

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Budgeted July 1, 2016 through June 30, 2017 (FY 17)

	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, 2016		\$ 8,439,301	\$ 2,910,637	\$ (9,000,649)	\$ 77,531,701	\$ 1,095,596	\$ 466,016	\$ 9,373,521	\$ 96,059,590
Assigned/Restricted	\$ 3,693,353								
Unassigned	\$ 1,550,114								
Estimated Revenues									
Taxes & Assessments	24,802,954	4,778,675	1,264,255	-	-	-	-	4,951,762	35,797,646
Licenses & Permits	1,367,241	2,324,579	-	-	-	-	-	-	3,691,820
Intergovernmental	14,082,079	5,815,869	-	-	251,145	-	-	531,427	20,680,520
Charges for Services	6,220,287	1,346,993	-	-	10,253,671	-	-	1,677,690	19,498,641
Fines & Forfeitures	1,750,827	16,800	-	-	-	-	-	270,000	2,037,627
Miscellaneous	715,887	3,472,373	1,824,135	-	1,420,000	-	-	-	7,432,395
Investment Earnings	73,500	-	-	-	-	-	-	-	73,500
Long Term Debt proceeds	316,129	-	-	10,275,183	-	-	-	7,100,000	17,691,312
Transfers In/Other Financing	6,214,850	191,795	-	1,646,970	10,903,560	442,000	-	5,105,497	24,504,672
Internal Service	-	-	-	-	-	5,722,500	-	-	5,722,500
Total Estimated Revenues	55,543,754	17,947,084	3,088,390	11,922,153	22,828,376	6,164,500	-	19,636,376	137,130,633
Budgeted Expenditures									
General Government	9,986,623	2,187,054	-	-	-	-	-	-	12,173,677
Public Safety	28,908,598	2,257,775	-	-	-	-	-	-	31,166,373
Public Works	6,753,967	1,857,317	-	-	6,044,164	-	-	1,686,292	16,341,740
Public Health	1,754,519	-	-	-	-	-	-	-	1,754,519
Social and Economic Services	175,000	-	-	-	-	-	-	-	175,000
Culture and Recreation	5,854,654	879,026	-	-	1,335,481	-	-	-	8,069,161
Housing & Community Devel.	662,439	2,114,557	-	-	-	-	-	13,411,879	16,188,875
Debt Service	590,325	868,997	2,988,390	2,215,840	2,281,943	-	-	2,445,521	11,391,016
Internal Service	-	15,000	-	-	57,000	-	-	21,500	93,500
Capital Outlay	104,814	2,759,767	-	389,534	4,971,960	-	-	5,383,094	13,609,169
Transfers Out/Other Financing	2,773,123	6,249,189	100,000	316,130	7,983,838	6,137,237	-	5,734,531	29,294,048
Total Budgeted Expenditures	57,564,062	19,188,682	3,088,390	2,921,504	22,674,386	6,137,237	-	28,682,817	140,257,078
Projected Change in									
Fund Balance/Net Assets	(2,020,308)	(1,241,598)	-	9,000,649	153,990	27,263	-	(9,046,441)	(3,126,445)
Anticipated Expenditure Savings	1,550,000	-	-	-	-	-	-	-	1,550,000
Projected Ending									
Fund Balance/Net assets-June 30, 2017		\$ 7,197,703	\$ 2,910,637	\$ -	\$ 77,685,691	\$ 1,122,859	\$ 466,016	\$ 327,080	\$ 94,483,145
Assigned/Restricted	3,063,597								
Unassigned	1,709,562								
Total Fund Balance - June 30, 2017	\$ 4,773,159								

