



# CITY OF KNOXVILLE

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FY 11/12 Budget Retreat  
February 3, 2012

# Agenda

8:30 – 8:45 am	Breakfast	
8:45 – 9:00 am	Opening Remarks	Mayor Rogero
9:00 – 10:00 am	Budget 101	Jim York
10:00 – 10.15 am	Break	
10:15 – 11:45pm	Capital Budget	Jim York
	Salary Survey Compensation Plan	Vicki Hatfield
	South Waterfront	Bill Lyons
	Cumberland Avenue	Bob Whetsel
11:45 – 12:30pm	Lunch	
12:30 – 1:30pm	FY 11/12 Forecast	Jim York
	FY 12/13 Budget Outlook	Jim York
1:30 – 2:00pm	Future Opportunities /Challenges	Mayor Rogero

# Today's Discussion

- Understanding the Budget
  - Structure of the Budget (Funds)
    - Fund Types
    - Interfund Transfers/Charges
  - The General Fund
    - Where the Money Comes From
    - Where The Money Goes
    - Fund Balance
    - Cash Flow

# Today's Discussion

- Debt Service
- The Budget Process
  - Budget Timetable
- Six Month Report (Where We Stand Now)
- 2012/13 Budgetary Opportunities/Issues

# Structure of the Budget

- Fund Types
  - Governmental
    - General Fund
    - Special Revenue
    - Debt Service
    - Capital Projects
  - Proprietary
    - Enterprise
    - Internal Service

# Fund Types

- General Fund - The general fund is the chief operating fund of the City. Used “to account for all financial resources except those required to be accounted for in another fund.”
- Special revenue funds - account for revenue sources that are set-aside for a specific purpose. (i.e., grant proceeds).
- Debt service funds - account for resources set aside in order to meet current and future debt service requirements on long-term debt.

# Fund Types

- Capital projects funds - account for the resources used for the acquisition or construction of major capital facilities.
- Enterprise funds provide services and operate like a business
- Internal Service Funds- allocate the cost of certain services (i.e., fleet services) among other departments within the government.

# The FY 11/12 Budget

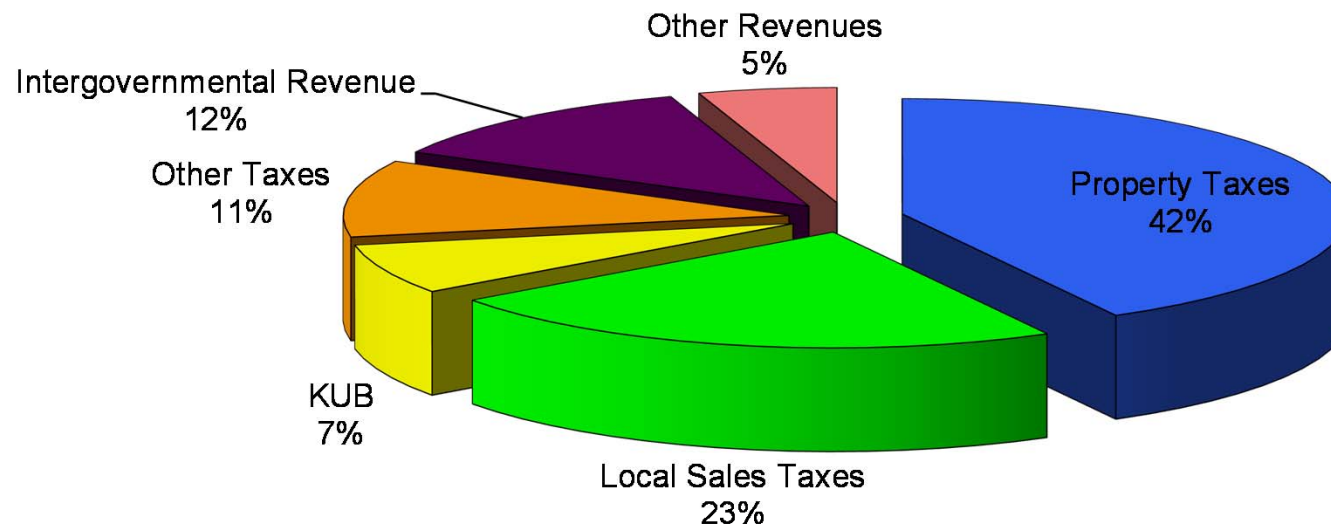
## Adopted Budget and Net Budget

Fund No.	Fund Name	Adopted FY 11/12 Budget	Less Interfund Transfers Out	Less Interfund Charges In	Net Budget
100	<b>General Fund</b>	\$172,177,970	(\$32,525,160)	\$0	\$139,652,810
	<b>Special Revenue Funds</b>				
201	State Street Aid	4,631,000	(746,000)	0	3,885,000
202	Community Improvement	85,000	0	0	85,000
209	Abandoned Vehicles	866,810	0	0	866,810
211	Animal Control	50,000	0	0	50,000
213	City Court	4,618,890	(3,757,460)	0	861,430
216	City Inspections	2,355,670	0	0	2,355,670
220	Stormwater	2,712,750	0	0	2,712,750
230	Solid Waste	10,437,920	0	0	10,437,920
240	Miscellaneous Special Revenue	3,628,680	(1,091,910)	0	2,536,770
250	Senior Aides	587,940	0	0	587,940
264	Home Grants	1,574,950	0	0	1,574,950
269	Emergency Shelter Grants	83,000	0	0	83,000
290	Community Development Block Grant	2,157,360	0	0	2,157,360
	Subtotal - Special Revenue Funds	33,789,970	(5,595,370)	0	28,194,600
	<b>Debt Service Funds</b>				
305	Debt Services	28,891,980	(18,096,520)	0	10,795,460
306	Tax Increment	774,990	0	0	774,990
	Subtotal - Debt Service Funds	29,666,970	(18,096,520)	0	11,570,450
	<b>Capital Project Funds</b>				
401	Capital Projects	33,742,810	0	0	33,742,810
	Subtotal - Capital Project Funds	33,742,810	0	0	33,742,810
	<b>Enterprise Funds</b>				
503	Public Assembly Facilities	5,340,970	0	0	5,340,970
504	Metro Parking	1,613,110	0	0	1,613,110
506	Convention Center	19,656,560	0	0	19,656,560
507	Mass Transportation	22,722,700	0	0	22,722,700
508	Municipal Golf Course	1,579,240	0	0	1,579,240
	Subtotal - Enterprise Funds	50,912,580	0	0	50,912,580
	<b>Internal Service Funds</b>				
702	Fleet Services	13,792,530	0	(13,744,610)	47,920
704	Risk Management	7,302,590	0	(6,697,150)	605,440
705	Health Care	15,747,640	0	(9,458,100)	6,289,540
706	Equipment Replacement	2,212,100	0	(2,196,600)	15,500
707	City Building	1,330,370	0	(1,257,820)	72,550
	Subtotal - Internal Service Funds	40,385,230	0	(33,354,280)	7,030,950
	<b>Grand Total</b>	<b>\$360,675,530</b>	<b>(\$56,217,050)</b>	<b>(\$33,354,280)</b>	<b>\$271,104,200</b>

# General Fund Budget

Department	Adopted Budget FY 10/11	Adopted Budget FY 11/12
Administration	\$2,372,800	\$2,683,300
Finance	3,539,460	3,672,480
Information Systems	4,077,990	4,208,220
Community Development	1,090,230	1,065,730
South Knoxville Waterfront	225,590	236,270
Public Services	20,372,640	20,979,060
Engineering	5,673,040	5,876,230
Recreation	6,743,630	6,799,330
Knoxville Area Transit (KAT)	912,950	951,230
Law	1,764,930	1,809,540
Police	45,958,920	47,931,560
Emergency Management	316,940	325,680
Fire	32,322,580	33,653,620
Legislative	915,560	945,160
Civil Service	991,330	1,024,640
Nondepartmental		
City Elections	0	280,000
Knoxville Partnership	651,300	642,970
Metropolitan Planning Commission (MPC)	905,000	905,000
Knoxville Zoological Park	906,660	1,009,570
Agency Grants	876,500	717,000
Waterfront	528,090	530,380
Community Action Committee (CAC)	567,650	565,640
Reserve	1,650,000	1,725,000
Other Non-departmental Expenses	475,180	1,115,200
Transfers	30,850,270	32,525,160
Subtotal - Nondepartmental	<u>37,410,650</u>	<u>40,015,920</u>
<b>GRAND TOTAL</b>	<u><u>\$164,689,240</u></u>	<u><u>\$172,177,970</u></u>

