

## OVERVIEW OF BUDGETED RESOURCES

### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Budgeted July 1, 2009 through June 30, 2010 (FY 10)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Fund Balance/Net assets-July 1, 2009	\$ 900,388	\$ 3,833,233	\$ 3,654,339	\$ (4,728,035)	\$ 77,631,118	\$ 2,278,147	\$ -	\$ 14,092,031	\$ 97,661,221
<b>Estimated Revenues</b>									
Taxes & Assessments	19,419,245	4,122,500	1,828,283	-	-	-	-	2,769,176	28,139,204
Licenses & Permits	1,242,824	1,362,478	-	-	-	-	-	-	2,605,302
Intergovernmental	10,556,001	6,386,887	-	-	1,052,100	37,700	-	783,622	18,816,310
Charges for Services	4,275,777	405,631	-	-	7,992,066	-	-	1,000,000	13,673,474
Fines & Forfeitures	1,088,821	28,000	-	-	-	-	-	270,000	1,386,821
Miscellaneous	164,600	1,283,837	2,571,610	138,722	3,798,813	-	-	45,250	8,002,832
Investment Earnings	300,000	3,000	-	-	-	-	-	221,000	524,000
Long Term Debt proceeds	-	110,696	-	-	-	-	-	-	110,696
Transfers In/Other Financing	4,257,164	-	-	712,294	15,481,316	3,560,288	-	3,053,498	27,064,560
Total Estimated Revenues	41,304,432	13,703,029	4,399,893	851,016	28,324,295	3,597,988	-	8,142,546	100,323,199
<b>Budgeted Expenditures</b>									
General Government	7,104,983	957,638	-	-	-	4,082,293	-	-	12,144,914
Public Safety	21,835,646	2,209,475	-	-	-	-	-	-	24,045,121
Public Works	7,134,069	553,051	-	-	22,342,598	-	-	1,712,165	31,741,883
Public Health	1,400,390	-	-	-	-	-	-	-	1,400,390
Social and Economic Services	118,450	-	-	-	-	-	-	-	118,450
Culture and Recreation	3,427,901	475,000	-	-	-	-	-	-	3,902,901
Housing & Community Devel.	-	2,665,946	-	-	-	-	-	5,876,175	8,542,121
Debt Service	-	-	4,067,195	-	-	-	-	265,125	4,332,320
Internal Service	-	-	-	-	-	-	-	-	-
Capital Outlay	-	5,774,731	-	1,656,665	-	-	-	3,738,316	11,169,712
Transfers Out/Other Financing	937,335	3,766,525	275,241	-	6,662,921	-	-	115,301	12,757,323
Total Budgeted Expenditures	41,958,774	16,402,366	4,342,436	1,656,665	29,005,519	4,082,293	-	12,707,082	110,155,135
Projected Change in Fund Balance/Net assets	(654,342)	(2,699,337)	57,457	(805,649)	(681,224)	(484,305)	-	(4,564,536)	(9,831,936)
Anticipated Exp. Savings	654,342								654,342
Projected Ending Fund Balance/Net assets-June 30, 2010	\$ 900,388	\$ 1,133,896	\$ 3,711,796	\$ (5,533,684)	\$ 76,949,894	\$ 1,793,842	\$ -	\$ 9,527,495	\$ 88,483,627

