



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Missoula

Montana

For the Fiscal Year Beginning

July 1, 2017

Christopher P. Morill

Executive Director

Elected Officials

Mayor, John Engen

Municipal Court Judge, Kathleen Jenks

City Council

Ward One

Term Expires First Monday In:

Bryan von Lossberg	2022
Heidi West	2020

Ward Four

Term Expires First Monday In:

Jesse Ramos	2022
John DiBari	2020

Ward Two

Term Expires First Monday In:

Jordan Hess	2022
Mirtha Becerra	2020

Ward Five:

Term Expires First Monday In:

Stacie M. Anderson	2022
Julie Armstrong	2020

Ward Three

Term Expires First Monday In:

Heather Harp	2022
Gwen Jones	2020

Ward Six

Term Expires First Monday In:

Julie Merritt	2022
Michelle Cares	2020

Administrative Officials

Dale Bickell	Chief Administrative Officer
Steve Johnson	Central Services Director
Jim Nugent	City Attorney
Mike Brady	Police Chief
Jeff Brandt	Fire Chief
Leigh Griffing	Finance Director
Mike Haynes	Development Services Director
John Wilson	Public Works Director
Ellen Buchanan	Director of Redevelopment, Housing & Economic Development
Carl Horton	Information Technologies Director
Donna Gaukler	Parks & Recreation Director
Tiffany Brander	Interim Missoula Parking Commission Director
Ronald Regan	Cemetery Director
Martha Rehbein	City Clerk
Don Verrue	Certified Building Official
Brian Hensel	Deputy Public Works Director - Transportation
Dennis Bowman	Deputy Public Works Director - Utilities
Laurie Pfau	Human Resources Director
Eran Pehan	Housing and Community Development Director
Scot Colwell	Fleet Maintenance Manager
Matthew Lawson	Facilities Maintenance Manager
Ellen Leahy	City/County Health Department Director
Honore Bray	City/County Library Director

City of Missoula Committees, Commissions and Boards

ANIMAL CONTROL BOARD- MISSOULA CITY/COUNTY (Term 2 Years)

County Appointments:	Start of Term	End of Term
Jesse Munro	Jan 1, 2018	Dec 31, 2019
W. Lynn Gontarek-Gerberson	Jan 1, 2017	Dec 31, 2018
City Appointments:		
Mary Sonalla	May 7, 2018	Dec 31, 2018
Karen Munro	Jan 1, 2017	Dec 31, 2018
Animal Control Board-Must be a license Veterinarian		
Victoria Pickart, DVM	<i>Ongoing Appointment</i>	

BICYCLE AND PEDESTRIAN ADVISORY BOARD (Term 3 Years)

Members:	Start of Term:	End of Term:
Danny Tenenbaum	Oct 23, 2017	Sep 30, 2020
Gene Schmitz	Oct 1, 2017	Sep 30, 2020
Peter Drakos	Oct 1, 2017	Sep 30, 2020
Ryan Yearous	Oct 1, 2015	Sep 30, 2018
Peter Walker-Keleher	Oct 1, 2015	Sep 30, 2018
Bob Wachtel (Chair)	Oct 1, 2015	Sep 10, 2018
Robin Welling	Oct 23, 2017	Sep 30, 2019
Fred Allendorf	Nov 5, 2018	Sep 30, 2019
Britt Arnesen	Nov 7, 2016	Sep 15, 2019

BOARD OF ADJUSTMENT (Term 3 Years)

Members	Start of Term	End of Term
Sandy Mitchell	Jul 1, 2018	Jun 30, 2021
Sharon Palmer	Jul 1, 2018	Jun 30, 2021
James Sage	Jul 1, 2018	Jun 30, 2021
Andy Short (Chair)	Jul 1, 2017	Jun 30, 2020
Hans Hoffman	Jul 1, 2017	Jun 30, 2020
Patrick Bridegam	Aug 7, 2017	Jun 30, 2020
Zachary Reimer	Jul 1, 2017	Jun 30, 2020
John Newman, Alternate #1	Jun 25, 2018	Jun 30, 2020
Lance Koch, Alternate #2	Jun 25, 2018	Jun 30, 2020

City of Missoula Committees, Commissions and Boards

BUILDING CODE BOARD OF APPEALS (Term 3 Years)

Members	Start of Term	End of Term
Heather McMilin (At-Large)	Jul 1, 2017	Jun 30, 2020
Jack Moffett (Electrician)	Jul 1, 2017	Jun 30, 2020
Anthony Moretti (Architect)	Nov 19, 2018	Jun 30, 2021
David V. Gray (At-Large)	Jul 1, 2018	Jun 30, 2021
Clayton Anderson (Plumber)	Jul 1, 2018	Jun 30, 2021
John Wells (At-Large)	Jul 1, 2016	Jun 30, 2019
Jonathan Gass (Engineer)	Jul 1, 2016	Jun 30, 2019

BUSINESS IMPROVEMENT DISTRICT BOARD (Term 4 Years)

Members	Start of Term	End of Term
Carma Jean Gilligan (Zone 1)	Jun 1, 2015	May 31, 2019
Charlie Beaton (S. of Clark Fork River)	Jun 1, 2015	May 31, 2019
Scott Stearns (Greater than 20,000sq ft.)	Jul 25, 2016	May 31, 2020
Tim France (Less than 20,000 sq. ft.)	Jun 1, 2016	May 31, 2020
Dan Cedarberg-(At-Large Rep)	Jun 1, 2017	May 31, 2021
Kirk Bodlovic (Zone 2)	Jun 1, 2017	May 31, 2021
Ellen Buchanan-(City of Missoula Rep)	Jun 1, 2018	May 31, 2022

CEMETERY BOARD (Term 2 Years)

Members	Start of Term	End of Term
Neil Carson	Feb 12, 2018	Apr 30, 2020
Paul Filicetti	May 1, 2017	Apr 30, 2020
Kim Seeberger (Chair)	May 1, 2017	Apr 30, 2020
Patrick J. McHugh	May 1, 2018	Apr 30, 2021
Mary Lou Cordis	May 1, 2018	Apr 30, 2021

CONSERVATION DISTRICT - MISSOULA CITY/COUNTY (Term 3 Years)

Members	Start of Term	End of Term
Tim Hall- City Appointed	Jan 1, 2016	Dec 31, 2018
Paul Parson- City Appointed	Jan 1, 2017	Dec 31, 2019
Elizabeth "Libby" Maclay	Jan 1, 2017	Dec 31, 2020
Sidney Wills	Jan 1, 2015	Dec 31, 2018
Art Pencek	Jan 1, 2015	Dec 31, 2018
Robert Schroeder	Jan 1, 2015	Dec 31, 2018
Greg Martinsen- Non-Voting	N/A	N/A
Travis Greenwalt	Jan 1, 2017	Dec 31, 2020

City of Missoula Committees, Commissions and Boards

CONSERVATION LANDS ADVISORY COMMITTEE

Appointed by the Missoula Parks & Recreation Board

Members:	Start of Term	End of Term
Chris Ryan	Oct 16, 2012	Oct 15, 2019
Nathan Senner	Oct 16, 2017	Oct 15, 2020
Karen Sippy	Oct 16, 2016	Oct 15, 2019
Beverly Dupree	Oct 16, 2016	Oct 15, 2019
Giles Thelen	Oct 16, 2017	Oct 15, 2020
Terry Carlson	Oct 16, 2015	Oct 15, 2018
Carol Fisher	Oct 16, 2016	Oct 15, 2019
Kathleen Kennedy	Oct 16, 2017	Oct 15, 2020
John Pierce	Oct 16, 2016	Oct 15, 2019
Lily Clarke	Oct 16, 2017	Oct 15, 2020

Non-Voting Members:

Liz Bradley	N/A	N/A
Patrick Bridgegam	N/A	N/A
Paul Greenough	N/A	N/A

DESIGN REVIEW BOARD (Term 1 to 3 Years)

Members:	Start of Term	End of Term
Maria Chesnut	Jul 1, 2018	Dec 31, 2019
Brandon Prinzing	Jul 1, 2018	Dec 31, 2019
Blake Nicolazzo (Alternate)	Dec 11, 2017	Dec 31, 2018
Kyle Gauthier	Sept. 21, 2015	Dec 31, 2018
Dennis Lippert	Jan 1, 2016	Dec 31, 2018
Jacque Walawander	Jul 1, 2018	Dec 31, 2019
Matt Loomis	Jul 1, 2018	Dec 31, 2019
Ryan Smith	Jan 1, 2016	Dec 31, 2018

ENERGY AND CLIMATE TEAM (Term 3 Years)

Members	Start of Term	End of Term
Brian Kerns	Mar 13, 2017	Jul 31, 2020
Marcia Brownlee	March 13, 2017	July 31, 2019
Robin Saha	Mar 13, 2017	Jul 31, 2020
Michael Dorshorst	Mar 13, 2017	Jul 31, 2020
Craig Couch	Mar 13, 2017	Jul 31, 2019
Bart Mihailovich	Mar 13, 2017	Jul 31, 2019
Gwen Lankford Spencer	Aug 28, 2017	Jul 31, 2020

City of Missoula Committees, Commissions and Boards

EXTRAORDINARY EVENTS COMMITTEE

Members

Matt Ellis (Chair)
Ellen Buchanan
Ed Childers
Emily Bentley
Mike Painter
Dale McCormick
Linda McCarthy

Representation

Facility Mgr. -Allegiance Field
Missoula Redevelopment Agency
Mayor's Designee-City Council- Ward 6
City Council Representative- Ward 3
Community Forum Representative
Riverfront Neighborhood Council
Missoula Downtown Association

HEALTH BOARD- MISSOULA CITY/ COUNTY (Term 3 Years)

County Appointments (BCC)

Pamela Boyd
James Stephens

Start of Term

Jan 1, 2018
Jan 1, 2018

End of Term

Dec 31, 2019
Dec 31, 2020

City Appointments City Council

Ross Miller
Debbie Johnston

Jan 1, 2016
Jan 1, 2017

Dec 31, 2018
Dec 31, 2019

Other Members:

Jean Curtiss (County)
Julie Armstrong (City)
Paul Parson

County Commissioner Appointed
City Council Appointed
Conservation District Board Appointed

HISTORIC PRESERVATION COMMISSION (Term 2 Years)

Members

James R. McDonald (Professional)
Joshua Pollarine (Southeast)
Steve Adler (Professional)
Jolene Brink - At Large
Julia McCarthy-McLavery - At Large
Paul Filicetti - Downtown
Cathy Bickenheuser - Professional
Solomon Martin - Alternate 1
Bruce Haroldson - Alternate 2

Start of Term

Jan 1, 2016
Jan 1, 2016
Jan 1, 2016
Jul 10, 2017
Feb 6, 2017
Feb 6, 2017
Jan 1, 2018
Mar 6, 2017
Oct 16, 2017

