

## OVERVIEW OF BUDGETED RESOURCES

### OVERVIEW OF BUDGETED RESOURCES

#### SUMMARY OF MAJOR REVENUES, EXPENDITURES

#### AND OTHER FINANCING SOURCES/USES

Budgeted July 1, 2013 through June 30, 2014 (FY 14)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	
Fund Balance/Net assets-July 1, 2013	\$ 5,942,017	\$ 5,124,924	\$ 3,673,659	\$ (4,783,690)	\$ 90,057,097	\$ 485,214	\$ 497,718	\$ 16,018,466 \$ 117,015,404
<u>Estimated Revenues</u>								
Taxes & Assessments	22,517,557	4,152,365	1,183,767	-	-	-	-	2,819,200 30,672,889
Licenses & Permits	1,317,155	1,772,852	-	-	-	-	-	- 3,090,007
Intergovernmental	14,157,135	4,694,034	-	-	-	-	-	523,422 19,374,591
Charges for Services	5,371,501	1,020,500	-	-	8,701,143	-	-	1,424,890 16,518,034
Fines & Forfeitures	1,786,943	16,800	-	-	-	-	-	270,000 2,073,743
Miscellaneous	270,060	2,526,519	1,991,170	1,857	270,000	-	-	357,367 5,416,973
Investment Earnings	3,500	-	-	-	-	-	-	20,000 23,500
Long Term Debt proceeds	-	-	-	-	-	-	-	-
Transfers In/Other Financing	5,580,646	-	-	1,150,023	7,472,240	692,000	-	2,380,595 17,275,504
Internal Service	-	-	-	-	-	5,246,349	-	- 5,246,349
Total Estimated Revenues	51,004,497	14,183,070	3,174,937	1,151,880	16,443,383	5,938,349	-	7,795,474 99,691,590
<u>Budgeted Expenditures</u>								
General Government	9,372,407	447,000	-	-	-	5,803,730	-	- 15,623,137
Public Safety	25,200,717	2,540,606	-	-	-	-	-	- 27,741,323
Public Works	7,492,794	762,826	-	-	5,164,059	-	-	1,758,760 15,178,439
Public Health	1,584,723	-	-	-	-	-	-	- 1,584,723
Social and Economic Services	210,000	-	-	-	-	-	-	- 210,000
Culture and Recreation	4,270,627	547,668	-	-	1,390,804	-	-	- 6,209,099
Housing & Community Devel.	50,000	1,648,702	-	-	-	-	-	8,119,281 9,817,983
Debt Service	461,541	-	3,174,937	1,150,022	2,164,297	-	-	2,580,869 9,531,666
Internal Service	-	-	-	-	-	-	-	-
Capital Outlay	856,342	6,026,706	-	378,622	390,000	-	-	6,125,098 13,776,768
Transfers Out/Other Financing	3,124,285	5,372,934	100,000	-	7,452,735	-	-	2,899,553 18,949,507
Total Budgeted Expenditures	52,623,436	17,346,442	3,274,937	1,528,644	16,561,895	5,803,730	-	21,483,561 118,622,645
<u>Projected Change in</u>								
Fund Balance/Net assets	(1,618,939)	(3,163,372)	(100,000)	(376,764)	(118,512)	134,619	-	(13,688,087) (18,931,055)
Anticipated Exp. Savings	1,618,939	-	-	-	-	-	-	1,618,939
<u>Projected Ending</u>								
Fund Balance/Net assets-June 30, 2014	\$ 5,942,017	\$ 1,961,552	\$ 3,573,659	\$ (5,160,454)	\$ 89,938,585	\$ 619,833	\$ 497,718	\$ 2,330,379 \$ 99,703,288

## OVERVIEW OF BUDGETED RESOURCES

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#### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES

Actual\* July 1, 2012 through June 30, 2013 (FY 13)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	Component Units	
Fund Balance/Net assets-July 1, 2012	\$ 4,562,625	\$ 4,611,949	\$ 3,641,862	\$ (3,711,562)	\$ 87,585,162	\$ (245,977)	\$ 497,718	\$ 12,881,808	\$ 109,823,585
<u>Revenues</u>									
Taxes & Assessments	22,237,692	4,298,646	1,765,908	-	-	-	-	4,053,786	32,356,032
Licenses & Permits	1,253,948	1,973,978	-	-	300	-	-	-	3,228,226
Intergovernmental	11,621,823	4,899,776	-	639,267	292,768	5,000	-	937,242	18,395,876
Charges for Services	4,738,464	1,296,398	-	-	8,551,383	-	-	1,298,916	15,885,162
Fines & Forfeitures	1,546,082	19,048	-	-	-	-	-	255,902	1,821,032
Miscellaneous	286,227	1,310,191	2,209,686	269,949	489,277	-	-	330,676	4,896,007
Investment Earnings	6,802	(1,829)	41,009	2,034	(3,078)	(169)	-	(21,459)	23,310
Long Term Debt proceeds	-	-	5,480,000	1,308,935	-	-	-	7,503,500	14,292,435
Transfers In/Other Financing	5,529,518	38,292	922,055	1,810,367	158,040	442,839	-	3,900,405	12,801,516
Internal Service	-	-	-	-	-	4,093,072	-	-	4,093,072
Total Estimated Revenues	47,220,556	13,834,502	10,418,658	4,030,552	9,488,691	4,540,742	-	18,258,968	107,792,668
<u>Expenditures</u>									
General Government	7,499,358	445,230	-	-	-	-	-	-	7,944,587
Public Safety	23,110,954	1,993,249	-	-	-	-	-	-	25,104,203
Public Works	6,536,699	2,333,070	-	80,521	4,878,754	-	-	1,121,413	14,950,458
Public Health	1,482,096	-	-	-	-	-	-	10,486	1,492,582
Social and Economic Services	116,000	-	-	-	-	-	-	-	116,000
Culture and Recreation	3,645,596	394,918	-	2,247	1,074,141	-	-	-	5,116,902
Housing & Community Devel.	120	1,850,619	-	-	-	-	-	3,315,304	5,166,043
Debt Service	354,212	322,000	4,089,932	877,060	1,063,862	-	-	1,657,507	8,364,572
Internal Service	1,049,648	-	-	-	-	-	-	-	1,049,648
Capital Outlay	541,001	654,731	-	2,956,262	(1)	-	-	5,620,685	9,772,677
Transfers Out/Other Financing	1,829,781	5,327,709	6,296,929	1,186,590	-	3,809,552	-	3,396,915	21,847,476
Total Expenditures	46,165,464	13,321,526	10,386,861	5,102,680	7,016,756	3,809,552	-	15,122,310	100,925,150
<u>Projected Change in Fund Balance/Net assets</u>	1,055,092	512,975	31,797	(1,072,128)	2,471,934	731,190	-	3,136,658	6,867,518
<u>Restatement</u>	-	-	-	-	-	-	-	-	-
Fund Balance/Net assets-June 30, 2013	\$ 5,617,716	\$ 5,124,924	\$ 3,673,659	\$ (4,783,690)	\$ 90,057,096.78	\$ 485,214	\$ 497,718	\$ 16,018,466	\$ 116,691,103

\* Unaudited numbers

## OVERVIEW OF BUDGETED RESOURCES

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#### SUMMARY OF MAJOR REVENUES, EXPENDITURES

