

november 7, 2000

mayor's

to the members of the city council,

letter

and the citizens of chattanooga, tennessee:

It is with great pleasure that I present to you the Comprehensive Annual Financial Report for the City of Chattanooga for the year ended June 30, 2000. This report will demonstrate that the City remains in a very strong financial position while continuing to invest heavily in its communities and neighborhoods.

Chattanooga has been very innovative in its approach to ensuring economic growth for the area. Through cooperative efforts between the public and private sectors, we have experienced unprecedented growth over the past decade. Major projects are underway which will ensure even greater prosperity for all Chattanoogaans while maintaining an environment that is conducive to family and community life. The value of building permits issued during the past year of over \$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.

Evidence of the city's growth and vitality is everywhere. It can be seen downtown as well as in neighborhoods. For the first time in decades the number of residential permits issued in the city exceeded those issued in the County – an indication that people see Chattanooga as a good place to live, work and play. Construction is booming all over the area. Residential construction is joined by over \$117.7 million of commercial and industrial construction underway on the southside. This includes the three projects in the Tourist Development Zone made possible by financing through incremental state sales tax made available under the Tourist Development Financing Act. The City was also successful in obtaining a \$35 million HOPE VI grant from the Department of Housing and Urban Development which will anchor a \$159 million project to replace Spencer J. McCallie Homes and revitalize the surrounding Alton Park neighborhood. Purchase of 940 acres of



PHOTO BY DAN REYNOLDS

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VAAP property by the City and County was finalized in October which paves the way for large industrial development in the area.

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. I am confident that through the strong progressive leadership the city enjoys, we will remain a city that is known on a national level as one of the best mid-sized cities in America.

Sincerely,

A handwritten signature in blue ink that reads "Jon Kinsey". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jon Kinsey, Mayor

chattanooga city council



Yusuf A. Hakeem District 9 Chairman of the Council



John Lively District 1



Dave W. Crockett District 3



Don Eaves District 4



John P. Franklin, Jr. District 5



Mai Bell Hurley District 2
Vice Chairman of the Council



Marti Rutherford District 6



John Taylor District 7



Leamon Pierce District 8

PHOTOS BY DAN REYNOLDS





City of Chattanooga

DEPARTMENT OF FINANCE AND ADMINISTRATION
CITY HALL ANNEX

Chattanooga, Tennessee 37402

PHONE: (423) 757-5290 • FAX: (423) 757-0525

Jon Kinsey
Mayor

James S. Boney
City Finance Officer

november 3, 2000 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, 2000. 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 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



Daisy W. Madison, Deputy Finance Officer

PHOTOS BY DAN REYNOLDS



James S. Boney, Finance Officer

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.

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PHOTO COURTESY TN PHOTO SERVICES

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 145,700. 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 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 established by state statute.

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, 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 unprecedented low unemployment rate, which stands at 3.0 percent as of June 2000. This is comparable to the national unemployment rate of 4.2 percent and the state rate of 3.9 percent. Retail sales rose 4.0 percent over 1998. Our economy is experiencing steady growth as indicated by a 3.0 percent increase in the value of commercial construction and a 15.9 percent increase in residential construction over 1998 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. The scope of the project soon expanded to include a 22-mile Tennessee River corridor 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. Through cooperative efforts of both the public and private sectors, over \$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 was realized. The first new office building in the heart of the downtown business district is being constructed in the block bordered by Broad St., M.L. King Blvd., and Market St. Plans are also separately underway to add parking spaces within the same block. Within eight years about 85 percent of the goal set forth in the Master Plan 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.

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. There have been 750 thousand visitors to the park in the past year. 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. There have been over 300 thousand riders in its first full year of operation. 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

