

RECOMMENDED BUDGET PRACTICES

The City of Missoula is striving to incorporate the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB) in its annual budget.

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. The NACSLB focuses on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to determine what has been accomplished with scarce government resources.

Following are excerpts of the NACSLB's budget practice recommendations.

BUDGET DEFINITION

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features.

- Incorporates a long-term perspective
- Establishes linkages to broad goals
- Focuses budgeting decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to government management and employees

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives

and flexibility to managers that can lead to improved program efficiency and effectiveness.

MISSION OF THE BUDGET PROCESS

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process. Communication and involvement with citizens and other stakeholders is stressed. Communication and involvement are essential components of every aspect of the budget process.

PERFORMANCE BUDGETING

The City of Missoula is moving to a Performance Budgeting approach for the development of its annual operating budget. Performance budgets emphasize the accomplishment of program objectives as opposed to a description of what is going to be purchased by the government.

Performance budgeting involves a shift away from a debate by the City Council of what is going to be purchased toward a debate regarding what is going to be accomplished.

The City of Missoula is in the early stages of its Performance Budgeting efforts. Each department is in the process of identifying performance objectives, identifying and tracking workload indicators, and establishing quantifiable performance measures. It is anticipated that it will take 3 – 5 years to fully implement the performance budgeting system.

FINANCIAL TREND ANALYSIS

The budget process begins in the winter with the initial updating of the five-year financial trend analysis for the City as a whole.

Using the latest fiscal, operational, and legislative information, the finance office staff works collaboratively with city departments to update the city's most recent financial trend analysis.

The financial trend analysis assists the City Council and the city administration in focusing on the "Big Picture" of the city's financial operations.

BUDGET PROCESS

NEEDS ASSESSMENT PHASE

Late Winter – Early Spring

Departments have an opportunity to assess current conditions, programs, and needs. Examination of current departmental programs or positions for possible trade-offs, reduction, or elimination is strongly suggested. During this phase, departments are encouraged to thoroughly review all programs and services, assessing their value and priority to the citizens. At the same time, departments are asked to submit requests for new or expanded programs. The first proposals submitted for review are those capital requests that fit within the City's five-year capital improvement program.

From this process, they prepare their preliminary departmental budgets.

The City of Missoula prepares a Capital Improvement Plan (CIP) document separate and apart from the Annual Operating Budget. Unlike the Annual Operating Budget, the CIP is a multi-year capital improvements plan that forecasts, but does not obligate, future spending for all anticipated capital projects.

Whenever the City commits to a CIP plan, there is an associated long-range commitment of operating funds. For this reason, it is important to evaluate capital commitments in the context of their long-range operating impact. Most capital projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance costs or by providing capacity for new programs to be offered. Such impacts vary widely from project to project and, as such, are evaluated individually during the process of assessing project feasibility.

The multi-year, long-range fiscal analysis also provides an opportunity to review the operating impact of growth-related future capital projects.

BUDGET DEVELOPMENT AND PRIORITIZATION PHASE

The Finance Department compiles and tabulates the budgetary information submitted by the individual departments and begins the preparation of the preliminary budget in cooperation with the Mayor, City Administrator and the City's CIP and operating budget teams. The needs of the city departments are weighed against projected funds available and a determination must be made as to which services will be included in the final budget. The operating budget includes proposed expenditures and the means of financing them. All capital and operating new requests are scored and ranked by the CIP and operating budget teams.

Within the framework of the City's financial capacity, City Council priorities and departmental needs assessments, budget requests are reviewed and a preliminary City operating budget takes shape.

The purpose of the preliminary budget is to enable the community, stakeholders and the City Commission to comment on a balanced budget well before it is adopted.

ADOPTION/IMPLEMENTATION PHASE

Public hearings are conducted to enable citizens and other interested parties to comment on the proposed budget. Following the public hearings, the City Council may modify the proposed budget or may adopt it without changes.

The budget and the corresponding property tax mill levy must be adopted by the 3rd Monday in August or within 45 days of receiving certified taxable values from the Department of Revenue.

Management control of the budget is maintained by monthly revenue and expenditure reports, whereby departments are able to compare actual results to the budget throughout the fiscal year. In addition, the Finance Director prepares quarterly budget reviews on a city-wide basis, with presentations to the City Council at a public meeting. These budget reviews are aimed at examining expenditure patterns, and recommending corrective action to be taken during the year.

AMENDING THE BUDGET

The city's budget may be amended during the course of the year, following public notice, a public hearing, and a majority vote of the City

BUDGET PROCESS

Council. The Central Services Director or Assistant Finance Director presents a Resolution to the City Council at a duly noticed public meeting. The Council considers the Resolution. If approved, a formal public notice is forwarded to the newspaper, setting the date, time, reason, and funding source for the proposed budget amendment. At the public meeting the Council hears information from the public, Department Heads, and the Finance Department. The City

Council considers the Resolution and may approve, table, or deny the Budget Amendment.

The annual appropriations and transfers out for various departments are controlled and monitored for budgetary compliance at the fund level. Management does not make transfers of appropriations or over-expend appropriations at the department level within a fund without approval of the City Council.

