

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.

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

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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.

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.

CAPITAL IMPROVEMENTS PROGRAM (CIP) AND ITS RELATIONSHIP TO THE OPERATING BUDGET

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 The amendment, supporting documents and drafted resolution is presented to the Council for

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.

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 Council. The requesting department is responsible for preparing the budget amendment and supporting documents. The proposed amendment and supporting documents are reviewed by the Finance Department for accuracy and completeness. After Finance reviews and approves the amendment, a budget amendment resolution is drafted and presented along with the amendment and supporting documents to the City Council at a duly noticed public meeting.

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review, 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 a staff report from the pertinent department amendment. Following the staff report, and Council discussion, the meeting is opened up for public input. The City Council considers the Resolution and may approve, amend, table, or deny the Budget Amendment. The annual appropriations and transfers 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.

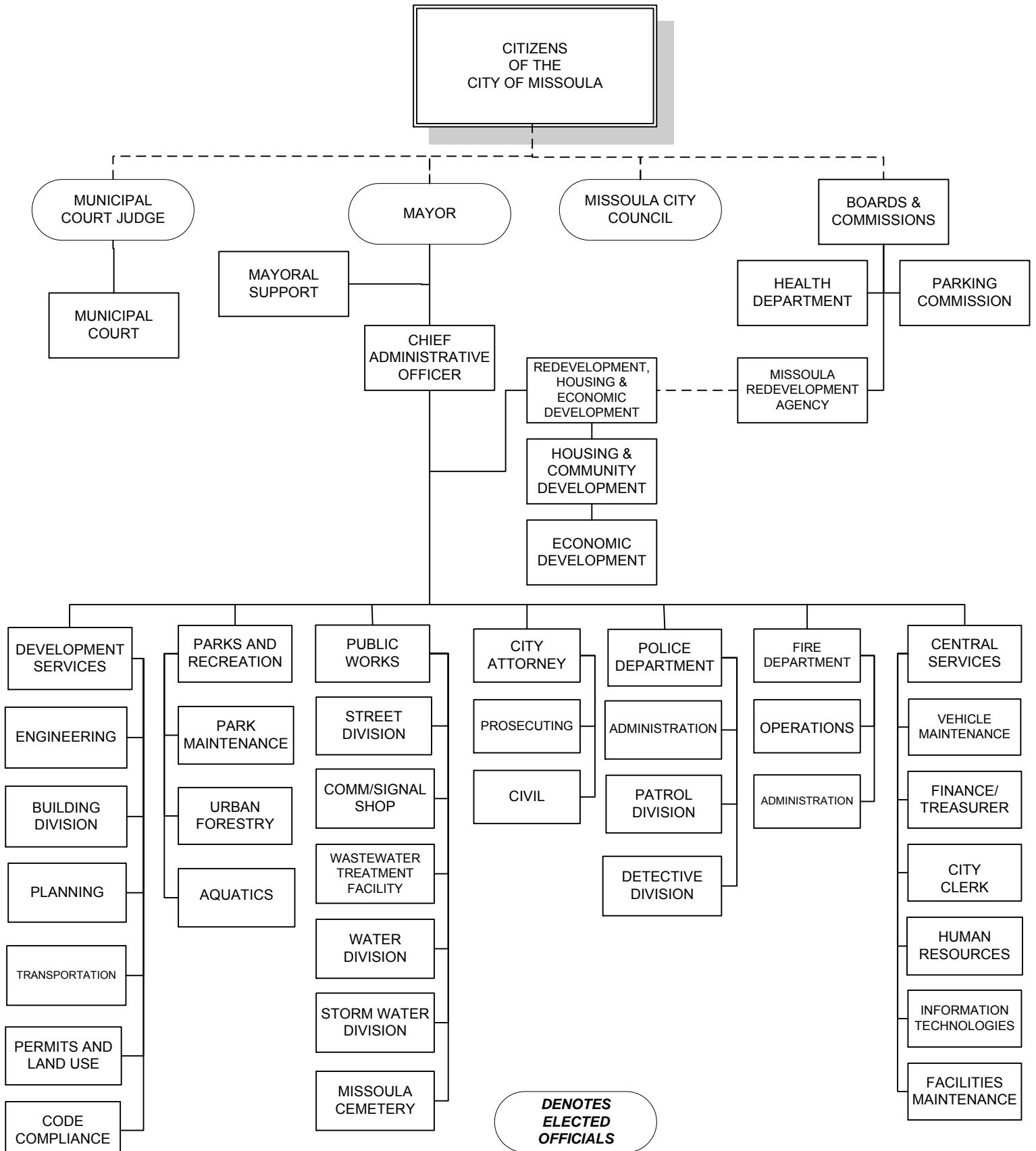
BUDGET PROCESS

THE BUDGET TIMELINE

| | | | |
|----------|---|-----------|---|
| January | <p>The Finance Department prepares mid-year budget reviews by updating budget to actual expenditures and revenues for all departments. Assist major departments in preparing budget review for Council</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> | May | <p>Weekly meetings scheduled in A&F to review CIP's with departments and outside agencies as required</p> <p>The preliminary budget is presented to the Budget Committee of the Whole.</p> <p>Weekly Council meetings scheduled with City departments and outside agencies requesting funding.</p> <p>The public hearing is kept open until the budget is adopted in June.</p> |
| February | <p>Major Departments present mid-year budget reviews to City Council and identify goals and initiatives to complete by year end</p> <p>Finance Department received direction from Administration and City Council regarding budgetary priorities for upcoming budget presentations</p> <p>The Finance Department reviews approved and funded Capital Improvements Program (CIP) project budgets and submits update forms to the Departments to update the status of the projects and identify any new projects</p> <p>Baseline expenditures, revenues and salary updated for all departments and funds</p> | June | <p>Preliminary budget presented and updated weekly by Finance Department with voted, recommended or proposed changes</p> <p>Weekly Council meetings scheduled with City departments and outside agencies requesting funding.</p> <p>Preliminary budget presented and updated weekly by Finance Department with voted, recommended or proposed changes</p> <p>The tax levies are estimated and proposed based on reasonable assumptions from preliminary numbers from the State Department of Revenue.</p> |
| March | <p>Finance Department reviews submitted CIP's for expenditures and funding sources and prepares CIP's for review by CIP Team</p> <p>The CIP team meets with Department Heads to review CIP's for expenditures, funding sources and level of need and recommend approval & funding</p> <p>The Preliminary CIP Budget is referred to the Missoula City Council A&F committee to review current year project request for approval and funding</p> <p>Finance Staff analyze baseline budget and new requests submitted by departments</p> <p>Finance Staff projects expenditures and revenues for remainder of current year and assumptions for upcoming budget to be provided to Mayor and Budget Team</p> | July | <p>Finance Staff updates financial information with adopted baseline and approved new requests for final budget resolution</p> <p>Waiting to receive final tax values from the State Department of Revenue.</p> <p>Final budget documents are published on the City website either in August or September.</p> |
| April | <p>Weekly meetings scheduled in A&F to review CIP's with departments and outside agencies as required</p> <p>The Budget Team meets with Department Heads and reviews baseline budgets, any proposed baseline increases and new requests</p> <p>Mayor and Budget Team review assumptions and make recommended approval of new requests and baseline increases</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 and the Mayor proposes the annual budget and the funding priorities of the budget</p> <p>Public Hearings are scheduled.</p> | August | <p>Quarterly review of budgetary expenditures and revenues</p> <p>Preparations are made for mid-year budget review</p> <p>Tax levies received first Monday in August from Department of Revenue and Levies referred to Council for adoption</p> <p>Annual budget and Tax Levies presented to council for adoption.</p> |
| November | | September | |
| | | October | <p>Quarterly review of budgetary expenditures and revenues</p> <p>Preparations are made for mid-year budget review</p> |
| | | December | <p>Quarterly review of budgetary expenditures and revenues</p> <p>Preparations are made for mid-year budget review</p> <p>Quarterly review of budgetary expenditures and revenues</p> <p>Preparations are made for the mid-year budget review</p> |



