

# OVERVIEW OF BUDGETED RESOURCES

## OVERVIEW OF BUDGETED RESOURCES

### SUMMARY OF MAJOR REVENUES, EXPENDITURES AND OTHER FINANCING SOURCES/USES Budgeted July 1, 2011 through June 30, 2012 (FY 12)

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
Fund Balance/Net assets- July 1, 2011	\$ 3,670,187	\$ 4,107,907	\$ 4,095,636	\$(3,237,576)	\$ 85,596,782	\$ (332,592)	\$ -	\$ 10,761,845	\$ 104,662,190
<b>Estimated Revenues</b>									
Taxes & Assessments	20,731,404	4,102,365	1,710,748	-	-	-	-	3,782,789	30,327,306
Licenses & Permits	1,288,140	1,753,596	-	-	-	-	-	-	3,041,736
Intergovernmental	11,294,181	9,295,826	-	-	257,826	-	-	1,415,492	22,263,325
Charges for Services	4,510,689	-	-	-	8,145,149	-	-	1,306,215	13,962,053
Fines & Forfeitures	1,002,000	15,800	-	-	-	-	-	270,000	1,287,800
Miscellaneous	581,004	1,063,766	2,327,714	18,612	-	-	-	374,240	4,365,336
Investment Earnings	10,000	-	-	-	-	-	-	35,000	45,000
Long Term Debt proceeds	-	-	-	-	-	-	-	-	-
Transfers In/Other Financing	4,823,892	91,494	-	1,011,558	6,560,714	5,403,390	-	3,105,324	20,996,372
<b>Total Estimated Revenues</b>	<b>44,241,311</b>	<b>16,322,847</b>	<b>4,038,462</b>	<b>1,030,170</b>	<b>14,963,689</b>	<b>5,403,390</b>	<b>-</b>	<b>10,289,060</b>	<b>96,288,929</b>
<b>Budgeted Expenditures</b>									
General Government	7,360,086	363,627	-	-	-	5,303,390	-	-	13,027,103
Public Safety	22,190,343	2,528,092	-	-	-	-	-	-	24,718,435
Public Works	6,109,037	3,487,435	-	-	16,631,093	-	-	7,727,215	33,954,779
Public Health	2,069,072	-	-	-	-	-	-	-	2,069,072
Social and Economic Services	100,000	425,885	-	-	-	-	-	-	525,885
Culture and Recreation	3,343,867	275,000	-	-	-	-	-	9,536,860	13,155,727
Housing & Community Devel.	201,714	7,174,694	-	-	-	-	-	249,700	7,626,108
Debt Service	176,285	-	4,100,317	-	-	-	-	-	4,276,602
Internal Service	1,096,845	-	-	-	-	-	-	-	1,096,845
Capital Outlay	1,613,267	1,093,320	-	1,498,771	-	-	-	-	4,205,358
Transfers Out/Other Financing	1,216,455	4,680,492	101,999	-	6,503,714	-	-	2,663,740	15,166,400
<b>Total Budgeted Expenditures</b>	<b>45,476,971</b>	<b>20,028,545</b>	<b>4,202,316</b>	<b>1,498,771</b>	<b>23,134,807</b>	<b>5,303,390</b>	<b>-</b>	<b>20,177,515</b>	<b>119,822,314</b>
<b>Projected Change in</b>									
Fund Balance/Net assets	(1,235,660)	(3,705,698)	(163,854)	(468,601)	(8,171,118)	100,000	-	(9,888,455)	(23,533,386)
Anticipated Exp. Savings	-	-	-	-	-	-	-	-	-
<b>Projected Ending</b>									
Fund Balance/Net assets- June 30, 2012	\$ 2,434,527	\$ 402,209	\$ 3,931,782	\$(3,706,177)	\$ 77,425,665	\$ (232,592)	\$ -	\$ 873,390	\$ 81,128,804

