

City of Knoxville, Tennessee
FY02/03 Annual Operating Budget
Victor Ashe, Mayor



**FISCAL YEAR 2002-2003
ANNUAL OPERATING BUDGET
CITY OF KNOXVILLE, TENNESSEE**

MAYOR

Victor Ashe

MEMBERS OF CITY COUNCIL

District One: Joseph Hultquist

District Two: Barbara Pelot

District Three: Steve Hall

District Four: Rob Frost

District Five: Larry Cox

District Six: Mark Brown

At-Large: Nick Pavlis

At-Large: Jack Sharp, Vice Mayor

At-Large: Ed Shouse

DEPUTY TO THE MAYOR

Craig Griffith

FINANCE DIRECTOR

Randolph B. Vineyard

DEPUTY FINANCE DIRECTOR

James E. York

OFFICE OF MANAGEMENT AND BUDGET

Cheryl A. Davis, Financial Analyst, Sr.

Jack Dixon, Financial Analyst

John Harold, Financial Analyst
Sherrie Bates, Office Assistant II

A special thank you to all the departments that contributed to this document.
This document is printed on recycled paper.

Principal Directors and Administrators

Administration	Ellen Adcock, Director
City Court	John Rosson, Judge
Civil Service Board	Karen Day, Executive Sec./Dir.
Community Relations	Thomas Strickland, Director
Development	Leslie Henderson, Director
Emergency Management	Joseph McNally, Director
Engineering Department	Samuel L. Parnell, Jr., P.E., Dir.
Finance Department	Randolph B. Vineyard, Director
Fire Department	Ed Cureton, Chief
Fleet Service	Mel Cummings, Director
Information Systems	Janet Wright, Director
Knoxville Convention/Exhibition Center, Auditorium/Coliseum, and Chilhowee Park	Bob Polk, Executive Director
Knoxville Area Transit	Mark Hairr, General Manager
Knoxville Utilities Board	Larry Fleming, President
Law Department	Michael S. Kelley, Director
Metropolitan Knoxville Airport Authority	Bill Marrison, President
Parks and Recreation	Samuel P. Anderson, Director
Police Department	Phil Keith, Chief
Public Affairs	Mark Ritchie, Director
Public Service Department	Bob Whetsel, Director
Special Events	Mickey Foley, Director

TABLE OF CONTENTS

Introduction

Community Profile 1
EEO/AA Statement.....9
Executive Summary 15
Changes to the Proposed Budget 18
Proposed/Adopted Budget Comparison..... 19
Budget Policies.....21
Budget Document Explained.....24
Budget Process29
Budget Calendar30

Summary Information

Summary of Section31
Budget Comparison - All Funds32
Estimated Fund Balance33
Total Expenditures by Department.....34
Net Budget35
Net Revenues by Type.....36
Net Expenditures by Type37
General Fund Revenue and Expenditures Pie Chart.....38
Summary of Interfund Charges39
Summary of Interfund Transfers40
Sources and Uses of Funds.....41
Position Summary
 Authorized Positions by Department42
 Full-Time Personnel by Department43
 Authorized Full-Time Personnel.....44
 Changes in Full-Time Budgeted Personnel45
 Part-Time Personnel by Department.....46
Effect of Tax Rate on Homeowners47
Assessed Values-All Property48
City/County Property Tax Rates49
Changes In Tax Rates50
Adjusted/Equalized Tax Rate51

City of Knoxville

COMMUNITY PROFILE

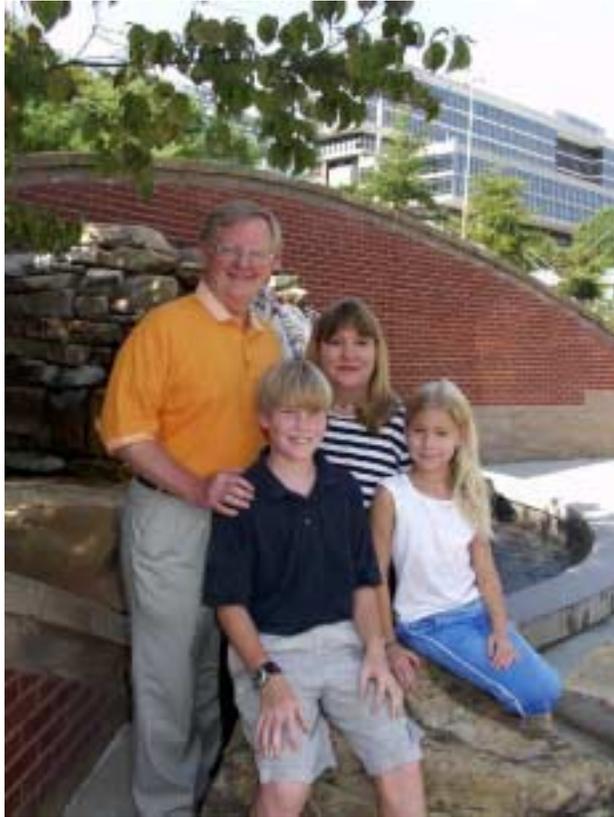
One of the goals of the Ashe Administration has been the development of parks and greenway opportunities. Several of the City of Knoxville's beautiful parks are represented on the cover of this budget. Counterclockwise from the top left:

Charter Doyle Park
West Hills Park (Jean Teague Greenway)
Westview Park
Adair Park (Adair Park Greenway)
Fountain City Park
Inskip Park
Harriet Tubman Park
Caswell Park

Photos are courtesy of Angela Robbins, Parks and Recreation Department.

COMMUNITY PROFILE

Welcome to the City of Knoxville!



Mayor Victor Ashe and his family welcome you to Knoxville. In the following pages you will discover what Knoxville and the surrounding areas have to offer and that Knoxville is a wonderful place to live.

In his fourth term as Mayor of Knoxville, Tennessee, Victor Ashe is continuing to develop new and innovative ways to deliver essential public services while maintaining a level tax rate. Ashe was first elected Mayor of Knoxville in 1987 and won re-election in 1991 and 1995 by at least a two-thirds majority of the votes. In the 1999 Primary Election, Mayor Ashe was elected without a runoff to his fourth consecutive term as Mayor. As Mayor, he has concentrated on improving the City's financial condition, making sure city neighborhoods are clean and safe and developing new parks and greenways. Tremendous progress has been made towards these goals as Knoxville's bond rating has significantly improved saving taxpayers millions of dollars in interest costs and crime rates have been reduced by more than 30 percent since 1991.

Since Mayor Ashe has been in office, eighteen major new parks, more than 29 miles of new greenways and new downtown attractions along the Tennessee River have been developed.

Mayor Ashe is a past President of the United States Conference of Mayors, which represents 1,100 cities with populations of more than 30,000. As USCM President, Mayor Ashe led the battle against unfunded federal mandates that resulted in the passage of mandate relief bill that was signed into law by the President in March 1995.

He is past president of the Tennessee Municipal League. In 1992 Mayor Ashe was delegate to the

Republican National Convention, and in 1996 he served as an alternate delegate. The Mayor also serves on the advisory board of the National League of Cities, the nation's largest municipal organization. In 1999, Mayor Ashe was honored with the Martin Luther King Leadership Award.

The City has a Mayor-Council form of government. The Mayor is the chief executive and administrative officer, elected by a direct vote of the people to a four-year term of office. The City Council is composed of six district council members and three council members-at-large, each serving a term of four years. Four council members are elected at one biennial election; five are elected at the succeeding biennial election. The council members are nominated in a primary election by districts and elected by the qualified electorate of the entire City in the general election.

KNOXVILLE/KNOX COUNTY GENERAL INFORMATION

Founded in 1791 where the French Broad and Holston Rivers converge to form the Tennessee River, Knoxville is the largest City in East Tennessee and ranks third largest in the State. It is located in a broad valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast. These two mountain ranges help provide a moderate climate. There are 99.4-square miles in the City of Knoxville and 526-square miles in all of Knox County. Downtown Knoxville is 936 feet above sea level. In October of 1791, the City of Knoxville was officially founded, named in honor of General Henry Knox, Secretary of War in President Washington's Cabinet. In 1796, when the territory became the State of Tennessee, Knoxville was named the capital, and remained so until 1818.

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

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

Livability and Climate

The Knoxville area is ranked first in the United States among mid-sized urban regions according to the Millennium Edition of Places Rated Almanac. Among the 343 metropolitan areas of all sizes rated in the book, the Knoxville area placed 13th overall. A favorable cost of living, affordable housing, excellent health care, a low crime rate, cultural events, and a pleasant climate with nearby lakes and mountains contribute to making Knoxville an attractive place to settle. The University of Tennessee calls Knoxville home, making an array of educational and cultural opportunities available to area residents.

The sheltering mountain ranges which surround Knoxville help provide a moderate climate, and there is seldom an extended period of either extremely hot or cold weather. The Tennessee Valley, with its four distinct seasons, sees an average of 11.40 inches of snow and 47.14 inches of rain annually. The average annual temperature is 60 degrees. In January, the coldest month, the average is 43 degrees, and in July, the hottest month, average temperature is 77 degrees.

Utilities

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

Board provides electricity for portions of west Knox County.

Population

Knoxville, the county seat of Knox County, is the largest incorporated municipality within the County. The median age of the County's population is 37.

