

**OAK RIDGE CITY COUNCIL/BOARD OF EDUCATION
JOINT WORK SESSION
FEBRUARY 6, 2012**

AGENDA

7:00 P.M. - Call to order in the Multipurpose Room at the Central Services Complex

- I. Discussion and review of City/**School** legal opinions regarding the use of one-half cent, countywide sales tax proceeds and duration of sales tax usage for retirement of Oak Ridge High School debt.
- II. Review of the report by Cockrill and Associates on assessment of Woodland School roofing problems and proposed \$650,000 repair costs as presented to the **School Board**.
- III. Review of 2013-2018 Capital Improvements Program as transmitted to City Council and discussion/planning for future budget demands and prioritization of overall community needs.
- IV. Discussion on future joint planning process for collaborating on basic needs of City/**School** system and procedure for addressing economic shortfalls and sustaining public services.
- V. Adjournment

CITY OF OAK RIDGE



POST OFFICE BOX 1 • OAK RIDGE, TENNESSEE 37831-0001
CITY COUNCIL MEMORANDUM
12-03

DATE: February 2, 2012

TO: Oak Ridge City Council
Oak Ridge Board of Education
Thomas E. Bailey, Superintendent of Schools
Kenneth R. Krushenski, City Attorney
Chuck Cagle, Schools Attorney

FROM: Mark S. Watson, City Manager

SUBJECT: FRAMING PAPER FOR FEBRUARY 6, 2012 JOINT MEETING

The Oak Ridge City Council and the Oak Ridge Board of Education are scheduled for a joint meeting on February 6, 2012 to discuss various CIP needs, and most importantly, to resolve an understanding for the use of sales tax proceeds that financed the Oak Ridge High School Renovation project. This paper attempts to frame the issues at hand.

Let's look at the environment in which both the Schools and the City now operate. We are in the midst of a major recession and in the future see major pressures to downsize the costs of federal government, our major employer. Economically, we have recently received notices of store closures and have observed continuous property devaluations. Today, a legislator has proposed eliminating sales taxes on groceries without assessing consequences to public services. As a source of funds, property taxes and sales taxes in Oak Ridge have been flat at best.

This compares with the time in which Oak Ridge High School was re-built after approval of a finance plan by the voters in August 2004. Projects like Rarity Ridge and Rarity Oaks were in full swing. New industries were opened through tax abatement programs. DOE funded various contractual programs with the City, such as law enforcement and water treatment operations. When we sold \$66.5M in bonds for the High School and projected a 1% growth rate to insure that no tax increase was required, we thought it was quite doable. Real estate values have retreated. Unfortunately, we were headed into the tough times after that.

Today, both entities are pressured by citizens, parents and reputation to maintain levels of public service that are not sustainable given the level of economics we have in our community. Demographics have changed, requiring new educational approaches by the Schools. At the same time, the City has faced public safety issues, demanding more response in a department that remains at 1980s staffing levels. We are at a crossroads.

As a newcomer to the community, maybe I look at our community issues with "fresh eyes." I recognize the reputation and past history of the Oak Ridge schools and a desire to continue that legacy. Schools are an important identity of a community. But, those investments need to be prioritized with those of the entire community and that comparison is just not being done. It can start right here with this meeting of the Board of Education and City Council.

First, we must recognize the contract we have on Oak Ridge High School. When taken to the voters in 2004, the City pledged that the proceeds of an increased sales tax (whether preempted by the County or not) was to pay off the bonds of the high school. The sales tax proceeds would be used until "the high school debt service is paid in full." This is pretty clear. No side bar signed agreement exists modifying that proposition overwhelmingly approved by the voters. The debt schedules for the repayment of High School bonds utilizes the sales tax proceeds fully during the life of the bonds. Retention of this revenue stream correspondingly requires cuts in services, further deferral of capital needs and capping existing expenses. It also impacts Oak Ridge bond ratings, our financial covenants with Wall Street and future financing, and disregards the strict statements from the voting public, who were assured by the Board of Education and City Council that there would be no increase in Property taxes to fund the High School renovation.

Politically, what is the price of a quarrel? The public image to us in the region will be very damaging, and not what Oak Ridge needs at this time. Quarrels and maneuvers do not benefit any party and damages trust relationships between the governing bodies for the future, whether we are here or not. Finally, elected officials and senior staff are always targeted for blame and future elections are impacted. We know Oak Ridge.....things are not forgotten!

Oak Ridge High School is our pride and joy. We developed a funding formula to allow this improvement to occur and it has impacted our financial "credit card" through 2041. If additional revenues come forward, perhaps it can be paid off a few years earlier. Until then, the approximate \$750,000 generated by the sales tax is an essential contribution to the formula developed by Oak Ridgers in 2004 to avoid tax increases.

Meanwhile, there is a bigger "elephant" in the room. As a City, we essentially do NOT have the revenue levels to sustain the expected service levels of our community in the coming years. Continued deferral of capital repairs and replacement are compounding the demands on School and City officials alike. It is time for the City Council and the Board of Education to establish a course of action that may have some tough choices. Third party financing and cost/benefit analysis of repairs are in order. Consolidation of services may be required versus optional. It is hard to accept donations for various purposes, when the roof is leaking in schools that are owned by the City and managed by the Board of Education. It is difficult to match grants for bike trail projects, when higher priorities exist.

Prioritization is absolutely essential and must include City and School and greater community needs alike. The City CIP "wish list" is not enough. I believe the time has come for both groups to set up priorities that are essential to providing our services: eliminating mold problems in Fire Station #3, providing 9/11 level security in our Police Department and addressing building problems at Woodland School. We can continue to oversee our respective responsibilities, but when it comes to capital facilities and cooperative projects, the time has come to be decisive and focus on the best use of our monies. We are a small community that must spread costs among 29,000 residents. That means our costs may be higher than other communities and we won't be on the "Best Place to do Business" list, but we can be energetic, creative and cooperative in what needs to be done first.

I look forward to developing this program with the School Superintendent, but strongly suggest that we continue our financing of the Oak Ridge High School Bonds as committed to our voters in 2004 and move on to more detailed priorities for the City.

Respectfully,



Mark S. Watson
City Manager
City of Oak Ridge

IV. DEBT AND CAPITAL PROJECTS

Table of Contents

Debt Overview – All City Funds	IV-1
Debt Service Fund Overview	IV-3
Capital Projects Fund Overview	IV-10
Capital Improvements Programs Overview – All Funds	IV-13
Fiscal Year 2012	IV-15
I. Commercial / Residential Development	IV-15
II. Municipal Facilities	IV-16
III. Recreation and Parks	IV-17
IV. Transportation	IV-18
V. Utilities	IV-19
VI. Schools	IV-25

DEBT OVERVIEW – ALL CITY FUNDS

On page IV-2 is a summary of the City's outstanding \$168,029,711 in long-term debt as of June 30, 2011 by Fund. Also listed are the budgeted principal and interest payments for fiscal 2012. Almost all the City's debt is backed by the "full faith and credit" of the City, with the exception of \$4,990,000 in electric revenue bonds issued in 2003, which are backed solely by the net revenues of the electric system. The annual Debt Service payments for long-term debt issued for Enterprise Fund capital projects (Electric, Waterworks and Emergency Communication Funds) will be repaid by user charges for services provided by the operations accounted for in those Funds, rather than revenues generated through the City's taxing authority. There are currently no restrictions on the City's debt levels.

As of June 30, 2011 the outstanding principal balance of debt accounts through the Debt Service Fund was \$101,720,237. The description of this debt begins on page IV-3 of this document. Funding for annual debt service is provided from operating transfers from the General Fund; building and equipment rental charges from the Electric, Waterworks and Street Funds; and 18.18% of local sales tax collections in the Anderson portion of Oak Ridge to fund debt service on issuances related to the Oak Ridge High School project (ORHS).

The annual debt service payment on \$489,000 in outstanding debt used by the City to renovate the Scarboro Community Center is being funded through the Community Development Block Grant (CDBG) award and is being accounted for in the Grant Fund. \$975,000 in outstanding debt used to purchase fire trucks and computer software and equipment is being accounted for in the Equipment Replacement Rental Fund (ERRF) with annual debt service payments provided from existing cash reserves in the ERRF and charges for services to other City Funds for rental of this equipment.

As of June 30, 2011, there was \$64,845,474 in outstanding Enterprise Fund debt. Of this amount, \$23,970,934 is serviced by the Electric Fund, \$40,108,120 by the Waterworks Fund (water and wastewater services) and \$766,420 by the Emergency Communications District Fund. The debt service amortization schedules for Enterprise Fund debt are contained in the Enterprise Fund section of this document. The revenues generated by these Enterprise Funds will be utilized for the annual debt service payments on this debt.

During fiscal 2008, the City's Emergency Communications District entered into a capital lease purchase agreement for an 800 MHz radio system upgrade. These types of leases are accounted for as long-term debt.

The debt service payments by the City's utility funds impact user fees for electric, water and wastewater service. A rate study is prepared biennially to establish the user charges for these services. The City currently has \$1,403,435 in authorized and available loan proceeds that can be drawn upon for wastewater rehabilitation capital projects. Loan proceeds are drawn as the work occurs.

On September 27, 2010, the City received an administrative order (AO) from the United States Environmental Protection Agency regarding the City's wastewater system. The City has been given a timetable and actions to remedy the City's violations of the Clear Water Act. The amount of funds necessary to remedy the violations is not known at this time, however, it is anticipated that up to \$20,000,000 in new debt issuances will be required in fiscal 2012 to fund the required capital projects. Projected future utility rate increases are primarily the result of debt service requirements on debt issued to finance capital improvements. Significant rate increases for wastewater services are anticipated in fiscal 2012 as a result of this AO.

