

EXHIBIT A

ADMINISTRATIVE ACTION REFERRAL
City of Oak Ridge, Tennessee

TO: City Clerk* Deputy City Manager** City Attorney** ✓	FROM: City Manager <hr/> DATE: May 18, 2004
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DESCRIPTION OF SUBJECT: ORDINANCE NO. 13-04

AN ORDINANCE CALLING A REFERENDUM ON THE PROPOSITION OF WHETHER TO AMEN
 ORDINANCE NUMBER 7-83 OF THE CITY OF OAK RIDGE, AS AMENDED, TO INCREASE TH
 LOCAL OPTION SALES TAX RATE IN THOSE PORTIONS OF THE CITY OF OAK RIDGE
 TENNESSEE, THAT LIE IN ANDERSON COUNTY, TENNESSEE, FROM 2.25 PERCENT TO 2.7
 PERCENT; PROVIDED, HOWEVER, THE REVENUE FROM SUCH INCREASE SHALL BI
 APPROPRIATED AND EXPENDED FOR THE PURPOSE OF FUNDING AND PAYING FOR
 CONSTRUCTION, RENOVATION, PURCHASE OF CAPITAL EQUIPMENT, AND/OR RETIREMEN
 OF SCHOOL CONSTRUCTION DEBT SERVICE FOR THE OAK RIDGE HIGH SCHOOL, AND A
 SUCH TIME AS THE HIGH SCHOOL DEBT SERVICE IS PAID IN FULL, THE SALES TAX
 PROCEEDS COLLECTED AS A RESULT OF THIS INCREASE SHALL BE DISTRIBUTED AS
 PRESCRIBED BY STATE LAW; AND DIRECTING THE ANDERSON COUNTY ELECTION
 COMMISSION TO HOLD SAID REFERENDUM.

TYPE OF MEETING: CITY COUNCIL MEETING	DATE OF MEETING: May 17, 2004
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ACTION TAKEN:

Adopted

ADMINISTRATIVE ACTION REQUESTED:

To Comply

To investigate; report recommendations to this office

No report necessary; information only

Coordinate with

See remarks

ATTACHMENTS Ordinance No. 13-04	<i>City Manager's Office</i>
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TITLE

AN ORDINANCE CALLING A REFERENDUM ON THE PROPOSITION OF WHETHER TO AMEND ORDINANCE NUMBER 7-83 OF THE CITY OF OAK RIDGE, AS AMENDED, TO INCREASE THE LOCAL OPTION SALES TAX RATE IN THOSE PORTIONS OF THE CITY OF OAK RIDGE, TENNESSEE, THAT LIE IN ANDERSON COUNTY, TENNESSEE, FROM 2.25 PERCENT TO 2.75 PERCENT; PROVIDED, HOWEVER, THE REVENUE FROM SUCH INCREASE SHALL BE APPROPRIATED AND EXPENDED FOR THE PURPOSE OF FUNDING AND PAYING FOR CONSTRUCTION, RENOVATION, PURCHASE OF CAPITAL EQUIPMENT, AND/OR RETIREMENT OF SCHOOL CONSTRUCTION DEBT SERVICE FOR THE OAK RIDGE HIGH SCHOOL, AND AT SUCH TIME AS THE HIGH SCHOOL DEBT SERVICE IS PAID IN FULL, THE SALES TAX PROCEEDS COLLECTED AS A RESULT OF THIS INCREASE SHALL BE DISTRIBUTED AS PRESCRIBED BY STATE LAW; AND DIRECTING THE ANDERSON COUNTY ELECTION COMMISSION TO HOLD SAID REFERENDUM.

WHEREAS, pursuant to authorization contained in Sections 67-6-701 et. seq., Tennessee Code Annotated (the "Local Option Sales Tax Act"), any city, by action of its legislative body and approval of a majority of those citizens voting on the issue, is authorized to levy a sales and use tax (the "Local Option Sales Tax"), in excess of all such taxes levied by the State of Tennessee, of up to two and three-quarters percent (2.75%); and

WHEREAS, the present local option sales tax rate for those portions of the City of Oak Ridge that lie in Anderson County, Tennessee, is 2.25 percent; and

WHEREAS, that portion of the City of Oak Ridge that lies in Roane County has already imposed a local option sales tax rate of 2.75 percent; and

