



## FY2019 BUDGET REQUEST

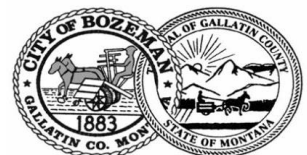
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*Mission: To promote and protect health and wellbeing in Gallatin County.*

*Vision: Healthy people and healthy communities.*

*Keith Wilson, Accountant, Gallatin City-County Health Department*

*May 2018*



## SUMMARY

The Department is requesting FY2019 appropriation of \$5.17 million (\$5.75 million with capital reserves), and is putting forth revenue estimates of \$4.81 million.

The final FY2018 budget contained \$4.80 million in appropriation (\$5.34 million with capital reserves), and revenue estimates of \$4.46 million.

## BUDGET TERMS & METHODS

**Appropriation** – authority to spend for the stated purpose (i.e., operations appropriation for operating costs, capital appropriation for capital costs).

**Expenditure** – what a business would call expense, but excluding costs associated with long-term liabilities. GAAP for government is the modified accrual basis of accounting with a current financial resources measurement focus. Employer contributions to pension is an *expenditure* of the current year, but non-current pension obligations, recognized under an economic resources measurement focus, are excluded from our current financial resources measurement focus; an increase in the total pension obligation over the year is an *expense*, but not an expenditure.

**Fund** – a segregated, self-balancing set of accounts. Fund accounting is used to enhance fiscal accountability, and budget laws often apply to the fund level.

**Mill** – one-tenth of one percent. Property tax rates are normally expressed in mills; 4.05 mills, then, is the nominal property tax rate 0.405% of taxable value (effective tax rates are often lower). The [ITEP Guide to Fair State and Local Taxes](#) offers an excellent summary of property tax mechanics.

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

The projections I use to keep program managers up to date generally\* assume even cash flows – in the case of this report, simply applying the rate of activity that occurred in the first 79% of the year to the remaining 21% of the year (thru the first pay period in April). This formula is sensitive to uneven cash flows, and gains precision as the year progresses.

This is especially true of revenues. The spring is a busy time for EHS and the travel clinic; precision will narrow as we approach year-end.

\*Fixed Charges, Capital Outlay, Debt Service, Transfers, and Building Maintenance project expenditures equal to appropriation, regardless of activity; Personnel and Equipment accounts carry forward realized variances, but project no future variances; intergovernmental revenue projections equal estimated revenues.

## EXPENDITURES

We are requesting \$5.75 million in total appropriation, which is an increase of \$409,306 over FY2018 appropriation.

