

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 measurers. It is anticipated that it will take 3 – 5 years to fully implement the performance budgeting system.

FINANCIAL TREND ANALYSIS

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

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

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

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 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.

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 Finance Director presents an Ordinance to the City Council at a duly noticed public meeting. The Council considers the Ordinance. 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 information from the public, Department Heads, and the Finance Department. The City Council considers the Ordinance and may approve, table, or deny the Budget Amendment.

The annual appropriations and transfers out 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.

THE BUDGET CALENDAR

January

Finance Office prepares estimated year end working capital (cash), estimates revenue for the coming year, and adjusts current year's budget to project next year's needs - information presented to City Administration and Budget team. Capital Improvement Program initiated for next fiscal year with press release notifying the public and work shop for all city supervisory staff.

February

Finance Office analyses and assimilates proposed capital improvement project (CIP) revenues and expenditures. The CIP is prepared to be reviewed by the CIP budget team. A work shop is held with all supervisory and support staff involved in the operating budget development for next fiscal year. Revenue estimates are made along with salary adjustment parameters and costs for all budgets.

March

The CIP budget team meets with all offices who submitted CIP budget requests encompassing requested funding over the next five years. The CIP budget team reviews the scoring of all CIP requests. Referrals are made to the Administration & Finance (A & F) Committee of the City Council to review all CIP budget requests approved for inclusion in the City's CIP. A & F meetings review of the new CIP requests is concluded. Operating Budget meetings are held with the City's operating budget team and all City departments. All funding streams are reviewed and all requests are discussed at length with the budget team that includes the Mayor and City Administrator. The Mayor meets with the budget team to finalize the preliminary budget for the next fiscal year.

April

A & F meetings review of the new CIP requests is concluded. The Mayor and budget team meet with all department heads and staff to discuss the Mayor's proposed preliminary budget. All budget appeals are heard by the Mayor, City Administrator and Finance Director. The preliminary budget is referred to the Council Budget Committee of the Whole for discussion. Public hearings are scheduled.

May

The budget is presented and the council begins its budget meetings with all City departments and outside agencies who are requesting City support. The public hearings are held open until the budget is adopted in June. Finance Office prepares information for Council to send to Departments. Finance Office updates final adopted budget for final personnel changes and adjustments approved by Council. Final Budget Document preparation is started. The Council also continues to meet with City offices on their budget requests. No decisions are made until the budget deliberations begin, which starts in the first half of May.

June

Final Public Meeting held on budget. The City Council continues to take comment on the budget at the public hearings, which are held open until adoption.

The tax levies are estimated and proposed based on reasonable assumptions concerning the economy.

City Council approves Resolutions setting the appropriations.

July

Waiting to receive final tax values from the State Department of Revenue.

August

Final budget document is published on the web-site either in August or September. Tax levies are set based on the receipt of taxable value certification from the State Department of Revenue

On-going review and monitoring of current year budget.

September

On-going review and monitoring of current year budget

Preparations being made for the coming year.

