



City of Ketchum

CITY COUNCIL MEETING AGENDA MEMO

Meeting Date: Staff Member/Dept:

Agenda Item:

Recommended Motion:

No motion is required for the agenda item. Mayor & Council feedback requested.

Reasons for Recommendation:

This agenda item marks the second of several topics as part of the FY 2027 Budget Development process per the calendar shared in February 2026. The discussion will focus on Original and Additional LOT revenue, expenditures, and potential future scenarios.

Sustainability Impact:

The Draft General Fund Budget maintains the sustainability partnership with the County. This item, along with other partner contracts, will be addressed in a forthcoming session.

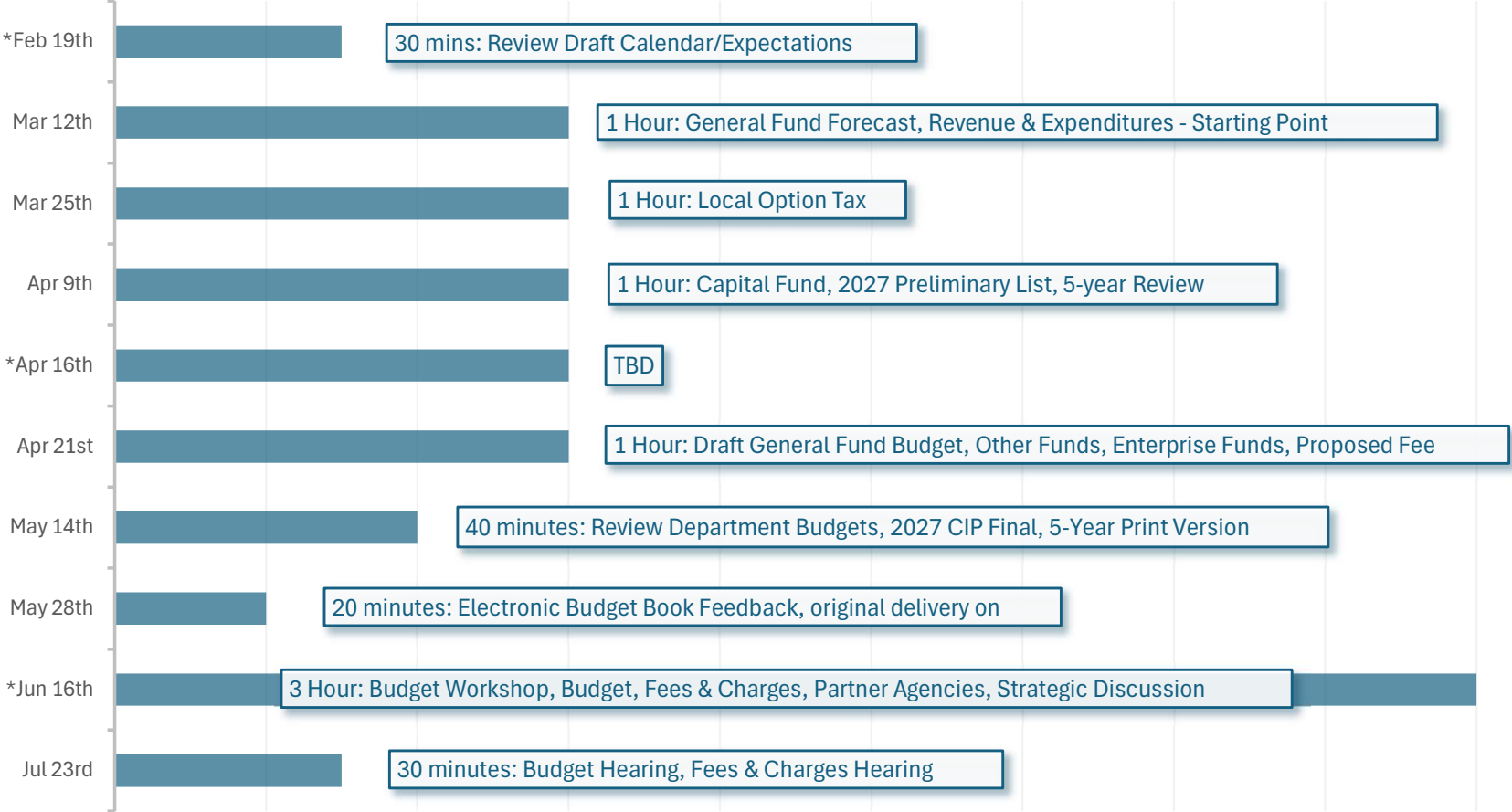
Financial Impact:

