

# 2023 - 2024 Draft Budget Review & Public Presentation



Prepared for Red Lodge residents & City Council  
July 2023





# Thank You for Participating

This meeting is one avenue the City is exploring for improving overall understanding of the budget and budget process among residents, and to increase opportunities for residents to engage in the budget process, share ideas, and problem-solve as a community.

At the end of this meeting, you will be able to:

1. Understand broadly what projects, amenities, and services your tax dollars support
2. Understand broadly revenue sources for our city government, their limitations, and their appropriate use
3. Know when and how to engage on budget topics as a resident



# What to Expect Tonight

- General overview of some basics to put the budget in context
- Budget Review (opportunity to ask questions or comment after each section)
  - General Fund Revenues and Services
  - Special Revenue Fund Revenues and Services
  - Capital Project Fund Revenues and Services
  - Enterprise Fund Revenue and Services
- Budget Resolution Example
- Review of compiled questions (and some answers) submitted from residents
- Review of next steps



# City Organizational Chart



# City of Red Lodge Council Committees

Public Works: **Durbin**, Ronning, Daniels

- Water, Sewer, Streets, Alleys, Solid Waste, Parks, Cemetery, City Facilities

Land Use and Planning: **Heaton**, Battles, Keys

- Leases, sales & exchanges, Subdivision, Zoning, Building Permits

Administration and Finance: **Ronning**, Keys, Battles

- Budget, Economic Development, Resort Tax, Contracts

Public Health and Safety: **Durbin**, Daniels, Heaton

- Police, Fire, Ambulance

# Definition & Purpose of City Annual Budget

A **budget** is the plan of expenditures and revenues approved and authorized by the annual budget resolution of the governing body to meet the essential public safety, public health and public wellbeing needs of the city/town or county during a specific fiscal year. The budget is our clearest expression of community values and priorities

The **Purposes** of the Annual Budget are to:

- Fund the Programs and Projects that the Policy Making Body Determines should be Funded
  - Indicates the priorities of the Government
- Form the Basis of Taxes and Charges
- Establish Legal Spending Limits
- Guide Staff Operations
- Assist in Preventing Financial Crisis

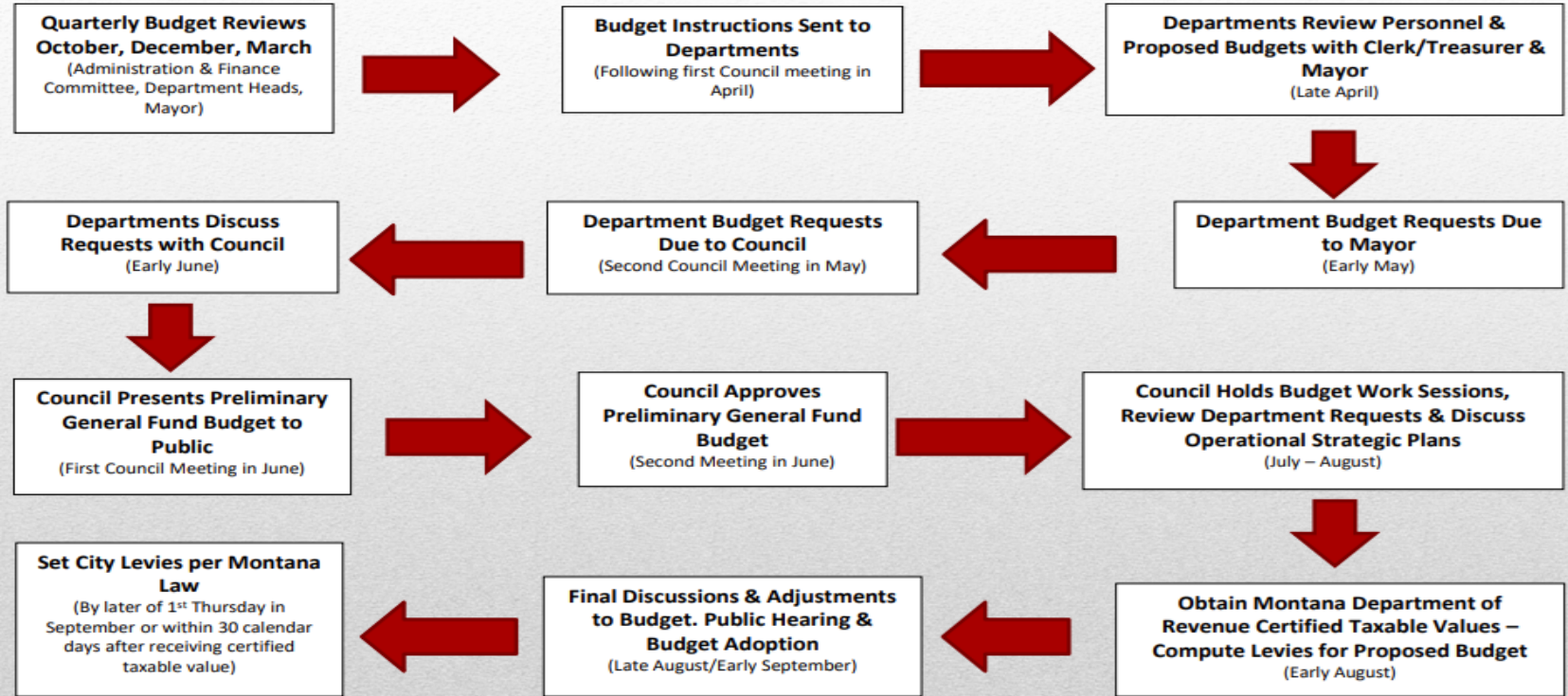
# City & Town Budgets

## Statutory Requirements Local Government Budget Act (MCA 7-6 Part 40)

- Fiscal Year begins July 1 each year
- MUST have an annually adopted budget (MCA 7-6-4030)
- Receive “certified taxable value” from the State of Montana the 1st Monday in August
- RESULT: Red Lodge City Council will review a preliminary budget in July, and will accept final adoption of the budget at the last Council meeting in August, after receiving the “certified taxable value” from the state

# Budget Process Flow Chart

The following flow chart provides an overview of the budget process for the City of Red Lodge and general time frames involved from initial department development through budget adoption and final budget distributions.



\*\* NOTE: This process was unofficially adopted by City Council as a best practice. This process wasn't fully followed in 2025 due to time and capacity constraints; we did accomplish all steps mandated by state law. In the future, the goal will be to follow the flow chart





# City & Town Budgets

Each year, our budget is set by the state using this basic formula:

This Year's Property Tax Budget = Total amount of tax revenue collected from the previous year + half of the average rate of inflation for the previous three years (MCA 15-10-420)

What does this mean?

Crucially, our budget **DOES NOT GROW** at pace with inflation on its own



# Relationship Between Property Values and Mills

Since mills are calculated using both the budgetary request (numerator) and property values (denominator), increasing property values do not correspond to proportionally higher tax bills, nor do they correspond to proportionally higher revenues for the City.

