

HOW TO USE THIS DOCUMENT

The FY13 Comprehensive Annual Budget Report is organized into eight major sections. These are the Introduction, General Fund (with eight total 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 Administrator of Finance, transmitting the FY13 budget document. Hamilton County's long-term initiatives focus on the primary initiatives and accomplishments for the community. The two budgetary financial summaries with revenue and expenditure pie charts are designed to provide the reader with a quick overview of the County's FY13 budget. An organizational chart is included along with 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 goals and objectives (if adopted), personnel schedules and program comments.

SPECIAL REVENUE FUNDS

The Sheriff's Fund, Juvenile Court Clerk's Fund and the Hotel/Motel 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 discretely presented 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 a 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 are presented here.





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

**TO THE COUNTY BOARD OF COMMISSIONERS
AND CITIZENS OF HAMILTON COUNTY**

June 2012

As County Mayor and Fiscal Agent, it is my duty and pleasure to present Hamilton County's budget for fiscal year 2013. We have prepared a balanced budget without increasing the tax rate. Through careful planning, this budget continues to provide our community with excellent services at the lowest possible cost.

This year's budget continues our long-term commitment to sound financial operations, economic development, quality education, and preserving our natural resources in order to guarantee a high quality of life for our citizens. Focus on these four directives is important to our mission of ensuring progressive, sustainable growth for the future needs of Hamilton County citizens where they live, work and play.



Jim Coppinger
County Mayor

Hamilton County's reputation for financial responsibility is such that we have earned the prestigious AAA bond rating from Standard and Poor's, Moody's Investors Service and Fitch, Inc. Our prospects for significant future growth and rapid amortization of existing debt, coupled with limited additional debt plans, aided us in receiving the highest bond rating obtainable. Hamilton County is one of only two Tennessee counties to receive AAA bond ratings.

For the second year in a row, we faced a budget-plaguing act of nature as tornados ripped through our community in early March, creating damages in the millions of dollars. Mercifully, no lives were lost as a result of the tornados. Due to our ongoing fiscal disciplines, we were able to absorb the final costs accrued during the cleanup without exceeding our budget or dipping into reserve funds.

Our ongoing commitment to education continued with the issuance of \$50 million of Commercial Paper for the construction of two new Hamilton County schools. We also purchased property for a new Ooltewah Elementary School. This was all done without a property tax increase. We did see an \$11 million increase in the School budget due to an increase in Hamilton County growth. The sight of such growth bodes well for our economic future.

Hamilton County's economic outlook is bright. The County's current job growth from multiple billion dollar investors and the Electric Power Board's Fiber Optics only gigabit broadband service in the United States, for commercial and residential users, is expected to bring more businesses to our area than we have experienced in decades. Recently, we have seen the development or expansion of 46 businesses creating 4,407 jobs and an investment of \$270,233,000.

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

Sincerely,

Jim Coppinger
County Mayor

Visit our website at www.hamiltontn.gov





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 2013. This budget has been balanced with no increase in property taxes, while every effort has been made to maintain the level of services to which the citizens of Hamilton County have become accustomed.

Hamilton County has three overriding themes reflected in this budget. They are:

- Funding education
- Funding medical costs
- Increasing employee compensation

EDUCATION

The Department of Education (DOE), a discretely presented component unit of Hamilton County with an approved budget of \$384.6 million, represents 60% of the total County budget when you include the debt service obligation attributed to the DOE appropriated in the General Fund. The increase of \$11.2 million for education includes \$4.7 million use of fund balance which represents \$3.2 million over last year's use of fund balance. The total increases/ (decreases) are described in Exhibit I.

The Department of Education's combined budget growth is estimated at about 3% for fiscal year 2013. Property taxes are based on information provided by the Assessor of Property. Basic Education Program funding increased by over 3.5% and is calculated by the State based on multiple parameters; however, one of the main components is student enrollment. In FY 2013, the school district is projecting an increase of over 400 students. This formula is used to calculate K-12 funds for public schools in Tennessee.

The Federal Projects Fund, Child Nutrition Fund and Self Funded Projects rely on outside resources and the programs are contingent on funding.

The largest decrease in expenditures can be attributed to the termination of federal funding from the American Recovery and Reinvestment Act and the end of the related federal stimulus programs. Increases in the expenditure budgets were attributable primarily to school-based personnel. These included the salary increase mandated by the State Department of Education. Salary step increases are calculated annually based on years of service in accordance with the contract with the educational association.

To balance the Education budget certain challenges had to be addressed, not the least of which was staffing. Administrative positions decreased while instructional staff increased, due to projected growth in student enrollment. With over 80% of School District funds being spent on personnel, the District closely aligns its staffing levels with the State's Basic Education Program.

EXHIBIT I

Hamilton County Department of Education

Explanation of Revenue Budget Increases (Decreases)

| REVENUES | | EXPENDITURES | |
|-----------------------|----------------------|--------------------------------------|----------------------|
| Use of Fund Balance | \$ 3,232,283 | Salaries / Benefits – Step Increases | \$ 4,580,515 |
| Property Tax | 4,108,767 | State Salary Increase | 4,000,000 |
| Local Sales Tax | 2,250,446 | Health Insurance | 4,000,000 |
| State Education Funds | 4,550,901 | Charter Schools | 1,756,250 |
| Miscellaneous | 117,095 | Restructure New Text Option | (1,500,000) |
| | | Reduction of Positions | (400,150) |
| | | Capital Maintenance | 500,000 |
| | | Miscellaneous | 1,322,877 |
| Federal Projects Fund | (4,333,205) | Federal Projects Fund | (4,333,205) |
| Child Nutrition Fund | 1,763,727 | Child Nutrition Fund | 1,763,727 |
| Self-Funded Projects | (500,000) | Self-Funded Projects | (500,000) |
| | \$ 11,190,014 | | \$ 11,190,014 |

BUDGET 2013 HIGHLIGHTS

The adopted budget totals \$643.2 million and represents an overall increase of \$17.3 million which is a 2.6% increase from the prior year's adopted budget. A brief recap of the increases/(decreases) are presented in Exhibit II, III and IV.

EXHIBIT II – ESTIMATED AVAILABLE FUNDS

| Revenue Classification | FY 2012 Adopted Budget | FY 2013 Adopted Budget | Increase/ (Decrease) | Percentage Change |
|---|---------------------------|---------------------------|-------------------------|----------------------|
| Use of Fund Balance | \$ (830,696) | \$ 1,771,390 | \$ 2,602,086 | 313.24% |
| Property Taxes and Trustee Excess Fees | 252,945,854 | 260,373,182 | 7,427,328 | 2.94% |
| Local Sales Tax | 61,153,150 | 63,598,596 | 2,445,446 | 4.00% |
| Hotel/Motel Occu. Tax | 5,495,000 | 6,095,000 | 600,000 | 10.92% |
| Constitutional Offices | 12,879,305 | 14,083,673 | 1,204,368 | 9.35% |
| Intergovernmental | 198,638,208 | 202,059,210 | 3,421,002 | 1.72% |
| Inter-Fund Transfers | 58,899,438 | 59,908,686 | 1,009,248 | 1.71% |
| Other Sources | 36,654,828 | 35,316,670 | (1,338,158) | -3.65% |
| Total Estimated Revenues | \$ 625,835,087 | \$643,206,407 | \$ 17,371,320 | |

The estimated total fund balance (all funds) for FY 2013 is projected to increase by \$2.6 million.

The County has not increased the property tax rate since FY 2008; however, due to a slight increase in property growth we have conservatively estimated a 2% increase in property tax. Property tax growth projections are based on current information provided by the Assessor of Property. The Assessor monitors and evaluates completed construction not currently on property rolls, and makes projections of values on construction in progress that is expected to be completed by the date of the property tax levy.

