FISCAL YEAR 2003-2004
ANNUAL OPERATING BUDGET
CITY OF KNOXVILLE, TENNESSEE

MAYOR

Victor Ashe

DEPUTY TO THE MAYOR

Craig Griffith

MEMBERS OF KNOXVILLE'S 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

FINANCE DIRECTOR

Randolph B. Vineyard

DEPUTY FINANCE DIRECTOR

James E. York

ACCOUNTING AND BUDGET MANAGER

Katherine Latvala

OFFICE OF MANAGEMENT AND BUDGET

Cheryl A. Davis, Financial Analyst, Sr.
Jack Dixon, Financial Analyst
John Harold, Financial Analyst

A special thank you to all the departments that contributed to this document.

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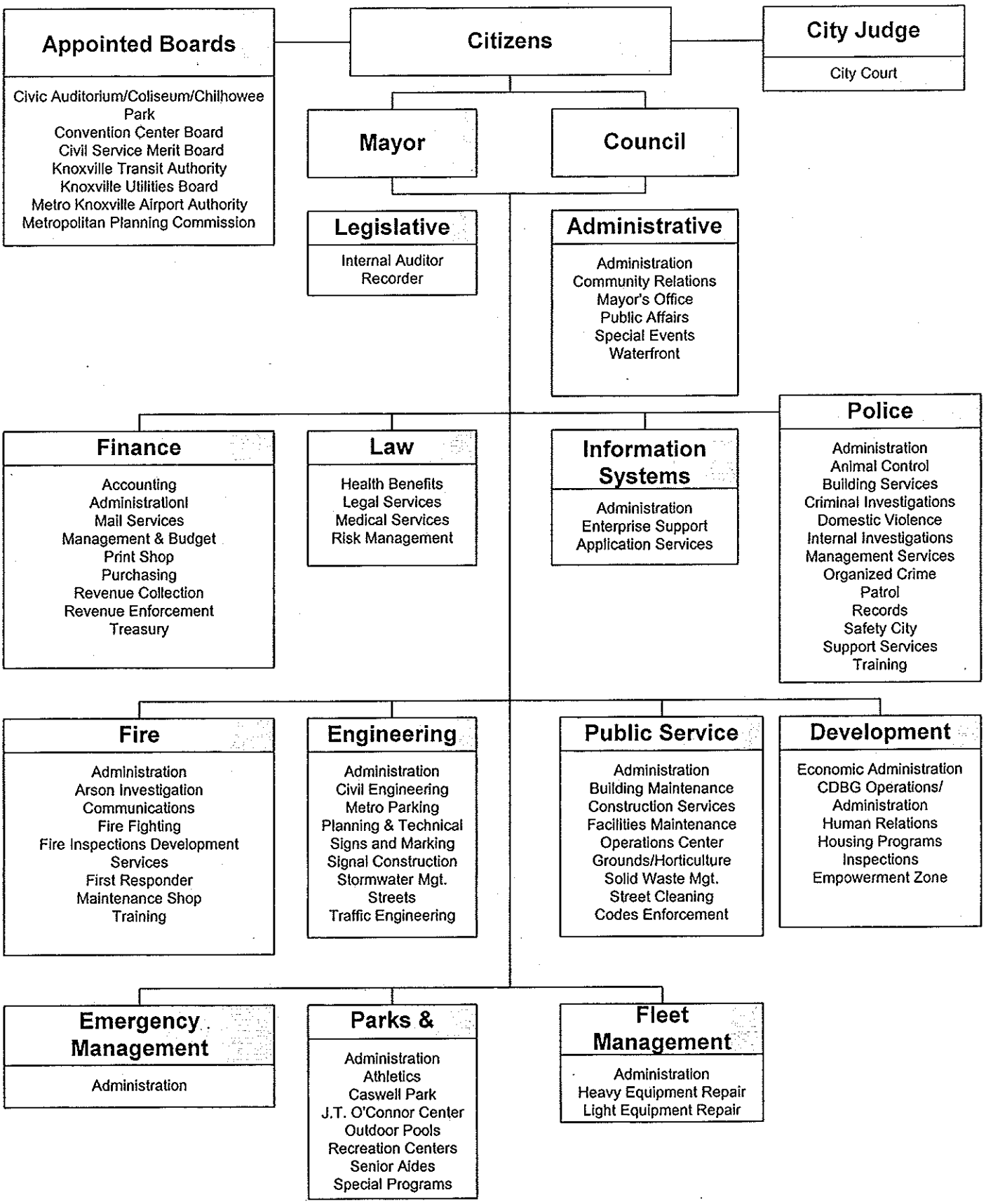
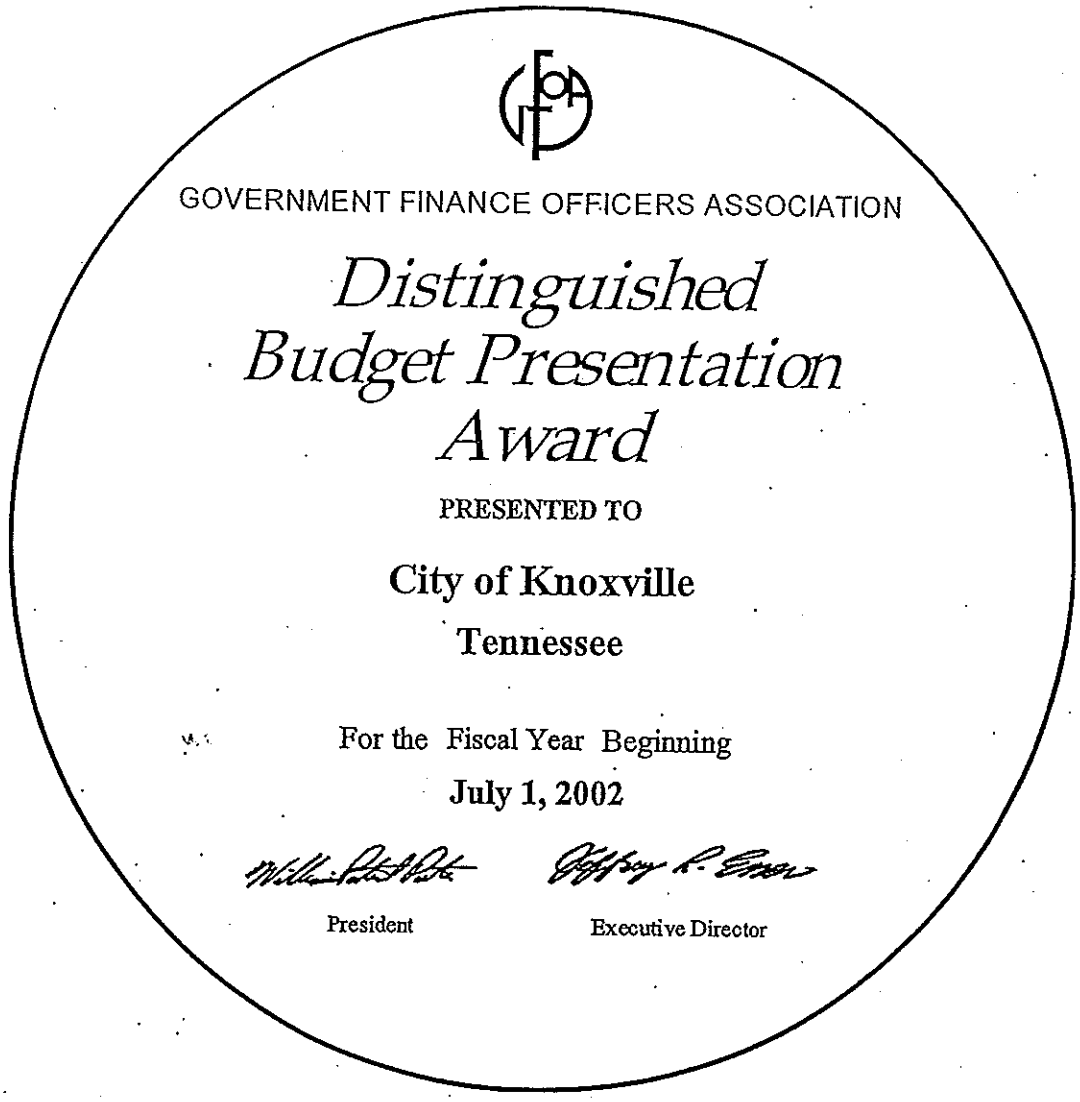
PRINCIPAL DIRECTORS AND ADMINISTRATORS

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
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 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 Service Department	Bob Whetsel, Director
Special Events	Mickey Mallonee, Director

City of Knoxville

Organizational Structure





The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Knoxville for its annual budget for the fiscal year beginning July 1, 2002.

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

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

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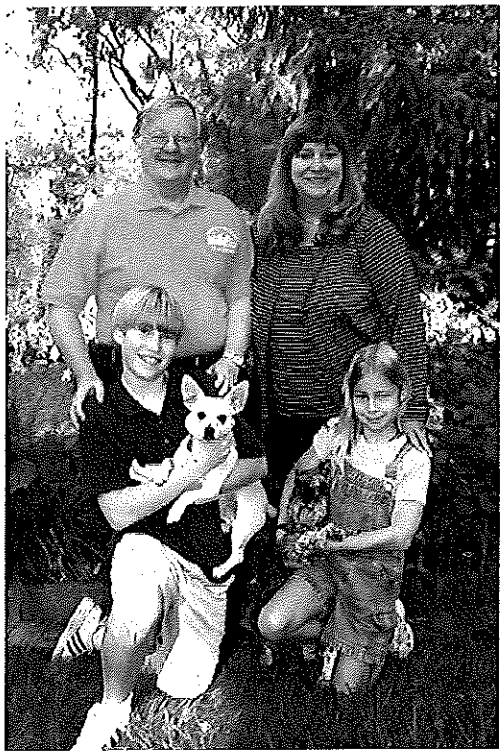
City of Knoxville

COMMUNITY PROFILE

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 and 16th year 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 reelection in 1991 and 1995 by at least a two-thirds majority of the votes. In the 1999 Primary Election, Ashe was elected without a runoff to his fourth consecutive term as mayor.

On January 24, 2003, Ashe received the Distinguished Public Service Award of the US Conference of Mayors. This is the highest award conveyed by the conference to mayors and other citizens who have had outstanding careers in public service.

On July 12, 2001, Ashe was appointed by President Bush to the board of directors of the Fannie Mae, the nation's largest source of financing for home mortgages and re-appointed on April 1, 2002.

Ashe served four years on the National Service Corporation Board appointed by President Clinton and confirmed by the U.S. Senate. Ashe also served on the Advisory Commission on Intergovernmental Relations by appointment of both President Reagan and President Bush.

As mayor, he has improved the city's financial condition, made sure city neighborhoods are clean and safe while 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. Crime rates have dropped by more than 30 percent since 1991, and the Police Department has been accredited. Seven new major parks, more than 20 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 (1994-1995), which represents 1,100 cities with populations of more than 30,000. As USCM President, Ashe led the battle against unfunded federal mandates that resulted in the passage of a mandate relief bill which was signed into law by the President in March, 1995. He is also a past president of the Tennessee Municipal League. The mayor also serves on the advisory board of the National League of Cities, the nation's largest municipal organization. In 1999 Mayor Ashe received the Martin Luther King Leadership Award by the Knoxville King Holiday Celebration Commission.

A graduate with BA in history at Yale University in 1967 and the University of Tennessee College of Law in 1974, Mayor Ashe was elected to the Tennessee House of Representatives in 1968 at the age of 23. He served six years in the state House before being elected to the Tennessee State Senate in 1975 where he served nine years until he resigned in 1984 to run for the U.S. Senate. While in the Legislature, Ashe successfully passed bills creating Tennessee's Natural Areas Preservation Act and exempting prescription drugs from sales tax. He also authored Tennessee's presidential primary law.

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 101-square miles in the City of Knoxville and 526-square miles in all of Knox County. Downtown Knoxville is 936 feet above sea level. In October of 1791, the City of Knoxville was officially founded, named in honor of General Henry Knox, Secretary of War in President Washington's Cabinet. In 1796, when the territory became the State of Tennessee, Knoxville was named the capital, and remained so until 1818.

