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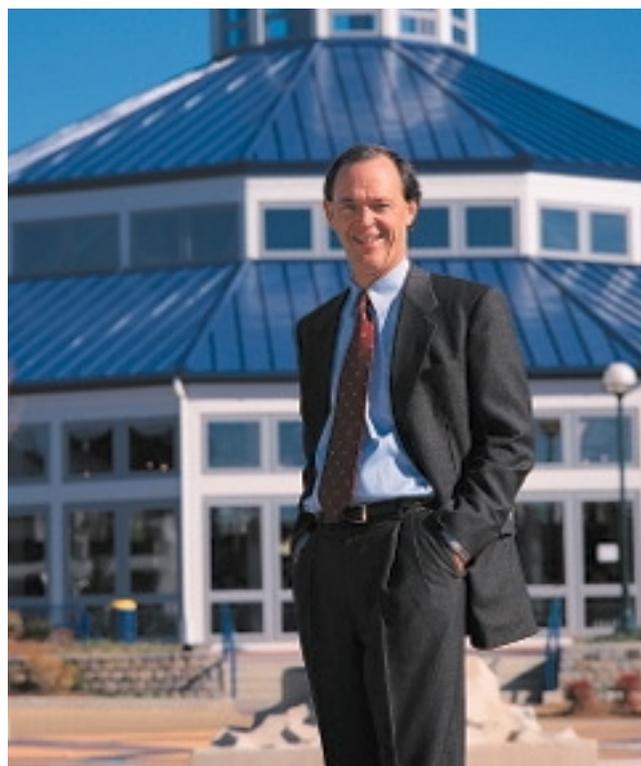
mayor's letter

to the members of the city council, and the citizens
of chattanooga, tennessee:

I AM PLEASED TO PRESENT FOR YOUR REVIEW THE COMPREHENSIVE Annual Financial Report for the City of Chattanooga for the year ended June 30, 1999. This report not only provides you with critical financial information about the City but it measures the investments that the citizens of Chattanooga make in their community and its future. Chattanooga continues to experience impressive economic growth. The value of building permits issued so far this year of more than \$300 million is the highest in Chattanooga's history — up nearly 6 percent over the previous record high set a year ago and more than double what it was just a decade ago. After more than six years of solid growth the Chattanooga market remains strong. This economic vitality will continue into the new Millennium with the many new projects underway such as the \$100 million expansion of Signal Mountain Cement, the \$50 million expansion of Seaboard Farms and the \$45 million conference center downtown. These projects will soon be joined by others not yet permitted such as the expansion of the Trade Center, the building of a new design and resource center, and the Electric Power Board headquarters and parking garage. The purchase of over 950 acres of property at the Volunteer Army Ammunition Plant will also attract more industrial development for the City. These projects, along with others have generated 1,264 new jobs for the City this year. The State has granted preliminary approval of the City's Tourist Development Zone that will provide financing through incremental state sales tax dollars for over \$117 million in new initiatives in the south side.

The Chattanooga Lookouts, Chattanooga's AA baseball team, are poised to move into the new \$10+ million BellSouth Stadium overlooking the Tennessee River — a grand vista for sporting events in the future. Engel Stadium, one of the best baseball venues in the South will continue to host amateur sporting events.

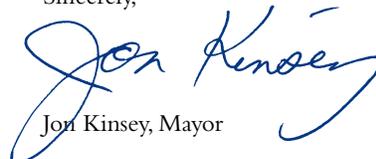
Renovations are underway for the new City council chambers, which will be located in the building, formerly occupied by City Court and the City jail. Built in the late 1930's, the building is being remodeled to provide space for a new assembly room con-



taining 142 theater-type seats compared to the current 50 seat chambers. This will allow room for citizens to attend council meetings without having to stand in the isles and hallways. The first council meeting of the new Millennium will be held in the new chambers.

I am proud of Chattanooga's record. On every front, we have produced astounding results in making ours a strong and vibrant community with a spirit of cooperation by all who live here. The public and private partnerships that we enjoy will continue to provide the foundation on which Chattanooga is becoming known as the best mid-sized city in America.

Sincerely,


Jon Kinsey, Mayor

chattanooga city council



John Lively District 1 Chairman of the Council



Yusuf A Hakeem District 9
Vice Chairman of the Council



Mai Bell Hurley District 2



Dave W Crockett District 3
John P Franklin, Jr District 5
John Taylor District 7



Don Eaves District 4
Marti Rutherford District 6
Leamon Pierce District 8

“Thanks to the cooperation of government and the private sector, we have made great strides in economic development and quality of life for the citizens of Chattanooga and Hamilton County. I believe it is our responsibility as those entrusted to guide Chattanooga into the twenty first century, to give our very best to this task.”

– John Lively, Council Chairman

30.10.1999

letter of transmittal

to the honorable mayor jon kinsey,
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, 1999. 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 the best of our knowledge and



James S Boney FINANCE OFFICER



Daisy W Madison DEPUTY FINANCE OFFICER

belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups and component units of the City of Chattanooga, Tennessee. All disclosures necessary to enable the reader to gain an understanding

of the City of Chattanooga's financial activities have been included.

The Comprehensive Annual Financial Report is divided into four sections: introductory, financial, single audit, and statistical. The introductory section includes this transmittal letter, a letter from the Mayor, the City's organization chart, and a list of government officials. The financial section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditor's report. The single audit section includes information related to the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, "Audits of States and Local Governments, and Non-Profit Organizations." The statistical section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Blended component units, although legally separate entities are,

in substance, part of the primary government's operations and should be included as part of the primary government. A review of the various potential component units indicated that there are none which should be included as part of the primary government. However, the Electric Power Board, which is not a legally separate entity, is reported as an enterprise fund of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Metropolitan Airport Authority and the Chattanooga Area Regional Transit Authority are reported as discretely presented component units.

