

RECOMMENDED BUDGET PRACTICES

The City of Missoula is striving to incorporate the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB) in its annual budget.

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. The NACSLB focuses on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to determine what has been accomplished with scarce government resources.

Following are excerpts of the NACSLB's budget practice recommendations.

BUDGET DEFINITION

The budget process consists of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. A good budget process is characterized by several essential features.

- Incorporates a long-term perspective
- Establishes linkages to broad goals
- Focuses budgeting decisions on results and outcomes
- Involves and promotes effective communication with stakeholders
- Provides incentives to government management and employees

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

MISSION OF THE BUDGET PROCESS

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process. Communication and involvement with citizens and other stakeholders is stressed. Communication and involvement are essential components of every aspect of the budget process.

PERFORMANCE BUDGETING

The City of Missoula is moving to a Performance Budgeting approach for the development of its annual operating budget. Performance budgets emphasize the accomplishment of program objectives as opposed to a description of what is going to be purchased by the government.

Performance budgeting involves a shift away from a debate by the City Council of what is going to be purchased toward a debate regarding what is going to be accomplished.

The City of Missoula is in the early stages of its Performance Budgeting efforts. Each department is in the process of identifying performance objectives, identifying and tracking workload indicators, and establishing quantifiable performance measures. It is anticipated that it will take 3 – 5 years to fully implement the performance budgeting system.

FINANCIAL TREND ANALYSIS

[REDACTED] The budget process begins in the winter with the initial updating of the five-year financial trend analysis for the City as a whole.

Using the latest fiscal, operational, and legislative information, the finance office staff works collaboratively with city departments to update the city's most recent financial trend analysis.

The financial trend analysis assists the City Council and the city administration in focusing on the "Big Picture" of the city's financial operations.

NEEDS ASSESSMENT PHASE

Late Winter – Early Spring

[REDACTED]
Departments have an opportunity to assess current conditions, programs, and needs. Examination of current departmental programs or positions for possible trade-offs, reduction, or elimination is strongly suggested. During this phase, departments are encouraged to thoroughly review all programs and services, assessing their value and priority to the citizens. At the same time, departments are asked to submit requests for new or expanded programs. The first proposals submitted for review are those capital requests that fit within the City's five-year capital improvement program.

From this process, they prepare their preliminary departmental budgets.

BUDGET DEVELOPMENT AND PRIORITIZATION PHASE

[REDACTED]
The Finance Department compiles and tabulates the budgetary information submitted by the individual departments and begins the preparation of the preliminary budget in cooperation with the Mayor, City Administrator and the City's CIP and operating budget teams. The needs of the city departments are weighed against projected funds available and a determination must be made as to which services will be included in the final budget. The operating budget includes proposed expenditures and the means of financing them. All capital and operating new requests are scored and ranked by the CIP and operating budget teams.

Within the framework of the City's financial capacity, City Council priorities and departmental needs assessments, budget requests are reviewed and a preliminary City operating budget takes shape.

The purpose of the preliminary budget is to enable the community, stakeholders and the City Commission to comment on a balanced budget well before it is adopted.

CAPITAL IMPROVEMENTS PROGRAM (CIP) AND ITS RELATIONSHIP TO THE OPERATING BUDGET

[REDACTED]
The City of Missoula prepares a Capital Improvement Plan (CIP) document separate and apart from the Annual Operating Budget. Unlike the Annual Operating Budget, the CIP is a multi-year capital improvements plan that forecasts, but does not obligate, future spending for all anticipated capital projects.

Whenever the City commits to a CIP plan, there is an associated long-range commitment of The amendment, supporting documents and drafted resolution is presented to the Council for operating funds. For this reason, it is important to evaluate capital commitments in the context of their long-range operating impact. Most capital projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance costs or by providing capacity for new programs to be offered. Such impacts vary widely from project to project and, as such, are evaluated individually during the process of assessing project feasibility.

The multi-year, long-range fiscal analysis also provides an opportunity to review the operating impact of growth-related future capital projects.

**ADOPTION/IMPLEMENTATION
PHASE**

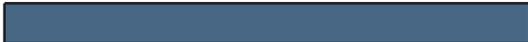


Public hearings are conducted to enable citizens and other interested parties to comment on the proposed budget. Following the public hearings, the City Council may modify the proposed budget or may adopt it without changes.

The budget and the corresponding property tax mill levy must be adopted by the 3rd Monday in August or within 45 days of receiving certified taxable values from the Department of Revenue.

Management control of the budget is maintained by monthly revenue and expenditure reports, whereby departments are able to compare actual results to the budget throughout the fiscal year. In addition, the Finance Director prepares quarterly budget reviews on a city-wide basis, with presentations to the City Council at a public meeting. These budget reviews are aimed at examining expenditure patterns, and recommending corrective action to be taken during the year.

AMENDING THE BUDGET



The City's budget may be amended during the course of the year, following public notice, a public hearing, and a majority vote of the City Council. The requesting department is responsible for preparing the budget amendment and supporting documents. The proposed amendment and supporting documents are reviewed by the Finance Department for accuracy and completeness. After Finance reviews and approves the amendment, a budget amendment resolution is drafted and presented along with the amendment and supporting documents to the City Council at a duly noticed public meeting. The amendment, supporting documents and drafted resolution is presented to the Council for review, if approved, a formal public notice is forwarded to the newspaper, setting the date, time, reason, and funding source for the proposed budget amendment. At the public meeting the Council hears a staff report from the pertinent department amendment. Following the staff report, and Council discussion, the meeting is opened up for public input. The City Council considers the Resolution and may approve, amend, table, or deny the Budget Amendment. The annual appropriations and transfers for various departments are controlled and monitored for budgetary compliance at the fund level. Management does not make transfers of appropriations or over-expend appropriations at the department level within a fund without approval of the City Council.

BUDGET PROCESS

THE BUDGET TIMELINE

January	<p>The Finance Department prepares mid-year budget reviews by updating budget to actual expenditures and revenues for all departments. Assist major departments in preparing budget review for Council.</p> <p>The Capital Improvement Program is initiated for next fiscal year with a press release notifying the public and a workshop scheduled for all City supervisory staff.</p>	May	<p>Budget appeals are heard by the mayor, CAO, and Finance Director.</p> <p>The budget process is referred to the Missoula City Council Budget Committee of the Whole.</p> <p>The Mayor launches the public budget process with an overview of expenses and new requests crafted by staff.</p>
February	<p>Major Departments present mid-year budget reviews to City Council and identify goals and initiatives to be completed by year end.</p> <p>The Capital Improvement Program is initiated for next fiscal year with a press release notifying public and a workshop is scheduled for all City supervisory staff.</p>	June	<p>Weekly meeting in the Budget Committee of the Whole are scheduled with City departments and outside agencies to review annual new requests and to review updated and newly requested CIP's.</p> <p>Preliminary budget presented and updated weekly by Finance Department with voted, recommended and/or proposed changes.</p>
March	<p>Finance Department reviews approved and funded Capital Improvement Program (CIP) projects from prior year and begins processing in budget software to update the status of CIP's as well as identify any new projects for consideration.</p> <p>Baseline salaries, expenditures and revenues are updated for all departments and funds.</p>	July	<p>Weekly meetings in the Budget Committee of the Whole with scheduled departments and outside agencies to review new requests and CIP funding requests continue.</p> <p>Preliminary budget presented and updated weekly by Finance Department with voted, recommended and/or proposed changes.</p>
April	<p>City Council and City Administration meet and develop a Strategic Framework for constructing the annual budget.</p> <p>Finance Department reviews submitted CIP's for expenditures and funding sources and prepares CIP's for review by CIP Team.</p> <p>The CIP team meets with Departments submitting CIP requests to review requests for expenditures, funding sources and level of need and recommend approval & funding.</p> <p>Finance Staff analyze baseline budget and new requests submitted by departments.</p> <p>The Budget Team meets with Department Heads to review baseline budgets, proposed baseline increases and new budget requests.</p> <p>Mayor and Budget Team review assumptions and make recommendations for approval of new requests and baseline increases.</p> <p>Finance Staff projects expenditures and revenues for remainder of current year and assumptions for upcoming budget to be provided to Mayor and Budget Team.</p>	August	<p>Finance staff update financial information with voted, recommended and/or proposed changes for Final budget resolution.</p> <p>Tax levies received first Monday in August from Department of Revenue.</p> <p>Further review of the budget and CIP's are discussed after receiving final levy values.</p> <p>Annual budget and tax levies presented to City Council for adoption.</p>
		September	<p>Final budget document are published on the City's website.</p> <p>Quarterly review of budgetary expenditures and revenues.</p>
		October	<p>Monthly review of budgetary expenditures and revenues.</p>
		November	<p>Monthly review of budgetary expenditures and revenues.</p>
		December	<p>Quarterly review of budgetary expenditures and revenues.</p> <p>Preparations are made for the mid-year budget review.</p>

