

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Budgeted July 1, 2012 through June 30, 2013 (FY 13)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Fund Balance/Net assets- July 1, 2012	\$ 4,696,836	\$ 4,606,414	\$ 3,641,862	\$ (3,711,562)	\$ 83,376,112	\$ (245,839)	\$ -	\$ 2,783,101	\$ 95,146,925
Estimated Revenues									
Taxes & Assessments	2,153,118	4,152,365	1,699,774	-	-	-	410,300	4,185,791	31,979,348
Licenses & Permits	1,261,994	1,703,467	-	-	-	-	-	-	2,965,461
Intergovernmental	11,606,058	7,570,286	-	-	257,431	-	-	880,615	20,314,390
Charges for Services	5,054,384	1,064,087	-	-	8,388,969	-	-	1,325,200	15,832,640
Fines & Forfeitures	1,740,000	16,800	-	-	-	-	-	270,000	2,026,800
Miscellaneous	714,021	1,357,171	2,076,388	18,457	270,000	-	-	-	4,436,037
Investment Earnings	20,000	-	-	-	-	-	-	22,000	42,000
Long Term Debt proceeds	-	-	-	-	-	-	-	-	-
Transfers In/Other Financing	5,177,984	19,921	45,500	1,005,382	7,060,035	442,000	-	3,042,404	16,793,226
Internal Service	-	-	-	-	-	5,246,349	-	-	5,246,349
Total Estimated Revenues	47,105,559	15,884,097	3,821,662	1,023,839	15,976,435	5,688,349	410,300	9,726,010	99,636,251
Budgeted Expenditures									
General Government	7,476,413	401,720	-	-	-	5,503,390	-	-	13,381,523
Public Safety	23,887,940	2,341,685	-	-	-	-	-	-	26,229,625
Public Works	6,699,249	680,402	-	-	7,746,744	-	-	5,540,458	20,666,853
Public Health	1,485,036	-	-	-	-	-	-	-	1,485,036
Social and Economic Services	116,000	-	-	-	-	-	-	-	116,000
Culture and Recreation	3,957,902	461,587	-	-	1,453,279	-	410,300	-	6,283,068
Housing & Community Devel.	-	3,629,940	-	-	-	-	-	-	3,629,940
Debt Service	321,646	364,000	3,918,762	-	-	-	-	2,784,886	7,389,294
Internal Service	1,111,231	186,288	-	-	-	-	-	-	1,297,519
Capital Outlay	1,295,827	6,705,227	-	1,478,505	-	-	-	1,925,947	11,405,506
Transfers Out/Other Financing	1,715,382	5,047,984	130,000	-	6,828,714	-	-	2,749,972	16,472,052
Total Budgeted Expenditures	48,066,626	19,818,833	4,048,762	1,478,505	16,028,737	5,503,390	410,300	13,001,263	108,356,416
Projected Change in									
Fund Balance/Net assets	(961,067)	(3,934,736)	(227,100)	(454,666)	(52,302)	184,959	-	(3,275,253)	(8,720,165)
Anticipated Exp. Savings	720,999	-	-	-	-	-	-	-	720,999
Projected Ending									
Fund Balance/Net assets- June 30, 2013	\$ 4,456,769	\$ 671,678	\$ 3,414,762	\$ (4,166,228)	\$ 83,323,810	\$ (60,880)	\$ -	\$ (492,152)	\$ 87,147,759

