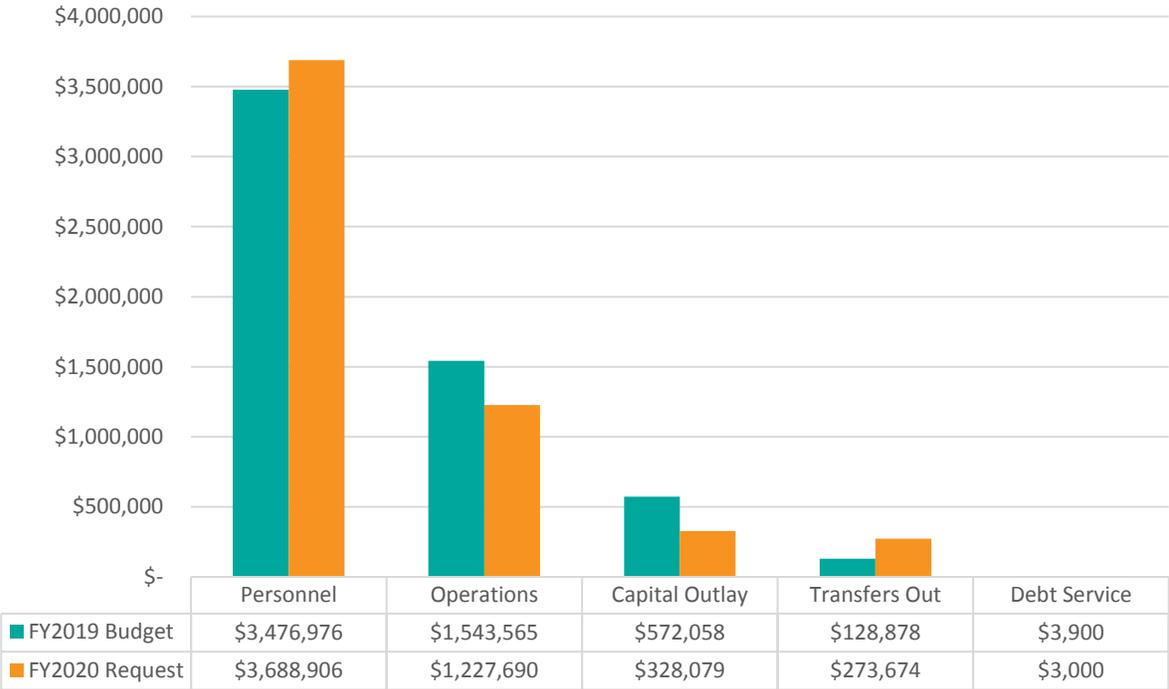


# BUDGET REQUEST FY2020

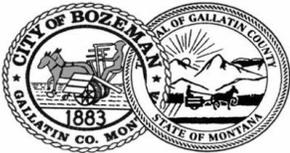


**HEALTHY**  
GALLATIN

**MISSION:** To promote and protect health and wellbeing in Gallatin County.  
**VISION:** Healthy people and healthy communities.



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## SUMMARY

The Department is requesting FY2020 appropriation of \$5.20 million (\$5.52 million with capital reserves), and is putting forth revenue estimates of \$4.70 million.

The adopted FY2019 budget contained \$5.16 million in appropriation (\$5.73 million with capital reserves), and revenue estimates of \$4.78 million.

## BUDGET TERMS & METHODS

**Appropriation** – time-bound authority to spend for a specified purpose (i.e., operations appropriation for operating costs, capital appropriation for capital costs).

**Expenditure** – what a business calls expense, but excludes many non-cash items. GAAP for government is the modified accrual basis of accounting with a current financial resources measurement focus. Employer contributions to pension is an *expenditure* of the current year, while an increase in the total pension obligation over the year is an *expense*, but not an expenditure.

**Fund** – a segregated, self-balancing set of accounts. Fund accounting is used to enhance fiscal accountability, and budget laws in Montana apply to the fund level. We have eight funds in the department, which can be thought of as eight separate businesses. 2270 Public Health, the tax-supported fund, would be like the parent company with seven subsidiaries.

**Mill** – one-tenth of one percent. Property tax rates are normally expressed in mills; 5.66 mills, then, is the nominal property tax rate 0.566% (\$5.66 per \$1,000 of taxable value). The [ITEP Guide to Fair State and Local Taxes](#) offers an excellent summary of property tax mechanics.

**Capital Reserves** – funds set aside for capital purchases in future budget years and are not available for spending in the current budget year. Often convertible to, but not equal to, appropriation in the current year. Not to be confused with an **Operating Reserve**, which sets aside net assets in a fund to stabilize cash flow and provide a rainy day reserve.

## EXPENDITURES

We are requesting \$5.52 million in total appropriation, which is a decrease of \$204,028 under FY2019 appropriation.

