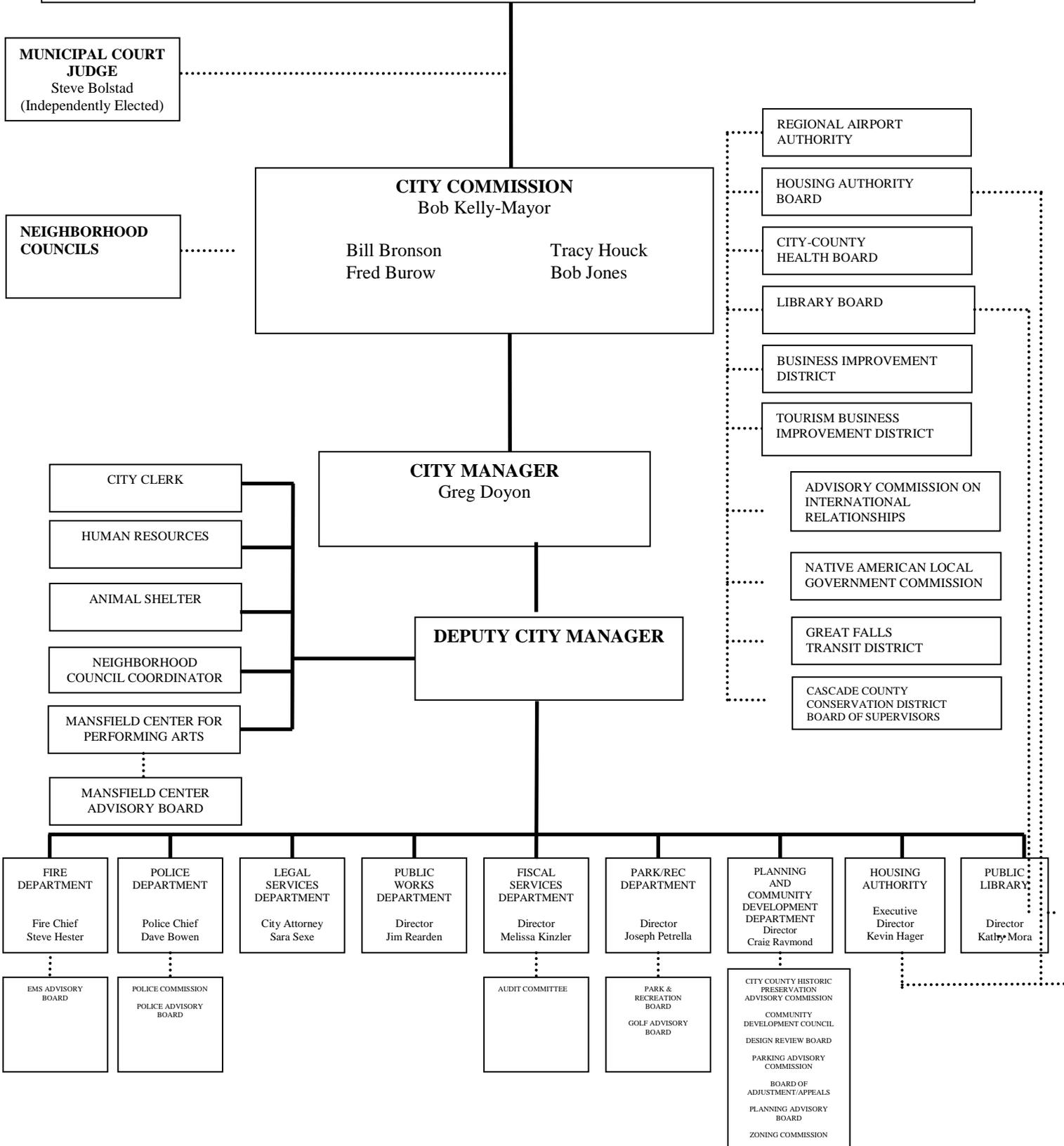


# CITIZENS OF GREAT FALLS



Mayor



Bob Kelly

City Manager



Greg Doyon

City Commission



Bill Bronson



Tracy Houck



Bob Jones



Fred Burow

<b>Name</b>	<b>Elected Positions</b>	<b>Phone Number</b>
<b>Bob Kelly</b>	<b>Mayor</b>	<b>870-0212</b>
<b>Bill Bronson</b>	<b>Commissioner</b>	<b>452-5921</b>
<b>Fred Burow</b>	<b>Commissioner</b>	<b>727-0930</b>
<b>Tracy Houck</b>	<b>Commissioner</b>	<b>781-8958</b>
<b>Bob Jones</b>	<b>Commissioner</b>	<b>453-5005</b>
<b>Steve Bolstad</b>	<b>Municipal Judge</b>	<b>771-1380</b>

#### **Appointed Positions**

<b>Greg Doyon</b>	<b>City Manager</b>	<b>455-8450</b>
-------------------	---------------------	-----------------

#### **Department Positions**

<b>Vacant</b>	<b>Deputy City Manager</b>	<b>455-8450</b>
Lisa Kunz	City Clerk	455-8451
Vacant	Human Resource Manager	455-8448
Patty Cadwell	Neighborhood Councils Coordinator	455-8496
Dona Hughes	Civic Center Events Coordinator	455-8495
<b>Craig Raymond</b>	<b>Planning &amp; CD Director</b>	<b>455-8530</b>
Bruce Haman	Building Official	455-8530
Tom Micuda	Deputy Planning and CD Director	455-8432
<b>Kevin Hager</b>	<b>Housing Authority/ Executive Director</b>	<b>453-4311</b>
<b>Melissa Kinzler</b>	<b>Fiscal Services Director/Budget Officer</b>	<b>455-8476</b>
Jon Legan	Information Technology Manager	455-8483
<b>Steve Hester</b>	<b>Fire Chief</b>	<b>727-8070</b>
Dirk Johnson	Fire Marshal	727-8070
<b>Sara Sexe</b>	<b>City Attorney</b>	<b>455-8441</b>
Neil Anthon	Chief Prosecutor	455-8449
<b>Joseph Petrella</b>	<b>Park &amp; Recreation Director</b>	<b>771-1265</b>
Patty Rearden	Deputy Park & Recreation Director	771-1265
Lonnie Dalke	Parks Supervisor	771-1265
Todd Seymanski	City Forester	771-1265
<b>Dave Bowen</b>	<b>Chief of Police</b>	<b>455-8410</b>
<b>Kathy Mora</b>	<b>Library Director</b>	<b>453-9706</b>
<b>Jim Rearden</b>	<b>Public Works Director</b>	<b>727-8390</b>
David Dobbs	Public Works/City Engineer	771-1258
Mike Judge	Public Works/Utility Systems Supervisor	727-8390
Wayne Lovelis	Public Works/Water Plant Supervisor	727-1325

All phone numbers listed above are preceded by the area code 406. Bolded positions denote Elected Officials and Department Heads.



## **City of Great Falls City Commission Goals**

1. Support Public Safety
  - a. Adopt revised 911 Center Interlocal Agreement
  - b. Monitor and if necessary, address equipment, training, and personnel needs
2. Park and Recreation
  - a. Review and consider Park Master Plan recommendations (including aquatics)
  - b. Explore adoption of a Park Maintenance District
3. Civic Center
  - a. Consider office space need options
  - b. Determine funding process for façade
4. Library
  - a. Work with Library Board to develop sustainable business
  - b. Evaluate future financing options
5. Support the City Manager and Department Heads
  - a. Prioritize key community issues
  - b. Provide clear policy guidance

## **City Manager's Budget Objectives**

1. Tackle deferred operational/capital needs.
2. Service/Cost Effectiveness.
3. Citywide Fund Stabilization and Performance.
4. Focus on programs, services, and policies that are sustainable.
5. Protect the City's investment in personnel.
6. Foster interdepartmental collaboration and long range planning in order to avoid significant increases in operating costs.



City of Great Falls  
*Office of the City Manager*

P.O. Box 5021  
Great Falls, Montana 59403  
Office (406) 455-8450  
Fax (406) 727-0005

**City Manager's Budget Message**

Honorable Mayor and City Commission:

It is my pleasure to present the Fiscal Year 2017 (FY 2017) City of Great Falls Annual Budget.

The City's financial position is stronger and more stable than in prior years due to a focused City Commission and collaborative department leadership team. While there are always certain funds that do not perform as desired, a majority of the City's departments are in healthy shape. The stronger financial position allows city leadership to begin tackling deferred needs in operations and capital.

