

A photograph of the Hamilton County Courthouse tower in Tennessee, featuring a stone wall with a blue metal railing in the foreground and trees in the background. The text is overlaid on the lower portion of the image.

Hamilton County

TENNESSEE

COMPREHENSIVE ANNUAL BUDGET REPORT

Operating Budget FY 2006



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Hamilton County Government
Tennessee**

For the Fiscal Year Beginning

July 1, 2004

Nancy Ziehl
President

Jeffrey R. Egan
Executive Director

DISTINGUISHED BUDGET PRESENTATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Hamilton County, Tennessee for its Comprehensive Annual Budget Report for the fiscal year beginning July 1, 2004.

This is the fourth year in a row Hamilton County received this award for its Comprehensive Annual Budget Report.

In order to be awarded a Distinguished Budget Presentation Award, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Budget Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe our current report continues to conform to program requirements, and we are currently submitting it to GFOA to determine its eligibility for another award.

HOW TO USE THIS DOCUMENT

The FY 06 Budget Document is organized into eight major sections. These are the Introduction, General Fund (with a total of eight tabs), Special Revenue Funds, Debt Service Fund, Capital Improvements Program (CIP), Department of Education, Personnel Schedule and Glossary.

INTRODUCTION

The introduction begins with two separate letters, one from the County Mayor and one from the County Finance Administrator, transmitting the FY 06 budget document. The two budgetary financial summaries with facing revenue and expenditure pie charts are designed to provide the reader with a quick overview of the County's FY 06 Budget. An organizational chart is included and a profile of Hamilton County with selected demographic, economical and statistical information. There is also a budget calendar and sections describing the County's financial policies and procedures.

GENERAL FUND

This section includes departmental expenditure summaries for all units of the General Fund, which include the Constitutional Offices, Supported Agencies, Unassigned Departments, Finance, Public Works, Human Services and Health Services Divisions, each of which have their own tabbed section. Also provided is a separate program description for each department within these divisions, along with the department function, performance objectives (if adopted), personnel schedules and program comments.

SPECIAL REVENUE FUNDS

The Sheriff's Fund and the Juvenile Court Clerk Fund departmental goals and objectives are included in this section. Also included are the departmental expenditure summaries.

DEBT SERVICE FUND

This section includes a short narrative about the outstanding general obligation debt of Hamilton County with accompanying financial schedules.

CAPITAL IMPROVEMENTS PROGRAM

This section provides a general overview of the County's Capital Improvements Program.

DEPARTMENT OF EDUCATION

The Department of Education (DOE), a component unit of Hamilton County, is presented in this section. The DOE receives the majority of its funding from property taxes collected by the County and from the State of Tennessee Basic Education Program (BEP) revenues.

PERSONNEL SCHEDULE

Included in this section is a summary of the budgeted employees for four fiscal years, with narrative describing the budgetary impact of significant changes.

GLOSSARY

A listing of words and their definitions which may not be familiar to the average user is presented here.





HAMILTON COUNTY
OFFICE OF THE COUNTY MAYOR
208 Courthouse
Chattanooga, Tennessee 37402

TO THE BOARD OF COUNTY COMMISSIONERS AND CITIZENS OF HAMILTON COUNTY

August, 2005

As County Mayor and Fiscal Agent, it is my duty and pleasure to present Hamilton County's Budget for fiscal year 2006. We have prepared a balanced budget that includes a twenty-six cent, per one hundred dollars of assessed value, increase in the tax rate. Through careful planning, this budget continues to provide our community with excellent services at the lowest possible cost.

The County has as its highest priority the preservation of our natural resources along with the continuing development of our community resources to ensure that there is sustainable growth for the future needs of Hamilton County citizens. To accomplish this mission with our limited resources, we are guided by the philosophy of conducting the financial operations of Hamilton County in a sound and progressive manner.

This year I am proud to announce that we have accomplished two of our major long-term objectives, both of which were completed in May 2005.

First, Enterprise South, our largest industrial park, was named the state's first Tennessee Valley Authority (TVA) megasite. Megasite certification by TVA distinguishes Enterprise South as land that has the roads, railroad lines, sewer, water, electricity and environmental clearance as a major industrial site. This designation substantially broadens the region's economic development opportunities. Our efforts will continue to be focused on marketing the park to recruit new industry and expand the job opportunities in the community.

Second, the downtown Riverwalk celebrated its official opening. The 10-mile paved trail stretches from Ross's Landing, located in the downtown district, to the Chickamauga Dam. Residents and visitors can now walk, bike, skate, and jog along the scenic Tennessee River.

Also, 2005 is the third year we have recognized and rewarded excellence at work among our employees through our "Focus on the Finest" incentive program. To date, 66 employees have been recognized for outstanding performance in the workplace. Through continuing support and education of our employees, we believe that Hamilton County will approach the future with a team that is dedicated to the community's continued progress.

I deeply appreciate the County employees and citizens who have worked so hard to sustain the community spirit that is driving our progress.

Sincerely,

Claude Ramsey
County Mayor



Claude Ramsey
County Mayor





TO THE COUNTY MAYOR AND THE COUNTY BOARD OF COMMISSIONERS

It is my pleasure to present to you the Comprehensive Annual Budget Report of Hamilton County, Tennessee for fiscal year 2006. This budget has been balanced with a twenty-six cent, per one hundred dollars of assessed value, increase in property taxes. This increase was necessary to maintain the level of services to which the citizens of Hamilton County have become accustomed.

The adopted budget totals \$514,885,500 and represents an increase of \$26,694,618, which is a 5.5% increase over the prior year's adopted budget. The most significant budget increases were in the Department of Education's (DOE) budget which increased by \$18,221,639. The overall operating budget for Hamilton County was increased by \$8,415,079 (\$6,464,596 after eliminating inter-fund transfers). The remaining increases were in the following County General Government's departments and agencies. Constitutional offices experienced increases totaling \$3,983,839, the largest being an increase in the Sheriff's appropriation of \$3,404,379 due primarily to a significant reduction in Federal prisoners. The total Supported Agencies' budgets increased by \$363,999, of which \$326,009 was in the departments of the Juvenile Court Judge. The Unassigned Departments in the aggregate experienced a decrease of \$1,968,500 due mostly to the reduction of the debt service appropriation (\$1,578,345). The Finance departmental budgets increased by \$97,562; the Public Works' departmental budgets increased by \$828,660; the Human Services' budgets increased by \$3,621,261 including an increase in Corrections of \$2,297,012 and the Health Services' budgets increased by \$1,488,258, most notably the Primary Care budget which increased by \$317,100.

The three overriding themes reflected in this budget are:

- Providing quality services at the lowest possible cost to taxpayers

- Preserving the progress in Education
- Continuing the performance-based pay plan and improving the employee benefits package

PROVIDING QUALITY SERVICES

In an effort to maintain the quality of services we provide to our community, no new programs were initiated in the General Fund other than those fully supported by grant revenues. We also recommended no increase in staff for all departments.

PRESERVING THE PROGRESS IN EDUCATION

The Department of Education (DOE) is a component unit of Hamilton County and their approved budget of \$310,810,980 represents 60% of the total County budget. This year's DOE budget provides raises for teachers and non-classified employees; capital improvements on schools; reinstatement of department chair supplements; extended time for librarians and guidance counselors; coaching supplements for middle school sports; new textbooks and the pre-kindergarten program.

CONTINUING THE PERFORMANCE-BASED PAY PLAN AND IMPROVING EMPLOYEE BENEFITS

In 2001 Hamilton County initiated a performance-based pay plan in order to reward outstanding performance, foster quality services and improve employee morale, which will be funded from revenue growth and strategic economic spending. Fiscal year 2006 is the fifth year of the County's performance-based pay plan. This year's phase of the plan will cost \$2,253,770.

The cost of health insurance increased 13 percent or \$1,813,051 this fiscal year despite our efforts to control costs.

FISCAL YEAR 2006 BUDGET HIGHLIGHTS

REVENUE

Several techniques were used to estimate revenue. In some instances, these different techniques produced varying results. When this occurred, the most conservative approach was used. Over the years, this conservative approach along with our consistent record of controlling expenditures has provided the County with a “safety cushion” which has helped to build cash reserves and ultimately strengthen our financial condition.

The following chart of estimated available funds shows increases totaling \$26,694,618 and is explained as follows:

Property taxes and Trustee excess fees show an increase of \$17,422,086. This increase resulted from a twenty-six cent, per one hundred dollars of assessed value, increase in the tax rate. Property taxes in the General Fund and School Fund are \$8,115,818 and \$9,519,268 respectively and the Trustee’s excess fees are projected to decrease by \$213,000. Sales tax revenues are projected to increase by \$4,170,681; of this 6.9% increase, \$1,431,500 is attributed to the general fund and \$2,739,181 to the DOE. Constitutional Offices revenue is projected to increase by \$3,337,050; of which \$3,384,363 can be attributed to the General Fund. Of this increase \$2.6 million came from the gross receipts taxes formerly pledged to the Department of Education.

Intergovernmental revenues increased over last fiscal year primarily due to an increase for education. The General Fund revenues reflect an increase in state funds of \$496,488 but a decrease of \$83,362 in federal funds. An increase of \$1,704,236 and \$4,547,604 from state and federal funds respectively is attributed to the Department of Education. An increase of \$126,000 in state funds for debt service, a reduction of \$219,888 in state funds in addition to a \$1,100,000 decrease in federal funds for the Sheriff’s Fund, and a \$5,000 increase in state funds in the Juvenile Court Clerk’s budget contributed to a total increase of \$5,476,078 in intergovernmental revenues.

The increase in inter-fund transfers resulted from an increase of \$3,404,379 in the appropriations to the Sheriff’s Department; \$124,449 increase in the annual appropriation to the Juvenile Court Clerk’s Fund; and a \$1,546,061 decrease to the Debt Service Fund. The General Fund will receive \$292,750 more in transfers and the Department of Education will receive \$100,000 less in transfers. Finally, the

increase in other sources reflects an increase in the General Fund of \$1,448,313, of which \$526,465 is projected in Accounting and Engineering Services, \$455,000 is projected in investments; \$308,233 is expected in Health Department medical fees; \$214,000 is anticipated in fines and cost, with other decreases and increases totaling \$55,385. The Sheriff’s fund expected a decrease in other sources of \$193,812 which includes revenues from other municipalities for housing prisoners. The DOE is projecting a decrease of \$115,650 in other sources and the Debt Service Fund expects a \$12,146 increase in revenue from other sources.

ESTIMATED AVAILABLE FUNDS

Revenue Classifications	FY 2006 Adopted Budget	FY 2005 Adopted Budget	Increase/ (Decrease)
Use of Fund Balance	\$ (395,606)	\$ 6,642,185	\$ (7,037,791)
Property Taxes and Trustee Excess Fees	206,890,699	189,468,613	17,422,086
Local Sales Tax	63,810,275	59,639,594	4,170,681
Constitutional Offices	11,866,567	8,529,517	3,337,050
Intergovernmental	14,361,160	142,885,082	5,476,078
Inter-Fund Transfers	50,145,775	47,970,258	2,175,517
Other Sources	34,206,630	33,055,633	1,150,997
Total Estimated Revenues	\$ 514,885,500	\$ 488,190,882	\$ 26,694,618

EXPENDITURES

The following chart of estimated expenditures shows increases totaling \$26,694,618 and is explained as follows:

The Department of Education shows the largest growth in expenditures for 2006, with regular classroom instruction increasing by \$6,325,948 while special education increased by \$1,379,936; vocational education by \$413,187; regular instruction support services by \$404,391; maintenance of plant by \$322,483; office of the principal by \$848,105; and food services by \$530,200 for a total of \$3,576,023. In addition, the Federal Projects Fund’s budget increased by \$3,618,754. Increases and decreases netting an additional \$1,313,635 in other areas resulted in an overall \$15,156,639 increase, which is an increase of 5.3% over the prior year budget for the Department of Education. The remaining \$3,065,000 is budgeted to be used for capital maintenance of schools.

The increases in the General Fund consist mainly of \$1,529,447 for pay plan adjustments, a \$1,360,769 increase in medical insurance over the prior year, and an increase in the pension cost of \$788,461. The appropriation to the

Debt Service Fund decreased by \$1,578,345; however, the Sheriff and Juvenile Court Clerk Funds' appropriation increased by \$3,528,828. The Corrections Corporation of America contract, for the management of our correctional facilities, increased by \$2,098,283. That amount plus other equipment costs of \$301,000 contribute to the largest program increase. Also, the Health Department was allocated an additional \$300,000 for Critical Healthcare Programs to cover the increased cost of providing health care to those affected by the State's reduction in TennCare. Along with other miscellaneous adjustments of \$86,636, these make up the \$8,415,079 increase in the General Fund's budgeted expenditures.

