

August 21, 2006

**YELLOWSTONE COUNTY
FISCAL YEAR 2006-2007
FINAL BUDGET SUMMARY**

The Fiscal Year 2006-2007 (FY06) final budget is herein presented to the Board of County Commissioners and the citizens of Yellowstone County for their review and approval.

The budget has been compiled by the Finance Department with budget requests originating from the various County departments. The preliminary budget requests were presented at budget hearings held June 12 through June 20, 2006. The final budget must be adopted by the later of the second Monday in August (7^h) 2006 or 45 after the State provides certified taxable values, which was August 7. The final budget is scheduled for adoption on September 12, 2006 after public hearings to held on September 5, 2006 @ 5:30 pm in room 105 of the courthouse and on Sept. 12, 2006 at the regularly scheduled board meeting. The final budget includes changes from the preliminary budget resulting from salary and benefit changes for personnel; modification of capital, personnel, and operating needs; taxable valuation changes; and year-end cash positions.

REVENUE BUDGETS

FY07 tax revenues of \$27.03 million have increased above FY06 by \$3.07 million due to a variety of factors. Voters approved a one-time levy for the replacement of Metra's roof. The levy increased taxes by \$1,033,820. Property taxes on new construction growth of 5.5% generated \$1,327,754 in new revenue. The 1.424% inflation factor (this figure has been set by the State) available under statute generates \$306,994. Motor Vehicle replacement revenue of \$167,365 was levied to eliminate debt at Metra and provide additional funding for County roads. The emergency mill levy of 2 mills (\$172,724) was implemented on rural residents to pay for fighting rural fires, damage to infrastructure from the fires, and to be eligible for State and Federal reimbursement programs. Entitlement growth has

REVENUE BUDGET,continued

been included at 3.93%, but has been reduced for the State assumption of the public defender's office costs. Funds that will no longer receive entitlement distributions will have that revenue source replaced by reallocated property tax revenues. Taxable value from the sunseting downtown tax increment district should be available as new growth in FY08.

The final budget projects an overall millage increase in the **countywide** levy of **6.27 (6.8%)** mills, of which, the Metra roof levy is 4.4 mills or 70% of the increase. The amount of the statutorily authorized mill levy for employee health insurance over FY06 decreased **(-0.65)** mills. This levy was authorized by new legislation in response to health costs consuming significant portions of available budget dollars to local governments. The balance of the projected mill increase is from personal property reimbursement reductions **(0.46)** and the statutorily authorized inflation adjustment **(1.16)**. A loss in the FY06 base value resulted in a mill increase of **(0.41)** mills to replace revenue from lost taxable valuation. Utilizing available authority under HB540, this levy of **(0.66)** was implemented in FY07 to assist in eliminating debt for Metra to make additional funding available for maintenance and capital needs at the facility. The change in debt service requirement for the METRA expansion is a decrease of **(-0.17)** mills

Interest earnings in FY07 reflect the higher yields in investments available under the current market conditions compared with FY06. However, my expectation is that rates are likely to stabilize and start to decline towards the end of 2007 if the economy begins to reflect weakness.

EXPENDITURE BUDGETS

County departments were asked to submit preliminary FY07 budgets, which did not exceed their FY06 budget. All operating and personnel budget increases above FY06's level have been identified and are shown as "Supplemental Approved". Capital requests are delineated and are also specified on the department's budget expenditure detail sheets. All requests are summarized on the Capital and Supplemental Budget request sheet in the summary section of the report, unless otherwise noted on that summary page.

The total of the approved capital and supplemental budget requests total \$3.1 million, with \$170,209 requested for personnel increases; \$2.34 million for operating costs; and \$576,521 for capital requests.

EXPENDITURE BUDGETS, continued

Some of the larger notable capital requests include: a request from election for optical scanners for \$80,500 (which is net of State cost share); a request of \$20,000 for district court security improvements; \$73,000 for Detention Fire Alarm System and replacing toilets & floor in N 4 & 5; the Road Fund has \$392,500 of heavy equipment and \$25,000 in building remodeling requests; \$70,000 in HVAC improvements in the sheriff's administration building; the capital projects fund reflects a designation of funds for a courthouse roof replacement of \$300,000; and \$62,200 for an expansion of the uninterruptible power supply for computer backup. Metra has proposed a five year capital replacement list, which is detailed in their budget information.

A total of 4 FTE and other personnel changes have been requested at a cost of \$170,209. The following additional positions have been approved: (1) sheriff patrol; (2) justice court clerks; and (1) Youth Services counselor whose cost impact is mitigated by a reduction in temporary staffing costs. The justice court clerks were approved with the caveat that additional funding from collections on past due accounts generate revenues to support their cost. A total of 26.5 FTE have been eliminated from the FY07 budget that were in the FY06 budget. These include a 20.5 FTE from the public defender's office as a result of the office functions being statutorily assumed by the State of Montana. The other positions not included in the preliminary budget are: a ½ time sheriff records clerk position that was never utilized; 2.0 FTEs in the finance department that were performing microfilming services; a museum position at the Yellowstone County museum; 0.75 FTE for METRA accounting clerks; 1 FTE for a METRA maintenance worker; and a 0.75 FTE in METRA food service which has been restructured due to the change in catering functions.

A couple of the budgets which show large funding deficits, include large contingency budgets which are not anticipated, but is possible, to be spent within FY07. This is a practice consistent with prior years and simply allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

OVERVIEW

Overall , the FY07 budget reflects a fiscally sound budget that was achievable through the efforts of the community and county employees. The community once again supported the County by agreeing to fund Metra's roof replacement. This was a significant contribution to County being able to operate and maintain this facility in a positive manner. Metra's other buildings, grounds and equipment would have incurred even worse longterm maintenance problems had available funding been used for the roof costs. Strong growth in new construction valuation was another major factor being able to support departmental needs for goods and services that are needed for community growth. Community growth does continue to place stress on public safety personnel and detention needs simply as a function of population, not including other variables that affect public safety services. Community growth also has a major impact on county roads and bridges.

Some of the expenditure pressures facing us in recent years have appeared to stabilize as of this time, excluding petroleum products. Health insurance, worker's compensation, and utilities are not showing as strong an inflation rate for the coming fiscal year, however, they remain a long term concern with their volatility. Metra's capital and maintenance needs will continue to be underfunded until an additional revenue stream is acquired. The preliminary operating budget for Metra is encouraging, but it will require everyone's continued efforts to make it a reality. The early results of the fair were encouraging and should contribute to meeting some of Metra's budget goals.

Although there may not be funding to fund all requested departmental needs, I'm hopeful that the FY07 budget will be developed that will provide for effective delivery of community services.

As always, I'd like to thank all the County departments for their assistance and input into building this budget and for the community's support with county operations.

Respectfully submitted,

Scott Turner - Finance Director