The City Commission drives the budget process by defining broad goals. The Commission's goals for FY 2017 include:

1. Public Safety
  - a. Adopt revised 911 Center Interlocal Agreement
  - b. Monitor and if necessary, address equipment, training, and personnel needs
2. Park and Recreation
  - a. Review and consider Park Master Plan recommendations (including aquatics)
  - b. Explore adoption of a Park Maintenance District
3. Civic Center
  - a. Consider office space need options
  - b. Determine funding process for façade
4. Library
  - a. Work with Library Board to develop sustainable business
  - b. Evaluate future financing options
5. Support the City Manager and Department Heads
  - a. Prioritize key community issues
  - b. Provide clear policy guidance

Using these goals, the City Manager, along with the department leadership team developed a budget, identifying objectives to meet these broader goals. The City Manager also has specific priorities. For FY 2017, these objectives include: 1) Tackling deferred operational/capital needs 2) Service/Cost Effectiveness 3) Citywide Fund Stabilization and Performance 4) Focus on programs, services, and policies that are sustainable 5) Protect the City's investment in personnel 6) Foster interdepartmental collaboration and long range planning in order to avoid significant increases in operating costs.

The adopted budget continues to address long standing operational and capital needs. Specifically, the adopted budget exceeds the minimum 17% undesignated fund balance. The projected fund balance for FY 2017 is 21%. A strong fund balance is critical for two reasons: First, the city needs to meet its financial policy minimum for cash flow needs. Secondly, fund balance is necessary to retain the City's quality, low risk credit rating. Maintaining strong credit rating is critical, as the city will need to bond long-term debt for major capital projects such as the Civic Center façade, roof and large capital equipment purchases like fire trucks.

The overall budget challenge for FY 2017 balances operational needs with deferred capital maintenance. In FY 2017 budget, the Administrative Draft Capital Improvement Plan identified over \$12,146,149 in needs for FY 2017, which already included many deferred projects. Of the \$12,145,149 identified in the CIP, the City was only able to allocate \$399,000 in FY 2017 budget.

Two years ago, the City Commission identified critical needs in public safety – which includes law enforcement, fire, dispatch, and the City Attorney’s office. The prioritization of these areas is commonly referred to as the “pivot to public safety”. To address these needs, the focus has been on people, equipment, and facilities. The City Commission and city management have attempted to address these needs without asking for a Public Safety Levy.

Prior year budget efforts to improve Public Safety needs have made a positive impact. The City’s Fire/Rescue ISO insurance rating received an upgrade in 2016. The upgrade has direct financial impact on residential/commercial fire insurance rates in the city. Additional firefighters and dispatchers provide better flexibility for staffing coverage. The additional police officers in the FY 2017 budget, places more officers on patrol and an additional detective to reduce the overwhelming case load in the Special Victims Unit.

Enhancing Public Safety means that there is impact on other areas of the city’s budget. Where possible, management asked departments to explore additional revenue opportunities to offset reductions in appropriations. Some departments have revenue options available to them that are not available to General Fund dependent departments. The adopted budget includes adjustments in property taxes as detailed below:

*Adopted Property Tax Detail*

<i>Property Tax</i>	<i>% Increase</i>	<i>Impact on Property Value of \$100,000</i>
Permissive Medical Levy	2.48%	\$5.58
Inflation Factor	.50%	\$1.09

FY 2017 Budget Highlights

Operations

- Public Safety Support – Additional Equipment, Facilities, People
- Capital Improvements – Building Reserves, Facility Maintenance and Equipment
- Development Process Improvements – Additional Staffing
- Environmental Compliance – Storm Drain Compliance Technicians
- River’s Edge Trail Maintenance Support
- Fund Health
- Golf – Debt Service Recovery Plan

Most operational changes in the adopted General Fund budget include staff increases to address needs and supplement a stretched workforce. The adopted budget includes three new police officers (two patrol, one special victims unit), a new fire department quick response vehicle, additional plan review personnel in Planning and Community Development, and River’s Edge Trail support.

Other significant operating appropriations include funding for emergency generators at the Fire Station #3, training for various departments, and a new server for Municipal Court records.

**Capital Maintenance, Equipment Replacement and Facilities**

The adopted budget includes funding for current and future capital needs. Certain capital items receive funding with a direct allocation; some require funding over time (capital reserve fund). Certain capital items due to their cost require funding through a loan or bond.

FY 2017 adopted budget included the following capital items:

- Ambulance/Squad Response – (\$180,000)
- Fire Facility Improvements – (\$50,000)
- Natural Resource (\$45,000 vehicle & equipment replacement)
- Civic Center Parking (\$40,000 crack sealing)
- Civic Center Facility
  - IT Server Room A/C (\$25,000)
  - P&CD A/C (\$45,000)
  - Back-Up Server (\$30,000)
- P&R Irrigation (\$50,000 CRF)

**Water, Sewer, Storm Water Utilities**

The adopted FY 2017 budget recommends an increase in the water rates (10%), sewer (3%) and storm water (10%). Rates are established by determining the cost for operating the utility, addressing ongoing system maintenance needs and capital projects. Despite the regular rate utility rate increases, the City of Great Falls has the *lowest* combined utility rates of any Class 1 city in Montana.

The regulatory environment has an incredible effect on all utility rates. When rate setting occurs for utilities in March/April of each year, there is much discussion regarding the maintenance of these systems in order to meet the operational requirements of the Environmental Protection Agency/Montana Department of Environmental Quality.

The City’s overall budget increased by 5.43% from FY 2016 Amended budget. One major reason for the increase is an extensive Water Treatment Plant upgrade of \$28.6 million dollars. The upgrade by itself constitutes 22.36% of total budget.

*Proposed Utility Rate Summary*

<i>Utility</i>	<i>% Increase</i>	<i>Average Residential Impact</i>
Water	10%	\$3.54
Sewer	3%	\$.73
Storm Water	10%	\$.52

**Street, Lighting, and Boulevard Special Assessments**

The adopted budget does not include increased assessment for Boulevard District or Streets. The City’s lighting districts will see a reduction of 17.8%.

## Debt Service

The City of Great Falls has a high debt capacity, but very low debt. In FY 2017, the City will retire its Swimming Pool General Obligation (Mitchell Pool and neighborhood pool repairs) debt service. The FY 2017 budget also includes a debt repayment plan for the City's two golf courses, which owe \$816,512 to the General Fund. Over the next eight years, the Golf Fund will repay the General Fund \$102,064 annually.

Utilizing its non-voted general obligation debt, the City Commission authorized debt to replace Great Falls Fire Rescue's Quick Response Unit/Ambulance (\$180,000 plus \$40,000 for equipment). Management also recommended the Commission prepare for a bond levy for repairs of the Civic Center. Three years ago, the Commission received an engineering report, which estimated over \$4 million worth of repairs to the building's separating and cracking façade. Recently, the Civic Center roof has developed significant leaks. Management anticipates that the City Commission will consider requesting approval for a General Obligation Bond from the voters in 2017 after additional engineering studies are completed.

## Future Challenges and Opportunities

Management outlined for the City Commission several challenges on the horizon for Great Falls' local government. These areas include:

- Information Technology – Architecture, Retention, Security
- Needed Office Space in Civic Center
- Diminishing budget flexibility with Public Safety Pivot
- Civic Center Façade Restoration
- Implementation of the Park and Recreation Master Plan
- Staffing - Prosecution and Special Victims Caseload

During the FY 2017 budget, the Commission contemplated several alternative operational and revenue enhancement options. The Commission agreed to explore some of these options to address recurring operational capital, and budget deficiencies.

- Civic Center Convention Closure (\$72,000 loss with ISC redirect)
- Library Revenue (mill revenue increase to support operations, must be voter approved)
- Natatorium Closure (\$144,663 savings)
- Park Maintenance District (directed to explore in conjunction with Park Management Plan)
- Golf Course Closure – (\$70,000 minimal maintenance required)
- Street Arterial Assessment

## In Closing

The City Manager's budget presentation to the City Commission is available for viewing on the City's web site [www.greatfallsmt.net](http://www.greatfallsmt.net) as well as numerous supplemental budget documents. Budget presentations are available for viewing on the City's web site [www.greatfallsmt.net/fiscalservices/2017-proposed-budget](http://www.greatfallsmt.net/fiscalservices/2017-proposed-budget)

Despite some of the challenges described, the City of Great Falls financial position is sound thanks to a dedicated City Commission and department head team. I want to thank the department heads for their focus and diligence in preparing the budget. I especially want to thank former Deputy City Manager Jennifer Reichelt, Fiscal Services Director Melissa Kinzler, and Budget Technician Korri Shupe for their assistance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory T. Doyon", written over a light gray rectangular background.

