

# *Yellowstone County*



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## **YELLOWSTONE COUNTY FISCAL YEAR 2013-2014 PRELIMINARY BUDGET SUMMARY**

The Fiscal Year 2013-2014 (FY14) 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 19 through June 25, 2013. 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 3, 2013. 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 3.5%, which includes an estimated 2.5% growth in new construction taxable value and a known 1.03% inflation factor (this figure has been set by the State) available under statute for FY14. No entitlement growth is budgeted for FY14 above the FY13 funding level received from the State.

The preliminary budget projects an overall millage increase in the **countywide** levy of 0.67 (**0.58%**) mills. The amount of the statutorily authorized mill levy for employee health insurance for FY14 is projected at 10.60 mills, which is the same as FY13.

The **overall** taxes levied before protests, excluding BSED, for FY13 was \$39.95 million versus \$41.10 million estimated for FY14 (2.88% increase).

The tax levy for Big Sky Economic Development at a mill levy of 3.09 mills is estimated to generate \$936,800 before protests. The maximum available mill levy for BSED is estimated to be about \$1,012,000 at 3.37 mills. They also currently receive \$158,653 in entitlement distribution and \$10,076 in SB372 reimbursement.

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 FY13 amounted to 5.8% of budgeted FY13 tax revenues, which declined from 8.1% in FY12. Estimated tax protests for FY14 are projected at 7.5% of budgeted tax revenues for countywide levies (see protest spreadsheet). These tax protests may cause shortfalls of tax distributions in some funds that have low or no reserves.

Personal property taxes will be reduced in FY14. I have not been able to ascertain whether the State will provide any reimbursement funding for FY14 for the tax reduction. The budget is currently projected to receive offsetting revenues for the personal property tax reduction.

Interest earnings in FY14 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 inflation estimate for the FY14 preliminary budget. 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, including the increase in pension funding for PERS.**

County departments were asked to submit preliminary FY14 budgets, which did not exceed their FY13 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 FY13'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 \$4.37 million, with \$265,230 requested for personnel increases; \$1,243,000 for operating costs; and \$2,861,600 for capital requests. The preliminary budget includes \$1.52 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.

The new FTE requests include: a sheriff detention officer for the labor detail program and a sheriff's clerk; a 0.50 FTE increase in an accounting assistant at Metra; and a legal assistant and managing attorney in the county attorney's office. The auditor's office has requested some additional staff time and an upgrade for the audit specialist position. Reductions to personnel include: (0.50) FTE coroner secretary; (.50) junk vehicle secretary; and (1.0) accounting assistant in treasurer's office.

## **EXPENDITURE BUDGETS, continued**

In order to account for property tax funding that may not be received in FY14, contingency expenditure budgets have been created in all of the tax levied funds. The budget reflects the anticipated amount of FY14 impact from protested property taxes, since it is likely that these funds will not be available in FY14 to fund operations. The budget reflects only the anticipated property tax shortfall for FY14 and does not include the shortfalls from prior years protested taxes. Prior year shortfalls are reflected in the 6/30/13 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 FY14. This is a practice consistent with prior years and simply allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

## **OVERVIEW**

The FY14 budget is still negatively impacted by the impact of protested taxes, which is estimated to be about 7.5% 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 the senior's levy.

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 52% of our total revenues. New residential construction is improving in the County. New construction in FY13 had a growth rate of only 0.68%. The preliminary indication for the FY14 new construction growth rate is approximately 2.50% on a county-wide basis.

Budgets that currently have funding issues include:

The County Attorney's fund has not received an increase in general fund allotment since FY09. Now that the county attorney's office has requested additional budget to meet prosecutorial needs, this fund has a shortfall between anticipated revenues and expenditures that may need attention.

The Youth Services Fund has been deficit spending over the last few years and has required supplemental general fund assistance. The budget is likely to continue to need attention and additional general fund support.

Metra's FY14 preliminary operations budget currently projects a significant shortfall (\$406,400) with the current event projections and additionally is requesting another \$300,000 of budget increases that would raise the deficit to \$706,000. 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. Fortunately, the 6/30/13 fund reserve for Metra looks to be holding up, however, the projected FY14 deficit is too large at this time.

On the positive side, most of the other funds are still holding up well in light of the high protests. I think most of the budget hurdles I foresee are manageable without drastic changes.

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,

A handwritten signature in black ink, appearing to read "Scott Turner", written in a cursive style.

Scott Turner - Finance Director