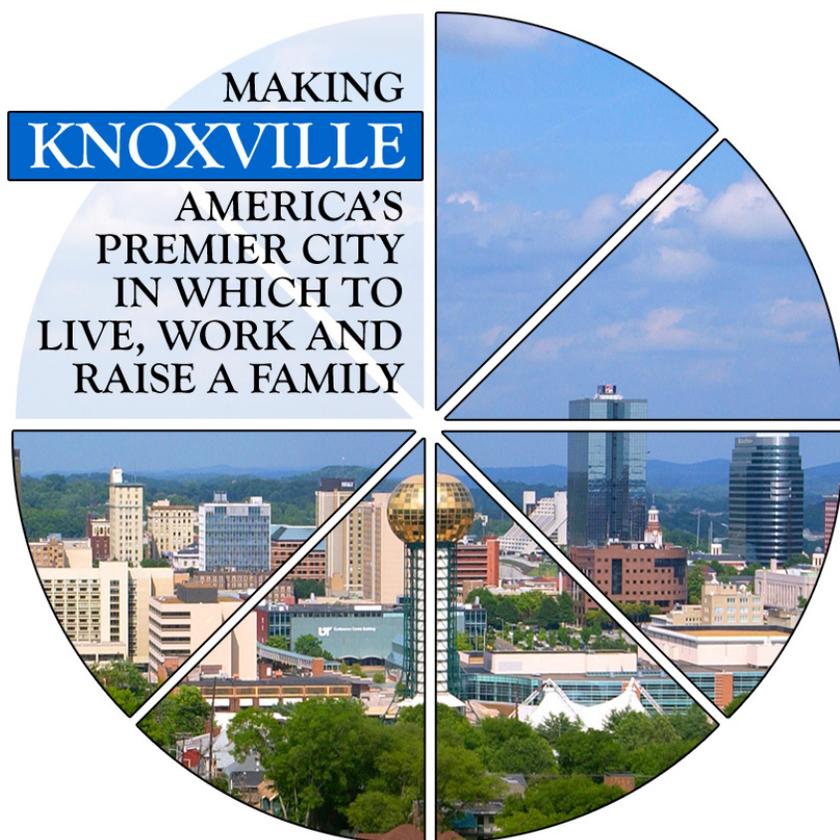




CITY OF KNOXVILLE
BILL HASLAM, MAYOR



FY 2009/2010 PROPOSED OPERATING BUDGET

KNOXVILLE, TENNESSEE
WWW.CITYOFKNOXVILLE.ORG

**FISCAL YEAR 2009-2010
PROPOSED ANNUAL OPERATING BUDGET
CITY OF KNOXVILLE, TENNESSEE**

MAYOR
Bill Haslam

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FINANCE DIRECTOR
James York

OFFICE OF MANAGEMENT AND BUDGET
Boe Cole, Comptroller
John Harold, Financial Analyst, Sr.
Blake Young, Financial Analyst

A special thank you to all the departments that contributed to this document.
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City of Knoxville
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Executive Summary

The purpose of this section is to provide an overview, a snapshot as it were, of some of the major initiatives of the FY 09/10 budget. Also discussed are some of the factors that have impacted the preparation of this budget, and some of the significant changes between this budget and the prior year budget. More detailed explanations of these changes are found later in the document.

The FY 09/10 budget, like all budgets, serves as a vision for the future. It is a means by which one establishes priorities and provides a mechanism for delivering on those priorities. The decisions that shape this budget have a lasting impact. Good decisions result in increased investment and future positive returns while poor decisions limit future flexibility and may result in unanticipated consequences and problems.

The budget is always constrained in the sense that demands exceed available resources. The FY 09/10 budget is even more constrained given the state of the economy. The economic downturn has reduced sales tax revenues, business taxes, gas tax funds, and inspection fees/charges. These losses have been offset in part by anticipated gains in property taxes, albeit at a much lower growth rate than in the recent past. The focus of this budget is thus continuing to meet administrative goals while emphasizing fundamental principles and core competencies.

General Overview

One principle is to work as efficiently as possible and minimize the demands upon the taxpayers. As such, the proposed property tax rate for FY 09/10 is \$2.81 per hundred dollars of assessed value, unchanged from the prior year. Of this amount \$0.75 goes to the Debt Service fund to pay for bonded debt costs. The average residential property in the City of Knoxville is appraised at \$82,324. For the average residential homeowner the total taxes paid will equal \$578.33. When adjusted for the impact of inflation and countywide reappraisals, the proposed tax rate is actually lower than it was ten years ago.

The total operating budget in fiscal year 2009/10 is \$352,186,060. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is \$259,240,110. The budget for the General Fund, which is the main operating fund of the city, equals \$165,342,960.

The total budget is reduced by \$17,908,960 (4.84%) when compared to the FY 08/09 budget. The net budget declines by \$16,061,320 (5.83%). The General Fund budget declines by \$3,151,820 (1.87%).

A second principle is to avoid rapid growth in the personnel. Budgeted personnel for FY 09/10 total 1,604 full-time positions and 38 part-time positions. This represents no change in the totals when compared to the FY 08/09 budget. There are, however changes, in personnel composition, an attempt to become more efficient. The staffing in the Law Department increases by one attorney position, as it assumes the delinquent tax responsibilities that were previously performed by outside counsel. Within the Engineering Department the position of City Hydrologist is added. The individual assuming this position will be responsible for updating required stormwater models and other functions that were also handled by outside consultants. In both cases it is thought that future savings will result. These position gains are offset by reductions in other departments.

Consistent with the above is to ensure that personnel are paid competitively. In FY 07/08 the City conducted, utilizing Mercer Consulting, a comprehensive compensation study. Implementation of the study recommendations was to be phased in over a three year period. Funding was included in FY 08/09 for the first year, and the proposed FY 09/10 budget includes funding of the second year. The costs of doing this are approximately \$2.3 million, including a minimum salary increase of 2.5% for all employees.

Adherence to conservative financial principles does not mean lack of vision. The budget is shaped by the goals of the Haslam administration.

Executive Summary

Administrative Goals

At the beginning of his administration the Mayor outlined four major goals. The FY 09/10 budget is guided by these goals. These goals are:

Stronger, safer neighborhoods

City services you can count on at a competitive price

An energized downtown; everybody's neighborhood

More and better jobs

Stronger, Safer Neighborhoods

As in the past, the largest portion of the budget is devoted to the operations of the Police and Fire Departments. The proposed budget includes approximately \$1.57 million in new capital funding for the Police Department, for items ranging from improvements at the Safety Building to the development of computer systems designed to help officers better perform their duties. Within the Fire Department additional funding is provided for improvements to various stations throughout the city.

Stronger safer neighborhoods are, however, more than quality police and fire protection. It is important that these neighborhoods have quality infrastructure and are free from blight. This budget again provides \$250,000 to address chronic problem properties, and another \$250,000 for blighted property acquisition. The budget includes \$100,000 for a commercial façade improvement program, as well as \$50,000 for sidewalk improvements in areas utilizing the façade improvement grant program. Of major note, the budget includes \$800,000 to assist KCDC in the development of a new Hope 6 program in the Five Points/Park City area. This is part of a multi-year commitment to this project and is addition to \$869,000 in Neighborhood Stabilization funds for renovation of the Eastport School for a Senior Housing program. The budget grants \$20,000 to Knox Heritage to help them promote historic restoration throughout the City.

Two years ago the budget included funding for a Neighborhood Coordinator, tasked with working with various neighborhood groups to help them improve the quality of their areas. In FY 08/09 \$30,000 was provided for a neighborhood small grants program. This program, targeted for low to moderate income neighborhood groups, provides grants to strengthen neighborhoods and the capacity of neighborhood organizations to implement successful projects. Both of these are continued in FY 09/10.

The City has an on-going program to pave and maintain streets on a regular basis. Our schedule seeks to pave arterial streets at least once every ten years, collector streets every fifteen years and residential streets at least once every twenty years. To maintain this schedule the budget includes \$4.75 million for the City's paving program. The budget also includes \$200,000 for alley-paving.

The budget continues annual funding of \$650,000 for the bridge replacement program. Funding is specifically designated for continued improvements to traffic signals. Also included is match money for various SAFETEA-LU projects. Funding of \$440,000 is budgeted for Millertown Pike road improvements. Funding of approximately \$1.5 million is also appropriated for South Knoxville transportation improvements.

This budget includes \$200,000 for ballpark and tennis court improvements in parks throughout the City. Funding of \$200,000 is also allocated greenway maintenance and improvements.

The budget includes \$100,000 to complete the skate park in the Fountain City area and also includes \$500,000 to improve various recreation centers throughout the City.

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

Executive Summary

The budget provides an array of funding to address drainage problems in the neighborhoods. A total of \$250,000 is provided for drainage work in the Johnson Avenue area, \$200,000 for sediment removal in First Creek, as well as \$985,000 to begin drainage improvements in the MLK Avenue area. In addition, \$250,000 is budgeted to continue the neighborhood drainage program. Funding is also provided to update the water quality models for the First Creek area, part of federally mandated permit requirements.

City Services at a Competitive Price

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

The budget continues to replace old and outdated computer systems. In FY 09/10 we will begin the replacement of the Police records management system. Funding is provided for drug intelligence system. The City will also continue its efforts to produce savings through the use of lower energy demand lights and other equipment.

An Energized Downtown

The Mayor has called the downtown area "everybody's neighborhood", and the budget continues to address the development of the area. Specifically the budget provides \$1,300,000 for land acquisition in the Jackson Avenue area, and \$225,000 for the replacement of the Jackson Avenue ramps. Along with the above funding is provided for other improvements in the downtown and adjacent areas. This includes \$100,000 for downtown sidewalk repairs, \$300,000 for downtown streetscapes including new wayfinding signs, and \$50,000 for various other downtown improvements.

The downtown renovation is also moving into other areas, particularly north and southward. The FY 09/10 budget allocates \$150,000 for projects in the Downtown North area. In the

past funding was provided to implement the south Knoxville waterfront master plan. This budget adds \$4 million to an already allocated \$15.2 million to begin the implementation of this plan. This allocation is to come from the issuance of new debt. This debt is in the form of tax increment financing (TIF), whereby the increased taxes from the redevelopment will be used to pay future principal and interest payments on the debt.

More and Better Jobs

A solid economy is essential for any city. Recent successes, such as the relocation and expansion of the Sysco Corporation have shown promise in this area. This budget seeks to capitalize on this base and further enhance it. To aid in this effort the budget includes \$248,000 for further improvements to the I-275 business park.

The Knoxville Zoo is one of the most visited attractions in the East Tennessee area and the budget contains \$625,000 to be used for renovation of existing facilities and add facilities to the Kid's Cove area. This is the fifth phase of a multi-year contribution for this project.

The budget also continues the financial commitment to the Tourism and Sports Development Corporation, which serves as the city's marketing arm, to help promote tourism efforts and to attract visitors to the new Convention Center. Enhancing cultural opportunities also affects economic development. Operating contributions are made to the Knoxville Symphony, the Art Museum, and several other arts and cultural groups.

Job creation is a key objective of this administration. The adopted budget includes \$400,000 for the Innovation Valley campaign, the successor to "Jobs Now" organization, as well as other funding to aid the Chamber Partnership in their economic development efforts.

Funding Issues

A number of challenges presented themselves

Executive Summary

during the preparation of this budget. In the past the City had significantly drawn upon its General Fund fund balance (reserves) to cover costs. This trend was stopped in FY 04/05. This budget also does not propose to utilize any General Fund balance. This is done to avoid jeopardizing the City's bond ratings and creating potential cash flow problems.

The City maintains a pension fund for its employees. Contributions are based on a ten year smoothing formula. While the effect of the smoothing technique lessens the volatility of the contribution rate, the decline in the stock markets slightly increases the contribution rate in FY 09/10. Salary increases also affect the total contribution level. The additional cost of pension contributions is approximately \$400,000 over last year, \$220,000 of which is due to an increase in the contribution rate.

Accounting Changes

There are several accounting changes which affect comparisons between the FY 08/09 and FY 09/10 budgets. The budget for the Health Center shifts from the Risk Management Fund (Fund 704) to the Health Care Fund (Fund 705). This will mean that the reduction in Fund 704 is less than would be indicated had nothing been shifted, while the increase in Fund 705 is artificially inflated.

Beginning this year, capital expenditures within proprietary funds are budgeted directly within the fund. Previously all capital projects were budgeted within the Capital Projects Fund (Fund 401). The proposed change is consistent with generally accepted accounting principles.

Finally there is some shifting within account groups. For example, the budget for the Mass Transit Fund (Fund 507) now includes expenses under the personal services account group. In past years this has been shown under the other expenses account group. Within the Fleet Services budget personnel have been moved from one section to another. These changes affect only the account detail and should not generally affect comparisons at the Division or Department levels.

CONCLUSION

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

BUDGET COMPARISON - ALL FUNDS

Fiscal Year 2009/10

Fund No.	Fund Name	Adopted FY 08/09 Budget	Proposed FY 09/10 Budget	Dollar Change FY 08/09 - 09/10	Percentage Change FY 08/09 - 09/10
100	General Fund	<u>\$ 168,494,780</u>	<u>\$ 165,342,960</u>	<u>\$ (3,151,820)</u>	<u>(1.87%)</u>
	Special Revenue Funds				
201	State Street Aid	4,910,000	4,445,000	(465,000)	(9.47%)
202	Community Improvement	90,000	80,000	(10,000)	(11.11%)
209	Abandoned Vehicles	910,000	828,990	(81,010)	(8.90%)
211	Animal Control	40,000	55,000	15,000	37.50%
213	City Court	5,319,910	5,420,800	100,890	1.90%
216	City Inspections	2,251,600	2,326,230	74,630	3.31%
220	Stormwater	2,373,060	2,563,900	190,840	8.04%
230	Solid Waste	10,303,960	10,357,620	53,660	0.52%
240	Miscellaneous Special Revenue	7,331,510	4,580,600	(2,750,910)	(37.52%)
250	Senior Aides	479,790	510,230	30,440	6.34%
263	House Grants	25,000	0	(25,000)	(100.00%)
264	Home Grants	1,662,310	2,162,000	499,690	30.08%
269	Emergency Shelter Grants	82,990	82,740	(250)	(0.30%)
270	Empowerment Zone	6,209,300	6,209,300	0	0.00%
290	Community Development Block Grant	<u>2,003,360</u>	<u>2,000,000</u>	<u>(3,360)</u>	<u>(0.17%)</u>
	Subtotal - Special Revenue Funds	<u>43,992,790</u>	<u>41,622,410</u>	<u>(2,370,380)</u>	<u>(5.39%)</u>
	Debt Service Funds				
305	Debt Services	26,979,460	27,648,740	669,280	2.48%
306	Tax Increment	<u>563,200</u>	<u>806,000</u>	<u>242,800</u>	<u>43.11%</u>
	Subtotal - Debt Service Funds	<u>27,542,660</u>	<u>28,454,740</u>	<u>912,080</u>	<u>3.31%</u>
	Capital Projects Funds				
401	Capital Projects	<u>37,134,210</u>	<u>27,159,610</u>	<u>(9,974,600)</u>	<u>(26.86%)</u>
	Subtotal - Capital Projects Funds	<u>37,134,210</u>	<u>27,159,610</u>	<u>(9,974,600)</u>	<u>(26.86%)</u>
	Enterprise Funds				
503	Public Assembly Facilities	4,752,270	5,642,530	890,260	18.73%
504	Metro Parking	3,236,510	3,345,350	108,840	3.36%
506	Convention Center	22,612,370	20,165,400	(2,446,970)	(10.82%)
507	Mass Transportation	19,584,060	20,431,500	847,440	4.33%
508	Municipal Golf Course	<u>1,414,600</u>	<u>1,557,660</u>	<u>143,060</u>	<u>10.11%</u>
	Subtotal - Enterprise Funds	<u>51,599,810</u>	<u>51,142,440</u>	<u>(457,370)</u>	<u>(0.89%)</u>
	Internal Service Funds				
702	Fleet Services	12,512,070	10,820,420	(1,691,650)	(13.52%)
704	Risk Management	8,366,070	7,261,280	(1,104,790)	(13.21%)
705	Health Care	16,175,380	16,287,390	112,010	0.69%
706	Equipment Replacement	2,630,500	2,534,080	(96,420)	(3.67%)
707	City Building	<u>1,646,750</u>	<u>1,560,730</u>	<u>(86,020)</u>	<u>(5.22%)</u>
	Subtotal - Internal Service Funds	<u>41,330,770</u>	<u>38,463,900</u>	<u>(2,866,870)</u>	<u>(6.94%)</u>
	Grand Total	<u>\$ 370,095,020</u>	<u>\$ 352,186,060</u>	<u>\$ (17,908,960)</u>	<u>(4.84%)</u>

