



August 13, 2024

**YELLOWSTONE COUNTY
FISCAL YEAR 2025
FINAL BUDGET SUMMARY**

The fiscal year 2025 (FY25) budget is herein presented to the Board of Yellowstone County Commissioners and the citizens of Yellowstone County for their consideration.

The budget has been compiled by the Finance Department with budget requests originating from various County departments, as well as outside entities. The budget requests were presented at budget hearings held June 24th through June 26th, 2024. The final budget must be adopted by the Board of County Commissioners by the later of the first Thursday following the first Tuesday in September or 30 days after the State of Montana provides certified taxable values. Taxable values are statutorily due to us no later than the first Monday in August.

We have scheduled FY25's final budget for adoption on September 3rd, 2024.

The final budget includes changes from the preliminary budget resulting from salary and benefit changes, evaluation of capital, personnel, and operating needs, taxable valuation changes and FY24 year-end cash positions.

OVERVIEW

Yellowstone County continues to maintain a healthy financial position going into fiscal year 2025, albeit with some continued challenges. Inflation and staff retention seem to be the primary pressures affecting all departments, but most notably in the Sheriff's fund, County Attorney's fund and our Youth Service Center. With anticipation of inflation easing throughout the next several months the pressure felt from these two factors should begin to lift, especially as we close fiscal year 2025.

This year will again show substantial progress on many capital projects including the County Administration Building, the addition to the Detention Facility and eventually the extensive remodeling of the courthouse to accommodate court-related new growth including the possibility of new judges.

One important project that deserves mentioning again this year is the criminal justice needs assessment study we engaged in last fiscal year. This study will provide recommendations for system efficiency improvement, capacity management and enhanced outcomes for both adults and youths involved in the criminal justice system. The results will be presented to the Board of County Commissioners in the spring and will guide the next steps necessary for addressing the public safety issue in our community including the pace of the system, mental health programs available in our community, detention space at the state level and county level and also the Yellowstone County Youth Service Center.

If the eventual decision is made to expand the Detention Facility again, it will be nothing like our previous expansion completed in 2020. Both a material increase in the County's mill levy and a significant debt obligation will need approval by our voters.

Architectural design of the County Administrative Building is almost complete, which means construction should be underway this fall. Currently, we are slated to begin the transition from the Stillwater Building to the newly remodeled CAB by the fall of 2025. This will free up space in the Courthouse for our district and justice courts, county attorney offices and the expectation of another justice court judge. We project to be able to remodel this building and remodel the courthouse with neither any need for additional debt nor any need for a tax increase thanks to reserves in our Capital Improvement Fund.

The American Rescue Plan Act funds allowed us to address infrastructure challenges at MetraPark for which funding options were few. Not only did these improvements provide the campus flexibility and responsiveness in times of community need, but it improves the campus with overall safety and functionality. All APRA projects at MetraPark are expected to be completed by fall of 2025.

As we conclude our infrastructure work on the MetraPark campus, we also look to conclude our work with an industry consulting group by the end of FY25. This work has generated a restructured organizational chart, revised pricing structures, improved customer service and reduced overtime. While these efforts are not complete, we have already seen material results. Our non-tax related revenues for FY24 exceeded budget by 9.4%, while expenditures remained in check. A highlight in this area is a 20% reduction on overtime dollars compared to FY23 and FY22. All of this demonstrates that we are improving the bottom line at Metra, allowing for better funding of MetraPark capital expenditure needs going forward, without requiring General Fund or General Fund CIP infusions.

REVENUE BUDGETS

Fiscal year 2025 revenues from all sources (including internal transfers) are budgeted at \$139.8 million of which \$70 million is derived exclusively from property taxes. This is \$4.2 million over FY24 property tax revenue. New properties assessed for the first time amounted to almost \$2 million of that increase, \$1.7 million was based upon the inflationary allowance under State law on existing homes and the balance is attributed to levy authority not utilized last year, but now necessary to keep up with inflationary costs.

