

Broadwater County Public Safety Budget Analysis

Report of Findings

Introduction

A. Challenge Statement

In September 2018 I was invited by Broadwater County Commissioner Laura Obert to conduct an independent budget analysis of the Public Safety Fund. The purpose of this independent review is to assess the current state of the Fund, reveal important revenue and expenditure patterns, explain the challenges for full-cost financing of public safety operations and to recommend near-term strategic budgeting actions for stakeholders to consider.

During the fourth calendar quarter of 2018 I conducted several interview sessions with the County Sheriff, the Undersheriff and the Jail Facilities Administrator to gather information about current and future factors that are impacting and may further affect Public Safety Fund revenues and expenditures. This team was extremely open and helpful to me in digesting the financial data, information and reports that have been readily available to all stakeholders.

The challenge that has been put forth to me is simple to state: From a governmental finance and budgeting perspective, what should be done to support and sustain the Public Safety Fund?

The response to this challenge is somewhat complex. This report, then, answers the questions as to the true state of the Public Safety Fund, what should be done to sustain the Fund as well as the public safety functions of Broadwater County and what is a strategically sound approach to implement.

B. Sheriff Office's Law Enforcement Mission

The duties of the county sheriff are enumerated in 7-32-2121 MCA and traditionally include preserving the peace, and arresting and detaining persons who breach the peace. The complexity and range of responsibilities of the sheriff's office are as unique as the number of counties in the nation – each having shaped their law enforcement operations to local needs. In smaller counties with limited resources and little division of labor, peace officers are called upon to perform numerous tasks and to develop skillsets to match. All while receiving (usually) less compensation than their counterparts in larger jurisdictions.

The Broadwater County Sheriff Department's mission is to take a proactive community policing approach to develop citizen trust and support. This high-visibility mission approach is designed to create better rapport with citizens, heighten community quality of life, less fear of crime and generally a greater sense of safety. Community policing best succeeds when operations are decentralized. Additionally, the Department's mission is to expand detective operations (+2FTE), proactively work with partnering agencies to improve safety on the I-90 and HWY 287 corridors (+2FTE) and renew a presence in the school system.

Realization of this mission will occur as law enforcement presence can extend to underserved areas, especially in the southern end of Broadwater County. Additional services are needed in other population centers as well. This is evidenced by the significant growth in service calls and the reduction in law enforcement activities provided by cooperating agencies. Proper law enforcement requires newly established facilities, expansion of staff, as well as improving staff retention through pay enhancements.

As the county population grows, this community policing mission will be stretched thin without the commensurate growth in revenue derived from that growth.

C. Recent History of Budgeting Issues

Even under the best of conditions budgeting is difficult. Experts have tried to bring reforms to the budgeting process that introduce more rational characteristics, but it shouldn't surprise anyone that budgeting remains an annual incremental exercise interrupted by large events. By that I mean that the large events can completely disrupt an ordinary progression of revenues and expenses that allows service delivery to be predictable.

So, what have been some of the large events? Here are a few (this audience will know much more than I): the unexpected loss in commercial taxable value due to a tax appeal, the tragic loss of a law enforcement officer, the lag in realized property tax value due from new development, unfunded and underfunded mandates, financial liability due to changes in accounting and financial reporting requirements. And that doesn't count what is coming next.

Every year, setting the budget is a zero-sum proposition. Very few programs and activities are fully funded and there are tradeoffs. The tradeoffs can seem political, but more likely they aren't. Every governing board makes the best decisions they can about the resources they have and services they choose to fund for the greatest public good. And some governing boards make decisions that have lasting effect on future boards. All the decisions need to be tested by time and revisited as necessary in future budget years. That is a necessary step, post budget evaluation, that most governments omit.

D. General Budgeting Requirements

Local government budgeting is a difficult and contentious process. But, at least we get it done. Consider our federal government. It survives with continuing resolutions, hasn't produced a balanced budget in recent memory, and this year considers the executive budget proposal dead on arrival.

General purpose governments – such as counties – are constrained in their budgeting actions by at least four important forces. First, the legislature imposes statutory limits to their ability to obtain financial resources. Secondly, taxpayer attitudes about the value of provided (or proposed) services translates to a willingness to pay – or a lack of willingness – that creates a political barrier to accessing taxpayer resources. The third force that constrains budgeting actions is a general lack of interest by the public in the acquisition and allocation of taxpayer resources unless and until that acquisition and allocation becomes personal. And local governments cannot fund operations with debt. There are certainly other constraints that could be mentioned.

Even with the constraints we underestimate how difficult budgeting can be. There are two parts to the budget: The expenditure budget and the revenue budget. Each of these budgets is rife with choices. Then we add one degree of difficulty in matching the two. But, wait! Additional degrees of difficulty come from program budgets affecting other programs within a business unit (or fund category) and from budgets of one business unit affecting other business units.

We must start someplace, right? Normally, the place to start is with expenditures. What is our need for revenue? I like to employ something like a 90/10 rule. This means that most of what we need to do (let's say 90% of what we need to do) is the same from year to year. The remaining 10% might be new things we need to do. It is important to do a good job calculating what the 10% of new things we will do

will cost because both the 90% of existing things and the 10% of new things are risks to our need for revenue.

Risk doesn't sound good does it? On the surface it doesn't, but risk is made up of two parts; the probability that an expenditure will not be accurate and an assessment of the risk that gives us an idea of what we'll do if there is a high probability that cost will change. The higher the cost and probability, the higher the impact. This is essential because expenditures drive how much revenue we need to get from our taxpayers, other business units, or other sources. For every one of the 90% or 10% expenditures there are both internal and external forces that create risks. Every one.

Therefore, risk assessment is paramount. Changes in citizen demand for service, inflation, costs of service, economic factors, state government restrictions on local governments (and other mandates), etc., are all risk factors that we should think about and understand.

Now for the revenue budget. In a perfect world without constraints we would simply acquire revenues to meet our expenses. Constraints are real. The other reality is that revenues have risk factors, too. If a government wants to have all the revenues it needs to fund that perfectly crafted expenditure budget that we just created, that government would seek revenues that are as risk free as possible. Again, we are calculating the probability of the revenue sources (revenue streams) we are using and determining if we need action plans if revenues are not forthcoming as expected. Note that a revenue source needs a risk assessment every year, even if the stability performance has been wonderful.

Here's a simple example: A small town water utility constructs its expenditure budget including operations, system improvements and future system replacement. It then equitably charges the water users for those total costs. If 90-100% of the revenue comes from customers using the water, the revenue stream is at relatively low risk. It is not 0% risk because a downturn in earning power of residents or other factors could affect the revenue. But, compared to another water system that doesn't expense system replacement and that tries to find grant revenues to pay for some operating costs, they are doing pretty good.

