

COST OF SERVICES STUDY

TETON COUNTY, IDAHO

OCTOBER, 2004

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CITY OF DRIGGS, IDAHO
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INTRODUCTION

The priority objective of this study is to review the expenditures and revenues that accrue to the Teton County budget as result of the Community's strong rate of growth. The secondary objective is to review the differential in costs between residential subdivisions that occur at considerable distances from the existing core of development and subdivisions that could occur in close proximity to the existing communities. As the project unfolded, a far-reaching question arose about the escalating cost of government and the consequence to the long-term fiscal condition of the County.

This report addresses all three questions. Part I presents an overview of the general budget during the fiscal years of 2000 through 2003. The annual expenditures and revenues for the General Fund accounts are presented for each of the four fiscal years. A composite summary of the Special Revenue accounts also is presented for the same time period. These expenditures and revenues are then combined for a broader overview of the County's General Government budget.

Part II of the report presents projected expenditures and revenues to the year 2010 based on the trends that occurred during FY 2000 – FY 2003. These projections assume the past trends continue and do not contemplate policy or statutory changes that could alter the future expenditures and revenues.

Part III contains a more detailed view of four governmental functions. The net cost per dwelling unit is estimated for General Government, Fire Fighting, Law Enforcement and Education for each of the fiscal years of 2000 through 2003.

Direct correlations between growth and the interrelated expenditures and revenues of local government are difficult to define. This analysis provides a starting point. It introduces objective information that can be refined and perfected over time to better assess the pressures and constraints that affect the community's public pocketbook.

Limitations on property tax revenues that are stipulated in state statutes create the need for deliberate financial planning by Idaho counties. Property tax revenue collected by county governments can increase no more than three percent above the highest amount collected during the past three years. This statutory limitation can cause problems in rapidly growing counties where the demand for services is growing by more than three percent. This report introduces a long-term view of Teton County finances, taking into consideration the three percent limitation, and provides a first step to better understand the pressures and limitations on the County budget.

While expenditures and revenues accrue to public sector budgets from development, private businesses materially benefit from population growth and new construction. This

economic vitality should be embraced as it signifies a successful community. The strength and stability of the County's fiscal position are crucial, however, if the successful private economy is to be sustained. Public sector services and infrastructure must be reliable and match the demands of a growing community if new investment is to continue and the quality of life is to be preserved.

Private investment follows public initiative. Establishing a long term view of the public sector budget and identifying needed adjustments before a crisis occurs is the type of public initiative that private investors value. It also is the type of forward-looking effort that ensures public services and infrastructure keep pace with the demands for them, and therefore, preserves Teton County's quality of life.

This report is formatted for easy inclusion of FY 04 data when it becomes available. The budget information for FY 04 can be added upon its availability to keep the report current with the most recent information.

Communities frequently provide tax support for their local hospitals. Teton County is a pleasant exception, however, as the Teton Valley Hospital has a long-standing history of funding its operation with user fees, grants and private fundraising efforts. Teton County government contributes \$30,000 annually to the hospital, but the balance of the \$7.5 million dollar operations budget is funded from other sources. Except for the County's annual \$30,000 expenditure, the Hospital is not included in this analysis of expenses and revenues.

Several Teton County officials made significant contributions to this report. Sheriff Ryan Kaufman, Fire Chief Gary Henrie, School Superintendent Gordon Wooley and Road and Bridge Superintendent Ralph Eggbert were generous with their time and provided valuable assistance in the preparation of this report. County Clerk Nolan Boyle is especially recognized for the information and guidance he provided, which have substantially improved the quality of the data that follows.

This report is commissioned and funded by the Valley Advocates for Responsible Development. The Cities of Driggs and Victor provided valuable oversight during the analysis. The assistance of Mayor Louis Christensen, Doug Self and Craig Sherman is greatly appreciated in this role.

PART I

BUDGET OVERVIEW

The Teton County budget can be viewed in terms of expenditures, revenues and reserves. Current expenditures are the expenses incurred during a given fiscal year. Similarly, current revenues are the various types of income that arrive during the year. The budget also includes cash reserves or savings that carry over from year to year.

This report focuses on current expenditures and current revenues for each of four fiscal years. Cash reserves and savings are available to cover any year-end deficit and ensure a balanced budget every year.

The budget overview presents three views of the County General Government budget. Table 1 compares the current expenditures and revenues for the General Fund accounts. Table 2 presents the expenditures and revenues for a composite of the Special Revenue accounts. And Table 3 combines the two for a broader overview. The Fire and School Departments are supported by separate taxing districts and therefore, are not included in the overview of the General Government accounts.