TOTAL EXPENDITURES BY DEPARTMENT

Fiscal Year 2009/10

Department	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	\$ 2,454,900	\$ 158,300	\$ -	\$ 1,900,000	\$ -	\$ -	\$ 4,511,200
Finance	3,489,930	0	50,000	800,000	0	23,746,140	28,086,070
Information Systems	3,974,450	0	0	0	0	1,269,520	5,243,970
Community Development	1,078,150	10,759,330	0	1,125,000	0	0	12,963,480
Fleet Services	0	814,990	0	14,000	0	10,874,140	11,703,130
South Knoxville Waterfront	298,990	0	0	5,485,000	0	0	5,783,990
Public Services	20,077,210	10,872,140	0	675,000	0	121,630	31,745,980
Engineering	5,594,940	6,267,720	0	13,525,000	0	26,710	25,414,370
Inspections	0	2,326,230	0	0	0	0	2,326,230
Recreation	6,798,420	759,530	0	1,100,000	1,557,660	0	10,213,610
Knoxville Area Transit (KAT)	989,200	0	0	0	20,431,500	0	21,400,700
Law	1,822,840	0	0	0	0	0	1,822,840
Police	45,145,760	1,653,210	0	1,570,610	0	758,610	49,128,190
Emergency Management	298,440	0	0	0	0	0	298,440
Fire	30,698,080	0	0	80,000	0	105,250	30,883,330
Legislative	918,480	90,000	0	0	0	0	1,008,480
City Court	0	777,620	0	0	0	0	777,620
Civil Service	994,060	0	0	0	0	0	994,060
Convention Center	0	0	0	0	12,739,180	0	12,739,180
Public Assembly Facilities	0	0	0	0	5,642,530	1,170	5,643,700
Subtotal - Other Departments	1,910,540	887,620	0	0	18,381,690	1,170	21,161,020
Nondepartmental							
City Elections	280,000	0	0	0	0	0	280,000
City Buildings	0	0	0	0	2,345,350	1,560,730	3,906,080
Knoxville Partnership	651,300	0	0	0	0	0	651,300
Metropolitan Planning Commission (MPC)	800,000	0	0	0	0	0	800,000
Knoxville Zoological Park	906,250	0	0	625,000	0	0	1,531,250
Agency Grants	995,700	0	0	0	912,060	0	1,908,760
Waterfront	519,390	0	0	0	0	0	519,390
Community Action Committee (CAC)	542,530	0	0	280,000	0	0	822,530
Debt Service	0	0	10,343,840	0	6,514,180	0	16,858,020
Reserve	1,675,000	0	0	0	0	0	1,675,000
Transfers	34,350,940	7,145,340	18,060,900	0	1,000,000	0	60,557,180
Subtotal - Nondepartmental	40,722,110	7,145,340	28,404,740	905,000	10,771,590	1,560,730	89,509,510
GRAND TOTAL	\$ 165,342,980	\$ 41,622,410	\$ 28,454,740	\$ 27,159,610	\$ 51,142,440	\$ 38,463,900	\$ 352,186,080

City of Knoxville

NET BUDGET

Fiscal Year 2009/10

Fund No.	Fund Name	Proposed FY 09/10 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	General Fund	\$ 165,342,960	\$ (4,643,180)	\$ -	\$ 160,699,780
201	State Street Aid	4,445,000	0	0	4,445,000
202	Community Improvement	80,000	(80,000)	0	0
209	Abandoned Vehicles	828,990	0	0	828,990
211	Animal Control	55,000	0	0	55,000
213	City Court	5,420,800	0	0	5,420,800
216	City Inspections	2,326,230	(612,250)	0	1,713,980
220	Stormwater	2,563,900	(2,418,700)	0	145,200
230	Solid Waste	10,357,620	(9,394,220)	0	963,400
240	Miscellaneous Special Revenue	4,580,600	(719,930)	0	3,860,670
250	Senior Aides	510,230	(65,350)	0	444,880
263	House Grants	0	0	0	0
264	Home Grants	2,162,000	0	0	2,162,000
265	Hope Grants	0	0	0	0
269	Emergency Shelter Grants	82,740	0	0	82,740
270	Empowerment Zone	6,209,300	0	0	6,209,300
290	Community Development Block Grant	2,000,000	0	0	2,000,000
305	Debt Services	27,648,740	0	0	27,648,740
306	Tax Increment	806,000	(806,000)	0	0
401	Capital Projects	27,159,610	(21,874,610)	0	5,285,000
451	Chilhowee Park Capital Projects	0	0	0	0
503	Public Assembly Facilities	5,642,530	(2,352,910)	0	3,289,620
504	Metro Parking	3,345,350	0	0	3,345,350
506	Convention Center	20,165,400	(7,326,460)	0	12,838,940
507	Mass Transportation	20,431,500	(8,135,620)	0	12,295,880
508	Municipal Golf Course	1,557,660	(23,190)	0	1,534,470
701	Office Services	0	0	0	0
702	Fleet Services	10,820,420	(40,500)	(12,310,600)	(1,530,680)
704	Risk Management	7,281,280	(393,080)	(6,422,700)	445,500
705	Health Care	16,287,390	(1,671,180)	(9,842,170)	4,774,040
706	Equipment Replacement	2,534,080	0	(2,309,080)	225,000
707	City Building	1,560,730	0	(1,504,220)	56,510
	Grand Total	<u>\$ 352,186,060</u>	<u>\$ (60,557,180)</u>	<u>\$ (32,388,770)</u>	<u>\$ 259,240,110</u>

NET REVENUES BY TYPE - ALL FUNDS

Fiscal Year 2009/10

Fund No.	Fund Name	Taxes	Licenses & Permits	Intergovt. Revenue	Charges For Serv.	Fines & Forfeits	Miscellaneous Revenue
100	General Fund	\$137,232,080	\$ 300,580	\$ 18,406,730	\$ 1,173,450	\$ 1,737,460	\$ 1,849,470
201	State Street Aid	0	0	4,425,000	0	0	20,000
202	Community Improvement	0	0	0	0	0	0
209	Abandoned Vehicles	0	0	0	417,100	0	411,890
211	Animal Control	0	45,000	0	0	0	10,000
213	City Court	0	0	0	0	5,394,200	26,800
216	City Inspections	0	1,894,850	0	0	0	19,130
220	Stormwater	0	130,200	0	0	0	15,000
230	Solid Waste	0	0	76,800	566,600	0	320,000
240	Miscellaneous Special Revenue	0	0	300,000	402,800	2,314,450	389,200
250	Senior Aides	0	0	444,880	0	0	0
263	House Grants	0	0	0	0	0	0
264	Home Grants	0	0	1,312,000	0	0	350,000
289	Emergency Shelter Grants	0	0	82,740	0	0	0
270	Empowerment Zone	0	0	6,209,300	0	0	0
290	Community Development Block Grant	0	0	1,900,000	0	0	100,000
305	Debt Services	26,374,500	0	0	0	0	1,274,240
308	Tax Increment	0	0	0	0	0	0
401	Capital Projects	0	0	1,185,000	0	0	100,000
503	Civic Auditorium/Coliseum/KCEC	0	0	0	1,817,050	0	118,560
504	Metro Parking	0	0	0	1,951,590	0	100,000
506	Convention Center	4,931,100	0	2,980,610	3,739,890	0	326,140
507	Mass Transportation	0	0	1,991,020	7,021,610	0	152,890
508	Municipal Golf Course	0	0	0	1,283,280	0	63,520
702	Fleet Services	0	0	0	5,000	0	356,000
704	Risk Management	0	0	0	45,000	0	400,500
705	Health Care	0	0	0	4,574,040	0	200,000
706	Equipment Replacement	0	0	0	0	0	225,000
707	City Building	0	0	0	0	0	56,510
	Grand Total	\$168,537,680	\$ 2,170,640	\$ 39,014,080	\$22,997,410	\$ 9,446,110	\$ 6,883,660

Percent of Net Revs. 65.01% 0.84% 15.05% 8.87% 3.64% 2.66%

Fund No.	Fund Name	Other Financing Sources	Use Of/ (Addition To) Fund Balance	Net Revenues	Interfund Charges In	Interfund Transfers In	Total Revenues
100	General Fund	\$ -	\$ -	\$ 160,699,780	\$ -	\$ 4,643,180	\$ 165,342,960
201	State Street Aid	0	0	4,445,000	0	0	4,445,000
202	Community Improvement	0	0	0	0	80,000	80,000
209	Abandoned Vehicles	0	0	628,990	0	0	628,990
211	Animal Control	0	0	55,000	0	0	55,000
213	City Court	0	0	5,420,800	0	0	5,420,800
216	City Inspections	0	0	1,713,980	0	612,250	2,326,230
220	Stormwater	0	0	145,200	0	2,418,700	2,563,900
230	Solid Waste	0	0	963,400	0	9,394,220	10,357,620
240	Miscellaneous Special Revenue	0	474,220	3,860,670	0	719,930	4,580,600
250	Senior Aides	0	0	444,880	0	65,350	510,230
263	House Grants	0	0	0	0	0	0
264	Home Grants	0	500,000	2,162,000	0	0	2,162,000
289	Emergency Shelter Grants	0	0	82,740	0	0	82,740
270	Empowerment Zone	0	0	6,209,300	0	0	6,209,300
290	Community Development Block Grant	0	0	2,000,000	0	0	2,000,000
305	Debt Services	0	0	27,648,740	0	0	27,648,740
306	Tax Increment	0	0	0	0	806,000	806,000
401	Capital Projects	4,000,000	0	5,285,000	0	21,874,610	27,159,610
503	Civic Auditorium/Coliseum/KCEC	0	1,354,010	3,289,620	0	2,352,910	5,642,530
504	Metro Parking	0	1,293,760	3,345,350	0	0	3,345,350
506	Convention Center	0	1,161,200	12,838,940	0	7,326,460	20,166,400
507	Mass Transportation	0	3,130,360	12,295,880	0	8,135,620	20,431,500
508	Municipal Golf Course	96,130	71,540	1,534,470	0	23,190	1,557,660
702	Fleet Services	0	(1,890,680)	(1,530,680)	12,310,600	40,500	10,820,420
704	Risk Management	0	0	445,500	6,422,700	393,080	7,261,280
705	Health Care	0	0	4,774,040	9,842,170	1,671,180	16,287,390
706	Equipment Replacement	0	0	225,000	2,309,080	0	2,534,080
707	City Building	0	0	56,510	1,504,220	0	1,560,730
	Grand Total	\$ 4,096,130	\$ 6,094,410	\$ 259,240,110	\$32,388,770	\$60,557,160	\$ 352,186,060

Percent of Net Revs. 1.58% 2.35% 100.00%

NET EXPENDITURES BY TYPE - ALL FUNDS

Fiscal Year 2009/10

Fund No.	Fund Name	Personal Services	Supplies	Other Expenses	Debt Service	Capital
100	General Fund	\$75,528,320	\$ 4,087,350	\$ 22,632,880	\$ -	\$ -
201	State Street Aid	0	0	3,885,000	0	0
202	Community Improvement	0	0	80,000	0	0
209	Abandoned Vehicles	337,310	3,740	401,010	0	0
211	Animal Control	0	35,000	20,000	0	0
213	City Court	606,960	8,510	89,120	0	0
216	City Inspections	1,641,640	15,380	107,320	0	0
220	Stormwater	1,749,080	59,280	91,870	0	0
230	Solid Waste	482,890	30,620	9,172,000	0	0
240	Miscellaneous Special Revenue	477,090	777,560	1,311,990	0	0
250	Senior Aides	481,290	950	13,200	0	0
263	House Grants	0	0	0	0	0
264	Home Grants	144,270	0	1,997,600	0	0
269	Emergency Shelter Grants	0	0	82,740	0	0
270	Empowerment Zone	343,920	0	5,838,800	0	0
290	Community Development Block Grant	452,150	18,980	1,336,940	0	0
305	Debt Services	0	0	50,000	9,537,840	0
306	Tax Increment	0	0	0	806,000	0
401	Capital Projects	0	0	0	0	27,159,610
503	Public Assembly Facilities	1,976,960	177,300	2,640,790	0	447,550
504	Metro Parking	0	0	2,336,870	0	0
506	Convention Center	0	0	13,484,100	6,514,180	90,230
507	Mass Transportation	10,097,250	2,172,230	8,147,790	0	0
508	Municipal Golf Course	0	0	1,545,540	12,000	0
702	Fleet Services	1,958,450	3,662,850	4,598,220	0	40,500
704	Risk Management	299,840	9,490	8,912,020	0	0
705	Health Care	183,060	9,600	16,037,160	0	0
706	Equipment Replacement	0	0	2,534,080	0	0
707	City Building	0	0	1,557,860	0	0
Grand Total		<u>\$96,760,480</u>	<u>\$ 11,088,820</u>	<u>\$ 106,802,900</u>	<u>\$ 16,870,020</u>	<u>\$ 27,737,890</u>

Percent of Net Exps. 37.32% 4.27% 41.20% 6.51% 10.70%

Fund No.	Fund Name	Other Uses of Funds	Net Expenditures	Interfund Charges Out	Interfund Transfers Out	Total Expenditures
100	General Fund	\$ -	\$ 102,148,550	\$ 28,843,470	\$ 34,350,940	\$ 165,342,960
201	State Street Aid	0	3,885,000	0	560,000	4,445,000
202	Community Improvement	0	80,000	0	0	80,000
209	Abandoned Vehicles	0	742,060	72,930	14,000	828,990
211	Animal Control	0	55,000	0	0	55,000
213	City Court	0	704,590	73,030	4,643,180	5,420,800
216	City Inspections	0	1,784,320	561,910	0	2,326,230
220	Stormwater	0	1,900,230	663,870	0	2,563,900
230	Solid Waste	0	9,685,510	672,110	0	10,357,620
240	Miscellaneous Special Revenue	0	2,585,640	85,800	1,928,180	4,580,600
250	Senior Aides	0	495,440	14,790	0	510,230
263	House Grants	0	0	0	0	0
264	Home Grants	0	2,141,870	20,130	0	2,162,000
269	Emergency Shelter Grants	0	82,740	0	0	82,740
270	Empowerment Zone	0	6,182,720	25,580	0	6,209,300
290	Community Development Block Grant	0	1,808,070	191,930	0	2,000,000
305	Debt Services	0	9,587,840	0	18,060,900	27,648,740
306	Tax Increment	0	806,000	0	0	806,000
401	Capital Projects	0	27,159,610	0	0	27,159,610
503	Public Assembly Facilities	0	5,242,600	399,930	0	5,642,530
504	Metro Parking	0	2,336,870	8,480	1,000,000	3,345,350
506	Convention Center	0	20,088,510	76,890	0	20,165,400
507	Mass Transportation	0	20,417,270	14,230	0	20,431,500
508	Municipal Golf Course	0	1,557,540	120	0	1,557,660
702	Fleet Services	0	10,258,020	562,400	0	10,820,420
704	Risk Management	0	7,221,350	39,930	0	7,261,280
705	Health Care	0	16,229,820	57,570	0	16,287,390
706	Equipment Replacement	0	2,534,080	0	0	2,534,080
707	City Building	0	1,557,860	2,870	0	1,560,730
Grand Total		<u>\$ -</u>	<u>\$ 259,240,110</u>	<u>\$ 32,388,770</u>	<u>\$ 60,557,180</u>	<u>\$ 352,186,060</u>

Percent of Net Exps. 0.00% 100.00%

SUMMARY OF INTERFUND CHARGES

Fiscal Year 2009/10

From (Fund Name)	Fund No.	To Fleet Services Fund 702	To Risk Management Fund 704	To Health Care Fund 705	To Equipment Replacement Fund 706	To City Building Fund 707	Grand Total
General Fund	100	\$ 11,290,070	\$ 5,841,100	\$ 8,547,660	\$ 2,136,100	\$ 1,228,540	\$ 28,843,470
Abandoned Vehicles	208	0	17,130	55,800	0	0	72,930
City Court	213	0	3,480	61,370	8,180	0	73,030
City Inspections	216	151,340	100,870	189,610	22,130	97,980	561,910
Stormwater	220	89,500	285,800	194,380	33,740	50,250	663,670
Solid Waste	230	422,700	137,490	84,960	46,940	0	672,110
Miscellaneous Special Revenue	240	0	8,270	70,870	900	5,960	85,800
Senior Aides	250	0	530	10,350	3,910	0	14,790
Home Grants	264	0	790	19,340	0	0	20,130
Empowerment Zone	270	0	1,040	16,340	1,500	7,700	26,580
Community Development Block Grant	290	37,590	20,380	75,050	5,910	53,000	191,930
Public Assembly Facilities	503	130,980	57,760	205,520	5,670	0	399,930
Metro Parking	504	0	8,480	0	0	0	8,480
Convention Center	506	11,440	47,860	0	17,590	0	76,890
Mass Transportation	507	0	1,110	0	13,120	0	14,230
Municipal Golf Course	508	0	120	0	0	0	120
Fleet Services	702	176,980	76,380	283,210	9,140	16,690	562,400
Risk Management	704	0	0	19,870	4,250	15,810	39,930
Health Care	705	0	1,240	28,020	0	28,310	57,570
City Building	707	0	2,870	0	0	0	2,870
Grand Total		\$ 12,310,600	\$ 6,422,700	\$ 9,842,170	\$ 2,309,060	\$ 1,504,220	\$ 32,388,770

