

GENERAL FUND EXPENDITURES

General Fund Overview

Budgeted General Fund expenditures for FY 04/05, including the reservation for contingencies, equal \$144,237,400. This is roughly 8.29% more than the FY 03/04 General Fund budget of \$133,196,180. The pages that follow explain the specific departmental changes which make up the change in general fund expenditures for the FY 04/05 budget. The purpose of this section is to give you a general overview of all expenditure categories.

TABLE 1

	FY03/04	FY04/05	Change
Personal Services	\$67,620,960	\$70,326,470	\$2,705,510
Supplies	3,095,770	2,968,870	(126,900)
Other Charges	34,594,170	35,028,810	434,640
Transfers Out	<u>27,885,280</u>	<u>35,913,250</u>	<u>8,027,970</u>
TOTAL	<u>\$133,196,180</u>	<u>\$144,237,400</u>	<u>\$11,041,220</u>

Personal Services

Personal Services, which include salaries and benefits, increase by \$2,705,510 or 4% when compared to the FY 03/04 budget. This increase is largely due to the required two and one-half percent (2.5%) salary increase for all non-probationary employees in July 2004. Another driving factor is increased health care costs. The City's share for individual health care coverage is up by approximately \$715,000 and the contribution for family coverage is up by approximately \$176,000. These increases are partially offset by a reduction in the number of budgeted positions within the General Fund. The number of full-time employees in the General Fund decreases from 1,398 to 1,380 which represents a reduction of 18

positions. Staffing reductions also include four part-time positions within the General Fund. The specific way each departmental budget is affected by these changes is discussed in more detail below, and in the executive summary.

Supplies

The category of "Supplies" is used to pay for such things as office supplies, operating supplies, and repair and maintenance items (chemicals, road salt, etc.) and operating equipment not paid for in the equipment replacement fund or capital budget. The budget for supplies category decreases by \$126,900 or 4.1%. All of the four accounts within this category are down, due to the three percent (3%) across the board reduction in the budget and to some shifting of costs to accounts in the other charges category. The functioning of the equipment replacement fund continues to result in reductions in operating equipment account.

Other Charges

The category entitled "Other Charges" includes such expenditures as postage, professional services, equipment leases, internal service charges, and other miscellaneous expenditures. For the FY 04/05 budget, this category increases by \$434,640 when compared to the previous fiscal year. With the imposed three percent budget reduction, many departments have cut other charges as well as personnel costs. Travel expenses decrease by \$47,710, while professional services decrease by \$199,350. Other changes include a decrease of approximately \$192,000 for fleet services payments. The decreases are offset by increases of \$314,380 in risk management charges and \$12,370 in rental expenses.

Transfers

This grouping of expenditures represents fund transfers from the General Fund to various other funds of the City. Technically, transfers are listed as other charges. They are broken out here because they constitute such a large portion of the

General Fund. The majority of the transfers are for subsidies to cover various Enterprise Funds. Total transfers increase by \$8,055,050 from the previous fiscal year to a total of \$35,913,250. The largest increase in transfers is \$6,715,970 to Capital Projects. This makes the total Capital Projects transfer \$11,041,170. The amount going to the Inspections Fund decreases by \$89,470 due to continued increases in permit revenue generated by this operation. The transfer to the Risk Fund also decreases by \$69,760. Transfers increase for Chilhowee Park by \$6,490 and the subsidy for the Civic Auditorium/Coliseum increases by \$5,550. The transfer for the World's Fair Park increases by \$29,190. The transfer for the Convention Center decreases by \$880,060. Transfers to Mass Transit increase by \$348,290 to a total of \$3,656,920 while the transfer to the Trolley operations decreases by \$23,620 from the FY 03/04 total of \$394,030. The amount the City contributes to offset retiree health care costs jumps by \$122,900 to a total of \$799,370. Other increases include \$106,170 for Stormwater, \$547,810 for Solid Waste and an increase of \$1,311,930 in the subsidy for Health Care. In the latter \$1.3 million represents a contribution to establish a reserve in the Health Care Fund. Doing so will enable the City to undertake various other options relating to health care cost containment.

