



CITY OF KNOXVILLE
BILL HASLAM, MAYOR



FY 2005/2006
ADOPTED OPERATING BUDGET

WWW.CITYOFKNOXVILLE.ORG

**FISCAL YEAR 2005-2006
ANNUAL OPERATING BUDGET
CITY OF KNOXVILLE, TENNESSEE**

MAYOR
Bill Haslam

MEMBERS OF CITY COUNCIL

District One:	Joe Hultquist
District Two:	Barbara Pelot
District Three:	Steve Hall
District Four:	Rob Frost
District Five:	Bob Becker
District Six:	Mark Brown, Vice Mayor
At-Large:	Joe Bailey
At-Large:	Marilyn Roddy
At-Large:	Chris Woodhull

SENIOR DIRECTOR - FINANCE AND ACCOUNTABILITY
Christopher P. Kinney

DEPUTY FINANCE DIRECTOR
James York

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

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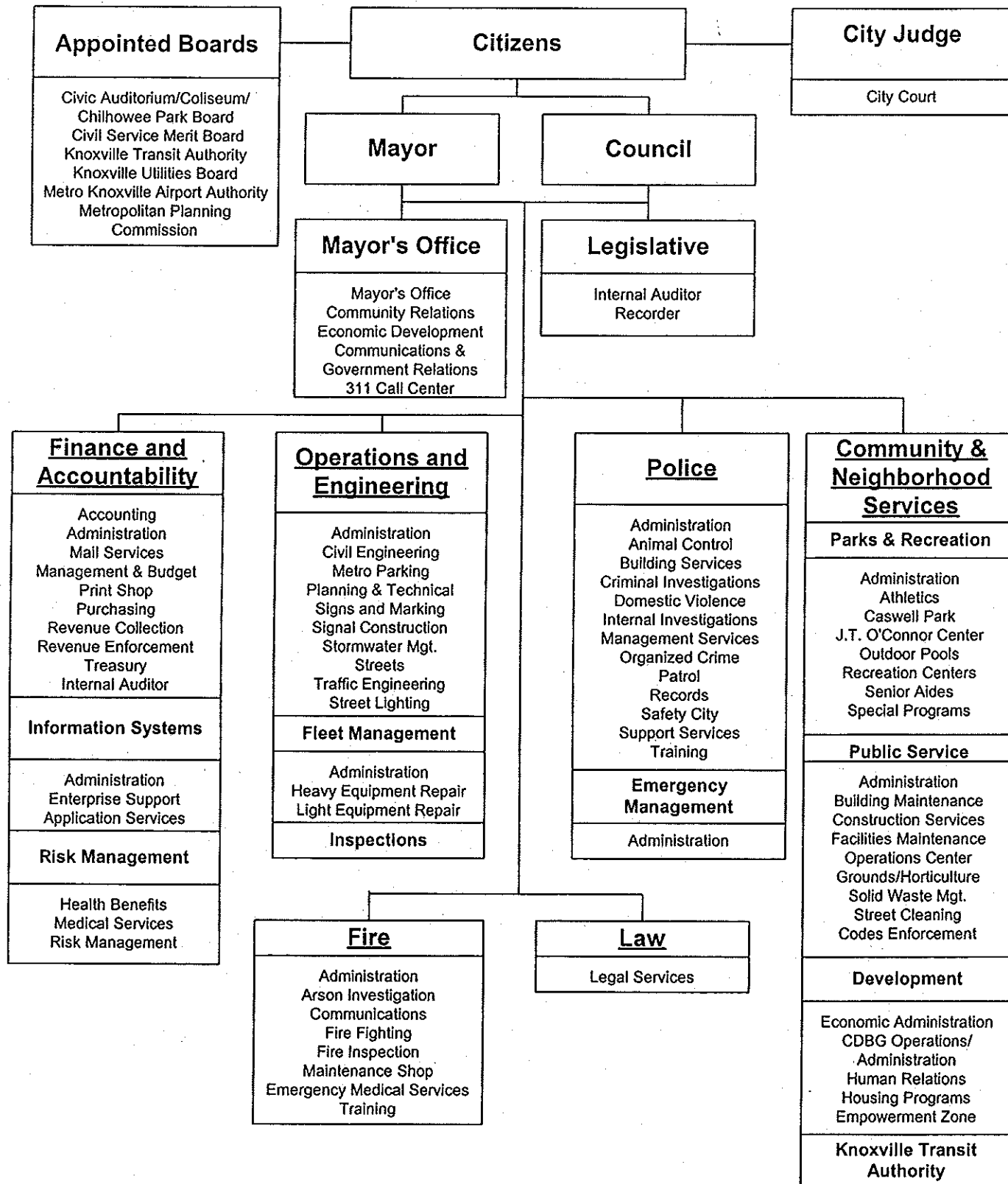
City of Knoxville

PRINCIPAL DIRECTORS AND ADMINISTRATORS

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

City of Knoxville

Organizational Structure





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

City of Knoxville

Tennessee

For the Fiscal Year Beginning

July 1, 2004

Nancy L. Zille
President

Jeffrey R. Egan
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Knoxville for its annual budget for the fiscal year beginning July 1, 2004.

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

MISSION: Our mission is to make Knoxville America's premier city in which to live, work and raise a family. This will be accomplished by providing superior services and cultural amenities to all citizens in an efficient and fiscally responsible manner; by encouraging, promoting and facilitating economic growth; and by treating all citizens with dignity and respect.

GOALS:

1. Stronger and safer neighborhoods.
2. More and better jobs.
3. Embracing cultural diversity.
4. Efficient, accountable, and responsive government.

City of Knoxville

COMMUNITY PROFILE

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COMMUNITY PROFILE

Mayor Bill Haslam welcomes you To the City of Knoxville!

Bill Haslam began his first term as Knoxville mayor on Dec. 20, 2003 following a successful career in business and history of community service.

Mayor Haslam previously served as president and director of Pilot Corp., a Knoxville-based company operating convenience stores and travel centers nationwide. He also is the former chief executive officer of SAKS Direct, the e-commerce and catalogue division of Saks Fifth Avenue.

He is an owner of the Tennessee Smokies East Tennessee AA Baseball Team and serves on the board of directors for Harold's Department Stores.



He has served in leadership roles in numerous charities and non-profit organizations in the Knoxville area, including chairman of the board and general chairman of the United Way of Greater Knoxville; chairman of the board and president, Project GRAD; executive committee chairman, Young Life of Knoxville; chairman of the board and executive committee, Salvation Army; chairman of the board, East Tennessee Center for Non-Profit Management; campaign chairman, Foothills Land Conservancy; and vice chair, Knoxville Museum of Art.

Mayor Haslam has also served on the board of directors of the Cornerstone Foundation and World Vision; on the advisory board for Emerald Avenue Youth Foundation; and on the Diversity Task Force of Nine Counties, One Vision.

He was a member of Leadership Knoxville Class of 1992, and was Alumnus of the Year in 1995 at Webb School, where he has also served on the board of directors.

He and his wife, Crissy, have three children, Will, Annie and Leigh. The family attends Cedar Springs Presbyterian Church, where Mayor Haslam is an Elder.

The mayor holds a bachelor's degree from Emory University.

KNOXVILLE/KNOX COUNTY GENERAL INFORMATION

Founded in 1791 where the French Broad and Holston Rivers converge to form the Tennessee River, Knoxville is the largest city in East Tennessee and ranks third largest in the State. It is located in a broad valley between the Cumberland Mountains to the northwest and the Great Smoky Mountains to the southeast. These two mountain ranges help provide a moderate climate. There are 102-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 7th annual "Quality of Life Quotient" ranking of 362 metropolitan statistical areas by Expansion Management magazine gave the Knoxville-Oak Ridge area a five-star rating. Knoxville was the only city in Tennessee and one of 50 nationwide to receive the magazine top rating. 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 58 degrees. In January, the coldest month, the average is 38 degrees, and in July, the hottest month, average temperature is 78 degrees.

Utilities

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

Population

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

Total City/County Population			
Year	Population	Percent Change	
1990	335,749	1980-1990	5.0
2000	382,032	1990-2000	13.8
2004	400,061	2000-2004	4.7
2010 (projected)	429,730	2000-2010	7.4
City of Knoxville			
Year	Population	Percent Change	
1990	169,761	1980-1990	-3.0
2000	173,890	1990-2000	2.4
2004	178,118	2000-2002	2.4
2010 (projected)	183,044	2000-2010	2.7

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 2004 was 52,637 students. There are 33 active private and parochial schools offering elementary and secondary education in Knoxville.

The University of Tennessee is one of the oldest institutions of higher education in the nation, tracing its origins back to 1794. The main campus is located in the City and includes all colleges except the medical units. Total enrollment is 26,000 students. Other campuses of the University System are located in Memphis, Chattanooga, Nashville, and Martin.

The Pellissippi State Technical Community College is the third largest two-year college in Tennessee with an enrollment of 7,600. 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 1,050,610. 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 5,723 acres of park and recreation space, including 27 recreation centers, 6 senior citizen centers, 144

playgrounds and parks, 103 tennis courts, 10 public golf courses, and 14 greenways and walking trails. Two big attractions for both young and old are the Knoxville Zoological Gardens and Ijams Nature Center. The Tennessee Smokies provide a professional baseball team for East Tennesseans. UT sport teams draw thousands of enthusiasts to games each year. Special seasonal events include the Dogwood Arts Festival in the spring, Festival on the Fourth in the summer, Boomsday in the fall, and Christmas In The City in December.

The nearby Great Smoky Mountains National Parks is the country's most visited national park with 9.2 million visitors in 2004. Knoxvilleans and visitors alike enjoy the beauty and leisure activities that can be found there and at the numerous state parks, lakes, and resorts which dot the area.

Knoxville supports an active tourism and convention trade. A 500,000-square foot convention center on the World's Fair Park site opened in 2002. The center includes spacious meeting rooms and a 500-seat lecture hall. Other local facilities include a large civic coliseum/auditorium and a 25,000-seat arena. In 2003, travelers spent more than \$599 million in Knox County, ranking it fifth in the state for visitor expenditures. Over 9,000 people are employed in travel related jobs in Knox County.

Arts and Culture

The Knoxville Symphony, the Knoxville Opera Company, and the Tennessee Children's Dance Ensemble are among the many exceptional arts organizations in Knoxville. Additional dance companies, civic choral groups, and ten theaters also help celebrate the arts. The newly renovated historic Tennessee Theater serves as a performing arts center for live entertainment. 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 2,047 members who participate in economic development, general commerce, and civic affairs. Around 150 civic groups and 270 neighborhood associations are active in the City and County. United Way and Community Shares support agencies providing youth, family, and social service programs. Organizations such as the Community Action Committee and Child and Family Services also offer needed social programs. More than 430 churches, serving many faiths and denominations, meet the religious needs of the community.

THE ECONOMY

Transportation

Three of the nation's busiest interstate highways intersect near Knoxville: I-40, I-75, and I-81. Forty percent of the U.S. population is within 600 miles of Knoxville via the interstate system. The city is directly linked to the Great Lakes by the Interconnected Inland Water System and to the Gulf of Mexico by the Tennessee-Tombigbee Waterway. Three active river terminals facilitate barge shipping. Also serving the area are 125 truck lines, 3 railroads, and 9 airlines. Knoxville Area Transit (KAT), the public bus system serving the city, operates 80 vehicles and carries 3.2 million passengers a year. In 2004, KAT garnered the prestigious American Public Transportation Association's Outstanding Achievement Award for systems that carry between one million and four million passengers. 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, Goody's, Clayton Homes, and Brunswick Corporation. New or expanded business investment in Knox County (Metro Area) in 2004 totaled \$463 million, creating 4,025 additional jobs.

Building Permits

The city and the county issued 4,671 building permits in 2004 with a total value for 2004 of \$767,749,361.

Income

In 2003, Knoxville/Knox County per capita personal income was \$30,901, a 2.9% increase from 2002. The 2002-03 state and national increase was 3.5% or \$28,641 and 2.2% or \$31,472 respectively. Between 1993 and 2003, the average annual growth rate of per capita income in Knox County was 3.8%. Knoxville/Knox County ranked 6th in the state in per capita income in 2003.

Taxes

There is no state personal income tax in Tennessee, however the state does levy a tax of 6% on stock dividends and bond interest. Called the Hall Tax, it applies to both individuals and partnerships. Under Tennessee Constitutional law, property taxes are assessed as follows: residential property is assessed at 25% of appraised value, and commercial/industrial property is assessed at 40% of appraised value. The current property tax rate for Knox County residents is \$2.96 per \$100 assessed value. The tax rate within the City of Knoxville is \$3.05 per \$100 assessed value. Residents of the City are subject to both City and County property taxes.