The increase in the Sheriff's Fund reflects an increase in medical insurance of \$415,743, an increase in pension cost of \$192,513 and an increase in pay plan adjustments of \$834,621. The elimination of the Domestic Violence Task Force grant and miscellaneous changes in other departments reduced the expenditure budget by \$92,598 leaving the aggregate increase to the Sheriff's Fund at \$1,350,279. The Juvenile Court Clerk's Fund reflects an increase of \$117,636, all of which can be attributed to salary and benefits adjustments.

Finally, the \$1,409,915 decrease in Debt Service reflects the scheduled retirement of the County's debt obligations by 5.2% from the prior year budget.

consistently maintained a General Fund balance equivalent to at least three months of expenditures, which places us in an excellent position to adequately address potential fiscal emergencies.

The County's good bond rating (Aa1 by Moody's and AA+ by Fitch) is further evidence of its financial strength. These ratings indicate that the County's bonds are considered to be high investment quality meaning lower interest rates and corresponding lower interest payments. Having solid financial policies and strong financial reserves are principal reasons for these bond ratings.

CONCLUSION

Hamilton County is well postured for the coming year. Through our newly implemented program of "Excellence at Work" for our managers and the "Focus on the Finest" employee recognition program, we are realizing our vision of "providing efficient quality services by everyone, every-way, everyday." Our leaders are focused on continuing our momentum for improvement.

While the capacity to predict financial outcomes with a degree of certainty is somewhat limited, the foremost factors affecting fiscal planning are the condition of the economy and continuing sound management practices. With our strong financial management, our strong fund balances and our plans for future growth, Hamilton County has a sound financial future.

ACKNOWLEDGEMENTS

I would like to thank the staff of the Finance Division for their dedication in the preparation of this report. I would also like to express my gratitude for the support we have received from the County Mayor and the County Board of Commissioners in conducting the financial operations of Hamilton County in a sound and progressive manner.



ALBERT C. KISER
Assistant Administrator of Finance



LOUIS S. WRIGHT
Administrator of Finance

ESTIMATED EXPENDITURES

Expenditure	FY 2006 Adopted Budget	FY 2005 Adopted Budget	Increase/ Decrease
Dept of Education	\$ 301,810,980	\$ 283,589,341	\$ 18,221,639
County General Fund	161,167,272	152,752,193	8,415,079
County Sheriff's Fund	22,954,168	21,603,889	1,350,279
Narcotics			
Enforcement Fund	165,200	165,200	-
Juvenile Court			
Clerk's Fund	1,809,929	1,692,393	117,536
Debt Service Fund	26,977,951	28,387,866	(1,409,915)
Total Estimated Expenditures	\$ 514,885,500	\$ 488,190,882	\$ 26,694,618

FINANCIAL CONDITION AND OUTLOOK

Hamilton County is in a strong position financially and our future is bright due to the sound management practices that have enabled the County to maintain solid fund balances and reserves. One measure of an entity's financial strength is the level of its fund balances. The County has

Respectfully submitted,

Louis S. Wright, CPA
Administrator of Finance

HAMILTON COUNTY'S LONG-TERM INITIATIVES

We are proud of our achievements and believe that we are making a difference in our community and in the lives of those who depend on us to make the most of our resources. It is our commitment to our four primary initiatives – *Economic Development, Information Technology, Education, and Workforce Development* – that guides our future.

ECONOMIC DEVELOPMENT

ENTERPRISE SOUTH INDUSTRIAL PARK MEGASITE CERTIFICATION

In May of 2005, the Tennessee Valley Authority certified the 1,600-acre Enterprise South Industrial Park as Tennessee's first industrial megasite. The TVA megasite designation means that Enterprise South is certified as suitable for a major automotive manufacturer. It has the roads, railroad lines, sewer, water, electricity and environmental clearance to become a major industrial site. This designation substantially broadens the region's economic development opportunities. Enterprise South is a top-tier industrial park that offers significant strategic business advantages. Companies have access to powerful technical and research assets, a skilled labor pool, and a first-rate quality of life coupled with affordable cost of living. Our efforts will continue to be focused on marketing the park to recruit new industry and expand the job opportunities in the community.

ENTERPRISE SOUTH INDUSTRIAL PARK INTERCHANGE

Progress is evident in developing roads serving the Enterprise South Industrial Park. The State of Tennessee has constructed a new interchange on I-75 to provide Interstate

access to future industries at the park. The County has also been successful in securing over \$17 million in federal funds to construct roadways within the facility.

ENTERPRISE SOUTH NATURE PARK

Together with the City of Chattanooga, Hamilton County has secured the transfer of 2,700 acres of land from the former Volunteer Army Ammunition Plant for recreational use. The Enterprise South Nature Park will feature miles of walking and biking trails, horseback riding, and other amenities when fully developed. The park also represents a valuable recreational asset to industries locating at Enterprise South. The Nature Park is one of the largest parks in the State of Tennessee.

THREE STAR CERTIFICATION

Hamilton County's Development Department successfully coordinated our community's nomination to be recognized as a Three Star Community by the State of Tennessee's Department of Economic and Community Development. The State's Three Star Program honors communities that have attained excellence in community and economic development. As a result of this award, the County and its municipalities will receive bonus points on grant applications and preferential rates for industrial and business development loans.

CENTER FOR ENTREPRENEURIAL GROWTH

The Hamilton County Center for Entrepreneurial Growth (CEG) has continued to grow in support of the development of new high-tech businesses. Under the ongoing leadership of Director John Riddell, the CEG is moving into a new technology incubator facility in the Engineering Building



at the University of Tennessee at Chattanooga. Program participants will have access to the latest in high-tech equipment and faculty to support their efforts. Last year, the Hamilton County CEG assisted the startup of approximately 30 new enterprises. The County also supports the growth and hosts the operation of the Chattanooga Technology Council, a group of area entrepreneurs who are interested in technology transfer and development.

INFORMATION TECHNOLOGY

FINANCIAL SOFTWARE IMPLEMENTATION

The County began the IFAS Web-based financial software implementation process in July of 2004. We went live with the financial side on July 1, 2005 with the General Ledger, Accounts Payable and Purchasing systems. The General Ledger is the heart of IFAS and is used to generate many financial and management reports. The Purchasing System is designed for use by centralized and decentralized purchasing operations providing the ability to track items through the receiving cycle. The Accounts Payable system is an integrated tool for managing vendor payments. We will go live with the payroll and human resource packages on January 1, 2006, with full implementation to be completed by June 30, 2006. This will be the first time human resources and the payroll departments have been fully integrated.

EMPLOYEE ONLINE

Along with the Financial Software package in 2006, Hamilton County employees will have the means to modify, correct, and otherwise update their personnel records via the Internet with Employee Online, an online human resources

application. It will enable authorized users to access up-to-the-minute information that is fully integrated with the IFAS Human Resources system. Online, employees can peruse their personnel records on file, including current contact, direct deposit, benefits package, insurance information, and more. In addition to displaying information, employees can use Employee Online to handle change requests such as adding a new dependant to the health insurance plan.

APPLICANT ONLINE

Applicant Online will be a web-based human resources tool enabling job applicants to search, review, and apply for available openings with the County via the Internet. Its features will include powerful “back-office” components for processing applicant information without redundant data entry as well as a variety of baseline Web pages for applicant data entry of educational background, skills, licensure, work experience, and references. This will also be fully integrated with the IFAS Human Resource system.

EDUCATION

EDUCATION SUMMIT

Recognizing the importance of our schools, Mayor Ramsey asked our citizens to participate in a community-wide visioning approach to improve education for our children. The Education Summit enlisted 128 volunteers to address key issues of importance to our community. During the Summit, we received 8,000 completed surveys; 1,500 people attended public forums held at eleven schools across the County. Based on that input, we established educational goals: we want our children to be able to read at grade level;



we want our high school students to graduate ready for the next step in their lives, whether it is work or college. We want our parents involved in their child's education from an early age, and we want a broad-based commitment from the people of Hamilton County to achieve excellence in education. Hamilton County continues to emphasize and work towards these goals to improve our children's educational resources.

WORKFORCE DEVELOPMENT

FOCUS ON THE FINEST

The County has adopted a program called "Focus on the Finest." This program was created by a committee of Hamilton County employees to promote excellence among all general government staff. The key to its success is employee participation. Award winners are nominated by their peers, co-workers, or supervisors for exceptional performance at their jobs. The MVP Awards honor employees who have done more than their jobs. They have raised the bar for other employees and have taken initiative. Since its inception, the "Focus on the Finest" program has recognized 66 individuals in the various categories. Award categories are MVP, Career Achievement, Safety, Civic Achievement, Education Achievement, and Professional Association Leadership.

WORKFORCE DEVELOPMENT INITIATIVE

The County has been hosting a series of meetings with various agencies in the community that provide educational and training services in order to increase the workforce available for major projects such as the Chickamauga Lock replacement as well as future jobs at Enterprise South Industrial Park. With many members of this community's skilled labor force nearing retirement, the County must replace these workers, or employers will go outside the area for project hires. Agency representatives have agreed that we must place new emphasis on the value of technical education to build our skilled labor pool. Proposed programs include a new adult high school with after-hours classes that emphasize career and technical coursework. Additional services planned include programs that emphasize life skill development and on-the-job work experience to assist school dropouts and the hard-core unemployed.





HAMILTON COUNTY

GENERAL GOVERNMENT OFFICIALS

(as of June 30, 2005)

Claude T. Ramsey, *County Mayor*
Jeannine Alday, *Chief of Staff*
Rebecca R. Hunter, *Director of Human Resources*
Wade Hinton, *Director of Equal Employment Opportunity*
Dan Saieed, *Director of Development*

Board of Commissioners

Curtis D. Adams
Gregory Beck
Richard Casavant
William R. Cotton Jr.
Larry L. Henry, *Chairman, Pro Tempore*
Bill Hullander
Lou Miller
Fred Skillern, *Chairman*
Charlotte Vandergriff

Legislative

Debbie Gaines, *Administrator*

Constitutional Officers

S. Lee Akers, *Clerk & Master*
Suzanne Bailey, *Juvenile Court Judge*
Bill Bennett, *Assessor of Property*
Bill Cox, *District Attorney*
John Cupp, *Sheriff*
Ardena Garth, *District Public Defender*
Pam Hurst, *Register of Deeds*
Bud Knowles, *Registrar-at-Large Election Commission*
Dr. Frank King, *Medical Examiner*
William F. Knowles, *County Clerk*
Paula Thompson, *Circuit Court Clerk*
Carl E. Levi, *Trustee*
Ron Swafford, *Juvenile Court Clerk*
Gwen Tidwell, *Criminal Court Clerk*

Division & Department Heads

AUDITING

Bill W. McGriff, *County Auditor*

FINANCE

Louis S. Wright, *Administrator*
Albert C. Kiser, *Assistant Administrator of Finance*
T. Kenneth Blankenship, *Director of Purchasing and Contract Management*
Brian D. Turner, *Director of Information Technology Services and Director of Geographical Information Systems*
Katherine K. Walker, *Director of Accounting*

HEALTH SERVICES

Becky Barnes, *Administrator*
Tammy M. Burke, *Director of Clinical Services*
Kaye Greer, *Director of Case Management Services*
Jim Parks, *Director of Environmental Health*
Martu Smith, *Director of Administrative Services*
Bill Ulmer, *Director of Community Health Services*

HUMAN SERVICES

Scott Schoolfield, *Administrator*
Don Allen, *Director of Emergency Services*
Judi Byrd, *Director of Social Services*
Worth Lillard, *Director of Maintenance*
Barbara Payne, *Director of Corrections*
Ron Priddy, *Director of Recreation*