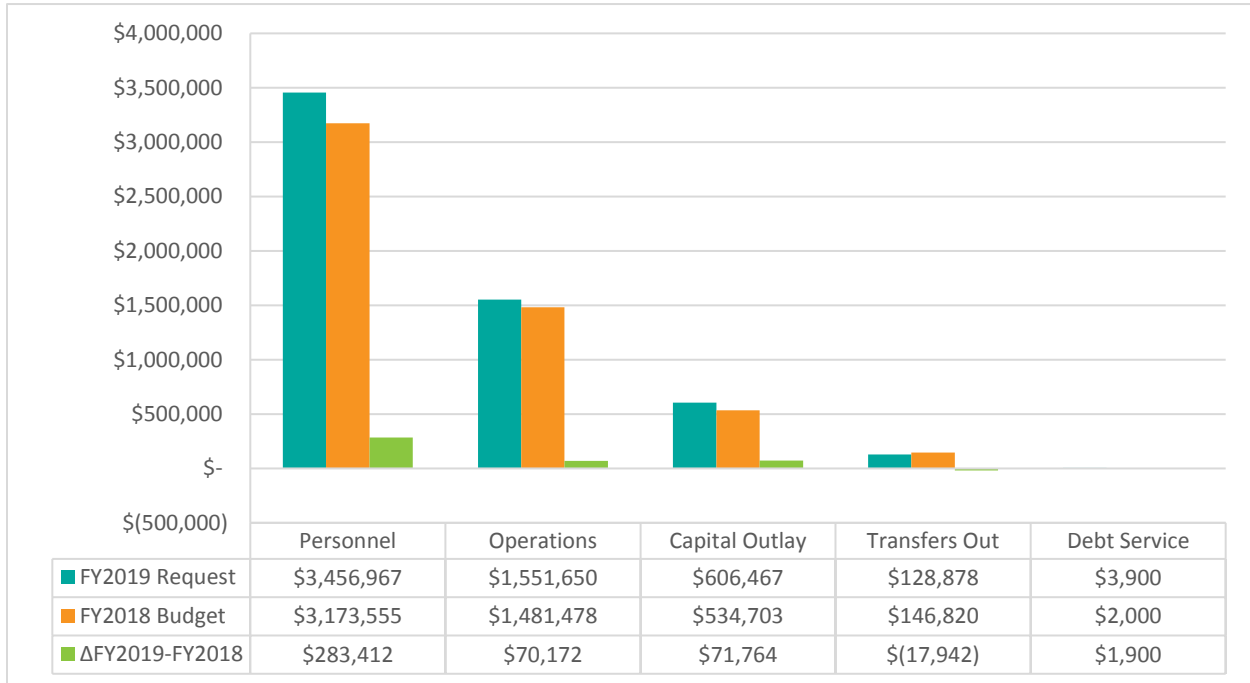


Figure 1. Appropriation FY2018 to FY2019 Request by Object

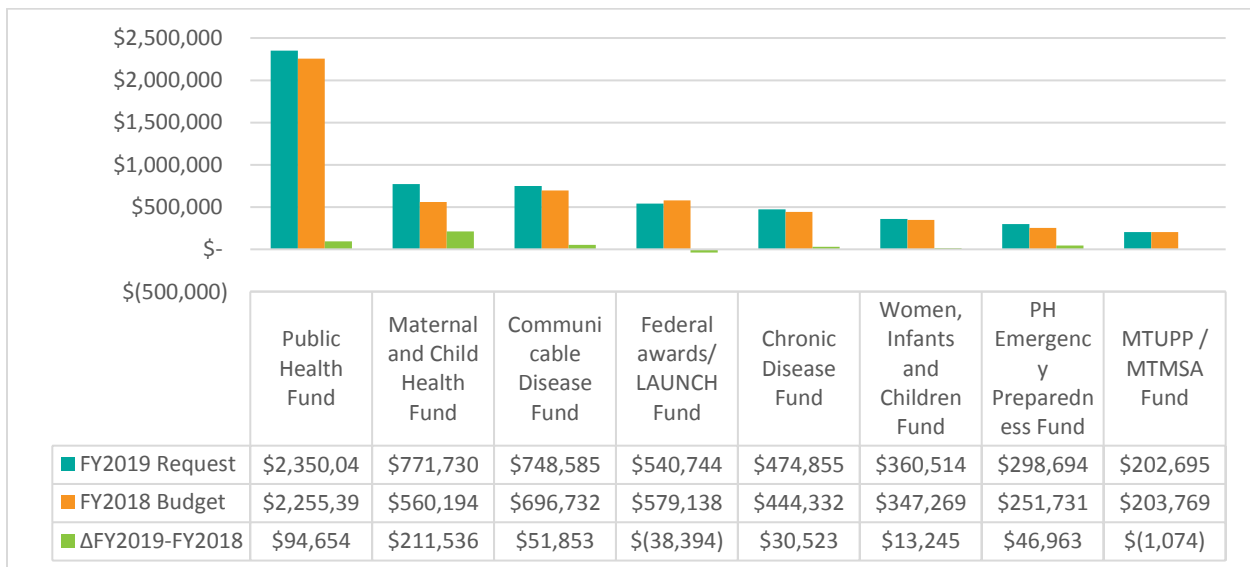


Figure 2. Appropriation FY2018 to FY2019 Request by Fund

## PERSONNEL

Personnel is our largest budget category. We are requesting \$3.46 million in personnel appropriation, which is an increase of \$283,412 over FY2018 personnel appropriation.