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

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

Livability and Climate

The Knoxville area is ranked first in the United States among mid-sized urban regions according to the latest edition of Places Rated Almanac. Among the 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 38 degrees, and in July, the hottest month, average temperature is 78 degrees.

Utilities

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

Population

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

Total City/County Population			
Year	Population	Percent Change	
1990	335,749	1980-1990	5.0
2000	382,032	1990-2000	13.8
2002	389,327	2000-2002	1.9
2010 (projected)	429,730	2000-2010	12.5
City of Knoxville			
Year	Population	Percent Change	
1990	169,761	1980-1990	-3.0
2000	173,890	1990-2000	2.4
2002	177,661	2000-2002	2.2
2010 (projected)	183,044	2000-2010	5.3

Demographic Information

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

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

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

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

Education System

City of Knoxville voters approved a referendum on November 4, 1986, which transferred funding and operational responsibilities of the City's 51 public schools to Knox County on July 1, 1987. Knox County currently operates 89 public schools, including 51 elementary, 14 middle, and 12 high schools, 2 vocational schools, 10 special/adult education centers. Enrollment in 2002 was 51,800 students. There are 31 active private and parochial schools offering elementary and secondary education in Knoxville.

The University of Tennessee is one of the oldest institutions of higher education in the nation, tracing its origins back to 1794. The main campus is located in the City and includes all colleges except the medical units. Total enrollment is 25,500 students. The percentage of college students that graduates is 23.9%. Other campuses of the University System are located in Memphis, Chattanooga, Nashville, and Martin.

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

Knox County operates a library system, which has seventeen branches located throughout the City and County. The size of collection for the library is 1,002,713. The University maintains a main library and four branches on its campus. The library is open to the public with checkout privileges to students, faculty and fee-paying members.

Recreation and Tourism

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

In recent years, the City has put emphasis on greenways connecting parks and neighborhoods. Walking trails and small neighborhood parks have also been added in significant numbers. Knoxville/Knox County has 5,702 acres of park and recreation space, including 27 recreation centers, 6 senior citizen centers, 147 playgrounds and parks, 103 tennis courts, 21 public golf courses, and 17 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. National championship UT sport teams draw thousands of enthusiasts to games each year. Special seasonal events include the Dogwood Arts Festival in the spring, Festival on the Fourth in the summer, Boomsday in the fall, and Christmas In The City in December.

The nearby Great Smoky Mountains National Parks is the country's most visited national park with 9.3 million visitors in 2002. Knoxvillians and visitors alike enjoy the beauty and leisure activities that can be found there and at the numerous state parks, lakes, and resorts which dot the area.

Knoxville supports an active tourism and convention trade. A new 500,000-square foot convention center on the World's Fair Park site opened in 2002. The center includes spacious meeting rooms and a 500-seat lecture hall. Other local facilities are a large civic coliseum/auditorium, an exhibition hall/convention center, and a 25,000-seat arena. In 2000, travelers spent more than $549 million in Knox County, ranking it fifth in the state for visitor expenditures. Over 8,500 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 near Knoxville: I-40, I-75, and I-81. One-third of the U.S. population is within 500 miles of Knoxville via the interstate system. The city is directly linked to the Great Lakes by the Interconnected Inland Water System and to the Gulf of Mexico by the Tennessee-Tombighee Waterway. Three active river terminals facilitate barge shipping. Also serving the area are 125 truck lines, 3 railroads, and 7 airlines. Knoxville Area Transit (KAT), the public bus system serving the city, operates 80 vehicles and carries about 2 million passengers a year. A trolley system serves the downtown and university areas.

Commerce and Industry

Eleven business/industrial parks and the Technology Corridor in west Knox County provide locations to meet corporate needs. Several telemarketing divisions of large corporations are located in Knoxville while manufacturing firms in the Knoxville MSA produce everything from medical devices and electronic components to chemicals and automobile parts. Many of these firms are recognized as national and global business leaders, including Pilot Corporation, Bandit Lites, Goody's, Clayton Homes, and Brunswick Corporation. New industrial investment in the Knoxville MSA in 2002 totaled $632 million, creating 4,243 additional jobs.

Building Permits

More than 3,676 building permits were issued by the city and the county in 2002. Total value for 2002 is $653,653,811.

Income

In 2001, Knoxville/Knox County per capita income was $29,426, a 3.5% increase from 2000. The 2000-01 state increase was 2.0%, and the national change was 2.2%. Between 1991 and 2001, the average annual growth rate of per capita personal income in Knox County was 4.2%. This was below the rate for Tennessee, 4.4%, and near the national rate of 4.3%.

Taxes

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

Employment

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

Industry	Employment	% of Total
Natural Resources, Mining	600	0.2%
Construction	16,400	4.7%
Manufacturing	42,200	12.1%
Trade	63,200	18.1%
Transportation, Utilities	11,000	3.1%
Information	5,900	1.7%
Financial Activities	16,300	4.7%
Services	76,800	22.0%
Leisure & Hospitality	42,900	12.3%
Government	59,500	17.1%
Other Services	14,000	4.0%
TOTAL	348,800	

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 2002 was 365,300, including self-employed and agricultural workers. The metropolitan area hopes to gain 35,000 new jobs over the next 5 years through its economic development initiative, *Jobs Now!*

Labor Force

The 2002 civilian labor force in the Knoxville MSA was 378,500. The average MSA unemployment rate in 2002 was 3.5%. The rate for Knox County was 2.8%. Both are lower than the statewide average rate of 5.1% and the nationwide average of 5.8% for this time period.

Major Employers in the Knoxville MSA

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

Sources of Information for Community Profile

Metropolitan Planning Commission
Bureau of the Census
City of Knoxville
Knoxville Area Chamber Partnership
Great Smoky Mountains National Park

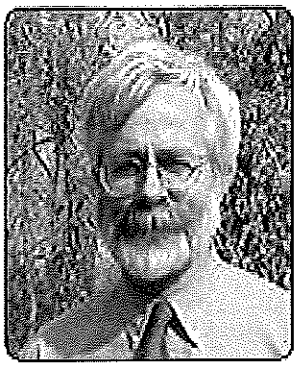
City of Knoxville's EEO/AA Statement

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

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

CITY COUNCIL BIOGRAPHICAL INFORMATION

Joseph Hultquist- First District

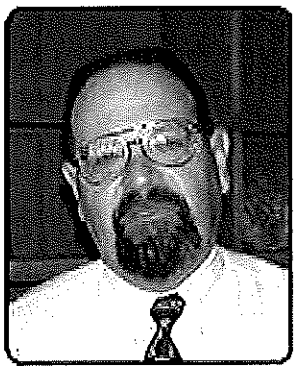


Originally from Maryville, Tennessee, Joe is a self-employed designer/builder/consultant. He has lived in Island Home Park neighborhood for about 15 years. In 1986, he co-founded the Island Home Neighborhood Association and served as its President for eight years. In 1991, Mayor Ashe named Joe to the City's Board of Zoning Appeals. He served a five-year term, never missing a single monthly meeting. In 1993, Joe spearheaded the effort to prevent downgrading the new highway and bridge that connect to Interstate 40. In 1998, he was awarded the first Community Cornerstone Award by the Knoxville News Sentinel/the South Knoxville/Sevier County area. In March 1999, Joe gathered with other people interested in developing a regional visioning process. From that meeting, the Initiating Committee Nine Counties One Vision (9C1V) evolved. Joe led the 9C1V outreach effort and has served continually on the 9C1V Board of Directors. This is Joe's first term on City Council.

Barbara Pelot – Second District

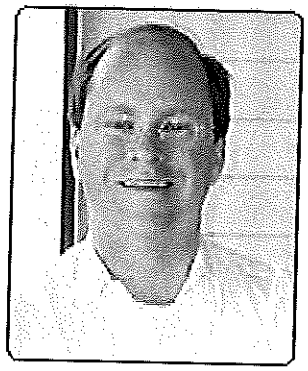
Barbara Pelot attended Southwestern Memphis (Rhodes College) 1955-19 graduating cum laude from Memphis State University in 1959 with a degree in Sociology, History and Secondary Education. She is a City of Knoxville Wrecker Commissioner, Past President of West Hills Community Association, President of West Hills Community Association and Chair for the Knoxville Police Department Advisory Committee. She is on The American Cancer Society Board of Directors, and a member of the Tennessee Dental Association Concerned Dentists Committee and Office Manager of her husband's dental practice. Mrs. Pelot is a member of Concord United Methodist Church, and the wife of Reuben Nisbet Pelot, III. They have four children, Lisa, Laurie, Lynda, and Reuben IV (Buddy), and 14 grandchildren. This is her first term as a City of Knoxville Councilwoman. Her term expires December 2005.

Steve Hall – Third District



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

Rob Frost- Fourth District

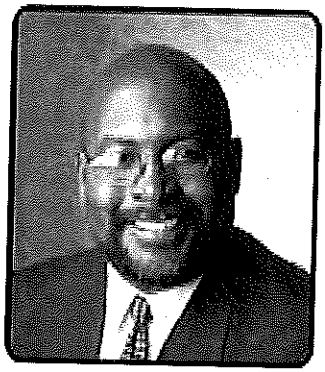


Rob Frost, the youngest member of City Council, is an attorney who practices law in downtown Knoxville. He received three Bachelor degrees from the University of Tennessee and graduated from The University School of Law. Rob, his wife and their son live in the Historic Fourth and Gill Neighborhood in a 106-year-old home that they are renovating. Rob also helps manage two small businesses that are renovating historic homes. Rob additionally serves on the boards of his neighborhood organization and Knox Heritage as well as serving on the City's Historic Zoning Commission. He is currently serving his first term on City Council.

Larry Cox - Fifth District

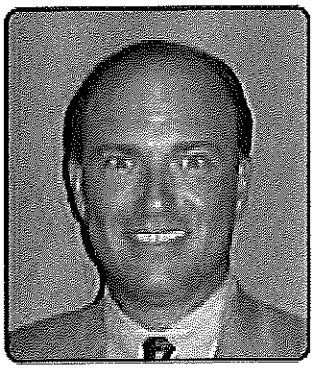
Larry Cox is President of Homestead, Inc., a wholesale food distributorship. He is a graduate of Cumberland College, Lebanon, Tennessee and holds a Bachelor of Science degree in Political Science from Middle Tennessee State University. He is married and the father of two children. Mr. Cox is serving his fifth term on City Council, which will expire December 2003.

Mark Brown – Sixth District



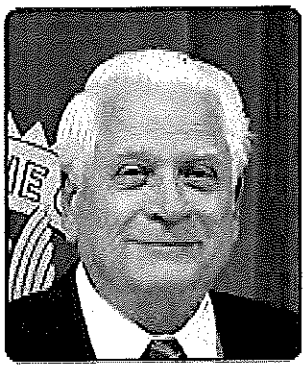
Mark A. Brown is a native Knoxvillian and attorney with the Campbell and Dawson law firm. He and his wife Marcia have one son, Mark Antoine Brown, II. Councilman Brown is the former CEO of the Knoxville Area Urban League and past chair of the Knox County Election Commission. He currently serves as the chair of the City of Knoxville's Audit Committee. In 1990, Councilman Brown was named one of the Leaders of the Future 30 years of age and younger by Ebony Magazine. Councilman Brown firmly believes "There is more that unites us than divides us." He is currently serving his first term on City Council.

Nick Pavlis - At- Large



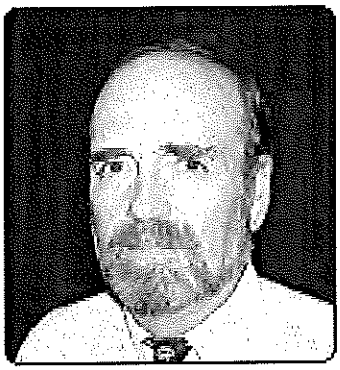
Nick Pavlis is employed as a Commercial Sales Representative with Comcast, Inc. and is past President of A&B Distributors, a gourmet food wholesaler. He is a graduate of the University of Tennessee, Chattanooga with a Bachelor of Science degree in Political Science. He has one daughter. He is the former Chairman of the Knoxville Beer Board and is serving his second term on City Council, which will expire December 2003.

