

Yellowstone County



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YELLOWSTONE COUNTY FISCAL YEAR 2020-2021 FINAL BUDGET SUMMARY

The Fiscal Year 2020-2021 (FY21) 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 22 through June 24, 2020, and further reviewed during a working session in July at a regularly scheduled and published Board of County Commissioners' discussion meeting. 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 FY21 budget is scheduled for adoption on September 1, 2020. 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.

OVERVIEW

As we stated in our preliminary budget writing to the Board of Commissioners and our county's citizens, we believe that recent events related to the COVID pandemic and its uncertainty necessitate that this narrative begin with our overview section, normally included at the end of this annual summary.

The goal of the Finance Department's staff in this process is to demonstrate to the Board of Commissioners and to our citizens that the County is well prepared to handle all of this uncertainty and economic downturn and remain financially strong in the process. We believe that this budget accomplishes that goal. The detail herein shows significant activity to provide for the uncertainties that may lie ahead.

We have utilized existing discretionary mills along with reduced commitments to our CIP fund to give the Board substantial flexibility as we enter FY21. We project to divert up to a combined \$2 million to the Public Safety – Sheriff, County Attorney and Metra funds in FY21. But we have done so in such a way as to allow the Board to reduce these allocations, should circumstances allow as we progress into the year. This represents a reduction from the preliminary budget due to Federal CARES Act funds allocated to the Sheriff through the State of Montana.

This budget allocates an additional \$2,825,000 of contingency funds over that of FY20. These funds have been strategically placed in eight funds likely to be exposed to the continued impact from COVID and / or the resulting economic downturn we face. If events develop in more fortuitous ways than we are estimating, the Board will then have opportunities to re-direct these resources to building projects, other needs or to build reserves where needed.

We will complete all expansion and remodel projects at the detention facility in early FY21. This facility, with the additional 150 beds added will serve our region for quite some time into the future. Finance is urging a second phase of courthouse remodeling and Stillwater building expansion to meet the consistent growth of our judicial system and related County Attorney operational space needs before the issue compels more rushed, and expensive treatment. At Board request, we are presenting estimated capital needs through FY25 in this budget, along with demonstration of adequate funding capabilities, with the exception of Metra.

We continue to be of the belief that the County is in sound financial shape. Reserves are strong in all major funds. This is due to both decisions by the Board and the budgeting and spending approaches undertaken by our departments throughout the County. As we said to the Board and our citizens in the past, success is measured by coming up with financial options for the decision-makers that allow for positive, financially sound actions with as little impact on our taxpayers as possible.

REVENUE BUDGETS

FY21 tax revenues are budgeted at \$56.1 million, before accounting for estimated protests. This represents an increase of \$1.45 million, or 2.67% from FY20. This is due to an increase in taxable value in the county for new construction of 1.8%, and a 1.05% inflation factor coupled with a number of valuation adjustments downward since last year's values were certified by the Montana Department of Revenue.

Entitlement growth from the State of Montana stood at roughly 3.40% for FY21.

The valuation decreases outside of new construction and the inflation factor led to minor increases in almost all levies. FY21 will see an increase in the countywide levy of 1.27 mills, or 1.3% above 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 FY21, in the amount of 3.28 mills, an increase of \$34,500.

The permissive medical levy is at 11.84 mills. The County is holding this levy at the same level as last year. The State of Montana allows us to levy up to 16.23 mills. The County has chosen to not levy that amount, thus saving our taxpayers \$1.69 million.

Finance has increased the tax protest estimate for FY21 to 5.0% for most levied funds, up from 4.0% last year.

Non-tax revenues are projected to decrease by .4% over FY20 to \$48.07 million. This decline is due to reduced events likely to be held at Metra, due to COVID-19 restrictions.

In sum, our total revenues are projected to increase by 1.2%, roughly one-fourth of FY20's increase.

EXPENDITURE BUDGETS

After our budget hearings in June, numerous changes were made, as outlined in the following pages. Many of these were due to the approach we adopted when preparing the preliminary budget. That approach focused on very conservative revenue numbers and looked to provide extensive options for transferring and funding departments facing considerable uncertainty due to the COVID-19 pandemic. While we still offer those options to the Board, establishing final FY20 cash balances and more certainty on the tax revenue side have allowed for fine tuning this approach.

This creates a combined expenditure budget that stands at \$120.7 million, an increase of 2.66% from FY20. It is important to note that base appropriations are slated to decline slightly, while our spending authority by way of establishing contingencies in many budget areas is up materially this year. These are designed to only be utilized if unforeseen circumstances related to COVID develops. We will be transferring less to our various CIP accounts to help fund this flexibility. If negative events do not impact these areas, we will allow for CIP transfers at or near the end of the fiscal year.

We firmly maintain that at the end of FY21, our actual results will show a balanced budget.

Staffing levels are budgeted to increase about 1%, up a net of 4.75 positions, pending final Board approval. A recap of added positions is available for review on our Personnel Recap page in the budget document.

Building projects and potential remodeling of courthouse space along with further utilization of the Stillwater building, subject to Board approval, are included in the FY21 budget. The County Attorney and the Justice Court are facing operational stress due to increased workload and staffing in current space allotments. Something must be done in those two areas, and Finance has provided funding to address these areas of concern. This was budgeted in FY20, but due to COVID concerns, many projects have been delayed.

This budget allocates approximately \$3.8 million for major building projects, and about \$2.6 million in other CIP projects of varying kinds. The County is working to continue to fund all building related projects outside of Metra without additional borrowing going forward.

In FY21, attention will once again turn to more concrete plans for the Metra facility and campus as a whole. Much of this consideration was delayed this spring. But Metra's staff and board, along with the Board of County Commissioners, with significant public input will finalize plans for a master plan for the future of Metra. We are assuming that this will involve the need for a borrowing in the \$60 - \$90 million range. The plan, and the borrowing request will likely go out for voter approval in 2021.

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 FY21. 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.

My thanks go out to the Board, and the citizens of Yellowstone County for the opportunity to serve. A special thank you is due the County's Finance staff. Jennifer Jones, serving as our County's assistant finance director, accountant Anna Ullom, accountant Tatyana Edgell, purchasing agent James Matteson and Charis Krank, 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,



Kevan Bryan, Finance & Budget Director