RESOLUTION NUMBER 7167

A RESOLUTION OF THE MISSOULA CITY COUNCIL CREATING A DEBT MANAGEMENT POLICY OF THE CITY OF MISSOULA.

WHEREAS a debt management policy is helpful for issuing, administering and managing municipal debt; and

WHEREAS, Title 7, Chapter 7 of the Montana Code Annotated is entitled "Debt Management" for local government; and

WHEREAS, prudent financial management encourages the Missoula City Council to establish a Debt Management Policy to serve as a guideline when the City of Missoula is issuing debt instruments; and

WHEREAS the Missoula City Council considered and adopted the attached municipal debt policy for the City of Missoula at its _____, 2006 meeting; and

NOW, THEREFORE, BE IT RESOLVED, that the attached Policy of the City of Missoula be established as the official debt management policy.

FURTHER BE IT RESOLVED THAT this document shall also be included in the Missoula Administrative Rules and Procedures as Policy No. ___, on file in the Missoula City Clerks' Office.

PASSED AND ADOPTED this 16th day of October, 2006.

ATTEST: APPROVED:

/s/ Martha L. Rehbein /s/ John Engen

Martha L. Rehbein, City Clerk John Engen, Mayor

(Seal)

Debt Management Policy

City of Missoula

Executive Summary

This debt policy for the City of Missoula is designed to provide a clear basis as to the City's policies and practices so that our creditors, elected officials and citizens will understand the basis of debt issuance by the City. This policy formally puts in writing what our past and present debt issuance practices have been.

The policy addresses the following issues:

1. Provides a statement of purpose.
2. Provides general guidelines, definitions and conditions for debt issuance.
3. Discusses the various types of debt issued by the City.
4. Identifies debt structuring characteristics addressing repayment terms, tax exempt status, prepayment provisions, sale to accredited investors and credit ratings.
5. Discusses the three methods for selling the City's debt and the preferred method of sale.
6. Provides a process for underwriter selection for negotiated sales.
7. Provides the basis of award for bond sales.
8. Provides the basic guidelines for the City's debt management:
   - Required Debt service cash flow monitoring.
   - Targeted debt level maximum for voted G.O. debt (66% of statutory debt capacity).
   - Targeted debt level maximum for non-voted General Fund debt (66% of legal debt limit).
   - Targeted debt level maximum for annual appropriation obligations (capital leases) which would be 1% of General fund Expenditures in the preceding year.
   - Basis for issuance of revenue debt (enterprise funds).
   - Criteria for securing the issuance of special improvement district debt and curb & gutter debt.
   - Guidelines for the issuance of tax increment debt.
   - Criteria for the refunding of City debt.
   - Criteria for the use of derivatives (currently illegal for Montana cities).

9. Establishes interim reporting to the Mayor and Council.
10. Other administrative procedures and guidelines for the City Finance office.

This Debt Management Policy is adopted to promote the effective use of debt as a financing tool and to guide decision-making on its application.

Debt Management Policy

I. Statement of Purpose

A. To preserve the public trust and prudently manage public assets to minimize costs to taxpayers and ensure current decisions positively impact future citizens.

B. To minimize borrowing costs.

C. To preserve access to capital markets.

D. To ensure future financial flexibility in debt financing options.

II. Guidelines for Use of Debt Financing

A. Debt is a financing tool which should only be judiciously used within the City's legal, financial and debt market capacities.

B. Definitions

1. Debt. The creation of debt occurs when a governing body incurs a financial obligation that can not, or will not, be repaid from current fiscal period revenues. Debt may be in the form of bond or note.

2. Short Term Debt. For purposes of this policy, Short Term Debt means debt with a repayment term of less than 5 years.

3. Long term Debt. For purposes of this Policy, Long Term Debt means debt with repayment terms beyond the term of the Short Term Debt, up to the maximum term allowable by law, generally twenty years.

4. Cash Flow Financing. Cash flow financing means tax and revenue anticipation notes (TANS and RANS) that are issued in anticipation of the receipt of the revenues, and tax dollars levied and appropriated and expected to be received in the fiscal year in which the note is issued. Because TANS and RANS are payable from current year revenues they do not constitute debt.

C. General Conditions for the Use of Long-term Debt

Debt will be considered when some or all of the following conditions exist:

1. Estimated future revenues are sufficient to ensure the long-term viability of repayment of the debt obligation;
2. Other financing options have been explored and they are not viable for the timely or economic acquisition or completion of a capital project;
3. A capital project is mandated by federal or state authorities with no other viable funding option available; and
4. The asset useful life lends itself to long term debt financing.

D. Debt Issuance versus Pay-As-You-Go (PAYG) Financing

The City shall seek to appropriately use PAYG financing, when feasible, based on the following criteria:

1. The project can be adequately funded from available current revenues and fund balances;
2. The project can be completed within an acceptable timeframe when funded from current revenues;
3. Additional debt levels could adversely impact credit ratings or capacities to repay existing obligations;
4. Market conditions are such that PAYG presents a favorable option; or
5. The asset's useful life itself is not conducive to long term debt financing.

III. Types of Debt

The City may have choices as to the type of debt which would best meet the needs of the particular financing and its overall objectives. The following is a listing of the types of debt and general guidelines as to their use.

A. General Obligation and Related Debt

1. *General Obligation (G.O.)*. General Obligation bonds provide the investor with its most secure City transaction, because of the City's pledge of its unlimited authority to levy ad valorem property taxes for debt service. G.O. bonds require voter approval to be issued. The overall amount of G.O. bonds is limited by statute.
2. *General Fund Bonds.* General Fund bonds are secured by a long-term pledge by the City of General Fund revenues. It differs from a G. O. bond in that it is not a long-term pledge of an unconditional levy of property taxes. The issuance of General Fund bonds has three statutory restrictions: a) no single issue can exceed 10% of the General Fund budget for each of the two preceding years; b) at the time of issuance the total of all such debt service can not exceed 2% of the General Fund's revenues for each of the two preceding years; and c) the maximum term of any issue can not exceed 20 years.
3. *Annual Appropriation Obligations*. These obligations are financial contracts which are secured solely by the City's pledge to annually consider an appropriation for their payment. As this consideration is on an annual basis, the obligations do not provide a legally binding commitment for a long-term pledge of repayment. They are less secure to the investor due to the risk of non-appropriation. The City has the potential to use annual appropriation obligations for either governmental purpose projects or as additional security for economic development projects. The City will consider its use in the latter case only in extreme situations and then only for public improvements having a city-wide benefit. In economic development applications the City will look to the related economic development revenues to provide full payment of all obligations and to have a minimum coverage level of 130%.

B. Revenue Debt

1. *Revenue Bonds* can be issued to fund certain types of revenue producing municipal enterprises, infrastructure systems or in relation to economic development projects. Revenue bonds are secured by the revenues of the particular system or project being

financed. Revenue bonds are not secured by general municipal revenues or the general property tax.

2. *Tax Increment Financing (TIF) Debt*; this type of revenue bond is secured by TIF revenues from a TIF district or an individual TIF project. TIF bonds can only fund eligible project costs permitted under the statute. In certain cases TIF bonds may be issued as federally taxable securities due to the nature of expenditures and the special augmented security provided by private parties involved with a development.

C. Special Assessment Debt

1. *Special Improvement District (SID) Deb*t; this type of bond is secured by special assessments levied on specific properties for related municipal infrastructure improvements which specially benefit those particular properties. The statute requires a 5% contribution to an overall SID revolving fund, and the provision for up to an additional 5% for the funding of a debt service reserve fund specific to a particular bond issue, if necessary to secure and market the debt.

2. *Curb and Gutter Debt;* this type of bond is secured by special assessments levied on specific properties for these improvements which specially benefit those particular properties. The statute requires a 5% contribution to an overall SID revolving fund.

D. Conduit Bonds

The City may act as an issuer for a private or non-profit party. In these cases the City acts as a 'conduit' issuer of tax-exempt bonds as defined by federal and state law. Conduit bonds are secured solely by revenues of the private or non-profit party, and are not an obligation of the City.

E. Debt Structuring Characteristics

In general the City will seek to structure its debt issues with these terms. The City recognizes that certain debt transactions may require deviations from these terms given the specific financial conditions.

1. *Repayment Term*. The City will structure its debt to comply with all federal and state and local requirements as to repayment terms. The City will seek to repay its debt in an expeditious manner within the City's overall financial objectives and in consideration of the dedicated repayment revenue source(s) and the useful life of the project.

2. *Taxable debt*. The City shall primarily seek to issue and/or guarantee only tax-exempt debt and avoid taxable debt to reduce interest expenses. However, the City recognizes that in certain cases the issuance of taxable debt may be required and/or beneficial to the City in reducing its risk for a particular project. Prior to issuing taxable debt the City will complete an evaluation of the cost and risk differentials.

3. *Prepayment Provisions*. Redemption provisions and call features shall be in compliance with particular statutory provisions by type of issue, and be evaluated in the context of each bond sale to enhance marketability of the bonds; to ensure flexibility related to potential early redemption; to foster future refunding transactions; or in consideration of special conditions of the transaction. Additional cost of call premium and higher interest rates as a result of including a call provision shall also be evaluated.

4. *Sale to Accredited Investors*. Certain issues may be of a highly speculative nature due to the type of project or the revenue structure. The City wants to ensure that all of its issues are purchased by investors fully knowledgeable of the risks involved with the investment. For highly speculative issues the City will require the purchase by qualified investors, those generally defined by the Securities and Exchange Commission, Regulation D. To ensure these types of investors are maintained both in the primary and secondary bond markets, the City will require either minimum denominations of $50,000 or that all future investors are accredited.

