

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES BUDGETED JULY 01, 2017 THROUGH JUNE 30, 2018 (FY 18)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General & General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	Component Units	
Assigned/Restricted	\$ 3,382,924	\$ 12,233,263	\$ 3,629,934	\$ 766,886	\$ 18,138,240	\$ -	\$ 419,152	\$ 11,059,980	\$ 49,630,379
Unassigned	2,676,570	(1,195,469)	(379,471)	(9,663,970)	(4,546,387)	1,387,174	-	(1,154,502)	(12,876,055)
Fund Balance/Net assets-July 1, 2017	6,059,494	11,037,794	3,250,463	(8,897,084)	13,591,853	1,387,174	419,152	9,905,478	36,754,324
<u>Estimated Revenues</u>									
Taxes & Assessments	26,065,128	5,101,004	1,138,628	-	-	-	-	4,919,013	37,223,773
Licenses & Permits	1,175,100	2,524,856	-	-	1,190	-	-	-	3,701,146
Intergovernmental	14,852,835	6,055,406	-	-	315,224	-	-	469,749	21,693,214
Charges for Services	6,337,789	1,947,600	-	-	30,470,139	-	-	2,511,644	41,267,172
Fines & Forfeitures	1,532,500	15,000	-	-	-	-	-	270,000	1,817,500
Miscellaneous	665,539	4,415,268	2,200,445	1	175,280	-	-	47,000	7,503,533
Investment Earnings	149,924	-	-	-	-	-	-	20,000	169,924
Long Term Debt proceeds	369,193	-	-	9,792,097	55,265	-	-	13,010,125	23,226,680
Transfers In/Other Financing	6,562,345	220,814	-	1,404,003	572,852	514,000	-	5,510,189	14,784,203
Internal Service	-	-	-	-	-	7,092,732	-	-	7,092,732
Total Estimated Revenues	57,710,353	20,279,948	3,339,073	11,196,101	31,589,950	7,606,732	-	26,757,720	158,479,877
<u>Budgeted Expenditures</u>									
General Government	10,139,810	2,222,657	-	-	-	-	-	-	12,362,467
Public Safety	30,002,358	2,429,868	-	-	-	-	-	-	32,432,226
Public Works	6,947,858	1,277,446	-	-	15,704,501	-	-	2,208,926	26,138,731
Public Health	1,933,801	-	-	-	-	-	-	-	1,933,801
Social and Economic Services	210,000	-	-	-	-	-	-	-	210,000
Culture and Recreation	5,864,518	850,381	-	-	1,336,292	-	-	-	8,051,191
Housing & Community Devel.	496,333	1,325,851	-	-	-	-	-	11,699,254	13,521,438
Debt Service	255,220	857,144	3,012,961	1,401,503	7,396,557	-	-	3,320,777	16,244,162
Internal Service	-	-	-	-	-	7,498,009	-	-	7,498,009
Capital Outlay	1,202,222	3,576,968	-	2,500	8,291,950	-	-	9,491,382	22,565,022
Transfers Out/Other Financing	2,985,014	6,631,303	100,000	-	99,197	-	-	8,994,785	18,810,299
Total Budgeted Expenditures	60,037,134	19,171,618	3,112,961	1,404,003	32,828,497	7,498,009	-	35,715,124	159,767,346
Projected Change in Fund Balance/Net Assets	(2,326,781)	1,108,330	226,112	9,792,098	(1,238,547)	108,723	-	(8,957,404)	(1,287,469)
Anticipated Expenditure Savings	1,554,412	-	-	-	-	-	-	-	1,554,412
Projected Ending Fund Balance/Net assets-June 30, 2018									
Assigned/Restricted	2,594,445	13,124,229	3,833,550	895,014	12,353,306	-	419,152	948,074	34,167,770
Unassigned	1,138,268	(978,105)	(356,975)	-	-	1,495,897	-	-	1,299,085
Total Fund Balance - June 30, 2018	\$ 3,732,713	\$ 12,146,124	\$ 3,476,575	\$ 895,014	\$ 12,353,306	\$ 1,495,897	\$ 419,152	\$ 948,074	\$ 35,466,855