FY16 Citizens of The City of Missoula



| REQUESTED AND FUNDED OPERATING BUDGET INCREASES | | | | | | | |
|---|---------|----------------|----------------|----------------|----------------|----------------|------------------------------|
| Department | Ranking | Amount | High-Funded | Low-Not Funded | One-Time Costs | Ongoing Costs | Non-Budgeted Revenues Funded |
| General Fund | | | | | | | |
| City Council: Projector Replacement Parts | 1 | 658 | - | 658 | 658 | - | - |
| Sub-total | | 658 | - | 658 | 658 | - | - |
| City Clerk: Elections | 1 | 95,800 | 95,800 | - | 95,800 | - | 95,800 |
| Sub-total | | 95,800 | 95,800 | - | 95,800 | - | 95,800 |
| Information Technologies Help Desk Specialist Shipping/Postage increase | 1 | 52,464 | - | 52,464 | 1,500 | 50,964 | - |
| | 2 | 150 | - | 150 | - | 150 | - |
| Sub-total | | 52,614 | - | 52,614 | 1,500 | 51,114 | - |
| Municipal Court Full Court Enterprise Conversion Legislative Placeholder (\$0) Missoula Correctional Services Contract Courtroom Technology Maint. Ass't Judge #2 to .85 FTE Administrative Assistant Court Carpet/Chair Cleaning Master Jail Diversion Plan Work Activity | 1 | 71,767 | 71,767 | - | 33,703 | 38,064 | 71,767 |
| | 2 | - | - | - | - | - | - |
| | 3 | 21,334 | 16,384 | 4,950 | - | 21,334 | 16,384 |
| | 4 | 56,708 | 56,708 | - | 56,708 | - | 56,708 |
| | 5 | 32,751 | - | 32,751 | - | 32,751 | - |
| | 6 | 56,246 | - | 56,246 | - | 56,246 | - |
| | 7 | 1,900 | - | 1,900 | 1,900 | - | - |
| | 8 | 653,413 | - | 653,413 | 653,413 | - | - |
| Sub-total | | 894,119 | 144,859 | 749,260 | 745,724 | 148,395 | 144,859 |
| Central Services Department: Zero Waste Baseline Study Energy Conservation Spec. I Zero Waste Branding Cable Franchise Agreement City Hall Growth Policy | 1 | 20,000 | 20,000 | - | 20,000 | - | 20,000 |
| | 2 | 51,434 | - | 51,434 | - | 51,434 | - |
| | 3 | 7,500 | - | 7,500 | 5,000 | 2,500 | - |
| | 4 | 20,000 | 20,000 | - | 20,000 | - | 20,000 |
| | 5 | 60,000 | - | 60,000 | 60,000 | - | - |
| Sub-total | | 158,934 | 40,000 | 118,934 | 105,000 | 53,934 | 40,000 |
| Facilities Maintenance Department: 101 N. Catlin Services HVAC Tech Building Maintenance Worker Vehicle Maintenance CMMS Maintenance Materials | 1 | 21,258 | 21,258 | - | - | 21,258 | 21,258 |
| | 2 | 22,579 | 22,579 | - | - | 22,579 | 22,579 |
| | 3 | 53,423 | - | 53,423 | - | 53,423 | - |
| | 4 | 4,300 | - | 4,300 | - | 4,300 | - |
| | 5 | 3,200 | 3,200 | - | - | 3,200 | 3,200 |
| | 6 | 10,000 | 10,000 | - | - | 10,000 | 10,000 |
| Sub-total | | 114,760 | 57,037 | 57,723 | - | 114,760 | 57,037 |
| Development Services Staff Engineer - Engineering Engineering Tech - Permit & Land Use Higgins Ave. Study | 1 | 67,030 | 37,030 | 30,000 | 3,913 | 63,117 | 37,030 |
| | 2 | 67,015 | 67,015 | - | 3,913 | 63,102 | 67,015 |
| | 3 | 40,000 | - | 40,000 | 40,000 | - | - |
| Sub-total | | 174,045 | 104,045 | 70,000 | 47,826 | 126,219 | 104,045 |
| Housing & Community Development Econ. Dev. Coordinator (0.5 FTE) Workforce study MEP/BREDD Big Sky Trust Fund Grant Adm | 1 | 31,210 | - | 31,210 | - | 31,210 | - |
| | 2 | 12,500 | - | 12,500 | - | 12,500 | - |
| | 3 | 60,000 | - | 60,000 | - | 60,000 | - |
| Sub-total | | 103,710 | - | 103,710 | - | 103,710 | - |
| Attorney: Victim Witness Assistant | 1 | 59,552 | 59,552 | - | 4,289 | 55,263 | 59,552 |
| Sub-total | | 59,552 | 59,552 | - | 4,289 | 55,263 | 59,552 |
| Fleet Maintenance: 1/4 FTE Admin Asst. Vehicle AC Repair Machine | 1 | 10,836 | 10,836 | - | - | 10,836 | 10,836 |
| | 2 | 8,000 | - | 8,000 | 8,000 | - | - |
| Sub-total | | 18,836 | 10,836 | 8,000 | 8,000 | 10,836 | 10,836 |