# Where the Money Comes From (General Fund)



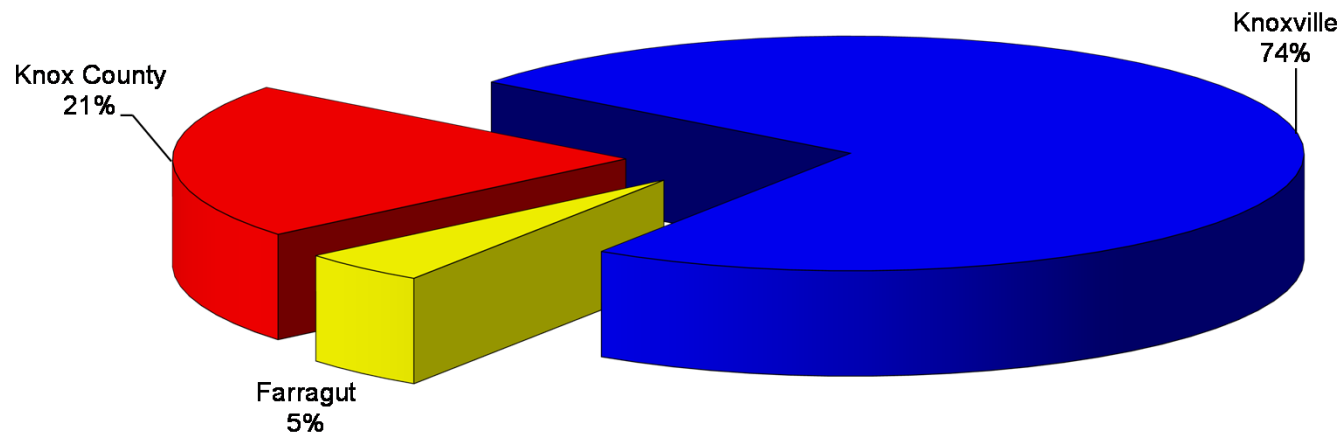
# Property Values

Calendar Year	Total Real Property	Personal Property	Public Utilities	Total Assessments
1995	1,618,398,558	177,681,038	112,540,638	1,908,620,234
1996	1,623,659,535	184,552,898	115,766,135	1,923,978,568
1997	1,878,801,360 *	218,591,024	126,746,927	2,224,139,311
1998	1,934,290,885	242,537,032	128,589,318	2,305,417,235
1999	1,982,169,765	258,297,182	139,643,315	2,380,110,262
2000	2,028,588,845	260,949,460	136,081,340	2,425,619,645
2001	2,383,807,165 *	296,305,803	180,021,560	2,860,134,528
2002	2,438,014,810	304,602,014	174,625,693	2,917,242,517
2003	2,476,436,718	293,852,253	150,264,579	2,920,553,550
2004	2,525,476,515	302,687,562	157,887,475	2,986,051,552
2005	2,862,056,080 *	315,752,361	161,363,916	3,339,172,357
2006	2,920,636,035	329,685,195	145,503,340	3,395,824,570
2007	3,039,973,875	307,480,409	148,366,486	3,495,820,770
2008	3,156,234,335	305,025,792	146,017,169	3,607,277,296
2009	3,678,211,900 *	334,781,946	167,422,239	4,180,416,085
2010	3,705,130,455	316,571,241	147,791,536	4,169,493,232
2011	3,760,574,350	321,529,326	157,728,123	4,239,831,799

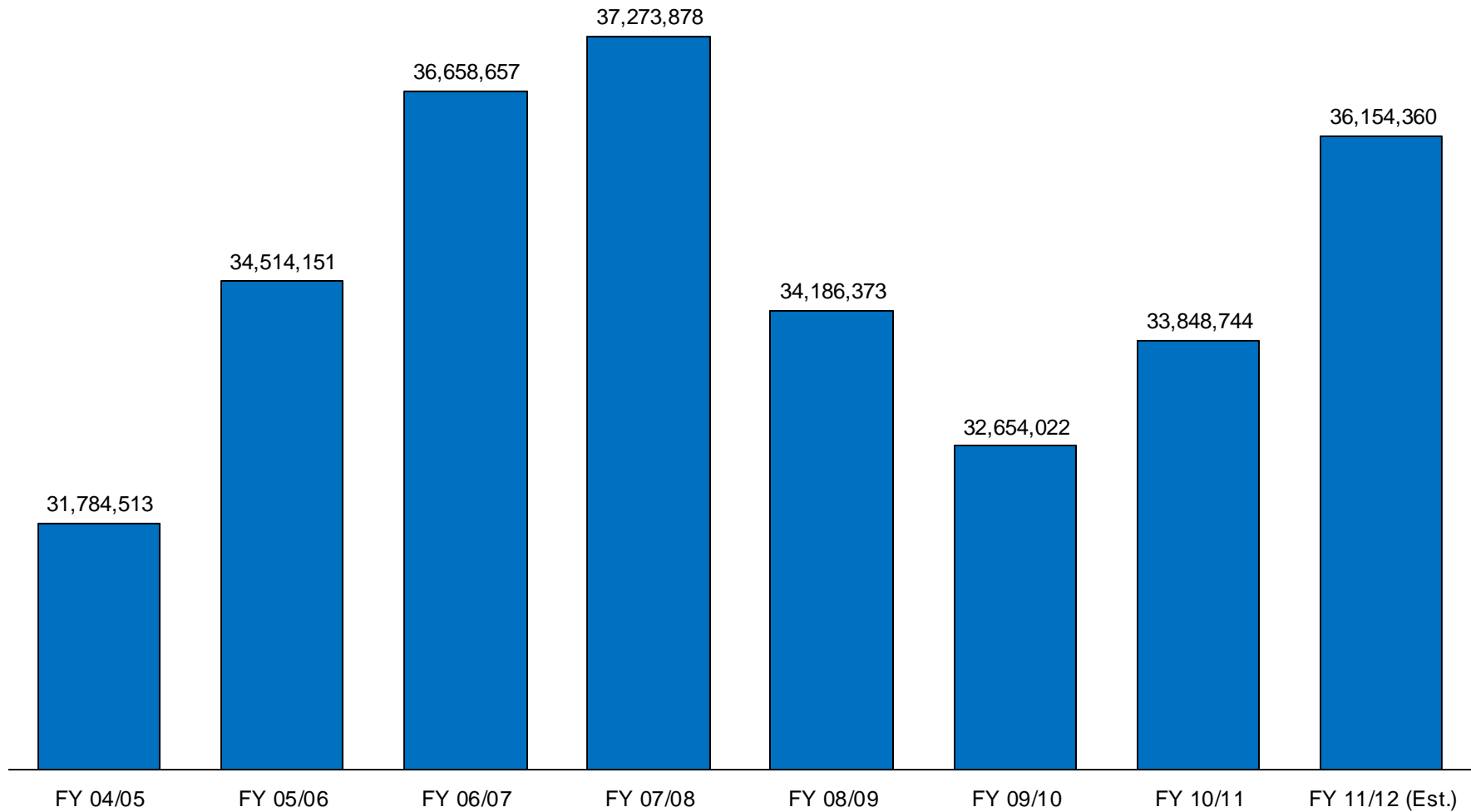
# Local Option Sales Tax

	Knox Co.	Knoxville	Farragut
Local Government	0.625	0.625	1.125
Knox County Schools	<u>1.625</u>	<u>1.625</u>	<u>1.125</u>
Total	<u><u>2.250</u></u>	<u><u>2.250</u></u>	<u><u>2.250</u></u>

