



August 28, 2018

**YELLOWSTONE COUNTY
FISCAL YEAR 2018-2019
FINAL BUDGET SUMMARY**

The Fiscal Year 2018-2019 (FY19) 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 25 through June 28, 2018, and further reviewed during several working sessions in July and August during regularly scheduled and published Board of County Commissioner discussion meetings. 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 final FY19 budget is scheduled for adoption on September 4, 2018. 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

FY19 tax revenues are budgeted at \$51.8 million, before accounting for estimated protests. This represents an increase of \$4.33 million, or 9.1% from FY18. This is largely due to an increase in taxable value in the county for new

construction of almost 1.77%, 6% for the voter approved Public Safety-County Attorney levy and a 0.82% inflation factor, set by the State of Montana for FY19.

Entitlement growth from the State of Montana stood at roughly 2% for FY19.

These changes and a slight decline in overall valuations created increases to virtually all levies. FY19 will see an increase in the countywide levy of 12.63 mills, or 11.3% above last year's levy total, with almost two-thirds of that increase coming from the aforementioned voter approved levy.

The tax levy for the Big Sky Economic Development Authority is fully authorized by the Board of County Commissioners for FY19, in the amount of 3.29 mills, an increase of \$31,969.

The permissive medical levy is at 11.62 mills. While continued escalation of costs warrant this increase of a mill, the State of Montana allows us to levy up to 15.97 mills. The County has chosen to not levy that amount, thus saving the taxpayers \$1.55 million.

The dominant news happening since the presentation of the preliminary budget was the resolution of continued CHS, Inc. multi-year protests. Tax year 2014 assessments were upheld, and 2015 – 2017 witnessed a 10% reduction in amounts originally billed. While this resolution provides significant relief and more certainty in our budgeting, even this reduction is material, given the taxpayer's status as being the largest taxpayer in the County.

That, coupled with resolution of the Phillips 66 tax protest, the County's third largest taxpayer allows for a dramatic decrease in estimated protests for FY19. CHS committed not to protest 2018 taxes, billed in November of 2018, and May of 2019. Our tax protest estimate for most funds declined from 7.20% utilized in our preliminary budget to 2.40%.

Non-tax revenues show a decrease of almost 17% compared to FY18's original budget. This is wholly due to FY18's receipt of bond proceeds, counted as revenue, to complete our voter approved jail expansion. An increase in licenses, fees, charges, fines and interest earned of 5.33% is anticipated, due mainly to improved interest earnings on County investments.

In sum, our total revenues, excluding FY18's borrowing, are projected to increase by 4.8%. Excluding the new levy for the County Attorney's operations, this increase stands at 1.76%.

EXPENDITURE BUDGETS

As is our practice, County departments were asked to submit preliminary FY19 budgets which did not exceed their FY18 budget. This position of assembling preliminary budgets at last year's level is growing more and more challenging as inflation begins to become a bigger concern. Areas relating to public safety continue to experience more increases than administrative and support functions.

After our budget hearings, several significant changes were made, as outlined in the following pages. Aside from changes in estimates for protested taxes, changes included adding a patrol officer to the Sheriff's operations, adding 1.5 clerks to the Treasurer's motor vehicle operations, some fine tuning to our capital improvement projects' estimates, and the removal of office remodeling funding for the County Attorney.

Total projected expenditures amount to \$116.6 million, a decline of 2.66%. FY20 is most likely to experience additional declines as major building projects underway with the County will be completed in FY19.

Staffing levels are budgeted to increase 3.5%, almost completely due to continued public safety and judicial related needs. Of the total 16 FTEs projected to be added, 13 fall into this category. A recap of added positions is available for review on our Personnel Recap page in the budget document.

Building projects and the upcoming expansion of district court take center stage in FY19, along with the upcoming results of an infrastructure analysis at Metra.

We will see the long awaited completion and remodeling of the detention facility, gaining 148 beds and providing parity in housing and treatment for male and female prisoners alike. In June, several courthouse departments housed on the 4th floor of the courthouse began moving to new offices across the street into the Stillwater building. This move involved the Board of Commissioners and the Board's public meeting rooms, the Clerk & Recorder's operations, the Auditor's office and the Finance Department. This move was the best option logistically and financially for the County and its taxpayers. In

July, the Public Works and Disaster & Emergency offices moved to the Stillwater as well. This was done to provide some room for the County Attorney's operations currently at capacity as to space in the courthouse.

By the end of December, we look to have the 4th floor of the courthouse remodeled to accommodate new district court judges allotted to our judicial district by the 2017 Legislature. Approximately \$10.15 million will be spent in FY19 to complete the Detention facility and courthouse projects.

Soon, the Board of Commissioners will be presented with a comprehensive infrastructure study undertaken to identify locations and limitations of existing underground services. This is important for several reasons. First, after a significant water leak underground at Metra took place, it became clear that we must consider our aging and deteriorating below ground services. Second, upon review we determined we had no comprehensive mapping of where various utilities and services were buried as many were installed generations ago.

Next, we recognize that replacing old asphalt in our parking areas might create a waste of taxpayer dollars if we soon thereafter find a need to dig up old or collapsing pipes or find the need to expand or extend these underground services. Finally, we understood that without this analysis, we would be hampered in our efforts to plan for Metra campus expansion and enhancement for the future. No estimates as to costs have been developed at this time, but we will have those numbers before the end of FY19.

The passage of the 8 mill levy increase for our County Attorney's operations last November has provided significant relief to several strained budgets. The County fully expects to be able to fund that office's needs for years to come without further requests made to our taxpayers. It was a significant vote, and we appreciate the trust the voters placed in the County in this regard.

The Board will be presented with and will vote upon the re-allocation of some discretionary mills for FY19. Finance is recommending additional monies moved to support Extension, Museums, along with Metra's capital improvement fund in preparation for work indicated by the study referenced above.

Finally, please 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 FY19. This allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

OVERVIEW

The FY19 budget benefits from the increased levy authority for the County Attorney and the assurance of no protest in FY19 from the County's largest taxpayer. Significant construction projects are nearing completion. Uncertainty as to results of legislative action in 2019, the unknown results of the Metra infrastructure study and the expiration of several collective bargaining contracts next spring present uncertainty to some degree.

We believe that recent budget decisions by the Board and ideas developed by many departments have left us in a sound position. Finance has done its best to play an active role in these areas. We realize that the budget isn't just a set of numbers, but a blueprint for action as directed by the Board. Success is measured by coming up with financial options for the decision-makers that allow for positive, and financially sound actions with as little impact on our taxpayers as possible.

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, accountant Anna Ullom, purchasing agent James Matteson and Tim Hofferber, joined by Kelly Campbell who serves as Metra's comptroller and her staff of Tim Wombolt and Theresa Covington do great work throughout the year. I appreciate their level of knowledge, commitment to our county, and patience in this complex process.

Respectfully submitted,



Kevan Bryan, Finance & Budget Director