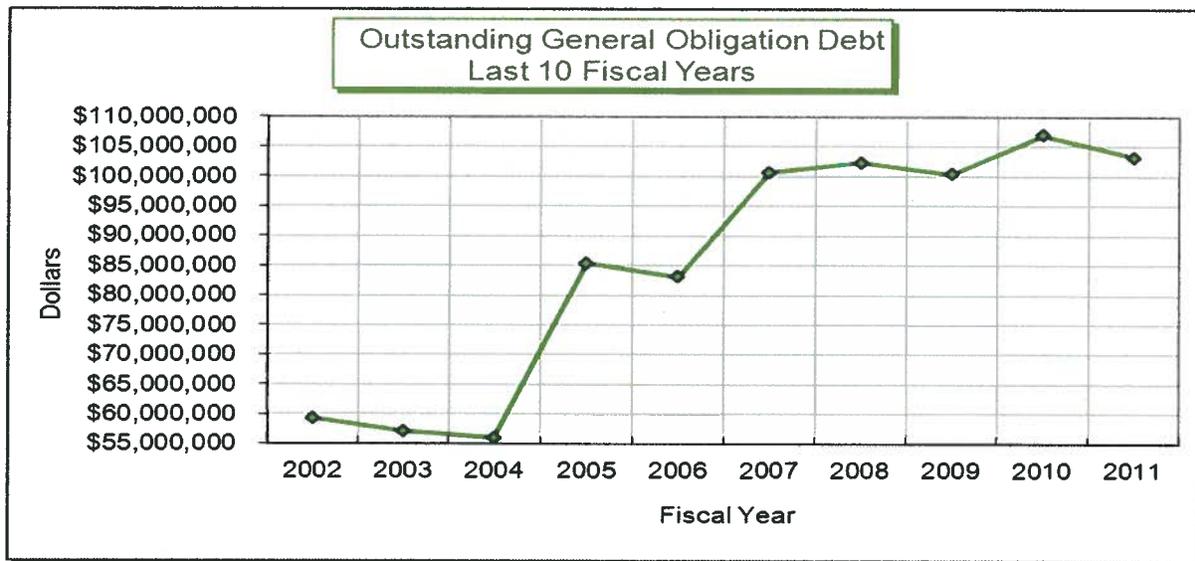
**CITY OF OAK RIDGE
SUMMARY OF LONG-TERM DEBT
BUDGET 2012**

Issues	Rate Type	Available For Draw	Projected Principal Outstanding 6/30/2011	Budget FY 2012 Principal	Budget FY 2012 Interest	Budget FY 2012 Total Debt Service
<u>DEBT SERVICE FUND</u>						
GO Bonds 2003 (Refunding)	Fixed	\$ -	\$ 3,560,000	\$ -	\$ 142,400	\$ 142,400
GO Bonds 2011 (Refunding)	Fixed	-	7,420,000	2,485,000	132,323	2,617,323
GO Bonds 2010 (Golf Course)	Fixed	-	4,860,000	405,000	155,844	560,844
GO Bonds 2009 (Refunding)	Fixed	-	17,215,000	-	775,700	775,700
Build America Bonds 2009B	Fixed	-	2,820,006	-	107,115	107,115
TMBF 1995	Variable	-	568,765	-	25,594	25,594
TMBF 2008	Variable	-	1,991,636	-	89,624	89,624
TMBF 2008 (ORHS)	Variable	-	5,760,652	-	259,229	259,229
GO Bonds 2005 (ORHS Debt) B-9-A	Fixed	-	14,750,000	200,000	658,313	858,313
TNLOANS 2006 (ORHS Debt) B-11-A	Fixed	-	5,325,000	-	232,969	232,969
TNLOANS 2004 (ORHS Debt) VII E-1	Fixed Swap	-	21,140,000	-	951,300	951,300
TNLOANS 2006 (ORHS Debt) VI-M-1	Fixed Swap	-	4,735,000	-	236,750	236,750
Build America Bonds 2009B (ORHS)	Fixed	-	6,479,994	-	268,138	268,138
QZAB Series 2004 (ORHS Debt)	Fixed	-	4,405,850	440,585	-	440,585
QZAB Series 2005 (ORHS Debt)	Fixed	-	688,334	68,834	-	68,834
TOTAL DEBT SERVICE FUND		\$ -	\$ 101,720,237	\$ 3,599,419	\$ 4,035,299	\$ 7,634,718
<u>GRANT FUND *Debt Service Funded By CDBG Grant</u>						
TMBF 2001	Variable	\$ -	\$ 489,000	\$ 72,000	\$ 22,005	\$ 94,005
<u>EQUIPMENT REPLACEMENT RENTAL FUND</u>						
GO Bonds 2003 (Refunding)	Fixed	\$ -	\$ 275,000	\$ 205,000	\$ 11,000	\$ 216,000
Build America Bonds 2009B	Fixed	-	700,000	-	17,916	17,916
TOTAL EQUIPMENT REPLACEMENT RENTAL FUND		\$ -	\$ 975,000	\$ 205,000	\$ 28,916	\$ 233,916
<u>ELECTRIC FUND</u>						
Revenue Bonds 2003 (Refunding)	Fixed	\$ -	\$ 4,990,000	\$ 1,000,000	\$ 219,700	\$ 1,219,700
2009 Bonds (Refunding)	Fixed	-	10,070,000	-	448,444	448,444
Build America Bonds 2009B	Fixed	-	5,000,000	-	196,804	196,804
TMBF 2006	Variable	-	2,457,638	122,765	110,594	233,359
TMBF 2008	Variable	-	1,453,296	-	65,398	65,398
TOTAL ELECTRIC FUND		\$ -	\$ 23,970,934	\$ 1,122,765	\$ 1,040,940	\$ 2,163,705
<u>WATERWORKS FUND</u>						
<u>Water</u>						
TMBF 1995	Variable	\$ -	\$ 1,033,409	\$ -	\$ 46,503	\$ 46,503
TMBF 2001	Variable	-	2,000,000	141,000	90,000	231,000
TMBF 2006	Variable	-	3,001,962	149,955	135,088	285,043
TMBF 2008	Variable	-	931,139	-	41,901	41,901
Capital Outlay Notes (General Fund)	Fixed	-	1,500,000	500,000	15,000	515,000
Build America Bonds 2009B	Fixed	-	2,920,000	-	110,949	110,949
GO Bonds 2003 (Refunding)	Fixed	-	1,034,926	194,049	41,397	235,446
TOTAL WATER DEBT		\$ -	\$ 12,421,436	\$ 985,004	\$ 480,838	\$ 1,465,842
<u>Wastewater</u>						
TMBF 1995	Variable	\$ -	\$ 1,770,326	\$ -	\$ 79,665	\$ 79,665
TMBF 2006	Variable	-	1,907,401	95,279	85,833	181,112
TMBF 2008	Variable	-	863,277	-	38,847	38,847
Build America Bonds 2009B	Fixed	-	2,080,000	-	79,032	79,032
GO Bonds 2003 (Refunding)	Fixed	-	1,205,074	225,951	48,203	274,154
Capital Outlay Notes (General Fund)	Fixed	-	3,500,000	1,666,667	35,000	1,701,667
State Revolving Loan 97	Fixed	-	7,524,255	553,092	297,456	850,548
State Revolving Loan 98	Fixed	-	3,239,786	225,948	126,732	352,680
State Revolving Loan 02	Fixed	1,403,435	5,596,565	-	214,348	214,348
TOTAL WASTEWATER DEBT		\$ 1,403,435	\$ 27,686,684	\$ 2,766,937	\$ 1,005,116	\$ 3,772,053
TOTAL WATERWORKS FUND		\$ 1,403,435	\$ 40,108,120	\$ 3,751,941	\$ 1,485,954	\$ 5,237,895
<u>EMERGENCY COMM. FUND</u>						
Capital Lease Agreement (Radio System Upgrade)		\$ -	\$ 766,420	\$ 112,734	38,167	150,901
TOTAL CITY DEBT		\$ 1,403,435	\$ 168,029,711	\$ 8,863,859	\$ 6,651,281	\$ 15,515,140

DEBT SERVICE FUND OVERVIEW

The Debt Service Fund is used for the accumulation of resources for the payment of principal and interest on general obligation long-term debt backed and funded by the full faith and credit of the City. This includes the debt service on Schools projects. City Charter prohibits the Schools from issuing long-term debt. The City issues the debt for school capital projects and provides funding for the annual debt service payments on those issuances. Over 80% of the City's outstanding general long-term debt accounted for in the Debt Service Fund was issued to provide funding for School capital projects. The use of general long-term debt is normally restricted to those capital improvements or projects that cannot be financed with current revenues, with the bonds repaid over a period less than or equal to the projects' useful life. Long-term debt for the City's Enterprise and Internal Service Funds are accounted for in those Funds rather than the Debt Service Fund.

Information regarding the City's outstanding general obligation debt as of June 30, 2010 is located in the Appendix of the document under Statistical Information. The City's General Obligation Bonds are rated "Aa3" by Moody's Investor Service and "AA" by Standard and Poor's. Below is a graph of the City's outstanding general obligation debt for the past 10 fiscal years. The spike in fiscal 2005, 2007 and 2010 is due to the issuance of \$59,529,354 in debt for the Oak Ridge High School Project.



The following is a summary of the City's general obligation debt issuances since 1998 for the debt service payments that are accounted for in the Debt Service Fund. The bond proceeds and the related capital expenditures for these issuances are accounted for in the Capital Projects Fund.

\$10,000,000 in General Obligation Bonds (GOB) and notes was issued in 1988 to fund the renovation of Willow Brook and Woodland Elementary Schools and the construction of Emory Valley Road and other street improvements.

\$5,385,000 in General Obligation Bonds were issued in 1989 to fund the construction of a new Glenwood Elementary School.

\$4,950,000 in General Obligation Bonds were issued in 1991 to fund the renovation of several municipal and sports facilities, the purchase of an 800 MHz trucking communications system, the renovation of the outdoor pool, the construction of a central fire station and the renovation of two existing fire stations.

\$11,150,000 in General Obligation Bonds were issued in 1995 for the renovation of the High School and two City Middle Schools.

A \$1,247,994 variable rate loan was obtained in fiscal 1995 from the Tennessee Municipal Bond Fund for the purchase of land for a new Roane State Community College Campus in Oak Ridge and storm drainage improvements.