# Local Option Sales Tax Distribution

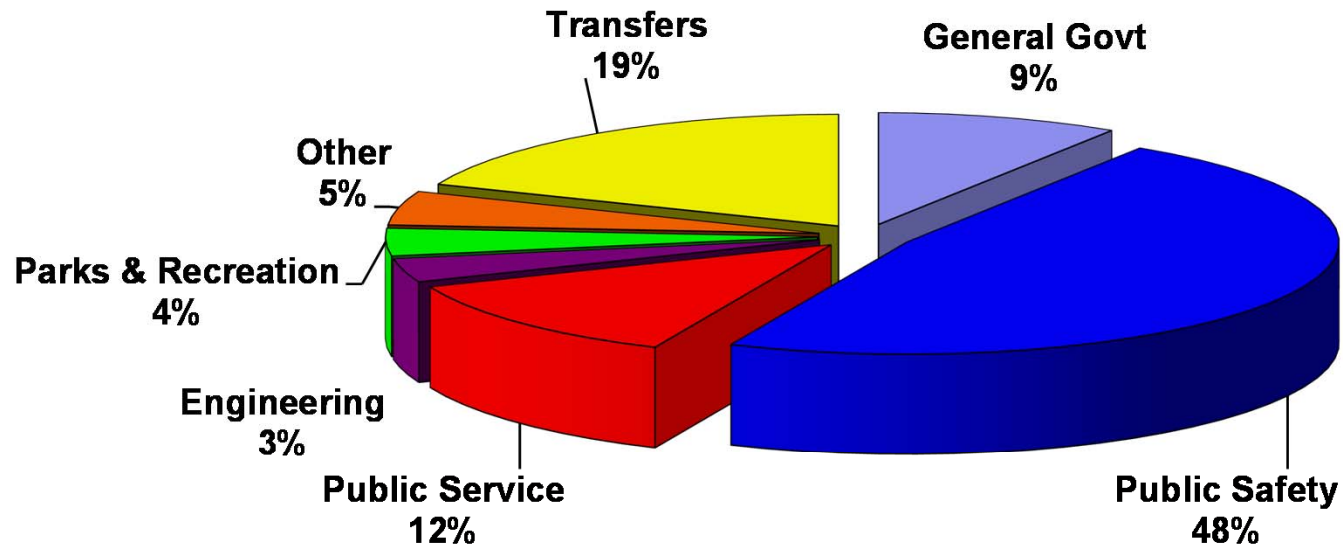


# Local Option Sales Tax History



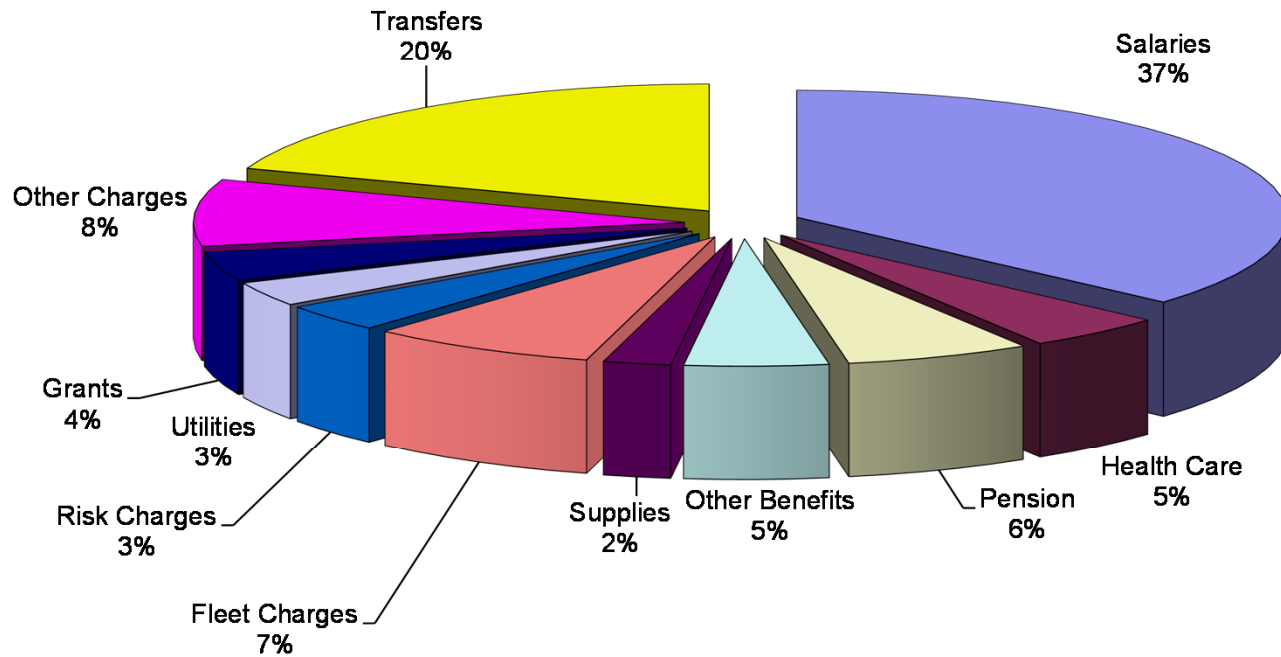
# Where The Money Goes

General Fund Expenditures Including Transfers



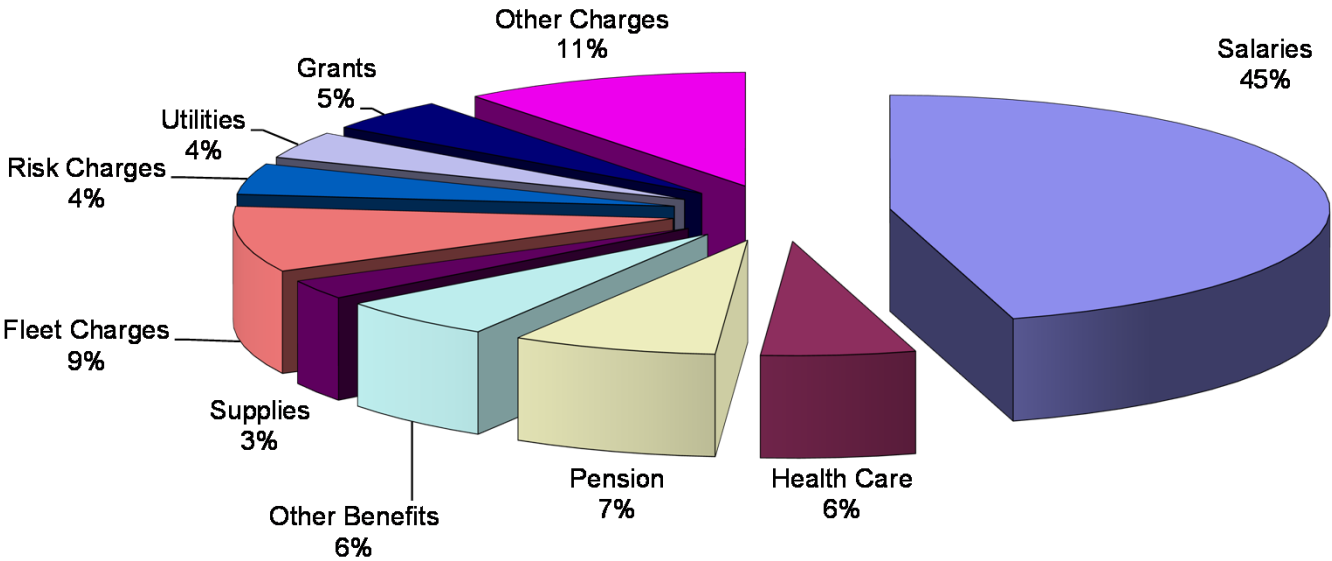
# Where The Money Goes

## General Fund Expenditures Including Transfers



# Where The Money Goes

## General Fund Less Transfers



# Where The Money Goes

## General Fund - Agency Grants

- 58 Outside Agencies receive operating funds
- 1 agency receives a capital grant
- \$717 thousand to Outside Agencies
- Grants to 3 Governmental Agencies
- \$2.48 Million to Governmental Agencies

