

## Reflection Exercise 1

Which local government officials do you work with the most? Circle the ones you work with most often in your role.

- Clerk (may be city or county)
- Treasurer (may be city or county)
- City Council
- County Commission
- Mayor
- City Manager
- County Administrator
- Clerk-Treasurer – in smaller locations this position is often combined
- Finance Director
- Attorney (may be city or county)

How would you describe your relationships with those individuals? Is it contentious? Is it neutral? Is it non-existent? Is it positive? Why did you give the relationship that ranking?

Based on your answers, which officials would you like to learn more about as we learn together about local government and the authority of officials within local government?

## Reflection Exercise 2 – Library Challenges

What challenges is your library facing? What keeps you awake at night?

After hearing about local government challenges, were there any similarities? If so, what are they?

## Reflection Exercises – applying what I’ve learned

1. After learning about the roles and challenges of the different local government positions, what is one thing you could do differently to improve that relationship? Are there specific challenges where the library might be able to help? If so, what are they?

2. After learning about the local government budget act, budgeting, and financial reports, what is one thing you would like to explore further? What is one thing you would like to do differently?

another city or town to act as city judge (See [3-11-205, MCA](#));

- If a city of the third class adopts a commission-manager form of government, it may continue to *appoint* its judge under an ordinance passed pursuant to [7-4-4102, MCA](#) and 45 A.G. Op. 15 (1993).

### 1.204 Principal Statutes Related to Municipal Classification

- [7-1-4111 through 4118, MCA](#)
- See also [7-4-4101 through 4103, MCA](#)
- [Article V, Section 12](#), Constitution of the State of Montana

## 1.3 FORMS OF MUNICIPAL GOVERNMENT

### 1.301 Forms of Government Defined

The 1972 Montana Constitution [Article XI, Section 3](#) requires the legislature to provide optional or alternative *forms of government* (emphasis added) that each unit or combination of units may adopt, amend or abandon by a majority of those voting on the question. In 1975, the legislature responded to this constitutional mandate by enacting [7-3-102, MCA](#), which requires that each unit of local government in Montana adopt one of the following forms of government:

- Town meeting form
- Commission form
- Commission-presiding officer form
- Commission-executive (council-mayor) form
- Commission-manager form
- Charter form

*The form of government refers to a particular structural arrangement of the law-making (legislative) and law-enforcing (executive) structures of the local government. For example, in the town meeting form of municipal government, the law-making (legislative function) is performed directly by the citizens convened in an annual or semi-annual town meeting. By comparison, the law-making function in the typical council-mayor form is carried out by the town or city council acting with the concurrence of an executive mayor possessing veto power. In the commission-manager form, on the other hand, law-making is solely the responsibility of the elected commission while the ordinances adopted by the commission are then carried out by the city employees under the supervision of a city manager.*

Even though there is significant variation in the structural arrangements within each form, the forms of government listed above are the forms of local government generally encountered throughout the United States. In Montana, however, *the commission form* is found only in county government (all but three of Montana's 56 counties use the commission form). All five of the other forms of government are found in one or more of Montana's municipalities, as detailed below.

### 1.302 Permitted Forms of Municipal Government

*The most obvious difference between each of the permitted forms of government is the method of selecting the chief-executive. However, the method of selecting a chief-executive will also significantly impact the governing relationship between the legislative branch of the local government (the commission or council) and the executive branch (the mayor, manager or presiding officer). The structural characteristics and the varying relationship between the legislative and executive branches of each of these forms of government are summarized in Table 1.3.*

**Table 1.3 Forms of Municipal Government in Montana**

Form of Government	With	Without Charter	Totals
Town Meeting	1		1
Commission-Presiding Officer		2	2
Commission Executive (Council-Mayor)	23*	89	112*
Commission-Manager	9	3	12
Totals	<b>33</b>	<b>94</b>	<b>127</b>

\* includes the two consolidated governments

### Town Meeting Form

There is but one example of the town meeting form of municipal government in Montana and that is found in the small community of Pinesdale. This is a form of government authorized by Montana law for only those communities of less than 2,000 residents. It has two distinguishing characteristics. First and most characteristically, it is a form of local government based upon *direct democracy* rather than *representative democracy*, which means that there is no elected council to represent the interests of the community. Rather, the citizens (electors) represent themselves in at least one annual town meeting to make policy decisions, which are to be carried out by an elected *town presiding officer* who is provided with specifically-limited administrative powers sufficient to enable the day-to-day operations of the government. Second and less obviously, the success of this form of government ultimately depends upon the willingness of the community to participate in its own governance through direct and knowledgeable involvement in the annual policy-making meeting.

Whatever advantages the town meeting form may offer a small, relatively homogeneous, community by way of open, participatory, minimalist and inexpensive government, this form of municipal government may also be disadvantaged by a cumbersome decision-making process. In a community facing complex policy issues, such as land-use planning and zoning, and which also has a diversity of neighborhood interests, the more robust decision processes of representative government would probably be required to cope effectively with the modern challenges to municipal government.

### Commission Form

Although permitted by state law and still functioning in a few states, there is no example of the commission form of *municipal* government in Montana. Rather, it is the most frequently encountered form of *county* government with some 53 of Montana's 56 counties using the elected commission form of government.

### Commission-Presiding Officer Form

The commission-presiding officer form of government has been adopted only by Broadview and Virginia City and both in 1976 during the first cycle of Montana's unique Voter Review process. This somewhat unfamiliar form of local government is included as one of the optional forms specifically permitted by Montana law although it is seldom encountered in the United States. It is, in essence, a "parliamentary" form of government in that the elected commission or council of not less than five members *selects a presiding officer from among its own members* to serve as the chief-executive for a term determined by the commission. The presiding officer, who may be called the president or mayor, also retains full voting rights as a member of the commission and is the presiding officer of the commission. Hence, this form fuses legislative responsibilities with substantial executive authority (but not veto power) in a single individual, not unlike a British or Canadian prime minister.

The commission-presiding officer form of municipal government has at least two advantages, which some critics would also recognize as potential liabilities. The most probable advantage of this form, especially in a relatively small community where the pool of willing and competent candidates to serve in municipal government is likely to be quite

limited, is that the chief-executive is recruited directly from those already elected to serve on the municipal council. The elected council becomes the training and selection mechanism for the chief-executive in this form of municipal government. A critic might point out that the apparent advantage of indirect selection of the community's chief-executive officer by the council deprives the electorate of the opportunity to vote for a chief-executive of their choice, thereby reducing electoral accountability.

A second advantage that might be advanced in support of the commission-presiding officer form is that by enabling a majority of the commission to choose the executive, it is likely that the individual will share, in some degree, the political orientation and policy priorities of a majority of the commission. As a result, the community might expect decisive collaborative leadership from its municipal government. On the other hand, a critic might reason that, because the chief-executive serves at the pleasure of the commission, which could reverse its appointment at will, this form of government could be inherently unstable with unpredictable changes in executive leadership accompanied by episodes of unsettling policy reversals.

### **Commission-Executive (Council-Mayor) Form**

By far the most commonly encountered form of municipal government in Montana is the commission-executive form, usually called the "council-mayor" or "aldermanic" form of municipal government. It is characterized by a locally elected city or town council (alternatively referred to as commission in [7-3-201, MCA](#)) and a separately elected executive mayor. With separate elections for and partial separation of the legislative and executive branches, the council-mayor model is the form of local government which most nearly approximates the structures of our familiar national and state models of government. In addition to the 112 Montana cities and towns using this form, the charters of the consolidated city-county governments of Butte-Silver Bow and Anaconda-Deer Lodge also call for a commission-executive form of government.

Most of the cities and towns which use the council-mayor form have never gained voter approval of its adoption by popular initiative or through the Voter Review process. As a consequence, the structures and powers of 90 of these municipalities operating with the statutory version of the council-mayor municipal government are spelled out in state law, as detailed immediately below.

**The Commission.** The statutorily defined version of the council-mayor form provides for a governing and policy-making body (the council) of not less than three members elected to overlapping, four-year terms of office. Council members are required to be elected on a partisan basis by districts (wards) in which they must reside and which must be apportioned by population. In historic terms, this is essentially an "aldermanic" system in which the governing body or commission is comprised of elected members who might be expected to represent both their neighborhoods and their political parties. However, most Montana communities using this statutory form of government simply ignore the requirement for partisan elections or have adopted a local ordinance calling for nonpartisan elections while retaining all other features of this form as required by law. Typically, each ward elects two members to the city council, one of whom is elected every two years thereby establishing the four-year, overlapping terms of office required by law.

**The Executive.** The elected mayor is the chief-executive in the commission-executive form of municipal government. The mayor is elected at large in the community, typically as a nonpartisan candidate irrespective of the statutory requirement that he or she be elected on a partisan basis. The statutory term of office as mayor in this form is four years with no limit placed by law on the number of consecutive terms of office.

The nature and extent of the mayor's executive powers and duties are set forth rather specifically by law [7-3-203, MCA](#). In this statutory form, the mayor as chief-executive is obliged and empowered to enforce state law and local ordinances and has the responsibility of carrying out and administering the policies and resolutions adopted by the council.

Additionally, and unlike the national and state models of government, the mayor serves as the presiding officer of the city or town council and may take part in council discussions but may cast a vote only to break tie votes of the council. The mayor does, however, enjoy *veto power with respect to the ordinances and resolutions adopted by the council. However, an executive veto is subject to a two-thirds override vote by the council.*

The procedurally powerful role of the mayor in serving as the presiding officer of the council is a particularly significant characteristic of this statutorily defined version of the council-mayor form of government. The resulting overlap in executive and legislative functions virtually mandates a cooperative relationship between the mayor and at least a majority of the council if the legislative and policy-making process is to function smoothly. This same pattern of shared responsibilities is extended in a reciprocal way to the administration of the day-to-day affairs of the local government. For example, the mayor's appointments to fill department head positions within the government, as well as vacancies on the various city boards, require the consent expressed in a majority vote of the council. Similarly, the preparation of the annual budget for council consideration and final adoption is also a shared council-mayor responsibility. Finally, though the mayor may exercise broad administrative control and supervision of all city departments and boards, he or she may do so only to the degree authorized by local ordinance adopted by the council.

In summary, the commission-executive (council-mayor) form of municipal government is the most frequently encountered and therefore the most familiar form of local government. In Montana, 112 cities and towns, including the two consolidated units of city-county government, employ some version of this traditional council-mayor form. The separately elected mayor and city or town council typically share general government powers. Nonpartisan and districted (ward-based) elections incline this form of government toward a fairly high degree of political responsiveness in meeting ward and community expectations. However, the shared nature of the executive powers exercised by the mayor, with substantial council involvement, requires a cooperative relationship between the two branches of municipal government which, when absent, limits its capacity for management efficiency.

