FISCAL YEAR 2004-2005
ANNUAL OPERATING BUDGET
CITY OF KNOXVILLE, TENNESSEE

MAYOR
Bill Haslam

MEMBERS OF CITY COUNCIL

District One:	Joe Hultquist
District Two:	Barbara Pelot
District Three:	Steve Hall
District Four:	Rob Frost
District Five:	Bob Becker
District Six:	Mark Brown, Vice Mayor
At-Large:	Joe Bailey
At-Large:	Marilyn Roddy
At-Large:	Chris Woodhull

SENIOR DIRECTOR - FINANCE AND ACCOUNTABILITY
Christopher P. Kinney

DEPUTY FINANCE DIRECTOR
James E. York

OFFICE OF MANAGEMENT AND BUDGET
Katherine Latvala, Accounting and Budget Manager
Cheryl A. Davis, Financial Analyst, Sr.
Jack Dixon, Financial Analyst
John Harold, Financial Analyst

A special thank you to all the departments that contributed to this document.
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The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Knoxville for its annual budget for the fiscal year beginning July 1, 2003.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications medium.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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CITY OF KNOXVILLE

MISSION: Our mission is to make Knoxville America's premier city in which to live, work, and raise a family. This will be accomplished by providing superior services and cultural amenities to all citizens in an efficient and fiscally responsible manner; by encouraging, promoting and facilitating economic growth; and by treating all citizens with dignity and respect.

GOALS:

1. Stronger and safer neighborhoods.
2. More and better jobs.
3. Embrace cultural diversity.
4. Efficient, accountable and responsive government.

City of Knoxville

COMMUNITY PROFILE

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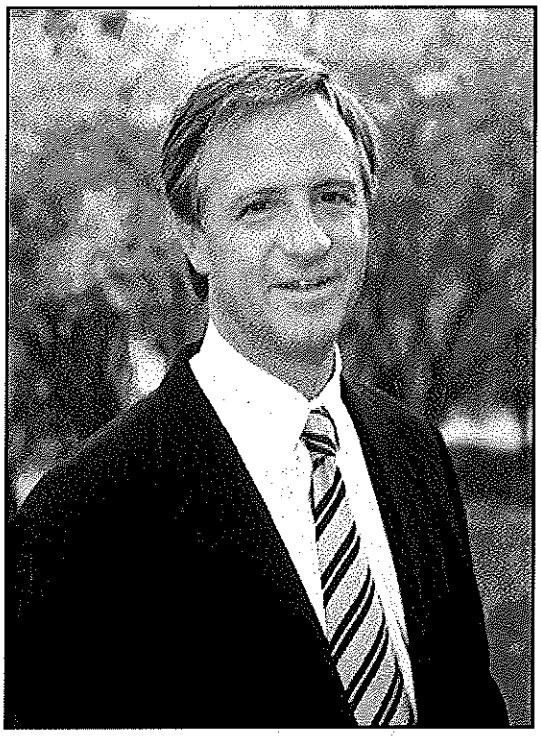
COMMUNITY PROFILE

Mayor Bill Haslam welcomes you to the City of Knoxville!

Bill Haslam began his first term as Knoxville mayor on Dec. 20, 2003 following a successful career in business and history of community service.



City of Knoxville Mayor Bill Haslam

Mayor Haslam previously served as president and director of Pilot Corp., a Knoxville-based company operating convenience stores and travel centers nationwide. He also is the former chief executive officer of SAKS Direct, the e-commerce and catalogue division of Saks Fifth Avenue.

He is an owner of the Tennessee Smokies East Tennessee AA Baseball Team and serves on the board of directors for Harold's Department Stores.

He has served in leadership roles in numerous charities and non-profit organizations in the Knoxville area, including chairman of the board and general chairman of the United Way of Greater Knoxville; chairman of the board and president, Project GRAD; executive committee chairman, Young Life of Knoxville; chairman of the board and executive committee, Salvation Army; chairman of the board, East Tennessee Center for Non-Profit Management; campaign chairman, Foothills Land Conservancy; and vice chair, Knoxville Museum of Art.

Mayor Haslam has also served on the board of directors of the Cornerstone Foundation and World Vision; on the advisory board for Emerald Avenue Youth Foundation; and on the Diversity Task Force of Nine Counties, One Vision.

He was a member of Leadership Knoxville Class of 1992, and was Alumnus of the Year in 1995 at Webb School, where he has also served on the board of directors.

He and his wife, Crissy, have three children, Will, Annie and Leigh. The family attends Cedar Springs Presbyterian Church, where Mayor Haslam is an Elder.

The mayor holds a bachelor's degree from Emory University.

rejoin the Union.

After the Civil War, the area began to grow and thrive. After hosting three expositions in the early 1900's, the City was pleased to again welcome a major exposition, the 1982 World's Fair and Energy Exposition. For six months, Knoxville was home to twenty-three countries exhibiting their energy ideas. More than 11 million visitors attended that fair, making it one of the largest ever.

Livability and Climate

The Knoxville area is ranked first in the United States among mid-sized urban regions according to the latest edition of Places Rated Almanac. Among the 353 metropolitan areas of all sizes rated in the book, the Knoxville area placed 13th overall. A favorable cost of living, affordable housing, excellent health care, a low crime rate, cultural events, and a pleasant climate with nearby lakes and mountains contribute to making Knoxville an attractive place to settle. The University of Tennessee calls Knoxville home, making an array of educational and cultural opportunities available to area residents.

The sheltering mountain ranges, which surround Knoxville, help provide a moderate climate, and there is seldom an extended period of either extremely hot or cold weather. The Tennessee Valley, with its four distinct seasons, sees an average of 11.40 inches of snow and 47.14 inches of rain annually. The average annual temperature is 58 degrees. In January, the coldest month, the average is 38 degrees, and in July, the hottest month, average temperature is 78 degrees.

Utilities

The Knoxville Utilities Board (KUB) distributes electric power generated by the Tennessee Valley Authority. KUB also provides natural gas, water, and sewer services. In Knox County outside KUB boundaries, six utility districts, five of which also supply wastewater treatment service, supply water service. The Lenoir City Utilities Board provides electricity for portions of west Knox County.

Population

Knoxville, the county seat of Knox County, is the largest incorporated municipality within the County. The chart below shows the population for both the City and County.

Total City/County Population			
Year	Population	Percent Change	
1990	335,749	1980-1990	5.0
2000	382,032	1990-2000	13.8
2003	392,995	2000-2003	2.9
2010 (projected)	429,730	2000-2010	12.5

City of Knoxville			
Year	Population	Percent Change	
1990	169,761	1980-1990	-3.0
2000	173,890	1990-2000	2.4
2002	173,661	2000-2002	-0.1
2010 (projected)	183,044	2000-2010	5.3

Demographic Information

Age Distribution (as of 2000)		
Age	**Knoxville MSA**	**Knox County**
0-4	41,172	23,371
5-9	43,841	23,984
10-14	44,318	23,846
15-19	46,440	26,976
20-24	48,243	31,408
25-34	94,986	55,057
35-44	109,001	60,900
45-54	98,780	53,742
55-59	37,519	19,170
60-64	30,535	15,163
65-74	50,041	25,983
75-84	32,037	16,839
85+	10,336	5,593

Area Population By Gender (as of 2000)			
Gender	**Knoxville MSA**	**Knox County**	**City of Knoxville**
Male	332,556	184,577	82,390
Female	354,693	197,455	91,500

Area Population By Race (as of 2000)			
Race	**Knoxville MSA**	**Knox County**	**City of Knoxville**
Total Population	687,249	382,032	173,890
White	627,651	336,571	138,611
Black	39,691	32,987	28,171
Am. Indian	1,937	1,007	541
Asian	6,796	4,937	2,525
Other	3,426	1,902	1,257
*Hispanic	8,628	4,803	2,751

(*Note: Hispanics are an ethnicity and can be of any race.)

Education System

City of Knoxville voters approved a referendum on November 4, 1986, which transferred funding and operational responsibilities of the City's 51 public schools to Knox County on July 1, 1987. Knox County currently operates 89 public schools, including 51 elementary, 14 middle, and 12 high schools, 2 vocational schools, 10 special/adult education centers. Enrollment in 2003 was 56,935 students. There are 31 active private and parochial schools offering elementary and secondary education in Knoxville.

The University of Tennessee is one of the oldest institutions of higher education in the nation, tracing its origins back to 1794. The main campus is located in the City and includes all colleges except the medical units. Total enrollment is 25,500 students. Other campuses of the University System are located in Memphis, Chattanooga, Nashville, and Martin.

The Pellissippi State Technical Community College is the third largest two-year college in Tennessee with an enrollment of 8,000. Facilities include the main campus in the Technology Corridor, along with the Division Street and Blount County campuses.

Knox County operates a library system, which has seventeen branches located throughout the City and County. The size of collection for the library is 1,006,187. The University maintains a main library and four branches on its campus. The library is open to the public with checkout privileges to students, faculty and fee-paying members.

Recreation and Tourism

The City of Knoxville has captured the benefits of its prime location to the mountains and highways. It boasts nine theaters for the performing arts, the Knoxville Museum of Art, the World's Fair Park, and many other galleries and museums. Nine historical sites are open to the public, including the original James White Fort, Blount Mansion, and Old Gray Cemetery. Other historic preservation efforts are taking place throughout the City.

In recent years, the City has put emphasis on greenways connecting parks and neighborhoods. Walking trails and small neighborhood parks have also been added in significant numbers. Knoxville/Knox County has 5,723 acres of park and recreation space, including 27 recreation centers, 6 senior citizen centers, 144 playgrounds and parks, 103 tennis courts, 20 public golf courses, and 14 greenways and walking trails. Two big attractions for both young and old are the Knoxville Zoological Gardens and Ijams Nature Center. The Tennessee Smokies provide a professional baseball for East Tennesseans. UT sport teams draw thousands of enthusiasts to games each year. Special seasonal events include the Dogwood Arts Festival in the spring, Festival on the Fourth in the summer, Boomsday in the fall, and Christmas In The City in December.

The nearby Great Smoky Mountains National Parks is the country's most visited national park with 9.2 million visitors in 2003. Knoxvillians and visitors alike enjoy the beauty and leisure activities that can be found there and at the numerous state parks, lakes, and resorts which dot the area.

Knoxville supports an active tourism and convention trade. A 500,000-square foot convention center on the World's Fair Park site opened in 2002. The center includes spacious meeting rooms and a 500-seat lecture hall. Other local facilities include a large civic coliseum/auditorium and a 25,000-seat arena. In 2001, travelers spent more than $549 million in Knox County, ranking it fifth in the state for visitor expenditures. Over 7,030 people are employed in travel related jobs in Knox County.

Arts and Culture

The Knoxville Symphony, the Knoxville Opera Company, and the Tennessee Children's Dance Ensemble are among the many exceptional arts organizations in Knoxville. Additional dance companies, civic choral groups, and ten theaters also help celebrate the arts. Live entertainment productions include touring Broadway shows, ice shows, concerts, and circuses. The Knoxville Museum of Art and the 11th Street Artists Colony feature changing exhibits throughout the year. Many libraries, historic sites, and museums, such as the Museum of Appalachia and the Beck Cultural Center, add to the cultural value of the Knoxville area.

Civic Organizations

The Knoxville Area Chamber Partnership has 1,813 members who participate in economic development, general commerce, and civic affairs. Around 150 civic groups and 200 neighborhood associations are active in the City and County. United Way and Community Shares support agencies providing youth, family, and social service programs. Organizations such as the Community Action Committee and Child and Family Services also offer needed social programs. More than 430 churches, serving many faiths and denominations, meet the religious needs of the community.

THE ECONOMY

Transportation

Three of the nation's busiest interstate highways intersect near Knoxville: I-40, I-75, and I-81. One-third of the U.S. population is within 500 miles of Knoxville via the interstate system. The city is directly linked to the Great Lakes by the Interconnected Inland Water System and to the Gulf of Mexico by the Tennessee-Tombighee Waterway. Three active river terminals facilitate barge shipping. Also serving the area are 125 truck lines, 3 railroads, and 7 airlines. Knoxville Area Transit (KAT), the public bus system serving the city, operates 80 vehicles and carries over 2 million passengers a year. A trolley system serves the downtown and university areas.

Commerce and Industry

Eleven business/industrial parks and the Technology Corridor in west Knox County provide locations to meet corporate needs. Several telemarketing divisions of large corporations are located in Knoxville while manufacturing firms in the Knoxville MSA produce everything from medical devices and electronic components to chemicals and automobile parts. Many of these firms are recognized as national and global business leaders, including Pilot Corporation, Goody's, Clayton Homes, and Brunswick Corporation. New or expanded business investment in Knox County in 2003 totaled $419 million, creating 2,689 additional jobs.

Building Permits

The city and the county issued 3,6748building permits in 2003 with a total value for 2003 of $686,668,234.

Income

In 2003, Knox County per capita income was $30,327, a 3.4% increase from 2001. The 2001-02 state increase was 2.6%, and the national change was 1.2%. Between 1992 and 2002, the average annual growth rate of per capita personal income in Knox County was 4.0%. This was the same as the state and national averages.

Taxes

There is no state personal income tax in Tennessee, however the state does levy a tax of 6% on stock dividends and bond interest. Called the Hall Tax, it applies to both individuals and partnerships. Under Tennessee Constitutional law, property taxes are assessed as follows: residential property is assessed at 25% of appraised value, and commercial/industrial property is assessed at 40% of appraised value. The current property tax rate for Knox County residents is $2.96 per $100 assessed value. The tax rate within the City of Knoxville is $3.05 per $100 assessed value. Residents of the City are subject to both City and County property taxes.

Employment

In 2002, nonagricultural employment in the Knoxville MSA (Anderson, Blount, Knox, Loudon, Sevier, and Union Counties) was distributed as follows:

Industry	Employment	% of Total
Natural Resources, Mining	600	0.2%
Construction	16,625	4.7%
Manufacturing	42,000	11.8%
Trade	64,100	18.0%
Transportation, Utilities	10,600	3.0%
Information	6,300	1.8%
Financial Activities	18,000	5.1%
Services	78,000	22.9%
Leisure & Hospitality	45,800	12.9%
Government	58,700	16.5%
Other Services	14,800	4.2%
TOTAL	355,500	

The overall business health of the Knoxville MSA is supported by a diversified economy. The balance among employment sectors contributes to the stability of local employment and wages. Total employment in 2003 was 364,900, including self-employed and agricultural workers. The metropolitan area hopes to gain 35,000 new jobs over the next 5 years through its economic development initiative, *Jobs Now!*

Labor Force

The 2003 civilian labor force in the Knoxville MSA was 379,500. The average MSA unemployment rate in 2003 was 3.8%. The rate for Knox County was 3.1%. Both are lower than the statewide average rate of 5.8% and the nationwide average of 6.0% for this time period.