SUMMARY OF INTERFUND TRANSFERS

Fiscal Year 2009/10

To (Fund Name)	Fund No.	From General Fund (Fund 100)	From State Street Aid Fund (Fund 201)	From Aban. Veh. Fund (Fund 209)	From City Court Fund (Fund 213)	From Misc. Spec. Rev. Fund (Fund 240)	From Debt Service Fund (Fund 305)	From Metro Parking Fund (Fund 504)	Grand Total
General Fund	100	\$ -	\$ -	\$ -	\$4,643,180	\$ -	\$ -	\$ -	\$ 4,643,180
Community Improvement	202	80,000	0	0	0	0	0	0	80,000
City Inspections	216	612,250	0	0	0	0	0	0	612,250
Stormwater	220	2,418,700	0	0	0	0	0	0	2,418,700
Solid Waste	230	9,394,220	0	0	0	0	0	0	9,394,220
Miscellaneous Special Revenue	240	719,930	0	0	0	0	0	0	719,930
Miscellaneous Grant Funds	250	65,350	0	0	0	0	0	0	65,350
Tax Increment	306	806,000	0	0	0	0	0	0	806,000
Capital Projects	401	4,470,000	560,000	14,000	0	1,570,810	14,260,000	1,000,000	21,874,810
Coliseum/KCEC	503	1,805,360	0	0	0	282,550	165,000	0	2,352,910
Convention Center	506	3,731,060	0	0	0	0	3,595,400	0	7,326,460
Mass Transportation	507	8,060,620	0	0	0	75,000	0	0	8,135,620
Municipal Golf	508	23,190	0	0	0	0	0	0	23,190
Fleet Services	702	0	0	0	0	0	40,500	0	40,500
Risk Management	704	393,080	0	0	0	0	0	0	393,080
Health Care	705	1,671,180	0	0	0	0	0	0	1,671,180
Grand Total		<u>\$34,350,940</u>	<u>\$ 560,000</u>	<u>\$ 14,000</u>	<u>\$4,643,180</u>	<u>\$1,928,160</u>	<u>\$ 18,060,900</u>	<u>\$ 1,000,000</u>	<u>\$ 60,557,180</u>

Authorized Full Time Positions by Department

Fiscal Year 2009/10

Department	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	25	1	0	0	26
Finance	43	0	0	9	52
Information Systems	30	0	0	0	30
Community Development	4	21	0	0	25
Fleet Services	0	10	0	46	56
South Knoxville Waterfront	2	0	0	0	2
Public Services	284	21	0	0	305
Engineering	59	29	0	0	88
Inspections	0	31	0	0	31
Recreation	48	1	0	0	49
Law	14	0	0	0	14
Police	517	5	0	0	522
Emergency Management	3	0	0	0	3
Fire	338	0	0	0	338
Legislative	3	0	0	0	3
City Court	0	13	0	0	13
Civil Service	13	0	0	0	13
Public Assembly Facilities	0	0	34	0	34
Total - Full Time	1,383	132	34	55	1,604

Full Time Positions by Department

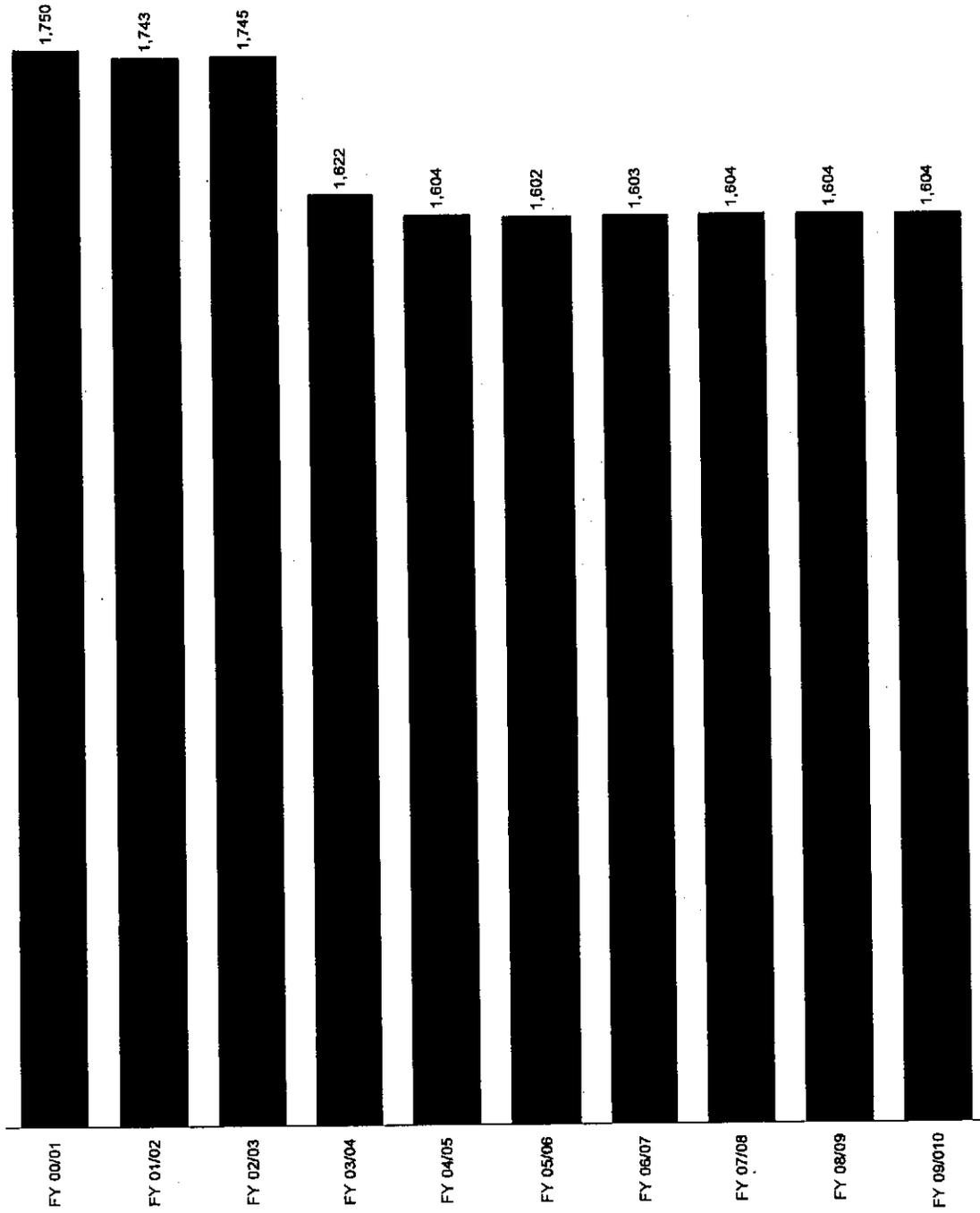
Fiscal Years 2005/06 - 2009/10

Department	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	Difference 08/09 - 09/10
Administration	24	24	24	26	26	0
Finance	55	54	54	52	52	0
Information Systems	29	30	30	30	30	0
Community Development	21	23	24	25	25	0
Fleet Services	57	57	56	56	56	0
South Knoxville Waterfront	0	0	2	2	2	0
Public Services	309	307	307	306	305	(1)
Engineering	87	89	88	87	88	1
Inspections	31	31	31	31	31	0
Recreation	53	51	51	50	49	(1)
Law	13	13	13	13	14	1
Police	515	518	520	522	522	0
Emergency Management	3	3	3	3	3	0
Fire	339	338	338	338	338	0
Legislative	3	3	3	3	3	0
City Court	13	13	13	13	13	0
Civil Service	13	14	13	13	13	0
Public Assembly Facilities	36	35	34	34	34	0
Knoxville Partnership	1	0	0	0	0	0
GRAND TOTAL	1,602	1,603	1,604	1,604	1,604	0

City of Knoxville

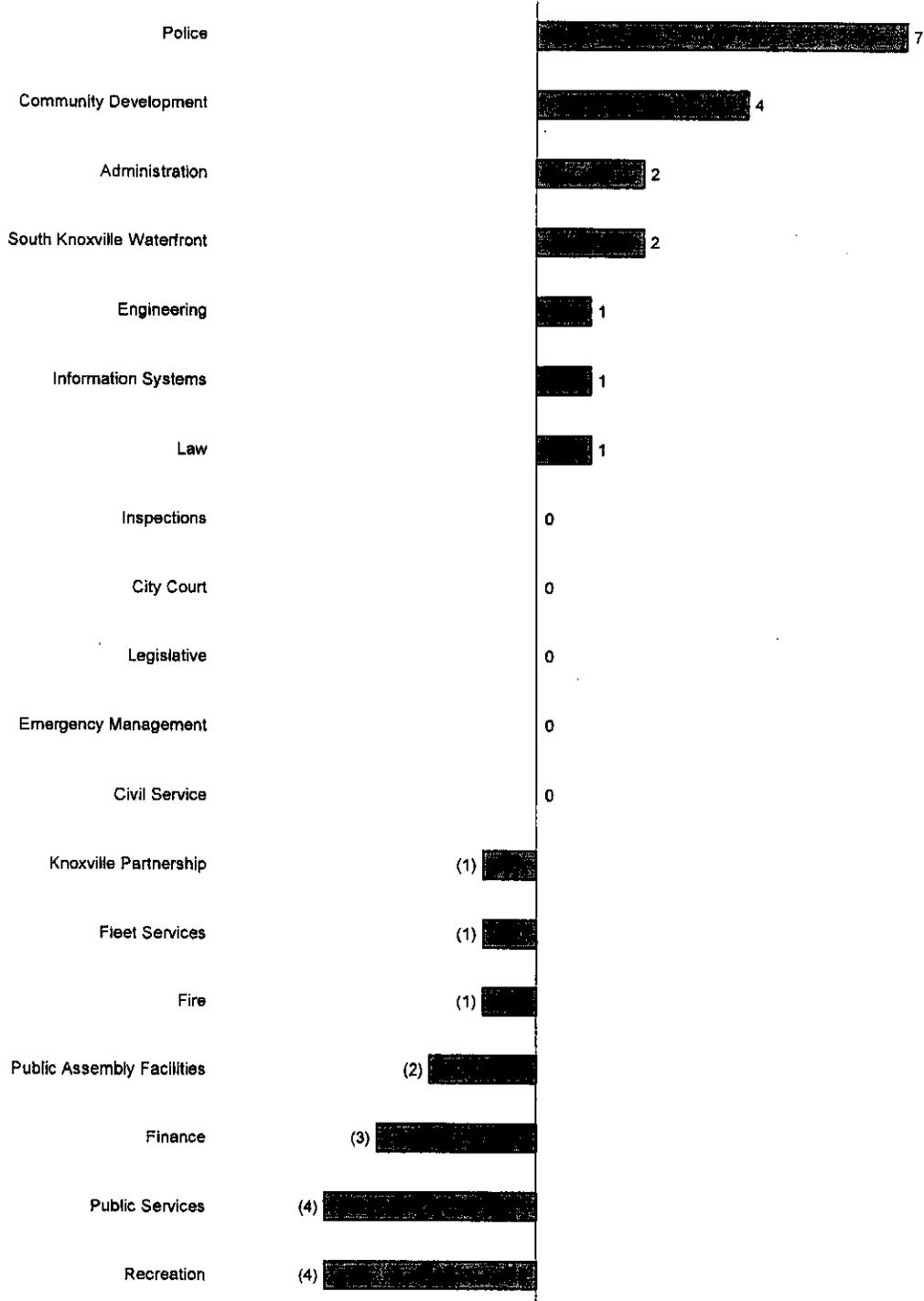
Authorized Full Time Personnel

Fiscal Years 2000/01 – 2009/10



Changes in Full Time Budgeted Personnel

Fiscal Years 2005/06 – 2009/10



Authorized Part Time Positions by Department

Fiscal Year 2009/10

Department	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	3	0	0	0	3
Finance	1	0	0	0	1
Community Development	0	1	0	0	1
Engineering	1	0	0	0	1
Recreation	14	1	0	0	15
Law	0	0	0	0	0
Police	3	1	0	0	4
Fire	0	0	0	0	0
Legislative	9	0	0	0	9
City Court	0	1	0	0	1
Public Assembly Facilities	0	0	3	0	3
Total - Part Time	31	4	3	0	38

Part Time Positions by Department

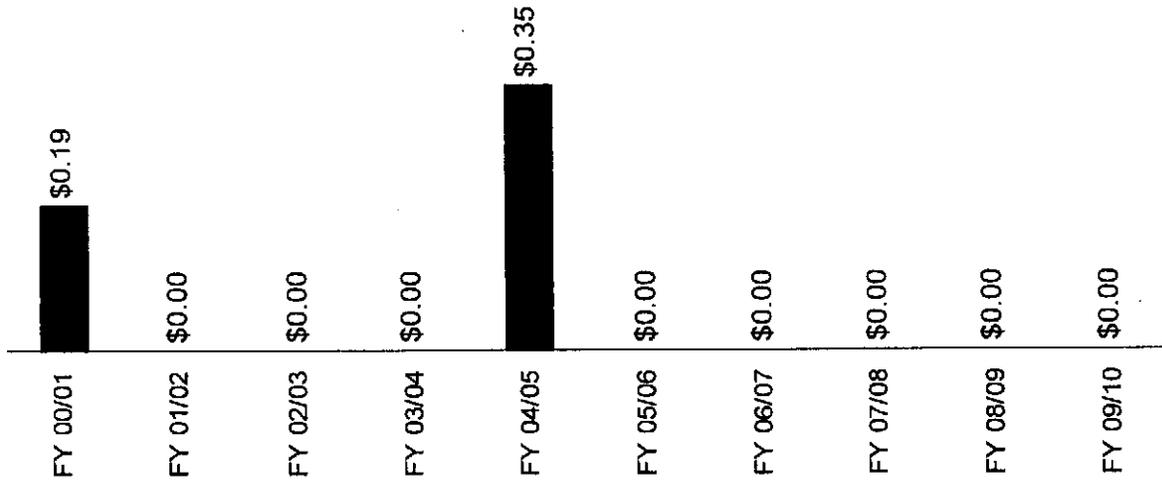
Fiscal Years 2005/06 - 2009/10

Department	FY 05/06	FY 06/07	FY 07/08	FY 08/09	FY 09/10	Difference 08/09 - 09/10
Administration	1	1	2	2	3	1
Finance	1	1	1	1	1	0
Community Development	1	1	1	1	1	0
Public Services	0	0	0	0	0	0
Engineering	2	2	1	1	1	0
Recreation	15	16	16	16	15	(1)
Police	31	29	3	4	4	0
Legislative	9	9	9	9	9	0
City Court	1	1	1	1	1	0
Civil Service	2	1	0	0	0	0
Public Assembly Facilities	0	1	3	3	3	0
Subtotal - Other Departments	12	12	13	13	13	0
GRAND TOTAL	63	62	37	38	38	0

* School Crossing Guards were formerly included in the Part-Time personnel count. They are now budgeted as event personnel and thus not included. School crossing guards are still included in the budget but not shown in this table. There is no other change in the Police Department.

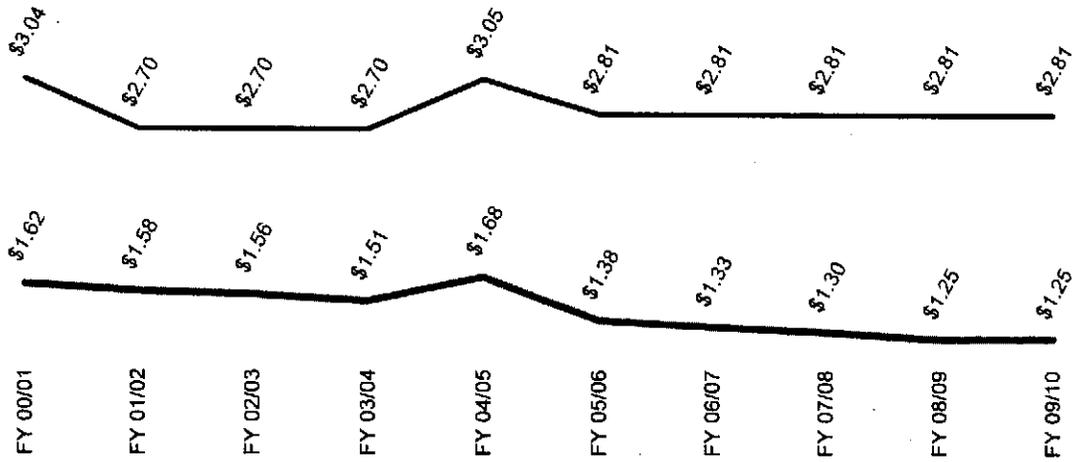
CHANGES IN TAX RATE

Fiscal Years 2000/01 – 2009/10



ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 2000/01 – 2009/10



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 \$1.62 in Fiscal Year 2000/01 to \$1.25 in Fiscal Year 2009/10. This means that the change in the tax rate has been less than the rate of inflation and equalization

EFFECT OF TAX RATE ON HOMEOWNERS

In FY 2009/10 the proposed tax rate is \$2.81 per hundred dollars of assessed value. This is the same rate as FY 2008/09. The following chart summarizes the effect of the city's property tax on homeowners. As shown, a residential home appraised at \$60,000 would be assessed at 25% of that value, or \$15,000. Taxes due are per

\$100 of value, so the city property tax due for a \$60,000 home is \$421.50 (calculated by dividing \$15,000 by 100 and then multiplying by the city tax rate of \$2.81.) The average appraised value for residential property is \$82,324. For the average residential homeowner the total city property tax bill is \$578.33.