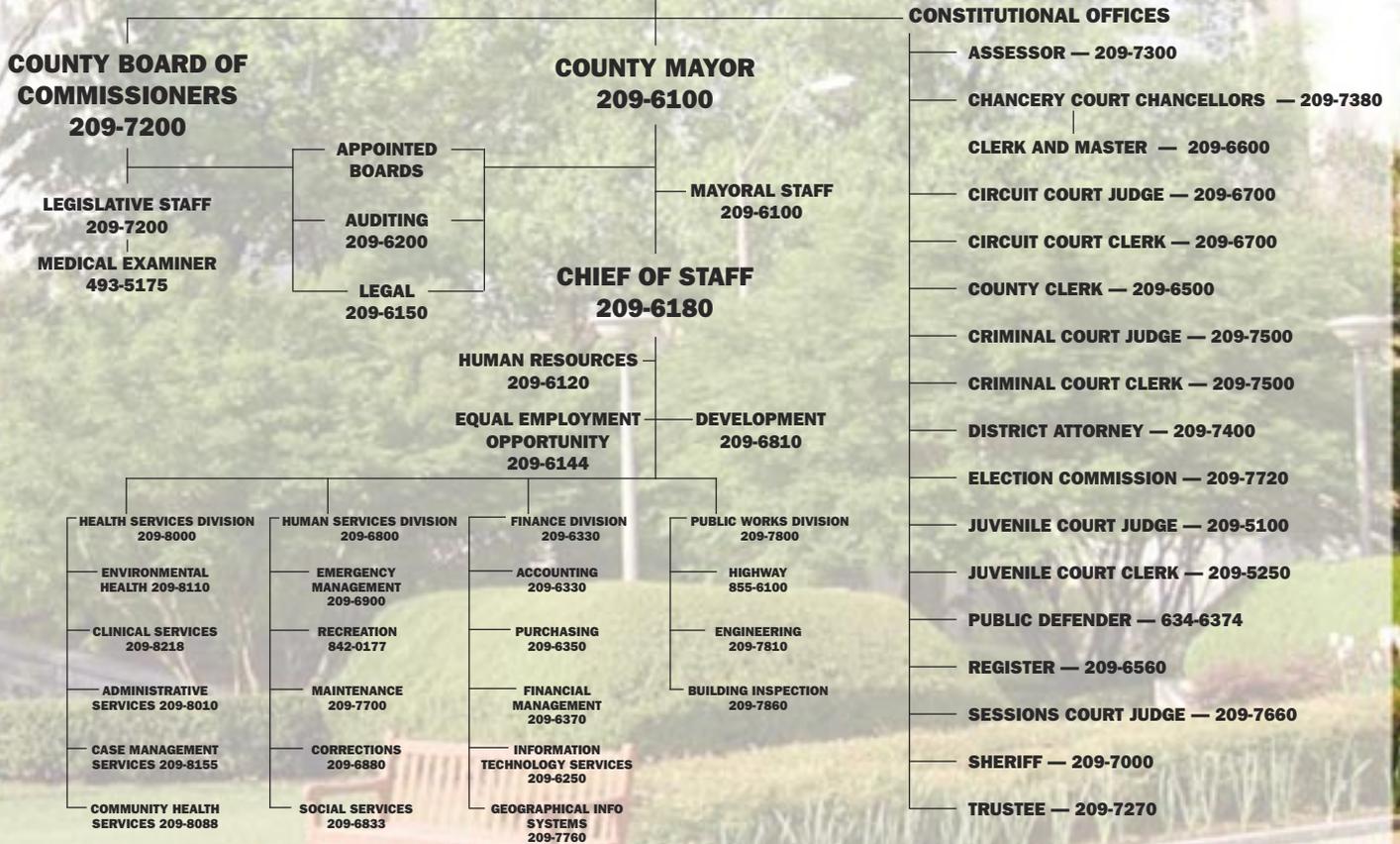
LEGAL

Rheubin M. Taylor, *County Attorney*

PUBLIC WORKS

Dan Wade, *Administrator*
Harold Austin, *Director of Highway Department*
Mike Howard, *County Engineer, Director of Engineering*
Pat Payne, *Director of Building Inspection*

CITIZENS



BOARD OF COMMISSIONERS



Curtis D. Adams
Commissioner



Bill Hullander
Commissioner



Gregory Beck
Commissioner



Lou Miller
Commissioner



Richard Casavant
Commissioner



Fred Skillern
Chairman



William R. Cotton Jr.
Commissioner



Charlotte Vandergriff
Commissioner



Larry Henry
Chairman, Pro Tempore

REVENUE SOURCES

PROPERTY TAXES

Property taxes are divided into two classes (real property and tangible personal property) and represent the primary source of revenue for Hamilton County Government, accounting for 39% of total revenue. An assessment is made on the current appraised value of all property in Hamilton County and the current tax rate is then applied to the assessed value. Real property is appraised on a continuing basis in order to maintain a value for tax purposes that is as close to fair market value as possible. Personal property values are determined annually by information submitted to the Assessor of Property.

REAL PROPERTY

Real property consists of land parcels and any structure or improvements on them. Moveable structures such as house trailers and mobile homes are improvements to the land and are also considered real property. Classifications are as follows:

- Industrial and commercial property, assessed at 40 percent of value, including residential buildings with two or more rental units.
- Residential property, assessed at 25 percent of value.
- Farm property, assessed at 25 percent of value. The Agricultural, Forest and Open Space Land Act provides for the assessment and taxation of farm, forest and open space land at its current use value rather than its market value.

Certain properties owned by the government, housing authorities, some nonprofit organizations and cemeteries are exempt.

TANGIBLE PERSONAL PROPERTY

Tangible personal property includes automobiles and commercial inventories and equipment, along with all items that may be weighed, measured, felt; or touched, or are perceptible to the senses, except real property. The Tennessee Constitution sub-classifies tangible personal property as follows:

- Public Utility property, assessed at 55 percent of value; except by federal court decision, the railroads, trucking and airline industries.
- Industrial and commercial property assessed at 30 percent of value. Ad valorem taxes on merchants' inventories and equipment were exempted by Tennessee statute in 1972 and later by constitutional amendment.

Both real property and personal property taxes are due October 1 of each year but are not considered delinquent until March 1 of the following year. In projecting the real property

assessment tax base, the budget staff must determine the following factors: the previous year's tax base, the cumulative assessment of all parcels reassessed during the year, and an estimate of new construction for the upcoming year. The County's automated assessment system provides continuous information on reassessed parcels, as well as the previous year's assessments.

LOCAL SALES TAX

In 1966, Hamilton County, the City of Chattanooga and several other municipalities entered into a local option sales tax agreement whereby the respective governments have agreed to forgo their share of the local option sales tax in return for Hamilton County becoming the primary funding source for numerous agencies (i.e. 50% funding for the library).

Hamilton County receives 100% of a 2.25% local option sales tax which is distributed as follows:

- 50% for education, to be distributed in the same manner as the county property tax for school purposes.
- 50% on the basis of where the sale occurred. Taxes collected inside a municipality go to that municipality and taxes collected in unincorporated areas go to the County.

BUSINESS TAXES

Business taxes are levied on retail and wholesale businesses in Hamilton County based upon their gross receipts. A separate tax rate is applied to each specified category of business.

INTERGOVERNMENTAL

Intergovernmental revenues are received from the Federal Government, the State of Tennessee or the local municipalities and are designated for specific purposes within the County. These revenues are projected by recipient departments and agencies based upon the latest information available from the agencies.

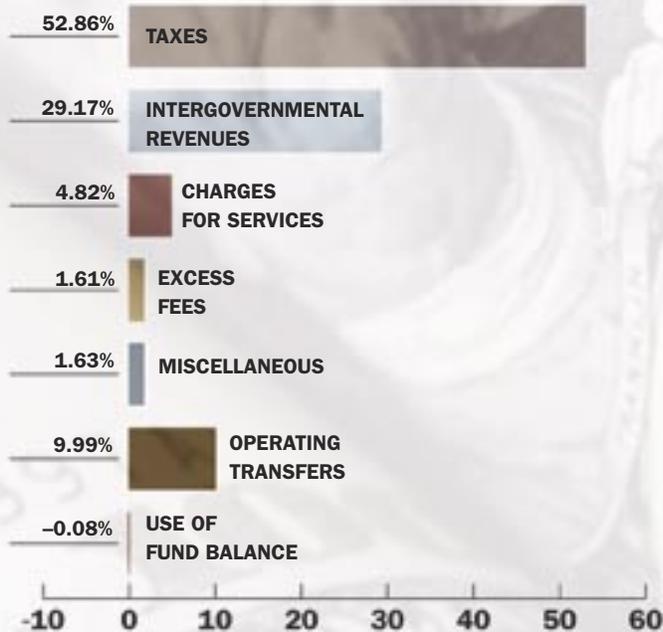
EXCESS FEES

Excess fees consist of revenue collected by the various Constitutional Offices, including charges for services provided less the budgeted salaries. Revenue estimates in this category are developed based upon historical trends and projected increases in the Constitutional Offices' budgets.

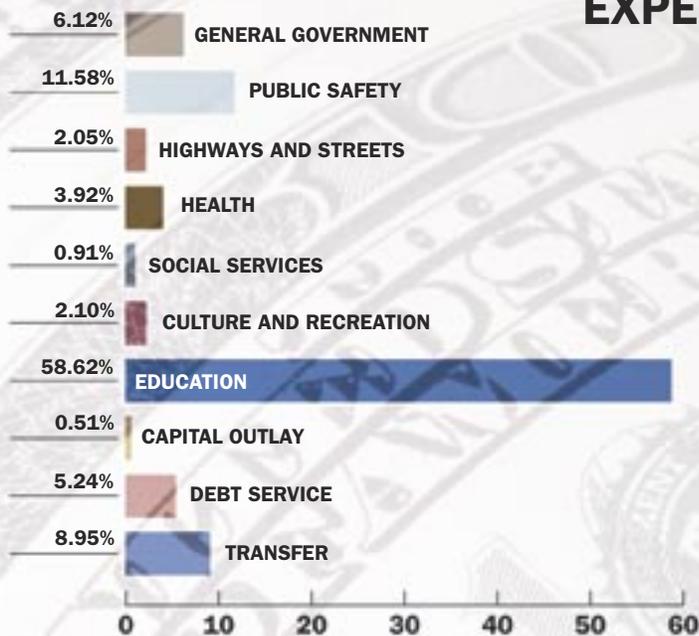
CHARGES FOR CURRENT SERVICES

The major revenue source in this category is fees charged by the Hamilton County Health Department. There are five medical clinics in Hamilton County, whose charges are based on a sliding scale predicated on the annual published Federal poverty level.

REVENUES BY FUNDING SOURCES



Taxes	272,153,391	52.86%
Intergovernmental Revenues	150,216,773	29.17%
Charges for Services	24,792,235	4.82%
Excess Fees	8,300,000	1.61%
Miscellaneous	8,385,267	1.63%
Operating Transfers	51,433,440	9.99%
	<u>515,281,106</u>	
Use of Fund Balance	(395,606)	(0.08%)
Total Revenues and Other		
Financing Sources	<u>514,885,500</u>	<u>100.00%</u>



EXPENDITURES BY USES

General Government.....	31,494,702	6.12%
Public Safety.....	59,635,834	11.58%
Highways and Streets	10,536,492	2.05%
Health	20,187,207	3.92%
Social Services	4,706,769	0.91%
Culture and Recreation	10,841,854	2.10%
Education	301,810,980	58.62%
Capital Outlay	2,608,578	0.51%
Debt Service	26,977,951	5.24%
Transfer to Other Funds	46,085,133	8.95%
Total Expenditures and Other		
Uses	<u>514,885,500</u>	<u>100.00%</u>

BUDGET SUMMARY

REVENUE AND EXPENDITURES — ALL FUNDS COMBINED

Listed below are the resources and expenditures/expenses of all Governmental funds within the County's budget, along with the Department of Education, a component unit of Hamilton County.

	Actual 2004	Projected 2005	Budgeted 2006
FUNDING SOURCES			
Property Taxes	177,471,648	181,095,070	203,250,699
Local Sales Taxes	57,211,087	62,709,608	63,810,275
Other Taxes	4,285,157	5,272,591	5,092,417
Licenses and Permits	740,949	1,020,370	1,111,200
Intergovernmental Revenues	155,163,507	161,454,757	150,216,773
Charges for Services	23,408,339	24,369,376	24,792,235
Fines and Forfeits	1,790,335	1,820,909	1,825,401
Investment Earnings	1,074,679	1,694,256	1,458,290
Excess Fees	7,590,819	8,308,695	8,300,000
Miscellaneous	8,357,095	5,906,077	3,990,376
Operating Transfers	44,063,444	47,740,124	51,433,440
	<hr/>	<hr/>	<hr/>
Total Available Resources	481,157,059	501,391,833	515,281,106
EXPENDITURES			
General Government	29,152,402	29,051,275	31,494,702
Public Safety	55,965,541	57,628,485	59,635,834
Highways and Streets	9,725,122	9,986,298	10,536,492
Health	17,852,294	17,824,177	20,187,207
Social Services	5,030,544	4,495,201	4,706,769
Culture and Recreation	9,888,942	9,312,030	10,841,854
Education	293,816,204	298,964,503	301,810,980
Capital Outlay	2,053,412	2,464,483	2,608,578
Debt Service			
Principal Retirement	19,316,389	20,716,808	20,242,368
Interest and Fiscal Charges	6,546,858	7,655,865	6,735,583
Other Uses	40,666,133	43,660,975	46,085,133
	<hr/>	<hr/>	<hr/>
Total Expenditures/Expenses and Other Uses	490,013,841	501,760,100	514,885,500
Excess of Available Resources over (under) Expenditures/expenses and other uses	(8,856,782)	(368,267)	395,606
Encumbrances	(234,713)	1,041,354	
Excess of non budgeted revenue and other financing sources over non budgeted expenditures	(673,043)	2,933,501	
Beginning Fund Balances	85,506,455	75,741,917	79,348,505
	<hr/>	<hr/>	<hr/>
Ending Fund Balance	75,741,917	79,348,505	79,744,111
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



