

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Fund Balance/Net assets- July 1, 2010	\$ 2,088,984	\$ 4,124,600	\$ 3,287,929	\$ (4,089,044)	\$ 85,102,915	\$ 981,690	\$ -	\$ 8,055,310	\$ 99,552,384
Change in Fund Categorization	1,412,394	(1,412,394)	-	-	-	-	-	-	-
Net Fund Balance/Net assets- July 1, 2010	3,501,378	2,712,206	3,287,929	(4,089,044)	85,102,915	981,690	-	8,055,310	99,552,384
Estimated Revenues									
Taxes & Assessments	19,608,339	3,143,952	1,837,828	-	-	-	-	3,811,915	28,402,034
Licenses & Permits	1,233,118	1,565,344	-	-	-	-	-	-	2,798,462
Intergovernmental	10,976,521	8,550,381	-	258,400	-	-	-	871,272	20,656,574
Charges for Services	4,261,839	6,500	-	-	7,872,052	-	-	1,000,000	13,140,391
Fines & Forfeitures	1,000,634	65,000	-	-	-	-	-	270,000	1,335,634
Miscellaneous	635,019	1,068,831	2,341,046	20,290	-	4,106,282	-	250,000	8,421,468
Investment Earnings	30,000	-	-	-	-	37,700	-	272,125	339,825
Long Term Debt proceeds	-	-	-	-	-	-	-	-	-
Transfers In/Other Financing	4,791,325	-	-	915,794	16,679,136	57,041	-	1,315,660	23,758,956
Total Estimated Revenues	42,536,795	14,400,008	4,178,874	1,194,484	24,551,188	4,201,023	-	7,790,972	98,853,344
Budgeted Expenditures									
General Government	5,242,980	1,700,000	-	-	-	4,375,750	-	-	11,318,730
Public Safety	22,301,001	904,062	-	-	-	-	-	-	23,205,063
Public Works	6,087,101	2,236,396	-	-	18,030,885	-	-	1,684,896	28,039,277
Public Health	1,982,241	-	-	-	-	-	-	-	1,982,241
Social and Economic Services	1,194,280	-	-	-	-	-	-	-	1,194,280
Culture and Recreation	4,869,868	5,347,489	-	-	-	-	-	9,114,725	19,332,082
Housing & Community Devel.	206,600	4,284,984	-	-	-	-	-	249,100	4,740,684
Debt Service	-	-	4,115,732	-	-	-	-	-	4,115,732
Internal Service	175,440	-	-	-	-	-	-	-	175,440
Capital Outlay	-	-	-	1,717,386	-	-	-	-	1,717,386
Transfers Out/Other Financing	1,241,625	3,957,925	100,000	-	6,272,053	-	-	1,560,660	13,132,263
Total Budgeted Expenditures	43,301,136	18,430,856	4,215,732	1,717,386	24,302,938	4,375,750	-	12,609,381	108,953,179
Projected Change in									
Fund Balance/Net assets	(764,341)	(4,030,848)	(36,858)	(522,902)	248,250	(174,727)	-	(4,818,409)	(10,099,835)
Anticipated Exp. Savings	-	-	-	-	-	-	-	-	-
Projected Ending									
Fund Balance/Net assets- June 30, 2011	\$ 2,737,037	\$ (1,318,642)	\$ 3,251,071	\$ (4,611,946)	\$ 85,351,165	\$ 806,963	\$ -	\$ 3,236,901	\$ 89,452,549