The Hotel/Motel Fund budget is a special revenue fund wholly supported with the Hotel/Motel Occupancy Tax collections and the interest earned on those collections. Hamilton County collects the tax and appropriates all monies collected, less the Trustee's commission, to the Chattanooga-Hamilton County Convention and Visitor's Bureau.

Projected revenues from Constitutional Offices consist of fees collected, less salaries, with any excess amount to be transferred to the General Fund.

Intergovernmental revenue increased marginally over the last fiscal year, and is primarily due to increases in State Education Funding, but was offset by a reduction in Federal

Project Funding in the Department of Education. The General Fund's increases can be seen in Exhibit IV.

Interfund transfers increased from the prior year, resulting from a decrease in the debt service appropriation and slight increases to the Sheriff's Fund and Juvenile Court Clerk Fund due to the County-wide 3% raises and the related benefits.

The decrease in the Debt Service Fund appropriation primarily resulted from the expected interest rate savings calculated on the County's Commercial Paper program.

EXHIBIT III – ESTIMATED EXPENDITURES

| Expenditures by Fund | FY 2012 Adopted Budget | FY 2013 Adopted Budget | Increase/ (Decrease) | Percentage Change |
|---|---------------------------|---------------------------|-------------------------|----------------------|
| Dept of Education | \$ 373,432,876 | \$ 384,622,890 | \$ 11,190,014 | 3.00% |
| County General Fund | 184,213,210 | 189,277,762 | 5,064,552 | 2.75% |
| County Sheriff's Fund | 26,950,446 | 27,946,169 | 995,723 | 3.69% |
| Narcotics Enforcement Fund | 361,850 | 361,850 | — | 0.00% |
| State Sexual Offenders | 46,197 | 46,197 | — | 0.00% |
| Juvenile Court Clerk's Fund | 2,244,718 | 2,326,665 | 81,947 | 3.65% |
| Debt Service Fund | 33,085,790 | 32,524,874 | (560,916) | -1.70% |
| Hotel/Motel Fund | 5,500,000 | 6,100,000 | 600,000 | 10.91% |
| Total Estimated Expenditures | \$ 625,835,087 | \$ 643,206,407 | \$ 17,371,320 | |

The increases/(decreases) related to the General Fund are presented in Exhibit IV. (See page 7.)

The General Fund balance is projected to grow by \$.8 million, which is related to a decrease in the Debt Service appropriation. Hamilton County conservatively maintains a strong fund balance in the General Fund which is projected to remain at approximately 53% of planned operating expenses.

Hamilton County employees had not received a County-wide raise since FY 2009. Therefore, efforts were made to allow for a 3% raise and the required increase in related benefits. This was made possible with the property tax growth, limiting increases in positions, with few exceptions; as well as incurring a savings of .33% in pension contributions to the Tennessee Consolidated Retirement System.

A 7.5% increase in departmental medical premiums was also necessary to ensure that the County General's Self Insurance Fund remains stable.

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 consistently maintained a General Fund balance equivalent to at least three months of expenditures, which places us in an excellent position to adequately address most fiscal emergencies. Our Fund Balance Policy recommends that the fund balance be no less than 25% of the planned operating expenses; however, the FY 2013 projected fund balance is expected to be 53% of planned operating expenses.

The County's excellent bond ratings (AAA by Standard and Poor's and Fitch, Inc.), and (Aaa by Moody's Investors Service) for General Obligation Bonds as well as P-1 by Moody's and F1 by Fitch for General Obligation Commercial Paper) are further evidence of its financial strength. These ratings indicate that the County's bonds are considered to be very high investment quality, which translates to lower interest rates and corresponding lower interest payments. Having solid conservative financial policies and strong financial reserves are principal reasons for these ratings.

CONCLUSION

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.

Hamilton County is well postured for the coming year. With our strong financial management, our strong fund balances and our current economic growth (i.e. the new Volkswagen Plant and related suppliers, as well as a new Amazon distribution center), 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.

Respectfully submitted,



Louis S. Wright, CPA, CGFM
Administrator of Finance



LOUIS S. WRIGHT
Administrator of Finance



ALBERT C. KISER
Assistant Administrator of Finance

EXHIBIT IV

Hamilton County General Government
Explanation of Expenditure Budget Increases (Decreases)

| REVENUE | | EXPENDITURES | |
|------------------------------------|---------------------|----------------------------|---------------------|
| Real Property Tax | \$ 2,916,661 | Employee Raises | \$ 2,200,000 |
| Ambulance Fees | 1,277,023 | Medical Costs | 1,355,193 |
| Excess Fees | 600,000 | Reappraisal | 588,751 |
| Gross Receipts Tax | 600,000 | Capital Outlay | 402,173 |
| TVA in Lieu of Tax | 500,000 | Sheriff Appropriation | 342,363 |
| Elections | 200,000 | Employee Benefits | 270,798 |
| Federal Grant – Boarding Prisoners | (500,000) | Debt Service Appropriation | (326,095) |
| Use of Fund Balance | (814,502) | Miscellaneous Decreases | 231,369 |
| Miscellaneous | 285,370 | | |
| | \$ 5,064,552 | | \$ 5,064,552 |



HAMILTON COUNTY'S FIVE LONG-TERM INITIATIVES

With the County's mission to meet the needs of the people where they live, work and play, 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 mission that guides our plans for the future and directs us toward delivering quality services to Hamilton County citizens.

PLANNED GROWTH STRATEGIES

Hamilton County Government has established a team consisting of elected officials, business leaders, organizations and citizens to create and implement a strategic plan to manage the expected rapid population growth of our area due to recent economic developments. This regional plan will ensure balanced growth, promote economic development, and protect and enhance the quality of life for all. Specific areas to be addressed include housing, transportation, land use, environmental energy, green space, and infrastructure.

ECONOMIC DEVELOPMENT

Our economic development initiative reflects our goal of a viable and sustainable economic future for our community. We believe that this is vital for those who currently live here and for those who are considering relocating to Hamilton County.

- **Enterprise South Industrial Park** - Volkswagen Group of America invested \$1 billion in the local economy for the Hamilton County plant and created more than 2,000 direct jobs in the region. The new Volkswagen plant is expected to generate \$12 billion in income growth and an additional 9,500 jobs related to the project. In May 2012, Passat number 100,000 rolled off the line at the Hamilton County manufacturing facility. In order to support its auto plant, Volkswagen constructed a supplier park on 41 acres of adjacent land with over 500,000 square feet of space in the park's buildings. Due to VW's success with the new Passat, company officials are planning to expand production at Enterprise South to include additional models.
- **Amazon.com, Inc.** established a fulfillment center at Enterprise South Industrial Park along with an additional facility in neighboring Bradley County. Amazon.com invested a combined total of \$139 million to construct the two new facilities providing 1,400 jobs to be created in the next two years, plus hundreds of additional seasonal jobs during peak season. Sixty-five acres at Enterprise

South Industrial Park remain available for development.

- **Business Development Center** - The Hamilton County Business Development Center is a 125,000 square-foot former manufacturing facility that has been renovated into a highly successful business incubator. Located at 100 Cherokee Boulevard, the BDC is owned by the County and managed by the Chattanooga Area Chamber of Commerce. The BDC offers start-up businesses office or manufacturing space at highly competitive lease rates. Tenants have access to clerical support, fax machines, copiers, and postage machines. The Tennessee Small Business Development Center, which has offices in the BDC, provides a business library, computer and video centers, and business counseling services, available to entrepreneurs free of charge. The BDC currently houses 55 tenant businesses with 400 full time positions. Twenty-two of the businesses are female owned or co-owned, and 23 are minority owned. The BDC is recognized for its success and is among the top six percent of business incubators in the nation, according to the NBIA.

