FISCAL YEAR 2006-2007
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 York

A special thank you to all the departments that contributed to this document.
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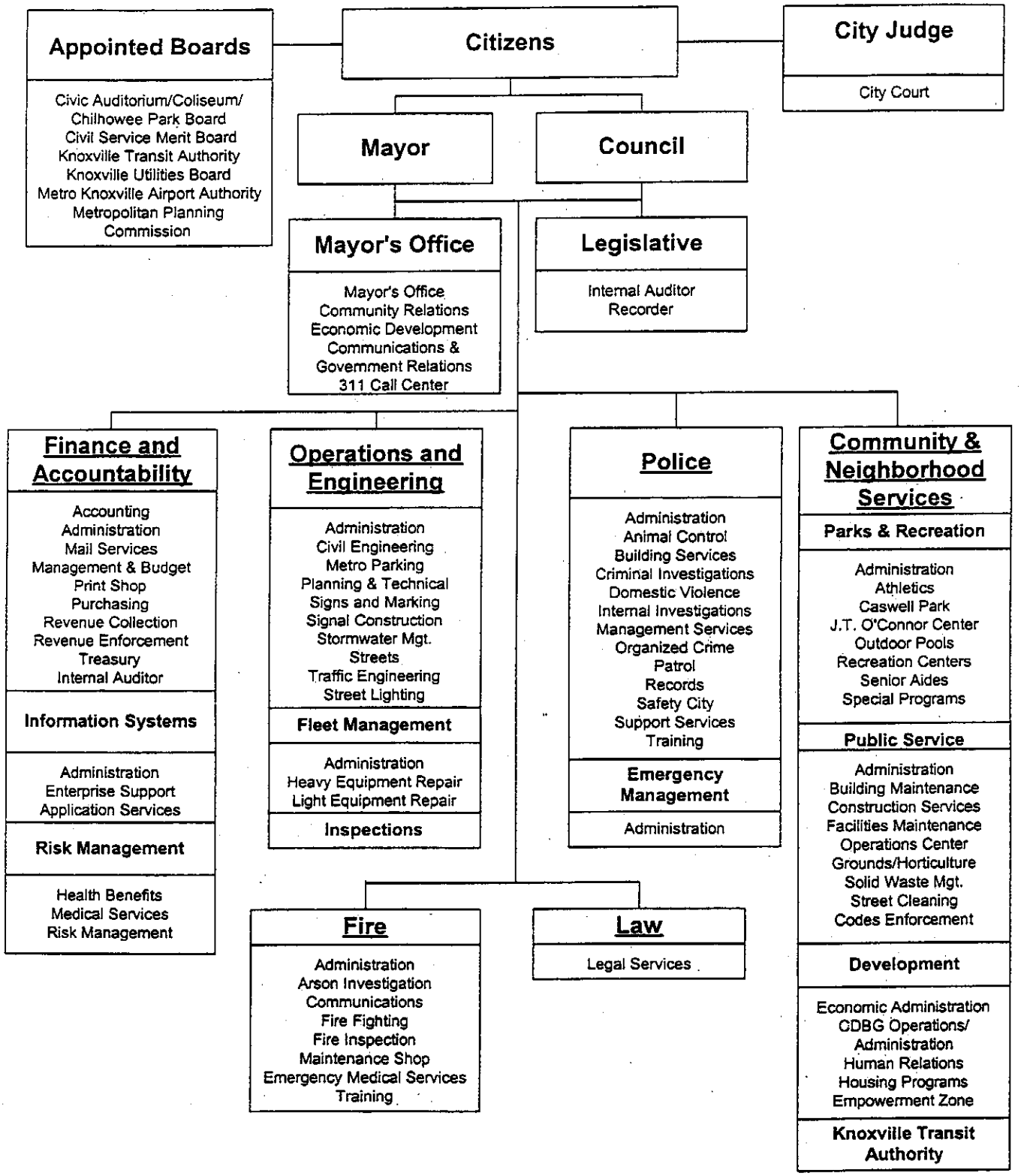
PRINCIPAL DIRECTORS AND ADMINISTRATORS

Mayor's Office	Mayor Bill Haslam
Communications and Government Relations	Margie Nichols, Senior Director
Special Events Division/Communications and Govt. Relations	Mickey Mallonee, Director
Economic Development	William Lyons, Senior Director
Community Relations	Thomas Strickland, Director
Finance and Accountability Department	Chris Kinney, Senior Director
Information Systems Division of Finance and Accountability	Janet Wright, Director
Operations and Engineering Department	Dave Hill, Chief Executive Officer
Engineering Division of Operations and Engineering	Steve King, P.E., Director
Fleet Service Division of Operations and Engineering	David Doyle, Interim Director
Community and Neighborhood Services Department	Samuel P. Anderson, Senior Director
Public Service Division of Community and Neighborhood Services	Bob Whetsel, Director
Knoxville Area Transit	Mark Hairr, General Manager
Law Department	Morris Kizer, Senior Director
Police Department	Sterling Owen IV, Chief
Fire Department	Robert Key, Chief
City Court	John Rosson, Judge
Civil Service Board	Vicki Hatfield, Executive Secretary/Director
Knoxville Auditorium/Coliseum, and Chilhowee Park	Bob Polk, Executive Director
Knoxville Utilities Board	Mintha Roach, President
Metropolitan Knoxville Airport Authority	Bill Marrison, President

City of Knoxville

Organizational Structure



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Knoxville

Tennessee

For the Fiscal Year Beginning

July 1, 2005

President

Executive Director

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, 2005.

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.

CITY OF KNOXVILLE

MISSION: The City of Knoxville government provides superior services and cultural amenities to all citizens in an efficient and fiscally responsible manner. We encourage, promote and facilitate economic growth while treating all citizens with dignity and respect.

GOALS:

1. Stronger and safer neighborhoods.
2. City services you can count on at a competitive price.
3. An energized downtown; everybody's neighborhood.
4. More and better jobs.

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.

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.

KNOXVILLE/KNOX COUNTY GENERAL INFORMATION

Founded in 1791 where the French Broad and Holston Rivers converge to form the Tennessee River, Knoxville is the largest city in East Tennessee and ranks third largest in the State. It is located in a broad valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast. These two mountain ranges help provide a moderate climate. There are 103-square miles in the City of Knoxville and 526-square miles in all of Knox County. Downtown Knoxville is 936 feet above sea level. In October of 1791, the City of Knoxville was officially founded, named in honor of General Henry Knox, Secretary of War in President Washington's Cabinet. In 1796, when the territory became the State of Tennessee, Knoxville was named the capital, and remained so until 1818.

At the outset of the Civil War, East Tennessee strongly favored the preservation of the Union, but Middle and Western Tennessee favored secession. Thus, on June 18, 1861, the State of Tennessee seceded from the Union, joining the Confederacy. During the Civil War, Tennessee, known as the Volunteer State, provided 100,000 men to the Confederacy, and 30,000 to the Union. When the war ended, Tennessee was the first to

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

Knoxville continually receives high honors for quality of life. The city recently earned a five-star rating from Expansion Management magazine based on a strong showing in public schools, affordable housing, low crime rates, and access to air service, continuing education, and standard of living. The Millenium edition of Places Rated Almanac awarded Knoxville the title of "best place to live in the United States and Canada" among cities with population under one million. A favorable cost of living, excellent health care, 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
2005	404,972	2000-2005	6.0
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
2005	180,130	2000-2002	3.5
2010 (projected)	183,044	2000-2010	5.3

Demographic Information

Age Distribution (as of 2005)		
Age	**Knoxville MSA**	**Knox County**
0-4	38,511	24,091
5-9	37,371	23,731
10-14	38,557	23,947
15-19	38,729	23,116
20-24	44,448	30,669
25-34	86,768	55,299
35-44	96,847	59,926
45-54	96,063	59,547
55-59	40,316	24,298
60-64	33,046	19,737
65-74	47,704	26,506
75-84	28,654	16,579
85+	8,621	4,936

Area Population By Gender (as of 2005)			
Gender	Knoxville MSA	Knox County	City of Knoxville
Male	310,217	191,371	81,046
Female	325,418	201,011	87,698

Area Population By Race (as of 2005)			
Race	Knoxville MSA	Knox County	City of Knoxville
Total Population	635,635	392,382	168,744
White	574,762	345,486	136,561
Black	39,538	31,488	24,994
Am. Indian	1,688	1,149	411
Asian	7,945	6,034	2,629
Other	1,449	1,417	2,026
*Hispanic	10,253	6,808	2,123

(*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 88 public schools, including 51 elementary, 14 middle, and 12 high schools, 2 vocational schools and several special/adult education centers. Enrollment in 2005 was 49,999 students. There are 46 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 26,000 students. Other campuses of the University System are located in Memphis, Chattanooga, Nashville, and Martin.

The Pellissippi State Technical Community College has an enrollment of 7,600 students. 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 twenty branches located throughout the City and County. The size of collection for the library is 1,043.750. 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 eleven 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 4,500 acres of park and recreation space, including 27 recreation centers, 6 senior citizen centers, 144 playgrounds and parks, 87 tennis courts, 10 public golf courses, and more than 60 miles 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 9.3 million visitors in 2005. 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 2004, travelers spent more than $637 million in Knox County, ranking it fourth in the state for visitor expenditures. Over 9,000 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 eleven 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 Emporium Center for Arts and Culture 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 2,100 members who participate in economic development, general commerce, and civic affairs. Around 150 civic groups and 270 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 Tennessee also offer local assistance. 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. Forty percent of the U.S. population is within 600 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, 2 railroads, and 8 airlines. Knoxville Area Transit (KAT), the public bus system serving the city, operates 80 vehicles and carries over 3.2 million passengers a year. In 2004, KAT garnered the prestigious American Public Transportation Association's Outstanding Achievement Award. 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. Manufacturing firms in the Knoxville MSA produce everything from fiberglass boats and electronic components to healthcare products 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 2005 totaled $698 million, creating 5,400 additional jobs.

Building Permits

The city and the county issued 4,133 building permits in 2005 with a total value for 2005 of $820,233,680.

Income

In 2004, Knox County's per capita personal income was $32,040, a 5.9% increase from 2003. State and national increases were 4.9%, or $29,844 and 5.0%, or $33,050, respectively, during the same period. The annual growth rate of per capita income in Knox County over the past 10 years averaged 3.9%

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. The sales tax is 6% on food and food ingredients and 7% on all other tangible personal property. The local rate, applicable countywide, is 2.25%, bringing the total sales tax in Knox County to 8.25-9.25%. About 72% of the local portion goes to the Knox County School system. The remainder is dedicated to the general funds of the city and county.

Employment

In 2005, 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	16,200	4.9%
Manufacturing	38,400	11.7%
Trade	59,500	18.1%
Transportation, Utilities	10,400	3.2%
Information	5,900	1.8%
Financial Activities	17,300	5.3%
Services	78,200	23.9%
Leisure & Hospitality	34,800	10.6%
Government	52,500	16%
Other Services	13,800	4.2%
TOTAL	327,600	

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 2004 was 322,300, including all full and part-time non-farm wage and salary employees. 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 2005 civilian labor force in the Knoxville MSA was 339,020. The average MSA unemployment rate in 2005 was 4.4%. The rate for Knox County was 4.1%. Both are lower than the statewide average rate of 5.6% and the nationwide average of 5.1% for this time period.