OVERVIEW OF BUDGETED RESOURCES

OVERVIEW OF BUDGETED RESOURCES

SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Actual July 1, 2009 through June 30, 2010 (FY 10)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Revenues									
Taxes & Assessments	19,982,299	3,236,816	2,217,520	-	-	-	-	3,658,970	29,095,605
Licenses & Permits	1,329,668	1,720,985	-	-	-	-	-	-	3,050,653
Intergovernmental	10,501,462	6,773,106	-	3,126,062	1,428	-	-	514,880	20,916,938
Charges for Services	3,723,970	751,156	-	55,508	7,426,361	3,697,344	64,180	1,393,079	17,111,598
Fines & Forfeitures	958,390	245,197	-	-	-	-	84,978	-	1,288,565
Miscellaneous	211,123	284,408	2,008,920	968,561	190,354	-	-	38,461	3,701,827
Investment Earnings	(3,389)	(8,892)	86,206	(10,563)	-	-	-	67,949	131,311
Total Revenues	36,703,523	13,002,776	4,312,646	4,139,568	7,618,143	3,697,344	149,158	5,673,339	75,296,497
Expenditures									
General Government	6,282,051	728,749	711	241,464	-	-	-	-	7,252,975
Public Safety	20,449,471	1,777,787	-	-	-	-	65,250	-	22,292,508
Public Works	6,175,660	322,467	-	79,707	6,513,250	-	330	4,512,543	17,603,957
Public Health	1,368,398	-	-	-	-	-	74,810	-	1,443,208
Social and economic services	118,450	-	-	-	-	-	-	-	118,450
Culture and recreation	3,186,112	101,889	-	5,004	1,459,788	-	-	-	4,752,793
Housing & Community Development	-	4,017,676	-	-	-	-	-	311,115	4,328,791
Miscellaneous	1,041,180	7,757	-	-	-	-	-	-	1,048,937
Debt Service	-	-	4,145,145	560,398	-	-	-	-	4,705,543
Capital Outlay	227,524	1,405,216	-	6,885,995	-	-	-	-	8,518,735
Business-type	-	-	-	-	-	5,055,565	-	-	5,055,565
Total Expenditures	38,848,846	8,361,541	4,145,856	7,772,568	7,973,038	5,055,565	140,390	4,823,658	77,121,462
Other Financing Sources (Uses)									
Transfers In	3,972,068	56,517	318,434	1,184,032	168,000	48,529	-	-	5,747,580
Transfers Out	(694,942)	(4,387,241)	(388,580)	(86,819)	(190,000)	-	-	-	(5,747,582)
Payments - Refunded Bond Escrow	-	-	-	(983,591)	-	-	-	-	(983,591)
Proceeds from Refunding Bond	-	-	-	1,000,000	-	-	-	-	1,000,000
Proceeds from LT Debt	-	-	118,572	3,158,369	-	-	-	-	3,276,941
Sale of Fixed Assets	56,794	-	-	-	-	-	-	-	56,794
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	8,317,639	-	-	-	8,317,639
Contributions- government activities	-	-	-	-	133,526	-	-	-	133,526
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-
Investment & Royalty Earnings	-	-	-	-	(4,020)	13,235	-	-	9,215
Debt Service Interest	-	-	-	-	(568,464)	-	-	-	(568,464)
Total Other Financing Sources (Uses)	3,333,920	(4,330,724)	48,426	4,271,991	7,856,681	61,764	-	-	11,242,058
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	1,188,597	310,511	215,216	638,991	7,501,786	(1,296,458)	8,768	849,681	9,417,093
Fund Balance/Net assets - July 1, 2009	900,387	3,814,089	3,072,713	(4,728,035)	77,601,129	2,278,147	308,644	7,205,629	90,452,703
Change in Accounting Principle	-	-	-	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	-
Residual Equity Transfer	-	-	-	-	-	-	-	-	-
Fund Balance/Net assets - June 30, 2010	2,088,984	4,124,600	3,287,929	(4,089,044)	85,102,915	981,690	317,412	8,055,310	99,869,796

OVERVIEW OF BUDGETED RESOURCES

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SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Actual July 1, 2008 through June 30, 2009 (FY 09)