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Component Units	Total All Funds
	General + General Special	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust & Agency		
<b>Revenues</b>									
Taxes & Assessments	19,909,742	3,922,825	4,424,020	-	-	-	-	4,090,644	32,347,232
Licenses & Permits	1,212,898	1,879,538	-	-	-	-	9,533	-	3,101,969
Intergovernmental	10,798,635	4,942,365	-	1,790,470	176,855	-	-	587,135	18,295,460
Charges for Services	4,028,686	1,124,053	-	27,587	7,570,885	4,143,974	1,779	1,113,268	18,010,231
Fines & Forfeitures	978,351	30,594	-	-	-	-	5,881	254,793	1,269,620
Miscellaneous	221,456	30,152	-	954,353	5,107	-	-	121,900	1,332,968
Investment Earnings	5,266	10,569	14,036	2,537	-	-	1	81,400	113,810
<b>Total Revenues</b>	<b>37,155,034</b>	<b>11,940,096</b>	<b>4,438,056</b>	<b>2,774,947</b>	<b>7,752,847</b>	<b>4,143,974</b>	<b>17,194</b>	<b>6,249,140</b>	<b>74,471,289</b>
<b>Expenditures</b>									
General Government	6,010,334	396,358	507	86,667	-	-	-	-	6,493,866
Public Safety	20,633,093	1,797,994	-	-	-	-	542	-	22,431,629
Public Works	6,727,901	970,506	-	264,429	6,411,059	-	39,392	8,679,510	23,092,797
Public Health	1,372,380	-	-	-	-	-	9,428	-	1,381,808
Social and economic services	116,000	-	-	-	-	-	-	-	116,000
Culture and recreation	3,107,799	178,516	-	2,805	1,613,486	-	-	-	4,902,606
Housing & Community Development	52,000	2,212,947	-	-	-	-	-	316,008	2,580,955
Miscellaneous	1,183,362	450	-	5,989	-	-	-	-	1,189,801
Debt Service	99,961	-	4,224,680	755,063	-	-	-	176,317	5,256,021
Capital Outlay	608,374	1,359,532	-	5,809,418	-	-	-	(354,691)	7,422,633
Business-type	-	-	-	-	-	5,523,058	-	-	5,523,058
<b>Total Expenditures</b>	<b>39,911,204</b>	<b>6,916,303</b>	<b>4,225,187</b>	<b>6,924,371</b>	<b>8,024,545</b>	<b>5,523,058</b>	<b>49,361</b>	<b>8,817,145</b>	<b>80,391,174</b>
<b>Other Financing Sources (Uses)</b>									
Transfers In	4,012,814	19,052	3,931	933,299	142,949	65,124	-	5,506,977	10,684,146
Transfers Out	(1,125,841)	(3,579,836)	(91,462)	-	(380,000)	-	-	(3,577,508)	(8,754,647)
Payments - Refunded Bond Escrow	-	-	-	-	-	-	-	-	-
Proceeds from Refunding Bond	-	-	-	-	-	-	-	293,560	293,560
Proceeds from LT Debt	-	-	100,743	4,067,593	-	-	-	-	4,168,336
Sale of Fixed Assets	-	-	-	-	-	-	-	-	-
Property Taxes	-	-	-	-	-	-	-	-	-
Contributions from Property owners	-	-	-	-	1,437,382	-	-	-	1,437,382
Contributions- government activities	-	-	-	-	-	-	-	3,051,509	3,051,509
Intergovernmental Revenues	-	-	-	-	-	-	-	-	-
Investment & Royalty Earnings	-	-	-	-	21,457	(321)	-	-	21,136
Debt Service Interest	-	-	-	-	(886,428)	-	-	-	(886,428)
<b>Total Other Financing Sources (Uses)</b>	<b>2,886,973</b>	<b>(3,560,784)</b>	<b>13,212</b>	<b>5,000,892</b>	<b>335,360</b>	<b>64,803</b>	<b>-</b>	<b>5,274,539</b>	<b>10,014,995</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>130,803</b>	<b>1,463,009</b>	<b>226,081</b>	<b>851,468</b>	<b>63,662</b>	<b>(1,314,281)</b>	<b>(32,167)</b>	<b>2,706,534</b>	<b>4,095,110</b>
Fund Balance/Net assets - July 1, 2010	2,088,984	4,124,600	3,869,555	(4,089,044)	85,102,915	981,690	317,412	8,055,310	100,451,422
Change in Accounting Principle	-	-	-	-	-	-	-	-	-
Restatement	-	(29,302)	-	-	430,205	-	-	-	400,903
Residual Equity Transfer	1,450,400	(1,450,400)	-	-	-	-	-	-	-
<b>Fund Balance/Net assets - June 30, 2011</b>	<b>3,670,187</b>	<b>4,107,907</b>	<b>4,095,636</b>	<b>(3,237,576)</b>	<b>85,596,782</b>	<b>(332,592)</b>	<b>285,245</b>	<b>10,761,845</b>	<b>104,947,435</b>