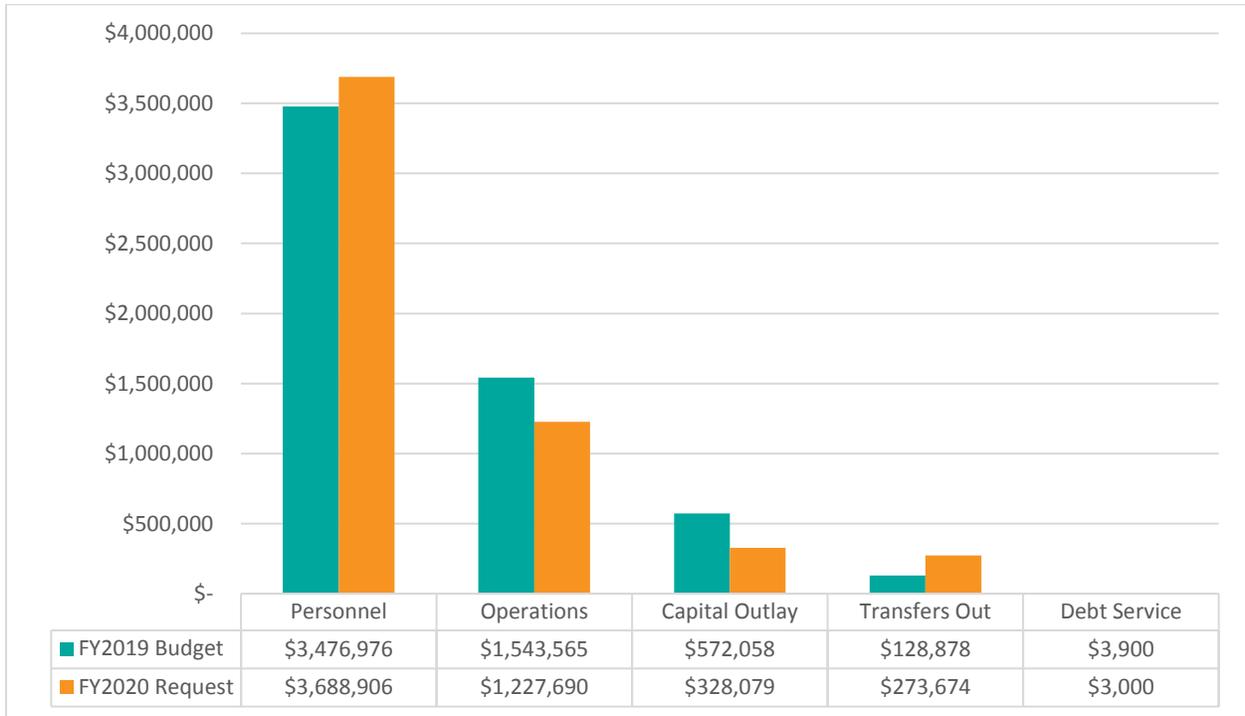


Figure 1. Appropriation FY2019 to FY2020 Request by Object

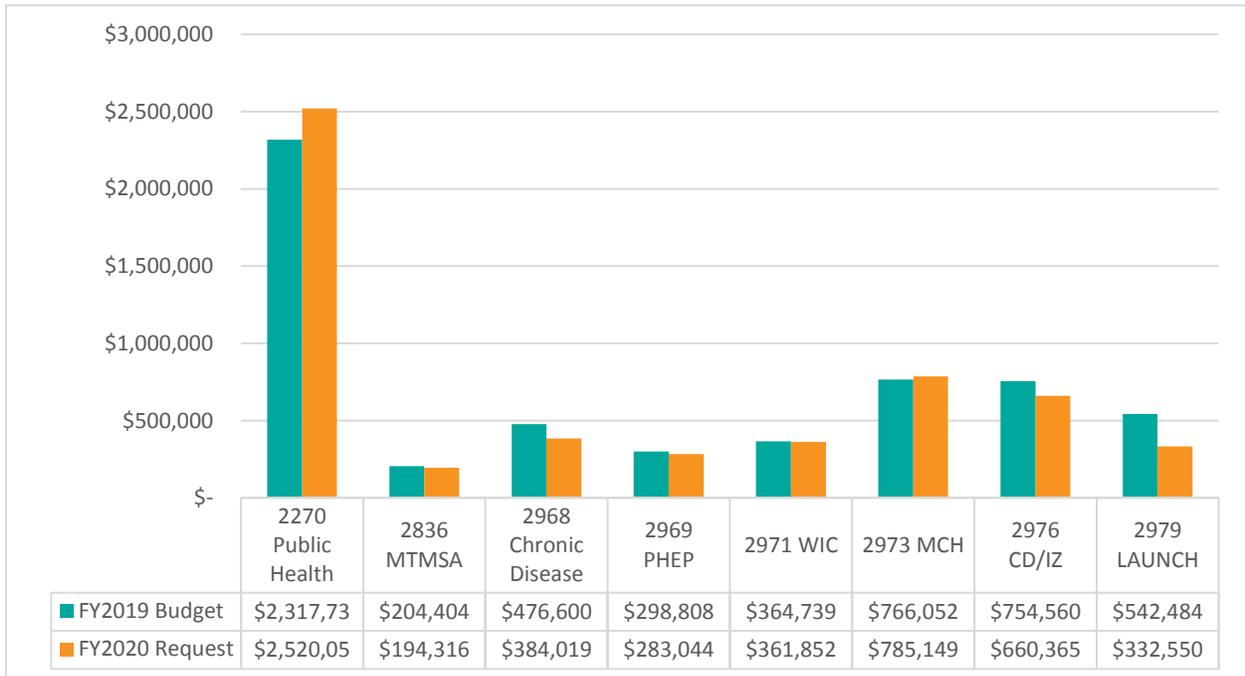


Figure 2. Appropriation FY2019 to FY2020 Request by Fund

## PERSONNEL

Personnel is our largest budget category. We are requesting \$3.69 million in personnel appropriation, which is an increase of \$211,930 over FY2019 personnel appropriation. Although costs have increased, the department's full-time equivalents (FTE) will decrease from 48.25 in FY2019 to 48.00 in FY2020.

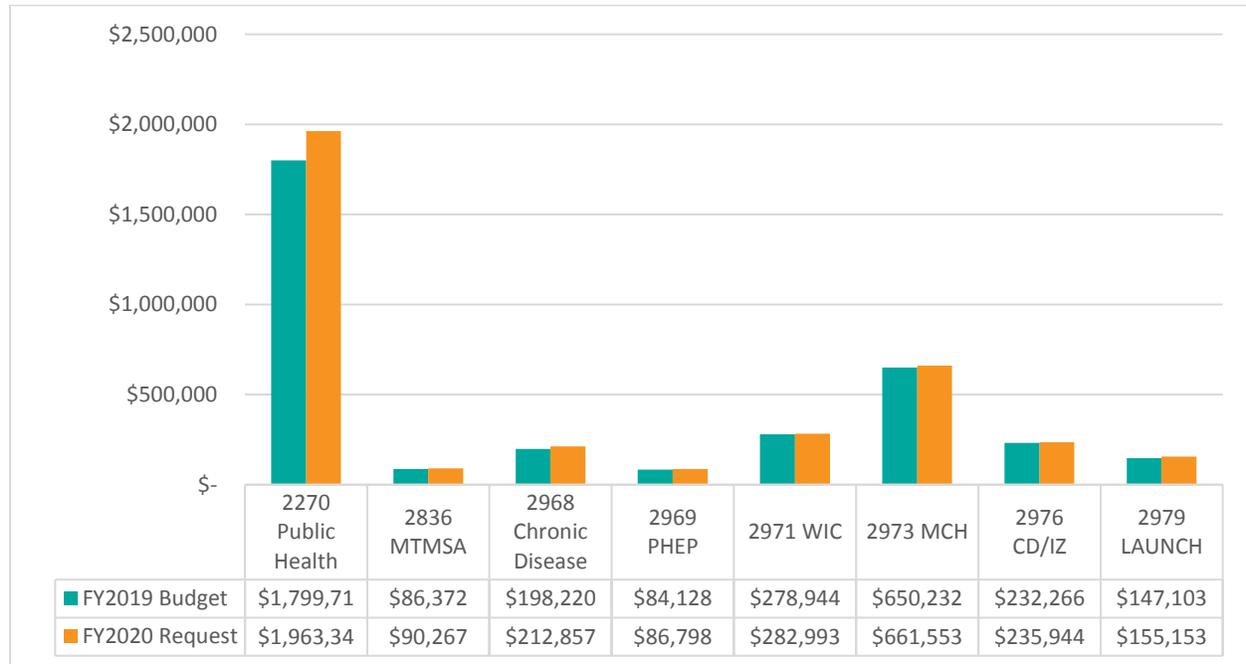


Figure 3. Personnel appropriation FY2019 Budget to FY2020 Request

Countywide, cost increases are expected: a 0.1% employer increase to PERS retirement contributions ( \$2,700 increase); an increase in health insurance premiums from \$10,900 to \$11,208 per full-time employee (\$15,082 increase); estimated COLA adjustment of 2.5% (\$78,085 increase); merit increases given on an employee's review date (\$31,374 increase); and sixteen additional work hours in the fiscal year (\$24,690 increase). The County Commissioners will vote on COLA and merit increases in June. Taken together, these changes represent an increase to base personnel costs (\$151,931 increase). Each of the changes above, including the COLA increases, are consistent with guidance from County finance and HR officials and with treatment of all other classified County employees.