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

	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	
Revenues								
Taxes & Assessments	23,553,599	7,263,867	3,366,757	-	-	-	3,834,471	38,018,694
Licenses & Permits	1,444,113	2,403,981	-	-	1,541	-	-	3,849,635
Intergovernmental	14,406,219	4,709,491	-	58,793	1,799	6,999	784,517	19,967,818
Charges for Services	5,464,693	1,309,622	-	-	9,237,130	123,002	1,688,647	17,823,094
Fines & Forfeitures	1,531,422	15,311	-	-	-	-	157,959	1,704,692
Miscellaneous	253,374	27,412	-	452,709	761,463	-	305,357	1,800,315
Investment Earnings	-	-	13,238	-	-	-	-	13,238
Internal Service	-	-	-	-	-	4,974,491	-	4,974,491
Total Revenues	46,653,420	15,729,684	3,379,995	511,502	10,001,933	4,974,491	130,001	88,151,977
Expenditures								
General Government	8,998,482	1,846,778	25,819	-	-	-	-	10,871,079
Public Safety	27,177,294	1,839,978	-	10,697	-	94,368	-	29,122,337
Public Works	6,196,341	1,401,301	-	206,357	11,068,733	-	1,284,553	20,157,285
Public Health	1,706,945	-	-	-	-	-	-	1,706,945
Social and economic services	175,000	-	-	-	-	-	-	175,000
Culture and recreation	4,014,830	754,413	-	-	1,787,627	-	-	6,556,870
Housing & Community Development	35,014	1,232,971	-	-	-	-	3,166,519	4,434,504
Miscellaneous	818,567	-	-	-	-	-	-	818,567
Debt Service	579,660	667,399	3,398,518	3,680,396	-	-	(1,209)	8,324,764
Capital Outlay	1,095,839	2,409,878	-	2,860,453	-	-	2,056,333	8,422,503
Business-type	-	-	-	-	-	5,220,417	-	5,220,417
Total Expenditures	50,797,972	10,152,718	3,424,337	6,757,903	12,856,360	5,220,417	94,368	95,810,271
Other Financing Sources (Uses)								
Transfers In	5,510,697	225,325	252,770	1,315,441	7,946,923	518,877	-	20,159,377
Transfers Out	(1,992,528)	(5,301,861)	(445,969)	(234,640)	(7,743,923)	-	-	(17,221,957)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-
Proceeds from LT Debt	260,875	911,116	29,930	5,300,892	-	-	5,262,524	11,765,337
Sale of Fixed Assets	-	-	-	-	-	-	-	-
Property Taxes	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	542,866	-	-	542,866
Contributions-government activities	-	-	-	-	-	-	-	-
Intergovernmental Revenues	-	-	-	-	235,961	-	-	235,961
Investment & Royalty Earnings	-	-	-	-	2,684	-	109,030	111,714
Debt Service Interest Expense	-	-	-	-	(894,949)	-	-	(894,949)
Total Other Financing Sources (Uses)	3,779,044	(4,165,420)	(163,269)	6,381,693	89,562	518,877	-	14,698,349
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(365,508)	1,411,546	(207,611)	135,292	(2,764,865)	272,951	35,633	7,040,055
Fund Balance/Net assets - July 1, 2015	-	7,027,755	3,118,248	(9,131,688)	80,045,683	822,645	430,383	88,777,223
Nonspendable/Assigned/Restricted	3,452,570	-	-	-	-	-	-	3,452,570
Unassigned	2,160,723	-	-	-	-	-	-	2,160,723
Restatement	(4,318)	-	-	(4,253)	250,883	-	-	242,312
Fund Balance/Net assets - June 30, 2016	-	8,439,301	2,910,637	(9,000,649)	77,531,701	1,095,596	466,016	96,059,590
Nonspendable/Assigned/Restricted	3,693,353	-	-	-	-	-	-	3,693,353
Unassigned	1,550,114	-	-	-	-	-	-	1,550,114
Total Fund Balance - June 30, 2016	5,243,467	-	-	-	-	-	-	5,243,467

