

# **City of Chattanooga, Tennessee**

## **Comprehensive Annual Budget Report**

Fiscal Year July 1, 2006 thru June 30, 2007

Presented by:  
The Department of Finance & Administration  
Daisy W. Madison, City Finance Officer  
Fredia F. Kitchen, Director, Management & Budget Analysis



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The **CABR 2007** is divided into five major sections:  
**Introduction, Guidelines, Financial Overview, Personnel Administration,** and the **Appendix.**

**Section A: Introduction** - gives a profile of Chattanooga with selected useful service, demographic, economic, and statistical information, a message from the City Finance Officer, an organizational chart, and City officials.

**Section B: Guidelines** - informs you of guidelines and rules adhered to by the Finance department of the City of Chattanooga, as well as budget policies, model, procedures, a calendar, and the budget ordinance.

**Section C: Financial Overview** - summarizes the overall financial condition of the City of Chattanooga, where we have been, where we are, and where we are going. This is followed by discussions of programs such as General Government, Supported Agencies, Finance & Administration, Police, Fire, Public Works, Parks & Recreation, Human Services, Personnel, Neighborhood Services, Executive Branch, Education, Arts & Culture, Debt Service and Capital Outlay.

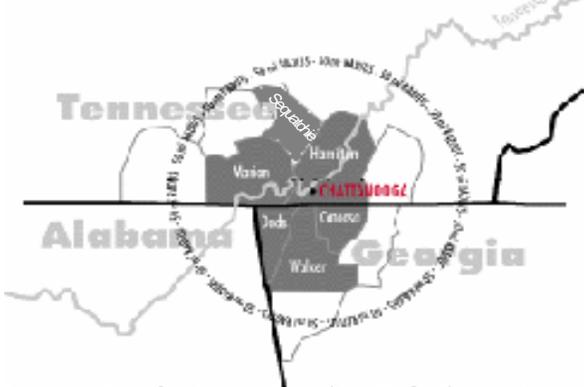
**Section D: Personnel Administration** - gives an overview of the benefits provided by the City of Chattanooga, position changes, its personnel detail, and pay plan tables.

**Section E: Appendix** - includes a glossary and an index.



## History & Development

**F**ounded in 1816, by the leader of the Cherokee Indians, Chief John Ross, the City of Chattanooga was created on the site of Ross's Landing trading post. Chattanooga, a Cherokee word for "Rock coming to a point" was incorporated under State of Tennessee Private Acts of 1839. Today the City serves as the County seat of Hamilton County, is commercially and industrially developed and is the center of a six-county



Metropolitan Statistical Area (the "MSA"), which includes Hamilton County and the counties of Marion and Sequatchie, Tennessee and the counties of Catoosa, Dade and Walker, Georgia. Located near the southeastern corner of the State on the Tennessee-Georgia border, the City encompasses an area of 144.1 square miles. The Tennessee River flows through the center of the City, which has a diversified terrain. The MSA is centrally located in relation to other major population centers of the Southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama and Atlanta, Georgia.

## Industrial and Economic Development

The area's central location makes it a perfect distribution center for the eastern United States. Supplies and products for industry flow easily to and from the Chattanooga area by way of an extensive network of highway, water, air and rail transportation systems. Beyond its advantages as a business location, Chattanooga is blessed with beautiful natural surroundings. A gracious life-style results from the community's commitment to preserving its culture and supporting the arts. Chattanooga offers excellence in education and quality health care as well as a virtually unlimited range of recreational activities – all at one of the lowest costs of living in the nation.

Chattanooga, known in the 1930's as the "Dynamo of Dixie", is one of the nation's oldest manufacturing cities with 18.8 percent of its employment in that sector.

However, there is no single dominating industry. Economic advantages such as ample utilities, an efficient transportation system, abundant natural resources, a trained labor force and centralized location make Chattanooga a diversified and profitable business location. This largely accounts for the City's low unemployment rate, which stands at 4.8 percent as of 2005. This is comparable to the nation's unemployment rate of 5.1 percent and the state rate of 5.6 percent.

In 1982 the City began a rebirth with the establishment of the Moccasin Bend Task Force. The Master Plan which grew out of this task force has resulted in the development of the Tennessee Aquarium, the Riverpark, the Walnut Street Bridge and Coolidge Park.

Over the past decade, hundreds of millions of dollars have been invested in these and other projects in the riverfront and downtown gaining the City international recognition. Within the last 4 years, over \$293 million in new developments are either completed or under construction. The 21st Century Waterfront Plan is another step in this Master Plan to focus on the City's riverfront. The 21st Century plan grew out of a public process led by Hargreaves & Associates. The \$120 million plan combines public and private financing to transform the downtown riverfront with a careful combination of development, preservation and enhancement that honors the history and beauty of the area.

The 21st Century Waterfront Plan comprises 129 acres on both sides of the river stretching from the Veteran's Bridge on the east to Moccasin Bend and M. L. King Boulevard on the west. The plan area is divided into six districts based on their natural features and development characteristics. Half of the districts- the First Street Steps, Ross' Landing Park, and Manufacturer's East-offer immediate development potential. Three others- Manufacturers West, Cameron Harbor, and the Moccasin Bend Gateway will develop over a longer period. A brief description of the projects follows:

The First Street Steps connect Market Street and the Bluff View Art District and the Hunter Museum of American Art, which has undergone a \$19.5 million expansion. A new public plaza was created between Cherry and Walnut Streets. First Street itself is transformed into a mixed-use neighborhood of residences, shops, cafes, and galleries. Pedestrian connections at Second Street and a bridge from the Walnut Street Circle across Riverfront Parkway connects the Hunter Museum to the City.

The Ross's Landing Park is a cornerstone of the plan. Here at the birthplace of the city, the vision includes a

reconfigured Riverfront Parkway allowing for an enlarged and enhanced riverside park. This expansive area encompasses the Chattanooga Green and the Tennessee River Terraces and will be a fabulous and functional setting for riverside festivals. An expanded marina, water taxis, riverfront cafes, residential units and commercial development bring a fitting vitality to the area known as the "front porch" of the city. The expansion of the Tennessee Aquarium, solidifies its position as the finest freshwater aquarium in the world.

Manufacturers East comprises the area near the intersection of Manufacturers Road, Cherokee Boulevard, and Market Street. The plan calls for a new mixed-use neighborhood of residential and commercial development that mark the beginning of a connection between downtown and Moccasin Bend. The highlight of this district is the Tennessee Wetland Park, preserving the wetlands west of the Market Street Bridge as a nature reserve with an interpretive riverside boardwalk. The Adventure Playground and a segment of the Trail of Tears bring recreation and history to the district, and the collective components of the district provide a perfect complement to Coolidge Park.

The City's share of the cost of the Plan was funded by the recently levied Hotel Motel Tax. In June 2002, the Tennessee Legislature enacted law (TCA 67-4-1401, et seq.) which removed constraints on municipalities giving them the freedom to enact a tax on the occupancy of hotel/motel rooms, in addition to the County Tax. In August 2002, the City levied such a tax to be phased in over a 30-month period beginning October 1, 2002 at 2%; increasing to 3% on October 1, 2003 and 4% effective May 1, 2005 and thereafter.

On the Southside, the CDRC funded, in part through revenue from the State designated Tourism Development Zone (TDZ), construction of The Chattanooga, a 208,210 sq. ft. residential meeting facility, a new 1,029-space Parking Facility and the Development Resource Center which is an 85,000 sq. ft. facility that serves as a model for better ways to develop a sustainable community, and the 226,000 sq. ft. expansion of the Chattanooga-Hamilton County Convention and Trade Center, which was completed in the spring of 2003. Together, these developments have made the downtown Chattanooga area a gathering place for night and family and recreational activity. The implementation of the 21st Century Waterfront Plan will further highlight Chattanooga's ability to forge bold visions through aggressive implementation.

A new focus on neighborhoods has complemented the City's efforts to revitalize downtown. In response to neighborhood groups, the former mayor implemented a

controversial plan that changed MLK Blvd. and McCallie Avenue from one way to two way traffic. This change has had a positive impact on the community and to the neighborhoods that border these two streets. Through the leadership of the Lyndhurst Foundation, MLK Tomorrow, the Community Impact Fund and Chattanooga Neighborhood Enterprises, 92 housing units for all income levels (19 of which were among the City's most economically disadvantaged neighborhoods) were constructed and rehabbed in this neighborhood resulting in a \$13 million investment.

The City continues to implement, through the Chattanooga Housing Authority, the HOPE VI Grant. This \$35 million grant from the Department of Housing and Urban Development (HUD) anchors a \$159 million project to replace the Spencer J. McCallie Homes and revitalize the surrounding Alton Park neighborhood. Coupled with the Alton Park Development Corporation's master plan, the HOPE VI grant will bring about a major revitalization of one of the City's most depressed neighborhoods.

Along with its partners in the private sector and in County, State and Federal government, the City has systematically and strategically invested in infrastructure, recruitment and retention initiatives and technology. It has continued the process of reinventing the economy of the City in a way to meet the challenges of the 21st Century. As a result, the Chamber of Commerce established at the beginning of FY04 a goal that within the next four years, 20,000 new jobs would come to the Chattanooga region. As of the end of FY06, 11,100 new jobs have been added.

Enterprise South, a top tier industrial park was developed by the City and Hamilton County at the old Volunteer Army Ammunition Plant site. The City and County have funded this site which provides 1,200 acres for development surrounded by a 2,800-acre passive recreation area. The site is located within 2 miles of Interstate 75 where a \$23 million interstate interchange is now under construction with completion scheduled by December, 2006. This is the largest block of land available within the city limits in several decades. Enterprise South, one of Tennessee's premier Mega sites, has infrastructure in place to support a wide range of manufacturing and industrial uses and boasts dual main line rail capacity. The entire site exceeds 6,000 acres, and efforts continue to acquire the remaining portions for industrial and recreational uses. To add momentum to this venture, strong partnerships have been forged with our state economic development team, the Chamber of Commerce, TVA, and other economic development entities.