CITY OF MISSOULA BUDGET INCREASES FOR FY 2019

REQUESTED AND FUNDED OPERATING BUDGET INCREASES								
Department	Rank	Amount	Funded	Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Tax Revenues Funded	Non-Budgeted Non-Tax Revenues Funded
General Fund								
Mayor:								
2019 Legislative Session	1	33,200	33,200	—	33,200	—	5,644	27,556
Citizen Survey	2	25,000	—	25,000	—	25,000	—	—
Strategic Budget Plan Facilitation	3	2,000	—	2,000	—	2,000	—	—
Sub-total		60,200	33,200	27,000	33,200	27,000	5,644	27,556
Human Resources:								
City-wide training software system	1	39,548	—	39,548	1,500	38,048	—	—
Human Resource Analyst	2	67,490	—	67,490	3,986	63,504	—	—
Sub-total		107,038	—	107,038	5,486	101,552	—	—
City Clerk:								
Increase Neighborhood Project Fund	1	7,000	—	7,000	—	7,000	—	—
Purchase iPads	2	7,145	—	7,145	—	7,145	—	—
MLCT Dues Increase	3	6,533	6,533	—	—	6,533	6,533	—
Sub-total		20,678	6,533	14,145	—	20,678	6,533	—
Information Technologies:								
Baseline Request-Software Maintenance	1	25,116	25,116	—	—	25,116	25,116	—
Public Safety/Accela Help Desk Tech	2	70,687	—	70,687	4,521	66,166	—	—
GIS manager	3	79,196	79,196	—	5,521	73,675	—	79,196
Software Developer/Analyst	4	75,836	75,836	—	5,521	70,315	—	75,836
Sub-total		250,835	180,148	70,687	15,563	235,272	25,116	155,032
Municipal Court:								
Administrative Assistant III	1	60,893	—	60,893	5,529	55,364	—	—
Assistant Judge II to .85 FTE	2	36,523	—	36,523	320	36,203	—	—
MT Judicial Branch PreTrial Diversion Program	3	50,565	—	50,565	—	50,565	—	—
Sub-total		147,981	—	147,981	5,849	142,132	—	—
Finance Department:								
Contractual Agreement Increases	1	49,090	49,090	—	—	49,090	49,090	—
Sub-total		49,090	49,090	—	—	49,090	49,090	—
Central Services Department:								
Energy Conservation Program Specialist	1	52,434	—	52,434	—	52,434	—	—
Climate Action Development & Implementation	2	35,000	—	35,000	35,000	—	—	—
Zero Waste Development & Implementation	3	32,000	—	32,000	32,000	—	—	—
Facilities Master Planning	4	100,000	—	100,000	100,000	—	—	—
Franchise Fee Negotiation	5	10,000	10,000	—	10,000	—	10,000	—
Sub-total		229,434	10,000	219,434	177,000	52,434	10,000	—
Facilities Maintenance:								
Baseline Adjustments - Maint & Utilities	1	61,103	61,103	—	—	61,103	61,103	—
Sub-total		61,103	61,103	—	—	61,103	61,103	—
Development Services Department:								
Staff Traffic Engineer	1	102,794	—	102,794	8,809	93,985	—	—
Sub-total		102,794	—	102,794	8,809	93,985	—	—
Housing & Community Development:								
Reaching Home Expansion: Coordinated Entry	1	55,000	55,000	—	—	55,000	—	55,000
Internship Program, University of Montana	2	7,500	—	7,500	—	7,500	—	—
Sub-total		62,500	55,000	7,500	—	62,500	—	55,000

REQUESTED AND FUNDED OPERATING BUDGET INCREASES								
Department	Rank	Amount	Funded	Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Tax Revenues Funded	Non-Budgeted Non-Tax Revenues Funded
Attorney:								
Deputy City Attorney Prosecution	1	100,606	—	100,606	8,800	91,806	—	—
Justware maintenance		890	—	890	—	890	—	—
Continuation funding for RVS	2	5,415	5,415	—	—	5,415	5,415	—
Sub-total		106,911	5,415	101,496	8,800	98,111	5,415	—
Fleet Maintenance:								
Contractual obligations Tool Allowance	1	760	760	—	—	760	760	—
Contractual obligation Eye Glasses	2	3,200	3,200	—	—	3,200	3,200	—
Contractual obligation Clothing allowance	3	240	240	—	—	240	240	—
Contractual obligation CDL	4	800	800	—	—	800	800	—
Sub-total		5,000	5,000	—	—	5,000	5,000	—
Police:								
Hire CFS Officers	1	488,666	229,463	259,203	113,440	375,226	220,032	9,431
SVOR - contribution to County	2	55,385	55,385	—	—	55,385	55,385	—
Staffing Study	3	17,500	17,500	—	17,500	—	17,500	—
Annual Maintenance Costs	4	17,430	—	17,430	3,000	14,430	—	—
On-line warrant program	5	5,000	—	5,000	—	5,000	—	—
Increase call-in hours for PSS	6	8,587	—	8,587	—	8,587	—	—
Chaplain stipend	7	13,200	—	13,200	—	13,200	—	—
Ammunition	8	8,190	—	8,190	—	8,190	—	—
Snow removal - Catlin Street Building	9	2,500	—	2,500	—	2,500	—	—
Sub-total		616,458	302,348	314,110	133,940	482,518	292,917	9,431
Fire:								
Utilities	1	10,728	10,728	—	—	10,728	10,728	—
Assistant Mechanic	2	135,435	—	135,435	—	135,435	—	—
Life Pack 15 Data Plan	3	1,254	—	1,254	—	1,254	—	—
Crew Sense Software	4	6,048	—	6,048	—	6,048	—	—
Officer Development	5	15,000	—	15,000	15,000	—	—	—
Facility Projects	6	10,000	—	10,000	—	10,000	—	—
EMS Supplies	7	2,000	—	2,000	—	2,000	—	—
Rescue Supplies	8	1,500	—	1,500	—	1,500	—	—
Sub-total		181,965	10,728	171,237	15,000	166,965	10,728	—
Cemetery:								
Baseline Adjustment - Utilities & Postage	1	681	681	—	—	681	—	681
Baseline Adjustment - Green Waste Charges	2	1,500	1,500	—	—	1,500	—	1,500
Cemetery Master Plan	3	50,000	50,000	—	50,000	—	—	50,000
Sub-total		52,181	52,181	—	50,000	2,181	—	52,181
Non-Departmental:								
Non-Union Salary Increase	1	391,413	391,413	—	—	391,413	391,413	—
Health Premium Increase	2	703,983	703,983	—	—	703,982.55	703,983	—
Deductible Increase	3	(232,074)	(232,074)	—	—	(232,074)	(232,074)	—
Annual Salary Increase - Health	4	47,375	47,375	—	—	47,375	47,375	—
Annual Salary Increase - Animal Control	5	5,871	5,871	—	—	5,871	5,871	—
Aging Service Annual Funding Increase	6	8,750	8,750	—	—	8,750	8,750	—
Downtown Master Plan Update	7	400,000	400,000	—	400,000	—	—	400,000
Sub-total		1,325,318	1,325,318	—	400,000	925,317.55	925,318	400,000
General Fund Total		3,379,486	2,096,064	1,283,422	853,647	2,525,839	1,396,864	699,200

REQUESTED AND FUNDED OPERATING BUDGET INCREASES								
Department	Rank	Amount	Funded	Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Tax Revenues Funded	Non-Budgeted Non-Tax Revenues Funded
General Fund Special								
1219 Fort Missoula Regional Park - Rec:								
Contractual Utility Increases	1	584	584	—	—	584	—	584
Sub-total		584	584	—	—	584	—	584
1251 Johnson Street Property:								
Building upkeep	1	15,000	15,000	—	—	15,000	—	15,000
Sub-total		15,000	15,000	—	—	15,000	—	15,000
General Fund & General Fund Special Total		3,395,070	2,111,648	1,283,422	853,647	2,541,423	1,396,864	714,784
NON-GENERAL FUND REQUESTS								
Medical Levy Outside Cap:								
Increase in Medical Levy		701,398	701,398	—	—	701,398	—	701,398
Sub-total		701,398	701,398	—	—	701,398	—	701,398
Building:								
Baseline Adjustments		40,300	40,300	—	16,000	24,300	—	40,300
Sub-total		40,300	40,300	—	16,000	24,300	—	40,300
Road District 1 - Public Works:								
Non-Union Wage Increase		80,612	80,612	—	—	80,612	80,612	—
Seasonal Traffic Services Laborer	1	45,218	—	45,218	—	45,218	—	—
Electronic Technician	2	78,216	—	78,216	2,192	76,024	—	—
Traffic Marking Paint & Beads	3	20,708	—	20,708	—	20,708	—	—
City-Owned Street Light Repair Fund	4	11,100	—	11,100	—	11,100	—	—
Baseline Adjustment	5	13,750	—	13,750	—	13,750	—	—
Street Lighting Master Plan	6	145,000	—	145,000	145,000	—	—	—
Hire 0.25 Seasonal Street Operator	7	20,627	20,627	—	—	20,627	20,627	—
Hire 2.0 New FTE Street Operators	8	165,008	—	165,008	—	165,008	—	—
Sub-total		580,239	101,239	479,000	147,192	433,047	101,239	—
Road District 1 - Development Services:								
ADA Ramp Assistance	1	40,000	—	40,000	—	40,000	—	—
Durable Safety Pavement Markings	2	75,000	—	75,000	—	75,000	—	—
Engineering Standards and Specifications Manual	3	60,000	60,000	—	60,000	—	15,000	45,000
Sub-total		175,000	60,000	115,000	60,000	115,000	15,000	45,000
Park District 1:								
Non-Union Wage Increase		146,792	146,792	—	—	146,792	146,792	—
Contractual Increases	1	9,496	9,496	—	—	9,496	9,496	—
Recreation Program Growth	2	46,250	46,250	—	—	46,250	—	46,250
Electronic Development Review Process	3	8,595	—	8,595	8,595	—	—	—
Reallocate Aquatics Salaries to General Fund	4	34,642	14,671	19,971	—	34,642	14,671	—
Unfunded Trails and Facilities (G&H)	5	88,422	7,250	81,172	—	88,422	7,250	—
Unfunded Cons. Lands Lands	6	97,652	—	97,652	—	97,652	—	—
Urban Forestry Staffing	7	144,838	—	144,838	15,080	129,758	—	—
Operations Jeffrey Park	8	31,791	22,353	9,438	—	31,791	22,353	—
Stipend: Moon Randolph Caretaker	9	10,000	—	10,000	—	10,000	—	—
Green Infrastructure and Utilities: Pilot Program	10	32,300	—	32,300	30,000	2,300	—	—
Operations MRL Park	11	30,345	—	30,345	—	30,345	—	—
PAM Cyclical Maintenance	12	60,000	—	60,000	—	60,000	—	—
Grant Creek Trail	13	5,000	—	5,000	—	5,000	—	—
Bitterroot Trail Extensions	14	13,388	—	13,388	—	13,388	—	—
Van Buren Sidewalk/path	15	2,600	—	2,600	—	2,600	—	—
Syringa and Bellevue Bike Park maintenance	16	12,640	—	12,640	—	12,640	—	—