Employment

In 2004, 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, Construction	16,500	5.1%
Manufacturing	38,500	12.0%
Trade	58,500	18.0%
Transportation, Utilities	10,300	3.2%
Information	6,200	1.9%
Financial Activities	16,700	5.2%
Services	75,600	23.7%
Leisure & Hospitality	32,600	10.2%
Government	53,200	16.3%
Other Services	13,800	4.3%
TOTAL	321,900	

The overall business health of the Knoxville MSA is supported by a diversified economy. The balance among employment sectors contributes to the stability of local employment and wages. Total employment in 2004 was 322,300, including all full and part-time non-farm wage and salary employees.. The metropolitan area hopes to gain 35,000 new jobs over the next 5 years through its economic development initiative, *Jobs Now!*

Labor Force

The 2004 civilian labor force in the Knoxville MSA was 335,770. The average MSA unemployment rate in 2004 was 4.1%. The rate for Knox County was 3.9%. Both are lower than the statewide average rate of 5.0% and the nationwide average of 5.4% for this time period.

Major Employers in the Knoxville MSA

Company	Number of Employees
U.S. Department of Energy-Oak Ridge Operations	11,287
Covenant Health	8,000
University of Tennessee	7,934
Knox County Schools	7,848
Wal-Mart Stores, Inc.	4,600
St. Mary's Health System	3,461
Baptist Health of East Tennessee	3,000
University of Tennessee Medical Center	2,764
Knox County Government	2,500

Sources of Information for Community Profile

Metropolitan Planning Commission
Bureau of the Census
City of Knoxville
Knoxville Area Chamber Partnership

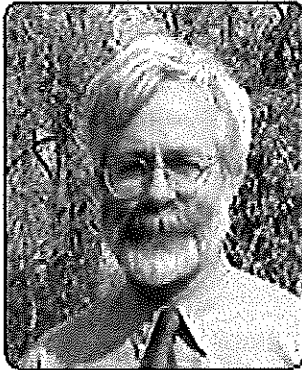
City of Knoxville's EEO/AA Statement

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

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

CITY COUNCIL BIOGRAPHICAL INFORMATION

Joseph Hultquist- First District



Joe Hultquist is a self-employed designer/builder/consultant. He is a co-founder of the Island Home Neighborhood Association and served as its president for eight years. He is a former member of the city's Board of Zoning Appeals and was awarded the first Community Cornerstone Award by the Knoxville News-Sentinel for the South Knoxville/Sevier County area.

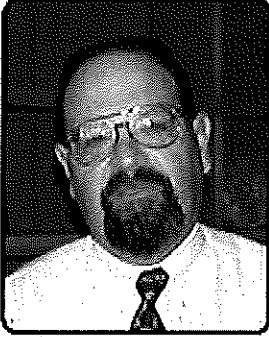
He has been an advocate of a regional visioning process for East Tennessee, and has been involved in the Nine Counties-One Vision since its inception and continues to serve on the board of directors.

Barbara Pelot – Second District



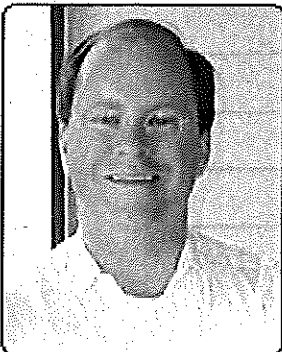
Barbara Pelot is the office manager for Reuben N. Pelot III, DDS. She is a community volunteer who has served as president of the West Hills Community Association, chaired KPD Advisory Committees, and served on the City Wrecker Commission. She serves on the board of directors of the Knoxville Symphony League, Juvenile Court Advisory Council, Foster Care Review Board and Safe Haven Board. She received the 1998 Knoxville Community Cornerstone Award and Sertoma International Service Mankind Award in 1999. She received the 2005 Child and Family Service Public Service Founding Families Award. She was in the Leadership Knoxville Class of 2003. She volunteers each Friday as a dental assistant in the no-fee dental clinic at the Volunteer Ministry Center. She was appointed by City Council to three City of Knoxville Charter Commissions, and was the Mayor's appointment to two Unified Government Charter Commissions. She attended Rhodes College and graduated cum laude from Memphis State University with a degree in Sociology, History and Secondary Education. She is a member of Concord United Methodist where she is a Stephen Minister. She and her husband, Reuben N. "Nib" Pelot, a general dentist, have four children and 14 grandchildren.

Steve Hall – Third District



Steve Hall is the President of Interior Finishes Corp, a medium size commercial building contractor doing mostly retail construction. He and his wife Janet have five children and three grandchildren. Steve is also an active member and deacon of Gospel Light Baptist Church. Steve is the host of Politics Knoxville, a live call in show on every Friday night from 8:30 – 9:30 on Comcast Channel 12. Steve is the Chairman of the Beer Board. His term expires December 2005.

Rob Frost- Fourth District



Rob Frost is an attorney who practices law in downtown Knoxville.

He serves on the board of directors of Historic Fourth & Gill Neighborhood Organization and is a former board member of Knox Heritage, an organization dedicated to the preservation of architecturally or historically significant buildings and places. He has also served on the City's Historic Zoning Commission.

He received three bachelor's degrees from The University of Tennessee and graduated from The Tulane University School of Law.

Rob, his wife and their son live in a 109-year-old home that they are renovating.

Bob Becker - Fifth District

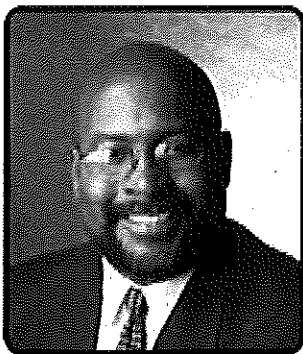


Bob Becker is a community organizer who has worked for grassroots organizations Tennessee Industrial Renewal Network and Save Our Cumberland Mountains.

He is a member of Oakwood/Lincoln Park Neighborhood Association, Oakwood Neighborhood Watch, Zone Advisory Councils (North & Northwest), Council of Involved Neighborhood, and Center for Neighborhood Development.

He graduated from Randolph-Macon College in Virginia with a degree in history in 1981.

Mark Brown – Sixth District



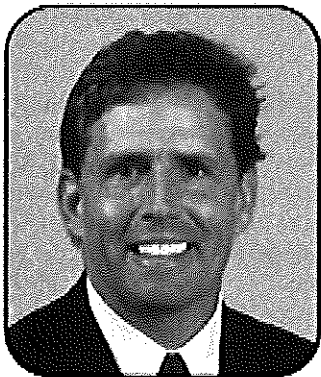
Mark A. Brown has practiced law in the Knoxville firm of Campbell & Dawson since 1993. Previously, he served as president and CEO of the Knoxville Area Urban League where he established the Computer Training Center and the Promoting Learning Through Utilizing Scholarships program with Pellissippi State Technical Community College.

He has served as a special judge to the Knox County Election Commission; and was vice chair of the Bernstein Commission on Police, which lead to formation of the city's Police Advisory Review Commission. He is a member of the Spirit of Peace Music ministry and in 1990 was name by Ebony Magazine as one the leaders of the future for the age group 30 and Under.

He received his doctorate of Juris Prudence from the University of Tennessee.

He and his wife, Marcia Elaine Stewart, have one son Mark Antoine Brown II.

Joe Bailey - At- Large



In October 1999, Joe Bailey formed a Public Relations and Governmental Affairs consulting business. Specializing in hands on legislative advocacy and governmental affairs services at the federal and state level.

Mr. Bailey has been involved in mainstream national politics since 1984. Joe worked on President Ronald Reagan's re-election campaign as an Advanceman, advancing Presidential and Vice Presidential campaign trips through the United States. Also, he advanced surrogate campaign tours for cabinet members and members of the United States Congress.

In February 1986, Mr. Bailey served as Director of Operations for Senate Majority Leader Bob Dole's Political Action Committee, Campaign America. Mr. Bailey was responsible for the creation and execution of nationwide political events.

Mr. Bailey joined Vice-President George Bush' Presidential Campaign in June 1987. Joe worked on the Bush campaign in numerous capacities including Florida Field Coordinator and Lead Advanceman for Vice-Presidential nominee Dan Quayle.

Mr. Bailey served in the Reagan and Bush Administrations on two occasions at the United States Department of Agriculture and the Department of Energy. He also has worked in official capacities at two Presidential Inaugurals. Joe has performed management duties at four Republican National Conventions.

In 1994 Joe joined the Tennessee Valley Authority as Washington representative. Joe managed annual appropriations, congressional hearings, board member confirmations, and was responsible for major legislative initiatives. In 1998, he became Valley Relations Manager in Knoxville.

Joe was elected to Knoxville's City Council to a four-year term on November 4, 2003 by a margin of 61%.

Joe, and his wife Michelle are both native of Knoxville, Tennessee.

Chris Woodhull - At - Large



Chris Woodhull is passionate about bringing Knoxville to its full potential and doing it in a way that involves more people and new ideas. Chris is the Executive Director of TRIBE ONE, an inner city Christian ministry that encourages at-risk youth to walk away from gangs and destructive lifestyles and lead productive lives. He co-founded TRIBE ONE with the late Danny Mayfield, who was also a Knoxville City Councilman.

Chris is a graduate of the University of North Carolina at Asheville. He has completed classes in negotiation at Harvard and entrepreneurship at Yale. He frequently conducts workshops for the University of Tennessee School of Law and the UT College of Social Work. In 1997, Christianity Today cited Woodhull and Mayfield in the "Up and Comers" issue as two leaders to watch. He was a 1999 Knoxville Neighbor of the Year nominee and was featured on Haller in Hilton Hill's television show, "Anything is Possible" in 2003.

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

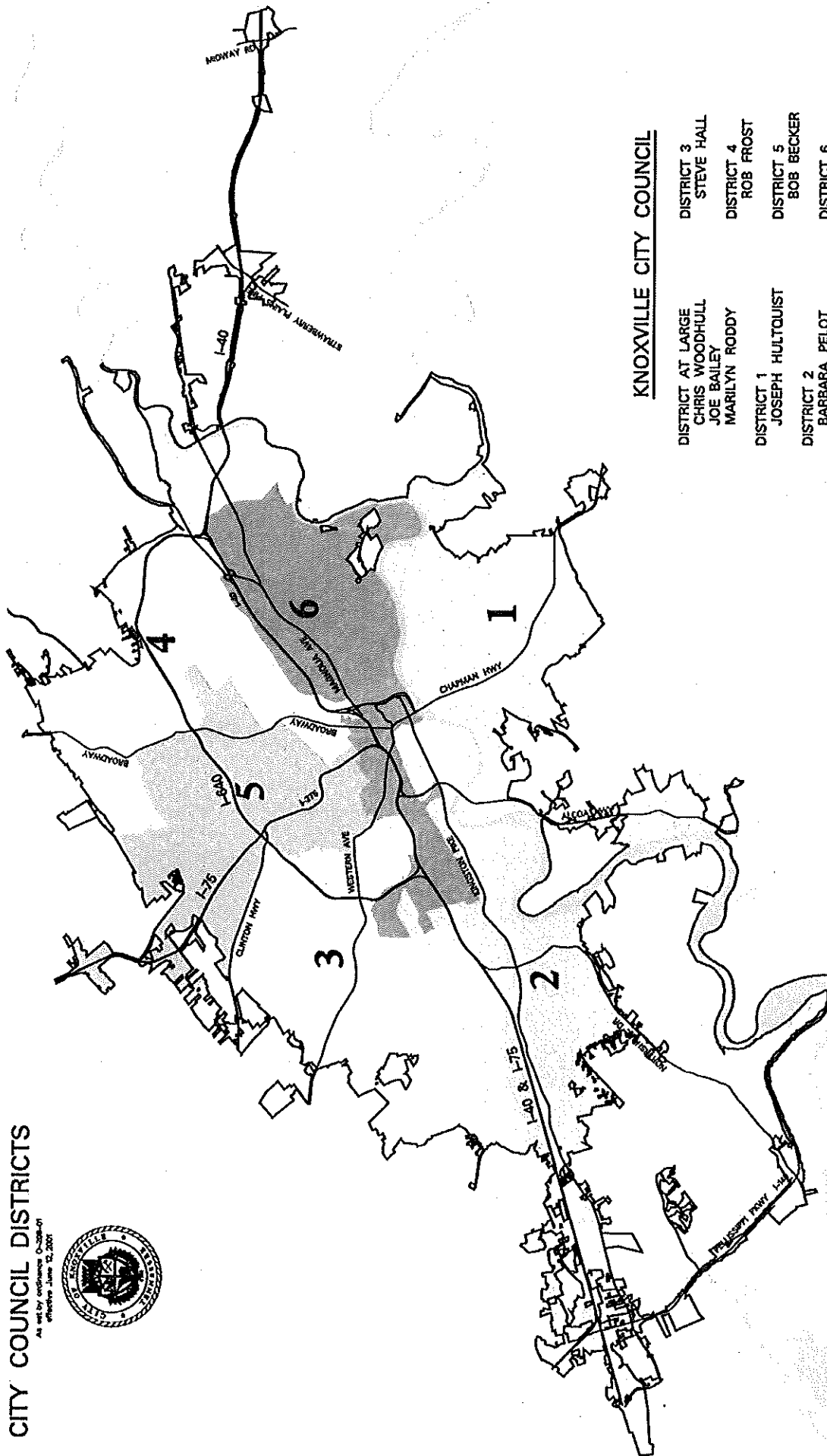
Marilyn Roddy - At - Large



Marilyn Roddy has been involved in the Knoxville community for over 17 years as a civic activist. She is a Phi Beta Kappa graduate of the University of North Carolina at Chapel Hill with a degree in education. Marilyn is a member of the Junior League of Knoxville Community Advisory Board, a graduate of Leadership Knoxville, and active in neighborhood associations, her children's schools and church. As a member of City Council, Marilyn serves as chairman of the Audit Committee and is a member of the City's Investment Advisory Board. She also serves on the South Waterfront Oversight Committee and the Residential Neighborhood Traffic Safety Committee. Marilyn is married to Patrick Roddy and they are the parents of three school-age daughters. This is her first term on City Council.