BUDGET SUMMARY FOR FISCAL YEAR 2005 — BY FUND TYPE

	General Fund	Special Revenue Funds	Debt Service Fund	Hamilton County Department of Education (Component Unit)	Total
FUNDING SOURCES					
Property Taxes	94,203,096	—	—	109,047,603	203,250,699
Local Sales Tax	13,000,000	—	—	50,810,275	63,810,275
Other Taxes	4,992,417	—	—	100,000	5,092,417
Licenses and Permits	1,081,200	—	—	30,000	1,111,200
Intergovernmental Revenues	17,431,327	2,691,942	738,692	129,354,812	150,216,773
Charges for Services	12,889,235	675,500	415,000	10,812,500	24,792,235
Fines and Forfeits	1,177,801	647,600	—	—	1,825,401
Investment Earnings	1,030,500	10,000	12,000	405,790	1,458,290
Excess Fees	8,300,000	—	—	—	8,300,000
Miscellaneous	3,552,626	437,750	—	—	3,990,376
Operating Transfers	3,404,676	20,966,505	25,812,259	1,250,000	51,433,440
Use of Fund Balance	104,394	(500,000)	—	—	(395,606)
	<u>161,167,272</u>	<u>24,929,297</u>	<u>26,977,951</u>	<u>301,810,980</u>	<u>514,885,500</u>
Total Revenues and Other Financing Sources	<u>161,167,272</u>	<u>24,929,297</u>	<u>26,977,951</u>	<u>301,810,980</u>	<u>514,885,500</u>
EXPENDITURES					
General Government	31,494,702	—	—	—	31,494,702
Public Safety	34,706,537	24,929,297	—	—	59,635,834
Highways and Streets	10,536,492	—	—	—	10,536,492
Health	20,187,207	—	—	—	20,187,207
Social Services	4,706,769	—	—	—	4,706,769
Culture and Recreation	10,841,854	—	—	—	10,841,854
Education	—	—	—	301,810,980	301,810,980
Capital Outlay	2,608,578	—	—	—	2,608,578
Debt Service					
Principal Retirement	—	—	20,242,368	—	20,242,368
Interest and Fiscal Charges	—	—	6,735,583	—	6,735,583
Transfers to Other Funds	46,085,133	—	—	—	46,085,133
	<u>161,167,272</u>	<u>24,929,297</u>	<u>26,977,951</u>	<u>301,810,980</u>	<u>514,885,500</u>
	<u>161,167,272</u>	<u>24,929,297</u>	<u>26,977,951</u>	<u>301,810,980</u>	<u>514,885,500</u>

HAMILTON COUNTY DEMOGRAPHICS AND STATISTICS

FORM OF GOVERNMENT

Date of Organization: 1819

Form of Government is Commission/County Mayor

The County Commission is composed of nine members, with each being elected from one of nine districts within the geographic boundaries of the County.

The County Mayor is elected at-large and not a member of the County Commission.

PUBLIC EDUCATIONAL FACILITIES

Elementary	40
Middle.....	15
Senior High.....	11
Adult High School	2
School for Handicapped	1
Magnet School	15

Enrollment at public facilities..... 40,457

There are 39 private and parochial schools in the Hamilton County area with combined enrollment of over 11,348.

Source: Hamilton County Department of Education as reported to the State of Tennessee

COLLEGES AND UNIVERSITIES

The University of Tennessee at Chattanooga, Chattanooga State Technical Community College, Cleveland State Community College, Bryan College, Covenant College, Lee University, Southern Adventist University, Tennessee Temple University, Tennessee Wesleyan College, University of the South

ELECTIONS

Registered Voters	92,449
Votes cast in last election	27,140
Registered voters voting	30.44%

LAND AREA AND USAGE

Miles of paved streets	2,380
Area	587 square miles

POPULATION: OFFICIAL U.S. CENSUS

1940	180,478
1950	208,255
1960	237,905
1970	255,077
1980	287,740
1990	285,536
2000	309,600
2004	310,371

US Census Bureau — Tennessee County Population Estimates, Tennessee Quickfacts (quickfacts.census.gov)

ECONOMIC BUILDING PERMITS

<i>Calendar Year</i>	<i>Number Issued</i>	<i>Value of Permits</i>
1998	1,510	133,028,755
1999	1,385	119,390,558
2000	1,211	102,659,261
2001	1,228	108,336,415
2002	1,419	130,038,198
2003	1,531	164,739,480
2004	1,609	174,226,572



EFFECTIVE BUYING INCOME – PER CAPITA

2004 17,866

Chattanooga Area Chamber of Commerce

POLICE PROTECTION

Sworn Police Officers	561
Correctional Officers	175
Civilian Employees	256
Other Police Personnel	15

TRANSPORTATION SERVICES

Airport: Lovell Field operated by the Chattanooga Metropolitan Airport Authority.

Airline carriers: American Eagle, Delta Connection, Northwest Airlinck, US Airways Express

Passenger Flow	484,575
Air Freight.....	5,882,818 lbs.
Air Mail.....	28,577 lbs.

Railway service: Norfolk Southern Railway System
CSX Transportation System

Highways —

Interstate Highways	3
U. S. Highways.....	7
State Highways	19

Local mass transportation service — Chattanooga Area Regional Transportation Authority

Buses	72
Routes	17

CULTURE AND RECREATION

CULTURAL ACTIVITIES & FACILITIES

Tennessee Aquarium, Creative Discovery Museum, Hunter Museum of American Art, the Houston Museum of Decorative Arts, Bluff View Art District, Chattanooga Ballet, Chattanooga Theatre Center, UTC Fine Arts Center, the Chattanooga Symphony and Opera Association, the Arts & Education Council, the Chattanooga Boys Choir, the Chattanooga Girls Choir, Bessie Smith Performance Hall, Afro-American Museum, Tivoli Theatre, and Soldiers & Sailors Memorial Auditorium

RECREATIONAL FACILITIES

Parks.....	92
Golf Courses	21
Recreation Centers.....	17
Ball Fields.....	132
Public Tennis Courts.....	161
Swimming Pools.....	32
Theatres.....	14
Bowling Alleys.....	3

LIBRARIES

Chattanooga-Hamilton County Bicentennial Library
with branches at Eastgate, South Chattanooga,
Northgate, and Ooltewah/Collegedale

University of Tennessee at Chattanooga
East Ridge City Library

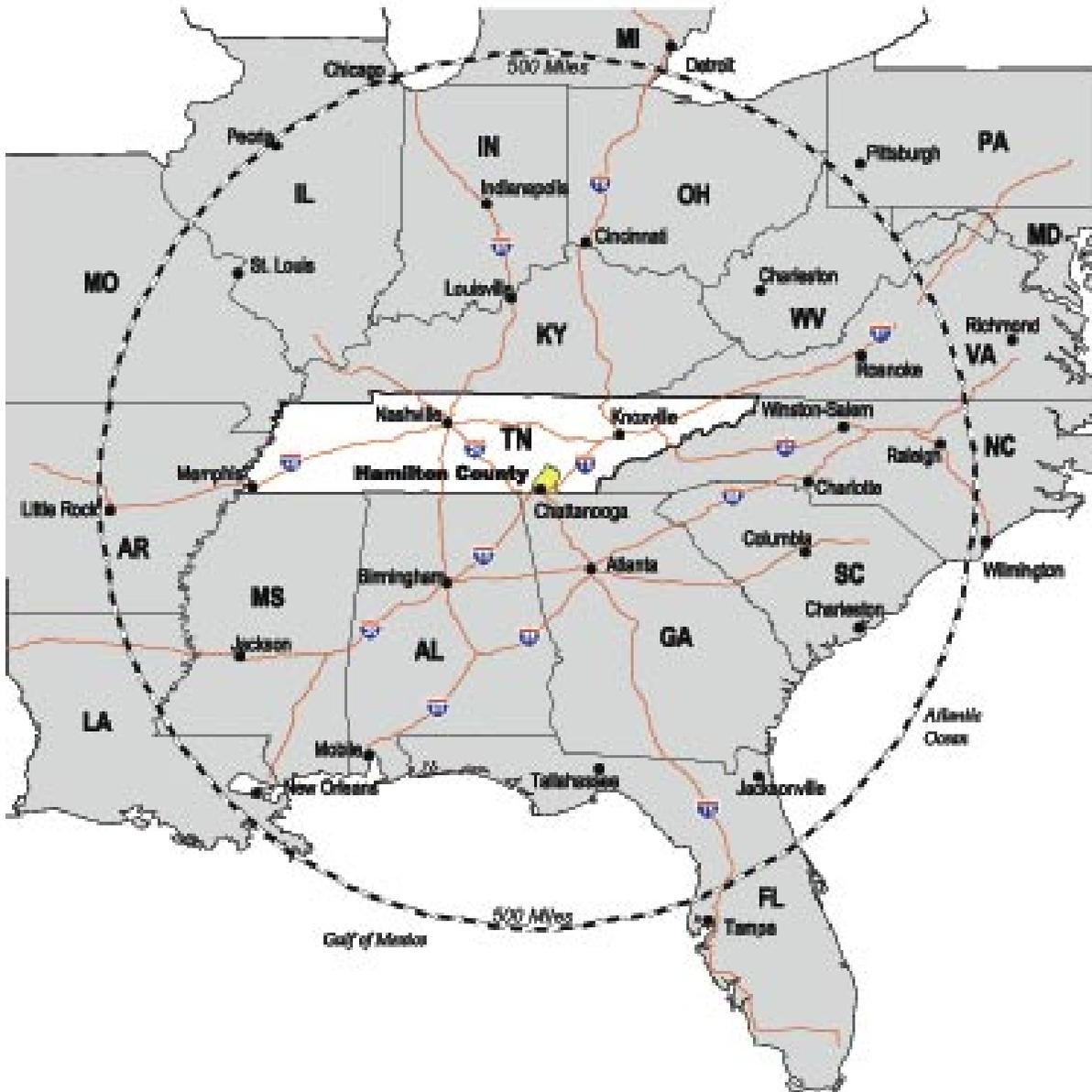
Chattanooga State Technical Community College Library
Town of Signal Mountain Library

**Visit the Hamilton County website at
www.hamiltontn.gov**



LOCATION

Hamilton County is located in the heart of the majestic Tennessee Valley at the junction of Tennessee, Alabama and Georgia. Atlanta, Birmingham, Huntsville, Nashville and Knoxville are located within a 2 to 2 1/2 hour drive of the county. Over 10 million people live within 150 miles of Hamilton County.



Hamilton County is at the crossroads of three interstates, the Tennessee River and two rail lines. Chattanooga, Hamilton County's major city, was an important early trading post, a vital location during the Civil War and a leading manufacturing center. Hamilton County enjoys a mild, four-season climate.

HISTORIC HAMILTON COUNTY

Hamilton County was created by an act of the Thirteenth Tennessee General Assembly meeting at Murfreesboro on October 25, 1819. The county then did not extend south of the Tennessee River. The section south of the river, including the site of Cherokee Chief John Ross's Landing in present-day Chattanooga did not become part of Hamilton County until the disputed Treaty of 1835 that led to the Indian Removal and the "Trail of Tears."

The creation of the new county from the frontier of Southeast Tennessee was brought on by a treaty with the Cherokees in 1817 known as the Hiwassee Purchase. By its terms, the Indians yielded large sections of Alabama and Georgia as well as the Sequatchie Valley and the area that became Hamilton County.

The county was named in honor of Alexander Hamilton, who was secretary of the treasury in George Washington's administration. At the time of the 1820 census, Hamilton County reported 821 residents. Today, Hamilton County boasts an estimated 310,371 residents.

Rich in history of the American South, blessed with scenic beauty that enhances every aesthetic experience, proud of its heritage and excited about its future, Hamilton County offers a bounty of cultural and recreational activities which enhances its reputation as a thriving business center.



HAMILTON COUNTY PROFILE

Picture a revitalized historic downtown district rich in classic architecture and enhanced with public and private investments of nearly \$1.5 billion dollars in new investment since 1990. Position that downtown district along the shore of the winding Tennessee River and within 587 square miles of lush green rural residential and industrial land, then add 35,000 acres of fun and play on a man-made lake and finally, surround all of that with majestic mountains and you have one of the most beautiful counties in the southeast; Hamilton County, Tennessee.

INTRODUCTION

Hamilton County is located in the southeastern part of Tennessee, midway between Nashville and Atlanta, Georgia. Hamilton County includes the cities of Chattanooga, Collegedale, East Ridge, Red Bank and Soddy Daisy, and the towns of Lookout Mountain, Ridgeside, Walden, Lakesite and Signal Mountain. The County was created on October 25, 1819, by the Tennessee State Legislature and is a body corporate and politic authorized by Chapter 5 of the Tennessee Code Annotated (TCA), other chapters of the TCA and certain private acts of the legislature, to perform local governmental functions within the County not performed by its ten incorporated towns and cities. As a municipal body, the County is an instrument of the State of Tennessee with such powers and jurisdictions as vested by law.