\$16,000,000 in General Obligation Bonds were issued in 1996 to fund construction of a new City Central Service Complex and various other City and School facility improvements and equipment, including construction of three baseball/softball fields at Parcel 457, Briarcliff/Laboratory Road extension, purchase of the Library MARC system and improvements at Linden Elementary School, including construction of a stage and the addition of an elevator to meet ADA requirements.

A \$3,213,000 variable rate loan was obtained in 1998 through the TN-LOANs program to fund demolition and remediation of the old Central Service Complex site, street resurfacing including Rutgers Avenue, storm water drainage improvements, Schools ADA enhancements and Willow Brook Elementary wall repairs, Melton Lake Greenway construction and other City building improvements.

On August 1, 1998, the City issued \$7,275,000 in Golf Course Revenue and Tax Bonds related to construction and equipping of the City-owned Tennessee Centennial Golf Course. This debt is backed by the full faith and credit of the City of Oak Ridge. This debt was refunded in fiscal 2010.

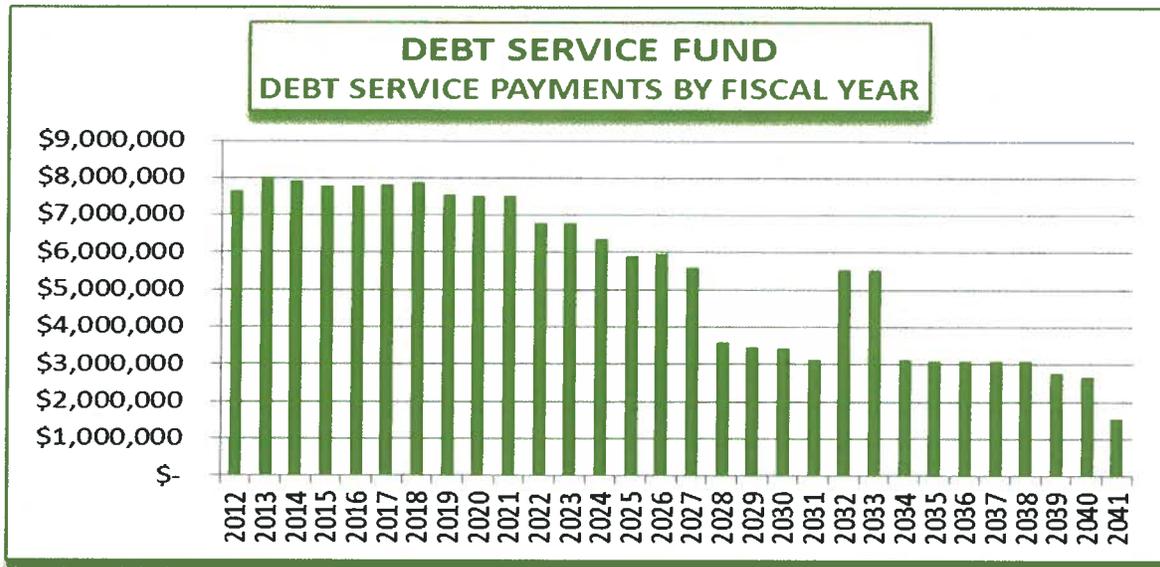
\$10,000,000 in General Obligation Bonds were issued in FY 2000 with the bond proceeds split equally on City and School capital improvements. School projects include American Disabilities Act (ADA) renovations and replacement of windows at various school buildings, roof and chiller replacement at Linden Elementary School, upgrades to the auditoriums at the High School and two Middle Schools and system wide technology upgrades. City projects include storm water drainage improvements, which includes the Mitchell Road and Emory Creek Projects, City share of the State roadway expansion into the City's southwest quadrant, completion of Phase II and Phase III of the Melton Lake greenway and the Emory Valley Road greenway, expansion of the Animal Shelter to house the City's two K-9 dogs and numerous building and recreation facility improvements.

\$66,522,506 in long-term debt has been issued for the construction and renovation of the Oak Ridge High School (ORHS) project. \$8,081,860 has been issued through the Tennessee State School Board Authorities Qualified Zone Academy Projects (QZAB) program. The QZAB program provides interest free loans to school systems that meet certain criteria. \$25,875,000 has been issued utilizing an interest rate SWAP, \$26,804,994 through fixed rate debt issuances and \$5,760,652 in variable interest rate issuances. An additional \$1,991,636 in variable interest rate debt was issued during fiscal 2008 for miscellaneous school capital including roofs, HVAC's, gas packs and coolers.

In November 2009, the City issued \$20,000,000 in Build America Bonds (BABS) of which \$9,300,000 was utilized to fund projects whose debt will be serviced by the Debt Service Fund. \$6,479,994 was utilized to complete the ORHS project and \$1,453,366 used for City and \$1,366,640 used for School miscellaneous capital projects. The remaining BABS bond proceeds were used for Waterworks and Equipment Replacement Rental Fund capital.

Since 1988, there have been 8 bond refundings, which consolidated and lowered the interest rate on the outstanding debt on the above debt issuances.

The outstanding principal balance of long-term debt funded through the Debt Service Fund is projected to be \$101,720,237 at June 30, 2011. Pages IV-9 contains the summary amortization schedule for Debt Service Fund Debt. A graph of debt service payments by fiscal year is below. Of this amount, \$34,196,053 is in variable interest rate debt, which includes \$25,875,000 in interest rate SWAPs. For budget purposes, these were estimated using a 4.50% interest rate.



Major Revenue/Other Financing Sources

Revenues and Other Financing Sources for the Debt Service Fund are budgeted at \$7,121,946 for fiscal 2012, a \$688,108 reduction for fiscal 2011 levels.

On August 5, 2004, the citizens in the Anderson County portion of Oak Ridge overwhelmingly voted to increase the local sales tax option from 2.25% to the state maximum of 2.75%, with the additional tax proceeds being legally restricted to fund the renovation, construction and related debt service of the ORHS project. The sales tax rate increase became effective with sales beginning on October 1, 2004. In May 2006, Anderson County voted by referendum to supersede the City's local sales tax option increase. The .50% additional local sales tax proceeds are now split with Anderson County who then reallocates the proceeds to all city and county school systems. 18.18% of the City and Schools local sales tax proceeds received through Anderson County will be allocated to funding the annual debt service on the ORHS project debt.

Revenues include \$2,132,000 from local sales tax proceeds, \$892,732 from building rental from the Electric, Waterworks and Streets Funds to provide funding for the debt service on \$12.7 million borrowed in fiscal 1996 to construct a new Central Service Center Complex and \$40,000 in interest earnings. Sales tax collections are budgeted to increase 111,000 based on current collection patterns. Interest earnings are budgeted down \$70,000 due to very low interest rates related to national economic issues

The \$4,057,214 budget from Other Financing Sources includes an operating transfer from the General Fund budgeted at \$3,045,000, \$511,863 in contributions from the Oak Ridge Foundation and a \$500,351 contingency budgeted for variances due to future debt issuances. There are no new debt issuances planned for fiscal 2012 at this time. The Oak Ridge Public Schools Education Foundation has been working to raise private contributions in support of for the ORHS project. It is anticipated that the Foundation will continue to provide funding to the City to pay the annual debt service on the QZAB bonds. The operating transfer from the General Fund declined by \$500,000 over the prior fiscal year due to saving achieved from bonds refunded during fiscal 2011.

Major Expenditure Areas

Fiscal 2012 projected debt service obligations on existing and future debt totaled \$8,142,000. The appropriation also includes a \$500,351 contingency for fluctuations in variable rate debt and for timing variances on future debt issuances. The only debt issuances during fiscal 2011 were to refund existing bonds.

**DEBT SERVICE FUND
BUDGET SUMMARY**

	ACTUAL 2010	BUDGET 2011	PROJECTED 2011	BUDGET 2012	BUDGET 12 vs 11	%
						CHANGE
REVENUES:						
4187 Sales Tax Proceeds (High School Project)	2,129,490	2,021,000	2,132,000	2,132,000	111,000	5.5
4467 City Building Rentals	892,732	892,732	892,732	892,732	0	0.0
4610 Interest	30,206	110,000	35,000	40,000	(70,000)	-63.6
Total Revenues	3,052,428	3,023,732	3,059,732	3,064,732	41,000	1.4
EXPENDITURES:						
Debt Issuances for City Capital Projects:						
12151 TMBF 1994 Variable Rate Loan	1,010	25,594	5,000	25,594	0	0.0
12175 General Obligation Bond Refunding 2003	385,356	386,585	386,077	129,503	(257,082)	-66.5
12177 General Obligation Bond Refunding 2009	69,350	69,364	69,350	69,350	(14)	0.0
12173 Public Improvements, Series 2001	2,079,259	2,072,159	2,110,107	2,037,001	(35,158)	-1.7
12200 Golf Course	526,018	562,635	562,750	561,484	(1,151)	-0.2
Total City Projects	3,060,993	3,116,337	3,133,284	2,822,932	(293,405)	-9.4
Debt Issuances for School Capital Projects:						
12120 Oak Ridge High School Project Issuances	2,495,657	3,007,799	2,533,261	3,052,925	45,126	1.5
12176 General Obligation Bond Refunding 2003	39,021	39,145	39,094	13,114	(26,031)	-66.5
12178 General Obligation Bond Refunding 2009	706,754	706,841	706,754	706,754	(87)	0.0
12158 TMBF 2008 Variable Rate Loan	12,117	89,624	13,000	89,624	0	0.0
12174 Public Improvements, Series 2001	592,566	590,542	601,357	580,523	(10,019)	-1.7
Total School Projects	3,846,115	4,433,951	3,893,466	4,442,940	8,989	0.2
12180 Build America Bonds 2009B	194,923	375,253	375,777	375,777	524	0.1
12999 Contingency (Issuance Cost, Admin & Misc.)	187,802	729,459	101,047	500,351	(229,108)	-31.4
Total Expenditures	7,289,833	8,655,000	7,503,574	8,142,000	(513,000)	-5.9
Excess (Deficiency) of Revenues over Expenditures	(4,237,405)	(5,631,268)	(4,443,842)	(5,077,268)	554,000	-9.8
OTHER FINANCING SOURCES						
Private Sources	402,146	511,863	403,366	511,863	0	0.0
Bond Proceeds	10,133,002	0	7,420,000	0	0	0.0
Bond Premium	112,802	0	151,047	0	0	0.0
Bonds Redeemed	(10,058,002)	0	(7,470,000)	0	0	0.0
Contingency	0	729,459	0	500,351	(229,108)	-31.4
Operating Transfers in:						
General Fund	3,500,000	3,545,000	3,545,000	3,045,000	(500,000)	-14.1
Capital Projects Fund	6,347,520	0	0	0	0	0.0
Total Other Financing Sources	10,437,468	4,786,322	4,049,413	4,057,214	(729,108)	-15.2
Excess (Deficiency) of Revenues and Other Sources over Expenditures	6,200,063	(844,946)	(394,429)	(1,020,054)	(175,108)	20.7
FUND BALANCE - 7/1	6,113,799	12,123,594	12,313,862	11,919,433	(204,161)	-1.7
FUND BALANCE - 6/30	12,313,862	11,278,648	11,919,433	10,899,379	(379,269)	(3.4)