OVERVIEW OF BUDGETED RESOURCES

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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	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Revenues									
Taxes & Assessments	22,701,709	6,632,467	3,172,156	-	-	-	-	3,393,881	35,900,213
Licenses & Permits	1,340,961	2,322,461	-	-	1,386	-	-	-	3,664,808
Intergovernmental	13,254,488	5,070,576	-	770,333	39,135	-	14,510	990,645	20,139,687
Charges for Services	4,860,022	1,508,078	-	-	9,117,251	-	-	2,382,897	17,868,248
Fines & Forfeitures	1,308,935	17,574	-	-	-	-	133,971	-	1,460,480
Miscellaneous	672,154	68,783	-	95,808	256,024	-	-	59,516	1,152,285
Investment Earnings	-	1,931	14,406	(1,883)	(767)	-	-	125,123	138,810
Internal Service	-	-	-	-	-	4,742,807	-	-	4,742,807
Total Revenues	44,138,269	15,621,870	3,186,562	864,258	9,413,029	4,742,807	148,481	6,952,062	85,067,338
Expenditures									
General Government	8,402,459	1,786,787	153	13,423	-	-	-	-	10,202,822
Public Safety	26,232,341	1,779,897	-	-	-	-	105,584	-	28,117,822
Public Works	5,889,494	833,757	-	153,132	10,773,058	-	-	6,612,385	24,261,826
Public Health	1,644,431	-	-	-	-	-	-	-	1,644,431
Social and economic services	210,000	-	-	-	-	-	-	-	210,000
Culture and recreation	3,921,649	512,391	-	-	1,916,672	-	-	-	6,350,712
Housing & Community Development	45,000	1,366,431	-	-	-	-	-	978,400	2,389,831
Miscellaneous	-	-	-	-	-	-	-	-	-
Debt Service	565,485	713,619	3,382,851	870,752	-	-	-	-	5,532,707
Capital Outlay	534,335	3,150,266	-	4,793,183	-	-	-	-	8,477,784
Business-type	788,789	-	-	-	-	5,637,996	-	-	6,426,785
Total Expenditures	48,233,983	10,143,148	3,383,004	5,830,490	12,689,730	5,638,017	105,584	7,590,785	93,614,741
Other Financing Sources (Uses)									
Transfers In	5,548,469	247,297	119,016	1,312,983	203,000	692,000	-	-	8,122,765
Transfers Out	(1,988,666)	(5,648,123)	(416,266)	(12,900)	(50,213)	(6,595)	-	-	(8,122,763)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-	-
Proceeds from LT Debt	587,997	1,037,050	-	1,534,597	-	-	-	-	3,159,644
Gain on disposal of fixed assets	-	-	-	-	8,279	-	-	-	8,279
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	-	-	-	-	-
Contributions-government activities	-	-	-	-	85,001	-	-	-	85,001
Intergovernmental Revenues	-	-	-	-	236,252	-	-	-	236,252
Investment & Royalty Earnings	-	-	-	-	3,282	826	-	-	4,108
Debt Service Interest expense	-	-	-	-	(924,931)	-	-	-	(924,931)
Total Other Financing Sources (Uses)	4,147,800	(4,363,776)	(297,250)	2,834,680	(439,330)	686,231	-	-	2,568,355
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	52,086	1,114,946	(493,692)	(2,131,552)	(3,716,031)	(208,979)	42,897	(638,723)	(5,979,048)
Fund Balance/Net assets - July 1, 2014		5,741,357	3,611,937	(7,363,702)	85,349,339	1,031,622	828,907	2,319,249	97,088,510
Nonspendable/Assigned/Restricted	3,026,537	-	-	-	-	-	-	-	-
Unassigned	2,543,264	-	-	-	-	-	-	-	-
Restatement	(8,594)	171,177	-	363,570	(1,587,625)	-	-	(829,622)	(1,891,094)
Residual Equity Transfer	-	-	-	-	-	-	(441,421)	-	(441,421)
Fund Balance/Net assets - June 30, 2015		7,027,480	3,118,245	(9,131,684)	80,045,683	822,643	430,383	850,904	88,776,947
Assigned/Restricted	3,452,570	-	-	-	-	-	-	-	-
Unassigned	2,160,723	-	-	-	-	-	-	-	-

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.