October

On-going review and monitoring of current year budget

Preparations being made for the coming

November

On-going review and monitoring of current year budget

Preparations being made for the coming

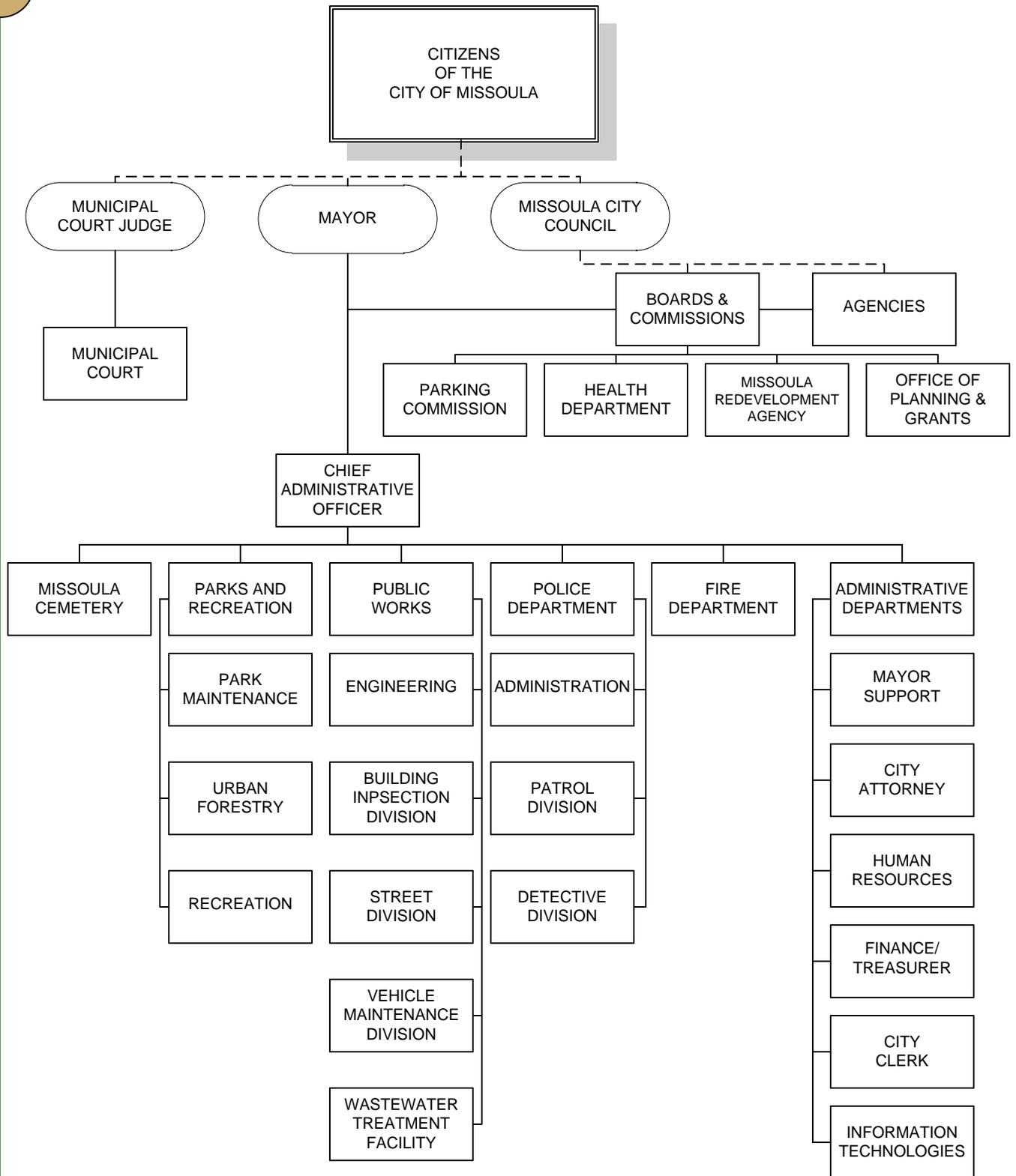
December

On-going review and monitoring of current year budget

Preparations being made for the coming



City of Missoula



DENOTES ELECTED OFFICIALS

CITY OF MISSOULA BUDGET INCREASES FOR FY 2012

REQUESTED AND FUNDED OPERATING BUDGET INCREASES								
Department	Ranking	Amount	High-Funded	Medium-Not Funded	Low-Not Funded	One-Time Costs	Ongoing Costs	Non-Budgeted Revenues Funded
City Clerk:								
Election Expense - Primary Election	1	\$ 57,390	\$ 57,390			\$ 57,390		\$ 57,390
Election Expense - General Election	1	55,490	55,490			55,490		55,490
Neighborhood Intern	2	1,000	1,000				1,000	1,000
Sub-total		113,880	113,880	-	-	112,880	1,000	113,880
Fire:								
Reimburse Overtime	1	476,666	476,666			476,666		476,666
Sub-total		476,666	476,666	-	-	476,666	-	476,666
Information Technologies:								
Misc Software Enhancements	1	13,675	13,675				13,675	13,675
PC/Server Project	1	70,000	70,000			70,000		70,000
Sub-total		83,675	83,675	-	-	70,000	13,675	83,675
Police:								
Overtime-Outside Hire	1	64,410	64,410			64,410		64,410
Sub-total		64,410	64,410	-	-	64,410	-	64,410
Public Works/Engineering:								
Utility Coordinator	1	56,927	56,927			3,000	53,927	56,927
Safe Routes to School	1	92,500	92,500			92,500		92,500
Bike Ambassador Program/CMAQ	2	32,250	32,250			32,250		32,250
Sub-total		181,677	181,677	-	-	127,750	53,927	181,677
Parks and Recreation								
Vehicle Path GPS Tracking System - GF	1	19,108	19,108			4,456	14,652	19,108
Vehicle Path GPS Tracking System - ARRA	1	15,000	15,000			15,000		15,000
Sub-total		34,108	34,108	-	-	19,456	14,652	34,108
Office of Planning and Grants								
Salary Increase	1	18,836	18,836				18,836	18,836
Sub-total		18,836	18,836	-	-	-	18,836	18,836
Health Department								
Animal Control Transfer Salary Inc 2%	1	9,196	9,196				9,196	9,196
Health Dept Transfer Salary Inc 2%	2	49,855	49,855				49,855	49,855
Immunization Clinic	3	37,966			37,966		37,966	37,966
Sub-total		97,017	59,051	-	37,966	-	97,017	97,017
Non-Departmental:								
Public Art Committee - New Program Request		15,000	-		15,000		15,000	15,000
Protective Inspection		(25,000)	(25,000)				(25,000)	(25,000)
Economic Development		100,000	100,000				100,000	100,000
Health Insurance Reserve Premiums		616,180	616,180				616,180	616,180
Salary Reserve - 3% Non-Union		244,386	244,386				244,386	244,386
Salary Reserve - 3% Police Contract not settled		216,589	216,589				216,589	216,589
Sub-total		1,167,155	1,152,155	-	15,000	-	1,167,155	1,167,155
General Fund Total		2,237,424	2,184,458	-	52,966	871,162	1,366,262	2,237,424
Building:								
New Inspection Vehicle Purchase	1	90,000	90,000			90,000		90,000
Sub-total		90,000	90,000	-	-	90,000	-	90,000
MRA:								
Computer Replacement		2,379	2,379			2,379		2,379
Sub-total		2,379	2,379	-	-	2,379	-	2,379
Grand Total - All Funds		\$ 2,329,803	\$ 2,276,837	\$ -	\$ 52,966	\$ 963,541	\$ 1,366,262	\$ 2,329,803

