



Press Release

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City Council to Consider FY22 Budget

For the sixth year in a row, the Post Falls City Council will consider adopting a balanced budget with no tax increase. While the City is not requesting a tax increase, most residential properties will pay more taxes and most commercial properties will pay the same or less because residential properties are appreciating faster than commercial properties. This result is caused by the property taxing formula contained in Idaho state law.

Over the last thirteen years, the City has only taken one tax increase to replace the street light fee seven years ago.

The City's fiscal year 2022 (FY 22) budget is the roadmap for the ensuing fiscal year. The City uses a collaborative approach to budgeting where Department Heads review and prioritize the needs of the City to present the Council with a recommended fiscally responsible balanced budget based on service level priorities. A balanced budget means expenses match expected revenues. The City remains committed to making budgetary decisions that lead to investment in long-term stability and service levels.

The proposed General Fund budget of \$37.5 million reflects an increase in spending by \$5.2 million from the current budget. This increase is primarily attributed to the American Rescue Plan Act funds budgeted in FY 22. These funds are coming directly from the Federal Government and do not affect City property taxes. Other lesser increases in City revenues include increases in state pass through funds in sales tax and gas tax. Again, these funds do not affect City property taxes.

Highlights of the proposed budget include hiring two Police Officers, an Emergency Communications Officer, an Assistant City Prosecutor, a Senior Landscape Construction Worker, a Staff Engineer and a Projects Division Manager. New growth dollars in the budget will fund these new positions. Also of note are three patrol cars, city fleet vehicle replacements, parks equipment replacement, a city center parking project, COLA and

merit for City employees and increased medical premiums.

Mayor Jacobson stated, "The proposed budget is balanced, responsible and reflects the City's priorities and recovery from the largest public health crisis of our lifetime. Department Heads have worked very hard to reduce expenses, plan for projects, be efficient and still provide a high level of service to our citizens."

Over the last several years, a tax shift has been occurring to residential from commercial properties. The City has analyzed the data provided by Kootenai County and this shift will continue with the upcoming tax year. This tax shift is caused by uneven property value increases between residential properties and commercial properties. Because taxes are applied to each property's portion of the total property value of the City, an unequal rise in values causes a shift. For the last several years, residential property has increased in assessed value much more quickly than commercial.

The expected increase to residential taxes is not due to the City increasing taxes or increasing the levy rate. The City's new levy rate is estimated at \$3.33 per thousand dollars of market value. Last year's levy rate was \$3.91 per thousand dollars of market value. This is a reduction of approximately 14.6%.

According to the Association of Realtors, the average sale price of a home in Kootenai County increased by 33% in 2020. Over the prior five years, an average Post Falls home had seen a 150% valuation increase. During that same time frame, the same home saw a tax increase of 49.10%. This increase was due to taxes shifting from commercial properties and other properties with lower valuation increases. For the upcoming tax year, the Idaho Legislature approved a \$25,000 increase in the homeowner's exemption, thereby slightly reducing the tax shift. With the estimated 33% valuation increase, a 14.6% reduction in levy rate, and the additional homeowner's exemption, the tax shift that is estimated to occur this year will be approximately 15.6% for the average homeowner. The actual dollar increase is estimated at \$190 in city taxes and \$550 in taxes from all taxing districts. The increased homeowner's exemption reduced the full amount by approximately \$235.

The City analyzed the 15 properties receiving the largest tax relief amounts last year. Last year, these properties (all commercial/industrial) saw approximately \$312,000 in tax relief (shifted to other properties). This year, they are estimated to receive additional \$291,500 in property tax relief/shift. Many of these properties also saw tax relief in 2018 and 2019. These numbers are estimates because the City does not have complete access to the levy rates for the other taxing districts.

The City regularly communicates with State legislators regarding potential solutions to the tax shift. Increasing the homeowner's exemption was one such suggestion. Longer term solutions include re-indexing the exemption to track home values or limiting the effective valuation increases a property might experience annually. The City will continue to work with state legislators on potential changes to property tax regulations to reduce this tax shift brought on by rising residential market valuations.

Please contact the Finance Department for any questions regarding the budget at (208) 777-4504.