Montana Department of Revenue hosted public meetings (in every county) in July to explain assessment notices and property taxes. The next virtual public meeting is July 25th from 4- 5:30p



# 14.9%

Red Lodge City General Fund buying power has decreased by 14.9% from 2015

Total inflation since 2015 = 29.8% (Bureau of Labor Statistics CPI)



# Important (Estimated!) Dates for Public Participation

[www.cityofredlodge.net/administrativeservices/page/budget](http://www.cityofredlodge.net/administrativeservices/page/budget)

This presentation is available now

Date DRAFT Budget is available to public

July 11 2023

Dates public can submit formal questions about drafted budget & how to do that

July 11, 2023 - August 8, 2023  
submit questions via email to [jbattlesward1@gmail.com](mailto:jbattlesward1@gmail.com)  
& attend public workshop

Date of public workshop: ask / answer questions, review budget in detail, voice concerns

Thursday July 20, 2023 5:30p

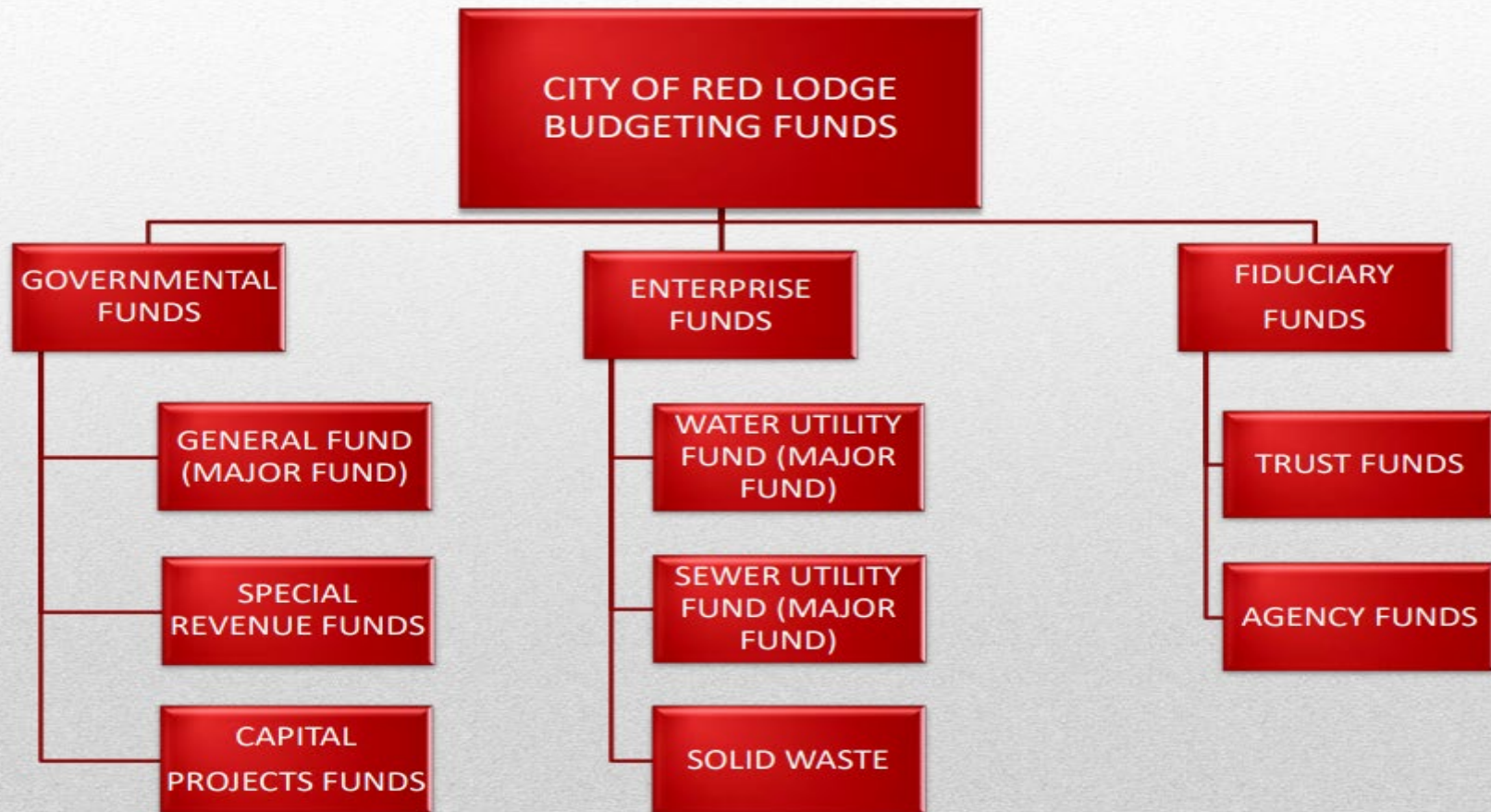
Date DRAFT budget review is on Council Agenda

July 25, 2023

Public hearing dates for final budget adoption

August 8, 2023 & August 22, 2023

# Budget Fund Structure



# GENERAL FUND

A fund used to account for the ordinary operations of a local government which are financed with property taxes, and other non-tax general revenues and not accounted for in another governmental fund

# GENERAL FUND

## Revenues

- Property Taxes
- Entitlement Share
- Court Fines
- Business Licenses
- Animal Licenses
- Charges for parks, recreation, library, police services

## Reserve

- Policy Decision. No statutory requirement

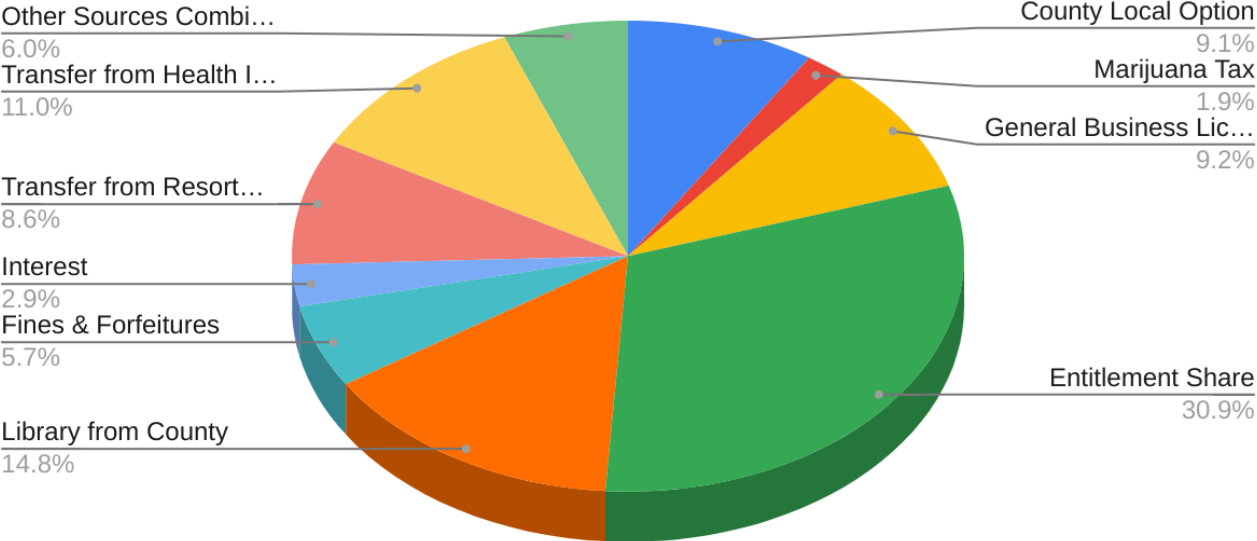
## Services Provided

- Public Safety
  - Law Enforcement
  - Fire Protection
- Public Works
  - Streets
- Parks and Recreation
- Library
- General Government