Gregory T. Doyon  
City Manager

**RESOLUTION NO. 10151  
ANNUAL BUDGET RESOLUTION**

**A RESOLUTION RELATING TO FINAL BUDGETS AND ANNUAL  
APPROPRIATIONS FOR THE FISCAL YEAR  
BEGINNING JULY 1, 2016 AND ENDING JUNE 30, 2017**

**WHEREAS,** Montana Code Annotated (MCA), 7-6-4024, requires that the budget be approved and adopted by resolution by the later of the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the Department of Revenue, and

**WHEREAS,** the notice of hearing on budget increase from property taxes was published in accordance with Section 2-9-212(2)(b), MCA, and

**WHEREAS,** the notice of hearing on preliminary budget was published in accordance with Section 7-1-4127, MCA, as required by Section 7-6-4021, MCA, and

**WHEREAS,** the hearing on preliminary budget and budget increase from property taxes was held in accordance with Section 7-1-4131, MCA, and Section 7-6-4024, MCA, and,

**WHEREAS,** the Official City Code of the City of Great Falls, Title 2, Chapter 14, Section 2.14.040 states the Municipal Court Clerk salary set by resolution, and,

**WHEREAS,** the Government Finance Officers Association recommends an unreserved fund balance in the General Fund of “no less than two months of regular general operating revenues or regular general fund operating expenditures”,

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF GREAT FALLS, MONTANA:**

Section 1. - Legal Spending Limits

The legal spending limits of the City of Great Falls are established at the fund level. Appendix A establishes each fund’s level. (7-6-4030, MCA)

Section 2. - Implementation Authority

- 2.1 The City Manager is hereby delegated appropriation authority for the expenditure of funds from any or all of the following:
  - a. debt service funds for obligations related to debt approved by the governing body;
  - b. trust funds for obligations authorized by trust covenants;
  - c. any fund for federal, state, local or private grants and shared revenue accepted and approved by the governing body;
  - d. any fund for special assessments approved by the governing body;
  - e. the proceeds from the sale of land;

- f. any fund for gifts or donations; and,
  - g. money borrowed during the fiscal year. (7-6-4006, MCA)
- 2.2 The City Manager is hereby delegated authority to adjust appropriations funded by fees throughout the fiscal year in any or all of the following:
- a. proprietary fund appropriations (enterprise and internal service funds);
  - b. general fund for fee supported services;
  - c. information technology fund for fee supported mapping services;
  - d. natural resources fund for fee supported forestry services;
  - e. permits fund; and,
  - f. licenses fund. (7-6-4012, MCA)
- 2.3 The authority to make transfers of appropriations between funds is retained by the City Commission.
- 2.4 The City Manager is hereby delegated the authority to make transfers or revisions within appropriations of any fund.
- 2.5 The City Manager may delegate to his department directors the authority to make transfers or revisions within or among appropriations of specific operations within a fund, limited to the division level of accountability.
- 2.6 Joint operating agreements approved by the governing body; insurance recoveries or dividends; hazardous material recoveries, and refunds or reimbursements of expenditures shall automatically amend the annual appropriations or reduce recorded expenditures whichever is correct in accordance with Generally Accepted Accounting Principles (GAAP).

### Section 3. - Appropriation Carryovers

Generally Accepted Accounting Principles (GAAP) require expenditures to be recognized in the fiscal year in which the goods or services are received.

- 3.1 Previous fiscal year appropriations for incomplete improvements in progress of construction, or segments thereof, are hereby declared authorized appropriations in addition to the appropriations set out in Appendix A., provided they meet the following criteria:
- a. related financing was provided in the prior fiscal year;
  - b. the appropriations were not obligated by year end;
  - c. the purpose was not included, or rejected, in current budget financing or appropriations; and,
  - d. the City Manager determines the appropriation is still needed.
- 3.2 Outstanding purchase orders and other obligations, representing a City obligation to pay the claim after receipt of the goods or services, are recognized as "claims incurred". They are hereby declared authorized "carryover" appropriations in addition to the appropriations set out in Appendix A., provided they meet the following criteria:
- a. related financing was provided in the prior fiscal year;
  - b. the appropriations were not otherwise obligated by year end;
  - c. the purpose was not included, or rejected, in current budget financing or appropriations; and,
  - d. the City Manager determines the appropriation is still needed.

Section 4. - Appropriated Reserves

Reserves which have been established for specific purposes, such as Equipment Revolving Scheduled (ERS) reserves, are hereby declared to be appropriations available for expenditure according to the reserve purpose. They shall be acknowledged as current appropriations upon the determination by the City Manager that they are currently needed to serve their intended purpose. Unexpended reserves shall be carried forward to meet future needs in accordance with their purpose.

Section 5. Contingency Account

- 5.1 Contingency account appropriations are provided by the City Commission as flexible appropriations. They are intended to provide the City Manager with an effective management tool for adjusting to changing circumstances throughout the budgetary year.
- 5.2 The City Manager is delegated the authority to transfer part or all of any contingency appropriation and related financing. Use of contingency appropriations is restricted to transfers of that appropriation authority to specific operating budgets. Proper classification of expenditures to specific operations is required. Accordingly, charging of expenditures directly to Contingency accounts is prohibited.
- 5.3 The Contingency appropriation is a two part authorization, determined on whether cash funding has been allocated in the General Fund during budget development:
  - a. General Fund financed; and,
  - b. Unfunded - a specific fund cash balance, additional revenue, or other funding source must be identified before the "unfunded" contingency appropriation may be used.

Section 6. - Classification and Pay Plan

- 6.1 The objective of the City's Classification and Pay Plan is to enable the City to retain, and when necessary, recruit competent employees. Therefore, the Plan must be a dynamic tool which is continuously updated.
- 6.2 The City Manager is authorized to administratively change the Classification and Pay Plan. Annual pay surveys, continual or periodic review of positions with changed duties or responsibilities, and additions to the classification plan of changed and new classes of work will assure that the Classification and Pay Plan remains current and equitably meets the needs of the City and its employees.

Section 7. - Budgetary Authority

References to statutes, or to consistency with statutory authority, are for information purposes only. Nothing in this resolution shall be considered to mitigate or compromise the City's self-governing authority.

Section 8. - Accounting Structure

Staff is hereby directed to establish and maintain City accounting structure in accordance with Generally Accepted Accounting Principles (GAAP). Statutes, ordinances, resolutions or other authoritative sources shall be implemented according to their intent and GAAP. Staff shall

provide for conformance with the Commission's limits for financing and appropriation under authorized budgets whenever making proper modifications to accounting structure.

Section 9. – Municipal Court Clerk Salary

The City Manager is authorized to administratively set the salary of the Municipal Court Clerk using the following salary range:

Municipal Court Clerk            \$36,903 to \$51,518

Section 10. – Designated for Cash Flow

As permitted by Section 7-6-4034, MCA, a balance Designated for Cash Flow shall be considered adequate in tax levy supported funds (General and Library) at least 17% of annual appropriations. A balance Designated for Cash Flow for other operating funds of the City shall be considered adequate at a range of 8% to 17% of annual appropriations for seasonal operations; and, 8% to 17% of annual appropriations for all other operating funds.

Such balances designated for cash flow shall be used to meet extended revenue cycles, meet short term economic difficulties, respond to unique opportunities, provide for one-time expenditures, and respond to emergency and disaster situations. The balances shall not be available to meet recurring operating expenses.