The City provides a full range of municipal services including but not limited to fire and police protection; sanitation services; the 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 storm water maintenance program and a sewer and sewage facility system for its residents and for other communities in southeast Tennessee and northwest Georgia.

Governmental Structure, Economic Conditions and Major Initiatives

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 126.9 square miles and a population of 147,500. The City 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 10 million people live within a two- to two-and-a-half-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 established by state statute.

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 is one of the nation's oldest manufacturing cities with 24.6 percent of its employment in that sector. However, there is no single dominating industry. Economic advantages such as ample utilities, an efficient transportation system, abun-

dant natural resources, a trained labor force and centralized location make Chattanooga a diversified and profitable business location. This largely accounts for the City's unprecedented low unemployment rate, which stands at 2.8 percent as of September 1999. This is comparable to the national unemployment rate of 4.2 percent and the state rate of 3.4 percent. Retail sales rose 4.4 percent over 1997. Our economy is experiencing steady growth as indicated by a 40.5 percent increase in the value of commercial construction over 1997 resulting in a healthy real estate market which continues to foster gains by raising property values.

The City has undergone a renaissance that can be surpassed by no other city of its size. This rebirth began in 1982 with the establishment of the Moccasin Bend Task Force which was developed as a result of the City's and County's initiative to determine the best use of 600-plus acres on the Moccasin Bend — a place where the Tennessee River bends back sharply to linger a while in Chattanooga. The scope of the project soon expanded to include a 22-mile Tennessee River corridor. With the guidance of a consulting firm, the Task Force forged the Tennessee River Park Master Plan — a 20-year commitment to use the river as a catalyst for increasing Chattanooga's livability, for improving the area's prospects for attracting new investment, and for initiating new development that included industry, retail, office space, housing, and attractions. A public participation program (Vision 2000) grew out of the Moccasin Bend Task Force that invited the entire community to set new goals for Chattanooga's future. The resulting 40 goals became the community's "Commitment Portfolio." Through cooperative efforts of both the public and private sectors, most of the goals were met by 1992 generating \$793 million of investment in the community and many major projects including the Tennessee Aquarium (the world's largest freshwater aquarium), Tennessee Riverpark, Walnut Street Bridge Renovation, Bessie Smith Hall, and Chattanooga Neighborhood Enterprise. Within eight years about 85 percent of the Vision 2000 goals were accomplished. Chattanooga still had lots of work to do so the community revisited its accomplishments and set new goals. The goals of ReVision 2000 emphasized the environment, education, training, and jobs. While the \$45 million aquarium anchors most of the dynamic area of downtown, signs of renewal are strong in almost every area of the city — expanding even beyond the downtown. The City has become known nationally for its efforts in providing affordable housing for low-income citizens and its electric shuttle system. Largely through the efforts of the Chattanooga Neighborhood Enterprises (CNE), progress is being made to

(Opposite top)

The Carousel at Coolidge Park was designed and built in 1985 by Gustav Denzel. It has been restored and fitted with 52 animals carved and painted by local and out-of-town sculptors, all students of Horsin' Around, a year-round carousel animal carving school located in Chattanooga.

(Opposite bottom)

Opening day festivities at Coolidge Park, located on the north bank of the Tennessee River between the Walnut Street and Market Street bridges.





bring people back downtown to live. Not only has CNE produced and financed over 600 units of affordable housing in the area for low income citizens but it has began efforts to stimulate the market for unsubsidized housing to demonstrate it can be profitable. Among these projects are the popular Riverset Apartments, the Ashford which lies north of the river and the restoration of the old Loveman's building at Eight and Market streets to be known as 800Town Center housing retail on the ground and 50 residential units above.

The City is well postured to enter into the new millennium. Many new projects are on the horizon that will enhance our economy through better schools, better jobs and a better community in which to live, work, and play. City leaders are not content to rest on its laurels but to keep the momentum for improvement going that has been started by our predecessors. Much attention is being focused on the south side of town for the near future.

The State has granted preliminary approval for a proposed tourism development zone (TDZ), which encompasses the heart of Chattanooga's downtown. The zone is comprised of three districts — the Aquarium/Ross's Landing District, the Central Business District and the Southside Redevelopment District. A convention and conference complex which includes four planned public use facilities is being proposed for the Southside Redevelopment District. The development will be supported by allocations of incremental increases in state and local sales and use tax revenues. The four facilities will contain more than 631,210 square feet and cost in excess of \$117.7 million. Private investments planned or completed since January 1998 total \$50 million. It is anticipated that the projected \$118 million public investment planned for the TDZ will leverage more than \$400 million in private investment by 2006.

The Southside Redevelopment District is an opportunity to create a model community by rebuilding the District's job base and revitalize housing opportunities. In the heart of the TDZ is the convention and conference complex that includes four public use facilities as follows:

Chattanooga-Hamilton County Convention and Trade Center Expansion — a 226,000 square feet addition to the successful Convention and Trade Center to enable the community to

(Opposite top)

The Tennessee Aquarium, completed in 1993, sparked a conflagration of urban renewal and revitalization that quickly swept through the city's entire downtown district.

(Opposite bottom)

More than two million visitors each year to the Tennessee Aquarium are treated to a wondrous insight into the aquatic world of our planet's intricate freshwater river systems.

attract more and larger conventions, meetings and trade shows. The expansion will more than double the size of the current facility, adding new exhibit space, meeting and banquet rooms. Cost: \$50 million.

