



Missoula County

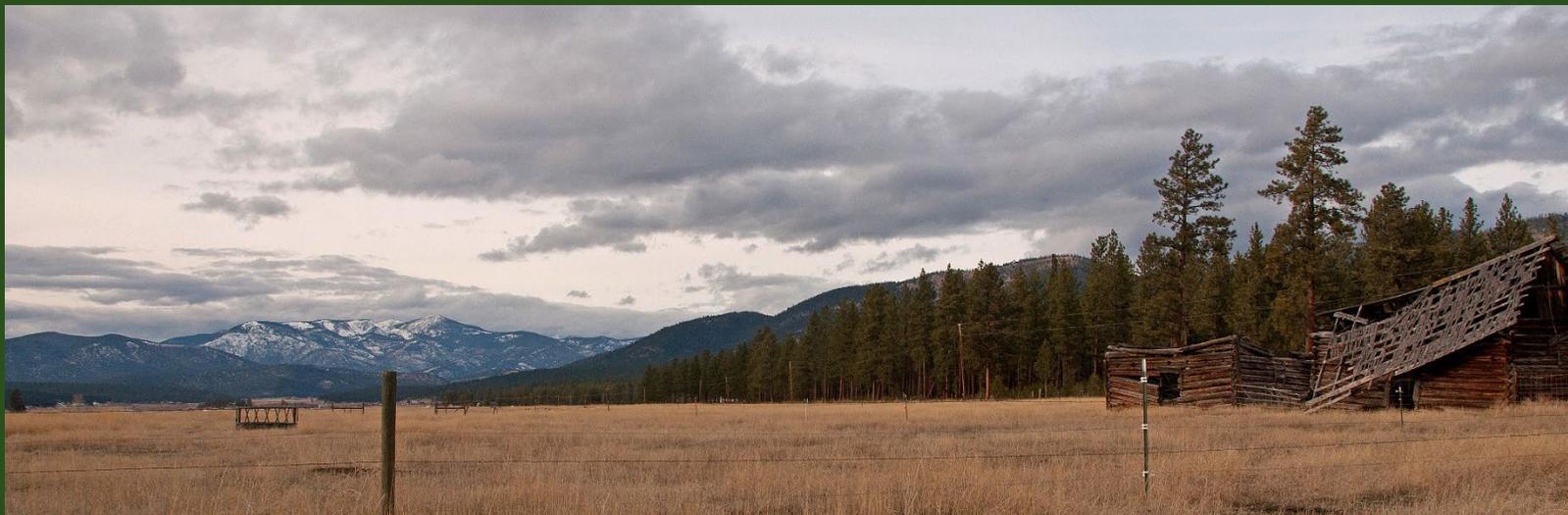
Montana

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Missoula, MT 59802

www.missoulacounty.us

Budget in Brief

2019



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WELCOME TO THE FISCAL YEAR 2019 BUDGET IN BRIEF

Government budgeting is complicated and spans a wide variety of activities. Our second annual Budget in Brief helps explain the budget process, key components of revenues and expenditures, and highlights important and interesting changes to this year's budget.

Missoula County has a wide variety of operations that span 30 offices and departments. Everything from essential 9-1-1 services, providing vaccines to area kids, repairing roadways and bridges, and holding elections are part of the services Missoula County provides. We encourage you to learn more about the wide variety of services provided by your county government at www.missoulacounty.us.

One of the most difficult aspects of budgeting for Missoula County is assessing the needs of a diverse population of over 120,000 residents covering 2,618 square miles. Your ideas and input are essential to determining where investments in our community should be made each year. As you review this report for our current fiscal year, we invite you to participate in planning for the 2020 fiscal year by contacting us or attending public meetings. Please see the last page for a variety of ways to connect with and learn more about your county government.

New to the Budget in Brief this year is a calendar of what activities happen each month as Missoula County plans and prepares for our next fiscal year budget. The Board of County Commissioners schedule is updated in February to reflect the specific department budget meetings for the next fiscal year and can be found at missoula.co/commissionercalendar.

A timeline of how a tax bill is built is also new and offers information and additional resources that can help you learn more about the property valuation process completed every two years by the Montana Department of Revenue.

Don't forget to review the glossary for definitions of some of the financial terminology used in this report. We hope you find this overview helpful, and we welcome your feedback.

Cover Photo Credits: (top to bottom) Rachel Shouse, Community and Planning Services staff.

Budget Calendar

January

Finance team completes the Comprehensive Annual Financial Report (CAFR) for audited actual financial statements of previous year.

Commissioners and Budget Team continue midyear budget reviews.

February

Technology development team updates budget software with suggested improvements from prior year budget process.

Budget training curriculum developed and delivered to elected officials and staff.

Budget review meetings posted to Commissioners schedule online.

March

Technology development team launches budget software to administrative users.

Budget team presents anticipated budget adjustments to Commissioners.

April

Budget kickoff with departments where Commissioners and CFO share budget requirements for the upcoming budget process.

