



August 31, 2021

YELLOWSTONE COUNTY FISCAL YEAR 2022 PRELIMINARY BUDGET SUMMARY

The Fiscal Year 2022 (FY22) final budget is herein presented to the Board of Yellowstone County Commissioners and the citizens of Yellowstone County for their consideration.

The budget has been compiled by the Finance Department with budget requests originating from various County departments, as well as outside entities. The preliminary budget requests were presented at budget hearings held June 22nd through June 24th, 2021 and further reviewed during working sessions on July 29th and August 2nd at regularly scheduled & published Board of County Commissioners' discussion meetings. The final budget must be adopted by the Board of County Commissioners by the later of the first Thursday following the first Tuesday in September or 30 days after the State of Montana provides certified taxable values.

The final FY22 budget is scheduled for adoption on September 7, 2021. The final budget includes changes from the preliminary budget resulting from salary and benefit changes, evaluation of capital, personnel, and operating needs, taxable valuation changes, and FY21 year-end cash positions.

OVERVIEW

We are presenting a budget for the upcoming year which continues our efforts to address the current demands for services, while also guiding the County in the long-term through structural balance within each fund, mechanisms for consistent technology upgrades and perhaps most importantly, long-term building needs.

We continue our process of stabilizing and improving the County's capacity to face the future in a cost-effective manner. In this budget, we are funding the Board approved purchase of a six-story office building two blocks west of the Courthouse, with significant basement storage and over 60 parking spaces. While we do not need all of the space in the building at this time, it will set the stage for our long-term goal of vacating our leased use of Stillwater Building space and providing significant space at the Courthouse for court related activities to meet the rapidly growing demands of District Court, Justice Court, Clerk of District Court, and our County Attorney operations.

In our view, this newly acquired building will, over time, become the Yellowstone County Administration Building. This building's purchase and the significant remodeling needed over the next three to six years both there and at the Courthouse will be accomplished with neither any debt nor any request for a tax increase from our voters.

We are also projecting that the significant underground and surface infrastructure needs at Metra, identified in late 2018 will be funded by money received through the American Rescue Plan. This is a wise use of those funds as we have seen that Metra has experienced significant use in times of community need and distress. It will allow us to repair and replace water and sewer systems, and increase power supply access in times of shortage, along with other items.

Yellowstone County remains in solid financial shape. Reserves in major funds are strong. Our Capital Improvement Funds, aside from that of Metra, are well positioned to meet acquisition needs identified by the Board and our various departments well into the future.

REVENUE BUDGETS

FY22 tax revenues are budgeted at \$57.98 million, before accounting for estimated protests. This represents an increase of \$1.87 million or 3.3% from FY21. This is due to an increase in taxable value in Yellowstone County for new construction of 2.7% and a .93% inflation factor coupled with a number of valuation adjustments downward since last year's values were certified by the Montana Department of Revenue.

Entitlement funding from the State of Montana increased by 1.9% from FY21's level.

Slight increases in valuations and an inflation allowance by Montana statute of .93% led to very slight increases in most levies. FY22 will experience an increase of just .16 mills or .13% above FY21's level.

The mill levy for Big Sky Economic Development is fully authorized by the Board of County Commissioners again for FY22, at 3.29 mills, amounting to an increase in funding of \$46,316.

The permissive medical levy is reduced this year, from 11.84 mills to 11.56 mills. The State of Montana allows us to levy 16.79 mills. The County continues to levy less than our allowed amount, saving our taxpayers \$2,082,000.

The Finance office has reduced the projected level of protest from last year's amount of 5%, down to 2.5%.

Non-tax revenues, aside from a designated \$15,665,000 in American Rescue Plan funds from the federal government, are estimated at \$52.6 million for FY22, up \$4.5 million for the prior year. This is somewhat misleading due to the way that revenue is recorded. \$3.6 million of this increase is due to transfers from various funds to the County's Capital Improvement Fund to provide for future needs in the areas of building and large asset purchases.

To summarize, aside from previously mentioned ARPA funding, total revenues are projected to increase by 6.1%. Without the mentioned increase in transfers, this increase becomes 2.7%.

EXPENDITURE BUDGETS

Following our budget hearings in June, a number of changes were made, as outlined in the following pages. About 62% of the dollars were in the area of capital improvement projects. These were driven by adjustments for projects not completed in the previous fiscal year, and more defined costs for our first stages of renovation to our new building two blocks from the courthouse, slowly converting it for its eventual use as our administrative offices.

Combined changes, coupled with the projected \$15+ million in ARPA spending result in a total expenditure budget of \$144 million, which represents an increase of \$23.2 million or 19% over last year. Again, this misleading on its face. ARPA spending and expenditures and work done on the County's future administration building account for \$21,475,000 of this increase. Those are not recurring expenditures. Without these, the overall increase is up 1.43%.

We maintain that our FY22 results will show a balanced budget from continuing operations.

Staffing levels are budgeted to increase by .5%, roughly 2.5 FTEs. A recap is available for review on the Personnel Recap page of the budget document.

This year continues to recognize a pattern of spending due to the need to take a long-term view to facilities and related operations for our use. Much has already been accomplished in that regard. But we need to plan for needs beyond a three to five-year timeframe. We must prepare for additional space for new District Court judges, an additional Justice of the Peace position possibility, and the related space needs for District Court, Justice Court, County Attorney and Clerk of District Court operations.

As touched upon earlier in this writing, we are committing over \$9 million for major building projects in FY22, with an estimated \$17.6 million in FY23-FY26, excluding Metra's activities. Much of the future building and grounds investments at Metra will depend upon the outcome of a possible ballot measure next spring asking the voters to approve a proposed Metra masterplan. The amount of such a plan has yet to be finalized.

Every year we note that 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 the fiscal year. This allows for unforeseen uncontrollable expenditures (i.e., Liability Insurance, Health Insurance). A few others showing deficits do so routinely due to the conservative nature of our budgeting approach but will end up in good shape. Among these are the Road Fund and the Public Safety-Sheriff's Fund.

I would like to take a moment to thank the Board, and all the County departments for their assistance with building this budget. Finance's work with others allows for a plan that demonstrates our continued sound financial position and our continued commitment to addresses needs well into the future.

I would also like to thank our accounting staff of Jennifer Jones, serving as our County's assistant finance director, accountant Anna Ullom, accountant Charis Krank, purchasing agent James Matteson and Teresa McCaffrey, joined by Kelly Campbell who serves as Metra's comptroller and Metra senior accountant Tim Wombolt. They do great work throughout the year. I appreciate their level of knowledge, commitment to our county, and patience in this complex process.

Respectfully submitted,

A handwritten signature in blue ink that reads "Kevan Bryan". The signature is written in a cursive style with a large initial "K".

Kevan Bryan, Director of Finance & Budget