Conference and Training Center — a new 208,210 square feet residential meeting facility designed specifically for the upscale conference center market. The

facility is targeted for small-to medium-sized groups of less than 250 people with 200 guest rooms and 27,000 square feet of fully equipped meeting room space. Cost: \$43.5 million.

Development Resource Center — a new facility that will exhibit improved efficiencies that can be achieved by utilizing best building practices in its own design and operation thus serving as a model for better ways to develop a sustainable community. This 85,000 square foot facility will be located one block from the conference and training center. Cost: \$11 million.

New Parking Facility — located between the conference and training center and the trade center, the 1,029 space new parking facility is designed to serve the needs of increased traffic in the convention and conference complex and replacement parking. Cost: \$10.8 million.

When construction on each project gets underway, it will constitute a concentrated \$117.7 million building boom unmatched here in decades. Investment in the four-block area bounded by Market, Carter, 11th and 13th streets will exceed the value of the Hamilton Place Mall and the Aquarium combined. These projects are an expression of the City's growing dynamism, optimism and progressive outlook. A city that invests in itself expresses vision and faith that it can make things happen. These projects, along with others, will attract interest in the city and generate economic growth that will spread benefits to the entire region. Mayor Kinsey, along with Tennessee's other urban mayors, played a significant role in the Legislature's creation of the special tax district financing plan integral to the Southside developments. The plan lets Chattanooga and other large Tennessee cities use sales tax growth downtown to finance investments in the designated districts.

Despite the global attention to Chattanooga's downtown and environmental successes, economic growth in Chattanooga trails most of the rest of the South. During the 1990s, Chattanooga has added jobs at only half the pace of the rest of the state. City officials have focused efforts on ways to reverse this trend of slow employment growth. The Chamber of Commerce was given the task to create more jobs when it drew oversight of economic development last year. The Chamber is preparing a new plan for a larger economic recruitment program, which includes expanded business financial support. One of the most recognized people in the country and possibly the world has been tapped to fashion a new job growth plan. He will identify the region's strengths and weaknesses and help devise a 3 to 5 year road map to create more jobs. Chattanooga has already shown signs of stronger economic growth as it continues to attract large industries such as AT&T, DuPont, Komatsu, America International, MG Industries, Wheland Foundries, Century Telephone and others who continue to make major financial investments in this community.

RiverValley, a public/private partnership, is now focusing entirely upon downtown renovation, including riverfront projects and renovation of the Southside. A \$200 million new retail and entertainment plan for downtown has been proposed that is expected to generate up to 1,800 new permanent jobs, \$6 to \$7 million in

focus on

human services department

EACH YEAR, WE FOCUS ATTENTION on the efforts of one department. The **Department of Human Services** has been selected as this year's focus.

The Human Services Department, headed by Bernadine Turner, seeks to improve the quality of life for poor and/or disadvantaged citizens by providing temporary assistance, mobilizing community resources, and encouraging self-help programs that will alleviate poverty conditions in the City. The department consists of four major divisions: Head Start, Social Services, Childcare and Childcare Broker Services. These divisions function collectively to provide an array of services that assist citizens in obtaining and maintaining a level of economic self-sufficiency.

While this department was incorporated as part of City government in 1990, it is celebrating its 34th year of existence as an agency. It began as the Chattanooga-Hamilton County Community Action Program in 1965 after Congress passed the Economic Opportunity Act in 1964. The purpose of the new act was to assist the poor and underprivileged by providing them an opportunity to help themselves and to serve the total community by aiding in developing the totality of its human resources.

The Human Services Department is deeply entrenched in its efforts to meet its mission. Guided by the concepts of Results Oriented Management and Accountability, the department seeks to measure and track its effectiveness by annually evaluating its ability to meet the six national goals established by the Office of Community Services. These goals are as follows:

- Assist low-income citizens so that they may become more self-sufficient
- Improved living conditions for low-income citizens
- Enable low-income citizens to own a stake in their community



Bernadine Turner, *above*,
Administrator of
Chattanooga's Human
Services Department

- Formation of partnerships among supporters and providers of services to low-income citizens
- Increase capacity of agencies to achieve results
- Enable low-income citizens, especially vulnerable populations, to achieve their potential by strengthening family and other support systems

Programs currently operated by the department to improve the quality of life for citizens in the Chattanooga/Hamilton County area include the Low-Income Home Energy Assistance Program (LIHEAP), the Winterization Assistance Program (WAP), the Community Services Block Grant (CSBG) Program, Child Care Broker Services Program, Head Start and a child care center. During the past year the department served over 4,500 families through these programs.

The Social Services Division is the heart and soul of the Human Services Department. This division administers the Community Services Block Grant Program, the Child Care Program and

other federally funded programs. Emergency assistance and self-sufficiency activities were provided to over 2,100 families to assist them in maintaining a stable quality of life. Childcare services were provided to approximately 175 children as part of the Child Care Program. This program concentrates on serving parents who are working or in school. Other programs providing services in this division include the LIHEAP whereby 2,969 households received assistance with their energy bills, the WAP where 256 houses were brought up to the Department of Energy's weather conservation standards, HUD Housing Counseling Program which assisted 176 families in maintaining ownership of their homes, and Family Neighborhood Centers which served as a point of community contact and involvement on more than 5,000 occasions for residents in the Harriet Tubman and McCallie Homes Housing Development. Commodity food was provided to 11,100 households under the Tennessee Energy Food Program. The Summer Lunch Program that served over 103,000 meals during a 10-week period was cited by the State as achieving the highest level of participation, based on the number of eligible children and the number of children reached, of any state program in the State of Tennessee.