End of Term

Dec 31, 2018
Dec 31, 2018
Dec 31, 2018
Dec 31, 2019
Dec 31, 2018

City of Missoula Committees, Commissions and Boards

IMPACT FEE ADVISORY COMMITTEE (Term 4 Years)

Members	Start of Term	End of Term
Mayoral Appointments:		
Hank Trotter	Dec 1, 2016	Nov 30, 2020
Nick Kaufman (Development Community Rep)	Dec 1, 2016	Nov 30, 2020
Bruce Bender	Feb 13, 2017	Nov 30, 2020
John Freer	Dec 1, 2016	Nov 30, 2020
Jim Galipeau (Certified Public Accountant)	Dec 1, 2014	Nov 30, 2018
Jerry Ford	Dec 1, 2014	Nov 30, 2018
Maria Chesnut	Mar 27, 2017	Nov 30, 2018
City Council Appointments:		
Derek Goldman	Jan 23, 2017	Nov 30, 2020
Adam Pummill	Jun 1, 2015	Nov 30, 2018

LIBRARY BOARD- MISSOULA CITY/COUNTY (Term 3 Years)

Members	Start of Term	End of Term
County Commissioner Board Appointed:		
Kathryn Doney	Jul 1, 2013	Jun 30, 2018
Rita Henkel	Jul 1, 2014	Jun 30, 2019
Audra Loyal	Jul 1, 2017	Jun 30, 2022
Margaret Wafstet	Jul 1, 2018	Jun 30, 2023
Mayoral Appointments:		
Becky Mosbacher	Jul 1, 2014	Jun 30, 2019
Matt English (Alternate)	Jul 1, 2017	Jun 30, 2022

City of Missoula Committees, Commissions and Boards

MAYOR'S DOWNTOWN ADVISORY COMMISSION (2 & 3 Year Terms)

Members	Start of Term	End of Term
Amy Allison Thompson (Poverello Center)	Dec 6, 2016	Jan 31, 2020
Dan Cederberg (Downtown Attorney)	Mar 1, 2018	Feb 28, 2021
Eran Fowler Pehan (Housing & Community Development Director) Co-Chair	Mar 1, 2016	Feb 28, 2019
Melinda Mason (Children's Mental Health Bureau)	Mar 1, 2016	Feb 28, 2019
Keithi Worthington (Deputy City Attorney)	Apr 9, 2018	Feb 28, 2021
Dave Chrismon (Missoula Downtown)	Jul 1, 2017	Jun 30, 2020
Sue Wilkins (Missoula Correctional Services)	Jun 1, 2018	May 31, 2021
Theresa Williams (Reaching Home Coordinator)	Dec 6, 2016	Jan 31, 2020
Bryan von Lossberg (City Council Ward 1) Co-Chair	May 1, 2016	Apr 30, 2019
Ryan Boyd (Salvation Army)	Jul 31, 2017	Aug 1, 2020
Margaret Borg (Retired Attorney)	Mar 1, 2016	Feb 28, 2019
Nicole Rowley (County Commissioner)	Mar 1, 2018	Feb 28, 2021
Elizabeth Marshall (Missoula Housing Authority)	Jan 1, 2016	Dec 31, 2018
Ginny Merriam (City Communications/Public Information Officer)	Staff	Staff
Alex Beal (Assistant Municipal Court Judge)	Jan 31, 2018	Feb 1, 2021
Michael Moore (Downtown Business Community)	Jan. 1, 2016	Dec. 31, 2018
Lt. Jake Rosling (City Police Department)	Jun 1, 2016	Jul 31, 2019
Tom Snyder (Downtown Business Community)	Jul 1, 2017	Jun 30, 2020
Ethan Smith (City Police Department)	Jan 31, 2018	Feb 1, 2021

MISSOULA CIVIC TELEVISION ADVISORY COMMISSION

Members	Start of Term	End of Term
Mayoral Appointments:		
Chris Badgley	Jan 8, 2018	Dec 31, 2020
Megan Robson	Jan 1, 2017	Dec 31, 2019
City Council Appointments:		
Bruce Tribbensee	Jun 8, 2015	Dec 31, 2018
Lisa Mecklenberg Jackson	Jan 1, 2017	Dec 31, 2019
City Council Representative:		
Heather Harp	Jan 11, 2018	n/a
Stacie Anderson	Jan 11, 2018	n/a
City Staff Representative		
Ginny Merriam	Mar 1, 2006	n/a
County Representative		
Katie Klietz	Oct 1, 2015	n/a
County Public School Representative		
Hatton Littman	Oct 7, 2013	n/a
U of M Representative		
Jen Sauer	Jun 2, 2005	n/a

City of Missoula ***Committees, Commissions and Boards***

MISSOULA HOUSING AUTHORITY BOARD (Term 2/5 Years)

Resident Member terms are 2 years terms\

Members	Start of Term	End of Term
Collin Bangs	Jun 26, 2017	Jun 25, 2022
Monique Casbeer (Resident Member)	Jun 26, 2018	Jun 25, 2020
Kaia Peterson	Jun 26, 2018	Jun 25, 2023
Jamie Hoffmann	Jun 26, 2014	Jun 25, 2019
Heidi DeArment	Aug 10, 2015	Jun 25, 2020
Kila Shields	Jun 26, 2016	Jun 25, 2021
John Richards (Resident Member)	Mar 5, 2018	Jun 25, 2019

MISSOULA PARKING COMMISSION BOARD (Term 4 Years)

Members	Start of Term	End of Term
John Roemer	May 1, 2017	Apr 30, 2021
Matt Ellis	May 1, 2018	Apr 30, 2022
Pat Corrick	Jul 27, 2015	Apr 30, 2019
Heidi Kendall	Jul 27, 2015	Apr 30, 2019
Joe Easton	Jun 13, 2016	Apr 30, 2020

MISSOULA REDEVELOPMENT AGENCY BOARD (Term 4 Years)

Members	Start of Term	End of Term
Natasha Prinzing Jones	Aug 21, 2017	Apr 30, 2021
Ruth Reineking	May 1, 2018	Apr 30, 2022
Nancy K. Moe	May 1, 2018	Apr 30, 2022
Melanie Brock	May 1, 2015	Apr 30, 2019
Karl J. Englund (Chair)	May 1, 2016	Apr 30, 2020

**City of Missoula
Committees, Commissions and Boards**

OPEN SPACE ADVISORY COMMITTEE (Term 3 Years)

Members	Start of Term	End of Term
John Smith	Mar 6, 2017	Jan 25, 2020
Deke Tidwell	Jan 26, 2017	Jan 25, 2020
Robert Erickson	Jan 26, 2017	Jan 25, 2020
Catherine Ipsen	Jan 26, 2018	Jan 25, 2021
Kristine Akland	Jan 26, 2018	Jan 25, 2021
Regan Whitworth	Jan 26, 2018	Jan 25, 2021
Alexis Gibson	Jan 26, 2018	Jan 25, 2021
Eric Anderson	Jan 26, 2016	Jan 25, 2019
Bert Lindler	Jan 26, 2016	Jan 25, 2019
Deanna Bublitz	Jan 26, 2018	Jan 25, 2019
Anna Noson	Jan 26, 2016	Jan 25, 2019
David Cole (Park Board Appointment)	n/a	

PARKS AND RECREATION (Term 3 Years)

Members	Start of Term	End of Term
Ross Mollenhauer	May 1, 2017	Apr 30, 2020
Dayna Swanson	May 1, 2016	Apr 30, 2019
Johnna Eisenmann	May 1, 2017	Apr 30, 2020
Dale Harris (Chair)	May 1, 2016	Apr 30, 2019
John O'Connor	May 1, 2016	Apr 30, 2019
Sonja Verlanic	May 1, 2016	Apr 30, 2019
Christine Ryan	May 1, 2017	Apr 30, 2020

City of Missoula Committees, Commissions and Boards

PLANNING BOARD (Term 3 Years)

Members	Start of Term	End of Term
County Appointments (BCC)		
Andy Mefford	Jan 1, 2018	Dec 31, 2019
Michael Houlihan	Jan 1, 2018	Dec 31, 2019
Stephanie Laporte Potts	Jan 1, 2018	Dec 31, 2019
Jason Rice	Jan 1, 2018	Dec 31, 2019
Mayoral Appointments		
John Newman	Jan 1, 2017	Dec 31, 2018
Neva Hassanein	Jan 1, 2018	Dec 31, 2019
City Council Appointments		
Dudley Improta	Jan 1, 2018	Dec 31, 2019
Helen Pent Jenkins	Jan 1, 2018	Dec 31, 2019
Planning Board Member		
Jamie Hoffmann	Jan 1, 2017	Dec 31, 2018
Vince Caristo (City Council)	Jan 1, 2018	Dec 31, 2019
Peter Bensen (County)	Jan 1, 2018	Dec 31, 2019

POLICE COMMISSION (Term 3 Years)

Members	Start of Term	End of Term
Daniel Doyle	May 1, 2017	Apr 30, 2020
Suzanne Peterson	May 1, 2018	Apr 30, 2021
Babak Rastgoufard	Jul 2, 2018	Apr 30, 2019

PUBLIC ART COMMITTEE (Term 4 Years)

Members	Start of Term	End of Term
Lisa Simon	Jun 11, 2018	Jun 30, 2021
Stoney Sasser	Jul 1, 2018	Jun 30, 2022
Peter Lambros, Chair	Aug 13, 2018	Jun 30, 2022
Taag Peterson	Jul 1, 2015	Jun 30, 2019
Kathi Olson	Jul 1, 2015	Jun 30, 2019
Patricia Thornton	Jun 11, 2018	Jun 30, 2021
City Council Appointments		
Courtney LeBlanc	Sep 1, 2015	Jun 30, 2019
Cathay Smith	Apr 25, 2016	Jun 30, 2019
City Council Representative		
Julie Armstrong	n/a	n/a

City of Missoula Committees, Commissions and Boards

TOURISM BUSINESS IMPROVEMENT DISTRICT BOARD (Term 4 Years)

Members	Start of Term	End of Term
Kate Leonberger	Mar 26, 2018	Dec 1, 2018
Lydia Bryan	Feb 13, 2017	Nov 30, 2018
Whitney Bergmann	Dec 31, 2017	Dec 1, 2021
Luke Laslovich	Jul 24, 2017	Dec 1, 2020
Tim Giesler	Feb 8, 2016	Dec 1, 2019

TRANSPORTATION POLICY COORDINATING COMMITTEE

Members	Association	Voting
Don MacArthur	Missoula Urban Transportation District (MUTD)	Yes
Jordan Hess	City Council	Yes
John Engen	Mayor, City of Missoula	Yes
Dave Strohmaier	Board of County Commissioners	Yes
Jean Curtiss	Board of County Commissioners	Yes
Ed Toavs	Montana Department of Transportation (MDT)	Yes
Dick Ainsworth	Missoula Consolidated Planning Board (MCPB)	Yes
Brian Hasselbach	Federal Highway Administration (FHWA A-Helena)	No
Doug Schallenberger	Ravalli County Commissioner	No
Dr. Garon Smith	Missoula City/County Health Board	No

URBAN TRANSPORTATION DISTRICT BOARD (Term 4 Years)

Members	Start of Term	End of Term
County Appointments (BCC)		
Marty Blair	Jan 1, 2015	Dec 31, 2018
Doug Odegaard	Jan 1, 2018	Dec 31, 2021
Andrea Davis	Jan 1, 2016	Dec 31, 2019
Mayoral Appointments		
Amy Cilimburg (Chair)	Jan 1, 2018	Dec 31, 2021
Jesse Dodson (Vice Chair)	Apr 25, 2016	Dec 31, 2019
Anna-Margaret Goldman	Apr 3, 2017	Dec 31, 2018
City/County Alternating Appt.		
Don MacArthur (City/County Alternating Appointment)	Jan 1, 2017	Dec 31, 2020

Budget Message

December 31, 2018

City of Missoula Residents:

This document is the Final Operating and Capital Budget for the City of Missoula, Montana for the fiscal year ending June 30, 2019 (FY 2019). A brief summary of the Final Budget follows.