Department heads begin reviewing and drafting their budget for the next fiscal year.

May

Departments present their preliminary budgets to the Commissioners.

Commissioners meet and review requests for additional funds and make preliminary funding decisions.

June

Departments present their preliminary budgets to the Commissioners.

Commissioners continue to meet with department heads.

Finance Team begins budget analysis based on proposed department budgets.

July

Finance team completes budget analysis after all department presentations.

Preliminary budget is published to the county website.

Commissioners hold preliminary budget hearing and consider public comment.

August

Montana Department of Revenue mill values are certified and delivered to counties.

Finance team calculates budget with certified mill values.

Commissioners seek additional public comment and hold final budget hearing.

September

Commissioners adopt final budget at an administrative public meeting.

Final budget book is compiled and published.

October

Ongoing review and monitoring of current year budget.

Technology development team gathers requirements to improve and update budget software.

November

Ongoing review and monitoring of current year budget.

Technology development team gathers requirements to improve and update budget software.

December

Budget Team and Commissioners start the mid-year review of current year budgets.

Departments review budget expenditures and changes in adopted budget versus actuals.

A NOTE FROM THE MISSOULA COUNTY CHIEF FINANCIAL OFFICER

Welcome to our second annual Budget in Brief, which seeks to provide a non-technical overview of the Missoula County budget for fiscal year 2019. The full budget is available online at www.missoulacounty.us.

Fiscal year 2018 saw a significant increase in the value of a mill when the Montana Department of Revenue updated property appraisals after several years. This fiscal year, the mill values grew less during the interim year between appraisal cycles. Going forward, mill values should experience less volatility as the Montana Department of Revenue updates property appraisals every two years rather than every six years.

The continued strong bond rating for Missoula County is a clear indicator of good financial health and reduces long-term costs associated with financing significant projects approved by voters, like Fort Missoula Regional Park and the Missoula City-County Public Library.

Departments are required to have a structurally balanced budget, meaning ongoing expenditures cannot exceed ongoing revenues. Also, departments are encouraged to take a long-term view and save where possible while still maintaining Missoula County buildings and equipment to prolong their useful life. Missoula County will continue to budget conservatively based on our strategic plan, prioritizing the communities' needs and providing essential services.

Andrew Czorny
Chief Financial Officer

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 and Poor's has reaffirmed Missoula County's rating 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.

One-Time and Ongoing Revenues and Expenditures

The total county budget and department budgets include both one-time and ongoing revenues and expenditures. One-time items are typically only received or spent for one year. Missoula County pays for its one-time expenditures with savings from prior fiscal years. Ongoing revenues and expenditures have a long-term impact on the funds the county needs to operate and can result in a tax increase. The Commissioners carefully review ongoing budget changes each year for need and financial sustainability.

UNDERSTANDING YOUR COUNTY PROPERTY TAXES



TAXABLE VALUE

Based on laws passed by the
Montana Legislature

The Montana Department of Revenue calculates each property's taxable value based on exemptions and limitations in laws enacted by the Montana Legislature. The taxable value for your property is listed on your appraisal notice from the Montana Department of Revenue.



CALCULATING YOUR TAXES

Property Tax = (Mill rate x Taxable Value)/1000

The mill rate used in the example below only represents services provided by Missoula County. Based on the location of your property, taxpayers will pay property taxes to support local school districts, special districts and City of Missoula taxes. A total tax bill calculation includes all taxing jurisdictions, and amounts assessed by each district are listed on your tax bill.

SAMPLE PROPERTY TAX CALCULATION FOR THE AVERAGE MISSOULA COUNTY HOME

Average Market Value: \$294,000

Estimated Taxable Value: \$3,950

Missoula County Mill Rate Fiscal Year 2019: 199.8

Property Tax = (Mill Rate x Taxable Value)/1000

Property Tax = (199.8 x 3,950)/1000

Property Tax = \$789.21 per year



MARKET VALUE

Estimated by
Montana Department of Revenue

Every two years, the Montana Department of Revenue completes an appraisal of all properties in Montana's 56 counties. This appraisal sets the market value of your home or property. Once your market value is set you should receive a mailed appraisal notice of the amount.



COUNTY MILL RATE

Set by Missoula County voters and the
Board of County Commissioners

Missoula County voters have approved spending measures for county services such as weed management, search and rescue teams, and parks and trails. All of these items are reflected in the county mill rate. Each year, after more than 100 hours of presentations and deliberations, Missoula County Commissioners finalize the county budget and the mills required to support other necessary county services.



TAX BILL

Sent by Missoula County on behalf of all
taxing jurisdictions

Missoula County sends property tax bills to taxpayers in October each year. The property tax bill includes the information and tax amounts for all taxing jurisdictions. Tax bills can be reviewed online at missoulataxes.us.