### **Commission-Manager Form**

Some in Montana might view the commission-manager form as an untried, if not radical, departure from the familiar council-mayor form. In fact, however, the commission-manager form of local government has been in continual and growing use in the United States since the turn of the century and in Montana since 1921 when Bozeman was the first city to adopt this form, apparently in an effort to strengthen its capacity to deal with its then serious financial difficulties. Presently in the United States there are more than 3,600 commission-manager cities. In Montana, 12 municipalities have adopted this form and typically for the same reasons Bozeman did, which was to increase the efficiency of their city government.

Of the 12 commission-manager forms of municipal government now functioning in Montana, nine are embedded within voter approved, self-governing charters. The remaining three communities adopted, with minor variations, the statutory version of the commission-manager form whose structures and powers are set forth specifically in law and described immediately below.

**The Commission.** The role of the city commission in the commission-manager form of government is quite different from that of the traditional city council. Gone are the shared executive powers and day-to-day committee involvement in the administration of city affairs. Gone too are the aldermen representing their neighborhoods, wards, and political parties. In this form of local government, the commission typically has five members elected at large from the community and without political party identification. The commission's much simplified yet more *sophisticated role is to set goals, make policy and then hire a*

*competent and compatible manager to achieve its goals and carry out commission policy.*

Even the role of the presiding officer of the commission carries with it no executive or administrative authority. Although the commission chairperson is often and ambiguously referred to as the “mayor,” she or he has no authority beyond that of presiding over the city commission itself and in doing so may not exercise veto power. The presiding officer of the commission is sometimes selected by the commission from among its own number; however, most manager cities in Montana now directly elect a mayor to serve as the presiding officer of the city commission. In most cases, the chair of the city commission (mayor) may be recognized as the “head of the municipality” for limited ceremonial purposes.

**The Executive (Manager).** The distinctive characteristic of the commission-manager form is that the executive (manager) is hired by and serves at the pleasure of the commission, rather than being elected directly by the voters. Once appointed to the position, the manager is responsible to the commission for the administration of all departments and services of the city. Unlike the shared and blurred executive powers of the mayor in the commission-executive form, described above, the typical Montana city manager has sole responsibility to enforce the law, direct, supervise, hire and fire all employees of the city (except those who may work directly for the commission, such as clerk of the commission) and to prepare the city’s budget for commission approval. Neither the commission nor any individual commissioner may give orders to or even deal with the city employees except through the manager. As in the modern corporation, the commission serves as the “board of directors” and the city manager is the municipal government’s “CEO.”

In summary, the commission-manager form of government is characterized by relatively simple organizational structure, clearly defined responsibilities and powers of the hired professional manager and by the sharply defined policy-making role of the elected commission. A reasonable expectation of this form of government is that the full-time professional manager, directly accountable to an elected commission, will bring a measure of competent efficiency to local governmental operations. In some communities these efficiencies may become imperative in order to cope with the difficult financial conditions and growth problems confronting Montana’s medium size and larger communities in the new century. The aggregate experience of the Montana communities, which have successfully adopted this form of government, tends to bear out this expectation although it would be incorrect to assume that the manager form will produce less expensive government.

### **Charter Form**

Montana law [7-3-102, MCA](#) specifies the “charter form” as one of the enumerated and permitted forms of local government. However, in reality those 33 municipal governments in Montana which have adopted a self-government charter have essentially wrapped a charter around the governing structures described in one of the forms of government described above. For example, both the Billings charter and the Belgrade charter provide for governing structures that are typical of the commission-manager form while the voters of Red Lodge and Troy wrapped a self-government charter around the familiar structures of the council-mayor form of municipal government. Technically, however, these and all of the other municipalities which have adopted self-government charters now operate with the “charter form” of municipal government. (See Table 1.3 for a list of municipalities with charter governments.)

**Charter Requirements:** [Part 7, Chapter 3, Title 7, MCA](#) implements [Article XI, Section 5](#) of the Montana constitution by providing procedures for constructing a local government charter.

In essence, a municipal charter is a voter approved written constitution that defines the powers, structures, privileges, rights and duties of the local government. A charter may also impose limitations on the local government such as property tax mill levy limits and may specifically authorize the local government to perform functions or services not otherwise delegated to “general powers” municipalities. In general, a locally devised self-government charter must:



- Provide for a legislative body and, if other than the town meeting form, the method of election of the members;
- Designate which official will serve as the government’s chief-executive and chief administrative officer and the method of selection, the powers and duties and the grounds for removal from office; and
- Provide for an effective date.

Additionally, the charter may establish other legislative, administrative or organization structures and these provisions are superior to statutory provisions. On the other hand, a charter may not include provisions which conflict with limitations on self-government powers imposed by law or which establish election, initiative or referendum procedures, nor may the charter contain any provisions establishing or modifying the local court system.

### 1.303 Method to Alter the Form of Municipal Government

Under Montana law, there are three methods of altering the form of a local government and *all three methods of alteration require voter approval*:

1. By the Local Government Review process [7-3-171 through 7-3-193, MCA](#) and [Article XI, Section 9](#), Montana State Constitution
2. By citizen petition (initiative) process [7-3-103](#) and [7-3-125, MCA](#)
3. By a council/commission referendum process [7-3-103\(2\), MCA](#)

### Alteration by Local Government Review

This method of altering local government forms and powers (often referred to as the Voter Review process) is unique in the United States. In essence, Montana’s 1972 Constitution requires that every 10 years starting in 1974, the governments in every municipal and county jurisdiction **must** ask their voters whether they wish to elect a panel of citizens to conduct a two-year review of the forms, powers, functions and services of their unit of local government and to make recommendations directly to the voters concerning alterations in the form of government.

Pursuant to [7-3-173, MCA](#) the city/town must pass a resolution that calls for an election on the question of conducting a local government review and establishing a study commission. This resolution must be passed and submitted to the County Elections Administrator by a date determined by the Secretary of State’s office and the question will subsequently appear on the ballot at the primary election. The ballot language is mandated by [7-3-175, MCA](#) and includes both the number of members to be elected to the study commission and the dollar amount or number of mills that will be permissively levied to fund the activities of the study commission. See the Sample Resolution on the following page.

The purpose of a study commission is to “*study the existing form and powers of a local government and procedures for delivery of local government services and compare them with other forms available under the laws of the state*” [7-3-172, MCA](#). The Study Commission’s powers are enumerated at [7-3-183, MCA](#) and include the authority to employ and fix the compensation of necessary staff, contract and cooperate with other agencies, establish advisory boards and committees, retain consultants, and do any other act consistent with and reasonably required to perform its functions. A study commission examining the government of a municipality may recommend amendments to the existing plan of government, recommend any plan of government authorized by Title 7, Chapter 3, parts 1 through 6, draft a charter (or recommendations on amendments to the charter), recommend municipal-county consolidation, recommend disincorporation; or submit no recommendation [7-3-185\(2\)\(a\), MCA](#). In addition, a study commission may

## 2.1 ROLES AND RESPONSIBILITIES

### 2.101 The Chief Executive

**Mayor is the chief executive.** In the commission-executive (council-mayor) and commission-presiding officer form of municipal government, *the mayor is the chief executive* as a matter of law or as provided in the locally adopted charter. In the Commission-manager form of municipal government *the city manager is the chief executive officer and the mayor serves primarily as the presiding officer of the commission* with some ceremonial responsibilities.

**Duties of the mayor.** The primary duties of the mayor as the chief executive officer of the city or town government are detailed at [7-3-203](#), [7-4-4303](#) and [7-5-4102, MCA](#) unless otherwise altered by a locally adopted charter. Foremost among these duties of the mayor is the duty to *enforce state laws and the ordinances and resolutions* adopted by the council. In meeting this responsibility, the mayor is empowered to administer the affairs of the government and supervise all departments and all employees of the city or town. In this regard, it is important to note that in most council-mayor governments the mayor is required to obtain council approval to hire the department heads. However, the mayor has the authority to terminate *for just cause* all non-elected employees of the government, including department heads, and *to do so without reference to the council*, [7-3-213\(3\)](#) and [7-3-113\(1\)\(e\), MCA](#).

**Presiding officer of council.** In most municipal governments the mayor serves as the presiding officer of the council, but *the mayor is not a member of the council and may not be counted among the number necessary to make a quorum*. As the presiding officer of the council the mayor usually prepares the meeting agenda with the assistance of the clerk. The mayor may take part in the discussions of the council but must take care that established council procedures are followed and that each member of the council is treated fairly and with the respect due an elected representative of the community. *The mayor may not vote as other council members but may vote only to break a tie vote of the council*. As presiding officer, the mayor must ensure that members of the public who appear before the council are accorded a reasonable opportunity to present their views and are treated with respect.

**Mayor's veto authority.** Although seldom used, the mayor's authority to veto ordinances and resolutions is an important check and balance in the council-mayor form of municipal government. (The veto is not available to the mayor in the commission-manager form of government.) To exercise veto authority the *mayor must submit in writing his veto and all objections to the pending ordinance or resolution to the council at the next regular meeting*. The council may only *override the mayor's veto of a measure by two thirds vote of the whole number of council members*. If the council fails to override the veto, the ordinance or resolution *must not go into effect* [7-3-214\(2\)](#), [7-3-113\(1\)\(f\)](#) and [7-5-4206, MCA](#).

**Budget preparation.** In most council-mayor forms of municipal government the mayor, with assistance from the clerk/treasurer, has the lead role in assembling the annual budget. However, the relevant statute requires that the mayor prepare the budget ". . . in consultation with the commission and departments heads" [7-3-215\(2\), MCA](#) and [7-3-113\(1\)\(g\), MCA](#). More often than not, a committee of council members serves as the council's working participants in the budgeting process. Although the assembly of budget details is usually accomplished by the executive branch (primarily the clerk) for the mayor's approval, *only the council can finally approve the budget for execution by the executive branch* [7-3-203\(10\), MCA](#).

## 2.102 The Council (Commission)

In all forms of municipal government in Montana the *council (which may be called the commission)* is the governing body. The term commission is often used in commission-manager form of municipal government, whereas the term council is commonly used to refer to the governing body in the council- mayor form of government. The two terms are interchangeable.

