

City of Knoxville, Tennessee

Bill Haslam, Mayor



FY 2004/05
Proposed Operating Budget

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

MAYOR
Bill Haslam

MEMBERS OF CITY COUNCIL

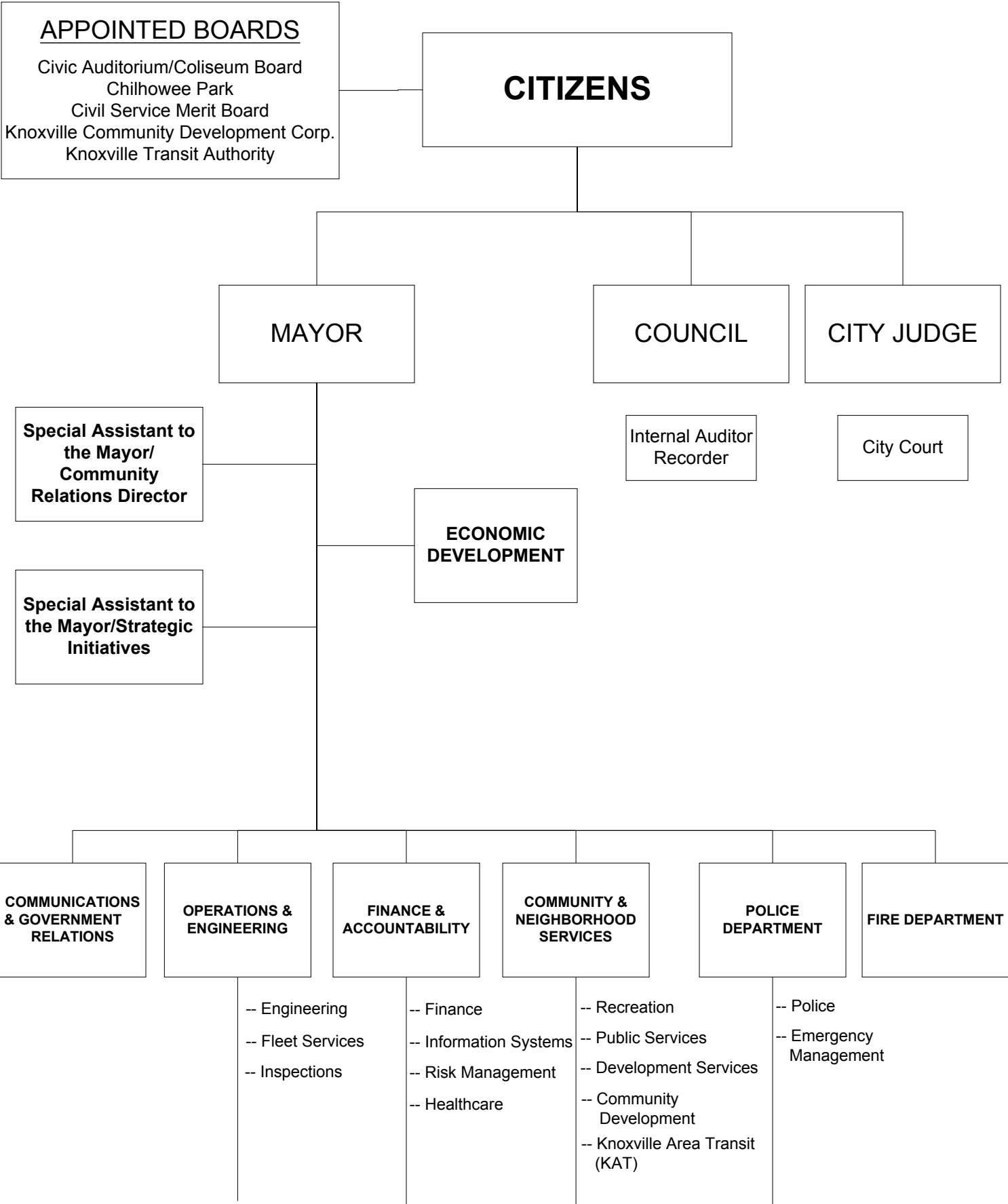
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District Four:	Rob Frost
District Five:	Bob Becker
District Six:	Mark Brown, Vice Mayor
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At-Large:	Marilyn Roddy
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Christopher P. Kinney

DEPUTY FINANCE DIRECTOR
James York

OFFICE OF MANAGEMENT AND BUDGET
Katherine Latvala, Accounting and Budget Manager
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CITY OF KNOXVILLE



City of Knoxville
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Executive Summary

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

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

GENERAL OVERVIEW

Revenues and Expenses

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

The total operating budget in Fiscal Year 2004/05 is \$286,726,090. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is \$212,487,310. The budget for the General Fund, which is the main operating fund of the city, equals \$144,237,400.

Funding Issues

A number of challenges presented themselves during the preparation of this budget. Over the past two years the City will have drawn down its General Fund fund balance by approximately \$11 million or over one-third. While still at satisfactory levels, this trend could not con-

tinue without jeopardizing the City's bond ratings and creating potential cash flow problems. The FY 04/05 budget, unlike previous budgets, does not propose to utilize fund balance to fund projects.

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

Over the past few years the City has been hit with cost increases in certain fixed expenditures. The cost of health care coverage has grown at a dramatic level. The City is now expecting its third consecutive year of double digit health care cost increases. Based upon current trends we have built in a twenty-percent increase at mid-year. The estimated impact of these increases upon the City is \$1.2 million with employees assuming another \$0.6 million. At this time it is likely that these increases will continue unless changes are made. One change incorporated into this budget is a shift in the way the City's medical clinic works. The focus will be on preventive medicine and regular treatment of chronic illness. It is believed that this focus will slow the rate of growth in these costs. The budget proposes to set aside \$1.3 million to establish a reserve in the Health Care fund. This will allow the City more flexibility in health care prevention and cost containment in the future.

The City maintains a pension fund for its employees. The recent performance of the stock market has affected the portfolio of this plan and has made it necessary to increase the

Executive Summary

City's contribution rate this year to maintain full funding of the plan. The additional cost of doing this is approximately \$1.8 million. Barring a major upturn in the markets it is likely that additional increases will be required in future years.

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

Improved Efficiency

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

The City is also undertaking a more extensive performance measurement system. The costs of doing this are incorporated into existing

budgets but it is expected to result in improvements in future years.

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

Economic Development

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

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

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

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

Executive Summary

the Knoxville Symphony, City Ballet, the Art Museum, the Tennessee Theatre and several other arts and cultural groups.

Job creation is a key objective of the Haslam administration. The 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.

Neighborhood Improvements

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

Accounting Changes

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

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

CONCLUSION

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

BUDGET COMPARISON - ALL FUNDS

Fiscal Year 2004/05

Fund No.	Fund Name	Adopted FY 03/04 Budget	Proposed FY 04/05 Budget	Dollar Change FY 03/04 - 04/05	Percentage Change FY 03/04 - 04/05
100	General Fund	133,196,180	144,237,400	11,041,220	8.29%
	Special Revenue Funds				
201	State Street Aid	4,880,400	4,906,000	25,600	0.52%
209	Abandoned Vehicles	454,150	510,000	55,850	12.30%
213	City Court	3,057,000	3,600,000	543,000	17.76%
216	City Inspections	1,681,020	1,874,420	193,400	11.50%
220	Stormwater	1,661,440	1,873,710	212,270	12.78%
230	Solid Waste	9,360,810	10,023,620	662,810	7.08%
240	Miscellaneous Special Revenue	1,018,500	2,261,180	1,242,680	122.01%
264	Home Grants	2,758,610	1,801,990	(956,620)	(34.68%)
269	Emergency Shelter Grants	86,000	85,490	(510)	(0.59%)
270	Empowerment Zone	1,987,000	994,100	(992,900)	(49.97%)
290	Community Development Block Grant	3,364,310	3,345,220	(19,090)	(0.57%)
	Subtotal - Special Revenue Funds	30,309,240	31,275,730	966,490	3.19%
	Debt Service Funds				
305	Debt Services	21,868,980	20,073,110	(1,795,870)	(8.21%)
	Subtotal - Debt Service Funds	21,868,980	20,073,110	(1,795,870)	(8.21%)
	Capital Projects Funds				
401	Capital Projects	26,300,200	20,784,900	(5,515,300)	(20.97%)
451	Chilhowee Park	1,500,000	0	(1,500,000)	(100.00%)
	Subtotal - Capital Projects Funds	27,800,200	20,784,900	(7,015,300)	(25.23%)
	Enterprise Funds				
503	Civic Auditorium/Coliseum/KCEC	3,577,670	3,540,710	(36,960)	(1.03%)
504	Metro Parking	709,520	725,890	16,370	2.31%
506	Convention Center	21,645,030	19,515,230	(2,129,800)	(9.84%)
507	Mass Transportation	12,012,490	13,184,090	1,171,600	9.75%
	Subtotal - Enterprise Funds	37,944,710	36,965,920	(978,790)	(2.58%)
	Internal Service Funds				
701	Office Services	439,580	451,980	12,400	2.82%
702	Fleet Services	9,029,550	8,243,710	(785,840)	(8.70%)
704	Risk Management	6,573,990	6,829,260	255,270	3.88%
705	Health Care	12,847,220	14,623,960	1,776,740	13.83%
706	Equipment Replacement	1,797,270	1,797,270	0	0.00%
707	City Building	1,360,900	1,442,850	81,950	6.02%
	Subtotal - Internal Service Funds	32,048,510	33,389,030	1,340,520	4.18%
	Grand Total	283,167,820	286,726,090	3,558,270	1.26%

TOTAL EXPENDITURES BY DEPARTMENT

Fiscal Year 2004/05

Department	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	1,697,110	0	0	500,000	0	0	2,197,110
Finance and Accountability							
Finance	2,948,670	0	50,000	5,250,000	0	23,702,470	31,951,140
Information Systems	2,927,300	0	0	0	0	0	2,927,300
Subtotal - Finance & Accountability	5,875,970	0	50,000	5,250,000	0	23,702,470	34,878,440
Operations & Engineering							
Engineering	6,239,770	4,182,970	0	5,375,000	675,890	0	16,473,630
Fleet Services	0	510,000	0	38,000	0	8,243,710	8,791,710
Inspections	0	1,874,420	0	0	0	0	1,874,420
Subtotal - Operations & Engineering	6,239,770	6,567,390	0	5,413,000	675,890	8,243,710	27,139,760
Community and Neighborhood Services							
Public Services	14,357,590	10,314,360	0	250,000	0	0	24,921,950
Development Services	594,510	0	0	150,000	0	0	744,510
Community Development	43,870	6,000,190	0	0	0	0	6,044,060
Recreation	5,945,110	45,000	0	790,000	0	0	6,780,110
Knoxville Area Transit (KAT)	857,240	0	0	5,159,700	13,184,090	0	19,201,030
Subtotal - Community & Neighborhood Serv.	21,798,320	16,359,550	0	6,349,700	13,184,090	0	57,691,660
Law	1,439,820	0	0	0	0	0	1,439,820
Police							
Police	37,671,330	2,210,180	0	1,311,200	0	0	41,192,710
Emergency Management	268,080	0	0	0	0	0	268,080
Subtotal - Police	37,939,410	2,210,180	0	1,311,200	0	0	41,460,790
Fire	25,734,770	0	0	580,000	0	0	26,314,770
Board Administered/Other Departments							
Legislative	766,850	6,000	0	0	0	0	772,850
City Court	0	732,300	0	0	0	0	732,300
Civil Service	890,450	0	0	0	0	0	890,450
Convention Center	0	0	0	1,075,000	19,515,230	0	20,590,230
Public Assembly Facilities	0	0	0	306,000	3,540,710	0	3,846,710
Subtotal - Other Departments	1,657,300	738,300	0	1,381,000	23,055,940	0	26,832,540
Nondepartmental							
City Elections	35,000	0	0	0	0	0	35,000
City Buildings	0	0	0	0	0	1,442,850	1,442,850
Knoxville Partnership	689,940	0	0	0	0	0	689,940
Metropolitan Planning Commission (MPC)	692,650	0	0	0	0	0	692,650
Knoxville Zoological Park	864,210	0	0	0	0	0	864,210
Agency Grants	1,489,170	0	0	0	0	0	1,489,170
Waterfront	275,730	0	0	0	0	0	275,730
Community Action Committee (CAC)	444,980	0	0	0	0	0	444,980
Debt Service	0	0	15,829,220	0	0	0	15,829,220
Reserve	1,450,000	0	0	0	0	0	1,450,000
Transfers	35,913,250	5,400,310	4,193,890	0	50,000	0	45,557,450
Subtotal - Nondepartmental	41,854,930	5,400,310	20,023,110	0	50,000	1,442,850	68,771,200
GRAND TOTAL	144,237,400	31,275,730	20,073,110	20,784,900	36,965,920	33,389,030	286,726,090

City of Knoxville

NET BUDGET

Fiscal Year 2004/05

Fund No.	Fund Name	Adopted FY 04/05 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	General Fund	144,237,400	(35,913,250)	0	108,324,150
201	State Street Aid	4,906,000	(2,306,000)	0	2,600,000
209	Abandoned Vehicles	510,000	0	0	510,000
213	City Court	3,600,000	(2,867,700)	0	732,300
216	City Inspections	1,874,420	0	0	1,874,420
220	Stormwater	1,873,710	0	0	1,873,710
230	Solid Waste	10,023,620	0	0	10,023,620
240	Miscellaneous Special Revenue	2,261,180	(750,000)	0	1,511,180
264	Home Grants	1,801,990	(146,610)	0	1,655,380
269	Emergency Shelter Grants	85,490	0	0	85,490
270	Empowerment Zone	994,100	0	0	994,100
290	Community Development Block Grant	3,345,220	(80,000)	0	3,265,220
305	Debt Services	20,073,110	(4,193,890)	0	15,879,220
401	Capital Projects	20,784,900	0	0	20,784,900
451	Chilhowee Park	0	0	0	0
503	Civic Auditorium/Coliseum/KCEC	3,540,710	0	0	3,540,710
504	Metro Parking	725,890	(50,000)	0	675,890
506	Convention Center	19,515,230	0	0	19,515,230
507	Mass Transportation	13,184,090	0	0	13,184,090
701	Office Services	451,980	0	(451,980)	0
702	Fleet Services	8,243,710	0	(8,601,970)	(358,260)
704	Risk Management	6,829,260	0	(6,178,860)	650,400
705	Health Care	14,623,960	0	(9,399,930)	5,224,030
706	Equipment Replacement	1,797,270	0	(1,901,600)	(104,330)
707	City Building	1,442,850	0	(1,396,990)	45,860
	Grand Total	<u>286,726,090</u>	<u>(46,307,450)</u>	<u>(27,931,330)</u>	<u>212,487,310</u>

NET REVENUES BY TYPE - ALL FUNDS

Fiscal Year 2004/05

Fund No.	Fund Name	Taxes	Licenses & Permits	Intergovt. Revenue	Charges For Serv.	Fines & Forfeits	Miscellaneous Revenue
100	General Fund	122,090,520	262,670	17,218,910	857,530	240,760	699,310
201	State Street Aid	0	0	4,900,000	0	0	6,000
209	Abandoned Vehicles	0	0	0	250,000	0	260,000
213	City Court	0	0	0	0	3,567,500	32,500
216	City Inspections	0	1,623,100	0	0	0	3,500
220	Stormwater	0	101,100	0	0	0	5,000
230	Solid Waste	0	0	0	725,000	0	125,000
240	Miscellaneous Special Revenue	0	0	0	85,000	2,118,000	58,180
264	Home Grants	0	0	1,661,990	0	0	140,000
269	Emergency Shelter Grants	0	0	85,490	0	0	0
270	Empowerment Zone	0	0	994,100	0	0	0
290	Community Development Block Grant	0	0	2,312,000	0	0	321,610
305	Debt Services	22,649,990	0	0	0	0	339,490
401	Capital Projects	0	0	5,548,730	0	0	40,000
503	Civic Auditorium/Coliseum/KCEC	0	0	0	1,533,000	0	23,000
504	Metro Parking	0	0	0	0	0	945,000
506	Convention Center	3,730,610	0	2,327,010	2,147,630	0	461,870
507	Mass Transportation	0	0	5,506,040	1,269,720	0	0
701	Office Services	0	0	0	0	0	0
702	Fleet Services	0	0	0	0	0	100,000
704	Risk Management	0	0	0	60,000	0	31,000
705	Health Care	0	0	0	0	0	4,083,260
706	Equipment Replacement	0	0	0	0	0	40,000
707	City Building	0	0	0	0	0	45,860
	Grand Total	148,471,120	1,986,870	40,554,270	6,927,880	5,926,260	7,760,580
	Percent of Net Revs.	69.87%	0.94%	19.09%	3.26%	2.79%	3.65%