In order to take full advantage of the City's location and establish Chattanooga as a hub of the technology corridor, the City, County, and Congressman Wamp have caused the "Enterprise Center" to become an umbrella organization for oversight and accountability to 12 innovative, federally funded initiatives in order to enhance Chattanooga's placement in the technology corridor and the community's relationship with the world class research institutions throughout the region. They include initiatives such as: Advanced Transportation and Technology Institute; the Alliance for Secure Energy and Transportation; CARTA ITS Project; Connect the Valley; the Fuel Cell Project; the High Speed Rail Maglev initiative; the SimCenter; the Center for Entrepreneurial Growth; the Riverbend Technology Institute; and the New Economy Institute. The United States Department of Commerce announced that The Tennessee Valley Corridor was one of two regional alliances in the country to win the national award for Excellence in Regional Competitiveness in Economic Development. We share this award with the Research Triangle—great company for us to be in. The staff of the Enterprise Center is governed by a nine member board and works closely with our Chamber of Commerce.

Other initiatives such as the Public Art and Outdoor initiatives and the initiative to end chronic homelessness are designed to create public/private partnerships that improve the quality of life in Chattanooga making it truly a great 21<sup>st</sup> Century American City.

Finally, Hamilton Place Mall, Tennessee's largest, now in its nineteenth year of operation, remains a magnet for millions of people. The 1.1 million-square-foot mall has brought in many tourist and locals with a savvy mix of new and familiar stores, theme restaurants, and movie theaters. The success of the mall has quickly spilled across Gunbarrel Road and Interstate 75. The number of businesses and amount of traffic in the mall area has greatly increased over the past decade. CBL and Associates, the mall's owner and developer of major retail space nation wide, has completed development of a multi-acre site on the south perimeter of the mall. The site includes a new national headquarters office building and additional retail space.

The City's two biggest local revenue sources are sales and property taxes. The local option sales tax rate is 2.25 percent and the property tax rate is \$2.202 per \$100 assessed valuation.

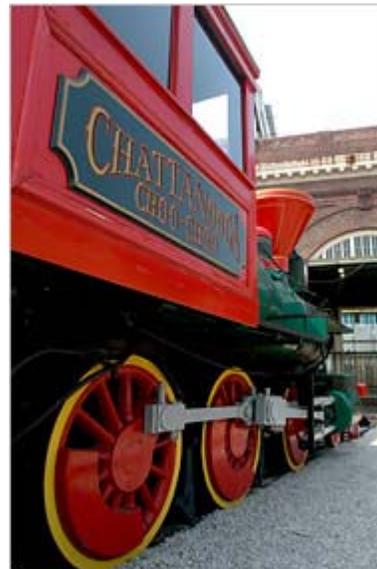
The City's capital initiatives reflect its ongoing commitment to economic development and long term sustainability of the City. In the proposed FY07 budget, over \$30 million was appropriated for major initiatives. These include \$4.1 million for upgrade of various City

parks; \$16.9 million for various public works projects such as paving, street improvement, curbs, gutters and sidewalks, downtown streetscape, and equipment replacement; \$1.6 million for fire vehicles and other equipment; \$ 300,000 for Police such as digital cameras, software and building upgrades; \$7.1 million for City Hall renovation, CARTA, city wide vehicle replacement, information services software upgrades and improvements for Enterprise Industrial Park Nature Park.

## Awards of Achievement

In addition to the development in and around town, the City was privileged to receive the 1994 City Livability Award for its *Renaissance on the River* presentation. The United States Conference of Mayors established the City Livability Awards Program to honor the outstanding leadership of Mayors devoted to enhancing "livability" across the country. The award highlights the mayors' commitment to improving cities and their encouragement of the diverse creativity in our community. The focus for the 1994 City Livability Awards was on the arts and culture. Chattanooga was also designated as

one of America's most livable communities by Partners for Livable Places in Washington, D.C. In January 1995, the President's Council on Sustainable Development Conference was conducted in the City of Chattanooga. On March 28, 1996 in Toronto, Canada, the City of Chattanooga was selected by the Best Practices Jury as one of 12 winners of the Tokyo and



Dubai "Awards of Excellence in Improving the Living Environment". This initiative was given special recognition at the City Summit in Istanbul, Turkey at a special awards ceremony June 4, 1996. The award included a special plaque, a scroll, and a grant that was used to cover costs of travel and per diem for two people directly involved in The Best Practice project.

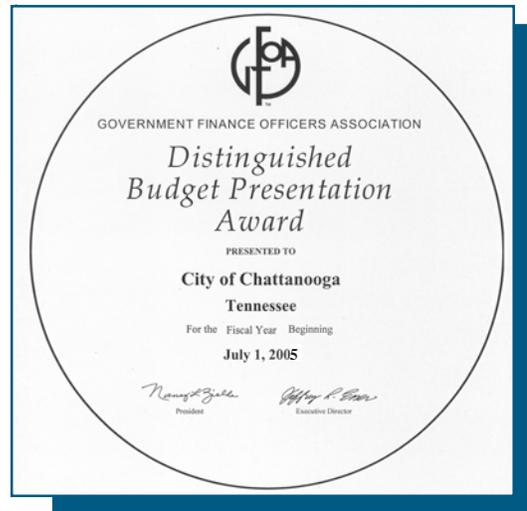
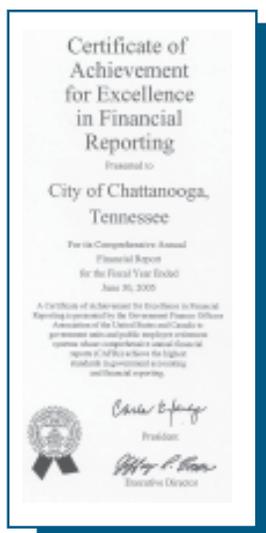
The New York Times (September 13, 2006) says, "NOT too small and not too big, Chattanooga is really the undiscovered gem of Tennessee, where old-school Southern manners and grand Victorian mansions meet

a thoroughly modern, eco-friendly Tennessee riverfront.”

The City of Chattanooga has also been recognized by:

- *U.S. News & World Report* as one of the “Cities that Work.”
- *Family Fun Magazine* as one of America’s 10 most family-friendly cities to visit.
- *Parade* magazine as one of the “Reborn Cities”.
- *Utne Reader* magazine as one of the 10 “Most Enlightened Cities”.
- *Walking Magazine* as one of “America’s Best Walking Cities”.
- *New York Times* article entitled “Smaller U. S. Airports Are Increasingly Popular”.
- The National Arbor Day Foundation’s “Lady Bird Johnson Award” for the Area Beautification Committee’s work in establishing the Gateways Program. 1993
- *Foreign Direct Investment* in the April 2003 issue as an ideal environment for foreign companies looking to relocate or expand.
- The Tennessee Urban Forestry Council’s “Tree Board” Award to the Chattanooga Tree Commission for outstanding Contributions to Urban Forestry in Tennessee. 1996

We are honored with the distinction of receiving, for the past fourteen years, the Certificate of Achievement for Excellence in Financial Reporting for our preparation of government financial reports. The Fiscal Year 2006 CAFR is currently being submitted for review.



Also, for eleven years we were honored with the distinction of receiving the Distinguished Budget Presentation Award.

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 communication device. The award is valid for a period of one year only. We believe our 2007 budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

## Form of Government

The City operates under a Mayor/Council form of government. The Mayor is elected at-large and is not a member of the City Council. The Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected for four-year terms. The Mayor is the City’s chief executive officer and oversees the operation of all City departments. The seven principal departments are Finance & Administration; Fire; Police; Parks & Recreation; Human Services; Public Works; and Education, Arts, & Culture. The City employs approximately 2,566 full-time equivalent employees. The City’s Electric Power Board has an additional 400 employees.

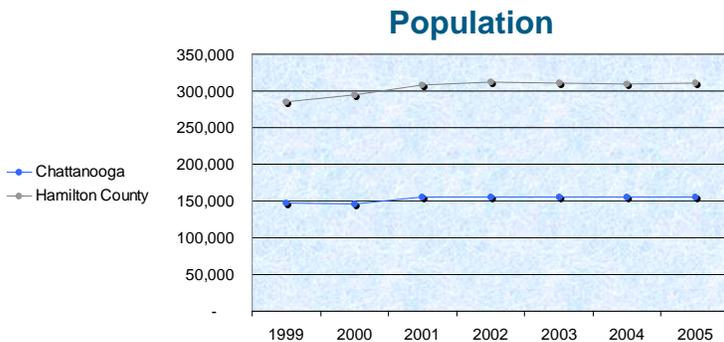
Date of Organization: 1839  
Form of Government: Mayor/Council

## Demographics

During 1999 thru 2005, the population for Chattanooga and Hamilton County show an increase of approximately 5 and 8.7 percent respectively.

Population		
	Chattanooga	Hamilton County
1999	145,700	295,000
2000	155,554	307,896
2001	155,992	312,266
2002	155,582	311,178
2003	155,289	309,956
2004	154,853	310,371
2005	154,762	310,935

Source: U.S. Census Bureau



## Land Area and Usage

### Area in Square Miles

1950.....	28.0
1960.....	36.7
1970.....	52.5
1980.....	126.9
1990.....	126.9
2000.....	144.1

The county's land use is predominately agricultural woodland with approximately 587 square miles or 21.2% having been developed.