Major Employers in the Knoxville MSA

Company	Number of Employees
U.S. Department of Energy-Oak Ridge Operations	11,802
University of Tennessee-Knoxville	7,997
Knox County Schools	7,900
Covenant Health	6,997
Wal-Mart Stores, Inc.	4,565
St. Mary's Health System	3,411
University of Tennessee Medical Center	3,195
Knox County Government	2,999
State of Tennessee – Regional Offices	2,681

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

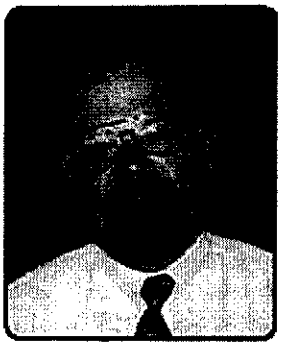
Joseph Hultquist- First District

Originally from Maryville, Tennessee, Joe is a self-employed designer/builder/consultant. He has lived in the Island Home Park neighborhood since 1986. In the fall of 1986, he co-founded the Island Home Neighborhood Association and served as its President for eight years. In 1991, Joe was named to the city's Board of Zoning Appeals. He served a five-year term, never missing a single monthly meeting. In 1993, Joe spearheaded the effort to prevent downgrading the new highway and bridge that connect to Interstate 40. In 1998, he was awarded the first Community Cornerstone Award by the Knoxville News Sentinel/the South Knoxville/Sevier County area. In March 1999, Joe gathered with other people interested in developing a regional visioning process. From that meeting, the Initiating Committee Nine Counties One Vision (9C1V) evolved. Joe led the 9C1V outreach effort and has served continually on the 9C1V Board of Directors.

Barbara Pelot – Second District

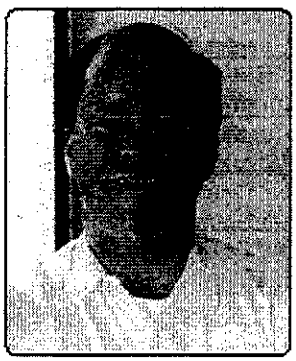
Barbara Pelot attended Southwestern Memphis (Rhodes College; 1955-1957, graduating cum laude from Memphis State University in 1959 with a degree in Sociology, History and Secondary Education. She is a City of Knoxville Wrecker Commissioner, Past President of West Hills Community Association, President of West Hills Community Association and Chair for the Knoxville Police Department Advisory Committee. She is on The American Cancer Society Board of Directors, and a member of the Tennessee Dental Association Concerned Dentists Committee and Office Manager of her husbands dental practice. Mrs. Pelot is a member of Concord United Methodist Church, and the wife of Reuben Nisbet Pelot, III. They have four children, Lisa, Laurie, Lynda, and Reuben IV (Buddy), and 14 grandchildren.

Steve Hall – Third District



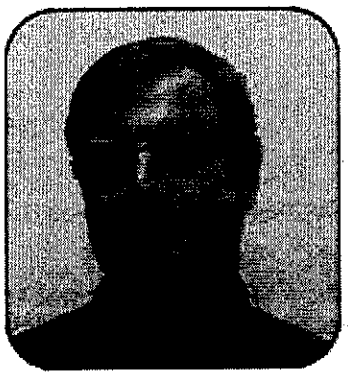
Steve Hall is the President of Interior Finishes Corp, a medium size commercial building contractor doing mostly retail construction. He and his wife Janet have five children and three grandchildren. Steve is also an active member and deacon of Gospel Light Baptist Church. Steve is the host of Politics Knoxville, a live call in show on every Friday night from 8:30 – 9:30 on Comcast Channel 12. Steve is the Chairman of the Beer Board.

Rob Frost- Fourth District



Rob Frost, the youngest member of City Council, is an attorney who practices law in downtown Knoxville. He received three Bachelor degrees from the University of Tennessee and graduated from The Tulane University School of Law. Rob, his wife and their two sons live in the Historic Fourth and Gill Neighborhood in a 111-year-old home which they were honored with an award for its renovation. Rob additionally serves on the boards of his neighborhood organization and Knox Heritage as well as formerly serving on the City's Historic Zoning Commission.

Bob Becker - Fifth District



Bob Becker has lived in east Tennessee for 18 years. He currently lives in the Oakwood neighborhood. He graduated from Randolph-Macon College in Virginia with a degree in history in 1981. He is single and has two devoted dogs, Cayla and Maddie. Bob is an energetic bicyclist and enjoys hiking in the mountains.

Organizations he belongs to are Oakwood/Lincoln Park Neighborhood Association, Oakwood Neighborhood Watch, Zone Advisory councils (North & Northwest), Council of Involved Neighborhoods, Center for Neighborhood Development. His employment history includes Tennessee Industrial Renewal Network and Save Our Cumberland Mountains.

Mark Brown – Sixth District

Mark A. Brown is a native Knoxvillian. He is the son of Reverend James E. Brown, Sr. and Patricia Brown. He is married to Marcia Elaine Stewart and they have one son Mark Antoine Brown, II. Councilman Brown has committed his life to helping others. After receiving his doctorate of Juris Prudence from the University of Tennessee at Knoxville, Councilman Brown became president and CEO of the Knoxville Area Urban League and served in this capacity from 1987 through 1992. In 1993 Councilman Brown began his law practice with the firm of Campbell & Dawson. December of 2005 Mark co founded the firm Clark, Brown & Waters. He has served as a special judge to the Knox County General Sessions Courts. He is a former Chairman of the Knox County Election Commission and member of the Spirit of Peace music Ministry. In 1990 Councilman Brown was named by Ebony magazine as one of the leaders of the future for the age group 30 and under. He has participated in voter registration drives and neighborhood clean-ups. In 1998 councilman Brown served as Vice Chair of the Bernstein Commission on Police (which proposed the Police Advisory Review Commission). Throughout Councilman Brown's life he has been involved in several civic organizations, commissions and received various appointments, designations and awards. What is most important to Councilman Brown is that we all realize that "There is more that unites us than divides us".

Joe Bailey - At- Large

Joe Bailey has been involved in mainstream national politics since 1984. He worked on President Ronald Reagan's re-election campaign as an Advanceman. After working for the Reagan-Bush campaign, Joe received a Presidential Appointment at the U.S. Department of Agriculture as Deputy Director of Public Liaison.

Joe served as Director of Operations for Senator Bob Dole's Political Action Committee. Joe joined George Bush's Presidential Campaign in June 1987. Joe served in the Reagan and Bush Administrations on two occasions at the United States Department of Agriculture and the Department of Energy. He also has worked in official capacities at two Presidential Inaugurals. Joe has performed management duties at four Republican National Conventions.

In 1994, Joe joined the Tennessee Valley Authority as Washington Representative. In 1998, he became Valley Relations Manager in Knoxville. In 2001, Joe formed a Government Marketing and Public Relations firm, specializing in hands on legislative advocacy and services at the local, state, and federal level. Joe Bailey is a native of Knoxville, Tennessee.

Chris Woodhull - At - Large

Chris Woodhull is passionate about bringing Knoxville to its full potential and doing it in a way that involves more people and new ideas. Chris is the 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 TRIBE ONE with the late Danny Mayfield, who was also a Knoxville City Councilman.

Chris is a graduate of the University of North Carolina at Asheville. He has completed classes in negotiation at Harvard and entrepreneurship at Yale. 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 two leaders to watch. He was a 1999 Knoxville Neighbor of the Year nominee and was featured on Hallerin Hilton Hill's television show, "Anything is Possible" in 2003.

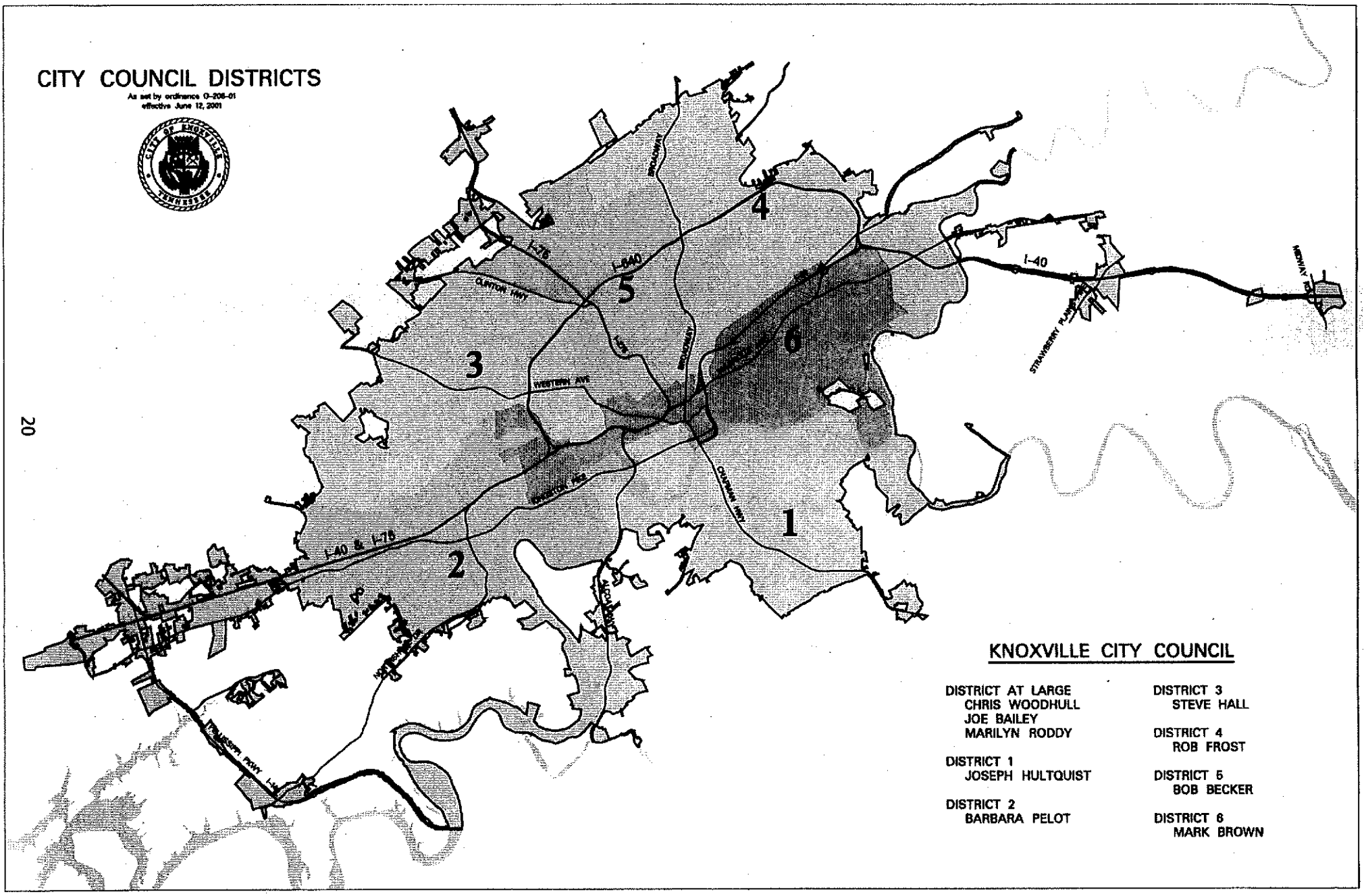
Community Shares awarded him the "Heart of Change" Award in 2003.Chris has been married to Mary Lawrence for 17 years. They have two daughters, Tess, who is 12 and Paris, who is nine and live in a 110 year old house in historic Mechanicsville near downtown.