Fund No.	Fund Name	Use Of/ (Addition To) Fund Balance	Net Revenues	Interfund Charges In	Interfund Transfers In	Total Revenues
100	General Fund	0	141,369,700	0	2,867,700	144,237,400
201	State Street Aid	0	4,906,000	0	0	4,906,000
209	Abandoned Vehicles	0	510,000	0	0	510,000
213	City Court	0	3,600,000	0	0	3,600,000
216	City Inspections	0	1,626,600	0	247,820	1,874,420
220	Stormwater	0	106,100	0	1,767,610	1,873,710
230	Solid Waste	0	850,000	0	9,173,620	10,023,620
240	Miscellaneous Special Revenue	0	2,261,180	0	0	2,261,180
264	Home Grants	0	1,801,990	0	0	1,801,990
269	Emergency Shelter Grants	0	85,490	0	0	85,490
270	Empowerment Zone	0	994,100	0	0	994,100
290	Community Development Block Grant	565,000	3,198,610	0	146,610	3,345,220
305	Debt Services	(2,916,370)	20,073,110	0	0	20,073,110
401	Capital Projects	2,000,000	7,588,730	0	13,196,170	20,784,900
503	Civic Auditorium/Coliseum/KCEC	374,500	1,930,500	0	1,610,210	3,540,710
504	Metro Parking	(219,110)	725,890	0	0	725,890
506	Convention Center	1,608,900	10,276,020	0	9,239,210	19,515,230
507	Mass Transportation	1,350,000	8,125,760	0	5,058,330	13,184,090
701	Office Services	0	0	451,980	0	451,980
702	Fleet Services	(458,260)	(358,260)	8,601,970	0	8,243,710
704	Risk Management	0	91,000	6,178,860	559,400	6,829,260
705	Health Care	(1,300,000)	2,783,260	9,399,930	2,440,770	14,623,960
706	Equipment Replacement	(144,330)	(104,330)	1,901,600	0	1,797,270
707	City Building	0	45,860	1,396,990	0	1,442,850
	Grand Total	860,330	212,487,310	27,931,330	46,307,450	286,726,090
	Percent of Net Revs.		0.40%			

NET EXPENDITURES BY TYPE - ALL FUNDS

Fiscal Year 2004/05

Fund No.	Fund Name	Personal Services	Supplies	Other Expenses	Debt Service	Capital
100	General Fund	62,247,910	2,968,870	18,150,700	0	0
201	State Street Aid	0	0	2,600,000	0	0
209	Abandoned Vehicles	251,750	3,900	205,800	0	0
213	City Court	493,780	11,600	134,550	0	0
216	City Inspections	1,338,670	8,900	68,610	0	0
220	Stormwater	1,384,700	45,670	67,360	0	0
230	Solid Waste	713,080	33,580	8,796,890	0	0
240	Miscellaneous Special Revenue	38,340	189,310	1,278,720	0	0
264	Home Grants	0	0	1,655,380	0	0
269	Emergency Shelter Grants	0	0	85,490	0	0
270	Empowerment Zone	0	0	994,100	0	0
299	Community Development Block Grant	878,900	15,550	1,564,600	0	572,130
305	Debt Services	0	0	50,000	15,829,220	0
401	Capital Projects	0	306,000	20,478,900	0	0
503	Public Assembly Facilities	1,608,570	185,820	1,323,170	0	4,500
504	Metro Parking	0	0	595,390	66,110	0
506	Convention Center	0	0	12,228,990	7,184,690	0
507	Mass Transportation	0	1,057,920	12,111,750	0	0
701	Office Services	115,070	226,000	21,710	0	0
702	Fleet Services	1,793,910	1,672,000	4,267,820	0	0
704	Risk Management	279,310	3,900	6,472,970	0	0
705	Health Care	116,250	6,590	14,448,160	0	0
706	Equipment Replacement	0	0	1,797,270	0	0
707	City Building	0	200	1,436,280	0	0
	Grand Total	<u>71,260,240</u>	<u>6,735,810</u>	<u>110,834,610</u>	<u>23,080,020</u>	<u>576,630</u>
	Percent of Net Exps.	33.54%	3.17%	52.16%	10.86%	0.27%

Fund No.	Fund Name	Net Expenditures	Interfund Charges Out	Interfund Transfers Out	Total Expenditures
100	General Fund	83,367,480	24,956,670	35,913,250	144,237,400
201	State Street Aid	2,600,000	0	2,306,000	4,906,000
209	Abandoned Vehicles	461,450	48,550	0	510,000
213	City Court	639,930	92,370	2,867,700	3,600,000
216	City Inspections	1,416,180	458,240	0	1,874,420
220	Stormwater	1,497,730	375,980	0	1,873,710
230	Solid Waste	9,543,550	480,070	0	10,023,620
240	Miscellaneous Special Revenue	1,506,370	4,810	750,000	2,261,180
264	Home Grants	1,655,380	0	146,610	1,801,990
269	Emergency Shelter Grants	85,490	0	0	85,490
270	Empowerment Zone	994,100	0	0	994,100
299	Community Development Block Grant	3,031,180	234,040	80,000	3,345,220
305	Debt Services	15,879,220	0	4,193,890	20,073,110
401	Capital Projects	20,784,900	0	0	20,784,900
503	Public Assembly Facilities	3,122,060	418,650	0	3,540,710
504	Metro Parking	661,500	14,390	50,000	725,890
506	Convention Center	19,413,680	101,550	0	19,515,230
507	Mass Transportation	13,169,670	14,420	0	13,184,090
701	Office Services	362,780	89,200	0	451,980
702	Fleet Services	7,733,730	509,980	0	8,243,710
704	Risk Management	6,756,180	73,080	0	6,829,260
705	Health Care	14,571,000	52,960	0	14,623,960
706	Equipment Replacement	1,797,270	0	0	1,797,270
707	City Building	1,436,480	6,370	0	1,442,850
	Grand Total	<u>212,487,310</u>	<u>27,931,330</u>	<u>46,307,450</u>	<u>286,726,090</u>
	Percent of Net Exps.	100.00%			

SUMMARY OF INTERFUND CHARGES

Fiscal Year 2004/05

From (Fund Name)	Fund No.	To Office Services Fund (Fund 701)	To Fleet Services Fund (Fund 702)	To Risk Management Fund (Fund 704)	To Health Care Fund (Fund 705)	To Equipment Replacement Fund (Fund 706)	To City Building Fund (Fund 707)	Grand Total
General Fund	100	334,380	7,926,250	5,711,790	8,078,560	1,810,060	1,095,630	24,956,670
Abandoned Vehicle	209	940	0	7,710	39,900	0	0	48,550
City Court	213	4,450	0	2,630	72,330	12,960	0	92,370
City Inspections	216	26,930	83,530	62,440	192,020	6,210	87,110	458,240
Stormwater	220	7,800	43,480	27,370	215,150	27,060	55,120	375,980
Solid Waste	230	3,380	306,910	30,970	121,220	2,830	14,760	480,070
Miscellaneous Special Revenue	240	250	0	0	4,560	0	0	4,810
Community Development Block Grant	290	11,380	39,100	14,090	98,560	9,620	61,290	234,040
Coliseum/KCEC	503	4,740	80,550	123,480	199,940	9,940	0	418,650
Metro Parking	504	0	0	14,390	0	0	0	14,390
Convention Center	506	0	8,030	93,520	0	0	0	101,550
Mass Transportation	507	4,920	0	0	0	9,500	0	14,420
Office Services	701	40,580	0	2,120	13,680	640	32,180	89,200
Fleet Services	702	4,210	114,120	71,500	301,820	3,410	14,920	509,980
Risk Management	704	3,200	0	6,460	44,260	8,030	11,130	73,080
Health Care	705	4,820	0	4,020	17,930	1,340	24,850	52,960
City Building	707	0	0	6,370	0	0	0	6,370
Grand Total		<u>451,980</u>	<u>8,601,970</u>	<u>6,178,860</u>	<u>9,399,930</u>	<u>1,901,600</u>	<u>1,396,990</u>	<u>27,931,330</u>

SUMMARY OF INTERFUND TRANSFERS

Fiscal Year 2004/05

To (Fund Name)	Fund No.	From General Fund (Fund 100)	From State Street Aid Fund (Fund 201)	From City Court Fund (Fund 213)	From Misc. Spec. Rev. Fund (Fund 240)	From Home Fund (Fund 264)	From CDBG Fund (Fund 290)	From Debt Service Fund (Fund 305)	From Metro Parking Fund (Fund 504)	Grand Total
General Fund	100	0	0	2,867,700	0	0	0	0	0	2,867,700
City Inspections	216	247,820	0	0	0	0	0	0	0	247,820
Stormwater	220	1,767,610	0	0	0	0	0	0	0	1,767,610
Solid Waste	230	9,173,620	0	0	0	0	0	0	0	9,173,620
Community Development Block Grant	290	0	0	0	0	146,610	0	0	0	146,610
Capital Projects	401	11,041,170	1,275,000	0	750,000	0	80,000	0	50,000	13,196,170
Coliseum/KCEC	503	1,610,210	0	0	0	0	0	0	0	1,610,210
Convention Center	506	5,045,320	0	0	0	0	0	4,193,890	0	9,239,210
Mass Transportation	507	4,027,330	1,031,000	0	0	0	0	0	0	5,058,330
Risk Management	704	559,400	0	0	0	0	0	0	0	559,400
Health Care	705	2,440,770	0	0	0	0	0	0	0	2,440,770
Grand Total		<u>35,913,250</u>	<u>2,306,000</u>	<u>2,867,700</u>	<u>750,000</u>	<u>146,610</u>	<u>80,000</u>	<u>4,193,890</u>	<u>50,000</u>	<u>46,307,450</u>

Authorized Full Time Positions by Department

Fiscal Year 2004/05

Department	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	19	0	0	0	19
Finance and Accountability					
Finance	42	0	0	12	54
Information Systems	29	0	0	0	29
Subtotal - Finance & Accountability	71	0	0	12	83
Operations & Engineering					
Engineering	87	25	0	0	112
Fleet Services	0	9	0	49	58
Inspections	0	30	0	0	30
Subtotal - Operations & Engineering	87	64	0	49	200
Community and Neighborhood Services					
Public Services	253	30	0	0	283
Development Services	3	0	0	0	3
Community Development	1	19	0	0	20
Recreation	55	0	0	0	55
Subtotal - Community & Neighborhood Serv.	312	49	0	0	361
Law	13	0	0	0	13
Police					
Police	518	1	0	0	519
Emergency Management	3	0	0	0	3
Subtotal - Police	521	1	0	0	522
Fire	339	0	0	0	339
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	36	0	36
Subtotal - Other Departments	17	13	36	0	66
Nondepartmental					
Knoxville Partnership	1	0	0	0	1
Subtotal - Nondepartmental	1	0	0	0	1
Total - Full Time	1,380	127	36	61	1,604

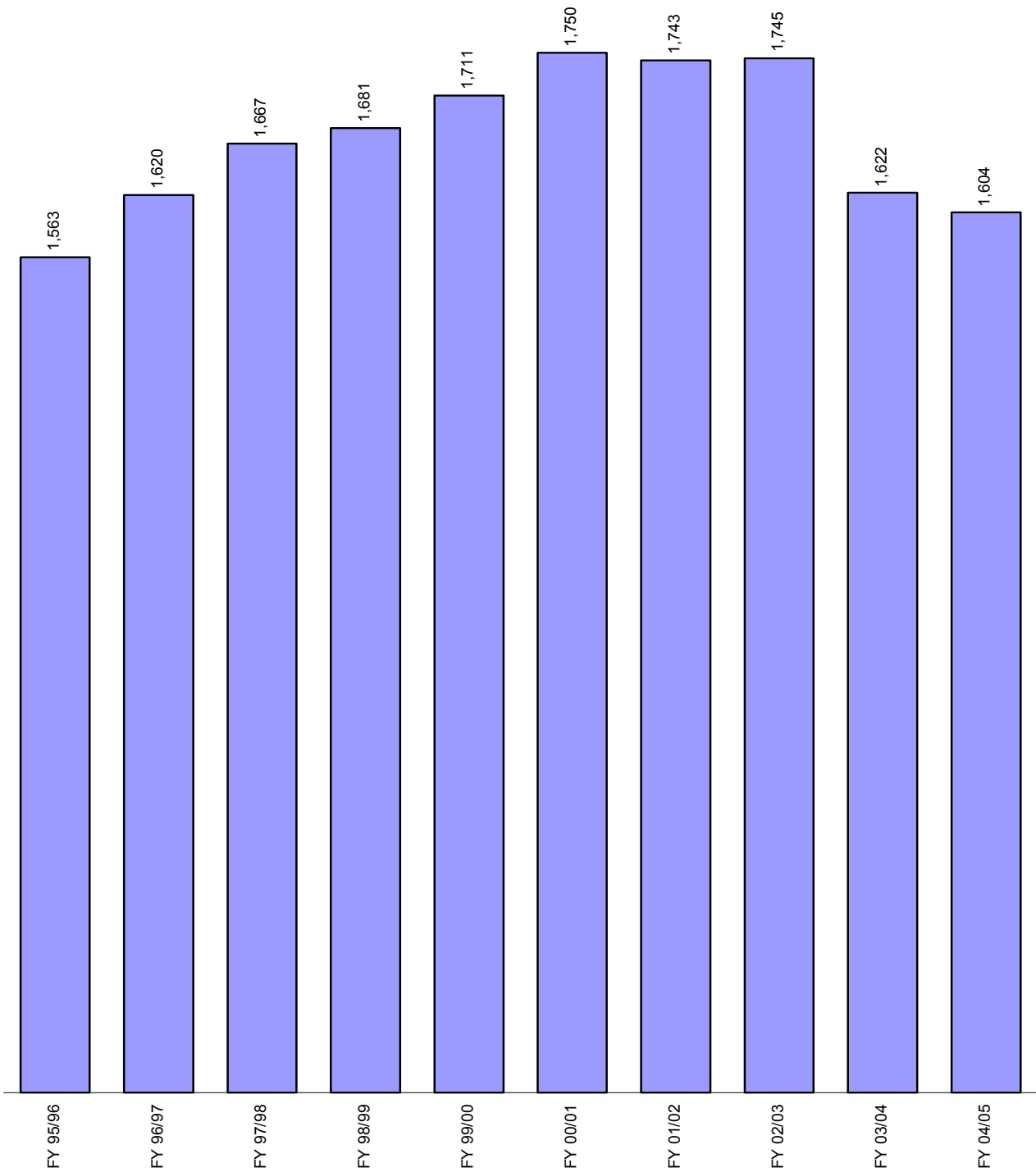
Full Time Positions by Department

Fiscal Years 2000/01 - 2004/05

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

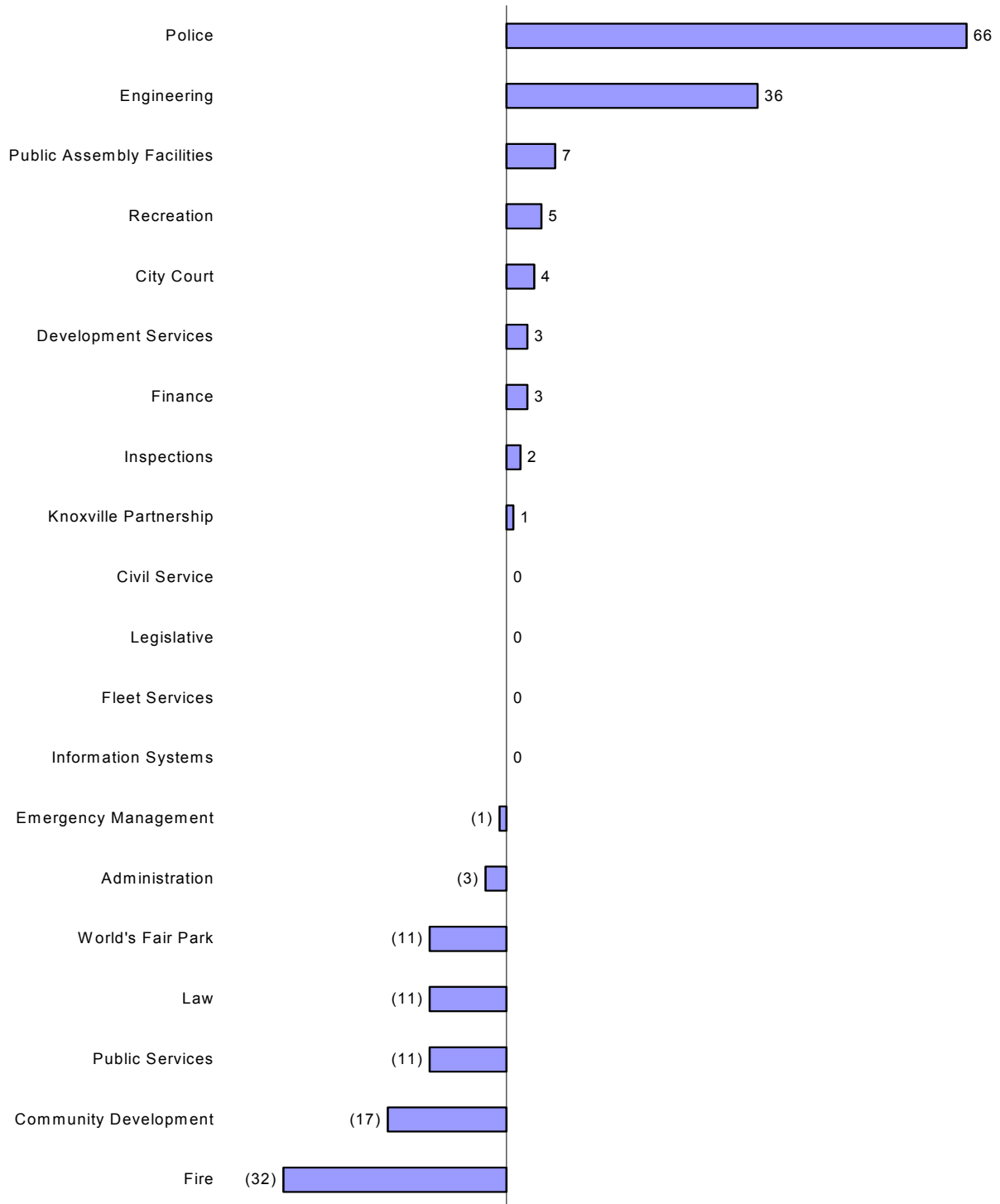
Authorized Full Time Personnel

Fiscal Years 1995/96 – 2004/05



Changes in Full Time Budgeted Personnel

Fiscal Years 1995/96 – 2004/05



Authorized Part Time Positions by Department

Fiscal Year 2004/05

Department	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Finance and Accountability					
Finance	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Subtotal - Finance & Accountability	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>
Operations & Engineering					
Engineering	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Subtotal - Operations & Engineering	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Community and Neighborhood Services					
Community Development	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Recreation	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11</u>
Subtotal - Community & Neighborhood Serv.	<u>11</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>12</u>
Police					
Police	<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31</u>
Subtotal - Police	<u>31</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31</u>
Board Administered/Other Departments					
Legislative	<u>9</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9</u>
City Court	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Subtotal - Other Departments	<u>9</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total - Part Time	<u><u>55</u></u>	<u><u>2</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>57</u></u>