ADDITIONAL RESOURCES

Montana Department of Revenue

<https://mtrevenue.gov/>

Property Appraisal Notices

<https://mtrevenue.gov/property/property-appraisal-notice/>

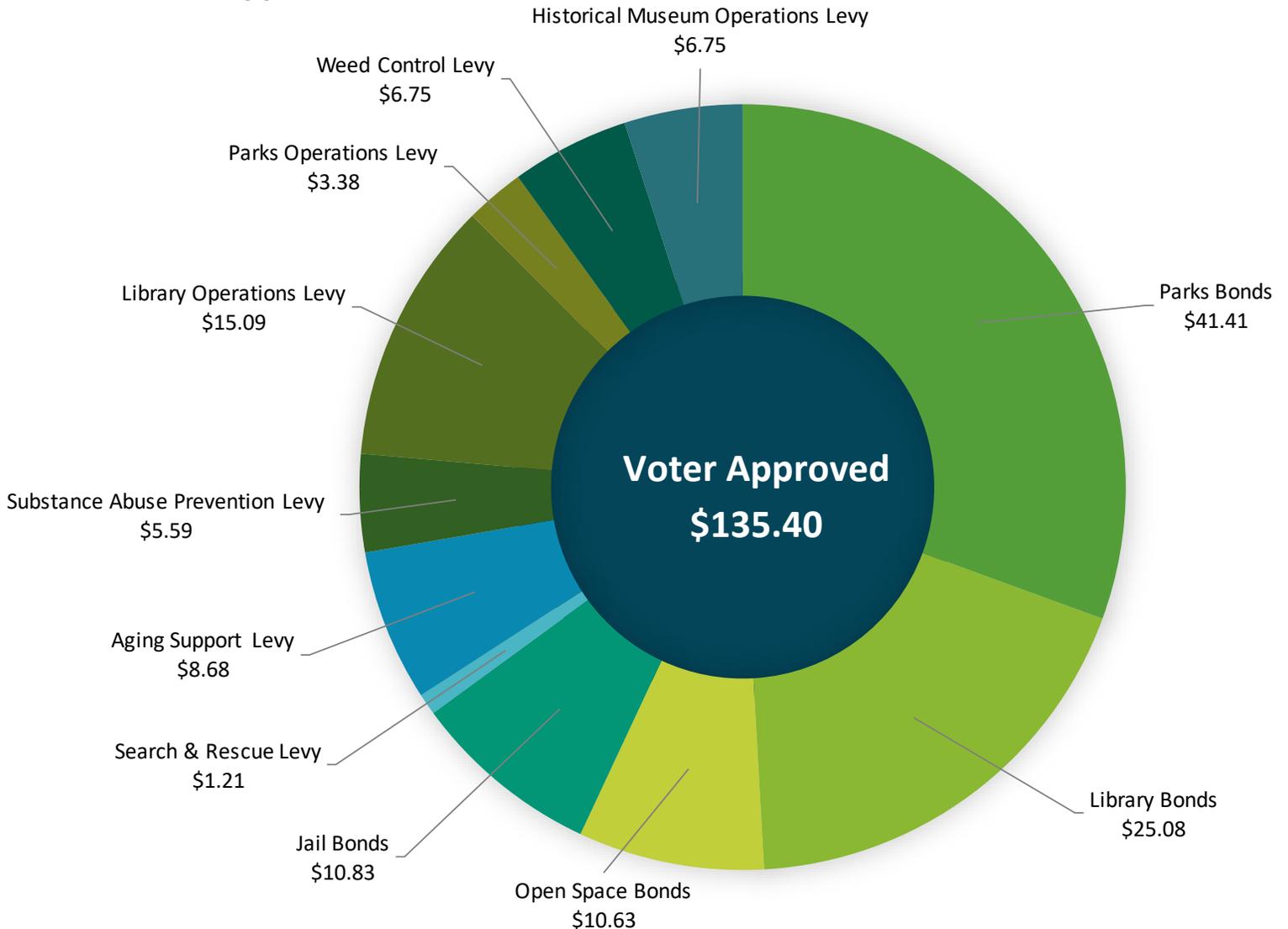
Missoula County Voter Approved Bonds and Levies

From passing a measure to build the Missoula County Detention Facility in 1996 to approving construction of the Missoula City-County Library in 2016, Missoula County voters define community values and priorities by supporting ballot measures for various levies and bonds. While some projects are joint city-county efforts, Missoula County manages the voter-directed funds, and the amounts for the joint projects are listed on tax bills as taxes paid to the county. Commissioners do not set the amount that will fund voter-approved bonds and levies, as the amounts are limited by the ballot language voters approved. For a home in Missoula County valued at \$250,000, voter-approved levies and bonds add \$135.40 to your tax bill for fiscal year 2019. The chart below breaks down what services are supported with voter-approved dollars.

LEVIES vs. BONDS
What's the Difference?

Levies differ from bonds because levies create ongoing annual funding to support programs through the levy expiration date. Bonds are used to pay for large projects that would not be possible without spreading the expense over several years. Bonds are sold to investors, and the money raised from the sale funds the project. Debt service payments are made over the years until the bond maturity date.