Mayor's Office/Administration

The proposed FY 04/05 Administration budget decreases by 6.6% or \$119,210 when compared to FY 03/04. Overall, personal services decreases \$39,870 due to the reorganization of the new administration. Supplies decrease by \$2,500, while other charges decrease by \$76,840 compared to FY 03/04 funding. This decrease is due mainly to the reductions in expenses as requested as part of the budget process. Fleet charges decrease \$11,000 from the elimination of two vehicles no longer needed under the new reorganization. In addition, reductions occur in travel (\$14,680), professional services (\$38,100) and grants (\$14,210).

Finance & Accountability

Finance Division

The FY 04/05 budget for the Finance and Accountability Department decreases by \$118,380 or 3.9% from FY 03/04. The department's required three percent budget cuts totaled \$122,560 which

included the elimination of two, vacant full-time positions and one vacant part-time position. In addition, several other expenses were reduced such as travel, dues and professional services. Overall, personal services expenditures increase by \$65,140 due to the proposed salary increase, increased health costs and a number of additional employees picking up family health coverage. Supplies remain the same while other charges decrease by \$183,520. Part of the decrease is from moving the funding for the Chamber Partnership to its own organ (\$140,000). Travel is reduced by \$14,640 and risk charges decrease by \$36,650.

Information Systems Division

The FY 04/05 budget for the Information Systems Department increases by \$113,170, or 4.02%, compared to FY 03/04. Personal services increases by \$166,020 due to the proposed salary increase, increased health premiums and a \$20,000 increase in overtime. Supplies decrease by \$8,520 while other charges decrease by \$44,330. The majority of this decrease is a reduction of \$43,880 in professional services

Operations & Engineering

Engineering Division

The Department of Engineering's budget for FY 04/05 increases \$1,712,460 or 37.8% when compared to the previous fiscal year. A large portion of this increase (\$1,489,590) is attributable to the shift of the Facilities Maintenance division from the Service Department to the newly organized Operations and Engineering Department under the oversight of the Engineering division. Personal services increase by \$1,205,240, of which \$972,820 represents the addition of Facilities. Adjusting for the change, personal services actually increases by \$232,420 or 7.4%. As part of Engineering's three percent budget cuts, three full-time positions are being eliminated as well as the reduction of \$126,850 of expenditures in the form of reduced operating costs such as travel, supplies, repair and maintenance expenses, etc. Supply costs increase \$119,930 of which \$184,890 represents the new division. Other charges increase \$387,290, of which \$331,880 represents Facilities.

Community & Neighborhood Services

Public Service Division

The FY 04/05 proposed budget for the Public Service Division totals \$14,357,590. This is a decrease of \$1,112,870. Personal Services decrease by \$643,950. Eight positions are eliminated in this division this year. Section 3122 (Facilities Maintenance) has been transferred to the Operations/Engineering Department (Section 3322). Supplies fall by \$209,540. Other charges are down by \$275,210.

Development Division

The proposed budget for the Division of Development (Economic Administration) for FY 04/05 is \$594,510. This is a decrease of \$189,660. Personal services decrease by \$192,410. This reflects the realignment of departments under the new administration and includes a reduction of four positions in this division compared to last year. Two positions transfer to the Inspections division (Fund 216). One position shifts from Administration to this division. A total of three positions are budgeted for FY 04/05. The contracts for rental of space in the renovated Emporium Building (\$185,720) and with the Development Corporation (\$148,380) remain the same.

Empowerment Zone Division

Funding continues in the General Fund budget for the Empowerment Zone Grant. One support position aids in administering the grant and is included at a cost of \$43,870. This is a reduction of \$16,990 reflecting the switching of personnel.

Parks and Recreation Division

The Parks and Recreation budget for FY 04/05 increases by \$44,670 to \$5,945,110. Personal services increase by \$167,710. One full-time and one part-time position are eliminated in the budget. Three intern positions are added to partially offset the loss of employees. Pension contributions increase by \$47,090 and Health Insurance goes up by \$57,580. Risk Charges decrease by \$56,170.

Mass Transit Division (Grant Match)

The Mass Transit Grant Match totals \$857,240. This is an increase of \$106,980. This funding is sufficient to meet the City's current grant match

obligations and is for matches on new grants including the Federal Discretionary Grant (2005), and the Federal Formula Transit Grant (2005).

