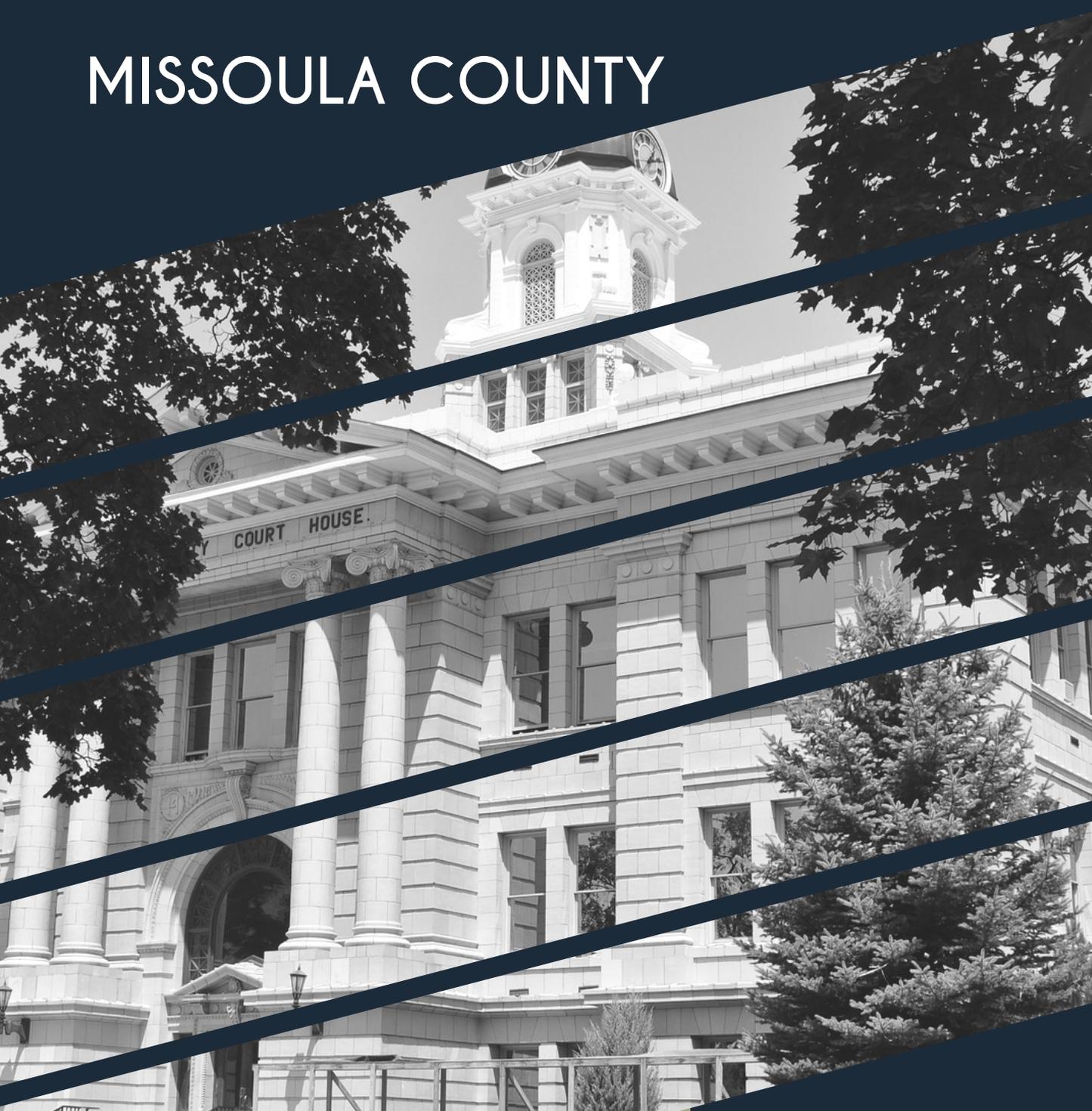


FY 2018

BUDGET IN BRIEF

MISSOULA COUNTY



JULY 2017 - JUNE 2018

A MESSAGE FROM THE MISSOULA COUNTY COMMISSION

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120,585 residents

2,618 square miles



13,900 K-12 public school students

41.8% of residents have a bachelor's degree



45,926 households

Dear Missoula County residents:

Through the hard work of the residents and employees of Missoula County, we are creating a vibrant community that is experiencing one of the most dynamic moments in our history. Our cultural resources are thriving with the completion of the Bitterroot Trail, which sees nearly 5,000 monthly users; enhanced utilization and growth at the Fairgrounds; sustainable energy use; and the upcoming completion of the Courthouse renovation.

The fiscal year 2018 budget creates a strategic path forward, allowing Missoula County to continue providing quality services for our residents. We are proud of the progress we've made together and are optimistic about the county's future. Only with our residents' ongoing involvement can we continue to improve opportunities for all. Public sector budgeting is complicated, and we hope this first annual publication clearly explains the budgeting process, key components in revenues and expenditures, and offers interesting highlights of our work on your behalf.

