

FISCAL YEAR 2006 BUDGET HEARINGS

CONTINUATION OF PRELIMINARY HEARING

WEDNESDAY, JULY 20, 2005 – 7:00 P.M.

ROOM 201 – COURTHOUSE ANNEX

The Preliminary Hearing on the Fiscal Year 2004 Budget was reconvened at 7:00 p.m. by Chair Jean Curtiss. Also present were Commissioner Bill Carey, Chief Financial Officer Dale Bickell and Chief Administrative Officer Ann Mary Dussault.

Dale Bickell presented a general overview of the financial condition of the County. A handout with budget information for Fiscal Year 2006 was available.

FY 2005 Financial Highlights

Development Park – Land sales totaled over \$2,260,000 in FY 2005.

Fair – Ice Rink Project expenditures totaled \$1,011,109 for enclosing the current rink and construction of the second adjacent rink.

Local Government Study Commission – Started its work in FY 2005, incurring \$11,791 of its \$57,676 budget.

Partnership Health Center – PHC's preliminary financial statement shows positive cash flow of \$95,458, reducing the operating deficit to (\$191,689). Projections show that the total deficit could be eliminated in FY 2007, seven years ahead of initial expectations.

Communications Backbone – The upgrade to the County's emergency response communications infrastructure continued at a cost of \$1,632,331. This project is funded through a combination of Federal grants, 9-1-1 fees and General Fund contributions.

Health Insurance – Plan benefit reductions (including the implementation of a \$500 deductible) and premium increases at the beginning of the fiscal year have stabilized the County's self-insured health plan after several years of sustaining losses. For FY 2005, preliminary financial statements show net income for the Plan totaling \$623,518 and trust reserves of approximately \$1.7 million. Although trust reserves are still below actuarial targets, management feels that those targets will be met in the next two to three fiscal years.

Public Works

Completed the Mullan Sewer Project.

Completed design on the Grant Creek Flood Control and Stream Restoration Project.

Completed construction of the Clements/Spurgin Road pedestrian trail.

Completed construction of Spring Hill Road.

Completed construction of Frenchtown Frontage Road trail.

Completed construction of Fort Missoula sewer main extension.

Dust abated approximately 35 miles of County roads.

Overlaid approximately 10 miles of County roads.

Capital Improvements – FY 2005 projects:

Completed 4th Floor remodel for Information Services and County Attorney (\$867,405).

Completed Old Courthouse exterior renovations (\$108,756).

Upgraded Annex heating/cooling system (\$45,670).

Started Clerk of Court remodel (\$116,315).

Started Courthouse/Annex ADA access ramp (\$26,127).

Technology Program – FY 2005 projects include:

Installed new digital video arraignment system (\$30,736).

Initial implementation of the new criminal justice records management system (\$51,967).

Completed fiber ring extension (\$75,500).

Started new jail management system (\$119,695).

FY 2006 Issues and Challenges

Health Insurance

The County is committed to maintaining a quality and sustainable health insurance program in an era of spiraling medical costs. To that end, the Board of County Commissioners has approved:

\$100 contribution to each employee's flexible spending account as a method to get preventive care back into the plan.

An enhancement request to hire a health insurance consultant to help review the Plan's structure and recommend changes to promote future stability.

An education program for employees on shopping for providers and deciphering medical bills.

Office of Planning and Grants

During FY 2005, the Board of County Commissioners voted to terminate the Interlocal Agreement between the County and the City of Missoula regarding the governance of OPG. The County engaged a management consultant to review OPG operations and to recommend a new governance structure.

A new Interlocal agreement is currently under development by the County and City. Additionally, a preliminary budget structure has been recommended by County and City staff that will promote increased transparency and accountability. The changes include:

The establishment of separate County and City initiative funds that receive revenues from each jurisdiction's General Funds. Each fund will have permanent staff dedicated to working on projects in each jurisdiction's work plan.

Fee revenue generated through OPG charges for service will be allocated to each jurisdiction's General Fund to avoid any issues with different fee schedules.

Current planning will continue to be an integrated service funded through a combination of planning mill and General Fund contributions (fees) from each jurisdiction.

District Court Fund

The 2001 and 2003 Legislatures provided for the State assumption of many District Court functions which created a number of accounting and budgeting challenges.

In FY 2004, District Court tax revenues were reduced by \$416,385 in anticipation of the State assuming additional public defense costs.

In FY 2005, the County incurred more unreimbursed public defense costs than anticipated.

The FY 2006 preliminary budget shows an imbalance of approximately \$203,000 of ongoing expenses in excess of revenues.

General Revenues

Property Taxes – Growth in property tax revenue has been unpredictable in the past several fiscal years making it difficult to make accurate projections. The Montana Department of Revenue is expected to provide FY 2006 certified valuations by the end of July. Growth from new construction in the preliminary budget totals \$694,439, based on historical averages.

Clerk and Recorder Fees – Previously a revenue growth area due to low interest rates and Missoula's hot real estate market, recording volume dropped off in FY 2005, resulting in recording revenue approximately \$185,000 below estimates. The FY 2006 budget is \$850,000 (versus \$1,070,000 in FY 2005).

Budget Parameters

Cash Reserves – General Fund reserves were set at 12% of total revenues, Public Safety Fund reserves at 8%, CBO fund reserves (which are all pass-through) at 3%, and all other special funds were set at 5%.

Salary Increase – The Commissioners have established a base salary increase of 3% for FY 2006 at an approximate cost of \$850,000.