The chart below shows the population for both the City and County.

Total City/County Population			
Year	Population	Percent Change	
1990	335,749	1980-1990	5.0
1996	364,566	1990-1996	8.6
1997	365,626	1990-1997	8.9
1998	366,846	1990-1998	9.3
1999	376,039	1990-1999	12.0
2000	382,032	1990-2000	13.8
City of Knoxville			
Year	Population	Percent Change	
1980	175,045	1970-1980	0.3
1990	169,761	1980-1990	-3.0
1999	174,860	1990-1999	3.0
2000	173,890	1999-2000	5.3

Education System

City of Knoxville voters approved a referendum on November 4, 1986, which transferred funding and operational responsibilities of the City's 51 public schools to Knox County on July 1, 1987. Knox County operates 84 public schools, including 50 elementary, 14 middle, and 12 high schools, 2 vocational schools, 4 special education centers, and 2 early childhood centers. Enrollment in 2001-02 was 51,507 students. There are 52 private/parochial schools, which add approximately 6,700 students this number.

The University of Tennessee is one of the oldest institutions of higher education in the nation, tracing its origins back to 1794. The main campus is located in the City and includes all colleges except the medical units. Total enrollment is 25,000 students. The percentage of college students that graduates is 23.9%. Other campuses of the University System are located in Memphis, Chattanooga, Nashville, and Martin.

Knoxville College, established in 1875, is a private liberal arts institution, operating under the sponsorship of the United Presbyterian Church, U.S.A. Spring 2000 showed an enrollment of 200 students.

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

In addition, thirty businesses and vocational schools and fifty-two private and parochial schools are located in the area. The private and parochial schools have enrollments of over 6,700. Also located in Knoxville is the Tennessee School for the Deaf with over 200 students.

Knox County operates a library system, which has seventeen branches located throughout the City and County. The size of collection for the library is 952,462. The University maintains a main library and four branches on its campus. The library is open to the public with checkout privileges to students, faculty and fee-paying members.

Recreation and Tourism

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

In recent years, the City has put emphasis on greenways connecting parks and neighborhoods. Walking trails and small neighborhood parks have also been added in significant numbers. Knoxville/Knox County has 5,596 acres of park and recreation space, including 27 recreation centers, 6 senior citizen centers, 144 playgrounds and parks, 103 tennis courts, 20 public golf courses, and 14 greenways and walking trails. Two big attractions for both young and old are the Knoxville Zoological Gardens and Ijams Nature Center. The Tennessee Smokies provide a professional baseball for East Tennesseans. Knoxville recently acquired an indoor football team called the ThunderCats. National championship UT sport teams draw thousands of enthusiasts to games each year. Special seasonal events include the Dogwood Arts Festival in the spring, Hot Summer Nights and Festival on the Fourth in the summer, Boomsday in the fall, and Christmas In The City in December.

The nearby Great Smoky Mountains National Parks is the country's most visited national park with 10.2 million

visitors in 2001. Knoxvilleians and visitors alike enjoy the beauty and leisure activities that can be found there and at the numerous state parks, lakes, and resorts which dot the area.

Knoxville supports an active tourism and convention trade. A new 500,000-square foot convention center on the World's Fair Park site opened in 2002. The center will include spacious meeting rooms and a 400-seat lecture hall. Other local facilities are a large civic coliseum/auditorium, an exhibition hall/convention center, and a 25,000-seat arena. In 1999 travelers spent more than \$501 million in Knox County, ranking it fifth in the state for visitor expenditures. Over 8,300 people are employed in travel related jobs in Knox County.

Arts and Culture

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

Civic Organizations

The Knoxville Area Chamber Partnership has 1,813 members who participate in economic development, general commerce, and civic affairs. Around 150 civic groups and 200 neighborhood associations are active in the City and County. United Way and Community Shares support agencies providing youth, family, and social service programs. Organizations such as the Community Action Committee and Child and Family Services also offer needed social programs. More than 400 churches, serving many faiths and denominations, meet the religious needs of the community.

THE ECONOMY

Transportation

Three of the nation's busiest interstate highways intersect in Knoxville: I-40, I-75, and I-81. One-third of the U.S. population is within 500 miles of Knoxville via the interstate system. The city is directly linked to the Great Lakes by the Interconnected Inland Water System and to the Gulf of Mexico by the Tennessee-Tombigbee Waterway. Three active river terminals facilitate barge shipping. Also serving the area are 65 major truck lines, 2 railroads, and 12 major airlines. Knoxville Area Transit (KAT), the public bus system serving the city, operates 70 vehicles and carries about 2.7 million passengers a year. A trolley system serves the downtown and university areas.

Commerce and Industry

Eleven business/industrial parks and the Technology Corridor in west Knox County provide locations to meet corporate needs. Several telemarketing divisions of large corporations are located in Knoxville while manufacturing firms in the Knoxville MSA produce everything from medical devices and electronic components to chemicals and automobile parts. Many of these firms are recognized as national and global business leaders, including Pilot Corporation, Bandit Lites, Goody's, Clayton Homes, and Sea Ray Boats. New industrial investment in the Knoxville MSA in 2000 totaled \$509 million, creating 2,662 additional jobs.

Building Permits

More than 3,445 building permits were issued in 2001. Total value for 2001 is \$557,568,404.

Employment

In 2001, nonagricultural employment in the Knoxville MSA* was distributed as follows:

Construction	16,900	4.9%
Finance, Insurance, Real Estate	15,400	4.4%
Government	56,200	16.3%
Manufacturing, total	45,500	13.2%
Durable goods	30,900	8.9%
Nondurable goods	14,600	4.2%
Services	99,400	28.9%
Trade	93,700	29.2%
Transportation, Communications, and Public Utilities	16,200	4.7%
TOTAL	343,900	

*MSA refers to Anderson, Blount, Knox, Loudon, Sevier, and Union Counties.

The overall business health of the Knoxville MSA is supported by a diversified economy. The balance among employment sectors contributes to the stability of local employment and wages. Total employment in 2001

was 348,000, including self-employed and agricultural workers. Knox County is expected to gain 28,000 new jobs between 2000 and 2010.

Income

In 2001, Knoxville/Knox County per capita income was \$28,781, a 6.4% increase from 1999. The 1999-00 state change was 4.9%, and the national change was 5.8%. Between 1990 and 2000, the average annual growth rate of per capita personal income in Knox County was 4.1%. This was below the rate for Tennessee, 4.4%, and near the national rate of 4.2%.

Taxes

There is no state personal income tax in Tennessee, however the state does levy a tax of 6% on stock dividends and bond interest. Called the Hall Tax, it applies to both individuals and partnerships. Under Tennessee Constitutional law, property taxes are assessed as follows: residential property is assessed at 25% appraised value, and commercial/industrial property is assessed at 40% of appraised value. The current property tax rate for Knox County residents is \$2.70 per \$100 assessed value. The tax rate within the City of Knoxville is \$2.96 per \$100 assessed value. Residents of the City are subject to both City and County property taxes.

Labor Force

The 2001 civilian labor force in the Knoxville MSA was 360,000. The average MSA unemployment rate in 2001 was 3.3%. The rate for Knox County was 2.3%. Both are lower than the statewide average rate of 4.5% and the nationwide average of 4.8% for this time period.

Developments of Interest

Listed below are some developments in Knoxville and its vicinity that have had, or continue to have, a direct and positive impact on the area.

Manufacturing

- ❖ *ALCOA* - This Company owns and operates three aluminum smelting and fabricating plants in Alcoa. The plants primary product is flat, rolled aluminum sheets which are processed into beverage cans, venetian blinds, lithographic sheets, and automobile trim. A \$100 million expansion and modernization of the hot rolling mill brings present employment in the area to approximately 2,000, including 135 in the corporate headquarters in the Riverview Tower, and 200 at the Alcoa Recycling Division on Lonas Drive.
- ❖ *American Safety Razor Co.* - This Company located at the Forks of the River Industrial Park, is the international headquarters for the manufacture of shaving blades. They have begun an expansion project totaling \$45 million, which will add 200-250 jobs upon completion.

- ❖ *Clayton Homes Inc.* - This Knoxville-based housing manufacturer recently completed \$4 million in expansion to its plant in White Pine, and also opened its prototype-for-the-future plant in Anderson County. Clayton has operations throughout the South and employs more than 2,800 people in Tennessee; 2,000 in Knoxville alone.
- ❖ *Cole Vision* - This eyeglass manufacturer expanded operations to a second Knoxville plant on Middlebrook Pike at a capital investment of \$3.1 million and employing an additional 100 people.
- ❖ *Daikin Drivetrain Components Corp.* - This subsidiary of Daikin Manufacturing of Japan built a 225,000 sq. ft. plant in Eastbridge Business Park in East Knox County, at a \$60 million initial capital investment. The facility employs nearly 200 people.
- ❖ *Nippondenso America, Inc.* - This Company one of the world's largest manufacturers of automotive components, announced two expansions in 1994, totaling \$18.4 million. With these expansions, the company occupies more than 1.2 million-sq. ft. in three plants and employs 1,500 people.
- ❖ *Oozx USA, Inc.* - This company manufactures aluminum valve drive train parts for Japan-based OEM and has plans for new development of approximately \$38 million to be complete by 1999, creating 50-70 new jobs.
- ❖ *Philips Consumer Electronics Corporation* - This Company moved its U.S. Corporate Headquarters Consumer Products division to Knoxville from Fort Wayne, Indiana, and employs 650 people in this facility. Their product lines include Magnavox, Sylvania, and Philco.
- ❖ *Sea Ray Boats* - The nation's largest manufacturer of luxury pleasure boats moved its corporate headquarters to Knoxville. Construction is complete on a \$1 million, 10,000 square foot corporate office building. Sea Ray now employs 1,275 workers in the greater Knoxville area.