Share with us what you value most. Local government is responsive when those whom we serve participate in the process. We want to hear from you to ensure our efforts reflect the diverse community we represent. You'll find ways to contact us and hear more from Missoula County at the end of this report.

MISSOULA COUNTY COMMISSIONERS
JEAN CURTISS, NICOLE "COLA" ROWLEY, DAVID STROHMAIER

HOW CAN I GET INVOLVED?

BUDGET PROCESS



Departments Prepare

After completing an economic forecast and in consultation with the County Commissioners, the Chief Financial Officer sets department-specific base budgets and the budget parameters for the upcoming fiscal year. Department heads develop their proposed budgets and submit them to the Budget Team for review and feedback. Proposed budgets may include requests for new funding to replace equipment, fund technology improvements, or adjust staffing levels, for example. The Budget Team reviews the department's proposed budget for accuracy and pays special attention to detail of each department's budget before returning it to the department head.



Department Presentations & Public Input

Each department head presents their proposed budget to the commissioners. Commissioners make tentative decisions on individual department budgets after meeting with each department head. They review those decisions again after receiving public comment at a preliminary public hearing, generally held at the end of July, that presents the proposed budget for Missoula County. All budget meetings are open to the public and are noticed in the County Commissioners' weekly schedule published online and emailed to the media.



Final Public Hearing & Budget Adoption

Residents are encouraged to attend and offer comments at the final budget public hearing at the end of August. At the public hearing, the CFO presents the final budget using certified taxable values from the Montana Department of Revenue that replace estimates used in the preliminary budget. After considering all feedback received on the final budget the commissioners adopt the final budget at a public meeting in early September. Department heads can make operational decisions throughout the year to meet their mission in serving constituents, but overall increases in expenditures are always subject to commission approval and are considered at public meetings.



Commissioners' Calendar

The County Commissioners' Calendar can be found at <http://missoula.co/commissionercalendar>. All budget meetings appear on their schedule and are open to the public.

A NOTE FROM THE MISSOULA COUNTY

CHIEF FINANCIAL OFFICER

This first annual budget-in-brief seeks to provide a non-technical overview of Missoula County's budget and some of its components. It also highlights Missoula County programs and services and outlines ways for citizens to be involved. We hope you find it helpful. A complete budget book is available online at our website missoulacounty.us.

Missoula County has endured limited growth in taxable values since the housing bubble burst in the 2008-2009 fiscal year. However, in the last three fiscal years beginning in 2016, Missoula County has seen significant construction growth in both the commercial and residential sectors. This is a trend that is anticipated to continue into future years. The County has benefited from an increase in market values when properties are appraised by the State Department of Revenue every two years.

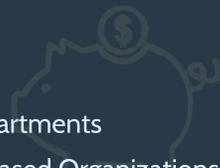
Additionally, taxable values increase when new construction in the County is added to the tax rolls. Even with the substantial growth in both new construction and market values for fiscal year 2018, Missoula County will continue to budget conservatively, prioritizing County needs and providing essential services.

Missoula County takes a cautious approach forecasting future growth and managing scarce resources. Departments are required to have a structurally balanced budget which means ongoing expenditures cannot exceed ongoing revenues. It is this dedication to fiscal responsibility that allowed the County to continue providing essential services to its constituents during the lean years between 2008 and 2015.

Andrew Czorny
Chief Financial Officer

Financial Reserves

To protect against unanticipated changes in expenses or revenues, Missoula County maintains financial reserves. Departments budget for a reserved amount of money to meet unanticipated expenses or revenue shortfalls at the beginning of the fiscal year and through careful management maintain that reserve to the end of the fiscal year. Each County fund must keep the following percentages of their annual revenues in reserve:



General Fund	12%
Public Safety	8%
All Other Departments	5%
Community Based Organizations	3%

Reserves are an important part of the County's financial health. Before bonds can be issued for large projects like the Fairgrounds or Library, creditors want to know that the County is financially stable.

Bond Rating

AA

Much like all of us have an individual credit score that is reviewed when we buy a car or take out a loan, Missoula County has a bond rating that reflects its financial stability and ability to repay its debt. Standard & Poor's has rated Missoula County as AA, which is one of the highest ratings available to a local government.

A good bond rating is important because it allows Missoula County to pay lower interest rates and obtain debt financing more easily than entities with a lower rating.

HOW ARE PROPERTY TAXES CALCULATED?

Property Tax Formula

In Montana, the formula for calculating individual property tax is: Property Tax Levied = (Mill Rate * Taxable Value)/1000. Both the mill rate and taxable value comprise multiple components based on a variety of factors.

