

Fiscal Year 2017
Preliminary
Missoula County
Budget Hearing

July 27, 2016

FY 2017 *Preliminary* Budget Hearing

- The final budget hearing is August 24, 2016.
- County staff and the Commissioners will be taking input between the two hearings.
- There undoubtedly will be changes, especially when we receive the certified taxable values from the Department of Revenue (DOR).
- If you have questions or concerns please do not hesitate to contact me directly:
 - Andrew Czorny: Missoula County Chief Financial Officer
 - Direct Office Line: 406-258-4919
 - Email: aczorny@missoulacounty.us



The Missoula County Budget Overview

- Missoula County's fiscal year begins July 1 and ends June 30 each year.
- The budget team prepares for the upcoming fiscal year budget by beginning with mid-year budget review.
 - Compares each department's *actual* versus *projected* expenditures for the current fiscal year to ensure sound financial management of each department and fund.
- The mid-year budget review also gives the County Commissioners and the budget team the opportunity to provide a forecast of the projected year-end fund.



The Missoula County Budget Team

- Comprised of:
 - Auditor – Barbara Berens
 - Chief Administrative Officer – Vickie Zeier
 - Chief Financial Officer – Andrew Czorny
 - Chief Operating Officer – Chris Lounsbury
 - Finance Director – Christi Page
 - Clerk & Recorder – Tyler Gernant
 - Communications and Projects Director – Anne Hughes
 - Undersheriff – Jason Johnson
 - Parks, Trails & Open Lands Manager – Lisa Moisey
- Team uses the mid-year budget review process to project revenues and expenditures for the upcoming fiscal year.
 - These projections contribute to the basis from which the upcoming fiscal year's budget parameters are constructed.



The Missoula County Budget Parameters

- County Commissioners consider the budget in its entirety after the budget team develops and refines department-specific budgets and outlines mandatory expenditures.
- The CFO develops parameters from which each department must build their budget.
 - Revenue parameters can include:
 - Estimated growth or stagnation in tax related revenues;
 - Estimated changes to entitlement share from the State of Montana;
 - Legislative and/or Department of Revenue changes.
 - Departments that receive non-tax revenue must absorb any reduction in that revenue.



The Missoula County Budget Parameters

- Expenditure parameters can include:
 - Salary adjustments.
 - As determined through labor agreement negotiations and the County Compensation Committee.
 - Changes to fringe rates.
 - Typically around 30% of an employee's salary, as determined by cost corrections related to workers' compensation, health benefits, retirement plan changes as directed by state statute.
 - Commissioner-required changes to budgets.



The Missoula County Budget Parameters

- As a rule, parameters maintain that operational expenditures remain at the prior year's level.
- Proposed operational increases must be submitted as an enhancement request.
- All capital requests must be submitted as an enhancement request.
- Capital requests in excess of \$25,000 are considered part of the County's Capital Improvement Program (CIP).
- Each County fund must maintain a cash reserve at a level established by County policy.
 - General Fund: 12%
 - Special Funds: 5%
 - Public Safety: 8%
 - Community-Based: 3%



The Missoula County Budget

Reserves & Revenues

- One-time money (grants, operational savings, etc.) will only be used for one-time costs (capital equipment, software acquisition and licensing, contract-based assistance, etc.).
- Ongoing revenues (tax revenue, entitlement share, etc.) are used for ongoing expenditures (personnel costs, annual software maintenance costs, etc.).
- Requiring cash reserves for each fund and sound financial management has provided the County with a recent affirmation of it's a strong AA GO bond rating from Standard and Poor's, saving the taxpayer millions of dollars in interest costs.



The Missoula County Budget Discussions

- Each department head presents their proposed budget to the Commission and the budget team.
 - Individual meetings conducted over several weeks, typically in June.
- The department head presents their budget in the context of Missoula County's mission, vision and values.
- The CFO provides the County Commissioners a structural analysis of each department's budget.



Preliminary Budget Decisions

- The Commissioners make decisions on individual department enhancement requests at the conclusion of budget meetings and are examined in the context of the entire budget.
- Budget hearings are generally conducted in July and August of each year.
- The final budget is adopted by the first Thursday after the first Tuesday in September - or within 30 calendar days after receiving the certified taxable values from the State of Montana - and after the final public hearing (MCA 7-6-4036).
- The final budget hearing for the FY 2017 budget is August 24, 2016.