Major Employers in the Knoxville MSA

Company	Number of Employees
U.S. Department of Energy-Oak Ridge Operations	13,682
University of Tennessee-Knoxville	8,311
Covenant Health	8,000
Knox County Schools	7,230
Wal-Mart Stores, Inc.	4,173
University of Tennessee Medical Center	3,707
St. Mary's Health System	3,553
Baptist Health of East Tennessee	3,000
Denso International America, Inc.	2,930

Sources of Information for Community Profile

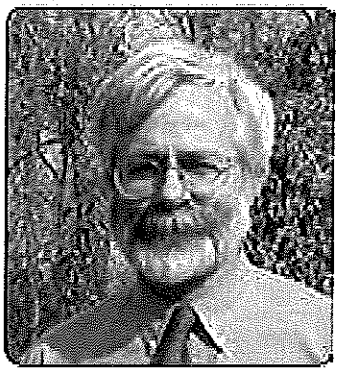
Metropolitan Planning Commission
Bureau of the Census
City of Knoxville
Knoxville Area Chamber Partnership

City of Knoxville's EEO/AA Statement

The City of Knoxville does not discriminate on the basis of race, color, national origin, sex, age veteran status or disability in provision of employment opportunities, services and benefits.

The City of Knoxville does not discriminate on the basis or race, color or national origin in programs, benefits, and services pursuant to the requirements of Title VI of the Civil Rights Act 1964.

CITY COUNCIL BIOGRAPHICAL INFORMATION



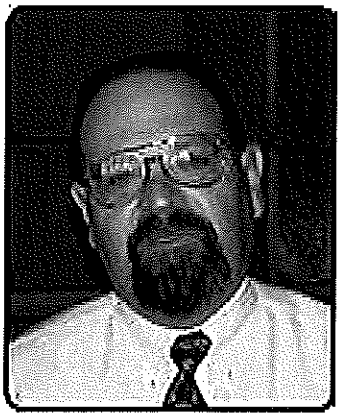
Joseph Hultquist - First District

Joe Hultquist is a self-employed designer/builder/consultant. He is a co-founder of the Island Home Neighborhood Association and served as its president for eight years. He is a former member of the city's Board of Zoning Appeals and was awarded the first Community Cornerstone Award by the Knoxville News Sentinel for the South Knoxville/Sevier County area.

He has been an advocate of a regional visioning process for East Tennessee, and has been involved in the Nine Counties. One Vision since its inception and continues to serve on the board of directors.

Barbara Pelot - Second District

Barbara Pelot is the office manager for Reuben N. Pelot III, DDS. She is a community volunteer who has served as president of the West Hills Community Association, chaired KPD Advisory Committees, and served on the City Wrecker Commission. She serves on the board of directors of the Knoxville Symphony League, Juvenile Court Advisory Council, Foster Care Review Board, and Sexual Assault Crisis Center. She received the 1998 Knoxville Community Cornerstone Award and Sertoma International Service to Mankind Award in 1999. She was in the Leadership Knoxville Class of 2003. She volunteers each Friday as a dental assistant in the no-fee dental clinic at the Volunteer Ministry Center. She was appointed by City Council to three City of Knoxville Charter Commissions, and was the Mayor's appointment to two Unified Government Charter Commissions. She attended Rhodes College and graduated cum laude from Memphis State University with a degree in Sociology, History and Secondary Education. She is a member of Concord United Methodist where she is a Stephen Minister. She and her husband, Reuben N. "Nib" Pelot, a general dentist, have four children and 14 grandchildren.



Steve Hall - Third District

Steve Hall is the president of Interior Finishes Corp, a medium-sized commercial building contractor doing mostly retail construction.

Councilman Hall serves as chairman of the city's Beer Board. He is the host of Politics Knoxville, a live call-in shown on community television from 8:30-9:30 p.m. Fridays on Comcast Channel 12.

He is also an active member and deacon of Gospel Light Baptist Church.

He and his wife, Janet, have five children and three grandchildren.

Rob Frost - Fourth District

Rob Frost is an attorney who practices law in downtown Knoxville.

He serves on the board of directors of the Historic Fourth & Gill Neighborhood Organization and is a former board member of Knox Heritage, an organization dedicated to the preservation of architecturally or historically significant buildings and places. He has also served on the City's Historic Zoning Commission.

He received three bachelor's degrees from The University of Tennessee and graduated from The Tulane University School of Law.

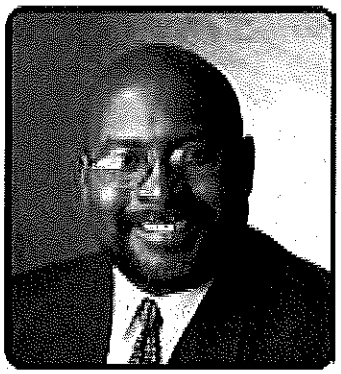
Rob, his wife and their son live in a 109-year-old home that they are renovating.

Bob Becker - Fifth District

Bob Becker is a community organizer who has worked for grassroots organizations Tennessee Industrial Renewal Network and Save Our Cumberland Mountains.

He is a member of Oakwood/Lincoln Park Neighborhood Association, Oakwood Neighborhood Watch, Zone Advisory Councils (North & Northwest), Council of Involved Neighborhoods, and Center for Neighborhood Development.

He graduated from Randolph-Macon College in Virginia with a degree in history in 1981.



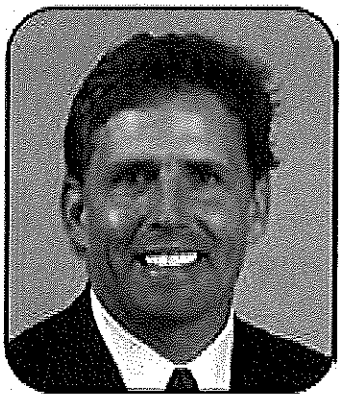
Mark Brown - Vice Mayor/Sixth District

Mark Brown has practiced law in the Knoxville firm of Campbell & Dawson since 1993. Previously, he served as president and CEO of the Knoxville Area Urban League where he established the Computer Training Center and the Promoting Learning Through Utilizing Scholarships program with Pellissippi State Technical Community College.

He has served as a special judge to the Knox County General Sessions Courts; is a former chairman of the Knox County Election Commission; and was vice chair of the Bernstein Commission on Police, which lead to the formation of the city's Police Advisory Review Commission. He is member of the Spirit of Peace music ministry, and in 1990 was named by Ebony Magazine as one of the leaders of the future for the age group 30 and under.

He received his doctorate of Juris Prudence from the University of Tennessee.

He and his wife, Marcia Elaine Stewart, have one son Mark Antoine Brown, II.



Joe Bailey - At Large

Joe Bailey is the owner of a government marketing and public relations firm, specializing in legislative advocacy and services at the local, state, and federal level.

He previously served as Washington representative and Valley Relations Manager for the Tennessee Valley Authority. Councilman Bailey has been active in Republican national politics since 1984, doing advance work in the campaigns of Presidents Reagan and Bush, and serving in both presidents' administrations at the Department of Agriculture and the Department of Energy. He also has worked in official capacities at two Presidential Inaugurals and performed management duties at four Republican National Conventions.

Marilyn Roddy - At Large

Marilyn Roddy has been an active volunteer in the Knoxville community for the past 16 years. She is a past member of the Ijams Nature Center and City Ballet boards of directors, past PTA president, and a graduate of Leadership Knoxville. Councilwoman Roddy is chair of the City Audit Committee and serves on the City's Investment Advisory Board.

She is a marathon runner and completed the Vancouver Marathon in 2001. Councilwoman Roddy is a Phi Beta Kappa graduate of The University of North Carolina at Chapel Hill with a degree in education.

She and her husband, Patrick Roddy, have three daughters.

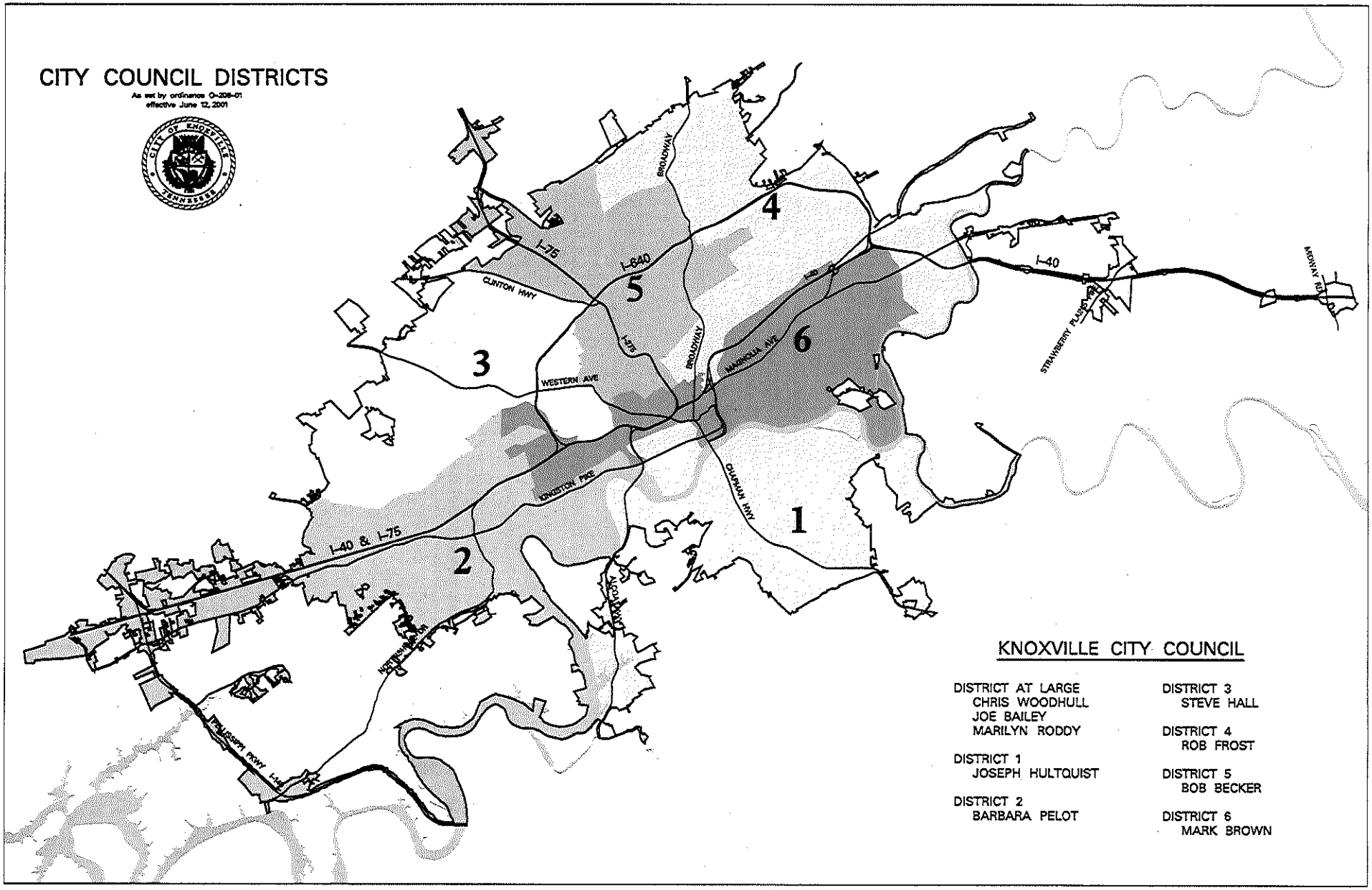
Chris Woodhull - At Large

Chris Woodhull is executive director of Tribe One, an inner-city Christian ministry that encourages at-risk youth to walk away from gangs and destructive lifestyles and lead productive lives. He co-founded the organization with the late Danny Mayfield, who also served on Knoxville City Council.

He frequently conducts workshops for the University of Tennessee School of Law and the UT College of Social Work. In 1997, Christianity Today cited Woodhull and Mayfield in the "Up and Comers" issue as leaders to watch. He was a 1999 Knoxville Neighbor of the Year nominee. Community Shares awarded him the "Heart of Change" Award in 2003.

He was graduated from the University of North Carolina-Asheville, and has completed classes in negotiation at Harvard and entrepreneurship at Yale.

He and his wife, Mary Lawrence, have two daughters, Tess and Paris.


CITY COUNCIL DISTRICTS
As set by ordinance O-208-01
effective June 12, 2001
CITY OF KNOXVILLE
TENNESSEE
I-75
I-640
CLINTON HWY
BROADWAY
WESTERN AVE
MAGNOLIA AVE
I-40
STRAWBERRY PLAINS PIKE
MIDWAY RD
KINGSTON PIKE
CHAPMAN HWY
I-40 & I-75
NORTHSHORE DR
PELLISSIPPI PKWY
1
2
3
4
5
6
KNOXVILLE CITY COUNCIL
DISTRICT AT LARGE
CHRIS WOODHULL
JOE BAILEY
MARILYN RODDY
DISTRICT 1
JOSEPH HULTQUIST
DISTRICT 2
BARBARA PELOT
DISTRICT 3
STEVE HALL
DISTRICT 4
ROB FROST
DISTRICT 5
BOB BECKER
DISTRICT 6
MARK BROWN

The FY 04/05 budget, like all budgets, serves as a vision for the future. The decisions that shape this budget have a lasting impact. Good decisions result in increased investment and future positive returns while poor decisions limit future flexibility and may result in unanticipated consequences and problems.

The FY 04/05 budget is designed to address the financial constraints facing the City, while promoting the goals of this administration. The focus of the FY 04/05 budget is improving the climate for economic development in the City, and improving efficiency in government.