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

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

Actual* July 1, 2011 through June 30, 2012 (FY 12)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Fund Balance/Net assets- July 1, 2011	\$ 3,670,187	\$ 3,945,816	\$ 4,095,636	\$ (3,237,576)	\$ 85,583,676	\$ (332,592)	\$ -	\$ 8,061,836	\$ 101,786,983
Estimated Revenues									
Taxes & Assessments	20,393,231	4,840,395	4,162,390	-	-	-	-	4,162,967	33,558,982
Licenses & Permits	1,099,709	1,766,520	-	-	-	-	-	-	2,866,230
Intergovernmental	11,097,623	13,047,541	-	985,397	259,443	-	-	421,137	25,811,142
Charges for Services	3,907,579	1,198,820	-	-	8,337,271	-	-	1,236,914	14,680,584
Fines & Forfeitures	1,321,429	23,149	-	-	-	-	-	250,303	1,594,881
Miscellaneous	310,004	5,918	-	297,333	85,677	-	-	187,998	886,930
Investment Earnings	26,787	2,129	12,487	(1,107)	-	-	-	(9,357)	30,938
Long Term Debt proceeds	-	-	-	2,559,396	-	-	-	-	2,559,396
Transfers In/Other Financing Internal Service	5,295,781	28,676	580,023	1,239,494	2,157,724	192,767	-	4,948,083	14,442,549
	-	-	-	-	-	5,119,995	-	-	5,119,995
Total Estimated Revenues	43,452,142	20,913,150	4,754,900	5,080,513	10,840,115	5,312,762	-	11,198,045	101,551,626
Budgeted Expenditures									
General Government	6,229,514	542,801	125	42,599	-	5,226,009	-	-	12,041,048
Public Safety	21,675,033	2,159,122	-	-	-	-	-	-	23,834,156
Public Works	6,580,494	689,607	-	167,436	10,649,684	-	-	11,619,149	29,706,370
Public Health	1,431,431	-	-	-	-	-	-	1,162,540	2,593,971
Social and Economic Services	116,000	-	-	-	-	-	-	-	116,000
Culture and Recreation	3,310,684	215,308	-	2,157	1,202,719	-	-	-	4,730,868
Housing & Community Devel.	46,300	10,302,560	-	-	-	-	-	-	10,348,860
Debt Service	176,285	-	4,240,807	828,204	1,170,276	-	-	869,159	7,284,730
Internal Service	1,003,472	-	-	-	-	-	-	-	1,003,472
Capital Outlay	518,627	1,530,808	-	4,153,342	-	-	-	-	6,202,778
Transfers Out/Other Financing	1,338,053	4,812,345	967,742	360,760	25,000	-	-	2,825,932	10,329,831
Total Budgeted Expenditures	42,425,893	20,252,551	5,208,673	5,554,499	13,047,679	5,226,009	-	16,476,780	108,192,085
Projected Change in									
Fund Balance/Net assets	1,026,249	660,598	(453,774)	(473,986)	(2,207,564)	86,753	-	(5,278,735)	(6,640,458)
	-	-	-	-	-	-	-	-	-
Restatement	400	-	-	-	-	-	-	-	400
Fund Balance/Net assets- June 30, 2012	\$ 4,696,836	\$ 4,606,414	\$ 3,641,862	\$ (3,711,562)	\$ 83,376,112.00	\$ (245,839)	\$ -	\$ 2,783,101	\$ 95,146,925

