MEMO

TO: Elected Officials and Flathead County Department Heads
FROM: Pete Melnick, County Administrator
DATE: January 27th, 2022
RE: FY 2023 Budget Direction

1. **Summary:** The below outlines the results of the Commissioner Budget Workshop held at the Flathead County Solid Waste Conference room on January 26, 2022. The Commissioners provided general budget direction as follows:

2. **COLA:** The commissioners approved a 2.5% COLA for the preliminary budget relating to employee pay. Toward the end of the budget process the Compensation Board will make a recommendation to the County Commissioners, who will make the final approval. This process is outlined in law. A few notes on CPI:
   
   a. Our records indicate that since at least the mid 1990s Flathead County has calculated COLA using the average CPI-U provided by the U.S. Bureau of Labor and Statistics for the current calendar year (CY) as the base for their discussions.
      
      i. For CY 2021 the average CPI-U is 4.7%.
      
      ii. The Commissioners recognize that this number might appear different than inflation numbers that are discussed in the media, social media, and among friends and co-workers. It is important that you remind your workforce that this consistent approach to using the average calendar year CPI was used in the past and will be used in the future for COLA discussions.

3. **FY23 Budget:** Please maintain a consistent approach to your FY23 budget (CIP and operational). This is ordinarily referred to as “hold-the-line” on your budget.

   a. The County Commissioners are aware of the pressures to your budgets as a result of complex inflationary conditions and new growth in the valley. And, as in previous years, the commissioners are receptive to FTE increases and other large capital investment opportunities.
   
   c. Department heads and elected officials should use the established sidebar process to advocate for additional resources. These sidebar requests must include narrative information regarding need, cost, and justification.
   
   d. Those with significant FTE vacancies and who are requesting additional FTEs should be prepared to discuss their plan on filling the open positions.
2) Health Benefits: As part of our HR strategy workshop, Tammy analyzed our medical insurance program and is recommending significant changes to the employee plan. Our reserve balance is fiscally sound and Allegiance (our health benefits plan manager) agrees that changes are reasonable. The County Commissioners are united in this effort. Your staffs should know that we are planning on reducing deductibles for both the traditional and hi-deductible plans. In addition, Summary: The below outlines the results of the Commissioner Budget Workshop held at the Flathead County Solid Waste Conference room on January 26th, 2022. The Commissioners provided general budget direction as follows:

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      i. For CY 2021 the average CPI-U is 4.7%.
      ii. The Commissioners recognize that this number might appear different than inflation numbers that are discussed in the media, social media, and among friends and co-workers. It is important that you remind your workforce that this consistent approach to using the average calendar year CPI was used in the past and will be used in the future for COLA discussions.

4) FY23 Budget: Please maintain a consistent approach to your FY23 budget (CIP and operational). This is ordinarily referred to as “hold-the-line” on your budget.
   a. The County Commissioners are aware of the pressures to your budgets as a result of complex inflationary conditions and new growth in the valley. And, as in previous years, the commissioners are receptive to FTE increases and other large capital investment opportunities.
   b. Department Heads and Elected Officials should use the established sidebar process to advocate for additional resources. These sidebar requests must include narrative information regarding need, cost, and justification.
   c. Those with significant FTE vacancies and who are requesting additional FTEs should be prepared to discuss their plan on filling the open positions.
   d. Health Benefits: As part of our HR strategy workshop, Tammy analyzed our medical insurance program and is recommending significant changes to the employee plan. Our reserve balance is fiscally sound and Allegiance (our health benefits plan manager) agrees that changes are reasonable. The County Commissioners are united in this effort. //Your staffs should know that we are planning on reducing deductibles for both the traditional and hi-deductible plans. In addition, HR is exploring adding an orthodontia plan and increasing the benefits for vision and dental. Final details are being calculated and we will make a firm recommendation in the March timeframe.
   e. Whatever the final decision is, we expect that these benefit changes will provide more value to our employees. This is indeed good news and should be shared widely with your workforce.
5. **Information Technology:** Please continue to inform IT of your cyber needs. As the global IT business community transitions to cloud-based services, your support needs might change. Coordinate with Matt early and often in this process as cloud based services have different funding and support needs.

6. **Additional guidance:** The Commissioners have provided additional operational, fiscal, and CIP related guidance for certain departments that I will share separately.

I am frequently impressed with the fiscal stewardship and committed discipline exercised by our management team. It is an uncommon gift and your efforts are appreciated by the Commissioners. I wish you the best of luck as you prepare the FY23 budgets for your offices and departments.

cc: Commissioners Holmquist, Brodehl and Abell
Amy Dexter, Finance Director