REQUESTED AND FUNDED OPERATING BUDGET INCREASES								
Department	Rank	Amount	Funded	Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Tax Revenues Funded	Non-Budgeted Non-Tax Revenues Funded
Broadway Island Maintenance	17	35,476	—	35,476	—	35,476	—	—
Russell Street Maintenance	18	77,405	—	77,405	19,261	58,144	—	—
Hellgate Park	19	2,975	—	2,975	—	2,975	—	—
Missoula Water	20	8,680	—	8,680	—	8,680	—	—
CO2 Graffiti Remover	21	31,300	—	31,300	30,000	1,300	—	—
G&H Half-ton LUV	22	29,700	—	29,700	28,000	1,700	—	—
Pavement Grinder	23	16,300	—	16,300	15,000	1,300	—	—
Pavement Striper	24	17,300	—	17,300	15,000	2,300	—	—
Sub-total		993,887	246,812	747,075	160,936	832,951	200,562	46,250
Gas Tax:								
Materials Increases	1	115,165	115,165	—	—	115,165	—	115,165
Sub-total		115,165	115,165	—	—	115,165	—	115,165
Water:								
Utility Service Personnel		62,807	—	62,807	—	62,807	—	—
Utility Service Personnel		62,807	—	62,807	—	62,807	—	—
Sub-total		125,614	—	125,614	—	125,614	—	—
Wastewater:								
Baseline Increase - Utilities	1	180,422	180,422	—	—	180,422	—	180,422
Sub-total		180,422	180,422	—	—	180,422	—	180,422
Storm Water:								
Regulatory Compliance Specialist	1	81,179	81,179	—	10,351	70,828	—	81,179
Baseline Budget Increase	2	26,683	26,683	—	—	26,683	—	26,683
Storm Water Sampling / Testing Equipment	3	37,880	37,880	—	37,480	400	—	37,880
City of Missoula Standards and Specifications	4	10,000	10,000	—	10,000	—	—	10,000
Sub-total		155,742	155,742	—	57,831	97,911	—	155,742
Aquatics:								
Increase GF Contribution to Aquatics	1	78,000	—	78,000	—	78,000	—	—
Contractual Utility Increases	2	5,059	5,059	—	—	5,059	—	5,059
Sub-total		83,059	5,059	78,000	—	83,059	—	5,059
Parking Commission:								
Baseline Increases	1	231,212	231,212	—	—	231,212	—	231,212
Professional Services - One Time Administrative Assistant Support	2	9,600	9,600	—	9,600	—	—	9,600
Debt & Professional Services - T2 Services	3	222,417	222,417	—	600	221,817	—	222,417
Roam Garage Expenses	4	24,304	24,304	—	—	24,304	—	24,304
Tailgate Deicer Spreaders	5	4,000	4,000	—	4,000	—	—	4,000
Downtown Master Plan Contribution	6	75,000	75,000	—	75,000	—	—	75,000
Sub-total		566,533	566,533	—	89,200	477,333	—	566,533
MRA								
Stand-up Desks	1	2,000	2,000	—	2,000	—	—	2,000
Sub-total		2,000	2,000	—	2,000	—	—	2,000
Non-General Fund Total		3,719,359	2,174,670	1,544,689	533,159	3,186,200	316,801	1,857,869
Grand Total - All Funds		\$ 7,114,429	\$ 4,286,318	\$ 2,828,111	\$ 1,386,806	\$ 5,727,623	\$ 1,713,665	\$ 2,572,653

OVERVIEW OF BUDGETED RESOURCES

PROJECTED CHANGES IN FUND AND WORKING CAPITAL BALANCES

DETAIL OF ALL FUNDS

Fiscal Year 2018 - 2019

Fund #	Fund Name	Audited	FY 2019			Projected	
		Beginning	Estimated Revenues		Budgeted	Ending	
		Balances	Tax or	Budgeted	Expenditure	Balances	
		July 1, 2018	Non-Tax	Assessment	Expenditures	Savings	June 30, 2019
1000	General Fund	2,405,063	31,200,234	22,792,248	55,172,634	1,489,412	2,714,323
1211	Park Acquisition and Development Fund	350,869	20,000	—	274,959	—	95,910
1212	Park Enterprise Fund	492,276	54,700	—	332,360	—	214,616
1216	Parks Recreation Trails Forestry Land Memorial	648,461	417,450	—	931,100	—	134,811
1217	Parks City Life Gym	11,325	48,700	—	32,700	—	27,325
1219	Fort Missoula Regional Park - Recreation	262,611	440,414	—	581,212	—	121,813
1221	Fort Missoula Regional Park - Maintenance	(112,052)	655,992	—	655,702	—	(111,762)
1241	Cemetery Cremain Wall & Memorials Fund	38,699	14,033	—	2,500	—	50,232
1242	Cemetery Capital Reserve Fund	328,764	49,002	—	85,000	—	292,766
1243	Cemetery Cremain Memorial Fund	10,511	1,533	—	500	—	11,544
1251	Johnson Street Property Lease Fund	115,114	—	—	—	—	115,114
1265	Title 1 Projects	149,762	201,924	—	201,924	—	149,762
1396	Title 1 Income Revolving Loan Program	89,190	—	—	62,439	—	26,751
Total General Fund		4,790,593	33,103,982	22,792,248	58,333,030	1,489,412	3,843,205
SPECIAL REVENUE FUNDS							
2250	Planning	(60,585)	535,454	—	643,208	—	(168,339)
2310	Public Safety Information Systems	63,285	24,000	—	85,486	—	1,799
2321	Impact Fee	3,488,683	1,636,000	—	1,800,000	—	3,324,683
2322	George Elmer - Cattle Dr.	1	15,000	—	15,000	—	1
2365	Public Art	18,913	78,350	—	94,293	—	2,970
2372	Employee Permissive Health Insurance Levy	(365,999)	—	5,212,217	4,693,217	—	153,001
2389	Cable Franchise Fee	(75,587)	692,250	—	721,288	—	(104,625)
2390	Drug Forfeiture Fund	4,972	10,000	—	15,800	—	(828)
2394	Building Inspection	2,437,448	1,888,585	—	1,742,809	—	2,583,224
2395	City Grants & Program Income	4,295	25,000	—	25,000	—	4,295
2399	Dangerous Building	—	15,000	—	15,000	—	—
2400	Street Lighting Districts	138,922	359,171	—	359,171	—	138,922
2500	Street Maintenance Fund	(1,479)	106,210	—	105,354	—	(623)
2511	Willowood Park Maintenance Assessment	43	—	—	—	—	43
2512	Public Works - Road District #1	(533,974)	2,325,700	3,412,492	5,738,192	—	(533,974)
2522	Development Services - Road District #1	—	45,000	727,443	720,683	40,189	91,949
2513	Parks District #1	35,956	3,919,812	2,056,723	5,973,856	—	38,635
2820	Gas Tax Fund	410,518	2,257,265	—	1,337,665	—	1,330,118
2918	Law Enforcement Grants	(10,337)	122,873	—	122,873	—	(10,337)
2919	HIDTA	274,816	55,000	—	140,600	—	189,216
2939	CDBG Program	13,015	29,463	—	29,463	—	13,015
2940	Community Development Block Grant Fund	(8,213)	566,756	—	566,756	—	(8,213)
2941	HOME Grant	8,135	367,993	—	367,993	—	8,135
2943	City Home Program	463,321	457,657	—	457,650	—	463,328