* Unaudited numbers

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Actual July 1, 2010 through June 30, 2011 (FY 11)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Revenues									
Taxes & Assessments	19,909,742	3,922,825	4,424,020	-	-	-	-	4,090,644	32,347,232
Licenses & Permits	1,212,898	1,879,538	-	-	-	-	9,533	-	3,101,969
Intergovernmental	10,798,635	4,942,365	-	1,790,470	176,855	-	-	587,135	18,295,460
Charges for Services	4,028,686	1,124,053	-	27,587	7,570,885	4,143,974	1,779	1,113,268	18,010,231
Fines & Forfeitures	978,351	30,594	-	-	-	-	5,881	254,793	1,269,620
Miscellaneous	221,456	30,152	-	954,353	5,107	-	-	121,900	1,332,968
Investment Earnings	5,266	10,569	14,036	2,537	-	-	1	81,400	113,810
Total Revenues	37,155,034	11,940,096	4,438,056	2,774,947	7,752,847	4,143,974	17,194	6,249,140	74,471,289
Expenditures									
General Government	6,010,334	396,358	507	86,667	-	-	-	-	6,493,866
Public Safety	20,633,093	1,797,994	-	-	-	-	542	-	22,431,629
Public Works	6,727,901	970,506	-	264,429	6,404,165	-	39,392	8,679,510	23,085,903
Public Health	1,372,380	-	-	-	-	-	9,428	-	1,381,808
Social and economic services	116,000	-	-	-	-	-	-	-	116,000
Culture and recreation	3,107,799	178,516	-	2,805	1,613,486	-	-	-	4,902,606
Housing & Community Development	52,000	2,212,947	-	-	-	-	-	316,008	2,580,955
Miscellaneous	1,183,362	450	-	5,989	-	-	-	-	1,189,801
Debt Service	99,961	-	4,224,680	755,063	-	-	-	176,317	5,256,021
Capital Outlay	608,374	1,359,532	-	5,809,418	-	-	-	(354,691)	7,422,633
Business-type	-	-	-	-	-	5,523,058	-	-	5,523,058
Total Expenditures	39,911,204	6,916,303	4,225,187	6,924,371	8,017,651	5,523,058	49,361	8,817,145	80,384,280
Other Financing Sources (Uses)									
Transfers In	4,012,814	19,052	3,931	933,299	142,949	65,124	-	5,506,977	10,684,146
Transfers Out	(1,125,841)	(3,579,836)	(91,462)	-	(400,000)	-	-	(3,577,508)	(8,774,647)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	293,560	293,560
Proceeds from LT Debt	-	-	100,743	4,067,593	-	-	-	-	4,168,336
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	1,437,382	-	-	-	1,437,382
Contributions- government activities	-	-	-	-	-	-	-	3,051,509	3,051,509
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-
Investment & Royalty Earnings	-	-	-	-	21,457	(321)	-	-	21,136
Debt Service Interest	-	-	-	-	(886,428)	-	-	-	(886,428)
Total Other Financing Sources (Uses)	2,886,973	(3,560,784)	13,212	5,000,892	315,360	64,803	-	5,274,539	9,994,995
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	130,803	1,463,009	226,081	851,468	50,556	(1,314,281)	(32,167)	2,706,534	4,082,004
Fund Balance/Net assets - July 1, 2010	2,088,984	4,124,600	3,869,555	(4,089,044)	85,102,915	981,690	317,412	8,055,310	100,451,422
Change in Accounting Principle	-	-	-	-	-	-	-	-	-
Restatement	-	(29,302)	-	-	430,205	-	-	-	400,903
Residual Equity Transfer	1,450,400	(1,450,400)	-	-	-	-	-	-	-
Fund Balance/Net assets - June 30, 2011	3,670,187	4,107,907	4,095,636	(3,237,576)	85,583,676	(332,592)	285,245	10,761,845	104,934,329

Assumptions, Estimates, & Trends

Overview

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

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

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

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

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

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

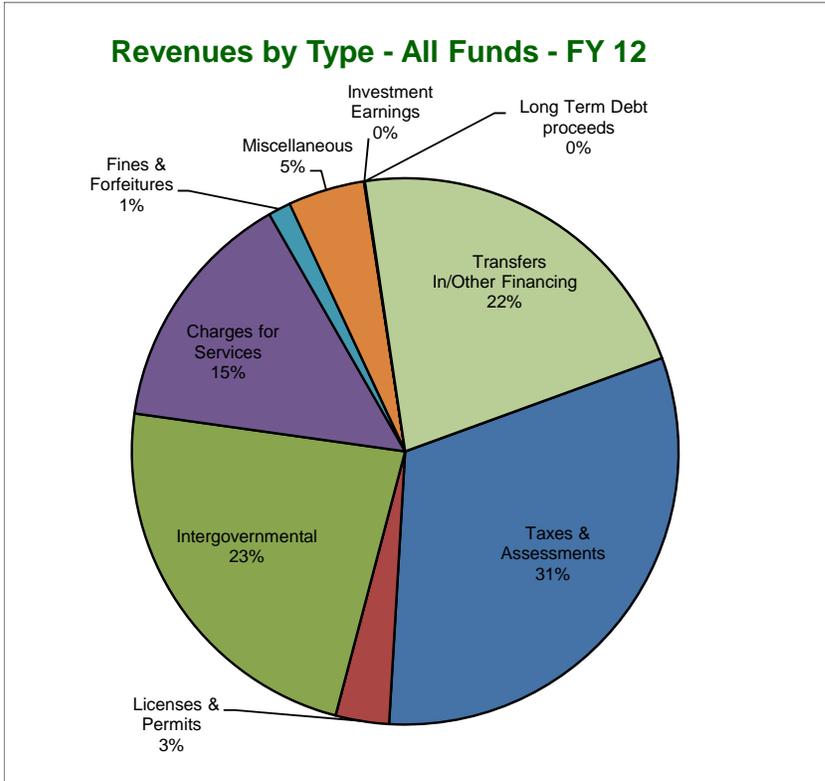
Fines and Forfeitures: Revenues received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Examples include: traffic fines, court fines, victim witness fines and bonds forfeited.