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SUMMARY OF MAJOR REVENUES, EXPENDITURES

AND OTHER FINANCING SOURCES/USES

ACTUAL JULY 01, 2016 THROUGH JUNE 30, 2017 (FY 17)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General & General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	Component Units	
Revenues									
Taxes & Assessments	24,544,854	7,946,063	3,205,830	-	-	-	-	4,184,306	39,881,053
Licenses & Permits	1,559,844	2,883,016	-	-	1,046	-	-	-	4,443,906
Intergovernmental	14,542,043	4,242,237	-	355,631	1,718	-	5,347	785,554	19,932,530
Charges for Services	6,036,333	1,951,475	-	-	10,535,246	-	92,027	2,046,191	20,661,272
Fines & Forfeitures	1,609,079	15,843	-	-	-	-	-	222,438	1,847,360
Miscellaneous	201,152	70,640	15,531	463,101	326,372	-	-	874,974	1,951,770
Investment Earnings	10,617	-	8,673	-	-	-	-	2,358	21,648
Internal Service	-	-	-	-	-	-	-	-	-
Total Revenues	48,503,922	17,109,274	3,230,034	818,732	10,864,382	5,322,681	97,374	8,115,821	94,062,220
Expenditures									
General Government	9,445,752	1,683,473	614	366,825	-	-	-	-	11,496,664
Public Safety	27,866,210	1,993,599	-	3,045,500	-	-	144,238	-	33,049,547
Public Works	6,542,516	1,123,546	-	1,516,679	10,232,762	-	-	2,048,943	21,464,446
Public Health	1,797,051	-	-	-	-	-	-	-	1,797,051
Social and economic services	210,000	-	-	-	-	-	-	-	210,000
Culture and recreation	4,274,094	772,722	-	1,329,084	1,805,060	-	-	-	8,180,960
Housing & Community Development	585,818	687,824	-	-	-	-	-	10,404,151	11,677,793
Miscellaneous	75,181	58,886	-	41,449	-	-	-	-	175,516
Debt Service	590,350	850,641	3,207,204	1,125,937	-	-	-	4,351,964	10,126,096
Capital Outlay	1,148,875	2,301,503	-	3,479,133	-	-	-	2,996,064	9,925,575
Business-type	-	-	-	-	-	6,015,400	-	-	6,015,400
Total Expenditures	52,535,847	9,472,194	3,207,818	10,904,607	12,037,822	6,015,400	144,238	19,801,122	114,119,048
Other Financing Sources (Uses)									
Transfers In	6,337,497	247,208	144,634	2,837,883	203,000	514,085	-	9,456,570	19,740,877
Transfers Out	(2,247,457)	(7,801,583)	(90,454)	(144,812)	-	-	-	(3,784,482)	(14,068,788)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-	-
Proceeds from LT Debt/Capital Leases	-	-	-	4,651,112	-	-	-	4,937,826	9,588,938
Acquisition expenses	-	-	-	-	(3,931,747)	-	-	-	(3,931,747)
Sale of Fixed Assets	14,445	-	-	-	43,547	-	-	-	57,992
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	795,791	-	-	-	795,791
Contributions-government activities	-	-	-	-	-	-	-	-	-
IRS interest reimbursement revenues	-	-	-	-	233,816	-	-	-	233,816
Interest revenue	-	-	-	-	75	-	-	105,376	105,451
Debt Service Interest Expense	-	-	-	-	(901,076)	-	-	-	(901,076)
Total Other Financing Sources (Uses)	4,104,485	(7,554,375)	54,180	7,344,183	(3,556,594)	514,085	-	10,715,290	11,621,254
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses									
	72,560	82,705	76,396	(2,741,692)	(4,730,034)	(178,634)	(46,864)	(970,011)	(8,435,574)
Fund Balance/Net assets - July 1, 2016		8,573,908	2,910,638	(8,996,392)	77,302,983	957,564	466,016	(184,491)	86,523,024
Nonspendable/Assigned/Restricted	3,693,353								
Unassigned	1,799,445								
Restatement	(1,729,577)	(2,586,837)	-	4,763,648	(438,381)	-	-	-	8,853
Fund Balance/Net assets - June 30, 2017		6,069,776	2,987,034	(6,974,436)	72,134,568	778,930	419,152	(1,154,502)	78,096,303
Nonspendable/Assigned/Restricted	3,382,924								
Unassigned	452,861								
Total Fund Balance - June 30, 2017		3,835,785							