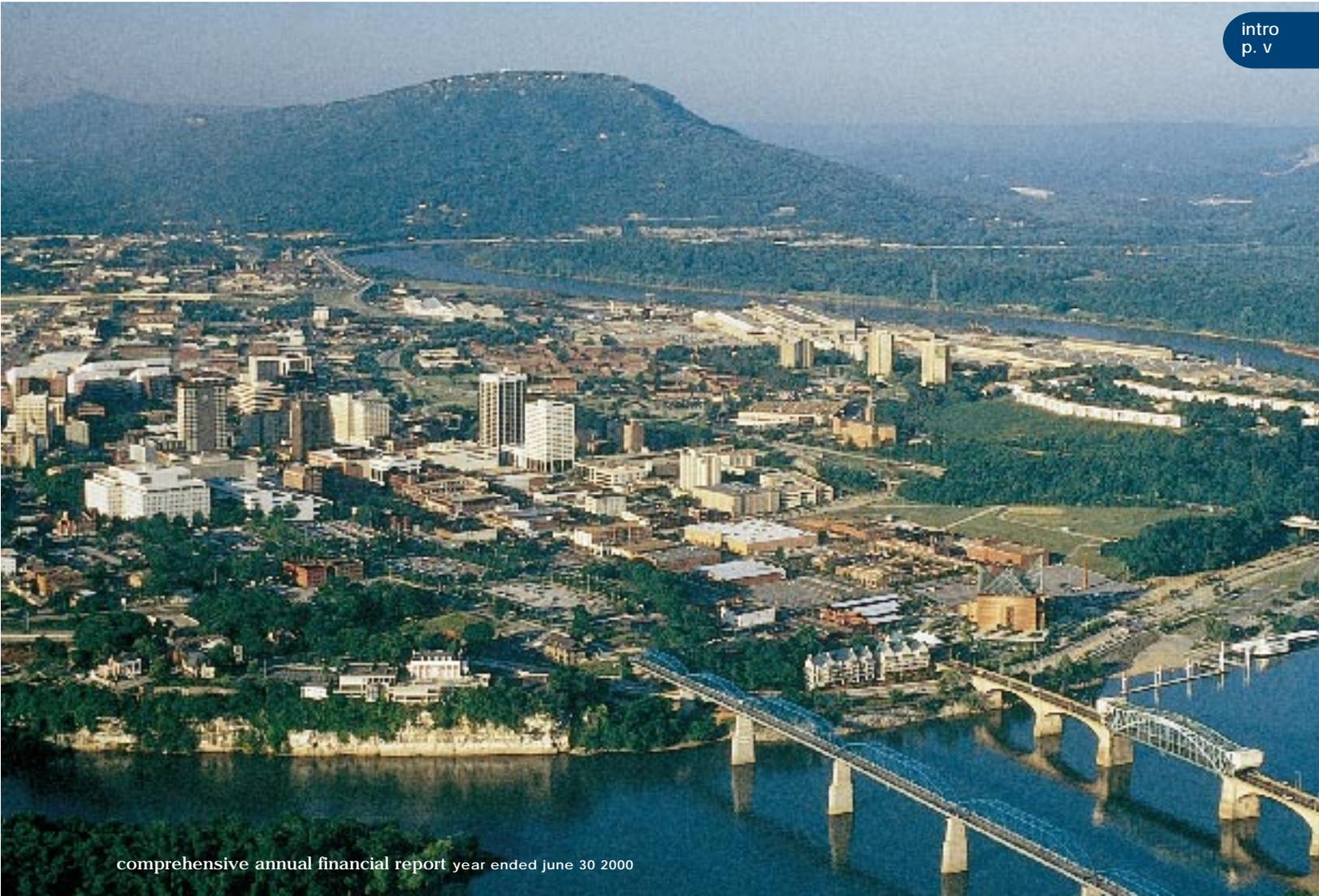
The City is well postured to enter into the new millennium. Many new projects are on the horizon that will enhance our economy through better schools, better jobs and a better

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 approval and the City has already begun development of a Tourist 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 currently under construction in 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 \$117.7 million public investment planned for

PHOTO COURTESY TN PHOTO SERVICES

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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 foot addition to the successful Convention and Trade Center to enable the community to 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

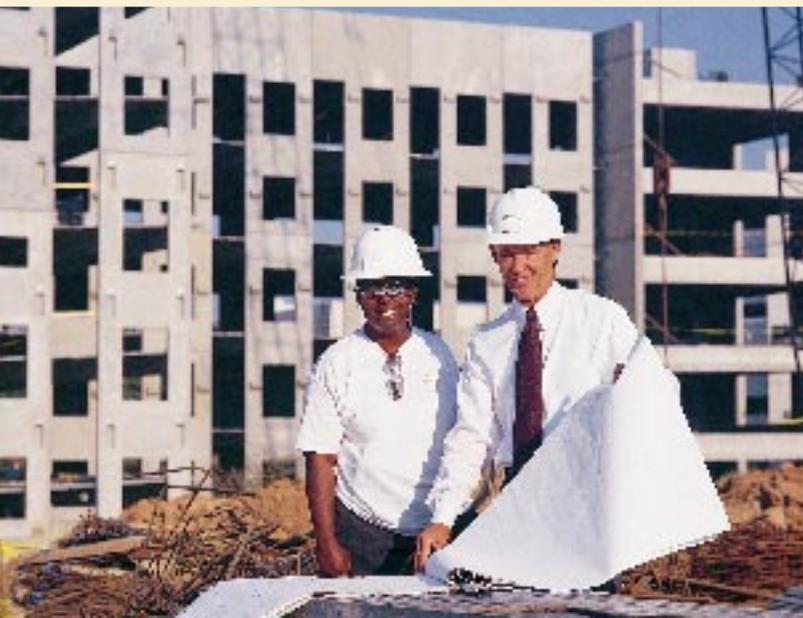


RENDERING BY AP DIGITAL STUDIO AND CROXTON COLLABORATIVE ARCHITECTS



(above) **Development Resource Center** – Currently under construction with an anticipated completion date of November 2001.