| REQUESTED AND FUNDED OPERATING BUDGET INCREASES (Cont'd) | | | | | | | |
|--|---------|------------------|------------------|------------------|------------------|------------------|------------------------------|
| Department | Ranking | Amount | High-Funded | Low-Not Funded | One-Time Costs | Ongoing Costs | Non-Budgeted Revenues Funded |
| General Fund (Cont'd) | | | | | | | |
| Police: | | | | | | | |
| Catlin property Computers | 1 | 12,042 | 12,042 | - | 7,137 | 4,905 | 12,042 |
| Equipment Replacement (vests) | 2 | 40,950 | 40,950 | - | 40,950 | - | 40,950 |
| Equipment Replacement-con't | 3 | 103,825 | - | 103,825 | - | 103,825 | - |
| Community Service Specialists | 4 | 165,873 | 111,652 | 54,221 | 54,221 | 111,652 | 111,652 |
| Motorcycle Maintenance | 5 | 7,000 | 7,000 | - | - | 7,000 | 7,000 |
| Video Storage | 6 | 14,000 | - | 14,000 | 14,000 | - | - |
| CIT Training | 7 | 4,950 | 4,950 | - | - | 4,950 | 4,950 |
| Crash Investigator | 8 | 112,756 | - | 112,756 | 46,471 | 66,285 | - |
| Digital Forensic Mapping System | 9 | 8,730 | - | 8,730 | 5,200 | 3,530 | - |
| Sub-total | | 470,126 | 176,594 | 293,532 | 167,979 | 302,147 | 176,594 |
| Fire: | | | | | | | |
| Assistant Mechanic | 1 | 103,490 | - | 103,490 | - | 103,490 | - |
| Assistant Mechanic-con't | 2 | 27,840 | - | 27,840 | - | 27,840 | - |
| ROCCO Training | 3 | 22,121 | 22,121 | - | 22,121 | - | 22,121 |
| Facility Projects | 4 | 10,000 | - | 10,000 | - | 10,000 | - |
| Station 5 Internet | 5 | 879 | - | 879 | 99 | 780 | - |
| Recycling Program | 6 | 1,620 | - | 1,620 | - | 1,620 | - |
| Fire Master Plan Update | 7 | 40,000 | - | 40,000 | 40,000 | - | - |
| Sub-total | | 205,950 | 22,121 | 183,829 | 62,220 | 143,730 | 22,121 |
| Parks: | | | | | | | |
| Sports Wellness Outdoor Rec | 1 | 59,307 | 59,307 | - | - | 59,307 | 59,307 |
| Sub-total | | 59,307 | 59,307 | | | 59,307 | 59,307 |
| City/County Health Department | | | | | | | |
| Health Dept. - COLA | 1 | 54,426 | 54,426 | - | - | 54,426 | 54,426 |
| Animal Control - COLA | 2 | 19,061 | 19,061 | - | - | 19,061 | 19,061 |
| Suicide Prevention | 3 | 49,263 | 49,263 | - | - | 49,263 | 49,263 |
| Mountain Line Fare Subsidy | 4 | 50,000 | 50,000 | - | - | 50,000 | 50,000 |
| Missoula Aging Services | 5 | 71,000 | - | 71,000 | - | 71,000 | - |
| Sub-total | | 243,750 | 172,750 | 71,000 | | 243,750 | 172,750 |
| General Fund Special | | | | | | | |
| 1219 Fort Missoula Regional Park: | | | | | | | |
| County Reimbursement Operations | 1 | 162,883 | 162,883 | - | - | 162,883 | 162,883 |
| Sub-total | | 215,947 | 215,947 | | 53,064 | 162,883 | 215,947 |
| General Fund & General Fund Special Total | | 2,868,108 | 1,158,848 | 1,709,260 | 1,292,060 | 1,576,048 | 1,158,848 |
| NON-GENERAL FUND REQUESTS | | | | | | | |
| Planning | | | | | | | |
| Planner III | 1 | 71,255 | 71,255 | - | 2,913 | 68,342 | 71,255 |
| Sub-total | | 71,255 | 71,255 | | 2,913 | 68,342 | 71,255 |
| Street Lighting District | | | | | | | |
| LED Street Lighting Rebate Program | 1 | 26,275 | - | 26,275 | 26,275 | - | - |
| Sub-total | | 26,275 | | 26,275 | 26,275 | | - |
| Street Maintenance District | | | | | | | |
| BID Garbage collection increase | 1 | 39,627 | 39,627 | - | - | 39,627 | 39,627 |
| Sub-total | | 39,627 | 39,627 | | | 39,627 | 39,627 |

REQUESTED AND FUNDED OPERATING BUDGET INCREASES (Cont'd)

| Department | Ranking | Amount | High-Funded | Low-Not Funded | One-Time Costs | Ongoing Costs | Non-Budgeted Revenues Funded |
|---|---------|------------------|------------------|------------------|------------------|------------------|------------------------------|
| NON-GENERAL FUND REQUESTS (Cont'd) | | | | | | | |
| Road District 1: | | | | | | | |
| Sidewalk Subsidy + ADA Increase | 1 | 60,000 | - | 60,000 | - | 60,000 | - |
| Labor/Operators Inc. to Full Time | 2 | 9,912 | 9,912 | - | - | 9,912 | 9,912 |
| PW Assistant Director | 3 | 37,712 | - | 37,712 | - | 37,712 | - |
| Electronic Tech - Comm Shop | 4 | 78,216 | - | 78,216 | 2,192 | 76,024 | - |
| Sidewalk Maint Agreement | 5 | 80,244 | - | 80,244 | 45,000 | 35,244 | - |
| Traffic Marking Paint | 6 | 20,885 | - | 20,885 | - | 20,885 | - |
| Pavement Condition Eval | 7 | 75,000 | 75,000 | - | - | 75,000 | 75,000 |
| Street Light Repairs | 8 | 11,100 | - | 11,100 | - | 11,100 | - |
| Vehicle Replacement | 9 | 7,500 | - | 7,500 | 7,500 | - | - |
| PW Assistant Director | 1 | 83,138 | - | 83,138 | 36,557 | 46,581 | - |
| PW Reimbursable Services | 2 | 5,000 | - | 5,000 | - | 5,000 | - |
| Sub-total | | 468,707 | 84,912 | 383,795 | 91,249 | 377,458 | 84,912 |
| Park District 1: | | | | | | | |
| FMRP Ops-con't | 1 | 28,400 | 28,400 | - | - | 28,400 | 28,400 |
| Vehicle Maintenance | 2 | 6,000 | - | 6,000 | - | 6,000 | - |
| New G&H Staff | 3 | 82,036 | - | 82,036 | - | 82,036 | - |
| Hard Costs | 4 | 39,530 | - | 39,530 | - | 39,530 | - |
| Urban Forestry Specialist | 5 | 64,851 | - | 64,851 | 900 | 63,951 | - |
| PAM - Cyclical Maintenance | 6 | 76,450 | - | 76,450 | - | 76,450 | - |
| CLM increase | 7 | 91,115 | - | 91,115 | - | 91,115 | - |
| Moon Randolph | 8 | 8,000 | - | 8,000 | - | 8,000 | - |
| CLM Trails and Restoration | 9 | 19,310 | - | 19,310 | - | 19,310 | - |
| Park Asset Mgmt. Staffing | 10 | 38,267 | - | 38,267 | - | 38,267 | - |
| G&H Staff increase | 11 | 9,871 | - | 9,871 | - | 9,871 | - |
| Urban Forestry New staff | 12 | 25,918 | - | 25,918 | - | 25,918 | - |
| Jeffery Park | 13 | 23,460 | - | 23,460 | - | 23,460 | - |
| CLM Research and outreach | 14 | 8,385 | - | 8,385 | - | 8,385 | - |
| Pleasantview & Skyview | 15 | 19,530 | - | 19,530 | 14,000 | 5,530 | - |
| Commuter Trail trash | 16 | 5,000 | - | 5,000 | - | 5,000 | - |
| Sub-total | | 546,123 | 28,400 | 517,723 | 14,900 | 531,223 | 28,400 |
| Gas Tax | | | | | | | |
| Materials Increase | 1 | 17,300 | 17,300 | - | - | 17,300 | 17,300 |
| Sub-total | | 17,300 | 17,300 | | | 17,300 | 17,300 |
| Water | | | | | | | |
| Computer Replacements & Maintenance | 1 | 34,210 | 34,210 | - | 25,140 | 9,070 | 34,210 |
| Sub-total | | 34,210 | 34,210 | | 25,140 | 9,070 | 34,210 |
| Wastewater: | | | | | | | |
| Green Waste Inspector | 1 | 38,906 | 38,906 | - | - | 38,906 | 38,906 |
| Chemist | 2 | 84,540 | - | 84,540 | - | 84,540 | - |
| Admin Asst. II | 3 | 48,126 | - | 48,126 | - | 48,126 | - |
| Wastewater Facilities Plan Update | 4 | 280,000 | 280,000 | - | 280,000 | - | 280,000 |
| Rate Study | 5 | 50,000 | 50,000 | - | 50,000 | - | 50,000 |
| Sub-total | | 501,572 | 368,906 | 132,666 | 330,000 | 171,572 | 368,906 |
| Storm Water | | | | | | | |
| Storm Water Techs | 1 | 197,236 | 197,236 | - | 83,951 | 113,285 | 197,236 |
| GIS Tech | 2 | 67,939 | - | 67,939 | 9,126 | 58,813 | - |
| Sub-total | | 265,175 | 197,236 | 67,939 | 93,077 | 172,098 | 197,236 |
| EBP | | | | | | | |
| RHP Mommy Trax Program | 1 | 5,600 | - | 5,600 | - | 5,600 | - |
| Sub-total | | 5,600 | | 5,600 | | 5,600 | |
| Parking Commission: | | | | | | | |
| New Maintenance Staff | 1 | 47,739 | 47,739 | - | - | 47,739 | 47,739 |
| APO Certification | 2 | 9,000 | 9,000 | - | - | 9,000 | 9,000 |
| Parking Consultant | 3 | 30,000 | 30,000 | - | - | 30,000 | 30,000 |
| Travel & Training | 4 | 11,500 | 11,500 | - | - | 11,500 | 11,500 |
| Increase Office Supplies | 5 | 3,000 | 3,000 | - | - | 3,000 | 3,000 |
| Sub-total | | 101,239 | 101,239 | | | 101,239 | 101,239 |
| Non-General Fund Total | | 2,077,083 | 943,085 | 1,133,998 | 583,554 | 1,493,529 | 943,085 |
| Grand Total - All Funds | | 4,945,191 | 2,101,933 | 2,843,258 | 1,875,614 | 3,069,577 | 2,101,933 |