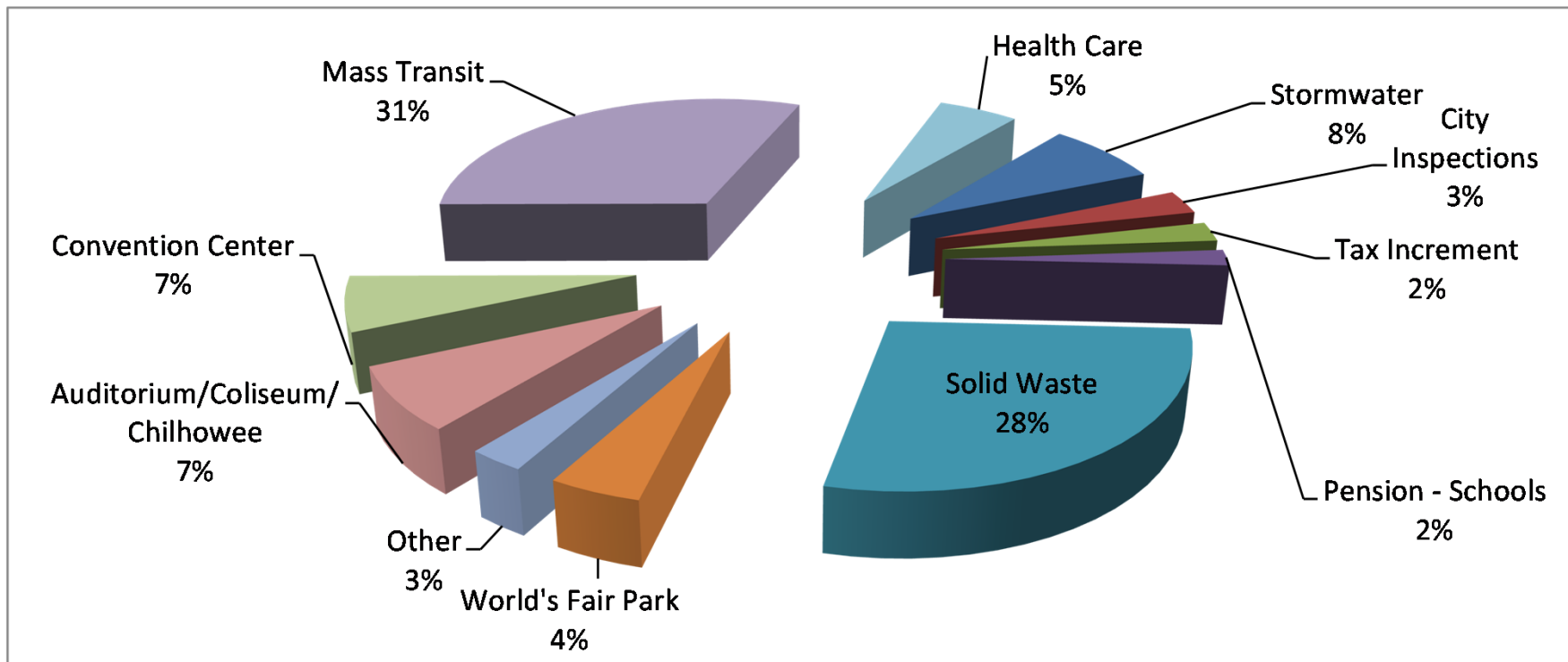
# Where The Money Goes

## General Fund Transfers

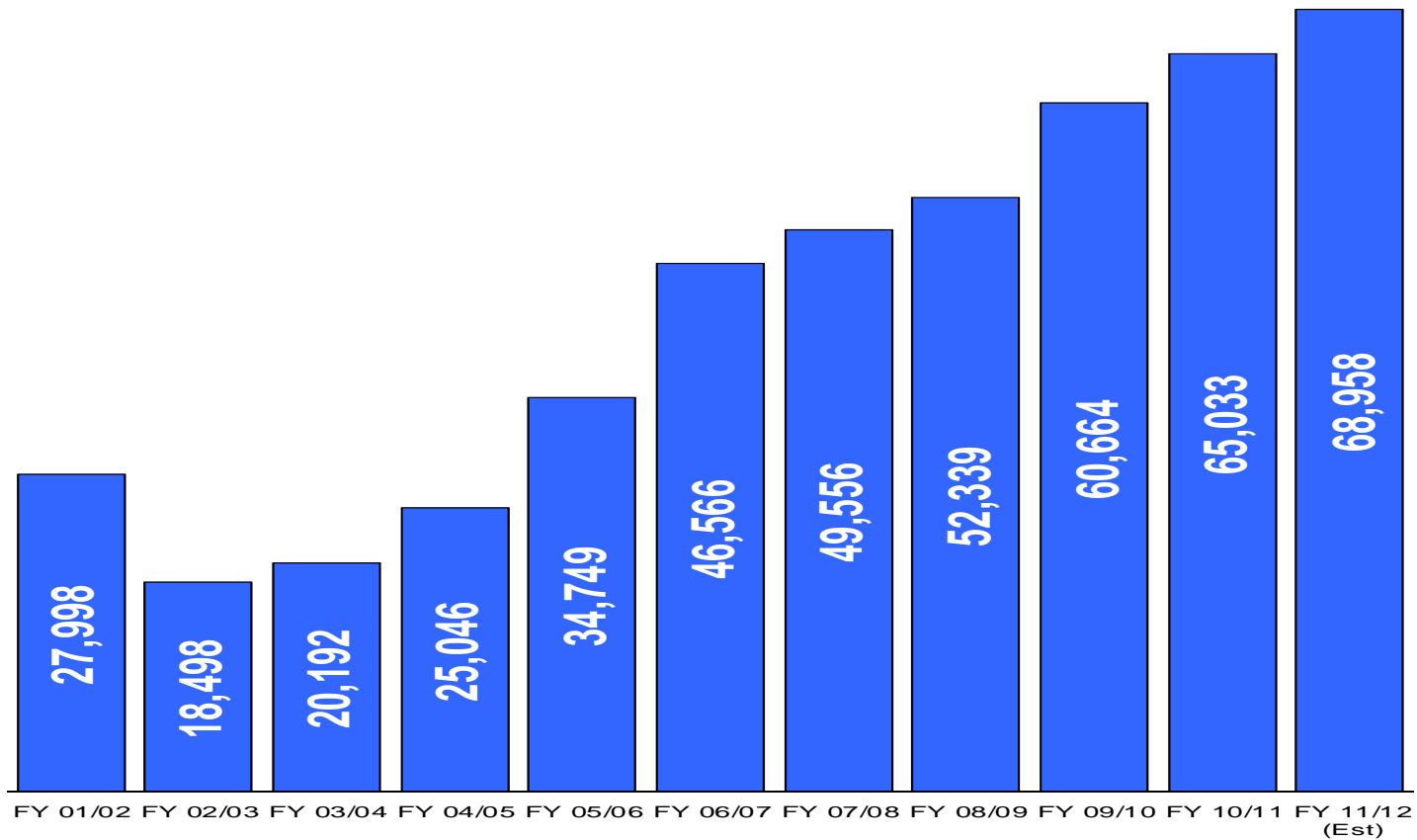
Description	Budget FY 10/11	Budget FY 11/12	Change 10/11 - 11/12	Comment
Community Improvement (202) Transfer	80,000	85,000	5,000	Transfer for community improvements (see Fund 202)
City Inspections Transfer	826,570	960,900	134,330	Subsidy for City Inspections (see Fund 216)
Stormwater Transfer	2,396,320	2,557,550	161,230	Funding for Stormwater operations (see Fund 220)
Solid Waste Transfer	9,392,740	9,416,120	23,380	Funding for Solid Waste operations (see Fund 230)
Special Revenue Fund Transfer	411,550	269,270	(142,280)	Transfer for Senior Aides, 10 Year Plan, Others (see Funds 240 & 250)
Tax Increment Transfer	832,820	774,990	(57,830)	Tax Increment Subsidy (\$739,910) (see Fund 306)
Transfer - Trust & Agency	0	638,970	638,970	Actuarially required contribution for past service liability (Schools)
Chilhowee Park Transfer	1,046,720	1,016,390	(30,330)	Subsidy for Chilhowee Park operations (see Fund 503)
Auditorium/Coliseum Transfer	1,348,380	1,506,600	158,220	Subsidy for Coliseum (see Fund 503)
Convention Center Transfer	2,253,510	2,191,510	(62,000)	Support for Convention Center Operations (see Fund 506)
World's Fair Park Transfer	1,449,770	1,486,410	36,640	Subsidy for WFP operations (see Fund 506)
Mass Transit Transfer	8,367,690	9,512,700	1,145,010	KAT operating subsidy (see Fund 507)
Trolley Transfer	605,170	850,290	245,120	Trolley operating subsidy (see Fund 507)
Golf Course Transfer	122,800	126,500	3,700	Subsidy for Municipal Golf Course (see Fund 508)
Risk Management Transfer	424,850	434,940	10,090	Support administration of Risk Fund (see Fund 704)
Health Care Transfer	1,291,380	1,335,990	44,610	Support administration of Health Care Fund (see Fund 705)
Employer Subsidy - Retiree Health Care	475,180	476,230	1,050	Subsidy to offset a portion of retiree's health care costs
	<u>31,325,450</u>	<u>33,640,360</u>	<u>2,314,910</u>	