WHEREAS, the City Council of the City of Oak Ridge, Tennessee (the "Governing Body") has determined the present sales tax rate within Anderson County should be increased to 2.75 percent from the current rate of 2.25 percent with the increase of .50 percent appropriated and expended for the purpose of funding and paying for construction, renovation, purchase of capital equipment, and/or retirement of school construction debt service for the Oak Ridge High School, and at such time as the high school debt service is paid in full, the sales tax proceeds collected as a result of this increase shall be distributed as prescribed by state law; and

WHEREAS, the Local Option Sales Tax Act requires that a referendum be held in order to determine the will of the electorate with respect to an increase in the rate of the Local Option Sales Tax; and

WHEREAS, the Governing Body adopts this ordinance for the purpose of: (1) calling a referendum on the proposed increase in the Local Option Sales Tax; and (2) providing for the application of the revenues derived from said increase.

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

Section 1. Subject to the referendum required by the Local Option Sales Tax Act, the Local Option Sales Tax is hereby increased from 2.25 to 2.75 percent in those portions of the City of Oak Ridge that lie in Anderson County; provided, however, the revenues from such tax increase shall be appropriated and expended for the purpose of funding and paying for construction, renovation, purchase of capital equipment, and/or retirement of school construction debt service for the Oak Ridge High School, and at such time as the high school debt service is paid in full, the sales tax proceeds collected as a result of this increase shall be distributed as prescribed by state law. This one-half percent increase shall be continued until legally terminated by action of the Governing Body or such other action as required by law.

Section 2. Pursuant to the Local Option Sales Tax Act, the Anderson County Election Commission is hereby directed to hold a referendum on whether to increase the Local Option Sales Tax as described in Section 1 above, as required by law, said referendum to be held at the August 5, 2004 election.

Section 3. If a majority of those voting in said referendum vote for the tax rate imposed by this Ordinance, collection of the increased tax levied by this Ordinance shall begin on the first day of a month occurring thirty or more days after the Anderson County Election Commission makes its official canvass of the election returns.

Section 4. The Department of Revenue of the State of Tennessee shall collect the additional tax imposed by this ordinance concurrent with the collection of the state and local tax now being collected for the City of Oak Ridge, Tennessee, in accordance with the rules and regulations promulgated by the Department of Revenue.

Section 5. The City Manager is hereby authorized to contract with the Department of Revenue for the collection of the tax by the Department of Revenue, and to provide in said contract that the Department of Revenue may deduct from the tax collected a reasonable amount or percentage to cover the expense of the administration and collection of said tax.

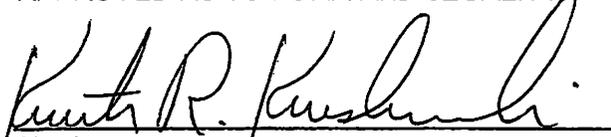
Section 6. In the event the increased tax is collected by the Department of Revenue, suits alleging that the tax was illegally assessed or collected shall be brought against the Tennessee Commissioner of Revenue and the City Manager of the City, but only in their official capacities and not otherwise.

Section 7. A certified copy of this ordinance shall be transmitted to the Department of Revenue of the State of Tennessee and the Anderson County Election Commission by the City Clerk forthwith and shall be published one time in a newspaper of general circulation in the City of Oak Ridge prior to the referendum.

Section 8. All other resolutions, ordinances and orders, or parts thereof, in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

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:


Kurt R. Kushnir
City Attorney


Dan R. Bradshaw
Mayor


Jacquelyn J. Bernard
City Clerk

First Reading: 5/3/04
Publication Date: 5/10/04
Second Reading: 5/17/04
Publication Date: 5/24/04
Effective Date: 5/27/04

CITY COUNCIL MEMORANDUM
04-31

DATE: May 13, 2004

TO: Honorable Mayor and Members of City Council

FROM: James R. O'Connor, City Manager

SUBJECT: PROPOSED OAK RIDGE HIGH SCHOOL RENOVATION
PROJECT – SALES TAX ORDINANCE

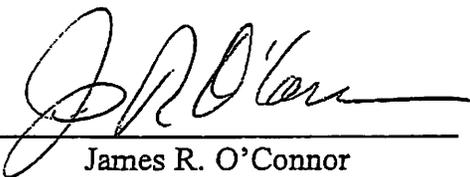
Attached for second reading is an ordinance to raise the City sales tax from 2.25 percent to 2.75 percent.