PROJECTED CHANGES IN FUND AND WORKING CAPITAL BALANCES

DETAIL OF ALL FUNDS

Fiscal Year 2017-2018

| Fund # | Fund Name | Projected Beginning Balances 7-1-2017 | FY 2018 | | | | Projected Ending Balances 6-30-2018 | |
|-------------------------------------|--|---------------------------------------|--------------------|-------------------|-------------------|-----------------------|-------------------------------------|--|
| | | | Estimated Revenues | | Tax or Assessment | Budgeted Expenditures | | |
| | | | Non-Tax | Assessment | | | | |
| 1000 | General Fund | \$ 3,928,309 | \$ 29,723,050 | \$ 26,065,128 | \$ 57,363,915 | \$ 2,352,572 | | |
| 1211 | Park Acquisition and Development Fund | 356,638 | 40,000 | - | 274,959 | 121,679 | | |
| 1212 | Park Enterprise Fund | 466,613 | 68,200 | - | 332,360 | 202,453 | | |
| 1216 | Parks Recreation Trails Forestry Land Memorial | 569,211 | 722,200 | - | 858,200 | 433,211 | | |
| 1217 | Parks City Life Gym | 22,743 | 50,500 | - | 50,500 | 22,743 | | |
| 1219 | Parks Fort Missoula Regional Park | 99,236 | 765,412 | - | 769,725 | 94,923 | | |
| 1241 | Cemetery Cremain Wall & Memorials Fund | 16,982 | 10,000 | - | 10,000 | 16,982 | | |
| 1242 | Cemetery Capital Fund Reserve | 274,307 | 55,000 | - | 140,000 | 189,307 | | |
| 1243 | Cemetery Cremain Memorial Fund | 8,605 | 1,500 | - | 8,000 | 2,105 | | |
| 1265 | Title 1 Projects | 148,816 | 146,924 | - | 146,924 | 148,816 | | |
| 1396 | Program Income Revolving | 86,382 | 62,439 | - | 62,439 | 86,382 | | |
| 1397 | State Home Program | 81,652 | - | - | 20,112 | 61,540 | | |
| Total General Fund | | 6,059,494 | 31,645,225 | 26,065,128 | 60,037,134 | 3,732,713 | | |
| <u>SPECIAL REVENUE FUNDS</u> | | | | | | | | |
| 2250 | Planning | 90,104 | 451,558 | - | 541,662 | - | | |
| 2310 | Public Safety Information Systems | 41,985 | 24,000 | - | - | 65,985 | | |
| 2321 | Impact Fee | 4,971,546 | 1,800,000 | - | 2,400,000 | 4,371,546 | | |
| 2322 | George Elmer - Cattle Dr. | 1 | 15,000 | - | 15,000 | 1 | | |
| 2365 | Public Art | 24,958 | 15,943 | - | 15,943 | 24,958 | | |
| 2371 | Employee Health Insurance Levy | - | - | - | - | - | | |
| 2372 | Employee Permissive Health Insurance Levy | - | - | 5,101,004 | 5,101,004 | - | | |
| 2389 | Cable Franchise Fee | (3,273) | 726,856 | - | 721,288 | 2,295 | | |
| 2390 | Drug Forfeiture Fund | 3,618 | 15,000 | - | 17,800 | 818 | | |
| 2394 | Building Inspection | 2,088,588 | 1,800,000 | - | 1,627,837 | 2,260,751 | | |
| 2395 | City Grants & Program Income | 3,882 | - | - | - | 3,882 | | |
| 2396 | Energy Efficiency & Conservation Loan | - | - | - | - | - | | |
| 2399 | Dangerous Building | - | 15,000 | - | 15,000 | - | | |
| 2400 | Street Lighting Districts | 121,901 | 365,014 | - | 365,014 | 121,901 | | |
| 2500 | Street Maintenance Fund | 49,980 | 102,854 | - | 102,854 | 49,980 | | |
| 2512 | Road District #1 | 1,406,952 | - | 2,115,064 | 2,011,007 | 1,511,009 | | |
| 2513 | Parks District #1 | 982,734 | - | 1,591,562 | 1,441,566 | 1,132,730 | | |
| 2820 | Gas Tax Fund | 323,001 | 2,027,267 | - | 955,200 | 1,395,068 | | |
| 2918 | Law Enforcement Grants | 36,185 | 60,373 | - | 60,373 | 36,185 | | |
| 2919 | HIDTA | 287,390 | 140,600 | - | 140,600 | 287,390 | | |
| 2939 | CDBG Program | 42,384 | 29,463 | - | 29,463 | 42,384 | | |
| 2940 | Community Development Block Grant Fund | 1,079 | 517,790 | - | 517,790 | 1,079 | | |
| 2941 | HOME Grant | 7,903 | 320,000 | - | 320,000 | 7,903 | | |
| 2943 | City Home Program | 66,912 | 25,000 | - | 25,000 | 66,912 | | |
| 2944 | Neighborhood Stabilization Program | (599) | 599 | - | - | - | | |
| 2955 | Transportation Department | 216,026 | 1,446,208 | - | 1,325,991 | 336,243 | | |
| 2987 | Transportation Grants | (81,964) | 290,343 | - | 208,379 | - | | |
| 2988 | Grants & Donations | 427,061 | 716,099 | - | 716,099 | 427,061 | | |
| 2989 | Police Grants & Donations | (70,603) | 567,351 | - | 496,748 | 1 | | |
| Total Special Revenue Funds | | 11,037,794 | 11,472,318 | 8,807,630 | 19,171,618 | 12,146,124 | | |

PROJECTED CHANGES IN FUND AND WORKING CAPITAL BALANCES

DETAIL OF ALL FUNDS (Cont'd)