Service

- ❖ *Bell South* - This utility company chose Knoxville as the site of a consolidated work management center serving the state and employing 200 people. The Knoxville center, which will be at the downtown electronic switching center on Magnolia, will handle the dispatching of installation and maintenance technicians across the state.
- ❖ *Hospitality Franchise Systems* - The parent company of the Days Inn, Ramada and Howard Johnson hotel brands, which located a telephone reservation center in an existing site in Knoxville and relocated a Days Inn training center here, currently employees 700 people.
- ❖ *Milan Express* - This regional freight carrier located on Sutherland Avenue recently expanded their facilities to include a new 15,000 sq. ft. 44-bay terminal.
- ❖ *The E.W. Scripps Co.* - This Company selected Knoxville as the home of Home & Garden Television. This 24-hour cable channel is expected to employ 150 and to draw on other Scripps properties in Knoxville.
- ❖ *SunTrust Bank* - This innovative financial center is part of an 18-acre business development on Kingston Pike near Pellissippi Parkway. The Financial Center represents an investment of \$4-5 million. The 30,000-sq. ft. building is home base for the bank trust and investment services, private banking, commercial lending, and a retail bank branch, and houses approximately 50 employees.

Retail/Trade

- ❖ *Collins & Aikman Corp., dba Imperial Wallcoverings* - Currently operating a distribution facility at Forks of the River (the former Hess's building), this company has plans for expansion into manufacturing with a total investment of approximately \$35 million, creating an additional 100 jobs.
- ❖ *Knoxville Center* - This mall has celebrated its 10-year anniversary and is planning for expansion in addition to the 120 stores currently operating. Also, in this area is a new Wal-Mart and a Sam's Wholesale Club.
- ❖ *Goodies Family Clothing* - This Tennessee-based retailer with annual sales of \$160 million completed a \$7.5 million expansion of its Knoxville headquarters, more than doubling the facilities size and adding 250 employees.
- ❖ *The Kroger Company* - Kroger had built a new store on a 15.6-acre tract at the intersection of Northshore Drive and Pellissippi Parkway. Kroger uses about nine acres of the tract for the store and will have adjacent retail development. Kroger hired approximately 250 people for the new store.
- ❖ *Target Stores* - Target recently completed construction on a new 128,000-sq. ft. retail establishment on Clinton Highway in North Knoxville, creating nearly 200 new jobs.
- ❖ *Wal-Mart Stores Inc.* - Wal-Mart has opened a new store at Knoxville Center and Millertown Pike. The 125,000-sq. ft. store employs about 245 people, and includes a Tire & Lube Express and McDonald's restaurant.
- ❖ *West Town Mall* - The expansion of West Town Mall continues, making it the largest mall in Tennessee, and one of the largest in the Southeast. The 145,000-sq. ft. facility uses segmenting and adjacencies. That means departments, and departments within departments, are located in sensible, clearly defined spaces.

Government

- ❖ *The General Service Administration* - The General Service Administration purchased the Whittle headquarters and is converting it into a federal courthouse.
- ❖ *Knox County Government* - Major renovations have been done on the Knox County Courthouse. The Knox County Schools relocated to the Andrew Johnson Building in 1992.
- ❖ *Lockheed-Martin* - Lockheed-Martin operates the production plants and the Oak Ridge National Laboratory for the Department of Energy (DOE). The DOE still maintains 650 persons on their payroll, and contracts with MK-Ferguson, who employs another 1,000 persons, for outside construction.
- ❖ *Technology Corridor* - The State of Tennessee has designated an area of the Knoxville community to take the leadership role in the recruitment of high technology businesses to locate in Tennessee. This project ties in the facilities and resources of Oak Ridge National Laboratory, the University of Tennessee, TVA, and Pellissippi State Technical Community College.
- ❖ *U.S Government* - An \$11.2 million regional post office center now serves this growing area. A new federal courthouse is being located at the former Whittle Communications headquarters building in downtown Knoxville.
- ❖ *Waterfront Development* - Volunteer Landing, a City of Knoxville public/private joint venture project incorporating mixed-use waterfront development, is underway. Public investment of \$8 million includes a public plaza, boardwalk, parking and pedestrian bridges. Anticipated private development of \$32 million includes residential units and new retail and restaurant facilities.

Other Developments

- ❖ *The University of Tennessee* - The University continues renovating its training center downtown, which currently has approximately 300 employees. Construction also continues on Neyland Stadium and expansion of the parking facilities.

City of Knoxville's EEO/AA Statement

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

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

Executive Summary

The FY 02/03 budget, like all budgets, serves as a blueprint for the future. The decisions that shape this budget have a lasting impact. Good decisions result in increased investment and future positive returns while poor decisions limit future flexibility and may result in unanticipated consequences and problems. The focus of the FY 02/03 budget is upon improving the climate for economic development in the City. This is to be accomplished by both funding various projects that directly encourage development and also by continuing to improve on the quality of life in the area. Studies show that one of the major factors in attracting new businesses and retaining existing business is a high quality of life. Knoxville already offers an excellent quality of life but that it can be improved by enhancing the quality of government services being provided and this budget does that. To this end the budget concentrates on the administrative goals initiated and enhanced in past years, including:

- Safer, cleaner, greener neighborhoods
- Aggressive road paving program
- Parks and greenway opportunities
- Thriving economic climate

GENERAL OVERVIEW

Revenues and Expenses

The adopted property tax rate for FY 02/03 is \$2.70 per hundred dollars of assessed value. Of this amount \$0.81 goes to the Debt Service fund to pay for bonded debt costs. The adopted tax rate is unchanged when compared to FY 01/02. The average residential property in the City of Knoxville is appraised at \$62,283. For the average residential homeowner the taxes paid will equal \$442.72. When adjusted for the impact of inflation and countywide reappraisals, the adopted tax rate is actually down by 28.7% when compared to the tax rate at the beginning of FY 88/89.

The total operating budget for the City of Knoxville in Fiscal Year 2002/03 is \$251,992,700. The net budget, i.e., excluding interfund transfers and charges, which are

effectively double counted within the budget, is \$194,744,230. The budget for the General Fund, which is the main operating fund of the city, equals \$136,679,900. When compared to the adopted FY 01/02 budget the General Fund is up by \$6,206,990 or approximately 4.76%.

The adopted budget recommends the issuance of approximately \$4 million in new debt. This debt will be used for major improvements to Caswell Park and Ashe Park.

BUDGET HIGHLIGHTS

Safer, Cleaner, Greener Neighborhoods

Clean, safe neighborhoods are an important component of the quality of life in a city. The budget seeks to further address drainage problems throughout the city. Funding of \$225,000 is allocated to resolve smaller neighborhood drainage issues. Included in the capital budget is \$200,000, to further the First Creek drainage improvement program. This budget continues to fund additional tree planting throughout the city which is appropriate for a designated Tree City, USA.

The City has been very successful in expanding its police force. This year, as part of a federal grant, we are proposing to add another ten positions to serve as School Resource Officers. With these new staff the City has added 196 positions to the police department during the course of this administration.

Aggressive Road Paving

Sound management calls for the preservation of assets. The city's assets are the infrastructure such as roads, bridges, streetlights, etc. Various programs are in place to protect and maintain these assets. For example, the budget provides \$1,082,000 to be used for road paving. The current paving plan calls for every street in the City to be re-paved at least once every twenty years. Major arterial and collector streets are to be paved even more frequently. The adopted funding allows this schedule to remain in effect.

Executive Summary

The city annually funds ongoing bridge repair and sidewalk programs. This continues with the FY 02/03 budget. Included in the capital budget for FY 02/03 is \$650,000 for the bridge repair program, which will be used for improvements to the Gay Street Bridge, and \$100,000 for the construction of sidewalks and \$250,000 to install curb cuts. A traffic related problem is signalization and the adopted budget includes \$175,000 for the purchase of new controllers and other signal improvements. Funding of \$168,750 is allocated for work on the Bearden Middle School sidewalk project, and \$875,000 is included to match TEA 21 funding for road improvements to Pleasant Ridge Road, and to complete construction drawings for the Millertown Pike, Washington Pike, and Loves Creek Road area.

Parks and Greenway Opportunities

The FY 02/03 budget again endorses one of the administration's priorities: parks and recreational programs. In addition to funding the operational needs of the department, several other improvements are budgeted. These include \$150,000 to continue the expansion of the greenway system, \$40,000 for new playground equipment, and \$300,000 for completion of the new Youth Golf course. Also included is \$2 million for complete development of Caswell Park, and \$2 million for improvements to Ashe Park.