## OVERVIEW OF BUDGETED RESOURCES

### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Actual July 1, 2008 through June 30, 2009 (FY 09)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
<b>Revenues</b>									
Taxes & Assessments	18,477,296	3,638,416	4,533,975	-	-	-	-	2,687,166	29,336,853
Licenses & Permits	1,180,657	1,573,047	-	-	-	-	-	-	2,753,704
Intergovernmental	10,123,957	3,595,122	-	56,484	1,435	-	-	-	13,776,998
Charges for Services	3,568,065	262,953	-	-	7,681,591	4,192,755	36,885	-	15,742,249
Fines & Forfeitures	1,086,994	43,183	-	-	-	-	1813,716	-	2,943,893
Miscellaneous	211,776	117,049	-	920,284	2,405	-	-	-	1251,514
Investment Earnings	107,986	26,013	103,279	(80,756)	-	-	-	-	156,522
<b>Total Revenues</b>	<b>34,756,731</b>	<b>9,255,783</b>	<b>4,637,254</b>	<b>896,012</b>	<b>7,685,431</b>	<b>4,192,755</b>	<b>1,850,601</b>	<b>2,687,166</b>	<b>65,961,733</b>
<b>Expenditures</b>									
General Government	7,291,495	373,778	-	6,534	-	-	-	-	7,671,807
Public Safety	20,292,803	1,376,236	-	-	-	-	1,860,378	-	23,529,417
Public Works	6,326,178	298,633	-	-	6,107,083	-	9,132	1,647,186	14,388,212
Public Health	1,404,043	-	-	-	-	-	10,395	-	1414,438
Social and economic services	118,450	-	-	-	-	-	-	-	118,450
Culture and recreation	3,231,729	46,346	-	-	1,450,991	-	-	-	4,729,066
Housing & Community Development	-	1,193,372	-	-	-	-	-	1,164,466	2,357,838
Miscellaneous	-	-	-	-	-	-	-	-	-
Debt Service	-	-	4,196,220	506,606	-	-	-	265,100	4,967,926
Capital Outlay	208,801	1,152,010	-	4,041,174	-	-	-	121,479	5,523,464
Business-type	-	-	-	-	-	4,011,227	-	-	4,011,227
<b>Total Expenditures</b>	<b>38,873,499</b>	<b>4,440,375</b>	<b>4,196,220</b>	<b>4,554,314</b>	<b>7,558,074</b>	<b>4,011,227</b>	<b>1,879,905</b>	<b>3,198,231</b>	<b>68,711,845</b>
<b>Other Financing Sources (Uses)</b>									
Transfers In	4,580,071	-	199,544	564,296	168,000	61,036	-	1,031,225	6,604,173
Transfers Out	(764,988)	(4,192,777)	(161,812)	(162,732)	(290,637)	-	-	-	(5,572,946)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-	-
Proceeds from LT Debt	-	-	-	-	-	-	-	-	-
Sale of Fixed Assets	-	2,093	-	-	-	-	-	-	2,093
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	766,110	-	-	-	766,110
Contributions-government activities	-	-	-	-	119,548	-	-	-	119,548
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-
Investment & Royalty Earnings	-	-	-	-	47,494	53,710	-	-	101,204
Debt Service Interest	-	-	-	-	(607,159)	-	-	-	(607,159)
<b>Total Other Financing Sources (Uses)</b>	<b>3,815,083</b>	<b>(4,190,684)</b>	<b>37,732</b>	<b>401,564</b>	<b>203,356</b>	<b>114,746</b>	<b>-</b>	<b>1,031,225</b>	<b>1413,023</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(301,685)	624,724	478,766	(3,256,738)	330,713	296,274	(29,304)	2,539,849	682,599
Fund Balance/Net assets - July 1, 2008	1,202,073	3,208,509	3,175,573	(1,471,297)	77,300,405	1,981,873	337,948	11,552,182	97,287,266
Change in Accounting Principle	-	-	-	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	-
Residual Equity Transfer	-	-	-	-	-	-	-	-	-
Fund Balance/Net assets - June 30, 2009	900,388	3,833,233	3,654,339	(4,728,035)	77,631,118	2,278,147	308,644	14,092,031	97,969,865