As shown in Table 1, expenditures for the General Fund accounts have grown an average of 14% per year in the Teton County budget during the four fiscal years of 2000 through 2003. Annual property tax collections and non-property tax revenues for General Fund accounts have grown on average 2.8% and 8.8% respectively for the same time period. The year-end results show net surpluses of \$208,200 in FY 00 and \$158,300 in FY 01. The year-end results were net deficits the following two years. Fiscal year 02 resulted in a deficit of \$55,400 and FY 03 produced a deficit of \$142,900.

| TABLE 1 | | | | | | | |
|---|-----------|-----------|-----------|-----------|-------|------------------------|-------------------|
| BUDGET OVERVIEW GENERAL FUND ACCOUNTS¹ | | | | | | | |
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Ann. Change | Overall Change |
| Expenditures | 1,258,100 | 1,546,400 | 1,762,700 | 1,854,900 | | 14.0% | 47.4% |
| Property Tax | 705,500 | 724,200 | 804,600 | 761,100 | | 2.8% | 7.9% |
| Non-property tax Revenue | 760,800 | 980,500 | 902,700 | 950,900 | | 8.8% | 25.0% |
| Yr. End Total | 208,200 | 158,300 | (55,400) | (142,900) | | (105%) | (169%) |
| <p>1. General Fund accounts include Clerk, Assessor, Treasurer, Commissioners, Coroner, Attorney, Building & Grounds, County Agent, Data Processing, Elections, General, Planning & Zoning, Sheriff, Civil Defense, Jail, and Emergency Services.</p> | | | | | | | |

Table 1 also shows that expenditures increased approximately \$600,000 while revenues increased about \$245,000 during the four years. The majority of the revenue increase

(\$190,000) came from non-property tax sources. Approximately one-quarter of the non-property tax revenues are received from the state and are distributed on a per capita basis. As the local population grows, these state transfers also grow. But many of these revenues are user fees and not based on population. The County has responded strongly by increasing these revenue sources in the face of growing expenditures. A closer review of these revenues is needed, however, to evaluate the ability to continue increasing them to in the face of a growing gap between expenditures and property tax revenue.

Table 2 presents an overview of the Special Revenue accounts and shows these funds to be fiscally stronger but more sporadic. The revenues for these funds increased almost \$330,000 over the four years while expenditures increased \$218,000.

The Road and Bridge account is not included in this review. It does not receive funding from property taxes and is self supported by other revenues, mostly highways user funds from the State. These state funds frequently accumulate for a couple of years before being expended on a substantial road project. Including this fund would significantly increase variability in both expenditures and revenues, but would have no net affect on the year-end totals over the four years.

| TABLE 2 BUDGET OVERVIEW SPECIAL REVENUE ACCOUNTS ¹ | | | | | | | |
|---|----------|---------|---------|---------|-------|------------------|----------------|
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Ann. Change | Overall Change |
| Expenditures | 629,000 | 546,700 | 643,800 | 847,100 | | 12.1% | 35.7% |
| Property Tax | 174,500 | 248,800 | 300,200 | 360,700 | | 27.8% | 107% |
| Non-property tax Revenue | 439,000 | 533,500 | 403,300 | 585,700 | | 14.1% | 33.4% |
| Yr. End Total | (15,500) | 235,600 | 59,700 | 99,300 | | 51.2% | 740% |
| 1. Special Revenue Accounts include District Court, Juvenile Probation, Health District, Indigent & Charity, Revaluation, Solid Waste, Tort Liability, Weed Control, County Hospital Fund and Emergency Communications. | | | | | | | |

Table 3 combines the General Fund and Special Revenue accounts to present a total picture. The stronger fiscal position of the Special Revenue accounts off-sets the General Fund deficit in FY 03, and partially off-sets the deficit in FY 04. However, it is important to recognize that the funding for many Special Revenue accounts is dedicated to special purposes. The ability to transfer funds between accounts to cover deficits is limited.

Table 3 also shows an average annual increase of 8.5% in property tax revenue. This annual increase exceeds the 3% cap established in state statutes due to new construction that occurs each year. Property tax revenue derived from new construction that occurs during a given year is exempt from the 3% cap on the increase in property tax revenue.

| TABLE 3 COMBINED BUDGET OVERVIEW GENERAL FUND AND SPECIAL REVENUE ACCOUNTS | | | | | | | |
|--|-----------|-----------|-----------|-----------|-------|------------------|----------------|
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Ann. Change | Overall Change |
| Expenditures | 1,887,000 | 2,093,100 | 2,406,000 | 2,702,000 | | 12.7% | 43.2% |
| Property Tax | 880,000 | 973,000 | 1,104,800 | 1,120,800 | | 8.5% | 27.4% |
| Non-property tax Revenue | 1,199,800 | 1,514,000 | 1,306,000 | 1,536,600 | | 10.0% | 28.1% |
| Yr. End Total | 192,700 | 393,900 | 4,300 | (43,600) | | (369%) | (122%) |

The County budget also includes several Trust Funds that are not included in this overview. These funds generally operate outside of the daily expenses and revenues of the County budget. They frequently hold funds from a unique source for dedicated purposes. While they occasionally provide funding for a project that displaces the need to use the more conventional County revenue, this occurs irregularly and not in sufficient amounts to alter the fiscal trends summarized in this overview.

To better understand the forces behind the growing expenditures, Table 4 compares the growth in expenditures and to the growth in the number dwelling units. General Government expenditures out paced residential growth by 5% annually and by 20% over the four years.