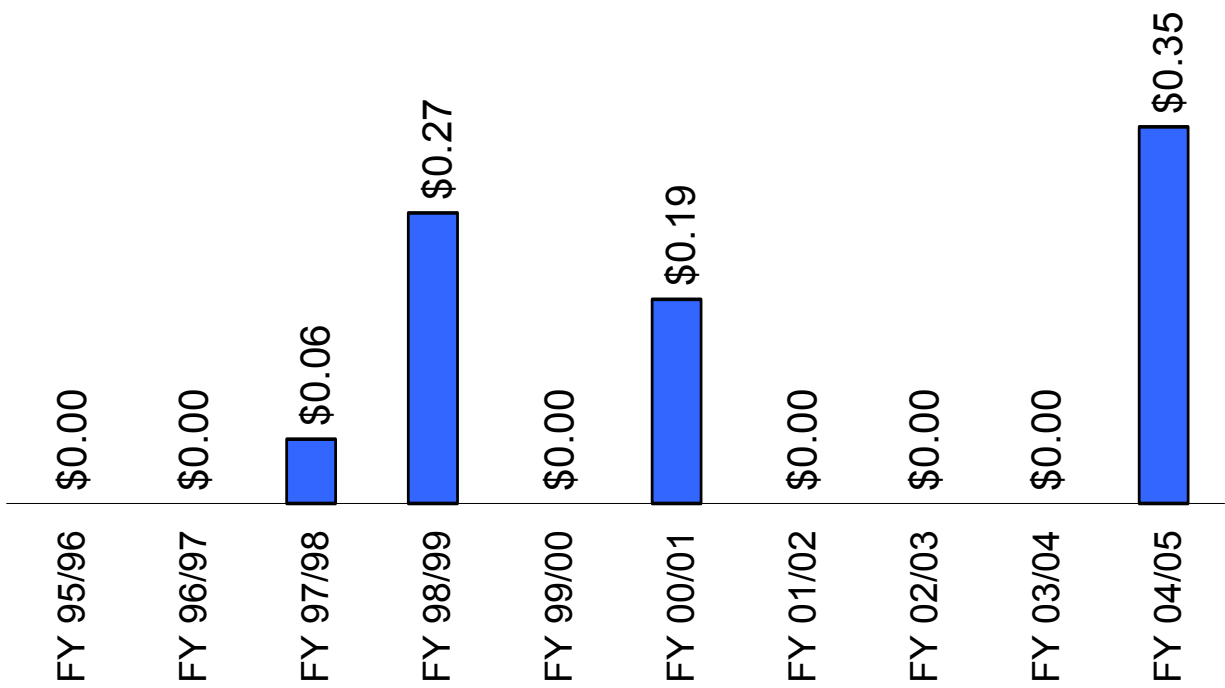
Part Time Positions by Department

Fiscal Years 2000/01 - 2004/05

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

CHANGES IN TAX RATE

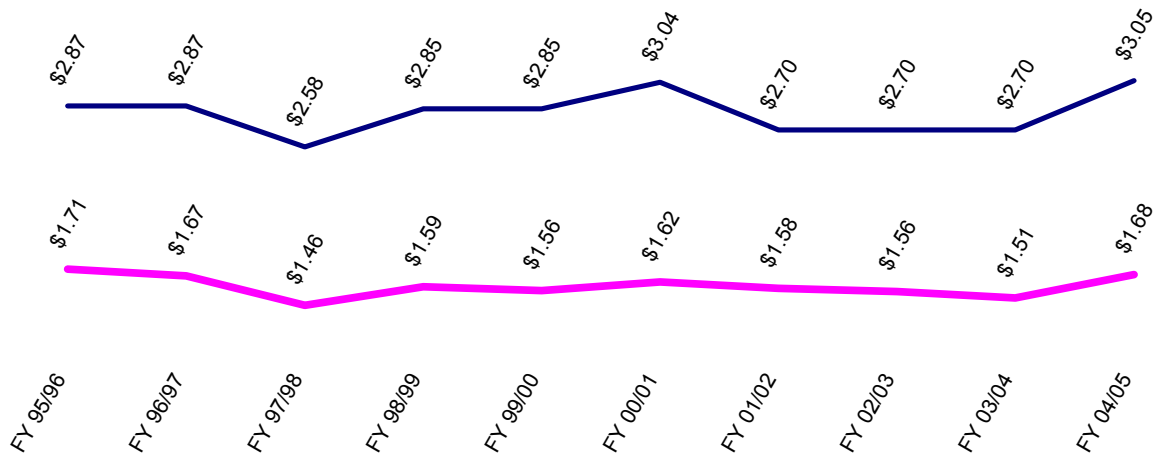
Fiscal Years 1995/96 – 2004/05



City of Knoxville

ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 1995/96 – 2004/05



The above chart presents a ten year comparison of the actual (nominal) tax rate to the effective tax rate, that is, the tax rate after it has been adjusted for the effects of reappraisal by the Knox County Property Assessor and the impact of inflation. As can

be seen by the lower line, the effective tax rate has declined from \$1.71 in Fiscal Year 1995/96 to \$1.68 in Fiscal Year 2004/05. This means that the change in the tax rate has been slightly less than the rate of inflation and equalization

EFFECT OF TAX RATE ON HOMEOWNERS

In FY 2004/05 the proposed tax rate is \$3.05 per hundred dollars of assessed value. This is \$0.35 above the rate in FY 2003/04. The following chart summarizes the effect of the city's property tax on homeowners. As shown, a residential home appraised at \$60,000 would be assessed at 25% of that value, or \$15,000. Taxes due are per \$100 of value, so the city property tax due for a \$60,000 home is \$457.50 (calculated by

dividing \$15,000 by 100 and then multiplying by the city tax rate of \$3.05.) The average appraised value for residential property is \$70,521 and the median value is \$59,100. For the average residential homeowner the total city property tax bill is \$537.72. The increase in the tax rate represents an increase tax of \$61.71 per year or \$5.14 per month to the average homeowner.

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

City of Knoxville**CITY AND COUNTY PROPERTY TAX RATES****FY 87/88 - FY 04/05**

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

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

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

City of Knoxville

ASSESSED VALUES - ALL PROPERTY

Fiscal Years 1983/84 - 2004/05

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

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

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

GENERAL FUND REVENUES

Total General Fund revenues for FY 04/05 equal \$144,237,400. This represents approximately an 8.33% increase when compared to the budgeted FY 03/04 revenues of \$133,196,180. The proposed FY 04/05 budget, unlike the FY 03/04 budget does not include the use of fund balance to cover expenditures. This is due to a significant decline in the General Fund balance over the past two years. Comparing actual operating revenues between FY 04/05 and FY 03/04 shows an increase of \$15,764,790 or 12.3%. Revenues are projected to increase by \$12,879,270 when compared to estimated actual revenues in FY 03/04. The economy is experiencing a slight rebound, which, when combined with a change in the property tax rate, accounts for the change in projected revenues in FY 04/05.

TAXES

The largest single category of revenue to the General Fund is taxes. This one category equals \$122,090,520 or approximately 84.65% of the total revenue to this fund.

Property Taxes

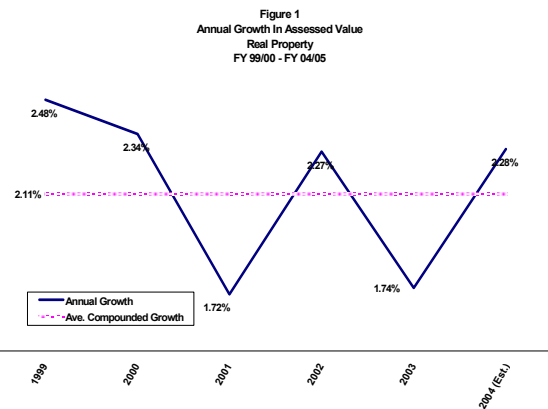
The largest revenue source within this category is property taxes. Property taxes are, in turn, divided into three types: taxes on real property, taxes on personal property, and taxes on public utilities.

There are four factors that determine revenues from property taxes:

- 1) The assessed value of property;
- 2) The state equalization rate;
- 3) The collection rate on property taxes;
- 4) The tax rate itself.

Assessed Value and Equalization Rate: Since 1983, the average growth in real property values has fluctuated widely. Growth was almost non-existent in the years between 1985 and 1988. This changed in the early 1990's with increases in the two to three percent ranges. The mid to late

1990's and early 2000's have been characterized, with the exception of reappraisal years, by this same fairly moderate growth. We expect this to continue into the new fiscal year and estimate the overall growth in real property to be approximately 2.26%. Higher growth is expected for commercial property but this is offset in part by a slightly lower growth rate for residential property and by a projected continual decline in the value of industrial property. For FY 04/05 the projected assessed value of real property is \$2,537,224,890. In projecting the FY 03/04 numbers we lacked informa-



tion from the Knox County Property Assessor. The final 2002 tax roll came in slightly lower than expected and this is reflected in the revised estimates for FY 03/04. The projected amounts for FY 04/05 are based upon the latest available data from the Assessor's Office.

The Property Assessor is unable to supply final estimates on the assessed value of personal property until after the adoption of the budget. Personal property tax growth rates have shown much more volatility than real property. In the 1980's the annual growth rate of this revenue source was frequently in the mid-teens. A change in state law in 1990, implemented a new accelerated depreciation schedule, and made other changes in the calculation of this tax. This change essentially halted the growth of this revenue

source for several years. As a result of increased audits, an upward trend began in 1998. For the upcoming year we forecast the growth in assessed value to be approximately 2.1%. As with real property, we did not have final numbers from the Property Assessor's Office until after passage of the budget. The actual tax roll grew at a higher rate than we had projected, which explains the increase in forecasted FY 03/04 revenues from the FY 03/04 budget.

The third set of property tax revenues comes from taxes on public utilities, which are assessed by the Division of State Assessed Properties under the Office of the State Comptroller. These values are supplied in December and have typically varied little from year to year, unless affected by a change in the equalization rate. Recent trends, however, have been negative, the result of many successful appeals of the state appraisals. This created a larger decline in assessed value in FY 03/04 than was expected. We now expect this downward trend to recur in the upcoming year and are forecasting a 2.9% drop in assessed value in this category.

Collection Rate: Historically, the City has collected an average of 93.9% of real property taxes, 94.3% of personal property taxes, and 98.4% of the taxes upon public utilities in the year in which they are levied. We utilize these averages in making our forecasts.

Tax Rate:
For FY 04/05 the budget is based upon

a total tax rate of \$3.05 per hundred dollars of assessed value, which is 35 cents more than the FY 03/04 rate. The tax rate is apportioned between the Debt Service Fund and the General Fund. In FY 04/05, \$0.81 of the tax rate goes directly to the Debt Service Fund, unchanged from FY 03/04. The portion of the tax rate used for General Fund purposes is \$2.24. Combining all factors yields the

budgeted revenue from property taxes as illustrated in Table 1.

When compared to the FY 03/04 budget, current projected property tax collections are up by \$10,626,500 in the General Fund, or approximately 21.3%.

Tax Discounts

The City offers a one percent discount on property taxes paid before the end of October. For FY 04/05 the anticipated discount in the General Fund is \$280,200, which is \$37,870 more than the FY 03/04 budgeted amount. The greater amount is due to the change in the tax rate, as we do not believe the percentage of individuals receiving a discount will deviate much from the current year.

This discount represents a reduction in the amount of revenues available to the General Fund. The discount allows the City to better manage cash flow, avoid the need to issue tax anticipation notes, and increase interest earnings.

Payments In Lieu Of Taxes

Other revenues within the tax category include the payment in lieu of taxes from the Knoxville Utilities Board (KUB) and Knoxville's Community Development Corporation (KCDC). The payment from KUB is based upon two components, one being the estimated property value owned by KUB and the second being an average of overall revenues. In FY

04/05 the KUB payment is expected to be \$11,578,160, which is \$2,113,280 or 22.3% above the budget for FY 03/04. This change is based upon modest growth in property held by KUB, the change in the tax rate, and anticipated growth in average revenues. The payment from KCDC is projected at \$73,740, which is \$11,860 less than budgeted in FY 03/04. A non-profit has opened a senior citizen housing complex and is also subject

TABLE 1					
	Estimated Assessed Valuations	Est- Coll. Rate	Tax Rate per \$100	FY 04/05 Budgeted Revenue	
Real Property	\$2,537,224,890	93.9%	\$2.24	\$53,372,300	
Personal Property	315,457,050	94.3%	2.24	6,664,700	
Public Utilities	<u>145,984,310</u>	98.4%	2.24	<u>3,072,400</u>	
TOTAL	<u>\$2,998,666,250</u>			<u>\$63,109,400</u>	

to a payment in lieu of taxes. The amount expected from this complex is \$33,200.

Sales Taxes

The City imposes, as the result of local referenda, a 2.25% local option sales tax on all sales within the city limits. Approximately 72% of the proceeds from the tax go to the Knox County School District, with the balance flowing to the City's General Fund. The revenues from this source comprise the second largest source of revenue within the tax category. In FY 04/05, local option sales tax revenues are expected to equal \$30,528,600 or 21.2% of total General Fund revenues. The City, like the rest of the nation, has witnessed a decline in sales based revenues during recent years, but we are beginning to experience a slight upturn locally. We are forecasting a growth rate of 2.5% over adjusted FY 03/04 collections.

Other Taxes

Revenues from the beer tax, mixed drink tax, and the alcoholic beverage tax grew at a rapid pace in the early 1990's, but the rate of growth has been tempered somewhat in recent years. We have, however, experienced a huge increase in beer taxes in the past two years. We expect this to continue in FY 04/05, and revenues from beer taxes are expected to increase by \$179,930 when compared to the FY 03/04 budget. Total revenues from the beer tax are forecast at \$5,738,530. Alcoholic beverage taxes have also grown at a faster than expected rate and are expected to generate \$1,791,700 in FY 04/05. This is \$139,100 more than the amount budgeted in FY 03/04. Mixed drink taxes have increased at a slightly higher pace than expected in FY 03/04 and estimated actual revenues are higher than budgeted. In FY 04/05 revenues from this source are expected to grow at a 0.5% rate from the estimated actual amount, and are now budgeted at \$880,000 in FY 04/05.

The improvement in the economy has also led to higher business tax collections. We currently expect to end FY 03/04 approximately \$415,000 above the budgeted amount. For FY 04/05 we are now projecting continued (1.5%) growth over expected FY 03/04 collections. Projected revenue from this source in FY 04/05 is \$3,747,400, which is \$470,000 more than budgeted in FY 03/04.

Cable television franchise taxes are down for the year and we expect only modest growth in the new fiscal year. These revenues are now forecast at \$1,173,800, which is \$82,400 or 6.6% less than the amount budgeted in FY 03/04. The fiber optic business has been hard hit by the economic downturn and franchise fees have declined in turn. For FY 04/05, the budgeted amount from this source is now zero.

INTERGOVERNMENTAL REVENUE

The second largest revenue category of the General Fund is intergovernmental revenue, i.e., revenue that comes from another governmental unit, primarily the State of Tennessee. This category of revenue accounts for \$17,218,910 or 11.9% of total revenue. Unlike the past year we do not expect any additional cuts in state shared revenue. Instead, we expect this category of revenue to be up by \$562,730 or 3.4% when compared to the FY 03/04 budget.

