

# OVERVIEW OF BUDGETED RESOURCES

## OVERVIEW OF BUDGETED RESOURCES

### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Budgeted July 1, 2015 through June 30, 2016 (FY 16)

	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, 2015	\$ 5,631,238	\$ 7,027,481	\$ 3,118,239	\$ (9,131,679)	\$ 81,587,552	\$ 822,643	\$ 430,383	\$ 101,648	\$ 89,587,504
<b>Estimated Revenues</b>									
Taxes & Assessments	23,631,667	4,424,290	3,300,965	-	-	-	-	4,953,213	36,310,135
Licenses & Permits	1,308,783	2,270,859	-	-	-	-	-	-	3,579,642
Intergovernmental	13,714,219	5,785,129	-	-	253,177	-	-	855,088	20,607,613
Charges for Services	5,246,449	1,398,646	-	-	9,383,727	-	-	1,603,000	17,631,822
Fines & Forfeitures	1,544,089	16,800	-	-	-	-	-	270,000	1,830,889
Miscellaneous	1,292,631	3,447,110	-	9,010	195,000	-	-	-	4,943,751
Investment Earnings	73,500	-	-	-	-	-	-	20,000	93,500
Long Term Debt proceeds	-	-	-	6,559,922	-	-	-	14,764,400	21,324,322
Transfers In/Other Financing	5,422,167	340,370	-	1,084,565	11,154,779	442,000	-	3,034,072	21,477,953
Internal Service	-	-	-	-	-	5,722,500	-	-	5,722,500
Total Estimated Revenues	52,233,505	17,683,204	3,300,965	7,653,497	20,986,683	6,164,500	-	25,499,773	133,522,127
<b>Budgeted Expenditures</b>									
General Government	9,702,719	2,154,705	-	241,536	-	-	-	-	12,098,961
Public Safety	26,422,987	1,778,701	-	-	-	-	-	-	28,201,688
Public Works	6,188,737	6,058,926	-	-	5,333,239	-	-	1,387,111	18,968,012
Public Health	1,706,945	-	-	20,000	-	-	-	-	1,726,945
Social and Economic Services	210,000	-	-	-	-	-	-	-	210,000
Culture and Recreation	4,672,529	910,212	-	375,602	1,547,327	-	-	-	7,505,670
Housing & Community Devel.	668,472	1,603,927	-	-	-	-	-	6,580,241	8,852,640
Debt Service	534,574	689,538	6,909,873	823,028	2,209,375	-	-	4,270,433	15,436,820
Internal Service	-	-	-	-	-	-	-	-	-
Capital Outlay	1,707,553	-	-	-	3,784,859	-	-	2,956,462	8,448,874
Transfers Out/Other Financing	2,702,736	5,520,999	100,000	-	7,456,083	6,137,237	-	1,182,687	23,099,742
Total Budgeted Expenditures	54,517,253	18,717,007	7,009,873	1,460,166	20,330,883	6,137,237	-	16,376,935	124,549,353
<b>Projected Change in</b>									
Fund Balance/Net assets	(2,283,748)	(1,033,803)	(3,708,908)	6,193,331	655,800	27,263	-	9,122,838	8,972,774
Anticipated Exp. Savings	1,554,412	-	-	-	-	-	-	-	1,554,412
<b>Projected Ending</b>									
Fund Balance/Net assets-June 30, 2016	\$ 4,901,902	\$ 5,993,678	\$ (590,669)	\$ (2,938,348)	\$ 82,243,352	\$ 849,906	\$ 430,383	\$ 9,224,486	\$100,114,690

**OVERVIEW OF BUDGETED RESOURCES**

**OVERVIEW OF BUDGETED RESOURCES**

**SUMMARY OF MAJOR REVENUES, EXPENDITURES  
AND OTHER FINANCING SOURCES/USES  
Actual\* July 1, 2014 through June 30, 2015 (FY 15)**