The relationship between the growth in expenditures and the growth in dwelling units suggests that governmental expenditures are growing in two ways. Expenditures are growing because the community is growing and more people need services. But expenditures also are growing in ways unrelated to growth of the community. Governmental expenditures can grow by normal inflation in the cost of doing business, increasing the level of services, and the cost of new unfunded mandates.

| TABLE 4 COMBINED GENERAL FUND AND SPECIAL REVENUE ACCOUNTS COMPARED TO GROWTH IN DWELLING UNITS ^{1,2} | | | | | | | |
|---|-----------|-----------|-----------|-----------|-------|------------------|----------------|
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Ann. Change | Overall Change |
| Expenditures | 1,887,000 | 2,093,100 | 2,406,000 | 2,702,000 | | 12.7% | 43.2% |
| Dwelling Units | 2,215 | 2,381 | 2,559 | 2,732 | | 7.3% | 23.2% |

1. Dwelling units represent the number of residential units that were occupied, or became occupied during the fiscal year. The number of units in FY 00 exceeds the number of occupied units identified in the 2000 Census. Some units became occupied after the Census count but before the end of the FY 2000 and are included in the FY 00 total.
2. The average household size is 2.9 people per unit. Applying this constant household size, the rate of population growth will equal the rate of growth in the number of housing units.

PART II

PROJECTING CURRENT EXPENDITURES AND CURRENT REVENUES

This part of the study projects the expenditures and revenues that accrue to the Teton County for the combined General Fund and Special Revenue accounts. The cash that is carried forward from prior years and the County’s reserves, which provide a financial cushion and ensure the County government operates in the black, are not reflected in these projections.

Expenditures and revenues are projected for future years based on the trends that occurred during FY 2000 through FY 2003. Table 5 presents a long term comparison between future expenditures and revenues if past trends continue.

The table shows the projected expenditures exceeding revenues each year and the shortfall between revenues and expenditures widening every year to 2010. The Special Revenue accounts, with income exceeding expenses, moderate the size of the shortfalls. The General Fund accounts, if viewed individually, would show more severe deficits.

| TABLE 5 | | | | |
|---|--------------------------|------------------------------|--------------|---------------------|
| PROJECTED CURRENT REVENUES AND CURRENT EXPENDITURES COMBINED GENERAL FUND AND SPECIAL REVENUE ACCOUNTS | | | | |
| | Property Tax Revenues | Non-property Tax Revenues | Expenditures | Surplus/(Shortfall) |
| FY 05 | 1,437,200 | 1,859,300 | 3,431,900 | (135,400) |
| FY 06 | 1,544,800 | 2,045,200 | 3,867,800 | (277,800) |
| FY 07 | 1,657,600 | 2,249,700 | 4,358,900 | (451,600) |
| FY 08 | 1,775,700 | 2,474,700 | 4,912,500 | (662,100) |
| FY 09 | 1,899,400 | 2,722,200 | 5,536,400 | (914,800) |
| FY 10 | 2,029,000 | 2,994,400 | 6,239,500 | (1,216,100) |

State law requires the County government to operate with a balanced budget. The County also strives to maintain a reserve that could cover 90 days of operating costs. The annual shortfalls in Table 5, therefore, can not accumulate very long before changes are needed to increase revenues or decrease expenditures.

Alternatives available to the County are limited. Existing non-property tax revenues can be increased but not enough, in all likelihood, to cover the growing shortfalls. Impact fees can generate revenue for capital facilities but can not provide income to cover operating costs. A new commercial sales tax could be enacted that would contribute to operating revenues and can help cover the shortfalls.

Reducing expenditures is another alternative but difficult to accomplish in the face of a growing population adding to the demand for services. The types and levels of services provided by the County could be reviewed for possible cost savings, but any savings will not likely cover the projected deficits. Finally, the County's policies on growth and development could be reviewed for their fiscal impact on the County's budget.

In calculating the projections in Table 5, the property tax revenues are increased each year by three percent and an estimated amount from new construction. Non-property tax revenues are increased by the average annual increase for FY 2000 – FY 2003. Expenditures are increased similarly, by the average annual increase for the same fiscal years. The projected property tax and non-property tax revenues are summed for each year, and the projected expenditures for that year are subtracted to compute the annual difference between revenues and expenditures for each year of the projection. These projections include estimated year-end revenues and expenditures for FY 04. These year-end totals can be incorporated when then become available.

The property tax projections in Table 5 assume the full amount of property tax revenue allowed under the state statute is both budgeted and collected each year. Typically, the full amount of tax revenue is budgeted but not all of it is collected due to delinquent tax payments and forgiven taxes in hardship cases.

The projected property taxes in the table are based on 164 newly occupied dwelling units each year, the average number of new units for FY 00 – FY 03. The value of these units is increased by 3% each year to reflect appreciation. Expenditures and revenues also were projected for two other growth scenarios, one assuming 175 new units per year and the other 216 units per year. These alternative scenarios approximate the two population projections in the proposed Teton County Comprehensive Plan. Each of them results in a slightly smaller annual shortfall but the same trend of growing deficits.

In any given year, the revenues could increase from the prior year by more than the average amount of increase. Similarly, expenditures could increase over the prior year by less than the annual average. Either of these variations would lessen the shortfall. However, assuming average annual increases continue for both revenues and expenditures, the projections show an increasing reliance on savings and reserves to balance the County's budget.

