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## **YELLOWSTONE COUNTY FISCAL YEAR 2023 FINAL BUDGET SUMMARY**

The Fiscal Year 2023 (FY23) 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 20th through June 23rd, 2022, and further reviewed during working sessions on July 26<sup>th</sup> and August 8<sup>th</sup> 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 FY23 budget is scheduled for adoption on September 6, 2022. 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 FY22 year-end cash positions.

## OVERVIEW

We are presenting a budget for the upcoming year which works to account for highly elevated inflation. This spike in costs, and continued supply chain issues post-COVID pose numerous challenges. With the County unable to generate revenue streams that offset dramatically rising costs, future years may face some headwinds.

Yellowstone County remains in sound financial shape. We note mild concern as to the impact on Sheriff operations due to staffing shortages and elevated inflation. In other areas, 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.

We continue to allocate reserves in our CIP Fund to meet longer term needs. These will include continued work on the County's future administration building, projects at or near the County's detention facility, among others. To delay these sorts of projects will only leave us both unprepared for district court expansion and law enforcement needs, but likely cost the County significantly more. There is some sentiment that we need yet another detention facility expansion on top of the 148-bed expansion from just a few short years ago. That expansion was possible without a tax increase.

However, as we have advised the Board on several occasions, a similar or larger expansion would require a sizable increase in property taxes and additional debt. Prior to the new approach taken, the last request for a modest expansion with a tax increase was defeated soundly in 2015. The opportunity to gain passage with the voters for a much larger tax increase and debt is likely slim. This remains an option for the Board, however.

Many recognize that the larger issue is the State of Montana's refusal to expand its detention capacity in Deer Lodge, in spite of record state surpluses available to them to make progress on this front. The State refusing to pay full prisoner boarding rates as determined by their own formula continues to provide us with a funding challenge as well.

We continue to invest American Rescue Plan dollars for significant underground and surface infrastructure needs at Metra. This is a wise use of those funds as Metra experienced significant use in times of community need and distress in the past.

## REVENUE BUDGETS

FY23 tax revenues are budgeted at \$61.3 million, before accounting for estimated protests. This represents an increase of \$3.36 million from FY22. This is due to several factors. There is an increase in taxable value in Yellowstone County for new construction of 2.83% and a 1.77% inflation factor coupled with a number of valuation adjustments downward since last year's values were certified by the Montana Department of Revenue. Further we witnessed with a slight negative impact on property taxes due to HB303 from the last legislative session for personal property tax reductions for business. For now, this reduction is offset by an increase in entitlement funding.

The final change is due to our estimate of \$1.25 million in new taxes collected for marijuana sales in the County. These funds have been directed entirely to the Sheriff's fund to help offset increasing costs in the area of law enforcement.

Entitlement funding from the State of Montana increased by 6.4% from FY22's level. About half of this increase is due to the previously mentioned HB303, which reduced personal property tax collections. The State of Montana is using the entitlement program as the method to reimburse local government for those estimated losses.

Slight increases in valuations and an inflation allowance by Montana statute of 1.77% led to very slight increases in most levies. FY23 will experience an increase of 2.04 mills or 1.66% above FY22's level.

The mill levy for Big Sky Economic Development is authorized by the Board of County Commissioners at 3.37 mills for FY23, which represents an increase in funding of slightly more than \$57,000.

The permissive medical levy is reduced again this year, from 11.56 mills to 11.16 mills. The State of Montana allows us to levy 16.27 mills. The County continues to levy less than our allowed amount, saving our taxpayers about \$2,073,000 in the upcoming year.

The Finance office has reduced the projected level of protest of property taxes from last year's amount of 2.5%, down to 2.0%.

Non-tax revenues are estimated at \$57.3 million for FY23, up \$4.7 million for the prior year. This is somewhat misleading due to the way that revenue is recorded. \$3.05 million of this increase is due to transfers from various funds to the County's Capital Improvement Fund and Metra's Capital Improvement Fund to provide for future needs in the areas of building and large asset acquisitions.

To summarize, total revenues are projected to increase by 7.2% (excluding FY22 ARPA). Without the mentioned increase in transfers and the newly established tax on marijuana sales, this increase becomes 3.3%.

## **EXPENDITURE BUDGETS**

Following our budget hearings in June, a number of changes were made, as outlined in the following pages. About 72% of the dollars were in the areas relating to capital improvement projects. These were driven by adjustments for projects not completed in the previous fiscal year, and more defined costs for upcoming projects.

Combined changes, coupled with the projected \$26+ million in ARPA spending (many projects not completed from FY22's estimates) result in a total expenditure budget of almost \$158.5 million, which represents an increase of \$14.4 million or 10% over last year. Again, this is a bit misleading. Projected ARPA spending accounts for \$11,235,000 of this increase. Those are not recurring expenditures. Without these, the overall increase is up 2.23%.

We maintain that our FY23 results will show a balanced budget from continuing operations.

Staffing levels are budgeted to increase by 1.1%, almost 5.5 FTEs. A recap is available for review on the Personnel Recap page of the budget document.

As mentioned last year in this writing, we continue to recognize a pattern of spending due to the need to take a long-term view to facilities and related operations for our use. We are planning 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.

Much of the future building and grounds investments at Metra, aside from those completed with ARPA funds will depend upon the outcome of a possible future ballot measure asking the voters to approve a proposed Metra masterplan. The amount of such a plan remains undetermined by the Board.

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-County Attorney'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, senior accountant Anna Ullom, accountant Charis Krank, purchasing agent James Matteson and Juli Madden, 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, Director of Finance & Budget