No immediate fiscal impact, however, the discussion sets the stage for potential trade offs in the future.

Attachments:

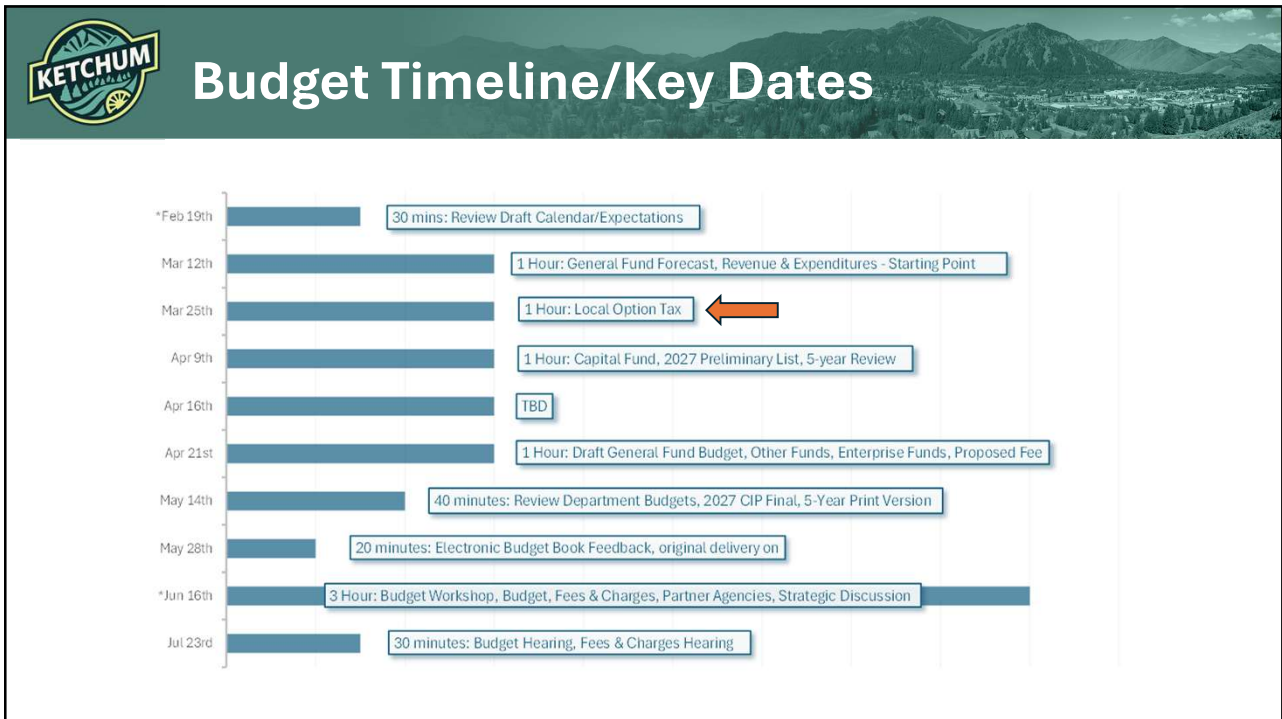
- 1. Budget Timeline - Key Dates
- 2. Slide Deck (PDF)
- 3. Lot Handouts

BUDGET TIMELINE/KEY DATES





FY 2027 Budget Development/Strategic Planning Local Option Tax Focus





LOT Discussion – WHY?