Jack C. Sharp - At - Large

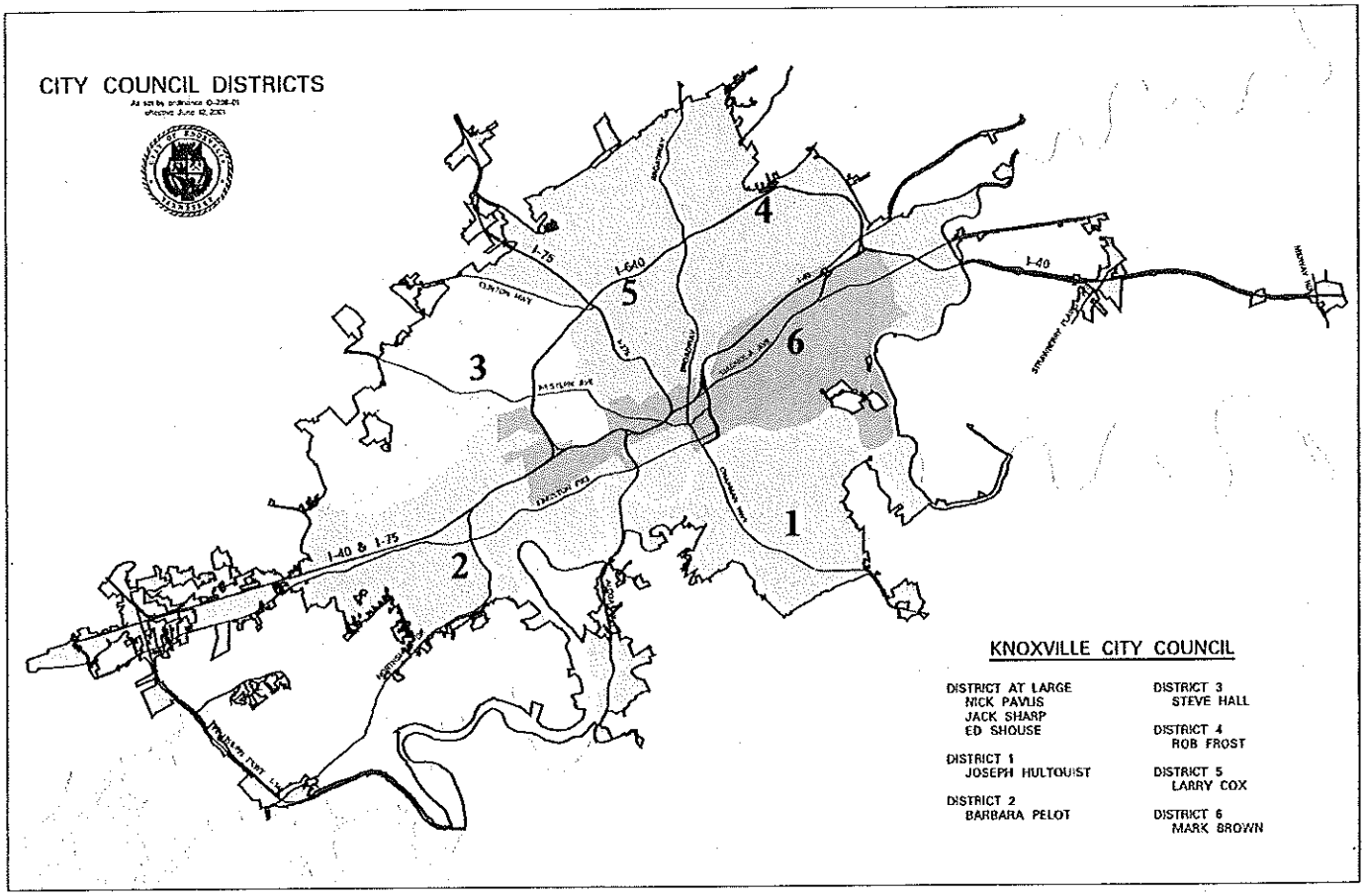


Jack Sharp is a retired businessman. He serves on the Board of Directors for the Knoxville Zoo and the City of Knoxville Pension Board. He is former President of Sharp's Drug Store. He was first elected to serve on City Council in 1976. He has served as the City's Vice-Mayor since 1990. Mr. Sharp is currently serving his seventh term on City Council, which will expire December 2003.

Ed Shouse - At - Large



Ed Shouse is Vice-President of Gulf and Ohio Railways. Mr. Shouse is a graduate of the University of Tennessee and was formerly an investment banker with Culver Securities, Inc., and Vice-President and Corporate Trust Officer of First Tennessee Bank. Mr. Shouse is married and has one child. Mr. Shouse is serving his fifth term on City Council, which will expire December 2003.


CITY COUNCIL DISTRICTS
1
2
3
4
5
6
I-40 & I-75
I-640
I-75
I-40
KNOXVILLE CITY COUNCIL
DISTRICT AT LARGE
NICK PAVLIS
JACK SHARP
ED SHOUSE
DISTRICT 1
JOSEPH HULTQUIST
DISTRICT 2
BARBARA PELOT
DISTRICT 3
STEVE HALL
DISTRICT 4
ROB FROST
DISTRICT 5
LARRY COX
DISTRICT 6
MARK BROWN

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Executive Summary

The FY 03/04 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 FY 03/04 budget is designed to address the financial constraints facing the City, while continuing to promote the goals of this administration. The focus of the FY 03/04 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 it can be improved by enhancing the quality of government services being provided. To this end, the budget concentrates on the administrative goals initiated and enhanced in past years, including:

- Parks and greenway expansion
- Preservation of Assets
- Improving the economic climate

GENERAL OVERVIEW

Revenues and Expenses

The adopted property tax rate for FY 03/04 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 proposed tax rate is unchanged for the third year in a row. 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 proposed tax rate is actually down by 30.8% when compared to the tax rate at the beginning of this administration in FY 88/89.

The total operating budget in Fiscal Year 2003/04 is $283,167,820. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is $218,105,970. The budget for the General Fund, which is the main operating fund of the city, equals $133,196,180. When compared to the adopted FY 02/03 budget the General Fund is down by $3,483,720 or approximately 2.55%.

The adopted budget recommends the issuance of approximately $20 million in new debt. This debt will be used to pay for improvements to Caswell Park, Ashe Park, and Lakeshore Park. The debt is also to go for the initial phase of downtown development now underway. An additional debt issue of approximately $14 million is planned for FY 04/05 to pay for parking and other improvements in the downtown. Interim funding for these projects will come from a $10 million line of credit.

BUDGET HIGHLIGHTS

Cities and states across the country have experienced financial difficulties this year. The City of Knoxville is no different, although we may be in better financial shape than many.

A number of outside factors affecting both revenues and expenditures shape the FY 03/04 budget. The general economic slowdown has resulted in lower revenues from business taxes and sales taxes. The dramatic decline in interest rates has affected interest earnings. The drop in stock values has lowered expected earnings from the Hall income tax. The fiscal crisis at the state level has resulted in the reduction of state shared revenue by nine-percent, the dollar impact of which is approximately two million. Federal grants, which have been used to help pay police officer salaries, are ending. A lowering of the equalization factor used in the computation of some property taxes has negatively impacted even some normally stable revenue sources.

At the same time that revenues have been stagnant or declining, certain fixed expenditures have been rising. The cost of health care

coverage has grown at a dramatic level. In preparing the FY 02/03 budget we had projected a fifteen-percent increase in health care to occur at mid-year. The actual increase was more than twenty five-percent. Based upon current trends we have built in a twenty-percent increase at mid-year. The estimated impact of these increases upon the City is $1.6 million with employees assuming another $0.8 million.

The cost of insurance has risen as a result of such events as September 11, 2001 and other occurrences and the City is not immune to these price hikes. The City is self-insured for workers compensation and the costs have grown significantly. One claim is expected to cost approximately $1.5 million. As reserves in the insurance funds have fallen in recent years, all cost increases must be recovered.

The City uses a large amount of fuel in the course of patrolling the streets, answering fire and emergency calls, maintaining transit service, and providing upkeep of streets and neighborhoods. The rise in fuel prices over the past year has resulted in increased costs for maintaining services. In the area of utilities the City is also affected negatively. The Tennessee Valley Authority (TVA) has announced a ten-percent rate hike. The estimated cost increase being passed on to the City is approximately six percent.

The City maintains a pension fund for its employees. The recent performance of the stock market has affected the portfolio of this plan and has made it necessary to increase the City's contribution rate this year to maintain full funding of the plan. Barring a major upturn in the markets it is likely that additional increases will be required in future years.

The impact of the decline in revenues and the increase in fixed operating costs has made it necessary to reduce other expenditure areas. As part of the budget process each department was required to reduce five-percent from its FY 02/03 budget level. This was done in a variety of ways. However, given the high portion of costs devoted to labor, most of the reductions occur in personnel. As part of the FY 03/04 budget the personnel count of the 03/04 budget the personnel count of the City drops by 123 full-time positions and 13 part-time positions. Most of the reductions occur through attrition. The reductions have been done in a way so as to minimize the deleterious effect upon city services. At the same time the salary increases normally provided to employees have been deferred for the first quarter of the fiscal year.

Despite the financial constraints facing the City, the budget provides funding for several facilities to address economic development and quality of life issues in the City. These issues adhere to the objectives established at the beginning of this administration and carried on throughout.

Parks and Greenway Expansion

The FY 03/04 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 $200,000 to continue the expansion of the greenway system, and $375,000 for completion of the Caswell Park improvements. Also included is $1.4 million for complete development of Ashe Park, and $275,200 to be used for land acquisition for a new park in south Knoxville. An appropriation of $6 million is recommended for improvements to Lakeshore Park. This project not only will serve to improve the quality of life of Knoxville residents but will also serve as a tourist destination site.

Preservation of Assets

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.

The city annually funds ongoing bridge repair and sidewalk programs. This continues with the FY 03/04 budget. Included in the capital budget for FY 03/04 is $650,000 for the bridge repair program, which will be used for im-

provements 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 proposed budget includes $175,000 for the purchase of new controllers and other signal improvements. Funding of $425,000 is to go for improvements to the drainage culvert system at Papermill Road and Kingston Pike. Also included is $1 million to be used for re-roofing of the Auditorium/Coliseum.

Preservation of our history is also important and a portion of this budget is dedicated to historic preservation efforts in our downtown. It is vitally important that we continue to recognize our past as well as plan for our future, and we hope to do this with a $1 million contribution to be used in the renovation of the Tennessee Theatre. This continues the donation begun in FY 02/03. The City plans to include a like amount in the FY 04/05 budget.

Improving The Economic Climate

A solid economy is essential for any city. The first phases of downtown redevelopment have been very positive, so much so that we have created another issue, a lack of parking in the downtown core. This budget includes $14 million to begin the work needed to address such parking issues and to continue the momentum of downtown development efforts.

The budget also continues the financial commitment to the Tourism and Sports Development Corporation to help promote tourism efforts and to attract visitors to the new Convention Center. Enhancing cultural opportunities also effects economic development. The budget continues funding of $190,000 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.

Chilhowee Park has proved very successful in attracting various events to the City. Still, more work is needed. Accordingly, this budget includes $1.5 million to make improvements to Jacobs Building. In doing so we can secure the Chilhowee Park's status as a premier event location, as well as an excellent park facility in east Knoxville.

Accounting Changes

There are some major accounting changes which affect comparisons between the FY 02/03 and FY 03/04 budgets. These changes are necessary to comply with the new GASB 34 accounting standards.

Two funds, the Stormwater Fund and the Solid Waste Fund, have been changed from Enterprise Funds to Special Revenue Funds. This is basically a reclassification and renumbering of the funds. To simplify comparisons the financial history associated with these funds has been reclassified as well.

The more significant change involves the Convention Center Fund. In FY 02/03 the debt service on this facility was shown in the Debt Service Fund. Beginning in FY 03/04 the interest on the Convention Center debt is included in the Convention Center budget. Principal payments are also made from this fund. Revenues from the hotel/motel taxes, and admission tax will also now flow to the Convention Center fund. The revenues generated by the Convention Center, along with the various hotel/motel taxes are not sufficient to cover the debt on this facility. As such a transfer from the debt service fund is being made to fully fund all costs. The costs associated with the contribution to the Tourism and Sports Development Corporation have also been shifted from the General Fund to the Convention Center Fund.