PART III

EXPENDITURES & REVENUES FOR SPECIFIC GOVERNMENTAL FUNCTIONS

This section of the report estimates the amount of property taxes that were paid per dwelling unit for each of four governmental functions provided by Teton County. The estimations were made for the four fiscal years from 2000 to 2003.

When estimating the cost of government that is attributable to dwelling units, it is assumed that some governmental expenditures provide services to commercial property, open or farm land, and other segments of the community. Simply dividing the total cost of government by the number of dwelling units would over state the cost of government resulting from residential development.

Only the expenditures and revenues attributable to residential development, or the resident population, are used in computing the cost per dwelling unit. Expenditures that provide services to the resident population, rather than non-residential property or open land, and revenues that are attributed to the population are used in this section of the report. Each department in the General Fund and the Special Revenue accounts was reviewed to estimate which portions of their expenditures and revenues were attributable to the resident population for use in these computations.

For the purposes of this part of the report, Law Enforcement is separated from General Government and reviewed individually because this function experienced a pronounced increase in costs. The Fire and School Departments are added to this portion of the analysis as well.

Table 6 presents a summary of several tables that follow and shows the demand for property taxes per occupied dwelling unit for each of the four governmental functions. Revenues collected from fees, grants, state and federal transfers, and other non-property tax revenues are subtracted from the expenditures to estimate the net costs. The net cost per dwelling unit shown in the table is the amount of cost paid by local property taxes for each of the four fiscal years.

| TABLE 6 SUMMARY OF COST PER DWELLING UNIT | | | | | |
|---|-------|-------|-------|-------|-------|
| Public Sector Function | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 |
| General Government | 122 | 24 | 164 | 170 | |
| Fire Fighting | 98 | 47 | 8 | 119 | |
| Law Enforcement | 132 | 154 | 184 | 180 | |
| Education | 837 | 1009 | 1149 | 1298 | |
| High School Bond ¹ | 262 | 245 | 244 | 229 | |
| Total Education | 1,099 | 1,254 | 1,393 | 1,527 | |
| Total Net Cost per Dwelling Unit | 1,451 | 1,479 | 1,749 | 1,996 | |
| <p>1. High School bond represents the debt service to retire the bond for the new high school. This payment was approved by the voters and is in addition to the regular property tax levy for education.</p> | | | | | |

The total cost per dwelling unit increased 37.6% over the four fiscal years. In addition to an increase in the number of dwelling units (23.3% since FY 00), the cost of government per household increased. This point returns to the earlier observation that the cost of government is increasing in two ways. Costs increase because a growing population needs governmental services. And the cost of government is increasing beyond population growth due to inflation, increasing levels of service and unfunded mandates.

As shown in Table 6, the Education function comprises about 79% of the growth in total cost per dwelling unit when the debt service to retire the bond for the new high school is included. Law Enforcement and General Government each contribute about 9% of the increase per dwelling unit. And Fire Fighting represents about 4% of the increase.

When the functions are considered separately, General Government and Education including the debt service, both grew by 39% over the four fiscal years. Law Enforcement grew 36% and Fire Fighting grew 21%.

GENERAL GOVERNMENT

The General Government function is characterized by a \$300,000 spike in revenue in FY 01 that significantly dropped the cost per dwelling unit. Revenues leveled off in the following years. Overall, residential expenditures outgrew residential revenues 35% to 24% over the four years, or by \$200,000, as shown in Table 7.

Costs and revenues are again separated between residential and non-residential segments of the community. Expenditures that are devoted to services for residential property or the general residential population are estimated and subtracted from the total

expenditures, and are shown in the Table as “residential expenditures.” Similarly, non-property tax revenues that are derived from residential properties or received from state or federal sources based on the population count, are separated from total revenues to estimate “residential revenues.”

| TABLE 7 COST OF GENERAL GOVERNMENT PER DWELLING UNIT ¹ | | | | | | | |
|---|-----------|-----------|-----------|-----------|-------|--------------------|----------------|
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Annual Change | Overall Change |
| Tot. Expend. | 1,505,000 | 1,631,200 | 1,812,600 | 2,032,300 | | | |
| Resid. Exp. | 1,184,100 | 1,283,400 | 1,426,200 | 1,599,000 | | 10.5% | 35% |
| Tot. Revenues | 1,142,800 | 1,455,000 | 1,231,300 | 1,361,200 | | | |
| Resid. Rev. | 914,200 | 1,225,400 | 1,007,100 | 1,134,200 | | 9.6% | 24% |
| Net Res. Cost | 269,900 | 58,000 | 419,100 | 464,800 | | | |
| Number DU. | 2,215 | 2,381 | 2,559 | 2,732 | | | |
| Net Cost/DU. | 122 | 24 | 164 | 170 | | | 39% |
| 1. General Government excludes Law Enforcement functions in this section of the report. | | | | | | | |

Cost of Dispersed Development

Aside from increased travel time for inspectors and other County officials who travel to development sites around the County, there appears to be no significant cost differential between developments occurring at a considerable distance from the existing core communities and development occurring near the communities. While the Road and Bridge account is not a part of this budget analysis, representatives of the Department state that there are long-term improvements needed to several road bases throughout the County. Increased traffic on these outlying roads caused by dispersed subdivision development compounds this infrastructure need.