Overview of Budgeted Resources

The following table depicts the audited beginning balances, estimated revenues, final budgeted expenditures, and projected ending balances for the budget year. All city funds are included in this budget. The table reflects estimated revenues of \$165.07 million, budgeted expenditures of \$171.39 million with expected expenditure savings of \$1.53 million, resulting in a projected decrease in the ending balances of \$4.79 million. An explanation of the significant changes in fund and cash balances (those greater than 10%) are provided on the following pages.

PROJECTED CHANGES IN FUND AND WORKING CAPITAL BALANCES								
BUDGETED JULY 1, 2018 THROUGH JUNE 30, 2019 (FY 19)								
	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Types	Component Units	Total All Funds
	General & Special Purpose	Special Revenue	Debt Service	Capital Project	Enterprise & Internal Service	Trust & Agency		
Nonspendable/Restricted/Committed/Assigned	\$ 3,429,152	\$ 8,564,310	\$ 3,136,114	\$ 663,981	\$ 115,071,504	\$ 7,367	\$ 7,587,171	\$ 138,459,599
Unassigned	1,361,441	(1,043,028)	(424,989)	(4,668,696)	(43,522,491)	392,709	(16,803,555)	(64,708,609)
Fund balance/net assets - July 1, 2018	\$ 4,790,593	\$ 7,521,282	\$ 2,711,125	\$ 4,004,715	\$ 71,549,013	\$ 400,076	\$ (9,216,384)	\$ 73,750,990
Estimated Revenues	55,896,230	29,883,253	2,775,541	5,324,394	38,525,708	—	32,664,560	165,069,686
Budgeted Expenditures	58,333,030	28,616,753	2,856,142	1,401,503	40,243,027	—	39,935,222	171,385,677
Anticipated Expenditure Savings	1,489,412	40,189	—	—	—	—	—	1,529,601
Projected Change in Fund Balance/Net Assets	(947,388)	1,306,689	(80,601)	3,922,891	(1,717,319)	—	(7,270,662)	(4,786,390)
Projected Ending Fund balance/net assets - June 30, 2019								
Nonspendable/Restricted/Committed/Assigned	1,128,882	9,849,616	3,055,401	664,271	726,661	7,367	4,485,484	19,917,682
Unassigned	2,714,323	(1,021,046)	(424,989)	(746,095)	(14,884,029)	392,709	(483,886)	(14,453,013)
Total fund balance/net assets - June 30, 2019	\$ 3,843,205	\$ 8,828,570	\$ 2,630,412	\$ (81,824)	\$ (14,157,368)	\$ 400,076	\$ 4,001,598	\$ 5,464,669

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Listed below are explanations of the significant changes in fund balance/cash, for each of the major fund groups.

General Fund (Major Fund)

- The General Fund year-end fund balance increased from \$3.84 million in FY 2017 to \$4.79 million at the end of FY 2018. The fund balance of \$4.79 million represents 8.33% of the total General Fund expenditures and transfers out. The unassigned portion of the fund balance for the General Fund was \$1.36 million or 2.37% of total General Fund expenditures and transfers but the actual spendable portion (restricted/assigned/committed) was \$3.43 million or 6.02% of total expenditures and transfers out. The building of the fund balance in the prior years was accomplished by budgeting conservatively for revenues with significant expenditure savings required of many large General Fund departments, such as Police, Fire and Parks & Recreation. In budgeting for FY 2019, there is the continued trend to budget conservatively in the revenues and there is an anticipated \$1,489,412 in expenditure savings. In addition to the expenditure savings, a conservative estimate in fund balance reserve has been estimated. Even though there shows a drop in overall fund balance, this is related to the expenses in the General Special Purpose funds, which is to be expected since the funds in these accounts are expected to be fully expensed on projects. After removing the General Special Purpose funds, and budgeting conservatively for revenues, expenditure savings and a conservative reserve, anticipated unassigned General Fund balance could increase by \$310,899 to 1.67 million with an overall net fund balance projection of \$3.84 million at the close of FY 2019.

Special Revenue Funds

- Special Revenue Fund balances are usually fully appropriated to be spent, even though certain funds are targeted to have substantial year end fund balances to handle the ongoing operating expense of their programs without developing a negative fund balance (i.e. Street Lighting Assessments Fund, Cable Franchise Fee Fund, Building Inspection Fund, Special District Funds). Most of the other special revenue funds are slated to fully spend the beginning fund balance which exists because projects were not completed during the preceding fiscal year.

Debt Service Funds

- 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.

FY 19 Final Operating and Capital Budget

Capital Project Funds

- The Capital Projects year end fund balance for FY 2018 was negative. This will continue to be reduced from year to year as the projects are completed and the bonds are issued to reimburse the City for the infrastructure/projects constructed.

Enterprise/Internal Service Funds

- The City of Missoula now currently has five Enterprise Funds: Civic Stadium; Water Utility; Wastewater Utility; Storm Water Utility and Aquatics.
 - FY 2018 was the first full year operating the Water Utility. There are no proposed rate increases for the Water Utility at this time. The rates will remain 6% lower than rates under Mountain Water ownership.
 - The City plans to invest \$15.5 million in capital improvements within the first three years under public ownership. A facility plan is underway in FY2019 that will establish a schedule of needed improvements for the utility for many years into the future. More details are provided in regards to the capital projects in the Capital Project section of the budget.
 - The Wastewater Utility rates increased on January 1, 2018 by 2.5% for the final increase of a planned three year phase-in of rate increases, (2016 - 2018). Since FY 2016, the sewer utility realized an increase in revenues of an average 3.30% per year with a modest budgeted increase in revenues of 2.95%.
 - In FY17 the City completed the purchase of Garden City Compost, formerly EKO Compost. FY 2018 was the first full year of operations for the new compost division of the Wastewater Utility. Compost tipping fees and compost sales were budgeted for \$1,077,175 for FY 2018, based on historic analysis of the business and maintaining the existing price structure for tipping fees and compost sales. At the close of FY 2018 actual revenues were \$919,737, enough to cover the costs of acquisition, personnel, operating supplies and site upgrades to be compliant with the Montana Department of Environmental Quality requirements. \$450,000 of this revenue was internal from tipping fees from the wastewater treatment plant. In FY 2019 the decision was made to remove the tipping fees from the wastewater plant. With the removal of the tipping fees, the budgeted compost revenue of \$494,710 is enough to cover the operations and acquisition of the compost plant.
 - The Storm Water Utility responds to regulatory requirements for improved storm water quality, maintains flood management infrastructure and the Missoula levee system in addition to other, more typical storm water infrastructure. The Storm Water Utility also provides public education and outreach opportunities to help with improving community awareness about storm water discharge challenges. The designed and proposed Storm Water Utility rate, resulting from the recently completed rate study, is set to be reviewed by the City Council in FY 2019. The proposed increase in rates will cover the necessary expenditures to meet regulatory requirements including hiring maintenance staff and future capital improvement projects.
 - In FY 2019 the Aquatics fund is budgeted with a net operational loss. At the close of FY 2018 the projected fund balance is \$(85,564). With operational and personnel costs continuing to increase at a higher rate than entry and program fees, there is not sufficient fund balance or revenue to cover the budgeted operational loss. During FY 2018, a request to increase the rates by an average \$0.50 was approved. In FY 2019, the City will be recommending an additional increase in rates, of an amount to be determined, to cover a portion of the expected net operating loss. The Parks department is also looking into opportunities for increasing revenues by adding or upgrading aquatics features.
- The City has one Internal Service Fund, the City Health Insurance plan, which has suffered from significant increases in usage and medical inflation during the past decade. In an attempt to have a positive growth in the fund balance, the City increased contributions to the plan by the employees as well as the benefit portion paid by the City. Furthermore, to assist in maintaining a positive fund balance the City provided additional funding as one-time transfers from the General Fund for the years FY 2012 - FY 2015. In FY 2015, there was a slight reduction in fund balance due to an abnormal increase of costs to the program. The increased cost was a result of the Affordable Care

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Act (ACA) implementation. Part of this implementation that was not recognized prior to FY 2015 is the mandatory inclusions of prescriptions as part of the total claim deductibles.

FY 2017 and FY 2018 experienced a high number of large claims that exceeded budgeted expenditures. In FY 2018 several months of above average claims resulted in expenses exceeding revenue by \$1.1 million, and a decline of the fund balance. Due to decline in fund balance, the administration recommended increasing funding of the plan. Beginning October 2018, the City's contribution to the health plan will be increased by an additional 12% (\$96.00) per employee per year. At this time there will also be an increase to the deductible (\$280) per employee per year.

The City is committed to maintaining a three month reserve in the health plan based on budgeted expenditures. The target fund balance for FY 2019 is \$1.9 million. In an effort to meet the reserve target and stay ahead of the trend of increasing health care costs, the city has increased employee contributions and budgeted for insurance claims expenses 16% higher than the FY 2018 budget. These changes to the budget project a conservative estimate of increasing the fund balance by \$501,000. The Employee Benefit Committee has also been focusing on identifying methods to cut costs within the health plan by utilizing the assistance of the plans third party administrator, Allegiance Benefit Plan Management and with Gallagher Benefit Services an insurance consultant company.

Component Units

The City of Missoula has four component units: Missoula Parking Commission (MPC), Missoula Redevelopment Agency (MRA), Business Improvement District (BID), and the Tourism Business Improvement District (TBID).