CONCLUSION

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

Changes 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 $283,167,820 while the adopted General Fund budget is $133,196,180. These amounts compare, respectively, to the proposed amounts of $283,823,570 and $133,599,140.

In preparing the proposed budget we had assumed a thirty percent (30%) increase in the cost of health care. Subsequent to the final adoption of the budget we received notification from the state, indicating that the increase will be approximately twenty percent (20%). We have consequently lowered the appropriations for health care expenditures. As a corollary to this reduction the adopted budget funds employee salary increases beginning in October 2003 rather than in January 2004 as in the proposed budget.

The above changes affect the budgets for most departments. The budget is lower for most departments, while the budget for others increase slightly. The differences between increases and decreases relate to the number of individuals who have family health coverage in each department. The largest change is in the Health Care fund, which has a decrease of $639,430.

A second group of changes result from revisions in the Governor's proposed budget. At the time of the Mayor's proposed budget the Governor had proposed a nine percent reduction in all state shared revenue. During legislative discussions the plan was modified so as to achieve an overall reductions in state shared revenue of nine percent (9%) while not reducing each state shared revenue by the same percentage. For example, the adopted state budget does not reduce state gas taxes, but reduces revenues from the Hall Income Tax by thirty-three percent (33%). This impact on the City of Knoxville budget is an increase in the State Street Aid Fund and a reduction in the General Fund budget. The increased gas taxes will be used for capital projects and funding for KAT. Funding from the General Fund for these activities are reduced by an offsetting amount.

There are two other changes from the proposed budget. The first is a correction to the Legislative budget, and the second is an increase of $102,230 in the Fire Department budget to maintain services at Station 6. The Fire Department will seek other operational efficiencies to offset the full cost of maintaining services at Station 6. The use of an additional $100,000 in appropriated fund balance is also recommended. This will used for capital projects.

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2003/04

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
5100	Taxes	107,030,950	(83,950)	106,947,000
5200	Licenses & Permits	279,600	0	279,600
5300	Intergovernmental Revenue	17,124,950	(420,400)	16,704,550
5400	Charges for Services	949,360	0	949,360
5500	Fines & Forfeitures	2,692,680	1,390	2,694,070
5600	Other Revenue	5,521,600	100,000	5,621,600
	Total General Fund	133,599,140	(402,960)	133,196,180
1100	Administration	1,816,190	130	1,816,320
1200	Finance	3,067,440	(390)	3,067,050
1300	Law	1,379,640	3,390	1,383,030
1400	Information Systems	2,812,400	1,730	2,814,130
1500	Legislative	749,650	24,640	774,290
1700	Civil Service	916,160	(510)	915,650
1900	Elections	200,000	0	200,000
2300	Police	36,659,090	(36,760)	36,622,330
2500	Fire	24,519,950	78,190	24,598,140
2700	Emergency Management	313,410	(290)	313,120
3100	Public Services	15,511,680	(25,390)	15,486,290
3300	Engineering	4,528,110	(800)	4,527,310
3700	Development Services	783,370	800	784,170
3800	Empowerment Zone	60,770	90	60,860
4300	Recreation	5,903,310	(2,870)	5,900,440
5100	Metropolitan Planning Commission	692,650	0	692,650
5200	Knoxville Zoo	855,000	0	855,000
5300	Community Agency Grants	1,512,950	0	1,512,950
5600	Community Development	448,960	0	448,960
5900	Community Action Committee	437,950	0	437,950
6100	Mass Transit Grant Match	750,260	0	750,260
8100	Reserve	1,350,000	0	1,350,000
9100	Transfers	28,330,200	(444,920)	27,885,280
	Total General Fund	133,599,140	(402,960)	133,196,180
201	State Street Aid	4,480,000	400,400	4,880,400
209	Abandoned Vehicles	454,150	0	454,150
213	City Court	3,057,000	0	3,057,000
216	City Inspections	1,682,710	(1,690)	1,681,020
220	Stormwater	1,663,910	(2,470)	1,661,440
230	Solid Waste	9,363,170	(2,360)	9,360,810
240	Miscellaneous Special Revenue	1,018,500	0	1,018,500
264	Home Grants	2,758,610	0	2,758,610
269	Emergency Shelter Grants	86,000	0	86,000
270	Empowerment Zone	1,987,000	0	1,987,000
290	Community Development Block Grant	3,364,310	0	3,364,310

City of Knoxville

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2003/04

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
305	Debt Services	21,868,980	0	21,868,980
401	Capital Projects	26,300,200	0	26,300,200
451	PWPF - 1999 - Chilhowee Park	1,500,000	0	1,500,000
503	Civic Auditorium/Coliseum/KCEC	3,579,530	(1,860)	3,577,670
504	Metro Parking	709,520	0	709,520
506	Convention Center	21,645,030	0	21,645,030
507	Mass Transportation	12,012,490	0	12,012,490
701	Office Services	439,580	0	439,580
702	Fleet Services	9,034,200	(4,650)	9,029,550
704	Risk Management	6,574,720	(730)	6,573,990
705	Health Care	13,486,650	(639,430)	12,847,220
706	Equipment Replacement	1,797,270	0	1,797,270
707	City Building	1,360,900	0	1,360,900
	Grand Total	283,823,570	(655,750)	283,167,820

BUDGET POLICIES

I) The budget shall be balanced by fund.

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

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

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

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

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

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

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

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

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

11) Internal Service Funds shall be self-supporting.

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

DEBT MANAGEMENT POLICIES

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

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

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

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

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

GRANT POLICIES

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

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

(b) the availability of matching funds if required;

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

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

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

FUND BALANCE POLICIES

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

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

CAPITAL IMPROVEMENT POLICIES

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

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

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

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

REVENUE POLICIES

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

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

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

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

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

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

The Budget Document

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

Fiscal Year

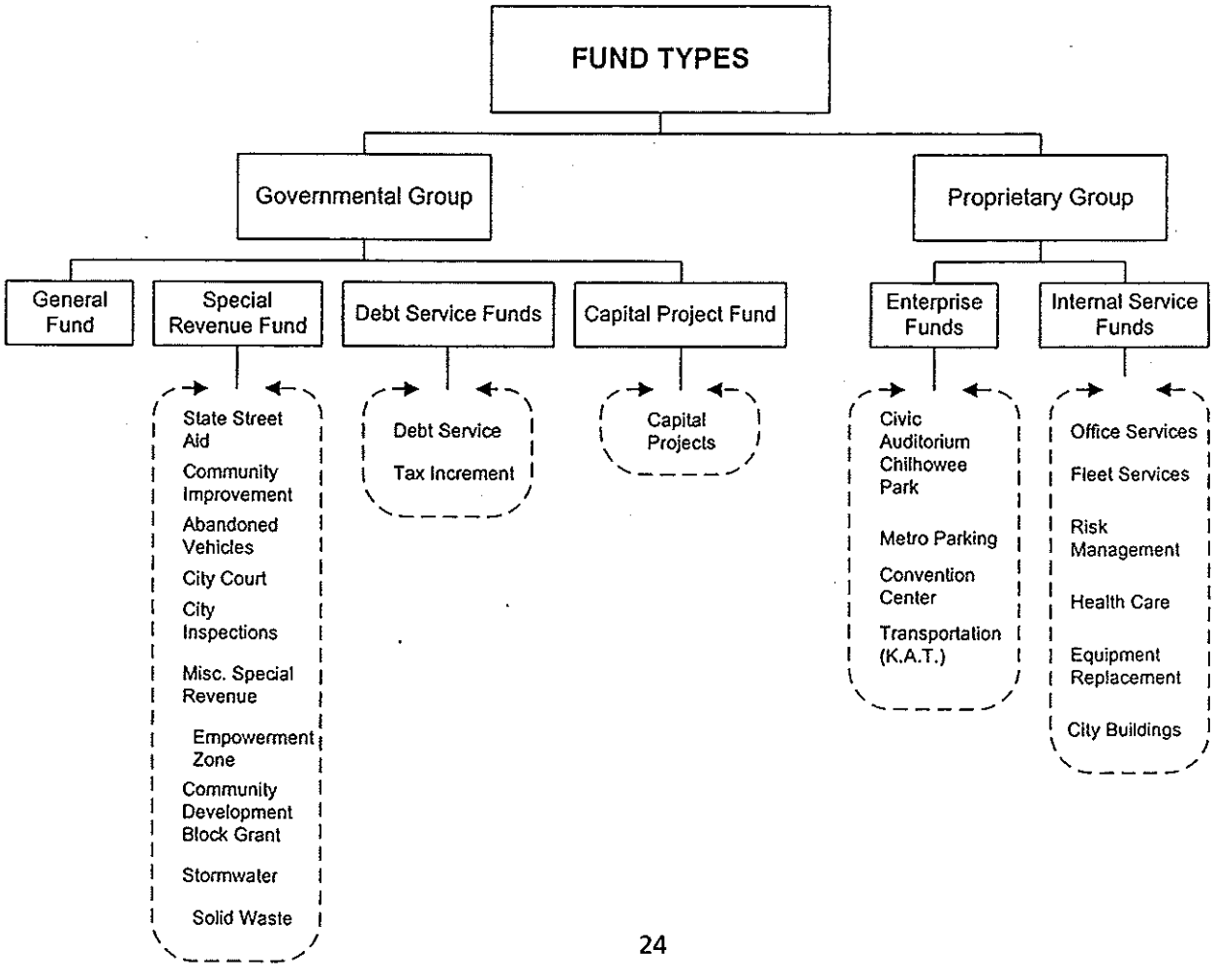
The budget covers the activities and expenditures for a given time period or fiscal year. The City of Knoxville's fiscal year runs from July 1 to June 30 of the following year. This budget covers the period July 1, 2003 through June 30, 2004.

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.

Budget Adoption

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

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

Budget Amendments

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

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

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

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

Operating Budget Policies and Procedures

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

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

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

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

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

Financial Reporting

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

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

Basis of Budgeting

The City's budget is prepared in accordance with Generally Accepted Accounting Principles (GAAP). 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 a be a list of numbers on paper used to limit spending, the budget is actually a dynamic operations guide, which identifies programs, services and activities which the City feels are important to provide in the ensuing year. Furthermore, it identifies the financial guidelines by which these activities are to abide.

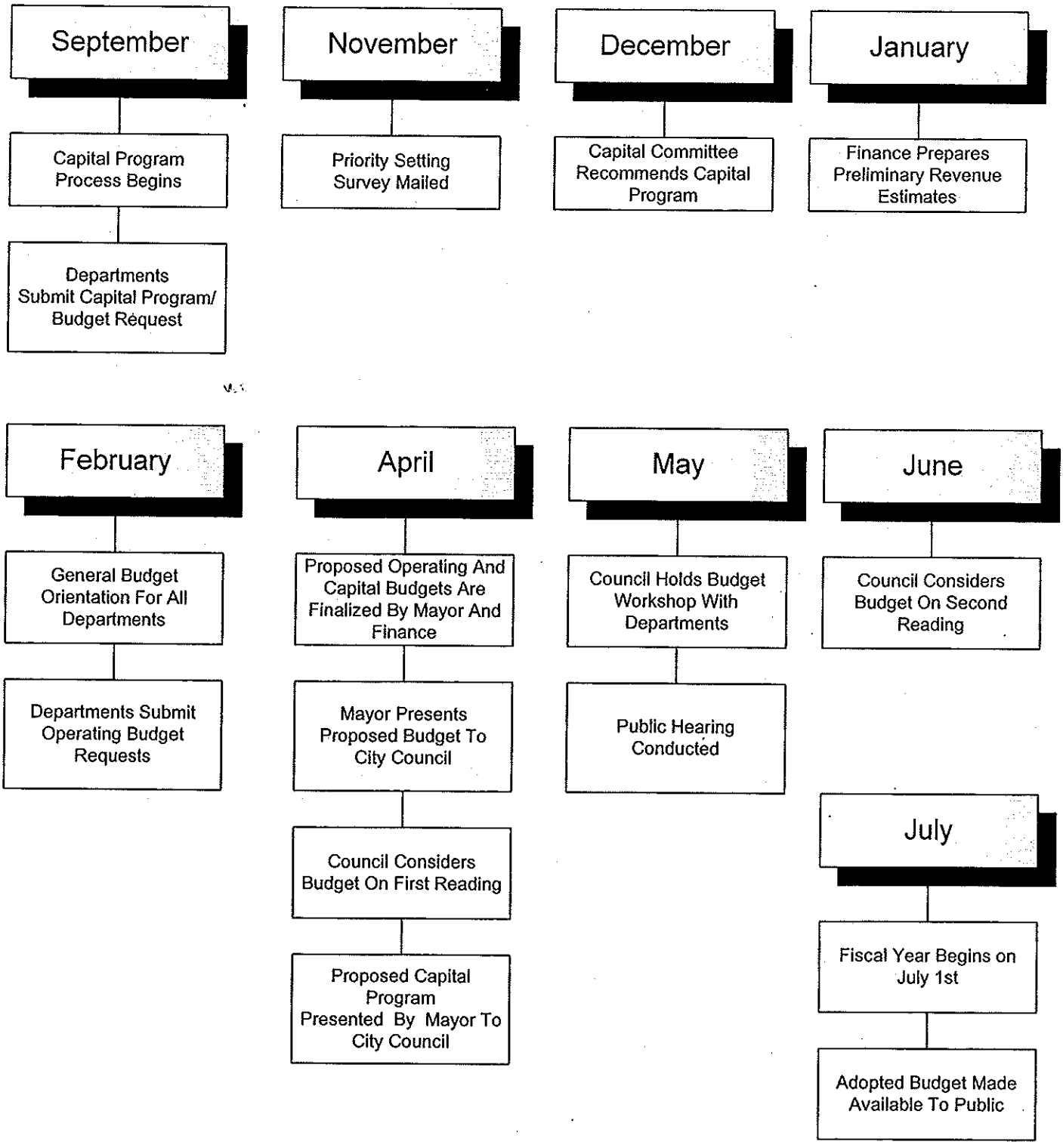
This budget document is separate into sections according to fund. Each fund is organized by departments, which as explained earlier, are unique units with specific responsibilities, generally defined in the City's Charter. A summary page is provided for each department which explains significant changes. 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.