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency	
Revenues								
Taxes & Assessments	18,477,296	3,638,416	4,176,108	-	-	-	2,687,166	28,978,986
Licenses & Permits	1,180,657	1,573,047	-	-	-	-	-	2,753,704
Intergovernmental	10,123,957	2,967,497	-	56,484	1,435	-	284,661	13,434,034
Charges for Services	3,568,065	871,434	-	-	7,681,591	4,192,755	36,885	17,501,970
Fines & Forfeitures	1,086,994	43,183	-	-	-	-	1,813,716	2,969,942
Miscellaneous	131,153	117,049	-	920,284	2,405	-	(1,446)	1,169,445
Investment Earnings	107,986	26,013	92,956	(80,756)	-	-	288,647	434,846
Total Revenues	34,676,108	9,236,639	4,269,064	896,012	7,685,431	4,192,755	1,850,601	4,707,210
Expenditures								
General Government	7,291,495	373,778	80,228	6,534	-	-	-	7,752,035
Public Safety	20,292,803	1,376,236	-	-	-	-	1,860,378	23,529,417
Public Works	6,326,178	298,633	-	-	6,131,305	-	9,132	14,412,434
Public Health	1,404,043	-	-	-	-	-	10,395	1,414,438
Social and economic services	118,450	-	-	-	-	-	-	118,450
Culture and recreation	3,231,729	46,346	-	-	1,456,758	-	-	4,734,833
Housing & Community Development	-	1,193,372	-	-	-	-	-	1,164,466
Miscellaneous	-	-	-	-	-	-	-	-
Debt Service	-	-	3,808,412	506,606	-	-	-	265,100
Capital Outlay	208,801	1,152,010	-	4,041,174	-	-	-	121,479
Business-type	-	-	-	-	-	4,011,227	-	4,011,227
Total Expenditures	38,873,500	4,440,375	3,888,640	4,554,314	7,588,063	4,011,227	1,879,905	3,198,231
Other Financing Sources (Uses)								
Transfers In	4,580,071	-	199,544	564,296	168,000	61,036	-	1,031,225
Transfers Out	(764,988)	(4,192,777)	(161,812)	(162,732)	(290,637)	-	-	(5,572,946)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	-
Proceeds from LT Debt	-	-	-	-	-	-	-	-
Sale of Fixed Assets	80,623	2,093	-	-	-	-	-	82,716
Property Taxes	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	766,110	-	-	766,110
Contributions- government activities	-	-	-	-	119,548	-	-	119,548
Intergovernmental Revenues	-	-	-	-	-	-	-	-
Investment & Royalty Earnings	-	-	-	-	47,494	53,710	-	101,204
Debt Service Interest	-	-	-	-	(607,159)	-	-	(607,159)
Total Other Financing Sources (Uses)	3,895,706	(4,190,684)	37,732	401,564	203,356	114,746	-	1,031,225
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(301,686)	605,580	418,156	(3,256,738)	300,724	296,274	(29,304)	2,540,204
Fund Balance/Net assets - July 1, 2008	1,202,073	3,208,509	2,654,557	(1,471,297)	77,300,405	1,981,873	337,948	11,552,182
Change in Accounting Principle	-	-	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-
Residual Equity Transfer	-	-	-	-	-	-	-	-
Fund Balance/Net assets - June 30, 2009	900,387	3,814,089	3,072,713	(4,728,035)	77,601,129	2,278,147	308,644	14,092,386

Assumptions, Estimates, & Trends

Overview

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

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

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

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

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

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

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

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

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

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

Interfund Transfers: Transfers between individual funds of a governmental unit that are not repayable and are not considered charges for goods or services. An example is matching funds transferred from the

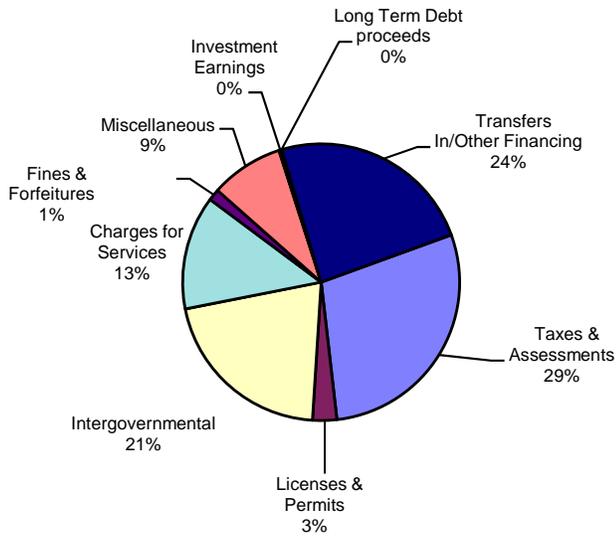
MAJOR REVENUE SOURCES

Assumptions, Estimates, & Trends

General Fund and other special revenue funds to the Capital Improvement Fund for the funding of capital projects.