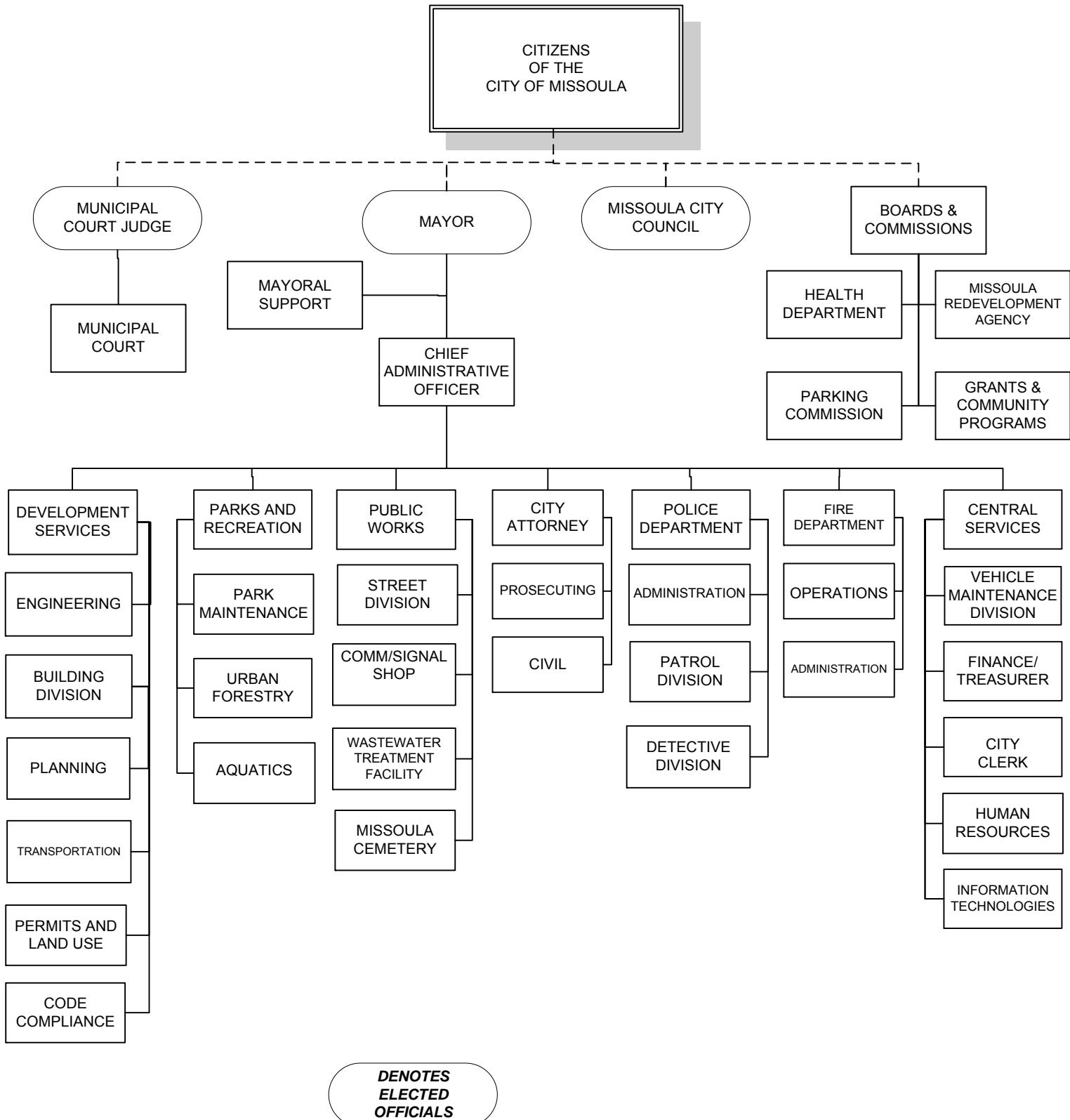
BUDGET PROCESS

THE BUDGET TIMELINE

January	<p>The Finance Department prepares year-end working capital (cash), estimates revenue for the coming year, and adjusts current year budget to project next year's needs.</p> <p>Information is presented to the City Administration and Budget Team.</p> <p>The Capital Improvement Program is initiated for next fiscal year with a press release notifying the public and a workshop scheduled for all City supervisory staff.</p>	June	<p>The City Council continues to take comment on the budget at the public hearings which are held open until the budget is adopted.</p> <p>The tax levies are estimated and proposed based on reasonable assumptions concerning the economy.</p> <p>The City Council adopts the budget resolution setting the appropriations.</p>
February	<p>The Finance Department analyses and assimilates proposed capital improvement project (CIP) revenues and expenditures.</p> <p>A Budget/CIP workshop is held with all supervisory staff.</p> <p>Revenue estimates are made along with salary adjustment parameters and costs for all budgets.</p>	July	<p>Waiting to receive final tax values from the State Department of Revenue.</p>
March	<p>The CIP Budget Team meets with all Departments that submitted a CIP request and reviews the scoring of all requests.</p> <p>The Preliminary CIP Budget is referred to the Missoula City Council A&F committee to review all new requests approved for inclusion.</p> <p>The Operating Budget Team meets with all City Departments. All funding streams are reviewed and requests are discussed.</p>	August	<p>Final budget documents are published on the City website either in August or September.</p> <p>Tax levies are set based on the receipt of taxable value certification from the State Department of Revenue.</p> <p>On-going review and monitoring of current year budget.</p>
April	<p>The A&F committee continues to review the new CIP requests weekly until completed.</p> <p>The Mayor and Budget Team continue meeting with Department Heads and staff to discuss the proposed preliminary budget.</p> <p>Budget appeals are heard by the Mayor, CAO and Finance Officer.</p> <p>The preliminary budget is referred to the Missoula City Council Budget Committee of the Whole for discussion. Public Hearings are scheduled.</p>	September	<p>On-going review and monitoring of current year budget.</p> <p>Preparations are made for the coming year.</p>
		October	<p>On-going review and monitoring of the current year budget.</p> <p>Preparations are made for the coming year.</p>
May	<p>The preliminary budget is presented and the Budget Committee of the Whole begins meeting weekly with City departments and outside agencies who are requesting funding.</p> <p>The public hearing is kept open until the budget is adopted in June.</p> <p>Finance Department updates preliminary budget as needed.</p>	November	<p>On-going review and monitoring of the current year budget.</p> <p>Preparations are made for the coming year.</p>
		December	<p>On-going review and monitoring of the current year budget.</p> <p>Preparations are made for the coming year</p>



FY16 Citizens of The City of Missoula



CITY OF MISSOULA BUDGET INCREASES FOR FY 2016

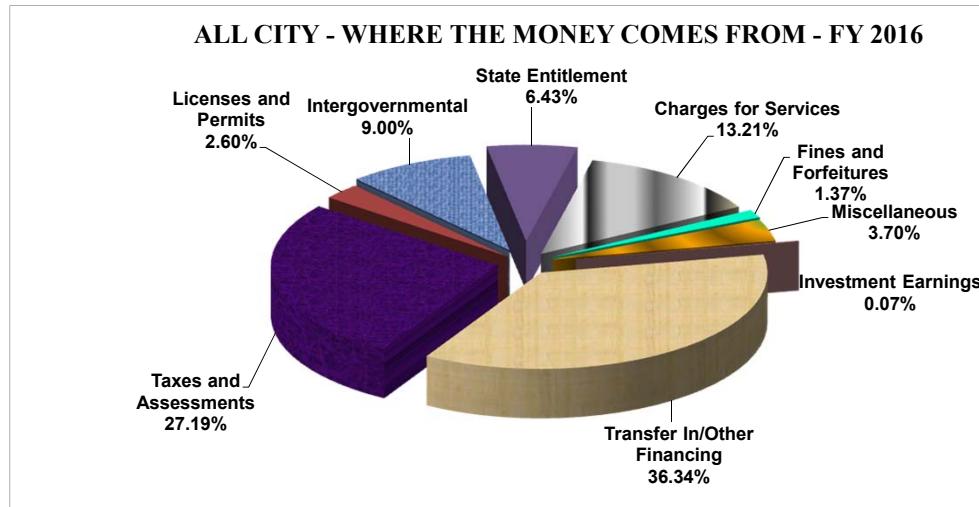
REQUESTED AND FUNDED OPERATING BUDGET INCREASES

Department	Ranking	Amount	High-Funded	Medium-Not Funded	Low-Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Revenues Funded
General Fund								
City Council:								
Jail Diversion	1	60,000	-	60,000	-	60,000	-	40,000
Parks Volunteer Program	1	7,971	-	7,971	-	-	7,971	-
5th & 6th St. Reconfigure Study	1	20,000	-	20,000	-	20,000	-	-
Increase Min Wage to \$15.00/hr	1	70,145	-	70,145	-	-	70,145	-
Sub-total		158,116	-	158,116	-	80,000	78,116	40,000
Mayor:								
Printing and Design	1	2,500	-	2,500	-	2,500	-	-
Travel & Training	2	6,000	-	6,000	-	6,000	-	-
Sub-total		8,500	-	8,500	-	8,500	-	-
City Clerk:								
SIRE Maintenance	1	-	-	-	-	-	-	-
Elections	2	90,000	90,000	-	-	90,000	-	-
Communications	3	602	602	-	-	-	602	-
Codification	4	1,000	1,000	-	-	-	1,000	-
Vehicle Maintenance	5	747	-	747	-	-	747	-
Neighborhood Project Grant Program	6a	6,000	-	6,000	-	-	6,000	-
New Neighborhood Grants	6b	1,000	1,000	-	-	-	1,000	-
Sub-total		99,349	92,602	6,747	-	90,000	9,349	-
Municipal Court:								
Assistant Judge	1	60,753	-	60,753	-	3,518	57,235	-
Sub-total		60,753	-	60,753	-	3,518	57,235	-
Finance Department:								
Fee Study	2	65,000	-	65,000	-	65,000	-	-
Sub-total		65,000	-	65,000	-	65,000	-	-
Attorney:								
Victim Witness Coordinator	1	62,334	-	62,334	-	9,400	52,934	-
Sub-total		62,334	-	62,334	-	9,400	52,934	-
Police:								
Community Support Specialist	1	177,116	-	-	177,116	14,136	162,980	-
Video Storage	2	28,945	28,945	-	-	11,245	17,700	-
Volunteer Coordinator - PT - FT	3	23,812	-	23,812	-	-	23,812	-
Sub-total		229,873	28,945	23,812	177,116	25,381	204,492	-
Fire:								
MDC/RMS	1	12,622	12,622	-	-	-	12,622	-
SCBA	2	10,375	10,375	-	-	5,400	4,975	-
EMS	3	7,000	7,000	-	-	-	7,000	-
Hazmat	4	636	636	-	-	-	636	-
Repair and Maintenance	5	500	500	-	-	-	500	-
Reimbursed OT	6	524,934	524,934	-	-	-	524,934	524,934
Sub-total		556,067	556,067	-	-	5,400	550,667	524,934
Grants and Community Program:								
Crime Victim Advocate	1	49,988	-	-	49,988	-	49,988	-
COLA Adjustment GCP	2	3,408	3,408	-	-	-	3,408	-
COLA Adjustment HRP	3	909	909	-	-	-	909	-
Sub-total		54,305	4,317	-	49,988	-	54,305	-
City/County Health Department								
COLA Adjustment	1	41,429	41,429	-	-	-	41,429	-
Animal Control COLA Adjustment	2	8,025	8,025	-	-	-	8,025	-
Animal Control Roof	3	20,000	20,000	-	-	20,000	-	-
Sub-total		69,454	69,454	-	-	20,000	49,454	-

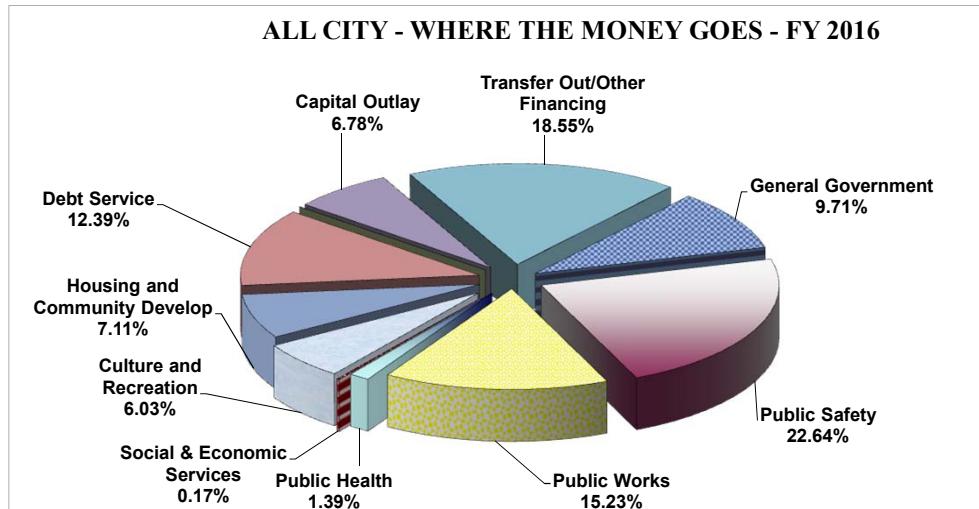
REQUESTED AND FUNDED OPERATING BUDGET INCREASES								
Department	Ranking	Amount	High-Funded	Medium-Not Funded	Low-Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Revenues Funded
Non-Departmental								
BREDD		20,000	-	-	20,000	20,000	-	
Missoula Cultural Council		51,000	-	-	51,000	51,000	-	
Neighborhood Ambassador		10,000	-	-	10,000	10,000	-	
Missoula Economic Partnership Add'l Funds		50,000	-	-	50,000		50,000	
Sub-total		131,000	-	-	131,000	81,000	50,000	-
General Fund Special								
1219 Fort Missoula Regional Park:								
Fort Msia Regional Park Addtl Staff & Suppl	1	85,878	-	-	85,878	-	272,682	85,878
Fort Msia Regional Park - Recreation	2	65,952	-	-	65,952	-	154,466	65,952
Sub-total		151,830	-	-	151,830	-	427,148	151,830
General Fund & General Fund Special Total		1,646,581	751,385	385,262	509,934	388,199	1,533,700	716,764
NON-GENERAL FUND REQUESTS								
Building:								
Accela Maintenance/Consulting	1	9,300	9,300			-	9,300	9,300
Sub-total		9,300	9,300	-	-	-	9,300	9,300
Road District 1:								
Administrative Assistant IV	1	27,424	27,424	-	-	4,154	23,270	27,424
Street Painting Activities	2	26,900	-	26,900	-	-	26,900	-
Street Crack Sealing Activities	3	63,448	63,448	-	-	-	63,448	63,448
Storm Water Program	4	97,013	97,013	-	-	97,013	-	97,013
IBEW Union Certification	5	4,176	4,176	-	-	-	4,176	4,176
PWD Travel and Training	6	1,800	-	1,800	-	-	1,800	-
PWD Office Improvements	7	1,953	-	1,953	-	1,953	-	-
Asphalt for Overlays	8	100,000	100,000	-	-	-	100,000	100,000
Sub-total		322,714	292,061	30,653	-	103,120	219,594	292,061
Park District 1:								
Upgrade Class Softw are	1	25,000	25,000	-	-	15,000	10,000	25,000
Increase Training - certifications	2	11,342	11,342	-	-	-	11,342	11,342
Increase Marketing	3	17,109	17,109	-	-	-	17,109	17,109
Moon - Randolph Maintenance	4	8,000	-	-	8,000	-	8,000	-
Greenway & Horticulture 1/2 time to FTE	5	21,500	21,500	-	-	-	21,500	21,500
Park Asset Mgmt. Staffing	6	11,688	11,688	-	-	-	11,688	11,688
Forestry Worker (2)	7	72,203	72,203	-	-	-	72,203	72,203
Greenway & Horticulture supplies	8	5,000	5,000	-	-	-	5,000	5,000
Research Specialist	9	25,473	-	-	25,473	-	25,473	-
Conservation Lands Trailheads & Trails Mai	10	15,000	-	-	15,000	-	15,000	-
Pleasant View Park-Playground Maintenanc	11	3,110	-	-	3,110	-	3,110	-
PAM - including Playfair	CIP	250,000	-	250,000	-	250,000	-	250,000
Silver Summit Playground @ McCormic	CIP	50,000	-	50,000	-	50,000	-	50,000
1 Ton Standard Pick-up	CIP	40,000	40,000	-	-	40,000	-	40,000
Bobcat	CIP	60,000	60,000	-	-	60,000	-	60,000
Pavement Grinder	CIP	14,000	14,000	-	-	14,000	-	14,000
Pavement Striper	CIP	8,000	8,000	-	-	8,000	-	8,000
72" Mow er	CIP	78,000	78,000	-	-	78,000	-	78,000
Aerial Lift Re-Boom (Replacement)	CIP	80,000	80,000	-	-	80,000	-	80,000
1 Rec Van (requesting an additional Van)	CIP	45,000	45,000	-	-	45,000	-	45,000
Sub-total		840,425	488,842	300,000	51,583	640,000	200,425	788,842
Wastewater:								
Administrative Assistant IV	1	23,194	23,194	-	-	-	23,194	23,194
Administrative Assistant IV	2	47,397	47,397	-	-	-	47,397	47,397
Sub-total		70,591	70,591	-	-	-	70,591	70,591
Non-General Fund Total		1,243,030	860,794	330,653	51,583	743,120	499,910	1,160,794
Grand Total - All Funds		\$ 2,889,611	\$ 1,612,179	\$ 715,915	\$ 561,517	\$ 1,131,319	\$ 2,033,610	\$ 1,877,558