Marilyn Roddy - At - Large

Marilyn Roddy has been involved in the Knoxville community for over 16 years as a civic activist. She is a member of Ijams Nature Center Board of Directors, past PTA president, a graduate of Leadership Knoxville, past board member of The City Ballet and active in neighborhood associations and church. Marilyn is a Phi Beta Kappa graduate of The University of North Carolina at Chapel Hill with a degree in education. She formerly taught third grade. Marilyn is married to Patrick Roddy and they are the parents of three school-age children.

CITY COUNCIL DISTRICTS

As set by ordinance O-206-01
effective June 12, 2001



Executive Summary

The FY 06/07 budget, like all budgets, serves as a vision for the future. It is a means by which one establishes priorities and provides a mechanism for delivering on those priorities. 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.

General Overview

The proposed property tax rate for FY 06/07 is $2.81 per hundred dollars of assessed value. Of this amount $0.75 goes to the Debt Service fund to pay for bonded debt costs. The proposed tax rate is unchanged from FY 05/06. The average residential property in the City of Knoxville is appraised at $82,324. For the average residential homeowner the total taxes paid will equal $578.33. When adjusted for the impact of inflation and countywide reappraisals, the proposed tax rate is actually lower than it was ten years ago.

The total operating budget in fiscal year 2006/07 is $313,838,650. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is $232,422,990. The budget for the General Fund, which is the main operating fund of the city, equals $155,244,900.

Budgeted personnel for FY 06/07 total 1,607 full-time positions and 62 part-time positions. This represents a gain of five full-time positions and a loss of one part-time position.

Administrative Goals

The FY 06/07 budget is guided by the goals of this administration, as outlined in the strategic plan, "KNOXVILLE WORKS". These goals are:

Stronger, safer neighborhoods

City services you can count on at a competitive price

An energized downtown; everybody's neighborhood

More and better jobs

Stronger, Safer Neighborhoods

As in the past, the largest portion of the budget is devoted to the operations of the Police and Fire Departments. As part of this budget, funding is provided to add two training specialists and two cadets to the Police Department staff. By doing this, we will able to reassign officers who have been performing certain training functions and other duties, back into patrol. The cadets will also be able to assume some duties such as parking enforcement and other activities, which also free up officer's time to perform other safety functions.

Funding is also provided for improvements to Fire Station 14 and Fire Station 11. Additional funding is provided for such things as maintenance, utilities, fuel, and other expenses.

Stronger safer neighborhoods are, however, more than quality police and fire protection. It is important that these neighborhoods have quality infrastructure, and are free from blight. This budget provides $200,000 in startup funding to address chronic problem properties, and another $100,000 is appropriated for a commercial façade improvement program. The budget grants $20,000 to Knox Heritage to help them promote historic restoration throughout the City.

The City has an on-going program to pave and maintain streets on a regular basis. Our schedule seeks to pave arterial streets at least once per every ten years, collector streets per every fifteen years, and residential streets at least once per every twenty years. To maintain this schedule the budget includes $4.2 million for the City's paving program, an increase of $1 million when compared to the prior year budget.

The budget continues annual funding of $650,000 for the bridge replacement program. Funding is specifically designated for contin-

ued improvements to traffic signals. Also included is match money for various TEA-21 projects, with the main portion being used for improvements on Pleasant Ridge Road. Funding of $300,000 is also included for road improvements at the Valley View - Washington Pike intersection. Funding of approximately $1.5 million is also proposed for South Knoxville transportation improvements.

This budget includes $100,000 to continue the traffic-calming program. Funding of $200,000 is provided for ballpark and tennis court improvements in parks throughout the City.

A total of $125,000 is recommended for expansion of the greenway system. Funding is also included to build restroom facilities in various parks. A total of $200,000 is also recommended for golf course improvements.

A total of $200,000 is provided for sidewalk repair and maintenance. Additionally, $400,000 is funded for new sidewalk construction, one of the most requested improvements cited in the citywide survey. Another $250,000 is provided for ADA sidewalk enhancements.

The budget provides an array of funding to address drainage improvements in the neighborhoods. A total of $1 million is provided to continue work in the First Creek drainage area, $1.1 million is appropriated for Third Creek restoration, and $800,000 is recommended to resolve drainage concerns in the Cross Park Drive area. In addition, $250,000 is budgeted to continue the neighborhood drainage program, while $112,750 is to complete the Emily Avenue drainage project.

City Services at a Competitive Price

As mentioned earlier, one of the primary objectives of this budget is to increase efficiency. In the short term this requires some operating and capital investment, which will generate savings and improved operations later.

The City initiated a 311 Call Center in FY 05/06. This center has redressed issues in response times, and has freed up resources in other areas. As a result of the effectiveness of this program, it is possible to eliminate positions in the Public Service Division, Police Department, Finance Department, Parks and Recreation Department, and the Civil Service Department.

The budget continues to replace old and outdated computer systems. In FY 05/06 funding was provided to replace the City's outdated financial reporting system. In FY 06/07 we will begin the replacement of the City's fleet management system, pay for the City's portion of upgrades relating to the Knoxville Geographic Information System, and begin work to improve the permit tracking system

The City is continuing to refine its performance measurement system. The costs of doing this are incorporated into existing budgets but it is expected to result in improvements in future years. As part of this performance system the budget funds approximately $300,000 to be used for performance pay.

An Energized Downtown

The Mayor has called the downtown area "everybody's neighborhood", and the budget continues to address the development of the area. Specifically the budget provides $2 million, a large portion of which is federal grants, for improvements in the State Street area. . Also included is proposed funding of $480,000 for replacement of the Jackson Avenue ramps, and $500,000 for South Gay Street sidewalk improvements. To continue on the momentum of the proposed new cinema, the budget proposes $500,000 in improvements to 500 block of Gay Street. Funding for this is to come from the sale of buildings in this area. Funding is also proposed for a Downtown improvements program, and a downtown streetscapes program..

A portion of this budget is also 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 $75,000

contribution, the second year of a two year commitment, to be used in the renovation of the Bijou Theatre. Funding is also provided for the historic Tennessee Theatre.

The downtown renovation is also moving southward. In the FY 05/06 budget funding was provided to begin the south Knoxville waterfront master plan. In this budget an additional $1 million is recommended to continue these efforts.

More and Better Jobs

A solid economy is essential for any city. Recent efforts have shown promise in this area. The expansion of the Sysco Corporation to the Knoxville area promises to add over 300 high paying jobs. In addition over 400 jobs have been created through various business expnsions. This budget seeks to capitalize on this base and further enhance it.

The Knoxville Zoo is one of the most visited attractions in the East Tennessee area and the budget contains $750,000 to be used for renovation of existing facilities and add facilities to the Kid's Cove area. This is the second phase of a multi-year contribution for 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. Operating contributions are made to the Knoxville Symphony, the Art Museum, and several other arts and cultural groups.

Job creation is a key objective of the Haslam administration. The proposed budget includes $400,000 for the Jobs Now campaign, as well as other funding to aid the Chamber Partnership in their economic development efforts.

Funding Issues

A number of challenges presented themselves during the preparation of this budget. In the recent past the City had significantly drawn upon its General Fund fund balance (reserves) to cover costs. This trend was stopped in FY 05/06. This budget also does not propose to utilize any General Fund balance. This is done to avoid jeopardizing the City's bond ratings and creating potential cash flow problems.

The City maintains a pension fund for its employees. Contributions are based o a five year smoothing formula. The prior performance of the stock market has affected the portfolio of this plan and has made it necessary to again increase the City's contribution rate this year to maintain full funding of the plan. The additional cost of doing this is approximately $1.6 million over last year..

The high cost of fuel and continuing utility rate increases have made it more difficult to contain costs. The budget assumes that fuel price hikes will not abate and adds approximately $1 million to cover the costs of this commodity. Utility costs are also forecast to increase by approximately $1.4 million.

The budget includes a 4.0% 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. Total cost of the salary adjustments is approximately $2.4 million.

Accounting Changes

There are some accounting changes which affect comparisons between the FY 05/06 and FY 06/07 budgets. These changes primarily deal with some shifts in personnel. For example, some Police Department personnel have shifted from the General Fund to various special revenue funds. Conversely the Solid Waste Administration section, previously budgeted in the Solid Waste Fund, has been moved to the Public Service Administration and Codes Enforcement Sections within the General Fund. The change in financial systems has also resulted in several new accounts being created. As a result items previ-

ously budgeted in one account may now be found among several other accounts. This affects only the account detail and should not generally affect comparisons at the Division or Department levels.

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 proposed 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 $313,838,650 while the adopted General Fund budget is $155,244,900. These amounts compare, respectively, to the proposed amounts of $313,849,490 and $155,244,900.

The adopted budget funds a four percent salary increase for all employees. This is above the two and one half percent increase in the proposed budget. The approximate cost of this change is $800,000. This change affects most of the funds that are budgeted.

In order to fund the change in the salary increase, four positions were eliminated. These were an Internal Auditor position in the Finance Department, a Public Information Officer in the Fire Department, and two Police Cadets in the Police Department. In addition, the amount allocated for the performance pay system was reduced from $600,000 to just slightly over $300,000. This latter change is reflected in the amount allocated for Reserve.

There were several other changes to the proposed budget. The budget for Agency Grants increased by $50,000 to cover the anticipated cost of operating the Market Square ice rink during the winter holiday season.

The budget for the Capital Projects fund was reduced by $75,000. This represents an increase of $25,000 to cover the renovation costs associated with the relocation of the Arts and Crafts Center. This center was relocated as a result of the sale of certain properties at the World's Fair Park site. To cover this adjustment two capital projects were reduced in scope. Funding for tennis court and ball field maintenance, and funding for roof and HVAC repair and maintenance were both reduced by $50,000 each.