DEBT SERVICE FUND EXPENDITURES	ACTUAL FY 2010	BUDGET FY 2011	PROJECTED FY 2011	BUDGET FY 2012	BUDGET 12 vs 11	% CHANGE
12120 ORHS RENOVATION ISSUANCES						
5210 Professional & Cont. Services	2,500	2,500	4,800	2,500	0	0.0
5439.1 Principal Retirement	100,000	150,000	150,000	200,000	50,000	33.3
5439.2 Interest Charges	<u>1,991,011</u>	<u>2,343,436</u>	<u>1,975,095</u>	<u>2,338,562</u>	<u>(4,874)</u>	<u>-0.2</u>
Total	2,093,511	2,495,936	2,129,895	2,541,062	45,126	1.8
12121 HIGH SCHOOL RENOVATION QZAB's						
5210 Fees	0	2,445	0	2,445	0	0.0
5439.1 Principal Retirement	<u>402,146</u>	<u>509,418</u>	<u>403,366</u>	<u>509,418</u>	<u>0</u>	<u>0.0</u>
Total	402,146	511,863	403,366	511,863	0	0.0
12180 BUILD AMERICA BONDS 2009B						
5210 Professional & Cont. Services	0	0	524	524	524	100.0
5439.1 Principal Retirement	0	0	0	0	0	0.0
5439.2 Interest Charges (Net Treasury Rebate)	<u>194,923</u>	<u>375,253</u>	<u>375,253</u>	<u>375,253</u>	<u>0</u>	<u>0.0</u>
Total	194,923	375,253	375,777	375,777	524	0.1
12151 TMBF 1994 VARIABLE RATE LOAN - CITY						
5439.1 Principal Retirement	0	0	0	0	0	0.0
5439.2 Interest Charges	<u>1,010</u>	<u>25,594</u>	<u>5,000</u>	<u>25,594</u>	<u>0</u>	<u>0.0</u>
Total	1,010	25,594	5,000	25,594	0	0.0
12158 TMBF 2008 VARIABLE RATE LOAN - SCHOOLS (ORHS PORTION IN 12120)						
5439.1 Principal Retirement	0	0	0	0	0	0.0
5439.2 Interest Charges	<u>12,117</u>	<u>89,624</u>	<u>13,000</u>	<u>89,624</u>	<u>0</u>	<u>0.0</u>
Total	12,117	89,624	13,000	89,624	0	0.0
12177 GENERAL OBLIGATION BONDS REFUNDING 2009 CITY						
5210 Professional & Cont. Services	36	50	36	36	(14)	-28.0
5439.1 Principal Retirement	0	0	0	0	0	0.0
5439.2 Interest Charges	<u>69,314</u>	<u>69,314</u>	<u>69,314</u>	<u>69,314</u>	<u>0</u>	<u>0.0</u>
Total	69,350	69,364	69,350	69,350	(14)	0.0
12178 GENERAL OBLIGATION BONDS REFUNDING 2009 SCHOOLS						
5210 Professional & Cont. Services	368	455	368	368	(87)	-19.1
5439.1 Principal Retirement	0	0	0	0	0	0.0
5439.2 Interest Charges	<u>706,386</u>	<u>706,386</u>	<u>706,386</u>	<u>706,386</u>	<u>0</u>	<u>0.0</u>
Total	706,754	706,841	706,754	706,754	(87)	0.0

DEBT SERVICE FUND EXPENDITURES	ACTUAL FY 2010	BUDGET FY 2011	PROJECTED FY 2011	BUDGET FY 2012	BUDGET 12 vs 11	% CHANGE
12173 GENERAL OBLIGATION BOND REFUNDING 2001 & 2011 - CITY						
5210 Professional & Cont. Services	156	156	156	156	0	0.0
5439.1 Principal Retirement	1,614,800	1,696,513	1,696,513	1,933,869	237,356	14.0
5439.2 Interest Charges	464,303	375,490	413,438	102,976	(272,514)	-72.6
Total	2,079,259	2,072,159	2,110,107	2,037,001	(35,158)	-1.7
12174 GENERAL OBLIGATION BOND REFUNDING 2001 & 2011 - SCHOOLS						
5210 Professional & Cont. Services	44	45	45	45	0	0.0
5439.1 Principal Retirement	460,200	483,487	483,487	551,131	67,644	14.0
5439.2 Interest Charges	132,322	107,010	117,825	29,347	(77,663)	-72.6
Total	592,566	590,542	601,357	580,523	(10,019)	-1.7
12175 GENERAL OBLIGATION BOND REFUNDING 2003 CITY						
5210 Professional & Cont. Services	197	704	197	197	(507)	-72.0
5439.1 Principal Retirement	238,817	247,898	247,897	0	(247,898)	-100.0
5439.2 Interest Charges	146,342	137,983	137,983	129,306	(8,677)	-6.3
Total	385,356	386,585	386,077	129,503	(257,082)	-66.5
12176 GENERAL OBLIGATION BONDS REFUNDING 2003 SCHOOLS						
5210 Professional & Cont. Services	20	71	20	20	(51)	-71.8
5439.1 Principal Retirement	24,183	25,102	25,102	0	(25,102)	-100.0
5439.2 Interest Charges	14,818	13,972	13,972	13,094	(878)	-6.3
Total	39,021	39,145	39,094	13,114	(26,031)	-66.5
12200 GENERAL OBLIGATION BONDS REFUNDING GOLF COURSE						
5210 Professional & Cont. Services	1,176	525	640	640	115	21.9
5439.1 Principal Retirement	275,000	380,000	380,000	405,000	25,000	6.6
5439.2 Interest Charges	249,842	182,110	182,110	155,844	(26,266)	-14.4
Total	526,018	562,635	562,750	561,484	(1,151)	-0.2
12999 CONTINGENCY						
5439.2 Future Debt, Issuance Cost, Admin & Misc.	187,802	729,459	101,047	500,351	(229,108)	-31.4
TOTAL DEBT SERVICE FUND EXPENDITURES	7,289,833	8,655,000	7,503,574	8,142,000	(513,000)	-5.9

GENERAL LONG-TERM DEBT
FUNDED THROUGH DEBT SERVICE FUND
AMORTIZATION SCHEDULE*
ESTIMATED AT 6/30/11

Fiscal Year	Principal	Interest	Total Requirements
2012	\$ 3,599,419	\$ 4,037,744	\$ 7,637,163
2013	4,004,418	3,984,970	7,989,388
2014	3,999,418	3,901,937	7,901,355
2015	3,959,419	3,807,679	7,767,098
2016	4,079,418	3,690,977	7,770,395
2017	4,285,140	3,541,277	7,826,417
2018	4,499,745	3,368,490	7,868,235
2019	4,329,669	3,209,757	7,539,426
2020	4,469,930	3,061,812	7,531,742
2021	4,645,564	2,879,666	7,525,230
2022	4,097,183	2,684,557	6,781,740
2023	4,298,626	2,496,005	6,794,631
2024	4,075,000	2,296,383	6,371,383
2025	3,805,000	2,093,623	5,898,623
2026	4,020,000	1,932,120	5,952,120
2027	3,857,288	1,749,545	5,606,833
2028	2,015,000	1,578,706	3,593,706
2029	1,985,000	1,482,356	3,467,356
2030	2,045,000	1,394,256	3,439,256
2031	1,820,000	1,304,031	3,124,031
2032	4,315,000	1,222,131	5,537,131
2033	4,515,000	1,027,956	5,542,956
2034	2,295,000	824,781	3,119,781
2035	2,390,000	721,506	3,111,506
2036	2,490,000	613,956	3,103,956
2037	2,600,000	501,906	3,101,906
2038	2,725,000	388,156	3,113,156
2039	2,500,000	268,938	2,768,938
2040	2,500,000	169,000	2,669,000
2041	1,500,000	63,375	1,563,375
TOTAL	\$ 101,720,237	\$ 60,297,599	\$ 162,017,836

*Excludes Unissued Debt and Contingency Amounts

CAPITAL PROJECTS FUND OVERVIEW

This Capital Projects Fund is used to account for financial resources segregated for the acquisition, construction or renovation of major City and School capital facilities other than those financed by Enterprise Funds. By charter, the Oak Ridge Schools cannot issue debt. Expenditures for major School capital projects are accounted for in the Capital Projects Fund and are financed primarily either through long-term debt issued by the City and/or capital maintenance reserves funded by operating transfers from the City General Fund.

Major Revenue/Other Financing Sources

Revenues and Other Financing Sources for fiscal 2012 total \$4,149,221, a \$1,035,950 increase over the prior fiscal year. Funding for 2012 will be provided primarily from a \$2,012,000 operating transfer from the General Fund, \$607,652 in grant funding for construction of Phase IV of the Melton Lake Greenway and existing cash reserves. There are no new debt issuances planned for fiscal 2012.