FY 16 SOURCES & USES OF FUNDS & MILL LEVY CALCULATION														
FUND #	FUND NAME	PROPOSED USES OF FUNDS			PROPOSED SOURCES OF FUNDS					PROPOSED MILL LEVIES				
		BUDGETED EXPENDITURES	INTER-FUND TRANSFERS OUT	PROJECTED END-OF-YEAR FUND BALANCE	TOTAL FUNDS REQUIRED	ESTIMATED FUND BALANCE	COMMITTED EXPENDITURE SAVINGS	OTHER NON-TAX REVENUES	INTER-FUND TRANSFERS IN	SUBTOTAL	PROPERTY TAX REQUIREMENTS	FY16 MILL LEVY (MILL VALUE = 111,559)	FY15 MILL LEVY (MILL VALUE = 108,677.50)	PERCENTAGE CHANGE FY15 TO FY16
GENERAL FUND														
	FUND BALANCES:													
	Non-spendable													
	Restricted													
	Committed													
	Assigned													
	Unassigned				2,834,225									
1000	GENERAL FUND 1000- ALL PURPOSE LEVY	49,650,703	1,911,385							5,412,166				
	GENERAL FUND 1000- SUB-TOTALS	49,650,703	1,911,385	2,834,225	54,396,313	2,872,690	1,554,412	22,328,365	5,412,166	22,228,679	22,228,679	199.26	194.02	2.70%
1211	PARK ACQUISITION AND DEVELOPMENT	213,578	-	283,365	496,943	283,365	213,578	-	-	-	-	-	-	
1212	PARK ENTERPRISE	275,150	-	284,309	559,459	339,459	220,000	-	-	-	-	-	-	
1216	PARKS & REC TRAILS FORESTRY LANDS MEMORIALS	894,920	50,000	406,449	1,351,369	395,349	946,020	10,000	-	-	-	-	-	
1217	PARKS CITY LIFE GYM LEADS	43,000	-	(9,935)	33,065	(10,335)	43,400	-	-	-	-	-	-	
1218	ALL ABILITIES PLAYGROUND	528,000	-	-	528,000	37,139	490,861	-	-	-	-	-	-	
1219	FORT MISSOULA REGIONAL PARK	-	-	-	-	-	-	-	-	-	-	-	-	
1241	CREMAN WALL & CEMETERY DONATIONS	2,500	-	51,875	54,375	54,375	-	-	-	-	-	-	-	
1242	CEMETERY CARE	163,500	9,545	142,462	315,507	240,507	75,000	-	-	-	-	-	-	
1243	CEMETERY MEMORIAL	500	-	8,730	9,230	7,730	1,500	-	-	-	-	-	-	
1265	TITLE I PROJECTS	136,000	-	9,937	145,937	75,937	70,000	-	-	-	-	-	-	
1396	PROGRAM INCOME REVOLVING LOAN PROGRAM	35,472	-	28,820	67,492	60,492	7,000	-	-	-	-	-	-	
1397	STATE HOME PROGRAM INCOME	600,000	-	-	600,000	413,065	186,935	-	-	-	-	-	-	
	OTHER GENERAL FUND ACCOUNTS- SUB-TOTALS	2,895,620	59,545	1,206,012	4,161,777	1,896,883	2,254,294	10,000	-	-	-	-	-	
	GRAND TOTAL ALL GENERAL FUND ACCOUNTS	52,546,323	1,970,930	4,040,237	58,557,490	4,769,573	1,554,412	24,582,659	5,422,166	22,228,679	22,228,679	199.26	194.02	2.70%
SPECIAL REVENUE FUNDS														
2250	PLANNING DEPARTMENT FUND	452,634	-	65,757	518,391	100,000	-	334,657	83,734	-	-	-	-	
2310	PUBLIC SAFETY INFORMATION SYSTEMS	-	-	42,000	42,000	18,000	-	18,000	6,000	-	-	-	-	
2321	IMPACT FEE	2,400,000	-	2,070,472	4,470,472	3,270,472	1,200,000	-	-	-	-	-	-	
2322	GEORGE ELMAR - CATTLE DRIVE	15,000	-	-	15,000	-	15,000	-	-	-	-	-	-	
2365	PUBLIC ART	12,965	-	11,500	24,465	24,465	-	-	-	-	-	-	-	
2371	EMPLOYEE HEALTH INSURANCE LEVY	-	4,462	-	4,462	-	-	-	4,462	4,462	0.04	9.10	-99.56%	
2372	EMPLOYEE HEALTH INSURANCE LEVY (OUTSIDE CAP)	-	4,405,445	-	4,405,445	-	-	-	4,405,445	4,405,445	39.49	30.43	29.77%	
2389	CABLE TELEVISION FRANCHISE	484,567	251,433	94,747	830,747	94,747	-	736,000	-	-	-	-	-	
2390	DRUG FORFEITURE	27,800	-	1,316	29,116	12,316	-	16,800	-	-	-	-	-	
2394	BUILDING INSPECTION	1,295,404	-	1,023,362	2,318,766	782,561	-	1,536,205	-	-	-	-	-	
2395	CITY GRANTS & PROGRAM INCOME	250	-	3,176	3,426	3,426	-	-	-	-	-	-	-	
2399	DANGEROUS BUILDING DEMOLITION REPAIR	15,000	-	-	15,000	-	-	15,000	-	-	-	-	-	
2400	STREET LIGHTING ASSESSMENT	350,076	-	199,563	543,639	198,282	-	345,357	-	-	-	-	-	
2500	STREET MAINTENANCE ASSESSMENT	32,014	27,281	-	25,757	85,052	25,757	-	59,295	-	-	-	-	
2512	ROAD DISTRICT 1	1,722,617	-	81,760	1,804,377	200,226	-	1,604,151	-	-	-	-	-	
2513	PARKS DISTRICT 1	931,280	-	548,835	1,480,115	548,835	-	931,280	-	-	-	-	-	
2820	STATE GAS TAX	373,100	564,000	(98,210)	838,890	(241,529)	-	1,080,419	-	-	-	-	-	
2918	LAW ENFORCEMENT BLOCK GRANT	66,590	-	1,211	67,801	1,211	-	66,590	-	-	-	-	-	
2919	HUITA	192,300	-	299,727	492,027	299,727	-	192,300	-	-	-	-	-	
2939	CDBG PROGRAM INCOME	14,383	-	629	15,012	629	-	14,383	-	-	-	-	-	
2940	CDBG	564,255	-	158,650	722,905	158,650	-	564,255	-	-	-	-	-	
2941	HOME	393,587	-	21,531	415,118	21,531	-	393,587	-	-	-	-	-	
2942	ADDI	12,846	-	23,207	36,053	23,207	-	12,846	-	-	-	-	-	
2943	CITY HOME PROGRAM INCOME	31,500	-	30,815	62,315	30,815	-	31,500	-	-	-	-	-	
2955	TRANSPORTATION DEPARTMENT	1,225,090	-	117,125	1,342,215	99,500	-	1,160,625	82,086	-	-	-	-	
2987	FEDERAL/STATE TRANSPORTATION	762,189	-	45,260	807,449	45,260	-	762,189	-	-	-	-	-	
2988	GRANTS & DONATIONS	2,088,939	-	221,222	2,310,161	229,127	-	2,011,034	-	-	-	-	-	
	SPECIAL REVENUE FUND SUBTOTALS	13,464,386	5,252,621	4,983,412	23,700,419	6,017,215	-	13,101,477	171,820	4,409,907	4,409,907	39.53	39.53	0.00%
DEBT SERVICE FUNDS														
3091	2012 AQUATICS REFUNDING	595,148	-	-	595,148	-	-	595,148	595,148	5.33	4.96	7.46%		
3092	2013A REFUNDING	688,926	-	-	688,926	-	-	688,926	688,926	6.18	6.37	-2.98%		
3096	FIRE STATION GO BOND	3,889,059	-	-	3,889,059	3,608,908	-	-	280,151	280,151	2.51	-	0.00%	
	GENERAL OBLIGATION DEBT SUBTOTAL	5,173,133	-	-	5,173,133	3,608,908	-	-	1,564,225	1,564,225	14.02	11.33	23.74%	
3000	SID REVOLVING	-	100,000	690,000	790,000	790,000	-	-	-	-	-	-	-	
3100	SIDEWALK AND CURB WARRANTS	-	-	-	-	-	-	-	-	-	-	-	-	
3305	SOUTH AVE ROW - JUDGMENT LEVY	-	-	-	-	-	-	-	-	-	-	-	0.74	
3430	FY04 SIDEWALK & CURB DEBT SERVICE	10,825	-	-	10,825	-	-	10,825	-	-	-	-	-	
3440	FY05 SIDEWALK & CURB DEBT SERVICE	35,588	-	-	38,588	-	-	38,588	-	-	-	-	-	
3450	FY06 SIDEWALK & CURB DEBT SERVICE	28,537	-	-	28,537	-	-	28,537	-	-	-	-	-	
3460	FY07 SIDEWALK & CURB DEBT SERVICE	58,810	-	-	58,810	-	-	58,810	-	-	-	-	-	
3461	FY08 SIDEWALK & CURB DEBT SERVICE	60,213	-	-	60,213	-	-	60,213	-	-	-	-	-	
3462	FY09 SIDEWALK & CURB DEBT SERVICE	65,342	-	-	65,342	-	-	65,342	-	-	-	-	-	
3463	FY10 SIDEWALK & CURB DEBT SERVICE	100,413	-	-	100,413	-	-	100,413	-	-	-	-	-	
3464	FY11 SIDEWALK & CURB DEBT SERVICE	73,785	-	-	71,785	-	-	71,785	-	-	-	-	-	
3465	FY13 SIDEWALK & CURB DEBT SERVICE	40,021	-	-	40,021	-	-	40,021	-	-	-	-	-	
3512	SID 512 DEBT SERVICE	33,355	-	-	33,355	-	-	33,355	-	-	-	-	-	
3520	SID 520 DEBT SERVICE	159,920	-	-	159,920	-	-	159,920	-	-	-	-	-	
3521	SID 521 DEBT SERVICE	150	-	-	150	-	-	150	-	-	-	-	-	
3522	SID 522 DEBT SERVICE	217	-	-	217	-	-	217	-	-	-	-	-	
3524	SID 524 DEBT SERVICE	304,660	-	-	304,660	-	-	304,660	-	-	-	-	-	
3525	SID 525 DEBT SERVICE	31,500	-	-	31,500	-	-	31,500	-	-	-	-	-	
3526	SID 526 DEBT SERVICE	193,320	-	-	193,320	-	-	193,320	-	-	-	-	-	
3530	SID 530 DEBT SERVICE	681	-	-	681	-	-	681	-	-	-	-	-	
3532	SID 532 DEBT SERVICE	42,362	-	-	42,362	-	-	42,362	-	-	-	-	-	
3533	SID 533 DEBT SERVICE	17,325	-	-	17,325	-	-	17,325	-	-	-	-	-	
3534	SID 534 DEBT SERVICE	17,963	-	-	17,963	-	-	17,963	-	-	-	-	-	
3536	SID 536 DEBT SERVICE	31,350	-	-	31,350	-	-	31,350	-	-	-	-	-	
3540	SID 540 DEBT SERVICE	119,192	-	-	119,192	-	-	119,192	-	-	-	-	-	
3541	SID 541 DEBT SERVICE	59,303	-	-	59,303	-	-	59,303	-	-	-	-	-	
3544	SID 544 DEBT SERVICE	139,383	-	-	139,383	-	-	139,383	-	-	-	-	-	
3548	SID 548 DEBT SERVICE	111,525	-	-	111,525	-	-	111,525	-	-	-	-	-	
	SPECIAL IMPROVEMENT DEBT SUBTOTAL	1,736,740	100,000	690,000	2,526,740	790,000	-	1,736,740	-	-	-	0.74		
	DEBT SERVICE FUNDS SUBTOTALS	6,909,873	100,000	690,000	7,699,873	4,398,908	-	1,736,740	-	1,564,225	1,564,225	14.02	12.07	