Future Costs

In addition to long-term improvements to several roads, other future costs not reflected in these expenditures are capital costs for a new or refurbished County Courthouse, and a trash transfer station or engineered landfill. Department heads consulted in this analysis suggest these facilities are needed in the foreseeable future.

FIRE FIGHTING

The Fire Department budget is affected by significant purchases of fire fighting apparatus over the past four fiscal years. Following a long period of time in which no fire fighting apparatus was purchased, approximately \$2,075,000 has been spent over the last four fiscal years to acquire three pumpers (one for each of three fire stations), a 2,600 gallon tanker and several other vehicles.

The department actively pursued grants to offset some of the costs, successfully securing \$140,000 in grants last year. The Department has several grant applications pending in anticipation of future needs. In-kind revenues in the form of equipment and land also have been received in past years.

As result of the significant purchases and grant revenues, the Fire Department budget shows wide variability. The annual and overall percentage changes do not offer much predictive value. Table 8 shows the wide fluctuations from year to year as the department secured the equipment it believes is necessary to provide adequate fire fighting service.

| TABLE 8 | | | | | | | |
|---|---------|---------|---------|-----------|-------|--------------------|----------------|
| COST OF FIRE FIGHTING PER DWELLING UNIT | | | | | | | |
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Annual Change | Overall Change |
| Tot. Expend. | 817,648 | 581,042 | 346,729 | 1,143,679 | | | |
| Residen. Exp. | 291,083 | 206,851 | 123,436 | 407,150 | | 53.1% | 40% |
| Tot. Revenue | 122,471 | 148,237 | 132,635 | 102,177 | | | |
| Residen. Rev. | 74,821 | 95,506 | 102,786 | 81,466 | | 4.8% | 9% |
| Net Resid. Cost | 216,262 | 111,345 | 20,650 | 325,648 | | | |
| Number DU | 2,215 | 2,381 | 2,559 | 2,732 | | | |
| Net Cost/ DU | 98 | 47 | 8 | 119 | | | 21% |

Diverse Demand for Service

The cost per dwelling unit of the fire fighting service is reduced because only 35.6% of the calls for service are from residential properties. Over the four years reviewed in this study, 13.6% of the calls came from commercial and other non-residential properties, while 50.9% of the calls were for responses to open or forested land and to vehicles on the County’s roads and highways. The residential portion of the cost of the Fire Fighting service is 35.6% of the total expenditures, limiting the direct affect of residential growth on the Fire Department budget.

Cost of Dispersed Development

While the amount of residential development causes a limited impact on the Fire Department budget, the pattern of dispersed development has a significant affect. As development occurs in the more remote part of the County, the wildland – urban interface creates significant demand on the Department.

The Wildland Fire Mitigation Plan recently completed stated that the number of wildfire starts is on the rise. The report stated that there were 1.2 wildfire starts per year during 1980-89; 2.7 per year between 1990-1999; and, 2.0 per year during 2000-01. The report continued to say that 120 homes are in areas of high or extreme risk of wildfires and a random sample of these homes showed an average assessed value of \$259,771.

The report recommended a series of mitigation activities, some that could be accomplished with existing resources and others requiring additional resources. Among the recommendations were a series of activities to mitigate the threat of wildfires with an estimated cost of \$460,000.

Representatives of the Department state that three 1,000 gallon wildland tenders are needed in large part to provide lighter weight water tankers to reach fires in remote areas. The existing 2,600 gallon tankers are feared too heavy to cross some bridges and too cumbersome to navigate the roads that access remotely located houses. While each subdivision installs its own fire fighting water source, the supply of water at the site of a fire continues to be a serious concern of the Department, leading the department to purchase tankers.

A concern greater than financial issues involves the safety of fire fighters. Many remote areas of development are served by a single access road. Departmental representatives fear fire fighters could get trapped without an exit in some locations and they can foresee times when this condition prevents the Fire Department from fully responding to a fire.

Future Costs

The recent purchases of apparatus followed nearly 25 years during which no new apparatus was purchased. Departmental representatives see the need for additional equipment, namely a new ladder truck and three 1,000 gallon wildland tenders. It is anticipated that the aerial will cost \$500,000, perhaps to be purchased over 20 years, and each of the 1,000 gallon tenders will cost about \$100,000. No significant capital expenses for new or expanded fire stations are expected.

In addition to the anticipated capital costs for additional apparatus, a potential future cost may arise from the need for paid fire fighters. The recruitment and retention of volunteer fire fighters is a constant challenge. Twenty-eight of the current 36 volunteer fire fighters work outside of the County in Jackson Hole, leaving the department under staffed for day-time fires. While the population is growing, many of the new arrivals also work in Jackson, not significantly improving the availability of volunteers for the Department.

LAW ENFORCEMENT

The Law Enforcement budget consists of the Sheriff's Office, Emergency Communications and the Jail for the purposes of this analysis. This budget is most directly affected by the population increase as the Sheriff estimates that 90% of the department's calls are for service to residential properties or to the County's resident population. The Law Enforcement budget is characterized by a steady rise in expenditures that are exceeding revenues by larger amounts each year. This widening gap between expenditures and revenues over the last four fiscal years is despite a 114% increase in revenues, mostly derived from the new \$1 tax per cell phone for emergency communications.

