

SECTION I
BUDGET OVERVIEW – ALL FUNDS
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General Information

CITY OF OAK RIDGE GENERAL INFORMATION

LOCATION

The City of Oak Ridge is located in the eastern part of the State, approximately 22 miles northwest of Knoxville. The City occupies a southern portion of Anderson County and an eastern portion of Roane County. Nearly ninety percent of the City's taxable parcels are located in Anderson County, while only about ten percent of the parcels are in Roane County. Oak Ridge is approximately ninety-two (92) square miles in area and includes the plant and facilities of the U.S. Department of Energy. Residential, commercial and municipal owned portions of the City make up nearly thirty (30) square miles. The remaining area of the City is owned by the Department of Energy. The population of Oak Ridge according to the 2000 census is 27,387, an increase of 77 over the 1990 census population.

Oak Ridge borders the Clinch River's navigable waterway for 42 miles along the shores of Watts Bar and Melton Hill Lakes. Two state highways, Route 95 and Route 62, intersect in the middle of the City. Access to Interstates 75 and 40 is within 9 miles.

HISTORY

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. Constructed by the U.S. Corps of Engineers as part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process. Some 80,000 workers were hired for emergency construction of the laboratories and offices in the then 56,000-acre site.

The original townsite was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission.

In 1955 Congress passed Public Law 221, which allowed the Atomic Energy Commission to sell the homes and land to the residents, and to give the City all municipal facilities if it voted to incorporate. By 1959, all housing had been sold, and residents voted overwhelmingly in favor of incorporation under a modified city manager-council form of government.

GOVERNMENTAL STRUCTURE

The City is governed by a modified City Manager-Council form of government. The governing body of the City is a seven member City Council. Approximately, half of the City Council is elected on a non-partisan basis every two years for a four-year term of office. Following each regular City election, the City Council elects one of its members as Mayor to serve for a two-year period as ceremonial head of the City and presiding officer of the City Council. The City Council appoints the City Manager, who is the chief administrative officer of the City. As chief executive officer, the City Manager appoints all other City employees except the City Attorney who is appointed by City Council.

The City School System is governed by a five member Board of Education elected at large with four-year terms of office. The Board of Education appoints the Director of Schools who serves as the chief administrative officer of the school system.

The City provides a wide range of services characteristic of similar jurisdictions in the State including public safety (police and fire protection), education, residential refuse collection, culture-recreational programs, street maintenance, public improvements, planning and zoning, economic development and general administrative services. The City also provides electric and water and sewer collection and treatment services.

FINANCIAL OPERATIONS

As required by the City Charter and generally accepted accounting principles (GAAP), all City funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial position and includes, at a minimum, quarterly reports to the City Council. All City financial statements are audited annually by independent certified public accountants.

The City has received annually the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award for its annual operating budget since the inception of the award by GFOA. The award recognizes that the annual operating budget meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications medium.

The City has received annually the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report since the City was incorporated. The Certificate of Achievement recognizes that the City's financial statements meet the strict standards of GASB.

The City operates under several broad multi-year budgetary policies. The most notable of these policies is the Multi-Year Budget Management Plan, which was initiated in 1986 and includes a long-range fiscal planning tool for the General Fund referred to as the multi-year model. This annually updated financial tool is the successor to the Score Plan, the name given to the blueprint adopted by the City to assure prudent use of nearly \$22.3 million in one-time in-lieu-of-tax proceeds received from the Department of Energy in 1986.

On an annual basis, the City's financial plans are set forth in the annual operating budget and the capital improvement program as required by applicable provisions of the City Charter. On October 7, 2002, City Council adopted a strategic plan titled "*Oak Ridge City Council Strategic Plan, The Path Forward, 2003-2007*". City Council's guidance to the City Manager regarding preparation of the fiscal 2004 General Fund budget was to present a proposed budget which supported the strategic plan. The adopted strategic plan begins on page I-37 of this document. Amendments which revise the total expenditures of any fund may occur at any time during the fiscal year after a public hearing before the City Council; however, the City Manager may, on his own authority, transfer budgeted amounts between departments within any fund. Normal budgeted control is maintained at the activity level by reviewing estimated purchase amounts prior to the release of purchase orders to vendors. Outstanding encumbrances are reported as reservations of fund balance at the end of the fiscal year in the General, Special Revenue and Capital Projects Funds.

MANAGEMENT AND DEPARTMENT ORGANIZATION

All departments of the City are under the supervision and control of the City Manager who is appointed by City Council. A Director or Deputy City Manager appointed by the City Manager heads each department listed below. The exception is the Legal Department whose departmental head is appointed by City Council.

Administrative Services	Legal
Community Development	Library
Economic Development	Personnel
Electric	Police
Finance	Public Works
Fire	Recreation & Parks

Each department consists of separate entities referred to as activities, which have specific functions and purposes unique to that activity.

EDUCATION

The City school system operates schools covering grades kindergarten through 12, with an approximate enrollment of 4,400 students and a professional teaching staff of 415. The primary and secondary schools are among the finest in Tennessee and the nation. The September 2000 issue of the Wall Street Journal's Offspring Magazine listed the Oak Ridge School system in the top 100 in the nation and second in the South. The March 2000 issue of Newsweek magazine listed the Oak Ridge Schools as a top ranked high school based on number of graduating seniors taking Advanced Placement courses. In addition to the City system, a parochial school also exists within the city limits covering grades one through eight.

In the fall of 1999, a new approximately 100,000 square foot branch campus for Roane State Community College opened which offers courses in radiation physics, radioactive waste management and a two-year certification program for health physics technicians. Enrollment has consistently exceeded projections

Oak Ridge Associated Universities (ORAU), a consortium of six Tennessee and 49 other colleges and universities and a management and operating contractor for the U.S. Department of Energy is also located in the City. A pioneer in technology transfer, with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment. In particular, ORAU has been able to provide technical assistance to government, the academic community and industry in radiological site assessment, environmental monitoring and provision of radiopharmaceutical internal dose information.

INDUSTRY AND MANUFACTURING

Since the 1940's, the nuclear industry has been the largest employer for the City and County. Today, the U.S. Department of Energy ("DOE"), working through its primary subcontractors, BWXT and UT-Battelle, occupies approximately 33,331 acres within the City limits, within 250 buildings and approximately 8,800 employees in engineering, skilled and semi-skilled crafts, technicians and administrative support. BWXT operates the Y-12 weapons plant facilities and UT-Battelle operates the Oak Ridge National Laboratory. Federal and federal contractor employment at the Oak Ridge facilities totaled 13,101 as of December 31, 2002.

The ongoing functions of the Y-12 plant are to support DOE's weapons designs labs, recover U-235 from spent nuclear weapons, and provide support to other government agencies. The mission of the Oak Ridge National Laboratory is to develop safe, economical and environmentally acceptable technologies for energy production and use. The Laboratory has greatly expanded its mission within recent years to include major developments in the following diverse fields: advanced ceramic materials, robotics, information management and environmental sciences. Construction is under way of the Spallation Neutron Source (SNS) at DOE's Oak Ridge National Laboratory. When completed in 2006, the SNS will become the world's foremost center for neutron scattering research for making a variety of materials stronger, lighter and cheaper. The project is projected to cost \$1.4 billion, employ 2,300 workers during construction and add several hundred permanent employees after completion. Additionally, the SNS expects up to 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings.

DOE is continuing to research and develop solutions to local and national problems related to radioactive and hazardous wastes. Using their own facilities in the City, DOE through its subcontractors have begun a significant program to implement environmental remedial action in and around the Oak Ridge Reservation.

A dedicated effort by the DOE to transfer technology to the private sector that was heretofore held as proprietary to the U.S. Government alone has led to an unparalleled growth in new business development in the City. Licenses have been granted to existing firms as well as start-up firms to manufacture for commercial use products using state-of-the-art technology in robotics, ceramics and nuclear medicine.

The City has been actively seeking to diversify its economic base from as early as the mid 1960's. Recent successes in this area have resulted in over \$162,000,000 of private sector, commercial and industrial investment in the City since 1988. In addition, the commercial and industrial portion of the tax base has risen from 35% in 1987 to 41% in 2002.

Currently, there are four industrial parks in the City that were developed by the municipality and two parks that were developed by private firms. A new industrial park, Horizon Center, is currently under construction on 1,000 acres of undeveloped federal land.

OPERATING BUDGET POLICIES

1. The City will consider as its highest priority the maintenance of basic public services and facilities necessary to meet the needs of its residential, institutional, commercial and industrial "citizens." A basic public service or action is one that would not be provided without public action, and one that is either:
 - Essential to the health and safety of the city's residents; or
 - Necessary in order to avoid irreparable damage to City resources; or
 - A service the absence of which the City would be generally unacceptable to its residents.
2. After one or more work sessions, Council will provide policy guidance to the City Manager and staff for preparation of the proposed budget for the next fiscal year. Council guidance will define the appropriate service levels for municipal programs and overall personnel policies.

3. The City Manager will prepare an operating budget that supports the Oak Ridge City Council Strategic Plan. The City Manager will not be precluded from proposing program expansions based on Council guidance or staff initiatives.
4. The City Manager and others involved in the operating budget preparation process will also use the priorities expressed in the Comprehensive Plan as the framework for review and formulation of the proposed City budget. The City staff will review programs and projects on at least an annual basis to ensure their conformance with the Comprehensive Plan.
5. The Council may meet once or more annually with the Board of Education to discuss the services offered by the Schools and factors affecting budget preparation for next fiscal year. This work session will be held between July 1 and October 31 of each year. Any Council guidance to the Board of Education will be communicated formally no later than November 15 of each year.
6. Responsive, quality service will characterize the City of Oak Ridge. All departments of the City will continue periodically to examine and effect changes in program delivery responsibilities or management that would improve productivity, lower costs, enhance service and further communication with the public.
7. The City will continue actions to ensure that all City staff members are sensitive to the special needs of the community and its residents.
8. The City will take steps to continue to increase citizen involvement in the ongoing planning, programming and budgeting process.
9. The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' obligations. In particular, the City will continue the scheduled level of maintenance and replacement for its infrastructure and fleet.
10. The City will prepare a detailed budget which identifies and accounts for object code expenditure increases from the previous budget year that are greater than the rate of inflation, subject to a minimum increase of \$2,000.
11. The City will maintain a budgetary control system to ensure adherence to the budget and will prepare monthly reports comparing actual revenues and expenditures to budgeted amounts.
12. The City will integrate performance measurement and productivity indicators within the budget.
13. In all actions to balance the budget, the City will attempt to avoid layoffs. If possible, any personnel reduction will be scheduled to come permanently from attrition.

REVENUE POLICIES

1. The City will attempt to develop a diversified and stable revenue system to shelter it from short-run fluctuations in any one-revenue source. Specifically, the City will do the following:
 - a. Continually monitor and assess the local taxing effort of Oak Ridge as compared to other Tennessee cities.
 - b. Aggressively pursue equitable, in-lieu-of-tax payments from the Department of Energy and the United States Congress for existing and new projects located on nontaxable federal property in order to reinforce and enhance a climate of economic competitiveness and vitality in the community.
 - c. Move toward a local revenue structure for financing public services, which de-emphasizes the property tax and encourages the use and development of alternative revenue sources such as greater reliance on the local option sales tax.
2. The City will follow an aggressive policy of collecting revenues.
3. The City will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees and charges.
4. All charges for services, fees and licenses will be reviewed annually and, whenever possible, recommendations for adjustment will be made at one time.
5. The City will consider the establishment of new user fees as an alternative to property tax funding. Before implementation of new user fees, the City will first determine the cost of administering and collecting the fee, what other jurisdictions are charging for similar fees, the purpose of the fee and if it can be accomplished.
6. The City will aggressively seek Federal and State grants. These revenues will be targeted as much as possible to capital improvements.
7. The City will ensure that Oak Ridge receives a fair proportion of all State and County shared taxes and revenue.
8. Whenever possible, revenue sources will be designed or modified to include provisions to automatically allow the collections to grow at a rate that keeps pace with the cost of providing the service.

DEBT MANAGEMENT GUIDELINES

1. Long-term borrowing will only be utilized for capital improvements or capital projects that cannot be financed with current revenues.
2. Bonds will be repaid over a period less than or equal to the project's useful life.
3. The total amount of bonds or other evidence of indebtedness secured by the full faith and credit of the City that shall be outstanding at any one time shall not exceed 10 percent of total appraised valuation of all real estate lying within the city limits. (Home Rule Charter Article IV, Section 12)

4. Debt instruments will be structured to allow future flexibility and market interest by including the Optional Redemption Features and Optional Bidding on Bond Insurance.
5. The City will maintain good communications with bond rating agencies regarding the City's financial condition.
6. The City will fully disclose information on every financial report and bond prospectus.

BUDGET FORMAT

The budget document for the City of Oak Ridge provides historical, present, and future comparisons of revenues and expenditures; allocations of resources – both fiscal and personnel; and descriptions of the anticipated annual accomplishments of City programs.

BUDGET ORGANIZATION

The budget document is organized to provide a summary of the total budget in the Budget Overview section of this document. Revenues and expenditures for each fund are located in the applicable fund section of this document. The major portion of the budget consists of detail pages containing a description of the funds and activities along with an expenditure summary for that function. Legal Requirements, the Personnel Schedule, Statistical Information, Glossary and Index conclude the document.

FINANCIAL STRUCTURE

The City accounts are organized by fund and account group, 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 six generic fund types and two broad fund categories as follows:

Governmental Funds

General Fund

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City (i.e. police, fire, recreation, public works, general government, etc.).

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The City of Oak Ridge utilizes the following Special Revenue Funds - General Purpose School Fund, Drug Enforcement Program Fund, State Street Aid Fund, Streets and Public Transportation Fund, Economic Diversification Fund, Solid Waste Fund, and Grants Fund.

Debt Service Fund

The Debt Service Fund is used to account for the payment of principal and interest on long-term general obligation debt not serviced by an Enterprise Fund. The General Fund primarily provides funding for this debt service obligation.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by enterprise operations. The primary funding source for the Capital Projects Fund is from proceeds from general obligation long-term debt issuances and operating transfer from the General Fund. In fiscal 2000, the General Fund began budgeting annual operating transfers to the Capital Projects Fund to provide funding for routine City and School capital maintenance projects. This transfer was started to reduce the City's reliance on long-term debt proceeds for capital maintenance projects under \$300,000.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public be financed or recovered primarily through user charges; or (b) for which the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City utilizes four Enterprise Funds for municipal operations that includes the Electric Fund, Waterworks Fund, Emergency Communication District Fund and Golf Course Fund.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department to another department of the City on a cost-reimbursement basis. Established Internal Service Funds include the Insurance Fund and Equipment Replacement Rental Fund.

BASIS FOR BUDGETING

Budgets for all Governmental Funds (General, Special Revenue, Debt Service and Capital Projects Funds) are adopted on a basis consistent with generally-accepted accounting principles (GAAP), except that in the General, Special Revenue and Capital Projects Funds encumbrances are treated as budgeted expenditures in the fiscal year the commitment to purchase is made. Budgeted amounts reflected in the accompanying budget and actual comparisons are as originally adopted or as amended by City Council.

Budgets for all Governmental Funds are approved by City Council and adopted as legal appropriation levels for those funds for that fiscal year. The appropriation ordinance for fiscal year 2004 is presented on page I-47 of this document. A lump sum expenditure amount for each Governmental Fund, exclusive of operating transfers, is approved by City Council as the legal appropriation for that fund. Operating transfer amounts for Governmental Funds and projected expenses for Proprietary Funds (Enterprise and Internal Service Funds) are presented in the appropriation ordinance for informational purposes only.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by City Council. Expenditures may not exceed appropriations at the fund level.