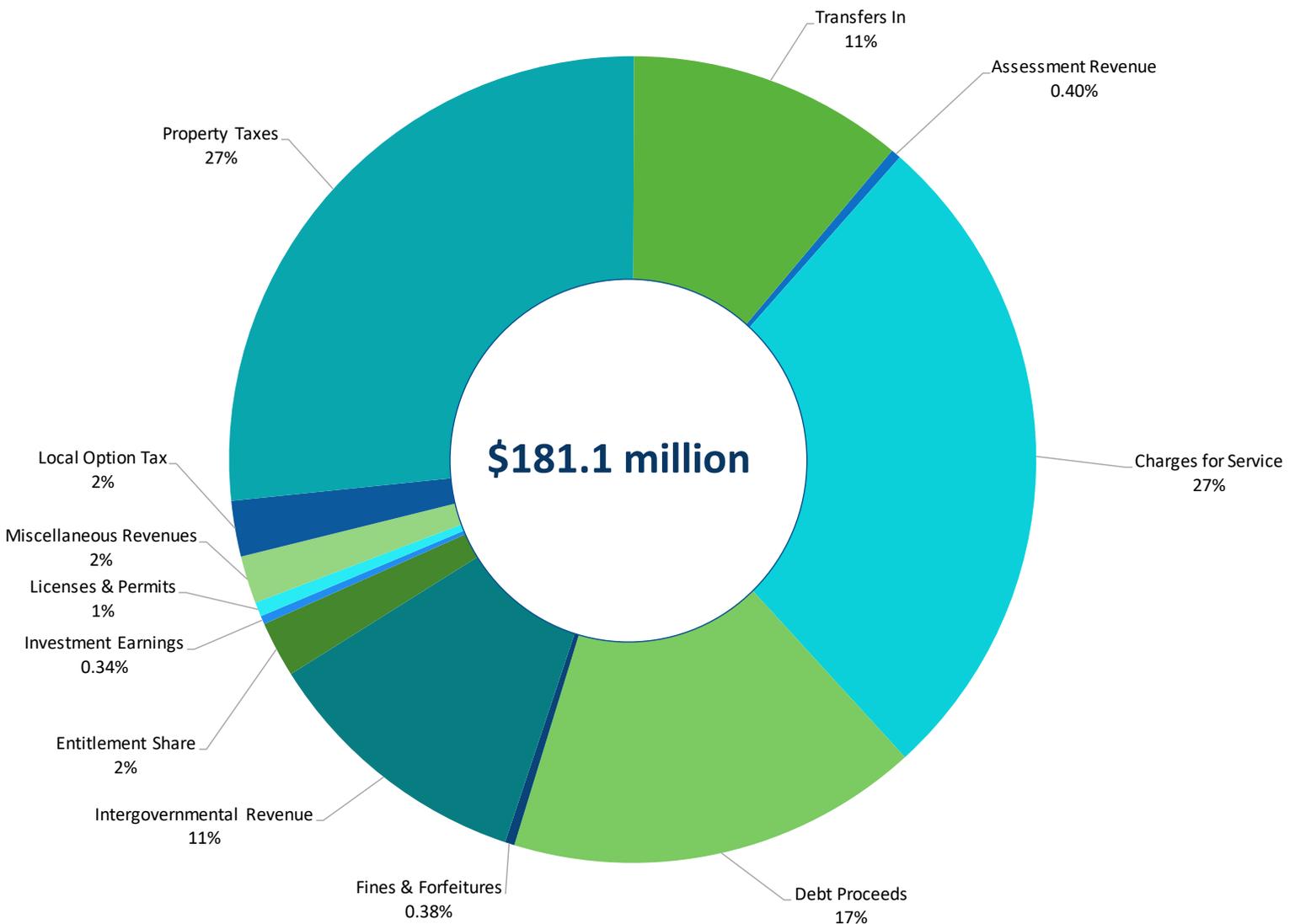
Voter Approved Bonds & Levies for a Home Market Value of \$250,000