A mill or the mill rate is a way of expressing the rate or amount of property taxes paid by each taxpayer. One mill is equal to 1/1000th of a dollar. For example, if your property had a taxable value of \$10,000, and you're assessed a 1 mill tax rate, you'll pay \$10 in taxes. Or to use the formula: \$10 of Property Tax Levied = (1 Mill Rate x \$10,000 Taxable Value)/1000.

Mill Rate

The mill rate amount comprises two components: (1) amounts required to meet the budgeted needs of taxing jurisdictions; and (2) amounts required to fund projects approved by voters in the community. Each taxing jurisdiction works to create a budget that provides basic government services in a cost-effective manner and from that process, each taxing jurisdiction sets its own mill rate. Voter-approved mill rate increases are then added to the mill rate. The total of all the individual taxing jurisdiction mill rates and the voter approved mill rates are reflected in the total mill rate on property tax bills.

Taxing Jurisdictions

In Missoula County, a taxpayer may see a portion of their taxes supporting several types of taxing jurisdictions. Missoula County and the City of Missoula each set their own budgets and tax rates. Property taxes also support local schools from elementary grades through high school. Special districts that provide services like fire protection, irrigation, water, and sewer are also supported by property taxes. Finally, a portion of property taxes support schools statewide, including the Montana University System.

Over several months each spring and summer the Missoula County Commissioners, department heads and finance staff review prior year budgets, set budget parameters based on projected financial conditions and weigh competing requests for resources. After the commissioners have set the next year's budget, the CFO considers all revenue sources and calculates the number of mills required to support the Missoula County budget. The mill rate is the only component of the property tax formula that can be set by county commissioners.

The taxable value and mill rate for all taxing jurisdictions are available on tax bills from the county treasurer and online at missoulataxes.us.

Sample Property Tax Calculation



\$267,500 Missoula Average
Home Market Value
\$3,612 Taxable Value



189.63 Missoula
County Mill Rate

$$\text{Property Tax} = (\text{Mill Rate} * \text{Taxable Value})/1000$$

$$\text{Property Tax} = (189.63 * \$3,612)/1000$$

$$\text{Property Tax} = \$684.94$$

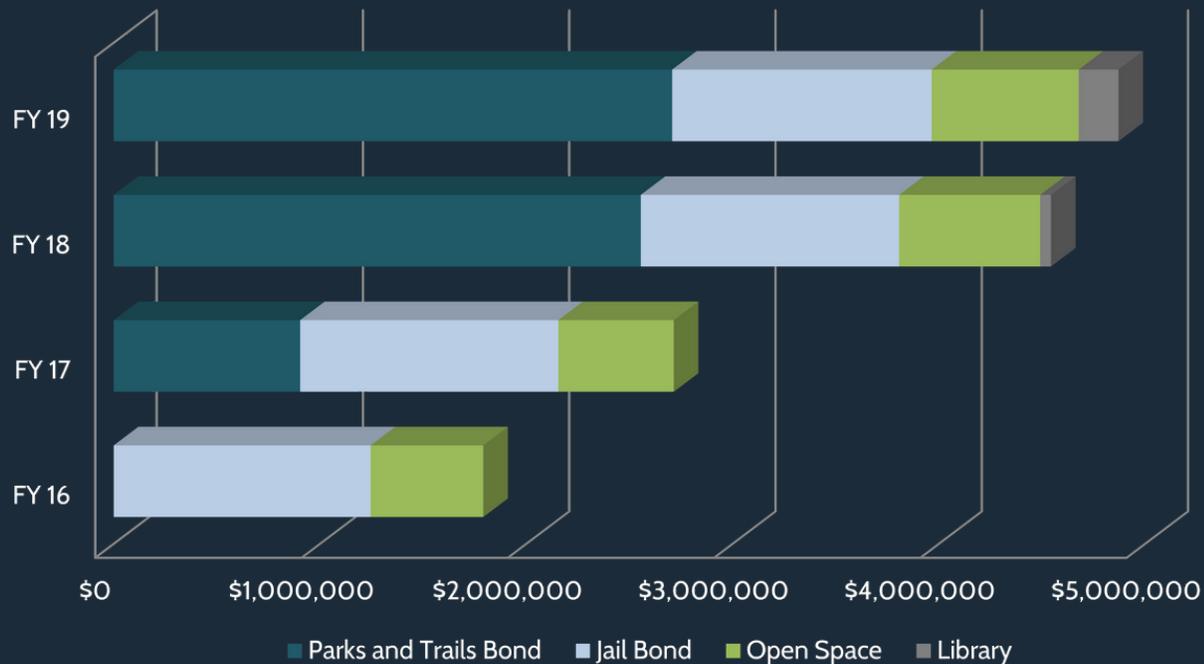
The mill rate used in this example only represents services provided by Missoula County. Taxpayers will also pay property taxes to support local school districts, state-wide school districts, special districts, and city taxes based on the location of their property. A total tax bill calculation includes all taxing jurisdictions within which the property sits.