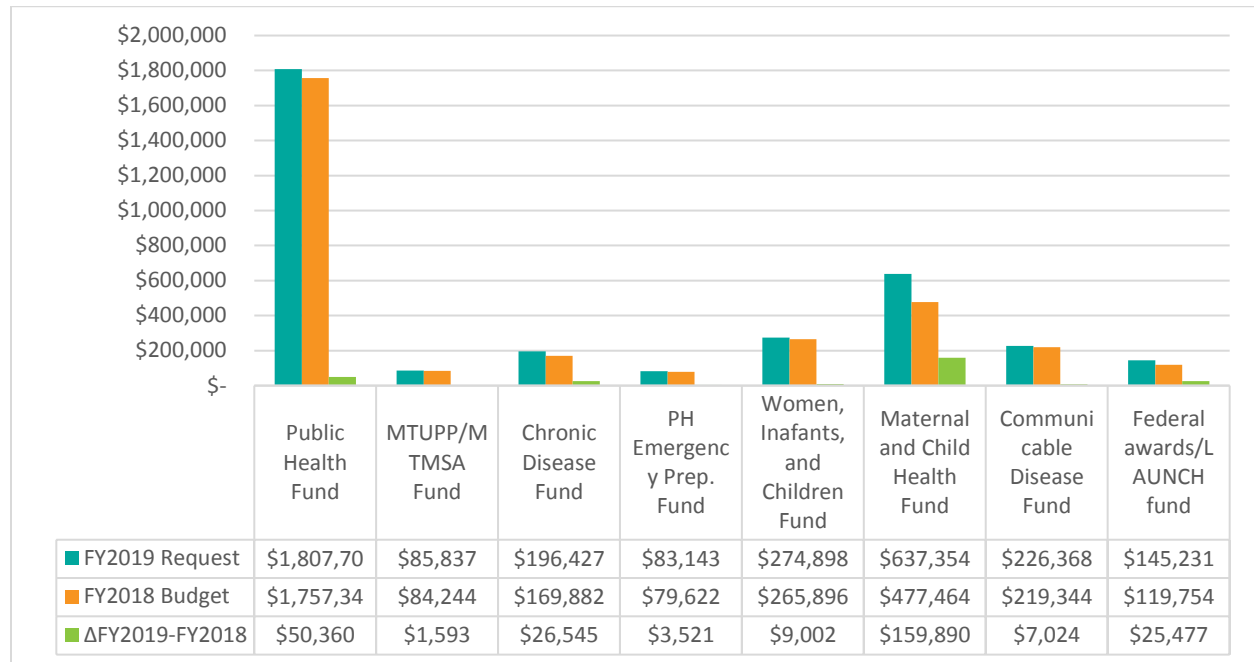


Figure 3. Personnel appropriation FY2018 Budget to FY2019 Request

Countywide, there were two cost increases that have been built into our start-up budget: a 0.1% employer increase to PERS retirement contributions (est. \$2,500 department impact), and an increase in health insurance premiums from \$10,400 to \$10,900 per full-time employee (est. \$23,800 department impact). Our request includes an expected change in addition to start-up: a set of COLA adjustments, 3% in July and another 3% in January (weighted average 4.545%, est. \$97,000 department impact), in lieu of merit increases given on an employee’s review date (est. \$30,000 savings). The County Commissioners will vote on both items, COLA and merit increases, in June. Each of the changes above, including the COLA increases, are consistent with guidance from County finance and HR officials and are consistent with treatment of all other classified County employees.

Apart from the countywide items, the Department has five personnel requests: an additional full-time land sanitarian (\$48,053); overlapped training for a new establishment sanitarian (\$9,979); 0.8 FTE registered nurse (RN) addition to our Communicable Disease Program (\$54,131); 0.4 FTE increase in Chronic Disease to bring a Health Promotion Specialist to full-time; and the creation of a 1.0 FTE Behavioral Health Consultant. Two of these changes – the 0.4 FTE increases in Chronic Disease capacity, and the 1.0 FTE Behavioral Health Consultant - are entirely funded through grant revenues and will not require local tax dollars. The costs of one other position – the 0.8 FTE Communicable Disease Nurse – would be substantially funded from non-tax revenues (immunization fees) generated by additional clinic capacity and revenues. We are proposing to fund 1-2 years of the full-time land sanitarian with available fund balance generated in FY2018, as a senior land sanitarian approaches retirement.

## OPERATIONS

We are requesting \$1.55 million in operating appropriation, which is an increase of \$70,172 over FY2018 operating appropriation.

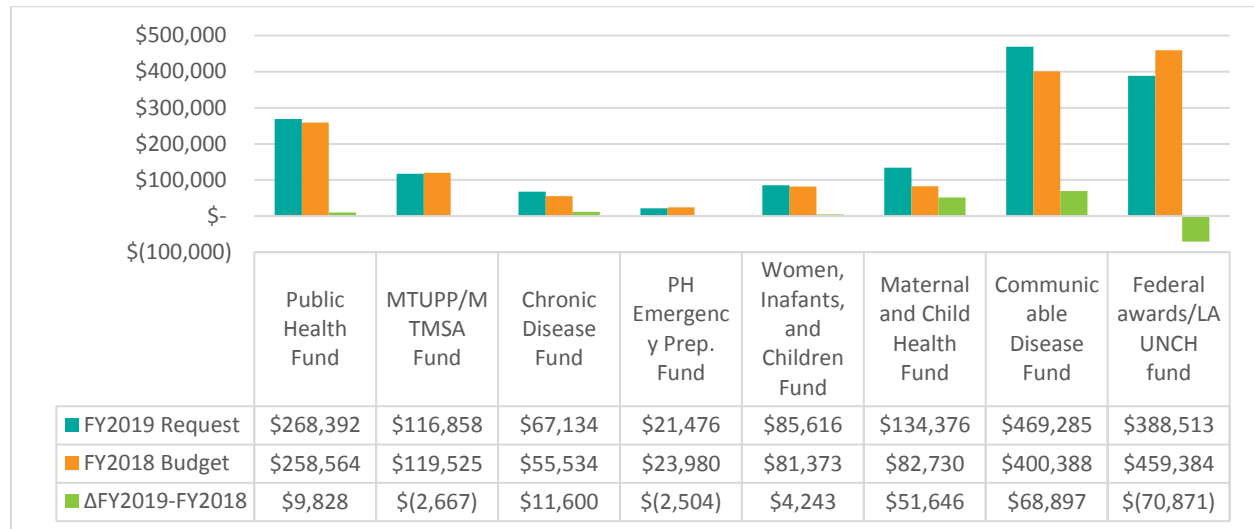


Figure 4. Operating appropriation FY2018 Budget to FY2019 Request

We had several line-item increases in the operating budget: building maintenance allocation rates increased by 8%, resulting in a \$9,831 department impact; liability insurance is expected to increase by an average of 8% (estimated \$2,500 impact); and chemical supplies in the clinic may increase by \$62,900 to accommodate extra demand.