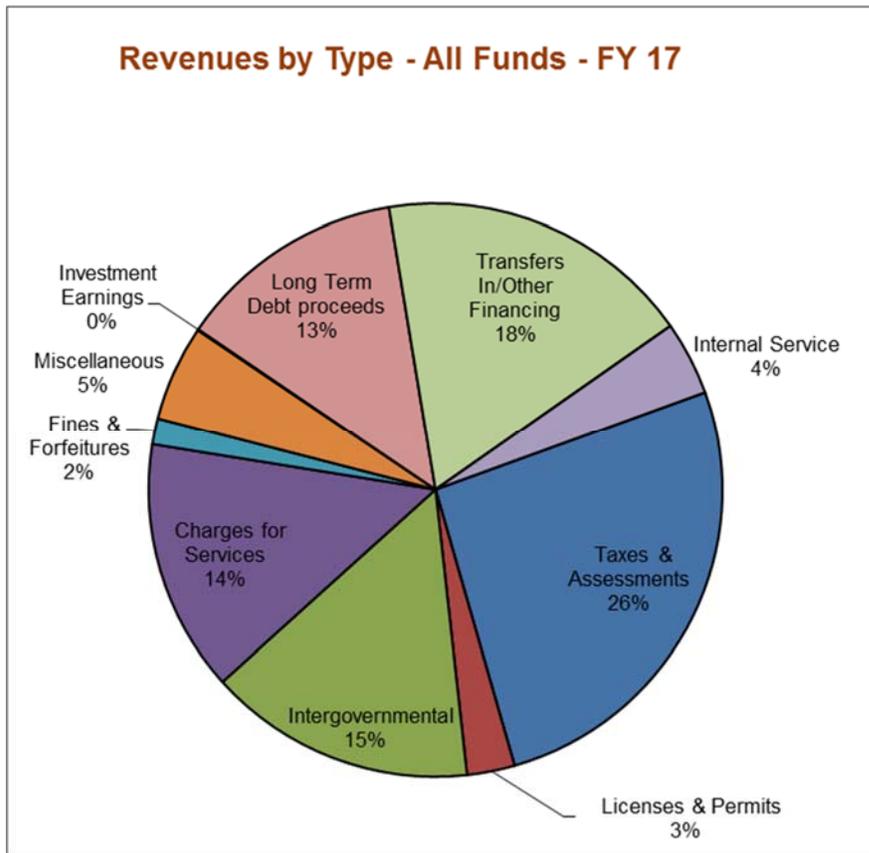
Bond Proceeds and Other Financing Sources: These revenues consist of the debt proceeds received by the City to finance various types of capital improvements.

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.

MAJOR REVENUE SOURCES

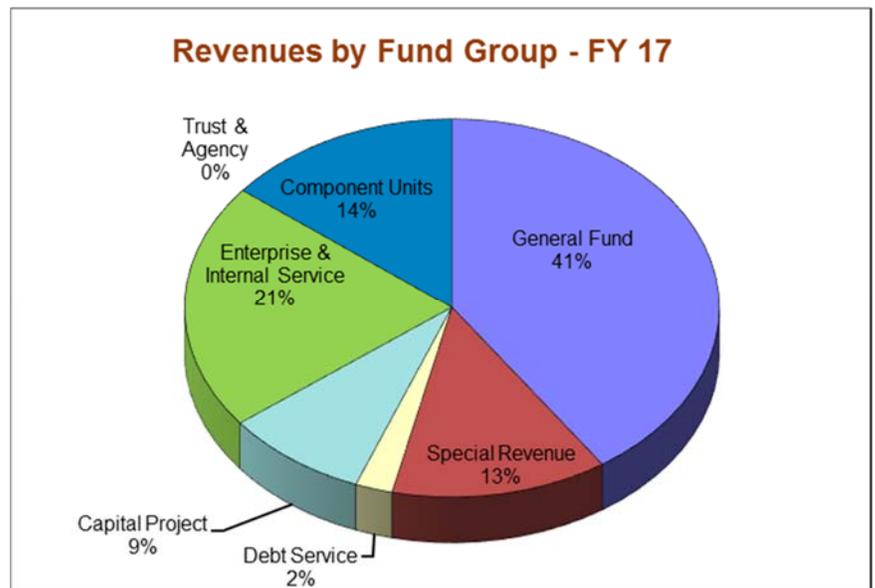
Assumptions, Estimates, & Trends

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 Transfers In/Other Financing Sources make up the two largest categories of City revenues for FY 2017 (44%). Intergovernmental Revenues make up the next largest category (15%). Finally, Charges for Services (14%) and Long Term Debt Proceeds (13%) make up the fourth and fifth largest categories. These revenue categories make up 86% 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 (41%), Enterprise & Internal Service Funds (21%), Component Units (14%), and Special Revenue Funds (13%), make up 89% 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.