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SUMMARY OF MAJOR REVENUES, EXPENDITURES

AND OTHER FINANCING SOURCES/USES

ACTUAL JULY 01, 2015 THROUGH JUNE 30, 2016 (FY 16)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General & General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	Component Units	
Revenues									
Taxes & Assessments	23,553,599	7,263,866	3,366,758	-	-	-	-	3,890,927	38,075,150
Licenses & Permits	1,444,113	2,403,980	-	-	1,541	-	-	-	3,849,634
Intergovernmental	14,655,550	4,709,492	-	58,792	35,256	-	6,999	784,085	20,250,174
Charges for Services	5,464,693	1,582,495	-	-	9,237,130	-	123,002	1,885,502	18,292,822
Fines & Forfeitures	1,531,422	15,310	-	-	-	-	-	-	1,546,732
Miscellaneous	253,374	27,416	-	452,711	761,463	-	-	1,066,273	2,561,237
Interest income	-	-	13,251	-	-	-	-	125,043	138,294
Internal Service	-	-	-	-	-	4,974,491	-	-	4,974,491
Total Revenues	46,902,751	16,002,559	3,380,009	511,503	10,035,390	4,974,491	130,001	7,751,830	89,688,534
Expenditures									
General Government	8,998,483	1,846,783	25,823	-	-	-	-	-	10,871,089
Public Safety	27,177,294	1,839,978	-	10,696	-	-	94,368	-	29,122,336
Public Works	6,196,341	1,401,299	-	206,359	11,178,748	-	-	2,071,968	21,054,715
Public Health	1,706,945	-	-	-	-	-	-	-	1,706,945
Social and economic services	175,000	-	-	-	-	-	-	-	175,000
Culture and recreation	4,014,830	754,412	-	-	1,666,722	-	-	-	6,435,964
Housing & Community Development	35,014	1,301,240	-	-	-	-	-	6,712,427	8,048,681
Miscellaneous	818,567	-	-	-	-	-	-	-	818,567
Debt Service	579,660	667,399	3,398,523	1,000,960	-	-	-	-	5,646,542
Capital Outlay	1,095,839	2,409,878	-	2,860,454	-	-	-	-	6,366,171
Business-type	-	-	-	-	-	5,220,417	-	-	5,220,417
Total Expenditures	50,797,973	10,220,989	3,424,346	4,078,469	12,845,470	5,220,417	94,368	8,784,395	95,466,427
Other Financing Sources (Uses)									
Transfers In	5,510,698	225,325	282,700	1,315,440	7,946,923	518,877	-	-	15,799,963
Transfers Out	(1,992,528)	(5,382,904)	(445,971)	(234,640)	(7,743,923)	-	-	-	(15,799,966)
Payments - Refunded Bond Escrow	-	-	-	(2,679,436)	-	-	-	-	(2,679,436)
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-	-
Proceeds from LT Debt	260,875	911,116	-	5,300,892	-	-	-	-	6,472,883
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	542,866	-	-	-	542,866
Contributions-government activities	-	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-
IRS interest reimbursement	-	-	-	-	235,961	-	-	-	235,961
Interest Revenue	-	-	-	-	2,684	-	-	-	2,684
Debt Service Interest Expense	-	-	-	-	(894,949)	-	-	-	(894,949)
Total Other Financing Sources (Uses)	3,779,045	(4,246,463)	(163,271)	3,702,256	89,562	518,877	-	-	3,680,006
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Use									
(116,177)	1,535,107	(207,608)	135,290	(2,720,518)	272,951	35,633	(1,032,565)	(2,097,887)	
Fund Balance/Net assets - July 1, 2015									
Nonspendable/Assigned/Restricted	3,452,570	7,027,755	3,118,248	(9,131,685)	80,045,683	822,645	430,383	850,903	88,777,225
Unassigned	2,160,723	-	-	-	-	-	-	-	-
Restatement	(4,318)	11,046	-	-	(22,182)	(138,031)	-	(2,829)	(156,314)
Fund Balance/Net assets - June 30, 2016									
Nonspendable/Assigned/Restricted	3,693,353	8,573,908	2,910,640	(8,996,395)	77,302,983	957,565	466,016	(184,491)	86,523,024
Unassigned	1,799,445	-	-	-	-	-	-	-	-
Total Fund Balance - June 30, 2016	5,492,798	-	-	-	-	-	-	-	-