Many of our grant awards have remained level through multiple award cycles, and the mill levy for our tax-supported positions has only decreased in the past decade. Every year during this period, we have faced increasing costs – most notably, personnel costs. To accommodate increasing costs, discretionary line-item levels in the operating budget (e.g., professional development, conference and meetings costs) have been leaned to those priorities specifically identified and costed for FY2019. Budgeted operating transfers to grant funds were reduced overall in FY2019 (budgeted \$146,820 in FY2018); however, the budgeted transfer to the Women, Infants and Children fund has increased from \$105,876 in FY2018. The personnel cost increases described above contributed an \$8,789, or 3%, towards this increase; the operating budget increased \$4,939, or 6%; and the budgeted grant revenues decreased by \$10,275, or 4%. Each year, DPHHS amends WIC budgets to re-appropriate unspent balances: the FY2018 amendment was \$49,895, much larger than the FY19 amendment of \$18,500, causing the decrease.

## CAPITAL OUTLAY AND CAPITAL RESERVES

We are requesting \$606,647 in capital outlay appropriation or capital reserves, which is an increase of \$71,764 over FY2018 capital outlay appropriation and capital reserves.

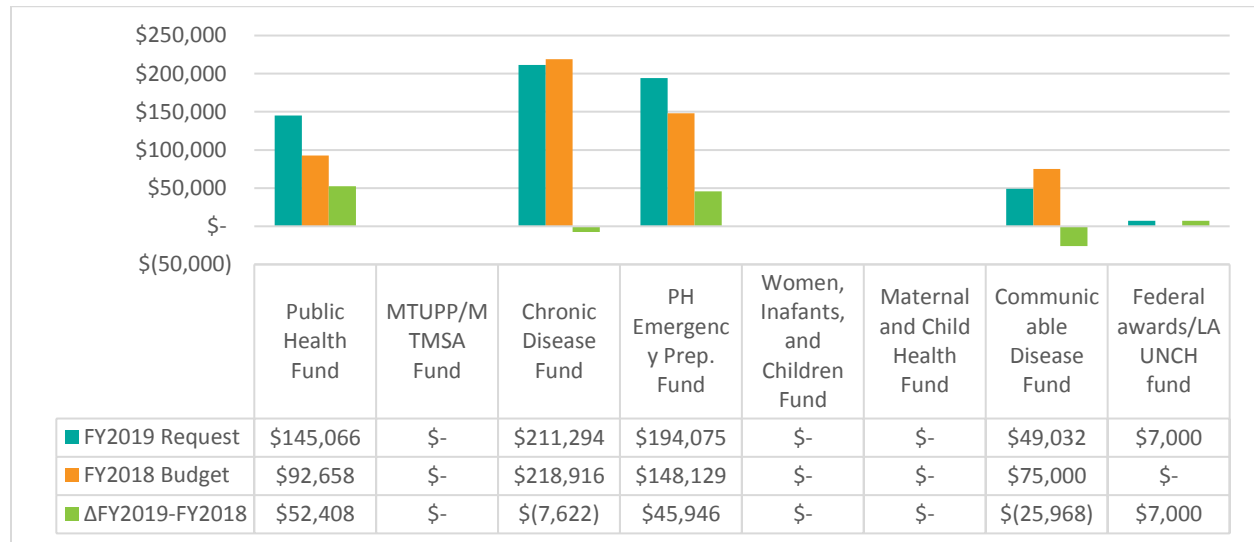


Figure 5. Capital Budget FY2018 to FY2019 Request

We have three capital outlay requests in FY2019: a vision-screening machine, purchased under Project LAUNCH, for \$7,000; an estimate of the cost to update [healthygallatin.org](http://healthygallatin.org) for mobile viewing and other improvements (\$10,000); and an estimate of the renovation cost to update our education room (\$7,500).

Three of our grant funds have Cash on Hand in excess of policy requirements; Chronic Disease, \$211,294; Public Health Emergency Preparedness, \$194,075; and Communicable Disease, \$49,032. These excess amounts are placed in Capital Reserves, a placeholder account for future spending, convertible to, but not equal to, current-year appropriation. The Public Health Fund is also expected to carry Capital Reserves after CTV is announced in August.

## REVENUES

We have estimated \$4.81 million in revenues, which is an increase of \$368,252 over FY2018 final estimates.

