

# Mayor's Letter



**City of Chattanooga**  
Office of the Mayor

City Hall • 101 East 11th Street • Chattanooga, Tennessee 37402

December 28, 2009

## **To the members of the City Council and Citizens of Chattanooga, Tennessee:**

As Mayor, I am charged with the responsibility of ensuring the City's financial resources are used wisely and effectively. I have the distinct pleasure to once again present the City's annual financial report for the fiscal year ended June 30, 2009. This report documents our sound financial position and operations for the year.

This has been an extraordinary year for Chattanooga. While we are experiencing the "Great Recession" on a global scale, Chattanooga has continued to thrive in spite of the economy. It is a good time to be in Chattanooga and I am absolutely certain the best is yet to come.

In the last 25 years we have become the most transformed city in America. In the last year, we have received blessings that - previously - we could only dream of - and we have obtained a foothold on the ladder of progress that we might not have imagined only a short time ago.

There is an often quoted line that can be taken as either a blessing or a curse and it has never been more applicable than it is today: "May you live in interesting times." In these interesting times the state of the City is good, but we have only reached a benchmark beyond which we can progress - a foundation for a new and more prosperous and hopeful city.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ron Littlefield".

Mayor Ron Littlefield



Mayor Ron Littlefield



Dan Johnson, Chief of Staff

*Photos by Lawson Whitaker*

# City Council



**Jack Benson**  
Chairman  
District 4

**Manuel Rico**  
Vice- Chair  
District 7

**Deborah Scott**  
District 1

**Sally Robinson**  
District 2

**Pam Ladd**  
District 3



**Russell Gilbert**  
District 5

**Carol Berz**  
District 6

**Andraé McGary**  
District 8

**Peter Murphy**  
District 9

# Letter of Transmittal



**City of Chattanooga**  
Department of Finance and Administration  
City Hall  
101 East 11th Street, Suite 101  
Chattanooga, Tennessee 37402

December 28, 2009

**To the Honorable Mayor Ron Littlefield, Members of the City Council and the Citizens of Chattanooga, Tennessee:**

In compliance with state and local statutes, I am submitting the Comprehensive Annual Financial Report (CAFR) of the City of Chattanooga for the fiscal year ended June 30, 2009. These ordinances and statutes require that the City of Chattanooga issue annually a report on its financial position and activities, and that an independent firm of certified public accountants audit this report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management of the City of Chattanooga has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Chattanooga's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, this report is complete and reliable in all material respects.

The City of Chattanooga's financial statements have been audited by Hazlett, Lewis & Bieter, PLLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the City's financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable



*Daisy W. Madison, City Finance Officer*

*Photo by Lawson Whitaker*

basis for rendering an unqualified opinion that the City of Chattanooga's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the City's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited

government's internal controls and compliance with legal requirements. Special emphasis is placed on internal controls and legal requirements involving the administration of federal awards. These reports are in a separate Single Audit section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Chattanooga's MD&A can be found immediately following the financial statement report of the independent auditors.

## *Governmental Structure, Economic Conditions And Major Initiatives*



*Photo courtesy of Chattanooga Visitors Bureau*

### **PROFILE OF THE GOVERNMENT**

Founded as a ferry landing and warehouse site in 1815, the City of Chattanooga was incorporated under State of Tennessee Private Acts of 1839. The City is the county seat of Hamilton County and is located near the southeastern corner of the state on the Tennessee-

Georgia border. It encompasses an area of 145.02 square miles. The official 2000 Census showed the city with a population of 155,554. The census estimate for 2008 shows the city has grown to a population of 171,240. This includes the City's recent annexation of



*Photo courtesy of the Planning and Design Studio*

.86 square miles with a population of 360. Chattanooga 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. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It also has the power to extend its corporate limits by annexation in accordance with procedures under an "Urban Growth Plan" agreed to between the city and the county.

The City 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 City provides a full range of municipal services including but not limited to fire and police protection; sanitation services and recycling; construction and maintenance of highways, streets and infrastructure; recreation and cultural activities; public library; community development; planning and zoning;

neighborhood services; social services; and general administrative services. It also operates a water quality maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

The annual budget serves as the foundation for the City's financial planning and control. The City Finance Officer obtains information from all City departments and agencies for which appropriations are made and/or revenues are collected and compiles the operating budget for submission to the Mayor. During the months of April, May and June, advertised public hearings are held by the council whereby budget requests from the departments and agencies are presented and taxpayers are given the opportunity to comment prior to final passage. The budget is legally enacted through passage of an ordinance with an operative date of July 1. The appropriated budget is adopted on a departmental basis; the legal level of budgetary control is the fund level. Transfers of appropriations between funds require the approval of the City Council. The City Finance Officer is authorized to make intrafund transfers if necessary. Budgetary comparison schedules are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.