\* Unaudited numbers

# OVERVIEW OF BUDGETED RESOURCES

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### 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		
<b>Revenues</b>									
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
<b>Total Revenues</b>	<b>36,703,523</b>	<b>13,002,776</b>	<b>4,312,646</b>	<b>4,139,568</b>	<b>7,618,143</b>	<b>3,697,344</b>	<b>149,158</b>	<b>5,673,339</b>	<b>75,296,497</b>
<b>Expenditures</b>									
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
<b>Total Expenditures</b>	<b>38,848,846</b>	<b>8,361,541</b>	<b>4,145,856</b>	<b>7,772,568</b>	<b>7,973,038</b>	<b>5,055,565</b>	<b>140,390</b>	<b>4,823,658</b>	<b>77,121,462</b>
<b>Other Financing Sources (Uses)</b>									
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)
<b>Total Other Financing Sources (Uses)</b>	<b>3,333,920</b>	<b>(4,330,724)</b>	<b>48,426</b>	<b>4,271,991</b>	<b>7,856,681</b>	<b>61,764</b>	<b>-</b>	<b>-</b>	<b>11,242,058</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>1,188,597</b>	<b>310,511</b>	<b>215,216</b>	<b>638,991</b>	<b>7,501,786</b>	<b>(1,296,458)</b>	<b>8,768</b>	<b>849,681</b>	<b>9,417,093</b>
<b>Fund Balance/Net assets - July 1, 2009</b>	<b>900,387</b>	<b>3,814,089</b>	<b>3,654,339</b>	<b>(4,728,035)</b>	<b>77,601,129</b>	<b>2,278,147</b>	<b>308,644</b>	<b>7,205,629</b>	<b>91,034,329</b>
Change in Accounting Principle	-	-	-	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	-
Residual Equity Transfer	-	-	-	-	-	-	-	-	-
<b>Fund Balance/Net assets - June 30, 2010</b>	<b>2,088,984</b>	<b>4,124,600</b>	<b>3,869,555</b>	<b>(4,089,044)</b>	<b>85,102,915</b>	<b>981,690</b>	<b>317,412</b>	<b>8,055,310</b>	<b>100,451,422</b>

## Assumptions, Estimates, & Trends

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### Overview

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

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

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

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

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

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

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

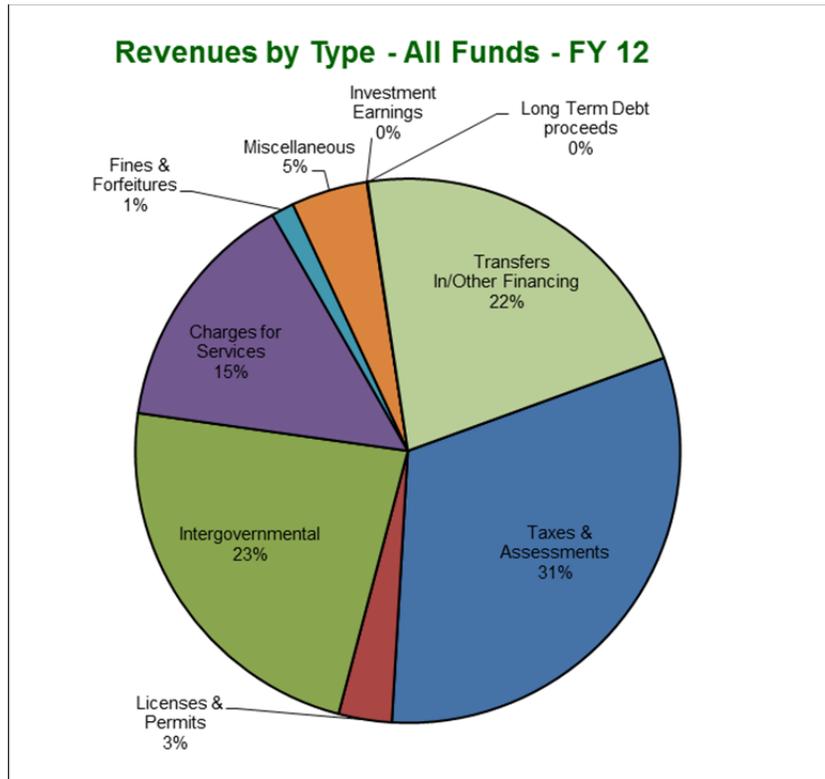
**Miscellaneous Revenue:** Revenue from sources not otherwise provided in other categories. Rent is an example of a miscellaneous revenue.