CITY COUNCIL DISTRICTS

As well by ordinance 0-388-01
effective June 12, 2001



KNOXVILLE CITY COUNCIL

DISTRICT AT LARGE
CHRIS WOODHULL
JOE BAILEY
MARILYN RODDY

DISTRICT 1
JOSEPH HULTQUIST

DISTRICT 2
BARBARA PELOT

DISTRICT 3
STEVE HALL

DISTRICT 4
ROB FROST

DISTRICT 5
BOB BECKER

DISTRICT 6
MARK BROWN

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Executive Summary

The FY 05/06 budget, like all budgets, serves as a vision for the future. It is a means by which one establishes priorities and provides a mechanism for delivering on those priorities. The decisions that shape this budget have a lasting impact. Good decisions result in increased investment and future positive returns while poor decisions limit future flexibility and may result in unanticipated consequences and problems.

The FY 05/06 budget is guided by the goals of this administration. The emphasis of the FY 05/06 budget is improving efficiency in government, fostering a climate for economic development in the City, and providing quality services to all the neighborhoods of the City.

GENERAL OVERVIEW

Revenues and Expenses

The proposed property tax rate for FY 05/06 is \$3.05 per hundred dollars of assessed value. Of this amount \$0.81 goes to the Debt Service fund to pay for bonded debt costs. The proposed tax rate is unchanged from FY 04/05. The average residential property in the City of Knoxville is appraised at \$70,521. For the average residential homeowner the total taxes paid will equal \$537.72. When adjusted for the impact of inflation and countywide reappraisals, the proposed tax rate is actually lower than it was ten years ago.

The total operating budget in fiscal year 2005/06 is \$307,010,740. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is \$233,298,060. The budget for the General Fund, which is the main operating fund of the city, equals \$146,308,600.

Budgeted personnel for FY 05/06 total 1,606 full-time positions and 63 part-time positions. This represents a gain of two full-time positions and six part-time positions.

Improved Efficiency

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

The FY 04/05 budget included funding to begin development of a 311 Call Center. The initial set-up work is nearing completion and the FY 05/06 budget funds the operating costs of this new operation. This center will allow citizens to easily report problems and track progress in resolving those problems. Funding is provided for five new positions. It is expected that this operation will allow us to reduce more than this number of positions in other departments by the end of FY 05/06 fiscal year.

The budget continues to replace old and outdated computer systems. In FY 04/05 funding was provided to replace the City's outdated financial reporting system. In FY 05/06 we will begin the replacement of the City's fleet management system, and to pay for the City's portion of upgrades relating to the Knoxville Geographic Information System.

The City is also undertaking a more extensive performance measurement system. The costs of doing this are incorporated into existing budgets but it is expected to result in improvements in future years. A position of Internal Auditor is added to explore ways to improve operating procedures and processes throughout city operations.

Economic Development

A solid economy is essential for any city. The first phases of downtown redevelopment have been very positive, and this budget provides funding to continue the momentum of these efforts. Specifically the budget provides \$1 million to complete the funding of phase 3 of the Market Square development project. The budget also continues to build up money to be used for the construction of a new downtown transit center. Also included is proposed

Executive Summary

funding (\$525,000) for the Jackson Avenue redevelopment area.

The City will continue its efforts to renovate and promote the World's Fair Park area. Included in the budget is \$1.827 million for this purpose.

Funding is not limited to the downtown area. Included in the budget is \$400,000 to begin the south Knoxville waterfront master plan. The Knoxville Zoo is one of the most visited attractions in the East Tennessee area and the budget contains \$750,000 to be used for renovation of existing facilities and add facilities to the Kid's Cove area. This is the first phase of a multi-year contribution for this project.

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 \$75,000 contribution, year one of a two year commitment, to be used in the renovation of the Bijou Theatre. Funding is included to have MPC conduct an updated inventory of historic properties within the City, and to develop new design guidelines for downtown.

The budget also continues the financial commitment to the Tourism and Sports Development Corporation to help promote tourism efforts and to attract visitors to the new Convention Center. Enhancing cultural opportunities also effects economic development. Operating contributions are made to the Knoxville Symphony, the Art Museum, the Tennessee Theatre and several other arts and cultural groups.

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

Neighborhood Improvements

Improving the quality of life in our neighbor-

hoods is vital. Toward this end, the budget includes \$3.2 million the City's paving program. This funding enables us to maintain an orderly paving schedule under which all streets will be repaved on a regular basis.

This budget includes \$200,000 to continue the traffic-calming program. Funding of \$200,000 is provided for ballpark improvements in parks throughout the City, while \$450,000 is to be used for the development of a skate park facility. Funding is also provided for park improvements at Lonsdale Park (\$400,000), the development of additional football fields in the Safety City park area (\$400,000), a greenway in the Loves Creek area (\$100,000), and park improvements in the Lower Second Creek area (\$2.68 million). Also included is \$200,000 for public improvements in the Lonsdale area, and \$150,000 for improvements in the Burlington area.

The budget increases funding for sidewalk improvements, one of the most requested improvements noted in the citywide survey. A total of \$200,000 is allocated for repairs and improvements to existing sidewalks. Total funding of \$400,000 is designated for new sidewalks, primarily in the parental responsibility zones near schools. In addition, \$62,000 is allocated for sidewalk improvements in the 100 block of Gay Street and \$250,000 is appropriated to continue the City's curb cut program. Some CDBG project funding is also designated for sidewalk improvements.

The budget also focuses on drainage improvements in the neighborhoods. A total of \$150,000 is provided for phase one of a drainage master plan. In addition, \$250,000 is budgeted to continue the neighborhood drainage program, while \$450,000 is to be used for drainage issues in the Emily Avenue area. A total of \$1 million is designated for land acquisition and design work of the First Creek drainage area. Additional funding is expected to be included for this project in the FY 06/07 budget.

The budget continues annual funding of \$650,000 for the bridge replacement program, and appropriates additional bridge money to

Executive Summary

be used specifically for the replacement of the Church Street Viaduct (\$540,000), and to complete payments (\$750,000) on the replacement of the Gay Street Bridge.

Funding is specifically designated for continued improvements to traffic signals. Also included is match money for various TEA-21 projects, with the main portion being used for improvements on Pleasant Ridge Road. Funding of \$400,000 is also included for road improvements in the northeast corridor.

Funding Issues

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

Over the past few years the City has been hit with cost increases in certain fixed expenditures. The cost of health care coverage has grown at a dramatic level. The City is now expecting its fourth consecutive year of double-digit health care cost increases. Based upon current trends we have factored in a ten-percent increase at mid-year. The estimated impact of these increases upon the City is \$700 thousand with employees assuming another \$250 thousand. This City is currently evaluating various ways to lowering these cost increases, and has established a goal of falling below the overall average change for health care costs. The FY 04/05 budget included \$1.3 million to establish a reserve in the Health Care fund. Such a reserve will allow the City more flexibility in health care prevention and cost containment in the future. We now believe that a sufficient reserve has been funded, and the FY 05/06 budget includes no additional amount for this purpose.

The City maintains a pension fund for its employees. Contributions are based a five year

smoothing formula. The prior performance of the stock market has affected the portfolio of this plan and has made it necessary to again increase the City's contribution rate this year to maintain full funding of the plan. The additional cost of doing this is approximately \$0.7 million. Barring a major upturn in the markets it is probable that additional increases will be required in future years.

The high cost of fuel and continuing utility rate increases have made it more difficult to contain costs. The budget assumes that fuel price hikes will not abate and adds approximately \$750,000 to cover the costs of this commodity. Utility costs are also forecast to increase by approximately \$750,000.

The budget includes a 2.5% salary increase for all non-probationary employees effective for the full fiscal year. The budget also provides funding to implement the recommendations of the City's salary survey. These funds will primarily benefit entry level and lowered paid workers. Total cost of the salary adjustments is approximately \$1.3 million.

Also included in the budget is \$465 thousand to fund a performance/incentive based reward system for employees. The specific details of the system will be determined in the first part of the fiscal year. As part of this budget the funding is initially budgeted as part of the reserve and will be shifted to the various departments later in the year.

Accounting Changes

There are some accounting changes which affect comparisons between the FY 04/05 and FY 05/06 budgets. These changes primarily deal with some shifts in personnel. For example, Facilities Maintenance operations are shifted from the Operations and Engineering Department to the Public Services Division of the Community and Neighborhood Services Department. The cost of the Senior Aides program is budgeted in a separate fund rather than in the Parks and Recreation portion of the General Fund.

Executive Summary

CONCLUSION

The remainder of this budget includes additional summary material, and a more detailed

discussion of revenue and expenditure trends. It is hoped that these materials will provide the reader with a more thorough understanding of the proposed operating budget.

Changes from the Proposed Budget

The Executive Summary describes the budget as adopted. The adopted budget is, however, different from the Mayor's proposed budget in several areas. The following paragraphs and the accompanying table discuss the changes made to the proposed budget. The total budget as adopted equals \$307,010,740 while the adopted General Fund budget is \$146,308,600. These amounts compare, respectively, to the proposed amounts of \$307,783,760 and \$146,306,780.

In preparing the proposed budget we had assumed a fifteen percent (15%) increase in the cost of health care. Subsequent to the adoption of the final budget we received notification from the state, indicating that the increase will be approximately ten percent (10%). We have consequently lowered the appropriations for health care expenditures.

The above change affects a number of funds and departments. The budget will generally be lower for most departments. The largest change is in the Health Care fund, which has a decrease of \$344,070. Of this amount, \$61,100 represents a reduction in the employee's portion of health care costs.

There are several other changes to the proposed budget. The first is an increase of \$50,000 in the Community and Neighborhood Services budget. This is to be used as

a contribution to a new Parks Foundation, which has as its primary goal, the support of local parks, greenways, and recreation programs. Knox County has included an equal amount in its budget and the City wishes to match the Knox County amount.

Following the preparation of the budget we noticed several errors in the Fire Department budget. As a result the adopted budget increases the Fire Department budget by a total of \$163,990 for operating supplies, phone costs, and various other expenditures. This increase is partially offset by reductions relating to decrease in health care costs. The transfer to the Health Care fund for retiree health care decreases by \$21,220, and transfers to various other funds decrease as a result in the change in health care cost assumptions.

The final change from the proposed budget is the elimination of the \$400,000 allocation for the One-Stop shop. The amount originally allocated for this project is supplemented by \$65,000 from savings resulting from the change in health care costs, bringing the total to \$465,000. and is now budgeted as part of the reserve. This amount will be used to fund a performance pay plan, the details of which will be developed in first half of the fiscal year. Once completed the amounts will be reallocated among the specific departmental budgets.