Thriving Economic Climate

A solid economy is essential for any city. Included in the adopted budget is \$2.6 million to be used for economic development activities. Of this amount, a portion is dedicated to historic preservation efforts in our downtown. It is vitally important that we continue to recognize our past as well as plan for our future, and we hope to do this with a \$2 million contribution to be used in the renovation of the Tennessee Theatre. The City plans to include a like amount in the FY 03/04 budget.

The budget also continues the financial commitment to the Greater Knoxville Sports Cor-

poration to help bring the American Bowling Congress tournament to the City. A total of \$100,000 is allocated for this purpose. Enhancing cultural opportunities also effects economic development. The budget continues funding of \$200,000 for improvements to the East Tennessee Historical museum, part of a multi-year \$1 million commitment. Operating contributions are made to the Knoxville Symphony, City Ballet, the Art Museum, the Tennessee Theatre and several other arts and cultural groups.

A cornerstone of our economic development efforts has been the construction of a new downtown convention center. The new facility opens in the upcoming year and will host two major events, the American Bowling Congress and the Junior Olympics. To handle these events we have increased the operating subsidy for the new facility, as well as the adjacent World's Fair Park, and the existing Knoxville Convention and Exhibition Center. The respective transfers to these operations are \$3,585,410, \$1,590,270, and \$507,460. To further market the facility the budget recommends a \$150,000 contribution to the new Tourism and Sports Development Corporation of Greater Knoxville.

Employee Salary/Benefit Increases

The overall success of City government is based upon the hard work and dedication of city employees. The adopted budget recognizes those employees with both salary and benefit enhancements.

The City annually conducts a salary survey to assess its pay rates with comparable employers. Several changes, stemming from this survey, are recommended to remain competitive with the marketplace. These recommendations include raising the entry salary for several classes of employees. The approximate cost to fund the recommendations of the salary survey is just over \$300,000.

The adopted budget also recommends an across the board raise of 2.5% for all non-probationary general government employees. Continued funding is provided for deferred

Executive Summary

compensation match program of up to \$260 per year for all employees in the program.

The City is in the process of implementing a new performance based pay plan. The plan introduces the concept of broad-banding, i.e., the classification of employees into large pay groups, which allows for greater growth at the top end of the pay range. The new plan also provides a mechanism to reward high performing employees. The budget includes \$1 million to be used to implement this reward system.

The City was hard hit by increased health care costs in FY 01/02 with health care premiums increasing by approximately thirty percent (30%). It is expected that the costs of the City's health care plan will rise by at least another fifteen percent (15%) in the upcoming year. The overall cost for health care premiums is up by approximately \$2.8 million or 38% when compared to the budget for FY 01/02. The City plans to assume approximately 78% of the increased costs, but will ask that the employees assume a portion of the cost for health care. Beginning in FY 02/03 each employee will be asked to pay ten percent (10%) of the cost for individual coverage and thirty percent (30%) of the cost for family coverage. Although this represents a change from past practice it is in line with the practices followed by most area employers. The City will also continue to seek out ways to hold down ever increasing health care costs.

Personnel Staffing Levels

The budget contains 1,745 full-time positions and 75 part-time positions. This represents a net increase of two (2) full-time positions and two (2) part-time positions when compared to the FY 01/02 budget. The Police Department shows a growth of ten new Police Officer positions to serve as School Resource Officers. These positions are fully funded by a grant from the federal government. This gain is offset by the reduction of ten positions in the Public Assembly Facilities Department. This reduction is the result of a shift to private management of the Knoxville Convention and

Exhibition Center (KCEC). The Public Service Department increases by three positions, these individuals responsible for refuse collection in the downtown area. The Engineering Department increases by one person to perform additional water quality testing. Both the Law Department and the Parks and Recreation Department shift a full-time position to part-time which accounts for the growth in part-time staff.

Accounting Changes

There are some minor accounting changes which affect comparisons between the FY 01/02 and FY 02/03 budgets. The budget includes a new internal service fund (Fund 707) which will be used to account for the costs of maintaining various City buildings. Costs related to City Hall at the Mall (CHM), which was formerly a separate organization within the General Fund are now included in this new fund. The departments housed in CHM are assessed a rental charge which is reflected in each department's budget. Likewise the costs associated with the City/County Building were formerly shown in the Debt Service Fund. As the debt on the building has been retired, the corresponding maintenance costs have been moved to the new fund.

The budget also shifts one division from the Engineering Department from one fund to another. The Planning and Technical Services Division was formerly accounted for in the General Fund, but is now accounted for in the Stormwater Fund. This has the effect of lowering costs in the General Fund Engineering Department and increasing in the Engineering Department in the Stormwater Fund. The General Fund transfer to the Stormwater Fund also increases as a result of this change.

The FY 01/02 budget also shows a Tax Increment Fund (Fund 306). The budget for this fund goes to zero in FY 02/03, resulting from the defeasance of all outstanding tax increment backed bonds.

Executive Summary

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.

City of Knoxville

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2002/03

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
5100	Taxes	108,559,920	(2,198,050)	106,361,870
5200	Licenses & Permits	287,460	0	287,460
5300	Intergovernmental Revenue	19,946,490	0	19,946,490
5400	Charges for Services	745,280	0	745,280
5500	Fines & Forfeitures	2,244,820	0	2,244,820
5600	Other Revenue	<u>6,168,980</u>	<u>925,000</u>	<u>7,093,980</u>
	Total General Fund	<u>137,952,950</u>	<u>(1,273,050)</u>	<u>136,679,900</u>
1100	Administration	1,808,200	0	1,808,200
1200	Finance	4,150,040	0	4,150,040
1300	Law	1,394,250	0	1,394,250
1400	Information Systems	2,863,230	0	2,863,230
1500	Legislative	748,900	0	748,900
1700	Civil Service	901,620	0	901,620
1900	Elections	20,000	0	20,000
2100	City Hall At the Mall	0	0	0
2300	Police	36,308,270	0	36,308,270
2500	Fire	23,861,790	0	23,861,790
2600	Plan F Pensions	0	0	0
2700	Emergency Management	328,250	0	328,250
3100	Public Services	15,821,480	0	15,821,480
3300	Engineering	4,621,380	0	4,621,380
3700	Development Services	580,820	0	580,820
3800	Empowerment Zone	125,720	0	125,720
4300	Recreation	6,093,850	0	6,093,850
5100	Metropolitan Planning Commission	729,100	0	729,100
5200	Knoxville Zoo	900,000	0	900,000
5300	Community Agency Grants	1,922,700	(5,050)	1,917,650
5600	Community Development	472,580	0	472,580
5900	Community Action Committee	461,000	0	461,000
6100	Mass Transit Grant Match	789,750	0	789,750
8100	Reserve	2,350,000	0	2,350,000
9100	Transfers	<u>30,700,020</u>	<u>(1,268,000)</u>	<u>29,432,020</u>
	Total General Fund	<u>137,952,950</u>	<u>(1,273,050)</u>	<u>136,679,900</u>
201	State Street Aid	4,964,300	0	4,964,300
202	Community Improvement	360,000	0	360,000
209	Abandoned Vehicles	451,730	0	451,730
213	City Court	2,557,000	0	2,557,000
216	City Inspections	1,686,860	0	1,686,860
240	Miscellaneous Special Revenue	832,090	0	832,090
263	House Grants	0	0	0
264	Home Grants	1,792,000	0	1,792,000
265	Hope Grants	0	0	0

City of Knoxville

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2002/03

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
269	Emergency Shelter Grants	88,000	0	88,000
270	Empowerment Zone	3,000,000	0	3,000,000
290	Community Development Block Grant	2,810,170	0	2,810,170
305	Debt Services	23,945,440	0	23,945,440
306	Tax Increment	0	0	0
401	Capital Projects	11,983,750	(1,268,000)	10,715,750
451	PWPF - 1999	200,000	0	200,000
501	Stormwater	1,667,150	0	1,667,150
503	Civic Auditorium/Coliseum/KCEC	3,631,350	0	3,631,350
504	Metro Parking	713,120	0	713,120
505	Solid Waste	9,373,040	0	9,373,040
506	Convention Center	8,094,600	0	8,094,600
507	Mass Transportation	10,859,520	0	10,859,520
701	Office Services	543,450	0	543,450
702	Fleet Services	8,735,910	0	8,735,910
704	Risk Management	5,054,320	0	5,054,320
705	Health Care	10,488,910	0	10,488,910
706	Equipment Replacement	1,399,100	0	1,399,100
707	City Building	1,348,360	0	1,348,360
	Grand Total	<u>254,533,120</u>	<u>(2,541,050)</u>	<u>251,992,070</u>

BUDGET POLICIES

- 1) The budget shall be balanced by fund.
- 2) The budget will include all revenues that will reasonably be anticipated from all sources and the entire amount of fund balance estimated to be carried forward at the beginning of the fiscal year.
- 3) Appropriations will be made at the major account code level, i.e., personal services, operating expense, capital outlay, debt service, grants and aids, and non-operating expenses.
- 4) The Mayor or his/her designee shall approve transfers between major accounts within a budget center (department or division). Transfers between departments and funds shall be approved by the City Council.
- 5) The operating budget will be adjusted to reflect actual fund balances at such time as the beginning fund balances are known.
- 6) Current operating revenue should be sufficient to support current operating expenditures.
- 7) The City will establish a reserve for contingencies of between 3 percent and 10 percent for each operating fund in order to fund unforeseen items/events that occur during the course of a fiscal year.
- 8) Costs of support functions should be allocated to the appropriate services where they are performed wherever possible.
- 9) The City will develop a program to integrate performance measures and objectives into the budget and a system to monitor performance in meeting objectives.
- 10) The budget should portray both direct and indirect costs of programs wherever practical.
- 11) Internal Service Funds shall be self-supporting.
- 12) The City will annually submit documentation to qualify for the Governmental Finance Officers Association "Award for Distinguished Budget Presentation" .