GENERAL OVERVIEW

Revenues and Expenses

The adopted property tax rate for FY 04/05 is $3.05 per hundred dollars of assessed value. Of this amount $0.81 goes to the Debt Service fund to pay for bonded debt costs. The adopted tax rate is an increase of $0.35. The average residential property in the City of Knoxville is appraised at $70,521. For the average residential homeowner the cost of the tax increase is $61.71 and the total taxes paid will equal $537.72. When adjusted for the impact of inflation and countywide reappraisals, the adopted tax rate is actually lower than it was ten years ago.

The total operating budget in Fiscal Year 2004/05 is $286,394,320. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is $212,344,350. The budget for the General Fund, which is the main operating fund of the city, equals $144,239,540.

Funding Issues

A number of challenges presented themselves during the preparation of this budget. Over the past two years the City will have drawn down its General Fund fund balance by approximately $11 million or over one-third. While still at satisfactory levels, this trend could not continue without jeopardizing the City's bond ratings and creating potential cash flow problems. The FY 04/05 budget, unlike previous budgets, does not propose to utilize fund balance to fund projects.

Despite the utilization of fund balance in past years, some capital investments have been deferred. Although this strategy may be acceptable over the short term, it can cause long-term difficulties and end up costing more than it might have otherwise. This budget attempts to reverse that trend as well. The budget includes $3 million to restore the City's paving program. This funding enables us to return a regular, orderly paving schedule. Also included are funds for bridge repair/replacement, traffic signal improvements, continued drainage improvements, roof replacement of city buildings, as well as replacement of older equipment at the Coliseum/Auditorium.

Over the past few years the City has been hit with cost increases in certain fixed expenditures. The cost of health care coverage has grown at a dramatic level. The City is now expecting its third consecutive year of double digit health care cost increases. Based upon current trends we have built in a ten-percent increase at mid-year. The estimated impact of these increases upon the City is $0.8 million with employees assuming another $0.4 million. At this time it is likely that these increases will continue unless changes are made. One change incorporated into this budget is a shift in the way the City's medical clinic works. The focus will be on preventive medicine and regular treatment of chronic illness. It is believed that this focus will slow the rate of growth in these costs. The budget proposes to set aside $1.3 million to establish a reserve in the Health Care fund. This will allow the City more flexibility in health care prevention and cost containment in the future.

The City maintains a pension fund for its employees. The recent performance of the stock market has affected the portfolio of this plan and has made it necessary to increase the City's contribution rate this year to maintain full funding of the plan. The additional cost of doing this is approximately $1.8 million. Barring a major upturn in the markets it is likely that ad-

ditional increases will be required in future years.

The impact of the increase in fixed operating costs has made it necessary to reduce other expenditure areas. As part of the budget process each department was asked to reduce three-percent from its FY 03/04 budget level. This was done in a variety of ways. However, given the high portion of costs devoted to labor, most of the reductions occur in personnel. As part of the FY 04/05 budget the personnel count of the City drops by 18 full-time positions and 5 part-time positions. Most of the reductions occur through attrition. The reductions have been done in a way so as to minimize the deleterious effect upon city services. At the same time the budget includes a 2.5% salary increase for all non-probationary employees effective for the full fiscal year. The budget also provides funding to implement the recommendations of the City's salary survey. These funds will primarily benefit entry level and lower paid workers.

Improved Efficiency

As mentioned earlier, one of the primary objectives of this budget is to increase efficiency. In the short term this requires some capital investment, which will generate savings and improved operations later. Funding is included for a new one-call center, which will allow citizens to easily report problems and track progress in resolving those problems. Funding is provided to replace the City's outdated financial reporting system. Training for Police Officers and Firefighters will be improved through new investments at the respective training facilities. Funding is provided for energy improvements at the Convention Center, which should have a very rapid payback.

The City is also undertaking a more extensive performance measurement system. The costs of doing this are incorporated into existing budgets but it is expected to result in improvements in future years.

The budget also proposes a reduction in the number of vehicles. This will lower maintenance costs and allow us to focus more on maintenance of the remaining vehicles. The City will also be purchasing more fuel efficient vehicles in order to lower costs.

Economic Development

A solid economy is essential for any city. The first phases of downtown redevelopment have been very positive, and this budget provides funding to continue the momentum of these efforts. Specifically the budget provides $2 million to fund phase 3 of the Market Square development project. The budget also includes funding to build a downtown transit center.

The City will continue its efforts to renovate and promote the World's Fair Park area. Included in the budget is $1 million for this cause, which is expected to be used on repairs to the Sunsphere.

Preservation of our history is also important and a portion of this budget is dedicated to historic preservation efforts in our downtown. It is vitally important that we continue to recognize our past as well as plan for our future, and we hope to do this with a $1 million contribution to be used in the renovation of the Tennessee Theatre. This continues the donation begun in FY 02/03. This represents the final installment of a $4 million contribution to this project.

The budget also continues the financial commitment to the Tourism and Sports Development Corporation to help promote tourism efforts and to attract visitors to the new Convention Center. Enhancing cultural opportunities also effects economic development. The budget continues funding of $210,000 for improvements to the East Tennessee Historical Museum, part of a multi-year $1 million commitment. Operating contributions are made to the Knoxville Symphony, City Ballet, the Art Museum, the Tennessee Theatre and several other arts and cultural groups.

Job creation is a key objective of the Haslam administration. The adopted budget includes $400,000 for the Jobs Now campaign, as well

as other funding to aid the Chamber Partnership in their economic development efforts.

Neighborhood Improvements

Improving the quality of life in our neighborhoods is vital. This budget includes $250,000 for the initial phase of a traffic calming program. Funding of $150,000 is provided for ballpark improvements in parks throughout the City. Funding of $100,000 is included for the Ashley Nichole dream playground, which is designed to be accessible to children of all skills and abilities. Funding of $150,000 is included to improve accessibility to city owned facilities and $250,000 is included to continue the curb cut program. Funding for the sidewalk safety improvement is included as well as money to complete the Bearden vehicle trip reduction program. A total of $100,000 is provided for improvements to the Eastside Recreation Center.

Accounting Changes

There are some accounting changes which affect comparisons between the FY 03/04 and FY 04/05 budgets. These changes primarily deal with the reorganization implemented by the Haslam administration.

The numbers of departments have been reduced and reorganized. Several former departments are now listed as divisions under new departments. The budgeted amounts at the division level are generally comparable. Exceptions to this are the Facilities Maintenance Section, which has moved from the Public Service Division to the Engineering Division, and the Development Services division, which is now reconstituted in several other divisions.

CONCLUSION

The remainder of this budget includes additional summary material, and a more detailed discussion of revenue and expenditure trends. It is hoped that these materials will provide the reader with a more thorough understanding of the adopted operating budget.

Changes from the Proposed Budget

The Executive Summary describes the budget as adopted. The adopted budget is, however, different from the Mayor's proposed budget in several areas. The following paragraphs and the accompanying table discuss the changes made to the proposed budget. The total budget as adopted equals $286,394,320 while the adopted General Fund budget is $144,239,540. These amounts compare, respectively, to the proposed amounts of $286,726,090 and $144,237,400.

In preparing the proposed budget we had assumed a twenty percent (20%) increase in the cost of health care. Subsequent to the adoption of the final budget we received notification from the state, indicating that the increase will be approximately ten percent (10%). We have consequently lowered the appropriations for health care expenditures.

The above change affects a number of funds and departments. The budget will generally be lower for most departments. The largest change is in the Health Care fund, which has a decrease of $484,150. Of this amount, $141,910 represents a reduction in the employee's portion of health care costs.

There are several other changes to the proposed budget. The first is an increase of $90,000 in Fund 202, which provides $10,000 in discretionary funding to all council-members. The Legislative budget also increases for general operating expenses of the department. The transfer to the Capital Projects fund increases by $60,000 to pay for renovations to the steps at the Jacobs Building. The transfer to the Inspections fund increases by $28,470, this being an increase of $35,000 for potential staffing, offset, in part, by decreases for health care costs. The transfer to the Health Care fund for retiree health care decreases by $36,490, and transfers to various other funds decrease as a result in the change in health care cost assumptions. The Recreation budget increases to cover additional hours at the South Knoxville pool.

City of Knoxville

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2004/05

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
5100	Local Taxes	122,090,520	0	122,090,520
5200	Licenses and Permits	262,670	0	262,670
5300	Intergovernmental Revenue	17,218,910	0	17,218,910
5400	Charges for Services	857,530	0	857,530
5500	Fines and Forfeits	3,108,460	2,140	3,110,600
5600	Other Revenues	699,310	0	699,310
	Total General Fund	144,237,400	2,140	144,239,540
10000	Administration	1,697,110	(3,390)	1,693,720
20000	Finance and Accountability	5,875,970	(12,230)	5,863,740
30000	Operations and Engineering	6,239,770	(18,930)	6,220,840
40000	Community and Neighborhood Services	21,798,320	(16,580)	21,781,740
50000	Law	1,439,820	(2,650)	1,437,170
60000	Police	37,939,410	(73,410)	37,866,000
70000	Fire	25,734,770	(36,750)	25,698,020
81500	Legislative	766,850	44,550	811,400
81700	Civil Service	890,450	(2,580)	887,870
91900	City Elections	35,000	0	35,000
93900	Knoxville Partnership	689,940	(120)	689,820
95100	Metropolitan Planning Commission	692,650	0	692,650
95200	Knoxville Zoo	864,210	0	864,210
95300	Community Agency Grants	1,489,170	0	1,489,170
95600	Waterfront	275,730	0	275,730
95900	Community Action Committee	444,980	0	444,980
98100	Reserve	1,450,000	0	1,450,000
99100	Transfers	35,913,250	124,230	36,037,480
	Total General Fund	144,237,400	2,140	144,239,540
201	State Street Aid	4,906,000	0	4,906,000
202	Community Improvement	0	90,000	90,000
209	Abandoned Vehicles	510,000	(1,050)	508,950
213	City Court	3,600,000	0	3,600,000
216	City Inspections	1,874,420	28,470	1,902,890
220	Stormwater	1,873,710	(6,640)	1,867,070
230	Solid Waste	10,023,620	(3,920)	10,019,700
240	Miscellaneous Special Revenue	2,261,180	0	2,261,180
264	Home Grants	1,801,990	0	1,801,990
269	Emergency Shelter Grants	85,490	0	85,490
270	Empowerment Zone	994,100	0	994,100
290	Community Development Block Grant	3,345,220	0	3,345,220
305	Debt Services	20,073,110	0	20,073,110
401	Capital Projects	20,784,900	60,000	20,844,900
503	Public Assembly Facilities	3,540,710	(4,980)	3,535,730
504	Metro Parking	725,890	0	725,890

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2004/05

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
506	Convention Center	19,515,230	0	19,515,230
507	Mass Transportation	13,184,090	0	13,184,090
701	Office Services	451,980	(360)	451,620
702	Fleet Services	8,243,710	(9,650)	8,234,060
704	Risk Management	6,829,260	(1,630)	6,827,630
705	Health Care	14,623,960	(484,150)	14,139,810
706	Equipment Replacement	1,797,270	0	1,797,270
707	City Building	1,442,850	0	1,442,850
	Grand Total	286,726,090	(331,770)	286,394,320

BUDGET POLICIES

I) The budget shall be balanced by fund.

2) The budget will include all revenues that will reasonably be anticipated from all sources and the entire amount of fund balance estimated to be carried forward at the beginning of the fiscal year.

3) Appropriations will be made at the major account code level, i.e., personal services, operating expense, capital outlay, debt service, grants and aids, and non-operating expenses.

4) The Mayor or his/her designee shall approve transfers between major accounts within a budget center (department or division). Transfers between departments and funds shall be approved by the City Council.

5) The operating budget will be adjusted to reflect actual fund balances at such time as the beginning fund balances are known.

6) Current operating revenue should be sufficient to support current operating expenditures.

7) The City will establish a reserve for contingencies of between 3 percent and 10 percent for each operating fund in order to fund unforeseen items/events that occur during the course of a fiscal year.

8) Costs of support functions should be allocated to the appropriate services where they are performed wherever possible.

9) The City will develop a program to integrate performance measures and objectives into the budget and a system to monitor performance in meeting objectives.

10) The budget should portray both direct and indirect costs of programs wherever practical.

11) Internal Service Funds shall be self-supporting.

12) The City will annually submit documentation to qualify for the Governmental Finance Officers Association "Award for Distinguished Budget Presentation".

DEBT MANAGEMENT POLICIES

1) When the City finances projects through the issuance of bonds it will pay back the bonds within a period not to exceed 90% of the useful life of the project.

2) Where possible the City will use self-supporting revenue, special assessment. or other self-supporting bonds, instead of general obligation bonds to fund capital projects. Self-supporting revenue bonds are bonds used to construct/purchase facilities, which will, in turn, generate fees/charges to repay the bonds.

3) The City will not use long term debt to finance current operations.

4) The City will seek to maintain and, if possible, improve its current bond rating.

5) The City will maintain good communications with bond rating agencies to inform them about the City's financial conditions. The City will follow policy of full disclosure. Significant financial reports affecting or commenting on the City will be periodically forwarded to the rating agencies.

GRANT POLICIES

I) Grant applications to fund services/programs with state or federal funds should be reviewed by City staff and the City Council with significant consideration given to:

(a) the cost of administering the grant relative to the size of the grant;

(b) the availability of matching funds if required;

(c) the extent to which locally generated funds will be required to support those programs when the original funding is no longer available; and

(d) the desirability of the program, i.e., whether or not the City would be funding the program were it not for the grant.

2) All grant applications must be approved by the City Council prior to submission. The City Council must also approve the acceptance of all grants.

FUND BALANCE POLICIES

I) The City will attempt, where possible, to have each operating fund maintain a balance sufficient to cover the cash needs of the fund for a ninety (90) day period.

2) The City should use fund balance for capital or other one-time projects and not to support on-going operations.

CAPITAL IMPROVEMENT POLICIES

I) The City will develop a five-year plan for capital improvements and update it annually.

2) The City will make all capital improvement expenditures in accordance with a capital improvement program.

3) The City will coordinate development of the capital improvement budget with the development of the operating budget. The City will annually adopt a capital budget based upon the multi year capital plan.