#### AND OTHER FINANCING SOURCES/USES

Actual July 1, 2011 through June 30, 2012 (FY 12)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	Component Units	
<b>Revenues</b>									
Taxes & Assessments	20,393,231	4,840,395	4,162,390	-	-	-	-	4,053,665	33,449,681
Licenses & Permits	1,099,709	1,766,520	-	-	-	-	-	-	2,866,229
Intergovernmental	11,097,623	4,982,603	-	985,397	1,543	-	2,750	937,242	18,007,159
Charges for Services	3,907,579	1,198,820	-	278,601	8,337,271	-	262,808	1,298,916	15,283,995
Fines & Forfeitures	1,321,429	23,149	-	-	-	-	115,415	255,902	1,715,895
Miscellaneous	310,004	5,918	-	18,732	67,177	-	246,584	330,676	979,091
Investment Earnings	26,787	3,524	12,487	(1,107)	-	-	16	226	41,933
Internal Services	-	-	-	-	4,206,672	-	-	-	4,206,672
<b>Total Revenues</b>	<b>38,156,361</b>	<b>12,820,929</b>	<b>4,174,877</b>	<b>1,281,623</b>	<b>8,405,991</b>	<b>4,206,672</b>	<b>627,573</b>	<b>6,876,628</b>	<b>76,550,655</b>
<b>Expenditures</b>									
General Government	6,363,725	542,801	125	42,599	-	4,321,417	-	-	11,270,667
Public Safety	21,675,033	2,159,123	-	-	-	-	75	-	23,834,231
Public Works	6,580,494	689,607	-	167,436	7,468,542	-	880	1,042,472	15,949,431
Public Health	1,431,431	-	-	-	-	-	-	-	1,431,431
Social and economic services	116,000	-	-	-	-	-	-	-	116,000
Culture and recreation	3,310,584	215,308	-	2,157	1,768,346	-	441,891	200,420	5,938,706
Housing & Community Development	46,300	2,304,072	-	-	-	-	-	2,103,077	4,453,449
Conservation	100	-	-	-	-	-	-	-	100
Miscellaneous	1,003,472	-	-	-	-	-	-	8,825	1,012,296
Debt Service	176,285	-	4,240,807	828,204	-	-	-	897,852	6,143,147
Capital Outlay	518,627	1,530,807	-	4,153,343	-	-	-	8,693,080	14,895,857
Business-type	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>41,222,052</b>	<b>7,441,718</b>	<b>4,240,932</b>	<b>5,193,739</b>	<b>9,236,888</b>	<b>4,321,417</b>	<b>442,846</b>	<b>12,945,724</b>	<b>85,045,316</b>
<b>Other Financing Sources (Uses)</b>									
Transfers In	5,295,781	28,676	580,023	1,239,494	157,724	202,200	-	3,419,172	10,923,070
Transfers Out	(1,338,053)	(4,812,344)	(967,742)	(360,760)	25,000	-	-	(3,184,340)	(10,638,239)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	7,503,500	7,503,500
Proceeds from LT Debt	-	-	-	2,559,396	-	-	-	188,512	2,747,908
Sale of Fixed Assets	-	-	-	-	-	-	-	261,777	261,777
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	1,562,035	-	-	-	1,562,035
Contributions-government activities	-	-	-	-	2,000,000	-	-	22,131	2,022,131
Intergovernmental Revenues	-	-	-	-	257,900	-	-	-	257,900
Investment & Royalty Earnings	-	-	-	-	(552)	(840)	-	13,008	11,616
Debt Service Interest	-	-	-	-	(1,169,724)	-	-	(34,700)	(1,204,424)
<b>Total Other Financing Sources (Uses)</b>	<b>3,957,728</b>	<b>(4,783,668)</b>	<b>(387,719)</b>	<b>3,438,130</b>	<b>2,832,383</b>	<b>201,360</b>	<b>-</b>	<b>8,189,059</b>	<b>13,447,273</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>									
892,038	595,543	(453,774)	(473,986)	2,001,486	86,615	184,727	2,119,963	4,952,611	
Fund Balance/Net assets - July 1, 2011	3,670,587	4,016,406	4,095,636	(3,237,576)	85,583,676	(332,592)	312,991	10,761,845	104,870,974
Change in Accounting Principle Restatement	-	-	-	-	-	-	-	-	-
Residual Equity Transfer	-	-	-	-	-	-	-	-	-
Fund Balance/Net assets - June 30, 2012	4,562,625	4,611,949	3,641,862	(3,711,562)	87,585,162	(245,977)	497,718	12,881,808	109,823,585

### Assumptions, Estimates, & Trends

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#### Overview

Funding for services provided to City of Missoula residents comes from a variety of sources. The City strives to maintain a diversified and stable revenue system that will provide shelter from short-term fluctuations in any one revenue source and ensure the ability to provide ongoing services, within the confines of Montana Law. The City of Missoula is heavily reliant upon a property tax levy for its General Fund, which is explained in greater detail on the following pages. The City will continue its policy of seeking alternative revenue sources to lower the tax burden for City services, charging users for specific services where feasible, and aggressively collecting all revenues due the city. Enterprise fund revenues are generated through direct fees for service.

