

**YELLOWSTONE COUNTY
FISCAL POLICY**

A. REVENUE POLICY

1. **Property taxes** – Ad valorem taxes collected on the assessed valuation of real or personal property. Real property consists of land and improvements. Personal property consists of business equipment, agricultural implements and livestock, mobile homes, and commercial trailers. Net proceeds revenues are from royalties earned on the mining of natural resources.
 - a. It will be the policy of the Commission to not tax property owners on increases that may be gained through property reappraisals or through sales assessment study ratios. If valuation is gained through this process, then mills will be reduced to maintain the same tax revenue to the County.
 - b. It is the position of the County to promote increased taxable valuation through economic growth.
 - c. Increasing tax revenue should be gained only through the following means:
 - * Taxable valuation gained through new construction
 - * Mileage increases mandated by the voters or courts
 - * Emergency levy
 - * Levies for bonded indebtedness
 - d. The level of taxation should be sufficient to meet the statutory mandates and/or the services expected or demanded by the majority of the citizens of the County.
 - e. Yellowstone County will use property tax revenues to support mandated services. General fund tax revenues will be used primarily to fund elected official offices, elections, disasters and emergency services, fire protection and to maintain County facilities.
 - f. Property taxes levied for some special revenue funds will be used to fund the services statutorily mandated by the creation of those funds. Those funds are Road, Bridge, Weed Control, Predatory Animal Control, District Court, Public Safety, County Attorney, and Planning.
 - g. Property taxes will be assessed to pay the annual debt service for the voter approved general obligation debt of the County. Such debt currently includes the METRA Expansion.

**YELLOWSTONE COUNTY
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A. REVENUE POLICY, continued

1. Property taxes, continued

- h. Finally, property taxes will also be levied and collected to fund other services expected and demanded by the citizens of the County. Such services are Libraries, Public Health, Senior Citizens activities, Mental Health treatment, Extension Services, Soil Conservation, Museums, Insurance (Property, Casualty, Liability), and the Metra Civic Center.

2. Licenses and Permits – Revenues generated for the issuance of licenses, registration fees, and permits.

- a. Previous to FY02 the primary source of license revenue was the licensing and registration of motor vehicles. Starting in FY02 these revenues were distributed to the State of Montana. The State replaced this revenue with an intergovernmental revenue source known as the entitlement.

A component of the motor vehicle tax rate is an optional tax of .5%, which has been established by the Board of County Commissioners. The County portion of the motor vehicle option tax is being used to pay for public safety expenditures. The distribution of the motor vehicle option tax does not change for FY03.

- b. The costs of fees and permits should be consistent with the cost of issuance and operating expenses.

3. Intergovernmental – Revenues from other governments, which includes grants, shared revenues, State reimbursements, State entitlements, local government contributions, and payments in lieu of taxes (P.I.L.T.).

- a. Liquor tax and gambling tax distributions are used to support public safety efforts
- b. Entitlement revenue, which includes reimbursement for revenues that will now be distributed to the State, will replace those revenues previously distributed to individual funds.
- c. Personal property reimbursements from the State are used to replace lost tax revenue due to tax rate reductions imposed by the State.
- d. The County will attempt to maximize the amount of intergovernmental revenues through legislation, grant solicitation, and interlocal agreements.

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A. REVENUE POLICY, continued

4. **Charges for Services** – Fees collected for all charges for current services performed by the County.
 - a. It is currently the policy of the County to maximize utilization of user charges in lieu of ad valorem taxes for services that can be individually identified and where the costs are directly related to the level of service.
 - b. The revenues in this category are directly tied, in principle, to related cost categories. These include: administration charges, civil process service fees, election fees, Clerk and Recorder fees, Clerk of Court fees, tax title processing fees, central service charges, prisoner detention fees, contract weed control, youth placement and foster care fees, planning and subdivision fees, zoning fee, sale of maps, junk vehicle towing, facility use fees, concessions, parking, and other services as demanded by public use.
 - c. Reimbursement costs are also included in this revenue category. Reimbursements should cover 100% of the related costs or the maximum amount allowed by statute.

5. **Fines and Forfeitures** – Most fine revenue is derived through Justice Court proceedings, in which a fine or penalty is imposed or a performance deposit was forfeited. Also, the Treasurer’s Office collects a penalty for late motor vehicle registrations and the State distributes gambling fines.
 - a. A fine or penalty amount is set by statute. The distribution of those amounts are as follows:
 - (1) Justice Court fines and Forfeitures – first cover costs of Justice, Court, then excess for prosecution services.
 - (2) Treasurer Late Vehicle Registration – revenue collected to Treasurer’s Office.
 - (3) Gambling Violations revenue supports the Public Safety Fund.

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A. REVENUE POLICY, continued

6. **Interest and Other Revenue** – Revenues that could not be classified elsewhere.
 - a. The primary source of revenue is interest earned from the investment of County cash. The County investment pool shall be managed in a manner to attain a market rate of return throughout budgeting and economic cycles while preserving and protecting capital in the total portfolio.
 - b. Interest revenues will be used to fund support services such as Finance, Information Services, Human Resources, and Facilities.
 - c. Other miscellaneous revenues will be used at Commissioner discretion or as mandated by statute.

B. EXPENDITURE BUDGET POLICY

1. Annually recurring revenue will not be less than annual recurring operating budget expenditures (total budget minus capital outlay, contingencies, and one-time transfers).
2. Expansion of new and/or existing services will be contingent upon additional revenue available to fund the services.
3. Debt or bond financing will not be used to finance current operating expenditures.
4. Federal or State grant funds will not be used to finance ongoing operating expenditures. They will, instead, be used to finance activities for which the grant was awarded.
5. The County will establish and maintain a Capital Improvement Program to insure adequate and timely replacement of assets and modernization of facilities.
6. The County maintains a risk management program for protection against loss and a reduction in exposure to liability. The County will establish a self-insured program to provide protection against major losses up to \$100,000 per event (effective 10/03/02 liability coverage becomes effective at \$200,000 per event). Excess coverage will be purchased to cover catastrophic loss up to \$3,000,000. A safety program will be established to minimize the County's exposure to liability and thereby reduce the number of claims against the fund.

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B. EXPENDITURE BUDGET POLICY, continued

7. The County currently maintains a self-insured health insurance fund to provide health care benefits to its employees and its participating members. The plan will include aggregate stop loss insurance to limit total claim liability and maintain a minimum reserve level of \$500,000 to provide for claims run-out in the event of a change in health plans. The County currently covers the cost of the employee health coverage.

8. The County will maintain a minimal overall reserve level at 20% of appropriations. Tax supported funds may not budget for an ending reserve level which exceeds 1/3 of the annual appropriations. The County, when appropriate, will carry over positive revenue variance to help build or maintain reserves, and not to use reserves to supplement ongoing operations. Reserves benefit the County four ways: First, they provide funds for operations during July through November, before first half property tax collections. Second, they position the County to deal with economic adversities should emergencies arise. Third, they provide dollars for investment that generate non-tax interest income to assist operations. Fourth, they put the County in a strong financial position, allowing for a higher bond rating, which further results in reduced interest rates on borrowing should the need arise.

9. The County will obtain bids or requests for proposals on services or goods exceeding \$50,000 in cost. Specifications for such goods or services will be drafted to entice the most qualified bids and will be advertised in an official newspaper.