**Legislative powers.** All local legislative powers are vested by law in the governing body [7-1-4122, MCA](#) and specifically include the legislative power, subject to state law, to *adopt, amend and repeal ordinances and resolutions* required to: [7-1-4123, MCA](#)

1. Preserve peace and order and secure freedom from dangerous or noxious activities;
2. Secure and promote the general public health and welfare;
3. Provide any service or perform any function authorized or required by state law;
4. Exercise any power granted by state law;
5. Levy any tax, subject to the limits imposed by [15-10-420](#), authorized by state law for public or governmental purposes as described in [7-6-2527, MCA](#);
6. Appropriate public funds;
7. Impose a special assessment reasonably related to the cost of any special service or special benefit provided by the municipality or impose a fee for the provision of a service;
8. Grant franchises; and
9. Provide for its own organization and the management of its affairs.

**Quorum required.** All of the powers indicated above, and any other power exercised by the governing body may only be exercised by the *affirmative vote of a majority of the council members physically present or connected by electronic means in a lawful meeting of the council comprised of no less than a quorum (majority) of the whole number of council members*. A city or town council of four members requires the participation of at least three of its members (not including the mayor) to constitute a quorum. In turn, that quorum of three must deliver at least a majority of two affirmative votes to adopt any measure. (Some measures require a super majority for adoption.) If the entire council of four members is present, a majority of three votes would be required to adopt a measure.

**Voting is council member's governing power.** Upon reflection, a prudent council/ commission member will realize that the only governing power he or she possesses is the power to vote on issues before the commission. A vote for or against a measure is the extent of an individual member's governing power.

**President of the council.** The council is enabled by law to elect from among its number an individual member to serve as presiding officer of the council *in the absence of the mayor* [7-4-4403](#) and [7-3-220, MCA](#). This position is commonly referred to as the *president of the council*. The individual retains all of the voting rights of a council member and does not assume any other responsibility of the mayor.

**Legislative committees.** Although not required by law, most municipal councils in the council---mayor form of government establish working committees comprised of some number of members less than a quorum of the whole council. The members of these legislative committees should be appointed for a term by resolution of the council.

The role of these legislative committees is to study pending issues in detail in order to make knowledgeable recommendations to the whole council. The most frequently encountered legislative Committees are: budget and finance, public works, parks and recreation, and streets and alleys committees. Encountered in some governments is "personnel" or "human resource" committee. In general, the creation of such a committee opens the door to significant conflict with the executive branch and may expose the government to considerable risk of violating the

privacy rights of individual employees. *The creation of a “personnel committee” is not recommended.* A grievance committee, on the other hand, may serve a useful appellate function to review certain employee grievances arising in the executive branch. Such a committee should only be created as an integral component of a carefully crafted and *legally sufficient grievance policy* developed by the executive branch for consideration by the council. (See Chapter III Human Resource Management for a detailed discussion of municipal grievance policies.)

### 2.103 The Municipal Clerk

*See Part II of this Handbook for a comprehensive and detailed presentation of the duties and responsibilities of the municipal clerk and clerk-treasurer along with model policies and standard operating procedures.*

**Clerk of the council.** In virtually all of Montana’s 127 municipal governments, the clerk is critical to communication and coordination between the two branches of government. The city or town clerk usually serves as the recording clerk of the council responsible for posting the legally required notice of the council meetings and the preparation of the legally required minutes of all council meetings. As well, the clerk is responsible for the authentication of all ordinances and resolutions adopted by the council and entering these into a systematic file of resolutions or into the required “Ordinance Book,” which must be re-codified every five years [7-4-4501](#), [7-4-4511](#), [7-4-4512](#), [7-4-4513](#), [7-5-107](#) and [7-5-4201](#), MCA.

**Officer of the executive branch.** Even though providing essential administrative support to the council, the clerk is also an executive branch officer and department head who usually serves as administrative assistant to the mayor; for example, assisting with the budget and preparing the agenda for council meetings.

**Clerk-Treasurer.** In almost all units of the council-mayor form of municipal government in Montana the city or town clerk also serves as the “treasurer” and is referred to as the “clerk- treasurer.” Most often in this role the clerk-treasurer is essentially the “chief financial officer” of the municipality. As such, the clerk-treasurer is responsible to the mayor for the municipal accounting system, the billing and collecting of all utility fees (such as the water and waste water service fees), the processing of all claims for payment for approval by the council and mayor, and the assembly of the annual operating budgets for as many as 20 separate governmental funds. At the conclusion of the fiscal year, the clerk-treasurer is responsible for the preparation of the required Annual Financial Report (AFR) for submission to the state Department of Administration. (See [7-4-4101](#), [4102](#) and [4103](#), MCA and especially [7-4-4106](#), MCA for authority to consolidate the offices of clerk and treasurer.)

### 2.104 The City Attorney

The appointment of a city attorney is not required by law but is thought by many local officials to be a practical necessity and is common practice in all classes of cities and towns. To be appointed as a city attorney the person must have been licensed to practice as an attorney in Montana. If the attorney is to serve as an independent contractor, rather than as an in-house employee in the larger municipalities, the two-year appointment required by law is made by the mayor and is subject to the approval of the city or town council. *The appointment should take the form of a two-year written contract* that specifies the duties expected to be performed for the government by the city attorney, the amount and type of compensation, and the supervising official.

The duties of the city attorney that are required by law [7-4-4604](#), MCA include:

1. Appear before the city court and other courts and prosecute on behalf of the city;
2. Serve upon the attorney general within 10 days of the filing or receipt a copy of any notice of appeal that the city attorney files or receives in a criminal proceeding;

3. When required, draft for the city council contracts and ordinances for the government of the city;
4. When required, give to the mayor or city council written opinions on questions pertaining to the duties and the rights, liabilities, and powers of the city; and
5. Perform other duties that pertain to the functions of the city council or that the city council prescribes by resolution.

The engagement of a city attorney does not prevent the city or town council from retaining separate legal counsel to provide additional legal services such as specialized representation or litigation.

## 2.105 The Department Heads

In all cities and towns, the delivery of essential municipal services is provided by the several departments that comprise the operating capacity of a municipal government. With significant variation depending upon the size of the government, these service delivery departments usually include:

- Police Department
- Fire Department (required only in Class 1 and Class 2 Cities)
- Public Works Department
- Public Utilities Departments
- Parks and Recreation
- Planning Department
- Administration Department
- Finance Department

The duties and responsibilities of each of these departments are generally defined in state law and should be detailed in local operating policies prepared by the executive and approved by the council. Here it is important to note that the heads of these departments in the council-mayor form of government are *appointed (hired) by the mayor with the consent of the commission* and are supervised by the mayor unless otherwise provided by ordinance. However, the *department heads may be terminated for "just cause" by the mayor without reference to the council*, as is the case with all other employees of the municipal government.

Prudent council members will take care to *deal with department heads through the mayor or city manager* so as to avoid any possibility of disrupting the supervisory chain of command. The individual likely to be compromised in such a circumstance, as too often occurs in municipal government, is not the council member nor the mayor but the department head, who is, after all, *supervised solely by the mayor*.

## 2.106 Executive Supervisory Role vs. Legislative Oversight Role

One of the most persistent and disabling problems encountered in the council-mayor form of municipal government is confusion concerning the proper roles of the mayor and council members in supervising employees of the government, especially the department heads.

The *supervisory powers of the mayor* are set forth in some detail at [7-3-113](#), [7-3-213\(3\)](#), [7-3--216\(2\)](#), and [7-4-4303, MCA](#). It is reasonably clear that these sections of law contemplate that the mayor, not the council, is to exercise supervisory responsibility for all departments and employees.

On the other hand, the *legislative oversight* responsibilities of the council are set forth primarily at [7-3-203](#) (4), (6), (7) and (8), MCA and even more directly at [7-5-4101, MCA](#). These sections of law make clear that the *council's role is to set policy in the form of ordinances and resolutions* and then to ensure that those policies are

carried into effect by empowering the council to require the mayor to report to the council on the affairs and financial condition of the government and *such other matters as the council may require*.

Perhaps because the citizen-volunteers who have been elected to govern their community are real people who may or may not have had previous experience in government or any other complex organization, the challenge of maintaining a *working balance between executive supervision and legislative oversight is problematic*. It may be helpful for these elected officials to think of the corporate model of the C.E.O. who runs the business and the Board of Directors that sets the goals and policies of the firm. This is the model that most Montana school boards employ quite successfully and is the model that characterizes the commission-manager form of municipal government wherein the commission is specifically admonished in law to refrain from giving any orders to the municipal employees or even dealing with employees except through the city manager.

While such rigid separation of the executive and legislative roles may not be functionally practical in the smaller units of the council-mayor form of government, it is nevertheless critical that council members, especially newly elected council members, refrain from involving themselves in the supervision of the municipal staff. That is the mayor's job. The council's job is to work through the mayor to ensure that the council's policies are being carried out as the council intended.

Effective and efficient governance in the municipal council-mayor form of government depends upon reciprocal *respect for the municipal officials who comprise the "fragile triangle" of governing responsibilities: the council-the mayor-the department heads*. Reciprocal respect among these municipal officials will almost certainly result in a more efficient municipal government. And when absent, the ability of these officials to govern as a team will almost certainly be lost and will probably result in paralysis of the government and an erosion of citizen trust in the ability of the government to serve its community.

## 2.107 Boards and Commissions

A number of boards and commissions are either required or enabled by law to be created and staffed by appointment of the governing body. Additionally, both the mayor and the council have wide discretion to create virtually any advisory committees viewed as necessary or convenient to promote the public health, safety and welfare and to appoint citizens to serve on these committees. Such citizen advisory committees should be created by resolution of the council, which should include the appointment process to be followed by the mayor and council. These ad hoc, *citizen advisory committees* should not be confused with the *legislative committees* described in Section 2.102.

The size, membership tenure and scope of responsibility of most of the required boards or commissions are set forth in statute, as cited below:

<b>Board Name</b>	<b>Enabling Statute</b>
Board of Adjustment	<a href="#">76-2-321, MCA</a>
Cemetery District Board of Trustees	<a href="#">7-35-2131, MCA</a>
Library Board of Trustees	<a href="#">22-1-308, MCA</a>
Planning Board	<a href="#">76-1-221, MCA</a>
Police Commission	<a href="#">7-32-4151, MCA</a>
Zoning Commission	<a href="#">76-2-307, MCA</a>

For more information on serving on boards and specific board statute, please refer to the Montana Local Government Board Handbook published by the Local Government Center. This publication may be purchased

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## WHAT ARE THE POWERS AND RESPONSIBILITIES OF THE COUNTY COMMISSION?