- The Parking Commission has an operating budget of \$2.3 million plus debt service requirements of \$1.0 million. It maintains a debt service reserve of \$0.7 million, for the bond issued for the construction of the Park Place garage in the downtown business district in the spring of 2014. In partnership with the Missoula Redevelopment Agency, the Parking Commission will receive an additional parking garage that has been constructed as part of the Roam student housing project. This will increase the number of parking spaces available by 139 spaces. At the end of FY 18, in anticipation of receiving the Roam P1 garage, the Parking Commission installed Parking Access Revenue Control Systems (PARCS) in P1. Additionally, the Parking Commission updated PARCS in the Central Park and Park Place Garages as well as in the Caras Lot. With the start of FY2019, the Parking Commission purchased a Go-4 Electric Parking Enforcement Scooter and began the implementation of License Plate Recognition to their enforcement operations. The addition of the PARCS and LPR equipment to the Parking Commission's operations will provide for an overall increase in efficiency and ease of use for the citizens that park downtown.
- 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.

Missoula has six active Urban Renewal Districts (URDs) that are currently being managed by MRA. All of the districts have a tax increment financing (TIF) funding mechanism authorized by State urban renewal law. MRA is also working closely with the Department of Housing and Community Development to identify opportunities to increase affordable housing in the community. The Agency's revenues are derived primarily from Tax Increment Property Tax, State Personal Property Tax Reimbursements, State Entitlements, and Investment Earnings. Small amounts of revenue are received from other miscellaneous sources. The Agency's fiscal year 2018 revenues were \$450,153 higher than in fiscal year 2019.

- URD II, located in the heart of Missoula, covers the approximate area starting north at Toole Avenue, extending south to South 3rd Street, and starting east at Walnut Avenue and running west until Garfield Avenue. URD III runs along the Brooks Street corridor in southwest Missoula. The approximate area that URD III covers, starts in northeast Missoula at 14th Street and Bancroft Street and follows the Brooks Street corridor southwest extending to Reserve Street and 39th Street. The City Council extended the boundaries of URD III to include parcels that the Southgate Mall occupies, and an area

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along the western boundary between Reserve Street and Montana Rail Link's Bitterroot Branch Line. The boundary modification in URD III allowed for consideration of TIF funds to be used in upgrading infrastructure and expanding street connectivity in the area. Mary Avenue was constructed using TIF revenues and now provides an essential east/west connection from Brooks to Reserve Streets.

- MRA provided funding for the City to purchase 12 acres of property from Montana Rail Link in a key location in URD III between North and South Avenues. This acquisition allowed MRA to complete a critical trail connection on the Bitterroot Trail and begin construction of a 4 acre neighborhood park serving the Franklin to Fort and Southgate Triangle neighborhoods. The remaining 8 acres will be developed as a model for mixed use, mixed income housing through a public/private partnership.
- Two smaller districts located in downtown Missoula adjacent to the Clark Fork River are: The Front Street URD which generally occupies the area south of Main Street to the river, and west of Madison Street to one block east of Orange Street, and The Riverfront Triangle URD which occupies the area south of Broadway to the river, and west of Orange Street to the MRL Bitterroot Branch Line. The Front Street URD has active projects in the district including removal of the old Macy's building and updating infrastructure around the new Mercantile Hotel and working with community partners to assist with a large student housing project which includes a floor of public parking. Both projects will be occupied in FY19. The Riverfront Triangle URD saw the completion of a new 5 story Stockman Bank and office building.
- The Hellgate URD, which is located east of Madison Street between Interstate 90 and the Clark Fork River and the North Reserve - Scott Street URD, located between Reserve and Scott Streets north of the MRL railroad and south of Interstate 90.
- In the North Reserve - Scott Street district MRA has assisted with infrastructure upgrades to the national headquarters for a regional home health corporation, and for a new residential neighborhood named Scott Street Village.
- The Downtown Business Improvement District (BID) was created through the efforts of the Missoula Downtown Association to address the challenges created by the termination of the Downtown Urban Renewal District (URD I) on June 30, 2005. Implementation of the district began in 2001 with the creation of a committee, followed by community education through local media campaigns and meetings with property and business owners in the district. Following educating the citizens was the creation of a comprehensive database of property owners in the district, and the petition process to create the district. The verification the petition was finalized at the end of 2004. The BID was presented and approved by the City Council in April 2005. The BID now serves as an advocate for property and business owners in the district and address areas such as safety, cleanliness, appearance, marketing, business retention and recruitment. The district also advocates for public and private investment in buildings and infrastructure.
- The Tourism Business Improvement District (TBID) was created through the efforts of the Missoula Area Convention and Visitor's Bureau to aid tourism, promotion, and marketing within the District. The creation of the district also allows Hotels/Motels outside the City limits in the Missoula Urban area to participate in the Tourism Business Improvement District. The goal of the TBID is to increase four season revenues statewide through effective marketing and promotions. In order for the TBID to accomplish its goal of increasing four season revenues by focusing on high-value, low-impact visitors by working in partnership with the Missoula International Airport to bring key new service to Missoula. The TBID also works with the community to keep and strengthen our present air service by promoting Missoula and Montana and by offering incentives to air services in an attempt to increase the total air service into and out of Missoula. Destination Missoula and the TBID will focus on increasing overnight visitation to Missoula with an emphasis on the months of November through April. In an effort to increase overnight stays in Missoula the TBID/Destination Missoula will leverage marketing funds focusing on Missoula being a prime destination for annual business meetings and/or conventions, sports and sporting events, tour, group, and leisure travel.

Planning Processes

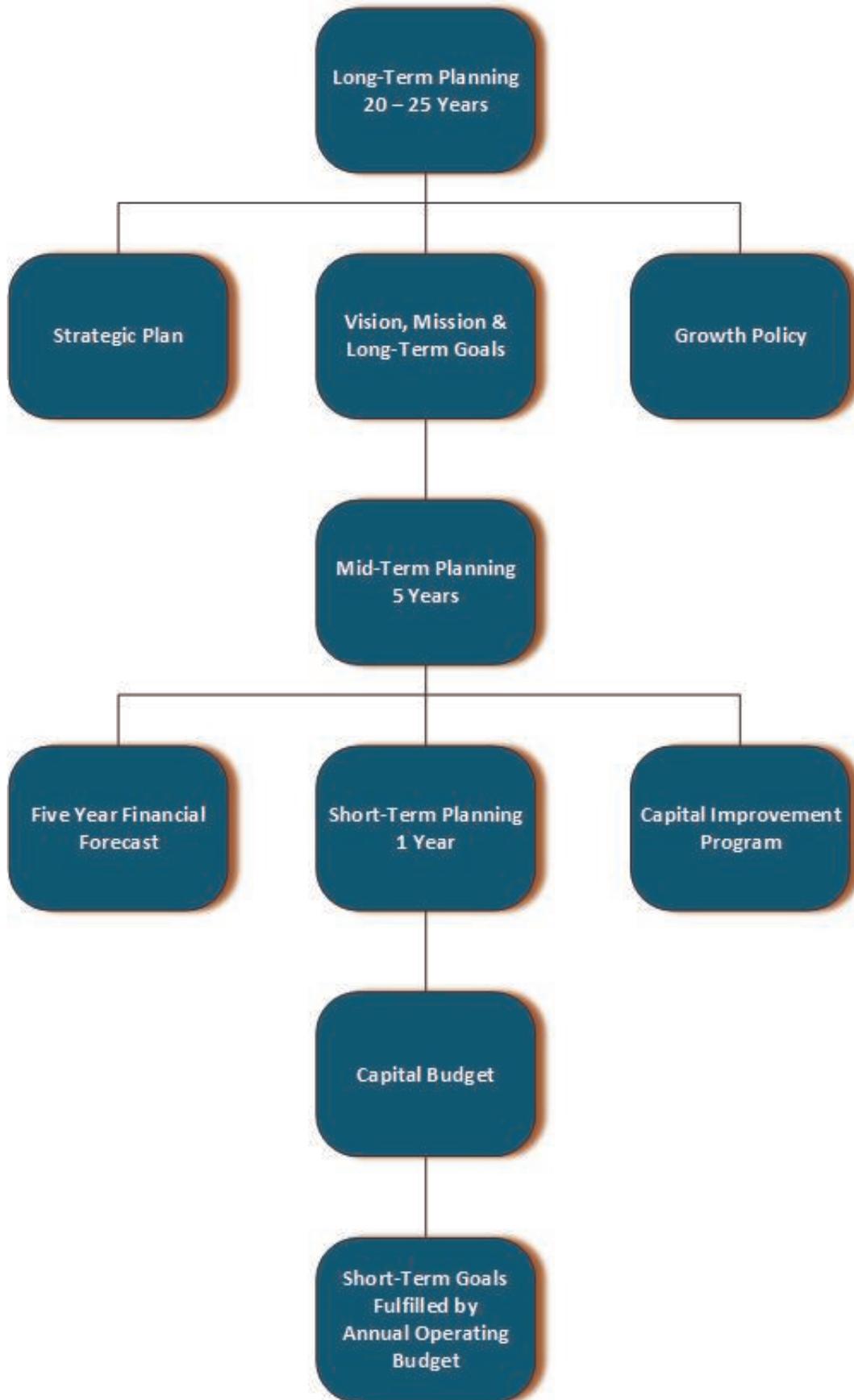


The City of Missoula conducts various planning processes (long-term, mid-term and short-term), to help guide the government and to ensure that decisions are made in the context of the organization as a whole and with a long-term perspective. Diligent efforts are made to ensure each of these component planning processes are in concert with one another. This “Linkage” is paramount to insure short-term decisions are consistent with the overriding values embodied in the mid-term and long-term planning processes adopted by the City Council. This required linkage dictates that the Operating and Capital Budgets be developed within the context of and consistent with, the City’s long-term and mid-term plans.

Each element of the City’s planning process has a different purpose and time frame. The Strategic Plan, Vision, Mission, Long-term Goals and Growth Policy are the most far-reaching in nature - 20 to 25 years. The Capital Improvement Program and the Five-Year Financial Forecast are mid-term in nature - 5 years. The Annual Budget and the Capital Budget are short-term - covering a 1 year time frame. The most important requisite is that they are coordinated efforts.

Shown below is a hierarchy of the City’s layered planning processes, all which support one another and are designed with a common goal. The chart depicts how the Annual Operating Budget and the Capital Budget fit within the City’s planning process hierarchy.

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Strategic Plan

Strategic planning suggests strategies to identify and to move toward desired future states. Strategic planning starts with the process of developing and then implementing plans to reach goals and objectives. Within government, strategic planning provides guidance for organizational management, similar to that for business, but also provides guidance for the evolution or modification of public policy and laws. Areas of such public policy include: funding of infrastructure and rate-setting, it also includes functional plans, such as the City’s Comprehensive Plan for land use, the City of Missoula transportation plan, the City of Missoula wastewater facility master plan, and City of Missoula fire master plan.

The FY 2019 budget continues Strategic Planning initiatives started in FY 1992. The plan was significantly updated in FY 2009 and implemented in FY 2010. The City’s Strategic Plan provides residents, taxpayers and stakeholders a greater understanding of city government. The City’s Strategic Plan focuses on performance and provides for measurable goals and objectives the City intends to achieve within the fiscal year. Department employees will be held accountable for the implementation and success of the plan. As part of the City’s Strategic Planning Process, the City created a set of strategies to help guide the organization. These range from philosophical strategies down to concrete achievable goals for the coming year. The City’s Strategic Planning Process, which is delineated into several charts and paragraphs, is listed below:

**City of Missoula
Strategic Plan 2010-2019**

Goal

We believe the City of Missoula has a responsibility to remain financially stable and to provide service to its citizens.