*Photo courtesy of the Planning and Design Studio*

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements may be best understood when it is considered from the broader perspective of the specific economic environment within which the City of Chattanooga operates.

The Local Economy: Employment in the Chattanooga area is diverse. The top employment sectors of trades, transportation, and utilities (22.3%), government (14.3%), manufacturing (13.5%), professional and business services (10.4%), education and health (12.2%), and leisure and hospitality (9.5%) comprise 82.2% of the workforce. Employment in the retail service sector is driven, in part, by the presence of Hamilton Place Mall, Tennessee's largest. The 1.4 million-square-foot mall has brought in many tourists and locals with a mix of new and familiar stores, theme restaurants and movie theaters. Thanks to the mall, the area has become a retail hotbed with more than 22 million visitors a year.

Chattanooga enjoys strategic advantages related to its location, strong transportation system, natural resources and competitive cost of doing business. The local unemployment rate of 9.0% remains significantly below the state average of 10.5% and the national average of 9.8% as of September, 2009. Fiscally, the

City of Chattanooga is well positioned to weather the current economic downturn. We have a history of strong fiscal discipline, healthy reserves, and constant review of operations, being ever vigilant to find new efficiencies and cost reduction measures.

Over the past 3 years there has been more than 75 publicly announced new expansion projects bringing over 5,860 new jobs and saving over 630 existing jobs with a total investment of over \$2.2 billion. The Enterprise South Industrial Park (ESIP), the new home to Volkswagen AG's U.S. manufacturing headquarters, continues to be a prize asset for additional growth. The old Volunteer Army Ammunition Plant has been reborn as perhaps the finest industrial park in the Southeastern United States, earning designation as a TVA-certified Megasite and being granted Foreign Trade Zone status. In addition to the portion dedicated for Volkswagen, another 1024 acres will be ready for industrial use within the next two years. ESIP is served by a new interstate connection with I-75 as well as by two competing rail lines. Rail service to the park is undergoing a \$17 million improvement. Continuing efforts are underway by the City and County Mayors, the Chamber of Commerce, the states of Tennessee and Georgia and other regional entities to recruit additional businesses and manufacturers to the area. The City has achieved the EPA clean air standard for five of the past

seven years. Local officials are committed to maintaining a sustainable community and a clean environment as demonstrated by projects such as the Green Initiative, establishment of an office of sustainability and promotion of construction projects that conform to the Leadership in Energy and Environmental Design certification.

The announcement in 2008 by Volkswagen AG to locate its new U.S. manufacturing headquarters here could not have come at a better time for Chattanooga. The VW manufacturing facility is well under way toward completion. This \$1 billion capital investment, named by Southern Business & Development Magazine as the “deal of the year”, will bring a total permanent direct workforce of 2,000 jobs worth \$100 million in annual payroll. The completed plant will cover approximately 2.5 million square feet. Volkswagen is Europe’s largest carmaker and is working toward their goal to become the largest in the world. To date, the company has already hired over 200 full time salaried employees locally. Annual production of 150,000 cars, some of which are expected to be exported, will begin in 2011. Expansion plans to double the plant size could begin shortly after production startup, depending on economic conditions.

Support industries are expected to bring an additional \$500 million investment and 12,000 jobs. In total, a

\$600 million annual economic benefit to the area is expected. VW has already announced a supplier park, to be located on 85 acres adjacent to the plant, which will hold approximately 10 companies to be located in buildings totaling 400,000 square feet in size. Gestamp Corporation, a supplier of stamped parts for VW, broke ground on a \$90 million facility on a 49 acre tract of land it purchased within the industrial park. A total of 230 jobs will be created within three years.

Chattanooga’s economic news outside the industrial park continues to be good as well. Alstom Power chose Chattanooga as the location for its new steam turbine manufacturing facility. This is a \$280 million expansion at their current location, bringing with it an additional 360 new jobs without any negative environmental impact. Westinghouse Electric Co. has just completed its \$25 million 65,000 square foot training facility in Chattanooga at the Centre South Riverport. This facility is a boiling water reactor training center and welding institute which could employ up to 100 additional workers. The company also announced a new \$3.6 million, 25,000 square foot office building to be built adjacent to their local plant. Chattem, Inc., one of Chattanooga’s oldest manufacturers, is expanding its local manufacturing with an initial investment of \$18 million and up to 70 jobs. Dixie Industries announced



*Photo courtesy of AerialInnovations of Tennessee, Inc.*

a \$5.5 million expansion which will bring an additional 120 jobs over the next three years. Schaaf Industrie AG recently purchased the Airisyn wind turbine tower maker, bringing with this \$3 million investment the possibility of 115 new jobs over the coming months. Arcade Marketing is investing \$10 million and adding 50 new jobs. Arch Plastics is completing a \$1 million expansion at its Chattanooga plant, bringing an additional 50 jobs. These successes and many more are the result of strong leadership among all the various civic leaders and elected officials. This includes the "Chattanooga Can Do" campaign, being conducted from 2007 - 2011. The Chamber goals through 2011 include the following benchmarks (with progress as of July 2009 in parentheses):

Community College, the Chattanooga Manufacturer's Association and others are working together to establish a Center for Advanced Manufacturing Training. The center will help support existing industry and will serve to attract new manufacturing and technical jobs to the area. The University of Tennessee at Chattanooga's MBA program continues to gain national exposure, appearing on the list of Princeton Review's Best Business School guidebook for the third year.