Powers are limited by state law, but commissioners may exercise broad authority in these and other areas:

- Build and maintain roads, bridges, and sometimes airports
- Control and care for county property
- Appoint numerous advisory and decision-making boards such as the tax appeal board, planning board, fair board, weed board, airport authority, etc.
- Prepare, review and decide on the annual county budget
- Hire and fire county employees under their supervision\*
- Adopt and administer personnel policies and negotiate union contracts
- Provide for law enforcement and correctional facilities in the county
- Plan and provide for parks, playgrounds, and other recreational facilities
- Provide for solid waste collection and disposal
- Develop and enforce building codes
- Provide for the general health and welfare of county residents
- Promote economic and industrial development
- Undertake comprehensive planning, zoning and development controls, and review subdivisions

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\* Because a number of other county officials are elected directly by the people of the county, the commissioners cannot directly control all county policies. Even though they have to budget for these offices, county commissioners have little or no say in how they are run. Many citizens do not understand that their commissioners' power is limited in this way. These are some of the other elected offices of county government: clerk of court, justice of the peace, clerk and recorder, sheriff, coroner, surveyor, treasurer. Also, school systems in Montana operate independently of the county governments.

Additional powers are available to county governments as may be specified by the legislature. Sources for more information on this topic are given on page 12.

No two counties provide exactly the same set of services. When you look at the types of services that counties choose to provide, you see a broad range, including street maintenance, garbage pickup, recycling programs, landfills, hospitals and/or nursing homes, libraries, parks and recreation, police and fire protection, and water and sewer facilities. For some counties, providing such services is relatively new and reflects the shifting responsibilities of formerly rural counties that now must meet the demands of growing suburban populations.

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## KEY LEADERSHIP RESPONSIBILITIES OF COUNTY COMMISSIONERS

It is a major oversimplification to say elected officials make policy and appointed executives carry it out. This policy/administration distinction doesn't exist in the real world. Some seemingly administrative decisions (facility location, for instance, or adoption of new technologies) actually have profound policy dimensions. Likewise, governing bodies adopting broad policy measures often also give managers explicit direction in how those measures are to be implemented.

Professor James Svava of North Carolina State University has proposed a continuum of four functions performed by government officials: mission, policy, administration and management. A county leader may, at different times, act in any or all of these areas.

- 1) **Mission:** the basic philosophy and broad goals of the organization. Example: growth or no-growth.
- 2) **Policy:** basic decisions about how to allocate resources. Example: add or eliminate a specific program.
- 3) **Administration:** how services are actually delivered. Example: site selection.
- 4) **Management:** controlling and using human, physical and information resources to provide services. Example: hiring and firing.



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## WHAT ARE SOME OF THE BIG PROBLEMS FACING COUNTY GOVERNMENT TODAY?

A new commissioner taking office may discover that many decisions affecting his or her term have already been made. One reason for this involves the issue of unfunded mandates.

Mandates are legal requirements imposed by the federal and state governments. Often, local government mandates are passed without funding by state and federal lawmakers. In these cases, local governments have to pay the cost of implementing them. Some examples of unfunded mandates are those setting requirements for waste management, pollution control, treatment of prisoners, providing disabled citizens with easy access to government buildings, voter registration, and training for various personnel.

When commissioners begin working on the county budget, many of the expenditures have already been determined by unfunded mandates, which must be met by certain deadlines. Because the end-of-year budget must balance, only a portion of the budget is left to pay for everything else that county citizens want. So, before promising to eliminate any program or service, make sure it is not legally mandated by the federal or state government.

Montana counties are looking at ways to spread the tax burden by expanding their sources of revenue or finding new ones to keep up with increasing demands. Montana law limits the opportunities that counties have to raise revenue, so commissioners are not always free to take any approach that seems attractive. At the same time, commissioners need to find ways to conduct government business more efficiently and to eliminate waste so that tax dollars are spent wisely.

### LIABILITY

Being held personally responsible for official actions is a matter of great concern to anyone seeking public office. Sometimes, local government officials have had to learn the hard way they may be held accountable personally for injuries resulting from enforcing county policies or customs, even when they are carried out in good faith. They are often named in lawsuits. The good news is that when proper procedures are followed, the likelihood of public officials winning such liability suits is excellent.

## **GROWTH MANAGEMENT**

Growth management is one of the toughest problems facing local governments today. Either the problem arises from too rapid growth (primarily in the western part of the state), or too little growth (primarily in the eastern part of the state).

In counties experiencing rapid growth, commissioners must grapple with how to pay for adequate infrastructure to meet increased demand, and how to preserve agriculture and quality of life. In counties experiencing slow or negative growth, commissioners are challenged to provide adequate county services with a declining tax base. Commissioners in these counties must work on economic development initiatives to stabilize their threatened economies.

In either case, growth related problems inevitably create tension in counties, and make the job of county commissioners increasingly stressful and difficult. Commissioners in counties with growth problems need to be extra vigilant to fully involve their citizens in the development of growth-related policies. These are the policies which affect the very fabric of a county.

## **WASTE MANAGEMENT**

Another important issue facing local governments is how to dispose of waste. Land area for dumping waste is limited, federal regulations relating to managing landfills are stringent and expensive, and environmental and health problems and public relations related to waste disposal make landfill operations more of a problem.

## **PERSONNEL ADMINISTRATION**

Montana counties are important employers for their communities. Commissioners need to develop, adopt and implement employment policies which are professional, legally defensible, and which assure that the county can attract and retain quality employees to serve the citizens effectively. Failure to administer personnel policies consistently and competently exposes the county to legal liability and an unproductive workforce. The issue of human resource management is continually rising in importance under complex state and federal employment regulations and as the demand for skilled employees increases. The complexity of the tasks required of county governments and the increasing reliance on technology to conduct business has caused an ever-increasing need for highly trained employees who have specialized expertise. You can't deliver county services without qualified staff. Attracting, retaining and motivating these employees is a fundamental responsibility of a county commissioner.

07/13/21  
08:54:16

TOWN OF VALLER  
Statement of Revenue Budget vs Actuals  
For the Accounting Period: 6 / 21

Page: 1 of 1  
Report ID: B110

2220 LIBRARY

Account	Received Current Month	Received YTD	Estimated Revenue	Revenue To Be Received	% Received
310000 TAXES					
311000 Tax Collected	0.00	47,829.69	86,643.00	38,813.31	55 %
<b>Account Group Total:</b>	<b>0.00</b>	<b>47,829.69</b>	<b>86,643.00</b>	<b>38,813.31</b>	<b>55 %</b>
330000 INTERGOVERNMENTAL REVENUES					
334100 County Library Fnd - State Aid	0.00	0.00	15,000.00	15,000.00	0 %
<b>Account Group Total:</b>	<b>0.00</b>	<b>0.00</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>0 %</b>
340000 CHARGES FOR SERVICES					
346070 Fax/Copies	30.50	498.60	165.00	-333.60	302 %
346071 Inter Library Loan Books	0.00	0.00	50.00	50.00	0 %
<b>Account Group Total:</b>	<b>30.50</b>	<b>498.60</b>	<b>215.00</b>	<b>-283.60</b>	<b>232 %</b>
350000					
351030 Fines	0.00	3.00	100.00	97.00	3 %
<b>Account Group Total:</b>	<b>0.00</b>	<b>3.00</b>	<b>100.00</b>	<b>97.00</b>	<b>3 %</b>
360000 MISCELLANEOUS REVENUES					
362100 Miscellaneous	528.50	48,643.11	0.00	-48,643.11	** %
362101 Creativity Center	0.00	1,025.00	300.00	-725.00	342 %
362200 Pathfinder	0.00	0.00	2,215.00	2,215.00	0 %
365010 Contributions & Donations	0.00	0.00	750.00	750.00	0 %
<b>Account Group Total:</b>	<b>528.50</b>	<b>49,668.11</b>	<b>3,265.00</b>	<b>-46,403.11</b>	<b>*** %</b>
<b>Fund Total:</b>	<b>559.00</b>	<b>97,999.40</b>	<b>105,223.00</b>	<b>7,223.60</b>	<b>93 %</b>
<b>Grand Total:</b>	<b>559.00</b>	<b>97,999.40</b>	<b>105,223.00</b>	<b>7,223.60</b>	<b>93 %</b>

07/13/21  
08:51:37

TOWN OF VALIER  
Statement of Expenditure - Budget vs. Actual Report  
For the Accounting Period: 6 / 21

Page: 1 of 2  
Report ID: B100

2220 LIBRARY

Account	Object	Committed Current Month	Committed YTD	Original Appropriation	Current Appropriation	Available Appropriation	% Committed
460000 CULTURES AND RECREATION							
460110 Library Wages							
111	Full Time Employees	0.00	26,370.01	28,800.00	28,800.00	2,429.99	92 %
112	Pt Time/Seasonal	0.00	1,444.01	2,491.00	2,491.00	1,046.99	58 %
131	Health Insurance Contribution	216.66	2,599.92	2,600.00	2,600.00	-0.08	100 %
141	Unemployment Ins.	0.00	41.73	47.00	47.00	5.27	89 %
142	Workers Comp	0.00	115.41	138.00	138.00	22.59	84 %
143	FICA	0.00	2,127.77	2,394.00	2,394.00	266.23	89 %
144	PERS	0.00	2,288.84	2,497.00	2,497.00	208.16	92 %
	<b>Account Total:</b>	<b>216.66</b>	<b>34,987.69</b>	<b>38,967.00</b>	<b>38,967.00</b>	<b>3,979.31</b>	<b>90 %</b>
460120 Library Facilities							
220	Supplies	907.80	6,719.81	6,902.00	6,902.00	182.19	97 %
310	Postage & Shipping	263.15	1,198.05	950.00	950.00	-248.05	126 %
330	Fees, Permits & Subscriptions	0.00	526.57	525.00	525.00	-1.57	100 %
340	Utilities - Gas, Electric & Telephone	267.01	3,507.69	4,920.00	4,920.00	1,412.31	71 %
350	Professional Services	265.00	3,396.50	4,412.00	4,412.00	1,015.50	77 %
360	Repair & Maintenance Services	124.63	862.65	1,500.00	1,500.00	637.35	58 %
920	Buildings	0.00	0.00	1,103.00	1,103.00	1,103.00	80 %
	<b>Account Total:</b>	<b>1,827.59</b>	<b>16,211.27</b>	<b>20,312.00</b>	<b>20,312.00</b>	<b>4,100.73</b>	<b>80 %</b>
460125 Library Training							
370	Travel	0.00	0.00	2,750.00	2,750.00	2,750.00	26 %
380	Training	0.00	179.00	700.00	700.00	521.00	26 %
	<b>Account Total:</b>	<b>0.00</b>	<b>179.00</b>	<b>3,450.00</b>	<b>3,450.00</b>	<b>3,271.00</b>	<b>5 %</b>
460130 Library Circulation							
220	Supplies	528.82	8,783.37	10,000.00	10,000.00	1,216.63	88 %
222	Subscriptions	36.00	498.28	750.00	750.00	251.72	66 %
310	Postage & Shipping	7.98	272.74	300.00	300.00	27.26	91 %
330	Fees, Permits & Subscriptions	0.00	3,098.81	3,500.00	3,500.00	401.19	89 %
	<b>Account Total:</b>	<b>572.80</b>	<b>12,653.20</b>	<b>14,550.00</b>	<b>14,550.00</b>	<b>1,896.80</b>	<b>87 %</b>
460150 Library Technical Services							
220	Supplies	0.00	972.16	17,500.00	17,500.00	16,527.84	6 %
350	Professional Services	0.00	402.71	900.00	900.00	497.29	45 %
	<b>Account Total:</b>	<b>0.00</b>	<b>1,374.87</b>	<b>18,400.00</b>	<b>18,400.00</b>	<b>17,025.13</b>	<b>7 %</b>
460160 Library Children's Services							
220	Supplies	212.78	2,498.12	5,000.00	5,000.00	2,501.88	50 %
310	Postage & Shipping	0.00	0.00	50.00	50.00	50.00	0 %
350	Professional Services	300.00	300.00	850.00	850.00	550.00	35 %
	<b>Account Total:</b>	<b>512.78</b>	<b>2,798.12</b>	<b>5,900.00</b>	<b>5,900.00</b>	<b>3,101.88</b>	<b>47 %</b>
	<b>Account Group Total:</b>	<b>3,129.83</b>	<b>68,204.15</b>	<b>101,579.00</b>	<b>101,579.00</b>	<b>33,374.85</b>	<b>67 %</b>
	<b>Fund Total:</b>	<b>3,129.83</b>	<b>68,204.15</b>	<b>101,579.00</b>	<b>101,579.00</b>	<b>33,374.85</b>	<b>67 %</b>
	<b>Grand Total:</b>	<b>3,129.83</b>	<b>0.00</b>	<b>101,579.00</b>	<b>101,579.00</b>	<b>33,374.85</b>	<b>67 %</b>