DEBT MANAGEMENT POLICIES

- 1) When the City finances projects through the issuance of bonds it will pay back the bonds within a period not to exceed 90% of the useful life of the project.
- 2) Where possible the City will use self-supporting revenue, special assessment, or other self-supporting bonds, instead of general obligation bonds to fund capital projects. Self-supporting revenue bonds are bonds used to construct/purchase facilities, which will, in turn, generate fees/charges to repay the bonds.

- 3) The City will not use long term debt to finance current operations.
- 4) The City will seek to maintain and, if possible, improve its current bond rating.
- 5) The City will maintain good communications with bond rating agencies to inform them about the City's financial conditions. The City will follow policy of full disclosure. Significant financial reports affecting or commenting on the City will be periodically forwarded to the rating agencies.

GRANT POLICIES

- 1) Grant applications to fund services/programs with state or federal funds should be reviewed by City staff and the City Council with significant consideration given to:
 - (a) the cost of administering the grant relative to the size of the grant;
 - (b) the availability of matching funds if required;
 - (c) the extent to which locally generated funds will be required to support those programs when the original funding is no longer available; and
 - (d) the desirability of the program, i.e., whether or not the City would be funding the program were it not for the grant.
- 2) All grant applications must be approved by the City Council prior to submission. The City Council must also approve the acceptance of all grants.

FUND BALANCE POLICIES

- 1) The City will attempt, where possible, to have each operating fund maintain a balance sufficient to cover the cash needs of the fund for a ninety (90) day period.
- 2) The City should use fund balance for capital or other one-time projects and not to support on-going operations.

CAPITAL IMPROVEMENT POLICIES

- 1) The City will develop a five-year plan for capital improvements and update it annually.
- 2) The City will make all capital improvement expenditures in accordance with a capital improvement program.
- 3) The City will coordinate development of the capital improvement budget with the development of the operating budget. The City will annually adopt a capital budget based upon the multi year capital plan.
- 4) The City will identify the estimated costs and potential funding sources for each capital project prior to inclusion in the CIP.

REVENUE POLICIES

- 1) Fee schedules shall be adopted and amended by resolution.
- 2) All fee schedules and user charges should be reviewed at least every two years and then be adjusted, if necessary.
- 3) When imposing new fees and/or charges the proposed fee/charge should be examined using the following criteria:
 - Sufficiency Fees and/or charges should recover the full cost of issuance, administration, and enforcement, recognizing that adjustments may be necessary for the benefit of the public;
 - Efficiency Fees/charges should be designed for easy, inexpensive administration by the City and easy, inexpensive compliance by the individual/business paying the fee/charge. A minimum of the revenue raised through the collection of a fee/charge should be consumed in the process of raising it;
 - Simplicity Fees/charges should be easily understood by the payee and City officials, leaving as small a margin as possible for subjective interpretations.
- 4) The Mayor or his/her designee should prepare, at least semi-annually, a report comparing actual and budgeted revenues and expenditures for all operating funds.
- 5) The City will work to diversify its revenue base in order to reduce the dependence upon property taxes.

City of Knoxville The Budget Document

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

Fiscal Year

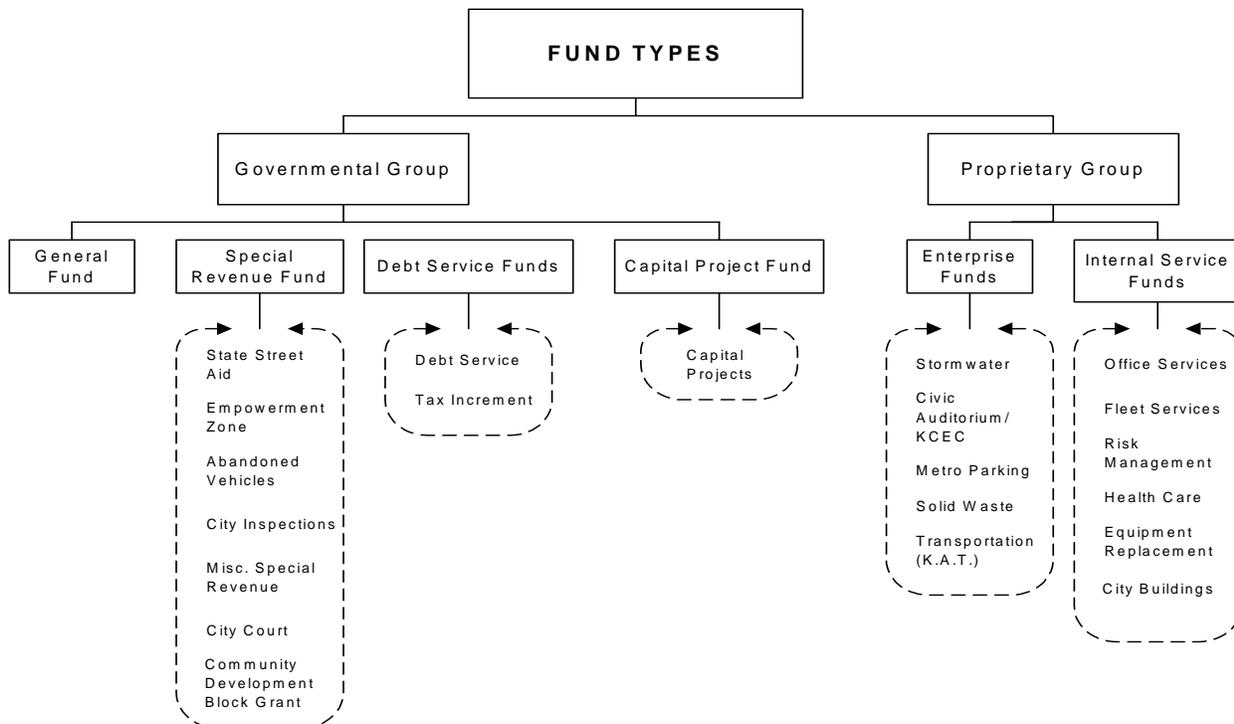
The budget covers the activities and expenditures for a given time period or fiscal year. The City of Knoxville's fiscal year runs from July 1 to June 30 of the following year. This budget covers the period July 1, 2002 through June 30, 2003.

Organization by Fund

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

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

Figure 1



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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

- Enterprise Funds** Account for the financing of services to the general public where all or most of the costs involved are recovered by user charges or fees.
- Internal Service Funds** Account for the financing of activities or services performed by an organizational unit within a governmental jurisdiction for another organization unit within the same governmental

jurisdiction.

Trust and Agency Funds

Account for assets held by a governmental unit as trustee or agent for individuals, private organizations or other governmental

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

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

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

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

A division is a funded operating unit of a department responsible for implementing a program or group of programs assigned to the department. Police Training division (2361) is responsible for the professional growth of the City's police force.

- The reappropriation of monies from one fund to another when deemed necessary.

Budget Adoption

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

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

Budget Amendments

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

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

- The acceptance of additional grant money which might become available.
- The appropriation of additional funding if expenditures are projected to exceed budgeted amounts.
- The adjustment to reflect increased tax receipts or:

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

Operating Budget Policies and Procedures

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

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

- One to five percent (1% to 5%) of the General Fund revenues must be deducted from all monies collected during a given year and placed in the General Fund Reserve. These The City's Charter (the "Charter") requires the Mayor to prepare and submit to the City Council a balanced budget. Therefore, the entire budget appropriation may never exceed the estimated available resources. The estimate of available resources is based on the amount of available surplus, if any carried forward from the preceding year, the probable revenues of the City derived from ad valorem taxes and from such other contingent revenues of the City as may probably accrue. The budget process specified by the Charter is in conformity with generally accepted accounting principles.

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

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

Financial Reporting

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

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

funds may be used for repairs to buildings or purchases of equipment, but only in departments whose operating funds come from the General Fund.

Basis of Budgeting

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

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

Basis of Accounting

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

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

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

debt when it is incurred.

- Interest and principal on general long-term debt is not accrued, but is recorded as an expenditure on its due date.
- Disbursements for purchase of capital assets are considered expenditures.

Investment/Cash Management Practices

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

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

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

As required by statute and ordinance, all deposits and certificates of deposit are secured by similar grade collateral pledged at 110% of market value for all amounts in excess of that guaranteed through federally sponsored insurance programs. The City Charter mandates that portfolio management and control of the City's Pension Fund be vested in the City Pension Board. Along

with several professional investment counselors, the Pension Board directs all investments of the Fund. A major Tennessee banking institution serves as trustee for the fund.

