



June 29, 2022

Members of the Missoula City Council,

This letter conveys my preliminary executive budget for the City of Missoula's Fiscal Year 2023. I can tell you with confidence that we have been extraordinarily careful and intentional in crafting this budget to ensure the best outcomes for the public we serve and for our staff, who deliver the services that our residents need and want.

This has not been an easy budget year. Inflation is a continuing challenge for the City, as it is for our private- and public-sector partners. Labor and the things we purchase to provide services to our residents cost more than they did last year. For example, the City recently bought 500 tons of chip-seal oil, which adds years of use to our streets. Last year we paid \$434 per ton; this year we're paying \$605 a ton, up nearly 40 percent.

In addition, we have held off on City mill-levy increases during these past two pandemic years. Last year, Fiscal Year 2022, we reduced City levies by 0.02 percent; in Fiscal Year 2021, we reduced City levies by 0.23 percent. We are always looking for ways to "tighten our belt," and we have the folks who pay the bills top of mind when we engage in the balancing act of budgeting for a growing community with high expectations. We knew the choices we made to provide relief as we navigated the pandemic economy would result in having to make more difficult choices later, and this is the year we're making some of those choices. The good news is that this budget puts us on solid ground as we work to reconcile the challenge that any growing, viable city or county in Montana faces: How do we responsibly ensure that we're meeting expectations for essential City services and can pay for new, necessary programs that reflect our values and desire to serve a growing population of residents who are unhoused and suffering from behavioral health issues and addictions, all the while not making a place that's just too expensive for the middle-class to thrive?

We have ongoing expenses and a statewide tax system that doesn't provide local government the revenue it needs, so we're left to cut expenses, increase taxes, find new revenue and reform the system. Our tools are limited, but this budget puts two of them to work. First, we're cutting expenses. Total expenses in the General Fund, Road District and Park District are almost \$2 million less than in 2022. You know from your own experience in life or business that you could always put another person to work and increase productivity; purchase a new piece of equipment that doesn't require extra maintenance just to keep running; or open a new line of

service to address a growing community that, frankly, won't get done unless we do it. This year, though, you won't hear me ask you for more staff or new programs – or new equipment, unless it's unsafe or more expensive to keep in service. Each year I get millions of dollars in requests for new funding from department heads, and most years we're able to move forward incrementally. This year we're resetting, holding the line where we can and should with expenses. We will, of course, continue to fund existing programs and invest in people, which includes cost-of-living increases we've negotiated with our union employees, the women and men who serve you with pride and professionalism day in and out.

The second and harder part of this reset, which I intend to roll out over two fiscal years, is ensuring the City's long-term financial sustainability through hard decisions about level of service and tax increases. We've held back as much as I'm comfortable with on the expense side and, because we as a state have rejected the idea of a tourist tax that serves a few small Montana cities very well, I have to rely on property taxes and fees to cover costs. (And because I won't have a sense from the state until the first week of August, I can't provide an exact number today, but a tax increase is likely to be more than we have seen in my tenure as mayor.) I do know that an increase is unwelcome news, but it will be comparable to what other cities around the state are doing, because they're rowing the same kind of boat. As for new revenue, we bring ideas (particularly the tourist tax) to the state every legislative session, and they're dismissed with little consideration. In the meantime, the state continues to push the responsibility we share for healthy, thriving communities down to local government while at the same time inhibiting our ability to raise money outside of property taxes to get the job done.

The focus of this year's budget will be on continuing successful programs rather than expanding or creating new ones. That includes some programs we started during the pandemic as a response to residents in crisis. New funding may need to focus on one-time needs. Our central goal is to preserve the services our residents depend on at the levels they need and expect. We need to make sure that Police and Fire personnel respond when you call 911, that our wastewater is safely treated, our streets are cared for, our parks are safe and inviting and those among us who are struggling can find some help. And so much of what we hear and read about tends to focus on what's done or not being done for select groups. I know for a fact that Missoula was built on the hard work of a strong middle class and that small business and entrepreneurs and arts and culture and recreation will keep Missoula interesting, vital and vibrant, hence my emphasis on taking care of the basics and a bit more, moving forward deliberately and intentionally.

I've presented 17 budgets to the Council during my tenure as mayor. I say to you every year that our budgets reflect our values as a community. This year is no different. Our strategic plan distills those values, and my key strategic priorities for Fiscal Year 2022 and 2023 translate them into action.