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

City of Knoxville

CITY AND COUNTY PROPERTY TAX RATES

FY 87/88 - FY 09/10

Fiscal Year	City Rate	County Rate	City Combined Rate
FY 87/88	\$3.40	2.76	\$6.16
FY 88/89	\$3.24	2.91	\$6.15
FY 89/90	\$3.24	2.85	\$6.09
FY 90/91	\$3.24	2.85	\$6.09
FY 91/92	\$3.24	3.07	\$6.31
FY 92/93	\$3.51	3.25	\$6.76
FY 93/94	\$2.73 *	2.91 *	\$5.64
FY 94/95	\$2.87	2.91	\$5.78
FY 95/96	\$2.87	3.16	\$6.03
FY 96/97	\$2.87	3.16	\$6.03
FY 97/98	\$2.58 *	2.77 *	\$5.35
FY 98/99	\$2.85	2.77	\$5.62
FY 99/00	\$2.85	3.32	\$6.17
FY 00/01	\$3.04	3.32	\$6.36
FY 01/02	\$2.70 *	2.96 *	\$5.66
FY 02/03	\$2.70	2.96	\$5.66
FY 03/04	\$2.70	2.96	\$5.66
FY 04/05	\$3.05	2.96	\$6.01
FY 05/06	\$2.81 *	2.69 *	\$5.50
FY 06/07	\$2.81	2.69	\$5.50
FY 07/08	\$2.81	2.69	\$5.50
FY 08/09	\$2.81	2.69	\$5.50
FY 09/10	\$2.81	2.69	\$5.50

* The Property Assessor is required by law to undertake a complete reappraisal of property at least every four years. This reappraisal was last completed in 2005. Whenever a property reappraisal occurs, cities and counties are required to adopt a "Certified Tax Rate". This is the rate that would generate the same amount of tax revenue as before reappraisal. The "Certified Tax Rate" in FY 05/06 for the City was \$2.81 and for the County \$2.69. This rate in effect discounts the increases in value resulting from reappraisal.

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

ASSESSED VALUES - ALL PROPERTY

Fiscal Years 1983/84 - 2009/10

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	2,476,436,718	293,852,253	150,264,579	2,920,553,550
2004	2,525,476,515	302,687,562	157,887,475	2,986,051,552
2005	2,862,056,080 *	315,752,361	161,363,916	3,339,172,357
2006	2,920,636,035	329,685,195	145,503,340	3,395,824,570
2007	3,039,973,875	307,480,409	148,366,486	3,495,820,770
2008	3,156,234,335	305,025,792	146,017,169	3,607,277,296
2009 (Est.)	3,198,140,230	304,281,730	143,473,350	3,645,895,310

* The Property Assessor is required by law to undertake a complete reappraisal of property at least every four years. These reappraisals were completed in 1993, 1997, 2001 and 2005.

Note that the assessments for each calendar year are reflected in the budget for the following year. For example the 2008 assessments are used in the FY 08/09 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 09/10 equal \$165,342,960. This represents approximately a 1.87% decrease when compared to the budgeted FY 08/09 revenues of \$168,494,780. The adopted FY 09/10 budget does not include the use of fund balance to cover expenditures. Revenues are projected to remain relatively flat, increasing by \$237,370 or 0.14%, when compared to estimated actual revenues in FY 08/09. Property tax revenues are forecast to be up, but the gains are offset by continuing declines in the more elastic revenues such as sales taxes and business taxes.

TAXES

The largest single category of revenue to the General Fund is taxes. This one category equals \$137,232,160 or approximately 83.0% of the total revenue to this fund.

Property Taxes

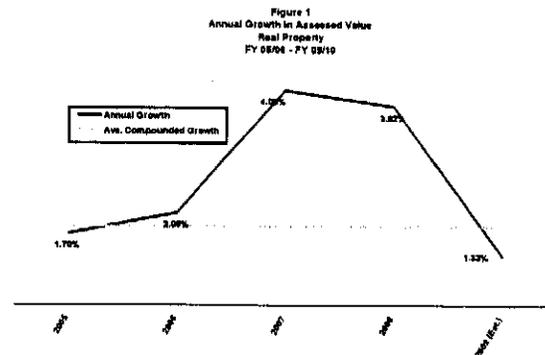
The largest revenue source within this category is property taxes. Property taxes are, in turn, divided into three types: taxes on real property, taxes on personal property, and taxes on public utilities.

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: During the past twenty five years, 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 2000's have been characterized, with the exception of reappraisal years, by this same fairly moderate growth. Growth rates since the last reappraisal have ranged between 2.05% and 4.09%. Given the great decline in

building in the past we expect the growth rate to be much lower. We have forecast a modest increase of 1.3% in real property values. 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 09/10 the projected assessed value of real property is \$3,198,140,230. In projecting the FY 08/09 numbers we lacked information from the Knox County Property Assessor. The final 2008 tax roll came in much higher than expected and this is reflected in the revised estimates for FY 08/09. The projected amounts for FY 09/10 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, but this

has leveled off and occasionally been negative in more recent years. For the upcoming year we forecast the growth in assessed value to be down by 2.4%. This revenue is also affected in part by the equalization rate. 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 was lower rate than we had projected, which explains the decrease in forecasted FY 08/09 revenues from the FY 08/09 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 not supplied until January or February of the subsequent year and have typically varied little 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. We expect this downward trend to recur in the upcoming year and are now forecasting a 1.74% decline in assessed value for this category.

Collection Rate: In recent years, the City has collected an average of 94.7% of real property taxes, 91.9% of personal property taxes, and 95.0% of the taxes upon public utilities in the year in which they are levied. We utilize these averages in making our forecasts. The most notable change in these rates has been an increase in the collection rate for real property, a decrease in the collection rate for personal property, and a slight decrease in the collection rate for public utility property.

Tax Rate:

In FY 09/10 the budget is based upon a total tax rate of \$2.81 per hundred dollars of assessed value, which is the same rate as in FY 08/09. The tax rate is apportioned between the Debt Service

Fund and the General Fund. In FY 09/10, \$0.75 of the tax rate goes directly to the Debt Service Fund, unchanged from FY 08/09. The portion of the tax rate used for General Fund purposes is \$2.06. Combining all factors yields the budgeted revenue from property taxes as illustrated in Table 1.

When compared to the FY 08/09 budget, current projected property tax revenues are up by \$2,143,600 in the General Fund, or approximately 3.12%.

Tax Discounts

The City offers a one percent discount on property taxes paid before the end of October. For FY 09/10 the anticipated discount in the General Fund is \$380,580, which is \$13,740 more than the FY 08/09 budgeted amount. The greater amount is due to the anticipated growth in real property, 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 09/10 the KUB payment is expected to be \$12,412,200, which is \$453,500 or 3.79% above the budget for FY 08/09. This change is based upon modest growth in property held by KUB, and anticipated growth in average

	Estimated Assessed Valuations	Est-Coll. Rate	Tax Rate per \$100	FY 09/10 Budgeted Revenue
Real Property	\$3,198,140,230	94.7%	\$2.06	\$62,390,000
Personal Property	304,281,730	91.9%	2.06	5,760,500
Public Utilities	<u>143,473,350</u>	95.0%	2.06	<u>2,807,800</u>
TOTAL	<u>\$3,645,895,310</u>			<u>\$70,958,300</u>

revenues. The payment from KCDC is projected at \$36,100, which is the same as the amount budgeted in FY 08/09.

There are several other entities now making payments in lieu of taxes. These payments are part of the redevelopment strategy of the City. The largest of these payments comes from the Knoxville News-Sentinel and is budgeted at \$203,750. Other payments in lieu of taxes are expected to yield \$238,870.

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 09/10, local option sales tax revenues are expected to equal \$33,284,060 or 20.71% of total General Fund revenues. Until FY 08/09 we had seen extraordinary growth in this revenue source in recent years. This is due to overall statewide growth in spending as well as the development of the Turkey Creek shopping area, which has captured sales from other areas of the region. However the nationwide economic situation has affected this revenue greatly. Our current forecast for FY 08/09 has revenues from this source \$3,568,170 or 9.51% below the FY 08/09 budgeted amount. The rate of decline has lessened in recent months but we still expect the decline to continue into the new fiscal year. We are forecasting a decrease of two percent (2.0%) from adjusted FY 08/09 collections.

Other Taxes

Revenues from the beer tax, mixed drink tax, and the alcoholic beverage tax grew at a rapid pace throughout the 1990's, but the rate of growth has slowed somewhat in recent years. In the past two years we have seen reasonable growth in beer taxes, but we expect the trend to weaken in the upcoming year. Revenues from beer taxes are expected to increase by \$10,330 when compared to the FY 08/09 budget. Total revenues from the beer tax are forecast at \$6,962,840. Alcoholic beverage taxes have also grown during the past two years, a trend we also expect to moderate during

the upcoming year. Revenues from this source are expected to generate \$2,431,060 in FY 09/10. This is \$30,580 more than the amount budgeted in FY 08/09. Mixed drink taxes are now forecast to decline from budgeted levels in FY 08/09, but are forecast to remain static in the upcoming year. We are now estimating this revenue at \$1,335,870 in FY 09/10, which is \$17,730 less than budgeted in FY 08/09.

The slowdown in the economy has resulted in fairly static growth in business tax collections. We currently expect to end FY 08/09 down slightly from the budgeted amount. For FY 09/10 we are now projecting zero growth from expected FY 08/09 collections. Projected revenue from this source in FY 09/10 is \$4,621,850.

Cable television franchise taxes from Comcast and Knology are projected to be up slightly when compared to the FY 08/09 budgeted level. We expect only modest growth in the new fiscal year. These revenues are now forecast at \$1,652,380, which is \$35,590 or 2.2% more than the amount budgeted in FY 08/09.

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 \$18,406,730 or 11.1% of total revenue. Overall, we expect this category of revenue to be down by \$1,882,760 or 9.3% when compared to the budget for FY 08/09.

The largest single revenue within this grouping is the state shared sales tax. Current year revenues from this source are now forecast to fall significantly below budgeted revenues for this year, and are expected to continue to decline into FY 09/10. The total estimated amount in FY 09/10 from this source is \$10,943,660. This is \$1,959,610 or 15.2% less than the amount budgeted in FY 08/09.

The second largest revenue in this category is the city's portion of the Hall Income Tax. In FY 09/10 we are expecting revenue from this source to generate \$3,215,900, which is the same as the FY 08/09 budget. The actual collections in FY 07/08 appear to be an aberration and are not expected

to continue. Even if there is some inherent growth, it is expected to be offset by a reduction in dividend payments to individuals in the upcoming year.

The City also receives a number of other state-shared revenues. Revenue from alcoholic beverage tax is expected to be down slightly from the amount budgeted in FY 08/09, at a total of \$70,980. Revenues from beer taxes are also expected to be down slightly over the same as in FY 08/09 at a total of \$90,370.

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 upward from FY 08/09. For FY 09/10 this is expected to generate \$516,780 or \$39,350 more than budgeted in FY 08/09. This is still expected to drop by five percent (5%) when compared to estimated collections in FY 08/09.

Revenue from the special petroleum products tax is also expected to decrease slightly. This revenue is budgeted at \$361,090 or \$28,190 less than in FY 08/09. On the other hand, the City's share of TVA gross receipts is forecast to be up when compared to FY 08/09. The expected amount from this source is up from forecast levels and, consequently, we have revised our FY 09/10 projections upward. The result is an anticipated increase of \$53,240 or 3.22% when compared to the FY 08/09 budget.

The City has, in the past, received money from the federal government to help offset the cost of several police department positions. This money is listed as federal contribution.

This estimate shown here represents funding to pay overtime of officers working in the KCDC housing areas. The total amount budgeted for FY 09/10 is \$880,600 which is \$10,010 more than in the FY 08/09 budget.

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 \$409,200 and is exactly equal to planned expenditures in the Police and Fire Department budgets.

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 \$136,000. 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. The combined total from these sources is \$5,060,970, or 3.06% of the total General Fund. A breakdown of these revenues for FY 08/09 and FY 09/10 is shown in Table 2.

Overall, the category of licenses and permits is down by \$12,480 or 3.99% when compared to the budget for FY 08/09. Roughly the same number of accounts within this category is expected to be up

as down when compared to the FY 08/09 budget. The largest expected decrease is in beer application fees, which are forecast to total \$18,570, a decrease of \$9,640. This is partially offset by expected higher amounts from various other charges. For example, Liquor by the ounce fees and alcoholic beverage licenses are expected to increase by \$4,290 and \$1,200 respectively.

	FY 08/09 Budget	FY 08/09 Est. Actual	FY 09/10 Projected Revenues
Licenses & Permits	\$313,070	\$300,590	\$300,590
Charges	\$1,224,310	\$1,119,450	\$1,173,450
Fines & Forfeits	\$1,573,180	\$1,737,460	\$1,737,460
Misc. Revenue	\$1,757,290	\$1,849,470	\$1,849,470
TOTAL	\$4,867,850	\$5,006,970	\$5,060,970

The amount expected to come from charges for services is projected at \$1,173,450, which is \$50,860 or 4.15% less than the budgeted amount for FY 08/09. This decrease is primarily due to decreases in attorney fees, officer costs, and team registration fees. These are offset, in part, by increased expected revenue from codes enforcement liens, and reimbursements from the state for work done on state highways. A change in way concessions are handled at the City's pools also result in an increase in these revenues as well.

The category of fines and forfeits represent a portion of fines that are rebated from the county court. Revenues from this source are expected to yield \$168,900 from General Sessions costs, and \$208,500 from Criminal Court fines. Revenues from red light violations are up, this being attributable to full year implementation at more sites. Overall this category of revenue is expected to yield \$1,216,100, which is \$168,660 more than budgeted in FY 08/09.

The category entitled miscellaneous revenue is projected at \$1,849,470, which is \$92,180 more than the amount budgeted in FY 08/09. The growth in this category comes mainly from sales of used equipment. Interest earnings are also expected to be up slightly when compared to FY 08/09. Yields have increased slightly in recent months, although they remain very low. However given the extremely low rates in the first half of the

FY 08/09 fiscal year, we expect some modest increases in this category. Interest earnings are expected to generate \$1,400,00 in FY 09/10, this being \$15,600 more than the budget for FY 08/09.

The trend for parking meter revenue has again reversed course and is expected to be up slightly for the year. We are forecasting this revenue source to generate \$284,000 in FY 09/10, which is up by \$11,280 or 4.1% when compared to the FY 08/09 budget. Miscellaneous revenue is expected to decline by \$33,970 when compared to the FY 08/09 budget.