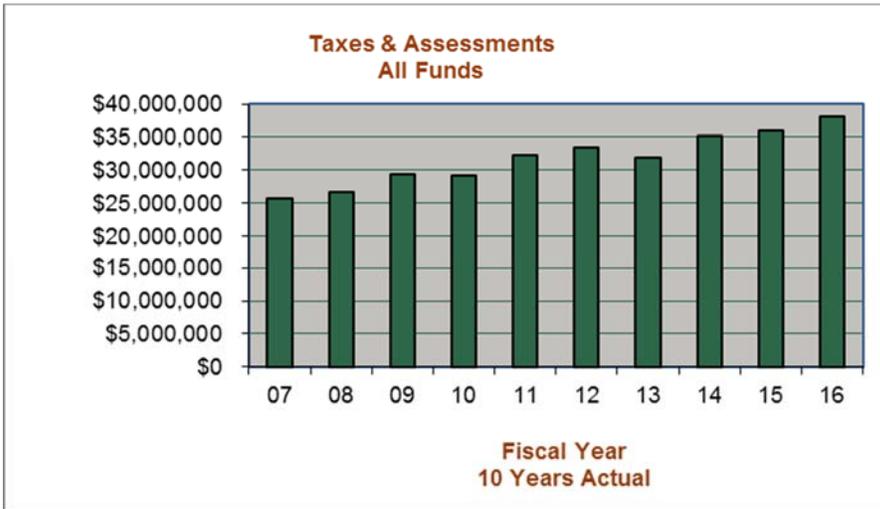
One of the key analytical tools, to assist in the development of revenue estimates, is the comprehensive five year financial forecast. This forecast considered key revenue and expenditure projection factors such as population, increases in the consumer price index (CPI) and other growth factors. The 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 88% of total City revenues.

MAJOR REVENUE SOURCES

Assumptions, Estimates, & Trends

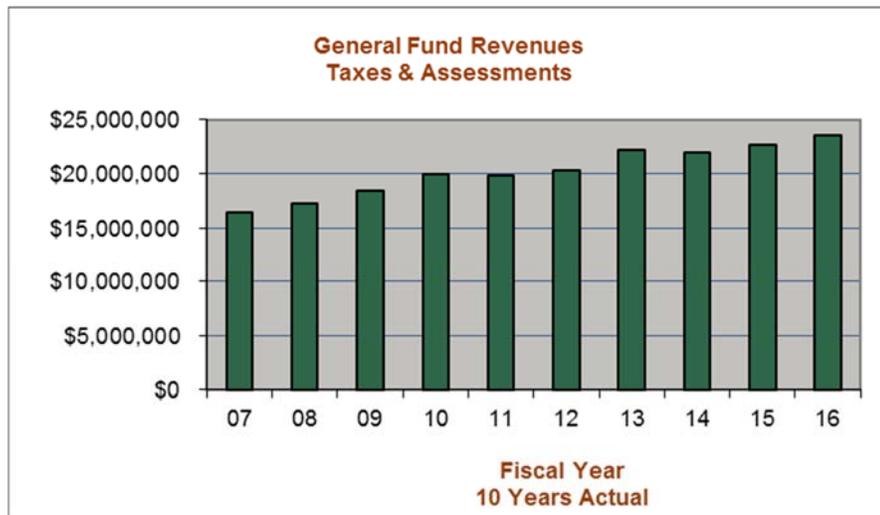
Key Revenue Estimates & Trends



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 2007 – FY 2016). 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 3.83% was budgeted for FY 2017.

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.