# Annual Budget Resolution Appendix A

# City of Great Falls, Montana

Funds	Estimated Beginning Balance	+ Working Capital Sources			- Working Capital Uses			Estimated Ending Balance	Reserved Balance	Available Balance
		Revenues	Transfers In	Total Sources	Expenditures	Transfers Out	Total Uses			
General	5,945,026	28,538,819	0	28,538,819	26,845,915	1,696,578	28,542,493	5,941,352	0	5,941,352
<b>Special Revenue Funds</b>										
Park & Rec Special Revenue	430,843	18,600	0	18,600	38,002	0	38,002	411,441	232,622	178,819
Parkland Trust	19,160	0	0	0	0	0	0	19,160	19,160	0
Library	497,568	1,007,376	350,000	1,357,376	1,326,329	0	1,326,329	528,615	99,880	428,735
Library Foundation	150,280	108,175	0	108,175	70,000	0	70,000	188,455	188,455	0
Planning & Comm Dev	183,299	758,138	181,939	940,077	912,441	0	912,441	210,935	0	210,935
Central MT Ag Tech TID	420,256	240,000	0	240,000	22,505	0	22,505	637,751	637,751	0
Airport TID	51,569	20,187	0	20,187	1,957	0	1,957	69,799	69,799	0
Downtown TID	141,528	66,607	0	66,607	10,151	0	10,151	197,984	197,984	0
East Industrial Ag Tech TID	1,135	27,982	0	27,982	2,218	0	2,218	26,899	26,899	0
Economic Revolving	17,201	0	0	0	0	0	0	17,201	0	17,201
Permits	1,063,187	1,020,254	0	1,020,254	978,812	0	978,812	1,104,629	0	1,104,629
Licenses	71,823	252,300	0	252,300	252,300	0	252,300	71,823	0	71,823
Natural Resources	126,448	400,965	256,277	657,242	657,242	0	657,242	126,448	31,866	94,582
Portage Meadow	14,319	58,079	0	58,079	54,662	0	54,662	17,736	0	17,736
Street District	2,783,186	6,217,396	0	6,217,396	6,526,926	0	6,526,926	2,473,656	0	2,473,656
Support & Innovation	62,707	611,065	0	611,065	611,065	0	611,065	62,707	0	62,707
911 Special Revenue	617,221	628,281	0	628,281	0	409,980	409,980	835,522	835,522	0
Police Special Revenue	215,001	36,761	0	36,761	800	0	800	250,962	250,962	0
HDTA Special Revenue	19,656	210,549	0	210,549	53,553	0	53,553	176,652	176,652	0
Fire Special Revenue	112,742	6,600	0	6,600	0	0	0	119,342	119,342	0
Federal Block Grant	185,619	710,552	0	710,552	727,756	0	727,756	168,415	168,415	0
HOME Grant	8,948	184,587	0	184,587	184,236	0	184,236	9,299	9,299	0
CTEP Projects	59,760	0	0	0	0	0	0	59,760	59,760	0
Housing Authority	0	1,399,050	0	1,399,050	1,399,050	0	1,399,050	0	0	0
Street Lighting Districts	2,225,777	1,175,344	0	1,175,344	1,277,917	0	1,277,917	2,123,204	0	2,123,204
<b>Special Revenue Funds Total</b>	<b>9,479,233</b>	<b>15,158,848</b>	<b>788,216</b>	<b>15,947,064</b>	<b>15,107,922</b>	<b>409,980</b>	<b>15,517,902</b>	<b>9,908,395</b>	<b>3,124,368</b>	<b>6,784,027</b>
<b>Debt Service Funds</b>										
Soccer Park Bond	39,665	171,000	0	171,000	169,491	0	169,491	41,174	41,174	0
Swim Pool Rehab Bond	9,852	271,500	0	271,500	265,047	0	265,047	16,305	16,305	0
West Bank TID	618,761	410,000	0	410,000	243,222	0	243,222	785,539	785,539	0
Improvement District Revolving	43,302	48,955	0	48,955	47,667	0	47,667	44,590	44,590	0
Master Debt SILD	26,118	19,178	0	19,178	14,253	0	14,253	31,043	31,043	0
General Obligation Taxable Bond	5,365	0	146,900	146,900	146,900	0	146,900	5,365	5,365	0
<b>Debt Service Funds Total</b>	<b>743,063</b>	<b>920,633</b>	<b>146,900</b>	<b>1,067,533</b>	<b>886,580</b>	<b>0</b>	<b>886,580</b>	<b>924,016</b>	<b>924,016</b>	<b>0</b>
<b>Capital Projects Funds</b>										
General Capital Projects	404,224	0	115,000	115,000	115,000	0	115,000	404,224	404,224	0
Improvement Districts Projects	5,502	0	0	0	0	0	0	5,502	5,502	0
Street Lighting Construction	0	0	0	0	0	0	0	0	0	0
Hazard Removal	50,125	0	0	0	0	0	0	50,125	50,125	0
<b>Capital Projects Funds Total</b>	<b>459,851</b>	<b>0</b>	<b>115,000</b>	<b>115,000</b>	<b>115,000</b>	<b>0</b>	<b>115,000</b>	<b>459,851</b>	<b>459,851</b>	<b>0</b>
<b>Enterprise Funds</b>										
Golf Courses	(922,507)	1,352,701	0	1,352,701	1,409,129	0	1,409,129	(978,935)	0	(978,935)
Water	9,168,718	40,298,931	0	40,298,931	40,769,331	0	40,769,331	8,698,318	2,104,765	6,593,553
Sewer	7,626,203	10,717,908	0	10,717,908	11,371,873	0	11,371,873	6,972,238	4,890,834	2,081,404
Storm Drain	1,661,462	2,128,006	0	2,128,006	2,086,928	0	2,086,928	1,702,540	596,784	1,105,756
Sanitation	929,247	3,559,592	0	3,559,592	3,733,210	0	3,733,210	755,629	0	755,629
Swimming Pools	112,000	530,245	267,861	798,106	798,106	0	798,106	112,000	0	112,000
911 Dispatch Center	465,465	1,496,420	396,675	1,893,095	1,830,430	0	1,830,430	528,130	528,130	0
Parking	394,137	546,500	0	546,500	647,551	0	647,551	293,086	49,026	244,060
Recreation	270,594	365,080	78,411	443,491	462,676	0	462,676	251,409	11,561	239,848
Multisports	94,158	142,850	0	142,850	179,552	0	179,552	57,456	0	57,456
Ice Breaker Run	0	74,550	0	74,550	73,764	0	73,764	786	0	786
Civic Center Events	126,086	381,890	223,742	605,632	605,632	0	605,632	126,086	14,496	111,590
Special State Projects	0	383,402	0	383,402	383,402	0	383,402	0	0	0
Port Authority	145,560	0	0	0	0	0	0	145,560	145,560	0
<b>Enterprise Funds Total</b>	<b>20,071,124</b>	<b>61,978,075</b>	<b>966,689</b>	<b>62,944,764</b>	<b>64,351,584</b>	<b>0</b>	<b>64,351,584</b>	<b>18,664,304</b>	<b>8,341,156</b>	<b>10,323,148</b>
<b>Internal Service Funds</b>										
Central Garage	2,795,008	2,719,346	0	2,719,346	2,740,354	0	2,740,354	2,774,000	2,157,899	616,101
Information Tech	4,082	1,369,949	26,610	1,396,559	1,358,709	0	1,358,709	41,932	41,932	0
Insurance & Safety	715,479	988,564	0	988,564	1,082,467	0	1,082,467	621,576	0	621,576
Health & Benefits	(712,275)	8,310,720	0	8,310,720	8,317,233	0	8,317,233	(718,788)	0	(718,788)
Human Resources	68,497	443,220	0	443,220	439,879	0	439,879	71,838	0	71,838
City Telephone	1,430	49,790	0	49,790	41,460	0	41,460	9,760	0	9,760
Fiscal Services	109,319	1,591,270	0	1,591,270	1,581,537	0	1,581,537	119,052	0	119,052
Engineering	206,470	1,403,146	63,143	1,466,289	1,649,996	0	1,649,996	22,763	22,763	0
Public Works Admin	317,257	616,407	0	616,407	661,301	0	661,301	272,363	0	272,363
Civic Center Facility Services	282,798	542,798	0	542,798	569,798	0	569,798	255,798	97,116	158,682
<b>Internal Service Funds Total</b>	<b>3,788,064</b>	<b>18,035,210</b>	<b>89,753</b>	<b>18,124,963</b>	<b>18,442,734</b>	<b>0</b>	<b>18,442,734</b>	<b>3,470,293</b>	<b>2,319,710</b>	<b>1,150,583</b>
<b>Total</b>	<b>40,486,361</b>	<b>124,631,585</b>	<b>2,106,558</b>	<b>126,738,143</b>	<b>125,749,735</b>	<b>2,106,558</b>	<b>127,856,293</b>	<b>39,368,211</b>	<b>15,169,101</b>	<b>24,199,110</b>

The City Commission has final authority and responsibility for budget development in the City. The City Charter requires the City Manager to "prepare and present the budget to the City Commission". The Budget was prepared by the Fiscal Services Department under the direction of the City Manager. Although Fiscal Services coordinates budget development and creates the budget document, it represents a major effort by all City departments.

### **The Budget Cycle**

#### **February**

- ◆ Open budget system for budget entry
- ◆ Work session with City Commission and Department Heads to set informal 2017 budget priorities - open to the public

#### **March**

- ◆ City Manager and Department Heads meet to discuss 2017 budget priorities

#### **April**

- ◆ Distribution of budget instructions and forms
- ◆ Training sessions offered for Administrative Staff and Department Heads on budget entry, budget inquiry and reports
- ◆ Development of City Departments requested budgets

#### **May-June**

- ◆ Finalize fixed and internal service charges to City Departments
- ◆ City Departments present requested budgets to City Manager
- ◆ City Department Heads present their budgets to each other
- ◆ City Manager's review - development of City Manager's Proposed Budget

#### **June-July**

- ◆ City Manager led City Commission Budget Work Sessions
- ◆ City Manager's Proposed Budget Document presented to the City Commission
- ◆ Public hearing advertisement
- ◆ Proposed City Budget available for public inspection
- ◆ Formal public hearing on the Proposed City Budget
- ◆ Annual Budget Resolution - City Commission adoption
- ◆ July 1 - start of new fiscal year

#### **August-September**

- ◆ Annual tax levies fixed by City Commission action on or before the first Thursday in September or 30 days after receiving taxable valuation from the Montana Department of Revenue
- ◆ Preparation of the Adopted Budget Document

**I. Budget Documents**

There are two bound documents prepared by the Fiscal Services Department.

