
FY 2011

Financial Trend Analysis and Financial Forecast

County of Gallatin, Montana

Tuesday, February 22, 2011

WHERE YOUR TAXES GO



SCHOOLS

BOZEMAN

COUNTY

UNIVERSITY

FY 2011 Financial Trend Analysis

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FY 2011 FINANCIAL TREND ANALYSIS

Gallatin County, Montana

February 22, 2011

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Transmittal Letter

I am pleased to present the 2011 Financial Plan to the County Commission, the County Administrator and residents of Gallatin County for review and consideration.

The financial plan is a review of past actions, evaluation of the County's present financial condition, analysis and projection of future challenges and opportunities that affect Gallatin County. The plan includes a Financial Summary, describing the County's historic and current financial condition. This includes a review of the current budget to actual revenues and expenditures through December (50% of the year). The remaining sections show the County's financial trends and financial forecasts. The trends include comparisons of the six largest counties. The Financial Plan is a dynamic document in the sense that it is reviewed annually and modified based on applicable conditions.

The Plan addresses several issues that have had or are having a substantial impact on the County's financial resources in the near term.

- Effects of Economic Downturn on maintaining current levels of service;
- Criminal Justice System improvements, including new detention center;
- Affects of judicial decision against County on methodology for deputy salaries;
- County Space requirements. Current space needs at the Courthouse have been eliminated with the move to the Courthouse Annex. Law and Justice Master Plan is being reviewed and commented on. Replacement of the Law and Justice Facility continues to be the most important need for the County from a building perspective. Cost projections for this facility are at \$80 Million, including space needed for the County and City of Bozeman.
- The Transportation plans for the County, Belgrade, and Bozeman have been developed and updated. One of the highest priorities is the Airport I-90 Interchange, with an estimated cost at \$42.9 million with local sources obligated for over \$23.2 million.
- Implementation of the County Growth Policy will be ongoing, with costs being identified this Fiscal Year and into the future.

My findings show the County to be in a **FAVORABLE** position, because at least 14 of 20 Trends are in a Favorable position. This is the same position as last year.

Positive 'FAVORABLE' areas include:

- continued growth in taxable values for FY 2011;
- increase in population,
- fee revenues are up from the lows of last fiscal year;
- approval of 'Core Equipment' replacement plan to fund needed 'rolling stock' equipment; and
- completion of the new Detention Center.

Areas to 'WATCH' include:

- decrease in most construction activity;
- University of Montana - Economic Outlook projections continue to show decrease / elimination of growth for Gallatin County; and
- interest, License and Permits and One-Time Revenues are down.

Negatives (Unfavorable) that detract from the positive local outlook include:

- residents to Sworn Officers ratio continues to increase resulting in decreased service levels to current residents;
- property Tax statistical analysis shows significant change in averages; and,
- employee morale changing due to uncertainty over lawsuit and economic stress.

Several issues being reviewed at the County include:

- programming of replacement of Law and Justice facility;
- update of transportation plan / system - I-90 Interchange;
- implementation of 'Core Equipment' (rolling stock) replacement program; and,
- County Growth Policy implementation – neighborhood plans.

Costs associated with these items will be researched, identified and funded through the normal budget processes. Costs may require either new revenues including users fees or a general tax levy increase or the Commission may use current revenues by reducing, eliminating or restricting growth of current service / programs.

The financial plan shows the County is in need of reviewing responsibilities, service levels and making decisions based on available or reduced revenue. The last 20 years has seen the County focused on maintaining services with frozen Mill Levies, in response to tax levy limitations. This is especially true of the last 5 budget cycles where inflationary mills have not been fully utilized.

The financial plan continues to point to the necessity of planning now for the future. The County must address critical funding needs, such as long-term planning, management and protection of Open Spaces, employee retention and organizational development, and the completion of criminal justice office space needs in a logical and manageable manner.

Without the capable, competent and timely support of the Finance Department staff, this document could not have been generated. I would like to thank Jill Therrien, Budget Coordinator and Wendy Wiedenmeyer, CA Executive Assistant, for their help in editing and reviewing this report.

I want to thank Earl Mathers, County Administrator for his support and the County Commission for their understanding of this time consuming project. I look forward to working with all of you and the residents of Gallatin County to review, amend, implement and modify this document.

Edward G. Blackman

County Finance Director

Introduction:

A financial plan requires projections or forecasting. Financial forecasts are based on known information supported by assumptions from current data projected into the future. The County forecasts revenue, expenses, employees, cash and reserves. The information contained in the forecast section is based on the Budget Analysis and Financial Trend Sections of this report.

A five-year budget projection time frame is used for projections/forecasts. These forecasts provide the County with a frame of reference for evaluating the County's financial condition, which helps facilitate the County Commission's decision-making process.

Development of the Financial Forecast

Financial forecasts provide County residents and the County Commission with a reference point for evaluating the County's financial condition as part of any decision making process. The Finance Office updates forecasts annually with support from the County Clerk & Recorder, County Treasurer, County Auditor, County Commission and County Administrator Offices, along with dedicated County employees.

These forecasts are developed using a status quo environment for Revenue, Expenses and Personnel. Status-Quo information relies primarily on historic growth patterns or inflationary projections on current service levels. The projections this year will also take into consideration available information on the new reality of the local economy. Inflation and historical growth rates are used to predict changes to expenditures and revenues. These factors are adjusted by the elimination of items that will not reoccur – i.e. expansion of the dispatch function, or additional items such as the new Detention staff/operations) – historical approval of new employees, capital expenses and other items that have changed upward or downward during the previous five years.

Information regarding economic indicators and the performance of the economy are taken from the University of Montana (U of M), Bureau of Business and Economic Research (BBER), U.S. Department of Commerce Bureau of Economic Analysis and Woods & Poole.

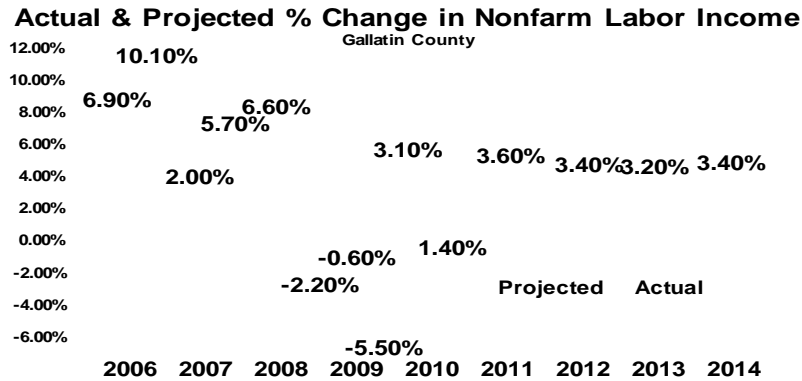
The 36th Annual Montana Economic Outlook Seminar report developed by the U of M, Bureau of Business and Economic Research states the following for Gallatin County.

“OUTLOOK FOR GALLATIN COUNTY”

“Despite the sharp declines in 2008 and 2009, the Bozeman area economy should emerge from the recession relatively unscathed. Construction and real estate plummeted and nonresident travel (which accounts for 13 percent of the local economic base) decreased sharply in response to the national recession. But Bozeman's high-tech industries (which suffered greatly during the 2001 recession) continue to expand. Employees of Montana State University will see their wages increase only slightly. The roughly 3.5 percent annual growth projected for 2011 to 2014 may appear buoyant compared to the recession years, but it is a full percentage lower than the prerecession average of 4.4 percent per year.”

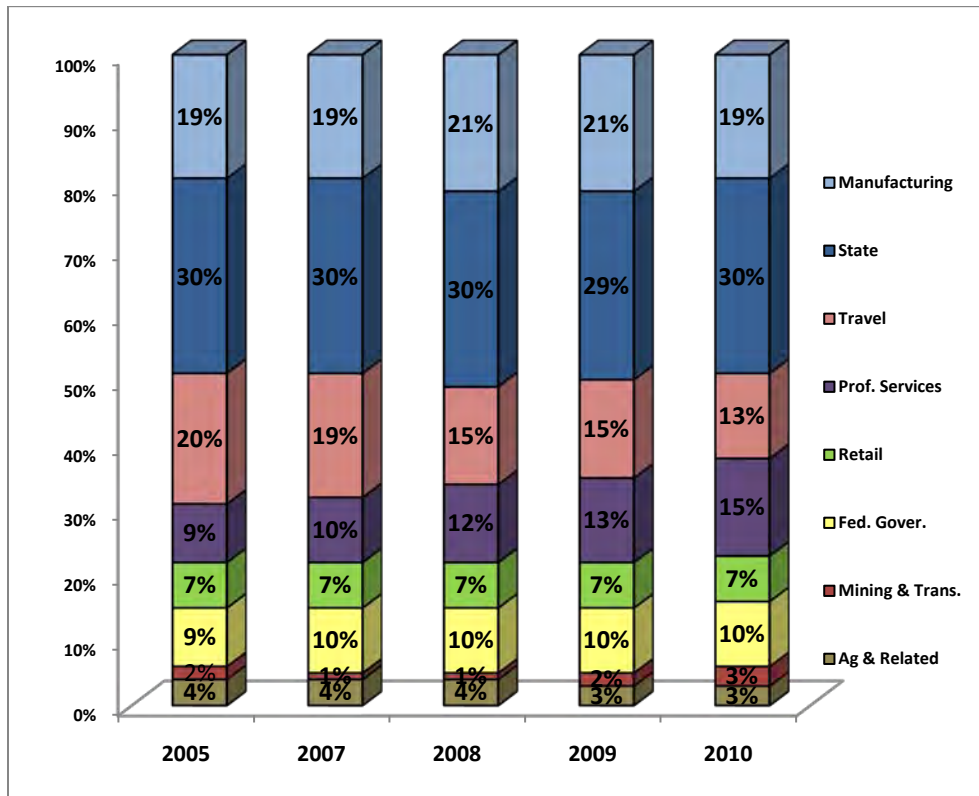
The Bureau has estimated Labor Income growth in the County to be approximately 3.5% for the next 4 years (2011-2014), significantly UP from previous projections. County staff thinks the 3.5% is optimistic and are of the opinion that a 2% for 2011 is likely, with an average of 2.5% over the next 4 years more realistic.

The following graph shows a history of Actual and Projected Percent Change in Non-farm Labor Income – Gallatin County, 2006-2014 from U of M (BBER).



The preceding bar chart gives a historical perspective on the U of M’s accuracy. As can be seen the Bureau’s estimate was under the actual increases in 2 of the 5 years. In three years they overestimated Labor Income growth. This is especially true of 2008 where the estimate was 6.6% with reality being -2.2%, and 2009 when the estimate was negative growth of -0.6% with actual growth being at negative 5.5%. More important is that Labor income has grown by 9.5% in the last 5 years, meaning that the average growth in Nonfarm Labor Income has been about 2.0% per year.

The report shows that in recent year’s employment has changed, with changes coming in Ag & Related down 1%, Travel down 7%, Professional Services up 6%, Federal Government up 1%, and Mining up 1%. The stacked bar chart below shows changes by industry of employees for 2005- 2010.



Information on potential growth for the County is based on available data and sources. Woods and Poole for 2010 estimates growth in selected areas will be:

Description	2000	2010	2015	2020
Population	67,790	90,650	97,263	114,049
Income/Capita (current \$)	\$28,409	\$29,305	\$30,248	\$31,336
Farm Earning (2005 dollar)	\$ 9.13	\$ 9.62	\$ 3.01	\$ 3.09
Non-Farm Earn. (2005 \$)	\$ 1,487.25	\$ 2,016.53	\$ 2,338.03	\$2,666.06

When making forecasts the lowest factor available is used. This is consistent with Gallatin County's conservative financial outlook and allows greater flexibility if factors have been overestimated.

A comparison of Employment for 1980, 1990, 1995, 2000 and 2005 through 2009 shows a dramatic increase in the number of persons employed from 18,680 in 1980 to 49,090 in 2008 (Source – Montana Department of Labor & Industry, Research & Analysis Bureau).

	<u>1980</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>	<u>2005</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Population Woods)	43,146	50,811	60,644	68,369	80,748	87,300	89,812	90,343	90,650
% Pop. Employed	50.36%	62.48%	68.84%	75.06%	77.18%	78.79%	78.06%	64.38%	63.26%
Labor Force		29,459	36,891	41,033	46,596	50,323	51,036	48,487	51,150
Gross Employment	18,680	27,882	35,816	39,526	45,326	49,199	49,095	45,442	47,922
Unemployment Rate		5.4%	2.9%	3.7%	2.7%	2.3%	3.8%	6.3%	6.3%

Tourism is normally a positive factor for the County, with 2010 being very positive. Calendar year 2010 saw Yellowstone National Park have 4.5 million visitors, up 8.36% from 2009. Making 2010 the highest year on record. Yellowstone Park visitation was at 4,546,932 in 2010. Entrance through West Yellowstone was at 1,477,833 (up 7.3% from 2009). The Institute for Tourism and Recreation states that "When Yellowstone National Park is up, so is Montana nonresident tourism". For 2010 we saw a continuation of the decreases in lodging as in 2009 with stays being shorter and dollars spent per person down and tourists staying at campsites instead of motels/hotels. The following table shows the change in visitors over the last several years:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Year to Date Recreation	3,151,342	3,006,569	3,295,702	3,640,183
% Change		(4.59%)	9.61%	10.45%
West Gate Visitors	1,291,054	1,273,036	1,335,702	1,477,833
% Change		(1.40%)	7.97%	10.64%
Overnight Stays	1,287,645	1,194,187	1,275,647	1,198,211
% Change Overnight		(6.25%)	6.80%	(6.07%)
% Change Lodging		2.76%	(1.01%)	0.04%
% Change Campgrounds		(14.85%)	13.98%	2.85%

On another positive note, air traffic at Gallatin Field was up for calendar year 2010 by 6.64%. This increase comes from increased park visitation, ski activities and a stabilizing of the economy. For the time period 2000 – 2010, Gallatin Field had passenger boarding's and deplanements increase from 482,539 to 728,038 (50.88%). This has made Gallatin Field the second busiest airport, behind Billings, in the state.

The City of Bozeman reports New Construction Valuation that occurred during 2002-2010 and will come on the tax roles as shown below. The modest 2.25% increase comes after two years of significant decreases.

<u>Year</u>	<u>Amount</u>	<u>% Change</u>
2002	\$ 86 Million	
2003	\$133 Million	54.65%
2004	\$144 Million	8.27%
2005	\$199 Million	38.19%
2006	\$192 Million	(3.52%)
2007	\$243 Million	26.56%
2008	\$136 Million	(44.03%)
2009	\$100 Million	(26.47%)
2010	\$103 Million	2.25%

Building Permits are up 2.25% compared to 2009 but still down 57.61% from the high in 2007

Electrical Connections were:

<u>YEAR</u>	<u>Numbers</u>	<u>% Change</u>
2010	617	(12.11%)
2009	702	(23.19%)
2008	914	(31.63%)
2007	1,337	(18.43%)
2006	1,639	(13.78%)
2005	1,901	

Gas connections during this time were

<u>YEAR</u>	<u>Numbers</u>	<u>% Change</u>
2010	341	(10.26%)
2009	380	(26.07%)
2008	514	(40.91%)
2007	870	(15.53%)
2006	1,030	(4.45%)
2005	1,078	

Electrical connections are down 67.54% from the high in 2005 and gas connections have decreased by 68.37% since 2005.

Forecast Summary

Current analysis indicates County revenue will not be sufficient to meet existing levels of service IN FY 2012, especially with proposed increase to Retirement contributions and funding of the judgment associated with the deputy lawsuit. This is compounded by the economic downturn which is in its 3rd year, but has stabilized somewhat as shown by the previous information. FY 12 Start Up Budget Projections show the County needing **\$1,223,322 to meet current budgets** – meaning the Commission will be required to reallocate resources, reduce services and/or increase revenues, to maintain services. This includes possible increases in Retirement of \$435,000, judgment costs and normal cost increases. This compares to the same time frame in FY 11 when a shortage of \$523,322 was identified. Current estimates are that a significant upswing in the economy is a minimum of 2 years away.

Growth in wages and operations will require \$2.4 million dollars over the next five years without any new staff. With projected staff increases included, Personnel costs will increase by \$4.9 Million by FY 2016. The projections for new employees include new Detention Center staffing (which is already funded) and a reduction in the growth for new employees for several years (1/4 of historical growth).

County Elected Officials, Agency Directors and Department Heads need to plan for austere budgets for the next two or three budget years. This will require:

- Reduction in current service levels (including staffing) to meet revenue projections;
- Review funds for the possibility of combining funds to eliminate, duplicative support functions and reduce operating reserves – EXAMPLE – combine Senior Citizens Fund into General Fund – would eliminate need for the \$30,000 operating reserve in Senior Fund – ONE TIME SAVINGS.
- Continuation of ‘Core Equipment’ set aside to eliminate increases in operational costs to maintain obsolete equipment and maintain equipment service levels; and
- If absolutely needed look into tax increases either through maximizing mill levies or voted operation levies to fund specific programs, enhancements or capital needs

In the past, the County balanced budgets through the use of cash not needed for Operating Reserves. For FY 2012 and into the future cash available to support budgets will be decreasing. Estimates show cash being down **over \$13.3 Million** for FY 2012. FY 11 actual expenses for Personnel are projected to use **96.76%** of the amount Budgeted (FY 10 was at 93.47(even with a hiring freeze) FY 09 saw 94.27%). This comes in spite of the Commission requiring all hiring to be authorized by the County Administrator and review by the Commission, if necessary, prior to being advertized.

Revenues are projected to increase by an average of 1.9%. Non Tax Revenues are projected to grow by 0.9% with Tax Revenues growing at 2.5 to 3.0%. Population increases will drive a portion of revenues and 0.86% is added for those revenues.

Expenditures for Personnel (see graph on page 9) are projected to grow at 3.3% without new employees and 5.9% with new employees. However, Fringe Benefits are projected to grow at 4.3% for current employees and 6.2% with new employees, primarily from increases in Health Insurance, Worker’s Compensation premiums and increases in retirement contributions. Compensated leave balances are assumed to continue to grow at or below the 6-30-10 rates.

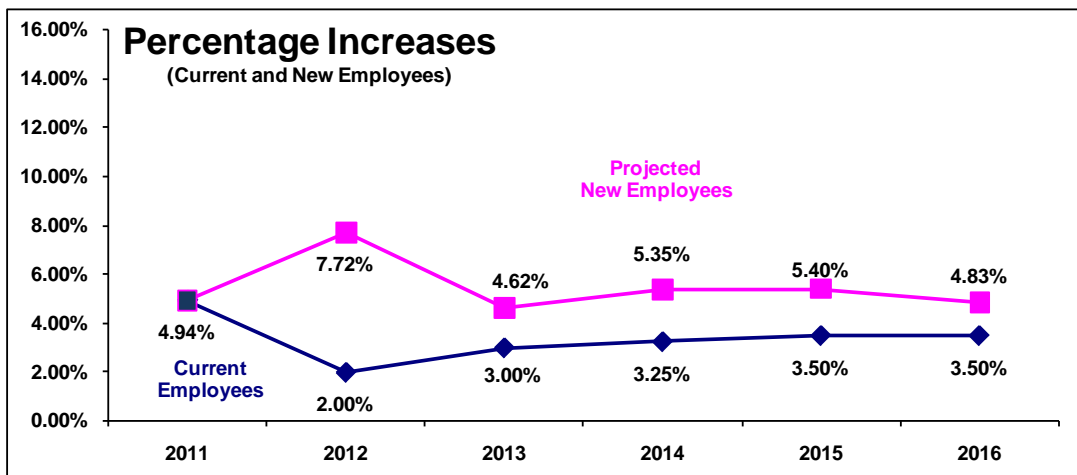
Capital Outlay and Capital Reserves are assumed to grow at minimal rates. The funding of the new Detention Center is included in these calculations. Funding for increases in operational expenses associated with the new Detention Center are funded from new valuation taxes of \$1.5 Million already being assessed, and will not require levying of additional taxes.

Operating Reserves are based on the recommendations within the Fiscal Policies. The current reserve of \$6,707,569 needs to increase to approximately \$7.3 million, an increase of \$592,000 over 5 years, without changes in policy or number of funds. Capital Reserves or Capital Equipment budgets are assumed to be funded through current millage or millage from New Construction Taxable Values.

The graphs that follow show the dramatic effect incremental personnel increases will have on the overall financial condition of the County. A simple 2.5% growth in revenues compared to a slightly higher growth in expenses, prior to the addition of new employees results in a decrease in Operating Reserve from \$6.8 Million in FY 2011 to \$1.8 Million in FY 2012, which decreases to a negative balance in FY 2016 of (\$6.2 Million). (see page 9)

Growth in Wages:

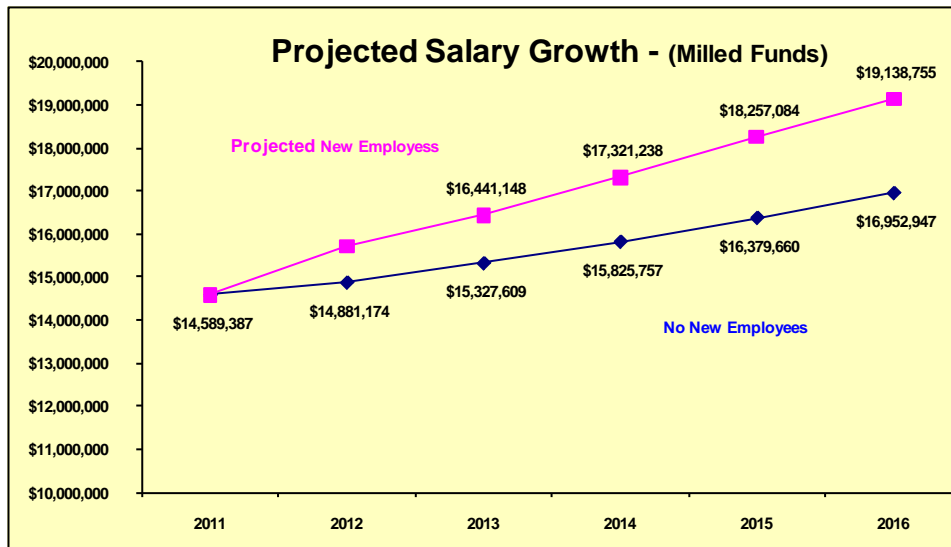
The graph that follows shows the percentage growth for current employees and projected new employees. The projections are based on historic levels of increased staff for **Tax Supported Funds**. The projections include staffing increases in second half of FY 2011 (8.75% increase) and for all of FY 2012 (7.72% increase) for the new detention center.



The percentages show that wages are projected to increase by an average of 3.3% for current employees (with normal turnover taken into consideration). This includes merit increases, longevity and wage adjustments. Adding potential new employees changes the average increase to 6.2%.

Employee Growth in Dollars:

The next graph shows the growth in projected personnel budgets in dollars for the next five years, based on current employees and a projected new employee factor.



This graph shows the effect incremental increases have on salaries. To fund current employee wage adjustments the County Commission needs **\$2.4 million** in new dollars per year by FY 2016. To pay for projected new employees the Commission will need an additional **\$2.1 million by FY 2016**, for a total projected requirement of **\$4.5 Million dollars per year**.

Expense and Revenue Projections:

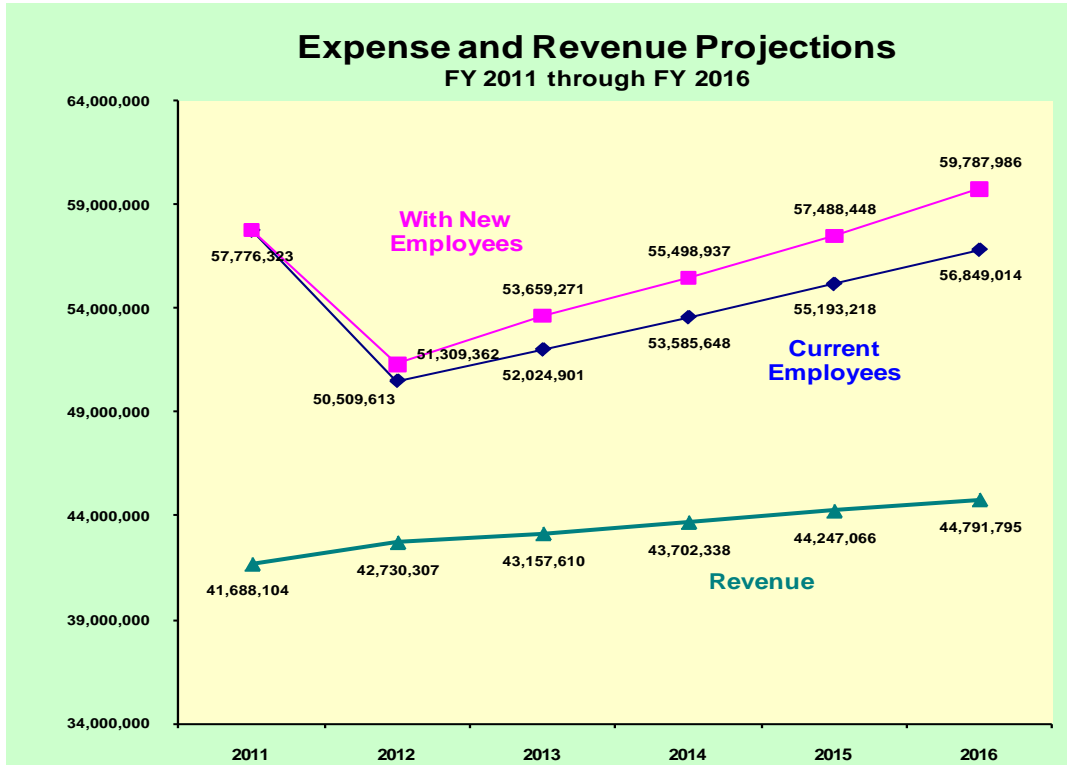
The following chart shows seven years of revenues, cash available for re-appropriation and expenses with the estimated shortfall for each year.