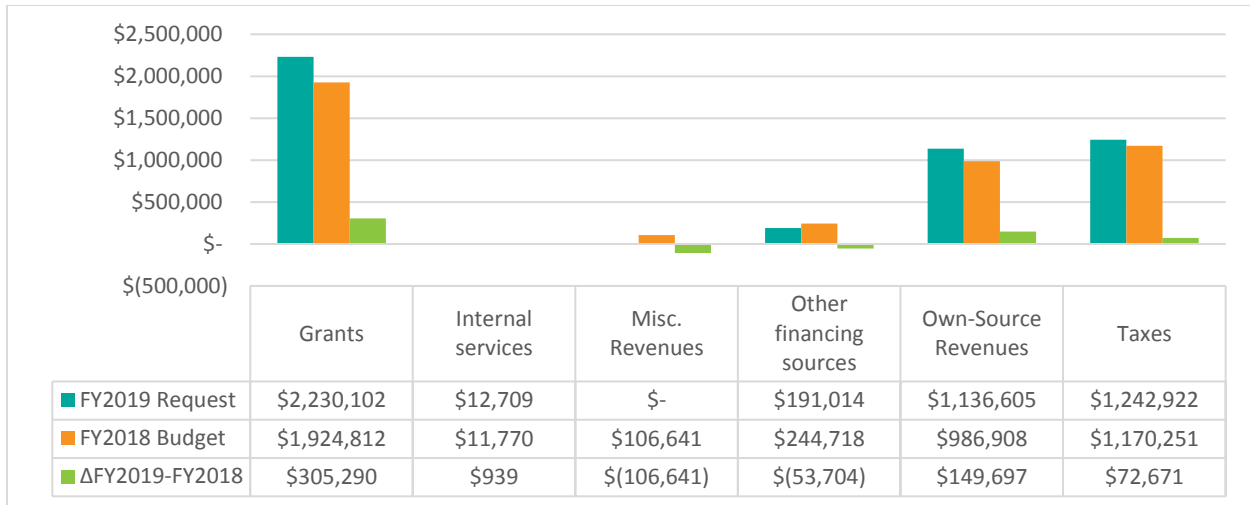


Figure 6. Total Revenues FY2018 Budget to FY2019 Request

## GRANT REVENUES

We have estimated \$2.23 million in own-source revenues, which is an increase of \$305,290 over FY2018 final estimates.

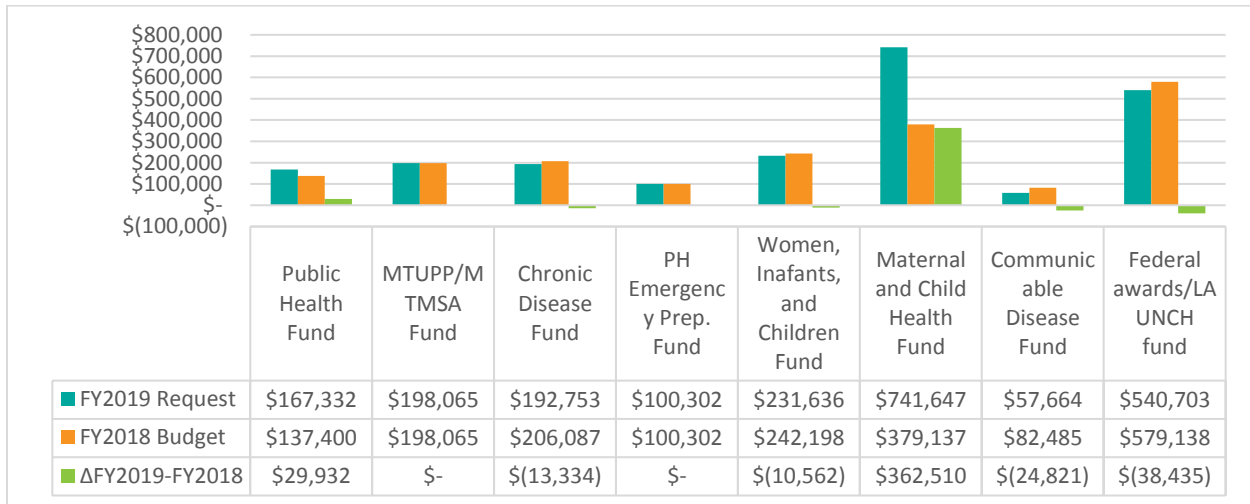


Figure 7. Grant Revenues FY2018 to FY2019 Estimate

Grant revenues make up 46% of the Department’s FY2019 revenue estimates. All projected grant revenues in the FY2019 request lie on the Human Services side. Changes for FY2019: competitive performance exceeding MIECHV deliverables allowed us to add 2.0 FTE home visitors in FY2018, and will allow the addition of a Behavioral Health Consultant in FY2019.

## OWN-SOURCE REVENUES

We have estimated \$1.14 million in own-source revenues, which is an increase of \$149,697 over FY2018 final estimates.