**A. The City Manager's Proposed Budget**

The City Manager's Proposed Budget is presented to the City Commission and made available to the public in July. This document is the basis for the public hearing on the budget.

**B. The City of Great Falls Annual Adopted Budget**

This document is the City Commission's adopted budget document, and is made available in September.

**II. Budget Finalization**

The formal conclusion of the budget development process occurs on or before the second Monday in August. For this FY 2017 budget:

- ◆ The proposed budget was presented on June 28, June 30, and July 5, 2016.
- ◆ The public hearing on the proposed budget was set on July 5, 2016.
- ◆ The public hearing on the proposed budget was held on July 19, 2016.
- ◆ The annual budget was adopted July 19, 2016.
- ◆ The annual tax levy was set on August 16, 2016.
- ◆ Subsequent tax valuation information may require mid-year budget revisions.

State statutes, 7-6-4024 and 7-6-4036, MCA require the City Commission to adopt the final budget, and then fix the tax levy on or before the first Thursday in September or within 30 calendar days after receiving certified taxable values from the Montana Department of Revenue. This is one month after the beginning of the year being budgeted. The reason for this late legal finalization of the budget/tax levy is the timing of tax valuation information. Budget revenue estimates and tax levies are dependent upon tax valuation information. Accordingly, the budget is subject to revision, and not considered legally finalized, until the tax levy is fixed by City Commission resolution.

**III. Budget Amendment Procedure**

The budget may be amended as authorized by the annual budget resolution. The City Manager has budget amendment authority for the expenditure of funds for any or all of the following:

- ◆ Appropriation carry-overs
- ◆ Appropriated reserves
- ◆ Contingency allocations
- ◆ Special assessments, grants, donations, trusts, agencies.

**I. Public Notice****A. Public Budget Meetings**

In June or July the City Commission holds a public work session to review presentations of revenue forecasts, major issues, and budget implications. A budget work session agenda is provided to the news media and made available to the public prior to the first work session. All supporting documents are also available to the media and the public. Work sessions are televised live on City190 and also available for viewing on the City website at:

[www.greatfallsmt.net/ community/City-meeting-videos](http://www.greatfallsmt.net/community/City-meeting-videos).

**B. Manager's Proposed Budget**

In June or July of each year the City Manager presents the Proposed Budget Document to the City Commission at a City Commission Worksession. Copies are immediately provided to the news media and made available to the public by hard copy or through the City's website. Work sessions are televised live on City190 and also available for viewing on the City website at:

[www.greatfallsmt.net/ community/City-meeting-videos](http://www.greatfallsmt.net/community/City-meeting-videos).

**C. Public Budget Hearing**

Following the City Manager's presentation of the proposed budget, notice of public hearing on the proposed budget is published. The proposed budget and any proposed changes are made available to the news media and the public before the hearing. The annual public hearing on the budget is scheduled for the second regular City Commission meeting in July. Work sessions and Commission meetings are televised live on City190 and also available for viewing on the City website at:

[www.greatfallsmt.net/ community/City-meeting-videos](http://www.greatfallsmt.net/community/City-meeting-videos).

**II. Public Participation****A. Regular Commission Meetings**

The City Commission meets regularly at 7:00 p.m. the first and third Tuesdays of each month. The public is invited to attend and participate. In addition to scheduled public hearings, time is set aside at the beginning of each commission meeting for open comment from the public. Commission meetings are televised live on City190 and also available for viewing on the City website at:

[www.greatfallsmt.net/ community/City-meeting-videos](http://www.greatfallsmt.net/community/City-meeting-videos).

**B. Advisory Boards**

The City Commission has nine neighborhood councils and a large number of advisory boards. Any city resident may seek election to their neighborhood council or apply for appointment to an advisory board through the City Manager's office. For appointed boards, the city limits an individual's term and appointments in order to encourage widespread citizen participation and fresh ideas on the advisory boards.

**C. City Commission’s Budget Development Meetings**

At the public budget work sessions, each segment of the city operation and budget document is presented and discussed with the City Commission. These are open meetings, usually attended by the news media. Work sessions and Commission meetings are televised live on City190 and also available for viewing on the City website at:

[www.greatfallsmt.net/community/City-meeting-videos](http://www.greatfallsmt.net/community/City-meeting-videos).

**D. Annual Budget Hearing**

In accordance with state statute, a public hearing on the budget is held following public notice. The hearing is held in conjunction with a regular City Commission meeting usually at the second meeting in July. Commission meetings are televised live on City190 and also available for viewing on the City website at:

[www.greatfallsmt.net/community/City-meeting-videos](http://www.greatfallsmt.net/community/City-meeting-videos).



**Management Plans**

Full detail documentation underlying the budget are considered management plans. The plans are the basis of management control in the accounting records. Although only summary detail is presented in this budget document, full detail is available to the public through the Budget Office.

**Budget Conforms to Accounting Structure**

The line item presentation in the budget document is actually a summary of the line items used in the City's accounting systems; thus, the budget document provides an overview of the City financial plan without the volume of full depth detail.

**Basis of Budgeting****• Modified Accrual for Governmental Funds**

Governmental funds are the general fund, special revenue funds, debt service funds, and capital project funds. Revenues are recognized in the period they become susceptible to accrual by being measurable and available to finance expenditures. Expenditures rather than expenses are recorded to show the decreases in net financial resources of the current period. Debt service requirements are accounted for as expenditures in the year of payment. Depreciation allocations and compensated absence accruals are not included in the City's governmental fund budgets.

**• Accrual Basis for Proprietary Funds with Exceptions**

Proprietary funds are the enterprise funds and internal service funds. Under accrual basis of accounting, most transactions are recorded when they occur, regardless of when cash is received or disbursed. The budget exceptions are as follows:

- Capital expenditures and debt principal are budgeted as appropriations,
- Debt issuance proceeds are budgeted as issuance of debt,
- Depreciation allocations and compensated absence accruals are not budgeted.

**GAAP Presentation**

State and federal regulations require the City to follow Generally Accepted Accounting Principles (GAAP) for Governmental Entities. The Governmental Accounting Standards Board (GASB) is recognized as the authority for GAAP rules. The Codification of Governmental Accounting and Financial Reporting Standards (GASB Cod.) is the authoritative reference for governmental accounting published by GASB.

**Fund Accounting**

The City's fund structure is summarized in:

- Annual Budget Resolution - Appendix A (page 14)
- Types and Descriptions of Funds (page 75 through 81)
- Relationships between Departments and Funds (page 82 and 83)

**Double Counting**

Fund accounting clearly enhances the accountability of the City; however, when summaries are presented which combine total revenues and expenditures for the City as a whole, some costs are duplicated. These duplicated costs fall into the following two major categories:

**Internal Service Transactions**

Internal Service Charges represent proper revenue and expenditure transactions between City funds and operations. The transactions must be recorded for proper cost accounting in the individual operations, but the City as a whole has not disbursed or received any additional cash.

Internal service operations include centralized accounting, budget, human resources, information technology, computer, and central garage operations. It would be less efficient and more costly if each operation had to separately provide for these services. Internal service charges represent proper allocation of centrally provided service costs.

**Interfund Transfers**

Interfund transfers are exchanges of assets between funds. The transfers do not represent interfund payment for services received, but are still transactions which must be recorded for proper accountability among funds. Again, the City as a whole has not dispersed or received any additional cash.

Interfund transfers generally occur:

From the General Fund to provide general purpose revenue support to operations accounted for within other funds, such as:

- Civic Center Events
- Engineering
- Library
- Recreation
- Natural Resources
- Planning and Community Development
- Swimming Pools

### **Section 1. Mandatory Reserves**

Reserves mandated by requirements of bond covenants, federal, state or local laws, regulations, or contractual commitments.

#### **Bond Covenant Reserves**

Debt Service, Capital Project, Operating, and other reserves required by ordinances or resolutions establishing bond covenants shall be established and maintained in accordance with covenant intent and GAAP terminology and classification.

#### **SID Revolving**

All SID bonded projects shall include 5% of the debt issuance principal as a cost of improvement to be deposited in the SID Revolving Reserve. The SID Revolving Reserve minimum balance shall be 5% of the total outstanding SID debt. The SID Revolving Reserve accumulated balance shall be retained in excess of 5% whenever possible to protect the taxpayers of the City against the possibility of an additional tax levy in the event of SID payment delinquencies which threaten bond default.