# Library Finance 101

## Basic Principle for Library Finances

The finances of the library are generally accounted for within a city or county fund (BARS fund number 2220). However other funds may be established for specific purposes and with statutory authority.

## Trust Funds

Trust funds may be established for specific contributions and donations.

- Expendable Trust Fund – BARS 2701-2799
- Nonexpendable Trust Fund – BARS 8030-8100

## Library Depreciation Reserve Fund

The Library Board is authorized to set up a library depreciation fund through MCA 22-1-305 and MCA 22-1-306. The source of these funds is unused library appropriations either from the library fund or investment earnings.

- Called Capital Project Funds – find them in BARS 4000-4099
- Interest earned on the library depreciation fund goes back to the library depreciation fund not the county's general fund or even the library's fund.
- Use this money for replacement and acquisition of property, capital improvements and equipment necessary to maintain and improve library services.

## Library Revenue Streams

- Taxation – either through a dedicated library levy mill or a portion of city/county general fund mill.
- Grants/Entitlements – grants can come from any source. State grants reside in this category. Grants from foundations or other non-profit entities and federal grants are also included in this category.
- Contributions/Donations
- State Shared Revenues
  - State Entitlement Share – library may receive part of an entitlement check that goes to counties.
  - State Aid to Libraries – monies the library receives each year through the state library
- Fines
- Investment Earnings

## Library Expenditures

Includes all the necessary expenditures to run the library – supplies, collection, etc.

## Library Budgeting

Is subject to the Local Government Budget Act contained in Title 7, Chapter 6, Part 40

- Must have a balanced budget meaning Total Requirements = Total Resources
- Revenue/expenditures are estimated using prior year numbers and knowledge of changes in spending or income.

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## Part 40

### Local Government Budget Act

**7-6-4001. Short title — applicability.** (1) This part may be referred to as the "Local Government Budget Act".

(2) This part applies to all local governments.

History: En. Sec. 9, Ch. 278, L. 2001.

**7-6-4002. Definitions.** As used in this part, unless the context requires otherwise, the following definitions apply:

(1) "Governing body" means the elected body responsible for the administration of a local government.

(2) "Local government" has the meaning provided in 7-6-602.

(3) "Municipality" means an incorporated city or town.

(4) "Working capital" means the current assets of a fund minus the current liabilities and designated reserves of a fund.

History: En. Sec. 10, Ch. 278, L. 2001.

**7-6-4003. Budget and levies supplied to department of administration.** (1) A local government shall submit a complete copy of the final budget together with a statement of tax levies to the department of administration by the later of October 1 or 60 days after receipt of taxable values from the department of revenue. The county clerk and recorder shall make this submission for counties.

(2) The local government shall use standard forms prescribed by the department of administration or may use an alternative budget format acceptable to the department of administration.

History: En. Sec. 11, Ch. 278, L. 2001; amd. Sec. 221(1), Ch. 483, L. 2001.

**7-6-4004. Budget fund structure.** Local government budgets must conform to the fund structure prescribed by the department of administration.

History: En. Sec. 12, Ch. 278, L. 2001; amd. Sec. 221(1), Ch. 483, L. 2001.

**7-6-4005. Expenditures limited to appropriations.** (1) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.

(2) A local government official who violates subsection (1) is liable for the amount of the excess disbursement, expenditure, or obligation personally.

(3) The subsequent claims approval process may not be considered as the making of a disbursement or an expenditure or as incurring an obligation and does not otherwise limit or mitigate the local government official's personal liability.

History: En. Sec. 13, Ch. 278, L. 2001; amd. Sec. 6, Ch. 209, L. 2005.

**7-6-4006. Appropriation power — requirements.** (1) A governing body may appropriate money and provide for the payment of the debts and expenses of the local government.

(2) Money may not be disbursed, expended, or obligated except pursuant to an appropriation for which working capital is or will be available.

(3) Appropriations may be adjusted according to procedures authorized by the governing body for:

(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.

(4) The governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. Budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

History: En. Sec. 14, Ch. 278, L. 2001.

**7-6-4007 through 7-6-4010 reserved.**

**7-6-4011. Use of bond proceeds and borrowed money.** (1) Except as otherwise provided by law, money borrowed by a local government may be used only for the purpose for which the money was borrowed. Unless restricted by law, surplus borrowed money may be used to redeem the debt for which the money was borrowed.

(2) The authorization of bonds by the electors or the governing body constitutes the appropriation of the bond proceeds for the purpose for which the bonds are authorized.

History: En. Sec. 15, Ch. 278, L. 2001.

**7-6-4012. Fee based budgets — adjustable appropriation.** (1) In its final budget resolution, the governing body may authorize adjustments to appropriations funded by fees throughout the budget period. Adjustable appropriations are:

(a) proprietary fund appropriations; or

(b) other appropriations specifically identified in the local government's final budget resolution as fee-based appropriations.

(2) Adjustments of fee-based appropriations must be:

(a) based upon the cost of providing the services supported by the fee; and

(b) fully funded by the related fees for services, fund reserves, or nonfee revenue such as interest.

History: En. Sec. 16, Ch. 278, L. 2001.

**7-6-4013. Fees for services — hearing and resolution.** (1) If a local government has the authority to regulate, establish, and change fees, rates, charges, and classifications that are imposed for services to its inhabitants and other persons served by the local government, the fees, rates, charges, and classifications must be reasonable and related to the cost of providing the service.

(2) Charges for services must comply with Title 17, chapter 2, part 3, and other applicable statutes.

(3) In order to establish or change fees, rates, charges, or classifications imposed for services, the governing body shall order a hearing to be held as provided in 7-1-4131, unless a special hearing process is provided by law. Municipal utility rate hearings must be held as provided in 69-7-112.

(4) Notice of a hearing must be published as provided in 7-1-2121 for a county and as provided in 7-1-4127 for a municipality.

(5) After a hearing, the fees, rates, charges, or classifications must be established by resolution of the governing body.

History: En. Sec. 17, Ch. 278, L. 2001.

**7-6-4014. Restriction on tax-financed expenditures if voter approval required.** If an expenditure is to be financed from a tax levy required to be authorized and approved at an election, the expenditure may not be made or an obligation may not be incurred against the expenditure until the tax levy is authorized and approved.

History: En. Sec. 18, Ch. 278, L. 2001.

**7-6-4015. Payments for judgments.** (1) Judgments against a local government that are not covered by insurance may be paid:

(a) from the general fund; or

(b) from the fund or funds supporting the local government operation that incurred the judgment.

(2) Judgments that are to be paid from the general fund:

(a) must be paid in the current fiscal year if there is sufficient money in the general fund to pay both the judgment and the general fund appropriations for the current fiscal year; or  
(b) must be paid from additional tax levies made in each of the next 3 years if general fund money is insufficient to pay the judgment in the current fiscal year.

History: En. Sec. 19, Ch. 278, L. 2001.

**7-6-4016 through 7-6-4019 reserved.**

**7-6-4020. Preliminary annual operating budget.** (1) A preliminary annual operating budget must be prepared for the local government.

(2) This part does not provide for the consolidation or reassignment, but does not prohibit delegation by mutual agreement, of any duties of elected county officials.

(3) (a) Before June 1 of each year, the county clerk and recorder shall notify the county commission and each board, office, regional resource authority, or official that they are required to file preliminary budget proposals for their component of the total county budget.

(b) Component budgets must be submitted to the clerk and recorder before June 10th or on a date designated by the county commission and must be submitted on forms provided by the county clerk and recorder.

(c) The county clerk and recorder shall prepare and submit the county's preliminary annual operating budget.

(d) Component budget responsibilities as provided in this subsection (3) include but are not limited to the following:

(i) The county surveyor or any special engineer shall compute road and bridge component budgets and submit them to the county commission.

(ii) The county commission shall submit road and bridge component budgets.

(iii) The county treasurer shall submit debt service component budgets.

(iv) The county commission shall submit component budgets for construction or improvements to be made from new general obligation debt.

(4) The preliminary annual operating budget for each fund must include, at a minimum:

(a) a listing of all revenue and other resources for the prior budget year, current budget year, and proposed budget year;

(b) a listing of all expenditures for the prior budget year, the current budget year, and the proposed budget year. All expenditures must be classified under one of the following categories:

(i) salaries and wages;

(ii) operations and maintenance;

(iii) capital outlay;

(iv) debt service; or

(v) transfers out.

(c) a projection of changes in fund balances or cash balances available for governmental fund types and a projection of changes in cash balances and working capital for proprietary fund types. This projection must be supported by a summary for each fund or group of funds listing the estimated beginning balance plus estimated revenue, less proposed expenditures, cash reserves, and estimated ending balances.

