

## FY2020 Budget Highlights

### Prevailing concerns and considerations:

- Missoula County is an organization focused on sustainability and resiliency, especially as it relates to climate and landscapes. Budgeting should be no different.
- Sustainability means taking measures to scale back and not do as much as we wish we could do.
- We need to apply our concerns about sustainability over multiple budget cycles.
- Budget resiliency is also a need and a requirement. We don't know when or to what extent there will be a downturn in the economy. It wouldn't be prudent to maximize our mill levies.
- Revenue and expenditure lines continue to diverge.
- The financial bandwidth, based on property taxes alone, fails to meet real community needs like winter shelter, mental health and housing.
- At some point, until the challenge of diversifying our revenue sources is addressed, something else will have to give. No one is asking for a decreased level of service. We have to get creative to find other sources of new and equitable revenue. Tourism, for example, what are the costs of providing services to tourists that are never recouped?

### Revenue Considerations:

#### Centrally assessed corporations – decline in revenue, protesting taxpayers

- Centrally assessed property crosses multiple county lines, such as telecommunications and utility companies.
- These companies are not assessed on the value of their property, but on the value of their company as a whole. In general, the equipment and assets that influence that valuation depreciates over time, leaving a decline in taxes paid by the largest entities operating in the state of Montana.
- There are currently four centrally assessed property taxpayers protesting their assessments in Missoula County. One of those is in the top 10 centrally assessed taxpayers in Missoula County.
- There are 35 *commercial* property taxpayers appealing their appraisal in Missoula County this year for a total 2019 market value of \$28,386,070 (average \$8.3 million per protest).
- There are approximately 1,200 *residential* property taxpayers appealing their appraisal in Missoula County this year.

#### Per diem compensation for state inmates in the Missoula County Detention Center

- Missoula County's detention facility houses two different types of state inmates:
  - Inmates who have been sentenced and are awaiting placement at a state facility
  - And inmates who are waiting to be assessed in the Missoula Assessment and Sanction Center unit for treatment programs.
- Per diem refers to the cost, established by the state, per day to house, clothe and feed each inmate. Missoula County has disagreed with the value of that state-established per diem for years and is working to reach an agreement that takes residential property taxpayers off the hook for subsidizing the cost of caring for those inmates.
- Conservatively, Missoula County property taxpayers subsidizes the care of these inmates by **\$500,000** per year.

#### Newly taxable value decline: annexation, URDs

- Newly taxable property is property that is constructed or significantly improved and added to the tax rolls. In the case of the City of Missoula, that can also include property newly annexed into the city limits.
- The difference of the value of newly taxable property inside the boundary of an urban renewal district or a tax increment finance district is used for improvements inside the district in which it sits. But, the increase in the value of that new property does positively impact the value of a mill.

- This fiscal year, the county's newly taxable value decreased in sharp contrast to the city's steep increase. That reduction in newly taxable value adversely impacts the county's tax revenue in the short term while demonstrating the benefits of the districts themselves by dramatically supporting the economic growth in targeted areas. As with most things, using URDs and TIFs to stimulate Missoula's economy requires a balanced approach.

#### **Other cuts to revenue include:**

- [Entitlement share](#) is an aggregation of taxes and fees counties receive from the state to compensate for state services performed at the county level, such as vehicle titling and registration.
- that reflect a portion of the costs local governments bear in providing services mandated by the state.
- The aggregation of those costs includes a base amount and an annual growth rate that reflects economic factors in each particular county. The growth rate for Missoula County's entitlement share was capped in the last two fiscal years.
- Each legislative session, Missoula County must defend this revenue source as it is routinely scrutinized as a potential revenue source to offset other costs at the state.
- **Payment in Lieu of Taxes (PILT)** is an annual payment from the federal government for public land within the boundaries of Missoula County not subject to property taxes.
- Missoula County received **\$316,523** less in PILT revenue last year.

#### **Revenue increases:**

- One-time disbursement from the **Urban Renewal Districts**: \$500,000 in one-time revenue will go to be added to the capital improvement plan.
- **Grant funding:**
  - Brownfields grant for \$150,750
  - Homeland Security Grant for \$304,000

#### **Expenditures:**

Total budget increase (without transfers) from last fiscal year: 6.4%

Property tax revenue increase: 8%

Personnel budget increased from last fiscal year: 6.26%

Operations budget increase from last fiscal year: 5.26%

#### **Two voter-approved bonds are paid off this year:**

- jail bond (\$1,257,450 annual reduction in debt service payments)
- open space bond (\$245,806 annual reduction in debt service payments)