Law

The FY 04/05 budget for the Law Department increases by \$56,790 or 4.10% when compared to the FY 03/04 budget. Personal Services increase by \$36,530 due to salary increases and the projected increase in health costs (\$12,980). A part-time position is eliminated in this department. Supply costs decrease by \$2,310 while other charges increase by \$22,570. This is due mainly to increases in Professional Services (\$50,000) and City-County Building rents (\$3,710). Decreases in printing/copies (\$12,960) and legal notices (\$10,000) partly offset the increases.

Police

Police Division

The FY04/05 budget for the Police Department is \$37,671,300 an increase of \$1,048,130 or 2.86%, over FY 03/04. Personal Services increase by \$1,415,390. This increase is mainly due to an increase of \$722,897 in retirement contributions and an increase of \$346,910 in health insurance.

Other charges decrease by \$365,970. This is mainly caused by a \$230,140 decrease in fleet charges made possible by a reduction in the Police fleet.

The authorized strength for uniformed positions decreases by seven officers from 421 to 414. The decrease in force is due to the elimination of 7 police officer positions from the budget. These cuts should not affect on-street personnel.

Emergency Management Division

The FY 04/05 budget for Emergency Management decreases by \$45,040, or 14.38% from last year. The change in the budget is primarily due to the elimination of a full time position.

Fire

The FY 04/05 proposed budget for the Fire Department is \$25,734,770 representing an increase of \$1,136,630 or 4.6% over FY 03/04. Personal services increase \$427,750 due to the proposed two and one-half percent salary

increase, a large jump in the pension contribution costs (\$482,462) and in insurance costs (\$246,670). These increases are offset by a decrease in overtime costs of \$105,823.

Supplies decrease by \$9,400 due to a decrease in operating equipment while other charges increase \$718,280. The other charges category increases because of two main factors. Risk management charges increase \$607,850 due to high loss experience in the past year and an increase in utility costs due to the fire hydrant costs increasing over last fiscal year.

The authorized strength for the uniformed personnel for FY 04/05 remains at 328. The non-uniformed personnel also remain the same at eleven (11) positions for a total department count of three hundred thirty-nine (339).

Board Administered Departments

Civil Service Department

The Civil Service budget for FY 04/05 decreases by \$25,200 to a total of \$890,450. Personal services costs grow by \$22,580. One position is reduced from full-time to part-time, but increases in health insurance (\$7,080) and pension (\$12,673) along with salary increases still cause an increase. An increase is also noted in City-County Building rent of \$3,640. Decreases include publicity (\$1,000), travel (\$12,130) and professional services (\$17,880).

Nondepartmental

City Elections Division

Pursuant to state law, all elections are managed by the Knox County Commission. The Commission charges the City for its proportionate share of any primary or general elections. The FY04/05 budget decreases to \$35,000 because no general city election is scheduled for this fiscal year. An election on charter changes is scheduled to occur, which is the reason for the appropriation.

Waterfront Division

The FY 04/05 Waterfront budget decreases by \$173,230 or 38.6% which represents the operational costs of the Gateway Center. We anticipate a transfer of the facility to another governmental entity. The Public Building Authority

(PBA) will continue to manage Volunteer Landing on behalf of the City.

Other Funds

State Street Aid (Fund 201)

The State Street Aid budget increases by \$25,600 or 1% for FY 04/05. State Street Aid revenue is projected to increase by \$39,600 from the previous fiscal year while interest earnings are projected to decrease by \$14,000.

Transfers for FY04/05 for this fund remain at \$1,275,000 for capital projects while the transfer for public transit increases by \$25,600. Street lighting expenditures remain the same at \$2,600,000. The transfer for Capital projects includes funding of \$100,000 for the Sidewalk Safety Program, \$100,000 for the High Mast Lighting program, \$650,000 for the Bridge Maintenance program, \$175,000 for the Traffic Signal Program and \$250,000 for the Curb Cut program.