At its April 19, 2004 meeting, the Council directed the City Manager, by Resolution No. 4-51-04, to investigate funding for the proposed Oak Ridge High School Renovation Project. As a result of staff's investigation into funding sources, it is recommended that the City sales tax in the Anderson County portion of Oak Ridge be raised to 2.75 percent with the proceeds to be dedicated to fund the high school renovation project.

City staff completed a proposed funding plan that included a provision that there would not be an impact on property tax. A public review of the plan was presented at the high school forum on Wednesday, May 12, 2004.

Attached is the sample Ballot Question that will be submitted by the City Clerk to the Anderson County Election Commission for the August election. The Bond Resolution will be presented following the sales tax vote in August.

Also attached is a letter from the Oak Ridge Board of Education supporting moving forward with Option B of the Heery report and requesting Council's support of the project.



James R. O'Connor

Attachments

BALLOT QUESTION

SHALL AN ORDINANCE PASSED BY THE CITY COUNCIL OF OAK RIDGE, TENNESSEE, ON MAY 17, 2004 NUMBERED _____ AND PUBLISHED IN THE OAK RIDGER, A NEWSPAPER OF GENERAL CIRCULATION IN OAK RIDGE, WHICH LEVIED AN ADDITIONAL TAX ON THE SAME PRIVILEGES SUBJECT TO THE RETAILER'S SALES TAX ACT UNDER CHAPTER 6, PARTS 1-6, TITLE 67, TENNESSEE CODE ANNOTATED AS THE SAME MAY BE AMENDED, AND WHICH AMENDED ORDINANCE NO. 7-83 OF THE CITY OF OAK RIDGE TO INCREASE THE LOCAL OPTION SALES TAX RATE IN THOSE PORTIONS OF THE CITY OF OAK RIDGE, TENNESSEE, THAT LIE IN ANDERSON COUNTY, TENNESSEE, FROM 2.25 PERCENT TO 2.75 PERCENT; PROVIDED, HOWEVER, THE REVENUE FROM SUCH INCREASE SHALL BE APPROPRIATED AND EXPENDED FOR THE PURPOSE OF FUNDING AND PAYING FOR CONSTRUCTION, RENOVATION, PURCHASE OF CAPITAL EQUIPMENT, AND/OR RETIREMENT OF SCHOOL CONSTRUCTION DEBT SERVICE FOR THE OAK RIDGE HIGH SCHOOL, AND AT SUCH TIME AS THE HIGH SCHOOL DEBT SERVICE IS PAID IN FULL, THE SALES TAX PROCEEDS COLLECTED AS A RESULT OF THIS INCREASE SHALL BE DISTRIBUTED AS PRESCRIBED BY STATE LAW, EXCEPT AS MODIFIED OR LIMITED BY STATUTE BECOME OPERATIVE?

FOR THE ORDINANCE _____

AGAINST THE ORDINANCE _____



OAK RIDGE SCHOOLS
304 NEW YORK AVENUE
P.O. BOX 6588
OAK RIDGE, TN 37831-6588

Telephone: (865) 425-9001
Fax: (865) 425-9070

Board of Education

May 3, 2004

Mr. Jim O'Connor
City Manager
City of Oak Ridge
P.O. Box 1
Oak Ridge, TN 37830

Dear Mr. O'Connor:

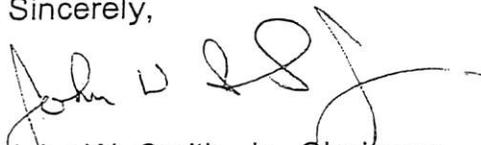
The Oak Ridge Board of Education approved the proposal of a new Oak Ridge High School plan presented by the Superintendent of Schools at our meeting on Tuesday, April 13, 2004.

Anticipated costs related to the renovation will be in the range of 54-58 million dollars. The cost estimate is based on the Heery International, Inc. Oak Ridge High School Planning Study. The School Board unanimously approved moving forward with Option B from this report.

