

FY 2016 Budget: New Requests & Tax Scenarios

			BASELINE	FUNDED			CONTINGENT	One-time Funding
% Increase in Total Taxes:			1.99%	5.32%	10.27%	16.33%	Growth	
Scenario #:			0	1	2	3	4	
<i>Scenario dollars are cumulative in escalating scenarios</i>				\$ 966,356	\$ 1,437,277	\$ 1,757,211	\$ 177,116	
GENERAL FUND NEW REQUESTS								
All GF Depts	Baseline cuts	(285,000)	1	(285,000)	-	-	-	
COUNCIL	Jail Diversion	60,000	3	-	-	60,000	-	
	Park Volunteer Program	7,971	3	-	-	7,971	-	
	5th/6th Streets Study	20,000	3	-	-	20,000	-	
	\$15 minimum wage	70,145	3	-	-	70,145	-	
MAY	Printing and Design	2,500	2	-	2,500	-	-	
	Travel & Training	6,000	2	-	6,000	-	-	
CLERK	Elections	90,000	1	90,000	-	-	-	
	Codification	1,000	1	1,000	-	-	-	
	Vehicle Maintenance	747	3	-	-	747	-	
	Neighborhood Project Grant Program	6,000	3	-	-	6,000	-	
	2 New Neighborhood Councils	1,000	1	1,000	-	-	-	
MUNI CT	Assistant Judge	60,753	1	60,753	-	-	-	
FIN	Fee Study	65,000	2	-	65,000	-	-	
ATTY	Victim Witness Coordinator	62,334	2	-	62,334	-	-	
POL	Community Support Specialist	177,116	4	-	-	-	177,116	
	Video Storage (lease finance)	10,135	1	10,135	-	-	-	
FIR	MDC/RMS (lease finance)	4,419	1	4,419	-	-	-	
	SCBA (lease finance)	3,633	1	3,633	-	-	-	
	EMS	7,000	1	7,000	-	-	-	
	Hazmat	636	2	-	-	-	-	
	Repair and Maintenance	500	3	-	-	500	-	
NON-DEPT	COLA	785,000	1	785,000	-	-	-	
	BREDD	20,000	2	-	20,000	-	-	
	Missoula Cultural Council	51,000	3	-	-	51,000	-	
	Missoula Economic Partnership	50,000	2	-	50,000	-	-	
	Neighborhood Ambassador	10,000	3	-	-	10,000	-	
	CIP Requests: Financed	35,910	1	35,910	-	-	-	
GCP	Crime Victim Advocate	49,988	3	-	-	49,988	-	
	COLA Adjustment GCP	3,408	1	3,408	-	-	-	
	COLA Adjustment HRP	909	1	909	-	-	-	
Health Dept.	COLA Adjustment	41,429	1	41,429	-	-	-	
Animal Contro	COLA Adjustment	8,025	1	8,025	-	-	-	
Animal Contro	Roof	20,000	1	20,000	-	-	-	
GENERAL FUND NEW		1,447,558		787,621	205,834	276,351	177,116	

Grants
Healthy Kids Fund

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		% Increase in Total Taxes:					One-time Funding	
		BASELINE	FUNDED			CONTINGENT		
		1.99%	5.32%	10.27%	16.33%	Growth		
Scenario #:	0	1	2	3	4			
<i>Scenario dollars are cumulative in escalating scenarios</i>			\$ 966,356	\$ 1,437,277	\$ 1,757,211	\$ 177,116		
ROAD DISTRICT 1 NEW REQUESTS								
	Administrative Assistant IV	27,424	1	27,424	-	-	-	93,260
	Street Painting Activities	26,900	2	-	26,900	-	-	
	Street Crack Sealing Activites	63,448	2	-	63,448	-	-	
	Storm Water Program	93,260		-	-	-	-	
	IBEW Union Certification	4,176	1	4,176	-	-	-	
	PWD Travel and Training	1,800	1	1,800	-	-	-	
	PWD Office Improvements	1,953	1	1,953	-	-	-	
	Asphalt for Overlays	100,000	2	-	100,000	-	-	
	CIP Requests: Equipment/Facilities	6,905	1	6,905	-	-	-	
	Road District 1 NEW	325,866		42,258	190,348	-	-	
PARK DISTRICT 1 NEW REQUESTS								
	Upgrade Class Software	15,000	2	-	15,000	-	-	
	Increase Training - certifications	11,342	2	-	11,342	-	-	
	Moon Randolph	8,000	2	-	8,000	-	-	
	Increase Marketing	17,109	1	17,109	-	-	-	
UF	GH no Park Attendant	21,500	1	21,500	-	-	-	
	Park Asset Mgmt. Staffing	11,688	2	-	11,688	-	-	
UF	Forestry Worker (2)	72,203	1	72,203	-	-	-	
UF	Greenway & Horticulture supplies	5,000	1	5,000	-	-	-	
	Research Specialist	25,473	3	-	-	25,473	-	
	Conservation Lands Trailheads & Trails Maint	15,000	3	-	-	15,000	-	
	Pleasant View Park-Playground Maintenance	3,110	3	-	-	3,110	-	
	CIP Requests: Equipment/Facilities	28,708	2	-	28,708	-	-	
	CIP Requests: Aquatics Maintenance	20,666	1	20,666	-	-	-	
	Park District 1 NEW	254,799		136,478	74,738	43,583	-	
		\$ 2,028,223		\$ 966,356	\$ 470,920	\$ 319,934	\$ 177,116	