Formal budgetary integration is employed as an ongoing management control device for Governmental Funds. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions. All appropriations that are not expended or encumbered lapse at year-end.

BASIS OF ACCOUNTING

All Governmental Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxes and intergovernmental revenue, with the exception of property taxes, are considered measurable at the point of sale, due date or transaction occurrence for revenue recognition. Availability for revenue recognition purpose is 60-days after fiscal year ends. For budget presentation purposes, 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. However, an exception to this general rule would include principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for electric, water and wastewater service receivables.

To facilitate the cost accounting process, the City distributes the cost of a number of common use, "overhead" expenses to each General Fund budget activity on the basis of a predetermined cost distribution. Indices such as square footage, number of telephones, and number of clerical personnel are used to assign the cost of utilities, telephones, and other costs on a pro-rata basis. To further identify the actual cost of each General Fund budget activity, all or a major portion of the work performed by certain service centers is transferred to the benefiting activities under the caption "Reduction of Costs." Examples of service (or cost distribution) centers include 935 Engineering and 845 Computer Services.

In each case, these activities provide the supervision, engineering, labor, materials, or equipment for construction, maintenance, and repair of the City's buildings, water and sewer systems, streets, equipment, and other items of physical plant or administrative services necessary for the operation of these Funds. The costs involved are transferred in whole or in part to the benefiting Fund or activity. The purpose of cost distribution is to assign all costs, to the extent practicable, to the budget activity incurring or requiring the expenditure.

ADOPTED EXPENDITURES COMPARED TO RATE OF INFLATION

City Council has adopted an operating budget policy which states, "The City will prepare a detailed budget which identifies and accounts for object code expenditure increases from the previous budget year that are greater than the rate of inflation (1.5 percent increase for budget FY 2004), subject to a minimum increase of \$2,000." In accordance with this policy, the monetary change

and the percentage difference are identified for each object code. An explanation of the most significant expenditure increases is provided in the Significant Expenditure Changes section of each activity summary sheet except for Personal Services, outlined below.

PERSONAL SERVICES CALCULATIONS

In the FY 2004 Budget, the expenditure category Personal Services, (Object Codes 5110 through 5175), includes regular, temporary and overtime salaries, and related benefits, for employees of the City of Oak Ridge, such as employer contributions for Social Security and retirement and a life and health insurance program.

The salary for each regular employee is allocated to a department activity and budgeted under Object Code 5111. Salary calculations are computed for each employee on the basis of 26 biweekly pay periods using the current pay plan rate adjusted by an average 3.0% merit increase for all City employees. During fiscal 2003, a citywide comprehensive pay plan review was completed, which updated job descriptions and salary ranges. The new pay plan structure eliminated awarding across-the-board cost-of-living-adjustments (COLA's) to city employees. Now all pay increases awarded to city employees are to be based solely on each employee's job performance during the preceding year. The new pay plan structure also eliminated set percentage step increases within the salary ranges. For fiscal 2004, the percentage merit increase awarded to individual employees will be based on that employee's performance review rating ranked with other employees in their department. Overall, employee merit increases could not exceed 3.0% of that departments total salary base. Overtime is projected in Object Code 5130. Overtime expenditures are impacted by the Fair Labor Standards Act (FLSA), which requires either payment in cash or compensatory time at time and one-half for all hours worked in excess of normal duty hours.

The calculation of the City's contribution for Social Security, (Object Code 5141), and the Tennessee Consolidated Retirement System (TCRS) Benefits, (Object Code 5150), are mandated based on a percentage of each employee's salary, with the Social Security contribution currently 7.65% and the Retirement contribution 8.86% for both regular civilian employees and regular Public Safety employees. The Retirement contribution percentage is adjusted biennially by the TCRS and will be reviewed again for fiscal 2005. In Object Code 5160, the City also provides individual health insurance coverage, which includes medical insurance, dental reimbursement, long-term disability insurance and life insurance coverage.

BUDGET PROCEDURE

The Charter for the City of Oak Ridge provides that no later than April 1 prior to the beginning of the fiscal year on July 1, the City Manager shall submit to the City Council a Proposed Budget for the next fiscal year, which presents a complete financial plan for the ensuing year. In accordance with the City Charter the following information must be provided: (a) detailed estimates of all proposed expenditures for each department, board, officer or other agency of the City, showing, in addition, the expenditures for corresponding items for the last preceding fiscal year, appropriations and anticipated expenditures for the current fiscal year, and reasons for recommended departures from the current expenditures pattern; (b) statements of bonded and other indebtedness of the City; (c) detailed estimates of all anticipated revenues of the City from all sources with a comparative statement of the amounts received by the City from each of such sources for the last preceding fiscal year, the current fiscal year, and the coming fiscal year; (d) and any other supporting schedules as requested by City Council.

To ensure compliance with this Charter requirement, a budget schedule is prepared each year to facilitate the decision-making process by providing overall direction to City departments. The budget preparation process begins in late summer when City departments begin preparation of six-year Capital Improvements Program requests for submission to the Community Development Department by late September. By early October, Community Development staff prepares a recommended draft Capital Improvements Plan that is submitted to the City Manager for review and approval. By late October, the consolidated draft document is submitted to the Oak Ridge Regional Planning Commission for review. The program identifies anticipated projects, establishes priorities, and identifies the anticipated source of funding. The program, as modified and approved by the Planning Commission, is submitted for Council's consideration by December 1.

In early November, City departments begin assessing new resource needs for the coming year relative to capital equipment, including fleet; extraordinary maintenance requirements; automation services; and proposed new or expanded work programs. Budget requests and supporting documentation are prepared and submitted in early December for Finance Department and the City Manager's review.

A self-evaluation of the departments' objectives and measures of performance for the current year is initiated in November and used in the preparation and development of objectives and performance measurements for the upcoming year. This information is formally submitted to the Finance Department by mid-December to provide adequate review time before department budget review sessions occur in January. The budget documentation prepared includes a statement of departmental goals and objectives, proposed performance measures, an estimate on the status of performance measures at the end of the current year, traditional object code line item expenditure requests, justification for expanded expenditure requests, and initial financial estimates on the department's expenditure status by the end of the current fiscal year.

During January, the Finance Department quantifies preliminary budget information for the City Manager's review. Departmental objectives, measures of performance and operating budgets are refined for consolidation in the Proposed Budget document during the month of February. Expenditure and revenue projections for the current fiscal year and estimates for the proposed fiscal year and thereafter are updated with the latest available data. This information permits final adjustments to routine operating expenditures and new and expanded programs for inclusion in the Proposed Budget.

A Proposed Budget for the upcoming fiscal year is presented to the City Council at its first scheduled meeting in March. The Board of Education also presents the General Purpose School Fund budget at this meeting, including a request for appropriation of City funds to meet program obligations. The City's Proposed Budget document is supplemented with a separate document titled "Major Budgetary Recommendations Report and Proposed Program Modifications" (MBR). This document provides Council detailed information on critical issues and program changes proposed for the coming year. Budget Work Sessions are held with City Council during March and April to provide detailed review of the proposed operating and capital improvements budgets, and proposed program modifications in the MBR. These sessions provide the opportunity for City Council to analyze the City Manager's Proposed Budget and to request additional information as needed.

Generally at the second City Council meeting in March, a formal public hearing is held on the Proposed Budget. This meeting provides citizen input to Council on decisions and issues related to the budget. The first reading of the Appropriations Ordinance is also approved as amended by Council during this meeting. City Council adopts the Appropriations Ordinance, as amended, at second reading of the Ordinance, which occurs at the last Council meeting in April. Council approval of the Ordinance adopts the Budget for the fiscal year beginning July 1 and sets the tax rate for the upcoming year.

FY 2004 BUDGET CALENDAR

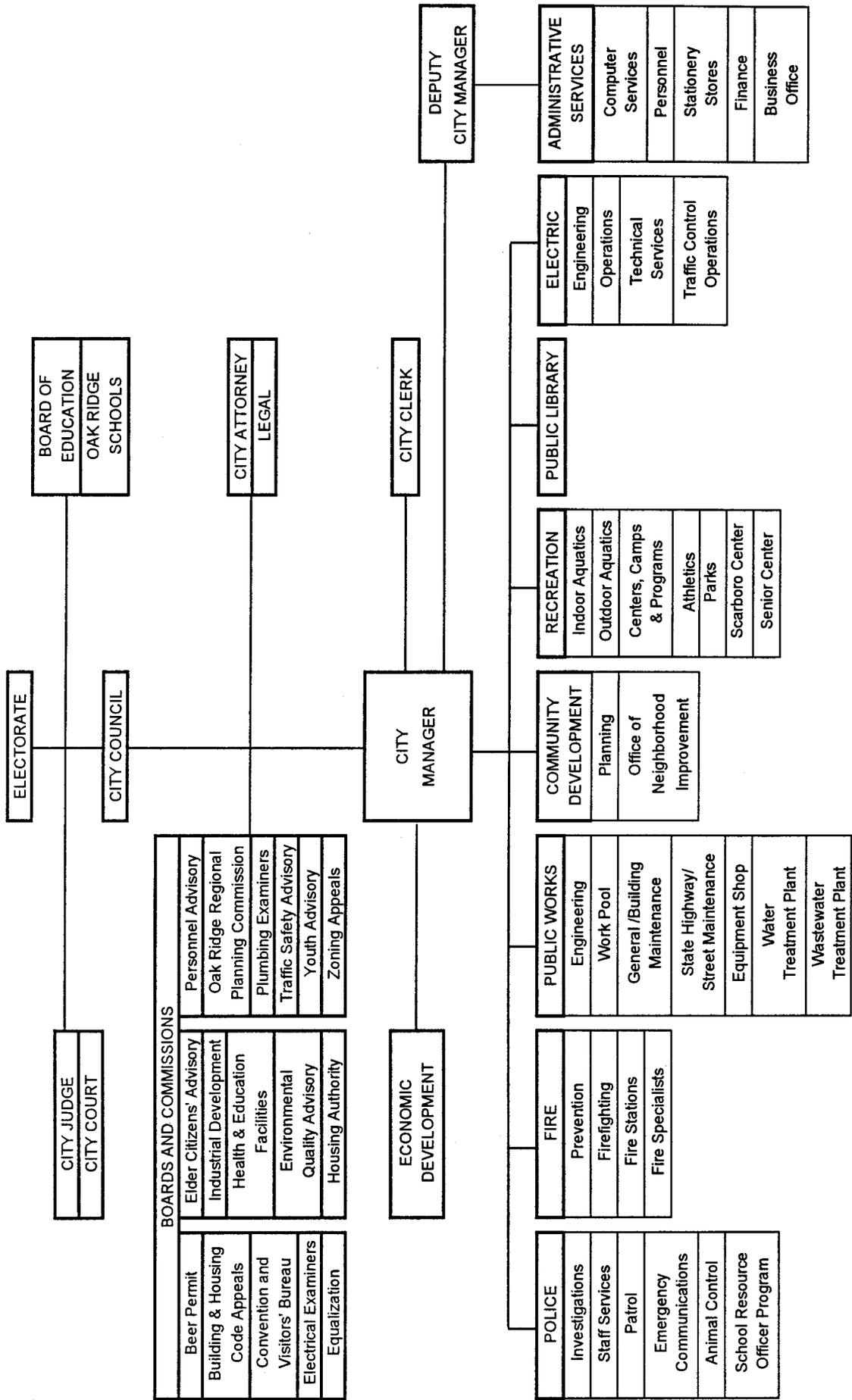
<u>Date</u>		<u>Event</u>	<u>Responsibility</u>
<u>Start</u>	<u>Completion</u>		
8/12/02	9/20/02	Preparation of six-year Capital Improvements Program requests (FY 2004 – FY 2009)	Responsible Departments
9/23/02	10/04/02	Submission of Proposed Capital Improvements Program to Senior Management for preliminary review & approval	Community Development ¹
10/07/02	3/03/03	Preparation of Proposed Budget including budget projections, narratives and schedules	Finance Department
10/07/02	10/11/02	*Complete and Print Proposed Capital Improvements Program	Community Development
	10/11/02	Submission of Proposed Capital Improvements Program	Planning Commission
10/12/02	11/21/02	Review of Proposed Capital Improvements Program by Planning Commission	Responsible Department Community Development
	11/21/02	Approval of six-year Capital Improvements Program	Planning Commission
11/04/02	12/31/02	Preparation and submission of all Budget Updates for FY 2004	All Departments
11/11/02	1/13/03	Provide policy input on City Budget	City Council
	12/16/02	Joint Meeting between City Council and Planning Commission to review FY 2004 – 2009 Capital Improvements Program	City Council, City Manager, Planning Commission, Responsible Departments
	2/13/03	Administrative Public Hearing-Proposed Statement of Community Development Objectives and Projected Use of CDBG Funds	CDBG Committee
	3/03/03	Presentation of FY 2004 City, Schools, CIP Proposed Budgets, and Major Budgetary Recommendations Report to City Council	City Council, City Manager
	3/04/03	Proposed Budget to City Clerk and Public Library for Public Inspection	Finance Department
	3/15/03	Budget Work Session	City Council, City Manager
3/17/03	3/28/03	Budget Work Session follow-up information prepared	Finance Department
	3/17/03	Public Hearing on FY 2004 Budget	City Council

FY 2004 BUDGET CALENDAR (Cont'd)

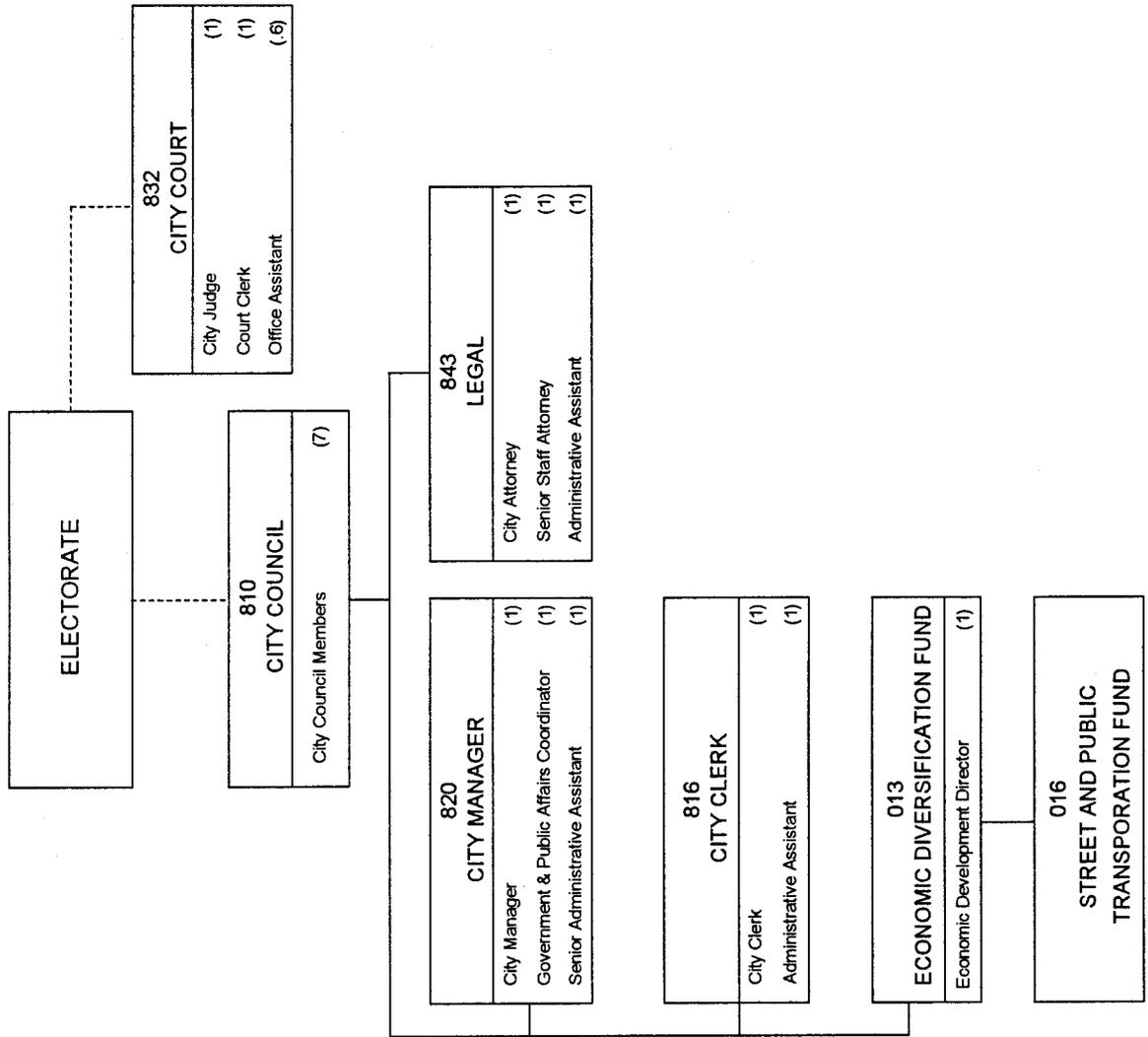
<u>Date</u>		<u>Event</u>	<u>Responsibility</u>
<u>Start</u>	<u>Completion</u>		
	3/17/03	Council Meeting for first reading and adoption of FY 2004 Budget	City Council
	4/7/03	Public Hearing on FY 2004 Community Development Block Grant Proposals	City Council
	4/21/03	Council meeting for final reading and adoption of FY 2004 Budget and 2003 tax rate	City Council
	5/1/03	Effective Date of Budget Ordinance	