We will work toward success in three areas:

- 1. Fiscal Sustainability**
- 2. Harmonious natural and built environment**
- 3. Quality of life for all people in all places**

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City of Missoula Goals

The City created a set of short-term and long term goals and strategies. The short-term goals and strategies are those that guide the development of the budget for the coming year. Long-term goals and strategies are more far-reaching in nature and do not change from year to year, however are reviewed and updated every year.

Listed below are the City’s Strategies that help guide the development of this budget. The goals and strategies listed below are addressed very specifically in each of the departmental narratives in this budget document. The extent to which a department can advance these goals and strategies is actually quantified and scored when the individual offices are seeking funding for capital requests. Actual scoring for each of the capital requests is explained in the Capital Budget section of this report.

City of Missoula Strategies	
Missoula will lead the region in the following three areas:	
1. Funding and Service	We will maintain or improve the level of service to citizens. We will work toward sustaining and diversifying fiscal resources. We will work with public and private sector partners in greater numbers to find new ways to enhance and diversify Missoula’s economy.
2. Harmonious Natural and Built Environment	We will make sure that our natural and built environments continue to represent Missoula’s values of clean water and clear air. We will work to provide citizens access to parks, open spaces and the natural environment. We will reflect values of sustainability in transportation and building design.
3. Quality of Life for All Citizens	We will work together to meet basic human needs with dignity for all. We will work to provide affordable housing for the work force of Missoula. We will support plans and programs that promote a healthy lifestyle for Missoula’s citizens.

FY 19 Final Operating and Capital Budget**Strategic Framework**

To assist with strategic planning, each year the City Council and City Administration meet and develop a Strategic Framework for constructing the annual budget. Following is the City of Missoula Strategic Framework developed in April 2018:

Mission

Reflecting the needs and values of our citizens, the City of Missoula commits to enhancing opportunity and quality of life through effective delivery of city services and fiscal stewardship, while maintaining and creating a harmonious natural and built environment.

Vision

We are an inclusive city where all people can live and celebrate meaningful, purposeful, and fulfilling lives through the confluence of unparalleled recreational, cultural and entrepreneurial opportunity.

Guiding Principles

- We believe in economic growth and sustainability based on diversity and fairness in revenue, a healthy environment for job creation, and wage parity so citizens have attainable housing.
- We believe that a sustainable, green infrastructure promotes human health while preserving our natural environment.
- We are intentional, inclusive, and value equity in maintaining our core identity.
- We use realistic planning documents to deploy resources and measure progress.
- We believe in equitable cost-sharing and in what we receive in return.
- We effectively engage a professional staff, consultants and community stakeholders.

Strategic Goals**A. Organizational Excellence**

The City of Missoula actively demonstrates value-added service to the public via collaboration and education between Departments.

Strategic Goals

1. Create a dashboard to better inform the community, to track progress, and to highlight and celebrate achievement.
2. Move forward with succession planning including identifying future leaders and attracting and retaining talent. Communicate the value of working for the City.
3. Implement the space needs study.

B. Economic Growth and Sustainability

The City of Missoula achieves economic growth and sustainability through diversity and fairness in revenue, a healthy environment for job creation, and wage parity so citizens have attainable housing.

Strategic Goals

1. Provide leadership and cooperate with partners across Montana to achieve tax reform in the State Legislature to include a local option and tax fairness.
2. Increase financial partnerships with the private sector to create opportunities for more jobs and increased wages. Build on existing partnerships.
3. Develop policies to partner on permanent affordable housing.
4. Incentivize infrastructure development.
5. Review policies/processes to ensure there are not impediment to collective bargaining.

C. Infrastructure/Assets

Missoula understands and communicates the condition, ideal, expectations and costs of the municipal infrastructure portfolio.

Strategic Goals

1. Create CIP programs to address unstudied infrastructure.
2. Create functional, collaborative teams to implement, measure and communicate progress.
3. Identify potential funding streams.

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D. Intentional/Sustainable Growth

The City of Missoula applies a balanced structure that guides growth that is responsive, anticipatory, and adaptive, and that ensures that as Missoula, we maintain our identity.

Strategic Goals

1. Ensure that “cost-sharing” around infrastructure is equitable and helps s achieve our goals as outlined in our guiding principle.
2. Ensure the availability of diversity in housing options so that Missoulians at every income level can find safe and decent housing.
3. Formalize an annexation strategy that will assist us in developing balanced land uses, addresses economic growth, and identifies the cost of delivering services.

E. Environmental/Human Health

The City of Missoula maintains and improves our natural environment to promote human, mental and social health.

Strategic Goals

1. In the next 12 months, create functional working teams across Departments to develop a comprehensive strategy for implementation of R.O.W., AT, and green infrastructure. In 36 months, complete a draft plan with resolution mechanism included.
2. In the next 12 to 36 months, identify sustainable funding services to implement recommendations from Departments regarding Missoula’s most vulnerable populations.
In the next 12 to 36 months, maintain public safety/health commensurate with State budget cuts and our goals for social equity. Find ways to maintain sufficient access to health services.
3. Implement concrete outcomes from our Conservation and Climate goals.

Departments develop and continue to develop performance measures to identify and track quantitative and qualitative measures of their service delivery performance. Performance budgets emphasize the accomplishment of program objectives. Performance budgeting involves a shift away from inputs (what is going to be purchased), to outcomes (what is going to be accomplished). Annually, the departments review their strategic goals and if the goals were met or need to be redefined. The departments revise the goals and strategies on an annual basis to ensure that they are short term, or can be accomplished within a year.



FY 19 Final Operating and Capital Budget**Five-Year Financial Planning/Analysis**

Each year the City of Missoula evaluates its current financial condition within the context of existing programs, assesses future financial capacity, and integrates the City's Strategic goals, objectives, and financial policy into its decision-making process. Analysis of the City's financial and economic trends is an integral part of this process.

Finance Department staff perform financial trend analysis each year in conjunction with the annual mid-year budget analysis. The five-year financial planning effort utilizes budgetary and financial information to create a series of local government indicators to monitor changes in the City's financial condition. These indicators, when considered as a whole, can help interested stakeholders gain a better understanding of the City's overall financial condition. This type of analysis of key financial trends and other community factors is similar to the analysis that credit rating agencies undertake to determine the City of Missoula's bond rating.

Using this trend analysis and the framework of the financial policies adopted by City Council, management is able to strategically plan and budget, provide solutions to negative trends, and ultimately preserve the financial health of the City of Missoula. It is a good 'report card' of the City's current financial condition and reference point as staff begins work on the next year's budget. Most importantly, the financial trend analysis assists the City Council and the city administration in focusing on the "Big Picture" of the city's financial operations.

Currently the City is experiencing overcrowding issues with the current facilities that house the staff and with the services provided. The City is renting space for three different departments and a number of staff members. Within five years, the municipal court will need to expand to add another courtroom and add additional staff for the possibility of a newly elected Judge. To address this, the City is looking into developing land at one of the City-owned properties and creating a Public Works Administrative building and relocating the Public Works staff. This will free up space in the current City Hall to allow for expansion of existing departments.

Recently there has been continued growth in commercial and residential building throughout all areas of the city. This increase in building activity is positive for the City as increased building activity translates into increased overall market value, leading to increases in the taxable value. A majority of the City's revenue is tax based and is dependent on increases in the taxable value to cover annual operating increases. In the post recession years, the State Legislature has been limiting the amount of growth the City is able to capture from the increase in the taxable value (this is discussed in further detail in the Budgetary Trends section). Since a majority of revenues are reliant on the tax base and the will of the State Legislature, the City has been actively looking into different revenue streams to supplement the anemic tax allowances. There has been discussion of creating a local option sales tax in an effort to diversify revenues to support City services and reduce the property taxes levied on local residents. Another area of concern is the aging infrastructure and the funding for the infrastructure. The state allowance for the Gas Tax has recently increased which will provide for some additional funding to assist in updating the aging infrastructure.

With the restrictions placed by the State Legislature and no foreseeable additional revenue, the City continues to budget conservatively in revenue growth for the future years. With the limited revenue growth the City is only considering budgetary increases for core services and/or contractual increases. In regards to expanding services, City Administration is requesting that any increases in funding should provide an alternative revenue source, whether it be increases in charges for services or grant/donation funding. One method sought out by the City to assist in funding the backlog of maintenance in the urban forest and conservation land management was to go to the citizens of Missoula for additional funding. On the November ballot, there is a request for the citizens of Missoula to vote for a perpetual four mill levy, specific for conservation land management. The City will continue to budget conservatively in revenues, limit the budgetary increases in the near future, and continue to seek out new revenue sources to support the growing city and core services.

FY 19 Final Operating and Capital Budget**Capital Improvement Plan**

The City prepares a five-year Capital Improvement Program (CIP) which is summarized within the Annual Operating Budget. The CIP is a multi-year capital improvement plan that forecasts, but does not obligate, future spending for all anticipated capital projects. The CIP is developed and updated annually. The proposed five-year CIP uses conservative financial forecasts and reflects only those projects with the highest priority, that are mandated by the law or some other legal obligation and projects that have the most realistic expectation for completion during the next five years.

As in recent years, the City continues to face numerous capital funding requests. At the same time, the City has finite resources and limited taxing authority to fund the operating costs for many of the proposed capital projects. The proposed five-year CIP attempts to continue, and even expedite, priority projects and projects that are legally obligated, while ensuring long-term sustainability for operating impacts.

The Annual Budget Process includes a re-evaluation of the capital projects included in the CIP for the coming year as well as the anticipated funding sources for the projects. If approved in the Annual Budget Process, the capital items appear in the Annual Operating Budget, which constitutes the formal spending authority for the project. The capital items included in the Annual Operating Budget represent the "Capital Budget".

The City of Missoula utilizes capital lease financing to purchase vehicles and equipment that have outlived their useful life and have been determined by the vehicle maintenance manager to be in need of being replaced. Each fall the City enters into a new capital lease agreement from the vehicles and equipment purchased the prior year. The goal of the City is to enter into a capital lease agreement that total around \$1.5 - \$2.5 million per year with a future lease payment averaging about \$475,000 per year. With the City entering into a lease agreement every year and existing lease payments expire, this maintains a consistent debt payment of approximately \$1.5 million per year. This is the amount used for future capital lease payments when developing the budget and in determining the vehicle and equipment replacement schedule.

An additional summary of the significant capital projects included in the FY 2019 Operating Budget is included in the Capital Projects Section of this budget. The Capital Projects Section includes the details of the current and estimated future debt payments based on of the vehicle and equipment replacements schedule.