Proportion of tax increase:	1	2	3
General Fund levies	3.17%	5.74%	9.80%
Road District	0.52%	1.74%	2.39%
Park District	0.54%	1.18%	1.93%
Empl Health Ins Levy (outside cap)	0.00%	0.00%	0.00%
Voted G.O. Bond debt (all)	1.09%	1.61%	2.21%
	5.32%	10.27%	16.33%

**MAYOR'S INTRODUCTION
TO THE
FISCAL YEAR 2016 BUDGET**

Overview

This letter conveys the Fiscal Year 2016 budget for the City of Missoula, a budget that includes modest increases in our general fund budget to pay for programs and personnel a majority of our citizens consider essential and employs special districts to meet outstanding needs that can't be managed through our general fund, which is artificially constrained by the Montana Legislature.

As always, this budget is built on the tenets of our strategic plan to maintain a fiscally sustainable city, to maintain harmony between our natural and built environments and to ensure an excellent quality of life for all Missoulians.

The highlights:

General Fund

The general fund grows slightly in real dollars and actually decreases in millage in FY16 because we've moved eligible health-insurance expenses out of the capped general fund levy and into the permissive health-insurance levy for this budget, which gives us capacity in future years. In 2015 we saw the first reduction in taxable values in more than a decade. This required an increase in mill levies to simply maintain expected levels of service. Additionally we have seen a decrease in Municipal Court fine revenues, which are estimated to reduce overall revenues by more than \$200,000. We continue to increase fees for service at a modest 3%, yet this does not make up for other lost revenues, and we are using extremely conservative projections for our FY 2016 preliminary budget.

Leigh Griffing, our Assistant Finance Director, describes this as our "Last Worst Budget," and I believe her. Good things are happening in Missoula, but our system is slow to respond. Building permits continue to increase, indicating that we'll have more new tax revenue from growth in our tax base. But because of the Montana Department of Revenue's mandated methods, we do not see the benefit of this growth in our community for periods of two years or more, and we have not received a certified tax value for Missoula for FY16. In FY15 our taxable value growth was \$195,197; in FY14, our taxable value growth gave the city \$296,130 more tax revenue; in FY13, our tax revenue grew by \$275,008; and in FY12 our growth in tax revenue was \$388,082. This year we estimated growth at \$331,125; if we get a better number, we'll have better options.

Once again, we're proposing a pay-as-we-go general fund budget that covers the basics with a small tax increase and that includes baseline cuts to General Fund departments of \$285,000. Again, if growth revenue supports new requests, we'll restore baseline cuts and fund them in the priority detailed on the attached list of new requests. The council can adopt a budget that funds these new requests within some sideboards we are providing on the attached spreadsheet.

Here's the breakdown:

	Tax Levies							
	FY16	FY15	Increase (decrease)	% in Dollars	FY16	FY15	Increase (decrease)	% in Mills
General Fund Budget	22,408,196	22,154,994	253,201	1.14%	203.14	203.86	(0.72)	-0.35%
Health Ins Levy	4,356,049	3,307,056	1,048,993	31.72%	39.49	30.43	9.06	29.77%
GO Bond Debt Service Levy	1,565,524	1,231,316	334,208	27.14%	14.19	11.33	2.86	25.26%
	28,329,769	26,693,366	1,636,403		256.83	245.62	11.21	4.56%
Road District	1,442,656	1,272,613	170,042	13.36%	13.08	11.71	1.37	11.69%
Park District	801,852	634,677	167,176	26.34%	7.27	5.84	1.43	24.47%
	2,244,508	1,907,290	337,218	17.68%	20.35	17.55	2.80	15.94%
Total	30,574,277	28,600,656	1,973,621		277.17	263.17	14.00	5.32%

We are proposing a 5.32% increase in our City taxes; this number includes property taxes, increases in the Road and Park Special District assessments and increases to voter approved general obligation debt levies. This recommended increase targets a modest 2% cost of living allowance for our employees, the funding of 2015 municipal elections, funds a new assistant judge position to aid Municipal Court efforts, and includes small expenditures for required public safety equipment and a roof for the Animal Control building. Please note that we have not concluded negotiations with bargaining units and have not arrived at wage agreements for FY16.