PROPERTY TAX CALCULATIONS

Voter-Approved Levies

Voters also influence the mill rate based on their support of various initiatives presented to them in the voting booth. Over the last five years, Missoula County voters have supported levies for local school districts, fire districts, the Missoula Urban Transportation District, city and county parks and trails, Fort Missoula Regional Park, and the Missoula County Public Library.

Currently, Missoula County assesses taxes to support four county-wide voter-approved initiatives to support parks and trails, open space, the Missoula County Detention Center, and the Missoula City-County Library. Information about other voter approved levies is available on your tax bill and specific to your community or neighborhood.



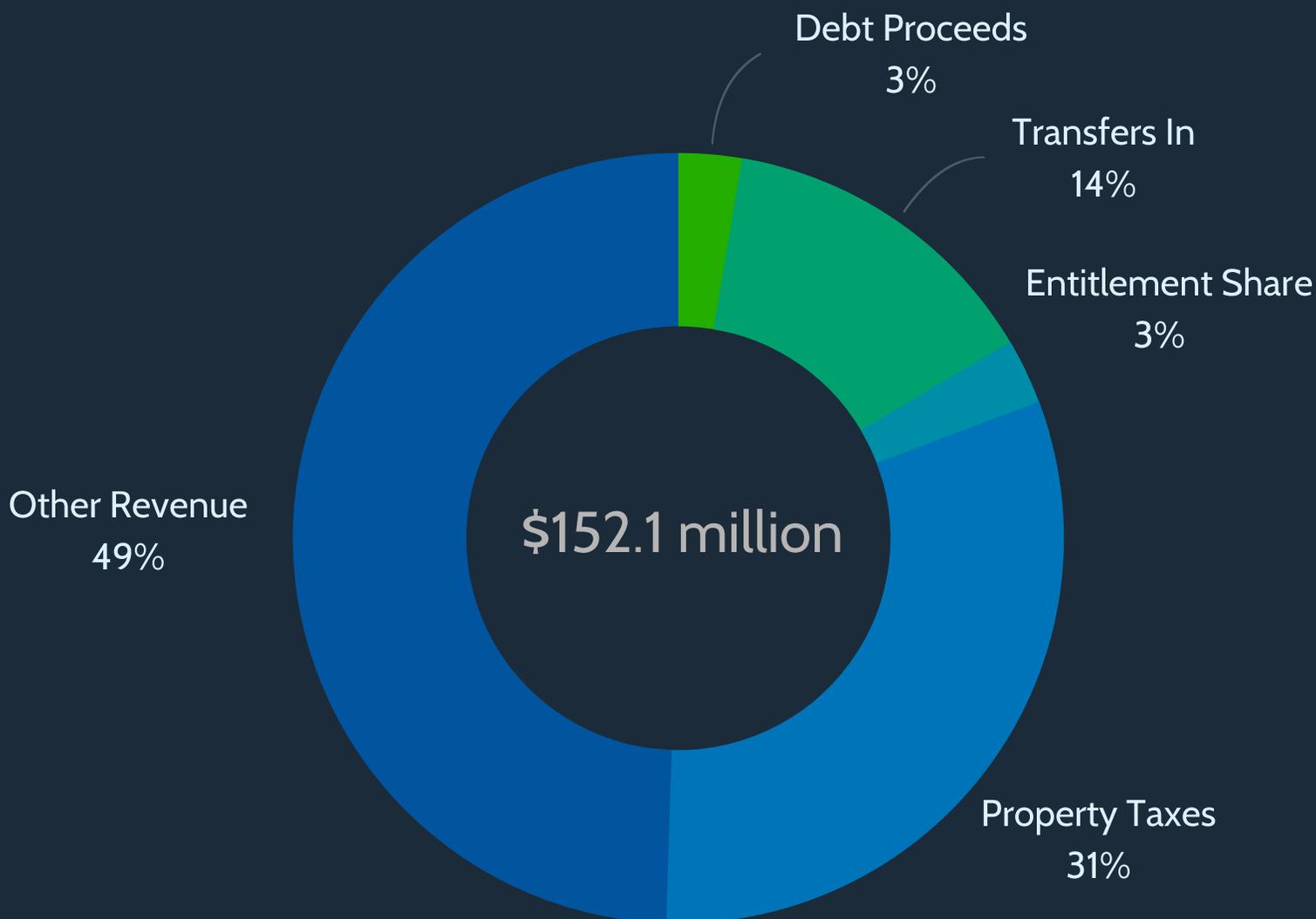
Taxable Value

The primary driver of taxable value is the property appraisal, also known as the assessment process, completed by the Montana Department of Revenue (DOR) every two years. Determination of a property's taxable value starts with the appraisal process and determining the assessed value. The assessed value of a property is the total value of the land and buildings.