5. *Credit Ratings*. The City will seek to obtain investment grade credit ratings when possible. Credit ratings provide a standard for proper bond structuring, generally expand the market thereby reducing overall financing costs and provide an independent assessment of overall financial condition.

IV. Bond Sale

A. Method of Sale

Three methods of sale exist for the placement of municipal bonds:

1. *Competitive sale*. Bonds are marketed to a wide audience of investment banking (underwriting) firms. Their bids are submitted at a specified time. The underwriter is selected based on its best bid (lowest true interest cost) for its securities.

2. *Negotiated sale*. The City selects the underwriter or group of underwriters of its securities in advance of the bond sale. The City financing team works with the underwriter to bring the issue to market and negotiates all interest rates and terms of the sale.

3. *Private placement*. The City sells its bonds to a limited number of sophisticated investors, and not the general public. Private placement bonds are often characterized as having higher risk or a specific type of investor base.

B. Preferred Method of Sale

The City will sell their municipal bond issues on a competitive basis unless specific conditions exist which warrant a different manner. Such conditions may include:

1. A bond structure which is not conducive to a competitive bond sale due to its structure;

2. An issue which lacks an investment grade rating or has complex security provisions;

3. An issue with a small principal amount; and

4. A municipal bond market which is experiencing significant volatility.

Regardless of the conditions above, the City must follow the particular statutory provisions for the method of sale for each type of issue. Further, on all sales the City will obtain an opinion from its financial advisor as to the reasonableness of the financing structure and the proposed interest rates.

C. Selection of Underwriter for Negotiated Sales

For negotiated sales, the City will select an underwriter(s) through a competitive process. This process will include a request for proposals from firms considered appropriate for the underwriting of the particular issue. The Director of Finance will set criteria deemed appropriate for the evaluation of underwriter proposals and select the underwriter(s) based on such criteria.

D. Award of Sale

The City and its agencies will award the sale of its bonds on a true interest cost (TIC) basis. A TIC basis considers the time value of money in its calculation.

V. Guidelines for Debt Management

Proactive debt management is a key component to the immediate and long-term success of the City's financial objectives. A successful debt management program begins with comprehensive information on the current debt program status and definition of the future direction of the City's capital financing objectives.

The City recognizes that a negative event relating to the repayment of any of its issues will have significant long term adverse consequences for all future debt obligations regardless of type. The City will seek to incorporate into each of its issues sufficient security provisions to mitigate this risk.

A. Debt Service Cash Flow Monitoring

The City shall maintain a system of debt service revenue forecasting for each of its major debt categories. For revenue only transactions the City will assess the probability of future collections of pledged revenues.

B. Guidelines for Targeted Debt Level Maximums

Maintaining the appropriate levels of debt is important to preserve capacity for future infrastructure investments and to position for high credit quality. Each type of debt has its own appropriate level. The appropriate levels are internally determined based on a variety of factors, such as: infrastructure investment needs of the particular service area, capacity to repay debt from the specific revenue source, and the sector's credit rating objectives. Since these factors can change over time, any debt guideline must be periodically reviewed to reflect evolving City conditions.

1. General Obligation Debt

The sum of all City direct debt by type shall not exceed the lesser of:

Percent of Assessed Valuation	66% of legal debt limit

2. General Fund Debt

Principal Of Each Debt Issue Not To Exceed : (a) 10% of General Fund Budget each preceding two years, and (b) total debt service for all outstanding debt (66 % of General Fund Legal limit = 66% X 2% Revenues for each preceding two years) = 1.32% (of General Fund revenues) which is the targeted limit for General Fund debt issuance.

3. Annual Appropriation Obligations (i.e. capital leases)

   Percent of General Municipal Expenditures in preceding year: - 1.0 %

4. Revenue (Enterprise) Obligations

   Each type of enterprise fund revenue debt has an estimated capacity caused by its financial position, user rate revenue generation capability, and existing and anticipated future debt requirements.

5. Special Improvement District; Curb and Gutter Revenue Bonds;

   The City will seek to maintain a security profile which will assist in mitigating any exposure of revenue deficiency draws against the overall revolving fund and funded reserve levels, and where possible obtain investment-grade credit ratings. The City recognizes that having to draw upon the revolving fund, supplemental reserves or a payment default puts at risk the City's ability to efficiently fund all outstanding and future related issues. To maintain appropriate security the City will generally require the following security profile to each of these issues;

   a. Funding of the 5% SID revolving Fund is mandatory,

   b. Financing improvements to properties where at least 50% have structures on the parcels, and

   c. Assessments to Market Value being less than 33%.

   If these conditions can not be met and the City still wishes to issue the bonds, then the City may seek one or more of the following additional risk mitigation approaches

   d. Debt Service Reserve equal to an additional 5% may be established for a specific debt issue,

   e. Require the project to be constructed and financed in multiple phases, or

   f. Require supplemental private party guarantees in the form of direct pay letters-of-credits from financial institutions with industry credit ratings of good or higher.

6. Tax Increment Financing Debt;

   Where possible the City will seek to have pay-as-you-go TIF debt, wherein the project's private beneficiary receives debt payments over a period of time only from actual revenue collections. Where the project or financing does not lend itself to a PAYG approach, the City will require the individual TIF issues to have a funded debt service reserve, coverage at a minimum of 125%, an executed development contract clearly specifying the developer's requirements as to timing and valuation of development with suitable remedies for the City in the event of non-performance. Where appropriate the City will seek such other security guarantees as are deemed necessary solely by the City, regardless of the tax standing of the particular issue.

7. Defeasance, Prepayment and Refunding

   The accelerated retirement and restructuring of debt can be valuable debt management tools. Accelerated retirement occurs through the use of defeasance and the exercise of prepayment provisions. Debt is often restructured through the issuance of refunding bonds.

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.

8. Derivatives

   Montana municipalities are not currently authorized to use derivatives. If state law authorizes municipalities to use derivatives, the City would consider their use in conjunction with significant evaluation as to he risks and benefits and with the advice of independent industry professionals. If used, the City would follow the Government Finance Officers Association's Recommended Practice on the use of Derivatives.

VI. Interim Reporting

The Director of Finance will provide the Mayor, City Council and Chief Administrative Officer a summary debt report at minimum at six-month intervals within 30 days of each December 31st and June 30th. While the contents of the summary debt report may vary over time, at minimum it will cover the actual experience to the Guidelines for Targeted Debt Maximums.

VII. Compliance

A. Compliance with Statutory and Code of Ordinances

The authority and manner in which the City issues its bonds are in large part dictated by the conveyed state statutory authority. The statutes provide numerous requirements on the issuance and structuring of City bonds, with variations by type of debt. The City will follow all statutory requirements in the issuance and structuring of its debt obligations, as well as ordinances provisions relative to debt issuance, term of debt, structuring, method of sale, etc.

B. Monitoring of Covenant Compliance

The City's revenue bonds generally have a number of bond covenants requiring ongoing compliance and conditions for future bond issuance on an equal security ('parity') basis. The City will maintain a compliance monitoring system by revenue bond type of all bond covenants. The system will track trends in coverage levels over time and capacity availability under the additional bonds covenants.

C. Federal Arbitrage and Rebate Compliance

1. The City will fully comply with the federal arbitrage and rebate regulations. Concurrent with this policy, the City will take all permitted steps to minimize any rebate liability through proactive management in the structuring and oversight of its individual debt issues.

2. All of the City's tax-exempt issues and obligations are subject to arbitrage compliance regulations. The Finance Department and the requesting departments shall be responsible for the following:

    a. Using bond proceeds only for the purpose and authority for which the bonds were issued. Tax-exempt bonds will not be issued unless it can be demonstrated that 85% of the proceeds will be expended within the three-year temporary period.

    b. Performing rebate calculations on certain construction funds as determined by IRS. The City will engage an arbitrage consulting firm to perform annual rebate calculations.

    c. Performing rebate computations annually, but in no event later than each five-year anniversary date of the issuance and at the final maturity for all bonds. Examining whether the City met the rebate exception calculation rules.

    d. Maintaining detailed investment records, including purchase prices, sale prices and comparable market prices for all securities.

    e. Monitoring expenditure of the bond proceeds and exercising best efforts to spend bond proceeds in such a manner that the City shall meet one of the spend-down exemptions from rebate.

    f. Monitoring the investment of bond proceeds with awareness of rules pertaining to yield restrictions.

    To the extent rebate liability exists, the City will report such liability in its comprehensive annual financial report (CAFR).

VIII. Disclosure Compliance

A. Introduction

Disclosure is both a regulatory requirement and a highly advisable means to enhance the marketing of the City's bonds. The Securities and Exchange Commission (SEC) regulates both primary disclosure, the initial marketing of a bond issue, and continuing disclosure, the ongoing information to the market about the status of the issue and issuer. Initial and ongoing disclosure are subject to the anti-fraud provisions of the securities laws, requiring an issuer to provide all material information about a bond issue and the security for the bond issue. In addition to general anti-fraud issues, the SEC regulates the manner in which bond underwriters can underwrite municipal securities. SEC Rule 15c2-12 (the "Rule") requires, among other things, that an underwriter obtain an official statement meeting certain requirements. The Rule also prohibits and underwriter from marketing municipal securities unless the issuer enter into an undertaking to provide continuing disclosure to the market.

Adequate disclosure on both a primary and continuing basis can enhance the marketability of the City's bonds by providing potential investors with current and professional information regarding the City. Timely and accurate completion of these tasks both influences investors' decisions on purchasing the City's bonds and contributes to the competitive audience for the City's bonds.

The City will fully comply with disclosure regulations.