Transportation is another key to a vibrant economy. The Chattanooga area is served by three interstate highways, six U. S. highways, railways, airlines, bus service, and the Tennessee River system. Direct flights are available to eight major cities. On the Tennessee



*Photo courtesy of City of Chattanooga Parks and Recreation Department*

- Increase regional employment by 15,573 (10,858 jobs have been created)
- Increase private investment by \$500 million (\$1.515 billion has been announced)
- Create \$526.8 million in new payroll income (\$494.8 million has been achieved)
- Increase disposable income by \$421.5 million (\$395.8 million has been achieved)
- Increase net personal consumption by \$390.1 million (\$366.4 million has been achieved)

Quality education is also the centerpiece of a successful community. Chattanooga State Technical

River, construction has begun on a multi-year \$375 million replacement project for the Chickamauga Lock which will enhance river traffic for years to come. The entire replacement is expected by the end of 2013.

The Tennessee River which flows through the heart of the city, has provided the backdrop for the waterfront development projects and is an invaluable source of clean water for consumption, recreation, transportation, and industrial use. The opening of the 21st Century Waterfront in April 2005 marked the culmination of a vision first conceived by Chattanoogaans in the early 1980's. Through the work of the publicly commissioned Moccasin Bend Task Force, Chattanoogaans created a shared dream for riverfront redevelopment over twenty

years and across 22 miles. With the opening of the \$120 million development on the waterfront, the connection was completed twenty years to the month from the publication of the Tennessee Riverpark Master Plan and included major expansions to the Tennessee Aquarium, the Creative Discovery Museum and the Hunter Museum, as well as many new attractions, public green spaces, and urban wetlands. The public-private investment in the waterfront came on the heels of a \$129 million investment in Chattanooga's Southside area which was completed in 2003.

Chattanooga is in a new era. A movement called "Stand" is underway to take the City in a new direction. In his state of the city address, Mayor Littlefield refers to it as "a recap of Chattanooga Venture and Vision 2000 updated and fitted out with new ways, new media for gathering ideas and impressions – new ways to debate and seek consensus on how to go about the process of raising a brave and beautiful city."

The Enterprise Center serves as an umbrella organization overseeing a number of 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.

Downtown is unquestionably important, but there is more to "the greater city" than downtown. Mayor Littlefield recognizes that nothing is more essential to a healthy city than healthy neighborhoods. Beautiful, clean, safe neighborhoods continues to be a primary focus of this administration as well as ensuring that all Chattanoogans enjoy the benefits of the City's renewed downtown and rising economic tide. Recreation also continues to be an important aspect of our community. The Parks and Recreation Department completed a



Photo courtesy of Take Root

\$10.5 million softball complex, 83 acres in size, in the eastern portion of the city in 2009. In July 2010, the complex will host its first Amateur Softball Association tournament, which will feature 50 teams having and estimated \$1 million economic impact.

The fiscal health of Chattanooga City Government remains strong. The City's bond rating was recently upgraded by Standard and Poor's from AA to AA+. Fitch Ratings affirmed their AA rating and gave the City a stable fiscal outlook. Additionally, the City's AA2 rating was affirmed by Moody's.

**Long-term financial planning:** Due to sound financial management, the City continues to provide quality services to the citizens with no tax increase for the seventh consecutive year. The City takes a long range approach to capital spending by the adoption of a five year capital plan.

The City continues its chattanoogaRESULTS and vacancy control programs that began in February 2002. These programs ensure accountability by providing for regular review and monitoring of departmental performance by the Mayor, the City Finance Officer and other senior officials. An annual performance report to the citizens of Chattanooga gives residents an update on how city services are responding to their needs. It also provides department heads and managers

with quantifiable information to assess performance in meeting the City's goal of efficient and effective management of resources in providing quality services to the citizens of Chattanooga.

**Relevant financial policies:** The City Council has adopted a Debt Management Policy which is intended to guide current and future decisions related to debt issued by the City. Performance is measured against benchmarks set forth and changes are made as needed to meet the desired goals.