Miles of Streets (Inside City).....1,217

Miles of Streets (County-wide).....2,799

### Elections (County-wide):

Registered Voters.....	182,250
Votes Cast in Last Election.....	50,958
Registered Voters Voting.....	27.96%

## Racial Composition

	Chattanooga MSA
White	82.9%
Black	13.9
Asian	1.3
Other	0.6
American Indian/Alaska Native	0.3

Source: Chamber of Commerce

## Housing Costs

Year	Average Sale Price
2000	\$101,100
2001	\$107,300
2002	\$112,300
2003	\$116,700
2004	\$125,400
2005	\$131,900

Source: Chamber of Commerce

## Service Statistics

### Education

There are 76 public schools in the Hamilton County School System. The type and number of schools in the County are as follows: Elementary (46); Middle (14); High (14); Special School Programs (2).

There are 39 private and parochial schools in the Chattanooga area with combined enrollment of over 11,348.

### Facilities

#### Convention & Meeting Facilities (Capacity)

Soldiers and Sailors Memorial Auditorium (4,843); Chattanooga-Hamilton County Convention & Trade Center (312,000 sq. ft.); Tivoli Theater (1,800); McKenzie Arena (12,000); Engel Stadium (7,000); UTC Chamberlain Field (12,500); Finley Stadium (20,000); Chattanooga (25,000 sq. ft.)

#### Cultural Activities & Facilities

Hunter Museum of American Art, Houston Museum of Decorative Arts, Bluff View Art District, Chattanooga Ballet, Chattanooga Theatre Center, UTC Fine Arts Center, Chattanooga Symphony and Opera Association, Arts & Education Council, Chattanooga Boys Choir, Chattanooga Girls Choir, Bessie Smith Performance Hall, African-American Museum, Oak Street Playhouse, Creative Discovery Museum, Regional History Museum.

## City-County Recreational Facilities

- 50 Parks
- 23 Golf Courses
- 6 Country Clubs
- 18 Community Centers
- 140+ Hotels and Motels

## Transportation

Airport: Lovell Field operated by the Chattanooga Metropolitan Airport Authority.

Airline carriers: US Airways, American Eagle, Atlantic Coast Airlines, Delta Connection - ASA/Comair/Northwest AirlinK and US Airways Express.

Privately owned and operated airport facilities: Collegedale Municipal Airport and Dallas Bay Skypark

Railway service: Norfolk Southern Railway System and CSX Transportation System

Local mass transportation service: Chattanooga Area Regional Transportation Authority

Vehicles in Operation 73 Routes 16

## Highways:

Interstate highways 3 US highways 7  
State highways 5

## Customer Services

### Electric Power Board

Electric Customers.....167,389  
Electric Rate for residential.....\$0.0716/ kw-hr

### Public Works:

Solid Waste Collected (tons).....89,054  
Miles of Pavement Markings (Center line).....988 miles  
Signalized Intersections.....312

### Interceptor Sewer System:

Net Assets.....\$234 million

#### Volumes:

- ⇒ Approx. 61.1 MGD or 22.3 billion gallons per year
- ⇒ 52.4 mil lbs/yr CBOD removed at 94.3% efficiency
- ⇒ 153.5 mil lbs/year Suspended Solids removed at 97.9% efficiency
- ⇒ 140,000 tons/yr biosolids to Landfill
- ⇒ 3.5 million gallons of septage per year

### Waste Load Distribution:

- ⇒ 50% Domestic Waste approx. 220,000 persons
- ⇒ 50% Industrial Waste 100 permitted industries

Areas Served other than city.....11

### Sewer and Pump Stations:

Miles of sewer.....1,200  
Diameter.....4 to 84 inches  
Major Pump Stations.....7  
Minor Pump Stations.....48  
Residential/Grinder Stations.....130

### Police Protection

Sworn Officers.....471  
Crime Index (CY03).....14,934  
Crime rate (per 1,000 pop.-CY03).....99.12  
Parking Violations (CY05).....25,139  
Moving Violations (CY05).....12,830  
Calls for Service (CY05).....220,420  
Average response time (CY03).....7.9 min

### Fire Protection

Sworn Officers.....400  
Fire Stations.....17  
Front Line Ladder Trucks.....2  
Front Line Fire Engines.....11  
Front Line Quints (Engine/Truck Combination).....11  
Fire Responses.....5,734  
EMS Responses.....4,883  
Average Response Time.....5.08 min.

## Economic

### Bond Ratings

Fitch.....AA  
Standard & Poor's.....AA

### Building Permits Issued & Value

1999.....2,263.....\$304,112,845  
2000.....2,421.....\$283,589,165  
2001.....2,443.....\$365,734,755  
2002.....2,330.....\$287,929,751  
2003.....2,597.....\$345,741,832  
2004.....2,500.....\$347,796,477  
2005.....2,679.....\$388,258,885

Values are based on the current industry averages as published by the Southern Building Code Congress International (SBCCI).

Source: Land Development Office

## Largest Employers in the Chattanooga Area (MSA)

The largest employers within the Chattanooga area in the manufacturing and non-manufacturing sectors are:

<b>TOP NON-MANUFACTURERS</b>		
<u>Employer</u>	<u>Number of Employees</u>	<u>Type of Service</u>
Hamilton County Dept. of Education	4,546	Elementary & Secondary Schools
Blue Cross BlueShield of TN	4,315	Insurance
Erlanger Medical Center	3,429	Hospital
Tennessee Valley Authority	3,067	Utility Electric Service
UnumProvident Corporation	2,918	Insurance
Memorial Hospital	2,658	Hospital
City of Chattanooga	2,364	Government
CIGNA HealthCare	1,975	Insurance
U.S. Xpress Enterprises Inc.	1,600	Trucking
Hamilton County Government	1,180	Government

<b>TOP MANUFACTURERS</b>		
<u>Employer</u>	<u>Number of Employees</u>	<u>Type of Service</u>
McKee Foods Corp.	3,200	Cakes & Cookies
Synthetic Industries	1,931	Carpet Backing
Pilgrim's Pride Corporation	1,839	Process Boiler Chickens
Roper Corporation	1,600	Cooking Ranges
Astec Industries, Inc.	1,062	Asphalt & Dust Collectors
Tecumseh Products company	600	Lawn Mower Engines
Alstom Power	571	Boilers
Mueller Company	500	Valves
Burner Systems International	500	Gas Appliance
KORDSA	483	Synthetic Fibers

# City Officials as of July 1, 2007

Mayor: Ron Littlefield  
 Chief of Staff: L. Dan Johnson  
 City Council:

Linda Bennett	District 1	Marti Rutherford	District 6
Sally L. Robinson	District 2	Manuel Rico	District 7
**Dan B. Page	District 3	*Leamon Pierce	District 8
W. Jack Benson, Sr.	District 4	Debbie Gaines	District 9
John P. Franklin, Jr.	District 5		

Legislative Staff: Carol K. O'Neal, Clerk to Council

Legal: Randall Nelson, City Attorney

City Court: Russell Bean, City Court Judge  
 Sherry Paty, City Court Judge



## Department Administrators and Directors:

Finance & Administration:  
 Daisy W. Madison, Administrator  
 Vickie C. Haley, Assistant Finance Officer

Police: Steve Parks, Chief  
 Freeman Cooper, Executive Chief

Fire: Wendell Rowe, Chief  
 Randy Parker, Deputy Chief

Public Works:  
 Steven C. Leach, Administrator  
 Donald L. Norris, Deputy Administrator

Parks & Recreation:  
 Larry Zehnder, Administrator

Human Services:  
 Bernadine Turner, Administrator  
 Tommie Pruitt, Deputy Administrator

Personnel:  
 Donna Kelley, Administrator  
 Susan Dubose, Deputy Administrator

Neighborhood Services:  
 Beverly P. Johnson, Administrator  
 Anthony O. Sammons, Assistant Administrator

Education, Arts & Culture:  
 Missy Crutchfield, Administrator  
 David Johnson, Deputy Administrator

Chattanooga-Hamilton County Bicentennial Library:  
 David Clapp, Director

Regional Planning Agency:  
 Barry Bennett, Director

Air Pollution Control:  
 Robert H. Colby, Director

Scenic Cities Beautiful:  
 Jeanette Eigelsbach, Director

\*Chairman  
 \*\*Vice-Chairman



photo by: Med Dement

The City of Chattanooga was founded in 1815 on the banks of the Tennessee River as a ferry landing and warehouse site. The river continues as an integral part of the economic and cultural development of the city into the 21<sup>st</sup> Century.

# CHATTANOOGA CITY COUNCIL



Photos by Med Dement



**DISTRICT 1**  
Linda G. Bennett



**DISTRICT 2**  
Sally L. Robinson



**DISTRICT 3**  
Dan B. Page,  
Vice  
Chairman



**DISTRICT 4**  
W. Jack  
Benson, Sr.



**DISTRICT 5**  
John P.  
Franklin, Jr.



**DISTRICT 6**  
Marti  
Rutherford



**DISTRICT 7**  
Manuel Rico



**DISTRICT 8**  
Leamon  
Pierce,  
Chairman



**DISTRICT 9**  
Debbie  
Gaines

*June 30, 2006*



# To the Honorable Mayor, Members of the City Council, and Citizens of Chattanooga

To the Honorable Mayor, Members of the City Council, and Citizens of Chattanooga

**Teamwork**, a word we can use to describe the efforts we share as we continue to make Chattanooga a great city in which to live, work, and play. Although this has been a challenging year for us with rising cost of fuel and utilities, our partnership with administrators has led us to diligently work to maintain quality services, current tax rates, and continue to emphasize management accountability through enhanced performance.

I am pleased to present the FY2007 budget for the City of Chattanooga. This budget continues to commit to economic development, job growth, improved neighborhoods as well as initiatives to ensure the entire community shares in Chattanooga's renaissance regardless of economic or physical condition.