(d) a detailed list of proposed capital expenditures and a list of proposed major capital projects for the budget year;

(e) financial data on current and future debt obligations;

(f) schedules or summary tables of personnel or position counts for the prior budget year, current budget year, and proposed budget year. The budgeted amounts for personnel services must be supported by a listing of positions, salaries, and benefits for all positions of the local government. The listing of positions, salaries, and benefits is not required to be part of the budget document.

(g) all other estimates that fall under the purview of the budget.

(5) The preliminary annual operating budget for each fund for which the local government will levy an ad valorem property tax must include the estimated amount to be raised by the tax.

History: En. Sec. 20, Ch. 278, L. 2001; amd. Sec. 25, Ch. 351, L. 2009.



**7-6-4021. Notice of preliminary or amended budget.** (1) The governing body shall cause a notice of a public hearing on the preliminary or amended budget to be published. The notice must:

(a) provide that the governing body has completed its preliminary annual budget for the ensuing fiscal year or intends to amend its annual budget;

(b) state that the budget or budget amendment has been placed on file and is open to inspection in the county or municipal office designated in the notice;

(c) designate the date, time, and place of the meeting at which the governing body will meet for approving a final budget or amended budget and making appropriations; and

(d) state that any taxpayer or resident may appear at the meeting and be heard for or against any part of the proposed budget or budget amendment.

(2) The publication requirements must conform to the provisions of 7-1-2121 for a county or 7-1-4127 for a municipality.

**History:** En. Sec. 21, Ch. 278, L. 2001.

**7-6-4022. District court budgets.** (1) The district court must be provided with copies of the preliminary district court fund budget as soon as the preliminary county budget is prepared pursuant to 7-6-4020.

(2) The district court may recommend changes to any part of the district court fund budget that the court considers to be necessary for it to discharge its obligations under the law. Any recommendations must be made at the hearing on the preliminary budget held pursuant to 7-6-4024.

(3) The district court fund may be used only for district court operations and expenses.

**History:** En. Sec. 22, Ch. 278, L. 2001.

#### **Cross-References**

Salary of County Attorney — one-half payable from county general fund, 7-4-2502.

Salary of County Attorney and Deputy County Attorney, 7-4-2503.

Enumeration of county charges — one-half salary of County Attorney, 7-6-2426.

County levy for certain court expenses, 7-6-2511.

Imposition of charge upon conviction or forfeiture — use of money for salaries of city or town attorney and deputies and Deputy County Attorney, 46-18-236.

**7-6-4023. Repealed.** Sec. 74, Ch. 449, L. 2005; Sec. 21, Ch. 453, L. 2005.

**History:** En. Sec. 23, Ch. 278, L. 2001.

**7-6-4024. Hearing on preliminary budget.** (1) The governing body shall hold a hearing in accordance with the notice given pursuant to 7-6-4021.

(2) Local government officials shall attend the budget hearing to answer questions on their proposed budgets if called upon:

(a) by the governing body; or

(b) by a taxpayer or resident.

(3) The hearing may be continued from day to day and must be concluded and the budget finally 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.

**History:** En. Sec. 24, Ch. 278, L. 2001; amd. Sec. 2, Ch. 62, L. 2013.

**7-6-4025. Receipt and expenditure of money prior to adoption of final budget.** A local government may receive and expend money between July 1 of the fiscal year and the date the final budget resolution is adopted.

**History:** En. Sec. 25, Ch. 278, L. 2001.

**7-6-4026 through 7-6-4029 reserved.**

**7-6-4030. Final budget — resolution — appropriations.** (1) The governing body may amend the preliminary budget after the public hearing and after considering any public comment.

(2) The amended budget constitutes the final budget. The final budget must be balanced so that appropriations do not exceed the projected beginning balance plus the estimated revenue of each fund for the fiscal year.

(3) The governing body shall adopt the final budget by resolution. The resolution must:

- (a) authorize appropriations to defray the expenses or liabilities for the fiscal year; and
- (b) establish legal spending limits at the level of detail in the resolution.

(4) The effective date of the resolution is July 1 of the fiscal year, even if the resolution is adopted after that date.

**History: En. Sec. 26, Ch. 278, L. 2001.**

**7-6-4031. Budget amendment procedures.** (1) The final budget resolution may authorize the governing body or a designated official to transfer appropriations between items within the same fund.

(2) The annual budget appropriations may be amended as provided in 7-6-4006(3) and 7-6-4012.

(3) Except as provided in 7-6-4006, 7-6-4011, 7-6-4012, 7-6-4015, and 7-6-4032 or in the case of an emergency under Title 10, chapter 3, a public hearing is required for an overall increase in appropriation authority.

**History: En. Sec. 27, Ch. 278, L. 2001.**

**7-6-4032. Emergency expenditures.** (1) Emergency budget appropriations must be adopted by two-thirds of the members of a governing body who are present at a meeting.

(2) Emergency expenditures are limited to and must be charged to the adopted emergency budget appropriations.

(3) The governing body may submit the question of funding emergency warrants at an election as provided by law.

**History: En. Sec. 28, Ch. 278, L. 2001.**

**7-6-4033. Expenditure limitation.** Except as provided in 7-6-4006, 7-6-4011, 7-6-4012, 7-6-4015, and 7-6-4032, the governing body, each county or municipal official, and the district courts are limited to the amount of appropriations and by the classifications in the annual appropriation resolution provided for in 7-6-4030 when making disbursements or expenditures or incurring liabilities.

**History: En. Sec. 29, Ch. 278, L. 2001.**

**7-6-4034. Determination of fund requirements — property tax levy.** (1) After determining the final budget, the governing body shall determine the property tax levy needed for each fund by:

- (a) adding the total amount of the appropriations and authorized expenditures for the budget year;
- (b) adding an additional amount, subject to the provisions of subsection (2), as a reserve to meet expenditures made from the fund during the months of July to November of the next fiscal year;
- (c) subtracting the working capital; and
- (d) subtracting the total estimated revenue, other than the property tax levy, for the budget year.

(2) After deducting from the amount of the appropriations and authorized expenditures the total amount appropriated and authorized to be spent for election expenses and payment of emergency warrants, the amount that may be added as a reserve, as provided in subsection (1)(b), to:

(a) a county's fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year; and

(b) a city's or town's fund may not exceed one-half of the total amount appropriated and authorized to be spent from the fund during the current fiscal year.

**History: En. Sec. 30, Ch. 278, L. 2001.**

**7-6-4035. Tax levies for boards and commissions — bond exemption.** (1) The proposed budget and mill levy for each board, commission, or other governing entity are subject to approval by the governing body.

(2) Except for a port authority created under Title 7, chapter 14, part 11, the taxes, revenue, or fees legally pledged for the payment of debt or for the operations of a regional resource authority are not subject to approval by the governing body.

(3) Except for judgment levies under 2-9-316 or 7-6-4015, all tax levies are subject to 15-10-420.

History: En. Sec. 31, Ch. 278, L. 2001; amd. Sec. 26, Ch. 351, L. 2009.

**7-6-4037. Cause of action — failure to adopt or submit an annual operating budget.** (1) If a local government entity fails to adopt or submit an annual operating budget as required by Title 7, chapter 6, part 40, within 2 years of the applicable deadline, a person identified in subsection (2) of this section who has received a written determination from the department under 7-6-4038(3)(c) or (4)(b) may bring a cause of action against the local government entity for failure to comply with the local government entity's fiduciary requirements.

(2) The following parties may bring a cause of action under the provisions of subsection (1):

(a) any person who pays property taxes to the local government entity;

(b) any elected officer of any local taxing jurisdiction that collects revenue from or distributes revenue to the local government entity;

(c) any person residing within the jurisdictional boundaries of the local government entity who can demonstrate a specific personal and legal interest, as distinguished from a general interest, and has been or is likely to be specially and injuriously affected by the local government entity's failure to meet the requirements as set forth in subsection (1).

(3) The cause of action must be filed in the district court in the county where the local government entity is located.

(4) In addition to any other penalty provided by law, the court may grant relief that it considers appropriate, including but not limited to providing declaratory relief, appointing a financial receiver for the local government entity, or compelling a mandatory duty required under this part that is imposed on a state or local government officer or local government entity. If a party identified in subsection (2) prevails in an action brought under this section, that party must be awarded costs and reasonable attorney fees.

History: En. Sec. 6, Ch. 268, L. 2019.

**7-6-4038. Filing of claims against local government entity — disposition by department as prerequisite.** (1) All claims against a local government entity for failure to adopt or submit an annual operating budget as required by Title 7, chapter 6, part 40, within 2 years of the applicable deadline must be presented in writing to the department.

(2) A complaint based on a claim subject to the provisions of subsection (1) may not be filed in district court unless the claimant has first presented the claim to the department and submitted a copy of the claim to the local government entity. Upon the department's receipt of the claim, the statute of limitations on the claim is tolled until a written determination is issued under subsection (3).

(3) The department must review the claim and issue one of the following determinations in writing within 60 days after the claim is presented to the department:

(a) the local government entity has not violated the requirements of this part for a period of 2 years from the applicable deadlines;

(b) there is sufficient evidence of the violations of the requirements of this part for a period of 2 years from the applicable deadlines, and the department will initiate further technical assistance to help the local government entity come into compliance with this part within 6 months; or

(c) there is sufficient evidence of the violations of the requirements of this part for a period of 2 years from the applicable deadlines.