(below) Site of the new **Conference and Training Center** and the new **Parking Facility**.



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 feet 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 new 1,029-space parking facility is designed to serve the needs of increased traffic in the convention and conference complex and replacement parking. – Cost: \$10.8 million.

These projects 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 Tennessee 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.

Chattanooga Neighborhood Enterprise completed the first phase of its \$3 million housing development in the Southside area. This development offers homes and townhouses, ranging in price from \$100 – \$150 thousand. This represents the first new significant housing development in the area.

In addition to these successes, the City has been awarded a 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. The City is one of 18 cities across the country to receive HOPE VI grants to redevelop public housing and one of 10 cities to receive the full \$35 million allowed by HUD. The HOPE VI projects replace the kind of public housing that should never have been built in the first place, according to the HUD Secretary.

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. The HOPE VI plan includes day care, retail stores, park spaces, a community center expansion, a police precinct and financial assistance for building and buying new homes. The two plans work together; the Alton Park master plan outlines community priorities, such as more single family homes, while the HOPE VI plan provides a blueprint for financial planning and partnerships to get there. The grant will fund the demolition of the mid-1950s project and rebuild 360 units in Alton Park and 75 in other neighborhoods. In addition, 141 vouchers for the Section 8 Rental Subsidy Program will enable families to relocate in St. Elmo, the Martin Luther King District and other neighborhoods. The plans also include a town center to be built on 38th Street with health, day care, community, and senior centers, offices, as well as business incubator and retail space. A warehouse distribution center is to be developed along a new truck route to be created at the eastern edge of the

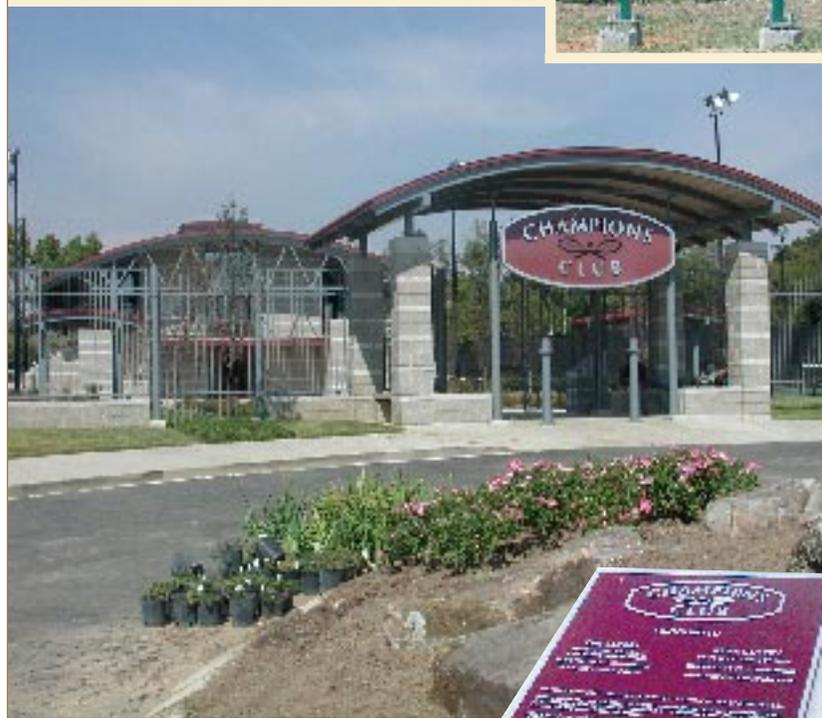
McCallie Homes site all the way to 38th Street and Central Avenue. Expansion of the SafeWalk from McCallie Homes to Emma Wheeler Homes and creation of a new greenway along the banks of Chattanooga Creek are also part of the plan.

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

Champions Club – This new addition to Rivermont Park adds 21 new tennis courts to the existing 6 courts. There are 4 tournament level courts with grandstands, a clubhouse and pro shop.



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Annual Riverbend Festival held at Ross's Landing

PHOTO BY DAN REYNOLDS

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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.

The economic growth possibilities of the City received a boost with the recent purchase by the City and Hamilton County of a portion of the old Volunteer Army Ammunition Plant site. The \$7.5 million investment provides a 940-acre tract, located within 2 miles of Interstate 75, approximately 700 acres of which can be made available for industrial development almost immediately. This is the largest block of land available within the city limits in several decades. Infrastructure is in place to support a wide range of manufacturing and industrial uses. The entire site exceeds 6,000 acres, and efforts continue to acquire the remaining portions for industrial and recreational uses. The U.S. Army has agreed to maintain responsibility for the cleanup of any environmental damage to the land on the entire site, which was used to manufacture TNT from World War II through the Viet Nam War.

RiverCity Co., 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 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 collectibles and a heavy dose of residential construction, especially apartments built on what are currently Provident parking lots.