Five Years Projected Revenues, Cash and Expenditures

Year	2010 ACTUAL	2011 BUDGET	2012 ESTIMATE	2013 ESTIMATE	2014 ESTIMATE	2015 ESTIMATE	2016 ESTIMATE
Revenues	41,958,700	41,688,104	42,730,307	43,157,610	44,452,338	45,563,646	46,702,738
(Plus) Beginning Cash	21,240,099	22,902,788	9,558,045	8,602,240	7,742,016	6,967,814	4,605,944
(less) Expenses Current W/ New	63,198,799	57,776,323 0	50,509,613 51,309,362	52,024,901 53,659,271	53,585,648 55,498,937	55,193,218 57,488,448	57,488,448 59,787,986
Cash End of Year (Shortfall) Current W/ New	-	6,814,569 -	1,778,738 978,989	(265,051) (1,899,421)	(1,391,294) (3,304,583)	(2,661,757) (4,956,988)	(6,179,767) (8,479,305)

The shortfalls are cumulative and will be dramatically decreased as the County Commission balances each year's budget. These projections do not include major Capital Projects, but do anticipate continuation of millage earmarked for Capital Projects or Detention Center Operations.

The graph below shows the projected shortfall in Revenues to projected Expenses (both Current and With New Employees) based on current budgets.



Recap

Gallatin County has funded Capital Projects, new staff and normal operating costs primarily through growth in non-tax and tax revenues and utilizing available cash over the past 16 years. The principle changes to revenue came from reappraisal, changes to State laws associated with motor vehicles and voter approved mill levy increases. Revenues in the past have increased dramatically for growth related fees – Land Record recording, Zoning Fees, etc. These revenues significantly decreased in FY 08, FY 09 and FY 10, but appear to be stabilizing for the first 6 months of FY 11.

The County’s ability to maintain current levels of service will continue to be stressed for several years. The economic downturn is now being strongly felt in the County. This continues to equate to lower inflationary costs during FY 2011, with FY 2012 seeing inflation moving back to an estimated 2% to 2.5% range. The economic downturn has severely decreased revenues and caused a decrease in cash available for services. In the long run this will mean a dramatic decrease in services and / or the inability of the County to maintain equipment and buildings.

The County has taken steps to reduce costs in prior years and the current fiscal year which will continue into future years. County staff is looking at a number of potential savings that have little or no cost but will positively affect cash either through decreasing expenses or increasing revenues. Examples include combining funds, job sharing, mandatory vacancy savings and reduction in staff where possible.

One area that will adversely affect the County are State Mandates where the state transfers responsibilities and duties to the county that the State no longer can afford to do, requiring local governments to do the work with little or no compensation. Since the legislature is in session and has indicated a desire to reduce expenses, all local government revenues may see reductions and the state will be assigning additional duties, without adequate revenues to compensate for the true costs.

Major factors that will affect the County for the next several years include:

1. Continued downturn in local, state and national economy;
2. Legislative session where state will decrease County revenues and increase County duties;
3. Criminal Justice System –
 - a. New Detention Center first year of operation
 - b. Programming for replacement Law and Justice Facility
 - c. Funding of judgment.
4. County Growth Policy:
 - a. Adoption of neighborhood plans
 - b. Implementation of programs
5. Transportation System:
 - a. I-90 Airport Interchange
 - b. Replacement of deficient bridges
 - c. Update of roads as stated in transportation plans – 27 miles of gravel roads improved to millings and chip seal hard surface;
6. Discussion on issuing Bonds versus operating levy vote for infrastructure needs (Airport Interchange, Law & Justice, Road / Bridge needs).

The County will see a stabilization of non-tax revenues, except for legislative actions. At the same time, growth in Tax Revenues will stabilize at a projected 2.5% to 3.5% for 4 years. This means the County will need to limit growth in expenses to the amount of new revenues received.

During the next five budget years the County Commission will be confronted with:

1. Reducing expenses to match revenues generated by Taxes and Non-Tax sources;
 - a. Identify activities, departments and funds currently funded either directly or through a match for elimination, reduction or no change, using criteria established by the Commission;
 - b. Increase non-tax revenues to fund activities where possible and / or establish the amount or percentage departments will be funded through taxes; and
 - c. Require departments to prepare outcome based performance measurements that are clear, documented and auditable. Have the Commission use workload indicators and performance measurements when making budgetary decisions.
2. County Debt load increased dramatically in FY 2010, for Open Lands Bond, Detention Center Bond; and loans for Dispatch and Mental Health (Hope House). County debt will gradually decrease, with payment of principal, until voters approve another bond issue to replace the Law & Justice activities.
3. The need to maintain PILT payments to fund loans and necessary expenses at current levels after the current one year federal allocation is over.
4. Department needs will exceed revenue sources;
 - a. On the average 7% of the services currently being provided need to be reduced or eliminated without new sources of ongoing revenues;
 - b. Operating Reserves, Capital Reserves and Capital Projects will be under greater stress, resulting in deferring of needs causing increased costs now and into the future. This has been mitigated by the Commission's funding of 'Core Equipment' from Newly Taxable Valuations.
 - c. Cash carry over will decrease, resulting in fewer dollars available for re-appropriation;
 - d. Insurance costs, both liability (10% to 15% increase for FY 12) and health (estimated increase of 5% to 10% for FY 2012); and,
5. On a positive note. The County will continue to be a highly desired place to work because of stability and benefits, compared to the private sector, once the effects of the judgment are known.

In closing, while the information provided in this report seems to be doom and gloom, the intent is to act as an early warning to the Public, County Commission, Elected Officials, Department Heads and Employees of Gallatin County.

MISSION STATEMENT

Provide cost effective services, visionary leadership and responsive policies for our diverse residents.

VISION:

Gallatin County is dedicated to being a premier County local government.

Long-Term Goals (Concerns and Issues)

- Equate community needs with budgetary decisions
- Adhere to long-term plans
- Demonstrate exceptional Customer Service
- Serve as a Model for Excellence in Government
- Improve Communication within County government, other jurisdictions and our public
- To be an Employer of Choice and Improve Employee Retention

Short-Term Goals (Priorities and Policy Issues for the Budget Year)

- Maintain public health, safety and welfare as a high priority, as required and allowed under state statute and documented public demand, consistent with performance measurements.
- Improve and enhance the efficiency, effectiveness and productivity of every County function through budget administration and performance management.
- Continue to improve the Criminal Justice System;
- Improve and maintain County Infrastructure by dedicating new property tax revenues from new construction to Capital Projects and Capital Core Equipment;
- Ensure that needed transportation infrastructure systems are maintained and enhanced;
- Keep budget structurally balanced by maintaining current operation reserve percentages;
- Demonstrate a strong Commitment to Employee Retention through funding of needed wage and / or benefits;
- Improve management, accountability and oversight to reduce County risk; and,
- Exhibit commitment to implementing Growth Policy.

Process and Schedule

The Financial Trend Analysis and Financial Forecast Plan began through the Commission's decision to utilize strategic planning. The Commission's decision requiring Performance Measurement Budgeting for FY 11 continues. The Finance Office incorporated workload indicators and performance measurements identified by departments, into previous Budget documents. These were enhanced for FY 08 through FY 2011 with the goal of full implementation for FY 13. The County Administrator has committed to the final process including expanded public participation with outcome / workload indicators and the opportunity for the Commission to make decisions based on public input and performance indicators.

For each year since 2004, the County Commission has established Goals for the Budget. Departments are required to identify goals which they are meeting when requesting changes to baseline budgets. The Commission continued this process for FY 11 with the adoption of the short-term goals.

Elected Officials and Department Heads are to use the Commission goals in preparing their budgets. Unfortunately, the tying of requests to goals was not effective in the FY 11 Budget cycle, primarily because, the Commission did not use workload indicators or performance measures when making decisions during budget work sessions.

The original Strategic Planning Committee identified and recommended goals for Gallatin County. The Goals adopted in FY 02 by the County Commission were modified several times over the succeeding years, with the newest version proposing the incorporation of 'Capital Core Equipment' decision. See Page 12.

The Finance Office is responsible for accurate preparation and distribution of the Annual Budget, the Management Discussion and Analysis component of the Annual Report, the mid-year Financial Trend Analysis/Financial Forecast report and monthly and quarterly reports. The Office submits the County's Annual Budget to the Government Finance Officers Association for consideration under the Association's Distinguished Budget Preparation Award Program. The County was successful in receiving a "Certificate of Recognition for Budget Preparation" for the last five years and is anticipating receipt of the award for FY 2011.

The Finance Office's goal in preparing this Financial Trend Analysis /Financial Forecast report is:

To provide a clear and concise Analysis and Forecast that identifies the County's current and projected financial condition and addresses alternatives to the County's problems, hereafter referred to as the 'Plan.'

The Plan is developed using Trend Analysis and Financial Forecasts based on ten years of historical information. Recommendations made by staff and the public were incorporated into the Financial Plan, which is the County's Long-Term Strategic Financial plan. (LTSFP)

This Plan was presented to the Public on March 01, 2011. The following schedule was approved by the County Commission in an effort to keep the public informed about the Plan and to encourage public participation in developing an action plan that the County can use for the FY 2011 budget process:

February 22, 2011	Plan submitted to County Administrator, Commission and Finance Committee
March 01, 2011	Presentation and Acceptance of Long Term Strategic Financial Plan by Commission

Financial Condition Overview

This section provides a profile of Gallatin County's current financial condition. Also included are recommendations on Financial Programs. Included in this part are:

- Summary
- Overview of Trends
- Current Financial Condition
- Reserve Funding
 - Operating Reserves
 - Capital Reserves
- Finance Director's Recommendations on Financial Programs.

Summary:

The 11th edition of the County's Financial Plan documents the County's financial position, a brief historical overview and a proposed path for a successful financial future. The Plan starts with a review of the County's current financial condition, using 6-months actual revenues and expenses for FY 2011, and projects these revenue and expenditure trends for a full year. These projections are used in identifying potential challenges and issues. Based on FY 2011 year-end projections, along with the last 5 years' actual revenues and expenses, projections are created estimating the next five years' cash balances, non-tax, tax revenues and expenses.

The financial plan will be used to:

- Standardize and document assumptions used in future years budgets;
- Document projections using historical trends; and,
- Allow for better decision-making processes by the County Commission.

The 2011 and future Financial Plans are tools in the early detection of financial problems and opportunities. This early identification allows the County to react faster to problems and be proactive versus reactive as problems develop and are identified. Furthermore, financial planning allows the County to logically plan for the future.

FY 2012 to 2016 projections show a number of issues, including funding shortfalls that may occur and will require a substantial dedication of resources in both the short and long-term. The County reduced service levels in FY 2010 and FY 2011 to meet revenue estimates and may have to see additional reductions in services unless cost savings are realized or additional revenues are identified. Other issues facing the County include funding of judgment, Law and Justice Complex, replacement / upgrade of roads/ bridges, retention of key staff to meet workload and demands by public and Transportation Plan- including County match for Airport Interchange.

From a financial perspective, Gallatin County was previously in the position of having money to address some infrastructure needs. Areas funded partially or fully within current funding limitations included Courthouse Annex purchase and remodel, Law and Justice carpet, HVAC, roof and boiler improvements, construction of Road Shop and Dispatch Center, improvements at the County Fairgrounds, implementation of 'Core Equipment' replacement plan and Open Space preservation. The Plan shows a number of issues requiring voter / Commission action now or in the near future, to meet needs and requirements.

However, the County has limited revenue growth potential to maintain current service levels, let alone pay for identified needs or expansion of programs to meet new needs associated with changes in taxpayer's economic condition. I recommend the Commission

- Not consider new staff unless;
 - full ongoing funding is identified – Wages, Benefits, Space, Capital, Indirect Costs, travel etc.;
 - staff requested meet specific goals and objectives of the commission;
 - use of existing staff is anticipated in case downsizing is required.
- Prior to the beginning of the Budget Process, the Commission should review all departments and identify those for potential reduction or elimination. This will require prioritizing all programs.

The County's outlook is '**Favorable**' because of the positive and negative aspects previously stated. The General Fund, Road, Bridge and Public Safety fund balances have stabilized with most cash no longer being used for operational expenses. With revenue growth (mainly taxes and fees associated with growth) stabilizing, as shown by the following table, the County's ability to continue current levels of service is in doubt. Unless additional reliable revenue streams are found the Commission will have difficulty in funding the FY 12 and especially the FY 13 budget. The easiest source of reliable revenue would be through an increase in taxes, either from the \$1,398,768 (6 mills) currently not being levied or from new voter approved taxes. However, with public perception about taxes being high this limits the viability of these options.

The decrease in non-tax revenues associated with growth in the County is shown below by comparing the first 6 months Clerk & Recorder Fees, Zoning Fees and Local Option Fees:

	<u>Clerk</u>	<u>Zoning</u>	<u>5% Option MV</u>
FY 2011	\$311,047	76,739	1,511,942
FY 2010	349,840	78,044	1,431,150
FY 09	396,602	92,821	1,555,470
FY 08	412,249	123,855	1,592,204
FY 07	483,110	133,524	1,545,304
FY 06	584,492	193,399	1,417,305
FY 05	424,467	174,589	1,318,823
FY 04	498,544	126,457	1,171,279
FY 03	442,404	88,924	1,053,719

The Clerk & Recorder Fees are DOWN 11.09% from last year, 29.7% down from 8 years ago and down 46.78% from the FY 06 high. Zoning Fees are down 1.67% from last year and down 60.32% from the high in FY 06. Motor Vehicle Local Option is up slightly. The 5.6% increase this year is still down significantly from the high in FY 08 (5.04%). Until FY 09 the average increase for local option tax was 7.19% per year. The amount generated this year is still only 94.95% of the high in FY 2008.

Overall, I am very concerned about the County's ability to maintain current staffing and operations, with limitations of State law, along with the Commissions unwillingness to maximize taxes and the County's inability to receive significant revenues without a vote of the people or the legislature. My concern is compounded by the judgment looming over the County and the current legislatures and executive branches looking at decreasing local government revenues along with potential increases in state mandates.

As an example of the County's reduction in services -- the ratio of population to County Employees and Sworn Sheriff personnel from tax supported funds shows the following.

Year	County Population	Residents per Sheriff Officer		Residents Per Employee
		ALL	AVAILABLE	
1995	59,273	1,992.10	2,135.65	179.82
2000	67,831	2,055.48	2,339.00	180.80
2005	80,748	1,877.86	2,446.91	192.76
2006	84,489	1,836.72	2,484.97	188.91
2007	87,359	1,747.18	2,298.92	194.85
2008	89,824	1,702.82	2,318.04	197.77
2009	90,343	1,771.43	2,151.02	196.12
2010	90,862	1,802.82	2,194.73	198.21
2011	91,381	1,813.12	2,207.27	178.35

The First Column under 'Residents per Sheriff Officer' - ALL-shows that a sworn officer was responsible for 1,992.10 residents in 1995, with a decrease to 1,813.12 per officer in 2011. This is misleading because of contractual obligations, the Sheriff must assign 5 officers to Big Sky, 4 officers are assigned to meet grant requirements, with one officer assigned to administer the Detention Center. The second column reflects officers available and is a more accurate table of services received by residents. It shows an increase from 2,135.65, in FY 95 to 2,207.27 residents per officer in FY 2011. The County Population for 2011 is from Wood's & Poole.

Overall, the success of County Programs comes directly from the exceptional quality and dedication of County Employees. Unfortunately, the dramatic impact on employees from increased demands, recent anxiety over economic downturn, along with stress associated with the judgment and an increase in technical requirements continues to create tension and dissatisfaction within County government. This is evident from utilization of sick leave, health insurance cost increases, increased errors, turnover of long-term employees, increased irritability and some negative morale among employees. A positive note of the economic downturn is the significant increase in applications for positions, showing that the County is perceived as a highly desirable place of employment due to our stability and benefits.

The 2011 Financial Plan

Finance issues examined this year include:

- Financial Forecast – The County’s five-year financial forecast, based on current operating trends, is in a **‘FAVORABLE’** status, with the County’s fund balances projected to STABILIZE at current levels.
- Financial Condition Report – A profile of current County financial activities and the County financial condition.
- Reserves – Individual operating reserves have improved from five and ten years ago. The Commission’s decision to maintain Operating Reserve Percentages as a part of the Budgetary Goals allows staff to maintain adequate reserves.
- Review of Prior Budgets – A summary of the last five-year budgets with emphasis on the unique changes made each year. Graphs are used to show trends in employees, reserves and capital expenses.
- Financial Trend Analysis – Review of Financial trends as of January 1, 2011.
- Information Systems Plan – The Information Systems Plan identifies Long Term Technology Hardware and Software Strategic Policy / Plan.
- Growth Policy – Approved in FY 07, implementation phase begun.

Future Financial Plans may include:

- Road and Bridge Maintenance and Improvement Program – The County Road office on a yearly basis identifies specific projects to be accomplished during the year.
- Public Safety Strategic Plan – Public Safety Departments are developing a Strategic Plan to meet their needs now and into the future.
- Cost Recovery Fees for Services and / or Impact Fee Calculations – The County needs to change State law to allow for full and true cost recovery from fees. Development of Impact Fees is ready for approval.

Current Financial Condition

The County's financial condition as of December 31, 2010 shows that the County continues to feel the effects of the economic downturn. Cash required for the Detention Center, along with construction of the Dispatch Center has decreased available funds in the Public Safety and Capital Projects Funds. The decrease in growth related non-tax revenues and investment earnings has decreased cash in the General and Public Safety Funds.

Current projections show tax-supported operating funds will have a cash balance of **\$9.6 million** at the end of FY 11 compared to \$10.6 million in FY 10, (excluding Capital Projects for FY 10, \$14.6 million for FY 09, \$16.46 million for FY 08, \$15.26 million for FY 07, \$15.0 million in FY 06). Of the \$9.6 million, \$6.7 million is set-aside for Operating Reserves. The decrease in cash for FY 2011 is the second greatest percentage and amount decrease the County has seen. (Remember, these are conservative estimates with actual cash carried over being higher in previous years).

The following table shows the sources of estimated cash balances:

<u>Item</u>	<u>Amount</u>
Operating Reserves (per Budget)	6.70 Million
Capital Reserves (per Budget)	0.57 Million
Decrease in Revenues BELOW Budget	(0.10 Million)
Decrease in Expenses below Budgets	<u>2.43 Million</u>
TOTAL ESTIMATE	\$9.6 Million

The County General Fund will end the year UP an estimated \$60,690 from the beginning of the year. The fund will have a positive fund balance of \$1.1 million, including its \$1,050,000 Operating Reserve.

Estimated year-end cash will be more than Operating Reserves because the County uses conservative revenue estimates when preparing the budget and departments spend less than authorized. This allows the County to assure adequate funding for current service levels into the future. However, non-tax revenues are not exceeding estimates in significant amounts, resulting in limited cash being available for appropriation in FY 12.

The continued economic downturn and the effect it is having on the County is, along with funding of the lawsuit, the County's predominant issues for FY 11. The ramification of the recession saw almost the elimination of construction within the County. This includes commercial, retail and residential. In addition, the County is seeing businesses downsizing and in several cases closing their doors. One positive effect is the recent slow down in development has allowed the County Planning department to expend resources on unresolved issues and problems from 15 years of significant growth in population, demand for services and in development throughout the County.

The 2011 Plan confirms the need for the criteria used in setting Operating Reserves for County General, tax supported special revenue funds (Road, Bridge) and County Enterprise funds. The Financial Plan forecasts the Rest Home, Health Insurance, Communication, Facility and Liability Insurance funds because these funds are an integral part of the County financial plan.

Reserve Funding:

Capital Reserve and Operating Reserve Policies are an important part of the County's Financial Policy. The following gives details about these policies.

Objective – Operating Reserves:

The County Finance Office will analyze and recommend appropriate levels of operating reserves to (a) minimize and eliminate registration of warrants from all possible funds, (b) ensure that adequate reserves are identified for the needs of each fund / program and (c) meet program needs without unnecessarily obligating scarce dollars.

Gallatin County has adopted a formal policy on Operating Reserves and Capital Reserves. The County has included Operating Reserves recommended by the Finance Office in the Budget. State Law authorizes counties to maintain reserves for operations (Operating Reserves) of up to 33% of a fund's total budget. (7-6-4034(2)(a) MCA) Historically the Finance Office recommends that the Commission maintain reserves in the range of 10% to 30% for Operating Budgets per fund, with actual reserves depending on availability of cash, revenues received during a given month and historic need for reserves.

The County has increased cash reserves from 1995 through the 2011 Budget for the General and Milled/Special Funds. The following table shows the amount reserved by year for the General, County Milled and Milled Special Funds:

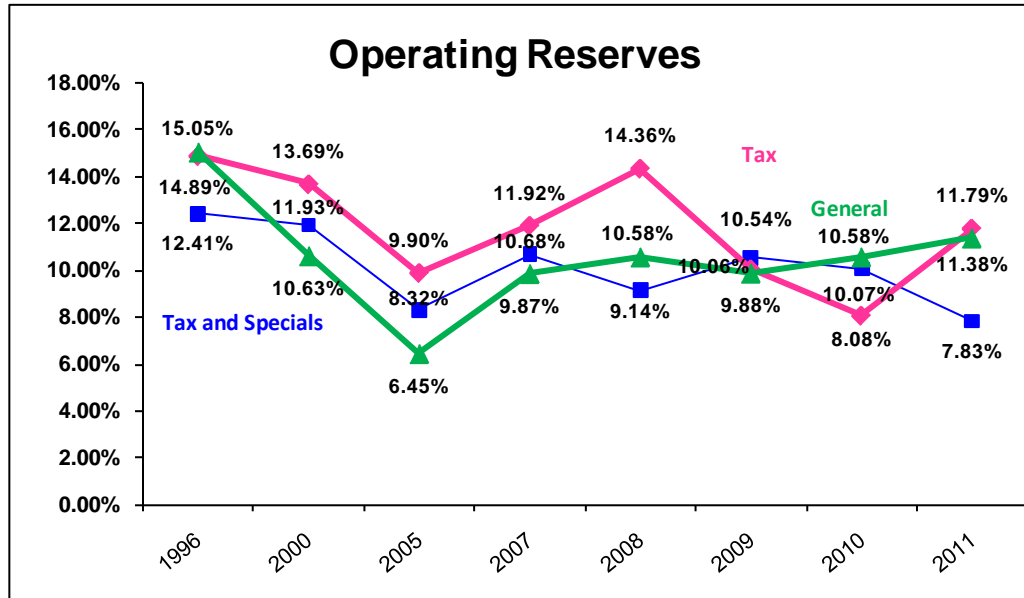
<u>YEAR</u>	<u>RESERVES</u>		
	<u>GENERAL</u>	<u>MILLED</u>	<u>ALL FUNDS</u>
1995	900,000	2,641,144	2,754,397
2000	685,137	3,364,815	4,354,585
2002	750,000	2,734,545	4,538,473
2003	800,000	2,793,201	4,640,280
2004	800,000	2,746,764	1,424,659
2005	690,000	3,601,752	2,123,407
2006	750,000	4,301,003	2,805,100
2007	1,000,000	5,378,179	4,308,646
2008	1,100,000	5,791,563	2,749,786
2009	1,000,000	5,977,630	5,663,175
2010	1,000,000	6,214,259	7,677,298
2011	1,050,000	6,707,569	9,325,182

NOTE: General Fund decreased in FY 2000 by separating Public Safety Fund departments from the General Fund. General Fund increase in FY 07 caused from closure of District Court Fund. Increase in FY 2011 for retainage associated with new detention center contractor.

The significant increase in FY 09, FY 10 and FY 11 comes mostly from enterprise funds, interdepartmental and special district operating reserves for Financial Assurance, Land purchase and equipment replacement.

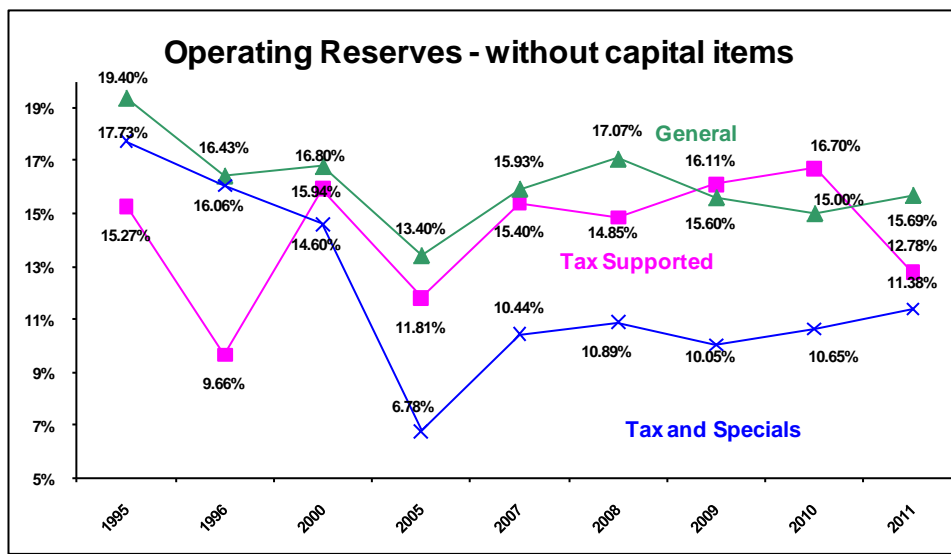
Because approved budgets have grown faster than Operating Reserves, the increase in cash set aside for Operating Reserves has not kept up with the percentage of the Budget. See the two graphs on the next page. The Commissioners continuation of the goal to maintain operating reserve percentages as a component of their Budgetary Goals eliminates this problem for FY 10 and FY 11.