Abandoned Vehicles (Fund 209)

The FY 04/05 budget for the Abandoned Vehicles Fund totals \$510,000, which is an increase of \$55,850 over FY 03/04. Personal Services increase by \$8,140 due to the proposed two and one-half percent salary increase and the increased health insurance costs. Supplies remain the same and other charges increase by \$47,710 due to increases in the costs of the city's towing contracts.

City Court (Fund 213)

The total budget for City Court is \$3,600,000. City Court is self-funded from fees it collects. Actual budgeted expenditures are \$732,300. This increase from last year is largely due to higher insurance costs and a pay raise for the City Judge, which was effective as of December 2003. Projected excess fees collected, which are transferred to the General Fund, are \$2,867,700, which is a 17.8% increase from FY 03/04.

City Inspections (Fund 216)

The newly formed Department of Operations and Engineering now has oversight responsibilities for the Inspections function. General Fund support for FY 04/05 is \$247,820, a decrease of \$89,470 from FY 03/04. Budgeted Inspection Fees increase by

\$282,870 from the previous fiscal year, reducing the need for general fund support. Personal services increases \$153,410 which is partially attributable to the addition of two positions from the previous Department of Development. Health insurance costs are up by \$25,460.

As part of the three percent budget cuts, two full-time positions are eliminated, the savings totaling approximately \$62,000. Supplies remain the same as the previous fiscal year while other charges increase \$39,990 mainly in the form of increased risk charges (\$26,790), increased city/county lease payments (\$4,960) and an increase in print shop costs of \$9,340.

Stormwater (Fund 220)

The Stormwater Fund is overseen by the Engineering staff, now a part of Operations and Engineering. The fund contains both Engineering personnel and a service department personnel responsible for area creek cleanup and storm sewer maintenance.

This is the first year in which revenues generated from Stormwater services are being budgeted within the Stormwater Fund instead of flowing into the General Fund. Operating revenues are forecast at \$101,100 while interest is budgeted at \$5,000. The General Fund Transfer is up by \$106,170 from the previous fiscal year.

Overall, the proposed budget for FY 04/05 increases by \$212,270 or 12.8% compared to the previous fiscal year. Personal services increase \$238,850 due to the proposed salary increase (two and one-half percent) and increases in health costs. These costs are slightly offset by the deletion of one full-time position as well as the addition of another full-time position related to the NPDES process. Supplies increase by \$6,120 and other charges decrease \$32,700. Reductions in other charges are due to decreases in travel expenditures (\$14,110), decreased risk charges (\$25,000) and the reduction of grants from \$11,120 in FY 03/04 down to zero in the new fiscal year.

Solid Waste (Fund 230)

The Public Service Division of the Community and Neighborhood Services Department manages the Solid Waste Management Fund. The FY 04/05 budget for Solid Waste is \$10,023,620, an

increase of \$662,810 from the prior year. Personnel costs increase by \$79,310. Health Insurance increases by \$16,060. The General Fund transfer to Solid Waste is budgeted at \$9,173,620, an increase of \$547,810 from last year. Solid Waste Collections increase by \$106,830. Recycling charges increase by \$378,330. The Landfill has an increase of \$120,000. These increases stem from contractual obligations.

Housing Grants (Fund 260)

Beginning with FY 98/99, various housing grants administered by the Community Development division of the Community and Neighborhood are budgeted. The total for FY 04/05 grants is \$1,747,480. Funding is for the Home Grant (\$1,661,990) and an Emergency Shelter grant of \$85,490. The Home Grant is reduced this year by \$932,120. Program Income of \$140,000 is also budgeted. The total for the funds is \$1,887,480. Funds will be used for housing rehabilitation and grants to agencies.

Empowerment Zone (Fund 270)

The City of Knoxville was one of fifteen cities nationwide to be awarded an Empowerment Zone Grant. This grant is administered by the Department of Development. Funds are being used in the "Heart of Knoxville" to encourage business development through small business loans, housing growth, job training, and community pride. In FY 04/05, \$994,100 is budgeted. This is a decrease of \$992,900. Empowerment Zone funds awarded to Knoxville now total \$24,953,970.

Community Development (Fund 290)

The Community Development Fund is managed by the Development Division of the Community and Neighborhood Services Department. The overall budget for Community Development is \$3,345,220, a decrease of \$19,090. The Community Development Block Grant for FY 04/05 is \$2,262,000. This represents a decrease of \$ 775,000 from last year.

