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**YELLOWSTONE COUNTY
FISCAL YEAR 2015-2016
FINAL BUDGET SUMMARY**

The Fiscal Year 2015-2016 (FY16) 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 May 18 through May 21, 2015, and again on August 20, 2015. 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, which is occurred on August 3, 2015.

The final FY16 budget is scheduled for adoption on September 1, 2015. 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

FY16 tax revenues are budgeted at slightly more than \$43 million, before accounting for estimated protests. This represents an increase of \$1.84 million, or 4.46% from FY15. This is due to an increase in taxable value in the county from newly taxable property of slightly over 3%, and a known 0.67% inflation factor (this figure has been set by the State) available under statute for FY16. Entitlement growth from the State of Montana is 3.62% higher for FY16.

Due to substantial changes in property values arising from the recent statewide reappraisal, mills assessed at the county level decreased. Almost every fund levy declined, resulting in a total reduction in countywide mills of 7.53 mills or 6.50% of last year's levy total.

The tax levy for the Big Sky Economic Development Authority was 2.87 mills, which represents a levied increase in funding of \$35,000 to that entity, while remaining below its statutorily allowed mills. State entitlement dollars increased by almost \$9,000 to BSEDA.

During FY15, CHS Inc. protested about 51% (\$5.44 million out of \$10.67 million) of their real estate property tax bill. This occurred after CHS and the Montana Department of Revenue had settled on a property valuation dispute in FY14 of over \$8.1 million. CHS is budgeted at the same level of protest for FY16 as FY15, which is about 4.1% of tax billing for FY16 in the countywide levies.

HB2 enacted by the Montana Legislature and signed by the Governor implemented a prisoner daily rate reimbursement cap of \$69/day, which will reduce our prisoner billing by as much \$175,000 since we currently bill about \$77/day.

Overall, non-tax revenues show a slight decline. In sum, our total revenues available from all sources are projected to increase a modest 1.58% from FY15's budgeted totals.

EXPENDITURE BUDGETS

County departments were asked to submit preliminary FY16 budgets, which did not exceed their FY15 budget. From there, the Board reviewed capital requests, and operating and personnel budget increases above FY15's level.

Total base appropriations approved by the Board were \$82.7 million, or a 3.09% increase from FY15's budget of \$80.2 million.

The new staff levels approved by the Board include: (1) accountant for Metra, (1) additional sheriff detention lieutenant commander, (0.5) additional HR clerk, (1) accountant for Finance, and 2 IT computer specialists. Reductions included (1) in animal control and (.4) in Treasurer's staff-education assistant. This results in an increase of 4.1 FTEs.

Some of the larger new non-personnel impacts to budget expenditures over FY15 include a \$125,000 increase to the Court Appointed Special Advocate (CASA) program, \$25,000 to Riverstone Health Foundation for expansion, \$198,000 for Sheriff patrol vehicles, along with the detention facility medical hospital services and a service contract with Riverstone totaling an increase of \$105,000.

In order to account for property tax funding that may not be received in FY16, contingency expenditure budgets have been created in all of the tax levied funds. The budget reflects the anticipated amount of FY16 impact from protested property taxes, since it is likely that these funds will not be available in FY16 to fund operations. The budget reflects only the anticipated property tax shortfall for FY16 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 FY16. This is a practice consistent with prior years and simply allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

OVERVIEW

The FY16 budget is still negatively impacted by protested taxes, which is estimated to be about 4.1% of tax revenues. The distribution of the prior years' tax protests did provide a one-time infusion of tax funds, which either went to fund future capital expenditures or was distributed to various community programs and services for the pass-through funds.

There are several building projects approved for FY16. These include \$1,881,000 for the Sheriff's office and detention facility. Over \$1.1 million of this amount is for jail security upgrades and enhancements and the beginning of a multi-year investment in jail units involving plumbing replacements, new locking system, window and security upgrades.

Other building projects will involve virtually every county structure as the Board directs funds for addressing safety and deferred maintenance issues. Youth Services, the Western Heritage building, the Yellowstone County Museum at the airport and the courthouse facility are all slated for activity.

Metra will continue to have needs met to address electrical upgrades, concession equipment, grandstand repairs, security cameras and a new basketball floor. New items for FY16 at Metra will total slightly over \$900,000.

Budgets that currently have funding issues include:

The sheriff's FY16 preliminary budget, which includes all their new requests, is showing a base budget deficit of (\$399,000). This is primarily due to a \$175,000 loss in State prisoner revenue due to the State setting their prisoner rate at \$69/day vs. the \$77 we currently charge, increases in medical costs at the detention facility, and a new detention lieutenant position.

The County Attorney's budget shows a base budget deficit of (\$387,000), which may be structural in nature.

The Youth Services Fund has been deficit spending over the last few years and has required supplemental general fund assistance. The FY16 budget provides an additional \$50,000 (\$150,000 total) of assistance from the general fund to balance the YSC budget.

Metra's FY16 operations budget currently projects a shortfall of (\$418,000) with the current event projections. FY15's results allowed Metra's reserves to increase over FY15's projections by over \$600,000, and due to the conservative nature of budgeting for that enterprise, we will likely come close to a break-even there.

The health insurance has a projected deficit. However, the fund reserves are strong so the exposure risk can be tolerated at the projected deficit level.

Changes are being considered for the budgetary process and format in the future. Public input as to the level and type of information provided is welcomed.

In addition, we look to develop a multi-year capital expenditure plan, linking most urgent as well as long term needs with funding sources.

We will also look at internal operations processes. A good example of this would be to consider replacing our Telephone Fund, with a Technology Fund. Methods of communications, and information processing and transmission demand we constantly look for ways to provide for future needs in integrated ways that make us more efficient and more cost effective in our work.

Finally, having been with the county for just a few short months, I have been impressed with the level of commitment to the taxpayers by its employees at all levels. I have also gained an enormous level of respect for the commitment and expertise of my predecessor, Mr. Scott Turner. His years of service benefited the citizens of this county enormously.

I would like to join Scott in thanking all the County departments for their assistance in building this budget. Our goal remains to provide excellent service and value for the tax dollar to the County and its residents.

Finally, I must add my personal thanks to staff. While I have only known Lisa Sticka, Jennifer Amundsen, Kelly Campbell, Steve Krogstad, Cari Carlson and others for a few months, I am very impressed with their level of knowledge, commitment to our county, and patience in helping bring a "rookie" up to speed. My only hope is that in the months ahead, I can prove worthy of the trust and respect that they have extended to me in our short time together.

Respectfully submitted,



Kevan Bryan, Finance & Budget Director