Last year was an appraisal year performed by the Montana Department of Revenue which resulted in large valuation increases and therefore a reduction of levied mills over the previous fiscal year. This year, valuations will not be evaluated however Yellowstone County experienced a 2.4% reduction in countywide taxable value, certified last year, due to adjustments made by the State. This lost revenue, along with the statutory rate of inflation and the increase to the permissive medical levy, results in an increase of 5.88 mills for fiscal year 2025.

We have no new voter approved mills being implemented this fiscal year.

The State of Montana's entitlement funding came in 4.64% higher than last fiscal year. The majority of this increase is attributed to HB212 which increased the exemption on class 8 property and a portion of that reduced property tax was then distributed to each county.

The permissive medical levy was increased this year by .91 mills which equates to approximately \$500,000 in revenue. This was necessary to keep up with a portion of the inflationary trend we continue to experience in the health insurance fund. The State of Montana authorizes Yellowstone County to levy 13.78 mills in fiscal year 2025, 3.43 mills more than Yellowstone County will levy. This reduction is predicted to save Yellowstone County taxpayers approximately \$1,691,308 in this fiscal year.

The mill levy for Big Sky Economic Development is authorized by the Board of County Commissioners at 3.16 mills for FY25, which represents an increase in tax revenue of \$84,071. They are also confirmed to receive \$284,296 in State entitlement dollars.

Over the last couple years, Yellowstone County was able to benefit from record high interest earnings on its pooled investments. However, beginning this fall we are anticipating rate cuts and therefore have adjusted projected interest earnings accordingly.

EXPENDITURE BUDGETS

We continue to see necessary material adjustments in FY25's final budget over FY24's base appropriations in many areas due to inflation and planned capital projects. Excluding ARPA and the Capital Projects Fund, which both account for capital improvements spent from existing reserves and federal dollars received during COVID, base appropriations increased approximately 4.6% over FY24.

While the rise in inflation has been felt over all departments the last couple years, this year the Sheriff's fund will experience the heaviest burden. Primarily the spike in food costs, insurance premiums, patrol vehicles, and medical services are resulting in a substantial projected erosion of reserves.

Yellowstone County's FY25 budget continues to result in a balanced operational budget.

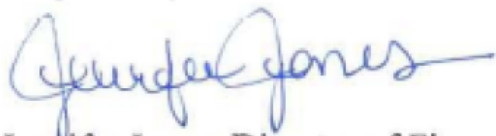
Following our budget hearings in June 2024, a number of changes were made. These are outlined on pages 17-18 of the final budget document.

Staffing levels are budgeted to increase by almost 2% over FY24. These include: (2) new Justice Court pretrial assistants; (1) new Deputy County Attorney; (1) new sworn Sheriff Deputy; (4) new Clerks for the Sheriff's office; and (1) new Juvenile care worker at our Youth Service Center. A recap is available for review on the Personnel Recap page of the budget document. In addition to staffing level increases, the Board of County Commissioners approved compensation adjustments based on market trends for most current positions.

In order to account for property tax funding that may not be received in FY25, contingency expenditure budget lines have been updated in many of the tax levied funds. We are estimating a protest rate of 2.00%, down from 3.00% last fiscal year for the majority of County funds due to being a non-appraisal year, however the Road Fund, Library Fund, County and Laurel Planning Funds and Lockwood Pedestrian Safety District are estimated at 2.5% due to expected higher levels of protested valuation affecting only these segregated funds.

I would like to take a moment to thank all the County departments for their assistance with building this budget with a special thank you to Kevan Bryan, OMB. Finance's work with others allowed for a financial plan that demonstrates our sound position and our continued commitment to addresses needs well into the future. I would also like to thank our accounting staff of Anna Ullom, Kelly Campbell and Tim Wombolt for their hard work and patience in the assembling of this budget herein presented.

Respectfully submitted,



Jennifer Jones, Director of Finance & Budget