ORGANIZATION CHART

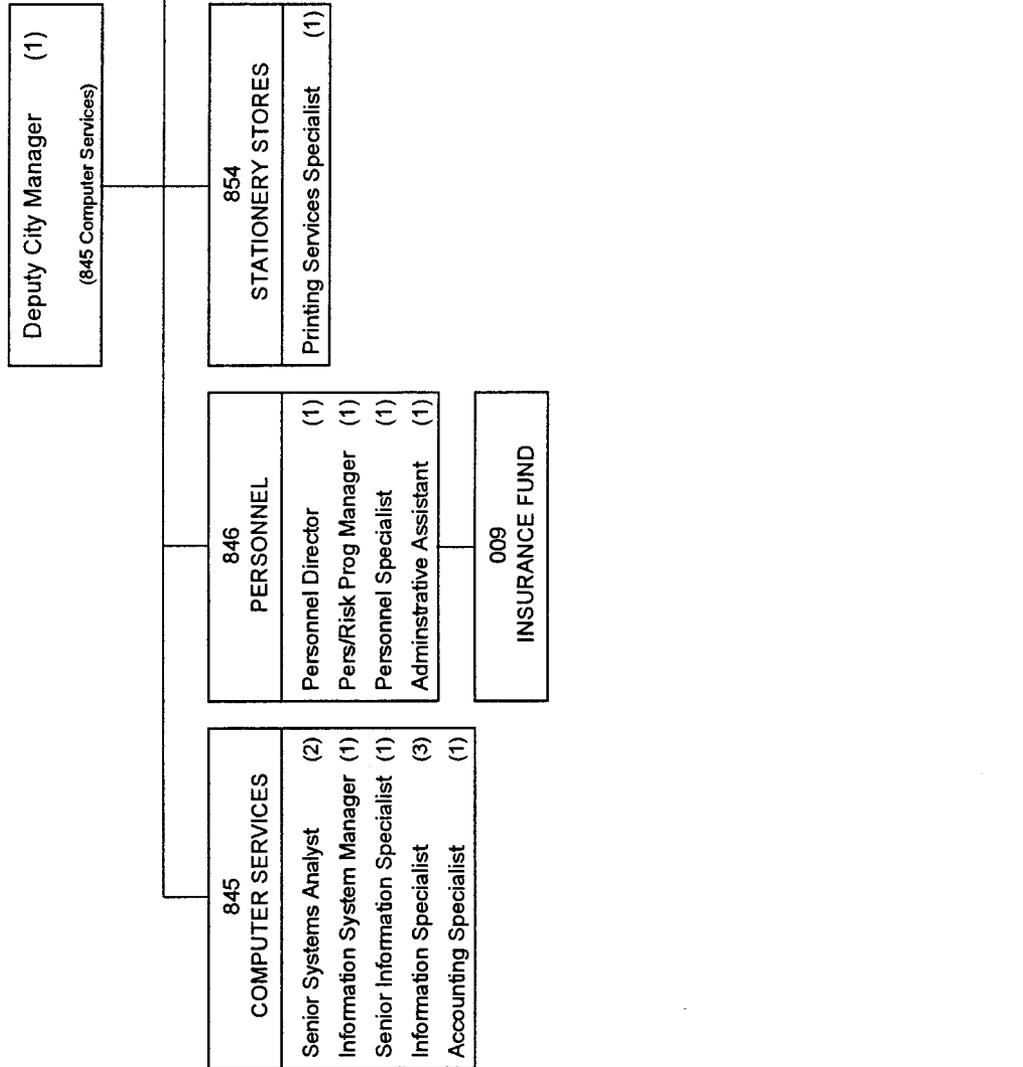
City of Oak Ridge, Tennessee



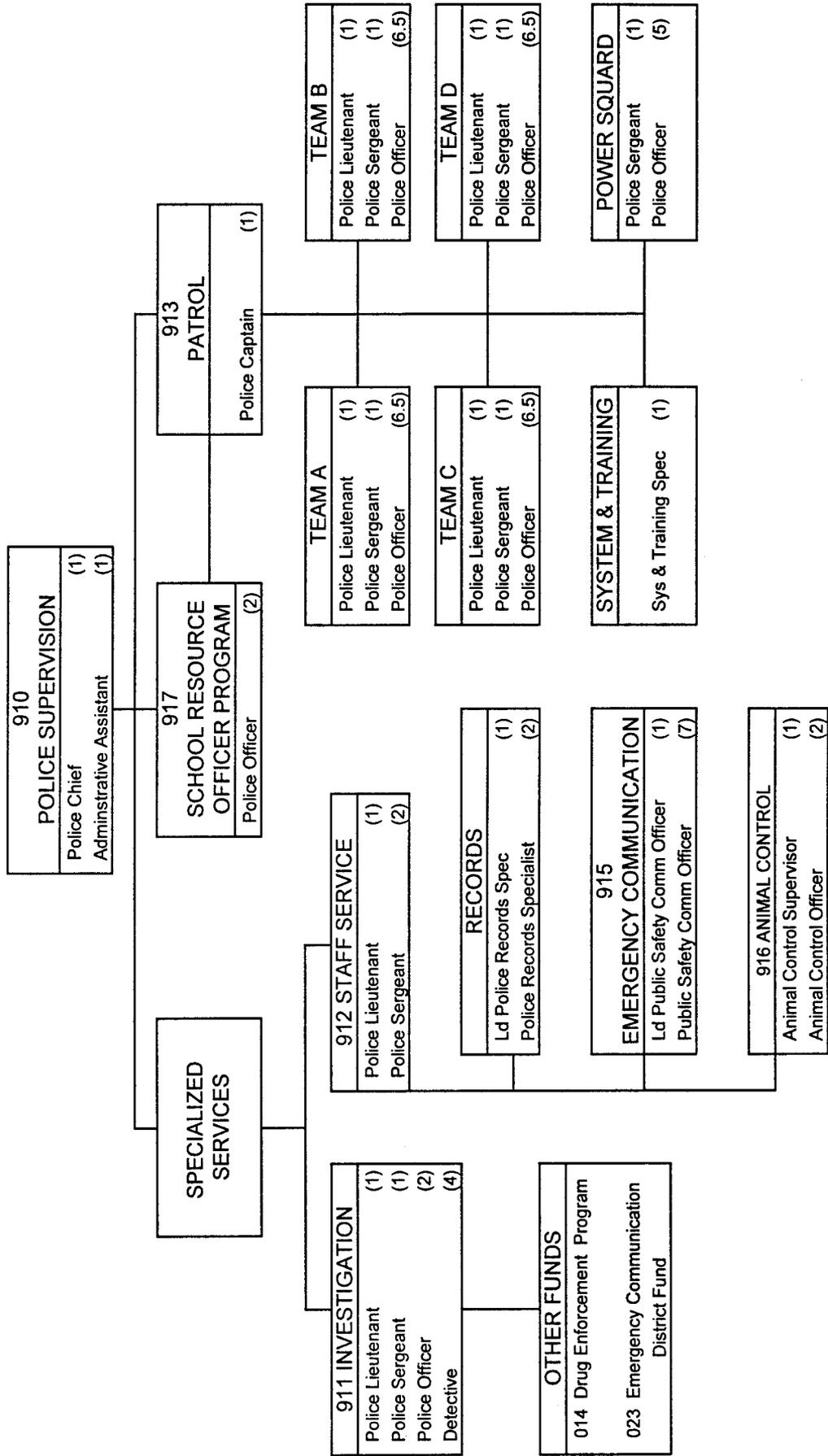
GENERAL GOVERNMENT



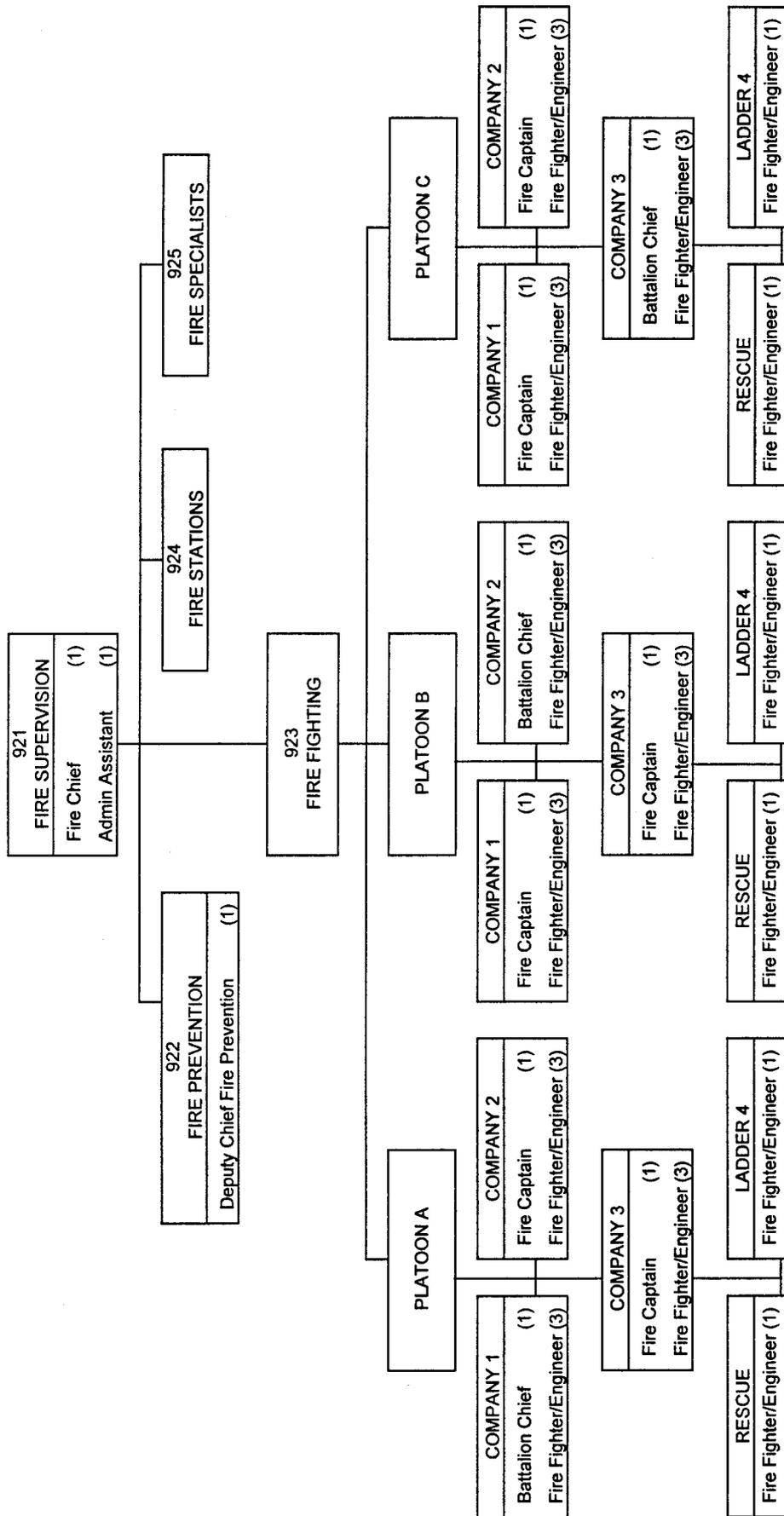
ADMINISTRATIVE SERVICES



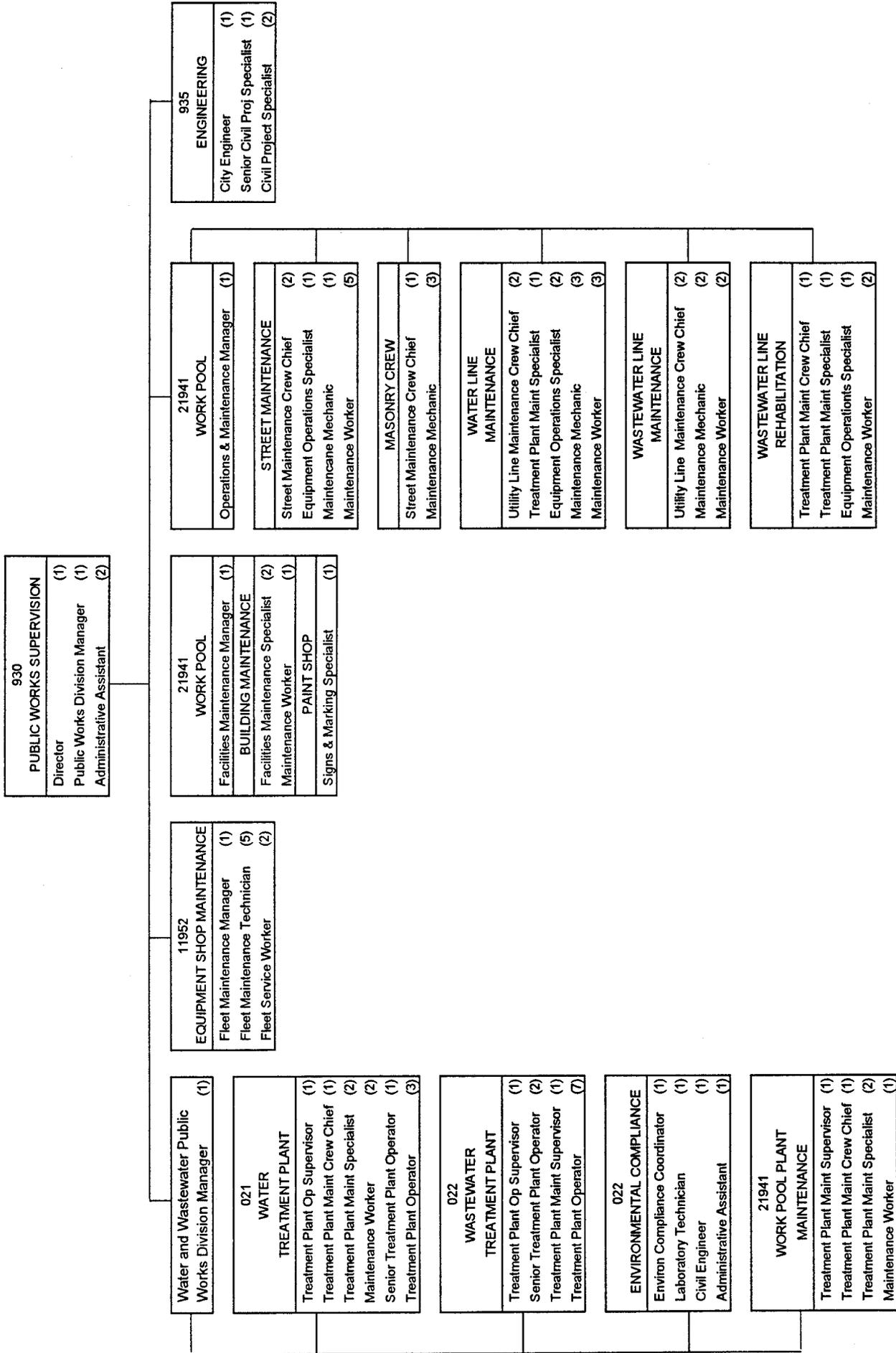
POLICE DEPARTMENT



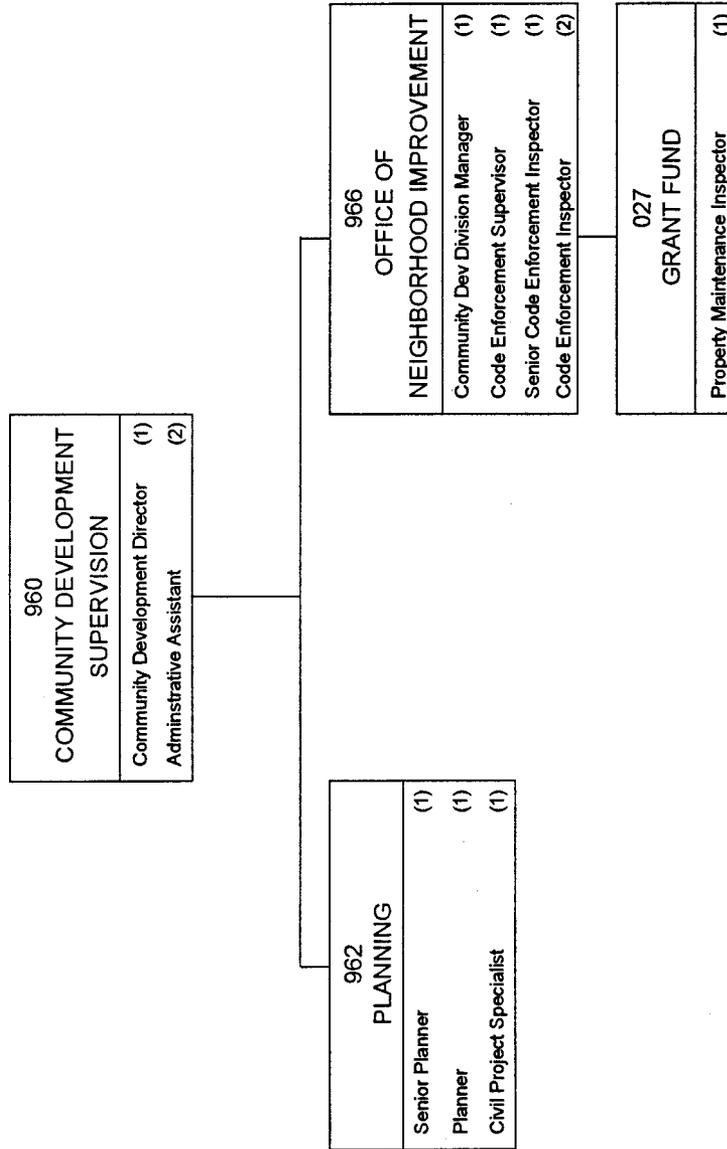
FIRE DEPARTMENT



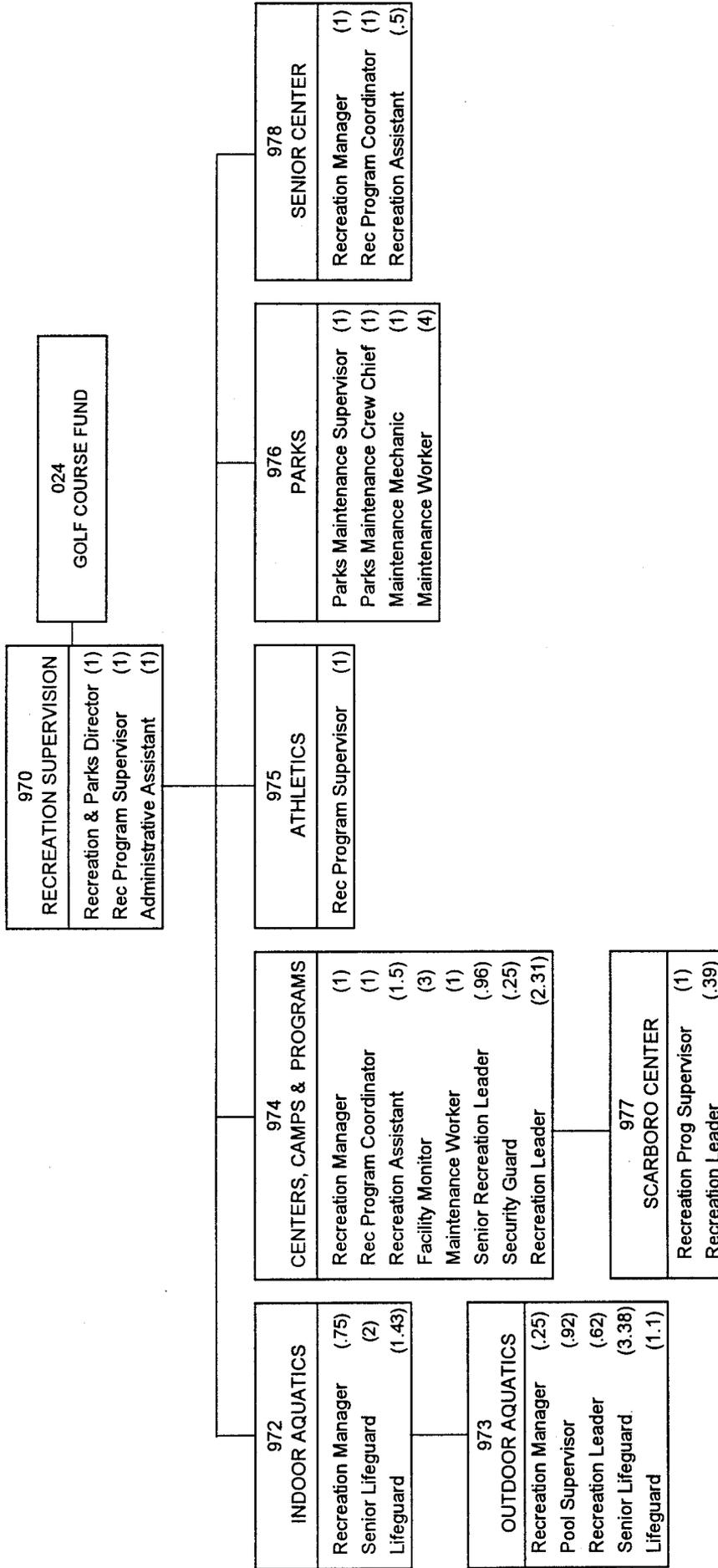
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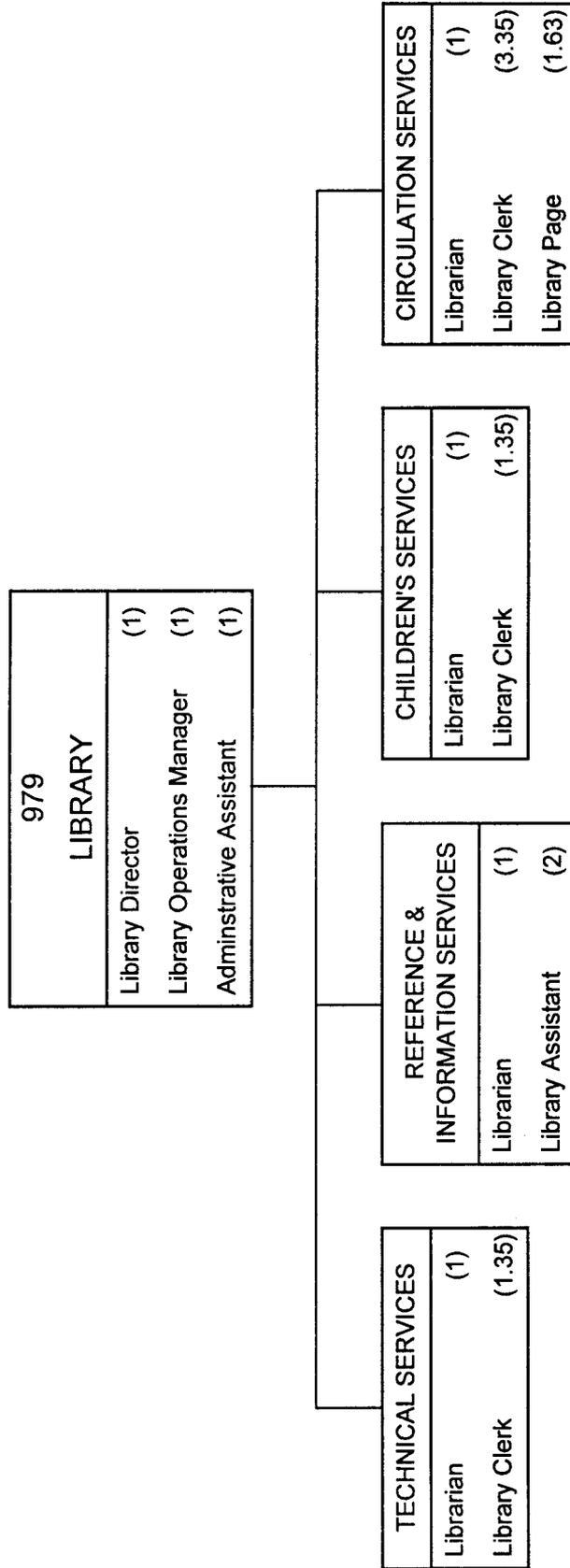
COMMUNITY DEVELOPMENT DEPARTMENT



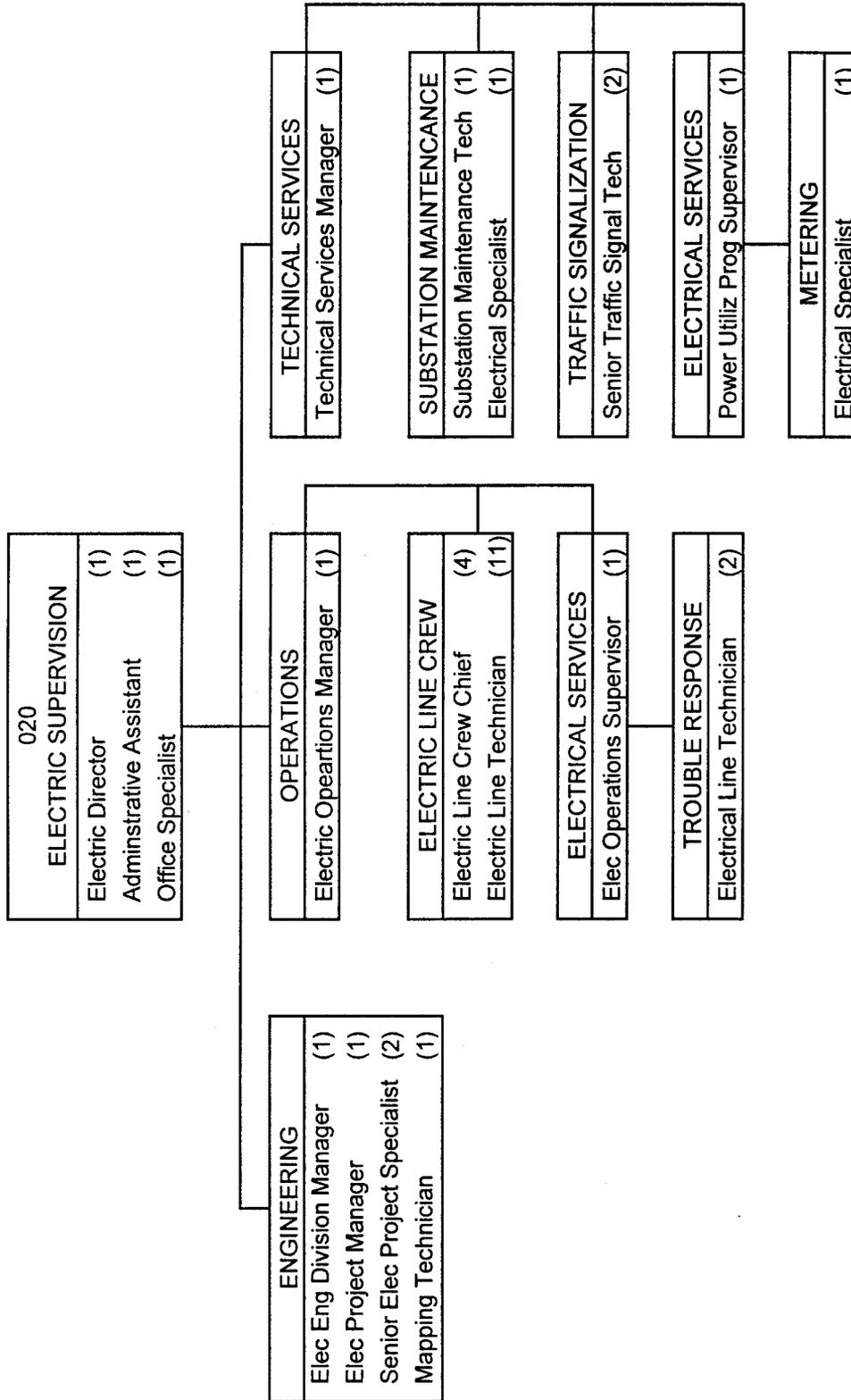
RECREATION AND PARKS DEPARTMENT



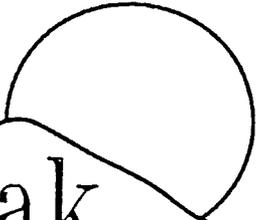
LIBRARY



ELECTRIC DEPARTMENT







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Budget Message

BUDGET MESSAGE

This section, beginning on page I-29, contains the City Manager's proposed budget message to City Council. The budget message outlines the parameters used by staff to prepare the fiscal 2004 budget. City Council instructed the City Manager to present a fiscal 2004 proposed budget that supported the strategic objectives outlined in the *Oak Ridge City Council Strategic Plan, The Path Forward 2003-2007*. Adopted by City Council on October 2, 2002, this strategic plan begins on page I-37 of this document. The budget message presents an overview of the budgeted revenues, expenditures and operating transfers of the General Fund and details the primary changes in those budgeted amounts from the prior fiscal year. Budget deliberations primarily focus on the General Fund since the operations and transfers of that Fund are supported by the property tax rate, which is adopted at final reading of the budget. In the budget message, the City Manager discusses the impact of local economic conditions on the property tax rate and outlines a strategic reorganization of staffing and economic development endeavors to emphasize efforts on neighborhood improvement and development and more accurately reflect the philosophy of contracting out marketing services.