How to Read This Document

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

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

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

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

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

Changes to the Proposed Budget

The Executive Summary describes the budget as adopted. The adopted budget is, however, different from the Mayor's proposed budget in several areas. The following paragraphs and the accompanying table discuss the changes made to the proposed budget. The total budget as adopted equals \$251,992,070 while the adopted General Fund budget is \$136,679,900. These amounts compare, respectively, to the proposed amounts of \$254,533,120 and \$137,952,950.

Usually changes to the adopted budget from the proposed budget involve increases. However, the first change from the FY 02/03 Proposed Budget is a reduction in the proposed revenue from the local shared sales tax. Subsequent to the preparation of the proposed budget the City was notified, by the state, of a reclassification in the situs locations of approximately 800 businesses from Knoxville to Knox County. As a result of this change, the City is expected to lose \$2,198,050 in local sales tax revenue.

Changes to the General Fund budget which increase the budget includes using \$925,000 in fund balance. The use of General Fund, fund balance is only for one-time expenditures. The \$925,000 pays for all of the Capital agency grants. These include \$200,000 to the East Tennessee Historical Museum;

\$100,000 for the final payment to the Sports Corporation for the American Bowling Congress; \$60,000 to the Helen Ross McNabb Center; \$25,000 to the Knox Rescue Mission and \$200,000 to the YMCA. Fund balance will also pay for playground equipment (\$40,000) and the completion of the Youth Golf Course (\$300,000).

The final changes are the elimination of a grant to the Volunteers of America (\$5,050) and a reduction of \$1,268,000 in the Street Paving program. The reduction in the grant is shown in the agency grants portion of the General Fund Budget while the reduction in the street paving program shows up in the transfers section of the General Fund and in the Capital Fund (Fund 401).

The overall changes to the General Fund budget equals a net reduction of \$1,273,050. This is due to the loss of local shared sales tax and using fund balance to make up for some of the revenue loss.

The only other fund that changes is the Capital Projects Fund (Fund 401). This fund decreases by \$1,268,000 due to the reduction in the street paving program. This reduction shows up in both the General Fund under the area of transfers and in the Capital Projects Fund.

BUDGET CALENDAR FOR FISCAL YEAR 2002-2003

NOVEMBER

9th Survey mailed to 1900 randomly selected registered voters.

as required by the Charter.

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

FEBRUARY

18th General budget orientation materials mailed to all departments, which included the timetable of events, budget request forms, and budget preparation instructions.

MAY

MARCH

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

9th City Council Budget Workshop on the Proposed Budget. Each department will have a scheduled time to present its budget and answer questions.

8th Last day for departments to complete line item and program budget requests.

11th, 12th and 19th Public Notice is sent out regarding a hearing on the proposed budget. The City Charter requires that a public hearing be held between the first and second readings of the Mayor's budget. Public notice must be made ten days prior to the hearing to remain in compliance with Federal regulations.

11th-29th The Finance Department reviews all departmental budget submissions and makes recommendations to the Mayor, including requests for additional personnel and programs.

21st City Council Budget Workshop and Public Hearing on the Proposed Budget. Each department will be present to answer questions regarding the budget.

APRIL

1st-2nd The Mayor and Finance Director hold administrative budget hearings with individual departments.

JUNE

3rd-12th Administrative review of all budget material is completed and final adjustments are made to the Budget document. All funds are brought into balance.

11th Second reading/adoption of the Proposed Budget.

23rd Mayor's Proposed Budget is submitted to City Council in accordance with Charter deadline, along with an updated 5-year Capital Improvements Program and Budget,

15th As established by City Charter, last day to approve the Budget and tax rate ordinance.

25th First reading on the supplemental appropriations (housekeeping) ordinance which allows for year-end balancing of accounts and funds.

JULY

1st Beginning of Fiscal Year 2002-2003

SUMMARY INFORMATION

The tables and graphs included in this section are designed to provide the reader a financial overview of City operations. Most tables provide historical and current year budget information, as well as projected (unaudited) results for the fiscal year concluded on June 30, 2000.

The first few pages summarize the revenues and expenditures of all funds. The entire budget of the City is \$354,993,690. However, as the following pages show, the net budget (which excludes all interfund charges and transfers) is \$55,373,400 less, or \$299,620,290. The budget for the General Fund which is the main operating fund of the City is \$133,612,690.

This section also contains information of the total authorized staffing. The first of these tables identifies permanent

positions only; the second shows both full-time and part-time positions. The second table will equal the sum of each departmental summary page. Also included are multi-year personnel comparisons, to show the changes from the beginning of the current Mayoral administration. Finally, this section presents information on tax rate calculations and the impact of the adopted tax rate on homeowners.

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

BUDGET COMPARISON - ALL FUNDS

Fiscal Year 2002/03

Fund No.	Fund Name	Adopted FY 01/02 Budget	Adopted FY 02/03 Budget	Dollar Change FY 01/02 - 02/03	Percentage Change FY 01/02 - 02/03
100	General Fund	130,472,910	136,679,900	6,206,990	4.76%
	Special Revenue Funds				
201	State Street Aid	6,165,000	4,964,300	(1,200,700)	(19.48%)
202	Community Improvement	360,000	360,000	0	0.00%
209	Abandoned Vehicles	439,780	451,730	11,950	2.72%
213	City Court	2,427,700	2,557,000	129,300	5.33%
216	City Inspections	1,629,080	1,686,860	57,780	3.55%
240	Miscellaneous Special Revenue	620,670	832,090	211,420	34.06%
264	Home Grants	1,564,700	1,792,000	227,300	14.53%
268	Emergency Shelter Grants	88,000	88,000	0	0.00%
270	Empowerment Zone	12,306,200	3,000,000	(9,306,200)	(75.62%)
290	Community Development Block Grant	3,672,000	2,810,170	(861,830)	(23.47%)
	Subtotal - Special Revenue Funds	29,273,130	18,542,150	(10,730,980)	(36.66%)
	Debt Service Funds				
305	Debt Services	24,989,490	23,945,440	(1,044,050)	(4.18%)
306	Tax Increment	489,150	0	(489,150)	(100.00%)
	Subtotal - Debt Service Funds	25,478,640	23,945,440	(1,533,200)	(6.02%)
	Capital Projects Funds				
401	Capital Projects	15,051,000	10,715,750	(4,335,250)	(28.80%)
451	PWPF - 1999	455,000	200,000	(255,000)	(56.04%)
	Subtotal - Capital Projects Funds	15,506,000	10,915,750	(4,590,250)	(29.60%)
	Enterprise Funds				
501	Stormwater	987,950	1,667,150	679,200	68.75%
503	Civic Auditorium/Coliseum/KCEC	3,325,580	3,631,350	305,770	9.19%
504	Metro Parking	733,180	713,120	(20,060)	(2.74%)
505	Solid Waste	8,469,460	9,373,040	903,580	10.67%
506	Convention Center	4,790,560	8,094,600	3,304,040	68.97%
507	Mass Transportation	18,370,970	10,859,520	(7,511,450)	(40.89%)
	Subtotal - Enterprise Funds	36,677,700	34,338,780	(2,338,920)	(6.38%)
	Internal Service Funds				
701	Office Services	529,590	543,450	13,860	2.62%
702	Fleet Services	8,528,510	8,735,910	207,400	2.43%
704	Risk Management	4,031,420	5,054,320	1,022,900	25.37%
705	Health Care	7,691,830	10,488,910	2,797,080	36.36%
706	Equipment Replacement	1,271,330	1,399,100	127,770	10.05%
707	City Building	0	1,348,360	1,348,360	
	Subtotal - Internal Service Funds	22,052,680	27,570,050	5,517,370	25.02%
	Grand Total	259,461,060	251,992,070	(7,468,990)	(2.88%)