B. Primary

In the preparation of official statements the City will follow professional and market standards in the presentation of disclosure about its bond issues. The City will facilitate the distribution of the official statements in a timely manner to allow investors adequate time to make their investment decisions in an informed manner. The City will disclose all material information about its bond issue and the security for the bond issue

The City will execute continuing disclosure undertakings in a manner to fully comply with regulatory provisions and ensure a full disclosure of appropriate information to the market.

C. Secondary

The City will meet all substantive and time requirements in its annual continuing disclosure filings, which include making the City's CAFR available to the public 180-270 days after the fiscal year end. The City will keep current with any changes in both the administrative aspects of its filing requirements and the national repositories responsible for ensuring issuer compliance with the continuing disclosure regulations. In the event a 'material event' occurs requiring immediate disclosure, the City will ensure information flows to the appropriate disclosure notification parties in a timely manner.

Any filing may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org., unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

CITY OF MISSOULA INVESTMENT POLICY

Revised February 2000

Modeled After Government Finance Officers Association
Sample Investment Policy
Committee on Cash Management

Contents

i

ii

I. Scope

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

1. *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.

II. General Objectives

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

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

   a. Credit Risk
      The City of Missoula will minimize credit risk, the risk of loss due to the failure of the security issuer *or* backer, by:
      - Limiting investments to the safest types of securities
      - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City of Missoula will do business
      - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

   b. Interest Rate Risk
      The City of Missoula will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity

  - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

2. *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.

3. *Yield*

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

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

III. Standards of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Missoula.

3. *Delegation of Authority*

Authority to manage the investment program is granted to the City’s Finance Director/Treasurer, hereinafter referred to as investment officer and derived from the following: 7-6-201 M.C.A. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy.

Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

IV. Safekeeping and Custody

1. *Authorized Financial Dealers and Institutions*
A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of $10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements
- Proof of National Association of Securities Dealers (NASD) certification
- Proof of state registration
- Completed broker/dealer questionnaire
- Certification of having read and understood and agreeing to comply with the City of Missoula's investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officer. (See the GFOA Recommended Practice on "Governmental Relationships with Securities Dealers," in Appendix 3.)

From time to time, the investment officer may choose to invest in instruments offered by minority and community financial institutions. In such situations, a waiver to the criteria under Paragraph 1 may be granted. All terms and relationships will be fully disclosed prior to purchase and will be reported to the appropriate entity on a consistent basis and should be consistent with state or local law. These types of investment purchases should be approved by the appropriate legislative or governing body in advance.

2. *Internal Controls*
The investment officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Missoula are protected from loss, theft or misuse. The internal control structure shall be designed

to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officer shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record-keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers
- Development of a wire transfer agreement with the lead bank and third-party custodian

3. *Delivery vs. Payment*

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

V. Suitable and Authorized Investments

1. *Investment Types*

Consistent with the GFOA Policy Statement on State and Local Laws Concerning Investment Practices, the following investments will be permitted by this policy and are those defined by state and local law (7-6-2 01 M.C.A., 7-6-202 M.C.A., 7-6-206 M.C.A. 17-6-204 M.C.A.) where applicable:

7-6-201. Deposit of public funds in financial institutions. (1) Except as provided in 7-6-202, 7-6-206 or 7-6-2701, it shall be the duty of all county and city treasurers and town clerks to deposit all public money in their possession and under their control in any solvent banks, building and loan associations, savings and loan associations, or credit unions located in the county, city, or town of which such treasurer is an officer, subject to national supervision or state examination as the local governing body may designate, and no other.

(2) Said local governing body is hereby authorized to deposit such public money not necessary for immediate use by such county, city, or town in a savings or time deposit with any bank, building and loan association, savings and loan association, or credit union authorized above or in a repurchase agreement as authorized in 7-6-213.

(3) The treasurer or town clerk shall take from such bank, building and loan association, savings and loan association, or credit union such security as the local governing body may prescribe, approve, and deem fully sufficient and necessary to insure the safety and prompt payment of all such deposits, together with the interest on any time or savings deposits.

(4) All such deposits shall be subject to withdrawal by the treasurer or town clerk in such amounts as may be necessary from time to time. No deposit of funds shall be made or permitted to remain in any bank, building and loan association, savings and loan association, or credit union until the security for such deposits shall have been first approved by the local governing body and delivered to the treasurer or town clerk.

7-6-202. Investment of public money in direct obligations of United States. (1) A local governing body may invest public money not necessary for immediate use by the county, city, or town in the following eligible securities:

(a) United States government treasury bills, notes, and bonds and in United States treasury obligations, such as state and local government series (SLGS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book-entry form with the federal reserve bank of New York; or

(c) obligations of the following agencies of the United States, subject to the limitations in subsection (2):

(i) federal home loan bank;

(ii) federal national mortgage association;

(iii) federal home mortgage corporation; and

(iv) federal farm credit bank.

(2) An investment in an agency of the United States is authorized under this section if the investment is a general obligation of the agency and has a fixed or zero-coupon rate and does not have prepayments that are based on underlying assets or collateral, including but not limited to residential or commercial mortgages, farm loans, multifamily housing loans, or student loans.

(3) The local governing body may invest in a United States government security money market fund if;

(a) the fund is sold and managed by a management-type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-64), as may be amended;

(b) the fund consists only of eligible securities as described in this section;

(c) the use of repurchase agreements is limited to agreements that are fully collateralized by the eligible securities, as described in this section, and the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian;

(d) the fund is listed in a national financial publication under the category of "money market mutual funds", showing the fund's average maturity, yield, and asset size; and

(e) the fund's average maturity does not exceed 397 days.

(4) Except as provided in subsection (5), an investment authorized in this part may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

(5) An investment of the assets of a local government group self-insurance program established pursuant to 2-9-211 or 39-71-2103 in an investment authorized in this part may not have a maturity date exceeding 10 years, and the average maturity of all those authorized investments of a local government group self-insurance program may not exceed 6 years.

(6) This section may not be construed to prevent the investment of public funds under the state unified investment program established in Title 17, chapter 6, part 2.

7-6-206. Time deposits—repurchase agreement. (1) Public money not necessary for immediate use by a county, city, or town that is not invested as authorized in 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in 7-6-213. Money placed in repurchase agreements is subject to subsection (2).

(2) The local governing body may solicit bids for time or savings deposits from a bank, savings and loan association, or credit union in the state. The local governing body may deposit public money in the institutions unless a local financial institution agrees to pay the same rate of interest bid by a financial institution not located in the county, city, or town. The governing body may solicit bids by notice sent by mail to the investment institutions that have requested that their names be listed for bid notice with the department of administration.

17-6-204. Investment of local government funds. (1) The governing body of any city, county, school district, or other local government unit or political subdivision having funds which are available for investment and are not required by law or by any covenant or agreement with bondholders or others to be segregated and invested in a different manner may direct its treasurer to remit such funds to the state treasurer for investment under the direction of the board of investments as part of the pooled investment fund.

(2) A separate account, designated by name and number for each such participant in the fund, shall be kept to record individual transactions and totals of all investments belonging to each participant. A monthly report shall be furnished to each participant having a beneficial interest in the pooled investment fund, showing the changes in investments made during the preceding month. Details of any investment transaction shall be furnished to any participant upon request.

(3) The principal and accrued income, and any part thereof, of each and every account maintained for a participant in the pooled investment fund shall be subject to payment at any time from the fund upon request. Accumulated income shall be remitted to each participant at least annually.

(4) No order or warrant shall be issued upon any account for a larger amount than the principal and accrued income of the account to which it applies, and if any such order or warrant is issued, the participant receiving it shall reimburse the excess amount to the fund from any funds not otherwise appropriated, and the state treasurer shall be liable under his official bond for any amount not so reimbursed.

Investment in derivatives of the above instruments is not authorized by the City of Missoula's investment policy. (See the GFOA Recommended Practice on "Use of Derivatives by State and Local Governments," 1994.)

2. Collateralization

Where allowed by state law and in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits, collateralization will be required on non-negotiable certificates of deposit to the extent allowable by state law. (See GFOA Recommended Practices, Appendix 3.) Montana state law (7-6-207 M.C.A. and 7-6-208 M.C.A) establishes the deposit security requirements for City investments:

7-6-207. Deposit security. (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

(a) 50% of such deposits if the institution in which the deposit is made has a net worth to total assets ratio of 6% or more; or

(b) 100% if the institution in which the deposit is made has a net worth to total assets ratio of 6%. The security shall consist of those enumerated in 17-6-103 or cashier's checks issued to the depository institution by any federal reserve bank.

(2) When negotiable securities are furnished, such securities may be placed in trust. The trustee's receipt may be accepted in lieu of the actual securities when such receipt is in favor of the treasurer or town clerk and his successors. All warrants or other negotiable securities must be properly assigned or endorsed in blank. It is the duty of the appropriate governing body, upon the acceptance and approval of any of the above-mentioned bonds or securities, to make a complete minute entry of the acceptance and approval upon the record of their proceedings, and the bonds and securities shall be reapproved at least quarter-annually thereafter.

7-6-208. Substitution of deposit security. (1) Any bank, building and loan association, savings and loan association, or credit union pledging securities as provided in 7-6-207, at any time it deems advisable or desirable, may substitute like securities for all or any part of the securities pledged. The collateral so substituted shall be approved by the governing body of the county, city, or town at its next official meeting.

(2) Such securities so substituted shall at the time of substitution be at least equal in principal amount to the securities for which substitution is made. In the event that the securities so substituted are held in trust, the trustee shall, on the same day the substitution is made, forward a receipt by registered or certified mail to the county, city, or town and to the depository bank, building and loan association, savings and loan association, or credit union. The receipt shall specifically describe and identify both the securities so substituted and those released and returned to the depository bank, building and loan association, savings and loan association, or credit union.