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STAFFING CHANGES

The final budget includes a net overall increase of 20.02 full-time equivalent employees (FTE). The chart below shows the change in FTE for the budget year for each major function of the City. Also, included in the appendix is a chart that shows the City's FTE over the last five years.

Staffing Changes (FTE)	
FUNCTION	Net Increase (Decrease)
General Government	1.00
Public Safety	3.00
Public Works	8.47
Housing & Community Development	1.76
Culture & Recreation	5.79
Total for City Departments	20.02

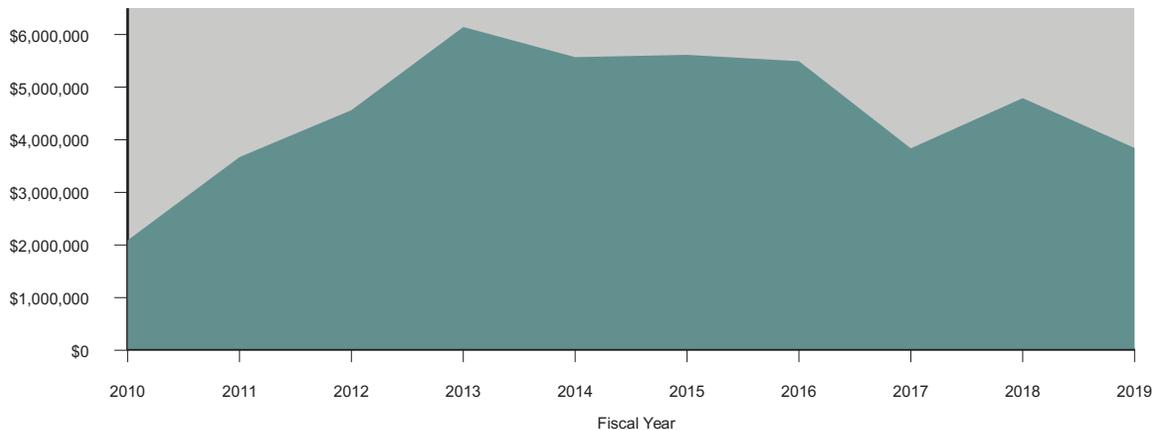
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BUDGETARY TRENDS

Shown below are a series of key financial indicators and budgetary trends that affect the ability of the City to sustain current service levels while maintaining financial stability.

Fund balance measures the net financial resources available to finance expenditures of future periods. Rating agencies examine fund balance when considering the credit quality of the City.

CITY OF MISSOULA GENERAL FUND BALANCE

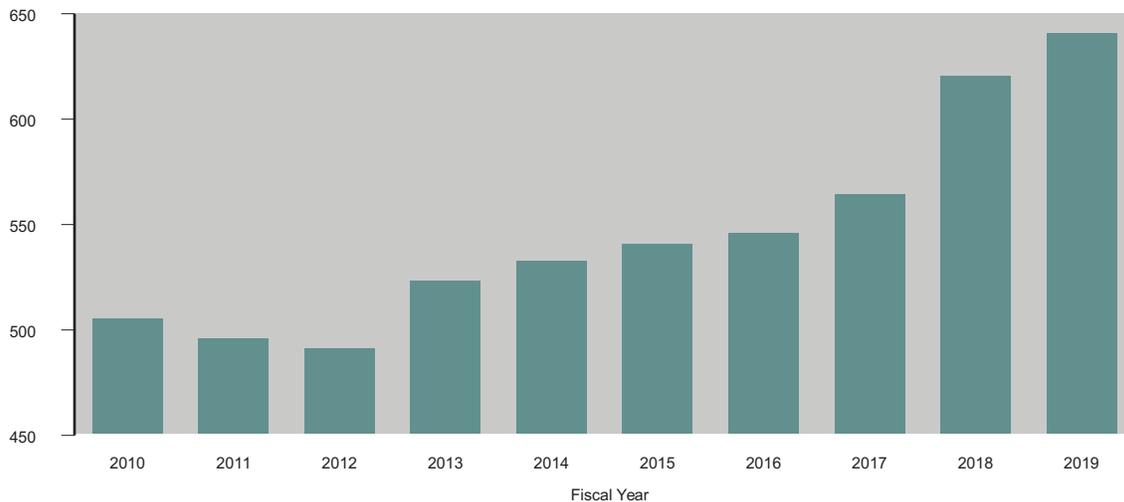


The General Fund balance is one of the better indicators of the City's overall financial health. Shown by the graph above is the City's actual General Fund balance over the course of the last ten years. The increase in fund balance in FY 2010 was due to mandatory budget reductions of 3% across the board for all departments along with mandatory expenditure savings. The 3% reduction in budgets with the mandatory expenditure savings resulted in an increase in the General fund balance from \$1.2 million to \$2.1 million.

In order to combat the reductions to the general fund balance, the City's budgets continue to be structurally balanced, permitting the City to increase its General Fund year-end fund balance from \$2.1 million in FY 2010 to the high point of \$6.1 million by the end of FY 2013, meeting the 7% fund balance target. The continued building of the fund balance from FY 2010 through FY 2013 was accomplished by budgeting conservatively for revenues and by mandating significant expenditure savings from many large General Fund departments. Please note that seven special purpose funds under General Fund control were removed from the Special Revenue fund category at the end of FY 2010 and moved to General Special Purpose Fund accounts in FY 2011, causing an increase in the assigned fund balance by \$1.5 million. The City's goal is to rebuild the fund balance to unassigned fund balance of 7% of the general fund budget. The beginning fund balance for FY 2019 is \$4.8 million and the estimated ending fund balance indicates that the fund continues to decline. The City expects to rebuild the FY 2019 unassigned fund balance by \$310,899. The unassigned fund target balance is \$3.8 million, which is 7% of the operating expenses, the goal identified by the City's rating agency for adequate unassigned fund balance in the General Fund.

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CITY OF MISSOULA - FTE



Full-time equivalent employees (FTE) are a key indicator mirroring the growth of the City of Missoula. As shown by the preceding graph, total FTE's grew to 505.58 in FY 2010, and were reduced to 491.29 by FY 2012 in reaction to the economic recession.

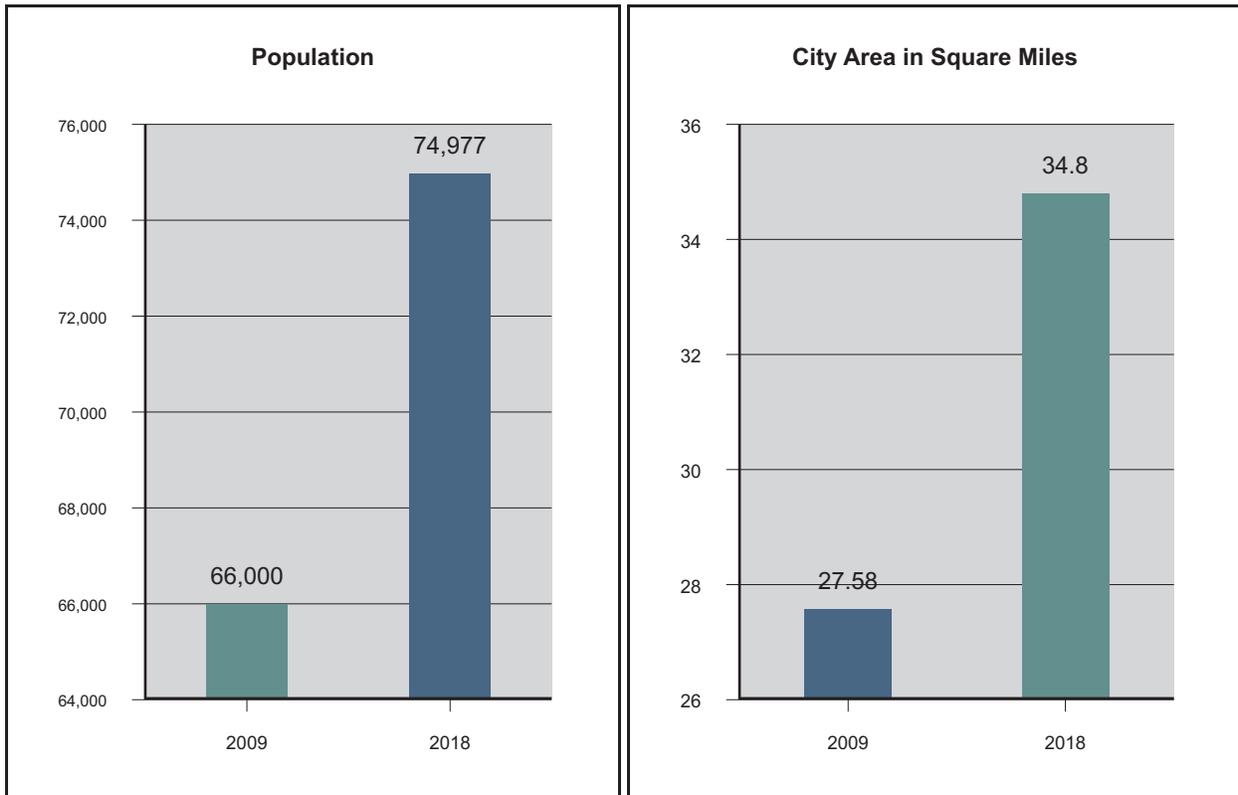
The City has increased the number of FTE's by 30.39% (149.29 FTE) in all departments since FY 2012. In 2013 the City created the Development Services department which included Planning and Transportation divisions. These functions and related staffing were previously performed by Missoula County. In 2017 the City created the Housing and Community Development department and the Storm Water Utility and purchased the composting business adjacent to the Wastewater treatment plant. At the close of 2017 the City was successful in acquiring the Water Utility which brought further increases to the City's overall staffing levels.

Below is a summary of the past 10 years of changes in FTE's by City function.

- General Government - 14.10 FTE's. 6.85 FTE increased in the Municipal Court and Attorney's office.
- Public Safety - 14.00 FTE's. Added 13 new positions in the Police Department.
- Public Works - 36.42 FTE's. 33.00 FTE's acquired from acquisition of water utility.
- Housing & Community Development - 42.01 FTE's. 23.00 FTE's acquired from bringing Planning and Transportation in the City's Development Services Department.
- Culture & Recreation - 18.90 FTE's.