For the past several years, the City has been funding capital maintenance projects through the issuance of long-term debt. The funding of these type items through the issuance of long-term debt is eroding the City's debt capacity, in addition to the required borrowings for major renovations or construction projects. In fiscal 2001, a program was recommended to City Council to finance capital projects costing between \$10,000 and \$300,000 from operating transfers from the General Fund to the Capital Projects Fund rather than through the issuance of long-term debt. The initial operating transfer in 2001 was for \$410,000 with the intent of gradually increasing the transfer amount each fiscal year until the required annual funding level of approximately \$1.5 to \$1.8 million is achieved. During fiscal 2010, these operating transfers were stopped in order to maintain an adequate fund balance in the General Fund and stabilize the property tax rate. In fiscal 2011, the General Fund transfer amount was increased to \$476,271. The General Fund operating transfer for fiscal 2012 is budgeted at \$2,012,000 which includes resumption of full funding of capital maintenance projects at \$1,500,000, \$500,000 for a pledge by the City toward expansion of the Roane State Community College campus located in Oak Ridge and \$12,000 to accumulate funds for the renovation of the City's Senior Center.

Revenues and expenditures both contain \$1,524,569 in contingency funding for project timing variances between fiscal years and emergency capital maintenance projects.

Major Expenditures Areas

Capital improvements totaling \$4,500,000 are budgeted for fiscal 2012. \$750,000 is budgeted for the School capital maintenance and site improvement projects and \$2,225,431 is for City capital maintenance projects. The budget includes a \$1,524,569 contingency for unplanned or timing variances in capital projects.

Major City capital improvements of \$2,225,431 budgeted for fiscal 2012 include storm water drainage improvements, parking lot maintenance, sidewalk improvements, continuation of upgrades to the City's recreational facilities to comply with the American Disabilities Act (ADA), City building improvements and upgrades, rowing improvements at the Marina and replacement of fencing, lighting and play equipment at miscellaneous parks throughout the City. \$758,431 is budgeted for the construction of Phase IV of the Melton Lake Greenway with \$607,652 of the project to be funded through grant proceeds.

Major School capital improvements, other than the ORHS project, are budgeted at \$750,000 for fiscal 2012 and include boilers, air handlers, gas packs and system-wide carpet replacement and asbestos abatement.

Current budget allotments allow for \$750,000 each in annual budgeted funds for City and School capital projects to be financed from the annual operating transfer from the General Fund. A more in-depth presentation of planned City and School capital projects is located in the Capital Improvements Program 2012-2017 document.

**CAPITAL PROJECTS FUND
BUDGET SUMMARY**

	ACTUAL 2010	BUDGET 2011	PROJECTED 2011	BUDGET 2012	BUDGET 12 vs 11	% CHANGE
REVENUES:						
4610 Interest on Investments	10,239	35,000	4,500	5,000	(30,000)	-85.7
4800 TN Energy Efficiency & Conservation Block Grant	-	80,000	-	-	(80,000)	(100)
4830 Greenways Grants	-	611,000	3,348	607,652	(3,348)	-0.5
TOTAL REVENUES	10,239	726,000	7,848	612,652	(113,348)	-15.6
EXPENDITURES:						
School Expenditures:						
29201 Willowbrook Elementary	16,725	-	-	63,000	63,000	100.0
29202 Woodland Elementary	126,639	-	-	72,000	72,000	100.0
29203 Glenwood Elementary	13,098	-	-	-	-	0.0
29204 Oak Ridge High School Renovations	100,997	-	-	-	-	0.0
29205 Jefferson Jr High Renovations	18,726	-	59,596	250,000	250,000	100.0
29217 Oak Ridge High School Project	69,391	-	-	-	-	0.0
29206 Robertsville Middle School	124,911	350,000	322,517	-	(350,000)	-100.0
29207 School Equipment/Technology	75,600	-	44,286	-	-	0.0
29210 Linden Elementary	338,181	300,000	-	100,000	(200,000)	-66.7
29211 Miscellaneous Site Improvements:	62,260	25,000	-	50,000	25,000	100.0
29211 Carpet Replacement	-	50,000	-	50,000	-	0.0
29212 Asbestos Abatement	-	-	-	165,000	165,000	100.0
Total School Expenditures	946,528	725,000	426,399	750,000	25,000	3.4
City Expenditures:						
29300 Roane State Community College	-	-	-	500,000	-	100.0
29100 Administrative & Issue Costs	146,723	-	-	-	-	0.0
29307 Municipal Building Improvements:						
Security Upgrades & Renovations	(61,863)	47,000	67,000	300,000	253,000	538.3
Roof Replacement	11,446	390,000	247,449	-	(390,000)	-100.0
Exterior Doors and Awnings	-	55,000	-	55,000	-	0.0
Convert police drive-in to meeting room	-	95,000	-	-	(95,000)	-100.0
29318 Central Services Complex						
HVAC Management System	-	100,000	-	42,000	(58,000)	-58.0
Air Compressor Replacement	-	10,000	10,000	-	(10,000)	-100.0
Replace gate operators	-	10,000	10,000	-	(10,000)	-100.0
Replace in-ground lifts	-	30,000	30,000	-	(30,000)	-100.0
29322 Storm Water Drainage	(321,697)	100,000	50,000	100,000	-	0.0
29332 Intersection Improvements	(15,255)	-	-	-	-	0.0
29326 Parking Lot Maintenance	(7,402)	50,000	15,000	50,000	-	0.0
29333 Sidewalk Construction/Maintenance	9,898	30,000	10,000	90,000	60,000	200.0
29336 Park Meade Road Area Slope	317,461	-	13,088	-	-	0.0
29341 Library HVAC Controls	-	-	24,200	-	-	-
29999 Miscellaneous	-	32,000	-	-	(32,000)	0.0

**CAPITAL PROJECTS FUND
BUDGET SUMMARY**

	ACTUAL 2010	BUDGET 2011	PROJECTED 2011	BUDGET 2012	BUDGET 12 vs 11	% CHANGE
City Expenditures (Continued)						
29402 Soccer Complex	3,961	-	-	-	-	0.0
29317 Recreation Facility ADA Improvements	-	30,000	30,000	30,000	-	0.0
29400 BallField Lights	65,914	80,000	80,000	80,000	-	0.0
29493 Emory Valley Road Greenway	(2,747)	-	-	-	-	0.0
29400 Misc. Recreation	-	-	14,681	-	-	0.0
Field Fencing	-	25,000	25,000	25,000	-	0.0
Bleachers Replacement	-	50,000	50,000	-	(50,000)	-100.0
29494 Greenways Phase IV	(153)	765,000	6,569	758,431	(6,569)	-0.9
29403 Pinewood Park	(21,405)	-	-	-	-	0.0
29405 Oak Ridge Marina Rowing Improvements	-	-	-	75,000	75,000	100.0
29409 Big Turtle Park - Parking Lot Rehab	-	-	-	50,000	50,000	100.0
29411 Carl Yearwood Park - Parking Lot Rehab	-	35,000	35,000	-	(35,000)	-100.0
29412 Cedar Hill Park	-	180,000	180,000	-	(180,000)	-100.0
29413 Elm Grove Park	5,308	-	-	40,000	40,000	100.0
29415 Highland View Park	(4,514)	-	-	-	-	0.0
29416 LaSalle Park	46,606	-	77,528	30,000	30,000	100.0
29420 Elza Gate Park - Parking	16,990	-	72,350	-	-	0.0
29430 Indoor Pool - Filtration System	27,656	-	-	-	-	0.0
Total City Expenditures	<u>216,927</u>	<u>2,114,000</u>	<u>1,047,865</u>	<u>2,225,431</u>	<u>(388,569)</u>	<u>-18.4</u>
29999 Project Carryforward and Emergency Projects	-	1,911,000	-	1,524,569	(386,431)	-20.2
TOTAL EXPENDITURES	<u>1,163,455</u>	<u>4,750,000</u>	<u>1,474,264</u>	<u>4,500,000</u>	<u>(250,000)</u>	<u>-5.3</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,153,216)	(4,024,000)	(1,466,416)	(3,887,348)	136,652	3.4
<u>OTHER FINANCING SOURCES (USES):</u>						
Other Financing Sources and Transfers In:						
Long-Term Debt Proceeds	8,949,917	-	-	-	-	0.0
Contingency Funding	-	1,911,000	-	1,524,569	(386,431)	-20.2
General Fund	79,975	476,271	476,271	2,012,000	1,535,729	322.4
Transfers out:						
Debt Service Fund	(6,347,520)	-	-	-	-	0.0
Total Other Financing Sources (Uses)	<u>2,682,372</u>	<u>2,387,271</u>	<u>476,271</u>	<u>3,536,569</u>	<u>1,149,298</u>	<u>48.1</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Uses	1,529,156	(1,636,729)	(990,145)	(350,779)	1,285,950	-78.6
FUND BALANCE - 7/1	<u>859,020</u>	<u>1,818,616</u>	<u>2,388,176</u>	<u>1,398,031</u>	<u>(420,585)</u>	<u>-23.1</u>
FUND BALANCE - 6/30	<u>2,388,176</u>	<u>181,887</u>	<u>1,398,031</u>	<u>1,047,252</u>	<u>865,365</u>	<u>475.8</u>

CAPITAL IMPROVEMENTS PROGRAMS OVERVIEW – ALL FUNDS

Beginning on page IV-14, is a summary and description of citywide capital improvement projects budgeted for fiscal 2012. The summary on page IV-14 outlines the projects by funding source.

The projects funded by the Capital Projects Fund are financed by a combination of long-term debt proceeds and existing fund balance created from operating transfers from the General Fund. The long-term goal is to fund major capital projects through the issuance of long-term debt and routine capital maintenance through the accumulated annual operating transfers from the General Fund. The break between routine and major is currently being defined at the \$300,000 level. The major budgeted projects in the Capital Projects Fund in fiscal 2012 are various capital maintenance improvements to City and School building and recreational facilities and includes a \$500,000 donation for the expansion of the Oak Ridge campus of Roane State Community College.