The market value of residential property is determined by the DOR through a mass appraisal process. First, all 56 counties in the state are separated into neighborhoods or market areas. Then sales data and property statistics are gathered and analyzed. A property's market/assessed value is set based on its characteristics and the comparable sales in the neighborhood.

The DOR mails a notice every two years to Montana property owners that describes their property and its assessed value. Property owners should review that information carefully and contact the DOR with questions or concerns. Based on the assessed value, the DOR follows laws enacted by the Montana legislature to apply various exemptions and conditions to determine the taxable value of a property. Taxable values are then sent to all counties. Missoula County then calculates the number of mills for all of the taxing entities within the county. Elected boards for each taxing entity (e.g., school boards, fire district boards) review and then approve a specific mill request to be put onto the tax bill. County staff work with the local DOR office to load the taxable values and mill requests onto the County's tax billing software. After a thorough review, the Missoula County Treasurer sends out tax bills on behalf of all the taxing jurisdictions in Missoula County.

HOW IS MISSOULA COUNTY FUNDED? REVENUES

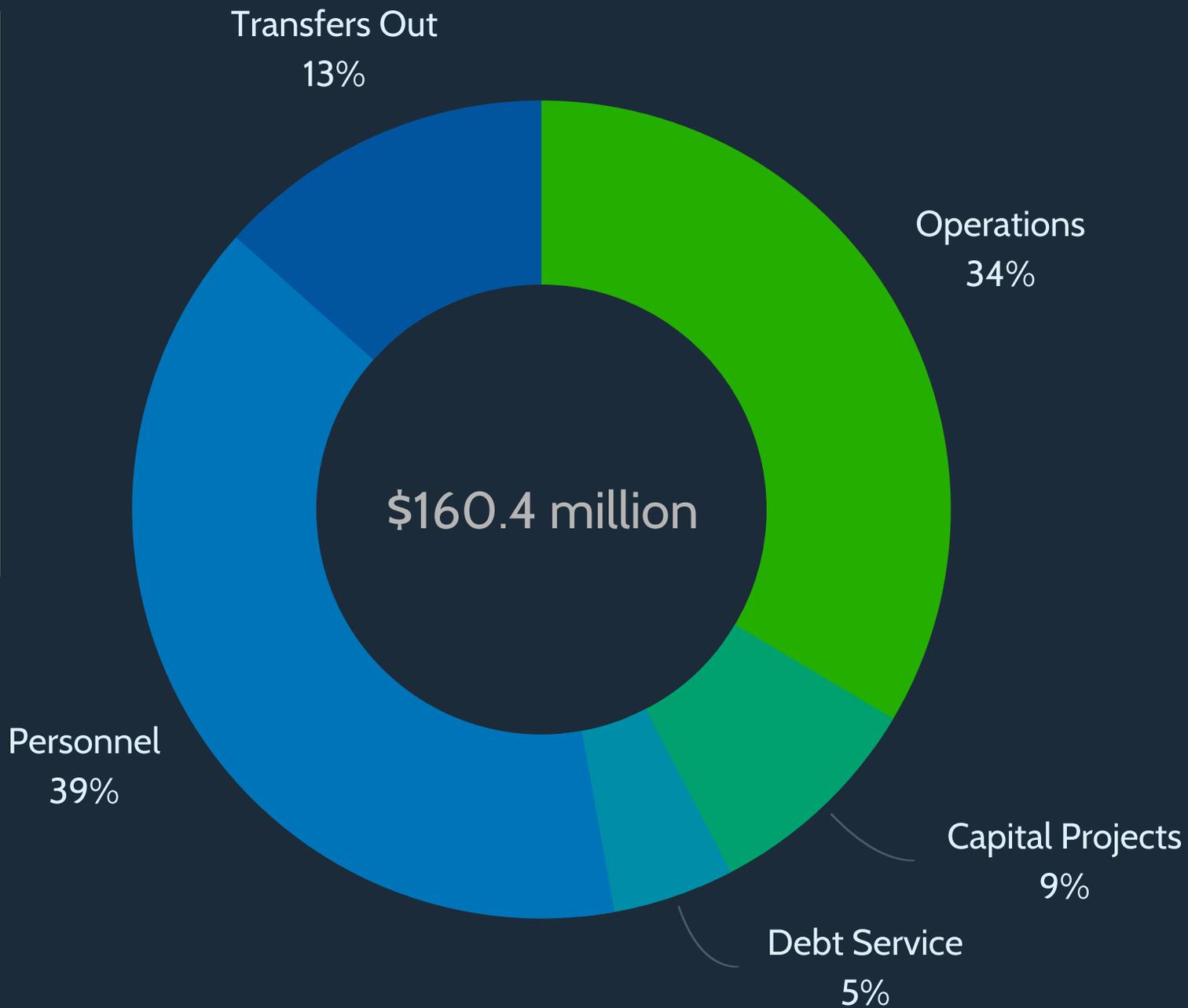


In fiscal year 2018, Missoula County is projected to collect \$152.1 million in entitlement share, property taxes, transfers in, debt proceeds, and other revenue. Nearly half of the County's revenue is made up of "other revenue" that is raised from charges for services, fines and forfeitures, licenses and permits, and grants. This could be fees collected from building permits, penalties imposed by Justice Court, or health clinic visits.