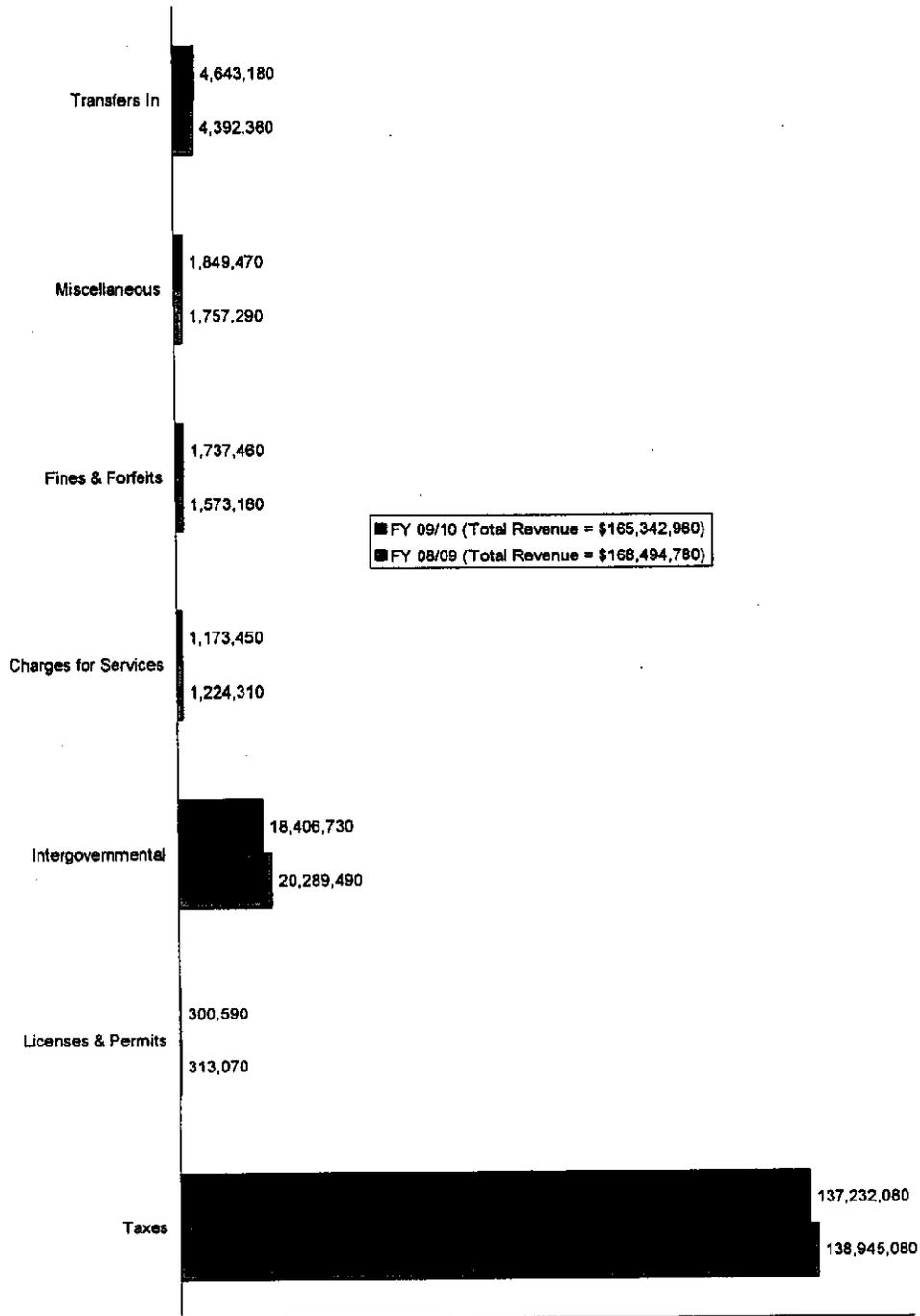
Transfers In

The revenue budgeted under transfers 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 greatly during the past year. We expect this growth to continue in the upcoming fiscal year. Excess City Court fees are now forecast at \$4,643,180 or \$250,820 above the amount budgeted in FY 08/09.

APPROPRIATED FUND BALANCE

The FY 09/10 General Fund budget does not appropriate any Fund Balance. This is the sixth consecutive year in which the budget does not include the use of any fund balance.

General Fund Revenue Comparison
FY 2008/09 – 2009/10



GENERAL FUND REVENUE

Fiscal Year 2009/2010

Account Code	Revenue Source	FY 06/07 Actual	FY 07/08 Actual	FY 08/09 Budget	FY 08/09 Forecast	FY 09/10 Budget
5111	Property Tax Real - Current	\$ 57,997,246	\$ 59,843,445	\$ 60,137,940	\$ 61,424,890	\$ 62,390,000
5112	Property Tax Real - Prior	2,421,909	1,760,329	2,006,240	1,947,550	1,947,550
5113	Personal Property Tax - Current	6,348,648	5,927,444	5,891,230	5,774,570	5,760,500
5114	Personal Property Tax - Prior	252,524	115,797	83,340	159,620	159,620
5115	Public Utilities - Current	2,980,610	2,982,161	2,785,530	2,947,790	2,807,800
5116	Public Utilities - Prior	270,685	14,946	2,000	25,460	25,460
5117	Discount	(303,586)	(517,195)	(366,840)	(337,660)	(380,580)
5131	K U B	11,867,500	11,628,456	11,958,700	12,043,900	12,412,200
5132	K C D C	29,047	36,093	36,100	36,100	36,100
5134	Downtown	148,834	82,375	87,250	87,250	82,370
5135	News-Sentinel	98,260	133,425	98,260	98,260	203,750
5136	Other PILOTS	172,929	158,575	172,930	172,930	158,500
5141	Local Shared Sales Tax	36,658,657	37,273,878	37,531,500	33,963,330	33,284,060
5151	Beer Tax	6,442,607	6,728,320	6,952,510	6,826,310	6,982,840
5152	Mixed Drink Tax	1,298,087	1,359,136	1,353,600	1,335,870	1,335,870
5153	Alcoholic Beverage Tax	2,279,845	2,385,182	2,400,480	2,431,060	2,431,060
5161	Business Tax	28,538	20,013	29,290	37,500	28,130
5165	Tax Sale Publication Fees	55,002	63,673	47,810	66,950	66,950
5166	Business Tax 2003	4,961,368	5,137,137	4,703,260	4,621,850	4,621,850
5171	Interest & Penalties-Current	204,714	171,832	150,000	150,000	150,000
5172	Interest & Penalties-Prior	1,429,385	1,143,921	1,183,410	999,890	999,890
5173	Interest & Penalties-Business	3,047	1,374	740	11,640	11,640
5174	Interest & Penalties-License	212	4,443	7,770	570	570
5175	Interest & Penalties CBID	5,590	4,353	2,180	4,400	4,400
5176	Interest-New Bx	11,500	12,293	11,150	11,330	11,330
5177	Penalty-New Bx	57,189	59,590	57,810	59,840	59,840
5178	Interest - Bankruptcy Court	8,083	10,752	4,100	10,200	10,200
5193	Cable TV Franchise Tax	1,526,066	1,621,527	1,616,790	1,644,160	1,652,380
	Subtotal - Taxes	137,254,316	138,161,275	138,945,080	136,555,360	137,232,080
5201	Blasting Permits	7,180	3,400	1,730	2,090	2,090
5202	Fire Reports	1,830	1,945	1,800	690	690
5203	Fireworks Permit	2,680	4,430	3,770	4,300	4,300
5204	Tank Abandonment	400	0	0	0	0
5205	Tank Installation Fees	15,670	17,680	19,480	15,940	15,940
5211	Merchant & General Privilege	200	100	110	130	130
5212	Liquor By Ounce	172,730	166,420	172,530	176,820	176,820
5215	Alcoholic Beverage License	6,500	6,500	4,800	6,000	6,000
5251	Beer Application Fees	30,900	29,100	28,210	18,570	18,570
5252	Beer Privilege Tax	58,681	57,009	59,050	57,980	57,980
5253	Beer Permit Publications	3,325	2,919	2,580	1,980	1,980
5254	Beer Permit Records Check	8,075	9,000	9,580	7,520	7,520
5255	Duplicate Beer Permits	1,139	1,005	740	270	270
5291	Solicitation	5,225	5,200	5,730	5,230	5,230
5293	Street Vendor	3,700	3,300	2,960	3,070	3,070
5296	Background Check Fees	0	5,904	0	0	0
	Subtotal - Licenses & Permits	318,235	313,912	313,070	300,590	300,590
5313	Emer. Mgmt. - Federal Share	85,021	85,021	136,000	136,000	136,000
5319	Federal Grants	739,540	875,018	870,590	880,600	880,600
5321	Sales Tax	12,564,786	12,459,094	12,903,270	11,167,000	10,943,660
5322	Income Tax	7,300,809	7,077,807	3,215,900	3,215,900	3,215,900
5323	Beer Tax	93,347	95,115	96,650	90,370	90,370
5324	Alcoholic Beverage Tax	81,918	133,355	75,000	70,980	70,980
5326	Streets & Transportation Gas	383,096	378,906	389,280	372,260	361,090
5327	Excise Tax	581,494	477,421	477,430	543,980	516,780
5328	TVA - Gross Receipts	1,480,526	1,651,826	1,652,090	1,705,330	1,705,330
5329	State Contribution	127,350	607,800	399,300	399,300	409,200
5332	Telecommunications Sales Tax	28,112	22,710	20,980	23,820	23,820
5341	Emer. Mgmt. - County Share	0	53,000	53,000	53,000	53,000
5342	County Grants/Contributions	78,000	0	0	0	0

GENERAL FUND REVENUE

Fiscal Year 2009/2010

Account Code	Revenue Source	FY 06/07 Actual	FY 07/08 Actual	FY 08/09 Budget	FY 08/09 Forecast	FY 09/10 Budget
5350	State Grants	0	100,000	0	0	0
	Subtotal - Intergovernmental Revenue	23,543,999	24,017,073	20,289,490	18,658,540	18,406,730
5410	Market Square Rental	(100)	0	0	1,850	1,650
5412	Atty. Cost - Taxes	408,744	345,671	344,640	245,050	245,050
5413	Recording & Collection	44,268	44,316	44,930	43,570	43,570
5423	Accident Reports	186,251	200,111	166,960	168,450	168,450
5425	Officer Costs	40,146	26,233	25,000	12,700	12,700
5434	Codes Enforcement	193,865	188,498	193,860	239,430	239,430
5435	State Reimb./Streets, Signs	148,635	102,236	95,000	95,000	125,000
5441	Recreation Program Fees	19,782	29,366	27,780	19,780	19,780
5442	Inskip Pool Gate	40,756	46,594	40,760	42,320	42,320
5443	Ed Cothren Pool Gate	8,415	6,850	4,820	4,900	4,900
5444	Indoor Pool Fees and Rentals	17,452	15,193	14,840	17,560	17,560
5445	Team Registration Fees	37,185	53,158	62,230	40,010	40,010
5447	Vending Concessions	17,009	11,698	13,570	4,780	4,780
5449	Summer Program Registration Fee	14,954	17,888	14,950	12,200	12,200
5450	Tennis Revenue	6,319	7,845	6,320	8,200	9,200
5451	Building and Shelter Revenues	22,873	41,386	36,370	37,650	37,650
5452	Parks and Field Rental Fees	10,310	17,455	25,080	8,600	8,600
5453	Lease of SKCC	35,585	54,145	35,580	32,000	32,000
5459	Parks and Recreation - Miscellaneous Fees	1,075	13,795	5,500	6,000	6,000
5461	Caswell Park League Concessions	19,740	37,204	37,190	38,000	38,000
5464	Caswell Park Gate Fee	21,885	26,366	28,930	28,600	28,600
5466	Inskip Pool Concessions	0	13,720	0	9,000	27,000
5467	Ed Cothren Pool Concessions	0	5,354	0	3,000	9,000
	Subtotal - Charges for Services	1,295,149	1,305,082	1,224,310	1,119,450	1,173,450
5511	General Sessions Fines	14,971	0	0	0	0
5512	County Court Costs	136,647	182,243	192,610	168,900	168,900
5528	KPD - Automated Information	116,037	125,928	132,210	143,960	143,960
5529	KPD-Moving Violations	67	0	0	0	0
5531	Criminal Court Fines	205,176	203,963	200,920	208,500	208,500
5532	KPD - DARE	825	1,031	0	0	0
5572	False Alarm Citation	0	76	0	0	0
5580	Red Light Camera Fines	467,830	933,968	806,160	912,600	912,600
5581	Red Light Camera Fines - Municipal Court	188,098	237,478	241,280	303,500	303,500
	Subtotal - Fines & Forfeits	1,129,651	1,684,687	1,573,180	1,737,460	1,737,460
5603	Residential Parking Permits	4,862	0	4,800	0	0
5611	Interest On Investments	1,368,080	1,728,756	1,384,400	1,400,000	1,400,000
5616	Interest on Loans and Notes	0	3,832	0	0	0
5620	Lease & Rental Income	24,000	42,001	24,000	53,000	53,000
5627	Parking Meters	339,420	265,291	272,720	284,000	284,000
5642	Equipment	77,892	74,433	20,000	95,070	95,070
5699	Misc. Revenue	166,262	356,192	51,370	17,400	17,400
	Subtotal - Misc. Revenue	1,980,516	2,470,505	1,757,290	1,849,470	1,849,470
	Grand Total - Operating Revenue	165,521,868	167,952,534	164,102,420	160,220,870	160,699,780
5905	Transfer - Excess City Court Revenues	3,933,750	4,142,830	4,392,360	4,684,720	4,643,180
5970	Residual Equity Transfers	0	177,872	0	200,000	0
	Subtotal - Transfers In	3,933,750	4,320,702	4,392,360	4,884,720	4,643,180
	Grand Total - General Fund	\$ 169,455,616	\$ 172,273,236	\$ 168,494,780	\$ 165,105,590	\$ 165,342,960

GENERAL FUND EXPENDITURES

General Fund Overview

Proposed General Fund expenditures for FY 09/10, including the reservation for contingencies, are \$165,342,960. This is 1.87% less than the FY 08/09 General Fund budget of \$168,494,780. Following are significant expenditure changes for the proposed budget. The purpose of this section is to provide a general overview of all expenditure categories.

TABLE 1

	FY08/09	FY09/10	Change
Personal Services	\$ 82,680,220	84,075,980	1,395,760
Supplies	3,672,850	4,087,350	414,500
Other Charges	44,921,910	42,828,690	(2,093,220)
Transfers Out	37,219,800	34,350,940	(2,868,860)
Total's	\$ 168,494,780	165,342,960	(3,151,820)

Personal Services

Personal Services, which include salaries and benefits, increased by \$1,395,760 or 1.69% when compared to the FY 08/09 budget. Last year the city had an outside consultant perform a comprehensive compensation study with the changes being implemented over three years. Implementation of the recommendations for the second year and the 2.5% general salary increase for all non-probationary employees account for \$2,370,000 of the increase in personal services. The salary increases were partially offset by decreases in various insurance charges, particularly dental. City wide, the total number of fulltime employees remained at 1,604, however General Fund employees decreased by 1 to 1,383 due to some minor departmental reorganization. Specific departmental budgets are discussed in more detail below, and in the executive summary.

Supplies

The category of "Supplies" is used to pay for such things as office and operating supplies, repair and maintenance items (chemicals, road salt, etc.), and operating equipment not provided for in the equipment replacement funds or capital budget. The budget for supplies category increases by \$414,500 (11.29%). Some accounting changes in Law combined with an increase in supplies for Fire cover most of this change.

Other Charges

"Other Charges" include such expenditures as postage, professional services, equipment leases, internal service fund charges, and various miscellaneous items. The proposed budget reflects a decrease of \$2,093,220 when compared to the previous fiscal year. Anticipated decrease in fleet fuel charges account for most of this change.

Transfers

Transfers reflect the movement of financial assets between City funds. Due to their significance in the operations of the General Fund, special emphasis is given here. The majority of the transfers are for subsidies to cover revenue shortfalls in various other funds. Budgeted transfers decreased by \$2,868,860 from the previous fiscal year to a total of \$34,350,940. The largest change was a reduction of \$4,194,650 in the Capital Projects transfer relating to a decrease in the City's proposed Capital budget for FY09/10. It was partially offset by increases in other transfers. The largest increases were for the KAT operating subsidy (\$707,030) and Inspections (\$476,870) due to reduced construction as a result of the nationwide reduction in construction spending. Other increases include the Tax Increment transfer - \$242,800 and the Health Care transfer - \$701,360. The latter is due primarily to the switch of the Health Center to this fund. It is offset by a corresponding reduction in the transfer to the Risk Management Fund.

Administration

The proposed Administration budget grows by \$76,800 (3.23%). Personal services costs increased by \$81,410 due to salary increases and the addition of an Intern I position added to the Office of Special Events. Supplies increased by \$26,610 (66%), but were offset by a decrease \$31,220 (5.6% in the other expenses category).

Finance Division

The FY 09/10 budget for the department of Finance and Accountability decreased by \$91,170 or 2.54%. Overall, personal services expenditures increase by \$70,280 as the result the proposed salary increase. Supply costs increase slightly by \$4,460. Other Charges decreased by \$165,910 due to the transfer of the costs associated with the delinquent tax attorney to the Law Department.

Information Systems Division

Information Systems budget decreased by \$53,890 or 1.34%. Personal services increases of \$128,900 due to the proposed salary and benefit increases were offset by increased Supply costs (\$250) and a decrease in Other Charges (\$183,040) mostly due to decreased leased equipment charges.

Community Development Division

The proposed budget for Community Development (Economic Administration) is \$1,079,150, an increase of \$28,470 (2.71%) from prior year. Personal services accounted for \$32,010 of the increase due to the proposed salary changes. Supplies increases of \$250 to \$17,790 were offset by decreases in the other expenses (\$3,790).

South Knoxville Waterfront

The City has created a department to oversee the redevelopment of the City's South Knoxville Waterfront. The proposed operating FY09/10 budget for administration of our redevelopment effort is \$298,990. Actual projects are funded through the Capital Improvement Projects fund.