## OVERVIEW OF BUDGETED RESOURCES

### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES

Actual July 1, 2007 through June 30, 2008 (FY 08)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
<b>Revenues</b>									
Taxes & Assessments	17,312,969	3,521,460	4,236,780	-	-	-	-	1,606,715	26,677,924
Licenses & Permits	1,202,941	2,851,533	-	-	-	-	-	-	4,054,474
Intergovernmental	9,444,310	2,762,218	-	540,612	1,325	-	-	623,518	13,371,983
Charges for Services	3,663,064	248,749	-	-	7,635,175	4,089,331	16,451	1,144,883	16,797,653
Fines & Forfeitures	1,172,962	42,993	-	-	-	-	93,104	285,089	1,594,148
Miscellaneous	595,858	104,597	-	286,905	3,378	-	1,600	2,115	994,453
Investment Earnings	420,695	43,242	208,750	673,676	-	-	-	354,978	1,701,341
<b>Total Revenues</b>	<b>33,812,799</b>	<b>9,574,792</b>	<b>4,445,530</b>	<b>1,451,683</b>	<b>7,639,878</b>	<b>4,089,331</b>	<b>111,155</b>	<b>4,017,298</b>	<b>65,142,466</b>
<b>Expenditures</b>									
General Government	6,118,475	355,849	-	41,414	-	-	-	-	6,515,738
Public Safety	20,268,016	1,369,007	-	-	-	-	101,862	-	21,738,885
Public Works	6,274,691	326,030	-	69,656	-	-	590	1,212,926	7,883,893
Public Health	1,364,663	-	-	-	-	-	13,481	-	1,378,144
Social and economic services	15,000	-	-	-	-	-	5	603,302	718,307
Culture and recreation	3,054,484	49,512	-	14,442	-	-	59	-	3,118,497
Housing & Community Development	1,024,464	1,017,034	-	-	-	-	-	1,077,543	3,119,041
Miscellaneous	-	-	-	-	-	-	-	-	-
Debt Service	-	-	4,127,587	512,247	-	-	-	332,173	4,972,007
Capital Outlay	682,858	860,026	-	6,032,763	-	-	-	1,802,006	9,377,653
Business-type	-	-	-	-	7,485,091	3,724,353	-	-	11,209,444
<b>Total Expenditures</b>	<b>38,902,651</b>	<b>3,977,458</b>	<b>4,127,587</b>	<b>6,670,522</b>	<b>7,485,091</b>	<b>3,724,353</b>	<b>115,997</b>	<b>5,027,950</b>	<b>70,031,609</b>
<b>Other Financing Sources (Uses)</b>									
Transfers In	4,418,956	2,000	-	130,500	306,038	55,071	-	953,954	5,866,519
Transfers Out	(491,609)	(3,884,975)	(289,250)	-	(241,240)	-	-	(959,444)	(5,866,518)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-	-
Proceeds from LT Debt	-	-	99,114	2,279,240	-	-	-	1,625,000	4,003,354
Sale of Fixed Assets	-	1,564	-	839,066	5,778	-	-	(1071)	845,327
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	141,123	-	-	-	141,123
Contributions-government activities	-	-	-	-	13,409,207	-	-	-	13,409,207
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-
Investment & Royalty Earnings	-	-	-	-	168,312	73,056	-	-	241,368
Debt Service Interest	-	-	-	-	(643,279)	-	-	-	(643,279)
<b>Total Other Financing Sources (Uses)</b>	<b>3,927,347</b>	<b>(3,881,411)</b>	<b>(190,136)</b>	<b>3,248,796</b>	<b>14,417,939</b>	<b>128,127</b>	<b>-</b>	<b>1,618,439</b>	<b>19,269,102</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>									
(1,162,505)	1,715,923	127,807	(1970,043)	14,572,727	493,105	(4,842)	607,787	14,379,959	
Fund Balance Net Assets- July 1, 2007	2,124,659	1,462,685	3,007,558	521,612	62,732,424	1,526,303	342,789	10,890,937	82,608,967
Change in Accounting Principle	239,919	50,797	40,208	-	-	-	-	51,124	382,048
Restatement	-	(20,896)	-	(22,866)	(4,745)	(37,535)	-	2,334	(83,708)
Residual Equity Transfer	-	-	-	-	-	-	-	-	-
Fund Balance/Net assets - June 30, 2008	1,202,073	3,208,509	3,175,573	(1,471,297)	77,300,406	1,981,873	337,947	11,552,102	97,267,206

### Assumptions, Estimates, & Trends

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#### Overview

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

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

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

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

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

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

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

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

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

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

**Interfund Transfers:** Transfers between individual funds of a governmental unit that are not repayable and are not considered charges for goods or services. An example is matching funds transferred from the

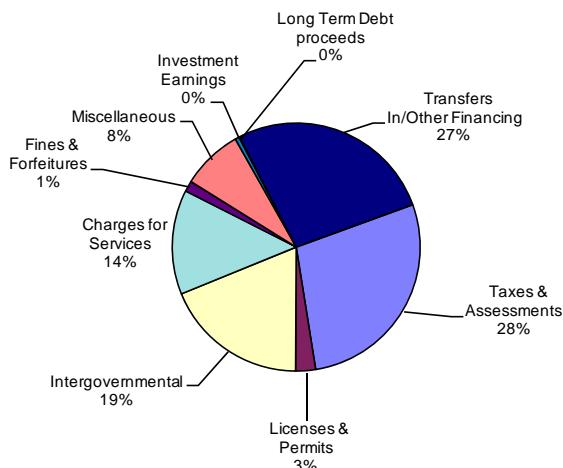
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

General Fund and other special revenue funds to the Capital Improvement Fund for the funding of capital projects.