The largest single revenue within this grouping is the state shared sales tax. This revenue source is recovering somewhat from losses in FY 02/03, and is now expected to exceed the budgeted amount for FY 03/04 by approximately \$340,000. As is similar to local sales tax collections, we are forecasting only a very slight growth over expected FY 03/04 collections. The estimated amount from this source is \$10,321,250, which is \$492,980 or 5.0% above the budgeted FY 03/04 amount.

The second largest source of intergovernmental revenue is the city's portion of the Hall Income Tax. In the 1990's this revenue grew rapidly, mirroring the performance of stock markets and changes in interest rates. However, the recent performance of the stock markets, reductions in dividends paid, and the declines in interest rates have greatly affected this revenue source. We have also experienced the reclassification of a number of taxpayers from the City to Knox County and the Town of Farragut. In FY 04/05 we are expecting revenue from this source to generate \$2,404,700. This is the same level as the FY 03/04 budget.

The City also receives a number of other state-shared revenues. Revenue from alcoholic beverage tax is also expected to be up and is budgeted at \$93,680 or \$32,300 more than in FY 03/04.

Similarly revenues from beer taxes, are expected to experience an increase and is budgeted at \$90,400 or \$19,100 above the level of FY 03/04.

Revenue from the state excise tax, a tax upon the net earnings of state and national banks chartered in Tennessee, is, on the other hand, revised downward for FY 03/04. For FY 04/05 this is expected to generate \$347,400 or \$33,400 less than budgeted in FY 03/04.

Revenue from the special petroleum products tax is expected to increase slightly. This revenue is budgeted at \$403,910 or \$7,020 more than in FY 03/04. The City's share of TVA gross receipts is also to be up when compared to FY 03/04.. The expected amount from this source is up from forecast levels and, consequently, we have revised our FY 04/05 projections upward. The result is an anticipated increase of \$15,960 or 1.4% when compared to the FY 03/04 budget.

The City receives money from the federal government to help offset the cost of several police department positions. This money is listed as federal contribution and is budgeted at \$1,385,300. Also included in this amount in money to help pay overtime of officers working in the KCDC housing areas. This revenue is down slightly when compared to the FY 03/04 budget. In the future this revenue source is expected to decline further as existing grants lapse.

The State of Tennessee has provided supplemental pay for police officers and firefighters in past years, and is listed under the category of state contribution in the tables following this narrative. The City has served merely as conduit to pay this supplement. The amount budgeted totals \$382,840 and is exactly equal to planned expenditures in the Police and Fire Department budgets.

Monies for the Senior Aide program come from the federal government and are budgeted at \$432,100 for FY 04/05. This is equal to budgeted expenditures for the upcoming year.

The City's Emergency Management Department is funded in part by a contribution from the U.S. government under the Federal Emergency Management Act (FEMA). The contracted amount for the upcoming year is projected to be \$85,020. Knox County partially funds the balance of the department's budget. The Knox County share is estimated at \$53,000.

OTHER REVENUE

There are four other categories of operating revenue to the General Fund, these being licenses and permits, charges for services, fines and forfeits, and miscellaneous revenue. Revenues from these sources are budgeted at \$4,927,970, or 3.41% of the total General Fund. A breakdown of these revenues for FY 03/04 and FY 04/05 is shown in Table 2.

	TABLE 2		
	FY 03/04 Budget	FY 03/04 Est. Actual	FY 04/05 Projected Revenues
Licenses & Permits	\$279,600	\$257,660	\$262,670
Charges	\$949,360	\$903,860	\$857,530
Fines & Forfeits	\$2,694,070	\$3,518,760	\$3,108,460
Misc. Revenue	<u>\$946,400</u>	<u>\$693,180</u>	<u>\$699,310</u>
TOTAL	<u>\$4,869,430</u>	<u>\$5,373,460</u>	<u>\$4,927,970</u>

Overall, the category of licenses and permits is down by \$16,930 when compared to the budget for FY 03/04. Most accounts within this

category are expected to be slightly down when compared to the FY 03/04 budget. The largest expected decrease is in tank installation fees, which are budgeted at \$10,880, a decrease of \$5,320. This is partially offset by expected higher amounts from various other charges. For example, solicitation permits and beer privilege taxes are expected to increase by \$1,040 and \$3,200 respectively.

The amount expected to come from charges for services is projected at \$857,530, which is \$91,830 less than the budgeted amount for FY 03/04. This decrease is primarily due to lower reimbursements from the state, and the switch of some athletic fees to a special revenue fund. These are offset, in part, from higher revenue from attorney costs, and parking lot charges.

The category of fines and forfeits represent two types of revenue. One source is a portion of fines that are rebated from the county court. The recent decline in revenue coming from Knox County seems to have resumed and we expect revenues from this source to decline in the next year. Revenues from this source are expected to be \$31,590 from General Sessions fines, \$70,390 from General Sessions costs, and \$54,500 from Criminal Court fines.

The second portion is the amount of revenue in excess of expenditures that is generated by the Municipal Court. Fines and costs collected by the Municipal Court have increased significantly during the past year. We believe that this will taper off somewhat in the upcoming fiscal year, but will still be stronger than the budgeted amount for FY 03/04. Excess City Court fees are now forecast at \$2,867,700 or \$432,430 above the amount budgeted in FY 03/04.

The category entitled miscellaneous revenue is projected at \$699,310, which is \$247,090 or ap-

proximately 26.1% less than budgeted in FY 03/04. Most revenues within this category are expected to be lower, the greatest decline occurring in interest earnings. This decline is attributable to much lower interest rates, and the smaller balances available to be invested. Interest earnings are expected to generate \$120,000 in FY 04/05, this being \$130,000 less than the budget for FY 03/04.

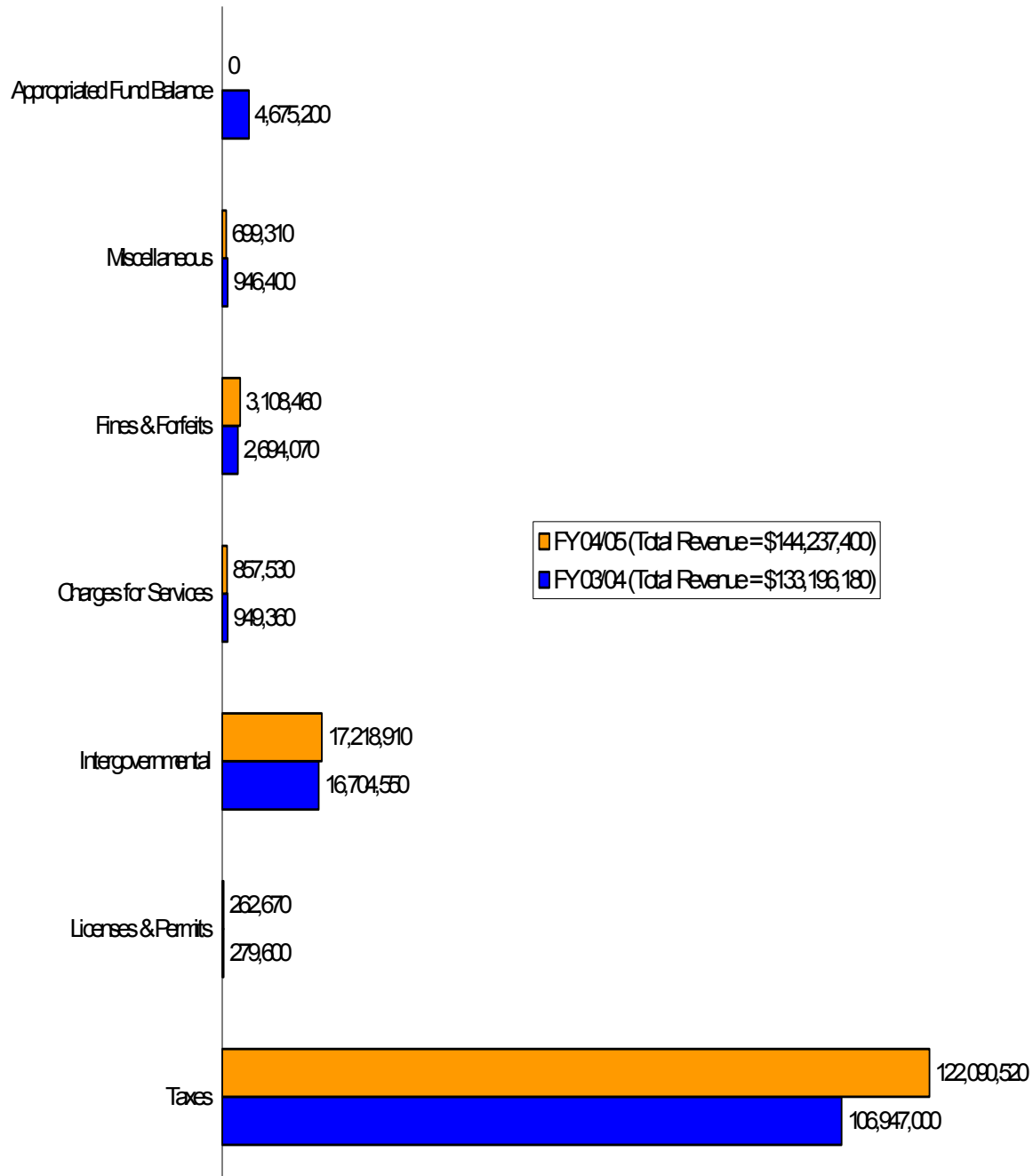
Parking meter revenue has declined in recent years and we are not forecasting any sizeable growth in this source absent an increase in rates. This revenue source is expected to yield \$370,610 in FY 04/05, which is unchanged from expected revenue in FY 03/04, but is down by \$64,690 or 14.9% when compared to the FY 03/04 budget.

APPROPRIATED FUND BALANCE

The FY 04/05 General Fund budget does not appropriate any Fund Balance. This compares to a \$4,675,200 appropriation of fund balance in FY 03/04.

City of Knoxville

General Fund Revenue Comparison FY 2003/04 – 2004/05



City of Knoxville

GENERAL FUND REVENUE

Fiscal Year 2004/2005

Account Code	Revenue Source	Actual FY 01/02 Revenue	Actual FY 02/03 Revenue	Budgeted FY 03/04 Revenue	Estimated FY 03/04 Revenue	Proposed FY 04/05 Revenue
5111	Property Tax Real - Current	41,722,658	43,229,324	44,252,000	44,027,500	53,372,700
5112	Property Tax Real - Prior	2,482,274	1,957,194	1,900,000	1,844,100	1,875,000
5113	Personal Property Tax - Current	5,133,114	5,218,917	5,211,300	5,510,100	6,664,700
5114	Personal Property Tax - Prior	299,749	266,484	250,000	426,270	350,000
5115	Public Utilities - Current	3,384,895	2,996,493	3,020,000	2,603,730	3,072,400
5116	Public Utilities - Prior	6,975	6,426	5,000	167,720	5,000
5117	Discount	(670,712)	(507,491)	(232,300)	(242,330)	(280,200)
5118	Discount - CBID	(4)	0	0	0	0
5121	Interest & Penalties - Current	167,433	128,334	95,000	122,160	95,000
5122	Interest & Penalties - Prior	1,106,773	1,165,592	1,094,470	1,246,220	1,246,190
5123	Interest & Penalties - Business	75,638	48,032	67,000	57,250	70,000
5124	Interest & Penalties - License	14,272	3,474	1,500	1,460	1,100
5125	Interest & Penalties - CBID	3,466	1,620	2,500	1,770	1,500
5131	KUB	9,063,963	9,796,766	9,464,880	9,949,800	11,578,160
5132	KCDC	53,826	85,605	85,600	73,740	73,740
5136	Other Payment In Lieu of Taxes	0	33,272	33,200	31,010	33,200
5141	Local Shared Sales Tax	28,819,040	29,031,122	29,103,200	29,784,010	30,528,600
5151	Beer Tax	5,322,025	5,557,473	5,558,600	5,710,000	5,738,530
5152	Mixed Drink Tax	881,882	979,656	848,850	875,590	880,000
5153	Alcoholic Beverage Tax	1,671,913	1,655,054	1,652,600	1,765,250	1,791,700
5161	Business Tax	3,620,630	3,784,490	3,277,400	3,692,030	3,747,400
5165	Tax Sale Publication Fees	0	3,336	0	71,990	72,000
5191	General Admissions Tax	2,399	0	0	0	0
5193	Cable TV Franchise Tax	1,071,477	1,139,718	1,256,200	1,156,420	1,173,800
5194	Fiber Optic Franchise Fees	37,856	0	0	0	0
	Subtotal - Taxes	104,271,542	106,580,891	106,947,000	108,875,790	122,090,520
5201	Blasting Permits	8,200	4,800	4,600	4,860	4,860
5202	Fire Reports	2,750	2,420	2,800	2,870	2,870
5203	Fireworks Permits	1,640	1,720	1,830	1,680	1,680
5204	Tank Abandonment Fee	600	1,480	3,900	1,010	1,010
5205	Tank Installation Fee	11,590	13,155	16,200	10,880	10,880
5211	Merchant & General Privilege	450	225	200	190	200
5212	Liquor by the Ounce	141,070	141,960	139,000	133,400	136,080
5215	Alcoholic Beverage License	2,500	3,000	2,600	2,400	2,600
5228	Lot Clearance	11,250	0	0	0	0
5281	Duplicate Beer Permits	938	268	0	670	0
5291	Solicitation	3,775	4,200	4,740	5,780	5,780
5293	Street Vendor	6,775	7,675	6,940	5,940	5,940
5295	Beer Application Fees	31,300	29,400	31,920	22,640	23,430
5296	Beer Privilege Tax	58,000	59,146	58,260	59,670	61,460
5298	Beer Permit Publications	1,875	1,956	2,060	1,470	1,470
5299	Beer Permit Records Check	5,316	4,488	4,550	4,200	4,410
	Subtotal - Licenses and Permits	288,029	275,893	279,600	257,660	262,670
5312	Senior Aides	508,358	382,016	419,620	367,130	432,100
5313	Emer. Mgmt. - Federal Share	56,100	91,816	55,110	70,560	85,020
5319	Federal Contribution	2,401,188	2,218,876	1,394,460	1,551,780	1,385,300
5320	State Revenue	0	0	48,370	0	0
5321	Sales Tax	10,447,279	10,473,363	9,828,270	10,168,720	10,321,250
5322	Income Tax	4,789,685	2,044,315	2,404,700	2,404,700	2,404,700
5323	Beer Tax	84,979	90,364	71,300	90,360	90,400
5324	Alcoholic Beverage Tax	92,519	89,361	61,380	93,680	93,680
5326	Special Petroleum Products Tax	434,399	396,570	396,890	403,910	403,910
5327	Excise Tax	372,852	418,022	380,400	347,030	347,000
5328	TVA Gross Receipts	1,203,154	1,169,987	1,169,990	1,185,950	1,185,950
5329	State Contribution	408,970	364,325	388,300	388,300	382,840
5332	Telecommunications Sales Tax	28,194	32,489	32,760	33,760	33,760
5341	Emer. Mgmt. - County Share	53,000	53,000	53,000	53,000	53,000
	Subtotal - Intgvtl. Revenue	20,880,677	17,824,504	16,704,550	17,158,880	17,218,910
5401	Caswell - Athletic Fees	0	35,348	31,150	32,470	32,470
5402	Caswell - Concessions	0	58,350	24,790	58,350	38,290
5403	Caswell - Tournament Fees	0	11,705	15,400	4,740	0

City of Knoxville

GENERAL FUND REVENUE

Fiscal Year 2004/2005

Account Code	Revenue Source	Actual FY 01/02 Revenue	Actual FY 02/03 Revenue	Budgeted FY 03/04 Revenue	Estimated FY 03/04 Revenue	Proposed FY 04/05 Revenue
5404	Caswell - Rental Fees	0	5,850	1,010	5,850	0
5412	Attorney Cost - Taxes	201,378	221,513	210,000	297,530	250,000
5413	Recording & Collection	42,064	44,450	43,500	43,750	43,500
5423	Accident Reports	234,352	236,061	230,000	231,440	230,000
5425	Officer Costs	67,048	68,315	21,570	2,750	2,750
5434	Codes Enforcement	29,800	57,129	60,000	60,000	60,000
5443	Pool Fees	40,675	37,578	35,870	34,950	34,950
5444	Rental Fees	63,710	59,320	59,750	42,460	42,460
5445	Athletic Fees	28,627	45,217	38,850	27,050	27,050
5447	Concessions	25,603	26,405	27,470	19,790	19,790
5452	State Reimbursement - Streets, Signs	100,401	170,581	150,000	36,110	70,000
5484	Parking Lots	5,955	8,190	0	5,910	5,910
	Subtotal - Charges for Services	839,613	1,095,563	949,360	903,860	857,530
5511	General Sessions Fines	156,772	67,597	65,460	31,590	31,590
5512	General Session Costs	53,670	76,154	70,470	70,390	70,390
5525	Excess City Court Fees	2,465,406	2,660,000	2,435,270	3,278,000	2,867,700
5528	KPD Automated Information	74,204	84,279	88,460	84,280	84,280
5529	KPD Moving Violations	506	284	0	0	0
5531	Criminal Court Fines	8,202	26,318	34,410	54,500	54,500
5551	Beer Board Fees	22,207	18,300	0	0	0
	Subtotal - Fines & Forfeits	2,780,967	2,932,932	2,694,070	3,518,760	3,108,460
5603	Residential Parking Permits	845	1,200	1,100	1,990	1,990
5611	Interest on Investments	458,559	220,387	250,000	131,460	120,000
5620	Lease & Rental Income	39,810	30,868	30,000	32,110	30,000
5621	Hyatt Convention Center Lease	19,719	0	0	0	0
5622	Hyatt Garage Lease	28,000	0	0	0	0
5627	Parking Meters	459,375	414,855	435,300	370,610	370,610
5630	Gain/(Loss) on Fixed Asset	1,000	300	0	0	0
5642	Equipment Sales	29,263	23,307	20,000	45,300	20,000
5666	Agency Contribution	60,000	30,000	40,000	65,000	110,000
5674	Employee Contrib. - Fire	166,812	211	0	0	0
5689	Change in Fair Value of Investments	4,353	0	0	0	0
5699	Miscellaneous Revenue	80,377	165,462	170,000	46,710	46,710
	Subtotal - Misc. Revenue	1,348,113	886,590	946,400	693,180	699,310
	Grand Total - Operating Revenues	130,408,941	129,596,373	128,520,980	131,408,130	144,237,400
5656	Debt Service Transfer	0	210,430	0	0	0
	Subtotal - Transfers In	0	210,430	0	0	0
5698	Appropriated Fund Balance	0	0	4,675,200	0	0
	Grand Total - General Fund	130,408,941	129,806,803	133,196,180	131,408,130	144,237,400

GENERAL FUND EXPENDITURES

General Fund Overview

Budgeted General Fund expenditures for FY 04/05, including the reservation for contingencies, equal \$144,237,400. This is roughly 8.29% more than the FY 03/04 General Fund budget of \$133,196,180. The pages that follow explain the specific departmental changes which make up the change in general fund expenditures for the FY 04/05 budget. The purpose of this section is to give you a general overview of all expenditure categories.