Public Assembly Facilities (Fund 503)

The Public Assembly Facilities Fund includes operations at the Civic Coliseum/Auditorium and Chilhowee Park. The proposed FY04/05 budget decreases by \$36,960 or 1.03% from FY 03/04.

Personal services increase by \$40,840. Eliminating a part-time guard position at Chilhowee Park offset the effect of a \$39,240 increase in health insurance charges. There is an increase of \$11,500 in supplies. Other charges decrease by \$89,300, which includes a \$15,000 decrease in utility charges due to the installation of a new energy-efficient lighting system and a new boiler at the Coliseum.

Metro Parking (Fund 504)

The Metro Parking Fund is overseen by Engineering personnel and includes operational costs for the State Street and Main Avenue Garages. The FY 04/05 budget increases by \$16,370 or 2.3% compared to last fiscal year. There are no personnel service or supply costs in this fund. Other charges account for the costs of managing the two garages and these costs increase by a net figure of \$16,370 due to the addition of a \$50,000 transfer to the Capital Projects Fund to pay for work that needs to be completed on the Main Avenue Garage. This increase is offset by a decrease in Risk charges (\$3,280), a decrease in utilities (\$14,010) and a decrease in bond interest of \$17,140.

Knoxville Convention Center (Fund 506)

This fund includes operations at the World's Fair Park, the Locust Street Garage and the City's new Convention Center, as well as debt service and depreciation associated with these facilities. The total budget for this fund is \$19,515,230 which represents a \$2,129,800 decrease from FY03/04.

Mass Transportation (Fund 507)

The FY 04/05 budget for Mass Transit operations is \$13,184,090. The budget includes all three divisions of KAT; Motor Buses, Trolleys, and Lifts (paratransit). Operating expenses increase by \$1,171,600. This is mainly due to salary increases and the expansion of KAT services on the UT campus. Transit salaries and benefits rise by \$818,000. Fuel costs are anticipated to increase by \$30,270. Mass Transit is a division of the Community and Neighborhood Services Department.

Fleet Services (Fund 702)

The Fleet Services Operating Fund decreases by \$263,750. The total budget for FY 04/05 is

\$4,696,030. Personal services expenditures increase by \$112,170 due mainly to the proposed two and one-half percent (2.5%) salary increase and the expected twenty percent (20%) increase in health insurance expenses. Supplies decrease \$274,110 while other charges decrease \$101,810 as part of the requested three percent reductions that were requested of each department. The Fleet Service Equipment Replacement Fund is budgeted at \$3,547,680. The total for both Fleet funds is \$8,243,710.

Risk Management (Fund 704)

The Risk Management Fund is a division of the Finance and Accountability Department. The budget for FY 04/05 increases by \$255,270 or 3.9% from the previous fiscal year. This is attributable to increases in several areas. Worker's Compensation expenses increase by \$271,960 while reinsurance is up by \$175,360. Professional services increase by \$57,910 related to fees associated with certain insurance policies. General Liability insurance decrease by a total of \$85,550 due to decisions to lower coverages. Personal Services decrease \$110,210 due to the proposed change in the operation of the Medical Services facility in which three full-time positions are eliminated. Supplies decrease by \$17,090 while other charges increase by \$382,570 due to the worker's compensation expenses, reinsurance charges, and professional services expenditures mentioned above.

Health Care (Fund 705)

The Health Care Fund is another division of the newly formed Department of Finance and Accountability. The FY 04/05 budget for Health Care increases by \$1,776,740 or 13.8% over FY 03/04. Premiums for Health Care are projected to increase another twenty percent (20%) when the contract is renewed in January, 2005. The percentage that the employee and retiree must contribute remains the same for FY04/05. Individuals will continue to contribute ten percent (10%) of their coverage, individuals with family coverage will continue to contribute thirty percent (30%) of family coverage and retirees percentage remains the same with sixty percent (60%) contribution of their coverage. The cost of health insurance continues to soar and as a result the City has begun to make changes to help this situation. This budget proposes the establishment of a \$1.3 million reserve in the Health Care Fund to be used in future health care prevention

programs and possible sources for cost containment.