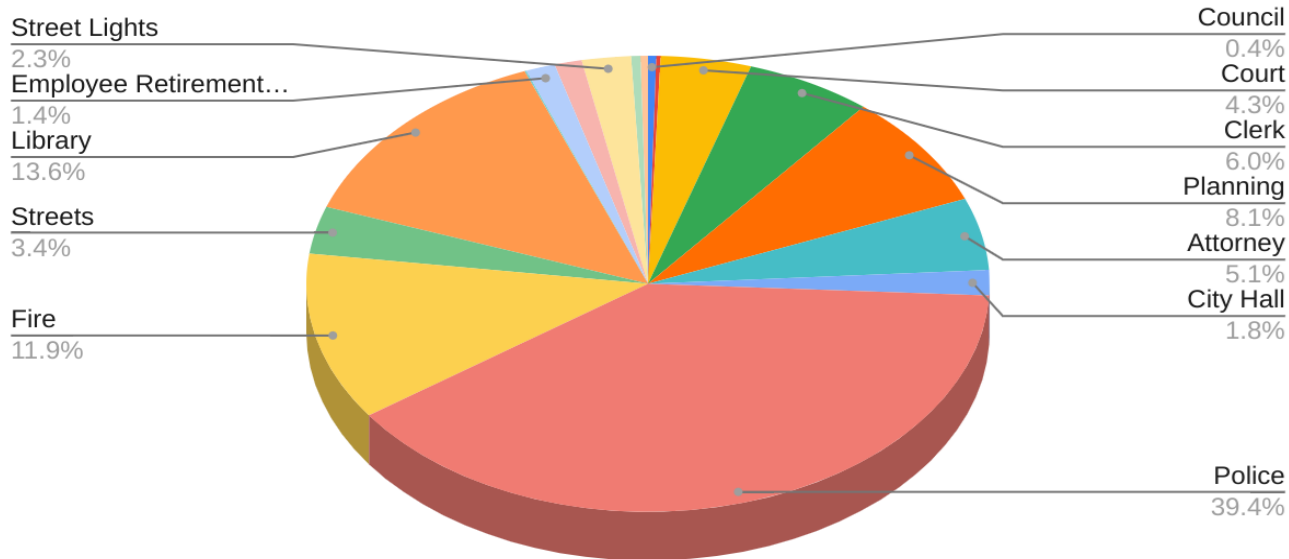
# GENERAL FUND - Where the money comes from

## General Fund Budgeted Revenue



# GENERAL FUND - Where the money goes (by department)

General Fund Budgeted Expenditures



# **SPECIAL REVENUE FUND**

**A governmental fund type used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt services or capital projects**

# SPECIAL REVENUE FUNDS

## Revenues

- Resort Tax
- Building Code Enforcement
- Gas Apportionment Tax
- Gas Tax Special Road / Street Allocation