The two graphs that follow show a stabilization of the downward trend in Operating Reserve percentages in tax supported funds over the first six to nine years and a stable rate for the last 3. The first graph shows that since 1996 Tax Supported Operating Reserves have decreased from 14.89% to 11.79%. (This is misleading because of Detention Center Capital project inflating expenses). General Fund Operating Reserves have decreased from 14.89% to 11.38%. Tax supported Special Revenue Fund Operating Reserves have decreased from 12.41% to 7.83%.



The next graph, which in my opinion is a more accurate depiction of changes in Operating Reserves, shows Operating Reserves as a total of the same budgets without Capital Outlay, Capital Reserves and Capital Projects. Although the **decline** is still evident, the decrease is less, with the General Fund and Tax Supported funds being closer to 1995. Tax and Specials, in recent years, are slowly increasing as Reserve Policies are implemented in more funds.

Operating Budgets (Excluding Capital Items) to Operating Reserves



OPERATING RESERVES:

The proceeding graphs show the error of not having a policy that Financial Professionals can use in recommending Operating Reserves for each fund. The County Commission adopted Policy complies with their stated Objective of (a) minimizing and eliminating registration of warrants (not running out of cash and having to borrow money), (b) ensuring that adequate reserves are identified for each fund, or program; and (c) meets the needs of the department, activity and program without unnecessarily obligating scarce dollars.

The following comparison shows the percentage of funds that are ‘Below Minimum’ or ‘At or above the Minimum’ operating reserve percentage:

	<u>FY 00</u>	<u>FY 05</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
Below Minimum	10	10	9	9	8	8
At or above Minimum	20	16	15	16	17	17
% At or above Minimum	83%	59%	60%	64%	68%	68%

NOTE: The Fair Fund is below minimum based on requests. The General Fund has absorbed the Public Assistance Fund and District Court Fund. For FY 08, Dispatch Fund was closed to the Public Safety Fund.

Reserve Guidelines:

There are a number of potential events which the County considers in the development of reserves:

- Economic Uncertainty – performance of the regional economy and the impact of that performance on demand for County services and market value - this is going to be very important in FY 11 and FY 12;
- Weather – the amount of rainfall, snow and heat affects the County from snowplowing, fire, flood, availability of water, vehicle accidents (both County owned and law enforcements response to incidents);
- Government Mandates – the impact of federal, state and local regulations has a direct and indirect effect on the County – the legislature is meeting in 2011 and will make changes to County duties, revenues and responsibilities;
- Tax Changes – Limitations on the County’s taxing and spending powers through the passage or non-passage of voter referendums and legislative actions further affects the County’s ability to meet demand for services – see previous comment on legislature;
- Operating Costs – Increases in operating and maintenance costs because of inflation, labor agreements or budgetary increases through new programs, expansion or contraction of existing programs; and,
- Tax Cycle – need to allow for the 6-month tax cycle associated with collection of real property taxes in November (5 months after start of fiscal year) and May.

Development of reserve policy objectives show that the County needs to:

- Distinguish between restricted and unrestricted reserves – FY 2011 required per GASB 54;
- Establish distinct purposes for all reserves – completed;
- Set target levels, such as minimums and maximums, for the accumulation of reserves – completed;
- Identify the events or conditions that prompt the use of reserves - ongoing;
- Conform with plans to acquire or build capital assets - completed;
- Receive Commission approval of written reserve policies – completed;
- Require periodic review of reserve balances and rationale for maintaining them – ongoing.

The Government Finance Officers Association (GFOA) in its Recommended Practice on Appropriate Level of unrestricted fund balance in the General Fund (2009) states:

“The adequacy of unrestricted fund balance in the general fund should be assessed based upon a governments’ own specific circumstances. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures.”

Operating Reserves – Policy:

Gallatin County maintains Operating Reserves to mitigate the effects of warrant registration and to meet the needs of the programs. To facilitate this, the County Commission has established this policy for utilization by ALL funds with Budgetary Authority coming from the County.

Because the County has a number of revenue sources for different fund types the following guidelines are set for the County’s Financial Professionals:

<u>TYPE</u>	<u>PERCENTAGE</u>
Funded mostly through monthly charges (Examples: Rest Home, Motor Pool)	8% to 16%
Funded largely through charges and then taxes (Examples: General, Road, Health and Fair)	10% to 18%
Funded from Quarterly Grant Allocations (Example: Communicable Disease, MRDTF)	16% to 24%
Funded largely from Taxes or Seasonal Activity (Example: Bridge, Weed, and Extension)	20% to 30%

The Finance Office makes a recommendation to the County Commission and all County elected officers and department heads for each fund’s Operating Reserve at the beginning of the budget process. The Finance Office prepares all budgets using the recommended Operating Reserves. The recommended Operating Reserves are maintained throughout the budget process, unless amended by the County Commission, as a result of significant increases or decreases to an individual fund budget.

VARIANCE:

If a department cannot fund Operating Reserves or desires to increase or decrease the Operating Reserves from the amount recommended by the Finance Office, a variance request is submitted to the County Commission in May of each year. The Commission reviews the variance, holds a public hearing on the variance and makes a determination to approve, amend or reject the variance.

Capital Reserve:

Capital Reserve is the action of setting aside money on a yearly basis to replace, repair, expand or demolish equipment or facilities, based on availability of funds and the expected life of the equipment. In the past, funding of Capital Outlay/Reserves and Projects were inconsistent. Individual departments set aside money, as it was available, without major consideration to overall County priorities. Equipment was replaced based on individual presentations by departments without regard to utilization and life cycle costing. Facilities were not maintained, remodeled or replaced in a systematic manner. As an example in FY 95 the Capital Outlay Budget was \$1,270,350 plus \$312,518 in Capital Reserves. In FY 2011 Capital Outlay is \$14,352,176 including Capital Projects and Capital Reserves. In a major improvement in Capital Equipment funding the County Commission approved the 'Core Equipment Replacement' program for the replacement of rolling stock (\$25,000 and greater) equipment that is needed for the continuity of the County's core services – Road, Bridge, Law Enforcement, Noxious weed, recreation and others.

Objective – Capital Reserves:

Identify capital needs through yearly review of equipment and facilities, adequately fund or identify future funding sources for (a) equipment replacement, (b) renovation, expansion of current buildings or construction of new buildings and, (c) establish reserves based on future needs as documented from the public and staff, without unnecessarily obligating the County's limited resources.

In changing the historic process of funding equipment and facilities, Gallatin County adopted a Capital Improvement Program (CIP). This includes a citizen / staff CIP committee that recommends projects for consideration and funding. The Commission appoints the committee, which meets twice per month. The Commission funds large capital projects by receiving voter approval for the issuance of General Obligation Bonds, or borrowing through the statutory \$2 million per project statutory provision.

Capital Reserves are a method the County uses to set aside budget authority over several years to fund capital projects. Successful projects funded through this method include Courthouse Annex Remodel; Courthouse remodel; EOC/Search Building; Detention Center Upgrade; Law and Justice HVAC update; purchase of Guenther Memorial and Courthouse Annex; and Road Shop.

Capital Projects currently funded by voter approved bonds include Rest Home 1989 \$1,649,000, Open Space Bond I at \$10,000,000; Open Space Bond II at \$10,000,000 and New Detention Center at \$32,000,000. Loans supporting County projects include \$999,000 for Law & Justice Remodel, \$1,300,000 for Road building, \$1,000,000 for Courthouse Annex, Re-Entry \$800,000, Fairgrounds \$500,000, Dispatch Center \$1,000,000 and \$1,000,000 for the Mental Health (Hope House).

Future debt may include replacement of Law & Justice Building \$80,000,000 (+/-); Phase II Courthouse Annex Remodel \$1,000,000; Storage Facility \$2,000,000; enhancements at Fairgrounds \$8,000,000 and Noxious Weed Office / Shop/Storage \$750,000.

Projects with potential debt in excess of \$2,000,000 will require a unanimous vote of the County Commission to put the issue on a ballot. The debt will occur only if a minimum of 40% of the eligible voters vote and 50% or greater cast their votes in favor of the issue.

All of these potential projects are incorporated into the County's approved CIP for FY 2011. Actual costs and the amount of debt involved for each project will be determined after further study of programs and need.

County Debt Policy

The County's Debt Policy is contained within the Capital Improvement Program Policy - Section V – Financial Policy on Capital reserves, funding of capital projects and debt utilization.

The CIP debt policy states:

- a) "Long Term borrowing will not be used to finance current operations, capital outlay not part of the approved CIP or for normal maintenance.
- b) The County Commission will strive not to issue bonds more frequently than once every two Fiscal years."

State law 7-7-2101 MCA "Limitation on amount of County indebtedness" restricts debt by the County to a maximum of "2.5% of the total assessed value of taxable property". The following calculations show the maximum debt available and current and proposed debt for Gallatin County.

DEBT LIMITATION CALCULATIONS			
Maximum Allowed Gallatin County, Montana			
DOR Market Value August, 2010			
Assessed Valuation: FY 2011 Certified Market Value	7,779,879,169	D.O.R. Certification	
Factor allowed for indebtedness	2.50%		
Total Indebtness Allowed:		194,496,979	
Less:			
Rest Home Bond	\$ -	Sep.	
Open Land Bond	2,490,000		
Open Land Bond 2003	2,975,000		
Open Land Bond 2006	4,410,000	Mill	
Open Land Bond 2008	3,940,000		
Open Land Bond 2004 Voted Bond	3,200,000		
Detention Center 2008 Voted Bond	31,670,000	Levy	
Pogreba Field Loan	25,586		
Capital Leases (7 graders, 1 loader)	1,226,458	NO	
Road Shop	1,138,228		
Guenther	431,757	Sep.	
Landfill Cell Expansion	-		
Re-entry	518,730	Mill	
Library Loan (5 libraries benefited)	598,985		
Fair Loan	341,960	Levy	
Purchase Annex	789,611		
District Court / L & J Remodel	778,673		
Dispatch Loan	910,246		
Compensated Absences	1,226,458		
Mental Health - Building	1,000,000		
Accounts Payable	3,959,172		
			\$ 61,630,864
Maximum Indebtness Available (6-30-2010)		\$ 132,866,115	
Possible:			
Law & Justice Building Replacement	26,000,000		
I-90 Interchange	14,000,000		
	-		
	-		
	-		
			\$ 40,000,000
Amount Available		\$ 92,866,115	

On January 21, 2009 the County issued \$32.0 Million in General Obligation bonds. Standard and Poor's gave these bonds an "Aa-" rating. An increase from the County's previous "A+" rating. This is a very positive affirmation of the County's financial position. The County has used 31.68% of its debt capacity. Projects needing consideration for issuing debt include transportation improvement plans, law and justice complex, plans and program needs. However, the County's ability to fund infrastructure capital needs are limited to those projects approved by the voters.

Areas not covered by current Policies:

- A policy on when the County Commission will utilize the County's borrowing capacity of up to \$2,000,000 per project that is allowed without a vote?

NOTE

All General Obligation loans, leases or bonds issued reduce the amount of debt available for the County. All debt issued affects the County's interest rate based on our ability to qualify as "Bank Qualified". This will result in higher interest rates on bonds sold beyond the Bank Qualified point that could add .15% to .25%. Also, the yearly payment for loans and leases are paid from current operating revenues rather than a new mill levy as is available for voter-approved bonds.

- A policy on when grants are to be used.
 - Are grants inconsistent with the mission, vision and goals of the County to be pursued?
 - If a grant does not require use of County monetary resources when is it appropriate for the County to act as conduit for the proposal?
- Should Gallatin County establish capital reserves for equipment replacement? This would be for equipment with a value of less than \$25,000 (threshold for Core Equipment) The County continues to fund \$160,000 for Information Technology Services Department (ITS) computer needs, along with VOIP system reserves, motor pool reserves and copier reserves.

FY 2011 FINANCIAL TREND ANALYSIS

FINANCIAL REVIEW – Prior and Current Budgets

Gallatin County, Montana

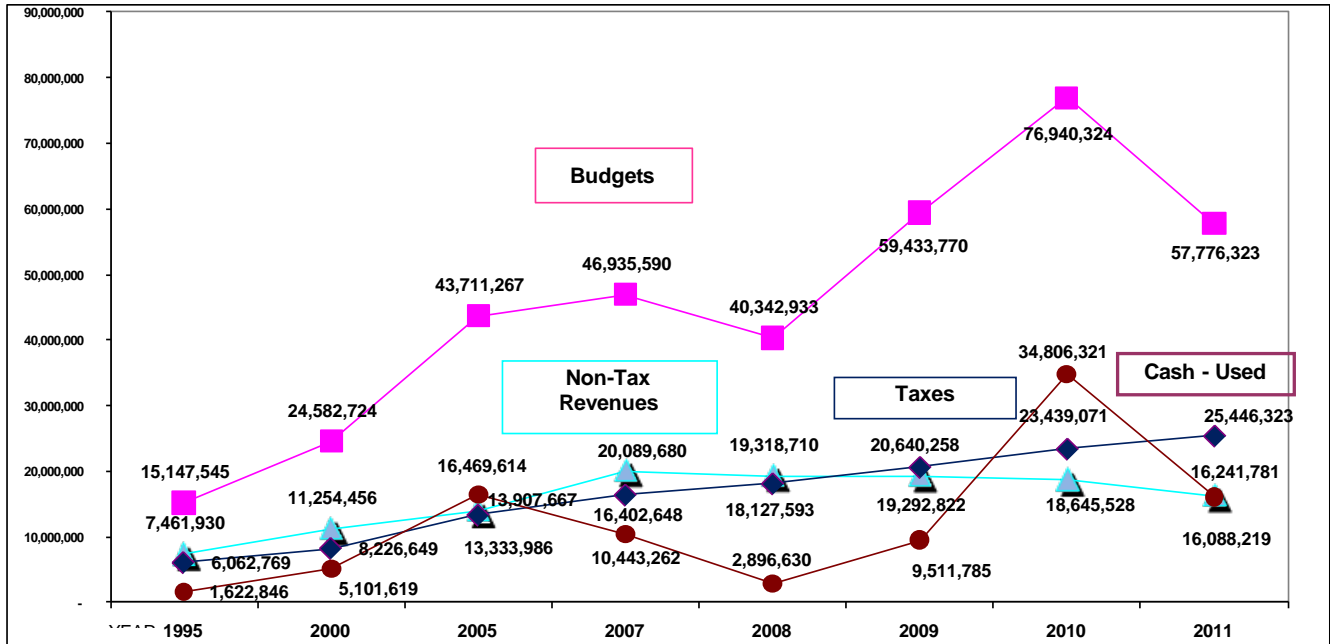
February 22, 2011

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Budgets Vs Actual

Gallatin County prepares an annual budget that by State Law is balanced, with all revenues plus unreserved cash equal to approved expenses. Cash, beyond the amount needed to fund Operating Reserves, pays for a portion of most budgets. With budgets becoming tighter, cash carry over is declining (excluding capital projects) as shown in the following graph. The table shows the last 6 years budget summary plus 1995, 2000 (ten years ago) and 2000, for major tax funds.

Expenditure and Source of Revenue Comparison Budget Factors County Milled Funds



To provide historical perspective, the information in this section reviews changes in Personnel, Operations, Debt and Capital. The review includes table and graphic presentations for changes in these activities.

The following table shows changes in percentages between Personnel, Operations, Debt and Capital, from 1998 to FY 2011.

<u>YEAR</u>	<u>Personnel</u>	<u>Operations</u>	<u>Debt</u>	<u>Capital</u>
1998	52.96%	34.88%	3.31%	8.85%
2000	48.46	31.08	1.96	18.50
2004	40.37	30.64	3.71	25.29
2005	37.95	33.00	2.95	26.09
2006	45.23	26.94	3.70	24.14
2007	43.73	26.99	4.09	25.19
2008	47.97	27.81	3.42	20.80
2009	49.36	23.52	4.69	22.43
2010	31.49	16.53	5.89	46.18
2011	44.27	22.16	5.72	27.85

Gallatin County is no exception to Personnel being a major percentage of costs. However, the County saw a significant decrease in the percentage personnel costs are to total expenses through 2005. Since 2005 Personnel percentages have increased. In 1998, Personnel equaled 52.96% of the budget; in FY 2011 this was reduced to 44.27% (mostly because capital has increased). Using historic capital amounts of 22% Personnel would be 45.25%. This change is due to increases in Capital and Debt budget/expenses, along with a significant slowing of Operational costs and Personnel Costs increasing for the new Detention Center.

Gallatin County Financial Plan

PERSONNEL

The Summary Table of Personnel recaps the personnel **budgeted** in County Departments since 1995.

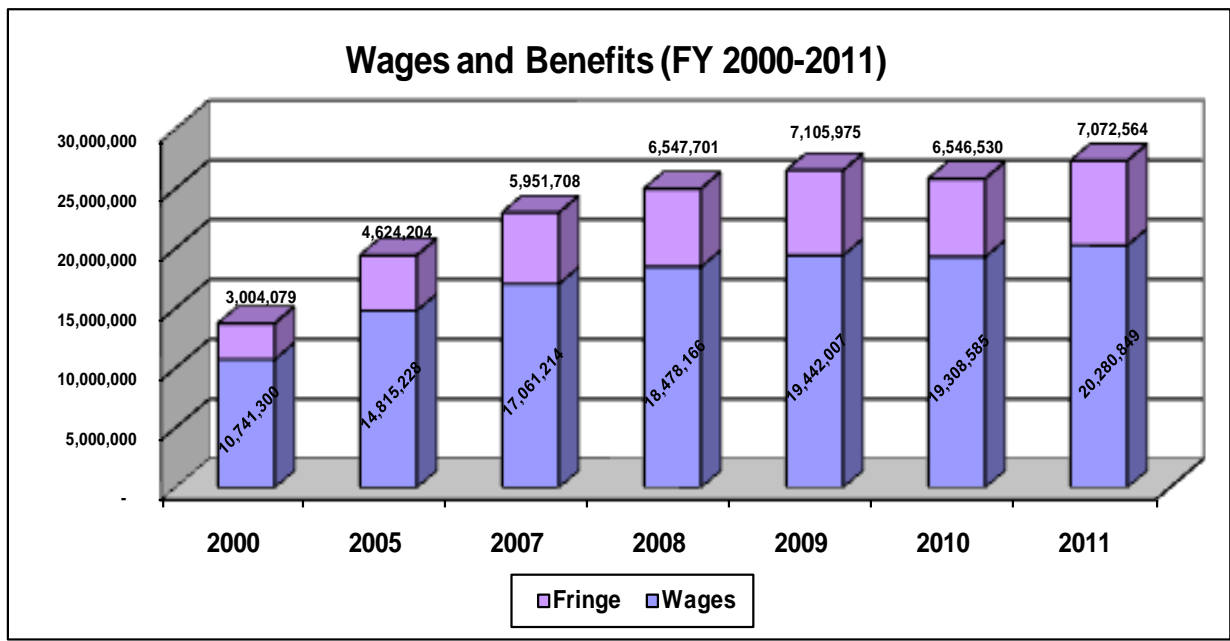
SUMMARY TABLE OF PERSONNEL (FTE)								
DEPARTMENT / DIVISION	***** BUDGET *****							
	FY 95	FY 2000	FY 05	FY 07	FY 08	FY 09	FY 10	FY 11
ATTORNEY	11.00	11.50	16.38	17.00	18.00	18.00	18.00	18.00
AUDITOR	2.00	2.60	3.00	2.00	2.46	2.50	2.50	2.50
BRIDGE	7.00	7.36	7.36	7.36	7.36	7.36	7.36	7.36
CITY/COUNTY HEALTH ADMIN.	1.00	1.59	2.00	3.00	2.00	3.00	3.83	3.00
CLERK AND RECORDER	14.00	14.45	16.00	16.67	17.21	17.25	13.75	13.75
CLERK OF DISTRICT COURT	9.00	10.00	13.00	15.00	15.00	14.12	13.70	13.90
COMMISSION	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
COMPLIANCE	-	-	1.00	1.09	1.10	1.10	1.10	1.10
CORONER	0.60	0.60	0.65	0.65	0.65	-	-	-
COUNTY ADMINISTRATOR	-	-	2.00	1.58	2.00	3.00	2.50	2.00
COURT SERVICES	-	-	6.00	10.31	9.90	9.00	9.87	10.00
DETENTION CENTER	23.00	21.00	33.50	32.92	33.00	32.00	31.43	45.00
ENVIRONMENTAL HEALTH	6.00	9.41	11.00	11.06	12.06	11.34	10.17	10.00
EXTENSION AGENTS	3.00	3.50	3.50	4.00	4.50	4.00	4.00	4.00
FACILITIES	2.00	2.50	3.65	3.62	3.62	3.62	3.12	5.54
FAIRGROUNDS	4.00	5.00	8.00	9.34	9.25	10.50	10.00	10.00
FINANCE OFFICE	1.00	1.50	2.00	2.00	2.00	2.00	5.50	5.50
GEOGRAPHIC SERVICES	-	2.00	2.75	4.00	4.00	3.00	3.00	3.00
GRANT ADMINISTRATION	-	1.50	2.00	2.00	2.38	1.90	1.85	1.85
HEALTH GRANTS	10.55	9.97	11.49	8.21	10.76	11.06	10.43	11.46
HUMAN RESOURCES	3.00	3.25	5.00	5.75	5.75	5.00	4.75	4.00
HUMAN SERVICES - HEALTH	5.87	7.18	7.19	6.85	7.61	6.41	6.37	6.56
ITS	4.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
DISPATCH / L.E. RECORDS	20.50	22.18	28.50	28.00	28.63	29.00	30.00	29.50
JUSTICE COURT	6.50	7.50	10.00	11.00	11.00	11.00	11.00	11.00
MISCELLANEOUS	-	0.25	0.27	0.25	0.25	0.25	0.05	0.05
NOXIOUS WEED	1.50	2.00	2.00	2.50	3.40	3.00	2.25	3.00
PLANNING	5.00	7.00	9.00	10.00	10.00	10.50	7.75	7.25
PRE TRIAL	-	-	-	-	-	-	-	-
PUBLIC DEFENDERS	-	-	10.00	-	-	-	-	-
PUBLIC SAFETY GRANTS	4.00	6.00	3.00	6.50	6.50	6.50	4.00	4.49
REST HOME	89.18	108.09	80.50	89.80	91.70	97.90	102.90	105.70
ROAD MAINTENANCE	26.00	25.11	24.85	26.11	26.11	26.11	25.11	25.11
SHERIFF	33.90	36.00	43.49	51.35	52.25	51.50	50.41	48.10
SOLID WASTE SYSTEM	-	-	8.50	12.50	16.50	18.00	20.50	18.00
SUPERINTENDENT OF SCHOOL	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
TREASURER	13.00	15.00	17.21	17.21	17.46	17.96	16.96	16.96
OTHER	16.97	17.99	10.12	14.77	5.78	8.78	10.73	10.65
TOTAL	329.57	376.03	418.91	448.40	454.19	460.66	458.90	472.33

During this time Personnel has grown from 329.57 in FY 95 to 472.33 for FY 2011 a 43.32% increase. Population from FY 95 to FY 2010, (the last year population estimates are available), grew from 59,273 to 90,862 (53% increase). New departments - County Administrator 2.50; Grant Administration 1.85; G.I.S. 3.00; Compliance 1.10; Court Services 9.87, Joint Dispatch 9.5, Solid Waste 20.50 and New Detention Center 15.50. In addition, positions funded by Contracts or Grants have increased as follows: Victim Witness 2, Big Sky Law Enforcement 3, and Health Grants .9 FTE. Departments eliminated during this time include Youth Probation and District Court. Without these new service areas, employees for existing departments increased by 24.60%, or about ½ the rate population grew.

COMPARISON 11 YEARS – WAGES AND BENEFITS:

The following graph shows the growth in wages and benefits from FY 2000 through the FY 2011 Budget. The growth comes from five areas. They are:

- 1) Population – as stated previously population in the County has grown by an estimated 53%;
- 2) Inflationary Increases – indicates costs increased at 29.63% from January 1, 2000 through December 31, 2010;
- 3) Contractual / Grant obligations – the previous page shows the number of positions increased due to contractual / grant obligations as being 5.9 Full time equivalents;
- 4) Local Economy – the economy of the County has dramatically changed, requiring payment of higher wages and salaries to retain and recruit qualified employees in all positions; and,
- 5) New Detention Center 15.50 Full Time Equivalents for ½ year, with an addition number in FY 2012.



The five factors stated above resulted in an increase of \$9,539,489 in wages and \$4,068,489 in Benefits for Gallatin County. This equals almost a doubling of wages and benefits.

Benefits increased greater than wages from an increase in Health insurance from \$1,860 in 1998 to \$6,560/FTE in 2011, a 330% increase, without including the \$2,183 per employee contribution from the Permissive Medical levy. Other factors negatively impacting FTE benefits include increase for Unemployment Insurance and Worker’s Compensation rates, along with significant increases for Sheriff Retirement and a transfer of Detention Officers to the higher costing Sheriff’s Retirement System. Fringe Benefit Costs have increased from 27.97% of wages / salaries in 2000 to 34.87% of wages / salaries in 2011.

