OVERVIEW OF BUDGETED RESOURCES

SUMMARY OF MAJOR REVENUES, EXPENDITURES
AND OTHER FINANCING SOURCES/USES
Budgeted July 1, 2014 through June 30, 2015 (FY 15)

	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, 2014	$ 5,411,193	$ 5,455,798	$ 3,611,937	$ (7,363,703)	$ 88,268,758	$ 1,031,622	$ 828,907	$ 3,648,432	$ 100,892,944
Estimated Revenues									
Taxes & Assessments	23,116,098	4,310,850	3,097,355	-	-	-		4,893,357	35,417,660
Licenses & Permits	1,361,954	1,800,454	-	-	-	-	-	-	3,162,408
Intergovernmental	12,958,575	5,502,462	-	-	254,857	-	-	580,870	19,296,764
Charges for Services	5,207,361	1,097,815	-	-	8,946,861	-	-	1,410,905	16,662,942
Fines & Forfeitures	1,597,946	16,800	-	-	-	-	-	270,000	1,884,746
Miscellaneous	879,500	3,516,744	-	9,010	270,000	-	-	-	4,675,254
Investment Earnings	694,846	-	-	-	-	-	-	20,000	714,846
Long Term Debt proceeds	-	-	-	7,742,325	-	-	-	-	7,742,325
Transfers In/Other Financing	5,301,403	176,746	-	904,821	8,211,737	692,000	-	8,544,488	23,831,195
Internal Service	-	-	-	-	-	5,246,349	-	-	5,246,349
Total Estimated Revenues	51,117,683	16,421,871	3,097,355	8,656,156	17,683,455	5,938,349	-	15,719,620	118,634,489
Budgeted Expenditures									
General Government	9,011,857	2,081,502	-	-	-	-	-	-	11,093,359
Public Safety	26,394,223	2,043,453	-	-	-	-	-	-	28,437,676
Public Works	7,363,531	1,405,778	-	-	4,930,057	-	-	1,524,857	15,224,223
Public Health	499,803	-	-	-	-	-	-	-	499,803
Social and Economic Services	360,128	-	-	-	-	-	-	-	360,128
Culture and Recreation	6,568,875	576,215	-	-	1,246,336	-	-	-	8,391,426
Housing & Community Devel.	651,791	1,499,376	-	-	-	-	-	6,390,674	8,541,841
Debt Service	374,771	308,794	3,098,356	636,159	2,593,115	-	-	2,395,413	9,406,608
Internal Service	-	-	-	-	-	-	-	-	-
Capital Outlay	205,134	5,220,615	-	656,294	1,595,559	-	-	3,875,956	11,553,558
Transfers Out/Other Financing	2,661,547	4,370,762	100,000	-	7,248,501	5,805,230	-	2,576,147	22,762,187
Total Budgeted Expenditures	54,091,660	17,506,495	3,198,356	1,292,453	17,613,568	5,805,230	-	16,763,047	116,270,809
Projected Change in									
Fund Balance/Net assets	(2,973,977)	(1,084,624)	(101,001)	7,363,703	69,887	133,119	-	(1,043,427)	2,363,680
Anticipated Exp. Savings	3,202,135	-	-	-	-	-	-	-	3,202,135
Projected Ending									
Fund Balance/Net assets-June 30, 2014	$ 5,639,351	$ 4,371,174	$ 3,510,936	$ -	$ 88,338,645	$ 1,164,741	$ 828,907	$ 2,605,005	$ 106,458,759