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2006/07

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
5100	Local Taxes	130,655,180	0	130,655,180
5200	Licenses and Permits	297,870	0	297,870
5300	Intergovernmental Revenue	18,936,560	0	18,936,560
5400	Charges for Services	960,850	0	960,850
5500	Fines and Forfeits	316,800	0	316,800
5600	Other Revenues	827,390	0	827,390
5900	Transfers In	3,259,330	(9,080)	3,250,250
		155,253,980	(9,080)	155,244,900
10000	Administration	2,153,940	15,890	2,169,830
20000	Finance and Accountability	6,682,800	(123,850)	6,558,950
30000	Operations and Engineering	5,292,740	33,250	5,325,990
40000	Community and Neighborhood Services	25,907,130	149,810	26,056,940
50000	Law	1,572,040	10,820	1,582,860
60000	Police	40,985,670	124,130	41,109,800
70000	Fire	27,905,530	127,390	28,032,920
81500	Legislative	858,820	2,840	861,660
81700	Civil Service	935,430	10,370	945,800
91900	City Elections	40,000	0	40,000
93900	Knoxville Partnership	540,000	0	540,000
95100	Metropolitan Planning Commission	713,430	0	713,430
95200	Knoxville Zoo	863,420	0	863,420
95300	Community Agency Grants	1,820,400	50,000	1,870,400
95600	Waterfront	372,920	0	372,920
95900	Community Action Committee	444,550	0	444,550
98100	Reserve	2,250,000	(297,590)	1,952,410
99100	Transfers	35,915,160	(112,140)	35,803,020
		155,253,980	(9,080)	155,244,900
201	State Street Aid	4,915,000	0	4,915,000
202	Community Improvement	90,000	0	90,000
209	Abandoned Vehicles	587,850	0	587,850
213	City Court	3,950,480	0	3,950,480
216	City Inspections	2,078,630	21,670	2,100,300
220	Stormwater	1,969,660	14,440	1,984,100
230	Solid Waste	9,994,290	6,050	10,000,340
240	Miscellaneous Special Revenue	1,839,350	0	1,839,350
250	Senior Aides	477,350	670	478,020

ESTIMATED FUND BALANCES - ALL FUNDS

Fiscal Year 2005/06 And 2006/07

Fund No.	Fund Name	Beginning Fund Balance 07/01/2005	*Revenues and Sources of Funds FY 05/06*	*Estimated Expenses and Uses of Funds FY 05/06*	*Ending Fund Balance 06/30/2006*	Budgeted Revenues FY 06/07	Budgeted Expenditures FY 06/07	Estimated Ending Fund Balance 06/30/2007
100	**GENERAL FUND**	$25,046	$152,508	$142,802	$34,752	$155,245	$155,245	$34,752
	SPECIAL REVENUE FUNDS							
201	State Street Aid	1,765	4,934	5,166	1,533	4,915	4,915	1,533
202	Community Improvement	0	360	360	0	90	90	0
209	Abandoned Vehicles	1,208	816	588	1,436	632	588	1,480
213	City Court	902	4,211	4,006	1,107	3,950	3,950	1,107
216	City Inspections	644	2,083	2,053	674	2,100	2,100	674
220	Stormwater	445	1,648	1,720	373	1,984	1,984	373
230	Solid Waste	3,625	9,556	9,569	3,612	10,000	10,000	3,612
240	Misc. Special Revenue	3,623	2,394	3,554	2,463	1,839	1,839	2,463
250	Senior Aides	0	430	430	0	478	478	0
264	Home Grants	0	2,743	2,743	0	1,673	1,673	0
269	Emergency Shelter Grants	0	113	113	0	82	82	0
270	Empowerment Zone	0	2,865	2,865	0	0	0	0
290	Community Dev. Block Grant	63	3,103	3,108	58	2,270	2,270	58
	Subtotal - Spec. Revenue	12,275	35,256	36,275	11,256	30,013	29,969	11,300
	DEBT SERVICE FUNDS							
305	Debt Services	31,119	28,254	26,851	32,522	24,736	24,736	32,522
	Subtotal - Debt Service	31,119	28,254	26,851	32,522	24,736	24,736	32,522
	CAPITAL PROJECT FUNDS							
401	Capital Projects	30,085	33,814	20,297	43,602	28,827	26,633	45,796
	Subtotal - Capital Projects	30,085	33,814	20,297	43,602	28,827	26,633	45,796
	ENTERPRISE FUNDS							
503	Civic Aud./Coliseum	8,934	4,625	3,402	10,157	3,504	3,838	9,823
504	Metro Parking	7,060	795	587	7,268	1,591	1,026	7,833
506	Convention Center	11,556	18,366	19,406	10,516	20,009	21,375	9,150
507	Transportation	15,618	13,535	15,650	13,503	14,037	16,311	11,229
	Subtotal - Enterprise	43,168	37,321	39,045	41,444	39,141	42,550	38,035
	INTERNAL SERVICE FUNDS							
701	Office Services	40	136	108	68	212	212	68
702	Fleet Services	17,220	16,408	9,642	23,986	10,719	10,719	23,986
704	Risk Management	2,211	9,312	6,140	5,383	8,248	8,248	5,383
705	Health Care	5,078	14,515	12,869	6,724	12,151	12,151	6,724
706	Equipment Replacement	12,731	2,295	2,211	12,815	1,944	1,828	12,931
707	City Building	495	1,421	1,163	753	1,546	1,546	753
	Subtotal - Internal Service	37,775	44,087	32,133	49,729	34,820	34,704	49,845
	GRAND TOTAL	$179,468	$331,240	$297,403	$213,305	$312,782	$313,837	$212,250

* All numbers in $1,000's.

REVENUE COMPARISON - ALL FUNDS

Fiscal Year 2004/05 - 2006/07

Fund No.	Fund Name	Actual Revenues/Sources FY 04/05	Estimated Revenues/Sources FY 05/06	Budgeted Revenues/Sources FY 06/07
100	**GENERAL FUND**	$145,116,743	$152,507,940	$155,244,900
	SPECIAL REVENUE FUNDS			
201	State Street Aid	4,951,011	4,934,390	4,915,000
202	Community Improvement	90,000	90,000	90,000
209	Abandoned Vehicles	732,381	816,200	587,850
213	City Court	3,900,848	4,211,130	3,950,480
216	City Inspections	2,042,271	2,083,410	2,100,300
220	Stormwater	1,629,995	1,647,920	1,984,100
230	Solid Waste	9,208,390	9,556,400	10,000,340
240	Misc. Special Revenue	1,995,191	2,394,300	1,839,350
250	Senior Aides	414,154	430,080	478,020
264	Home Grants	1,154,216	2,742,920	1,673,210
269	Emergency Shelter Grants	380,860	112,780	82,230
270	Empowerment Zone	5,548,282	2,864,610	0
290	Community Dev. Block Grant	2,781,742	3,103,370	2,269,750
	Subtotal - Spec. Revenue	34,829,341	34,987,510	29,970,630
	DEBT SERVICE FUNDS			
305	Debt Services	25,261,990	28,253,630	24,735,780
	Subtotal - Debt Service	25,261,990	28,253,630	24,735,780
	CAPITAL PROJECT FUNDS			
401	Capital Projects	31,664,965	33,813,610	26,633,300
	Subtotal - Capital Projects	31,664,965	33,813,610	26,633,300
	ENTERPRISE FUNDS			
503	Civic Aud./Coliseum	4,104,918	4,624,580	3,837,550
504	Metro Parking	1,027,245	794,250	1,025,840
506	Convention Center	19,094,374	18,365,590	21,374,630
507	Transportation	13,914,092	13,535,200	16,310,950
	Subtotal - Enterprise	38,140,629	37,319,620	42,548,970
	INTERNAL SERVICE FUNDS			
701	Office Services	387,632	135,630	211,630
702	Fleet Services	10,517,116	16,408,400	10,719,370
704	Risk Management	9,070,366	9,311,990	8,248,420
705	Health Care	14,911,006	14,514,670	12,151,160
706	Equipment Replacement	3,479,345	2,294,810	1,828,300
707	City Building	1,487,493	1,420,780	1,546,190
	Subtotal - Internal Service	39,852,958	44,086,280	34,705,070
	GRAND TOTAL	$314,866,626	$330,968,590	$313,838,650

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2006/07

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
264	Home Grants	1,673,210	0	1,673,210
269	Emergency Shelter Grants	82,230	0	82,230
290	Community Development Block Grant	2,269,750	0	2,269,750
305	Debt Services	24,735,780	0	24,735,780
401	Capital Projects	26,708,300	(75,000)	26,633,300
503	Public Assembly Facilities	3,820,370	17,180	3,837,550
504	Metro Parking	1,025,840	0	1,025,840
506	Convention Center	21,374,630	0	21,374,630
507	Mass Transportation	16,310,950	0	16,310,950
701	Office Services	210,380	1,250	211,630
702	Fleet Services	10,694,800	24,570	10,719,370
704	Risk Management	8,243,840	4,580	8,248,420
705	Health Care	12,168,330	(17,170)	12,151,160
706	Equipment Replacement	1,828,300	0	1,828,300
707	City Building	1,546,190	0	1,546,190
		313,849,490	(10,840)	313,838,650

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BUDGET POLICIES

1) 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.

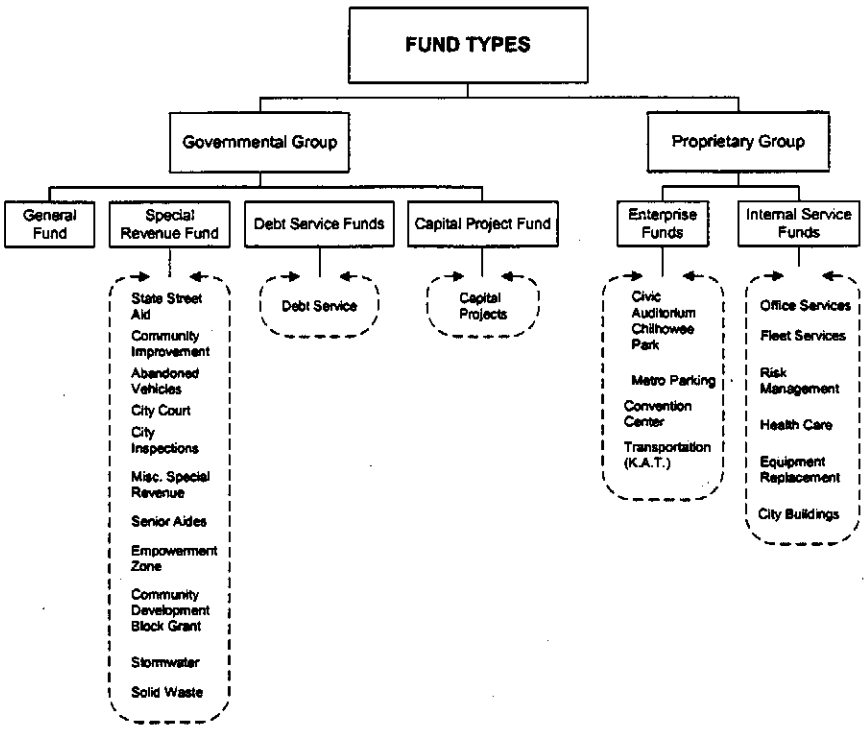
Fiscal Year

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, 2006 through June 30, 2007.

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.



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

The city specifically appropriates all Funds with two exceptions. Trust and Agency funds are maintained but not budgeted. 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). Grant Funds are generally budgeted at the time of the Grant Award, the exceptions being Community Development Funds (including Fund 264–Home Grants, Fund 269- Emergency Shelter Grants and Fund 290-Community Development Block Grant) and Fund 250500 - Senior Aides Fund which are appropriated during the budget process.