	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, 2014	\$ 5,580,138	\$ 5,741,357	\$ 3,611,938	\$ (7,000,132)	\$ 85,349,340	\$ 1,031,622	\$ 387,486	\$ 1,725,143	\$ 96,426,891
<b>Revenues</b>									
Taxes & Assessments	22,701,709	6,632,467	3,172,156	-	-	-	-	3,772,681	36,279,013
Licenses & Permits	1,340,961	1,587,868	-	-	1,386	-	-	-	2,930,215
Intergovernmental	13,254,488	5,070,576	-	770,333	2,001	-	14,510	979,992	20,091,900
Charges for Services	4,859,044	2,413,848	-	-	9,117,251	-	-	1,391,809	17,781,952
Fines & Forfeitures	1,308,935	17,574	-	-	-	-	133,971	210,366	1,670,846
Miscellaneous	672,159	68,783	-	95,808	349,303	-	-	51,012	1,237,065
Investment Earnings	-	1,931	14,400	(1,884)	238,000	826	-	1,698	254,971
Long Term Debt proceeds	587,997	1,037,050	-	1,534,597	-	-	-	-	3,159,644
Transfers In/Other Financing	5,548,469	247,297	119,016	1,312,983	203,000	692,000	-	2,704,975	10,827,740
Internal Service	-	-	-	-	-	4,742,807	-	-	4,742,807
<b>Total Estimated Revenues</b>	<b>50,273,762</b>	<b>17,077,394</b>	<b>3,305,572</b>	<b>3,711,837</b>	<b>9,910,941</b>	<b>5,435,633</b>	<b>148,481</b>	<b>9,112,534</b>	<b>98,976,154</b>
<b>Expenditures</b>									
General Government	8,402,459	1,786,787	154	13,417	2,066	-	-	-	10,204,883
Public Safety	26,232,341	1,779,897	-	-	-	-	105,584	-	28,117,822
Public Works	5,889,494	833,756	-	153,132	-	-	-	1,266,115	8,142,497
Public Health	1,644,431	-	-	-	10,777,485	-	-	-	12,421,916
Social and Economic Services	210,000	-	-	-	-	-	-	-	210,000
Culture and Recreation	3,921,649	512,391	-	-	1,918,034	-	-	-	6,352,074
Housing & Community Devel.	45,000	1,366,431	-	-	-	-	-	3,070,601	4,482,032
Debt Service	565,485	713,619	3,382,851	870,752	924,931	-	713,619	2,121,639	8,579,277
Internal Service	-	-	-	-	-	5,644,612	-	-	5,644,612
Capital Outlay	534,335	3,150,266	-	4,793,183	-	-	-	1,196,354	9,674,138
Transfers Out/Other Financing	2,777,468	5,648,123	416,266	12,900	50,213	-	-	3,081,320	11,986,290
<b>Total Expenditures</b>	<b>50,222,662</b>	<b>15,791,270</b>	<b>3,799,271</b>	<b>5,843,384</b>	<b>13,672,729</b>	<b>5,644,612</b>	<b>105,584</b>	<b>10,736,030</b>	<b>105,815,542</b>
<b>Projected Change in</b>									
Fund Balance/Net assets	51,100	1,286,124	(493,699)	(2,131,547)	(3,761,788)	(208,979)	42,897	(1,623,495)	(6,839,387)
<b>Restatement</b>									
Fund Balance/Net assets - June 30, 2015	\$ 5,631,238	\$ 7,027,481	\$ 3,118,239	\$ (9,131,679)	\$ 81,587,552	\$ 822,643	\$ 430,383	\$ 101,648	\$ 89,587,504

# OVERVIEW OF BUDGETED RESOURCES

## OVERVIEW OF BUDGETED RESOURCES

### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Actual July 1, 2013 through June 30, 2014 (FY 14)