MAJOR REVENUE SOURCES

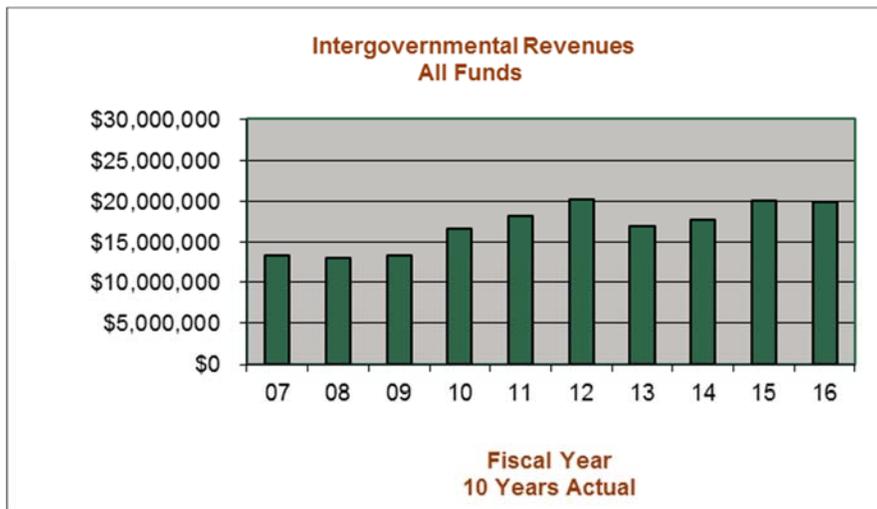
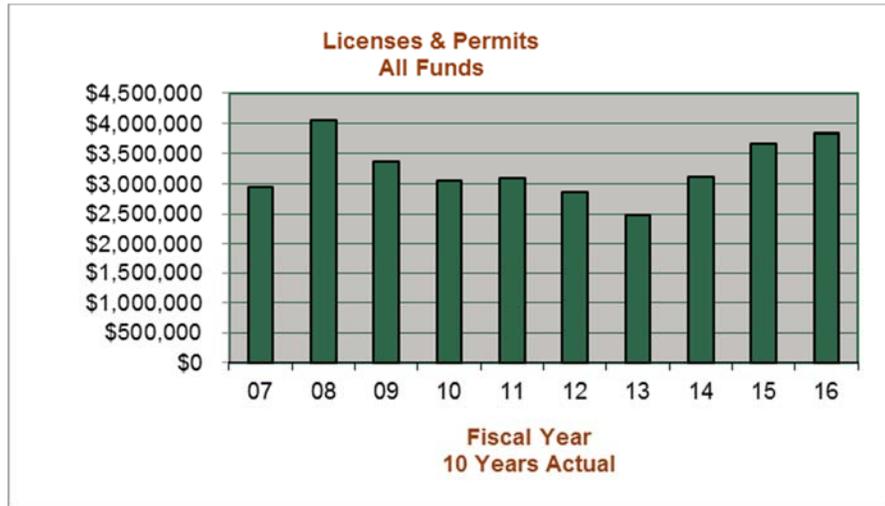
Assumptions, Estimates, & Trends

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.

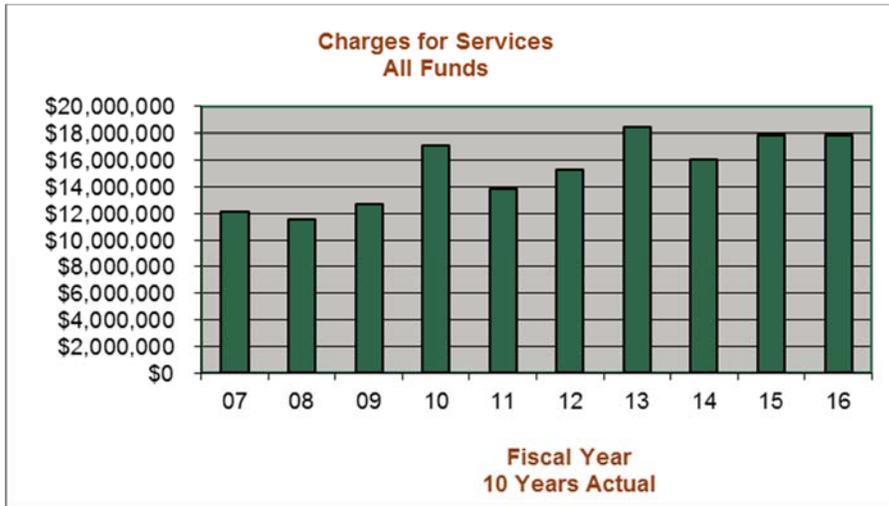


The increases in **intergovernmental revenues** (not shown but especially from FY 2001 through FY 2003) reflect the State Legislature's distribution of entitlement revenues to City governments. Since the increase in FY 2003, these revenues have remained relatively stable although the level of grant receipts 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.