Fiscal Year 2017-2018

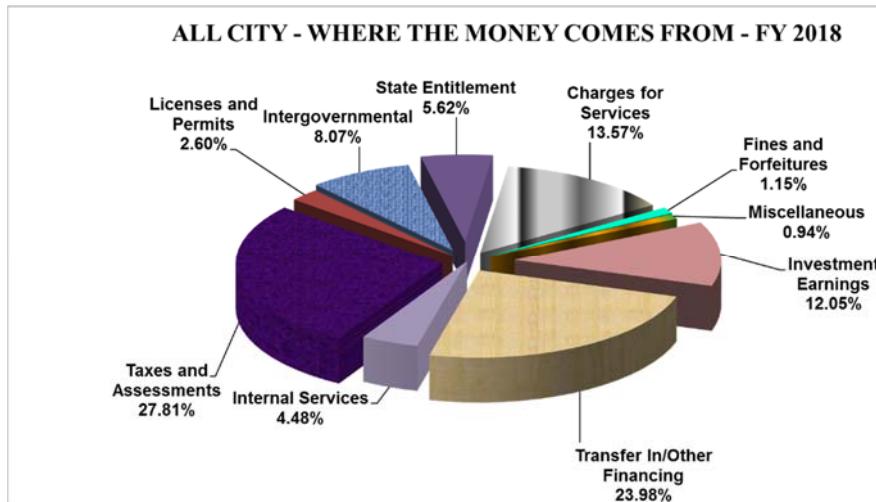
| Fund # | Fund Name | Projected Beginning Balances 7-1-2017 | FY 2018 | | | Projected Ending Balances 6-30-2018 | |
|------------------------------------|--------------------------------------|---------------------------------------|--------------------|-------------------|-----------------------|-------------------------------------|--|
| | | | Estimated Revenues | | Budgeted Expenditures | | |
| | | | Non-Tax | Tax or Assessment | | | |
| DEBT SERVICE FUNDS: | | | | | | | |
| 3000 | SID Revolving | 595,166 | - | - | 100,000 | 495,166 | |
| 3091 | Series 2012A Aquatics Refunding Bond | (6,730) | 6,730 | 591,848 | 591,848 | - | |
| 3092 | Series 2013 GO Refunding Bond | (186,834) | 186,834 | 546,780 | 546,780 | - | |
| 3095 | 2004 Refunding Bonds | (1,498) | 1,498 | - | - | - | |
| 3096 | New Fire Station GO Bonds | (154,527) | 154,527 | - | - | - | |
| 3430 | FY 04 Sidewalk & Curb Fund | (525) | 525 | - | - | - | |
| 3450 | FY 06 Sidewalk & Curb Fund | 111,472 | 27,731 | - | 26,413 | 112,790 | |
| 3460 | FY 07 Sidewalk & Curb Fund | 49,863 | 53,852 | - | 49,850 | 53,865 | |
| 3461 | Series 2008A Sidewalk & Curb Fund | 27,381 | 26,452 | - | 26,888 | 26,945 | |
| 3462 | Series 2009 Sidewalk & Curb Fund | 76,503 | 41,178 | - | 36,018 | 81,664 | |
| 3463 | Series 2010 Sidewalk & Curb Fund | 93,712 | 96,389 | - | 92,938 | 97,164 | |
| 3464 | FY 12 Sidewalk & Curb Fund | 6,721 | 68,230 | - | 64,560 | 10,391 | |
| 3465 | FY 13 Sidewalk & Curb Fund | 4,939 | 38,968 | - | 38,113 | 5,794 | |
| 3466 | FY 15 Sidewalk & Curb Fund | 965 | 88,796 | - | 88,796 | 965 | |
| 3467 | FY 16 Sidewalk & Curb Fund | 33,237 | 33,878 | - | 32,970 | 34,146 | |
| 3512 | SID 512 | 112,311 | 15,614 | - | 15,614 | 112,311 | |
| 3520 | SID 520 | 177,281 | 159,560 | - | 159,560 | 177,281 | |
| 3521 | SID 521 | 1,157 | 71 | - | 71 | 1,157 | |
| 3522 | SID 522 | (414) | 517 | - | 103 | - | |
| 3524 | SID 524 | 661,899 | 305,160 | - | 305,160 | 661,899 | |
| 3525 | SID 525 | 242,086 | 33,300 | - | 33,300 | 242,086 | |
| 3526 | SID 526 | 179,057 | 192,640 | - | 192,640 | 179,057 | |
| 3530 | SID 530 | (1,350) | 1,350 | - | - | - | |
| 3532 | SID 532 | 24,945 | 39,777 | - | 39,238 | 25,485 | |
| 3533 | Gilbert St Sewer SID | 23,528 | 17,425 | - | 17,425 | 23,528 | |
| 3534 | Lincolnwood Sewer Phase 1 | 47,472 | 19,044 | - | 19,044 | 47,472 | |
| 3536 | Lincolnwood Sewer Phase 2 | 69,974 | 30,719 | - | 30,719 | 69,974 | |
| 3540 | SID 540 | 324,505 | 129,381 | - | 118,065 | 335,821 | |
| 3541 | SID 541 | 66,762 | 61,918 | - | 61,918 | 66,763 | |
| 3544 | SID 544 | 223,113 | 141,508 | - | 141,508 | 223,113 | |
| 3548 | SID 548 | 14,394 | 109,750 | - | 110,250 | 13,894 | |
| 3549 | SID 549 | 125,851 | 117,122 | - | 172,825 | 70,148 | |
| Total Debt Service Funds | | 3,250,463 | 2,200,445 | 1,138,628 | 3,112,961 | 3,476,576 | |
| CAPITAL PROJECT FUNDS: | | | | | | | |
| 4060 | Capital Improvement Program Fund | (9,792,097) | 11,196,100 | - | 1,404,003 | - | |
| 4130 | 1997 GO Bond Open Space Purchase | 389,534 | - | - | - | 389,534 | |
| 4196 | New Fire Station GO Bond | - | 1 | - | - | 1 | |
| Total Capital Project Funds | | (8,897,084) | 11,196,101 | - | 1,404,003 | 895,014 | |

PROJECTED CHANGES IN FUND AND WORKING CAPITAL BALANCES

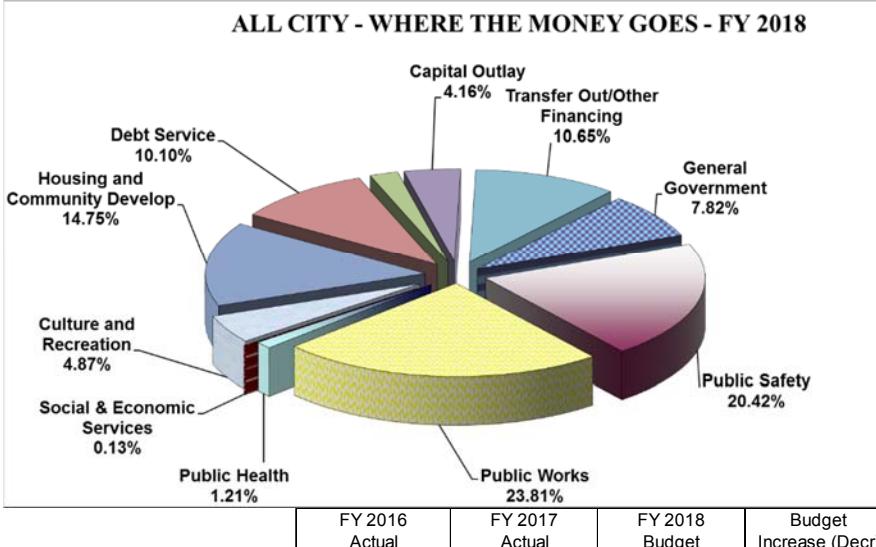
DETAIL OF ALL FUNDS (Cont'd)