Securities eligible for pledging to secure deposits of public funds are enumerated in 17-6-103 M.C.A.

3. *Repurchase Agreements*
Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements, (See GFOA Recommended Practices, Appendix 3.)

VI. Investment Parameters

1. *Diversification*
The investments shall be diversified by:
   - limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
   - limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and
   - continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. (See the GFOA Recommended Practice on "Diversification of Investments in a Portfolio" in Appendix 3.)

2. *Maximum Maturities*
To the extent possible, the City of Missoula shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Missoula will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with state and local statutes and ordinances. The City of Missoula shall adopt weighted average maturity limitations (which often range from 90 days to 3 years), consistent with the investment objectives. (See the GFOA Recommended Practice on “Maturities of Investments in a Portfolio” in Appendix 3.)

   Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as LGIPs, money market funds, or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

VII. Reporting

1. *Methods*
The investment officer shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner, which will allow the City of Missoula to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the investment officer, the legislative body, and any pool participants. The report will include the following:

a. Listing of individual securities held at the end of the reporting period.
b. Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
c. Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
d. Listing of investment by maturity date.
e. Percentage of the total portfolio, which each type of investment represents.

2. *Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

3. *Marking to Market*

The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools." (See GFOA Recommended Practices, Appendix 3.) In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

VIII. Policy Considerations

1. *Exemption*

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

2. *Amendments*

This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officer and any other appropriate authority, as well as the individual(s) charged with maintaining internal controls.

Appendix 1: Glossary

The following is a glossary of key investing terms, many of which appear in GFOA's Sample Investment Policy.

Accrued Interest — The accumulated interest due on a bond as of the last interest payment made by the issuer.

Agency — A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

Amortization — The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

Average Life — The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

Basis Point — A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

Bid — The indicated price at which a buyer is willing to purchase a security or commodity.

Book Value — The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

Callable Bond — A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

Call Price — The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

Call Risk — The risk to a bondholder that a bond may be redeemed prior to maturity.

Cash Sale/Purchase — A transaction that calls for delivery and payment of securities on the same day that the transaction is initiated.

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*This glossary has been adapted from an article, entitled "Investment terms for everyday use," that appeared in the April 5, 1996, issue of *Public Investor,* GFOA's subscription investment newsletter.

Collateralization — Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

Commercial Paper - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

Convexity — A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

Coupon Rate — The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

Credit Quality — The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

Credit Risk — The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

Current Yield (Current Return) — A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

Delivery Versus Payment (DVP) — A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

Derivative Security — Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

Discount — The amount by which the par value of a security exceeds the price paid for the security.

Diversification — A process of investing assets among a range of security types by sector, maturity, and quality rating.

Duration — A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

Fair Value — The amount, at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Federal Funds (Fed Funds) — Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

Federal Funds Rate — Interest rate charged by one institution lending federal funds to the other.

Government Securities — An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

Interest Rate — See "Coupon Rate."

Interest Rate Risk — The risk associated with declines or rises in interest rates, which cause an investment in a fixed-income security to increase or decrease in value.

Internal Controls — An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits require estimates and judgments by management. Internal controls should address the following points:

1. Control of collusion — Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. Separation of transaction authority from accounting and record keeping — By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. Custodial safekeeping — Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.
4. Avoidance of physical delivery securities — Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. Clear delegation of authority to subordinate staff members - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. Written confirmation of transactions for investments and wire transfers - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. Development of a wire transfer agreement with the lead bank and third-party custodian - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

Inverted Yield Curve — A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

Investment Company Act of 1940 — Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

Investment Policy — A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

Investment-grade Obligations - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

Liquidity — An asset that can be converted easily and quickly into cash.

Local Government Investment Pool (LGIP) — An investment by local governments in which their money is pooled as a method for managing local funds.

Mark-to-market — The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

Market Risk — The risk that the value of a security will rise or decline as a result of changes in market conditions.

Market Value — Current market price of a security.

Maturity — The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

Money Market Mutual Fund — Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

Mutual Fund — An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the
Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.

5. Value their portfolios on a daily basis.
6. Have all individuals who sell SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus that is updated and filed by the SEC annually.

Mutual Fund Statistical Services — Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

National Association of Securities Dealers (NASD) — A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

Net Asset Value — The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)

[(Total assets) - (Liabilities)]/(Number of shares outstanding)

No Load Fund — A mutual fund, which does not levy a sales charge on the purchase of its shares.

Nominal Yield — The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

Offer — An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

Par — Face value or principal value of a bond, typically $1,000 per bond.

Positive Yield Curve — A chart formation that illustrates short-term securities having lower yields than long-term securities.

Premium — The amount by which the price paid for a security exceeds the security's par value.

Prime Rate — A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

Principal — The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

Prospectus — A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

Prudent Person Rule — An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

Regular Way Delivery — Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

Reinvestment Risk — The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

Repurchase Agreement (repo or RP) — An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

Reverse Repurchase Agreement (Reverse Repo) — An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

Rule 2a-7 of the Investment Company Act — Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar ($1.00).

Safekeeping — Holding of assets (e.g., securities) by a financial institution.

Serial Bond — A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

Sinking Fund — Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

Swap — Trading one asset for another.

Term Bond — Bonds comprising a large part or all of a particular issue that come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

Total Return — The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period.

(Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

Treasury Bills — Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of $10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

Treasury Notes — Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from $1,000 to $1 million or more.

Treasury Bonds — Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of $1,000. Currently, the longest outstanding maturity for such securities is 30 years.

Uniform Net Capital Rule — SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

Volatility — A degree of fluctuation in the price and valuation of securities.

"Volatility Risk" Rating — A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "V-10" by Fitch).

Weighted Average Maturity (WAM) — The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

When Issued (WI) — A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

Yield — The current rate of return on an investment security generally expressed as a percentage of the security's current price.

Yield-to-call (YTC) — The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date.

Yield Curve — A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

Yield-to-maturity — The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

Zero-coupon Securities — Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

Appendix 2: Investment Pools

1. Definition

In most states, there are provisions for the creation and operation of a government investment pool. The purpose of a pool is to allow political subdivisions to pool investable funds in order to achieve a potentially higher yield.

There are basically three (3) types of pools: 1) state-run pools; 2) pools that are operated by a political subdivision where allowed by law and the political subdivision is the trustee; and 3) pools that are operated for profit by third parties. Prior to any political subdivision being involved with any type of pool, a thorough investigation of the pool and its policies and procedures must be reviewed.

2. Pool Questionnaire

Prior to entering a pool, the following questions and issues should be considered:

Securities:

Government pools may invest in a broader range of securities than an entity may invest in. It is important to be aware of, and comfortable with, the securities a pool buys. The following is a list of questions an investment officer may wish to ask a prospective pool:

1. Does the pool provide a written statement of investment policy and objectives?
2. Does the statement contain:
   a. a description of eligible investment instruments?
   b. the credit standards for investments?
   c. the allowable maturity range of investments?
   d. the maximum allowable dollar weighted average portfolio maturity?
   e. the limits of portfolio concentration permitted for each type of security?
   f. the policy on reverse repurchase agreements, options, short sales and futures?
3. Are changes in the policies communicated to the pool participants?
4. Does the pool contain only the types of securities that are permitted by your investment policy?

Interest:

Interest is not reported in a standard format, so it is important to know how interest is quoted, calculated, and distributed in order to make comparisons with other investment alternatives.

Interest Calculations:

1. Does the pool disclose the following about yield calculations:
   a. the methodology used to calculate interest? (simple maturity, yield to maturity, etc.)
   b. the frequency of interest payments?
   c. how interest is paid? (credited to principal at the end of the month, each quarter; mailed?)
   d. how are gains/losses reported? factored monthly or only when realized?

Reporting:
1. Is the yield reported to participants of the pool monthly? (If not, how often?)
2. Are expenses of the pool deducted before quoting the yield?
3. Is the yield generally in line with the market yields for other investment alternatives?
4. How often does the pool report? What information does that report include? Does it include the market value of securities?

Security:
The following questions are designed to help safeguard funds from loss of principal and loss of market value.
1. Does the pool disclose safekeeping practices?
2. Is the pool subject to audit by an independent auditor at least annually?
3. Is a copy of the audit report available to participants?
4. Who makes the portfolio decisions?
5. How does the manager monitor the credit risk of the securities in the pool?
6. Is the pool monitored by someone on the board of a separate neutral party external to the investment function to ensure compliance with written policies?
7. Does the pool have specific policies with regard to the various investment vehicles?
   a. What are the different investment alternatives?
   b. What are the policies for each type of investment?
8. Does the pool mark the portfolio to its market value?
9. Does the pool disclose the following about how portfolio securities are valued:
   a. the frequency with which the portfolio securities are valued?
   b. the method used to value the portfolio (cost, current value, or some other method)?

Operations:

The answers to these questions will help determine whether this pool meets the entity's operational requirements:
1. Does the pool limit eligible participants?
2. What entities are permitted to invest in the pool?
3. Does the pool allow multiple accounts and sub-accounts?
4. Is there a minimum or maximum account size?
5. Does the pool limit the number of transactions each month? What is the number
6. Is there a limit on transaction amounts for withdrawals and deposits?
   a. What is the minimum and maximum withdrawal amount permitted?
   b. What is the minimum and maximum deposit amount permitted?
7. How much notice is required for withdrawals/deposits?
8. What is the cutoff time for deposits and withdrawals?
9. Can withdrawals be denied?
10. Are the funds 100 percent withdrawable at anytime?
11. What are the procedures for making deposits and withdrawals?
    a. What is the paperwork required, if any?
    b. What is the wiring process?
12. Can an account remain open with a zero balance?
13. Are confirmations sent following each transaction?