How is Missoula County Funded? Revenues

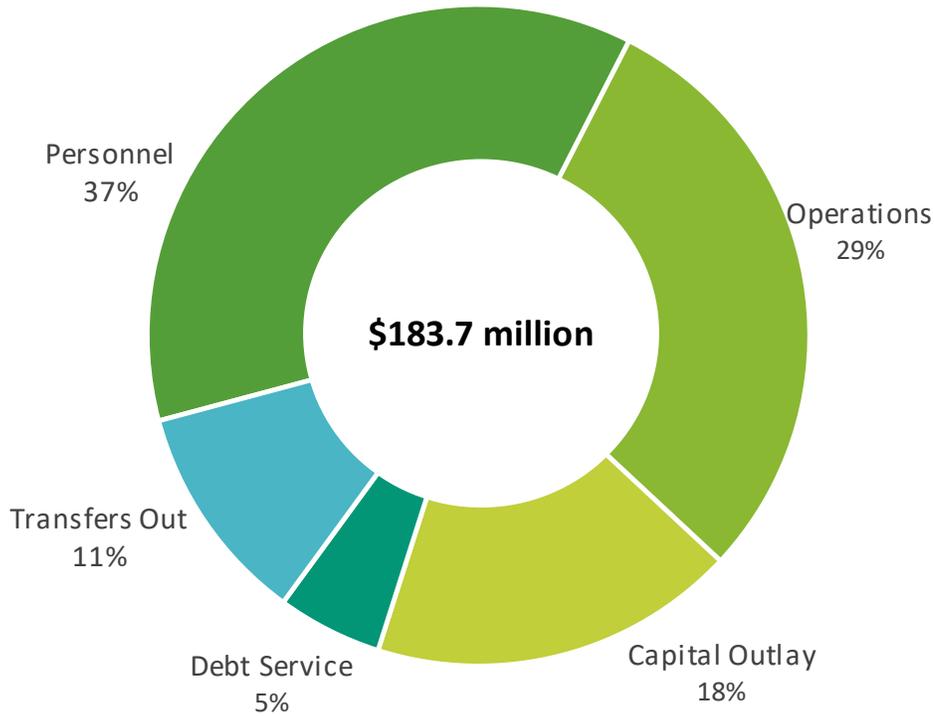
In fiscal year 2019, Missoula County is projected to collect \$181.1 million in revenues in all funds. Revenue received from debt proceeds increased from \$4 million in fiscal year 2018 to \$29.8 million in fiscal year 2019 because bonds were sold by the county and money was received for the construction of the new Missoula City-County Public Library. Missoula County has over 30 departments that do everything from pay the county's bills, pave and maintain roads, review subdivisions, and operate the county jail. Because each department has specific operating and financial goals, the county transfers money between the departments to better account for each department's operations. These transfers are not considered new revenues, but a reflection of value exchanged between departments for services. For example, several departments transfer revenues into the Technology department for computers, phones and support services. Transfers in are 11 percent, or \$20 million, of the revenues received by county departments. Charges for services is 27 percent, or \$48.3 million, of revenues and covers everything from electrical permit fees from Public Works to beer garden revenues at the Western Montana Fair.

FISCAL YEAR 2019 TOTAL REVENUES

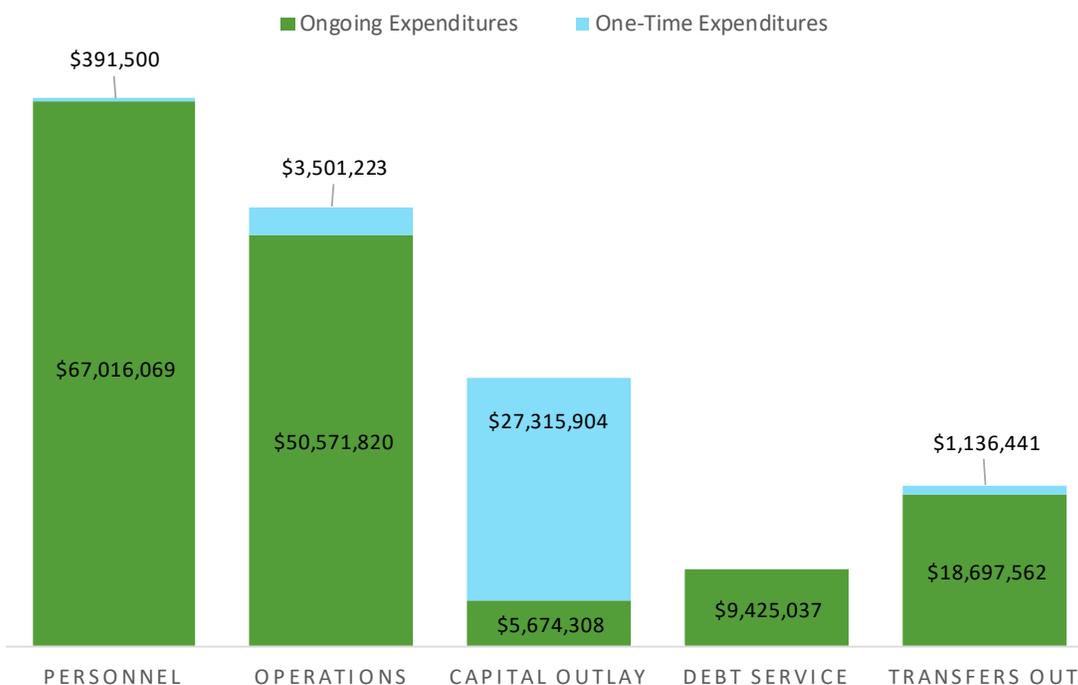


How is the Money Spent? Expenditures

FISCAL YEAR 2019 TOTAL EXPENDITURES BY CATEGORY



FISCAL YEAR 2019 ONGOING AND ONE-TIME EXPENDITURES BY CATEGORY



Missoula County departments expect to spend a total of \$183.7 million in fiscal year 2019. Total expenditures exceed total revenues of \$181.1 million because some expenditures are only expected to occur one-time and available cash or debt proceeds will be used to pay those expenses. Departments can accumulate available cash by controlling spending and saving money in their annual budgets. One-time expenditures include items like new computers, the purchase of new equipment to maintain roads, or building a new library. The largest expenditure for the FY2019 budget is personnel and most of that expenditure is ongoing. Capital Outlay makes up 18% of the total budget but 82% of the nearly \$33 million dollars planned in Capital Outlay is only one-time spending.