## **CHANGE, CREATIVITY, COMPASSION**

During Mayor Littlefield's inaugural remarks, he outlined three key elements that will guide his administration. These elements are change, creativity and compassion. Throughout Chattanooga's history our leaders have been inspired with ideas that have led us to bring about **CHANGE** that has helped us become a nationally and globally recognized model for our revitalized waterfront and downtown area. As we, the City, continue our commitment to economic development, a greater emphasis is being placed on our neighborhoods, the less fortunate, be it financially, physically or socially and our youth. Recognizing youth are our future, programs are put in place that foster their **CREATIVITY** in the areas of arts, science, and entrepreneurship to help lead and encourage them to think out of the box as an integral part of our City's growth. The third element is that we should be a City of **COMPASSION**, based on the Mayor's commitment to those struggling in our society.



## **THE MAYOR'S SEVEN STEP STRATEGY**

Mayor Littlefield is committed to make Chattanooga a model for performance accountability in the region and beyond as demonstrated in his Seven Step Strategy outlined below:

### **Finish what we've started**

When Chattanoogaans envisioned a renaissance for their city 20 years ago, they returned to the river. Now the banks of the Tennessee River flourish with an aquarium, a children's museum, a carousel, theaters, walking paths, a pedestrian bridge and a score of other projects that helped revitalize a dying downtown. The transformation of the waterfront is complete. The 21st Century Waterfront project completes the city's return to our greatest natural resource, the Tennessee River.

Meanwhile, out on the edge of the city, the old Volunteer Army Ammunition Plant has been reborn as Enterprise South – perhaps the finest industrial park in the Southeastern United States. The Enterprise Center's success in bringing attention to Chattanooga's economic potential led to a decision to capitalize on advanced technology projects for job creation. Today, the Enterprise Center serves as an umbrella organization overseeing more than a dozen federally funded entities, many of which have a technology focus. From fuel cell development to heavy duty vehicle wind drag studies to electric and Maglev high speed ground transportation alternatives, each of the independently run entities overseen by The Enterprise Center have come together to form a Council of Managers, encompassing the heads of each agency. As a result, The Center has poised itself as a virtual stage where ideas are presented and acted upon for the sake of efficient technology and to ensure the economic future of the area.

### **Fill in the economic gaps**

The renewed downtown and rising economic tide that has enriched some in Chattanooga in recent years unfortunately has not been effective in lifting many segments of the population out of a persistent state of underemployment, joblessness and poverty. We can never be a great city until all citizens enjoy the fruits of our community's dazzling new look and new spirit. The loss of employment in old-line manufacturing must be matched by creation of new family wage jobs. The shrinking manufacturing base must be rebuilt. Otherwise, Chattanooga risks becoming an unbalanced city of rich and poor – with a diminished and struggling middle class. There are gaps in the economic fabric of the community that must be mended.

### **Enhance links and gateways**

Chattanooga's future is heavily dependent on access to the outside world. Our principal gateways must offer an attractive and efficient opportunity for both visitors and local interests to enjoy the benefits of the renewing community. For our downtown and riverfront, the improved freeway entrance at Fourth Street is a good beginning, but the other principal downtown ramps need significant treatment as well. The long delayed reworking of U.S. Highway 27 through the central business district must proceed without diminishing the carrying capacity or safety of this principal thoroughfare. New interstate access points are needed to serve the rapidly growing Hamilton Place area and the reviving Brainerd / East Ridge commercial center. The new interchange at Enterprise South must be connected to the existing street grid – with extension through to Highway 58. The outdated confluence of Interstates 24 and 75 must be redesigned and rebuilt to resolve the growing problem of truck crashes and other accidents that often result in complete blockage of the highway and near total disruption of traffic on area surface streets. Sight and sound barriers must be provided along limited access highways to protect residential areas from freeway noise. Finally, the much-discussed high-speed rail connection between Chattanooga's Lovell Field and Atlanta's Hartsfield-Jackson International Airport must continue to move forward toward reality.

### **Nourish the neighborhoods**

Downtown is unquestionably important, but there is more to "the greater city" than downtown. Nothing is more essential to a healthy city than healthy neighborhoods. People must have confidence and feel comfortable in the surroundings where they invest their lives and livelihoods most directly. As Chattanooga has reinvented itself, the neighborhoods have not been left out – and they must not be neglected in the future. We must continue to strengthen the Department of Neighborhood Services to encourage and support grassroots neighborhood organizations. Traffic calming, removal of blighting influences, noise abatement, and other quality of life issues have been addressed during the last four years. The same period has seen a flurry of neighborhood plans. Such initiatives must continue in order to guarantee stronger, safer residential areas with rising property values.

### **Keep growing the green**

Chattanooga has gained new recognition for its parks, greenways and outdoor initiatives. We must have more of this! Beginning with the Brainerd Levee Trail in the 1970's, Chattanooga has expanded its system of walkways and greenways into a community wide network serving residents

and visitors alike. Before the end of 2005, the last segment in the Tennessee Riverwalk was opened – completing a dream first envisioned in the mid 1980's. Finally, it is possible to walk between downtown and Chickamauga Dam in a safe and scenic environment. Likewise, the new parks on the north shore of the Tennessee River are the product of decades of preparation and effort. The development of Coolidge Park got underway in the late 1980's with action by the (then) City Commission beginning the process of moving the old military reserve facilities to new and improved quarters. The park presently under construction on the former Roper site offers an opportunity to complement our assets and further enhance our newfound prominence as “the Boulder of the East”. The greening of Chattanooga with parks, trails, trees and outdoor facilities must continue.

### **Attack fear with technology**

Crime, vandalism, fire and natural disasters are now joined by the new fear of terrorism. Fortunately, there are effective resources – some old, some new – to address such troublesome issues. Our police officers and our fire fighters must be well trained, well paid and well equipped in keeping with the increased challenges of today. In addition, the capabilities offered by hardware and software such as the city's 311 and 911 operations, plus the county's Geographic Information System must be coordinated to better track and manage response to emergencies.

### **Focus on teaching**

It might be said that the City of Chattanooga is no longer in the business of operating a school system, but we can never be out of the business of providing the best learning environment for our leaders of the future. The provision of appropriate educational opportunities for all citizens – children and adults – must remain a top priority. We must continue to provide incentives and rewards for top rank teachers performing in a measurably effective manner. In fact, such programs should be expanded whenever and wherever possible. Further, we must provide all teachers – not just some - with the support and resources needed for the task at hand. Still, as important as it might be, the public school classroom offers only one means for delivering the benefits of education. Therefore, to a greater degree, we must equip all citizens – and especially parents - to be teachers. One example: our local library system can be modeled into a more modern, more readily accessible learning resource. The computer age and the internet offer almost limitless possibilities. Chattanooga can become a city of teachers.

## STRATEGY SCORECARD

Several initiatives have already been put in place as part of the Mayor's Seven Step Strategy:

### ◆ **Finish What We've Started**

- √ Hiring of professional expertise to ensure creation of large number of high paying jobs at Enterprise South
- √ Double business investments through Renewal Community Expansion
- √ Improved airline options for Chattanooga
- √ Recruit private developers to fill in the vacant parcels.
- √ Effectively manage the transition of Cross/Blue Shield move to Cameron Hill

### ◆ **Fill in the Economic Gaps**

- √ Chattanooga Community Resource Center (old Farmer's Market)
- √ Complete the cleanup of Chattanooga Creek and U.S. Pipe site
- √ Signed the Air Pollution Control Act

### ◆ **Nourish the Neighborhoods**

- √ Provide Community Development Block Grant (CDBG) funding to eligible projects, consistent with the City's Consolidated Annual Performance and Evaluation Report (CAPER).
- √ Conduct monthly systematic inspections focusing on residential structures, abandoned vehicles, litter, illegal dumping and overgrowth.
- √ Fund at least 15 Neighborhood Partners Projects
- √ Develop and implement a neighborhood leadership training academy for the purpose of "growing" leadership – current and new, with a focus on developing youth leadership.
- √ Implement World Changers Project – rehab at least 30 elderly and senior owner/occupied residents
- √ Correct drainage issues
- √ Create new sidewalks and fix old ones especially near schools
- √ Traffic Calming/Traffic Cameras/ cross walk lights
- √ Expand programs in recreation centers
- √ Initiate Anti-Gang programs: Stop the Madness and Boxing
- √ Manage infill development of vacant lots
- √ Revise and fine tune the C-7 Zoning Regulations to provide a more workable and legally supportable

method to promote desired mixed use and compatible residential development

- √ Neighborhood Meetings in all nine districts
- √ Revamp Common Ground newsletter and reinstitute mailing to neighborhood associations, community leaders
- √ Office of Faith Based and Community Partnerships with the Hispanic Outreach/health clinic, Eastside Task Force, Youth Provider Network, and Homeless Initiative
- √ Office of Multicultural Affairs which will be responsible for reviewing, implementing, and monitoring of public policy that affects the disadvantaged cultural communities in Chattanooga
- √ Mayor's Council on Disability thru Go!Fest

#### ◆ **Keep Growing the Green**

- √ Security cameras in park areas
- √ Additional Park rangers
- √ Animating the riverfront Creation of Waterfront Management Team (contract with FOF)
- √ Online calendar for ease of reservations for customers
- √ Add a 311 park reservation hotline
- √ Brainerd Mission signage and expansion
- √ Increase Outdoor Chattanooga activities and recreation
- √ Open high profile Outdoor Chattanooga
- √ Office in Coolidge Park
- √ Make McClelland Island a destination park
- √ Work with sports enthusiasts, parents and recreation professionals to develop more playing fields and facilities for all outdoor neighborhood athletics

#### ◆ **Attack Fear with Technology**

- √ 311 Tracking of neighborhood concerns
- √ On-Line Welcome video on City's Website by update and maintain all department's websites with information that impact about neighborhoods.
- √ Develop a comprehensive resource directory database for each district

#### ◆ **Focus on Teaching**

- √ Mayor's Council on Disability thru Go!Fest
- √ Great Ideas Competition for high school students
- √ Teaching/computers/mentoring in Recreation Centers
- √ Creation of Education, Arts and Culture department

## Chattanooga's Key Financial Issues

•**Employee Compensation** ~ The City is moving toward a total compensation package including an open pay base plan, pay-for-performance and bonuses.