City of Knoxville

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2005/06

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
5100	Local Taxes	124,959,370	0	124,959,370
5200	Licenses and Permits	269,540	0	269,540
5300	Intergovernmental Revenue	16,205,650	0	16,205,650
5400	Charges for Services	920,700	0	920,700
5500	Fines and Forfeits	3,252,790	1,820	3,254,610
5600	Other Revenues	698,730	0	698,730
		<u>146,306,780</u>	<u>1,820</u>	<u>146,308,600</u>
10000	Administration	2,065,500	(3,610)	2,061,890
20000	Finance and Accountability	6,392,040	(10,620)	6,381,420
30000	Operations and Engineering	5,181,350	(10,850)	5,170,500
40000	Community and Neighborhood Services	24,101,090	(2,300)	24,098,790
50000	Law	1,505,320	(2,230)	1,503,090
60000	Police	39,342,820	(90,610)	39,252,210
70000	Fire	27,413,660	104,180	27,517,840
81500	Legislative	823,470	(1,640)	821,830
81700	Civil Service	948,550	(2,240)	946,310
91900	City Elections	265,000	0	265,000
93900	Knoxville Partnership	696,840	(260)	696,580
95100	Metropolitan Planning Commission	737,550	0	737,550
95200	Knoxville Zoo	864,210	0	864,210
95300	Community Agency Grants	1,197,700	0	1,197,700
95600	Waterfront	359,380	0	359,380
95900	Community Action Committee	444,980	0	444,980
98100	Reserve	1,500,000	465,000	1,965,000
99100	Transfers	32,467,320	(443,000)	32,024,320
		<u>146,306,780</u>	<u>1,820</u>	<u>146,308,600</u>
201	State Street Aid	4,915,000	0	4,915,000
202	Community Improvement	90,000	0	90,000
209	Abandoned Vehicles	594,840	(960)	593,880
213	City Court	3,678,500	0	3,678,500
216	City Inspections	2,009,940	(5,200)	2,004,740
220	Stormwater	1,916,510	(5,580)	1,910,930
230	Solid Waste	10,312,720	(3,470)	10,309,250
240	Miscellaneous Special Revenue	3,415,500	0	3,415,500
250	Senior Aides	456,750	(120)	456,630
264	Home Grants	1,731,340	0	1,731,340

PROPOSED - ADOPTED BUDGET COMPARISON

Fiscal Year 2005/06

Number	Fund Name	Mayor's Proposed Budget	Changes To The Proposed Budget	Adopted Budget
269	Emergency Shelter Grants	82,730	0	82,730
270	Empowerment Zone	666,000	0	666,000
290	Community Development Block Grant	4,067,940	0	4,067,940
305	Debt Services	20,671,840	0	20,671,840
401	Capital Projects	31,172,000	(400,000)	30,772,000
451	ChilhoweePark Capital Projects	55,400	0	55,400
503	Public Assembly Facilities	3,643,420	(5,350)	3,638,070
504	Metro Parking	1,059,820	0	1,059,820
506	Convention Center	20,299,240	0	20,299,240
507	Mass Transportation	14,467,100	0	14,467,100
701	Office Services	454,860	(360)	454,500
702	Fleet Services	9,648,980	(8,310)	9,640,670
704	Risk Management	7,626,580	(1,420)	7,625,160
705	Health Care	15,447,950	(344,070)	15,103,880
706	Equipment Replacement	1,588,160	0	1,588,160
707	City Building	1,403,860	0	1,403,860
		<u>307,783,760</u>	<u>(773,020)</u>	<u>307,010,740</u>

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BUDGET POLICIES

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

DEBT MANAGEMENT POLICIES

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

- 4) The City will seek to maintain and, if possible, improve its current bond rating.
- 5) The City will maintain good communications with bond rating agencies to inform them about the City's financial conditions. The City will follow policy of full disclosure. Significant financial reports affecting or commenting on the City will be periodically forwarded to the rating agencies.

GRANT POLICIES

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

FUND BALANCE POLICIES

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

CAPITAL IMPROVEMENT POLICIES

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

REVENUE POLICIES

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

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

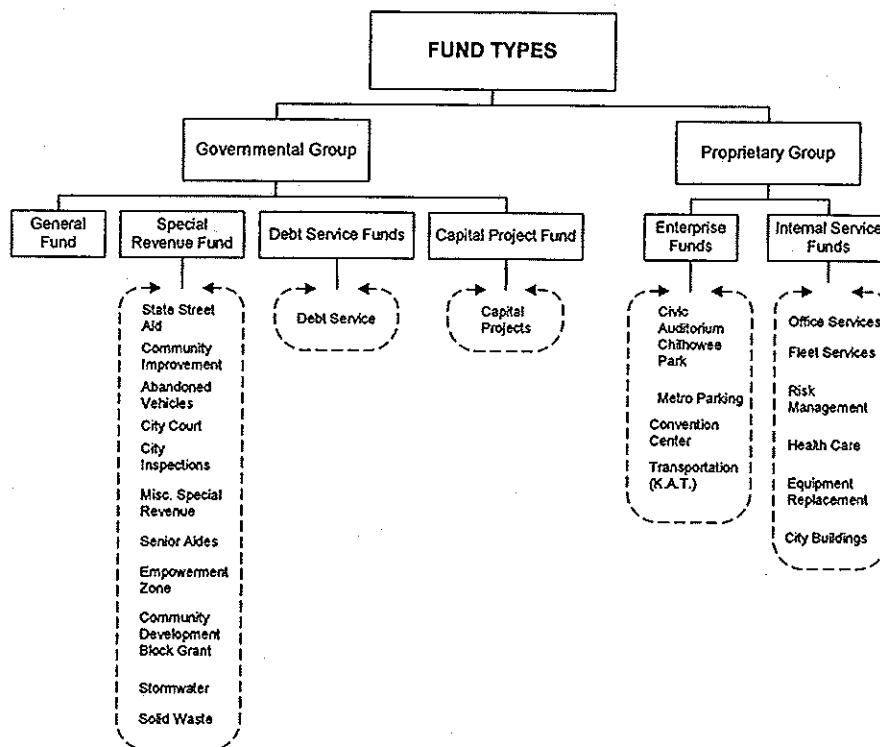
The budget covers the activities and expenditures for a given time period or fiscal year. The City of Knoxville's fiscal year runs from July 1 to June 30

of the following year. This budget covers the period July 1, 2005 through June 30, 2006.

Organization by Fund

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

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



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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

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

Trust and Agency Funds

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

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 the Fire Department, operate only within the General Fund (100). Others are shown within several funds. For example, the Finance and Accountability Department operates in the General Fund, the Print Shop Fund (701), Risk Management Fund (704) and Health Benefits Fund (705). A table showing total expenditures by department is included in the summary section.

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

A section is a funded operating unit of a division within a department, responsible for implementing a program or group of programs assigned to the department. Police Training division (72361) is responsible for the professional growth of the City's police force

Budget Adoption

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

are also held between first and second reading to gain a better understanding of the proposed budget.

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

Budget Amendments

From time to time it becomes necessary to modify the adopted budget. The procedure for amending the budget depends upon the type of change that is needed. One type of change does not affect the

"bottom line" total for the department. The Management and Budget division upon request with proper documentation may effect these changes, mainly transfers from one line item to another within a department's operating budget or changes between divisions within a department.

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

The acceptance of additional grant money which might become available.

The appropriation of additional funding if expenditures are projected to exceed budgeted amounts.

The adjustment to reflect increased tax receipts or:

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

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

Operating Budget Policies and Procedures

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

The primary budgetary objective is to provide the highest possible level of service to residents without impairing the City's sound financial condition. Continual efforts will be made to improve productivity, lower costs and enhanced service.

The budget must be balanced for each fund; total projected revenues must equal total anticipated expenditures.

The City will avoid budgetary procedures that balance the current budget at the expense of meeting future year's obligations.

Estimated revenues must not exceed one hundred ten percent (110%) of the total amount collected during the last completed fiscal year or the current fiscal year.

The City will maintain a budgetary control system to ensure adherence to the budget and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts.

All operating funds are subject to the annual budget process with the exception of payroll, which has a net effect of zero, grant awards, which are subject to grant contract limitations, and trust and agency funds.

Law and policies on limitations to revenue sources must be explicitly addressed in the budget process.

One to five percent (1% to 5%) of the General Fund revenues must be deducted from all monies collected during a given year and placed in the General Fund Reserve. These funds may be used for repairs to buildings or purchases of equipment, but only in departments whose operating funds come from the General Fund.

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

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

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

Financial Reporting

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

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

Basis of Budgeting

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

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

Basis of Accounting

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

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

Revenues are recorded when they become measurable and available as net current assets. Revenues, which are accrued, include property taxes, shared revenues, licenses, interest revenue, and charges for services.

Other revenues are recorded when cash is received. Grant revenues are accrued when funds are expended.

Expenditures, except as specified below, are recorded at the time liabilities are incurred.

Amounts recorded in the long-term debt account group which relate to accumulated vacation liability and litigation liability which had not been paid within 60 days of the fiscal year end are recorded as general long-term debt when it is incurred.

Interest and principal on general long-term debt is not accrued, but is recorded as an expenditure on its due date.

Disbursements for purchase of capital assets are considered expenditures.

Investment/Cash Management Practices

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

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

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

As required by statute and ordinance, all deposits and certificates of deposit are secured by similar

grade collateral pledged at 110% of market value for all amounts in excess of that guaranteed through federally sponsored insurance programs.

The City Charter mandates that portfolio management and control of the City's Pension Fund be vested in the City Pension Board. Along with several professional investment counselors, the Pension Board directs all investments of the Fund. A major Tennessee banking institution serves as trustee for the fund.

How to Read This Document

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

This budget document is separated into sections according to fund. Each fund is organized by de-

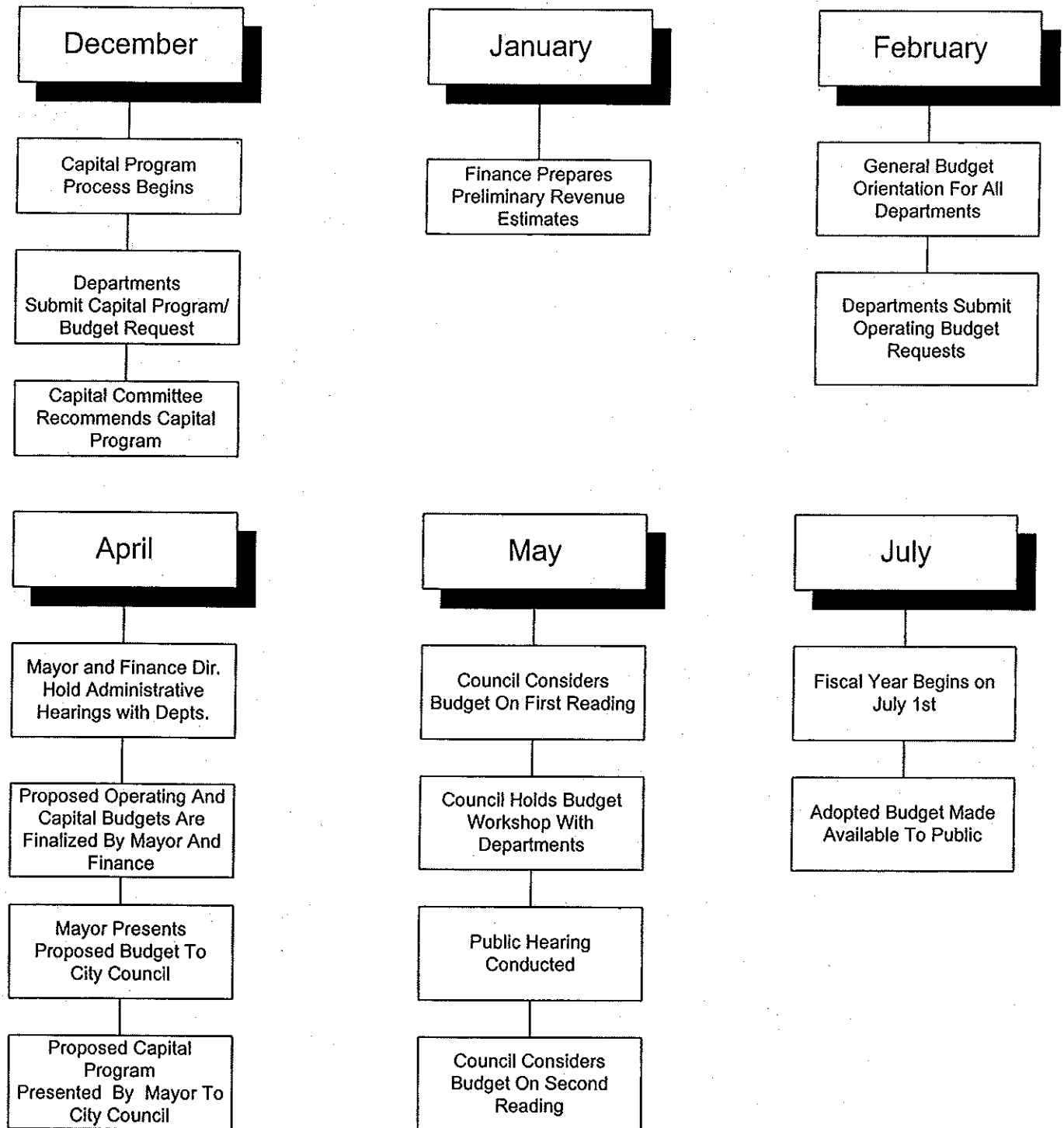
partments, which as explained earlier, are unique units with specific responsibilities, generally defined in the City's Charter. A summary page is provided for each department which explains significant changes. The Department Summary page also presents historical comparisons of expenditures and authorized 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 2005-2006



BUDGET CALENDAR FOR FISCAL YEAR 2005-2006**FEBRUARY**

- 15th 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.
- 4th Last day for departments to complete line item and program budget requests.
- 5th – 31st The Finance Department reviews all departmental budget submissions and makes recommendations to the Mayor, including requests for additional personnel and programs.

APRIL

- 5th-7th The Mayor and Finance Director hold administrative budget hearings with individual departments.
- 5th-22th Administrative review of all budget material is completed and final adjustments are made to the budget document. All funds are brought into balance.
- 28th Mayor's Proposed Budget is submitted to City Council in accordance with Charter deadline, along with an updated 5-year Capital Improvements Program and Budget, as required by the Charter.
- 30th Last day that salary recommendations based upon salary survey re-

sults as well as any recommendations of the Mayor may be submitted to City Council, if necessary.