TABLE 1

	FY03/04	FY04/05	Change
Personal Services	\$67,620,960	\$70,326,470	\$2,705,510
Supplies	3,095,770	2,968,870	(126,900)
Other Charges	34,594,170	35,028,810	434,640
Transfers Out	<u>27,885,280</u>	<u>35,913,250</u>	<u>8,027,970</u>
TOTAL	<u>\$133,196,180</u>	<u>\$144,237,400</u>	<u>\$11,041,220</u>

Personal Services

Personal Services, which include salaries and benefits, increase by \$2,705,510 or 4% when compared to the FY 03/04 budget. This increase is largely due to the required two and one-half percent (2.5%) salary increase for all non-probationary employees in July 2004. Another driving factor is increased health care costs. The City's share for individual health care coverage is up by approximately \$715,000 and the contribution for family coverage is up by approximately \$176,000. These increases are partially offset by a reduction in the number of budgeted positions within the General Fund. The number of full-time employees in the General Fund decreases from 1,398 to 1,380 which represents a reduction of 18

positions. Staffing reductions also include four part-time positions within the General Fund. The specific way each departmental budget is affected by these changes is discussed in more detail below, and in the executive summary.

Supplies

The category of "Supplies" is used to pay for such things as office supplies, operating supplies, and repair and maintenance items (chemicals, road salt, etc.) and operating equipment not paid for in the equipment replacement fund or capital budget. The budget for supplies category decreases by \$126,900 or 4.1%. All of the four accounts within this category are down, due to the three percent (3%) across the board reduction in the budget and to some shifting of costs to accounts in the other charges category. The functioning of the equipment replacement fund continues to result in reductions in operating equipment account.

Other Charges

The category entitled "Other Charges" includes such expenditures as postage, professional services, equipment leases, internal service charges, and other miscellaneous expenditures. For the FY 04/05 budget, this category increases by \$434,640 when compared to the previous fiscal year. With the imposed three percent budget reduction, many departments have cut other charges as well as personnel costs. Travel expenses decrease by \$47,710, while professional services decrease by \$199,350. Other changes include a decrease of approximately \$192,000 for fleet services payments. The decreases are offset by increases of \$314,380 in risk management charges and \$12,370 in rental expenses.

Transfers

This grouping of expenditures represents fund transfers from the General Fund to various other funds of the City. Technically, transfers are listed as other charges. They are broken out here because they constitute such a large portion of the

General Fund. The majority of the transfers are for subsidies to cover various Enterprise Funds. Total transfers increase by \$8,055,050 from the previous fiscal year to a total of \$35,913,250. The largest increase in transfers is \$6,715,970 to Capital Projects. This makes the total Capital Projects transfer \$11,041,170. The amount going to the Inspections Fund decreases by \$89,470 due to continued increases in permit revenue generated by this operation. The transfer to the Risk Fund also decreases by \$69,760. Transfers increase for Chilhowee Park by \$6,490 and the subsidy for the Civic Auditorium/Coliseum increases by \$5,550. The transfer for the World's Fair Park increases by \$29,190. The transfer for the Convention Center decreases by \$880,060. Transfers to Mass Transit increase by \$348,290 to a total of \$3,656,920 while the transfer to the Trolley operations decreases by \$23,620 from the FY 03/04 total of \$394,030. The amount the City contributes to offset retiree health care costs jumps by \$122,900 to a total of \$799,370. Other increases include \$106,170 for Stormwater, \$547,810 for Solid Waste and an increase of \$1,311,930 in the subsidy for Health Care. In the latter \$1.3 million represents a contribution to establish a reserve in the Health Care Fund. Doing so will enable the City to undertake various other options relating to health care cost containment.

Mayor's Office/Administration

The proposed FY 04/05 Administration budget decreases by 6.6% or \$119,210 when compared to FY 03/04. Overall, personal services decreases \$39,870 due to the reorganization of the new administration. Supplies decrease by \$2,500, while other charges decrease by \$76,840 compared to FY 03/04 funding. This decrease is due mainly to the reductions in expenses as requested as part of the budget process. Fleet charges decrease \$11,000 from the elimination of two vehicles no longer needed under the new reorganization. In addition, reductions occur in travel (\$14,680), professional services (\$38,100) and grants (\$14,210).

Finance & Accountability

Finance Division

The FY 04/05 budget for the Finance and Accountability Department decreases by \$118,380 or 3.9% from FY 03/04. The department's required three percent budget cuts totaled \$122,560 which

included the elimination of two, vacant full-time positions and one vacant part-time position. In addition, several other expenses were reduced such as travel, dues and professional services. Overall, personal services expenditures increase by \$65,140 due to the proposed salary increase, increased health costs and a number of additional employees picking up family health coverage. Supplies remain the same while other charges decrease by \$183,520. Part of the decrease is from moving the funding for the Chamber Partnership to its own organ (\$140,000). Travel is reduced by \$14,640 and risk charges decrease by \$36,650.

Information Systems Division

The FY 04/05 budget for the Information Systems Department increases by \$113,170, or 4.02%, compared to FY 03/04. Personal services increases by \$166,020 due to the proposed salary increase, increased health premiums and a \$20,000 increase in overtime. Supplies decrease by \$8,520 while other charges decrease by \$44,330. The majority of this decrease is a reduction of \$43,880 in professional services

Operations & Engineering

Engineering Division

The Department of Engineering's budget for FY 04/05 increases \$1,712,460 or 37.8% when compared to the previous fiscal year. A large portion of this increase (\$1,489,590) is attributable to the shift of the Facilities Maintenance division from the Service Department to the newly organized Operations and Engineering Department under the oversight of the Engineering division. Personal services increase by \$1,205,240, of which \$972,820 represents the addition of Facilities. Adjusting for the change, personal services actually increases by \$232,420 or 7.4%. As part of Engineering's three percent budget cuts, three full-time positions are being eliminated as well as the reduction of \$126,850 of expenditures in the form of reduced operating costs such as travel, supplies, repair and maintenance expenses, etc. Supply costs increase \$119,930 of which \$184,890 represents the new division. Other charges increase \$387,290, of which \$331,880 represents Facilities.

Community & Neighborhood Services

Public Service Division

The FY 04/05 proposed budget for the Public Service Division totals \$14,357,590. This is a decrease of \$1,112,870. Personal Services decrease by \$643,950. Eight positions are eliminated in this division this year. Section 3122 (Facilities Maintenance) has been transferred to the Operations/Engineering Department (Section 3322). Supplies fall by \$209,540. Other charges are down by \$275,210.

Development Division

The proposed budget for the Division of Development (Economic Administration) for FY 04/05 is \$594,510. This is a decrease of \$189,660. Personal services decrease by \$192,410. This reflects the realignment of departments under the new administration and includes a reduction of four positions in this division compared to last year. Two positions transfer to the Inspections division (Fund 216). One position shifts from Administration to this division. A total of three positions are budgeted for FY 04/05. The contracts for rental of space in the renovated Emporium Building (\$185,720) and with the Development Corporation (\$148,380) remain the same.

Empowerment Zone Division

Funding continues in the General Fund budget for the Empowerment Zone Grant. One support position aids in administering the grant and is included at a cost of \$43,870. This is a reduction of \$16,990 reflecting the switching of personnel.

Parks and Recreation Division

The Parks and Recreation budget for FY 04/05 increases by \$44,670 to \$5,945,110. Personal services increase by \$167,710. One full-time and one part-time position are eliminated in the budget. Three intern positions are added to partially offset the loss of employees. Pension contributions increase by \$47,090 and Health Insurance goes up by \$57,580. Risk Charges decrease by \$56,170.

Mass Transit Division (Grant Match)

The Mass Transit Grant Match totals \$857,240. This is an increase of \$106,980. This funding is sufficient to meet the City's current grant match

obligations and is for matches on new grants including the Federal Discretionary Grant (2005), and the Federal Formula Transit Grant (2005).

Law

The FY 04/05 budget for the Law Department increases by \$56,790 or 4.10% when compared to the FY 03/04 budget. Personal Services increase by \$36,530 due to salary increases and the projected increase in health costs (\$12,980). A part-time position is eliminated in this department. Supply costs decrease by \$2,310 while other charges increase by \$22,570. This is due mainly to increases in Professional Services (\$50,000) and City-County Building rents (\$3,710). Decreases in printing/copies (\$12,960) and legal notices (\$10,000) partly offset the increases.

Police

Police Division

The FY04/05 budget for the Police Department is \$37,671,300 an increase of \$1,048,130 or 2.86%, over FY 03/04. Personal Services increase by \$1,415,390. This increase is mainly due to an increase of \$722,897 in retirement contributions and an increase of \$346,910 in health insurance.

Other charges decrease by \$365,970. This is mainly caused by a \$230,140 decrease in fleet charges made possible by a reduction in the Police fleet.

The authorized strength for uniformed positions decreases by seven officers from 421 to 414. The decrease in force is due to the elimination of 7 police officer positions from the budget. These cuts should not affect on-street personnel.

Emergency Management Division

The FY 04/05 budget for Emergency Management decreases by \$45,040, or 14.38% from last year. The change in the budget is primarily due to the elimination of a full time position.

Fire

The FY 04/05 proposed budget for the Fire Department is \$25,734,770 representing an increase of \$1,136,630 or 4.6% over FY 03/04. Personal services increase \$427,750 due to the proposed two and one-half percent salary

increase, a large jump in the pension contribution costs (\$482,462) and in insurance costs (\$246,670). These increases are offset by a decrease in overtime costs of \$105,823.

Supplies decrease by \$9,400 due to a decrease in operating equipment while other charges increase \$718,280. The other charges category increases because of two main factors. Risk management charges increase \$607,850 due to high loss experience in the past year and an increase in utility costs due to the fire hydrant costs increasing over last fiscal year.

The authorized strength for the uniformed personnel for FY 04/05 remains at 328. The non-uniformed personnel also remain the same at eleven (11) positions for a total department count of three hundred thirty-nine (339).

Board Administered Departments

Civil Service Department

The Civil Service budget for FY 04/05 decreases by \$25,200 to a total of \$890,450. Personal services costs grow by \$22,580. One position is reduced from full-time to part-time, but increases in health insurance (\$7,080) and pension (\$12,673) along with salary increases still cause an increase. An increase is also noted in City-County Building rent of \$3,640. Decreases include publicity (\$1,000), travel (\$12,130) and professional services (\$17,880).

Nondepartmental

City Elections Division

Pursuant to state law, all elections are managed by the Knox County Commission. The Commission charges the City for its proportionate share of any primary or general elections. The FY04/05 budget decreases to \$35,000 because no general city election is scheduled for this fiscal year. An election on charter changes is scheduled to occur, which is the reason for the appropriation.

Waterfront Division

The FY 04/05 Waterfront budget decreases by \$173,230 or 38.6% which represents the operational costs of the Gateway Center. We anticipate a transfer of the facility to another governmental entity. The Public Building Authority

(PBA) will continue to manage Volunteer Landing on behalf of the City.

Other Funds

State Street Aid (Fund 201)

The State Street Aid budget increases by \$25,600 or 1% for FY 04/05. State Street Aid revenue is projected to increase by \$39,600 from the previous fiscal year while interest earnings are projected to decrease by \$14,000.

Transfers for FY04/05 for this fund remain at \$1,275,000 for capital projects while the transfer for public transit increases by \$25,600. Street lighting expenditures remain the same at \$2,600,000. The transfer for Capital projects includes funding of \$100,000 for the Sidewalk Safety Program, \$100,000 for the High Mast Lighting program, \$650,000 for the Bridge Maintenance program, \$175,000 for the Traffic Signal Program and \$250,000 for the Curb Cut program.

Abandoned Vehicles (Fund 209)

The FY 04/05 budget for the Abandoned Vehicles Fund totals \$510,000, which is an increase of \$55,850 over FY 03/04. Personal Services increase by \$8,140 due to the proposed two and one-half percent salary increase and the increased health insurance costs. Supplies remain the same and other charges increase by \$47,710 due to increases in the costs of the city's towing contracts.

City Court (Fund 213)

The total budget for City Court is \$3,600,000. City Court is self-funded from fees it collects. Actual budgeted expenditures are \$732,300. This increase from last year is largely due to higher insurance costs and a pay raise for the City Judge, which was effective as of December 2003. Projected excess fees collected, which are transferred to the General Fund, are \$2,867,700, which is a 17.8% increase from FY 03/04.

City Inspections (Fund 216)

The newly formed Department of Operations and Engineering now has oversight responsibilities for the Inspections function. General Fund support for FY 04/05 is \$247,820, a decrease of \$89,470 from FY 03/04. Budgeted Inspection Fees increase by

\$282,870 from the previous fiscal year, reducing the need for general fund support. Personal services increases \$153,410 which is partially attributable to the addition of two positions from the previous Department of Development. Health insurance costs are up by \$25,460.

As part of the three percent budget cuts, two full-time positions are eliminated, the savings totaling approximately \$62,000. Supplies remain the same as the previous fiscal year while other charges increase \$39,990 mainly in the form of increased risk charges (\$26,790), increased city/county lease payments (\$4,960) and an increase in print shop costs of \$9,340.

Stormwater (Fund 220)

The Stormwater Fund is overseen by the Engineering staff, now a part of Operations and Engineering. The fund contains both Engineering personnel and a service department personnel responsible for area creek cleanup and storm sewer maintenance.

This is the first year in which revenues generated from Stormwater services are being budgeted within the Stormwater Fund instead of flowing into the General Fund. Operating revenues are forecast at \$101,100 while interest is budgeted at \$5,000. The General Fund Transfer is up by \$106,170 from the previous fiscal year.

Overall, the proposed budget for FY 04/05 increases by \$212,270 or 12.8% compared to the previous fiscal year. Personal services increase \$238,850 due to the proposed salary increase (two and one-half percent) and increases in health costs. These costs are slightly offset by the deletion of one full-time position as well as the addition of another full-time position related to the NPDES process. Supplies increase by \$6,120 and other charges decrease \$32,700. Reductions in other charges are due to decreases in travel expenditures (\$14,110), decreased risk charges (\$25,000) and the reduction of grants from \$11,120 in FY 03/04 down to zero in the new fiscal year.

Solid Waste (Fund 230)

The Public Service Division of the Community and Neighborhood Services Department manages the Solid Waste Management Fund. The FY 04/05 budget for Solid Waste is \$10,023,620, an

increase of \$662,810 from the prior year. Personnel costs increase by \$79,310. Health Insurance increases by \$16,060. The General Fund transfer to Solid Waste is budgeted at \$9,173,620, an increase of \$547,810 from last year. Solid Waste Collections increase by \$106,830. Recycling charges increase by \$378,330. The Landfill has an increase of \$120,000. These increases stem from contractual obligations.