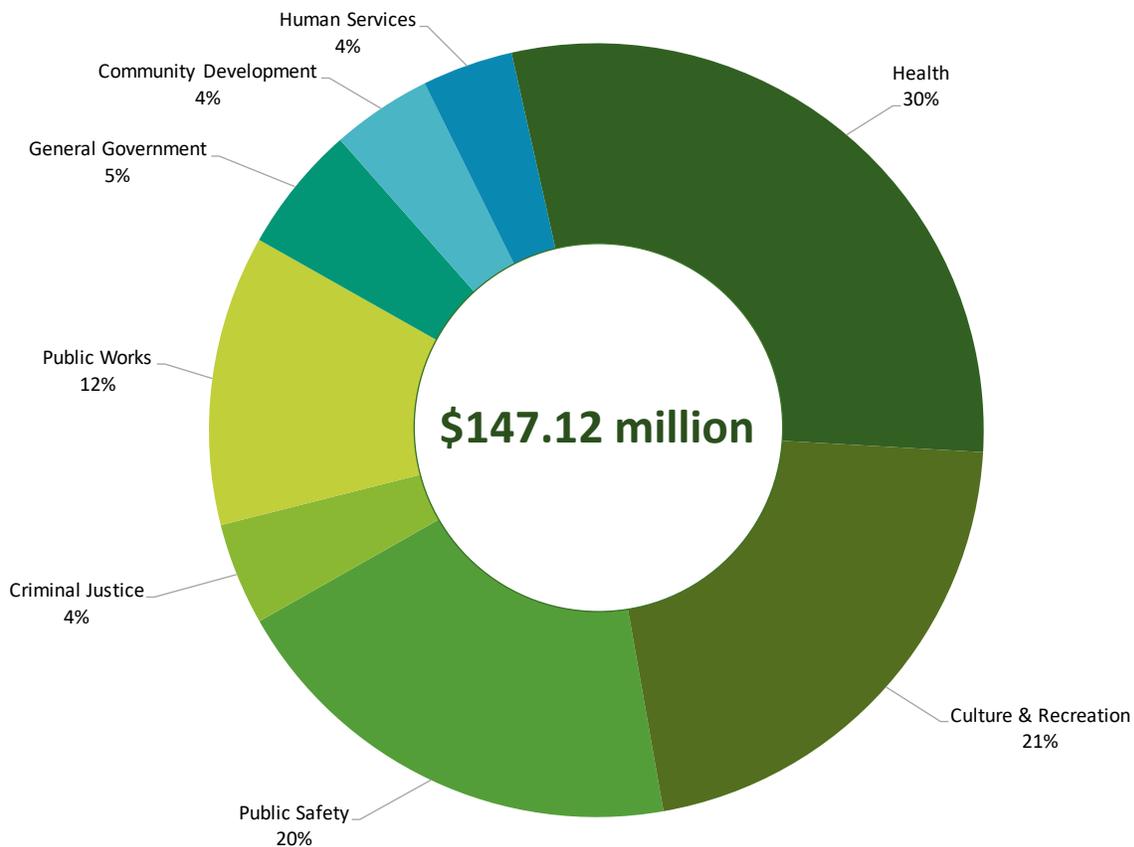
How is the Money Spent? Expenditures

Net budget expenditures, shown by service below, are a more accurate statement of the money the county plans to spend than total budget expenditures. Net budget expenditures remove all transfers out between the county's 30 departments and proportionally allocates internal service charges for facilities, technology and insurance. Using net budget information demonstrates the prioritization of community values by showing the types of initiatives and programs where the most spending occurs.

In fiscal year 2019, Missoula County plans to spend \$147.12 million compared to \$122.6 million in fiscal year 2018. Growth in spending for fiscal year 2019 is driven by the construction of the new Missoula City-County Public Library. Spending on culture and recreation has grown from 11 percent of the total budget in fiscal year 2018 to 21 percent in fiscal year 2019. However, the library construction is a one-time expenditure and does not require ongoing funding. Therefore, in fiscal year 2020, culture and recreation spending will not reflect the library construction expenditures.

Health and public safety functions comprise 50 percent of planned Missoula County spending. Health services include the work done by the Missoula City-County Health Department and Partnership Health Center to keep Missoula County residents healthy. Public Safety functions include the Sheriff's Office and detention center, emergency management and 9-1-1.