4) The City will identify the estimated costs and potential funding sources for each capital project prior to inclusion in the CIP.

REVENUE POLICIES

1) Fee schedules shall be adopted and amended by resolution.

2) All fee schedules and user charges should be reviewed at least every two years and then be adjusted, if necessary.

3) When imposing new fees and/or charges the proposed fee/charge should be examined using the following criteria:

Sufficiency	Fees and/or charges should recover the full cost of issuance, administration, and enforcement, recognizing that adjustments may be necessary for the benefit of the public;
Efficiency	Fees/charges should be designed for easy, inexpensive administration by the City and easy, inexpensive compliance by the individual/business paying the fee/charge. A minimum of the revenue raised through the collection of a fee/charge should be consumed in the process of raising it;
Simplicity	Fees/charges should be easily understood by the payee and City officials, leaving as small a margin as possible for subjective interpretations.

4) The Mayor or his/her designee should prepare, at least semi-annually, a report comparing actual and budgeted revenues and expenditures for all operating funds.

5) The City will work to diversify its revenue base in order to reduce the dependence upon property taxes.

The Budget Document

Budget documents can be difficult to understand for someone who works with them daily. To someone who may only see such a document occasionally, the confusion can be worse. The purpose of this section is to assist all readers by explaining the way the document is structured, the schedule under which it is developed, and some of the basic policies which shape it. For those individuals who may have difficulty with some of the budgetary and financial language that is used, an extensive glossary is located in the appendix of this document. GAAP (Generally Accepted Accounting Principles) basis for budgeting is used for all funds.

Fiscal Year

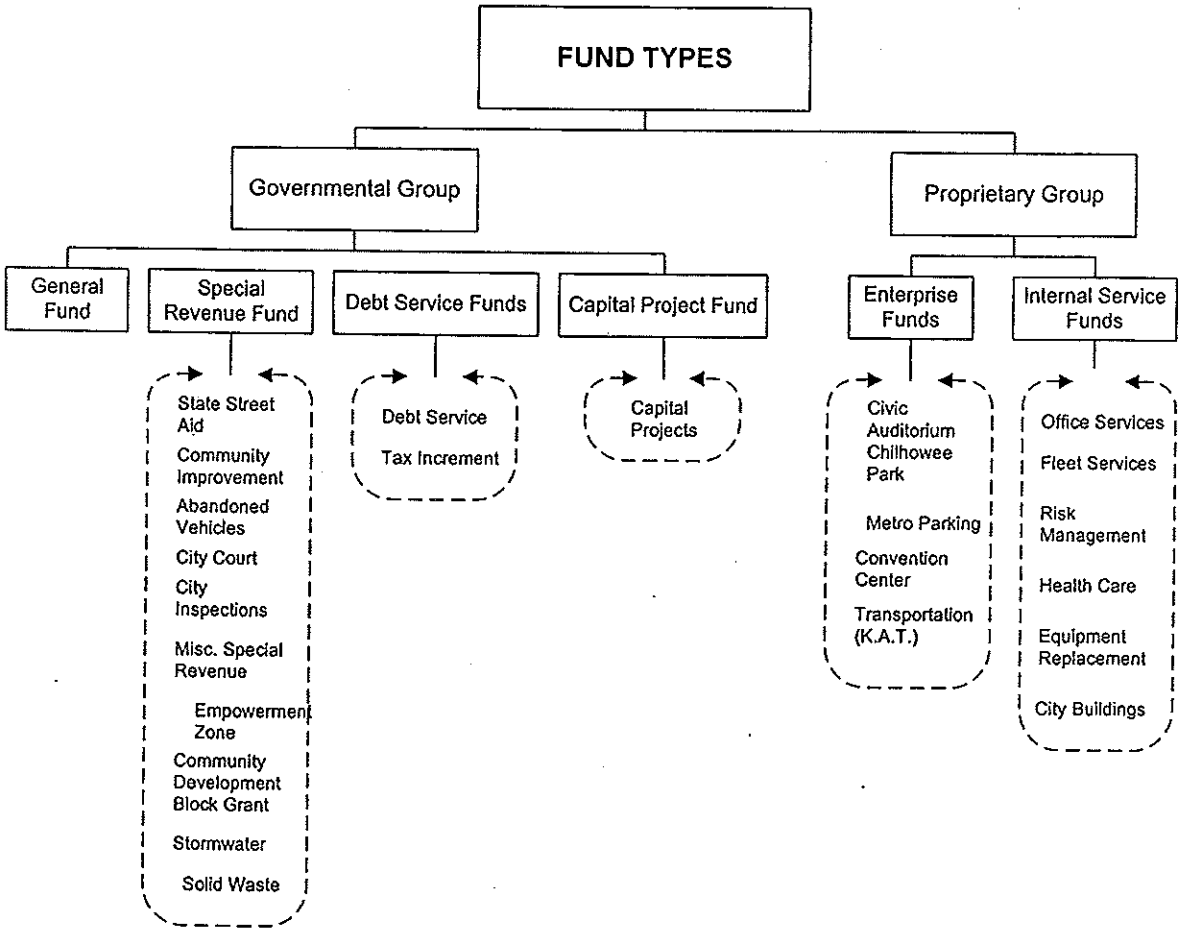
The budget covers the activities and expenditures for a given time period or fiscal year. The City of Knoxville's fiscal year runs from July 1 to June 30 of the following year. This budget covers the period July 1, 2004 through June 30, 2005.

Organization by Fund

This document is organized by funds. A fund is an independent fiscal and accounting entity, with a self-balancing set of accounts. Funds maintain independent records of cash and/or other resources, together with all related liabilities, obligations, reserves and equities. The purpose of a fund is to carry out specific activities or attain certain objectives in accordance with special financial regulations, restrictions or limitations.

As noted above the budget is organized, consistent with proper accounting techniques, by fund. As shown in Figure 1 below, there are two groups of funds, the governmental funds group and the proprietary funds group.

Figure 1



A governmental fund operates on general governmental income, such as taxes, grants or general obligation debt. According to Generally Accepted Accounting Principles (GAAP) these funds use a modified accrual basis of accounting. A proprietary fund is designed to operate like a private enterprise, where income is earned based on services provided, often through user fees like ticket sales or concessions. Proprietary funds use the full accrual method of accounting and are authorized to depreciate their assets.

Within these two basic groups are seven types of funds as described below:

GOVERNMENTAL FUNDS

General Fund	Accounts for all financial transactions not properly accounted for in another fund
Special Revenue Funds	Account for the proceeds of specific revenue sources (other than special assessments) or to finance specified activities as required by law or administrative guidelines
Debt Service Funds	Account for the payment of interest and principal on long term debt other than special assessment and revenue bonds.
Capital Project Funds	Account for the receipt and disbursement of monies used for the acquisition of capital facilities other than those financed by special assessment and enterprise funds.

PROPRIETARY FUNDS

Enterprise Funds	Account for the financing of services to the general public where all or most of the costs involved are recovered by user charges or fees.
Internal Service Funds	Account for the financing of activities or services performed by an organizational unit within a governmental jurisdiction for another organization unit within the same governmental jurisdiction.
Trust and Agency Funds	Account for assets held by a governmental unit as trustee or agent for individuals, private organizations or other governmental

It should be noted that there is one type of fund, the Trust and Agency Fund, which the City of Knoxville maintains but does not budget. The City has three separate trust funds, and a complete description of each trust fund is provided in the City's Comprehensive Annual Financial Report (CAFR).

Each fund is made up of one or more administrative entities called departments. A department has managerial authority to carry out governmental functions like police patrol, fire prevention and bill paying through the City's charter, related ordinances and mayoral directives.

A department can be budgeted in one fund or many. Some, such as Civil Service or the Fire Department, operate only within the General Fund (100). Others are shown within several funds. For example, the Finance and Accountability Department operates in the General Fund, the Print Shop Fund (701), Risk Management Fund (704) and Health Benefits Fund (705). A table showing total expenditures by department is included in the summary section.

The City of Knoxville appropriates (budgets) dollars at the departmental level within each fund. Each department is authorized to spend monies to accomplish their mandated responsibilities and related programs. However, the budget is developed on a section and line-item basis. This document's base level of information is the section.

A section is a funded operating unit of a division within a department, responsible for implementing a program or group of programs assigned to the department. Police Training division (72361) is responsible for the professional growth of the City's police force.

Budget Adoption

The City Charter requires the Mayor to submit a proposed budget to the City Council no later than May 1st of each year. After the budget is presented, the City Council will hold two readings of the budget ordinance. At least one public hearing must be held between the first and second readings of the budget ordinance. Council workshops are also held between first and second reading to gain a better understanding of the proposed budget.

For the budget to become effective, one of two things must happen. First, the budget ordinance can be passed by the City Council on two readings. The second way occurs by default. That is, if the City Council is unable to pass a budget by June 15, then the Mayor's proposed budget and tax rate automatically become law.

Budget Amendments

From time to time it becomes necessary to modify the adopted budget. The procedure for amending the budget depends upon the type of change that is needed. One type of change does not affect the "bottom line" total for the department. The Management and Budget division upon request with proper documentation may effect these changes, mainly transfers from one line item to another within a department's operating budget or changes between divisions within a department.

The second type of budget amendment brings about a change in the total appropriation for a department or fund. Examples of these changes include, but are not limited to:

- The acceptance of additional grant money which might become available.
- The appropriation of additional funding if expenditures are projected to exceed budgeted amounts.
- The adjustment to reflect increased tax receipts or:
- The reappropriation of monies from one fund to another when deemed necessary.

These four types of changes require Council approval in the form of an ordinance.

Operating Budget Policies and Procedures

The development of the City's Budget is based on the following guidelines and policies in accordance with the City's Charter and the City Code:

- The primary budgetary objective is to provide the highest possible level of service to residents without impairing the City's sound financial condition. Continual efforts will be made to improve productivity, lower costs and enhanced service.
- The budget must be balanced for each fund; total projected revenues must equal total anticipated expenditures.
- The City will avoid budgetary procedures that balance the current budget at the expense of meeting future year's obligations.
- Estimated revenues must not exceed one hundred ten percent (110%) of the total amount collected during the last completed fiscal year or the current fiscal year.
- The City will maintain a budgetary control system to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.
- All operating funds are subject to the annual budget process with the exception of payroll, which has a net effect of zero, grant awards, which are subject to grant contract limitations, and trust and agency funds.
- Law and policies on limitations to revenue sources must be explicitly addressed in the budget process.
- One to five percent (1% to 5%) of the General Fund revenues must be deducted from all monies collected during a given year and placed in the General Fund Reserve. These funds may be used for repairs to buildings or purchases of equipment, but only in departments whose operating funds come from the General Fund.

The City's Charter (the "Charter") requires the Mayor to prepare and submit to the City Council a balanced budget. Therefore, the entire budget appropriation may never exceed the estimated available resources. The estimate of available resources is based on the amount of available surplus, if any carried forward from the preceding year, the probable revenues of the City derived from ad valorem taxes and from such other contingent revenues of the City as may probably accrue. The budget process specified by the Charter is in conformity with generally accepted accounting principles.

The Charter further requires that, in preparing the budget, the City Council shall first provide for the payment of debt service on the outstanding City bonded indebtedness, and then allocate the remaining revenues among the City departments.

The Charter also provides that no obligation of City funds may be made unless the Finance Director of the City certifies that funds are available for the payment of such obligations or that such funds will be available before maturity of the obligation. The Charter prohibits the execution of any contract or orders for the payment unless signed by the Mayor and countersigned by the Director of Finance.

Financial Reporting

As required by generally accepted accounting principles, all city funds and account groups are organized according to standards established by the Governmental Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial condition. All City financial statements are audited annually by independent certified public accountants.

The City has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting every year since 1986. The Certificate of Achievement recognizes that the City's financial statements meet strict standards of GASB. For more information concerning the City's financial reporting, contact the City's Accounting Office.

Basis of Budgeting

The City's budget is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The budgets of the governmental funds group type (General Fund, State Street Aid, etc.) are prepared on a modified accrual basis. Briefly, this means that obligations of the City (i.e. purchase orders or contracts) are budgeted as expenditures when the commitment is made, but revenues are recognized only when they are measurable and available.

The proprietary funds group also recognizes expenditures as encumbrances when a commitment is made (i.e. through a contract or purchase order). Revenues are recognized when funds are received, or if the service has been completed, the revenue will be accrued for year-end purposes.

Basis of Accounting

The City Charter requires financial reports to be prepared in accordance with Generally Accepted Accounting Principles (GAAP).

The accounts of the City are maintained on the modified accrual basis. The modified accrual basis uses the following guidelines:

- Revenues are recorded when they become measurable and available as net current assets. Revenues, which are accrued, include property taxes, shared revenues, licenses, interest revenue, and charges for services.
- Other revenues are recorded when cash is received. Grant revenues are accrued when funds are expended.
- Expenditures, except as specified below, are recorded at the time liabilities are incurred.
- Amounts recorded in the long-term debt account group which relate to accumulated vacation liability and litigation liability which had not been paid within 60 days of the fiscal year end are recorded as general long-term debt when it is incurred.
- Interest and principal on general long-term debt is not accrued, but is recorded as an expenditure on its due date.
- Disbursements for purchase of capital assets are considered expenditures.

Investment/Cash Management Practices

The City of Knoxville operates on a cash management program under a master banking service agreement with a major Tennessee banking institution that coordinates the City's financial needs. The City has a lock box arrangement, which authorizes the bank to pick up property tax receipts, directly from a Post Office box, and thus credit the City's account immediately.

The City's investment policy first emphasizes the safety of city funds, then the liquidity of the investment, and lastly, the rate of return.

Investment of idle City operating funds is controlled by State Statute and City ordinances which generally limit investment instruments to direct U.S. government obligations or those issued by its agencies. However, beginning January 1, 1991, the City's investment possibilities were expanded to include Bankers Acceptances and Commercial Paper, subject to specific quality restrictions.

As required by statute and ordinance, all deposits and certificates of deposit are secured by similar grade collateral pledged at 110% of market value for all amounts in excess of that guaranteed through federally sponsored insurance programs. The City Charter mandates that portfolio management and control of the City's Pension Fund be vested in the City Pension Board. Along with several professional investment counselors, the Pension Board directs all investments of the Fund. A major Tennessee banking institution serves as trustee for the fund.