Apart from the countywide items, the Department has submitted FTE decreases to four positions (savings of \$47,763), employee reclassifications for four positions (\$13,367 increase), an FTE increase and reclassification for one position (\$39,000 increase), and a temporary FTE increase and Montana State University intern in Environmental Health (\$5,780 increase).

## OPERATIONS

We are requesting \$1.23 million in operating appropriation, which is a decrease of \$315,875 under FY2019 operating appropriation.

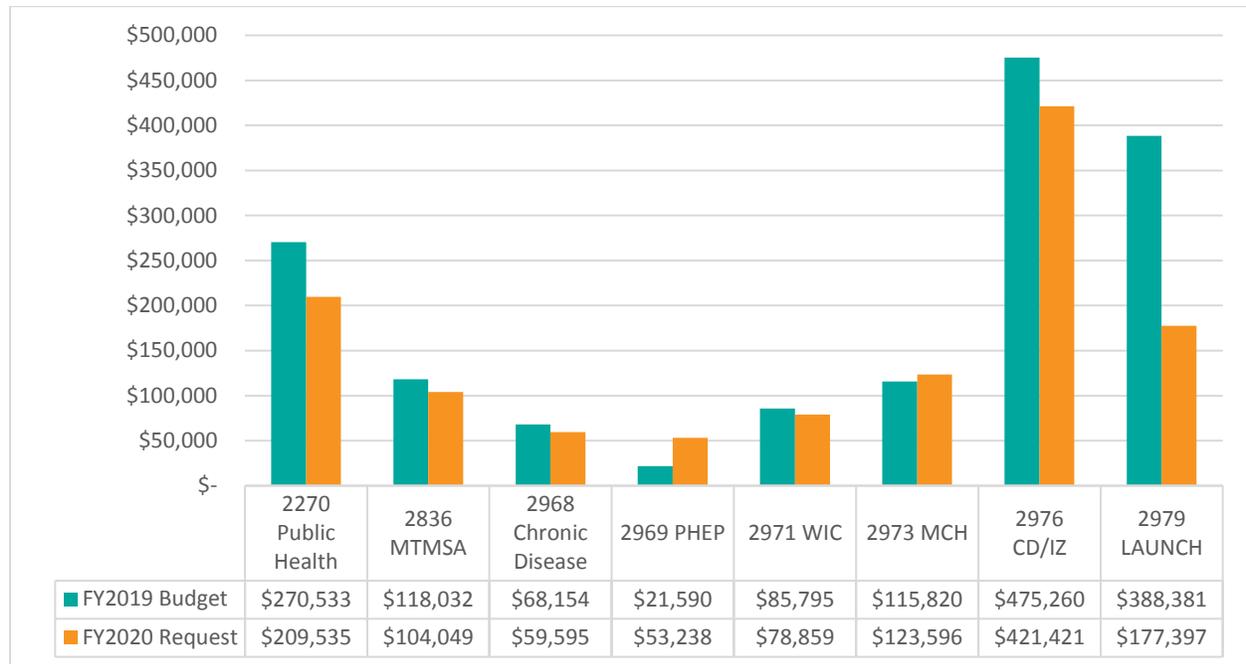


Figure 4. Operating appropriation FY2019 Budget to FY2020 Request

We had several line-item changes in the operating budget: building maintenance allocation rates increased by 4.25%, resulting in a \$4,608 department impact; liability insurance is expected to increase by an average of 5% (estimated \$1,600 impact); and 2270 Public Health node fees will be covered by the county General Fund, saving the department \$29,808.

Many of our grant awards have remained level or decreased through multiple award cycles, and the mill levy for our tax-supported positions has only decreased in the past decade. Every year during this period, we have faced increasing costs – most notably, personnel costs. To accommodate increasing costs, discretionary line-item levels in the operating budget (e.g., professional development, conference and meetings costs) have been leaned to those priorities specifically identified and costed for FY2020. Budgeted operating transfers to grant funds have increased for FY2020 (from \$128,878 in FY2019 to \$279,674 in FY2020). Despite declining grant revenues, the budgeted transfer to 2971 Women, Infants and Children Fund has remained nearly level (\$133,103 in FY2019 to \$136,955 in FY2020) due to our decision to cut .40 FTE from the program. Level grant funding in 2973 Maternal Child Health is a real decline, and we are requesting a one-time transfer of \$21,662. We are requesting an ongoing transfer of \$115,057 to fund 2979 FED GRANTS to expand behavioral health work.

## CAPITAL OUTLAY AND CAPITAL RESERVES

We are requesting \$572,058 in capital outlay appropriation or capital reserves, which is a decrease of \$243,979 under FY2019 capital outlay appropriation and capital reserves.