•**Employee Benefit Costs** ~ Medical costs remained stable during past year; however, they are expected to rise in the future. To help offset increasing medical costs, the City opened two wellness clinics during 2006. The clinics should also reduce costs for employment related physicals and injured-on-duty costs.

•**Retiree Benefits** ~ Declining investment returns in each of the pension funds has necessitated sizable increases in pension contributions. Additional benefit costs, whether active or retired, are funded primarily by cuts in other personnel costs such as overtime reduction and through vacancy control measures.

•**Other Post-Employment Benefits** ~ In fiscal year 2008 the City of Chattanooga will implement GASB 45 Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. The City will fund health care benefits for employees on a actuarially determined basis; costs are currently being determined.

•**Energy Costs** ~ Uncertainty regarding energy costs and the fiscal impact to heat and cool buildings and to fuel vehicles may increasingly become a concern.

•**Streamline State Sales Tax Project** ~ In 2003, the State of Tennessee entered into a project, together with approximately forty-one states and the District of Columbia, to simplify and modernize sales and use tax collection and administration. This project is being driven by the increasing losses experienced by states of their state and local tax revenues due, largely, to remote sales (Internet, catalog, mail order, other direct marketing, and border tax leakage.) This legislation is expected to become effective in FY2008. While the budgetary impact cannot be quantified at this time, a study conducted for the Tennessee Municipal League indicates the budgetary impact on Chattanooga could approach \$3.5 million. A hold harmless provision will be presented to the State Legislature in the 2007 session which should limit the fiscal impact through reduced revenue growth rather than a revenue cut.

•**Enterprise Resource Planning** ~ The City is in the beginning phase of an ERP acquisition and implementation for use in finance, purchasing and human resources. \$3.6 million has been set aside in the preliminary capital budget for the implementation.

# Budget Highlights

The City's undesignated General Fund budget has grown by roughly 1.0% over the past five years and there has been a significant effort to maintain the position reduction of 2002 in City government. For the fifth consecutive year tax increases and layoffs have been avoided by a combination of more effective management and economic growth. This budget provides the resources for continued investment in the long term fiscal health of this community.

The City's *chattanoogaRESULTS* initiative and hiring vacancy control program that has been in effect since February 2002 greatly increases accountability by allowing the Mayor, the City Finance Officer and other senior City officials to regularly monitor both spending and departmental performance. The result has been a budget review process that defines the way that all of City government does business throughout the fiscal year. The City published its second annual performance report to the citizens of Chattanooga. This second report gives residents a track record on how the city is responding to their needs, it also provides administrators and managers with quantifiable performance measures, and tells how citizens feel about their priorities being addressed. You can find the both reports on [www.chattanooga.gov](http://www.chattanooga.gov)

## Major Highlights of the Fiscal Year 2007 Budget follow:

**Taxes** - No tax increase for the fifth straight year. Tax rate of \$2.202 is 31 cents less due to increased values resulting from reappraisal.

**Personnel** - No overall increase in personnel. During 2007, budgeted positions decreased by 19 positions. In General Fund, 19 net positions were added within its various departments, but those additions were covered by transfers of vacancies from Special Revenue's State Street Aid Fund (Public Works) and Internal Service's Fleet Fund. Enterprise Funds, specifically Interceptor

**City of Chattanooga  
Detail Position List for Fiscal Years 2004-2009**

	FY 2004	FY 2005	FY 2006	FY 2007	Change		Projected	
					PY to CY	FY 04 thru FY 2007	FY 2008	FY 2009
<b>All Authorized Budget Positions</b>	2,590	2,571	2,585	2,566	-19	-24	2,566	2,566
<b>Total General Fund</b>	1,883	1,863	1,864	1,883	19	0	1,883	1,883
<b>Total Special Revenue Funds</b>	412	424	436	390	-46	-22	390	390
<b>Total Enterprise Funds</b>	179	176	178	187	9	8	187	187
<b>Total Internal Service Funds</b>	70	62	62	61	-1	-9	61	61
<b>Total Golf Course and DRC</b>	46	46	45	45	0	-1	45	45

Sewer Fund, added nine (9) new positions. Again, additions were covered using vacancies in Special Revenue, specifically Human Services down 28 positions. This vacancy control process, implemented in Fiscal Year 2002 after the 250 workforce reduction, continues to save the City millions of dollars in personnel cost.

## Other Highlights

- ◆ Improved Response to 911 calls thru hardware and software upgrades and the use of the County's GIS system and addition of nine (9) Communication Officers.
- ◆ New initiatives for youth thru anti-gang programs (Stop the Madness), disabled individuals thru the Mayor's Council on Disability (Go!Fest), and Great Ideas Competition for high school students
- ◆ Restructuring of neighborhood grants for greater benefit to the neighborhoods thru Community Development Block Grants, expanded recreation center programs and greater involvement of the Neighborhood Services Department.
- ◆ Funding for the Office of Faith Based Initiative to administer programs that benefit the less fortunate in our community
- ◆ Increase citizen participation in the recycling program thru creation of additional drop off centers and improved awareness thru public education
- ◆ Onsite medical clinics to help curb rising cost of medical insurance
- ◆ Improved management of the City's leisure and recreation facilities thru continuation of the City's Recreate 2008 program
- ◆ Implemented a vehicle lease program to reduce cost and increase efficiency
- ◆ Implemented a lock box service for property tax collections reducing personnel cost and increasing efficiency in collection
- ◆ Consolidated banking services with estimated savings of \$130,000 annually.
- ◆ Expanded the internal audit function to aid departments in more efficient operations

Projected revenues for all appropriated funds total \$258,869,378, an increase of 2.02% from the previous year. This does not include fund balance, bond proceeds, and transfers in, which are considered other financing sources. Interest earnings account for the largest increase of 135.77% due to increased available funds and higher interest rates. Taxes are up 4.14% largely due to projected increase in property taxes, countywide and state sales taxes of 2.37%, 6.63% and 11.75% respectively. These forecasts are based on an improving economy. The largest projected revenue increases come from taxes and intergovernmental revenues, with the most significant increase being earmarked for capital projects. Fines, forfeitures and penalties are projected to increase by 22.17% from FY 2006 budget due to better law enforcement and collections in FY06 for court fines and clerk fees. The major decreases are in Licenses & Permits due to Gross Receipts Tax being transferred to Other Local Taxes and Intergovernmental Revenue due to the one time State funding for the Enterprise Industrial Park.

<b>Budgeted Revenues</b>				<b>%</b>
	<b>FY06/07</b>	<b>FY05/06</b>	<b>inc(dec)</b>	<b>change</b>
Taxes	115,487,170	110,898,441	4,588,729	4.14%
Licenses & Permits	3,601,200	6,349,990	(2,748,790)	-43.29%
Intergovernmental	62,959,998	70,748,035	(7,788,037)	-11.01%
Charges for services	51,181,331	48,158,578	3,022,753	6.28%
Fines, forfeitures and penalties	1,432,500	1,172,500	260,000	22.17%
Interest earnings	3,946,141	1,673,750	2,272,391	135.77%
Miscellaneous	20,261,038	14,752,780	5,508,258	37.34%
<b>Total Revenues</b>	<b>\$ 258,869,378</b>	<b>\$ 253,754,074</b>	<b>5,115,304</b>	<b>2.02%</b>
<b>Other Financing Sources</b>				
Transfers in	25,071,497	21,447,004	3,624,493	16.90%
Fund Balance	10,530,148	8,598,309	1,931,839	22.47%
Bond Proceeds	14,446,994	16,845,181	(2,398,187)	-14.24%
<b>Total Other Financing Sources</b>	<b>\$ 50,048,639</b>	<b>\$ 46,890,494</b>	<b>3,158,145</b>	<b>6.74%</b>
<b>Total Revenues &amp; Other Sources</b>	<b>\$ 308,918,017</b>	<b>\$ 300,644,568</b>	<b>8,273,449</b>	<b>2.75%</b>

Appropriations are \$287,672,171, a 5.16% increase from the FY06 Budget, excluding transfers out, which are considered other financing uses. Projected General Fund increases are primarily applied to compensation and fringe benefits for city employees. Other significant increases are Debt Service Fund and Internal Service, 21.76% and 36.67% respectively. Debt Services increase is due to additional anticipated issuance of \$30 million in financing for FY06/07 capital budget. Internal Services increase is due to the addition of \$3,500,000 to fund the purchase of vehicles for the new fleet leasing program.

