



June 28, 2023

Friends and colleagues,

This letter conveys my preliminary executive budget for the City of Missoula's Fiscal Year 2024. This budget reflects hours of diligent work to craft a budget with the best outcome for the public we serve and for our staff, who work hard to deliver the core services residents need and want. As reflected in our Strategic Plan, we aim for a balance between delivering those core services and innovating for the future.

This is my first budget as mayor but my 10<sup>th</sup> including my service on the City Council. Last year, you'll recall, was a challenging budget year. I'm grateful for the heavy lifting that former Mayor John Engen, staff and Council members did last year to steer our financial condition in a sound direction.

Our property tax system in the state of Montana is fundamentally broken. In Missoula in the 1980s, we had four lumber mills operating multiple shifts per day, our home values were low, and we didn't have many visitors. Today, we don't have that industrial base economy, our property values are soaring, and we have nearly four million tourists annually. Our property tax system is based on an economy that doesn't exist anymore.

As a result, we will continue to face fiscal challenges. Despite significant headway last year, our ongoing expenses continue to exceed our revenues. General fund property tax revenues are capped by state law so they cannot grow at more than half the rate of inflation plus the value of new construction. Just like household budgets, our budget is squeezed when prices increase for things we have to buy, such as police cars, asphalt mix, and equipment.

We need thoughtful tax reform at the state level. Unless and until we have more diversified sources of revenue, cities and towns around the state are going to struggle to fully fund local government, and this funding will be heavily dependent on property taxes.

While this budget is lean, it reflects our values as a community with targeted investments in the things we care about. We're investing strategically in programs and projects that will move the needle on housing, climate, and equity.

Our strategic plan distills those values. We categorize our budget priorities under our plan's four strategic pillars that encompass all aspects of City operations.

### **Community Safety, Health and Well-being**

The City of Missoula focuses its efforts in public safety, health and well-being by ensuring that our core levels of service are maintained, our programs are innovative and efficient, and outcomes are clear and measurable.

- My top priority is opening an emergency shelter year-round. Opening the Johnson Street shelter also remains the highest priority for our nonprofit partners who provide services to people living without shelter. We're partnering with Missoula County to fund the \$1.7 million in operating costs, and our team is working on improvements to make sure the facility is ready for year-round use.
- We're also including money in the Parks and Road Districts for support for staff and public safety with security in neighborhoods, garbage hauling, and hazard pay for employees.
- Our Crisis Intervention Team program, based in the Police Department, is funded at \$313,000 to maintain its current level of service.
- Our Mobile Support Team, based in the Fire Department, is also funded to maintain service at \$1.3 million.
- In the Attorney's Office, we're continuing to fund a formerly grant-funded crime victim advocate position, and we're adding a new coordinator with additional grant funds. These services are vitally important to victims of crimes.

### **Organizational Excellence and Resilience**

The City of Missoula fosters an inclusive, transparent, and nimble organization that provides support and training for its employees and works collaboratively to provide high-quality, responsive, and innovative services efficiently and effectively.

- We know that we thrive and achieve greater efficiencies when we retain our employees. This year's budget includes a 3.5 percent cost-of-living increase for non-union staff. We're in negotiations now with our police and fire unions, where we know our wages are below market rates and need a boost.
- We're allocating ongoing funding to continue the work of our Justice, Equity, Diversity, and Inclusion program, previously funded with one-time funds.
- We plan to create efficiencies within Central Services with a new payroll system.
- Design and remediation will begin in earnest on the former federal courthouse, which will become the new home for many City and County functions.

- We plan to engage a consultant to develop a comprehensive constituent services, engagement, and communications plan for Council and the administration. We'll use the results of this needs assessment as the foundation for improving our communications and engagement systems, building off the innovative improvements we have made in things such as Engage Missoula and the "Our Missoula" approach. This will involve adding staff capacity in the future.

### **Economic Health**

The City of Missoula fosters an environment that creates partnerships that result in increased economic vitality for the community.