Statements:

It is important for *(the designated official)* and the agency's trustee (when applicable), to receive statements monthly so the pool's records of activity and holdings are reconciled by *(the designated official)* and its trustee.

1. Are statements for each account sent to participants?
    a. What are the fees?
    b. How often are they passed?
    c. How are they paid?
    d. Are there additional fees for wiring funds? (What is the fee?)
2. Are expenses deducted before quoting the yield?

Questions to Consider for Bond Proceeds:

It is important to know (1) whether the pool accepts bond proceeds and (2) whether the pool qualifies with the U.S. Department of the Treasury as an acceptable commingled fund for arbitrage purposes.

1. Does the pool accept bond proceeds subject to arbitrage rebate?
2. Does the pool provide accounting and investment records suitable for proceeds of bond issuance subject to arbitrage rebate?
3. Will the yield calculation reported by the pool be acceptable to the IRS or will it have to be recalculated?
4. Will the pool accept transaction instructions from a trustee?
5. Are separate accounts allowed for each bond issue so that the interest earnings of funds subject to rebate are not commingled with funds not subject to regulations?

Appendix 3: GFOA Recommended Practices and Policy Statements

A complete list of the City's adopted investment practices can be found in Resolution #6301.

CITY OF MISSOULA BUDGET INCREASES FOR FY 11

REQUESTED AND FUNDED OPERATING BUDGET INCREASES

Department	Ranking	Amount	High-Funded	Medium-Not Funded	Low-Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Revenues Funded
Fire:								
Reimburse Overtime	1	476,666	476,666			476,666		476,666
Revenue Reimbursement CPR	2	11,580	11,580			11,580		11,580
Sub-total		488,246	488,246	-	-	488,246	-	488,246
Information Technologies:								
PC/Server Project	1	76,000	76,000			76,000		76,000
Sub-total		76,000	76,000	-	-	76,000	-	76,000
Police:								
Overtime-Outside Hire	1	64,962	64,962			64,962		64,962
Vacancy Officers	2	5,150	5,150				5,150	5,150
Sub-total		70,112	70,112	-	-	64,962	5,150	70,112
Public Works/Engineering:								
Office Reorganization	1	31,101	31,101				31,101	31,101
CMAQ Match	2	42,576	42,576			42,576		42,576
Bike Ambasador Program/CMAQ	3	81,642	81,642			81,642		81,642
Safe Routes to School	4	127,400	127,400			127,400		127,400
Sub-total		282,719	282,719	-	-	251,618	31,101	282,719
Non-Departmental:								
Termination Pay		25,000	25,000				25,000	25,000
Missoula Art Museum		1,698	1,698				1,698	1,698
Protective Inspection		30,000	30,000				30,000	30,000
Legislative Program		21,000	21,000				21,000	21,000
Health Insurance Addt'l $65/EE Contribution		314,925	314,925			314,925		314,925
Mailings for New Districts		10,000	10,000			10,000		10,000
Music Rights - City Band/Musical Venues		1,300	1,300				1,300	1,300
Municipal Court Review		7,000	7,000			7,000		7,000
Sub-total		410,923	410,923	-	-	331,925	78,998	410,923
General Fund Total		**1,328,000**	**1,328,000**	**-**	**-**	**1,212,751**	**115,249**	**1,328,000**
Building:								
Computer Replacement		2,100	2,100			2,100		2,100
Sub-total		2,100	2,100	-	-	2,100	-	2,100
MRA:								
Computer Replacement		5,000	5,000			5,000		5,000
Sub-total		5,000	5,000	-	-	5,000	-	5,000
Parking Commission								
Overtime		5,926	5,926			5,926		5,926
Sub-total		5,926	5,926	-	-	5,926	-	5,926
Grand Total - All Funds		**$1,341,026**	**$1,341,026**	**$ -**	**$ -**	**$1,225,777**	**$ 115,249**	**$1,341,026**

CITY OF MISSOULA BUDGET REDUCTIONS FOR FY 11

GENERAL FUND BUDGET REDUCTIONS IN BASELINE

Department	Ranking	Amount of Reduction
City Council:		
Reduction in Office Supplies	1	(400)
Reduction in Other Supplies	2	(550)
Internet for council members - 39.99 per month	3	(1,255)
Cellular telephone service reduced to $30 per month	4	(120)
Reimburse 3 members for mileage to MLCT	5	(1,930)
Reduce BBER luncheon to 3 members	6	(40)
Eliminate Misc. Training	7	(390)
Reduction in Misc. Office Supplies	8	(50)
Reduction in Business Cards	9	(100)
Reduction in MLCT Dues and Sister Cities	10	(994)
Reduction in Copier Maint. Fees	11	(100)
City Council Sub-total		(5,930)
Mayor		
Reduction in Office Supplies	1	(150)
Reduction in Operating Supplies	2	(150)
Reduction in Professional Services	3	(1,300)
Reduction in Travel	4	(4,582)
Reduction in Training	5	(1,435)
Reduction in Printing and Duplicating	6	(980)
Mayor Sub-total		(8,597)
Human Resources		
Reduction in Publicity Subscriptions & Dues	1	(419)
Reduction in Travel Budget	2	(1,575)
Reduction in Training Budget	3	(841)
Reduction in Organizational Training	4	(3,000)
Reduction in Safety Program Supplies	5	(250)
Human Resources Sub-total		(6,085)
City Clerk		
Eliminate Work Study - Neighborhood Office Assist	1	(18,240)
Reduce filings at C&R - less development	2	(500)
Scanning more/copying less	3	(1,016)
Delay forming E Msla NC and Orchard Home NC	4	(1,600)
Reduction in Legal Ad's	5	(500)
Funds not utilized	6	(100)
City Clerk Sub-total		(21,956)

GENERAL FUND BUDGET REDUCTIONS IN BASELINE

Department	Ranking	Amount of Reduction
Informational Technologies		
Reduction in Gasoline	1	(150)
Reduction in Veritas Licensing	2	(5,963)
Reduction in Communications	3	(7)
Reduction in Printing and Duplicating	4	(9)
Reduction in Office Supplies	5	(200)
Reduction in Training	6	(6,569)
Informational Technologies Sub-total		(12,898)
Municipal Court		
Reduction in Overtime	1	(1,000)
Reduction in Other Supplies	2	(3,000)
Reduction in Operating Supplies	3	(1,500)
Reduction in Professional Services	4	(4,000)
Reduction in Supplies	5	(2,000)
Reduction in Travel	6	(1,000)
Reduction in Training	7	(2,000)
Municipal Court Sub-total		(14,500)
Finance		
Reduction in Audit Support	1	(25,100)
Office Restructure	2	(17,392)
Finance Sub-total		(42,492)
Attorney		
Reduction in Legal Intern Program	1	(17,817)
Office Restructure	2	(29,125)
Attorney Sub-total		(46,942)
Engineering - Administration		
Reduce Admin Office by 1 FTE	1	(10,057)
Restructure Office (Office Manager - Admin Service)	2	(28,117)
Relocate Hazardous Vegetation Program	3	(1,580)
Workers Compensation Adjustment	4	(25,878)
Engineering Sub-total		(65,632)
Vehicle Maintenance		
Reduction of Service Assistant to .5 FTE	1	(20,984)
Vehicle Maintenance Sub-total		(20,984)

GENERAL FUND BUDGET REDUCTIONS IN BASELINE

Department	Ranking	Amount of Reduction
Police		
Eliminate 2 Traffic Officer positions	1	(203,783)
Civilianize the Crime Analyst position	2	(30,783)
Replace Desk Sergeant w / .5 FTE call in Specialist	4	(81,939)
Police Sub-total		(316,505)
Fire		
Vacancy Savings	1	(19,907)
Fire Sub-total		(19,907)
Cemetery		
Health Insurance for 4 Employees	1	(11,400)
Cemetery Sub-total		(11,400)
Parks		
Vacancy in Custodial Staff for Parks/Currents	1	(6,168)
Department Reorganization	2	(60,718)
Parks Sub-total		(66,886)
Non-Departmental		
Aging Services	1	(2,450)
Alternative Dispute Resolution	2	(150)
Animal Control	3	(4,719)
City Band	4	(120)
Community Service	5	(816)
Liability and Property Insurance	6	(88,300)
Contingency	7	(500)
Cultural Council	8	(850)
Economic Development	9	(400)
Health Department	10	(22,363)
International Choir Festival	11	(3,000)
Missoula Ravalli Transportation	12	(220)
OPG	13	(72,384)
Partnership Health Center	14	(868)
Pest Management	15	(60)
SID Assessments	16	(2,560)
Aquatics Subsidy	17	(25,021)
Non-Departmental Sub-total		(224,781)
Grand Total - All Funds		**(885,495)**
REVENUE OFFSETS		
Engineering - Admin		(41,871)
Streets		(209,381)
Fire		(161,262)
Revenue offset Sub-total		(412,514)
Total Reductions and Revenue Offsets;		**$ (1,298,009)**