Table 9 and Figure 1 show expenditures increased 75% and revenues increased at a greater rate, but over a much smaller base number. The gap between expenditures and revenues grew by \$200,000 or 68.5%, three times the rate of population growth. The cost of Law Enforcement is an example of governmental costs increasing in two ways: the cost of service is increasing independent from the population growth and the cost is increasing due to the County's growth.

| TABLE 9 | | | | | | | |
|---|---------|---------|---------|---------|-------|--------------------|----------------|
| COST OF LAW ENFORCEMENT PER DWELLING UNIT | | | | | | | |
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Annual Change | Overall Change |
| Tot. Expend. | 382,000 | 461,900 | 593,400 | 669,700 | | | |
| Residen. Exp. | 343,800 | 415,700 | 534,100 | 602,800 | | 20.8% | 75% |
| Tot. Revenues | 57,014 | 53,609 | 71,387 | 122,043 | | | |
| Residen. Rev. | 51,313 | 48,248 | 64,248 | 109,839 | | 32.7% | 114% |
| Net Res. Cost | 292,527 | 367,467 | 469,815 | 492,932 | | | |
| Number DU | 2,215 | 2,381 | 2,559 | 2,732 | | | |
| Net Cost / DU | 132 | 154 | 184 | 180 | | 11% | 36% |

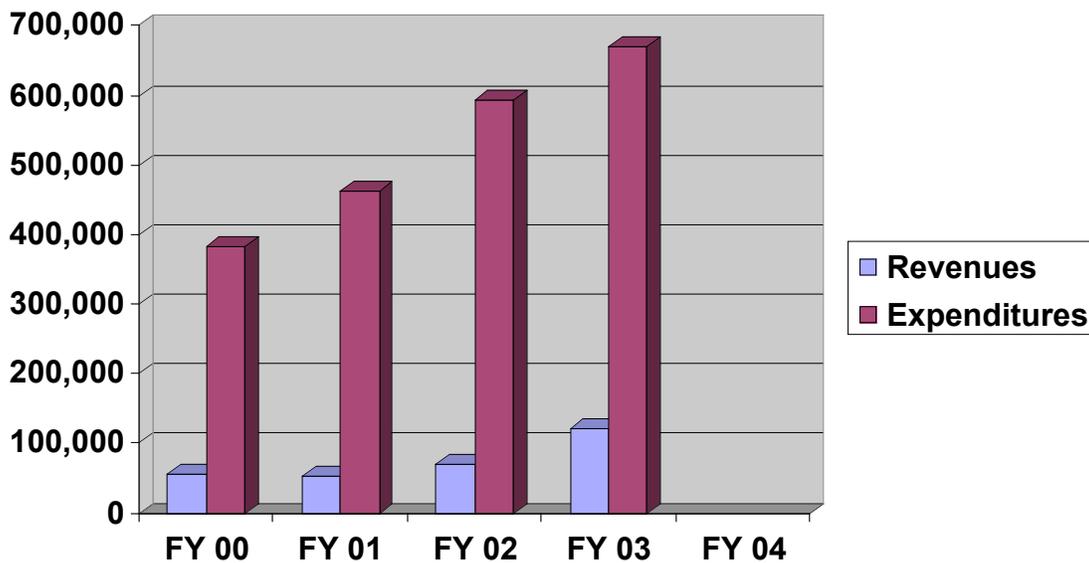


FIGURE 1
LAW ENFORCEMENT EXPENDITURES & REVENUES

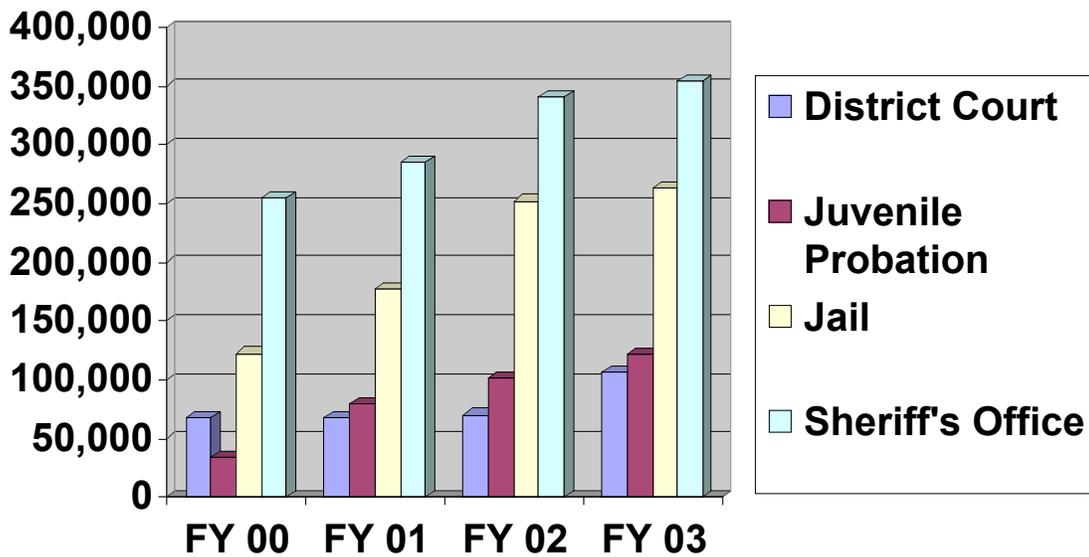
In an attempt to better understand the rapid increase in Law Enforcement costs, the number of bookings and prisoner days were reviewed for correlations with population. As shown in Table 10, population increased about 8% per year since 1999 and the number of bookings increased about 15%. The number of prisoner days varied widely, rising and falling, but grew by an average of 12% per year for this same time period.