	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, 2013	\$ 6,142,366	\$ 5,089,722	\$ 3,673,594	\$ (4,903,610)	\$ 86,641,862	\$ 431,214	\$ 636,916	\$ 3,377,518	\$ 101,360,497
<b>Revenues</b>									
Taxes & Assessments	22,011,287	5,894,300	3,255,420	-	-	-	-	4,088,153	35,249,160
Licenses & Permits	1,300,757	1,818,952	-	-	1,200	-	-	-	3,120,909
Intergovernmental	13,740,151	3,028,693	-	231,991	8,122	-	13,426	715,371	17,737,754
Charges for Services	4,551,218	1,045,359	-	-	8,890,363	-	-	1,572,202	16,059,142
Fines & Forfeitures	1,333,042	14,907	-	-	-	-	299,705	-	1,647,654
Miscellaneous	291,534	182,318	-	70,393	172,644	-	-	124,913	841,802
Investment Earnings	1	1,404	14,829	4,980	240,257	(2,413)	-	142,169	401,227
Long Term Debt proceeds	691,039	638,670	5,860,000	185,142	-	-	-	42,473	7,417,324
Transfers In/Other Financing	5,414,985	72,159	579,028	1,181,248	243,087	686,125	-	-	8,176,632
Internal Service	-	-	-	-	-	4,904,244	-	-	4,904,244
<b>Total Estimated Revenues</b>	<b>49,334,014</b>	<b>12,696,762</b>	<b>9,709,278</b>	<b>1,673,754</b>	<b>9,555,673</b>	<b>5,587,956</b>	<b>313,131</b>	<b>6,685,281</b>	<b>95,555,849</b>
<b>Expenditures</b>									
General Government	9,247,841	510,859	75,809	4,131	-	-	-	-	9,838,640
Public Safety	25,269,346	2,733,211	-	-	-	-	121,140	-	28,123,697
Public Works	6,051,648	1,123,826	-	18,500	7,592,620	-	-	2,267,161	17,053,755
Public Health	1,550,087	-	-	-	-	-	-	-	1,550,087
Social and Economic Services	210,000	-	-	-	-	-	-	-	210,000
Culture and Recreation	3,682,609	408,686	-	-	1,768,502	-	-	-	5,859,797
Housing & Community Devel.	120	227,258	-	-	-	-	-	6,070,495	6,297,873
Debt Service	390,200	2,260	3,205,807	938,552	967,699	-	-	-	5,504,518
Internal Service	-	-	-	-	-	4,987,548	-	-	4,987,548
Capital Outlay	397,675	2,179,280	-	3,172,663	-	-	-	-	5,749,618
Transfers Out/Other Financing	3,107,053	5,303,908	6,489,318	-	75,213	-	-	-	14,975,492
<b>Total Expenditures</b>	<b>49,906,579</b>	<b>12,489,289</b>	<b>9,770,934</b>	<b>4,133,846</b>	<b>10,404,034</b>	<b>4,987,548</b>	<b>121,140</b>	<b>8,337,656</b>	<b>100,151,026</b>
<b>Projected Change in</b>									
Fund Balance/Net assets	(572,565)	207,473	(61,656)	(2,460,092)	(848,361)	600,408	191,991	(1,652,375)	(4,595,177)
<b>Restatement</b>									
	10,337	444,162	-	363,570	(444,162)	-	(441,421)	-	(67,514)
Fund Balance/Net assets - June 30, 2013	\$ 5,580,138	\$ 5,741,357	\$ 3,611,938	\$ (7,000,132)	\$ 85,349,340	\$ 1,031,622	\$ 387,486	\$ 1,725,143	\$ 96,697,806