**SUMMARY OF MAJOR REVENUES, EXPENDITURES
AND OTHER FINANCING SOURCES/USES
Actual* 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	$ 6,142,366	$ 5,089,722	$ 3,673,594	$ (4,903,611)	$ 86,661,106	$ 431,214	$ 636,916	$ 3,233,290	$ 101,379,740
Revenues									
Taxes & Assessments	22,011,287	5,894,299	3,255,420	-	-	-	-	3,569,227	34,730,233
Licenses & Permits	1,300,757	1,818,952	-	-	1,200	-	-	-	3,120,909
Intergovernmental	13,740,151	3,028,693	-	231,991	8,122	-	13,426	668,428	17,690,811
Charges for Services	4,551,218	1,045,359	-	-	8,890,363	-	-	1,557,430	16,044,370
Fines & Forfeitures	1,333,042	14,907	-	-	-	-	299,705	-	1,647,654
Miscellaneous	291,534	182,318	-	70,393	172,644	-	-	128,529	845,418
Investment Earnings	1	1,404	14,829	4,980	2,433	(2,413)	-	129,590	150,824
Long Term Debt proceeds	691,039	638,670	5,860,000	185,142	-	-	-	1,866,359	9,241,210
Transfers In/Other Financing	5,414,985	72,159	579,028	1,181,248	452,679	686,125	-	-	8,386,224
Internal Service	-	-	-	-	-	4,904,244	-	-	4,904,244
Total Estimated Revenues	49,334,014	12,696,761	9,709,277	1,673,754	9,527,441	5,587,956	313,131	7,919,563	96,761,897
Expenditures									
General Government	9,415,549	510,858	75,809	4,131	-	-	-	-	10,006,347
Public Safety	25,311,837	2,574,610	-	-	-	-	121,140	-	28,007,587
Public Works	6,239,310	1,123,825	-	18,500	5,601,150	-	-	7,178,994	20,161,779
Public Health	1,550,087	-	-	-	-	-	-	-	1,550,087
Social and Economic Services	210,000	-	-	-	-	-	-	-	210,000
Culture and Recreation	3,841,031	408,686	-	-	1,275,727	-	-	-	5,525,444
Housing & Community Devel.	120	227,258	-	-	-	-	-	325,427	552,805
Debt Service	390,200	2,260	3,205,807	938,552	967,699	-	-	-	5,504,518
Internal Service	-	-	-	-	-	4,987,548	-	-	4,987,548
Capital Outlay	-	2,179,280	-	3,172,663	-	-	-	-	5,351,943
Transfers Out/Other Financing	3,107,053	5,303,908	6,489,318		75,213	-	-	-	14,975,492
Total Expenditures	50,065,187	12,330,685	9,770,934	4,133,846	7,919,789	4,987,548	121,140	7,504,421	96,833,550
Projected Change in									
Fund Balance/Net assets	(731,173)	366,076	(61,657)	(2,460,092)	1,607,652	600,408	191,991	415,142	(71,653)
									-
Restatement	-	-							-
Fund Balance/Net assets-June 30, 2013	$ 5,411,193	$ 5,455,798	$ 3,611,937	$ (7,363,703)	$ 88,268,758	$ 1,031,622	$ 828,907	$ 3,648,432	$ 101,308,087