FISCAL YEAR 2019 NET EXPENDITURES BY SERVICE



FISCAL YEAR 2019 BUDGET REQUESTS

ONGOING AND ONE-TIME EXPENDITURES



ONGOING EXPENDITURES

CONTINUING EXPENSE

Ongoing expenditures typically fund new programs, new personnel or increases to the cost of doing business in established programs. Ongoing expenditures require funding for several years and may require an increase in property taxes. Please see examples of ongoing expenditures below.

ONE-TIME EXPENDITURES

LIMITED COST AND TIME

One-time expenditures are limited to a specific fiscal year and a set amount. Typically, one-time expenditures are used for purchasing equipment, building or repairing facilities, or completing a specific project. Two fiscal year 2019 one-time expenditures are listed below.



FORT MISSOULA REGIONAL PARK

ONGOING - MAINTENANCE AND REPAIR

In 2014, voters approved the sale of bonds to construct the park. To maintain this valuable asset, funding for maintenance costs has been added to the county budget as an ongoing item. Continued upkeep will ensure the park is beautiful for years to come.

THE HISTORICAL MUSEUM

ONE-TIME - NEW ROOF

The main museum roof at the Historical Museum at Fort Missoula needed repair. This one-time maintenance task is critical to preserve collection objects stored in the building. The repair was estimated to cost \$54,400 in fiscal year 2019 only and was paid from the Historical Museum's available cash.



MISSOULA ANIMAL CONTROL

ONGOING - SHELTER ATTENDANT

In 2017, Animal Control responded to more than 4,300 service calls and sheltered over 1,300 pets. To meet the growing need, an additional shelter attendant was added to the budget. Funding for the position will be ongoing in future years to help Missoula pets find homes.



PUBLIC WORKS

ONE-TIME - DIAGNOSTIC SOFTWARE

To more quickly repair and maintain heavy equipment, Public Works purchased mechanical diagnostic software. In FY2019, \$21,000 was spent from available cash to complete the purchase.



FISCAL YEAR

Montana Code Annotated §7-6-610 states that a county fiscal year commences on July 1 of the calendar year and ends on June 30 of the following calendar year. County budgets and financial reports are based on the fiscal year period. Fiscal year 2019 started on July 1, 2018, and will end June 30, 2019.

BUDGET REQUEST LIFE CYCLE

To receive funding beyond a base level, departments must prepare and present budget requests that detail the nature of the expense and justify the need for the expense. Some requests have partial or full funding from other sources, like grants or funds from the state or federal government, but others may require departments to find savings elsewhere in their budgets or ask for a tax increase. The Board of County Commissioners carefully reviews each budget request by reviewing the information presented by departments and asking questions in meetings.

After reviewing the requests, the Commissioners review the requests and consider community and department priorities in determining what requests will be approved. Requests are tentatively approved and included in the total preliminary budget that is presented to the public at a meeting in late July.

After receiving feedback from the public on the proposed budget and receiving certified mill values from the Montana Department of Revenue, the Commissioners make final decisions on which requests to fund.

Permissive Medical Levy

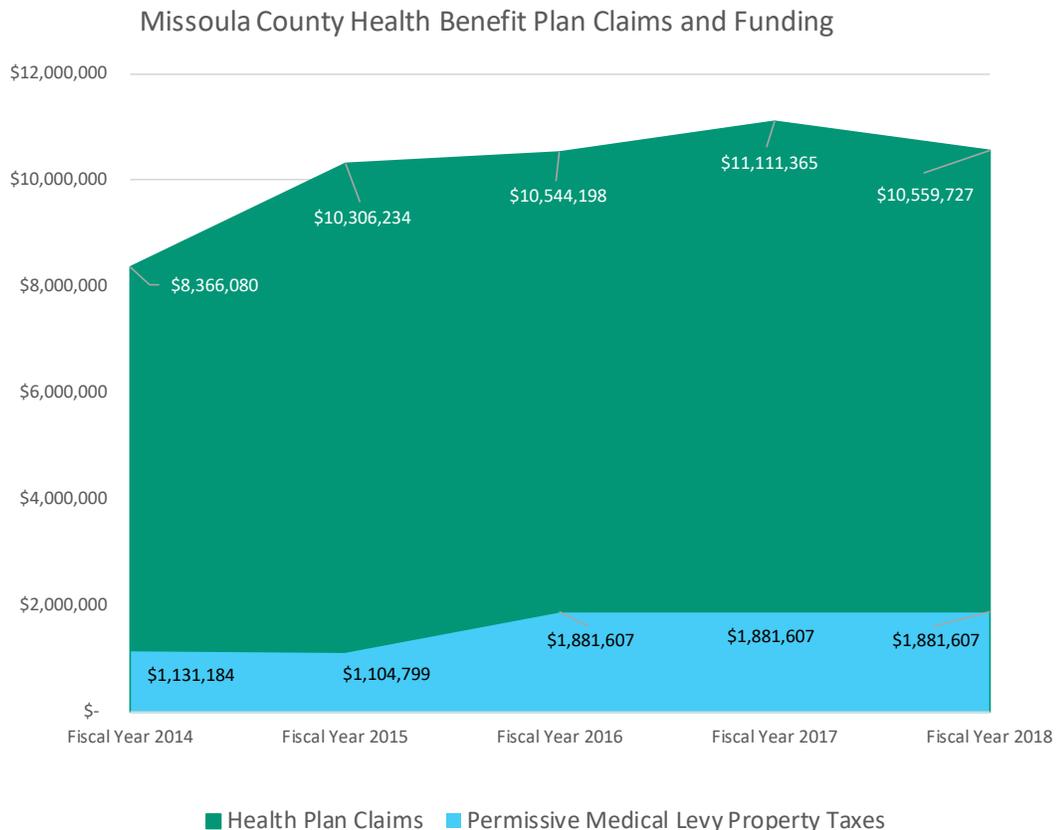
Montana law limits the total number of tax dollars or mills levied that a county may collect based on a formula set and reviewed by the Montana Department of Revenue each year. In 2001, the Legislature granted government agencies across the state the capacity to raise revenues to support offering health and medical benefits to public employees. These revenues are known as the permissive medical levy and are outside of the revenue limits set by the Montana Department of Revenue for taxing jurisdictions.