Engineering Division

The Engineering budget decreased by \$112,010 (-1.96) from the prior fiscal year. Increases in personal services of \$58,760 due to the proposed salary increase and supplies of \$20,540 (primarily due to an increased costs for pavement marking

were offset by a decrease of \$191,310 largely due to a reduction in required support costs for the Knoxville Geographic Information System Agency.

Public Service Division

The proposed FY 09/10 budget for the Public Service Division is \$20,077,210, an increase of \$71,350 (0.36 %) from FY08/09. Personal service costs increase from \$11,805,470 to \$12,186,000 (\$380,530) due to salary and benefit increases. Supply costs increased \$186,070 (20.4%) primarily due to general increased costs of supplies and the inclusion of uniform expenses (\$70,000) that were previously budgeted in the 'other expense' category. Higher supply costs were offset by lower other expense costs which decreased \$495,250. Specific reductions in Professional Service costs (\$47,370) and Fleet charges (\$303,170) accounted for the bulk of the decreases.

Parks and Recreation Division

The Parks and Recreation budget for FY 09/10 increases by \$52,040 (0.77%) to \$6,796,420. Personal service increases \$44,710 due in part to overall salary increases and the federally mandated increase associated with the minimum wage. Supply costs show a small increase of \$13,960. The 'Other Cost' category decreases by \$6,630.

Mass Transit Division (Grant Match)

The Mass Transit Grant Match for FY 09/10 increases by \$119,200 to \$969,200. This funding is sufficient to meet the City's current grant match requirements.

Law

The Law Department budget increased by \$155,620 (9.33%). The increase in Personal Services of \$159,130 was mainly due to the addition of a new attorney position. The overall budget for supplies and other charges decreased by \$3,510 due to lower risk management charges.

Police Department

The FY09/10 budget for the Police Department is \$45,145,760, an increase of \$414,840 or 0.93%, over FY 08/09. Personal Services increase by \$748,700. This increase is due to compensation plan changes for Police Officers in addition to the 2.5% across the board increase.

Other costs decreased \$370,880 due to lower costs associated with operating their fleet of vehicles. Total departmental authorized strength is 522, including uniformed positions which remains at 416.

Emergency Management Division

The FY 09/10 budget for Emergency Management increases by \$5,470 from last year. The change in the budget is primarily due to higher personal service charges due to the proposed salary increase.

Fire

The FY 09/10 proposed budget for the Fire Department is \$30,698,080 representing a decrease of \$370,140 or (-1.19%) over FY 08/09. Personal services increase \$398,250 due to the proposed salary increase and compensation plan changes.

Supplies increase by \$55,150. Other charges decrease by \$822,540, largely due to lower fleet charges (\$697,590). There was an increase of \$282,370 in water hydrant charges.

The authorized strength for the uniformed personnel remains at 328. Total department strength is three hundred thirty-eight (338) including the 10 non-uniformed support personnel.

Civil Service

The Civil Service budget for FY 09/10 increased by \$15,670 to \$994,060. Personal service costs increase by \$23,410 due to the proposed salary and benefit increases. Supply cost increases of \$310 were offset by a decrease of \$8,050 in the other costs category resulting from a decrease in the risk management charges.

Legislative

The legislative budget increased by \$9,990 (1.10%) to \$916,480 resulting from higher personal service costs.

Non-departmental

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. A total

of \$280,000 is budgeted for the upcoming general city election.

OTHER FUNDS

State Street Aid (Fund 201)

The State Street Aid budget decreased by \$465,000 to \$4,445,000 as a result of anticipated lower gasoline tax revenues coming from the State. The reduction in State revenues required the City to reduce transfers for capital transportation related improvements and betterments by \$560,000.

Abandoned Vehicles (Fund 209)

The FY 09/10 budget for the Abandoned Vehicles Fund totals \$828,990, a decrease of \$81,010 from FY 08/09. This decrease is due to a decrease in the fund transfer to Capital Projects as a result of reduced capital needs.

City Court (Fund 213)

The total budget for City Court is \$5,420,800. Actual budgeted expenditures are \$777,620. Projected excess fees collected in excess of operating court costs (\$4,643,180), are transferred to the General Fund, an increase of \$250,820 from FY 08/09.

City Inspections (Fund 216)

Due to significantly lower revenues as a result of the nation wide downturn in the building industry, General Fund support for Inspections is required. \$612,250 will be transferred from the General Fund to support this activity. The total Inspections budget increases by \$74,630 largely due to higher fleet charges.

Stormwater (Fund 220)

The proposed budget for FY 09/10 increases by \$190,840 or 8.04% compared to the previous fiscal year largely due to the addition of a City Hydrologist position.

Solid Waste (Fund 230)

The Public Service Division of the Community and Neighborhood Services Department manages the Solid Waste Management Fund. The FY 09/10 budget for Solid Waste is \$10,357,620, an increase of \$53,660 from the prior year. This is

primarily due to increases in contracted services and recycling costs.

Housing Grants (Fund 260)

The total for FY 09/10 housing grants is \$2,244,740 allocated between Home Grants (\$2,162,000) and an Emergency Shelter Grant (\$82,740). The Home Grant funding increases this year by \$499,690 due to increased funding from the Federal Government.

Empowerment Zone (Fund 270)

The Empowerment Zone grant budget remained at \$6,209,300 as a result of no additional funding coming from the Federal Government.

Community Development (Fund 290)

This budget is funded solely from the Federal Community Development Block Grant revenues. The FY09/10 budget is \$2,000,000 which is down slightly from the previous fiscal year due to some minor changes in accounting for certain expenditures related other grants. Salaries are down by \$47,500 due to shifting of personnel to another grant and supplies are up slightly by \$1,000.

Public Assembly Facilities (Fund 503)

The Public Assembly Facilities Fund includes operations at the Civic Coliseum/Auditorium and Chilhowee Park. The proposed FY09/10 budget increases by \$425,480 from FY 08/09. Personal services increased by \$35,220 due to the proposed salary and benefit increases. Supply costs decrease \$17,990 to \$177,300. Other charges (mainly due to additional funding for depreciation) increase by \$425,480.

Metro Parking (Fund 504)

The Metro Parking Fund accounts for the following City parking facilities: Jackson Avenue, Main Avenue Garage, Market Square Garage, Promenade Garage and the State Street Garage. These facilities are now contractually managed by the Public Building Authority for the city. The FY 09/10 budget increases by \$108,840 due to increased activity at the Market Square Garage. There are no personnel service or supply costs in this fund.

Knoxville Convention Center (Fund 506)

This fund encompasses operations at the City's Convention Center and its accompanying Locust Street Garage, as well as debt service and depreciation associated with these facilities. The total budget for this fund is \$20,165,400 which represents a \$2,446,970 decrease from FY08/09. This decrease is mainly attributable to decreases in professional service charges associated with reduced demand for the facility associated with the current economic downturn and a reduction in depreciation expense.

Mass Transportation (Fund 507)

The FY 09/10 budget for Mass Transit operations is \$20,431,500. The budget includes all three divisions of KAT; Motor Buses, Trolleys, and Lift (paratransit) Services. Operating expenses increase by \$847,440 due primarily to salary and benefit increases.

Fleet Services (Fund 702)

The Fleet Services Operating Fund decreases by \$1,691,650. Supplies decreased by \$664,890 due mainly to a \$441,760 decrease in estimated fuel costs. The balance of the decrease is found in the Fleet Service Equipment Replacement Fund. This fund decreased by \$1,162,640 which was driven by lower depreciation costs for city vehicles.

Risk Management (Fund 704)

The Risk Management Fund is a division of the Finance and Accountability Department. The budget for FY 09/10 decreases by \$1,104,790 to \$7,261,280 from the previous fiscal year. This is attributable mainly due to lower costs for worker's compensation charges.

Health Care (Fund 705)

The FY 09/10 budget for the Health Care intergovernmental services fund increased by \$112,010 from FY 08/09 to \$16,287,390. This fund accumulates employee and employer funds to acquire or directly provide employee health related benefits. Personal services costs increase \$26,000 mostly due to the proposed salary increase. The supplies category remains the same as FY08/09 at \$9,600. Various other expense costs increased by \$86,010 to \$16,066,710.

GENERAL FUND EXPENDITURES BY DEPARTMENT

Fiscal Year 2009/10

Department	Actual FY 08/07	Actual FY 07/08	Adopted Budget FY 08/09	Proposed Budget FY 09/10	\$ Change 08/09 - 08/10	% Change 08/09 - 09/10
Administration	\$ 2,056,658	\$ 2,094,280	\$ 2,378,100	\$ 2,454,900	\$ 76,800	3.23%
Finance	2,992,260	3,282,695	3,591,100	3,499,930	(91,170)	(2.54%)
Information Systems	3,190,696	3,289,183	4,028,340	3,974,450	(53,890)	(1.34%)
Community Development	682,861	668,793	1,050,660	1,079,150	28,470	2.71%
South Knoxville Waterfront	0	254,515	292,280	298,990	6,710	2.30%
Public Services	18,506,507	18,833,525	20,005,860	20,077,210	71,350	0.36%
Engineering	5,379,139	5,546,934	5,706,950	5,594,940	(112,010)	(1.96%)
Recreation	6,139,663	6,350,045	6,744,380	6,796,420	52,040	0.77%
Knoxville Area Transit (KAT)	830,000	830,000	850,000	989,200	119,200	14.02%
Law	1,573,216	1,432,153	1,667,220	1,822,840	155,620	9.33%
Police	39,847,585	42,862,215	44,730,920	45,145,760	414,840	0.93%
Emergency Management	277,999	296,659	292,970	298,440	5,470	1.87%
Fire	27,998,056	29,913,427	31,068,220	30,698,080	(370,140)	(1.19%)
Legislative	815,596	826,861	906,490	916,480	9,990	1.10%
Civil Service	916,891	1,145,847	978,390	994,060	15,670	1.60%
Nondepartmental						
City Elections	10,933	236,484	30,000	280,000	250,000	833.33%
Knoxville Partnership	540,000	540,000	673,390	651,300	(22,090)	(3.28%)
Metropolitan Planning Commission (MPC)	713,430	713,430	763,430	800,000	36,570	4.79%
Knoxville Zoological Park	908,420	909,920	907,100	906,250	(850)	(0.09%)
Agency Grants	1,900,400	1,513,400	1,130,200	996,700	(133,500)	(11.81%)
Waterfront	358,543	357,119	511,590	519,390	7,800	1.52%
Community Action Committee (CAC)	444,550	468,950	517,370	542,530	25,160	4.86%
Reserve	0	0	2,450,000	1,675,000	(775,000)	(31.63%)
Transfers	41,471,348	47,118,325	37,219,800	34,350,940	(2,868,860)	(7.71%)
Subtotal - Nondepartmental	46,347,624	51,857,628	44,202,880	40,722,110	(3,480,770)	(7.87%)
GRAND TOTAL	\$ 157,554,751	\$ 169,284,760	\$ 168,494,780	\$ 165,342,960	\$(3,151,820)	(1.87%)

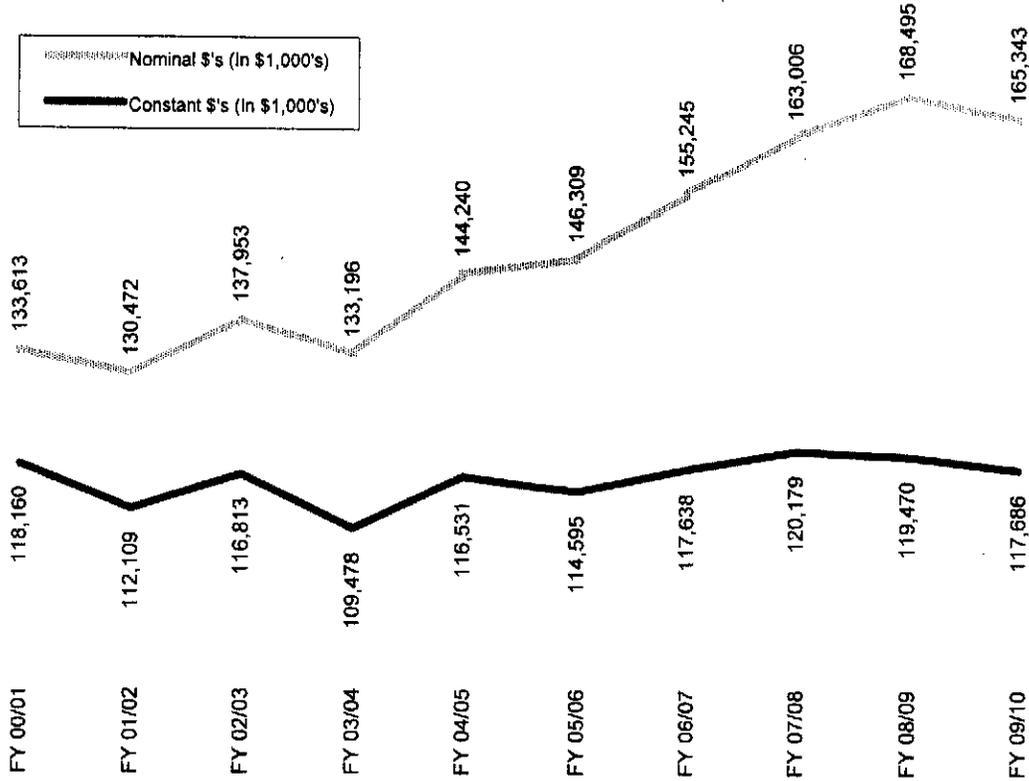
GENERAL FUND BUDGET BY DEPARTMENT

Fiscal Years 2005/06 - 2009/10

Department	Adopted Budget FY 05/06	Adopted Budget FY 06/07	Adopted Budget FY 07/08	Adopted Budget FY 08/09	Proposed Budget FY 09/10
Administration	\$ 2,061,890	\$ 2,169,830	\$ 2,233,330	\$ 2,378,100	\$ 2,454,900
Finance	3,180,010	3,167,780	3,287,000	3,591,100	3,499,930
Information Systems	3,201,410	3,391,170	3,564,700	4,028,340	3,974,450
Community Development	566,190	736,090	978,950	1,050,680	1,079,150
South Knoxville Waterfront	0	0	285,410	292,280	298,990
Public Services	16,956,660	18,627,940	18,946,960	20,005,860	20,077,210
Engineering	5,170,500	5,325,990	5,787,930	5,706,950	5,594,940
Recreation	5,692,990	5,862,910	6,414,150	6,744,380	6,796,420
Knoxville Area Transit (KAT)	882,950	830,000	830,000	850,000	969,200
Law	1,503,090	1,582,860	1,673,140	1,667,220	1,822,840
Police	38,974,730	40,825,150	43,193,610	44,730,920	45,145,760
Emergency Management	277,480	284,650	296,640	292,970	298,440
Fire	27,517,840	28,032,920	29,537,190	31,068,220	30,698,080
Legislative	821,830	861,660	881,320	906,490	916,480
Civil Service	946,310	945,800	943,680	978,390	994,060
Nondepartmental					
City Elections	265,000	40,000	280,000	30,000	280,000
Knoxville Partnership	696,580	540,000	540,000	673,390	651,300
Metropolitan Planning Commission (MPC)	737,550	713,430	713,430	763,430	800,000
Knoxville Zoological Park	864,210	863,420	909,920	907,100	906,250
Agency Grants	1,197,700	1,870,400	1,533,400	1,130,200	996,700
Waterfront	359,380	372,920	469,390	511,590	519,390
Community Action Committee (CAC)	444,980	444,550	469,250	517,370	542,530
Reserve	1,965,000	1,952,410	2,410,000	2,450,000	1,675,000
Transfers	32,024,320	35,803,020	36,470,320	37,219,800	34,350,940
Subtotal - Nondepartmental	38,554,720	42,600,150	44,151,430	44,202,880	40,722,110
GRAND TOTAL	\$ 146,308,600	\$ 155,244,900	\$ 163,005,440	\$ 168,494,780	\$ 165,342,960

City of Knoxville
Equalized General Fund Budget

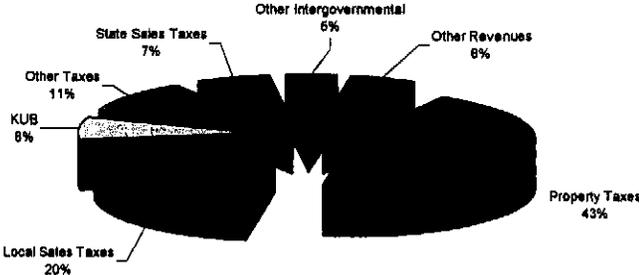
Fiscal Years 2000/01 – 2009/10



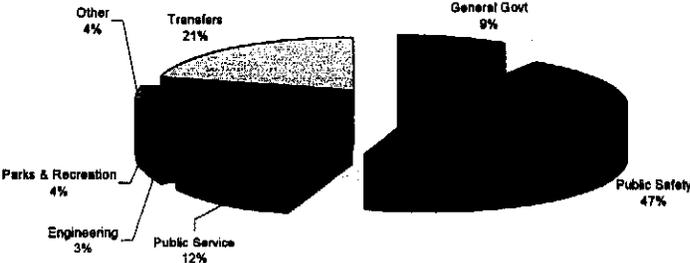
The chart above shows the actual adopted General Fund budget compared to the budget adjusted for the impacts of inflation. As can be seen the adjusted budget has fluctuated over the years. The proposed FY 09/10 budget, as adjusted, is down by \$474,000 compared to 10 years ago, and is down by \$1,784,000 when compared to FY 08/09.