Assumptions, Estimates, & Trends

Overview

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

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

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

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

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

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

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

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

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

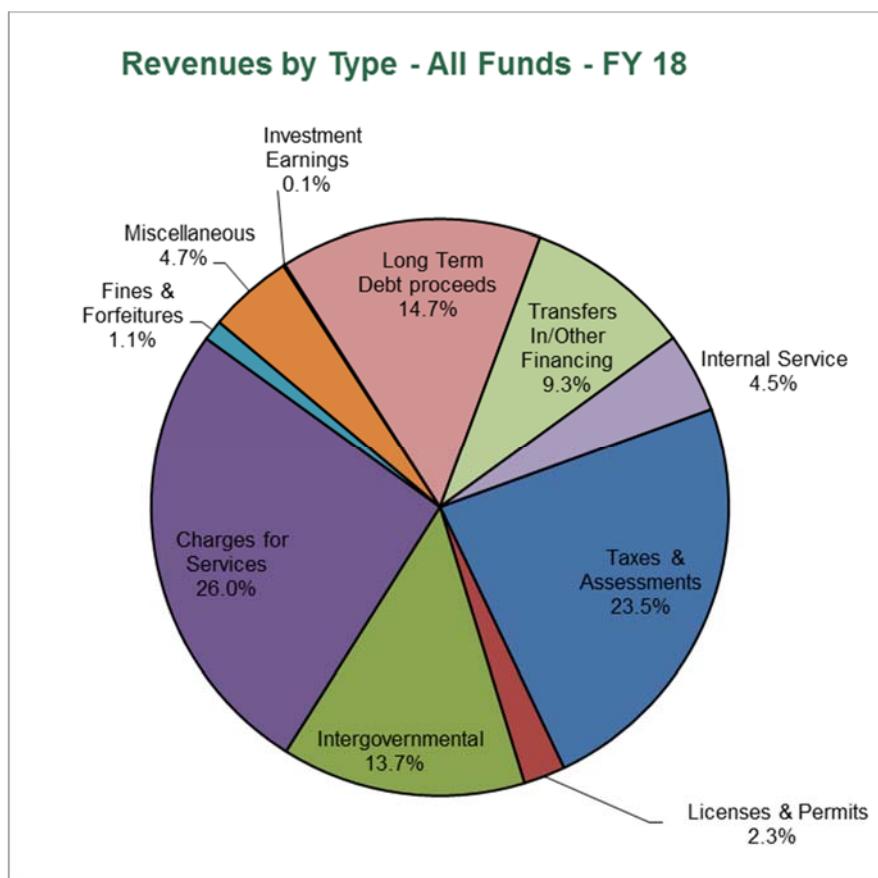
Bond Proceeds and Other Financing Sources: These revenues consist of the debt proceeds received by the City to finance various types of capital improvements.