Fund #	Fund Name	Audited	FY 2019				Projected
		Beginning	Estimated Revenues		Budgeted	Ending	
		Balances	Tax or		Expenditure	Balances	
		July 1, 2018	Non-Tax	Assessment	Expenditures	Savings	June 30, 2019
2955	Transportation Department	196,689	1,615,029	—	1,307,223	—	504,495
2987	Transportation Grants	14,272	—	—	208,379	—	(194,107)
2988	Grants & Donations	304,764	20,000	—	71,650	—	253,114
2989	Misc. Police Grants & Donations	(33,132)	528,754	—	480,088	—	15,534
2991	Brownfields	733,139	778,056	—	778,056	—	733,139
Total Special Revenues		7,521,881	18,474,378	11,408,875	28,616,753	40,189	8,828,570
DEBT SERVICE FUNDS							
3000	SID Revolving	557,436	19,700	—	100,000	—	477,136
3091	Series 2012A Aquatics Refunding Bond	(29,305)	—	575,385	575,385	—	(29,305)
3092	Series 2013 GO Refunding Bond	(207,272)	—	426,342	426,342	—	(207,272)
3095	2004 Refunding Bonds	(1,432)	—	—	—	—	(1,432)
3096	New Fire Station GO Bonds	(154,030)	—	—	—	—	(154,030)
3097	2007 Refunding Bonds	25,676	—	—	—	—	25,676
3100	Sidewalk & Curb Warrants Fund	1,324	—	—	—	—	1,324
3305	Judgment Levies	34	—	—	—	—	34
3410	FY 02 Sidewalk & Curb Fund	350	—	—	—	—	350
3420	FY 03 Sidewalk & Curb Fund	(351)	—	—	—	—	(351)
3430	FY 04 Sidewalk & Curb Fund	(3,627)	—	—	—	—	(3,627)
3440	FY 05 Sidewalk & Curb Fund	63,588	—	—	—	—	63,588
3450	FY 06 Sidewalk & Curb Fund	100,997	—	—	—	—	100,997
3460	FY 07 Sidewalk & Curb Fund	23,171	47,950	—	47,950	—	23,171
3461	Series 2008A Sidewalk & Curb Fund	26,314	25,938	—	25,938	—	26,315
3462	Series 2009 Sidewalk & Curb Fund	120,164	35,280	—	35,280	—	120,164
3463	Series 2010 Sidewalk & Curb Fund	60,000	39,725	—	39,725	—	60,000
3464	FY 12 Sidewalk & Curb Fund	6,702	63,583	—	63,583	—	6,703
3465	FY 13 Sidewalk & Curb Fund	(21,551)	37,159	—	37,159	—	(21,551)
3466	FY 15 Sidewalk & Curb Fund	16,727	54,721	—	54,721	—	16,727
3467	FY 16 Sidewalk & Curb Fund	(5,406)	31,782	—	31,782	—	(5,406)
3468	FY 17 Sidewalk & Curb Fund	27,551	34,440	—	34,440	—	27,551
3510	SID 510	119,629	—	—	—	—	119,629
3512	SID 512	203,594	—	—	—	—	203,594
3520	SID 520	127,654	156,560	—	156,560	—	127,654
3521	SID 521	990	—	—	—	—	990
3522	SID 522	(663)	—	—	—	—	(663)
3524	SID 524	554,893	305,340	—	305,340	—	554,893
3525	SID 525	236,997	33,100	—	33,100	—	236,997
3526	SID 526	17,103	192,920	—	192,920	—	17,103
3530	SID 530	(1,352)	—	—	—	—	(1,352)
3532	SID 532	11,454	38,178	—	38,178	—	11,454
3533	Gilbert St Sewer SID	15,120	17,919	—	17,919	—	15,120
3534	Lincolnwood Sewer Phase 1	40,961	18,519	—	18,519	—	40,961
3535	Slant Street Traffic Calming Fund	—	—	—	—	—	—
3536	Lincolnwood Sewer Phase 2	90,404	31,875	—	31,875	—	90,404
3540	SID 540	345,819	117,760	—	117,760	—	345,819
3541	SID 541	61,426	60,395	—	60,345	—	61,476

Fund #	Fund Name	Audited	FY 2019				Projected
		Beginning	Estimated Revenues		Budgeted	Ending	
		Balances	Tax or		Expenditure	Balances	
		July 1, 2018	Non-Tax	Assessment	Expenditures	Savings	June 30, 2019
3543	SID 543	22,451	—	—	—	—	22,451
3544	SID 544	222,847	140,381	—	140,381	—	222,847
3545	SID 545	118	—	—	—	—	118
3546	SID 546	68	—	—	—	—	68
3548	SID 548	20,419	99,375	—	99,375	—	20,419
3549	SID 549	14,019	171,215	—	171,565	—	13,669
Total Debt Service Funds		2,711,011	1,773,815	1,001,727	2,856,141	—	2,630,412
CAPITAL PROJECT FUNDS							
4060	Capital Improvement Program Fund	(4,257,566)	4,984,394	—	1,401,503	—	(674,675)
4451	FY 07 Sidewalk/Curb Fund	34	—	—	—	—	34
4454	FY 10 Sidewalk/Curb Fund	888	—	—	—	—	888
4455	FY 11 Sidewalk/Curb Fund	537	—	—	—	—	537
4456	FY 12 Sidewalk/Curb Fund	48,778	—	—	—	—	48,778
4457	FY 13 Sidewalk/Curb Fund	33,363	—	—	—	—	33,363
4459	FY 15 Sidewalk/Curb Fund	57,724	—	—	—	—	57,724
4460	FY 16 Sidewalk/Curb Fund	11,112	—	—	—	—	11,112
4461	FY 17 Sidewalk/Curb Fund	42,935	—	—	—	—	42,935
4462	FY 18 Sidewalk/Curb Fund	(339,710)	340,000	—	—	—	290
4463	FY 19 Sidewalk/Curb Fund	(9,156)	—	—	—	—	(9,156)
4531	SID 531 Traffic Calming Fund	(1,070)	—	—	—	—	(1,070)
4532	Maloney Ranch SID	763	—	—	—	—	763
4533	Rattlesnake Sewer SID	10	—	—	—	—	10
4534	SID 534 Lincolnwood Fund	(13)	—	—	—	—	(13)
4535	Slant Street Traffic Calming Fund	(4,724)	—	—	—	—	(4,724)
4536	SID 536 Lincolnwood Phase 2	2,219	—	—	—	—	2,219
4539	SID 539	(140)	—	—	—	—	(140)
4540	SID 540	91,427	—	—	—	—	91,427
4541	SID 541	23,575	—	—	—	—	23,575
4544	Miller Creek Mitigation Fund	3,526	—	—	—	—	3,526
4545	Miller Creek Twite Construction	1,393	—	—	—	—	1,393
4546	Miller Creek Maloney Construction	10,024	—	—	—	—	10,024
4547	Miller Creek McCarthy Construction	18,656	—	—	—	—	18,656
4548	SID 548	120,648	—	—	—	—	120,648
4745	Maloney/Twite Miller CR Fund	1,291	—	—	—	—	1,291
4941	SID 549	124,401	—	—	—	—	124,401
4944	SID 544	244	—	—	—	—	244
4945	SID 545	(3,263)	—	—	—	—	(3,263)
4946	SID 546	(3,887)	—	—	—	—	(3,887)
4948	Storm Water Outfall Retrofits	70,433	—	—	—	—	70,433
4949	Way Finding Project	(17,250)	—	—	—	—	(17,250)
4990	ARRA Enhancements	(2,498)	—	—	—	—	(2,498)
4991	ARRA HB645	(23,676)	—	—	—	—	(23,676)
4992	WFL Miller Creek Rd	(33)	—	—	—	—	(33)
4993	Western Federal Lands	(5,710)	—	—	—	—	(5,710)
Total Capital Project Funds		(4,004,715)	5,324,394	—	1,401,503	—	(81,824)