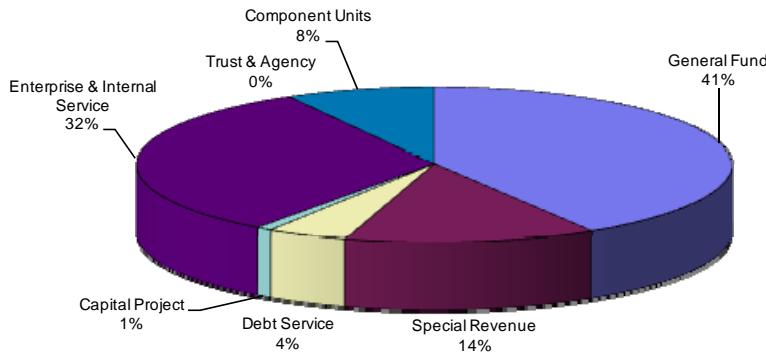
The two pie charts below give a graphic overview of total city revenues—one by the sources previously described and the other by major fund group.

**Revenues by Type - All Funds - FY 10**



As depicted by the graph of revenues by type, the taxes and assessments category and transfers make up the two largest categories of city revenues for FY 09 (55%). Intergovernmental revenues make up the next largest category (19%). Finally, Charges for Services (14%) makes up the fourth largest category. These four revenue categories make up 88% of all city revenues.

**Revenues by Fund Group - FY 10**



Revenues by fund group also help give the reader a look at the “Big Picture” of city revenues. As shown by the graph on the right, the general fund (41%), Enterprise & Internal Service funds (32%), Special Revenue Funds (14%), and Component Units (8%), make up 95% of the city's revenues.

### Assumptions, Estimates, & Trends

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#### Revenue Forecast Assumptions & Methodology

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

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

#### Revenue Estimates

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

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

One of the key analytical tools, to assist in the development of revenue estimates, is the comprehensive five year financial forecast. This forecast considered key revenue and expenditure projection factors such as population, increases in the consumer price index (CPI) and other growth factors. The trending of these key factors and their affect on revenues and expenditures for the past ten years provided a historical basis for the five year financial forecast. The first City of Missoula forecast was prepared in 2003, and was updated during November of 2007, again in June and September of 2008 and in June of 2009. Overall, the City's practice is to budget revenues conservatively and to use as much information as possible to enhance the

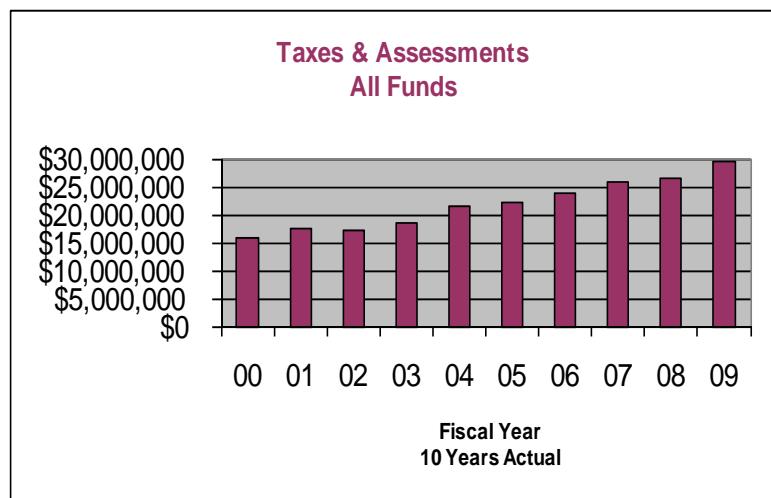
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

accuracy of revenue estimates. By identifying and utilizing as many revenue-related variables as possible in forecasting, we hope to minimize the risks of overstating or understating revenues that could arise from using only a few variables. Our approach to forecasting, in general, is to apply a conservative philosophy that will produce our long-term goal of not overstating revenues. Most estimates involve two projections: an estimate for the amount to be collected in current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively reexamined based on actual results for 2008-09 as well as emerging trends at the mid-point of the year.

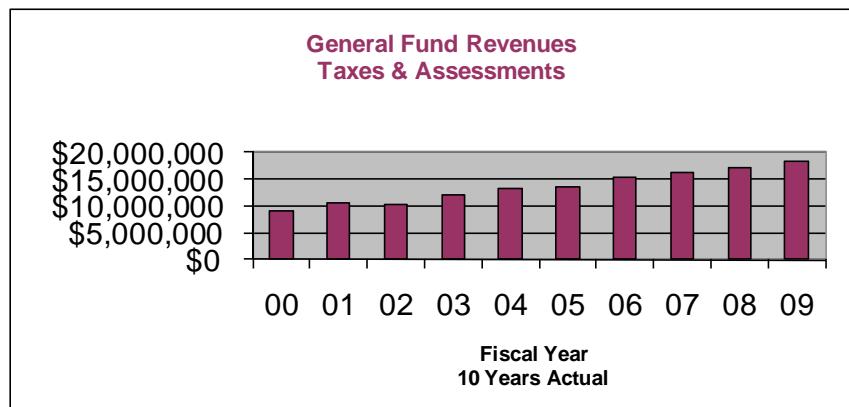
Individual revenue categories, their trends, and estimates follow. The revenue estimates described below represent **91%** of total City revenues.