# Where The Money Goes

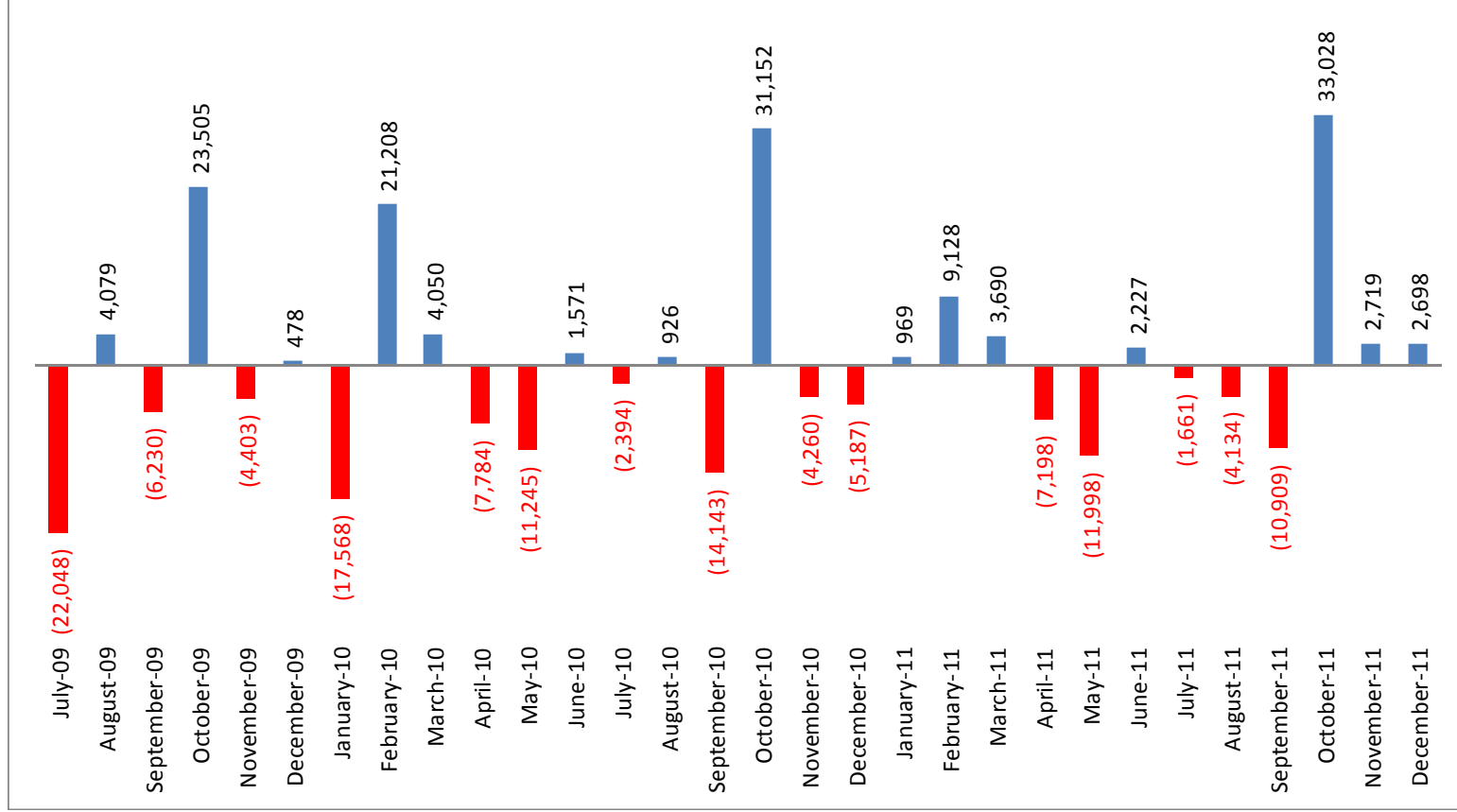
## General Fund-Transfers



# General Fund Fund Balance



# General Fund Cash Flow



# Where The Money Goes

(Salaries & Benefits)

- 1,590 Budgeted Full Time Employees
- 34 Budgeted Part Time Employees
- Numerous Event Workers, Athletic Officials, Crossing Guards, etc.
- Budgeted Payroll of \$70.6 Million

# Where The Money Goes

## (Employee Benefits)

- \$26.4 Million Budgeted for Benefits
  - \$9.1 Million for Health Care
  - \$5.4 Million for Social Security/Medicare
  - \$11.5 Million for Retirement
  - \$115 Thousand for Long Term Disability
  - \$175 Thousand for Group Life
  - \$78 Thousand for Other Benefits

# Where The Money Goes

## (Buildings)

- 211 Buildings
- \$183 Million in Value (Excludes Con. Ctr.)
- Partial Ownership of City/County Bldg.
- \$1.32 Million for City/County Bldg. Maintenance
- \$130 Million Convention Center

# Where The Money Goes

## (Buildings)

- City/County building
- Car pound
- Chilhowee Park
- Auditorium/Coliseum
- Elm Street (Sign/Signal)
- Loraine Street (city garage and shop)
- Jack Sharp Blvd. shop
- East Police Precinct
- Fire headquarters
- Fire stations (18)
- Safety Building
- Fifth Avenue
- Swimming pools (2)
- Golf courses (2)
- Recreation centers (24)
- Parking Garages (5)

# Where The Money Goes

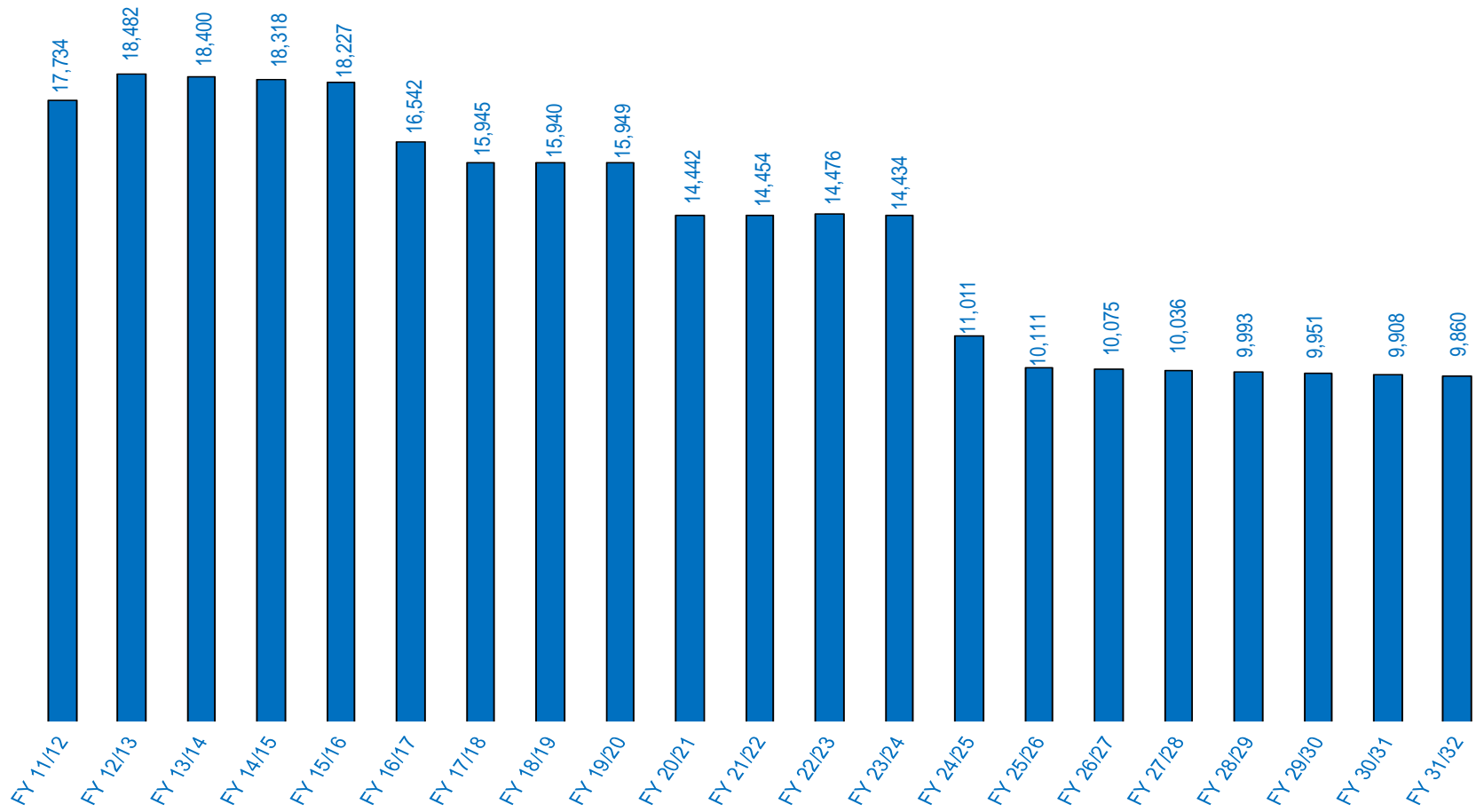
## (Fleet)