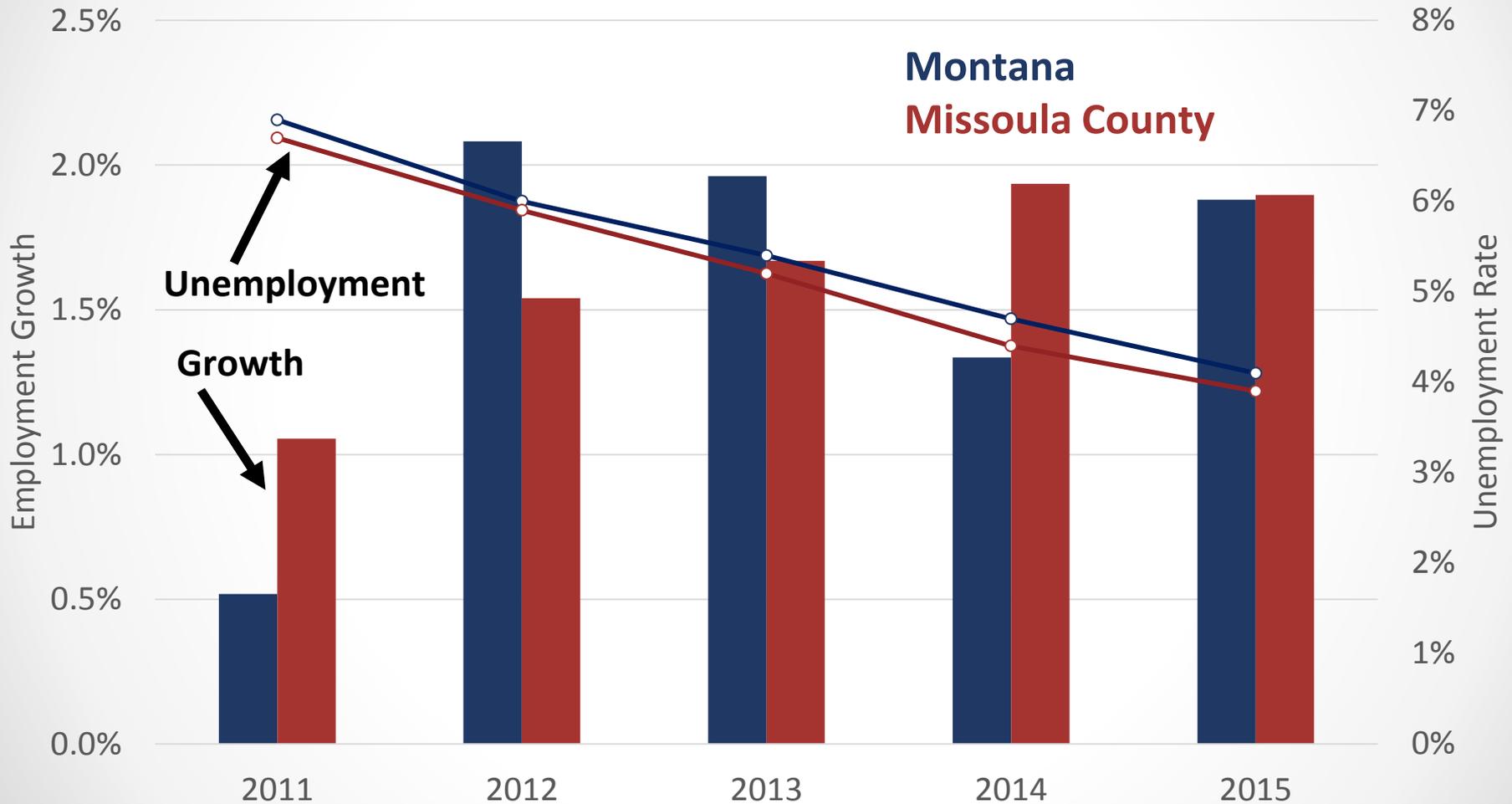


Missoula County's Financial Outlook for Fiscal Year 2017



The State of the Missoula Economy

Missoula County Employment Growth



Source: Local Area Unemployment Statistics, Montana Dept. of Labor and Industry



What We Know

- Unemployment is down in Missoula County.
- Employment growth is starting to outpace available workers.
- Personal income is growing.
- 1,390 homes were sold in 2015 at a record \$238,000 median price.
 - Part of the reason for the increase in price is low inventory.
- The demand for new construction is there, which is what moves the mill values, not increase in housing prices.
- 574 building permits were issued in 2015. However it takes approximately two years for the new construction to show up in the tax revenues.