Property taxes are the second largest source of revenue for Missoula County. Transfers in are 14% of the revenues received by departments. Missoula County has 30 departments that all have their own budgets and functions. Certain activities are taken on by multiple departments and transfers help account for the use of time and resources in each budget. For example, several departments transfer in revenues to the County Attorney to contribute towards services performed by the attorneys such as consultation, contract review, and drafting agreements. Health Services and Public Safety functions receive over half of Missoula County revenues. County reserves aren't included in the budgeted revenues and protect the County against unanticipated expenses.

HOW IS THE MONEY SPENT? EXPENDITURES

BY CATEGORY



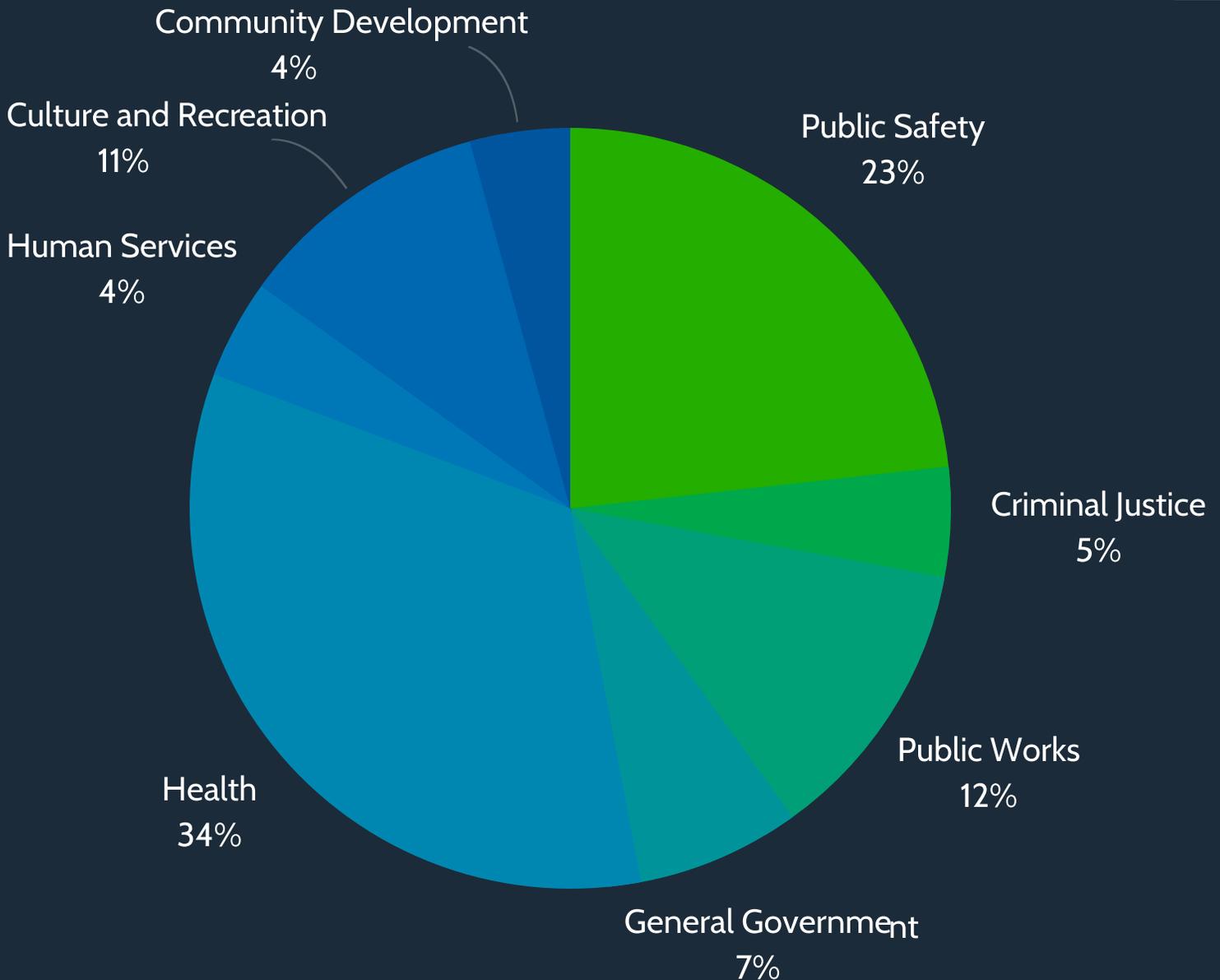
Missoula County's fiscal year 2018 budget planned for total expenditures of 160.4 million. Transfers out – funds transferred between departments – account for 13% of the budget. In order to better track each department's expenditures, transfers are used between the various departments but don't result in additional spending. For example, the Sheriff's Office transfers money to the Technology Department each year to help pay for computer equipment installed and maintained in patrol cars and at the Missoula County Detention Facility.