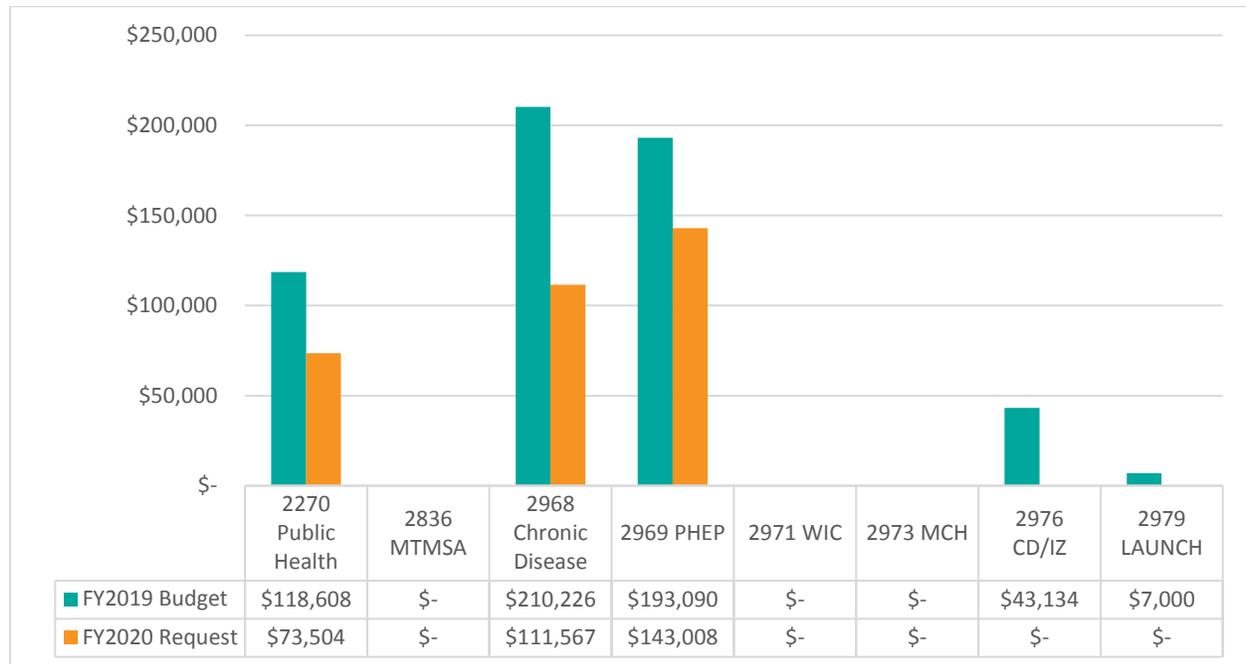


Figure 5. Capital Budget FY2019 to FY2020 Request

We have two capital outlay requests in FY2020: a building improvement (bade/chip access locks for doors, identified as a need in our HIPAA Risk Assessment) for \$4,000; and an improvement to an intangible asset (a communicator app for our electronic health record system).

Excess amounts of fund balance are placed in Capital Reserves, which are convertible to, but not equal to, current appropriation. In our tax-supported fund, 2270 Public Health, the County’s ‘Core Equipment,’ or ‘Rolling Stock,’ program requires us to “set aside a small portion of each tax dollar for replacement and dedicate a portion of the growth in taxes associated with ‘Newly Taxable Property’ to the program.” ([FY2019 Final Budget, p.261](#)). I estimate we will be required to set aside \$73,504 for ‘Rolling Stock,’ placed in 2270 Public Health as Capital Reserve.

Two of our grant funds have Cash on Hand in excess of policy requirements: 2968 Chronic Disease, \$111,567, and 2969 Public Health Emergency Preparedness, \$143,008. These excess amounts are placed in Capital Reserves, a placeholder account for future spending, convertible to, but not equal to, current-year appropriation. We are utilizing fund balance in fund 2968 to advance Chronic Disease work beyond task order deliverables, and the reserve in fund 2969 Public Health Emergency Preparedness is a deliberate contingency reserve for public health emergencies.

## REVENUES

We have estimated \$4.90 million in revenues, which is an increase of \$17,456 over FY2019 final estimates.

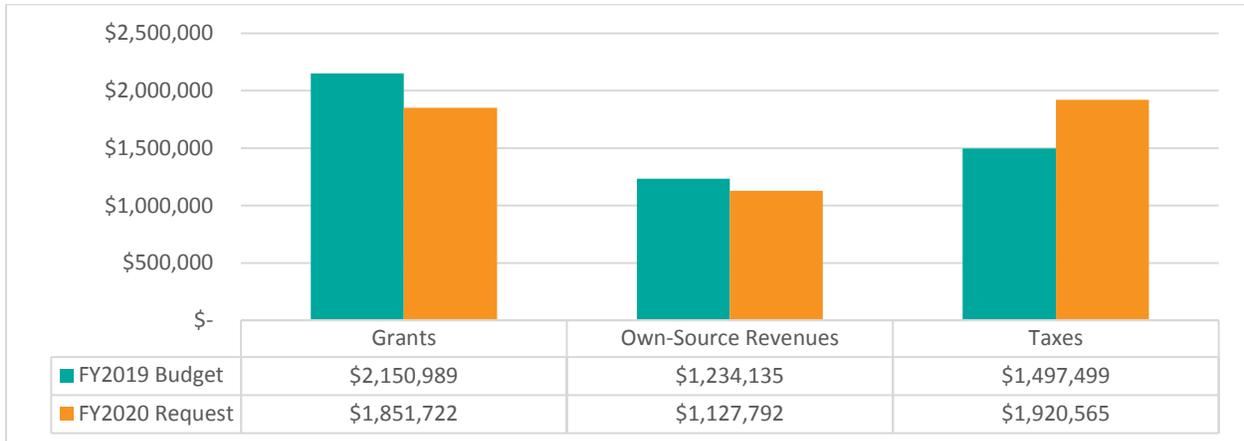


Figure 6. Total Revenues FY2019 Budget to FY2020 Request. Because the Mental Health Mill Levy is included in the Public Health Fund, we are including \$282,153 of Mental Health appropriation (a projected 0.84 FY2020 mill levy) in this and following figures.

## GRANT REVENUES

We have estimated \$1.85 million in grant revenues, which is a decrease of \$299,267 under FY2019 final estimates.

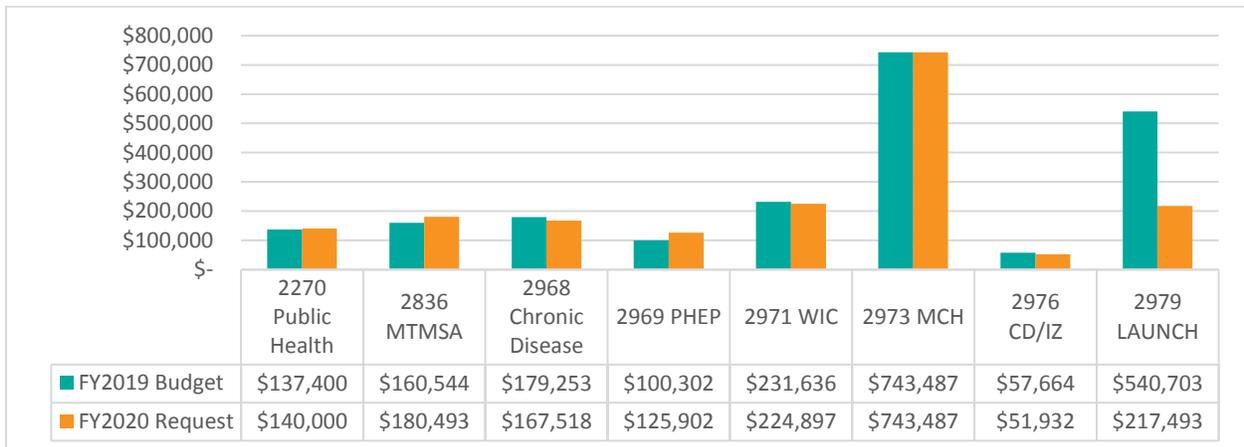


Figure 7. Grant Revenues FY2019 to FY2020 Estimate

Decreased WIC funding and level home visiting funding caused a .75 FTE reduction in our grant funds. Project LAUNCH is planned to end in FY2020, after a successful five years of making lasting change for behavioral health in the valley. Most of this work was contracted to sub-recipients, although it funded 2.0 FTE in our department.