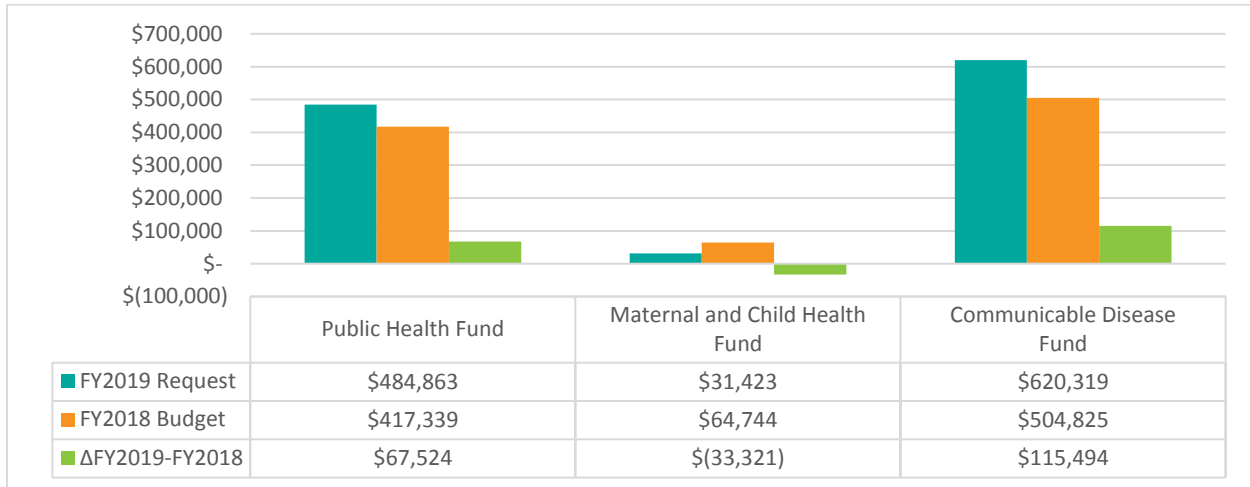


Figure 8. Own-source revenues FY2018 Budget to FY2019 Request

Own-source revenues make up 24% of the Department’s FY2019 revenue estimates. The Department derives own-source revenues in Environmental Health (i.e., wastewater treatment permits, subdivision review fees, etc.), the immunization clinic (for both travel and routine vaccinations), and in home visiting (mainly Targeted Case Management revenues from Medicaid). For a detailed discussion of own-source revenues, please see March’s report to the Board, [Revenue Forecasts FY2019](#).

In the Maternal and Child Health fund, we have estimated \$31,423 in own-source revenues, which is a decrease of \$33,321 under FY2018 final estimates. Our home visiting staff derive own-source revenues by offering contracted classes to the Department of Family Services and by billing Medicaid and private insurance for Targeted Case Management (TCM) and other home visiting services. Although TCM revenues were increasing dramatically between FY2014 and FY2017, Medicaid recently delivered cuts to Targeted Case Management reimbursement rates (for our mix of services, roughly a 36% decrease) and tightened eligibility requirements for participants.



## TAXES AND DISTRIBUTED REVENUE

Property tax revenues, and distributed revenues from state agreements, make up 26% of the Department’s FY2018 revenue estimates. The Public Health Fund had a mill levy of 5.01 from FY2003 to FY2010; after a decrease in FY2011, a Mental Health mill levy of 1.0 mills entered the Fund, and the GCCHD portion of the mill levy was reduced to 4.52 mills in FY2012. The mill levy decreased again in FY2018 to 4.05 mills. We are not requesting a mill levy increase to fund our 1.0 FTE Registered Sanitarian request, opting instead to fund the increase with working capital. Our request uses a projected [Certified Taxable Value of \\$301,311](#), and a mill levy of 4.05 mills. (5.05 Public Health mills, with Mental Health fixed to 1.0 mill).