The Electric and Waterworks Fund capital improvements will be funded through a combination of long-term debt and existing cash generated through the applicable user rates for those services. The City currently has \$1,403,435 in authorized and available loan proceeds that can be drawn for wastewater rehabilitation capital projects. This debt is in the form of draw loans, which are drawn down as capital expenditures occur over the next year. The City is currently under an Administrative Order (AO) from the United States Environmental Protection Agency (EPA) to remedy violations of the Clean Water Act that occurred through the City's wastewater system. This order will result in an estimated \$15,000,000 in debt issuances and will require a significant increase in wastewater rates. The amounts and timing of debt to be issued and the impact on the wastewater rates was not determined at the time the fiscal 2012 budget was prepared. An estimated \$6,500,000 in capital required by the EPA AO was used for 2012 budget purposes.

Capital improvement projects accounted for in the State Street Aid Fund are funded through an operating transfer from the General Fund and state shared tax revenues. The capital improvement level in this Fund should remain fairly constant from year-to-year.

At the end of each calendar year, a Capital Improvements Program (CIP) document is prepared that outlines the City's capital needs for the next six years. City staff drafts the document and then it is forwarded to the Oak Ridge Regional Planning Commission for review. A detail sheet is prepared outlining the need and cost of each capital project. The final adopted CIP is then incorporated into the City's annual budget document. Please refer to the CIP 2012-2017 document for a more in-depth discussion of the capital projects presented in this budget document.

**SUMMARY OF CAPITAL IMPROVEMENT PROGRAMS
FISCAL YEAR 2012**

PROJECT DESCRIPTION	CAPITAL PROJECTS FUND	ELECTRIC FUND	WATERWORKS FUND	OTHER CITY FUNDS	STATE/ FEDERAL/ PRIVATE	TOTAL CAPITAL PROJECTS
OAK RIDGE CENTRAL SERVICE COMPLEX	\$ 42,000	\$ -	\$ -	\$ -	\$ 100,000	\$ 142,000
OAK RIDGE MUNICIPAL BUILDING	355,000					355,000
PARKING LOT MAINTENANCE	50,000					50,000
ROANE STATE COMMUNITY COLLEGE	500,000					500,000
RECREATION FACILITY ADA IMPROVEMENTS	30,000					30,000
FENCING REPLACEMENT	25,000					25,000
GREENWAY IMPLEMENTATION	150,779				607,652	758,431
ELM GROVE PARK	40,000					40,000
LASALLE PARK	30,000					30,000
LIGHT FIXTURE REPLACEMENT AT BALL FIELDS	80,000					80,000
PARKING LOT CONSTRUCTION/REHAB (Big Turtle)	50,000					50,000
ROWING IMPROVEMENTS	75,000					75,000
SIDEWALK IMPROVEMENTS	90,000			30,000		120,000
STREET RESURFACING & CITY-OWNED PARKING LOTS				950,000		950,000
STATE ROUTE 95/58 ROAD IMPROVEMENTS / R-O-W & CONST.					15,000,000	15,000,000
STORM WATER PROGRAM, EPA NPDES	100,000					100,000
EPA MANDATE (ESTIMATED)			6,500,000			6,500,000
STREET LIGHT IMPROVEMENT PROGRAM		65,000				65,000
FACILITIES EXPANSION FOR NEW LOADS AND SERVICES		455,000				455,000
ROUTINE EXPANSION, MAINTENANCE AND MINOR ADDITIONS		675,000				675,000
ELECTRIC SUBSTATION IMPROVEMENTS		100,000				100,000
DISTRIBUTION SYSTEM IMPROVEMENTS		1,750,000				1,750,000
TRAFFIC SIGNAL, PUBLIC & PRIVATE LT MAINT./IMPROVEMENTS		110,000				110,000
SCADA AND REMOTE METERING		1,030,000				1,030,000
WATER TREATMENT PLANT CAPITAL IMPROVEMENTS			1,650,000			1,650,000
WATER BOOSTER STATION UPGRADES			100,000			100,000
WATER DISTRIBUTION SYSTEM REHABILITATION			570,000			570,000
WEST END / WATER/K-25 WTP IMPROVEMENTS					250,000	250,000
WEST END / ETPP WASTEWATER SYSTEM IMPROVEMENTS					250,000	250,000
WEST END / RARITY RIDGE RIVER CROSSING - WATER			750,000		750,000	1,500,000
ASBESTOS ABATEMENT - SYSTEMWIDE	165,000					165,000
JEFFERSON MIDDLE SCHOOL	250,000					250,000
LINDEN ELEMENTARY SCHOOL	100,000					100,000
SYSTEM WIDE SIDEWALK/CARPET REPLACEMENT	50,000					50,000
WILLOW BROOK ELEMENTARY SCHOOL	63,000					63,000
WOODLAND ELEMENTARY SCHOOL	72,000					72,000
SCHOOL CAPITAL MAINTENANCE-MISCELLANEOUS	50,000					50,000
TOTAL CAPITAL IMPROVEMENT PROGRAMS	\$ 2,367,779	\$ 4,185,000	\$ 9,570,000	\$ 990,000	\$ 16,957,652	\$ 34,060,431

Capital Improvements Program Fiscal Year 2012

I. Commercial / Residential Development

1. West End Development & Expansion

In June of 1999, eight "Partners for Progress" consisting of the City of Oak Ridge, Roane County, Anderson County, Department of Energy (DOE), Tennessee Valley Authority (TVA), State of Tennessee, Boeing-Oak Ridge, and The Community Reuse Organization of East Tennessee (CROET), entered into a Memorandum of Understanding (MOU) for the partners to work together to find sources of funding for the installation of infrastructure, projected to cost \$15.2 million, to five large parcels of land in the Oak Ridge portion of Roane County. Since that time, a 1,400 acre parcel of land is now being developed as a residential/commercial community known as Rarity Ridge and a 957 acre parcel has been developed by CROET as an industrial park.

Construction of water service infrastructure to the initial phase of Rarity Ridge has been completed. This includes a connection to Cumberland Utility District, a booster pump station, elevated storage tank and all interconnecting piping. A new Wastewater Treatment Plant (WWTP) with a permitted capacity of 0.6 MGD has been completed to handle the Rarity Ridge development, Horizon Center and the DOE owed East Tennessee Technology Park. The City has acquired the on-site water infrastructure at Horizon Center and on May 29, 2009 DOE transferred ownership of water and wastewater infrastructure located at the ETPP site to the City, which included a 4.0 million per day capacity water treatment plant, raw water intake station, two water storage tanks with a 4.0 million combined capacity, five wastewater-pumping stations and water and sewer lines. The City was awarded a Federal Grant to assist with interconnecting the ETPP Water Treatment Plant (WTP) and the Rarity Ridge water system.

CROET has completed construction of the force main between ETPP and Horizon Center. Additional work by CROET includes a new pump station and force main from Heritage Center to the new Rarity WWTP. The City's WWTP at the Clinch River Industrial Park is over 30 years old and needs to be replaced as quickly as its flow can be directed toward the system at Heritage Center, and ultimately to the Rarity Ridge plant.

Funding Source and Projects

Waterworks Fund (ETPP Paid Indirectly through DOE Contract)	\$1,250,000
Federal Funds EPA Grant	<u>750,000</u>
TOTAL	<u>\$2,000,000</u>
Rarity Ridge River Crossing	
Waterworks Fund	\$ 750,000
EPA Grant for Matching Funds	750,000
ETPP Water System	250,000
ETPP Wastewater System	<u>250,000</u>
TOTAL	<u>\$2,000,000</u>

Operational Impact: As this project moves forward, additional costs for operation and maintenance will be incurred and are included in this item. With the assumption of the water and sewer infrastructure as well as the roadways within ETPP, in fiscal 2009 a five position west end maintenance crew was added as well as one water plant operator to handle the demands of the west end systems at ETPP, Horizon and Rarity Ridge. DOE is funding water and wastewater operational costs for west end utilities through its contractor URS/CH2M through May 2013.

2. Roane State Community College – Oak Ridge Campus Donation

In May 2009, the City agreed to provide \$500,000 in funding toward a new building for the Oak Ridge Roane State Community College campus if sufficient state funding could be obtained to construct the facility. In January, 2011 the City was notified that Roane State received a \$9,000,000 state grant for the project and requested the \$500,000 funding from the City in 2012.

Funding Source	
Capital Projects Fund	<u>\$500,000</u>
Operational Impact: None	
TOTAL COMMERCIAL/RESIDENTIAL DEVELOPMENT	<u>\$2,500,000</u>

II. Municipal Facilities

1. Renovations/Additions to Municipal Facilities (Capital Maintenance)

This project provides for improvements to existing City-owned facilities. In fiscal 2011, the City was awarded \$100,000 Tennessee Energy Efficiency and Conservation Block Grant. The funds will be used to purchase and install a direct digital control system for the Central Services Complex. \$355,000 in funding has been allocated to remodel, particularly the police area, and enhance security and ADA access for the City's Municipal Building. \$50,000 in funding has been allotted to resurface and maintain the City's various parking lots on an as needed basis.

Funding Source and Projects	
Capital Projects Fund	\$447,000
State of Tennessee and Federal Funding	<u>100,000</u>
TOTAL	<u>\$547,000</u>
Oak Ridge Central Service Complex	\$142,000
Oak Ridge Municipal Building	355,000
Parking Lot Maintenance	<u>50,000</u>
TOTAL	<u>\$547,000</u>

Operational Impact: The installation of a direct digital control system is expected to provide a 10% to 25% (currently \$21,900 to \$54,725) in annual saving in combined electrical and gas consumption for the Central Services Complex. The remodeling projects will have minimal impact on operations. Performing routine maintenance of parking lots reduces the likelihood of much more expensive lot reconstruction.