The two pie charts below give a graphic overview of total city revenues—one by the sources previously

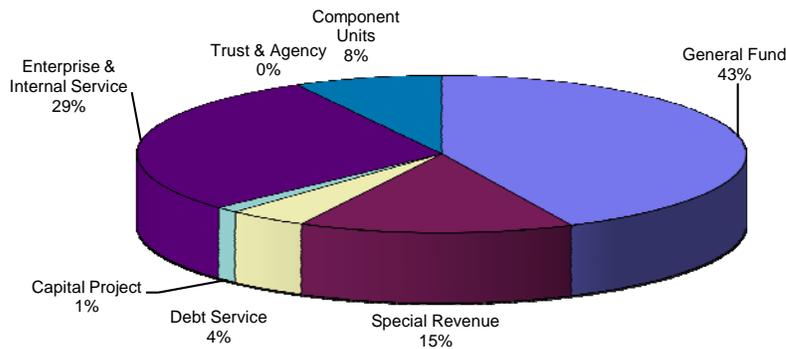
Revenues by Type - All Funds - FY 11



described and the other by major fund group.

As depicted by the graph of revenues by type, the taxes and assessments category and transfers make up the two largest categories of city revenues for FY 09 (53%). Intergovernmental revenues make up the next largest category (21%). Finally, Charges for Services (13%) makes up the fourth largest category. These four revenue categories make up 87% of all city revenues.

Revenues by Fund Group - FY 11



Revenues by fund group also help give the reader a look at the “Big Picture” of city revenues. As shown by the graph on the right, the general fund (43%), Enterprise & Internal Service funds (29%), Special Revenue Funds (15%), and Component Units (8%), make up 95% of the city’s revenues.

Assumptions, Estimates, & Trends

Revenue Forecast Assumptions & Methodology

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

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

Revenue Estimates

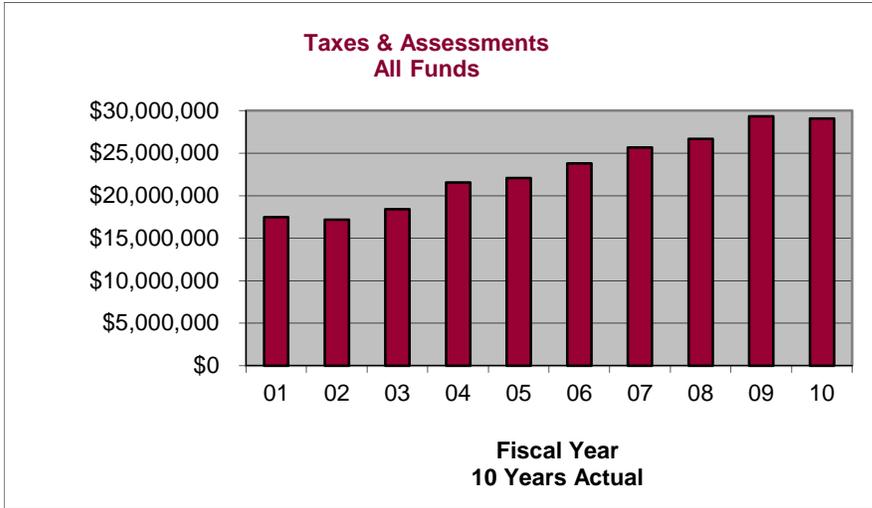
The National Advisory Council on State and Local Budgeting prepared a set of recommended practices relating to governmental revenue estimates. Stated below are some excerpts from their recommended practices, along with the City of Missoula's revenue estimate practices.