(4) If the department issues a written determination under subsection (3)(b), within 6 months the department must provide the complainant with a final determination that either:

(a) the local government entity has come into compliance with the provisions of this part; or

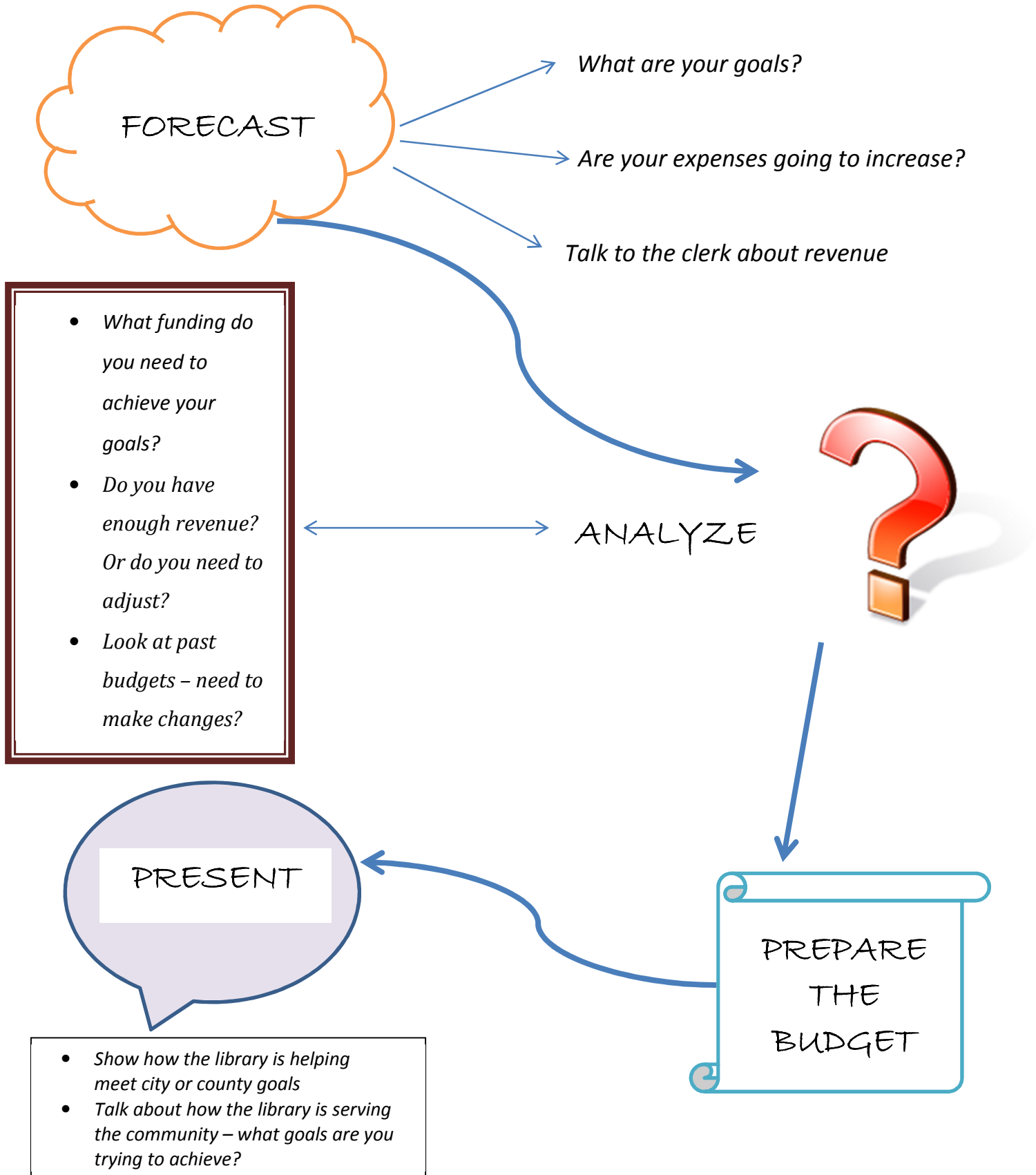
(b) there is sufficient evidence of the violations of the requirements of this part.

(5) A complainant must receive a written determination from the department under subsection (3)(c) or (4)(b) before proceeding to district court under 7-6-4037.

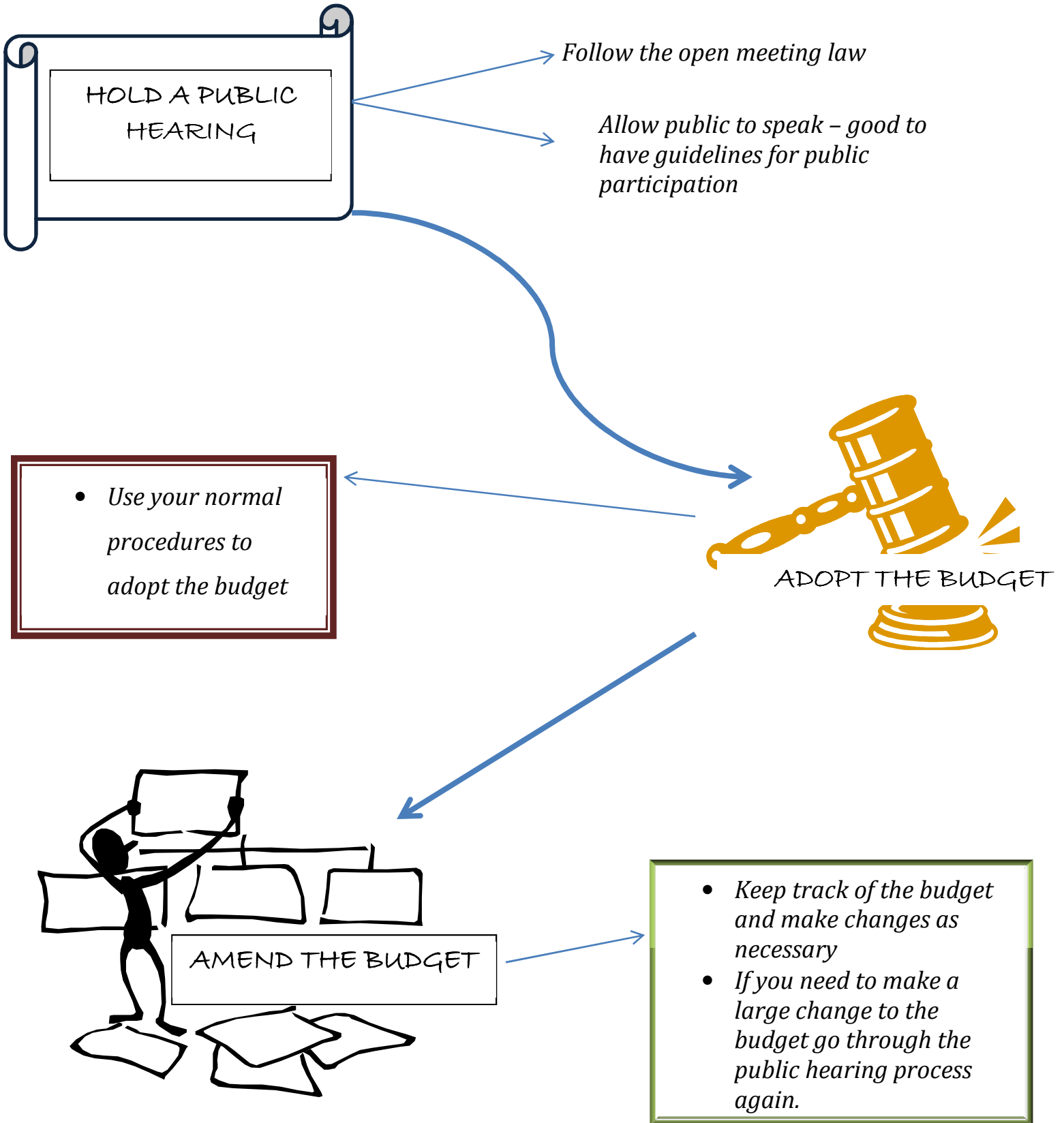
(6) The failure of the department to issue a written determination of a claim within 60 days after the claim is presented to the department must be considered a written determination under subsection (3)(c) for purposes of this section.

History: En. Sec. 7, Ch. 268, L. 2019.

# Budgeting Process



# Budgeting Process (cont.)



#### 4.104 Budgeting Terminology

**Appropriation** – an authorization by the governing body enabling local government departments to make expenditures or to incur financial obligations for a specific public purpose. The expenditure authorization is limited to the fiscal year of the approved budget *and may not be exceeded except by lawful amendment of the budget by the governing body.*

**Budget** – the plan of expenditures and revenues approved and authorized by the annual budget resolution of the governing body to meet the essential public safety, public health and public well-being needs of the city/town or county during a specific fiscal year. A “line item budget” is formatted by object code to document the source of revenues as well as the departmental origin and purpose of expenditures. A “program/performance budget” includes the necessary accounting detail but is expanded to provide documentation of the funded program objectives and the associated performance measures that will be used to evaluate the outcomes and public benefits to be derived from the budgeted expenditures.

**Capital Improvement Program (CIP)** – a method provided by law [7-6-616, MCA](#) for funding the replacement, improvement or acquisition of local government property, facilities and equipment that costs in excess of \$5,000 and has a life expectancy of five years or more.

**Enterprise Fund** – a governmental fund type used to account for the revenues and expenses (including depreciation) of proprietary services provided by a local government on a “fee for service” basis, similar to private business enterprises, rather than on a tax-supported basis. Water, wastewater (sewer) and solid waste (garbage) and ambulance services are typical examples of municipal enterprise activities.

**Fiscal Year** – a twelve-month governmental accounting period limiting the authorization of expenditures and enabling annual reconciliation of the government’s financial position. The fiscal year for state and local governments in Montana is July 1 to June 30.

**Unrestricted Fund Balance and Net Position** – for governmental funds, the fiscal year end cash, less outstanding liabilities (Cash Available) that is not restricted by an outside third party. For enterprise funds, the unrestricted fund equity is designated the Unrestricted Net Position. Restrictions must be made by a third-party outside of the government. The government itself can only commit fund balance or net position. This is an important trend indicator of the financial soundness of a governmental fund or unit of government.

**G.A.A.P.** – “Generally Accepted Accounting Principles” recognized by the accounting profession and by the Government Accounting Standards Board (GASB).

**General Fund** – a fund used to account for the ordinary operations of a local government which are financed by property taxes and other non-tax, general revenues and not accounted for in another governmental fund.

**Property Tax Mill** – one thousandth of the total property certified taxable valuation of a taxing jurisdiction. The mill is used to apportion the costs of providing government services in proportion to the taxable value of property owned by the taxpayer. Thus, if the total *taxable valuation* of a city is \$2,000,000, a one mill levy would yield \$2,000 in property tax revenue ( $\$2,000,000/1,000$ ). By the same token, if a residence has a *taxable* value of \$5,000, a one mill levy on the property would yield \$5 in property tax revenue. If the mill levy required to balance the city/town budget is 100 mills, the municipal property tax on that same residence would be  $100 \times \$5$ , or \$500 which would be *added* to the county, school and state mill levies.

**Certified Taxable Valuation** – the portion (percentage) of the “appraised value” of any property that is subject to a property tax mill levy. Both the “appraised value or market value” and the resulting “certified taxable value” are determined by periodic, appraisals conducted by the Montana Department of Revenue applying a “tax rate” enacted by the legislature and furnished to all units of local government as annual, certified “taxable values” lying within the local government’s jurisdiction. The taxable value is the basis for the local government’s mill value which, as noted above, is the taxable value of the jurisdiction divided by 1,000.

## 4.105 The Budget Process

A basic grasp of *governmental fund accounting* is the first step in making sense of the municipal government's budget and the budgeting process.

### **Governmental Fund Accounting**

The Montana Budgetary, Accounting and Reporting System (BARS) implements *governmental fund accounting* for local governments in conformance with *generally accepted accounting practices, or GAAP*. (See Montana Code Annotated Title 7, Chapter 6, Part 40 for the Local Government Budget Act.)