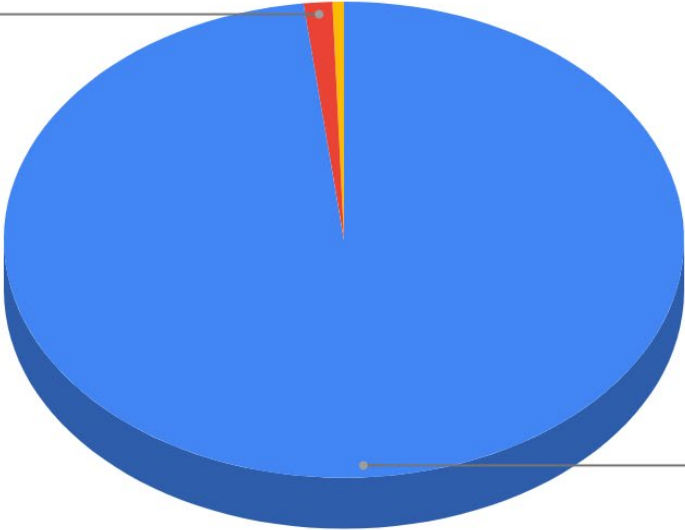
## Services Provided

- WHAT ELSE GOES HERE
- Street Infrastructure
- Capital Improvements

# RESORT TAX - Where the money comes from

Resort Tax Budgeted Revenue

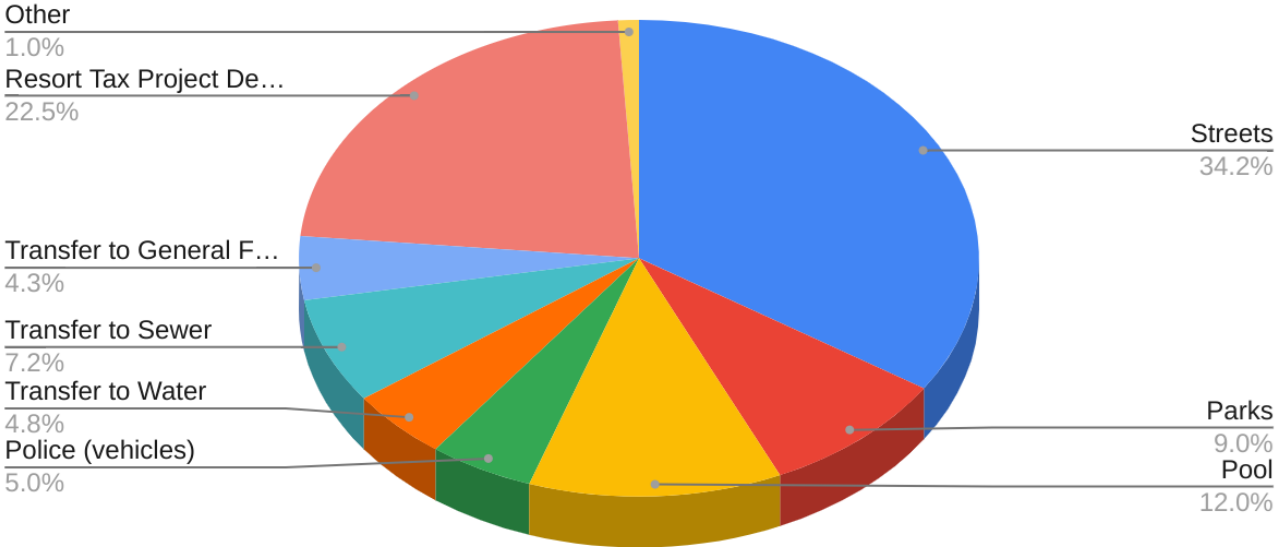
Pool Fees  
1.4%



Resort Tax  
98.1%

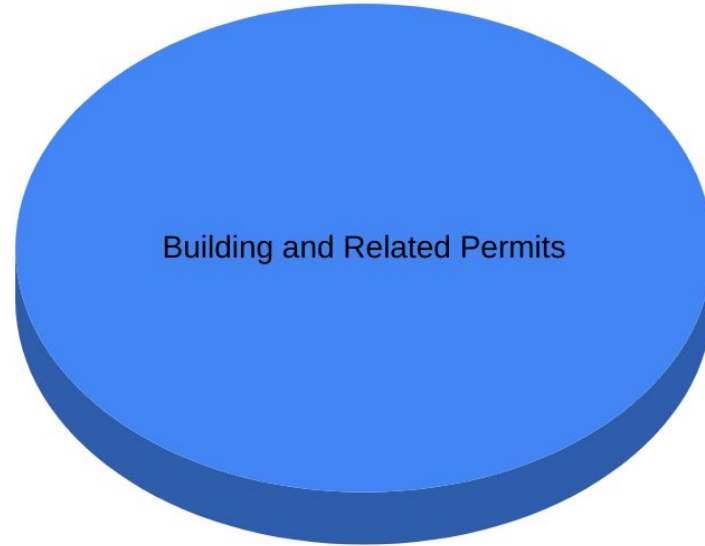
# RESORT TAX - Where the money goes

Resort Tax Budgeted Expenditures



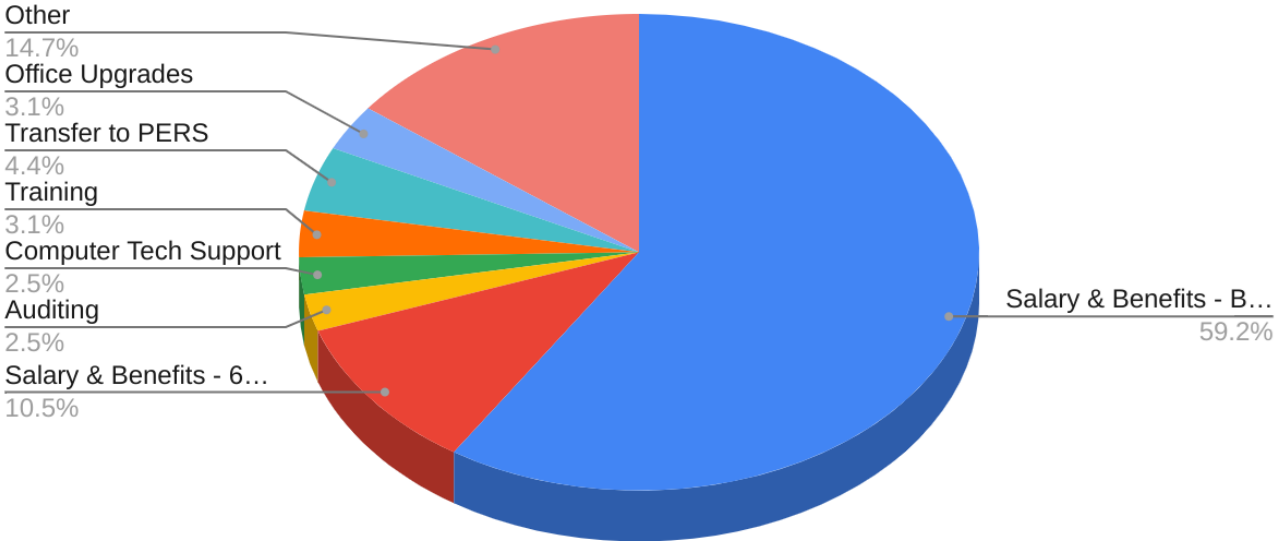
# BUILDING CODE ENFORCEMENT - Where the money comes from

Building Code Enforcement Budgeted Revenue



# BUILDING CODE ENFORCEMENT - Where the money goes

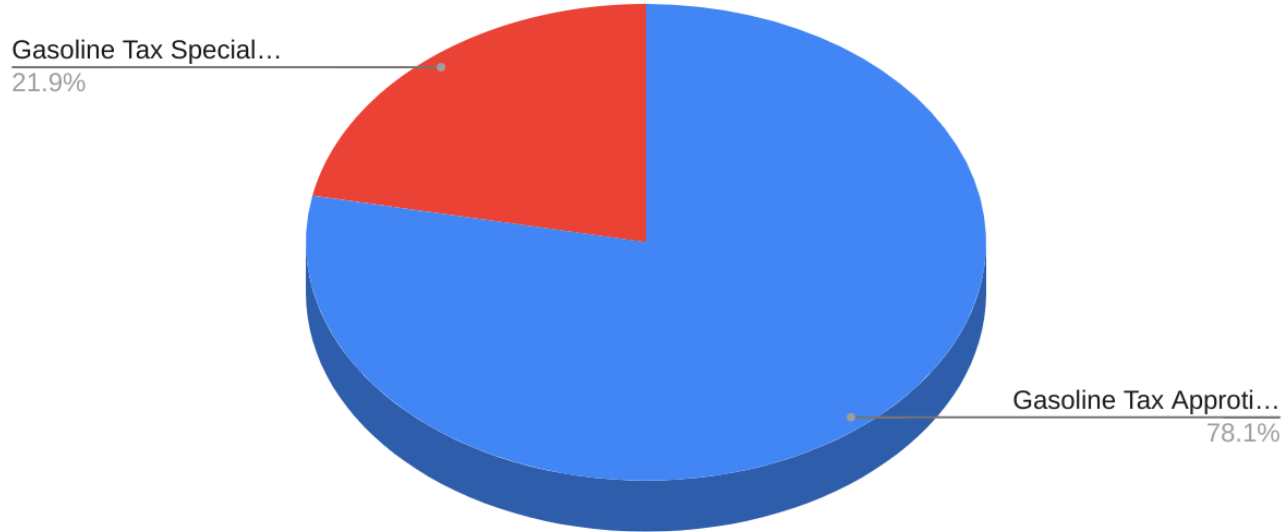
Building Code Enforcement Budgeted Expenditures





