

Yellowstone County



FINANCE
(406) 256-2718
(406) 254-7929 (FAX)

P.O. Box 35003
Billings, MT 59107-5003

August 29, 2017

YELLOWSTONE COUNTY FISCAL YEAR 2017-2018 FINAL BUDGET SUMMARY

The Fiscal Year 2017-2018 (FY18) 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 19 through June 22, 2017, and further reviewed during a working session on August 10, 2017. The final budget must be adopted by the later of the first Thursday in September or 30 days after the State provides certified taxable values, the last correction being in mid-August this year.

The final FY18 budget is scheduled for adoption on September 5, 2017. The final budget includes changes from the preliminary budget resulting from salary and benefit changes, the evaluation of capital, personnel, operating needs, taxable valuation changes, and year-end cash positions.

REVENUE BUDGETS

FY18 tax revenues are budgeted at \$47.46 million, before accounting for estimated protests. This represents an increase of \$1.45 million, or 3.15% from FY17. This is due to an increase in taxable value in the county as a whole from newly taxable property of almost 2.35%, .05% increase for veteran's cemetery debt service and a known 0.59% inflation factor, set by the State of Montana for FY18.

Due to legislative action, entitlement growth from the State of Montana is essentially flat for FY18.

These changes brought slight decreases to most levies. FY18 will see a decline in the countywide levy of 1.60 mills, or 1.42% from last year's levy total.

The tax levy for the Big Sky Economic Development Authority is fully authorized by the Board of County Commissioners for FY18, with a levy of 3.17 mills, an increase of \$125,616.

The permissive medical levy is at 10.6 mills. This level has been in place for the last several years, even though the County could assess an amount in excess of 14 mills for this program by law. Continued administration of that fund has allowed us to keep that levy unchanged.

Continued protests, most notably by CHS Inc., impact County collections and spending. Three oil processing and transmission entities represent over 95% of all current protests. Since no other material protests are in place, the County was able to reduce its estimates for the this tax year in most funds to 4.65%.

This still represents over \$2.5 million of revenue to Yellowstone County alone. The Montana Department of Revenue has yet to reply to the Board's request for status of protests in this area sent on August 1, 2017.

Overall, non-tax revenues increased by slightly over 30%. But this is misleading. Due to transfers among funds and a \$9.7 million infusion for borrowing on the jail, both of which must be accounted for as revenue, the real increase in licenses, fees, charges, fines and interest earned is only up about 1%.

In sum, our total revenues, which include these material one-time events mainly revolving around building projects, are projected to increase by 16.8% from FY17's budgeted totals.

EXPENDITURE BUDGETS

County departments were asked to submit preliminary FY18 budgets which did not exceed their FY17 budget. Areas relating to public safety experienced more increases than administrative and support functions. Virtually all areas in the FY17 budget that were reduced due to non-use with Board approval remained in place for FY18.

After budget hearings, several significant changes were made, as outlined in the following pages. Most significant among these included a new roof for the Road Department's shop at \$91,000, additional need for bridge materials for \$75,000, \$50,000 for a training/evidence facility for Sheriff operations, a need for a new countywide telephone system for \$240,000, remodeling costs for the 4th floor of the courthouse to accommodate incoming district court judges at \$2.3 million, and a \$150,000 commitment by Yellowstone County to assist the State of Montana with the construction of a new morgue in Billings. This new facility will save the County significant time and money upon completion.

Total base appropriations presented stand at \$94.2 million, or a 6.3% increase from FY17's budget. Roughly \$1 million for General Fund needs, \$2.7 million for our Sheriff's operations, \$500,000 for the County Attorney and about \$1 million for Metra and its overall needs account for 93% of the increase.

The new staff levels approved by the Board include: (2) clerks for Justice Court, (1) evidence tech for the Sheriff, (2) additional legal assistants and (2) new deputy attorneys for the County Attorney, and (3) additional detention officers due to upcoming expansion completion. Overall, the County is witnessing an increase of 9.25 FTEs from FY17, a 2% increase in overall County staff.

Building and infrastructure needs dominate the narrative for FY18, and they come with challenges, along with growing budget stress due to dramatic increases in County Attorney volume.

The County will complete its \$18.8 million expansion and refurbishing of its detention facility, adding 148 beds and expanding kitchen and laundry facilities. This was made possible through a strong approval by the voters in June of 2016 to borrow \$9.7 million to make this critical project possible. With it, we have planned for many years in the future, not just serving the needs of today.