* Unaudited numbers

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		
Fund Balance/Net assets-July 1, 2012	$ 4,562,625	$4,607,810	$3,641,862	$(3,711,562)	$ 87,535,162	$ (245,977)	$ 497,718	$ 5,099,649	$101,987,287
Revenues									
Taxes & Assessments	22,237,692	4,298,647	1,765,909	-	-	-	-	3,569,227	31,871,475
Licenses & Permits	1,253,948	1,217,803	-	-	300	-	-	-	2,472,051
Intergovernmental	12,126,473	1,973,978	-	639,267	46,535	-	660	2,225,858	17,012,771
Charges for Services	4,738,464	4,899,776	-	22,586	8,551,383	-	208,771	-	18,420,980
Fines & Forfeitures	1,546,082	1,296,399	-	-	-	-	-	-	2,842,481
Miscellaneous	286,227	19,048	2,209,716	247,362	374,028	-	-	88,812	3,225,193
Investment Earnings	6,801	92,387	40,958	2,035	(3,079)	(169)	-	129,590	268,523
Long Term Debt proceeds	193,215	(1,834)	6,025,081	1,308,935	-	-	-	-	7,525,397
Transfers In/Other Financing	5,336,303	38,292	376,974	1,810,366	592,804	442,839	-	39,717	8,637,295
Internal Service	-	-	-	-	-	4,102,766	-	-	4,102,766
Total Estimated Revenues	47,725,205	13,834,496	10,418,638	4,030,551	9,561,971	4,545,436	209,431	6,053,204	96,378,932
Expenditures									
General Government	7,499,341	445,230	86,172	3,858	-	-	-	-	8,034,601
Public Safety	23,110,955	2,692,988	-	-	-	-	70,233	-	25,874,176
Public Works	6,536,707	776,163	-	80,522	7,679,674	-	-	7,504,421	22,577,487
Public Health	1,482,096	-	-	-	-	-	-	-	1,482,096
Social and Economic Services	116,000	-	-	-	-	-	-	-	116,000
Culture and Recreation	3,441,104	394,920	-	2,247	1,674,494	-	-	-	5,512,765
Housing & Community Devel.	-	1,238,419	-	-	-	-	-	-	1,238,419
Conservation	120	-	-	-	-	-	-	-	120
Debt Service	354,212	322,000	4,003,805	908,728	1,059,628	-	-	-	6,648,373
Internal Service	1,049,647	-	-	-	-	-	-	-	1,049,647
Capital Outlay	541,001	2,159,338	-	4,163,647	-	-	-	-	6,863,986
Transfers Out/Other Financing	2,034,281	5,292,468	6,296,929	63,598	24,999	3,809,552	-	-	17,521,827
Total Expenditures	46,165,464	13,321,526	10,386,906	5,222,600	10,438,795	3,809,552	70,233	7,504,421	96,919,497
Projected Change in Fund Balance/Net assets	1,559,741	512,970	31,732	(1,192,049)	(876,824)	735,885	139,198	(1,451,217)	(540,564)
									-
Restatement	20,000	(31,058)			2,768	(58,693)			(66,983)
Fund Balance/Net assets-June 30, 2013	$ 6,142,366	$5,089,722	$3,673,594	$(4,903,611)	$ 86,661,106	$ 431,214	$ 636,916	$ 3,648,432	$101,379,740

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.

Assumptions, Estimates, & Trends

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**Revenues by Type - All Funds - FY 15**
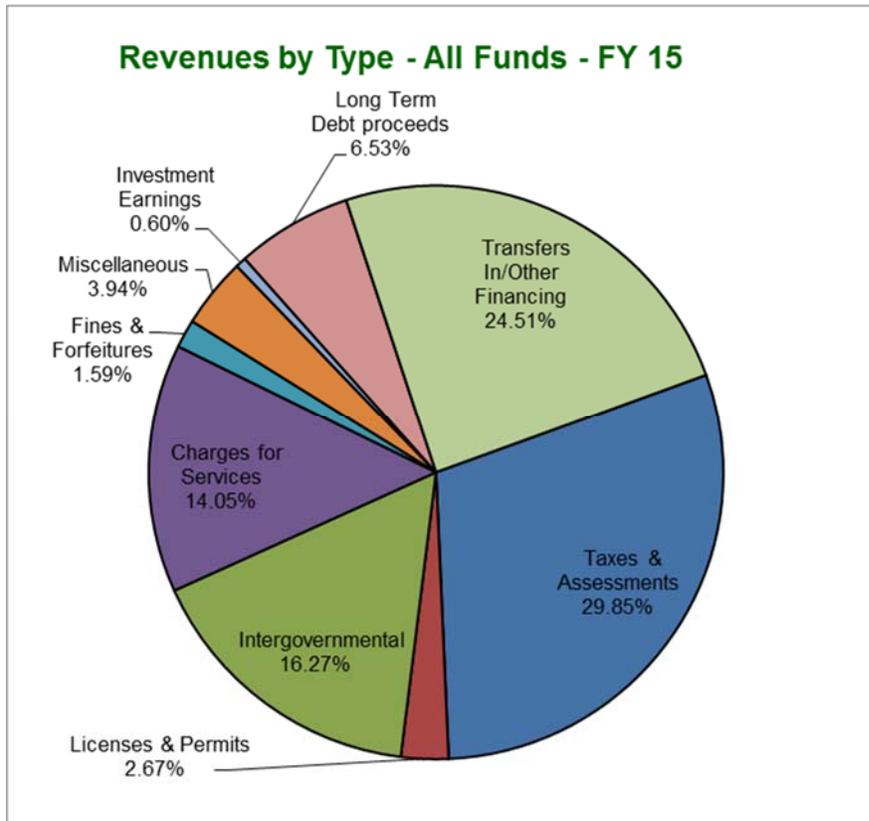
Interfund Transfers: Transfers between individual funds of a governmental unit are not repayable and are not considered charges for goods or services. An example is matching funds transferred from the General Fund and other special revenue funds to the Capital Improvement Fund for the funding of capital 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 15 (46.12%). Transfers In and Other Financing revenues make up the next largest category (24.51%). Finally, Charges for Services (14.05%) and long term debt proceeds (6.53%) make up the fourth and fifth largest categories. These revenue categories make up 91.21% 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 (43%), Enterprise & Internal Service funds (20%), Special Revenue Funds (14%), and Component Units (13%), make up 90% of the city's revenues.