Fiscal Year 2017-2018

| Fund # | Fund Name | Projected Beginning Balances 7-1-2017 | FY 2018 | | | Projected Ending Balances 6-30-2018 | |
|--|--|---------------------------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|--|
| | | | Estimated Revenues | | Tax or Assessment | | |
| | | | Non-Tax | Budgeted Expenditures | | | |
| ENTERPRISE FUNDS: | | | | | | | |
| 5020 | Civic Stadium | 19,483 | 120,000 | - | 120,000 | 19,483 | |
| 5210 | Water Fund | 3,800,000 | 18,932,605 | - | 19,511,210 | 3,221,395 | |
| <i>Water fund expenditures do not show capital expenditures funded out of acquisition proceeds</i> | | | | | | | |
| 5311 | Wastewater Utility | 4,482,174 | 10,778,620 | - | 11,431,586 | 3,829,208 | |
| <i>Total Wastewater Utility</i> | | <i>4,163,560</i> | <i>10,778,620</i> | | <i>11,431,586</i> | <i>4,163,560</i> | |
| 5450 | Storm Water | 34,706 | 387,500 | - | 385,684 | 36,522 | |
| 5711 | Aquatics | 176,226 | 1,371,225 | - | 1,380,017 | 167,434 | |
| Total Enterprise Funds | | 13,591,853 | 31,589,950 | | 32,828,497 | 12,353,306 | |
| INTERNAL SERVICE FUND | | | | | | | |
| 6050 | Employee Benefit Plan Fund | 1,387,174 | 7,606,732 | - | 7,498,009 | 1,495,897 | |
| Total Internal Service Funds | | 1,387,174 | 7,606,732 | | 7,498,009 | 1,495,897 | |
| COMPONENT UNITS | | | | | | | |
| 7370 | Parking Commission Fund | 321,179 | 2,006,313 | - | 2,133,889 | 193,603 | |
| 7371 | Parking Commission - Interest Funds 2014 Bonds | - | 257,500 | - | 257,500 | - | |
| 7372 | Parking Commission Sinking Fund Series 2014 Bonds | - | 255,000 | - | 255,000 | - | |
| 7375 | Parking Commission TIF Series 2014 Bonds | - | 204,860 | - | 204,860 | - | |
| <i>Total Parking Commission</i> | | <i>321,179</i> | <i>2,723,673</i> | | <i>2,851,249</i> | <i>193,603</i> | |
| 7380 | Downtown Business Improvement District of Missoula | 180,733 | 457,737 | - | 457,737 | 180,733 | |
| 7381 | Tourism Business Improvement District | - | 837,644 | - | 837,644 | - | |
| 7383 | MRA Riverfront Triangle URD | 36,961 | 1,521,421 | - | 1,558,382 | - | |
| 7384 | MRA Riverfront Triangle URD | - | 60,183 | - | 60,183 | - | |
| 7385 | MRA Front St URD | 785,147 | 3,279,635 | - | 4,064,782 | - | |
| 7386 | MRA Tax Increment Debt Service - Safeway | 57,552 | 115,103 | - | 115,103 | 57,552 | |
| 7387 | MRA URD II Brownfields Revolving Loan Fund | - | 58,092 | - | 58,092 | - | |
| 7389 | MRA Tax Increment Debt Service | - | 675,282 | - | 675,282 | - | |
| 7390 | MRA Tax Increment Debt Interest Fund | - | 2,274,167 | - | 2,274,167 | - | |
| 7391 | Urban Renewal District I Fund | - | - | - | - | - | |
| 7392 | Urban Renewal District II Fund | 1,774,401 | 1,279,532 | - | 3,053,933 | - | |
| 7393 | Urban Renewal District III Fund | 6,407,584 | 8,402,943 | - | 14,510,527 | 300,000 | |
| 7394 | MRA URD III Debt Clearing | - | 1,975,456 | - | 1,975,456 | - | |
| 7395 | MRA Tax Increment Debt Service | - | 1,184,513 | - | 1,184,513 | - | |
| 7396 | NRSS Debt Service Sinking | 1,488 | 86,336 | - | 87,824 | - | |
| 7397 | North Reserve/Scott St URD | 125,777 | 936,008 | - | 1,061,785 | - | |
| 7399 | Intermountain Bond | - | 146,158 | - | 146,158 | - | |
| 7400 | Front St Bond Clearing | - | 411,730 | - | 411,730 | - | |
| 7401 | Front St Parking Structure | 214,656 | 206,390 | - | 204,860 | 216,186 | |
| 7402 | Front St Subordinate Lien Note | - | 125,717 | - | 125,717 | - | |
| <i>Total Redevelopment Agency</i> | | <i>9,403,566</i> | <i>22,738,666</i> | | <i>31,568,494</i> | <i>573,738</i> | |
| Total Component Units | | 9,905,478 | 26,757,720 | | 35,715,124 | 948,074 | |
| all All Funds | | \$ 36,335,172 | \$ 122,468,492 | \$ 36,011,386 | \$ 159,767,345 | \$ 35,047,704 | |

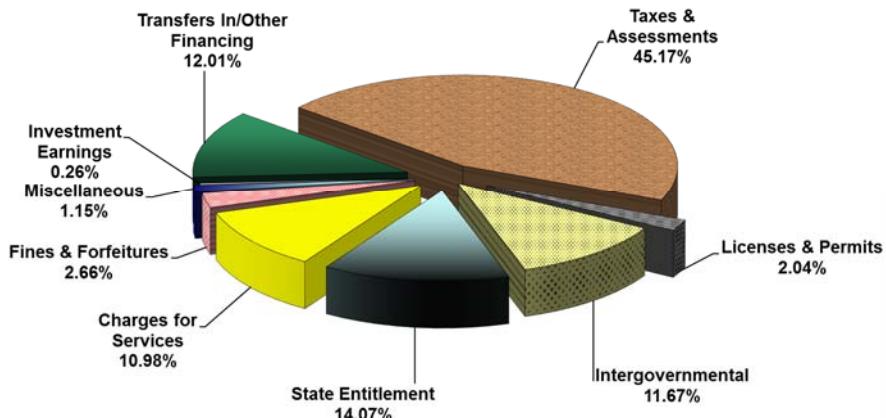


| | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | Budget Increase (Decr) |
|-----------------------------|-----------------------|-----------------------|-----------------------|---------------------------|
| Taxes and Assessments | \$ 38,005,830 | \$ 39,883,732 | \$ 44,068,258 | \$ 4,184,526 |
| Licenses and Permits | 3,858,904 | 4,453,436 | 3,701,146 | (752,290) |
| Intergovernmental | 11,777,048 | 10,872,334 | 12,791,281 | 1,918,947 |
| State Entitlement | 8,986,238 | 9,291,246 | 8,901,334 | (389,912) |
| Charges for Services | 17,606,403 | 20,543,819 | 21,501,923 | 958,104 |
| Fines and Forfeitures | 1,777,718 | 1,847,460 | 1,817,500 | (29,960) |
| Miscellaneous | 2,376,028 | 1,979,104 | 1,491,692 | (487,412) |
| Investment Earnings | 125,633 | 131,715 | 19,102,529 | 18,970,814 |
| Transfer In/Other Financing | 32,322,873 | 29,987,253 | 38,010,883 | 8,023,630 |
| Internal Services | 4,974,491 | 5,315,706 | 7,092,732 | 1,777,026 |
| Total City Revenues | \$ 121,811,166 | \$ 124,305,806 | \$ 158,479,278 | \$ 34,173,472 |