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

MAJOR REVENUE SOURCES

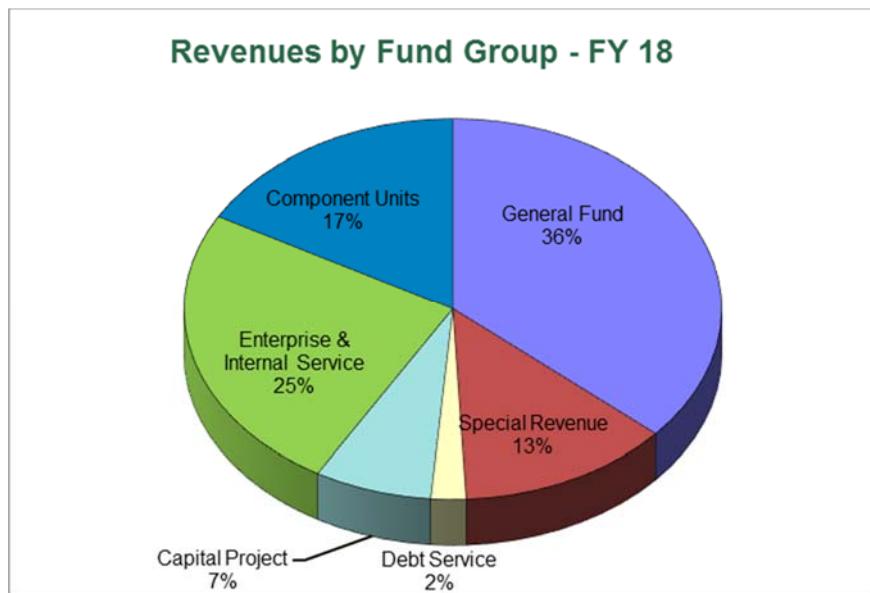
Assumptions, Estimates, & Trends

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



As depicted by the graph of revenues “by type”, the Taxes and Assessments category and Charges for Services make up the two largest categories of City revenues for FY 2018 (49.5%). Long Term Debt Proceeds make up the next largest category (14.7%). Finally, Intergovernmental Revenues (13.7%) and Transfers In/Other Financing Sources (9.3%) make up the fourth and fifth largest categories. These revenue categories make up 87.2% of all City revenues.

Revenues by Fund Group also help give the reader a look at the “Big Picture” of City revenues. As shown by the graph on the right, the General Fund (36%), Enterprise & Internal Service Funds (25%), Component Units (17%), and Special Revenue Funds (13%), make up 91% of the City’s revenues.



Assumptions, Estimates, & Trends

Revenue Forecast Assumptions & Methodology

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

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

Revenue Estimates

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

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

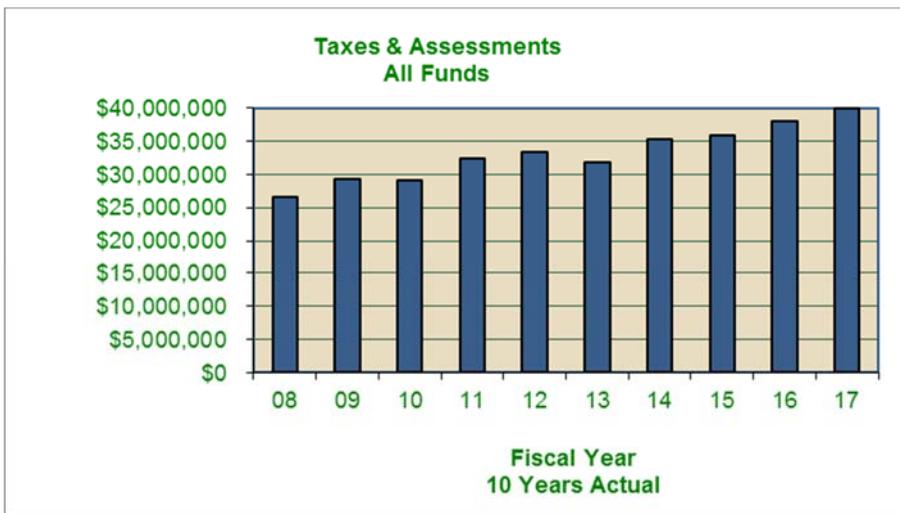
One of the key analytical tools, to assist in the development of revenue estimates, is the comprehensive five year financial forecast. This forecast considered key revenue and expenditure projection factors such as population, increases in the consumer price index (CPI) and other growth factors. The trending of these key factors and their effect on revenues and expenditures for the past ten years provided a historical basis for the five year financial forecast. The first City of Missoula forecast was prepared in 2003 and it has been updated annually since then. Overall, the City's practice is to budget revenues conservatively and to use as much information as possible to enhance the accuracy of revenue estimates. By identifying and utilizing as many revenue-related variables as possible in forecasting, we hope to minimize the risks of overstating or understating revenues that could arise from using only a few variables. The approach to forecasting, in general, is to apply a conservative philosophy that will produce the long-term goal of not overstating revenues. Most estimates involve two projections: an estimate for the amount to be collected in the current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively reexamined based on actual results for 2013-15 as well as emerging trends at the mid-point of the year.