City revenues are divided into nine basic categories: Taxes and Assessments; Licenses and Permits; Intergovernmental Revenue; Charges for Services; Fines and Forfeitures; Miscellaneous Revenue; Investment Earnings; Bond Proceeds and Other Financing Sources; and Inter-fund Transfers.

**Taxes and Assessments:** This revenue is derived from the levy of taxes on real property and personal tangible property. Examples of taxes are property taxes and local option motor vehicle taxes.

**Licenses and Permits:** Revenues derived from the issuance of local licenses and permits.

**Intergovernmental Revenue:** Revenues received from federal, state and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes (PILT). State entitlement, grants, and PILT are examples of Intergovernmental Revenue.

**Charges for Services:** All revenues stemming from charges for current services—primarily revenues of Enterprise and Internal Service Funds. Examples of charges for services are the monthly/semi-annual sewer use charge, building permits, and engineering fees.

**Fines and Forfeitures:** Revenues received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Examples include: traffic fines, court fines, victim witness fines and bonds forfeited.

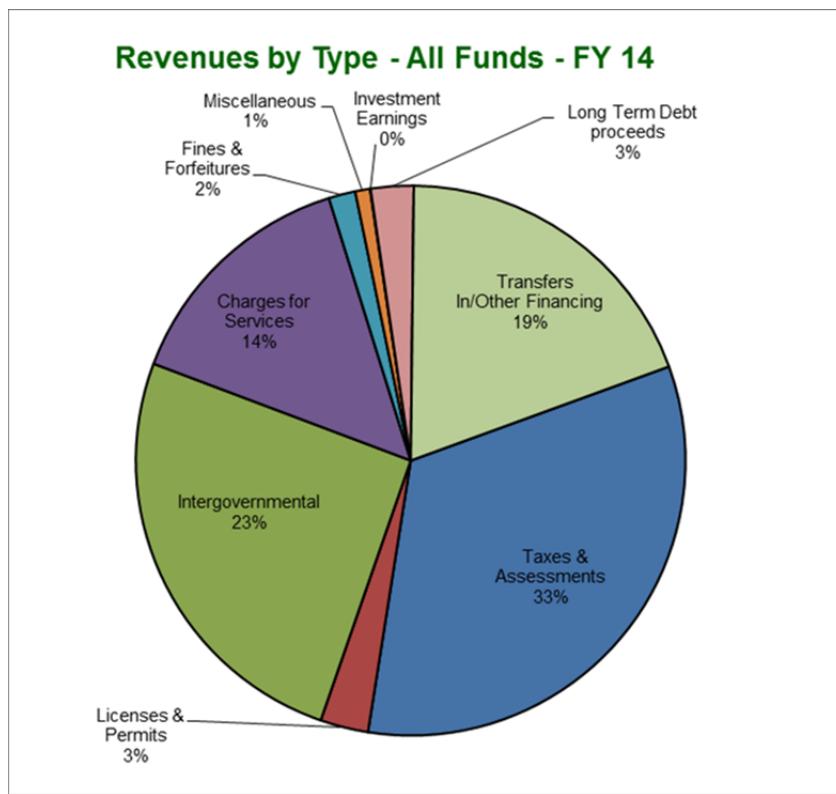
**Miscellaneous Revenue:** Revenue from sources not otherwise provided in other categories. Rent is an example of a miscellaneous revenue.

**Investment Earnings:** Revenue derived from the investment of available cash balances. Interest income is allocated proportionately to funds authorized by law to accrue interest, based on their respective cash balances.

**Bond Proceeds and Other Financing Sources:** These revenues consist of the debt proceeds received by the city to finance various types of capital improvements.

## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

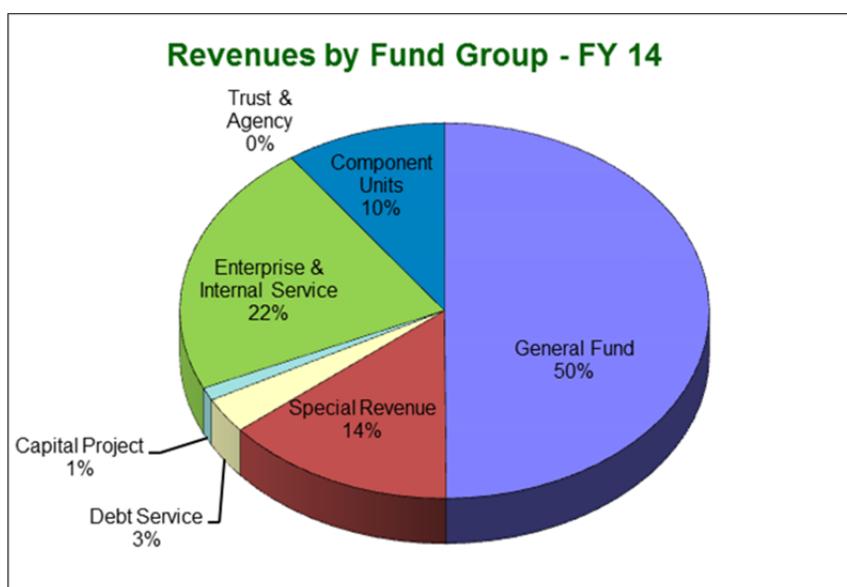


**Interfund Transfers:**  
Transfers between individual funds of a governmental unit are not repayable and are not considered charges for goods or services. An example is matching funds transferred from the General Fund and other special revenue funds to the Capital Improvement Fund for the funding of capital projects.

The two pie charts (on the left and below) give a graphic overview of total city revenues—one by the sources previously described and the other by major fund group.

As depicted by the graph of revenues by type, the taxes and assessments category and intergovernmental revenues make up the two largest categories of city revenues for FY 14 (56%). Transfers In and Other Financing revenues make up the next largest category (19%). Finally, Charges for Services (14%) makes up the fourth largest category. These four revenue categories make up 89% of all city revenues.

Revenues by fund group also help give the reader a look at the “Big Picture” of city revenues. As shown by the graph on the right, the general fund (50%), Enterprise & Internal Service funds (22%), Special Revenue Funds (14%), and Component Units (10%), make up 96% of the city’s revenues.



## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

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#### Revenue Forecast Assumptions & Methodology

Forecasting as used in the budget refers to estimating future changes in revenues. It provides an estimate of how much revenue will be available and the resources required to meet current service levels and programs over the forecast period. The value of forecasts is in estimating whether, given assumptions about local financial policies and economic trends, the City will have sufficient resources to meet requirements of ongoing, planned, or mandated programs. Forecast models have the added value of providing a planning tool for capital projects and/or indicate when bonded indebtedness will be required for capital funding. In short, forecasting provides an estimate of the financial flexibility of the City, as well as insight into tax, revenue, and service options the City Council must address. Our forecasting methodology reflects a combination of internal analysis and locally generated consensus forecasts covering such factors as population growth, revenue trends, and inflation. Specifically, for the revenue forecasts, we begin with models that include prior year actual collections and project the balance of the current fiscal year based on prior year patterns. In general, we seek to match revenue sources with the economic and/ or demographic variables that most directly affect year-to-year changes in those revenues.

Methods to project the revenues suggested in the budget vary depending upon the type of revenue examined. However, the most common method used is **Trend Analysis** and especially a year-to date approach. Examination of a variety of revenue sources on a monthly basis, have revealed consistent patterns in monthly collections. Trends are identified, along with an analysis of whether or not the trend is likely to continue. These have been good indicators of revenue collections during the course of a year and help to set a basis for future projections. Forecast variances are analyzed and used to improve forecasting in future periods. **Expert Judgment** is a projection methodology that relies upon individual department directors and financial managers to make projections for the revenues that affect their operations.

#### Revenue Estimates

The National Advisory Council on State and Local Budgeting prepared a set of recommended practices relating to governmental revenue estimates. Stated below are some excerpts from their recommended practices, along with the City of Missoula's revenue estimate practices.