FY 12 SOURCES & USES OF FUNDS & MILL LEVY CALCULATION

FUND NUMBER	FUND	PROPOSED USES OF FUNDS				PROPOSED SOURCES OF FUNDS				PROPOSED MILL LEVIES			PERCENTAGE CHANGE FY10 TO FY11
		BUDGETED EXPENDITURES	INTER-FUND TRANSFERS OUT	PROJECTED END-OF-YEAR FUND BALANCE	TOTAL FUNDS REQUIRED	ESTIMATED BEGINNING FUND BALANCE	OTHER NON-TAX REVENUES	INTER-FUND TRANSFERS IN	SUBTOTAL	FY12 MILL LEVY (MILL VALUE = 107,578,992)	FY11 MILL LEVY (MILL VALUE = 106,229,033)	FY10 TO FY11	
1000	GENERAL FUND	42,416,031	1,173,055	1,850,048	45,439,134	2,275,000	18,946,357	4,823,892	19,393,885	19,393,885	179.77	178.65	0.63%
	GENERAL FUND 1000-SUB-TOTALS	42,416,031	1,173,055	1,850,048	45,439,134	2,275,000	18,946,357	4,823,892	19,393,885	19,393,885	179.77	178.65	0.63%
1211	PARK ACQUISITION AND DEVELOPMENT FUND	350,000	-	-	350,000	-	-	-	-	-	-	-	-
1212	PARK ENTERPRISE FUND	182,000	-	-	182,000	-	-	-	-	-	-	-	-
1216	PARKS & RECREATION FORESTRY LANDS MEMORIALS	1,155,225	-	-	1,155,225	-	-	-	-	-	-	-	-
1241	CREMAIN WALL & CEMETERY DONATIONS FUND	2,500	-	43,200	45,700	-	920,225	-	-	-	-	-	-
1242	CEMETERY CARE FUND	10,000	-	3,250,000	3,260,000	-	-	-	-	-	-	-	-
1243	CEMETERY MEMORIAL	2,000	-	1,900	3,900	-	-	-	-	-	-	-	-
1245	TITLE PROJECTS FUND	92,760	43,400	-	136,160	-	-	-	-	-	-	-	-
1396	PROGRAM INCOME REVOLVING LOAN PROGRAM FUND	50,000	-	-	50,000	-	7,000	-	-	-	-	-	-
	OTHER GENERAL FUND ACCOUNTS-SUB-TOTALS	1,844,485	43,400	370,100	2,257,985	1,330,760	927,225	-	-	-	-	-	0.00%
	GRAND TOTAL ALL GENERAL FUND ACCOUNTS	44,260,516	1,216,455	2,220,148	47,697,119	3,605,760	19,873,582	4,823,892	19,393,885	19,393,885	179.77	178.65	0.63%
	SPECIAL REVENUE FUNDS												
2321	IMPACT FEE FUND	1,900,000	-	-	1,900,000	1,000,000	900,000	-	-	-	-	-	-
2365	PUBLIC ART FUND	60,000	-	-	60,000	20,000	40,000	-	-	-	-	-	-
2371	EMPLOYEE HEALTH INSURANCE LEVY FUND	-	1,358,338	-	1,358,338	(88,000)	-	-	1,446,338	1,446,338	13.41	11.19	19.84%
2372	EMPLOYEE HEALTH INSURANCE LEVY FUND (OUTSIDE CAP)	-	2,544,027	-	2,544,027	(79,192)	-	-	2,623,219	2,623,219	24.32	18.41	32.10%
2389	CABLE TELEVISION FRANCHISE FUND	417,000	186,846	-	603,846	-	603,846	-	-	-	-	-	-
2390	DRUG FORFEITURE FUND	28,800	-	-	28,800	13,000	15,800	-	-	-	-	-	-
2394	BUILDING INSPECTION FUND	993,430	-	771,320	1,764,750	615,000	1,149,750	-	-	-	-	-	-
2395	CITY GRANTS & PROGRAM INCOME FUND	2,315	-	-	2,315	-	-	-	-	-	-	-	-
2399	DANGEROUS BUILDING DEMOLITION REPAIR FUND	15,000	-	-	15,000	-	15,000	-	-	-	-	-	-
2400	STREET LIGHTING ASSESSMENT FUND	323,627	-	171,000	494,627	171,000	323,627	-	-	-	-	-	-
2500	STREET MAINTENANCE ASSESSMENT FUND	21,288	27,281	-	48,569	-	48,569	-	-	-	-	-	-
2512	ROAD DISTRICT 1	300,000	-	-	300,000	-	300,000	-	-	-	-	-	-
2513	PARKS DISTRICT 1	200,000	-	-	200,000	-	200,000	-	-	-	-	-	-
2820	STATE GAS TAX FUND	605,197	564,000	-	1,169,197	-	1,169,197	-	-	-	-	-	-
2918	LAW ENFORCEMENT BLOCK GRANT FUND	334,264	-	-	334,264	-	334,264	-	-	-	-	-	-
2919	HDTA	668,490	-	-	668,490	668,490	-	-	-	-	-	-	-
2939	CDRG PROGRAM INCOME FUND	700	-	-	700	700	-	-	-	-	-	-	-
2940	CDRG FUND	742,000	-	-	742,000	-	742,000	-	-	-	-	-	-
2941	HOME FUND	643,350	-	-	643,350	-	643,350	-	-	-	-	-	-
2942	ADDI FUND	12,846	-	-	12,846	-	-	-	-	-	-	-	-
2944	NEIGHBORHOOD STABILIZATION	2,227,529	-	-	2,227,529	2,227,529	-	-	-	-	-	-	-
2987	FEDERAL/STATE TRANSPORTATION FUND	1,567,520	-	-	1,567,520	-	1,567,520	-	-	-	-	-	-
2988	GRANTS & DONATIONS FUND	4,384,697	-	-	4,384,697	1,171,138	4,163,103	4,456	4,069,557	4,069,557	37.73	29.60	27.47%
	SPECIAL REVENUE FUND SUBTOTALS	15,348,053	4,680,492	942,320	20,970,865	4,680,826	12,216,026	4,456	4,069,557	4,069,557	37.73	29.60	27.47%