THE BUDGET PROCESS
2003-2004



BUDGET CALENDAR FOR FISCAL YEAR 2003-2004

NOVEMBER	
8th	Survey mailed to 1900 randomly selected registered voters.
FEBRUARY	
17th	General budget orientation materials mailed to all departments that includes the timetable of events, budget request forms, and budget preparation instructions.
MARCH	
1st	In accordance with Section 2-1123 of the City Code, the Mayor is authorized to meet and confer with employees' representatives for the purpose of reaching an understanding relative to wages, salaries, fringe benefits and other conditions of employment.
7th	Last day for departments to complete line item and program budget requests.
10th-28th	The Finance Department reviews all departmental budget submissions and makes recommendations to the Mayor, including requests for additional personnel and programs.
APRIL	
2nd-3rd	The Mayor and Finance Director hold administrative budget hearings with individual departments.
4th-25th	Administrative review of all budget material is completed and final adjustments are made to the budget document. All funds are brought into balance.
30th	Mayor's Proposed Budget is submitted to City Council in accordance with Charter deadline, along with an updated 5-year Capital Improvements Program and Budget, as required by the Charter.
APRIL	
3Oth	Last day that salary commendations based upon salary survey results as wel as any recommendations of the Mayor may be submitted to City Council, if necessary.
MAY	
21st	City Council Budget Workshop on the Proposed Budget. Each department will have a scheduled time to present its budget and answer questions.
18th, 25th and June 1st	Public Notice is sent out regarding a hearing on the proposed budget. The City Charter requires that a public hearing is held between the first and second readings of the Mayor's budget. Public notice must be made ten days prior to the hearing to remain in compliance with Federal regulations.
27th	First reading of the proposed budget.
JUNE	
5th	City Council Budget Workshop and Public Hearing on the Proposed Budget. Each department will be present to answer questions regarding the budget.
10th	Second Reading/Adoption of the Proposed Budget.
15th	As established by City Charter, last day to approve the Budget and Tax Rate Ordinance.
24th	Supplemental appropriations (housekeeping) ordinance which allows for yearend balancing of accounts and funds.
JULY	
1st	Beginning of fiscal year 2003-2004

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, 2003.

The first few pages summarize the revenues and expenditures of all funds. The entire budget of the City is $283,167,820. However, as the following pages show, the net budget (which excludes all interfund charges and transfers) is $65,061,850 less, or $218,105,970. The budget for the General Fund, which is the main operating fund of the City, is $133,196,180.

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 Recorder's Office. Please contact the Finance Department if you desire more information than is provided in these documents.

BUDGET COMPARISON - ALL FUNDS

Fiscal Year 2003/04

Fund No.	Fund Name	Adopted FY 02/03 Budget	Adopted FY 03/04 Budget	Dollar Change FY 02/03 - 03/04	Percentage Change FY 02/03 - 03/04
100	General Fund	136,679,900	133,196,180	(3,483,720)	(2.55%)
	Special Revenue Funds				
201	State Street Aid	4,964,300	4,880,400	(83,900)	(1.69%)
202	Community Improvement	360,000	0	(360,000)	(100.00%)
209	Abandoned Vehicles	451,730	454,150	2,420	0.54%
213	City Court	2,557,000	3,057,000	500,000	19.55%
216	City Inspections	1,686,860	1,681,020	(5,840)	(0.35%)
220	Stormwater	1,667,150	1,661,440	(5,710)	(0.34%)
230	Solid Waste	9,373,040	9,360,810	(12,230)	(0.13%)
240	Miscellaneous Special Revenue	832,090	1,018,500	186,410	22.40%
264	Home Grants	1,792,000	2,758,610	966,610	53.94%
268	Emergency Shelter Grants	88,000	86,000	(2,000)	(2.27%)
270	Empowerment Zone	3,000,000	1,987,000	(1,013,000)	(33.77%)
290	Community Development Block Grant	2,810,170	3,364,310	554,140	19.72%
	Subtotal - Special Revenue Funds	29,582,340	30,309,240	726,900	2.46%
	Debt Service Funds				
305	Debt Services	23,945,440	21,868,980	(2,076,460)	(8.67%)
	Subtotal - Debt Service Funds	23,945,440	21,868,980	(2,076,460)	(8.67%)
	Capital Projects Funds				
401	Capital Projects	10,715,750	26,300,200	15,584,450	145.43%
451	First Creek	200,000	0	(200,000)	(100.00%)
451	Chilhowee Park	0	1,500,000	1,500,000	
	Subtotal - Capital Projects Funds	10,915,750	27,800,200	16,884,450	154.68%
	Enterprise Funds				
503	Civic Auditorium/Coliseum/KCEC	3,631,350	3,577,670	(53,680)	(1.48%)
504	Metro Parking	713,120	709,520	(3,600)	(0.50%)
506	Convention Center	8,094,600	21,645,030	13,550,430	167.40%
507	Mass Transportation	10,859,520	12,012,490	1,152,970	10.62%
	Subtotal - Enterprise Funds	23,298,590	37,944,710	14,646,120	62.86%
	Internal Service Funds				
701	Office Services	543,450	439,580	(103,870)	(19.11%)
702	Fleet Services	8,735,910	9,029,550	293,640	3.36%
704	Risk Management	5,054,320	6,573,990	1,519,670	30.07%
705	Health Care	10,488,910	12,847,220	2,358,310	22.48%
706	Equipment Replacement	1,399,100	1,797,270	398,170	28.46%
707	City Building	1,348,360	1,360,900	12,540	0.93%
	Subtotal - Internal Service Funds	27,570,050	32,048,510	4,478,460	16.24%
	Grand Total	251,992,070	283,167,820	31,175,750	12.37%

ESTIMATED FUND BALANCES - ALL FUNDS

Fiscal Year 2002/03 And 2003/04

Fund No.	Fund Name	Beginning Fund Balance 07/01/2002	Estimated Revenues and Sources of Funds FY 02/03	Estimated Expenses and Uses of Funds FY 02/03	Estimated Ending Fund Balance 06/30/2003	Budgeted Revenues FY 03/04	Budgeted Expenditures FY 03/04	Estimated Ending Fund Balance 06/30/2004
100	**GENERAL FUND**	$27,998	$129,500	$138,367	$19,131	$128,521	$133,196	$14,456
	SPECIAL REVENUE FUNDS							
201	State Street Aid	1,561	4,895	4,688	1,768	4,880	4,880	1,768
209	Abandoned Vehicles	924	514	467	971	454	454	971
213	City Court	286	3,334	3,323	297	3,057	3,057	297
216	City Inspections	1	1,985	1,734	252	1,681	1,681	252
220	Stormwater	387	1,677	1,168	896	1,661	1,661	896
230	Solid Waste	4,234	9,140	9,155	4,219	9,361	9,361	4,219
240	Misc. Special Revenue	567	2,069	559	2,077	1,019	1,019	2,077
264	Home Grants	158	1,289	1,447	0	2,759	2,759	0
269	Emergency Shelter Grants	8	125	130	3	86	86	3
270	Empowerment Zone	0	4,635	4,635	0	1,987	1,987	0
290	Community Dev. Block Grant	4	1,951	1,951	4	3,364	3,364	4
	Subtotal - Spec. Revenue	8,130	31,614	29,257	10,487	30,309	30,309	10,487
	DEBT SERVICE FUNDS							
305	Debt Services	23,859	28,642	22,897	29,604	22,692	21,869	30,427
	Subtotal - Debt Service	23,859	28,642	22,897	29,604	22,692	21,869	30,427
	CAPITAL PROJECT FUNDS							
401	Capital Projects	1,986	18,200	18,539	1,647	26,300	26,300	1,647
451	Chilhowee Park	0	0	0	0	1,500	1,500	0
	Subtotal - Capital Projects	1,986	18,200	18,539	1,647	27,800	27,800	1,647
	ENTERPRISE FUNDS							
503	Civic Aud./Coliseum	8,491	3,444	3,982	7,953	3,204	3,578	7,579
504	Metro Parking	6,285	1,118	851	6,552	851	710	6,693
506	Convention Center	8,973	13,784	11,855	10,902	18,258	21,645	7,515
507	Transportation	12,756	10,553	11,932	11,377	11,063	12,012	10,428
	Subtotal - Enterprise	36,505	28,899	28,620	36,784	33,376	37,945	32,215
	INTERNAL SERVICE FUNDS							
701	Office Services	22	426	426	22	440	440	22
702	Fleet Services	14,040	10,214	10,030	14,224	9,030	9,030	14,224
704	Risk Management	222	5,840	5,898	164	6,574	6,574	164
705	Health Care	1,491	10,453	10,166	1,778	12,847	12,847	1,778
706	Equipment Replacement	11,869	2,118	2,015	11,972	2,002	1,797	12,177
707	City Building	0	1,361	1,246	115	1,361	1,361	115
	Subtotal - Internal Service	27,644	30,412	29,781	28,275	32,254	32,049	28,480
	GRAND TOTAL	**$126,122**	**$267,267**	**$267,461**	**$125,928**	**$274,952**	**$283,168**	**$117,712**

* All numbers in $1,000's.