FY 16 SOURCES & USES OF FUNDS & MILL LEVY CALCULATION														
FUND #	FUND NAME	PROPOSED USES OF FUNDS				PROPOSED SOURCES OF FUNDS					PROPOSED MILL LEVIES			
		BUDGETED EXPENDITURES	INTER-FUND TRANSFERS OUT	PROJECTED END-OF-YEAR FUND BALANCE	TOTAL FUNDS REQUIRED	ESTIMATED BEGINNING FUND BALANCE	COMMITTED EXPENDITURE SAVINGS	OTHER NON-TAX REVENUES	INTER-FUND TRANSFERS IN	PROPERTY TAX SUBTOTAL	FY16 MILL LEVY (MILL VALUE = 111,559)	FY15 MILL LEVY (MILL VALUE = 108,677.50)	PERCENTAGE CHANGE FY15 TO FY16	
ENTERPRISE FUNDS														
SEWER ENTERPRISE FUNDS														
5020	CIVIC STADIUM	120,000	-	-	120,000	-	-	120,000	-	-	-	-	-	
5310	SEWER OPERATING BUDGET	4,954,239	-	-	4,954,239	-	-	79,000	4,875,239	-	-	-	-	
5311	SEWER REVENUE COLLECTION & CLEARING	-	7,391,083	-	7,391,083	-	-	7,391,083	-	-	-	-	-	
5315	SEWER LOAN	20,000	-	-	20,000	20,000	-	-	-	-	-	-	-	
5320	SEWER REPLACEMENT & DEPRECIATION	613,378	-	163,779	777,157	-	-	-	777,157	-	-	-	-	
5325	SEWER DEVELOPMENT FEE	188,559	-	826,999	1,015,558	400,000	-	615,558	-	-	-	-	-	
5340	SEWER CONSTRUCTION	3,496,300	-	-	3,496,300	-	-	3,496,300	-	-	-	-	-	
5361	01 SEWER REVENUE BONDS DEBT SERVICE	31,040	-	-	31,040	-	-	-	31,040	-	-	-	-	
5362	00 SEWER REVENUE BONDS- SERIES B DEBT SERVICE	48,360	-	-	48,360	-	-	-	48,360	-	-	-	-	
5365	99 SEWER REVENUE BONDS DEBT SERVICE	123,910	-	-	123,910	-	-	-	123,910	-	-	-	-	
5368	00 SEWER REVENUE BOND RESERVE	-	-	49,030	49,030	48,720	-	-	310	-	-	-	-	
5369	01 SEWER REVENUE BONDS SERIES BOND RESERVE	-	30	31,320	31,350	31,350	-	-	-	-	-	-	-	
5370	99 SEWER REVENUE BOND RESERVE	-	790	124,060	124,850	124,850	-	-	-	-	-	-	-	
5371	02 SEWER REVENUE BONDS DEBT SERVICE	84,930	-	-	84,930	-	-	-	84,930	-	-	-	-	
5372	02 SEWER REVENUE BONDS RESERVE	-	-	85,260	85,260	85,260	-	-	-	-	-	-	-	
5373	02 SEWER REVENUE BONDS DEBT SERVICE-WWTP upgrade	331,640	-	-	331,640	-	-	-	331,640	-	-	-	-	
5374	02 SEWER REVENUE BONDS RESERVE-WWTP upgrade	-	180	331,740	331,920	331,920	-	-	-	-	-	-	-	
5375	03 SEWER REVENUE BONDS DEBT SERV-3.8M SRF Loan	250,926	-	-	250,926	-	-	-	250,926	-	-	-	-	
5376	03 SEWER REVENUE BONDS RESERVE-3.8M SRF Loan	-	-	251,319	251,319	251,173	-	-	146	-	-	-	-	
5377	04 SEWER REVENUE BONDS DEBT SERV-3.023M SRF Loan	244,006	-	-	244,006	-	-	-	244,006	-	-	-	-	
5378	04 SEWER REVENUE BONDS RESERVE-3.023M SRF Loan	-	283	243,723	244,006	244,006	-	-	-	-	-	-	-	
5379	05 BIRCH/BRD/YLN/GIL SRF BOND DEBT SERV.	109,443	-	-	109,443	-	-	-	109,443	-	-	-	-	
5380	05 BIRCH/BRD/YLN/GIL SRF BOND RESERVE	-	-	110,026	110,026	109,823	-	-	203	-	-	-	-	
5382	05 UNCOUNWOOD PHASE II SRF BOND RESERVE	-	-	21,850	-	21,850	21,850	-	-	-	-	-	-	
5383	10 LOLO ST SRF BOND DEBT SERVICE-NON ARRA	30,950	-	-	30,950	-	-	-	30,950	-	-	-	-	
5384	10 LOLO ST SRF BOND DEBT SERVICE-NON ARRA RESERVE	-	-	10,310	31,440	41,750	41,750	-	-	-	-	-	-	
5385	10 MSLA HEADWORKS RESERVE	-	-	27,928	925,360	953,288	953,288	-	-	-	-	-	-	
5386	10 MSLA HEADWORKS DEBT SERVICE	698,316	-	-	256,273	954,589	256,273	-	253,177	445,139	-	-	-	
5387	11 SEWER \$1.29 M BOND DEBT SERVICE	102,080	-	-	102,080	-	-	-	-	102,080	-	-	-	
5388	11 MSLA SEWER REVENUE BOND RESERVE	-	-	3,025	113,025	116,050	116,050	-	-	-	-	-	-	
SEWER ENTERPRISE FUND SUBTOTALS		11,328,077	7,455,479	3,543,354	22,326,910	3,036,313	-	11,835,118	7,455,479	-	-	-	-	
5711	AQUATICS	1,427,327	-	154,518	1,581,845	5,759	-	1,373,086	203,000	-	-	-	-	
TOTAL ENTERPRISE FUND SUBTOTALS		12,875,404	7,455,479	3,697,872	24,028,755	3,042,072	-	13,328,204	7,658,479	-	-	-	-	
INTERNAL SERVICE FUNDS														
6050	EMPLOYEE BENEFIT PLAN	6,137,237	-	1,058,885	7,196,122	1,031,622	-	5,722,500	442,000	-	-	-	-	
PROPRIETARY FUNDS SUBTOTALS		19,012,641	7,455,479	4,756,757	31,224,877	4,073,694	-	19,050,704	8,100,479	-	-	-	-	
TOTALS FOR CITY BUDGETED FUNDS		93,393,389	14,779,030	14,479,416	122,651,835	19,634,992	1,554,412	58,480,590	14,779,030	28,202,811	28,202,811	252.81	245.62	2.93%
COMPONENT UNITS - CITY OF MISSOULA														
PARKING COMMISSION FUNDS														
7370	PARKING COMMISSION OPERATING	1,569,117	311,194	1,229,269	3,109,580	1,221,580	-	1,888,000	-	-	-	-	-	
7371	INTEREST FUND SERIES 2010B BONDS	272,925	-	-	272,925	-	-	-	272,925	-	-	-	-	
7372	SINKING FUND SERIES 2010B BONDS	185,000	-	-	185,000	-	-	-	185,000	-	-	-	-	
7375	PLEDGED TIF SERIES 2010 B BONDS	121,431	146,731	96,618	364,780	97,930	-	266,850	-	-	-	-	-	
7379	SINKING FUND SERIES 2010A BONDS-CONSTRUCTION	-	-	-	-	-	-	-	-	-	-	-	-	
PARKING SUBTOTAL		2,148,473	457,925	1,325,887	3,932,285	1,319,510	2,154,850	457,925	-	-	-	-	-	
7380	BUSINESS IMPROVEMENT DISTRICT	439,800	-	104,522	544,322	175,000	-	369,322	-	-	-	-	-	
7381	TURISM BUSINESS IMPROVEMENT DISTRICT	680,350	-	-	680,350	-	-	680,350	-	-	-	-	-	
MISSOULA REDEVELOPMENT AGENCY FUNDS														
7383	MRA- RIVERFRONT TRIANGLE URD	26,862	-	-	26,862	15,000	-	11,862	-	-	-	-	-	
7385	MRA- FRONT ST URD	530,252	-	-	530,252	366,092	-	-	164,160	-	-	-	-	
7386	MRA- URD II - SAFeway	158,875	-	78,044	233,919	78,044	-	-	158,875	-	-	-	-	
7387	MRA URD II- REVOLVING LN FD	31,941	-	-	31,941	-	-	-	31,941	-	-	-	-	
7392	MRA- URD II	1,559,248	250,000	-	1,809,248	992,883	-	200,000	616,365	-	-	-	-	
7393	MRA- URD III	6,139,685	-	256,016	6,395,701	4,186,931	-	1,958,770	250,000	-	-	-	-	
7388	MRA TAX INCREMENT BOND RESERVE	-	-	675,665	675,665	675,665	-	-	-	-	-	-	-	
7389	MRA TAX INCREMENT DEBT SERVICE	1,171,916	-	-	1,171,916	250,000	-	-	921,916	-	-	-	-	
7390	MRA TAX INCREMENT DEBT SERVICE CLEARING	-	-	1,872,885	-	1,872,885	-	-	1,872,885	-	-	-	-	
7399	MRA URD II INTERMOUNTAIN BOND -SERIES 2013-new	145,769	-	1,019	146,788	-	-	-	146,788	-	-	-	-	
7400	MRA TAX INCREMENT FRONT STREET URD BOND CLEARING	-	-	453,262	-	453,262	-	-	453,262	-	-	-	-	
7401	MRA TAX INCREMENT FRONT ST. BOND -PARKING STRUCTURE	146,134	-	205,475	351,609	205,137	-	-	146,472	-	-	-	-	
7402	MRA TAX INCREMENT FRONT ST. BOND -SUB. LIEN NOTE	165,557	-	86,520	253,077	110,447	-	-	142,630	-	-	-	-	
MRA SUBTOTAL		10,074,239	2,576,147	1,302,739	13,953,125	6,880,199	-	4,496,779	2,576,147	-	-	-	-	
COMPONENT UNIT TOTALS		13,342,862	3,034,072	2,733,148	19,110,082	8,374,709	-	7,701,301	3,034,072	-	-	-	-	
TOTALS FOR ALL BUDGETED FUNDS		106,736,251	17,813,102	17,212,564	141,761,917	28,009,701	1,554,412	66,181,891	17,813,102	28,202,811	28,202,811	252.81	245.62	2.93%