Expiration Dates

- Original LOT – December 31, 2027
 - Planned ballot measure November 2026
- Additional LOT – July 1, 2028
 - Planned ballot measure November 2027
 - Unless council wants to put additional question on 11/26 ballot
 - Accommodates the cooling period between LOT votes (11 months)
 - Pushes the timeline as far as possible

Funding Needs

- Capital Improvement Plan
- Housing



General Fund Forecast

General Fund Revenues

Revenue Source	FY 2025 Actual	FY 2026 Adopted Budget	FY 2027 Starting Point	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2031 Projected
1 Undesignated Fund Balance	\$8,032,793	\$5,206,993	\$3,971,393	\$3,971,393	\$3,619,091	\$3,137,507	\$2,520,708
2 Property Tax	\$5,307,324	\$4,795,518	\$4,962,875	\$5,129,131	\$5,300,957	\$5,478,539	\$5,662,070
3 Franchise Fees	\$666,212	\$665,500	\$705,000	\$719,100	\$733,482	\$748,152	\$763,115
4 Licenses & Permits	\$856,725	\$754,900	\$592,500	\$604,350	\$616,437	\$628,766	\$641,341
5 Grants	\$39,163	\$0	\$0	\$0	\$0	\$0	\$0
6 Highway State Share	\$289,963	\$250,000	\$300,000	\$306,000	\$312,120	\$318,362	\$324,730
7 Liquor Tax	\$334,489	\$395,000	\$395,000	\$402,900	\$410,958	\$419,177	\$427,561
8 Sales Tax Allocation	\$1,122,604	\$1,150,000	\$1,200,000	\$1,212,000	\$1,224,120	\$1,236,361	\$1,248,725
9 County Agreement/Shared	\$1,736,861	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$80,000
10 Charges for Services	\$1,187,771	\$1,026,678	\$1,026,678	\$1,057,478	\$1,089,203	\$1,121,879	\$1,155,535
11 Miscellaneous Revenue/Reimbursements	\$3,053,575	\$2,130,629	\$1,942,444	\$1,942,444	\$1,942,444	\$1,942,444	\$1,942,444
12 LOT Transfer & Reimbursement	\$2,005,000	\$1,205,000	\$1,327,700	\$1,354,254	\$1,381,339	\$1,408,966	\$1,437,145
13 Use of Fund Balance			\$228,709				
14 Total	\$16,601,687	\$12,453,225	\$12,760,906	\$12,807,658	\$13,091,060	\$13,382,646	\$13,682,666

General Fund Expenditures

Expenditure Type	FY 2025 Amended Budget	FY 2026 Adopted Budget	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected	FY 2030 Projected
15 Personnel	\$8,392,391	\$5,595,607	\$6,090,403	\$6,334,019	\$6,587,380	\$6,850,875	\$7,124,910
16 Materials & Services	\$9,025,156	\$6,110,140	\$6,217,503	\$6,372,941	\$6,532,264	\$6,695,571	\$6,862,960
17 Operating Capital	\$213,090	\$23,000	\$23,000	\$23,000	\$23,000	\$23,000	\$23,000
18 Operating Contingency/Transfers	\$1,796,850	\$724,478					
19 Total	\$19,427,486	\$12,453,225					
20 Net Surplus/(Assumed Use of Fund Balance)	-\$2,825,799	\$0					
21 Rebudgets & EOY Commitments		\$1,235,600					
22 Total Fund Balance	\$5,206,993	\$3,971,393	\$3,971,393	\$3,619,091	\$3,137,507	\$2,520,708	\$1,762,503
23 17% Assigned Fund Balance		\$2,117,048	\$2,169,354	\$2,237,193	\$2,307,349	\$2,379,906	\$2,454,948
24 Projected Unassigned Fund Balance		\$1,854,345	\$1,802,039	\$1,381,898	\$830,158	\$140,802	-\$692,445