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

One of the key analytical tools, to assist in the development of revenue estimates, is the comprehensive five year financial forecast. This forecast considered key revenue and expenditure projection factors such as population, increases in the consumer price index (CPI) and other growth factors. The trending of these key factors and their affect on revenues and expenditures for the past ten years provided a historical basis for the five year financial forecast. The first City of Missoula forecast was prepared in 2003, and was updated during November of 2007, again in June and September of 2008 and in June of 2009 and June of 2010. Overall, the City's practice is to budget revenues conservatively and to use as much information as possible

Assumptions, Estimates, & Trends

to enhance the accuracy of revenue estimates. By identifying and utilizing as many revenue-related



variables as possible in forecasting, we hope to minimize the risks of overstating or understating revenues that could arise from using only a few variables. Our approach to forecasting, in general, is to apply a conservative philosophy that will produce our long-term goal of not overstating

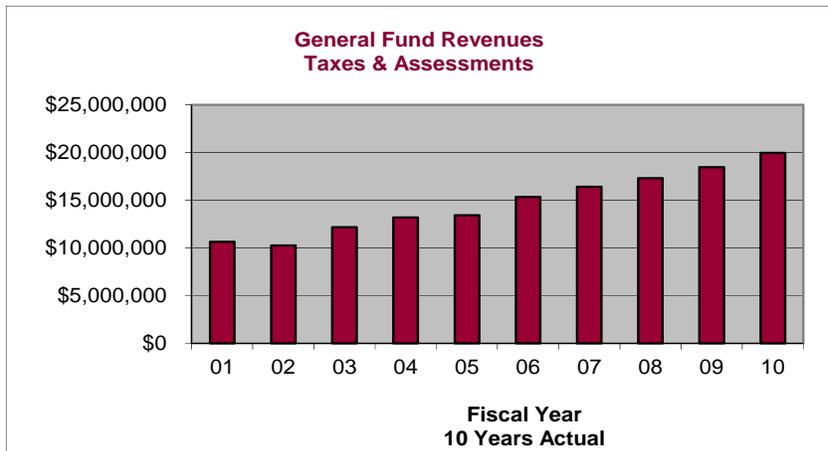
revenues. Most estimates involve two projections: an estimate for the amount to be collected in current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively reexamined based on actual results for 2009-10 as well as emerging trends at the mid-point of the year.

Individual revenue categories, their trends, and estimates follow. The revenue estimates described below represent 89% of total City revenues.

Key Revenue Estimates & Trends

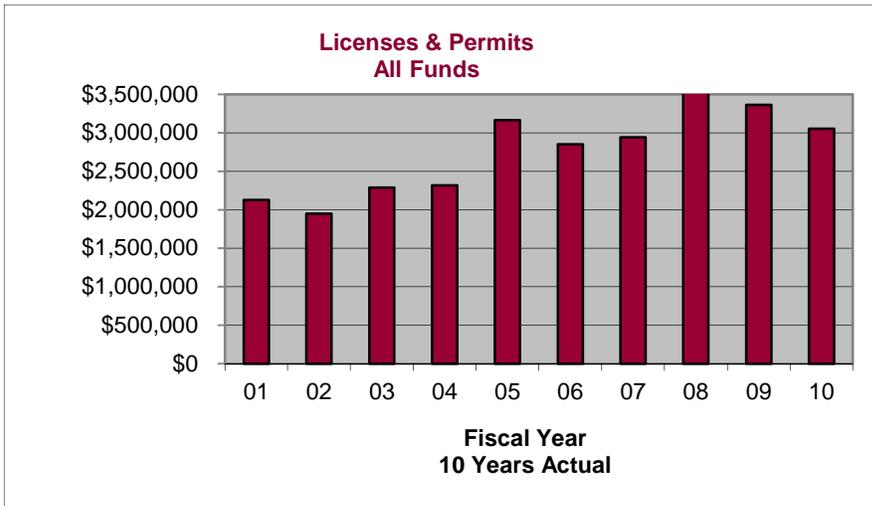
Shown by the graph above are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 2001- FY 2010). The graph reflects the steady and rapid growth the City of Missoula is experiencing. Property taxes, which comprise the majority of this revenue category, are dependent upon a combination of taxable values and mill levies. A small increase was budgeted for the budget year FY 2011.