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

MAJOR REVENUE SOURCES

Assumptions, Estimates, & Trends

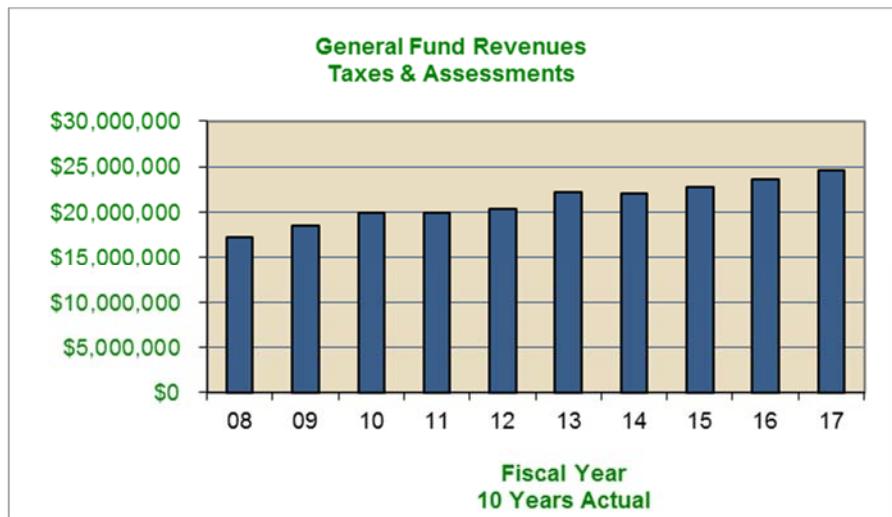
Key Revenue Estimates & Trends



Shown by the graph to the left are **Taxes and Assessments** for all City funds, over a 10-year period (10 years actual from FY 2008 – FY 2017). The graph reflects the steady growth the City of Missoula is experiencing. Certain debt service levies and assessments go down in some years as the debt is paid

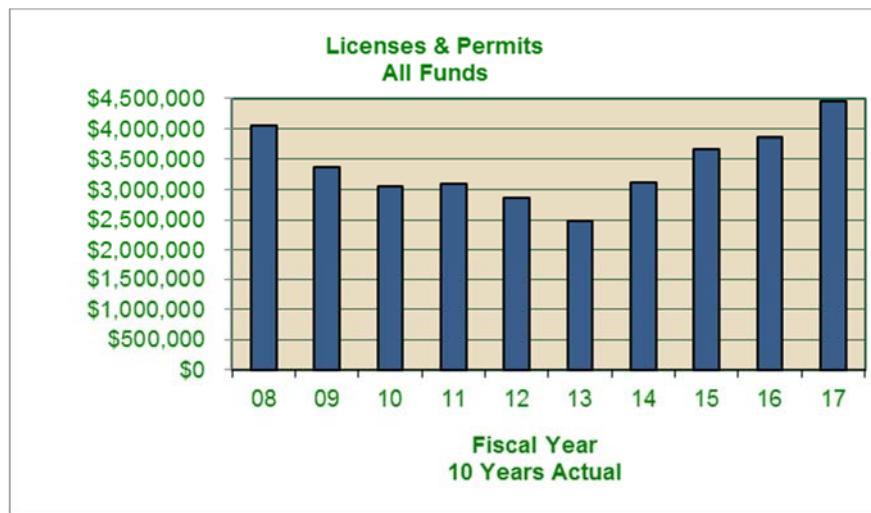
off. Property taxes, which comprise the majority of this revenue category, are dependent upon a combination of taxable values and mill levies. A modest decrease of 3.83% was budgeted for FY 2017.