ORHS is showing its age. Serious structural problems exist and need immediate attention. The Heery Report established a minimum of two buildings and a portion of a third that needs to be replaced. Electrical and mechanical systems need to be upgraded in all buildings, Numerous classrooms do not have adequate space for equipment and laboratories, and utility costs are extremely high due to outdated heat and cooling systems. A walk thru the school makes clear that we cannot provide a 21st Century curriculum with classrooms built in the 1950's.

The Board of Education respectfully submits this proposal for your consideration and action as this is a decision Oak Ridge cannot afford to defer.

Sincerely,



John W. Smith, Jr., Chairman
Oak Ridge Board of Education

AN ORDINANCE TO AMEND ORDINANCE NO. 2, TITLED "THE ZONING ORDINANCE OF THE CITY OF OAK RIDGE, TENNESSEE," BY AMENDING THE ZONING MAP WHICH IS MADE A PART OF THE ORDINANCE BY CHANGING THE ZONING DISTRICT OF LOTS 1.00 AND 1.01, BLOCK 16-BU, FROM B-1, NEIGHBORHOOD BUSINESS TO UB-2, UNIFIED GENERAL BUSINESS.

Councilman Golden moved that the ordinance be approved on first reading. The motion was seconded by Councilwoman Miller and carried by unanimous voice vote.

Adoption of Ordinances (Second Reading)

Ordinance No. 13-04

AN ORDINANCE CALLING A REFERENDUM ON THE PROPOSITION OF WHETHER TO AMEND ORDINANCE NUMBER 7-83 OF THE CITY OF OAK RIDGE, AS AMENDED, TO INCREASE THE LOCAL OPTION SALES TAX RATE IN THOSE PORTIONS OF THE CITY OF OAK RIDGE, TENNESSEE, THAT LIE IN ANDERSON COUNTY, TENNESSEE, FROM 2.25 PERCENT TO 2.75 PERCENT; PROVIDED, HOWEVER, THE REVENUE FROM SUCH INCREASE SHALL BE APPROPRIATED AND EXPENDED FOR THE PURPOSE OF FUNDING AND PAYING FOR CONSTRUCTION, RENOVATION, PURCHASE OF CAPITAL EQUIPMENT, AND/OR RETIREMENT OF SCHOOL CONSTRUCTION DEBT SERVICE FOR THE OAK RIDGE HIGH SCHOOL, AND AT SUCH TIME AS THE HIGH SCHOOL DEBT SERVICE IS PAID IN FULL, THE SALES TAX PROCEEDS COLLECTED AS A RESULT OF THIS INCREASE SHALL BE DISTRIBUTED AS PRESCRIBED BY STATE LAW; AND DIRECTING THE ANDERSON COUNTY ELECTION COMMISSION TO HOLD SAID REFERENDUM.

Councilman Beehan moved that the ordinance be adopted, seconded by Councilman Golden.

Deliberation was lengthy, and responses to the Council's questions and comments were provided by the City Manager; the City Attorney; the Chairman of the Board of Education, Mr. John Smith, and Board members Tracy Larabee and Angi Agle; and Mr. Ken Green, the Principal of Oak Ridge High School.

Councilman Abbatiello introduced a series of questions that he requested be included in the minutes for this meeting, along with the answers to those questions. The questions were:

1. The financial plan for the High School includes \$8,000,000 of Private Contributions that are to be used to pay debt service over the first 5 years, (~1.6 M\$/yr). How much money is currently within the "Foundations" bank account?
2. Are there any written formal agreements existing between the "HS Foundation" and the DOE to provide Private Contributions? If there are, how long and many \$ are they for?
3. Are there any written formal agreements existing between the "HS Foundation" and other local "DOE Prime Contractors" to provide private contributions? If there are, who are they and how much are the commitments for (both time and \$ amount)?
4. Do any written agreements exist between the "Foundation" and the City of Oak Ridge which contractually bind the "Foundation" to pay debt service or provide minimum annual funding for this High School project? Are any agreements planned?
5. A total of \$55,000,000 is projected to be needed for this High School project. Will the full faith and credit of city taxation be pledged to obtain this bond? Won't all future Councils will be obligated to see that this debt is repaid without regard for its impact on future property tax rates?