Fund #	Fund Name	Audited	FY 2019			Projected	
		Beginning	Estimated Revenues		Budgeted	Ending	
		Balances	Tax or	Budgeted	Expenditure	Balances	
		July 1, 2018	Non-Tax	Assessment	Expenditures	Savings	June 30, 2019
ENTERPRISE FUNDS							
5020	Civic Stadium	82,503	120,000	—	120,000	—	82,503
5210	Water Fund	(11,626,906)	18,350,241	—	20,275,361	—	(13,552,026)
5311	Wastewater/Compost Operating Fund	90,545	9,330,950	—	9,851,839	—	(430,344)
5315	Wastewater Loan Fund	—	15,000	—	15,000	—	—
5325	Wastewater Development Fund	—	982,000	—	540,000	—	442,000
5450	Storm Water	(290,375)	340,410	—	403,995	—	(353,960)
5711	Aquatics	(396,778)	1,382,434	—	1,533,355	—	(547,699)
Total Enterprise Funds		(12,141,011)	30,521,035	—	32,739,550	—	(14,359,526)
INTERNAL SERVICE FUND							
6050	Employee Benefit Plan Fund	(299,038)	8,004,673	—	7,503,477	—	202,158
Total Internal Service Fund		(299,038)	8,004,673	—	7,503,477	—	202,158
COMPONENT UNITS							
7370	Parking Commission Fund	1,178,354	2,500,405	—	2,298,996	—	1,379,763
7371	MPC Interest Funds 2014 Bonds	(40,680)	151,995	—	249,551	—	(138,236)
7372	MPC Sinking Fund Series 2014 Bonds	(93,000)	165,000	—	275,000	—	(203,000)
7375	MPC TIF Series 2014 Bonds	180,579	232,538	—	232,538	—	180,579
Total Parking Commission		1,225,253	3,049,938	—	3,056,085	—	1,219,106
7380	Downtown Business Improvement	160,102	364,000	—	364,000	—	160,102
7381	Tourism Business Improvement District	593,572	857,294	—	837,644	—	613,222
Total Improvement Districts		753,674	1,221,294	—	1,201,644	—	773,324
7383	MRA Riverfront Triangle URD	239,205	1,694,273	—	1,859,273	—	74,205
7384	MRA Riverfront Triangle URD	—	765,647	—	765,647	—	—
7385	MRA Front St URD	653,755	6,872,321	—	7,532,909	—	(6,833)
7386	MRA Tax Increment Debt Service - Safeway	90,620	121,844	—	122,922	—	89,542
7387	MRA URD II Brownfields Revolving Loan Fund	—	58,092	—	58,092	—	—
7388	MRA Reserve 3.6M TIF	986,074	—	—	—	—	986,074
7389	MRA Tax Increment Debt Service	402,632	402,839	—	678,309	—	127,162
7390	MRA Tax Increment Debt Interest Fund	—	3,089,882	—	3,089,882	—	—
7392	Urban Renewal District II Fund	3,458,842	2,360,455	—	5,536,137	—	283,160
7393	Urban Renewal District III Fund	1,911,679	6,320,701	—	8,368,197	—	(135,817)
7394	MRA URD III Debt Clearing	—	3,068,461	—	3,068,461	—	—
7395	MRA Tax Increment Debt Service	—	950,575	—	947,761	—	2,814
7396	NRSS Debt Service Sinking	—	165,976	—	164,275	—	1,701
7397	North Reserve/Scott St URD	1,025,465	1,288,269	—	2,070,819	—	242,915
7398	Hellgate URD	129,976	128,375	—	256,750	—	1,601
7399	Inter-mountain Bond	—	146,652	—	146,652	—	—
7400	Front St Bond Clearing	—	516,716	—	516,716	—	—
7401	Front St Parking Structure	315,982	211,330	—	209,680	—	317,632
7402	Front St Subordinate Lien Note	79,059	230,920	—	285,011	—	24,968
Total Redevelopment Agency		9,293,333	28,393,328	—	35,677,493	—	2,009,168
Total Component Unit Funds		11,272,260	32,664,560	—	39,935,222	—	4,001,598
Total All Funds		9,850,981	129,866,837	35,202,850	171,385,676	1,529,601	5,064,593

The City of Missoula has an important responsibility to its citizens to carefully account for public funds, manage city finances wisely, manage growth, and plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities. As Missoula continues to grow at a record pace, its government needs to insure that it is capable of adequately funding and providing those local government services the citizens require. The following fiscal and budgetary policies are designed to meet these goals.

The overall goal of the city's fiscal policy is to establish and maintain effective management of the city's financial resources. Formal policy statements and major objectives provide the foundation for achieving this goal. Accordingly, this section outlines the policies used in guiding the preparation and management of the city's overall budget and the major objectives to be accomplished.

Financial policies are guidelines for operational and strategic decision making related to financial matters. Financial policies identify acceptable and unacceptable courses of action, establish parameters in which the government can operate, and provide a standard against which the government's fiscal performance can be judged.

The following City financial policies, endorsed by the City Council, establish the framework for the City of Missoula's overall fiscal planning and management. They set forth guidelines against which current budgetary performance can be measured. The City of Missoula's financial policies show the credit rating industry and prospective investors (bond buyers) the City's commitment to sound financial management and fiscal integrity. The financial policies also improve the City's fiscal stability by helping City officials plan fiscal strategy with a consistent approach. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in City bond ratings and lower cost of capital. The City is in compliance with the comprehensive financial policies in this budget.

OPERATING BUDGET POLICIES

Links to Financial Plans

- 1) **Five-Year Plan.** The City of Missoula's annual budget will be developed in accordance with the policies and priorities set forth in the five year strategic financial plan, Council goals, the needs of the city, and state and federal laws. Program/project priorities and service levels will be established by the aforementioned plans.

Scope.

- 1) **Comprehensive Budget.** A comprehensive annual budget will be prepared for all funds expended by the city. State law (7-6-4005), states that "Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund." Inclusion of all funds in the budget enables the council, the administration, and the public to consider all financial aspects of city government when preparing, modifying, and monitoring the budget, rather than deal with the city's finances on a "piece meal" basis.
- 2) **Competing Requests.** The budget process is intended to weigh all competing requests for City resources, within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.
- 3) **Understandable.** The budget will be prepared in such a manner as to facilitate its understanding by citizens and elected officials. One of the stated purposes of the budget is to present a picture of the city government operations and intentions for the year to the citizens of the City of Missoula. Presenting a budget document that is understandable to the citizens furthers the goal of effectively communicating local government finance issues to both elected officials and the public.
- 4) **Budgetary Emphasis.** Budgetary emphasis will focus on providing those basic government services which provide the maximum level of services, to the most citizens, in the most cost effective manner, with due consideration being given to all costs--economic, fiscal, and social. Adherence to this basic philosophy provides the citizens of the City of Missoula assurance that its government and elected officials are responsive to the basic needs of the citizens and that its government is operated in an economical and efficient manner.

Budgeting Control System.

- 1) **Budgetary Control.** The City will exercise budgetary control (maximum spending authority) through City Council approval of appropriation authority for each program. The budgetary control system enables the Council to

monitor current year operations and acts as an early warning mechanism when departments deviate in any substantive way from the original budget.

- 2) **Budget to Actual Reports.** Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly and posted to the City's web-site. Monthly reports comparing actual revenues and expenditures to budget amounts provide the mechanism for the Council and the administration to regularly monitor compliance with the adopted budget. Quarterly reports will also be prepared that summarize the monthly detailed reports.

Balanced Budget Definition and Requirement.

- 1) **Balanced Budget.** The city will maintain a balanced budget. This means that:
 - * Operating revenues must fully cover operating expenditures, including debt service.
 - * Ending fund balance (or working capital in proprietary funds) must meet minimum policy levels.
 - * Under this policy, it is allowable for total expenditures to exceed revenues in a given year as long as the projected ending fund balance meets minimum policy levels.

Performance Measurement Integration.

- 1) **Program Objectives.** The annual budget will establish measurable program objectives and allow reasonable time to accomplish those objectives.

REVENUE POLICIES



Diversification and Stabilization.

- 1) **Diversification.** The city will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any one revenue source.
- 2) **Aggressive Collection.** The city will pursue an aggressive policy of collecting revenues. An aggressive policy of collecting revenues will help to insure the city's revenue estimates are met, all taxpayers are treated fairly and consistently, and delinquencies are kept to a minimum.
- 3) **Grant Opportunities.** The city will aggressively pursue opportunities for Federal or State grant funding. An aggressive policy of pursuing opportunities for Federal or State grant funding provides citizens assurance that the city is striving to obtain all state and federal funds to which it is entitled--thereby reducing dependence upon local taxpayers for the support of local public services.
- 4) **Current Revenues for Current Uses.** The city will make all current expenditures with current revenues.
- 5) **Enterprise Funds.** The city will set fees and rates at levels which fully recover the total direct and indirect costs—including operations, depreciation of capital assets, and debt service.
- 6) **Earmarking.** The City recognizes that generally accepted accounting principles for state and local governments discourage the "earmarking" of General Fund revenues, and accordingly, the practice of designating General Fund revenues for specific programs should be minimized in the City's management of its fiscal affairs.
- 7) **Realistic and Conservative.** The city will estimate revenues in a realistic and conservative manner. Aggressive revenue estimates significantly increase the chances of budgetary shortfalls occurring during the year--resulting in either deficit spending or required spending reductions. Realistic and conservative revenue estimates, on the other hand, will serve to minimize the adverse impact of revenue shortfalls and will also reduce the need for mid-year spending reductions.
- 8) **One-Time Revenues.** The city will give highest priority in the use of one-time revenues to the funding of capital assets or other non-recurring expenditures. Utilizing one-time revenues to fund on-going expenditures results in incurring annual expenditure obligations which may be unfunded in future years. Using one-time revenues to fund capital assets or other nonrecurring expenditures better enables future administrations and council's to cope

with the financial problems when these revenue sources are discontinued, since these types of expenditures can more easily be eliminated.

User Fees.