At the time the proposed budget document was being prepared, City Council's Budget and Finance Committee was reviewing strategies to accomplish the objectives in Council's adopted Strategic Plan for fiscals 2003-2007. On February 3, 2003, City Council adopted the *Multiyear Budget Model Assumptions* and *Budget and Finance Major Initiatives* presented by the Budget and Finance Committee. The *Multiyear Budget Model Assumptions* and *Budget and Finance Major Initiatives* are on pages I-44 to I-46 of this document. The proposed budget presented a property tax rate of \$2.97 per \$100 of assessed value for fiscal 2004, a 3-cent increase over the prior year's tax rate. After numerous amendments to the proposed budget ordinance in accordance with the Budget and Finance Committee recommendations, City Council adopted a property tax rate of \$2.87 for fiscal 2004, a 7-cent reduction over the 2003 tax rate.

The fiscal 2004 budget amendments adopted by City Council are outlined in the adopted appropriation ordinance on page I-47 of this document. To accomplish the strategies outlined in the recommendations by the Budget and Finance Committee, \$1,279,533 in net funding reductions were approved by City Council. This included freezing City operational funding for the Oak Ridge Schools at the fiscal 2003 level, which resulted in a \$705,908 reduction from the School's requested funding level. The proposed budget was prepared based on the City receiving an additional \$409,000 from in-lieu of tax payments from the Department of Energy (DOE). At the time of adoption of the budget, it appeared that the City would not receive this additional revenue and corresponding cuts were made to the adopted budget to offset this reduction in budgeted revenue. Reductions were also made to offset anticipated revenue losses from state-shared taxes of \$295,741 based on the Governor of Tennessee's proposed state budget. Other changes included a restoration of the position of Economic Development Director for fiscal 2004 to be funded by the existing fund balance of the Economic Diversification Fund. The City Manager had recommended eliminating the Economic Development Department and its 3 employees in the proposed budget.



March 3, 2003

Honorable Mayor and
Members of City Council
City of Oak Ridge
Oak Ridge, Tennessee

Dear Mayor and Members of Council:

The city staff is pleased to present the proposed operating and capital budget for fiscal year 2004 beginning July 1, 2003, and ending June 30, 2004, for your review and consideration. This budget has been developed in accordance with the City Charter, applicable city ordinances, state and federal laws, and city policies and procedures.

The proposed budget combines our exceptionally high-quality and distinctive service levels with public affordability. While some programs have been reduced or eliminated others have been enhanced. We believe that City Council and the public will appreciate the investment value offered.

The development of the budget is guided by the broad operating parameters established by City Council, including:

- Oak Ridge City Council Strategic Plan, *The Path Forward 2003-2007* – Where the strategic objective to help Oak Ridge become an exceptional place for all to live, work and visit is established along with the supporting critical outcomes both operationally and financially.
- Oak Ridge Budget and Finance Major Initiatives – Where the major initiatives necessary to achieve a tax rate in the 75th percentile of benchmarked cities are established.
- Multiyear Budget Management Plan – Where the maintenance of adequate fund balance with accompanying projected tax rates are forecasted based on the major initiatives adopted by City Council.
- Compensation Philosophy and Policy – Where the Pay Plan will be adjusted in an amount that does not exceed the current rate of wage inflation for government employees.
- Operational Budget Policies on Personnel Actions – Where the city will attempt to avoid layoffs and will attempt, whenever possible, to achieve reductions-in-force through attrition.

The Proposed Fiscal Year 2004 General Fund Budget of \$34,163,362 has been developed within the established operating parameters and reflects a sound work plan that continues the tradition of high-quality municipal services to the community. The budget is comprised of \$14,833,127 for municipal operations and \$19,330,235 in operating transfers.

Revenues

General Fund revenues, other than property taxes, are budgeted to increase \$689,156, which equates to 11.5 cents in the property tax rate. Roane County sales tax collections are budgeted to increase \$235,000, which equates to 3.9 cents in the property tax rate, an indication of the continuing increase in activity on the Oak Ridge Reservation, particularly at the Oak Ridge National Laboratory. Anderson County sales tax collections are also budgeted to increase \$580,000, the equivalent of 9.7 cents in the property tax rate.

Revenues from state-shared taxes are budgeted to decrease \$215,000, the equivalent of 3.6 cents in the property tax rate. This decline is based on actual collections from the Hall Income Tax that are down as a result of the nationwide decline in investment earnings. Other state-shared taxes are budgeted to remain the same.

However, it should be noted that total state-shared taxes are budgeted at \$2,436,000 in the General Fund with an additional \$850,000 in gas tax allocated to street maintenance and public transit. If the Governor's proposal to reduce state-shared taxes is approved, the resulting loss in revenue of approximately \$700,000 would result in a 12-cent increase in the property tax rate, or an equivalent reduction in expenditures and therefore service delivery.

For General Fund revenues, the short-term outlook remains unclear. While most sources of non-property tax revenue are projected to grow at healthy rates, the unstable status of state-shared taxes makes the future particularly difficult to project. The uncertainty of state-shared taxes coupled with the uncertainty of the city's requested increased Department of Energy Payment in Lieu of Tax (PILT) could result in a potential \$1,100,000 in revenue shortfalls before FY 2004 begins.

There are some bright spots in the local economy. Housing starts are increasing. The construction of the Spallation Neutron Source (SNS) and the modernization of Y-12 provide optimism for the future. The opening of Inslogic is a major step in diversifying the local economy while improving local economy, and the development of Willow Place and Rarity Ridge indicate a residential interest in Oak Ridge if the right housing products are provided to the market. Although important, these positive announcements have not yet provided a basis for projecting significant revenue increases that could offset the potential loss of state-shared taxes or the denial of the requested PILT increase.

Property Tax Rate

In light of the revenue projections above, funding of the proposed General Fund Budget of \$34,163,362 requires a property tax rate of \$2.97 per one hundred dollars of assessed valuation. This is a 3-cent increase over the \$2.94 fiscal 2003 tax rate, and is 20 cents less than the \$3.17 rate projected for FY 2004 during the FY 2003 budget deliberations.

Fund Balance

The proposed tax rate will maintain a combined city and school fund balance of over \$6,000,000. The city will maintain this level of fund balance despite spending in excess of \$40,000,000 for capital assets that were not envisioned by the original "SCORE" plan. In addition, to avoid even more borrowing, funding from the General Fund has been established for capital maintenance at \$1,057,000 annually and street resurfacing at \$550,000 annually. Debt service and funding for these capital expenditures is equivalent to nearly 75 cents on the property tax rate.

Expenditures

Increases in General Fund expenditures and transfers include:

Description	General Fund Amount	Tax Rate Equivalent
Schools Transfer Increase Request	\$ 705,908	11.8
Increased Maintenance Funding	346,000	5.8
Medical & Workers Compensation Increases	295,603	4.9
Merit Pay Pool (3%)	250,000	4.2
Utilities, Insurance & Contractual Commitments (TVA Increase)	57,390	1.0
Property Maintenance Inspector	46,245	0.8
CVB Increase	15,267	0.2
Solid Waste	9,895	0.1
Total	\$1, 726,308	29.0

Reductions in General Fund expenditures include:

Description	General Fund Amount	Tax Rate Equivalent
Eliminate Economic Development Department (3 positions)	\$ 184,233	3.1
Debt Restructuring	178,722	3.0
Reduce Incentive and Marketing Transfer	149,608	2.5
Departmental Line Item Reductions	146,488	2.4
Medical Insurance – Increase City Employee Share	76,803	1.3
Fire Department Reorganization	72,839	1.2
Dispatcher Funding from E911 Fund	60,000	1.0
Total	\$ 868,693	14.5

The minimal increase in the property tax rate can be achieved by the growth in sales tax collections discussed above, as well as the \$775,000 increase in general property tax collections primarily attributable to the construction of the new facilities at ORNL by UT-Battelle.

Municipal expenditures for operations have been held to inflationary and contractual adjustments. It has been the staff's approach to hold expenditures to the FY 2003 level while maintaining the quality and quantity of municipal services our citizens have come to expect. In fact, the Municipal Operations Budget decreased \$66,170 (1.1 cents on the tax rate) from the FY 2003 level. The primary reasons for this reduction are that most city employees received a lump-sum payment instead of a general wage increase in FY 2003, and employees are being asked to absorb more of the medical insurance costs in FY 2004, along with reductions to departmental line items such as travel, supplies and maintenance. With these reductions, had the school's FY 2004 transfer request not increased over its FY 2003 level, a tax rate reduction of 9 cents, to a rate of \$2.85, would have been possible.

Tax rate competitiveness is the primary driver in this effort. With an established critical outcome of a tax rate in the 75th percentile by July 1, 2007, maintaining or lowering the tax rate in each year is critical for the next four years in order to achieve this outcome. Over the past few years, the Oak Ridge property tax rate has become one of the highest in the state from its mid-level position in the early nineties.

Strategic Reorganization

Staff efforts have been and will continue to be directed to projects and activities that maintain the quality of community life and serve as building blocks for the successful economic diversification and environmental improvement so necessary for future viability. With the adoption of the five-year Strategic Plan, it is recommended that the staff be reorganized to better reflect the emphasis placed on neighborhood improvement and development, and to more accurately reflect the philosophy of contracting out marketing services.

Accordingly, the FY 2004 budget has been developed with a new staffing plan in these areas. The Economic Development Department, including the three encumbered positions, is eliminated. Within the Community Development Department, the Code Enforcement Division is renamed the Office of Neighborhood Improvement to more accurately define its role in the property maintenance area. An additional Property Maintenance Inspector is added to the office to enhance our efforts at enforcing this code, which is essential to improve our existing neighborhoods. The office will also work with the City Council's Housing Committee and the various non-profit rehabilitation agencies operating in the city to ensure that the strategic housing rehabilitation initiatives as well as new housing development initiatives are achieved. Finally, programmatic responsibility for the Community Development Block Grant program will be assigned to this office with financial and contracting support provided by the Finance Department. This plan creates the organizational emphasis necessary to focus the city's efforts on housing development and rehabilitation.

Renegotiation of the Chamber of Commerce's contract objectives will be sought to expand its role as the city's lead marketing representative into the housing and retail areas as well as the industrial development area. Staffing for this important task will be provided by the City Manager's Office.

The FY 2004 proposed budget also includes a budget reduction for the Fire Department based on a reorganization aimed at flattening the management structure. A vacant Assistant Fire Chief position is eliminated and three Firefighter positions are recommended for funding. With the cost savings from the eliminated position and overtime reductions resulting from an additional position on each shift, a savings of \$72,839, or about 1.2 cents on the property tax rate, can be achieved. In accordance with high performance and continuous improvement principles, this change eliminates overhead expenses while providing more employees to directly service our citizens during medical, accident or fire emergencies.

These changes in our organizational structure achieve the budget initiative of adding no new staff and reducing expenditures. It also enhances our ability to achieve the housing and quality of life critical outcomes outlined in the Strategic Plan.

Technology Improvement

Again, technological improvement continues in FY 2004. While major technological advancement has taken place, considerable technological improvement is still necessary. Through improved technology, human, and financial resources will be released from routine report preparation and file management resulting in more effective public services. Major technological initiatives will continue in FY 2004.

As you may recall, the city joined with the property assessors of Anderson and Roane counties, as well as other entities within the counties, in the joint implementation of a Geographic Information System (GIS). Such system will provide the opportunity to combine spatial information (maps) with electronic databases to more effectively manage and evaluate various planning, development, and maintenance projects. Creation of the mapping system can be combined with the dispatching module of the "Visions" package thereby allowing dispatchers to give emergency responders more accurate information concerning the location of various incidents. Implementation of the system is viewed as critical to enhancing the staff's ability to manage and evaluate spatially related data. The City has acquired the necessary software and initial data files; however, due to some acquisition issues at the state level, deployment of this system has been postponed until FY 2004.

Research into an electronic Records Management System continues. Maintenance of paper records has become increasingly expensive in terms of climate controlled storage space, human resources, and management. It is also increasingly difficult to research these records in terms of their volume alone, not to mention the fact that they are stored in various facilities throughout the city. In order to preserve these legally required records, as well as ease their search, an electronic Records Management System combined with an integrated correspondence management will be initiated in FY 2004. These initial steps, along with the move to electronic City Council agenda packets late in FY 2003, will relieve human resources for the accomplishment of more effective research and policy development.

Funding for these projects is included in the Equipment Replacement Fund budget for FY 2003. While these projects have no impact on the General Fund in FY 2004, use charges will be necessary in later years.

In order to proceed with service enhancement, it is vitally necessary that the city improve its technological ability to manage and use the data and records it acquires. While reduced expenditures are not a direct result of this effort, new expenditure avoidance in the future can be expected.

Economic Development Agencies

The Economic Diversification Fund has been revamped to reflect the broadened approach to tax base enhancement. Funding has been provided to enhance residential, commercial and industrial development through efforts to stimulate tax base growth in Oak Ridge for all revenue categories.

Funding has been proposed in the FY 2004 Budget for several agencies that provide economic development and tourism-related services to the city including the Oak Ridge Convention and

Visitors Bureau (CVB), the Chamber of Commerce, the East Tennessee Economic Development Agency, Melton Hill Regional Industrial Development Association (MHRIDA), and The Roane Alliance.

For the CVB, \$309,826 is proposed for operation in FY 2004, a \$22,786 increase over FY 2003 funding levels. This is the amount requested by the CVB and equates to the actual collections of hotel/motel taxes in fiscal 2002.

For the Chamber of Commerce, \$215,476 in funding is included in FY 2004, unchanged from FY 2003. The programmatic emphasis of the Chamber continues to be directed toward marketing and economic development opportunities that will create a diversified local economy. While the Chamber has requested an increase, it is not possible to grant the increase and continue our efforts at mitigating the rising property tax rate.

Funding for the Baker Donelson contract and other legal services is budgeted at \$155,000, MHRIDA is budgeted at \$15,000, and The Roane Alliance is budgeted at \$10,000 for FY 2004. These amounts remain unchanged from FY 2003.

Operational funding for marketing and incentives is also included in this fund. \$100,000 is budgeted to support an enhanced city marketing program and development incentives. The Economic Diversification Fund is projected to have a fund balance of over \$2.4 million at the end of FY 2003.

Staffing

A total of 354.74 staff years is included in the Personnel Schedule for FY 2004, the same as FY 2003. The organization changes outlined above achieve the budget initiative of adding no new staff unless the addition reduces expenditures while enhances our ability to achieve the housing and quality of life critical outcomes outlined in the Strategic Plan.

Salaries and Benefits

Merit pay has been budgeted at \$250,000, or 3 percent of payroll. This amount will provide adequate funding for merit raises in the first quarter of FY 2004 ranging from 0 to 5 percent depending on performance evaluations. Based on the pay system design, no cost-of-living raises will be granted to city employees.

A reduction in employee medical benefits is included in the proposed FY 2004 budget. The budget has been developed with the increase in employee payments for medical insurance recommended to City Council in October 2003. This change is projected to save the General Fund \$76,803 in medical insurance costs—the equivalent of 1.3 cents on the tax rate.

As proposed by the Employee Medical Insurance Task Force, employee payment for individual coverage would increase from 0 percent to 15 percent of the highest premium; employee payment for family coverage would increase from 17 to 25 percent depending on plan selection to a 30 percent contribution regardless of plan selection.