## OWN-SOURCE REVENUES

We have estimated \$1.13 million in own-source revenues, which is a decrease of \$106,343 under FY2019 final estimates.

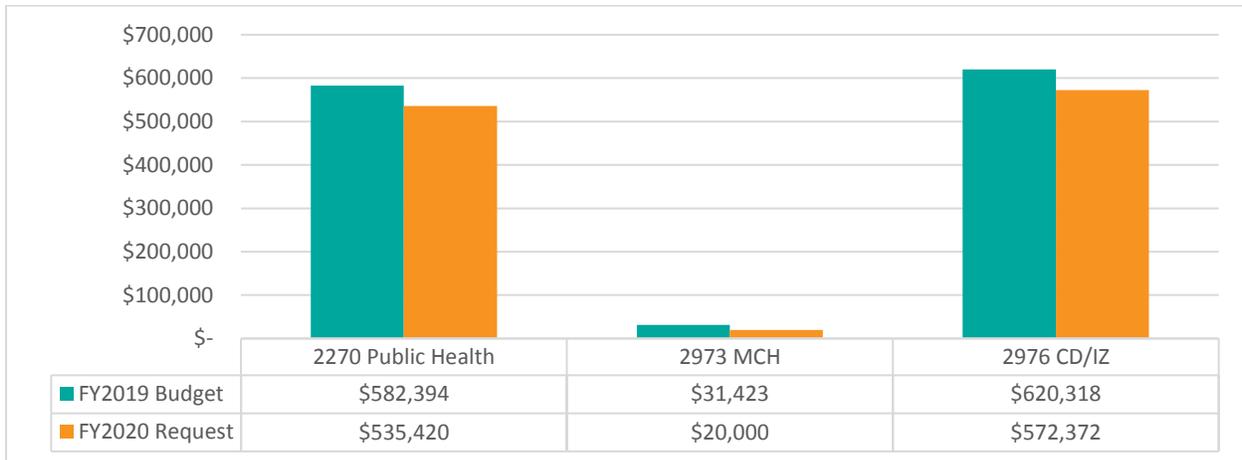


Figure 8. Own-source revenues FY2019 Budget to FY2020 Request

The Department derives own-source revenues in Environmental Health (i.e., wastewater treatment permits, subdivision review fees, inspection revenues, etc.), the immunization clinic (for both travel and routine vaccinations), and in home visiting (mainly Targeted Case Management revenues from Medicaid). For a detailed discussion of own-source revenues, please see April's report to the Board, [Revenue Forecasts FY2020](#).

Our home visiting staff derive own-source revenues by offering contracted classes to the Department of Family Services and by billing Medicaid and private insurance for Targeted Case Management (TCM) and other home visiting services. In the Maternal and Child Health fund, we have estimated \$20,000 in own-source revenues. Although TCM revenues were increasing dramatically between FY2014 and FY2017, Medicaid delivered cuts to Targeted Case Management reimbursement rates (for our mix of services, roughly a 36% decrease) and tightened eligibility requirements for participants.