The Child Care Broker Services Program, which is an integral part of the Tennessee's Families First Program, provides childcare payments or assistance to approximately 5,680 children representing 3,051 families.

The Head Start Program has been designated by the United States Department of Health and Human Services as a "A National Program of Achievement". This program served 802 children, starting as early as eight weeks old up to age five and their families. While educational development is its major emphasis, the family and community partnerships, the early childhood development and health services activities serve to strengthen the inner core of the family and offer a hand up in the family's journey toward self-sufficiency. The Human Services Department's success is largely attributed to a dedicated effort to involve the targeted population in its activities. To this end, the department recruits and maintains a volunteer cadre that assists the paid staff in many program activities. The department operates on the premise that for Chattanooga to reach its fullest potential, every citizen must be able to meet their fullest potential. With this goal in mind all efforts are about "people helping people help themselves."

The department's operating budget for the current fiscal year is \$10.7M; of which \$9.3M is from federal and state grants. The remaining \$1.4M is a general fund subsidy. The department employs 209 full-time and 76 part-time employees. ■

additional sales taxes and \$1 million in added property taxes. The plan includes \$82 million in retail development and the remainder in office and housing development.

Among the plan's major elements are an urban retail and entertainment center, a 20,000 square-foot public market, a southern heritage exposition and museum, crafts bazaar, southside auction house for antiques and collectible and a heavy dose of residential construction, especially apartments built on what are currently Provident parking lots.

Coolidge Park, (encompassing 10-acres), is the latest addition to the Tennessee Riverpark (a 22-mile public park along the Tennessee River). The park is named in honor of Charles Coolidge, a World War II veteran who five decades ago was awarded the Medal of Honor. Located on Chattanooga's North shore waterfront, the park's 3-row vintage carousel, designed by Gustave Denzel and built in 1895, was restored and fitted with 52 animals carved and painted by local and out of town sculptors. As with many of the projects that are part of Chattanooga's renaissance, Coolidge Park is a shining example of the public and private partnerships that exists here. Three local foundations provided more than 70 percent of the funding or over \$5 million for the park's development. This park joins the many other developments along the Tennessee River such as the Tennessee Aquarium, the Max Finley Stadium/Gordon Davenport Field, the Children's Creative Discovery Museum, the IMAX, and the Bijou Theatre, along with dozens of restaurants and retail shops.

The Chattanooga Lookouts played their final game at the 70-year old Engel Stadium in September. The new \$8-10 million, 6,000-seat facility (BellSouth Stadium) is scheduled to open in March, 2000. The new minor league baseball stadium is being built on Hawk Hill located on the north shore of the river near the aquarium.

Hamilton Place Mall, Tennessee's largest, and now in its twelfth year of operation remains a magnet for millions of people. The 1.4 million-square-foot mall has reeled in tourist and locals with a savvy 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 15 million visitors a year. Sales at Hamilton Place have grown steadily over the past decade and now average 30 percent above the national average for regional malls. That success has quickly spilled across Gunbarrel Road and Interstate 75. The number of businesses and amount of traffic in the mall area has more than doubled over the past decade.

The City has completed an inventory of computer systems and other electronic equipment that may be affected by the Y2K issue. All stages of work necessary to address this issue have been completed. However, because of the unprecedented nature of the Y2K issue, its effects and the success of related remediation efforts will not be fully determinable until the Y2K and thereafter.

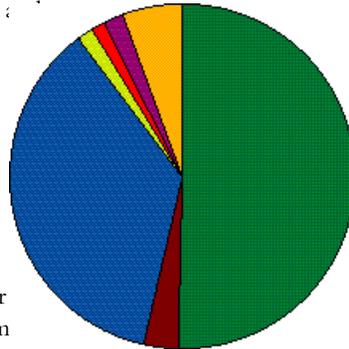
The City's two biggest local revenue sources are sales and property taxes. The local option sales tax rate is 2.25 percent (1.75 percent county-wide and .5 percent city only). The additional revenues generated by the .5 percent city only sales taxes are earmarked for schools and economic development. Following two successive reductions the property tax rate has remained at \$2.31

per \$100 assessed valuation for the past two years. The City Council continues to support major initiatives to meet citizens' demands for services and comply with applicable federal and state mandates. In addition to the operating budget, over \$32.4 million was appropriated for major initiatives. In response to the citizen's desire for improved recreational facilities the City has begun implementation of "RECREATE2008", a 10-year, \$65 million plan to upgrade the City's parks and playgrounds. The capital budget included the largest appropriation (over \$16.2 million) for parks and recreation in the City's history with over \$13 million for the construction of three super recreation centers in the Brainerd, Hixson and South Chattanooga areas. Additional appropriations were made for the purchase of fire apparatus and land for a new fire hall to be located downtown (\$2M), purchase of 100 new police vehicles and other equipment (\$2.9M), paving and street improvements (\$4.2M), Coolidge Park construction (\$1.2M), renovation of council chambers (\$1.6M) and various other miscellaneous projects. The Council and the Mayor continue their commitment to safe schools, police protection, better housing, a safer environment, improved quality of life for all Chattanooga. The yearlong campaign to take over the water company by right of eminent domain ended with the City Council's unanimous approval of a settlement proposal between the City and the Tennessee-American Water Company on October 26. Under the proposal the water company will lower fire hydrant fees for Chattanooga's 4,000 hydrants from \$301.50 per hydrant to \$50 per hydrant or a saving of \$1 m

able. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded as liabilities when incurred. The accrual basis of accounting is utilized for the Proprietary Funds and Pension Trust Funds. In developing and evaluating the City's accounting system, careful consideration is given to the adequacy of internal accounting controls. Internal