The graph on the right shows actual **General Fund Taxes & Assessments** for the last 10 years. Although not displayed on the graph, there was very little growth in General Fund taxes from FY 2001 – FY 2002 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations and actual growth until the recession beginning in FY 2009 until FY 2012. After FY 2012 the growth again continued in the taxes and assessments categories.



MAJOR REVENUE SOURCES

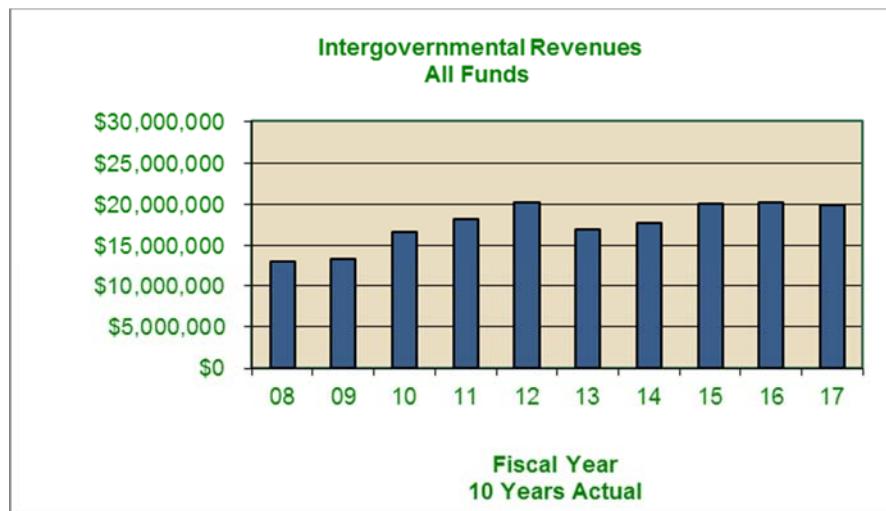
Assumptions, Estimates, & Trends



Licenses & Permits for all City funds are shown on the right. A decline occurred between FY 2001 (not shown) and FY 2002 due to the State Legislature's elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature replaced with entitlement revenues (HB124 revenue). The decline from FY

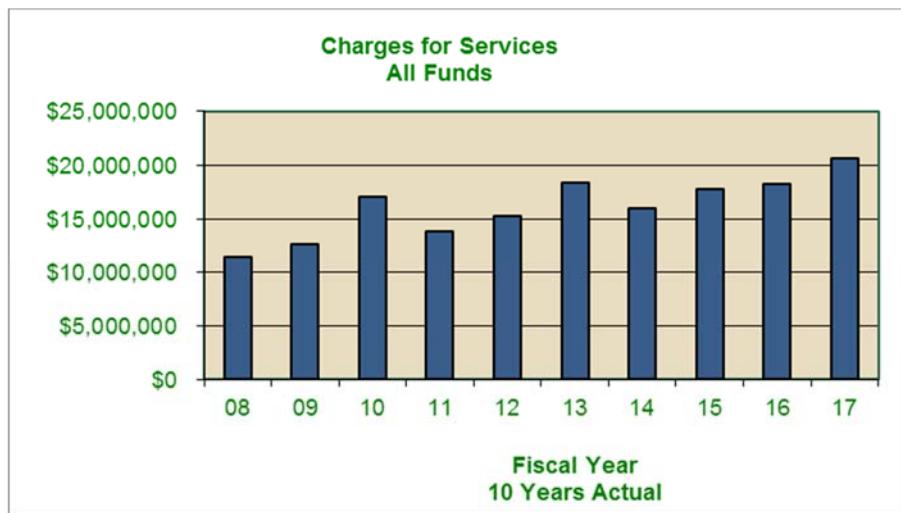
2008 to FY 2013 was due to the economic slowdown experienced by the nation and the City of Missoula.

The increases in **intergovernmental revenues** (not shown but especially from FY 2001 through FY 2003) reflect the State Legislature's distribution of entitlement revenues to City governments. Since the increase in FY 2003, these revenues have remained relatively stable although the level of grant receipts has fluctuated significantly from year to year. In addition to the entitlement revenues, this category also includes grants and State reimbursement for services provided by the City.