Medical insurance rates continue to increase in an amount greatly exceeding inflation nationwide. The city's premiums have increased 30 percent in 2002, 25 percent in 2003, and are projected to increase 20 percent in 2004. With medical insurance accounting for approximately 10 percent of

the General Fund operating budget, the budget and finance major initiatives and the critical outcome of a tax rate in the 75th percentile cannot be achieved unless some of the increased cost of medical insurance is transferred to city employees.

Other Agencies and Boards

FY 2004 funding for Social Service programs provided by Aid to Distressed Families of Appalachian Counties (ADFAC) is proposed at \$150,000, and \$35,000 for the Anderson County Health Council for the Healthy Start Program, which equates to 3.1 cents on the property tax rate. The recommended contribution is unchanged from last year.

For the Arts Council and the Youth Advisory Board, \$9,500 and \$9,000, respectively, are proposed in the FY 2004 budget. This is same funding level as the previous year.

Major Budgetary Recommendations Report

Significant program considerations and changes for FY 2004 are addressed in the Major Budgetary Recommendations Report, which will be presented to City Council under separate cover.

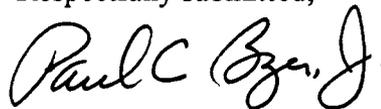
Recognition and Thanks

The development of the budget is a significant project undertaken each year by staff, requiring the support and effort of many city staff in all departments. Coordinating this process is Deputy City Manager Steve Jenkins, and the Finance Department, led by Janice McGinnis, which is assigned programmatic responsibility for this task and is responsible for the quality of the management information presented.

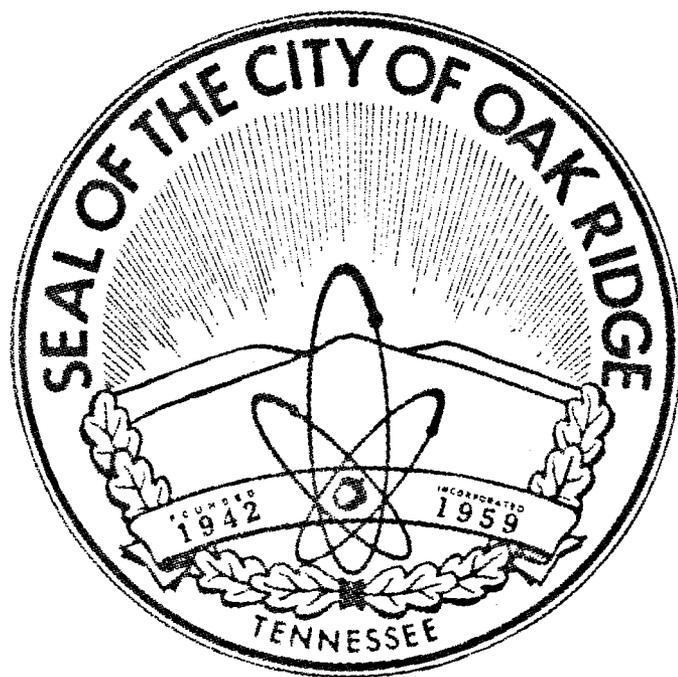
Many city employees play crucial roles in the research, preparation, and completion of the various budget related documents for which thanks are made. Without their assistance this document would not be possible.

It is my honor to present the FY 2004 Proposed Budget for your consideration. All city staff stand ready to assist you in the careful deliberation of this work plan to meet the long-term goals and objectives of the city.

Respectfully submitted,



Paul C. Boyer, Jr.
City Manager





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Strategic Plan

STRATEGIC PLAN

On October 7, 2002, Oak Ridge City Council adopted a five-year strategic plan to accomplish the goals "To help Oak Ridge become an exception place for all to live, work and visit". The plan resulted in a consensus by Council to focus on the key areas of property tax rate, housing, economic development and quality of life. The *Oak Ridge City Council Strategic Plan, The Path Forward, 2003-2007*, begins on page I-38 of this document.

City Council's Budget and Finance Committee developed revised *Multi-Year Budget Model Assumptions* and proposed *Budget and Finance Major Initiatives* to accomplish the critical outcomes identified in the Strategic Plan. The Committee's recommendations were adopted by City Council on February 3, 2003 and are contained on pages I-44 to I-46 of this document. The committee's adopted recommendations were incorporated by City Council into the fiscal 2004 budget. City Council made numerous amendments to the proposed budget to accomplish these strategies as outlined in the adopted appropriation ordinance, which is located on page I-47 of this document. The multi-year budget model was designed as a tool to guide long-range planning for the City's General Fund and to establish the proposed property tax rate during the budget review process. The multi-year model and its assumptions are contained in Section II of this document.

RESOLUTION

WHEREAS, the Oak Ridge City Council has met in special work sessions on October 20, 2001, November 26, 2001, January 5, 2002, and September 9, 2002 in an effort to develop a strategic plan for the City of Oak Ridge; and

WHEREAS, development of the strategic plan was based on the vision statement "To help Oak Ridge become an exceptional place for all to live, work and visit;" and

WHEREAS, the meetings resulted in a consensus to focus on the key areas of property tax rate, housing, economic development and quality of life; and

WHEREAS, a strategic plan, titled "Oak Ridge City Council Strategic Plan, The Path Forward, 2003-2007," has been developed with the assistance of Johnnie Cannon, Director, Strategic Planning, Oak Ridge National Laboratory; and

WHEREAS, said plan, which describes the focus of the City for the next four years, is based on the key areas determined by the Oak Ridge City Council.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCILMEN OF THE CITY OF OAK RIDGE, TENNESSEE:

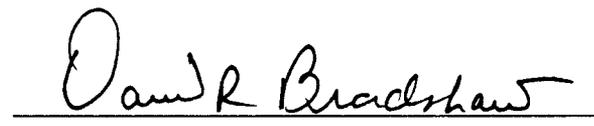
That the attached strategic plan, titled "Oak Ridge City Council Strategic Plan, The Path Forward, 2003-2007," is hereby approved.

This the 7th day of October 2002.

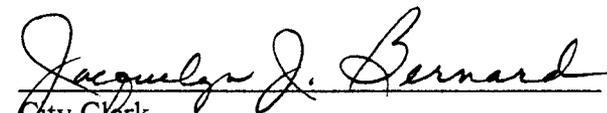
APPROVED AS TO FORM AND LEGALITY:



City Attorney



Mayor



City Clerk

**Oak Ridge City Council Strategic Plan
The Path Forward, 2003-2007**

Introduction

The Oak Ridge City Council has prepared this strategic plan to help define a path forward for the City of Oak Ridge. This plan is driven by the vision of the citizens of Oak Ridge, which is **"To help Oak Ridge become an exceptional place for all to live, work, and visit."** The City Council fully intends to use this plan to set its agenda.

To this end, the City Council met several times and forged a consensus on what needs to be achieved over the next four years (the planning horizon) and how this might best be accomplished. Specifically, as shown in the diagram below, critical outcomes were selected for the key areas of property tax rate, housing, economic development, and quality of life. A measurable outcome was established for each of these areas. Also, major initiatives were identified to address these critical outcomes as a whole, with some initiatives contributing to multiple outcomes. In the near future, the City Council will have plans developed to implement these initiatives.

Oak Ridge City Council Agenda

Strategic Objective	To help Oak Ridge become an exceptional place for all to live, work, and visit
Critical Outcomes	Competitive Property Tax Rate Competitive Housing Stock Effective Economic Development Enhance Quality of Life
Major Initiatives	Aggressive Economic Development Expanded Revenue Streams Fiscal Responsibility Comprehensive Housing Study Development of New Housing Rehabilitation of Existing Housing Enhancement of Community Resources and Education

Critical Outcomes

Competitive Property Tax Rate

Oak Ridge will achieve a property tax rate that does not exceed the 75th percentile of comparable benchmarked cities by July 1, 2007.

- Oak Ridge property tax rate is high relative to comparable Tennessee cities
- Over one-third of the land is tax exempt
- Property tax in Oak Ridge has shown an upward trend
- Sales tax collections have been flat

Competitive Housing Stock

Each year for the next four years, Oak Ridge will increase new housing starts by 25% and the value of housing rehabilitation/redevelopment by 20%.

- Most of the Oak Ridge work force (80%) lives outside the city
- Only 10% of persons hired to work here have elected to live in Oak Ridge in the last few years. West Knoxville is the city's main competitor
- To attract young families, Oak Ridge needs more moderately priced new housing
- Of the existing housing stock, 42% is either renter occupied or vacant
- Aging housing stock represents both a potential liability and a potential asset

Effective Economic Development

Oak Ridge will achieve a growth rate of 5% per year in sales tax revenues over the next four years.

- Shifts in Federal funding levels have been detrimental to stability and growth
- Council adopted a policy to decrease dependency on the Federal government relative to employment from 80/20 to 50/50
- Private investment is needed to help support and diversify the economic base
- Housing starts and car sales are major contributors to economic development in this area
- Oak Ridge merchants need to attract more shoppers to their stores

Enhance Quality of Life

Oak Ridge will continue to enhance the quality of life in its neighborhoods and the city as a whole as determined by a periodic comprehensive survey.

- Oak Ridge is a superb community in which to live, work, or visit
- It is a safe community compared with large metropolitan areas
- The system of greenways (green spaces, greenbelts, etc.) being developed is positive
- Schools will continue to provide excellent educational opportunities
- There is a wealth of cultural resources and good ethnic and religious diversity
- Some negative perceptions about the area need to be addressed

Initiatives

Aggressive Economic Development

- Shift the Chamber's primary focus from industrial recruitment to retail recruitment, including a regional retail marketing campaign
- Support development of incentives to encourage new retail development and to attract consumers to Oak Ridge businesses
- Promote redevelopment activities of the mall property that increase the city's tax base
- Support full funding for the modernization at the BWXT Y-12 Plant and ORNL
- Support the development of \$20,000,000 of industrial construction
- Support the establishment of the American Museum of Science and Energy as a "Destination Attraction" in the East Tennessee area
- Encourage DOE to transfer Horizon Center (ED-1) in fee simple
- Encourage DOE to transfer other properties for industrial development
- Implement the recommendations of the Fluor Global Location Strategies study
- Encourage TVA to make improvements to its Clinch River site in order to enhance the opportunity for development

Critical Outcomes Supported: *Economic Development,
Property Tax Rate,
Quality of Life*

Expanded Revenue Streams

- Initiate legislative change to base property tax exemption on use rather than ownership
- Increase DOE payment in lieu of taxes (PILT) under the special burden clauses in the Atomic Energy Act of 1954
- Facilitate transfer of DOE property to taxpayers to increase self-sufficiency
- Seek renewal of federal assistance payments

Critical Outcome Supported: *Property Tax Rate*

Fiscal Responsibility

- The management staffs of the City of Oak Ridge and the Oak Ridge School System will annually review their respective expenses with a goal to reduce the cost of delivering services without any reduction to the quality of services provided

Critical Outcome Supported: Property Tax Rate

Comprehensive Housing Study

- The availability of affordable housing is a serious issue for Oak Ridge. Only about 10% of persons hired to work in Oak Ridge elect to live here. In the central city, much of the housing stock is more than 50 years old. Redevelopment of some these older neighborhoods is an attractive option because the infrastructure that would have to be installed in a new development is already in place. A comprehensive housing study will be performed taking these and other factors into consideration. Plans will be developed to address the housing needs of Oak Ridge

Critical Outcomes Supported: *Housing,
Quality of Life*

Development of New Housing

- Support cost-effective infrastructure development
- Support the sale of remaining Parcel A land to home builders at a price that will generate \$300,000 per year in sales revenue
- Encourage DOE to release an additional 200 acres of land adjacent to Wisconsin Avenue
- Support direct assistance programs for new home buyers
- Encourage development of a broad mix of new housing stock in the range of \$90,000 to \$300,000

Critical Outcomes Supported: *Housing,
Quality of Life*

Rehabilitation of Existing Housing

- Support the implementation of the model plans program for housing improvement
- Provide a two-year property tax abatement for increased value of improved housing
- Assist in providing low-interest loans for housing rehabilitation
- Increase the percentage of owner-occupied houses
- Encourage home ownership with direct financial assistance to those investing \$25,000 or more in building improvements
- Promote employer-assisted housing

Critical Outcomes Supported: *Housing,
Quality of Life*

Enhancement of Community Resources and Education

- Promote the growth of neighborhood associations
- Become a regional tournament destination (rowing, softball, soccer, golf, etc.)

- Protect greenbelts and other undesignated open spaces
- Encourage evaluation of school facilities needs for the next 20 years

Critical Outcome Supported: Quality of Life

Strategic Planning Task Force

Oak Ridge City Council

- Leonard A. Abbatiello
- Thomas L. Beehan
- David R. Bradshaw, Mayor
- Ray N. Evans, Jr.
- Willie Golden, Jr.
- A.J. "Jerry" Kuhaida, Jr.
- David N. Mosby

Oak Ridge City Manager

- Paul C. Boyer, Jr.

UT-Battelle Loaned Executive

- Johnnie B. Cannon

Comments or questions regarding this strategic plan may be submitted electronically to the Oak Ridge City Council using the following e-mail address: CCouncil@corn.org

RESOLUTION

WHEREAS, by Resolution No. 10-130-02, City Council adopted the Oak Ridge City Council Strategic Plan, *The Path Forward: 2003-2007*; and

WHEREAS, by Resolution No. 11-152-02, City Council created a new Budget and Finance Committee whose mission is driven by said Strategic Plan, with a focus on the Critical Outcomes identified in the Plan as *Competitive Property Tax Rate* and *Expanded Revenue Streams* by addressing the "Major Initiatives" identified as *Fiscal Responsibility* and *Expanded Revenue Streams*; and

WHEREAS, in fulfillment of its mission, the Budget and Finance Committee has developed revised multi-year budget model assumptions and proposed budget and finance major initiatives to accomplish the critical outcomes identified in the Strategic Plan; and

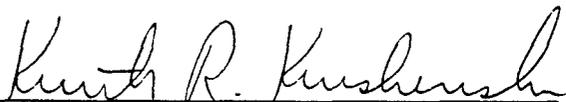
WHEREAS, the Budget and Finance Committee recommends the adoption of said multi-year budget model assumptions and budget and finance major initiatives.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCILMEN OF THE CITY OF OAK RIDGE, TENNESSEE:

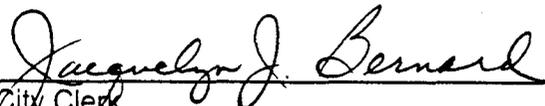
That the recommendation of the Budget and Finance Committee is approved and the attached *Multi-Year Budget Model Assumptions* and *Budget and Finance Major Initiatives*, dated February 3, 2003, are hereby adopted as policy for accomplishing the Critical Outcomes of the Oak Ridge City Council Strategic Plan, *The Path Forward: 2003-2007*.

This the 3rd day of February 2003.

APPROVED AS TO FORM AND LEGALITY:


City Attorney


Mayor


City Clerk

Multi-Year Budget Model Assumptions

February 3, 2003

1. The Department of Energy approves the requested PILT increase that generates \$409,000 in new revenue that is equivalent to seven cents (7¢) on the tax rate.
2. The \$800,000 property tax payment from UT-Battelle begins in FY 2004.
3. The municipal operations budget and the transfer to the Schools are frozen at the FY 2003 level for FY 2004.
4. The imbedded inflation rate of 3.5% is reflected in the projected increases in the municipal operations budget and the transfer to the Schools for FY 2005-2007.
5. No reduction in any state payments or shared revenue to either the City or the Schools for FY 2004-2007.
6. Modest, but reasonable assessment base (2.0% -> 3.5%) and sales tax growth (2.5%) during the period.
7. \$200,000 in direct marketing money is removed from the Economic Diversification Fund.
8. The employee share of medical insurance premiums is increased.
9. Refinancing of variable rate debt to fixed rate to remove risk.
10. The proposed TVA rate increase of 8.1% is included and prevents a tax rate reduction of one cent (1¢).
11. No major new capital projects (School Administration Building, Preschool, Senior Center, new fire stations) are included in this model.
12. The FY 2007 tax rate *Critical Outcome* cannot be achieved without limitations on City and Schools' expenditures.