Personnel is the largest budget expense each year and supports hundreds of Missoula County residents and their families while they work to stop crime, protect public health, preserve open space, and serve fellow county residents. Debt service is a means of paying for significant county projects – see page 10 to learn more about the County's debt service obligations.

HOW IS THE MONEY SPENT? EXPENDITURES

Net budget expenditures, shown by service, are a more accurate statement of the money the County plans to spend. In fiscal year 2018, Missoula County planned to spend 122.6 million. The net expenditure calculation removes all internal charges between the County's 30 departments like transfers or internal service charges. Administrative costs such as financial services, technology, and employee benefits are allocated across each service area in proportion to their use.

Health, Public Safety, and Criminal Justice functions make up over 60% or \$75 million of the County's budget expenditures annually. With over 2,600 miles of area to patrol and more than 120,000 residents, the Sheriff's department deputies travel more than 750,000 miles each year, the County Attorney prosecutes over 1,700 criminal cases, and the Missoula City-County Health Department gives over 8,500 vaccinations. More information about each service area and the services provided to Missoula County residents is available on the next page.



MISSOULA COUNTY

SERVICES BY THE NUMBERS

CRIMINAL JUSTICE

- Clerk of District Court
- Missoula County Attorney's Office
- Justice Court

5,841 District Court Cases
14,419 Justice Court Cases



1,767 Criminal Cases Prosecuted



800+ marriage licenses

HEALTH

- Missoula City-County Health Dept
- Partnership Health Center
- Water Quality District
- Animal Control
- Substance Abuse Prevention

13,149 Mother and Child Wellness Visits



1,847 Environmental Inspections



8,599 Immunizations



1,364 Animals brought to Animal Control



15,000 patients seen at Partnership Health Center



COMMUNITY DEVELOPMENT

- Community and Planning Services
- Open Space Bonding

1,254 Land Use Info Desk Queries



71 Subdivision Exemption Requests Reviewed



29,000 acres of preserved open space to date



PUBLIC WORKS

- Roads & Bridges
- Surveyor
- Building Code Division
- Extensions Services & Weed Control
- Missoula Development Park

2,761 Building Permits



4 Water Districts

474 Miles of Maintained Roads



134,500 Biocontrol insects released to control weeds

PUBLIC SAFETY

- Sheriff's Office
- Detention Center
- 9-1-1
- Office of Emergency Management



102,000 Emergency Calls with Services Dispatched



750,000 miles traveled by Sheriff's Deputies



51 Deputies & Supervising Officers



394 adult 24 juvenile detention beds



138,000+ incoming emergency calls

GENERAL GOVERNMENT

- Board of County Commissioners
- Clerk & Recorder/Treasurer
- Elections Office
- County Auditor
- Superintendent of Schools



800 election judges 28 polling places

85,000+ Treasurer's Office Walk-In Customers



\$56,250 Veteran's Burial Benefits



HUMAN SERVICES

- Relationship Violence Services
- Aging Services
- Mental Health Services

\$693,000 to support Missoula Aging Services



Over \$500,000 in Grant Funding Received to Support Relationship Violence Services

1,800 Crime Victims Assisted



WHAT IS DEBT SERVICE?

Missoula County owns and manages an array of assets on behalf of the community. Buildings, roads, heavy machinery, parks, voting machines, and patrol cars are some of these assets. While all are well cared for, construction, upkeep, and replacement are needed on a continual basis. Costs are often too high to be absorbed into one annual budget. To make it more affordable to care for the county's assets, debt is issued to pay for large projects.

The practice of issuing debt is advantageous, as projects can be completed when necessary and do not have to be delayed until the full amount can be paid. Delays can result in higher overall costs because of inflationary increases in labor and materials can exceed the cost of interest expense. The financing of projects also spreads the cost to future populations who also benefit from the use of the facility or improvement paid for with the borrowed funds.

Debt service is the money that is required to cover the repayment of interest and principal on a debt for a particular period. Debt service funds are specially segregated funds or accounts that track and budget the interest and principal due for different debt-funded projects. The annual county budget includes information on the debt service payments that are required for several major projects for that budget year. The budgets for the projects themselves are managed separately.

Debt types can be split into two broad categories. The first is voter-approved debt and is subject to approval by all eligible county voters in an election. Currently, Missoula County pays debt service on four voter-approved initiatives. Bonds and their associated debt service were approved by voters to pay for the Missoula County jail, open space land conservation, parks, trails, and Fort Missoula Regional Park, and the Missoula Public Library.