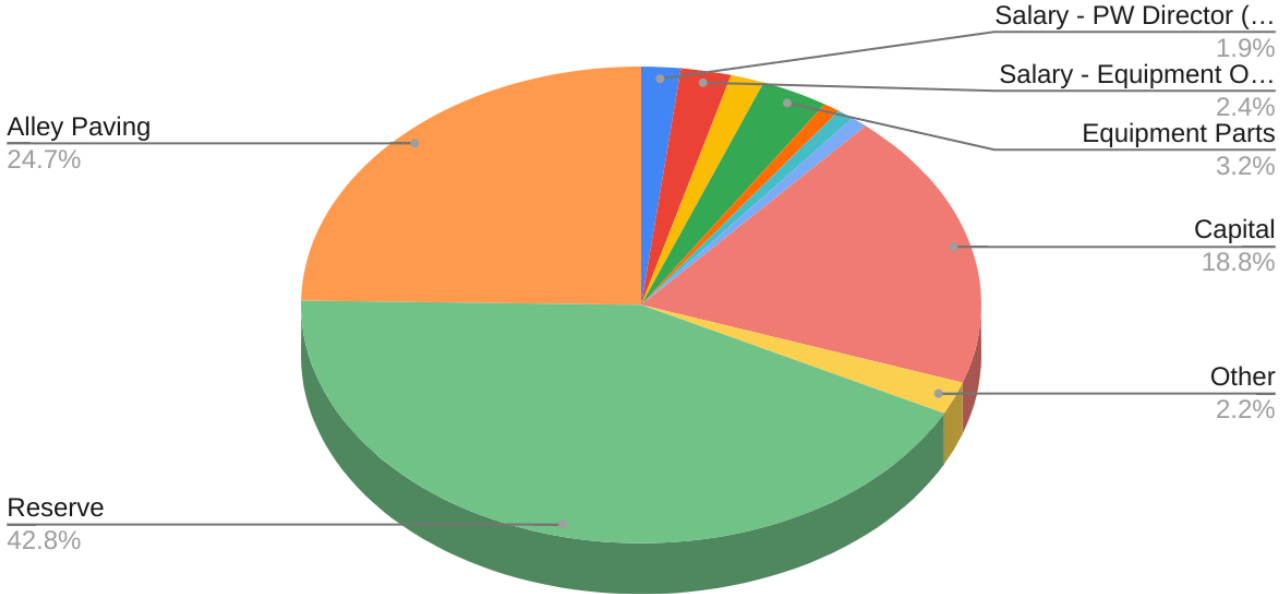
# GAS TAX - Where the money comes from

Gas Tax Budgeted Revenue



# GAS TAX - Where the money goes

Gas Tax Budgeted Expenditures



# CAPITAL PROJECTS FUND

Funds used to account for revenues received from bond or other general long term obligation debt issues, special assessment debt issues, grants, or shared revenues from other governments, transfers from other funds or other sources, and used to acquire and / or construct major, long-lived capital facilities other than those financed by Enterprise Fund Revenue

# CAPITAL PROJECTS FUNDS

## Revenues

- Grants
- Transfers from other funds
- Sale of City Assets

## Services Provided

- Capital Improvements
- Equipment



# ENTERPRISE FUND

An Enterprise Fund is a governmental fund type used to account for the revenues and expenses (including depreciation) of proprietary services provided by a local government on a “fee for service” basis, similar to private business enterprises, rather than on a tax supported basis. Water, wastewater (sewer), solid waste, and ambulance services are typical examples of municipal enterprise activities.

# ENTERPRISE FUNDS

## Revenues

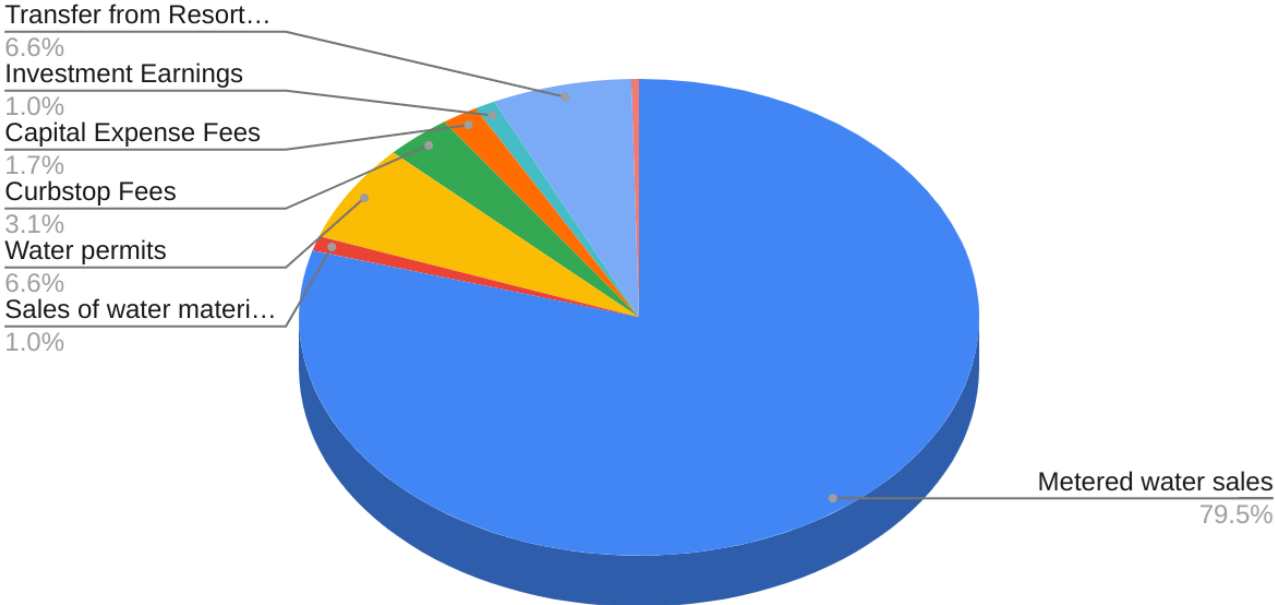
- Water Fees
- Sewer Fees
- Solid Waste Fees

## Services Provided

- Water
- Sewer
- Solid Waste Collection

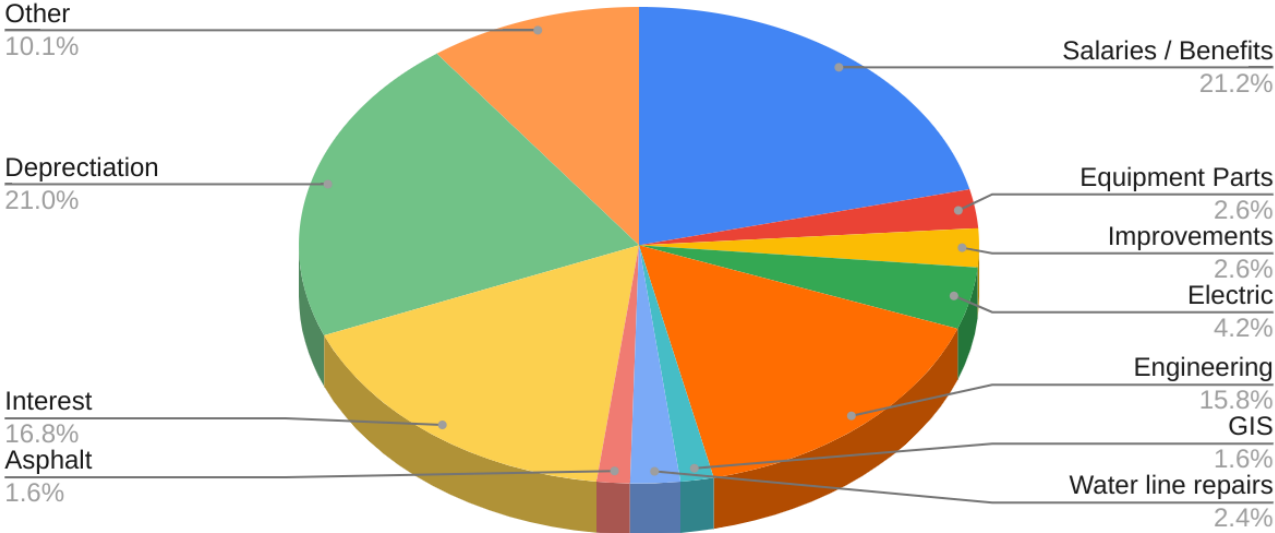
# WATER ENTERPRISE FUND - Where the money comes from