Here are some of our priorities categorized by the four areas of Mayor's Key Priorities.

Achieve Organizational Excellence

- This past year, in response to high resident interest, we established our Justice, Equity, Diversity and Inclusion initiative (JEDI), embarked on training for staff and created an internal JEDI/equity team. This year, we'll implement a work plan and operationalize this group of initiatives. This budget retains our JEDI coordinator and provides \$100,000 in funding to implement the work plan.
- This past year, we began implementation of SharePoint collaboration software to help us work more efficiently, upgraded our GIS system and implemented a new job-applicant tracking system, NEOGOV, again for efficiency. We'll continue these projects to completion in the coming year.
- We are committed to keeping our talented staff on board in the interest of avoiding the costs of recruitment and training in this tight labor market. Our recently completed compensation study gives a road map to implement a new non-union pay plan this coming year.

Access to Quality Housing

- We've committed to purchasing land – "land banking" – to partner with the private sector on innovative new development models, largely through Missoula Redevelopment Agency investment. In the coming year, we'll position the Sleepy Inn for redevelopment, provide the tools necessary to develop the Riverfront Triangle and plan for development of the Payne Block (the former public library).
- We've made MRA and general City investments in Villagio, Trinity, Casa Loma and Ravara housing projects, as well as purchased the Bridge Apartments for the security of its residents in the hope of locating a future nonprofit partner. In 2021, we permitted construction of 1,338 homes of various kinds, an increase of 193 percent from 2019.
- We've embarked on a code reform project, a massive overhaul of all the rules governing development in Missoula. This year's budget includes a \$547,000 investment and the project will continue during the next two years.

Invest in Community Safety and Wellness

- This year, we will sustain and continue our Mobile Support Team program through our Fire Department. This fiscal year, this team has responded to 1,677 calls for help. MST has been involved in 398 diversions from the hospital Emergency Departments, an average cost savings of \$2,050 per visit, along with 52 diversions from jail when no crimes have been committed and there is a known mental health issue.
- In the area of child care, we're looking to remove barriers to meet community child care needs. We've allocated approximately \$83,000 in continued funding so Parks & Recreation can continue to operate its Base Camp program.
- We will seek increased and permanent funding for critical services such as the Mobile Support Team, a Homeless Navigation Center, Emergency Winter Shelter and Crisis Intervention Training.

Invest in our Built and Natural Environment

The majority of these projects are funded with money from outside the property tax system.

- We are maintaining our commitments to make improvements to our water system; we're investing \$19 million in the system in the coming year, thanks in large part to American Rescue Plan Act dollars made available to us because of municipal ownership.
- We're continuing investment in infrastructure that will improve the transportation network and provide for housing opportunities in the Mullan Road area through successful implementation of the \$23 million BUILD grant project and the Sxwtpqyen area master plan.
- We're investing \$10.3 million in our wastewater utility, including the largest non-export solar project in the state at our Wastewater Treatment Plant as a step toward accomplishing our climate goals.
- We're continuing our upgrade to the popular Waterworks Hill trailhead project.
- We'll continue to implement our neighborhood traffic management plan, which provides "quick build" projects that can get safety improvements installed quickly at a fraction of the cost of traditional infrastructure.
- Our Scott Street development will continue to move forward. It's the largest affordable home ownership project in state history. This is supported in the 2023 budget with a \$479,000 loan to support architectural design and infrastructure construction by the Missoula Redevelopment Agency.
- We're continuing our Rattlesnake Dam Restoration project. We've removed the dam; next, we'll build the east side trail network, creating yet another area for outdoor recreation for the public.
- Through MRA investment, we'll design a bike/ped crossing at the Bitterroot Branch trestle, a wish I have worked on for many years.
- We'll complete Westside Park and plan for other northside/westside parks.

In closing, what I'm presenting to you today reflects an approach that's at work today in the public and private sectors. As businesses, organizations and institutions, we are committed to the long haul, making the best choices we can in an environment that's mighty hard to understand because, as so many have said before, this is all unprecedented to the point that there's now a shortage of crystal balls. What we lack in skills to make great predictions we more than make up for in experience, dedication and practicality. Your talented professional staff and thoughtful elected leaders remain poised to continue making a great city even better, for everyone. This budget is our guide for another year.

I'm grateful to you all and the engaged residents who expect much from us. We will continue to deliver.

Sincerely,

A handwritten signature in black ink, appearing to read "John Engen". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

John Engen
Mayor