Unlike private business, a unit of local government must be able to demonstrate that *an expenditure of public funds was for the purpose intended by the law* that enabled the government to collect its revenue from taxpayers and rate payers. Also, the government must be able to document that *the expenditure was within the limits of the lawful spending authority (appropriation)* that must have been approved annually by the governing body. For example, a municipal government must be able to show that property tax dollars derived from a mill levy for the library were spent only for the library and no other purpose and that the annual expenditures for the library did not exceed the municipal appropriation for the library, which can only be made by the city or town council. Similarly, a municipal government must operate its water and wastewater systems on the *fee for services* received from its *rate paying* customers and it should do so without relying upon its *general fund* tax dollars.

*Each stream of revenue and the associated expenditures must be accounted for within a specific governmental fund.* In Montana municipal government, there are some required governmental funds, always the property tax supported *general fund*, if applicable, the *enterprise funds* used to account for the rate-based utilities (such as water and wastewater), and perhaps a bond debt service fund. *Each of these different funds requires its own annual budget.* In Montana, all of these budgets must be approved and adopted by the later of the first Thursday after the first Tuesday in September, or within 30 calendar days of receipt of the municipality's taxable value from the Department of Revenue, even though the state and local fiscal year commences on July 1.

### **The Budget Structure**

A municipal government's finances revolve around four basic questions:

1. *How much money do we have to start the budget year? (beginning cash available)*
2. *How much money do we expect to receive during the budget year? (revenue estimates)*
3. *How much money do we expect to spend during the budget year? (appropriations)*
4. *How much money do we expect will be left at the end of the budget year? (anticipated ending cash available)*

These four questions should enable a newly elected municipal official to grasp the "big picture" of governmental budgeting. However, the actual budgeting process and the structure of the Montana BARS budget are made somewhat more complicated by law, presumably for the purpose of standardized preparation and reporting, thereby enabling review and oversight by state government. Moreover, few municipal clerks (the individuals who are most frequently responsible for assembling the budget) are certified public accountants and, therefore, they need some standardized guidance in budget assembly and documentation. To these ends, state law specifies the structure and elements of the Department of Administration's BARS standardized budget format, briefly described here.

The annual operating budget *for each governmental fund* is comprised of the same basic elements, which commonly include:

1. Detailed listings of proposed expenditures by department and further categorized in terms of personnel costs, operations costs and capital costs. (See ATTACHMENT 4.1 at the end of this chapter for a model of the BARS tabulation of expenditures);
2. A comparison of proposed expenditures with present year actual expenditures;
3. A listing of anticipated revenues by source;
4. A comparison of anticipated revenues with present year actual revenues; and
5. The Tax Levy Requirements Schedule summarizing the proposed spending, the required financial resources and the consequent property tax impacts, if any, for each governmental fund. (See Attachment 4.2 at the end of this chapter for a model of the BARS *Tax Levy Requirements Schedule*, which is a particularly useful document in summarizing the entire budget.)

Each of these five components of a local government budget is required by law and serves a specific accounting or management purpose and each reveals a different aspect of the municipal government's financial future. For example, the mayor of a small town may be most interested in the detailed listing and comparison of his departmental staffing and expenditures, while a prudent municipal council member may be focused on any changes in the proposed property tax mill levy, or the finance officer of a large city may be eager to track any downward trend in the government's year-end "fund balances".

Learning what questions to ask of a local government's budget and where to find the answers in the budget is the first and perhaps most important step in understanding the financial health of that government. Familiarity with this basic structure of a municipal government's budget is the key to understanding the capacity of a particular government to deal with the financial challenges it will face in its immediate future.

#### 4.106 The Budget Cycle

Perhaps because the municipal budget is usually developed in May and June for final approval by early September, there is an understandable tendency to think of the budget primarily as a governmental "rite of spring". In fact, the four stages of the annual budget cycle are (or at least should be) continuous throughout the year. Each of these four stages in the budget process is described next.

##### 1. **Data Collection and Assembly**

This is usually thought of as the first step in producing the annual budget, even though it might also be usefully characterized as the continuation of the preceding year's budget. In either case, the primary activity involved at this stage is gathering of factual data and estimates *concerning proposed expenditures and anticipated revenues*. Typically, the heads of the operating departments (such as a city police department) are asked to provide their best estimates of the department's resource needs and any anticipated revenues for the coming fiscal year. These departmental estimates are collected by the organization's budget or finance officer who is most often the municipal clerk-treasurer. The budget officer then combines the departmental estimates with other financial data, such as anticipated tax revenues and carry-over fund balances from the preceding fiscal year, to assemble a working draft budget. The draft budget is then further developed, usually in direct consultation with the several department heads by the chief-executive officer, who may be the mayor or city manager. The end product of this stage of the budget cycle is a *preliminary annual operating budget* for each of the governmental funds [7-6-4020, MCA](#).

##### 2. **Legislative Review, Modification and Adoption**

The process of reviewing, modifying and finally adopting the annual budget is primarily the business of the governing body and it is inherently an exercise in local government politics. As one of America's earliest



pioneers in the development of political theory would have observed, this step in the budget process is about answering the political question, “*Who gets how much of what?*” The ever-increasing needs of the several departments usually exceed available resources and must be disciplined by the reality of too few dollars. The imperative of the council or commission to assure the protection of the public’s health and safety may be contradicted by a nagging concern about electoral consequences of constituent discomfort with any increase in taxes or fees. And, the urgent need for repairs to the water system or the roof on the city hall must be balanced with a prudent concern for incurring too much debt that will limit the financial flexibility of the government for years of future uncertainty.

After a series of internal meetings with department heads, followed by the required public hearing (which may be seldom attended by the public), the municipal government’s annual operating budgets, along with appropriations and tax levies, will be adopted by majority vote of the governing body by the later of the first Thursday after the first Tuesday in September, or within 30 calendar days of receipt of the municipality’s taxable value from the Department of Revenue.

### **3. Implementation**

Following commission or council approval, the departments of the executive branch have their *spending authority* for the new fiscal year. They may now set about managing available financial resources to accomplish plans of work. They must be mindful that it is *unlawful for them or any official in the government to authorize an expenditure of public funds in excess of the department appropriation* made by the governing body in the annual budget. However, should the need arise to augment a departmental budget, the governing body is free to do so by means of a formal *budget amendment*, which, like the original budget itself, requires a public hearing, and the affirmative vote of a majority of the governing body, [7-6-4031, MCA](#).

### **4. Monitoring**

Too often the budget/finance officer or clerk-treasurer is the only person in local government who seems to remember that a budget is based almost entirely upon *estimates of revenues and expenditures*. If a municipal government has based its planned expenditures on an estimate that it will receive \$500,000 in non-tax revenue and, at the end of the year, discovers that it only received \$400,000, there will be a challenge. Clearly, the remedy for overly optimistic estimates is regular *monitoring of revenues and expenditures*. The governing body and the executive must know whether projected revenues are on track during the year so that, if necessary, they can adjust actual expenditures downward, irrespective of the original appropriation, and do so in a timely manner. An additional precaution employed by prudent municipal officials is the maintenance of an ample cash reserve position (perhaps 25 percent) to buffer unexpected revenue shortfalls. For smaller units of local government, *quarterly monitoring of revenue and expenditure trends and reporting the trends to the council or commission is probably sufficient to head off financial surprises*. However, modern and increasingly inexpensive computer technology has made *monthly monitoring and reporting relatively easy and prudent*. The data collected in the process of monitoring execution of the annual budget will also provide the baseline data for next year’s budget.

Additionally, the habit of periodically monitoring revenues and expenditures throughout the budget year will make it easier to construct longer term *financial trend indicators* so that local officials and the public can track changes in the financial health (structural balance) of the government. Financial trend monitoring can be as simple as graphing year---end fund balances (working capital balance for the enterprise funds), total revenues by source, total expenditures by fund type and perhaps the level of debt. The result is a snapshot of the financial condition of the government for a given year which will, in turn, provide an early warning of any significant changes from year to year that may need to be remedied. (See ATTACHMENT 4.3 at the end of this chapter for a simple model of a financial trend indicator.)

## Managing Cash Flow and Paying for Capital Improvements July 2022

### What are cash reserves?

- This is funding that towns, counties, and library districts should include in their budgets.
- The library tends to get large cash payments from property tax bills being paid. These are periodic rather than regular monthly installments.
- Cash reserves carry the library through times when very little cash is coming into the library. These funds are used to pay your normal expenses and keep the library running.
- Cash reserves cannot be more than 33 1/3% of your total expenditures if you receive county funding and 50% of your total expenditures if you receive city funding

### What is a library depreciation fund? What about a capital improvement fund?

- On occasion, the library will have capital expenses. This includes things like new windows, carpet, roof, etc.
- The library may also need equipment.
- A library depreciation fund can help pay for these expenses. A capital improvement fund might also be an option.

### What is the difference?

Library Depreciation Fund	County Capital Improvement Fund
<ul style="list-style-type: none"> <li>• Source of funding: unspent funds allocated to library</li> </ul>	<ul style="list-style-type: none"> <li>• Source of funding: any source</li> </ul>
<ul style="list-style-type: none"> <li>• Purpose of fund: replace and acquire property, equipment, and make capital improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Purpose of fund: replace, improve, and acquire property, equipment, and capital improvements</li> </ul>
<ul style="list-style-type: none"> <li>• No restrictions on cost or useful life</li> </ul>	<ul style="list-style-type: none"> <li>• Must cost over \$5,000 AND have a life of over 5 years</li> </ul>
<ul style="list-style-type: none"> <li>• Established by the governing body</li> </ul>	<ul style="list-style-type: none"> <li>• Established by the governing body</li> </ul>
<ul style="list-style-type: none"> <li>• See MCA 22-1-305 thru MCA 22-1-307</li> </ul>	<ul style="list-style-type: none"> <li>• See MCA 7-6-616</li> </ul>

# Resources used in workshop

- Local Government Center – based in MSU Extension Office - <http://www.msulocalgov.org/>
  - Publications and reference documents – all available for download
    - *Montana Municipal Officials Handbook, 3<sup>rd</sup> Edition*
    - *Montana County Board Handbook, 2016*
    - *Forms of Local Government*
- Montana Association of Counties (MACo) - <https://www.mtcounties.org/>
  - MACo Publication available for download
    - *So you want to be a County Commissioner?*
- Local Government Services Bureau – Department of Administration - <https://sfsd.mt.gov/LGSB/index>
  - Referenced and used a wide variety of resources including BARS chart of accounts and training materials
- Montana Code Annotated - <https://leg.mt.gov/bills/mca/index.html>