- The city has over 1,500 vehicles in the fleet with an original book value of about \$48 million
- The fleet vehicles range from golf carts to fire aerial ladder trucks

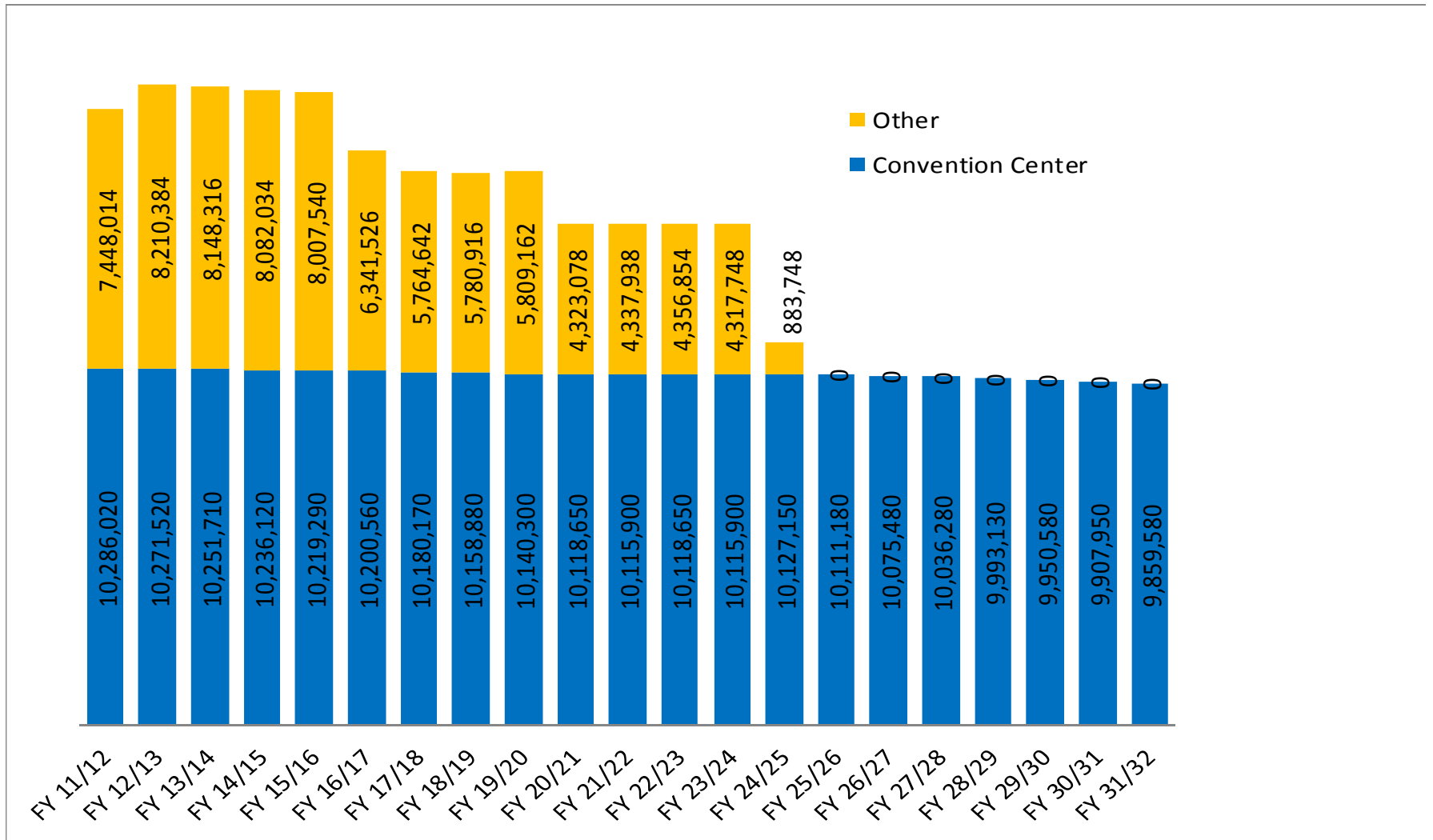
# Debt Service

- Principal Outstanding (6/30/11) = \$194.8 Million
- Approximately \$17.4 Million Per Year for Debt Payments

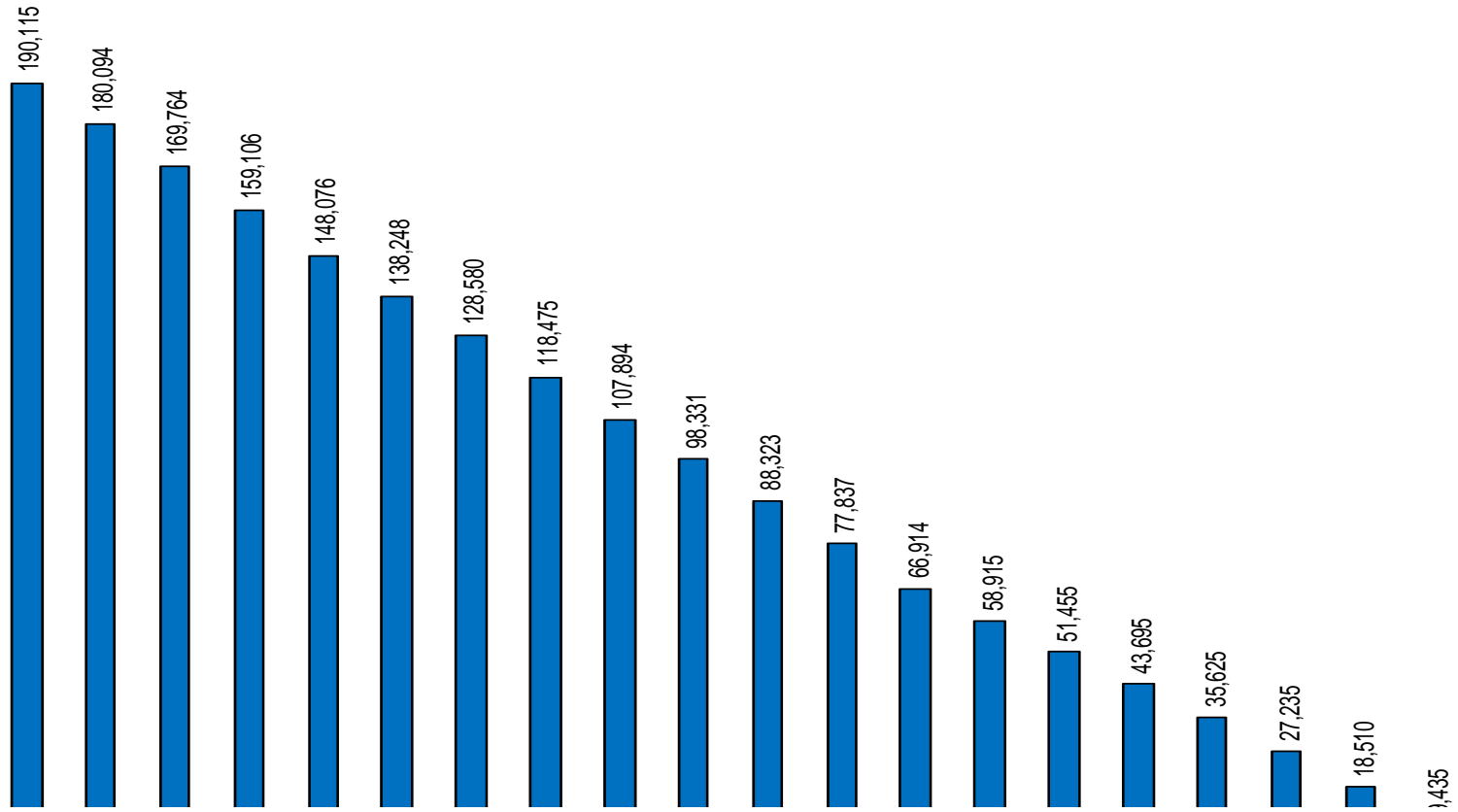
# Debt Payments



# Debt Payments



# Remaining Debt Balances



# Bond Ratings

- Moody's Aa1
- Standard & Poors AA+
- Fitch AAA

# Bond Rating (Fitch)

- Rating Rationale
  - Financial management is strong highlighted by prudent budget practices and robust reserve levels
- Key Rating Driver
  - Sustained financial flexibility is key to the city's rating given future budgetary pressures