How to Read This Document

A budget is a plan, a peek into the future. While at first glance, a budget may simply appear to a be a list of numbers on paper used to limit spending, the budget is actually a dynamic operations guide, which identifies programs, services and activities which the City feels are important to provide in the ensuing year. Furthermore, it identifies the financial guidelines by which these activities are to abide.

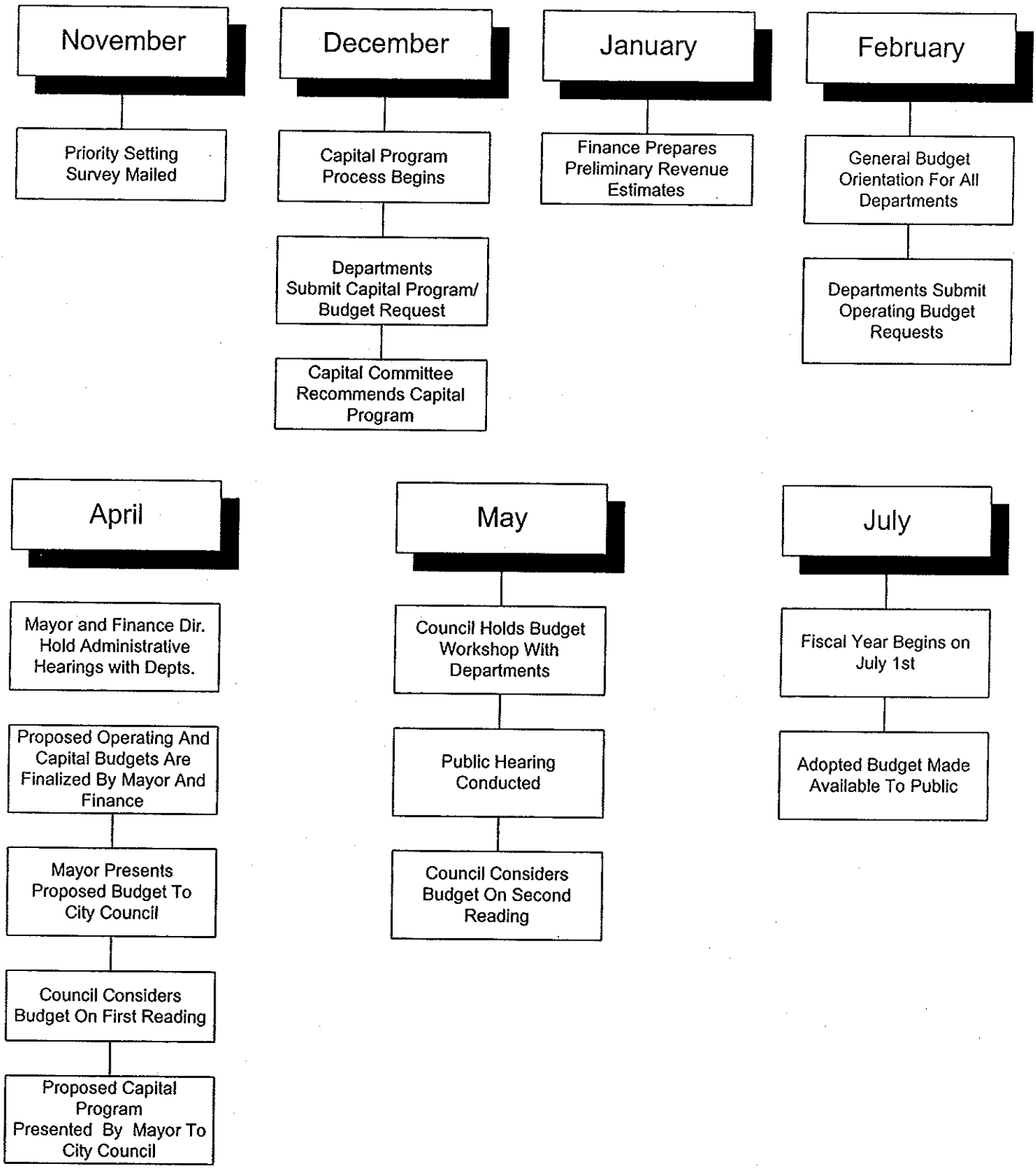
This budget document is separated into sections according to fund. Each fund is organized by departments, which as explained earlier, are unique units with specific responsibilities, generally defined in the City's Charter. A summary page is provided for each department which explains significant changes. The Department Summary page also presents historical comparisons of expenditures and authorized positions.

Following most of the Departmental Summary pages are Division Summary pages. These give information regarding the individual programs assigned to the department, the accomplishments of the division, objectives of the division and more detail regarding the planned spending by the division.

In addition to the Departmental Summaries, most funds have a separate section regarding the funds revenues. These sections, the first set of pages in the funds budget, outline specific data concerning revenue sources, methods used for projections and revenue trends of note, if any.

For those readers who wish to only see the basic overview of the budget, please refer to the Summary Section of the document.

THE BUDGET PROCESS
2004-2005



BUDGET CALENDAR FOR FISCAL YEAR 2004-2005

NOVEMBER 20th — Survey mailed to 1,900 randomly selected registered voters.

FEBRUARY 26th — General budget orientation materials mailed to all departments that includes the timetable of events, budget request forms, and budget preparation instructions.

MARCH 1st — In accordance with Section 2-1123 of the City Code, the Mayor is authorized to meet and confer with employees' representatives for the purpose of reaching an understanding relative to wages, salaries, fringe benefits and other conditions of employment.

12th — Last day for departments to complete line item and program budget requests.

March 12th - **April** 2nd — The Finance Department reviews all departmental budget submissions and makes recommendations to the Mayor, including requests for additional personnel and programs.

APRIL 5th-7th — The Mayor and Finance Director hold administrative budget hearings with individual departments.

5th-23th — Administrative review of all budget material is completed and final adjustments are made to the budget document. All funds are brought into balance.

29th — Mayor's Proposed Budget is submitted to City Council in accordance with Charter deadline, along with an updated 5-year Capital Improvements Program and Budget, as required by the Charter.

APRIL 3Oth — Last day that salary commendations based upon salary survey results as well as any recommendations of the Mayor may be submitted to City Council, if necessary.

MAY 11th — First Reading of the Proposed Budget.

14th — City Council Budget Workshop on the Proposed Budget. Each department will have a scheduled time to present its budget and answer questions.

9th and 16th — Public Notice is sent out regarding a hearing on the proposed budget. The City Charter requires that a public hearing is held between the first and second readings of the Mayor's budget. Public notice must be made ten days prior to the hearing to remain in compliance with Federal regulations.

20th — City Council Budget Workshop and Public Hearing on the Proposed Budget. Each department will be present to answer questions regarding the budget.

25th — Second Reading/Adoption of the Proposed Budget per Ordinance O-62-04.

JUNE 15th — As established by City Charter, last day to approve the Budget and Tax Rate Ordinance.

24th — Supplemental appropriations (house-keeping) ordinance that allows for year-end balancing of accounts and funds. First reading was 6-8-04 and second reading/adoption was 6-22-04 per Ordinance O-96-04.

JULY

1st — Beginning of fiscal year 2004-2005

SUMMARY INFORMATION

The tables and graphs included in this section are designed to provide the reader a financial overview of City operations. Most tables provide historical and current year budget information, as well as projected (unaudited) results for the fiscal year ending on June 30, 2004.

The first few pages summarize the revenues and expenditures of all funds. The entire budget of the City is $286,394,320. However, as the following pages show, the net budget (which excludes all interfund charges and transfers) is $74,049,970 less, or $212,344,350. The budget for the General Fund, which is the main operating fund of the City is $144,239,540.

This section also contains information on total authorized staffing. The first of these tables identifies permanent positions only; the second shows both full-time and part-time positions. The second table will equal the sum of each departmental summary page. Also included are multi-year personnel comparisons. Finally, this section presents information on tax rate calculations and the impact of the adopted tax rate on homeowners.

There was a major structural reorganization at the beginning of the new mayoral administration. All the tables in this section and the balance of the document reflect the new organization. In those instances where there is a dramatic change from the old structure to the new, we have attempted to modify the historical numbers in order to reflect the new structure. This is done in order to facilitate comparisons. This is true in most cases but there exist some sections in which this was not possible. In these situations it is discussed in the narrative.

More detailed information regarding the City's financial condition can be obtained using the Comprehensive Annual Financial Report (CAFR). This information is available at the Knox County Public Library, the University of Tennessee Library and the City Recorders Office. Please contact the Finance Department if you desire more information than is provided in these documents.

BUDGET COMPARISON - ALL FUNDS

Fiscal Year 2004/05

Fund No.	Fund Name	Adopted FY 03/04 Budget	Adopted FY 04/05 Budget	Dollar Change FY 03/04 - 04/05	Percentage Change FY 03/04 - 04/05
100	**General Fund**	133,196,180	144,239,540	11,043,360	8.29%
	Special Revenue Funds				
201	State Street Aid	4,880,400	4,906,000	25,600	0.52%
202	Community Improvement	0	90,000	90,000	
209	Abandoned Vehicles	454,150	508,950	54,800	12.07%
213	City Court	3,057,000	3,600,000	543,000	17.76%
216	City Inspections	1,681,020	1,902,890	221,870	13.20%
220	Stormwater	1,661,440	1,867,070	205,630	12.38%
230	Solid Waste	9,360,810	10,019,700	658,890	7.04%
240	Miscellaneous Special Revenue	1,018,500	2,261,180	1,242,680	122.01%
264	Home Grants	2,758,610	1,801,990	(956,620)	(34.68%)
269	Emergency Shelter Grants	86,000	85,490	(510)	(0.59%)
270	Empowerment Zone	1,987,000	994,100	(992,900)	(49.97%)
290	Community Development Block Grant	3,364,310	3,345,220	(19,090)	(0.57%)
	Subtotal - Special Revenue Funds	30,309,240	31,382,590	1,073,350	3.54%
	Debt Service Funds				
305	Debt Services	21,868,980	20,073,110	(1,795,870)	(8.21%)
	Subtotal - Debt Service Funds	21,868,980	20,073,110	(1,795,870)	(8.21%)
	Capital Projects Funds				
401	Capital Projects	26,300,200	20,844,900	(5,455,300)	(20.74%)
451	Chilhowee Park	1,500,000	0	(1,500,000)	(100.00%)
	Subtotal - Capital Projects Funds	27,800,200	20,844,900	(6,955,300)	(25.02%)
	Enterprise Funds				
503	Public Assembly Facilities	3,577,670	3,535,730	(41,940)	(1.17%)
504	Metro Parking	709,520	725,890	16,370	2.31%
506	Convention Center	21,645,030	19,515,230	(2,129,800)	(9.84%)
507	Mass Transportation	12,012,490	13,184,090	1,171,600	9.75%
	Subtotal - Enterprise Funds	37,944,710	36,960,940	(983,770)	(2.59%)
	Internal Service Funds				
701	Office Services	439,580	451,620	12,040	2.74%
702	Fleet Services	9,029,550	8,234,060	(795,490)	(8.81%)
704	Risk Management	6,573,990	6,827,630	253,640	3.86%
705	Health Care	12,847,220	14,139,810	1,292,590	10.06%
706	Equipment Replacement	1,797,270	1,797,270	0	0.00%
707	City Building	1,360,900	1,442,850	81,950	6.02%
	Subtotal - Internal Service Funds	32,048,510	32,893,240	844,730	2.64%
	Grand Total	283,167,820	286,394,320	3,226,500	1.14%

ESTIMATED FUND BALANCES - ALL FUNDS

Fiscal Year 2003/04 And 2004/05

Fund No.	Fund Name	Beginning Fund Balance 7/1/2003	Estimated Revenues and Sources of Funds FY 03/04	Estimated Expenses and Uses of Funds FY 03/04	Ending Fund Balance 6/30/2004	Budgeted Revenues FY 04/05	Budgeted Expenditures FY 04/05	Estimated Ending Fund Balance 6/30/2005
100	**GENERAL FUND**	$18,498	$131,408	$133,592	$16,314	$144,240	$144,240	$16,314
	SPECIAL REVENUE FUNDS							
201	State Street Aid	1,737	4,889	4,889	1,737	4,906	4,906	1,737
202	Community Improvement	0	0	0	0	90	90	0
209	Abandoned Vehicles	971	636	518	1,089	510	509	1,090
213	City Court	259	4,179	3,982	456	3,600	3,600	456
216	City Inspections	238	1,851	1,655	434	1,903	1,903	434
220	Stormwater	492	1,670	1,671	491	1,867	1,867	491
230	Solid Waste	3,778	9,252	9,178	3,852	10,020	10,020	3,852
240	Misc. Special Revenue	1,553	1,881	798	2,636	2,261	2,261	2,636
264	Home Grants	0	1,862	1,862	0	1,802	1,802	0
269	Emergency Shelter Grants	0	87	87	0	85	85	0
270	Empowerment Zone	0	5,932	5,932	0	994	994	0
290	Community Dev. Block Grant	135	2,177	2,312	0	2,780	3,345	(565)
	Subtotal - Spec. Revenue	9,163	34,416	32,884	10,695	30,818	31,382	10,131
	DEBT SERVICE FUNDS							
305	Debt Services	19,416	35,626	27,730	27,312	22,989	20,073	30,228
	Subtotal - Debt Service	19,416	35,626	27,730	27,312	22,989	20,073	30,228
	CAPITAL PROJECT FUNDS							
401	Capital Projects	14,556	9,642	11,728	12,470	18,845	20,845	10,470
451	Chilhowee Park	0	0	0	0	0	0	0
	Subtotal - Capital Projects	14,556	9,642	11,728	12,470	18,845	20,845	10,470
	ENTERPRISE FUNDS							
503	Civic Aud./Coliseum	8,984	3,940	3,845	9,079	3,161	3,536	8,704
504	Metro Parking	6,556	1,022	1,043	6,535	945	726	6,754
506	Convention Center	11,025	17,424	16,710	11,739	17,906	19,515	10,130
507	Transportation	14,853	9,760	12,809	11,804	11,834	13,184	10,454
	Subtotal - Enterprise	41,418	32,146	34,407	39,157	33,846	36,961	36,042
	INTERNAL SERVICE FUNDS							
701	Office Services	7	481	466	22	452	452	22
702	Fleet Services	15,152	7,800	7,650	15,302	8,692	8,234	15,760
704	Risk Management	5	6,754	6,500	259	6,828	6,828	259
705	Health Care	1,778	12,587	11,700	2,665	15,440	14,140	3,965
706	Equipment Replacement	11,807	2,040	2,380	11,467	1,942	1,797	11,612
707	City Building	140	1,238	1,238	140	1,443	1,443	140
	Subtotal - Internal Service	28,889	30,900	29,934	29,855	34,797	32,894	31,758
	GRAND TOTAL	$131,940	$274,138	$270,275	$135,803	$285,535	$286,395	$134,943

* All numbers in $1,000's.