Water Enterprise Fund Budgeted Revenue



# WATER ENTERPRISE FUND - Where the money goes

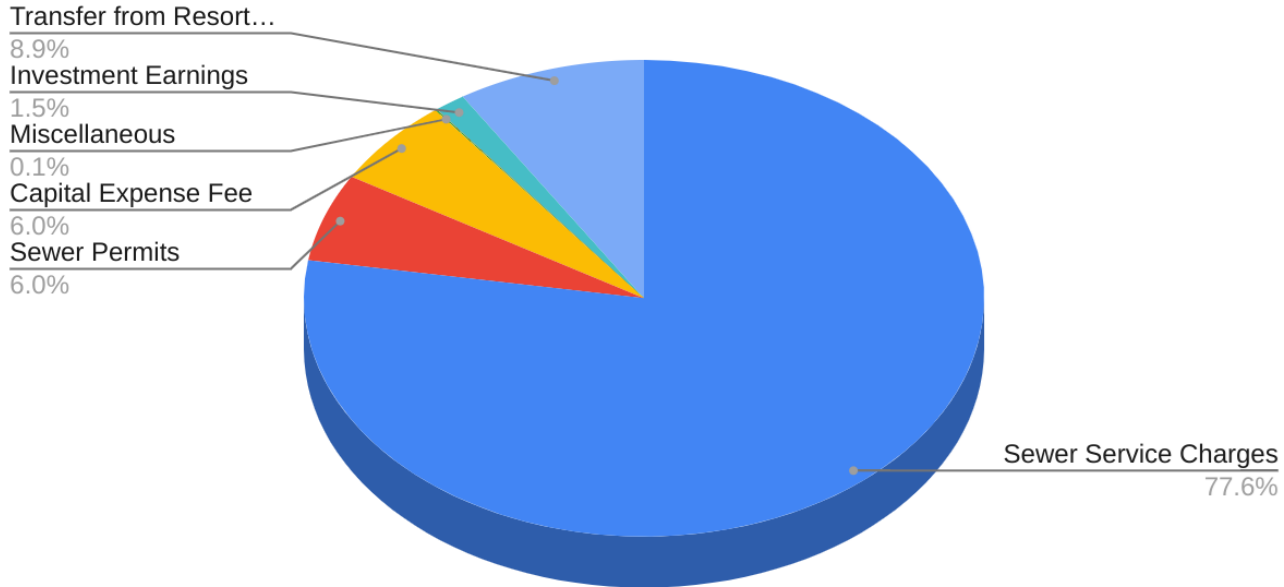
Water Enterprise Fund Budgeted Expenditures





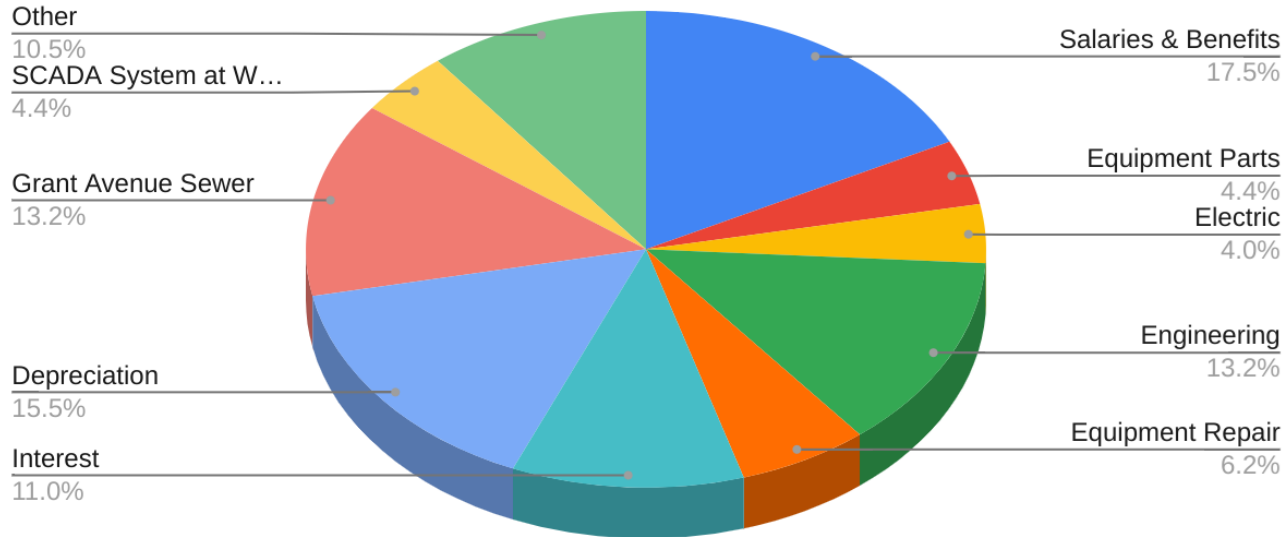
# SEWER ENTERPRISE FUND - Where the money comes from