The last legislative session funded two more district court judges out of the identified need for six such positions in our district. The County must provide

space for these judges and staff. There is currently no room available in the courthouse. It is likely that the 4th floor will be chosen for remodeling, in that most of its walls are on a rail system, which will make demolition and construction for district court staff the most cost effective alternative, providing the best value to the taxpayer. We presently believe that the 4th floor can accommodate 4 judge positions with two ADA courtrooms. This would help us plan for future growth and not just for current needs, considering our district is still rated as 4 positions short.

The Sheriff recently completed his office's move to its new headquarters nearby. This facility was acquired in November of 2016, and has been remodeled for that department's specific needs. The total cost of acquisition and remodeling was approximately \$2.3 million, which was under budget. The new headquarters provides almost one-third more usable space, and should accommodate that office's needs for quite some time to come. This leaves the former Sheriff's building available to the Board as one of the options for relocating current 4th floor staff.

Perhaps the largest unknown as of this writing is the fate of the 8 mill levy increase slated for voter consideration in November. As Finance has outlined as far back as January of 2016, the County Attorney's Fund needs are unsustainable via General Fund support. This levy request, which projects to raise \$10.80 on a \$100,000 home and \$21.60 on a \$200,000 home, would be a permanent levy increase. Failure of this to pass will create a dramatic reduction to the County's capacity to respond to that office's needs, along with virtually all others within the next 3 -5 years.

In order to account for property tax funding that may not be received in FY18, contingency expenditure budgets exist in all of the tax levied funds. The budget reflects the anticipated amount of FY18 impact from protested property taxes, since it is likely that these funds will not be available in this fiscal year to fund operations. The budget reflects only the anticipated property tax shortfall for FY18, and does not include the shortfalls from prior year protested taxes.

A couple of the budgets which show large funding deficits, include a large contingency budget which is not anticipated, but is possible, to be spent within FY18. This allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

OVERVIEW

The FY18 budget benefits slightly from reduced, unresolved protests. The reduction may translate into a \$550,000 increase in collections.

The County has yet to obtain an update from the Montana Department of Revenue as to the status of the protest in place by the County's largest taxpayer. A little over a year ago, the State's view was it could take 3 to 5 years to resolve. If this remains the case, we won't see a resolution until FY20 – FY22. The taxpayer needs to be reminded that if this indeed takes that long to resolve, and the taxpayer's claim is largely upheld, the other taxpayers in the County will face an immediate tax increase of anywhere from 2 – 5% in the County's portion of each tax bill. The County continues to urge the parties to reach an accord in a much more timely fashion.

In addition to all of the other building projects previously identified, the Metra is beginning a process of identifying its infrastructure needs as to what is underground and in need of repair, replacement or upgrade. An eye will be kept on Metra's future needs on its campus. All of this is necessary due to the age and lack of identification as to many buried lines, and the desire to get these items addressed before significant dollars are invested in asphalt replacement. All lines for water, sewer, power and data needs will be committed to digital storage, in order that the County will continuously be able to retrieve and catalog changes and modifications going forward into the future.

Finance continues to make significant internal changes relating to process, accounting and financial presentation. A few items are worth noting here. Effective with this year's budget, we have replaced our Telephone Fund with a Technology Fund. That fund's role has been expanded, and will help provide consistent funding for IT infrastructure needs as planned over the next several years.

Two less important changes will be apparent to the user of this budget. First, due to lack of activity and materiality, the Board has approved the elimination of the Motor Pool Fund. Its activity has been transferred to the General Fund in this document. Next, the GIS Fund has historically been classified as a Capital Project Fund. We are now more properly classifying it as an Internal Service Fund in our budget and financial reports. This provides for an accurate labeling of what this fund is and does.

This has been quite a busy year for the County, and the Finance office is no exception. While much has been accomplished, even more remains. Finance will be proposing some material changes to this budget after the mill levy vote in November, and once the Board of Commissioners decides on a final floorplan for the 4th floor remodel, and the location to which existing staff will move prior to the January, 2019 deadline for the arrival of newly elected judges.

My thanks go out to the Board, and the citizens of this County for the opportunity to serve. A special thanks is due the Finance staff. Jennifer Amundsen, our County's comptroller, accountants Anna Ullom and Tim Hofferber and purchasing agent James Matteson, joined by Kelly Campbell Metra's comptroller and her staff of Tim Wombolt and Theresa Covington. I appreciate their level of knowledge, commitment to our county, and patience in this complex process.

Respectfully submitted,

A handwritten signature in black ink that reads "Kevan Bryan". The signature is written in a cursive, flowing style.

Kevan Bryan, Finance & Budget Director