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

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

# MAJOR REVENUE SOURCES

## Assumptions, Estimates, & Trends

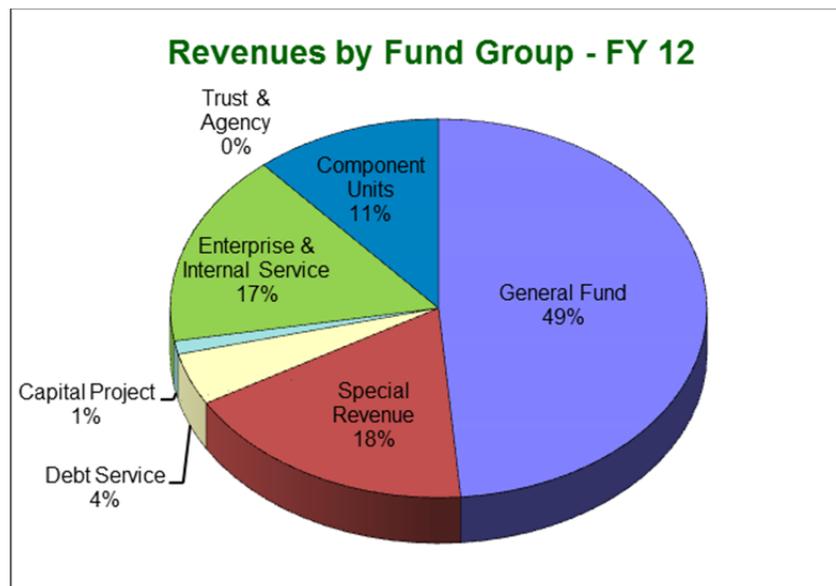


**Interfund Transfers:**  
Transfers between individual funds of a governmental unit that are not repayable and are not considered charges for goods or services. An example is matching funds transferred from the General Fund and other special revenue funds to the Capital Improvement Fund for the funding of capital projects.

The two pie charts (on the left and below) give a graphic overview of total city revenues—one by the sources previously 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 12 (53%). Intergovernmental revenues make up the next largest category (23%). Finally, Charges for Services (15%) makes up the fourth largest category. These four revenue categories make up 91% of all city revenues.

Revenues by fund group also help give the reader a look at the “Big Picture” of city revenues. As shown by the graph on the right, the general fund (49%), Enterprise & Internal Service funds (17%), Special Revenue Funds (18%), and Component Units (11%), make up 95% of the city’s revenues.



### Assumptions, Estimates, & Trends

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#### 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, June of 2009, 2010 and 2011. Overall,

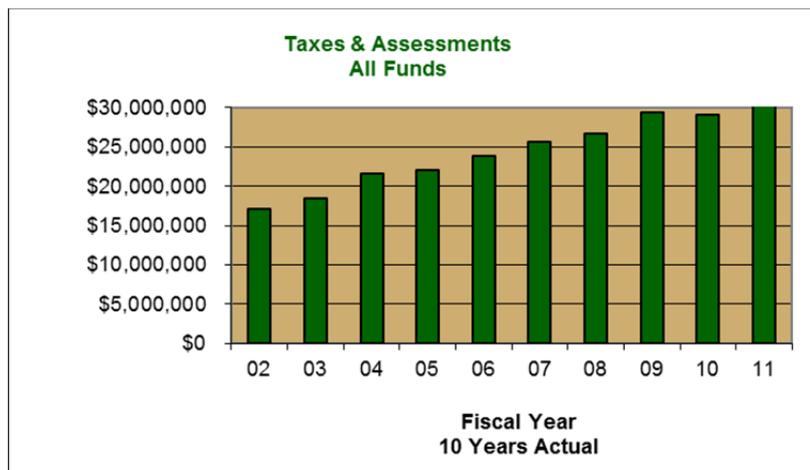
## MAJOR REVENUE SOURCES

### Assumptions, Estimates, & Trends

the City's practice is to budget revenues conservatively and to use as much information as possible to enhance the accuracy of revenue estimates. By identifying and utilizing as many revenue-related variables as possible in forecasting, we hope to minimize the risks of overstating or understating revenues that could arise from using only a few variables. 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 the current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively reexamined based on actual results for 2010-11 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.