The rendering to the right depicts the main entrance to the courthouse in 2018 after the seven-year renovation project is completed.

The second type of debt is approved by the Board of County Commissioners within the limitations of Montana law. The commissioners carefully review, consider, and ensure that projects funded through long-term debt meet operational and customer service delivery goals. Funding for debt service approved by voters or by county commissioners may be from property taxes, revenues from specific activities, or from specific revenues. For example, debt service payments for the Larchmont golf course irrigation system are paid with revenues collected by the golf course.

Over the last 10 years, the commissioners have issued bonds and budgeted for debt service for projects including renovation of the county courthouse and the purchase of the county's administration building. Bonds approved by the commissioners that were issued in 2017 will pay for the fifth and final phase of the Missoula County Courthouse remodel and renovation that is scheduled to be completed in 2018. The debt service for these bonds is part of the fiscal year 2018 budget expenditures and the debt will be paid over the next several years. Missoula County is able to reach the finish line of the five-phase, seven-year project to restore the Courthouse and allow future generations to enjoy and access public services in the historic structure.



INVESTMENT SPOTLIGHT: MISSOULA COUNTY FAIRGROUNDS

FUTURE OF THE WESTERN MONTANA FAIR

Since 1879



In 2016, after an extensive planning process, the Missoula Board of County Commissioners adopted a master plan for the Missoula County Fairgrounds. The plan will transform the 46-acre site into a central focal point for the Missoula community by preserving open space in the urban corridor along Brooks and Russell streets and promoting and preserving Missoula County's agricultural heritage. Historic buildings will be restored and joined by carefully designed new buildings that will be surrounded by public open space and connective trails over several years and through multiple development phases.

Phase I construction will include utility main extensions, renovation of existing buildings, construction of a new maintenance shop and Extension Office Learning Center, perimeter landscaping entrance enhancements, improvements to the existing carnival grounds, and 15 acres of new trails and open space.

Completing the construction in phases over time will allow the Fairgrounds to continue to serve the community by hosting events year round as well as the Western Montana Fair.

In the fiscal year 2018 budget, the Missoula Board of County Commissioners, reviewed and carefully considered ways to fund the first phase of Fairgrounds construction. As a result of their review, the Commissioners approved a budget increase of 3 mills or \$657,969 to the Fairgrounds budget to establish a revenue stream to pay for debt service. The debt service

funds will cover the principal and interest payments to be made on debt to be issued to pay for a portion of Phase I.

The Fairgrounds kicked off fiscal year 2018 in August with the free admission Western Montana Fair. Attendance increased by more than 24 percent as fair visitors came out in droves despite smoky conditions.

Concessions revenues increased by 16 percent from the previous year and carnival gross revenues increased 19 percent. Sponsors were excited about the free admission and increased their fair funding by 20 percent from the prior year.



For more information visit www.missoulafairgrounds.com.

GLOSSARY OF TERMS

<i>Appraisal</i>	A valuation of property by the estimate of an authorized and knowledgeable person.
<i>Assessed Value</i>	An estimate of 100% of the market value of property.
<i>Budget Parameters</i>	A set of goals and limitations for each budget year developed by the County finance team based on expected revenues.
<i>Budget Team</i>	A group of County leaders and department heads that review department budgets and the budget for compliance with budget parameters.
<i>Debt Proceeds</i>	Money received in exchange for a promise to pay in installments over time that is generally used to fund large construction, refurbishment, and replacement projects like Fort Missoula Regional Park.
<i>Entitlement Share</i>	Revenues based on local activities, such as liquor sales and vehicle license fees, that are sent directly to the state and then reimbursed to local governments based on a formula tied to the performance of the Montana economy.
<i>Fiscal Year</i>	A period that a government uses for accounting purposes and preparing financial statements that differs from a calendar year. Missoula County fiscal years run from July 1 to June 30.
<i>Interest</i>	A monetary charge, typically expressed as a percentage, charged for borrowing money and earned when investing money.
<i>Mill</i>	Also mill rate. Method of expressing the rate or amount of property taxes paid by each taxpayer. One mill is equal to 1/1000th of a dollar.
<i>Market Value</i>	The value at which property would change hands between a willing buyer and a willing seller with reasonable knowledge of all the relevant facts.
<i>Principal</i>	The original sum of money borrowed in a loan or bond.
<i>Taxable Value</i>	A dollar amount derived from the assessed/market value of the property multiplied by the applicable property classification tax rate set by the Montana legislature.
<i>Taxing Jurisdictions</i>	In Montana, the state, counties, municipalities, school districts and other special districts such as fire or water districts that can levy property taxes to fund operations.
<i>Transfers In/Out</i>	Transfers between county departments and accounting funds to pay for services across departments.

WE WANT TO HEAR FROM YOU



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