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 (62361) 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
2006-2007

December

- Capital Program Process Begins
- Departments Submit Capital Program/ Budget Request
- Capital Committee Recommends Capital Program

April

- Mayor and Finance Dir. Hold Administrative Hearings with Depts.
- Proposed Operating And Capital Budgets Are Finalized By Mayor And Finance
- Mayor Presents Proposed Budget To City Council
- Proposed Capital Program Presented By Mayor To City Council

January

- Finance Prepares Preliminary Revenue Estimates

May

- Council Considers Budget On First Reading
- Council Holds Budget Workshop With Departments

June

- Public Hearing Conducted
- Council Considers Budget On Second Reading

February

- General Budget Orientation For All Departments
- Departments Submit Operating Budget Requests

July

- Fiscal Year Begins on July 1st
- Adopted Budget Made Available To Public

BUDGET CALENDAR FOR FISCAL YEAR 2006-2007

FEBRUARY

3rd — 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.

3rd — Last day for departments to complete line item and program budget requests.

4th – 31st — The Finance Department reviews all departmental budget submissions and makes recommendations to the Mayor, including requests for additional personnel and programs.

APRIL

4th-6th — The Mayor and Finance Director hold administrative budget hearings with individual departments.

6th-26th — Administrative review of all budget material is completed and final adjustments are made to the budget document. All funds are brought into balance.

27th — 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.

30th — Last day that salary recommendations based upon salary survey results as well as any recommendations of the Mayor may be submitted to City Council, if necessary.

MAY

7th, 14th — Public Notice is advertised regarding a hearing on the proposed budget. The City Charter requires that a public hearing be 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 state requirements.

9th — First Reading/Adoption of the Proposed Budget and Tax Rate Ordinances.

24th — City Council Budget Workshops on the Proposed Budget. Each department will have a scheduled time to present its budget and answer questions.

JUNE

5th — City Council Budget Workshops on the Proposed Budget.

5th — Public hearing on the proposed operating budget.

12th — Second Reading/Adoption of the Proposed Budget and Tax Rate Ordinances.

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

JULY

1st — Beginning of fiscal year 2006-2007.

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, 2006.

The first few pages summarize the revenues and expenditures of all funds. The entire budget of the City is $313,838,650. However, as the following pages show, the net budget (which excludes all interfund charges and transfers) is $81,415,660 less, or $232,422,990. The budget for the General Fund, which is the main operating fund of the City is $155,244,900.

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.

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 2006/07

Fund No.	Fund Name	Adopted FY 05/06 Budget	Adopted FY 06/07 Budget	Dollar Change FY 05/06 - 06/07	Percentage Change FY 05/06 - 06/07
100	**General Fund**	146,308,600	155,244,900	8,936,300	6.11%
	Special Revenue Funds				
201	State Street Aid	4,915,000	4,915,000	0	0.00%
202	Community Improvement	90,000	90,000	0	0.00%
209	Abandoned Vehicles	593,880	587,850	(6,030)	(1.02%)
213	City Court	3,678,500	3,950,480	271,980	7.39%
216	City Inspections	2,004,740	2,100,300	95,560	4.77%
220	Stormwater	1,910,930	1,984,100	73,170	3.83%
230	Solid Waste	10,309,250	10,000,340	(308,910)	(3.00%)
240	Miscellaneous Special Revenue	3,415,500	1,839,350	(1,576,150)	(46.15%)
250	Senior Aides	456,630	478,020	21,390	4.68%
264	Home Grants	1,731,340	1,673,210	(58,130)	(3.36%)
269	Emergency Shelter Grants	82,730	82,230	(500)	(0.60%)
270	Empowerment Zone	666,000	0	(666,000)	(100.00%)
290	Community Development Block Grant	4,067,940	2,269,750	(1,798,190)	(44.20%)
	Subtotal - Special Revenue Funds	33,922,440	29,970,630	(3,951,810)	(11.65%)
	Debt Service Funds				
305	Debt Services	20,671,840	24,735,780	4,063,940	19.66%
	Subtotal - Debt Service Funds	20,671,840	24,735,780	4,063,940	19.66%
	Capital Projects Funds				
401	Capital Projects	30,772,000	26,633,300	(4,138,700)	(13.45%)
451	Chilhowee Park	55,400	0	(55,400)	(100.00%)
	Subtotal - Capital Projects Funds	30,827,400	26,633,300	(4,194,100)	(13.61%)
	Enterprise Funds				
503	Public Assembly Facilities	3,638,070	3,837,550	199,480	5.48%
504	Metro Parking	1,059,820	1,025,840	(33,980)	(3.21%)
506	Convention Center	20,299,240	21,374,630	1,075,390	5.30%
507	Mass Transportation	14,467,100	16,310,950	1,843,850	12.75%
	Subtotal - Enterprise Funds	39,464,230	42,548,970	3,084,740	7.82%
	Internal Service Funds				
701	Office Services	454,500	211,630	(242,870)	(53.44%)
702	Fleet Services	9,640,670	10,719,370	1,078,700	11.19%
704	Risk Management	7,625,160	8,248,420	623,260	8.17%
705	Health Care	15,103,880	12,151,160	(2,952,720)	(19.55%)
706	Equipment Replacement	1,588,160	1,828,300	240,140	15.12%
707	City Building	1,403,860	1,546,190	142,330	10.14%
	Subtotal - Internal Service Funds	35,816,230	34,705,070	(1,111,160)	(3.10%)
	Grand Total	307,010,740	313,838,650	6,827,910	2.22%

TOTAL EXPENDITURES BY DEPARTMENT

Fiscal Year 2006/07

Department	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	2,169,830	0	0	2,650,000	0	0	4,819,830
Finance and Accountability							
Finance	3,167,780	0	50,000	0	0	22,439,510	25,657,290
Information Systems	3,391,170	0	0	0	0	0	3,391,170
Subtotal - Finance & Accountability	6,558,950	0	50,000	0	0	22,439,510	29,048,460
Operations & Engineering							
Engineering	5,325,990	5,323,690	0	15,798,250	0	0	26,447,930
Fleet Services	0	587,850	0	95,000	0	10,719,370	11,402,220
Inspections	0	2,100,300	0	0	0	0	2,100,300
Subtotal - Operations & Engineering	5,325,990	8,011,840	0	15,893,250	0	10,719,370	39,950,450
Community and Neighborhood Services							
Public Services	18,627,940	10,292,250	0	675,000	0	0	29,595,190
Development Services	736,090	0	0	500,000	0	0	1,236,090
Community Development	0	3,825,190	0	0	0	0	3,825,190
Recreation	5,862,910	558,020	0	650,000	0	0	7,070,930
Knoxville Area Transit (KAT)	830,000	0	0	4,373,650	16,310,950	0	21,514,600
Subtotal - Community & Neighborhood Serv.	26,056,940	14,675,460	0	6,198,650	16,310,950	0	63,242,000
Law	1,582,860	0	0	0	0	0	1,582,860
Police							
Police	40,825,150	1,562,850	0	46,200	0	0	42,434,200
Emergency Management	284,650	0	0	0	0	0	284,650
Subtotal - Police	41,109,800	1,562,850	0	46,200	0	0	42,718,850
Fire	28,032,920	0	0	325,000	0	0	28,357,920
Board Administered/Other Departments							
Legislative	861,660	115,000	0	0	0	0	976,660
City Court	0	700,230	0	0	0	0	700,230
Civil Service	945,800	0	0	0	0	0	945,800
Convention Center	0	0	0	156,200	13,834,790	0	13,990,990
Public Assembly Facilities	0	0	0	411,000	3,837,550	0	4,248,550
Subtotal - Other Departments	1,807,460	815,230	0	567,200	17,672,340	0	20,862,230
Nondepartmental							
City Elections	40,000	0	0	0	0	0	40,000
City Buildings	0	0	0	0	993,240	1,546,190	2,539,430
Knoxville Partnership	540,000	0	0	0	0	0	540,000
Metropolitan Planning Commission (MPC)	713,430	0	0	0	0	0	713,430
Knoxville Zoological Park	863,420	0	0	750,000	0	0	1,613,420
Agency Grants	1,870,400	0	0	0	0	0	1,870,400
Waterfront	372,920	0	0	0	0	0	372,920
Community Action Committee (CAC)	444,550	0	0	203,000	0	0	647,550
Debt Service	0	0	13,358,780	0	7,572,440	0	20,931,220
Reserve	1,952,410	0	0	0	0	0	1,952,410
Transfers	35,803,020	4,905,250	11,327,000	0	0	0	52,035,270
Subtotal - Nondepartmental	42,600,150	4,905,250	24,685,780	953,000	8,565,680	1,546,190	83,256,050
GRAND TOTAL	155,244,900	29,970,630	24,735,780	26,633,300	42,548,970	34,705,070	313,838,650

NET BUDGET

Fiscal Year 2006/07

Fund No.	Fund Name	Proposed FY 06/07 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	General Fund	155,244,900	(35,803,020)	0	119,441,880
201	State Street Aid	4,915,000	(1,455,000)	0	3,460,000
202	Community Improvement	90,000	0	0	90,000
209	Abandoned Vehicles	587,850	0	0	587,850
213	City Court	3,950,480	(3,250,250)	0	700,230
216	City Inspections	2,100,300	0	0	2,100,300
220	Stormwater	1,984,100	0	0	1,984,100
230	Solid Waste	10,000,340	0	0	10,000,340
240	Miscellaneous Special Revenue	1,839,350	0	0	1,839,350
250	Senior Aides	478,020	0	0	478,020
263	House Grants	0	0	0	0
264	Home Grants	1,673,210	0	0	1,673,210
265	Hope Grants	0	0	0	0
269	Emergency Shelter Grants	82,230	0	0	82,230
270	Empowerment Zone	0	0	0	0
290	Community Development Block Grant	2,269,750	(200,000)	0	2,069,750
305	Debt Services	24,735,780	(11,327,000)	0	13,408,780
306	Tax Increment		0	0	0
401	Capital Projects	26,633,300	0	0	26,633,300
451	Chilhowee Park Capital Projects	0	0	0	0
503	Public Assembly Facilities	3,837,550	0	0	3,837,550
504	Metro Parking	1,025,840	0	0	1,025,840
506	Convention Center	21,374,630	0	0	21,374,630
507	Mass Transportation	16,310,950	0	0	16,310,950
701	Office Services	211,630	0	(211,630)	0
702	Fleet Services	10,719,370	0	(10,373,600)	345,770
704	Risk Management	8,248,420	0	(7,520,880)	727,540
705	Health Care	12,151,160	0	(7,940,720)	4,210,440
706	Equipment Replacement	1,828,300	0	(1,834,100)	(5,800)
707	City Building	1,546,190	0	(1,499,460)	46,730
	Grand Total	313,838,650	(52,035,270)	(29,380,390)	232,422,990