General Fund has a long-term financial trajectory issue
Not a reasonable funding source to solve CIP or Housing



Capital Fund – Funding History

Revenues	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026B
Idaho Power Franchise Fee	\$291,866	\$331,030	\$331,957	\$348,998	\$300,000
General Fund Transfer	\$208,054	\$253,802	\$0	\$847,677	\$0
LOT Transfer	\$1,626,362	\$531,691	\$213,963	\$1,262,500	\$1,073,600
KURA	\$209,530	\$555,901	\$1,721,920	\$765,000	\$2,050,000

Denotes use of End of Year Savings/Adjustments, not originally budgeted (excluded in average below)

- 2022 \$1.1M addition in July 2022
- 2023 \$400k addition in August 2023
- 2025 General Fund and LOT transfers were FY 2024 EOY allocation that took place in 2025

FY 2022 – 2025 Averages

- Idaho Power Franchise Fee: \$325,963
- General Fund Transfer: \$115,464
- LOT Transfer: \$218,004
- KURA: \$813,088
- Total: \$1,472,519

B = Budget



Capital Fund – Funding Future

Revenues	FY 2027SP	FY 2028P	FY 2029P	FY 2030P	FY 2031P
Idaho Power Franchise Fee	\$320,000	\$320,000	\$320,000	\$320,000	\$320,000
General Fund Transfer	\$0	\$0	\$0	\$0	\$600,000
LOT Transfer	\$1,073,600	\$1,073,600	\$1,073,600	\$1,073,600	\$1,073,600
KURA (~average)	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	

- Outside of KURA: \$1.4M per year
- Goal for Streets alone is \$2.0M per year
- KURA final year 2030, Result as of today ~\$600k in annual tax base increase via growth formula

Capital Plan Need: \$2.0M+ per year

SP = Starting Point
P = Projection



Housing Fund

Historical Funding Source:

- Previous failed ballot measure
 - Addressed later in the slide deck as part of potential scenarios
- Additional LOT (0.5%)
 - Funding Dynamic changed via ballot measure on May 15, 2023
 - 1% to Air Service was split between Housing and Air Service
- County Contribution
 - Not planned in FY 2027
- In-Lieu Funds

- Examination of base expenses
- Reliance of EOY
 - OPP
 - Acquisition
 - New Construction