Revenues by Fund Group - FY 15
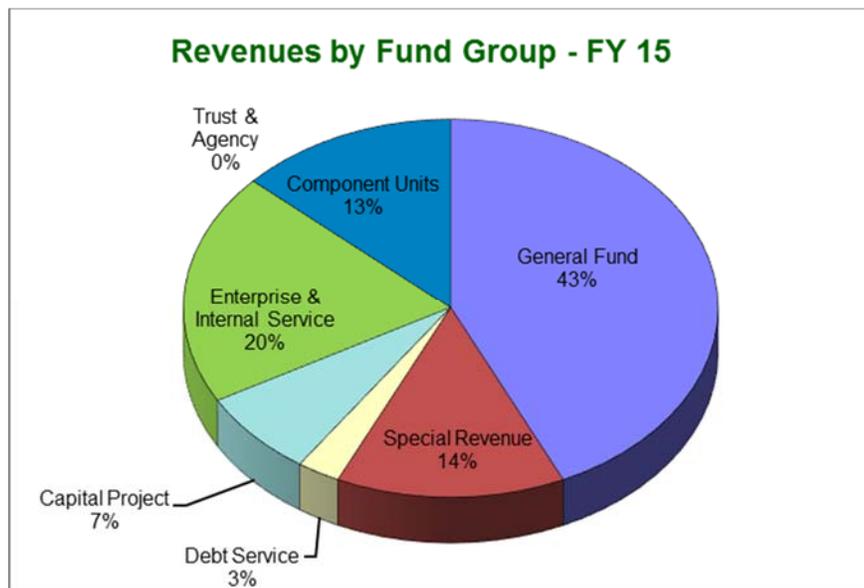
Assumptions, Estimates, & Trends

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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 effect 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 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.