Housing Grants (Fund 260)

Beginning with FY 98/99, various housing grants administrated by the Community Development division of the Community and Neighborhood are budgeted. The total for FY 04/05 grants is \$1,747,480. Funding is for the Home Grant (\$1,661,990) and an Emergency Shelter grant of \$85,490. The Home Grant is reduced this year by \$932,120. Program Income of \$140,000 is also budgeted. The total for the funds is \$1,887,480. Funds will be used for housing rehabilitation and grants to agencies.

Empowerment Zone (Fund 270)

The City of Knoxville was one of fifteen cities nationwide to be awarded an Empowerment Zone Grant. This grant is administered by the Department of Development. Funds are being used in the "Heart of Knoxville" to encourage business development through small business loans, housing growth, job training, and community pride. In FY 04/05, \$994,100 is budgeted. This is a decrease of \$992,900. Empowerment Zone funds awarded to Knoxville now total \$24,953,970.

Community Development (Fund 290)

The Community Development Fund is managed by the Development Division of the Community and Neighborhood Services Department. The overall budget for Community Development is \$3,345,220, a decrease of \$19,090. The Community Development Block Grant for FY 04/05 is \$2,262,000. This represents a decrease of \$ 775,000 from last year.

Public Assembly Facilities (Fund 503)

The Public Assembly Facilities Fund includes operations at the Civic Coliseum/Auditorium and Chilhowee Park. The proposed FY04/05 budget decreases by \$36,960 or 1.03% from FY 03/04.

Personal services increase by \$40,840. Eliminating a part-time guard position at Chilhowee Park offset the effect of a \$39,240 increase in health insurance charges. There is an increase of \$11,500 in supplies. Other charges decrease by \$89,300, which includes a \$15,000 decrease in utility charges due to the installation of a new energy-efficient lighting system and a new boiler at the Coliseum.

Metro Parking (Fund 504)

The Metro Parking Fund is overseen by Engineering personnel and includes operational costs for the State Street and Main Avenue Garages. The FY 04/05 budget increases by \$16,370 or 2.3% compared to last fiscal year. There are no personnel service or supply costs in this fund. Other charges account for the costs of managing the two garages and these costs increase by a net figure of \$16,370 due to the addition of a \$50,000 transfer to the Capital Projects Fund to pay for work that needs to be completed on the Main Avenue Garage. This increase is offset by a decrease in Risk charges (\$3,280), a decrease in utilities (\$14,010) and a decrease in bond interest of \$17,140.

Knoxville Convention Center (Fund 506)

This fund includes operations at the World's Fair Park, the Locust Street Garage and the City's new Convention Center, as well as debt service and depreciation associated with these facilities. The total budget for this fund is \$19,515,230 which represents a \$2,129,800 decrease from FY03/04.

Mass Transportation (Fund 507)

The FY 04/05 budget for Mass Transit operations is \$13,184,090. The budget includes all three divisions of KAT; Motor Buses, Trolleys, and Lifts (paratransit). Operating expenses increase by \$1,171,600. This is mainly due to salary increases and the expansion of KAT services on the UT campus. Transit salaries and benefits rise by \$818,000. Fuel costs are anticipated to increase by \$30,270. Mass Transit is a division of the Community and Neighborhood Services Department.

Fleet Services (Fund 702)

The Fleet Services Operating Fund decreases by \$263,750. The total budget for FY 04/05 is

\$4,696,030. Personal services expenditures increase by \$112,170 due mainly to the proposed two and one-half percent (2.5%) salary increase and the expected twenty percent (20%) increase in health insurance expenses. Supplies decrease \$274,110 while other charges decrease \$101,810 as part of the requested three percent reductions that were requested of each department. The Fleet Service Equipment Replacement Fund is budgeted at \$3,547,680. The total for both Fleet funds is \$8,243,710.

Risk Management (Fund 704)

The Risk Management Fund is a division of the Finance and Accountability Department. The budget for FY 04/05 increases by \$255,270 or 3.9% from the previous fiscal year. This is attributable to increases in several areas. Worker's Compensation expenses increase by \$271,960 while reinsurance is up by \$175,360. Professional services increase by \$57,910 related to fees associated with certain insurance policies. General Liability insurance decrease by a total of \$85,550 due to decisions to lower coverages. Personal Services decrease \$110,210 due to the proposed change in the operation of the Medical Services facility in which three full-time positions are eliminated. Supplies decrease by \$17,090 while other charges increase by \$382,570 due to the worker's compensation expenses, reinsurance charges, and professional services expenditures mentioned above.

Health Care (Fund 705)

The Health Care Fund is another division of the newly formed Department of Finance and Accountability. The FY 04/05 budget for Health Care increases by \$1,776,740 or 13.8% over FY 03/04. Premiums for Health Care are projected to increase another twenty percent (20%) when the contract is renewed in January, 2005. The percentage that the employee and retiree must contribute remains the same for FY04/05. Individuals will continue to contribute ten percent (10%) of their coverage, individuals with family coverage will continue to contribute thirty percent (30%) of family coverage and retirees percentage remains the same with sixty percent (60%) contribution of their coverage. The cost of health insurance continues to soar and as a result the City has begun to make changes to help this situation. This budget proposes the establishment of a \$1.3 million reserve in the Health Care Fund to be used in future health care prevention

programs and possible sources for cost containment.

GENERAL FUND EXPENDITURES BY DEPARTMENT

Fiscal Year 2004/05

Department	Actual FY 01/02	Actual FY 02/03	Adopted Budget FY 03/04	Proposed Budget FY 04/05	\$ Change 03/04 - 04/05	% Change 03/04 - 04/05
Administration	1,906,954	1,836,386	1,816,320	1,697,110	(119,210)	(6.56%)
Finance and Accountability						
Finance	4,002,477	4,436,291	3,067,050	2,948,670	(118,380)	(3.86%)
Information Systems	2,465,091	2,953,606	2,814,130	2,927,300	113,170	4.02%
Subtotal - Finance & Accountability	6,467,568	7,389,897	5,881,180	5,875,970	(5,210)	(0.09%)
Operations & Engineering						
Engineering	4,333,258	4,622,094	4,527,310	6,239,770	1,712,460	37.83%
Subtotal - Operations & Engineering	4,333,258	4,622,094	4,527,310	6,239,770	1,712,460	37.83%
Community and Neighborhood Services						
Public Services	15,066,400	16,319,905	15,486,290	14,357,590	(1,128,700)	(7.29%)
Development Services	3,238,690	1,972,502	784,170	594,510	(189,660)	(24.19%)
Community Development	121,079	127,899	60,860	43,870	(16,990)	(27.92%)
Recreation	5,861,573	6,207,112	5,900,440	5,945,110	44,670	0.76%
Knoxville Area Transit (KAT)	371,849	758,815	750,260	857,240	106,980	14.26%
Subtotal - Community & Neighborhood Serv.	24,659,591	25,386,233	22,982,020	21,798,320	(1,183,700)	(5.15%)
Law	1,606,531	1,451,686	1,383,030	1,439,820	56,790	4.11%
Police						
Police	34,262,778	37,092,163	36,622,330	37,671,330	1,049,000	2.86%
Emergency Management	320,275	285,128	313,120	268,080	(45,040)	(14.38%)
Subtotal - Police	34,583,053	37,377,291	36,935,450	37,939,410	1,003,960	2.72%
Fire	23,034,204	23,794,817	24,598,140	25,734,770	1,136,630	4.62%
Board Administered/Other Departments						
Legislative	897,542	922,965	774,290	766,850	(7,440)	(0.96%)
Civil Service	852,885	864,499	915,650	890,450	(25,200)	(2.75%)
Subtotal - Other Departments	1,750,427	1,787,464	1,689,940	1,657,300	(32,640)	(1.93%)
Nondepartmental						
City Elections	180,000	26,520	200,000	35,000	(165,000)	(82.50%)
Knoxville Partnership	0	0	0	689,940	689,940	
Metropolitan Planning Commission (MPC)	729,100	729,100	692,650	692,650	0	0.00%
Knoxville Zoological Park	900,000	900,000	855,000	864,210	9,210	1.08%
Agency Grants	1,693,220	2,992,701	1,512,950	1,489,170	(23,780)	(1.57%)
Waterfront	435,077	526,299	448,960	275,730	(173,230)	(38.58%)
Community Action Committee (CAC)	461,000	461,000	437,950	444,980	7,030	1.61%
Reserve	0	0	1,350,000	1,450,000	100,000	7.41%
Miscellaneous Expenses	15,470	20,840	27,080	0	(27,080)	(100.00%)
Transfers	30,013,551	32,329,997	27,858,200	35,913,250	8,055,050	28.91%
Subtotal - Nondepartmental	34,427,418	37,986,457	33,382,790	41,854,930	8,472,140	25.38%
GRAND TOTAL	132,769,004	141,632,325	133,196,180	144,237,400	11,041,220	8.29%

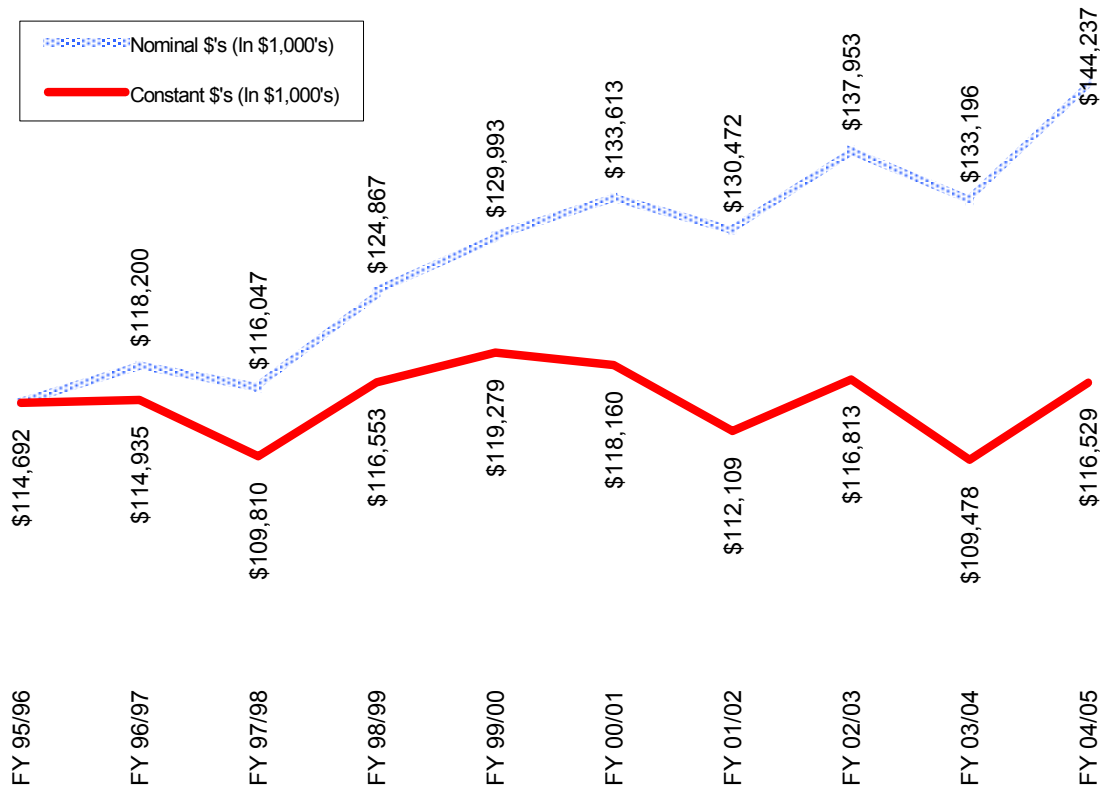
GENERAL FUND BUDGET BY DEPARTMENT

Fiscal Years 2000/01 - 2004/05

Department	Budget FY 00/01	Budget FY 01/02	Budget FY 02/03	Budget FY 03/04	Proposed Budget FY 04/05
Administration	1,859,940	1,829,910	1,808,200	1,816,320	1,697,110
Finance and Accountability					
Finance	3,194,060	3,536,200	4,150,040	3,067,050	2,948,670
Information Systems	2,865,200	2,762,850	2,863,230	2,814,130	2,927,300
Subtotal - Finance & Accountability	6,059,260	6,299,050	7,013,270	5,881,180	5,875,970
Operations & Engineering					
Engineering	5,010,570	5,083,420	4,621,380	4,527,310	6,239,770
Subtotal - Operations & Engineering	5,010,570	5,083,420	4,621,380	4,527,310	6,239,770
Community and Neighborhood Services					
Public Services	13,528,590	14,743,040	15,821,480	15,486,290	14,357,590
Development Services	1,458,440	463,010	580,820	784,170	594,510
Community Development	108,530	120,720	125,720	60,860	43,870
Recreation	5,639,220	5,861,800	6,093,850	5,900,440	5,945,110
Knoxville Area Transit (KAT)	1,384,700	683,350	789,750	750,260	857,240
Subtotal - Community & Neighborhood Serv.	22,119,480	21,871,920	23,411,620	22,982,020	21,798,320
Law	1,275,620	1,336,050	1,394,250	1,383,030	1,439,820
Police					
Police	32,876,350	35,224,660	36,308,270	36,622,330	37,671,330
Emergency Management	354,870	321,870	328,250	313,120	268,080
Subtotal - Police	33,231,220	35,546,530	36,636,520	36,935,450	37,939,410
Fire	22,735,440	23,657,200	23,861,790	24,598,140	25,734,770
Board Administered/Other Departments					
Legislative	678,050	685,440	748,900	774,290	766,850
Civil Service	936,910	920,080	901,620	915,650	890,450
Subtotal - Other Departments	1,614,960	1,605,520	1,650,520	1,689,940	1,657,300
Nondepartmental					
City Elections	20,000	180,000	20,000	200,000	35,000
City Buildings	153,540	139,210	0	0	0
Knoxville Partnership	0	0	0	0	689,940
Metropolitan Planning Commission (MPC)	729,100	729,100	729,100	692,650	692,650
Knoxville Zoological Park	450,000	900,000	900,000	855,000	864,210
Agency Grants	1,670,200	1,702,700	1,917,650	1,512,950	1,489,170
Waterfront	305,910	430,400	472,580	448,960	275,730
Community Action Committee (CAC)	461,000	461,000	461,000	437,950	444,980
Pension Expense	4,504,030	0	0	0	0
Reserve	1,300,000	1,300,000	2,350,000	1,350,000	1,450,000
Miscellaneous Expenses	13,590	15,470	21,340	27,080	0
Transfers	30,098,830	27,385,430	29,410,680	27,858,200	35,913,250
Subtotal - Nondepartmental	39,706,200	33,243,310	36,282,350	33,382,790	41,854,930
GRAND TOTAL	133,612,690	130,472,910	136,679,900	133,196,180	144,237,400

City of Knoxville
Equalized General Fund Budget

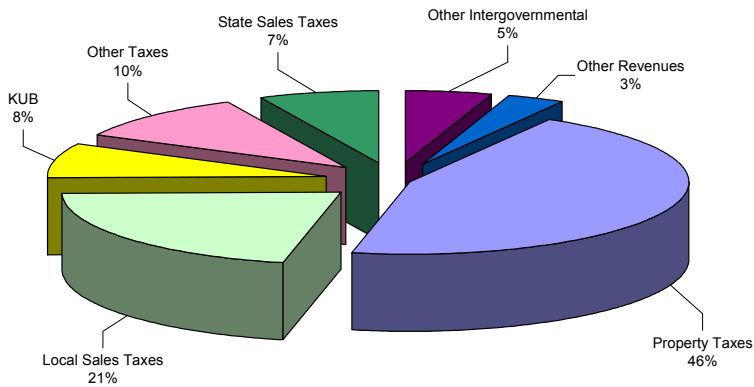
Fiscal Years 1995/96 – 2004/05



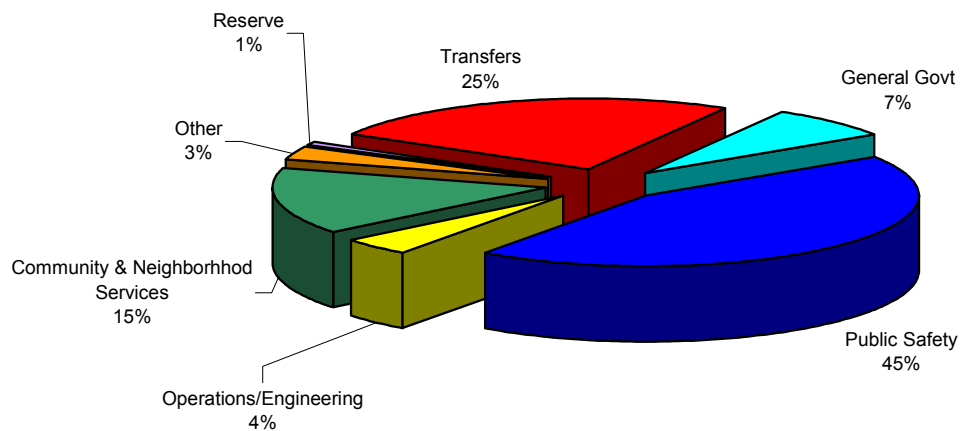
The chart above shows the actual adopted General Fund budget compared to the budget adjusted for the impacts of inflation. As can be seen the adjusted budget has fluctuated over the years. The proposed FY 04/05 budget, as adjusted, is up by \$1.8 million compared to 10 years ago, and by \$7 million compared to a year ago.