# Capital Projects

- Legal necessity
- Critical nature of improvement
- Additional operational savings/costs
- Preservation of assets
- Ability to timely complete projects

# Capital Project Funding

Account Name	FY 05/06 Budget	FY 06/07 Budget	FY 07/08 Budget	FY 08/09 Budget	FY 09/10 Budget	FY 10/11 Budget	FY 11/12 Budget
Federal Grants	9,021,750	7,716,680	5,685,000	7,253,050	1,185,000	2,252,980	-
State Contribution	3,473,000	1,000,000	-	1,258,510	-	1,200,000	12,940,000
County Grants/Contributions	1,350,000	1,000,000	-	-	-	-	-
Gifts	-	-	-	1,180,000	100,000	200,000	50,000
Agency Contribution	-	-	-	-	-	-	1,515,000
Subtotal - Grants/Donations	<u>13,844,750</u>	<u>9,716,680</u>	<u>5,685,000</u>	<u>9,691,560</u>	<u>1,285,000</u>	<u>3,652,980</u>	<u>14,505,000</u>
General Fund Transfer	8,081,750	10,714,460	9,643,470	8,664,650	4,470,000	-	-
State Street Aid Transfer	1,275,000	1,275,000	1,275,000	1,025,000	560,000	596,000	746,000
CDBG Transfer	500,000	200,000	550,000	25,000	-	-	-
Misc. Special Revenue Transfer In	-	-	-	-	-	-	-
Coliseum Restoration Fund	-	-	300,000	265,000	282,550	144,250	48,000
Police Capital Fund	-	-	-	586,900	1,179,940	586,480	818,910
Police Training Fund	-	-	116,600	-	-	-	-
Abandoned Vehicle Fund	-	-	50,000	120,000	14,000	59,080	-
Treasury DAG Fund	-	-	-	-	350,000	80,000	-
Safety City Fund	200,000	-	-	-	40,670	50,000	225,000
Misc. Internal Service Transfer In	-	-	-	-	-	-	-
Equipment Replacement Fund	-	-	-	-	-	90,000	-
Debt Service Transfer	1,827,600	6,921,160	10,493,000	10,756,100	14,555,730	17,986,520	17,959,500
Proprietary Fund Transfer	-	-	-	-	-	-	-
Metro Parking Fund	50,000	-	-	1,000,000	1,000,000	-	-
Subtotal - City Funds	<u>11,934,350</u>	<u>19,110,620</u>	<u>22,428,070</u>	<u>22,442,650</u>	<u>22,452,890</u>	<u>19,592,330</u>	<u>19,797,410</u>
Capital Contribution - Federal	750,000	-	9,000,000	5,000,000	4,000,000	-	-
Appropriated Fund Balance	4,242,900	(2,194,000)	-	-	-	-	-
Subtotal - Bonds/Other	<u>4,992,900</u>	<u>(2,194,000)</u>	<u>9,000,000</u>	<u>5,000,000</u>	<u>4,000,000</u>	<u>-</u>	<u>-</u>
Grand Total - Revenues	<u>30,772,000</u>	<u>26,633,300</u>	<u>37,113,070</u>	<u>37,134,210</u>	<u>27,737,890</u>	<u>23,245,310</u>	<u>34,302,410</u>

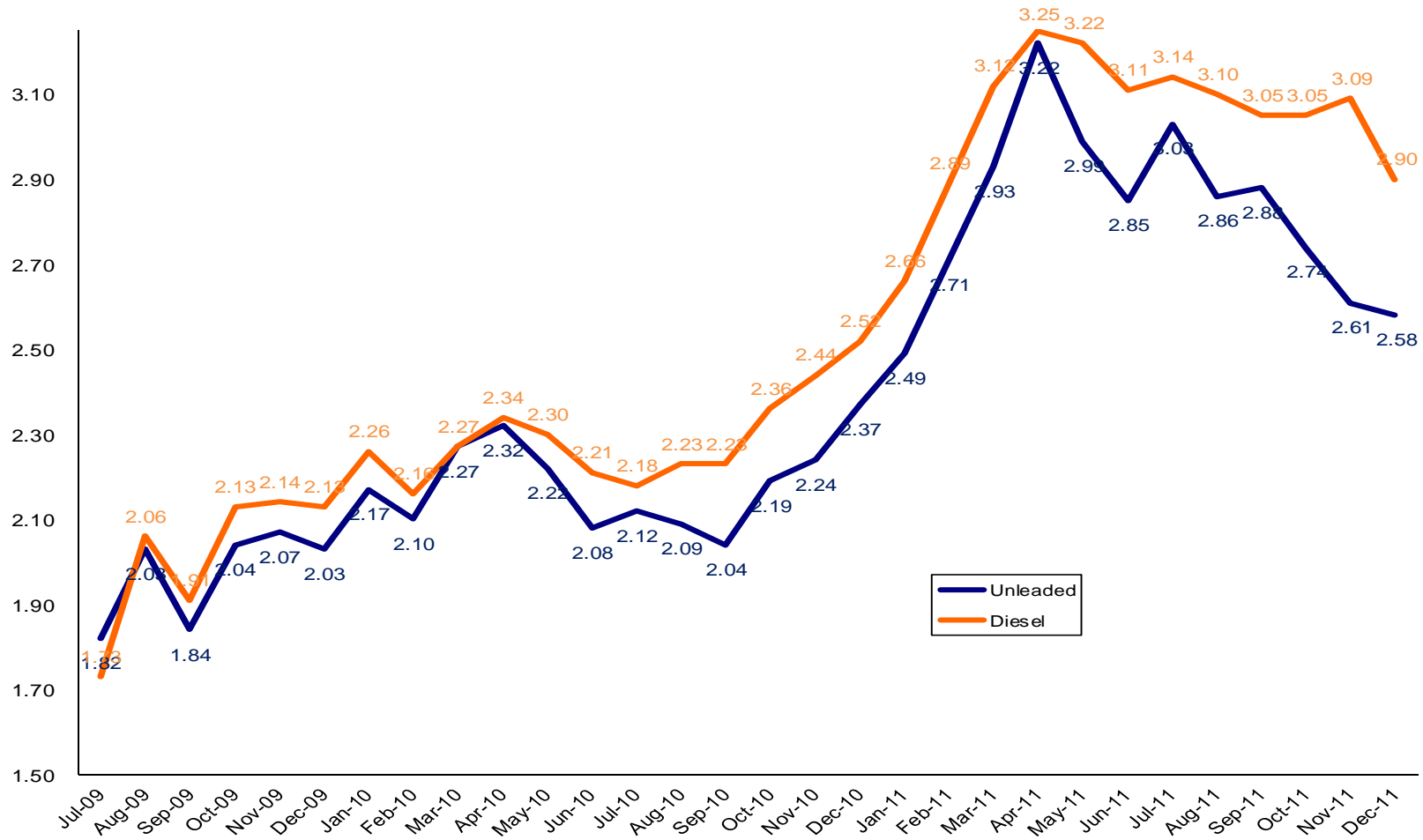
## General Fund Results as of 12/31/2011

Revenues	73,752,362
Expenditures	67,195,280
Net Transfers	(14,383,866)
Revenues/Sources Over Uses	(7,826,784)
Beginning Fund Balance	65,032,699
Ending Fund Balance	57,205,915