### Key Revenue Estimates & Trends



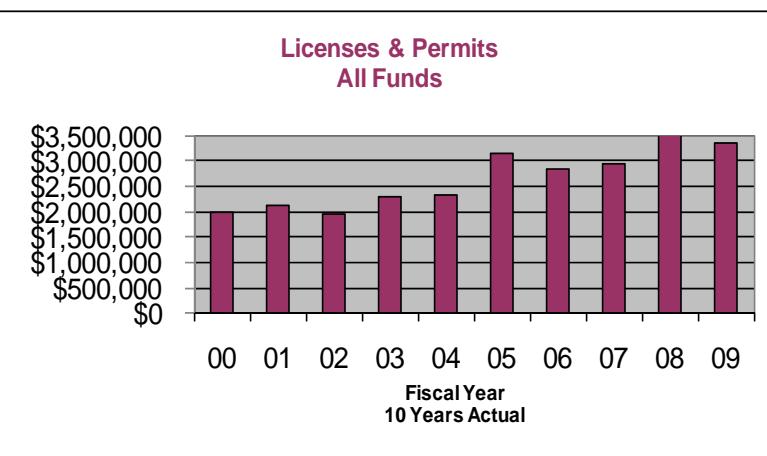
Shown by the graph on the left are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 1999- FY 2008). The graph reflects the steady and rapid growth the City of Missoula is experiencing. Property taxes, which comprise the majority of this revenue category, are dependent upon a combination of taxable values and mill levies. No increase is budgeted for the budget year FY 2010.

The graph on the right shows actual General Fund Taxes & Assessments for the last 10 years. There was very little growth in General Fund taxes from FY 1999 – FY 2000 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations in the last seven years.



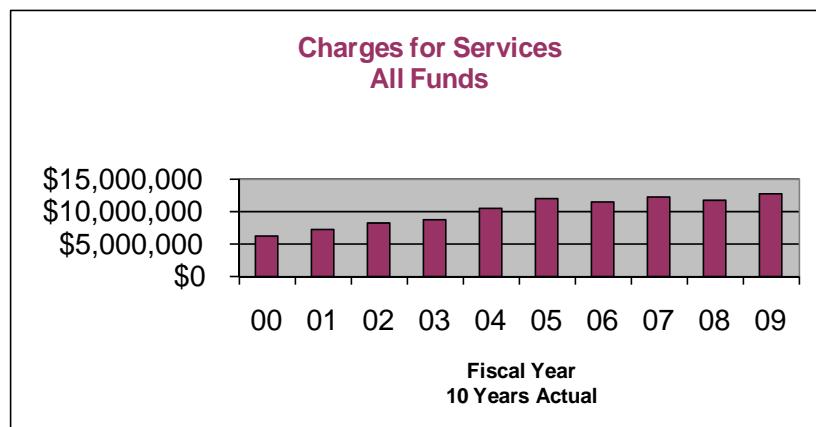
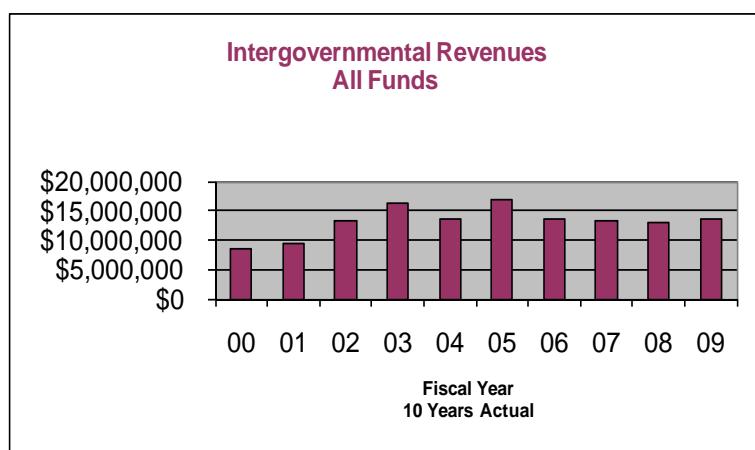
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends



Licenses & Permits for all City funds are shown on the left. The decline from FY 00 to FY 02 reflects the state Legislature's elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature has replaced with entitlement revenues. The decline from FY 08 to 09 was due to the economic slowdown experienced by the nation and the City of Missoula.