TOTAL EXPENDITURES BY DEPARTMENT

Fiscal Year 2004

Department	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	1,693,720	0	0	500,000	0	0	2,193,720
Finance and Accountability							
Finance	2,941,180	0	43,710	5,250,000	0	23,216,330	31,451,220
Information Systems	2,922,560	0	0	0	0	0	2,922,560
Subtotal - Finance & Accountability	5,863,740	0	43,710	5,250,000	0	23,216,330	34,373,780
Operations & Engineering							
Engineering	6,220,840	4,177,280	0	5,375,000	675,890	0	16,449,010
Fleet Services	0	508,950	0	38,000	0	8,234,060	8,781,010
Inspections	0	1,902,890	0	0	0	0	1,902,890
Subtotal - Operations & Engineering	6,220,840	6,589,120	0	5,413,000	675,890	8,234,060	27,132,910
Community and Neighborhood Services							
Public Services	14,333,840	10,309,490	0	250,000	0	0	24,893,330
Development Services	593,930	0	0	150,000	0	0	743,930
Community Development	43,750	6,000,190	0	0	0	0	6,043,940
Recreation	5,952,980	45,000	0	790,000	0	0	6,787,980
Knoxville Area Transit (KAT)	857,240	0	0	5,159,700	13,184,090	0	19,201,030
Subtotal - Community & Neighborhhood Serv.	21,781,740	16,354,680	0	6,349,700	13,184,090	0	57,670,210
Law	1,437,170	0	0	0	0	0	1,437,170
Police							
Police	37,598,500	2,210,180	0	1,311,200	0	0	41,119,880
Emergency Management	267,500	0	0	0	0	0	267,500
Subtotal - Police	37,866,000	2,210,180	0	1,311,200	0	0	41,387,38
Fire	25,698,020	0	0	580,000	0	0	26,278,020
Board Administered/Other Departments							
Legislative	811,400	96,000	0	0	0	0	907,400
City Court	0	730,860	0	0	0	0	730,860
Civil Service	887,870	0	0	0	0	0	887,870
Convention Center	0	0	0	1,075,000	19,515,230	0	20,590,230
Public Assembly Facilities	0	0	0	366,000	3,535,730	0	3,901,730
Subtotal - Other Departments	1,699,270	826,860	0	1,441,000	23,050,960	0	27,018,090
Nondepartmental							
City Elections	35,000	0	0	0	0	0	35,000
City Buildings	0	0	0	0	0	1,442,850	1,442,850
Knoxville Partnership	689,820	0	0	0	0	0	689,820
Metropolitan Planning Commission (MPC)	692,650	0	0	0	0	0	692,650
Knoxville Zoological Park	864,210	0	0	0	0	0	864,210
Agency Grants	1,489,170	0	0	0	0	0	1,489,170
Waterfront	275,730	0	0	0	0	0	275,730
Community Action Committee (CAC)	444,980	0	0	0	0	0	444,980
Debt Service	0	0	15,835,510	0	0	0	15,835,510
Reserve	1,450,000	0	0	0	0	0	1,450,000
Transfers	36,037,480	5,401,750	4,193,890	0	50,000	0	45,683,120
Subtotal - Nondepartmental	41,979,040	5,401,750	20,029,400	0	50,000	1,442,850	68,903,040
GRAND TOTAL	144,239,540	31,382,590	20,073,110	20,844,900	36,960,940	32,893,240	286,394,320

NET BUDGET

Fiscal Year 2004/05

Fund No.	Fund Name	Adopted FY 04/05 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	General Fund	144,239,540	(36,037,480)	0	108,202,060
201	State Street Aid	4,906,000	(2,306,000)	0	2,600,000
202	Community Improvement	90,000	0	0	90,000
209	Abandoned Vehicles	508,950	0	0	508,950
213	City Court	3,600,000	(2,869,840)	0	730,160
216	City Inspections	1,902,890	0	0	1,902,890
220	Stormwater	1,867,070	0	0	1,867,070
230	Solid Waste	10,019,700	0	0	10,019,700
240	Miscellaneous Special Revenue	2,261,180	(750,000)	0	1,511,180
264	Home Grants	1,801,990	(146,610)	0	1,655,380
269	Emergency Shelter Grants	85,490	0	0	85,490
270	Empowerment Zone	994,100	0	0	994,100
290	Community Development Block Grant	3,345,220	(80,000)	0	3,265,220
305	Debt Services	20,073,110	(4,193,890)	0	15,879,220
401	Capital Projects	20,844,900	0	0	20,844,900
451	Chilhowee Park	0	0	0	0
503	Civic Auditorium/Coliseum/KCEC	3,535,730	0	0	3,535,730
504	Metro Parking	725,890	(50,000)	0	675,890
506	Convention Center	19,515,230	0	0	19,515,230
507	Mass Transportation	13,184,090	0	0	13,184,090
701	Office Services	451,620	0	(451,620)	0
702	Fleet Services	8,234,060	0	(8,592,320)	(358,260)
704	Risk Management	6,827,630	0	(6,178,860)	648,770
705	Health Care	14,139,810	0	(9,094,760)	5,045,050
706	Equipment Replacement	1,797,270	0	(1,901,600)	(104,330)
707	City Building	1,442,850	0	(1,396,990)	45,860
	Grand Total	286,394,320	(46,433,820)	(27,616,150)	212,344,350

NET REVENUES BY TYPE - ALL FUNDS

Fiscal Year 2004/05

Fund No.	Fund Name	Taxes	Licenses & Permits	Intergovt. Revenue	Charges For Serv.	Fines & Forfeits	Miscellaneous Revenue
100	General Fund	122,090,520	262,670	17,218,910	857,530	240,760	699,310
201	State Street Aid	0	0	4,900,000	0	0	6,000
202	Community Improvement	0	0	0	0	0	0
209	Abandoned Vehicles	0	0	0	250,000	0	260,000
213	City Court	0	0	0	0	3,567,500	32,500
216	City Inspections	0	1,623,100	0	0	0	3,500
220	Stormwater	0	101,100	0	0	0	5,000
230	Solid Waste	0	0	0	725,000	0	125,000
240	Miscellaneous Special Revenue	0	0	0	85,000	2,118,000	58,180
264	Home Grants	0	0	1,661,990	0	0	140,000
269	Emergency Shelter Grants	0	0	85,490	0	0	0
270	Empowerment Zone	0	0	994,100	0	0	0
290	Community Development Block Grant	0	0	2,312,000	0	0	321,610
305	Debt Services	22,649,990	0	0	0	0	339,490
401	Capital Projects	0	0	5,548,730	0	0	40,000
503	Civic Auditorium/Coliseum/KCEC	0	0	0	1,533,000	0	23,000
504	Metro Parking	0	0	0	0	0	945,000
506	Convention Center	3,730,610	0	2,327,010	2,147,630	0	461,870
507	Mass Transportation	0	0	5,506,040	1,269,720	0	0
701	Office Services	0	0	0	0	0	0
702	Fleet Services	0	0	0	0	0	100,000
704	Risk Management	0	0	0	60,000	0	31,000
705	Health Care	0	0	0	0	0	3,941,350
706	Equipment Replacement	0	0	0	0	0	40,000
707	City Building	0	0	0	0	0	45,860
	Grand Total	148,471,120	1,986,870	40,554,270	6,927,880	5,926,260	7,618,670
	Percent of Net Revs.	69.92%	0.94%	19.10%	3.26%	2.79%	3.59%

Fund No.	Fund Name	Use Of/ (Addition To) Fund Balance	Net Revenues	Interfund Charges In	Interfund Transfers In	Total Revenues
100	General Fund	0	141,369,700	0	2,869,840	144,239,540
201	State Street Aid	0	4,906,000	0	0	4,906,000
202	Community Improvement	0	0	0	90,000	90,000
209	Abandoned Vehicles	(1,050)	508,950	0	0	508,950
213	City Court	0	3,600,000	0	0	3,600,000
216	City Inspections	0	1,626,600	0	276,290	1,902,890
220	Stormwater	0	106,100	0	1,760,970	1,867,070
230	Solid Waste	0	850,000	0	9,169,700	10,019,700
240	Miscellaneous Special Revenue	0	2,261,180	0	0	2,261,180
264	Home Grants	0	1,801,990	0	0	1,801,990
269	Emergency Shelter Grants	0	85,490	0	0	85,490
270	Empowerment Zone	0	994,100	0	0	994,100
290	Community Development Block Grant	565,000	3,198,610	0	146,610	3,345,220
305	Debt Services	(2,916,370)	20,073,110	0	0	20,073,110
401	Capital Projects	2,000,000	7,588,730	0	13,256,170	20,844,900
503	Civic Auditorium/Coliseum/KCEC	374,500	1,930,500	0	1,605,230	3,535,730
504	Metro Parking	(219,110)	725,890	0	0	725,890
506	Convention Center	1,608,900	10,276,020	0	9,239,210	19,515,230
507	Mass Transportation	1,350,000	8,125,760	0	5,058,330	13,184,090
701	Office Services	0	0	451,620	0	451,620
702	Fleet Services	(458,260)	(358,260)	8,592,320	0	8,234,060
704	Risk Management	0	91,000	6,178,860	557,770	6,827,630
705	Health Care	(1,300,000)	2,641,350	9,094,760	2,403,700	14,139,810
706	Equipment Replacement	(144,330)	(104,330)	1,901,600	0	1,797,270
707	City Building	0	45,860	1,396,990	0	1,442,850
	Grand Total	859,280	212,344,350	27,616,150	46,433,820	286,394,320
	Percent of Net Revs.	0.40%				

NET EXPENDITURES BY TYPE - ALL FUNDS

Fiscal Year 2004/05

Fund No.	Fund Name	Personal Services	Supplies	Other Expenses	Debt Service	Capital
100	General Fund	62,373,600	2,973,310	18,170,670	0	0
201	State Street Aid	0	0	2,600,000	0	0
202	Community Improvement	0	0	90,000	0	0
209	Abandoned Vehicles	251,750	3,900	205,800	0	0
213	City Court	493,780	11,600	134,550	0	0
216	City Inspections	1,373,670	8,900	68,610	0	0
220	Stormwater	1,385,450	45,670	67,360	0	0
230	Solid Waste	713,080	33,580	8,796,890	0	0
240	Miscellaneous Special Revenue	38,340	189,430	1,278,720	0	0
264	Home Grants	0	0	1,655,380	0	0
269	Emergency Shelter Grants	0	0	85,490	0	0
270	Empowerment Zone	0	0	994,100	0	0
299	Community Development Block Grant	878,900	15,550	1,567,410	0	572,130
305	Debt Services	0	0	43,710	15,835,510	0
401	Capital Projects	0	306,000	20,538,900	0	0
503	Public Assembly Facilities	1,609,870	185,820	1,323,170	0	4,500
504	Metro Parking	0	0	595,390	66,110	0
506	Convention Center	0	0	12,228,990	7,184,690	0
507	Mass Transportation	0	1,057,920	12,111,750	0	0
701	Office Services	115,070	226,000	21,710	0	0
702	Fleet Services	1,794,440	1,672,000	4,267,820	0	0
704	Risk Management	279,310	3,900	6,472,970	0	0
705	Health Care	116,250	6,590	13,964,590	0	0
706	Equipment Replacement	0	0	1,797,270	0	0
707	City Building	0	200	1,436,280	0	0
	Grand Total	71,423,510	6,740,370	110,517,530	23,086,310	576,630
	Percent of Net Exps.	33.64%	3.17%	52.05%	10.87%	0.27%

Fund No.	Fund Name	Net Expenditures	Interfund Charges Out	Interfund Transfers Out	Total Expenditures
100	General Fund	83,517,580	24,684,480	36,037,480	144,239,540
201	State Street Aid	2,600,000	0	2,306,000	4,906,000
202	Community Improvement	90,000	0	0	90,000
209	Abandoned Vehicles	461,450	47,500	0	508,950
213	City Court	639,930	90,230	2,869,840	3,600,000
216	City Inspections	1,451,180	451,710	0	1,902,890
220	Stormwater	1,498,480	368,590	0	1,867,070
230	Solid Waste	9,543,550	476,150	0	10,019,700
240	Miscellaneous Special Revenue	1,506,490	4,690	750,000	2,261,180
264	Home Grants	1,655,380	0	146,610	1,801,990
269	Emergency Shelter Grants	85,490	0	0	85,490
270	Empowerment Zone	994,100	0	0	994,100
299	Community Development Block Grant	3,033,990	231,230	80,000	3,345,220
305	Debt Services	15,879,220	0	4,193,890	20,073,110
401	Capital Projects	20,844,900	0	0	20,844,900
503	Public Assembly Facilities	3,123,360	412,370	0	3,535,730
504	Metro Parking	661,500	14,390	50,000	725,890
506	Convention Center	19,413,680	101,550	0	19,515,230
507	Mass Transportation	13,169,670	14,420	0	13,184,090
701	Office Services	362,780	88,840	0	451,620
702	Fleet Services	7,734,260	499,800	0	8,234,060
704	Risk Management	6,756,180	71,450	0	6,827,630
705	Health Care	14,087,430	52,380	0	14,139,810
706	Equipment Replacement	1,797,270	0	0	1,797,270
707	City Building	1,436,480	6,370	0	1,442,850
	Grand Total	212,344,350	27,616,150	46,433,820	286,394,320
	Percent of Net Exps.	100.00%			