Assumptions, Estimates, & Trends

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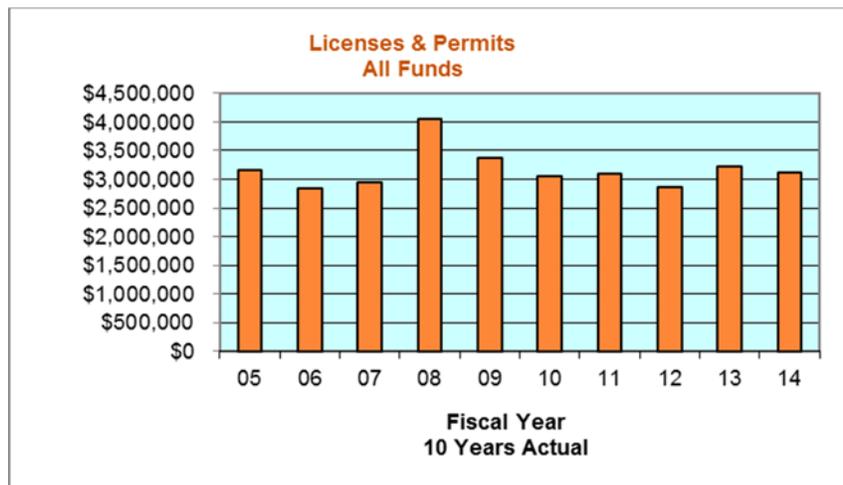
Key Revenue Estimates & Trends
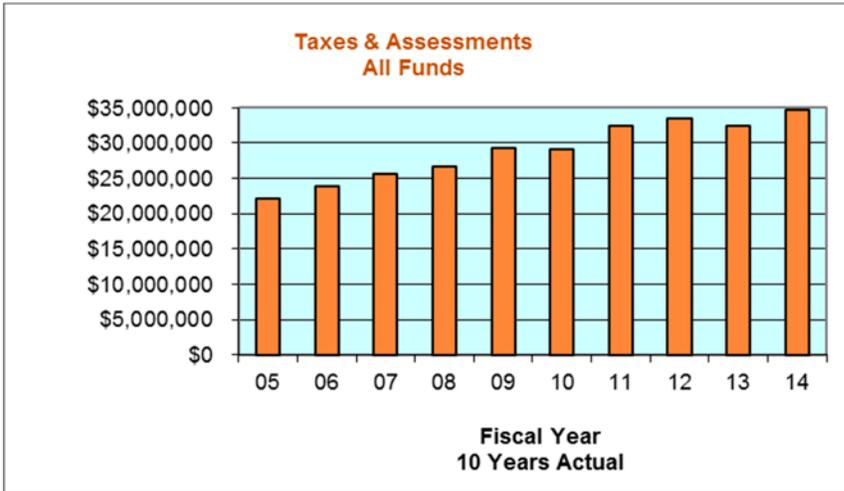
Shown by the graph to the left are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 2005- FY 2014). The graph reflects the steady growth the City of Missoula is experiencing. Certain debt service levies and assessments go down in some years as the debt is paid 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 2015.
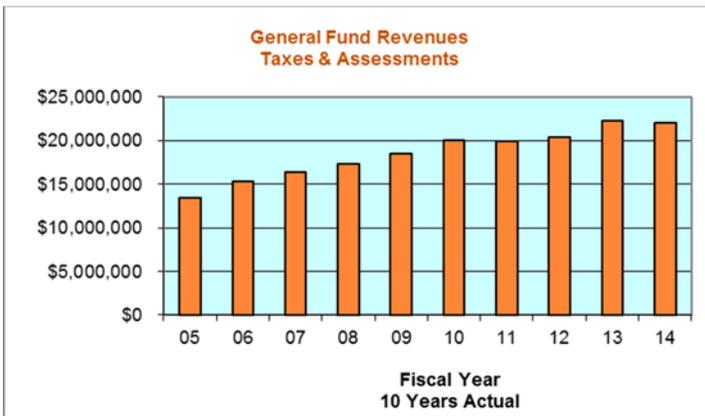
The graph on the right shows actual General Fund Taxes & Assessments for the last 10 years. Although not displayed on the graph, there was very little growth in General Fund taxes from FY 2001 – FY 2002 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations and actual growth until the recession beginning in FY 2009 until FY 2012. After FY 2012 the growth again continued in the taxes and assessments categories.

Licenses & Permits for all City funds are shown on the right. 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.