#### **Other Mandatory Reserves**

Reserves shall be established and maintained according to statutory, regulatory, ordinance, or contractual requirements.

#### **Maintenance of Mandatory Reserves**

Maintenance of mandatory reserve balances shall be a priority consideration for City staff in budget proposals and management of operations. Interfund loans may be established to adequately fund mandatory reserves deficiencies.

### **Section 2. Designated Balances**

Reserved balances established at the discretion of the City Commission to assure continuity in City operations or provide for a specific future need. Designated Balances provide financial resources necessary to achieve City Commission plans.

#### **Designated for Cash Flow**

As permitted by Section 7-6-4034, MCA, a balance Designated for Cash Flow shall be considered adequate in tax levy supported funds (General and Library) at 17% of annual appropriations. A balance Designated for Cash Flow for other operating funds of the City shall be considered adequate at a range of 8% to 17% of annual appropriations for seasonal operations; and, 8% to 17% of annual appropriations for all other operating funds.

Such balances designated for cash flow shall be used to meet extended revenue cycles, meet short term economic difficulties, respond to unique opportunities, provide for one-time expenditures, and respond to emergency and disaster situations. The balances shall not be available to meet recurring operating expenses.

**Designated for Equipment (Revolving)**

Central internal service operations shall be established and maintained to coordinate major equipment for City operations. Ownership for all major equipment shall be recorded in the appropriate internal service operation. Operating departments shall make annual lease and maintenance payments to the internal service operation for their major equipment. The internal service operations shall maintain balances designated for equipment according to comprehensive Equipment Revolving Schedules (ERS). The ERS shall equate to funded depreciation schedules established on a replacement cost basis.

**Section 3. Unreserved Balance**

The part of the working capital balances available to finance the cash flow needs of the various operations or the current operating appropriations.

**Section 4. Balanced Budget**

A balanced budget is a budget in which expenditures for a given period are matched by expected revenues for the same period.

The City will live within its means. All agencies supported by the resources of this City must function within the limits of the financial resources identified or available specifically to them.

A balance must be struck between revenues and expenditures, so that the public can realize the benefits of a strong and stable government. It is important to understand that this policy is applied to budget entities over periods of time which extend beyond current appropriations. By law, budgets cannot exceed available resources, defined as revenues generated in the current period added to balances carried forward from prior years. Temporary shortages, or operating deficits, can and do occur, but they are not tolerated as extended trends. The City cannot develop a legacy of shortages or a legacy of mixing onetime resources and expect the continued delivery of services, the very reason for which it exists.

**Short-Term Operating Debt Policy**

The expenses associated with day to day operations of the City will be covered by current revenues. However, because the City receives the majority of its property tax revenues at two (2) times during the year, the City may experience temporary cash shortfalls. In order to finance these temporary cash shortfalls, the City may incur short-term operating debt (typically, tax and revenues anticipation notes ([TRANS])). The amount of the short-term operating debt will be based on cash flow projections for the fiscal year and will comply with applicable federal and state regulations. Operating revenues will be pledged to repay the debt, which will generally be repaid in one year or less. The costs of such borrowings will be minimized to the greatest extent possible.

**Long-Term Capital Debt Policy**

The long-term capital debt policy sets the parameters for issuing debt and provides guidance in the timing and structuring of long-term debt commitments. A separate policy issued for special improvement districts (SIDS) financing was adopted by the City Commission on November 20, 1990. The City will consider the issuance of long-term obligations under the following conditions:

1. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, and only under the following circumstances:
  - a. When the project is included in the City's five-year capital improvement program and is in conformance with the City's general plan.
  - b. When the project is not included in the City's five-year capital improvement program, but it is an emerging critical need whose timing was not anticipated in the five-year capital improvement program or it is a project mandated immediately by state or federal requirements.
  - c. When the project's useful life, or the projected service life of the equipment will be equal to or exceed the term of the financing.
  - d. When there are designated revenues sufficient to service the debt, whether from project revenues, other specified and reserved resources, or infrastructure cost sharing revenues.
  - e. Debt financing (other than tax and revenue anticipation notes) is not considered appropriate for any recurring purpose such as current operating and maintenance expenditures.
2. The project priority process used in developing the City's various capital improvement programs, including criteria used in evaluating projects and project viability, will be reviewed by the City Commission annually as part of the budget process.

3. The following criteria will be used to evaluate pay-as-you-go versus long-term debt financing in funding capital improvements:
  - a. Factors which favor pay-as-you-go:
    1. Current revenues and adequate fund balances are available.
    2. Project phasing is feasible.
    3. Debt levels would adversely affect the City's credit rating.
    4. Market conditions are unstable or present difficulties in marketing.
  - b. Factors which favor long-term financing:
    1. Revenues available for debt service are considered sufficient and reliable so that long term financing may be marketed with an appropriate credit rating.
    2. The project for which financing is being considered is of the type that will allow the City to maintain an appropriate credit rating.
    3. Market conditions present favorable interest rates and demand for municipal financings.
    4. A project is mandated by state or federal requirements, and current revenues and fund balances are insufficient to pay project costs.
    5. A project is immediately required to meet or relieve capacity needs.
    6. The life of the project or asset financed is five years or longer.
4. The following will be considered in evaluating appropriate debt levels:
  - a. General Fund supported debt service will not exceed 10% of total budgeted expenditures and transfers out.
  - b. The General Fund may be used to provide back-up liquidity to improve the viability of a self-supported debt issue, but only if the General Fund is not exposed to significant risk of loss of assets or impairment of liquidity. This evaluation of risk will consider such things as the following:
    - i. Volatility and collectability of the revenue source identified for repayment of the debt.
    - ii. The likelihood the General Fund would be reimbursed within one year for any payments it might potentially need to make in its role as back-up guarantor.

If the City Commission determines the risk of loss of assets or impairment of liquidity to the General Fund to be relatively minimal, self-supported debt service for debt that relies on the General Fund as a back-up guarantor will not exceed 10% of General Fund budgeted expenditures and transfers out.
5. The City will generally conduct financings on a competitive basis; however, negotiated financings may be used where market volatility or the use of an unusual or complex financing or security structure is a concern with regard to marketability.

6. The City will select a financial advisor on a competitive basis; the advisor will be retained for at least four years to provide continuity and adequate time to develop an understanding of the City's needs. Other outside service providers may be selected by developers or owners, subject to the City's approval. Trustees and/or paying agents will be selected by competitive bid.
7. Interfund borrowing will be considered to finance high priority needs on a case-by-case basis, only when planned expenditures in the fund making the loan would not be affected. Interfund borrowing may be used when it would reduce costs of interest, debt issuance, and/or administration. Interfund borrowing may not be used when the lending of funds would violate restrictions imposed through bond covenants, City Commission action or state and federal laws.
8. The term of the long-term debt instrument will not exceed the legal life of the asset or thirty years, whichever is less.
9. Bond proceeds will be invested in accordance with the provisions of the bond indenture. Funds set aside for debt service will only be used for that purpose.
10. In choosing the appropriate long-term debt instrument: cost, economic equity, political acceptability, and flexibility will be considered. Refundings will be considered to reduce interest costs or principal outstanding, or to eliminate restrictive debt covenants. Pooled financings with other government agencies will be considered as appropriate.
11. There are many different types of long-term debt instruments available. Depending on the specific circumstances, the City will consider using the following types of financing instruments:
  - a. General obligation debt
  - b. Revenue bonds
  - c. Tax increment bonds
  - d. Special improvement district
  - e. Park district bonds
  - f. Master lease agreements
  - g. Vendor-financed leases
  - h. Bond anticipation notes

**I. Scope**

This policy applies to the interfund loans made monthly and at fiscal year end to remove negative cash balances in funds. The Fiscal Services Director is hereby authorized to process interfund loans that are made monthly and at fiscal year end to remove negative cash balances in funds in accordance with Generally Accepted Accounting Principles (GAAP). This policy covers category, processing and reporting for the loans.

**II. Category of Interfund Loans**

The interfund loans may fall in two categories – current and non-current. Current loan amounts are expected to be repaid within one fiscal year. Non-current amounts are expected to be repaid in more than one fiscal year. The first year that a fund makes an interfund loan to a fund, the amount would be a current loan. When a fund has to make an interfund loan to the same fund for more than one year in a row, this would make the amount the second (or more) year fall into the category of non-current loan.