General Fund Revenue and Expenditures FY 2004-05

Where the money comes from

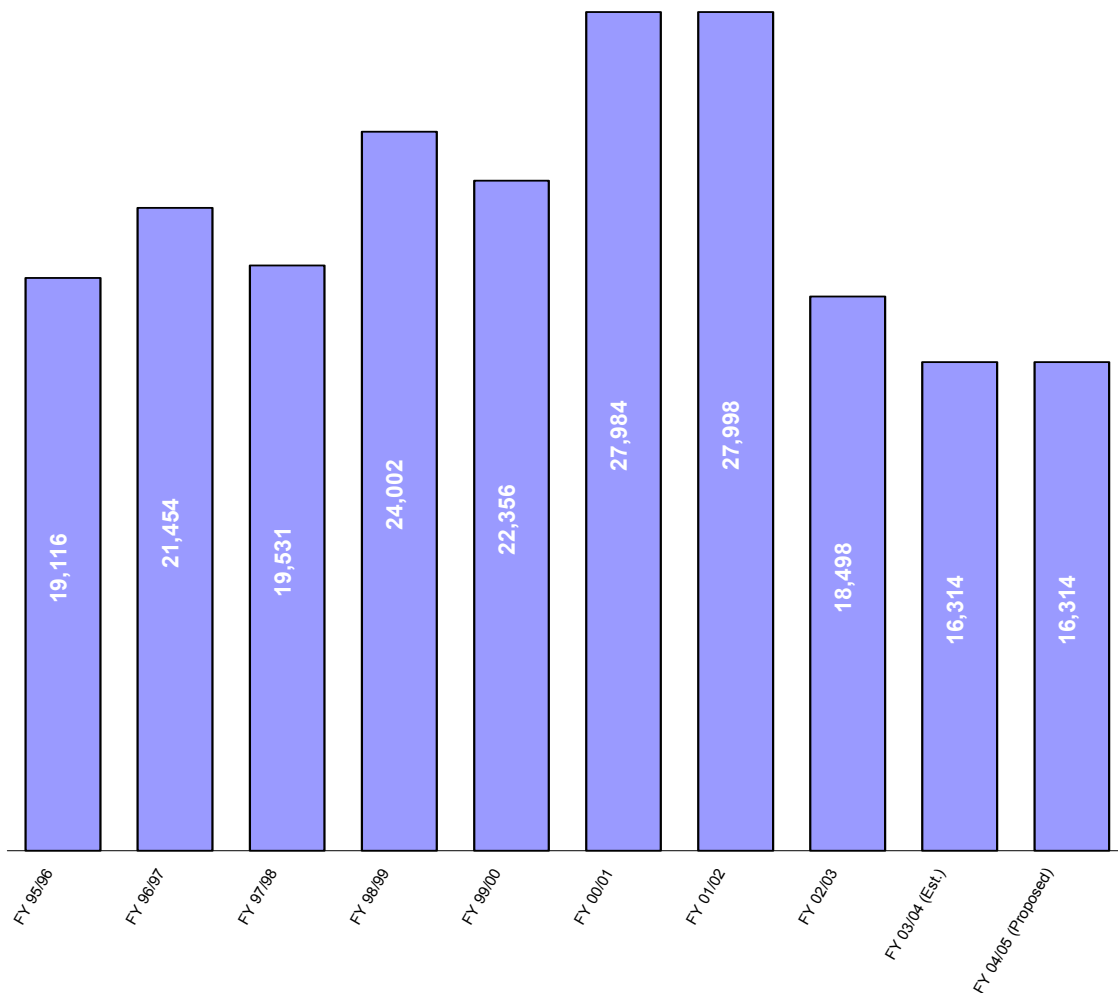


Where the money goes



City of Knoxville
General Fund Fund Balance

Fiscal Years 1995/96 – 2004/05



All numbers in \$1,000's.

The chart above shows the General Fund fund balance from FY 95/96 to FY 04/05. The FY $\frac{3}{4}$ total is an estimate. As can be seen in the chart the fund balance has declined by a large amount over the past two years. There is no proposed use of fund balance in FY 04/05.

Authorized Positions by Department

Full and Part-Time General Fund

Department	FY 02-03		FY 03-04		FY 04-05		Total Change 03/04 - 04/05
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
Administration	23	0	21	0	19	1	(1)
Finance and Accountability							
Finance	50	2	44	2	42	1	(3)
Information Systems	30	0	28	0	29	0	1
Subtotal - Finance & Accountability	80	2	72	2	71	1	(2)
Operations & Engineering							
Engineering	63	3	62	2	87	2	25
Subtotal - Operations & Engineering	63	3	62	2	87	2	25
Community and Neighborhood Services							
Public Services	303	0	286	0	253	0	(33)
Development Services	5	0	6	0	3	0	(3)
Community Development	2	0	1	0	1	0	0
Recreation	55	16	52	13	55	11	1
Subtotal - Community & Neighborhood Serv.	365	16	345	13	312	11	(35)
Law	13	2	13	1	13	0	(1)
Police							
Police	567	42	525	32	518	31	(8)
Emergency Management	4	0	4	0	3	0	(1)
Subtotal - Police	571	42	529	32	521	31	(9)
Fire	370	0	339	0	339	0	0
Board Administered/Other Departments							
Legislative	3	9	3	9	3	9	0
Civil Service	15	0	14	0	14	0	0
Subtotal - Other Departments	18	9	17	9	17	9	0
Nondepartmental							
Knoxville Partnership	0	0	0	0	1	0	1
Subtotal - Nondepartmental	0	0	0	0	1	0	1
Total - Full Time	1,503	74	1,398	59	1,380	55	(22)

Permanent Full Time Personnel

General Fund FY 00/01 - 04/05

Department	FY 00/01 Full Time	FY 01/02 Full Time	FY 02-03 Full Time	FY 03-04 Full Time	FY 04-05 Full Time	Change 00/01 - 04/05	Change 03-04 -04/05
Administration	23	23	23	21	19	(4)	(2)
Finance and Accountability							
Finance	50	50	50	44	42	(8)	(2)
Information Systems	32	30	30	28	29	(3)	1
Subtotal - Finance & Accountability	82	80	80	72	71	(11)	(1)
Operations & Engineering							
Engineering	74	75	63	62	87	13	25
Subtotal - Operations & Engineering	74	75	63	62	87	13	25
Community and Neighborhood Services							
Public Services	284	303	303	286	253	(31)	(33)
Development Services	23	5	5	6	3	(20)	(3)
Community Development	2	2	2	1	1	(1)	0
Recreation	56	56	55	52	55	(1)	3
Subtotal - Community & Neighborhood Serv.	365	366	365	345	312	(53)	(33)
Law	14	14	13	13	13	(1)	0
Police							
Police	555	557	567	525	518	(37)	(7)
Emergency Management	4	4	4	4	3	(1)	(1)
Subtotal - Police	559	561	571	529	521	(38)	(8)
Fire	370	370	370	339	339	(31)	0
Board Administered/Other Departments							
Legislative	3	3	3	3	3	0	0
Civil Service	15	15	15	14	14	(1)	0
Subtotal - Other Departments	18	18	18	17	17	(1)	0
Nondepartmental							
Knoxville Partnership	0	0	0	0	1	1	1
Subtotal - Nondepartmental	0	0	0	0	1	1	1
Total - Full Time	1,505	1,507	1,503	1,398	1,380	(125)	(18)

City of Knoxville

GRANTS TO COMMUNITY AGENCIES

Fiscal Year 2004/05

Account	Description	Actual FY 01/02	Actual FY 02/03	Adopted FY 03/04	Proposed FY 04/05	Dollar Change	Percentage Change
<i>Operating Grants</i>							
5336	Affordable Housing Demonstration Proj.	350,000	350,000	332,500	322,530	(9,970)	(3.00%)
5385	Arts Council	26,500	26,500	25,170	24,420	(750)	(2.98%)
5383	Beck Cultural Center	30,000	30,000	28,500	27,650	(850)	(2.98%)
5361	Bijou Theatre	3,000	3,000	2,850	2,770	(80)	(2.81%)
5310	Blount Mansion Association	8,000	8,000	7,600	7,380	(220)	(2.89%)
5391	Center School	3,750	3,750	3,560	3,460	(100)	(2.81%)
5392	Cerebral Palsy Center	7,000	7,000	6,650	6,460	(190)	(2.86%)
5312	Cerebral Palsy Housing Corp.	5,000	5,000	4,750	4,610	(140)	(2.95%)
5311	Child and Family Services	21,000	21,000	19,950	19,360	(590)	(2.96%)
5345	City Ballet	12,000	12,000	11,400	11,060	(340)	(2.98%)
5371	Disability Resource Center	10,000	10,000	9,500	9,220	(280)	(2.95%)
5367	Discovery Center	32,000	32,000	30,400	29,490	(910)	(2.99%)
5394	East Tennessee Economic Development Agency	10,000	2,500	9,500	9,220	(280)	(2.95%)
5305	East Tennessee Historical Society	8,000	8,000	7,600	7,380	(220)	(2.89%)
5341	Epilepsy Foundation	2,000	2,000	1,900	1,850	(50)	(2.63%)
5365	Family Crisis Center	6,900	6,900	6,550	6,360	(190)	(2.90%)
5315	Florence Crittenton Home	4,750	4,750	4,510	4,380	(130)	(2.88%)
5344	Greater Knoxville Sports Corp.	75,000	0	0	0	0	
5354	Greater Smokey Mountain Boy Scouts	0	0	0	8,950	8,950	
5316	Helen Ross McNabb Center	21,000	6,000	5,700	5,530	(170)	(2.98%)
5333	Ijams Nature Center	0	20,000	19,000	0	(19,000)	(100.00%)
5346	Interfaith Health Clinic	6,500	11,500	10,920	10,600	(320)	(2.93%)
5317	James White Fort	4,500	4,500	4,270	4,150	(120)	(2.81%)
5366	Katie Miller Group Home	8,000	8,000	7,600	7,380	(220)	(2.89%)
5340	Keep Knoxville Beautiful	4,000	4,000	3,800	3,690	(110)	(2.89%)
5329	Knox Assn. Retarded Citizens	8,000	8,000	7,600	7,380	(220)	(2.89%)
5373	Knox County Convention & Visitor's Bureau	(5,730)	0	0	0	0	
5301	Knoxville Area Urban League	50,000	50,000	47,500	46,080	(1,420)	(2.99%)
5352	Knoxville Commuter Pool	25,000	25,000	23,750	23,040	(710)	(2.99%)
5309	Knoxville Museum of Art	135,000	135,000	128,250	124,410	(3,840)	(2.99%)
5368	Knoxville Opera Company	4,500	1,114,130	4,270	4,150	(120)	(2.81%)
5307	Knoxville Partnership	0	4,500	0	0	0	
5304	Knoxville Rescue Squad	45,000	0	42,750	41,470	(1,280)	(2.99%)
5384	Knoxville Sexual Assault Center	16,000	45,000	15,200	14,750	(450)	(2.96%)
5303	Knoxville Symphony	42,500	16,000	40,370	39,160	(1,210)	(3.00%)
5369	Knoxville Women's Center	(3,750)	42,500	0	0	0	
5360	Metropolitan Drug Commission	50,000	0	47,500	46,080	(1,420)	(2.99%)
5326	Millertown Pike Group Home	8,500	50,000	8,070	7,830	(240)	(2.97%)
5376	Partnership for Neighborhood Improvement	7,500	8,500	7,120	6,910	(210)	(2.95%)
5397	Protective Services	1,500	7,500	1,420	1,380	(40)	(2.82%)
5321	Senior Citizens Home Assistance	25,000	1,500	23,750	23,040	(710)	(2.99%)
5322	Sertoma Center	24,500	25,000	23,270	22,580	(690)	(2.97%)
5325	Sr. Citizens Info. Referral	7,000	24,500	6,650	0	(6,650)	(100.00%)
5302	Teen Center	1,750	7,000	1,660	1,620	(40)	(2.41%)
5396	Tennessee Children's Dance Ensemble	1,500	1,750	1,420	1,380	(40)	(2.82%)
5351	Tennessee Theatre Foundation	50,000	1,500	47,500	46,080	(1,420)	(2.99%)
5380	Tourism and Sports Development Corp. of Greater Knoxville	0	50,000	0	0	0	
5324	UT Speech and Hearing Center	5,000	5,000	4,750	4,610	(140)	(2.95%)
5328	Volunteers of America	5,050	0	0	0	0	
5306	YWCA	5,500	5,500	5,220	5,070	(150)	(2.87%)
Subtotal - Operating Grants		<u>1,168,220</u>	<u>2,214,280</u>	<u>1,052,200</u>	<u>1,004,920</u>	<u>(47,280)</u>	<u>(4.49%)</u>
<i>Capital Grants</i>							
5374	East Tennessee Historical Museum Capital	200,000	200,000	190,000	210,000	20,000	10.53%
5363	Greater Knoxville Sports Corp. Capital (ABC)	100,000	100,000	0	0	0	
5323	Helen Ross McNabb Capital	0	60,000	57,000	63,000	6,000	10.53%
5379	Knox Union Rescue Capital	25,000	25,000	23,750	1,250	(22,500)	(94.74%)
5375	Pellissippi State Magnolia Avenue Campus	200,000	0	0	0	0	
5327	YMCA Capital	0	0	190,000	210,000	20,000	10.53%
Subtotal - Capital Grants		<u>525,000</u>	<u>385,000</u>	<u>460,750</u>	<u>484,250</u>	<u>23,500</u>	<u>4.70%</u>
Grand Total		<u>1,693,220</u>	<u>2,599,280</u>	<u>1,512,950</u>	<u>1,489,170</u>	<u>(23,780)</u>	<u>(1.57%)</u>

City of Knoxville
GENERAL FUND TRANSFERS
Fiscal Year 2004/05

Description	Budget FY 03/04	Adopted FY 04/05	Change 03/04 - 04/05	Comment
Capital Projects Transfer	4,325,200	11,041,170	6,715,970	Capital Purchases (see Fund 401)
World's Fair Park Transfer	1,622,310	1,651,500	29,190	Subsidy for WFP operations (see Fund 503)
Chilhowee Park Transfer	652,150	658,640	6,490	Subsidy for Chilhowee Park operations (see Fund 503)
Auditorium/Coliseum Transfer	946,020	951,570	5,550	Subsidy for Coliseum (see Fund 503)
State Street Garage Transfer	101,420	0	(101,420)	Subsidy for Main Ave. Garage Debt (see Fund 504)
Convention Center Transfer	4,273,880	3,393,820	(880,060)	Support for Convention Center Operations
Trolley Transfer	394,030	370,410	(23,620)	Trolley operating subsidy (see Fund 507)
Mass Transit Transfer	3,310,630	3,656,920	346,290	KAT operating subsidy (see Fund 507)
Stormwater Transfer	1,661,440	1,767,610	106,170	Funding for Stormwater operations (see Fund 220)
Risk Management Transfer	602,080	559,400	(42,680)	Support administration of Risk Fund (see Fund 704)
Health Care Transfer	329,470	1,641,400	1,311,930	Support administration of Health Care Fund (see Fund 705)
City Inspections Transfer	337,290	247,820	(89,470)	Subsidy for City Inspections (see Fund 216)
Solid Waste Transfer	8,625,810	9,173,620	547,810	Funding for Solid Waste operations (see Fund 230)
Employer Subsidy - Retiree Health Care	676,470	799,370	122,900	Subsidy to offset a portion of retiree's health care costs
Risk Management Charge	27,080	0	(27,080)	City insurance costs not chargeable to other departments
	<u>27,885,280</u>	<u>35,913,250</u>	<u>8,027,970</u>	

City of Knoxville

DEBT SERVICE

The City of Knoxville, like other cities, occasionally needs to borrow money in order to complete various capital projects. In the past the city has issued debt for such items as road paving and construction, fire station construction, waterfront development, storm sewer improvements, land acquisition and improvements at the World's Fair site, auditorium improvements, fleet purchases, the new Convention Center, and various other projects. As of June 30, 2004, the long term debt of the City, excluding revenue supported debt of the Knoxville Utilities Board (KUB) and the Metropolitan Knoxville Airport Authority (MKA), equals \$262,676,500. As KUB and MKA are

category of debt, Enterprise Fund debt, debt attributable to the Main Avenue Garage and the Convention Center, is, consistent with proper accounting procedures, budgeted within each respective enterprise fund. There is, however, a large transfer of funds from this fund to the Convention Center Fund to help pay principal and interest on that facility's debt.

The Other Debt category consists of a debt obligation to Knox County. The City and County have jointly funded construction of an animal welfare center. The costs were funded from bonds issued by Knox County. The amount listed under other debt is the City's share of the debt repayment for the animal welfare center.