The Chattanooga Lookouts played their final game at the 70-year old Engel Stadium in September 1999. The new \$10 million, 6,157-seat facility (BellSouth Park) opened on April 1, 2000. The new minor league baseball stadium is located on Hawk Hill 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 brought in many tourists 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. CBL and Associates, the mall's owner and developer of major retail space nation wide, has begun development of a multi-acre site on the south perimeter of the mall. Phase I is the construction of their new national headquarters office building.

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 1/2 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 three years.

The City's capital initiatives reflect its continual commitment to economic development and long term sustainability of the City. In addition to the operating budget, over \$148 million was appropriated for major initiatives. Included in this amount is \$117.7 million funding for projects in the Tourist Development Zone which

are discussed above. These projects will be financed with funding provided under the Tourist Development Financing Act and 1/4 percent of the city only sales tax. Other major initiatives include \$9.1 million for continued implementation of the RECREATE2008 plan which is a 10-year, \$65 million plan to upgrade the City's parks and playgrounds; \$10.8 million for various public works projects such as paving, street improvement, curbs, gutters and sidewalks, downtown streetscape, etc.; \$4.5 million for fire station construction and improvements, fire vehicles and other equipment; \$4.5 million for police fleet replacement, building renovation and miscellaneous equipment; \$1.3 million other miscellaneous items including \$507,000 for CARTA buses, and \$150,000 start up cost for the second division city court. The Council and the Mayor continue their commitment to safe schools, police protection, better housing, a safer environment and improved quality of life for all Chattanoogaans.

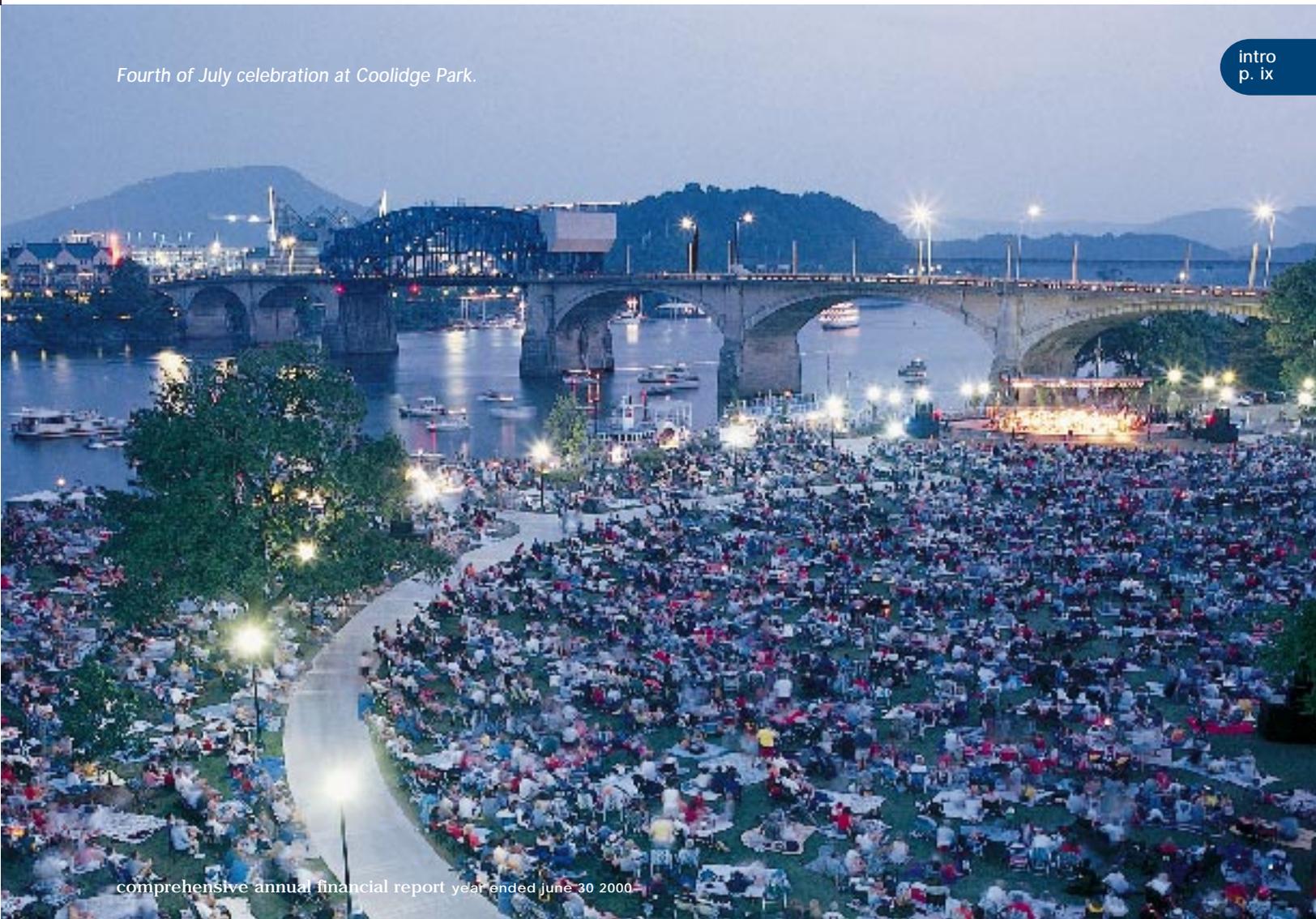
Department Focus

Each year, we focus attention on the efforts of one department. The Fire Department has been selected as this year's focus.

