, and a 4-year average of more than \$1.7 million.
- The February 2003 forecast for property tax proceeds in FY 2004 of \$68.3 million is revised downward by \$127 thousand due to lower than expected new construction values.
- Micron Technologies appealed \$640 million of their 2002 taxable valuation assessment. The Ada County Commissioners rejected Micron’s appeal to the Board of Equalization. Therefore, the FY 2003 tax levies included the Micron values. Micron subsequently appealed the County’s decision to the Fourth District Court. The case was settled in May 2003 with Micron’s assessed value lowered by \$394 million. This reduces the Boise City property taxes by \$2.3 million in the June 2003 disbursement. The City has the right under Idaho State Code (section 63-1305) to recover the \$2.3 million of lost revenue through a “judgment levy”. The \$2.3 million of lost revenue is shared between the general fund (\$2.1 million) and the Foothills Levy (\$164 thousand). The City Council chose NOT to seek the judgment levy in FY 2003.
- The \$10 million Foothills Levy approved by voters in May 2001 sunset with the 2003 levy. Because the Foothills Levy drops off the 2003 tax bills, the City’s tax rate will lower in 2004 than in 2003.



Sales Tax

- Slow economic growth is projected in FY 2004 and 2005, with modest sales tax revenue growth of 2.5% and 2.6%, respectively, compared to a 5-year (FY 1998-2002) average of 6.2%. The projection is based on slower economic growth during the two-year budget period during the previous six years.
- The Legislature passed a 1% sales tax increase effective May 1, 2003. Cities and counties were specifically excluded from sharing these new revenues.
- The projection of \$11.6 million for FY 2004 and \$11.9 million for FY 2005 is unchanged from the February 2003 Six Year Financial Plan forecast that was adopted by the City Council as a basis the 2YB.

Fines & Forfeitures

- The projection of \$3.0 million for FY 2004 and \$3.0 million for 2005 is \$75,000 less than the February 2003 Six Year Financial Plan. FY 2003 experience is lower than anticipated.

Franchise Fees

- Franchise fee projections for gas franchise fees of \$1.58 million reflect the impact of the 29% rate reduction approved in July 2002, plus a modest population growth factor.
- Cable franchise fees are projected to be flat due to the loss of cable modem fees in April 2002 and the continued loss of market share.

Interest Income

- The projection of \$507 thousand for FY 2004 is slightly less than the February 2003 Six Year Financial Plan forecast based on forecasts of the investment markets. The FY 2005 projection is \$104 thousand higher than February 2003 Six Year Financial Plan forecast.

Liquor Tax

- Premium liquor sales continue to boost revenues. Revenue projections of \$1.44 million in FY 2004 reflect a 4.3% increase (a 3.75% increase in the quarterly payments and a \$150,000 excess payment), and \$1.48 million in FY 2005 reflect a 2.7% increase (3% increase in the quarterly payments and a level \$150,000 excess payment), compared to 5.8% in FY 2002. The projected decrease in quarterly payments in FY 2005 assumes slower growth in sales counter to a slowly recovering economy.

User Fees

- Departments' estimates of fees of \$6.42 million for FY 2004 and \$6.48 million for FY 2005 are \$342 thousand and \$485 thousand lower than the February 2003 preliminary projections. Departments indicated the FY 2003 experience is lower than anticipated.

Internal Charges

- The \$535 thousand increase from FY 2003 revised projection of \$6.0 million to FY 2004 proposed of \$6.6 million is because of changes to the Indirect Cost allocation plan to accommodate the changes in the Information Technology division, increased citywide computer system development costs, and increased usage of central services from enterprise funds and other internal customers.

Development Fees

- The strong economic development boom during 1996 through 2001, averaging nearly \$6.2 million in development fees annually, slowed in 2002. FY 2002 was 35% below the FY 2001 level – the historical high year. The 2002 building level is projected to continue through FY 2004 and FY 2005, with revenues of \$4.9 million in each year.
- The \$4.9 million projection reflects the lag in the expected recovery. The projection is based on conservative forecast of building activity in Boise during FY 2004 and FY 2005.

Capital Revenues

- Tax funded capital projects are funded through four primary sources: a) electric franchise fees; b) interest income (expected to be significantly reduced from prior years); c) donations, grants and other dedicated sources, such as development impact fees dedicated to park development; and d) one-time money accumulated from savings by departments or through general city actions.
- Electric franchise fees are projected to fall to the pre-rate hike levels of mid-2001, adjusted for modest population growth of about 1.1 percent. Amounts beyond base levels (levels before rate increase of 2001) for electric will be allocated to excess City utility costs as directed in the policy adopted by City Council during FY 2001/2002 Budget development and reaffirmed in the development of the FY 2004 and FY 2005 2YB.

Tax Funds Revenue Watch Items for FY 2004 and FY 2005

“Watch items” are conditions or events that could impact City revenues during the two budget years. Watch items will be monitored during implementation of the two-year budget through the quarterly reporting process, to verify the accuracy of budget plan assumptions.

- ✓ Revenue related to property tax “new construction” values. *Assumption: Continuation of lower development activity at about 2002 levels.*
- ✓ Judgment levy issues resulting from the Micron property tax appeal decision. *Assumption: One-time decrease in property tax revenue.*
- ✓ Qwest property tax appeal pending. *Assumption: Potential reduction in FY 2004 property tax revenues.*
- ✓ Sales tax revenue sharing. *Assumption: Continuation of consumer spending at or above a 2002 level.*
- ✓ Property tax overdue payments. *Assumption: Continued anomalous high number of failures to pay property taxed when due because of significant layoffs of corporate employees.*
- ✓ Loss or reduction of cable franchise fees. *Assumption: Federal Communications Commission or court decisions and continued market share loss.*
- ✓ Development fees. *Assumption: Weak recovery of housing and commercial construction.*
- ✓ Fine revenue. *Assumption: Reduction in fine revenue per ticket issued. Possible impact through a cooperative study with Ada County of fine process.*
- ✓ Internal user fees, both administrative overhead costs and fee-supported services. *Assumption: Significant scrutiny by contract agencies and enterprise funds of all costs to find ways to reduce costs.*
- ✓ User fees. *Assumption: User fees will continue to exhibit sensitivity to economic conditions.*
- ✓ Interest income. *Assumption: Continuation of historical low rates.*

Revenue tables in the FY 2004 and FY 2005 Revenue Manual reflect actual revenues received from FY 1998 through FY 2002; adopted and revised projected amounts for FY 2003; and proposed revenues for FY 2004 through FY 2007.

