

## Frequently Asked Questions—Potential Resort Tax in Philipsburg

#1 February 6, 2024

### What is a Resort Tax?

A Montana Law was put in place in the early 1990's that allowed qualifying communities and areas to put in place a local tax on certain goods and services, if approved by the voters. Philipsburg originally qualified for the ability to use this law, but that certification expired.

In 2023, Philipsburg asked the Montana Department of Commerce to re-certify the community for qualification for the resort tax. Philipsburg again met the designated economic parameters for this qualification.

### Why now?

It's all about infrastructure!

Philipsburg has an administrative order of consent on the wastewater system issued by the DEQ for exceeding limits on discharge into Flint Creek. The Town has been working for three years to gather the funding needed to improve the water quality of that discharge, and this project is scheduled for the summer of 2024. This will cost approximately \$7.5 million, the majority of which is grant funded.

On the heels of this project is drinking water. There was an order issued last summer to provide for a filtration system on the drinking water for the Town. This is in addition to the added chlorine and ultraviolet disinfection systems currently in place. Required filtration is not unexpected for the drinking water supply. At this time, the Town has done a pilot study on filtration and is examining costs by engaging in engineering reports to assess the situation. Early estimates are extremely costly, well beyond the rate payer's ability to pay, and beyond the size of an average infrastructure grant.

Additionally, in these aging infrastructure necessary projects, is a third system, called stormwater. This system includes the creek that runs under the Town, and associated underground collection piping systems. These structures are currently under study as well, with some expected repairs to be highlighted, when the study is concluded.

### Where does the current funding come from to pay for these systems?

Ratepayers provide the majority of the Town's revenue. In very round figures the wastewater (sewer) fund provides approximately \$400,000 annually. The water fund provides about the same amount of \$400,000. Property taxes provide about \$300,000. There are very few additional revenues, such as fees and gas tax. This is the operational budget of the Town, which has no additional room in it for capital projects at all.

### **What about grant funding?**

Yes! Philipsburg has been very successful the last three years gathering grant funds. With an unpredictable future coming in terms of grant availability, the Town is preparing to undertake the large infrastructure projects to the best of its ability. Two state grants are the most predictable for the future, and that will require matching funds, from the town, also known as the ratepayers.

A resort tax appears to be able to provide the match needed to be used to apply for these state grants, every two years, since they are voted on at the legislature, and are considered competitive.

Other grants such as federal, also have expected local contributions or match needed. Sometimes these large grants come in the form of partial loans, for which resort tax can be used as a pledge.

### **How much money will a resort tax bring in?**

Short answer, unknown. Longer answer, a very conservative early estimate is about \$200,000 per year. The reason this is hard to predict is that businesses, who would pay the resort tax if approved, are not public entities in terms of financial records.

The conservative estimate of \$200,000 per year is about the right amount to use as the required match for the every-two-year possible grant of about \$600,000 for a million-dollar infrastructure repair or replacement. (grant is Montana Coal Endowment Program formerly known as TSEP)

The infrastructure replacement and repair needs of the Town are expected to go on decades into the future.

Resort tax revenue will NOT solve multi-million-dollar infrastructure requirements, but would allow the Town a financial mechanism in addition to basic water and sewer rates to plan for smaller steps toward the future.

### **Need more information?**

The Town of Red Lodge <https://www.cityofredlodge.net/> has a successful program in place and information on their website. As does the Town of Columbia Falls.

Phillipsburg's website is [www.townofphilipsburgmt.com](http://www.townofphilipsburgmt.com) and documents are available there about the resort tax. Additionally, the Town Council has been in discussion about this for months, with the Town Council agendas on the website.