PHOTO BY DAN REYNOLDS

Fourth of July celebration at Coolidge Park.

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focus on chattanooga's

fire

committed to providing the citizens of Chattanooga

department

with the highest level of fire service

Each year we focus attention on the efforts of one department. The Chattanooga Fire Department has been selected for this year's focus.

The Chattanooga Fire Department began as a volunteer fire department in 1871 with 105 male volunteers. In 1883, the department went from all volunteer to part volunteer, part paid. The year 1886 saw the introduction of the Gamewell System of Fire Alarm Telegraph. In 1911, the department entered the motorized age and by 1917 all horse-drawn steamer engines had been replaced by the new gas powered engines. During this same period came the development of the department's first chemical response company and the introduction of the platoon system. Firefighters worked shifts of 15 days and then 15 nights, working twelve-hour shifts so that the city had 24-hour protection.

The next major change occurred in 1933 when every fire station became a police station and every fire captain served simultaneously as a police chief. During this period, in addition to fighting fires, firefighters had to report on traffic problems, street problems and be aware of the general safety for their assigned district. In 1934, construction on the first training tower was completed and a structured training program was implemented. Since the early days, the department has grown to employ both men and women, implemented new technologies, updated equipment, developed new training programs, stressed professionalism and promoted fire prevention.

Firefighting has a noble and distinguished heritage, which continues today under the leadership of Chief Jim M. Coppinger. Chief Coppinger chose this profession 23 years ago because of his devotion to public service and the desire to help people in their time of need. The Chief is overseeing a dramatic transformation of the fire department. The department is purchasing new Self-Contained Breathing Apparatus (SCBA), new computers for each of the 19 fire stations and a new operations management software system. Construction is underway on a state-of-the-art fire station on Main Street. The new \$2.2 million Station 1 will consolidate the



Fire Chief Jim M. Coppinger

services of three older stations, which are all in the same general service area.

Chief Coppinger continues the modernization of the department with the purchase of three new top-of-the-line fire apparatus, which will bring the department's frontline equipment up to the challenges of the 21st century. Although the Chattanooga Fire Department is a government agency, Chief Coppinger believes it should be run like a business with close attention to fiscal responsibility, long range capital cost planning and customer service.

An example of the fire department's effort on customer service can be found in its partnership with the American Red Cross. After



PHOTO BY RICK OWENS

a fire is out, firefighters on the scene connect the victims with Red Cross volunteers, who are trained to assist the victims in recovering from their disaster. The fire department publishes a brochure entitled, "After the Fire," which provides fire victims with useful information such as cleaning tips, insurance information and a reference directory. When not responding to fires and other emergencies, Chattanooga firefighters also serve by helping stranded motorists, checking a neighbor's blood pressure, providing fire prevention programs, conducting fire drills and inspections, checking fire hydrants and cleaning up chemical spills.

With ever changing technology, upgrading equipment and additional training are a constant challenge to the department. Within a few years, mobile computers will be standard equipment on all fire engines. These computers will provide valuable information about fire hydrants, routing options and current information on closed streets. The computers will also contain detailed information on local facilities, such as points of entry, emergency contacts and the location of hazardous materials, which will enable firefighters to more safely and efficiently respond to emergencies. Additional training addresses the changing role of

fire service. Firefighters must respond to a wide variety of emergencies, including medical calls. Currently firefighters have medical training at the First Responder, EMT and Paramedic levels. They must also be ready to respond to car accidents, special rescue operations and hazardous materials spills. To help ensure that Chattanooga has the best trained and physically fit firefighters in the area, Chief Coppinger implemented an annual physical ability test, and annual physicals for each member of the department.

People remain the number one priority of Chief Coppinger. He is committed to providing the citizens of Chattanooga with the highest level of fire service, and making the local fire stations accessible to everyone in the community. The Chattanooga Fire Department's operating budget for the current fiscal year is \$19.4M. The department employs 419 firefighters and operates 19 fire stations.