### 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.

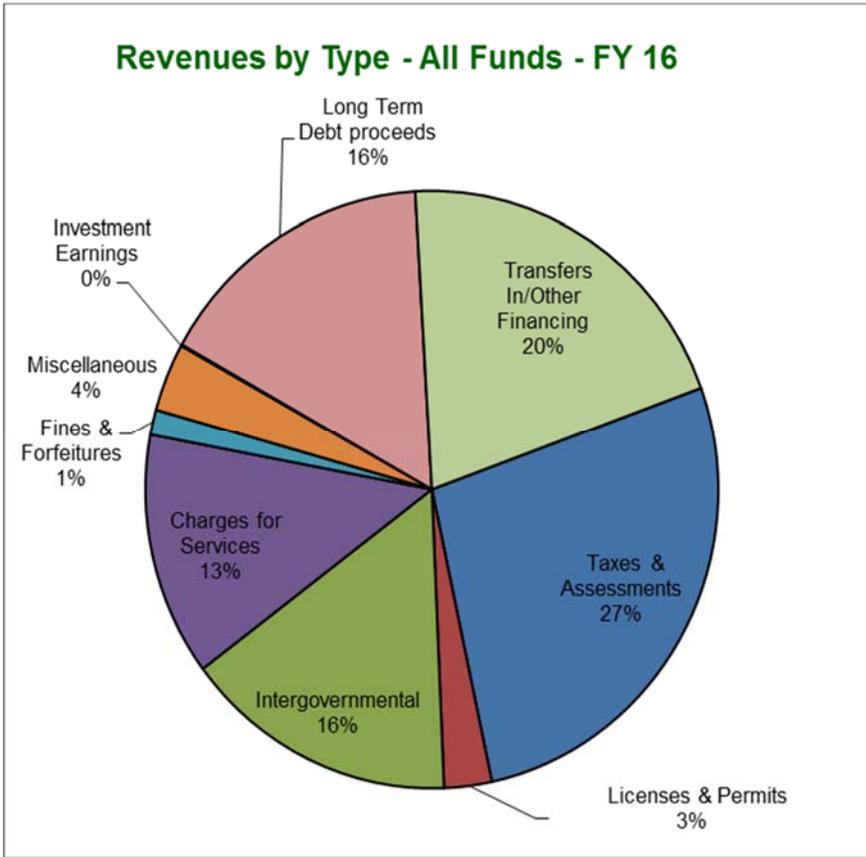
**Miscellaneous Revenue:** Revenue from sources not otherwise provided in other categories. Rent is an example of a miscellaneous revenue.

**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.

**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.

Assumptions, Estimates, & Trends

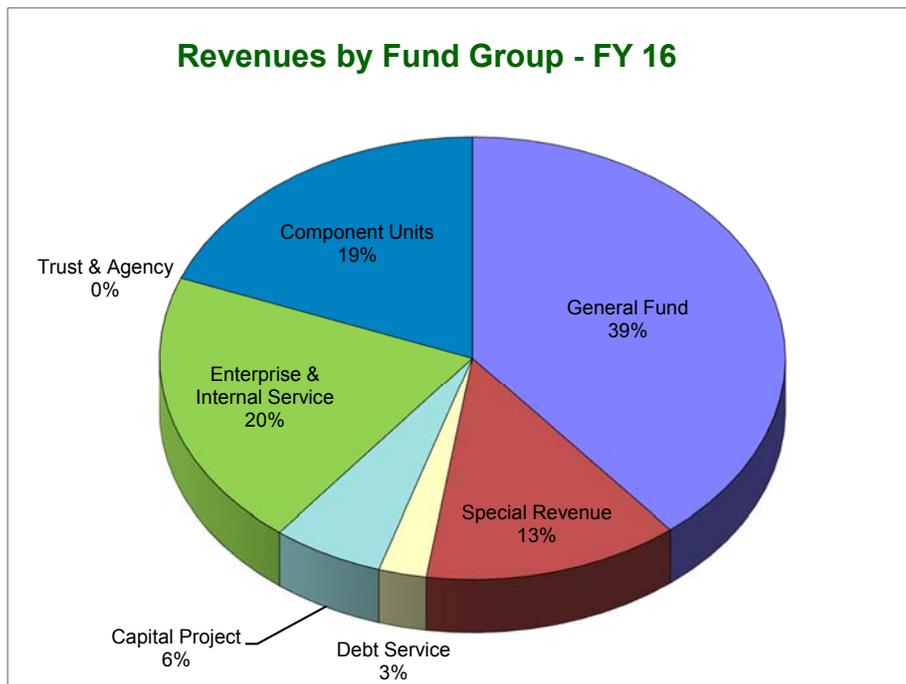


The two pie charts (on the left and below) give a graphic overview of total City revenues — one by the sources described on the previous page and the other by major fund group.