## Sewer Enterprise Fund Budgeted Revenue



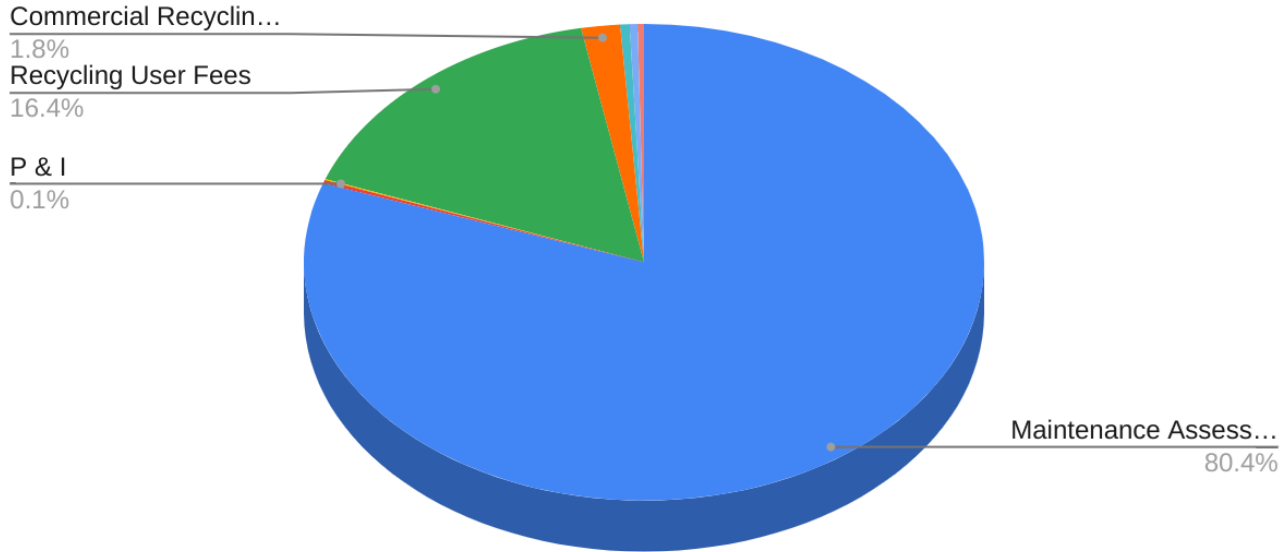
# SEWER ENTERPRISE FUND - Where the money goes

Sewer Enterprise Fund Budgeted Expenditures



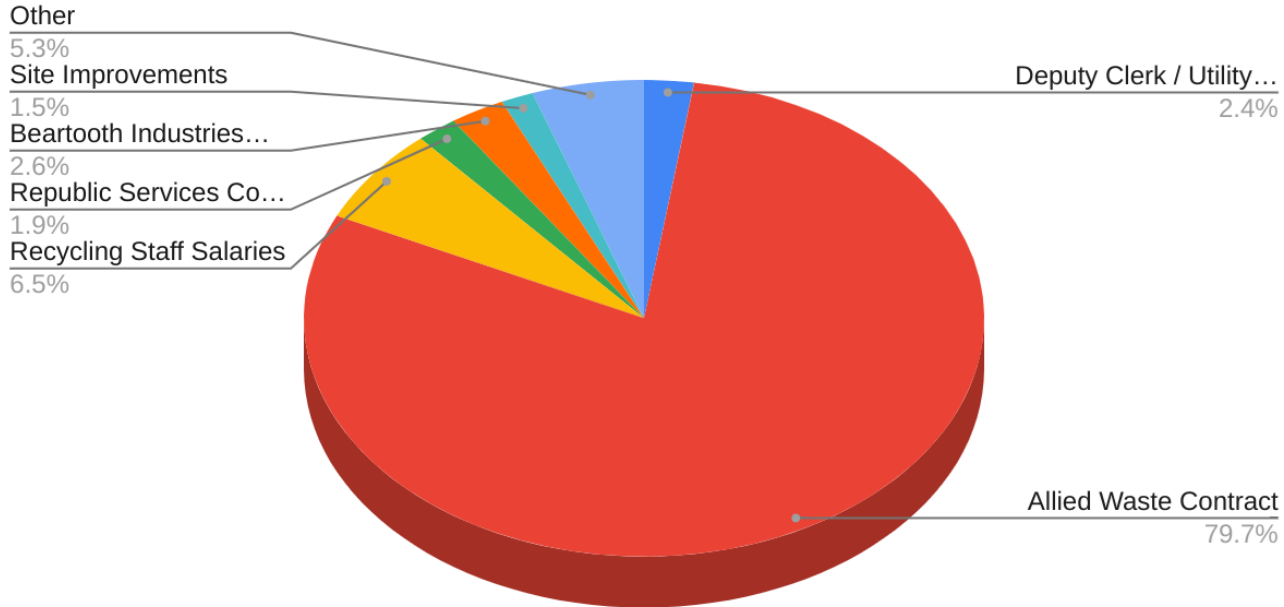
# SOLID WASTE - Where the money comes from

Solid Waste Budgeted Revenue



# SOLID WASTE - Where the money goes

Solid Waste Budgeted Expenditures



# Example of Budget Resolution

*(click link above)*



# Compiled List of Questions Specific to Most Recent Audit Report

All audits are available on the state's website and accessible via a link [City's website](#)

1. Why does the audit take 9 months to complete? *Completing the actual audit only takes four or five days. However, our City is only one of many that need to be audited yearly- we are put onto the auditors calendar when they can get to us.*
2. When does the auditor receive the final numbers from the City? *The auditors usually visit the City in August to assist administrative staff with year end closing. They receive the final numbers when they come to do the actual audit.*
3. How could financial statements be completed more expeditiously? *If you are referring to the audit report, again, this is dependent on when we are scheduled by the auditors. The City is also required to submit an Annual Financial Report by December 31st each year. This report is approved by the state, and accessible via a link on the [City's website](#)*

# Compiled List of Questions Specific to Most Recent Audit Report

4. Are monthly or quarterly financials done in a reasonable time? *Yes. There is a month by month expenditure / revenue report posted on the [City's website](#)*

5. If so, do you know if variances in the budget are explained? *Because budgets are projections, there are going to be variances periodically. While the monthly reports are not accompanied by a summary of every variance, City staff alert the Admin Committee to anything out of the ordinary or substantially different / unexpected. Additionally, every month when claims are processed and reviewed, asterisks denote any amounts that were not budgeted for.*

6. Does the City Clerk understand the auditor's statements or find them helpful, particularly since the statements arrive 9 months after FYE? *Yes. Our City Clerk works closely with our auditors and has a good working relationship with them. She is comfortable asking questions regarding the audit statements and the auditors work with her to implement any necessary changes.*

# Compiled List of Questions Specific to Most Recent Audit Report

7. Can the City Clerk translate the auditor's statements in a format that the average person would understand for transparency? *A? If the community decided this would be a good use of tax dollars, we would need to allot time and resources for that purpose.*
8. If not, could the City employ a local accountant to do so? At what cost? *A? We could, certainly, but once again, the community would have to weigh if that is a good use of tax dollars.*
9. Where are variances (spending or revenue versus budget) explained? *A? Believe this question is meant to read revenue vs. expenditures or perhaps expenditures vs. budget. In either case, there is a month by month expenditure / revenue report posted on the [City website](#)*



# Compiled List of Questions Specific to Most Recent Audit Report

10. Can you tell me how the City is addressing issue 007 of the audit? *An updated written budget review process was provided to the state to ensure it was sufficient (reference slide 2).*

11. Who generates responses to the findings listed in the city audit report? Who generated the responses for the 2022 audit report? *City staff who work with the auditors generate the responses for the findings. The state has reviewed and approved these responses. (Note: The Admin & Finance Committee of the City Council was not reformed until July 26, 2022).*

# Compiled List of Questions Specific to Most Recent Audit Report

12. Please address the list of findings that were raised in the 2021 audit report and why they have not been resolved as of the the 2022 audit report (pg. 51, 2022 audit report)

A: Two members of the Admin & Finance Committee spoke to the Curt Wyss, one of the city's auditors from Olness & Associates CPAs regarding the findings from their 2021 audit report that were still unresolved in 2022. The two principals of Olness have 30 and 35 years experience respectively and work with dozens of cities, counties and school boards in Montana. The three unresolved findings were as follows:

1. ~~2021-001~~ **2021-001. SEGREGATION OF DUTIES** Olness & Associates recommended "duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls."