FORM OF GOVERNMENT

The County, pursuant to 1978 Public Act 934, is governed by a County Mayor elected at large and a nine-member Board of County Commissioners elected by district. Some duties of government are performed by various elected and

appointed clerks of the courts and by an elected Sheriff, Assessor of Property, Register of Deeds and County Trustee. The County Trustee collects all property taxes and acts as the clearinghouse for all County funds.

All other financial functions of the County are managed by the Administrator of Finance under the direction of the County Mayor. Those duties include the disbursement of funds, accounting, budgeting, purchasing, debt management, and preparation of the County's Comprehensive Annual Financial and Budget Reports. The executive offices of the County are located at Room 208, Hamilton County Courthouse, Chattanooga, Tennessee 37402.

INDUSTRIAL AND ECONOMIC DEVELOPMENT

Hamilton County's central location makes it a perfect distribution center for the eastern United States. Supplies and products for industry flow easily to and from the Chattanooga area by way of an extensive network of highway, water, air and rail transportation systems. Beyond its advantages as a business location, Hamilton County is blessed with beautiful natural surroundings. A gracious life-style results from the community's commitment to preserving its culture and supporting the arts. The area offers excellent educational opportunities and quality health care as well as a virtually unlimited range of recreational activities – all at one of the lowest costs of living in the nation.

Hamilton County's City of Chattanooga is one of the South's oldest manufacturing cities, but today there is no single dominating business category. Economic advantages such as ample utilities, an efficient transportation system,



abundant natural resources, a trained labor force and centralized location make this area a diversified and profitable business location. This largely accounts for the County's unemployment rate that stands at 5.5 percent as of June 2005. This is comparable to the nation's unemployment rate of 5.2 percent and the state rate of 6.3 percent.

Hamilton County's prosperity is linked to the renaissance of Chattanooga. This rebirth has received national recognition as a model for redevelopment of mid-sized cities elsewhere. Led by a series of community-wide planning efforts, Chattanooga's progress is evidenced by nearly \$1.5 billion invested in new projects downtown over the last fifteen years. Most of the activity stems primarily from the construction of (1) Renaissance Park; (2) Ross's Landing docking facilities upgrade at an estimated cost of \$500,000; and (3) the Electric Power Board headquarters at an estimated cost of \$26.1 million.

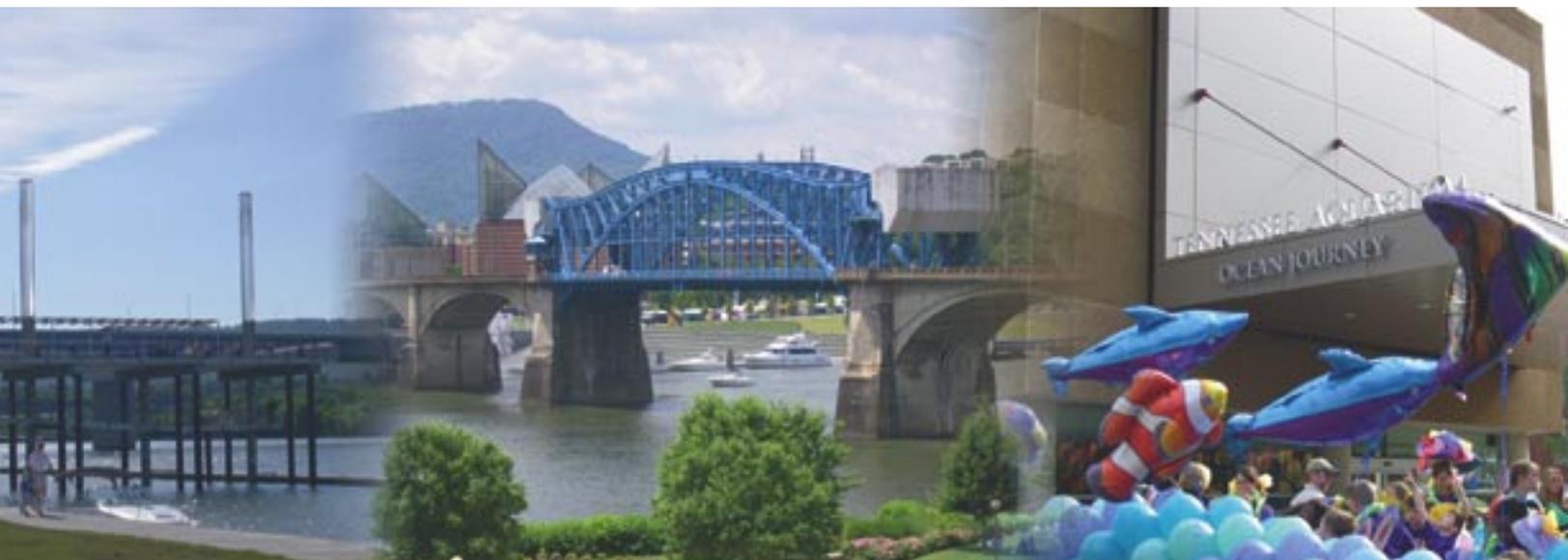
Several projects were completed during fiscal year 2005. Some of these include: (1) the \$120 million 21st Century Riverfront Plan; (2) the \$19.5 million renovation and addition to the Hunter Museum of American Art and the new pedestrian bridge leading from the Walnut Street Bridge to the Hunter Museum was also completed during the year; and (3) the new 60,000 square-foot addition to the Tennessee Aquarium, which includes an additional 600,000 gallon Gulf of Mexico tank that boast larger species with a sea floor containing lush coral formations and more interactive exhibits, was completed at an estimated cost of \$30 million. Over 4,000 visitors toured the newest addition of the Tennessee Aquarium on opening day. Aquarium

officials are expecting to have over one million visitors to the aquarium by June 2006. Since August 2005 there have been over 550,000 visitors to the aquarium.

The cooperation of public and private sectors has been paramount in funding new development and accomplishing goals. Progress was also achieved through the cooperation and support of the City of Chattanooga and Hamilton County Governments. The dynamic improvements in the downtown area have encouraged renewal and growth in all areas of the County. Advances in parks and recreation have made Hamilton County a more attractive destination for visitors and new residents. The nationally acclaimed Tennessee Riverpark sets a new standard for linear parks. Hamilton County has played a major role in developing the facility that now features a lighted concrete walkway and extends 10 miles from downtown Chattanooga to the Chickamauga Dam.

The latest addition to the Tennessee Riverpark is a wetlands park, newly named Renaissance Park. This 23.5 acre park will be the largest in Chattanooga's 21st Century Waterfront Plan. The park is scheduled for completion in August 2006. The park will contain an educational center and a playground for youngsters. The funding for the park is being provided through the \$120 million Waterfront Plan trust.

Coolidge Park, named in honor of Charles Coolidge, a World War II veteran who five decades ago was awarded the Medal of Honor, is located in the Northshore community along the Riverpark. The park's three-row vintage carousel, designed by Gustave Denzel and built in 1895, was restored





and fitted with 52 animals carved and painted by local and out of town sculptors. As with many of the projects that are part of the local renaissance, Coolidge Park is a shining example of the public and private partnerships that exist in Hamilton County. Three local foundations provided more than 70 percent of the funding of 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 Theatres, along with dozens of new restaurants and retail shops. The Chattanooga Lookouts played their final game at the 70-year-old Engel Stadium in September 1999. The new \$10 million, 6,000-seat BellSouth Stadium opened in April 2000. It is located on the south shore of the river near the aquarium.

Hamilton Place Mall, Tennessee's largest, remains a magnet for millions of people. The 1.2 million-square-foot mall has reeled in 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 16 million visitors a year. Hamilton Place has six major department stores and over a 160 total in-line stores. 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.

Hamilton County is well postured for the coming year. Our leaders are striving to keep the momentum for improvement going. County officials are working closely with area businesses and industries on the new Regional Growth Initiative. This program is coordinated through the Chamber of Commerce and features the development of industrial clusters. The State has granted approval and the City has already begun development of a Tourism Development Zone ("TDZ"), which encompasses the heart of Chattanooga's downtown. The zone is comprised of three districts – the Aquarium/Ross's Landing District, the Central Business District and the Southside Redevelopment District.

Another investment in economic growth occurred when Hamilton County and the City of Chattanooga took title

to the land known as Enterprise South at the former Volunteer Army Ammunition Plant (VAAP) in September 2000. Enterprise South is a nearly 3,000 acre industrial park. Of the 3,000 acres, approximately 1,600 acres recently received a megasite certification. A megasite certification means that the industrial park has roads, sewers, water, electricity, railroad lines and environmental clearances needed for any major manufacturing plant. Currently, TAG Manufacturing and eSpin have announced they will locate their new manufacturing plants in the Enterprise South Industrial Park.

Hamilton County officials have focused on ways to aid employment growth. The Chattanooga Area Chamber of Commerce was given the task to create more jobs when it drew oversight of economic development. The Chamber has prepared a new plan for a larger economic recruitment program that includes expanded business financial support. Consultants worked with local officials and businessmen to fashion a new job growth plan called "Tell the World." This is the Chattanooga region's first systematic effort to brand and market itself as a wonderful place to live and do business. The County already benefits from local industries such as AT&T, DuPont, Komatsu, America International, MG Industries, Century Telephone and others that continue to make major financial investments in this community.

Hamilton County Government has a successful history in business development and promoting industrial growth. County industrial parks include Mountain View, Silverdale, Bonny Oaks, Soddy Daisy, and the Centre South Riverport. In 1987 the County established the Business Development Center which assists startup of new enterprises. The County is currently in the process of establishing a new Technology Business Incubator to assist emerging technology companies and help mentor existing businesses in new technology. The County is also moving ahead with plans to better connect businesses, institutions and the community to the worldwide Internet. The same factor of geography that has made Chattanooga and Hamilton County a major transportation hub also adds to the future role of the area in emerging Internet technology. Hamilton County is working to establish a regional fiber optic network that will connect end users to the interstate system. The network will be laid along rail lines and other right-of-ways, and when completed, the system's capacity will exceed that of any other southeastern city.

TRANSPORTATION SERVICES

Hamilton County serves as a major regional transportation hub. Air transportation services are provided by Lovell Field, which is operated by the Chattanooga Metropolitan Airport Authority. Currently, Lovell Field is served by national airline carriers such as Delta Connection, US Airways Express, Northwest Airlin, American Eagle, and by commuter carriers such as Comair, Atlantic Southeast Airlines, Freedom Air and Piedmont. Nonstop flights to Atlanta, Chicago, Charlotte, Cincinnati, Memphis, Dallas, Houston, and Washington D.C. are now available. During FY 05, passenger flow out of Lovell Field included 244,470 passengers enplaning and 240,105 passengers deplaning for a total passenger flow of 484,575. Privately owned and operated airport facilities include Collegedale Municipal Airport and Dallas Bay Skypark. All airport facilities are conveniently accessible from the downtown area of the City and provide such services as aircraft sales, instruction, charter service and maintenance. More than \$20 million in expansion and improvement projects are planned, including the relocation of Taxiway A, an additional taxiway, an expanded surface parkway and a Taxiway Hotel.

Railway service is provided by four divisions of the Norfolk Southern Railway System and two divisions of the CSX Transportation System, all with switching service throughout the area. Modern “piggyback” service is provided by all lines. The County is served by three interstate highways; I-24, I-59 and I-75. Local mass transportation service is furnished by the Chattanooga Area Regional Transportation Authority. Multiple daily departures are made via privately operated shuttle services to and from major metropolitan

areas surrounding Chattanooga, such as Atlanta, Birmingham, Nashville and Knoxville.

Public use port terminals include JIT Terminal, Mid-South Terminals and the Centre South Riverport. The Tennessee River provides year-round, low-cost water transportation and links to the nation’s inland waterway system. This system, formed largely by the Mississippi River and its tributaries, effectively links this area with the Great Lakes and the Gulf of Mexico. The nearby Tennessee-Tombigbee Waterway cuts the distance to the Gulf of Mexico by 850 miles.

HEALTH CARE SERVICES AND FACILITIES

Chattanooga is known as a regional leader in the medical field. In Hamilton County, 7.7% of jobs and 9.7% of payroll are generated by health care, including over 6,737 health care providers. Recognition of Chattanooga’s medical community includes Erlanger Medical Center, which has the region’s only Level 1 Trauma Center and Burn Unit; the Tennessee Craniofacial Center, one of the leading facial reconstructive centers in the country treating patients from all over the world; the Chattanooga Heart Institute, one of the leading heart centers in the region and Siskin Hospital, Tennessee’s only not-for-profit hospital dedicated to physical rehabilitation. Health care facilities include seven large hospitals, emergency medical centers, public and private mental health facilities, drug and alcohol abuse recovery facilities, rehabilitation centers and speech and hearing facilities for the handicapped. In addition, the City-County Health Department provides services and facilities for the protection and well being of the public health. Total bed capacity of all health care facilities is 1,929.