6. The statement has been made: "No property tax increase will be proposed to fund the debt service for this project." Can you guarantee in writing that this project will have no direct or indirect impact on Oak Ridge property tax rates for the next 25 years?
7. How does the City plan to fund the current CIP needs of the next two years, ("05" & "06")? These needs include capital projects totaling another \$13,200,000 of general fund expenditures. This includes fire stations, School Administration Building, pre-school building, Senior Center and other major needs. How will these additional major capital needs be funded?
8. Will any of the ½ cent proposed sales tax increase be used to pay for other city debts?
9. How will the \$1,300,000, which is currently needed to bring Police, Fire, and other municipal employee salaries up to competitive rates, be raised?
10. What plan do you have to make the Oak Ridge property tax rate competitive, (i.e. less than the current 100 percentile point)?
11. Should the \$55,000,000 bond be approved and the sales tax increase and private "Foundation" revenue fail to materialize, how much would the annual Oak Ridge property tax rate be increased to pay this debt (in percentage and \$)?
12. When will a multiyear model be presented which shows the complete set of assumptions and the impact of this high school project upon the next 25 years?

The City Manager gave verbal responses to the questions; however, Councilman Abbatiello requested written responses.¹

Mr. Arthur Shady, 254 N. Illinois Avenue, asked a series of questions which were answered by the Mayor and City Manager.

The ordinance was adopted by roll call vote with Councilman Abbatiello casting the only dissenting vote.

Adoption of Resolutions

Resolution No. 5-72-04

A resolution authorizing the execution of a Certificate of Good Moral Character for Richard Spraker as a condition for obtaining a license to sell alcoholic beverages for consumption on the premises at the Oak Ridge Country Club, Inc.

Councilman Beehan moved that the resolution be adopted. The motion was seconded by Councilman Golden and carried by unanimous voice vote.

Resolution No. 5-73-04

A resolution authorizing the City Manager to develop and transmit to the U. S. Department of Energy a proposal for the conveyance of a portion of the Self-Sufficiency Parcel D pursuant to 10 CFR Part 770 entitled *Transfer of Real Property at Defense Nuclear Facilities for Economic Development*.

¹ The City Manager's responses were provided in City Council Memorandum 04-34, dated May 18, 2004.

CITY COUNCIL MEMORANDUM
04-34

DATE: May 18, 2004

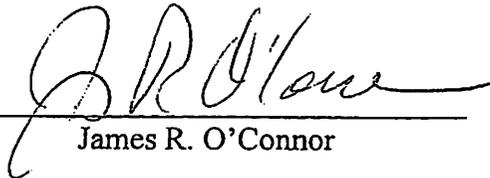
TO: Honorable Mayor and Members of City Council

FROM: James R. O'Connor, City Manager

SUBJECT: RESPONSES TO QUESTIONS FROM COUNCILMAN ABBATIELLO

Attached are the written responses to Councilman Abbatiello's High School Borrowing Questions. Also attached is correspondence to Dr. Bailey requesting information that I do not have.

If you have any further questions, please let me know.


James R. O'Connor

Copy: City Attorney
Deputy City Manager
City Clerk

RESPONSES TO HIGH SCHOOL BORROWING QUESTIONS

May 18, 2004

1. **Question:** The financial plan for the high school includes \$8,000,000 of private contributions that are to be used to pay debt service over the first 5 years (~1.6M\$/yr.). How much money is currently within the "Foundations" bank account?

Response: I do not know how much money is currently within the Foundation's bank account. By the attached letter, I am requesting that Dr. Tom Bailey, Superintendent of Schools, ask the Foundation for a response.
2. **Question:** Are there any written formal agreements existing between the "HS Foundation" and the DOE to provide private contributions? If there are, how long and many \$ are they for?

Response: I am not aware of any existing agreements between the High School Foundation and DOE (see attached letter for a request of that information).
3. **Question:** Are there any written formal agreements existing between the "HS Foundation" and other local "DOE Prime Contractors" to provide private contributions? If there are, who are they, how much are the commitments for (both time and \$ amount)?

Response: I am not aware of any written formal agreements between the High School Foundation and DOE Prime Contractors (see attached letter for a request of that information).
4. **Question:** Do any written agreements exist between the "Foundation" and the City of Oak Ridge that contractually bind the "Foundation" to pay debt service or provide minimum annual funding for this High School project? Are any agreements planned?