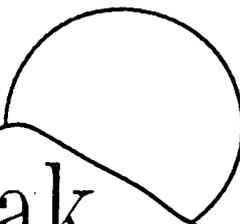
Adopted by Resolution No. 2-14-03

Budget and Finance Major Initiatives

February 3, 2003

1. Allow no borrowing for new General Fund capital projects until FY 2006. From FY 2006 to FY 2013, consider only "balanced borrowing." "Balanced borrowing" is defined as borrowing which will not increase the property tax rate.
2. Beginning in FY 2003, fund General Fund capital maintenance projects with balanced borrowing. Should balanced borrowing be insufficient to fund the scheduled capital maintenance projects, projects will be postponed until adequate borrowing capacity exists.
3. Upon verification of available funding, the City Manager shall issue a notice to proceed to the Superintendent of Schools authorizing expenditure of funds as approved by City Council during the budget or bonding process.
4. Beginning in FY 2006, budget adjustments identifying new General Fund revenue or equivalent expenditure reductions, currently estimated to be \$3,000,000, shall be implemented in order to achieve a property tax rate in the 75th percentile of benchmarked cities by July 1, 2007.
5. Expenditure reductions shall come first from any major component of the General Fund budget requesting an increase. In FY 2004, any additional expenditure reductions shall be shared equally among the major components of the General Fund in the ratio of 44.3% from Municipal Operations, 24.9% from Transfers & Contracts, and 31.6% from Schools Transfers. Future percentages for reductions shall be based on the prior year's adopted budget.
6. Unfunded mandates or other unanticipated revenue losses must be borne by the impacted budget component unless balancing revenues are identified.
7. Service reductions in non-public safety areas, including Transfers and Contracts, shall occur before reductions in public safety core service delivery.
8. No new staffing shall be added through FY 2007 unless the addition of staff reduces overtime expenditures in a like amount.
9. If the \$409,000 PILT request from the Department of Energy is not approved by April 15, 2003, then FY 2004 budget expenditures will be reduced by a like amount.

Adopted by Resolution No. 2-14-03



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ridge



Ordinance

TITLE

AN ORDINANCE TO PROVIDE REVENUE FOR MUNICIPAL PURPOSES FOR THE FISCAL YEAR BEGINNING JULY 1, 2003, BY IMPOSING A TAX ON ALL PROPERTY WITHIN THE CITY, FIXING THE RATE OF THE TAX, ADOPTING A BUDGET, AND ADOPTING APPROPRIATIONS.

WHEREAS, the City Manager, in accordance with the requirements of Article V, Section 11, of the Charter of the City of Oak Ridge, has submitted to City Council a proposed budget ninety (90) days prior to the beginning of the fiscal year upon which a public hearing was held on March 17, 2003 as required by law; and

WHEREAS, in accordance with the requirements of the same Charter section, the Council held meetings on November 11, 2002, December 16, 2002, and January 13, 2003, to provide guidance to the City Manager on the preparation of the proposed budget.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND COUNCILMEN OF THE CITY OF OAK RIDGE, TENNESSEE:

Section 1. The budget for the fiscal year beginning July 1, 2003, submitted to City Council by the City Manager, is hereby adopted subject to the following modifications thereto made by City Council:

	<u>Budget Amendment</u>	<u>Net General Fund</u>
• Reduce the transfer from the General Fund to the General Purpose School Fund For Operations	(\$705,908)	(\$705,908)
• Eliminate Police Department Overtime for Special Activities	(30,100)	(30,100)
• Eliminate School Crossing Guards	(7,200)	(7,200)
• Eliminate Fire Department Overtime for Special Activities	(100,000)	(100,000)
• Eliminate Proposed Property Maintenance Inspector	(56,397)	(46,245)
• Eliminate 1 Mapping Technician	(42,415)	(27,570)
• Reduce Convention & Visitors Bureau Funding 9%	(27,884)	(18,683)
• Reduce Chamber of Commerce Funding 9%	(19,393)	(12,993)
• Reduce Social Services Program Funding 9%	(13,500)	(13,500)
• Reduce Healthy Start Grant 9%	(3,150)	(3,150)
• Eliminate Fireworks Funding	(3,000)	(3,000)
• Reduce City Manager's Travel and Schools	(6,300)	(3,150)
• Eliminate Tuition Reimbursement Program	(5,000)	(3,150)
• Eliminate Employee Housing Assistance Program	(5,000)	(3,150)
• Eliminate one School Resource Officer	(59,286)	(59,286)
• Eliminate Street Sweeping on Non-State Routes	(54,000)	(54,000)
• Eliminate Snow Removal on Non-State Routes	(60,000)	(60,000)
• Close Recreation Center on Sundays	(5,500)	(5,500)
• Reduce Library Hours from 65 to 61	(15,500)	(15,500)
• Reduce Power Squad Funding	(150,000)	(150,000)
• Restore Position of Economic Development Director	90,000	0

	<u>Budget Amendment</u>	<u>Net General Fund</u>
Reduce General Purpose School Fund Appropriation Commensurate with Reduction in the Transfer from the General Fund	(\$705,908)	0

Section 2. In order to provide revenue for municipal purposes, there is hereby imposed on the value of all property within the City of Oak Ridge as such value has been ascertained by the taxing authority of the City, a levy at the rate of \$2.87 upon each One Hundred Dollars' (\$100.00) worth of assessed value of all taxable property, this levy to be the tax rate for the year 2003. This levy shall also be imposed upon such assessments as may be certified for tax purposes to the City of Oak Ridge by the Public Service Commission of the State of Tennessee.

Section 3. In accordance with Article V, Section 14, of the Charter of the City of Oak Ridge, the following amounts shall be and hereby are adopted as appropriations by funds for the operation of the City of Oak Ridge, Tennessee, for Fiscal Year 2004:

General Fund, Municipal Operations	\$14,325,276
Debt Service (Bond and Interest Redemption Fund)	5,234,485
State Street Aid Fund	1,581,290
Streets and Public Transportation Fund	208,000
Drug Enforcement Program Fund	98,450
Grant Fund	4,700,881
General Purpose School Fund	40,887,652
Capital Projects Fund	7,345,500
Solid Waste Fund	1,794,510
Economic Diversification Fund	3,021,655

Section 4. The following amounts in the proprietary-type funds are projected expenses for Fiscal Year 2004 and are provided for informational purposes:

Electric Fund	\$38,699,016
Waterworks Fund	13,787,159
Emergency Communications District Fund	388,967
Golf Course Fund	1,680,598

Section 5. In order to provide funds to meet the expenditure requirements, the following transfers are projected for Fiscal Year 2004 and are provided for informational purposes:

<u>To General Purpose School Fund for Operations</u>	
From General Fund	\$10,646,242
<u>To Debt Service Fund</u>	
From General Fund	\$ 4,034,485
From Capital Projects Fund	200,000
<u>To Economic Diversification Fund</u>	
From General Fund	\$ 679,764
From Electric Fund	137,395
From Waterworks Fund	114,496

<u>To State Street Aid Fund</u> From General Fund	\$ 560,650
<u>To Streets and Public Transportation Fund</u> From General Fund	\$ 5,850
<u>To Solid Waste Fund</u> From General Fund	\$ 1,108,510
<u>To Capital Projects Fund</u> From General Fund	\$ 1,057,000
<u>To Golf Course Fund</u> From General Fund	\$ 500,000

Section 6. All proceeds received through fines, forfeitures and the disposal of seized goods resulting from the City's drug enforcement program shall be used exclusively for that program. A Special Revenue Fund has been established and any funds expended will be limited to the funds collected for that program.

Section 7. The taxes levied under this Ordinance shall become due and payable, shall become delinquent and shall be subject to penalties, the execution of distress warrants and sale of property levied upon as provided by law.

Section 8. The levy provided for herein shall be imposed on all taxable property as the same has been reported to the Council as a final total assessment of each class of property by the legally constituted Boards of Equalization for property situated in either Anderson County or Roane County within the City of Oak Ridge. The written report of the Equalization Boards shall be the assessment roll of the City of Oak Ridge.

Section 9. This Ordinance shall become effective ten (10) days after adoption on second reading, the welfare of the City of Oak Ridge requiring it.

APPROVED AS TO FORM AND LEGALITY:

Keith R. Kuslerush
City Attorney

David R. Bradshaw
Mayor

Jaquelyn J. Bernard
City Clerk

Public Hearing: 3/17/03
 First Reading: 3/17/03
 Publication Date: 3/20/03
 Second Reading: 4/21/03
 Publication Date: 4/28/03
 Effective Date: 5/1/03

TITLE

AN ORDINANCE TO AMEND ORDINANCE NO. 10-03, WHICH ORDINANCE IMPOSES A TAX ON ALL PROPERTY WITHIN THE CITY, FIXES THE RATE OF THE TAX, ADOPTS A BUDGET, AND ADOPTS APPROPRIATIONS FOR THE FISCAL YEAR BEGINNING JULY 1, 2003, BY AMENDING SAID APPROPRIATIONS.

WHEREAS, there exists a need to amend the original appropriations for Fiscal Year 2004 and for the accomplishment of the same, a public hearing has been held before the City Council after five (5) days' notice thereof published in The Oak Ridger, the official newspaper, as provided by law; and

WHEREAS, the City Manager has certified in writing that a sufficient amount of unappropriated revenue will be available for the needed amendment.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCILMEN OF THE CITY OF OAK RIDGE, TENNESSEE:

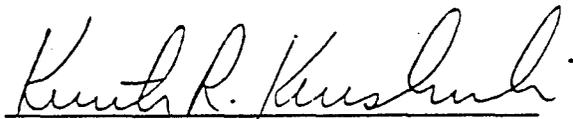
Section 1. Ordinance No. 10-03, which adopts appropriations for Fiscal Year 2004, is hereby amended by revising Section 3 so that the same, as revised, will read as follows:

Section 3. In accordance with Article V, Section 14, of the Charter of the City of Oak Ridge, the following amounts shall be and hereby are adopted as appropriations by funds for the operation of the City of Oak Ridge, Tennessee, for Fiscal Year 2004:

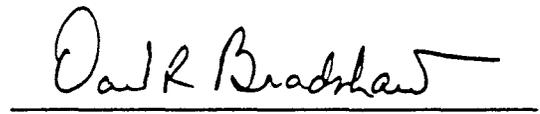
General Fund, Municipal Operations	\$14,325,276
Debt Service (Bond and Interest Redemption Fund)	5,234,485
State Street Aid Fund	1,581,290
Streets and Public Transportation Fund	208,000
Drug Enforcement Program Fund	98,450
Grant Fund	4,700,881
General Purpose School Fund	41,351,306
Capital Projects Fund	7,345,500
Solid Waste Fund	1,794,510
Economic Diversification Fund	3,021,655

Section 2. This ordinance shall become effective ten (10) days after adoption on second reading, the welfare of the City of Oak Ridge requiring it.

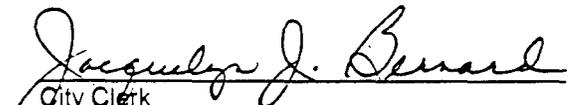
APPROVED AS TO FORM AND LEGALITY:



 City Attorney

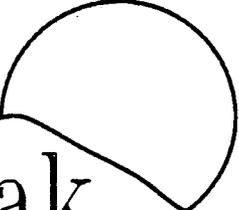


 Mayor



 City Clerk

Public Hearing: 7/21/03
 First Reading: 7/21/03
 Publication Date: 7/25/03
 Second Reading: 8/4/03
 Publication Date: 8/8/03
 Effective Date: 8/14/03



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Budget Overview

BUDGET OVERVIEW – ALL FUNDS

Governmental accounting standards require the City to organize its accounts into Funds, each of which is considered a separate accounting entity. The City's 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 funds utilized by the City are categorized into two broad Fund categories, Governmental and Proprietary.

Governmental Funds are grouped into four generic Fund types: General, Debt Service, Special Revenue and Capital Projects Funds. The budgeted expenditures, exclusive of operating transfers to other Funds, for each Governmental Fund is approved by City Council as the legal appropriation for that Fund. Expenditures cannot exceed the legally adopted appropriation at the Fund level. The City Manager is authorized to transfer budgeted amounts between departments within any Fund; however, any revisions that alter the total expenditures of any Governmental Fund must be approved by City Council. Outlined below are the City's Governmental Funds:

General Fund

Debt Service Fund

Special Revenue Funds:

General Purpose School Fund

Drug Enforcement Program Fund

State Street Aid Fund

Streets and Public Transportation Fund

Capital Projects Fund

Economic Diversification Fund

Grant Fund

Solid Waste Fund

Proprietary Funds are grouped into two generic Fund types: Enterprise and Internal Service Funds. Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursed basis. Outlined below are the City's Proprietary Funds:

Enterprise Funds:

Electric Fund

Waterworks Fund (Water and Wastewater Treatment and Distribution Operations)

Emergency Communications District Fund

Golf Course Fund

Internal Service Funds:

Equipment Replacement Rental Fund

Insurance Fund

Due to external influences beyond the City's control, actual expenses may vary either higher or lower than projected budgeted expenses in the City's Proprietary Funds. Factors such as weather patterns, mild or severe summers or winters, rainfall or drought conditions, unusual maintenance requirements such as replacement of downed electric lines or water line breaks, quantity of insurance claims, etc. effect the level of expenses of these Funds. The budgeted expenses for the City's Proprietary Funds are therefore not legally appropriated and are presented for informational purposes to show operational projections for the remaining major Funds of the City.

Fiscal 2004 Appropriation Ordinance

A summary of the revenues and expenditures for all City Funds is presented on page I-53. Individual Fund schedules contained throughout this document provide comparisons between the fiscal 2003 and 2004 budgeted expenditures/expenses, as well as actual 2002 and projected 2003 expenditures/expenses for each Fund.

City Council has directed the City Manager to present a proposed budget that supports current council policies. Any additional programs or major modifications recommended by the City Manager are presented separately in the Major Budgetary Recommendations Report (MBR) document that is distributed to City Council during budget deliberations. On October 7, 2002, Oak Ridge City Council adopted a five-year strategic plan to accomplish the goals "To help Oak Ridge become an exception place for all to live, work and visit". The plan resulted in a consensus by Council to focus on the key areas of property tax rate, housing, economic development and quality of life. The *Oak Ridge City Council Strategic Plan, The Path Forward, 2003-2007*, begins on page I-38 of this document.

City Council's Budget and Finance Committee developed revised Multi-Year Budget Model Assumptions and proposed Budget and Finance Major Initiatives to accomplish the critical outcomes identified in the Strategic Plan. The Committee's recommendations were adopted by City Council on February 3, 2003 and are contained on pages I-44 to I-46 of this document. The committee's adopted recommendations were incorporated by City Council into the fiscal 2004 budget. City Council made numerous amendments to the proposed budget to accomplish these strategies as outlined in the adopted appropriation ordinance, which is located on page I-47 of this document. The amendments primarily impacted the General Fund, which is outlined in Section II of this document. The multi-year budget model was designed as a tool to guide long-range planning for the City's General Fund and to establish the proposed property tax rate during the budget review process. The multi-year model and its assumptions are contained in Section II of this document.

Outlined below is a summary of the final budgeted expenditures/expenses for the City from the fiscal 2003 budget appropriation ordinance, as compared to the fiscal 2004 proposed appropriation.