- 1) **Cost-Effective.** User fees will be collected only if the city finds it cost-effective and administratively feasible to do so. User fees are often costly to administer. Prior to establishing user fees, the costs to establish and administer the fees will be considered in order to provide assurance that the city's collection mechanisms are being operated in an efficient manner.
- 2) **Beneficiary Populations.** User fees and charges will be used, as opposed to general taxes, when distinct beneficiary populations or interest groups can be identified. User fees and charges are preferable to general taxes because user charges can provide clear demand signals which assist in determining what services to offer, their quantity, and their quality. User charges are also more equitable, since only those who use and benefit from the service must pay-- thereby eliminating the subsidy provided by nonusers to users, which is inherent in general tax financing.
- 3) **Community-Wide Versus Special Benefit.** The level of user fee cost recovery should consider the community-wide versus special service nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while other user fees are appropriate for services that are of special benefit to identified individuals or groups.
- 4) **General.** The following general concepts will be used in developing and implementing mservice charges and user fees:
 - Revenues should not exceed the reasonable cost of providing the service.
 - Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs and organizationwide support costs such as accounting, personnel, information technology, legal services, fleet maintenance, and insurance.
 - The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
 - Rate structures should be sensitive to the "market" for similar services as well as to smaller, infrequent users of the service.
 - A unified approach should be used in determining cost recovery levels for various programs based on the factors discussed above.

EXPENDITURE POLICIES



Maintenance of Capital Assets.

Capital Assets. The budget will provide for adequate maintenance of capital, plant, and equipment and for their orderly replacement. All governments experience prosperous times as well as periods of economic decline. In periods of economic decline, proper maintenance and replacement of capital, plant, and equipment is generally postponed or eliminated as a first means of balancing the budget. Recognition of the need for adequate maintenance and replacement of capital, plant, and equipment, regardless of the economic conditions, will assist in maintaining the government's equipment and infrastructure in good operating condition.

RESERVE POLICIES



Unreserved Fund Balance.

- 1) **General Fund.** An undesignated general fund reserve will be maintained by the city. The undesignated reserve will be used for: cash flow purposes, equipment acquisition and replacement, and to enable the city to meet

unexpected expenditure demands or revenue shortfalls. The City will focus on attaining and maintaining a fund balance equal to 7% of the General Fund's budget.

- 2) **Enterprise Funds.** Enterprise Fund Reserves will be maintained to meet four objectives: (1) ensure adequate funding for operations; (2) to ensure infrastructure repair and replacement; (3) to provide working capital to provide level rate change for customers; and, (4) to maintain the legally required coverage for outstanding revenue bond debt.
- 3) **Insurance Funds.** Self-Insurance Reserves will be maintained at a level, which, together with purchased insurance policies, will adequately indemnify the City's property, liability, and health benefit risk. The City will focus on attaining and maintaining a fund balance equal to three months of claims experience for the City's health plan insurance budget.
- 4) **Required Reserves.** Reserves will be established for funds which are not available for expenditure or are legally segregated for a specific use, in accordance with Governmental Accounting and Financial Reporting Standards (GAFR). The City's policy is to manage and account for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). This policy is consistent with GASB requirements.

Utilizing Unreserved Fund Balances.

- 1) **Spending Reserves.** On-going expenditures will be limited to levels which can be supported by current revenues. Utilization of reserves to fund on-going expenditures will produce a balanced budget, however, this practice will eventually cause severe financial problems. Once reserve levels are depleted, the city would face elimination of on-going costs in order to balance the budget. Therefore, the funding of on-going expenditures will be limited to current revenues.

CAPITAL IMPROVEMENT POLICIES

CIP Formulation.

- 1) **CIP Purpose.** The purpose of the CIP is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP is a five-year plan organized into the same functional groupings used for the operating programs. The CIP will reflect a balance between capital replacement projects that repair, replace or enhance existing facilities, equipment or infrastructure; and capital facility projects that significantly expand or add to the City's existing fixed assets.
- 2) **CIP Criteria.** Construction projects and capital purchases of \$5,000 or more will be included in the Capital Improvement Plan (CIP) as long as the useful life of the asset exceeds five years; minor capital outlays of less than \$5,000 will be included in the regular operating budget. Vehicles intended for use on streets and highways, costing less than \$35,000, are not included in the CIP. The Capital Improvement Plan (CIP) differentiates the financing of high cost longlived physical improvements from low cost "consumable" equipment items contained in the operating budget. CIP items may be funded through debt financing or current revenues while operating budget items are annual or routine in nature and should only be financed from current revenues.
- 3) **Deteriorating Infrastructure.** The capital improvement plan will include, in addition to current operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability.

Project Financing.

- 1) **Minor Capital Projects.** Minor capital projects or recurring capital projects, which primarily benefit current residents, will be financed from current revenues. Minor capital projects or recurring capital projects represent relatively small costs of an ongoing nature, and therefore, should be financed with current revenues rather than utilizing debt financing. This policy also reflects the view that those who benefit from a capital project should pay for the project.
- 2) **Major Capital Projects.** Major capital projects, which benefit future residents, will be financed with other financing sources (e.g. debt financing). Major capital projects represent large expenditures of a nonrecurring

nature which primarily benefit future residents. Debt financing provides a means of generating sufficient funds to pay for the costs of major projects. Debt financing also enables the costs of the project to be supported by those who benefit from the project, since debt service payments will be funded through charges to future residents.

DEBT MANAGEMENT POLICIES

Restrictions on Debt Issuance.

- 1) **Repayment of Borrowed Funds.** The city will repay borrowed funds, used for capital projects, within a period not to exceed the expected useful life of the project. This policy reflects the view that those residents who benefit from a project should pay for the project. Adherence to this policy will also help prevent the government from overextending itself with regard to the incurrence of future debt.

Limitations on Outstanding Debt

- 1) **Reliance on Long-Term Debt.** The City will limit long-term debt to capital improvements which cannot be financed from current revenues. Incurring long-term debt serves to obligate future taxpayers. Excess reliance on long-term can cause debt levels to reach or exceed the government's ability to pay. Therefore, conscientious use of long-term debt will provide assurance that future residents will be able service the debt obligations left by former residents.
- 2) **Debt Not Used for Current Operations.** The city will not use long-term debt for financing current operations. This policy reflects the view that those residents who benefit from a service should pay for the service. Utilization of long-term debt to support current operations would result in future residents supporting services provided to current residents.

Debt Refinancing

- 1) **General Refinancing Guidelines.** Periodic reviews of all outstanding debt will be undertaken to determine refinancing opportunities. Refinancings will be considered (within federal tax law constraints) under the following conditions:
 - There is a net economic benefit.
 - It is needed to modernize covenants that are adversely affecting the City's financial position or operations.
 - The City wants to reduce the principal outstanding in order to achieve future working capital to do so from other sources.
- 2) **Standards for Economic Savings.** The federal government has placed significant conditions on the tax-exempt refunding of outstanding issues. Refundings have two general categories:
 - Current refundings, where the refunding bonds are settled within 90 days of an optional prepayment date; and
 - Advance refundings, where refundings are settled more than 90 days in advance of an optional prepayment date. The federal restrictions are that any issue can only be advance refunded once on a tax-exempt basis.

On advance refundings the City will seek to obtain a minimum present value savings level of 3% of the present value of refunded debt service. State law requires a demonstration of savings of 0.5% reduction in the average coupon interest rate between the refunding and refunded bonds.

The complete debt management policy for the City of Missoula can be found in the appendix to this budget document.

ACCOUNTING, AUDITING AND FINANCIAL REPORTING POLICIES

GAAP. The City will manage and account for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). GASB is recognized as the authority with respect to governmental accounting. Managing the city's finances in accordance with GAAP and in accordance with the rules set forth by GASB, provides the citizens of the City of Missoula assurance that their public funds are being accounted for in a proper manner.

Basis of Accounting. The city will maintain its accounting records for general governmental operations on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when services or goods are received and liabilities incurred. Accounting records for proprietary fund types and similar trust funds will be maintained on an accrual basis, with all revenues recorded when earned and expenses recorded at the time liabilities are incurred, without regard to receipt or payment of cash. Adherence to this policy will enable the city to prepare its financial statements in accordance with Generally Accepted Accounting Principles as set forth by the Governmental Accounting Standards Board. The basis of accounting is the same for both the budget and the financial statements. It is worth noting that depreciation is not budgeted. Likewise, debt principle is budgeted for but is reported as a reduction of liability for the proprietary funds on the financial statements at year end.

Financial Report. The City of Missoula will prepare an Annual Financial Report (AFR) in conformity with Generally Accepted Accounting Principles (GAAP). The report will be made available to the general public.

Audits. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the City's published Annual Financial Report (AFR). Audits of the city's financial records provide the public assurance that its funds are being expended in accordance with Local, State, and Federal law and in accordance with Generally Accepted Accounting Principles. Audits also provide management and the Council with suggestions for improvement in its financial operations from independent experts in the accounting field.

INVESTMENT POLICIES

Scope

This policy applies to the investment of shortterm operating funds. Proceeds from certain bond issues will be covered by a separate policy.

Pooling of Funds. Except for cash in certain restricted and special funds, the City of Missoula will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

General Objectives. The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

- a. Credit Risk

The City of Missoula will minimize credit risk, the risk of loss due to the failure of the security issuer *or* backer, by:

 - i. Limiting investments to the safest types of securities
 - ii. Pre-qualifying the financial institutions, broker/dealers intermediaries, and advisers with which the City of Missoula will do business
 - iii. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- b. Interest Rate Risk

The City of Missoula will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools, which offer same-day liquidity for short-term funds.

Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- a. A security with declining credit may be sold early to minimize loss of principal.
- b. A security swap would improve the quality, yield, or target duration in the portfolio.
- c. Liquidity needs of the portfolio require that the security be sold.