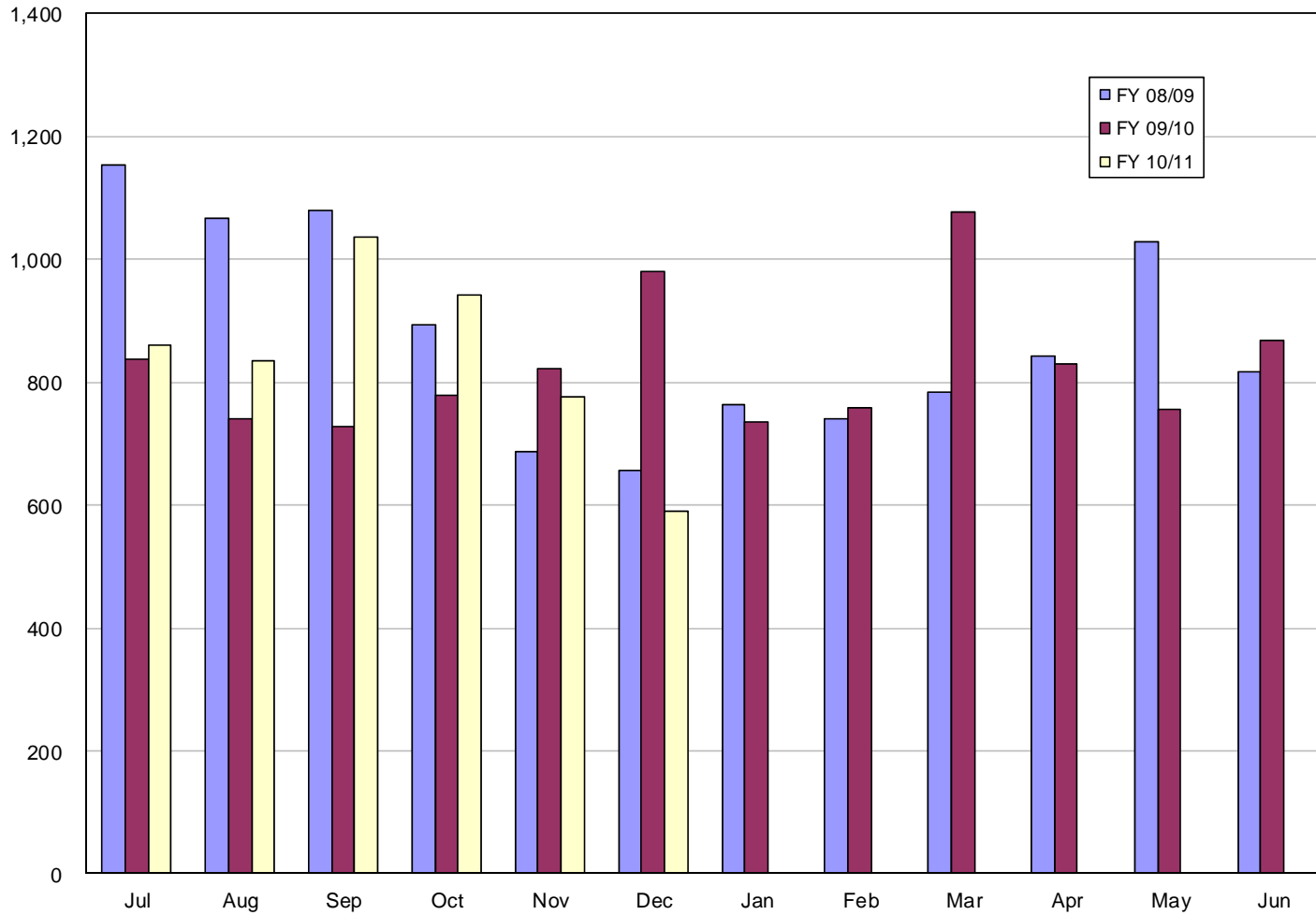
# Mid-Year Results

- Sales tax revenues are strong
- Growth in assessed value remains low
  - Overall real property change is 1.5%
  - Residential and industrial property experienced a decline
  - All growth was in commercial area
  - Personal property change was a positive 1.57% and better than forecast
  - Public Utility property up by 6.72%
- KUB PILOT slightly stronger than forecast
- State shared sales tax also up
- Fines and forfeitures down significantly
- Excess Court revenues expected to be down

# Gasoline Prices



# Building Permits



# Inspections Revenues

Account Number	Account Name	FY 04/05 Actual	FY 05/06 Actual	FY 06/07 Actual	FY 07/08 Actual	FY 08/09 Actual	FY 09/10 Actual	FY 10/11 Actual	FY 11/12 Estimate
5210	Permits	570	750	646	390	120	540	330	560
5221	Building Permits	966,058	957,193	1,068,934	975,800	810,935	655,598	564,580	645,410
5222	Electrical Permits	365,747	360,285	391,949	327,444	284,406	240,460	304,685	265,440
5223	Plumbing Permits	319,153	341,161	381,124	312,066	251,982	224,196	229,259	193,440
5224	Mechanical Permits	97,871	104,227	113,851	109,047	109,401	101,984	106,134	95,500
5225	Boiler Permits	115,131	114,954	108,702	96,402	79,161	75,510	71,337	94,330
5226	Plans Review	162,257	165,927	179,575	144,784	124,270	104,657	92,872	129,050
5233	Plans Review Fee	371	2,950	1,785	1,589	988	415	352	150
5294	Sundry Inspection	50	0	45	0	0	0	0	0
	Subtotal - Licenses and Permits	2,027,207	2,047,447	2,246,611	1,967,521	1,661,263	1,403,360	1,369,548	1,423,880
5611	Interest on Investments	13,775	35,912	43,845	43,575	12,225	1,573	708	330
5902	General Fund Transfer	0	0	0	0	135,380	612,250	830,830	842,760
5699	Miscellaneous Revenue	1,288	56	(3,980)	(4,740)	2,587	(503)	(232)	1,180
	Subtotal - Misc. Revenue	15,063	35,967	39,865	38,834	150,192	613,320	831,306	844,270
	Grand Total - Inspections Fund (216)	2,042,270	2,083,414	2,286,476	2,006,355	1,811,455	2,016,679	2,200,853	2,268,150

# General Fund Forecast 6/30/2012

Revenues	171,001,490
Expenditures	137,588,150
Net Transfers	(29,488,160)
Revenues/Sources Over Uses	3,925,180
Beginning Fund Balance	65,032,699
Ending Fund Balance	68,957,879

# The Budget Timetable

- February 3, 2012 – Budget Retreat
- Feb. – March – Departments submit budget requests, base numbers calculated, and capital budget prepared
- March 22 – March 23 – Mayor’s budget hearings
- April 9 – MPC Hearing on Capital Improvement Program
- April 27, 2012 – Mayor’s budget submitted
- May 1, 2012 – First reading of budget and tax ordinances
- May 22-23– Council Workshops, Public Hearing (to be determined)
- May 29, 2012– Second reading of budget and tax ordinances

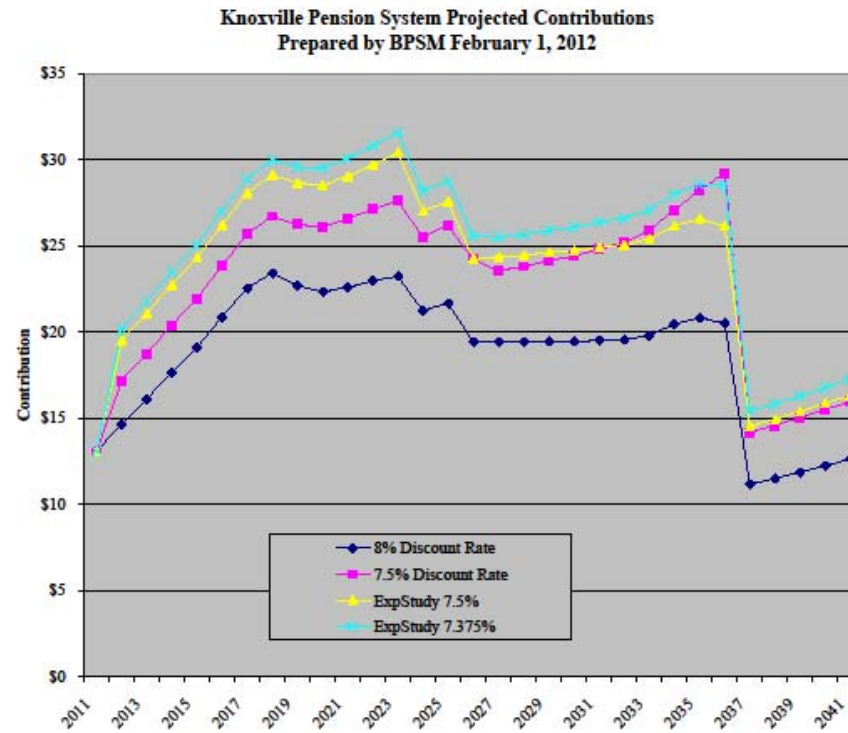
# 2012/13 Budgetary Issues

- Limited Growth in Property Taxes
- Possible state/federal revenue cuts
- Salary Adjustments
- Pension Costs
- Health Care
- Fuel Costs
- Curbside Recycling
- Existing Contracts/Commitments

# Pension Contribution Rates

Plan	FY 07/08 %	FY 08/09 %	FY 09/10 %	FY 10/11 %	FY 11/12 %	FY 12/13 Proposed %
A	7.55%	7.22%	7.72%	9.72%	11.72%	13.60%
C	16.55%	16.34%	16.54%	18.57%	21.64%	24.07%
G1	9.05%	8.72%	9.22%	11.22%	13.22%	15.10%
G2	7.55%	7.22%	7.72%	9.72%	11.72%	13.60%

# Future Pension Costs



# Estimated Future Pension Contributions