<b>Appropriations</b>				<b>%</b>
	<b>FY06/07</b>	<b>FY05/06</b>	<b>inc(dec)</b>	<b>Change</b>
General Fund Undesignated	143,118,651	136,543,827	6,574,824	4.82%
Enterprise Funds	50,474,912	46,447,437	4,027,475	8.67%
Special Revenue Funds	34,695,754	35,155,906	(460,152)	-1.31%
Debt Service Fund	16,934,360	13,907,906	3,026,454	21.76%
Capital Project Funds	30,766,241	32,954,607	(2,188,366)	-6.64%
Internal Service	11,682,253	8,547,474	3,134,779	36.67%
<b>Total Expenditures</b>	<b>\$287,672,171</b>	<b>\$ 273,557,157</b>	<b>14,115,014</b>	<b>5.16%</b>
<b>Other Financing Uses</b>				
Transfers Out	21,245,846	27,087,411	(5,841,565)	-21.57%
<b>Total Other Financing Uses</b>	<b>\$ 21,245,846</b>	<b>\$ 27,087,411</b>	<b>(5,841,565)</b>	<b>-21.57%</b>
<b>Total Expenditures &amp; Other Uses</b>	<b>\$308,918,017</b>	<b>\$ 300,644,568</b>	<b>8,273,449</b>	<b>2.75%</b>

**General Fund.** The City's Undesignated General Fund accounts for all applicable resources related to the general operations of city government that are not accounted for elsewhere. The total appropriation for FY07 budget is \$160,556,000 including transfers of \$17,437,349, a 3.11% increase from FY07 budget. Appropriations for salaries and fringe benefits increased by 3.62%, while appropriations for operations increased by 7.23%

**Special Revenue Funds.** The City's Special Revenue Funds are set by City resolution to account for funds that are restricted as to use. Reported funds for FY07 include State Street Aid, Human Services, Narcotics, Economic Development, Community Development and Hotel/Motel Tax as per the budget ordinance. The 2007 budget for the Special Revenue Funds totals \$38,504,251 including transfers of \$3,808,497. The Economic Development fund accounts for the City's share of the countywide (1/2 cent) local option sales tax. These funds are earmarked to pay long term lease rental payments to the Chattanooga Downtown Redevelopment Corporation and other economic development initiatives. The Community Development Fund is used to account for Community Development Block Grants and other projects funded by the Federal Housing and Urban Development Programs.

**Debt Service Fund.** The City is authorized to finance capital improvements through various financing instruments, including but not limited to general obligation bonds, revenue bonds, loan agreements and capital leases. The City Council may authorize the issuance of tax-supported bonds by a simple majority vote, with notification of the action published in local newspapers. Unless 10 percent of the qualified voters protest the issuance by petition within 20 days of notification, the bonds may be issued as proposed. Both principal and interest on general obligation bonds are payable from ad valorem taxes which may be levied by the City Council subject to a legal debt limit of 10 percent of assessed valuation of property. Revenue bonds could be issued for various enterprise operations.

At year-end there was \$595,141,624 in debt outstanding for the primary government and its component units.

This debt includes the following:

General Obligation Debt	\$ 84,169,594	20.2%
Enterprise Funds G.O.Bonds	157,077,028	37.6%
Other Self-Supporting Debt	<u>176,143,093</u>	<u>42.2%</u>
Total General Obligation Debt	\$417,389,715	100.0%
EPB Revenue Bonds	32,000,000	
EPB Equipment Notes	2,616,909	
Component Units:		
Development Redevelopment Corp.	129,200,000	
Metropolitan Airport Bonds	<u>13,935,000</u>	
Total Debt Outstanding	\$595,141,624	

During FY07, the City anticipates issuing debt not to exceed \$31 million to fund the FY06/07 Capital Budgets.

**Capital Project Funds.** These funds are used to account for the financial resources used for the acquisition or construction of major capital projects. The proposed Capital Budget for the 2007 fiscal year is \$30,766,241, of which \$22,351,035 will be applied to General Government projects, and \$8,415,206 will be used by the Enterprise Funds. This is a \$7,174,259 or 18.9% decrease from last year's approved amount of \$37,940,500. The largest increase is due to \$6,924,647 appropriation for the expansion of the City Landfill in the Solid Waste Fund. The largest decrease is in General Government

of \$13,189,813 due to appropriations in FY06 for City Hall Renovation of \$8,900,00, Animal Shelter of \$2,000,000 and Enterprise South Industrial Park of \$8,706,000. The Interceptor sewer system has applied for a \$7.5 million loan from the State revolving loan program. Once accepted the City will approve needed sewer upgrade projects.

**Enterprise Funds.** The City maintains five enterprise operations as part of the primary government. These funds are used to account for operations of entities that are financed and operated in a manner similar to a private business. Combined Enterprise Funds net assets at June 30, 2006 were \$497.1 million with a net income of \$12 million. A brief discussion of the major operations follows:

The Electric Power Board is not presented because it is a separate administrative agency of the government, having exclusive control and management of the Electric Distribution System. It is the sole distributor of the electric power within the boundaries of the City and County (600 square miles). It accounts for 89.6% of total Enterprise Fund operating revenues and reported a net operating income of \$8.4 million for the year ended June 30, 2006.

The Interceptor Sewer System of the City provides sewer services to customers on a self-supporting basis utilizing a rate structure designed to produce revenues sufficient to provide for debt service, operating expenses and adequate working capital. The strong commercial, industrial and residential growth in the City, along with increased federal mandates, have necessitated ongoing expansion of the Interceptor Sewer System. To illustrate, property, plant and equipment of the system in 1976 totaled \$68.8 million compared to \$353.7 million in 2006. Their total assets account for almost 82.9 percent of total Enterprise Fund assets, excluding the Electric Power Board. The 2007 approved budget including Debt Service and Capital is \$38,837,437. Approved operations is \$22,171,353.

The Solid Waste/Sanitation Fund was established in accordance with state mandate. This fund accounts for the operations of the City's landfill. The FY 2007 budget is \$5,950,165. Landfill fees are charged commercial customers for use of the landfill, while the cost of City landfill needs are funded by the General Fund. The City has entered into a long term agreement to transfer solid waste from a centrally located privately operated transfer station to the City Landfill. The City has received a permit from the state for the construction of new disposal cells which will facilitate the deposit of approximately 100,000 tons of solid waste for thirty years.

The Storm Water Fund accounts for the operations of the City's storm water management program as

mandated by the Environmental Protection Agency and the state. The program is designed to produce revenues sufficient to provide for debt service, operating expenses and adequate working capital. Since the inception of this program in 1994, the investment in property, plant, and equipment has grown to \$45.4 million. The 2007 Budget is \$7,177,869. There is \$1,490,559 appropriation for capital projects.

The Housing Management Fund accounts for the costs associated with low-income housing provided to residents of the City. One complex exclusively provides low-income housing inside the inner city. Another complex, also in the heart of the city, meets the needs of the elderly in the community. The third complex is designed to provide mixed and affordable housing outside the traditional inner city. As of June 30, 2006 (unaudited) the net operating loss was \$287,200 with net assets of \$4,033,501

**Internal Service Funds.** The City maintains two Internal Service Funds. These funds provide goods or services for a fee to other governmental units, departments, and agencies. The two reporting funds are the Municipal Fleet Services Fund and the Liability Insurance Fund. The Fleet Services Fund's 2007 budget is \$10,782,253. The City of Chattanooga is self insured for judgements and claims. The liability Insurance Fund was established to fund and pay for all judgments and costs or liability claims against the city. The 2007 budget for the Liability Insurance Fund is \$900,000.

The Pension Trust Funds account for resources held in trust for defined benefit pension plans to provide disability and retirement benefits for City employees/retirees. These funds are accounted for in the same manner as business enterprises providing similar services. Following is a brief discussion about the employee pension system.

**Retirement Plans.** The City maintains three single-employer defined benefit pension plans which cover all employees. Each of these systems is maintained separately: one system (General Pension Plan) covers general City employees; a second plan covers employees of the Electric Power Board; and the third covers Firefighters and Police Officers. Each plan has its own consulting actuary. The following schedule shows the unfunded actuarial accrued liability for each fund at June 30, 2006.

<u>Pension Plan</u>	<u>*UAAL</u>	<u>Funded Ratio</u>
General Pension	4,905	102.30%
Fireman & Policemen	(62,073)	78.79%
Electric Power Board	0	100.00%

City management and the Pension Boards closely observe the future costs of both benefit improvements and changes in retirement trends of employees. Recommendations of actuaries are carefully considered and appropriate measures are taken to ensure that the pension plans are actuarially sound.

General Pension Plan. The City provides a pension plan for permanent general city employees. All permanent employees hired after February 1, 1979 must join the plan as a condition of employment. Employee contributions are 2% of total earnings. The City Finance Officer is authorized to match all salaries of all participants in the General Pension Plan, at an actuarially computed contribution rate of 6.97% for FY2007.

Fire and Police Insurance and Pension Fund. The City Finance Officer is authorized to match the total salaries of all participants in the Fire & Police Pension Fund with a contribution from the General Fund in FY 2007 not to exceed 20.25%. Each employee who is a participant in this Plan contributes 8% of total salary annually.

Electric Power Board Pension Plan. The Electric Power Board's plan is a single-employer defined benefit pension plan. The plan administrator is appointed by the EPB. Contribution requirements of Plan members and the EPB are established and can be amended by the EPB. Plan members are not required to contribute to the plan. EPB's contributions are calculated based on an actuarially determined rate, which is currently 9.43% of annual covered payroll. Effective August 1, 1984, the Board implemented a 401(k) plan, which permits employees to invest up to 13% of salary in a tax-deferred savings plan. The employee contribution rate changed from 3.5% to 4% of the employee's salary effective May 1, 2006.