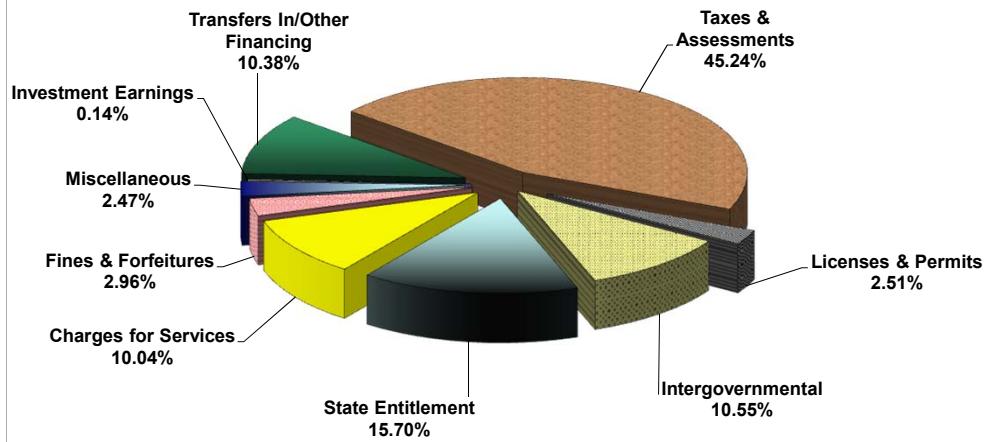


	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	Budget Increase (Decr)
Taxes and Assessments	\$ 35,249,160	\$ 36,279,013	\$ 36,310,135	\$ 31,122
Licenses and Permits	3,120,909	2,930,215	3,579,642	649,427
Intergovernmental	9,376,722	11,332,358	12,016,869	684,511
State Entitlement	8,361,032	8,759,542	8,590,744	(168,798)
Charges for Services	16,059,142	17,781,952	17,631,822	(150,130)
Fines and Forfeitures	1,647,654	1,670,846	1,830,889	160,043
Miscellaneous	841,802	1,237,065	4,943,751	3,706,686
Investment Earnings	401,227	254,971	93,500	(161,471)
Transfer In/Other Financing	20,498,200	18,730,191	48,524,775	29,794,584
Total City Revenues	\$ 95,555,849	\$ 98,976,154	\$ 133,522,127	\$ 34,545,972



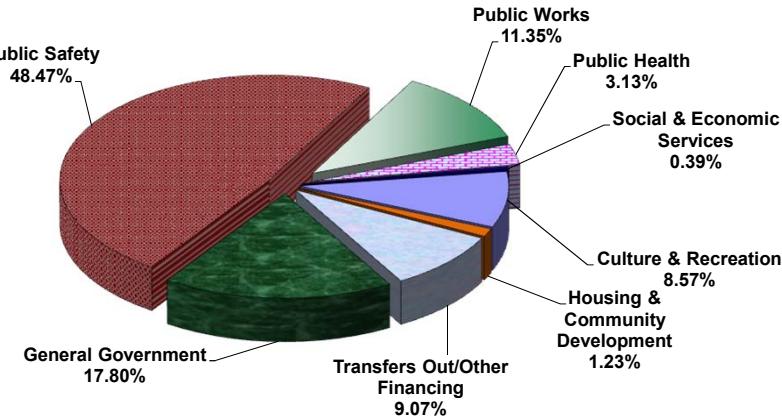
	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	Budget Increase (Decr)
General Government	\$ 9,838,640	\$ 10,204,883	\$ 12,098,961	\$ 1,894,078
Public Safety	28,123,697	28,117,822	28,201,688	83,866
Public Works	17,053,755	8,142,497	18,968,012	10,825,515
Public Health	1,550,087	12,421,916	1,726,945	(10,694,971)
Social & Economic Services	210,000	210,000	210,000	-
Culture and Recreation	5,859,797	6,352,074	7,505,670	1,153,596
Housing and Community Develop	6,297,873	4,482,032	8,852,640	4,370,608
Debt Service	5,504,518	8,579,277	15,436,820	6,857,543
Internal Service	4,987,548	5,644,612	-	(5,644,612)
Capital Outlay	5,749,618	9,674,138	8,448,874	(1,225,264)
Transfer Out/Other Financing	14,975,492	11,986,290	23,099,742	11,113,452
Total City Expenditures	\$ 100,151,026	\$ 105,815,542	\$ 124,549,353	\$ 3,262,084