Projection of revenues and other resources is critical in order to understand the level of funding available for services and capital acquisition. Projections for future budget periods help determine the likelihood that services can be sustained and highlight future financial issues to be addressed. Preparing revenue projections also enhances our understanding of revenue sensitivity to changes in assumptions and to controllable factors such as changes to tax rates or fees.

One of the key analytical tools, to assist in the development of revenue estimates, is the comprehensive five year financial forecast. This forecast considered key revenue and expenditure projection factors such as population, increases in the consumer price index (CPI) and other growth factors. The trending of these key factors and their affect on revenues and expenditures for the past ten years provided a historical basis for the five year financial forecast. The first City of Missoula forecast was prepared in 2003 and it has been updated annually since then. Overall, the City's practice is to budget revenues conservatively and to use as

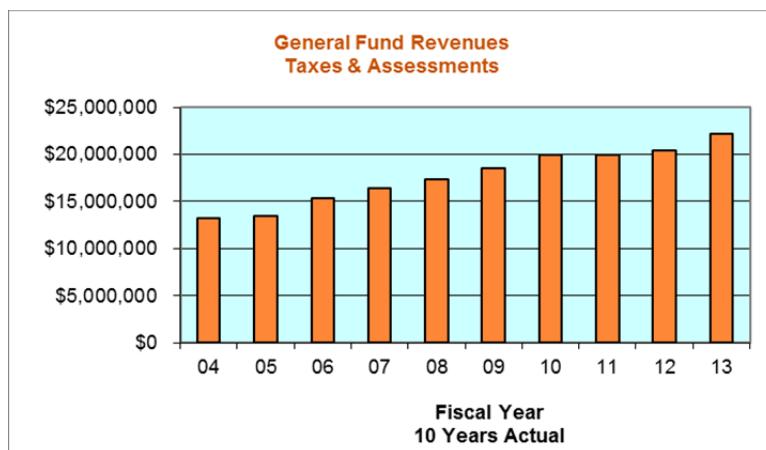
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

much information as possible to enhance the accuracy of revenue estimates. By identifying and utilizing as many revenue-related variables as possible in forecasting, we hope to minimize the risks of overstating or understating revenues that could arise from using only a few variables. Our approach to forecasting, in general, is to apply a conservative philosophy that will produce our long-term goal of not overstating revenues. Most estimates involve two projections: an estimate for the amount to be collected in the current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively reexamined based on actual results for 2011-13 as well as emerging trends at the mid-point of the year.

Individual revenue categories, their trends, and estimates follow. The revenue estimates described below represent 87% of total City revenues.

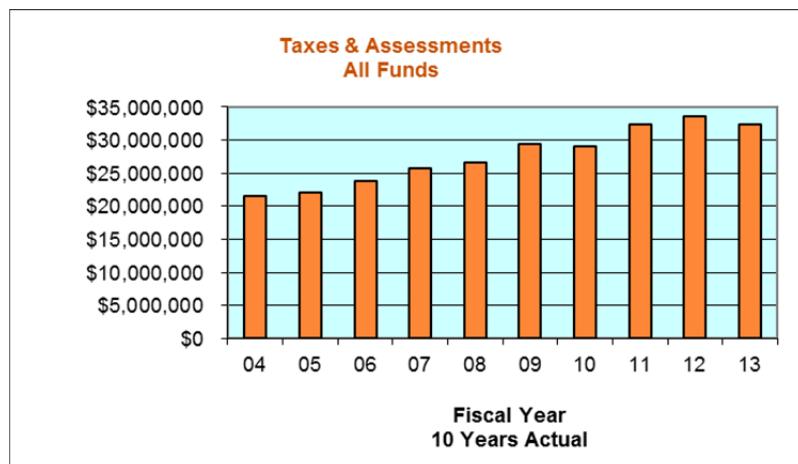
#### Key Revenue Estimates & Trends



Shown by the graph to the left are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 2004- FY 2013). The graph reflects the steady growth the City of Missoula is experiencing. Certain debt service levies and assessments go down in some years as the debt is paid off. Property taxes, which comprise