PUBLIC EDUCATION IMPROVEMENT

Hamilton County focuses on education as a responsibility of the entire community. Our educational process is directed toward the whole person. Educational advancement is crucial to the future of our County and the success of our children in life.

- **Read 20** - A public/private partnership promoting early childhood literacy skills, Read 20's mission is an effort to create a community of readers in support of Hamilton County's community literacy goals. Read 20 achieves this through three strategic objectives: 1) to promote early childhood literacy; 2) to create meaningful community partnerships for literacy; and 3) to activate the Read 20 message throughout the community. Since its inception in 2006, the program has distributed over 180,000 books to Hamilton County children.
- **STEM - Southeast Tennessee Science, Technology, Engineering, and Math** - The STEM Initiative is a joint effort among four core groups: K-12 systems, businesses, higher education, and community organizations. The leading partners in the initiative include Hamilton County Department of Education, Public Education Foundation, Chattanooga Chamber of Commerce, Chattanooga State Community College and University of Tennessee at Chattanooga. The Public Education

HAMILTON COUNTY'S LONG-TERM INITIATIVES – CONTINUED

Foundation will be the managing partner for the STEM Innovation Hub, acting as both the fiscal agent and driving force to create a center where teachers, principals, non-profit organizations, and leaders from business and industry work together to redesign how our children learn about science, technology, engineering and math.

IMPLEMENTATION OF GREEN PRACTICES

Energy Efficiency and Conservation Block Grant Program – Hamilton County received a \$616,500 federal grant from the Energy Efficiency and Conservation Block Grant (EECBG) Program. The EECBG program is intended to assist communities in developing, promoting, implementing and managing energy efficiency and conservation projects and programs. The expenditures for Hamilton County's EECBG award are:

- \$250,000 for the design and construction of a green roof at the Hamilton County Health Department
- \$170,000 for replacement of lighting at Chester Frost Park Pavilion
- \$119,500 for energy upgrades for HVAC and lighting replacement at McDaniel Building
- \$72,000 for replacement of lighting at the Tennessee Riverpark, school crossings and traffic signals.
- \$5,000 for energy education program through Hamilton County Schools

QUALITY OF LIFE ISSUES

Hamilton County citizens and visitors are able to enjoy one of the finest natural environments in the Southeast. The County's surrounding mountains, state and national forests, as well as its rivers and streams have afforded this area its reputation as a leading destination for outdoor activities.

- **Enterprise South Nature Park** – Opened in December 2010, the park offers miles of walking paths, bicycle paths and off-road biking trails. There are areas for picnics and a small lake that attracts deer, turkeys, and other park inhabitants giving visitors an opportunity to view the animals in a natural setting. The park is located on 2,800 wooded acres adjacent to the Enterprise South Industrial Park.
- **Step ONE** – Step ONE is a county-wide initiative addressing the problem of obesity in our community by promoting physical fitness, nutrition, and healthy lifestyles. Housed in the Hamilton County Health Department, the effort is guided by the County Mayor and the Hamilton County Regional Health Council. Step ONE serves

citizens of all ages in an effort to combat the ill health effects of obesity and sedentary lifestyles. The program has been selected by the Robert Wood Johnson Foundation for a demonstration grant that focuses on promoting healthy diet choices among low-income residents of the inner city.

- **IRIS Project** – Increasing the Rate of Infant Survival – This project works to initiate new, creative and innovative programs that have a positive impact on Infant Mortality Rates, which are thought to be one of the best predictors of a community's overall health status. Through the Hamilton County Health Department, our local Regional Health Council, our community partners, and the Governor's Office of Children's Care Coordination, this project works collaboratively to improve birth outcomes for all babies born in Hamilton County.
- **Hamilton Shines** – This program is designed to reduce the practice of littering through education. Littering is not a problem that is specific to any one area or demographic; it occurs anywhere. Hamilton Shines strives to foster a sense of community pride in programs for school children and to inform all citizens on the consequences of littering.
- **Hamilton County Litter Grant Program** – The Courts Community Service program provides litter removal on roads and highways in Hamilton County. The program is funded through the State of Tennessee's malt beverage/bottle tax, a state highway maintenance contract, and a grant from the City of Chattanooga. Hamilton County operates the largest litter grant program of its kind in Tennessee. The program provides for litter collection and public education to reduce unsightly and environmentally harmful litter from the public right-of-ways. The program utilizes non-violent offenders to relieve overcrowding in the corrections system by offering alternative sentencing in lieu of incarceration.
- **Tennessee Riverpark** – Hamilton County and the City of Chattanooga have cooperated in establishing the Tennessee Riverpark. With 10 miles of lighted concrete trail, parks, piers, and bridges along its route, the Riverpark is a valuable resource for recreation and alternative transportation. It has served to bring the public into a closer, more protective relationship with the Tennessee River. It recently received the American Trails Symposium's top award for Design and Management. Construction will soon begin on a new segment of the Riverpark that will extend the Riverwalk from Ross's Landing Downtown to the base of Lookout Mountain.



HAMILTON COUNTY

GENERAL GOVERNMENT OFFICIALS

(as of June 30, 2012)

Jim Coppinger, *County Mayor*
Mike Compton, *Chief of Staff*
Leslie Longshore, *Director of Human Resources*
Alecia Poe, *Assistant Director of Human Resources*
Dan Saieed, *Director of Development*

Board of Commissioners

Chester Bankston
Gregory Beck
Tim Boyd
James A. Fields
Joe Graham
Larry L. Henry, *Chairman*
Mitch McClure
Warren Mackey
Fred Skillern, *Chairman, Pro Tempore*

Legislative

Chris Hixson, *Administrator*

Constitutional Officers

S. Lee Akers, *Clerk & Master*
Suzanne Bailey, *Juvenile Court Judge*
Gary Behler, *Juvenile Court Clerk*
Bill Bennett, *Assessor of Property*
Bill Cox, *District Attorney*
Ardena Garth, *District Public Defender*
James Hammond, *Sheriff*
Bill Hullander, *Trustee*
Pam Hurst, *Register of Deeds*
William F. Knowles, *County Clerk*
Dr. James Metcalfe, *Medical Examiner*
Charlotte Mullis Morgan, *Administrator of Elections*
Paula Thompson, *Circuit 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*
Gail Roppo, *Director of Purchasing
and Contract Management*
Brian D. Turner, *Director of Information Technology Services
and Director of Geographic Information Systems*
Katherine K. Walker, *Director of Accounting*

HEALTH SERVICES

Becky Barnes, *Administrator*
Tammy M. Burke, *Director of Clinical Services*
Bonnie Deakins, *Director of Environmental Health*
Tom Rucci, *Director of Case Management Services*
Marti Smith, *Director of Administrative Services*
Bill Ulmer, *Director of Community Health Services*

HUMAN SERVICES

Don Allen, *Administrator*
Worth Lillard, *Director of Maintenance*
Barbara Payne, *Director of Corrections*
Ron Priddy, *Director of Recreation*
Tony Reavley, *Director of Emergency Services*

LEGAL

Rheubin M. Taylor, *County Attorney*

PUBLIC WORKS

Dan Wade, *Administrator*
Harold Austin, *Director of Highway Department*
Cleveland Grimes, *Executive Director of WWTa*
Todd Leamon, *Chief Engineer, Director of Engineering*
David Thorne, *Director of Building Inspection*