Must solve funding gap for Housing capital needs



Capital Fund – FY 2026 5-Year

		FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1 Revenue						
2 IDAHO POWER FRANCHISE		\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
3 INTEREST EARNINGS		\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
4 TRANSFER FROM GENERAL FUND		TBD	TBD	TBD	TBD	TBD
5 TRANSFER FROM LOT FUND		\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
6 URA FUNDING		\$ 2,300,000	\$ 4,000,000	\$ 2,300,000	\$ 2,300,000	
7 Total Revenue		\$ 3,625,000	\$ 5,325,000	\$ 3,625,000	\$ 3,625,000	\$ 1,325,000
8 Expenditures						
9 DOWNTOWN CORE SIDEWALK (P)	STREETS	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000	\$ 900,000
10 PAVEMENT MANAGEMENT PROG (P)	STREETS	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
11 POWER LINE UNDERGROUNDING (P)	FACILITIES	\$ 150,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
12 TECHNOLOGY UPGRADES/REPLACEMENT	ADMIN	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000	\$ 65,000
13 SUSTAINABILITY INFRASTRUCTURE	ADMIN	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
14 REPLACE CITY TRASH CANS	FACILITIES	\$ 10,000		\$ 10,000		\$ 10,000
15 TASERS	POLICE	\$ 7,000		\$ 7,000		\$ 7,000
16 2000 ELGIN GEO VAC TRUCK SWEEPER REPLACEMENT	STREETS	\$ 450,000				
17 SH-75 PATHWAY CONSTRUCTION	STREETS	\$ 257,000				
18 ZAMBONI	PARKS	\$ 60,000				
19 POLICE VEHICLE REPLACEMENT	POLICE	\$ 60,000				
20 RIFLE REPLACEMENT	POLICE	\$ 18,000				
21 TOOL CAT/BORCAT REPLACEMENT (STREETS)	STREETS	\$ 83,000				
22 CRACK SEALER REPLACEMENT	STREETS	\$ 90,000				
23 YMCA PARKING PHASE 2	FACILITIES	\$ 800,000				
24 MINI SWEEPER (FACILITIES)	FACILITIES	\$ 150,000				
25 SH-75 CORRIDOR SIGNAL UPGRADES	STREETS	\$ 140,000				
26 TOOL CAT/BORCAT (RECREATION)	PARKS	\$ 60,000				
27 KENWORTH REPLACEMENT DUMP TRUCK (STREETS)	STREETS	\$ 300,000				
28 00' FLAT BED REPLACEMENT (STREETS)	STREETS	\$ 70,000				
29 HOT PATCHER REPLACEMENT	STREETS	\$ 100,000				
30 BIKE PARK RELOCATION	PARKS	\$ 250,000				
31 HOUSING PROJECTS (LEFT TOWER)	HOUSING	\$ 2,200,000				
32 EAST AVENUE RECONSTRUCTION 2ND & 5TH	STREETS		\$ 1,650,000			
33 CAT 96Z LOADER REPLACEMENT (STREETS)	STREETS		\$ 550,000			
34 WARM SPRINGS/LEWIS ROUNDABOUT	STREETS		\$ 250,000	\$ 1,220,000		
35 VEHICLE REPLACEMENT (STREETS)	STREETS		\$ 60,000	\$ 60,000		
36 PLOW REPLACEMENT (STREETS)	STREETS					\$ 600,000
37 Total Expenditures		\$ 5,000,900	\$ 6,465,000	\$ 5,722,000	\$ 4,475,000	\$ 3,812,000
38 Annual Net Position		\$ (1,375,900)	\$ (1,140,000)	\$ (2,097,000)	\$ (850,000)	\$ (2,487,000)

The graphic to the left is the same as provided in the FY 2026 Budget book with one addition (line 30).

It is provided as an illustrative and is not final, nor is a working draft.

This exhibit will be provided to Mayor and Council prior to the April 9 meeting and will be a true “starting point” at that time.



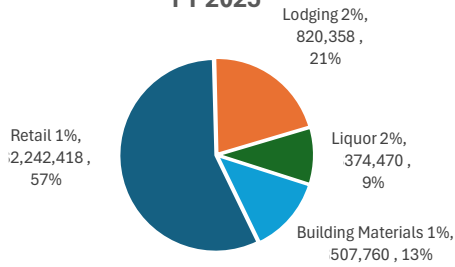
Original LOT "AS IS"



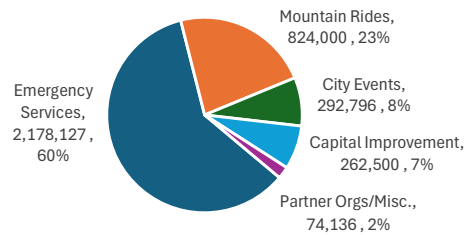
Original Local Option Tax (LOT)

