

November 2, 2011

To: Missoula City Council

From: John Engen, Mayor

RE: Year- End Quarterly Financial Report

## City of Missoula Quarterly Financial Report

### *Fourth Quarter FY11*

*“Once every three months, the Mayor shall make a full and complete statement of the financial condition of the City to the City Council”*

*Missoula City Charter*

We fulfill that obligation monthly by publishing our financial reports on our website in detail at [www.ci.missoula.mt.us](http://www.ci.missoula.mt.us). Under financial services, you will see the financial reports tab. Here you will find budget reports, treasurer’s reports, impact fee reports and an archive of Mayor’s quarterly reports in simple-to-read and printable formats. Click on links below:

- [Fourth Quarter Revenue Report](#)
- [Fourth Quarter Expenditure Report](#)

### Revenue and expenditure highlights

With 100 percent of the year completed, General Fund revenues came in at 98% of their budget while expenditures totaled 97% of their budgeted amount. This resulted in a net increase of the fund balance for the General Fund from \$3.45 million in FY 2010 to \$3.55 million at the end of FY 2011. Seven special purpose funds under General Fund control were removed from the Special Revenue fund category in FY 2010 and moved to special purpose General Fund accounts in FY 2011. This increased the overall beginning General Fund balance to \$3.45 million from \$2.1 million in FY 2010. The increased fund balance in FY 11 was achieved by asking offices to hold back in making expenditures and by the receipt of additional revenues, especially taxes and charges for services. This holdback in expenses allowed the city to divert roughly \$800,000 to manage overtime, materials, and the paving of streets pitted with potholes due to a long Missoula winter.

The Building Inspection Permits Fund did increase its positive year end fund balance for FY 2011, due to a net reduction of four employees over the past few years and conservative revenue projections.

The Debt Service year end fund balance is budgeted to be spent for all general obligation debt but not for special improvement district (SID) debt service funds. The City is required to maintain a reserve equal to 5% of all outstanding SID bonds. In addition, the SID debt service funds are expected to build in size until bonds are called (redeemed) early due to prepayments of the underlying assessments supporting these debt issues.

The Capital Projects year end fund balance for FY 2011 was negative. This should be eliminated during the course of FY 2012 and FY 2013 for the most part, as the projects are completed and the bonds are issued to reimburse the city for the infrastructure constructed.

Sewer utility rates were not increased for the 2009 budget year but were increased modestly for the FY 2010 , FY 2011 and FY 12 budget years (5%/year in each year) to accommodate an upgrade of the wastewater plant head-works. In FY 2009, sewer utility charges declined 2% for the first time in over a decade due to reduced industrial and commercial billings, reflecting the effect of the current national economic recession. However, the city has continued to grow in population and in new sewer connections at a rate of approximately 1.5 percent per year, even though that growth was offset by a slowdown in the commercial and industrial sewer accounts in FY 09. In FY 10 and FY 11, the decline in revenue had reversed and the sewer revenues began to grow again in the industrial and commercial billings, even though growth was weaker in the commercial portion of accounts.

The City's health plan experienced its worst year ever for claims utilization in FY 2010, with result that the fund balance was reduced by \$1.3 million to \$.98 million. This increased level of plan utilization coupled with increased costs continued in FY 2011, with the result that the plan's fund balance lost \$1.3 million again in FY 2011 even though City contributions were increased by \$315,000 in FY 2011. For FY 2012, both the employer and employee contributions were increased such that in excess of \$1,000,000 of additional funding will be provided to the plan in an attempt to stabilize the plan's financial position.

The City of Missoula has three component units, the Missoula Parking Commission (MPC), the Missoula Redevelopment Agency (MRA) and the Business Improvement District (BID). The parking commission has an operating budget of \$1.6 million, which it usually spends each year. It maintains a reserve of \$1.3 million, part of which is required for coverage pertaining to an outstanding bond issue as a result of the construction of additional parking in the downtown business district.

The Missoula Redevelopment Agency (MRA) was created by the City Council to encourage new development and redevelopment pursuant to the adopted Urban Renewal Plans. Preserving existing public investment, enhancing the tax base, generating employment, and stimulating private investment are the means MRA uses to reclaim urban renewal areas. The MRA encourages infill development, provides for the adaptive reuse of the built environment, and reclaims blighted properties. MRA is empowered by State law and local ordinance to respond

aggressively and with flexibility to redevelopment problems and opportunities. Through these activities, MRA also provides alternatives to urban sprawl outside existing municipal service boundaries. Expenditures for fiscal year 2010 and 2011 were related to redevelopment projects such as Silver Park, Equinox, Garden District Housing Project, Catlin/Wyoming Sidewalks, Brooks Street Commercial Corridor Sidewalks, URD III Residential Sidewalks, Tremper's Shopping Center, 1701 Brooks Street, 1720 Brooks Street, 2204 Dixon Avenue, Kent Avenue crosswalks, Missoula Federal Credit Union streetscape at 3600 Brooks, Stephens Shopping Center, participation in the construction of a new parking lot on Front Street east of the new First Interstate Bank building, and numerous commercial and residential sidewalks.