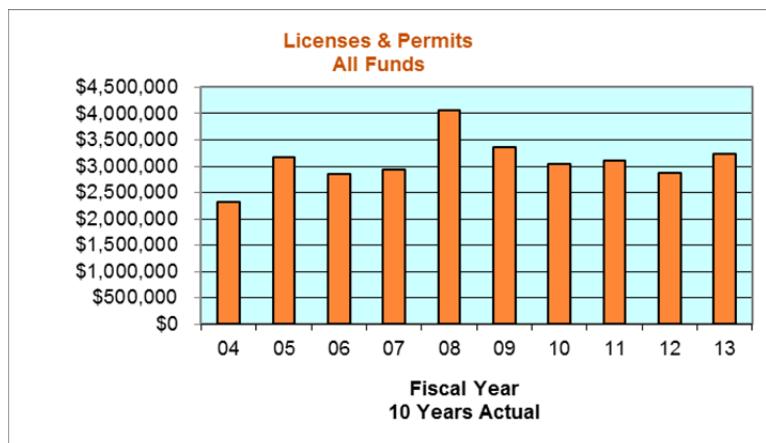
the majority of this revenue category, are dependent upon a combination of taxable values and mill levies. A very small increase was budgeted for the budget year FY 2014.

The graph on the right shows actual General Fund Taxes & Assessments for the last 10 years. Although not displayed on the graph, there was very little growth in General Fund taxes from FY 2001 – FY 2002 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations and actual growth in the last twelve years.



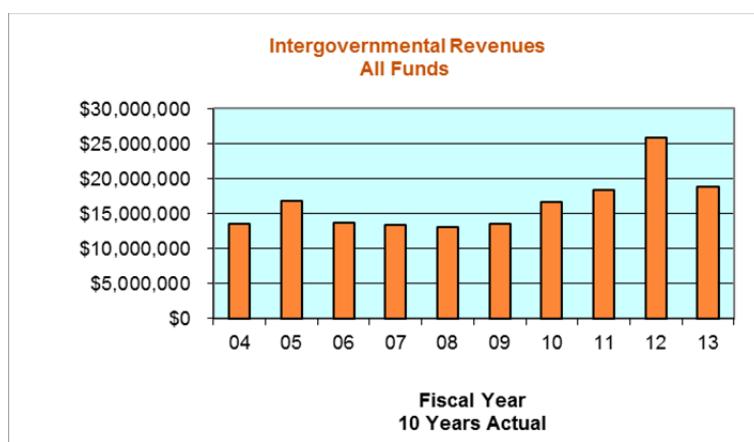
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends



Licenses & Permits for all City funds are shown on the left. A decline occurred between FY 01 (not shown) and FY 02 due to the state Legislature's elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature replaced with entitlement revenues. The decline from FY 08 to 09 was

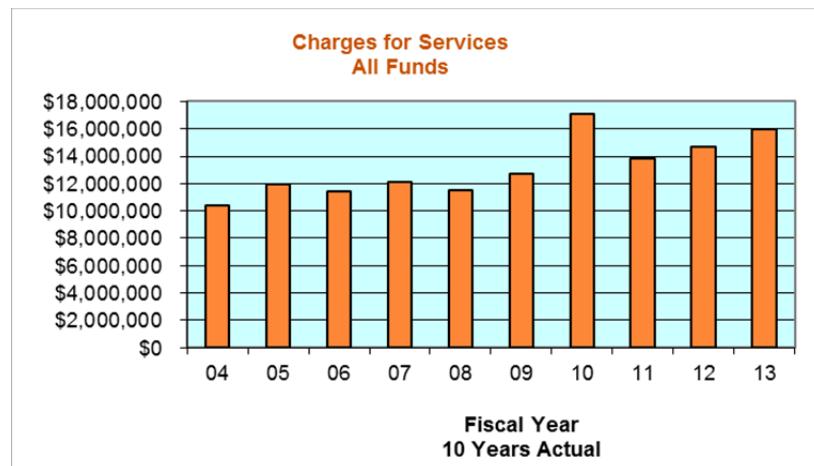
due to the economic slowdown experienced by the nation and the City of Missoula.