This section has been about general budgeting requirements. The last general requirement I need to mention is expenditure and revenue forecasting. It isn't enough to look at expenditure and revenue risk for the coming budget cycle. Internal and especially external forces are always active (to varying degrees) on revenues and expenses. What I have learned from my interviews and discussions in Broadwater County is that the need for money (expenditures) and the sources (revenues) that seem so stable can change dramatically.

In Broadwater County's experience, external actions such as mandated standards or other government's decisions, can transform a stable revenue or expenditure into something that seems like it was backed by Bitcoin. Taking a long view and being observant to changes in risk characteristics of both revenues and expenditures is essential. Finally, if you know changes in your need for money or your ability to get it is likely, then not acting has consequences. This leads to the next section, which is my recommendation to move toward strategic budgeting.

E. Need for a Strategic Approach to Budgeting

The outlook for the Public Safety Fund can be expressed in one word, perilous. As will become evident from this report, continuing the same course in the face of numerous changes in internal and external factors is extremely risky. Revenue and expenditure budget decisions that proved appropriate in the

past must be continually tested against expected conditional factors in the near term. Governments may survive for a time while adopting an incremental approach to revenue and expenditure budgeting. But those that wish to be resilient in the face of changing conditions adopt a more strategic approach where risks to revenue streams and expenditure levels are assessed for probability of occurrence and mitigation responses to risk events are carefully crafted.

Strategic budgeting is hard to do, yet it is necessary – especially when resources are tight. It is also why so few small governments go through the process.

Our experience tells us that most of the risks to our revenue budget are external to the organization. Most, but not all. In Broadwater County, decisions made in the past are going to critically affect the Public Service Fund. These decisions may have seemed low risk at the time, but now risk probabilities have changed. The risk to revenue has increased and will continue to increase in the Public Safety Fund for three reasons. First, because of past decisions by the County to rely on fee for service revenue (Prisoner Board) for the jail operations. Second, the past decisions by the County to use excess fee for service revenue from the jail fund to replace more reliable property tax revenues for other Public Safety programs. And third, external decisions by other local governments and state government (Department of Corrections) that have the effect of significantly reducing fee for service revenue.

Of course, fluctuation in the market conditions that reduce fee for service revenue are not a problem if there is a ready source of stable replacement revenue for predicted downturns. Ready replacement revenue ensures resilience in the face of market volatility. On the other hand, designing a revenue budget that expects that excess fee for service revenue could be used for supplemental programmatic purposes allows for sustainable base service delivery and the possibility of special one-time program enhancements.

Broadwater County officials need to act decisively and strategically change the financial condition of the Public Safety Fund from perilous to resilient. In saying decisively and strategically, I must be blunt – the County needs to immediately focus on the revenue budget. Resiliency will less result from modifications of the expenditure budgets than on seeking to optimize stability in the revenue budgets. If the outcome of strategic revenue budgeting is that revenues absolutely cannot be found to sustainably support the County’s current law enforcement mission, only then should level of service be decreased. This is why I used the word perilous: Marginal decreases in program expenditures and/or seeking new pots of funding will not come close to offsetting the expected downturn of fee for service revenue expected in fiscal year 2021.

Revenue Budgeting Issues

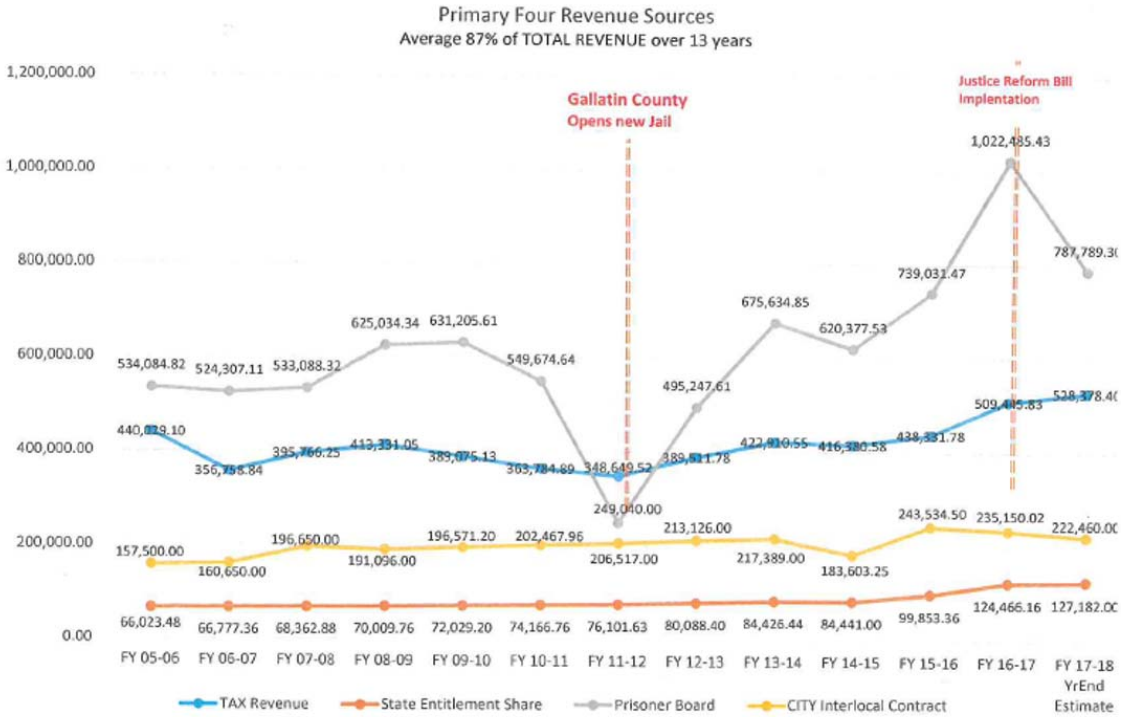
A. Sources and Constraints of Major Revenue Sources

The Public Safety Fund has a revenue budget that consists of 19 sources. Over the past three years these sources produced an average of just over \$1.8M. The most significant revenues (by order of significance, in percentage) are:

Prisoner Board (fee for service) 46.3%
Property Tax 23.4%
City of Townsend 11.9%

Interfund Transfer 8.1%
 State Entitlement Share 5.9%

Figure 1. Historic Trend of Major Revenue Sources (Excluding Interfund Transfers)



These five sources comprise about 96% of total revenues. Of these, there is high reliance on two sources that make up 54.5% of the revenue budget – Prisoner Board and Interfund Transfer. The most significant source is the Prisoner Board (fee for service) revenue that supports 46.3% of the total expenditures. This is a revenue source that has high risk potential. Interfund Transfer (8.1%) is reported as revenue but is more likely an end of the year adjustment to revenues to meet total end of the year expenses in the Public Safety Fund.