FY 12 SOURCES & USES OF FUNDS & MILL LEVY CALCULATION

FUND NUMBER	FUND	PROPOSED USES OF FUNDS				PROPOSED SOURCES OF FUNDS				PROPOSED MILL LEVIES			PERCENTAGE CHANGE FY10 TO FY11	
		BUDGETED EXPENDITURES	INTER-FUND TRANSFERS OUT	END-OF-YEAR FUND BALANCE	TOTAL FUNDS REQUIRED	ESTIMATED BEGINNING FUND BALANCE	OTHER NON-TAX REVENUES	INTER-FUND TRANSFERS IN	SUBTOTAL	PROPERTY TAX REQUIREMENTS	FY12 MILL LEVY (MILL VALUE = 107,878,992)	FY11 MILL LEVY (MILL VALUE = 106,229,033)		
DEBT SERVICE FUNDS														
3065	1998 PUBLIC SAFETY G.O. BONDS	-	-	-	-	-	-	-	-	-	-	-	-	-
3070	1996 OPENSACE G.O. BONDS	-	-	-	-	-	-	-	-	-	-	-	-	-
3075	1997 OPEN SPACE G.O. BONDS	-	-	-	-	-	-	-	-	-	-	-	-	-
3080	1994 FIRE EQUIP/CITY HALL REFUND BONDS/REFUNDED	-	-	-	-	-	-	-	-	-	-	-	-	-
3085	1993 FIRE STATION G.O. BOND/REFUNDED	-	-	-	-	-	-	-	-	-	-	-	-	-
3090	2004 AQUATICS	605,320	-	-	605,320	39,000	-	-	566,320	566,320	5.25	5.21	-8.06%	
3095	2004B GO FUNDING	258,750	-	-	258,750	32,000	-	-	226,750	226,750	2.10	2.47	-14.98%	
3096	FIRE STATION G.O. BOND	431,663	-	-	431,663	38,050	-	-	393,613	393,613	3.65	4.04	-9.65%	
3097	2007 REFUNDING	545,115	-	-	545,115	33,550	-	-	511,565	511,565	4.74	5.09	-6.88%	
	GENERAL OBLIGATION DEBT SUBTOTAL	1,840,848	-	-	1,840,848	142,600	-	-	1,698,248	1,698,248	15.74	17.31	-9.07%	
3000	SID REVOLVING FUND	-	101,999	716,246	818,245	750,000	68,245	-	-	-	-	-	-	-
3300	FY00 SIDEWALK & CURB DEBT SERVICE	37,225	-	-	37,225	-	37,225	-	-	-	-	-	-	-
3400	FY01 SIDEWALK & CURB DEBT SERVICE	16,635	-	-	16,635	-	16,635	-	-	-	-	-	-	-
3410	FY02 SIDEWALK & CURB DEBT SERVICE	11,590	-	-	11,590	-	11,590	-	-	-	-	-	-	-
3420	FY03 SIDEWALK & CURB DEBT SERVICE	28,875	-	-	28,875	-	28,875	-	-	-	-	-	-	-
3430	FY04 SIDEWALK & CURB DEBT SERVICE	85,490	-	-	85,490	-	85,490	-	-	-	-	-	-	-
3440	FY05 SIDEWALK & CURB DEBT SERVICE	88,165	-	-	88,165	-	88,165	-	-	-	-	-	-	-
3450	FY06 SIDEWALK & CURB DEBT SERVICE	150,119	-	-	150,119	-	150,119	-	-	-	-	-	-	-
3460	FY07 SIDEWALK & CURB DEBT SERVICE	107,080	-	-	107,080	-	107,080	-	-	-	-	-	-	-
3461	FY08 SIDEWALK & CURB DEBT SERVICE	67,413	-	-	67,413	-	67,413	-	-	-	-	-	-	-
3462	FY09 SIDEWALK & CURB DEBT SERVICE	76,623	-	-	76,623	-	76,623	-	-	-	-	-	-	-
3463	FY10 SIDEWALK & CURB DEBT SERVICE	120,053	-	-	120,053	-	120,053	-	-	-	-	-	-	-
3498	SID 498 DEBT SERVICE	100,940	-	-	100,940	-	100,940	-	-	-	-	-	-	-
3501	SID 501 DEBT SERVICE	28,840	-	-	28,840	-	28,840	-	-	-	-	-	-	-
3503	SID 503 DEBT SERVICE	11,860	-	-	11,860	-	11,860	-	-	-	-	-	-	-
3511	SID 511 DEBT SERVICE	14,520	-	-	14,520	-	14,520	-	-	-	-	-	-	-
3512	SID 512 DEBT SERVICE	146,604	-	-	146,604	-	146,604	-	-	-	-	-	-	-
3513	SID 513 DEBT SERVICE	3,293	-	-	3,293	-	3,293	-	-	-	-	-	-	-
3514	SID 514 DEBT SERVICE	17,101	-	-	17,101	-	17,101	-	-	-	-	-	-	-
3515	SID 515 DEBT SERVICE	788	-	-	788	-	788	-	-	-	-	-	-	-
3517	SID 517 DEBT SERVICE	5,761	-	-	5,761	-	5,761	-	-	-	-	-	-	-
3518	SID 518 DEBT SERVICE	2,442	-	-	2,442	-	2,442	-	-	-	-	-	-	-
3519	SID 519 DEBT SERVICE	6,876	-	-	6,876	-	6,876	-	-	-	-	-	-	-
3520	SID 520 DEBT SERVICE	159,120	-	-	159,120	-	159,120	-	-	-	-	-	-	-
3521	SID 521 DEBT SERVICE	667	-	-	667	-	667	-	-	-	-	-	-	-
3522	SID 522 DEBT SERVICE	1,264	-	-	1,264	-	1,264	-	-	-	-	-	-	-
3524	SID 524 DEBT SERVICE	307,880	-	-	307,880	-	307,880	-	-	-	-	-	-	-
3525	SID 525 DEBT SERVICE	31,340	-	-	31,340	-	31,340	-	-	-	-	-	-	-
3526	SID 526 DEBT SERVICE	192,860	-	-	192,860	-	192,860	-	-	-	-	-	-	-
3530	SID 530 DEBT SERVICE	47,513	-	-	47,513	-	47,513	-	-	-	-	-	-	-
3533	SID 533 DEBT SERVICE	16,994	-	-	16,994	-	16,994	-	-	-	-	-	-	-
3534	SID 534 DEBT SERVICE	17,669	-	-	17,669	-	17,669	-	-	-	-	-	-	-
3536	SID 536 DEBT SERVICE	31,219	-	-	31,219	-	31,219	-	-	-	-	-	-	-
3540	SID 540 DEBT SERVICE	119,745	-	-	119,745	-	119,745	-	-	-	-	-	-	-
3541	SID 541 DEBT SERVICE	62,802	-	-	62,802	-	62,802	-	-	-	-	-	-	-
3544	SID 544 DEBT SERVICE	142,103	-	-	142,103	-	142,103	-	-	-	-	-	-	-
SPECIAL IMPROVEMENT DEBT SUBTOTAL		2,559,469	101,999	716,246	3,077,714	750,000	2,327,714	-	1,698,248	1,698,248	15.74	17.31	-9.07%	
DEBT SERVICE FUNDS SUBTOTALS		4,100,317	101,999	716,246	4,918,562	892,600	2,327,714	-	1,698,248	1,698,248	15.74	17.31	-9.07%	

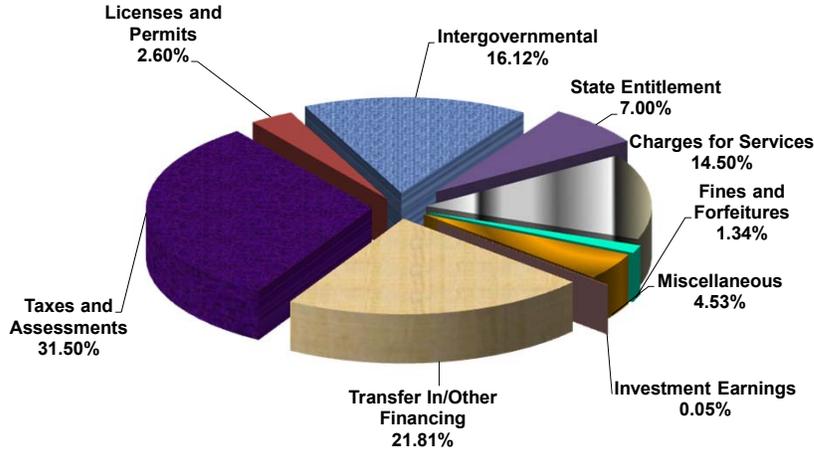
FY 12 SOURCES & USES OF FUNDS & MILL LEVY CALCULATION