NET REVENUES BY TYPE - ALL FUNDS

Fiscal Year 2006/07

Fund No.	Fund Name	Taxes	Licenses & Permits	Intergovt. Revenue	Charges For Serv.	Fines & Forfeits	Miscellaneous Revenue
100	General Fund	130,655,180	297,870	18,936,560	960,850	316,800	827,390
201	State Street Aid	0	0	4,900,000	0	0	15,000
202	Community Improvement	0	0	0	0	0	0
209	Abandoned Vehicles	0	0	0	316,810	0	315,000
213	City Court	0	0	0	0	3,892,480	58,000
216	City Inspections	0	2,058,630	0	0	0	20,000
220	Stormwater	0	147,990	0	0	0	10,000
230	Solid Waste	0	0	0	597,120	0	175,930
240	Miscellaneous Special Revenue	0	0	0	115,000	1,495,000	57,850
250	Senior Aides	0	0	424,850	0	0	0
263	House Grants	0	0	0	0	0	0
264	Home Grants	0	0	1,313,210	0	0	360,000
269	Emergency Shelter Grants	0	0	82,230	0	0	0
270	Empowerment Zone	0	0	0	0	0	0
290	Community Development Block Grant	0	0	1,929,750	0	0	340,000
305	Debt Services	23,754,660	0	0	0	0	981,120
401	Capital Projects	0	0	9,716,680	0	0	0
451	Chilhowee Park Capital Projects	0	0	0	0	0	0
503	Civic Auditorium/Coliseum/KCEC	0	0	0	1,602,900	0	58,000
504	Metro Parking	0	0	0	1,561,260	0	30,000
506	Convention Center	4,034,000	0	2,440,000	5,097,760	0	107,110
507	Mass Transportation	0	0	1,822,750	5,706,660	0	0
701	Office Services	0	0	0	0	0	0
702	Fleet Services	0	0	0	0	0	345,770
704	Risk Management	0	0	0	48,000	0	0
705	Health Care	0	0	0	3,226,270	0	60,000
706	Equipment Replacement	0	0	0	0	0	110,000
707	City Building	0	0	0	0	0	46,730
	Grand Total	158,443,840	2,504,490	41,566,030	19,232,630	5,704,280	3,917,900
	Percent of Net Revs.	68.17%	1.08%	17.88%	8.27%	2.45%	1.69%

Fund No.	Fund Name	Use Of/ (Addition To) Fund Balance	Net Revenues	Interfund Charges In	Interfund Transfers In	Total Revenues
100	General Fund	0	151,994,650	0	3,250,250	155,244,900
201	State Street Aid	0	4,915,000	0	0	4,915,000
202	Community Improvement	0	0	0	90,000	90,000
209	Abandoned Vehicles	(43,960)	587,850	0	0	587,850
213	City Court	0	3,950,480	0	0	3,950,480
216	City Inspections	0	2,078,630	0	21,670	2,100,300
220	Stormwater	0	157,990	0	1,826,110	1,984,100
230	Solid Waste	0	773,050	0	9,227,290	10,000,340
240	Miscellaneous Special Revenue	0	1,667,850	0	171,500	1,839,350
250	Senior Aides	0	424,850	0	53,170	478,020
263	House Grants	0	0	0	0	0
264	Home Grants	0	1,673,210	0	0	1,673,210
269	Emergency Shelter Grants	0	82,230	0	0	82,230
270	Empowerment Zone	0	0	0	0	0
290	Community Development Block Grant	0	2,269,750	0	0	2,269,750
305	Debt Services	0	24,735,780	0	0	24,735,780
401	Capital Projects	(2,194,000)	7,522,680	0	19,110,620	26,633,300
451	Chilhowee Park Capital Projects	0	0	0	0	0
503	Civic Auditorium/Coliseum/KCEC	334,000	1,994,900	0	1,842,650	3,837,550
504	Metro Parking	(565,420)	1,025,840	0	0	1,025,840
506	Convention Center	1,365,500	13,044,370	0	8,330,260	21,374,630
507	Mass Transportation	2,273,500	9,802,910	0	6,508,040	16,310,950
701	Office Services	0	0	211,630	0	211,630
702	Fleet Services	0	345,770	10,373,600	0	10,719,370
704	Risk Management	0	48,000	7,520,880	679,540	8,248,420
705	Health Care	0	3,286,270	7,940,720	924,170	12,151,160
706	Equipment Replacement	(115,800)	(5,900)	1,834,100	0	1,828,300
707	City Building	0	46,730	1,499,460	0	1,546,190
	Grand Total	1,053,820	232,422,990	29,380,390	52,035,270	313,838,650
	Percent of Net Revs.	0.45%				

NET EXPENDITURES BY TYPE - ALL FUNDS

Fiscal Year 2006/07

Fund No.	Fund Name	Personal Services	Supplies	Other Expenses	Debt Service	Capital
100	General Fund	68,099,130	3,349,160	21,549,900	0	0
201	State Street Aid	0	0	3,460,000	0	0
202	Community Improvement	0	0	90,000	0	0
209	Abandoned Vehicles	248,810	4,030	304,400	0	0
213	City Court	544,010	14,090	70,750	0	0
216	City Inspections	1,522,510	15,710	86,370	0	0
220	Stormwater	1,522,640	48,480	67,350	0	0
230	Solid Waste	442,160	20,130	9,031,530	0	0
240	Miscellaneous Special Revenue	161,070	139,440	1,524,250	0	0
250	Senior Aides	450,330	480	600	0	0
263	House Grants	0	0	0	0	0
264	Home Grants	0	0	1,673,210	0	0
269	Emergency Shelter Grants	0	0	82,230	0	0
270	Empowerment Zone	0	0	0	0	0
299	Community Development Block Grant	832,940	18,250	772,780	0	214,810
305	Debt Services	0	0	50,000	13,358,780	0
401	Capital Projects	0	438,700	26,194,600	0	0
451	Chilhowee Park Capital Projects	0	0	0	0	0
503	Public Assembly Facilities	1,800,710	197,960	1,506,370	0	0
504	Metro Parking	0	0	983,170	32,600	0
506	Convention Center	0	0	13,751,770	7,539,840	0
507	Mass Transportation	0	1,648,750	14,641,320	0	0
701	Office Services	89,180	29,870	44,220	0	0
702	Fleet Services	1,910,830	3,358,570	4,810,570	0	0
704	Risk Management	325,710	16,990	7,863,770	0	0
705	Health Care	127,730	7,980	11,962,620	0	0
706	Equipment Replacement	0	0	1,828,300	0	0
707	City Building	0	0	1,540,530	0	0
	Grand Total	78,077,760	9,308,590	123,890,610	20,931,220	214,810
	Percent of Net Exps.	33.59%	4.01%	53.30%	9.01%	0.09%

Fund No.	Fund Name	Net Expenditures	Interfund Charges Out	Interfund Transfers Out	Total Expenditures
100	General Fund	92,998,190	26,443,690	35,803,020	155,244,900
201	State Street Aid	3,460,000	0	1,455,000	4,915,000
202	Community Improvement	90,000	0	0	90,000
209	Abandoned Vehicles	557,240	30,610	0	587,850
213	City Court	628,850	71,380	3,250,250	3,950,480
216	City Inspections	1,624,590	475,710	0	2,100,300
220	Stormwater	1,638,470	345,630	0	1,984,100
230	Solid Waste	9,493,820	506,520	0	10,000,340
240	Miscellaneous Special Revenue	1,824,760	14,590	0	1,839,350
250	Senior Aides	451,410	26,610	0	478,020
263	House Grants	0	0	0	0
264	Home Grants	1,673,210	0	0	1,673,210
269	Emergency Shelter Grants	82,230	0	0	82,230
270	Empowerment Zone	0	0	0	0
299	Community Development Block Grant	1,838,780	230,970	200,000	2,269,750
305	Debt Services	13,408,780	0	11,327,000	24,735,780
401	Capital Projects	26,633,300	0	0	26,633,300
451	Chilhowee Park Capital Projects	0	0	0	0
503	Public Assembly Facilities	3,505,040	332,510	0	3,837,550
504	Metro Parking	1,015,770	10,070	0	1,025,840
506	Convention Center	21,291,610	83,020	0	21,374,630
507	Mass Transportation	16,290,070	20,880	0	16,310,950
701	Office Services	163,270	48,360	0	211,630
702	Fleet Services	10,079,970	639,400	0	10,719,370
704	Risk Management	8,206,470	41,950	0	8,248,420
705	Health Care	12,098,330	52,830	0	12,151,160
706	Equipment Replacement	1,828,300	0	0	1,828,300
707	City Building	1,540,530	5,660	0	1,546,190
	Grand Total	232,422,990	29,380,390	52,035,270	313,838,650
	Percent of Net Exps.	100.00%			

SUMMARY OF INTERFUND CHARGES

Fiscal Year 2006/07

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	164,500	9,658,420	6,738,070	6,914,000	1,770,080	1,198,620	26,443,690
Abandoned Vehicle	209	50	0	7,160	23,400	0	0	30,610
City Court	213	1,210	0	830	58,890	10,450	0	71,380
City Inspections	216	6,870	130,570	78,190	161,310	9,540	89,230	475,710
Stormwater	220	3,170	45,420	46,190	178,810	18,710	53,330	345,630
Solid Waste	230	1,840	329,390	102,370	72,760	160	0	506,520
Miscellaneous Special Revenue	240	120	0	0	14,470	0	0	14,590
Miscellaneous Grant	250	760	0	12,550	12,340	960	0	26,610
Community Development Block Grant	290	10,850	33,780	40,040	74,180	4,480	67,640	230,970
Coliseum/KCEC	503	2,350	84,700	76,310	163,510	5,640	0	332,510
Metro Parking	504	0	0	10,070	0	0	0	10,070
Convention Center	506	0	0	83,020	0	0	0	83,020
Mass Transportation	507	13,040	0	0	0	7,840	0	20,880
Office Services	701	0	0	4,130	8,390	720	35,120	48,360
Fleet Services	702	990	91,320	309,230	220,630	960	16,270	639,400
Risk Management	704	2,030	0	2,960	20,870	3,950	12,140	41,950
Health Care	705	3,850	0	4,100	17,160	610	27,110	52,830
City Building	707	0	0	5,660	0	0	0	5,660
Grand Total		211,630	10,373,600	7,520,880	7,940,720	1,834,100	1,499,460	29,380,390

SUMMARY OF INTERFUND TRANSFERS

Fiscal Year 2006/07

To (Fund Name)	Fund No.	From General Fund (Fund 100)	From State Street Aid Fund (Fund 201)	From City Court Fund (Fund 213)	From CDBG Fund (Fund 290)	From Debt Service Fund (Fund 305)	Grand Total
General Fund	100	0	0	3,250,250	0	0	3,250,250
Community Improvement	202	90,000	0	0	0	0	90,000
City Inspections	216	21,670	0	0	0	0	21,670
Stormwater	220	1,826,110	0	0	0	0	1,826,110
Solid Waste	230	9,227,290	0	0	0	0	9,227,290
Miscellaneous Special Revenue	240	171,500	0	0	0	0	171,500
Miscellaneous Grant Funds	250	53,170	0	0	0	0	53,170
Capital Projects	401	10,714,460	1,275,000	0	200,000	6,921,160	19,110,620
Coliseum/KCEC	503	1,842,650	0	0	0	0	1,842,650
Convention Center	506	3,924,420	0	0	0	4,405,840	8,330,260
Mass Transportation	507	6,328,040	180,000	0	0	0	6,508,040
Risk Management	704	679,540	0	0	0	0	679,540
Health Care	705	924,170	0	0	0	0	924,170
Grand Total		35,803,020	1,455,000	3,250,250	200,000	11,327,000	52,035,270