The bottom line on revenue sources is that everything in Public Safety in the future will rely on decisions regarding the first three revenue sources. [Refer to Table 1.]

1. Detention Facility (Prisoner Board) Revenues

The jail facilities of Broadwater County are a significant potential revenue producer for the Public Safety Fund (Fund). The business model that has been used by the County is to leverage the facility by offering incarceration services to the Department of Correction and other local governments on a prisoner per diem basis. This is a model that has proven generally successful prior to FY11-12 even though the annual revenue performance has fluctuated relative to the market for incarceration services.

Table 1						
Broadwater County Revenue Budget						
Source	2300 subacct	3 yr. avg. act.	Prelim plan A	Difference	%	
Prisoner Board	342012	\$ 836,745	\$ 837,309	\$ 564	46.30%	
Property Tax	311010	\$ 422,829	\$ 599,446	\$ 176,617	23.40%	
City Townsend	342044	\$ 215,177	\$ 222,460	\$ 7,283	11.91%	
Interfund Transfer	383000	\$ 146,641	\$ 69,000	\$ (77,641)	8.11%	
State Ent. Share	335230	\$ 106,011	\$ 126,515	\$ 20,504	5.87%	95.58%
BOR Patrol	342013	\$ 38,693	\$ 88,176	\$ 49,483	2.14%	
Prisoner Meds	342015	\$ 16,219	\$ 14,000	\$ (2,219)	0.90%	
Miscellaneous	360000	\$ 5,625	\$ 1,000	\$ (4,625)	0.31%	
Conc. Weapon	323040	\$ 4,617	\$ 4,000	\$ (617)	0.26%	
Inmate Phone	342016	\$ 3,776	\$ 2,250	\$ (1,526)	0.21%	
Personal Property Tax	311020	\$ 2,557	\$ -	\$ (2,557)	0.14%	
Sheriff Fees	342011	\$ 2,098	\$ 2,500	\$ 402	0.12%	
Mobile Home Tax	311021	\$ 1,843	\$ -	\$ (1,843)	0.10%	
Contributions	365000	\$ 1,667	\$ -	\$ (1,667)	0.09%	
Penalty/Delinquent	312000	\$ 1,290	\$ 1,374	\$ 84	0.07%	
Motor Vehicle Tax	311030	\$ 771	\$ -	\$ (771)	0.04%	
Inm Commissary	342018	\$ 710	\$ -	\$ (710)	0.04%	
Personal Property Tax	311022	\$ -	\$ -	\$ -	0.00%	
Net&Gross	311040	\$ -	\$ -	\$ -	0.00%	4.42%
Total		\$ 1,807,269	\$ 1,968,030	\$ 160,761	100.00%	

The high reliance on this revenue source in the overall Fund budget is dangerous. This is because there is a base or minimum total cost for servicing prisoners that is not scalable. Simply put, personnel and other operational costs are the same whether 100% or 50% of the available capacity designated for fee for service prisoners is utilized. Obviously, this revenue source is only dependable when the fee for service capacity is completely used.

This is the most important thing to know about this revenue source: Prisoner Board revenue is 46.3% of the total Fund revenue budget. The total expenses of the Detention Facility are 40.9%. This means that when operating at full capacity, the Detention Facility contributes surplus dollars to other Public Safety Fund activities. The County counts on full capacity performance and budgets Prisoner Board revenue assuming that there will be an average census of 36 “paying” customers per month.

Revenue Trend The Prisoner Board revenues have varied according to the market for incarceration services over the past seven years with a high of \$1.02M in FY16-17 and a low of \$249K in FY11-12. So, here is the most significant revenue source for the Fund with high sensitivity to external forces. The low point in the revenue trend came after the opening of the Gallatin County jail when revenue dropped by \$300K. And even the high point in the trend was short lived when revenues dropped by \$215K following State Justice Reform Implementation in FY16-17.

Outlook We know that this revenue source will decline significantly beginning in FY19-20 because the market demand for incarceration service will likely plummet with the opening of the Lewis & Clark County Detention Facility at the end of the first quarter of the 2020 calendar year. That facility may also

compete with Broadwater County in the marketplace because it offers geographic proximity to Interstate 15 for northern counties. Of course, L&C pricing is another comparative factor.

I estimate that in FY19-20 the County could weather the decline in market share because it is at the end of your fiscal year and certain operations costs are scalable with a decrease in prisoners served. After that, expense serviced by fees for services will need to shift to one of the other revenue sources. I am also confident that it will be virtually impossible to finance detention facility costs with this revenue source and the possibility of surplus funds being available for other Public Safety Fund purposes will be non-existent.

2. Property Tax Revenues

The Public Safety Fund derives 23.4% of total revenue from property tax. Property tax is derived from property owners as a function of property value. Property owners pay a rate (millage rate) per \$1,000 of property value. Traditionally, property has been an important source of revenue for most local government public safety operations and Broadwater County allocated nearly \$545K in property tax revenues to the Public Safety Fund in FY17-18.

Property tax is generally a stable revenue source for counties and generally increases each year due to increased value of properties overall as well as from an increase in taxable properties added to the tax rolls. New properties and the corresponding increase in population both contribute to a higher demand for law enforcement services (generally). The greatest threats to property tax as stable revenue source are broad economic downturns, statutory limitations regarding the imposition of property tax, and significant (downward) adjustments to property value.

In examining a fourteen-year analysis of the property tax allocation to the Public Safety Fund, I observed a decreased contribution of dollars from this source from FY 05-06 to FY12-13 and then an increase in dollars from FY13-14 through FY17-18. It is obvious that the overall increased allocation of dollars is very positive for the Fund. Of course, Public Safety isn't the only fund supported with property taxes, and the County Commission shares total property tax revenues among all county government operations as it prefers.

It could be argued that allocation of property tax revenues should be performed not simply by dollars, but rather through a function of proportional shares (mills) against total value – which in most cases is increasing – for each function of county government (that is funded by property tax). This would support the traditional purpose of property tax supporting law enforcement that services persons and property. For example, in FY 05-06 the calculated mills (per \$1,000) for public safety (amount of public safety revenue compared to total county taxable value) were 45.46 mills. Compare that to a calculated 34.16 mills for public safety in FY 17-18. Although the dollars budgeted were higher in FY 17-18, \$545K to \$450K in FY 05-06, if the mills would have been held constant from FY 05-06 to FY 17-18, the Fund would have received \$725K – an “automatic” increase of \$180K over what was actually allocated.

This alternative approach of dedicating mills to non-enterprise activities of county government could have the effect of improving equity amongst functions that otherwise compete for property tax revenues.

On the other hand, the reality in general government is that service demands of citizens as well as the determination of services by the Board of County Commissions does change over time. While the aforementioned alternative would be attractive, I recognize and respect this discretionary authority of the Board. The Board's Tax Levy Requirements Report underscores their support of the Public Service Fund which shows that in FY 17-18 the Fund received 21% of County government property tax dollars.