**Major initiatives:** The City has embarked on two major initiatives. A series of annexations has begun which will set the stage for a stronger base for the municipal government. The annexation largely follows the Master Interlocal Agreement and Growth Boundaries adopted a decade ago as provided for under state law. The second major initiative is the adoption of increases to the fees to pay for the Water Quality Management Program. This program is in response to EPA mandates. The Mayor has just established a new Office of Sustainability to address the Water Quality mandates and other green initiatives.

## Awards And Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Chattanooga, Tennessee for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the seventeenth consecutive year that the City has received this award. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both Generally Accepted Accounting Principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA Award for Distinguished Budget Presentation for its annual appropriated budget for each of the fourteen fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning and organization.

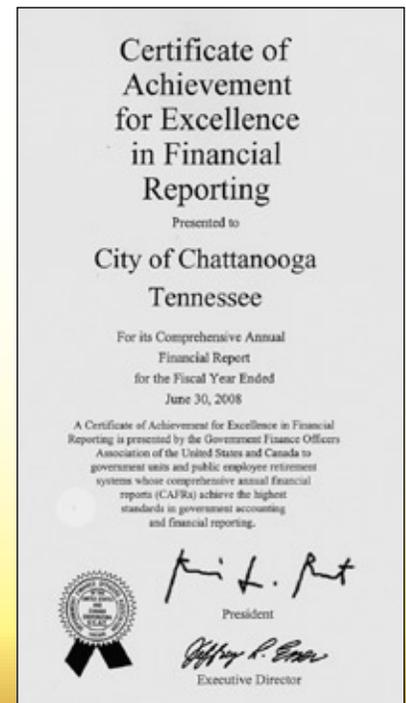
The preparation of this report could not have been accomplished without the professional and dedicated services of the entire staff of the Finance Department and the City's independent public accountants, Hazlett, Lewis & Bieter, PLLC. We would like to express our appreciation to members of various City departments who assisted and contributed to the preparation of this report. Further appreciation is extended to the Mayor and the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,



Daisy W. Madison

City Finance Officer



# City Officials as of June 30, 2009

L. Dan Johnson, Chief of Staff



**Ron Littlefield, Mayor**

## CITY COUNCIL:

	W. Jack Benson, Sr., Chairperson .....	District 4	
Deborah S. Scott.....	District 1	Carol B. Berz .....	District 6
Sally L. Robinson.....	District 2	Manual Rico, Vice Chairman.....	District 7
Pam J. Ladd .....	District 3	Andrae McGary .....	District 8
Russell J. Gilbert, Sr.....	District 5	Peter B. Murphy .....	District 9

## COURTS:

Sherry B. Paty.....	City Court Judge	Russell J. Bean .....	City Court Judge
Jan M. Turner.....	City Court Clerk (interim)		

## DEPARTMENT ADMINISTRATORS AND DIRECTORS:

Legal .....	Michael McMahan.....	City Attorney
Legislative .....	Carol O'Neal .....	Clerk of the Council
Finance and Administration.....	Daisy W. Madison .....	Administrator
	Vickie C. Haley.....	Deputy Administrator
Education, Arts & Culture .....	Missy N. Crutchfield .....	Administrator
Fire.....	Chief Randall L Parker .....	Administrator
Human Services .....	Bernadine Turner .....	Administrator
	Tommie Pruitt.....	Deputy Administrator
Neighborhood Services and .....	Beverly P. Johnson .....	Administrator
Community Development	Anthony Sammons.....	Deputy Administrator
Parks and Recreation .....	Lawrence A. Zehnder.....	Administrator
Personnel .....	Donna Kelley.....	Administrator
Police.....	Chief Freeman Cooper, Jr.....	Administrator
Public Works.....	Steven C. Leach .....	Administrator
	D. Lee Norris .....	Deputy Administrator

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Brian Smart.....	Manager, Financial Operations
Fredia F. Kitchen .....	Director, Management and Budget Analysis
Gayle P. Keown.....	Treasurer
Mark J. Keil.....	Director, Information Services
Gene D. Settles.....	Purchasing Agent
Paul R. Page .....	Director of General Services
Stanley L. Sewell .....	Director of Internal Audit
Madeline W. Green.....	Risk Manager
Sandra Gober .....	Manager, Community Development
Gary B. Hilbert.....	Director, Land Development
James H. Templeton .....	Director, City Wide Services
Jerry W. Stewart.....	Director, Waste Resources
William C. Payne .....	City Engineer
John Van Winkle .....	City Traffic Engineer
Harold E. DePriest.....	President and CEO, Electric Power Board
David F. Clapp .....	Director, Chattanooga-Hamilton County Bicentennial Library
Micheal J. Landguth.....	President and CEO, Metropolitan Airport Authority
Barry M. Bennett .....	Director, Regional Planning Agency
Robert H. Colby .....	Director, Air Pollution Control Board
(Vacant).....	Director, Scenic Cities Beautiful Commission

# Organizational Chart

