
Executive Summary

The FY 06/07 budget, like all budgets, serves as a vision for the future. It is a means by which one establishes priorities and provides a mechanism for delivering on those priorities. The decisions that shape this budget have a lasting impact. Good decisions result in increased investment and future positive returns while poor decisions limit future flexibility and may result in unanticipated consequences and problems.

General Overview

The proposed property tax rate for FY 06/07 is \$2.81 per hundred dollars of assessed value. Of this amount \$0.75 goes to the Debt Service fund to pay for bonded debt costs. The proposed tax rate is unchanged from FY 05/06. The average residential property in the City of Knoxville is appraised at \$82,324. For the average residential homeowner the total taxes paid will equal \$578.33. When adjusted for the impact of inflation and countywide reappraisals, the proposed tax rate is actually lower than it was ten years ago.

The total operating budget in fiscal year 2006/07 is \$313,849,490. The net budget, i.e., excluding interfund transfers and charges, which are effectively double counted within the budget, is \$232,423,890. The budget for the General Fund, which is the main operating fund of the city, equals \$155,253,980.

Budgeted personnel for FY 06/07 total 1,607 full-time positions and 62 part-time positions. This represents a gain of five full-time positions and a loss of one part-time position.

Administrative Goals

The FY 06/07 budget is guided by the goals of this administration, as outlined in the strategic plan, "KNOXVILLE WORKS". These goals are:

Stronger, safer neighborhoods

City services you can count on at a competitive price

An energized downtown; everybody's neighborhood

More and better jobs

Stronger, Safer Neighborhoods

As in the past, the largest portion of the budget is devoted to the operations of the Police and Fire Departments. As part of this budget, funding is provided to add two training specialists and four cadets to the Police Department staff. By doing this, we will be able to reassign officers who have been performing certain training functions and other duties, back into patrol. The cadets will also be able to assume some duties such as parking enforcement and other activities, which also free up officer's time to perform other safety functions.

Funding is also provided for improvements to Fire Station 14 and Fire Station 11. Additional funding is provided for such things as maintenance, utilities, fuel, and other expenses.

Stronger safer neighborhoods are, however, more than quality police and fire protection. It is important that these neighborhoods have quality infrastructure, and are free from blight. This budget provides \$200,000 in startup funding to address chronic problem properties, and another \$100,000 is appropriated for a commercial façade improvement program. The budget grants \$20,000 to Knox Heritage to help them promote historic restoration throughout the City.

The City has an on-going program to pave and maintain streets on a regular basis. Our schedule seeks to pave arterial streets at least once per every ten years, collector streets per every fifteen years, and residential streets at least once per every twenty years. To maintain this schedule the budget includes \$4.2 million for the City's paving program, an increase of \$1 million when compared to the prior year budget.

The budget continues annual funding of \$650,000 for the bridge replacement program. Funding is specifically designated for contin-

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ued improvements to traffic signals. Also included is match money for various TEA-21 projects, with the main portion being used for improvements on Pleasant Ridge Road. Funding of \$300,000 is also included for road improvements at the Valley View - Washington Pike intersection. Funding of approximately \$1.5 million is also proposed for South Knoxville transportation improvements.

This budget includes \$100,000 to continue the traffic-calming program. Funding of \$200,000 is provided for ballpark and tennis court improvements in parks throughout the City.

A total of \$125,000 is recommended for expansion of the greenway system. Funding is also included to build restroom facilities in various parks. A total of \$200,000 is also recommended for golf course improvements.

A total of \$200,000 is provided for sidewalk repair and maintenance. Additionally, \$400,000 is funded for new sidewalk construction, one of the most requested improvements cited in the citywide survey. Another \$250,000 is provided for ADA sidewalk enhancements.

The budget provides an array of funding to address drainage improvements in the neighborhoods. A total of \$1 million is provided to continue work in the First Creek drainage area, \$1.1 million is appropriated for Third Creek restoration, and \$800,000 is recommended to resolve drainage concerns in the Cross Park Drive area. In addition, \$250,000 is budgeted to continue the neighborhood drainage program, while \$112,750 is to complete the Emily Avenue drainage project.

City Services at a Competitive Price

As mentioned earlier, one of the primary objectives of this budget is to increase efficiency. In the short term this requires some operating and capital investment, which will generate savings and improved operations later.

The City initiated a 311 Call Center in FY 05/06. This center has redressed issues in

response times, and has freed up resources in other areas. As a result of the effectiveness of this program, it is possible to eliminate positions in the Public Service Division, Police Department, Finance Department, Parks and Recreation Department, and the Civil Service Department.