As depicted by the graph of revenues “by type”, the Taxes and Assessments category and Intergovernmental Revenues make up the two largest categories of City revenues for FY 2016 (43%). Transfers In and Other Financing Revenues make up the next largest category (20%). Finally, Long Term Debt Proceeds (16%) and Charges for Services (13%) make up the fourth and fifth largest categories.

These revenue categories make up 92% 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 (39%), Enterprise & Internal Service Funds (20%), Special Revenue Funds (13%), and Component Units (19%), make up 91% 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.

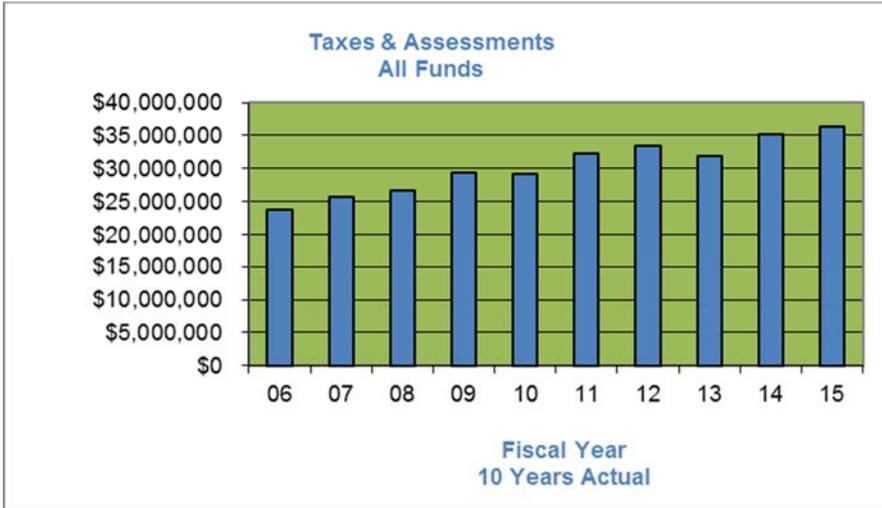
Projection of revenues and other resources is critical in order to understand the level of funding available for services and capital acquisition. Projections for future budget periods help determine the likelihood that services can be sustained and highlight future financial issues to be addressed. 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 effect 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 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. The approach to forecasting, in general, is to apply a conservative philosophy that will produce the 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 2013-15 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.