CULTURAL ACTIVITIES AND FACILITIES

Hamilton County is a strong supporter of arts and cultural programs. Allied Arts of Greater Chattanooga (AAGC) serves to foster and improve the artistic, cultural and educational life. The community boasts some of the finest art facilities of any community its size in the nation. Facilities include the wonderfully renovated Art Deco styled Tivoli Theatre, featuring local and touring performing arts, and the Memorial Auditorium, host of traveling Broadway shows and other large events. The Hunter Museum of American Art houses one of the finest collections of American art in the Southeast. The Chattanooga Theatre Centre offers one of the best-equipped facilities for community theater in the nation. Public spaces such as the award-winning Coolidge Park and Miller Park/Plaza host free concerts and public art exhibits. The area ranks in the top ten in per capita giving to a united arts fund. Through its Arts Council and United Arts Fund, AAGC raises and distributes more than \$2,000,000 each year for arts and education programs.

The annual Riverbend Festival brings our community together in a riverfront celebration of our heritage and diversity. With capacity crowds exceeding 600,000, the festival has become one of the South's premier entertainment events. Spread over a nine-day period in June, Riverbend features a wide variety of music on six stages with more than 100 performing artists. Hamilton County also hosts an old time "County Fair" each year at beautiful Chester Frost Park on Lake Chickamauga. The two-day event draws over 50,000 citizens in a celebration of local heritage and culture.

RECREATIONAL FACILITIES

The mountains that surround Hamilton County offer a multitude of opportunities for the outdoor enthusiast. A wide variety of activities are available, including fishing, hang gliding, camping, rock climbing, rappelling, spelunking, white-water rafting, kayaking and canoeing. The area has excellent tennis facilities and golf courses. The Rowing Center provides a home base for crews rowing the Tennessee River. The area has a number of state and local parks, including the Tennessee Riverpark, featuring picturesque hiking trails, fishing piers, picnic facilities, playgrounds and open spaces. Excellent facilities are available for team sports such as soccer and softball. The most recent additions for spectator sports include the Max Finley/Gordon Davenport Stadium, Coolidge Park and the BellSouth baseball stadium.

The County's rich history is evidenced by the nation's largest military park, the Chickamauga and Chattanooga National Military Park. In 2003, legislation was enacted into law by President George W. Bush, creating the Moccasin Bend National Archeological District as a unit of the Chickamauga and Chattanooga National Military Park. We have the opportunity to offer a unique celebration of Southeastern Native American cultures and enhanced interpretation of Civil War engagements in the area. The formal National Park Service planning process for Moccasin Bend began in September 2005, with public input meetings and tribal consultations scheduled for 2006. The City of Chattanooga is reworking its comprehensive development plan for the Northshore, which includes the areas that serve as gateways to the new National Park lands. The next several years will see exciting progress in and around Moccasin Bend.



FINANCIAL MANAGEMENT POLICIES

The annual budget is a fiscal plan which presents the services to be provided to the community and the funds necessary to perform these services. Key steps in this process are described within this section. Hamilton County Government operates under a fiscal year that begins July 1 and ends June 30.

BUDGET POLICY

Hamilton County has as its highest priority the preservation of our natural resources along with the continuing development of our community resources, to ensure that there is progressive and sustainable growth for the future needs of Hamilton County citizens.

The overall goal of the County's financial plan is to establish and maintain effective top quality management of the County's financial resources. The County builds a solid foundation for subsequent years by effectively managing its resources through sound budget policies and the monitoring of the results of these policies throughout the fiscal year. Because the County involves each Division/Department so heavily in the budget process, the finished product serves as an excellent management tool for use in day-to-day decision-making in the operation of a department. The budget also provides the basis of financial control to ensure compliance and prevent over-spending. Monthly reports comparing budgeted amounts to actual amounts are furnished to each department for review. These reports are also used to search for funding sources or unexpended appropriations needed if a departmental mission is adjusted in midyear.

CASH MANAGEMENT & INVESTMENT POLICY

The County strives to keep abreast of current trends and procedures for cash management and forecasting so as to ensure efficient and profitable use of the County's cash resources. In an effort to maximize investment earnings, the County has formed an internal investment pool, which allows all idle cash to be invested on a daily basis. Daily cash needs are supplied from funds held with the State of Tennessee Local Governmental Investment Pool (LGIP), while long term cash reserves are held in government securities.

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The collateral must be held by the pledging financial institution's trust department or agent in the County's name.

The Hamilton County Board of Commissioners has adopted an investment policy which sets as its goal the maximizing of investment earnings, while at the same time protecting the security of the principle and maintaining liquidity to meet cash requirements. The policy sets forth the allowable types of investments as well as the individuals responsible for making those investments.

Effective cash management is essential to good fiscal management. This becomes even more important as the demand for services continues to exceed available revenues. Therefore, the extent to which Hamilton County can obtain investment returns on funds not immediately required has a direct relationship to our tax rate. This necessitates that investment policies be formulated and uncompromisingly applied in a manner that will maximize investment returns.

Hamilton County may invest in any instruments that are in accordance with applicable laws, including but not limited to the following:

1. Savings accounts and certificates of deposit in banks. (TCA 5-8-201)
2. Savings accounts and certificates of deposit in Savings & Loan Associations. (TCA 9-1-107)
3. Tennessee Valley Authority Bonds. (TCA 35-326)
4. Bonds, notes, or treasury bills of the United States, federal land bank bonds, federal home loan bank notes and bonds, federal national mortgage association notes and debentures, banks for cooperative debentures, or any of its other agencies, or obligations guaranteed as to principal and interest by the United States, the pooled investment fund of the State of Tennessee, or repurchase agreements. (TCA 5-8-301)

The Finance Administrator for Hamilton County has the responsibility for effective cash management. The Assistant Finance Administrator is directly responsible for effective cash management as the portfolio manager. The portfolio manager shall be responsible to obtain competitive rates on a weekly basis and, based on these rates, shall invest available funds so as to maximize interest earnings and protection of principal.

A quarterly report will be provided to the County Mayor, the Finance and Insurance Committee of the County Commission and the County Auditor. This report will be in both written and oral form. The written report will



provide a summary of investment transactions during the quarter including the type instrument, rate of return, term and total investment earnings.

REVENUE POLICY

- A. Hamilton County will maintain a diversified and stable revenue base to shelter it from short-term fluctuations in any one revenue source by doing the following:
 - 1. Establishing user charges and fees as permitted by law at a level related to the cost of providing that service, including indirect costs when appropriate;
 - 2. Pursuing legislative change, where necessary, to permit increases in user charges and fees to allow the County to recover the full cost of services;
 - 3. Aggressively collecting property tax revenues, including filing suit where appropriate and necessary, as authorized by the Tennessee Property Tax Code; and
 - 4. Aggressively collecting all other fines, fees and revenues due the County.
- B. Hamilton County will actively pursue intergovernmental grant funding to fund programs that have been identified as important to meet the County's mission, vision, goals and objectives.
- C. Hamilton County will minimize its reliance on non-recurring sources of revenue, including the use of prior year fund balances for recurring expenditures, except for the cyclical increase in fund balance that occurs between debt issuances. Increases in fund balance that result from property tax increases will be used for operating expenses in subsequent years in order to sustain the County through its traditional four-year planning cycle.

GENERAL OPERATING POLICY

- A. All departments are responsible for meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements.
- B. An annual operating budget shall be adopted consistent with state law and a budget process developed in a manner which encourages early involvement with the County Commission and the public.
- C. The County's budget process is intended to weigh all competing requests for resources, within expected fiscal constraints. Requests for new, ongoing programs made

outside the budget process will be discouraged.

- D. Revenues will not be dedicated for specific purposes, unless required by law or generally accepted accounting practices. All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
- E. The County will maintain a balanced budget. This means that operating revenues must fully cover operating expenditures, including debt service. Except for the cyclical use of fund balance between debt issuances and the growth of fund balance reserves resulting from property tax increases used to sustain the County through its traditional four-year planning cycle, fund balance can only be used to fund temporary/one-time expenditures and ending fund balance must meet minimum policy levels.
- F. Capital equipment replacement of vehicles, computers, phones and other short-lived capital expenditures is accomplished on a "pay-as-you-go" basis integrated into the current budget from the Five-year Capital Improvement Plan.
- G. Current revenues will fund current expenditures and a diversified and stable revenue stream will be developed to protect programs from short-term fluctuations in any single revenue source.
- H. Addition of personnel will only be requested to meet program initiatives and policy directives after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.
- I. To the extent possible, user fees and charges will be examined periodically to ensure that they recover all direct and indirect costs of the service provided.
- J. The County will follow an aggressive, consistent, but sensitive policy of collecting revenues.
- K. Cash and investment programs will be maintained in accordance with the adopted investment policy and will ensure that proper controls and safeguards are maintained. County funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal.

CAPITAL IMPROVEMENTS POLICY

- A. The purpose of the Capital Improvements Plan (CIP) is to systematically plan, schedule, and finance capital

projects to ensure cost-effectiveness as well as conformance with established policies.

- B. A five-year CIP will be developed and updated biennially, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction that results in a capitalized asset with a useful life (depreciable life) of 15 years or more. Minor capital outlays with a useful life of less than 15 years will be included with the Capital Outlay Operating Budget and are adopted as part of the annual budget process.
- C. The CIP shall include but is not limited to requests from County General Government, the Department of Education and from Constitutional Offices.
- D. The CIP will include adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability. In addition, current operating maintenance expenditures which extend the useful life of the buildings, infrastructure and equipment will be included with the Capital Outlay Operating Budget and adopted as part of the annual budget process.
- E. Proposed capital projects will be reviewed regarding accurate costing (design, capital, and operating) and overall consistency with the County's goals and objectives. Financing sources will then be identified for the highest ranking projects.
- F. Capital improvement lifecycle costs will be coordinated with the development of the Capital Outlay Operating Budget. Capital project contract awards will include a fiscal impact statement disclosing the expected operating impact on the project and when such cost is expected to occur.
- G. The CIP funding sources include debt proceeds, County appropriations and Federal and State aid. CIP funded by General Obligation Bonds or Notes are formally adopted by the County Commission when the Bond Resolution is approved.

DEBT MANAGEMENT POLICY

- A. Sections 5-10-501 to 5-10-509, inclusive of the laws of the State of Tennessee, provide that bonds may be issued by Tennessee counties. Hamilton County will comply with all State laws and regulations regarding debt issuance. Tennessee counties are not limited on the amount of bonded indebtedness.
- B. Periodically, the County may need to issue bonds for

capital improvements and/or other obligations.

- C. Whenever long term debt is issued, the County will publish and distribute an official statement for each debt issuance.
- D. An analysis showing how the new issue combined with current debt impacts the County's future debt capacity and conformance with County debt policies will be prepared before every bond issue.
- E. The County will communicate, and, where appropriate, coordinate with all jurisdictions with which the County shares a common tax base concerning its collective plans for future debt issues to hold overlapping debt to a level which will not constitute a burden to the taxpayers.
- F. The County will seek to maintain and, if possible, improve its current bond rating in order to minimize borrowing costs and preserve access to credit.
- G. When Hamilton County finds it necessary to issue debt instruments, the following policy will be adhered to:
 - 1. The weighted average general obligation bond maturities for any series will not exceed 20 years. The County will strive to utilize shorter maturities whenever possible.
 - 2. The term of any bond issue in general will not exceed the estimated useful life of the capital project/facility or equipment for which the borrowing is intended.
 - 3. Debt service for all funds in any year will not exceed 25 percent of the total annual operating budgets.
- H. General Obligation debt issuances will be managed on an annual basis to match funds to Capital Improvement Plan cash flow requirements while being sensitive to the property tax burden on citizens.
 - 1. Interest earnings on debt service fund balances will be used for debt retirement.
 - 2. Interest earnings on debt proceeds will be used for capital improvements or debt retirement.
 - 3. Debt financing will be confined to capital improvement projects which could not feasibly be financed from current revenues.
- I. Hamilton County will comply with all Federal requirements regarding arbitrage on bond issues to avoid any penalties.
- J. The County will consider opportunities to refund existing debt issuance if the savings on the current principal and interest payments over the remaining life of the debt produces present value savings of three percent or greater.

- K. General Obligation debt, supported by property tax revenues which grow in proportion to the County's assessed valuation and/or property tax rate increases, will be utilized whenever possible. Other types of debt (e.g., revenue bonds, tax anticipation notes, etc.) may also be utilized as determined by the County Mayor, Administrator of Finance and approved by the County Commission.
- L. Whenever possible, the County will use the competitive bidding method of selling bonds.

