

March 4, 2023

To: City of Eagle Mayor and City Council

Subject: Comments and recommendation pertaining to the Avimor Annexation

While I have concerns on various elements of this project my comments and recommendation contained herein are limited to financial impacts on the City of Eagle and its residential property owners.

The basis of the information presented is extracted from narrative or schedules included in the Tischler and Eberle reports that have been filed for this project plus generally known and available public information.

The reports in themselves do not present a favorable economic picture of this annexation for the City of Eagle. No inflation is considered in the development of either projection. **While this may be a valid projection model it DOES NOT reflect current reality.**

**Significant factors that will impact the City of Eagle regarding an annexation of Avimor are presented below:**

A summary of major revenues and expenditures for FY 2021 are necessary to provide context in discussing this annexation.

Major Revenues:

Licenses, permits and fees	\$5,281,528	39%
Taxes	\$4,066,126	29%
Intergovernmental	\$3,715,207	27%

These 3 sources of income represent 95% of total income.

Major Expenditures:

General government	\$5,829,699	43%
Public safety	\$3,213,834	24%

Local governments expenditures are composed primarily of personnel expenses. Expense increases and increased service demands drive this category of expenditures.

The income sources described above provide for 93% of the total City expenditures. The largest two categories (licenses, permits and fees; and taxes) are under attack due to inflation and public concern over their levels.

Eagle has always been significantly reliant on licenses, permits and fees for meeting its budgetary needs. The current inflation rate has caused the Federal Funds Rate to increase dramatically and has increased mortgage rates consistent with that change. Even more increases appear to be in the offing. The effect has been to slow residential housing development statewide. **It is questionable that Avimor will be able to build the number of residential units in their projection. This will have a significant negative impact on Eagle.**

Property tax levels have been a concern for the last number of years as property values have sky rocketed on residential property relative to commercial property. This has caused a significant shift of the tax burden to residential property. The State Legislature has promised relief but has failed to accomplish it. Their latest adopted change was in HB389 which limited the amount of annexation and new growth to 90% in the funding formula. The effect of this was to reduce the resulting property tax from an annexation or new growth and its ability to pay its own way. It also transfers property taxes to existing home owners. There are several property tax relief bills that are under discussion in the current legislative session. They follow a general pattern of increasing the Home Owners exemption and indexing it for inflation. As an example, one proposed change is to increase the Home Owners' exemption from \$125,000 to \$250,000. **This would not decrease the property tax burden only shift it to higher value residential properties.** These bills and others that will get proposed will be discussed near the end of the current legislative session. **Any increase in the level of the Home Owners exemption will have an additional negative impact on Eagle Home Owners.**

Inflation has been a significant problem for individuals, business and government entities for some time and continues to be so now. The federal response so far has not had much effect on inflationary impacts at all level of expenses. **Any time inflation exceeds 3% it has a negative effect on Idaho governments due to the property tax limitation.** One recent local indication of this inflationary pressure is the settlement of the Boise City Police contract that included 13% raises over 2 years as well as a 13 % increase in starting salaries as well as additional sick leave and specialty pay. These kinds of changes quickly track through wage and benefit levels. In addition, there are very large (30%+) increases proposed by the utility companies at the Public Utilities Commission.

**Dealing with the inflationary pressures that exist now and in the near future will be a significant issue due to the expenditure pressures and the related negative impact on your two major income sources in the current economic and political environment.**

The Eberle report makes mention of the future use of Community Infrastructure Districts (CID) to finance public infrastructure. Avimor has one in place as does Harris Ranch. The Harris Ranch CID is presently in litigation questioning its legality. The outcome is not known at this time. **This potentially leaves Avimor without a known funding source for public infrastructure. The annexation should not move forward without a known, sufficient funding source to provide for public infrastructure.**

**THERE Will BE A SIGNIFICANT LONG TERM IMPACT ON CITY OF EAGLE PROPERTY TAX PAYERS IF THIS ANNEXATION IS APPROVED.**

Eagle has one of the highest average housing values in the State at approximately \$950,000 per residence. The 4 highest average housing values by type of housing in the Avimor development in Ada County (accounting for 84% of the number of units to be constructed) is approximately \$750,000. **Using the existing \$125,000 home owners' exemption, Eagle residents will be subsidizing Avimor home owners for 32% of their property tax bill. If you consider a \$250,000 home owners' exemption the subsidy increases to 40%.**

The magnitude of the potential dollar value of the subsidy gets put into perspective when the five major taxing entities shown below are considered in the mix.

A typical Eagle property tax bill looks like this:

Ada County	32%
West Ada School District	25%
Eagle Fire District	20%
Ada Co Highway District	<u>10%</u>
subtotal	87%
City of Eagle	<u>9%</u>
total	96%

These five entities represent 96% of the total tax bill and all will be on an Avimor property tax bill. **Their impact will become part of the Eagle property tax bill after annexation and the subsidy will apply to those balances as well.**

**In my opinion, two of the entities described above currently do, and in the future will face additional growth and financial pressures as described below.**

The West Ada School District is facing significant facilities pressure due to the Treasure Valleys rapid growth. New facilities, expansion of existing ones, and needed major upgrades generally fall to the property taxpayers. The State disavows any responsibility in this area.

Providing fire services is very expensive. Correspondingly, the Eagle Fire District budget is approximately 79% the size of Eagles budget and is 81% supported by property taxes. It includes an administrative office and four stations of which three are in the City of Eagle. They are subject to the same inflationary pressures on compensation elements and operating expenditures as is Eagle. **In addition, as they struggle with industry standards and appropriate response times it will require a new fire station to serve Avimor. That adds facilities, crews and equipment and significantly increases cost.**

**WHY WOULD THE CITY OF EAGLE EXPOSE ITS RESIDENTS TO SUCH A HUGE SUBSIDY OF AVIMOR? IT DEFIES LOGIC!**

**IN VIEW OF THE ITEMS DISCUSSED ABOVE I RECOMMEND THAT YOU ADOPT THE PLANNING AND ZONING RECOMMENDATION TO NOT APPROVE THIS DEVELOPMENT**

Thank you for your consideration. If you desire clarification or an explanation of what I have presented you may contact me at: [spurvis66@msn.com](mailto:spurvis66@msn.com) or (208) 830-1347.

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