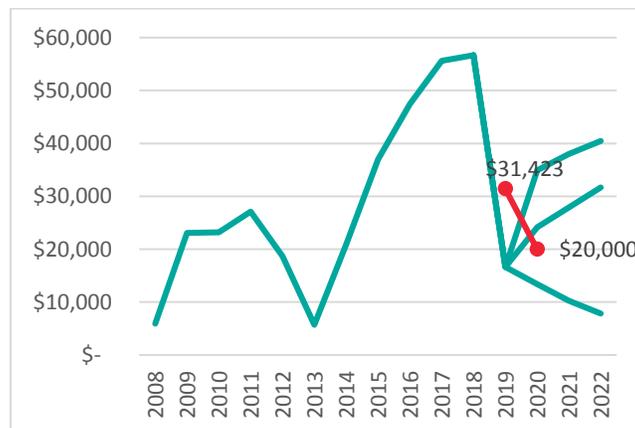


Figure 9. Own-source revenues in fund 2973 MCH

## TAXES AND DISTRIBUTED REVENUE

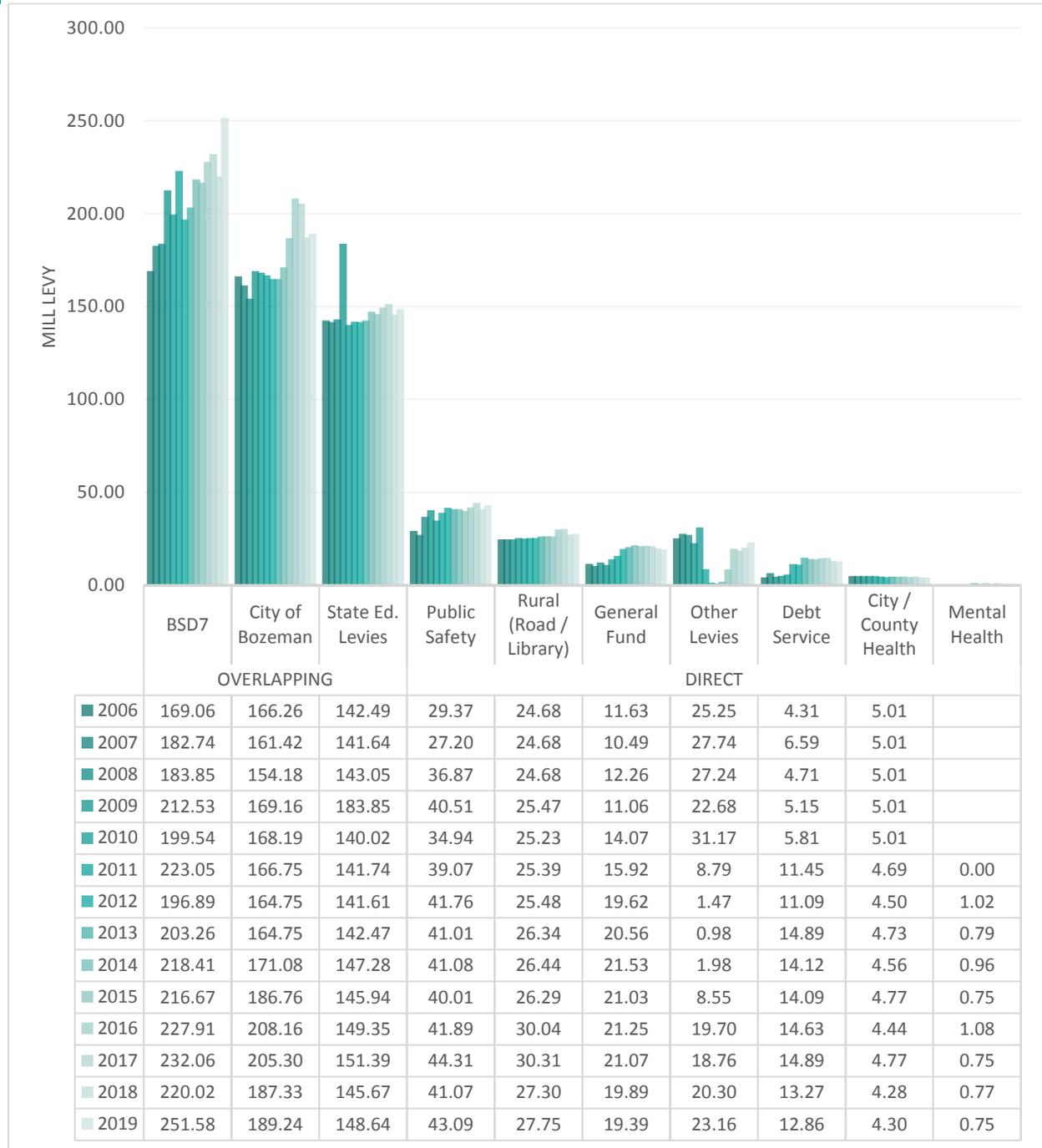


Figure 10. Adopted Mill Levy from FY2006-FY2019

Property tax revenues make up 39% of the Department’s FY2020 revenue estimates. The Public Health Fund had a mill levy of 5.01 from FY2003 to FY2010; after a decrease in FY2011, a Mental Health mill levy (authorized up to 1.0 mills) entered the Fund at 1.02 mills in FY2012, reducing the GCCHD portion of the mill levy to 4.50 mills. Collectively, the Public Health Fund mill levy remained static at 5.52 mills until FY2018, when the mill levy decreased again to 5.05 mills. We are requesting the first mill increase in an over a decade: an increase of 1/3 mill for Behavioral Health, and another .17 mill to start to close the ongoing budgeted deficit gap in 2270 Public Health. Since FY2015, we have increased our service levels in 2270 Public Health without increasing taxes by improving the accuracy of our budget estimates, and by leaning into our balance sheet. During that period, we kept up with our growing county by adding staff resources in environmental health and communicable disease prevention - choosing to fund these requests with excesses in our balance sheet, in lieu of new taxes. We will enter FY2020 with \$908,000 of working capital in 2270 Public Health, from a high of \$1.2 million in FY2017. Matt and I believe we have reached an appropriate level of working capital for our department, and we are requesting .50 mill to maintain it in this and subsequent years. Our request uses a projected [Certified Taxable Value of \\$336,235](#), and a requested mill levy of 5.64 mills - 4.80 City/County Health Department mills, and 0.84 Mental Health mills (\$282,153 ongoing appropriation / \$336,235 projected mill value.)

**BALANCE**

**WHY DO WE HAVE MORE APPROPRIATION THAN ESTIMATED REVENUES?**

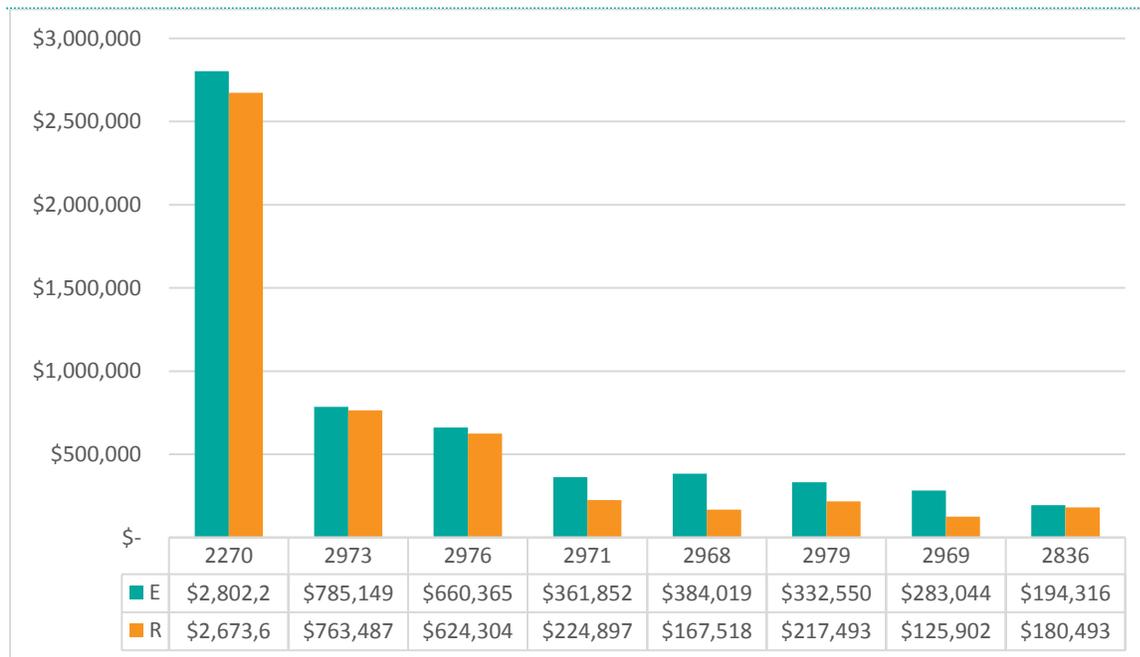


Figure 11. Estimated FY2020 Balance by Fund. Transfers from 2270 Public Health are requested to balance funds 2971 WIC, 2973 MCH, and 2979 LAUNCH. Because the Mental Health Mill Levy is included in the Public Health Fund, we are including \$282,153 of Mental Health appropriation (a projected 0.84 FY2020 mill levy) in this and following figures.

The Local Government Budget Act’s Appropriation Power Requirements ([MCA 7-6-4006](#)) do not limit appropriation to revenues, but to revenues plus working capital. “[Working capital](#)” is a fund’s current assets less current liabilities and designated reserves. Balancing a budget then, is setting appropriation equal to revenues plus available fund balance. We are requesting to re-appropriate available fund balance in 2270 Public Health Fund, 2836 MTUPP/MTMSA Fund, 2968 Chronic Disease Fund, and the 2976 Communicable Disease Fund.

Nearly all major departments in the County were budgeted to fund ongoing operations through deficit spending in FY2019. This occurs for a few reasons: many revenues, including property tax revenues, are estimated conservatively in the start-up budget; budget laws create incentives to overestimate appropriation requests; and some funds have cash balances in excess of policy requirements.

Gallatin County’s financial policies require between 10%-18% of a fund’s operating budget be designated annually as an operating reserve (16-24% for grant funds). At the same time, there is a [statutory cap of 33%](#) for any one fund under the Local Government Budget Act (LGBA). Because the LGBA’s definition of working capital excludes designated reserves, a fund’s available fund balance less its “cash reserves” balances the equation.