RESERVE POLICY

- A. The County will maintain an operating reserve for use in the event of unanticipated, extraordinary expenditures and/or the loss of a major revenue source.
- B. It is a goal that the General Fund will strive to maintain an unreserved fund balance of no less than 25 percent of operating budget or three months operating expenditures for any year. These funds can only be appropriated by an affirmative vote of a majority of the Commission members.

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

- An independent audit will be performed annually.
- The County will produce annual financial reports in accordance with Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board.
- The County will maintain a strong internal audit capability.

ASSET ACCOUNTING POLICY

Accounting policies address the capitalization policy, controllable assets, and classes of property.

A capital asset is defined as assets having a useful life of more than one year and a historical cost of \$5,000 or more (fair market value of donated assets). These assets will be included in the property inventory. Major additions, including those that significantly prolong a fixed asset's economic life or expand its usefulness, should be capitalized. Normal repairs that merely maintain the asset in its present condition should be recorded as expenses and should not be capitalized. Hamilton County does not currently own any historical art or treasures. If in the future the County acquires

historical art or treasures, they will be recorded at historical costs. However, depreciation will not be required as they do not depreciate in value. The fixed asset class schedule that follows clearly states the useful lives for each class of capital asset that will be used to determine the depreciation charge annually. These assets will be tagged according to tagging procedures laid out in the Asset Tagging Procedure.

Controllable assets are those assets that do not meet the criteria for a capital asset, usually because their historical cost is between \$1,000 - \$4,999 (fair market value of donated assets). Controllable assets are maintained for tracking purposes only. The County is responsible for including the controllable assets in the physical property inventory; however, they will not be included as depreciable assets reported in the Comprehensive Annual Financial Report. Exceptions to this rule are computers and firearms, which should be tracked regardless of historical cost. These assets will be tagged according to tagging procedures laid out in the Asset Tagging Procedure.

Assets with a historical cost less than \$1,000 or with a useful life of less than one year will not be included in the property inventory (fair market value of donated assets). However, if the department heads feel like it is necessary to track the assets due to the sensitive, portable, and/or theft-prone nature of the asset, they may keep their own listing separate from the property listing within the fixed asset system. Departments may choose to tag these items with a sticker stating Property of Hamilton County which must be obtained by them. These tags will not be issued by the Property Accountant.

RISK MANAGEMENT POLICY

Hamilton County maintains a comprehensive risk management program which is responsible for all functions related to risk management, including analysis of risk exposures and alternatives to risk financing, loss control and claims administration. The County maintains a self-insurance program that includes all its liability exposures, including on-the-job injuries. Resources are placed in a separate fund to meet potential losses. Risk control techniques such as safety inspections and educational programs on accident prevention will continue to be implemented to minimize accident-related losses.



CONDENSED BUDGET CALENDAR

AUGUST 5, 2004

Finance begins distributing monthly budget printouts to Department Heads for FY05 review process

JANUARY 2005

Finance Administrator meets with County Mayor and County Administrators to review calendar and schedule budget process.

JANUARY 28, 2005

Revenue projections begin

FEBRUARY 2, 2005

Budget training classes scheduled for new managers

FEBRUARY 15, 2005

Budget packages distributed to all supported and jointly supported agencies
Electronic budget packages distributed

MARCH 8, 2005

Budget requests due from Department Heads

MARCH 9, 2005

Budget analysis begins

MARCH 22, 2004

Schedule for Budget Hearings is distributed

MAY 2, 2005

Budget Hearings begin for Constitutional Offices/
Elected Officials

MAY 3, 2005

Budget Hearings begin for Supported Agencies

MAY 4, 2005

Budget Hearings begin for Hamilton County Department of Education

MAY 5, 2005

Budget Hearings begin for County Clerk, County Trustee, Assessor of Property, Board of Equalization, and Reappraisal
Budget Hearings continue for Supported Agencies

JUNE 9, 2005

Commission passes continuing budget

JULY 26, 2005

Finance staff meets with County Mayor to review proposed budget projections

AUGUST 3, 2005

Proposed Budget presented to County Commissioners

AUGUST 22, 2005

Executive Hearings/Budget adopted

BUDGET PROCEDURES

State Law requires that all local governments in Tennessee prepare and adopt a balanced annual operating budget. The County Legislative Body must by resolution adopt an annual budget and at the same time impose certain tax levies which will generate sufficient revenues to fund the various expenditure elements of the budget. These consist of a comprehensive listing of anticipated revenues and proposed expenditures for each function of government for the next fiscal year.

A legally enacted budget is employed as a management control device during the year for the following governmental funds: General Fund, significant special revenue funds (Sheriff, Juvenile Court Clerk), and Debt Service Fund. Formal budgetary integration is not employed for the remaining Constitutional Offices due to the ability of management to closely monitor and control the transactions in the funds. The remaining special revenue funds are unbudgeted because effective control is maintained through the appropriation of revenues by the General Fund and through management's observation of the limited transactions of these funds.

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The General, Special Revenue, and Debt Service funds are developed on a modified accrual basis. Any annual appropriations lapse at fiscal year end. The basis for budgeting is consistent with the basis for accounting, with the major difference being encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for expenditures of resources are recorded to reserve that portion of the applicable appropriation – is utilized in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures because the commitments will be honored through subsequent years' budget appropriations.

The County Mayor and County Board of Commissioners use the annual budgetary process to establish the scope and direction of county services and programs. This document formalizes the budgetary procedures for Hamilton County.

I. Preparation of the Annual Budget – Responsibilities of County Officials

A. County Board of Commissioners

1. Establishes overall budgetary and programmatic policy.
2. Establishes the scope and direction of County services.
3. Determines the policy and direction the County takes in its efforts to deliver services to the citizens.
4. Takes action based on proposals and recommendations presented by the County Mayor.
5. Conducts formal budget hearings for citizen input and budget presentations.
6. Formally adopts the annual budget and sets the required tax rates.

B. County Mayor

1. Makes proposals and recommendations regarding budgetary policy to the Board of Commissioners.
2. Reviews preliminary budget documents with the Finance Administrator and makes any necessary adjustments to the budget.
3. Conducts informal briefings with individual Commissioners to discuss special concerns of Commissioners and fiscal impact of various other issues in the budget.
4. Presents the complete budget document to the Board of Commissioners.
5. Makes formal presentation of budget recommendations.

C. Administrator of Finance

1. Responsible for guiding the annual budget preparation.
2. Designs budget worksheets and forms.
3. Issues instructions for completing budget forms.
4. Reviews completed budget request forms for accuracy and completeness.
5. Evaluates individual departmental requests and adjusts them to policy guidelines established by the County Mayor.
6. Prepares revenue estimates and balances expenditure requests with available revenues.
7. Makes a recommendation for budget action to the County Mayor and Board of Commissioners.

8. Coordinates budget hearings and schedules meetings.

9. Monitors individual departmental performance to ensure that the approved budget is not exceeded.

10. Prepares reports on budgetary performance for use by the County Mayor, Board of Commissioners and departments.

11. Makes a recommendation to the Board of Commissioners regarding budget amendments.

D. County Departments, Boards, Institutions, Offices and Agencies.

1. Prepare annual budget requests to include descriptions of programs, staffing levels and service plan for the year.

2. Submit budget requests as directed by the Administrator of Finance.

3. Present budget request and service plan to Board of Commissioners at formal budget hearing.

4. Execute the approved budget.

II. Amendments to Operating Budget

Once the County Board of Commissioners has formally adopted the County's operating budget, it becomes the responsibility of the Elected Official, Agency Head or Division Administrator to control the budget and to live within its parameters. It is the responsibility of the Finance Division to support this process with the necessary accounting records and periodic reports and to maintain contact with the above individuals relative to the status of their budgets.

Should an amendment become necessary (either because of the availability of additional funds or the need for additional support) it should be brought to the attention of the Administrator of Finance for presentation to the Board of Commissioners at the earliest possible time.

Under this policy the Elected Official, Agency Head, or Division Administrator has the authority to shift budgeted amounts from one line item to another within the department. The County Mayor has the authority to shift budget amounts from one department to another within the same Division. The County School Superintendent, with approval of the School Board, has the authority to shift budgeted amounts within the School Fund Budget. A quarterly report will be submitted to the County

Mayor and the County Board of Commissioners by the Administrator of Finance showing in detail any shift of budgeted amounts with suitable justification.

Any necessary amendment outside the parameters outlined in the preceding paragraph is submitted to the County Board of Commissioners for their approval prior to any funds being expended.

III. General Conditions

In order for an agency to receive funding from Hamilton County the following conditions must be met:

- A. Provide an annual audit to the County Auditor.
- B. Make books and records available for inspection by properly designated officials on the request of the County Mayor or County Board of Commissioners.
- C. Notify the County Mayor and County Board of Commissioners immediately of any irregularities, unanticipated revenues or expenditures.

RESOLUTION NO. 483-27, APPROVED BY THE COUNTY COMMISSION ON APRIL 20, 1983.

To ensure compliance with the above resolution, a budget schedule is prepared each year to facilitate the decision making process by providing overall direction to County departments and supported agencies. The budget preparation process begins in March when County Departments begin a self-evaluation of the department's objectives and measures of performance for the current year. At this time, each department prepares objectives and performance measurements for the upcoming year. This information is formally submitted to the Finance Division by late April. The budget document submitted includes a statement of departmental function, its goals and objectives, staff requirements, traditional object code line item expenditure requests, and justification for maintaining current and expanded expenditures. Individual department requests for capital needs are reported on a separate form.

During late April and early May, each division head meets with the Administrator of Finance to discuss their budget document. Around the middle of May, all budgets are consolidated and presented to the County Mayor for review.

Public hearings are held during the latter part of May. These meetings provide citizen input to the County Commission on decisions and issues relating to the budget. The Finance Administrator and his staff review and consolidate all budget requests, estimate anticipated revenues and prepare a balanced budget for submission to the County Commission. After several meetings where various budget revisions are discussed, the Commission adopts the Operating Budget for the fiscal year beginning July 1, and sets the tax rate for the upcoming year.

Hamilton County's budget has evolved into a comprehensive system that combines elements of line items, performance and program budgeting.

The following section outlines the budget procedures adopted by the Finance Administrator for the County's Fiscal Year 2006 Operating Budget.

Generally, every department was instructed to hold their budget requests to last year's level unless there was an item where the increase was beyond the department's control, and yet the department needed that item in order to provide their basic service. (An example is the printing cost of the County's property tax bills.) If a new item or program was requested, a "Summary of Explanations" was to be attached to the departmental budget request.

The Hamilton County Commission requested this year that additional departmental information be submitted with the budget requests. They specifically wanted to know if the services provided to the citizens are countywide or to a particular segment of the population (i.e. to a specific geographical segment of the community or to Hamilton County Government departments only).

The Finance Division sent out the budget information packets at the beginning of February. The packets contained summary sheets with current salaries and estimates of fringe benefits data such as FICA, pension, and insurance. In addition, the estimated cost of gasoline to fuel County vehicles was included. The packets also contained a revenue analysis form to be completed by departments or programs which have expenditures that are directly related to or dependent on specific related revenues (grants, entitlements, fees, etc.).



BUDGET FORMAT

The FY 06 Annual Budget Document for Hamilton County provides historical, present and future comparisons of revenues and expenditures, proposed allocations of resources and descriptions of the anticipated annual accomplishments of County programs. Some totals shown in individual budgets may not add up due to rounding.

BUDGET ORGANIZATION

The budget document is organized to provide a summary of the total budget with revenues and expenditures for each fund. The major portion of the budget consists of detailed pages containing a description of the funds and activities, along with a recap by classification of all expenditures involved in that particular function. The Personnel Schedule and Glossary conclude the document.

FINANCIAL STRUCTURE

The accounts of the County are organized on the basis of funds which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into six fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund — The General Fund is the principal fund of the County and is used to account for all activities applicable to the general operations of County government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to use are recorded in the General Fund. Included in this fund are activities for the Constitutional Offices, Supported Agencies, Unassigned Departments, Finance Division, Public Works Division, Human Services Division and Health Services Division.

Special Revenue Funds — Special Revenue Funds are operating funds which are restricted as to use by the federal or state governments, and special purpose funds established by the County Board of Commissioners. Included in this section are the Sheriff's Fund and Juvenile Court Clerk Fund.

Debt Service Fund — The Debt Service Fund is used to account for the accumulation of resources for and payment of principal and interest of general long-term debt.

COMPONENT UNIT

Component units are entities that are legally separate from the County, but the County is considered to be financially accountable for these entities. The Hamilton County Department of Education is a component unit of Hamilton County Government.

BASIS FOR BUDGETING

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except that encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Appropriated amounts reflected in the accompanying budget to actual comparison are as originally adopted or as amended by the County Commission.