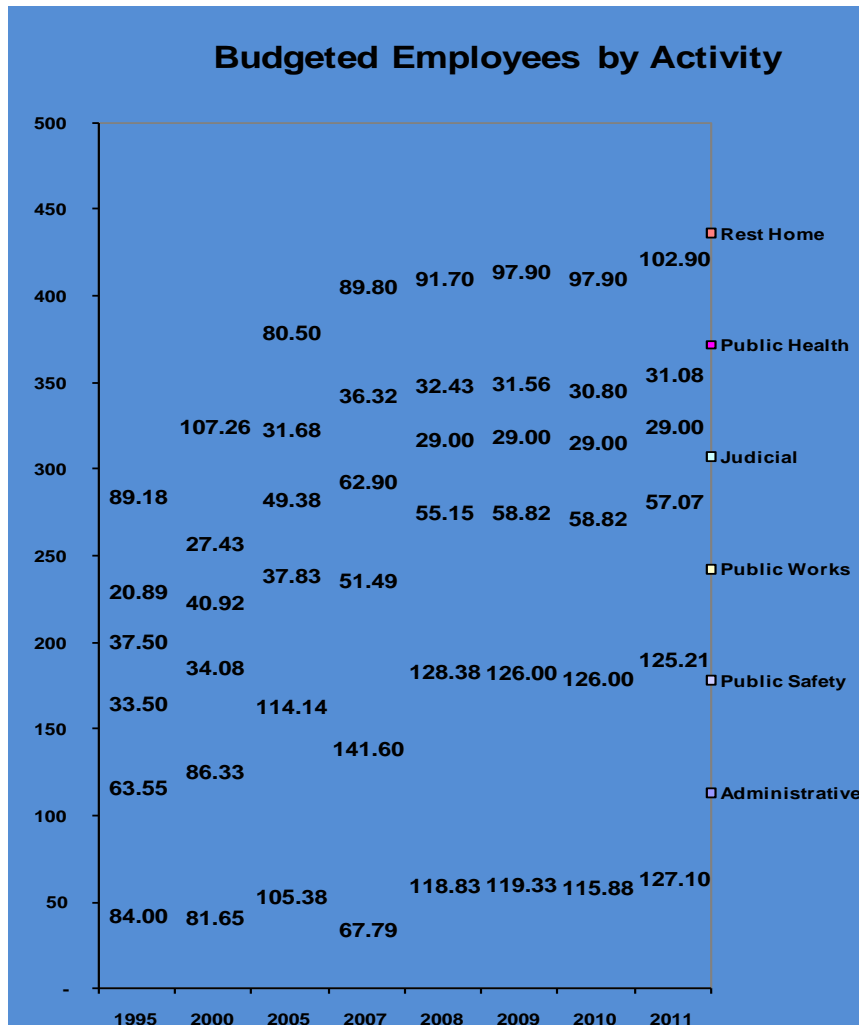
The County has implemented cost control measures to reduce future increases in Health Premiums. They include early prevention activities, well childcare, payment for flu shots, rewards for staying healthy, Health Fair, doubling of deductibles, and other similar cost reduction actions. For FY 08 and FY 2010 this resulted in the County’s not increasing premiums for employees or dependents and in FY 09 only a 5% increase was required. Unfortunately FY 2011 saw an increase of 5% for premiums with FY 2012 projected to be 5 to 10% increase in premiums.

Gallatin County Financial Plan

Historical Staffing Levels:

The impact on staffing has changed over the last eleven years with the County experiencing record growth. The increase in population has brought a more diverse and demanding resident that is accustomed to a higher level of service than previous residents. The new resident wants and expects some or all of the services they received in metropolitan areas to be available **now, with no increase in taxes**. New residents are under the impression that they are already paying for this higher level of service, and cannot understand a need to increase taxes to support their demands.

Unfortunately staffing levels, graphed below, have not allowed a significant expansion to service levels.



The Budgeted Employees by Activity graph above shows a 43.32% increase in staff from FY 95 through FY 2011. As stated in previous sections, County population has grown from 59,273 in 1995 to a projected 90,862 in FY 10, a 53.29% increase. In addition, personnel numbers shown above are misleading because new programs have been added during this time. New programs include Enhanced 9-1-1 (22 employees), Grants Department (1.9), Geographic Information Services Department (3), Court Services (10), Victim Witness (2.75) Compliance (1.1), County Administrative Office (2), and grants/contracts associated with the Health and Sheriff Offices (11).

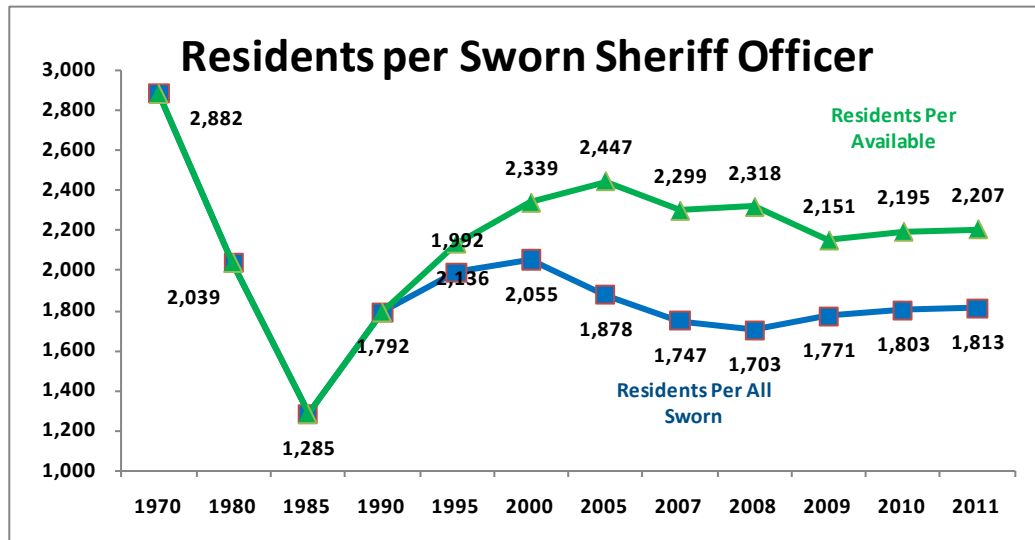
The increase in the number of Public Safety employees comes from combining the City and County Dispatch and Records and implementation of Enhanced 9-1-1. This increased the number of employees from 7.50 in FY 96 to 30 employees in FY 2011. In addition, new activities paid from grants or contracts added 11 full time employees. As stated the New Detention Center added 13.50 FTE's to Public Safety and 1 to Public Works.

In comparing departments existing in FY 1995 to their budgeted FY 2011 employees approximately 24.60% comes from new employees, with a number of offices having the same number of employees as in FY 95. This compares to a 53.29% increase in population.

So the question IS - Are Core County services, based on population, actually maintaining service levels for residents of the County?

In evaluating this question, we need to look closer at the preceding graph. It shows Public Safety employees increasing from 64.54 in FY 95 to 125.21 in FY 2011 – this includes sworn officers increasing from 29.75 in FY 95 to 48.30 for FY 2011, a 62.35% increase.

As stated before, this is misleading. The Sheriff must assign deputies funded by grants or contracts such as - (5) Big Sky Resort/Madison County, (1) Freedom From Fear Grant, (2) Missouri River Drug Task Force, (1) Detention Center Administrator, and (1) Misdemeanor Probation, to do the tasks required by the grant or contract. These sworn officers are not available for normal patrol duties. The number of deputies available for normal activities is 38.30, a growth of 8.55 (28.74%) with population growth estimated at 53%.



In actuality the Sheriff has seen a decrease in staff available to provide service for the residents of the County, based on available deputies to total population. Currently, each of the AVAILABLE sworn-officers is protecting over 2,207 residents, plus their proportionate share of tourists. The graph shows the historical number of residents per sworn officer, from 1970 to the 2011 Budget. Interestingly, both ‘Available’ and ‘All’ residents per sworn officers are lower than in 2005.

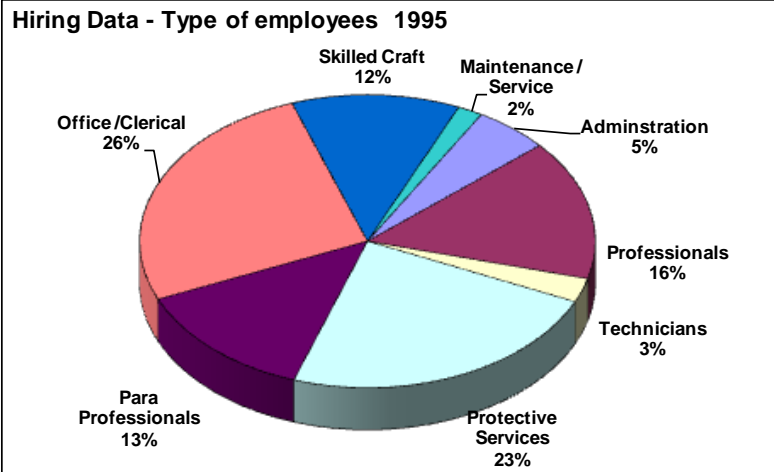
Unfortunately, grant and contract revenues tend to decrease or stay static over time and not fully support the activity costs Administrative Costs, Capital Costs and Operating costs. This causes earmarking an ever increasing portion of Public Safety Revenue to support grant activities.

So the answer to the question is that for Sworn Officers, while residents per sworn officer are up from the low in 2009, they continue to be below the high in 2005. The small increase can be reasonably offset with improved technology like mobile phones with each officer and Mobile Data Terminals (MDT’s) in patrol vehicles.

Gallatin County Financial Plan

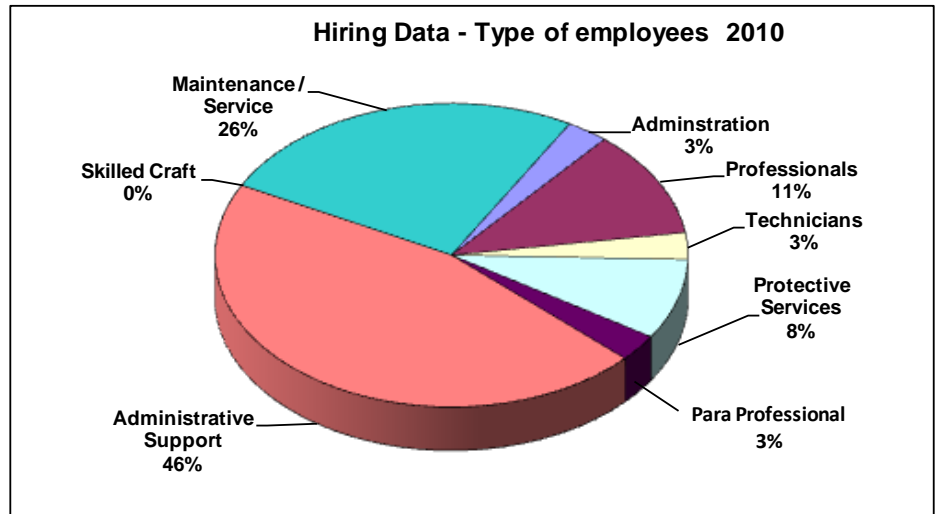
Changes in Hiring Percentages for Personnel

The two graphs that follow are taken from the EEO report prepared by the County Human Resources Office on a yearly basis. The report shows the type of Personnel hired in a Fiscal Year. The two graphs are from 1995 and 2010 EEO reports. The graphs do not include seasonal, part-time or temporary employees. The graphs show a change in hiring from Para-Professional to Administrative and Maintenance, Protective Services decreasing by 15% between the two years.



The information in these graphs is based on hiring during the year. Unfortunately this may include the hiring of the same position over and over again. The County had 355 full time employees on the payroll at the time of the EEO report. During the 2010 fiscal year the County hired 35 employees. This would give the County a 9.9% turnover rate. However, with the certified nursing aids representing 8 hires out of 25 positions the turnover rate would be 32%, but the number of positions filled was actually 4. The same position turned over a number of

times. Using the 4 positions, the turnover rate is 16% for Certified Nurse Aides.

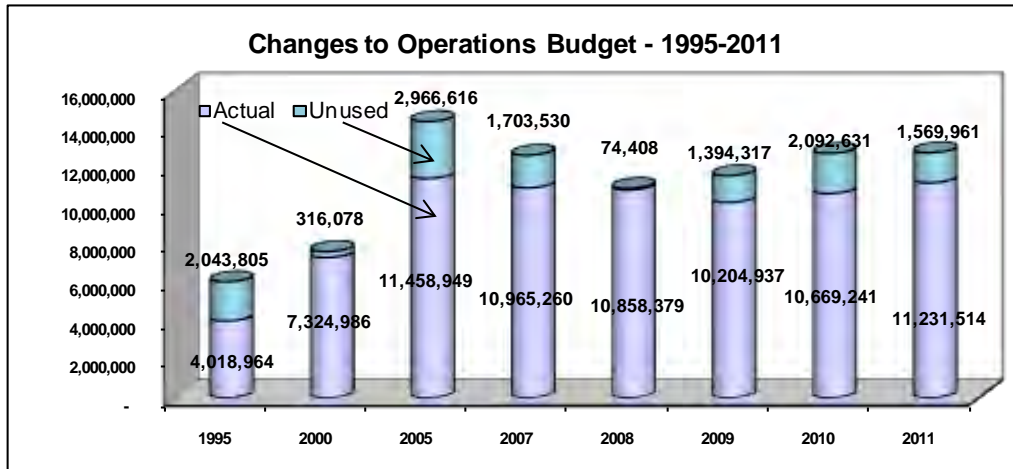


The following table shows successfully hired employees by type in each year:

Employee Types	FY 95	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
Administration	4	1	-	2	1	2	1
Professionals	11	13	9	8	11	10	4
Technicians	1	-	2	2	2	1	1
Protective Services	7	20	19	27	8	9	3
Para Professionals	10	-	-	-	-	1	1
Administrative Support	13	21	20	27	22	12	16
Skilled Craft	6	9	5	11	8	2	-
Maintenance / Service	-	13	10	10	5	14	9
TOTAL	52	77	65	87	57	51	35
% of FTE's	15.78%	18.38%	14.53%	19.40%	12.55%	14.12%	9.19%

OPERATIONS

Operating costs, as seen in the graph below, have a degree of variance from year to year. The significant increase of \$2.7 million in FY 2005 is from the sale of County property and the transfer of this revenue from the General to Capital Projects fund. The increase in FY 2011 comes from the beginning of operational costs associated with the new Detention Center.



Overall, operating costs have not kept up with the rate of inflation when new programs and mandates are taken into consideration. New programs / mandates include Court Services \$983,589 (Re-Entry \$256,000 of the increase), Detention Center inmates at other facilities \$500,000, Detention Center Medical \$260,000 and Rest Home Bed Tax to State of Montana \$257,508. The increase in FY 10 from FY 09, of slightly over one percent, comes from the increased costs associated with Detention meals and prisoner rooms. FY 11 Budget shows only a 0.003% (less than 1/2 of 1 percent) increase from FY 2010 even with the new detention center. FY 2011 'Unused' projections are based on current estimates at year end.

Budgeted Operating Costs have grown from \$7.6 million in 2000 to \$12.8 million in 2011. This is a 67.52% increase over 10 years. Inflation has grown at 30.89%, with Population increasing at 53%. Areas that have seen the largest change include:

FUEL / INSURANCE: The following is a comparison of Fuel and Insurance costs for the Road and Sheriff Departments during this period of time:

Year	Road		Sheriff	
	Fuel	Insurance	Fuel	Insurance
1997	100,882	41,377	34,486	25,230
2000	115,661	40,338	47,072	49,207
2004	163,753	53,098	74,608	72,853
2005	222,899	55,931	89,320	72,900
2006	298,306	59,990	110,150	74,051
2007	310,253	53,784	121,333	73,794
2008	374,190	64,637	100,000	74,096
2009	314,769	65,930	139,064	82,835
2010	319,527	69,930	137,934	74,149
Budget 2011	365,000	65,936	150,000	84,077
Percent Change 97-10	216.73%	69.01%	299.97%	193.89%
Percent Change 97-11	261.81%	59.35%	334.96%	233.24%

The table shows fuel costs have increased over 200%, even with increased fuel-efficient engines. A partial factor may be an increase in the fleets, but this only accounts for part of the increase. The change in Insurance is variable because law enforcement costs increase at a different percentage than other areas due to utilization for vehicle repairs and known exposures.

Gallatin County Financial Plan

Utilities – Cost of Utilities have seen a significant increase in the last 11 years, with the biggest increases felt in FY 08. The Information that follows shows the changes in the Road, Fair and Facilities gas and electric costs for the period FY 2000 through FY 2010 for actual expenses and the FY 2011 Budget:

UTILITIES			
YEAR	ROAD	FAIR	FACILITIES
2000	12,433	42,049	125,471
2001	16,479	54,985	146,394
2002	14,609	50,345	141,620
2003	15,474	52,692	152,332
2004	25,435	63,654	195,020
2005	23,715	62,332	210,247
2006	29,831	82,801	251,801
2007	26,441	54,515	245,861
2008	36,391	74,121	308,041
2009	31,912	76,571	312,557
2010	26,798	60,439	248,623
FY 2011 Budget	40,400	65,200	379,350
% change 00-10	116%	44%	98%
% change 00-2011	225%	55%	202%

Contracts – Detention medical, Juvenile Detention and Food/Room costs have increased dramatically during the period 2000- 2009. FY 2000 Medical costs are higher than norm due to a claim costing over \$80,000. Without this claim costs have increased by 239%. Costs from FY 2004 forward include a contract for a Physician Assistant, Registered Nurse and professional support at the Detention Center. This has helped control costs and decreased problems with inmates.

YEAR	DETENTION			LIBRARY	SENIOR	MENTAL
	Medical	Juv. Det.	Food/Board	CONTRACTS	PROGRAMS	HEALTH
2000	165,010	10,560	148,265	445,290	107,508	50,481
2001	79,015	43,100	130,806	487,400	116,957	50,463
2002	141,357	43,983	200,297	519,089	117,508	76,415
2003	171,332	79,156	211,050	545,043	139,301	79,831
2004	197,535	123,847	199,910	546,678	149,185	99,000
2005	214,265	177,865	228,759	571,678	150,905	195,000
2006	281,094	255,411	518,807	598,544	165,890	199,727
2007	317,970	304,777	549,634	625,410	192,076	210,697
2008	326,838	525,047	650,249	650,426	216,700	215,075
2009	389,800	230,952	700,350	675,442	203,052	215,075
2010	343,570	354,427	781,286	675,442	226,496	203,000
FY 2011 Budget	412,000	360,200	655,000	713,215	239,300	203,000
% change 00-10	108%	3256%	427%	52%	111%	302%
% change 00-2011	150%	3311%	342%	60%	123%	302%

Library Contracts have increased based on taxable valuation changes. The amount shown does not include the County's repayment of up to \$140,000 per year for the library loan. This loan was used to support construction of the new library in Bozeman, expansion of the Belgrade Library, relocation of the West Yellowstone Library and capital improvements in the Manhattan and Three Forks Libraries.

Senior Programs increased by taxable valuations plus costs that were justified. These include transportation costs associated with the Galavan and West Yellowstone Galavan programs, and expansion of Senior Citizen programs to maintain needed programs.

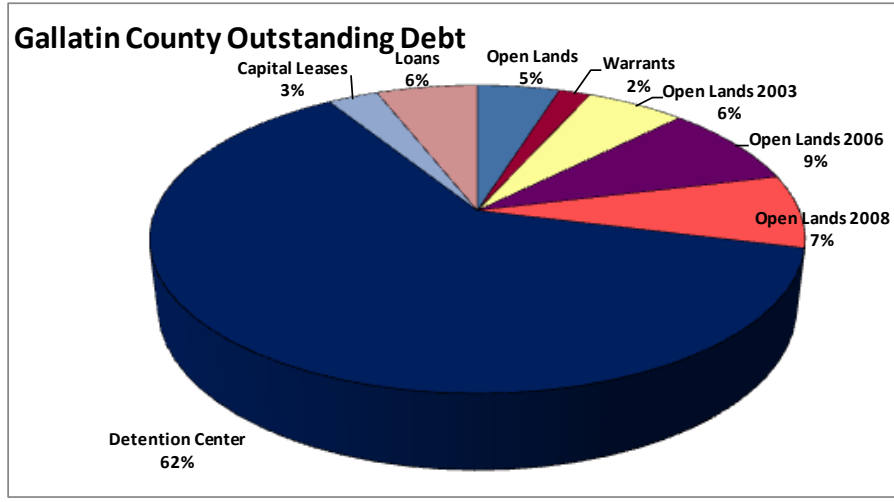
Mental Health has expanded significantly from FY 2000 when support was limited to \$1 per person. Today, funding includes the \$1 per person, plus \$100,000 for crisis stabilization and weekend coverage and \$30,000 for Adult Case Management. Also funded is \$12,000 for youth needs.

DEBT

Gallatin County is relatively debt free. County Voters have approved 4 bond issues in the last 20 years. They are - Rest Home for \$1,490,000 in 1989 (paid off in FY 09), Open Space in 2001 for \$10,000,000, Open Space in 2005 for \$10,000,000 and Detention Center in 2008 for \$32,000,000. In recognition of the County's good financial condition, Standard and Poor's upgraded our bond rating from A+ to Aa- as of January 2009.

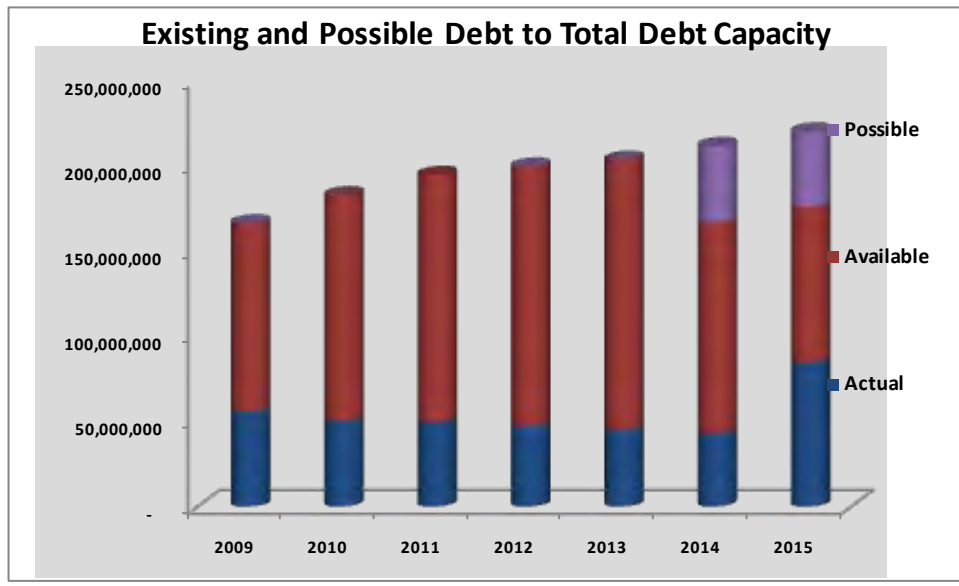
Outstanding Debt

The following pie chart shows the County's indebtedness by purpose. In reality, Gallatin County has a relatively low level of outstanding debt, which is more fully described below & on the next page.



Debt Capacity

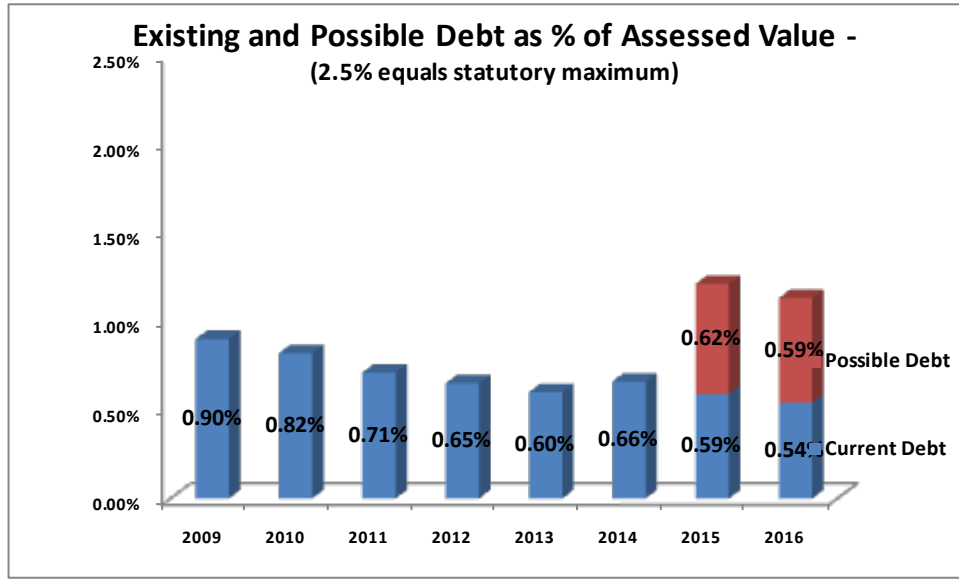
The following bar chart illustrates the County's existing debt, possible debt, and a projection of the County's projected debt capacity (legal debt limit) for the budget year and five years beyond. The graph shows that, even if all possible bond issues were approved, the County would have debt capacity remaining. This reflects the County Commissions philosophy to hold debt levels down for taxpayers, despite the County's rapid development and growing population.



Gallatin County Financial Plan

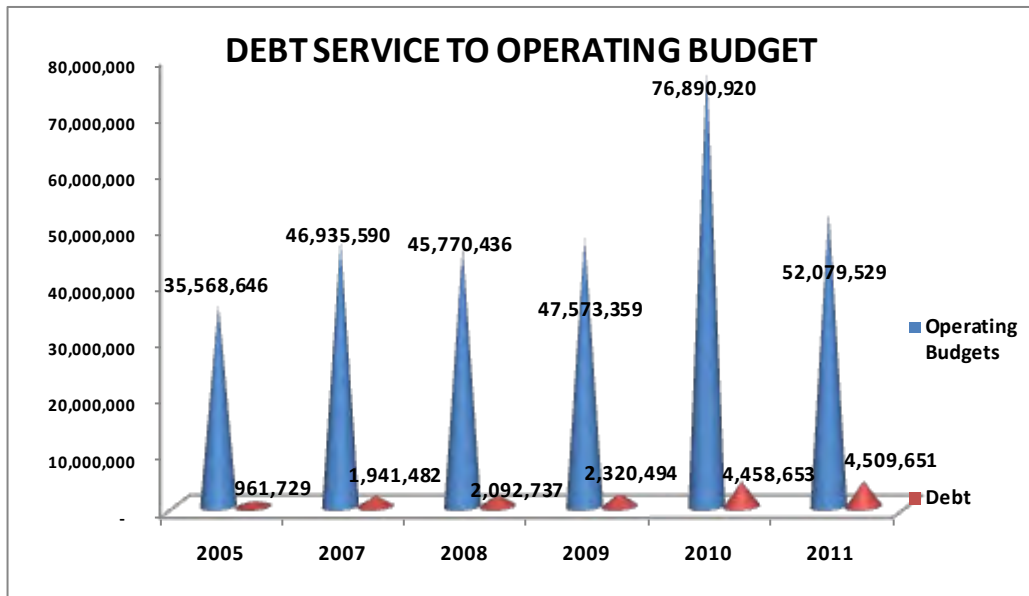
Debt as a Percentage of Assessed Value

The Existing and Possible Debt graph below shows County debt as a percentage of assessed valuation. In essence, this reflects the County's debt as compared to the wealth of the County. It shows that even with possible debt, the County's overall debt will be below 1% — well below the 2.50% statutory limits.