## Per Capita Budget

The following chart represents per capita expenditures by department over the past four years. The population figures used in calculations are shown in chart:

Program	Actual FY03/04	Actual FY04/05	Budget FY05/06	Budget FY06/07
<b>Population</b>	<b>155,582</b>	<b>155,289</b>	<b>154,853</b>	<b>154,762</b>
General Government	\$ 186.23	\$ 210.43	\$ 191.27	\$ 242.41
Personnel	33.12	35.76	43.17	39.67
Nieghborhood Services	8.14	16.98	45.21	42.09
Executive Branch	7.95	8.77	9.26	12.80
Finance & Administration	101.16	51.93	107.86	24.43
Police	233.71	234.15	251.10	258.52
Fire	154.84	158.63	166.11	168.38
Public Works	472.25	530.94	562.58	551.99
Parks & Recreation	78.41	81.64	75.64	80.32
Human Services	87.31	86.25	85.18	80.68
Education, Arts & Culture	0.00	0.00	9.82	14.25
Debt Service	70.02	76.95	89.81	109.42
<b>Total</b>	<b>\$ 1,433.14</b>	<b>\$ 1,492.43</b>	<b>\$ 1,637.01</b>	<b>\$ 1,624.96</b>

## Financial Assessment

Chattanooga continues its position of fiscal strength enjoyed over the past several years. The City is in the best fiscal condition it has been in over 30 years and our outlook is improving. Over the years, through strong fiscal management, Chattanooga has positioned itself well to weather economic downturns, and create a positive atmosphere for economic development.

## General Fund Undesignated Fund Balance

One measure of a city's financial strength is the level of its fund balances. The City's general fund unaudited undesignated fund balance at June 30, 2006 is \$45 million or 28.02% of undesignated general fund revenues and transfers in, or 25.8% of total unaudited general fund revenues and transfers in. The City strives to maintain an undesignated general fund balance of 20% of operating revenues and transfers in. Reserves in excess of the 20% level may be used to fund capital projects.

## Financial Reserves of Other Operating Funds

In other operating funds, the City strives to maintain a positive fund balance position to provide sufficient reserves for emergencies and revenue shortfalls. Specifically the debt service fund has \$7.1 million in reserves at June 30, 2006.

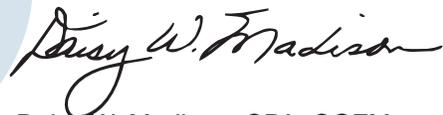
## Bond Ratings

The City has maintained a "AA" rating from Standard & Poor's and Fitch Investor's Service. Both agencies cite sound financial management, fund balance reserves, the debt retirement policy and a history of pay-as-you-go capital financing as justification for the favorable rating.

## Conclusion

With final budget adoption, I want to thank the Mayor and City Council, citizens and City staff for their time and effort throughout this budget process.

Respectfully submitted,



Daisy W. Madison, CPA, CGFM  
City Finance Officer



# MeetUS

## Mayor Ron Littlefield

Mayor Littlefield was sworn into office on April 18, 2005. He brought with him many years of experience in City Government and urban planning. Though his license is now retired, Mayor Littlefield was a Realtor, specializing in Commercial and Industrial Development, in both Tennessee and Georgia from 2000 to 2002. He has been an instructor at the University of Tennessee at Chattanooga, as well, teaching a summer postgraduate course on metropolitan politics and policies.

Mayor Littlefield has served in several previous capacities within government, including:

- Member, Chattanooga City Council (Chairman FY 2002-2003)
- Acting Director of Planning and Development, Walker County, GA, 1997-2000
- Chairman, Chattanooga City Council, 1990
- Commissioner of Public Works, Chattanooga, TN, 1987
- Economic Development Coordinator, City of Chattanooga, TN, 1979
- Director of Current Planning and Operations, Chattanooga-Hamilton County Regional Planning Commission, 1977
- Senior Planner, Chattanooga-Hamilton County Regional Planning Commission, 1974
- Planner-in-Charge, Tennessee State Planning Office, 1969

Mayor Littlefield has worked with many planning, research, and urban-development projects, including:

- Subcontractor on master plan for Chattanooga Metropolitan Airport, as consultant with Parsons Brinckerhoff
- Subcontractor on engineering feasibility study of the Atlanta-Chattanooga MagLev High Speed Rail Proposal, as a consultant with Parsons Transportation Group
- Market Development/Government Relations with Infrastructure Services Inc.
- Consultant/Public Sector with Roadtec Inc.
- Executive Director, Chattanooga Venture - General Manager, Chattanooga Area Economic Development Council
- Field Office Director, Research Triangle Institute
- Incorporator and Charter Member of



the Board of Directors, Chattanooga Museum of Regional History

- Incorporator, Southeast Tennessee Local Development Corporation
- Chattanooga-Hamilton County Business Development Center (Proposed original idea and facilitated early efforts as an outgrowth of the 3M/GE sale brokered while serving as Economic Development Coordinator)
- Hamilton County Riverport and Industrial Park (As member of the public development team, obtained funds and contracted for necessary archaeological studies, etc.)
- Bonny Oaks Industrial and Office Park (As member of the public development team, secured funding and facilitated early architectural and engineering design)
- Special Consultant to the City of Chattanooga for the Chattanooga-Atlanta High Speed Rail Initiative

Mayor Littlefield and his wife Lanis grew up in the same community and even attended the same elementary school. The couple dated in high school and married during Ron's senior year at Auburn University, where he earned a Bachelor of Science degree in Business Administration in 1968.

After college, the couple moved to Chattanooga in 1968. For more than 30 years, the Littlefields have lived in the same home in the Glendon Place neighborhood in Brainerd. They have two adult sons: Derek and Zack.

Mayor & Mrs. Littlefield are active members of Calvary Chapel, participate in the building program for the church and lead a small group Bible study.

# Council Members

## Linda Bennett, District 1

Linda Bennett was elected to the Council in March 2005, in her first attempt at elected office. Linda is a lifelong resident of Chattanooga. She grew up in the Falling Water community and graduated from Red Bank High School. Linda has 21 years of experience in sales and marketing, working as a National Technical Training Director and currently as a Sales Director for Mary Kay Cosmetics. She is Vice President of Programs of the North Chattanooga Chamber Council and serves on the Executive Board. Linda was a founding member of the Northside Community Association; she volunteers for Moccasin Bend Hospital's activities therapy program and is a past board member of the Northside Neighborhood House. Linda has a passion to help citizens lead their community and values the opportunity to be their voice in District One. Ms. Bennett is a member of St. Paul's Episcopal Church. She loves the outdoors and is a regular Bike2Work participant. Her two grown children also reside in the Chattanooga area.

District 1 consists of the following precincts: Lookout Valley 1 & 2; Moccasin Bend; Mountain Creek 1, 2 & 4; North Chattanooga 2; Northwoods North 2.

Phone: 425-7858

Address: 320 Pine Ridge Rd. -- Chattanooga, TN 37405

## Sally L. Robinson, District 2

Sally Robinson, the current Council Chairman, has been involved in downtown revitalization and riverfront development in Chattanooga since 1980 as a founding member of the Riverbend Festival, and has volunteered through the years on the Moccasin Bend Task Force, Walnut Street Bridge Restoration, Cornerstones Historic Preservation and Friends of Moccasin Bend National Park. She is past executive director of the Arts & Education Council where she worked to establish the Chattanooga Conference on Southern Literature. Ms. Robinson is past executive director of The Chattanooga Downtown Partnership where she expanded the Nightfall Concerts, established the Downtown Business and Merchants Roundtable Association, and developed seasonal activities promoting downtown year-round. She has served on the board of the International Downtown Association, and was elected to City Council in 2001. Ms. Robinson attended the University of North Carolina and graduated from the University of Tennessee-Chattanooga. Ms. Robinson is a member of St. Paul's Episcopal Church. She is married to attorney Sam Robinson and has four children and two grandchildren.

District 2 is consists of the following precincts: Lupton City; North Chattanooga 1; Northgate; Northwoods 2; Riverview; and Stuart Heights 1 & 2.

Phone: 757-5196

Address: 1136 Constitution Dr. – Chattanooga, TN 37405

## Dan B. Page, District 3, Vice Chairman

Councilman Dan Page, in his first venture into politics, was elected to the Council in 2001. Dan, a lifelong resident of Chattanooga, is founder and president of Greenleaf Health Systems. He grew up in the Avondale-East Chattanooga area and graduated from Central High School. He earned a Masters Degree from the University of Tennessee at Chattanooga and completed post-graduate studies at the University of Tennessee at Knoxville. Dan currently resides with his wife of 42 years, Shirley Lowe Page, in the Hixson area. They are actively involved at Trinity Lutheran Church. Dan Page has had a successful business career while raising two sons, Brent and Brian, who graduated from Chattanooga public schools...Hixson High School and Chattanooga High School of the Performing Arts. Dan is a Rotarian, a Trustee Emeritus of Newberry College, and has been a board member of the North Chickamauga Creek Conservancy and the North River YMCA. He served on the core group that initiated the Interfaith Hospitality Network of Greater Chattanooga and has been involved with Northside Neighborhood House. Dan's interest is to continue helping people by listening to the citizens and providing them leadership with a strong voice. He believes public service is of the highest calling. He supports encouraging better community planning and promoting a strong business climate for Chattanooga.

District 3 consists of the following precincts: Dupont; Hixson 1, 2, 3; Murray Hills; Northwoods 3 & 4; Northwoods North 1.

Phone: 757-5196

Address: 3000 Hamill Road – Hixson, TN 37343

## W. Jack Benson, Sr., District 4

W. Jack Benson, B.S. Peabody at Vanderbilt, M. Ed. University of Chattanooga, Post Graduate at University of Tennessee at Knoxville. He is presently serving on the Chattanooga City Council as Councilman from District 4. Mr. Benson served for 35 years in the Chattanooga Public School System as an elementary and junior high teacher and then as principal of two elementary schools and two junior high schools. He then moved to a system-wide position at the administrative office where he served as Director of Curriculum and as the Assistant to the Superintendent. After retirement from the school system Mr. Benson served as the Executive Director of the Chattanooga Big Brothers/Big Sisters Association. Mr. Benson is a Past-President of the Association of United Way Agency Directors. He has also served on the boards of the National Education Association, Tennessee Education Association, Southern Association of College and Secondary Schools, Chattanooga/Hamilton County Planning Commission, Tele-scripps Cable Access,

Council of Alcohol and Drug Abuse Services, Chattanooga Education Association, United Way Allocation Panel, Armed Forces Committee, Camp Ocoee, and Boy Scout Exposition.