General Fund Revenue and Expenditures
FY 2009-10

Where the money comes from

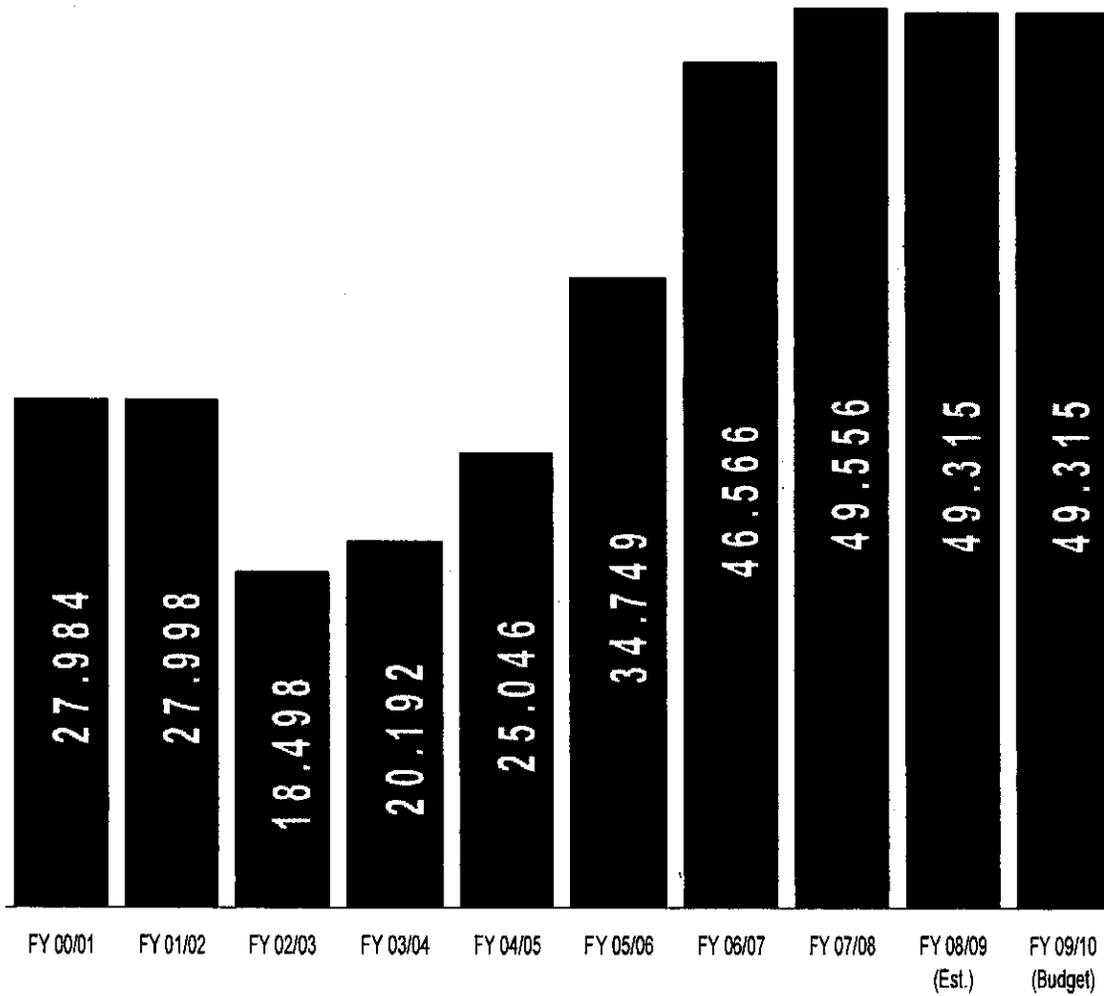


Where the money goes



General Fund Ending Fund Balance

Fiscal Years 2000/01 – 2009/10



All numbers in \$1,000's.

The chart above shows the General Fund ending fund balance from FY 00/00 to FY 09/10. The FY 08/09 total is an estimate. As can be seen in the chart the fund balance declined by a large amount in FY 02/03, increased in FY 03/04, FY 04/05, FY 05/06, FY 06/07 and FY 07/08. It is expected to decrease slightly in FY 08/09. There is no proposed use of fund balance in FY 09/10.

Authorized Positions by Department

Full and Part-Time General Fund

Department	FY 07-08		FY 08-09		FY 09-10		Total Change 08/09 - 09/10
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time	
Administration	24	2	25	2	25	3	1
Finance	43	1	43	1	43	1	0
Information Systems	30	0	30	0	30	0	0
Development Services	0	0	0	0	0	0	0
Community Development	6	0	4	0	4	0	0
South Knoxville Waterfront	2	0	2	0	2	0	0
Public Services	286	0	285	0	284	0	(1)
Engineering	61	1	59	1	59	1	0
Inspections	0	0	0	0	0	0	0
Recreation	50	15	49	15	48	14	(2)
Law	13	0	13	0	14	0	1
Police	516	2	517	3	517	3	0
Emergency Management	3	0	3	0	3	0	0
Fire	338	0	338	0	338	0	0
Legislative	3	9	3	9	3	9	0
Civil Service	13	0	13	0	13	0	0
Nondepartmental							
Knoxville Partnership	0	0	0	0	0	0	0
Subtotal - Nondepartmental	0	0	0	0	0	0	0
Total - Full Time	1,388	30	1,384	31	1,383	31	(1)

Permanent Full Time Personnel

General Fund FY 05/06 - 09/10

Department	FY 05-06 Full Time	FY 06-07 Full Time	FY 07-08 Full Time	FY 08-09 Full Time	FY 09-10 Full Time	Change 05/06 - 09/10	Change 08-09 -09/10
Administration	24	24	24	25	25	1	0
Finance	43	43	43	43	43	0	0
Information Systems	29	30	30	30	30	1	0
Development Services	3	4	0	0	0	(3)	0
Community Development	0	0	6	4	4	4	0
South Knoxville Waterfront	0	0	2	2	2	2	0
Public Services	280	286	286	285	284	4	(1)
Engineering	62	62	61	59	59	(3)	0
Recreation	52	50	50	49	48	(4)	(1)
Law	13	13	13	13	14	1	1
Police	515	514	516	517	517	2	0
Emergency Management	3	3	3	3	3	0	0
Fire	339	338	338	338	338	(1)	0
Legislative	3	3	3	3	3	0	0
Civil Service	13	14	13	13	13	0	0
Nondepartmental							
Knoxville Partnership	1	0	0	0	0	(1)	0
Subtotal - Nondepartmental	1	0	0	0	0	(1)	0
Total - Full Time	1,380	1,384	1,388	1,384	1,383	3	(1)

City of Knoxville

GRANTS TO COMMUNITY AGENCIES

Fiscal Year 2009/10

Description	Actual FY 06/07	Actual FY 07/08	Adopted FY 08/09	Proposed FY 09/10	Dollar Change	Percentage Change
<i>Operating Grants</i>						
Affordable Housing Demonstration Project	323,000	323,000	0	0	0	
African American Appalachian Arts	0	20,000	20,000	20,000	0	0.00%
Arts and Cultural Alliance	25,000	25,000	25,000	25,000	0	0.00%
Beck Cultural Center	28,000	30,000	28,000	28,000	0	0.00%
Bijou Theatre	0	20,000	22,500	22,500	0	0.00%
Blount Mansion Association	7,500	7,500	7,500	7,000	(500)	(6.67%)
Cerebral Palsy Center	6,500	6,500	6,500	7,000	500	7.69%
Central Business Improvement District	80,000	40,000	60,000	60,000	0	0.00%
Child and Family Services	42,000	42,000	42,000	40,000	(2,000)	(4.76%)
Circle Modern Dance	0	0	1,000	0	(1,000)	(100.00%)
disABILITY Resource Center	0	0	0	1,000	1,000	
East Tennessee Community Design Center	0	0	6,000	6,200	200	3.33%
East Tennessee Discovery Center	20,000	20,000	20,000	20,000	0	0.00%
East Tennessee Historical Society	7,500	7,500	15,000	18,000	3,000	20.00%
East Tennessee Technology Access Center	0	0	0	3,000	3,000	
Florence Crittenton Home	4,500	4,500	4,000	4,000	0	0.00%
Friends of the Knox County Library (Imagination Library)	0	0	3,200	5,000	1,800	56.25%
Friends of Literacy	0	0	0	3,000	3,000	
Great Schools Partnership	0	0	10,000	0	(10,000)	(100.00%)
Hazen Historical Museum Foundation	0	0	0	7,000	7,000	
Helen Ross McNabb Center	5,500	5,500	5,500	5,500	0	0.00%
Hola Hora Latina	0	0	500	1,500	1,000	200.00%
Interfaith Health Clinic	20,000	20,000	20,000	30,000	10,000	50.00%
James White Fort Association	5,000	7,000	7,000	7,000	0	0.00%
Joy of Youth Music School	0	0	7,500	7,500	0	0.00%
Keep Knoxville Beautiful	5,000	5,000	5,000	5,000	0	0.00%
Knox Heritage	20,000	20,000	20,000	20,000	0	0.00%
Knoxville Area Urban League	46,000	46,000	46,000	45,000	(1,000)	(2.17%)
Knoxville Choral Society	0	0	0	500	500	
Knoxville Museum of Art	125,000	125,000	115,000	100,000	(15,000)	(13.04%)
Knoxville Opera Company	10,000	10,000	20,000	20,000	0	0.00%
Knoxville Rescue Squad	41,500	41,500	0	0	0	
Knoxville Symphony Society	45,000	45,000	47,500	47,500	0	0.00%
Knoxville Writer's Guild	0	0	500	0	(500)	(100.00%)
Legal Aid of Tennessee	0	0	0	5,000	5,000	
McClung Museum	3,000	3,000	0	0	0	
Metropolitan Drug Commission	46,000	46,000	45,000	40,000	(5,000)	(11.11%)
Positively Living	0	0	0	6,000	6,000	
Safe Haven Center	12,500	12,500	10,000	12,000	2,000	20.00%
Second Harvest Food Bank	0	0	0	7,000	7,000	
Senior Citizens Home Assistance	23,000	23,000	20,000	20,000	0	0.00%
Sertoma Center	22,500	22,500	22,500	22,500	0	0.00%
Tennessee Children's Dance Ensemble	1,400	1,400	1,000	1,500	500	50.00%
Tennessee Stage Company	0	0	0	5,000	5,000	
Tennessee Theatre Foundation	46,000	46,000	46,500	46,500	0	0.00%
UT Speech and Hearing Center	4,000	0	0	0	0	
WDVX	5,000	5,000	10,000	15,000	5,000	50.00%
YMCA	0	0	0	5,000	5,000	
YWCA	5,000	5,000	5,000	5,000	0	0.00%
Subtotal - Operating Grants	1,035,400	1,035,400	725,200	756,700	31,500	4.34%
<i>Capital Grants</i>						
Bijou Theatre Capital	75,000	0	0	0	0	
Boys/Girls Club Capital	0	200,000	150,000	0	(150,000)	(100.00%)
Crutcher Memorial Youth Enrichment	0	0	0	5,000	5,000	
East Tennessee Historical Museum Capital	0	0	20,000	0	(20,000)	(100.00%)
Fountain City Lions Club Capital	0	0	15,000	0	(15,000)	(100.00%)
Helen Ross McNabb Capital	60,000	60,000	0	0	0	
Knoxville Botanical Gardens and Arboretum	30,000	0	75,000	75,000	0	0.00%
Love Kitchen Capital	0	18,000	0	10,000	10,000	
Metropolitan Drug Commission Capital	0	0	0	25,000	25,000	
Senior Citizen's Home Assistance Capital	0	0	125,000	125,000	0	0.00%
Tennessee Theatre Capital	500,000	0	0	0	0	
Transportation Planning Organization Capital	0	0	20,000	0	(20,000)	(100.00%)
YMCA Capital	200,000	200,000	0	0	0	
Subtotal - Capital Grants	865,000	478,000	405,000	240,000	(165,000)	(40.74%)
Grand Total	1,900,400	1,513,400	1,130,200	996,700	(133,500)	(11.81%)

City of Knoxville
GENERAL FUND TRANSFERS

Fiscal Year 2009/10

Account	Description	Budget FY 08/09	Proposed FY 09/10	Change 08/09 - 09/10	Comment
8950	Community Improvement (202) Transfer	90,000	80,000	(10,000)	Transfer for community improvements (see Fund 202)
9906	City Inspections Transfer	135,380	612,250	476,870	Subsidy for City Inspections (see Fund 215)
9907	Stormwater Transfer	2,200,060	2,418,700	218,640	Funding for Stormwater operations (see Fund 220)
9908	Solid Waste Transfer	9,385,590	9,394,220	8,630	Funding for Solid Waste operations (see Fund 230)
9919	Special Revenue Fund Transfer	1,035,380	785,280	(250,100)	Transfer for Senior Aides/Urban Growth/Others (see Fund 250 and 240)
9922	Tax Increment Transfer	563,200	806,000	242,800	Tax Increment Subsidy (see Fund 306)
9926	Capital Projects Transfer	8,664,650	4,470,000	(4,194,650)	Capital Purchases (see Fund 401)
9936	Chilhowee Park Transfer	866,700	816,980	(51,720)	Subsidy for Chilhowee Park operations (see Fund 503)
9937	Auditorium/Coliseum Transfer	1,216,840	1,088,380	(128,580)	Subsidy for Coliseum (see Fund 503)
9941	Convention Center Transfer	2,139,770	2,119,440	(20,330)	Support for Convention Center Operations (see Fund 506)
9942	World's Fair Park Transfer	1,507,410	1,611,620	104,210	Subsidy for WFP operations (see Fund 506)
9943	Mass Transit Transfer	6,764,770	7,471,800	707,030	KAT operating subsidy (see Fund 507)
9944	Trolley Transfer	645,850	588,820	(57,030)	Trolley operating subsidy (see Fund 507)
9945	Golf Course Transfer	128,800	23,190	(105,610)	Subsidy for Municipal Golf Course (see Fund 508)
9953	Risk Management Transfer	863,120	393,080	(470,040)	Support administration of Risk Fund (see Fund 704)
9954	Health Care Transfer	404,450	1,105,810	701,360	Support administration of Health Care Fund (see Fund 705)
9955	Employer Subsidy - Retiree Health Care	605,730	565,370	(40,360)	Subsidy to offset a portion of retiree's health care costs
		<u>37,219,800</u>	<u>34,350,940</u>	<u>(2,868,860)</u>	

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, 2009, the long-term debt of the City, excluding revenue supported debt of the Knoxville Utilities Board (KUB) and the Metropolitan Knoxville Airport Authority (MCAA), is expected to be \$216,957,970. This assumes the issuance of approximately \$18,500,000 in new

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 category of debt, Enterprise Fund debt, debt attributable to the Convention Center, is, consistent with proper accounting procedures, budgeted within the appropriate 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.

The primary revenue to this fund comes from a property tax levy of 75¢. This levy is unchanged when compared to the FY 08/09. For FY 09/10, property tax is projected to yield approximately \$26.37 million. Also included are interest earnings of \$1,050,000. 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 09/10 that amount is \$224,240.

TABLE 1

Type of Debt	Principal Outstanding 6/30/09	Principal Paid In FY 09/10	Principal Outstanding 6/30/10
G.O. Bonds & Notes	\$75,060,000	\$6,235,000	\$68,825,000
Other Debt	1,087,970	70,630	1,017,340
Enterprise Fund Debt	<u>140,810,000</u>	<u>3,580,000</u>	<u>137,230,000</u>
Total	<u>\$216,957,970</u>	<u>\$9,885,630</u>	<u>\$207,072,340</u>

debt for the South Knoxville Waterfront by the end of the current fiscal year. As KUB and MCAA are 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.

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 09/10, as well as a complete amortization schedule by year.