CITIZENS

COUNTY BOARD OF COMMISSIONERS 209-7200

LEGISLATIVE STAFF
209-7200
MEDICAL EXAMINER
493-5175

APPOINTED
BOARDS
AUDITING
209-6200
LEGAL
209-6150

COUNTY MAYOR 209-6100

CHIEF OF STAFF 209-6180

HUMAN RESOURCES
209-6120

EQUAL EMPLOYMENT
OPPORTUNITY
209-6144

MAYORAL STAFF
209-6100

DEVELOPMENT
209-6810

HEALTH SERVICES
DIVISION
209-8000
ENVIRONMENTAL
HEALTH
209-8110
CLINICAL SERVICES
209-8218
ADMINISTRATIVE
SERVICES
209-8010
CASE MANAGEMENT
SERVICES
209-8155
COMMUNITY HEALTH
SERVICES
209-8088

HUMAN SERVICES
DIVISION
209-6800
EMERGENCY
MANAGEMENT
209-6900
RECREATION
842-0177
MAINTENANCE
209-7700
CORRECTIONS
209-6880

FINANCE DIVISION
209-6330
ACCOUNTING
209-6330
PURCHASING
209-6350
FINANCIAL
MANAGEMENT
209-6370
INFORMATION
TECHNOLOGY SERVICES
209-6250
GEOGRAPHIC INFO
SYSTEMS
209-7760

PUBLIC WORKS
DIVISION
209-7800
HIGHWAY
855-6100
ENGINEERING
209-7810
BUILDING INSPECTION
209-7860

CONSTITUTIONAL OFFICES

ASSESSOR — 209-7300

CHANCERY COURT CHANCELLORS — 209-7380

CLERK AND MASTER — 209-6600

CIRCUIT COURT JUDGES — 209-6700

CIRCUIT COURT CLERK — 209-6700

COUNTY CLERK — 209-6500

CRIMINAL COURT JUDGES — 209-7500

CRIMINAL COURT CLERK — 209-7500

DISTRICT ATTORNEY — 209-7400

ELECTION COMMISSION — 493-5100

JUVENILE COURT JUDGE — 209-5100

JUVENILE COURT CLERK — 209-5250

PUBLIC DEFENDER — 634-6374

REGISTER — 209-6560

SESSIONS COURT JUDGES — 209-7660

SHERIFF — 209-7000

TRUSTEE — 209-7270

BOARD OF COMMISSIONERS



Chester Bankston
Commissioner



Gregory Beck
Commissioner



Tim Boyd
Commissioner



James A. Fields
Commissioner



Joe Graham
Commissioner



Larry Henry
Chairman



Warren Mackey
Commissioner



Mitch McClure
Commissioner



Fred Skillern
Chairman, Pro Tempore



Volkswagen

SOUTHERN
ADVENTIST UNIVERSITY

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 68% 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% of value, including residential buildings with two or more rental units.
- Residential property, assessed at 25% of value.
- Farm property, assessed at 25% 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% of value except by federal court decision, the railroads, trucking and airline industries.
- *Industrial and commercial property* assessed at 30% 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 addition to the property tax, another principal revenue source for the County is the Local Option Sales Tax. In accordance with the 1963 Local Option Revenue Act (the "Act") Title 67, Chapter 6, Part 7 of the Tennessee Code Annotated, the City of Chattanooga, the County and many other area municipalities have adopted a Local Option Sales Tax.

Pursuant to the Act, the levy of the sales tax by a county precludes any city within that county from levying a sales tax, but a city may levy a sales tax in addition to the county sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum allowable local sales tax rate which is currently 2.75%. Hamilton County levies a countywide 2.25% Local Option Sales Tax which was adopted by referendum by the citizens of Hamilton County. The revenues from the countywide sales tax are distributed pursuant to the provisions of the Act and other provisions of the Tennessee Code Annotated. Fifty percent of the revenues raised through a countywide sales tax are directed to education. The remaining portion is distributed to the County and the municipalities based upon SITUS.

Previously, the City of Chattanooga, Hamilton County and many other local municipalities participated in a contract whereby the local sales taxes were distributed by a specific formula. This contract expired in May 2011. Local option sales taxes are now distributed based on SITUS (point of sales).

BUSINESS TAXES

Business taxes are levied on retail and wholesale businesses in Hamilton County based on 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

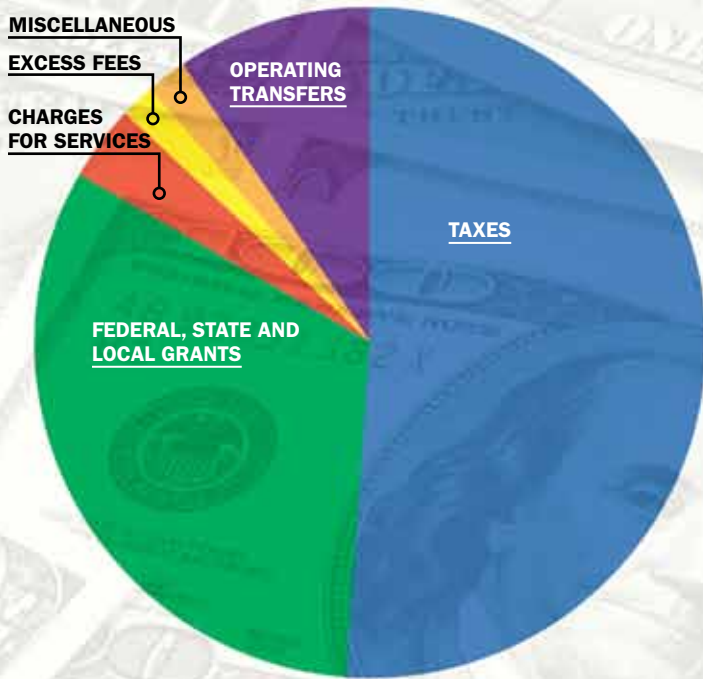
Excess fees consist of revenue collected by the various Constitutional Offices, including charges for services provided less the budgeted salaries. Revenue estimates in this category are developed based upon historical trends and projected increases in the Constitutional Offices' budgets.

CHARGES FOR CURRENT SERVICES

The major revenue source in this category is fees charged by the Hamilton County Health Department for services rendered. 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

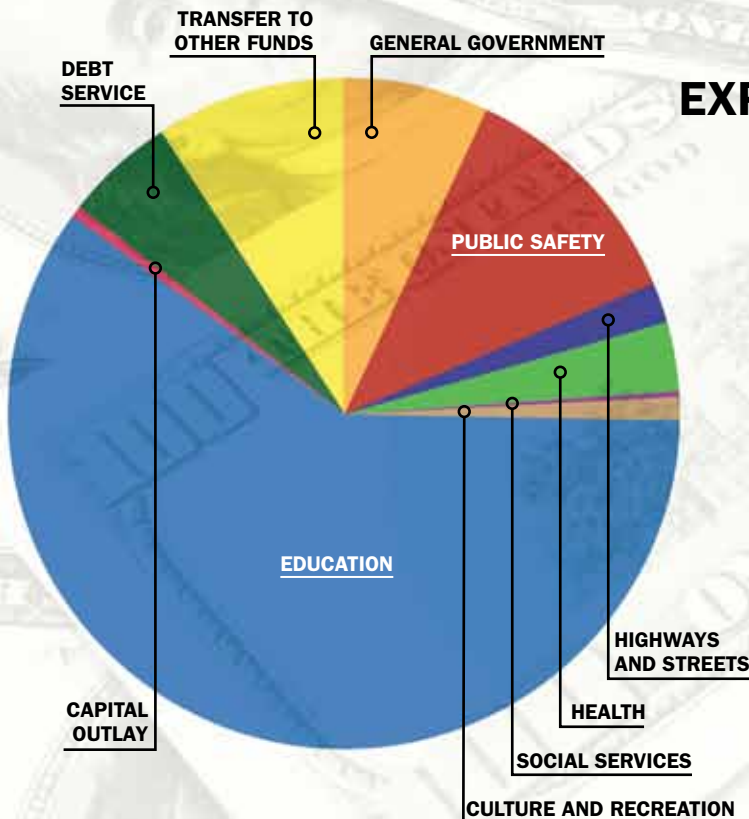


| | | |
|-----------------------------------|-----------------------|----------------|
| Taxes | \$ 332,107,787 | 51.78% |
| Federal, State and Local Grants.. | 202,887,428 | 31.63% |
| Charges for Services | 25,352,275 | 3.95% |
| Excess Fees | 10,000,000 | 1.56% |
| Miscellaneous | 12,806,895 | 2.00% |
| Operating Transfers..... | 58,280,632 | 9.08% |
| | <u>\$ 641,435,017</u> | <u>100.00%</u> |