ESTIMATED FUND BALANCES - ALL FUNDS

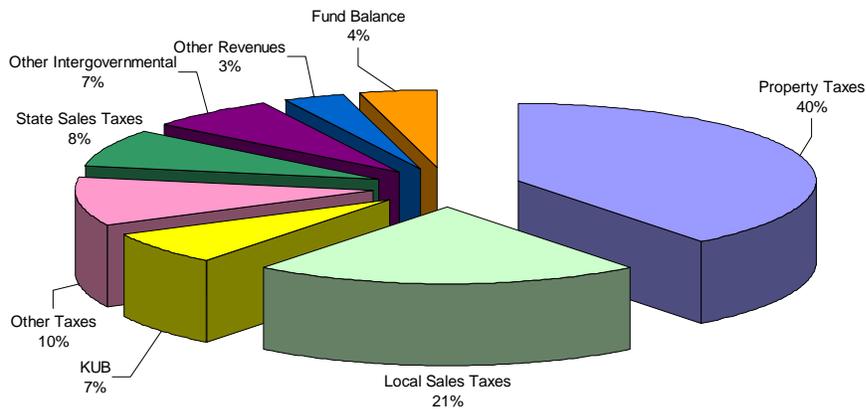
Fiscal Year 2001/02 And 2002/03

Fund No.	Fund Name	Beginning Fund Balance 7/1/2001	Estimated			Budgeted Revenues FY 02/03	Budgeted Expenditures FY 02/03	Estimated Ending Fund Balance #NAME?
			Revenues and Sources of Funds FY 01/02	Expenses and Uses of Funds FY 01/02	Ending Fund Balance #NAME?			
100	GENERAL FUND	\$27,984	\$128,328	\$129,169	\$27,143	\$130,930	\$136,680	\$21,393
	SPECIAL REVENUE FUNDS							
201	State Street Aid	2,693	4,918	6,246	1,365	4,964	4,964	1,365
202	Community Improvement	0	360	360	0	360	360	0
209	Abandoned Vehicles	952	512	536	928	495	452	971
213	City Court	43	3,021	3,021	43	2,557	2,557	43
216	City Inspections	74	1,569	1,642	1	1,687	1,687	1
240	Misc. Special Revenue	1,513	3,163	2,287	2,389	832	832	2,389
263	House Grants	359	804	738	425	0	0	425
264	Home Grants	107	2,876	2,983	0	1,792	1,792	0
265	Hope Grants	179	793	389	583	0	0	583
269	Emergency Shelter Grants	0	140	140	0	88	88	0
270	Empowerment Zone	0	4,627	4,627	0	3,000	3,000	0
290	Community Dev. Block Grant	0			0	2,810	2,810	0
	Subtotal - Spec. Revenue	5,920	22,783	22,969	5,734	18,585	18,542	5,777
	DEBT SERVICE FUNDS							
305	Debt Services	10,991	149,896	140,265	20,622	26,955	23,945	23,632
	Subtotal - Debt Service	10,991	149,896	140,265	20,622	26,955	23,945	23,632
	CAPITAL PROJECT FUNDS							
401	Capital Projects	5,089	118,016	112,703	10,402	10,716	10,716	10,402
451	PWPF - 1999	0	3,320	3,320	0	200	200	0
	Subtotal - Capital Projects	5,089	121,336	116,023	10,402	10,916	10,916	10,402
	ENTERPRISE FUNDS							
501	Stormwater	262	1,586	1,461	387	1,667	1,667	387
503	Civic Aud./Coliseum	6,298	3,156	3,393	6,061	3,258	3,631	5,688
504	Metro Parking	2,374	876	731	2,519	855	713	2,661
505	Solid Waste	4,057	8,624	8,286	4,395	9,373	9,373	4,395
506	Convention Center	6,330	3,454	4,617	5,167	7,418	8,095	4,490
507	Transportation	2,716	9,815	10,999	1,532	9,910	10,860	582
	Subtotal - Enterprise	22,037	27,511	29,487	20,061	32,481	34,339	18,203
	INTERNAL SERVICE FUNDS							
701	Office Services	22	694	694	22	543	543	22
702	Fleet Services	12,123	9,588	8,687	13,024	8,736	8,736	13,024
704	Risk Management	1,509	3,894	4,588	815	5,054	5,054	815
705	Health Care	1,419	7,750	7,968	1,201	10,489	10,489	1,201
706	Equipment Replacement	11,164	2,262	4,337	9,089	1,822	1,399	9,512
707	City Building	0	0	0	0	0	0	0
	Subtotal - Internal Service	26,237	24,188	26,274	24,151	26,644	26,221	24,574
	GRAND TOTAL	\$98,258	\$474,042	\$464,187	\$108,113	\$246,511	\$250,643	\$103,981

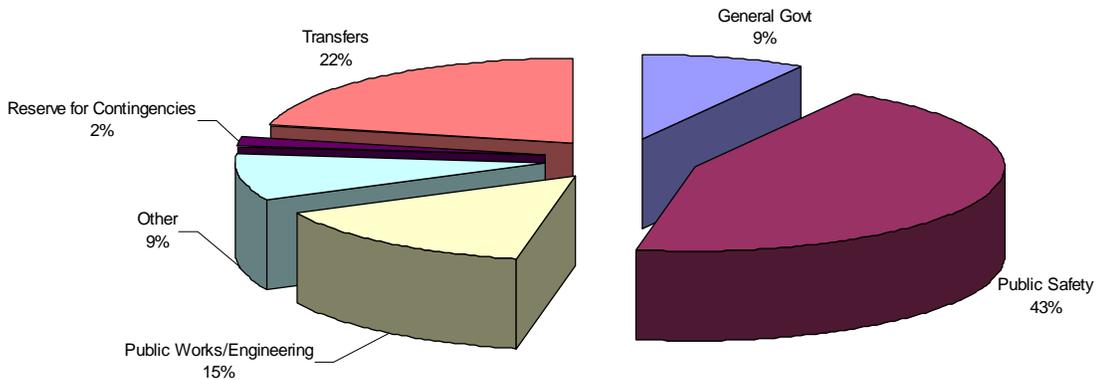
* All numbers in \$1,000's.

General Fund Revenue and Expenditures
FY 2002-03

Where the money comes from



Where the money goes



City of Knoxville
SOURCES & USES OF FUNDS
Fiscal Year 2002/03

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Total All Funds
Operating Revenue							
Taxes	106,361,870	0	25,455,710	0	0	0	131,817,580
Licenses & Permits	287,460	1,266,000	0	0	0	0	1,553,460
Intergovt. Revenue	19,946,490	12,022,970	1,165,000	0	3,589,210	0	36,723,670
Charges For Serv.	745,280	326,990	0	0	5,028,320	22,325,180	28,425,770
Fines & Forfeits	269,000	3,245,000	0	0	0	0	3,514,000
Other Revenue	1,343,980	795,100	334,490	4,000,000	1,374,070	2,994,420	10,842,060
Total Oper. Revenues	<u>128,954,080</u>	<u>17,656,060</u>	<u>26,955,200</u>	<u>4,000,000</u>	<u>9,991,600</u>	<u>25,319,600</u>	<u>212,876,540</u>
Operating Expenses							
Personal Services	69,283,260	2,915,480	0	0	4,041,480	2,747,950	78,988,170
Supplies	3,321,180	217,630	0	315,000	1,261,670	2,180,230	7,295,710
Other Expenses	34,664,780	11,069,420	250,000	10,600,750	28,874,500	21,293,510	106,752,960
Debt Service	0	0	23,695,440	0	105,530	0	23,800,970
Capital	0	128,000	0	0	43,600	0	171,600
Total Oper. Expenses	<u>107,269,220</u>	<u>14,330,530</u>	<u>23,945,440</u>	<u>10,915,750</u>	<u>34,326,780</u>	<u>26,221,690</u>	<u>217,009,410</u>
Excess/Deficiency Revenues Over (Under) Expenses	<u>21,684,860</u>	<u>3,325,530</u>	<u>3,009,760</u>	<u>(6,915,750)</u>	<u>(24,335,180)</u>	<u>(902,090)</u>	<u>(4,132,870)</u>
Other Fin. Sources/(Uses)							
Transfers In	1,975,820	929,360	0	6,915,750	22,488,680	1,324,690	33,634,300
Transfers Out	<u>(29,410,680)</u>	<u>(4,211,620)</u>	<u>0</u>	<u>0</u>	<u>(12,000)</u>	<u>0</u>	<u>(33,634,300)</u>
Total Other Sources/Uses	<u>(27,434,860)</u>	<u>(3,282,260)</u>	<u>0</u>	<u>6,915,750</u>	<u>22,476,680</u>	<u>1,324,690</u>	<u>0</u>
Revenues & Sources Over (Under) Expenses & Uses	<u>(5,750,000)</u>	<u>43,270</u>	<u>3,009,760</u>	<u>0</u>	<u>(1,858,500)</u>	<u>422,600</u>	<u>(4,132,870)</u>
Est. Beginning Fund Balance	27,143,000	5,734,000	20,622,000	10,402,000	20,061,000	24,151,000	108,113,000
Est. Ending Fund Balance	<u>21,393,000</u>	<u>5,777,270</u>	<u>23,631,760</u>	<u>10,402,000</u>	<u>18,202,500</u>	<u>24,573,600</u>	<u>103,980,130</u>

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

City of Knoxville

FULL TIME PERSONNEL BY DEPARTMENT

Fiscal Years 1988/89 - 2002/03

Department	FY 88/89	FY 89/90	FY 90/91	FY 91/92	FY 92/93	FY 93/94	FY 94/95	FY 95/96
Administration	20	24	23	29	27	20	22	22
Finance	51	50	50	50	49	50	50	51
Law	21	21	22	22	23	24	24	24
Information Systems	27	27	25	25	25	25	28	29
Legislative	3	3	3	3	3	3	3	3
City Court	8	8	8	8	8	8	9	9
Civil Service	12	14	14	14	14	14	14	14
Police	372	373	378	378	404	428	448	453
Fire	388	388	389	384	371	372	372	371
Emergency Management	4	4	4	4	4	4	4	4
Public Services	320	320	318	316	313	312	316	322
Engineering	66	68	69	69	69	74	74	76
Development Services	30	34	33	33	32	37	37	37
Recreation	47	47	47	47	48	48	50	50
Public Assembly Facilities	30	30	29	29	29	29	29	29
World's Fair Park	0	16	11	11	11	11	11	11
Fleet Services	41	47	46	50	50	50	51	58
GRAND TOTAL	<u>1,440</u>	<u>1,474</u>	<u>1,469</u>	<u>1,472</u>	<u>1,480</u>	<u>1,509</u>	<u>1,542</u>	<u>1,563</u>