Outlook It is highly likely that taxable assessed valuation in Broadwater County will increase over time. Property value is increasing in the southern part of the county. This area has become more attractive for development as a more affordable and proximate alternative to high cost development in nearby Gallatin County. Of course, specific demand for services is a function of development and increased allocation of property tax dollars for public safety will be necessary. It is likely that property tax revenues will be the only reliable replacement for the loss of Prisoner Board fee for service revenue.

2. City of Townsend Contract Revenue

The Public Service Fund receives about 12% of total revenue through an inter-local agreement with the City of Townsend, the Broadwater County seat. This contractual arrangement ensures that residents of Townsend receive dedicated law enforcement services from the County. The agreement was established in 1978 pursuant to 7-32-101 and 7-32-104, MCA and assures that the City receives general law enforcement services. The performance of the agreement by a Liaison Committee comprised of at least seven members, including two members of the public representing the City and the County.

The Agreement generated a total of \$245K in FY17-18 which represented an increase of around \$10,300 over the previous year. Two deputies and a dispatcher are dedicated 100% to servicing the agreement. The sheriff, under-sheriff, senior deputy and part-time special event deputy provide portions of their time to the service of the city.

The inter-local agreement creates an excellent framework for demonstrating the community policing mission of the County's law enforcement operations.

Outlook This revenue source is significant and has contributed as much as \$245K annually in the past four years. The opportunity for significant growth in revenues is limited by the current structure of the agreement in which the contract price is directly related to the percentage of actual costs for everyone assigned to provide services to the City of Townsend. This revenue source should prove to be stable provided these two conditions are met. First, the performance of the County in servicing the City needs to meet the standards of the Liaison Committee membership. Second, the total cost of County services needs to be less than the cost of the City establishing its own law enforcement operation. Going forward, I would recommend that specific expenditures related to this contract with the City be segregated in a subaccount of the Public Safety Fund.

3. Interfund Transfer Revenue

Interfund transfer revenue represents about 8% of total revenue to the Public Safety Fund. This is the fourth largest source of revenue. This is a problem because most governments use interfund transfers to adjust for revenue budget shortfalls due to unexpected (hopeful unexpected) expenses. This is not a

reliable and sustainable revenue source and, if the revenue and expenditure budgets are accurately determined, should not be considered as a revenue source.

The fact that this is the fourth largest source is worse than one might think. That's because the 8.1% is the three-year average. I'm more concerned about the chronic use of this revenue and what whether the originating source of funding is sustainable. One of two things is occurring (at least). First, the revenue budget is off by about 8% per year and an end-of-the-year transfer to balance the fund is necessary, or the originating source of the fund hasn't been clearly identified and is likely to be available in the future. If the former is true, this tells me that the revenue budget has technically been underfunded.

Outlook If it is true that the Interfund Transfer Revenue is an end-of-year adjustment to offset expenditures, then the 8.1% (three-year average) should be replaced with a reliable source of funding. Another option would be to decrease the expenditure budget by a like amount. This is a significant challenge in either case because the 8% is equivalent to about \$160K.

4. State Entitlement Share Revenues

The Montana Department of Revenue distributes Entitlement Share Payments to county governments as directed by Statute. Broadwater County received \$557K in FY18. Of that, about 23% (\$127K) was allocated to the Public Safety Fund. The State Entitlement Share concept or program was established in 2001 through HB124. Essentially, the Legislature created this program to replace lost property tax dollars for local governments following a restructuring of state and local taxation.

State Entitlement Share Revenues contribute nearly 6% of total revenue in the Fund. The allocation of total Entitlement Share funds to Public Safety has increased significantly over the years, from \$66K in FY 05-06 to \$124K in FY 16-17.

Outlook The Public Safety Fund benefits from the significant allocation of Entitlement Share Payment funding. This is a revenue source that grows (or declines) every year relative in large part to state individual and corporate income tax revenues. The County should expect that the statutory cap (3%) on the annual growth of Entitlement Share payments will be the likely index for predicting future revenues.

B. Sources and Constraints of Minor Revenue Sources

Following the five major sources of revenue discussed above, there are 14 additional sources of revenues to the Fund. They are labeled here as minor revenue sources which, even so named, is an understatement. When combined, these fourteen revenue sources provide only 4.4% of funding for law enforcement activities. The largest source, Bureau of Reclamation Patrol Revenues, contributes just over 2% of total revenue (based on the three-year average). The next largest source, Prisoner Meds, provides .9% of revenue on average.

Three of the fourteen revenue sources appear to be directly related to detention facility activities – Inmate Phone, Inmate Commissary, and Prisoner Meds revenue. This funding offsets only 1.15% of total public safety fund expenses (on average).

Outlook The minor revenue sources collectively have potential for growth, but the effort that would need to be expended to realize significant growth (in all but a few) would better used otherwise. Of the minor sources I would recommend that the county take steps to enhance BOR Patrol funding through negotiations with the Bureau of Reclamation. It is also important to negotiate intergovernmental service agreements that will fully reimburse the county for costs of Sheriff's Department services that are not currently reimbursed.

Special Note on Revenues Broadwater County officials recognize that programmatic expenditures for economic development activities offer potential for increased property tax revenues. The timing of these economic development investments and expected revenue enhancements should be considered along with the goal of stabilizing revenue sources for public safety (and other county government activities).

Expenditure Budgeting Issues

This section discusses issues related to the expenditure budget. Earlier in this report I wrote about a logic of budgeting where the revenue budget is determined based on the need for funding. The expenditure budget reflects the need for funding program activities. In this framework the revenue and expenditure budgets would be in balance. Although the most critical issues addressed in this report are related to the revenue budget, an examination of the expenditure budgets within the Public Safety Fund offers good information for further consideration. I purposefully excluded the recently established Mason Moore memorial account because of the limited time-series information on financial transactions.

In my examination of the Fund, I wanted to discover the major cost centers for each of the major programs – administration, detention facility, dispatch and coroner services. Within these cost centers are expenditure line items that have shown greater than average variation in actual dollars spent from one budget period to the next. I focused on the expense line items that showed a higher average percentage increase in expense AND that were significant expenses as measured by total dollars. In other words, I wanted to find expenditures that were, on average, a high percentage above budget with significant dollar impact. This will be explained further.

Overall Expenditure Budget Performance The overall performance of the Public Safety Fund expenditure budget is good, although that performance has fluctuated over the past three complete budget cycles. The budget for total expenditures (excluding the Memorial account) has grown from \$1.77M in FY 2015-16 to \$2.11M in FY 2017-18, an increase of just over 16%. This is a generous increase in budget. Expenditure (actual) performance compared to budget was mixed. In FY 2015-16 actual expenditures exceeded budget by 2.0%. Expenditures exceeded budget by a greater percentage (4.6%) in FY 2016-17 before showing a marked improvement in FY 2017-18 where actual expenditures were 4.5% less than budgeted.