**III. Processing of Interfund Loans**

At the end of the fiscal year, after all accounts payable transactions for that fiscal year have been processed, the cash balances of all funds will be analyzed. The General Fund will make an interfund loan to the other funds when the cash balance is enough to cover the amounts needed unless the fund that is negative has another fund that it is associated with that has a large enough cash balance (i.e., Golf Courses Fund and Park & Recreation Fund). If the General Fund does not have enough of cash balance to cover the amounts needed, the Central Garage Fund will be used. These loans will be booked in the fiscal year with an effective date of June 30, 20XX. They will be reversed in the new fiscal year with an effective date of July 1, 20XX.

If the fund that is negative has been in a significant negative status for more than five years, it will be reviewed and analyzed to decide if the interfund loan will not be reversed at the beginning of the new fiscal year. This loan will be considered a non-current loan and will be treated as mentioned below.

A repayment plan will be established and implemented by the Fiscal Services Director. In addition, the borrowing fund must anticipate sufficient revenues to be in a position over the period of the repayment plan to make the specified payments. The Fiscal Services Director is directed and authorized to repay such transfers, in whole or in part, when budgeted revenues in the borrowing fund are received sufficient to cover the projected foreseeable needs of the borrowing fund.

**IV. Reporting of Interfund Loans**

Because of GAAP reporting requirements, the type of fund designates how transactions are reported. When reporting the interfund loans, there are several scenarios that could occur:

1. Governmental fund makes current loan – If a governmental fund (General or Special Revenue) makes a current loan to another fund, this loan is reported on the balance sheet of the funds as a due to/from other city fund and the fund balance is kept in the unassigned or assigned category.
2. Governmental fund makes non-current loan – If a governmental fund makes a non-current loan to another fund, this loan is reported on the balance sheet of the funds as an advance to/from other funds and the fund balance is reported as nonspendable.
3. Proprietary fund makes current loan - If a proprietary fund (Enterprise or Internal Service) makes a current loan to another fund, this loan is reported on the balance sheet of the funds as a due to/from other city fund and the fund balance is kept as unrestricted.
4. Proprietary fund makes non-current loan - If a proprietary fund (Enterprise or Internal Service) makes a non-current loan to another fund, this loan is reported on the balance sheet of the funds as an advance to/from other city fund and the fund balance is kept as unrestricted.

#### **V. Monthly Processing of Interfund Loans**

If a fund has a negative average cash balance, the fund will be considered to have borrowed the cash from other funds. The borrowing fund will pay the other funds interest at a rate equal to the Montana Board of Investments STIP interest rate.

**1) Introduction**

The intent of the Investment Policy of the City of Great Falls, Montana (the City) is to define the guidelines within which funds are to be managed. The policy formalizes the framework for the City's investment activities that must be exercised to ensure effective and prudent fiscal and investment management of the City's funds. The guidelines are intended to be broad enough to allow the investment committee to function properly within the guidelines of responsibility and authority, yet specific enough to adequately safeguard the City's funds. This policy is intended to be used in conjunction with the City of Great Falls Investment Procedures.

The Investment Policy and Procedures will be approved and adopted by the City of Great Falls Commission. Any changes to the Investment Policy and Procedures also will be approved and adopted by the Great Falls City Commission.

**2) Governing Authority**

The City's investment program shall be operated in conformance with federal, state, and other legal requirements, including MCA Title 7, Chapter 6, Part 2 and OCCOGF 2.16.045.

**3) Scope**

- a) This policy applies to activities of the City with regard to investing the financial assets of all funds. In addition, funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Montana. The covered funds, or any new funds created by the City, unless specifically exempted by statute, the investment committee, and this policy, are defined in the City's Comprehensive Annual Financial Report.
- b) Investments of employees' vested retirement funds are not controlled by the City and therefore are not covered under this policy.

**4) Pooling of Funds**

- a) Except for cash in specified restricted and special revenue funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

- b) Pooling cash assets eliminates the need to maintain uninvested contingency cash for each fund. Instead, cash flow needs can be anticipated for the City as a whole. The fluctuations in cash needs for the individual funds tend to "net out" when combined needs are considered. The total uninvested cash balance for contingencies can be greatly reduced.

## 5) General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

- a) **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.
  - i) **Credit Risk** - The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:
    - (1) Limiting investments to the safest types of securities as described in MCA 7-6-202.
    - (2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business.
    - (3) Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.
  - ii) **Interest Rate Risk**

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market 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.
- b) **Liquidity** - The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- c) **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:
  - i) A security with declining credit may be sold early to minimize loss of principal.
  - ii) Liquidity needs of the portfolio require that the security be sold.

**6) Standards of Care****a) Delegation of Authority and Responsibilities****i) City Commission**

The city commission will retain ultimate fiduciary responsibility for the portfolios. The city commission will designate investment officers and review the investment policy and procedures making any changes necessary by adoption. The city commission and city manager will receive monthly reports on the portfolio.

**ii) Investment Officers**

Authority to manage the investment program is granted to the Fiscal Services Director hereinafter referred to as investment officer as designated by OCCOGF 2.16.045 City Ordinance 2825.

Responsibility for the operation of the investment program is given to the Investment Committee who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Officers will prepare monthly investment reports and other special reports as may be deemed necessary.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. No officer or designee may engage in an investment transaction except as provided under the terms of this policy and supporting procedures.

**iii) Investment Committee**

The management of the investment portfolio and investment policy shall be the responsibility of the City's Investment Committee. Specifics for the Investment Committee shall be documented in the Investment Procedures manual.

**iv) Investment Adviser**

The City may engage the services of one or more external investment managers to assist in the management of the City's investment portfolio in a manner consistent with the City's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this investment policy. Such managers must be registered under the Investment Advisers Act of 1940.

- b) Prudence** - The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

- i) The "prudent person" standard states that, "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."
  - c. **Ethics and Conflicts of Interest** - Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio.
- 7) **Authorized Financial Institutions, Depositories, and Broker/Dealers**
- a) The City will pre-qualify the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business. Specifics for pre-qualification shall be documented in the Investment Procedures manual.
  - b) Competitive Transactions
    - i) The investment officer shall obtain competitive bid information on all purchases of investment instruments purchased on the secondary market. A competitive bid can be executed through a bidding process involving at least three separate brokers/financial institutions or through the use of a nationally recognized trading platform.
    - ii) If the City is offered a security for which there is no readily available competitive offering on the same specific issue, then the Investment Officer shall document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no complete offerings will be required as all dealers in the selling group offer those securities at the same original issue price.
    - iii) If the City hires an investment adviser to provide investment management services, the adviser must provide documentation of competitive pricing execution on each transaction. The investment adviser will retain documentation and provide upon request.
- 8) **Authorized Investments and Interest Bearing Deposits**
- a) It is the policy of the City of Great Falls to limit investments to those authorized by MCA Title 7 Chapter 6 Part 2. Typical types of securities include (as limited by MCA Title 7 Chapter 6 Part 2):
    - i) United States government treasury bills, notes, and bonds and in United States treasury obligations, such as state and local government series (SLGS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

- ii) Obligations of the following agencies of the United States:
    - (1) federal home loan bank
    - (2) federal national mortgage association
    - (3) federal home mortgage corporation
    - (4) federal farm credit bank
  - iii) Time deposits with a bank, savings and loan association, or credit union.
  - iv) Repurchase agreements
  - v) State of Montana investment pool
  - vi) Interest bearing accounts.
- b) Collateralization - The City of Great Falls restricts acceptable collateral for deposits and repurchase agreements further than the statutory restrictions. All deposits over FDIC or FSLIC insured amount are required to be secured with collateral having a market value of at least 100% of the deposit balance (which is further than discussed in MCA 7-6-205 - 208). Specifics for collateralization shall be documented in the Investment Procedures manual.
- i) Collateral for time deposits must be:
    - (1) U.S. Treasury bills, Bonds, Notes or Certificates of Indebtedness backed by the pledged full faith and credit of the U.S. Government or
    - (2) Obligations of agencies or instrumentalities of the U.S. Government such as the Federal Home Loan Banks, the Federal Land Banks, the Federal Intermediate Credit Banks or the Banks of Cooperatives.

**9) Investment Parameters**

a) Diversification

It is the policy of the City to diversify its investment portfolios. To eliminate risk of loss resulting from the over-concentrations of assets in a specific maturity, issuer, or class of securities, assets in all City of Great Falls funds shall be diversified by maturity, issuer, and class of security. Diversification strategies shall be determined and revised periodically by the investment committee/investment officer for all funds.