(Opposite top)
 The Riverpark provides Chattanooga plenty of opportunities for rest, recreation and exercise along the Tennessee River's south bank.
 (Opposite bottom left)
 Contemporary sculpture in gardens of the new Chattanooga Theater Center, located adjacent to Coolidge Park.
 (Opposite bottom left)
 The floating main stage at Chattanooga's annual Riverbend festival serves audiences on the bank and on the river.

absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance requires evaluation and judgment by management in order to determine if the cost of control exceeds the benefits likely to be derived. In conjunction with the system of internal control, the City has an office of internal audit which provides support in reviewing and appraising existing accounting



REVENUES	1998 AMOUNT*	1999 AMOUNT*	PERCENT % OF TOTAL	INC (DEC) FROM 1998 AMOUNT*	PERCENT
Taxes	\$ 84,794	\$ 86,866	50.38	\$ 2,072	2.44
Licenses and permits	5,483	5,593	3.24	110	2.01
Intergovernmental	59,385	62,245	36.10	2,860	4.82
Charges for services	2,365	2,641	1.53	276	11.67
Fines, forfeitures and penalties	1,806	2,143	1.24	337	18.66
Investment earnings	3,086	3,259	1.89	173	5.61
Miscellaneous	6,417	9,660	5.60	3,243	50.54
TOTAL REVENUES	\$163,336	\$172,407	100.00	\$ 9,071	5.55

*Dollar amounts expressed in 1,000

Table 1

lion, from about \$1.2 million to \$200,000 a year. Any decision to provide water to Atlanta must be approved by the public and the water company. The proposal is subject to the approval of the Tennessee Regulatory Agency.

Accounting System and Budgetary Control

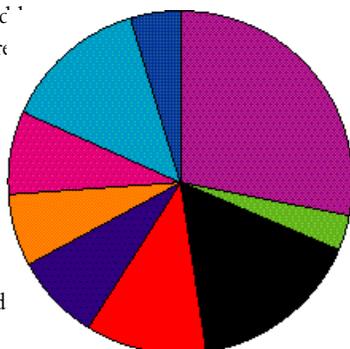
THE CITY'S FINANCIAL RECORDS for General Governmental Funds and Expendable Trust and Agency Funds are maintained on a modified accrual basis of accounting. Under this method of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and avail-

and management controls and ascertaining compliance with existing plans, policies and procedures. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The City administration annually prepares a plan of services for the upcoming fiscal year and the estimated cost of providing these services. This plan is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. Upon adoption of the annual budget ordinance by the Council, it





becomes the formal budget for City operations. After the budget ordinance is adopted, the Council can increase the budget only if actual receipts exceed the estimates or from accumulated surplus in the amount of an unexpended appropriation from the previous fiscal year. Budget control is maintained by recording encumbrances as purchase orders are written. Financial reports, which compare actual performance with the budget, are prepared monthly and presented to the Council, allowing the Council to review the financial status and measure the effectiveness of the budgetary controls. Open encumbrances are reported as reservations of fund balance at June 30, 1999. All unencumbered and unexpended appropriations lapse at year-end.



revenue. Investment earnings increased by \$172,477 or 5.61% due to higher interest rates and larger amounts of cash available from unspent city-only sales taxes. Fines, forfeitures and penalties and charges for services increased by 18.66% and 11.67% respectively. Fines were up by \$337,122 largely due to increased number of tickets issued for traffic violations. Charges for services increased by \$275,680 due to court cost associated with increased traffic tickets (\$90,873) and an increase in the number and amount of fees being paid for recreational activities such as golf and other special recreation events (\$180,000). Changes in levels of expenditures for major actions of the City over the preceding year are

EXPENDITURES	1998 AMOUNT*	1999 AMOUNT*	PERCENT % OF TOTAL	INCREASE (DECREASE) FROM 1998 AMOUNT*	PERCENT
General government	\$ 43,861	\$ 45,086	28.45	\$ 1,945	4.43
Finance and administration	5,102	5,348	3.32	246	4.82
Police	24,703	25,864	16.06	1,161	4.70
Fire	18,597	18,235	11.33	(362)	(1.95)
Public works	12,506	13,013	8.08	507	4.05
Parks and recreation	9,795	10,855	6.74	1,060	10.82
General services	11,800	12,597	7.82	797	6.75
Capital outlay	21,514	21,800	13.54	286	1.33
Debt service	8,176	7,478	4.64	(698)	(8.54)
TOTAL EXPENDITURES	\$156,054	\$160,996	100.00	\$4,942	3.17

*Dollar amounts expressed in 1,000

Table 2

General Government Functions

TABLE 1 (PAGE X) PRESENTS A summary of General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund revenues for the fiscal year ended June 30, 1999, and the amount and percentage of increases or decreases in relation to the prior year. Revenues in 1999 for all Governmental Fund types totaled \$172,407,338 in 1999, an increase of 5.55 percent over 1998. The largest dollar-value increase in revenues is in the miscellaneous category. This \$3,243,641 or 50.54 percent increase is primarily due to the inclusion of \$3,557,273 in donations from private foundations for the construction of Coolidge Park. The \$2,860,945 or 4.82% increase in intergovernmental revenues is mostly due to a \$1,601,260 or 5.3% increase in state income tax and state and county-wide sales taxes along with a \$533,506 Tennessee Emergency Management Agency (TEMA) grant that was not included in the prior year's