There are two points that jump out at me regarding this expense to budget performance. First, the expense budget grew by 16% over the three-year period while actual expenses (using the FY 15-16 budget as the base) grew by just over 12%. Without the generous increase in budget, it is likely that expenses may have exceeded budget in all three periods. Second, actual expenses in FY 16-17 and FY 17-18 had an over-under of 4.6% and -4.5% of budget respectively. This swing of 9.1% creates a problem in setting subsequent expense budgets. And the effect of the problem of hitting budget targets is manifested further if uncertainty is a characteristic of the revenue budget (as was described earlier in

this report. The bottom line is that overall, the actual expenditure performance compared to budget has been good. But it is possible to sharpen the expenditure budget going forward.

Total Personnel and Other Costs

The following Table 2 offers some good new in sharpening expenditure forecasting for more accurate budgeting going forward. Based on actual expenses in the Public Safety Fund for FY 17-18, 73.5% of total expenses are related to personnel costs, with just under 27% for other expenses – mostly operating and sometime equipment. This means that almost three-quarters of the total Fund expenditure budget should be highly accurate and predictable based on proposed staffing. Within personnel related expenses, some line items such as overtime may be less predictable but controlled by department management.

Table 2 Law Enforcement Fund Expense Budget: Personnel and Total Other Expenses				
[Excludes Mason Moore Memorial Fund]				
FY 2017-18 Total Personnel Cost (Actual)			\$ 1,477,451	73.3%
FY 2017-18 Other Costs (Actual)			\$ 537,679	26.7%
Law Enforcement Services -- Administration				
Expense	FY 15-16 A	FY 16-17 A	FY 17-18 A	% of Total FY 17-18 A
Personnel	\$ 621,906	\$ 650,101	\$ 718,190	76.8%
Other	\$ 154,852	\$ 162,403	\$ 217,416	23.2%
TOTAL	\$ 776,758	\$ 812,504	\$ 935,606	
Detention Center				
Expense	FY 15-16 A	FY 16-17 A	FY 17-18 A	
Personnel	\$ 446,887	\$ 469,039	\$ 488,897	60.9%
Other	\$ 307,157	\$ 349,673	\$ 313,235	39.1%
TOTAL	\$ 754,044	\$ 818,712	\$ 802,132	
Dispatch				
Expense	FY 15-16 A	FY 16-17 A	FY 17-18 A	
Personnel	\$ 252,729	\$ 292,046	\$ 260,496	100%
Coroner Services				
Expense	FY 15-16 A	FY 16-17 A	FY 17-18 A	
Personnel	\$ 15,663	\$ 8,458	\$ 9,868	58.4%
Other	\$ 4,773	\$ 11,484	\$ 7,028	41.6%
TOTAL	\$ 20,436	\$ 19,942	\$ 16,896	
FUND TOTAL	\$ 1,803,967	\$ 1,943,204	\$ 2,015,130	

When budgeted, “Other” expenses may be better controlled through a more rigorous examination of expense trends, identification of risks and adoption and implementation of risk mitigation strategies specific to each expense item.

Expenses Requiring Further Examination **Please refer to Appendix 1 attached to this report.** The appendix displays the Public Safety Fund expenditure budget with my identification of line items deserving special attention going forward. I’ve highlighted line items where the average change in expense was significantly over-budget by percentage, by dollar amount, or some combination of both.

For example, in the Law Enforcement Services – Administration account, the Salary line item is highlighted because it had an average change over the three-year period of 7.9%. With this line item being the highest expense in this account’s budget, missing the budget target could have a tremendous affect on the need for Public Safety Fund revenues (if not offset by other expense budget savings). Additionally, this line item was highlighted because it was over-budget in each of the three years.

Another example from this first page of the Appendix in the same account is the Repair and Maintenance line item among the operating expenses. The average percentage change of actual expenses over budget was 24.9%. Again, this expense exceeded budget every year. In terms of dollars, it is not as significant, but the over-budget percentage explains that the forecast for expense was dramatically inaccurate (or that conditions driving the expenses was consistently grievous) for the three-year period.

The greatest amount of work in creating an accurate expenditure budget is forecasting line item expenses that have some degree of uncertainty. This is especially a good investment where the historical line item expenses make up a significant portion of the account budget. Of course, the County will have a greater understanding and knowledge of events that have caused expenses to be below or above budget. All this should be taken into consideration when setting expense budget targets in the future. Appendix 1 highlight some of those targets for your consideration.

Timeline (Critical Events Timeline)

Beginning today, there are actions the County should take to improve the financial sustainability of the Public Safety Fund prior to the expected effect of the opening of the Lewis and Clark County Detention Facility in March 2020. This is a critical event that serves as a catalyst for budget changes. Figure 2. shows the three fiscal years beginning with the current budget period through June 30th, 2019.

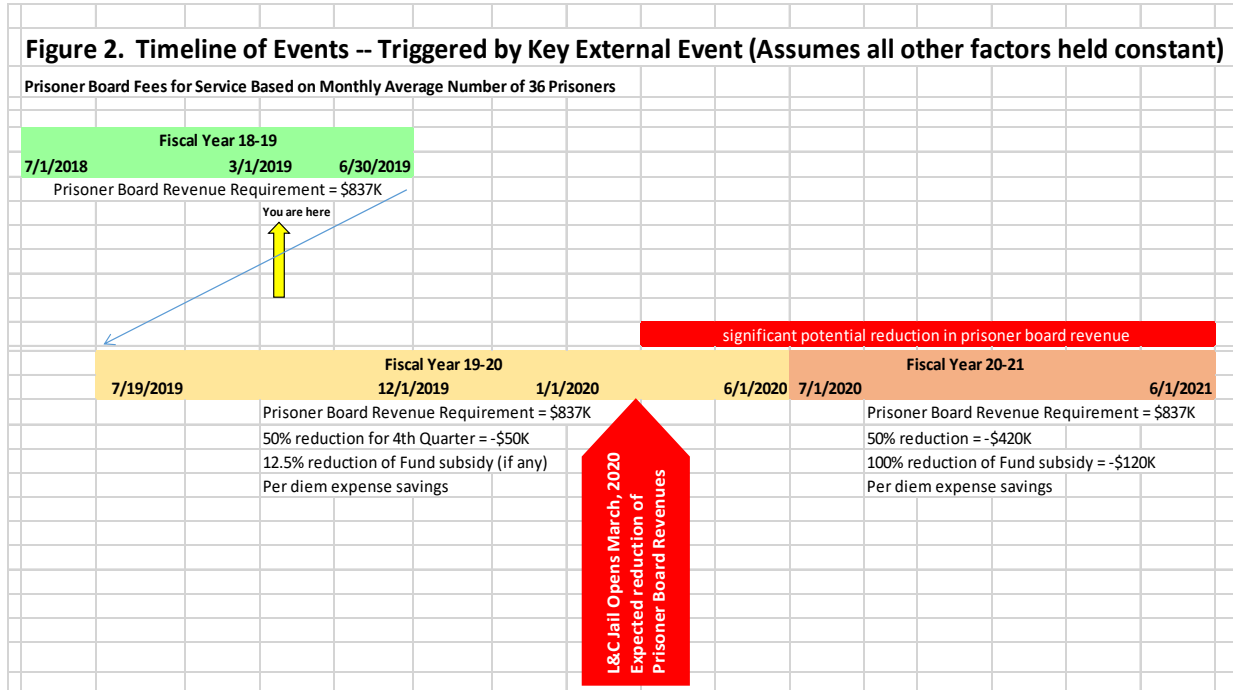
Fiscal Year 2018-19 As the County completes this fiscal year it is a good time to set assess the risk of losing Prisoner Board revenue in the fourth quarter of FY 19-20. This is the current target date for the opening of the L&C County Detention Facility. This risk assessment should lead to the development of a mitigation plan for net revenue reduction for the end of FY 19-20.