TOTAL EXPENDITURES BY DEPARTMENT

Fiscal Year 2003/04

Department	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	1,816,320	0	0	0	0	0	1,816,320
Finance	3,067,050	0	400,000	15,625,200	0	3,597,750	22,690,000
Law	1,383,030	0	0	0	0	19,421,210	20,804,240
Information Systems	2,814,130	0	0	0	0	0	2,814,130
Legislative	774,290	0	0	0	0	0	774,290
City Court	0	621,730	0	0	0	0	621,730
Civil Service	915,650	0	0	0	0	0	915,650
City Hall At the Mall	0	0	0	0	0	0	0
Convention Center	0	0	0	0	14,345,410	0	14,345,410
Police	36,622,330	973,500	0	0	0	0	37,595,830
Fire	24,598,140	0	0	0	0	0	24,598,140
Emergency Management	313,120	0	0	0	0	0	313,120
Public Services	15,486,290	9,625,650	0	1,000,000	0	0	26,111,940
Engineering	4,527,310	3,996,600	0	1,700,000	626,270	0	10,850,180
Development Services	1,293,990	9,729,630	0	0	0	0	11,023,620
Recreation	5,900,440	45,000	0	7,975,000	0	0	13,920,440
Public Assembly Facilities	0	0	0	1,500,000	3,577,670	0	5,077,670
Fleet Services	0	454,150	0	0	0	9,029,550	9,483,700
Nondepartmental							
City Elections	200,000	0	0	0	0	0	200,000
KAT (Knoxville Area Transit)	750,260	0	0	0	12,012,490	0	12,762,750
Community/Other Agencies	3,498,550	0	0	0	0	0	3,498,550
Reserve	1,350,000	0	0	0	0	0	1,350,000
Debt Service	0	0	16,055,440	0	7,382,870	0	23,438,310
Miscellaneous Expenses	27,080	0	0	0	0	0	27,080
Other Transfers	27,858,200	4,862,980	5,413,540	0	0	0	38,134,720
GRAND TOTAL	133,196,180	30,309,240	21,868,980	27,800,200	37,944,710	32,048,510	283,167,820

NET BUDGET

Fiscal Year 2003/04

Fund No.	Fund Name	Adopted FY 03/04 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	General Fund	133,196,180	(27,858,200)	0	105,337,980
201	State Street Aid	4,880,400	(2,280,400)	0	2,600,000
209	Abandoned Vehicles	454,150	0	0	454,150
213	City Court	3,057,000	(2,435,270)	0	621,730
216	City Inspections	1,681,020	0	0	1,681,020
220	Stormwater	1,661,440	0	0	1,661,440
230	Solid Waste	9,360,810	0	0	9,360,810
240	Miscellaneous Special Revenue	1,018,500	0	0	1,018,500
264	Home Grants	2,758,610	(147,310)	0	2,611,300
269	Emergency Shelter Grants	86,000	0	0	86,000
270	Empowerment Zone	1,987,000	0	0	1,987,000
290	Community Development Block Grant	3,364,310	0	0	3,364,310
305	Debt Services	21,868,980	(5,413,540)	0	16,455,440
401	Capital Projects	26,300,200	0	0	26,300,200
451	Chilhowee Park	1,500,000	0	0	1,500,000
503	Civic Auditorium/Coliseum/KCEC	3,577,670	0	0	3,577,670
504	Metro Parking	709,520	0	0	709,520
506	Convention Center	21,645,030	0	0	21,645,030
507	Mass Transportation	12,012,490	0	0	12,012,490
701	Office Services	439,580	0	(439,580)	0
702	Fleet Services	9,029,550	0	(9,029,550)	0
704	Risk Management	6,573,990	0	(5,896,910)	677,080
705	Health Care	12,847,220	0	(8,323,590)	4,523,630
706	Equipment Replacement	1,797,270	0	(1,901,600)	(104,330)
706	Equipment Replacement	1,360,900	0	(1,335,900)	25,000
	Grand Total	**283,167,820**	**(38,134,720)**	**(26,927,130)**	**218,105,970**

NET REVENUES BY TYPE - ALL FUNDS

Fiscal Year 2003/04

Fund No.	Fund Name	Taxes	Licenses & Permits	Intergovt. Revenue	Charges For Serv.	Fines & Forfeits	Miscellaneous Revenue
100	General Fund	106,947,000	279,600	16,704,550	949,360	258,800	946,400
201	State Street Aid	0	0	4,860,400	0	0	20,000
209	Abandoned Vehicles	0	0	0	217,220	0	236,930
213	City Court	0	0	0	0	3,030,000	27,000
216	City Inspections	0	1,342,430	0	0	0	1,300
220	Stormwater	0	0	0	0	0	0
230	Solid Waste	0	0	0	645,000	0	90,000
240	Miscellaneous Special Revenue	0	0	0	77,660	919,000	21,840
264	Home Grants	0	0	2,594,110	0	0	164,500
269	Emergency Shelter Grants	0	0	86,000	0	0	0
270	Empowerment Zone	0	0	1,987,000	0	0	0
290	Community Development Block Grant	0	0	3,087,000	0	0	130,000
305	Debt Services	22,447,630	0	0	0	0	244,490
401	Capital Projects	0	0	300,000	0	0	21,400,000
451	PWPF - 1999	0	0	500,000	0	0	0
503	Civic Auditorium/Coliseum/KCEC	0	0	0	1,551,000	0	55,000
504	Metro Parking	0	0	0	0	0	750,000
506	Convention Center	3,735,080	0	1,123,200	1,749,830	0	340,300
507	Mass Transportation	0	0	3,789,600	2,563,030	0	0
701	Office Services	0	0	0	0	0	0
702	Fleet Services	0	0	0	0	0	0
704	Risk Management	0	0	0	60,000	0	15,000
705	Health Care	0	0	0	0	0	3,517,690
706	Equipment Replacement	0	0	0	0	0	100,000
707	City Building	0	0	0	0	0	25,000
	Grand Total	133,129,710	1,622,030	35,031,860	7,813,100	4,207,800	28,085,450
	Percent of Net Revs.	61.04%	0.74%	16.06%	3.58%	1.93%	12.88%

Fund No.	Fund Name	Use Of/ (Addition To) Fund Balance	Net Revenues	Interfund Charges In	Interfund Transfers In	Total Revenues
100	General Fund	4,675,200	130,760,910	0	2,435,270	133,196,180
201	State Street Aid	0	4,880,400	0	0	4,880,400
209	Abandoned Vehicles	0	454,150	0	0	454,150
213	City Court	0	3,057,000	0	0	3,057,000
216	City Inspections	0	1,343,730	0	337,290	1,681,020
220	Stormwater	0	0	0	1,661,440	1,661,440
230	Solid Waste	0	735,000	0	8,625,810	9,360,810
240	Miscellaneous Special Revenue	0	1,018,500	0	0	1,018,500
264	Home Grants	0	2,758,610	0	0	2,758,610
269	Emergency Shelter Grants	0	86,000	0	0	86,000
270	Empowerment Zone	0	1,987,000	0	0	1,987,000
290	Community Development Block Grant	0	3,217,000	0	147,310	3,364,310
305	Debt Services	(823,140)	21,868,980	0	0	21,868,980
401	Capital Projects	0	21,700,000	0	4,600,200	26,300,200
451	PWPF - 1999	0	500,000	0	1,000,000	1,500,000
503	Civic Auditorium/Coliseum/KCEC	373,500	1,979,500	0	1,598,170	3,577,670
504	Metro Parking	(141,900)	608,100	0	101,420	709,520
506	Convention Center	3,386,890	10,335,300	0	11,309,730	21,645,030
507	Mass Transportation	949,800	7,302,430	0	4,710,060	12,012,490
701	Office Services	0	0	439,580	0	439,580
702	Fleet Services	0	0	9,029,550	0	9,029,550
704	Risk Management	0	75,000	5,896,910	602,080	6,573,990
705	Health Care	0	3,517,690	8,323,590	1,005,940	12,847,220
706	Equipment Replacement	(204,330)	(104,330)	1,901,600	0	1,797,270
707	City Building	0	25,000	1,335,900	0	1,360,900
	Grand Total	8,216,020	218,105,970	26,927,130	38,134,720	283,167,820
	Percent of Net Revs.	3.77%				

NET EXPENDITURES BY TYPE - ALL FUNDS

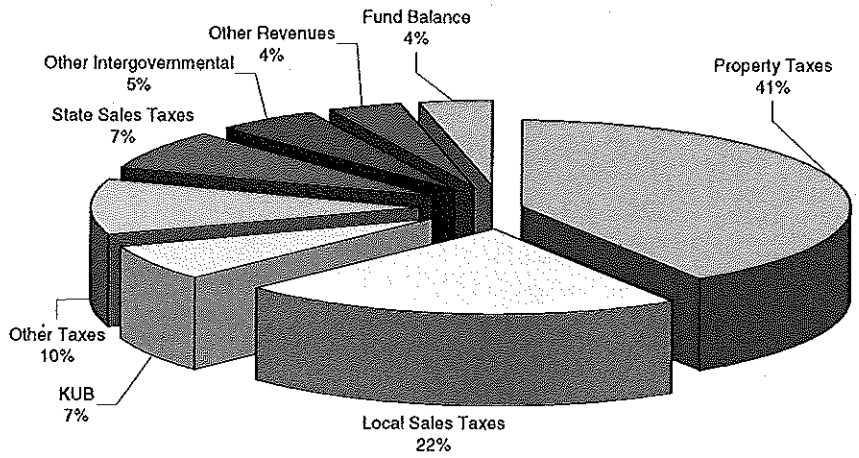
Fiscal Year 2003/04

Fund No.	Fund Name	Personal Services	Supplies	Other Expenses	Debt Service	Capital
100	General Fund	60,433,450	3,095,770	17,790,860	0	0
201	State Street Aid	0	0	2,600,000	0	0
209	Abandoned Vehicles	250,840	3,900	165,820	0	0
213	City Court	448,590	11,000	72,020	0	0
216	City Inspections	1,210,720	8,900	72,120	0	0
220	Stormwater	1,190,410	39,550	78,310	0	0
230	Solid Waste	649,830	33,580	8,170,280	0	0
240	Miscellaneous Special Revenue	36,370	146,600	831,440	0	0
264	Home Grants	0	0	2,611,300	0	0
269	Emergency Shelter Grants	0	0	86,000	0	0
270	Empowerment Zone	0	0	1,987,000	0	0
299	Community Development Block Grant	810,130	18,760	2,182,610	0	130,000
305	Debt Services	0	0	400,000	16,055,440	0
401	Capital Projects	0	0	26,025,000	0	275,200
451	PWPF - 1999	0	0	1,500,000	0	0
503	Public Assembly Facilities	1,606,970	174,320	1,332,960	0	4,500
504	Metro Parking	0	0	608,600	83,250	0
506	Convention Center	0	0	14,334,720	7,299,620	0
507	Mass Transportation	0	1,034,650	10,967,890	0	0
701	Office Services	107,160	202,000	20,570	0	0
702	Fleet Services	1,716,830	1,946,110	4,818,300	0	0
704	Risk Management	379,680	20,990	6,076,060	0	0
705	Health Care	108,900	5,730	12,676,370	0	0
706	Equipment Replacement	0	0	1,797,270	0	0
707	City Building	0	0	1,360,720	0	0
	Grand Total	68,949,880	6,741,860	118,566,220	23,438,310	409,700
	Percent of Net Exps.	31.61%	3.09%	54.36%	10.75%	0.19%

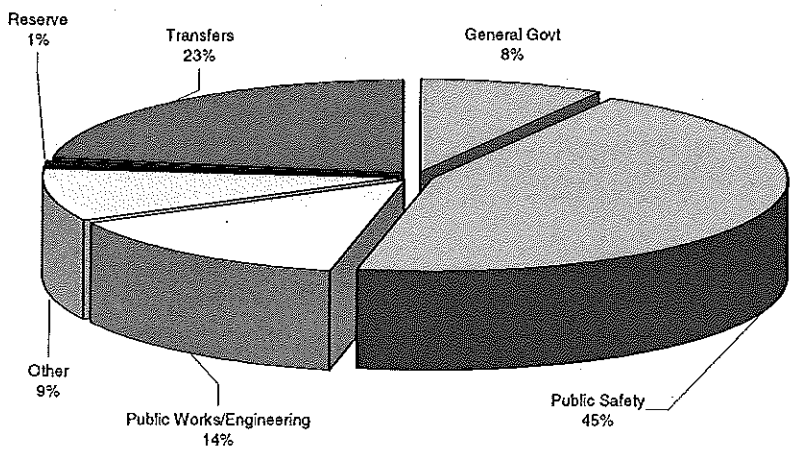
Fund No.	Fund Name	Net Expenditures	Interfund Charges Out	Interfund Transfers Out	Total Expenditures
100	General Fund	81,320,080	24,017,900	27,858,200	133,196,180
201	State Street Aid	2,600,000	0	2,280,400	4,880,400
209	Abandoned Vehicles	420,560	33,590	0	454,150
213	City Court	531,610	90,120	2,435,270	3,057,000
216	City Inspections	1,291,740	389,280	0	1,681,020
220	Stormwater	1,308,270	353,170	0	1,661,440
230	Solid Waste	8,853,690	507,120	0	9,360,810
240	Miscellaneous Special Revenue	1,014,410	4,090	0	1,018,500
264	Home Grants	2,611,300	0	147,310	2,758,610
269	Emergency Shelter Grants	86,000	0	0	86,000
270	Empowerment Zone	1,987,000	0	0	1,987,000
299	Community Development Block Grant	3,141,500	222,810	0	3,364,310
305	Debt Services	16,455,440	0	5,413,540	21,868,980
401	Capital Projects	26,300,200	0	0	26,300,200
451	PWPF - 1999	1,500,000	0	0	1,500,000
503	Public Assembly Facilities	3,118,750	458,920	0	3,577,670
504	Metro Parking	691,850	17,670	0	709,520
506	Convention Center	21,634,340	10,690	0	21,645,030
507	Mass Transportation	12,002,540	9,950	0	12,012,490
701	Office Services	329,730	109,850	0	439,580
702	Fleet Services	8,481,240	548,310	0	9,029,550
704	Risk Management	6,476,730	97,260	0	6,573,990
705	Health Care	12,791,000	56,220	0	12,847,220
706	Equipment Replacement	1,797,270	0	0	1,797,270
707	City Building	1,360,720	180	0	1,360,900
	Grand Total	218,105,970	26,927,130	38,134,720	283,167,820
	Percent of Net Exps.	100.00%			