Diversification Constraints on Total Holdings

Issuer category	Minimum %	Maximum %
Master, savings, and ICS accounts	20% combined	100%
State STIP's		100%
Money Market/Repurchase Agreements		100%
Treasury Notes and Bills	0%	80%
Direct Obligations	0%	80%
Obligations of agencies of the U.S.	0%	30%

- b) Mitigating market risk in the portfolio - Market risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The City recognizes that, over time, longer-term/core portfolios have the potential to

achieve higher returns. On the other hand, longer-term portfolios have higher volatility of return. The City shall mitigate market risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The City, therefore, adopts the following strategies to control and mitigate its exposure to market risk:

- i) **Maximum Maturities** - To the extent possible, the City of Great Falls shall attempt to match its investments with anticipated cash flow requirements. The City will not directly invest in securities maturing more than five (5) years if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.
- ii) **Buy & Hold Philosophy** - Consistent with our General Standards Ranking - Safety and Liquidity above yield, to the extent possible, the City shall attempt to keep all investments to maturity.
- c) **Centralized Banking** - An accounting system involves keeping accurate, internal records for all funds and accounts. Banking capabilities, such as deposit clearing, warrant/check processing, temporary deposit imbalances, and investment capacity, can best be handled through centralized banking in a minimum of bank accounts. Accordingly, uninvested cash balances should be maintained in the fewest depository accounts possible.

#### **10) Performance Standards/Evaluation**

- a) The investment portfolio will be managed in accordance with the parameters specified within this policy. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.
- b) **Marking to Market** - The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least annually. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed.

#### **11) Safekeeping and Custody**

- a) **Delivery vs. Payment** - All trades of marketable securities will be executed by delivery vs. payment (DVP) basis to ensure that securities are deposited in an eligible financial institution prior to the release of funds.
- b) **Third-Party Safekeeping** - Securities will be held by a third party custodian as evidenced by safekeeping receipts in the City's name.
- c) **Internal Controls** - The Fiscal Services Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Great Falls are protected from loss, theft or misuse. Specifics for the internal controls shall be documented in the Investment Procedures.

**12) Interest Revenue, Interest Receivable, and Mark to Market Distribution**

- a) Interest revenue shall be distributed to funds participating in the pooled cash on a monthly basis. Funds with a negative cash balance will borrow the cash from other funds to cover the negative cash balance. These funds will pay the other funds interest at the current Montana Board of Investments STIP Program interest rate. The different interest rates will be charged because those are the rates the City would have to pay to borrow the cash to cover the negative balances.
- b) Interest receivable shall be distributed to funds participating in the pooled cash on a yearly basis. Funds with a negative cash balance will not receive any interest receivable but will be charged interest. The cash balances used will be point in time and not an average.
- c) A mark to market adjustment shall be distributed to funds participating in the pooled cash on a yearly basis. The cash balances used will be point in time and not an average.

**13) Reporting**

An investment report shall be prepared at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report will be provided to the City Manager, Fiscal Services Director, Investment Committee, and City Commission.

**14) Policy Considerations**

- a) Exemption - Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity, or liquidation, such monies shall be reinvested only as provided in this policy.
- b) Amendments - This policy shall be reviewed on an annual basis. Any changes must be approved by the Great Falls City Commission and any other appropriate authority, as well as the individual(s) charged with maintaining internal controls.

Master plans are the formal studies of current and projected community needs. The plan generally addresses a single operational area or system and is typically created by contracting with independent consultants specializing in that operation or system. Master plan recommendations fall into two categories: administrative and capital improvement programs.

Master plan development is an expensive, time consuming effort. Master plan components, especially the capital improvement programs, are typically updated annually. Updated master plans are used as the basis for capital expenditure recommendations in annual budget development.

Eventually, simply updating master plans is not enough. The dynamic nature of the community, technology, and emerging demands requires a comprehensive reassessment. New master plans are usually developed from scratch every five to ten years, depending on circumstances.

The City of Great Falls has a number of Master Plans, including:

- Comprehensive Master Plan (statutorily prescribed)
- Water System Master Plan
- Sewer System Master Plan
- Storm Drain Master Plan
- Street System Master Plan
- Parks Master Plan



Facility Revolving Schedules (FRS) are currently under development and were in place for the Fiscal Years 2016 and 2017 budget development process in draft form. Once completed the schedules will include:

- A capital improvement program for facilities and facility equipment replacement,
- Comprehensive listings of each existing facility and equipment item subject to replacement,
- Replacement schedules for a period from current to over 5 years, and
- Provisions for replacement reserves to be consistently funded through annual budgets.

A listing of all facilities and their major integral components has been completed. This listing was compiled from insurance and fixed asset records. Initial replacement costs for the records are the insurance replacement costs and estimates based upon the City's most recent cost experience for similar facilities and facility equipment. The Departments will be evaluating the facility conditions and request a replacement or repair date based on their findings.

The primary difficulty will be establishing reserves from scratch for these FRS capital improvement schedules. The schedules will include a number of facilities with immediate capital financing needs. Annual reserve financing for most facilities will involve two annual budget components:

- a) Straight-line funded depreciation on a replacement cost basis, and,
- b) Straight-line amortization of reserves which should have been contributed in prior years.



All City operations fund their Equipment Revolving Schedules (ERS) out of annual operating budgets. Equipment Revolving Schedules in the General Fund were changed in Fiscal Year 2005 to even out lease charges from the General Fund by looking at the ERS funding for the whole General Fund instead of by individual pieces of equipment.

The Central Garage and Information Technology Division serve as records keepers, advisors, and purchasing agents. Each department is responsible for their own analysis of serviceability, projected needs, replacement costs, and replacement timing.

- Initial ERS records are established at time of original or replacement purchase.
- Every year, as a preliminary phase of annual budget development, the ERS for all equipment are analyzed and adjusted.
- Equipment scheduled for replacement in the upcoming budget year is reconsidered before it is included for budget appropriation.
- Before each replacement purchase, the serviceability and need for equipment is reconsidered.
- No equipment is automatically purchased just because it is on a schedule or budgeted for replacement.

There are two Equipment Revolving Schedule (ERS) Programs:

### **1. Vehicles & Equipment (V&E) ERS**

V&E ERS reserves are held in the Central Garage Fund for all governmental fund operations and in the individual fund for each proprietary fund. The Central Garage prepares specifications and administers the purchase process for all capital outlay financed from V&E ERS reserves. In governmental funds the annual internal service charge, paid to the Central Garage Fund for the ERS reserve, is recorded as an expenditure each year. In proprietary funds, the annual addition to the ERS reserve is kept within the fund, and is not charged as an expense.

### **2. Computer ERS**

Computer ERS reserves are held in the Information Technology (IT) Fund. The Information Technology Division prepares specifications and administers the purchase process for all purchases financed from the Computer ERS reserves. The annual internal service charge paid to the IT Fund for the ERS reserve is recorded as an expenditure each year. Central processing computer equipment is owned and purchased in the IT Fund. Computer equipment purchased for operations outside the IT Fund does not reach the \$5,000 capitalization limit per item; therefore does not require capital outlay and fixed asset records within the individual proprietary fund.

The detailed Equipment Revolving Schedules are not shown in this document, but are available from the Central Garage Division in Public Works. For each capital operating item, the detailed listings identify:

- Item description
- Years of estimated life
- Estimated year of replacement
- Reserve goal
- Annual reserve increment
- Reserve balance at the beginning of the year
- Scheduled replacements for the current year
- Projected reserve balances for future year ends
- Additional information



Capital Improvement Programs (CIP) are the long-term plans for scheduling capital outlays and capital projects as needed for on-going operations and efficiency. They typically identify:

- Each item or project's description and justification
- Expected beginning and ending date for each item or project
- The expenditure amount for each year during projects
- The anticipated method of paying for those capital expenditures

For capital projects, the scope, cost, timetables and available funding can be readily analyzed for the next one or two years. After that, it becomes increasingly difficult to estimate costs, timetables, and funding sources.

There are many capital projects which take more than two years to complete. Capital improvement programs plan the multi-year, long-range projects so they can be realistically financed. It is necessary to have capital improvement programs which address projects and financing at least three to five years in the future. The City has used the following criteria to evaluate the relative merit of each capital project:

- Encourage projects which will enhance the sense of community and make Great Falls a better place to live and visit.
- Revise and renew the long-range comprehensive plan.
- Provide quality water, wastewater, sanitation and other services to meet or exceed federal and state standards.
- Provide and annually update long-range capital improvement programs for all City functions.
- Capital investments will foster the City's goals of economic vitality, neighborhood vitality, and preserving the infrastructure and heritage.
- Priority will be given to projects which: can be funded through alternative revenue sources, implement a component of an approved plan, are specifically included in an approved replacement schedule, directly support development efforts in low and moderate income household areas, reduce the cost of operations or energy consumption, and/or, are identified by a board or another department as priorities.
- Projects which duplicate other public and/or private services will not be considered.
- Create a capital improvement program document (separate document).
- Finalize the CIP by matching the project needs to the financing sources.