TABLE 1

Type of Debt	Principal Outstanding 6/30/04	Principal Paid In FY 04/05	Principal Outstanding 6/30/05
G.O. Bonds & Notes	\$103,106,400	\$10,786,400	\$92,320,000
Other Debt	1,386,500	58,800	1,327,700
Enterprise Fund Debt	<u>158,183,600</u>	<u>3,293,600</u>	<u>154,890,000</u>
Total	<u>\$262,676,500</u>	<u>\$14,138,800</u>	<u>\$248,537,700</u>

The primary revenue to this fund comes from a property tax levy of 81¢. This levy is unchanged when compared to the FY 03/04. For FY 04/05, property tax is projected to yield approximately \$22.64 million. Also included in this fund are interest earnings of \$110,000. The Knoxville Community Development Corporation (KCDC) received a portion of the City's Series 2000-A bonds and is committed to repay the debt service on that portion. In FY 04/05 that amount is \$229,490.

not a part of the City's operating budget the following analysis focuses only on the debt of the general government.

The debt of the City can be separated into three basic categories: general obligation bonds; other debt, i.e., debt that is not a general obligation of the City; and enterprise fund debt. A breakdown of general government debt by category is shown in Table 1.

The debt service on the general obligation bonds as well as the other category of debt is shown in Fund 305, the Debt Services Fund. The final

Debt Limitations

There are no limits on the amount of debt that can be issued by a municipality within the State of Tennessee (TCA 9-21-103). All notes and bonds must be approved by the state Director of Local Finance prior to issuance. We believe that the current debt of the City is within acceptable guidelines, as established by the State and the various rating agencies.

The following pages show a complete debt service schedule of principal and interest payments for FY 04/05, as well as a complete amortization schedule by year.

DEBT SERVICE SCHEDULE

Fiscal Year 2004/05

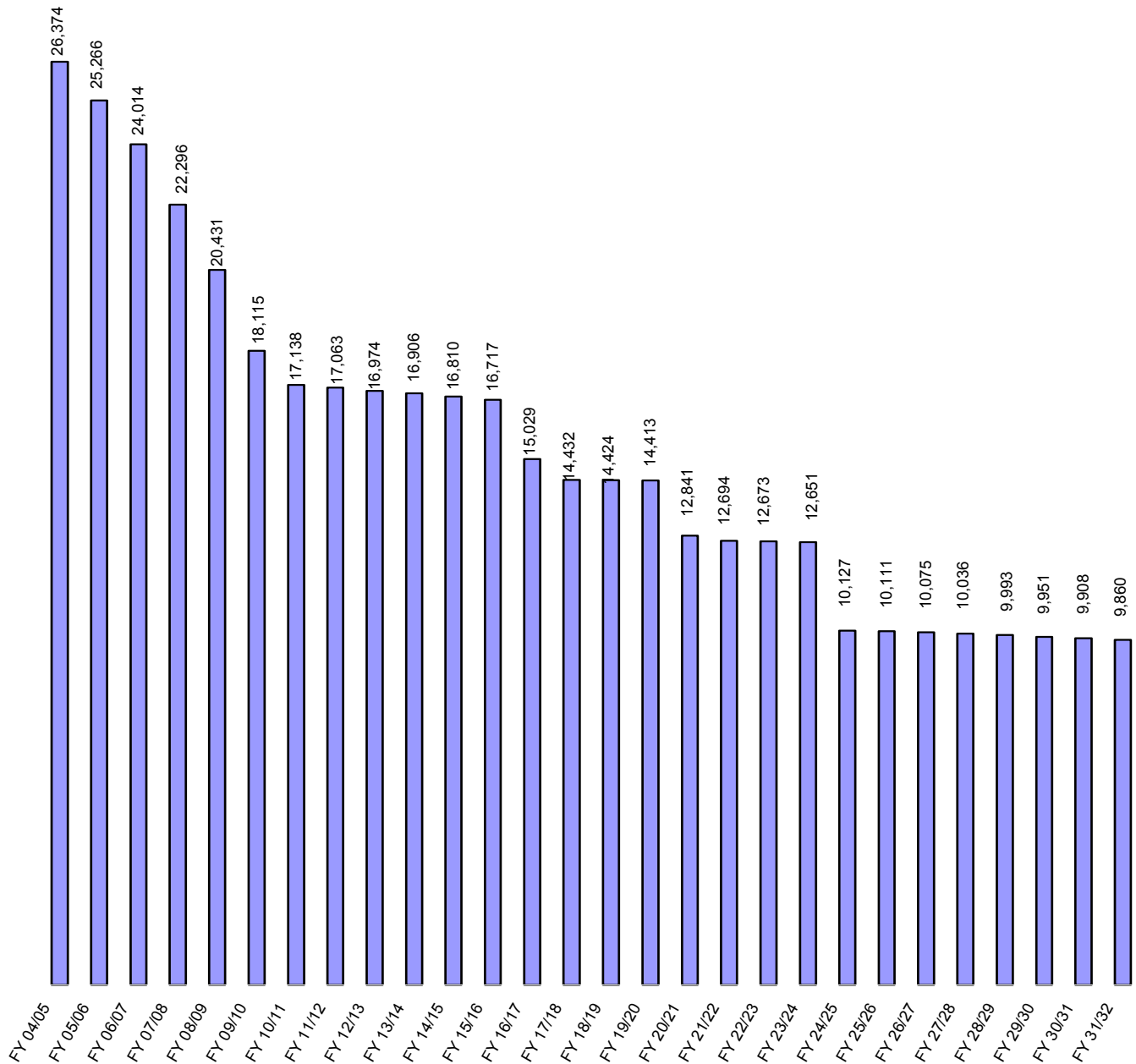
Bond Issue	Principal Balance 6/30/2004	Principal Payable FY 04/05	Interest Payable FY 04/05	Total Payable FY 04/05	Principal Balance 6/30/2005
General Obligation Bonds					
Refunding Series 1997 A	885,000	885,000	43,370	928,370	0
Refunding Series 1999 A	3,011,400	3,011,400	135,520	3,146,920	0
G.O. Series 2000 A	15,760,000	100,000	838,130	938,130	15,660,000
G.O. Series 2004 A	34,000,000	1,140,000	1,436,920	2,576,920	32,860,000
G.O. Series 2004 B	49,450,000	5,650,000	2,463,130	8,113,130	43,800,000
Subtotal - G.O. Bonds	<u>103,106,400</u>	<u>10,786,400</u>	<u>4,917,070</u>	<u>15,703,470</u>	<u>92,320,000</u>
Other Debt					
Knox County - 2002	<u>1,386,500</u>	<u>58,800</u>	<u>66,950</u>	<u>125,750</u>	<u>1,327,700</u>
Subtotal - Other Debt	<u>1,386,500</u>	<u>58,800</u>	<u>66,950</u>	<u>125,750</u>	<u>1,327,700</u>
Grand Total - Fund 305	<u>104,492,900</u>	<u>10,845,200</u>	<u>4,984,020</u>	<u>15,829,220</u>	<u>93,647,700</u>
Grand Total - Debt Service Funds	<u>104,492,900</u>	<u>10,845,200</u>	<u>4,984,020</u>	<u>15,829,220</u>	<u>93,647,700</u>
Enterprise Fund Debt					
Refunding Series 1999A	1,588,600	393,600	66,110	459,710	1,195,000
TN Loan - 1999	41,750,000	1,825,000	1,878,750	3,703,750	39,925,000
G.O. Series 2002 A	54,875,000	1,075,000	2,607,290	3,682,290	53,800,000
TN Loan Variable Rate - 2002	<u>59,970,000</u>	<u>0</u>	<u>2,698,650</u>	<u>2,698,650</u>	<u>59,970,000</u>
Subtotal - Enterprise Fund	<u>158,183,600</u>	<u>3,293,600</u>	<u>7,250,800</u>	<u>10,544,400</u>	<u>154,890,000</u>
Grand Total - All Debt	<u>262,676,500</u>	<u>14,138,800</u>	<u>12,234,820</u>	<u>26,373,620</u>	<u>248,537,700</u>

City of Knoxville
Debt Amortization Schedule

Fiscal Years 2004/05 - 2031/32

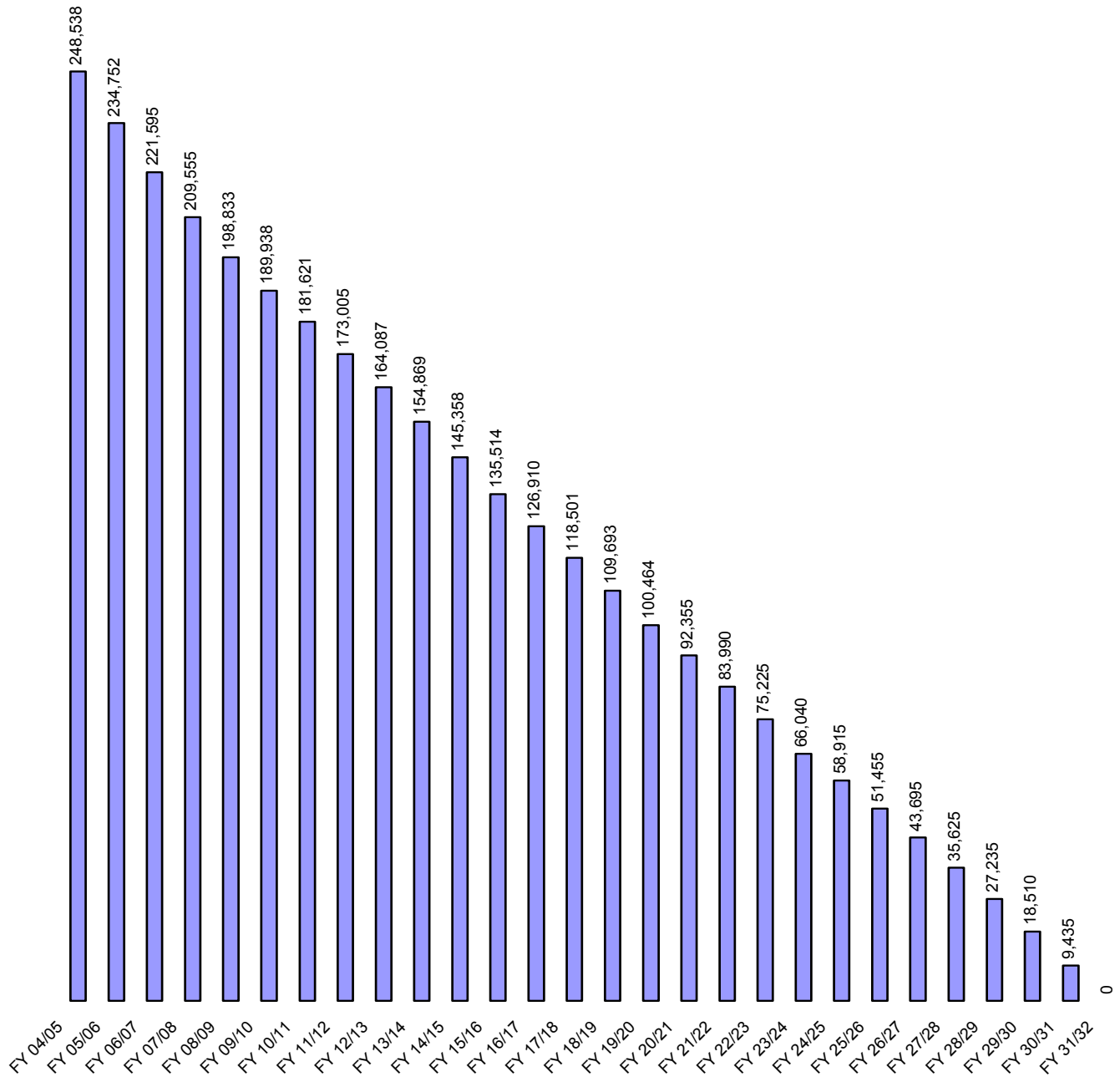
Fiscal Year	G.O. Bonds P & I	Other Debt P & I	Enterprise P & I	Total P & I	Principal Balance EOY
2005	15,703,470	125,750	10,544,400	26,373,620	248,537,700
2006	14,613,490	124,540	10,528,330	25,266,360	234,752,200
2007	13,353,220	123,520	10,537,730	24,014,470	221,594,800
2008	11,683,990	122,380	10,489,950	22,296,320	209,555,100
2009	10,217,470	121,300	10,092,310	20,431,080	198,833,000
2010	7,900,070	120,340	10,094,190	18,114,600	189,938,300
2011	6,924,300	119,520	10,094,560	17,138,380	181,620,800
2012	6,847,670	118,570	10,096,530	17,062,770	173,005,300
2013	6,756,800	117,730	10,099,530	16,974,060	164,086,500
2014	6,690,550	117,090	10,097,990	16,905,630	154,869,300
2015	6,592,260	116,450	10,101,510	16,810,220	145,358,400
2016	6,496,490	116,110	10,104,670	16,717,270	135,513,600
2017	4,806,290	115,940	10,106,870	15,029,100	126,909,500
2018	4,207,610	115,740	10,108,350	14,431,700	118,500,900
2019	4,198,630	115,590	10,109,950	14,424,170	109,692,500
2020	4,182,180	115,580	10,115,280	14,413,040	100,463,900
2021	2,606,370	115,680	10,118,650	12,840,700	92,355,000
2022	2,577,910	0	10,115,900	12,693,810	83,990,000
2023	2,554,430	0	10,118,650	12,673,080	75,225,000
2024	2,535,320	0	10,115,900	12,651,220	66,040,000
2025	0	0	10,127,150	10,127,150	58,915,000
2026	0	0	10,111,180	10,111,180	51,455,000
2027	0	0	10,075,480	10,075,480	43,695,000
2028	0	0	10,036,280	10,036,280	35,625,000
2029	0	0	9,993,130	9,993,130	27,235,000
2030	0	0	9,950,580	9,950,580	18,510,000
2031	0	0	9,907,950	9,907,950	9,435,000
2032	0	0	9,859,580	9,859,580	0
	<u>141,448,520</u>	<u>2,021,830</u>	<u>283,852,580</u>	<u>427,322,930</u>	

**Annual Debt Payments
FY 2004/05– 2031/32**



All numbers in \$1,000's.

Remaining Debt Outstanding (End of Year)
FY 2004/05 – 2031/32



All numbers in \$1,000's.

CAPITAL IMPROVEMENTS BUDGET FOR FISCAL YEAR 04/05

		FY 04/05 Budget Capital Fund	Funding Source
Mayor's Office/Administration			
51101	One Call Center	500,000	General Fund Operating
Finance and Accountability			
23703	Downtown Dev./Historic Preservation	1,000,000	General Fund Operating
51201	Market Square Phase III	2,000,000	Appropriated Fund Balance, Capital Projects Fund
51202	New Financial System	2,250,000	General Fund Operating
Operations and Engineering			
21101	ADA Curb Cuts	250,000	State Street Aid
33002	Sidewalk Safety Program	200,000	\$100,000 State Street Aid; \$100,000 General Fund Operating
33103	High Mast Pole Replacement	100,000	State Street Aid
53301	Main Avenue Garage Improvements	50,000	Metro Parking Fund, Appropriated Fund Balance
53302	Bearden Vehicle Trip Reduction/Phase II	500,000	\$100,000 General Fund Operating; \$400,000 Federal Grant Funds
53303	Citywide Traffic Calming Devices	200,000	General Fund Operating
53501	Loraine Oil/Water Separator	38,000	General Fund Operating
233001	Bridge Replacement Program	650,000	State Street Aid
532001	Citywide Resurfacing Program	3,000,000	General Fund Operating
633005	Drainage Improvements	250,000	General Fund Operating
733006	Traffic Signals	175,000	State Street Aid
Community and Neighborhood Services			
53701	Increased Access to City Facilities (ADA)	150,000	\$80,000 CDBG Fund; \$70,000 General Fund Operating
54301	Ashley Nicole Dream Playground	100,000	General Fund Operating
54302	Eastside Recreation Center Improvements	100,000	General Fund Operating
54303	Grant Matching Funds (TEA-21 and LPRF)	400,000	General Fund Operating
54304	Ballpark Improvements	150,000	General Fund Operating
56101	Downtown Transit Center	5,159,700	\$515,970 General Fund Operating; \$4,643,730 Federal Grant Funds
431003	Roof Replacement	250,000	General Fund Operating
743003	Park Expansion	40,000	Proceeds from the Sale of Land
Police			
52301	Driving Simulator	200,000	\$20,000 General Fund Operating; \$180,000 Federal Grant Funds
52302	Automated Vehicle Locator Systems	361,200	\$36,200 General Fund Operating; \$325,000 Federal Grant Funds
52303	Police Driving Range Road	750,000	Police Capital Projects Fund
Fire			
52501	KFD Training Center Improvements	580,000	General Fund Operating
Public Assembly Facilities			
55702	Equipment Purchase	46,000	General Fund Operating
55703	Surveillance Camera System	25,000	General Fund Operating
55704	Ice Plant Equipment	150,000	General Fund Operating
55705	Zamboni Ice Maker	85,000	General Fund Operating
Convention Center			
55701	World's Fair Park Renovations	1,000,000	General Fund Operating
55706	DHW Heaters for Kitchen/Concession Area	75,000	General Fund Operating
TOTAL		<u>\$20,284,900</u>	

**Please note that shaded areas denote an ongoing capital program.