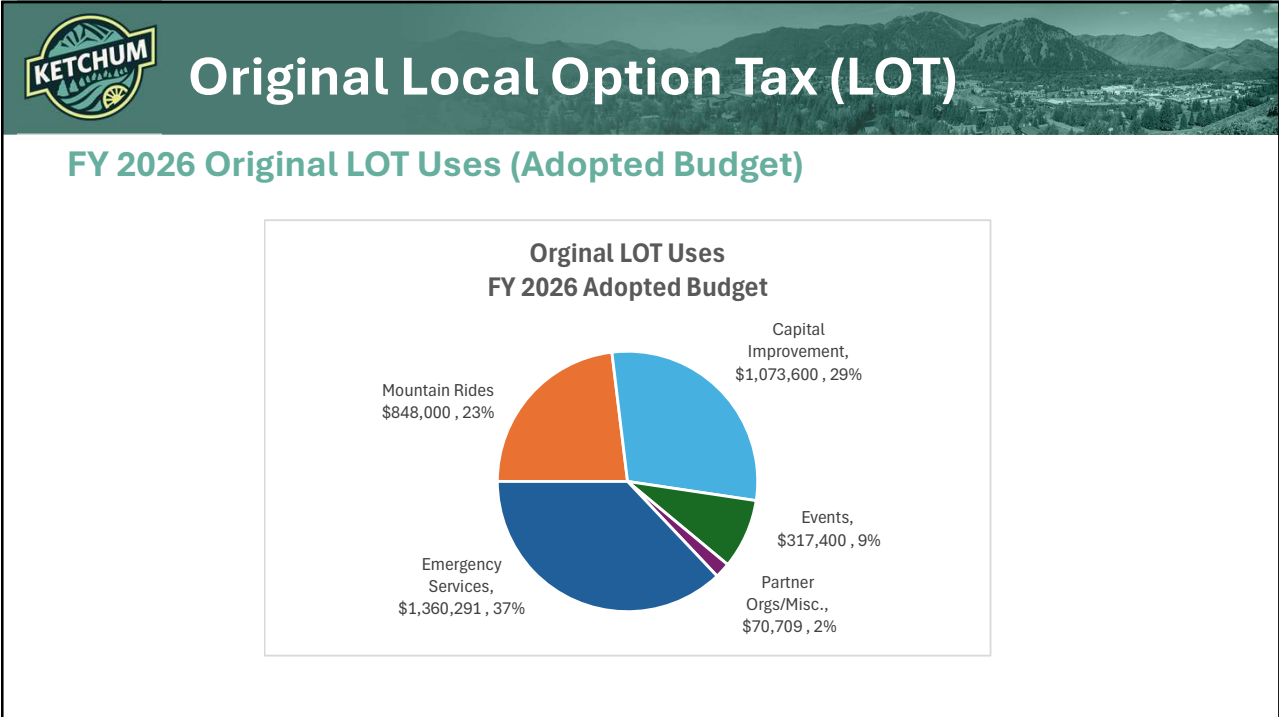
FY 2025 Original LOT Charts

Original LOT Sources
FY 2025



Original LOT Uses
FY 2025





Original LOT

Current Rates	%
Retail/Building Materials	1%
Hotel/Condo	2%
Liquor	2%

Original LOT Revenue

	FY 2024	FY 2025	FY 2026B	FY 2027 SP
Original LOT Tax	\$3,717,389	\$4,001,450	\$3,600,000	\$3,800,000
Interest Earnings	\$20,248	\$16,349	\$10,000	\$10,000
Transfer from Additional 1% LOT	\$66,247	\$48,945	\$60,000	\$60,000

B = Budget
 SP = Starting Point



Original LOT

Contributions to Other Funds

	FY 2024	FY 2025	FY 2026B	FY 2027 SP
General Fund (Public Safety)	\$2,000,000	\$2,000,000	\$1,200,000	\$1,322,700
Wagon Days	\$171,250	\$166,850	\$197,400	\$224,700
Capital Improvement	\$213,654	\$1,262,500	\$1,073,600	\$1,073,600

Points of Discussion:

- FY 2025 transfer to CIP, EOY Allocation
- FY 2026 Budget does not include EOY allocations
- Any concerns/questions?