FUND NUMBER	FUND	PROPOSED USES OF FUNDS			PROPOSED SOURCES OF FUNDS				PROPOSED MILL LEVIES		PERCENTAGE CHANGE FY10 TO FY11	
		BUDGETED EXPENDITURES	INTER-FUND TRANSFERS OUT	PROJECTED END-OF-YEAR FUND BALANCE	TOTAL FUNDS REQUIRED	ESTIMATED BEGINNING FUND BALANCE	OTHER REVENUES	NON-TAX INTER-FUND TRANSFERS IN	PROPERTY TAX REQUIREMENTS	FY12 MILL LEVY (MILL VALUE = 107,578,992)		FY11 MILL LEVY (MILL VALUE = 106,229,033)
4060	CAPITAL IMPROVEMENT PROGRAM (CIP) FUND	1,030,169	-	-	1,030,169	-	-	956,558	-	-	-	-
4130	1997 GO BOND OPEN SPACE PURCHASE FUND	382,102	-	-	382,102	382,102	-	-	-	-	-	-
4190	2004 AQUATICS BOND ISSUE	-	-	-	-	-	-	-	-	-	-	-
4191	2004 AQUATICS NON GO BOND PROJECT FUND	-	-	-	-	-	-	-	-	-	-	-
4196	2006 FIRE STATION GO BOND	86,500	-	-	86,500	86,500	-	-	-	-	-	-
	CAPITAL PROJECTS FUNDS SUBTOTALS	1,498,771	-	-	1,498,771	468,602	73,611	956,558	-	-	-	-
	PROPRIETARY FUNDS											
	ENTERPRISE FUNDS											
5310	SEWER OPERATING BUDGET FUND	4,155,091	-	-	4,155,091	-	-	4,155,091	-	-	-	-
5311	SEWER REVENUE COLLECTION & CLEARING FUND	-	6,503,714	-	6,503,714	-	6,503,714	-	-	-	-	-
5315	SEWER LOAN FUND	20,000	-	-	20,000	20,000	-	-	-	-	-	-
5320	SEWER REPLACEMENT & DEPRECIATION FUND	480,000	-	-	480,000	480,000	-	480,000	-	-	-	-
5325	SEWER DEVELOPMENT FEE FUND	748,094	-	351,906	1,100,000	500,000	600,000	-	-	-	-	-
5340	SEWER CONSTRUCTION FUND	8,000,000	-	-	8,000,000	8,000,000	-	-	-	-	-	-
5361	01 SEWER REVENUE BONDS DEBT SERVICE	33,220	-	-	33,220	-	-	33,220	-	-	-	-
5362	00 SEWER REVENUE BONDS -SERIES B DEBT SERVICE	52,400	-	-	52,400	-	-	52,400	-	-	-	-
5365	99 SEWER REVENUE BONDS DEBT SERVICE	132,120	-	-	132,120	-	-	132,120	-	-	-	-
5368	00 SEWER REVENUE BOND RESERVE	-	-	53,000	53,000	-	-	-	-	-	-	-
5369	01 SEWER REVENUE BONDS SERIES BOND RESERVE	-	-	39,820	39,820	-	-	-	-	-	-	-
5370	99 SEWER REVENUE BOND RESERVE	-	-	133,940	133,940	-	-	-	-	-	-	-
5371	02 SEWER REVENUE BONDS DEBT SERVICE	94,100	-	-	94,100	-	-	94,100	-	-	-	-
5372	02 SEWER REVENUE BONDS RESERVE	-	-	102,780	102,780	-	-	-	-	-	-	-
5373	02 SEWER REVENUE BONDS DEBT SERVICE-AWTP upgrade	365,760	-	-	365,760	366,080	-	365,760	-	-	-	-
5374	02 SEWER REVENUE BONDS RESERVE-AWTP upgrade	-	-	366,080	366,080	-	-	-	-	-	-	-
5375	03 SEWER REVENUE BONDS DEBT SERV.-3.8M SRF Loan	272,131	-	-	272,131	-	-	272,131	-	-	-	-
5376	03 SEWER REVENUE BONDS RESERVE-3.8M SRF Loan	-	-	272,363	272,363	-	-	-	-	-	-	-
5377	04 SEWER REVENUE BONDS DEBT SERV.-3.023M SRF Loan	264,731	-	-	264,731	-	-	264,731	-	-	-	-
5378	04 SEWER REVENUE BONDS RESERVE-3.023M SRF Loan	-	-	265,206	265,206	-	-	-	-	-	-	-
5379	05 BIRCHBRODY/LINGIL SRF BOND DEBT SERV.	120,038	-	-	120,038	-	-	120,038	-	-	-	-
5380	05 BIRCHBRODY/LINGIL SRF BOND RESERVE	-	-	143,956	143,956	-	-	-	-	-	-	-
5381	05 LINCOLNWOOD PHASE II SRF BOND DEBT SERV.	20,850	-	-	20,850	-	-	20,850	-	-	-	-
5382	05 LINCOLNWOOD PHASE II SRF BOND RESERVE	-	-	30,656	30,656	-	-	-	-	-	-	-
5383	10 LOLO ST SRF BOND DEBT SERVICE-NON ARRA	4,287	-	-	4,287	-	-	4,287	-	-	-	-
5384	10 LOLO ST SRF BOND DEBT SERVICE-NON ARRA RESERVE	-	-	5,650	5,650	-	-	-	-	-	-	-
5385	10 MSIA RATTLESNAKE SRF ARRA-B	45,866	-	-	45,866	-	-	45,866	-	-	-	-
5386	10 MSIA RATTLESNAKE SRF ARRA-B RESERVE	-	-	66,438	66,438	-	-	-	-	-	-	-
5387	10 MSIA HEADWORKS RESERVE	-	-	707,788	707,788	-	-	707,788	-	-	-	-
5388	10 MSIA HEADWORKS DEBT SERVICE	622,946	-	-	622,946	-	-	357,826	-	-	-	-
5711	SEWER ENTERPRISE FUND SUBTOTALS	15,431,634	6,503,714	2,529,583	24,474,931	10,070,677	7,361,540	6,405,714	-	-	-	-
	AQUATICS	1,199,459	-	171,976	1,371,435	175,000	1,041,435	155,000	-	-	-	-
	TOTAL ENTERPRISE FUND SUBTOTALS	16,631,093	6,503,714	2,711,559	25,846,366	10,882,677	8,402,975	6,560,714	-	-	-	-
	INTERNAL SERVICE FUNDS											
6050	EMPLOYEE BENEFIT PLAN FUND	5,303,290	-	(135,000)	5,168,290	(235,000)	5,246,349	157,041	-	-	-	-
	PROPRIETARY FUNDS SUBTOTALS	21,934,483	6,503,714	2,576,559	31,014,756	10,647,677	13,649,324	6,717,755	-	-	-	-
	TOTALS FOR CITY BUDGETED FUNDS	87,142,140	12,502,660	6,455,273	106,100,073	20,295,465	48,140,257	12,502,661	25,161,690	25,161,690	233,24	225,56
												3.40%