CORE EQUIPMENT REPLACEMENT SCHEDULE--ALL

UNIT #	VEHICLE DESCRIPTION	YEAR	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
	ADMIN. DEPARTMENTS							
800	TOYOTA PRIUS							
802	MERCURY MARINER	2008	6,550	6,550	6,550	6,550	6,550	6,550
885	DODGE DURANGO2	2001	-	-	25,000	-	-	-
890	FORD RANGER (MCAT)							
2	TOTAL UNITS		6,550	6,550	31,550	6,550	6,550	6,550
	ENGINEERING DIVISION							
503	JEEP GRAND CHEROKEE	2005					30,000	
504	DODGE 1\2 TON 4WHL	2001			30,000			
505	JEEP LIBERTY	2006						30,000
508	GMC 2500 4WL DR	2006				35,000		
509	CHEVROLET IMPALA	2007						
510	GMC COLORADO	2005					30,000	
511	GMC SIERRA 2500	2008						
512	CHEVROLET COLORADO	2005					25,000	
572	FORD RANGER	2000		-	25,000			
	SEWER TAP COMPRESSORS (3)				4,500			4,500
8	TOTAL UNITS		-	-	59,500	35,000	85,000	34,500
	POLICE DEPARTMENT							
7	CHEVROLET G30 VAN	2004						45,000
9	DODGE INTREPID	1997		25,000	-			
10	CHEVROLET TAHOE	2002				35,000		
11	CHEVROLET IMPALA	2004						25,000
12	CHEVROLET IMPALA	2004					25,000	
20	DODGE DAKOTA PICKUP	2010						
26	CHEVY VAN	2005			35,000			
30	DODGE INTREPID	2001		25,000				
35	FORD CROWN VIC	2005	38,000			38,000		
39	BUICK CENTURY	2003		25,000				
42	FORD EXPEDITION	2005	-		40,000			
43	DODGE CHARGER	2010				38,000		
44	DODGE CHARGER	2010	-			38,000		
45	DODGE CHARGER	2010				38,000		
46	DODGE CHARGER	2010				38,000		
47	DODGE CHARGER	2010				38,000		
1365	HONDA	2008		22,000				22,000
1366	HONDA	2008		22,000				22,000
1367	HONDA	2008		22,000				22,000
1373	BMW	2009				22,000		
1374	BMW	2009				22,000		
1375	BMW	2009				22,000		
6699	FORD TAURUS	2005				25,000		
8033	CHEVROLET IMPALA	2007						
8040	FORD F150 CREW CAB	2007						
8052	FORD CROWN VIC	2008		38,000			38,000	
8059	CHEVROLET IMPALA	2008						
8060	CHEVROLET IMPALA	2008						
8061	DODGE CHARGER	2009	-		38,000			38,000
8062	DODGE CHARGER	2009	-		38,000			38,000
8063	DODGE CHARGER	2009	-		38,000			38,000
8064	DODGE CHARGER	2009	-		38,000			38,000
8065	DODGE CHARGER	2009			38,000			38,000
8066	DODGE CHARGER	2009	-		38,000			38,000
8071	TOYOTA HIGHLANDER	2009						
8082	FORD CROWN VIC	2009		-	38,000		-	38,000
8088	MALIBU HYBRID	2009		-			-	
8089	MALIBU HYBRID	2009						
8090	MALIBU HYBRID	2009						
8161	FORD CROWN VIC	2008		38,000			38,000	
8162	FORD CROWN VIC	2008	38,000			38,000		
8163	FORD CROWN VIC	2008	38,000			38,000		
8164	FORD CROWN VIC	2008	38,000			38,000		
8165	FORD CROWN VIC	2008	38,000			38,000		
8166	FORD CROWN VIC	2008	38,000			38,000		
8494	FORD EXPEDITION	2006					40,000	
46	TOTAL UNITS		228,000	217,000	341,000	544,000	141,000	402,000

	FIRE DEPARTMENT							
NV3	BOAT TRAILER	2001						
NV1	RESCUE BOAT (15 YR)	2001						
CT1	MOBILE CASCADE SYSTEM	1997					26,000	
CAT	CATARAFT TUBES	2002						
3227	FIRE ENGINE (TYPE 1)	2003						
2341	FIRE ENGINE (TYPE 1)	2002						
1380	FIRE ENGINE (TYPE 1)	1999		420,000				
1373	FIRE ENGINE (TYPE 1)	1999		-	420,000			
1430	FIRE ENGINE (TYPE 1)	1990						
1994	FIRE ENGINE (TYPE 1)	1979						
9021	LADDER TRUCK	1999						
1419	LADDER TRUCK	1990		1,020,500		-		
4197	WATER TENDER (20 YR)	2001						
8685	WILD LAND ENGINE (TYPE 2)	1999					250,000	
9098	WILD LAND ENGINE (TYPE 6)	2000	-	75,000				
3361	WILD LAND ENGINE (TYPE 6)	1999						
5803	COMMAND VEHICLE	2007					50,000	
6664	FIRE ENGINE - STATION 5	2006						
7237	WILD LAND ENGINE - STATION 5	2007						
	GENERATORS							
	SCOTT CGI	N\A		2,500				2,500
	REPLACEMENT SENSORS			750		750		750
	CALIBRATION GAS		150	150	150	150	150	150
	PROBES, FILTERS			150	150	150	150	150
	CGI & THERMAL IMAGE BATTERIES		180	180	180	180	180	180
	SCBA (15 YRS)-grant supported		323,000			-		
	THERMAL IMAGERS (6 YRS)		11,000		22,000		11,000	
	TRAINING MANNEQUIN (5 YRS)	2004					7,950	
	DEFIBRILLATORS (10 YRS)	2002	45,000	30,000				
	AIRWAY MGMT TRAINER (3 YRS)	2004	1,900			2,100		
	HAND HELD RADIOS (60)			20,000	20,000	20,000	20,000	20,000
	MOBILE RADIOS (30)			15,000	15,000	15,000	15,000	15,000
	COLOR LASERJET PRINTER (6 YRS)	2000		2,000				
	SCBA EQUIPMENT GRANT		(258,400)					
37	**TOTAL UNITS**		**122,830**	**1,586,230**	**477,480**	**38,330**	**380,430**	**38,730**
	FIRE ADMINISTRATION							
902	CHEVROLET IMPALA	2007						
903	CHEVROLET UPLANDER	2006						30,000
906	CHEVROLET COLORADO	2005					30,000	
909	TOYOTA PRIUS	2009						
908	FORD RANGER	2006			-			30,000
911	DODGE D250 4WHL	2001	-		25,000			
912	FORD F 250	2006						35,000
7	**TOTAL UNITS**		**-**	**-**	**25,000**	**-**	**30,000**	**95,000**
	STREET DIVISION							
101	GMC EXT CAB 1/2 TON	2003			-	25,000		
102	GMC EXT CAB 1/2 TON	2005					25,000	
103	GMC EXT CAB 1/2 TON	2006						25,000
104	DODGE 3/4 TON	2002			-	35,000		
105	CHEVY 1 TON DEICER UNIT	2000			40,000			
108	DODGE 1 TON / LIFT GATE	1996		40,000				
111	FORD F350 CREW CAB	2007						
112	JOHNSTON 650	2007		185,000			185,000	
113	JOHNSTON 650	2007		185,000			185,000	
114	JOHNSTON 650-85% federal support	2006	185,000			185,000		185,000
116	JOHNSTON 650-85% federal support	2006	185,000				185,000	
120	ELGIN BROOM BEAR	2005			185,000			
121	FORD TANDEM AXLE	1983		45,000				
122	CAT	2006						
123	CAT	1982				225,000		
128	IH SINGLE AXLE	1991						
129	IH SINGLE AXLE	1991						
130	FORD SINGLE AXLE	1996		115,000				
131	IH TANDEM AXLE	2009						
132	I.H. TANDEM AXLE	2007						
133	STERLING	2002					130,000	
134	STERLING	2002	-	130,000			130,000	
136	FREIGHTLINER FLUSHER	2010						170,000
138	I.H. 7400	2007						170,000
139	IH TANDEM AXLE	2009						
140	STERLING TANDEM AXLE	2002				130,000		

141	JOHN DEERE	1990	-					
143	ROSCO SPR-H	1997						
145	BARBER GREENE	1995	-			180,000		
146	CAT	1996		-	130,000	-		
147	CAT	1996		-	130,000	-		
149	CAT	2006						
150	BOMAG	2003						
154	CAT	2004						
167	FORD SINGLE AXLE	1997	-	115,000				
168	FORD SINGLE AXLE	1997		115,000				
169	FORD SINGLE AXLE	1997		115,000				
171	BOBCAT	1996			52,000			
174	FORD F800	1994				120,000		
175	FORD\ROSCO	1996		-		155,000		
176	STERLING	2001				120,000		
177	STERLING	2005						
178	IH 7400 SINGLE AXLE	2006						
179	FREIGHTLINER	2009						
180	FREIGHTLINER	2009						
181	FREIGHTLINER	2009						
196	CATERPILLAR PS 150B	2001						80,000
197	DYNAPACK CP132 9	2001						80,000
198	CIMLINE CRACK SEALER	2005						
T-100	TRAIL KING	1994						41,000
T102	WALTON	1994						-
T-105	TOW MASTER	1997						
T-145	ECONOLINE	2003	-	30,000				
P128	FALLS	2008						
P130	SCHMIDT	1986						
P164	SCHMIDT	1986		16,000				
P165	SCHMIDT	1986		16,000				
P167	SCHMIDT	1992						
P168	SCHMIDT	1992				16,000		
P169	SCHMIDT HSP4210POLLY	2007						
P176	SCHMIDT	2002						
P177	SCHMIDT	2004						
P178	SCHMIDT	2006						
CS150	NORTON CLIPPER	2005						
	SANDERS	7 TOTAL	10,000		9,000		10,000	
	ASPHALT WACKIER	4 TOTAL	5,000		5,000		5,000	
	DEICER UNITS	7 TOTAL		7,500		7,500		7,500
	FEDERAL TRANSPORTAION PORTION		(314,500)					
67	TOTAL UNITS		**70,500**	**1,114,500**	**551,000**	**1,198,500**	**855,000**	**758,500**
	VEHICLE MAINT. DIVISION			-				
702	HYSTER				25,000			
777	CAT - OLYMPIAN						70,000	
2	**TOTAL UNITS**		**-**	**-**	**25,000**	**-**	**70,000**	**-**
	TRAFFIC DIVISION							
562	GRACO PAINT SPRAYER	1996		5,000				
563	ARTIC CAT ATV	2004			12,000			
573	DODGE GRAND CARAVAN	2005					25,000	
581	CHEVY PICKUP	1997						
583	CHEVY PICKUP	1994	-		-			
584	SMART TRAILER	1994		-	16,000			
590	CHEVY PICKUP	2004			-	24,000		
591	LONG CHIH	2002				-	16,000	
	SMALL SNOW EQUIPMENT		-	7,000				
560	FORD ECONO VAN	1987				175,000		
585	FREIGHTLINER AERIAL LIFT	1997		-	150,000			
589	GMC	2002				-	48,000	
11	**TOTAL UNITS**		**-**	**12,000**	**178,000**	**199,000**	**89,000**	**-**