Debt Service Costs Contrasted with the County's Operating Budget

Rating agencies also look at Counties by comparing Debt payments (principal and interest) to total Operating Budget, and determine if a County is carrying a high debt load. The graph below illustrates the County's debt in relation to its operating budget. Debt payments by the County are a small fraction of its operating budget. This reflects the County's efforts to keep debt service payments at a manageable level.



CAPITAL

Gallatin County is committed to funding the capital needs of departments and facilities. The County now has replacement schedules for a significant number of ongoing capital needs. The creation and funding of ‘Core Equipment’) capital plan for Public Safety, Public Works and Recreation rolling stock allows for the planned replacement of rolling stock with a value greater than \$25,000. The plan calls for 1) identification of ‘Core Equipment’, 2) establishes replacement schedules for each unit, 3) funds the plan through Newly Taxable Value tax revenues, (FY 2011 (\$400,000) and FY 2012 (\$150,000 additional). The plan has identified the need to fund \$550,000 to \$600,000 per year, plus departments historic capital expenses.

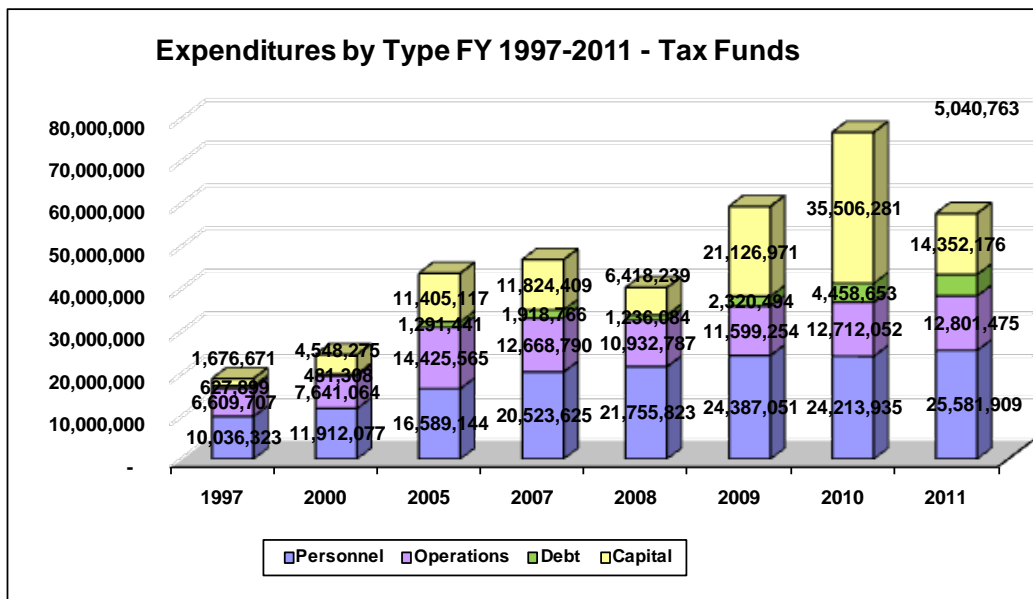
Voice and Data needs (infrastructure, routers, controllers, servers, etc..) are funded through PILT and monthly voice/data charges to all computer/voice users. Individual computer / printer replacements are accomplished on an as needed basis. Copiers are on a per copy replacement schedule, road graders are on a 5 year lease program, and the County Voice/Data (VOIP) system is on a 5-8 year replacement schedule.

To insure consideration of all costs associated with discussion and decisions on new positions, the County requires new position requests to include Personnel, Operations, Space and Capital costs. This has allowed the County Commission to look at the total costs, instead of only costs of personnel and fringe benefits.

CAPITAL EXPENDITURES CONTRASTED WITH TOTAL COUNTY OPERATING EXPENDITURES

The investment by the County in its capital and infrastructure is important to insure the long-term viability of service levels. The amount of capital expenditures in relation to the budget is a reflection of the County’s commitment to this goal.

Gallatin County strives to provide for adequate maintenance of facilities / equipment and for their orderly replacement. The graph below illustrates the County’s historical investment in capital. The graph depicts actual capital expenditures and capital projects as part of the County budget. The graph shows budgets over the last six years plus FY 97 and FY 00 for comparison.



The Graph depicts the amount budgeted- not the amount actually spent. The difference for capital can be significant. The budget to actual difference is significant primarily because of the County’s reserving capital money for several years to fund a

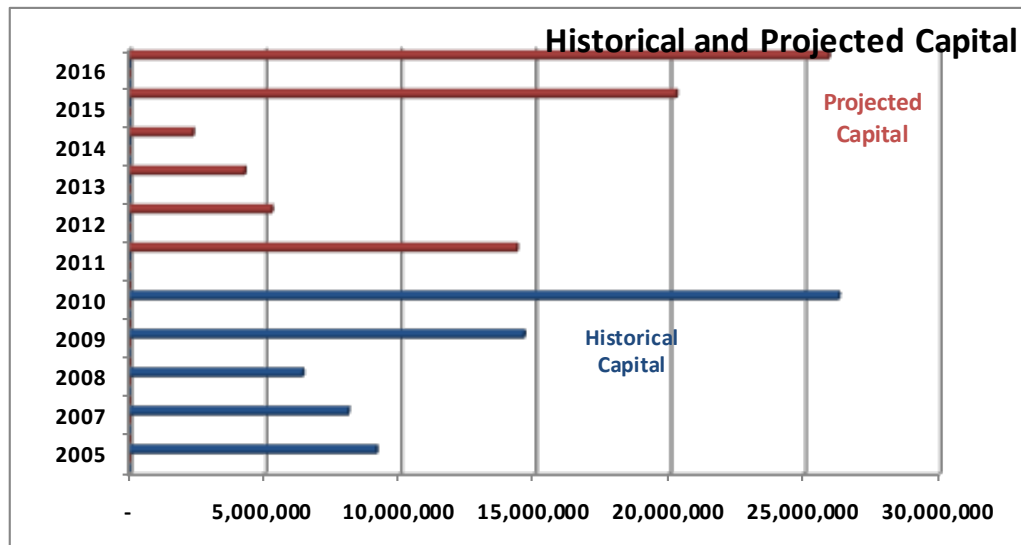
project. This included the County Road Shop, E.O.C./ Search and Rescue Building, Courthouse Remodel, Copier replacement and Voice / Data System Replacement-Enhancement.

The County also budgets for projects that are actually constructed over multiple years. Examples of these projects include the Detention Center, Courthouse remodel, Courthouse Annex purchase and Remodel, E.O.C. / Search and Rescue Building, and Fairground improvements.

Gallatin County Financial Plan

CAPITAL IMPROVEMENT PROGRAM (NEXT FIVE YEARS) CONTRASTED WITH HISTORICAL CAPITAL SPENDING (PREVIOUS FIVE YEARS)

Another indicator of Gallatin County's commitment to providing for the adequate maintenance of facilities and equipment and for orderly replacement is the level of projected capital spending over the next five years as compared to the previous five-year period. The next graph shows historical capital spending (last five years) with the capital spending identified in the Capital Improvement Program (the next five years).



Readers should note that Historical Capital Spending indicates actual expenses for the year -not costs of Projects included in the CIP Program. This is significant for most years. As an example, FY 2006 shows expenditures of \$5.7 Million. The approved Capital Projects and Capital Equipment Budget was \$21 million.

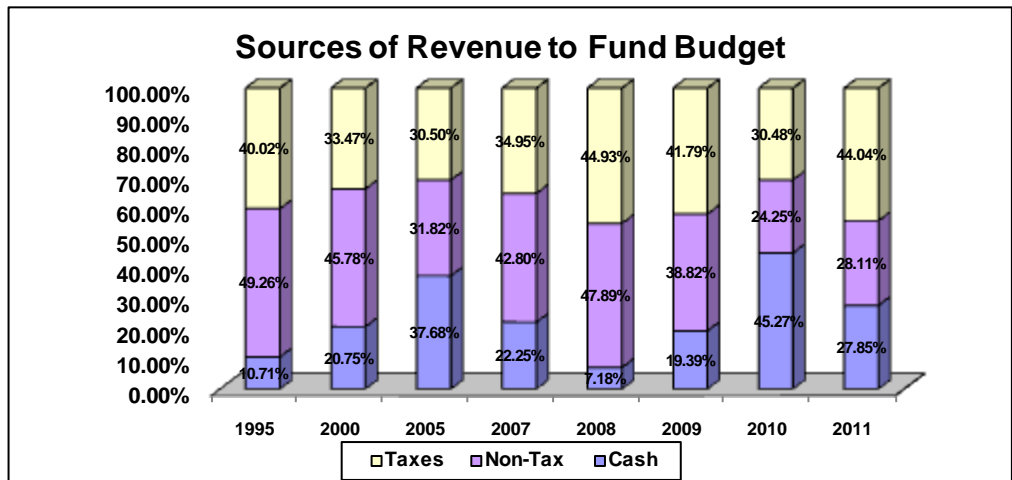
Also, readers should know that Proposed CIP Projects included above are separated into years, but the FY 11 Budget incorporated all projects from 2010 through 2015. This comes to approximately \$99,041,451.

The next area, and in my opinion the most important, is a review of changes in Revenues over the same time frame as expenditures.

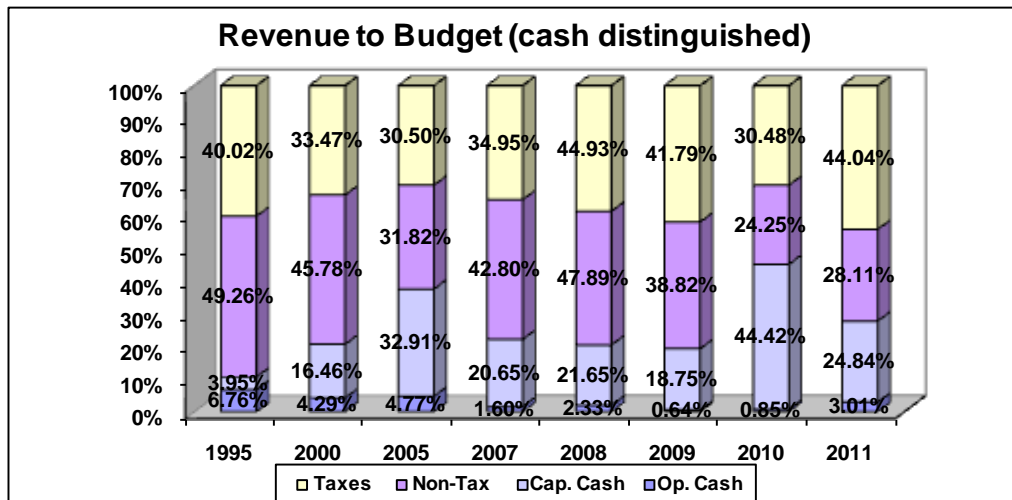
REVENUES

The County uses 6 major funding sources (revenue sources) to fund the approved budget. They are Taxes, Licenses and Permits, Intergovernmental, Fines/Forfeitures, Interest / Other Revenues and Cash. Expenses are funded through Tax Revenues, Non-Tax Revenues and cash re-appropriated to fund the proposed budget.

A comparison of Revenue Sources for 1995 through 2011 Budgets show an increase from 40.02% to 44.04% on the County's reliance on tax revenues. A significant part of the tax percentage comes from bond payments. During this same time, the County decreased Non-tax revenue percentages from 49.26% to 28.11%. The largest source showing an increase is cash utilized to balance the budget, which increased from 10.71% to 27.85%. However, the majority of cash is used to fund Capital Outlay / Capital Purchases, not ongoing Operational Expenses.

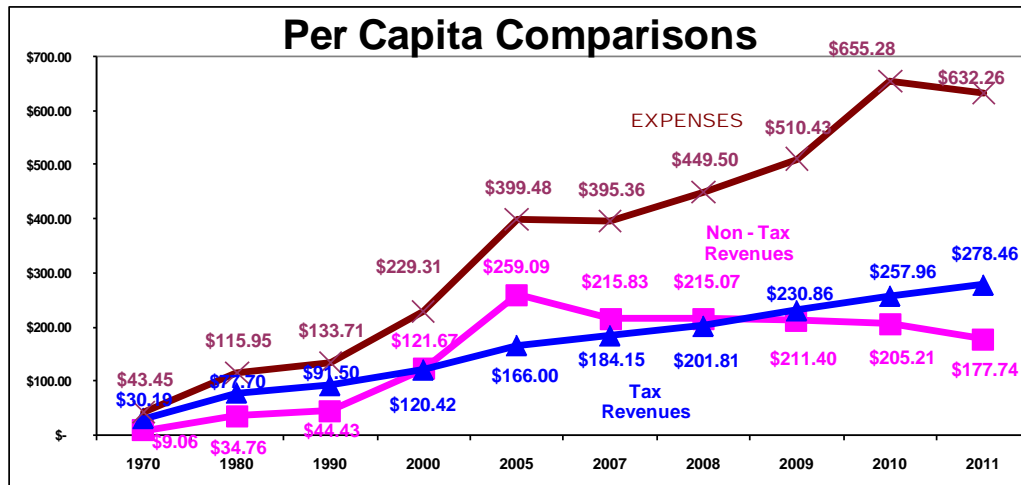


A more accurate view of Revenue Sources is shown in the graph that follows. This graph distinguishes between cash used for Operations (Op. Cash) and cash used to fund Capital (Cap. Cash). In FY 2010, cash supported .85% of Operating Expenses.



Gallatin County Financial Plan

The Per Capita graph that follows **has not** been adjusted for inflation.



The cost per person for **actual expenses** in the last 41 years has increased from \$43.45 in 1970 to \$655.28 in 2010, a fifteen-fold increase. The **FY 11 Budget shows** \$632.26 per person which would equal a 14.55-fold increase. However, historically budgets are not fully spent meaning the actual number will be lower. The major increase in FY 2009, 2010 and 2011 comes primarily from construction projects and their debt payments.

Actual Tax Revenues have changed from \$30.19 per person to \$257.96 during this same time, a 8.5-fold increase. With FY 11 taxes projected at \$278.46, the increase from 1970 is an 9-fold increase. Non-Tax Revenues started at \$9.06 per person and are now at \$205.21 for FY 10, with FY 11 estimated at \$177.74 per person. This is a 22.65-fold increase from FY 70 to FY 10 and a 20-fold increase is projected for FY 11. The 1970 through 2010 numbers are based on **actual** taxes, revenues and expenses, while the FY 2011 numbers come from **Estimated** or **BUDGETED** revenues and expenses. Actual expenses will be significantly lower than the \$632.26 shown for 2011 Budget. AS AN EXAMPLE: The amount budgeted for FY 2000 was \$314.15, (27% above the amount actually spent) with the amount budgeted for FY 2001 being \$344.10, (22% above the amount actually spent). Based on these calculations the actual FY 11 expenses will be between \$524 and \$537 per person.

Gallatin County's Taxable Value increased from \$94,965 in FY 1995 to the \$230,919 in FY 2011

	<u>Taxable Valuation</u>	<u>1 yr %</u>	<u>2 yr %</u>
Base Year 1995	94,965		
1996	101,149	6.51%	
1997	107,513	6.29%	13.21%
1998	112,346	4.49%	11.07%
1999	117,800	4.85%	9.57%
2000	118,618	6.94%	5.58%
2001	117,796	-0.01%	0.00%
2002	124,219	5.45%	4.72%
2003	133,587	7.54%	13.41%
2004	144,665	8.29%	16.45%
2005	154,680	6.92%	15.79%
2006	166,682	7.76%	15.21%
2007	181,081	8.63%	17.07%
2008	196,866	8.71%	18.11%
2009	209,639	6.48%	15.77%
2010	223,245	6.49%	13.40%
2011	230,919	3.43%	10.15%
10 Year Average		6.97%	

Valuations may change from tax-appeal and legislative action before the end of FY 2011. However, a trend of decreasing valuation increase is probable for FY 2012 and FY 2013 from the economic downturn.

FY 2011 FINANCIAL TREND ANALYSIS

FINANCIAL TREND ANALYSIS

Gallatin County, Montana

February 22, 2010

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Trend Analysis Introduction

Trend Analyses are prepared to depict the financial condition quantitatively through the utilization of financial trend monitoring. The analysis uses 20 trends using Favorable, Watch and Unfavorable rankings. Trends may be expanded in future years as workload indicators and performance measurement information is made available.

The analysis of these indicators is designed to measure the financial health of Gallatin County Government. The analysis that follows and the conclusions and recommendations involve analyzing the relevant factors to determine the financial health of the County. The factors used to analyze trends include:

- **Revenues** – Type of Revenue, amount of revenue, revenue per capita, property tax revenue and comparison of Non Tax revenues, Working Capital balances and reserve amounts used to fund budget;
- **Expenses** –Trends, type of expenditures, expenses per capita, employees per capita, fringe benefits, compensated leave balances, as well as cost of salaries, and Capital Outlay, Reserve, projects and adherence to plans; and
- **Economic** - Growth – Population, taxable value, debt, and millage
- **Benchmark** – Taxes per resident and percent taxes are to budget.

This report examines the preceding items and others in determining the current financial condition of the County. The County's adopted financial policies, as well as relevant national standards, are considered in the analysis and trend data. Specific information and data were taken from the County's audited financial statements and the approved budget document. The years reviewed are from 1970 through the current fiscal year. Trend analysis is based primarily on annual reports and budgets from 1997-98 through 2009-10 with the current budget, along with the first 6 months of actual revenues and expenses being the basis for projections.

Summary of analysis:

The trend analysis that follows will provide the Public, County Commission, County Administrator, Elected Officials, Departments and County Employees a glimpse into the County's financial position. The analysis allows the County to identify specific areas where new policies are desired, where current policies need revision, and where policies need to be eliminated.

Each financial indicator has been assigned a rating. The ratings are Favorable, Watch, or Unfavorable.

- **Favorable** is given to trends that adhere to the County mission, vision, goals, objectives and policies. A favorable overall ranking requires 14 or more Favorable indicators;
- **Watch** is a trend that is in transition and may be in a downward cycle, but the trend has not reached unfavorable status. A watch for the overall rating occurs when individual ratings are given a 'Watch or Favorable' rating for 11 to 14 items.
- **Unfavorable** is assigned to trends that are downward or negative and attention is needed to address the trend. An Unfavorable overall rating occurs when 10 or less indicators are Favorable;

TRENDS:

The following table shows a summary of indicators for 99-00 through the 09-2011 budget year. The table illustrates the ratings assigned by indicator and year.

Indicators:	FY 2000	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues:								
Per Capita	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Property Tax	Fav.	Fav.	Fav.	Fav.	Fav.	Watch	Fav.	Fav.
License and Permits	Fav.	Watch	Fav.	Fav.	Watch	Watch	Unfav.	Fav.
One-Time Revenue	Fav.	Fav.	Fav.	Fav.	Fav.	Watch	Watch	Watch
Inter-Government	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Cash for Operations	Fav.	Unfav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Expenses:								
Per Capita	Unfav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
By Category	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Employees / Capita	Fav.	Fav.	Fav.	Fav.	Unfav.	Unfav.	Unfav.	Fav.
Sworn Officers/Capita	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.
Fringe Benefits	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.	Fav.	Fav.	Watch
Capital Outlay	Fav.	Unfav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Compensated Absences	Unfav.	Watch	Watch	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.
Economic:								
Property Values	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Residential Values to total property values	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.	Unfav.	Fav.	Unfav.
Property Tax Statistical Analysis		Fav.	Fav.	Fav.	Fav.	Unfav.	Watch	Fav.
Debt	Fav.	Fav.	Unfav.	Fav.	Fav.	Fav.	Fav.	Fav.
Population	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Benchmark:								
Taxes per resident						Fav.	Fav.	Fav.
Percent Taxes are to Budget						Fav.	Fav.	Fav.
TOTAL FAVORABLE	12	11	13	14	12	12	14	14

Factors determining a Favorable Ranking:

- Revenues per Capita – an increase in revenues per capita shows growth;
- Property Tax Revenue – an increase in dollars generated shows growth in the County tax base;
- License and Permit Revenue – an increase greater than inflation, shows growth in the economy;
- One Time Revenue – decrease or status quo in one-time revenue used for operating expenses indicates current revenues ability to support current expenses;
- Inter-Governmental Revenues – increase of revenues shows less reliance on taxation;
- Utilization of Cash – a decrease of cash used for Operations or other on-going expenses;
- Expenses per Capita – increase in expenses per capita greater than inflation, shows growth in commitment to services provided by government;
- Employees per Capita – decrease in residents served per employee is favorable. If trend shows increase for two or more years, unfavorable rating is warranted.
- Sworn Officers per Capita – maintain 1 ‘Available’ officer per 2,200 residents, or less (See page 30);
- Fringe Benefits – decrease or status quo of percentage benefits are to salaries;
- Capital Outlay – funding at greater than 10% of operating budgets;
- Compensated Absences – decrease or status quo, after inflation, compared to previous years;
- Property Values – Increase in property values greater than rate of inflation;
- Residential values – maintaining or decreasing percentage residential values are of total taxable value;
- Property Tax Statistical Analysis – growth in Average Taxable Value and Median Taxable value shows sustainable growth in tax base;
- Debt – debt principal and interest maintained below 20% of operating expenses;
- Population – increase in population show growth in area

The rating of these factors for FY 2010-11 is **‘FAVORABLE’** - The original Factors show 13 indicators are Favorable, 2 are in a Watch status and 3 indicators are Unfavorable. This is an upturn from FY 09 when 10 indicators were Favorable.

BENCHMARKS:

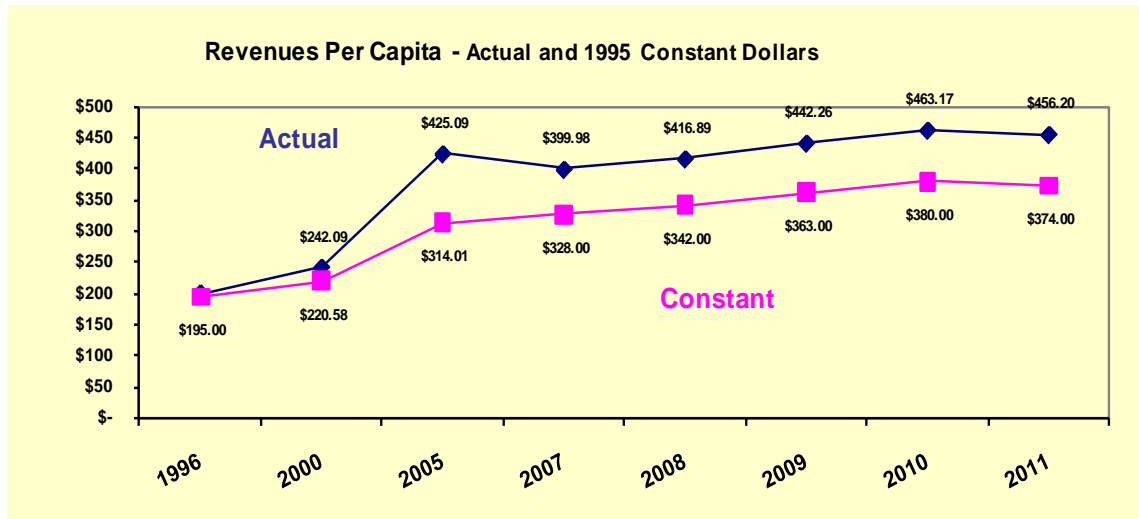
The following comparisons (BENCHMARKS) compare Gallatin County to Yellowstone, Missoula, Flathead, Cascade and Lewis and Clark in specific areas. These comparisons appeared in the Trend analysis for the first time in 2009. Comparisons come from Local Government Profile prepared by Local Government Services at MSU. Population numbers come from the United States Department of Commerce, Bureau of the Census.

- Taxes per resident – Gallatin County maintains low tax per resident (maximum of 2nd lowest urban County);
- Percent taxes are to total budget – Gallatin County levies taxes to total budget at the lowest possible percentage (maximum of 2nd lowest urban County);

<p>The rating of all factors for FY 2010-11 is <u>FAVORABLE</u> - The original Factors plus the two new factors show 15 indicators are Favorable, 2 are in a Watch status and 3 indicators are Unfavorable. Benchmarks are compared to fiscal years after 2008.</p>
--

REVENUES

Revenues Per Capita:



Finding: ***FAVORABLE***: Revenues per capita reflect an increase when analyzing both actual and constant dollars for FY 1996 through FY 2010. The calculation for FY 2011 is based on the approved budget, but historically the County has seen revenues coming in higher than the budget.

The chart shows a gradual growth in actual dollars generated per capita from FY 1996 through FY 2010. Constant dollars, using 1995 as the base year, show a smaller increase each year.