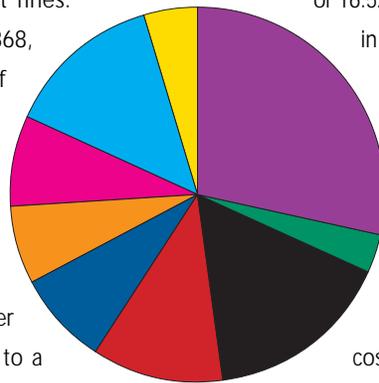
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increase in investment earnings. The \$508,881 (9.10%) increase in licenses and permits is mostly due to a \$327,423 (12.81%) increase in gross receipts tax, an \$88,540 (26.51%) increase in motor vehicle licenses, and a \$59,291 (14.36%) increase in building permits. Investment earnings increased by \$274,669 or 8.41% due to higher interest rates. The larger increase in amounts can be found in intergovernmental revenues and taxes. The \$1,836,385 increase in intergovernmental revenues, or 2.95%, is mostly due to a \$435,806 (17.15%) increase in the state income tax, \$274,523 (3.25%) increase in the city's share of the state sales tax, and a \$1,079,262 (5.48%) increase in the city's share of the county-wide sales tax. The \$1,308,912 increase in taxes, or 1.51%, is mostly due to a \$371,869 or 10.57% increase in in-lieu-of property tax payments, a \$252,578 or 4.70% increase in beer and liquor taxes, and a \$652,218 or 4.03% increase in the city-only sales tax. These increases were offset by an 11.57% decrease in fines forfeitures and penalties and 16.78% decrease in miscellaneous revenues. The \$247,866 decrease in fines, forfeitures and penalties is mostly due to a \$130,637 or 24.27% decrease in collection of delinquent court cases, and a \$77,515 or 31.36% decrease in parking ticket fines. Miscellaneous revenues decreased by \$1,621,868, or 16.78%, mostly due to a decrease of \$2,929,289 or 84.65% in private donations for the construction of Coolidge Park.

Changes in levels of expenditures for major functions of the City over the preceding year are presented in Table 2, below. An analysis of expenditures shows an increase of 7.54 percent over the previous year. This increase is primarily due to a



\$2,256,260 or 4.93% increase in General Government, a \$4,273,449 or 16.52% increase in Police, a \$3,327,453 or 25.57% increase in Public Works, and a \$1,216,766 or 11.20% increase in Department of Parks, Recreation, Arts and Culture. The increase in General Government is mainly due to a \$1,507,697 or 31.44 percent increase in expenditures for Job Training Partnership Act. The increase in Police is mainly due to a \$2,324,082 or 10.24% increase in salaries and benefits and a \$669,180 or 16.01% increase department operating costs. The increase in Public Works is mainly due to a

EXPENDITURES	1999 Amount*	2000 Amount*	Percent % Of Total	Increase (Decrease) From 1999 Amount*	Percent
General government	\$ 45,086	\$ 48,063	27.76	\$ 2,257	4.93
Finance and administration	5,348	5,421	3.13	73	1.36
Police	25,864	30,137	17.41	4,273	16.52
Fire	18,235	19,145	11.06	910	4.99
Public works	13,013	16,341	9.44	3,328	25.57
Parks, recreation, arts and culture	10,855	12,071	6.97	1,216	11.20
General services	12,597	12,366	7.14	(231)	(1.83)
Capital outlay	21,800	22,362	12.91	562	2.56
Debt service	7,478	7,233	4.18	(245)	(3.28)
TOTAL EXPENDITURES	\$160,996	\$173,139	100.00	\$12,143	7.54

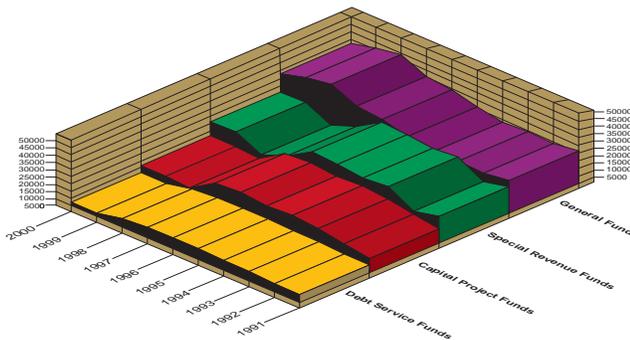
Table 2

Dollar amounts expressed in 1,000s

\$2,443,064 cost for street lighting, which was paid from the General Services Department in prior years. The increase in the Department of Parks, Recreation, Arts, and Culture is mainly due to the continued implementation of the RECREAET2008 plan. The \$230,232 or 1.83% decrease in General Services was mainly due to shifting the \$2,443,064 cost for street lighting to Public Works. This reduction was largely offset by a \$2,145,946 or 35.17% increase in life, health, and disability insurance expense.

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 June 30, 2000, \$5,522,924 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 fiscal year 2000 budget included a \$6.3 million appropriation from fund balance for one-time expenditures. Income from operations exceeded expectations, resulting in a reduction in general fund balance of only \$5,870,586. A ten-year analysis of the changes in fund balance is shown below in Table 3.