SOURCES & USES OF FUNDS

Fiscal Year 2006/07

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Total All Funds
Operating Revenue							
Taxes	130,655,180	0	23,754,660	0	4,034,000	0	158,443,840
Licenses & Permits	297,870	2,206,620	0	0	0	0	2,504,490
Intergovt. Revenue	18,936,560	8,650,040	0	9,716,680	4,262,750	0	41,566,030
Charges For Serv.	960,850	1,028,930	0	0	13,968,580	32,654,660	48,613,020
Fines & Forfeits	316,800	5,387,480	0	0	0	0	5,704,280
Other Revenue	827,390	1,351,780	981,120	0	195,110	562,500	3,917,900
Total Oper. Revenues	151,994,650	18,624,850	24,735,780	9,716,680	22,460,440	33,217,160	260,749,560
Operating Expenses							
Personal Services	75,013,130	6,320,630	0	0	1,964,220	2,720,500	86,018,480
Supplies	3,349,160	260,610	0	438,700	1,846,710	3,413,410	9,308,590
Other Expenses	41,079,590	18,269,330	50,000	26,194,600	31,165,600	28,571,160	145,330,280
Debt Service	0	0	13,358,780	0	7,572,440	0	20,931,220
Capital	0	214,810	0	0	0	0	214,810
Total Oper. Expenses	119,441,880	25,065,380	13,408,780	26,633,300	42,548,970	34,705,070	261,803,380
Excess/Deficiency Revenues Over (Under) Expenses	32,552,770	(6,440,530)	11,327,000	(16,916,620)	(20,088,530)	(1,487,910)	(1,053,820)
Other Fin. Sources/(Uses)							
Transfers In	3,250,250	11,389,740	0	19,110,620	16,680,950	1,603,710	52,035,270
Transfers Out	(35,803,020)	(4,905,250)	(11,327,000)	0	0	0	(52,035,270)
Total Other Sources/Uses	(32,552,770)	6,484,490	(11,327,000)	19,110,620	16,680,950	1,603,710	0
Revenues & Sources Over (Under) Expenses & Uses	0	43,960	0	2,194,000	(3,407,580)	115,800	(1,053,820)
Est. Beginning Fund Balance	24,209,000	13,060,000	30,263,000	13,949,000	42,618,000	33,351,000	157,450,000
Est. Ending Fund Balance	24,209,000	13,103,960	30,263,000	16,143,000	39,210,420	33,466,800	156,396,180

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 Full Time Positions by Department

Fiscal Year 2006/07

Department	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grand Total
Full Time Positions					
Administration	24	0	0	0	24
Finance and Accountability					
Finance	43	0	0	11	54
Information Systems	30	0	0	0	30
Operations & Engineering					
Engineering	62	27	0	0	89
Fleet Services	0	8	0	49	57
Inspections	0	31	0	0	31
Community and Neighborhood Services					
Public Services	286	21	0	0	307
Development Services	4	0	0	0	4
Community Development	0	19	0	0	19
Recreation	50	1	0	0	51
Law	13	0	0	0	13
Police					
Police	514	4	0	0	518
Emergency Management	3	0	0	0	3
Fire	338	0	0	0	338
Board Administered/Other Departments					
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	35	0	35
Nondepartmental					
Knoxville Partnership	0	0	0	0	0
Total - Full Time	1,384	124	35	60	1,603
Part Time Positions					
Administration	1	0	0	0	1
Finance and Accountability					
Finance	1	0	0	0	1
Information Systems	0	0	0	0	0
Operations & 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 Services	0	0	0	0	0
Development Services	0	0	0	0	0
Community Development	0	1	0	0	1
Recreation	15	1	0	0	16
Law	0	0	0	0	0
Police					
Police	28	1	0	0	29
Emergency Management	0	0	0	0	0
Fire	0	0	0	0	0
Board Administered/Other Departments					
Legislative	9	0	0	0	9
City Court	0	1	0	0	1
Civil Service	1	0	0	0	1
Convention Center	0	0	0	0	0
World's Fair Park	0	0	0	0	0
Public Assembly Facilities	0	0	1	0	1
Nondepartmental					
Knoxville Partnership	0	0	0	0	0
Total - Part Time	57	4	1	0	62
Grand Total	1,441	128	36	60	1,665

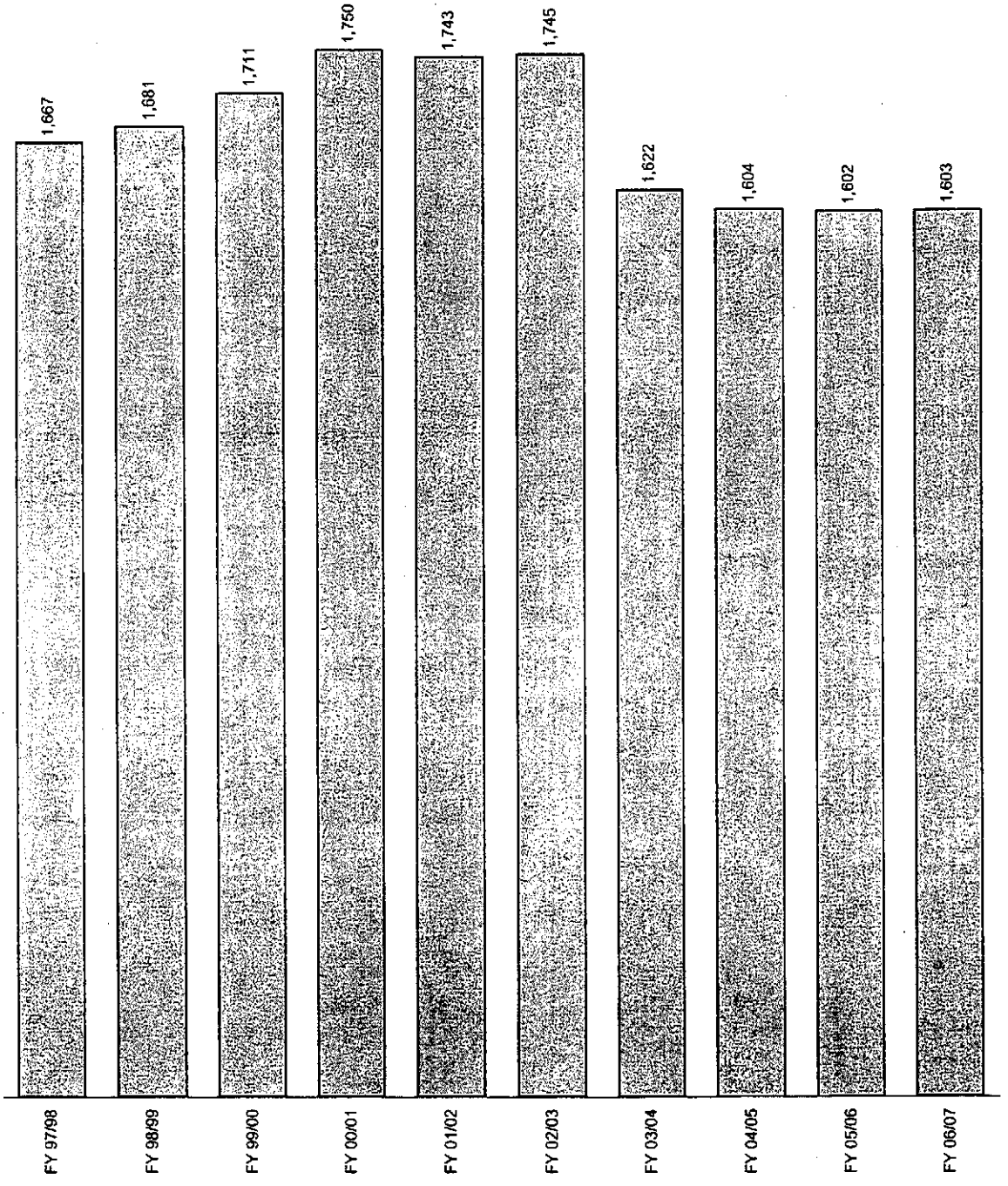
Full Time Positions by Department

Fiscal Years 2002/03 - 2006/07

Department	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07	Difference 05/06 - 06/07
Administration	23	21	19	24	24	0
Finance and Accountability						
Finance	53	47	54	55	54	(1)
Information Systems	30	28	29	29	30	1
Subtotal - Finance & Accountability	83	75	83	84	84	0
Operations & Engineering						
Engineering	88	85	112	87	89	2
Fleet Services	67	58	58	57	57	0
Inspections	31	30	30	31	31	0
Subtotal - Operations & Engineering	186	173	200	175	177	2
Community and Neighborhood Services						
Public Services	338	315	283	309	307	(2)
Development Services	5	5	3	3	4	1
Community Development	20	21	20	18	19	1
Recreation	55	52	55	53	51	(2)
Subtotal - Community & Neighborhood Serv.	418	393	361	383	381	(2)
Law	25	25	13	13	13	0
Police						
Police	568	526	519	515	518	3
Emergency Management	4	4	3	3	3	0
Subtotal - Police	572	530	522	518	521	3
Fire	370	339	339	339	338	(1)
Board Administered/Other Departments						
Legislative	3	3	3	3	3	0
City Court	13	13	13	13	13	0
Civil Service	15	14	14	13	14	1
Public Assembly Facilities	37	36	36	36	35	(1)
Subtotal - Other Departments	68	66	66	65	65	0
Nondepartmental						
Knoxville Partnership	0	0	1	1	0	(1)
Subtotal - Nondepartmental	0	0	1	1	0	(1)
GRAND TOTAL	1,745	1,622	1,604	1,602	1,603	1