Under the permissive medical levy calculation requirements, Missoula County is required to make a base contribution to medical benefits programs offered to employees and can then raise additional funds to contribute to employee benefits using the permissive medical levy. This flexibility allows the county and other government agencies to continue to offer medical and health benefits to retain current employees and attract new employees.

Missoula County is self-insured and administers its own medical claims, including medical, dental and vision claims. Prescription claims are administered by a prescription benefit manager. Rates for the employee insurance plan are evaluated through actuarial analysis performed by an outside contractor by reviewing trends and producing forecasts of plan expenses and claims. Rates for health, dental and vision insurance are set annually and approved by the Board of County Commissioners.

Over the last five years, insurance claims have increased due to the rising costs of prescription drugs and the broader minimum coverages required by the Affordable Care Act. Permissive medical levy funding increased one time during the last five years, in fiscal year 2016. The revenue received has paid for up to 18 percent of employee medical claims over that time.

To more accurately reflect the distribution of expenses levied in each county fund to the appropriate revenue source, the permissive medical levy mills were increased by 6.47 mills for a total of 13.61 mills for fiscal year 2019, or an increase from \$1,881,607 to \$3,343,740. The increase will reallocate mills from limited funds to their appropriate revenue category and reflect the increases seen since 2014 to the Missoula County Employee Health Benefit Plan.



GLOSSARY OF TERMS

Appraisal – A valuation of property by the estimate of an authorized and knowledgeable person.

Assessed Value – An estimate of 100 percent of the market value of property.

Available Cash – Funds that have been saved from prior years by Missoula County departments when revenues have exceeded expenses and are available in the following years to fund one-time expenditures.

Budget Parameters – A set of goals and limitations for each budget year developed by the County finance team based on expected revenues.

Budget Request – A proposal from a Missoula County elected official or department head for additional funding to be added to their budget that is approved or denied by the Board of County Commissioners.

Budget Team – A group of county leaders and departments heads that reviews department budgets and the budget for compliance with budget parameters.

Comprehensive Annual Financial Report (CAFR) – An audited financial statement prepared by Missoula County that reviews the spending and financial position of Missoula County's prior fiscal year.

Debt Proceeds – 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.

Fiscal Year – 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.

Interest – A monetary charge, typically expressed as a percentage, charged for borrowing money and earned when investing money.

Market Value – The value at which property would change hands between a willing buyer and a willing seller with reasonable knowledge of all the relevant facts.

Mill – 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.

Mill Rate – See mill.

Mill Value – The expected dollars to be raised from a single mill. Based on the total taxable value of all properties in the taxing jurisdiction and calculated by the Montana Department of Revenue each year.

Ongoing Revenues/Expenditures – Revenues or expenditures that will continue indefinitely and require funding each fiscal year.

One-time Revenues/Expenditures – Revenues or expenditures that will only occur for a single period of time and only require funding for the set time period.

Taxable Value – 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.

Taxing Jurisdictions – 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.

Transfers In/Out – Transfers between county departments and account funds to pay for services across departments.

Voter-Approved Bond – A financial instrument used by a borrower to finance significant development projects and approved by voters of the taxing jurisdiction. Bonds are sold to investors in exchange for a promise to make payments over a number of years.

Voter-Approved Levy – A dollar amount to be raised by collecting taxes for a specific use as approved by voters. Levies are typically used to fund continuing expenses and may or may not have a limited time period.

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Instagram



www.MissoulaCounty.us

Website



bcc@missoulacounty.us

Board of County Commissioners Email



<http://missoula.co/blog>

Missoula County Blog



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Board of County Commissioners Calendar