Use of Fund Balance.....\$ 1,771,390

Total Revenues and Other
Financing Sources.....\$ 643,206,407

EXPENDITURES BY USES



| | | |
|-------------------------------|---------------|--------|
| General Government..... | \$ 47,520,920 | 7.39% |
| Public Safety | 73,974,334 | 11.50% |
| Highways and Streets | 13,128,031 | 2.04% |
| Health | 21,440,654 | 3.33% |
| Social Services | 2,055,865 | 0.32% |
| Culture and Recreation..... | 6,165,569 | 0.96% |
| Education..... | 384,622,890 | 59.80% |
| Capital Outlay | 3,772,073 | 0.58% |
| Debt Service | 32,524,874 | 5.06% |
| Transfer to Other Funds | 58,001,197 | 9.02% |

Total Expenditures and Other
Uses\$ 643,206,407 100.00%

BUDGET SUMMARY

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 2011 | Projected 2012 | Budgeted 2013 |
|---|---------------------------|---------------------------|---------------------------|
| FUNDING SOURCES | | | |
| Property Taxes | 248,547,598 | 254,299,989 | 255,145,082 |
| Local Sales Taxes | 70,850,232 | 64,591,864 | 63,598,596 |
| Other Taxes | 11,936,191 | 12,538,502 | 13,364,109 |
| Licenses and Permits | 540,859 | 687,865 | 683,600 |
| Intergovernmental Revenues | 210,848,792 | 208,300,381 | 202,887,428 |
| Charges for Services | 15,526,671 | 22,626,506 | 25,352,275 |
| Fines and Forfeits | 11,524,020 | 1,505,803 | 1,744,265 |
| Investment Earnings | 721,775 | 648,235 | 705,785 |
| Excess Fees | 8,510,431 | 9,857,562 | 10,000,000 |
| Miscellaneous | 11,813,577 | 11,635,653 | 9,673,245 |
| Operating Transfers | 56,898,879 | 56,299,692 | 58,280,632 |
| Total Available Resources | <u>647,719,025</u> | <u>642,992,052</u> | <u>641,435,017</u> |
| EXPENDITURES | | | |
| General Government | 41,820,735 | 43,015,611 | 47,520,920 |
| Public Safety | 73,611,616 | 72,400,799 | 73,974,334 |
| Highways and Streets | 12,121,192 | 11,927,599 | 13,128,031 |
| Health | 21,965,617 | 19,672,898 | 21,440,654 |
| Social Services | 5,334,308 | 2,455,643 | 2,055,865 |
| Culture and Recreation | 9,868,207 | 7,155,675 | 6,165,569 |
| Education | 380,058,343 | 375,305,977 | 384,622,890 |
| Capital Outlay | 3,921,173 | 3,625,536 | 3,772,073 |
| Debt Service | | | |
| Principal Retirement | 23,755,338 | 22,562,000 | 22,473,282 |
| Interest and Fiscal Charges | 9,072,871 | 9,016,871 | 10,051,592 |
| Other Uses | 56,898,879 | 55,893,643 | 58,001,197 |
| Total Expenditures/Expenses and Other Uses | <u>638,428,279</u> | <u>623,032,252</u> | <u>643,206,407</u> |
| Excess of Available Resources over (under) expenditures/expenses and other uses | 9,290,746 | 19,959,800 | (1,771,390) |
| Encumbrances | 936,774 | 6,267,181 | — |
| Excess of non-budgeted revenue and other financing sources over non-budgeted expenditures | 760,960 | 4,529,222 | — |
| Beginning Fund Balance | <u>126,427,864</u> | <u>137,416,344</u> | <u>168,172,547</u> |
| Ending Fund Balance | <u><u>137,416,344</u></u> | <u><u>168,172,547</u></u> | <u><u>166,401,157</u></u> |



BUDGET SUMMARY FOR FISCAL YEAR 2013 — BY FUND TYPE

| | General Fund | Special Revenue Funds | Debt Service Fund | Hamilton County Department of Education (Component Unit) | Total |
|---|--------------------|-----------------------------|-------------------------|--|--------------------|
| FUNDING SOURCES | | | | | |
| Property Taxes | 129,632,833 | — | — | 125,512,249 | 255,145,082 |
| Local Sales Tax | 3,000,000 | — | — | 60,598,596 | 63,598,596 |
| Other Taxes | 6,919,109 | 6,095,000 | — | 350,000 | 13,364,109 |
| Licenses and Permits | 658,600 | — | — | 25,000 | 683,600 |
| Intergovernmental Revenues | 21,373,854 | 2,462,141 | 765,729 | 178,285,704 | 202,887,428 |
| Charges for Services | 13,756,758 | 19,300 | 535,000 | 11,041,217 | 25,352,275 |
| Fines and Forfeits | 1,171,065 | 573,200 | — | — | 1,744,265 |
| Investment Earnings | 427,635 | 16,000 | 2,500 | 259,650 | 705,785 |
| Excess Fees | 10,000,000 | — | — | — | 10,000,000 |
| Miscellaneous | 5,477,471 | 345,300 | — | 3,850,474 | 9,673,245 |
| Operating Transfers | 114,589 | 26,944,398 | 31,221,645 | — | 58,280,632 |
| Use of Fund Balance | (3,254,152) | 325,542 | — | 4,700,000 | 1,771,390 |
| Total Revenues and Other Financing Sources | <u>189,277,762</u> | <u>36,780,881</u> | <u>32,524,874</u> | <u>384,622,890</u> | <u>643,206,407</u> |
| EXPENDITURES | | | | | |
| General Government | 41,420,920 | 6,100,000 | — | — | 47,520,920 |
| Public Safety | 43,293,453 | 30,680,881 | — | — | 73,974,334 |
| Highways and Streets | 13,128,031 | — | — | — | 13,128,031 |
| Health | 21,440,654 | — | — | — | 21,440,654 |
| Social Services | 2,055,865 | — | — | — | 2,055,865 |
| Culture and Recreation | 6,165,569 | — | — | — | 6,165,569 |
| Education | — | — | — | 384,622,890 | 384,622,890 |
| Capital Outlay | 3,772,073 | — | — | — | 3,772,073 |
| Debt Service | — | — | — | — | — |
| Principal Retirement | — | — | 22,473,282 | — | 22,473,282 |
| Interest and Fiscal Charges | — | — | 10,051,592 | — | 10,051,592 |
| Transfers to Other Funds | 58,001,197 | — | — | — | 58,001,197 |
| | <u>189,277,762</u> | <u>36,780,881</u> | <u>32,524,874</u> | <u>384,622,890</u> | <u>643,206,407</u> |

DEMOGRAPHICS AND STATISTICS

FORM OF GOVERNMENT

Date of Organization: 1819

The 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 is not a member of the County Commission.