General Fund Revenue and Expenditures FY 2003-04

Where the money comes from



Where the money goes



SUMMARY OF INTERFUND CHARGES

Fiscal Year 2003/04

From (Fund Name)	Fund No.	To Office Services Fund (Fund 701)	To Fleet Services Fund (Fund 702)	To Risk Management Fund (Fund 704)	To Health Care Fund (Fund 705)	To Equipment Replacement Fund (Fund 706)	To City Building Fund (Fund 707)	Grand Total
General Fund	100	317,680	8,253,300	5,397,910	7,187,510	1,810,060	1,051,440	24,017,900
Abandoned Vehicle	209	920	0	0	32,670	0	0	33,590
City Court	213	5,560	0	8,880	62,720	12,960	0	90,120
City Inspections	216	14,080	84,630	35,650	166,560	6,210	82,150	389,280
Stormwater	220	4,440	46,730	52,370	170,590	27,060	51,980	353,170
Solid Waste	230	4,050	339,730	41,430	105,160	2,830	13,920	507,120
Miscellaneous Special Revenue	240	130	0	0	3,960	0	0	4,090
Community Development Block Grant	290	9,100	29,020	31,510	85,490	9,620	58,070	222,810
Coliseum/KCEC	503	6,440	93,460	188,380	160,700	9,940	0	458,920
Metro Parking	504	0	0	17,670	0	0	0	17,670
Convention Center	506	0	10,690	0	0	0	0	10,690
Mass Transportation	507	450	0	0	0	9,500	0	9,950
Office Services	701	63,190	0	3,780	11,880	640	30,360	109,850
Fleet Services	702	3,770	171,990	88,350	266,730	3,410	14,060	548,310
Risk Management	704	5,710	0	18,930	54,100	8,030	10,490	97,260
Health Care	705	3,880	0	12,050	15,520	1,340	23,430	56,220
City Building	707	180	0	0	0	0	0	180
Grand Total		439,580	9,029,550	5,896,910	8,323,590	1,901,600	1,335,900	26,927,130

SUMMARY OF INTERFUND TRANSFERS

Fiscal Year 2003/04

To (Fund Name)	Fund No.	From General Fund (Fund 100)	From State Street Aid Fund (Fund 201)	From City Court Fund (Fund 213)	From Home Fund (Fund 264)	From Debt Service Fund (Fund 305)	Grand Total
General Fund	100	0	0	2,435,270	0	0	2,435,270
City Inspections	216	337,290	0	0	0	0	337,290
Stormwater	220	1,661,440	0	0	0	0	1,661,440
Solid Waste	230	8,625,810	0	0	0	0	8,625,810
Community Development Block Grant	290	0	0	0	147,310	0	147,310
Capital Projects	401	3,325,200	1,275,000	0	0	0	4,600,200
PWPF - 1999	451	1,000,000	0	0	0	0	1,000,000
Coliseum/KCEC	503	1,598,170	0	0	0	0	1,598,170
Metro Parking	504	101,420	0	0	0	0	101,420
Convention Center	506	5,896,190	0	0	0	5,413,540	11,309,730
Mass Transportation	507	3,704,660	1,005,400	0	0	0	4,710,060
Fleet Services	702	0	0	0	0	0	0
Risk Management	704	602,080	0	0	0	0	602,080
Health Care	705	1,005,940	0	0	0	0	1,005,940
Grand Total		27,858,200	2,280,400	2,435,270	147,310	5,413,540	38,134,720

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Total All Funds
Operating Revenue							
Taxes	106,947,000	0	22,447,630	0	3,735,080	0	133,129,710
Licenses & Permits	279,600	1,342,430	0	0	0	0	1,622,030
Intergovt. Revenue	16,704,550	12,614,510	0	800,000	4,912,800	0	35,031,860
Charges For Serv.	949,360	939,880	0	0	5,863,860	26,987,130	34,740,230
Fines & Forfeits	258,800	3,949,000	0	0	0	0	4,207,800
Other Revenue	946,400	691,570	244,490	21,400,000	1,145,300	3,657,690	28,085,450
Total Oper. Revenues	126,085,710	19,537,390	22,692,120	22,200,000	15,657,040	30,644,820	236,817,080
Operating Expenses							
Personal Services	67,620,960	5,224,040	0	0	1,767,670	2,660,800	77,273,470
Supplies	3,095,770	262,290	0	0	1,208,970	2,174,830	6,741,860
Other Expenses	34,621,250	19,829,930	400,000	27,525,000	27,580,700	27,212,880	137,169,760
Debt Service	0	0	16,055,440	0	7,382,870	0	23,438,310
Capital	0	130,000	0	275,200	4,500	0	409,700
Total Oper. Expenses	105,337,980	25,446,260	16,455,440	27,800,200	37,944,710	32,048,510	245,033,100
Excess/Deficiency Revenues Over (Under) Expenses	20,747,730	(5,908,870)	6,236,680	(5,600,200)	(22,287,670)	(1,403,690)	(8,216,020)
Other Fin. Sources/(Uses)							
Transfers In	2,435,270	10,771,850	0	5,600,200	17,719,380	1,608,020	38,134,720
Transfers Out	(27,858,200)	(4,862,980)	(5,413,540)	0	0	0	(38,134,720)
Total Other Sources/Uses	(25,422,930)	5,908,870	(5,413,540)	5,600,200	17,719,380	1,608,020	0
Revenues & Sources Over (Under) Expenses & Uses	(4,675,200)	0	823,140	0	(4,568,290)	204,330	(8,216,020)
Est. Beginning Fund Balance	19,131,000	10,487,000	29,604,000	1,647,000	36,784,000	28,275,000	125,928,000
Est. Ending Fund Balance	14,455,800	10,487,000	30,427,140	1,647,000	32,215,710	28,479,330	117,711,980

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

Authorized Positions by Department

Fiscal Year 2003/04

	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Total
Full Time Positions					
Administration	21	0	0	0	21
Finance	44	0	0	3	47
Law	13	0	0	12	25
Information Systems	28	0	0	0	28
Legislative	3	0	0	0	3
City Court	0	13	0	0	13
Civil Service	14	0	0	0	14
Police	525	1	0	0	526
Fire	339	0	0	0	339
Emergency Management	4	0	0	0	4
Public Service	286	29	0	0	315
Engineering	62	23	0	0	85
Development Services	7	49	0	0	56
Recreation	52	0	0	0	52
Public Assembly Facilities	0	0	36	0	36
Fleet Services	0	9	0	49	58
Total Full Time	1,398	124	36	64	1,622
Part Time Positions					
Finance	2	0	0	0	2
Law	1	0	0	0	1
Legislative	9	0	0	0	9
City Court	0	1	0	0	1
Police	32	0	0	0	32
Engineering	2	0	0	0	2
Recreation	13	0	0	0	13
Total Part Time	59	2	1	0	62
Grand Total	1,457	126	37	64	1,684

FULL TIME PERSONNEL BY DEPARTMENT

Fiscal Years 1988/89 - 2003/04

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	FY 96/97
Administration	20	24	23	29	27	20	22	22	19
Finance	51	50	50	50	49	50	50	51	51
Law	21	21	22	22	23	24	24	24	24
Information Systems	27	27	25	25	25	25	28	29	31
Legislative	3	3	3	3	3	3	3	3	3
City Court	8	8	8	8	8	8	9	9	9
Civil Service	12	14	14	14	14	14	14	14	14
Police	372	373	378	378	404	428	448	453	491
Fire	388	388	389	384	371	372	372	371	370
Emergency Management	4	4	4	4	4	4	4	4	4
Public Services	320	320	318	316	313	312	316	322	302
Engineering	66	68	69	69	69	74	74	76	78
Development Services	30	34	33	33	32	37	37	37	72
Recreation	47	47	47	47	48	48	50	50	52
Public Assembly Facilities	30	30	29	29	29	29	29	29	41
World's Fair Park	0	16	11	11	11	11	11	11	0
Fleet Services	41	47	46	50	50	50	51	58	59
GRAND TOTAL	1,440	1,474	1,469	1,472	1,480	1,509	1,542	1,563	1,620

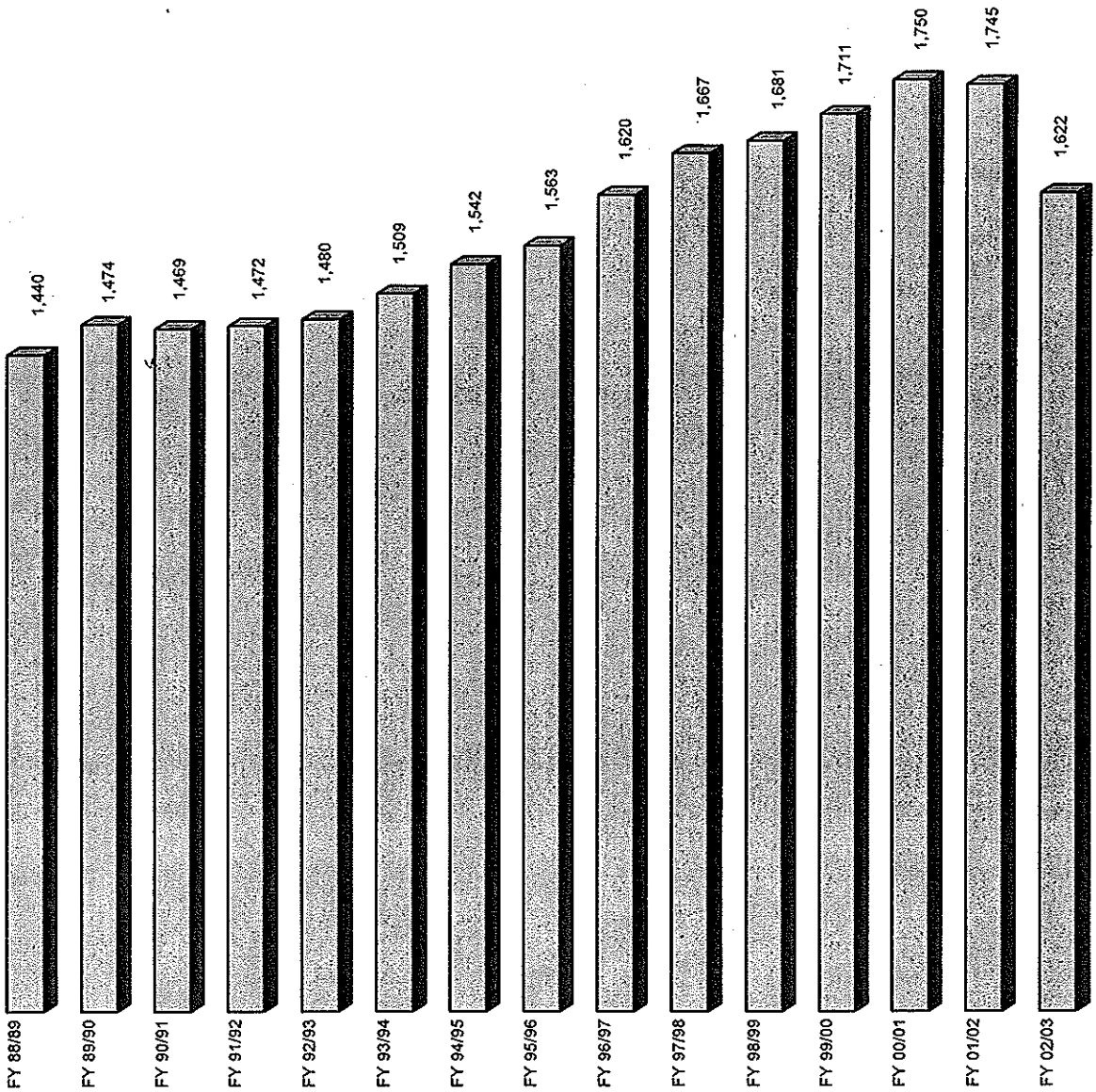
Department	FY 97/98	FY 98/99	FY 99/00	FY 00/01	FY 01/02	FY 02/03	FY 03/04	Difference 02/03 03/04	Difference 88/89 - 03/04
Administration	19	22	23	23	23	23	21	(2)	1
Finance	53	53	53	53	53	53	47	(6)	(4)
Law	25	26	26	26	26	25	25	0	4
Information Systems	31	32	32	32	30	30	28	(2)	1
Legislative	3	3	3	3	3	3	3	0	0
City Court	10	12	12	12	13	13	13	0	5
Civil Service	15	15	15	15	15	15	14	(1)	2
Police	518	518	523	556	558	568	526	(42)	154
Fire	370	370	370	370	370	370	339	(31)	(49)
Emergency Management	4	4	4	4	4	4	4	0	0
Public Services	304	309	315	316	335	338	315	(23)	(5)
Engineering	83	83	83	86	87	88	85	(3)	19
Development Services	71	69	72	73	56	56	56	0	26
Recreation	54	55	56	56	56	55	52	(3)	5
Public Assembly Facilities	41	44	58	58	47	37	36	(1)	6
World's Fair Park	0	0	0	0	0	0	0	0	0
Fleet Services	66	66	66	67	67	67	58	(9)	17
GRAND TOTAL	1,667	1,681	1,711	1,750	1,743	1,745	1,622	(123)	182