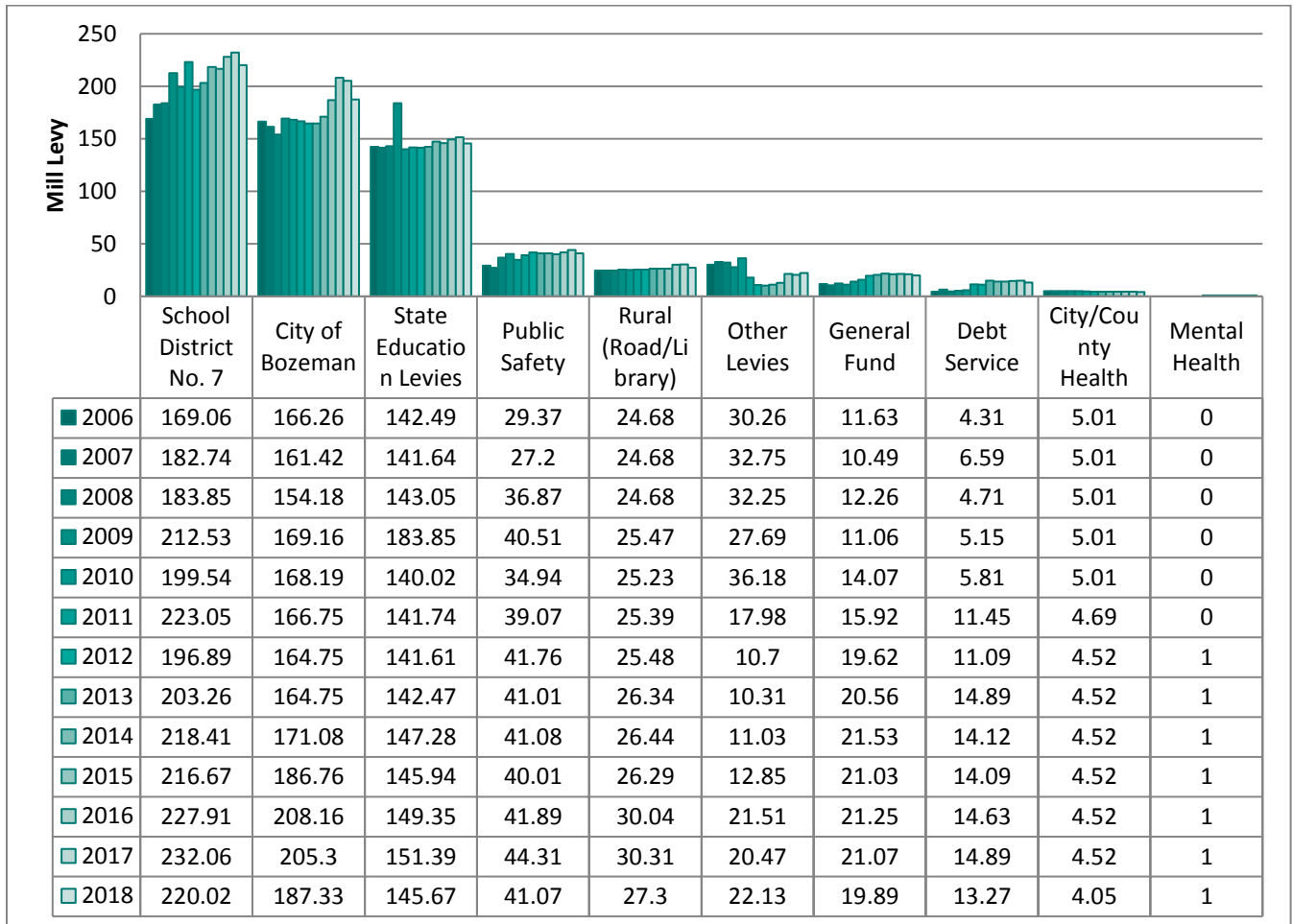


Figure 9. Adopted Mill Levy from FY2006-FY2018

## BALANCE

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

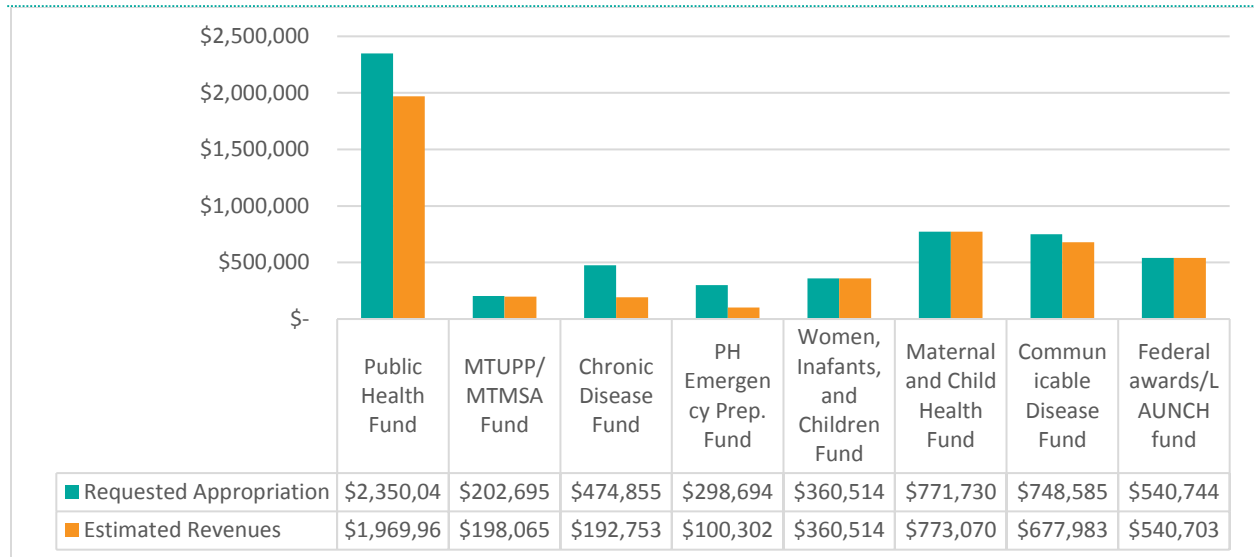


Figure 10. Estimated FY2019 Balance by Fund

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

Nearly all major departments in the County were projected to fund ongoing operations with available fund balance in FY2018. This occurs for a few reasons: many revenues, including property tax revenues, are estimated conservatively in the start-up budget; budget laws create incentives for inflated appropriation requests; and some funds have cash balances in excess of policy requirements.

Gallatin County has a financial policy that requires between 10%-18% of a fund's operating budget be designated annually as an operating reserve (16-24% for grant funds)– because the Local Government Budget Act's definition of working capital excludes designated reserves, our operating reserves are not available to balance the budget.