Other areas. The complete investment policy, which is provided in detail in the appendix, also addresses standards of care, ethics and conflicts of interest, delegation of authority, safekeeping and custody, suitable and authorized investments, investment parameters, maximum maturities, and policy considerations.

FUND ACCOUNTING

The City of Missoula maintains accounts in accordance to the principle of fund accounting to ensure that limitations and restrictions on the City's available resources are observed and adhered to. Fund accounting classifies resources into funds or account groups with respect to the intended activities or objectives specified by those resources for accounting controls and financial reporting purposes. Each fund is an independent fiscal and accounting entity, and its operations are accounted for in a separate set of selfbalancing accounts that comprise of assets, liabilities, fund equity, revenues, and expenditures or expenses. Account groups are reporting mechanisms used to compile certain assets and liabilities of the governmental funds that are not directly recorded in those funds.

A **FUND** is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The most common reason for establishing a fund is to separately account for restricted-use revenue or to comply with state or federal law. There is no limit to the number of funds that a government may establish and maintain for accounting and financial reporting. A generally practiced governmental accounting guideline is that a government should use the smallest number of individual funds as possible, consistent with its particular circumstances, and that individual funds are closed when its intended purpose no longer exists.

An **ACCOUNT** is an organizational or budgetary breakdown which is found within city funds. Each department serves a specific function as a distinct organizational unit of government within the given fund. Its primary purpose is organizational and budgetary accountability.

An **OBJECT OF EXPENDITURE** refers to specific, detailed expenditure classification. It relates to a specific type of item purchased or service obtained. Examples of objects of expenditure include salaries, supplies, contracted services, travel, etc.

The City's financial operations and fund structure conform to generally accepted accounting principles. The funds are grouped under governmental funds, proprietary funds, and fiduciary fund types. The City's fund structure is comprised of the following funds, all of which are budgeted.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the City's governmental fund types:

General Fund — accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the City's primary operating fund.

Special Revenue Funds — account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Examples include: Building Inspection, Impact Fees, Health Insurance Levy and the Cable Franchise Fee Fund.

Debt Service Funds — account for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

Capital Project Funds — account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.) Examples include: Open Space Acquisition, 2006 Fire Station General Obligation Bond Construction Fund and the Capital Improvement Program Fund.

PROPRIETARY FUND TYPES

Proprietary Funds are used to account for ongoing organizations or activities which are similar to those often found in the private sector. The following proprietary funds are used by the City.

Enterprise Funds — account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Examples include: Wastewater Treatment Plant Fund.

Internal Service Funds — account for the financing of goods or services provided by one department to other departments of the City, or to other governmental units, on a cost-reimbursement basis. Examples include: Employee Health Insurance.

COMPONENT UNITS

Component Units are defined as legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations of which the nature and significance of their relationship with the primary government is such that exclusion of these organizations from the primary government's financial statements would be misleading or where there is a financial benefit/burden relationship.

Component Units are either blended or discrete. Blended component units funding sources and uses are "blended" in with the primary government's basic financial statements while discretely presented component units are shown only in Government-wide financial statements: Statement of Net Position and Statement of Activities. The City of Missoula includes four discretely presented component units:

1. Missoula Parking Commission
2. Business Improvement District
3. Tourism Business Improvement District
4. Missoula Redevelopment Agency

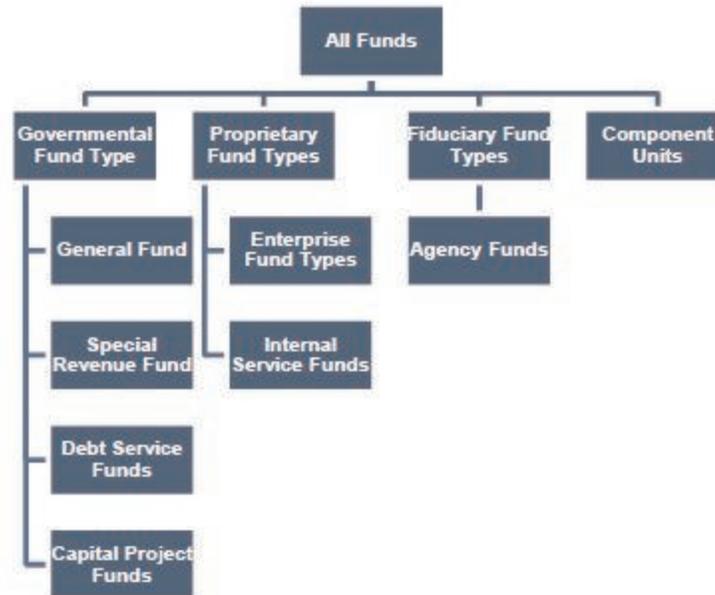
FIDUCIARY FUND TYPES

Trust and Agency Funds: Trust and agency funds are used to account for assets held by a Governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds.

CONSISTENCY WITH AUDITED FINANCIAL STATEMENTS

The City of Missoula's budgeted funds are consistent with the City's audited financial statements.

Shown below is a graphic summary of the City's Fund Structure.



Below is the detail to the graph of the City's Fund Structure.

1. Governmental Fund Types

a. General Fund

- i. City Council
- ii. Mayor
- iii. Human Resources
- iv. City Clerk
- v. Information Technologies
- vi. Municipal Court
- vii. Finance
- viii. Central Services
- ix. Facilities Maintenance
- x. Development Services
- xi. Housing and Community Development
- xii. Attorney
- xiii. Fleet Maintenance
- xiv. Police
- xv. Fire
- xvi. Cemetery
- xvii. Non-Departmental

b. General Fund - Special Purpose Funds

- i. Park Acquisition and Development
- ii. Park Enterprise
- iii. Parks and Recreation, Trails and Development
- iv. Parks and Recreation – City Life Gym
- v. Fort Missoula Regional Park - Recreation
- vi. Fort Missoula Regional Park - Operations & Maintenance
- vii. Cemetery Cremain Wall and Cemetery Donations
- viii. Cemetery Capital Reserve Fund
- ix. Cemetery Memorial
- x. Johnson Street Property Lease
- xi. Title I Projects
- xii. Program Income Revolving Loan Program

c. Special Revenue Funds

- i. Planning Department Fund

- ii. Public Safety Information Systems
- iii. Impact Fee
- iv. George Elmer-Cattle Drive
- v. Public Art
- vi. Employee Health Insurance Levy (outside cap)
- vii. Cable Television Franchise
- viii. Drug Forfeiture
- ix. Building Inspection
- x. City Grants and Program Income
- xi. Dangerous Building Demolition Repair
- xii. Street Lighting Assessment
- xiii. Street Maintenance Assessment
- xiv. Public Works - Road District #1
- xv. Development Services - Road District #1
- xvi. Park District #1
- xvii. State Gas Tax
- xviii. Law Enforcement Block Grant
- xix. HIDTA
- xx. CDBG Program Income
- xxi. CDBG
- xxii. HOME
- xxiii. City HOME Program Income
- xxiv. Transportation Grants
- xxv. Transportation Department
- xxvi. Grants and Donations
- xxvii. Miscellaneous Police Grants and Donations
- xxviii. Brownfields Grants
- d. Debt Service
 - i. General Obligation
 - 1. 2012A Aquatics Refunding
 - 2. 2013A refunding
 - ii. Special Improvement
 - 1. SID Revolving Fund
 - 2. Sidewalk and Curb Bonded Debt Service
 - 3. SID Bonded Debt Service
- e. Capital Projects
 - i. Capital Improvement Program (CIP)
 - ii. Open Space
- 2. Proprietary Funds
 - a. Enterprise Funds
 - i. Civic Stadium
 - ii. Water Utility
 - iii. Wastewater/Compost Utility
 - iv. Wastewater Loan
 - v. Wastewater Development
 - vi. Storm Water Utility
 - vii. Aquatics
 - b. Internal Service
 - i. Employee Benefit Plan
- 3. Fiduciary Funds
 - a. Agency Funds
- 4. Component Units
 - a. Parking Commission
 - b. Business Improvement District (BID)
 - c. Tourism Business Improvement District (TBID)
 - d. Missoula Redevelopment Agency (MRA)

FUNCTIONS, DEPARTMENTS, PROGRAMS/ACTIVITIES

PURPOSE



The organizational units set forth in this section of the Budget represent the City's system of delivery of services and allows the City to accomplish the following:

- Establish policies and goals that define the nature and level of service to be provided.
- Identify activities performed in delivering program services.
- Set objectives for improving delivery of services.
- Appropriate the resources required to perform activities and accomplish objectives.

ORGANIZATION



The City's operating expenditures are organized into the following hierarchical categories:

- Function
- Department
- Program/Activity

FUNCTION



Function represents the highest level of summarization used in the City's operating structure. Functions are a grouping of relating operations and programs that may cross organizational (departmental) boundaries. Functions are aimed at accomplishing a broad goal or delivering a major service. The nine functions in the city's operating structure are:

- General Government
- Public Safety
- Public Works
- Public Health
- Social & Economic Services
- Culture & Recreation
- Housing & Community Development
- Conservation of Natural Resources
- Miscellaneous

DEPARTMENTS



Departments represent a grouping of related programs within a functional area such as Police Department within the broad functional area of Public Safety.