Assumptions, Estimates, & Trends

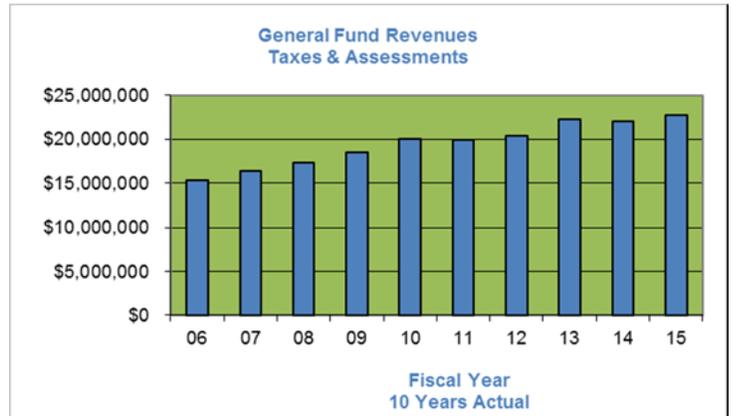
Key Revenue Estimates & Trends



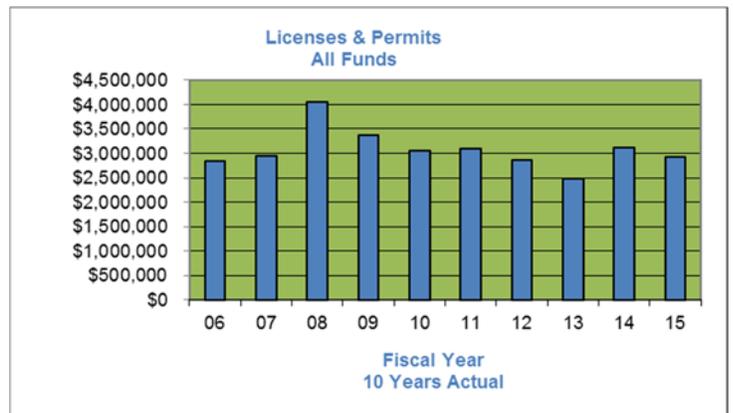
Shown by the graph to the left are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 2006 – FY 2015). The graph reflects the steady growth the City of Missoula is experiencing. Certain debt service levies and assessments go down in some years as the debt is paid off. Property taxes,

which comprise the majority of this revenue category, are dependent upon a combination of taxable values and mill levies. A modest increase of 2.70% was budgeted for FY 2016.

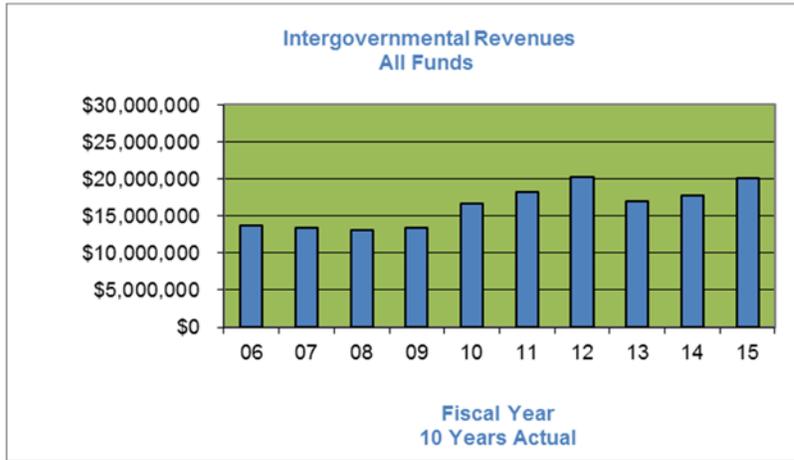
The graph on the right shows actual General Fund Taxes & Assessments for the last 10 years. Although not displayed on the graph, there was very little growth in General Fund taxes from FY 2001 – FY 2002 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations and actual growth until the recession beginning in FY 2009 until FY 2012. After FY 2012 the growth again continued in the taxes and assessments categories.



Licenses & Permits for all City funds are shown on the right. A decline occurred between FY 2001 (not shown) and FY 2002 due to the State Legislature’s elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature replaced with entitlement revenues (HB124 revenue). The decline from FY 2008 to FY 2013 was due to the economic slowdown experienced by the nation and the City of Missoula.