Revenues actually received have seen increases including the following:

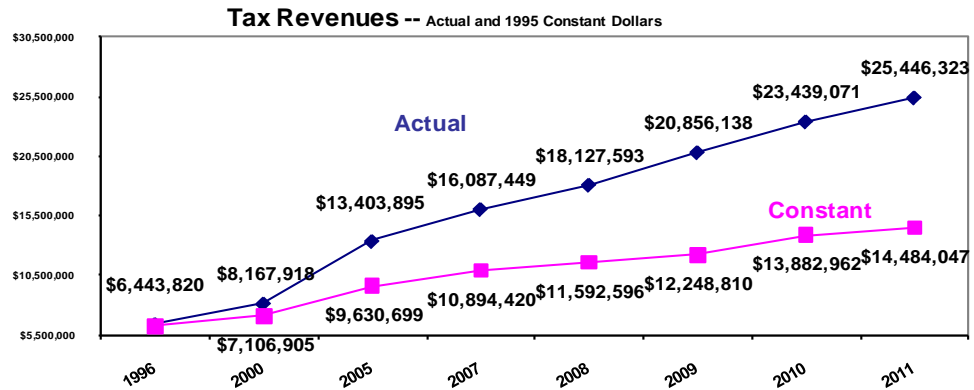
- Intergovernmental Revenues – money received from Federal, State, and Local Governments increased from \$1,022,810 in FY 96 to \$2,045,643 in FY 10, a 2 fold increase in 14 years. The increase for FY 05 and future years is from State Entitlement for lost MV Revenues. FY 10 revenues are down \$200,000 (9%) from the previous year.
- Charges for Services – Clerk and Recorder fees, Clerk of District Court fees, Sheriff Services etc. have increased to \$3,245,118 in FY 10, a 116% increase from FY 00. FY 2010 down \$682,000 from FY 07 (17.4%). However, Charges for Services did increase from FY 2009.
- Fines and Forfeitures – revenues from the Justice Court increased 142% from \$322,078 in FY 96 to actual collection of \$485,277 in FY 2010, a significant decrease from previous years (FY 2009 \$755,000). The decrease came from requirement that bond forfeitures must be split with the state.
- Other revenues that have increased include Investment Interest by 38.62% for the General Fund and Local Option MV fees have increased by \$1,389,118 in the last 9 years. Investment will go down as interest rates decline and cash is used to fund ongoing operating costs.

Favorable = a gradual increase in the actual and constant dollars spent by each resident indicates the County is maintaining or improving revenue generation.

Property Tax Revenues:

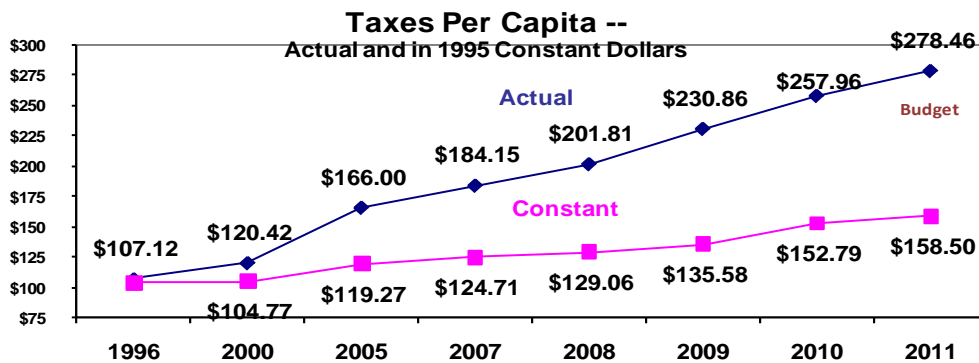
The Tax Revenue chart shows the actual dollars collected for FY 96 through FY 2010, with FY 2011 using Budgeted Tax Revenues. The graph also shows revenues based on calculating constant dollars using 1995 as the base year. Items that have affected tax revenues include:

- 1997 Voter approved 3.50 mill increase for Library
- 2000 Use of Floating Millage to maintain revenue service levels
- 2005 Used New Construction for operations and maximized millage to maintain service
- 2006 New construction for Capital Projects, Permissive Medical and Floating mills.
- 2007 Did not use \$535,450 in operation taxes and \$33,923 in Road/Library taxes.
- 2008 Increased by 9 mills taxes for voter approved Dispatch Levy.
Did not use \$724,500 in operation taxes and \$73,034 in Road/Library taxes
- 2009 Did not use \$ 843,000 in County operational taxes – used maximum Road taxes
- 2010 Did not use \$1,080,636 in County operational and \$39,820, in Road (Rural) taxes, and
- 2011 Did not use \$1,438,578 in County operational and \$92,188, in Road/Library taxes.



Finding: **Favorable** Property Tax Revenues have increased for 15 years and are budgeted to increase for FY 2011. With the ability to levy the unused taxes from FY 11 this positive trend should continue for FY 12. The slowing of the economy especially in the construction area will significantly affect these revenues in the future.

The next graph shows taxes per capita using actual taxes and taxes in constant (1995) dollars.



The graph shows that in constant dollars, residents are paying \$57.23 more in taxes than 15 years ago, (\$3.82 per year). Actual tax dollars paid increased by \$150.84 (\$10.06 per year) from 1996 through 2010.

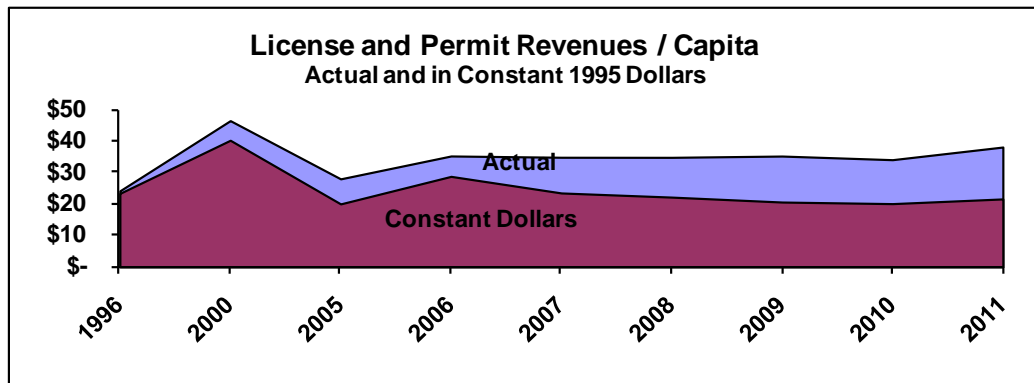
Favorable = tax revenues and Taxes per capita show an increase to offset inflation and to allow for growth caused by increase in population.

License and Permit Revenues:

Revenues generated through collection of Licenses and Permits saw consistent increases in previous years. The two major revenue sources were the Ad Valorem Tax on Motor Vehicles and the ½ of one-percent Local Option Tax on Motor Vehicles. Both revenues were growing at an average of 10%+ per year. The 1.4% Ad Valorem Tax was eliminated in FY 02 with this revenue being sent directly to the State of Montana.

The State gives the County an entitlement plus a yearly adjustment. As noted above, Gallatin County was seeing a 10% increase in Motor Vehicle revenues, compared to the 3.4% increase for the FY 11 Entitlement. Other revenues included in this area were increasing on average 35%, except for Personal Property Tax reimbursement, which decreased by 14%. Taking all factors into account, the County has not seen the growth from the entitlement compared to previous revenue sources.

The largest component of Licenses and Permit revenues is the Local Option Tax on motor vehicles. For FY 2010 the County saw a continuation of a decrease in this revenue source (down 1.98%). This resulted from the downturn in the economy resulting in fewer new vehicles being purchased. Mid – year collections shows a slight reversal with a 1.14% increase for FY 2011. If this continues for the balance of the year, revenues from local option tax will be slightly higher than our conservative estimates.



Finding: ***Favorable*** License and Permit Revenues show a slight increase in growth from FY 09 to FY 2010. This is continuing into the first 6 months of FY 2011, in spite of the stated decrease in motor vehicle local option tax. The Constant Dollar calculation also shows an increase. In a change from last year, local option motor vehicle revenue has increased. This is a positive change from the decreases or stagnant growth the County saw in FY 2009 and FY 2010. This may indicate a slight growth in the local economy for FY 2011.

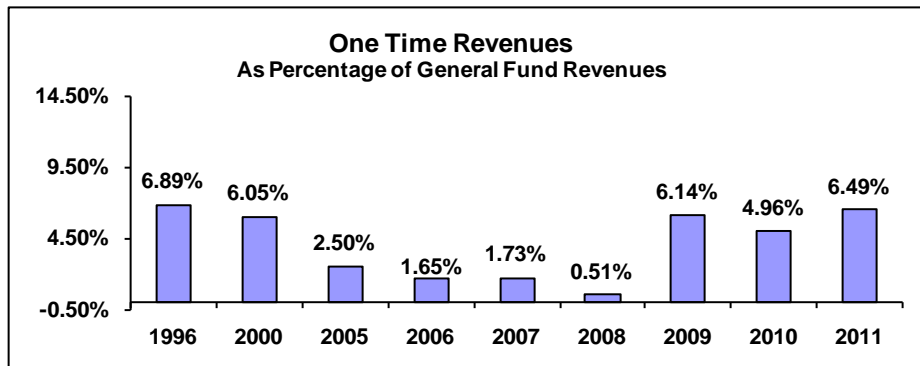
Current estimates are that Licenses and Permits will continue to increase, slightly, for the next several years. Licenses and Permits have not increased greater than inflation through 12/31/10.

Favorable = an increase greater than inflation in the actual and constant dollars received from the License and Permits, non-tax revenue source will maintain service levels.

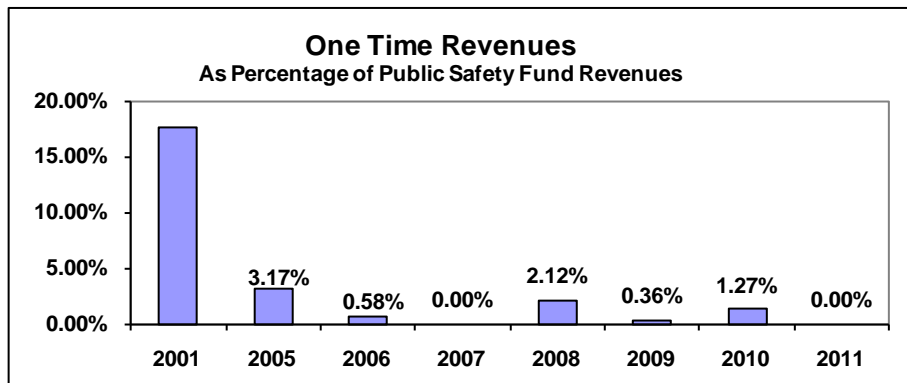
One Time Revenues:

Revenues that are considered ‘one-time’ include grant funds not awarded for multiple years, transfers in from other funds, sale of assets or leases and cash available for re-appropriation. The General Fund in prior fiscal years and Public Safety Fund in FY 2000 through FY 2003 received significant amounts of revenue from this source.

When recommending the amount to be funded at the beginning of the budget process, the Finance Office recommends use of one-time revenues to fund expenses that will only occur in the proposed budget year. (One-Time Expenses)



Finding: **Watch** – The increase in the percentage one-time revenues are of total revenues shows a continued reliance on these for ongoing operational expenses, within the General Fund. However, the majority is from a transfer coming out of the Permissive Mill Levy that will continue indefinitely. The County could close additional funds resulting in using current reserves to fund budgets, but this will not be sustainable beyond one year.



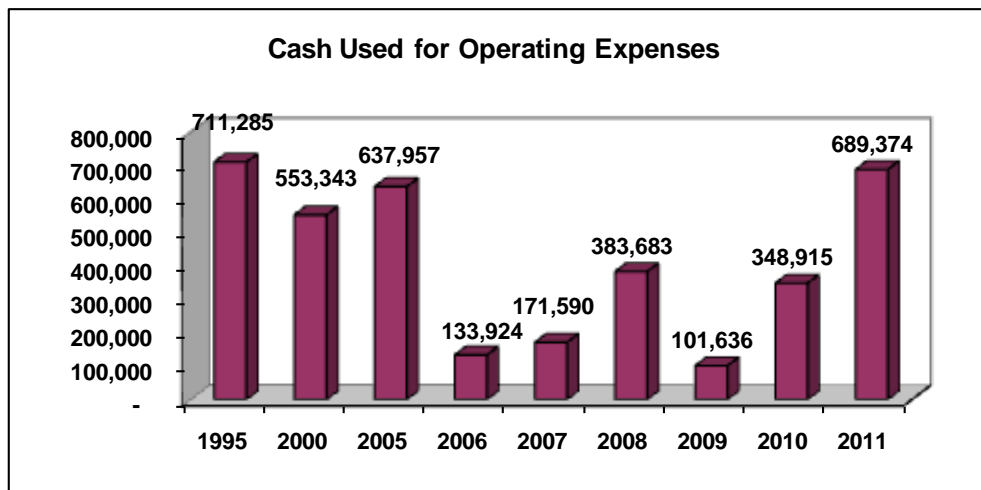
The decrease of one-time revenues in the Public Safety Fund is the result of the County Commission decision to levy taxes in the Public Safety fund instead of levying in the General Fund and elimination of the separate fund for Employer Contributions and transferring to the Public Safety Fund.

Consistent with the County’s and National Budgeting Standards, money generated by one-time revenues should be primarily used for non-reoccurring expenses like updating the Courthouse and similar activities.

Favorable = a gradual decrease in the actual percentage one - time revenues are to the total General Fund and / or Public Safety Fund Revenues.

Utilization of Cash:

Expenditure of cash for ongoing operating costs has been variable in the last 15 years. These numbers are actual and do not include the amount budgeted, except in FY 11. The FY 07 Budget anticipated using \$752,000 cash for Operating Expenses. Actual expenses show only \$171,590 was used to pay for Operations. The Budget for FY 11 anticipates using cash for Operating expenses. These expenses are primarily coming from the one-time cost increases associated with the new Detention Center. The County has decreased its reliance on cash for purchase of large equipment with the implementation of the 'Core Equipment Plan'. This eliminates a major concern about our sustainability.



Without cash re-appropriated, the Commission could not have funded the FY 11 Capital Budget. This is especially true of PILT where a majority of cash is used to pay for ITS servers / routers and loan payments for capital projects. As the County Budget becomes tighter, cash available to fund future capital items will decrease, resulting in a possible decline in services.

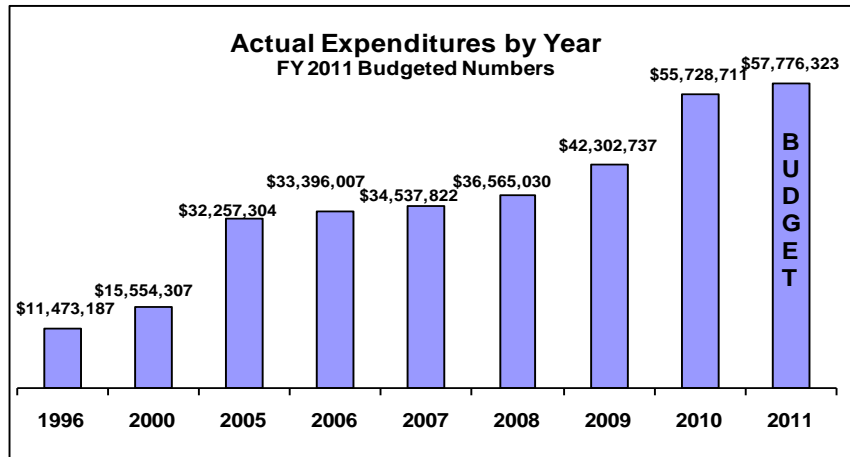
Finding: ***Favorable.*** The use of cash for one-time expenses is consistent with the County's goal to not fund ongoing expenses with cash. The FY 2011 Budget shows the Commission's commitment to using current revenues to fund non-recurring expenses, and using one-time revenues and cash to fund one-time expenses. For future years a decrease in reliance on cash for capital equipment needs has been implemented and further enhances the County's ability to have sustainable budgets. The payment of dispatch capital equipment and building construction, along with funding of the Core Equipment plan through mill levies are major steps in meeting the County's goal of funding all department ongoing needs with sustainable revenue.

Favorable = the utilization of cash to pay for ongoing operational expenses is the exception not the rule based on prior year actual utilization and the FY 08 budget.

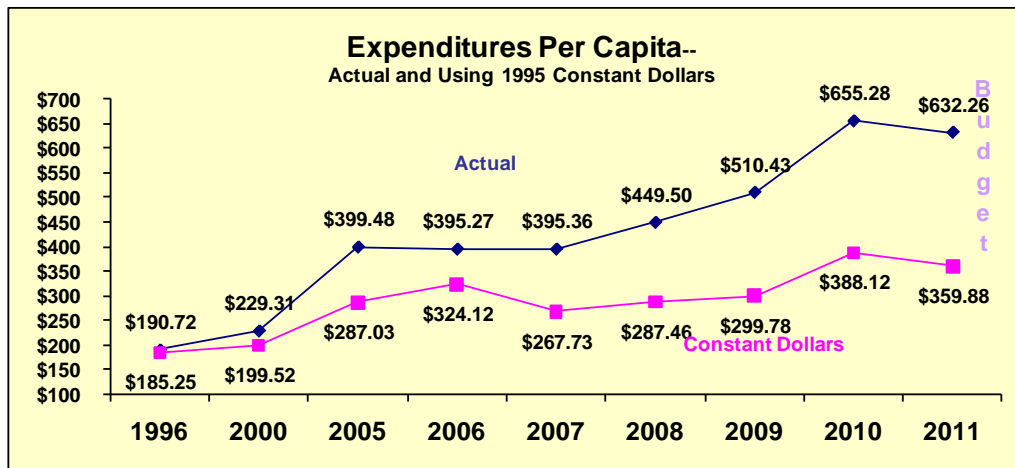
EXPENDITURES

Expenses by year:

Actual expenses during the proceeding 15 years and the FY 11 Budget show growth of expenses in actual dollars and in per capita. The FY 11 Budget does not include the amount of Operating Capital Reserves funded in the Budget. This adjustment more accurately reflects actual expenses made during each fiscal year. All calculations use only expenses from the County's tax supported funds – excludes grants, and district etc.



County expenses in **actual** dollars increased from \$11.5 million in FY 96 to \$55.7 million in FY 10 a 385% increase in fifteen years. The major differences for above normal growth include creation of the Administrator, Compliance, Court Services, Grants, Public Defenders and Joint Dispatch Offices, Changes to Juvenile Detention, Prisoner Room / Medical, increase in 2009, 2010 and 2011 for dispatch and detention capital expenditures, a significant increase in oil related costs and large increases for Sworn Deputy Officers in FY 2002 and again in FY 2011, along with Elected Officials salary increases in FY 02.

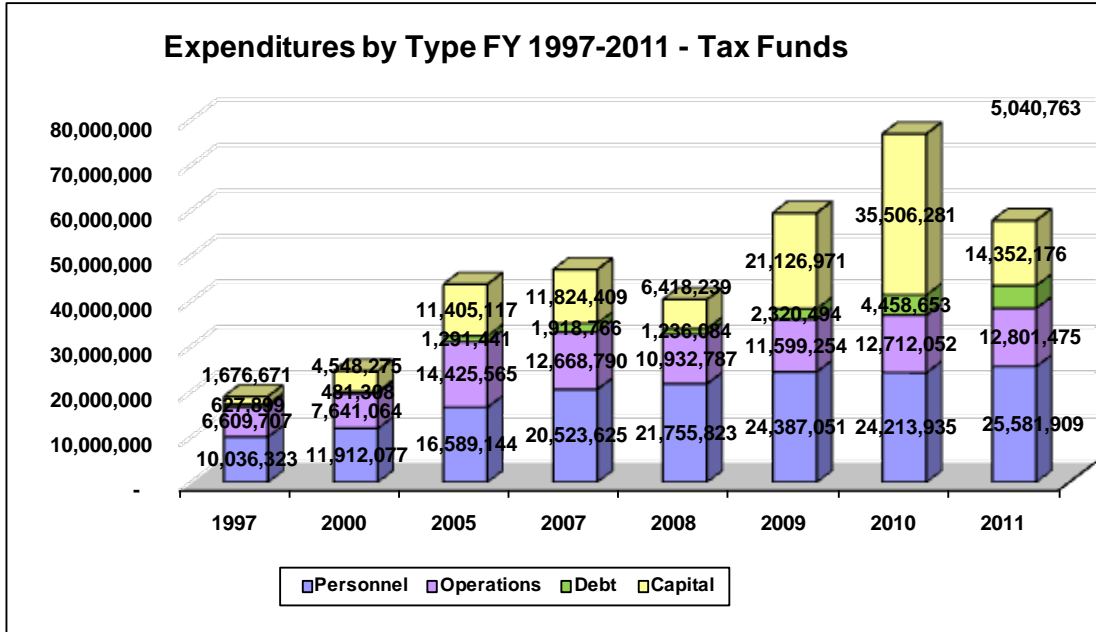


Finding: ***Favorable.*** Expenditures per capita in actual dollars and constant dollars have increased. The \$144.85 per capita increase from FY 2009 for FY 2010 is from construction of the detention center. The slight decrease shown for FY 11 will be greater when actual expenses are known.

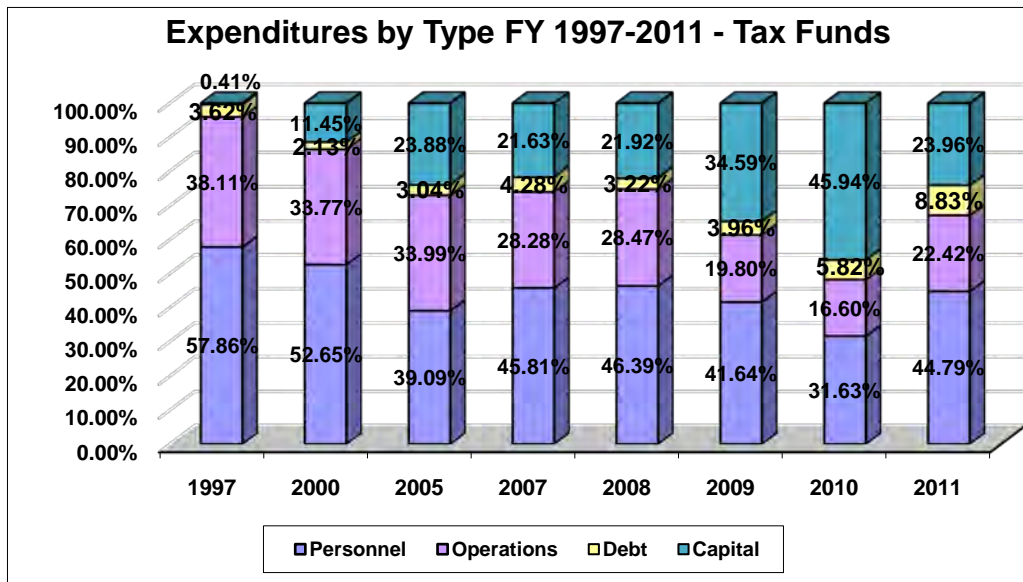
Favorable = a gradual increase in the actual and constant dollars spent by each resident indicates the County is maintaining or improving its costs for services.

Expenditures By Category:

The chart shows Personnel costs, the largest cost for Gallatin County, decreasing from 52.96% in FY 97 to 44.28% in the FY 2011 Budget.



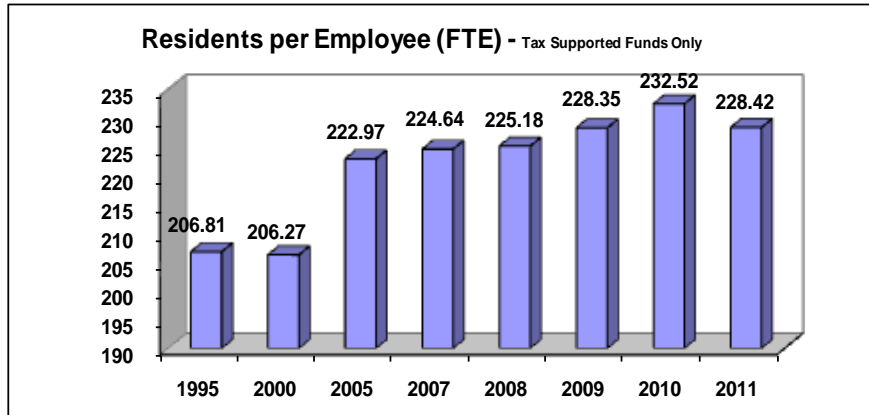
The graph above was not adjusted for Capital Reserves that are set aside for future budgets. This overstates Capital Outlay and understates Debt Service, Operations and Personnel percentages. The graph below is adjusted by the removal of Capital Reserves. With Capital Reserves eliminated, Personnel costs continue to show a significant decline from 57.86% in FY 97 to the 44.79% in FY 2011.



Finding: **Favorable.** Expenditures by category for Actual expenses show a decrease in the percentage being spent on Personnel. FY 11 numbers are based on the approved budget and will decrease before year-end.

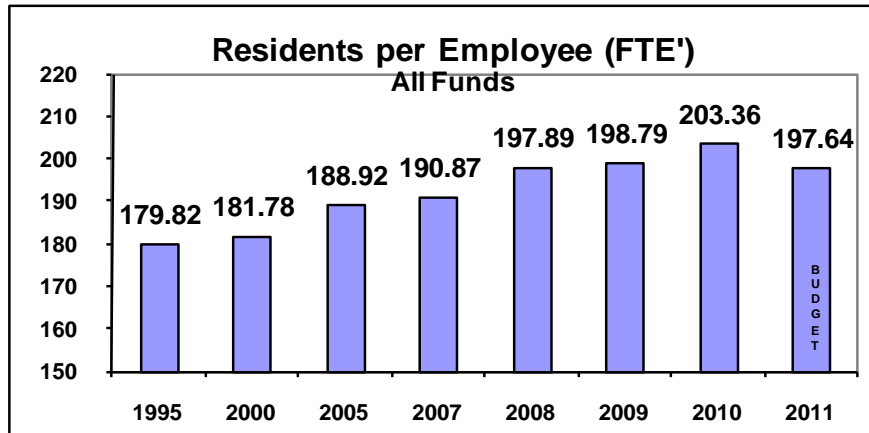
Employees Per Capita:

A comparison of the number of residents per employee indicates the ability of a Government to maintain service levels, provided all factors remain equal. In the years FY 95 through the FY 11 Budget, services have increased where needed. During this time the County added 149.17 employees. Increases, except for the new detention employees added this year, came mostly from new departments - Administrator, Compliance, Court Services, Grants, Joint Dispatch / Records, Big Sky Deputies and other tax supported activities. Small growth, less than the growth in population, is attributable to existing departments.