The increases in intergovernmental revenues (not shown but especially from 01 through 03) reflect the State Legislature's distribution of entitlement revenues to city governments. Since the increase in FY 03, these revenues have remained relatively stable although the level of grant receipts has fluctuated significantly from year to year. In addition to the entitlement revenues, this category

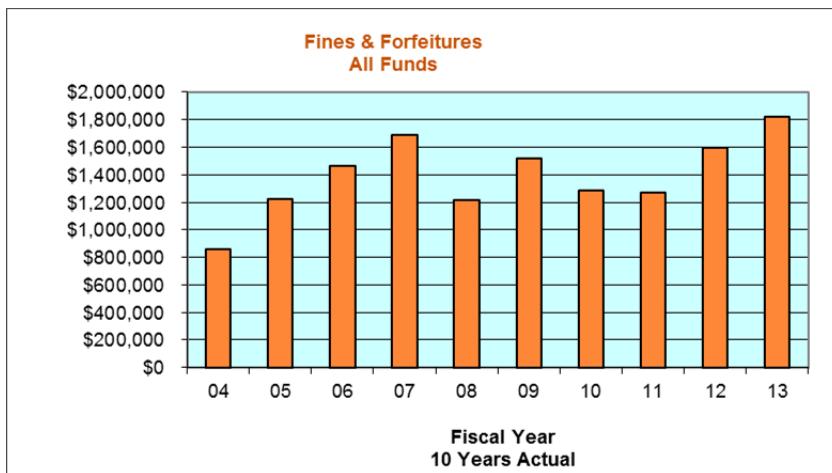
also includes grants, and state reimbursement for services provided by the city.

Charges for services, for all funds, represent 23.5% of total city revenues. This category is dominated by revenues in the City's enterprise funds, which include the Sewer charges and City Health Plan premiums. Many of these revenues are growth related such as engineering fees, zoning fees, subdivision fees, building permits, impact fees and similar revenues. This source is anticipated to be maintained at the FY 13 level or greater for the foreseeable future.



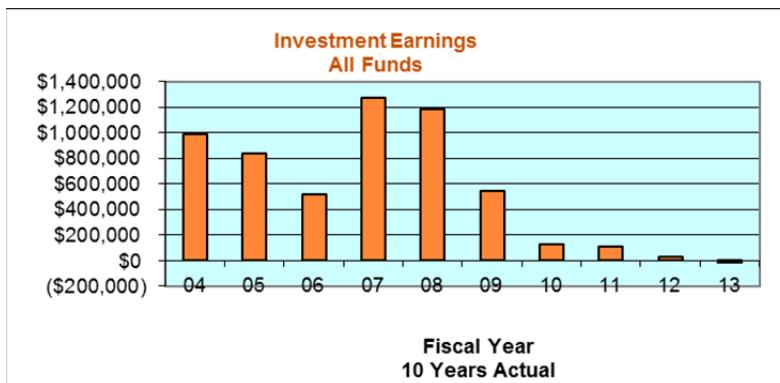
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends



Fines and forfeitures, within the General Fund, to a large extent, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from \$857,707 to \$1,821,032 over this ten year period. The decrease that occurred from FY 2001 (not shown) – FY 2004 was mainly due to legislative changes by the Montana legislature that preempted

the collection of City Fines to some extent. The decrease in FY 08 and FY 10 was the result of staffing shortages in Police due to officers being called up to active duty in the armed forces and a significant number of workers compensation injuries that temporarily reduced staffing. This revenue stream is dependent on being fully staffed in the Police department.



Investment earnings reflect a combination of available cash balances together with the interest rate the city is able to obtain. As shown by the graph, investment earnings have been quite volatile, with sharp declines occurring in FY 03, FY 06 and FY 10 through FY1.3 which correspond to the decline in interest rates nationally in those

years. Interest earnings in FY 14 are expected to be similar to FY 2013, as interest rates are near 50-year lows nationally.

Transfers that occur between various City funds will fluctuate significantly from year to year, as can be seen from the following graph.