<b>GC 2270 City/County Health</b>	<b>FY2019</b>	<b>FY2020</b>
Total Appropriation	\$ 2,599,884	\$ 2,802,207
+ Cash Reserves	\$ 605,005	\$ 748,189
= Total Required	\$ 3,204,889	\$ 3,550,396
Less (Resources Available)	\$ 946,099	\$ 908,446
Less (Total non-tax revenues)	\$ 763,491	\$ 746,366
= Property tax	\$ 1,495,299	\$ 1,895,584
<i>Cash Reserves %</i>	23%	27%
<i>Mill Value Projected</i>	\$ 295,802	\$ 336,235
<i>Mills Required</i>	5.06	5.64

Although the table above shows a requested cash reserve of 27% in 2270, we have to remember that 2270 also carries cash reserve for three other funds that have deficient reserves (2971 WIC, 2973 MCH, and 2979 LAUNCH), making our department-wide cash reserve only 17%. Absent an FY2020 tax increase, our cash reserve would drop to \$578,000, or a 13% department-wide reserve. Although some of our funds have reserves in excess of policy requirements (2968 Chronic Disease, 2969 Public Health Emergency Preparedness (PHEP), and 2976 CD/IZ), we cannot use those excesses to balance deficiencies in other funds. For example, fund balance in 2968 Chronic Disease cannot be used to balance activities in 2971 WIC – it is not available for that purpose because it is restricted to the purposes for which it was earned, namely chronic disease prevention. Our only general cash reserve, not restricted to a certain purpose, is in 2270 Public Health.

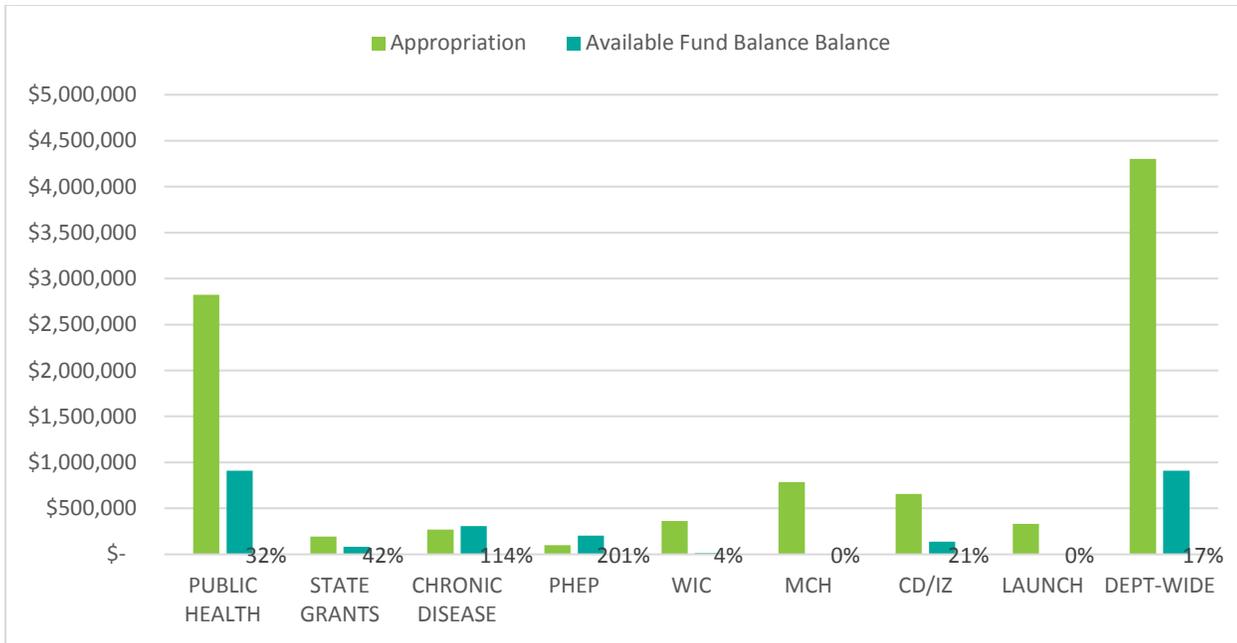


Figure 12. FY2020 requested appropriation and projected beginning fund balance, by fund

In FY2020, we will be required to move or restrict around \$240,000 of Public Health fund balance (projected beginning balance FY2020 of \$908,000) to provide a reserve for our three deficient funds. 2270 Public Health has requested FY2020 appropriation of \$2.8 million, and so requires a reserve of \$500,000. To \$500,000, we add a \$240,000 reserve for our three uncovered funds:  $\$500,000 + \$240,000 = \$740,000$ . FY2020 appropriation in 2270 Public Health, 2971 WIC, and 2973 Maternal Child Health equals \$4.3 million; a \$740,000 department-wide reserve then, is 17%.

In recent years, we have avoided raising taxes by forecasting revenues and projecting expenditures more accurately; by leaning reserves; and by leveraging excessive asset balances in our balance sheet.

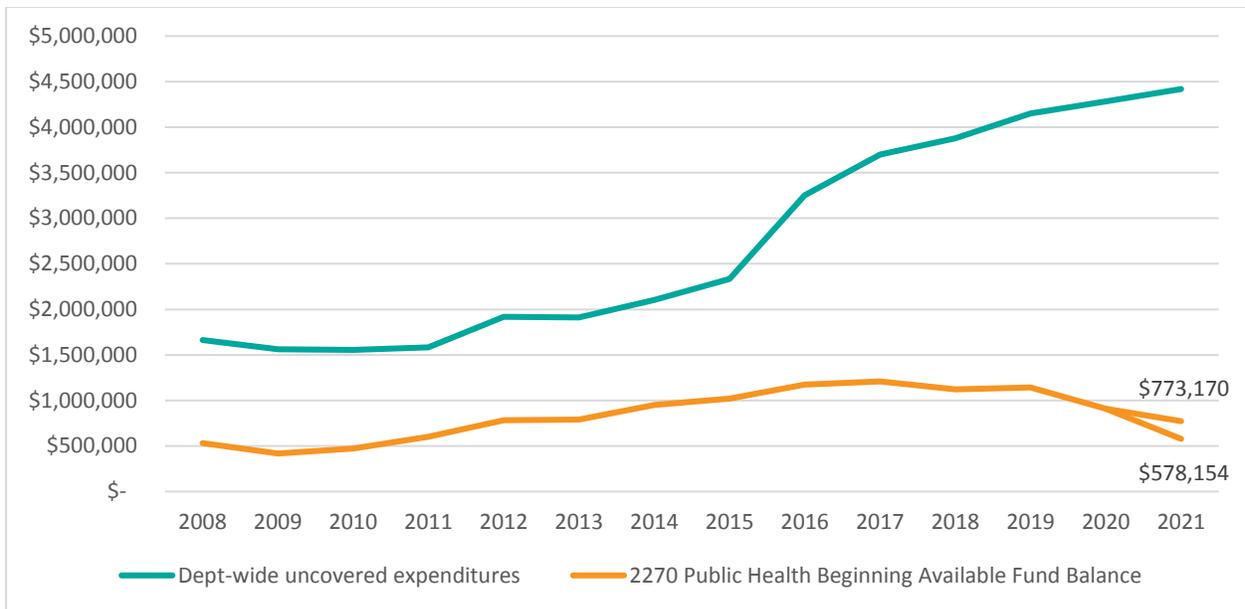


Figure 13. Dept-wide expenditures in funds 2270, 2971, 2973 and 2979 in green, shown against 2270 fund balance in orange

