



August 28, 2023

YELLOWSTONE COUNTY FISCAL YEAR 2024 FINAL BUDGET SUMMARY

The fiscal year 2024 (FY24) 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 budget requests were presented at budget hearings held June 27th through June 29th, 2023. 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. Taxable values are statutorily due to us no later than the first Monday in August.

We have scheduled FY24's final budget for adoption on September 5th, 2023.

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 FY23 year-end cash positions.

OVERVIEW

While Yellowstone County is in sound financial position, our final fiscal year 2024 budget comes with some continued challenges, including inflation, finding & retaining qualified staff for our vacant positions, and recent department requests for additional positions. Almost 90% of our requests for additional positions came from our legal, law enforcement and detention center needs. We continue to focus on our long-term capital needs, including MetraPark, the Miller Building, the Detention Facility and eventually the extensive remodeling of the courthouse to accommodate court-related new growth including the possibility of new judges.

Our recently expanded Detention Facility is potentially scheduled for additional review as to capacity. We continue to maintain that our issues are not solely related to our detention facility being too small, but rather to some issues outside Yellowstone County's control. Some of those issues to consider before pursuing an expansion would be the pace of the judicial system, mental health programs available in the community, and most of all, the failure to address the lack of detention space at the state level which adds to our facility's population. If the eventual decision is made to expand the facility again, it will be nothing like our previous expansion completed in 2020. Both a material increase in the County's mill levy and a significant debt obligation will need approval by our voters.

We will soon accelerate work on the Miller Building in downtown Billings to serve as the county administrative building in the coming years. Currently, we are slated to begin the transition from the Stillwater Building to the newly remodeled Miller Building by the end of fiscal year 2025. This will free up space in the Courthouse for our district and justice courts, county attorney offices and the expectation of another justice court judge. We project to be able to remodel the Miller space and remodel the courthouse with neither any need for additional debt nor any need for a tax increase thanks to reserves in our Capital Improvement Fund.

The American Rescue Plan Act funds have allowed us to address infrastructure challenges at MetraPark for which funding options were few. Not only will these improvements provide the campus flexibility and responsiveness in times of community need, but it improves the campus with overall safety and functionality.

In addition to the infrastructure work at MetraPark, we have begun the process to bring significant improvements to MetraPark's operations. The County has welcomed our new General Manager to MetraPark and now plans to conduct a review in the implementation of industry "best practices", improving internal processes to increase efficiencies in operations, grow revenue streams, and reduce the County's dependence upon mill levy support with the assistance of an industry

consulting group. Improvements in financial performance will allow us to provide more consistent funding for the MetraPark campus to better maintain our facilities and enhance the experience of those who choose MetraPark as a consistent place to spend their entertainment and recreation dollars.

REVENUE BUDGETS

Fiscal year 2024 revenues from all sources are budgeted at \$129.16 million, down \$3.68 million or 2.77% from FY23's actual expenditures.

Tax revenues, almost exclusively derived from property taxes, amount to \$65.8 million of the \$129.16 million in total revenue. This is \$4.72 million over last year's tax revenue or 7.69%. This increase is largely due to new properties assessed for the first time amounting to 6%, and the inflationary allowance provided under State law on existing homes.

Large valuation increases year over year, as determined by the Montana Department of Revenue, requires that we reduce the number of mills imposed on properties in Yellowstone County. Due to that, Yellowstone County is dropping its mill levy on properties countywide from 125.03 mills in FY23 to 111.04 mills in FY24. This is a reduction of almost 14 mills, or slightly more than 11%. Keep in mind that levies approved by our voters and the one for permissive medical levy, established by the legislature do not move in tandem with market value changes.

The State of Montana's entitlement funding came in 3.41% higher than last fiscal year. Although this is an increase in funding, it is 3% lower than the increase we witnessed the previous fiscal year.

Pursuant to SB332 passed by the 68th legislative session, Yellowstone County is not approving any increase to actual mills levied in fiscal year 2024. We have no new voter approved mills, however, property taxes on existing properties will increase slightly by the statutorily allowed inflationary factor of 2.46% mentioned above.

The permissive medical levy is reduced again this fiscal year from 11.16 mills to 9.44 mills. The State of Montana allows us to levy 14.04 mills. This reduction is predicted to save Yellowstone County taxpayers approximately \$2,255,000 in the upcoming fiscal year.

The mill levy for Big Sky Economic Development is authorized by the Board of County Commissioners at 3.01 mills for FY24, which represents an increase in tax

revenue of \$108,295. They are also slated to receive \$268,665 in State entitlement dollars.

Interest earnings have continued to rise since the COVID-19 pandemic when we saw interest rates drop to record lows. While rates are significantly higher, the point when they peak and the Feds begin to cut rates, is still unknown. We are budgeting conservative interest revenue figures for fiscal year 2024 while we wait to see how the Feds react to economic factors.

EXPENDITURE BUDGETS

We continue to see necessary material adjustments in FY24's final budget over FY23's base appropriations in many areas due to a material increase in inflation. While the rise in inflation was felt last fiscal year, as well, this year many of our contracted services are tied to the inflation factor resulting in significant increases to those contracts. Compounding high inflation is the rise of utilities and price increases mainly in the IT, public safety and construction related portions of this budget. Base appropriations increased modestly by 4.8% over FY23. This increase excludes ARPA and the Capital Projects Fund which both account for capital improvements spent from existing reserves.

We maintain that our FY24 budget results in a balanced operational budget.

Following our budget hearings in June 2023, a number of changes were made. These are outlined on pages 17-18 of the final budget document. The majority of the changes impacted the General Fund and CIP Fund.

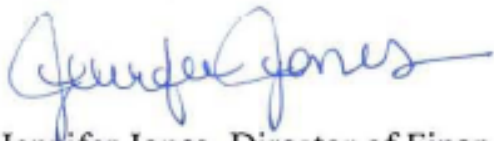
Staffing levels are budgeted to increase by 3% over FY23. These include: (6) new patrol deputies; (2) in the County Attorney's Office; (2) new Juvenile care workers at our Youth Service Center; (1) in Public Works; (1) in Elections; a few changes related to ARPA-funded FTEs being fully absorbed by the County Attorney's Office. A recap is available for review on the Personnel Recap page of the budget document. In addition to staffing level increases, the Board of County Commissioners approved a one-time compensation adjustment based on market trends for most positions up for review.

In order to account for property tax funding that may not be received in FY24, contingency expenditure budget lines have been updated in all of the tax levied funds. We are estimating a protest rate of 3.00%, up from 2.00% in FY23 for the majority of County funds due to the reappraisal cycle, however we have increased this contingency to 4.50% for the Road Fund, Library Fund, County and Laurel

Planning Funds and Lockwood Pedestrian Safety District due to expected higher levels of protested valuation affecting only these segregated funds.

I would like to take a moment to thank all the County departments for their assistance with building this budget with a special thank you to Kevan Bryan, OMB. Finance's work with others allowed for a financial plan that demonstrates our sound position and our continued commitment to addresses needs well into the future. I would also like to thank our accounting staff of Lisa Sticka and Anna Ullom and the MetraPark accounting staff of Kelly Campbell and Tim Wombolt for their hard work and patience in the assembling of this preliminary budget herein presented.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jennifer Jones". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Jennifer Jones, Director of Finance & Budget