Health Insurance Fund

Outside of the General Fund, we are proposing no increases to the levy in the health insurance fund. After three years of buying down a deficit that was a product of unprecedented claims in FY10 and FY11, the health fund balance at the end of FY14 was \$1,031,622.

We are continuing conversations with Allegiance Benefit Plan Management and employees to manage our health-care program. We've implemented a number of changes, including the use of Cost Care, to reduce costs while ensuring quality health care for our employees and their families.

Other revenue

For FY16, as in FY15 and FY14, the City will recommend that planning fees, business licensing, engineering, certain fire inspection services, and building permits and inspections be recovered at the cost it takes to deliver those services with a projected trending of these fees at 3%. We will take the time to review these proposed fee increases in committee with the City Council, and we will recommend that a public hearing on these proposed fee adjustments be held this spring. We think we'll generate \$57,000 in FY15 from these changes in the General Fund and \$46,000 in the Building Inspection Fund.

We are also recommending an increase in assessments for the park and road districts, to fund part time staff and trainings, as well as the launch of the Urban Forestry plan.

Credit ratings and accounting practices

Standard & Poor's and Moody's, our ratings agencies, recently completed an updated review of several of our City credit ratings. All of the City's ratings were reaffirmed and sustained thanks to sound practices, policies and management.

Standard & Poor's also recommended that future budgets plan to increase the General Fund year-end unassigned fund balance to 7% of the General Fund operating budget per the City's adopted financial policy. In FY15 we project a small increase in fund balance and in the FY16 budget we plan to build fund balance in our efforts to meet the 7% target of \$3,448,416.

Other details of note

1. The General Fund proposed revenue will fund an estimated \$50.7 million of expenses.
2. Funding anticipated from HB124 (the entitlement bill) is projected at \$7,773,820.
3. Impact fees are increasing but our conservative projections will use approximately \$900,000 of revenue for FY16, the same amount expected for FY15.
4. The City is permitted to levy what is necessary to fund voter-approved General Obligation (GO) Bond debt service. In FY16, the city will levy \$334,208 more than in FY15. (14.19 mills in FY16 compared to 11.33 in FY15.) We realized savings in FY13 and FY14 from the refinancing of our Aquatics bond, originally issued in 2004 to construct the new aquatics facilities that were located at McCormick Park and Playfair Park as well as four splash decks around the city. This increase, added to the general fund, health fund and special district increases, represents a total levy increase of 5.32% for FY16. For the owner of a property valued at \$225,000, the increased tax burden will be about \$25.09 per year (7 cents per day).
5. We have attempted to be conservative in estimating revenues to this point. This has been especially difficult over the last five years, when revenues were declining in several of the years. The recovery of certain revenue streams for the last couple of years is indicative of an improving local economy.
6. Capital Improvement Program: We are recommending General Fund support of \$1,030,468 for FY16, which compares to \$1,091,986 for FY15. In FY16, the required General Fund fixed payments plus the scheduled General Fund vehicle replacements are all budgeted for in the FY16 General Fund CIP. There are many Non-General Fund CIP projects and vehicle replacements that were not affected by the extremely tight funding in the General Fund in this year.
7. Fuel and energy costs: The General Fund baseline budget appears to be adequate this year.
8. This General Fund budget includes COLA increases of approximately 2% for all staff. In FY14 the General Fund payroll decreased \$143,034 from FY14 due to separating Transportation and Planning into their own special revenue funds.

Water Acquisition

The City has incurred approximately \$3.1 million in professional fees related to the acquisition of the public water system. These costs have been incurred in the water utility enterprise fund and have been paid through internal borrowings from the City treasury. A decision on the water acquisition case is expected from District Court at any time. In the event the City is successful these costs will be capitalized as part of the system acquisition costs. In the event that the City does not prevail these amounts would have to be paid from an unrestricted source such as General Fund fund balance, a limited obligation financing, or a combination of the two. Final disposition of the court case and related costs are expected to occur no earlier than FY 2017.

Summary

This budget includes all General Fund departments and divisions, the Missoula Redevelopment Agency, the Wastewater Treatment Facility, the Building Code Division and the Missoula Parking Commission, as well as all other special revenue and debt service funds.