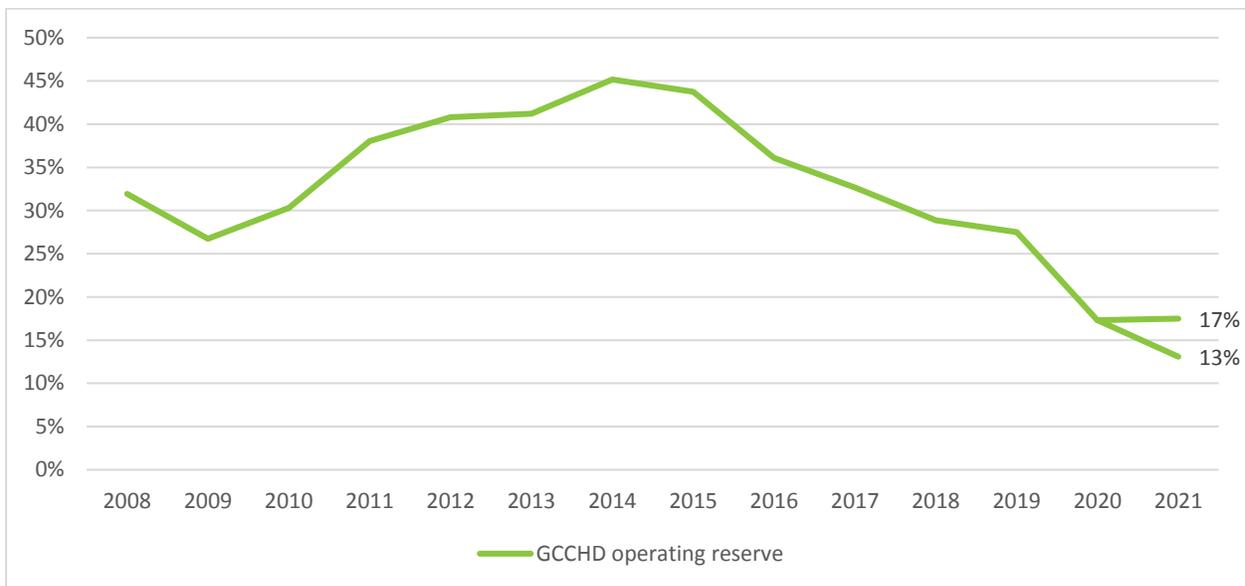


Figure 14. 2270 Fund balance as a percentage of expenditures in funds 2270, 2971, 2973, and 2979

Deficit spending is not to blame for the decrease in our department-wide reserve; rather, the tremendous growth of our department has outpaced the growth of our reserve. Is a 17% department-wide reserve good or bad? Assuming the rest of the fund balance is available for spending, 17% is about two months of reserve. We know the legislature believes anything above 33% of appropriations, or about four months, is too much, but how much is too little? We can establish a baseline from other government funds around Montana. FY2017 (the most recent year reported) general fund balances are presented below, courtesy of the [MT SABHRS system](#).

	FY2017 Cascade County 1000 - General Fund	FY2017 Flathead County 1000 - General Fund	FY2017 Gallatin County 1000 - General Fund	
<b>Assets</b>	\$ 4,040,429	\$ 4,076,793	\$ 6,854,016	
<b>Expenditures</b>	\$ 13,210,284	\$ 11,846,635	\$ 13,097,686	
<b>Fund Equity</b>	\$ 3,043,138	\$ 3,455,073	\$ 5,790,896	
<b>Liabilities</b>	\$ 997,291	\$ 621,720	\$ 1,063,120	
<b>Revenues</b>	\$ 13,639,136	\$ 11,383,951	\$ 13,133,934	
<b>Appropriation</b>	\$ 13,904,022	\$ 11,992,049	\$ 14,491,418	
<b>Estimated Revenues</b>	\$ 13,187,577	\$ 11,252,527	\$ 11,708,988	
<i>Budgetary Cushion</i>	22%	30%	44%	<i>FundEquity/Revenues</i>
<i>Expenditure Budget Variance</i>	-4.99%	-1.21%	-9.62%	<i>Actuals/Estimates - 1</i>
<i>Revenue Budget Variance</i>	3.42%	1.17%	12.17%	<i>Estimates/Actuals - 1</i>
<i>Budgetary Cushion</i>	23%	29%	44%	<i>FundEquity/Expenditures</i>

Analysts of local government data use the ratio “Budgetary Cushion” to describe the health of government balance sheets: how much of the annual revenue, or annual expenditures, is covered by the net assets of the government? The statutory cash reserve cap I mentioned earlier in this report compares “cash reserves” to *appropriation* – because budget laws create incentives for governments to overestimate appropriations, appropriations are typically higher than expenditures – making it possible for a government with a stated cash reserve of 33% to yield a “budgetary cushion” higher than 33%. However, in a fund with little budget slack, the percentage difference between these two results is small – perhaps a few percentage points. Removing budget slack is an area where we have worked hard, and have demonstrated tight variances over several years. 2270 Public Health is a special-revenue fund, not a general fund – but it acts like a general fund for our department’s “family of funds.” Given all of this, we can still establish a baseline for funds like our tax-supported fund 2270 Public Health – 17% is a little short, but is only a point off the top of the Gallatin County policy requirements of 10%-18%.

## CONCLUDING REMARKS

This budget request is step two of a five-step process that will end on August 27, when the proposed budget is presented to the Commission at a public meeting for adoption. Between now and then, estimates that I have included (e.g., COLA, liability insurance, etc.) may change. Importantly, Certified Taxable Value will be issued by the Department of Revenue on August 5.

I anticipate two possible amendments mid-year: we expect to submit a no-cost extension request to SAMHSA for an additional six-months of LAUNCH funds; and we continue to bid on awards that could add or expand mental health work. As always, I am available for questions or comments at [keith.wilson@gallatin.mt.gov](mailto:keith.wilson@gallatin.mt.gov) or (406) 582-3103.



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