District 4 consists of the following precincts: Concord 1 & 2; East Brainerd 1 & 2; Ooltewah 3; Tyner 1.  
Phone: 757-5196  
Address: 2302 Laurelton Creek Lane – Chattanooga, TN 37421

### **John P. Franklin, Jr., District 5**

John Franklin—better known as Duke—was elected in 1998. He graduated from Brainerd High where he excelled in football and track. He received a business degree from Hampton University. Duke is a third-generation director of Franklin-Strickland Funeral Home, and past president of the Tennessee Funeral Directors Association. He has served on numerous boards including Partners for Academic Excellence, Chamber of Commerce, Jewish Community Center, and Zoning Board of Appeals for Variance and Special Permits. The Councilman is interested in improving the climate for new and existing business and upgrading property values in his district. Duke is an avid golfer.

District 5 consists of the following precincts: Bonny Oaks; Brainerd 2; Dalewood; Kingspoint; Lake Hills; Woodmore.  
Phone: 757-5196  
Address: 2233 Nimitz St. – Chattanooga, TN 37406

### **Marti Rutherford, District 6**

Councilwoman Marti Rutherford is serving her third term on council, having previously served 2 terms from 1993 - 2001. Marti is a real estate broker and currently serves as Vice Chair of the Board of the Southside and Dodson Avenue Health Centers. She has been an officer or board member on a number of civic organizations focused on mental health, race relations, the arts, the disadvantaged, and children. She worked for the revitalization of Eastgate Mall and its conversion to a town center in the heart of her district. Her number one concern is neighborhood revitalization. She is a native Chattanooga - a graduate of GPS and the University of Tennessee at Chattanooga and a member of First Presbyterian Church.

District 6 consists of the following precincts: Airport 1, 2 & 4; Brainerd Hills; Concord 3; Eastgate 2; Sunnyside; Tyner 2 & 4.  
Phone: 425-7852  
Address: 3442 Alta Vista Dr. – Chattanooga, TN 37411

### **Manuel Rico, District 7**

Councilman Rico was elected to the council in 2005. He has owned Rico Monuments, located in St. Elmo at the foot of Lookout Mountain, since 1985. He has been an active member of the community, including the Sertoma Club, the American Red Cross, and the city's Human

Rights and Relations Commission, having served as chairman. He is married with one son and three grandchildren.

District 7 consists of the following precincts: Alton Park; Cedar Hill; East Lake; Howard; Piney Woods; St. Elmo 1 & 2.  
Phone: 425-7856  
Address: 1616 West 52nd St. – Chattanooga, TN 37409

### **Leamon Pierce, District 8, Chairman**

Mr. Pierce and his wife Sue have one child and have lived in Park City all their lives. He has operated his own business, Liberty Bonding Company and Lesser Properties, since 1974. He was elected to City Council in 1990. Pierce's career history includes five years as a lineman with TVA and six years with the Electric Power Board where he became the company's first Black lineman. He has been an activist for equal opportunity through many years of service with the NAACP, the Action Coordinating Council, Operation PUSH and the Unity Group.

District 8 consists of the following precincts: Avondale; Clifton Hills 1 & 2; Courthouse; Eastside 1 & 2.  
Phone: 757-5196  
Address: 2710 Cannon Ave. – Chattanooga, TN 37404

### **Debbie Gaines, District 9**

Councilwoman Debbie Gaines was elected to the Council in May, 2006, to complete the term of Yusuf Hakeem, who resigned from the Council earlier in the year. Ms. Gaines graduated from Brainerd High School, attended McKenzie College, and is retired from Hamilton County, including 23 years in the County Commission Office, the last six as Legislative Administrator. As the commissioners' administrative liaison, her position enabled her to see the operation of local government first-hand. As Councilwoman, Ms. Gaines intends to work with neighborhood organizations to improve the quality of life in the district's neighborhoods and to meet on a regular basis with police officials regarding crime in the area.

District 9 consists of the following precincts: Amnicola; Bushtown; East Chattanooga 1; Eastdale 1 & 2; Glenwood; Highland Park; Missionary Ridge.  
Phone: 757-5367  
Address: 2015 Blackford St. – Chattanooga, TN 37404

*Elections for Chair and Vice Chair are made each year, generally the 3rd week of April. Each councilperson will be up for re-election in 2009 (their current terms run from April, 2005 until April, 2009).*

# Management & Budget Staff

## **Daisy W. Madison, CPA, CGFM, City Finance Officer**

Daisy W. Madison was hired as Deputy Finance Officer in 1992 and recently appointed to the position of City Finance Officer under the Littlefield administration in 2005. She is a Certified Public Accountant with over 22 years of experience in financial accounting and auditing which include 10 years as staff auditor for the U.S. General Accounting Office, Arthur Anderson & Company and audit manager for the internal audit division of Hamilton County government. Prior to coming to the City, she served as Director of Financial Management for Hamilton County government for over 10 years. Mrs. Madison initiated the first successful attempt by the City to obtain the GFOA certificate of achievement in financial reporting and the first GFOA Budget Award which was instrumental in the city's achieving an upgraded bond rating. She is involved in numerous community and civic organization which promote a better quality of life in Chattanooga. Daisy and her husband of several years, Sam, are the *proud* parents of four children. **Office Phone: 757-5232**

## **Fredia F. Kitchen, CPA, CGFM, Director of Management & Budget Analysis**

Fredia Kitchen was promoted to Budget Officer in March, 2000. She holds a Bachelor of Science degree from Austin Peay State University located in Clarksville, TN. She has obtained certificates for Certified Public Accountancy and the Certified Government Financial Manager issued by the Association of Government Accountants. Prior to her appointment to the position of Budget Officer, her career with the City began in 1980 where she started out in Payroll, moving to Budget in 1984 as a Budget Analyst, then gaining promotion to Senior Budget Analyst. In addition to major budget duties, she monitors all City Investments, performs Revenue and Bond Analysis, including gathering data for official statement preparation. She is married to Ken, who is the Deputy Chief Information Officer in the City's Information Services division. **Office Phone: 757-0524**

## **Simone M. White, Sr. Management & Budget Analyst**

Simone White joined the City in March 1993 as a Budget Analyst. In November, 2000 she was promoted to her current position. She handles budgets for Police and

Neighborhood Services. Prior to joining the City, she was a Business Analyst for the City of Charleston (South Carolina). Simone holds a Bachelor of Science in Accounting from Clemson University (SC). She serves as a reviewer for the GFOA's Distinguished Budget Awards Program. Her other activities include serving as Member of the Chattanooga Chapter Association of Government Accountants, Daisy Girl Scout Leader, member of Delta Sigma Theta Sorority, and several church related activities. Simone is married to the wonderful Jerrold Javier White, an attorney practicing in the Chattanooga area and they are busy parents of triplets. **Office Phone: 757-0534**

## **Christopher L. Haley, CFA, CGFM, Management & Budget Analyst**

Chris Haley was hired as a Budget Analyst in 1996. His areas of responsibility include selected General Government accounts, Parks & Recreation, Education, Arts, & Culture, Community Development, and the Pension Fund. Prior to coming to the City, he worked in internal audit for Hamilton County. In addition to obtaining a CFA (Chartered Financial Analyst), he holds a BS in accounting from the University of Tennessee at Chattanooga and a MBA from Middle Tennessee State University. **Office Phone: 757-0537**

## **Randall E. Ray, CGFM, Management & Budget Analyst**

Randall Ray was hired by the City in 1986. Prior to that he was a Sales Tax Auditor for the State of Tennessee for 2 years. He is a graduate of Middle Tennessee State University. He handles budgets for Fire and Public Works. He has been married to the former Teena Andrews for twenty-five years with four cats (Ernest T. Bass, Little Miss, Arthur and Mud Ball). **Office Phone: 757-0535**

## **Beverly J. Adams, Management & Budget Analyst**

Beverly Adams was hired in February 2001 as a Budget Analyst. She handles budgets for General Government, Human Services and selected joint funded agencies (Air Pollution, Regional Planning Agency, and Scenic Cities Beautiful). Beverly is a graduate of Southern University located in Baton Rouge, Louisiana. She holds a Bachelor of Science in Accounting. Prior to coming to the City, she served in the United States Army for seven years. She held various positions in the Finance Department. Beverly married to Marcus Adams and they are the proud parents of two children. **Office Phone: 757-4751**

**Preciosa G. Goduco, CGFM, Management & Budget Analyst**

Preciosa Goduco joined the city in March, 1984 as an Internal Auditor. In 2003, she was transferred to the Management and Budget Analysis staff. She handles budgets for Finance & Administration and Debt Service. Prior to working with the city, she was a supervising senior with Carlos J. Valdes & Co., CPAs in Manila, Philippines where she was in charge of auditing various SEC corporations and banks. She also worked as a senior auditor with Tomatsu Awoki & Co., CPAs in Tokyo, Japan for 16 months. She holds a BS in Commerce with a major in accounting from the College of the Holy Spirit and a CPA certification in the Philippines. **Office Phone: 425-6215**

**Edward F. Wellmann, Management & Budget Analyst**

Ed Wellmann was hired by the City in May of 2005. Prior to that he held various engineering and managerial positions with the Tracerco division of ICI Americas, Inc. in Houston, TX and Sarnia, Ontario, Canada. His areas of responsibility include Fleet Services, Personnel, and Interceptor Sewer. He holds a Bachelor of Science degree in Chemical Engineering from Mississippi State University. **Office Phone: 425-7874**



# Organizational Chart