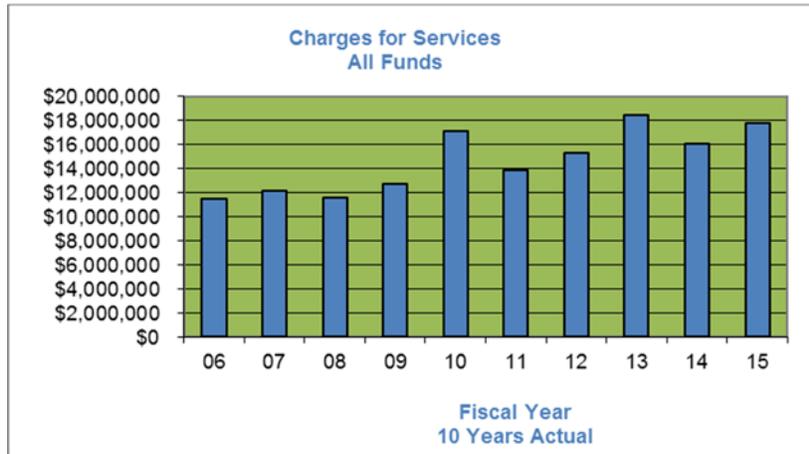
Assumptions, Estimates, & Trends



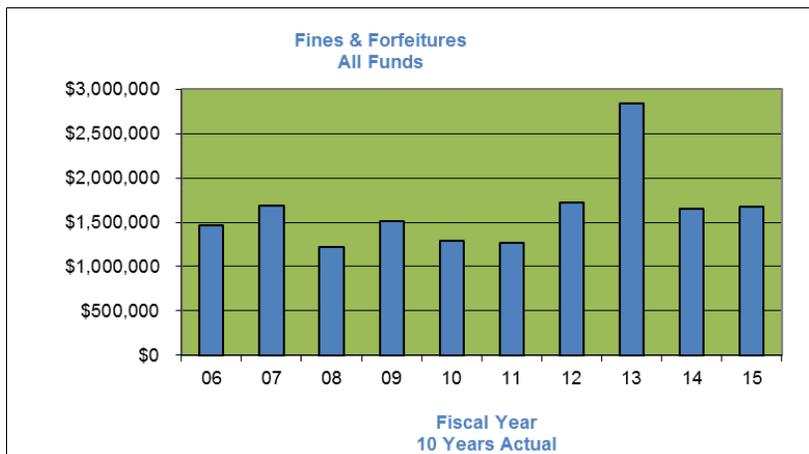
The increases in intergovernmental revenues (not shown but especially from FY 2001 through FY 2003) reflect the State Legislature's distribution of entitlement revenues to City governments. Since the increase in FY 2003, these revenues have remained relatively stable although the level of grant receipts has fluctuated significantly 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 13% 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 such as engineering fees, zoning fees, subdivision fees, building permits, impact fees and similar revenues. This source is anticipated to be maintained at the FY 2013 level or greater for the foreseeable future.

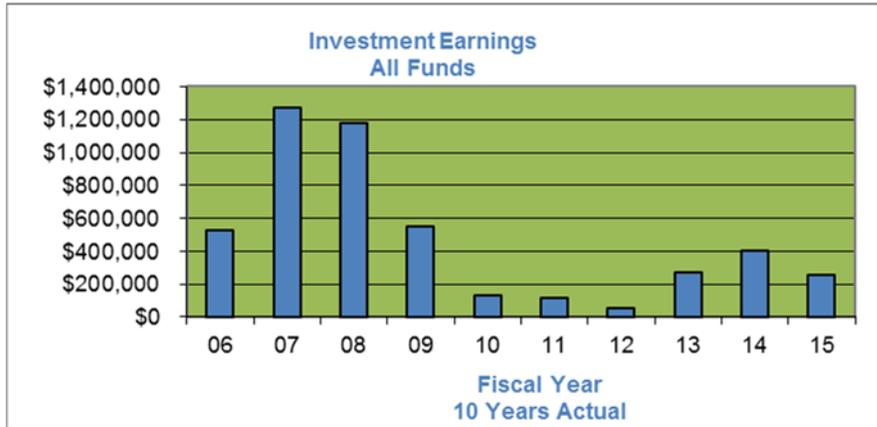


To a large extent, Fines and Forfeitures, within the General Fund, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from \$1,467,546 in FY 2006 to \$1,670,846 in FY 2015. The decrease in FY 2008 and FY 2010 was the result of staffing shortages in 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.



## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends



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 2006 and FY 2010 through FY 2014 which

correspond to the decline in interest rates nationally in those years. Interest earnings in FY 2016 are expected to be similar to FY 2015, as interest rates are near 50-year lows nationally.

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