Also, after digesting this analysis, the County should consider establishing a series of listening sessions to share the findings and to listen to the public regarding the challenges of fully funding law enforcement.

The County should also meet with school board officials as the board considers the funding of new facilities. There may be an opportunity to cooperate on school resource officer funding for the Sheriff’s Office.

Fiscal Year 2019-20 First, the County should use the first six months of the next fiscal year (July through December of 2019) to perform a department-wide budget analysis similar to this to collect information for a comprehensive revenue and expenditure budget strategy review for FY 20-21. The Public Safety Fund must be fairly considered in context of the entire county budget.

Second, the fundamental questions regarding operating the Broadwater County Detention Facility during a forecasted period of reduced Prisoner Board revenues should be addressed. Including the possible reassignment of facility personnel to serve other mission critical functions.



Recommendations

It is essential that the County move immediately and strategically to address the revenue and expenditure budget issues in the Public Safety Fund for the FY 20-21 even if an incremental budgeting approach is taken for FY19-20. Of course, addressing revenue budget challenges for FY19-20 are highly recommended. The County must act to relieve pressure in the Public Safety Fund budget and at the same time, give notice to stakeholders and the general public about the reality of the budget challenges.

There is a specific order of events that I recommend:

- Determine for FY 20-21 what the reasonable performance goals should be for the Detention Facility.
- Determine base level expenditure requirements for the Detention Facility and other Public Safety operations that are associated with the detention facility.
- Modify the revenue sources to support those base level expenditure requirements.
- Adjust Prisoner Board revenue expectations regarding fees for services and earmark fee for service revenues for special projects.

- Direct the Public Safety Department to establish criteria for special projects. Special projects may include such things as equipment purchases and short-term operational activities. I recommend that earmarked fee for service revenues be accumulated in escrow for one-time expenditures in the subsequent year(s) as proposed by the County Sheriff and ratified by the Board of County Commissioners.
- Develop a schedule for reducing reliance on Interfund Transfer Revenues. This schedule will first recognize that Interfund Transfer revenues are a true source for the revenue budget while determining a complete phase out of this source to the Fund.
- For FY 19-20, replace *surplus* fee for service revenue wherever it is expected to be used in program budgets with funding from sustainable revenue source(s).
- For FY 19-20, scrutinize program requirements and expenditure estimates – including identification of expenditure risks and development of risk mitigation plans – to seek opportunities to reduce revenue budget demand. This action will need to become standard operating procedure going forward.
- I would recommend that a subaccount be created in the Public Safety Fund so that specific revenues and expenditures related to the inter-local contract with the City of Townsend may be accounted for – relative to performance requirements of the contract.

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Appendix 1 Law Enforcement Fund Expense Budget [Excluding Mason Moore Memorial Fund] Fiscal Years 2015-16 through 2017-18