The graph on the right shows actual General Fund Taxes & Assessments for the last 10 years. There was very little growth in General Fund taxes from FY 2001 – FY 2002 due to the slow economy and the lack of annexations. As the economy accelerated so did the number of annexations and actual growth in the last seven years.



MAJOR REVENUE SOURCES

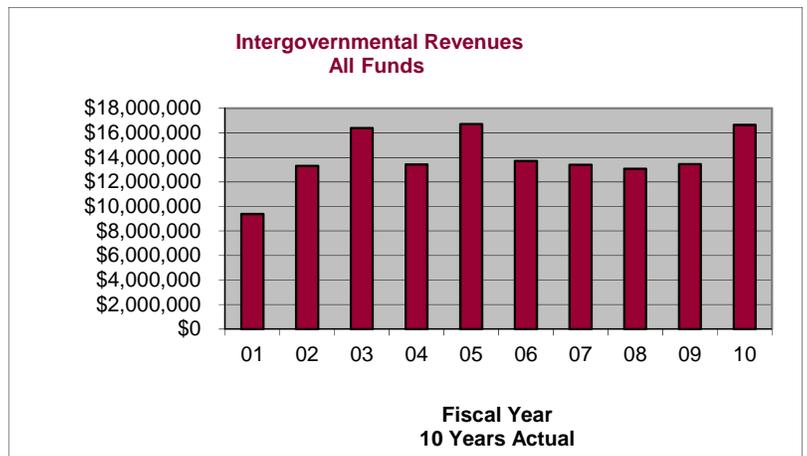
Assumptions, Estimates, & Trends



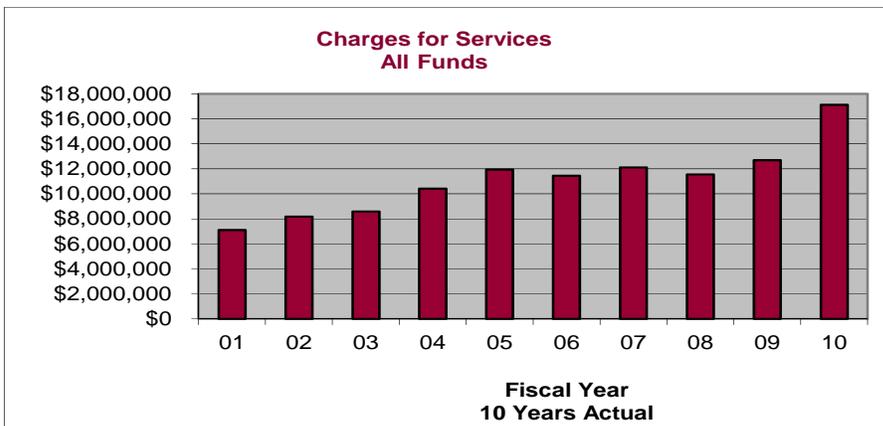
Licenses & Permits for all City funds are shown on the left. The decline from FY 01 to FY 02 reflects the state Legislature's elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature has replaced with entitlement revenues. The decline from FY

08 to 09 was due to the economic slowdown experienced by the nation and the City of Missoula.

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



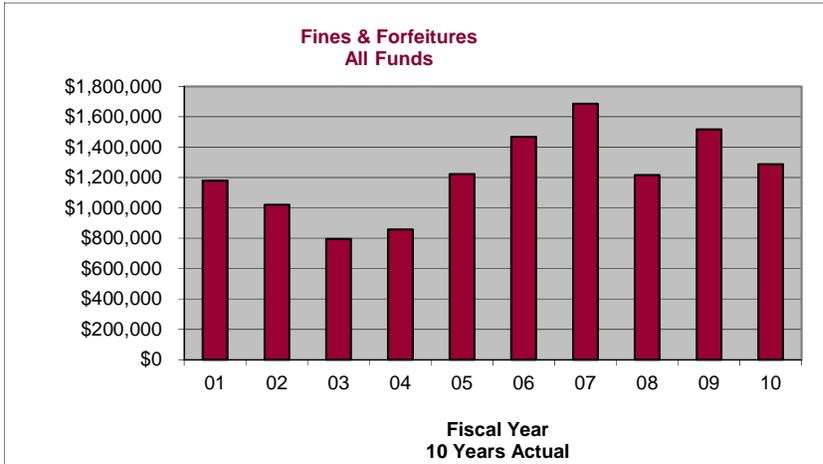
Charges for services, for all funds, represent 19% of total city revenues. This category is dominated by revenues in the City's enterprise funds, which include the Sewer charges and City Health Plan premiums.