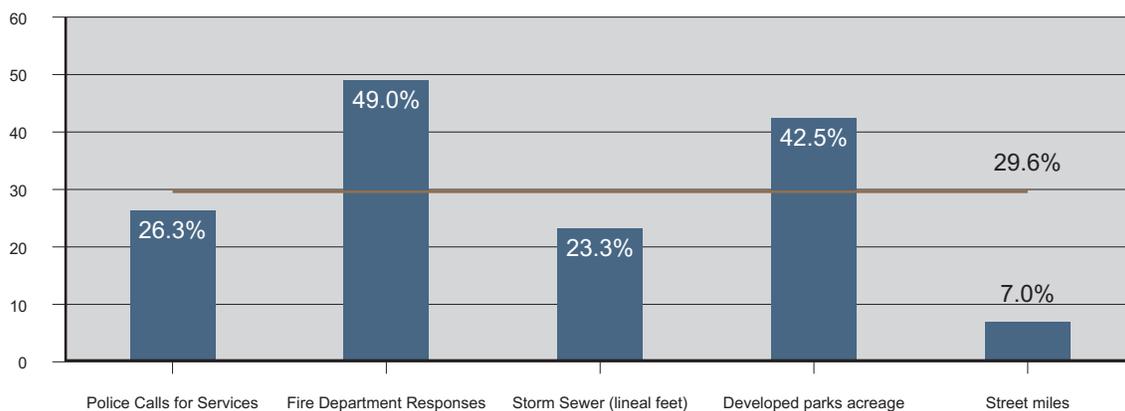
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As indicated by the charts below, the City has seen an increase in population of 14% over the past 10 years and an increase in the number of square miles that the City services of 26%.



The increase in the population and the City's square miles has a correlation to the impact on City services. Seen in the following graph is the 10 year increases in some of the core areas that are of concern to the citizens of Missoula. As indicated by the graph, there is an average increase of 29.6% in core City services in the 10 year period.

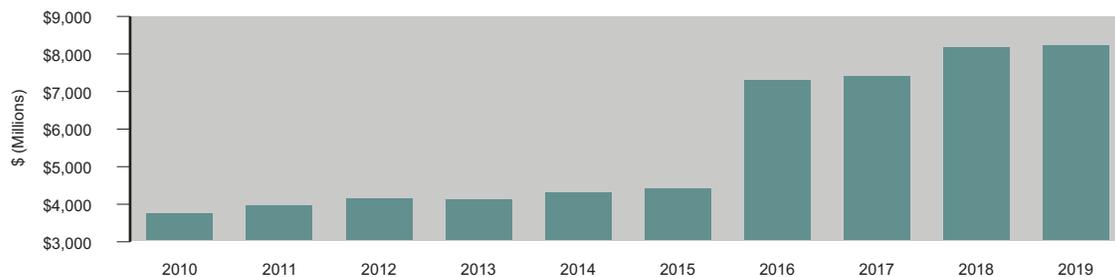
Operational Increases 2008 - 2018



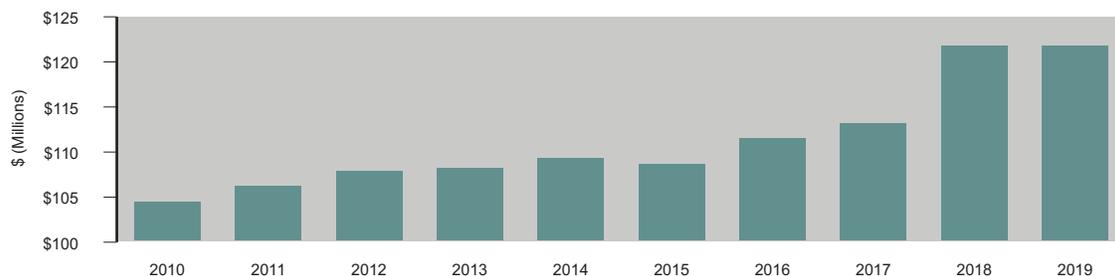
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As a general rule, all real and personal property in the State of Montana is subject to taxation by the State. In addition to taxation by the State, its counties, municipalities and other political subdivisions have the ability to levy taxes. This rule is subject to exceptions in the case of specified classes of exempt property. Property is classified according to its use and character. The different classes of property are taxed proportionately based on their market valuation. Property valuations are based on comprehensive appraisals of all taxable property and is performed by the Department of Revenue every two years. The Department of Revenue certifies market and taxable values to each city on or before the 1st Monday in August. The trend of the City of Missoula’s market value is shown by the graph below. As reflected by the graph, the City’s market value has increased from \$3.758 billion in FY 2010 to \$8.235 billion in FY 2019, for an average increase of 10.47% per year over this period. The market value of property in the City reflects the rapid growth the City is experiencing. The graph of taxable values that follows reflects the City’s ability to raise general tax revenue needed to support the growing demand for government services.

CITY OF MISSOULA MARKET VALUES



CITY OF MISSOULA TAXABLE VALUES

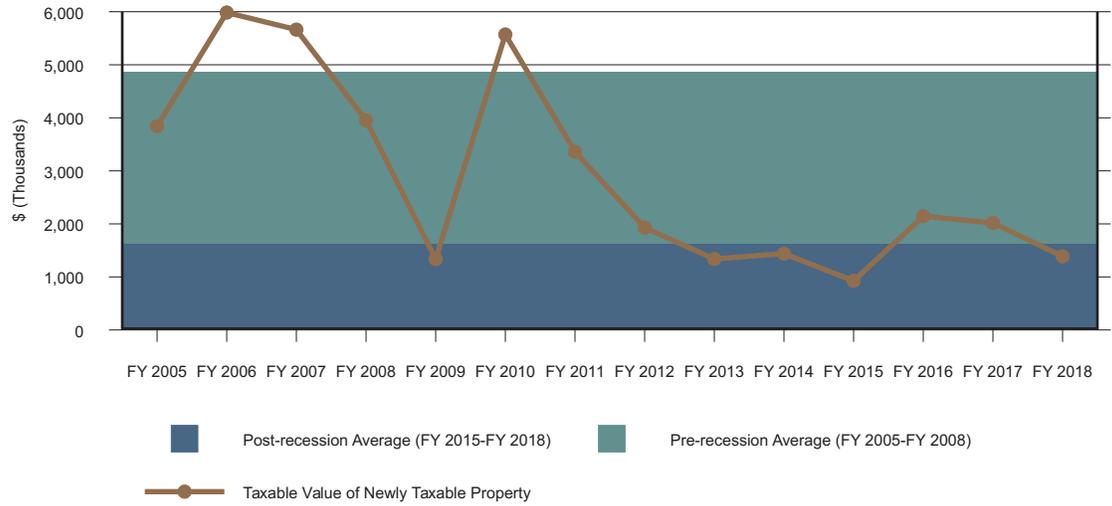


The taxable value for property is determined by applying a statutorily established percentage ratio to the market value of the property, according to its property classification. The applicable ratio for most commercial and residential real properties is currently approximately 2.6%. Shown above is a history of the City’s actual taxable value since 2010.

The increase in taxable values does not coincide with the increase in market values because of adjustments to the percentage ratio by the Montana Legislature and by changes in tax policy implemented through property tax amendments. The adjustments by the Legislature were designed to prevent local taxes from increasing at the same rate as property values. The taxable values (as opposed to market values) more accurately reflect the ability of the City to increase tax revenues. As illustrated in the graph, the City’s taxable value increased from \$104.41 million to \$121.73 million from 2010 to 2019, an average annual increase of only 1.71%, which is a little more than 10% the increase in the market value of the same property. In recent years, the State has been placing a large restriction on the percentage of newly taxable values as compared to years past. In FY 2010 the taxable value was \$104,000 and in the current year the taxable value is \$122,000, an increase of \$18,000. In FY 2010 the inflation factor provided by the State was 1.112% and this resulted in an additional \$1,080,713 in revenue, without raising taxes. Compared to the current year, the State restricted inflation rate is 0.820%, which resulted in an anemic increase in revenues of \$360,063 without raising taxes. With the restrictions on the ability to leverage annual growth from the State, it has made it difficult to fund projects and new budget requests that are sorely needed, without finding creative funding sources or other avenues of revenue.

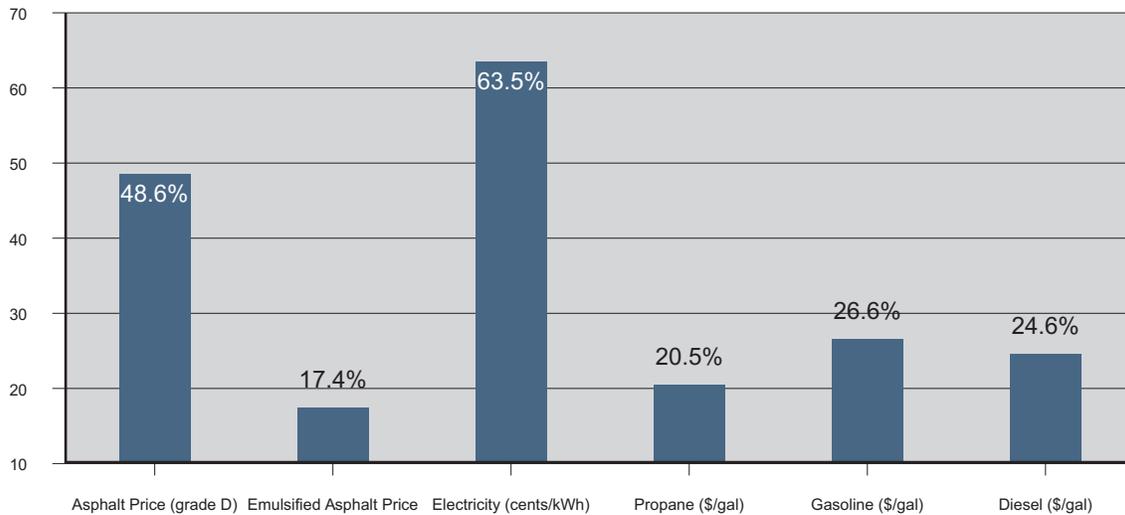
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Value of Newly Taxable Property



The above graph illustrates the steep decline in the value of Newly taxable property after the peak of the recession in FY 2010. Based on the 3 year average of the newly taxable property prior to the recession, the City was able to rely on \$4,861 thousand in revenue without having to raise property taxes to support raising utility and service costs, annual personnel increases (union and non-union) and allowed for expanding services and new requests. Compared to the 3 year post-recession average of newly taxable property of \$1,619 thousand, this amount is just enough to cover the annual negotiated union and non-union personnel increases, which leads to the City raising property taxes to cover the ever rising costs of utility and service contracts. The chart below shows the rising costs that the City has experienced in specific operating costs over the past 10 years.

