

Yellowstone County

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YELLOWSTONE COUNTY FISCAL YEAR 2011-2012 FINAL BUDGET SUMMARY

The Fiscal Year 2011-2012 (FY12) 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 14 through June 22, 2011. The final budget must be adopted by the later of the first Thursday in September or within 30 days of submission of certified taxable values, which was August 1, 2011. This was the date that Dept. of Revenue delivered taxable values. The final budget is scheduled for adoption on August 30, 2011. Public hearings are scheduled for August 23, 2011 @ 5:30pm and August 23, 2011 @ 9:30am in the County Courthouse Boardroom Room 403. The final budget includes changes from the preliminary budget resulting from salary and benefit changes for personnel; evaluation of capital, personnel, and operating needs; taxable valuation changes; and year-end cash positions.

REVENUE BUDGETS

Tax revenue budgets are computed using the growth in taxable value with no increase in mill levies other than a 0.10 mill increase in the levy for the general obligation bond, which is necessary to offset losses in protest tax collections. New construction will provide an overall increase of 2.22% in tax revenues for the county-wide levy. The budget does not include levy adjustments for the statutorily allowed 0.72% inflation factor or other permissible mill increase adjustments. The amount of the statutorily authorized mill levy for employee health insurance for FY12 is set at 10.60 mills, which is the same as FY11.

The **overall** taxes levied, excluding BSEDA, for FY11 was \$37.6 million versus \$38.6 million estimated for FY12 (2.7% increase).

The 2011 legislature established the entitlement payment for FY12 at the same amount as FY11.

Tax protests for local refineries, communication companies, and other tax protests have become a significant concern and are currently having a material impact on tax collections. Outstanding tax protests for FY11 amounted to an estimated 7.0% of budgeted FY11 tax revenues. Estimated tax protests for FY12 are projected at 7.8% of budgeted tax revenues. These tax protests may cause shortfalls of tax distributions in some funds that have low or no reserves.

The sheriff's public safety budget is expected to see an increase in prisoner boarding fees due to higher prisoner counts and a higher daily rate for federal prisoners. Motor vehicle option tax in the sheriff's budget is projected to be similar to FY11.

Interest earnings in FY12 anticipate continuing lower yields in investments, particularly due to nominal interest rates on short-term investments, which are currently near zero. Even longer maturity bonds have nominal yields.

EXPENDITURE BUDGETS

County departments were asked to submit preliminary FY12 budgets, which did not exceed their FY11 budget. Capital requests, operating, and personnel budget increases above FY11's level are identified on the supplemental budget request sheet in the summary section and are also specified on the department's budget expenditure detail sheets.

The total of the capital and supplemental budget requests is \$5.0 million, with \$59,900 requested for personnel increases; \$1,194,000 for operating costs; and \$3,368,000 for capital requests. Much of the expenditures for capital are still related to MetraPark tornado building repairs and improvements. Details for the capital requests are included on their respective departmental budget pages and in the capital projects funds.

The total number of FTEs is down 5.08 from FY11. Personnel budget request changes involve either temporary positions or additional overtime. Reductions to personnel include: (1.0) jail transport officer; (1.0) sheriff's deputy; (1.0) youth services counselor; (.50) FTE Audit Specialist; (.50) FTE sheriff records clerk; (.50) weed secretary; (.25) superintendent of schools; (1.0) EEO Specialist; and (.08) interim DES director. One additional part-time (0.75) position was approved to Metra accounting.

In order to account for property tax funding that may not be received in FY12, contingency expenditure budgets have been created in all of the tax levied funds. The budget reflects the anticipated amount of FY12 impact from protested property taxes, since it is likely that these funds will not be available in FY12 to fund operations. The budget reflects only the anticipated property tax shortfall for FY12 and does not include the shortfalls from prior years protested taxes. Prior year shortfalls are reflected in the 6/30/11 cash reserve for each fund, since those tax protests were not distributed to county funds.

A couple of the budgets which show large funding deficits include large contingency budgets which are not anticipated, but is possible, to be spent within FY12. This is a practice consistent with prior years and simply allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

EXPENDITURE BUDGETS, continued

Youth Services fund reserve has been declining as well due to lower populations at the facility. The general fund has appropriated \$150,000 as a possible fund transfer to the youth services fund should the youth services reserve level continue to decline.

OVERVIEW

The FY12 budget is significantly impacted by the growing impact of protested taxes, which is estimated to be 7.8% of tax revenues. Funds with low or no cash reserves will have more significant impacts because they can not absorb the shortfall in revenue and may need their budgets adjusted. Programs receiving pass-thru tax collection funding from the County will see reduced tax revenues from the budgeted amount. This includes Riverstone Health, Laurel Planning, Billings-County Planning, museums, mental health, Billings Library, and Yellowstone County Council on Aging.

Due to declining reserve levels in the sheriff's fund and the significant impact from tax protests, the sheriff's expenditure budget lost 2.5 FTE's through attrition. The sheriff's budget is the largest, and accordingly is impacted heavily by the protests. The sheriff's budget is an area of concern and will be monitored closely.

It is certainly the desire of the County and local taxing jurisdictions to have the tax protests resolved for proper budget planning. The shortfall in the associated tax revenues causes budgetary distress for many entities.

Perhaps in the category of "Blessings in Disguise", the repair of the storm damage and associated enhancements at MetraPark has addressed many of deferred maintenance needs at the facility. Damaged equipment and buildings have been replaced or refurbished with insurance dollars, which has reduced some of the long term capital needs for MetraPark. There are still many capital projects that need to be considered, but the overall facility and its useful life has been greatly enhanced from the overall repairs and improvements. The FY12 budget has about \$4.5 million appropriated to complete the facility repairs and improvements.

OVERVIEW, continued

Metra FY12 operations budget shows a deficit of \$220,000, however, revenue estimates are conservative and Metra ended FY11 with a \$1.2 million reserve. This allows Metra to move forward with this budget with the goal of generating additional revenues to reduce the projected deficit. Early results from the fair are also indicating that we'll exceed revenue budgets. Again, commendations to all Metra staff, Commissioners, community, and others who helped rebuild and operate the facility through this tumultuous year.

As always, I'd like to thank all the County departments for their assistance and input into building this budget and administering their departments during a year that was more challenging than most. We are so very fortunate to have such an excellent community that always rises to the occasion and supports our efforts to provide service to the County.

Respectfully submitted,



Scott Turner - Finance Director