MAY

- 8th, 15th Public Notice is advertised regarding a hearing on the proposed budget. The City Charter requires that a public hearing be held between the first and second readings of the Mayor's budget. Public notice must be made ten days prior to the hearing to remain in compliance with state requirements.
- 10th First Reading/Adoption of the Proposed Budget and Tax Rate Ordinances.
- 19th, 23rd City Council Budget Workshops on the Proposed Budget. Each department will have a scheduled time to present its budget and answer questions.
- 24th Public hearing on the proposed operating budget.
- 24th Second Reading/Adoption of the Proposed Budget and Tax Rate Ordinances.

JUNE

- 15th As established by City Charter, last day to approve the Budget and Tax Rate Ordinance.
- 21st Second reading/ adoption of Supplemental appropriations (house-keeping) ordinance that allows for year-end balancing of accounts and funds. First reading held on 6-7-05.

JULY

- 1st Beginning of fiscal year 2005-2006

SUMMARY INFORMATION

The tables and graphs included in this section are designed to provide the reader a financial overview of City operations. Most tables provide historical and current year budget information, as well as projected (unaudited) results for the fiscal year ending on June 30, 2005.

The first few pages summarize the revenues and expenditures of all funds. The entire budget of the City is \$307,010,740. However, as the following pages show, the net budget (which excludes all interfund charges and transfers) is \$73,712,680 less, or \$233,298,060. The budget for the General Fund, which is the main operating fund of the City is \$146,308,600.

This section also contains information on total au-

thorized staffing. The first of these tables identifies permanent positions only; the second shows both full-time and part-time positions. The second table will equal the sum of each departmental summary page. Also included are multi-year personnel comparisons. Finally, this section presents information on tax rate calculations and the impact of the adopted tax rate on homeowners.

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

BUDGET COMPARISON - ALL FUNDS

Fiscal Year 2005/06

Fund No.	Fund Name	Adopted FY 04/05 Budget	Adopted FY 05/06 Budget	Dollar Change FY 04/05 - 05/06	Percentage Change FY 04/05 - 05/06
100	General Fund	144,239,540	146,308,600	2,069,060	1.43%
	Special Revenue Funds				
201	State Street Aid	4,906,000	4,915,000	9,000	0.18%
202	Community Improvement	90,000	90,000	0	0.00%
209	Abandoned Vehicles	508,950	593,880	84,930	16.69%
213	City Court	3,600,000	3,678,500	78,500	2.18%
216	City Inspections	1,902,890	2,004,740	101,850	5.35%
220	Stormwater	1,867,070	1,910,930	43,860	2.35%
230	Solid Waste	10,019,700	10,309,250	289,550	2.89%
240	Miscellaneous Special Revenue	2,261,180	3,415,500	1,154,320	51.05%
250	Senior Aides	0	456,630	456,630	
264	Home Grants	1,801,990	1,731,340	(70,650)	(3.92%)
269	Emergency Shelter Grants	85,490	82,730	(2,760)	(3.23%)
270	Empowerment Zone	994,100	666,000	(328,100)	(33.00%)
290	Community Development Block Grant	3,345,220	4,067,940	722,720	21.60%
	Subtotal - Special Revenue Funds	31,382,590	33,922,440	2,539,850	8.09%
	Debt Service Funds				
305	Debt Services	20,073,110	20,671,840	598,730	2.98%
	Subtotal - Debt Service Funds	20,073,110	20,671,840	598,730	2.98%
	Capital Projects Funds				
401	Capital Projects	20,844,900	30,772,000	9,927,100	47.62%
451	Chilhowee Park	0	55,400	55,400	
	Subtotal - Capital Projects Funds	20,844,900	30,827,400	9,982,500	47.89%
	Enterprise Funds				
503	Public Assembly Facilities	3,535,730	3,638,070	102,340	2.89%
504	Metro Parking	725,890	1,059,820	333,930	46.00%
506	Convention Center	19,515,230	20,299,240	784,010	4.02%
507	Mass Transportation	13,184,090	14,467,100	1,283,010	9.73%
	Subtotal - Enterprise Funds	36,960,940	39,464,230	2,503,290	6.77%
	Internal Service Funds				
701	Office Services	451,620	454,500	2,880	0.64%
702	Fleet Services	8,234,060	9,640,670	1,406,610	17.08%
704	Risk Management	6,827,630	7,625,160	797,530	11.68%
705	Health Care	14,139,810	15,103,880	964,070	6.82%
706	Equipment Replacement	1,797,270	1,588,160	(209,110)	(11.63%)
707	City Building	1,442,850	1,403,860	(38,990)	(2.70%)
	Subtotal - Internal Service Funds	32,893,240	35,816,230	2,922,990	8.89%
	Grand Total	286,394,320	307,010,740	20,616,420	7.20%

City of Knoxville
ESTIMATED FUND BALANCES - ALL FUNDS
Fiscal Year 2004/05 And 2005/06

Fund No.	Fund Name	Beginning Fund Balance 07/01/2004	Revenues and Sources of Funds FY 04/05	Estimated Expenses and Uses of Funds FY 04/05	Ending Fund Balance 06/30/2005	Budgeted Revenues FY 05/06	Budgeted Expenditures FY 05/06	Estimated Ending Fund Balance 06/30/2006
100	GENERAL FUND	\$20,192	\$144,497	\$140,480	\$24,209	\$146,309	\$146,309	\$24,209
	SPECIAL REVENUE FUNDS							
201	State Street Aid	1,751	4,918	4,937	1,732	4,915	4,915	1,732
202	Community Improvement	0	90	90	0	90	90	0
209	Abandoned Vehicles	1,089	727	614	1,202	622	594	1,230
213	City Court	694	3,808	3,680	822	3,679	3,679	822
216	City Inspections	432	2,039	1,829	642	2,005	2,005	642
220	Stormwater	488	1,627	1,677	438	1,911	1,911	438
230	Solid Waste	3,845	9,191	9,368	3,668	10,309	10,309	3,668
240	Misc. Special Revenue	2,825	3,108	1,474	4,459	3,416	3,416	4,459
250	Senior Aides	0	414	401	13	457	457	13
264	Home Grants	0	1,098	977	121	1,731	1,731	121
269	Emergency Shelter Grants	0	380	382	(2)	83	83	(2)
270	Empowerment Zone	0	5,509	5,509	0	666	666	0
290	Community Dev. Block Grant	75	2,782	2,892	(35)	2,449	4,068	(1,654)
	Subtotal - Spec. Revenue	11,199	35,691	33,830	13,060	32,333	33,924	11,469
	DEBT SERVICE FUNDS							
305	Debt Services	29,373	25,122	24,232	30,263	25,329	20,672	34,920
	Subtotal - Debt Service	29,373	25,122	24,232	30,263	25,329	20,672	34,920
	CAPITAL PROJECT FUNDS							
401	Capital Projects	11,211	17,309	14,571	13,949	26,529	30,772	9,706
451	Chilhowee Park	0	0	0	0	55	55	0
	Subtotal - Capital Projects	11,211	17,309	14,571	13,949	26,584	30,827	9,706
	ENTERPRISE FUNDS							
503	Civic Aud./Coliseum	8,804	4,001	3,851	8,954	3,264	3,638	8,580
504	Metro Parking	6,839	999	825	7,013	1,172	1,080	7,125
506	Convention Center	12,023	18,798	19,895	10,926	18,812	20,299	9,439
507	Transportation	17,212	13,914	15,401	15,725	13,117	14,467	14,375
	Subtotal - Enterprise	44,878	37,712	39,972	42,618	36,365	39,464	39,519
	INTERNAL SERVICE FUNDS							
701	Office Services	22	388	369	41	455	455	41
702	Fleet Services	15,965	9,903	9,627	16,241	9,641	9,641	16,241
704	Risk Management	216	7,287	7,079	424	7,625	7,625	424
705	Health Care	2,656	14,900	12,491	5,065	15,104	15,104	5,065
706	Equipment Replacement	12,011	2,399	3,324	11,086	1,914	1,588	11,412
707	City Building	284	1,486	1,276	494	1,404	1,404	494
	Subtotal - Internal Service	31,154	36,363	34,166	33,351	36,143	35,817	33,677
	GRAND TOTAL	<u>\$148,007</u>	<u>\$296,694</u>	<u>\$287,251</u>	<u>\$157,450</u>	<u>\$303,063</u>	<u>\$307,013</u>	<u>\$153,500</u>

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

TOTAL EXPENDITURES BY DEPARTMENT

Fiscal Year 2005/06

Department	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Internal Service Funds	Grand Total
Administration	2,061,890	0	0	1,075,000	0	0	3,136,890
Finance and Accountability							
Finance	3,180,010	0	50,000	1,000,000	0	24,771,700	29,001,710
Information Systems	3,201,410	0	0	0	0	0	3,201,410
Subtotal - Finance & Accountability	6,381,420	0	50,000	1,000,000	0	24,771,700	32,203,120
Operations & Engineering							
Engineering	5,170,500	4,623,610	0	11,882,500	961,430	0	22,638,040
Fleet Services	0	593,880	0	400,000	0	9,640,670	10,634,550
Inspections	0	2,004,740	0	0	0	0	2,004,740
Subtotal - Operations & Engineering	5,170,500	7,222,230	0	12,282,500	961,430	9,640,670	35,277,330
Community and Neighborhood Services							
Public Services	16,956,660	10,606,570	0	250,000	0	0	27,813,230
Development Services	566,190	0	0	0	0	0	566,190
Community Development	0	5,908,930	0	650,000	0	0	6,558,930
Recreation	5,692,990	536,630	0	3,855,000	0	0	10,084,620
Knoxville Area Transit (KAT)	882,950	0	0	7,232,500	14,467,100	0	22,582,550
Subtotal - Community & Neighborhood Serv.	24,098,790	17,052,130	0	11,987,500	14,467,100	0	67,605,520
Law	1,503,090	0	0	0	0	0	1,503,090
Police							
Police	38,974,730	3,110,500	0	1,124,500	0	0	43,209,730
Emergency Management	277,480	0	0	0	0	0	277,480
Subtotal - Police	39,252,210	3,110,500	0	1,124,500	0	0	43,487,210
Fire	27,517,840	0	0	300,000	0	0	27,817,840
Board Administered/Other Departments							
Legislative	821,830	115,000	0	0	0	0	936,830
City Court	0	683,550	0	10,000	0	0	693,550
Civil Service	946,310	0	0	0	0	0	946,310
Convention Center	0	0	0	142,000	12,304,300	0	12,446,300
Public Assembly Facilities	0	0	0	2,100,500	3,638,070	0	5,738,570
Subtotal - Other Departments	1,768,140	798,550	0	2,252,500	15,942,370	0	20,761,560
Nondepartmental							
City Elections	265,000	0	0	0	0	0	265,000
City Buildings	0	0	0	0	0	1,403,860	1,403,860
Knoxville Partnership	696,580	0	0	0	0	0	696,580
Metropolitan Planning Commission (MPC)	737,550	0	0	0	0	0	737,550
Knoxville Zoological Park	864,210	0	0	750,000	0	0	1,614,210
Agency Grants	1,197,700	0	0	0	930,000	0	2,127,700
Waterfront	359,380	0	0	0	0	0	359,380
Community Action Committee (CAC)	444,980	0	0	0	0	0	444,980
Debt Service	0	0	14,721,200	0	7,113,330	0	21,834,530
Reserve	1,965,000	0	0	0	0	0	1,965,000
Transfers	32,024,320	5,739,030	5,900,640	55,400	50,000	0	43,769,390
Subtotal - Nondepartmental	38,554,720	5,739,030	20,621,840	805,400	8,093,330	1,403,860	75,218,180
GRAND TOTAL	146,308,600	33,922,440	20,671,840	30,827,400	39,464,230	35,816,230	307,010,740

City of Knoxville

NET BUDGET

Fiscal Year 2005/06

Fund No.	Fund Name	Adopted FY 05/06 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	General Fund	146,308,600	(32,024,320)	0	114,284,280
201	State Street Aid	4,915,000	(1,905,000)	0	3,010,000
202	Community Improvement	90,000	0	0	90,000
209	Abandoned Vehicles	593,880	0	0	593,880
213	City Court	3,678,500	(2,994,950)	0	683,550
216	City Inspections	2,004,740	0	0	2,004,740
220	Stormwater	1,910,930	0	0	1,910,930
230	Solid Waste	10,309,250	0	0	10,309,250
240	Miscellaneous Special Revenue	3,415,500	(200,000)	0	3,215,500
250	Senior Aides	456,630	0	0	456,630
264	Home Grants	1,731,340	(139,080)	0	1,592,260
269	Emergency Shelter Grants	82,730	0	0	82,730
270	Empowerment Zone	666,000	0	0	666,000
290	Community Development Block Grant	4,067,940	(500,000)	0	3,567,940
305	Debt Services	20,671,840	(5,900,640)	0	14,771,200
401	Capital Projects	30,772,000	(55,400)	0	30,716,600
451	Chilhowee Park Capital Projects	55,400	0	0	55,400
503	Public Assembly Facilities	3,638,070	0	0	3,638,070
504	Metro Parking	1,059,820	(50,000)	0	1,009,820
506	Convention Center	20,299,240	0	0	20,299,240
507	Mass Transportation	14,467,100	0	0	14,467,100
701	Office Services	454,500	0	(454,500)	0
702	Fleet Services	9,640,670	0	(9,540,670)	100,000
704	Risk Management	7,625,160	0	(6,973,600)	651,560
705	Health Care	15,103,880	0	(9,789,080)	5,314,800
706	Equipment Replacement	1,588,160	0	(1,834,100)	(245,940)
707	City Building	1,403,860	0	(1,351,340)	52,520
Grand Total		<u>307,010,740</u>	<u>(43,769,390)</u>	<u>(29,943,290)</u>	<u>233,298,060</u>