EDUCATIONAL FACILITIES

| | |
|--|--------|
| High School | 12 |
| Middle – High | 6 |
| Middle School | 12 |
| Elementary – High | 1 |
| Elementary – Middle | 2 |
| Elementary School | 42 |
| Exceptional and Adult Schools | 1 |
| Middle College High School at Chattanooga State | 1 |
| Enrollment at public facilities | 42,435 |

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

There are 34 private and parochial schools in the Hamilton County area with combined enrollment of over 10,337.

COLLEGES AND UNIVERSITIES

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

ELECTIONS

| | |
|-----------------------------------|---------|
| Registered voters | 216,003 |
| Votes cast in last election | 50,562 |
| Registered voters voting | 23.41% |

POLICE PROTECTION

| | |
|-----------------------------|-----|
| Sworn Police Officers | 614 |
| Correctional Officers | 106 |
| Civilian Employees | 160 |
| Other | 72 |

DEMOGRAPHICS

LAND AREA AND USAGE

| | |
|------------------------------|------------------|
| Miles of paved streets | 2,435 |
| Area | 542 square miles |

POPULATION: OFFICIAL U.S. CENSUS

| | |
|------------|---------|
| 2000 | 307,896 |
| 2001 | 308,700 |
| 2002 | 309,800 |
| 2003 | 309,510 |
| 2004 | 310,371 |
| 2005 | 310,935 |
| 2006 | 312,905 |
| 2007 | 330,168 |
| 2008 | 332,848 |
| 2009 | 337,175 |
| 2010 | 336,463 |
| 2011 | 340,855 |

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

ECONOMIC

TOP TEN EMPLOYERS

| Employer | Employees | Rank |
|-----------------------------------|-----------|------|
| Hamilton Co. Dept. of Education | 4,489 | 1 |
| BlueCross BlueShield of Tennessee | 4,337 | 2 |
| Tennessee Valley Authority | 4,217 | 3 |
| Erlanger Health System | 3,447 | 4 |
| Memorial Health Care System | 3,171 | 5 |
| McKee Foods Corporation | 2,950 | 6 |
| Unum | 2,800 | 7 |
| Volkswagen Chattanooga | 2,487 | 8 |
| City of Chattanooga | 2,274 | 9 |
| Hamilton County Government | 1,763 | 10 |

Total 31,935

Source: Chattanooga Area Chamber of Commerce



BUILDING PERMITS

| <i>Calendar Year</i> | <i>Number Issued</i> | <i>Value of Permits</i> |
|----------------------|----------------------|-------------------------|
| 2003 | 1,531 | 164,739,480 |
| 2004 | 1,609 | 174,226,572 |
| 2005 | 1,616 | 188,192,436 |
| 2006 | 1,600 | 188,064,000 |
| 2007 | 1,420 | 189,761,592 |
| 2008 | 991 | 81,414,961 |
| 2009 | 909 | 76,903,418 |
| 2010 | 950 | 79,983,817 |
| 2011 | 983 | 85,584,057 |

PER CAPITA INCOME

| | |
|------------|----------|
| 2010 | \$38,368 |
|------------|----------|

Source: www.bea.gov (CA1-3 – Per capita personal income)

TRANSPORTATION SERVICES

Airport: Lovell Field operated by the Chattanooga Metropolitan Airport Authority. Airline carriers: American Eagle, Delta Connection, US Airways Express and Allegiant Air.

| | |
|------------------------------------|---------|
| Passenger Flow (for FY 2012) | 565,851 |
|------------------------------------|---------|

Source: Chattanooga Metropolitan Airport Authority

RAIL SERVICE

Norfolk Southern Railway System,
CSX Transportation System

HIGHWAY

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

TRANSPORTATION

| | |
|--|----|
| Chattanooga Area Regional Transportation Authority | |
| Buses | 48 |
| Routes | 17 |
| Electric Buses | 16 |
| Neighborhood route vans | 5 |

CULTURE AND RECREATION

CULTURAL ACTIVITIES & FACILITIES

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

RECREATIONAL FACILITIES

| | |
|----------------------------|-----|
| Parks..... | 90 |
| Golf Courses | 21 |
| Recreation Centers..... | 16 |
| Ball Fields | 154 |
| Public Tennis Courts | 165 |
| Swimming Pools..... | 31 |
| Theatres..... | 17 |
| Bowling Alleys..... | 3 |

LIBRARIES

Chattanooga Public Library
Eastgate Branch
South Chattanooga Branch
Northgate Branch
Chattanooga State Community College Library
Collegedale Public Library
East Ridge City Library
Town of Signal Mountain Library
University of Tennessee at Chattanooga Lupton Library



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 340,855 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.

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. More than 13 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.





HAMILTON COUNTY PROFILE

Picture a revitalized historic downtown district rich in classic architecture and enhanced with public and private investments of more than \$2 billion dollars since 1990. Position that downtown district along the shore of the winding Tennessee River and within 542 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 (the State) 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. Hamilton County's unemployment rate stands at 8.3 percent as of June 2012. This is compared to the Metropolitan Statistical Areas (the "MSA") unemployment rate of 8.2, the nation's 8.2 percent, and the state's 8.1 percent for the same period.

The American Association of Retirement Communities (AARC) named Chattanooga - Hamilton County as the first community in Tennessee to receive its prestigious Seal of Approval as a retirement destination. Former Hamilton County Mayor Claude Ramsey (now the State of Tennessee's Deputy Governor) and Chattanooga City Mayor Ron Littlefield celebrated the announcement of the AARC designation by formally launching Choose Chattanooga, a new initiative to market the Chattanooga area to people deciding where to retire and relocate.

Chattanooga was listed in the *U.S. News and World Report* online magazine as one of the Nation's top ten most affordable retirement locations, and *Forbes* magazine cited it as one of the top ten locations for prospective growth in home values and number eight in the 100 most affordable cities to reside. Tennessee's only income tax is the Hall tax, which is a tax on investments producing more than \$16,200 a year for an individual. The lower cost of housing and low taxes makes the area an attractive destination for anyone seeking a lower cost of living in a beautiful progressive community.

Business Facilities Magazine recently ranked Chattanooga as number one among America's metros for "Economic Growth Potential" and among the top ten for best cost of living. The area's quality of life is exemplified by

Chattanooga's selection by *Outside* magazine as the nation's foremost outdoors destination in its October 2011 issue. Hamilton County has experienced a rebirth and 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 more than \$3 billion invested in new projects downtown over the last twenty years.

Investment in economic growth continued when Hamilton County and the City of Chattanooga took title to the land known as Enterprise South Industrial Park at the former Volunteer Army Ammunition Plant (VAAP) in September 2000. Enterprise South is a nearly 3,000 acre industrial park that TVA has designated as Tennessee's first industrial megasite.

In July 2008, the Volkswagen Group of America announced plans to locate their new \$1 billion North American assembly plant in the Enterprise South Industrial Park. The plant is the largest single investment ever made in Tennessee by a company. The plant and support companies are expected to create over 11,000 jobs according to a study by the University of Tennessee's Center for Business and Economic Research. With the completion of the 2 billion square-foot plant, the first vehicle rolled off the assembly line in April 2011. Operations recently reached yet another significant milestone when the 100,000th Passat rolled off the assembly line in May 2012. Gestamp Corporation has constructed a \$90 million automotive parts stamping facility at Enterprise South. Gestamp was the first "Tier 1" auto supplier for Volkswagen to locate at Enterprise South.



