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**YELLOWSTONE COUNTY
FISCAL YEAR 2012-2013
FINAL BUDGET SUMMARY**

The Fiscal Year 2012-2013 (FY13) 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 11 through June 19, 2012. The final budget must be adopted by the later of the first Thursday in September or within 30 days of submission of certified taxable values, which was August 6, 2012. This was the date that Dept. of Revenue delivered taxable values. The final budget is scheduled for adoption on September 4, 2012. Public hearings are scheduled for August 29, 2012 @ 5:30pm and September 4, 2012 @ 9:30am in the County Courthouse Boardroom Room 403. The final budget includes changes from the preliminary budget resulting from salary and benefit changes for personnel; evaluation of capital, personnel, and operating needs; taxable valuation changes; and year-end cash positions.

REVENUE BUDGETS

Tax revenue budgets are computed using the 0.68% growth in overall countywide taxable value, the statutorily allowed 1.20% inflation factor, and utilizing some levy authority from the prior year to address certain budgets because of budget pressure from protested taxes. Because of the need to offset the protest amounts, the Board has elected to utilize some levy authority it has previously chosen not to levy in order to continue to fund the desired level of public safety, capital replacement at Metra, senior services, and county road operations.

Tax protests for local refineries, communication companies, and other tax protests have become a significant concern and are currently having a material impact on tax collections. Protested taxes in FY12 county budgets was \$3.1 million. Total taxes held in protest for county funds went from \$4.6 million to \$7.7 million. This represented 8.1% of the county's tax levy. Estimated tax protests for FY12 are projected to increase another 1-2% due to overall taxable valuation increases of properties currently being protested and the indication that Exxon refinery may protest.

The **overall** taxes levied, including Big Sky Economic Development (BSED), for FY12 was \$39.47 million versus \$40.86 million levied for FY13 (3.5% increase). The FY13 countywide mill increase, including BSED, is proposed at 2.77 mills or a 2.38% increase over FY12. The road levy is proposed at 38.48 mills, which is an increase of 1.55 mills or 4.20%. The other smaller taxing districts' millage changes range from a decrease of (10.2%) to 1.65%.

The amount of the statutorily authorized mill levy for employee health insurance for FY13 is set at 10.60 mills, which is the same as FY12.

The 2011 legislature established the entitlement payment for FY13 at the same amount as FY12. The State is providing \$426,420 in FY13 revenue reimbursement to the County to offset reduced personal property taxes, which is used to reduce levy authority.

The sheriff's public safety budget has budgeted an increase in prisoner boarding fees due to higher prisoner counts and a higher daily rate for federal prisoners. Prisoner billing is a key component of the sheriff's revenues and can fluctuate significantly and have a strong impact on reserves. Shortfalls in prisoner billing would have an affect on sheriff's reserves.

Interest earnings in FY13 anticipate continuing lower yields in investments, particularly due to nominal interest rates on short-term investments, which are currently near zero. Even longer maturity bonds have yields below 1%.

EXPENDITURE BUDGETS

County departments were asked to submit preliminary FY13 budgets, which did not exceed their FY12 budget. Capital requests, operating, and personnel budget increases above FY12's level are identified on the supplemental budget request sheet in the summary section and are also specified on the department's budget expenditure detail sheets.

The total of the approved capital and supplemental budget requests is \$3.5 million, with \$61,500 requested for personnel increases; \$1,079,805 for operating costs; and \$2,396,000 for capital requests. Details for the capital requests are included on their respective departmental budget pages and in the capital projects funds.

The total number of FTEs is down 10.7 from FY12. Reductions to personnel include: (3.0) jail transport officer; (8.0) jail medical staff; (3.0) youth services counselors; (0.75) part-time accounting position; and (.50) junk vehicle secretary.

New positions approved are: (1.0) FTE sheriff records clerk; (.13) FTE Audit Specialist; (.17) FTE coroner secretary; (3.0) detention officers; and (.25) FTE Metra administrative coordinator.

In order to account for property tax funding that may not be received in FY13 due to protests, contingency expenditure budgets have been created in all of the tax levied funds. The budget reflects the anticipated amount of FY13 impact from protested property taxes, since it is likely that these funds will not be available in FY13 to fund operations. The budget reflects only the anticipated property tax shortfall for FY13 and does not include the shortfalls from prior years protested taxes. Prior year shortfalls are reflected in the 6/30/12 cash reserve for each fund, since those tax protests were not distributed to county funds.

A couple of budgets which show large funding deficits include large contingency budgets which are not anticipated, but is possible, to be spent within FY13. This is a practice consistent with prior years and establishes a budget for unforeseen or uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

Youth Services fund reserve has been declining as well due to lower populations at the facility. The general fund has appropriated \$150,000 as a possible fund transfer to the youth services fund should the youth services reserve level continue to decline.

OVERVIEW

The FY13 budget is significantly impacted by the growing impact of protested taxes, which is estimated to be about 9.1% of tax revenues for countywide levied funds. Funds with low or no cash reserves will have more significant impacts because they can not absorb the shortfall in revenue and may need their budgets adjusted. Programs receiving pass-thru tax collection funding from the County will see reduced tax revenues from the budgeted amount. This includes Riverstone Health, Laurel Planning, Billings-County Planning, museums, mental health, Billings Library, and Yellowstone County Council on Aging.

The sheriff's budget is the largest, and accordingly is heavily impacted by the protests. The sheriff's budget is an area of concern and is closely monitored.

It is certainly the desire of the County and local taxing jurisdictions to have the tax protests resolved for proper budget planning. The shortfall in the associated tax revenues causes budgetary distress for many entities and particularly for affected school districts. The lengthy determination of the protests is of concern to all affected parties. Currently, the County has not elected to take an early release of protest taxes and is still able to manage with the available funds.

Overall, the County's budget is still stable going into the coming fiscal year.

As always, I'd like to thank all the County departments for their assistance and input into building this budget and administering their departments. We are so very fortunate to have citizens that support our efforts to provide services to the County, thereby contributing to the excellent community in which we live.

Respectfully submitted,



Scott Turner - Finance Director