NET REVENUES BY TYPE - ALL FUNDS

Fiscal Year 2005/06

Fund No.	Fund Name	Taxes	Licenses & Permits	Intergovt. Revenue	Charges For Serv.	Fines & Forfeits	Miscellaneous Revenue
100	General Fund	124,959,370	269,540	16,205,650	920,700	259,660	698,730
201	State Street Aid	0	0	4,900,000	0	0	15,000
202	Community Improvement	0	0	0	0	0	0
209	Abandoned Vehicles	0	0	0	311,050	0	310,880
213	City Court	0	0	0	0	3,638,500	40,000
216	City Inspections	0	1,753,000	0	0	0	3,080
220	Stormwater	0	135,000	0	0	0	7,000
230	Solid Waste	0	0	0	597,120	0	190,000
240	Miscellaneous Special Revenue	0	0	0	120,000	3,204,000	91,500
250	Senior Aides	0	0	406,420	0	0	0
263	House Grants	0	0	0	0	0	0
264	Home Grants	0	0	1,451,340	0	0	280,000
269	Emergency Shelter Grants	0	0	82,730	0	0	0
270	Empowerment Zone	0	0	666,000	0	0	0
290	Community Development Block Grant	0	0	2,144,920	0	0	165,000
305	Debt Services	23,024,990	0	0	0	0	2,303,650
401	Capital Projects	0	0	13,844,760	0	0	750,000
451	Chilhowee Park Capital Projects	0	0	0	0	0	0
503	Civic Auditorium/Coliseum/KCEC	0	0	0	1,533,000	0	23,000
504	Metro Parking	0	0	0	0	0	1,172,000
506	Convention Center	3,745,400	0	2,446,500	4,156,750	0	651,900
507	Mass Transportation	0	0	4,240,470	3,148,450	0	0
701	Office Services	0	0	0	0	0	0
702	Fleet Services	0	0	0	0	0	100,000
704	Risk Management	0	0	0	48,000	0	0
705	Health Care	0	0	0	0	0	4,199,720
706	Equipment Replacement	0	0	0	0	0	80,000
707	City Building	0	0	0	0	0	52,520
Grand Total		151,729,760	2,157,540	46,388,780	10,835,070	7,102,160	11,133,980

Percent of Net Revs. 65.04% 0.92% 19.88% 4.64% 3.04% 4.77%

Fund No.	Fund Name	Use Of/ (Addition To) Fund Balance	Net Revenues	Interfund Charges In	Interfund Transfers In	Total Revenues
100	General Fund	0	143,313,650	0	2,994,950	146,308,600
201	State Street Aid	0	4,915,000	0	0	4,915,000
202	Community Improvement	0	0	0	90,000	90,000
209	Abandoned Vehicles	(28,050)	593,880	0	0	593,880
213	City Court	0	3,678,500	0	0	3,678,500
216	City Inspections	0	1,756,080	0	248,660	2,004,740
220	Stormwater	0	142,000	0	1,768,930	1,910,930
230	Solid Waste	0	787,120	0	9,522,130	10,309,250
240	Miscellaneous Special Revenue	0	3,415,500	0	0	3,415,500
250	Senior Aides	0	406,420	0	50,210	456,630
263	House Grants	0	0	0	0	0
264	Home Grants	0	1,731,340	0	0	1,731,340
269	Emergency Shelter Grants	0	82,730	0	0	82,730
270	Empowerment Zone	0	666,000	0	0	666,000
290	Community Development Block Grant	1,618,940	3,928,860	0	139,080	4,067,940
305	Debt Services	(4,656,800)	20,671,840	0	0	20,671,840
401	Capital Projects	4,242,900	18,837,650	0	11,934,350	30,772,000
451	Chilhowee Park Capital Projects	0	0	0	55,400	55,400
503	Civic Auditorium/Coliseum/KCEC	374,500	1,930,500	0	1,707,570	3,638,070
504	Metro Parking	(112,180)	1,059,820	0	0	1,059,820
506	Convention Center	1,487,400	12,487,950	0	7,811,290	20,299,240
507	Mass Transportation	1,350,000	8,738,920	0	5,728,180	14,467,100
701	Office Services	0	0	454,500	0	454,500
702	Fleet Services	0	100,000	9,540,670	0	9,640,670
704	Risk Management	0	48,000	6,973,600	603,560	7,625,160
705	Health Care	0	4,199,720	9,789,080	1,115,080	15,103,880
706	Equipment Replacement	(325,940)	(245,940)	1,834,100	0	1,588,160
707	City Building	0	52,520	1,351,340	0	1,403,860
Grand Total		3,950,740	233,298,060	29,943,290	43,769,390	307,010,740

Percent of Net Revs. 1.69%

NET EXPENDITURES BY TYPE - ALL FUNDS

Fiscal Year 2005/06

Fund No.	Fund Name	Personal Services	Supplies	Other Expenses	Debt Service	Capital
100	General Fund	64,343,990	3,056,140	20,063,720	0	0
201	State Street Aid	0	0	3,010,000	0	0
202	Community Improvement	0	0	90,000	0	0
209	Abandoned Vehicles	237,020	5,260	305,330	0	0
213	City Court	512,850	11,250	71,250	0	0
216	City Inspections	1,427,230	8,900	68,610	0	0
220	Stormwater	1,420,410	45,090	67,820	0	0
230	Solid Waste	711,770	29,080	9,012,870	0	0
240	Miscellaneous Special Revenue	0	164,000	3,051,340	0	0
250	Senior Aides	427,310	0	600	0	0
263	House Grants	0	0	0	0	0
264	Home Grants	0	0	1,592,260	0	0
269	Emergency Shelter Grants	0	0	82,730	0	0
270	Empowerment Zone	0	0	666,000	0	0
299	Community Development Block Grant	817,180	13,240	1,701,640	0	809,670
305	Debt Services	0	0	50,090	14,721,110	0
401	Capital Projects	0	1,219,500	27,497,100	0	2,000,000
451	Chilhowee Park Capital Projects	0	0	55,400	0	0
503	Public Assembly Facilities	1,663,370	185,820	1,326,430	0	4,500
504	Metro Parking	0	0	999,900	48,390	0
506	Convention Center	0	0	13,132,750	7,064,940	0
507	Mass Transportation	0	1,346,100	13,090,640	0	0
701	Office Services	119,450	226,000	40,360	0	0
702	Fleet Services	1,827,600	2,367,310	4,900,890	0	0
704	Risk Management	290,880	4,700	7,254,910	0	0
705	Health Care	119,750	6,800	14,923,160	0	0
706	Equipment Replacement	0	0	1,588,160	0	0
707	City Building	0	0	1,397,490	0	0
Grand Total		73,918,810	8,689,190	126,041,450	21,834,440	2,814,170

Percent of Net Exps. 31.68% 3.72% 54.03% 9.36% 1.21%

Fund No.	Fund Name	Net Expenditures	Interfund Charges Out	Interfund Transfers Out	Total Expenditures
100	General Fund	87,463,850	26,820,430	32,024,320	146,308,600
201	State Street Aid	3,010,000	0	1,905,000	4,915,000
202	Community Improvement	90,000	0	0	90,000
209	Abandoned Vehicles	547,610	46,270	0	593,880
213	City Court	595,350	88,200	2,994,950	3,678,500
216	City Inspections	1,504,740	500,000	0	2,004,740
220	Stormwater	1,533,320	377,610	0	1,910,930
230	Solid Waste	9,753,720	555,530	0	10,309,250
240	Miscellaneous Special Revenue	3,215,340	160	200,000	3,415,500
250	Senior Aides	427,910	28,720	0	456,630
263	House Grants	0	0	0	0
264	Home Grants	1,592,260	0	139,080	1,731,340
269	Emergency Shelter Grants	82,730	0	0	82,730
270	Empowerment Zone	666,000	0	0	666,000
299	Community Development Block Grant	3,341,730	226,210	500,000	4,067,940
305	Debt Services	14,771,200	0	5,900,640	20,671,840
401	Capital Projects	30,716,600	0	55,400	30,772,000
451	Chilhowee Park Capital Projects	55,400	0	0	55,400
503	Public Assembly Facilities	3,180,120	407,950	50,000	3,638,070
504	Metro Parking	1,048,290	11,530	0	1,059,820
506	Convention Center	20,197,690	101,550	0	20,299,240
507	Mass Transportation	14,436,740	30,360	0	14,467,100
701	Office Services	385,810	68,690	0	454,500
702	Fleet Services	9,095,800	544,870	0	9,640,670
704	Risk Management	7,550,490	74,670	0	7,625,160
705	Health Care	15,049,710	54,170	0	15,103,880
706	Equipment Replacement	1,588,160	0	0	1,588,160
707	City Building	1,397,490	6,370	0	1,403,860
Grand Total		233,298,060	29,943,290	43,769,390	307,010,740

Percent of Net Exps. 100.00%

SUMMARY OF INTERFUND CHARGES

Fiscal Year 2005/06

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	336,680	8,788,290	6,413,090	8,454,130	1,768,850	1,059,390	26,820,430
Abandoned Vehicle	209	710	0	7,160	38,400	0	0	46,270
City Court	213	4,360	0	1,880	71,510	10,450	0	88,200
City Inspections	216	13,720	123,170	81,740	193,810	9,540	78,020	500,000
Stormwater	220	8,490	41,220	44,680	207,720	18,710	56,790	377,610
Solid Waste	230	7,130	345,810	57,360	129,770	1,390	14,070	555,530
Miscellaneous Special Revenue	240	160	0	0	0	0	0	160
Miscellaneous Grant	250	1,410	0	21,550	4,800	960	0	28,720
Community Development Block Grant	290	19,290	38,550	11,750	88,310	4,480	63,830	226,210
Coliseum/KCEC	503	4,610	86,120	107,900	203,680	5,640	0	407,950
Metro Parking	504	0	0	11,530	0	0	0	11,530
Convention Center	506	0	8,030	93,520	0	0	0	101,550
Mass Transportation	507	22,520	0	0	0	7,840	0	30,360
Office Services	701	19,710	0	3,160	14,400	720	30,700	68,690
Fleet Services	702	4,310	109,480	106,710	309,180	960	14,230	544,870
Risk Management	704	5,410	0	4,350	50,350	3,950	10,610	74,670
Health Care	705	5,990	0	850	23,020	610	23,700	54,170
City Building	707	0	0	6,370	0	0	0	6,370
Grand Total		<u>454,500</u>	<u>9,540,670</u>	<u>6,973,600</u>	<u>9,789,080</u>	<u>1,834,100</u>	<u>1,351,340</u>	<u>29,943,290</u>

SUMMARY OF INTERFUND TRANSFERS

Fiscal Year 2005/06

To (Fund Name)	Fund No.	From General Fund (Fund 100)	From State Street Aid Fund (Fund 201)	From City Court Fund (Fund 213)	From Misc. Spec. Rev. Fund (Fund 240)	From Home Fund (Fund 264)	From CDBG Fund (Fund 290)	From Debt Service Fund (Fund 305)	From Capital Proj. Fund (Fund 401)	From Metro Parking Fund (Fund 504)	Grand Total
General Fund	100	0	0	2,994,950	0	0	0	0	0	0	2,994,950
Community Improvement	202	90,000	0	0	0	0	0	0	0	0	90,000
City Inspections	216	248,660	0	0	0	0	0	0	0	0	248,660
Stormwater	220	1,768,930	0	0	0	0	0	0	0	0	1,768,930
Solid Waste	230	9,522,130	0	0	0	0	0	0	0	0	9,522,130
Miscellaneous Grant Funds	250	50,210	0	0	0	0	0	0	0	0	50,210
Community Development Block Grant	290	0	0	0	0	139,080	0	0	0	0	139,080
Capital Projects	401	8,081,750	1,275,000	0	200,000	0	500,000	1,827,600	0	50,000	11,934,350
Chilhowee Park Capital	451	0	0	0	0	0	0	0	55,400	0	55,400
Coliseum/KCEC	503	1,707,570	0	0	0	0	0	0	0	0	1,707,570
Convention Center	506	3,738,250	0	0	0	0	0	4,073,040	0	0	7,811,290
Mass Transportation	507	5,098,180	630,000	0	0	0	0	0	0	0	5,728,180
Risk Management	704	603,560	0	0	0	0	0	0	0	0	603,560
Health Care	705	1,115,080	0	0	0	0	0	0	0	0	1,115,080
Grand Total		<u>32,024,320</u>	<u>1,905,000</u>	<u>2,994,950</u>	<u>200,000</u>	<u>139,080</u>	<u>500,000</u>	<u>5,900,640</u>	<u>55,400</u>	<u>50,000</u>	<u>43,769,390</u>