FY 12 SOURCES & USES OF FUNDS & MILL LEVY CALCULATION

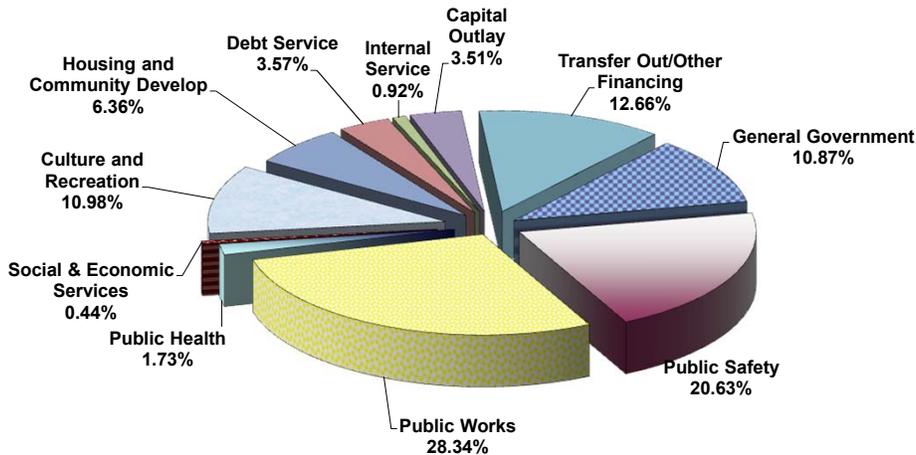
FUND NUMBER	FUND	PROPOSED USES OF FUNDS				PROPOSED SOURCES OF FUNDS				PROPOSED MILL LEVIES		
		BUDGETED EXPENDITURES	INTER-FUND TRANSFERS OUT	END-OF-YEAR FUND BALANCE	TOTAL FUNDS REQUIRED	ESTIMATED BEGINNING FUND BALANCE	OTHER NON-TAX REVENUES	INTER-FUND TRANSFERS IN	PROPERTY TAX REQUIREMENTS	FY12 MILL LEVY (MILL VALUE =	FY11 MILL LEVY (MILL VALUE =	PERCENTAGE CHANGE FY10 TO FY11
COMPONENT UNITS - CITY OF MISSOULA												
7370	PARKING COMMISSION	1,172,344	423,871	4,400,000	5,996,215	4,400,000	1,596,215	-	-	-	-	-
7371	PARKING INTEREST FUND SERIES 2010B BONDS	672,053	-	-	672,053	-	302,199	369,854	-	-	-	-
7372	PARKING SINKING FUND SERIES 2010B BONDS	85,000	-	-	85,000	-	85,000	-	-	-	-	-
7373	PARKING REVENUE BONDS SERIES 2010 BONDS CONSTRUCT.	4,838,868	-	-	4,838,868	4,838,868	-	-	-	-	-	-
7374	PARKING RESERVE FUND SERIES 2010 BONDS	815,000	-	815,000	815,000	-	-	-	-	-	-	-
7375	PARKING PLEDGED TIP SERIES 2010 BONDS	145,387	181,742	75,504	402,633	134,211	268,422	-	-	-	-	-
7376	PARKING INTEREST FUND SERIES 2010A BONDS-TAX EXEMPT	15,759	-	-	15,759	-	-	15,759	-	-	-	-
7377	PARKING SINKING FUND SERIES 2010A BONDS-TAX EXEMPT	135,000	-	-	135,000	-	-	135,000	-	-	-	-
	PARKING SUBTOTAL	7,064,411	605,613	5,290,504	12,960,528	10,188,079	2,166,836	605,613	-	-	-	-
7380	BUSINESS IMPROVEMENT DISTRICT	344,382	-	118,689	463,071	-	463,071	-	-	-	-	-
7383	MISSOULA REDEVELOPMENT - RIVERFRONT TRIANGLE URD	23,783	-	-	23,783	-	23,783	-	-	-	-	-
7385	MISSOULA REDEVELOPMENT - FRONT ST URD	120,809	-	-	120,809	120,809	-	-	-	-	-	-
7386	MISSOULA REDEVELOPMENT - URD II - SAFEWAY	160,466	-	80,153	240,619	80,313	-	160,306	-	-	-	-
7387	MISSOULA REDEVELOPMENT URD II- REVOLVING LN FD	39,688	-	-	39,688	228	-	39,460	-	-	-	-
7391	MISSOULA REDEVELOPMENT AGENCY- URD I	-	-	4,941	4,941	-	-	-	-	-	-	-
7392	MISSOULA REDEVELOPMENT AGENCY- URD II	4,246,870	250,000	-	4,496,870	2,560,082	1,219,111	917,677	-	-	-	-
7393	MISSOULA REDEVELOPMENT AGENCY- URD III	4,945,244	-	-	4,945,244	2,794,449	1,900,795	250,000	-	-	-	-
7388	MRA TAX INCREMENT BOND RESERVE	-	-	250,400	250,400	-	-	-	-	-	-	-
7389	MRA TAX INCREMENT DEBT SERVICE	249,700	-	1,319	251,019	1,919	-	249,100	-	-	-	-
7390	MRA TAX INCREMENT DEBT SERVICE CLEARING	-	1,866,543	-	1,866,543	(43,597)	1,410,140	-	-	-	-	-
7400	MRA TAX INCREMENT FRONT STREET URD BOND CLEARING	-	441,584	-	441,584	-	441,584	-	-	-	-	-
7401	MRA TAX INCREMENT FRONT ST. BOND - PARKING STRUCTUF	268,422	-	-	268,422	-	-	268,422	-	-	-	-
7402	MRA TAX INCREMENT FRONT ST. BOND - SUB. LIEN NOTE	50,000	-	123,162	173,162	-	-	173,162	-	-	-	-
	MRA SUBTOTAL	10,104,982	2,658,127	459,975	12,623,084	5,569,544	4,995,413	2,658,127	-	-	-	-
COMPONENT UNIT TOTALS		17,513,775	2,663,740	5,809,168	26,046,683	15,757,623	7,625,320	2,663,740	-	-	-	-
TOTALS FOR ALL BUDGETED FUNDS		104,655,914	15,166,400	12,324,441	132,146,755	3,603,088	55,765,577	15,166,400	25,161,690	233,24	225.56	3.40%

ALL CITY - WHERE THE MONEY COMES FROM - FY 2012



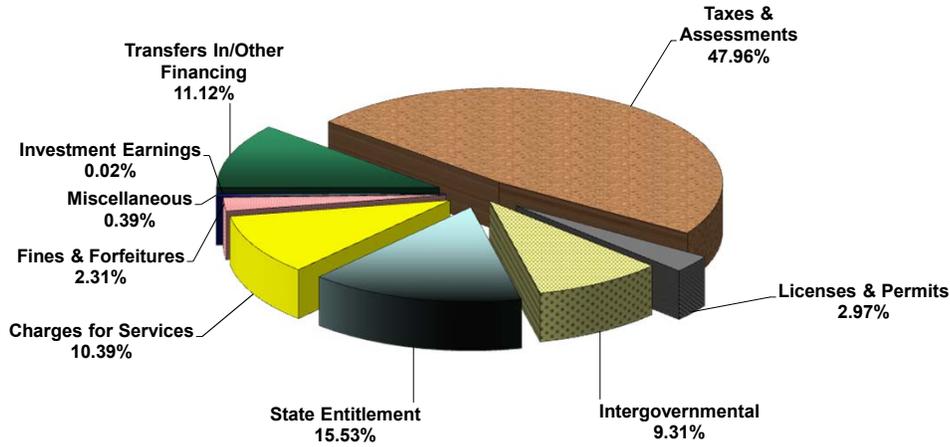
	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	Budget Increase (Decr)
Taxes and Assessments	\$ 29,095,605	\$ 28,959,836	\$ 30,327,306	\$ 1,367,470
Licenses and Permits	3,050,653	3,085,430	3,041,736	(43,693)
Intergovernmental	14,529,985	11,113,612	15,523,325	4,409,713
State Entitlement	6,386,954	7,023,622	6,740,000	(283,622)
Charges for Services	17,111,598	18,234,437	13,962,053	(4,272,384)
Fines and Forfeitures	1,288,565	1,268,444	1,287,800	19,356
Miscellaneous	3,701,827	4,448,348	4,365,336	(83,012)
Investment Earnings	131,311	76,248	45,000	(31,248)
Transfer In/Other Financing	18,541,695	41,757,112	20,996,372	(20,760,740)
Total City Revenues	\$ 93,838,192	\$ 115,967,088	\$ 96,288,929	\$ (19,678,159)