Operating Increases FY 2008 - FY 2018



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SHORT TERM INITIATIVES - MAJOR ISSUES & SOLUTIONS

1. The FY 2019 budget, as adopted, was brought to Council in mid-May, a month earlier than the previous year. Prior to the current year, the budget adoption process was on an accelerated schedule, adopted in FY 2013, to approve the next fiscal year budget prior to the end of the current fiscal year.
2. The calculated additional property tax impact for the current fiscal year is an increase of 3.52% for City taxes and City-wide Road and Park District assessments, which is estimated to be an increase by approximately \$36.03 per year for a home with a market value of \$268,250.
3. The FY 2019 budget includes 3.25% increases for Planning, Fire, Special Events, Business Licenses and Development Services. Building Inspection fees are being held at the current level for this year with the proposal of decreasing or adjusting the fees. The increases in these areas of service will not take effect until January 1, 2019. Several years ago, the City chose not to increase any charges for services fees. At that time, the decision to not increase the fees had a negative effect on the fund balance, and it declined due to increased administrative costs associated with operating these programs. The fund balance absorbed the costs since there was no additional revenue to cover the administrative cost increases that occurred during the year. This year (FY 2019) as well as in the past five years (FY 2013 - FY 2018), based off the experience in FY 2011 and the continuation of annual cost increases for administering the programs, the administration has determined that fees should increase by 2-3% each year in the Business Licensing, Development Services and Planning areas.
4. The actual level of new tax revenue from growth in the City's tax base for the current fiscal year (FY 2019) is \$360,063. This compares to growth in past five fiscal years of \$278,840 for FY 2018; \$429,386 for FY 2017; \$452,529 for FY 2016; \$191,561 for FY 2015 and \$299,612 for FY 2014. The City has budgeted for inflationary trending of property taxes allowed by state law (\$200,688).
5. City property taxes were raised to support the increased expenses and approved requests of the General Fund and in the city-wide assessments supporting expanded service in the Special Road and Park Districts. General Fund increases also come from the City honoring its union contracts. During the heart of the recession (FY 2008 - FY 2011) the City cut overall expenditures by 11% and reduced the workforce by 22 FTE's. Aside from the proposed salary increases for union and non-union staff in during that time and through FY 2017, virtually no new tax funded requests were proposed or approved due to the limited growth in taxes, with the exception of several mandatory expenses. Some examples are: the costs associated with elections that occur in alternating budget years and mandated Department of Justice agreement related to handling cases that involve rape. Starting in FY 2018, administration and Council met and determined strategic initiatives for the FY 2018 budget that identified the priorities of the administration and Council. This process continues through the current budget. These initiatives focused on public safety, supporting existing programs and projects and infrastructure. On the expenditure side, the largest expense is wages and benefits. Roughly 71% of the General Fund budget is devoted to personnel costs. For FY 2019 there is an overall increase in FTE's by 20.00. It is worth noting these FTE increases are from expanding services in the Parks Department, mainly for the newly opened Fort Missoula Regional Park (5.79) and the addition of Call for Service Officers in the Police Department (3.00). The remaining FTE's were from expanding services in the Information Technologies Department (2.00), water utility (6.42), wastewater utility (2.50) and Building Inspection division (1.50).
6. City-wide assessments were increased in the Road District #1 (5.73%) and Park District #1 (1.35%).
 - The increase in the Road District assessments shows the movement of the Public Works - Administration and Streets Departments budgets and personnel from the General Fund into the Road District fund. In addition to this budget consolidation, an additional 0.25 FTE was added to the Streets operators to convert all of the seasonal FTE's to full time FTE. Per the request of the City Council, the FY 2015 budget included a significant Road District #1 funding increase of \$200,000 associated with additional annual support for the startup of a sidewalk support program that was initiated in FY 2014 with the goal to continue to increase the amount of sidewalk projects initiated and supported by this funding source in the upcoming years. The FY 2019 commitment is \$390,000 of City support.
 - The increase to Park District assessments is used to support conservation lands, routine maintenance parks, median-green-way maintenance, urban forestry, spray decks, and

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maintenance, and operational support of the new Fort Missoula Regional Park that opened in the fall of FY 2017, and the County portion of Phase II that opened in the spring of 2018. The opening of Phase II included an increase to the number of FTE's (3.21) that maintain the Fort Missoula Regional Park. As with the Road District fund, the Parks and Recreation budget was moved from the General fund into the Park District fund.

7. Standard & Poor's and Moody's, our ratings agencies, recently completed an updated review of many of our City credits. All of the City's credits were re-affirmed and sustained. One of the areas of concern in prior reviews was that a number of revenue streams that support General Fund functions had been allowed to accumulate balances outside of the General Fund and, to some extent, outside of the City's direct oversight. Many of these funds are now accounted for within General Fund during this budget process and will be kept under administration review and oversight going forward. The purpose and intent will not change for these revenue streams, but they will no longer be allowed to accumulate outside of the General Fund and will be managed more closely by the administration in the future. Standard & Poor's also recommended that future budgets plan to increase the General Fund year-end unassigned fund balance to 7% of the General Fund expenditures per the City's adopted financial policy. Every fiscal year since 2013, the City has budgeted to increase the fund balance in the General Fund.
8. Funding anticipated from HB124 (city entitlement from the State of Montana) is projected at \$8,715,797 for FY 2019, an increase of \$163,079 over FY 2018.
9. The Building Inspection Fund has fully recovered from the recession as economic conditions continue to improve in the construction portion of the Missoula economy. The Building Inspection Division had previously reduced the staffing by four positions several years ago, Facility and Vehicle Maintenance has taken on the responsibility of maintaining and determining the replacement schedule and costs for the inspector's vehicles and there was a recent upgrade to the permitting system software, a cost that has generated many benefits to both the building community and City staff. The Building Inspection Division has been able to maintain its staff since after an increase in staffing of 1 FTE in FY 2018.
10. Impact fees are budgeted conservatively and are anticipated to generate approximately \$1.64 million of revenue for FY 2019. \$1.54 million of impact fees were received in FY 2018 illustrating the increases in construction seen across the city.
11. The City is permitted to levy what is necessary to fund voter-approved General Obligation (GO) Bond debt service. In FY 2019, the City will drop the levy to cover the bond payments (8.23 mills in FY 2019 from 9.35 in FY 2018).
12. General Fund support for the City's Capital Improvement Program will be of \$1,815,289 for FY 2019, compared to \$1,401,503 in FY 2018. In FY 2019, CIP support includes General Fund debt payments plus costs for the scheduled General Fund vehicle and equipment replacement. Some notable projects in the Capital Improvement Program include the completion of the Police Evidence and Storage building, continued IT infrastructure upgrades, phase II of the Wayfinding project and several parks around the City. The City Administration, in conjunction with all City offices, has developed a long-term (20-year) equipment replacement schedule that addresses the fact that the equipment replacement needs are more than \$2 million greater in the first five years (FY 2009-2014) than in the following five years. Seven years ago, the City proposed to smooth out this wave of deferred equipment replacement by financing the equipment scheduled for replacement over successively shorter time frames in the future. This allows equipment to provide better service to residents during fiscally constrained times such as these. There are many Non-General Fund CIP projects that were not affected by the extremely tight funding in the General Fund these past years.
13. The General Fund baseline budget appears to be adequate for the new fiscal year for both fuel and energy costs. The City adopted the Conservation & Climate Action plan which outlines a strategic path to an overall goal of carbon neutrality for municipal operations by 2025. The strategies are organized into three main focus areas of operations: Fleet and Facilities, Internal Policies and Practices and Renewable Energy and offsets. Strategies to meet the goals of the Conservation and Climate Action plan include adding GPS units to the rolling fleet to improve efficiency and reduce fuel consumptions/costs. The City is in the infant stages of the All-In-One recycling pilot, which involves, City Hall, Council Chambers, Street Division and Facility and Vehicle Maintenance. Another strategy is performing a solar study to gather information about installing solar cells to City facilities to reduce the dependence on purchasing electricity from vendors. Central Services is

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- conducting a baseline zero waste study in conjunction with Republic Services in an effort to decrease the amount of refuse the City disposes of every year.
14. This General Fund budget includes cost of living increases of approximately 3.25% for non-union staff. All union contracts were negotiated and approved in FY 2016. On average, there is a negotiated 2.75-3.25% raise for union staff. All union contracts are set to expire at the close of FY 2019.
 15. Inflation based on price indexes for include 2.5% increase in electric and natural gas based on information from Northwestern Energy. As compared to prior years, assumed or trended increases for operating supplies, purchased services and contracts were not automatically accepted into the budget. All increases to the budget for FY 2019 were reviewed as new requests and funded or not funded by the council.
 16. The program enhancements allowed in the FY 2019 budget are detailed in the appendix.
 17. The economic factors driving the budget development are discussed below in the next section of the budget message.

**ECONOMIC FACTORS**

- University of Montana economist, Patrick Barkey, has forecast that Montana's economic growth will have modest growth in the 2.5% range. This continues a post recession improvement that began in 2014. Patrick Barkey has also projected that the Montana economy will continue to recover slower and more consistently than in past years with the main drivers being health care, construction and professional business services leading the charge. He goes on further to say:
 - The pattern of growth solidified in 2017. Most urbanized parts of the state managed to at least tread water or register some growth last year. There was no question that the pattern of growth continued to tilt westward with places like Missoula and Ravalli counties joining the likes of the already high-flying Flathead and Gallatin counties.
- Missoula continues to see growth in the health care, construction, manufacturing and in the financial and business industries. There are four identified areas that are proposed to see growth in

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the upcoming year: University of Montana (research) and State Government, Finance and Business Services and Health Care.

- The Missoula Economic Partnership, a public-private economic development organization, opened its doors in June 2011 and is fielding calls from a variety of fronts for business relocation, granting activity, expansion assistance and more. Since the Partnership has opened its doors, the Missoula employment market has enjoyed an increase of 750 jobs. These jobs center around such industries as computer based technologies, manufacturing and health services.
- Wastewater utility rates were increased modestly (2.5% per year) for the past three years, FY 2016 through FY 2018, in order to fund capital improvement projects. This takes into account increasing the capacity of sanitary sewer pipelines and pump stations to accommodate the growth and residential construction being planned for in the Linda Vista and Miller Creek areas. The City has continued to grow in population and in new sewer connections at a rate of approximately 1.5% per year. The sewer fund has been able to continue to build the fund balance to accommodate future projects, however the growth for the past couple of years is not adequate to cover the necessary and requested upgrades to the sewer treatment plant and sewer infrastructure therefore the modest increase in rates by 2.5%. FY 2018 was the first full year of operating Garden City Compost, and utilizing prior estimations and review past year's financial data, there is adequate revenue to cover the cost of operations and acquisition of the compost facility.
- Water utility rates were adopted at the previously approved rate from the Public Service Commission (PSC) which is 6% lower than what Mountain Water was charging prior to the successful condemnation of the water utility. An analysis of the first full year financial data reveals that there is adequate revenue at the current rate structure to cover the operations of the water utility and invest approximately \$5 million in much needed capital improvements to the system.
- All of these factors were considered in preparing the City of Missoula's budget for the 2019 fiscal year. The decline in revenues in FY 2009 through FY 2012, especially in the fee based services related to the decline in economic expansion (planning and engineering fees, business licenses) has reversed and these revenues have been increasing each year since FY 2012.



Closing

We hope the information contained in the FY 2019 Final Budget is of benefit to all interested parties. In closing, we want to tell the public that we have made dramatic changes in the budget process starting in FY 2008 that continue through the current budget process. We have been actively pursuing a Performance Based Budget process since FY 2008. We strongly encourage each and every person using city services to inform us of their ideas, level of satisfaction and problems.

Respectfully,



John Engen, Mayor