What to Expect:

Department of Revenue

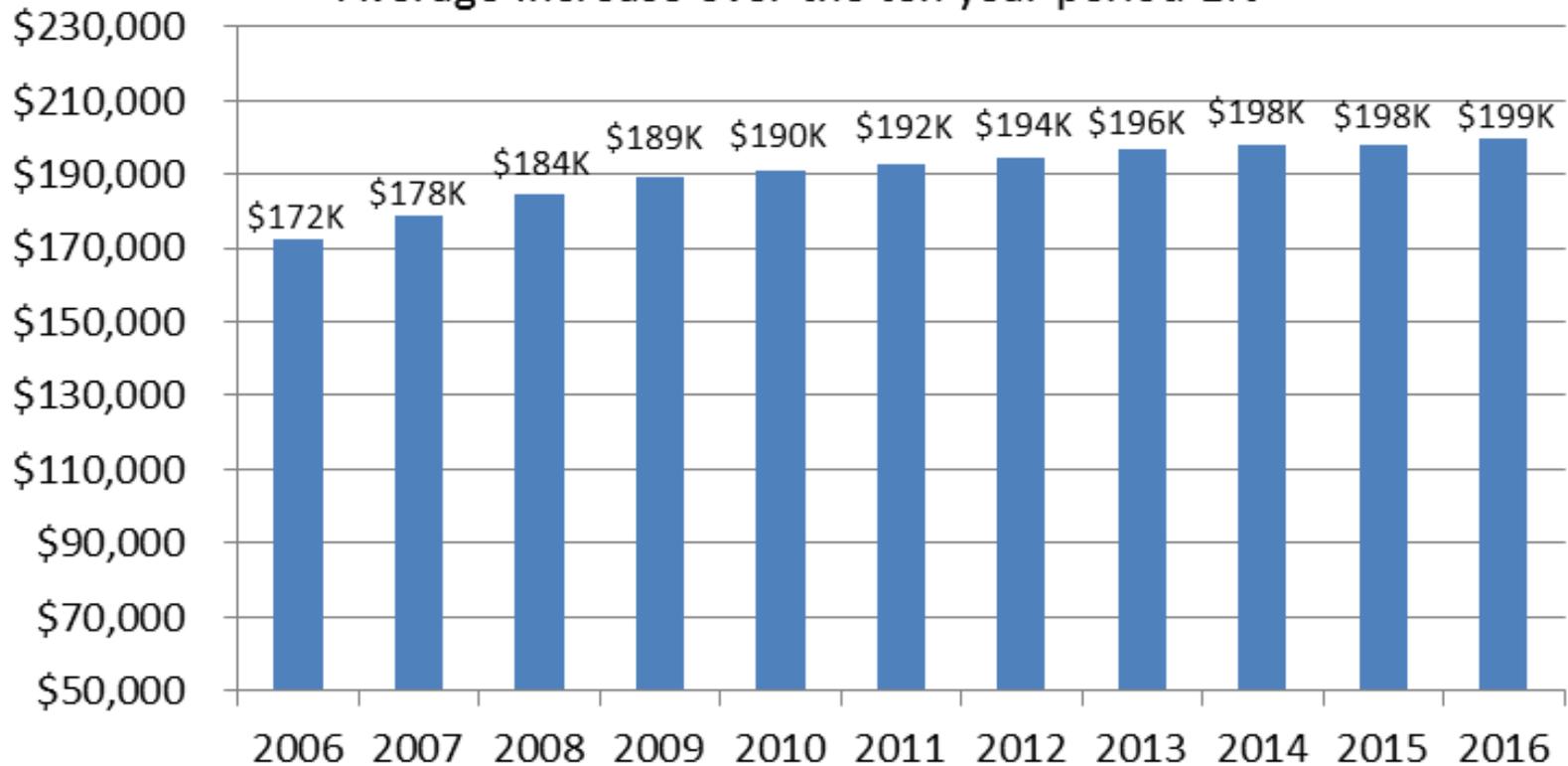
- New construction around Missoula County has picked up significantly.
 - 574 building permits were issued in 2015.
- Much of the new commercial growth is contained within the City's Urban Renewal Districts and we will not realize any of those revenues for 20 years.
- The Department of Revenue's estimate of the Certified Property Values on July 14, 2016 did not include the "centrally assessed" properties.
 - Without the centrally assessed properties the estimate was \$181,389,878.