The County Mayor is authorized to transfer appropriated amounts between departments within any division; however, any revisions that alter the total expenditures of any division or fund must be approved by the County Commission. Expenditures may not exceed appropriations at the fund level.

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. Budgetary control is achieved for the Debt Service Fund through general obligation bond indenture provisions. All appropriations which are not expended or encumbered lapse at year end.

BASIS FOR ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. All intergovernmental revenues are recorded as revenue when received. Property tax revenues are recognized in the fiscal year for which they were levied. Licenses and permits, charges for services, fines and forfeitures and other revenues are recorded as revenue when received in cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. For budgetary purposes, encumbrances are treated as expenditures in the year incurred. An exception to this general rule would include principal and interest of general long-term debt which is recognized when due.





Hamilton County Board of Commissioners

RESOLUTION

No. 805-38

A RESOLUTION ADOPTING A BUDGET FOR THE FISCAL YEAR 2005-2006, SETTING THE TAX LEVY FOR THE YEAR 2005 FOR HAMILTON COUNTY, TENNESSEE AND CHANGING THE APPORTIONMENT OF UP TO A MAXIMUM OF \$2,600,000 OF BUSINESS TAX COLLECTIONS FOR FISCAL YEAR 2005-2006.

WHEREAS, the County Board of Commissioners has legal authority to adopt a budget and to levy taxes sufficient to fund such budget; and

WHEREAS, in the absence of the exact official tax aggregate, which has not been completed, the estimated receipts from the 2005 property tax is based on a total assessed valuation of \$6,569,805,020 with an allowance for uncollectibles of \$249,864,789; and

WHEREAS, the method for determining payments in lieu of taxes by the Electric Power Board is based on factors other than property value. The Electric Power Board is excluded from assessed value and its payment in lieu of taxes is fixed at a rate of 53% for the General Purpose School Fund and 47% for the County General Fund; and

WHEREAS, the County Board of Commissioners desires to reapportion the business privilege taxes as provided in Chapter 387 of the Tennessee Public Acts of 1971 by providing the first \$2,600,000 only of collections for FY 2005-2006 to the General Purpose School Fund to fund transportation services and the remainder to be apportioned to the County General Fund; and

WHEREAS, it may be necessary to issue revenue anticipation notes to fund the budget.

NOW, THEREFORE, BE IT RESOLVED BY THIS HAMILTON COUNTY LEGISLATIVE BODY IN SESSION ASSEMBLED:

1. That the Budget attached to this resolution, and by reference made a part of said resolution, for the fiscal year 2005-2006 is hereby adopted.

Hamilton County, Chattanooga, TN
A CERTIFIED TRUE COPY

This 31 day of OCT, 2005

W. F. (BILL) KNOWLES, County Clerk

By [Signature], Deputy Clerk



2. That the apportionment of business taxes be changed by providing that the first \$2,600,000 only of collections for FY 2005-2006 be allocated to the General Purpose School Fund and the remainder to the County General Fund.
3. That said apportionment of business taxes is subject to a written one (1) year agreement signed by the Chairman of the Hamilton County Board of Education, Hamilton County Board of Commissioners and Hamilton County Mayor.
4. That there is hereby levied on each \$100.00 of assessed valuation of taxable property in Hamilton County for 2005 a tax levy of the following rates:

General Purpose School Fund	1.4055
County General Fund:	
General Purposes	1.2159
District Road Purposes	<u>0.0126</u>
	<u>2.634</u>

5. That the taxes provided in Chapter 387 of the Tennessee Public Acts of 1971, and any amendments thereto, known as the "Business Tax Act", are hereby enacted, ordained and levied on the business, business activities, vocations, or occupations doing business or exercising a taxable privilege as provided by said Act, in Hamilton County, Tennessee, at the rates and in the manner described by the said Act. The proceeds of the privilege taxes levied herein shall be apportioned to the County General Fund in total. It is not the intention of the Hamilton County Board of Commissioners, in adopting this particular tax, to affect in any way the imposition and collection of any lawful ad valorem tax imposed on personalty or real property.
6. That the payments in lieu of taxes paid by the Electric Power Board, or any other entity, except the Tennessee Valley Authority, is hereby fixed at a rate of 53% for the General Purpose School Fund and 47% for the County General Fund.

7. That the County Mayor and County Clerk are hereby authorized to borrow money on revenue anticipation notes, provided such notes are first approved by the Director of Local Finance, to pay for the expenses herein authorized until the taxes and other revenue for the fiscal year 2005-2006 have been collected, not exceeding 60% of the appropriations of each individual fund. The proceeds of loans for each individual fund shall be used only to pay the expenses and other requirements of the fund for which the loan is made and the loan shall be paid out of revenue of the fund for which the money is borrowed. The notes evidencing the loans authorized under this section shall be issued under the authority of the applicable sections of Title 9 Chapter 21, Tennessee Code Annotated. Said notes shall be signed by the County Mayor and countersigned by the County Clerk and shall mature and be paid in full with renewal no later than June 30, 2006.

BE IT FURTHER RESOLVED THAT THIS RESOLUTION TAKE EFFECT FROM AND AFTER ITS PASSAGE, THE PUBLIC WELFARE REQUIRING IT.

*Adapted
per Amendments
No. 1 + No. 2
attached.*

W. Knowler

Approved:

Rejected:

Approved:

Vetoed:

CERTIFICATION OF ACTION

W. B. Knowler
County Clerk

W. Knowler
County Executive

8/22/05
Date



Amendment No. 1

TO AMEND THE COUNTY GENERAL FUND BUDGET AS PROPOSED BY RESOLUTION #805-38 BY ADDING THE ADDITIONAL ITEMS LISTED BELOW; TO EXCEED THE CERTIFIED TAX RATE AS SET BY RESOLUTION #705-41; AND TO SET THE TAX LEVY FOR THE COUNTY GENERAL FUND FOR THE YEAR 2005 FOR HAMILTON COUNTY, TENNESSEE, BY ADDING TEN CENTS TO THE TAX LEVY PREVIOUSLY ESTABLISHED.

WHEREAS, the County Board of Commissioners has legal authority to levy taxes sufficient to fund the County General Fund; and

WHEREAS, in the absence of the exact official tax aggregate, which has not been completed, the estimated receipts for the 2005 property tax are based on a total assessed valuation of \$6,569,805,020 with an allowance for uncollectibles of \$249,864,789; and

WHEREAS, it is the desire of the County Board of Commissioners to add certain items to the expense budget.

NOW, THEREFORE, BE IT RESOLVED BY THIS HAMILTON COUNTY LEGISLATIVE BODY IN SESSION ASSEMBLED:

1. That the following adjustments are hereby made to the revenue budget:

Use of Fund Balance	(\$ 2,957,000)
Business Taxes	2,600,000
Property Taxes	<u>6,320,000</u>
Total	<u>\$ 5,963,000</u>

2. That the following items are hereby added to the expense budget:

Raises for Employees	2,234,000
Pension - Equal to State Employees	1,032,000
Boilers for Justice Building	200,000
Critical Healthcare Programs	300,000
Security and Equipment	301,000
Debt Capacity	<u>1,896,000</u>
Total	<u>\$ 5,963,000</u>

3. That there is hereby levied on each \$100.00 of assessed valuation of taxable property in Hamilton County for 2005 a tax levy of the following rate:

County General Fund:	
General Purposes	1.3159
District Road Purposes	<u>0.0126</u>
	<u>1.3285</u>

Amendment No. 2

TO AMEND THE GENERAL PURPOSE SCHOOL FUND BUDGET AS PROPOSED BY RESOLUTION #805-38 BY ADDING THE ADDITIONAL ITEMS LISTED BELOW; TO EXCEED THE CERTIFIED TAX RATE AS SET BY RESOLUTION #705-41; AND TO SET THE TAX LEVY FOR THE GENERAL PURPOSE SCHOOL FUND FOR THE YEAR 2005 FOR HAMILTON COUNTY, TENNESSEE, BY ADDING SIXTEEN CENTS TO THE TAX LEVY PREVIOUSLY ESTABLISHED.

WHEREAS, the County Board of Commissioners has legal authority to levy taxes sufficient to fund the General Purpose School Fund; and

WHEREAS, in the absence of the exact official tax aggregate, which has not been completed, the estimated receipts for the 2005 property tax are based on a total assessed valuation of \$6,569,805,020 with an allowance for uncollectibles of \$249,864,789; and

WHEREAS, it is the desire of the County Board of Commissioners to add certain items to the expense budget, and

WHEREAS, it is the desire of the County Board of Commissioners to reassign to the County General Fund the business taxes previously provided for transportation by providing an equivalent amount of additional property taxes.

NOW, THEREFORE, BE IT RESOLVED BY THIS HAMILTON COUNTY LEGISLATIVE BODY IN SESSION ASSEMBLED:

1. That the following adjustments are made to the revenue budget:

Property Taxes	\$10,112,000
Business Taxes	<u>(2,600,000)</u>
Total	<u>\$ 7,512,000</u>

2. That the following items are hereby added to the expense budget:

Raises for Teachers and non-classified employees	\$ 3,336,250
Capital Improvement	3,000,000
Reinstate Dept. Chair Supplements, Extended Time for Librarians and Guidance Counselors	456,905
Coaching Supplements	456,000
Textbooks and Pre-Kindergarten	<u>262,845</u>
Total	<u>\$ 7,512,000</u>

3. That the business taxes for transportation as outlined in Section 2 of Resolution 805-38 be reassigned to the County General Fund by providing an equivalent amount of additional property taxes, and that Section 3 of Resolution 805-38 is hereby amended by adding to the agreement that \$3,000,000 of the property tax revenues for the General Purpose School Fund be utilized for school maintenance.
4. That there is hereby levied on each \$100.00 of assessed valuation of taxable property in Hamilton County for 2005 a tax levy of the following rate:

General Purpose School Fund	1.5655
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PHOTO IDENTIFICATION

Cover	The Pedestrian Bridge that spans South Chickamauga Creek, part of the Riverwalk, a continuous trail system beginning at Ross's Landing in Downtown Chattanooga and ending at the Chickamauga Dam
Inside front cover	The girders of the Walnut Street Bridge, a construction crane, and the tips of the Aquarium's glass roofs in the background
Page 2	Another view of the Pedestrian Bridge
Page 4	Rooftops of the Coolidge Park Carousal and the Aquarium, the Market Street Bridge in between
Pages 8 and 9	Enhancements at Enterprise South: railroad lines, roads, sewer, water and electricity; far right: construction on the new I-75 interchange between the Bonny Oaks and Ooltewah exits
Page 11	A segment of the famous Houston Museum gate sculpture and its new home in the museum's expansion
Pages 12 and 13	The north side of the Hamilton County Courthouse from the front steps of UnumProvident Corporation
Page 14	The Riverpark Woodland Walk, near the edge of South Chickamauga Creek
Page 18	Inside the Hunter Museum expansion
Pages 20 and 21	UTC Greenway which connects the M.L. King community to the Riverpark through the University of Tennessee at Chattanooga campus; playground at Tommie Brown Elementary School; Brown Acres, a public golf course; the west gate of the UTC campus; the Rave, a stadium-style movie complex in the East Ridge Mall
Page 23	The Stickball Mural – part of The Passage, which honors the Cherokee Nation whose forced removal from the area became known as the Trail of Tears
Pages 24 and 25	The new waterfront; two boys playing in the reflecting pool at the base of The Passage which takes pedestrian underneath Riverfront Parkway to the river's edge; the Chattanooga River Pier at Ross's landing; Market Street Bridge, currently undergoing a two-year reconstruction; opening day at the Tennessee Aquarium Ocean Journey
Page 26	Glass Pedestrian Bridge connecting the First Street Corridor to the Hunter Museum and the Bluff View Arts District
Pages 28 and 29	Chattanooga Metropolitan Airport; CultureFest at Coolidge Park; public art on the First Street Corridor; the Samba Dancers in full regalia at the grand opening of the Aquarium Ocean Journey; the IMAX theatre
Page 31	Public art on the First Street Corridor
Page 35	Cyclists enjoying an afternoon on the Riverwalk
Page 36	The Navy's Blue Angels performing at a fund raiser for T.C. Thompson Children's Hospital
Page 39	The Weeping Eye Mask at The Passage, representing the falcon warrior and believed to protect the warrior from harm during battle
Page 41	The dramatic water tubes at the base of The Passage
Page 42	The south entrance of the Hamilton County Courthouse
Page 46	Public art near the south end of the Walnut Street Bridge
Inside back cover	The girders of the Walnut Street Bridge, a construction crane, and the tips of the Aquarium's glass roofs in the background
Back cover	The Riverwalk at the Tennessee Riverpark Insets: Construction equipment at Enterprise South, Tennessee Aquarium Ocean Journey expansion, Enterprise South entrance, The Passage, elementary school participant in the Aquarium's grand opening celebration, The Hunter Museum's expansion, the Market Street Bridge from the base of The Passage



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