TOTAL MUNICIPAL FACILITIES **\$547,000**

III. Recreation and Parks

1. Greenway Implementation – Melton Lake Phase IV

A Greenway is a system of walking trails connecting the City's greenbelts. The advantage is to bring parkland nearer to all Oak Ridge citizens. The Citywide system recommended by the Greenway Task Force has been endorsed by City Council. These greenways are being funded through a combination of City and grant money from the Tennessee Department of Transportation (TDOT).

Funding Source

Capital Projects Fund	\$150,779
Tennessee Department of Transportation Grants	<u>607,652</u>
TOTAL	<u>\$758,431</u>

Operational Impact: Maintenance cost is estimated at \$220 per mile per year.

2. Construction and Improvement of Various Park and Recreation Facilities

Capital maintenance funding will be utilized for various recreational facility improvements. The comprehensive plan outlines the development or improvement of a neighborhood park within walking distance of each neighborhood. The City is continuing its ongoing process to make upgrades and enhancements to City owned playgrounds to comply with standards by the American Disabilities Act (ADA), Consumer Product Safety Council (CPSC) and American Society for Testing and Materials (ASTM).

Fiscal Year 2012 projects include improvement and reconstruction of the basketball courts at Elm Grove and LaSalle Parks, replacement of fencing and lighting at athletic fields that have been damaged by deterioration, vandalism and age as dictated by security and safety concerns, and overlaying the parking lot surface at Big Turtle Park. The rowing venue on Melton Hill Lake will be upgraded to include new docks, timing device, expansion of the existing boathouse, widening the course and dredging near the start line.

Funding Source and Projects

Capital Projects Fund		<u>\$330,000</u>
ADA Compliant Playgrounds (Renovation)	\$ 30,000	
Elm Grove Park	40,000	
LaSalle Park	30,000	
Rowing Improvements	75,000	
Fencing Replacement	25,000	
Light Fixtures Replacement	80,000	
Parking Lot Construction/Rehab	<u>50,000</u>	
TOTAL		<u>\$330,000</u>

Operational Impact: Most projects are to maintain existing infrastructure, which minimizes future more costly repairs/replacements from both a maintenance and safety perspective. Enhancing the rowing venue will increase the City's opportunity to attract national and international rowing events and regattas to the City. The tourism revenue generated by these events should offset the costs of the maintaining the new rowing infrastructure.

TOTAL RECREATION AND PARKS **\$1,088,431**

IV. Transportation

1. Street Resurfacing including City-Owned Parking Lots (Maintenance)

This program funds the City's Enhanced Pavement Maintenance Program and provides for annual resurfacing of designated city streets in a manner, which utilizes both corrective and preventative maintenance strategies. Corrective maintenance includes the use of conventional hot-mix asphalt overlays along with pavement milling where necessary, and is used to rehabilitate and correct streets that are deteriorated and/or have poor pavement conditions. Preventative maintenance strategies include the application of thin micro-surface overlays and the application of asphalt rejuvenating surface treatments. These strategies are used to extend the life of street pavements that are still in good to excellent condition.

In addition to resurfacing streets, this program also includes resurfacing of city-owned parking lots that are in poor condition including such parking lots as those located in the Grove Center and Jackson Square commercial area and various city parks.

Funding Source

State Street Aid	<u>\$950,000</u>
------------------	------------------

Operational Impact: By resurfacing or rejuvenating streets on an as needed basis, this project reduces the overall cost and amount of maintenance required for City streets. This project is performed under contract with minimal impact on operations.

2. Sidewalk Improvements

Rehabilitation of existing sidewalks will continue throughout the City.

Until such time that the State grant funding becomes available for new sidewalk construction, efforts will be concentrated on rehabilitation of existing sidewalks. The construction of new sidewalks will resume should additional State funds become available.

Approximately 100 miles of concrete and asphalt sidewalks are located throughout Oak Ridge. Many of the existing sidewalks are 30+ years old and the cost of repairing sidewalks and handicap ramps has significantly increased. Funding levels increased by \$30,000 for fiscal 2012 which will aid in keeping sidewalks in an acceptable position to assure pedestrian safety.

Funding Source

State Street Aid Fund	\$ 30,000
Capital Projects Fund	<u>90,000</u>
TOTAL	<u>\$120,000</u>

Operational Impact: Sidewalk renovation does not initially impact operating expenses. Direct operating costs are generally insignificant and can be handled with existing municipal forces.

3. State Route 95/58 Road Improvements

The scope of this project includes widening State Route 95/58 in Roane County and State Route 95 in Anderson County from I-40 Gallahar Road interchange to State Route 62 (South Illinois Avenue). Phase I improvements included widening the existing two-lane roadway to a five-lane section from I-40 to the Clinch River and a four-lane divided roadway from the Clinch River to SR 95/58 interchange with an excluded roadway section around Heritage Center. Phase II improvements include widening to a four-lane divided roadway between SR 95/58 interchange to Westover Drive and installation of

new water infrastructure to serve the west end. Phase III improvements included widening to a four-lane divided highway from Westover Drive to Jefferson Avenue and a five-lane section from Jefferson Avenue to State Route 62 (South Illinois Avenue) and upsizing water lines to serve the west end and some sanitary sewer upgrades.

Phase I was completed in 2002. Phase II construction is underway and scheduled for completion in July of 2012. Phase III construction was completed in September 2010. Phase II new water lines have already been funded by the City and CROET. Relocated water/sewer lines for Phase III were be funded by TDOT with upsizing and new lines funded by the City.

Funding Source

State of Tennessee and Federal Funding	<u>\$15,000,000</u>
--	---------------------

Operational Impact: The City has already paid the State its anticipated share to move, upgrade or install water, wastewater and electric infrastructure along SR 95/98. Additional funding could be required by the City if this does not meet the final contractual requirements by the State. Ongoing maintenance will be provided under the City's highway maintenance contract with the State. Current traffic volumes on SR 95/58 are projected to increase the need for additional traffic lanes. With current roadway widening projects on the east and west ends of Oak Ridge, there may be a future need to fully evaluate the Oak Ridge (Downtown) Turnpike roadway section for possible improvement to provide an acceptable level of service.

TOTAL TRANSPORTATION	<u>\$16,070,000</u>
-----------------------------	----------------------------

V. Utilities

1. Facilities Expansion for New Load

This item combines the various elements of the Electric Department's efforts to serve new loads with the exception of substations and major feeder lines. These include line extensions, construction within subdivisions and other such activities. Cost is dependent on development activity and this should be treated as a placeholder.

The cost and timelines for these projects are development driven, and thus difficult to predict. Expenditures for underground residential development topped in FY09, a large increase from the years previous. Commercial expansion expenditures were also ahead of projections slightly. We expect moderation in these figures over the next few years. Funding demands in the ETPP area have also exceeded expectation and capital has been adjusted accordingly.

This expense is required to serve new loads under existing council policy. All costs expended in this item are protected by the City's justified investment policy, which should provide for cost recovery through the rate over time.

Funding Source and Projects

Electric Fund	<u>\$455,000</u>
Underground Residential	\$200,000
Overhead Residential	55,000
Underground Commercial	150,000
Overhead Commercial	<u>50,000</u>
TOTAL	<u>\$455,000</u>

Operational Impact: Expanded service areas will require additional maintenance by City electrical crews. Outside contractors are utilized for distribution expansion and other operational projects to supplement electric crews on an as needed basis.

2. Electrical Distribution System Improvements

This project provides for the upgrade of existing system components, including conductors, underground service vaults, and the addition of specific protection devices. It describes non-routine work done by the department to rectify identified inadequacies, along with items required to enhance system performance.

All circuits are continually monitored for overloading, deterioration or other conditions that require updating.

Underground cable failure and replacement continues to be a major effort. This work was originally intended to be cut in half next year, but a spate of failures has moderated this goal to 25% reduction for the next three years. Out projects have been left unchanged as progress through the system indicates a reduction will be in order at that time. Work is beginning in the Westwood subdivision to supply a new feed into the area. We plan to finish this important feed over the next two years. Other improvements were made in small sections.

Line segments are routinely evaluated via the Department's system model for potential use in switching operations, alternate feeds and line loss, as well as age, condition and functionality. Other structures particularly underground vaults need to be upgraded. With new equipment installed, annual operating costs should decrease and system safety improved. Additionally, underground cables in parts of the City are reaching the end of their useful life.

Funding Source and Projects

Electric Fund		<u>\$1,750,000</u>
Circuit Improvement	\$ 150,000	
Underground Cable Replacement	750,000	
Westwood Three Phase Expansion	600,000	
Downline Recloser Additions	<u>250,000</u>	
TOTAL		<u>\$1,750,000</u>

Operational Impact: With new equipment installed annual operating costs should decrease and system safety improved.

3. Electrical Routine Expansion, Maintenance, Replacement and Minor Additions (Maintenance)

Most of the routine work done by the Department is considered capital (under TVA guidelines). This item has been included to capture the cost of that routine capital. Much of the City's underground cable has aged to the point that replacement is necessary. Also this item represents minor items that are completed on an ongoing basis in the Department – such as pole change outs. Miscellaneous capital includes a broad range of items from meters and transformers to protection equipment.

Funding Source

Electric Fund	<u>\$675,000</u>
---------------	------------------

Operational Impact: This is an ongoing project for replacement of aging equipment and will reduce overall maintenance expenses and insure good quality electric power delivery.

4. Street Light Improvement Program (Capital/Maintenance)

This ongoing project provides for the correction of problems to improve the level of street lighting activity within the City. Reduced funding will allow for minor improvements to critical need locations.

The Electrical Department has a street light survey of the city and has policies and guidelines for street lighting. This program will address the street lighting in areas with deteriorated or inadequate lighting. No money is included for significant new lighting. An increased emphasis on "dark sky lighting" will be part of the future effort to minimize the effects of light pollution on the nighttime sky.

Funding Source	
Electric Fund	<u>\$65,000</u>

Operational Impact: This is an ongoing project for replacement of aging equipment and will reduce overall maintenance expenses and provide better lighting of City streets.