presented in Table 2 (above). An analysis of expenditures shows an increase of 3.17 percent over the previous year. This increase is primarily due to a 10.82 percent or \$1,059,297 increase in Parks & Recreation and a \$1,945,276 or 4.43 percent increase in general government. The increase in Parks & Recreation is due to enhancements resulting from implementation of the RECREAE2008 plan. General government expenditures increased primarily due to increased level of efforts in the human services department (\$605,514), economic development (\$402,838), law enforcement planning programs (\$360,972), and a \$163,249 increase in library expenditures. The 6.75 percent or \$791,996 increases in General Services is mainly due to an increase in employee health care costs. All other increases can be largely attributed to the implementation of a new pay plan whereby all city employees received an average of 6 percent increase in pay. The overall increase in expenditures was offset by a reduction in expenditures for the Fire and Debt Service. The \$361,992 (1.95 percent) reduction in Fire Department expenditures is due to a reduction in the required pension contribution rate from 20 percent to 12 percent effective July 1, 1998. Debt service reduction of \$697,304 (8.54 percent) is due principal retirement of debt. Fund balances reflect the accumulated excess of revenues and other financing sources over expenditures and other uses of general governmental functions. Of the total general fund balance at

From bluegrass to soul,
Chattanoogans are lovers of
music from every genre.

(Opposite top)

A bluegrass band weaves rhythm
and harmony in the shadow of
the Walnut Street bridge at
Coolidge Park.

(Opposite bottom)

Appreciative revelers crowd one
of several stages erected along
Martin Luther King Boulevard
each year for the wildly popular
Bessy Smith Strut.

June 30, 1999, \$7,094,559 is designated for subsequent year's expenditure. The undesignated portion of the General Fund balance is necessary for the City to operate on a responsible financial basis. The current year's budget included a \$6.2 million appropriation from fund balance for one-time capital expenditures. Income from operations exceeded expectations by more than \$3,151,000 resulting in a reduction in general fund balance of only \$3,463,073 or 7.7 percent. A ten-year analysis of the growth in fund balance is shown in Table 3 (below).

Debt Administration

THE CITY IS AUTHORIZED to issue general obligation bonds for capital projects. 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 10 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. The City Council is also authorized to issue revenue bonds to finance capital improvements for its various enterprise activities. The City entered into a Loan Agreement with the Tennessee Municipal Bond Fund on February 10, 1997 whereby a line of

credit was established for up to \$7,908,000 for various general government capital projects. At June 30, 1999, the City had drawn down funds totaling \$4,694,640. During the past year, the City also entered into a loan agreement with the Georgia Environmental Facilities Authority for a line of credit not to exceed \$6,976,000 for the purpose of expanding sewers in northwest Georgia. As of June 30, 1999, the City had drawn down funds totaling \$4,246,079.

DEBT RATIOS	AMOUNT (1000s)	DEBT TO ASSESSED RATIO	DEBT PER CAPITA
Net direct debt <i>(excluding self-supporting debt)</i>	\$44,852	1.72%	\$304
Estimated overlapping debt	98,505	3.78%	666
Net direct and estimated overlapping debt	\$143,357	5.50%	\$972

Table 4

At year-end, the primary government and its component units had a number of debt issues outstanding. These issues included \$237,505,962 in general obligation debt, of which revenues from the City's Enterprise Funds support \$190,087,672. The primary government has no revenue bonds outstanding at year-end. Total revenue bonds outstanding for the Metropolitan Airport Authority at June 30, 1999, is \$12,372,364.

The City's bond rating was upgraded to an "AA" by Standard & Poor's in 1998. Increasing diversity in the economy, a stable tax base and sound financial performance are reasons cited for the upgrade. The City has maintained an "AA" rating by Fitch Investors Service.

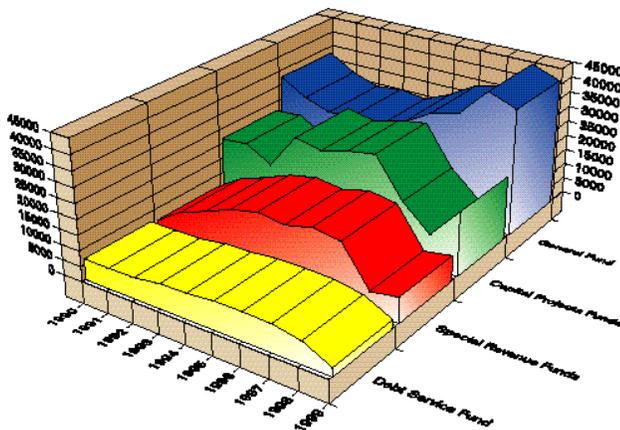
The ratio of net indebtedness to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. Table 4 (above) provides this information as of June 30, 1999.

Cash Management

THE CITY STRIVES TO KEEP ABREAST of current trends and procedures for cash management and forecasting so as to ensure efficient and profitable use of the City's cash resources. State statutes, however, restrict the City's ability to incorporate as policy many investment methods. Cash temporarily idle during the year is invested in commercial banks and savings and loan certificates of deposit as well as various instruments guaranteed by the United States Government. These instruments have terms ranging from one week to one year. Cash idle for a longer period of time is invested in longer-term government securities.