FY 2016 GENERAL FUND REVENUES BY CATEGORY



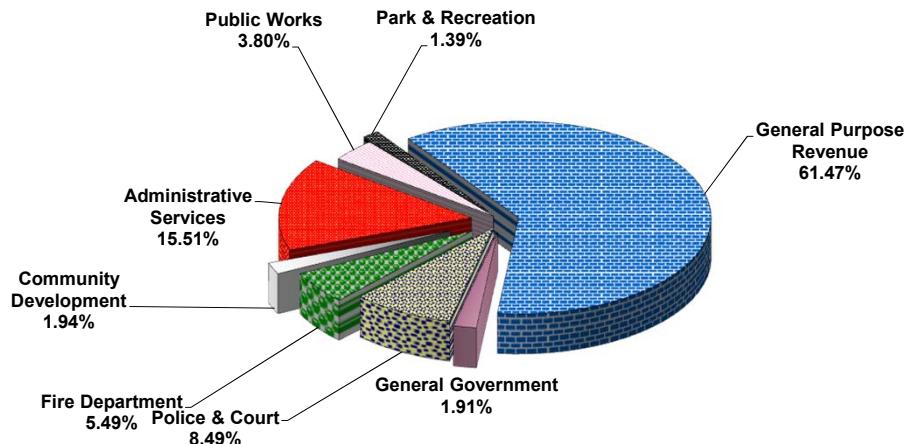
	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	Budget Increase (Decr)
Taxes & Assessments	\$ 22,011,287	\$ 22,701,709	\$ 23,631,667	\$ 929,958
Licenses & Permits	1,300,757	1,340,961	1,308,783	(32,178)
Intergovernmental	6,094,200	5,278,677	5,511,713	233,035
State Entitlement	7,645,951	7,975,811	8,202,506	226,695
Charges for Services	4,551,218	4,859,044	5,246,449	387,405
Fines & Forfeitures	1,333,042	1,308,935	1,544,089	235,154
Miscellaneous	291,534	672,159	1,292,631	620,472
Investment Earnings	1	-	73,500	73,500
Transfers In/Other Financing	6,106,024	6,136,466	5,422,167	(714,299)
Total Sources	\$ 49,334,014	\$ 50,273,762	\$ 52,233,505	\$ 1,959,743

FY 2016 GENERAL FUND EXPENDITURES BY CATEGORY



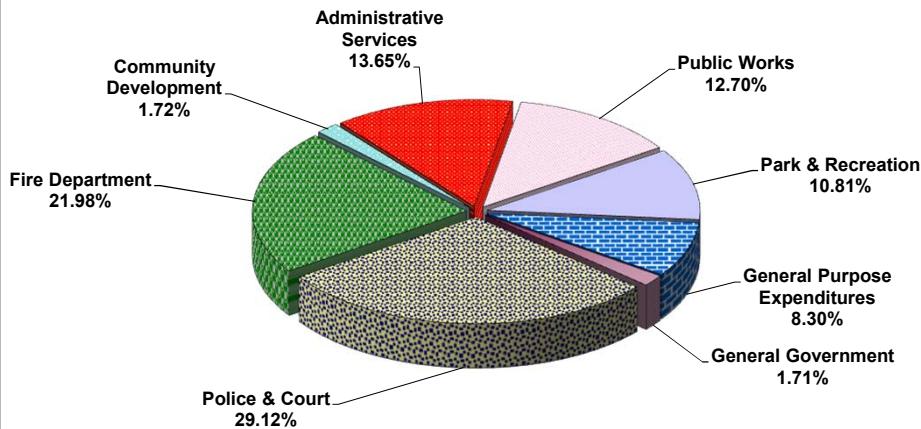
	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	Budget Increase (Decr)
General Government	\$ 9,247,841	\$ 8,402,459	\$ 9,702,719	\$ 1,300,260
Public Safety	25,269,346	26,232,341	26,422,987	190,646
Public Works	6,051,648	5,889,494	6,188,737	299,243
Public Health	1,550,087	1,644,431	1,706,945	62,514
Social & Economic Services	210,000	210,000	210,000	-
Culture & Recreation	3,682,609	3,921,649	4,672,529	750,880
Housing & Community Development	120	45,000	668,472	623,472
Transfers Out/Other Financing	3,894,928	3,877,288	4,944,863	1,067,575
Total Uses	\$ 49,906,579	\$ 50,222,662	\$ 54,517,253	\$ 4,294,591

FY 2016 GENERAL FUND REVENUES BY SUB-FUND



	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	Budget Increase (Decr)
General Purpose Revenue	\$ 30,411,165	\$ 30,820,426	\$ 32,110,180	\$ 1,289,754
General Government	961,867	940,882	997,979	57,097
Police & Court	4,234,100	4,217,924	4,432,647	214,723
Fire Department	2,767,241	2,696,820	2,865,912	169,092
Community Development	867,469	1,062,723	1,011,301	(51,422)
Administrative Services	7,392,578	8,060,934	8,101,110	40,176
Public Works	1,918,591	1,869,653	1,986,943	117,290
Park & Recreation	781,002	604,401	727,433	123,032
	\$ 49,334,014	\$ 50,273,762	\$ 52,233,505	\$ 1,959,743

FY 2016 GENERAL FUND EXPENDITURES BY SUB-FUND



	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	Budget Increase (Decr)
General Purpose Expenditures	\$ 4,337,230	\$ 4,458,711	\$ 4,527,542	\$ 68,831
General Government	805,420	888,331	932,285	43,954
Police & Court	14,802,110	15,241,400	15,876,890	635,489
Fire Department	11,801,628	12,235,563	11,982,408	(253,154)
Community Development	165,821	149,985	939,472	789,488
Administrative Services	6,612,717	6,557,875	7,442,482	884,607
Public Works	7,327,536	6,238,135	6,922,158	684,023
Park & Recreation	4,054,118	4,452,663	5,894,017	1,441,354
	\$ 49,906,579	\$ 50,222,662	\$ 54,517,253	\$ 4,294,591

The City of Missoula has an important responsibility to its citizens to carefully account for public funds, manage city finances wisely, manage growth, and plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. As Missoula continues to grow at a record pace, its government needs to insure that it is capable of adequately funding and providing those local government services the citizens require. The following fiscal and budgetary policies are designed to meet these goals.

The overall goal of the city's fiscal policy is to establish and maintain effective management of the city's financial resources. Formal policy statements and major objectives provide the foundation for achieving this goal. Accordingly, this section outlines the policies used in guiding the preparation and management of the city's overall budget and the major objectives to be accomplished.

Financial policies are guidelines for operational and strategic decision making related to financial matters. Financial policies identify acceptable and unacceptable courses of action, establish parameters in which the government can operate, and provide a standard against which the government's fiscal performance can be judged.

The following City financial policies, endorsed by the City Council, establish the framework for the City of Missoula's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured. The City of Missoula's financial policies show the credit rating industry and prospective investors (bond buyers) the City's commitment to sound financial management and fiscal integrity. The financial policies also improve the City's fiscal stability by helping City officials plan fiscal strategy with a consistent approach. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in City bond ratings and lower cost of capital. The City is in compliance with the comprehensive financial policies in this budget.

OPERATING BUDGET POLICIES

Links to Financial Plans

- 1) **Five-Year Plan.** The City of Missoula's annual budget will be developed in accordance with the policies and priorities set forth in the five year strategic financial plan, Council goals, the needs of the city, and state and federal laws. Program/project priorities and service levels will be established by the aforementioned plans.

Scope.

- 1) **Comprehensive Budget.** A comprehensive annual budget will be prepared for all funds expended by the city. State law (7-6-4005), states that "Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund." Inclusion of all funds in the budget enables the council, the administration, and the public to consider all financial aspects of city government when preparing, modifying, and monitoring the budget, rather than deal with the city's finances on a "piece meal" basis.
- 2) **Competing Requests.** The budget process is intended to weigh all competing requests for City resources, within expected fiscal

constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.

- 3) **Understandable.** The budget will be prepared in such a manner as to facilitate its understanding by citizens and elected officials. One of the stated purposes of the budget is to present a picture of the city government operations and intentions for the year to the citizens of the City of Missoula. Presenting a budget document that is understandable to the citizens furthers the goal of effectively communicating local government finance issues to both elected officials and the public.
- 4) **Budgetary Emphasis.** Budgetary emphasis will focus on providing those basic government services which provide the maximum level of services, to the most citizens, in the most cost effective manner, with due consideration being given to all costs--economic, fiscal, and social. Adherence to this basic philosophy provides the citizens of the City of Missoula assurance that its government and elected officials are responsive to the basic needs of the citizens and that its government is operated in an economical and efficient manner.

Budgeting Control System.

- 1) **Budgetary Control.** The City will exercise budgetary control (maximum spending authority) through City Council approval of appropriation authority for each program. The budgetary control system enables the Council to monitor current year operations and acts as an early warning mechanism when departments deviate in any substantive way from the original budget.
- 2) **Budget to Actual Reports.** Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly and posted to the City's web-site. Monthly reports comparing actual revenues and expenditures to budget amounts provide the mechanism for the Council and the administration to regularly monitor compliance with the adopted budget. Quarterly reports will also be prepared that summarize the monthly detailed reports.

Balanced Budget Definition and Requirement.

- 1) **Balanced Budget.** The city will maintain a balanced budget. This means that:
 - Operating revenues must fully cover operating expenditures, including debt service.
 - Ending fund balance (or working capital in proprietary funds) must meet minimum policy levels.
 - Under this policy, it is allowable for total expenditures to exceed revenues in a given year as long as the projected ending fund balance meets minimum policy levels.

Performance Measurement Integration.

- 1) **Program Objectives.** The annual budget will establish measurable program objectives and allow reasonable time to accomplish those objectives.

REVENUE POLICIES

Diversification and Stabilization.