Missoula County-Wide Mill Values

Mill Values over the last ten years

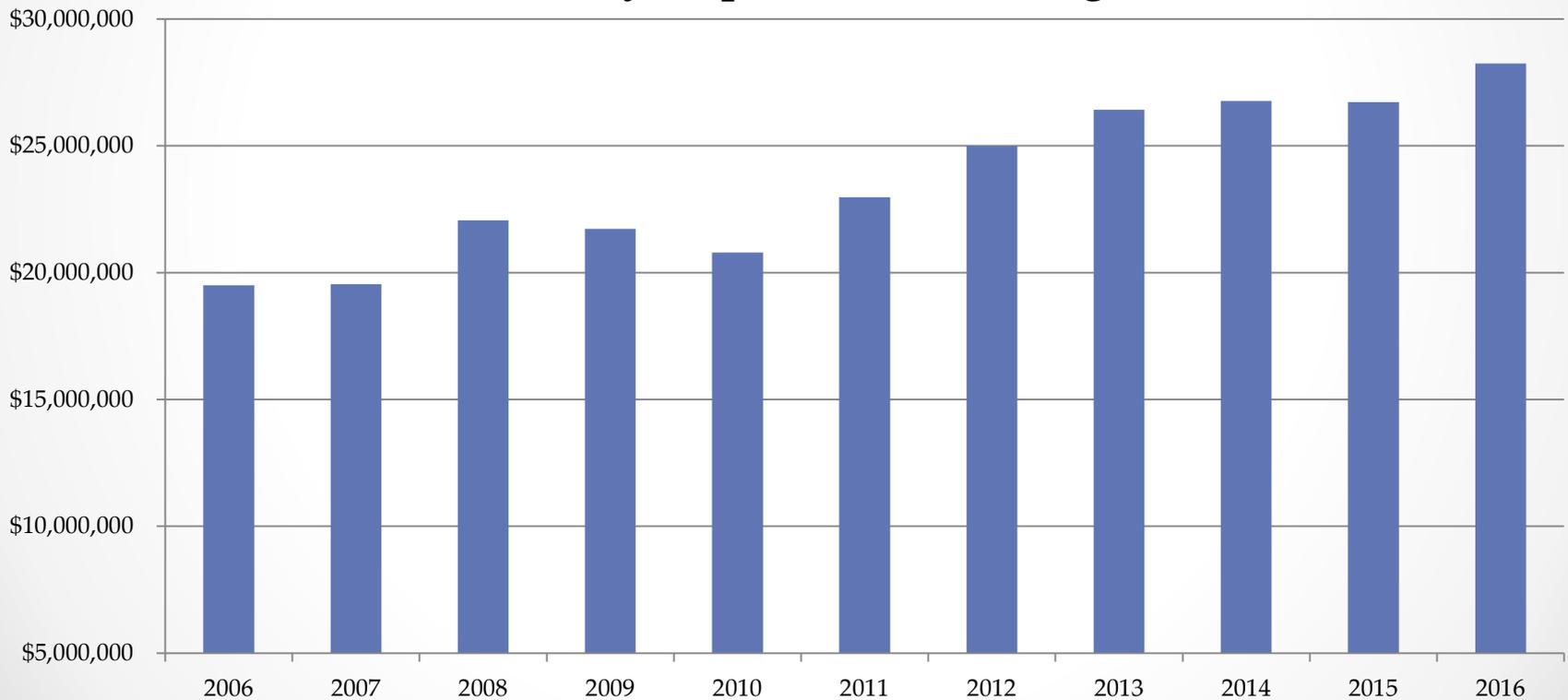
Average Increase over the ten year period 1%



Historical Values for Missoula County

Centrally Assessed Mills

**Centrally assessed taxable values
over the last 10-year period have averaged 3.9%**



Projected Mill Value with Assumptions for Centrally Assessed Properties

- The DOR provided a projection of \$181,389,878 without centrally assessed properties included.
- If we add last year's centrally assessed value to the projection we have a County-wide taxable value of \$209,689,654 or a .6% increase.
- If we use the 10-year average increase of 3.9% to the centrally assessed properties, we end up with a County-wide taxable value of \$210,793,345 or a 1.2% increase.
- Both estimates are under the 2% used for our budget projections.
- These are only preliminary estimates.