A statistical analysis, called a regression analysis, was performed to derive any relationship between population growth, bookings and prisoner days. The results show a strong relationship between population growth and the number of bookings and further shows that population growth results in a greater than proportional growth in bookings. If it were not for population growth, moreover, the regression analysis suggests that the number of bookings would have declined.

Prisoner days, however, do not show a high correlation with population. The apparent conclusion is that something else is influencing the growth in prisoner days during five year period FY 99 and FY 03. More recent data reveal even a greater variability in the data. Prisoner days have dramatically spiked in the second half of calendar year 2003 and the first half of calendar year 2004, increasing to 4,665 for this 12 month period. As result of this overall growth in prisoner days, the Jail expenditures have increased as a percentage of the total Law Enforcement budget from 32% in FY 00 to 39% in FY 03.

| TABLE 10 | | | |
|---|------------|----------|---------------|
| GROWTH OF POPULATION, BOOKINGS AND PRISONER DAYS | | | |
| | Population | Bookings | Prisoner Days |
| FY 99 | 5,743 | 172 | 1,698 |
| FY 00 | 6,425 | 156 | 2,159 |
| FY 01 | 6,905 | 166 | 1,577 |
| FY 02 | 7,420 | 191 | 2,925 |
| FY 03 | 7,923 | 304 | 2,652 |
| FY 04 | | | |
| Avg. Annual Change | 8% | 15% | 12% |

In a continuing effort to identify correlations with the law enforcement budget, two General Government funds that show significant percentage growth were grouped with the Jail and Sheriff’s Office expenditures. Juvenile Probation, and to a lesser degree the District Court budget, experienced significant percentage growth in expenditures, and appear related to Law Enforcement. Figure 2 depicts expenditures of these two functions and the Jail and Sheriff’s Office expenditures.



**FIGURE 2
EXPENDITURES
DISTRICT COURT, JUVENILE PROBATION, JAIL AND SHERIFF'S OFFICE**

Cost of Dispersed Development

The Sheriff's Office incurs marginally more transportation costs and officer time when responding to calls in dispersed developments. But there do not appear to be significant quantifiable costs to Law Enforcement from a dispersed development pattern.

Future Costs

Representatives of the Sheriff's Office see the need for a jail in the immediate future, a significant capital cost. The costs of providing and maintaining a jail facility, or in the alternative, the cost of transporting and housing prisoners in facilities in other counties, will significantly impact future costs of Law Enforcement.

Another factor that will influence the cost of Law Enforcement is the transition to 24 hour/7 day per week coverage by law enforcement officers. The Sheriff's Office recently started 24/7 coverage on a trial basis to test its budgetary impact on the department.

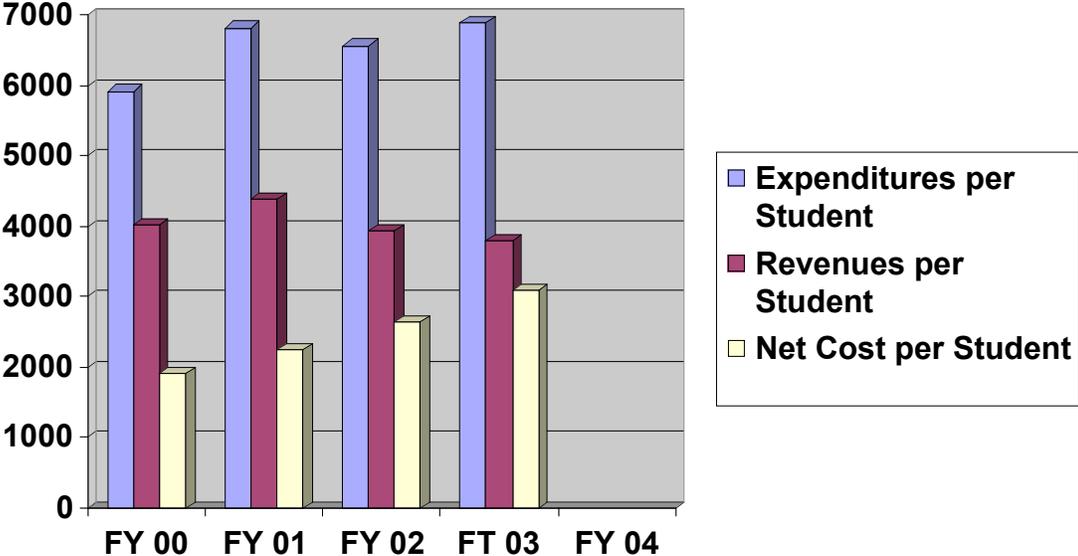
EDUCATION

The Education budget has seen a steady increase in expenditures in the face of flat revenues. Expenditures have increased 22.5% over the four fiscal years while revenues decreased 0.6%. Table 11 shows the revenues decreasing the past two years, returning to a lower level than four years ago, resulting in a 39% increase in the cost per dwelling unit.