- 1) **Diversification.** The city will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any one revenue source.
- 2) **Aggressive Collection.** The city will pursue an aggressive policy of collecting revenues. An aggressive policy of collecting revenues will help to insure the city's revenue estimates are met, all taxpayers are treated fairly and consistently, and delinquencies are kept to a minimum.
- 3) **Grant Opportunities.** The city will aggressively pursue opportunities for Federal or State grant funding. An aggressive policy of pursuing opportunities for Federal or State grant funding provides citizens assurance that the city is striving to obtain all state and federal funds to which it is entitled--thereby reducing dependence upon local taxpayers for the support of local public services.
- 4) **Current Revenues for Current Uses.** The city will make all current expenditures with current revenues.
- 5) **Enterprise Funds.** The city will set fees and rates at levels which fully recover the total direct and indirect costs—including operations, depreciation of capital assets, and debt service.
- 6) **Earmarking.** The City recognizes that generally accepted accounting principles for state and local governments discourage the "earmarking" of General Fund revenues, and accordingly, the practice of designating General Fund revenues for specific programs should be minimized in the City's management of its fiscal affairs.
- 7) **Realistic and Conservative.** The city will estimate revenues in a realistic and conservative manner. Aggressive revenue estimates significantly increase the chances of budgetary shortfalls occurring during the year--resulting in either deficit spending or required spending reductions. Realistic and conservative revenue estimates, on the other hand, will serve to minimize the adverse impact of revenue shortfalls and will also reduce the need for mid-year spending reductions.
- 8) **One-Time Revenues.** The city will give highest priority in the use of one-time revenues to the funding of capital assets or other non-recurring expenditures. Utilizing

FINANCIAL POLICIES

one-time revenues to fund on-going expenditures results in incurring annual expenditure obligations which may be unfunded in future years. Using one-time revenues to fund capital assets or other non-recurring expenditures better enables future administrations and council's to cope with the financial problems when these revenue sources are discontinued, since these types of expenditures can more easily be eliminated.

User Fees.

- 1) **Cost-Effective.** User fees will be collected only if the city finds it cost-effective and administratively feasible to do so. User fees are often costly to administer. Prior to establishing user fees, the costs to establish and administer the fees will be considered in order to provide assurance that the city's collection mechanisms are being operated in an efficient manner.
- 2) **Beneficiary Populations.** User fees and charges will be used, as opposed to general taxes, when distinct beneficiary populations or interest groups can be identified. User fees and charges are preferable to general taxes because user charges can provide clear demand signals which assist in determining what services to offer, their quantity, and their quality. User charges are also more equitable, since only those who use and benefit from the service must pay--thereby eliminating the subsidy provided by nonusers to users, which is inherent in general tax financing.
- 3) **Community-Wide Versus Special Benefit.** The level of user fee cost recovery should consider the community-wide versus special service nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while other user fees are appropriate for services that are of special benefit to identified individuals or groups.
- 4) **General.** The following general concepts will be used in developing and implementing service charges and user fees:
 - Revenues should not exceed the reasonable cost of providing the service.
 - Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs and organization-wide support costs such as accounting,

personnel, information technology, legal services, fleet maintenance, and insurance.

- The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
- Rate structures should be sensitive to the "market" for similar services as well as to smaller, infrequent users of the service.
- A unified approach should be used in determining cost recovery levels for various programs based on the factors discussed above.

EXPENDITURE POLICIES

Maintenance of Capital Assets.

Capital Assets. The budget will provide for adequate maintenance of capital, plant, and equipment and for their orderly replacement. All governments experience prosperous times as well as periods of economic decline. In periods of economic decline, proper maintenance and replacement of capital, plant, and equipment is generally postponed or eliminated as a first means of balancing the budget. Recognition of the need for adequate maintenance and replacement of capital, plant, and equipment, regardless of the economic conditions, will assist in maintaining the government's equipment and infrastructure in good operating condition.

RESERVE POLICIES

Unreserved Fund Balance.

- 1) **General Fund.** An undesignated general fund reserve will be maintained by the city. The undesignated reserve will be used for: cash flow purposes, equipment acquisition and replacement, and to enable the city to meet unexpected expenditure demands or revenue shortfalls. The City will focus on attaining and maintaining a fund balance equal to 7% of the General Fund's budget.

FINANCIAL POLICIES

- 2) **Enterprise Funds.** Enterprise Fund Reserves will be maintained to meet four objectives: (1) ensure adequate funding for operations; (2) to ensure infrastructure repair and replacement; (3) to provide working capital to provide level rate change for customers; and, (4) to maintain the legally required coverage for outstanding revenue bond debt.
- 3) **Insurance Funds.** Self-Insurance Reserves will be maintained at a level, which, together with purchased insurance policies, will adequately indemnify the City's property, liability, and health benefit risk. The City will focus on attaining and maintaining a fund balance equal to three months of claims experience for the City's health plan insurance budget.
- 4) **Required Reserves.** Reserves will be established for funds which are not available for expenditure or are legally segregated for a specific use, in accordance with Governmental Accounting and Financial Reporting Standards (GAFR). The City's policy is to manage and account for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). This policy is consistent with GASB requirements.

Utilizing Unreserved Fund Balances.

- 1) **Spending Reserves.** On-going expenditures will be limited to levels which can be supported by current revenues. Utilization of reserves to fund on-going expenditures will produce a balanced budget, however, this practice will eventually cause severe financial problems. Once reserve levels are depleted, the city would face elimination of on-going costs in order to balance the budget. Therefore, the funding of on-going expenditures will be limited to current revenues.

CAPITAL IMPROVEMENT POLICIES

CIP Formulation.

- 1) **CIP Purpose.** The purpose of the CIP is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP is a five-year plan

organized into the same functional groupings used for the operating programs. The CIP will reflect a balance between capital replacement projects that repair, replace or enhance existing facilities, equipment or infrastructure; and capital facility projects that significantly expand or add to the City's existing fixed assets.

- 2) **CIP Criteria.** Construction projects and capital purchases of \$5,000 or more will be included in the Capital Improvement Plan (CIP) as long as the useful life of the asset exceeds five years; minor capital outlays of less than \$5,000 will be included in the regular operating budget. Vehicles intended for use on streets and highways, costing less than \$35,000, are not included in the CIP. The Capital Improvement Plan (CIP) differentiates the financing of high cost long-lived physical improvements from low cost "consumable" equipment items contained in the operating budget. CIP items may be funded through debt financing or current revenues while operating budget items are annual or routine in nature and should only be financed from current revenues.
- 3) **Deteriorating Infrastructure.** The capital improvement plan will include, in addition to current operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability.

Project Financing.

- 1) **Minor Capital Projects.** Minor capital projects or recurring capital projects, which primarily benefit current residents, will be financed from current revenues. Minor capital projects or recurring capital projects represent relatively small costs of an on-going nature, and therefore, should be financed with current revenues rather than utilizing debt financing. This policy also reflects the view that those who benefit from a capital project should pay for the project.
- 2) **Major Capital Projects.** Major capital projects, which benefit future residents, will be financed with other financing sources (e.g. debt financing). Major capital projects represent large expenditures of a non-recurring nature which primarily benefit future residents. Debt financing provides a means of generating sufficient funds to pay for the costs of major projects. Debt financing also enables the costs of the project to be supported by those who benefit

from the project, since debt service payments will be funded through charges to future residents.

DEBT MANAGEMENT POLICIES

Restrictions on Debt Issuance.

1) Repayment of Borrowed Funds. The city will repay borrowed funds, used for capital projects, within a period not to exceed the expected useful life of the project. This policy reflects the view that those residents who benefit from a project should pay for the project. Adherence to this policy will also help prevent the government from over-extending itself with regard to the incurrence of future debt.

Limitations on Outstanding Debt

1) Reliance on Long-Term Debt. The City will limit long-term debt to capital improvements which cannot be financed from current revenues. Incurring long-term debt serves to obligate future taxpayers. Excess reliance on long-term can cause debt levels to reach or exceed the government's ability to pay. Therefore, conscientious use of long-term debt will provide assurance that future residents will be able to service the debt obligations left by former residents.

2) Debt Not Used for Current Operations. The city will not use long-term debt for financing current operations. This policy reflects the view that those residents who benefit from a service should pay for the service. Utilization of long-term debt to support current operations would result in future residents supporting services provided to current residents.

Debt Refinancing

1) General Refinancing Guidelines. Periodic reviews of all outstanding debt will be undertaken to determine refinancing opportunities. Refinancings will be considered (within federal tax law constraints) under the following conditions:

- There is a net economic benefit.
- It is needed to modernize covenants that are adversely affecting the City's financial position or operations.

- The City wants to reduce the principal outstanding in order to achieve future working capital to do so from other sources.

2) Standards for Economic Savings. The federal government has placed significant conditions on the tax-exempt refunding of outstanding issues. Refundings have two general categories:

- Current refundings, where the refunding bonds are settled within 90 days of an optional prepayment date; and
- Advance refundings, where refundings are settled more than 90 days in advance of an optional prepayment date. The federal restrictions are that any issue can only be advance refunded once on a tax-exempt basis.

On advance refundings the City will seek to obtain a minimum present value savings level of 3% of the present value of refunded debt service. State law requires a demonstration of savings of 0.5% reduction in the average coupon interest rate between the refunding and refunded bonds.

The complete debt management policy for the City of Missoula can be found in the appendix to this budget document.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES

GAAP. The City will manage and account for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). GASB is recognized as the authority with respect to governmental accounting. Managing the city's finances in accordance with GAAP and in accordance with the rules set forth by GASB, provides the citizens of the City of Missoula assurance that their public funds are being accounted for in a proper manner.

Basis of Accounting. The city will maintain its accounting records for general governmental operations on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when services or goods are received and liabilities incurred. Accounting records for

FINANCIAL POLICIES

proprietary fund types and similar trust funds will be maintained on an accrual basis, with all revenues recorded when earned and expenses recorded at the time liabilities are incurred, without regard to receipt or payment of cash. Adherence to this policy will enable the city to prepare its financial statements in accordance with Generally Accepted Accounting Principles as set forth by the Governmental Accounting Standards Board. The basis of accounting is the same for both the budget and the financial statements. It is worth noting that depreciation is not budgeted. Likewise, debt principle is budgeted for but is reported as a reduction of liability for the proprietary funds on the financial statements at year end.

