

Yellowstone County

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June 6, 2012

YELLOWSTONE COUNTY FISCAL YEAR 2012-2013 PRELIMINARY BUDGET SUMMARY

The Fiscal Year 2012-2013 (FY13) preliminary 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 will be presented at budget hearings to be held June 11 through June 19, 2012. 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, which is normally about August 1. I have preliminarily scheduled the final budget for adoption on September 4, 2012. The final budget may include 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 projections have been prepared assuming an overall increase of 5.0%, which includes an estimated 2.0% growth in new construction taxable value and a known 1.2% inflation factor (this figure has been set by the State) available under statute for FY13 and using 1.80% of tax revenues available from FY12 that weren't levied last year. There will be no entitlement growth for FY13 above the FY12 funding level received from the State.

The preliminary budget projects an overall millage increase in the **countywide** levy of 2.99 (**2.64%**) mills. The amount of the statutorily authorized mill levy for employee health insurance for FY13 is projected at 10.60 mills, which is the same as FY12.

The **overall** taxes levied, excluding BSED, for FY12 was \$38.58 million versus \$40.31 million estimated for FY13 (4.5% increase).

The tax levy for Big Sky Economic Development at the current mill levy of 3.05 mills is estimated to generate \$904,691 before protests. The maximum available mill levy for BSED is estimated to be about \$982,000 at 3.31 mills. They also currently receive \$158,653 in entitlement distribution.

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 FY12 amounted to 8.6% of budgeted FY12 tax revenues. Estimated tax protests for FY13 are projected at 9.4% of budgeted tax revenues. These tax protests may cause shortfalls of tax distributions in some funds that have low or no reserves.

Interest earnings in FY13 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

Salary and benefit costs reflect an estimate for the FY13 preliminary budget. Collective bargaining agreements for all county unions are currently being negotiated. A contingency salary cost for all employees have been included as an estimate to help evaluate the budget impact of possible changes. It is not intended to establish the compensation packages for these groups. Known employer paid benefit changes have been included in the preliminary budget.

County departments were asked to submit preliminary FY13 budgets, which did not exceed their FY12 budget. The preliminary budget is compliant with that request, except for departments or funds that are able to support increases with nontax revenue sources. Capital requests, and operating and personnel budget increases above FY12'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. Departments were also asked to plan for reduced budgets of 5-10% should cutbacks be necessary.

The total of the capital and supplemental budget requests total \$3.75 million, with \$66,500 requested for personnel increases; \$957,000 for operating costs; and \$2,730,000 for capital requests. The preliminary budget includes \$1.5 million in costs that are anticipated to be approved by the Board. Capital requests for the Road Fund, Metra, and Sheriff Patrol are included in the preliminary budget and specified on their respective budget pages.

There is one new FTE (sheriff's clerk) and a 0.25 FTE increase in an administrative assistant at Metra being requested. The total number of FTEs is down 9.25 from FY12. Reductions to personnel include: (8.0) FTE in jail LPN medical staff which transferred to Riverstone Health; (.50) junk vehicle secretary; and (.75) Metra accountant.

EXPENDITURE BUDGETS, continued

In order to account for property tax funding that may not be received in FY13, contingency expenditure budgets have been created in all of the tax levied funds. The budget reflects the anticipated amount of FY13 impact from protested property taxes, since it is likely that these funds will not be available in FY13 to fund operations. The budget reflects only the anticipated property tax shortfall for FY13 and does not include the shortfalls from prior years protested taxes. Prior year shortfalls are reflected in the 6/30/12 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 FY13. This is a practice consistent with prior years and simply allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

OVERVIEW

The FY13 budget is significantly impacted by the growing impact of protested taxes, which is likely to be about 9.4% 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.

The county's budget is always dependent upon continued growth in new construction within the County. New revenues generated by property development are critical to maintaining a fiscally sound budget, since property taxes represent about 53% of our total revenues. Overall growth in new construction is picking up but still not to prior years' levels. New construction in FY11 was distorted by major taxable valuation adjustments to the local three refineries. Two of the three have already protested the increase and it has been indicated by the third that they may protest in FY13. Currently, 55.75% of the total protested taxes is from two refineries; 37% is from communication companies; 5% is from an electrical utility; and 2.25 % from other taxpayers.

FY13 taxable value growth may not keep pace with inflationary pressures, particularly with the tax protest levels, and may begin to stress various budgets in some departments or funds .

Due to an initial projected deficit of (\$557,195) in the sheriff's fund and the significant impact from tax protests, the sheriff's expenditure budget may need to be reduced for the final budget. This budget's expenditure capacity will be dependent upon final salary adjustments for personnel, jail prisoner billing levels, vacancy savings on unfilled personnel positions, ending FY12 cash reserve, and new construction growth.

The Youth Services Fund has been spending reserves over the last few years as a result of a lower census in the facility. In FY12, the general fund transferred an additional \$150,000 to support the fund's reserve. The FY13 preliminary budget forecasts a deficit of (\$310,442), which would result in a negative cash position of (\$47,441). This budget needs revisions.

Metra preliminary FY13 operations budget currently projects a shortfall, however, it is felt by management that the revenue projections are conservative and that they'll be able to pick up additional events to generate revenues. As always the fair will have a big impact on the fiscal year operations, and we'll probably need to see the results of the fair to be able to finalize the Metra budget and their list of budget requests.

Reserves in Metra's Capital Improvement Fund have drawn low with all the recent expenses. 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 recent repairs and improvements. There still remains an extensive list of capital needs that exceeds the revenue stream and items have to be prioritized.

As always, I'd like to thank all the County departments for administering their departments and for their assistance with building this budget. Our goal is to provide excellent community service to the County and its residents and we appreciate their support and input.

Respectfully submitted,



Scott Turner - Finance Director