HAMILTON COUNTY PROFILE – CONTINUED

Amazon, the world's largest internet retailer, has constructed a \$70 million distribution center at Enterprise South, which opened in the fall of 2011. It is one of two local facilities that is expected to inject at least \$64 million in annual payrolls in the area. Amazon is already planning an expansion of the Chattanooga facility due to high demand. Currently, TAG Manufacturing, eSpin Technologies, and Integrated Data Solutions, Inc. have located new plants in the industrial park. With its emphasis on new green, sustainable technologies, Industry Week magazine lists Chattanooga among the top manufacturing locations in the United States.

Alstom Power is completing a \$300 million investment in its Chattanooga steam and gas turbine facility. The project has created 350 additional jobs, many of which are high-end engineering positions. In March 2011, Chattem Inc., a local company that produces markets and manufactures health care products, carried out the biggest product launch in its 130-year history with its rollout of the over-the-counter allergy drug Allegra. The addition to its product line will push Chattem's annual sales close to \$800 million.

The Electric Power Board, one of Hamilton County's primary power utilities, has launched a residential high-speed Internet and cable television service as part of its \$220 million fiber-to-home initiative that will also allow for smart electric meters for its 160,000 electric customers. EPB's Fiber Optics is the only gigabit broadband service in the United States for residential and business customers. With the new Gigabit symmetrical service offering, Chattanooga has the fastest broadband service in the country and is tied with a handful of international communities for fastest in the world. This ultra-speed broadband resource will open the way to a new wave of Internet-based products and services. In June 2012, Chattanooga, which has become known as Gig City, was chosen as one of 25 cities nationwide to partner in a White House initiative called US Ignite, which aims to promote United States leadership in developing uses for high-speed broadband Internet.

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 area'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 Enterprise South, Mountain View, Silverdale, Bonny Oaks, Soddy Daisy, and the Centre South Riverport. In announcing construction of a new services facility at Centre South, a Westinghouse Electric Company official said, "The community's central location, superior transportation network and highly trained engineers argued strongly on behalf of expanding in Chattanooga and growing with the fastest-growing metro city in Tennessee."

In September 2011, the County completed a \$4.9 million renovation of its 127,000 square-foot Business Development Center. The business incubator leases office or industrial space to entrepreneurs at below-market Hamilton County Official Statement II-3 October 25, 2011 rates and provides business training for about three years, as startups get off the ground. With a maximum occupancy of 60 businesses, Hamilton County's Business Development Center is the largest small business incubator in Tennessee and the third largest in the country. As a result of the renovation completed in 2011, Hamilton County was awarded LEED Silver Certification by the U.S. Green Building Council for the Business Development Center.

The County has partnered with the Chamber of Commerce to manage the Center for Entrepreneurial Growth (CEG), a technology business incubator to assist emerging technology companies and help mentor existing businesses in new technology. The CEG operates in the Business Development Center and has a facility in the Engineering Building at the University of Tennessee at Chattanooga that allows entrepreneurs to access high-tech equipment and mentors from the Engineering Department's staff.

The cooperation of public and private sectors has been paramount in funding new development and accomplishing goals. 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



HAMILTON COUNTY PROFILE – CONTINUED

for visitors and new residents. The County was honored with the top award for the Design and Management of its Tennessee Riverpark and Riverwalk by the National Trails Symposium at its 2011 annual conference. The State of Tennessee recently awarded Hamilton County and the City of Chattanooga \$2.3 million in federal enhancement funds to assist with the latest extension of the Riverwalk. Construction is to begin later this year and should be completed in about 18 months. When complete, the Riverwalk will extend from the Chickamauga Dam some 16 miles to the base of Lookout Mountain. Both Volkswagen and Alstom Power officials cited the Riverwalk as one of the quality of life factors that influenced their decision to invest in our community.

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 American Eagle, Delta Connection, US Airways Express, and Allegiant Air. Nonstop flights to Atlanta, Chicago, Charlotte, Memphis, Orlando, Dallas, Tampa Bay, Detroit, and Washington D.C., are available. During 2012, passenger flow out of Lovell Field included 282,868 passengers enplaning and 282,983 passengers deplaning for a total passenger flow of 565,851. 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 being done at the Chattanooga Metropolitan Airport Authority. Some of these projects include the rehabilitation of Runway 15/33, the reconstruction of Taxiway Alpha North and the ongoing maintenance of pavement areas. Infrastructure development is continuing on the West Side in order to connect the remaining 12.5 acres of developable land to the airport's runway system. In April 2009, \$3 million of American and Recovery Reinvestment Act (ARRA) grant funding was awarded for infrastructure improvement on the west side of the airport which includes site preparation, asphalt paving, electrical lighting, markings and construction of approximately 500 feet of additional ramp with two taxi connectors. The \$10 million development provides competitive aviation support facilities to serve general and commercial aviation. It includes a fuel center, offices and hangars to accommodate private and corporate aircraft as well as provide services to the current airlines servicing Chattanooga. The new full service fixed based operator has attracted businesses such as Wilson Air Center, a Memphis based business, in which Wilson Air will operate the terminal and hangar, and FedEx. On October 3, 2011, FedEx started leasing 12,000 square feet of hangar space at Lovell Field for the first time which resulted in approximately \$75,000 annual rental fees. In February 2012, the Chattanooga Airport's new energy-efficient 9,000 square-foot corporate flight center terminal facility was awarded Platinum certification from the U.S. Green Building Council's Leadership in Energy and Environmental Design green building certification program; the only aviation terminal in the world to receive platinum certification representing the highest possible level of energy and environmental performance. The Airport Authority's Aircraft Rescue Fire



Fighting (ARFF) station houses not only the Airport's fire department but all emergency management operations. Also on the west side, the U.S. Forest Service is now operational with a tanker base.

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 in the north and the Gulf of Mexico in the south. 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, 10% of jobs and 15% of payroll are generated by health care, including over 8,429 health care providers. Recognition of Chattanooga's medical community includes Erlanger Medical Center, which has

the region's only Level 1 Trauma Center; 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 Hamilton County Health Department provides services and facilities for the protection and well being of the public health. Total bed capacity of all hospital facilities is 1,736.

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 \$1.5



HAMILTON COUNTY PROFILE – CONTINUED

million 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 40,000 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, mountain biking, 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. Opportunities for spectator sports include the Max Finley/Gordon Davenport Stadium, Coolidge Park and the AT&T baseball stadium.

The Tennessee River, Ross's Landing and Coolidge Park provide a spectacular setting for events such as the Head of the Hooch Regatta, which will be here for its seventh

year this year and RiverRocks, which is a 10-day festival celebrating the great outdoors. The Head of the Hooch is expected to bring in 1,600+ crews from high schools, colleges and masters rowing teams from around the country for the weekend event. RiverRocks, which is celebrating its third year this year, is a unique outdoor festival celebrating the incomparable resources of the Tennessee Valley. Events range from SUPSplash (standup paddleboard races) and the Chattanooga Head Race on the Tennessee River to a 50K Trail Race held at Prentiss Cooper State Park to a Hot Air Balloon Glow and the 3 Sisters Bluegrass Festival at Coolidge Park and Ross's Landing. These events grow every year as more organizations and people discover the beauty and versatility of Hamilton County and the Tennessee Valley.

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.

Moccasin Bend National Park is a collective effort to preserve the cultural and natural resources of the Moccasin Bend National Archeological District while providing exceptional opportunities for visitors to understand and appreciate Moccasin Bend's rich and diverse history. With evidence of over 12,000 years of human occupation, overlaid by the Trail of Tears and Civil War artillery emplacements, and complemented by outstanding views of the Tennessee River and surrounding mountains, Moccasin Bend provides a unique experience for visitors to downtown Chattanooga.