# Compiled List of Questions Specific to Most Recent Audit Report

The city's response: there are not nor will there likely ever be enough employees to have a well-rounded segregation of duties. We have implemented procedures for reviewing claims, adjustments in UB and an approval sheet for the Administration and Finance Committee members to review monthly J.V.'s. Every effort will be made to have segregation to the best of our ability with such a limited number of employees.

**2. 2021002. AUDITOR PREPARED FINANCIAL STATEMENTS** Diness & Associates recommended "while it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements." The City of Red Lodge's Response: The cost to hire a ~~third~~ party to prepare the financial statements outweighs the benefits.

# Compiled List of Questions Specific to Most Recent Audit Report

**3. 2021003. MILL LEVY CALCULATION.** Olness & Associates recommended “Procedures should be developed and implemented that will provide for accurate completion and review of the HB 124 mill levy calculation worksheet.” The City of Red Lodge's Response: The HB 124 mill levy calculation sheet does not factor in the property tax relief that our Resort Tax fund generates. The City has to do a manual calculation to determine the amount of mills to be decreased, which in turn leaves carryover mills for the subsequent year. It does not state anywhere in Statute that those mills cannot be carried forward in subsequent years. The City was not aware that the carry over mills could not be used. Going forward no carryover mills will be used in subsequent years.

# Compiled List of Questions Specific to Most Recent Audit Report

- **Regarding 202-001 and 202-002:** Per Wyss, these findings will likely continue in subsequent audits. Their firm performs 460 audits per year and numbers 1 & 2 are in every single one. There are not enough people at city hall to satisfy this requirement. His opinion is that the mayor and council need to understand this limitation and stay involved. It is common practice for auditors to prepare financial statements and they are better equipped to stay on top of the ever changing laws (they take 40 hours of continuing education annually to keep up with legislative and financial changes) than are small municipal staffs. To have a qualified person evaluate the auditor prepared financial statement would cost an additional \$12,000- \$15,000 minimum.

# Compiled List of Questions Specific to Most Recent Audit Report

- **Regarding 202-003:** According to Wyss, the HB 124 Worksheet was not designed to account for resort tax and the formula carried over an amount that should have been zeroed out, resulting in a mistake. City staff now knows there will need to be a manual calculation not included on the worksheet and this should be resolved for future audits.
- **Side note:** the State has final authority over audit findings and responses. They give municipalities a year to fix any problems. They can ultimately withhold money if problems remain unresolved or attach a liaison to help city to take care of problems.

# Compiled List of Other Questions

- I am requesting a three year salary, benefits, “perks” (those items that are provided that may or may not be a line item on the budget such as use of city owned vehicles, gas cards, etc.) history for each of the department head and union employees. I am also requesting job descriptions for each of these employees. *The annual budgets are available to the public on our website. Each fund has a list of employees and their salaries for the year, which includes benefits. Receiving job descriptions would be best handled via a FOIA request to compensate the city staff for their time and any paper copies required.*
- Are the costs for a solely cityun airport accounted for in the 20232024 budget? *No. Costs associated with the airport were estimated based on last year’s expenses only. We could submit a budget amendment if necessary in the future.*

# Compiled List of Other Questions

- Why is the librarian for the City of Red Lodge the highest paid librarian in the state?  
*A: The Red Lodge Library Director is Jodie Moore, and her salary and benefits are determined by the library board. In FY202223, the library board began using the city pay matrix to set Moore's salary. She is a department head at a pay grade of 16, with a master's degree in library science and 18 years of experience, so she is compensated based on these qualifications. Moore doesn't agree that she is the highest paid librarian in the state, as she has many professional contacts in her industry around the state and knows this isn't true*
- I don't see any admin assistance or travel under the Mayor's category of general fund. What about costs associated with communications with officials and businesses, visiting other mayors and attending functions beneficial to the office?  
*A: There are no funds budgeted for that. There is \$600 allocated for training.*



# Next Steps

- Draft budget review by City Council July 25th
- Public hearings on draft budget August 11 and August 25 at City Council meetings, with finalized budget submitted to the state before the September XX deadline
- Public workshop on last year's audit - Date and time TBD
- Future meetings to discuss and inform the public on options for increasing the general fund to meet the current needs of the community - Date and time TBD

\* Don't forget to attend the DOR virtual meeting on July 25th

# Questions or Suggestions

This presentation is available on the city website: [www.cityofredlodge.net/administrative-services/page/budget](http://www.cityofredlodge.net/administrative-services/page/budget)

Audio recording of this presentation is available on the city website:  
[https://www.cityofredlodge.net/meetings?field\\_microsite\\_tid\\_1=27](https://www.cityofredlodge.net/meetings?field_microsite_tid_1=27)

Please send all questions and suggestions to City Council Representative Jenn Battles:  
[jbattlesward1@gmail.com](mailto:jbattlesward1@gmail.com)

Your Suggestions & Questions will be shared with all City Council members and inform potential future budget workshop topics

# REFERENCE SLIDE 1 - What is a Mill?- how does it affect the budget?

Budgetary ask / total taxable value in the jurisdiction = mills required to meet that budget

So as the denominator (total taxable value) increases, mills decrease.

From a property owner's perspective, a mill is 1/1000th of every taxable dollar of your property's taxable value.

Taxable value is recalculated by the State for every property every two years, based on market value. Taxable value is market value times the tax rate for that type of property. Market value X tax rate 1.35% for residential = taxable value. Your tax bill will be your taxable value times the number of mills/1000.

Eg. 400K times 1.35 % = 5400 or so, then \$5400 times mills / 1000 plus any flat fees like garbage= tax bill

Everyone in a given jurisdiction pays the same number of mills, but their total tax bill depends on their property's taxable value.

From the City's Perspective, the "value of a mill" is a set number each year that only makes sense in aggregate. It's the value represented by 1/1000th of the total taxable value within the jurisdiction. As the total taxable value within the jurisdiction increases, the value of a mill increases, meaning the number of mills necessary to meet a given budgetary request goes down accordingly.

# REFERENCE SLIDE 2

## Final Budget Approval Process

1. Once the Mayor and City Clerk have finalized budget numbers, including Expenditures and Revenues for each fund, the budget will go to the Admin and Finance Committee.
2. The Committee will verify that the cash numbers, expenditure lines and revenue lines match the tax levy document. Once verified the budget will go to the Council for public hearing and final approval.