Financial Report. The City of Missoula will prepare an Annual Financial Report (AFR) in conformity with Generally Accepted Accounting Principles (GAAP). The report will be made available to the general public.

Audits. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the City's published Annual Financial Report (AFR). Audits of the city's financial records provide the public assurance that its funds are being expended in accordance with Local, State, and Federal law and in accordance with Generally Accepted Accounting Principles. Audits also provide management and the Council with suggestions for improvement in its financial operations from independent experts in the accounting field.

INVESTMENT POLICIES

Scope

This policy applies to the investment of short-term operating funds. Proceeds from certain bond issues will be covered by a separate policy.

Pooling of Funds. Except for cash in certain restricted and special funds, the City of Missoula will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

General Objectives. The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City of Missoula will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to the safest types of securities
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City of Missoula will do business
- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

b. Interest Rate Risk

The City of Missoula will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- a. A security with declining credit may be sold early to minimize loss of principal.
- b. A security swap would improve the quality, yield, or target duration in the portfolio.
- c. Liquidity needs of the portfolio require that the security be sold.

Other areas. The complete investment policy, which is provided in detail in the appendix, also addresses standards of care, ethics and conflicts of interest, delegation of authority, safekeeping and custody, suitable and authorized investments, investment parameters, maximum maturities, and policy considerations.

FUND ACCOUNTING

The City of Missoula maintains accounts in accordance to the principle of fund accounting to ensure that limitations and restrictions on the City's available resources are observed and adhered to. Fund accounting classifies resources into funds or account groups with respect to the intended activities or objectives specified by those resources for accounting controls and financial reporting purposes. Each fund is an independent fiscal and accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise of assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are reporting mechanisms used to compile certain assets and liabilities of the governmental funds that are not directly recorded in those funds.

A **FUND** is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The most common reason for establishing a fund is to separately account for restricted-use revenue or to comply with state or federal law.

There is no limit to the number of funds that a government may establish and maintain for accounting and financial reporting. A generally practiced governmental accounting guideline is that a government should use the smallest number of individual funds as possible, consistent with its particular circumstances, and that individual funds are closed when its intended purpose no longer exists.

An **ACCOUNT** is an organizational or budgetary breakdown which is found within city funds. Each department serves a specific function as a distinct organizational unit of government within the given fund. Its primary purpose is organizational and budgetary accountability.

An **OBJECT OF EXPENDITURE** refers to specific, detailed expenditure classification. It relates to a specific type of item purchased or service obtained. Examples of objects of expenditure include salaries, supplies, contracted services, travel, etc.

The city's financial operations and fund structure conform to generally accepted accounting principles. The funds are grouped under governmental funds, proprietary funds, and fiduciary fund types. The city's fund structure is comprised of the following funds, all of which are budgeted.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the city are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the city's governmental fund types:

General Fund — accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the City's primary operating fund.

Special Revenue Funds — account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Examples include: Building Inspection, Impact Fees, Health Insurance Levy and the Cable Franchise Fee Fund.

Capital Project Funds — account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.) Examples include: Open Space Acquisition, 2006 Fire Station General Obligation Bond Construction Fund and the Capital Improvement Program Fund.

Debt Service Funds — account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for ongoing organizations or activities which are similar to those often found in the private sector. The following proprietary funds are used by the city.

Enterprise Funds — account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples include: Wastewater Treatment Plant Fund.

Internal Service Funds — account for the financing of goods or services provided by one department to other departments of the City, or to other governmental units, on a cost-reimbursement basis. Examples include: Employee Health Insurance.

FIDUCIARY FUND TYPES

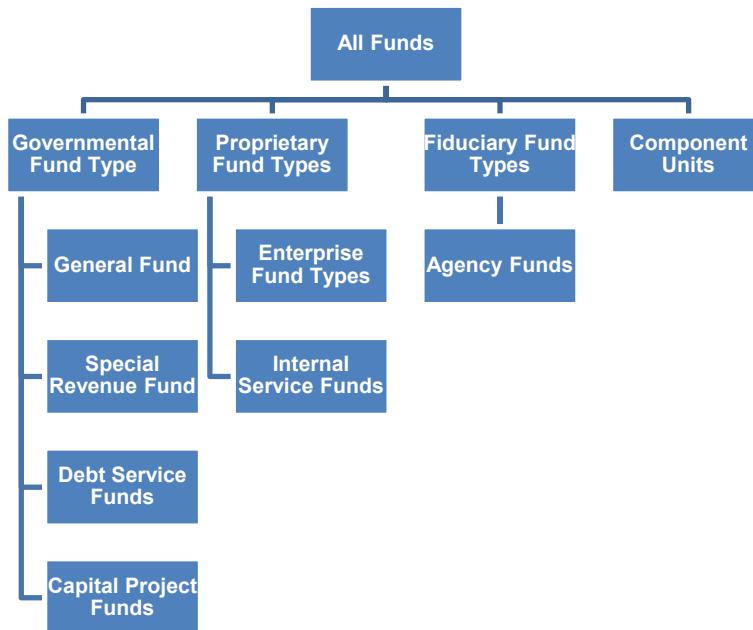
Trust and Agency Funds: Trust and agency funds are used to account for assets held by a Governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Examples include: Business Improvement District.

CONSISTENCY WITH AUDITED FINANCIAL STATEMENTS

The City of Missoula's budgeted funds are consistent with the City's audited financial statements.

FINANCIAL STRUCTURE

Shown below is a graphic summary of the City's Fund Structure.



Below is the detail to the graph of the City's Fund Structure.

1. Governmental Fund Types
 - a. General Fund
 - i. City Council
 - ii. Mayor
 - iii. Human Resources
 - iv. City Clerk
 - v. Information Technologies
 - vi. Municipal Court
 - vii. Finance
 - viii. Central Services
 - ix. Development Services
 - x. Attorney
 - xi. Public Works – Operations
 - xii. Public Works- Streets
 - xiii. Facility and Vehicle Maintenance
 - xiv. Police
 - xv. Fire
 - xvi. Cemetery
 - xvii. Parks and Recreation
 - xviii. Non-Departmental
 - b. General Fund - Special Purpose Funds
 - i. Park Acquisition and Development
 - ii. Park Enterprise
 - iii. Parks and Recreation Trails and Development
 - iv. Parks and Recreation – City Life Gym
 - v. All Abilities Playground
 - vi. Cemetery Cremain Wall and Cemetery Donations
 - vii. Cemetery Care

- viii. Cemetery Memorial
- ix. Title I Projects
- x. Program Income Revolving Loan Program
- xi. State Home Program Income
- c. Special Revenue Funds
 - i. Planning Department Fund
 - ii. Public Safety Information Systems
 - iii. Impact Fee
 - iv. George Elmer-Cattle Drive
 - v. Public Art
 - vi. Employee Health Insurance Levy
 - vii. Employee Health Insurance Levy (outside cap)
 - viii. Cable Television Franchise
 - ix. Drug Forfeiture
 - x. Building Inspection
 - xi. City Grants and Program Income
 - xii. Dangerous Building Demolition Repair
 - xiii. Street Lighting Assessment
 - xiv. Street Maintenance Assessment
 - xv. Road District I
 - xvi. Parks District I
 - xvii. State Gas Tax
 - xviii. Law Enforcement Block Grant
 - xix. HIDTA
 - xx. CDBG Program Income
 - xxi. CDBG
 - xxii. HOME
 - xxiii. ADDI
 - xxiv. City Home program income
 - xxv. Transportation Department
 - xxvi. Federal/State Transportation
 - xxvii. Grants and Donation
- d. Debt Service
 - i. General Obligation
 - 1. 2012A Aquatics Refunding
 - 2. 2013A refunding
 - 3. 2006 Fire Station GO Bond
 - ii. Special Improvement
 - 1. SID Revolving Fund
 - 2. Sidewalk and Curb Bonded Debt Service
 - 3. SID Bonded Debt Service
- e. Capital Projects
 - i. Capital Improvement Program (CIP)
 - ii. 1997 GO Open Space Purchase

2. Proprietary Funds

- a. Enterprise Funds
 - i. Civic Stadium
 - ii. Sewer
 - iii. Aquatics
- b. Internal Service
 - i. Employee Benefit Plan

3. Fiduciary Funds

- a. Agency Funds

FINANCIAL STRUCTURE

4. Component Units
 - a. Parking Commission
 - b. Business Improvement District (BID)
 - c. Tourism Business Improvement District (TBID)
 - d. Missoula Redevelopment Agency (MRA)

ORGANIZATIONAL UNITS

FUNCTIONS, DEPARTMENTS, PROGRAMS/ACTIVITIES

PURPOSE

The organizational units set forth in this section of the Budget represent the City's system of delivery of services and allows the City to accomplish the following:

- Establish policies and goals that define the nature and level of service to be provided.
- Identify activities performed in delivering program services.
- Set objectives for improving delivery of services.
- Appropriate the resources required to perform activities and accomplish objectives.

ORGANIZATION

The city's operating expenditures are organized into the following hierarchical categories:

- Function
- Department
- Program/Activity

FUNCTION

Function represents the highest level of summarization used in the City's operating structure. Functions are a grouping of relating operations and programs that may cross organizational (departmental) boundaries. Functions are aimed at accomplishing a broad goal or delivering a major service. The five functions in the city's operating structure are:

- General Government
- Public Safety
- Public Works
- Public Health
- Social & Economic Services
- Culture & Recreation
- Housing & Community Development
- Conservation of Natural Resources
- Miscellaneous

DEPARTMENTS

Departments represent a grouping of related programs within a functional area such as Police Department within the broad functional area of Public Safety.

PROGRAM/ACTIVITY

Programs/Activities of a Department are the specific services and task performed in the pursuit of its objectives and goals.