Property Taxes – The Board of County Commissioners has approved additional tax revenues from the inflationary allowance (1.25%) and the reduction in personal property tax reimbursements allowed in MCA 15-10-420. Preliminary estimates show additional revenues of \$344,405 (2.06 mills) in the County wide mills and \$45,162 (.59 mills) in the unincorporated areas.

Permissive Medical Levy – The Board of County Commissioners has approved additional tax revenues from the permissive medical levy provided by the 2001 and 2003 legislatures. The levy is based on the increase in health insurance costs (net of benefit reductions) of tax funded employees. Preliminary estimates show increased levies of \$320,479 (1.92 mills) County wide and \$48,473 (.63 mills) in the unincorporated areas.

Budget Enhancements

The Board of County Commissioners has approved the following priority enhancement requests:

County Attorney – Forego DPHHS contract and related duties (\$16,500); provide software license to access Clerk and Recorder system (\$3,800)

Missoula Aging Services – Contribution toward basement renovation project from Aging mill (\$20,828)

Animal Control – Add .2 FTE shelter attendant (\$7,090); establish spay/neuter clinic (\$3,000)

Commissioners – Provide transcription service (\$8,736)

Clerk of Court – Provide furniture and equipment in conjunction with remodel (\$48,050)

Elections – Additional expenses related to 2006 elections (\$40,045); polling site supplies (\$19,200)

Local Government Study Commission – \$17,796 for operations

Financial Administration – Legislative initiative (\$6,750); Open Space initiative (\$41,600); cooperative housing (\$5,000); increase in involuntary commitments (\$120,000); MCDC support (\$10,000); Administrative Aide for Senior Management Team (\$31,988); grant match for the Grant Creek project (\$100,000); building appraisals (\$10,000)

Financial Services – Postage system (\$16,000); scanner (\$750); increase in audit costs (\$7,500); laptop (\$2,500)

Facilities Management – Internal promotions (\$3,425); roof railing (\$15,000); Old Courthouse ventilation system (\$350,000); Administrative pre-design contract (\$20,000); Criminal Justice pre-design contract (\$20,000); Gazebo paint and repair (\$5,750); miscellaneous paint and repair (\$7,500); Courthouse landscaping – post renovation (\$20,000); Courthouse sidewalk repair (\$30,000)

Information Services – Anti-spam software (\$10,000); temporary technician (\$6,008); MDT replacement (\$70,000); smart board (\$2,500)

Justice Court – Collections software module (\$5,420); reorganization (\$41,200); match for alternative court research grant (\$3,000)

Library – Additional 2.15 FTE library personnel from Library mill

Disaster and Emergency Services/9-1-1 – Costs related to director transition (\$55,347); 9-1-1 software and equipment paid from “quarter money” (204,110)

Park – Kona Bridge fishing access project (\$50,000); sewer construction at Fort Missoula (\$15,000)

Community Based Organizations – Contribute to Stephens House project from Mental Health mill (\$11,600)

Surveyor – 0.5 FTE GIS technician; 1st Order Leveling equipment and benchmarks (\$23,000); digital imagery initiative (\$5,000); blueprint machine (\$6,000)

Historical Museum – Continue paving ADA trails (\$10,000)

Public Safety Center Capital Projects Fund – The Board of County Commissioners has approved \$525,000 in FY 2006 for needs analysis and design related to the construction of a Public Safety Building and Regional Training Facility. The total project is estimated at approximately \$13 million. Financial sources are projected to include local, State and Federal sources.

Budget Priorities

Pending Decisions – Unfunded enhancement requests total over \$637,000, with limited one-time and ongoing revenues available. Final decisions will be made after input from these hearings and the final cash and tax numbers are available. Significant unfunded enhancements by department include:

Public Works – Roadside weed abatement program (\$95,500)

Office of Planning and Grants – Missoula in Motion match (\$9,000); electronic filing/indexing project (\$21,162)

Disaster and Emergency Services – Public Safety Center project coordinator (\$21,844)

Missoula Correctional Services – Existing contracts (\$38,169); expand pre-trial supervision program (\$44,660)

Clerk of Court – .5 FTE District Court Clerk I

County Attorneys – 1 FTE Attorney 50/50 civil and criminal (\$54,576)

Building Codes Division – A preliminary budget is included pending a public hearing and decision on implementation of the division from the Board of County Commissioners.

Bottom Line

The FY 2006 budget as presented, including the enhancements that have been preliminarily approved by the Board of County Commissioners, could result in a net tax increase of approximately \$664,884 or 3.98 mills County wide (which represents a 3.1% increase over the prior year) and an additional \$93,635 or 1.22 mills in the area outside the City limits (which represents a 3.7% increase over the prior year). Final results depend largely on the certified taxable value and the amount of newly taxable property in the County. We caution everyone to remember that enhancement approvals are NOT final and are contingent on final budget adoption.

Chair Curtiss opened the public hearing. The following people were in support of:

Name	In Support of
Kelly Rosenleaf	Child Care Resources
Joni Bigelow	Detention Officers Compensation
Mark Cook	Detention Officers Compensation
Eric Stroh	Detention Officers Compensation
Teresa Cowan	Parenting Place
Steve Roney	Detention Officers Compensation
Gary Evans	Detention Officers Compensation

There being no further comments, the public hearing was closed.

There being no further business to come before the Board, the Commissioners were in recess at 7:45 p.m. The final budget hearing will convene on Wednesday, August 3, 2005 at 2:30 p.m. in the afternoon.