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

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

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

Assumptions, Estimates, & Trends

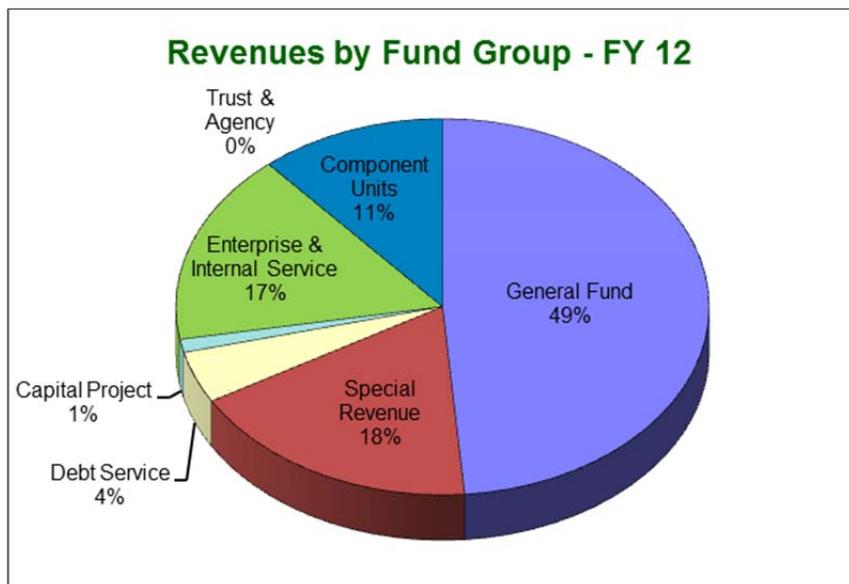


Interfund Transfers:
Transfers between individual funds of a governmental unit are not repayable and are not considered charges for goods or services. An example is matching funds transferred from the General Fund and other special revenue funds to the Capital Improvement Fund for the funding of capital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

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

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 12 (53%). Intergovernmental revenues make up the next largest category (23%). Finally, Charges for Services (15%) makes up the fourth largest category. These four revenue categories make up 91% of all city revenues.

Revenues by fund group also help give the reader a look at the “Big Picture” of city revenues. As shown by the graph on the right, the general fund (49%), Enterprise & Internal Service funds (17%), Special Revenue Funds (18%), and Component Units (11%), make up 95% of the city’s revenues.



Assumptions, Estimates, & Trends

Revenue Forecast Assumptions & Methodology

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

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

Revenue Estimates

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

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

One of the key analytical tools, to assist in the development of revenue estimates, is the comprehensive five year financial forecast. This forecast considered key revenue and expenditure projection factors such as population, increases in the consumer price index (CPI) and other growth factors. The trending of these key factors and their 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 it has been updated annually since then. Overall, the City's practice is to budget revenues conservatively and to use as

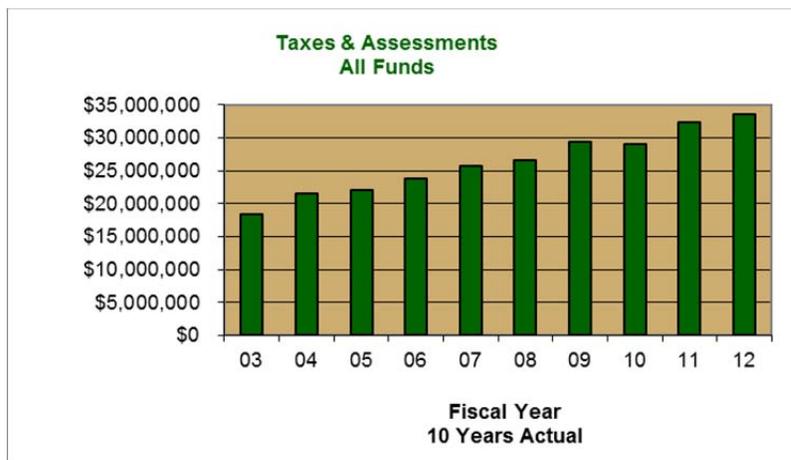
MAJOR REVENUE SOURCES

Assumptions, Estimates, & Trends

much information as possible to enhance the accuracy of revenue estimates. By identifying and utilizing as many revenue-related variables as possible in forecasting, we hope to minimize the risks of overstating or understating revenues that could arise from using only a few variables. 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 the current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively reexamined based on actual results for 2011-13 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 89% of total City revenues.