	Description	Year						
	PARKS DEPARTMENT							
201	DODGE DURANGO	1999	-		25,000			
205	DODGE DAKOTA PICKUP	1998				25,000		
211	POLARIS 6X6 UTV	2008						
217	S10 CHEVY	1989		25,000				
243	CHEVY PICKUP	2000		-				30,000
265	CHEVROLET ¾ TON PICKUP	1999	-					30,000
283	CHEVY 3/4 TON PICKUP	1998					30,000	
285	CHEVY 3/4 TON PICKUP	1999		-				30,000
	WEED EATERS	3 PER	1,300	1,300	1,300	1,300	1,300	1,300
	HAND PUSH MOWERS	2 PER		1,700		1,700		1,700
209	BABB TRAILER W/ PRESSURE WASHER	2007						
214	CASE 580L	1998						
224	JOHN DEERE TRACTOR 6310	2001					65,000	-
246	FORD F700 AERIAL LIFT TRUCK	2002				150,000		
252	MITSUBISHI (MINI TRUCK)	1998					15,000	
253	HONDA (MINI TRUCK)	2000					15,000	
255	MITSUBISHI (MINI TRUCK)	1996					15,000	
256	LAND PRIDE SEETER	2009						
262	TORO	2004			-		90,000	
264	ARTIC CAT ATV	2001		8,000				
272	GMC SIERRA PICKUP	2004						
275	JOHN DEERE 1445	2006				26,000		
276	JOHN DEERE 1445	2005			26,000			-
278	425 JOHN DEERE TRACTOR	1998	-					
282	TORO 580D MOWER	2000				90,000	-	
286	TORO 580D MOWER	2006						
287	KUBOTA UTV	2006						
289	KUBOTA UTV	2006						
292	JOHN DEERE F 1145 MOWER	2000	-	26,000			-	
298	JOHN DEERE 1445	2007						-
T202	B-WELDING TRAILER	1982		-			10,000	
T203	B-WELDING TRAILER	2000					10,000	
T204	SPORT LAND TRAILER	2005						
T205	SPORT LAND TRAILER	2005						
T206	SPORT LAND TRAILER	2006						
T207	UTILITY TRAILER	2005						
T208	UTILITY TRAILER	2005						
T210	TOW MASTER	1993			15,000			
T211	TITAN 16' TRAILER	2005				15,000		
T214	REDMAX 12 TON TRAILER	1995					15,000	
T215	TRAILER ?	2006					-	
T262	PJ TRAILER	2003						
373A	AERA-VATOR	1995		7,000				
55337	JACOBSEN SEEDER\AERATOR	1982						
44	**TOTAL UNITS**		1,300	69,000	67,300	309,000	266,300	93,000
	Total General		**429,180**	**3,005,280**	**1,755,830**	**2,330,380**	**1,923,280**	**1,428,280**

	CEMETERY							
601	CASE 580 CKB	1974					56000	
602	SUL AIR COMPRESSOR	1979						38000
604	TORO WALK BEHIND	2002						
608	HUSTLER \ ATTACHMENTS	2002		40000				
609	HUSTLER \ ATTACHMENTS	2001		40000				
610	POLARIS RANGER	2002			16000			
613	JOHN DEERE	2007						
614	KUBOTA	2004				16000		
615	HUSTLER \ ATTACHMENTS	2004			40000			
616	PROCORE 880	2004				30000		
618	HUSTLER \ ATTACHMENTS	2007						
698	KAWASAKI MULE	2001			16000			
	REPLACEMENT MOWER DECKS							
13	**TOTAL UNITS**		**-**	**80,000**	**72,000**	**46,000**	**56,000**	**38,000**
	PARKING COMM.							
858	CHEVROLET 3500	1995	-	30,000				
866	GO-4	2003	28,000					
867	GO-4	2006				28,000		
868	GO-4	2006				28,000		
869	GO-4	2008				-	28,000	
870	GMC	2005					30,000	
871	JOHN DEERE GATOR	2005			18,000			
872	GMC SIERRA	2008			18,000			
8	**TOTAL UNITS**		**28,000**	**30,000**	**36,000**	**56,000**	**58,000**	**-**
	WWT DIVISION							
302	FORD FUSION HYBRID	2010						
310	CAT 416 D LOADER BACKHOE	2005						
314	GMC SIERRA 3500	2004	-		45,000	-		
316	DOOSAN FORKLIFT	2006	-					
321	IH TANDEM VAC-CON	2002	370,000					
322	CHEVROLET	2010				25,000		
323	IH	1988						
324	CHEVY 1 TON	2004						
325	FORD RANGER	2007	25,000		-		25,000	-
326	CHEVROLET	2010				25,000		
329	FORD LNT 8000 (JETTER	1995						
328	IH AQUATEC	2008					270,000	
330	INGERSOLL RAND	1988		18,000				
332	FREIGHTLINER	1997	-	200,000				
334	CHEVROLET HYBRID	2006	34,000				34,000	
335	SECA JETTER UNIT	2004				200,000		
336	FORD F350	2008		40,000				40,000
337	FORD F350	2008		40,000				40,000
338	FORD F350	2008		40,000				40,000
339	FORD F350	2008		40,000				40,000
375	FORD 4" PUMP	1950						
381	COMC 3" PUMP	1951						
385	LANDA PRESSURE WASH	1986						
387	OLYMPIAN GENERATOR	1999			41,000			
388	OLYMPIAN GENERATOR	1999			41,000			
390	OLYMPIAN GENERATOR	2002			41,000			
392	SULLAIR 210H COMPRESSOR	2005				38,000		
NV6	NASHUA TRAILER	1957						
T301	RETTIG UTILITY TRAILER	1999					6,500	
T329	SECA JETTER UNIT	1995						
30	**TOTAL UNITS**		**429,000**	**378,000**	**168,000**	**288,000**	**335,500**	**160,000**
	BUILDING DIVISION							
401	FORD RANGER EXT CAB	2004	-	25,000		-	25,000	25,000
403	CHEVROLET COLORADO	2005			-	25,000	-	
405	CHEVROLET COLORADO	2005			25,000			
406	FORD RANGER EXT CAB	2004		-	25,000			
407	CHEVROLET COLORADO	2005		-	25,000			
408	FORD RANGER EXT CAB	2004	-	25,000		-	25,000	-
410	DODGE EXT CAB PICKUP	2002	-	25,000		-	25,000	-
7	**TOTAL UNITS**		**-**	**75,000**	**75,000**	**25,000**	**75,000**	**25,000**
	GRAND TOTALS		**886,180**	**3,568,280**	**2,106,830**	**2,745,380**	**2,447,780**	**1,651,280**

