

Yellowstone County



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YELLOWSTONE COUNTY FISCAL YEAR 2014-2015 PRELIMINARY BUDGET SUMMARY

The Fiscal Year 2014-2015 (FY15) 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 23 through June 26, 2014. 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 2, 2014. 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 2.03%, which includes an estimated 1.0% increase in net taxable value and a known 1.03% inflation factor (this figure has been set by the State) available under statute for FY15. Due to some substantial changes with personal property tax reductions and other taxable valuation changes, I have kept the taxable valuation growth estimate conservative. Entitlement growth is 4.7% higher for FY15 than the FY14 funding level received from the State.

The preliminary budget projects an **overall** millage decrease in the **countywide** levy of -1.08 mills (**-0.92%**). The amount of the statutorily authorized mill levy for the permissive medical levy for FY15 is projected at 11.64 mills, which is an increase of 1.04 mills above FY14. This is the first increase in the permissive medical levy since FY09.

The **overall** taxes levied before protests, excluding BSED, for FY15 is estimated at \$41.61 million versus \$41.32 million estimated for FY14 (0.7% increase).

The levies in the preliminary budget for the non-countywide levies; road, planning, library, soil conservation, and Laurel planning are budgeted with no increase in levy. The total of levy authority not included in the preliminary budget is a total of \$321,800.

The current tax levy of 3.09 mills for Big Sky Economic Development is estimated to generate \$938,753 before protests. The maximum available mill levy for BSED is estimated to be about \$1,022,400 at 3.37 mills. They also are budgeted to receive \$182,041 in FY15 from the entitlement distribution and \$16,748 from SB96 personal property reimbursement.

During FY14 the Department of Revenue and the Cenex refinery (the County's largest tax protest) settled a long standing tax protest. They agreed to a 10% reduction in valuation, which would be a reduction in valuation of about \$1.8 million. Tax protests for local refineries, communication companies, and other tax protests are budgeted at 4% of tax billing for FY15. Tax protests for FY14 amounted to 4.36% of billed FY14 tax revenues, which is about half of the protests we had just 2 years ago.

Senate Bill 96 reduced personal property tax valuation but the state is paying local governments a reimbursement for the lost valuation.

EXPENDITURE BUDGETS

Salary and benefit costs reflect an inflation estimate for the FY15 preliminary budget. A contingency salary cost for all employees has 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 salary increases or employer paid benefit changes have been included in the preliminary budget.

County departments were asked to submit preliminary FY15 budgets, which did not exceed their FY14 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 FY14'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 total \$5.37 million, with \$364,140 requested for personnel increases; \$1,169,000 for operating costs; and \$3,841,500 for capital requests. The preliminary budget includes \$2.05 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 are specified on their respective budget pages.

The new FTE requests include: 3 sheriff detention officers ; two Clerk of Court clerks, and a web application developer. Reductions to personnel include: (0.75) detention support positions; (.50) weed control secretary; (.50) justice court clerk position; (1.0) election assistant; and (1) facilities engineer assistant that supported the veteran's cemetery.

EXPENDITURE BUDGETS, continued

In order to account for property tax funding that may not be received in FY15, contingency expenditure budgets have been created in all of the tax levied funds. The budget reflects the anticipated amount of FY15 impact from protested property taxes, since it is likely that these funds will not be available in FY15 to fund operations. The budget reflects only the anticipated property tax shortfall for FY15 and does not include the shortfalls from prior years protested taxes. Prior year shortfalls are reflected in the 6/30/14 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 a large contingency budget which is not anticipated, but is possible, to be spent within FY15. This is a practice consistent with prior years and simply allows for unforeseen uncontrollable expenditures (i.e. Liability Insurance, Health Insurance).

OVERVIEW

The FY15 budget is still negatively impacted by protested taxes, which is estimated to be about 4.0% of tax revenues; however the settlement of the Cenex (Farmer's Union) protest has reduced the impact from prior years. The distribution of the prior years' Cenex tax protests did provide a one-time infusion of tax funds. Much of the settlement was set aside for capital needs. It may be possible to see additional settlements of protests in FY15 as well.

There are several building projects under consideration, which may occur in FY15. The only building project approved at this point and budgeted for is the \$1 million Metra barn building. Other building projects under consideration are: a new building for the extension department (\$500,000 est); a courthouse remodel project to make additional space available for county attorney needs (\$1.5 million est.); and jail expansion (at least \$6.4 million). The jail expansion is a complicated issue as there are both short-term and long-term needs and the associated operational costs are substantial. Finding funding for both the capital and operational needs for the jail may be challenging without additional voter tax support.

Budgets that currently have funding issues include:

The Youth Services Fund has been deficit spending over the last few years and has required supplemental general fund assistance. The overall FY14 budget for Youth Services may be exceeded. This budget is likely to continue to need attention and additional general fund support.

Metra's FY15 preliminary operations budget currently projects a shortfall of (\$172,000) with the current event projections and additionally is requesting another \$31,000 of budget increases that would raise the deficit to (\$203,000). 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 6/30/14 fund reserve for Metra looks to be holding up and event bookings look encouraging so the revenue picture may improve by the time final budget arrives.

Metra's capital needs list is growing and projects will need to be prioritized.

The health insurance has a projected deficit; however, the fund reserves are strong so the exposure risk can be tolerated at the projected deficit level.

Overall, the budget is manageable for existing staff levels and operations with the exception of the jail expansion need and perhaps some Metra capital projects.

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