Three of our grant funds have Cash on Hand in excess of policy requirements; Chronic Disease, \$211,294; Public Health Emergency Preparedness, \$194,075; and Communicable Disease, \$49,032. These excess amounts are placed in Capital Reserves, which are convertible to, but not equal to, current appropriation. After CTV is approved in August, we expect the Public Health Fund to carry Capital Reserves of \$127,566.

A worst-case scenario has the Public Health Fund entering FY2020 with \$725,000 in Cash on Hand, projected to be below the amount required for operating reserves. A more likely scenario (the department entering FY2020 with Cash on Hand of \$900,000) is still problematic for operating reserves. The Public Health fund is required to hold enough available fund balance to cover its own operating reserve plus the operating reserves' of our grant funds, and our increased grant activity in those funds require greater operating reserves. Paired with continued cash use in the Public Health Fund, we are likely to pressure the operating reserve in FY2020, as the amount required to keep on hand in the Public Health Fund approaches a statutory ceiling of 33%.

In recent years, we have made better use of available appropriation by forecasting revenues and projecting expenditures more accurately, and by leaning hidden reserves. However, some of this budget slack is outside of our control – changes in taxable valuation are not known at the time of department requests, and, in years of increases, newly available revenues are not budgeted until August. It is possible that we will again accrue favorable variances in the Public Health Fund; however, we have demonstrated that our gaps are closing, and more ongoing revenue is required to keep our operating reserves in compliance.

#### CONCLUDING REMARKS

This budget request is step two of a five-step process that will end on August 28, when the proposed budget is presented to the Commission at a public meeting. Between now and then, estimates that I have included (e.g., COLA, liability insurance, etc.) may change.

I anticipate three possible amendments mid-year: grant award amounts have not been received for federal fiscal year or calendar year grants, and are estimated to be level; we expect to bid on a SAMHSA project that could add expand mental health work; and immunization clinic appropriation may need to be adjusted to match demand. As always, I am available for questions or comments at [keith.wilson@gallatin.mt.gov](mailto:keith.wilson@gallatin.mt.gov) or (406) 582-3103.

2270 PUBLIC HEALTH FUND	Budget		Actual*		Budget		Projection		Request	
	FY17		FY17		FY18		FY18		FY19	
<b>REVENUES</b>										
Tax Revenue	\$	1,130,766	\$	1,136,550	\$	1,165,459	\$	1,176,267	\$	1,242,922
Non-tax Revenue	\$	736,642	\$	806,385	\$	700,424	\$	835,985	\$	727,040
Transfers In (out)	\$	(146,820)	\$	(126,687)	\$	(146,820)	\$	(87,982)	\$	(128,878)
<b>TOTAL</b>	<b>\$</b>	<b>2,120,078</b>	<b>\$</b>	<b>2,196,645</b>	<b>\$</b>	<b>1,719,063</b>	<b>\$</b>	<b>1,924,270</b>	<b>\$</b>	<b>1,841,084</b>
<b>EXPENSES</b>										
Personnel	\$	1,632,795	\$	1,564,675	\$	1,757,349	\$	1,616,701	\$	1,807,709
Operations	\$	299,993	\$	244,657	\$	258,564	\$	241,755	\$	268,392
Debt	\$	72,301	\$	72,568	\$	-	\$	-	\$	-
Capital Outlay	\$	209,977	\$	52,087	\$	92,658	\$	-	\$	145,066
<b>TOTAL</b>	<b>\$</b>	<b>2,215,066</b>	<b>\$</b>	<b>2,247,195</b>	<b>\$</b>	<b>2,108,571</b>	<b>\$</b>	<b>1,858,456</b>	<b>\$</b>	<b>2,221,167</b>
Cash on Hand*	\$	1,091,548	\$	1,091,548	\$	1,039,427	\$	1,039,427	\$	1,105,241
Working capital (used)	\$	(494,478)	\$	(52,121)	\$	(389,507)	\$	65,814	\$	(380,083)
Operating Reserve	\$	(600,000)	\$		\$	(649,920)	\$		\$	(725,158)
<b>BALANCED BUDGET</b>	<b>\$</b>	<b>(1)</b>	<b>\$</b>	<b>1,039,427</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>1,105,241</b>	<b>\$</b>	<b>-</b>

Operating Reserve 10-24%

2270 only 23% 31% 33%

\*Fund Balances retrieved from Gallatin County CAFRs; FY2017 contained a \$63k favorable variance outside of GCCHD

Dept. Op. Reserve Needs

Public Health Fund	\$	(392,361)	\$	(334,366)	\$	(421,439)
MTUPP/MTMSA Fund	\$	(7,325)	\$	(2,637)	\$	-
Chronic Disease Fund					\$	-
PH Emergency Prep. Fund					\$	-
Women, Infants, and Children Fund	\$	(56,357)	\$	(55,563)	\$	(75,270)
Maternal and Child Health Fund	\$	(62,564)	\$	(62,833)	\$	(70,324)
Communicable Disease Fund					\$	-
Federal Awards/LAUNCH Fund	\$	(81,393)	\$	(90,879)	\$	(120,784)
	\$	(600,000)	\$	(546,278)	\$	(687,817)