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

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

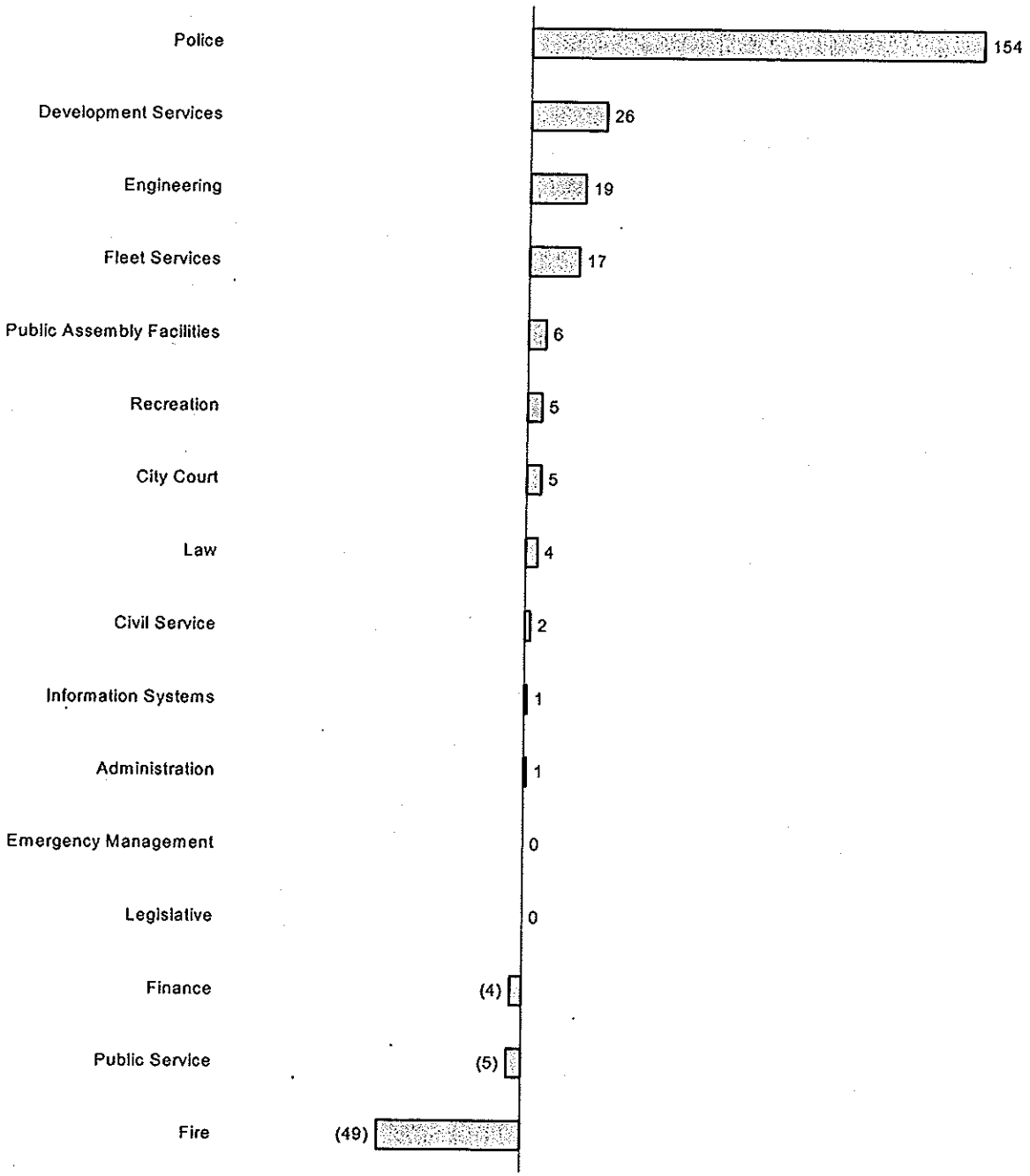
Authorized Full Time Personnel

Fiscal Years 1988/89 – 2003/04



Changes in Full Time Budgeted Personnel

Fiscal Years 1988/89 – 2003/04



PART TIME PERSONNEL BY DEPARTMENT

Fiscal Years 1988/89 - 2003/04

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 02/03	FY 03/04	Difference 02/03 - 03/04
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	1	0
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	32	(10)
Engineering	6	6	6	6	4	3	2	(1)
Development Services	2	2	2	1	1	0	1	1
Recreation	15	15	15	15	15	15	13	(2)
Public Assembly Facilities	0	0	3	3	3	0	1	1
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	62	(11)

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 2003/04 the proposed tax rate is $2.70 per hundred dollars of assessed value, or the same as in FY 2002/03. 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.

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

ASSESSED VALUES - ALL PROPERTY

Fiscal Years 1983/84 - 2003/04

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 (Est.)	2,493,212,530		292,346,740	162,401,890	2,947,961,160

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

Note that the assessments for each calendar year are reflected in the budget for the following year. For example the 2003 assessments are used in the FY 03/04 budget. Residential property is assessed at 25% of the appraised value. Commercial/Industrial property is assessed at 40% of the appraised value and public utility property is assessed at 55% of the appraised value. The majority of public utility property is appraised by the Tennesse Public Service Commission. Personal property is assessed at 30% of the appraised value.

City of Knoxville

CITY AND COUNTY PROPERTY TAX RATES

FY 87/88 - FY 03/04

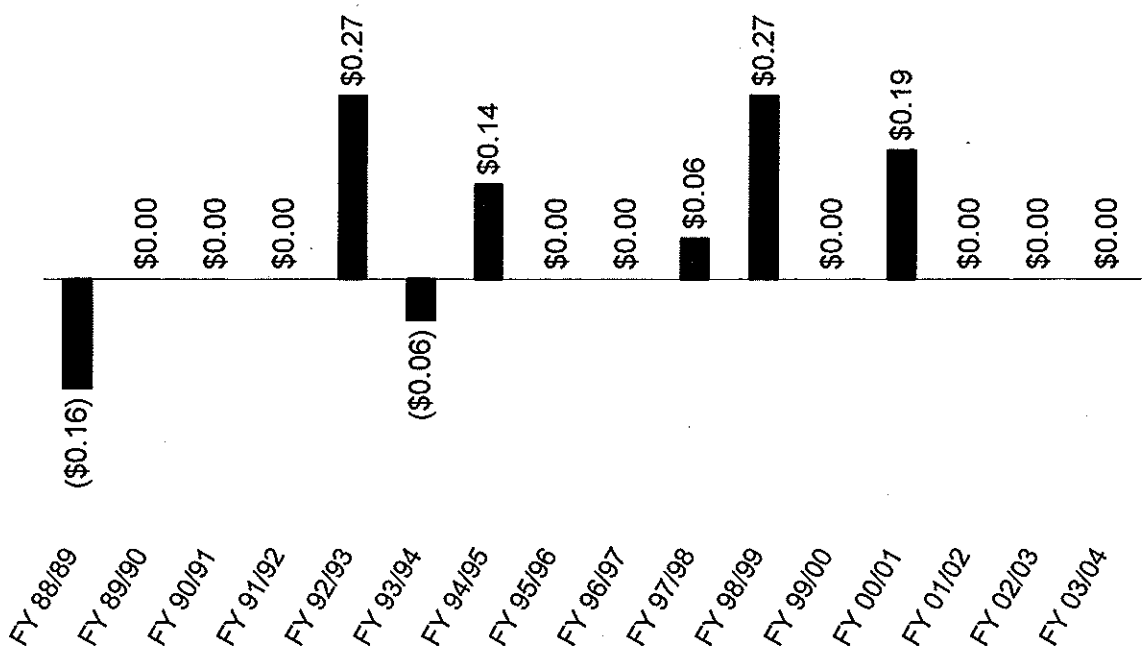
Fiscal Year	City Rate	County Rate	City Combined Rate
FY 87/88	$3.40	2.76	$6.16
FY 88/89	$3.24	2.91	$6.15
FY 89/90	$3.24	2.85	$6.09
FY 90/91	$3.24	2.85	$6.09
FY 91/92	$3.24	3.07	$6.31
FY 92/93	$3.51	3.25	$6.76
FY 93/94	$2.73 *	2.91 *	$5.64
FY 94/95	$2.87	2.91	$5.78
FY 95/96	$2.87	3.16	$6.03
FY 96/97	$2.87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

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

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

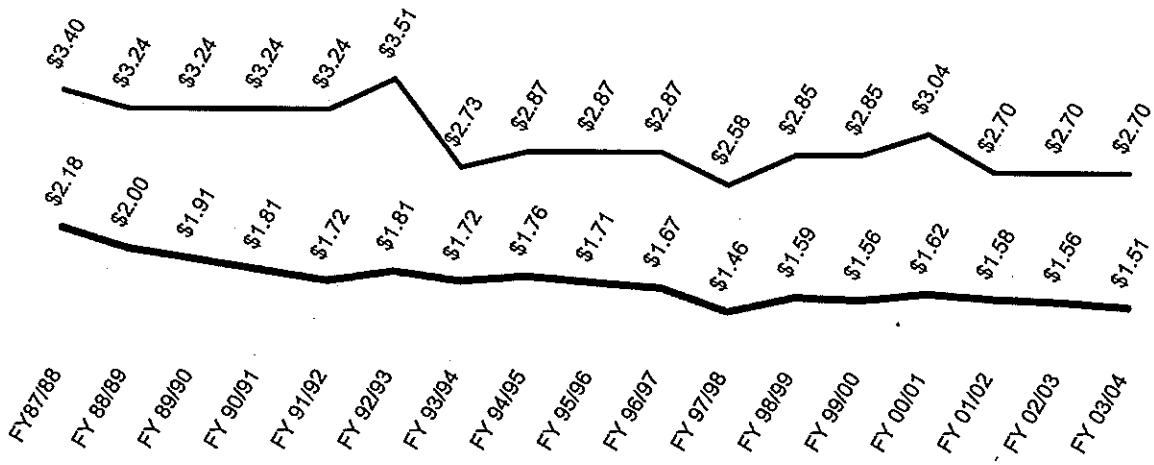
CHANGES IN TAX RATE

Fiscal Years 1988/89 – 2003/04



ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 1987/88 – 2003/04



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 $1.51 in Fiscal Year 2003/04, a drop of sixty-seven cents (67¢) or 30.8%.

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