| TABLE 11 COST OF EDUCATION PER DWELLING UNIT ¹ | | | | | | | |
|--|-----------|-----------|-----------|-----------|-------|--------------------|----------------|
| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 | Avg. Annual Change | Overall Change |
| Tot. Expend. | 7,584,313 | 8,795,544 | 8,883,154 | 9,290,697 | | | |
| Residen. Exp. | 7,584,313 | 8,795,544 | 8,883,154 | 9,290,697 | | 7.2% | 22.5% |
| Tot. Revenues | 5,149,901 | 5,810,762 | 5,317,606 | 5,118,437 | | | |
| Residen. Rev. | 5,149,901 | 5,810,762 | 5,317,606 | 5,118,437 | | 0.3% | (0.6%) |
| Net Res. Cost | 2,434,099 | 2,984,782 | 3,565,548 | 4,172,260 | | | |
| Number DU | 2,215 | 2,381 | 2,559 | 2,732 | | | |
| Net Cost / DU | 1,099 | 1,254 | 1,393 | 1,527 | | 11.6% | 39% |

1. The Education expenditures include an annual debt service payment to retire the bond for the new high school. This bond was approved by the voters and is in addition to the regular property tax levy for education. This annual payment ranges between \$580,000 and \$627,000 for the fiscal years shown.

The cost of education per student is another way to review the School Department budget. When the average increase in expenditures of 7.2% is coupled with decreasing revenues, the cost of education per student steadily grows. Expenditures per student rose 16.4% over the past four years. But when the flat revenues are considered, the net cost to local property taxes of educating students increased 63% per student. Figure 3 graphically depicts this increase in the net cost of education per student.



**FIGURE 3
EXPENDIDURES, REVENUES, AND NET COST PER STUDENT**

The cost per student is an important consideration because the population growth that occurred during the past four years may not yet have reached the schools. The cost of education per dwelling unit may not adequately predict education costs in the coming years.

School enrollment increased only 5.2% during 2000 - 2003 despite the higher estimated population growth of 23.3%. Much of the population growth may include families that do not yet have school age children and a sharp increase in school enrollment may be on the way.

Cost of Dispersed Development

The School Department expenses are affected by dispersed development. The current cost of operating a school bus is \$1.72 per mile. As development continues in dispersed locations throughout the county additional school bus routes will be needed. Even if development occurs along established bus routes, the growing number of students along these routes will require more busses.

The State currently reimburses the local School Department for 85% of the transportation costs, up to 103% of the state average transportation cost per school district. Teton County's school transportation costs have recently surpassed the state average by a small amount. Any large increase in local transportation costs will be borne by the local taxpayer. Compounding this issue is the possibility that the state reimbursement of transportation costs may be decreased to 50% in the near future.

Future Costs

According to representatives of the School Department, there is no excess capacity in the school buildings throughout the school district and future growth in student enrollment will require additional classrooms. School officials believe two elementary schools are too old to renovate or expand. Expansion of these schools is expected to require the existing structures to be brought into compliance with current building and life safety codes, a cost prohibitive obstacle.

The School Department anticipates that enrollment growth will stress the capacity of existing elementary schools, forcing the County to again face bond issues for school construction. Additional classrooms will carry an accompanying increase in operating costs as more teachers and expenses will be needed.

A significant question that relates to the future cost of education in Teton County focuses on the modest enrollment growth of 5.2% despite a much greater population growth. It has been suggested that many of the new arrivals are empty-nesters enjoying their retirement. A more plausible scenario, however, is that young families not yet with children of school ages comprise much of the population growth. Jackson Hole continues to experience significant job growth and extremely high housing costs, forcing much of the labor force to live outside of the Jackson Valley. This could suggest a pending surge in school enrollment in the coming years for Teton County.

OBSERVATIONS AND RECOMMENDATIONS

Current budgetary trends in the General Government accounts show a need for significant changes that increase revenues and/or decrease expenditures. The projected deficits for these accounts create urgency to identify the appropriate changes and develop strategic plans to implement them. A more detailed financial plan can assess the fiscal impacts of current County policies and evaluate the alternatives for addressing the projected deficits.

While this study focuses on the current expenditures and revenues that cover the daily operations of government, several capital facilities appear needed. Preparing a capital facilities plan is the first step is setting priorities for these facilities, understanding the revenue opportunities for funding them, and lessening the financial strain they will create for the County's operating budget.

The rapid increase in the number of prisoner days and the greater than proportional impact population growth has on the number of bookings remains unexplained. Perhaps additional statistics can be gathered that would start to explain these trends. For example, statistics on the number of repeat offenders, the severity of the crimes being committed, or some other indicator would be instructive in better understanding the pressures that are facing the Sheriff's Office.

A survey of the recently occupied dwelling units will describe the demographic profile of the County's new population. This information would be very valuable to the School Department as student enrollment is growing more slowly than the County's population. Understanding the demographic profile of this new population will alert the School Department to any imminent increase in student enrollment in the near future.