DEBT SERVICE SCHEDULE

Fiscal Year 2009/10

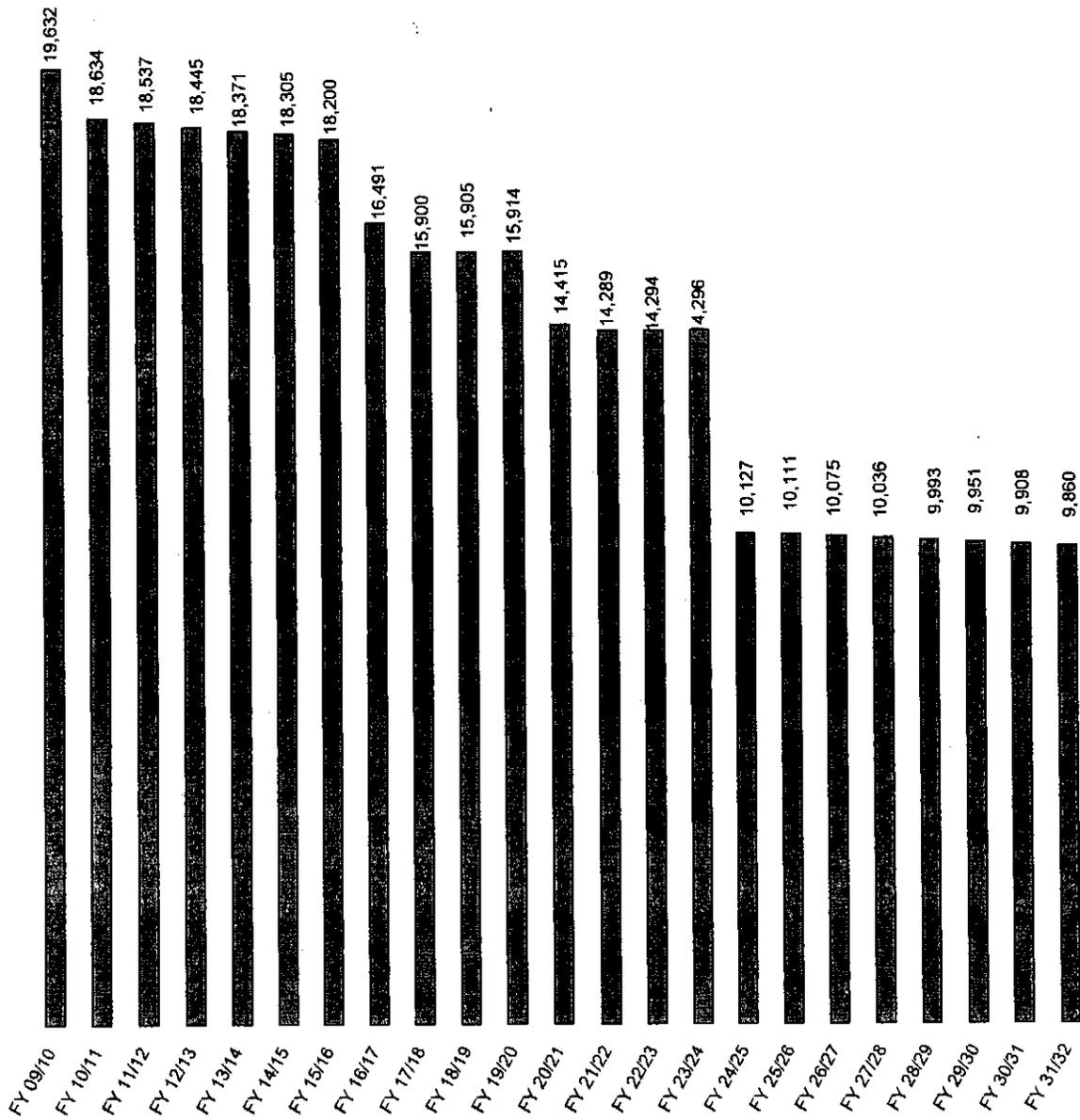
Bond Issue	Final Maturity	Principal Balance 06/30/2009	Principal Payable FY 09/10	Interest Payable FY 09/10	Total Payable FY 09/10	Principal Balance 06/30/2010
General Obligation Bonds						
G.O. Series 2004 A	05/24	27,425,000	1,415,000	1,114,190	2,529,190	26,010,000
G.O. Refunding Series 2004 B	05/17	16,575,000	2,985,000	692,250	3,677,250	13,590,000
G.O. Refunding Series 2005 A	05/20	12,560,000	925,000	576,870	1,501,870	11,635,000
G.O. Series 2009 (Estimated)	05/24	18,500,000	910,000	793,170	1,703,170	17,590,000
Subtotal - G.O. Bonds		<u>75,060,000</u>	<u>6,235,000</u>	<u>3,176,480</u>	<u>9,411,480</u>	<u>68,825,000</u>
Other Debt						
Knox County - 2002	06/21	1,087,970	70,630	55,730	126,360	1,017,340
Subtotal - Other Debt		<u>1,087,970</u>	<u>70,630</u>	<u>55,730</u>	<u>126,360</u>	<u>1,017,340</u>
Grand Total- Fund 305		<u>76,147,970</u>	<u>6,305,630</u>	<u>3,232,210</u>	<u>9,537,840</u>	<u>69,842,340</u>
Enterprise Fund Debt						
TN Loan - 1999	06/20	31,745,000	2,285,000	1,428,530	3,713,530	29,460,000
G.O. Series 2002 A	06/25	49,095,000	1,295,000	2,387,000	3,682,000	47,800,000
TN Loan Variable Rate - 2002	06/32	59,970,000	0	2,698,650	2,698,650	59,970,000
Subtotal - Enterprise Fund		<u>140,810,000</u>	<u>3,580,000</u>	<u>6,514,180</u>	<u>10,094,180</u>	<u>137,230,000</u>
		<u>216,957,970</u>	<u>9,885,630</u>	<u>9,746,390</u>	<u>19,632,020</u>	<u>207,072,340</u>

City of Knoxville
Debt Amortization Schedule

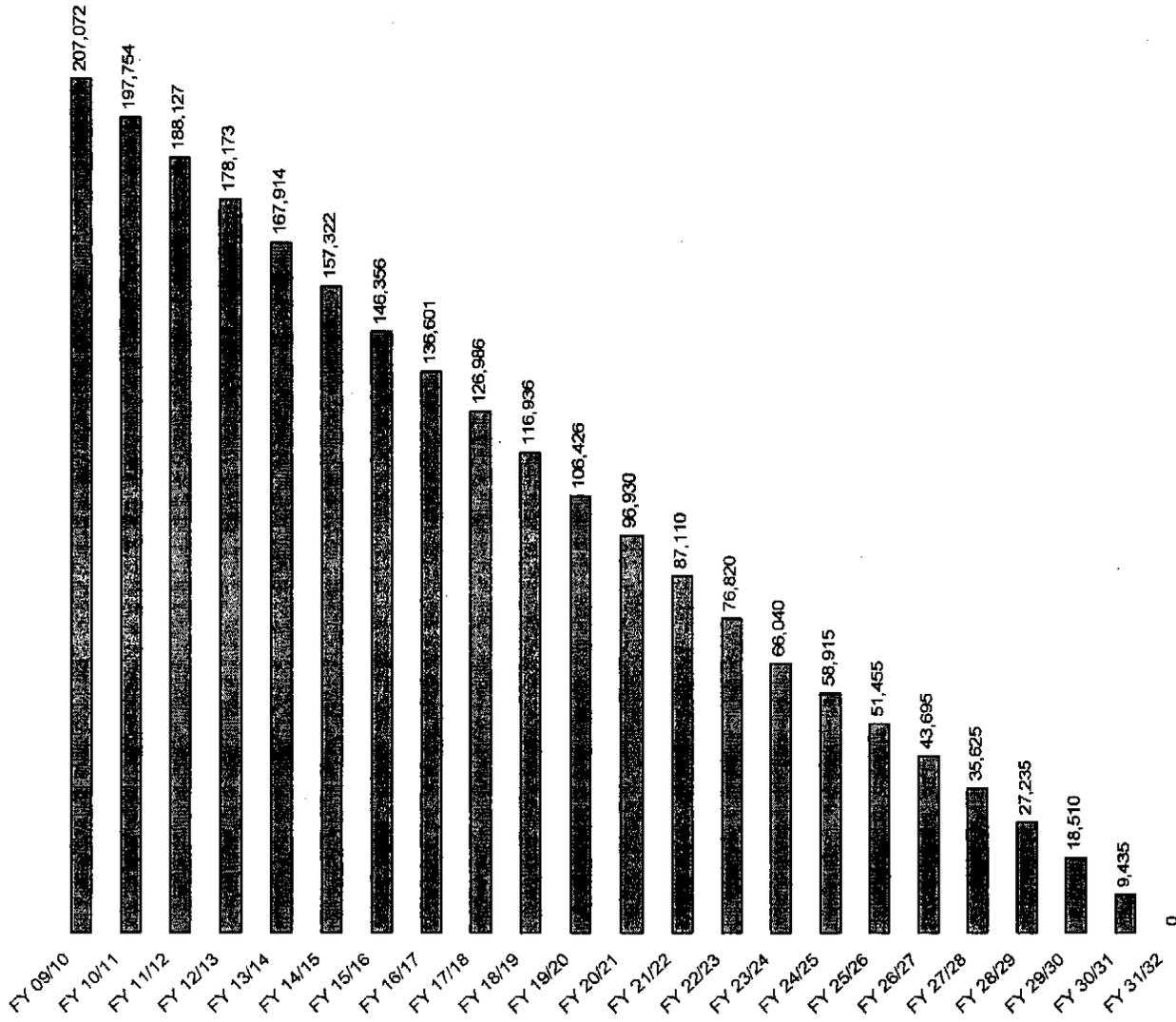
Fiscal Years 2009/10 - 2031/32

Fiscal Year	G.O. Bonds P & I	Other Debt P & I	Enterprise P & I	Total P & I	Principal Balance EOY
2010	9,411,480	126,360	10,094,190	19,632,030	207,072,340
2011	8,413,710	125,510	10,094,560	18,633,780	197,753,860
2012	8,316,210	124,510	10,096,530	18,537,250	188,127,340
2013	8,221,990	123,620	10,099,530	18,445,140	178,172,500
2014	8,150,160	122,950	10,097,990	18,371,100	167,914,140
2015	8,081,440	122,280	10,101,510	18,305,230	157,322,070
2016	7,973,440	121,920	10,104,670	18,200,030	146,356,010
2017	6,262,420	121,730	10,106,870	16,491,020	136,600,580
2018	5,670,160	121,520	10,108,350	15,900,030	126,985,590
2019	5,673,590	121,370	10,109,950	15,904,910	116,935,750
2020	5,677,240	121,360	10,115,280	15,913,880	106,425,680
2021	4,175,260	121,470	10,118,650	14,415,380	96,930,000
2022	4,173,540	0	10,115,900	14,289,440	87,110,000
2023	4,175,360	0	10,118,650	14,294,010	76,820,000
2024	4,180,340	0	10,115,900	14,296,240	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>98,556,340</u>	<u>1,474,600</u>	<u>231,659,860</u>	<u>331,690,800</u>	

Annual Debt Payments
FY 2009/10– 2031/32



Remaining Debt Outstanding (End of Year)
FY 2009/10 – 2031/32



All numbers in \$1,000's.

Project	Proposed Funding	Funding Source
Administration		
Downtown Improvement Fund	50,000	Debt Service Fund
Downtown North	150,000	Debt Service Fund
Downtown Sidewalk Repair	100,000	Debt Service Fund
Downtown Streetscapes	300,000	Debt Service Fund
Jackson/Depot Redevelopment Area Acquisition	1,300,000	Debt Service Fund (\$300,000), Metro Parking Fund (\$1,000,000)
Subtotal - Administration	1,900,000	
Community Development		
ADA Access Improvements	300,000	Debt Service Fund
KCDC Park City Infill Housing	175,000	Debt Service Fund
Chronic Problem Properties	250,000	Debt Service Fund
Blighted Property Acquisition	250,000	Debt Service Fund
Facade Improvement Program	100,000	Debt Service Fund
Sidewalk & Curb Repairs in Facades Improvement Areas	50,000	Debt Service Fund
Subtotal - Community Development	1,125,000	
Engineering		
Bridge Maintenance Program	650,000	State Street Aid Fund (\$560,000), Debt Service Fund (\$90,000)
ADA Curb Cuts	250,000	Debt Service Fund
Sidewalk Safety Program	250,000	Debt Service Fund
Citywide Resurfacing Program	4,750,000	General Fund (\$4,470,000), Debt Service Fund (\$280,000)
SAFETEA-LU (was TEA-21 Match)	1,875,000	Debt Service Fund
Neighborhood Drainage Improvements Program	250,000	Debt Service Fund
Citywide Traffic Calming	10,000	Debt Service Fund
Traffic Signal Modernization	290,000	Debt Service Fund
Crosswalk Safety Program	80,000	Debt Service Fund
Citywide Roadway Safety Program	50,000	Debt Service Fund
Citywide New Sidewalk Construction	200,000	Debt Service Fund
2010 Alley Paving	200,000	Debt Service Fund
Jackson Avenue Ramps Replacement	225,000	Debt Service Fund
I-275 Business Park Access Improvements	248,000	Debt Service Fund
MLK - Williams Creek Watershed Drainage Improvements	985,000	Debt Service Fund
Johnston Street Drainage Improvements	250,000	Debt Service Fund
Hill Avenue Viaduct Rehabilitation	1,200,000	Debt Service Fund
First Creek Water Quality Model (NPDES)	322,000	Debt Service Fund
Millertown Pike Improvements - I-640 to City Limits	440,000	Debt Service Fund
First Creek Sediment Removal Project	200,000	Debt Service Fund
Demolition of Structures on Park Land (Lakeshore)	1,000,000	Debt Service Fund
Subtotal - Engineering	13,525,000	
Public Service		
Public Works Complex	400,000	Debt Service Fund
Roof - HVAC Program	150,000	Debt Service Fund
Downtown Sidewalk Sweeper/Cleaner	90,000	Debt Service Fund
Downtown Christmas Light LED Conversion	20,000	Debt Service Fund
Service Areas 2-5 ROW Gravelly Replacement	15,000	Debt Service Fund
Subtotal - Public Service	675,000	
Parks and Recreation		
Ballfield, Tennis Courts and Playground Improvements	200,000	Debt Service Fund
Greenways Ongoing Maintenance & Improvements	200,000	Debt Service Fund
Recreation Center Renovations	500,000	Debt Service Fund
Dog Park Construction	100,000	Donations
Fountain City Skatepark	100,000	Debt Service Fund
Subtotal - Parks and Recreation	1,100,000	
Police		
Evidence processing/drying units	26,170	Police Capital Fund
Drug Intelligence System	350,000	Treasury DAG Fund

City of Knoxville
 Capital Improvements Budget
 FY 2009/10

Project	Proposed Funding	Funding Source
Entry Door Replacement	18,970	Police Capital Fund
Fan Coil heat/air units	64,800	Police Capital Fund
Records Management System	800,000	Police Capital Fund
Miniature Cars	40,870	Safety City Fund
Safety Bldg Security Enhancements	<u>270,000</u>	Police Capital Fund
Subtotal - Police	<u>1,570,610</u>	
Fire		
Station Remodeling	<u>60,000</u>	Debt Service Fund
Subtotal - Fire	<u>60,000</u>	
Fleet Services		
Fence Improvement at Impound Lot	<u>14,000</u>	Abandoned Vehicle Fund
Subtotal - Fleet	<u>14,000</u>	
South Knoxville Waterfront		
South Knoxville Waterfront Improvements	4,000,000	Bonded Debt
South Knoxville Transportation Improvements	<u>1,485,000</u>	Debt Service Fund (\$300,000), Federal Grants (\$1,185,000)
Subtotal - South Knoxville Waterfront	<u>5,485,000</u>	
Other		
Ross Building Skylight Replacement	280,000	Debt Service Fund
Taylor Homes/Williams Senior Complex	800,000	Debt Service Fund
Zoo Renovations	<u>625,000</u>	Debt Service Fund
Subtotal - Other	<u>1,705,000</u>	
Grand Total - Fund 401	<u>27,159,610</u>	
Public Assembly Facilities		
Rebuild Fan Shaft West Coliseum Fan	37,550	Coliseum Restoration Fund
Auditorium Flyrail Overhaul	135,000	Coliseum Restoration Fund
Replacement of Orchestra Pit Cover in Auditorium	110,000	Coliseum Restoration Fund
Paint Coliseum Ceiling	<u>165,000</u>	Debt Service Fund
Grand Total - Fund 503	<u>447,550</u>	
Convention Center		
Fire Pump - KCEC	30,000	Debt Service Fund
Escalator Skirt Brushes - KCC&KCEC	<u>60,230</u>	Debt Service Fund
Grand Total - Fund 506	<u>90,230</u>	
Fleet Services		
Hydraulic Controlled Shear	23,000	Debt Service Fund
Hydraulic Sheet Metal Bender	<u>17,500</u>	Debt Service Fund
Grand Total - Fund 702	<u>40,500</u>	
Grand Total - All Funds	<u>27,737,890</u>	