SUMMARY OF INTERFUND CHARGES

Fiscal Year 2004/05

From (Fund Name)	Fund No.	To Office Services Fund (Fund 701)	To Fleet Services Fund (Fund 702)	To Risk Management Fund (Fund 704)	To Health Care Fund (Fund 705)	To Equipment Replacement Fund (Fund 706)	To City Building Fund (Fund 707)	Grand Total
General Fund	100	334,020	7,916,600	5,711,790	7,816,380	1,810,060	1,095,630	24,684,480
Abandoned Vehicle	209	940	0	7,710	38,850	0	0	47,500
City Court	213	4,450	0	2,630	70,190	12,960	0	90,230
City Inspections	216	26,930	83,530	62,440	185,490	6,210	87,110	451,710
Stormwater	220	7,800	43,480	27,370	207,760	27,060	55,120	368,590
Solid Waste	230	3,380	306,910	30,970	117,300	2,830	14,760	476,150
Miscellaneous Special Revenue	240	250	0	0	4,440	0	0	4,690
Community Development Block Grant	290	11,380	39,100	14,090	95,750	9,620	61,290	231,230
Coliseum/KCEC	503	4,740	80,550	123,480	193,660	9,940	0	412,370
Metro Parking	504	0	0	14,390	0	0	0	14,390
Convention Center	506	0	8,030	93,520	0	0	0	101,550
Mass Transportation	507	4,920	0	0	0	9,500	0	14,420
Office Services	701	40,580	0	2,120	13,320	640	32,180	88,840
Fleet Services	702	4,210	114,120	71,500	291,640	3,410	14,920	499,800
Risk Management	704	3,200	0	6,460	42,630	8,030	11,130	71,450
Health Care	705	4,820	0	4,020	17,350	1,340	24,850	52,380
City Building	707	0	0	6,370	0	0	0	6,370
Grand Total		451,620	8,592,320	6,178,860	9,094,760	1,901,600	1,396,990	27,616,150

SUMMARY OF INTERFUND TRANSFERS

Fiscal Year 2004/05

To (Fund Name)	Fund No.	From General Fund (Fund 100)	From State Street Aid Fund (Fund 201)	From City Court Fund (Fund 213)	From Misc. Spec. Rev. Fund (Fund 240)	From Home Fund (Fund 264)	From CDBG Fund (Fund 290)	From Debt Service Fund (Fund 305)	From Metro Parking Fund (Fund 504)	Grand Total
General Fund	100	0	0	2,869,840	0	0	0	0	0	2,869,840
Community Improvement	202	90,000	0	0	0	0	0	0	0	90,000
City Inspections	216	276,290	0	0	0	0	0	0	0	276,290
Stormwater	220	1,760,970	0	0	0	0	0	0	0	1,760,970
Solid Waste	230	9,169,700	0	0	0	0	0	0	0	9,169,700
Community Development Block Grant	290	0	0	0	0	146,610	0	0	0	146,610
Capital Projects	401	11,101,170	1,275,000	0	750,000	0	80,000	0	50,000	13,256,170
Coliseum/KCEC	503	1,605,230	0	0	0	0	0	0	0	1,605,230
Convention Center	506	5,045,320	0	0	0	0	0	4,193,890	0	9,239,210
Mass Transportation	507	4,027,330	1,031,000	0	0	0	0	0	0	5,058,330
Risk Management	704	557,770	0	0	0	0	0	0	0	557,770
Health Care	705	2,403,700	0	0	0	0	0	0	0	2,403,700
Grand Total		36,037,480	2,306,000	2,869,840	750,000	146,610	80,000	4,193,890	50,000	46,433,820

SOURCES & USES OF FUNDS

Fiscal Year 2004/05

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Total All Funds
Operating Revenue							
Taxes	122,090,520	0	22,649,990	0	3,730,610	0	148,471,120
Licenses & Permits	262,670	1,724,200	0	0	0	0	1,986,870
Intergovt. Revenue	17,218,910	9,953,580	0	5,548,730	7,833,050	0	40,554,270
Charges For Serv.	857,530	1,060,000	0	0	4,950,350	27,676,150	34,544,030
Fines & Forfeits	240,760	5,685,500	0	0	0	0	5,926,260
Other Revenue	699,310	951,790	339,490	40,000	1,429,870	4,158,210	7,618,670
Total Oper. Revenues	141,369,700	19,375,070	22,989,480	5,588,730	17,943,880	31,834,360	239,101,220
Operating Expenses							
Personal Services	70,189,980	5,854,750	0	0	1,803,530	2,670,010	80,518,270
Supplies	2,973,310	308,630	0	306,000	1,243,740	1,908,690	6,740,370
Other Expenses	35,038,770	18,494,630	43,710	20,538,900	26,608,370	28,314,540	129,038,920
Debt Service	0	0	15,835,510	0	7,250,800	0	23,086,310
Capital	0	572,130	0	0	4,500	0	576,630
Total Oper. Expenses	108,202,060	25,230,140	15,879,220	20,844,900	36,910,940	32,893,240	239,960,500
Excess/Deficiency Revenues Over (Under) Expenses	33,167,640	(5,855,070)	7,110,260	(15,256,170)	(18,967,060)	(1,058,880)	(859,280)
Other Fin. Sources/(Uses)							
Transfers In	2,869,840	11,443,570	0	13,256,170	15,902,770	2,961,470	46,433,820
Transfers Out	(36,037,480)	(6,152,450)	(4,193,890)	0	(50,000)	0	(46,433,820)
Total Other Sources/Uses	(33,167,640)	5,291,120	(4,193,890)	13,256,170	15,852,770	2,961,470	0
Revenues & Sources Over (Under) Expenses & Uses	0	(563,950)	2,916,370	(2,000,000)	(3,114,290)	1,902,590	(859,280)
Est. Beginning Fund Balance	16,314,000	10,695,000	27,312,000	12,470,000	39,157,000	29,855,000	135,803,000
Est. Ending Fund Balance	16,314,000	10,131,050	30,228,370	10,470,000	36,042,710	31,757,590	134,943,720

Note that interfund charges are shown both as a revenue and an expenditure in this table. Thus the numbers contained here do not tie to the Net Budget figures.

Authorized Positions by Department

Fiscal Year 2004/05

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total
Full Time Positions					
Administration	19	0	0	0	19
Finance and Accountability					
Finance	44	0	0	15	59
Information Systems	29	0	0	0	29
Operations and Engineering					
Engineering	87	25	0	0	112
Fleet Services	0	9	0	49	58
Inspections	0	32	0	0	32
Community and Neighborhood Services					
Public Service	261	30	0	0	291
Development Services	3	0	0	0	3
Community Development	0	19	0	0	19
Empowerment Zone					
Recreation	53	0	0	0	53
Law	13	0	0	0	13
Police					
Police	525	1	0	0	526
Emergency Management	4	0	0	0	4
Fire	339	0	0	0	339
Legislative	3	0	0	0	3
City Court	0	13	0	0	13
Civil Service	14	0	0	0	14
Public Assembly Facilities	0	0	36	0	36
Knoxville Partnership	1	0	0	0	1
Total Full Time	1,395	129	36	64	1,624
Part Time Positions					
Administration	1	0	0	0	1
Finance and Accountability					
Finance	2	0	0	0	2
Information Systems	0	0	0	0	0
Operations and Engineering					
Engineering	2	0	0	0	2
Fleet Services	0	0	0	0	0
Inspections	0	0	0	0	0
Community and Neighborhood Services					
Public Service	0	0	0	0	0
Development Services	0	0	0	0	0
Community Development	0	1	0	0	1
Empowerment Zone	0	0	0	0	0
Recreation	12	0	0	0	12
Law	1	0	0	0	1
Police					
Police	31	0	0	0	31
Emergency Management	0	0	0	0	0
City Court	0	1	0	0	1
Civil Service	0	0	0	0	0
Public Assembly Facilities	0	0	1	0	1
Knoxville Partnership	0	0	0	0	0
Total Part Time	58	2	1	0	61
Grand Total	1,453	131	37	64	1,685

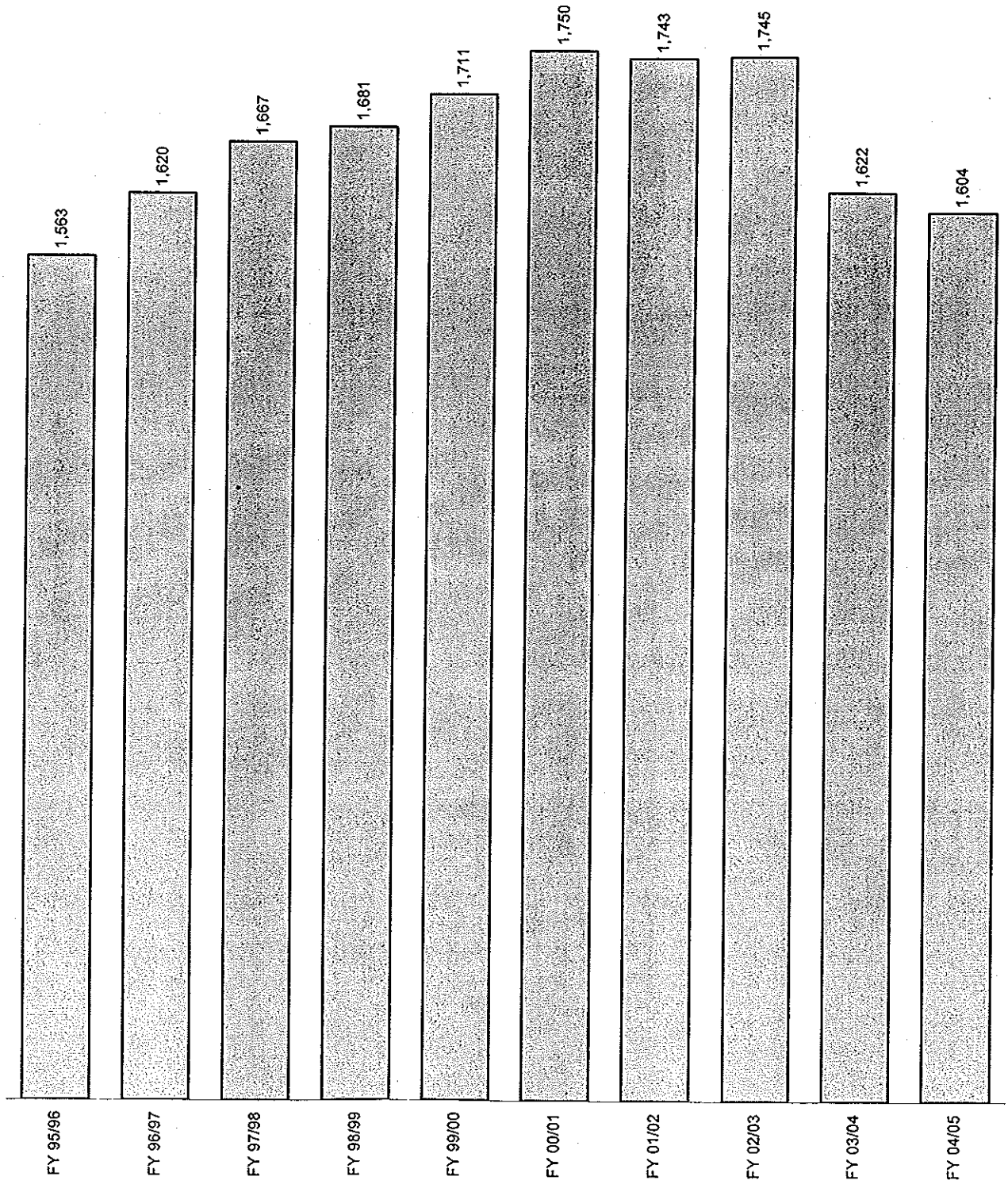
Full Time Positions by Department

Fiscal Years 2000/01 - 2004/05

Department	FY 00/01	FY 01/02	FY 02/03	FY 03/04	FY 04/05	Difference 03/04 - 04/05
Administration	23	23	23	21	19	(2)
Finance and Accountability						
Finance	53	53	53	47	54	7
Information Systems	32	30	30	28	29	1
Subtotal - Finance & Accountability	85	83	83	75	83	8
Operations & Engineering						
Engineering	86	87	88	85	112	27
Fleet Services	67	67	67	58	58	0
Inspections	30	31	31	30	30	0
Subtotal - Operations & Engineering	183	185	186	173	200	27
Community and Neighborhood Services						
Public Services	316	335	338	315	283	(32)
Development Services	23	5	5	5	3	(2)
Community Development	20	20	20	21	20	(1)
Recreation	56	56	55	52	55	3
Subtotal - Community & Neighborhood Serv.	415	416	418	393	361	(32)
Law	26	26	25	25	13	(12)
Police						
Police	556	558	568	526	519	(7)
Emergency Management	4	4	4	4	3	(1)
Subtotal - Police	560	562	572	530	522	(8)
Fire	370	370	370	339	339	0
Board Administered/Other Departments						
Legislative	3	3	3	3	3	0
City Court	12	13	13	13	13	0
Civil Service	15	15	15	14	14	0
Public Assembly Facilities	58	47	37	36	36	0
Subtotal - Other Departments	88	78	68	66	66	0
Nondepartmental						
Knoxville Partnership	0	0	0	0	1	1
Subtotal - Nondepartmental	0	0	0	0	1	1
GRAND TOTAL	1,750	1,743	1,745	1,622	1,604	(18)