The increase in intergovernmental revenues (especially from 01 through 03) reflect the State Legislature's distribution of entitlement revenues to city governments. Since the peak in FY 03, these revenues have remained relatively stable although the level of grant receipts does fluctuate from year to year. In addition to the entitlement revenues, this category also includes grants, and state reimbursement for services provided by the city.



Charges for services, for all funds, represent 19% of total city revenues. This category is dominated by revenues in the City's enterprise funds, which include the Sewer charges and City Health Plan premiums. Many of these revenues are growth related. These include engineering fees, zoning fees, subdivision fees, building permits, impact fees

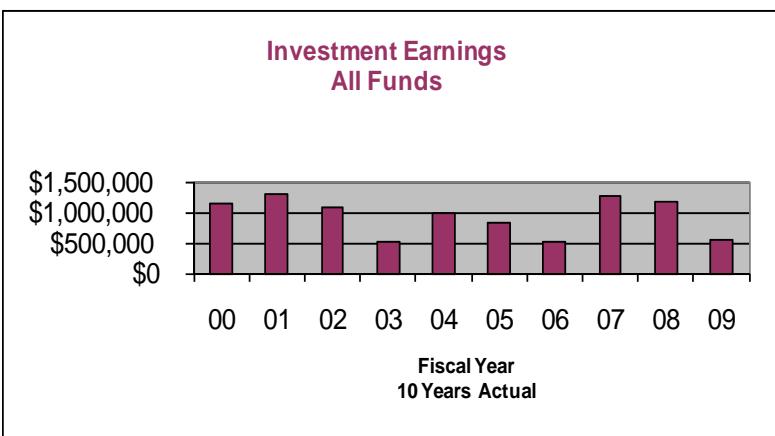
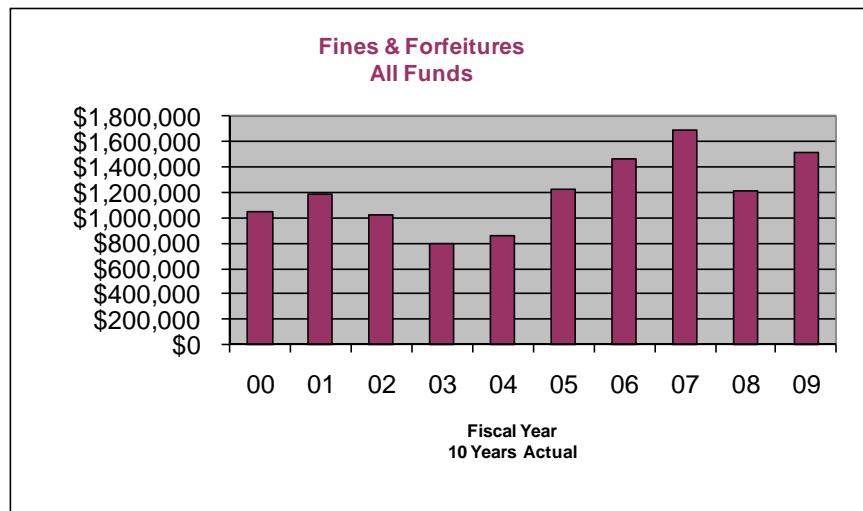
and similar revenues. This source is anticipated to be maintained at the FY 09 level or greater for the foreseeable future.

## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

Fines and forfeitures, within the General Fund, to a large extent, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from \$798,000 to \$1,686,000 over this ten year period. The decrease that occurred from FY 2001 – FY 2004 was mainly due to legislative changes by the Montana legislature that preempted the collection of City Fines. The decrease in FY 08 was the result of staffing

shortages in Police due to officers being called up to active duty in the armed forces. This revenue stream is dependent on being fully staffed in the Police department.



Investment earnings reflect a combination of available cash balances together with the interest rate the city is able to obtain. As shown by the graph, investment earnings have been quite volatile, with sharp declines occurring in FY 03, which correspond to the decline in interest rates nationally. Interest earnings in FY 10 are expected to be just under \$500,000 due to declining interest rates nationally.

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