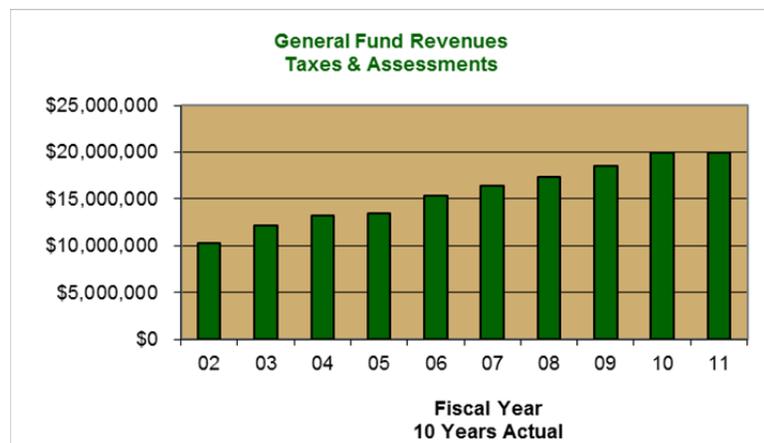
#### Key Revenue Estimates & Trends



Shown by the graph to the left are Taxes and Assessments for all City funds, over a 10-year period (10 years actual from FY 2002- FY 2011). 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

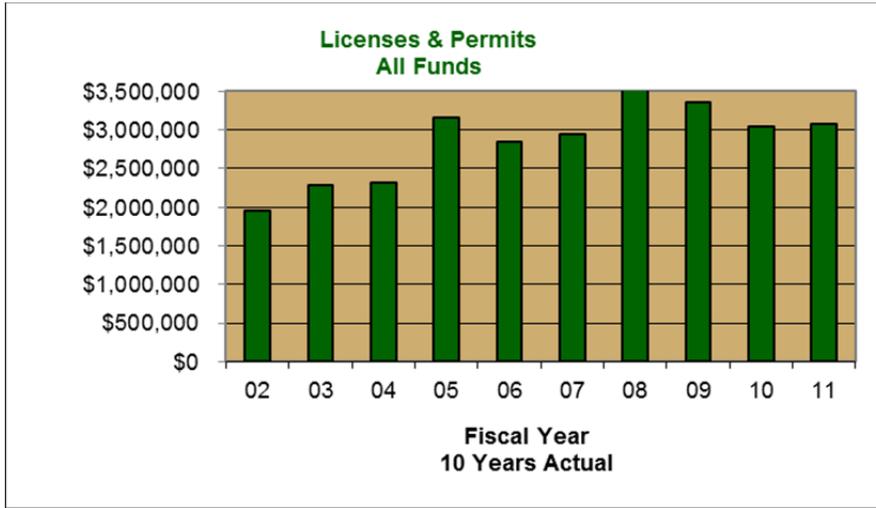
upon a combination of taxable values and mill levies. A small increase was budgeted for the budget year FY 2012.