The Focus of the FY 2017 Budget:

Operational

- This year, the Commission placed a strong focus on funding programs and initiatives that further our commitment to providing transparent and accessible services to residents.
- This includes adding an additional programmer position to our Technology department to develop applications in-house.
 - Provide public with the convenience of completing business online.
- Digitization of Clerk & Recorder files to ensure records are accurate and easily available to the public.
 - Saves both the public and staff time by eliminating the need to go to multiple physical locations.



The Focus of the FY 2017 Budget:

Infrastructure

- Construction and Capital Improvement Projects (CIP) to improve County efficiencies and avoid continued deferred maintenance was another Commission priority in this budget cycle.
- The Health Department has been operating with the same HVAC units placed in its building 44 years ago and the building now cannot maintain a constant temperature.
 - Maintenance will provide energy and cost savings while providing the public and staff with a comfortable space.
- The five- year renovation of the County Courthouse is coming to a close.



The Focus of the FY 2017 Budget:

Infrastructure

- The County purchased the former GLR building to accommodate growing operational space needs, allowing the County to renovate the Courthouse and Annex.
 - The County has been leasing the GLR building with a portion of the lease payments to reduce the purchase price.
 - Buying the building will reduce debt service by nearly \$80,000.
- We have also furthered our dedication to the fairgrounds by allocating funding to begin some of the initial changes in the conceptual plan. The design will be finalized and voted upon this summer.



The Focus of the FY 2017 Budget:

Public Safety

- Last year the Commissioners approved additional deputy positions within the Sheriff's Office. This year, one-time funding will be authorized for the recruitment of Detention Facility positions to provide full staffing, reduce overtime in the effort to reduce turnover from job fatigue.
- The Missoula County Attorney's Office has requested an additional attorney to handle sex crime and domestic violence cases. There has been an explosive growth in these types of cases and case loads in recent years.
 - This has been attributed to high methamphetamine use.



Budget Request and Cost

Budget Request	Mills Required
Structural imbalance in General Fund resulting primarily from increased funding requests to enhance public safety, transparency efforts and operations.	2 County-wide Mills required
Sheriff and Detention operational cost increases.	1 County-wide mill approved contingent upon satisfactory review between preliminary and final budget
One time allowance to hire above Detention FTE limit to reach full staffing beginning Jan. 1, 2017.	0.54 County-wide mills required
Sheriff $\frac{3}{4}$ FTE Property Clerk to 1 FTE.	0.06 County-wide mills required



Budget Request and Cost

Budget Request	Mills Required
CIP request to purchase former GLR building and complete needed exterior work on Courthouse to decrease lease payments.	1 County-wide Mills required
CIP/Operations request for the Fairgrounds.	0.53 County-wide mills required
CIP request to repair 44 year old infrastructure in Health Department Building.	1 County-only mill required
Replacement of rolling stock at Public Works, staff is currently functioning with 30 -year-old trucks, this will provide for the creation of a replacement fund.	2 County-only mills required

The County FY 2017 Budget Request

- The preliminary Missoula County budget proposal of 8.23 mills would be broken down as follows:
- 5.23 County-wide mills = \$17.65 on a home with a \$250,000 market value in Missoula County annually.
- 3 County-only mills = \$10.13 on a home with a \$250,000 market value in Missoula County annually.
- The combined annual tax on a home with a \$250,000 market value in Missoula County would be \$27.78 annually.



Voter-Approved GO Bond Mills

- In 2014, the majority of Missoula taxpayers approved and authorized the issuance of \$42 million in GO Bonds to build Fort Missoula Regional Park.
- A similar ballot was placed before the voters in 2006 to issue \$10 million of Open Space Bonds.
 - The last third of those bonds were just issued this week and will appear on the 2017 tax bills.
- Fort Missoula Regional Park = 13.68 mills or \$46.17 on a home with a market value of \$250,000 annually.
- Last third of the Open Space Bond issuance = .75 mills or \$2.53 on a home with a market value of \$250,000 annually.
- Combined they equal \$48.70 annually on a home with a \$250,000 market value.



Thank You