MAJOR REVENUE SOURCES

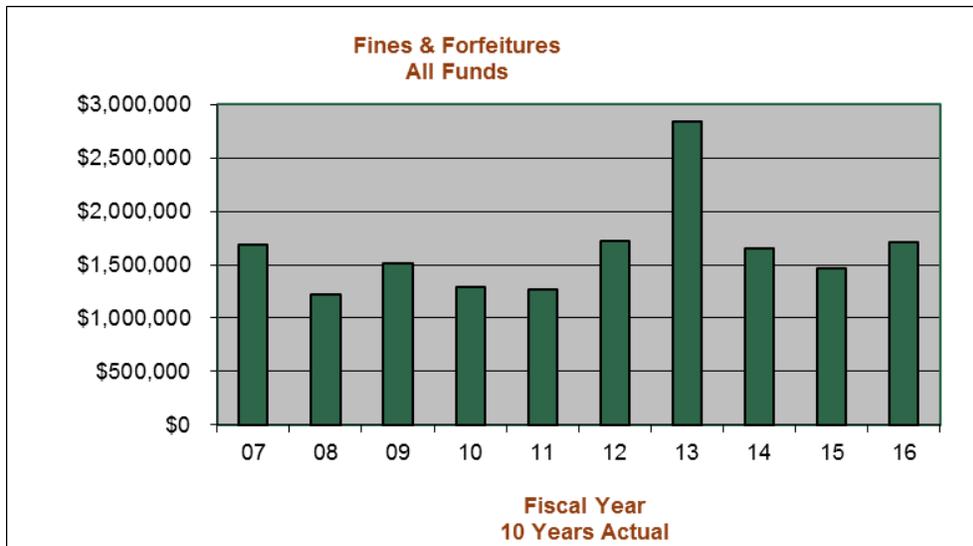
Assumptions, Estimates, & Trends



Charges for services, for all funds, represent 14% 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.

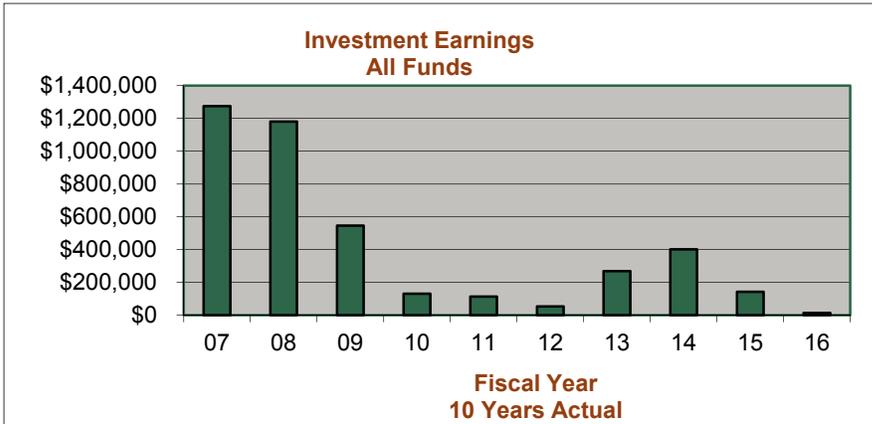
To a large extent, **Fines and Forfeitures**, within the General Fund, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from \$1,686,934 in



FY 2007 to \$1,704,692 in FY 2016. 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 2009 and FY 2010 through FY 2014 which

correspond to the decline in interest rates nationally in those years. Interest earnings in FY 2017 are expected to be similar to FY 2016, 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.