<u>Fund</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	
			<u>Dollars</u>	<u>Percent</u>
General Fund Municipal Operations	\$ 14,899,297	\$ 14,325,276	\$ (574,021)	(3.9)
Debt Service Fund	5,799,574	5,234,485	(565,089)	(9.7)
General Purpose School Fund	39,961,692	41,351,306	1,389,614	3.5
Drug Enforcement Program Fund	98,450	98,450	0	0.0
State Street Aid Fund	1,130,925	1,581,290	450,365	39.8
Street & Public Transportation Fund	208,000	208,000	0	0.0
Economic Diversification Fund	2,342,284	3,021,655	679,371	29.0
Grant Fund	6,115,352	4,700,881	(1,414,471)	(23.1)
Solid Waste Fund	1,787,615	1,794,510	6,895	0.4
Capital Projects Fund	28,721,405	7,345,500	(21,375,905)	(74.4)
Electric Fund	34,544,048	38,699,016	4,154,968	12.0
Waterworks Fund	14,070,422	13,787,159	(283,263)	(2.0)
Emergency Communications District Fund	326,300	388,967	62,667	19.2
Golf Course Fund	<u>1,721,099</u>	<u>1,680,598</u>	<u>(40,501)</u>	<u>(2.4)</u>
TOTAL ALL FUNDS	<u>\$151,726,463</u>	<u>\$134,217,093</u>	<u>\$(17,509,370)</u>	<u>(11.5)</u>

**COMBINED SUMMARY OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
FISCAL YEAR 2004 - ALL FUNDS**

	General	Debt Service	General Purpose School	Drug Enforcement Program	State Street Aid	Streets & Transportation	Economic Diversification	Grant	Solid Waste	Capital Projects	Electric	Waterworks	Emergency Communications	Golf Course	Total All Funds
REVENUES:															
Taxes	19,864,000	0	10,102,416	0	0	0	0	0	0	0	0	0	0	0	29,966,416
Licenses & Permits	215,000	0	0	0	0	0	0	0	0	0	0	0	0	0	215,000
Intergovernmental	10,405,712	0	17,528,690	0	714,350	139,950	1,000,000	4,700,881	0	376,240	0	0	0	0	34,865,823
Charges for Services	1,392,621	0	1,542,614	0	0	0	0	0	686,000	0	39,910,460	13,379,820	408,921	0	57,320,436
Fines & Forfeitures	319,000	0	0	58,500	0	0	0	0	0	0	0	0	0	0	377,500
Other	447,500	7,200	378,000	12,500	10,000	6,000	40,000	0	0	25,000	605,000	298,225	5,425	1,382,508	3,217,358
Total Revenues	32,643,833	7,200	29,551,720	71,000	724,350	145,950	1,040,000	4,700,881	686,000	401,240	40,515,460	13,678,045	414,346	1,382,508	125,962,533
EXPENDITURES:															
Administration	0	0	0	0	234,290	0	0	0	0	0	0	0	0	0	234,290
General Government	671,924	0	0	0	0	0	0	0	0	0	0	0	0	0	671,924
Administrative Services	739,335	0	0	0	0	0	0	0	0	0	0	0	0	0	739,335
Police	4,159,555	0	0	98,450	0	0	0	0	0	0	0	0	0	0	4,258,005
Fire	3,284,737	0	0	0	0	0	0	0	0	0	0	0	0	0	3,284,737
Public Works	1,630,297	0	0	0	647,000	6,000	0	0	0	0	0	0	0	0	2,283,297
Community Development	496,647	0	0	0	0	0	0	0	0	0	0	0	0	0	496,647
Recreation & Parks	2,257,372	0	0	0	0	0	0	0	0	0	0	0	0	0	2,257,372
Library	1,085,409	0	0	0	0	0	0	0	0	0	0	0	0	0	1,085,409
Economic Development	0	0	0	0	0	202,000	2,853,305	0	0	0	0	0	0	0	3,055,305
Other Activities	0	0	0	0	0	0	168,350	4,700,881	1,794,510	0	0	0	0	0	7,052,708
Education	0	0	0	0	0	0	0	0	0	0	0	0	0	0	41,351,306
Capital Outlay	0	0	41,351,306	0	0	0	0	0	0	7,345,500	0	0	0	0	8,045,500
Debt Service	0	5,234,485	0	0	700,000	0	0	0	0	0	900,000	1,075,000	0	331,439	7,540,924
Golf Operations	0	0	0	0	0	0	0	0	0	0	0	0	0	1,349,159	1,349,159
Utility Operation	0	0	0	0	0	0	0	0	0	0	37,799,016	12,712,159	0	0	50,511,175
Total Expenditures	14,325,276	5,234,485	41,351,306	98,450	1,581,290	208,000	3,021,655	4,700,881	1,794,510	7,345,500	38,699,016	13,787,159	388,967	1,680,598	134,217,093
Excess (Deficiency) of Revenues over Expenditures	18,318,557	(5,227,285)	(11,799,586)	(27,450)	(856,940)	(62,050)	(1,981,655)	0	(1,108,510)	(6,944,260)	1,816,444	(109,114)	25,379	(298,090)	(8,254,560)
OTHER FINANCING SOURCES (USES):															
Debt Proceeds	0	0	0	0	0	0	0	0	0	2,000,000	0	0	0	0	2,000,000
Contingency	0	1,000,000	0	0	0	0	0	0	0	2,000,000	0	0	0	0	3,000,000
Transfers In	0	4,234,485	10,646,242	0	560,650	5,850	931,655	0	1,108,510	1,057,000	0	0	0	500,000	19,044,392
Transfers Out	(18,592,501)	0	0	0	0	0	0	0	0	(200,000)	(137,395)	(114,496)	0	0	(19,044,392)
Total Other Financing Sources (Uses)	(18,592,501)	5,234,485	10,646,242	0	560,650	5,850	931,655	0	1,108,510	4,857,000	(137,395)	(114,496)	0	500,000	5,000,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(273,944)	7,200	(1,153,344)	(27,450)	(296,290)	(56,200)	(1,050,000)	0	0	(2,087,260)	1,679,049	(223,610)	25,379	201,910	(3,254,560)
ESTIMATED FUND BAL 7/1/03	5,124,867	947,542	3,815,802	32,710	430,761	220,986	2,459,673	383	0	2,750,470	20,629,452	9,950,356	183,179	(2,553,467)	43,992,714
ESTIMATED FUND BAL 6/30/04	4,850,923	954,742	2,662,458	5,260	134,471	164,786	1,409,673	383	0	663,210	22,308,501	9,726,746	208,558	(2,351,557)	40,738,154

Fund Balances/Retained Earnings

In Governmental Funds, only current assets and current liabilities are generally included on the balance sheet. The reported unreserved fund balance for Governmental Funds is considered a measure of "available spendable resources" and is the amount available for appropriation. The balance sheets of Proprietary Funds contain current and noncurrent assets and liabilities. Proprietary Funds report retained earnings, rather than a fund balance, which is an accumulation of the net income (loss) generated by the Fund since the inception of the Fund. Due to the accounting differences in these two Fund categories, particularly regarding fixed assets, Retained Earnings is not a measure of "available spendable resources". Outlined below is a comparison of the projected fund balances and retained earnings of the City Funds at the end of fiscal 2003 and 2004.

	<u>FY 2003</u>	<u>FY 2004</u>	<u>Change</u>	
			<u>Dollars</u>	<u>Percent</u>
<u>FUND BALANCE:</u>				
General Fund	\$ 5,124,867	\$ 4,850,923	\$ (273,944)	(5.3)
Debt Service Fund	947,542	954,742	7,200	0.8
General Purpose School Fund	3,815,802	2,662,458	(1,153,344)	(30.2)
Drug Enforcement Program Fund	32,710	5,260	(27,450)	(83.9)
State Street Aid Fund	430,761	134,471	(296,290)	(68.8)
Streets & Public Transportation Fund	220,986	164,786	(56,200)	(25.4)
Economic Diversification Fund	2,459,673	1,409,673	(1,050,000)	(42.7)
Grant Fund	383	383	0	0.0
Solid Waste Fund	0	0	0	0.0
Capital Projects Fund	<u>2,750,470</u>	<u>663,210</u>	<u>(2,087,260)</u>	<u>(75.9)</u>
TOTAL FUND BALANCES	<u>\$15,783,194</u>	<u>\$10,845,906</u>	<u>\$ (4,937,288)</u>	<u>(31.3)</u>
<u>RETAINED EARNINGS:</u>				
Electric Fund	\$20,629,452	\$22,308,501	\$ 1,679,049	8.1
Waterworks Fund	9,950,356	9,726,746	(230,610)	(2.2)
Emergency Communications District Fund	183,179	208,558	25,379	13.9
Golf Course Fund	<u>(2,553,467)</u>	<u>(2,351,557)</u>	<u>201,910</u>	<u>(7.9)</u>
TOTAL RETAINED EARNINGS	<u>\$28,209,520</u>	<u>\$29,892,248</u>	<u>\$ 1,682,728</u>	<u>6.0</u>

The fund balance of the General Fund is projected to decrease \$273,944 in fiscal 2004. In fiscal 1986, the City received \$23.1 million dollars from the United States Department of Energy (DOE) as a settlement to cease annual financial assistance payments from DOE and for ten-years of in-lieu of property tax payments. Over the last seventeen fiscal years, the City has gradually drawn down the fund balance created by the DOE settlement in order to maintain a reduced property tax rate. For fiscal 2004, it would take approximately 5 additional cents on the property tax rate to replace the budgeted fund balance draw. The City has established a targeted combined fund balance of the General Fund and General Purpose School Fund at \$5 million. At the end of fiscal 2004, the fund

balance of the General Fund is projected at \$4,850,923 and the General Purpose School Fund is projected at \$2,662,458 for a combined total of \$7,513,381.

Under Tennessee State law, the fund balance of the General Purpose School Fund can only be expended in the event of a revenue shortfall or unforeseen expenditure until the fund balance exceeds three percent of operating expenditures. The accumulated Fund Balance in excess of three percent of budgeted annual operating expenditures may be budgeted and expended for nonrecurring purposes, but shall not be used to satisfy appropriation requirements for recurring annual operating expenditures. In fiscal 2004, the General Purpose School Fund has a budgeted fund balance draw of \$1,153,344, which will be utilized for capital and other nonrecurring expenditures. Since the purpose of a target fund balance is to maintain a reserve for unforeseen emergencies, the fund balance of the General Fund and General Purpose School Fund have been combined to incorporate the \$5 million targeted City fund balance reserve. The utilization of fund balance draws in the General Fund to equate revenues and expenditures is expected to continue through fiscal 2009.

Due to the type of revenues in these funds, the Debt Service, Grant and Solid Waste Funds are generally budgeted so that revenues and expenditures are approximately equal and result in only nominal fund balance fluctuations between fiscal years. Operating transfers from other City Funds equate revenues and expenditures of the Debt Service and Solid Waste Funds. Revenues for the Grant Fund are comprised primarily from state and federal grants.

The Drug Enforcement Program Fund has a limited revenue stream on which to draw for drug enforcement and education programs and therefore maintains a nominal fund balance. Revenues for the State Street Aid and Streets and Public Transportation Funds are primarily provided by state-shared motor fuel taxes and state grants. The General Fund provides additional funding through operating transfers to the State Street Aid Fund to support street resurfacing and maintenance projects.

In fiscal 2000, the Economic Diversification Fund was established to accumulate resources and account for an enhanced concentration on economic development activities by the City. Expenditure levels and resultant fund balance will vary from year-to-year based on the economic development opportunities that occur in a particular fiscal year. A significant portion of the fund balance was created by the recent sale of City owned properties that were not being utilized by the City for service delivery.

The fund balance of the Capital Projects Fund, projected to decrease \$2,087,260 in fiscal 2004, can vary greatly from year-to-year depending on the timing of long-term debt issuances and the related capital project expenditures.

The Retained Earnings of the City's Enterprise Funds are projected to increase by \$1,682,728. This is not reflective of the accumulation of cash reserves in these Funds, rather, it is reflective of the earning of an aggregate net income for the year by these Funds. The City is in the process of a major capital upgrade and expansion of the City's utility systems. In Enterprise Funds, capital expenditures are expended through depreciation charges, which are amortized using the straight-line method over the life of the project. For example, a capital item that cost \$100,000 with a ten-year life would be expended (i.e. reduce Retained Earnings) by \$10,000 each year over the next ten fiscal years. Therefore, the cash for the capital item would be expended in one fiscal year with the related expense being fully reflected in Retained Earnings after ten fiscal years.

Salaries and Personnel

Fiscal 2004 authorized City employment is 348.64 staff years, a 6.1 staff year reduction from fiscal 2003 levels. In order to meet the fiscal 2004 goals outlined in City Council's Strategic Plans, the full-time positions of 4 Police Officers, a Mapping Technician in the Community Development Department, and a Facilities Maintenance Specialist in the Work Pool were eliminated along with the part-time positions of 2 School Crossing Guards and a Facility Monitor. Also eliminated were the support staff of a Planner II and Secretary II positions for the Economic Development functions. Other City staff and economic development contract entities will absorb the functions provided by these 2 positions.

A reorganization of the Fire Department included the elimination of the vacant Chief of Operations position and the addition of 3 fire fighter positions, one additional officer per shift. This staffing change in the Fire Department is estimated to save \$72,839 in fiscal 2004, primary from a reduction in overtime charges. Additionally, accounting for one engineering position was transferred from the General Fund to the Waterworks Fund based on the duties now being performed by this position. The Code Enforcement Department accounted for in the General Fund has been renamed the Office of Neighborhood Improvement. In fiscal 2004, a Property Maintenance Inspector position has been added to the staffing of this office to enhance the quality of housing in Oak Ridge. Funding for this position is to be provided from Community Block Grant funds.

The fiscal 2004 budget contains funding for an average award of 3% in merit pay to City employees. During fiscal 2003, a new pay plan was enacted and cost-of-living adjustments (COLA) are no longer being awarded to City employees. Salary increases to City employees are based on each employee's performance during the past fiscal year and requires employees to meet performance criteria specific to their position.

Employees of the City are members of the benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS), which provides retirement benefits as well as death and disability benefits. The plan is fully funded by the City based on rates actuarially determined by TCRS on a biennial basis. The fiscal 2004 rate for the City's plan remained at 8.86% of covered wages. Budgeted funding for the City's medical benefit package and workers' compensation went up due to a 30% increase in employee medical premiums that was effective January 1, 2003. An additional 20% increase is anticipated effective January 1, 2004.

Fiscal 2004 Agency Funding

The City provides funding to various agencies that either promote economic development and/or tourism-related services for the City, or render services to the citizens of Oak Ridge. Agencies budgeted for funding for economic development and/or tourism services are the Convention & Visitors Bureau (CVB) at \$281,942, Oak Ridge Chamber of Commerce at \$196,083, Melton Hill Regional Industrial Development Association (MHRIDA) at \$15,000 and Roane Alliance at \$10,000.

Agencies budgeted for social service/cultural programs funding include Aid to Distressed Families of Appalachian Counties (ADFAC) (\$136,500), Anderson County Health Council (ACHC) for the Healthy Start program (\$31,850), Arts Council of Oak Ridge (\$9,500), and Youth Advisory Board (\$9,000).

In order to reduce the property tax rate, funding for agencies declined \$47,141 from fiscal 2003 levels. These include the Chamber of Commerce (\$19,393), CVB (\$5,098), ADFAC (\$13,500) and ACHC (\$3,150). \$3,000 in funding for the Sister-City exchange program and \$3,000 for the July 4th fireworks display was deleted from the budget in fiscal 2004.