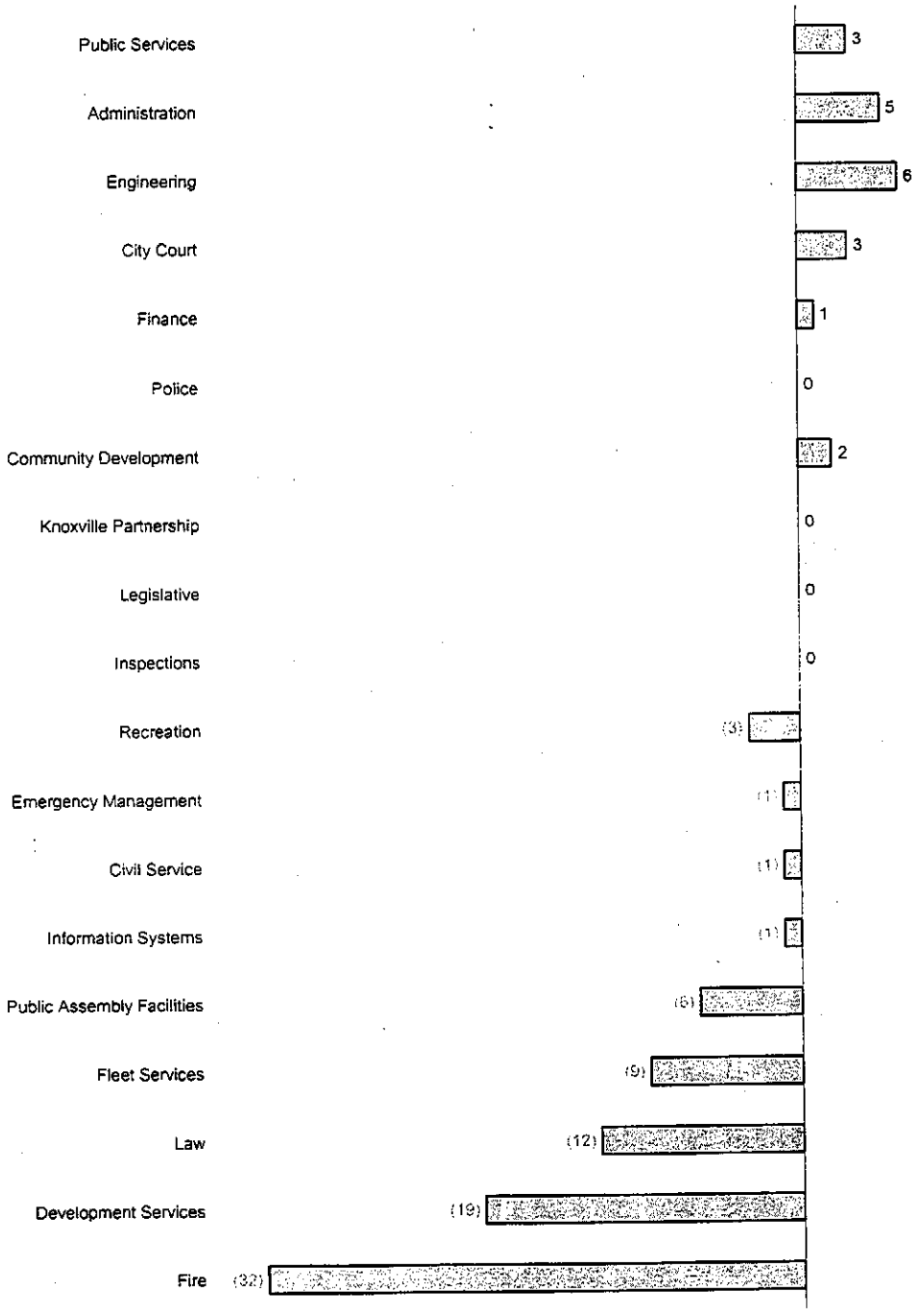
Authorized Full Time Personnel

Fiscal Years 1997/98 – 2006/07



Changes in Full Time Budgeted Personnel

Fiscal Years 1997/98 – 2006/07



Part Time Positions by Department

Fiscal Years 2002/03 - 2006/07

Department	FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07	Difference 05/06 - 06/07
Administration	0	1	1	1	1	0
Finance and Accountability						
Finance	2	2	1	1	1	0
Subtotal - Finance & Accountability	2	2	1	1	1	0
Operations & Engineering						
Engineering	3	2	2	2	2	0
Subtotal - Operations & Engineering	3	2	2	2	2	0
Community and Neighborhood Services						
Community Development	0	1	1	1	1	0
Recreation	15	13	11	15	16	1
Subtotal - Community & Neighborhhood Serv.	15	14	12	16	17	1
Law	1	1	0	0	0	0
Police						
Police	42	32	31	31	29	(2)
Subtotal - Police	42	32	31	31	29	(2)
Board Administered/Other Departments						
Legislative	9	9	9	9	9	0
City Court	1	1	1	1	1	0
Civil Service	0	0	0	2	1	(1)
Public Assembly Facilities	0	0	0	0	1	1
Subtotal - Other Departments	10	10	10	12	12	0
Nondepartmental						
GRAND TOTAL	73	62	57	63	62	(1)

EFFECT OF TAX RATE ON HOMEOWNERS

In FY 2006/07 the proposed tax rate is $2.81 per hundred dollars of assessed value. This is the same rate as FY 2005/06. 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 $421.50 (calculated by dividing $15,000 by 100 and then multiplying by the city tax rate of $2.81.) The average appraised value for residential property is $82,324. For the average residential homeowner the total city property tax bill is $578.33.

Appraised Value	Assessed Value (25%)	Property Tax Due
$60,000	$15,000	$421.50
$80,000	$20,000	$562.00
$82,324	$20,581	$578.33
$100,000	$25,000	$702.50
$150,000	$37,500	$1,053.75

City of Knoxville

ASSESSED VALUES - ALL PROPERTY

Fiscal Years 1983/84 - 2006/07

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	2,474,148,997		293,852,253	150,264,579	2,918,265,829
2004	2,525,476,515		302,687,562	157,887,475	2,986,051,552
2005	2,862,056,080	*	315,752,361	161,363,916	3,339,172,357
2006 (Est.)	2,913,622,590		317,981,630	154,976,680	3,386,580,900

* 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 2001 and 2005.

Note that the assessments for each calendar year are reflected in the budget for the following year. For example the 2006 assessments are used in the FY 06/07 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 06/07

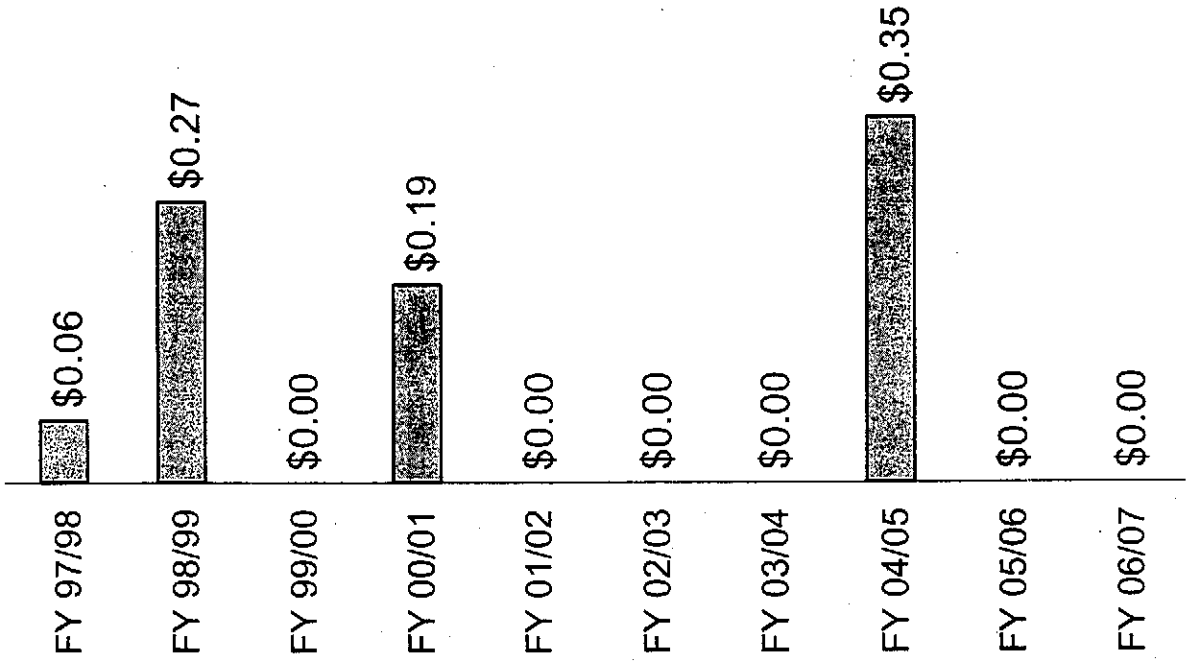
Fiscal Year	City Rate	County Rate	City Combined Rate
FY 87/88	$3.40	2.76	$6.16
FY 88/89	$3.24	2.91	$6.15
FY 89/90	$3.24	2.85	$6.09
FY 90/91	$3.24	2.85	$6.09
FY 91/92	$3.24	3.07	$6.31
FY 92/93	$3.51	3.25	$6.76
FY 93/94	$2.73 *	2.91 *	$5.64
FY 94/95	$2.87	2.91	$5.78
FY 95/96	$2.87	3.16	$6.03
FY 96/97	$2.87	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
FY 05/06	$2.81 *	2.69 *	$5.50
FY 06/07	$2.81	2.69	$5.50

* 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 2005. 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 05/06 for the City was $2.81 and for the County $2.69. This rate in effect discounts the increases in value resulting from reappraisal.

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

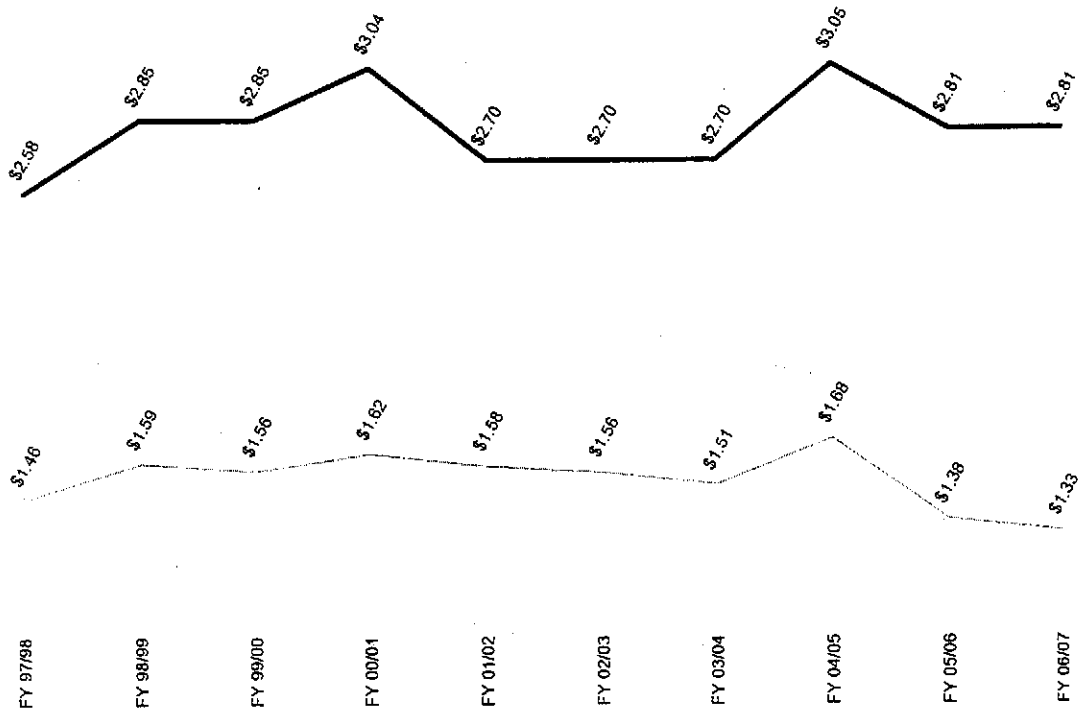
CHANGES IN TAX RATE

Fiscal Years 1997/98 – 2006/07



ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 1997/98 – 2006/07



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 $1.46 in Fiscal Year 1997/98 to $1.33 in Fiscal Year 2006/07. This means that the change in the tax rate has been slightly less than the rate of inflation and equalization