Expense line items requiring risk assessment

Law Enforcement Services -- Administration							FY 15-16 A	FY 16-17 A	FY 17-18 A	Avg Change
Expense	FY 15-16 Bdgt	FY 15-16 Actl	FY 16-17 Bdgt	FY 16-17 Actl	FY 17-18 Bdgt	FY 17-18 Actl	% Change	% Change	% Change	
Accrued Payroll				\$ 29,459						
Salary	\$ 425,931	\$ 466,796	\$ 449,604	\$ 496,712	\$ 501,655	\$ 529,837	8.8%	9.5%	5.3%	7.9%
SRS	\$ 45,196	\$ 49,848	\$ 47,077	\$ 51,874	\$ 71,142	\$ 71,679	9.3%	9.2%	0.7%	6.4%
FICA	\$ 34,570	\$ 37,838	\$ 37,074	\$ 39,484	\$ 43,396	\$ 41,500	8.6%	6.1%	-4.6%	3.4%
Overtime	\$ 27,106	\$ 42,582	\$ 35,082	\$ 37,566	\$ 65,609	\$ 38,920	36.3%	6.6%	-68.6%	-8.5%
Workers Comp	\$ 20,544	\$ 21,678	\$ 20,469	\$ 21,403	\$ 34,776	\$ 32,721	5.2%	4.4%	-6.3%	1.1%
Unemployment	\$ 1,582	\$ 1,719	\$ 1,214	\$ 1,226	\$ 1,986	\$ 1,828	8.0%	1.0%	-8.6%	0.1%
PERS	\$ 1,736	\$ 1,445	\$ 1,634	\$ 1,836	\$ 1,781	\$ 1,705	-20.1%	11.0%	-4.5%	-4.5%
Subtotal	\$ 556,665	\$ 621,906	\$ 592,154	\$ 650,101	\$ 720,345	\$ 718,190	10.5%	8.9%	-0.3%	
Vehicle Repair/ Fuel	\$ 44,626	\$ 41,372	\$ 40,000	\$ 36,924	\$ 40,000	\$ 40,746	-7.9%	-8.3%	1.8%	-4.8%
Repair and Maintenance	\$ 23,850	\$ 32,176	\$ 25,000	\$ 39,842	\$ 35,000	\$ 39,549	25.9%	37.3%	11.5%	24.9%
Utilities	\$ 21,000	\$ 24,316	\$ 27,600	\$ 27,521	\$ 27,000	\$ 27,581	13.6%	-0.3%	2.1%	5.2%
Contracted Services	\$ 10,000	\$ 5,983	\$ 8,500	\$ 10,446	\$ 10,000	\$ 18,376	-67.1%	18.6%	45.6%	-1.0%
Operating Supply	\$ 10,710	\$ 15,562	\$ 13,500	\$ 13,207	\$ 13,500	\$ 10,875	31.2%	-2.2%	-24.1%	1.6%
Uniforms	\$ 11,000	\$ 7,904	\$ 12,800	\$ 12,102	\$ 12,800	\$ 8,516	-39.2%	-5.8%	-50.3%	-31.7%
Travel	\$ 3,980	\$ 3,143	\$ 5,000	\$ 3,755	\$ 5,000	\$ 7,656	-26.6%	-33.2%	34.7%	-8.4%
Office Supply	\$ 4,850	\$ 7,289	\$ 10,000	\$ 9,722	\$ 11,500	\$ 6,560	33.5%	-2.9%	-75.3%	-14.9%
Firearms	\$ 2,250	\$ 4,943	\$ 5,000	\$ -	\$ 5,000	\$ 5,872	54.5%	0.0%	14.9%	23.1%
Training	\$ 2,460	\$ 5,490	\$ 7,000	\$ 3,255	\$ 7,000	\$ 3,991	55.2%	-115.1%	-75.4%	-45.1%
Medical and Psych.	\$ 50	\$ 485	\$ 200	\$ 1,047	\$ 1,700	\$ 3,968	89.7%	80.9%	57.2%	75.9%
Janitorial	\$ 1,050	\$ 1,180	\$ 1,200	\$ 1,228	\$ 1,200	\$ 2,080	11.0%	2.3%	42.3%	18.5%
Subscriptions/Dues	\$ 710	\$ 1,800	\$ 1,000	\$ 1,855	\$ 1,800	\$ 1,470	60.6%	46.1%	-22.4%	28.1%
Vehicle Towing	\$ 390	\$ 259	\$ 500	\$ 195	\$ 500	\$ 1,341	-50.6%	-156.4%	62.7%	-48.1%
Postage	\$ 1,200	\$ 751	\$ 1,000	\$ 771	\$ 1,000	\$ 742	-59.8%	-29.7%	-34.8%	-41.4%
Radio Services	\$ 2,000	\$ 182	\$ 2,000	\$ -	\$ 2,000	\$ 491	-998.9%	0.0%	-307.3%	-435.4%
Professional Services	\$ 700	\$ 1,266	\$ 700	\$ 533	\$ 700	\$ 61	44.7%	-31.3%	-1047.5%	-344.7%
Printing	\$ 660	\$ 751	\$ 500	\$ -	\$ 500	\$ -	12.1%	0.0%	0.0%	4.0%
Gasoline										
Subtotal	\$ 141,486	\$ 154,852	\$ 161,500	\$ 162,403	\$ 176,200	\$ 179,875	8.6%	0.6%	2.0%	
Equipment	\$ -	\$ -	\$ -	\$ -	\$ 37,541	\$ 37,541	0.0%	0%	0.0%	
TOTAL	\$ 698,151	\$ 776,758	\$ 753,654	\$ 812,504	\$ 934,086	\$ 935,606	10.1%	7.2%	0.2%	

Detention Center

Expense							FY 15-16 A	FY 16-17 A	FY 17-18 A	Avg Change
	FY 15-16 Bdgt	FY 15-16 Actl	FY 16-17 Bdgt	FY 16-17 Actl	FY 17-18 Bdgt	FY 17-18 Actl	% Change	% Change	% Change	
Accrued Payroll		\$ 11,795		\$ 26,837						
Salary	\$ 382,793	\$ 346,147	\$ 370,123	\$ 365,624	\$ 383,586	\$ 369,455	-10.6%	-1.2%	-3.8%	-5.2%
SRS	\$ 36,815	\$ 30,720	\$ 35,115	\$ 32,411	\$ 46,563	\$ 42,210	-19.8%	-8.3%	-10.3%	-12.8%
FICA	\$ 25,448	\$ 26,969	\$ 24,399	\$ 28,191	\$ 25,804	\$ 28,101	5.6%	13.5%	8.2%	9.1%
Workers Comp	\$ 26,126	\$ 15,630	\$ 24,202	\$ 15,289	\$ 32,646	\$ 22,206	-67.2%	-58.3%	-47.0%	-57.5%
Overtime	\$ 22,409	\$ 20,898	\$ 17,834	\$ 21,112	\$ 20,671	\$ 19,951	-7.2%	15.5%	-3.6%	1.6%
PERS	\$ 3,430	\$ 5,238	\$ 5,173	\$ 5,445	\$ 5,475	\$ 5,611	34.5%	5.0%	2.4%	14.0%
Unemployment	\$ 1,419	\$ 1,285	\$ 1,022	\$ 967	\$ 1,424	\$ 1,363	-10.4%	-5.7%	-4.5%	-6.9%
Subtotal	\$ 498,440	\$ 446,887	\$ 477,868	\$ 469,039	\$ 516,169	\$ 488,897	-11.5%	-1.9%	-5.6%	
Inmate Meals	\$ 149,000	\$ 181,876	\$ 149,000	\$ 198,480	\$ 155,000	\$ 168,120	18.1%	24.9%	7.8%	16.9%
Medical and Psych.	\$ 2,500	\$ 2,567	\$ 2,500	\$ 23,008	\$ 8,500	\$ 47,911	2.6%	89.1%	82.3%	58.0%
Utilities	\$ 20,000	\$ 17,810	\$ 22,500	\$ 20,325	\$ 20,000	\$ 21,817	-12.3%	-10.7%	8.3%	-4.9%
Professional Services	\$ 27,500	\$ 26,894	\$ 25,000	\$ 36,589	\$ 30,000	\$ 17,800	-2.3%	31.7%	-68.5%	-13.0%
Repair and Maintenance	\$ 8,000	\$ 10,362	\$ 8,000	\$ 7,158	\$ 8,000	\$ 11,006	22.8%	-11.8%	27.3%	12.8%
Operating Supply	\$ 11,770	\$ 25,425	\$ 10,000	\$ 15,483	\$ 13,000	\$ 10,477	53.7%	35.4%	-24.1%	21.7%
Janitorial	\$ 7,000	\$ 7,903	\$ 7,350	\$ 11,289	\$ 7,000	\$ 8,759	11.4%	34.9%	20.1%	22.1%
Travel	\$ 4,500	\$ 2,901	\$ 6,500	\$ 1,264	\$ 6,000	\$ 6,393	-55.1%	-414.2%	6.1%	-154.4%
Contracted Services	\$ 9,000	\$ 8,328	\$ 8,500	\$ 18,361	\$ 15,000	\$ 5,618	-8.1%	53.7%	-167.0%	-40.5%
Uniforms	\$ 4,500	\$ 2,634	\$ 6,700	\$ 7,739	\$ 6,700	\$ 5,015	-70.8%	13.4%	-33.6%	-30.3%
Repair and Maintenance	\$ 12,750	\$ 6,588	\$ 6,500	\$ 3,807	\$ 5,500	\$ 4,397	-93.5%	-70.7%	-25.1%	-63.1%
Training	\$ 4,500	\$ 5,994	\$ 7,000	\$ 2,305	\$ 7,000	\$ 2,510	24.9%	-203.7%	-178.9%	-119.2%
Insurance	\$ 2,000	\$ 2,144	\$ 2,500	\$ 2,413	\$ 2,500	\$ 2,120	6.7%	-3.6%	-17.9%	-4.9%
Postage	\$ 1,200	\$ 1,225	\$ 1,200	\$ 1,152	\$ 1,200	\$ 1,063	2.0%	-4.2%	-12.9%	-5.0%
Subscriptions/Dues	\$ 185	\$ 578	\$ 300	\$ 300	\$ 300	\$ 229	68.0%	0.0%	-31.0%	12.3%
Office Supply	\$ 5,000	\$ 2,470	\$ -	\$ -	\$ -	\$ -	-102.4%	0.0%	0.0%	-34.1%
Transport	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	0.0%
Radio Services	\$ 3,000	\$ 1,458	\$ -	\$ -	\$ -	\$ -	-105.8%	0.0%	0.0%	-35.3%
Rent	\$ 200	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	0.0%
Inmate Welfare			\$ 10,000				0.0%	0.0%	0.0%	0.0%
Subtotal	\$ 274,605	\$ 307,157	\$ 273,550	\$ 349,673	\$ 285,700	\$ 313,235	10.6%	21.8%	8.8%	
Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	
TOTAL	\$ 773,045	\$ 754,044	\$ 751,418	\$ 818,712	\$ 801,869	\$ 802,132	-2.5%	8.2%	0.0%	