Risk Management

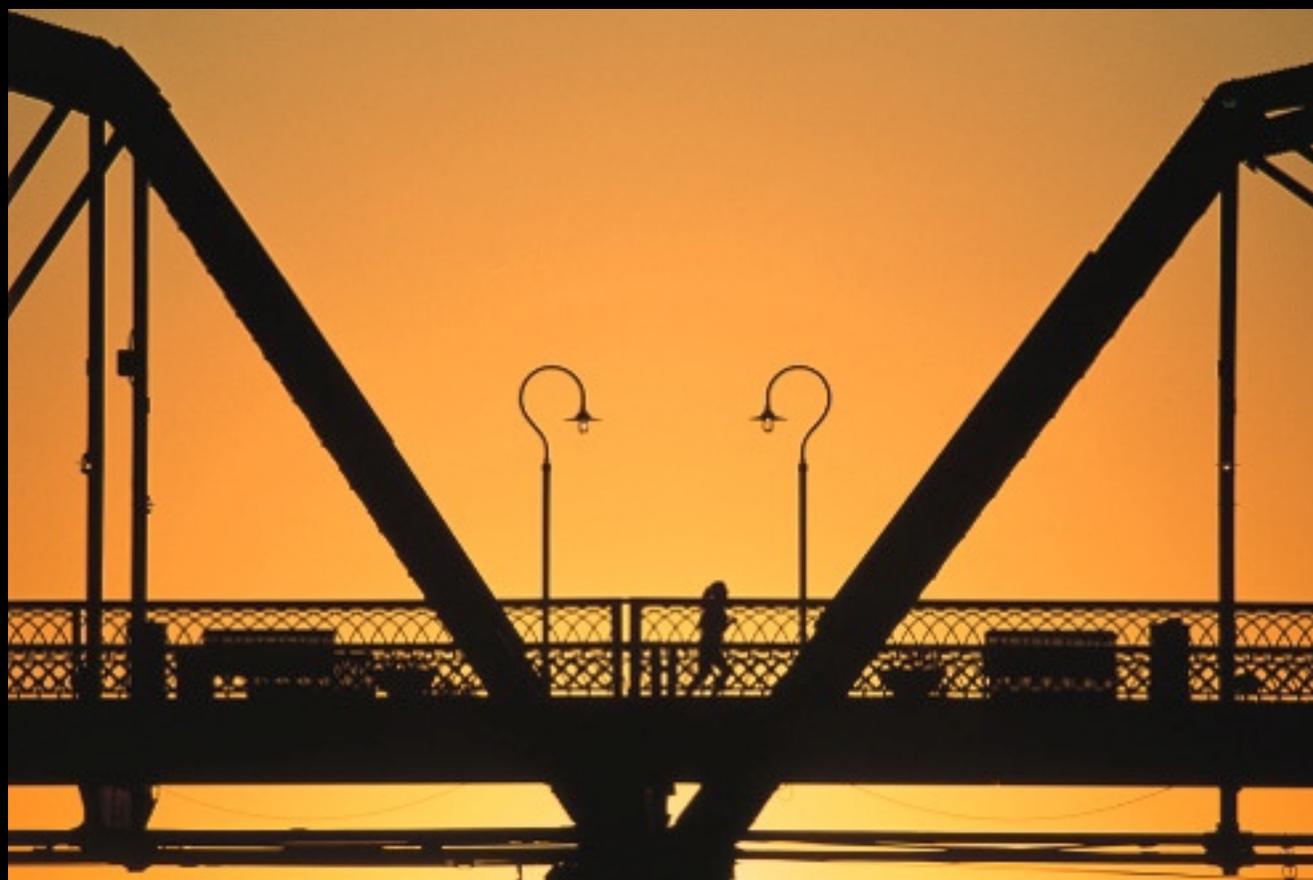
THE CITY MANAGES EXPOSURE to risk of loss through several methods. Such methods include contracts with commercial carriers for property insurance, surety bond coverage of officials and employees, and commercial liability coverage for specified situations. The City assumes the risk of loss for gen-



	GENERAL FUND	CAPITAL PROJECTS FUNDS	SPECIAL REVENUE FUNDS	DEBT SERVICE FUND
1990	\$32,566	\$21,626	\$6,002	\$6,704
1991	27,526	22,378	11,484	6,697
1992	24,603	17,509	14,509	6,834
1993	25,589	29,204	17,931	8,063
1994	24,349	27,373	19,779	8,269
1995	28,193	29,744	18,561	9,129
1996	33,470	31,212	20,677	9,128
1997	35,599	18,536	19,242	8,803
1998	44,884	10,528	6,622	7,126
1999	41,421	20,708	8,126	2,567

Table 3

*Dollar amounts expressed in 1,000s



eral liability not covered by commercial carriers. To minimize its losses, the City has implemented various risk control techniques such as safety inspections and safety training classes. As part of the City's risk management program, resources are being accumulated in an Internal Service Fund to meet potential losses relating to general liabilities and tort claims. Reserves are accumulated in the General Fund to meet potential losses for all other exposures.

Retirement Plans THE CITY PROVIDES RETIREMENT benefits through three single-employer defined benefit pension plans that 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 Firemen and Policemen. Each plan also has its own consulting actuary. Table 5 (below) shows the amount of unfunded actuarial accrued liability (UAAL) in thousands at June 30, 1999.

PENSION PLANS

	UAAL	Funded Ratio
General	(\$19,675,485)	117.90%
Firemen and Policemen	(2,225,200)	101.33
Electric Power Board	(5,355,000)	113.94

Table 5 *Dollar amounts expressed in 1,000s

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.

Enterprise Operations THE CITY MAINTAINS FOUR ENTERPRISE OPERATIONS as part of the primary government. Combined total assets at June 30, 1999, and operating revenues for the fiscal year were \$722.1 million and \$378.6 million, respectively. A brief discussion of the major operations follows:

The Electric Power Board, a separate administrative agency of the government, exercises 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 (587 square miles). It accounts for 88.4 percent of total Enter-

(Above)
A golden sunset silhouettes a lone runner crossing the Tennessee River on the elegantly restored Walnut Street Bridge. The structure is the world's longest pedestrian bridge and connects the BluffView district on the river's south bank with Frazier Avenue and Coolidge Park on the north bank.

prise Fund operating revenues and reported a net income of \$11.1 million for the year ended June 30, 1999. The Interceptor Sewer System of the City provides water and 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, has 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 \$273.6 million in 1999. The department accounts for more than 49.4 percent of total Enterprise Fund assets and reported a net income of \$9.5 million for the year ended June 30, 1999.