Denotes use of End of Year Savings, not originally budgeted

B = Budget
SP = Starting Point



Original LOT

Contributions to Other Agencies

	FY 2024	FY 2025	FY 2026B	FY 2027 SP
SVED	\$17,250	\$18,750	\$15,000	\$15,000
Idaho Dark Sky Alliance	\$2,500	\$2,500	\$3,000	\$3,000
Mountain Rides	\$796,000	\$824,000	\$848,000	\$878,000
Friends of Sawtooth	\$5,000	\$15,000	\$10,000	\$10,000
Consolidated Dispatch	\$171,395	\$178,127	\$160,291	\$185,000
Mountain Humane	\$4,078	\$3,226	\$2,995	\$3,000

Points of Discussion:

- FY 2026B based on agency requests and Council Approval
- Consolidated Dispatch number adjusted - No Fire
- Council Direction: Any areas that you would like to change?

B = Budget
SP = Starting Point



Original LOT

Other Expenses

	FY 2024	FY 2025	FY 2026B	FY 2027 SP
Professional Services	\$27,591	\$27,000	\$22,000	\$27,000
Administrative	\$5,000	\$5,000	\$5,000	\$5,000
Events/Promotions	\$51,281	\$125,946	\$120,000	\$120,000

Points of Discussion:

- Professional Services
 - STR Platform
- Events Detail
 - Jazz in the Park
 - Summer Solstice
 - Winter Solstice
 - Ketch'em Alive
 - Holiday Tree Lighting
 - Partnerships
 - Trailing of the Sheep
 - Farmers Market

B = Budget
SP = Starting Point



Original LOT Discussion Points

Contributions to Other Funds?

- General Fund
- Wagon Days
- CIP

Contributions to Other Agencies?

Other Expenses?

- Events



Additional LOT

Current Rates	%
Retail/Building Materials	1%
Hotel/Condo	1%
Liquor	1%

Additional LOT Revenue

	FY 2024	FY 2025	FY 2026B	FY 2027 SP
Additional 1%	\$3,010,151	\$3,263,932	\$2,900,000	\$3,300,000

- FY 2027 Budget Starting Point is a budgetary reset

B = Budget
SP = Starting Point



Additional LOT

Additional LOT Expenses

	FY 2024	FY 2025	FY 2026B	FY 2027 SP
Sun Valley Air Service Board	\$1,488,047	\$1,479,906	\$1,421,000	\$1,620,000
Fund Balance Release		\$299,125		
Transfer to Original LOT	\$66,247	\$48,945	\$58,000	\$60,000
Transfer to Housing	\$1,505,075	\$1,624,851	\$1,421,000	\$1,620,000

B = Budget
SP = Starting Point



Local Option Tax “Potential Scenarios”



Original LOT “Scenarios”



Original LOT Scenario A “AS IS”

Maintain Current Rates	%	FY 2025
Retail	1%	\$2.24M
Lodging	2%	\$820K
Liquor	2%	\$374k
Building Materials	1%	\$508k
Total		\$3.95M

Points of Discussion:

- No Financial Lift
- Focuses on maintaining status quo Original LOT



Original LOT Scenario B “1% Increase”

	%	~\$ Increase
Retail/Building Materials	1% to 2%	\$2.75M
Hotel/Condo	2% to 3%	\$410k
Liquor	2% to 3%	\$187k
Total		\$3.35M

Points of Discussion:

- Significant Financial Lift
- Likely solves both CIP and Housing Funding Deficits (would have to allow housing expense)
- City would become more dependent on LOT funding



Original LOT Scenario C “4% Lodging”

	%	~\$ Increase
Retail/Building Materials	1%	\$0
Hotel/Condo	2% to 6%	\$1.64M
Liquor	2%	\$0
Total		\$1.64M

Points of Discussion:

- Significant Financial Lift
- Likely solves Housing deficit, Potential help for CIP funding deficit
- Would increase total Housing Tax to 15%
 - State Sales Tax: 6%
 - State Travel/Convention Tax: 2%
 - Original LOT: 6%
 - Additional LOT: 1%