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. Daily reports comparing budgeted amounts to actual amounts are available to each department via an integrated software program. 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 the cash requirements. The policy sets forth the allowable types of investment 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 bank. (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 Administrator of Finance 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,

FINANCIAL MANAGEMENT POLICIES – CONTINUED

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

Periodically, the County may need to issue debt to fund capital improvements and/or other obligations. In order to maintain a high quality debt management program, the County has adopted a debt management policy to

establish and codify the objectives and practices for debt management to assist all concerned parties in understanding the County's approach to debt management. The debt management policy (policy) is intended to guide current and future decisions related to debt issued by the County while managing debt levels and their related annual costs within both current and projected available resources.

In managing its debt, the County's policy is designed to: (1) achieve the lowest cost of capital, (2) ensure high credit quality, (3) assure access to the capital credit markets, (4) preserve financial flexibility and (5) manage risk exposure.

The County's debt management policy establishes parameters for issuing debt and managing a debt portfolio which considers the County's specific capital improvement needs; ability to repay financial obligations; the existing legal, economic, and financial and debt market conditions. The policy is intended to assist in the following:

- To guide the County and its managers in debt issuance decisions related to types of debt and the professionals hired by the County during the debt issuance process
- To promote sound financial management
- To protect and enhance the County's credit rating
- To ensure the legal use of the County's debt issuance authority
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services
- To evaluate debt issuance options (new debt and refinancing of existing debt)
- To avoid conflicts of interest

The policy gives specific guidance as to legal debt authorization, credit quality and credit enhancement, bond structure, types of debt, refinancing, methods of issuance, underwriter selection, transparency, financial and legal professionals and continuing disclosure compliance.

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% 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.

FINANCIAL MANAGEMENT POLICIES – CONTINUED

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.

PURCHASING POLICY

In an attempt to secure the best and most suitable goods and services at the best possible prices, it is the policy of Hamilton County to:

- Promote competition via a competitive process whenever practical when purchasing or securing goods and services for Hamilton County.
- Select the lowest priced and best goods and services offered – neither the price nor the product/service qualities in excess of established specifications shall be the sole criterion for selection.

The Purchasing Department is charged with overall responsibility for procuring and/or supervising the procurement of all goods and services, needed by the County, its departments, agencies, offices and elected officials. Consistent with this charge, the primary function of the Purchasing Department is to administer and continuously improve upon a procurement process that facilitates the County's ability to consistently buy the best available products and services at the lowest possible prices while adhering to established policies and rules that are designed to provide an open and fair competitive process for all. Furthermore, the Purchasing Department will be primarily responsible for developing and administering a standard set of contractual terms and conditions designed to apply to purchasing contracts entered into by Hamilton County.

The County shall maintain a Purchasing Department as a unit of the County's Finance Division. This department shall be managed by the Director of Purchasing, who is the legally authorized purchasing agent for Hamilton County. The Director delegates purchasing authority to authorized buyers. The creation of credit accounts, lines of credit or similar devices for purposes of acquiring goods or services subject to these Hamilton County Purchasing

Rules is exclusively limited to the County's Purchasing Director or his/her designated appointee.

The Purchasing Department will follow the respective Codes of Ethics promulgated by the National Institute of Governmental Purchasing (NIGP) and Hamilton County when carrying out the duties of this office.

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 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 to \$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.

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 Hotel/Motel Fund), and Debt Service Fund as well as the Hamilton County Department of Education (a discretely presented component unit of Hamilton County). Formal budgetary integration is not employed for the remaining Constitutional Officers 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. 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 Administrator of Finance 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.

FINANCIAL MANAGEMENT POLICIES - CONTINUED

4. Presents the complete budget document to the Board of Commissioners.
5. Makes formal presentation of budget recommendations.

C. Administrator of Finance

1. Assumes responsibility 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 requests 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 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 proposed 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 first part of May. These meetings provide citizen input to the County Commission on decisions and issues relating to the budget. The Administrator of Finance 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 item, performance and program budgeting.

The following section outlines the budget procedures adopted by the Administrator of Finance for the County's Fiscal Year 2013 Operating Budget:

Generally, every department was instructed to hold their budget requests to last year's level unless there was an item that had increased beyond the department's control, and 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" for that item was attached to the departmental budget request.

The Finance Division sent out budget information via email at the beginning of March and opened access to the IFAS Budget System for departmental expenditure requests and revenue estimates. Reports containing a summary of employees by function, with current salaries and estimates of fringe benefits data such as FICA, pension and insurance were also made available to departments through the IFAS system at that time.

BUDGET CALENDAR

2012

JANUARY 13

Finance Administrator meets with budget team to review calendar and schedule budget process.
Revenue projections begin.

FEBRUARY 2

Upload Position Budget information from Human Resources database.

FEBRUARY 6 TO 10

Budget training for departments.

MARCH 1

Budget access opened for requested budgets.
Budget packages distributed to all supported and jointly supported agencies.

APRIL 13

Budget access closed for requested budgets.
Budget analysis begins.

APRIL 23

Schedule for Budget Hearings is distributed.

MAY 7

Budget Hearings begin.

JUNE 8

Finance staff meets with County Mayor to review proposed budget projections.

JUNE 14

Proposed Budget presented to County Commission/Executive Hearings.

JUNE 28

Budget adopted.



BUDGET FORMAT

The FY 2013 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 summarizing all expenditures involved in that particular function. The Personnel Schedules and Glossary conclude the document.

FINANCIAL STRUCTURE

The accounts of the County are organized on the basis of funds and account groups, each of which is 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 four fund types and two 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, Juvenile Court Clerk's Fund and Hotel/Motel 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 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

The budgets are adopted on a basis using the modified accrual which is consistent with generally accepted accounting principles (GAAP), except that encumbrances are treated as budgeted expenditures when the commitment to purchase has occurred. All unencumbered and unexpended appropriations lapse at year-end. 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.

ADOPTED BUDGETS

Formal budgets are adopted for the General Fund, Debt Service Fund, Sheriff's Fund, Juvenile Court Clerk's Fund and Hotel/Motel Fund. The Hamilton County Department of Education's Fund is adopted as a discretely presented component unit budget.





June 28, 2012

DATE (Month, Day, Year)

Hamilton County Board of Commissioners RESOLUTION

No. 612-48

A RESOLUTION ADOPTING A BUDGET FOR THE FISCAL YEAR 2012-2013 AND SETTING THE TAX LEVY FOR THE YEAR 2012 FOR HAMILTON COUNTY, TENNESSEE.

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 2012 property tax is based on a total assessed valuation of \$8,676,581,390 with an allowance for uncollectibles of \$334,446,389; 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, 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 2012-2013 is hereby adopted.
2. That there is hereby levied on each \$100.00 of assessed valuation of taxable property in Hamilton County for 2012 a tax levy of the following rates:

| | |
|-----------------------------|---------------|
| General Purpose School Fund | 1.3726 |
| County General Fund: | |
| General Purposes | 1.3816 |
| District Road Purposes | <u>0.0110</u> |
| | <u>2.7652</u> |

3. 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.
5. 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.
6. 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 2012-2013 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, 2013.

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

MB: 382
PAGE: 893

Approved: ☒

Rejected: ☐

Approved: ☒

Vetoed: ☐

CERTIFICATION OF ACTION

W. J. K... ..
County Clerk

J. M. Copp-ize
County Executive

June 28, 2012

Date