Many of these revenues are growth related. These include engineering fees, zoning fees, subdivision fees, building permits, impact fees and similar revenues. This source is anticipated to be maintained at the FY

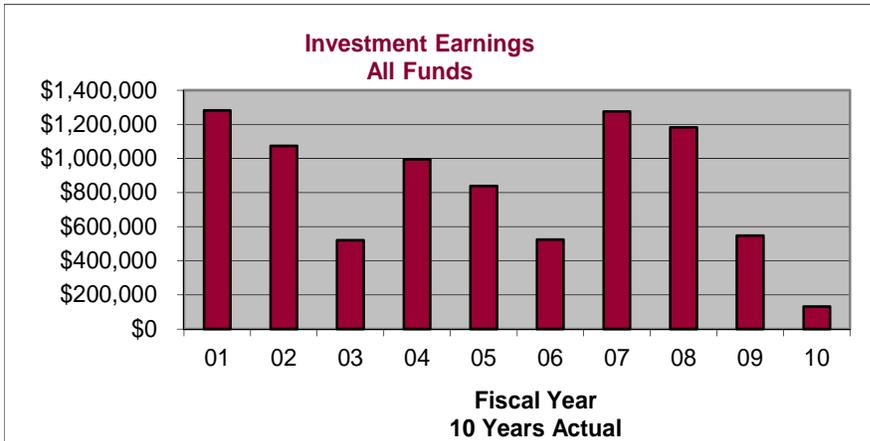
10 level or greater for the foreseeable future.

Assumptions, Estimates, & Trends



Fines and forfeitures, within the General Fund, to a large extent, reflect the growth in the City of Missoula. As shown by the graph, fines and forfeitures have increased from \$1,180,060 to \$1,288,565 over this ten year period. The decrease that occurred from FY 2001 – FY 2004 was mainly due to legislative changes by the Montana legislature that

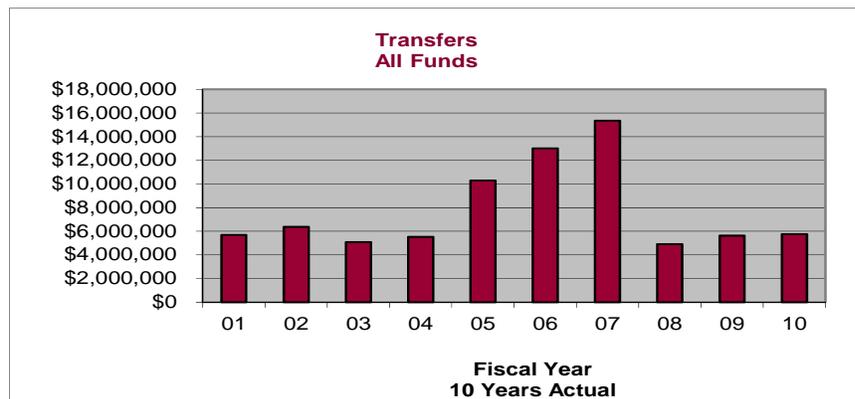
preempted the collection of City Fines. The decrease in FY 08 and FY 10 was the result of staffing shortages in Police due to officers being called up to active duty in the armed forces and a significant number of workers compensation injuries that temporarily reduced staffing. This revenue stream is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



Investment earnings reflect a combination of available cash balances together with the interest rate the city is able to obtain. As shown by the graph, investment earnings have been quite volatile, with sharp declines occurring in FY 03, FY 06 and FY 10 which correspond to the

decline in interest rates nationally in those years. Interest earnings in FY 11 are expected to similar to FY 2010, as interest rates are extremely low nationally.

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



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