ALL CITY - WHERE THE MONEY GOES - FY 2012



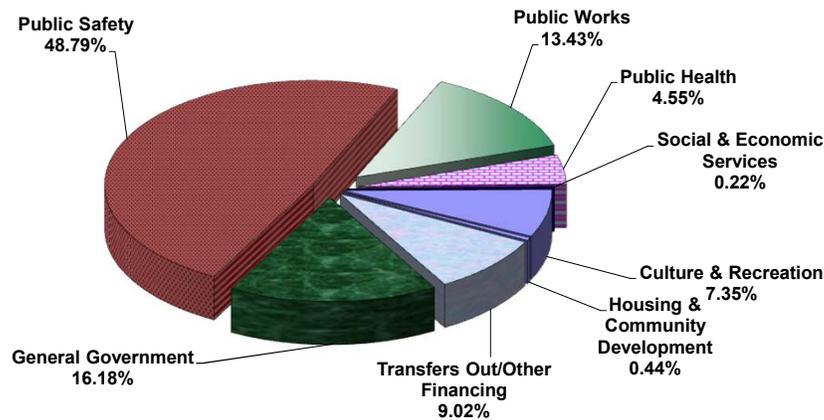
	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	Budget Increase (Decr)
General Government	\$ 7,252,975	\$ 7,230,397	\$ 13,027,103	\$ 5,796,706
Public Safety	22,292,508	23,004,017	24,718,435	1,714,418
Public Works	17,603,957	26,738,550	33,954,779	7,216,229
Public Health	1,443,208	1,381,808	2,069,072	687,264
Social & Economic Services	118,450	116,000	525,885	409,885
Culture and Recreation	4,752,793	4,678,132	13,155,727	8,477,595
Housing and Community Develop	4,328,791	2,570,086	7,626,108	5,056,022
Debt Service	4,705,543	4,852,899	4,276,602	(576,297)
Internal Service	5,055,565	5,520,638	1,096,845	(4,423,793)
Capital Outlay	8,518,735	11,934,861	4,205,358	(7,729,503)
Transfer Out/Other Financing	8,348,574	15,215,435	15,166,400	(49,035)
Total City Expenditures	\$ 84,421,099	\$ 103,242,824	\$ 119,822,314	\$ 24,302,097

FY 2012 GENERAL FUND REVENUES BY CATEGORY



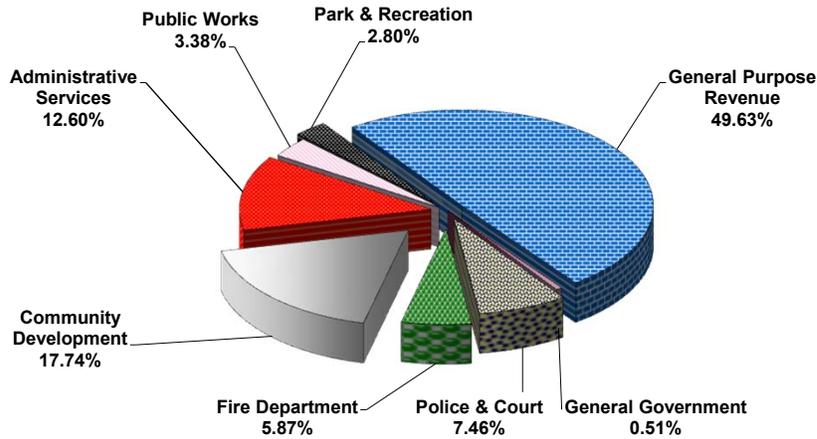
	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	Budget Increase (Decr)
Taxes & Assessments	\$ 19,982,299	\$ 19,909,742	\$ 20,811,884	\$ 902,142
Licenses & Permits	1,329,668	1,212,898	1,288,140	75,242
Intergovernmental	4,114,508	4,047,377	4,037,956	(9,421)
State Entitlement	6,386,954	6,740,000	6,740,000	0
Charges for Services	3,723,970	4,268,640	4,510,689	242,049
Fines & Forfeitures	958,390	978,351	1,002,000	23,649
Miscellaneous	211,123	208,242	170,004	(38,238)
Investment Earnings	(3,389)	5,277	10,000	4,723
Transfers In/Other Financing	4,028,862	3,884,214	4,823,892	939,678
Total Sources	\$ 40,732,385	\$ 41,254,741	\$ 43,394,565	\$ 2,139,824

FY 2012 GENERAL FUND EXPENDITURES BY CATEGORY



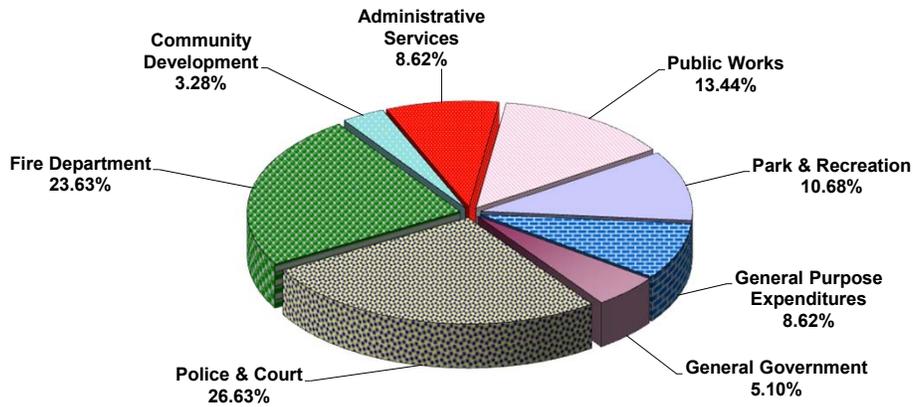
	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	Budget Increase (Decr)
General Government	\$ 6,282,051	\$ 6,190,137	\$ 7,360,086	\$ 1,169,948
Public Safety	20,449,471	20,633,369	22,190,343	1,556,974
Public Works	6,175,660	6,732,977	6,109,037	(623,940)
Public Health	1,368,398	1,372,380	2,069,072	696,692
Social & Economic Services	118,450	116,000	100,000	(16,000)
Culture & Recreation	3,186,112	3,310,194	3,343,867	33,673
Housing & Community Development	-	52,000	201,714	149,714
Transfers Out/Other Financing	1,963,646	2,746,689	4,102,852	1,356,163
Total Uses	\$ 39,543,788	\$ 41,153,746	\$ 45,476,971	\$ 4,323,225