All CIP Projects in Project Type Order

******* FY 2011 TO FY 2015CAPITAL BUDGET ********

	DEPT.	FY 11 NO.	FY 10 NO.	FY 09 NO.	FUNDING REQUIRED YES/NO	FY-11 RANK	TOTAL	TOTAL PROJECT COSTS FY 11	FY 12	FY13	FY14	FY15
Earmarked Expenditures:												
White Pine Debt Service Series 2001A ($1.6M)	Public Works	CS-01	CS-01	CS-01	YES	NR	$ 669,561	$ 132,130	$ 133,330	$ 134,208	$ 134,798	$ 135,095
FY2005 Art Museum Debt Service	Art Museum	CS-01	CS-01	CS-01	YES	NR	155,712	36,356	40,192	39,790	39,374	-
Council Chambers/MRA Debt Service 2006B ($1.1 M)	Council/MRA	CS-01	CS-01	CS-01	YES	NR	424,901	86,848	84,935	83,023	86,110	83,985
Aquatics - General Fund Debt Service2006C ($1.86 M)	Parks & Rec	CS-01	CS-01	CS-01	YES	NR	661,890	129,779	132,242	134,523	131,623	133,723
Fire Station #4 - General Fund Debt Serv. 2007A ($680K)	Fire	CS-01	CS-01	CS-01	YES	NR	260,895	54,435	53,325	52,215	51,045	49,875
50 Meter Pool - Gen. Fund Debt Serv. ($800 K estimated)	Parks & Rec	CS-01	CS-01	CS-01	YES	NR	302,926	59,855	58,790	62,710	61,433	60,138
Internally Financed Equipment - owed to CIP	IS	CS-02	CS-01	CS-01	YES	NR	798,385	159,677	159,677	159,677	159,677	159,677
CIP CORE Replacement Equipment - only FY 09 & 10	All General Fund	CS-03	CS-02	CS-02	YES	NR	1,018,049	157,405	215,161	215,161	215,161	215,161
City Shop Oil Dispenser System	VM	CS-04	CS-03	CS-18		40	18,000	-	-	-	18,000	-
Central Maintenance Vehicle and Equipment Storage Bldg - financed	VM	CS-05	CS-04	CS-25		44	1,505,933	-	-	270,000	438,802	797,131
Street Materials Storage Site - Missoula Southside	PW	CS-06	CS-06	CS-26		NR	320,000	-	-	-	20,000	300,000
Upper Gharrett Drainge Improvements	PW	CS-07	CS-07	CS-16		NR	200,000	-	-	-	-	200,000
Grant Creek Drainage Improvements	PW	CS-08	CS-08	CS-17		34	450,000	-	-	-	50,000	400,000
Front Street Parking Structure	PC	CS-09	CS-09	N/A		50	8,200,000	8,200,000	-	-	-	-
Central Maintenance Security Fence	VM	CS-10	CS-11	CS-24		27	62,400	16,400	-	46,000	-	-
Central Maintenance Landscaping	VM	CS-11	CS-11	CS-24		27	30,000	-	-	30,000	-	-
City Shop Tools and Hoists	VM	CS-12	CS-12	CS-14		42	53,000	-	-	15,000	38,000	-
Cregg Lane/Wyoming St Connection	MRA	CS-13	NA			45	7,000,000	7,000,000	-	-	-	-
Hillview Way Storm Drain Upsizing	PW	CS-14	CS-14	CS-21		47	17,500	-	17,500	-	-	-
Flood Control Works Maintenance	PW	CS-15	CS-16	N/A		NR	200,000	-	-	-	200,000	-
URD II Curb/Sidewalks Commercial Corridor	MRA	CS-16	NA	N/A		42	410,000	410,000	-	-	-	-
URD III Residential Curbs-Sidewalks Ph II	MRA	CS-17	CS-29	N/A		42	1,356,000	300,000	435,000	621,000	-	-
Two-Way Front and Main Sts Traffic Flow Project	PW	CS-18	CS-18	CS-20		41	1,000,000	200,000	-	-	800,000	-
Aerial Orthhophotography Update	PW	CS-19	CS-19	CS-12		33	66,800	-	-	66,800	-	-
URD II West Broadway Corridor Improvements	MRA	CS-20	CS-20	CS-03		45	500,000	100,000	100,000	100,000	100,000	100,000
URD III Streetscape Improvements	MRA	CS-21	CS-21	CS-04		42	85,000	85,000	-	-	-	-
Central Parking Ramp Expansion	Parking Com	CS-22	CS-22	CS-05		19	2,000,000	-	-	-	2,000,000	-
Riverfront Triangle Parking Structure	Parking Com	CS-23	CS-23	CS-06		31	9,500,000	9,500,000	-	-	-	-
Waterproofing Parking Structures	Parking Com	CS-24	CS-24	CS-07		31	300,000	300,000	-	-	-	-
Energy Savings Performance Contracting	Veh. Mtc.	CS-25	CS-25	N/A		52	143,400	143,400	-	-	-	-
Railroad Quiet Zone Estblishment	PW	CS-26	CS-27	CS-27		31	330,000	-	-	30,000	300,000	-
URD II Curb/Sidewalk Improvements	MRA	CS-27	CS-28	N/A		42	216,200	216,200	-	-	-	-
URD II Street Tree-Landscape Project	MRA	CS-28	N/A	N/A		42	94,000	94,000	-	-	-	-
Mountian Line Bus Stop	Mtn Line	CS-29	CS-17			21	18,750	-	-	18,750	-	-
E. Main Street Parking Structure	PC	CS-30				47	6,000,000	6,000,000	-	-	-	-
Aquatics CIP Plan for Splash & Currents	Parks & Rec	PR-01	PR-02			44	2,331,000	150,000	131,000	550,000	1,500,000	-
Bicycle Commuter Network-Pending CTEP Projects	Parks & Rec	PR-02	PR-03	PR-05		49	3,802,247	420,732	212,998	199,000	1,341,077	1,628,440
Fort Missoula Regional Park	Parks & Rec	PR-03	PR-04	PR-13		48	6,000,000	-	-	6,000,000	-	-
Grant Creek Trail	Parks & Rec	PR-04	PR-05	PR-06		49	1,031,000	577,000	454,000	-	-	-
Park Maintenance & Replacement Program	Parks & Rec	PR-05	PR-06	PR-08		44	750,000	-	-	250,000	250,000	250,000
McCormick Park Site Plan	Parks & Rec	PR-06	PR-07	PR-14		24	7,675,000	-	-	150,000	500,000	7,025,000
New & Expanded Park Development per MPP & NHD	Parks & Rec	PR-07	PR-09	PR-11		49	430,000	70,000	90,000	90,000	90,000	90,000
Playfair Park Site Plan, Design, Renovation	Parks & Rec	PR-08	PR-10	PR-15		53	1,250,000	-	-	150,000	550,000	550,000
White Pine Park	Parks & Rec	PR-09	PR-20	PR-12		53	126,500	-	126,500	-	-	-
URD II Silver Park & Millsite Trail System	MRA	PR-10	PR-21	PR-02		53	1,026,500	1,026,500	-	-	-	-
River Bank Restoration and Flood Control	MRA	PR-11	PR-22			48	7,692,000	1,757,000	5,935,000	-	-	-
URD III Trail Connections	MRA	PR-12	PR-23	PR-01		45	450,000	50,000	-	-	400,000	-
Public Service Commission Mandated meter conversion	Parks & Rec	PR-13	PR-24			51	129,000	43,000	86,000	-	-	-
Recreation/Aquatics Buses	Parks & Rec	PR-14	PR-16	PR-20		46	70,000	-	-	70,000	-	-

Fire Hydrants	Fire	PS-01	PS-01	PS-02		48	121,000	-	-	40,000	40,000	41,000
Fire Station #6 Land Purchase	Fire	PS-02	PS-02	PS-03		42	300,000	-	-	300,000	-	-
SCBA Replacements	Fire	PS-03				47	323,000	323,000	-	-	-	-
Neighborhood Initiated Traffic Calming	PW	S-01	S-01	S-18		46	275,000	55,000	55,000	55,000	55,000	55,000
Craig Lane/Orange St Traffic Signal and MRL Bridge	PW	S-02				41	200,000	-	-	-	200,000	-
Epoxy Bike Lane Striping	PW	S-03				39	60,789	60,789	-	-	-	-
Lower Miller Creek Rd Reconstruction(LV Blvd-Big Fork Rd)	PW	S-04	S-04	S-02		NR	837,500	837,500	-	-	-	-
South 3rd Street Reconstruction (Russell to Reserve)	PW	S-05	S-05	S-01		49	1,500,000	-	500,000	500,000	500,000	-
Safe Routes to School Phases III & IV	PW	S-06				47	56,000	-	56,000	-	-	-
Rattlesnake Drive Sidewalk(Brookside to Creek Crossing)	PW	S-07	S-07	S-06		41	295,000	295,000	-	-	-	-
Transportation Impact Fee Funded Projects	PW	S-08	S-08	S-19		46	1,773,000	393,000	250,000	250,000	780,000	100,000
Eldora Lane Drainage Improvements	PW	S-09	S-09	S-14		36	120,000	120,000	-	-	-	-
Master Sidewalk Plan Implementation Phase 1	PW	S-10	S-10	S-10		49	159,000	-	159,000	-	-	-
Duncan/Greenough Dr Reconstruction	PW	S-11	S-11	S-11		NR	800,000	-	-	-	800,000	-
Hillview Way Street Improvements	PW	S-12				41	3,000,000	-	3,000,000	-	-	-
Bellevue Park Curb and Sidewalk Improvements	PW	S-13	S-13	S-09		36	120,000	-	120,000	-	-	-
Lower Miller Cr Rd Reconstruction Phases III throught VIII	PW	S-14				42	1,241,400	-	-	-	588,100	653,300
Gravel Street Paving	PW	S-15	S-15	S-20		41	870,000	-	170,000	700,000	-	-
Mullan and George Elmer Drive Intersection Signal	PW	S-16				34	-	-	-	-	-	-
VanBuren Street Reconstruction	PW	S-17	S-17	S-13		33	1,000,000	-	-	-	-	1,000,000
Street Improvement and Major Maintenance Program	PW	S-18	S-18	S-21		46	5,300,000	1,000,000	1,000,000	1,050,000	1,100,000	1,150,000
Annual Sidewalk Installation/Replacement Program	PW	S-19	S-19	S-08		49	3,175,000	635,000	635,000	635,000	635,000	635,000
Neighborhoood Infrastructure Street Improvements	PW	S-20	S-20	S-17		45	700,000	140,000	140,000	140,000	140,000	140,000
Miller Cr Interceptor Sewer& Road Construction (Briggs to Y)	WW	WW-01	WW-03	WW-03		49	3,015,000	3,015,000	-	-	-	-
Wastewater Facility Headworks & Odor Control Project	WW	WW-02	WW-04	WW-02		40	10,500,000	10,500,000	-	-	-	-
Airport Interceptor PhII & Wye Collection System	WW	WW-03	WW-05	WW-07		48	2,050,000	50,000	1,000,000	1,000,000	-	-
Hybrid Poplar Tree Effluent Land Application Project	WW	WW-04	WW-06	WW-08		52	1,030,000	-	-	30,000	-	1,000,000
Sewer Pipe Rehabilitation Program	WW	WW-05	WW-07	WW-09		45	750,000	100,000	100,000	150,000	200,000	200,000
Russell Street Interceptor (6th-Idaho)	WW	WW-06	WW-08	WW-05		45	1,050,000	50,000	1,000,000	-	-	-
Sewer Lift Station Upgrade & Rehabilitation	WW	WW-07	WW-09	WW-10		40	700,000	70,000	450,000	180,000	-	-
							$ 118,454,238	$ 55,120,006	$ 17,100,650	$ 14,567,857	$ 14,513,200	$ 17,152,525