As always, this necessarily complex budget is the product of much teamwork, and I especially want to thank Dale Bickell, Leigh Griffing, Scott Paasch and the Finance team for their exceptional work in developing the City's first budget in many years without Brentt Ramharter front and center. And while Brentt did lend a hand, I have tremendous confidence in the team he assembled, Leigh Griffing in particular.

Sincerely,

John Engen
Mayor

CITY OF MISSOULA
BUDGET ANALYSIS
FY2016

	FY 2015	baseline FY 2016	
Property Tax Levy	\$ 21,740,249	\$ 21,616,162	
Non-Tax Revenues	21,590,618	22,284,196	
Transfers In	5,291,403	5,362,721	
Judgment Levy	80,421	-	
Total Revenues	48,702,691	49,263,080	
Budgeted Expenditures	(50,692,668)	(50,715,649)	
Committed Expenditure Savings (FY15 3.5%)	1,974,933	1,550,000	3.05%
Net Expenditures	(48,717,735)	(49,165,649)	
Net Income (Loss)	(15,044)	97,431	
Beginning Fund Balance	2,543,264	2,528,220	
Ending Fund Balance	2,528,220	2,625,651	
Fund Balance Target @ 7%	3,409,188	3,448,416	
Target Fund Balance Surplus (Deficit)	\$ (880,968)	\$ (822,764)	
Property Tax Revenue, FY15	\$ 22,074,994	194.02	
Newly Taxable Property	331,125	-	
Inflation Adjustment	231,655	2.10	
Mill Levy Bank		-	
Adjustment		(1.00)	
Property Tax Revenue, <u>FY16 Base</u>	\$ 22,637,774	195.12	

CITY OF MISSOULA
MILL LEVY COMPARISONS
FY2016

	FY 2015	Baseline		Scenario 1		
		FY 2016 Estimate	Change from 2015	% Change from 2016	Est Mills	% Change from 2016
General Fund - All Purpose Levy	194.02	195.96	1.94	1.0%	203.10	4.68%
Empl Health Ins Levy (in cap)	9.10	0.04	-9.06	-99.6%	0.04	-99.56%
Empl Health Ins Levy (outside cap)	30.43	39.49	9.06	29.8%	39.49	29.77%
Judgment Levy	0.74	-	-0.74	-100.0%	-	-100.00%
Voted G.O. Bond debt (all)	11.33	14.19	2.86	25.3%	14.19	25.26%
Road District #1	11.71	12.70	0.99	8.4%	13.08	11.69%
Park District #1	5.84	6.03	0.19	3.3%	7.27	24.47%
TOTAL MILLS & DISTRICT LEVIES	263.17	268.41	5.24	1.99%	277.17	5.32%
Mill Value (FY16 EST)	\$ 108,677	\$ 110,308				
FY15 Mill Cap	206.95					
FY15 Mills levied	203.12					
FY15 Unused Millage	3.83					
EST. FY16 Mill Cap		214.11				
EST. FY16 Mills levied		196.00				
EST FY16 Unused Millage		18.11				
EST. FY16 Unused Millage Dollars		\$ 1,997,871				

TAX INCREASE ON \$225,000 HOUSE		
	Baseline 1.99%	Scenario #1 5.32%
Taxable Value on \$225,000 house	\$ 2,864.00	
Tax Factor (all mills)	0.00524	0.01400
Dollar Increase in taxes	\$ 15.01	\$ 40.10

\$ 753-793

CITY OF MISSOULA
BUDGET ANALYSIS
FY2016

	baseline	
	FY 2015	FY 2016
Property Tax Levy	\$ 21,740,249	\$ 21,616,162
Non-Tax Revenues	21,590,618	22,284,196
Transfers In	5,291,403	5,298,726
Judgment Levy	80,421	-
Total Revenues	48,702,691	49,199,085
Budgeted Expenditures	(50,692,668)	(50,715,649)
Committed Expenditure Savings (FY15 3.5%)	1,974,933	1,550,000
Net Expenditures	(48,717,735)	(49,165,649)
Net Income (Loss)	(15,044)	33,436
Beginning Fund Balance	2,543,264	2,528,220
Ending Fund Balance	2,528,220	2,561,657
Fund Balance Target @ 7%	3,409,188	3,443,936
Target Fund Balance Surplus (Deficit)	\$ (880,968)	\$ (882,279)
Property Tax Revenue, FY15	\$ 22,074,994	194.02
Newly Taxable Property	331,125	-
Inflation Adjustment	231,655	2.10
Mill Levy Bank	-	-
Adjustment	-	(1.00)
Property Tax Revenue, <u>FY16 Base</u>	\$ 22,637,774	195.12

\$ 5,382,721