The most accurate comparison for the increase in employees is to compare how many residents are being served by each employee. The graph above shows changes in residents per employee for tax supported funds. This is the most accurate comparison of the service levels residents receive compared to the growth in all funds because this compares employees that are dedicated to all residents instead of including those dedicated to specific tasks because of grants, contracts, etc.

The graph below represents residents per employee for all activities under the control of the County Commission. It includes grants, enterprise funds and other personnel employed by the County.



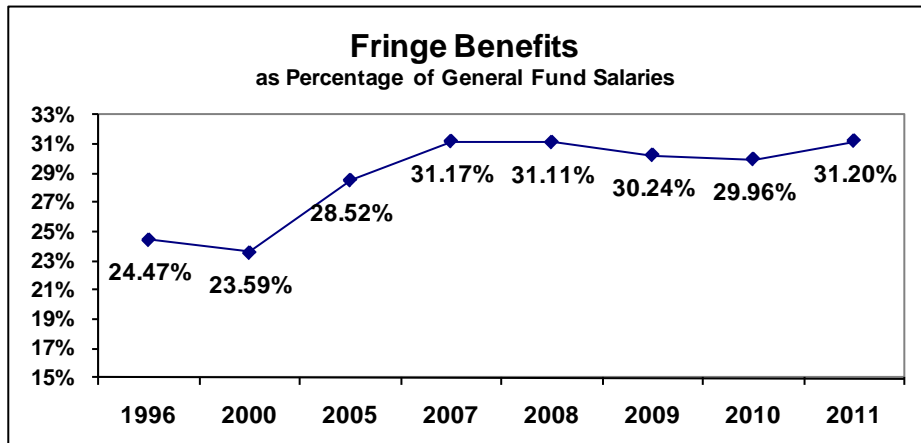
Finding: **Favorable** – Both graphs show decreases in residents per employee. This comes from the addition of new detention officers and maintenance support. A similar decrease will occur in FY 2012 when the new facility is operation for a full year..

Favorable = static or decrease in the number of residents per employee.

Expenditures for Fringe Benefits:

Fringe Benefits under ideal conditions would increase at a percentage equal to or below the increase in Personnel (Favorable rating). When Fringe Benefits increase faster than Personnel Costs this results in an Unfavorable rating.

The following graph shows Fringe Benefit costs as a percentage to General Fund Salaries. Fringe Benefits include Unemployment Insurance, Worker’s Compensation, and Employer Contribution to Health Insurance, Public Retirement System, and Social Security / Medicare costs.



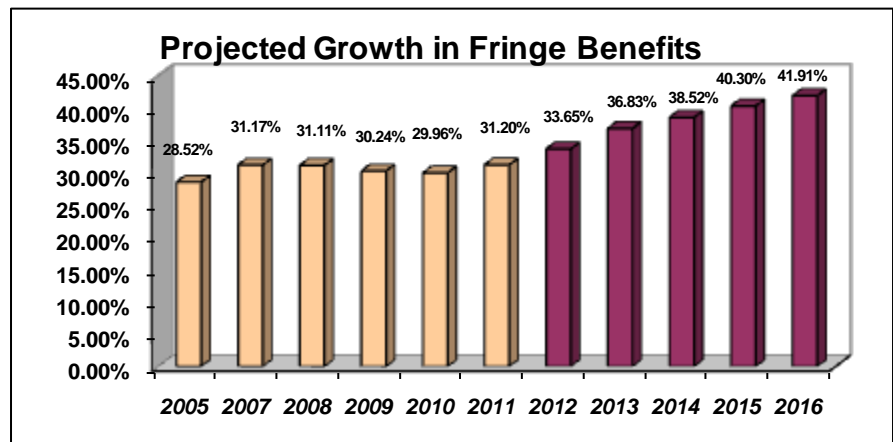
These calculations do not include the costs for the statutory 15 days vacation, 12 days sick and 10 holidays. Adding these costs to the benefit package adds 14.17% to each of the years shown, and do not change without the state legislatures action.

Finding: **WATCH**. Fringe Benefit percentages stabilized over the last 3 years. The slight decrease

in FY 08, FY 09 and FY 10 is from the County not increasing Employer Contribution for Health Insurance to budgets. For FY 2011 the County increased Health Insurance premiums resulting in the increase. However, the percentage is still below the FY 07 and 08 levels. If the costs of employee health insurance paid from the Comprehensive Insurance Mill levy were added to these percentages the Fringe Benefit percentage would be 35.14% for FY 11. For FY 12 and 13 Retirement Systems are projected to increase by 1% each year in addition to probable increases in health insurance premiums.

Comments: The continued increase in health insurance costs will adversely affect the County’s ability to adequately fund future year’s budgets. The 6.36% increase in Fringe Benefits from 1996 to 2011 equals \$818,546 Countywide.

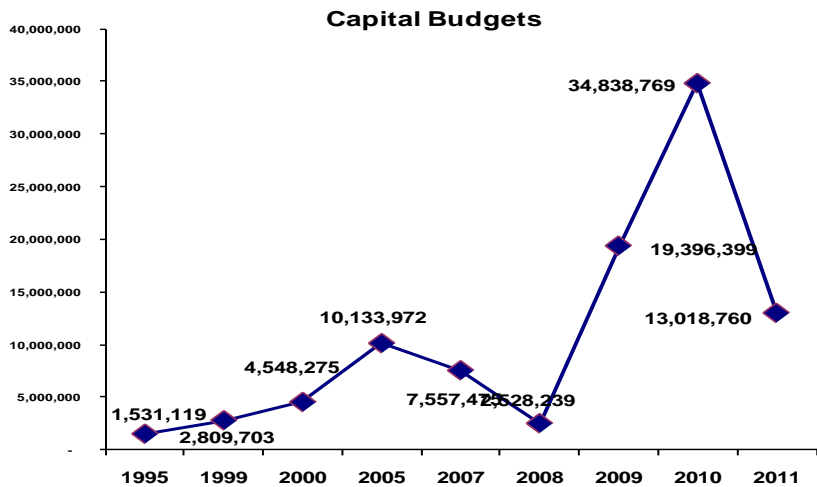
Favorable = a static or decrease in the percentage employee contributions are to total wages paid



The County will need to take a very active role in decreasing health insurance premium cost increases to avoid an unfavorable ranking. Because the majority of cost increases come from areas not under the County’s control, such as utilization, prescription, cost for new drugs and current medical inflation, the County will not be able to make a significant change in this indicator.

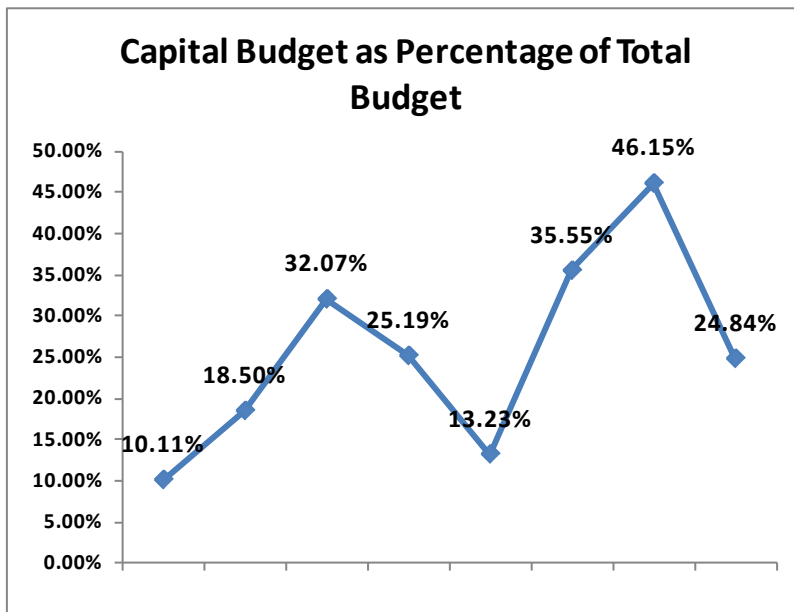
Capital Outlay and Capital Reserves:

Capital Outlay and Capital Reserves in Gallatin County have changed dramatically in the last 16 years. Prior to 1996 the County rarely set aside funds unless a specific need was identified. In 1996 the County set aside \$180,000 for future capital needs. In 1998 and again in 2000 the County formalized the Capital Improvement Program policy (the CIP) setting aside revenues generated from new construction taxes for approved Capital Improvement Projects. This changed in FY 05 but for FY 06 forward the Commission again used these tax dollars to fund capital projects. The decision to include 'Core Equipment' in capital planning and funding through newly taxable property has further increased the County's ability to maintain service levels.



Finding: ***Favorable.*** The Commission continues to levy taxes for capital projects associated with growth in the County's taxable value as certified by the State of Montana Department of Revenue. With the addition of 'Core (Rolling Stock) Equipment' into the funding stream the County's capital stability has been increased.

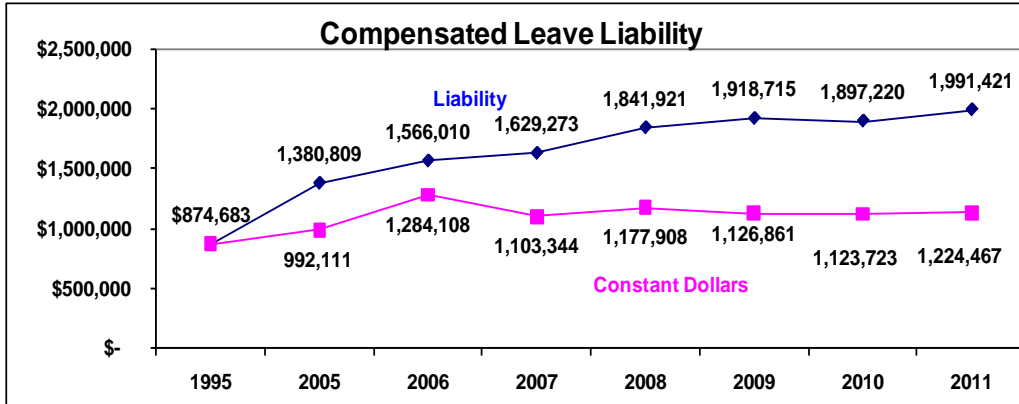
The following graph shows Capital Budgets compared to total budgets.



Favorable = a level or increase in the percentage capital outlay /reserves are to total budget

Compensated Leave Balances:

The County’s compensated leave balances normally would increase at the rate wages increase. During the previous 2 years, compensated leave balances increased at a rate less than the rate wages increased. The increase of 4.96% for the beginning of FY 11 is well above the 1.2% for inflation and the 3.228% increase in total wages seen in FY



10.

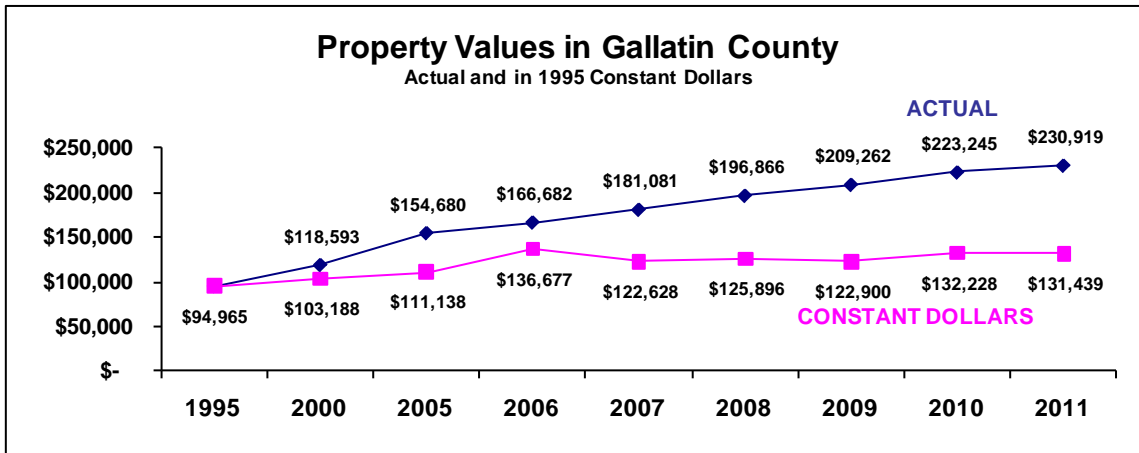
A comparison of the last five years shows leave hours and costs have increased, with the largest percentage increase being Fringe costs. The major increase in FY 08 is from inclusion of Retirement Fringe Benefit costs that were not reported previously.

	Sick Leave		Annual Leave		Compensatory Leave		Fringe
	Hours	Cost	Hours	Cost	Hours	Cost	
2005	76,070	\$ 352,993	46,117	\$ 815,774	4,013	\$ 72,514	\$139,528
2006	75,846	384,166	46,246	893,541	4,013	78,929	154,088
2007	79,475	405,864	47,432	928,612	3,865	77,446	164,959
2008	83,251	448,255	49,026	1,011,978	4,081	83,459	298,229
2009	85,545	467,623	49,494	1,050,371	4,220	90,061	310,660
2010	90,487	491,882	53,198	1,104,376	3,506	67,566	327,595
% of Total	61.48%	29.56%	36.14%	68.54%	2.38%	1.90%	
Change	4,942	\$ 24,259	3,708	\$ 54,005	(714)	(\$22,495)	\$16,935
%	5.77%	5.18%	7.49%	5.14%	(16.91%)	(24.971%)	5.45%

Finding: **Unfavorable:** While the graph clearly shows that the trend continues upward the County has limited ability to make significant change to leave balances. Sick and Annual leave are set by state statute. Consideration of a policy requiring employees to take a minimum of two-thirds their annual vacation accrual could have a positive effect. Compensatory time policy could be changed, but would only represent 2.38% of the total and with most compensatory time and cost associated with unions, Elected Official staff, Agencies, and Landfill/Refuse, the Commission could only affect 43% of compensatory liability (0.82% of total liability). Sick hours are the highest number of hours but the cost is significantly lower because state law only requires payout at 25% of accrued sick leave upon termination.

Favorable = a static or decrease in the liability from Compensated Leave in dollars.

Property Values in Gallatin County:

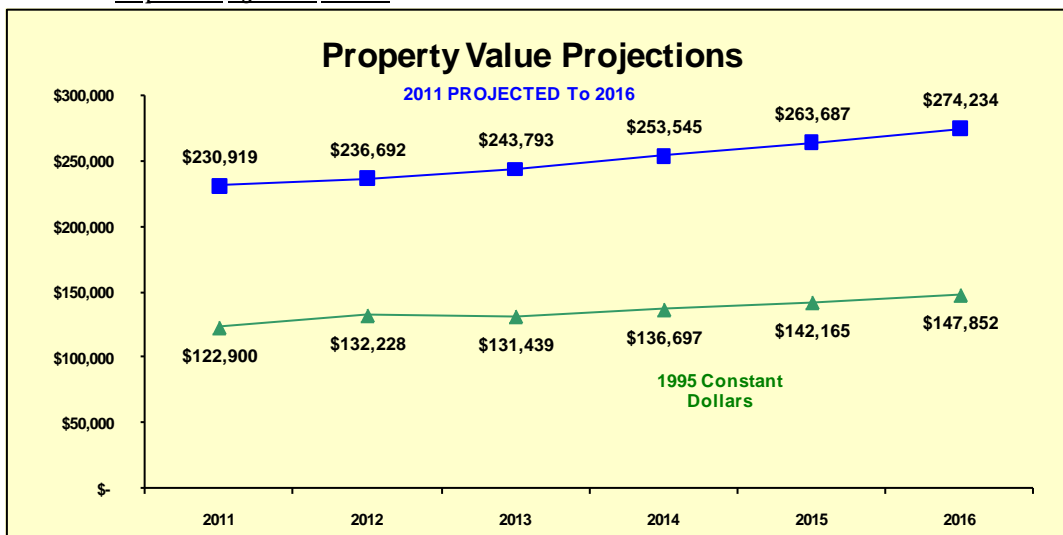


The increase in taxable value from FY 10 for FY 11 is 3.43%. This increase comes in commercial and residential property values. The following is a comparison from 99-00 to 10-11 of the change in taxable values

<u>Fiscal Year</u>	<u>% Change</u>
99-00	.64%
00-01	(.06)%
01-02	5.57%
02-03	7.80%
03-04	7.64%
04-05	7.17%
05-06	8.33%
06-07	8.64%
07-08	8.72%
08-09	6.48%
09-10	6.49%
10-11	3.43%

Finding: **Favorable.** The increase in taxable value in all years except one year in the last twelve years shows that the County has a stable tax base, with growth funding increased demands and needs

Favorable = an increase in the taxable value of the County, inclusive of known changes relative to the previous legislative actions.

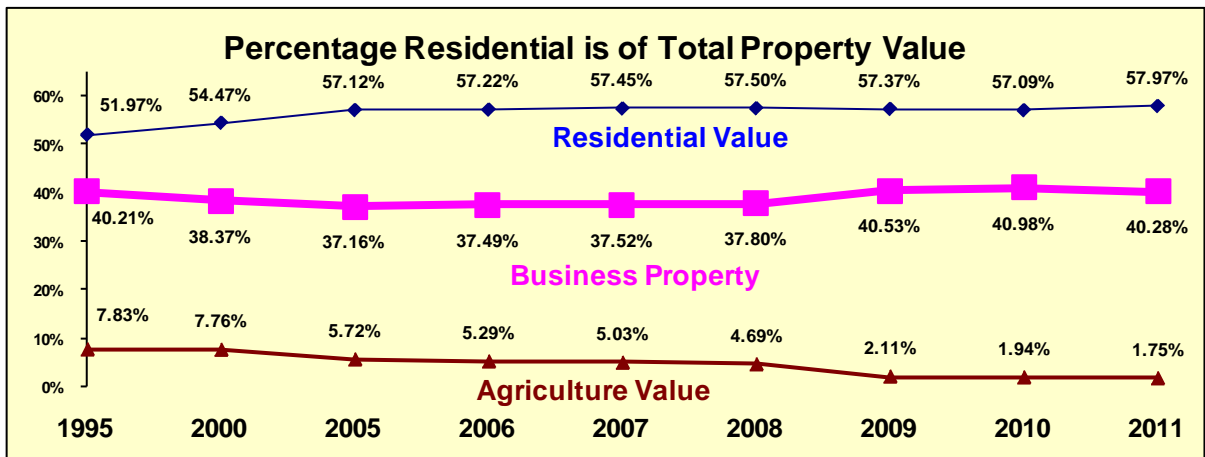


Projections show the probability of continued growth in values greater than inflation.

Residential Property Values:

House Bill 124 and other Legislative Bills implemented changes in the method DOR uses to calculate property values. These changes resulted in an increase in the reliance of Gallatin County on taxes generated by Residential Property. The changes also affected the Floating Mill Levy, and the Inflationary Millage allowed by HB 124. They resulted in more taxes being paid by residents than ever before. Residential tax percentages have increased from 51.97% in 1995 to 57.97% in 2011, plus with the number of mills increasing, further causing an adverse affect on residential property payers.

The increase in the County’s reliance on residential property values may cause the voter’s of the County to not support needed Local Government initiatives in the future.



Finding: **Unfavorable.** The increase, for FY 2011, in the percentage residential property taxes are of the total property taxes should continue through this reappraisal process, without legislative change.

Comment: Decisions by the County can only peripherally affect the costs to residential property owners. One decision the Commission made is to not levy the maximum millage for FY 07, FY 08, FY 09, FY 2010 and FY 2011. The County Commission, Elected Officials and Department Heads need to be aware of the full effect of decisions they make, as it relates to increased costs to Residential Property taxpayers.

The 6% increase in the amount of taxes paid by residential property taxpayers does have a positive impact. It is decreasing the shortfall identified in 1996 between the \$1.16 cost for services required by residential development, to the \$1.00 in taxes they pay.

Favorable = a decrease or static percentage Residential Property taxes are to the total County Taxable Values.

Property Tax Statistical Analysis:

The County Treasurer has identified a method to calculate the Average Parcel Taxable Value and Median Parcel Taxable Value for Residential property for Gallatin County.

The table shows County-wide Real Estate Taxable Values, Real Estate Parcels Billed, Average parcel information, and Average General Tax using average Residential and Commercial bills for Tax Year 2007, 2008, 2009 and 2010.

Real Property Tax - Statistical Analysis									
	2007		2008		2009		2010		
Real Estate Taxable Value	191,110,330		202,345,872		217,239,538		226,669,945		
Residential & N/Q Ag	120,822,354	63%	132,354,002	65%	142,749,564	66%	147,348,705	65%	
Commercial and Other	70,287,976	37%	69,991,870	35%	74,370,060	34%	79,321,240	35%	
Number Parcels Billed	45,773		48,057		49,159		49,575		
Residential & N/Q Ag	39,822	87%	38,651	80%	40,817	83%	41,114	83%	
Commercial and Other	5,951	13%	9,406	20%	8,342	17%	8,461	17%	
Average Parcel Taxable Value	4,328		3,405		3,497		4,765		
Residential & N/Q Ag	3,029		3,424		3,497		3,584		
Commercial and Other	11,845		7,441		8,915		9,375		
Average Parcel General Tax	\$ 2,434.67	24.26%	\$ 1,896.93	-22.09%	\$ 1,892.87	-0.21%	\$ 2,289.87	20.97%	
Residential & N/Q Ag	1,426.68	1.28%	1,653.47	15.90%	1,658.04	0.28%	1,722.28	3.87%	
Commercial and Other	5,578.86	9.81%	3,593.05	-35.60%	4,226.58	17.63%	4,505.21	6.59%	

The comparison shows that:

1. Real Estate Taxable Values have increased by 28.58% from 2006 to 2010, with Residential growing from 61% in 2006 to 65% for 2010 and Commercial decreasing from 39% to 35%;
2. The number of bills created jumped by 416 from last year, a 36.27% increase. Significantly up from the previous two years;
3. Average Parcel Taxable Values per parcel increased by 2.49% for Residential and 5.16% for Commercial; and,
4. Average General Tax decreased by \$397 (20.97%) with Residential increasing by \$64.24 (3.87%) and Commercial taxes increased by \$278.63 (6.59%).

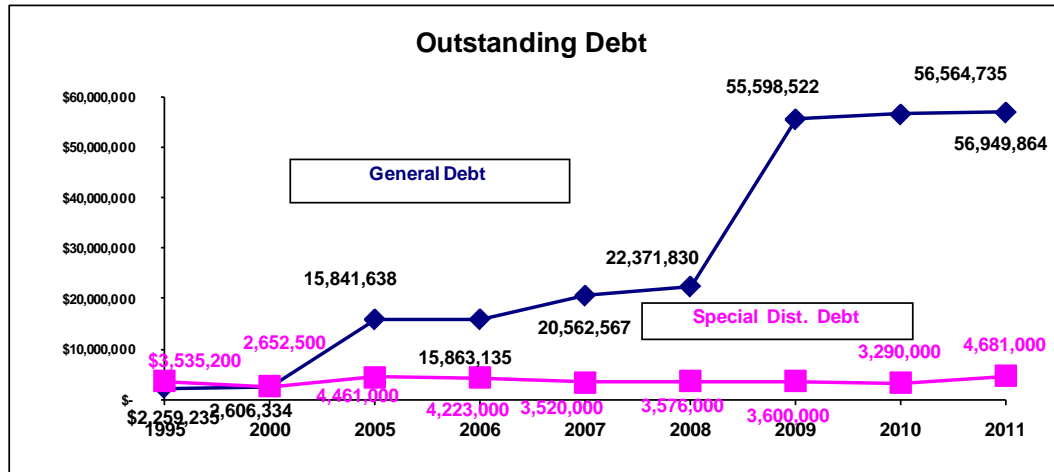
Finding: **Favorable.** All aspects of Real Property Tax – Analysis show a positive growth. This growth should continue through the current reappraisal cycle.

Favorable = growth in Average Parcel Taxable Value shows growth in tax base;

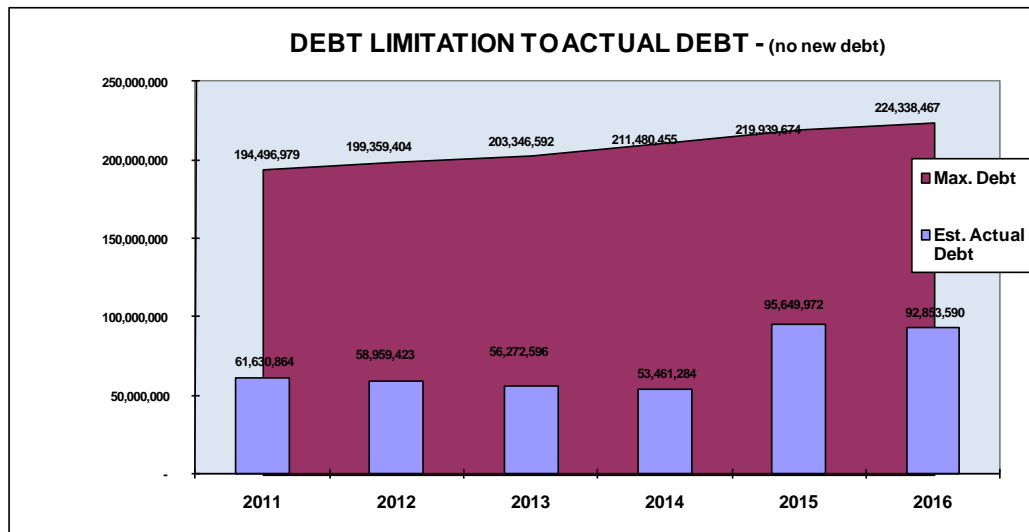
Debt Service – General Obligation Debt

State law sets the maximum debt for Gallatin County at 2.50% of the County's Assessed Valuation. As of June 30, 2010 the County had \$61.6 million in debt, plus the Open Space bonds of \$3.2 million authorized in Nov. 05, but not used. Outstanding Debt is taken from the Audited financial statements for the period ending June 30 of the prior fiscal year. The County had debt of \$132,866,115 available as of June 30, 2010.