MAJOR REVENUE SOURCES

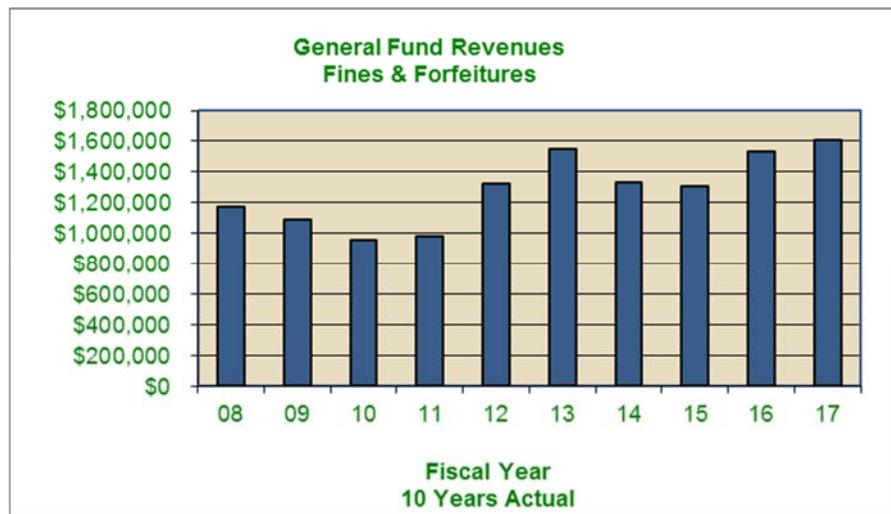
Assumptions, Estimates, & Trends



Charges for services, for all funds, represent 26% of total City revenues. This category is dominated by revenues in the City's Enterprise Funds, which include the sewer charges and City Health Plan premiums. Many of these revenues are growth related such as engineering fees, zoning fees,

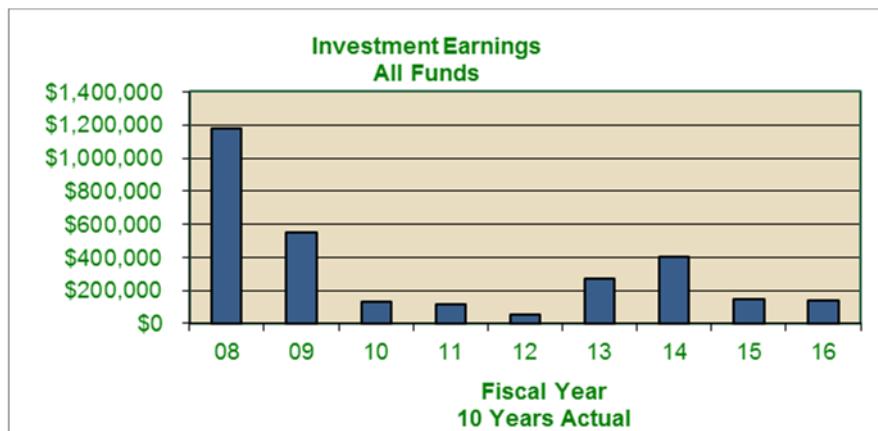
subdivision fees, building permits, impact fees and similar revenues. This source is anticipated to be maintained at the FY 2013 level or greater for the foreseeable future.

To a large extent, **Fines and Forfeitures**, within the General Fund, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from \$1,172,962 in FY 2008 to \$1,609,079 in FY 2017. The decrease in FY 2008 and FY 2010 was the result of staffing shortages in Police due to officers being called up to active duty in the armed forces and a significant number of workers compensation injuries that temporarily reduced staffing. This revenue stream is dependent on being fully staffed in the Police Department.



MAJOR REVENUE SOURCES

Assumptions, Estimates, & Trends



Investment earnings reflect a combination of available cash balances together with the interest rate the City is able to obtain. As shown by the graph, investment earnings have been quite volatile, with sharp declines occurring in FY 2009 and FY 2010 through FY 2014 which

correspond to the decline in interest rates nationally in those years. Interest earnings in FY 2018 are expected to be similar to FY 2017, as interest rates are near 50-year lows nationally.

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