- We anticipate depositing nearly \$5 million into the Affordable Housing Trust Fund this year through the sale of the former Sleepy Inn site on West Broadway and the Riverfront Triangle in addition to general fund support.
- We continue to work toward our goal of 100 percent clean electricity by 2030, which includes work on the Renewable Rate Option with the City of Bozeman and Missoula County, taking advantage of contracts and grants whenever possible.
- We're contributing \$30,000 to the United Way's Child Care Advantage program. Based out of the former Cold Springs School, this innovative project will provide space and administrative resources to daycare providers in the community.
- We're budgeting for a proactive lobbying strategy for work between sessions of the Montana State Legislature to advocate for desperately needed reforms.
- We'll work with the National League of Cities, the U.S. Department of Labor, and local partners to develop a pipeline for clean energy and infrastructure workforce development in Missoula, with an end goal of providing good jobs that pay well for disadvantaged members of our community.

### **Community Design and Livability**

Our goals in this area are to create policy and support development that promotes economically and environmentally responsible growth with priorities on equitable, responsive, and adaptive outcomes that put people and place first. The FY24 budget accomplishes these through these projects:

- The Our Missoula growth policy and code reform project continues in FY2024. It will guide how the community will grow over the coming decades. This budget funds \$425,000 for the project and maintains the staff on our innovative engagement process.
- We will update our Parks, Recreation, Open Space, and Trails plan to create more urban standards for our parks as our city grows and changes is slated for \$415,000 for

consultants and engagement. The new PROST will put the City's lenses of climate, equity, and housing at the forefront.

- Recognizing its climate and human health benefits, we'll evaluate our Urban Forestry program, including an innovative tree inventory.

This pillar also encompasses our infrastructure program. This budget includes significant investments in the City's infrastructure, much of which is funded through federal and state grant sources. The City positioned itself well to seek funding from the Inflation Reduction Act, the Infrastructure Investment and Jobs Act, along with others. We've built a team that can find opportunities, submit competitive grant applications, and administer grants that are awarded.

Infrastructure projects set for FY2024 include:

- We'll complete the first phase of the Mullan BUILD Grant area totaling \$2.9 million this fiscal year.
- We'll continue our sidewalk and mobility programs with \$5.7 million invested in sidewalks and greenways.
- We'll make improvements for all modes of transportation on South Avenue in partnership with Missoula County, leveraging \$9 million in federal funding with \$2 million in city funds.
- The Missoula Redevelopment Agency will invest \$7.7 million in public infrastructure for such things as sidewalks and water infrastructure, specifically \$3.5 million for the Bitterroot Trail Bridge project in URD II and \$2.4 million for the Bitterroot Trail lighting project in URD III.
- Missoula Water will invest \$11.5 million in infrastructure as we continue to keep the promises we made in the water utility acquisition. We've turned the corner on leakage, reducing our environmental impact, and we'll continue that work.
- We'll invest \$8.2 million in our wastewater utility's collection and treatment systems.
- In Parks and Recreation, we'll repair and reopen the Northside Pedestrian Bridge in FY24 for an additional \$2.7 million. We will also invest \$1.5 million in the Clark Fork River through an access project funded by a federal grant from the Economic Development Administration as well as our partners at the Missoula Downtown Foundation.
- We're providing a match for a federal Transportation Alternatives grant to help reduce operations costs with deferred repairs to sidewalks, wells, irrigation systems, fences and pathways.
- We'll focus our grant-writing efforts on electrification, sustainability, and resilience, with an overall goal of reducing our climate impact.

This budget is focused on the goals outlined in the new strategic plan. Many of these goals will take years to implement, but we're establishing the foundation for achieving these goals in the coming years and setting ourselves up to take advantage of opportunities as they arise. The recently awarded \$25 million RAISE grant, which will provide the most significant public infrastructure investments for Downtown in decades, is a prime example of this approach.

As the late Senator Paul Wellstone said, "We all do better when we all do better." In Missoula, we care about people and place, and we invest in our community's future. This budget reflects those values and directs investment toward our shared goals.

In the coming weeks, we will discuss the details of the budget through departmental presentations and, as always, this budget will evolve as new information becomes available. I look forward to the new budget calendar and process that provides a better opportunity for us to work together to craft a budget that provides the best outcomes for the community.

Sincerely,

A handwritten signature in black ink, appearing to read "Jordan Hess", with a long horizontal flourish extending to the right.

Jordan Hess  
Mayor