City of Knoxville
SOURCES & USES OF FUNDS
Fiscal Year 2005/06

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Enterprise Funds	Internal Service Funds	Total All Funds
Operating Revenue							
Taxes	124,959,370	0	23,024,990	0	3,745,400	0	151,729,760
Licenses & Permits	269,540	1,888,000	0	0	0	0	2,157,540
Intergovt. Revenue	16,205,650	9,651,410	0	13,844,750	6,686,970	0	46,388,780
Charges For Serv.	920,700	1,028,170	0	0	8,838,200	29,991,290	40,778,360
Fines & Forfeits	259,660	6,842,500	0	0	0	0	7,102,160
Other Revenue	698,730	1,102,460	2,303,650	750,000	1,846,900	4,432,240	11,133,980
Total Oper. Revenues	<u>143,313,650</u>	<u>20,512,540</u>	<u>25,328,640</u>	<u>14,594,750</u>	<u>21,117,470</u>	<u>34,423,530</u>	<u>259,290,580</u>
Operating Expenses							
Personal Services	72,798,120	6,288,090	0	0	1,867,050	2,754,630	83,707,890
Supplies	3,056,140	276,820	0	1,219,500	1,531,920	2,604,810	8,689,190
Other Expenses	38,430,020	20,808,830	50,090	27,552,500	28,897,430	30,456,790	146,195,660
Debt Service	0	0	14,721,110	0	7,113,330	0	21,834,440
Capital	0	809,670	0	2,000,000	4,500	0	2,814,170
Total Oper. Expenses	<u>114,284,280</u>	<u>28,183,410</u>	<u>14,771,200</u>	<u>30,772,000</u>	<u>39,414,230</u>	<u>35,816,230</u>	<u>263,241,350</u>
Excess/Deficiency Revenues Over (Under) Expenses	<u>29,029,370</u>	<u>(7,670,870)</u>	<u>10,557,440</u>	<u>(16,177,250)</u>	<u>(18,296,760)</u>	<u>(1,392,700)</u>	<u>(3,950,770)</u>
Other Fin. Sources/(Uses)							
Transfers In	2,994,950	11,819,010	0	11,989,750	15,247,040	1,718,640	43,769,390
Transfers Out	(32,024,320)	(5,739,030)	(5,900,640)	(55,400)	(50,000)	0	(43,769,390)
Total Other Sources/Uses	<u>(29,029,370)</u>	<u>6,079,980</u>	<u>(5,900,640)</u>	<u>11,934,350</u>	<u>15,197,040</u>	<u>1,718,640</u>	<u>0</u>
Revenues & Sources Over (Under) Expenses & Uses	<u>0</u>	<u>(1,590,890)</u>	<u>4,656,800</u>	<u>(4,242,900)</u>	<u>(3,099,720)</u>	<u>325,940</u>	<u>(3,950,770)</u>
Est. Beginning Fund Balance	24,209,000	13,060,000	30,263,000	13,949,000	42,618,000	33,351,000	157,450,000
Est. Ending Fund Balance	<u>24,209,000</u>	<u>11,469,110</u>	<u>34,919,800</u>	<u>9,706,100</u>	<u>39,518,280</u>	<u>33,676,940</u>	<u>153,499,230</u>

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

Authorized Full Time Positions by Department

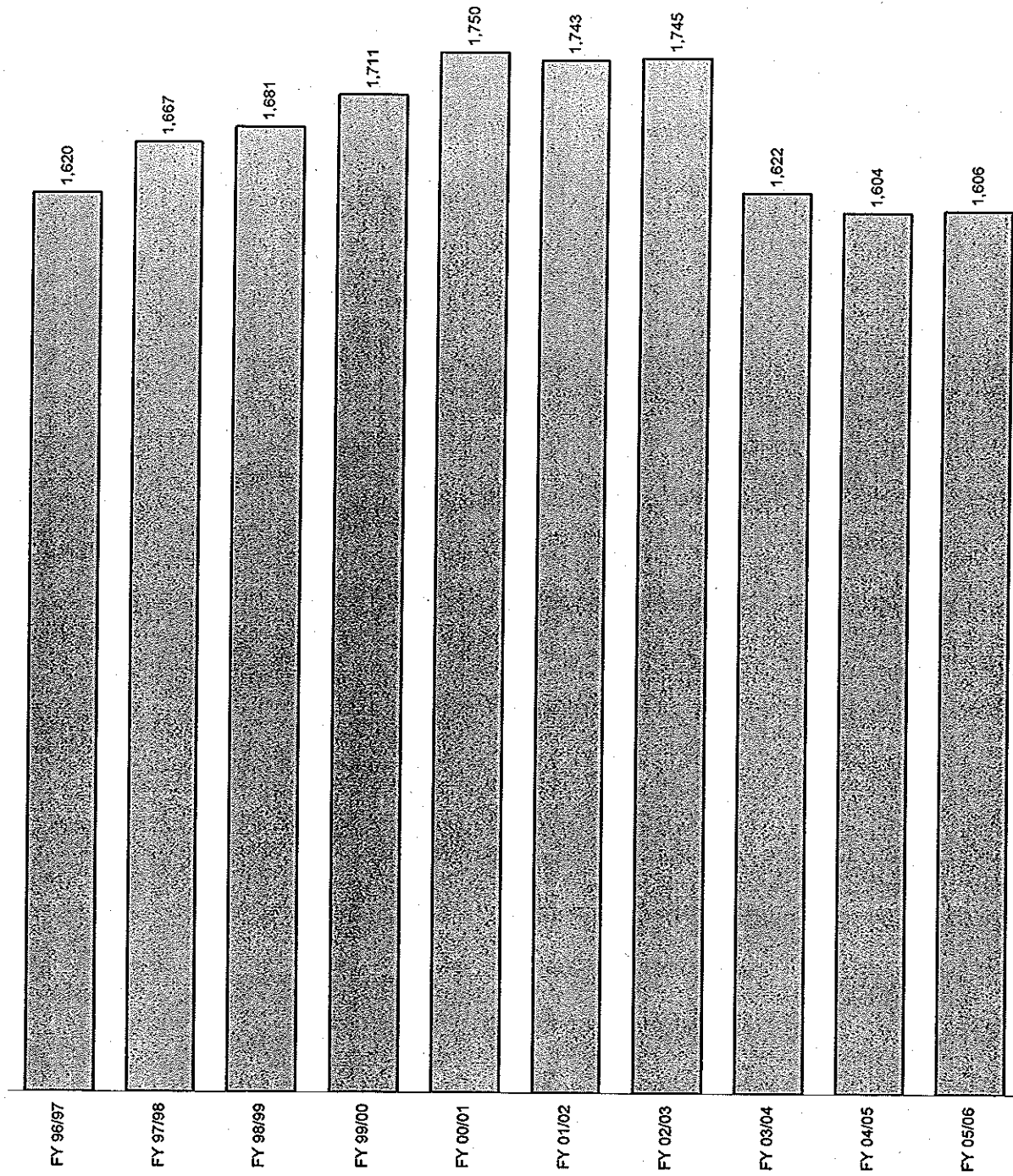
Fiscal Year 2005/06

Department	General Fund	Special Revenue Funds	Enterprise Funds	Internal Service Funds	Grand Total
Full Time Positions					
Administration	24	0	0	0	24
Finance and Accountability					
Finance	43	0	0	12	55
Information Systems	29	0	0	0	29
Operations & Engineering					
Engineering	62	25	0	0	87
Fleet Services	0	8	0	49	57
Inspections	0	31	0	0	31
Community and Neighborhood Services					
Public Services	280	29	0	0	309
Development Services	3	0	0	0	3
Community Development	0	18	0	0	18
Recreation	52	1	0	0	53
Law	13	0	0	0	13
Police					
Police	519	0	0	0	519
Emergency Management	3	0	0	0	3
Fire	339	0	0	0	339
Board Administered/Other Departments					
Legislative	3	0	0	0	3
City Court	0	13	0	0	13
Civil Service	13	0	0	0	13
Public Assembly Facilities	0	0	36	0	36
Nondepartmental					
Knoxville Partnership	1	0	0	0	1
Total - Full Time	1,384	125	36	61	1,606
Part Time Positions					
Administration	1	0	0	0	1
Finance and Accountability					
Finance	1	0	0	0	1
Information Systems	0	0	0	0	0
Operations & Engineering					
Engineering	2	0	0	0	2
Fleet Services	0	0	0	0	0
Inspections	0	0	0	0	0
Community and Neighborhood Services					
Public Services	0	0	0	0	0
Development Services	0	0	0	0	0
Community Development	0	1	0	0	1
Recreation	15	0	0	0	15
Law	0	0	0	0	0
Police					
Police	31	0	0	0	31
Emergency Management	0	0	0	0	0
Fire	0	0	0	0	0
Board Administered/Other Departments					
Legislative	9	0	0	0	9
City Court	0	1	0	0	1
Civil Service	2	0	0	0	2
Convention Center	0	0	0	0	0
World's Fair Park	0	0	0	0	0
Public Assembly Facilities	0	0	0	0	0
Nondepartmental					
Knoxville Partnership	0	0	0	0	0
Total - Part Time	61	2	0	0	63
Grand Total	1,445	127	36	61	1,669

Department	FY 01/02	FY 02/03	FY 03/04	FY 04/05	FY 05/06	Difference 04/05 - 05/06
Administration	23	23	21	19	24	5
Finance and Accountability						
Finance	53	53	47	54	55	1
Information Systems	30	30	28	29	29	0
Subtotal - Finance & Accountability	83	83	75	83	84	1
Operations & Engineering						
Engineering	87	88	85	112	87	(25)
Fleet Services	67	67	58	58	57	(1)
Inspections	31	31	30	30	31	1
Subtotal - Operations & Engineering	185	186	173	200	175	(25)
Community and Neighborhood Services						
Public Services	335	338	315	283	309	26
Development Services	5	5	5	3	3	0
Community Development	20	20	21	20	18	(2)
Recreation	56	55	52	55	53	(2)
Subtotal - Community & Neighborhood Serv.	416	418	393	361	383	22
Law	26	25	25	13	13	0
Police						
Police	558	568	526	519	519	0
Emergency Management	4	4	4	3	3	0
Subtotal - Police	562	572	530	522	522	0
Fire	370	370	339	339	339	0
Board Administered/Other Departments						
Legislative	3	3	3	3	3	0
City Court	13	13	13	13	13	0
Civil Service	15	15	14	14	13	(1)
Public Assembly Facilities	47	37	36	36	36	0
Subtotal - Other Departments	78	68	66	66	65	(1)
Nondepartmental						
Knoxville Partnership	0	0	0	1	1	0
Subtotal - Nondepartmental	0	0	0	1	1	0
GRAND TOTAL	1,743	1,745	1,622	1,604	1,606	2