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	General Fund	Capital Project Funds	Special Revenue Funds	Debt Service Funds
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
2000	35,551	20,150	7,998	2,672

Table 3 Dollar amounts expressed in 1,000s

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, 2000, the City had drawn down funds totaling \$5,243,333. In fiscal year 1999 the City also entered into a loan agreement with the Georgia Environmental Facilities Authority for a line of credit not to exceed \$7,255,000 for the purpose of expanding sewers in northwest Georgia. As of June 30, 2000, the City had drawn down funds totaling \$4,426,736.

At year-end, the primary government and its component units had a number of debt issues outstanding. These issues included \$223,521,567 in general obligation debt, of which revenues from the City's Enterprise Funds support \$179,866,956. The primary government has no revenue bonds outstanding at year-end. Total revenue bonds outstanding for the Metropolitan Airport Authority at June 30, 2000, is \$12,104,256.

The City's overall 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's overall bond rating was upgraded to an "AA" rating by Fitch Investors Service in 2000. Sound financial management, fund balance reserves, the debt retirement policy, and a history of pay-as-you-go capital financing were cited as justification for the upgrade.

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 (below) provides this information as of June 30, 2000.

Debt Ratios	Amount (1000s)	Debt To Assessed Ratio	Debt Per Capita
Net direct debt (excluding self-supporting debt)	\$ 40,983	1.57%	\$278
Estimated overlapping debt	88,151	3.36%	597
Net direct and estimated overlapping debt	\$129,134	4.93%	\$875

Table 4

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 general 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

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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. The following schedule (Table 5) shows the amount of unfunded actuarial accrued liability (UAAL) in thousands at June 30, 2000.

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 measure are taken to ensure that the pension plans are actuarially sound.