Assumptions, Estimates, & Trends

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Intergovernmental Revenues All Funds
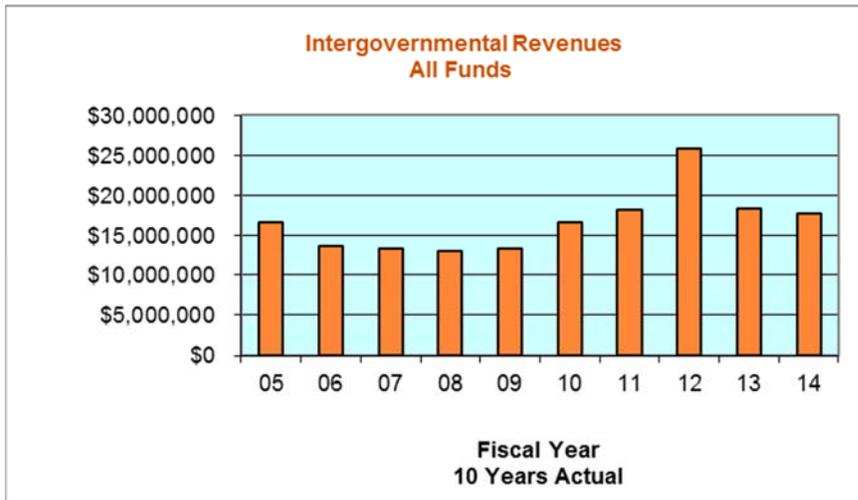
The increases in intergovernmental revenues (not shown but especially from 01 through 03) reflect the State Legislature's distribution of entitlement revenues to city governments. Since the increase in FY 03, these revenues have remained relatively stable although the level of grant receipts has fluctuated 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 14% 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.

**Charges for Services All Funds**

Fines & Forfeitures All Funds
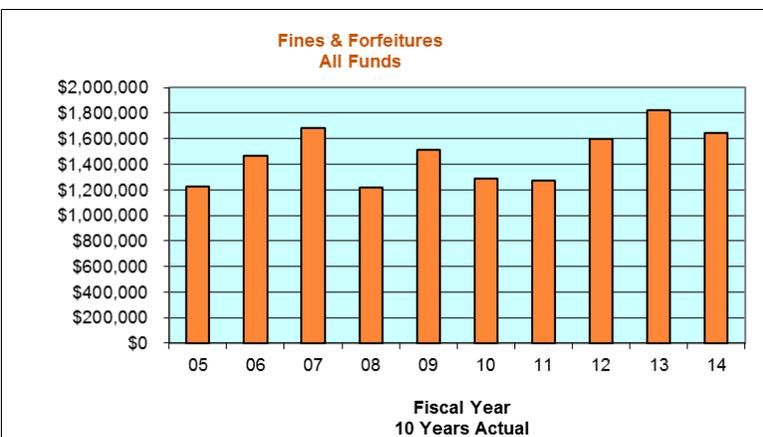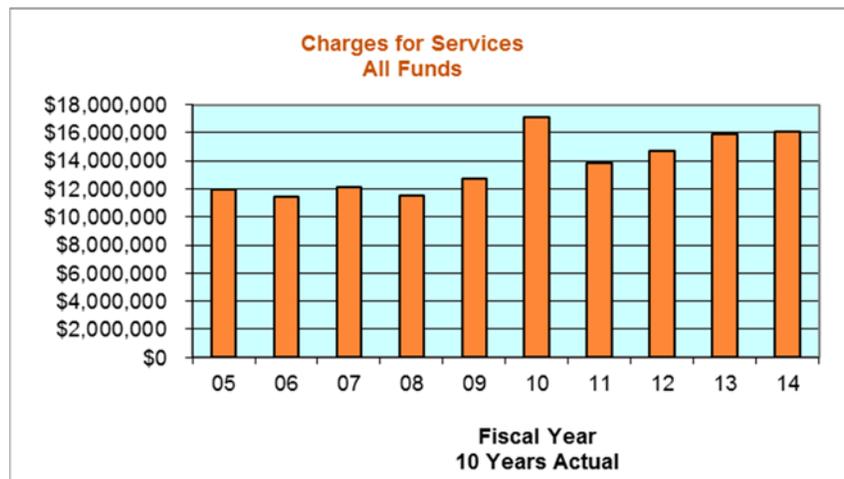
Fines and forfeitures, within the General Fund, to a large extent, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from $751,046 in FY 1997 to $1,647,654 in FY 2014 over this time period. The decrease in FY 08 and FY 10 was the result of staffing 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