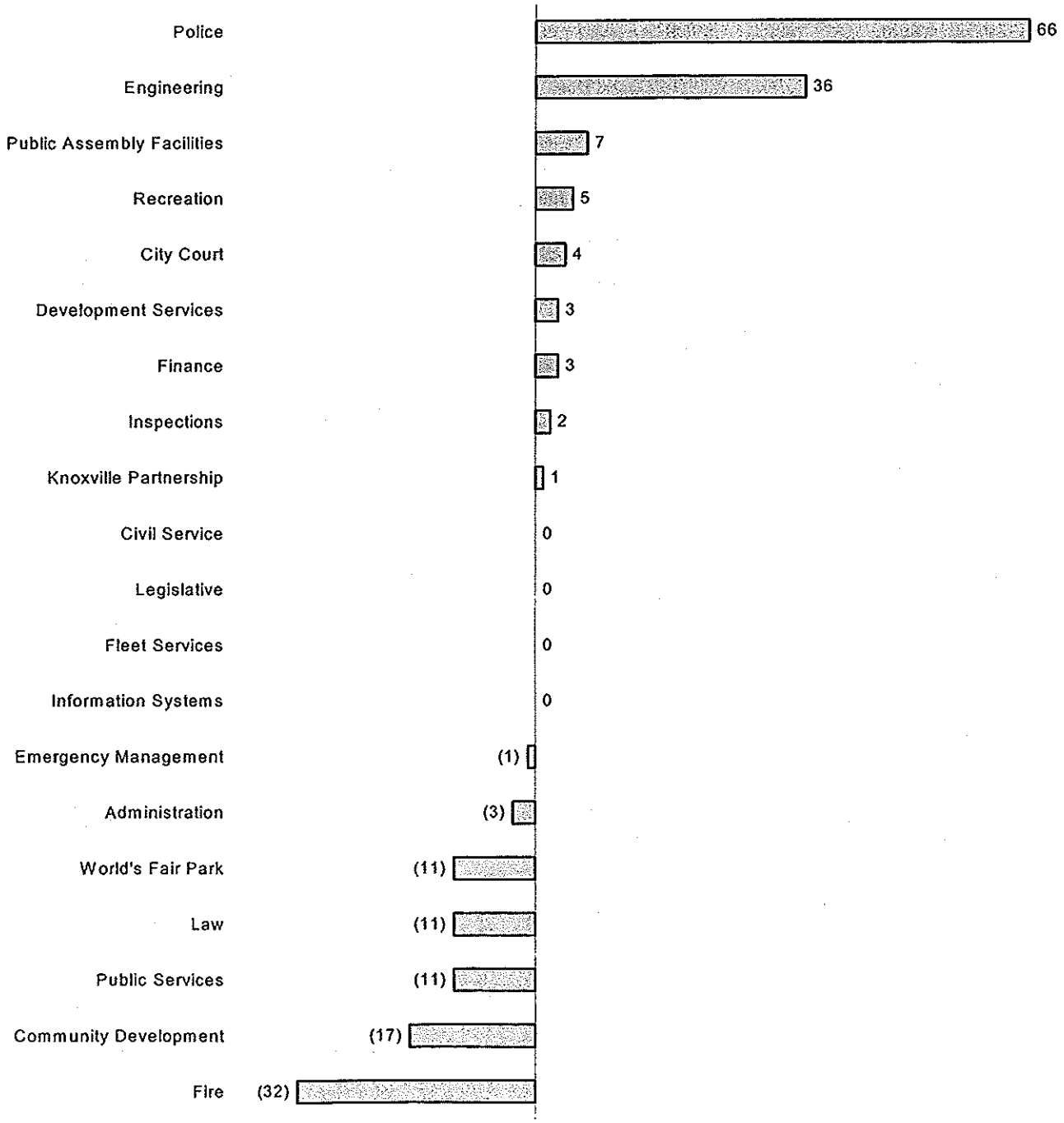
Authorized Full Time Personnel

Fiscal Years 1995/96 – 2004/05



Changes in Full Time Budgeted Personnel

Fiscal Years 1995/96 – 2004/05



Part Time Positions by Department

Fiscal Years 2000/01 - 2004/05

Department	FY 00/01	FY 01/02	FY 02/03	FY 03/04	FY 04/05	Difference 03/04 - 04/05
Administration	0	0	0	1	1	0
Finance and Accountability						
Finance	2	2	2	2	1	(1)
Subtotal - Finance & Accountability	2	2	2	2	1	(1)
Operations & Engineering						
Engineering	4	3	3	2	2	0
Subtotal - Operations & Engineering	4	3	3	2	2	0
Community and Neighborhood Services						
Community Development	1	0	0	1	1	0
Recreation	15	15	15	13	11	(2)
Subtotal - Community & Neighborhhood Serv.	16	15	15	14	12	(2)
Law	1	1	1	1	0	(1)
Police						
Police	42	42	42	32	31	(1)
Subtotal - Police	42	42	42	32	31	(1)
Board Administered/Other Departments						
Legislative	9	9	9	9	9	0
City Court	1	1	1	1	1	0
Public Assembly Facilities	3	0	0	0	0	0
Subtotal - Other Departments	13	10	10	10	10	0
Nondepartmental						
GRAND TOTAL	78	73	73	62	57	(5)

EFFECT OF TAX RATE ON HOMEOWNERS

In FY 2004/05 the proposed tax rate is $3.05 per hundred dollars of assessed value. This is $0.35 above the rate in FY 2003/04. The following chart summarizes the effect of the city's property tax on homeowners. As shown, a residential home appraised at $60,000 would be assessed at 25% of that value, or $15,000. Taxes due are per $100 of value, so the city property tax due for a $60,000 home is $457.50 (calculated by dividing $15,000 by 100 and then multiplying by the city tax rate of $3.05.) The average appraised value for residential property is $70,521 and the median value is $59,100. For the average residential homeowner the total city property tax bill is $537.72. The increase in the tax rate represents an increase tax of $61.71 per year or $5.14 per month to the average homeowner.

Appraised Value	Assessed Value (25%)	Impact of Tax Increase	Property Tax Due
$40,000	$10,000	$35.00	$305.00
$60,000	$15,000	$52.50	$457.50
$70,521	$17,630	$61.71	$537.72
$80,000	$20,000	$70.00	$610.00
$100,000	$25,000	$87.50	$762.50

City of Knoxville

ASSESSED VALUES - ALL PROPERTY

Fiscal Years 1983/84 - 2004/05

Calendar Year	Total Real Property		Personal Property	Public Utilities	Total Assessments
1983	1,082,167,280		67,770,971	105,429,104	1,255,367,355
1984	1,079,627,084		77,145,411	97,515,150	1,254,287,645
1985	1,096,798,493		88,685,584	87,087,426	1,272,571,503
1986	1,102,016,383		98,407,484	111,100,000	1,311,523,867
1987	1,104,867,214		108,752,668	100,627,110	1,314,246,992
1988	1,122,742,024		112,676,654	104,899,443	1,340,318,121
1989	1,140,611,597		132,423,393	95,316,739	1,368,351,729
1990	1,172,891,487		143,085,759	101,472,718	1,417,449,964
1991	1,212,029,673		135,710,493	98,142,916	1,445,883,082
1992	1,238,194,477		132,547,101	96,552,849	1,467,294,427
1993	1,614,026,310	*	163,270,996	111,997,273	1,889,294,579
1994	1,614,271,095		177,150,854	119,230,340	1,910,652,289
1995	1,618,398,558		177,681,038	112,540,638	1,908,620,234
1996	1,623,659,535		184,552,898	115,766,135	1,923,978,568
1997	1,878,801,360	*	218,591,024	126,746,927	2,224,139,311
1998	1,934,290,885		242,537,032	128,589,318	2,305,417,235
1999	1,982,169,765		258,297,182	139,643,315	2,380,110,262
2000	2,028,588,845		260,949,460	136,081,340	2,425,619,645
2001	2,383,807,165	*	296,305,803	180,021,560	2,860,134,528
2002	2,438,014,810		304,602,014	174,625,693	2,917,242,517
2003	2,480,556,405		309,107,232	150,264,579	2,939,928,216
2004 (Est.)	2,537,224,890		315,457,050	145,984,310	2,998,666,250

* The Property Assessor is required by law to undertake a complete reappraisal of property at least every four years. These reappraisals were completed in 1993, 1997 and 2001.

Note that the assessments for each calendar year are reflected in the budget for the following year. For example the 2004 assessments are used in the FY 04/05 budget. Residential property is assessed at 25% of the appraised value. Commercial/Industrial property is assessed at 40% of the appraised value and public utility property is assessed at 55% of the appraised value. The majority of public utility property is appraised by the Tennesse Public Service Commission. Personal property is assessed at 30% of the appraised value.

CITY AND COUNTY PROPERTY TAX RATES

FY 87/88 - FY 04/05

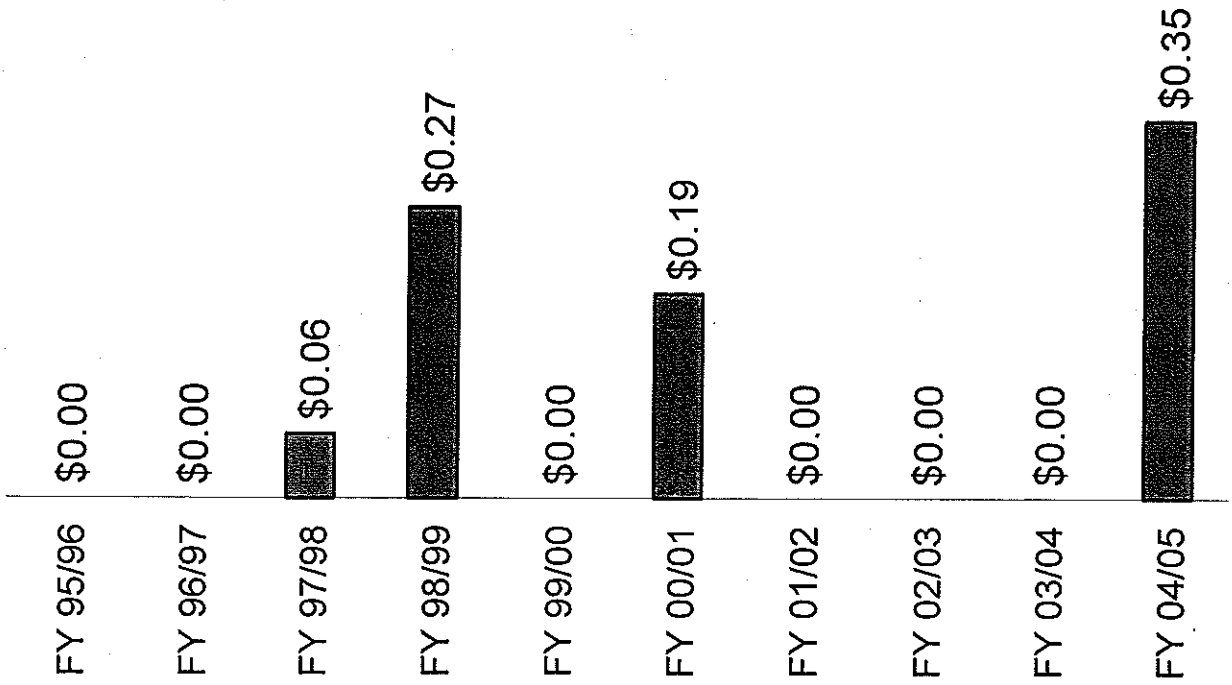
Fiscal Year	City Rate		County Rate		City Combined Rate
FY 87/88	$3.40		2.76		$6.16
FY 88/89	$3.24		2.91		$6.15
FY 89/90	$3.24		2.85		$6.09
FY 90/91	$3.24		2.85		$6.09
FY 91/92	$3.24		3.07		$6.31
FY 92/93	$3.51		3.25		$6.76
FY 93/94	$2.73	*	2.91	*	$5.64
FY 94/95	$2.87		2.91		$5.78
FY 95/96	$2.87		3.16		$6.03
FY 96/97	$2.87		3.16		$6.03
FY 97/98	$2.58	*	2.77	*	$5.35
FY 98/99	$2.85		2.77		$5.62
FY 99/00	$2.85		3.32		$6.17
FY 00/01	$3.04		3.32		$6.36
FY 01/02	$2.70	*	2.96	*	$5.66
FY 02/03	$2.70		2.96		$5.66
FY 03/04	$2.70		2.96		$5.66
FY 04/05	$3.05		2.96		$6.01

* The Property Assessor is required by law to undertake a complete reappraisal of property at least every four years. This reappraisal was last completed in 2001. Whenever a property reappraisal occurs, cities and counties are required to adopt a "Certified Tax Rate". This is the rate that would generate the same amount of tax revenue as before reappraisal. The "Certified Tax Rate" in FY 01/02 for the City was $2.70 and for the County $2.96. This rate in effect discounts the increases in value resulting from reappraisal.

Note that taxes are levied per $100 of assessed value.

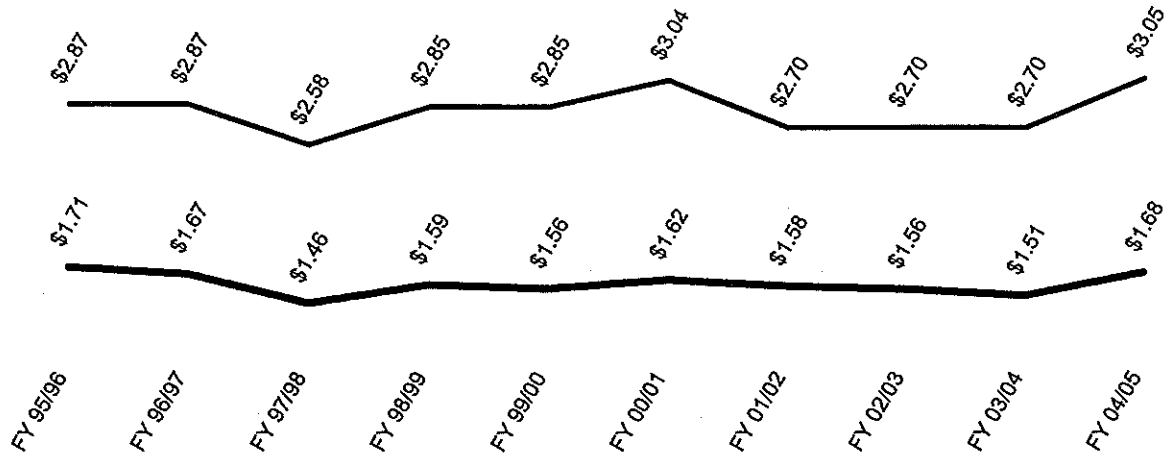
CHANGES IN TAX RATE

Fiscal Years 1995/96 – 2004/05



ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 1995/96 – 2004/05



The above chart presents a ten year comparison of the actual (nominal) tax rate to the effective tax rate, that is, the tax rate after it has been adjusted for the effects of reappraisal by the Knox County Property Assessor and the impact of inflation. As can be seen by the lower line, the effective tax rate has declined from $1.71 in Fiscal Year 1995/96 to $1.68 in Fiscal Year 2004/05. This means that the change in the tax rate has been slightly less than the rate of inflation and equalization