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

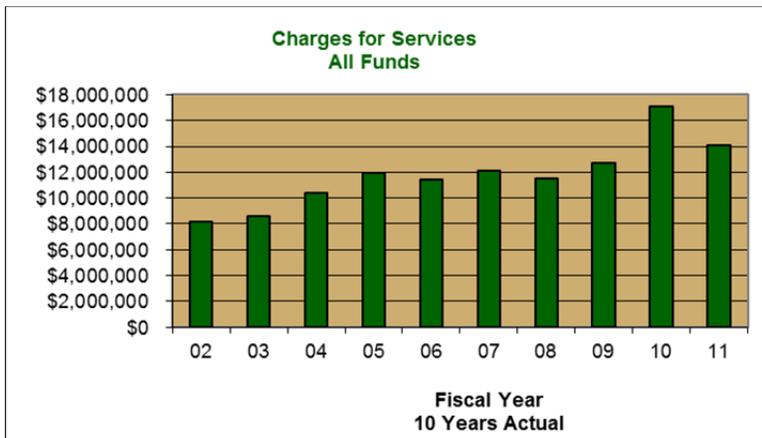
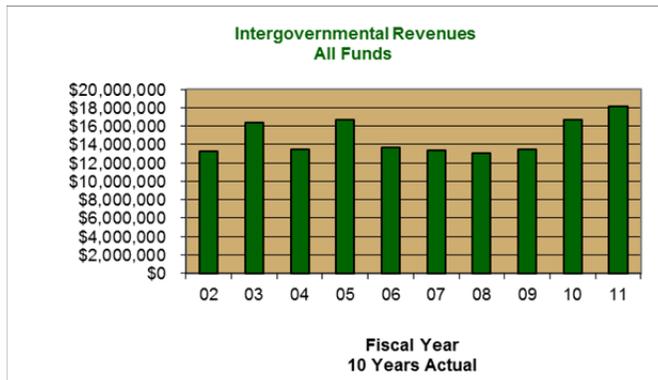
## Assumptions, Estimates, & Trends



Licenses & Permits for all City funds are shown on the left. A decline occurred between FY 01 (not shown) and FY 02 due to the state Legislature's elimination of several revenue sources (categorized as Licenses & Permits) which the Legislature

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.

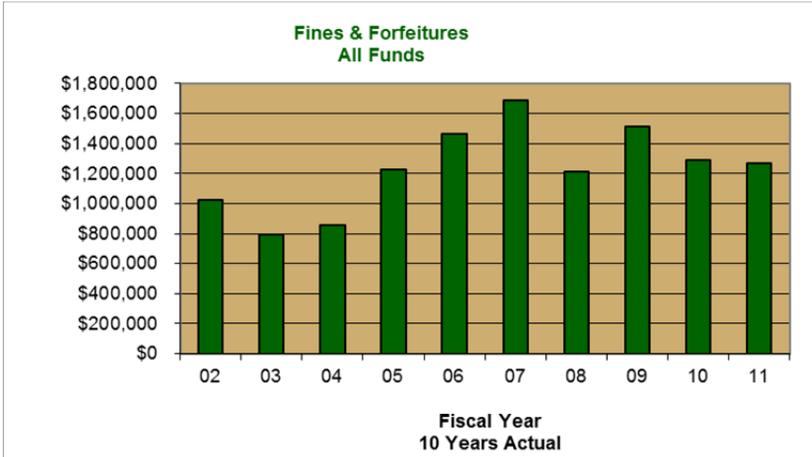
The increases in intergovernmental revenues (especially from 01 through 03) reflect the State Legislature's distribution of entitlement revenues to city governments. Since the peak in FY 03, these revenues have remained relatively stable although the level of grant receipts does fluctuate from year to 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 15% 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

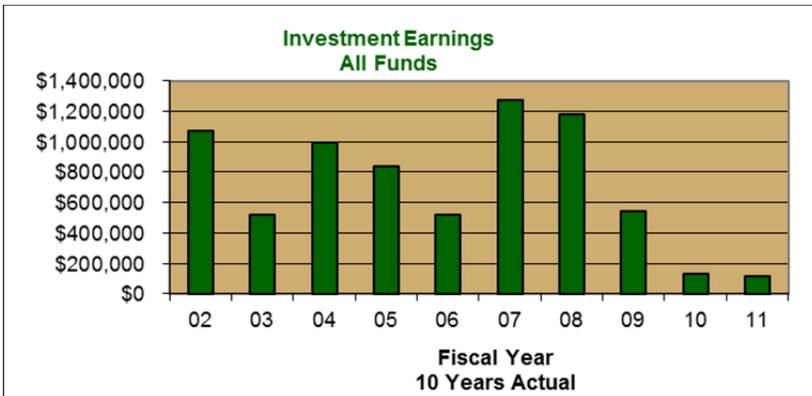
anticipated to be maintained at the FY 11 level or greater for the foreseeable future.

**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 \$1,021,055 to \$1,268,444 over this ten year period. The decrease that occurred from FY 2001 (not shown) – 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 and FY 11 which correspond to the decline in interest rates nationally in

those years. Interest earnings in FY 12 are expected to be similar to FY 2011, 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.