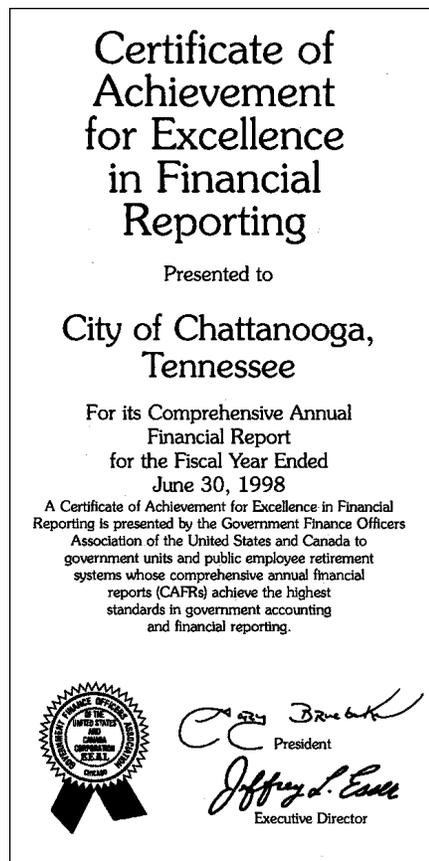
The Solid Waste/Sanitation Fund was established in accordance with state mandate. This fund accounts for the operations of the City's landfill. Landfill fees are charged commercial customers for use of the landfill, while the cost of City landfill needs are financed through a General Fund subsidy. An aggressive capital program has been launched to meet landfill requirements set by the state and federal governments. This program is estimated to cost \$38.5 million over a ten-year period.

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.

Awards of Achievement

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, 1998. This was the seventh 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 report must satisfy both generally accepted accounting principles and applicable legal requirements.



A Certificate of Achievement is only valid for a one-year period. 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 the fiscal year beginning July 1, 1997. 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.

Independent Audit

TENNESSEE STATE law requires an annual audit of the financial records and transactions of all City functions by independent certified public accountants selected with the approval of the Mayor and City Council. This requirement has been complied with and the financial statements have received an "unqualified

opinion" from the auditors. Such an opinion indicates there was no limitation on the scope of the auditor's examination, and the financial statements were prepared in accordance with generally accepted accounting principles.

Acknowledgements

THE PREPARATION OF THIS report could not have been accomplished without the professional, efficient, 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 operations of the City in a responsible and progressive manner.

Respectfully submitted,


 James S. Boney, Administrator

city officials as of june 30, 1999

Jon Kinsey, Mayor

city council:

John M Lively, Chairman, District 1

Yusuf A Hakeem, Vice Chairman
 Dave Crockett
 Don Eaves
 Mai Bell Hurley

District 9
 District 3
 District 4
 District 2

Leamon Pierce
 Marti Rutherford
 John P Franklin, Jr
 John Taylor

District 8
 District 6
 District 5
 District 7

courts

Richard M Dyer
 Walter F Williams

City Court Clerk
 City Court Judge

division and department heads

LEGAL
 LEGISLATIVE
 PERSONNEL
 NEIGHBORHOOD SERVICES
 HUMAN SERVICES

 GENERAL SERVICES

 PARKS & RECREATION

 PUBLIC WORKS

 POLICE
 FIRE
 FINANCE & ADMINISTRATION

Randall Nelson
 Carol O'Neal
 Donna Kelley
 Moses Freeman
 Bernadine Turner
 Tommie Pruitt
 Rayburn Traughber
 George Morgan
 Jerry Mitchell
 Larry Zehnder
 Jack C Marcellis
 Beverly P Johnson
 Chief Jimmie L Dotson
 Chief Jim M Coppinger
 James S Boney
 Daisy W Madison

City Attorney
 Clerk of the Council
 Administrator
 Administrator
 Administrator
 Deputy Administrator
 Administrator
 Deputy Administrator
 Administrator
 Assistant Administrator
 Administrator
 Deputy Administrator
 Administrator
 Administrator
 Administrator
 Deputy Administrator

Donald Bain
 Brian Smart
 Presciosa Goduco
 Carl E Levi
 Mark J Keil
 Ron Martin
 Sandra Gober
 Andy Jones
 Ronald Farris
 Brian Kiesche
 Tracey Clarke
 Donald B Young
 Henry E Brooks
 Eugene Wright
 Phillip Lynn
 John Van Winkle
 Harold E DePriest
 Jane McFarland
 Hugh Davis
 Ann Coulter
 Robert H Colby
 Carolyn Skipper

Assistant Finance Officer
 Director, Financial Operations
 Interim Director of Internal Audit
 Treasurer
 Director, Information Services
 Director, Purchasing
 Director, Community Development
 Facilities Maintenance
 Electronics Shop
 Fleet Maintenance
 Risk Management
 Director, Codes and Inspection
 Director, City Wide Services
 Director, Waste Resources
 City Engineer
 Traffic Engineering
 President and CEO, Electric Power Board
 Director, Chattanooga-Hamilton County Bicentennial Library
 President, Metropolitan Airport Authority
 Director, Planning Commission
 Director, Air Pollution Control
 Director, Scenic Cities Beautiful Commission





chattanooga
organizational
chart