Key Revenue Estimates & Trends

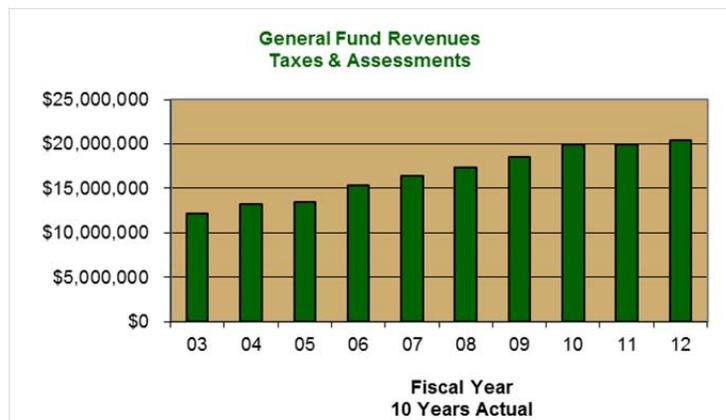


Shown by the graph to the left are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 2003- FY 2012).

The graph reflects the steady 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

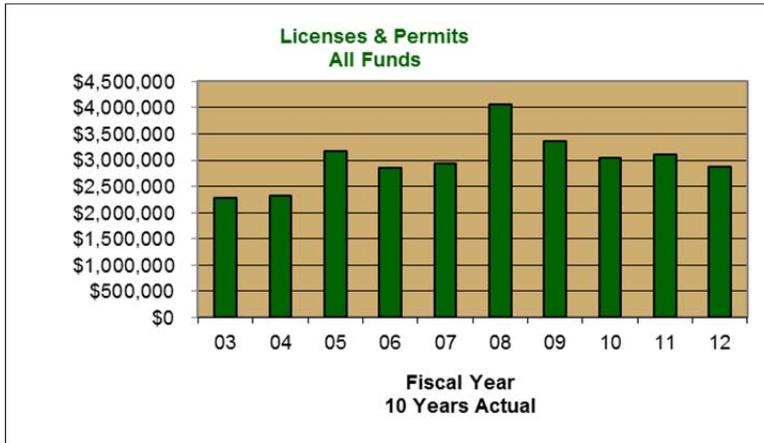
and mill levies. A small increase was budgeted for the budget year FY 2013.

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 2001 – FY 2002 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations and actual growth in the last ten years.



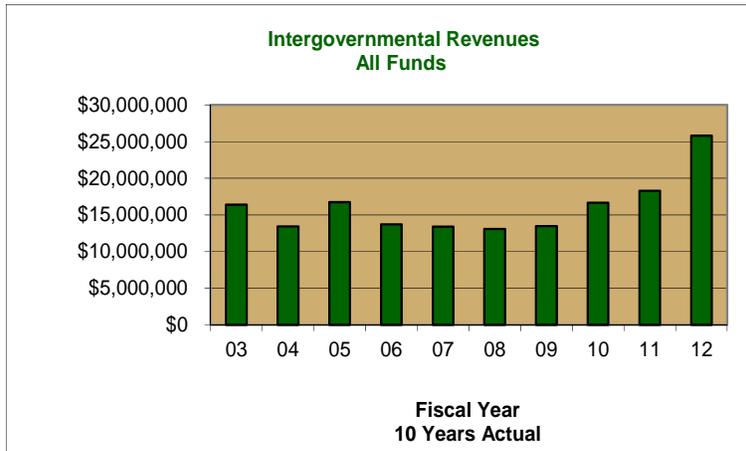
MAJOR REVENUE SOURCES

Assumptions, Estimates, & Trends



Licenses & Permits for all City funds are shown on the left. A decline occurred between FY 01 (not shown) and FY 02 due to the state Legislature's elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature 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.