Department	FY 96/97	FY 97/98	FY 98/99	FY 99/00	FY 00/01	FY 01/02	FY 02/03	Difference 01/02 02/03
Administration	19	19	22	23	23	23	23	0
Finance	51	53	53	53	53	53	53	0
Law	24	25	26	26	26	26	25	(1)
Information Systems	31	31	32	32	32	30	30	0
Legislative	3	3	3	3	3	3	3	0
City Court	9	10	12	12	12	13	13	0
Civil Service	14	15	15	15	15	15	15	0
Police	491	518	518	523	556	558	568	10
Fire	370	370	370	370	370	370	370	0
Emergency Management	4	4	4	4	4	4	4	0
Public Services	302	304	309	315	316	335	338	3
Engineering	78	83	83	83	86	87	88	1
Development Services	72	71	69	72	73	56	56	0
Recreation	52	54	55	56	56	56	55	(1)
Public Assembly Facilities	41	41	44	58	58	47	37	(10)
World's Fair Park	0	0	0	0	0	0	0	0
Fleet Services	59	66	66	66	67	67	67	0
GRAND TOTAL	<u>1,620</u>	<u>1,667</u>	<u>1,681</u>	<u>1,711</u>	<u>1,750</u>	<u>1,743</u>	<u>1,745</u>	<u>2</u>

The above table shows the staffing trends during the current administration. Note that this does not include part-time or temporary employe

For additional information please refer to each respective Departmental Summary Page.

PART TIME PERSONNEL BY DEPARTMENT

Fiscal Years 1988/89 - 2002/03

Department	FY 88/89	FY 89/90	FY 90/91	FY 91/92	FY 92/93	FY 93/94	FY 94/95	FY 95/96
Administration	0	1	0	1	1	1	0	0
Finance	0	0	0	0	2	2	2	1
Law	1	0	2	2	1	1	1	1
Legislative	10	10	10	10	10	10	10	9
City Court	1	1	1	1	1	1	1	1
Civil Service	6	5	5	5	0	0	0	0
Police	40	43	39	39	39	41	41	41
Engineering	3	3	3	3	4	4	4	4
Development Services	0	2	4	7	7	0	0	2
Recreation	19	27	16	15	17	17	15	16
Public Assembly Facilities	0	0	1	0	0	0	0	0
World's Fair Park	18	0	0	0	0	0	0	0
Fleet Services	0	0	0	0	0	1	1	0
GRAND TOTAL	98	92	81	83	82	78	75	75

Department	FY 96/97	FY 97/98	FY 98/99	FY 99/00	FY 00/01	FY 01/02	FY 02/03	Difference 01/02 - 02/03
Administration	0	0	1	1	0	0	0	0
Finance	1	2	2	2	2	2	2	0
Law	1	1	1	1	1	1	2	1
Legislative	9	9	9	9	9	9	9	0
City Court	1	1	1	1	1	1	1	0
Civil Service	0	0	0	0	0	0	0	0
Police	41	41	41	42	42	42	42	0
Engineering	6	6	6	6	4	3	3	0
Development Services	2	2	2	1	1	0	0	0
Recreation	15	15	15	15	15	15	16	1
Public Assembly Facilities	0	0	3	3	3	0	0	0
World's Fair Park	0	0	0	0	0	0	0	0
Fleet Services	0	0	0	0	0	0	0	0
GRAND TOTAL	76	77	81	81	78	73	75	2

The above table shows the part-time staffing trends during the current administration. Note that the drop in staffing for World's Fair Park is attributable primarily to a change in classification. At the beginning of this administration all staff of the World's Fair Park were classified as part time. This changed in FY 89/90. The decline in Civil Service relates to a decision by the Civil Service Board to forego their salary. This results in the Board Members no longer being shown as part-time personnel.

For additional information please refer to each respective Departmental Summary Page.

EFFECT OF TAX RATE ON HOMEOWNERS

In FY 2002/03 the proposed tax rate is \$2.70 per hundred dollars of assessed value, or the same rate as in FY 2001/02. The following charts summarize 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 \$405.00 (calculated by dividing \$15,000 by 100 and then multiplying by the city tax rate of \$2.70.) The average appraised value for residential property is \$62,283. For the average residential homeowner the total city property tax bill is \$442.72.

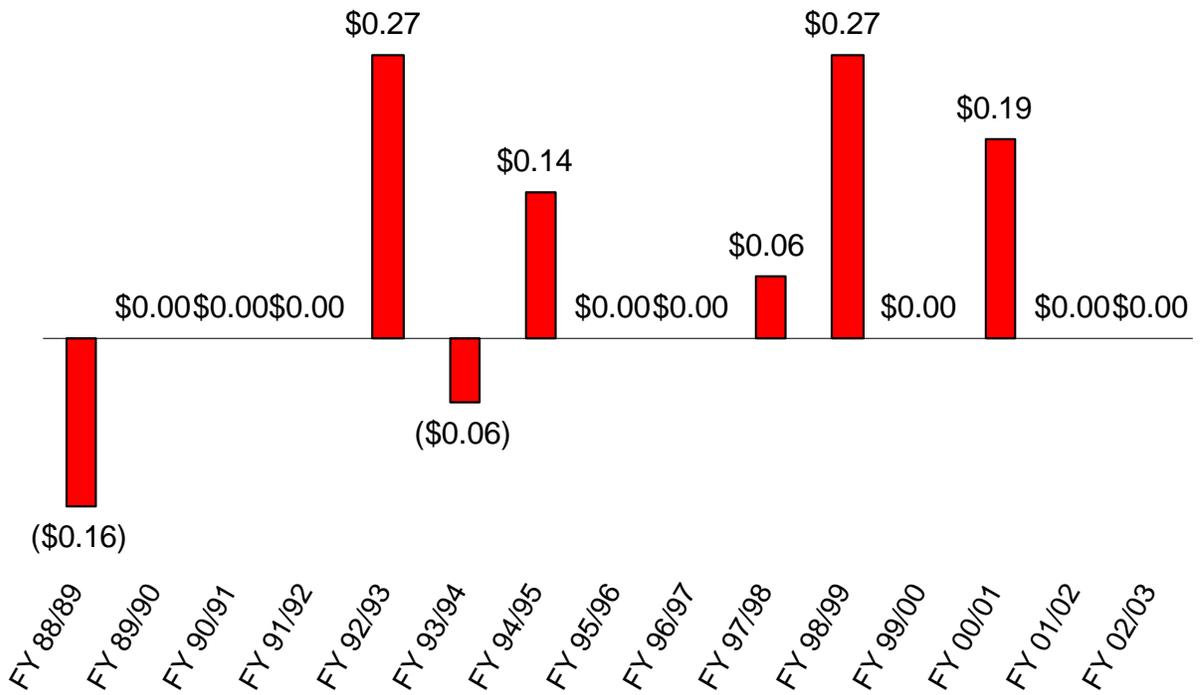
Figure 1

Appraised Value	Assessed Value (25%)	Property Tax Due
\$40,000	\$10,000	\$270.00
\$60,000	\$15,000	\$405.00
\$62,283	\$15,570	\$442.72
\$80,000	\$20,000	\$540.00
\$100,000	\$25,000	\$675.00

City of Knoxville

CHANGES IN TAX RATE

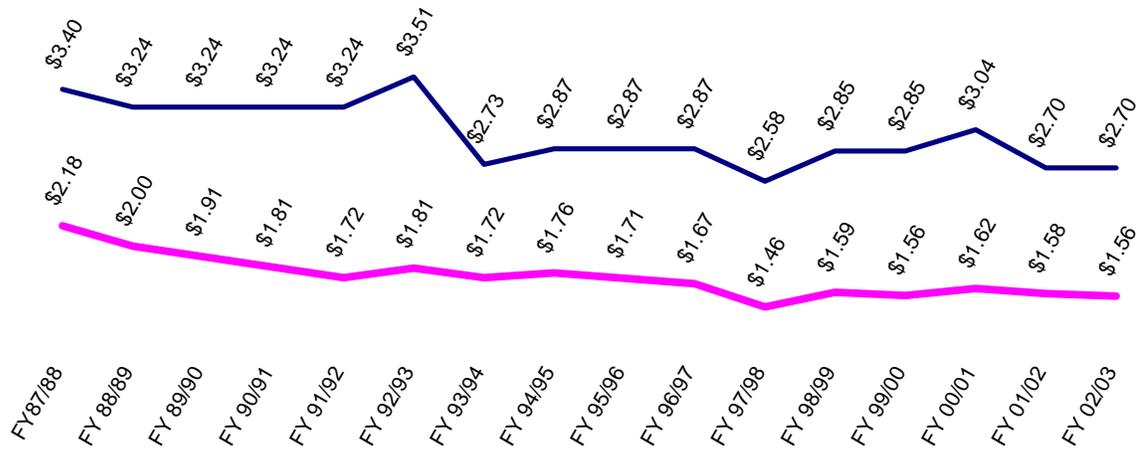
Fiscal Years 1988/89 – 2002/03



City of Knoxville

ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 1987/88 – 2002/03



The above chart compares 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 \$2.18 in Fiscal Year 1987/88 to \$1.56 in Fiscal Year 2002/03, a drop of forty-seven cents (63¢) or 28.7%.