FY 2012 GENERAL FUND REVENUES BY SUB-FUND



	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	Budget Increase (Decr)
General Purpose Revenue	\$ 20,951,289	\$ 21,219,971	\$ 21,956,592	\$ 736,621
General Government	193,003	195,478	225,916	30,438
Police & Court	3,067,409	3,106,746	3,301,009	194,263
Fire Department	1,892,989	1,917,265	2,598,324	681,059
Community Development	7,063,212	7,153,791	7,849,876	696,085
Administrative Services	5,270,404	5,337,992	5,575,915	237,923
Public Works	1,919,630	1,944,247	1,495,882	(448,365)
Park & Recreation	374,450	379,252	1,237,796	858,544
Total	\$ 40,732,385	\$ 41,254,741	\$ 44,241,310	\$ 2,986,569

FY 2012 GENERAL FUND EXPENDITURES BY SUB-FUND



	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	Budget Increase (Decr)
General Purpose Expenditures	\$ 3,103,050	\$ 3,229,385	\$ 3,921,428	\$ 692,043
General Government	2,036,161	2,119,060	2,321,201	202,141
Police & Court	11,497,253	11,965,344	12,109,788	144,444
Fire Department	9,734,592	10,130,920	10,744,176	613,256
Community Development	643,181	669,367	1,491,139	821,772
Administrative Services	2,200,156	2,289,732	3,920,343	1,630,611
Public Works	7,078,090	7,366,263	6,114,037	(1,252,226)
Park & Recreation	3,251,304	3,383,676	4,854,860	1,471,184
Total	\$ 39,543,788	\$ 41,153,746	\$ 45,476,971	\$ 4,323,225

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.
 - 1) **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.
 - 2) **Current Revenues for Current Uses.** The city will make all current expenditures with current revenues.
 - 3) **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.
 - 4) **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.
 - 5) **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.
 - 6) **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 non-recurring 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 service 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 organization-wide 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 long-lived 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 on-going 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 non-recurring 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 Borrow 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 over-extending 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 short-term 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 self-balancing 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 a 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 with 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.

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.

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

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.

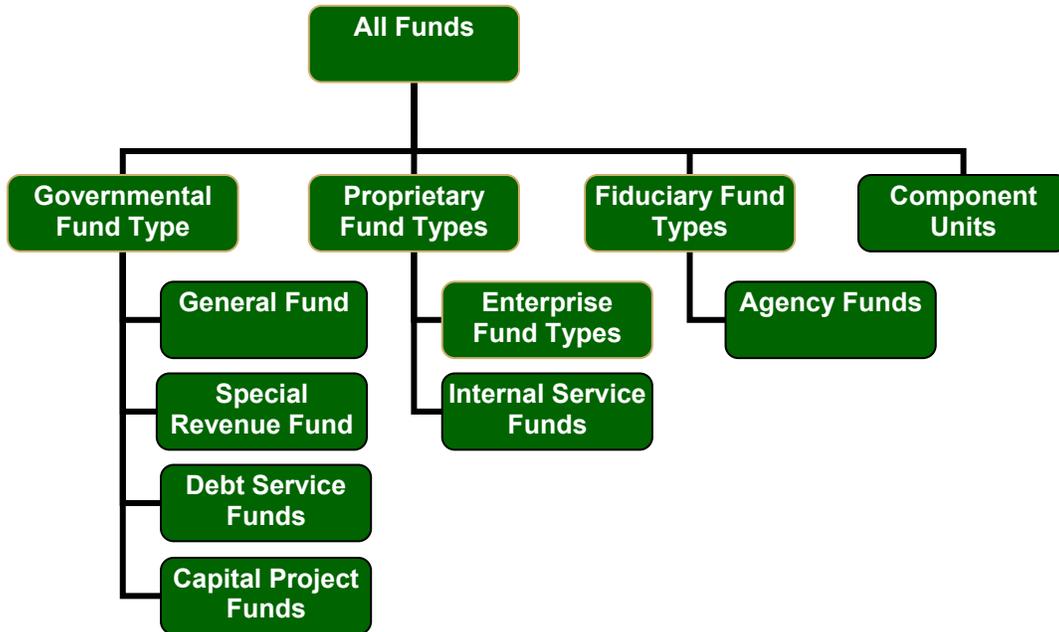
FIDUCIARY FUND TYPES

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. Examples include: Business Improvement District.

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. Attorney
 - ix. Public Works – Administration
 - x. Public Works- Streets
 - xi. Public Works – Vehicle Maintenance
 - xii. Police
 - xiii. Fire
 - xiv. Cemetery
 - xv. Parks and Recreation
 - b. General Fund - Special Purpose Funds
 - i. Park Acquisition and Development
 - ii. Park Enterprise
 - iii. Parks and Recreation Trails and Development
 - iv. Cemetery Cremain Wall and Cemetery Donations
 - v. Cemetery Care
 - vi. Cemetery Memorial
 - vii. Title I Projects
 - viii. Program Income Revolving Loan Program
 - c. Special Revenue Funds

- i. Impact Fee
 - ii. Public Art
 - iii. Employee Health Insurance Levy
 - iv. Employee Health Insurance Levy (outside cap)
 - v. Cable Television Franchise
 - vi. Drug Forfeiture
 - vii. Building Inspection
 - viii. City Grants and Program Income
 - ix. Dangerous Building Demolition Repair
 - x. Street Lighting Assessment
 - xi. Street Maintenance Assessment
 - xii. Road District I
 - xiii. Parks District I
 - xiv. State Gas Tax
 - xv. Law Enforcement Block Grant
 - xvi. HIDTA
 - xvii. CDBG
 - xviii. HOME
 - xix. ADDI
 - xx. Neighborhood Stabilization
 - xxi. Federal/State Transportation
 - xxii. Grants and Donation
 - d. Debt Service
 - i. General Obligation
 - 1. 2004 Aquatics
 - 2. 2004b GO Refunding
 - 3. Fire Station
 - 4. 2007 Refunding
 - ii. Special Improvement
 - 1. Sidewalk and Curb Bonded Debt Service
 - 2. SID Bonded Debt Service
 - e. Capital Projects
 - i. Capital Improvement Program (CIP)
 - ii. 1997 GO Open Space Purchase
 - iii. 2006 GO Fire Station
- 2. Proprietary Funds
 - a. Enterprise Funds
 - i. Sewer
 - ii. 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. Missoula Redevelopment Agency (MRA)

ORGANIZATIONAL UNITS

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 five 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.

This page intentionally left blank.