Dispatch

Expense	FY 15-16 Bdgt	FY 15-16 Actl	FY 16-17 Bdgt	FY 16-17 Actl	FY 17-18 Bdgt	FY 17-18 Actl	FY 15-16 A % Change	FY 16-17 A % Change	FY 17-18 A % Change	Avg Change
Salary	\$ 210,001	\$ 199,373	\$ 258,486	\$ 226,356	\$ 253,328	\$ 200,608	-5.3%	-14.2%	-26.3%	-15.3%
SRS	\$ 17,273	\$ 16,077	\$ 23,228	\$ 19,766	\$ 34,119	\$ 27,128	-7.4%	-17.5%	-25.8%	-16.9%
FICA	\$ 17,797	\$ 15,442	\$ 20,825	\$ 17,556	\$ 20,498	\$ 14,807	-15.3%	-18.6%	-38.4%	-24.1%
Overtime	\$ 13,108	\$ 12,537	\$ 13,732	\$ 18,084	\$ 14,612	\$ 10,074	-4.6%	24.1%	-45.0%	-8.5%
Workers Comp	\$ 7,618	\$ 4,206	\$ 7,735	\$ 5,677	\$ 10,476	\$ 6,710	-81.1%	-36.3%	-56.1%	-57.8%
Unemployment	\$ 815	\$ 715	\$ 681	\$ 611	\$ 938	\$ 737	-14.0%	-11.5%	-27.3%	-17.6%
PERS	\$ 5,124	\$ 4,379	\$ 3,583	\$ 3,996	\$ 500	\$ 250	-17.0%	10.3%	-100.0%	-35.6%
Contracted Services					\$ 126	\$ 182	0.0%	0.0%	30.8%	10.3%
TOTAL	\$ 271,736	\$ 252,729	\$ 328,270	\$ 292,046	\$ 334,597	\$ 260,496	-7.5%	-12.4%	-28.4%	

Coroner Services

Expense	FY 15-16 Bdgt	FY 15-16 Actl	FY 16-17 Bdgt	FY 16-17 Actl	FY 17-18 Bdgt	FY 17-18 Actl	FY 15-16 A % Change	FY 16-17 A % Change	FY 17-18 A % Change	Avg Change
Salary	\$ 14,077	\$ 12,745	\$ 14,077	\$ 6,943	\$ 14,077	\$ 7,799	-10.5%	-102.8%	-80.5%	-64.6%
SRS	\$ 1,425	\$ 1,289	\$ 1,425	\$ 702	\$ 1,833	\$ 1,007	-10.6%	-103.0%	-82.0%	-65.2%
FICA	\$ 1,077	\$ 926	\$ 1,077	\$ 509	\$ 1,077	\$ 568	-16.3%	-111.6%	-89.6%	-72.5%
Workers Comp	\$ 640	\$ 662	\$ 596	\$ 294	\$ 863	\$ 477	3.3%	-102.7%	-80.9%	-60.1%
Unemployment	\$ 50	\$ 41	\$ 36	\$ 10	\$ 50	\$ 17	-22.0%	-260.0%	-194.1%	-158.7%
Subtotal	\$ 17,269	\$ 15,663	\$ 17,211	\$ 8,458	\$ 17,900	\$ 9,868	-10.3%	-103.5%	-81.4%	
Contracted Services	\$ 5,000	\$ 4,025	\$ -	\$ 9,400	\$ 15,000	\$ 6,000	-24.2%	100.0%	-150.0%	-24.7%
Medical and Psych.	\$ 100	\$ -	\$ -	\$ -	\$ 500	\$ 286	0.0%	0.0%	-74.8%	-24.9%
Travel	\$ 660	\$ 598	\$ 750	\$ 1,709	\$ 750	\$ 265	-10.4%	56.1%	-183.0%	-45.8%
Subscriptions/Dues	\$ 225	\$ -	\$ 300	\$ 225	\$ 225	\$ 225	0.0%	-33.3%	0.0%	-11.1%
Training	\$ 150	\$ 150	\$ 300	\$ 150	\$ 500	\$ 150	0.0%	-100.0%	-233.3%	-111.1%
Operating Supply	\$ 790	\$ -	\$ 1,000	\$ -	\$ 82	\$ 102	0.0%	0.0%	19.6%	6.5%
Professional Services	\$ -	\$ -	\$ 300	\$ -	\$ 300	\$ -	0.0%	0.0%	0.0%	0.0%
July & Witness	\$ 185	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	0.0%
Subtotal	\$ 7,110	\$ 4,773	\$ 2,650	\$ 11,484	\$ 17,357	\$ 7,028	-49.0%	76.9%	-147.0%	
TOTAL	\$ 24,379	\$ 20,436	\$ 19,861	\$ 19,942	\$ 35,257	\$ 16,896	-19.3%	0.4%	-108.7%	

FUND TOTAL	\$ 1,767,311	\$ 1,803,967	\$ 1,853,203	\$ 1,943,204	\$ 2,105,809	\$ 2,015,130	2.0%	4.6%	-4.5%	
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