The County may borrow the \$3.2 Million left for Open Space before year end. The County also has made payments on current debt of \$1.2 Million.



The voters approved the \$32,000,000 Detention Center Bond in November 2008.



Finding: ***Favorable*** –The County will stay significantly below the statutory maximum of 2.50% of assessed value even with the issuance of a projected bond for a new Law and Justice Center.

BENCHMARKS

Comparison of Urban Counties

The FY 2011 Trend Analysis, for the third year, includes a comparison (Benchmarks) of Gallatin County to Yellowstone, Missoula, Flathead, Cascade and Lewis and Clark (Urban Counties), along with the entire State of Montana in several comparisons. Two areas, from the twelve the County is tracking, have been selected for comparison. They are:

- 1) Taxes per Resident; and,
- 2) Percent taxes are to Total Budget.

The data was generated from the U.S. Census Bureau for population and the Montana Local Government Profiles produced by the Local Government Center of MSU.

The analysis performed includes data on changes to populations, Per Capita Income, Taxable Values, Total Mills Levied, Total Budget, Total Taxes, Ratio of Taxes to Budget, Taxable Values, Total Budget and Total Taxes. The data shows that Gallatin County has:

- Populations – Comparison to entire state population - moved from 6.32%, #5 in 1991, to 9.35%, #3 in 2009 of state population;
- Per Capita Income – Comparison to average of 6 Urban Counties - 92.46% in 1991 (lowest) to 104.43% of the urban County average (2nd highest);
- Taxable Values – Comparison to entire state Taxable values - moved from 4.49% (2nd lowest) in 1991 to 9.68% of the taxable value of Montana (2nd highest);
- Total Mills – Comparison to average of 6 Urban Counties – 78.38% (lowest) in 1991 now at 71.38% (lowest) in 2009;
- Total Budget – Comparison to average of 6 Urban Counties – 81.45% (lowest) in 1991, moved to 136.19% (3rd) in 2009 – primarily because of– New Detention Center, also Lewis and Clark information not available;
- Total Taxes - Comparison to All taxes levied for counties – 9.07% in 1991 (lowest) increased to 71.38% in 2009, still the lowest in the state;
- Tax to Budget Ratio – Comparison between counties in the amount taxes are of the total budget – 43.89% in 1991 (lowest) moved up to 46.46% in 2009, but still lowest of the urban counties;
- Taxable Values per Resident – 1991 Taxable value per resident was \$1.42 (second lowest), for 2009 this increased to \$2.32 (highest in state);
- Budget \$ per Resident – for 1991 \$231.29 (second lowest), with a change to \$553.99 in 2009 (3rd highest); and,
- Tax \$ per Resident – for 1991 the County levied \$101.50 per resident (lowest). In 2009 the County levied \$257.39 per resident (2nd lowest).

We have chosen Tax \$ per Resident and the Percentage Taxes are to total budget for inclusion in the Trend Analysis. These two areas are significantly under the control of the County through imposition of taxes. The County does not have direct control over changes in populations, Per Capita Income or Taxable Values.

All years from 1991 are included in the analysis. However, for brevity the comparisons shown are 1991 (Base year), 1995, 2000, 2005, 2006, 2007, 2008 and 2009. Additional years will be added as information becomes available from the U.S. Census Bureau and the MSU Local Government Center.

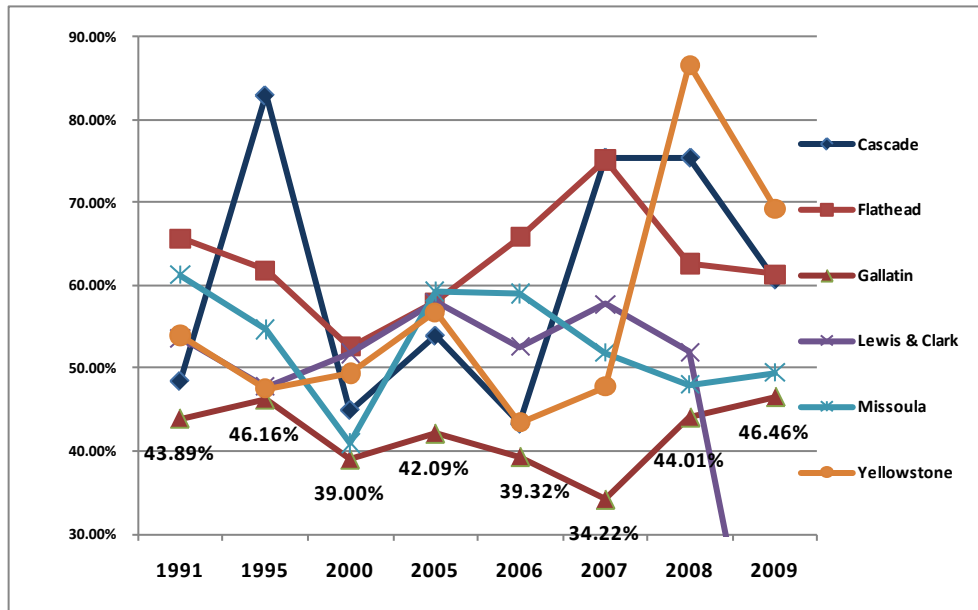
Comparison of Taxes Per Resident

The following table shows a comparison of the six urban counties and the amount of taxes required by each resident based on the approved mill levies. The comparison may be distorted in years when counties begin new levy's for bonds or operations approved by a vote of the people, or when bond levies end.

	1991	1995	2000	2005	2006	2007	2008	2009
Tax \$ Per Resident								
Cascade	\$ 110.80	\$ 141.48	\$ 147.06	\$ 187.90	\$ 197.85	\$ 244.63	\$ 237.45	\$ 243.46
Flathead	160.44	176.57	185.45	244.27	268.68	289.73	317.79	319.02
Gallatin	101.50	115.82	138.85	185.41	199.72	184.75	244.49	257.39
Lewis & Clark	140.15	115.18	161.29	266.71	284.70	294.12	332.00	442.13
Missoula	147.77	173.34	176.31	254.85	271.14	284.15	300.11	307.56
Yellowstone	135.23	136.79	137.04	195.46	151.93	169.71	258.80	269.00

This table shows that residents of Gallatin County have seen taxes per resident increase by \$142.99 over 18 years. This compares to inflation during the same period requiring taxes to increase to \$155.89. During this time the taxpayers approved increases in taxes for 1) Library 3.50 mills (\$7.25); 2) Open Space Bond I and Open Space Bond II (\$12.60) 3) Dispatch mills 9.00 (\$18.46), Detention Center Bond (\$23.49) for an estimated voter approved increase of \$61.80. The combination of inflation and voter approved taxes would have the County resident paying \$224.30 each compared to the \$257.39 of taxes for 2009. *Favorable = Gallatin County being in the lowest 1/3 of Urban County's*

The next area we are using to compare Gallatin County to our counterparts is the Percentage taxes are to the approved budgets for each County. Funding for approved budgets comes from 3 sources. The first is Non-Tax Revenues generated by charges for services, payments by the state or federal government, fines and forfeitures, County Option Tax of 0.5% on motor vehicles, investment earnings and misc. incomes. The second is cash on hand not needed for Reserves. The third of course are taxes.



The graph above shows the percentage taxes are to the total budget of the 6 urban counties. As can be seen, Gallatin County starts at 43.89% in 1991 and ends at 46.46% in FY 09. Gallatin County has the lowest % of taxes to budget in all years. Data for Lewis and Clark County in FY 2009 was unavailable.

Favorable = Gallatin County being in the lowest 1/3 of Urban County's

FY 2011 FINANCIAL TREND ANALYSIS

Gallatin County, Montana

February 22, 2011

IV. Appendix

Comparative Information Statistics:

City of Bozeman Construction Permits

County Planning Activity

Populations Cities and Counties

Bank Deposits

Benchmark Information:

Montana Urban County Comparisons:

- Populations
- Per Capita Income
- Taxable Values
- Total Mills
- Total Budget
- Total Taxes
- Tax to Budget Ratio

Montana Urban County Comparisons Resident:

- Taxable Value per resident
- Budget dollar per resident
- Tax dollars per resident
- Resident per Employee
- Resident per Taxable Value
- Total Taxes
- Tax to Budget Ratio

Urban County and State Data

CITY OF BOZEMAN CONSTRUCTION PERMITS
- from Building Permit Report

	<u>2005</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Single Family					
Units	265	214	93	50	70
Value in Millions	\$62.2	\$58.1	\$42.7	\$ 9.9	\$14.8
Multi-Family					
Buildings	64	64	31	5	
Units	346	157	71	19	
Value in Millions	\$18.5	\$10.9	\$10.6	\$ 2.2	
Commercial					
Building	34	41	40	3	2
Value in Millions	\$49.3	\$51.2	\$64.7	\$ 2.1	\$ 2.2
Addition/Remodel					
Residential Units		143	172	494	1,939
Value		\$ 2.7	\$ 5.0	\$ 6.5	\$17.9
Commercial Units		131	167	100	489
Value		\$19.1	\$22.5	\$ 6.7	\$12.7
Median Price	\$233,000	\$245,000	\$259,000	\$252,379	\$245,420

COUNTY PLANNING / ZONING ACTIVITY- from County Planning:

	<u>FY 01</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>
Preliminary Plats	18	36	40	38	33	21	11
Land Use Permits	288	454	307	200	172	122	139
Final Plats	21	19	33	25	27	10	12
Concept Reviews				125	104	90	70
Zoning Applications			439	269	59	57	52
Subdivision Application			178	177	93	62	60

ESTIMATED

Populations									
County	2000	2005	2006	2007	2008	2009	2010	2015	2020
Yellowstone	129,530	136,543	138,114	139,936	139,766	144,797	146,619	151,571	156,674
Missoula	95,168	102,239	104,068	105,650	105,638	108,623	110,205	114,035	117,718
Gallatin	67,831	80,748	84,489	87,359	87,243	90,343	93,268	107,933	122,726
Flathead	74,471	82,601	84,633	85,314	86,766	89,624	90,305	94,519	97,922
Cascade	80,357	81,822	81,898	79,385	81,784	82,178	79,665	79,879	78,539
Lewis & Clark	55,716	58,150	59,003	59,998	59,929	61,942	62,937	65,212	67,573
Ravalli	36,070	39,940	40,582	40,938	40,331	40,431	40,787	41,082	41,205
Silver Bow	34,606	33,093	32,982	32,680	32,602	32,949	32,647	32,561	32,360

City	2000	2005	2006	2007	2008	2009	2010	2015	2020
Billings	91,683	98,721	100,148	101,778	103,205	103,994	104,783	105,572	106,361
Missoula	57,249	62,923	64,081	67,141	68,299	68,202	68,105	68,008	67,911
Great Falls	56,697	56,338	58,536	58,779	60,977	59,251	57,525	55,799	54,073
Bozeman	27,686	33,535	35,061	38,037	39,563	39,442	39,321	39,200	39,079
Butte	33,892	32,393	32,291	31,997	31,895	31,793	31,691	31,589	31,487
Helena	25,898	27,383	27,885	28,713	29,215	29,351	29,487	29,623	29,759
Kalispell	14,900	18,480	19,432	20,292	21,244	21,182	21,120	21,058	20,996
Belgrade	5,728	7,033	7,323	8,036	8,326	8,185	8,044	7,903	7,762

Bank Deposits in Millions				
	Bozeman	% Change	Gallatin County	% Change
2008	1,599,000	-2.20%	2,027,528	-2.20%
2007	1,635,000	33.75%	2,073,176	33.75%
2006	1,222,400	17.85%	1,550,000	17.85%
2005	1,037,244	12.42%	1,315,223	12.06%
2004	922,658	14.67%	1,173,694	15.75%
2003	804,655	13.63%	1,013,982	12.53%
2002	708,147	16.13%	901,110	15.48%
2001	609,766	15.22%	780,347	13.83%
2000	529,222	0.00%	685,528	5.03%
1999	529,222		652,684	

**Montana Urban County
Comparisons:**

	1991	1995	2000	2005	2006	2007	2008	2009
Populations	Comparison to entire state population							
Cascade	9.72%	9.48%	8.90%	8.74%	8.65%	8.29%	8.45%	8.51%
Flathead	7.41%	7.86%	8.24%	8.83%	8.94%	8.91%	8.97%	9.28%
Gallatin	6.32%	6.75%	7.51%	8.63%	8.92%	9.12%	9.02%	9.35%
Lewis & Clark	5.94%	6.02%	6.17%	6.21%	6.23%	6.26%	6.19%	6.41%
Missoula	9.85%	10.01%	10.54%	10.93%	10.99%	11.03%	10.92%	11.24%
Yellowstone	14.19%	14.34%	14.34%	14.59%	14.59%	14.61%	14.45%	14.99%

Per Capita Income	Comparison to average 6 urban counties Per Capital Income							
Cascade	102.48%	101.48%	101.57%	99.35%	98.01%	97.78%	96.50%	99.76%
Flathead	93.38%	95.84%	95.60%	93.79%	95.88%	95.74%	98.66%	95.53%
Gallatin	92.46%	94.10%	97.71%	98.23%	102.46%	103.48%	101.27%	98.11%
Lewis & Clark	103.44%	102.03%	101.05%	101.36%	99.65%	99.38%	102.49%	104.43%
Missoula	101.64%	97.85%	99.48%	101.06%	99.33%	97.65%	94.18%	95.87%
Yellowstone	106.59%	108.70%	104.58%	106.21%	104.67%	105.97%	106.90%	106.30%

Taxable Values	County - Compared to entire state Taxable Values							
Cascade	5.72%	5.99%	5.64%	6.14%	6.08%	5.97%	5.73%	5.70%
Flathead	5.90%	6.94%	7.16%	8.83%	9.23%	8.85%	9.17%	9.30%
Gallatin	4.49%	5.31%	6.24%	8.69%	9.06%	8.93%	9.31%	9.68%
Lewis & Clark	4.14%	4.37%	4.61%	4.94%	4.97%	4.72%	4.82%	6.50%
Missoula	7.27%	7.90%	7.88%	9.09%	9.44%	8.80%	8.72%	8.73%
Yellowstone	12.10%	12.30%	11.51%	12.12%	12.19%	12.14%	11.65%	12.26%

Total Mills	Comparison to average of 6 urban counties Total Mills							
Cascade	103.46%	121.19%	112.69%	102.05%	106.02%	115.04%	103.99%	104.20%
Flathead	110.66%	108.22%	103.70%	93.14%	98.00%	98.80%	92.25%	91.35%
Gallatin	78.38%	79.58%	81.16%	70.22%	74.11%	63.97%	70.29%	71.38%
Lewis & Clark	110.50%	85.91%	104.91%	127.97%	134.40%	132.32%	126.70%	125.06%
Missoula	109.91%	118.82%	114.57%	116.87%	118.98%	120.67%	111.50%	113.66%
Yellowstone	87.09%	86.27%	82.96%	89.76%	68.50%	69.20%	95.27%	94.35%

Total Budget	Comparison to average of 6 urban counties Total Budgets							
Cascade	124.08%	76.41%	109.14%	90.95%	109.34%	70.76%	64.72%	89.72%
Flathead	101.04%	106.10%	108.97%	111.06%	100.89%	90.50%	110.77%	126.92%
Gallatin	81.45%	80.04%	100.15%	113.41%	125.24%	129.62%	121.86%	136.19%
Lewis & Clark	86.64%	68.64%	71.98%	85.33%	93.21%	84.10%	96.34%	N/A
Missoula	132.54%	150.02%	169.88%	140.34%	139.65%	159.02%	166.01%	183.81%
Yellowstone	198.33%	195.20%	149.02%	149.86%	141.02%	136.76%	105.02%	153.08%

Total Taxes	County - Compared to All County's Total Taxes levied							
Cascade	15.14%	122.71%	106.23%	89.21%	92.05%	103.78%	85.25%	79.19%
Flathead	16.71%	126.95%	124.15%	117.08%	129.18%	132.10%	121.05%	113.17%
Gallatin	9.01%	71.50%	84.66%	86.87%	95.87%	86.25%	93.64%	92.04%
Lewis & Clark	11.71%	63.42%	80.78%	89.99%	95.43%	94.31%	87.35%	108.40%
Missoula	20.45%	158.68%	150.84%	151.19%	160.31%	160.43%	139.18%	132.23%
Yellowstone	26.98%	179.44%	159.57%	154.86%	119.21%	126.91%	158.79%	154.17%

Tax to Budget Ratio	Ratio of Taxes to Budget							
Cascade	48.42%	82.98%	44.90%	53.89%	43.24%	75.44%	75.44%	60.68%
Flathead	65.62%	61.82%	52.56%	57.92%	65.77%	75.07%	62.58%	61.30%
Gallatin	43.89%	46.16%	39.00%	42.09%	39.32%	34.22%	44.01%	46.46%
Lewis & Clark	53.62%	47.74%	51.77%	57.94%	52.59%	57.67%	51.93%	N/A
Missoula	61.22%	54.65%	40.96%	59.19%	58.96%	51.89%	48.01%	49.46%
Yellowstone	53.97%	47.50%	49.40%	56.77%	43.42%	47.73%	86.59%	69.24%

**Montana Urban County
Comparison Per Resident / Employee:**

1991	1995	2000	2005	2006	2007	2008	2009
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Taxable Values	Taxable Value per Resident							
Cascade	1.17	1.32	1.33	1.34	1.38	1.53	1.48	1.50
Flathead	1.59	1.84	1.83	1.90	2.03	2.10	2.23	2.25
Gallatin	1.42	1.64	1.75	1.92	1.99	2.07	2.26	2.32
Lewis & Clark	1.39	1.51	1.57	1.51	1.57	1.60	1.70	2.28
Missoula	1.47	1.65	1.57	1.58	1.68	1.69	1.75	1.74
Yellowstone	1.70	1.79	1.69	1.58	1.64	1.76	1.76	1.83

Total Budget	Budget \$ per Resident							
Cascade	\$228.85	\$170.50	\$327.50	\$348.68	\$457.56	\$324.29	\$314.77	\$401.20
Flathead	244.49	285.60	352.82	421.75	408.53	385.95	507.78	520.40
Gallatin	231.29	250.93	356.00	440.55	507.99	539.84	555.55	553.99
Lewis & Clark	261.40	241.29	311.53	460.27	541.38	509.98	639.37	-
Missoula	241.36	317.16	430.42	430.57	459.88	547.60	625.07	621.84
Yellowstone	250.57	287.99	277.40	344.27	349.92	355.56	298.87	388.50

Tax \$ Per Resident								
Cascade	\$110.80	\$141.48	\$147.06	\$187.90	\$197.85	\$244.63	\$237.45	\$243.46
Flathead	160.44	176.57	185.45	244.27	268.68	289.73	317.79	319.02
Gallatin	101.50	115.82	138.85	185.41	199.72	184.75	244.49	257.39
Lewis & Clark	140.15	115.18	161.29	266.71	284.70	294.12	332.00	442.13
Missoula	147.77	173.34	176.31	254.85	271.14	284.15	300.11	307.56
Yellowstone	135.23	136.79	137.04	195.46	151.93	169.71	258.80	269.00

Employee to Popul	Residents per Employee							
Cascade	168.16	271.46	186.88	176.34	163.80	158.77	169.33	157.43
Flathead	185.06	205.76	201.82	173.17	177.80	177.74	172.11	173.75
Gallatin	283.50	232.01	183.82	184.36	190.85	197.04	192.17	196.12
Lewis & Clark	185.53	198.17	176.32	163.80	166.27	169.01	168.81	148.72
Missoula	213.82	182.27	165.51	159.75	158.03	158.63	158.62	148.39
Yellowstone	271.99	255.75	290.43	304.10	308.73	329.26	327.32	336.65

Taxable Value to Re	Residents per Taxable Value							
Cascade	1.17	1.32	1.33	1.34	1.38	1.53	1.48	1.50
Flathead	1.59	1.84	1.83	1.90	2.03	2.10	2.23	2.25
Gallatin	1.42	1.64	1.75	1.92	1.99	2.07	2.26	2.32
Lewis & Clark	1.39	1.51	1.57	1.51	1.57	1.60	1.70	2.28
Missoula	1.47	1.65	1.57	1.58	1.68	1.69	1.75	1.74
Yellowstone	1.70	1.79	1.69	1.58	1.64	1.76	1.76	1.83

**Montana Urban County
Comparisons:**

		1991	1995	2000	2005	2007	2008	2009
Cascade	Population	77,691	81,166	80,357	81,822	79,385	81,784	82,178
	Per Cap Income	10,114	18,369	23,721	27,523	30,647	34,417	36,533
	Taxable Value	91,219	107,008	107,197	109,296	121,155	121,155	123,562
	Total Mills	94.37	107.31	110.24	140.67	160.29	160.29	161.92
	Budget (16 fnds)	17,779,340	13,838,585	26,316,883	28,529,625	25,743,492	25,743,492	32,970,110
	Taxes	8,608,337	11,483,028	11,817,397	15,374,668	19,419,935	19,419,935	20,007,159
	FTEs	462	299	430	464	500	483	522
	Road Miles	1,594	1,594	1,495	1,322	1,519	1,411	1,522
Flathead	Population	59,218	67,285	74,471	82,601	85,314	86,766	89,624
	Per Cap Income	9,216	17,347	22,327	25,981	30,008	35,185	34,982
	Taxable Value	94,127	123,986	136,131	157,165	179,561	193,906	201,407
	Total Mills	100.94	95.82	101.45	128.38	137.66	142.20	141.96
	Budget (16 fnds)	14,478,428	19,216,709	26,275,025	34,837,041	32,927,206	44,057,994	46,640,608
	Taxes	9,501,179	11,880,339	13,810,490	20,176,843	24,718,367	27,573,433	28,591,738
	FTEs	320	327	369	477	480	504	516
	Road Miles	2,064	2,067	2,147	2,214	2,769	2,676	2,784
Gallatin	Population	50,463	57,771	67,831	80,748	87,359	87,243	90,343
	Per Cap Income	9,125	17,032	22,820	27,211	32,434	36,117	35,926
	Taxable Value	71,638	94,965	118,616	154,680	181,081	196,866	209,639
	Total Mills	71.50	70.46	79.40	96.79	89.13	108.35	110.92
	Budget (16 fnds)	11,671,437	14,496,609	24,147,807	35,573,754	47,159,636	48,467,506	50,048,860
	Taxes	5,122,117	6,691,234	9,418,110	14,971,477	16,139,750	21,330,431	23,253,158
	FTEs	178	249	369	438	443	454	461
	Road Miles	1,395	1,395	1,392	1,393	1,757	1,653	1,645
Lewis & Clark	Population	47,495	51,523	55,716	58,150	59,998	59,929	61,942
	Per Cap Income	10,208	18,469	23,600	28,079	31,151	36,553	38,243
	Taxable Value	66,043	78,014	87,562	87,919	95,719	101,877	140,921
	Total Mills	100.79	76.07	102.63	176.40	184.36	195.30	194.34
	Budget (16 fnds)	12,415,047	12,432,167	17,357,001	26,764,943	30,598,077	38,316,951	-
	Taxes	6,656,474	5,934,525	8,986,488	15,508,912	17,646,755	19,896,578	27,386,587
	FTEs	256	260	316	355	355	355	417
	Road Miles	1,334	1,316	1,350	1,256	1,448	1,319	1,514
Missoula	Population	78,687	85,669	95,168	102,239	105,650	105,638	108,623
	Per Cap Income	10,031	17,711	23,234	27,997	30,608	33,587	35,108
	Taxable Value	115,974	141,142	149,709	161,743	178,546	184,460	189,153
	Total Mills	100.26	105.21	112.08	161.09	168.14	171.87	176.62
	Budget (16 fnds)	18,991,802	27,170,404	40,962,540	44,020,749	57,853,654	66,030,622	67,546,446
	Taxes	11,627,553	14,849,550	16,779,385	26,055,180	30,020,724	31,703,140	33,408,203
	FTEs	368	470	575	640	666	666	732
	Road Miles	1,510	1,510	1,558	1,726	1,941	1,906	1,837
Yellowstone	Population	113,419	122,762	129,530	136,543	139,936	139,766	144,797
	Per Cap Income	10,519	19,676	24,425	29,421	33,215	38,124	38,927
	Taxable Value	193,079	219,821	218,717	215,714	246,297	246,297	265,673
	Total Mills	79.44	76.39	81.16	123.72	96.42	146.86	146.61
	Budget (16 fnds)	28,419,007	35,353,922	35,931,340	47,007,940	49,756,140	41,771,650	56,253,282
	Taxes	15,338,196	16,792,126	17,751,072	26,688,136	23,747,957	36,171,177	38,950,319
	FTEs	417	480	446	449	425	427	430
	Road Miles	1,702	1,702	1,560	1,351	1,575	1,478	1,583
State	Population	799,013	855,995	903,329	935,784	957,861	967,440	966,197
	Per Cap Income	9,869	18,101	23,355	27,702	31,344	35,664	36,620
	Taxable Value	1,595,221	1,787,064	1,900,647	1,779,929	2,028,679	2,114,450	2,166,431
	Total Mills (avg)	91.22	88.54	97.83	137.84	139.33	154.15	155.40
	Budget (avg)	14,329,287	18,111,635	24,112,286	31,367,405	36,382,452	39,774,121	36,748,199
	Taxes (avg)	56,853,856	9,357,962	11,124,257	17,233,425	18,712,259	22,779,127	25,265,001
	FTEs	5,671	5,675	6,256	6,440	6,720	6,627	7,055
	Road Miles (avg)	1,600	1,597	1,584	1,544	1,835	1,741	1,814