Assumptions, Estimates, & Trends

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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 06 and FY 10 through FY14 which correspond to the decline in interest rates nationally in those years. Interest earnings in FY 15 are expected to be similar to FY 2014, as interest rates are near 50-year lows nationally.
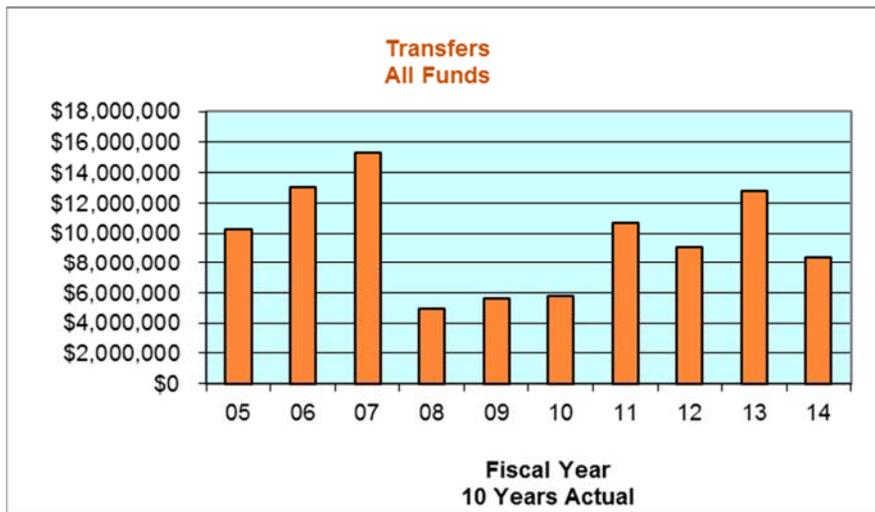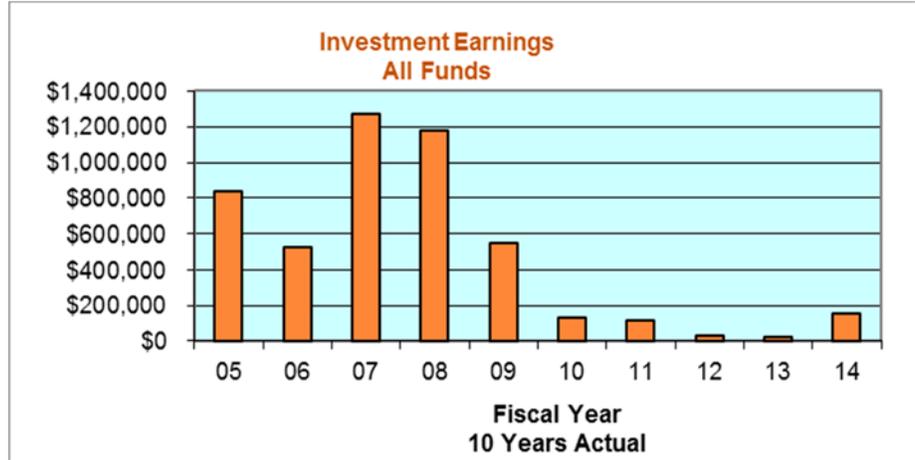
Transfers that occur between various City funds will fluctuate significantly from year to year, as can be seen from the following graph.