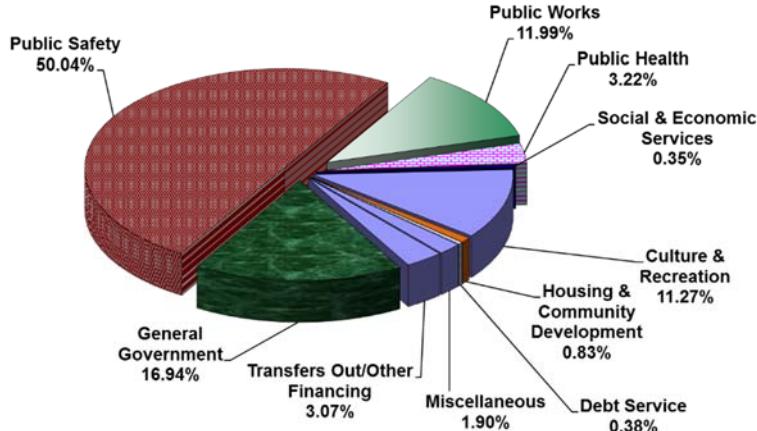
| | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | Budget Increase (Decr) |
|--------------------------------|-----------------------|-----------------------|-----------------------|---------------------------|
| General Government | \$ 14,059,603 | \$ 11,453,428 | \$ 12,486,853 | \$ 1,033,424 |
| Public Safety | 29,021,076 | 32,911,305 | 32,629,949 | (281,356) |
| Public Works | 18,717,975 | 24,283,798 | 38,036,308 | 13,752,510 |
| Public Health | 1,716,200 | 1,806,129 | 1,933,801 | 127,672 |
| Social & Economic Services | 175,000 | 210,000 | 210,000 | - |
| Culture and Recreation | 6,215,989 | 8,130,578 | 7,778,981 | (351,598) |
| Housing and Community Develop | 7,625,747 | 13,848,712 | 23,571,916 | 9,723,204 |
| Debt Service | 8,544,774 | 9,101,047 | 16,140,732 | 7,039,685 |
| Internal Service | 14,653,486 | 18,134,390 | 3,316,067 | (14,818,323) |
| Capital Outlay | 6,366,171 | 6,929,510 | 6,647,841 | (281,670) |
| Transfer Out/Other Financing | 22,759,680 | 17,197,842 | 17,014,903 | (182,939) |
| Total City Expenditures | \$ 129,855,701 | \$ 144,006,740 | \$ 159,767,349 | \$ 14,280,652 |

FY 2018 GENERAL FUND REVENUES BY CATEGORY

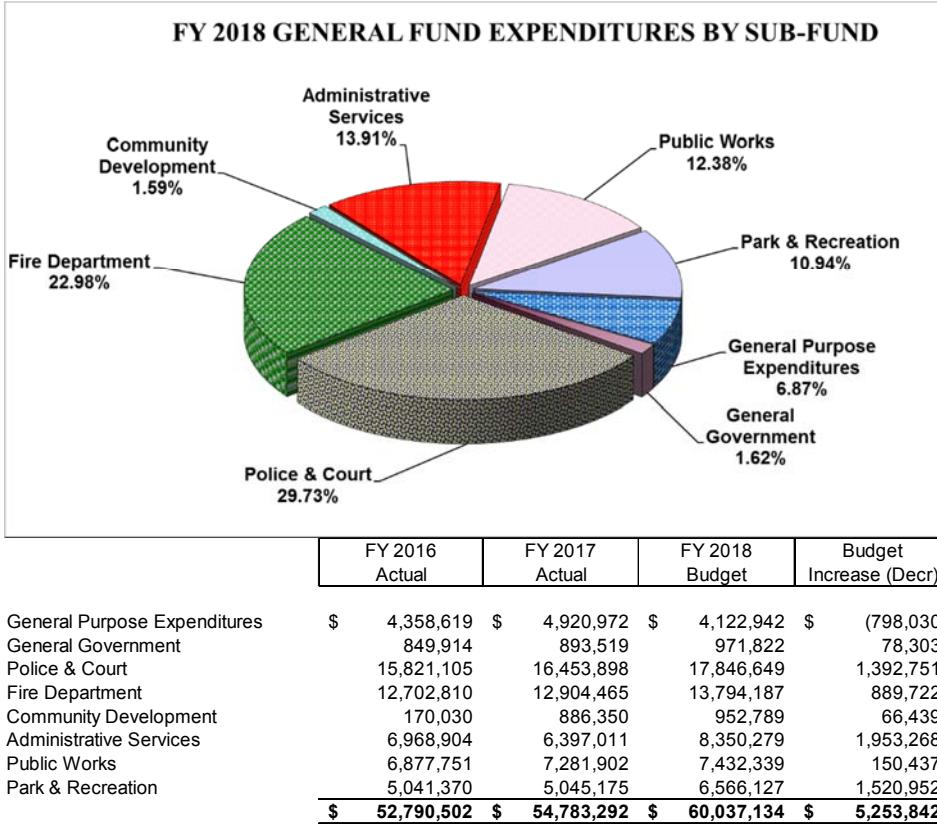
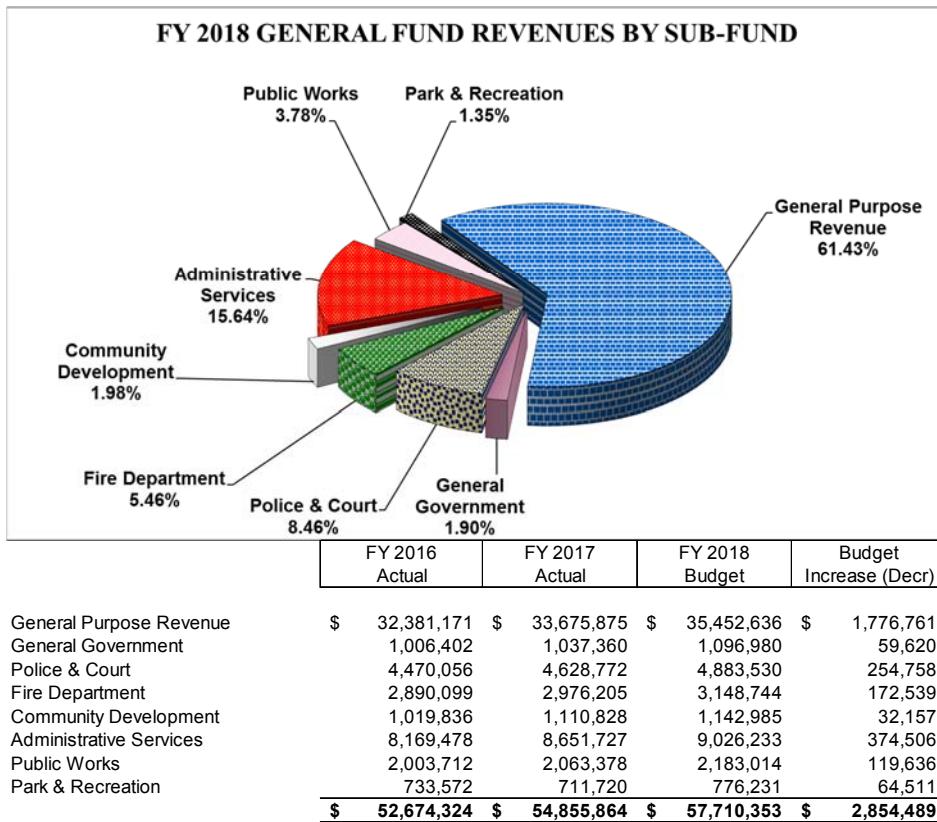


| | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | Budget Increase (Decr) |
|------------------------------|----------------------|----------------------|----------------------|---------------------------|
| Taxes & Assessments | \$ 23,553,599 | 24,544,854 | \$ 26,065,128 | \$ 1,520,274 |
| Licenses & Permits | 1,444,113 | 1,559,844 | 1,175,100 | (384,744) |
| Intergovernmental | 6,453,044 | 6,034,528 | 6,735,233 | 700,705 |
| State Entitlement | 8,202,506 | 8,507,515 | 8,117,602 | (389,913) |
| Charges for Services | 5,464,693 | 6,036,333 | 6,337,789 | 301,456 |
| Fines & Forfeitures | 1,531,422 | 1,609,079 | 1,532,500 | (76,579) |
| Miscellaneous | 253,374 | 201,152 | 665,539 | 464,387 |
| Investment Earnings | - | 10,617 | 149,924 | 139,307 |
| Transfers In/Other Financing | 5,771,573 | 6,351,942 | 6,931,538 | 579,596 |
| Total Sources | \$ 52,674,324 | \$ 54,855,864 | \$ 57,710,353 | \$ 2,854,489 |

FY 2018 GENERAL FUND EXPENDITURES BY CATEGORY



| | FY 2016 Actual | FY 2017 Actual | FY 2018 Budget | Budget Increase (Decr) |
|---------------------------------|----------------------|----------------------|----------------------|---------------------------|
| General Government | \$ 9,118,374 | \$ 9,090,758 | \$ 10,171,432 | \$ 1,080,674 |
| Public Safety | 27,170,400 | 27,902,118 | 30,043,308 | 2,141,190 |
| Public Works | 6,324,698 | 6,927,504 | 7,200,672 | 273,168 |
| Public Health | 1,706,945 | 1,797,051 | 1,933,801 | 136,750 |
| Social & Economic Services | 175,000 | 210,000 | 210,000 | - |
| Culture & Recreation | 5,243,476 | 5,293,706 | 6,764,687 | 1,470,981 |
| Housing & Community Development | 35,014 | 585,818 | 500,333 | (85,485) |
| Debt Service | 579,660 | 590,350 | 227,887 | (362,463) |
| Miscellaneous | 827,492 | 543,560 | 1,141,511 | 597,951 |
| Transfers Out/Other Financing | 1,609,442 | 1,842,427 | 1,843,503 | 1,076 |
| Total Uses | \$ 52,790,500 | \$ 54,783,292 | \$ 60,037,134 | \$ 5,253,842 |



FINANCIAL POLICIES

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.

- 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 one-time revenues to fund on-going expenditures results in incurring annual

REVENUE POLICIES

Diversification and Stabilization.

FINANCIAL POLICIES

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.
- 2) **Enterprise Funds.** Enterprise Fund Reserves will be maintained to meet four objectives: (1) ensure adequate funding for operations; (2) to ensure infrastructure repair

FINANCIAL POLICIES

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 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

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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:
 - i. Limiting investments to the safest types of securities
 - ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City of Missoula will do business
 - iii. 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

FINANCIAL POLICIES

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.

FINANCIAL STRUCTURE

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.

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

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.

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

FINANCIAL STRUCTURE

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.

COMPONENT UNITS

Component Units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations of which the nature and significance of their relationship with the primary government is such that exclusion of these organizations from the primary government's financial statements would be misleading or where there is a financial benefit/burden relationship.

Component Units are either blended or discrete. Blended component units funding sources and uses are "blended" in with the primary government's basic financial statements while discretely presented component units are shown only in Government-wide financial statements: Statement of Net Position and Statement of Activities. The City of Missoula includes four discretely presented component units:

1. Missoula Parking Commission
2. Business Improvement District
3. Tourism Business Improvement District
4. Missoula Redevelopment Agency

FIDUCIARY FUND TYPES

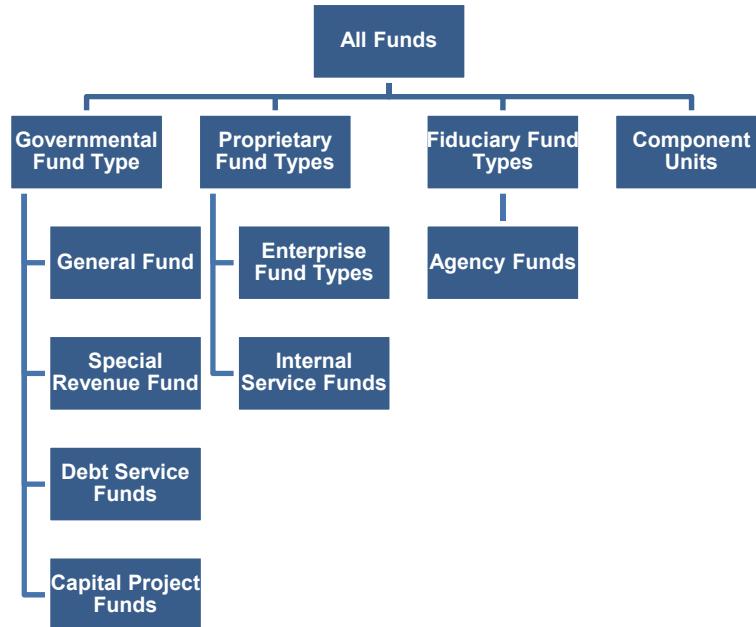
Trust and Agency Funds: Trust and agency funds are used to account for assets held by a Governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

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. Facility Maintenance
- x. Development Services
- xi. Housing and Community Development
- xii. Attorney
- xiii. Public Works – Administration
- xiv. Public Works- Streets
- xv. Fleet Maintenance
- xvi. Police
- xvii. Fire
- xviii. Cemetery
- xix. Parks and Recreation
- xx. 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. Parks and Recreation – Fort Missoula Regional Park
- vi. Cemetery Cremain Wall and Cemetery Donations
- vii. Cemetery Capital Fund Reserve

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- viii. Cemetery Memorial
- ix. Title I Projects
- x. Program Income Revolving Loan Program
- 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. Cable Television Franchise
 - viii. Drug Forfeiture
 - ix. Building Inspection
 - x. Dangerous Building Demolition Repair
 - xi. Street Lighting Assessment
 - xii. Street Maintenance Assessment
 - xiii. Road District # 1
 - xiv. Parks District # 1
 - xv. State Gas Tax
 - xvi. Law Enforcement Block Grant
 - xvii. HIDTA
 - xviii. CDBG Program Income
 - xix. CDBG
 - xx. HOME
 - xxi. City Home program income
 - xxii. Transportation Department
 - xxiii. Transportation Grants
 - xxiv. Grants and Donations
 - xxv. Police Grants and Donations
- d. Debt Service
 - i. General Obligation
 - 1. 2012A Aquatics Refunding
 - 2. 2013A refunding
 - 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. Water Utility
 - iii. Wastewater Utility
 - iv. Storm Water Utility
 - v. Aquatics
 - b. Internal Service
 - i. Employee Benefit Plan
- 3. Fiduciary Funds
 - a. Agency Funds
- 4. Component Units
 - a. Parking Commission (MPC)
 - 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.