Lodging Tax Comparables

Other Cities	Total State	Total LOT	Total Tax
Cascade	8%	1%	9%
Ketchum (current)	8%	3%	11%
Sun Valley	8%	4%	12%
Lava Hot Springs	8%	5%	13%
Hailey	8%	6%	14%
McCall	8%	7%	15%
Driggs	8%	8%	16%
Victor	8%	8%	16%
Sandpoint	8%	14%	22%

- Hailey: Increased from 4% to 6% LOT via November 2025 Ballot - Passed with 75.3%
- Driggs: Increased from 6% to 8% LOT via November 2025 Ballot - Passed with 65.5%
- Victor: Increased from 6% to 8% LOT via November 2025 Ballot - Passed with 82.7%
- Sandpoint: Increased from 7% to 14% LOT via November 2022 Ballot - Passed with 64.8%



Mayor/Council Discussion



Additional LOT “Scenarios”



Additional LOT Scenario A “AS IS”

Maintain Current Rates	%	FY 2025
Retail	1%	\$2.24M
Lodging	1%	\$410K
Liquor	1%	\$94k
Building Materials	1%	\$508k
Total		\$3.35M

- No Financial Lift
- Focuses on maintaining status quo Additional LOT



Additional LOT Scenario B “Mix Change”

	%	~\$ Change
Air Service	0.5% to 0.25%	(\$835k)
Housing	0.5% to 0.75%	\$835K

Points of Discussion:

- Move an estimated \$835k in funding from Air Service to Housing
- Solves the majority of the Housing Funding Deficit
- Significant reduction to Air Service funds, currently paid to Visit Sun Valley



Additional LOT Scenario C “Transportation”

	%	~\$ Change
Air Service	0.5% to 0.25%	(\$835k)
Housing	0.5%	\$0
Transportation	0% to 0.25%	\$835k
Total		\$1.67M

Points of Discussion:

- Move an estimated \$835k in funding from Air Service to a new category, Transportation
- Does not address housing needs, however, addresses transportation to include public transportation and potentially streets
- Significant reduction to Air Service funds, currently paid to Visit Sun Valley



Previous LOT Ballot Measure

- May 2022 Ballot Measure
 - 53% in favor, 47% against
 - 82 votes short for 60% threshold
- Retail increase: .75% Total: 2.75%
- Lodging increase: 2.0% Total: 5.0%
- Liquor increase: 2.0% Total: 5.0%
- Building Materials increase: 1.0% Total: 3.0%

	%	~\$ Increase*
Retail	Increase 0.75%	\$1.68M
Hotel/Condo	Increase 2%	\$820k
Liquor	Increase 2%	\$374k
Building Materials	Increase 1%	\$508k
Total		\$3.38M

*Increase is based on FY 2025 actual receipts as a reference



Mayor/Council Discussion

ORIGINAL LOT

Scenario 1 “As-Is”	
Retail	1%
Lodging	2%
Liquor	2%
FY 2025 Collection: \$3.95M	

Scenario 2 1% Increase Each*	
Retail	2%
Lodging	3%
Liquor	3%
Financial Lift: \$3.35M	

*Potential to dedicate part/all to CIP or Housing

Scenario 3 Lodging +4%*	
Retail	1%
Lodging	6%
Liquor	2%
Financial Lift: \$1.64M	

* Dedicated to CIP or Housing

**Likely not in combination with Scenario 2 or at a lesser amount

ADDITIONAL LOT

“As-Is” Percentages	
Retail	1%
Lodging	1%
Liquor	1%

Scenario 1 “As-Is” Allocation	
Air Service	50%
Housing	50%
Current Collection	
Air Service	\$1.67M
Housing	\$1.67M

Scenario 2 Allocation Change	
Air Service	25%
Housing	75%
\$ Change	
Air Service	\$835k
Housing	\$2.51M

Scenario 3 Allocation Change	
Air Service	25%
Housing	50%
Transportation	25%
\$ Change	
Air Service	\$835k
Housing	\$1.67M
Transportation	\$835k