The budget continues to replace old and outdated computer systems. In FY 05/06 funding was provided to replace the City's outdated financial reporting system. In FY 06/07 we will begin the replacement of the City's fleet management system, pay for the City's portion of upgrades relating to the Knoxville Geographic Information System, and begin work to improve the permit tracking system

The City is continuing to refine its performance measurement system. The costs of doing this are incorporated into existing budgets but it is expected to result in improvements in future years. As part of this performance system the budget funds \$600,000 to be used for performance pay.

An Energized Downtown

The Mayor has called the downtown area "everybody's neighborhood", and the budget continues to address the development of the area. Specifically the budget provides \$2 million, a large portion of which is federal grants, for improvements in the State Street area. Also included is proposed funding of \$480,000 for replacement of the Jackson Avenue ramps, and \$500,000 for South Gay Street sidewalk improvements. To continue on the momentum of the proposed new cinema, the budget proposes \$500,000 in improvements to 500 block of Gay Street. Funding for this is to come from the sale of buildings in this area. Funding is also proposed for a Downtown improvements program, and a downtown streetscapes program..

A portion of this budget is also dedicated to historic preservation efforts in our downtown. It is vitally important that we continue to recognize our past as well as plan for our future, and we hope to do this with a \$75,000

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contribution, the second year of a two year commitment, to be used in the renovation of the Bijou Theatre. Funding is also provided for the historic Tennessee Theatre.

The downtown renovation is also moving southward. In the FY 05/06 budget funding was provided to begin the south Knoxville waterfront master plan. In this budget an additional \$1 million is recommended to continue these efforts.

More and Better Jobs

A solid economy is essential for any city. Recent efforts have shown promise in this area. The expansion of the Sysco Corporation to the Knoxville area promises to add over 300 high paying jobs. In addition over 400 jobs have been created through various business expansions. This budget seeks to capitalize on this base and further enhance it.

The Knoxville Zoo is one of the most visited attractions in the East Tennessee area and the budget contains \$750,000 to be used for renovation of existing facilities and add facilities to the Kid's Cove area. This is the second phase of a multi-year contribution for this project.

The budget also continues the financial commitment to the Tourism and Sports Development Corporation to help promote tourism efforts and to attract visitors to the new Convention Center. Enhancing cultural opportunities also effects economic development. Operating contributions are made to the Knoxville Symphony, the Art Museum, and several other arts and cultural groups.

Job creation is a key objective of the Haslam administration. The proposed budget includes \$400,000 for the Jobs Now campaign, as well as other funding to aid the Chamber Partnership in their economic development efforts.

Funding Issues

A number of challenges presented themselves during the preparation of this budget. In the

recent past the City had significantly drawn upon its General Fund fund balance (reserves) to cover costs. This trend was stopped in FY 05/06. This budget also does not propose to utilize any General Fund balance. This is done to avoid jeopardizing the City's bond ratings and creating potential cash flow problems.

The City maintains a pension fund for its employees. Contributions are based on a five year smoothing formula. The prior performance of the stock market has affected the portfolio of this plan and has made it necessary to again increase the City's contribution rate this year to maintain full funding of the plan. The additional cost of doing this is approximately \$1.6 million over last year..

The high cost of fuel and continuing utility rate increases have made it more difficult to contain costs. The budget assumes that fuel price hikes will not abate and adds approximately \$1 million to cover the costs of this commodity. Utility costs are also forecast to increase by approximately \$1.4 million.

The budget includes a 2.5% salary increase for all non-probationary employees effective for the full fiscal year. The budget also provides funding to implement the recommendations of the City's salary survey. These funds will primarily benefit entry level and lower paid workers. Total cost of the salary adjustments is approximately \$1.5 million.

Accounting Changes

There are some accounting changes which affect comparisons between the FY 05/06 and FY 06/07 budgets. These changes primarily deal with some shifts in personnel. For example, some Police Department personnel have shifted from the General Fund to various special revenue funds. Conversely the Solid Waste Administration section, previously budgeted in the Solid Waste Fund, has been moved to the Public Service Administration and Codes Enforcement Sections within the General Fund. The change in financial systems has also resulted in several new accounts being created. As a result items previ-

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ously budgeted in one account may now be found among several other accounts. This affects only the account detail and should not generally affect comparisons at the Division or Department levels.

CONCLUSION

The remainder of this budget includes additional summary material, and a more detailed discussion of revenue and expenditure trends. It is hoped that these materials will provide the reader with a more thorough understanding of the proposed operating budget.