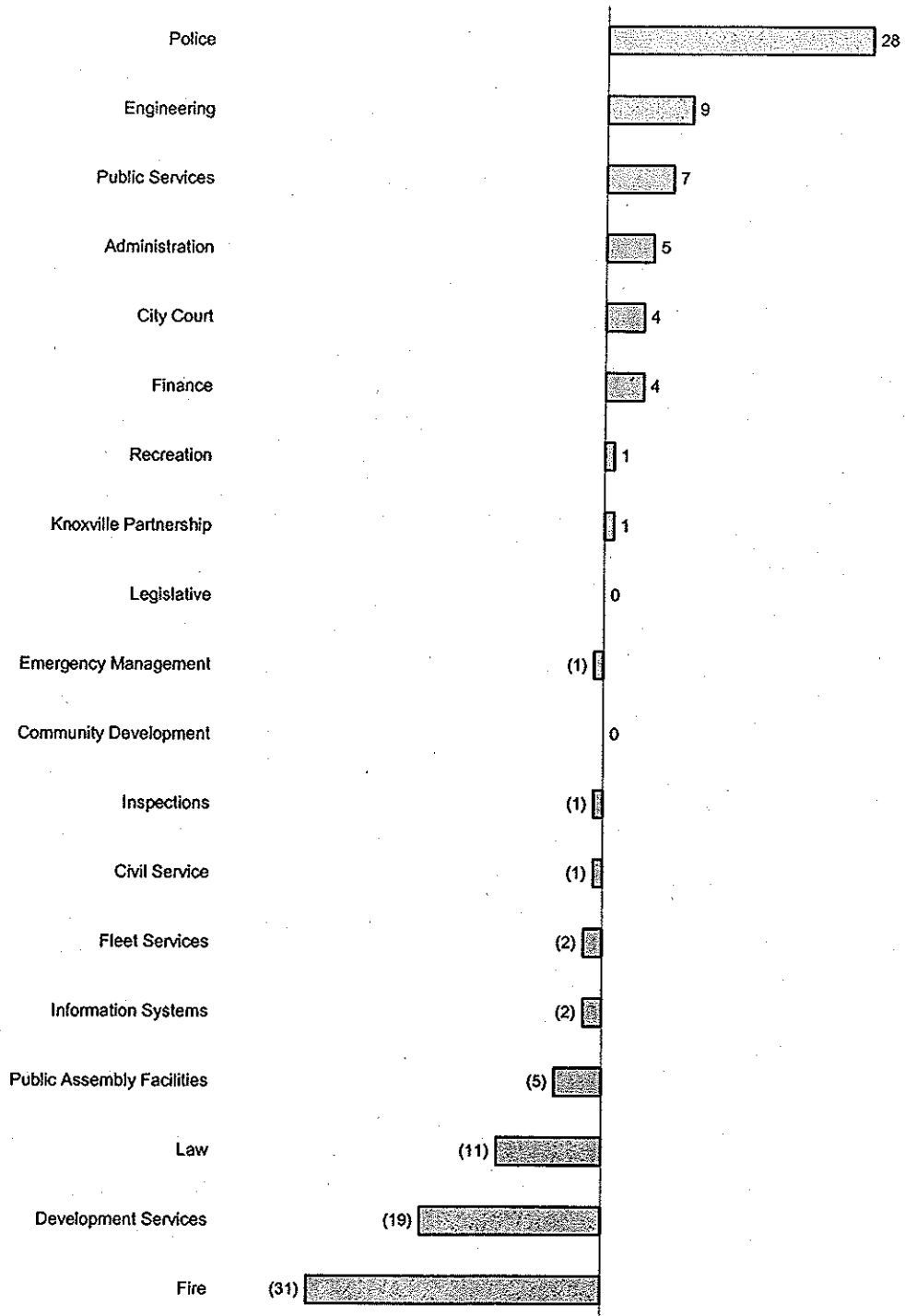
Authorized Full Time Personnel

Fiscal Years 1996/97 – 2005/06



Changes in Full Time Budgeted Personnel

Fiscal Years 1996/97 – 2005/06



Part Time Positions by Department

Fiscal Years 2001/02 - 2005/06

Department	FY 01/02	FY 02/03	FY 03/04	FY 04/05	FY 05/06	Difference 04/05 - 05/06
Administration	0	0	1	1	1	0
Finance and Accountability						
Finance	2	2	2	1	1	0
Subtotal - Finance & Accountability	2	2	2	1	1	0
Operations & Engineering						
Engineering	3	3	2	2	2	0
Subtotal - Operations & Engineering	3	3	2	2	2	0
Community and Neighborhood Services						
Community Development	0	0	1	1	1	0
Recreation	15	15	13	11	15	4
Subtotal - Community & Neighborhood Serv.	15	15	14	12	16	4
Law	1	1	1	0	0	0
Police						
Police	42	42	32	31	31	0
Subtotal - Police	42	42	32	31	31	0
Board Administered/Other Departments						
Legislative	9	9	9	9	9	0
City Court	1	1	1	1	1	0
Civil Service	0	0	0	0	2	2
Public Assembly Facilities	0	0	0	0	0	0
Subtotal - Other Departments	10	10	10	10	12	2
Nondepartmental						
GRAND TOTAL	73	73	62	57	63	6

EFFECT OF TAX RATE ON HOMEOWNERS

In FY 2005/06 the proposed tax rate is \$3.05 per hundred dollars of assessed value. This is the same rate as FY 2004/05. The following chart summarizes the effect of the city's property tax on homeowners. As shown, a residential home appraised at \$60,000 would be assessed at 25% of that value, or \$15,000. Taxes due are per \$100 of value, so the city property tax due for a

\$60,000 home is \$457.50 (calculated by dividing \$15,000 by 100 and then multiplying by the city tax rate of \$3.05.) The average appraised value for residential property is \$70,521 and the median value is \$59,100. For the average residential homeowner the total city property tax bill is \$537.72.

Appraised Value	Assessed Value (25%)	Property Tax Due
\$40,000	\$10,000	\$305.00
\$60,000	\$15,000	\$457.50
\$70,521	\$17,630	\$537.72
\$80,000	\$20,000	\$610.00
\$100,000	\$25,000	\$762.50

City of Knoxville
ASSESSED VALUES - ALL PROPERTY

Fiscal Years 1983/84 - 2005/06

Calendar Year	Total Real Property	Personal Property	Public Utilities	Total Assessments
1983	1,082,167,280	67,770,971	105,429,104	1,255,367,355
1984	1,079,627,084	77,145,411	97,515,150	1,254,287,645
1985	1,096,798,493	88,685,584	87,087,426	1,272,571,503
1986	1,102,016,383	98,407,484	111,100,000	1,311,523,867
1987	1,104,867,214	108,752,668	100,627,110	1,314,246,992
1988	1,122,742,024	112,676,654	104,899,443	1,340,318,121
1989	1,140,611,597	132,423,393	95,316,739	1,368,351,729
1990	1,172,891,487	143,085,759	101,472,718	1,417,449,964
1991	1,212,029,673	135,710,493	98,142,916	1,445,883,082
1992	1,238,194,477	132,547,101	96,552,849	1,467,294,427
1993	1,614,026,310 *	163,270,996	111,997,273	1,889,294,579
1994	1,614,271,095	177,150,854	119,230,340	1,910,652,289
1995	1,618,398,558	177,681,038	112,540,638	1,908,620,234
1996	1,623,659,535	184,552,898	115,766,135	1,923,978,568
1997	1,878,801,360 *	218,591,024	126,746,927	2,224,139,311
1998	1,934,290,885	242,537,032	128,589,318	2,305,417,235
1999	1,982,169,765	258,297,182	139,643,315	2,380,110,262
2000	2,028,588,845	260,949,460	136,081,340	2,425,619,645
2001	2,383,807,165 *	296,305,803	180,021,560	2,860,134,528
2002	2,438,014,810	304,602,014	174,625,693	2,917,242,517
2003	2,474,148,997	293,852,253	150,264,579	2,918,265,829
2004	2,525,476,515	302,687,562	157,887,475	2,986,051,552
2005 (Est.)	2,569,473,070	308,905,500	153,390,070	3,031,768,640

* 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 2005 assessments are used in the FY 05/06 budget. Residential property is assessed at 25% of the appraised value. Commercial/Industrial property is assessed at 40% of the appraised value and public utility property is assessed at 55% of the appraised value. The majority of public utility property is appraised by the Tennessee Public Service Commission. Personal property is assessed at 30% of the appraised value.

City of Knoxville
CITY AND COUNTY PROPERTY TAX RATES

FY 87/88 - FY 05/06

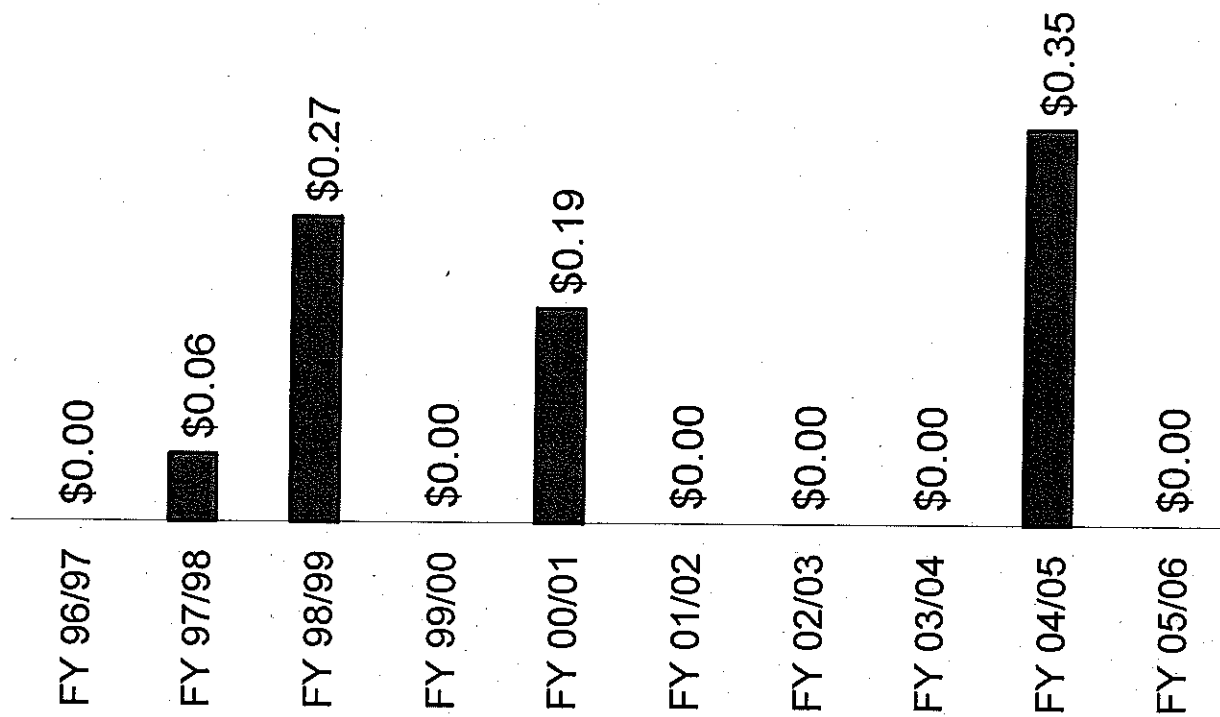
Fiscal Year	City Rate	County Rate	City Combined Rate
FY 87/88	\$3.40	2.76	\$6.16
FY 88/89	\$3.24	2.91	\$6.15
FY 89/90	\$3.24	2.85	\$6.09
FY 90/91	\$3.24	2.85	\$6.09
FY 91/92	\$3.24	3.07	\$6.31
FY 92/93	\$3.51	3.25	\$6.76
FY 93/94	\$2.73 *	2.91 *	\$5.64
FY 94/95	\$2.87	2.91	\$5.78
FY 95/96	\$2.87	3.16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

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

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

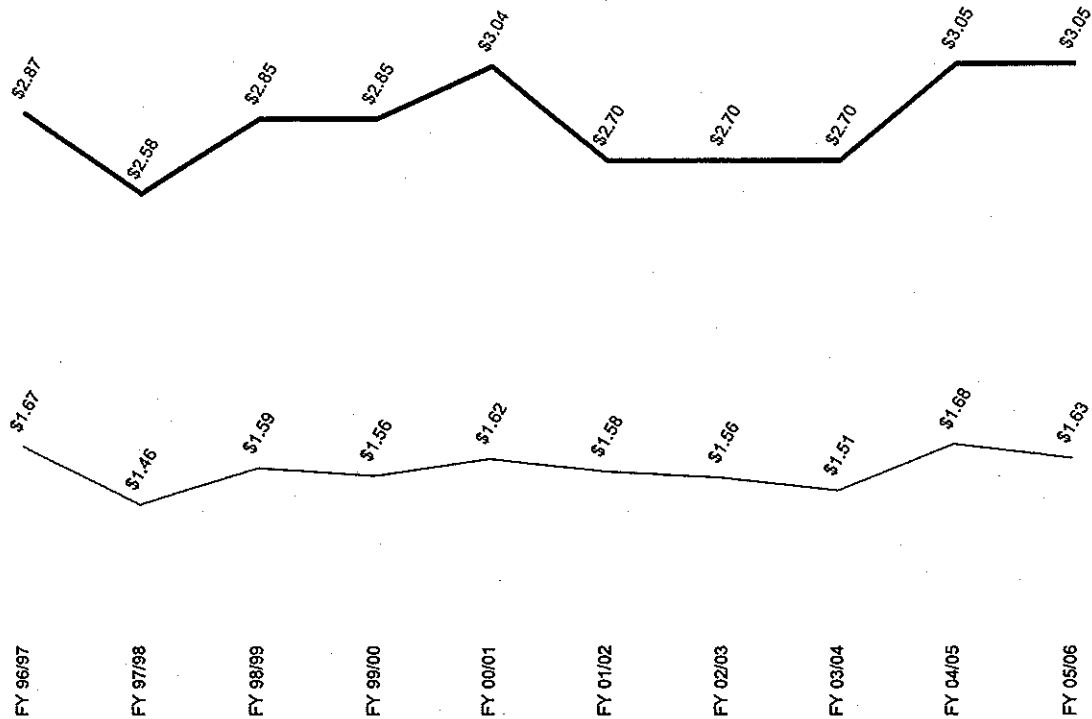
CHANGES IN TAX RATE

Fiscal Years 1996/97 – 2005/06



ADJUSTED/EQUALIZED TAX RATE

Fiscal Years 1996/97 – 2005/06



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

be seen by the lower line, the effective tax rate has declined from \$1.67 in Fiscal Year 1996/97 to \$1.63 in Fiscal Year 2005/06. This means that the change in the tax rate has been slightly less than the rate of inflation and equalization