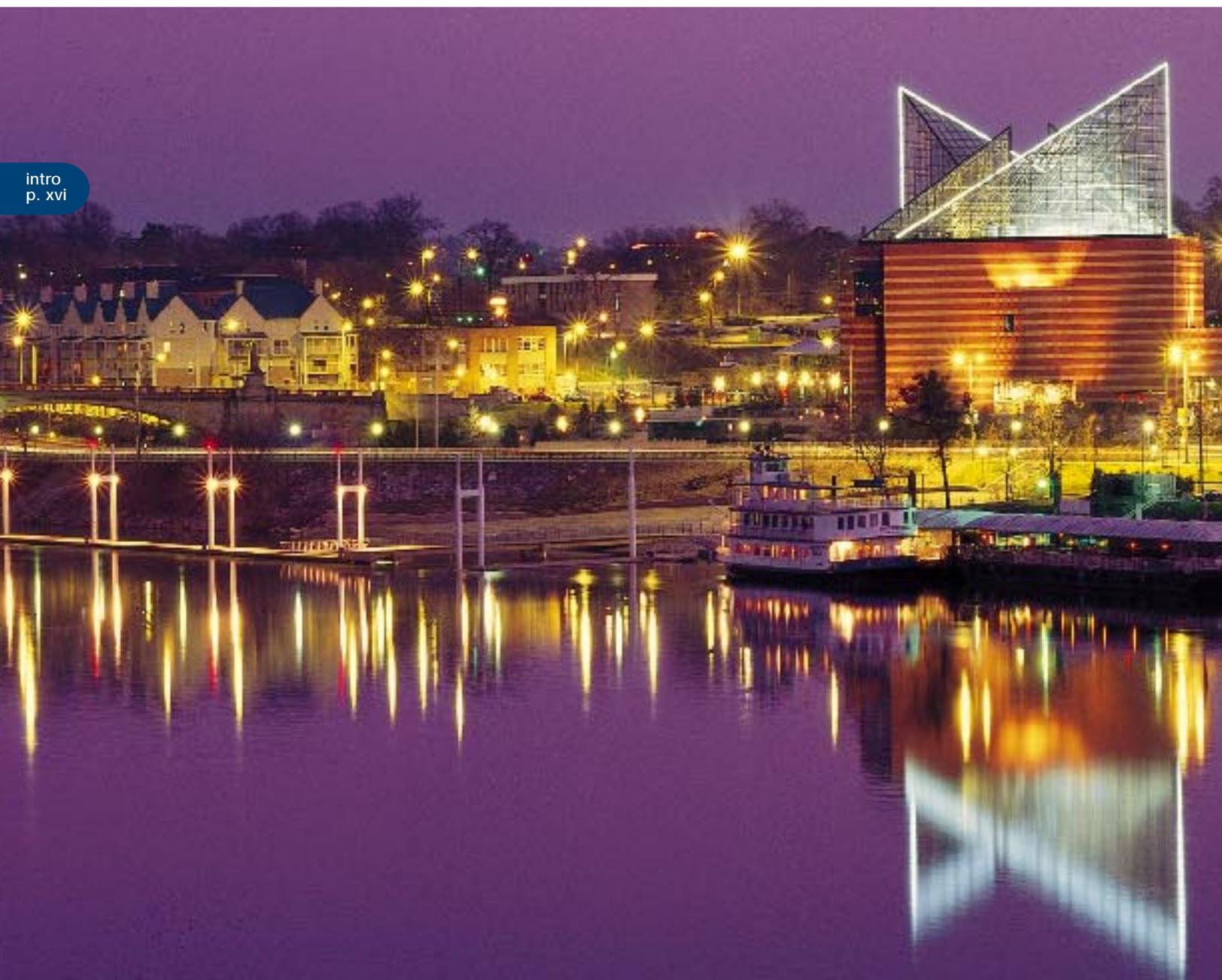
PENSION PLANS

	UAAL	Funded Ratio
General	(64,941,029)	145.10%
Firemen and Policemen	(12,936,300)	107.22%
Electric Power Board	0	100.00%

Table 5

Enterprise Operations

The City maintains four enterprise operations as part of the primary government. Combined total assets at June 30, 2000, and operating revenues for the fiscal year were \$728.0 million and



\$386.3 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 89.0 percent of total Enterprise Fund operating revenue and reported a net income of \$7.2 million for the year ended June 30, 2000.

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 \$296.8 million in 2000. The department accounts for more than 54.2 percent of total Enterprise Fund assets and reported a net income of \$6.0 million for the year ended June 30, 2000.

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 to 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.

PHOTO BY DAN REYNOLDS



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, 1999. This was the eighth 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 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 four fiscal years for which it applied. In order to qualify for the Distinguished Budget Presentation Award, the City's budget

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Chattanooga,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1999

A Certificate of Achievement has been awarded to the City of Chattanooga, Tennessee, for its comprehensive annual financial report for the fiscal year ended June 30, 1999. This was the eighth 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.



Anna Spring Kinney
President

Jeffrey W. Eason
Executive Director

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.

Acknowledgments

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
James S. Boney, Administrator

City Officials as of June 30, 2000

Jon Kinsey, Mayor

City Council

Yusuf A. Hakeem, Chairman _____	District 9
Mai Bell Hurley, Vice Chairman _____	District 2
John M. Lively _____	District 1
Dave Crockett _____	District 3
Don Eaves _____	District 4
John P. Franklin, Jr. _____	District 5
Marti Rutherford _____	District 6
John Taylor _____	District 7
Leamon Pierce _____	District 8



Courts

Walter F. Williams _____	City Court Judge
Russell J. Bean _____	City Court Judge
George A. Dotson _____	City Court Clerk

Department Administrators and Directors

Legal _____	Randall Nelson _____	City Attorney
Legislative _____	Carol O'Neal _____	Clerk of the Council
Personnel _____	Donna Kelley _____	Administrator
Neighborhood Services _____	Moses Freeman _____	Administrator
Human Services _____	Bernadine Turner _____	Administrator
	Tommie Pruitt _____	Deputy Administrator
General Services _____	Rayburn Traughber _____	Administrator
	George Morgan _____	Deputy Administrator
Parks, Recreation, Arts & Culture _____	Jerry Mitchell _____	Administrator
	Janice Hester _____	Deputy Administrator
	Larry Zehnder _____	Deputy Administrator
Public Works _____	Jack C. Marcellis _____	Administrator
	Beverly P. Johnson _____	Deputy Administrator
Police _____	Chief Jimmie L. Dotson _____	Administrator
Fire _____	Chief Jim M. Coppinger _____	Administrator
Finance & Administration _____	James S. Boney _____	Administrator
	Daisy W. Madison _____	Deputy Administrator

Brian Smart _____	Manager, Financial Operations
Fredia F. Kitchen _____	Budget Officer
Carl E. Levi _____	Treasurer
Mark J. Keil _____	Director, Information Services
Gene D. Settles _____	Purchasing Agent
Sandra Gober _____	Manager, Community Development
Andy Jones _____	Facilities Superintendent
Ronald Farris _____	Electronics Supervisor
Brian Kiesche _____	Fleet Manager
Tracy Clarke _____	Risk Manager
Donald B. Young _____	Director, Codes and Inspection
Henry L. Brooks _____	Director, City Wide Services
Eugene Wright _____	Director, Waste Resources
Phillip Lynn _____	City Engineer
John Van Winkle _____	City Traffic Engineer
Harold E. DePriest _____	President and CEO, Electric Power Board
Jane McFarland _____	Director, Chattanooga - Hamilton County Bicentennial Library
Hugh Davis _____	President, Metropolitan Airport Authority
Barry M. Bennett _____	Director, Regional Planning Agency
Robert H. Colby _____	Director, Air Pollution Control
Carolyn Skipper _____	Director, Scenic Cities Beautiful Commission

organizational chart

city of chattanooga