5. SCADA and Remote Metering (Capital)

This program combines two significant efforts that will be required in the next few years to operate effectively under the new TVA rate structures, AMR & SCADA. SCADA (Supervisory Control and Data Acquisition) allows remote monitoring and operation of the Electric System. AMR (Automatic Meter Reading) will permit new structures to be implemented and reduce some costs.

The installation of fiber optic cable will provide a communications back bone from which SCADA operations can be launched. The beginning of this system should start within one year. An engineering review of available SCADA options, as well as an evaluation of their ability to reduce operational and energy cost needs to be undertaken. A small test section of AMR is currently operating. Evaluation of its interface abilities is needed.

Additionally, this project could have reduced duration and frequency of electrical outages and improved efficiency of operations. New TVA rate structures will reward utilities that are able to remotely control voltage use monitor loads in real time. Neither of these are possible without a SCADA system. Finally, the communication back bone needed for SCADA system will serve data needs of advanced metering, which will be required to comply with TVA directives and rates.

Funding Source	
Electric Fund	<u>\$1,030,000</u>

Operational Impact: A more in-depth analysis will be required to more effectively define both the qualitative and quantitative benefits and payback of installing these systems.

6. Traffic Signal and Street Lighting Improvements (Maintenance)

This project provides for the routine maintenance, installation and replacement of existing traffic signals, street and private lighting. These items are maintained and replaced on an ongoing basis and will be budgeted annually.

Funding Source	
Electric Fund	<u>\$110,000</u>

Operational Impact: The Electric Fund pays for and installs the capital equipment and performs ongoing maintenance to the traffic/street lighting systems. The General Fund annually pays the Electric Fund a 13% investment charge on the net book value of the traffic signal and street lighting assets for the installation and maintenance of the equipment.

7. Electric Substation Improvements

This project provides funding to install communications and security equipment in electrical substations, and also to provide upgrades to equipment in the stations. The manufacturer has identified protective equipment relays at several substations as obsolete. Replacement planning is underway with a view toward standardization and future electronic (SCADA) control. Additionally, security is being tightened via broadband communications and improved security systems.

In the past, we have used telephone lines to monitor alarm conditions, which have prevented many outages and helped the situation somewhat. Current equipment being installed in substations has significantly greater communications capability. As the price of wireless wide area network technology decreases, the ability to utilize this capability and provide basic system monitoring becomes economically feasible. The security of the stations, both from a homeland security standpoint and from a pilferage standpoint needs to be improved. This project would allow both of these objectives to be met. Many of the relays in the field are antiquated units with "hard to find" parts. Improvements include moving station equipment into the field and replacing it with newer more reliable equipment.

Costs have been adjusted this year to compact the time frame of the work.

Funding Source

Electric Fund	<u>\$100,000</u>
---------------	------------------

Operational Impact: Most of the operating costs required by the new systems would be covered by the replacement of those currently being paid for existing services.

8. Storm Water Management Activities and EPA NPDES Storm Water Program

This project combines two previous projects regarding the EPA NPDES Storm Water Program and the Storm Water Management Activity. This project provides funding for compliance with the new EPA Storm Water regulations and for routine maintenance activities. Upon completion of a management plan, additional funding will be allocated in the future for needed improvements to meet required regulations. Such improvements may include upgrading of inadequate structures, replacement of current structures and/or new installations.

Final EPA regulations for Phase II storm water requirements were released in October 1999 and Oak Ridge is expected to fall in this second phase of rulemaking. A management plan was developed in mid-2003 and Camp Dresser & McKee, Inc. is under contract for the management plan process. Although some inventory tasks have been completed, the project is on hold until the State provides official notification that the City is included in the program. The State presently lists Oak Ridge as a pending city for the program.

Funding Source

Capital Projects Fund – Storm Water Management	<u>\$100,000</u>
--	------------------

9. EPA Mandate (estimated)

On September 27, 2010, the City received an administrative order (AO) from the United States Environmental Protection Agency (EPA). The City was found to be in violation of Section 301 of the Clean Water Act (CWA), 33 U.S.C. Section 1311. The City has been given a timetable and actions to be made to remedy the violations with various deadlines from two to twenty-four months. The AO requires the City to provide additional information regarding the violations; develop plans to evaluate and resolve the issues described; and, based on the plans, make changes to policies and construct assets, if necessary. The plans must be approved by the EPA. The City was in the discovery

stage, which includes smoke testing and tving the City's wastewater system, at the time this budget was prepared. More accurate costs regarding capital and ongoing operating expenses will be determined during fiscal 2012. The \$6,500,000 budgeted for capital expenditures related to this mandate were an estimate based on information available at that time. Significantly higher capital and ongoing operating expenses are anticipated due to this mandate.

Funding Source	
Waterworks Fund	<u>\$6,500,000</u>

10. Water Booster Station Upgrades (Maintenance)

Additional maintenance capital is added to replace or upgrade items such as pumps, motors, or pipes that will fail as time further degrades these forty plus year old structures. The general upgrade of all water booster stations is complete. Additional capital maintenance funding is added to replace existing equipment such as pumps and motors over time.

Water booster stations are an integral part of the water system. Repairs and upgrades have resulted in the stations performing more efficiently. The extended life of over thirty years necessitates continued maintenance to provide uninterrupted water service for our customers.

Funding Source	
Waterworks Fund	<u>\$100,000</u>

Operational Impact: Continuation of upgrades to the City's main water booster pump stations including buildings, pumps, motors and the hydraulic capability of the pumping stations. This will reduce maintenance costs and improve the operation of the pumping stations.

11. Water Distribution System Rehabilitation (Maintenance)

This program provides funding for ongoing routine capital maintenance activities within the water distribution system. Replacement of obsolete fire hydrants and large diameter water valves and piping occur throughout the year. Inspection and repainting of the elevated tanks will be performed using routine capital maintenance.

This project continues a plan for rehabilitation of the City's water distribution system concentrating on:

- 1) Replacing obsolete fire hydrants which are no longer manufactured and repair parts are no longer available;
- 2) Inspection and painting of the six elevated water tanks and cleaning in-ground reservoirs is on-going;
- 3) Replacement of approximately 6,000 feet of 14 inch force main from the west booster station up to West Outer Drive due to age and large number of breaks on that line, estimated to be approximately \$900,000 and
- 4) Replacement and downsizing of water meters.

Funding Source and Projects	
Waterworks Fund	<u>\$570,000</u>

Water Tank Painting & Inspection, Reservoir Cleaning	\$80,000
Water System Rehabilitation	255,000
Fire Hydrant Replacement	160,000
Water Meter Replacement & Downsizing	<u>75,000</u>
TOTAL	<u>\$570,000</u>

Operational Impact: This project will concentrate on replacement of aged system components focusing initially on large diameter valves (14" through 30") and valve vaults and finally on water main replacement. This will decrease the number of water breaks and lower maintenance costs. Older fire hydrants are being replaced instead of being repaired because the parts are obsolete.

12. Water Treatment Plant Improvements (Capital/Maintenance)

This program provides ongoing capital improvements to the Water Treatment Plant necessary to ensure the plants physical and mechanical structure is solid, thus allowing it to continuously produce drinking water that meets the guidelines established by State and Federal regulations. DOE had owned and operated the plant since its construction in the early 1940's. The plant provides potable water to both the Y-12 and X-10 facilities as well as to the City of Oak Ridge. The City assumed ownership and operational responsibilities of the Water Treatment Plant from DOE on May 1, 2000. Prior to the transfer to the City, a physical and structural analysis of the plant and its related facilities indicated that the plant's physical condition, while still functional, would require various improvements in order to replace outdated equipment with new, modern and more reliable equipment and allow the facility to run cost efficiently. Engineers identified a four million dollar five-year improvement program and the financial support of this program has been factored into the rate structure. These improvements have been slowly implemented since the city assumed ownership. Ongoing capital maintenance funding will continue annually.

Fiscal 2012 improvements include completion of design and begin construction of electrical upgrades, install chemical building to house liquid chlorine and discontinue use of gaseous chlorine for water treatment, and replace the roof on the main operations building. The completion of the electrical upgrades is expected to extend into fiscal 2013. Annual routine capital improvements are budgeted at \$500,000.

This project is subject to change based on future regulations from the EPA.

Funding Source and Projects

Waterworks Fund	<u>\$1,650,000</u>
Electrical Upgrade	\$500,000
Construct Chemical Building	300,000
Roof Replacement-Main Operation	350,000
Maintenance Capital Improvements	<u>500,000</u>
TOTAL	<u>\$1,650,000</u>

Operational Impact: These upgrades should provide more efficient, effective and safer operations with minimal ongoing operating cost increases.

TOTAL UTILITIES	<u>\$13,105,000</u>
TOTAL CITY OF OAK RIDGE	<u>\$33,310,431</u>

VI. Schools

1. Site Development and Building Improvements to Various Schools (Maintenance)

This project provides for improvements to existing School facilities. Projects for fiscal 2012 are for the completion of replacement of air handlers at Jefferson Middle School, boiler replacement at Linden Elementary, replacement of gas packs at Woodland and Willow Brook Elementary and system-wide carpet and asbestos abatement. The Asbestos Hazard Emergency Act requires that all schools in the nation inspect, test and evaluate all suspect building materials. Fiscal 2012 projects include air monitoring, testing and removal of materials.

Funding Source and Projects

Capital Projects Fund		<u>\$ 750,000</u>
Jefferson Middle School	\$ 250,000	
Asbestos Abatement-System Wide	165,000	
Linden Elementary School	100,000	
Woodland Elementary School	72,000	
Willow Brook Elementary School	63,000	
System Wide Carpet Replacement/Sidewalk Repair	50,000	
School Capital Maintenance-Miscellaneous	<u>50,000</u>	
TOTAL	<u>\$ 750,000</u>	

Operational Impact: Most projects will increase efficiency and effectiveness of equipment resulting in minimal operational impact on School Staff.

TOTAL SCHOOLS **\$750,000**

GRAND TOTAL - CAPITAL IMPROVEMENTS **\$34,060,431**