



AGENDA REPORT

City Council Meeting

TODAY'S DATE: July 1, 2025

MEETING DATE: July 9, 2025

TO: Mayor and City Council

FROM: Sarah Lynds, Finance Director

SUBJECT: Preliminary Budget FY 2026

DESCRIPTION/BACKGROUND: The preliminary budget establishes the maximum level of expenditure for the upcoming fiscal year, which, following Council approval, cannot be exceeded. Upon approval of the preliminary budget, the Council will also set the date for a public hearing where public testimony on the proposed FY2026 budget will be heard prior to adoption of the budget. The proposed public hearing date is August 20, 2025.

Included in the Council packet is the FY2026 Proposed Expenditure Budget Worksheet. As reflected in the worksheet, the proposed budget maximum for adoption is \$49,927,665, which is a decrease of \$571,389 (1.13%) compared to the FY2025 budget.

In accordance with the 2026-2027 City of Sandpoint Strategic Plan, the proposed FY2026 budget reflects capital expenditures for multiple water and wastewater projects, including design and phased upgrades/replacements to the wastewater treatment plant. These projects are funded through utility user fees. In addition, the proposed budget includes funding for the stormwater master planning, which will allow the City to evaluate the need for establishing a stormwater utility. In alignment with the Strategic Plan, an additional \$7,255,000 has been included in the FY2026 budget for street and sidewalk projects. These projects are funded from the additional 7% Resort City Tax Short-Term Lodging Hotel/Motel – Local Option Tax passed by the voters in 2022, General Fund (property tax/state revenue sharing and in-lieu fees), grant funding, Sandpoint Urban Renewal Agency, and the fees generated from new construction impact fees (Capital Project Fund).

In accordance with the 2022 Sandpoint Strategic Priority Workforce Productivity a complete compensation review was completed during FY2025 and the recommendations from this study have been included as part of the FY2026 budget. In addition, step increases for employees commensurate with the adopted Salary Administration Policy have been included. The budget also includes funding a potential 20% increase in costs for health insurance at the renewal date of January 1, 2025, increases to PERSI contribution rates and other changes to employee benefits.

In the proposed FY2026 budget, expenses across City departments either increase, due to one-time projects or changes in employee 'home' department/division classifications or are consistent with FY2025. One significant change to note is that the Engineering Division budget has been combined into Public Works Administration.

Overall, General Fund expenditures have increased by \$69,172 (.32%) from FY 2025, and Special Revenue Funds will decrease by \$244,216 (5.67%). The Proprietary Funds (Water, Wastewater and Solid Waste/Garbage) decreased by \$396,344 (1.68%).

The proposed FY2026 budget anticipates levying \$5,381,169 in property taxes in accordance with State law. The current year budget does not reflect property tax relief due to actual FY2024 resort city occupancy/lodging tax revenues that were less than anticipated and budgeted. The FY2026 property taxes to be levied are \$328,302 more than the prior year's levy amount of \$5,052,867.

As of July 1st 2025, the City has not received the preliminary new construction amount, but the anticipated amount used for budgeting purposes is \$50,277,778, with 90% of this value available for levy purposes, resulting in projected property tax revenues for new construction of \$120,512. *The final levy rate to use for the new construction calculation will not be available until later in July.* (State law per House Bill 389, passed by the Idaho Legislature in 2021, requires entities to use the 2025 Net Taxable Value for the preliminary levy rate, which will not be available until after the third Thursday in July.) The proposed budget also includes levying \$54,273 of the total \$348,476 available forgone property tax from prior years for the purchase of public safety vehicles. This amount is also subject to change when the 2026 net taxable value is released.

A digital budget book has been posted online, with a link available under Latest News from the City home page, www.sandpointidaho.gov. A direct link can also be found at the end of this staff report. The budget book contains a narrative discussion of the FY2026 proposed projects, maintenance, and operations, as well as a comprehensive Capital Improvement One-year Plan, which includes all capital projects over \$100,000. It also provides an analysis of the proposed budget, as compared to prior years' revenues and expenses and includes the actual expenses from FY2023 and FY2024.

An initial budget workshop will take place at the July 9, 2025, City Council meeting covering Capital Improvement Plan (CIP) projects, as well as the operating budgets for the Fire Department, Central Services Department (City Clerk's Office, Human Resources Division, Information Technology Division, Contracts/Grants Division and Central Services/General Government Projects), the Finance Department, the Streets Division of the Public Works(PW) Department, and the Planning, and Building Divisions of the Community Planning and Development (CPD) Department.

A second budget workshop will take place at the August 6, 2025, meeting and will cover the operating budgets for the Police Department, the Park and Recreation Division, and CPD Administration of the CPD Department, and the Administration/Engineering and Utility Divisions (Water, Wastewater, Solid Waste, Fiber and Stormwater) of the PW Department.

If it is determined that additional budget workshops are needed in advance of the public hearing and final adoption, additional special meetings can be scheduled. As noted above, the public hearing and final adoption of the FY2026 budget is proposed for August 20, 2025, regular City Council Meeting.

STAFF RECOMMENDATION: Approve the Preliminary Maximum Budget for Fiscal Year 2026 and schedule the public hearing for August 20, 2025, to take public testimony and consider adoption of the final FY2026 budget.

ACTION: Motion to adopt the proposed budget ceiling for FY2026 and schedule the budget public hearing for August 20, 2025.

WILL THERE BE ANY FINANCIAL IMPACT? Yes

HAS THIS ITEM BEEN BUDGETED? To be considered

ATTACHMENTS:

- 1) Proposed Notice of Public Hearing for Proposed FY2026 Budget
- 2) Proposed Expenditure Budget Summary
- 3) Draft Proposed Resolution for Intent to Use Foregone Levying Authority (to be considered at the August 20, 2025, meeting)
- 4) Capital Improvements One-year Plan Summary

DIRECT LINK TO PRELIMINARY BUDGET and CIP BOOKS:

<https://city-sandpoint-id-cleardoc.cleargov.com/11437>

<https://city-sandpoint-id-cleardoc.cleargov.com/11279>