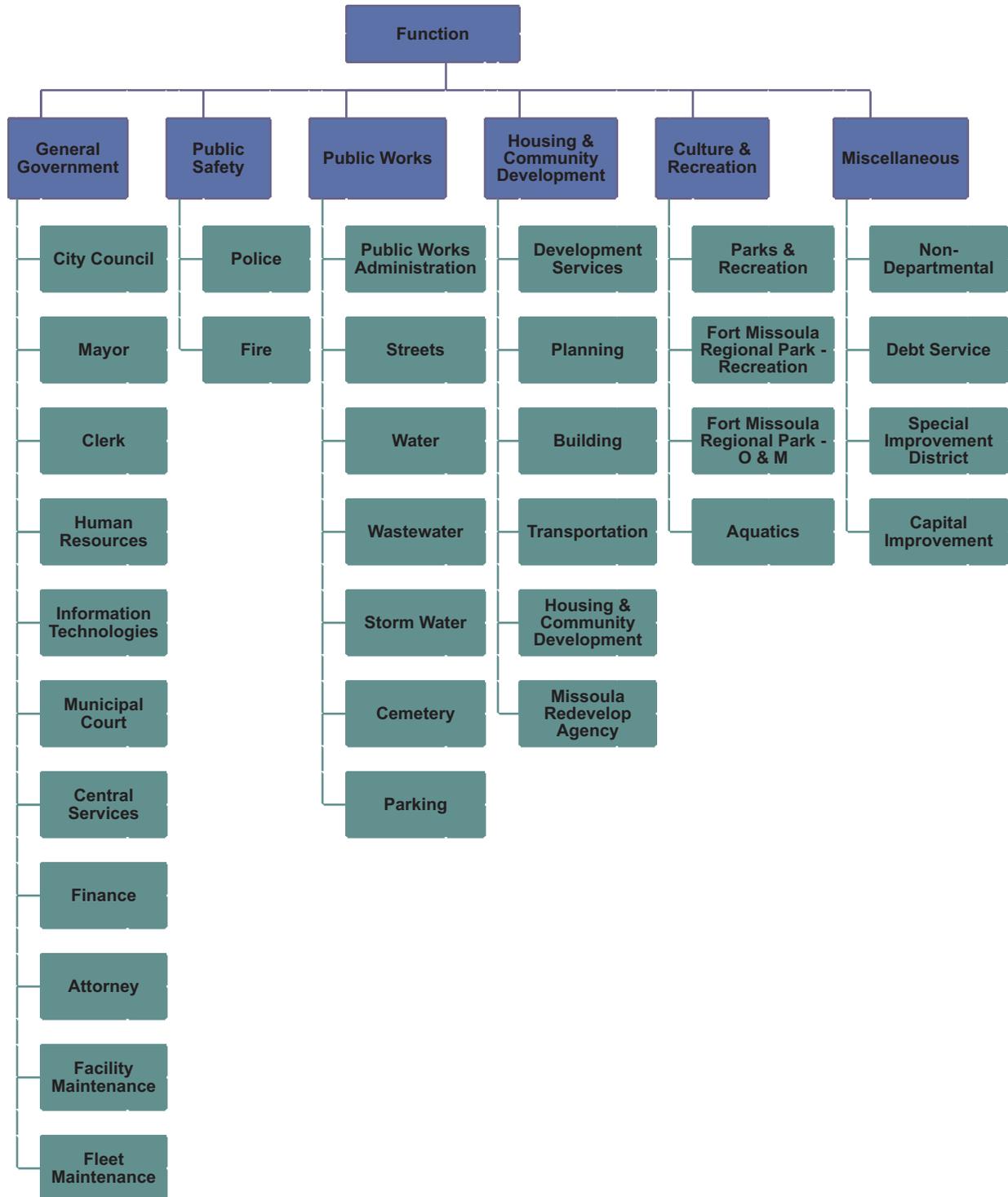
PROGRAM/ACTIVITY



Programs/Activities of a Department are the specific services and task performed in the pursuit of its objectives and goals.

FUNCTION/DEPARTMENT DETAIL

This summary budget is reported by funds. Functions/Departments will have budgeted activity in more than one fund. Below is a listing of the Functions and the corresponding Departments.



ORGANIZATIONAL UNITS

FUNCTIONS, DEPARTMENTS, PROGRAMS/ACTIVITIES

The Departments have Activities within them and there are specific funds that they use for operational budgeting. The following table lists the Departments and corresponding activities and budgeted fund for the current fiscal year.

Function	Departments	Activities	Budgeted Funds
General Government	Council	Legislation	General
	Mayor	Administration, Public Relations, Communication, Public Art	General, Public Art
	Clerk	Administration, Elections, Community Forum, Neighborhoods	General, Cable Television Franchise
	Human Resources	Administration, Training, Risk Management, Labor Relations, Employee Benefits	General
	Information Technologies	Operations, GIS	General, Public Safety & Information Systems, Capital
	Municipal Court	Judicial Administration	General
	Central Services	Central Services Administration, Energy Coordination	General
	Finance	Administration	General
	Attorney	Victim Services, Administration & Civil Law, Criminal Law	General
	Facility Maintenance	Administration, Utilities, Maintenance	General, Johnson St. Property Rental
	Fleet Maintenance	Administration, Equipment Maintenance	General, Capital
Public Safety	Police	Administration, Training, Detectives, Uniform Patrol, Community Resource Officer, Abandoned Vehicle/Bike, Communications, Evidence & ID, Special Teams	General, Drug Forfeiture, Law Enforcement Block Grants, HIDTA, Police Misc. Grants & Donations
	Fire	Administration, Facility, Training, Fire Prevention, EMS, Operations, Maintenance, Grants,	General, Misc. Grants & Donations
Public Works	Public Works Administration	Administration, Communication Maintenance, Street Lighting, Traffic Signal Maintenance, Signing & Striping	Public Works Road District #1, Street Lighting, Debt Service
	Streets	Administration, Street Restoration & Maintenance, Gas Tax Maintenance, BaRSAA Gas Tax, Snow and Ice Control, Street Cleaning, State/MRA Projects, Flood Control Maintenance	Public Works Road District #1, Impact Fee, Street Maintenance, Gas Tax
	Water	Administration, Customer Service, Source of Supply & Pumping, Transmission & Distribution	Water
	Wastewater	Administration, Collection, Treatment, Pretreatment Lab, Compost	Wastewater, Wastewater Loan, Wastewater Development
	Storm Water	Administration, Construction, Maintenance, Levee Maintenance	Storm Water
	Cemetery	Administration, Facility, Grounds Maintenance, Burial Services	General, Cremains Wall, Cemetery Capital Reserve, Cemetery Memorial
	Parking Commission	Operations, Equipment Replacement/Maintenance	Parking, Parking Interest, Parking Sinking, Parking Pledged Tax Increment

ORGANIZATIONAL UNITS

FUNCTIONS, DEPARTMENTS, PROGRAMS/ACTIVITIES

Function	Departments	Activities	Budgeted Funds
Housing & Community Development	Development Services	Administration, Engineering, Development & Permit Review	General, Development Services Road District #1, George Elmer - Cattle Drive, Building Demolition & Repair
	Planning	Administration, Historic Preservation	Planning
	Building	Protective Inspections	Building
	Transportation	Bike/Pedestrian Program, Missoula Planning Organization, Missoula in Motion	Transportation
	Housing & Community Development	Administration, Reaching Home	General, Title I Projects, Program Income Revolving Loan Program, CDBG, CDBG Program Income, HOME Investment Partnership, HOME Program Income
	Missoula Redevelopment Agency	Economic Development	Riverfront URD, North Reserve Scott Street URD, Hellgate URD, Front Street URD, URD II, URD III
Culture & Recreation	Parks & Recreation	Administration, Parks Asset Management, Projects & Planning, Operations, Green Ways & Horticulture, Urban Forestry, Conservation Lands, Safety & Training, Park Maintenance Routing, Park Maintenance Sports Facilities, Recreation, Recreation MORE Program, Recreation Adult Sports, Recreation Youth Sports, Spray Decks, Recreation Youth Grants	Park District #1, Parks Development & Expansion, Parks Enterprise, Parks & Recreation - Trails & Development, City Life, Impact Fees, Transportation Grants, Capital Improvements
	Fort Missoula Regional Park - Recreation	Recreation, Construction, Concessions	Fort Missoula Regional Park - Recreation
	Fort Missoula Regional Park - Operations & Maintenance	Sports Facility Maintenance, Capital Maintenance & Improvements	Fort Missoula Regional Park - Operations & Maintenance
	Aquatics	Concessions, Currents, Splash, Maintenance, Park Memorial	Aquatics
Miscellaneous	Non-Departmental, GO, SID & Assessment Bonds, SID Revolving, Capital Improvements	Skill/Competency Based Pay, Salary Reserve, Termination Pay, SID Assessments, Protective Inspections, Health Department Contribution, Animal Control Contribution, Aging Services Contribution, Aquatics Subsidy, Park District #1 Subsidy, Principal & Interest, Merchant Fees, Reimbursable Losses, Contingency, Emergency Response, Comprehensive Insurance, Transfers,	General, Civic Stadium, Misc. Grants & Donations, Capital, Employee Benefit Plan, Downtown Business Improvement District, Tourism Business Improvement District