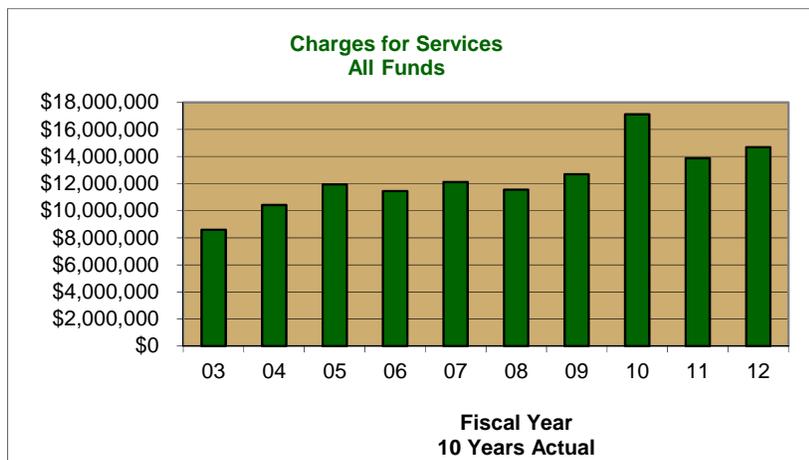


The increases in intergovernmental revenues (especially from 01 through 03) reflect the State Legislature's distribution of entitlement revenues to city governments. Since the peak in FY 03, these revenues have remained relatively stable although the level of grant receipts does fluctuate from year to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

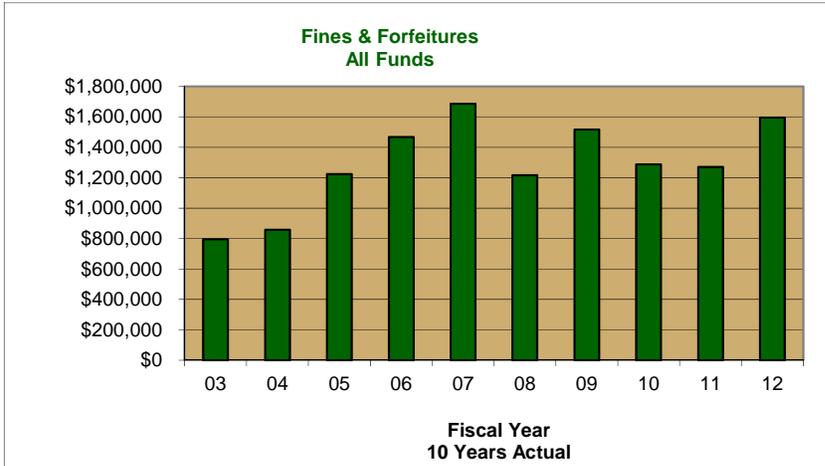
state reimbursement for services provided by the city.

Charges for services, for all funds, represent 15% 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 12 level or greater for the foreseeable future.

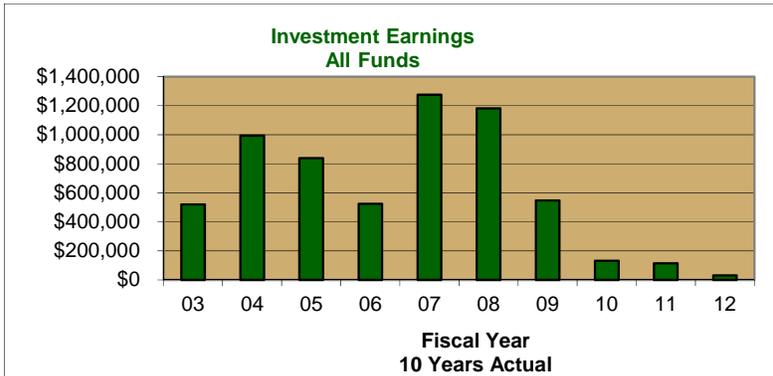


Assumptions, Estimates, & Trends



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 \$795,329 to \$1,594,881 over this ten year period. The decrease that occurred from FY 2001 (not shown) – FY 2004 was mainly due to legislative changes by the

Montana legislature that preempted the collection of City Fines. The decrease in FY 08 and FY 10 was the result of staffing shortages in Police due to officers being called up to active duty in the armed forces and a significant number of workers compensation injuries that temporarily reduced staffing. This revenue stream is dependent on being fully staffed in the Police department.



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, FY 06 and FY 10 through FY 12 which correspond to the decline in interest rates nationally in

those years. Interest earnings in FY 13 are expected to be similar to FY 2012, as interest rates are extremely low nationally.

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