Response: We do not have any agreements between the Foundation and the City. It would be my recommendation that if pledges are made by the Foundation that formal written agreements be developed.
5. **Question:** A total of \$55,000,000 is projected to be needed for this High School project. Will the full faith and credit of city taxation be pledged to obtain this bond? Won't all future Councils be obligated to see that this debt is repaid without regard for its impact on future property tax rates?

Response: It must be noted that the bond size and the amount of money that will be available to construct the high school has not been established. The School Board has requested up to \$58,000,000, but until revenues have been identified, I would not recommend that we obligate the City to a bond amount. The bond issue is anticipated to be a general obligation bond that would

pledge the full faith and credit of the City for the term of the issue. Future Councils will have the obligation to ensure payment of the debt.

6. **Question:** The statement has been made: “No Property Tax increase will be proposed to fund the debt service for this project.” Can you guarantee in writing that this project will have no direct or indirect impact on Oak Ridge property tax rates for the next 25 years?
Response: I would guarantee in writing that this project would not have an effect on increasing property taxes in the future. It must be noted that with any 25-year plan, there are assumptions made; such as, the City of Oak Ridge will continue to have commercial activity and will continue to grow at a one percent rate annually.
7. **Question:** How does the City plan to fund the current CIP needs of the next two years (“05” & “06”)? These needs include capital projects totaling another \$13,200,000 of general fund expenditures. This includes fire stations, school administration building, preschool building, senior center and other major needs. How will these additional major capital needs be funded?
Response: We have not identified revenues to fund the \$13.2 million in projected CIP projects. We are attempting to look for alternatives for some of the projects, such as the fire station at the K-25 site, and federal funding for the preschool building.
8. **Question:** Will any of the 1/2 cent proposed sales tax increase be used to pay for other city debts?
Response: The resolution and the question on the ballot obligates the new one-half cent sales tax to be used only for the improvements at the high school.
9. **Question:** How will the \$1,300,000, which is currently needed to bring police, fire, and other municipal employee salaries up to competitive rates, be raised?
Response: We have not identified a funding source for the \$1.3 million for increased salaries, as outlined in the pay study.
10. **Question:** What plan do you have to make the Oak Ridge property tax rate competitive (i.e., less than the current 100 percentile point)?
Response: I have not developed a plan to make the Oak Ridge property tax rate fall within the 75 percentile as proposed by the Strategic Plan. As you know, we are in the process of discussing the plan, and hopefully, will develop a means to accomplish our goal.
11. **Question:** Should the \$55,000,00 bond be approved and the sales tax increase and private “Foundation” revenue fail to materialize, how much would the annual Oak Ridge property tax rate be increased to pay this debt (in percentage and \$)?

Response: If the sales tax increase fails, I would not recommend that the City incur a debt obligation of \$55,000,000. Also, if the sales tax passes and the Foundation revenue fails to materialize, I would recommend a smaller bond issue to be covered by identified revenue sources. The property tax increase necessary to cover debt service of a \$55,000,000 bond issue is approximately ninety cents on the tax rate. I would not recommend this alternative.

12. **Question:** When will a multiyear model be presented that shows the complete set of assumptions and the impact of the high school project upon the next 25 years?

Response: We can produce a multiyear model depicting the high school improvements and debt service at any time. It must be noted that the projection for the debt service for the high school is from new revenue and would have no effect on the existing multiyear model.

OAK RIDGE

TENNESSEE

CITY OF OAK RIDGE
MUNICIPAL BUILDING
POST OFFICE BOX 1 37831-0001
TELEPHONE: (865) 425-3550
FAX: (865) 425-3420

May 18, 2004

Dr. Thomas E. Bailey
Superintendent of Schools
Oak Ridge Schools
Post Office Box 6588
Oak Ridge, TN 37831-6588

Dear Dr. Bailey:

Questions have been raised by members of the Oak Ridge City Council relative to the proposed Oak Ridge High School Renovation Project. Please provide a response to the following questions:

1. What are the current assets of the High School Foundation?
2. Are there any written formal agreements between the Foundation and DOE to provide private contributions? If there are, how long are the agreements for and for how much money?
3. Are there any formal written agreements between the Foundation and local DOE prime contractors to provide private contributions? If so, who are the contractors, how much are the commitments for in both time and money?

Thank you for your time in responding to this request.

Sincerely,



James R. O'Connor
City Manager